

RIETER



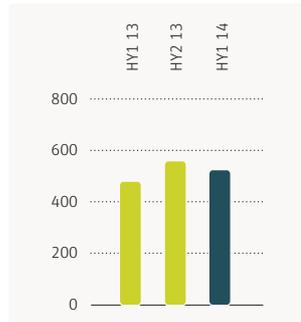
Semi-Annual Report 2014

Rieter at a glance

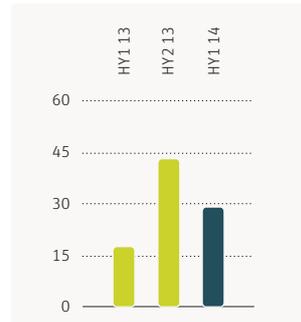
Orders received
in CHF million



Sales
in CHF million



EBIT
in CHF million



Capital expenditures
in CHF million



CHF million	January – June 2014	July – December 2013	January – June 2013	Change ¹	Change in local currencies ¹
Rieter					
Orders received	655.5	548.0	711.4	- 8%	- 5%
Sales	522.1	557.2	478.1	9%	12%
Operating result before interest, taxes, depreciation and amortization (EBITDA)	48.4	60.9	34.3		
· in % of sales	9.3%	10.9%	7.2%		
Operating result before interest and taxes (EBIT)	28.8	43.1	17.1		
· in % of sales	5.5%	7.7%	3.6%		
Net profit	14.3	32.4	5.0		
· in % of sales	2.7%	5.8%	1.0%		
Earnings per share	CHF 3.12	7.05	1.51		
Capital expenditures on tangible and intangible assets	12.5	28.5	26.5	- 53%	- 50%
Number of employees at the end of the period (excluding temporary personnel)	4 835	4 793	4 646	4%	
Business Group Spun Yarn Systems					
Orders received	566.3	462.4	621.9	- 9%	- 6%
Sales	435.7	465.3	392.5	11%	14%
Operating result before interest and taxes (EBIT)	19.8	32.0	13.3		
· in % of sales	4.5%	6.9%	3.4%		
Business Group Premium Textile Components					
Orders received	89.2	85.6	89.5	0%	1%
Sales	86.4	91.9	85.6	1%	3%
Total segment sales	130.1	133.4	125.7	4%	6%
Operating result before interest and taxes (EBIT)	14.1	16.3	9.6		
· in % of segment sales	10.8%	12.2%	7.6%		

1. Change January – June 2014 vs. January – June 2013.

Good trend of business continues at Rieter

Global market momentum sustained – Order intake at a healthy level – High order backlog provides solid basis for further sales growth – Significant increase of sales and profitability compared to the prior-year period – Benefits from additional capacities in Asia

The market environment in which Rieter operates was consistently favorable in the first half of 2014. Rieter received 655.5 million CHF of new orders in the first six months of 2014, which is lower than last year's very good figure (711.4 million CHF), but substantially higher than in the second half of 2013. Sales rose by 9% to 522.1 million CHF (478.1 million CHF in the first half of 2013). EBITDA in the period under review rose to 48.4 million CHF (34.3 million CHF in the first half of 2013). The operating result before interest and taxes (EBIT) amounted to 28.8 million CHF, an increase of 68% (17.1 million CHF in the first half of 2013). Higher profitability at both Business Groups boosted the group's operating margin from 3.6% to 5.5% of sales. Rieter closed the first half of 2014 with significantly higher net profits of 14.3 million CHF or 2.7% of sales, respectively (5.0 million CHF or 1.0% of sales in the first half of 2013). Rieter had established additional capacity in China and India in the context of its 2012/2013 investment program. This contributed substantially to the company's development in the first half of 2014.

Dear shareholder

The world market for staple fiber machinery and components for Rieter continued to develop favorably in the first half of 2014. At the same time regional variations in momentum persisted. Following the implementation of the 2012/2013 investment program, Rieter is in a strong position and took full advantage of the generally encouraging business environment.

In China the market for staple fiber machinery was tight due to the credit situation for spinning mills and the high cost of raw materials. The market for viscose yarns, where Rieter supplies manufacturers with semi-automatic rotor spinning machines, also remained subdued. On the other hand, demand for ring spinning machines was good. Substantial parts of machines delivered in China were also produced locally.

