

Investor and analyst briefing 2013

Erwin Stoller, Executive Chairman
Joris Gröflin, Chief Financial Officer

1. Welcome and program
2. Rieter's market
3. Rieter's position
4. Rieter's investment program 2012/2013
5. Market development and outlook

Schedule



- 10:00 Welcome C. Schreier
- 10:10 Presentation E. Stoller / J. Gröflin
- 11:15 Factory Tour All
- 12:15 “Flying lunch” All

“With the conclusion of the investment program 2012/2013, Rieter has achieved a truly global footprint and delivery capabilities which generates value for our increasingly global customers and sets us distinctively apart from our competitors.”

Erwin Stoller

Executive Chairman

1. Welcome and program
2. Rieter's market: Short – staple
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Rieter's market: Short staple spinning machines and components



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

Fibers

- Length: 25 – 45 mm
- Types: Man-made (synthetic and cellulosics) and natural (cotton)
- Consumption: 39.9 million tons (2011)
- Consumption growth: ~2.3% p.a.

Spinning mills

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

Machines / components

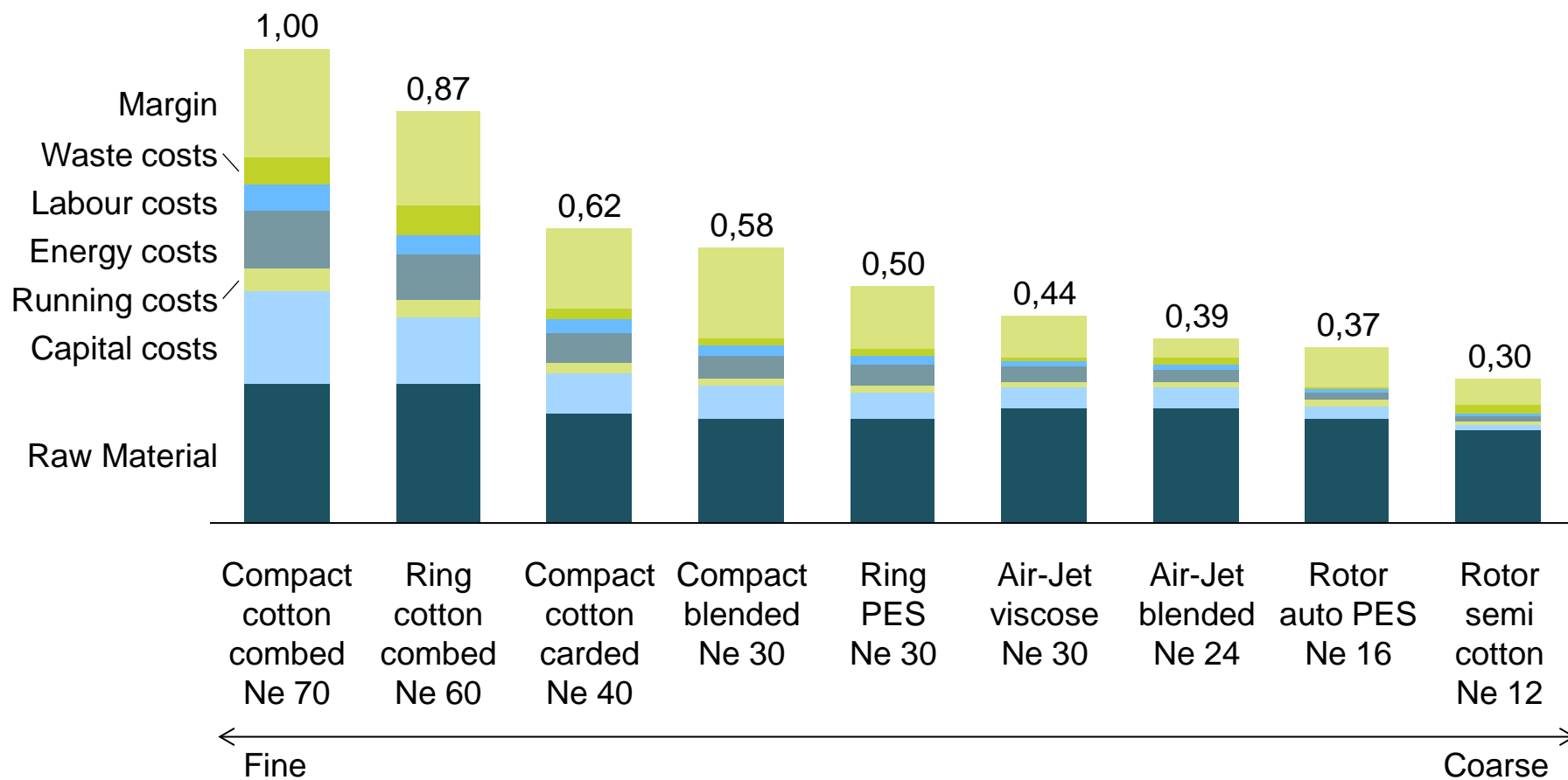
- Multi-machine systems with precision components
- High-tech but not disruptive technology
- Main competitors: 2 regional system suppliers, 3 sub-system suppliers and various machine and component suppliers

Rieter's market: Fiber and yarn price




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

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




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

Future growth drivers




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

- Population growth
- Rising disposable incomes in Asia
- Faster fashion cycles
- Demand growth (~2.3% p.a. till 2030) higher than productivity increase (~1% p.a.)



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

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



Replacement of installed capacity

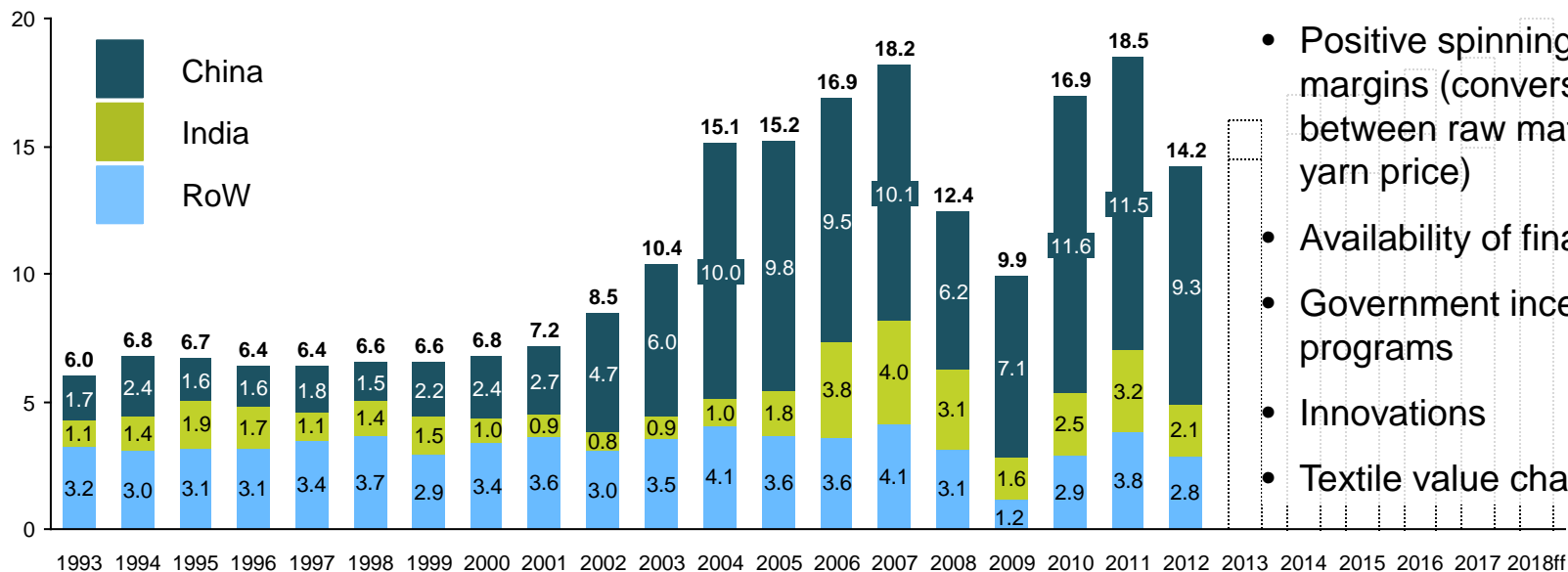
- Government programs (e.g. 12th Five Year Plan in China)
- End-of-lifetime
- Energy cost

