

Media release

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## **Good trend of business continues at Rieter**

*Winterthur* – **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.

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.

Page 2/6

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.

**Semi-annual report and telephone conference**

You will find the full text of the semi-annual report and the media release at [www.rieter.com](http://www.rieter.com) (<http://www.rieter.com/en/rieter/media/press-releases/>).

You can also register at [www.rieter.com](http://www.rieter.com) to receive our media releases regularly by e-mail.

Today Rieter will hold an investor and analyst conference call on the occasion of the publication of the Semi-Annual Results 2014 at 2 pm CET. More details and the corresponding presentation can be found on our website.

**Future dates**

- Publication of sales figures for the 2014 financial year: February 4, 2015
- Results media conference and presentation for financial analysts on the 2014 annual financial statements: March 18, 2015
- Annual General Meeting: April 16, 2015

For further details please refer to:

Rieter Holding AG

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**About Rieter**

Rieter is a leading supplier on the world market for textile machinery and components used in short staple fiber spinning. Based in Winterthur (Switzerland), the company develops and manufactures systems, machinery and technology components used to convert natural and manmade fibers and their blends into yarns. Rieter is the only supplier worldwide to cover spinning preparation processes as well as all four final spinning processes currently established on the market. With 18 manufacturing locations in ten countries, the company employs a global workforce of some 4 800, about 24 % of whom are based in Switzerland. Rieter is listed on the SIX Swiss Exchange under ticker symbol RIEN.

[www.rieter.com](http://www.rieter.com)

## Rieter at a glance

CHF million	January - June 2014	July - December 2013	January - June 2013	Change <sup>1</sup>	Change in local currencies <sup>1</sup>
<b>Rieter</b>					
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)	4835	4793	4646	4%	
<b>Business Group Spun Yarn Systems</b>					
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%		
<b>Business Group Premium Textile Components</b>					
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.