

2014 Half Year Results

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

1. Introduction and summary of first half year 2014
2. Financial results first half year 2014
3. Outlook

HY1 2014: Key messages



“In a favorable market environment, Rieter increased **sales** and **profitability** compared to the first semester 2013. The Company booked a healthy **order intake** substantially reaching into 2015. This confirms the strong position of Rieter and its brands.”

Dr. Norbert Klapper

Group CEO

Good trend of business continued in the first semester 2014

Market development

- Continued world-wide positive development of market environment
- Regional variations in momentum persisted
- Rieter strongly positioned after completion of the investment program 2012 / 2013

Orders received / Sales

- Order intake of 655.5 million CHF: Largest share of orders from Turkey, China, India, the US, Vietnam and other Asian countries. New ring spin machine in China well received
- Sales increase by 9% to 522.1 million CHF compared to previous year thanks to significant growth in Turkey and the US - despite the slow-down of sales in China

Profitability

- Higher profitability than in HY1 2013: 5.5% EBIT margin and 2.7% net profit margin
- Both Business Groups contributed to profitability improvement

Focus 2014

- Conclusion of investment program 2012 / 2013 activities on track. IT – supported global processes established
- Delivery of increased order backlog of around 880 million CHF remains key priority
- Focus on further optimization of delivery times and delivery quality

Continued favorable market environment with regional variations

- The **world** market continued to develop favorably for Rieter in the first half of 2014; regional variations in momentum persisted.
- The market environment in **China** was tight due to high raw material prices and challenging financing conditions. 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.
- Spinning mills in facilities located in **other Asian** countries, such as Vietnam, have made major investments in order to supply the Chinese textile market. Rieter secured substantial orders in these countries as well as in **Turkey** and the **US** in the period under review.
- In **India** the market was slightly more dynamic than in the second half of 2013. However, it remained challenging, due especially to the currency situation and reluctance to invest ahead of the elections in spring.

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Continuously good order intake and increased sales and profitability

Order intake

- Order intake at 655.5 million CHF; 8% lower than HY1 2013 but 20% higher than HY2 2013
- Order backlog around 880 million CHF

Sales

- Sales increase by 9% to 522.1 million CHF driven by Spun Yarn Systems
- Segment sales Premium Textile Components up 4%

Profitability

- EBIT margin at 5.5% of sales
- Spun Yarn Systems with 4.5% of sales, Premium Textile Components with 10.8% of segment sales

Net profit

- Net profit margin at 2.7% of sales
- Earnings per share of 3.12 CHF

Investments / Innovation

- Capital expenditure decreased significantly to 12.5 million CHF
- Investments in R&D of 21.5 million CHF (equivalent to 4.1% of sales) demonstrates the continued focus on innovation

Free cash flow

- Free cash flow of -2.9 million CHF impacted by the volume related increase of net working capital
- Net liquidity at solid 118.6 million CHF

Dividend policy

- Dividend of 3.50 CHF per share paid in April 2014
- Equity ratio at stable 35%

Rieter – Financial key figures



Good order intake - improved sales and profitability in HY1

CHF million	HY1 2014	HY2 2013	HY1 2013	FY 2013
Order Intake	655.5	548.0	711.4	1'259.4
Sales	522.1	557.2	478.1	1'035.3
EBITDA	48.4	60.9	34.3 ⁽¹⁾	95.2 ⁽¹⁾
EBIT	28.8	43.1	17.1 ⁽¹⁾	60.2 ⁽¹⁾
EBIT margin (of sales)	5.5%	7.7%	3.6%	5.8%
Net profit	14.3	32.4	5.0	37.4
R&D expenditures	21.5	22.9	22.1	45.0
Capex	12.5	28.5	26.5 ⁽²⁾	55.0 ⁽²⁾
Free cash flow	-2.9	73.2	-12.1	61.1

(1) Incl. strategic project costs of 10.4 million CHF (FY 2013: 23.7 million CHF)

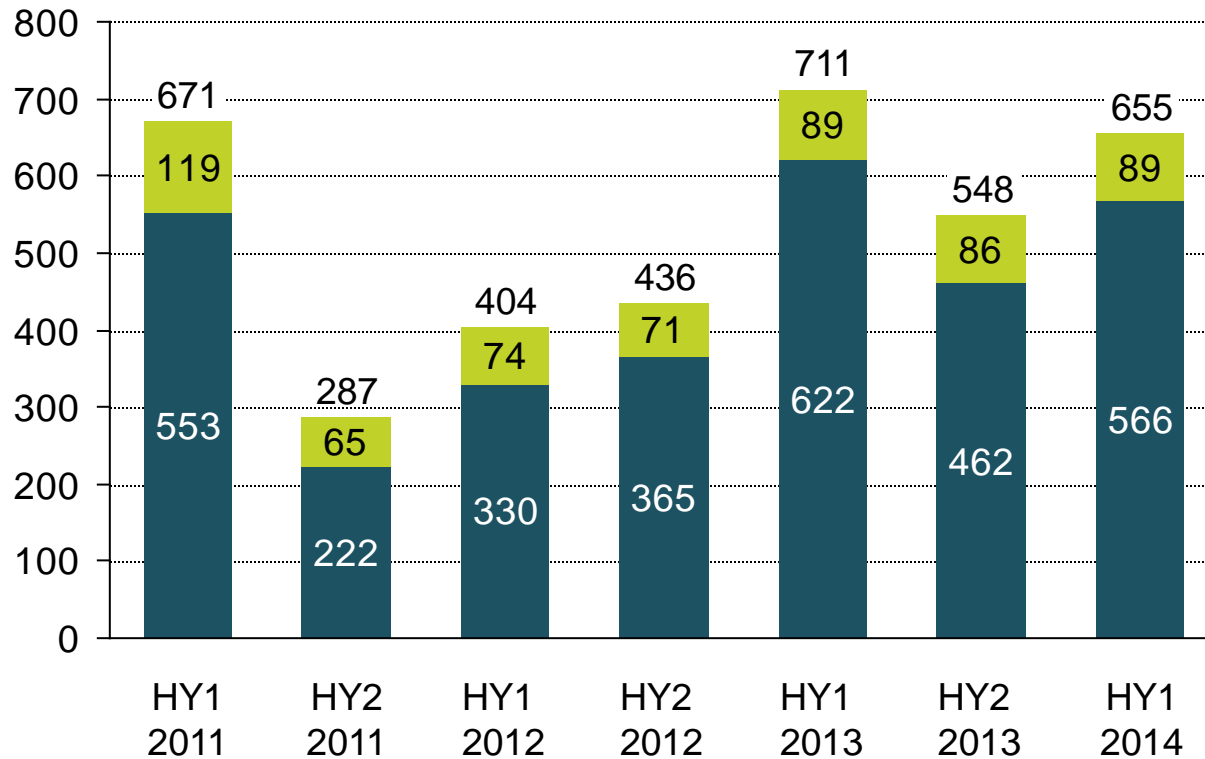
(2) Incl. investments for strategic projects of 21.2 million CHF (FY 2013: 35.7 million CHF)

