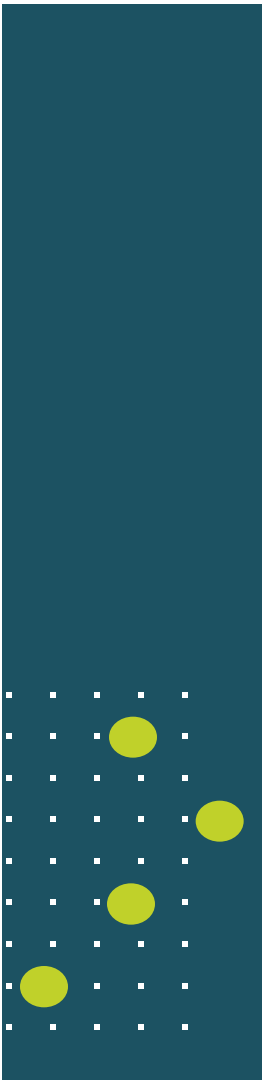




# Half-Year Results 2015

· Investor presentation, July 23, 2015

· Dr. Norbert Klapper, Group CEO  
· Joris Gröflin, Group CFO

- 
1. Introduction and summary HY1 2015 Dr. Norbert Klapper
  2. Financial results HY1 2015 Joris Gröflin
  3. Outlook Dr. Norbert Klapper

# HY1 2015: Key messages today

---



- Good result in HY1 2015
- Orders received strong at Components, stable at After Sales but low demand for Machines & Systems
- Structure aligned to achieve strategic and financial targets
- Strong balance sheet allows financing of growth
- CHF challenge managed successfully
- Profitability improvement program (STEP UP) in progress



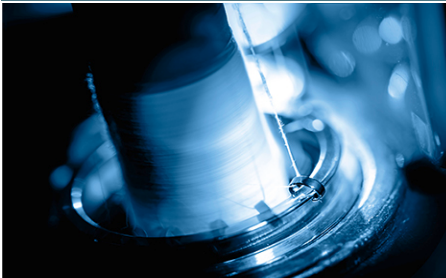
RIETER is the world's leading supplier of short staple spinning systems offering the full range of machines, parts and components

- 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

# Rieter's new set-up



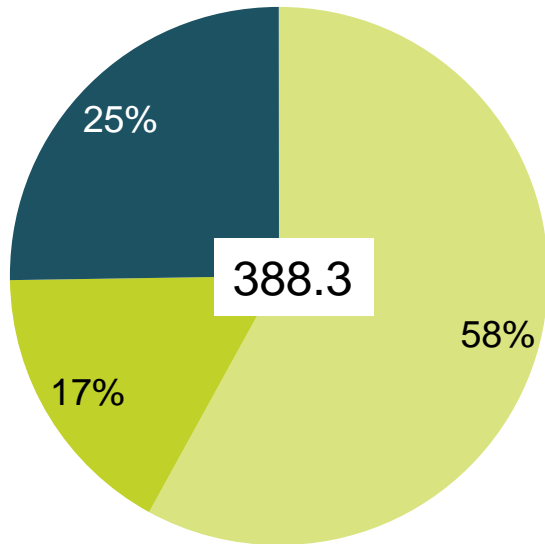
## Strong business model serving a global market

	Machines & Systems	After Sales	Components
			
<b>Customer focus</b>	Spinning mills	Rieter installed base	3rd party installed base and 3rd party OEM's
<b>Products</b>	Machines & Systems (Capital Goods)	Parts, Services & Installation	Parts & Components
<b>Brand(s)</b>	Rieter	Rieter	Four separate brands
<b>Sales 2014 mCHF</b>	853.5	127.5	172.4
<b>EBIT 2014 mCHF (% Sales)</b>	40.6 (4.8%)	20.0 (15.7%)	32.5 (18.9%)
<b>Priorities:</b>	<ul style="list-style-type: none"> <li>• System expertise</li> <li>• Cycle management</li> </ul>	<ul style="list-style-type: none"> <li>• Profitable growth on Rieter installed base</li> <li>• Differentiation</li> </ul>	<ul style="list-style-type: none"> <li>• Profitable growth on third-party installed base</li> </ul>

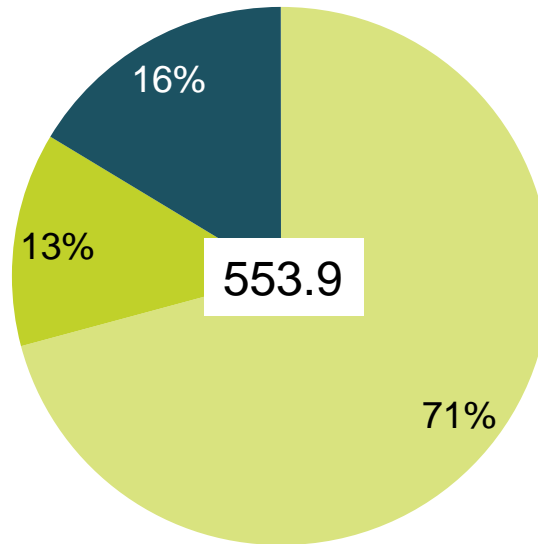
# HY1 2015: Results

Significant share of EBIT stems from After Sales and Components in HY1

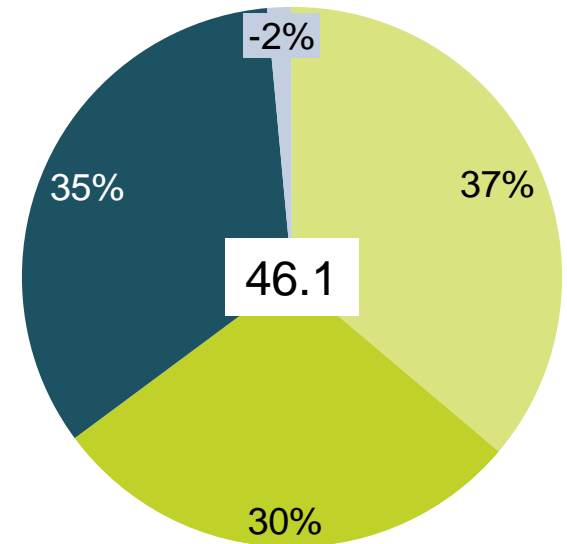
### Orders received (in mCHF)



### Sales (in mCHF)



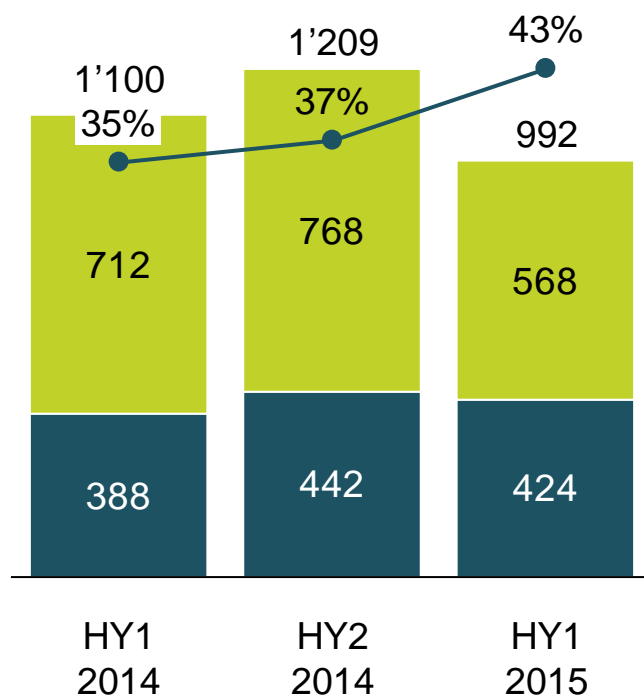
### EBIT (in mCHF)



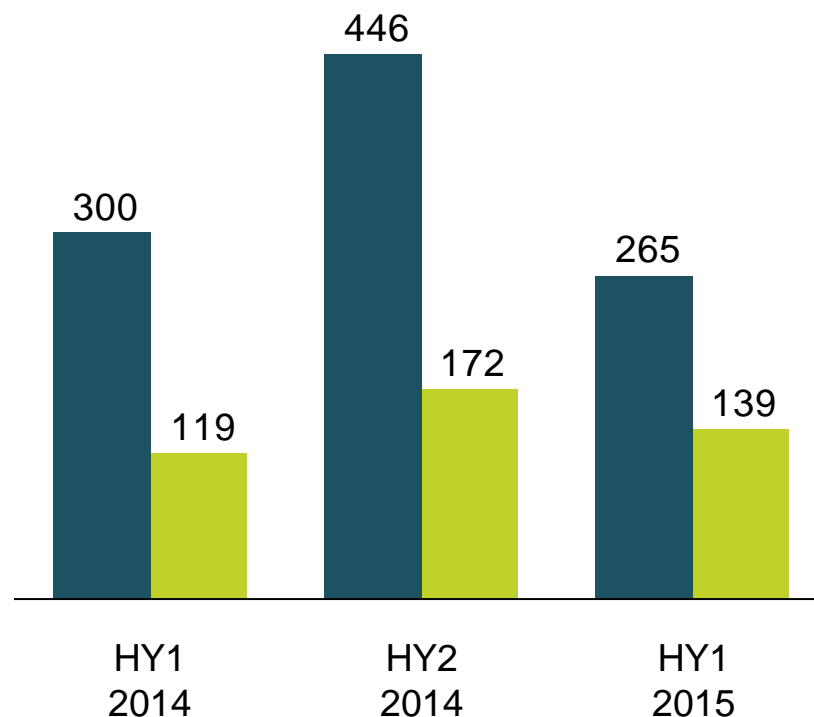
- Machines & Systems
- Components
- After Sales
- Others / corporate

