



Results 2014

- Media / investor presentation, 18th March 2015
- Dr. Norbert Klapper, Group CEO
- Joris Gröflin, Group CFO

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1. Introduction and summary of 2014 Dr. Norbert Klapper
 2. Financial results 2014 Joris Gröflin
 3. Strategic focus & outlook Dr. Norbert Klapper

2014: Key messages today

“Rieter accomplished its execution agenda in 2014 and took advantage from the excellent market position and the extended capacities.

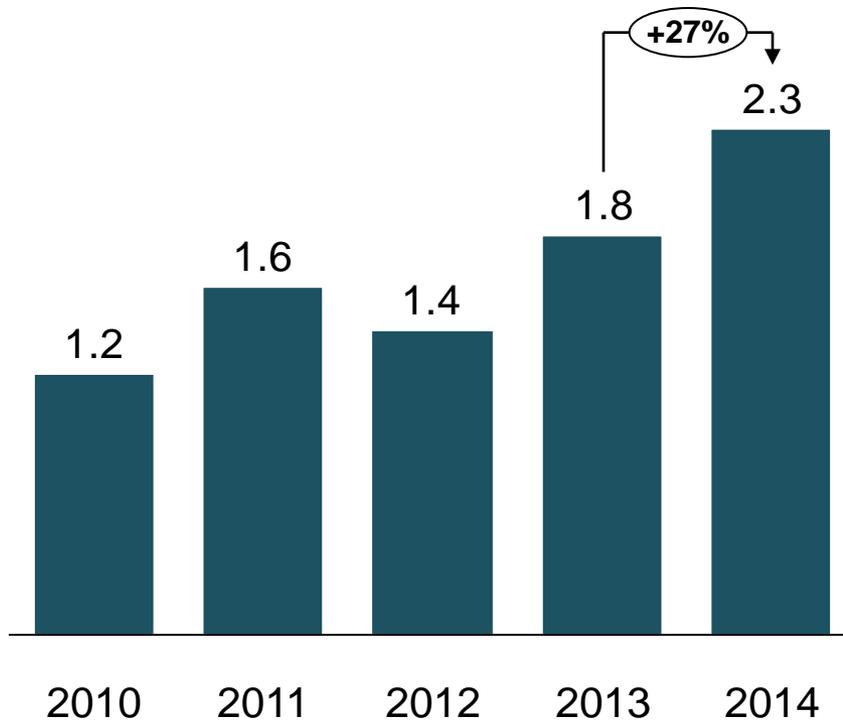
Rieter’s progress in profitability and in leveraging the global footprint are a strong base to benefit from future opportunities and master challenges in order to achieve our mid-term targets.”

Dr. Norbert Klapper, CEO

- Execution agenda – accomplished
 - Record spindle shipments
 - Market share increased
 - Profits and Free Cash Flow followed
 - Attractive dividend proposed
- Strategic focus reviewed, first steps implemented
- Profitability improvement measures launched
- Second half year: 631 million CHF sales @ 8,8% EBIT in % of sales

Increase of spindle equivalent shipments of 27% against 2013

Rieter spindle equivalents shipments (in million)



Success drivers

- System provider: Shipment of substantial full ring and rotor spinning mill equipment
- Strong sales and distribution network across the globe
- Competitive product portfolio
- Innovations (e.g. EliTe Advanced at PTC)
- Increased capacity after investment program 2012 / 2013, now also with ring spin systems available in China

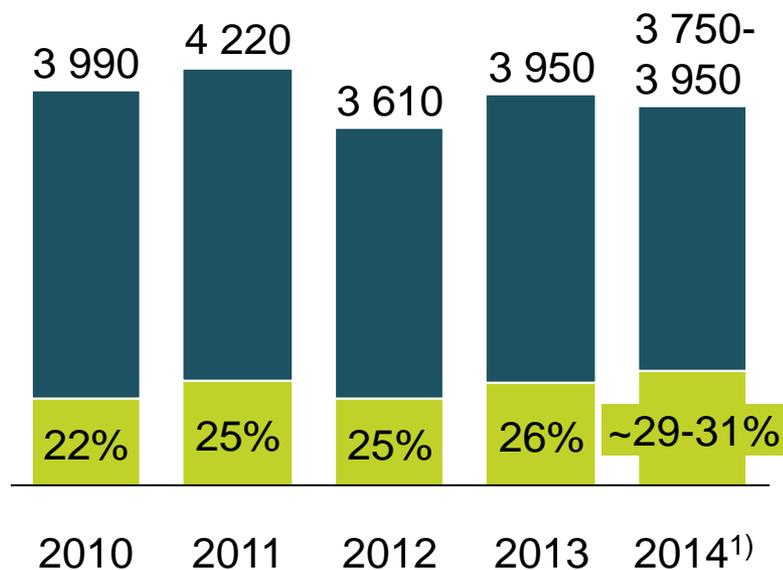
Endspinning machines only

Rieter position

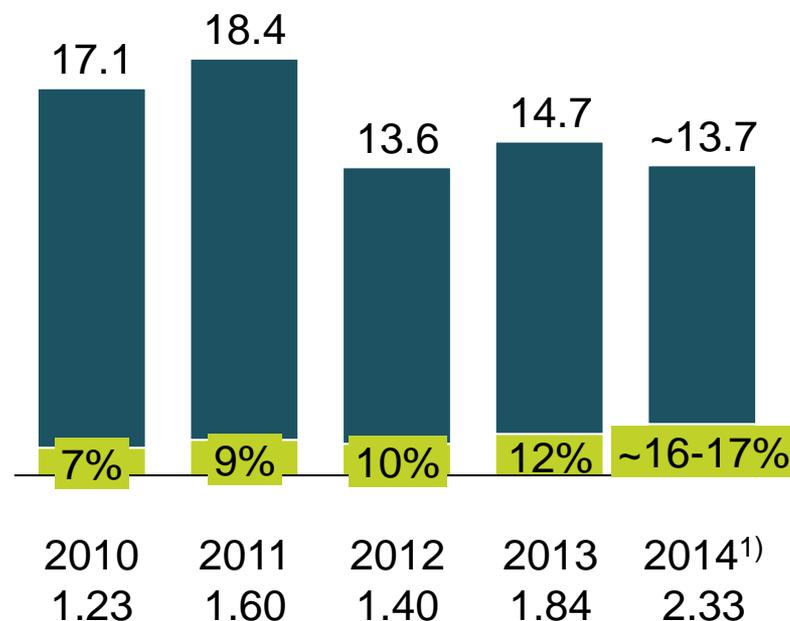


Increase in market share thanks to strong position and capacity increase

Value (in million CHF)



Spindle equivalents (in million)



Market value Rieter market share

Market Rieter shipments (% of market)

w/o Winder

Endspinning machines only

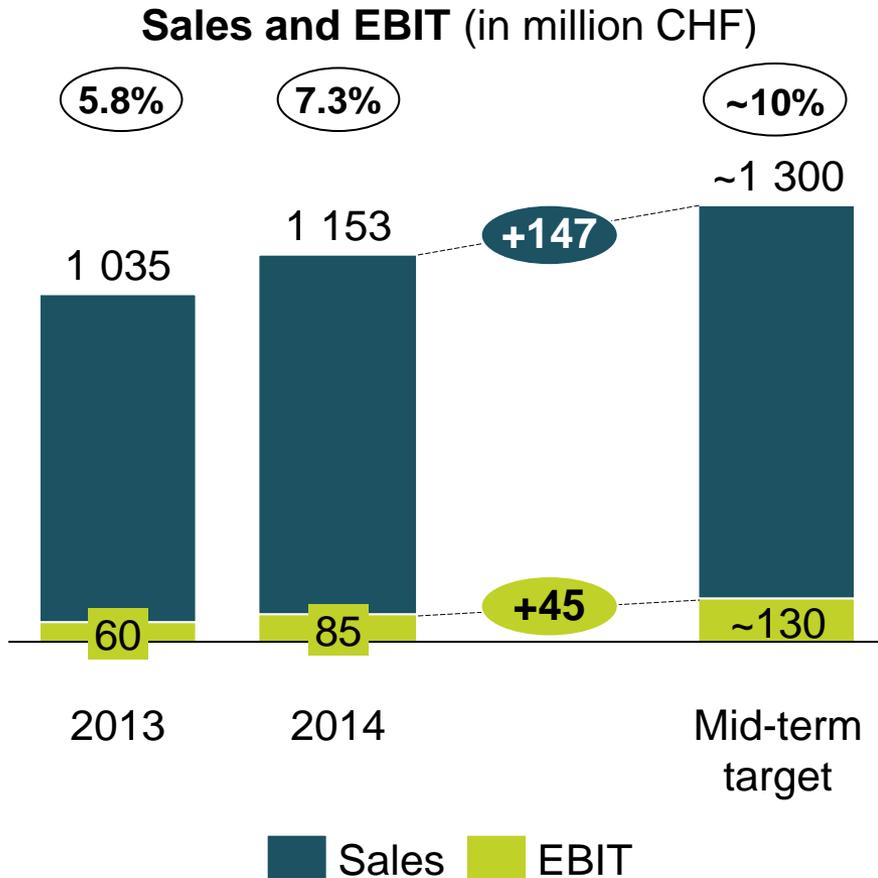
Source: Rieter estimates, ITMF 1) Preliminary estimates

