

Fostering talents – today for tomorrow

Table of contents

Foreword	3
.....	
The Rieter Group	4
.....	
Sustainability strategy	5
.....	
Economic sustainability	6
Investors	6
Customers	6
Suppliers	7
Value-added statement	7
.....	
Social sustainability	9
Personnel policy	9
Education and training	12
Occupational health and safety	15
Social responsibility	18
.....	
Environmental sustainability	20
Product development	20
Reporting	21
Environmental data	22
.....	
Examples of sustainable projects in 2013	27
Sustainable energy saving with the R 60 rotor spinning machine	27
Vocational training at Rieter	28

Dear reader,

The 2013 financial year was a pleasing one for Rieter. Order intake was 50 % higher and sales rose by 17 % compared with the previous year. As foreseen by our 2012/2013 investment program we expanded and modernized our manufacturing capacity in China and India in 2013.

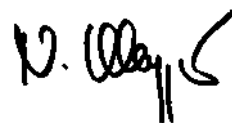
Together with the expansion in manufacturing capacity, the increase in output due to the good trend in business was the reason for the higher energy consumption in absolute terms of 2 000+ MWh to 133 000 MWh in the past year. We nevertheless succeeded in reducing total energy consumption relative to sales by a remarkable 15 % thanks to our energy saving programs.

The progress recorded in preventing industrial accidents was encouraging: Rieter has been conducting specific training courses in occupational safety since 2010. We attribute the enhanced risk-awareness of personnel to these courses. The accident rate thus declined by a further 30 % in 2013.

All product development at Rieter is also aimed at reducing energy consumption per kilogram of yarn produced. Any improvement pays off for our customers directly in terms of energy and thus cost savings. For example, we have optimized the current R 60 rotor spinning machine so that it consumes 5 % less energy than the predecessor model and up to 10 % less energy than other rotor spinning machines on the market.

Vocational training has a long tradition at Rieter. Rieter Machine Works in Winterthur alone has trained more than 4 000 apprentices since the first apprenticeship contract was signed in 1906. This is based on the long-standing goal of ensuring the availability of new generations of personnel for Rieter and the machine manufacturing industry as a whole. In 2013 Rieter trained a total of 266 apprentices worldwide (5.5 % of the global workforce) in 17 trades, 92 of them in Winterthur. For the past five years or so Rieter has also been committed to providing facilities for future generations of employees in India and China as well as training apprentices at its European sites. The twin-track training system current in Switzerland and Germany is the model for this. Last year 62 young people at Rieter India and 27 at Rieter China took part in the Vocational Education and Training (VET) program.

Rieter attaches great importance to the continuous improvement of sustainability in all its fields of activity. We again made a further step forward in this in the past year. I want to thank all managers and personnel who contributed to this through their support.



Dr. Norbert Klapper
Chief Executive Officer

The Rieter Group

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 man-made 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 10 countries, the company employed a global workforce of some 4 800 in 2013, about 25 % of whom are based in Switzerland.

Rieter is a strong brand with a long tradition. Since it was established in 1795, 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. With a global sales and service organization and a strong presence in the emerging markets of China and India, Rieter fulfills important prerequisites for achieving future growth. For the benefit of shareholders, customers and employees, Rieter aspires to achieve sustained growth in enterprise value.

The company consists of two business groups: Spun Yarn Systems und Premium Textile Components.

Spun Yarn Systems

Spun Yarn Systems develops and manufactures machinery and systems for converting natural and manmade fibers and their blends into yarns. The business group generated sales of 857.8 million CHF and accounted for 83 % of Rieter's total sales with 3 609 employees in the 2013 financial year.

Premium Textile Components

Premium Textile Components supplies technology components and service offerings for both spinning mills and machinery manufacturers. The business group is represented on the market through four brands: Bräcker, Graf, Novibra and Suessen. It employed a workforce of 1 157 and accounted for 177.5 million CHF or 17 % of Rieter's total sales in the reporting period 2013.

Sustainability strategy

Basis

Rieter’s sustainability reporting is based on three pillars:



Rieter’s environmental and safety guidelines cover the group’s entire value-adding process. Rieter strives for the continuous improvement of environmental compatibility and energy efficiency throughout the value chain. Development and production processes and infrastructure are continuously monitored and optimized, giving priority to the development of eco-efficient products and services.