## Continuously strong and shorter balance sheet

**Total assets, equity and equity ratio**  
(in mCHF / in %)



**Liquid funds and net liquidity**  
(in mCHF)



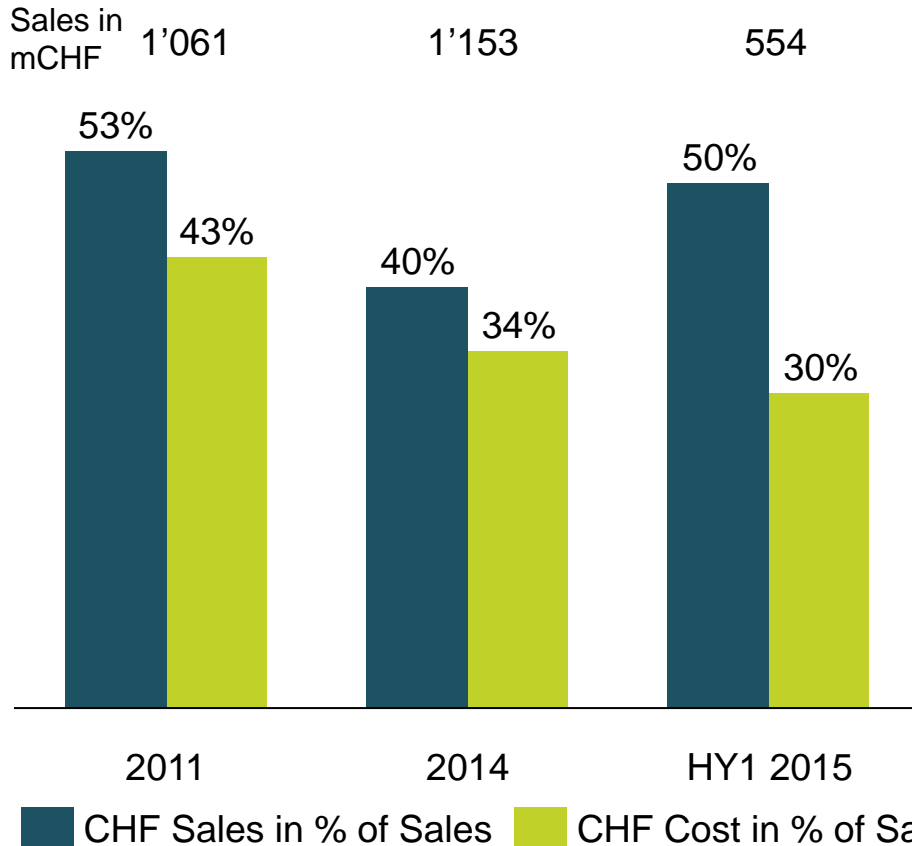
■ Liabilities 
 ■ Equity 
 —●— Equity ratio

■ Liquid funds 
 ■ Net liquidity

# Rieter's Swiss franc challenge



## Additional measures initiated to reduce negative impact of strong CHF



- Swiss franc cost 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

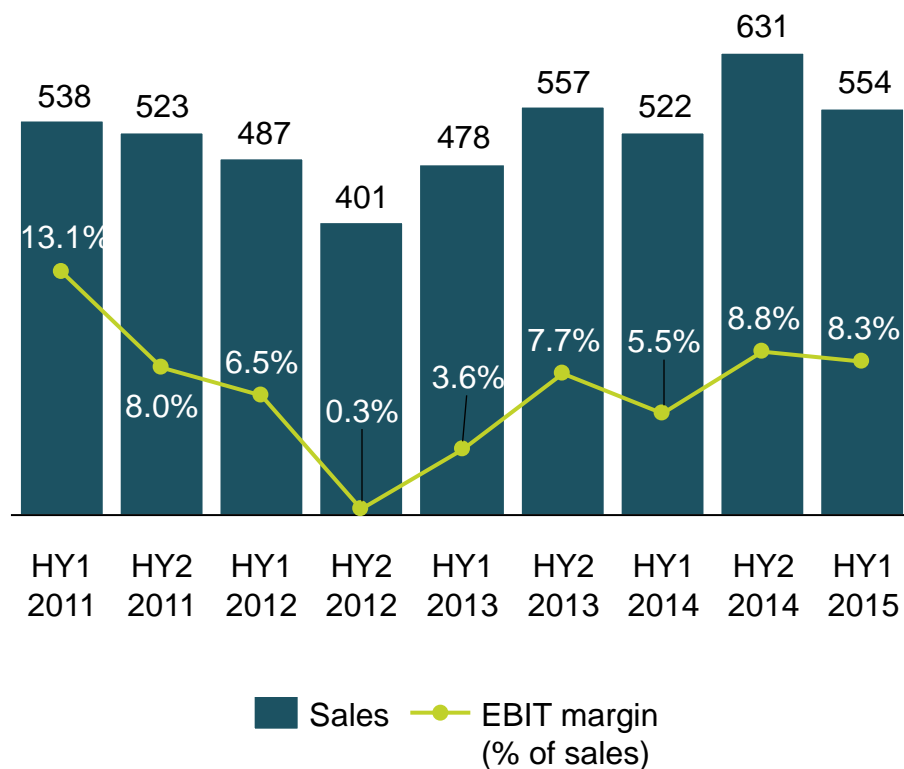
Note: Sales currency denomination in HY1 2015 was as follows: 50% of sales in Swiss francs, 32% in euros and 4% in US dollars and 14% in other currencies



# Strategic focus – profitability improvement

## Continued focus on increasing profitability

### Sales and profitability development (in mCHF)



### STEP UP Actions

- Grow profitable business
- Value-based pricing
- Optimized utilization of existing capacity
- Improvement of product margins
- Reduction of structural costs
- Priorities adjusted to master challenges of currency scenario – streamlining of production site in Winterthur
- Non-core business unit (Schaltag Group) sold

1. Introduction and summary of HY1 2015 Dr. Norbert Klapper
2. Financial results HY1 2015 Joris Gröflin
3. Outlook Dr. Norbert Klapper

# Rieter – Financial highlights HY1 2015



## Sales and profitability on good level

% change to HY1 2014 / mCHF

<b>Orders received</b>	<b>-41%</b>	<b>388.3</b>	Strong Components, stable After Sales, weaker Machines & Systems
<b>Sales</b>	<b>+6%</b>	<b>553.9</b>	Order backlog delivered despite currency turbulences («Swiss franc shock»)
<b>EBIT</b>	<b>+60%</b>	<b>46.1</b>	Short-term cost reduction measures effective – disposal gain of 5.0 million CHF
<b>Net profit</b>	<b>+103%</b>	<b>29.1</b>	Improvement of tax rate and financial result
<b>Capex</b>	<b>-42%</b>	<b>7.3</b>	Current level below depreciation / amortization
<b>Net liquidity</b>	<b>+17%</b>	<b>139.0</b>	Reduction of inventories compensating lower advance payments

# Rieter – Financial key figures



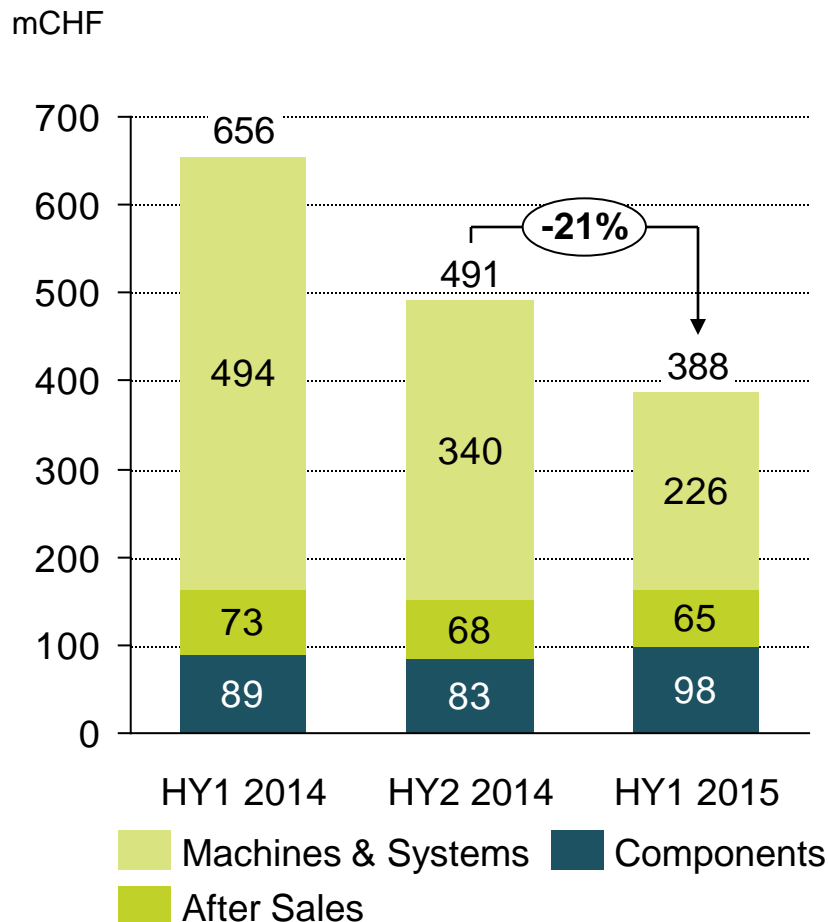
## Profitability in HY1 2015 above HY1 2014

mCHF	<b>HY1 2015</b>	HY2 2014	HY1 2014	FY 2014
Order Intake	<b>388.3</b>	490.6	655.5	1146.1
Sales	<b>553.9</b>	631.3	522.1	1153.4
EBITDA	<b>66.0</b>	77.0	48.4	125.4
EBITDA margin (of sales)	<b>11.9%</b>	12.2%	9.3%	10.9%
EBIT	<b>46.1</b>	55.8	28.8	84.6
EBIT margin (of sales)	<b>8.3%</b>	8.8%	5.5%	7.3%
Net profit	<b>29.1</b>	38.6	14.3	52.9
R&D expenditures	<b>22.9</b>	24.8	21.5	46.3
Capex	<b>7.3</b>	29.7	12.5	42.2
Free Cash Flow	<b>-5.1</b>	52.0	-2.9	49.1