Orders by business group



Upswing from previous half-year

CHF million

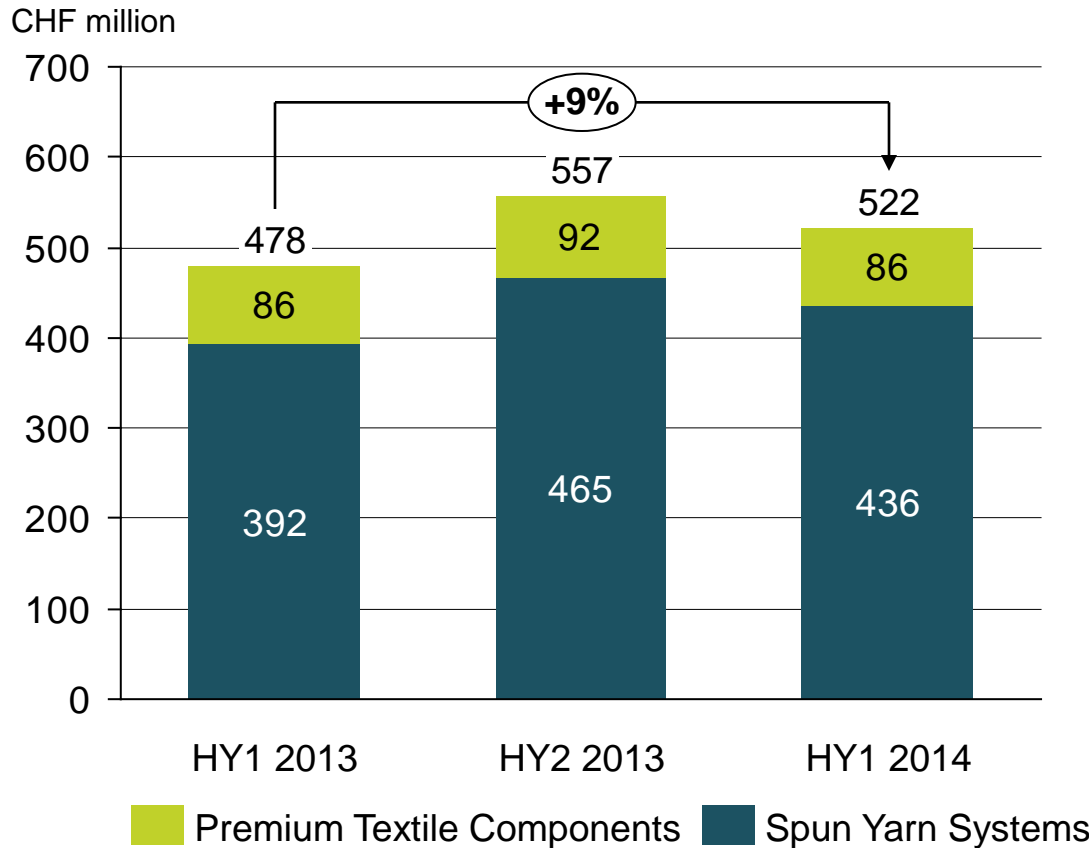


Premium Textile Components
 Spun Yarn Systems

- Order intake in HY1 above levels of HY2 2013
 - SYS: + 22%
 - PTC: + 4%
- Order backlog at around 880 million CHF (31.12.2013: 766 million CHF)

Sales by business group

Sales growth of 9% against HY1 2013



Increase of HY1-sales

- SYS: + 11% (local currency + 14%)
- PTC: + 1% (local currency + 3%)
- PTC segment sales (incl. sales to SYS) increased to CHF 130.1 million (+4%)

Decrease in comparison to HY2 2013:

- strong deliveries in December 2013 at the request of customers not figuring in January and February 2014
- lower scheduling for the beginning of 2014 in order not to risk delays due to the introduction of new IT processes

Sales development by region

Sales growth in all main regions except China



- Sales growth in absolute terms widely spread over all main regions except China
- Most significant increase in Turkey and Americas
- Share of sales to Asia at 75% (2013: 76%)
- The sales decrease in China compared to the same period of the previous year stems from weaker demand in the second semester 2013

Operating result (EBIT)

