



Rieter Holding Investor Presentation

Helvea Baader Bank Group Conference – January 2015

Rieter sets priorities in the implementation of it's strategy

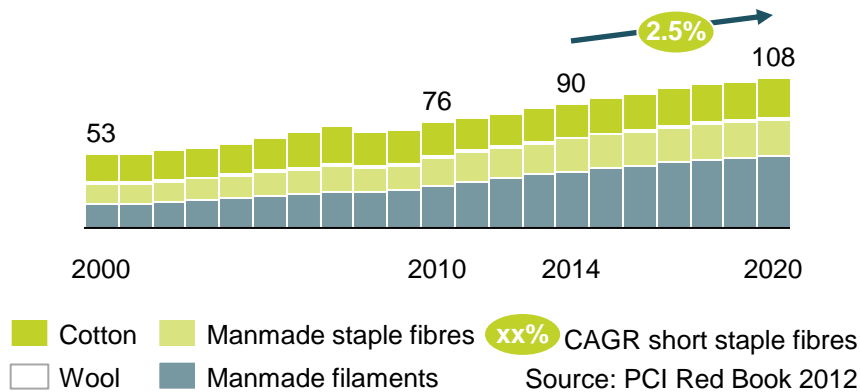
- Strengthening innovation
- Expanding parts and components business
- Increase profitability
- Adjusted medium-term targets
- Outlook for 2014 confirmed

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1. Market trends and growth
 2. Rieter position
 3. Strategic focus
 4. Outlook

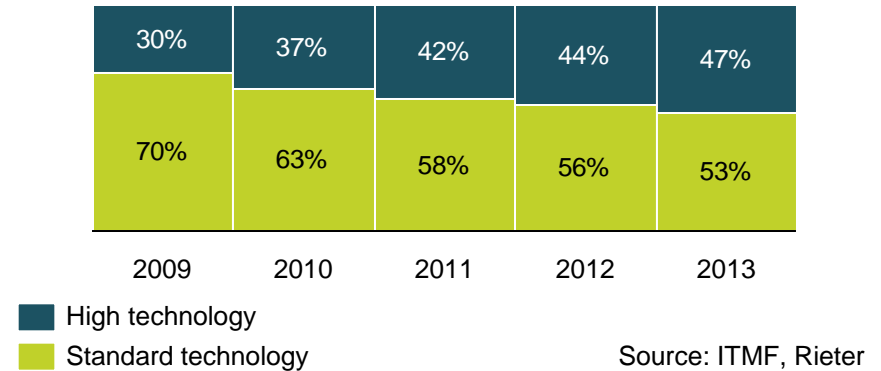
Market trends and growth

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

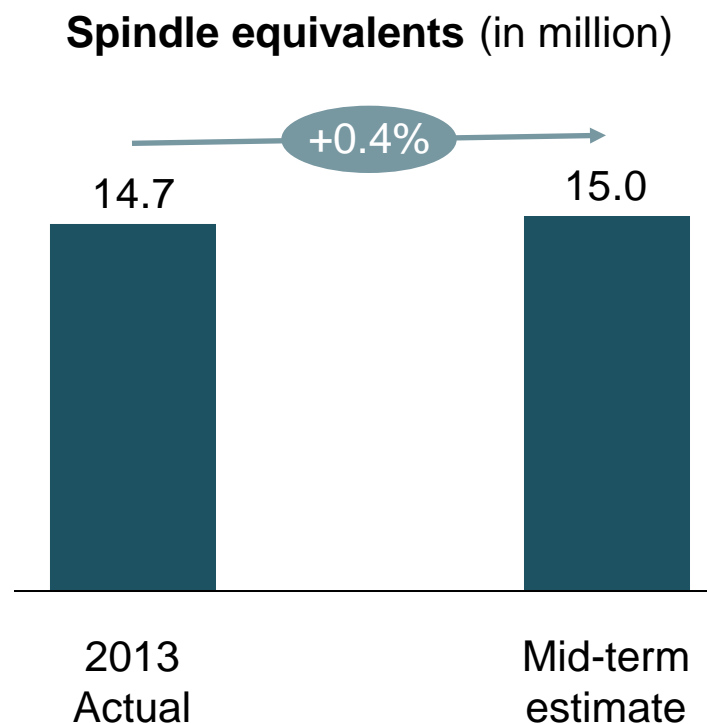
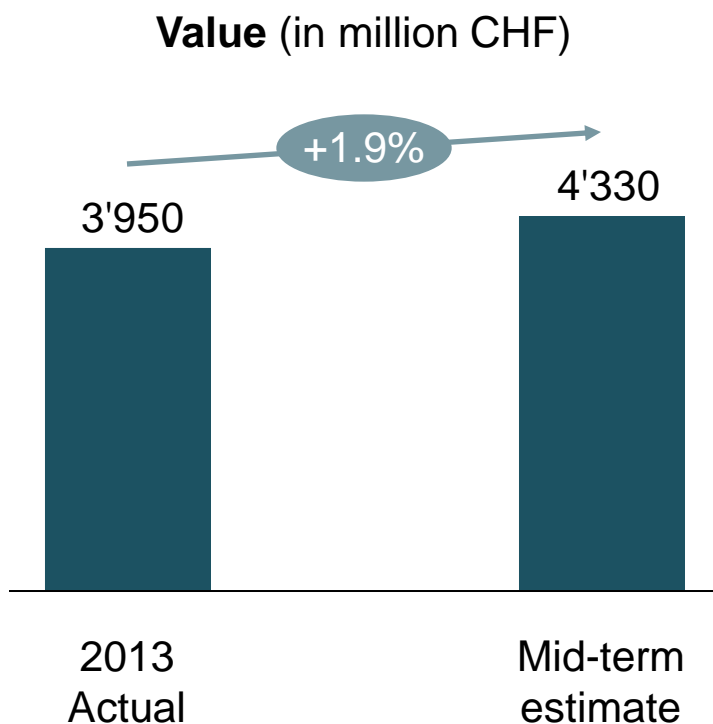
Market shifts

- Performance
- Regional
- Spinning technology

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

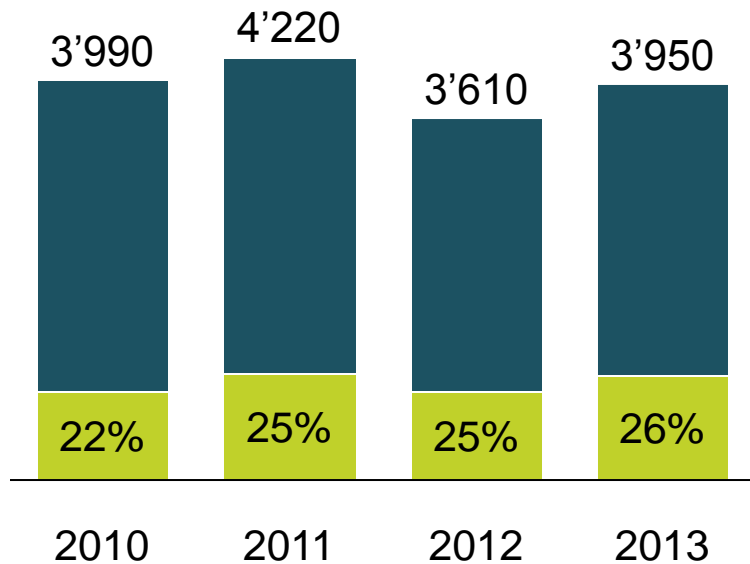
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Rieter position

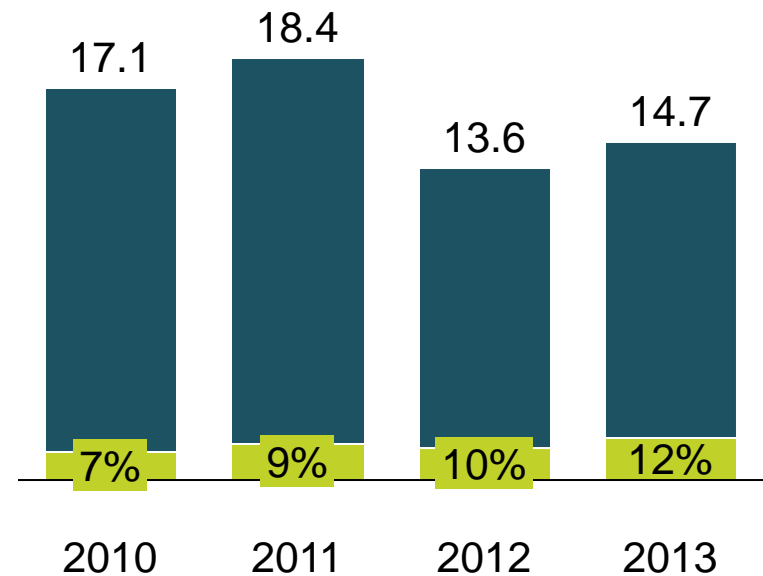


Strong market position, upside potential by realized capacity increase

Value (in million CHF)