In order to supply the Chinese textile market, spinning mills have made major investments in facilities located in other Asian countries, such as Vietnam. In the period under review, Rieter secured substantial orders in these countries as well as in Turkey and the US.

In India the market was slightly more dynamic than in the second half of 2013. However, conditions remained challenging, due especially to the currency situation and reluctance to invest ahead of the elections in spring.

Orders received amounted to 655.5 million CHF, 8% lower than in the very good prior-year period (711.4 million CHF in the first half of 2013). However, order intake was 20% higher than in the second half of 2013. Rieter booked the largest volume of orders in Turkey, followed by China, India, the US, Vietnam, Uzbekistan, Pakistan, Indonesia and Brazil. The global trend toward machinery in the upper quality segment with a high level of automation and performance continued in the first half of 2014. Systematic innovation and a strong global market position give Rieter a considerable competitive edge in this segment.

Total orders in hand as of June 30, 2014, stood at some 880 million CHF. The expansion in capacity will enable Rieter to translate these orders into further growth. The majority of machines ordered in the first half of the year will be delivered in 2015.

Sales increased by 9% to 522.1 million CHF in the reporting period (478.1 million CHF in the first half of 2013). Rieter booked most sales in Turkey, followed by China, India, Pakistan and the US. The decline in sales in China compared with the prior-year period was due to weaker demand in the second half of 2013.

Compared to the first half of 2013, EBITDA grew by 14.1 million CHF to 48.4 million CHF, equivalent to 9.3% of sales, compared to 7.2% in the same period of the previous year. The operating result before interest and taxes (EBIT) increased to 28.8 million CHF, which corresponds to growth of 68% (17.1 million CHF in the first half of 2013). The operating margin expressed as a percentage of sales improved from 3.6% to 5.5%. Both Business Groups reported improved profitability and contributed to the positive trend. Financial results amounted to

-7.3 million CHF (-7.1 million CHF in the first half of 2013) and the tax rate was 33% (50% in the first half of 2013). Rieter therefore generated net profits of 14.3 million CHF or 2.7% of sales in the reporting period, which represents a significant increase compared with the first six months of 2013 (5.0 million CHF or 1.0% of sales).

Rieter made investments totaling 12.5 million CHF in the first half of 2014 (26.5 million CHF in the first half of 2013). The company spent 21.5 million CHF (4.1% of sales) on research and development (22.1 million CHF or 4.6% of sales in the first half of 2013).

The planned increase in net working capital in preparation for higher sales in the second half of the year plus regular capital spending resulted in free cash flow of -2.9 million CHF. After payment of a dividend of 16.0 million CHF (3.50 CHF per share) out of the reserve from capital contributions in April 2014, cash and cash equivalents amounted to 291.3 million CHF and net liquidity to 118.6 million CHF as of June 30, 2014. Rieter is soundly financed and has an equity ratio of 35%.

Rieter employed a workforce of 4 835 as of June 30, 2014 (4 646 as of June 30, 2013). An additional 1 265 temporary employees were hired in order to cope with the volume of orders. The increase in the number of permanent employees was mainly at the new facilities in Asia.

Spun Yarn Systems Business Group

Orders received by the Spun Yarn Systems Business Group in the first half of 2014 amounted to 566.3 million CHF. This figure was 9% lower than the very strong prior-year result (621.9 million CHF in the first half of 2013), but substantially higher (+22%) than in the second half of 2013. Spun Yarn Systems booked the largest order volumes in Turkey, followed by China, the US, India, Vietnam and other Asian countries.

Sales by Spun Yarn Systems increased by 11% to 435.7 million CHF in the period under review (392.5 million CHF in the first half of 2013). Sales were 6% lower than in the second half of 2013. This was due to deliveries which Rieter had made in December 2013 at the request of customers and which therefore did not figure in January and February 2014. Rieter had also scheduled fewer deliveries for the beginning of 2014 in order not to risk delays due to the introduction of new IT processes.