# Orders by business group



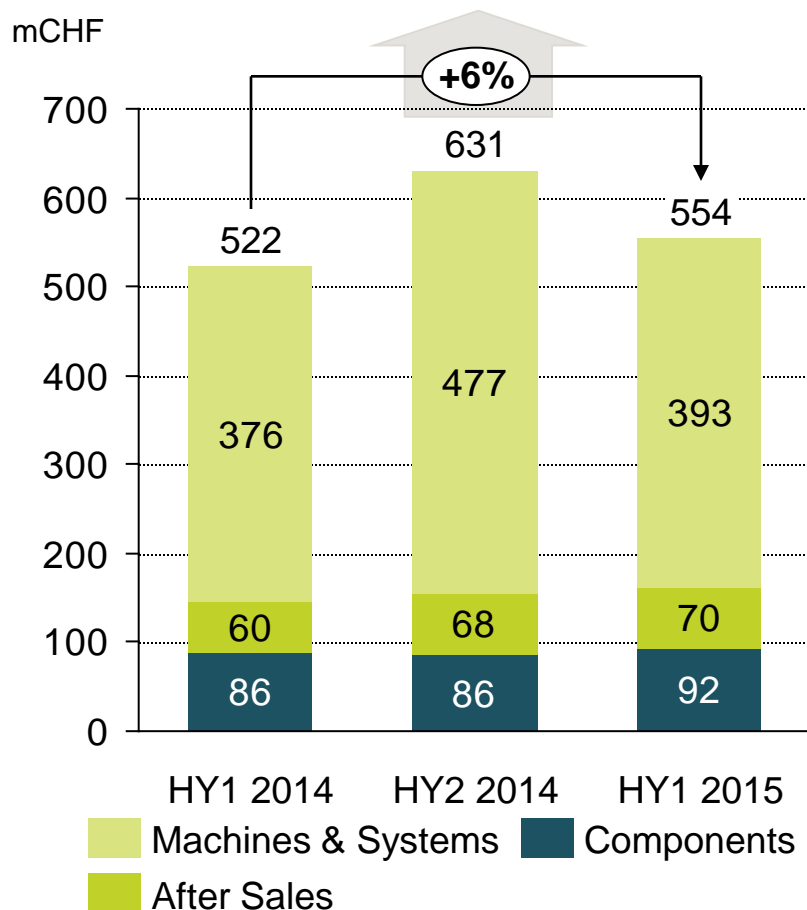
## Orders received lower at 388.3 million CHF – order growth at Components



- Trends in demand differed at the three business groups
- Slow: Business Machines & Systems with 225.5 million CHF orders received (- 34% vs. HY2 2014)
- Stable: Business Group After Sales with 65.1 million CHF (- 4% vs. HY2 2014) – less demand for installation orders linked to Machines & Systems business
- Positive: Business Group Components with 97.6 million CHF orders received (+ 17% vs. HY2 2014).
- Order backlog at June 30 of around 540 million CHF
- Change in local currencies for Rieter Group at par with change in Swiss franc, at Components with significantly stronger growth in local currencies (compared to HY1 2014)

# Sales by business group

Sales increase by 6% with growth in all three business groups



- 71% of sales from Machines & Systems, 29% of sales from After Sales (13%) and Components (16%)
- Positive: Business Group Machines & Systems with 392.7 million CHF sales (+ 4% vs. HY1 2014)
- Very positive: Business After Sales with 69.6 million CHF sales (+ 17% vs. HY1 2014)
- Positive: Business Group Components with 91.6 million CHF sales (+ 6% vs. HY1 2014)

# Change in sales and currency impact



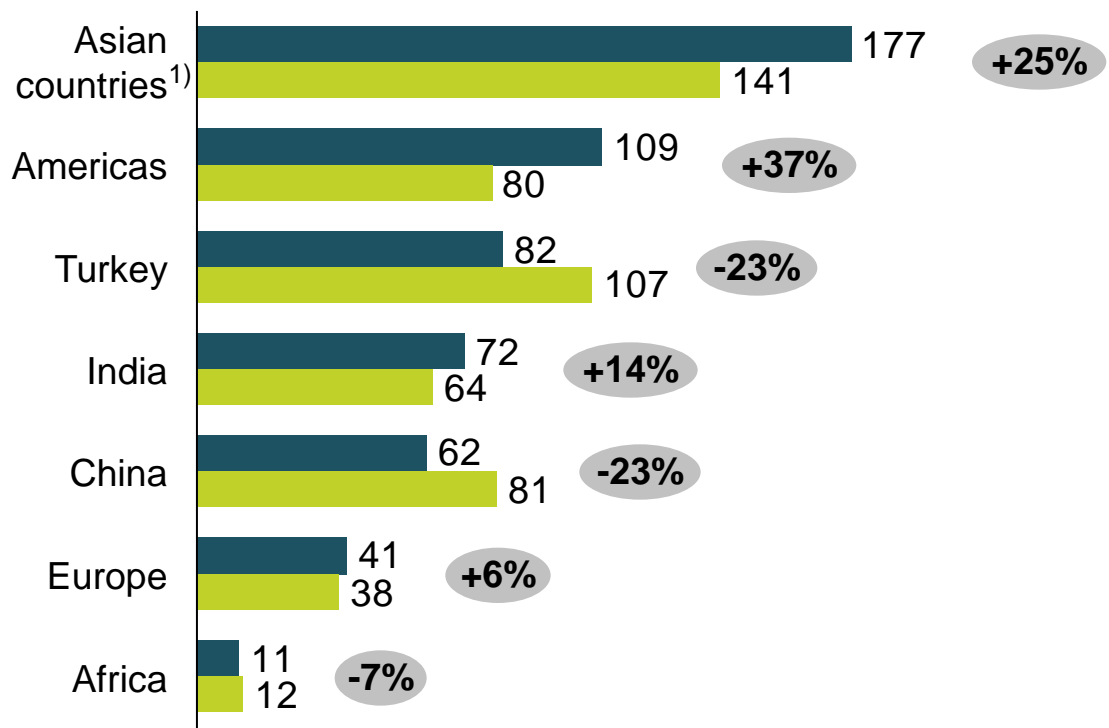
## Sales growth volume driven – but differences in the business groups

mCHF	Machines & Systems	After Sales	Components	Rieter Group
<b>Sales HY1 2014</b>	<b>376.1</b>	<b>59.6</b>	<b>86.4</b>	<b>522.1</b>
Volume and price	11.3	11.1	12.5	34.9
Currency translation	5.3	-1.1	-7.3	-3.1
<b>Sales HY1 2015</b>	<b>392.7</b>	<b>69.6</b>	<b>91.6</b>	<b>553.9</b>

# Sales development by region

## Strong growth in Asia and the US, positive development in India

mCHF



- Americas with strongest growth against HY1 2014, followed by Asian countries
- India with growth
- Turkey and China with lower sales than HY1 2014