Spindle equivalents (in million)



Market value Rieter market share

Market Rieter shipments (% of market)

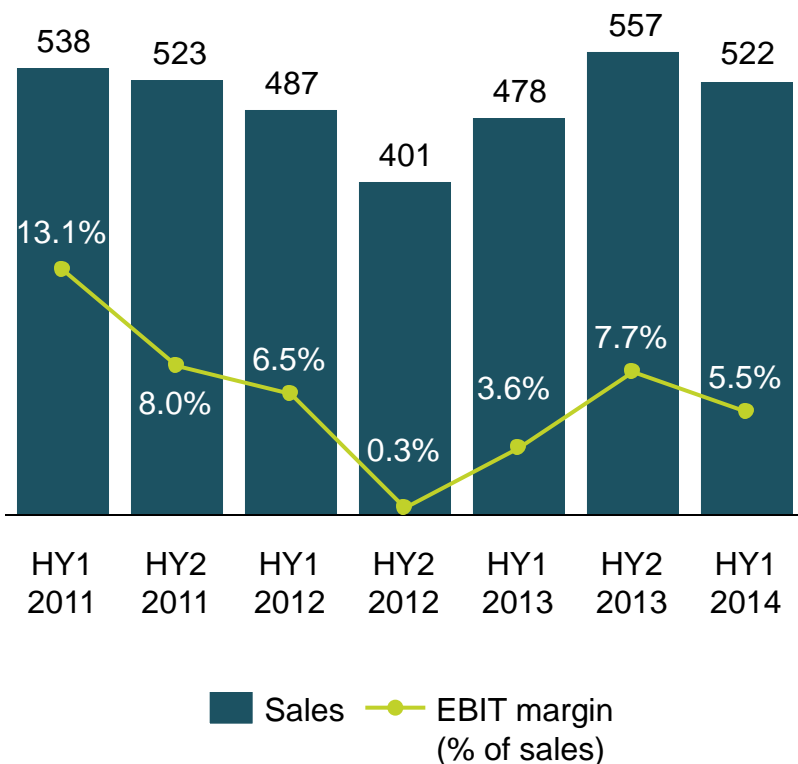
w/o Winder

Endspinning machines only

Source: Rieter estimates, ITMF

Consistent profitability improvement since HY2 2012

Sales and profitability development
(in million CHF)



Profitability drivers:

- Price and currency development
- Development of product and regional mix
- Improved product cost
- Less profitable business segment mix
- Increased depreciation and amortization

1. Market trends and growth
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4. Outlook

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

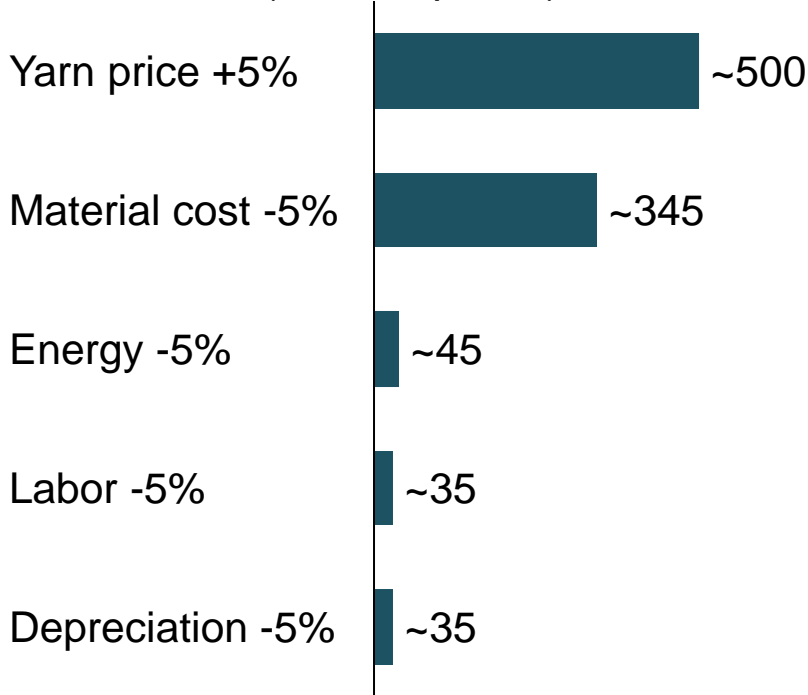
- Enabling employees to achieve superior results and to enjoy work

Strategic focus – 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%

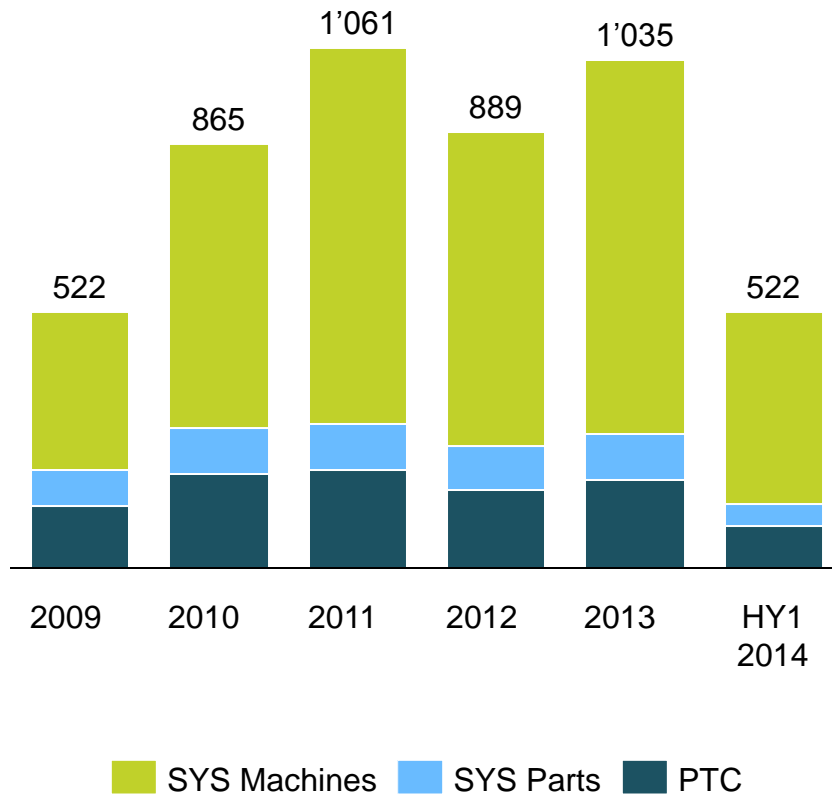
Source: Rieter estimates

Strategic focus – after sales excellence



Creating customer value through after sales excellence

Distribution of sales (in million CHF)



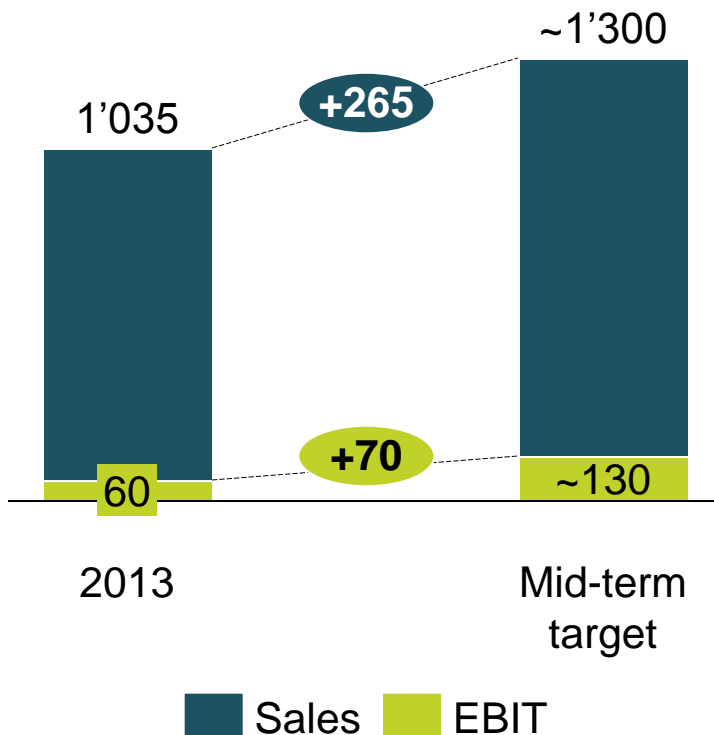
After sales growth potentials

- Excellent after sales is a key differentiator in the market
- SYS Parts and PTC business is more stable through the cycle
- Growth potential for Rieter after sales business based on:
 - Increasing number of Rieter installations
 - Development of new service offerings