The operating result before interest and taxes (EBIT) amounted to 19.8 million CHF, equivalent to 4.5% of sales. Spun Yarn Systems therefore posted an increase in the EBIT margin of 1.1 percentage points (13.3 million CHF or 3.4% of sales in the first half of 2013). The positive trend in profitability was attributable to higher sales. As predicted, the product mix in the machinery business had lower margins than in the second half of 2013. Furthermore, costs were also incurred for implementing and stabilizing the IT-assisted global business processes and for the further development of the air-jet product line.

Premium Textile Components Business Group

Orders received by the Premium Textile Components Business Group in the reporting period totaled 89.2 million CHF. This figure was slightly lower than reported in the same period of the previous year (89.5 million CHF) and 4% higher than in the second half of 2013. Premium Textile Components booked its largest order volumes in India and China, followed by Turkey, Bangladesh, Pakistan, the US and Indonesia.

The Business Group posted sales to third parties of 86.4 million CHF, 1% more than in the prior-year period (85.6 million CHF). Segment sales, i.e. including deliveries to Spun Yarn Systems, increased to 130.1 million CHF, equivalent to a growth of 4% (125.7 million CHF in the first half of 2013).

Premium Textile Components recorded a significant increase in the operating result before interest and taxes (EBIT): this amounted to 14.1 million CHF, equivalent to an operating margin of 10.8% of segment sales (9.6 million CHF or 7.6% of segment sales in the first half of 2013).

Priorities for 2014

After completion of the major 2012/2013 investment program, Rieter is working intensively on exploiting these investments to optimal effect. The three investment priorities were expansion in Asia, innovation and process improvements. The new IT-assisted global business processes are established and operational following their introduction in January 2014. The investments in 2012/2013 form the basis for achieving further sustainable and profitable growth.

After expanding the new facilities in Asia and introducing global business processes, Rieter is focusing on optimizing delivery lead times and order processing quality in 2014.

One of Rieter's main focus areas which remains unchanged is innovation. At ITMA Asia/CITME, which was held in Shanghai in June 2014, the company exhibited innovations in all four final spinning systems as well as fiber and spinning preparation. The products met a great response from customers, as did the textiles on show, produced from high-quality yarns displaying the characteristics of Rieter's four spinning systems. In general, demand was high for products offering greater automation of spinning mills and for manufacturing high-quality yarns. Rieter occupies an especially strong position in these sectors.

Outlook

With broadly based business worldwide, Rieter expects for the second half of 2014 a stable market demand on slightly 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.

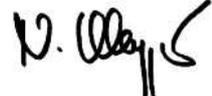
Winterthur, July 22, 2014

Erwin Stoller



Chairman
of the Board of Directors

Dr. Norbert Klapper



Chief Executive Officer
and Head Business Group
Spun Yarn Systems

Consolidated income statement

	Notes	January – June 2014		January – June 2013		January – December 2013	
		CHF million	% *	CHF million	% *	CHF million	% *
Sales	(6)	522.1	100.0	478.1	100.0	1 035.3	100.0
Change in semi-finished and finished goods		7.6	1.5	6.4	1.3	19.6	1.9
Own work capitalized		0.5	0.1	0.2	0.0	2.0	0.2
Material costs		-251.7	-48.2	-237.3	-49.6	-525.4	-50.7
Employee costs		-153.4	-29.4	-150.3	-31.4	-296.7	-28.7
Other operating expenses		-88.5	-17.0	-78.6	-16.4	-171.4	-16.6
Other operating income		11.8	2.3	15.8	3.3	31.8	3.1
Depreciation and amortization		-19.6	-3.8	-17.2	-3.6	-35.0	-3.4
Operating result before interest and taxes (EBIT)		28.8	5.5	17.1	3.6	60.2	5.8
Financial result		-7.3		-7.1		-7.7	
Profit before taxes		21.5	4.1	10.0	2.1	52.5	5.1
Income taxes		-7.2		-5.0		-15.1	
Net profit		14.3	2.7	5.0	1.0	37.4	3.6
Attributable to shareholders of Rieter Holding Ltd.		14.3		7.0		39.4	
Attributable to non-controlling interests		0.0		-2.0		-2.0	
Earnings per share	CHF	3.12		1.51		8.56	
Diluted earnings per share	CHF	3.12		1.51		8.56	

* In % of sales.