Rieter’s “Values and Principles” reflect the Group’s commitment not only to ambitious business goals, but also to environmental and social responsibility. Since 1997 Rieter has adhered to environmental and safety principles as an integral component of its corporate strategy. In addition to a prudent attitude to the environment and natural resources, Rieter’s commitment also includes risk management as well as the responsible leadership and development of personnel. Products and manufacturing processes must comply with strict environmental compatibility requirements and the highest safety standards for customers and employees as well as neighbors at its production sites.

Economic sustainability

The basic values governing the Rieter Group's business activities are summarized in the three overriding goals of its corporate principles:

Delight your customers
Enjoy your work
Fight for profits

Rieter is successful as a company if it satisfies its customers' expectations, if its employees are enthusiastic in their commitment, and if it generates long-term value for its shareholders.

Rieter is committed to creating value for all the group's stakeholders. Its sustainability strategy forms an integral part of its business strategy.

Investors

Rieter fosters open, transparent dialog with investors. Its reporting aims to present a comprehensive and accurate picture of the company's goals and development. This is intended to ensure that Rieter is fairly valued, enabling the company to minimize the cost of capital and bolster its reputation and positioning on the capital market. In addition to semi-annual financial reporting, the group makes regular presentations at banking and investors' conferences and meets with Swiss and foreign fund managers and financial analysts. Rieter holds an annual event for business media and financial analysts to provide in-depth background information and explain technological innovations and medium- to long-term development prospects for the textile machinery and components business.

Rieter has more than 6700 registered shareholders in numerous countries worldwide. Shareholders with more than 3% of the total share capital are listed on Rieter's website at <http://www.rieter.com/en/rieter/investor-relations/largest-shareholders/>. As far as the company is aware, five shareholders held more than 3% of the share capital of Rieter Holding Ltd. on December 31, 2013.

Customers

Rieter's business activities are consistently aligned to the needs of its customers.

Customer loyalty and satisfaction are a decisive success factor for Rieter. We strive for long-term partnerships based on mutual trust and respect.

With innovative technologies, dependable products and excellent services, Rieter provides customers with solutions that contribute in turn to their success. Our comprehensive expertise in production processes from fiber to yarn and along the entire textile value chain is an important competitive advantage in this context. We develop our products further together with our customers, thus enhancing customer benefits. Our service offering supports customers throughout the lifetime of the products.

Suppliers

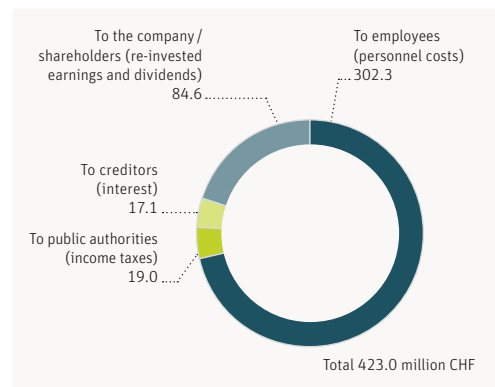
Suppliers are our partners. Together with them we continuously improve the quality and costing of bought-in materials and components. We attach great importance to active support from our suppliers in the innovation process, and we respect our partners' intellectual property rights. We strive for long-term cooperative relationships characterized by mutual respect and joint commitment to addressing business challenges. We also expect all our suppliers to adhere to our Code of Conduct.

Value-added statement

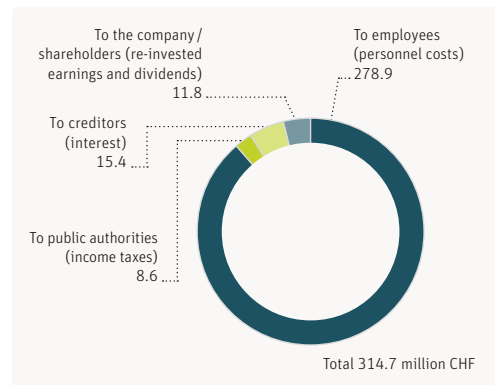
The value added by Rieter corresponds in principle to corporate output less thirdparty inputs. It is calculated as EBIT plus personnel costs and financial income. The following chart shows the distribution of our value added among the different stakeholders:

Value added increased from 314.7 million in 2012 to 366.7 million CHF in 2013 due to higher sales. The largest share (more than 80 %) accrued to our employees in the form of remuneration and social security payments. About 4 % of value added was used for interest payments to our creditors, in particular our bondholders, and 4 % for taxes paid to the communities in which our group companies are located; this corresponds to a tax rate of 29 %. The remaining value added was at the disposal of our shareholders for retention of income or distribution of dividends.