EBIT margin at 5.5%

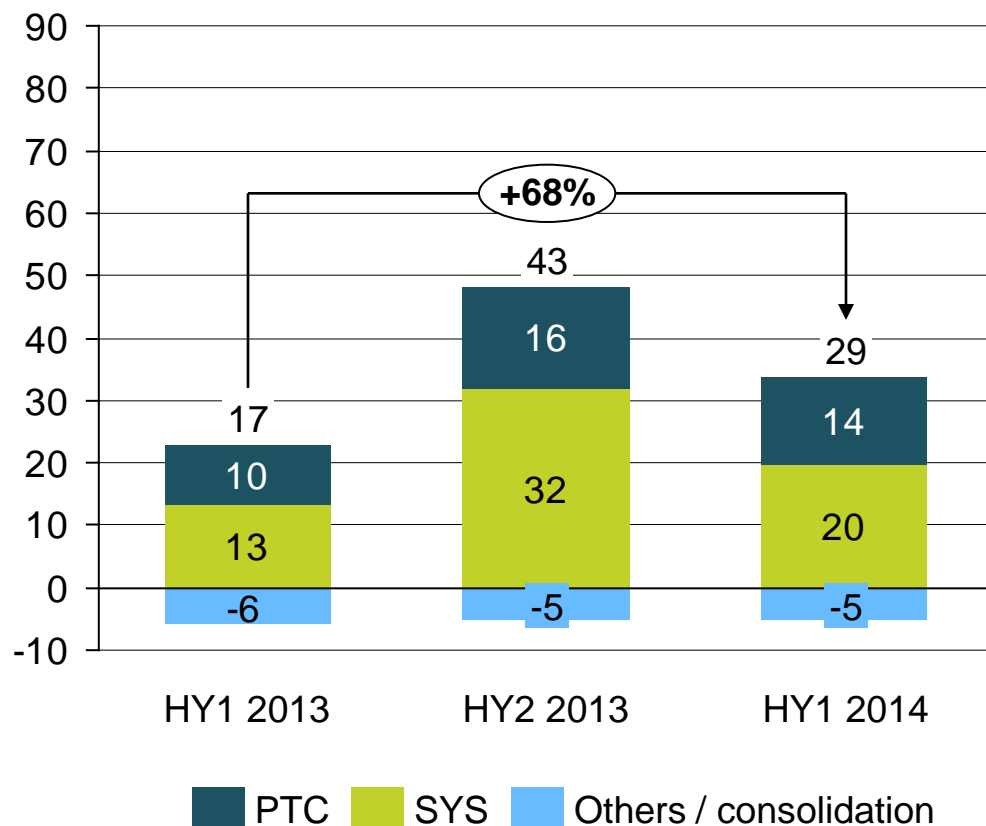
In % of sales

3.6%

7.7%

5.5%

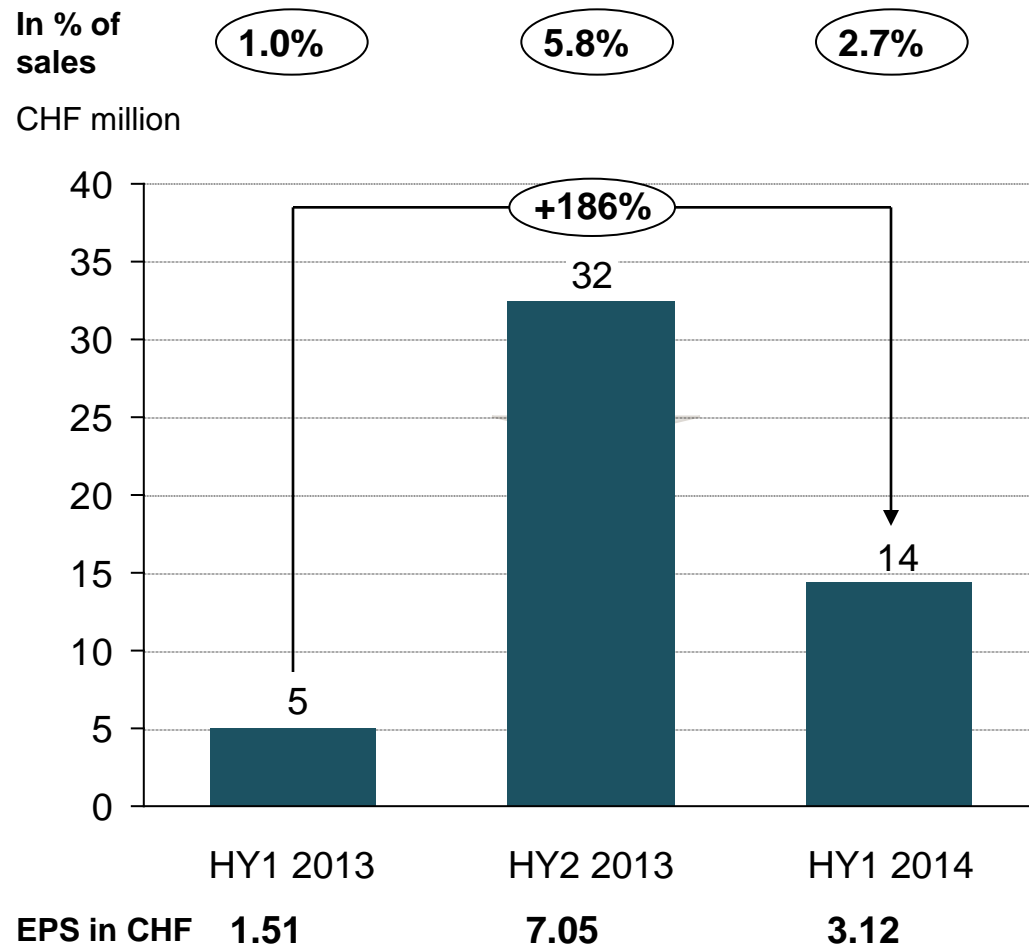
CHF million



- EBIT increased by 68% to 28.8 million CHF in HY1 2014; EBITDA increased to 48.4 million CHF (9.3% of sales)
- Higher profitability in both Business Groups versus HY1 2013:
 - SYS at 4.5% of sales (HY1 2013: 3.4%)
 - PTC at 10.8% of segment sales (HY1 2013: 7.6%)
- As predicted, lower EBIT margin than in HY2 2013 due to less favorable product mix at Spun Yarn Systems, implementation cost of new IT-assisted business processes and further development of Airjet product line.