RIETER is the world's leading supplier of short staple spinning systems offering the full range of machines, parts and components

- Creating customer value through
 - system expertise
 - **innovative solutions**
 - **after sales excellence**
 - global presence
- Generating **profitable growth** and value for shareholders over the cycle
- Enabling employees to achieve superior results and to enjoy work

Strategic focus – profitable growth

Progress made towards mid-term targets – improvement ongoing



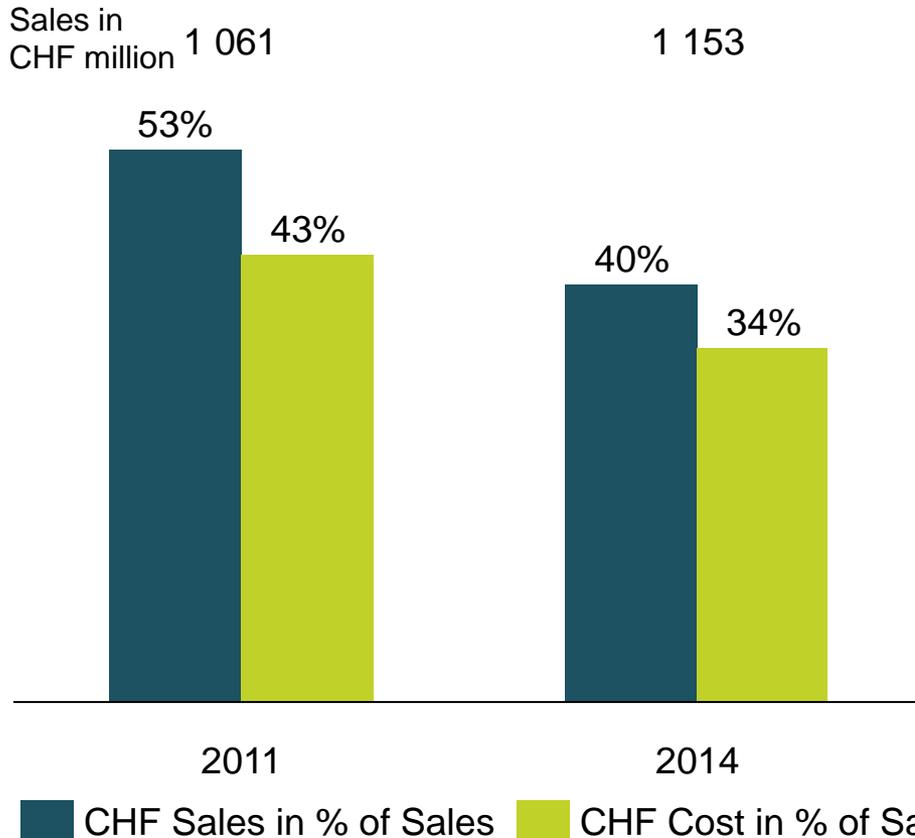
Improvement measures

Focus area	Content
Delight your customer	Improve customer satisfaction
Margin	Price Enhance strategic pricing
	Mix Utilize capacities in China and India
	Product cost Execute cost down initiatives
Business segment mix / volume	Grow in after sales and components business
Structure	Efficiency in Europe, China and India
Innovation	Reinforce value-creating innovation

Rieter's Swiss franc challenge



Additional measures initiated to reduce negative impact of strong CHF



- Swiss franc exposure reduced since 2011
- Investments in China and India as well as Czech Republic allow for greater flexibility
- Rieter expects increasing pricing pressure on sales invoiced in Swiss francs in the 2015 financial year
- Short term profitability improvement measures have been released to counteract the potential negative impact on top and bottom line of the stronger Swiss Franc. In addition, Rieter will streamline production and reduce purchasing volume in Switzerland

Note: Sales currency denomination in 2014 was as follows: 40% of sales in Swiss francs, 37% in euros and 23% in US dollars and local currencies

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Rieter – Financial highlights 2014



Higher sales and profitability – dividend of 4.50 CHF per share

CHF million, except dividend

Orders received	-9%	1 146.1	Strong HY1
Sales	+11%	1 153.4	Strong HY2
EBIT	+41%	84.6	Strong HY2
Net profit	+41%	52.9	Strong HY2
Investments	-23%	42.2	Return to levels of depreciation / amortization
Net liquidity	+22%	171.1	Bolstered by Free Cash Flow of 49.1 million CHF
Dividend	+29%	4.50 CHF / share	Dividend yield of 2.7%

Rieter – Financial key figures



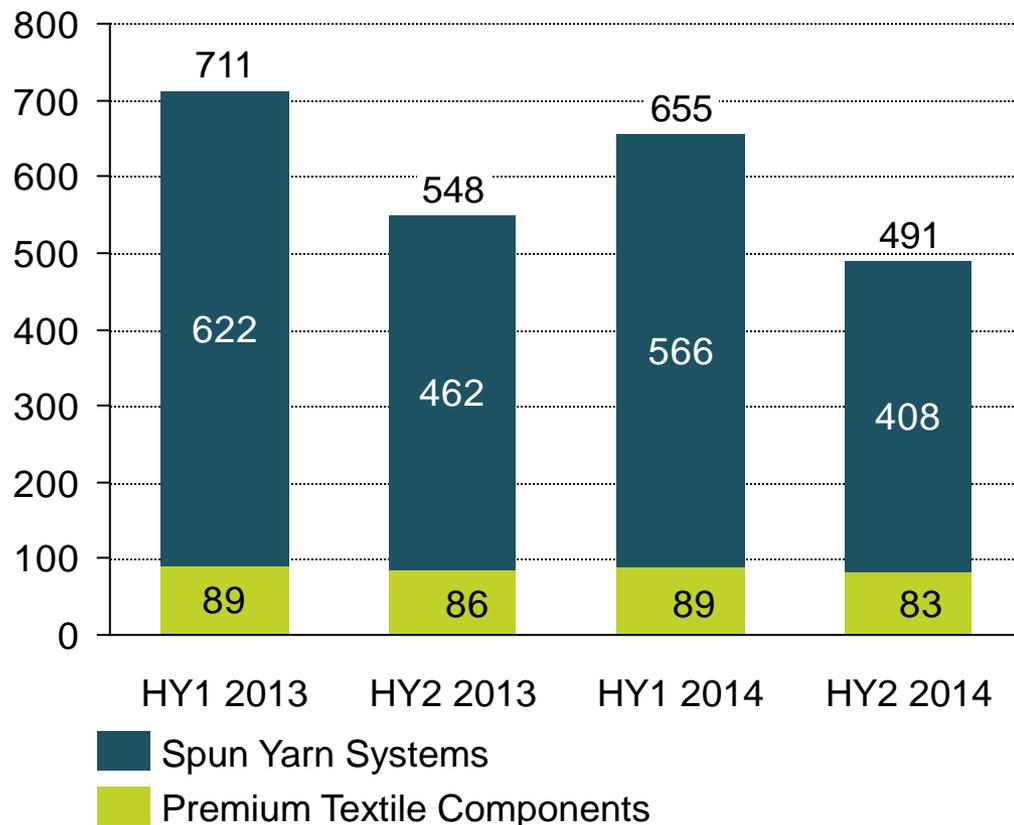
Substantial improvement of profitability supported by higher sales

CHF million	FY 2014	HY2 2014	HY1 2014	FY 2013
Order Intake	1 146.1	490.6	655.5	1 259.4
Sales	1 153.4	631.3	522.1	1 035.3
EBITDA	125.4	77.0	48.4	95.2
EBITDA margin (of sales)	10.9%	12.2%	9.3%	9.2%
EBIT	84.6	55.8	28.8	60.2
EBIT margin (of sales)	7.3%	8.8%	5.5%	5.8%
Net profit	52.9	38.6	14.3	37.4
R&D expenditures	46.3	24.8	21.5	45.0
Capex	42.2	29.7	12.5	55.0
Free Cash Flow	49.1	52.0	-2.9	61.1

