



Investor and Analyst Briefing 2015

- ITMA 2015, November 13, 2015 · · · · ·
- RIETER HOLDING · · · · ·
- · · · ·

1. Welcome

Cornelia Schreier

2. Introduction and strategic focus

Dr. Norbert Klapper

3. Innovative solutions

Dr. Norbert Klapper

4. After Sales

Carsten Liske

5. Profitability improvement

Joris Gröflin

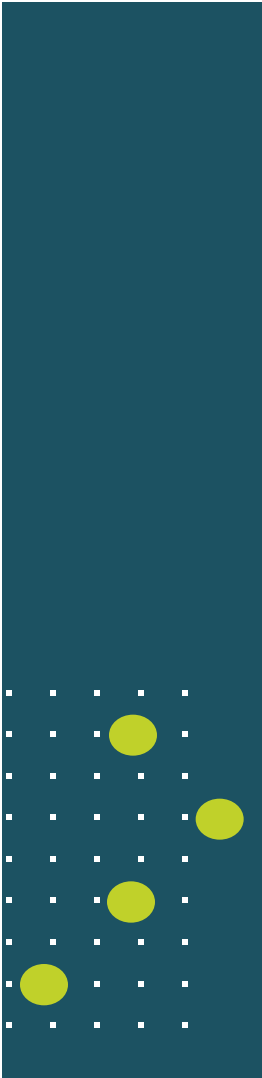
6. Outlook

Dr. Norbert Klapper

Welcome and schedule



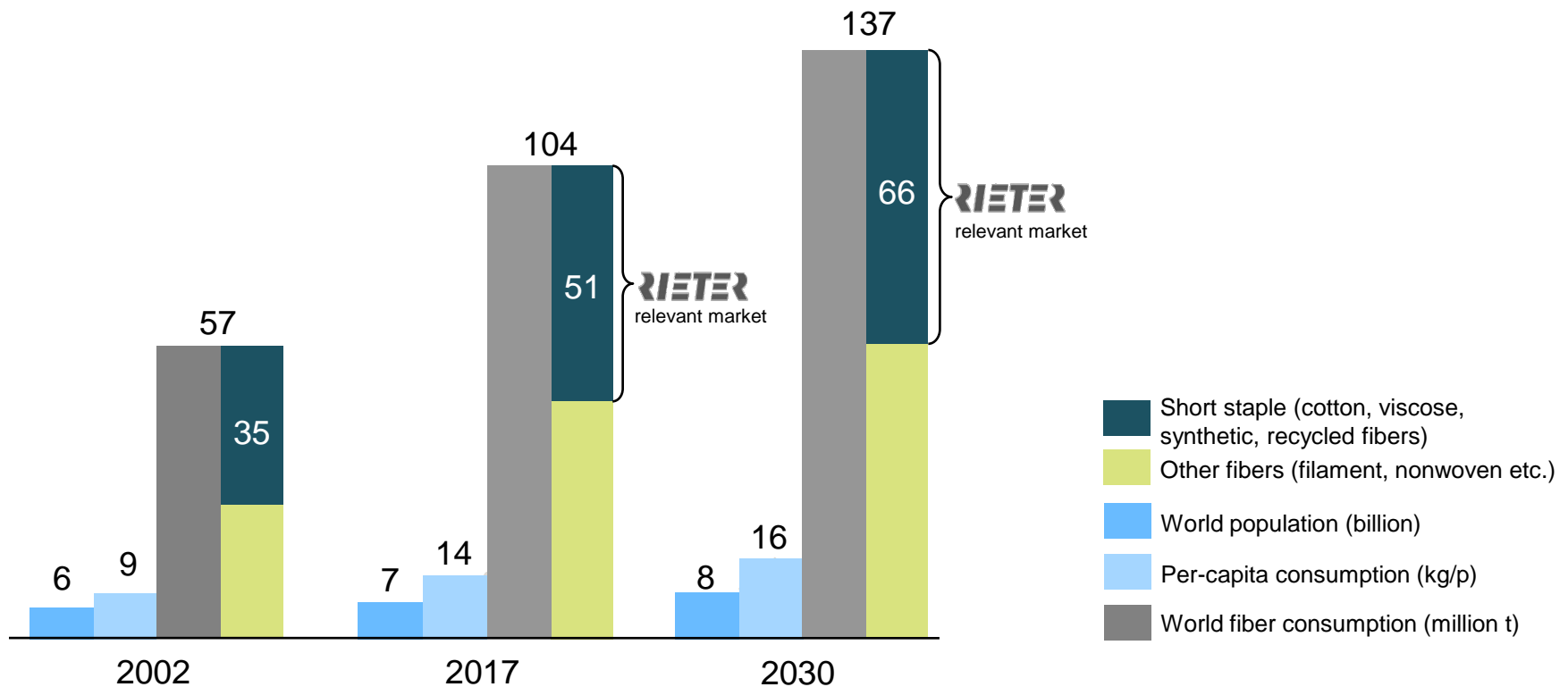
- 13.10 – 13.15 Welcome
- 13.15 – 13.45 Presentation
- 13.45 – 14.15 Q&A
- 14.15 – 15.00 Booth tour

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1. Welcome Cornelia Schreier
 - 2. Introduction and strategic focus Dr. Norbert Klapper**
 3. Innovative solutions Dr. Norbert Klapper
 4. After Sales Carsten Liske
 5. Profitability improvement Joris Gröflin
 6. Outlook Dr. Norbert Klapper

Strategic focus – long-term growth industry

Textile business will continue to grow – short staple as largest segment

World population and fiber consumption growth



Source: PCI

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 progress towards the mid-term targets

Committed execution of "STEP-UP" initiatives since October 2014

Mid-term targets 17/18

Sales Sales growth above market

EBIT margin¹⁾ ~10%

RONA²⁾ ~14%

Dividend policy Target pay-out ratio of about 30% of net profits

"STEP-UP"

Delight your customer

Margin

- Price
- Mix
- Product cost

Business segment mix / volume

Structure

Innovation

"STEP-UP" Progress

Introduction of BG After Sales

Mitigation of CHF appreciation impact

Introduction of K 42 in IN and CN

Winterthur production streamlining

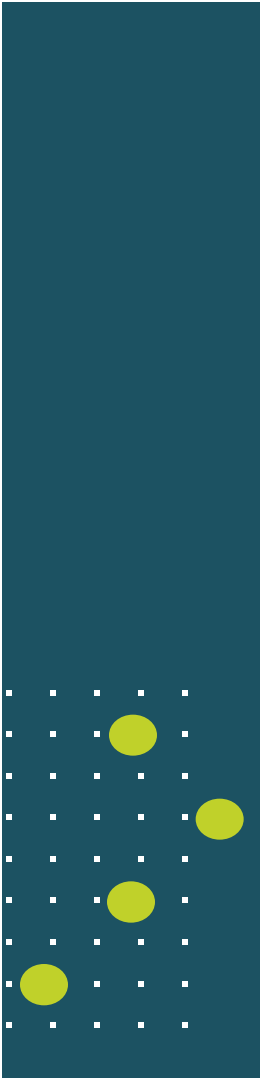
After Sales Service Excellence / Order growth at Components