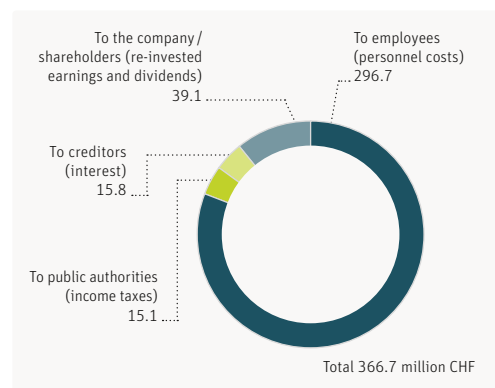
Value-added statement in million CHF, 2011



Value-added statement in million CHF, 2012



Value-added statement in million CHF, 2013





Manufacturing close to the customer calls for well-trained personnel; Rieter therefore also invests in future generations of personnel in China and India.

Social sustainability

Personnel policy

Employees

Rieter's success is founded on the know-how and commitment of its employees as well as their flexibility and loyalty. We support them by providing appropriate workplaces and equipment, and with diverse opportunities for further development. We train future generations of management in-house and seek to fill as many executive positions as possible from within the company. We ensure management continuity through systematic global succession planning while at the same time offering attractive career prospects.

Rieter offers suitably graded, demanding assignments in an international, challenging and multicultural working environment, in conjunction with a market-oriented, performance-based remuneration policy. Personnel costs are a major component of Rieter's income statement, but we recoup these costs through the performance and achievements of our employees.

The performance and potential of each employee are assessed in annual employee appraisal interviews, at which further development possibilities are also discussed. Interviews are also held with all employees at the various levels in the individual Legal Units. The findings from these are incorporated in "local" succession planning.

Some 260 employees and line managers worldwide were systematically involved in succession planning in the context of the "Performance Management Process" in 2013 (240 in 2012).

Leadership

We encourage entrepreneurial attitudes and action at all levels, and delegate authority with the appropriate responsibility to lower hierarchical levels; this increases the company's flexibility. We place confidence in our employees and in return expect them to adhere to agreements and show a willingness to engage in the comprehensive exchange of information. We call for exemplary conduct, especially by executive staff.

We encourage teamwork with clearly defined accountability. We attach importance to recognizing our employees' potential and ensuring that they are employed in the right place. In this way we create a working atmosphere in which employees are enthusiastically committed to our customers.

Responsibility

Rieter is committed to social responsibility, which is an inherent element of sustainable development. This is applicable both at the global level and also in the local environment of our different locations. We do our utmost to promote positive cooperation with government agencies and employee representatives.

Equal opportunity, fair play and integration, in conjunction with tolerance and respect, are important principles for us. We reject any form of discrimination.

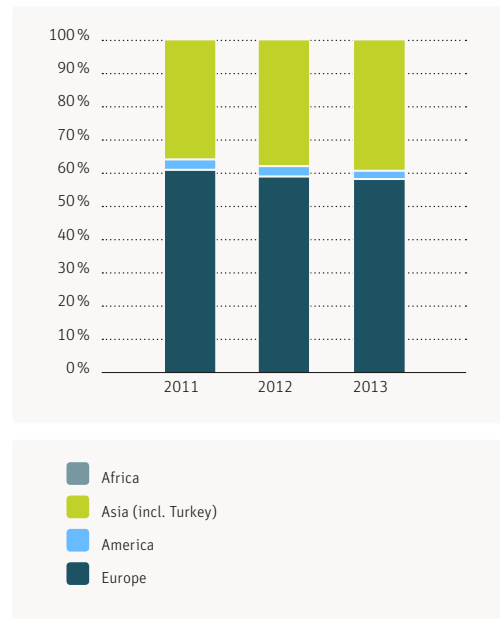
The Code of Conduct introduced in 2011, known as "i-Commit", has been integrated in the Performance Management Process since 2012. Together with various other activities, we thus ensure that it also continues to be kept alive and exemplified by line managers through target-setting and target reviews.