Strategic focus – profitable growth

Improvement measures started to increase profitability

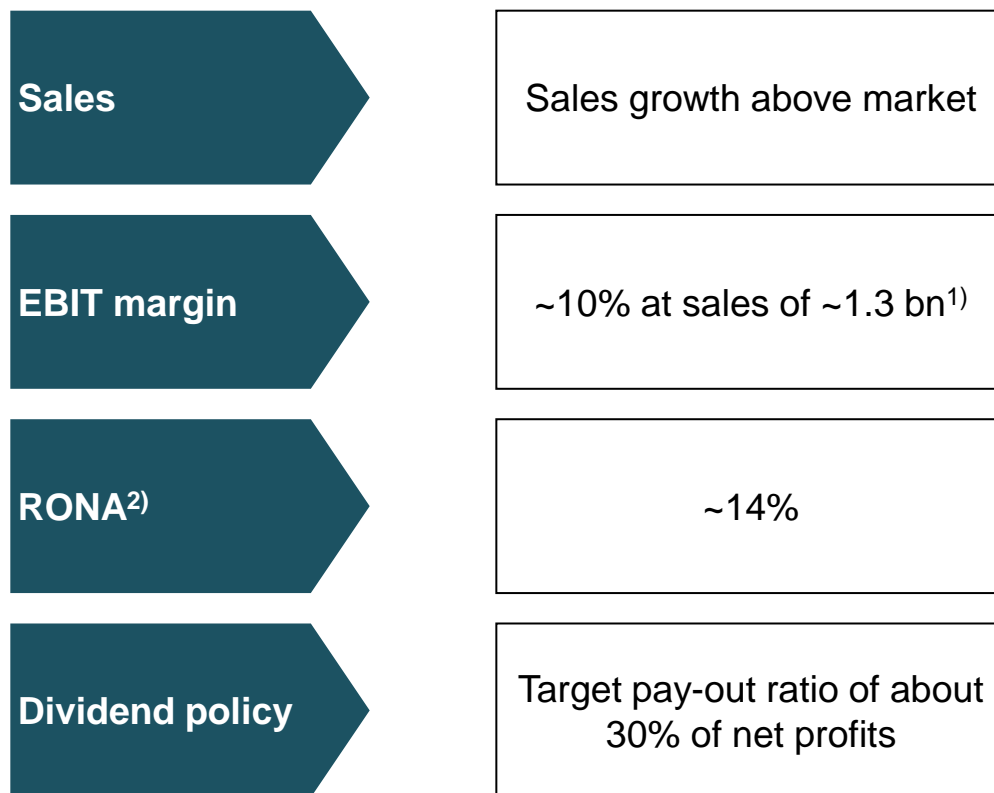
Sales and EBIT (in million CHF)



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

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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- Spinning mills' narrowing margins due to declining raw material and yarn prices in the third quarter have resulted in a slowdown in market momentum, especially in Turkey, the Asian countries (without China and India) and Latin America. The slightly positive momentum in India was maintained in the third quarter, while the restraint in China continued.
- The lower overall utilization of spinning mill capacity has also resulted in reduced demand for spare and wear and tear parts.
- In this more challenging market environment Rieter recorded accumulated order intake of slightly over 900 million CHF up to the end of the third quarter.

- Rieter expects for the second half of 2014 a market demand on lower levels than in the strong first semester. Demand depends among other factors on the development of yarn and raw materials prices, currency exchange rates, financing costs, and global consumer sentiment.
- Based on the current order backlog – of which a substantial share already reaches into 2015 – full year sales for 2014 are expected to show at least high single digit growth compared to 2013.
- Operational profitability (EBIT) in 2014 will be positively impacted by volume growth, whereas additional costs of 10 million CHF for conclusions of the IT-assisted processes project, low airjet capacity utilization and lower order backlog margins than in the second semester 2013 are expected to have an adverse impact also in the second semester 2014. All in all, Rieter expects for the year 2014 a higher operating result (EBIT) than in 2013.

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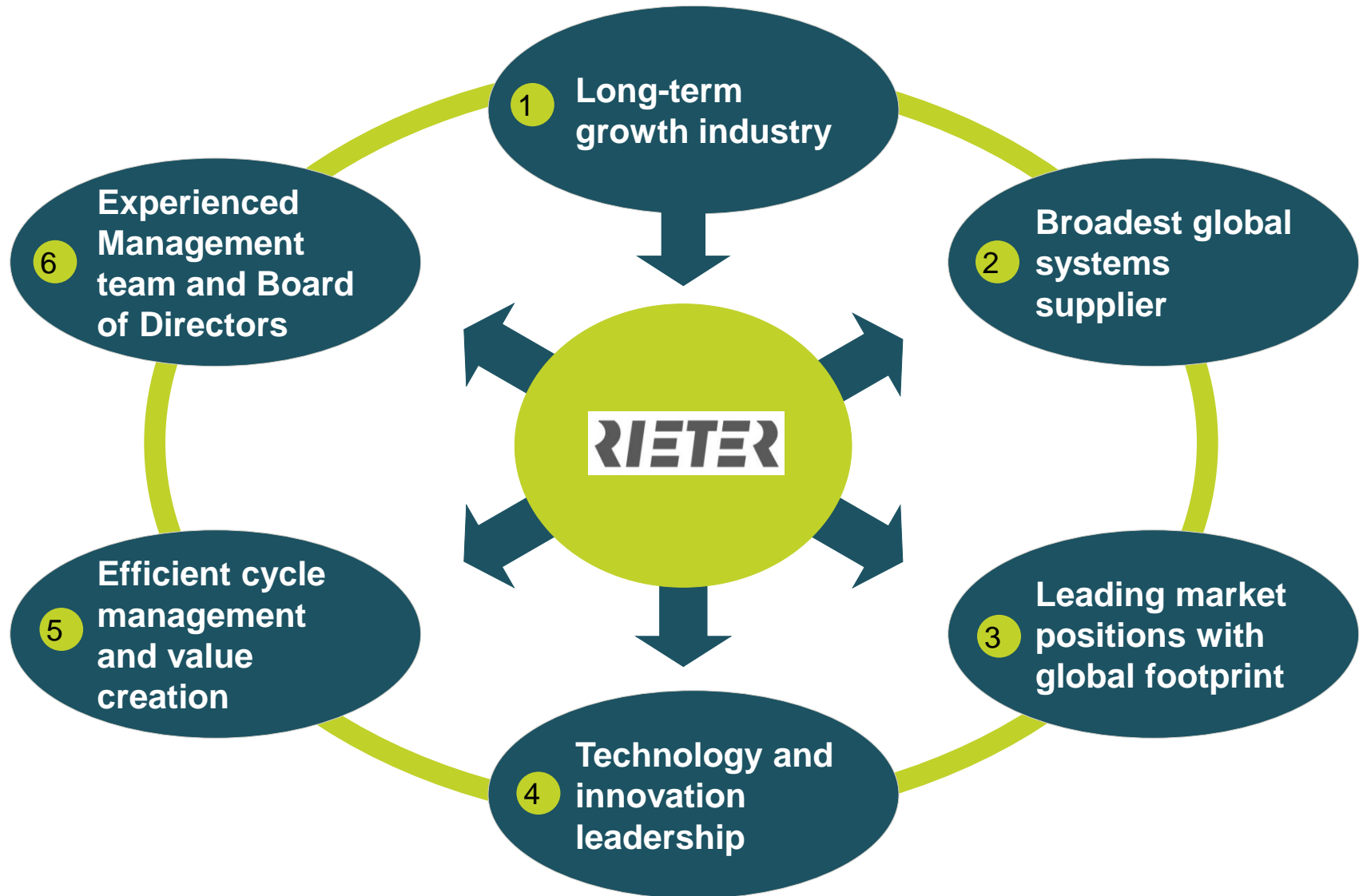
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All statements in this report which do not reflect historical facts are forecasts for the future which offer no guarantee whatsoever with respect to future performance; they are embody risks and uncertainties which include – but are not confined to – future global economic conditions, exchange rates, legal provisions, market conditions, activities by competitors and other factors outside the company's control.