Orders by business group

Orders received of 1 146.1 million CHF at the level of sales

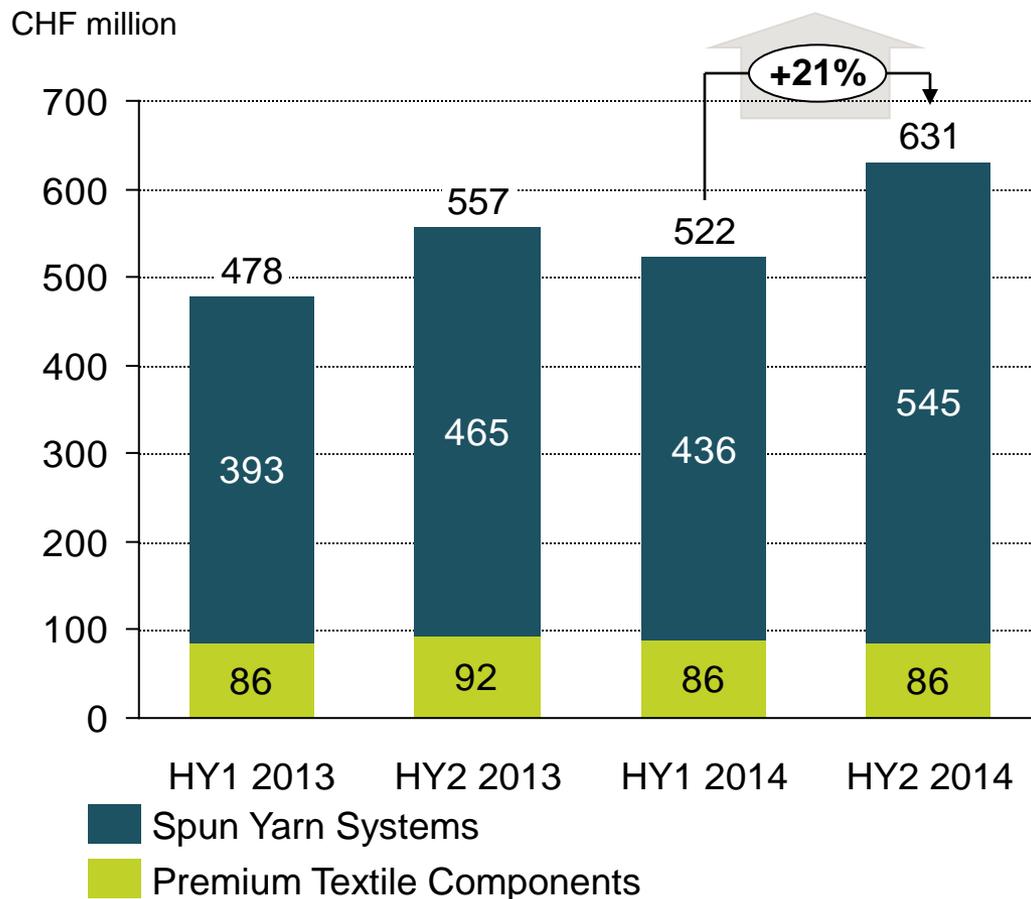
CHF million



- High levels of orders booked in various Asian countries, Turkey and the US
- Positive trend in India continued
- In China subdued demand
- Decline in second half of the year mainly due to fewer orders from Turkey and China
- Business Group Spun Yarn Systems with 973.8 million CHF orders received (- 10% vs. 2013)
- Business Group Premium Textile Components with 172.3 million CHF orders received (- 2% vs. 2013)
- Order backlog at year-end at around 730 million CHF

Sales by business group

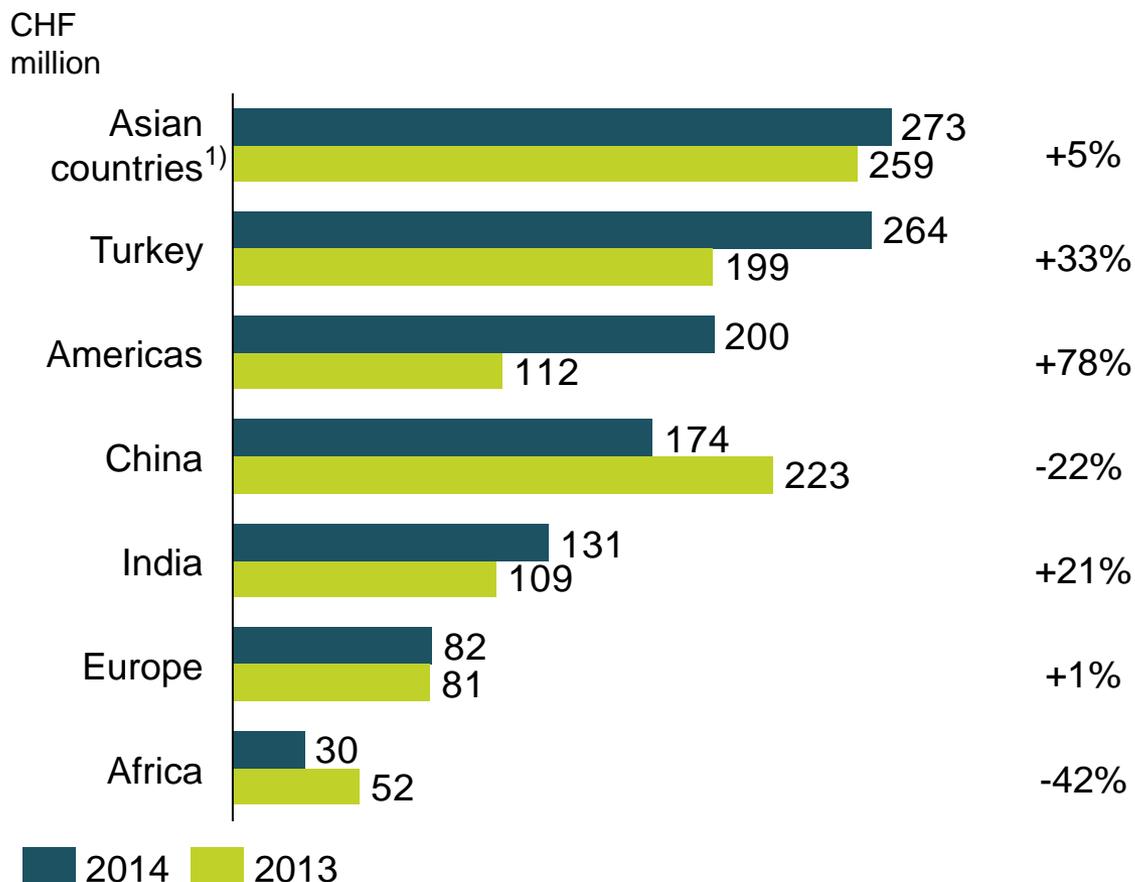
Sales increased by 11% to 1 153.4 million CHF



- Sales in the second half of the year were 21% higher than in the first six months
- Business Group Spun Yarn Systems with 981.0 million CHF sales (+ 14% vs. 2013)
- Business Group Premium Textile Components with 172.4 million CHF sales (- 3% vs. 2013)
- Rieter achieved a record output of spindle equivalents

Sales development by region

Strong growth in Turkey and the US

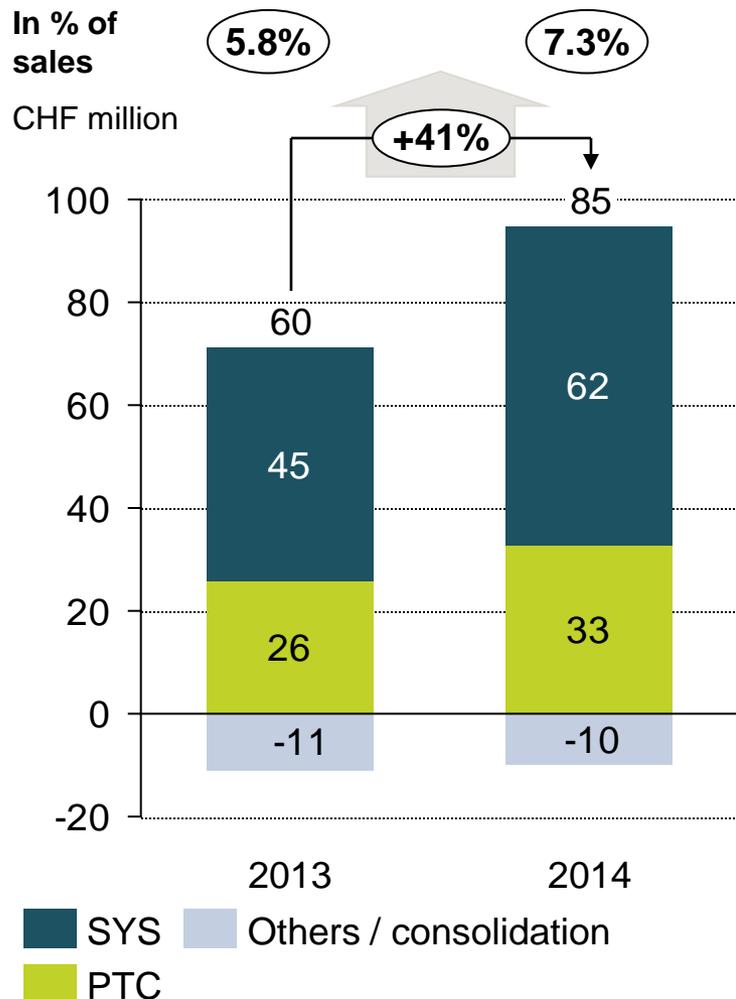


- Global distribution of sales
- Turkey and the Americas outpace growth of other countries
- Share of sales to China at 15% (2013: 22%) – Chinese demand subdued
- Share of sales to India remains around 11% (2013: 10%)
- Share of sales to Asia at 73% (2013: 76%)