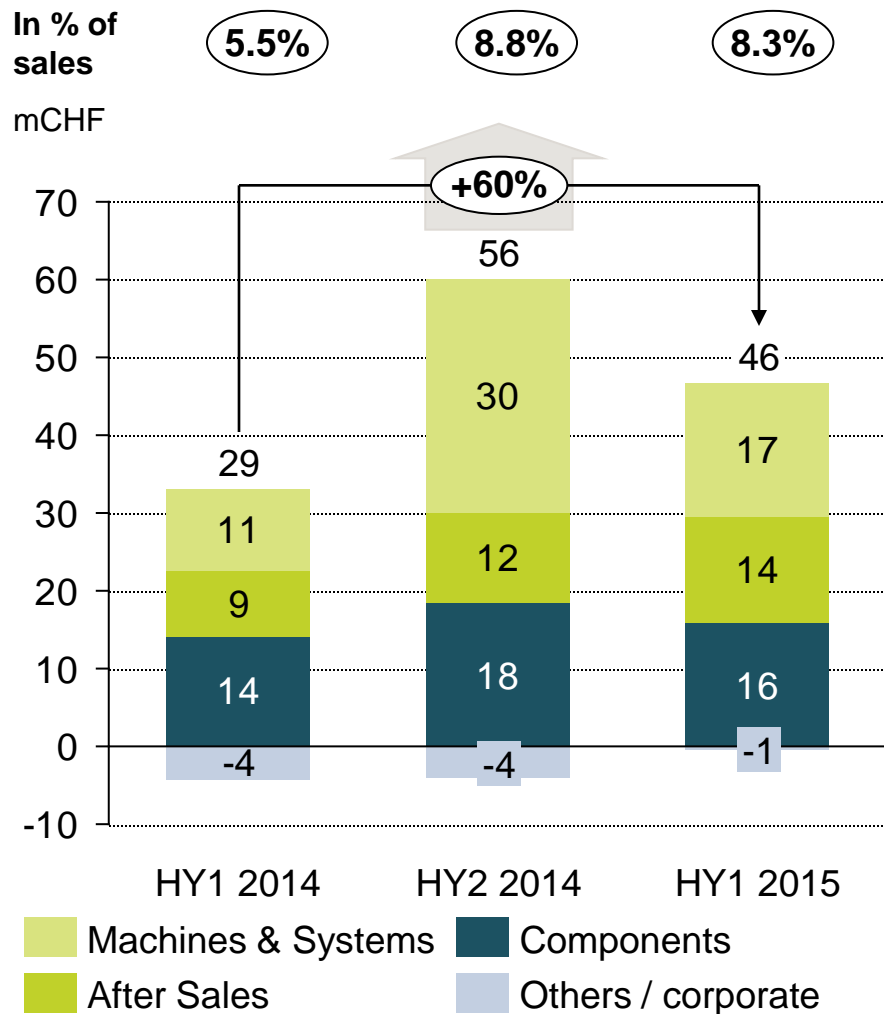
■ HY1 2015 ■ HY1 2014

1) Without China, India and Turkey



# Operating result (EBIT)

## EBIT margin at good 8.3%



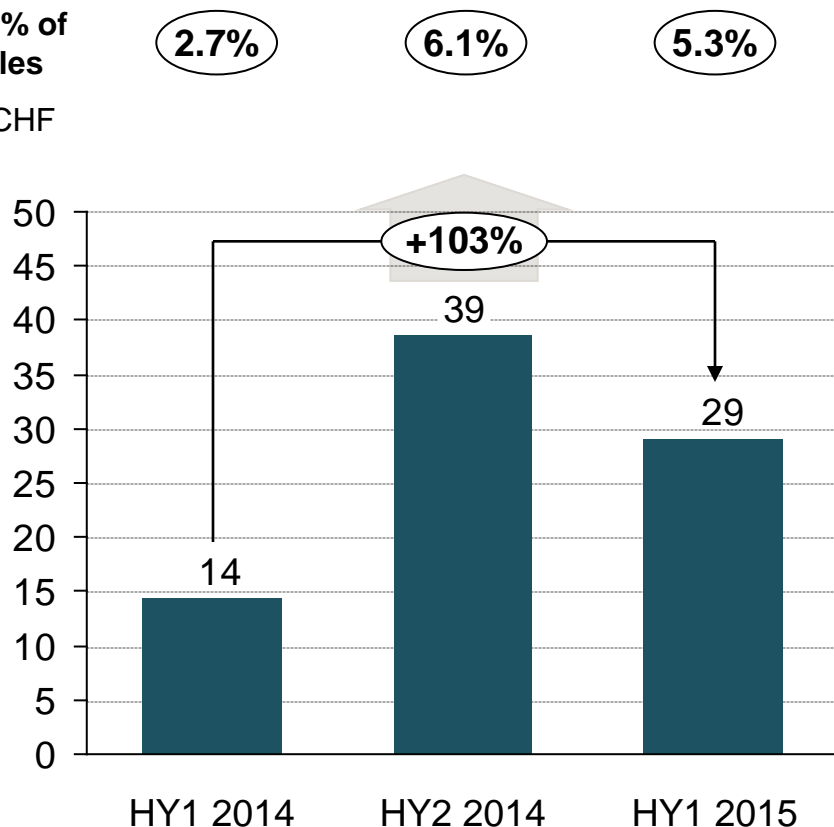
- EBIT increased by 60% to 46.1 million CHF in HY1 2015
- Higher profitability compared to HY1 2014 driven by all three business groups
- Profitability development stems from
  - Strong development at After Sales
  - All cost positions lowered against HY1 2014
  - Other operating income profited from a disposal gain of 5.0 million CHF and a positive impact of 5.1 million CHF from currency derivatives

# Net profit and RONA

## Net profit margin increase to 5.3% thanks to better operating result

In % of sales

mCHF

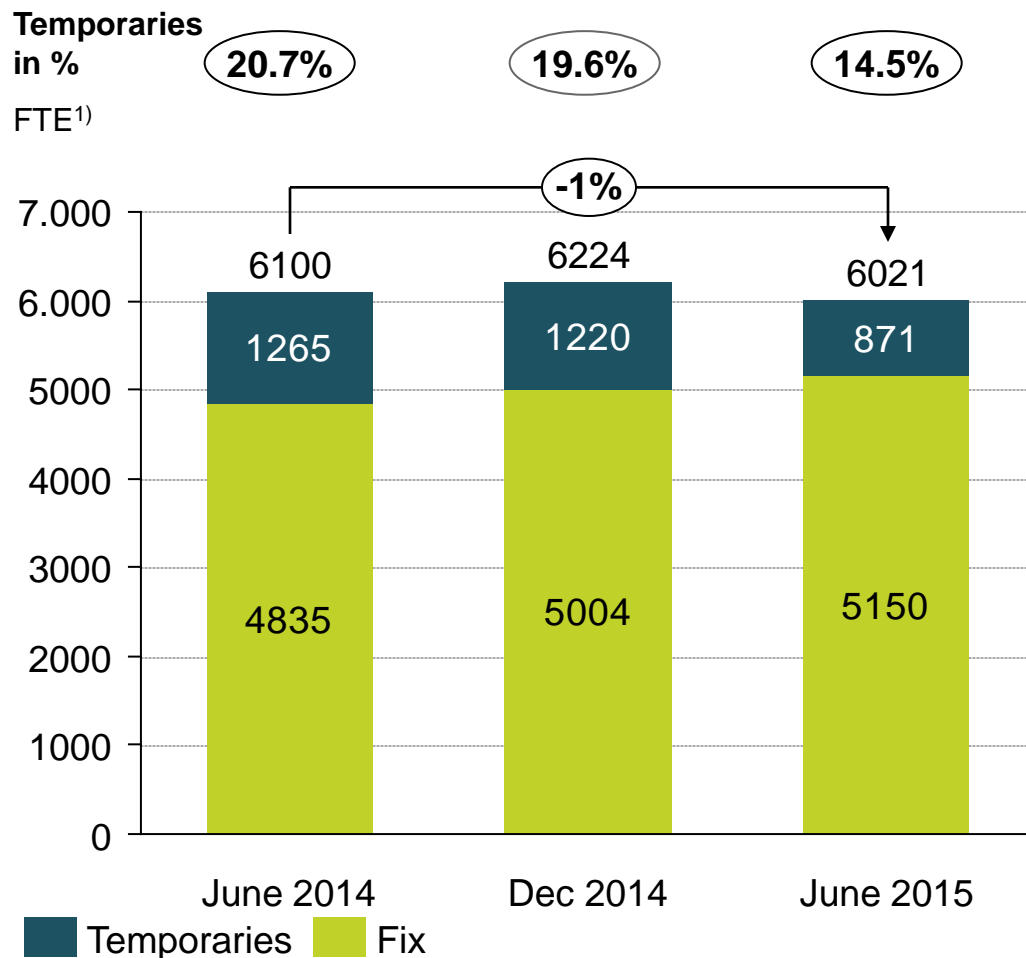


- Financial result improved against HY1 2014 due to lower interest cost
- Tax rate declined to 29.7% (HY1 2014: 33.5%)
- Earnings per share increased to 6.36 CHF (HY1 2014: 3.12 CHF)
- RONA increased to 10.7%, thereby exceeding cost of capital

EPS in CHF	3.12	8.40	6.36
RONA in %	7.2%	13.7%	10.7%

# Changes in workforce

## Total workforce drops 1% year-on year



- Fix employees increase mainly in Czech Republic
- Temporaries decrease mainly in China, Switzerland and Germany

1) Excluding apprentices, including temporary employees

# Balance sheet



## Net liquidity at 139.0 million CHF and equity ratio increase to 42.7%

mCHF	<b>30.06. 2015</b>	31.12. 2014	30.06. 2014
Total assets	<b>991.6</b>	1209.4	1100.2
Non-current assets	<b>361.2</b>	387.3	362.5
Net working capital	<b>62.1</b>	24.6	40.2
Liquid funds	<b>265.2</b>	445.6	300.4
Net liquidity	<b>139.0</b>	171.7	118.6
Short-term financial debt	<b>19.6</b>	168.1	175.4
Long-term financial debt	<b>106.6</b>	105.8	6.4
Shareholders' equity	<b>423.9</b>	441.9	387.9
in % of total assets	<b>43%</b>	37%	35%

- Currency translation adjustment with negative impact on net liquidity
- Dividend of 20.6 million CHF (4.50 CHF per share) paid out in April 2015
- Outstanding bond (2010 – 2015, 4.5%) repaid in April 2015
- Long-term financial debt includes bond issued in 2014 (100.0 million CHF, 2014 – 2020, 1.5%)
- Shareholders' equity ratio increased to 42.7%