Appendix



Key investment highlights of Rieter



1 – Rieter's market: Short staple spinning machines and components



Rieter's customers spin any fiber with a length from 25 to 45 mm to yarn

Fibers

- Length: 25 – 45 mm
- Types: Man-made (synthetic and cellulosics) and natural (cotton)
- Consumption: 40.2 million tons (2012)
- Consumption growth: ~2.5% p.a.

Spinning mills

- ~ 8,000 globally diversified customers
- Value drivers: High utilization, yarn property differentiation, constant quality and reliability of yarn, raw material sourcing

Machines / components

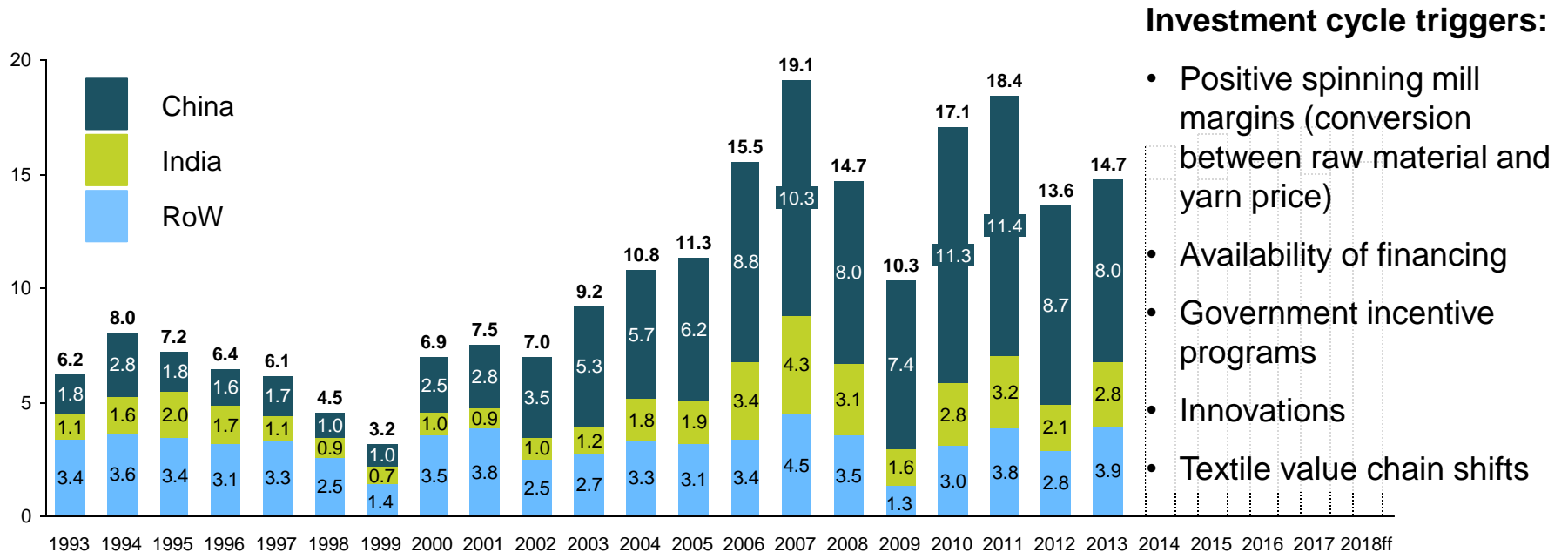
- Multi-machine systems with precision components
- High-tech but not disruptive technology
- Competitive landscape:
Rieter (global full system supplier), 2 regional system suppliers, 3 sub-system suppliers and various machine and component suppliers

1 – Rieter's market: Long-term growth industry



Cyclical market will be driven by continued growth in fiber demand

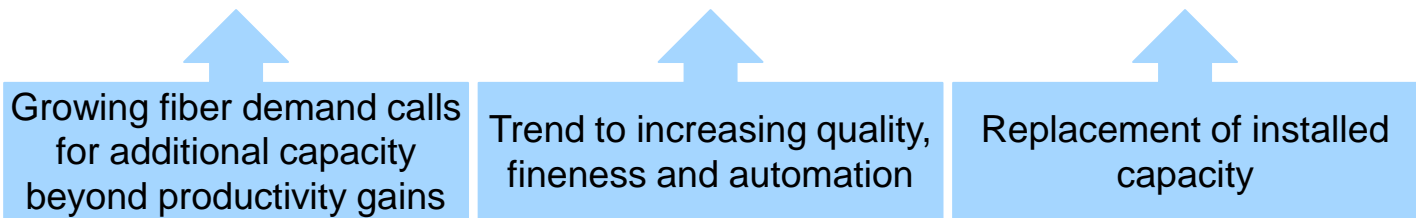
Spindle equivalents (shipments) - in million



Investment cycle triggers:

- Positive spinning mill margins (conversion between raw material and yarn price)
- Availability of financing
- Government incentive programs
- Innovations
- Textile value chain shifts

Future growth drivers




Source: ITMF 2013, Rieter

1 – Rieter's market: Impact of macro trends on growth




Macro trends will have a positive impact on Rieter's position

Future growth drivers



Growing **fiber demand** calls for additional capacity beyond productivity gains

- Population growth
- Rising disposable incomes in Asia
- Faster fashion cycles
- Demand growth (~2.5% p.a. till 2020) higher than productivity increase (~1% p.a.)



Trend to increasing **quality, fineness** and **automation**

- Labour cost increase
- Labour availability
- Raw material availability
- Quality awareness of end-customer
- Quality in down-stream (weaving and knitting)



Replacement of installed capacity

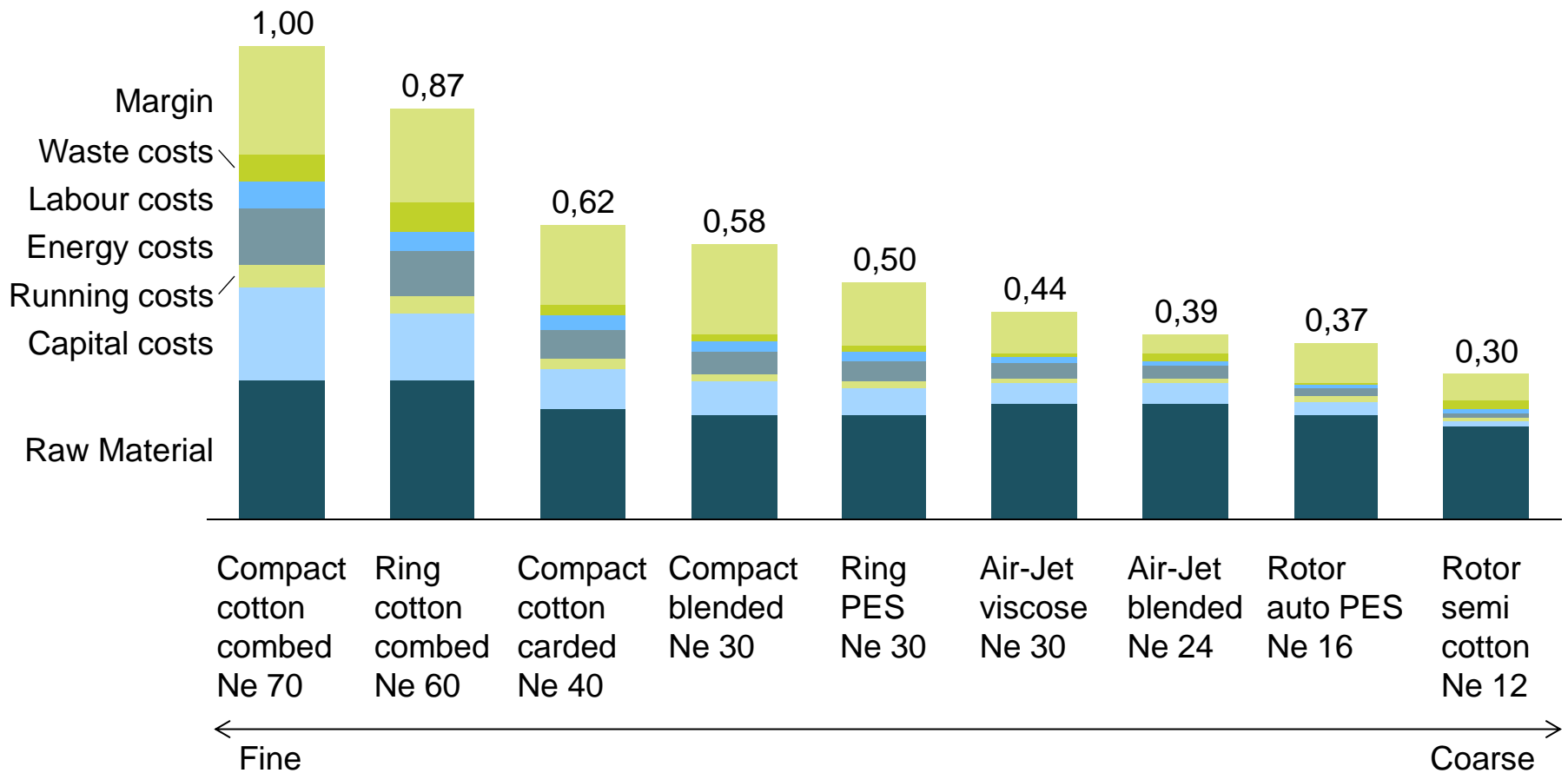
- Government programs (e.g. 12th Five Year Plan in China)
- End-of-lifetime
- Energy cost