1) Without China, India and Turkey

Operating result (EBIT)

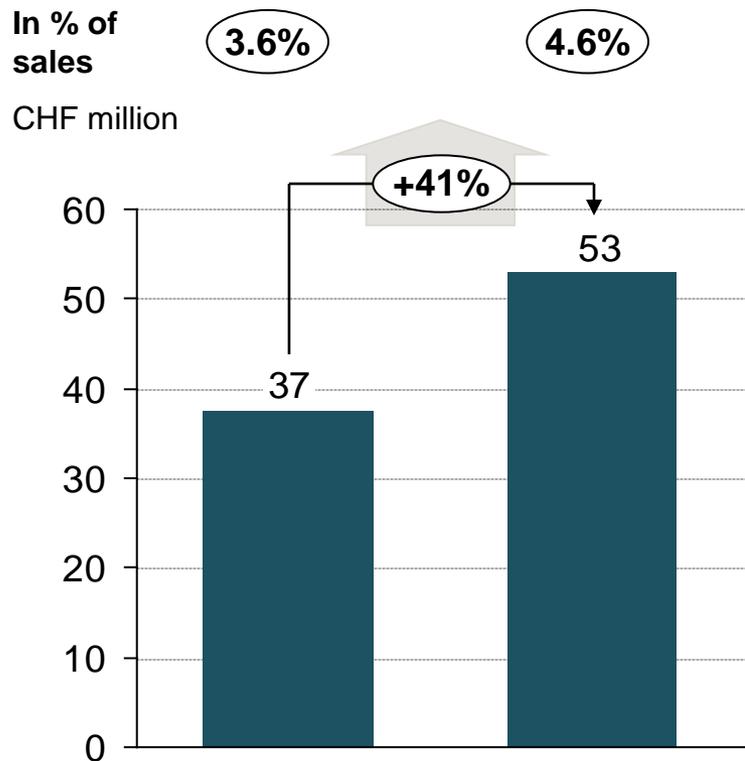
EBIT margin increased to 7.3%



- EBIT increased by 41% to 84.6 million CHF in 2014
- Higher profitability in HY2 of 8.8% of sales driven by both BG
- Profitability development stems from
 - Higher sales (sales growth of 11%), disciplined management of personnel (employee costs + 4%) and cost discipline (other expenses + 9%): EBITDA increases by 30.2 million CHF against 2013
 - Depreciation and amortization increases by 5.8 million CHF against 2013
 - Expenses related to the completion of the projects for the IT assisted business processes no longer incurred in HY2

Net profit and RONA

Net profit margin increase to 4.6% thanks to better operating result

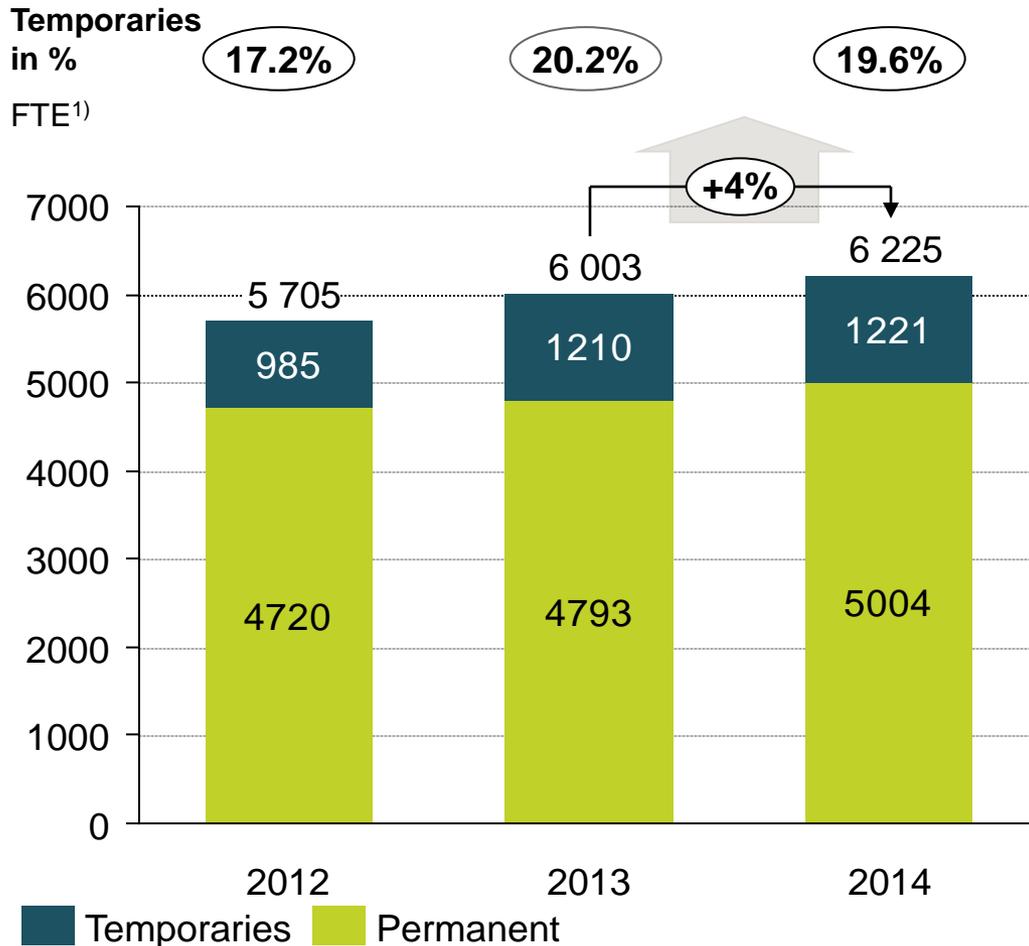


	2013	2014
EPS in CHF	8.56	11.52
Div. in CHF	3.50	4.50 (proposal)
RONA in %	8.5%	10.5%

- Financial result is slightly lower than previous year which benefited from positive special factors (revaluation gain of 5.2 million CHF from minority investors put option)
- Tax rate declined to 25.8% (previous year 28.8%)
- Earnings per share increased to 11.52 CHF
- Board of Directors proposes a dividend of 4.50 CHF per share out of the reserve from capital contributions (dividend yield of 2.7%) – this corresponds to 39% of earnings per share distribution ratio
- RONA increased to 10.5%, thereby exceeding cost of capital

Changes in workforce

Total workforce increased by 4% despite sales increase of 11%



- Higher sales volumes of 11% managed with 4% more employees
- Higher output was achieved through productivity increases resulting from operational excellence initiatives

1) Excluding apprentices, including temporary employees

Balance sheet



Net liquidity increases to 171.7 million CHF and equity ratio to 37%

CHF million	31.12. 2014	30.06. 2014	31.12. 2013
Total assets	1 209.4	1 100.2	1 114.0
Non-current assets	387.3	362.5	371.1
Net working capital	24.6	40.2	14.7
Liquid funds	445.6	300.4	369.7
Net liquidity	171.7	118.6	141.3
Short-term financial debt	168.1	175.4	44.8
Long-term financial debt	105.8	6.4	183.6
Shareholders' equity	441.9	387.9	389.7
in % of total assets	37%	35%	35%

- Net liquidity of 171.7 million CHF mainly impacted by positive free cash flow of 49.1 million CHF
- Dividend of 16.0 million CHF (3.50 CHF per share) paid out in April 2014
- Short-term financial debt includes 151.9 million CHF bond (2010 – 2015, 4.5%)
- Long-term financial debt includes bond issued in 2014 (100.0 million CHF, 2014 – 2020, 1.5%)
- Shareholders' equity ratio increased to 37%

Net working capital



Slight increase of net working capital to 24.6 million CHF

CHF million	31.12. 2014	30.06. 2014	31.12. 2013
Inventories	253.1	264.8	233.0
Trade receivables	73.5	105.1	94.1
Other receivables	49.9	67.4	46.1
Trade payables	-107.6	-106.5	-96.0
Advance payments	-104.4	-138.8	-135.5
Other current liabilities	-139.9	-151.8	-127.0
Net working capital	24.6	40.2	14.7