Disposal of Schaltag

Innovation highlights at ITMA 2015

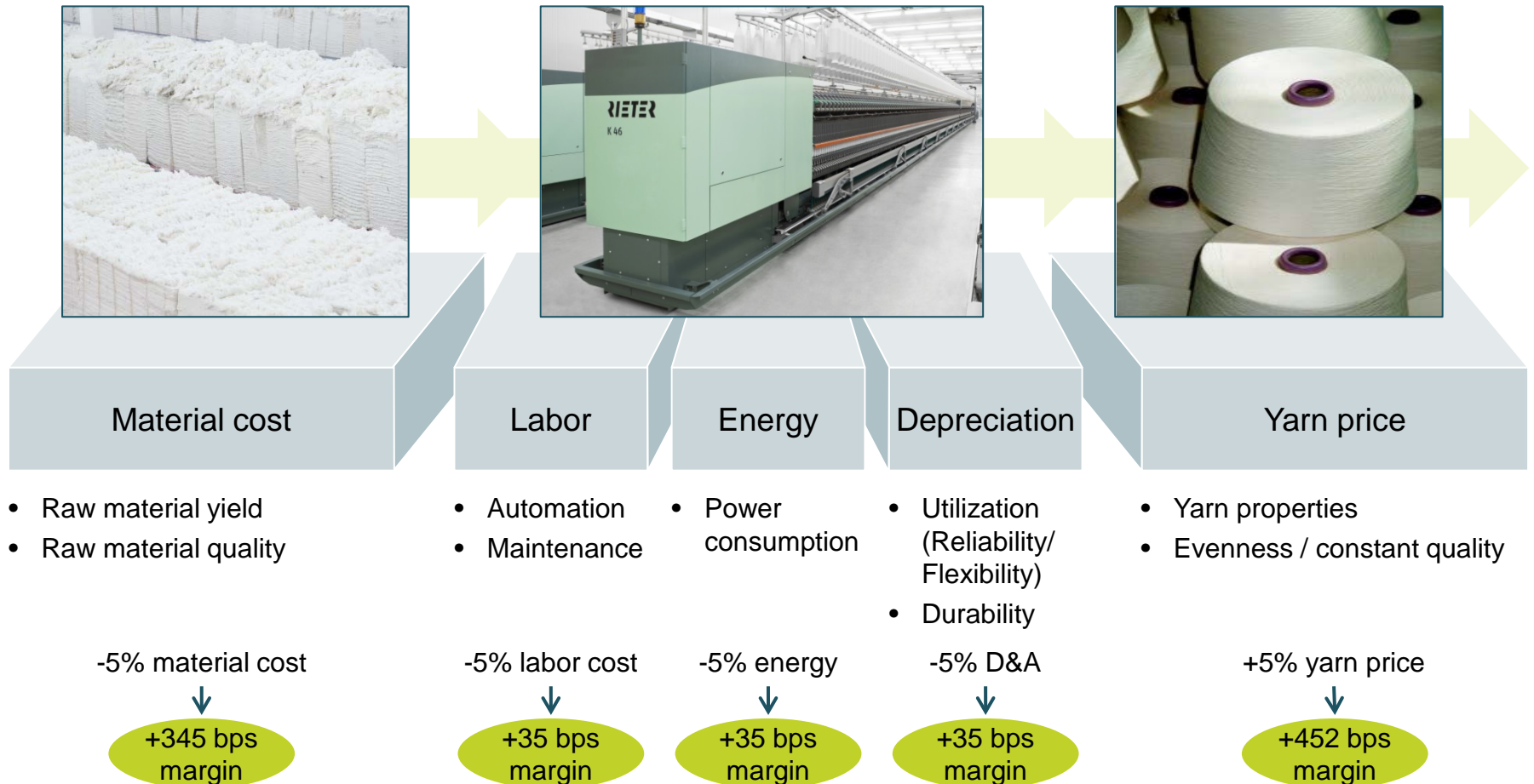
1) At sales of ~1.3 bn CHF

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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Focus on innovation – key drivers

Rieter is focusing on improving customers competitive position




Combing: The new E 36 / E 86

Industry leadership with the new combing machine set

Combing set E 36 / E 86



- High output of 540 kg/h per set:
 - ➔ + 20%
- + 1 combing machine per set
- Noil ratio adjustments possible
-  comb inside

Rotor spinning: The new R 66

Productivity and performance – also down the value chain

Rotor Auto R 66



- Longer machine (up to 700 positions)
- High yarn strength with better performance in weaving / knitting
- Improved winding leads to higher package quality
- Fiber versatility with CHANNELpass
- **Suessen** S 66 Box inside

Airjet spinning: The new P 26

Important milestone passed: Polyester option now available

Airjet J 26



- Water-based injection solution allows 100% polyester spinning
- Soft-yarn spinning capability for 100% combed cotton and blends
- Up to 6 robots on 200 spinning positions allow high flexibility
- Rieter yarn-break sensor Q10A inside

New innovations: “Internet of Things”

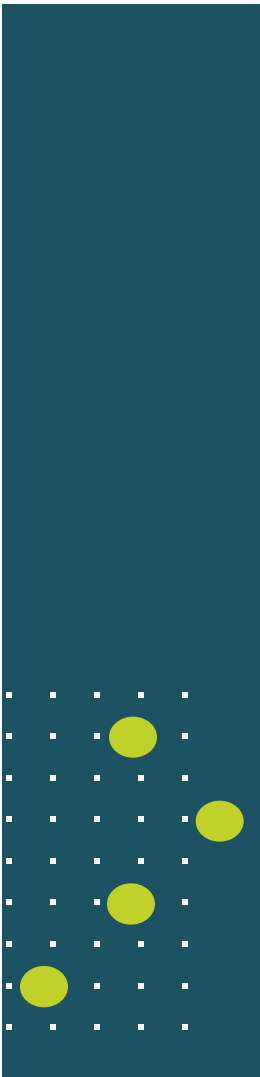
Mill monitoring becomes mobile and interactive: SPIDERweb Mill Control



- Mill Monitoring System – for specialists
- Detailed mill information
- Usable within mill local network
- More than 200 installations sold



- Cockpit & Alert App – for managers
- Summarized mill information
- Worldwide usable
- Alert based, supports mill communication

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After Sales value proposition



Long-term customer competitiveness maximizing return on investment



Sustaining Value

Rieter After Sales serves customers wherever they are located with spare parts, value-adding after sales services and solutions over the entire product life cycle.

Solution Provider

After sales solutions make the customer's spinning mill even more productive, efficient and flexible and enable the customer to quickly respond to market changes. We consult our customers during the after sales period with end-to-end mill conversions and upgrades leveraging on Rieter's system supplier expertise.

Service Competence

Our comprehensive After Sales services – starting from installation along the entire product life cycle – includes all elements from technology support over maintenance audits and repair services to customer training.

After Sales: Building on a strong base

A global footprint of dedicated after sales professionals



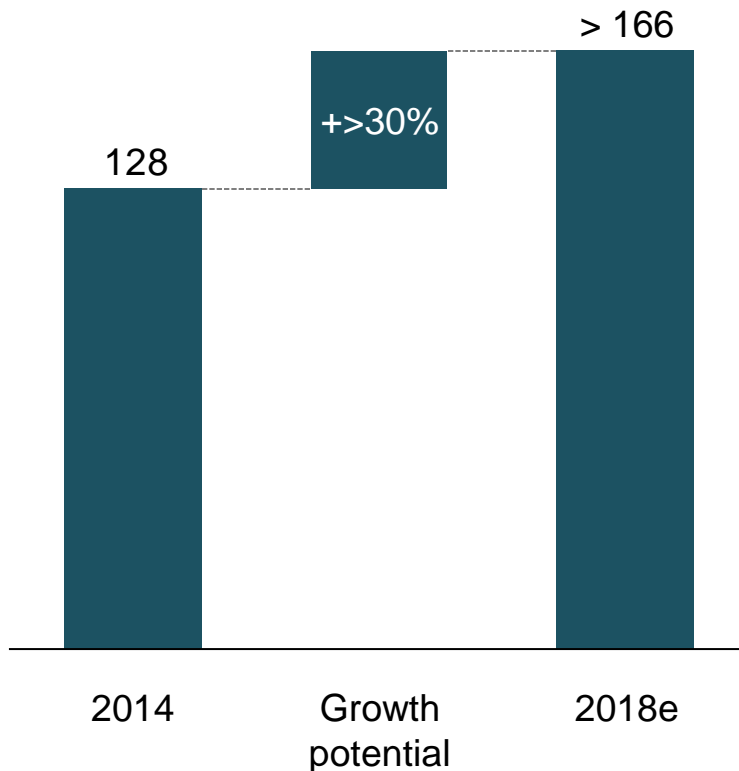
- Worldwide presence with more than 700 after sales professionals
- Serving more than 3'000 active customers in 98 countries via Rieter subsidiaries and around 60 agents
- Significant size of installed Rieter machine population (machines / systems)
- Growing installed base thanks to larger deliveries in the last few years
- Established range of spare parts, electronic repair services, customer training, technology and installation services

Potential to further leverage the existing base!

After Sales: Our ambition

After Sales aims to grow by more than 30% in sales until 2018 against 2014

Sales (in MCHF)

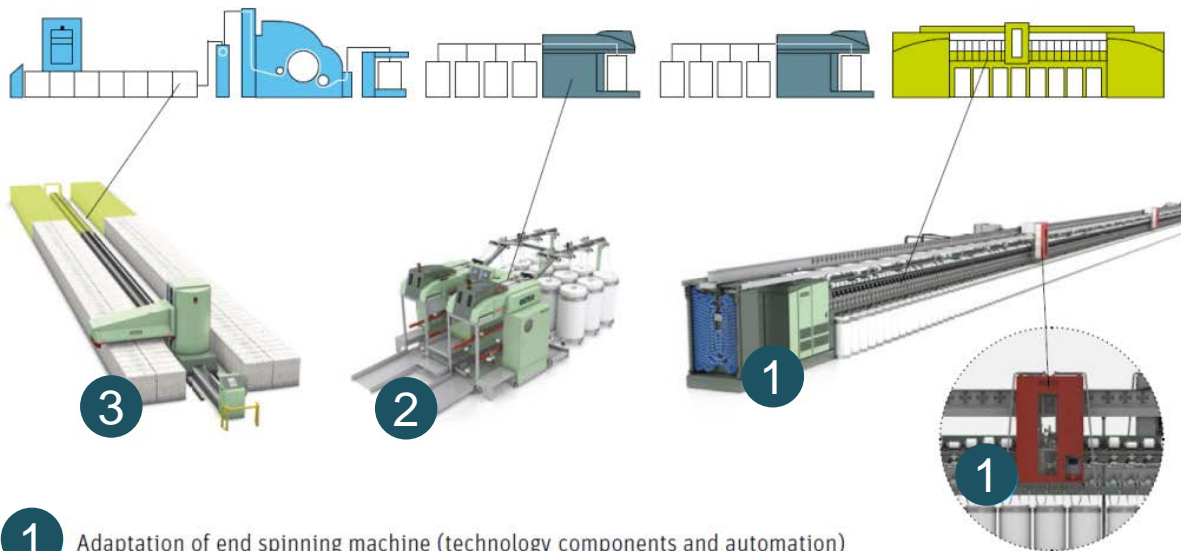


Main growth drivers:

- After Sales Excellence initiative:
 - Portfolio enlargement
 - Penetration / share of wallet increase
 - Delivery performance optimization
- Growth of installed base
- Field service depending on new machine installations

Promising customer response with the After Sales Excellence program

Example for After Sales Solutions offering



- 1 Adaptation of end spinning machine (technology components and automation)
- 2 Rebalancing of upstream process capacities
- 3 Technology modification for higher production

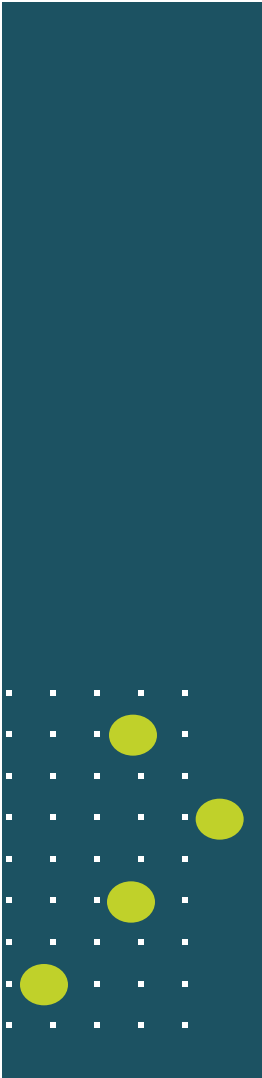
- Consulting customers with end-to-end mill conversions and upgrades
- Rieter's systems supplier expertise as a key differentiator

Bundling products and services around customer needs



Actions:

- Dedicated business group established:
 - Increased customer focus
 - Concentration of capabilities and capacities
- Improvement and growth levers identified:
>10 initiatives released
- After sales innovations at ITMA 2015:
 - Parts and conversion packages
 - Introduction of first service products

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Profitability improvement mid-term: 10% EBIT margin



Key initiatives lead to the profitability improvement

| | | HY1 2014 | HY2 2014 | HY1 2015 | Key initiatives | Mid-term Target |
|-----------------|---------------------|--------------|--------------|--------------|---|--------------------|
| Sales (mCHF) | Machines & Systems | 376.1 | 477.4 | 392.7 | Innovations / CN,IN / Pricing | |
| | After Sales | 59.6 | 67.9 | 69.6 | After Sales Excellence | +>30% |
| | Components | 86.4 | 86.0 | 91.6 | Innovations / Market presence | |
| | Rieter Group | 522.1 | 631.3 | 553.9 | | ~1300 |
| EBIT (mCHF) | Machines & Systems | 10.6 | 30 | 17.2 | Winterthur production / structural cost | |
| | After Sales | 8.5 | 11.5 | 13.6 | Follows topline growth | |
| | Components | 14.1 | 18.4 | 16.0 | Follows topline growth | |
| | Others / corporate | -4.4 | -4.1 | -1.0 | Cycle management | |
| | Rieter Group | 28.8 | 55.8 | 45.8 | | 130 |
| EBIT in % | Rieter Group | 5.5 | 8.8 | 8.3 | | 10 |

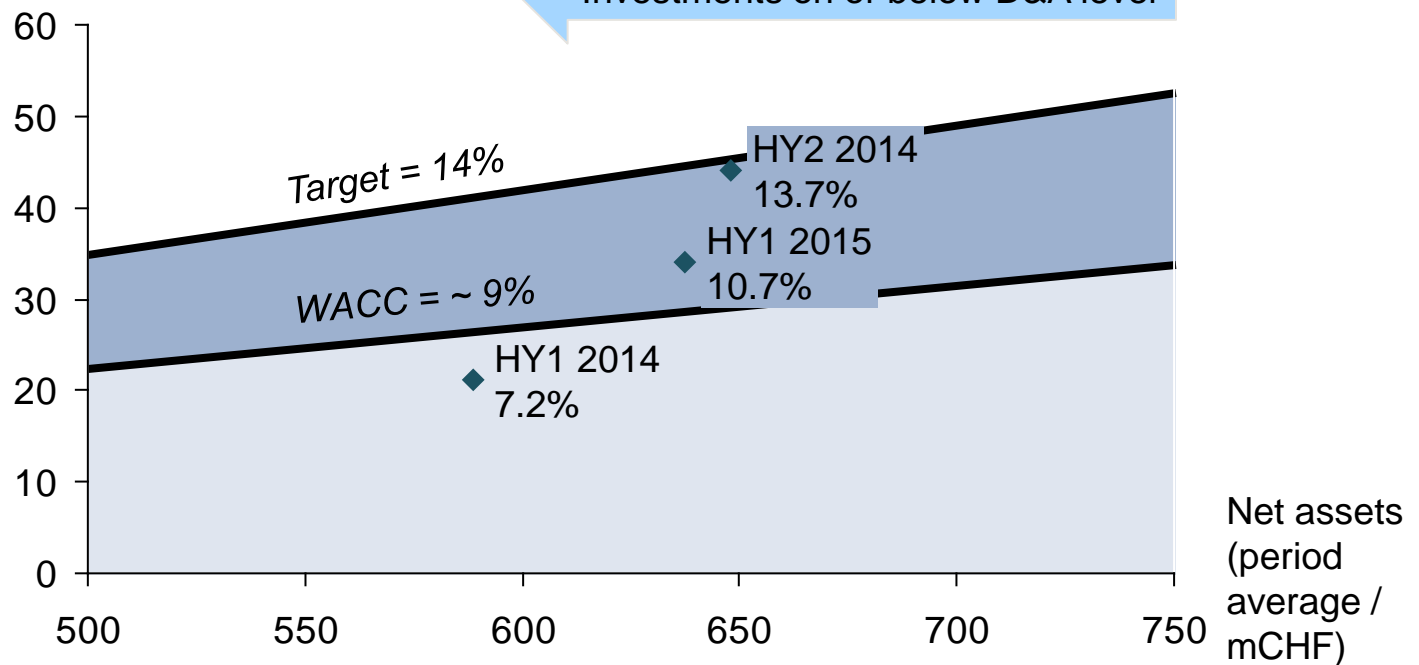
Profitability improvement mid-term: 14% RONA

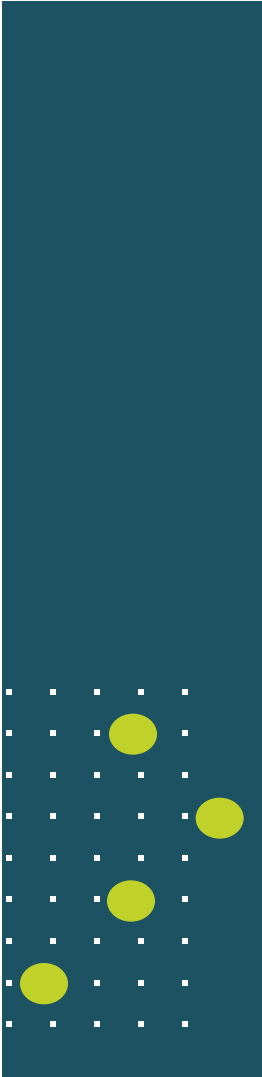
Reduction of net assets with increased profitability in order to achieve target

Net profit by half-year
(before interest cost / mCHF)

- Reduction of net working capital
- Sale of non-core assets
- Investments on or below D&A level

- Profitability initiatives
- Cycle management



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- While the order intake trend for both business groups Components and After Sales is pleasing, the market for new machinery at the business group Machines & Systems is at a low level. This trend is due to spinning mills' low margins as well as uncertainty in the individual sales markets.
- Owing to the positive dynamics in the business groups Components and After Sales and an order book delivery according to schedule in the business group Machines & Systems, Rieter is expecting for the whole of 2015 sales of around 1 billion CHF, operative profitability (EBIT) of around 7 percent and a net profit of between 4 and 5 percent of sales.