1 – Rieter's market: Fiber and yarn price



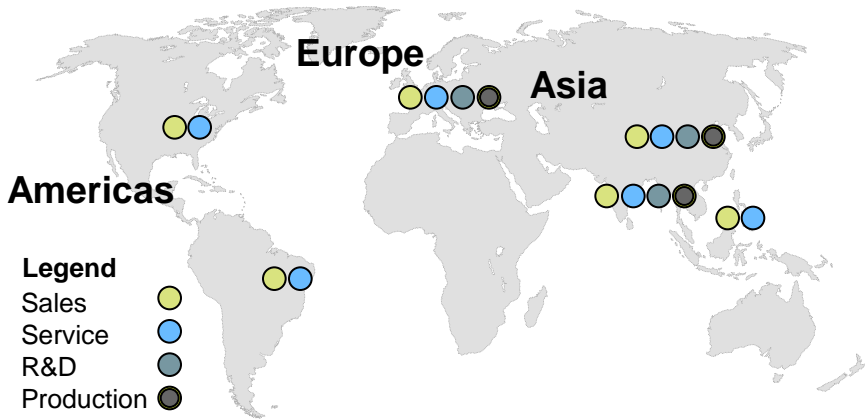
Different yarn products exist – Rieter machines spin all short staple yarns

Selection of short staple yarn prices, cost and margins in USD/kg (estimated 2013 indexed)



2 – Broadest global systems supplier

Global supplier...



...of spinning machinery and components



Full-liner for all fibre types...

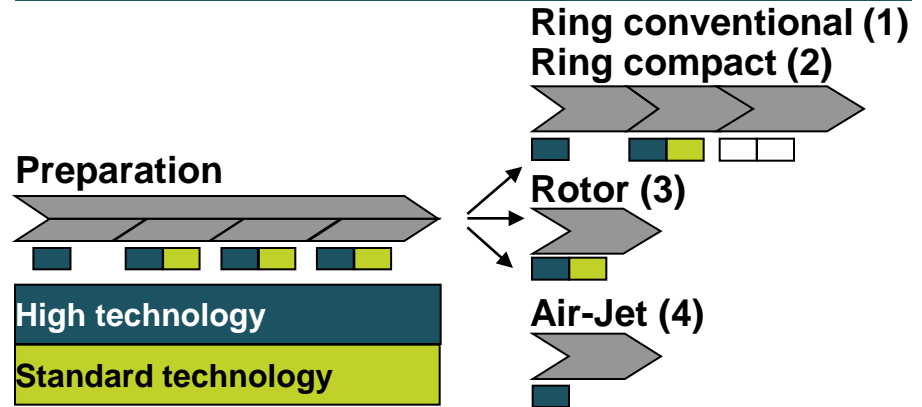
From raw material...



...to yarn



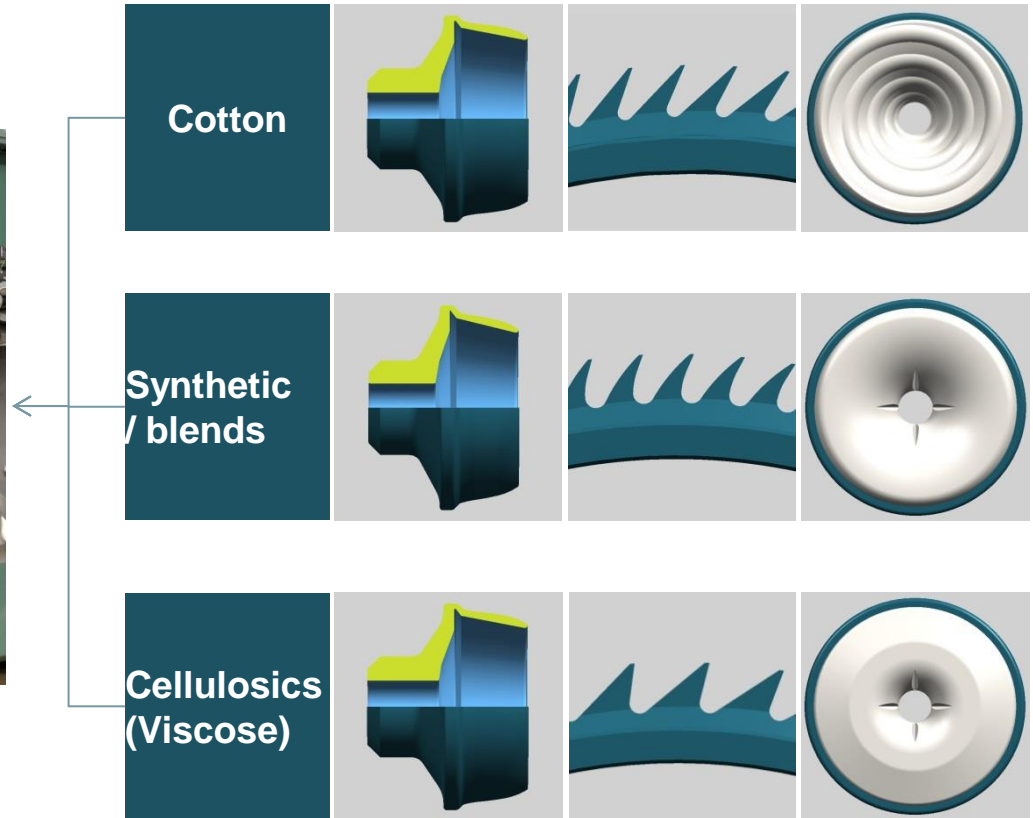
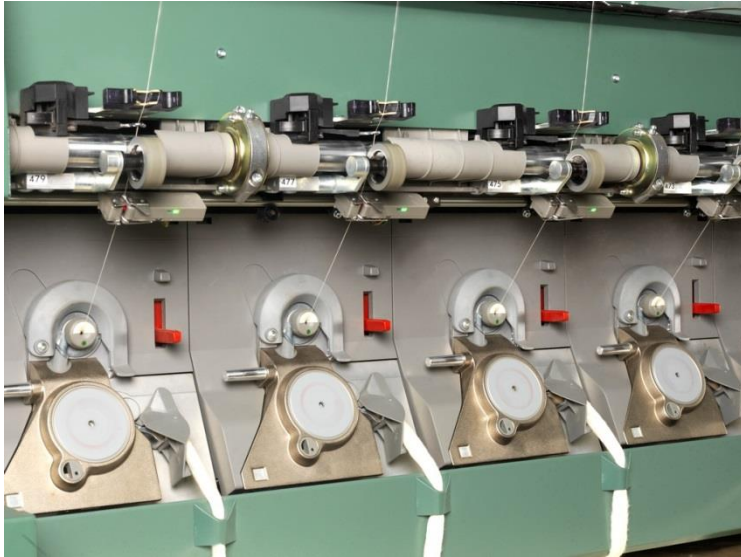
...covering preparation and all four spinning technologies