Net working capital increases 9.9 million CHF mainly due to

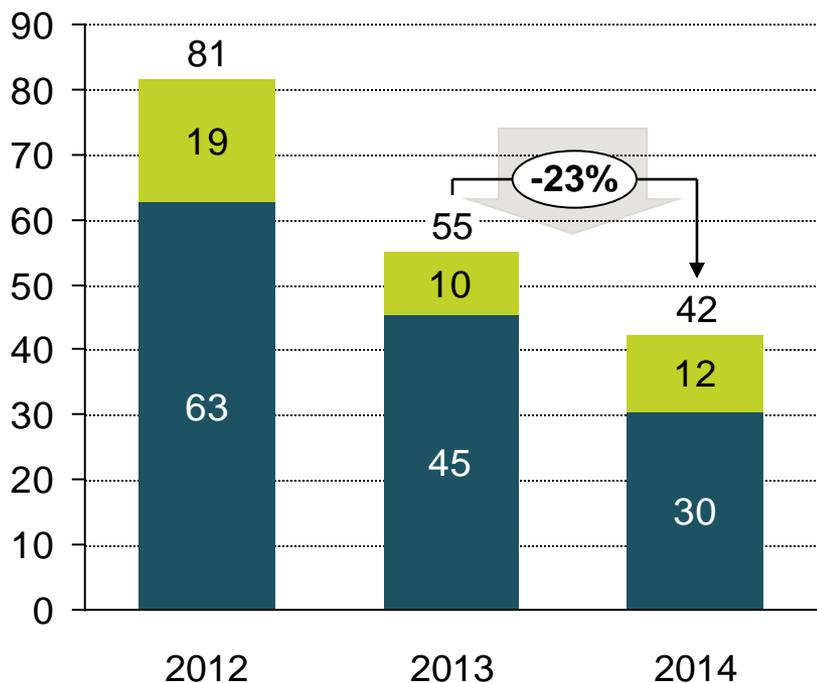
- Higher inventories driven by higher sales volumes
- Lower advance payments from customers due to lower HY2 order intake
- Lower trade receivables through good receipt management at year-end
- Higher trade payables driven by higher sales volumes

Capital expenditures / D&A

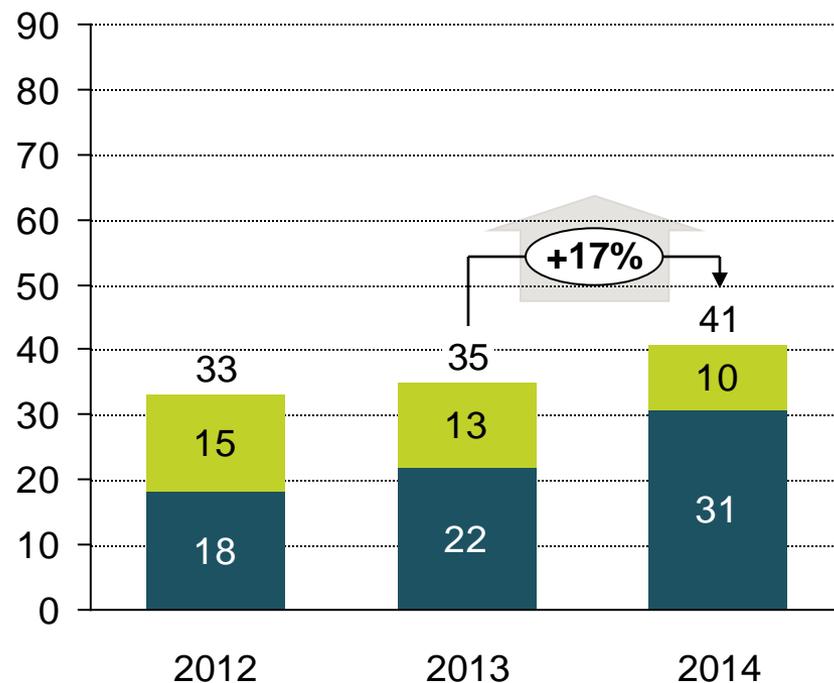
Capital expenditures at depreciation / amortization level (3.7% of sales)

CHF million

Capital expenditures



Depreciation & Amortization



Premium Textile Components Spun Yarn Systems

Free cash flow

Strong free cash flow of 49.1 million CHF

CHF million	2014	2013
Net profit	52.9	37.4
Interest expense (net)	10.7	14.0
Tax expense	18.4	15.1
Depreciation and amortization	40.8	35.0
+/- Non-cash items / disposal gains	4.9	-12.4
+/- Change in NWC and provisions	-13.2	46.1
+/- Interest paid / received (net)	-6.2	-11.5
+/- Taxes paid	-18.7	-16.0
+/- Capital expenditure, net	-41.1	-49.5
+/- Change in other financial assets	0.6	2.9
Free cash flow	49.1	61.1

- Free cash flow positively impacted by higher profitability and lower capital expenditure
- Volume related increase of net working capital reduces free cash flow by 13.2 million CHF (46.1 million positive impact in 2013 when customer advances increased substantially)

Return on net assets (RONA) of 10.5% above cost of capital

CHF million	31.12.2014	31.12.2013	2014
Non-current assets	387.3	371.1	
Inventories and receivables	376.5	373.2	
Liquid funds	445.6	369.7	
Total assets	1 209.4	1 114.0	
Non-current liabilities (excl. debt)	-141.7	-137.4	
Current liabilities (excl. debt)	-351.9	-358.5	
Net assets (excl. debt), average	715.8	618.1	622.0
Net profit 2014			52.9
Interest cost 2014			12.7
Net profit before interest cost 2014			65.6
RONA 2014 in %			10.5%

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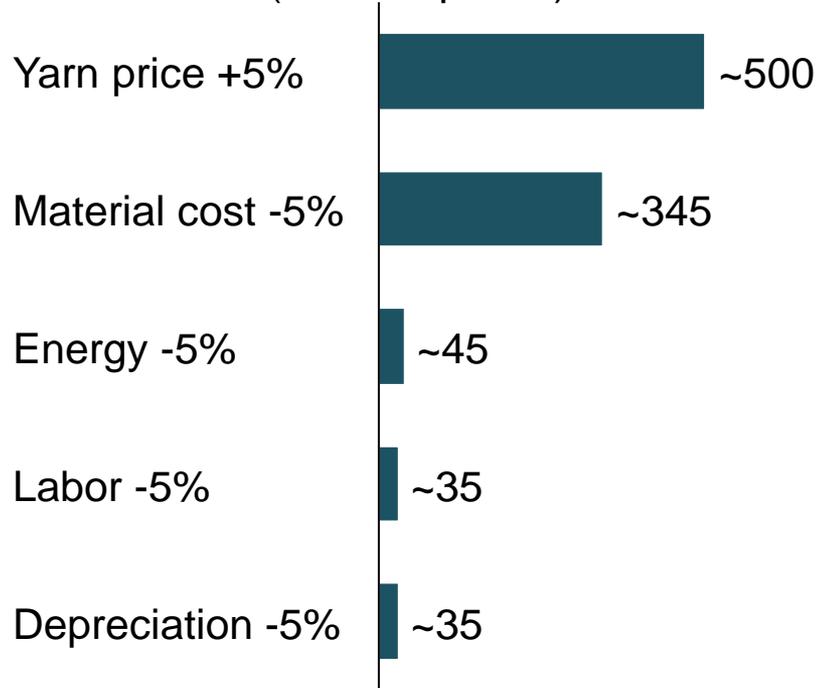
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 - **innovative solutions**
 - **after sales excellence**
 - global presence
- Generating **profitable growth** and value for shareholders over the cycle
- Enabling employees to achieve superior results and to enjoy work

Strategic focus – innovative solutions

Creating customer value through innovative solutions

Spinning mill profitability impact (in basis points)



Rieter innovation focus areas

- ▶ Improvement of yarn property (higher prices)
- ▶ Reduction of raw material cost (Flexibility regarding fibre blends, ability to spin shorter fibres, increased material yield)
- ▶ Reduction of power consumption
- ▶ Automation etc.
- ▶ Machine productivity

Axis: typical spinning mill profitability of ~6%

Assumed typical cost structure of a spinning mill (in % of revenue):

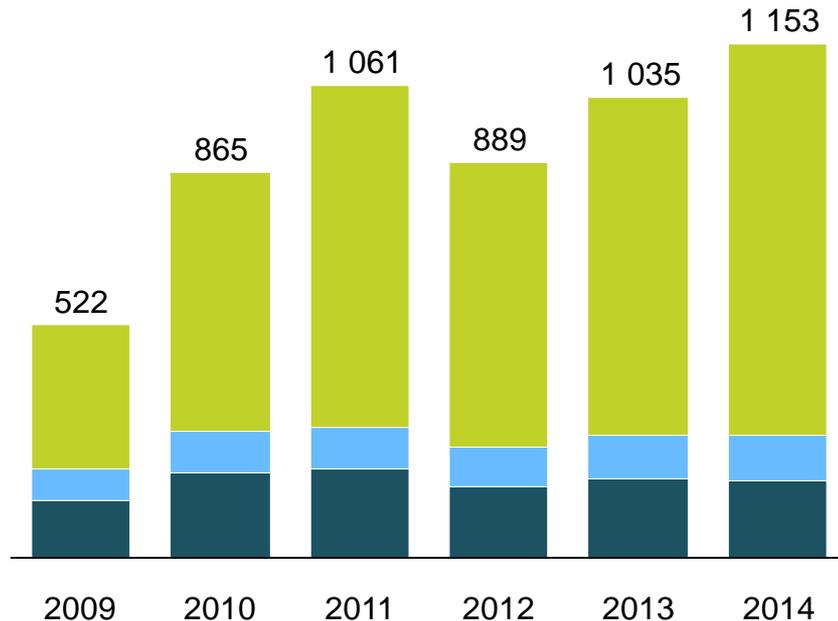
- Material cost ~69%
- Conversion cost ~23%
- Overhead and admin ~2%