Workforce and geographical distribution

Rieter increased the number of full-time employees (excluding temporary personnel) to 4 861 in 2013, compared to 4 720 in the previous year.

The geographical distribution of workplaces was not significantly different from 2012, despite the expansion of the plant in China. The great majority of employees in Asia are based in China and India (98%).

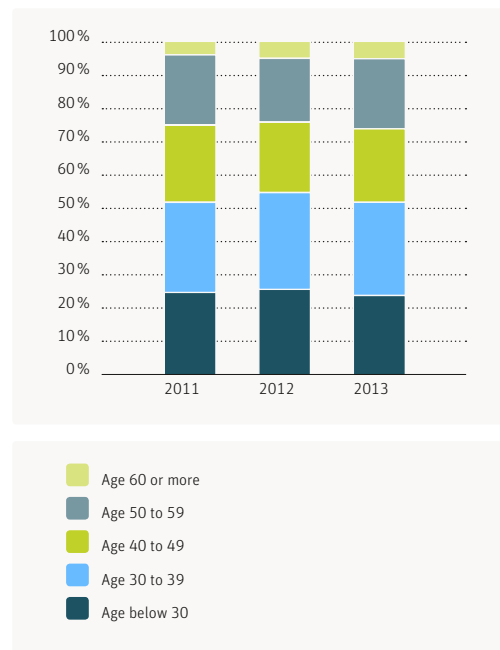
Geographical distribution



Age distribution

Rieter’s workforce is evenly distributed in terms of age. Since Rieter trains a large number of apprentices, employees under 30 years of age are also well represented (26%). Age distribution was little changed in 2013 compared with previous years.

Age distribution

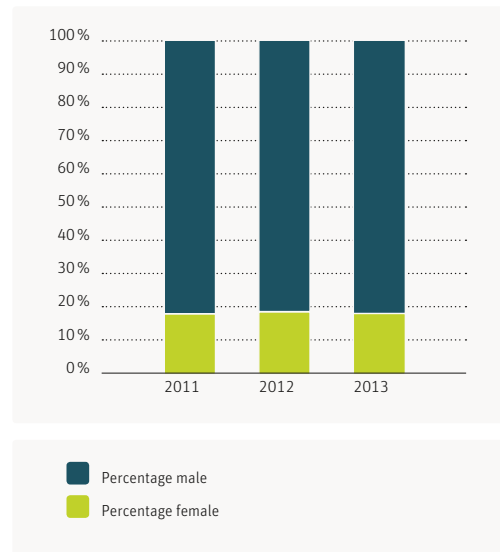


Gender distribution

Female employees represented 18 % of the total workforce in 2013.

Female representation in the four top management levels was 9 % in 2013 (less than 8 % in 2012).

Gender distribution



Workforce turnover

Since the textile machinery business is subject to pronounced market cycles, Rieter’s workforce fluctuation rate varies widely from year to year. Fluctuation rates also diverge widely by region. The fluctuation rate for 2013 was 13 %, differing only minimally from the previous year.

Workforce turnover



Social sustainability

Education and training

By tradition, employee education and training has high priority at Rieter. The experience and know-how required of employees in this sector of industry to guide Rieter successfully into the future focus on its global activities. We therefore invest in the continuous further development of our employees and management personnel both in Europe and also in China and India. The programs launched in recent years continuously improve the professional qualification of employees and help to enhance the quality of Rieter's products and services.

Vocational training

In order to continue to meet customers' high expectations in terms of product quality in future, we invest heavily in vocational training.

Rieter's long-standing apprenticeship training tradition continued unchanged in Switzerland and Germany in 2013. For example, final-year apprentices in Switzerland once again attended the annual training week in October, and – as every year – four apprentices had the opportunity to manage "Creative Solutions", the apprentices' company.