Consolidated statement of comprehensive income

	CHF million	January – June 2014	January – June 2013	January – December 2013
Net profit		14.3	5.0	37.4
Remeasurement defined benefit plans ¹		1.7	2.1	6.9
Income taxes on remeasurement		-0.3	-0.4	-1.4
Items that will not be reclassified to income statement, net of taxes		1.4	1.7	5.5
Currency translation differences		-2.0	2.3	-13.1
Financial instruments available for sale:				
Change in fair value		0.6	0.4	0.2
Income taxes on change in fair value		0.0	0.0	0.0
Results reclassified to income statement		0.0	-0.1	-0.1
Items that may be reclassified to income statement, net of taxes		-1.4	2.6	-13.0
Total other comprehensive income		0.0	4.3	-7.5
Total comprehensive income		14.3	9.3	29.9
Attributable to shareholders of Rieter Holding Ltd.		14.3	11.4	34.4
Attributable to non-controlling interests		0.0	-2.1	-4.5

1. Actuarial gains and losses as well as impact IFRIC 14.

Consolidated balance sheet

CHF million	Notes	June 30, 2014	June 30, 2013 ¹	December 31, 2013
Assets				
Tangible fixed assets		256.5	264.2	262.1
Intangible assets		22.9	24.5	25.6
Other non-current assets, deferred income tax assets		83.1	74.8	83.4
Non-current assets		362.5	363.5	371.1
Inventories		264.8	248.4	233.0
Trade receivables		105.1	111.5	94.1
Other receivables		67.4	46.3	46.1
Marketable securities and time deposits		9.1	7.6	8.9
Cash and cash equivalents		291.3	315.4	360.8
Current assets		737.7	729.2	742.9
Assets		1 100.2	1 092.7	1 114.0
Shareholders' equity and liabilities				
Equity attributable to shareholders of Rieter Holding Ltd.		387.3	363.7	389.2
Equity attributable to non-controlling interests	(3)	0.6	3.0	0.5
Total shareholders' equity		387.9	366.7	389.7
Long-term financial debt	(3,4)	6.4	238.0	183.6
Provisions, other non-current liabilities		133.4	134.9	137.4
Non-current liabilities		139.8	372.9	321.0
Trade payables		106.5	85.7	96.0
Advance payments from customers		138.8	115.4	135.5
Short-term financial debt	(3,4)	175.4	21.8	44.8
Provisions, other current liabilities		151.8	130.2	127.0
Current liabilities		572.5	353.1	403.3
Liabilities		712.3	726.0	724.3
Shareholders' equity and liabilities		1 100.2	1 092.7	1 114.0

1. Restated (see note 2 "Changes in accounting policies" on page 9).

Changes in consolidated equity

CHF million	January – June 2014	January – June 2013	January – December 2013
Total shareholders' equity at end of previous period	389.7	375.9	375.9
Total comprehensive income	14.3	9.3	29.9
Distribution of dividend out of reserve from capital contributions	-16.0	-11.6	-11.6
Change in holding of treasury shares (incl. share-based compensation)	-0.1	-6.9	-4.5
Total shareholders' equity at end of reporting period	387.9	366.7	389.7

1. Restated (see note 2 "Changes in accounting policies" on page 9).

Consolidated statement of cash flows

CHF million	Notes	January – June 2014	January – June 2013	January – December 2013
Net profit		14.3	5.0	37.4
Interest income / interest expenses		6.1	6.8	14.0
Income taxes		7.2	5.0	15.1
Depreciation and amortization		19.6	17.2	35.0
Other non-cash income and expenses		1.9	-3.6	-12.4
Change in net working capital, other		-21.9	-5.9	46.1
Interest received / interest paid		-9.4	-10.0	-11.5
Taxes paid		-8.5	-7.9	-16.0
Net cash from operating activities		9.3	6.6	107.7
Capital expenditures / disposals tangible and intangible assets		-12.2	-21.9	-49.5
Proceeds from sale of investments (after local taxes)		0.0	1.3	1.3
Investments / disposals other non-current assets		0.0	0.0	0.7
Sale / purchase of marketable securities and time deposits		0.0	1.9	0.9
Net cash from investing activities		-12.2	-18.7	-46.6
Dividend paid to shareholders of Rieter Holding Ltd.		-16.0	-11.6	-11.6
Purchase / sale of treasury shares		-0.1	-6.9	-4.4
Repayments of / proceeds from short-term financial debt	(3)	-26.6	15.9	12.5
Repayments of long-term financial debt	(4)	-23.0	-14.3	-36.5
Net cash from financing activities		-65.7	-16.9	-40.0
Currency translation differences		-0.9	1.8	-2.9
Change in cash and cash equivalents		-69.5	-27.2	18.2
Cash and cash equivalents at beginning of year		360.8	342.6	342.6
Cash and cash equivalents at end of reporting period		291.3	315.4	360.8