Net profit

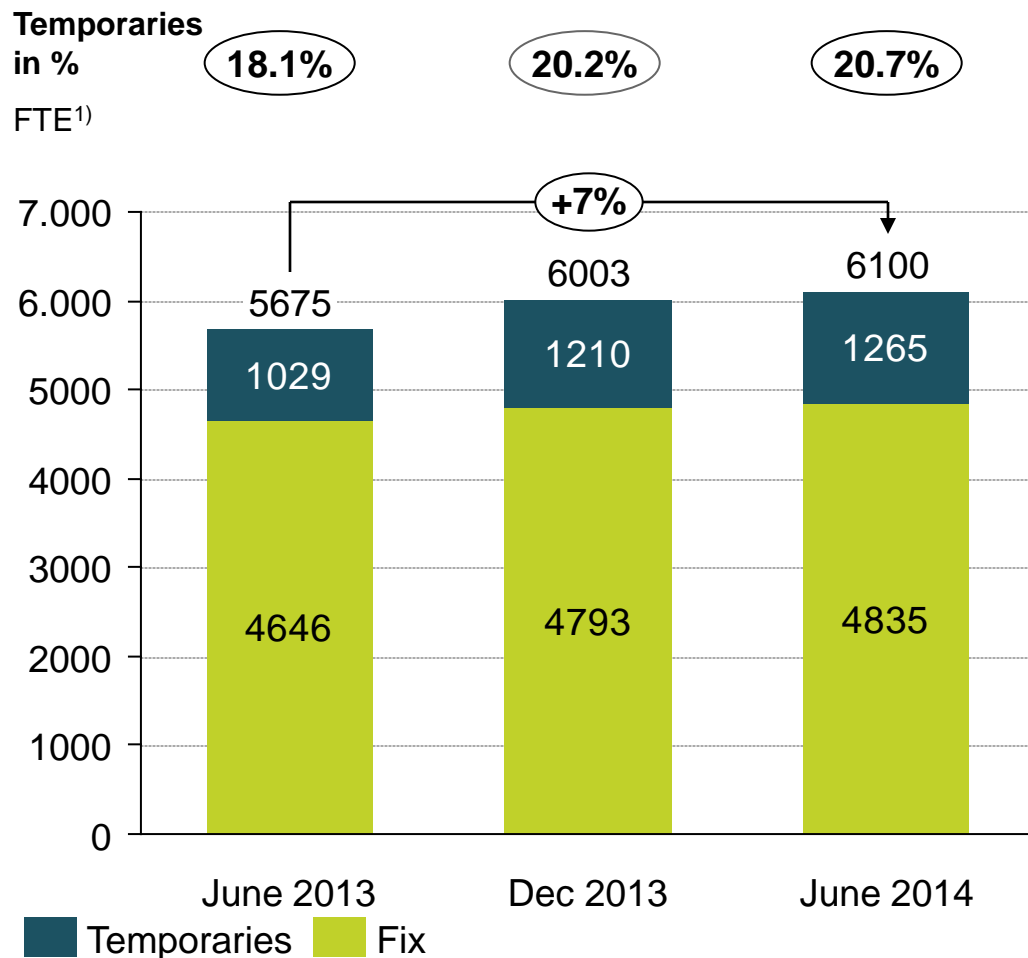
Net profit margin at 2.7%



- Financial result of - 7.3 million CHF (HY1 2013: - 7.1 million CHF) comprises mainly interest cost
- Tax rate at 33% (50% in HY1 2013)
- Earnings per share increased to 3.12 CHF
- Dividend of 3.50 CHF per share out of the reserve from capital contributions paid out (dividend yield of 1.7%)

Changes in workforce

Total workforce increased by 7% in order to cope with order growth



- 9% higher sales managed with 7% more employees, both additional temporary personnel and fixed staff
- Increase of permanent employees mainly at the new facilities in Asia

1) Excluding apprentices, including temporary employees

Balance sheet



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
Total assets	1100.2	1114.0	1092.7
Non-current assets	362.5	371.1	363.5
Net working capital	40.2	14.7	74.9
Liquid funds	300.4	369.7	323.0
Net liquidity	118.6	141.3	63.2
Short-term financial debt	175.4	44.8	21.8
Long-term financial debt	6.4	183.6	238.0
Shareholders' equity	387.9	389.7	366.7
in % of total assets	35%	35%	34%

- 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%

Net working capital



Planned increase of net working capital to 40.2 million CHF

CHF million	30.06. 2014	31.12. 2013	30.06. 2013
Inventories	264.8	233.0	248.4
Trade receivables	105.1	94.1	111.5
Other receivables	67.4	46.1	46.3
Trade payables	-106.5	-96.0	-85.7
Advance payments	-138.8	-135.5	-115.4
Other current liabilities	-151.8	-127.0	-130.2
Net working capital	40.2	14.7	74.9

- Planned increase in inventories in preparation for higher sales in the second half of the year

Free cash flow



Improved free cash flow compared to HY1 2013

CHF million	HY1 2014	HY1 2013
Net profit	14.3	5.0
Interest and tax expense (net)	13.3	11.8
Depreciation and amortization	19.6	17.2
Other non-cash items	1.9	-3.6
+/- Change in net working capital	-21.9	-5.9
+/- Interest paid / received (net)	-9.4	-10.0
+/- Taxes paid	-8.5	-7.9
+/- Capital expenditure, net	-12.2	-21.9
+/- Change in other financial assets	0.0	1.9
+/- Divestments	0.0	1.3
Free cash flow	-2.9	-12.1

- Free cash flow of -2.9 million CHF impacted by increase of net working capital
- Significant reduction of capital expenditure

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Good trend of business continued in the first semester of 2014

- 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

- 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.