Former apprentices were again offered assignments in China and India during 2013. During the course of their six-month stay they trained local employees, established processes and provided support for various projects. This program enables employees to gain experience in foreign countries and cultures at a young age.

In China and India the basic training programs launched in 2011 were continued and expanded. In 2013 Rieter was able to incorporate initial experience from 2011 and 2012 in the programs in India and China, and improve them further. The numbers attending were increased in both countries.

Further training (personnel development)

In 2013 Rieter offered all employees an extensive range of internal and external further training courses covering all areas and jobs.

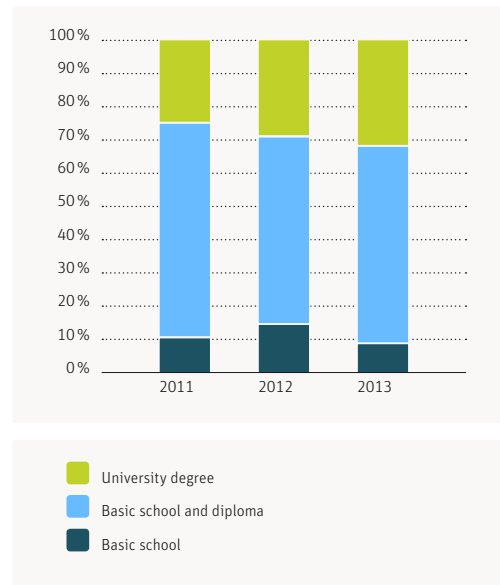
In 2013 Rieter continued the Operational Excellence programs launched in 2011 in order to improve manufacturing flexibility, productivity and efficiency significantly while at the same time increasing transparency.

Whereas further management training in 2012 focused on China and India, greater emphasis was also placed on further management training in Europe in 2013. The main thematic emphasis in education and training in 2013 was on SAP systems and the relevant processes.

Education

91% of Rieter employees hold a professional diploma or a university degree (85% in 2012). There was a further increase in the number with a university degree in 2013.

Education



Training time

Training time per employee increased to about 4.1 days in 2013 (3.5 days in 2012). In 2013 SAP systems introduction and process training accounted for the majority of additional training time.

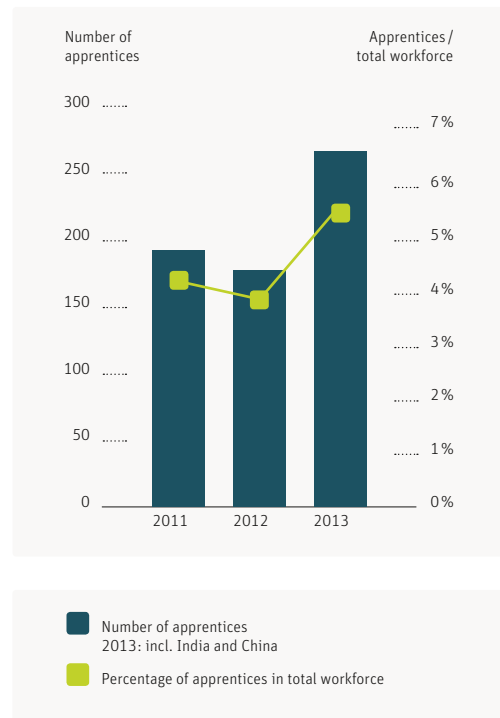
Training time



Number of apprentices and trainees

Rieter has employed large numbers of apprentices for many years. In 2013 they represented 5.5% of the total Rieter workforce (3.8% in 2012).

Apprentices/trainees



Social sustainability

Occupational health and safety

Occupational safety

Rieter continued its training courses in occupational safety in 2013. The action taken in the fields of accident prevention, risk awareness and occupational safety has had a positive impact: there was a further reduction in the number of work-related accidents resulting in lost working days as a proportion of total working hours.

Risk audits

Rieter has had a well-established risk control audit system covering all locations worldwide since 2003. In addition to standard property insurance risks such as fire and natural hazards, business interruption, occupational safety and environmental risks are also analyzed and appropriate recommendations made to the management of the sites. In this connection the corporate risk and insurance management team conduct regular audits together with an external partner, and monitor the internal implementation of recommendations. This has resulted in a much improved risk situation at all Rieter sites.