Rieter's market: Growth and investment cycle triggers



In a cyclical market, India and China will continue to drive growth

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

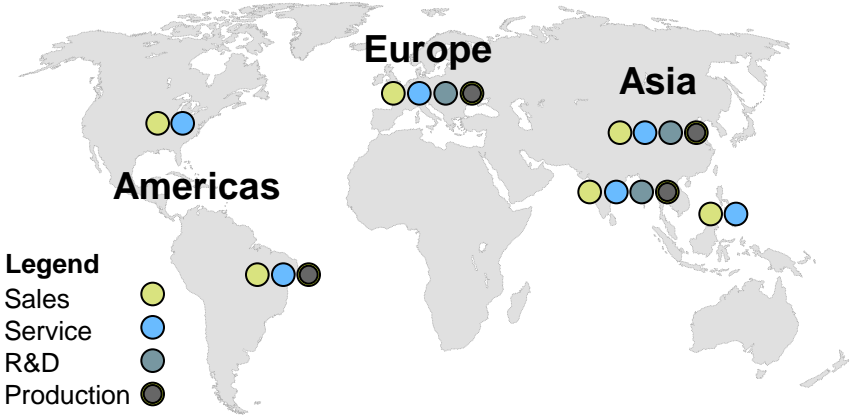
Source: ITMF 2012, Rieter

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Rieter – Broadest global systems supplier



Global supplier...



...of spinning machinery and components



Full-liner for all fibre types...

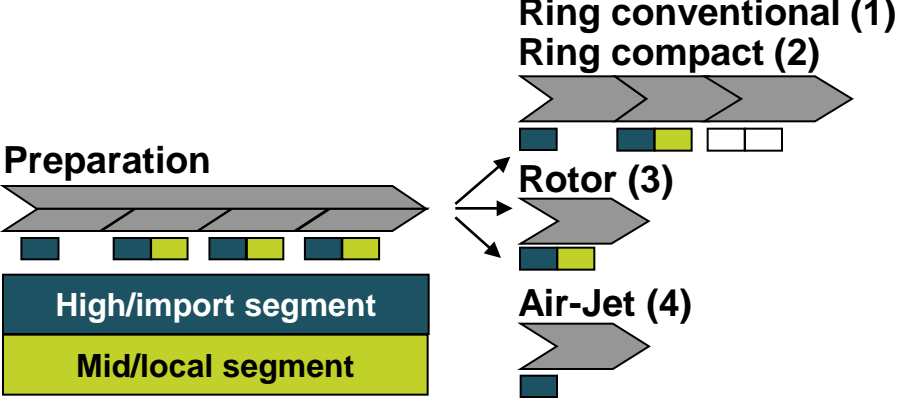
From raw material...



...to yarn



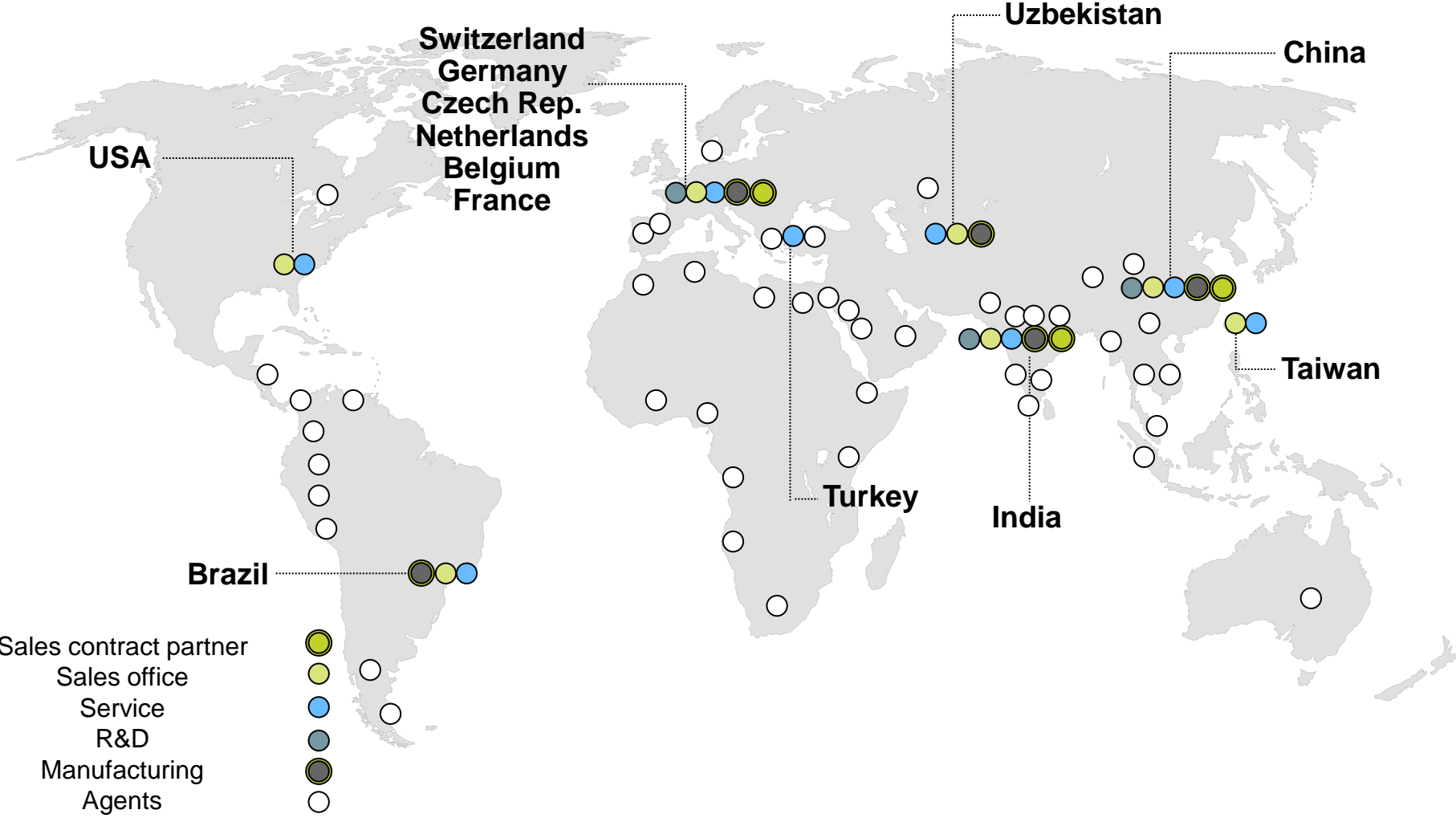
...covering preparation and all four spinning technologies