Agenda 2014



HY1 2014 results publication:

July 23, 2014

Conference call: 2 p.m. CET

Analyst / Investor conference:

October 30, 2014

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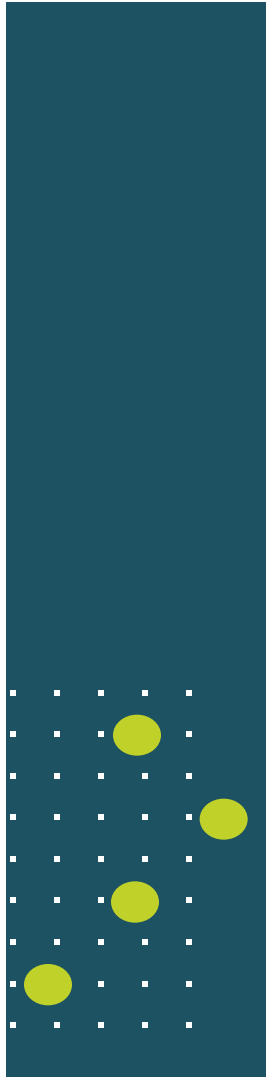
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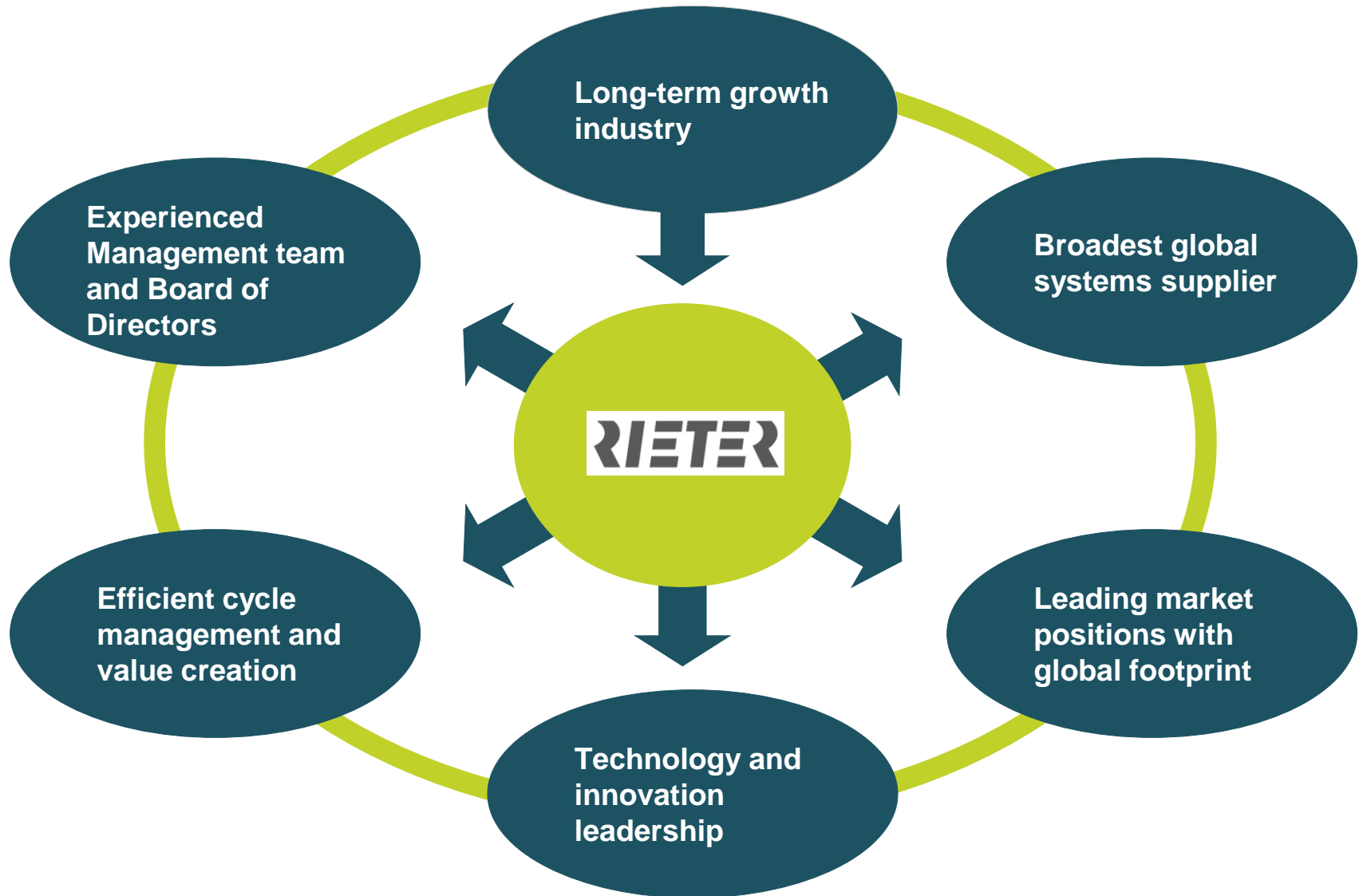
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Appendix