Source: Rieter estimates

Strategic focus – after sales excellence

Creating customer value through after sales excellence

Distribution of sales (in million CHF)



Machines & Systems After Sales Components

After sales growth potentials

- Excellent after sales is a key differentiator in the market
- Growth potential for Rieter after sales business based on:
 - Increasing number of Rieter installations
 - Development of new service offerings
- After Sales and Components business is more stable through the cycle
- Third business group After Sales established as of January 1, 2015
- Half-year reporting 2015 will reflect new segments

Strategic focus – after sales excellence



New organization as of January 1, 2015 to reflect strategic focus

Board of Directors



Michael Pieper Member of the Board **Peter Spuhler** Member of the Board **Erwin Stoller** President **This E. Schneider** Vice President **Dr. Jakob Baer** Member of the Board **Hans-Peter Schwald** Member of the Board **Dr. Dieter Spälti** Member of the Board

Management

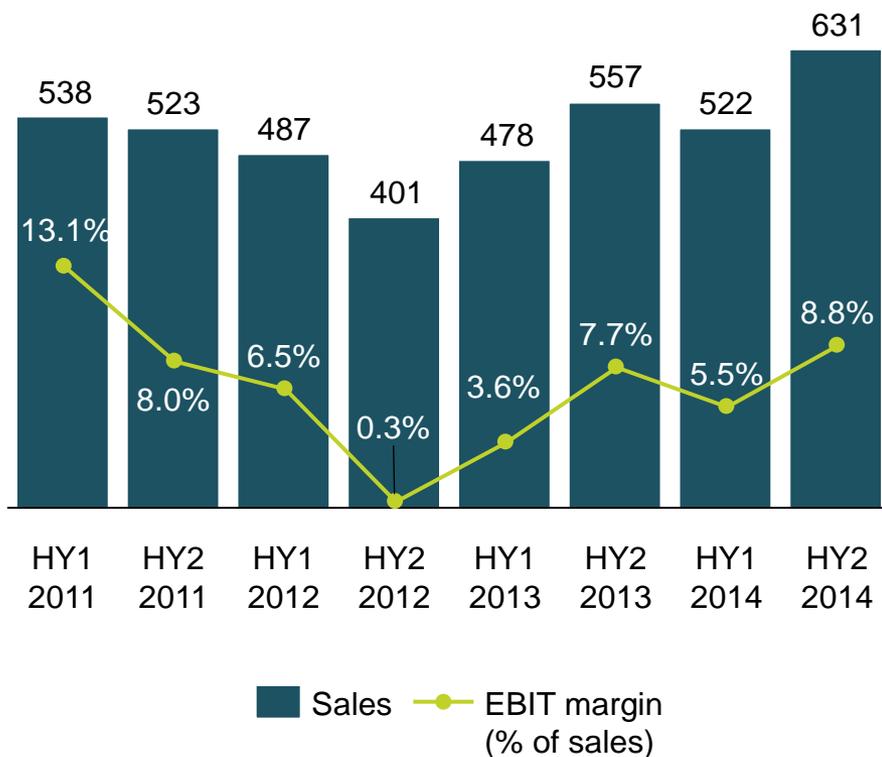


Thomas Anwander General Counsel and Company Secretary **Werner Strasser** Head Business Group Components **Dr. Norbert Klapper** CEO and Head Business Group Machines & Systems **Carsten Liske** Head Business Group After Sales **Joris Gröflin** Chief Financial Officer

Strategic focus – profitability improvement

Progress on profitability in half year 2, 2014

Sales and profitability development (in million CHF)

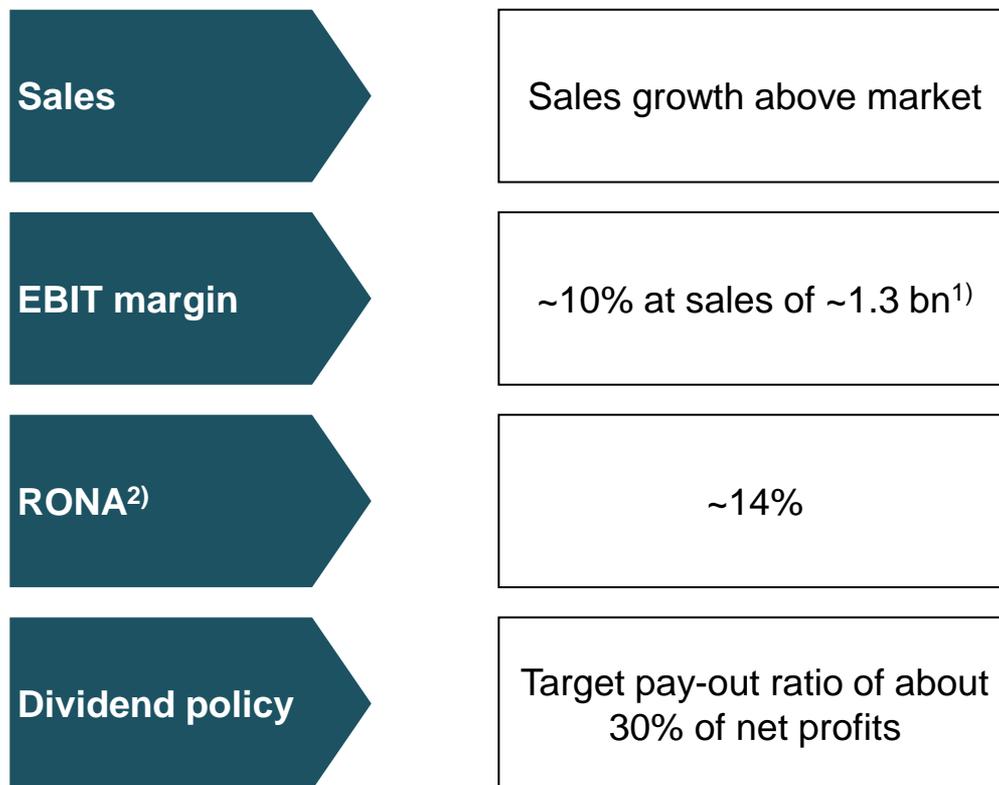


Profitability improvement measures:

- Value-based pricing
- Optimized utilization of existing capacity
- Improvement of product margins
- Reduction of structural costs
- Priorities adjusted to master challenges of new currency scenario

- Rieter has closed the year 2014 with an order backlog of around 730 million CHF which demonstrates the global strength of the company and its brands.
- Rieter's exposure to the Swiss Franc has decreased over the last years. Short term profitability improvement measures have been released to counteract the potential negative impact on top and bottom line of the stronger Swiss Franc. In addition, Rieter will streamline production and reduce purchasing volume in Switzerland. As a result and depending on the effective currency scenario in 2015, the negative impact on operating profitability (EBIT) compared to 2014 is currently estimated in the range of 100 – 200 base points.
- In January and February, Rieter has seen order intake in the After Sales and Components business on last year's levels, as spinning mills continue to order upgrade kits, components and wear & tear parts. Demand in the Machines & Systems business has been below last year's levels. This is perceived to be the result of the currency driven uncertainties in the market and the low demand in China.
- Based on the said above, Rieter expects sales in the first semester 2015 to be around the level of the first semester of 2014. The full year 2015 is currently expected to show lower sales volumes than 2014 due to the slower order intake at Machines & Systems. As a result, EBIT and net profit in 2015 is expected at lower levels than in 2014.
- Rieter will continue to implement the strategy focus on innovation, after sales service and profitability improvements in order to reach its mid-term targets.