Global supplier: Rieter's locations worldwide



Rieter is present in all relevant textile producing countries

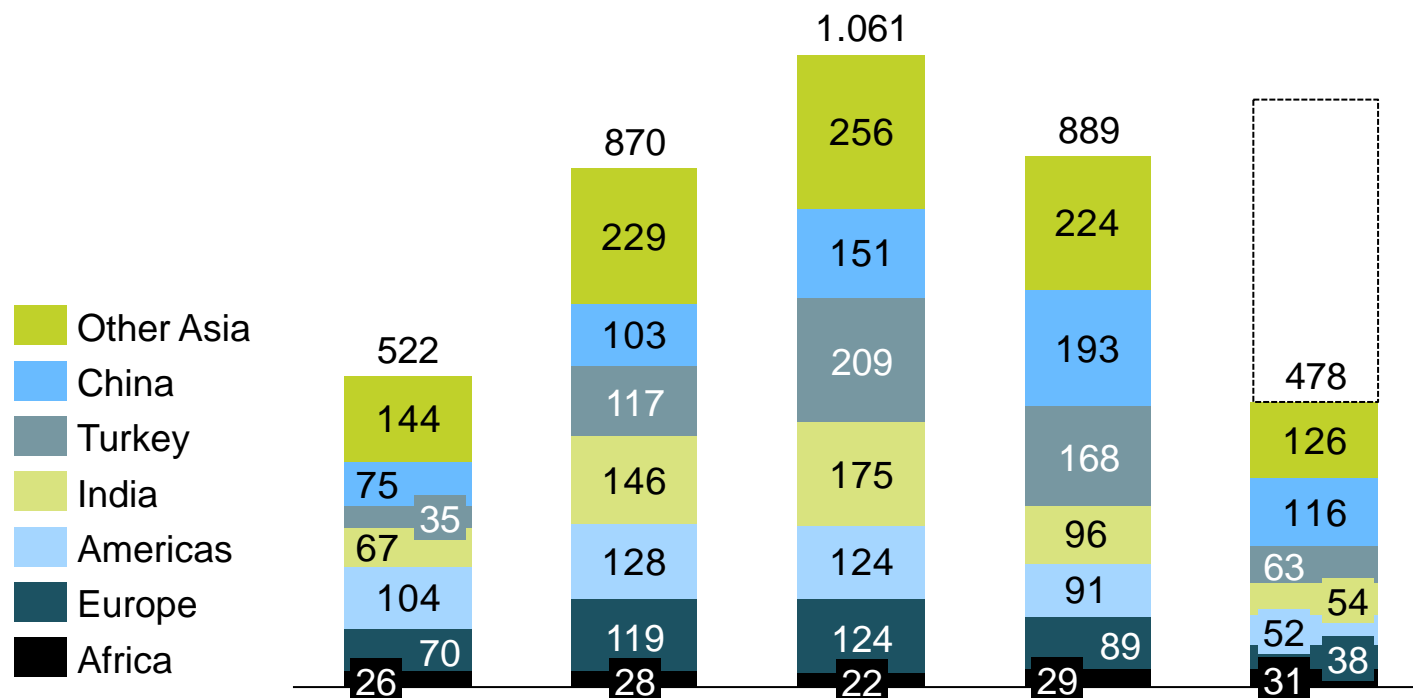


Global supplier: Rieter sales by country



Share of sales to Asia and China is increasing

Distribution of sales (in million CHF)