Disclaimer

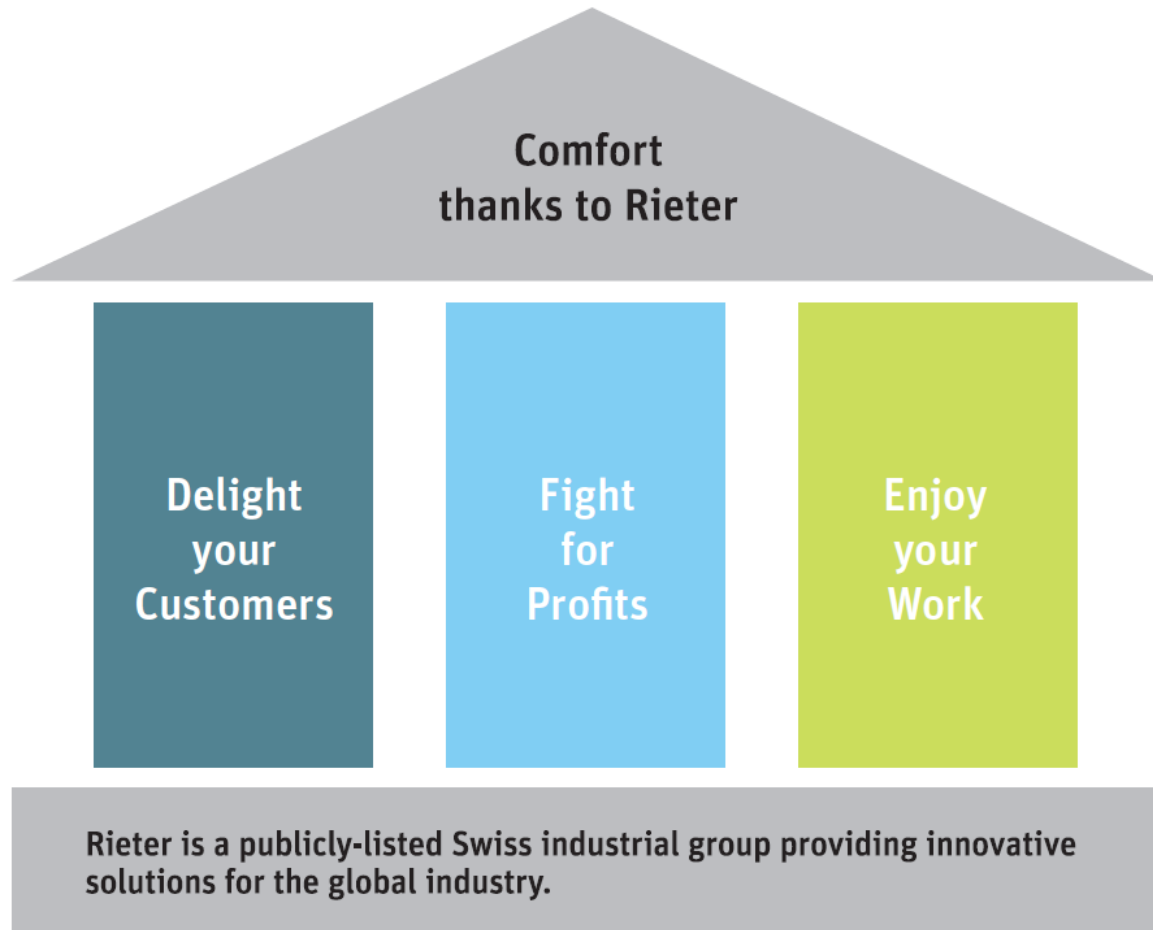


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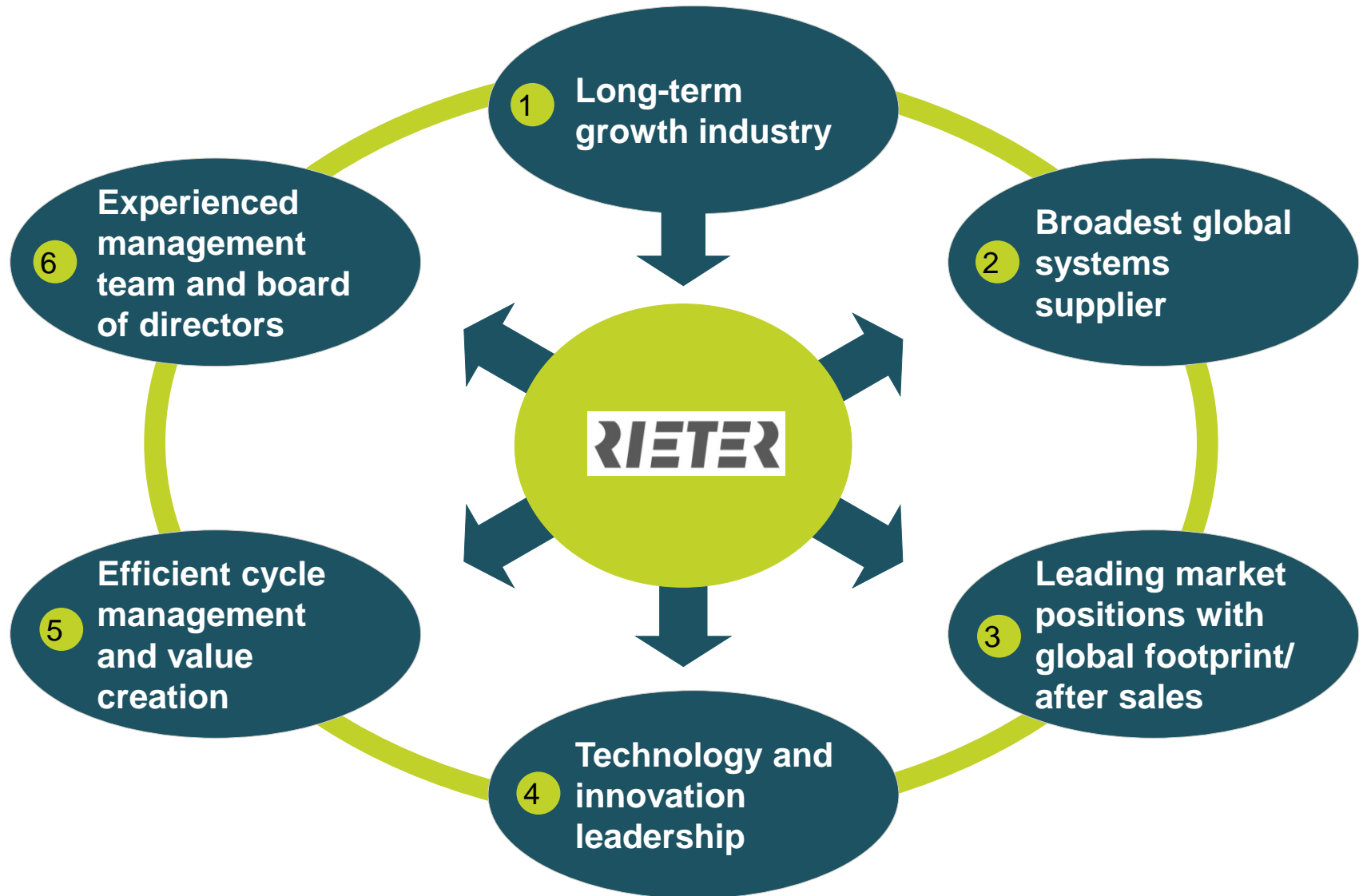
All statements in this report which do not reflect historical facts are forecasts for the future which offer no guarantee whatsoever with respect to future performance; they are embody risks and uncertainties which include – but are not confined to – future global economic conditions, exchange rates,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

Values and principles





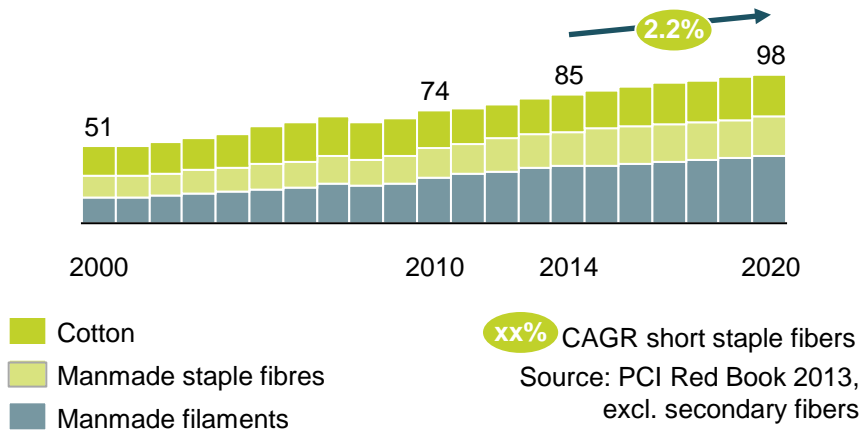
Key investment highlights of Rieter



1 – Long-term growth industry

Rieter will profit from market drivers and shifts

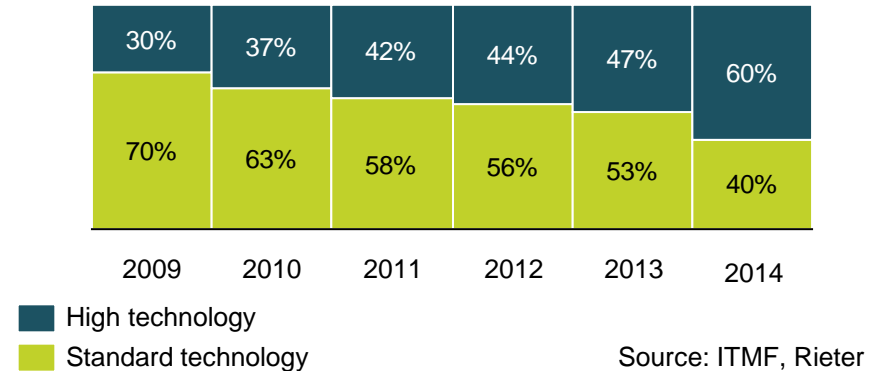
Textile mill consumption (in million tons)