Strategic focus – mid-term targets



- 1) Targets assume growth in consumption of short-staple fibers of 2 – 3 % p.a., current (average 2014) exchange rates, raw material prices and product and service portfolio.
- 2) RONA is calculated as net result before interest costs and write-off financial assets divided by net assets excl. financial debt

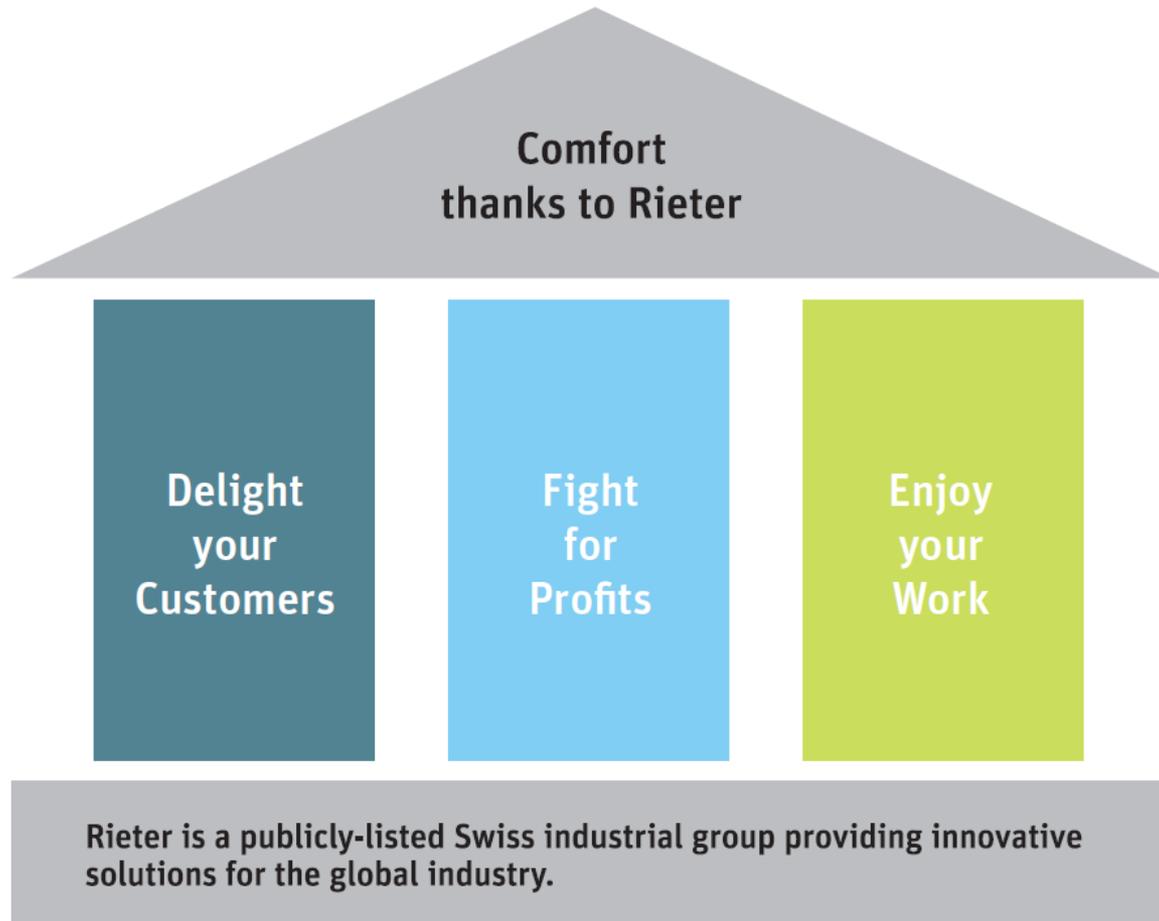
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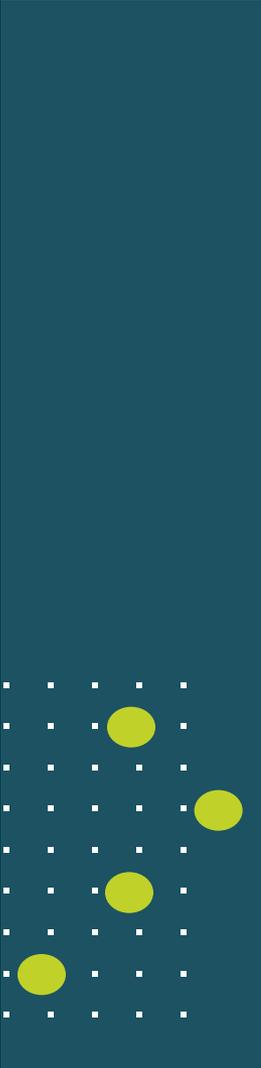


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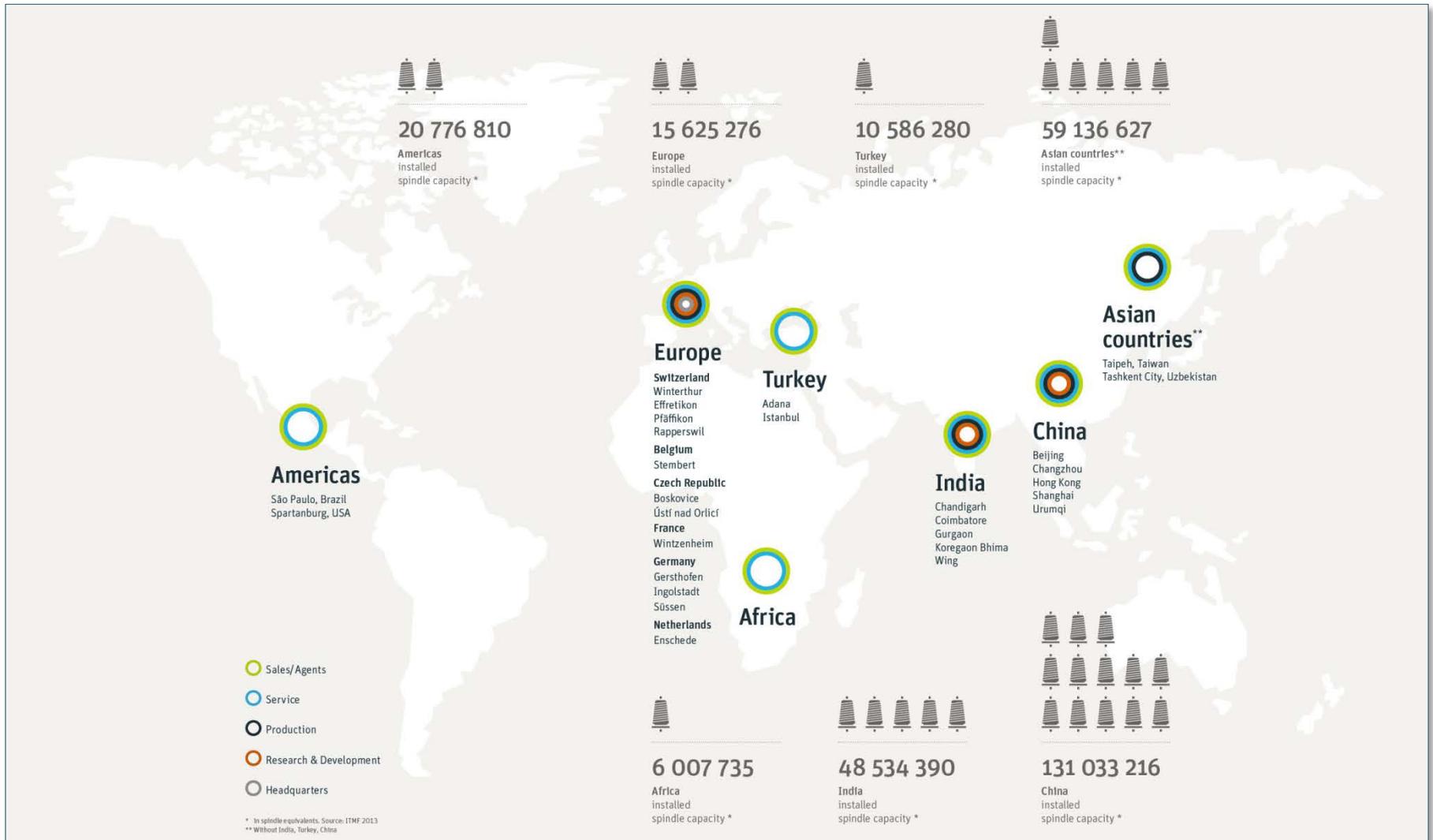
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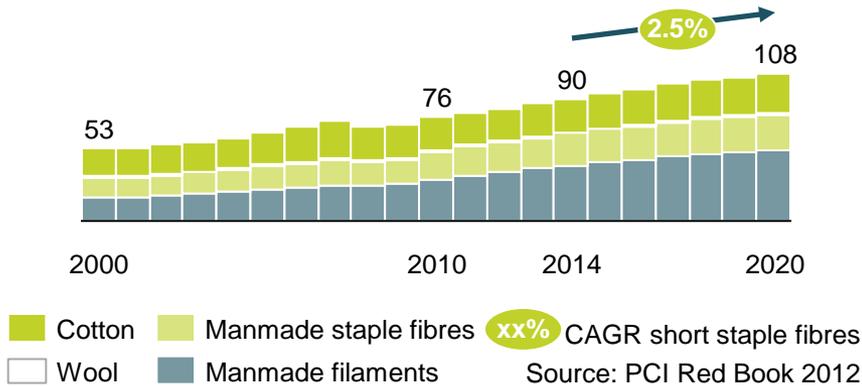
Rieter – global presence



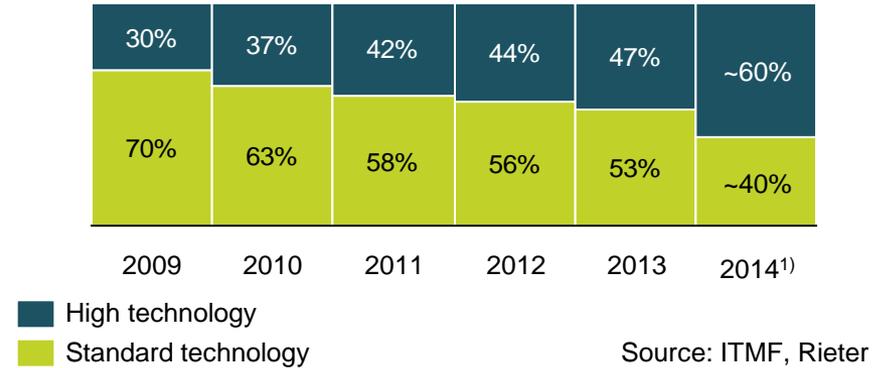
Market trends and growth

Rieter will profit from market drivers and shifts

Textile Mill Consumption (in million tons)