Notes to the semi-annual financial statements

1 Principles of consolidation and accounting policies

The consolidated semi-annual financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting”. They are based on the financial statements of the individual group companies drawn up according to uniform accounting principles as of June 30, 2014. The principles of consolidation and accounting principles set forth in the 2013 annual report have been amended in 2014 by the new and revised IFRS standards and interpretations. Except for the changes in accounting policies set out in note 2 the adoption of new or amended regulations had no material impact on the consolidated financial statements. The semi-annual report has not been audited by the statutory auditor. The consolidated income statement, statement of comprehensive income, balance sheet, changes in equity and statement of cash flows are presented in condensed form.

2 Changes in accounting policies

The International Accounting Standards Board published amendments to IAS 19 “Defined Benefit Plans: Employee Contributions” in November 2013. Together with the revised version of IAS 19 Rieter adopted these amendments early, already in the 2013 financial statements. In the semi-annual financial statements 2013, these amendments could not yet be applied. The effects of these amendments on comprehensive income of the first half of 2013 were immaterial. Therefore, the statement of comprehensive income was not restated. The effects on the consolidated balance sheet as of June 30, 2013 were as follows:

CHF million	June 30, 2013 reported	Adjustment	June 30, 2013 restated
Long-term provisions	103.3	0.6	103.9
Deferred income tax liabilities	31.1	-0.1	31.0
Total shareholders' equity	367.2	-0.5	366.7

3 Non-controlling interests

Until end of March 2014, 26% of the capital and the voting rights of Rieter India Pvt. Ltd. were held by non-controlling interests. At the beginning of April 2014 the non-controlling shareholders executed an existing put option and 21% of the capital and voting rights were sold at the minimum exercise price of 22.8 million CHF to Rieter. This reduced short-term financial debt accordingly. Rieter is obliged to acquire the remaining interests for a contractually agreed amount until April 15, 2017 at the latest. The present value of this obligation has been recognized as long-term financial debt.

4 Financial instruments measured at fair value according to the categories of IFRS 7

There were no transfers between the categories and the valuation techniques have been applied consistently.

CHF million	June 30, 2014	December 31, 2013
Assets level 1: Securities available for sale	6.6	6.5
Assets level 2: Non-current financial assets	2.0	1.7
Assets level 2: Positive replacement values of derivative financial instruments	0.9	1.2
Liabilities level 2: Negative replacement values of derivative financial instruments	1.4	0.5
Liabilities level 3: Put option non-controlling interests	0.0	27.0

The put option, which was measured at level 3 as of December 31, 2013, was executed at the beginning of April 2014 (see note 3 above). The obligation to acquire the remaining interests is carried at amortized cost in accordance with IAS 39.

Financial debt includes a fixed-rate bond with a carrying value of 160.9 million CHF (182.6 million CHF as of December 31, 2013) and a fair value of 167.0 million CHF (193.3 million CHF as of December 31, 2013). The issue is listed on the SIX Swiss Exchange and a portion with a nominal amount of 21.9 million CHF was repurchased in the first half of 2014 (13.5 million CHF in the first half of 2013). The fixed-rate bond is due for repayment on April 30, 2015, and was reclassified to short-term financial debt as of June 30, 2014.

The carrying values of the other financial instruments correspond approximately to the fair values.

5 Segment information

The Company is comprised of two Business Groups: Spun Yarn Systems develops and manufactures machinery and systems for processing natural and man-made fibers and their blends into yarns. Premium Textile Components supplies technology components to spinning mills and also to machinery manufacturers.