2 – Full-liner: Spinning technology for all fiber types

Rieter's products can be adapted to spin all fiber types

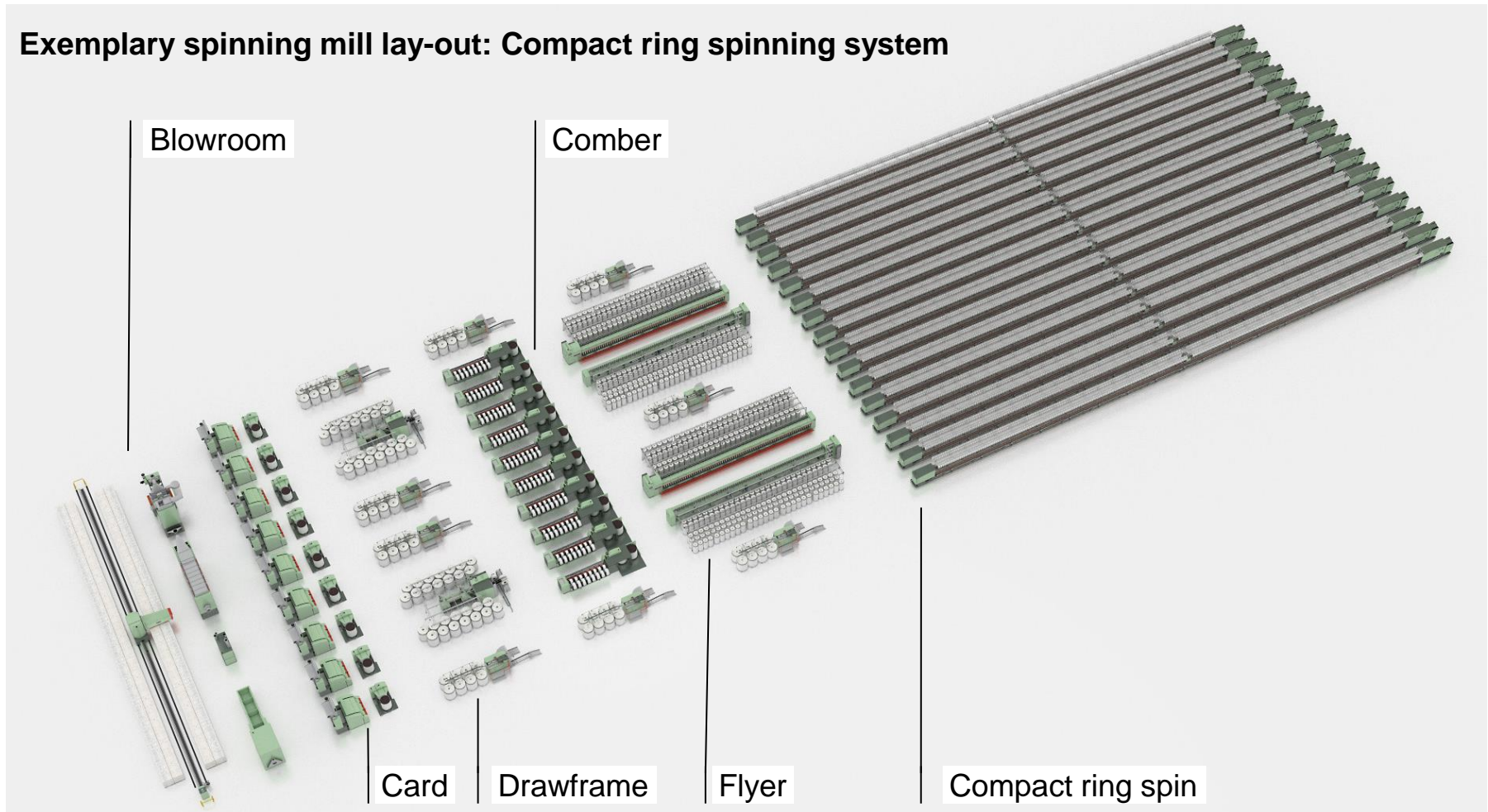
Example Rotor R 60 – component options for all fiber types



2 – Full-liner: Rieter offers full systems

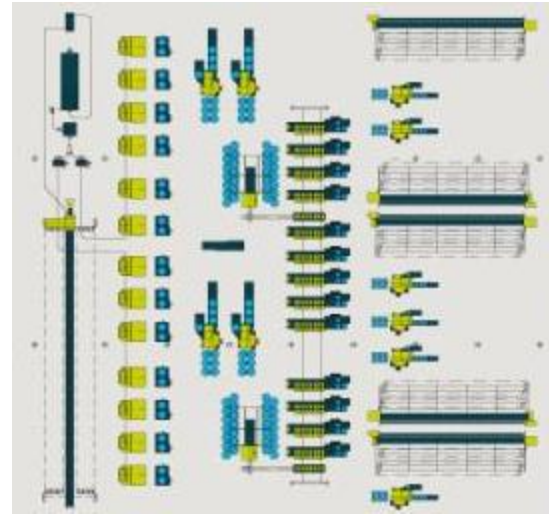
Spinning mills are a system of pre and end spinning machines

Exemplary spinning mill lay-out: Compact ring spinning system



2 – Service and installation offering

Rieter – service and engineering solutions as key value proposition



Feasibility studies

- Simulation
- Spinning schedule
- Production costs

Mill planning

- Layout (3D)
- Automation
- Infrastructure

Project management

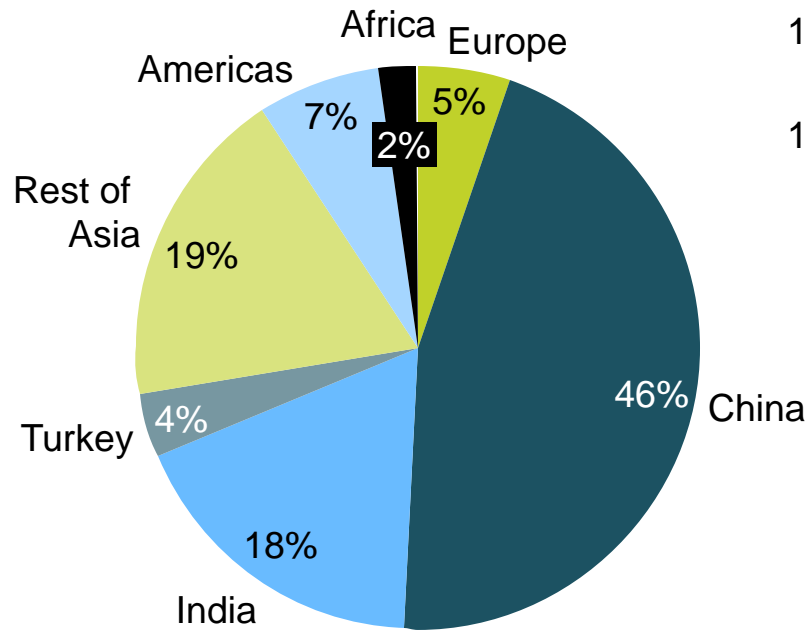
- Engineering
- Coordination
- Hand-over