Market drivers

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

Performance shift (in %)

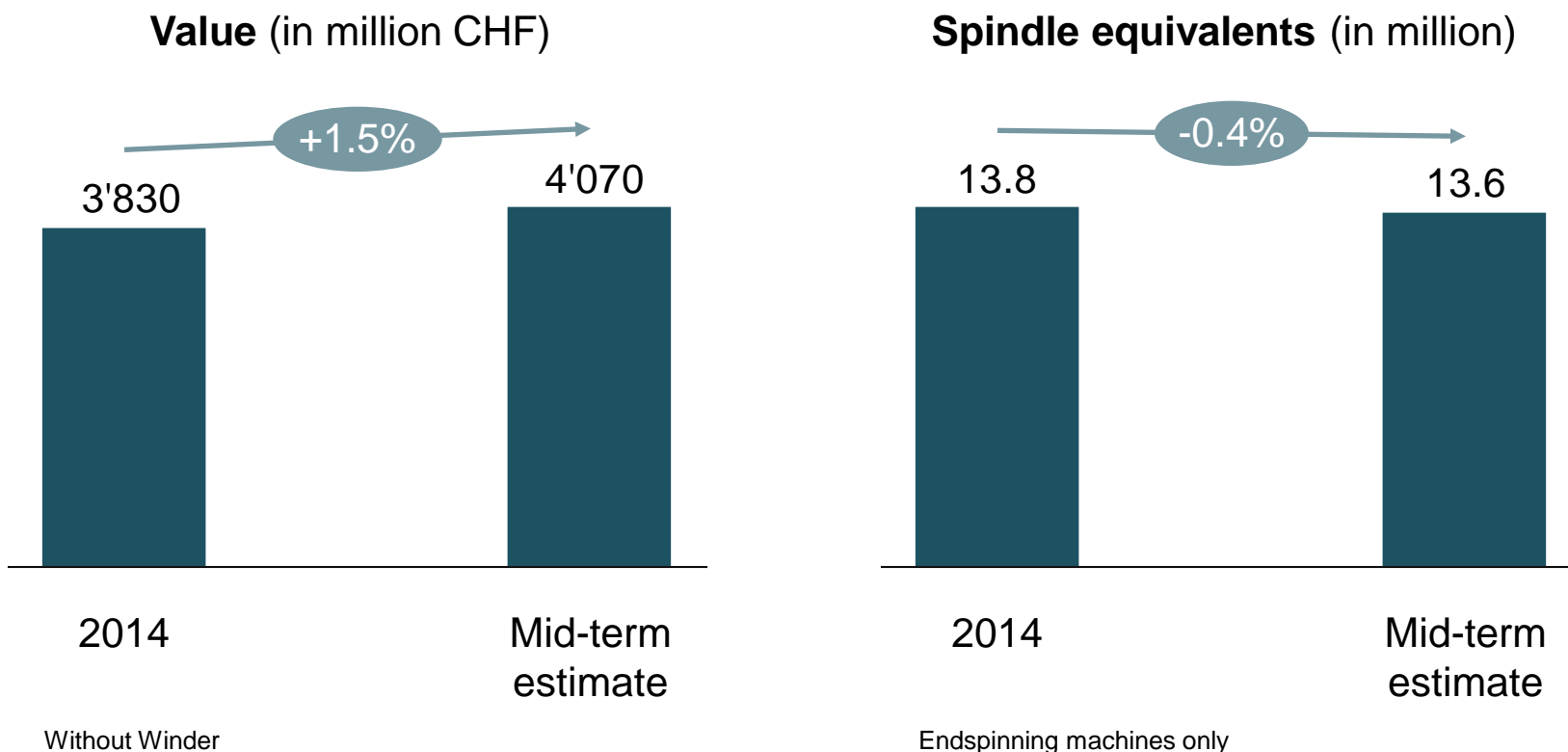


Market shifts

- Performance
- Regional
- Spinning technology

1 – Long-term growth industry

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



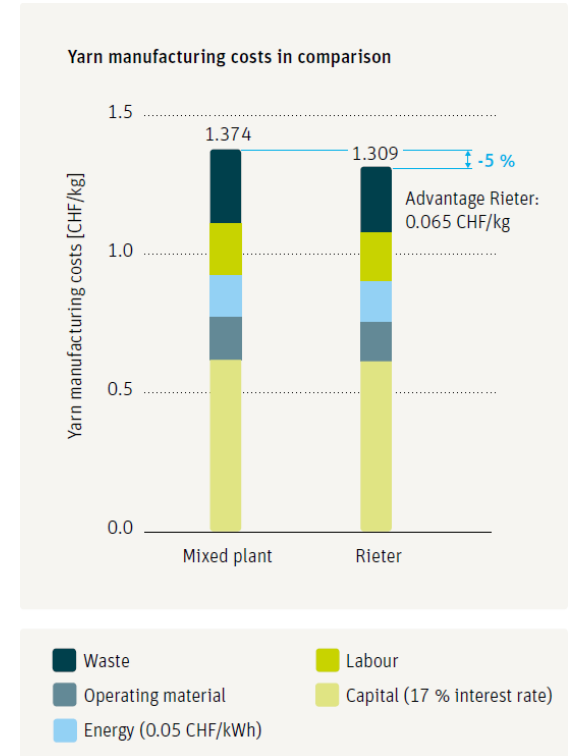
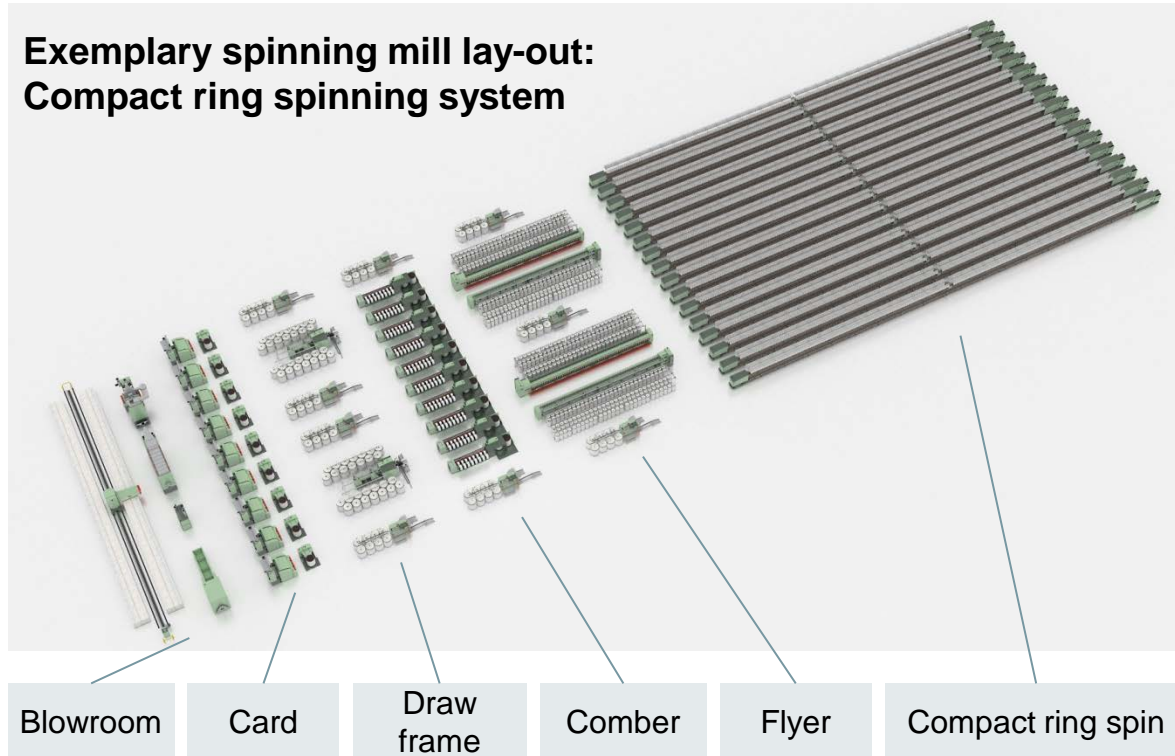
- Market growth is driven by performance shift into high tech segment mainly in China

X.X% CAGR Source: Rieter estimates, ITMF

2 – Rieter systems with superior customer value

Higher total value of ownership for Rieter systems customers

Exemplary spinning mill lay-out: Compact ring spinning system



Rieter System Value Proposition

- One-stop-shop: providing customer specific systems solutions from bale to yarn; supporting customer throughout the full life-cycle – from mill planning to installation, performance optimization, repair and after sales service
- Systems competence: leading to superior total value of ownership for customers vs. mixed plant solutions
- End-to-end mill management system (SPIDERweb): digital integration offering enhanced mill operation and optimization