## Net working capital

### Seasonal increase of net working capital to 62.1 million CHF

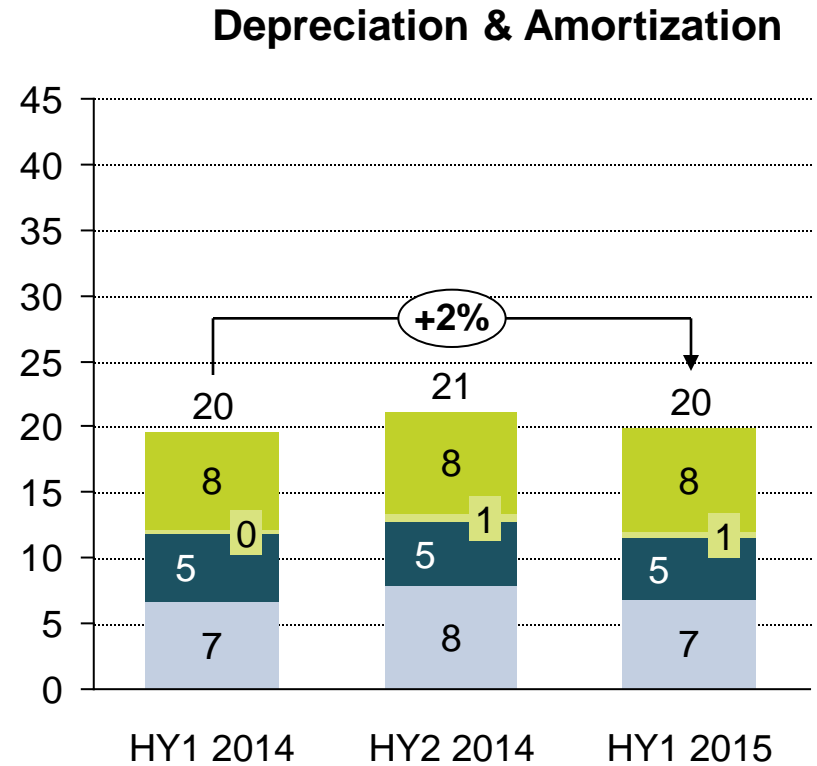
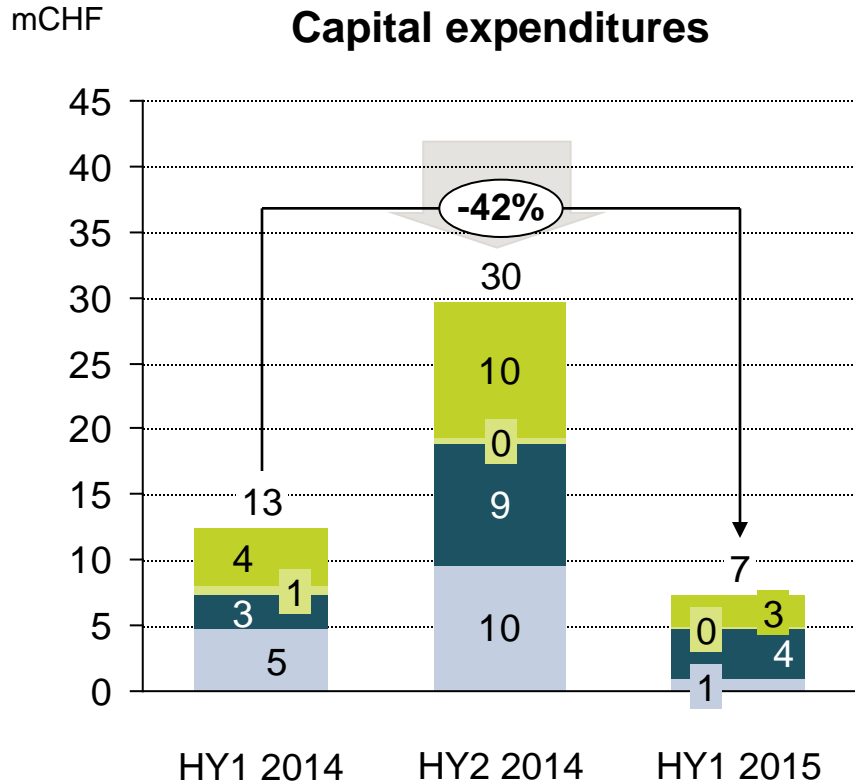
mCHF	<b>30.06. 2015</b>	31.12. 2014	30.06. 2014
Inventories	<b>207.8</b>	253.1	264.8
Trade receivables	<b>101.9</b>	73.5	105.1
Other receivables	<b>55.5</b>	49.9	67.4
Trade payables	<b>-63.3</b>	-107.6	-106.5
Advance payments	<b>-90.1</b>	-104.4	-138.8
Other current liabilities	<b>-149.7</b>	-139.9	-151.8
<b>Net working capital</b>	<b>62.1</b>	24.6	40.2

- Positive impacts on net working capital thanks to lower inventories
- Advance payments at lower levels due to low orders received at Machines & Systems

# Capital expenditures / D&A



**Capital expenditures significantly below depreciation / amortization level**



■ Machines & Systems    ■ Components  
■ After Sales            ■ Other / corporate

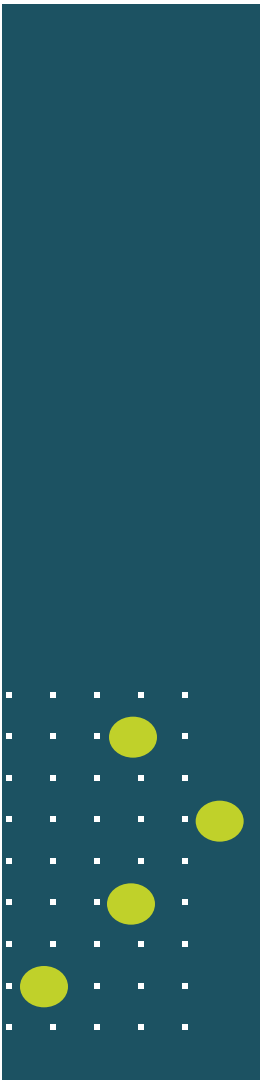
# Free cash flow



## Net working capital drives free cash flow to -5.1 million CHF in HY1

mCHF	<b>HY1 2015</b>	HY1 2014
Net profit	<b>29.1</b>	14.3
Interest and tax expense (net)	<b>16.4</b>	13.3
Depreciation and amortization	<b>19.9</b>	19.6
+/- Non-cash items / disposal gains	<b>-5.2</b>	1.9
+/- Change in NWC and provisions	<b>-46.2</b>	-21.9
+/- Interest paid / received (net)	<b>-7.1</b>	-9.4
+/- Taxes paid	<b>-11.6</b>	-8.5
+/- Capital expenditure	<b>-7.3</b>	-12.5
+/- Proceeds from disposals	<b>6.2</b>	0.3
+/- Change in other financial assets	<b>0.7</b>	0.0
<b>Free cash flow</b>	<b>-5.1</b>	-2.9

- Free cash flow impacted by higher receivables and lower payables and advance payments
- Lower capex
- Positive impact from sale of real estate

- 
1. Introduction and summary of 2014 Dr. Norbert Klapper
  2. Financial results 2014 Joris Gröflin
  3. Outlook Dr. Norbert Klapper



- As of June 30, 2015, the order backlog amounted to around 540 million CHF.
- There was a healthy trend in demand for products and services provided by After Sales and Components in the first six months of the year. By contrast, Machines & Systems' markets were characterized by spinning mills' reluctance to invest. In Rieter's view, the market situation will remain essentially unchanged in the short term.
- The company expects sales for the whole of 2015 to be lower than in 2014. Depending on the effective currency scenario, the negative impact on operating profitability is unchanged estimated in the range of 100 – 200 base points compared to 2014.
- In order to achieve its medium-term targets, Rieter continues to work on the implementation of its strategic priorities of innovation, expansion of the after-sales business and improvement of profitability.

# Mid-term targets

<b>Sales</b>	Sales growth above market
<b>EBIT margin</b>	~10% at sales of ~1.3 bn <sup>1)</sup>
<b>RONA<sup>2)</sup></b>	~14%
<b>Dividend policy</b>	Target pay-out ratio of about 30% of net profits

- 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

# Disclaimer

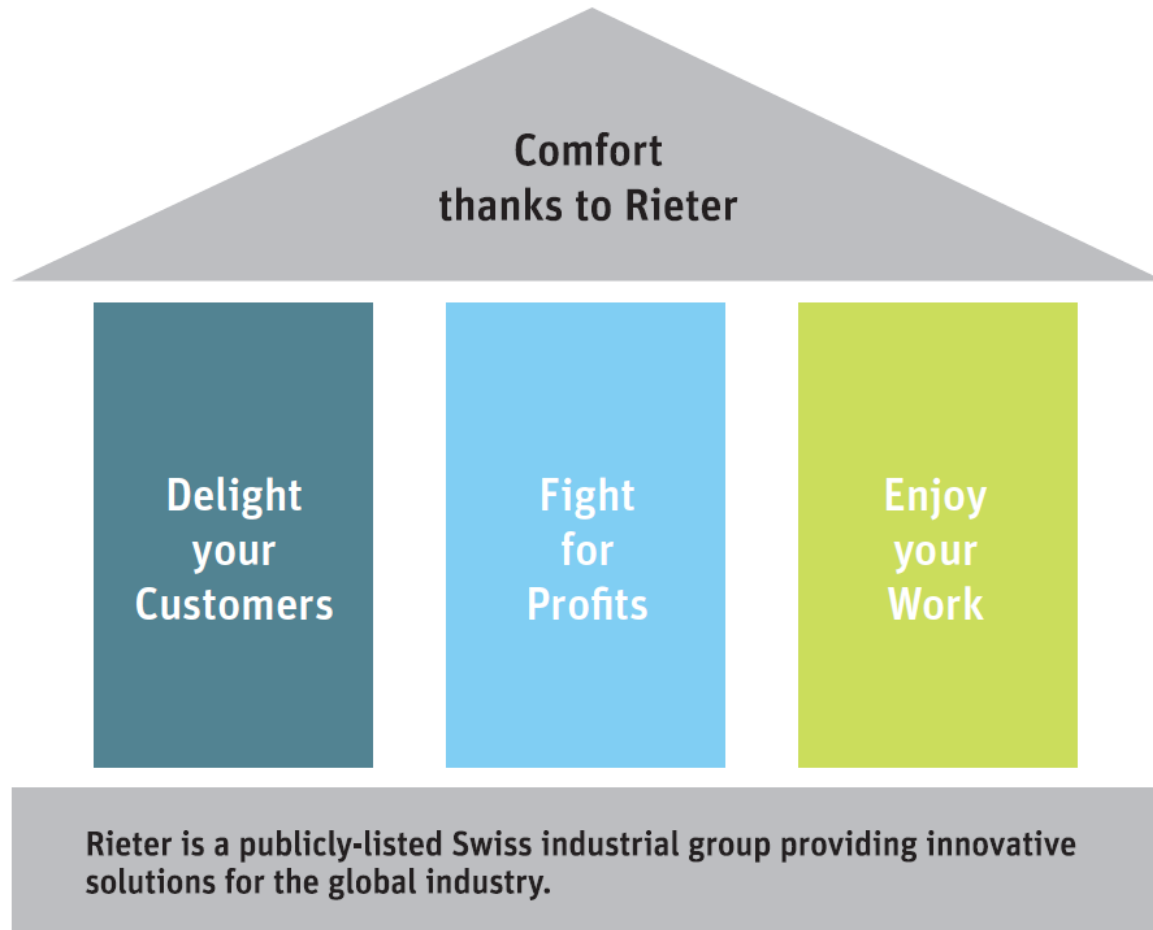
---



**Rieter is making great efforts to include accurate and up-to-date information in this document, however we make no representations or warranties, expressed or implied, as to the accuracy or completeness of the information provided in this document and we disclaim any liability whatsoever for the use of it.**