CHF million	Spun Yarn Systems	Premium Textile Components	Total reportable segments
January – June 2014			
Total segment sales	435.7	130.1	565.8
Inter-segment sales	0.0	43.7	43.7
Sales to third parties	435.7	86.4	522.1
Operating result before interest and taxes (EBIT)	19.8	14.1	33.9
Net operating assets June 30, 2014	160.3	107.5	267.8
Capital expenditures on tangible and intangible assets	9.9	2.6	12.5
Depreciation and amortization	14.5	5.1	19.6
Number of employees June 30, 2014	3 620	1 185	4 805
January – June 2013			
Total segment sales	392.5	125.7	518.2
Inter-segment sales	0.0	40.1	40.1
Sales to third parties	392.5	85.6	478.1
Operating result before interest and taxes (EBIT)	13.3	9.6	22.9
Net operating assets June 30, 2013	193.2	114.7	307.9
Capital expenditures on tangible and intangible assets	22.6	3.9	26.5
Depreciation and amortization	10.4	6.8	17.2
Number of employees June 30, 2013	3 461	1 158	4 619
January – December 2013			
Total segment sales	857.8	259.1	1 116.9
Inter-segment sales	0.0	81.6	81.6
Sales to third parties	857.8	177.5	1 035.3
Operating result before interest and taxes (EBIT)	45.3	25.9	71.2
Net operating assets December 31, 2013	142.5	110.7	253.2
Capital expenditures on tangible and intangible assets	45.4	9.6	55.0
Depreciation and amortization	21.9	13.0	34.9
Number of employees December 31, 2013	3 609	1 157	4 766
Reconciliation of segment results			
CHF million	January – June 2014	January – June 2013	January – December 2013
Operating result before interest and taxes (EBIT) of reportable segments	33.9	22.9	71.2
Other units (Rieter Holding Ltd., central units), pension costs which cannot be allocated to segments (IAS 19) and elimination of unrealized inter-segment profits	-5.1	-5.8	-11.0
Operating result before interest and taxes (EBIT) Group	28.8	17.1	60.2
Financial result	-7.3	-7.1	-7.7
Profit before taxes	21.5	10.0	52.5

6 Change in sales

CHF million	January – June 2014	January – June 2013	January – December 2013
Change in sales due to volume and price, Spun Yarn Systems	56.0	-9.2	135.2
Change in sales due to volume and price, Premium Textile Components	2.3	-1.6	16.0
Currency translation differences	-14.3	1.6	-4.4
Total change in sales	44.0	-9.2	146.8

7 Sales by location of customers

CHF million	January – June 2014	January – June 2013	January – December 2013
Turkey	106.6	62.8	198.9
China	80.7	115.6	223.3
India	63.6	53.7	108.6
Asia without Turkey/China/India	141.1	125.8	259.5
Americas	79.8	51.5	111.8
Europe	38.1	37.5	81.2
Africa	12.2	31.2	52.0
Total	522.1	478.1	1 035.3

8 Average exchange rates for foreign currency translation

	January – June 2014	January – June 2013	Change	January – December 2013
1 EUR	1.22	1.23	- 1%	1.23
1 USD	0.89	0.94	- 5%	0.93
100 CZK	4.45	4.79	- 7%	4.74
100 INR	1.47	1.70	- 14%	1.59
100 CNY	14.45	15.13	- 4%	15.08

9 Events after balance sheet date; financial calendar

The semi-annual report for 2014 was approved for publication by the Board of Directors on July 22, 2014. No events have occurred up to July 22, 2014, which would necessitate adjustments to the semi-annual report.

Publication of sales figures for the 2014 financial year
Results press conference and presentation of the 2014 financial statements
Annual General Meeting

February 4, 2015
March 18, 2015
April 16, 2015



Rieter Holding Ltd.
CH-8406 Winterthur
T +41 52 208 71 71
F +41 52 208 70 60

www.rieter.com

Corporate Communications
T +41 52 208 70 32
F +41 52 208 70 60
media@rieter.com

Investor Relations
T +41 52 208 70 15
F +41 52 208 70 60
investor@rieter.com

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