2 – Rieter: Business Groups



Strong business model serving a global market

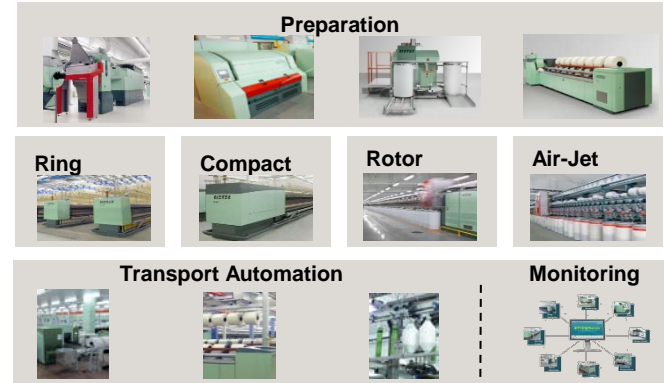
| | Machines & Systems | After Sales | Components |
|---------------------------------|--|---|---|
| |  |  |  |
| Customer focus | Spinning mills | Rieter installed base | 3rd party installed base and 3rd party OEM's |
| Products | Machines & Systems (Capital Goods) | Parts, Services & Installation |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

2 – Rieter: Business Groups



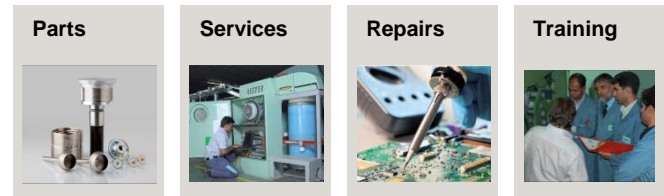
Machines & Systems

- Leading position in high-end segment for all fields of activity
- Recognized as an innovation leader with superior products



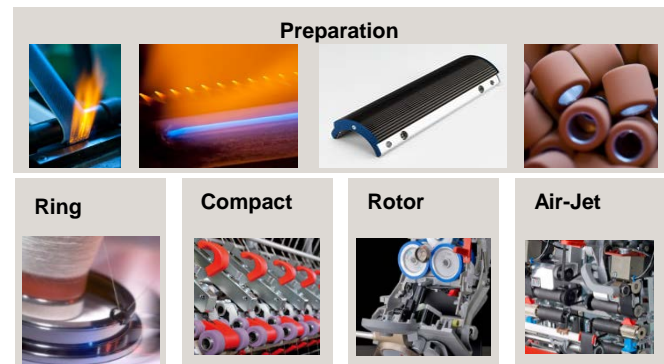
After Sales

- Best support to leverage customers' investment in Rieter machinery over the entire product life cycle
- Worldwide presence, close to markets



Components

- Supply to 3rd party OEMs underlines position in textile components
- By far largest supplier of textile components for spinning machines



2 – Business Group Machines & Systems



Rieter offering systems solutions from bale to yarn

Fiber Preparation



Spinning Preparation



Ring Spinning



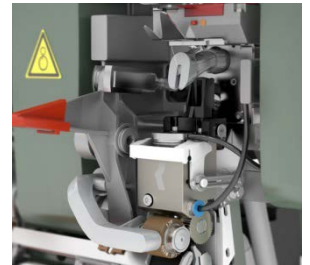
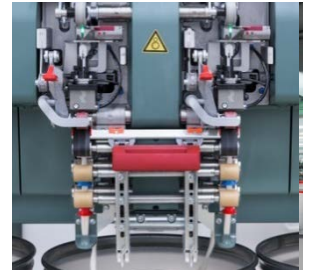
Compact Spinning



Rotor Spinning



Air-Jet Spinning



2 – Business Group Components

The only global components provider for all spinning technologies

- Complete components product range from fibre to yarn
- Spinning components for all 4 spinning technologies
- Products for high-end and basic technology
- Global sales, service, engineering and manufacturing