**The information provided in this document is not intended nor may be construed as an offer or solicitation for the purchase or disposal, trading or any transaction in any Rieter securities. Investors must not rely on this information for investment decisions.**

**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.**





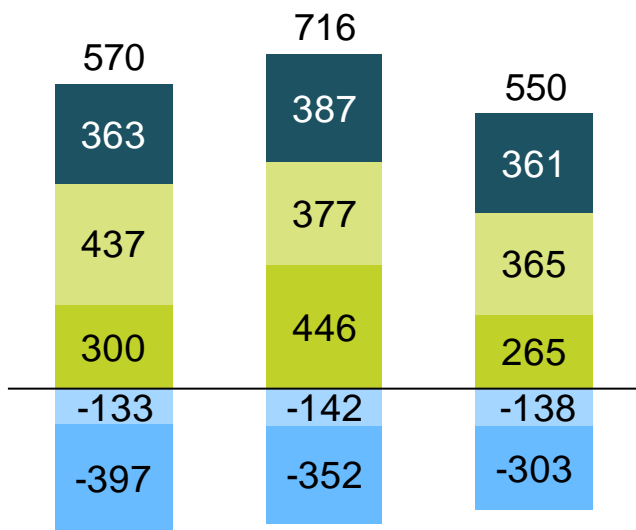
## Return on net assets (RONA) of 10.7% above cost of capital

mCHF	30.06.2015	31.12.2014	<b>HY1 2015</b>
Non-current assets	361.2	387.3	
Inventories and receivables	365.2	376.5	
Liquid funds	265.2	445.6	
<b>Total assets</b>	<b>991.6</b>	<b>1'209.4</b>	
Non-current liabilities (excl. debt)	-138.4	-141.7	
Current liabilities (excl. debt)	-303.1	-351.9	
<b>Net assets (excl. debt), average</b>	<b>550.1</b>	<b>715.8</b>	<b>637.3</b>
Net profit HY1 2015			29.1
Interest cost HY1 2015			4.9
<b>Net profit before interest cost HY1 2015</b>			<b>34.0</b>
RONA HY1 2015 in %			10.7%

## Decrease of net assets in HY1 2015

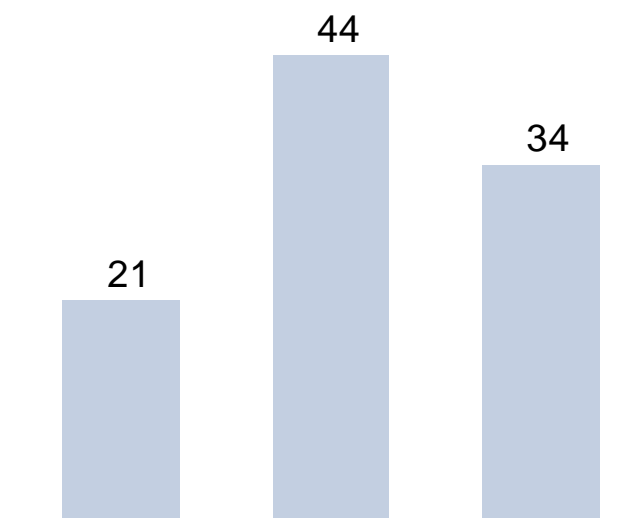
mCHF

### Net assets (excl. Debt)



HY1 2014    HY2 2014    HY1 2015

### Net profit before fin. result and write-off of fin. assets



HY1 2014    HY2 2014    HY1 2015

- Non-current assets
- Inventories and receivables
- Liquid funds
- Non-current liabilities (excl. Debt)
- Current liabilities (excl. Debt)

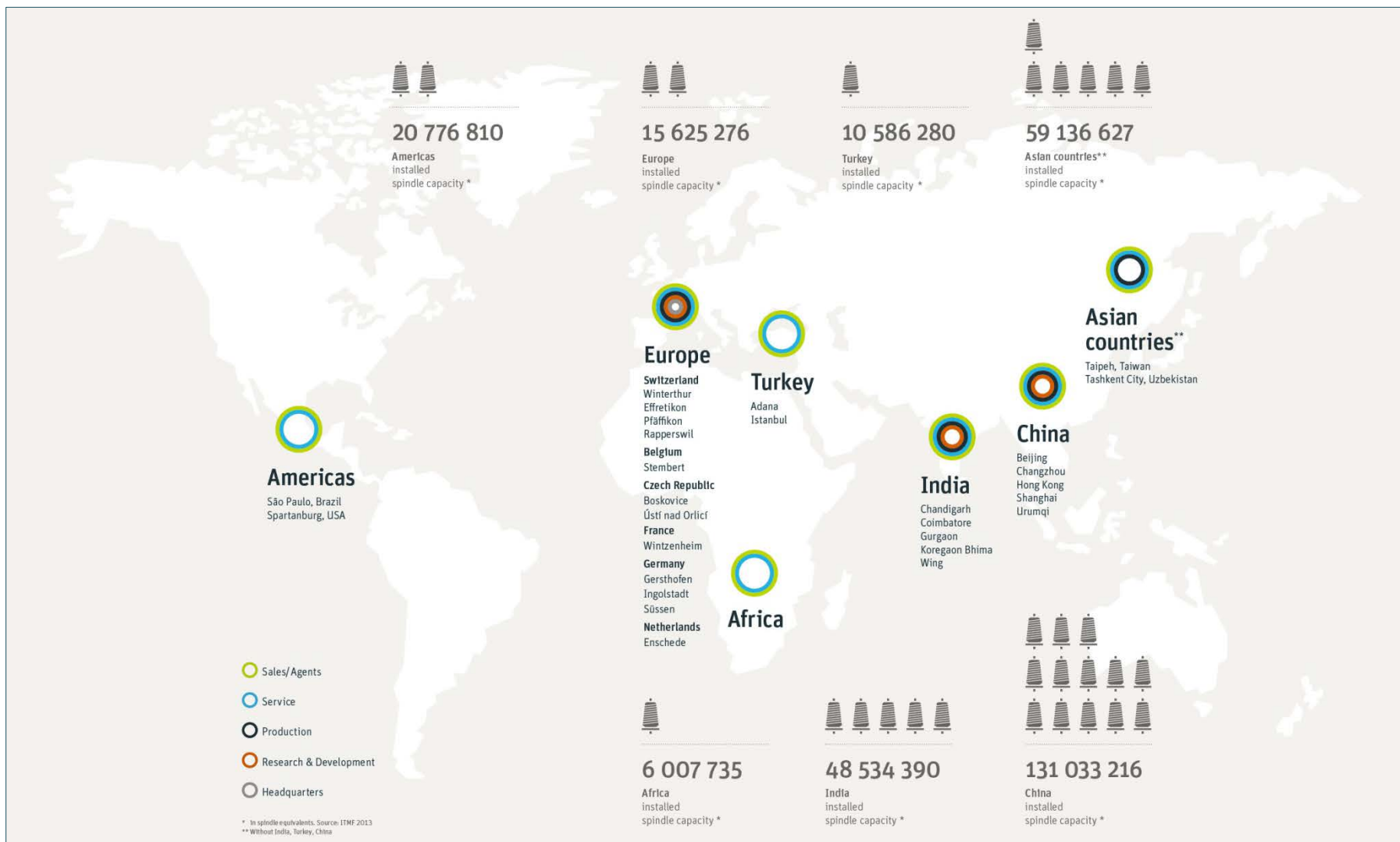
## Key data per share



		<b>30.06.2015</b>	<b>31.12.2014</b>	<b>30.06.2014</b>
Rieter registered shares of 5 CHF nominal value Bloomberg: RIEN; Reuters: RITZn				
Shares outstanding excl. own shares (end of period)		<b>4'581'585</b>	<b>4'575'484</b>	<b>4'583'858</b>
Average shares (of period)		<b>4'577'017</b>	<b>4'583'909</b>	<b>4'587'530</b>
Share price (end of period)	CHF	<b>147.80</b>	<b>165.50</b>	<b>221.70</b>
Market capitalization (end of period)	mCHF	<b>677</b>	<b>757</b>	<b>1'016</b>