Performance shift (in %)



Market drivers

- Fibre consumption (population, standard of living)
- Short staple vs. filaments (raw material availability, cost, functionality)
- No disruptive technology shift expected

Market shifts

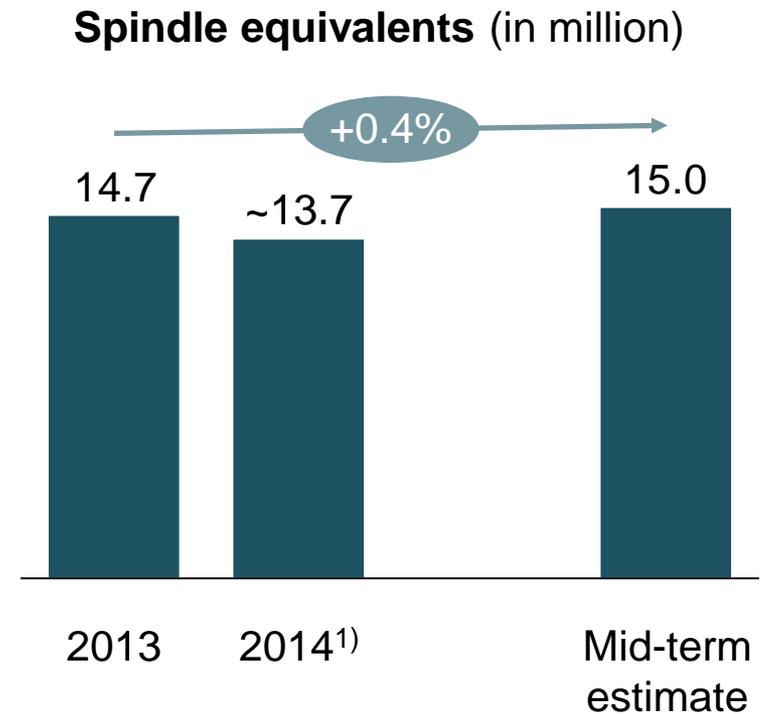
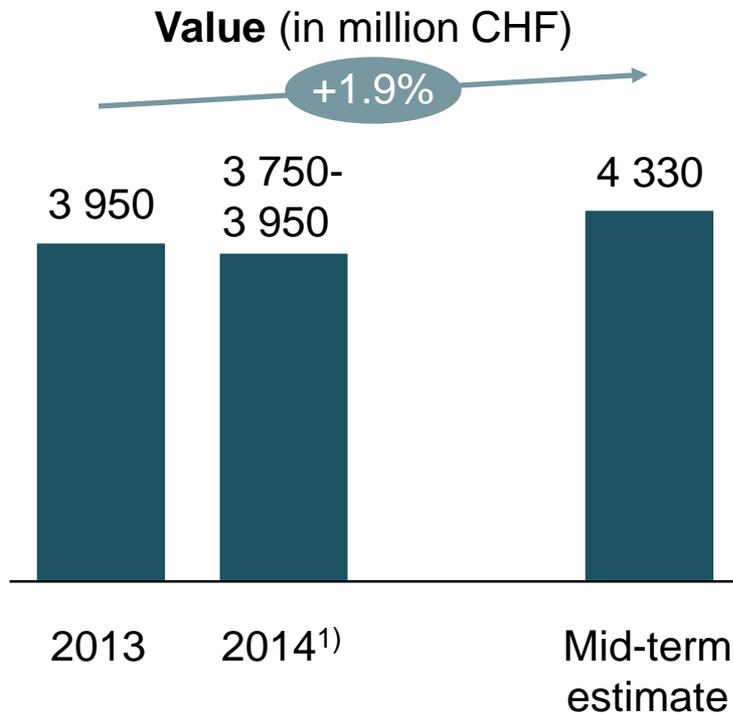
- Performance
- Regional
- Spinning technology

1) Preliminary estimates

Market trends and growth



Market for short staple spinning equipment is assumed to grow in value



w/o Winder

Endspinning machines only

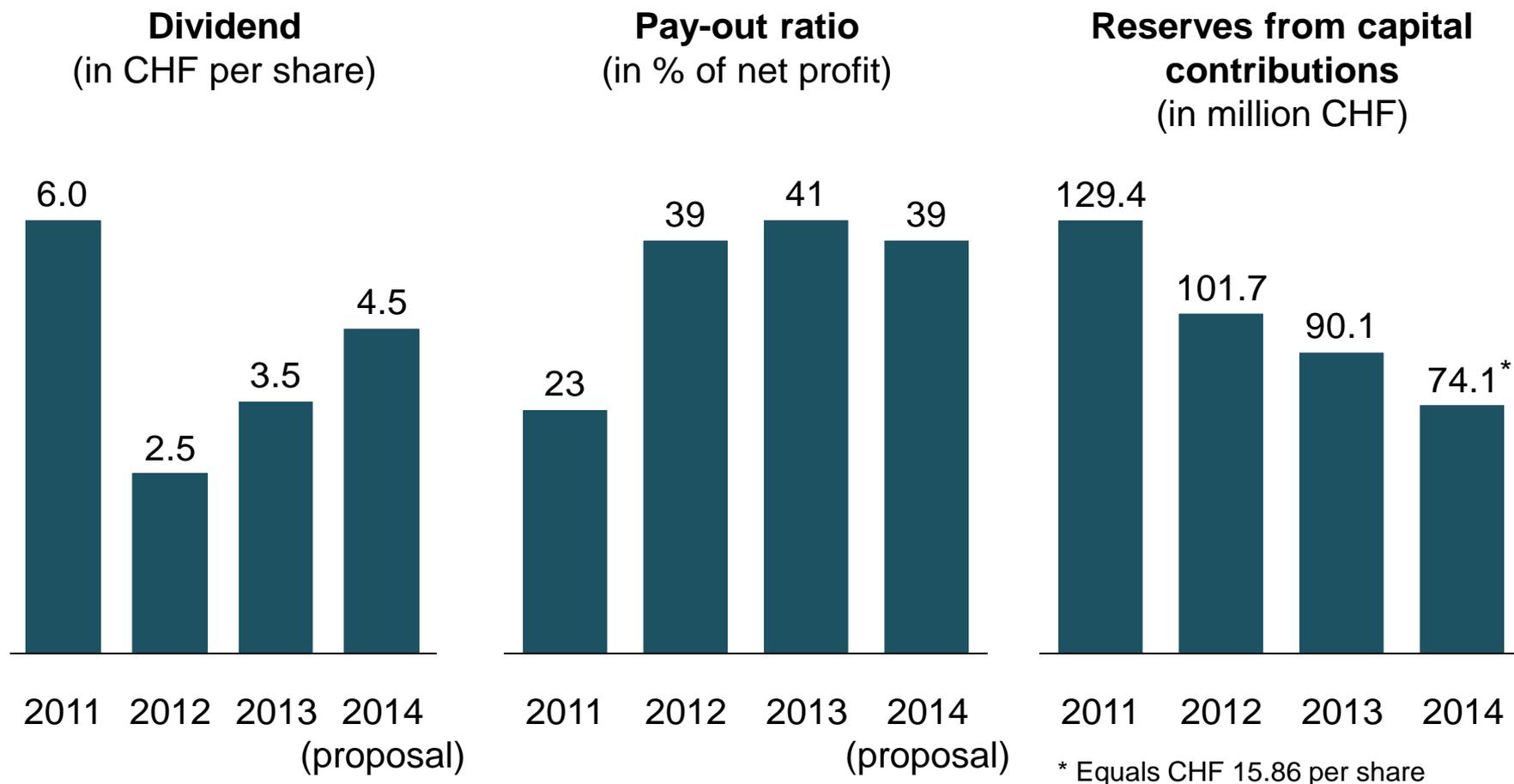
- Market growth is driven by performance shift into high tech segment mainly in China

X.X% CAGR Source: Rieter estimates, ITMF 1) Preliminary estimates

Dividend proposal



Dividend of 4.50 CHF proposed



Key data per share



		31.12.2014	30.06.2014	31.12.2013
Rieter registered shares of 5 CHF nominal value Bloomberg: RIEN; Reuters: RITZn				
Shares outstanding excl. own shares (end of period)		4 575 484	4 583 858	4 586 711
Average shares (of period)		4 583 909	4 587 530	4 602 652
Share price (end of period)	CHF	165.50	221.70	210.10
Market capitalization (end of period)	million CHF	757	1 016	964