Share of Asian countries

2009 2010 2011 2012 HY1 2013

62% 68% 75% 77% 75%

Share of China

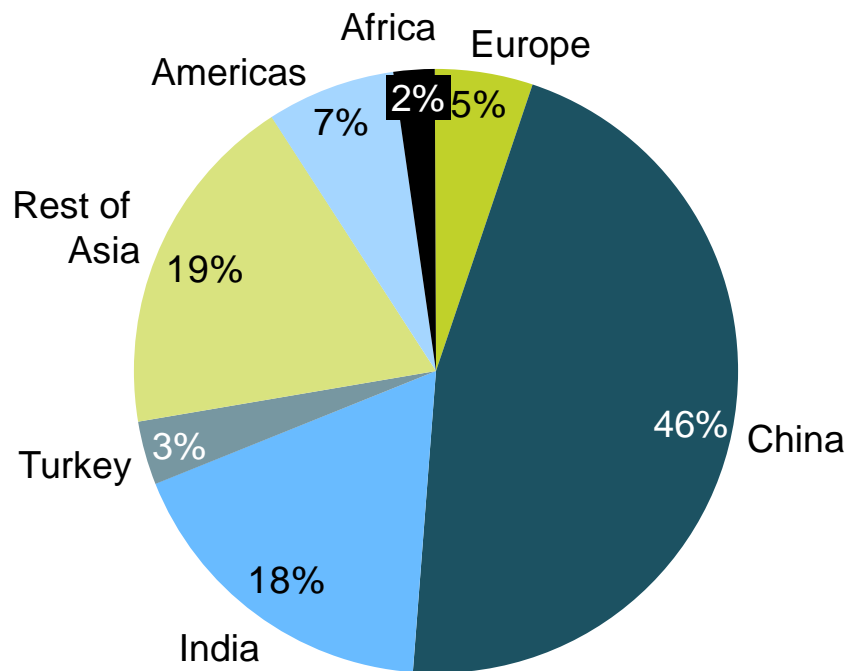
14% 12% 14% 22% 24%

Global supplier: Rieter's markets and sales



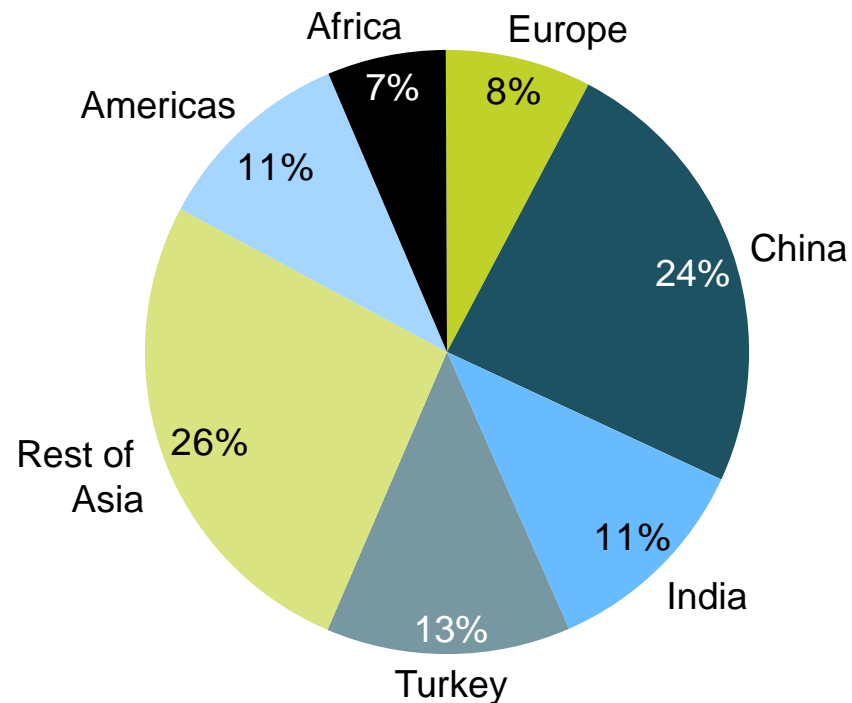
Installed capacities in China represents largest potential to increase sales