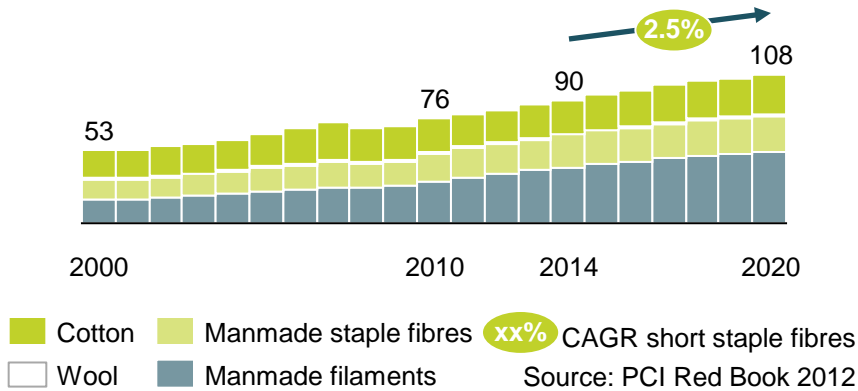
# Rieter – global presence



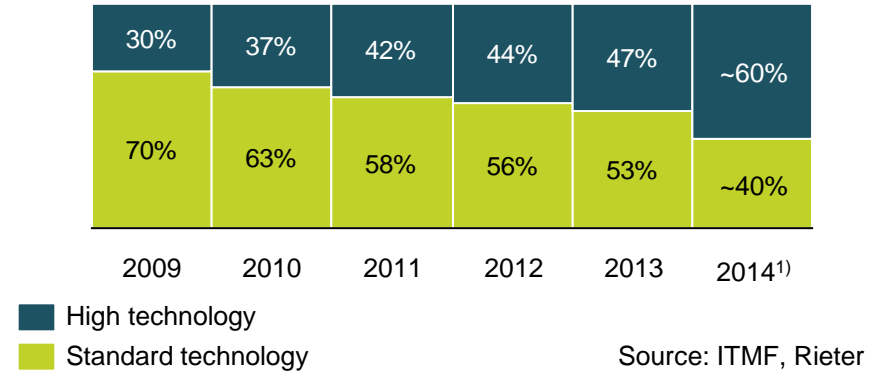
# Market trends and growth

## 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

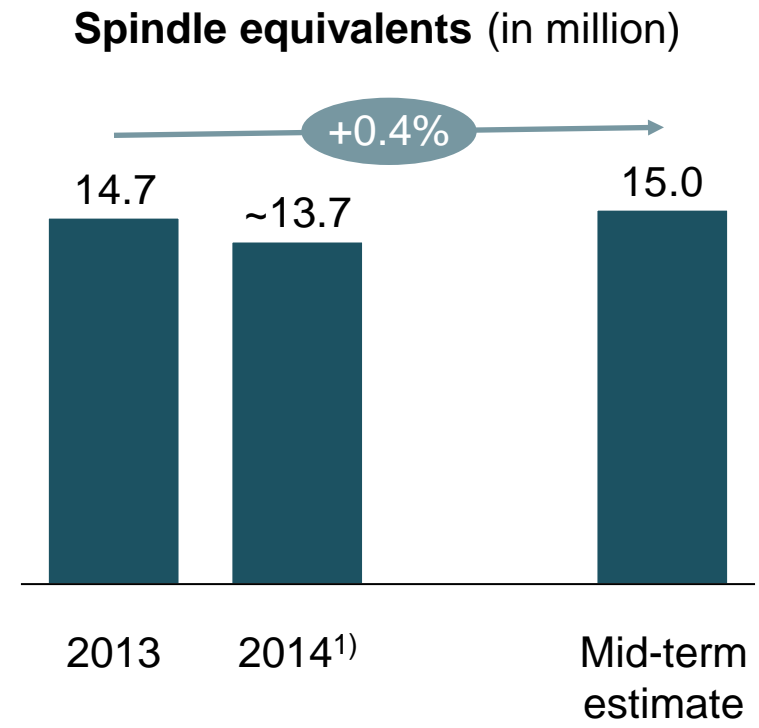
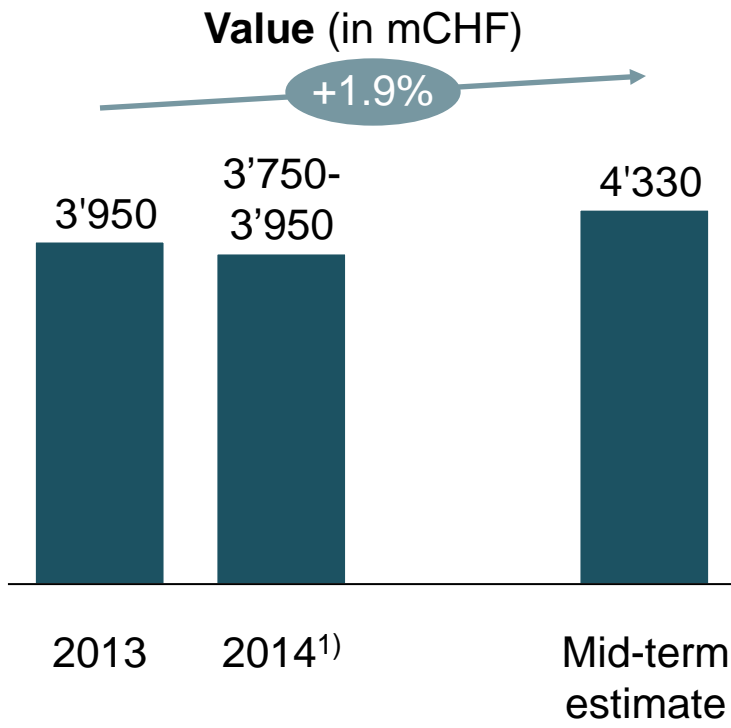
- Performance
- Regional
- Spinning technology

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

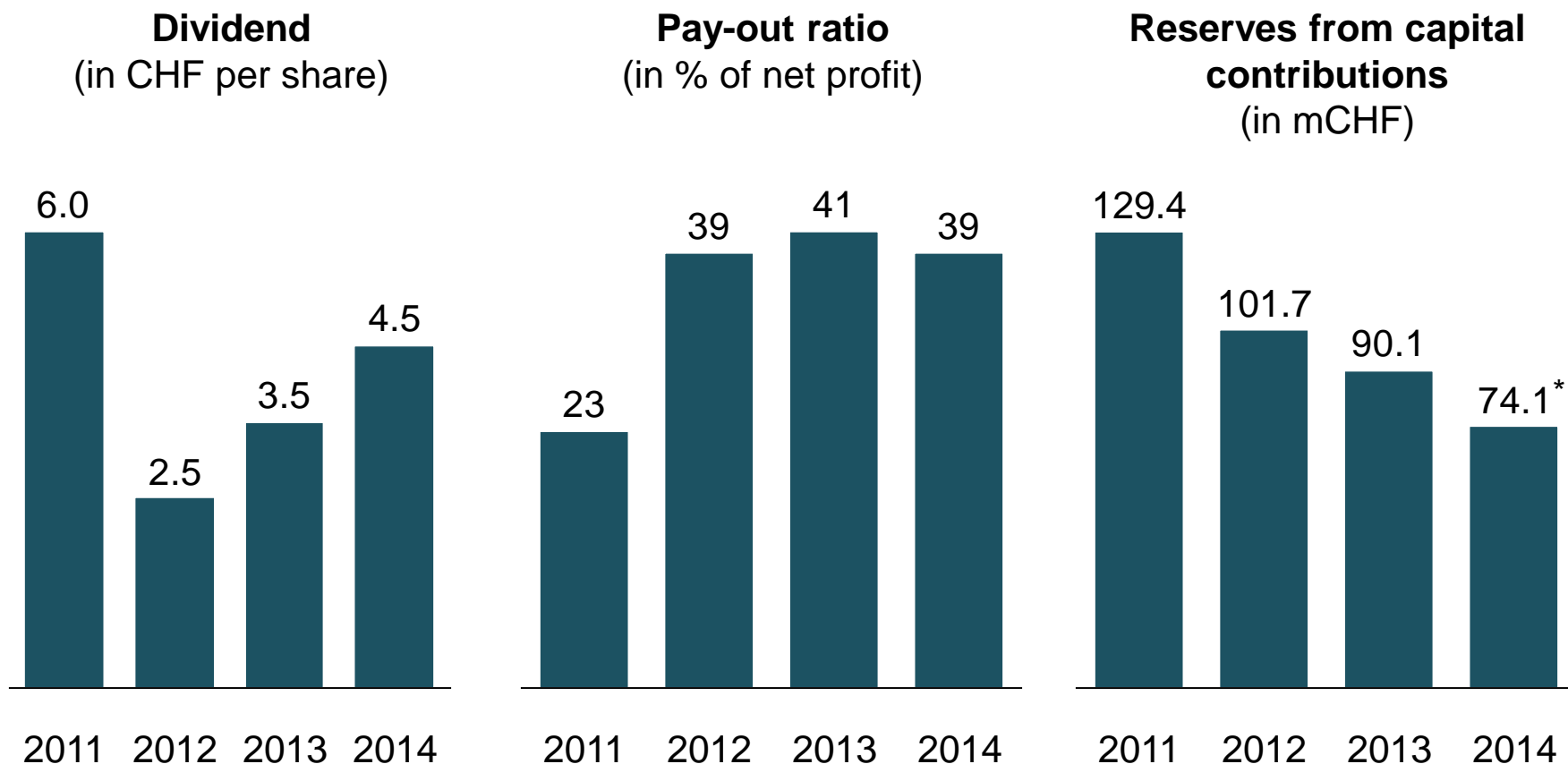
- Market growth is driven by performance shift into high tech segment mainly in China