Key investment highlights of Rieter



Targets over the cycle

	Over the cycle
Sales	Sales growth of > 5%
EBIT margin	> 9% over the cycle, peak years > 12%
Net result	> 6% over the cycle, peak years > 8%
RONA	Peak years > 14%
Capex	4 – 5% of sales
Dividend policy	Target pay-out ratio of approx. 30% of net result

Operating result (EBIT) by Business Group



All units contributed to improving results

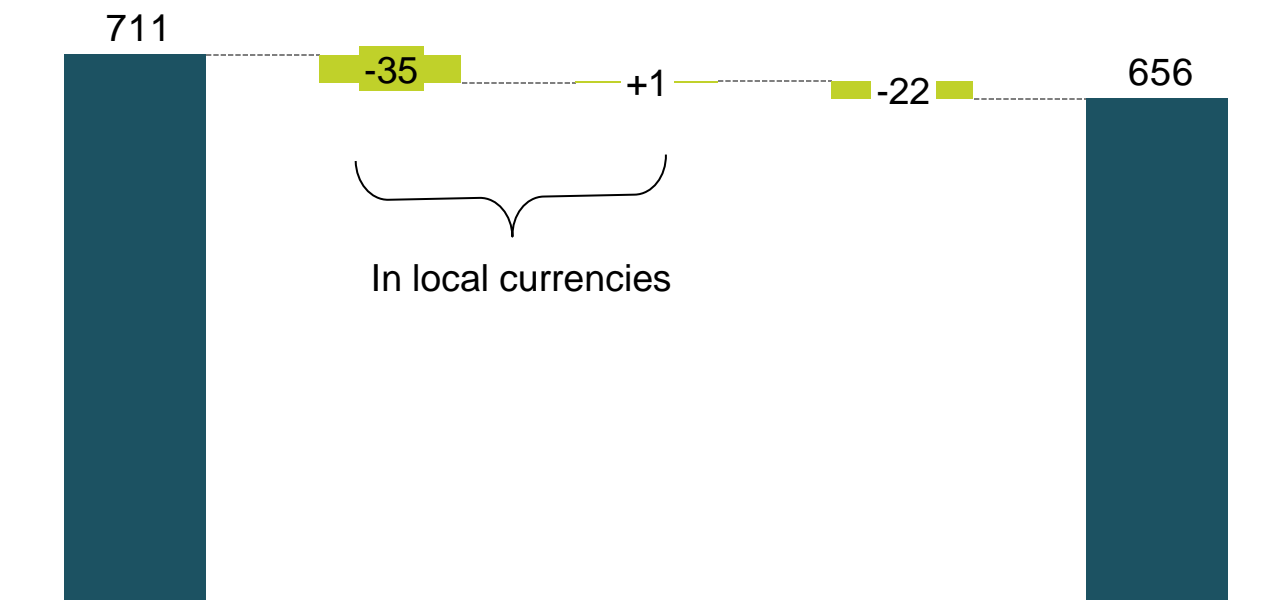
CHF million	HY1 2014	HY2 2013	HY1 2013	FY 2013
EBIT BG Spun Yarn Systems	19.8	32.0	13.3	45.3
EBIT BG Premium Textile Components	14.1	16.3	9.6	25.9
Other units, consolidation	-5.1	-5.2	-5.8	-11.0
EBIT	28.8	43.1	17.1	60.2

Order intake development and currency impact



Currency impact on order intake of around -3%

CHF million



Orders received
HY1 2013

Spun Yarn
Systems

Premium
Textile
Components

Currency
translation
effect

Orders
received
HY1 2014

Main exchange rates in CHF:

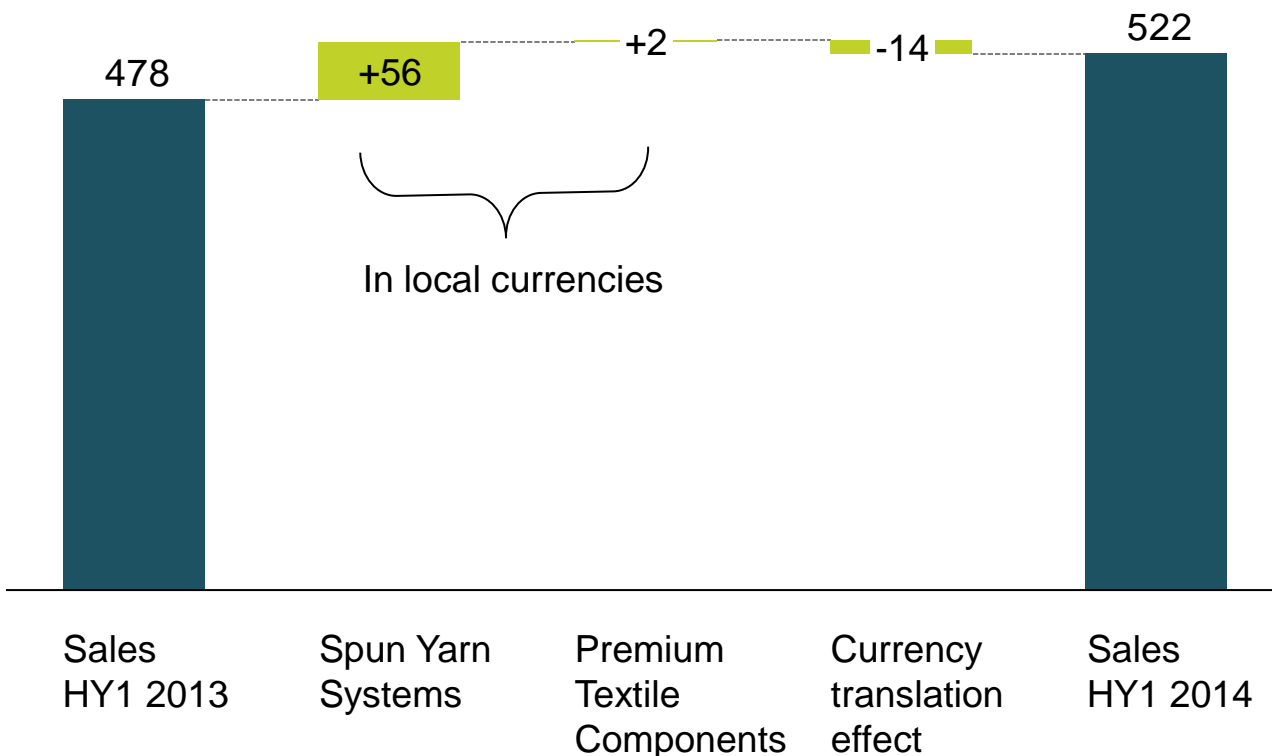
HY1 2014:	EUR = 1.22	USD = 0.89	CNY = 14.45	INR = 1.47
HY1 2013:	EUR = 1.23	USD = 0.94	CNY = 15.13	INR = 1.70