Ring Spinning



Compact Spinning



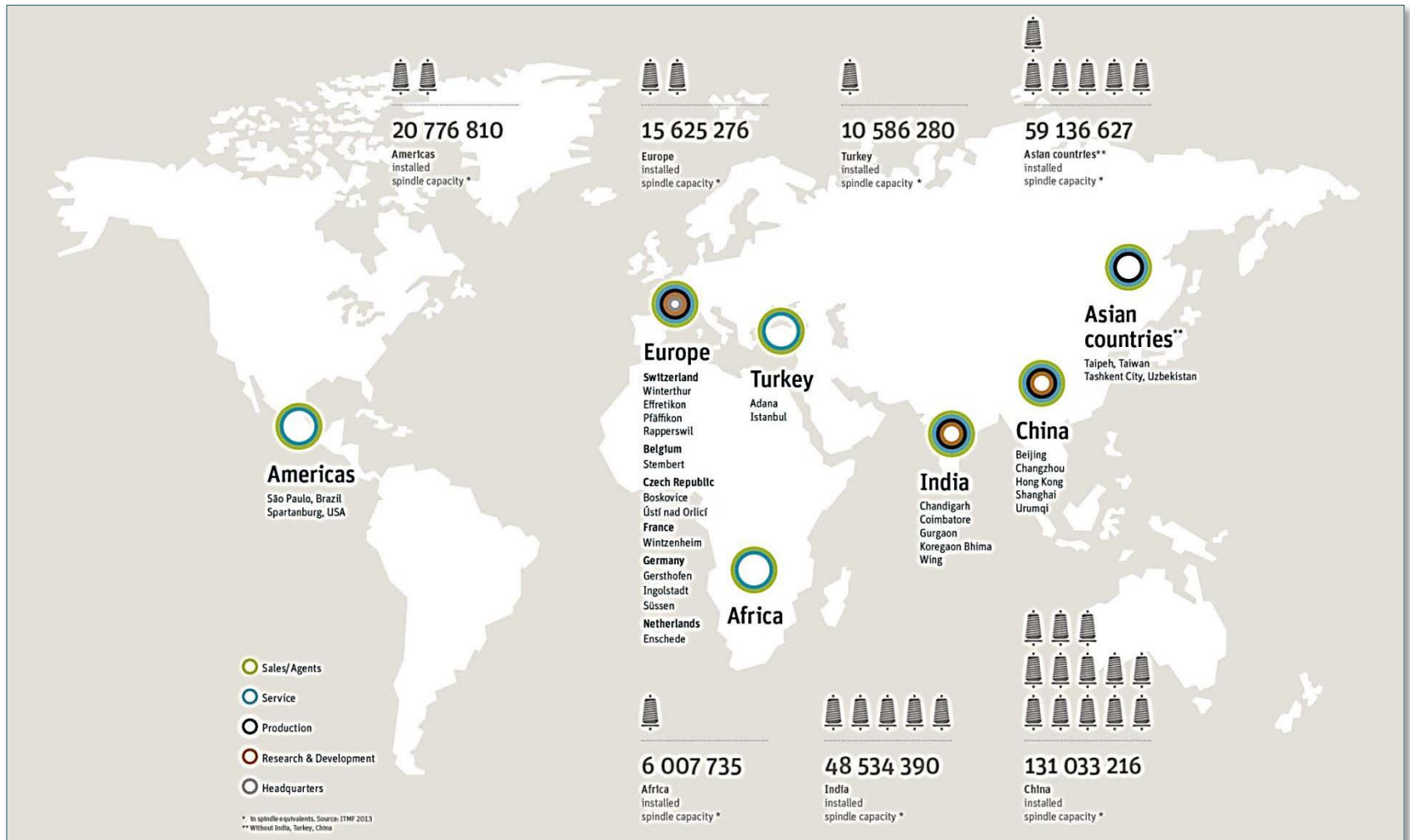
Rotor Spinning



Air-Jet Spinning

3 – Leading market positions with global footprint

Strong global production, sales and service footprint to serve key markets

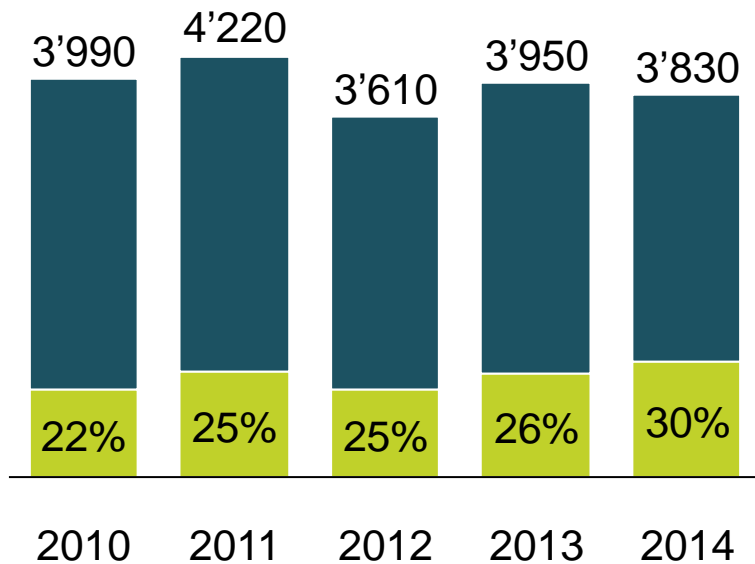


3 – Leading market positions with global footprint

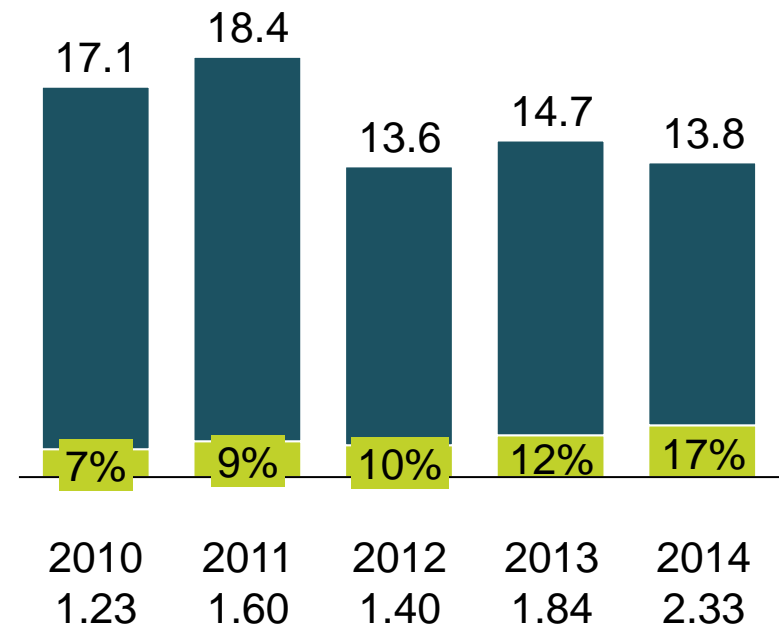


Increase in market share thanks to strong position and capacity increase

Value (in mCHF)



Spindle equivalents shipped (in million)



Market value Rieter market share

Market Rieter shipments (% of market)

w/o Winder

Endspinning machines only

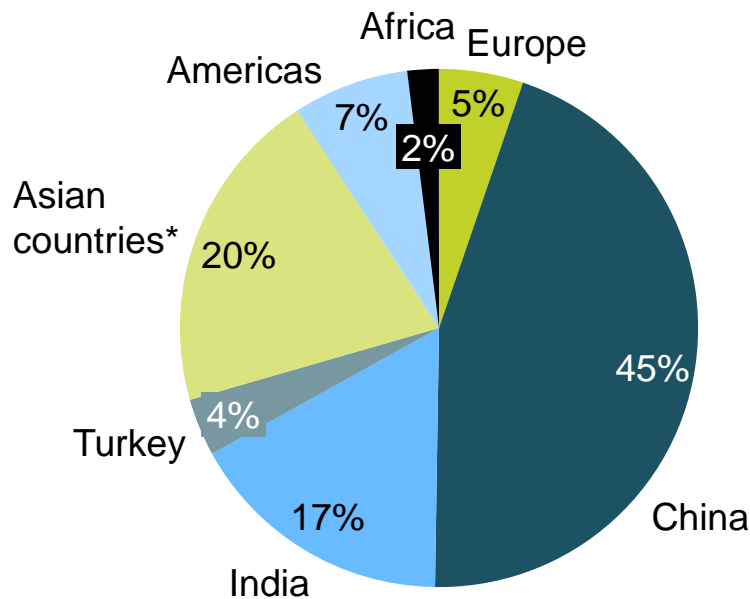
Source: Rieter estimates, ITMF

3 – Leading market positions with global footprint

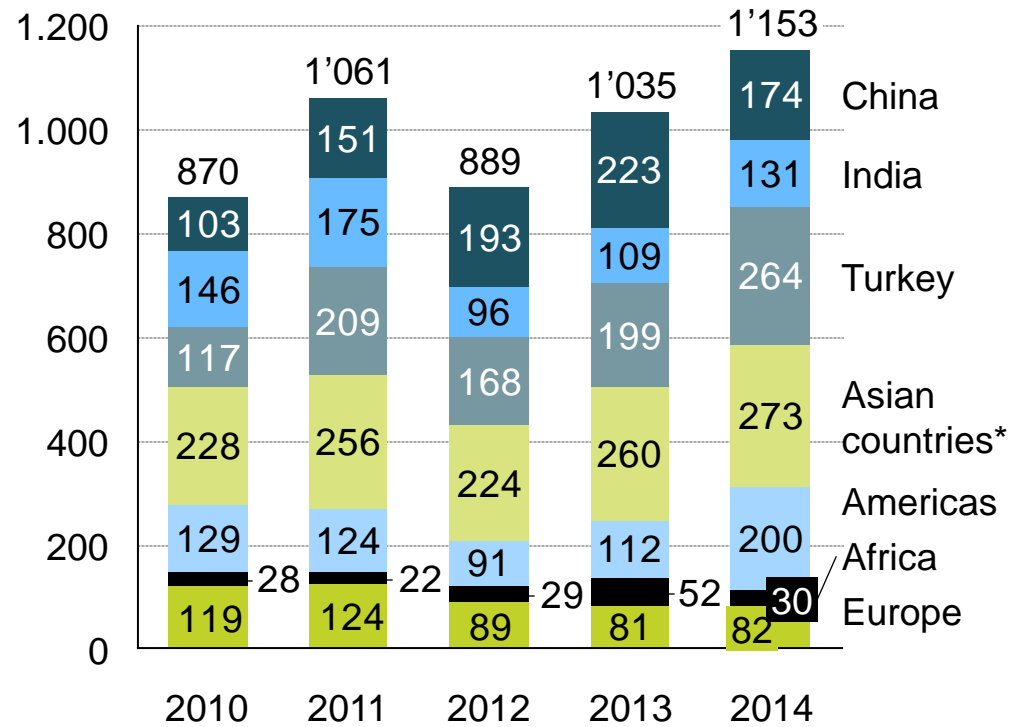


Continuous increase of sales in Asia

World-wide installed capacity (spindle equivalents) in %



Rieter sales in Mio CHF












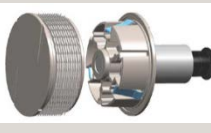








Source: ITMF 2013

*without China, India, Turkey

4 – Technology and innovation leadership



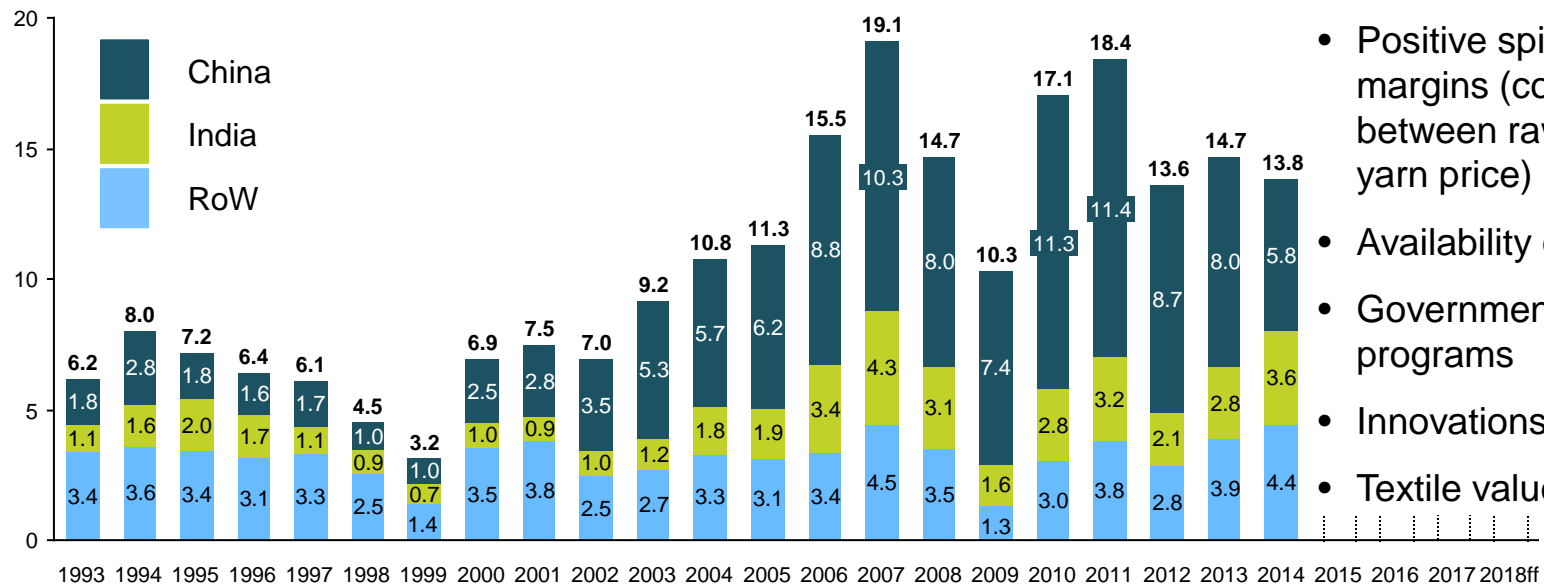
Past break-through examples prove technology and innovation leadership

| | | | | | | |
|-------------------------------|--|--|--|---|---|---|
| Machines & Systems | Widest, self sharpening card  | OMEGAlap (combing prep.)  | Double-head autolevel. draw frame  | New Air-Jet Machine  | Compact spinning machine K 46  | Rotor spinning machine R 66  |
| | 2001 | 2004 | 2009 | 2010 | 2013 | 2015 |
| After Sales | IGS classic  | Flow+  | AC Servocombi  | R 1 / R 20 Clip-on OR  | Suction tube ECOrized  | Wobble disk  |
| | 1995 | 2008 | 2009 | 2012 | 2013 | 2015 |
| Components | TITAN ring  | EliTe® compacting unit  | Primacomb®  | Spinbox S 60  | Spinbox S 35  | CROCOdoff forte  |
| | 1997 | 2002 | 2009 | 2011 | 2013 | 2015 |