2011, world-wide installed capacity (spindle equivalents) in %



Source: ITMF statistics

HY1 2013, Rieter sales distribution in %

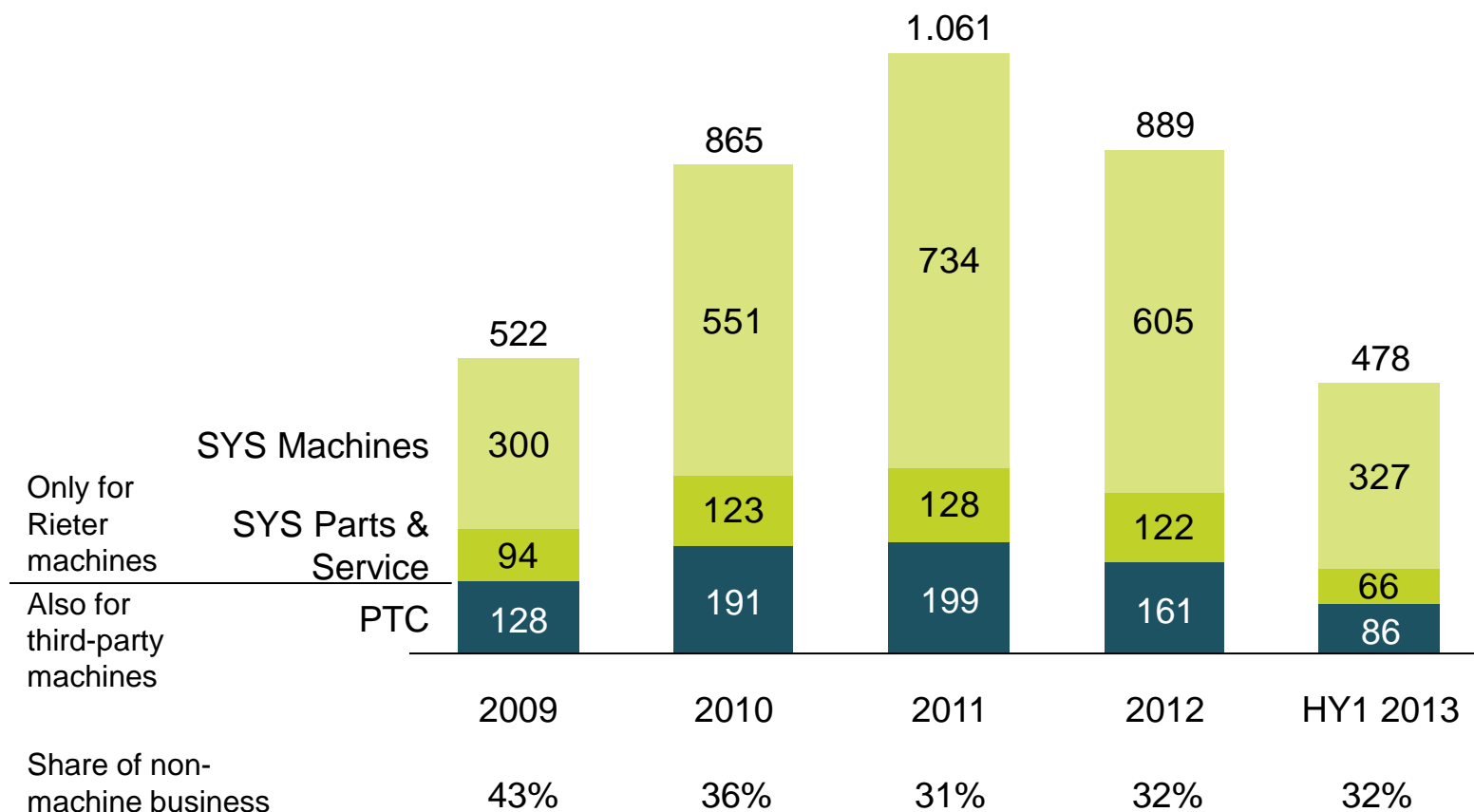


Machinery and components: Sales by product type



Around 30% of sales is less cyclical parts & service and PTC business

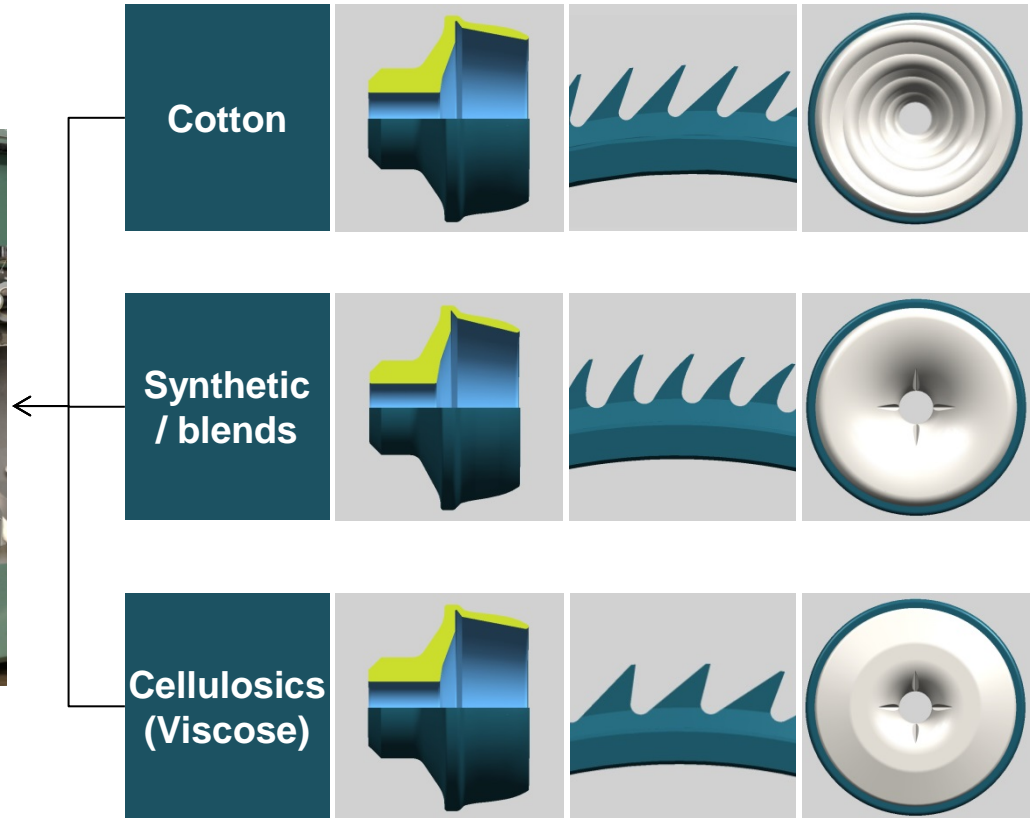
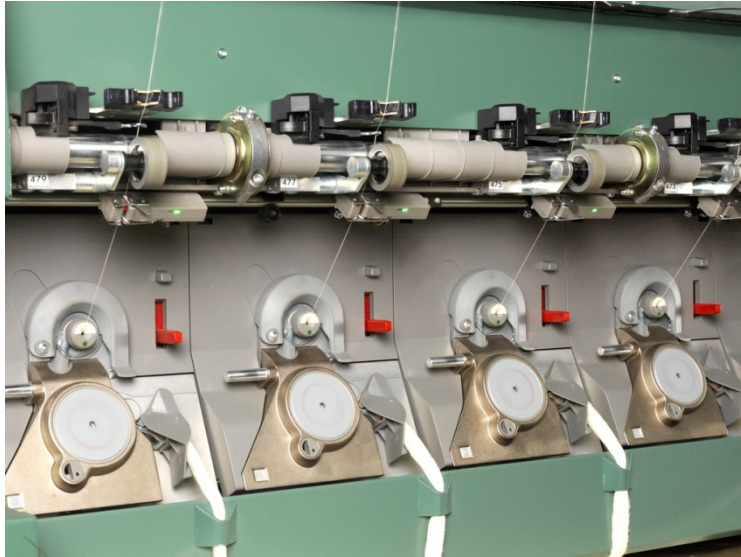
Distribution of sales (in million CHF)