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

# Dividend



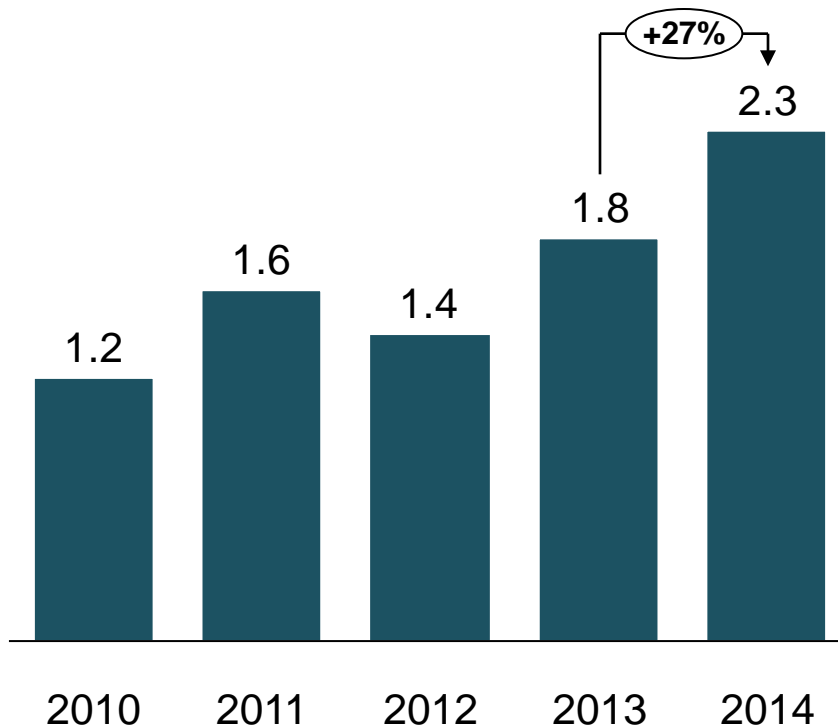
## Dividend of 4.50 CHF paid out for 2014



\* Equals CHF 15.86 per share

## 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

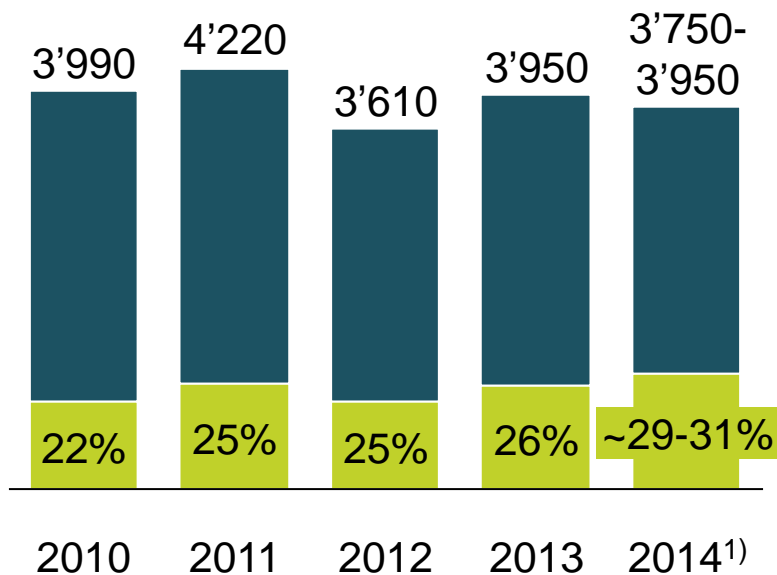
Endspinning machines only

# Rieter position

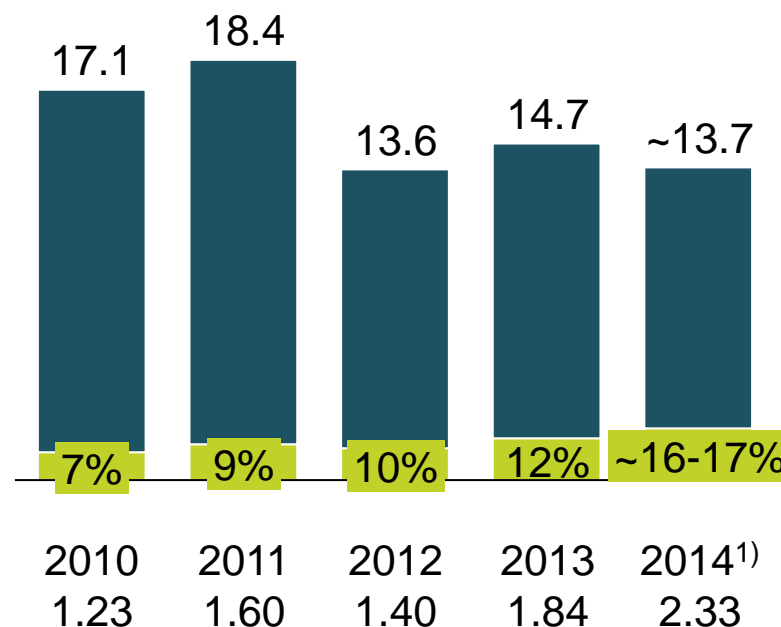


**Increase in market share thanks to strong position and capacity increase**

**Value (in mCHF)**



**Spindle equivalents (in million)**



Market value Rieter market share

Market Rieter shipments (% of market)

w/o Winder

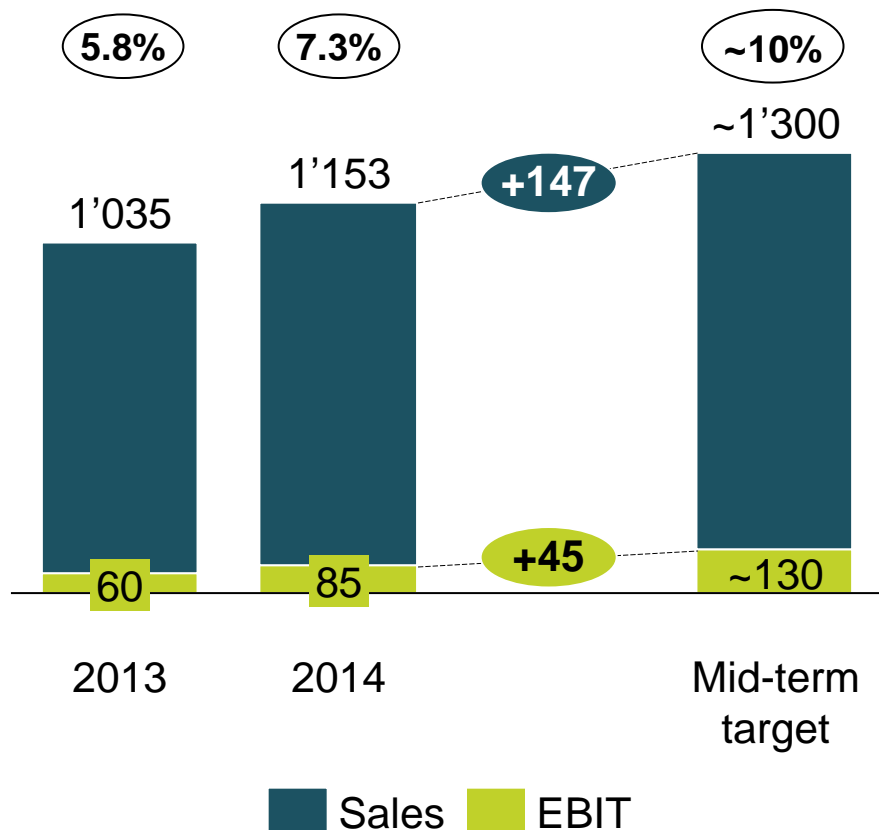
Endspinning machines only

Source: Rieter estimates, ITMF 1) Preliminary estimates

# Strategic focus – profitable growth

## Progress made towards mid-term targets – improvement ongoing

Sales and EBIT (in mCHF)



Improvement measures

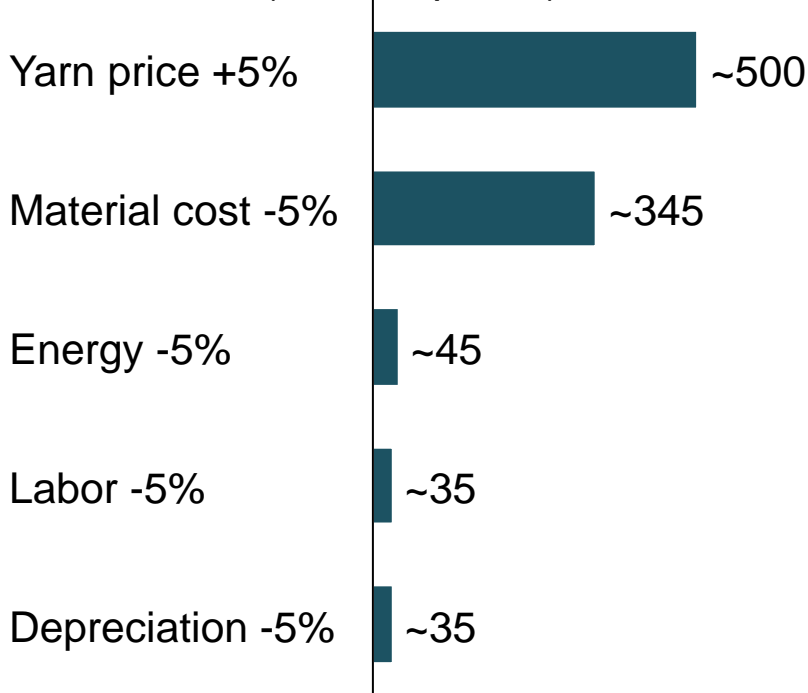
Focus area	Content
Delight your customer	Improve customer satisfaction
Margin	Price
	Mix
	Product cost
Business segment mix / volume	Grow in after sales and components business
Structure	Efficiency in Europe, China and India
Innovation	Reinforce value-creating innovation

# Strategic focus – 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