Sales development and currency impact



Currency impact on sales of -3%

CHF million



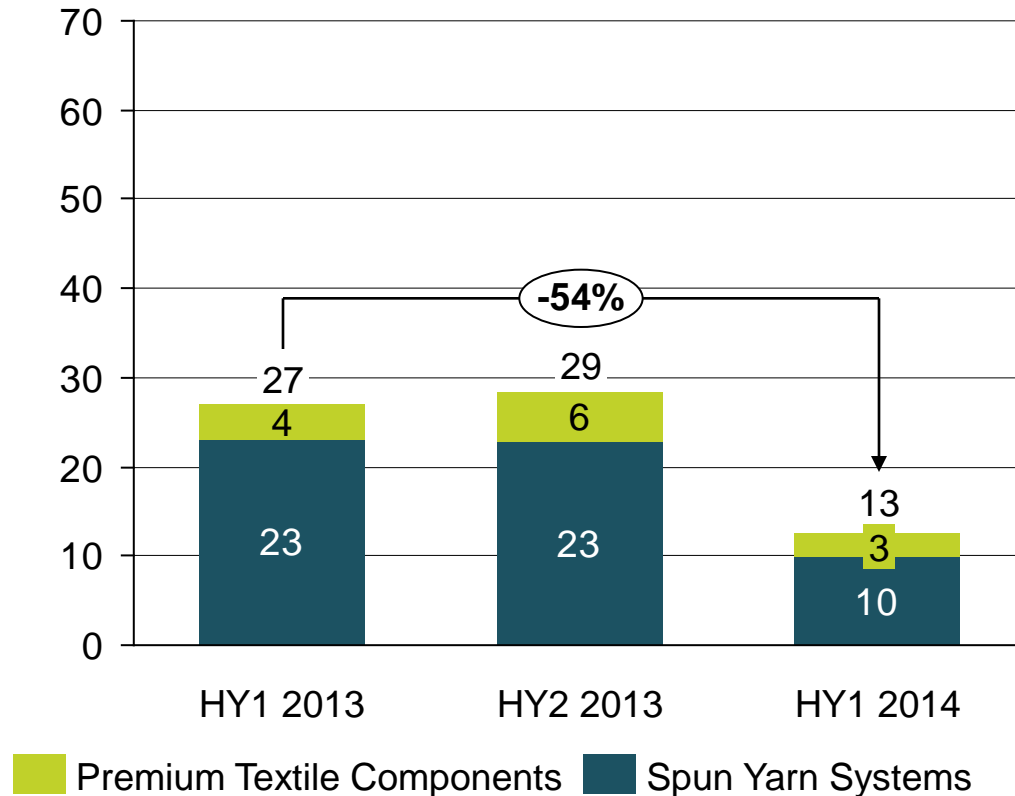
Main exchange rates in CHF:

HY1 2014:	EUR = 1.22	USD = 0.89	CNY = 14.45	INR = 1.47
HY1 2013:	EUR = 1.23	USD = 0.94	CNY = 15.13	INR = 1.70

Capital expenditures

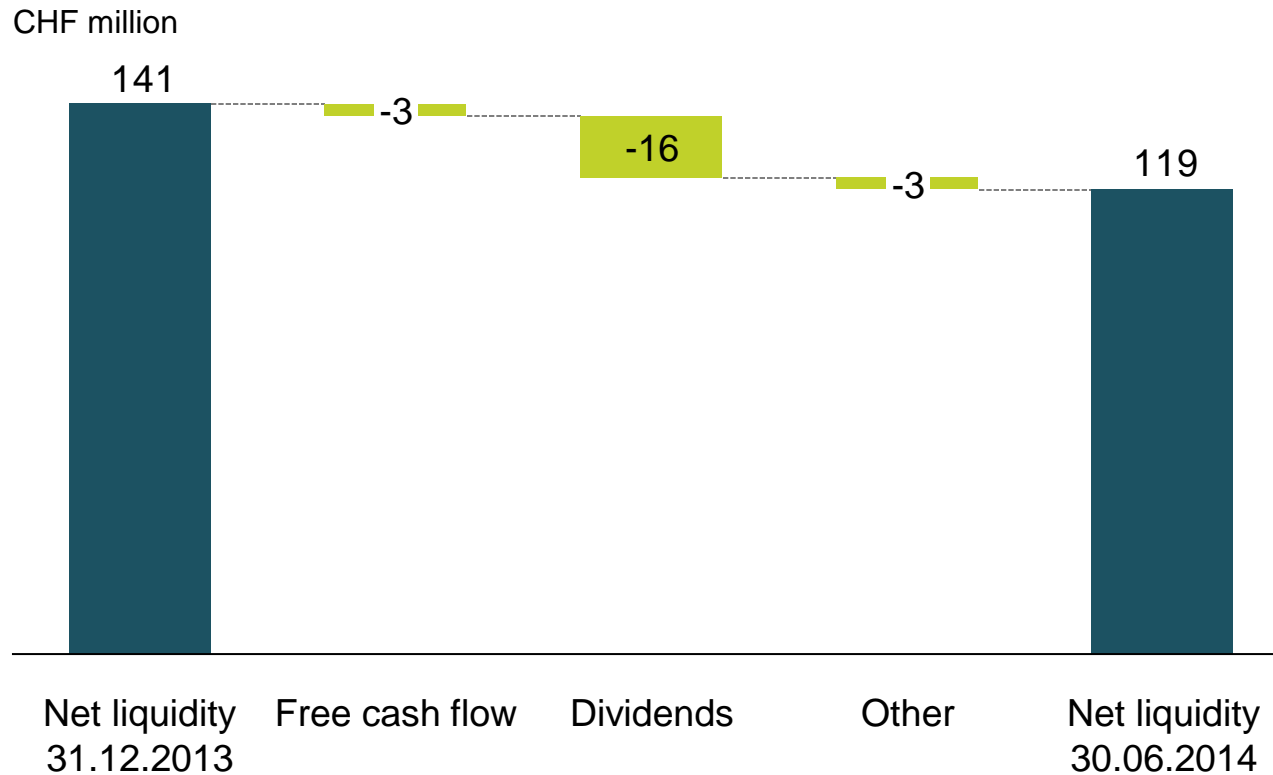
Capital expenditures significantly reduced

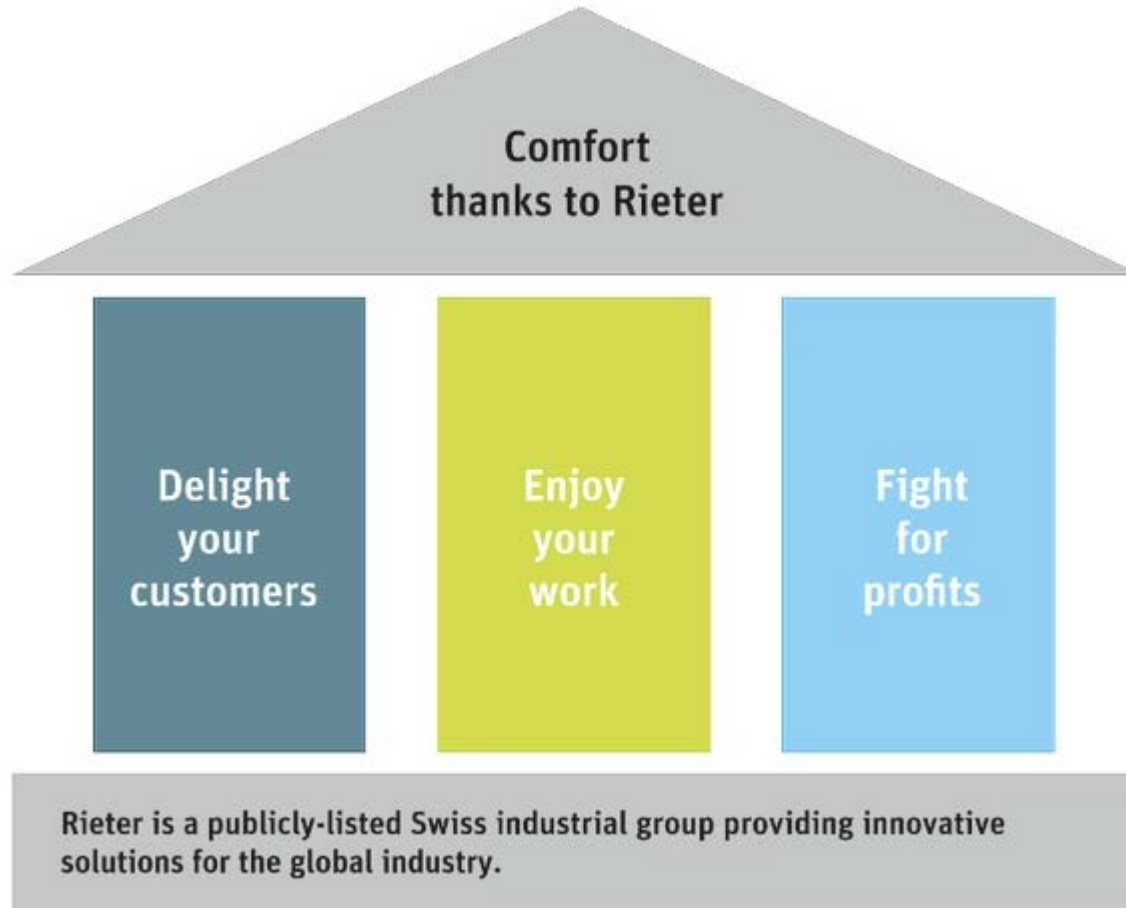
CHF million



Net liquidity

Decrease of net liquidity due to seasonally low free cash flow





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Key data per share



Rieter registered shares of 5 CHF nominal value Bloomberg: RIEN; Reuters: RITZn	30.06.2014	31.12.2013	30.06.2013
Shares outstanding excl. own shares (end of period)	4'583'858	4'586'711	4'575'004
Average shares (of period)	4'587'530	4'602'652	4'617'076
Share price (end of period) CHF	221.70	210.10	148.80
Market capitalization (end of period) million CHF	1'016	964	681