Full-liner: Spinning technology for all fiber types

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

Example Rotor R 60 – component options for all fiber types

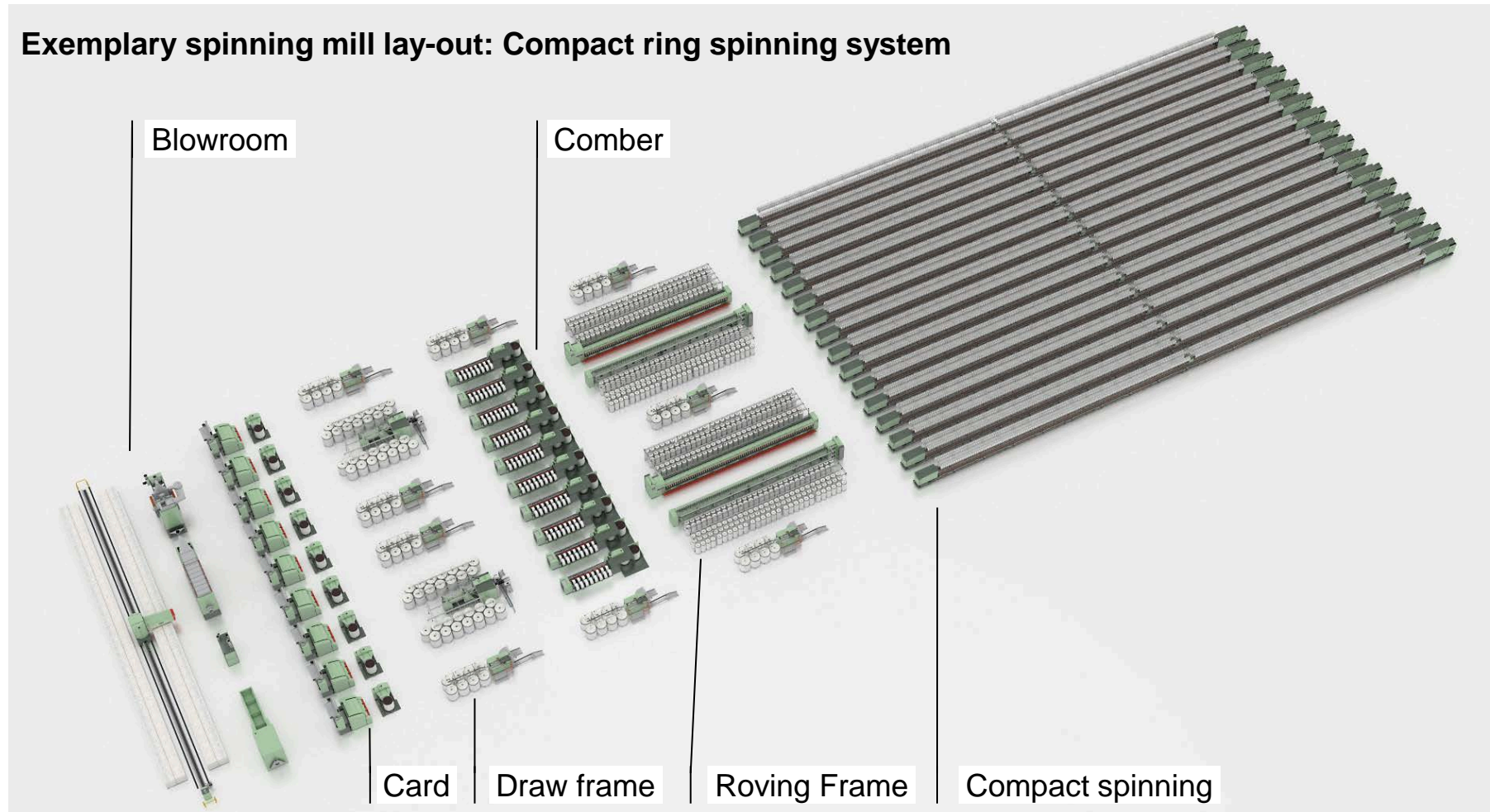


Full-liner: Rieter offers full systems






Spinning mills are a system of pre and end spinning machines

Exemplary spinning mill lay-out: Compact ring spinning system



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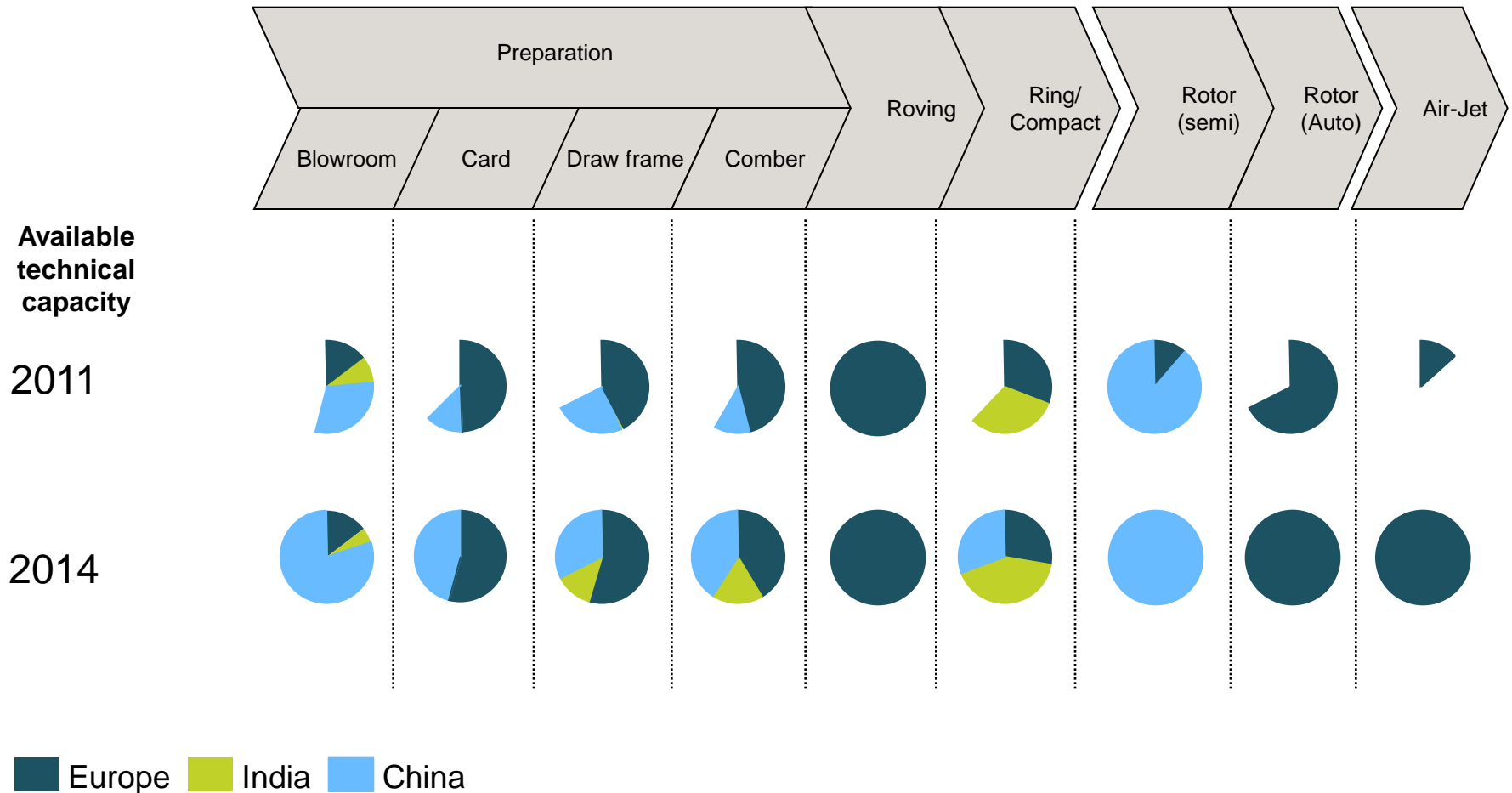
Investment program near completion – delay in process improvements

	2012	2013	2014
Expansion in Asia 	<ul style="list-style-type: none"> Inauguration of first stage of second plant in Changzhou (China) Construction of second plant in India 	<ul style="list-style-type: none"> Completion of plant II in Changzhou Ramp-up of second plant in India 	<ul style="list-style-type: none"> Full additional production capacity available Reduction of temporary personnel for investment program 2012 / 2013 Shift of market-specific functions to expanded sites Realization of efficiency gains from process improvements
Innovation 	<ul style="list-style-type: none"> Air-jet spinning machine (J 20) well received at ITMA Asia First J 20 full system operational at client 	<ul style="list-style-type: none"> Continued controlled market introduction Focus on additional fiber types and cost reduction 	
Process improvements 	<ul style="list-style-type: none"> Improvements in new plants, centralization in Switzerland realized Global processes defined 	<ul style="list-style-type: none"> Operational Excellence in main plants completed Go-live of new IT-supported processes with delay of half a year 	
~ 140 million CHF	Cost: 25.3 Capex: 51.6	~ 25 ~ 35 - 40	