3 – Leading market positions with global footprint

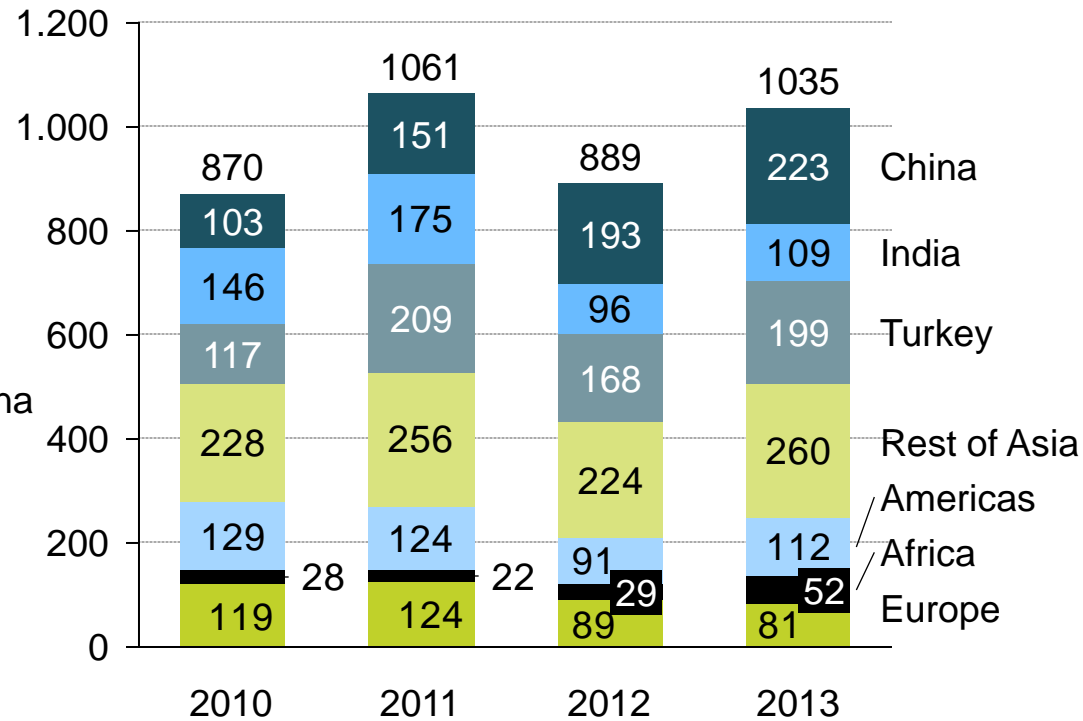


Continuous increase of sales in largest market China

2012, world-wide installed capacity (spindle equivalents) in %



2010 – 2013, Rieter sales in Mio CHF



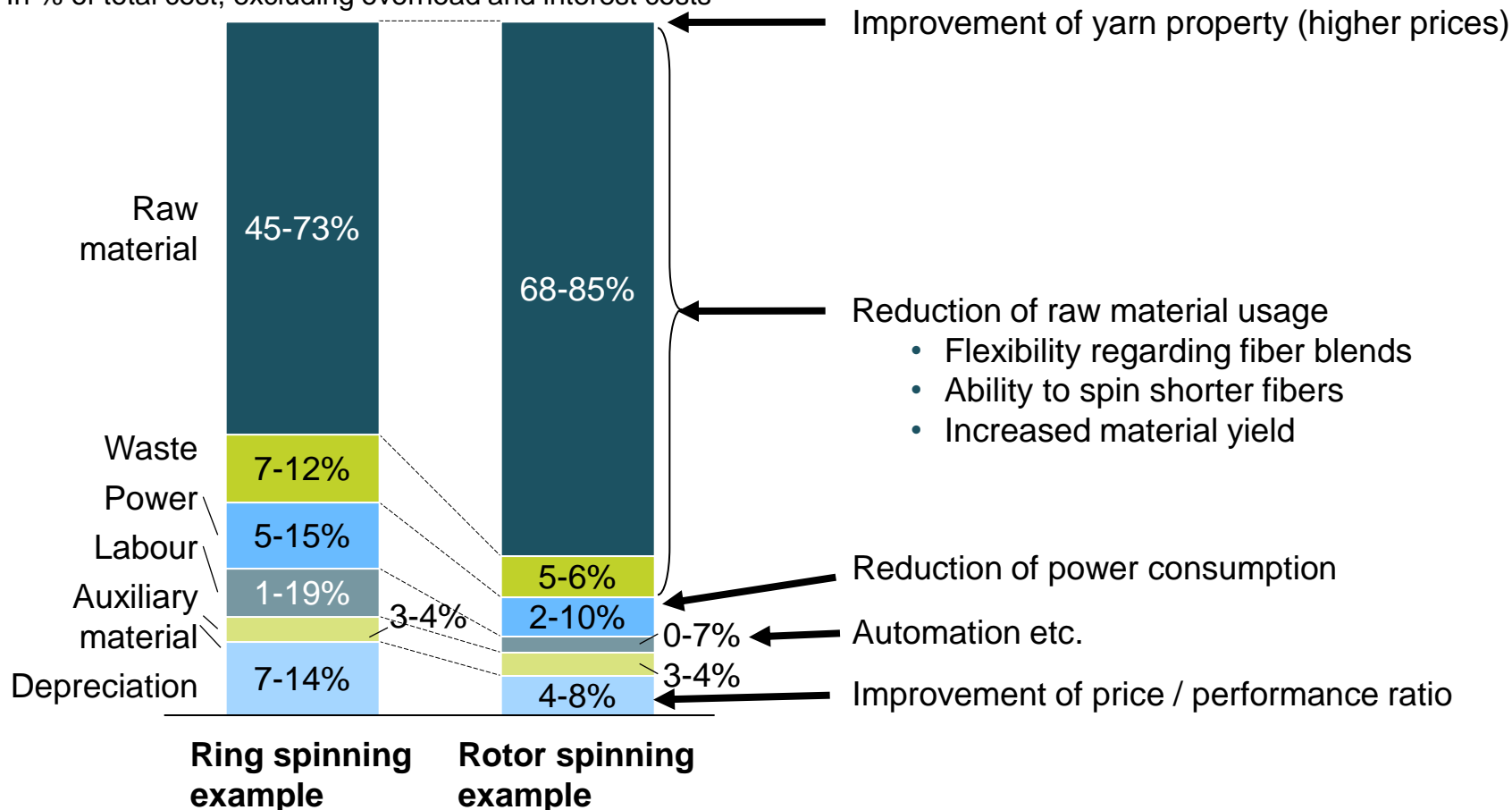
Source: ITMF statistics

4 – Technology and innovation leadership

SYS and PTC are focused on improving customer's competitive position

Cost structure of a spinning mill

In % of total cost, excluding overhead and interest costs



Source: ITMF International cost comparison 2010; values are range over 8 countries (Brazil, China, Egypt, India, Italy, Korea, Turkey and USA)

5 – Efficient cycle management and value creation



Improved sales and profitability in HY1

CHF million	HY1 2014	HY2 2013	HY1 2013	FY 2013	FY 2012
Order Intake	655.5	548.0	711.4	1'259.4	839.7
Sales	522.1	557.2	478.1	1'035.3	888.5
EBITDA ⁽¹⁾	48.4	60.9	34.3	95.2	65.9
EBIT ⁽¹⁾	28.8	43.1	17.1	60.2	32.7
EBIT margin (of sales)	5.5%	7.7%	3.6%	5.8%	3.7%
Net profit ⁽²⁾	14.3	32.4	5.0	37.4	25.7
R&D expenditures	21.5	22.9	22.1	45.0	42.7
Capex ⁽³⁾	12.5	28.5	26.5	55.0	81.6

(1) Including strategic project costs of 23.7 million CHF in 2013 (25.3 million CHF in 2012)

(2) Including gain from sale of assets of 0.3 (2012: 17.6 million CHF)

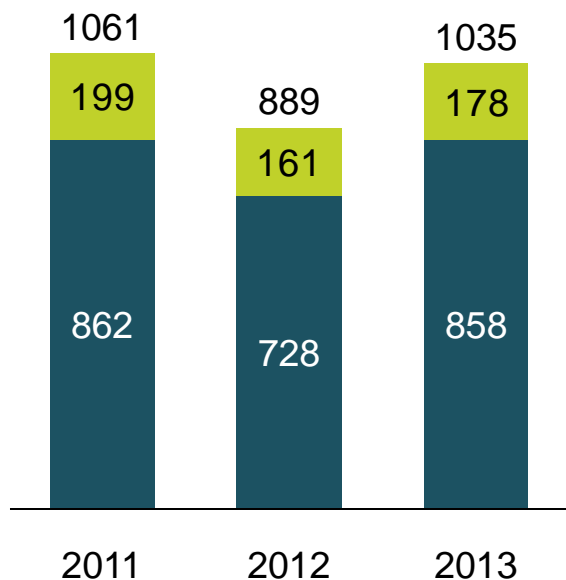
(3) Including investments for strategic projects of 35.7 million CHF (2012: 51.6 million CHF)