5 – Efficient cycle management and value creation

Rieter's market is characterized by cyclical fluctuations

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

Growing fiber demand calls for additional capacity beyond productivity gains

Trend to increasing quality, fineness and automation

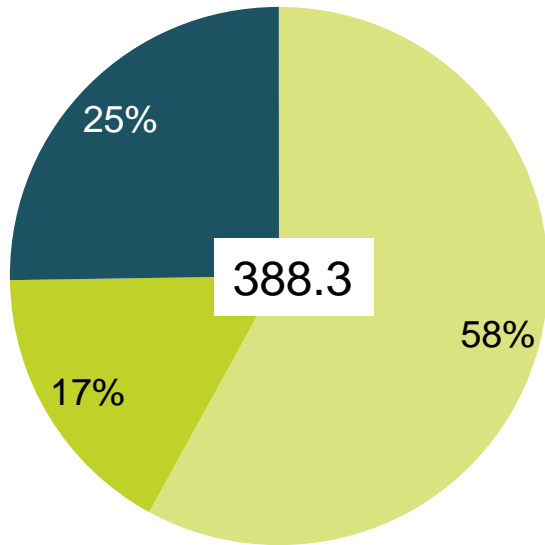
Replacement of installed capacity

Source: ITMF 2014, Rieter

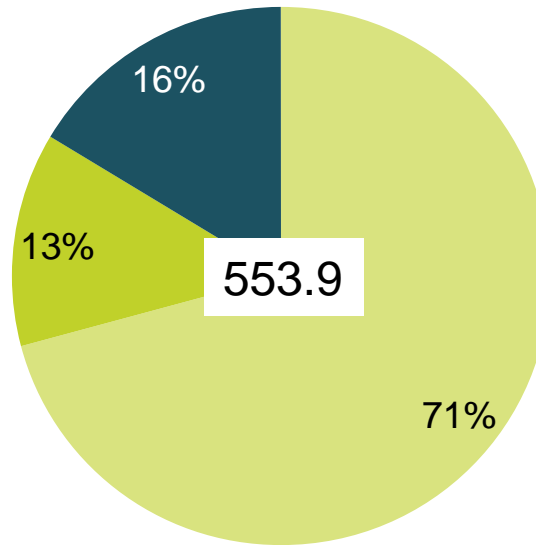
5 – Efficient cycle management and value creation

Significant share of EBIT stems from After Sales and Components in HY1 15

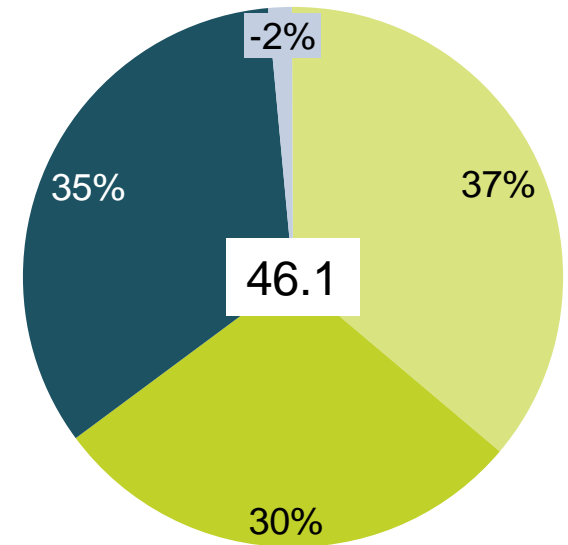
Orders received (in mCHF)



Sales (in mCHF)



EBIT (in mCHF)



5 – Efficient cycle management and value creation



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

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

5 – Efficient cycle management and value creation



Seasonal increase of net working capital to 62.1 million CHF

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

5 – Efficient cycle management and value creation



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

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

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

5 – Efficient cycle management and value creation



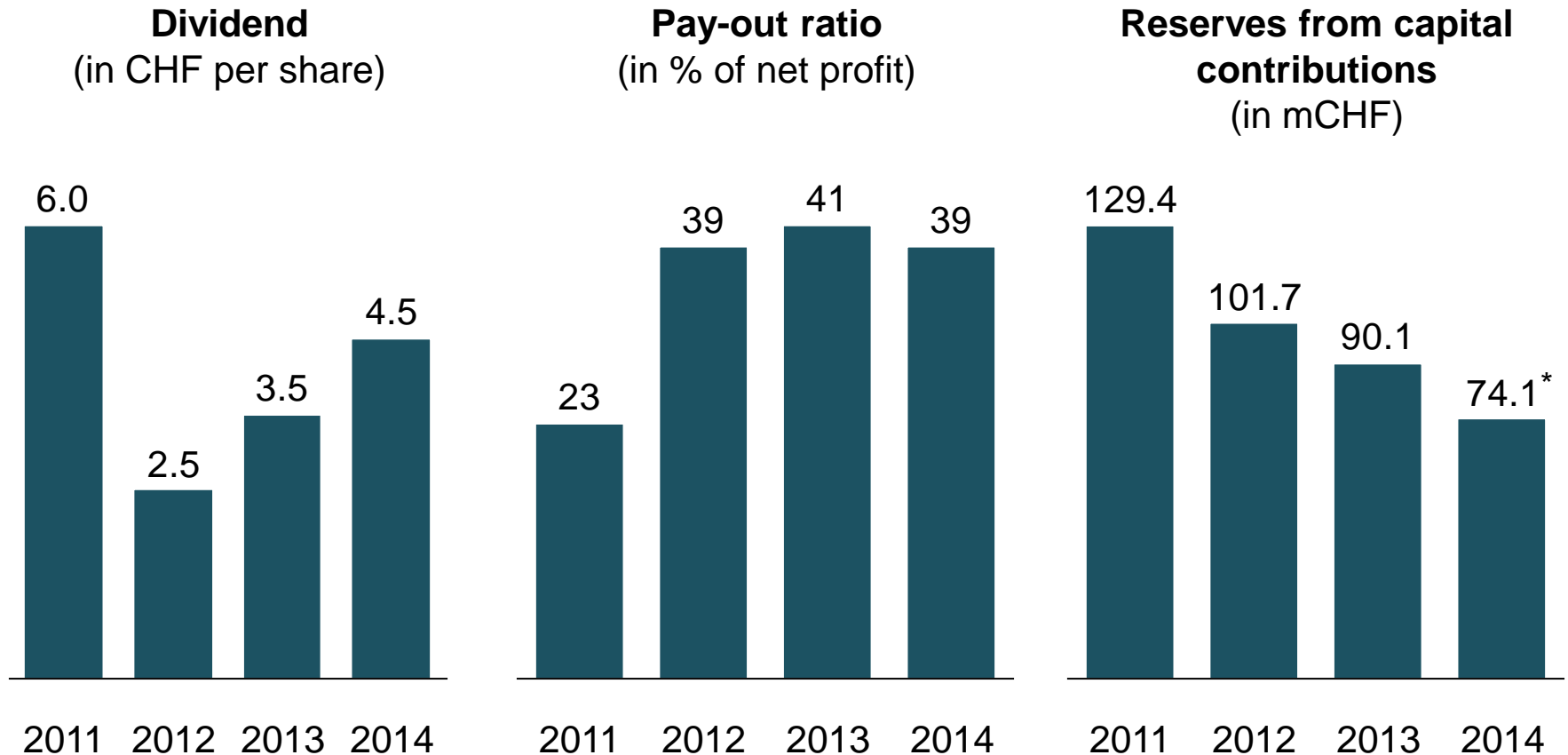
Return on net assets (RONA) of 10.7% above cost of capital

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

5 – Efficient cycle management and value creation



Dividend of 4.50 CHF paid out for 2014



* Equals CHF 15.86 per share

6 – Experienced management team and BoD



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 team



| | | | | |
|--|---|---|--|---|
| 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 |
|--|---|---|--|---|

Share price



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