Expansion in Asia: Addressing growth potential



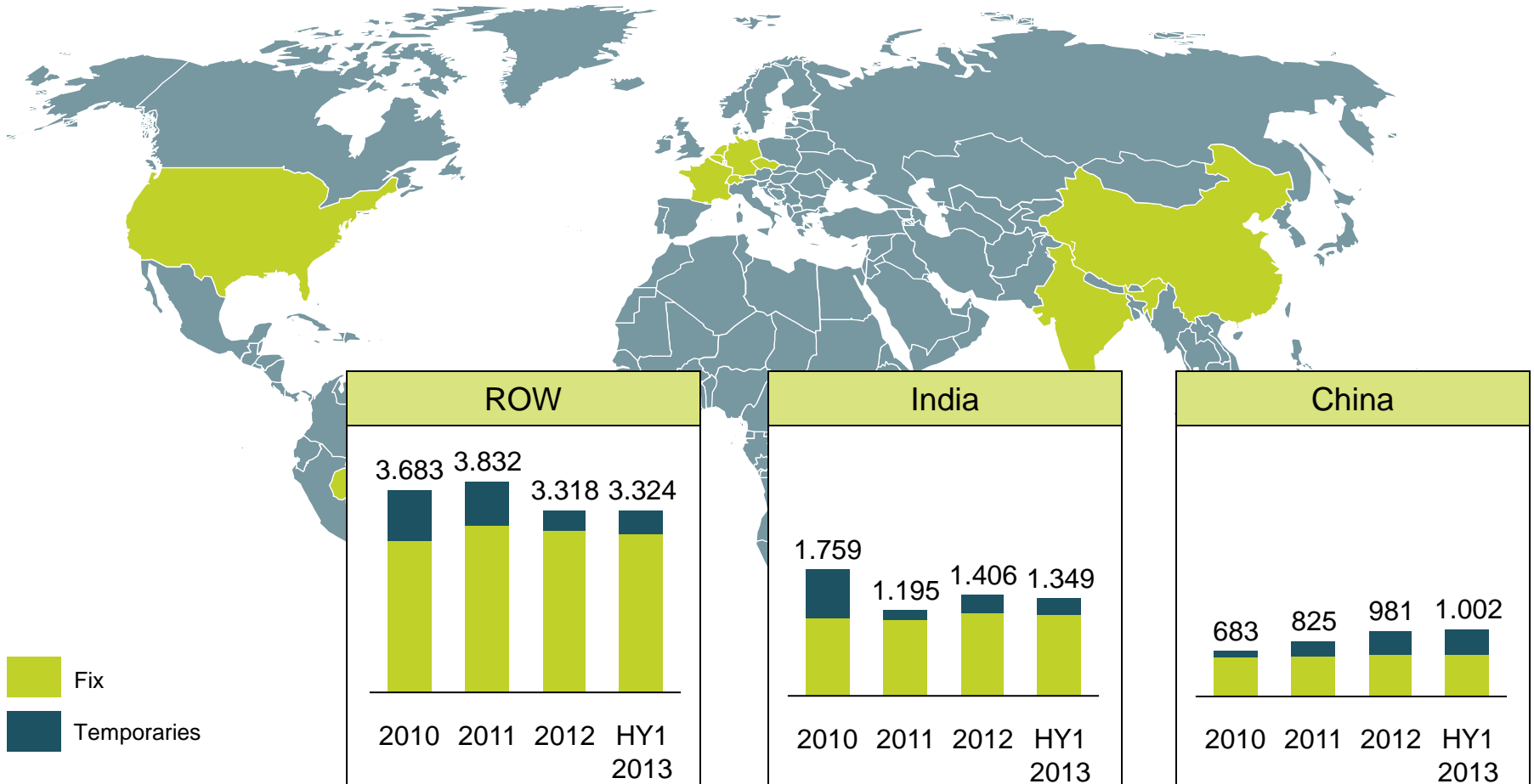
Increase in locally available product portfolio to address growth potential



Expansion in Asia: Employees

Focus on flexibility also in China and India

Distribution of employees (FTE)



Innovation: Continued technology leadership



Rieter continues to drive innovation in both pre and end spinning



Varioline



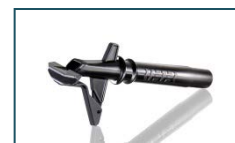
RSB D 45



C 70



E 80



ECOrized



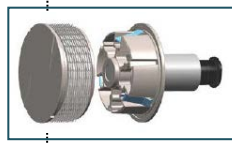
Q 10



J 20



R 60



Clip-on Opening Roller



SB-D 22



R 35



K 46

2011

2012

2013



Hipro Metallic Wire



Primacomb 9030



TRITON



Ri-Q-Comb



ProFil CleanB



Crocodoff



EliTe® Compact Set V5



S 60



EliTe® EliVAC CDS



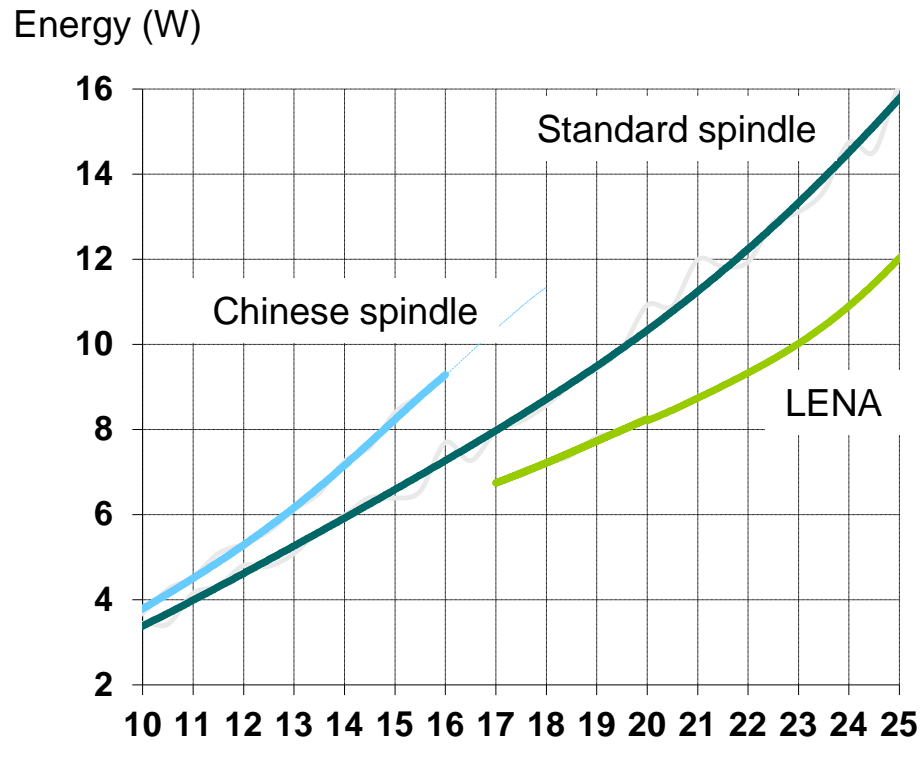
OPAL



LENA

Innovation: PTC – Example LENA

Premium Textile Components with technological edge




Customer Benefits:

- Low energy consumption
- Higher production speed
- Extended life time
- Low noise level

Innovation: Airjet progress

Market introduction progresses along with continued system improvement



	J 10	J 20	J 20 (V2)
Year	2010	2011	2013
Application range	<ul style="list-style-type: none"> Cellulosics Blends 	<ul style="list-style-type: none"> Cellulosics Blends 	<ul style="list-style-type: none"> Combed cotton Cellulosics Polyester blends
Machine length	100 spinning units	120 spinning units	120 spinning units
Automatization	4 robots	4 robots	4 robots
	First Com4@Jet Licensee in Switzerland	First Com4@Jet Licensee in Austria	First Com4@Jet Licensee in China

Clear strengthening of position thanks to investment program

	Position 2011	Position 2013
Global presence: sales / service / production	<ul style="list-style-type: none"> Global sales and service with production in EU, small set-up in IN and CN 	<ul style="list-style-type: none"> Strong set-up also in CN Increased set-up in IN Capacities increased
All four end-spinning systems: Offer of all known end-spinning systems	<ul style="list-style-type: none"> Ring spin, compact spin, rotor spin and first version of air-jet spin system 	<ul style="list-style-type: none"> Airjet system also available
All fiber types: Textile technology and competence	<ul style="list-style-type: none"> Short staple: Cotton / polyester / cellulosics. Airjet only viscose 	<ul style="list-style-type: none"> Airjet now also with cotton and polyester blends
Full systems: Ability to offer full systems from design to plant	<ul style="list-style-type: none"> Delivery of systems from Europe 	<ul style="list-style-type: none"> Availability of full systems also in China
Technology leadership: Textile technology and engineering leadership	<ul style="list-style-type: none"> Parts and components leadership 	<ul style="list-style-type: none"> Sensoric competence further improved

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Market continues on strong level

- Market conditions are still favourable, although with wide regional diversification.
- Demand in Turkey and China weakened compared with the strong order intake in the first half year, and in India improved only slightly. Thanks to strong market positioning, Rieter was able however to take full advantage of the gratifying demand particularly in other Asian markets and North America.
- Accumulated order intake per end of the third quarter 2013 totalled just over one billion Swiss francs. At the same time Rieter has managed to uphold margins in a challenging competitive environment.