5 – Efficient cycle management and value creation

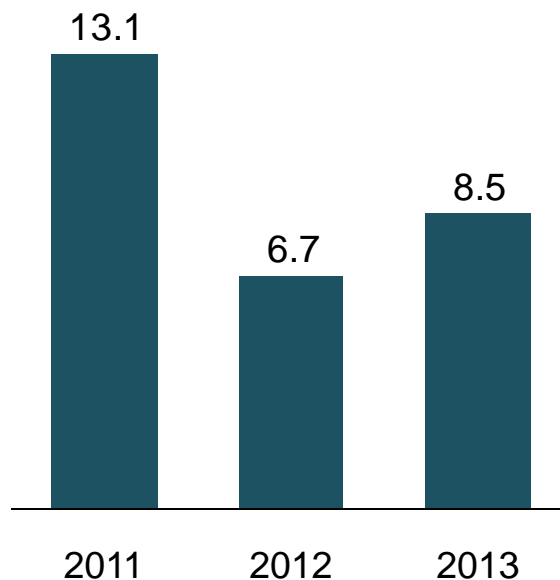


Return on net asset base and free cash flow generation of high significance

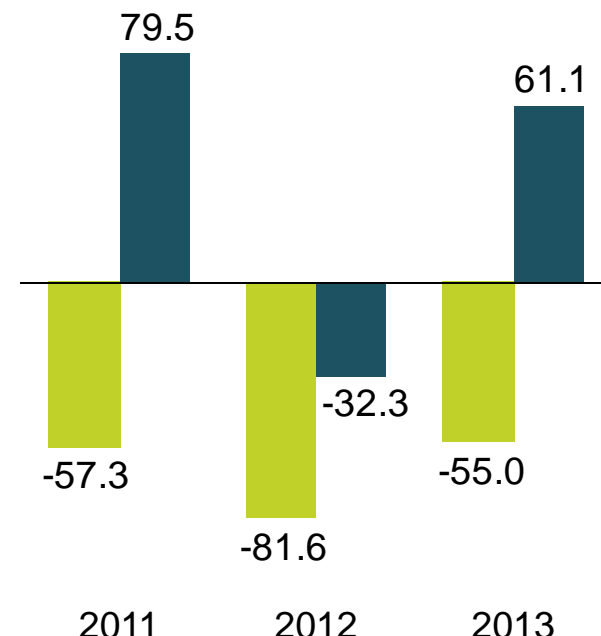
Sales
(in million CHF)



Return on net assets
(in %)¹⁾



Capex and FCF
(in million CHF)²⁾



PTC
SYS

Capex
FCF

1) 2011: Without disposal gain of Lakshmi shares

2) Includes cash flow from divestments in million CHF: 1.3 (2013), 35.0 (2012), 52.2 (2011)

5 – Efficient cycle management and value creation

RONA calculation

CHF million	31.12.2013	31.12.2012	2013
Non-current assets	371.1	356.3	
Inventories and receivables	373.2	361.9	
Liquid funds	369.7	351.9	
Total assets	1'114.0	1'070.1	
Non-current liabilities (excl. debt)	-137.4	-138.0	
Current liabilities (excl. debt)	-358.5	-299.9	
Net assets (excl. debt), average	618.1	632.2	625.2
Net profit 2013			37.4
Interest cost 2013			15.8
Net profit before interest cost 2013			53.2
RONA 2013 in %			8.5%

5 – Efficient cycle management and value creation



Strong net liquidity of 118.6 million CHF and equity ratio stable at 35%

CHF million	30.06. 2014	31.12. 2013	30.06. 2013	31.12. 2012
Total assets	1100.2	1114.0	1092.7	1070.1
Non-current assets	362.5	371.1	363.5	356.3
Net working capital	40.2	14.7	74.9	62.0
Liquid funds	300.4	369.7	323.0	351.9
Net liquidity	118.6	141.3	63.2	95.6
Short-term financial debt	175.4	44.8	21.8	6.7
Long-term financial debt	6.4	183.6	238.0	249.6
Shareholders' equity	387.9	389.7	367.2	375.9
in % of total assets	35%	35%	34%	35%

- Net liquidity of 118.6 million CHF impacted by
 - low free cash flow due to volume related increase of net working capital (+25.5 million CHF)
 - dividend of 16.0 million CHF (3.50 CHF per share) paid out in April 2014
- Reclassification of 2015 bond to short-term debt (160.9 million CHF)
- Reduction of short-term financial debt through buy-out of Indian minority investor's holding of 21% (22.8 million CHF)
- Shareholders' equity ratio at stable 35%

6 – Experienced BoD and Management team



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 team



Werner Strasser
Head Business Group Premium Textile
Components



Dr. Norbert Klapper
Chief Executive Officer
and Head Business Group Spun
Yarn Systems



Joris Gröflin
Chief Financial Officer



Thomas Anwander
General Counsel and Company
Secretary

Rieter is a leading supplier of short staple textile machinery and components

- **Rieter – an industrial group based in Winterthur, CH, operating on a global scale**
 - Formed in 1795, and a leading supplier of short-staple spinning machinery and technology components
 - Widest product range in this industrial sector worldwide
 - Global presence in 10 countries with 18 manufacturing facilities and a workforce of about 4 800 employees worldwide (25% of workforce is based in Switzerland)
- **Rieter – a strong brand with a long tradition**
 - Rieter's innovative momentum has been a powerful driving force for industrial progress.
 - Products and solutions are ideally tailored to its customers' needs and are increasingly also produced in customers' markets
- **Rieter aspires to achieve sustained growth in enterprise value for the benefit of shareholders, customers and employees**
 - Seeking to maintain continuous growth in sales and profitability
 - Primarily by organic growth, but also through strategic alliances and acquisitions
- **The company comprises two Business Groups:**
 - Spun Yarn Systems (SYS) develops and manufactures machinery and systems for processing natural and man-made fibers and their blends into yarns
 - Premium Textile Components (PTC) supplies technology components and service offerings to spinning mills and also to machinery manufacturers

Spun Yarn Systems 2013



Leading systems supplier in the spinning process



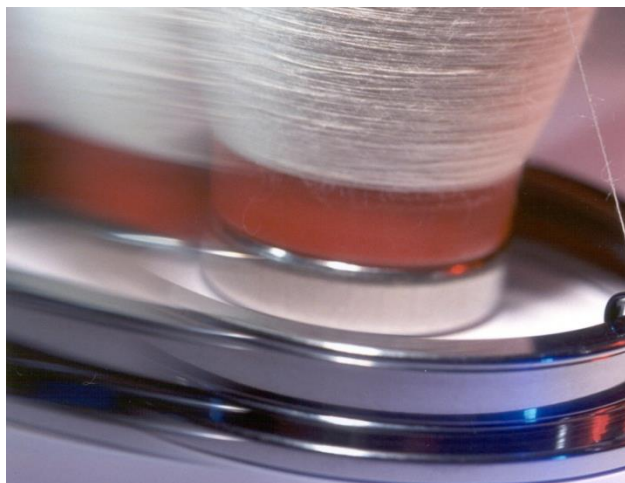
CHF million	2013	2012
Order intake	1084.3	695.0
Sales	857.8	727.6
EBIT	45.3	30.5

- **Customers / regions:** Spinning mills in Turkey, India, China, South East Asia, North and Latin America, Africa
- **Market size:** ~2,800 million CHF (2010)
- **Product offering:** Short staple spinning systems and machinery for natural and man-made fibers: Blowroom, Card, Drawframe, Comber, Flyer, Ring spin, Rotor spin, Compact spin, Airjet spin
- **Global sales and service presence** in all yarn producing countries through own sales force or agents with **production facilities** in Switzerland, Germany, Czech Republic, China and India
- **Main competitors:** Trützschler, Murata, Jinsheng Group/Saurer, LMW, Jingwei
- **Growth drivers:** Population and GDP growth drives demand in fibers and yarn; Trend to increasing yarn quality, fineness and automation; Replacement of existing installed capacity

Premium Textile Components 2013



Leading supplier of premium textile components



Brands:

Bräcker

Novibra

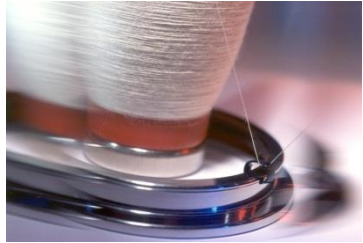
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- **Customers / regions:** Spinning mills and OEMS (Rieter and third) in India, China, Turkey, Europe, South East Asia, North and Latin America, Africa
- **Market size:** ~1,100 million CHF (2010)
- **Product offering:** Durable and wear & tear components for short staple spinning machinery
- **Global sales and service presence** in all yarn and machinery producing countries mainly through agents with **production facilities** in Switzerland, EU, China, India
- **Main competitors:** Trützschler, Saurer, various Indian and Chinese competitors
- **Growth drivers:** Population and GDP growth drives demand in fibers and yarn; Trend to increasing yarn quality and fineness and automation; Higher speeds

CHF million	2013	2012
Order intake	175.1	144.7
Sales	177.5	160.9
Segment sales	259.1	232.3
EBIT	25.9	16.0

Clear criteria for target selection



- Selected acquisitions in the **components** business



- Closing product gaps in the **machinery** business

Criteria:

- Strong **brand** in the respective segment
- Improving **market access** or enhancing **product portfolio**
- Allowing **profitable** growth

Authorized capital to increase financial flexibility approved at AGM 2014