- With broadly based business worldwide, Rieter still expects a good but slightly declining demand for textile machinery and components during the last few months of 2013. 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 – already reaching well into 2014 – full year sales for 2013 are expected to show low double digit growth compared to 2012. Against 2012 levels before disposal gains, operating result (EBIT) is expected to profit from volume growth. This includes strategic project costs of about 25 million CHF for the 2012/2013 investment program.
- Rieter continues to focus on lowering the break-even threshold, and in this connection is continuing with the workforce adjustments announced in spring 2013. At the same time, Rieter also seeks to improve profit margins by reducing production costs, through optimal allocation of capacities and price discipline.

Guidance 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

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Agenda 2013 / 2014



Publication of sales figures for the 2013 financial year:

February 4, 2014

Results media conference and presentation of the 2013 financial statements:

March 18, 2014

Annual General Meeting:

April 9, 2014

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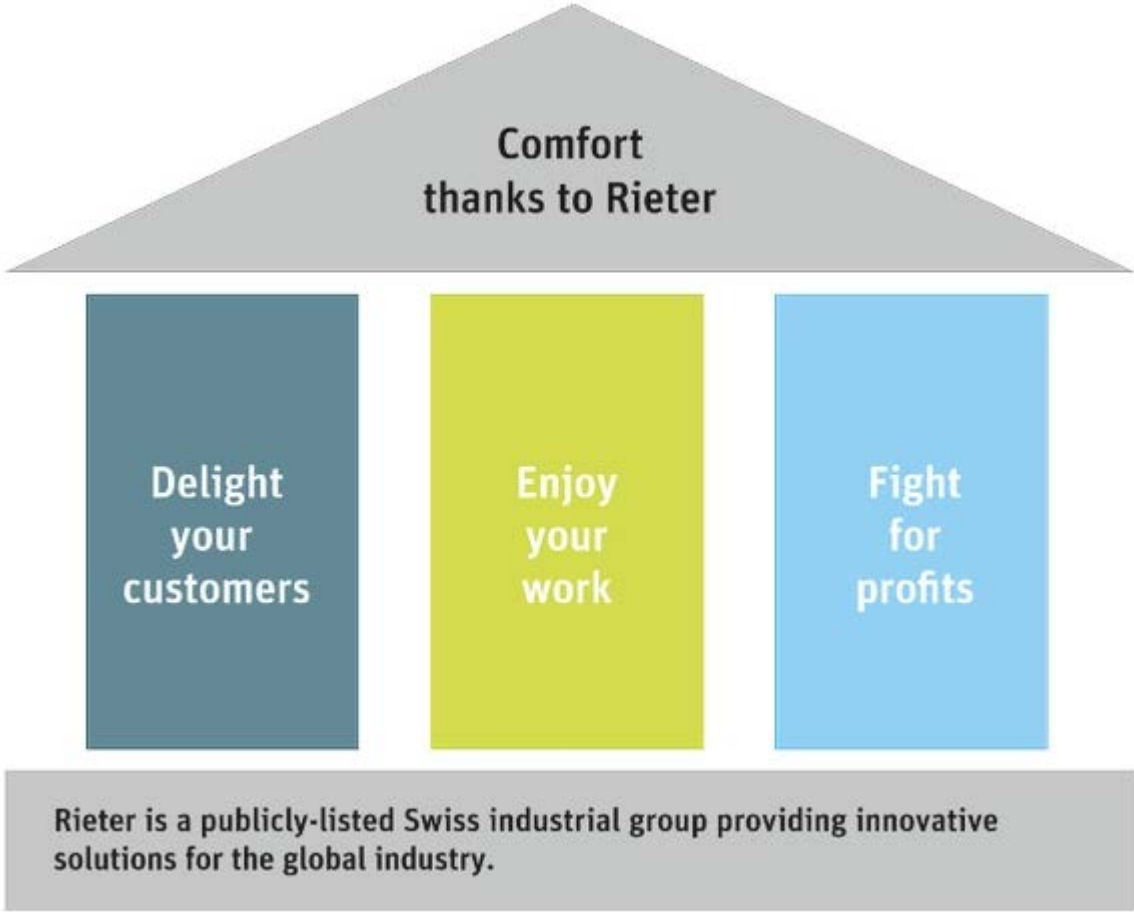
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Appendix



Values and principles



Strategic intent

Organic growth / growth by acquisitions

- Stay No. 1 in the import segment, become at least No. 2 in the local segment
- Strengthen position in China and India
- Close product gaps through innovation and external opportunities

Innovation

- Improve yarn quality
- Increase fiber yield / productivity
- Achieve cost and energy savings (for spinning mills)

Cycle management

- Maintain break-even focus
- Generate free cash flow throughout the cycle
- Keep key know-how

Measures to increase profitability have been initiated

- **Reduce break-even** after conclusion of investment program 2012 / 2013:
 - Reduction of global workforce by 5% over the next 24 months predominantly in Switzerland through
 - Natural fluctuation
 - Reduction of temporary personnel specifically engaged for the investment program
 - Early retirements and to some extent reduction of permanent staff
- **Increase margins** in both business groups:
 - Production cost savings
 - Optimal capacity management
 - Price discipline
- **Focus on free cash flow** by reducing capital expenditures and optimizing inventories

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

- **Rieter – an industrial group based in Winterthur, CH, operating on a global scale**
 - Formed in 1795, and a leading supplier of short-staple spinning machinery and technology components
 - Widest product range in this industrial sector worldwide
 - Global presence in 10 countries with 18 manufacturing facilities and a workforce of about 4 700 employees worldwide (27% of workforce is based in Switzerland)
- **Rieter – a strong brand with a long tradition**
 - Rieter's innovative momentum has been a powerful driving force for industrial progress.
 - Products and solutions are ideally tailored to its customers' needs and are increasingly also produced in customers' markets.
- **Rieter aspires to achieve sustained growth in enterprise value for the benefit of shareholders, customers and employees**
 - Seeking to maintain continuous growth in sales and profitability
 - Primarily by organic growth, but also through strategic alliances and acquisitions
- **The company comprises two Business Groups:**
 - Spun Yarn Systems (SYS) develops and manufactures machinery and systems for processing natural and man-made fibers and their blends into yarns
 - Premium Textile Components (PTC) supplies technology components and service offerings to spinning mills and also to machinery manufacturers

Key investment highlights of Rieter