Rieter EHS Minimal Procedure Requirements

Rieter has compiled clearly defined "Environment, Health and Safety Minimal Procedure Requirements" which have provided Environment, Health and Safety officers with a basis for their work for some years. Regular self-assessments and external audits are conducted and analyzed to verify compliance with these requirements.

Rieter restructured its Environment and Occupational Health organization with a more powerful central body, the EHS Steering Committee, in 2012, and expanded this further in 2013. The priority themes in 2013 focused on drawing up job descriptions, training and global exchange of experience.

Certified management systems

15 Rieter plants were certified for compliance with ISO 9001 and one for compliance with ISO 14001 in 2013. 91% of all Rieter employees work in an ISO 9001 certified plant.

	2011	2012	2013
ISO 9001 (locations)	15	15	15
% workforce	90 %	90 %	91 %
ISO 14001 (locations)	1	1	1
OSHA 18001 (locations)	0	0	0

Rieter does not plan to certify all plants to ISO 14001 and OSHA 18001, but nevertheless seeks to manage them according to these standards. This is also ensured, among other things, by conducting in-house risk assessments during the risk audits.

Occupational accidents and accident rate

Rieter has conducted specific occupational safety training courses since 2010. In 2013 Rieter reduced the accident rate for the third year in succession. The number of occupational accidents with lost working days amounted to 12 cases per million hours, equivalent to an improvement of 30+%. Rieter is continuing to work on the systematic prevention of occupational accidents.

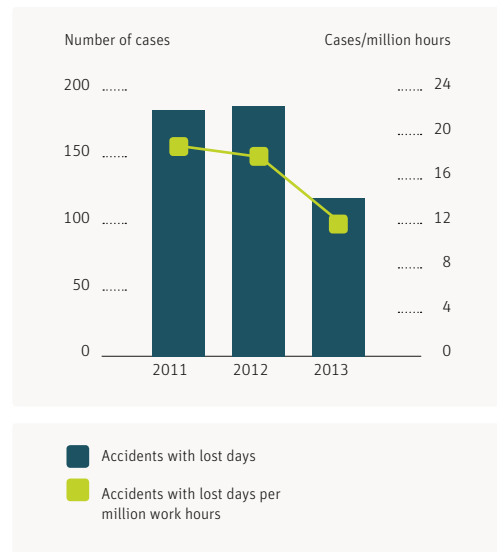
Number of work-related fatalities

Rieter recorded no work-related fatalities in the years 2011, 2012 and 2013.

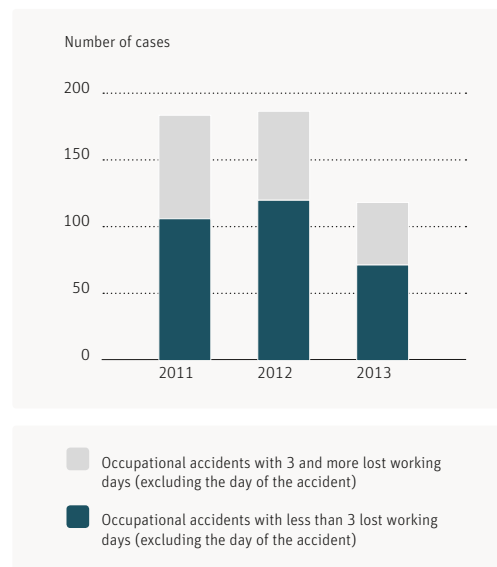
Absentee rate due to occupational accidents or sickness

In 2013 the absentee rate due to sickness or accidents was just over 1.5% of total working hours (just under 2% in 2012).

Occupational accidents



Absence hours due to occupational accidents or sickness



Occupational health management

Rieter continued the various existing occupational health management initiatives and also launched new ones in 2013. Rieter aims to continue taking short-, medium- and long-term measures to promote the health and well-being of employees at the workplace.

The measures introduced (occupational health management, training courses, standardization of absence monitoring and system-supported absence management) have had a positive impact on absence rates and productivity. They form part of the further training program. The various events focus on imparting knowledge, management development, prevention and rehabilitation. Reducing absentee rates, preventing occupational accidents and strengthening management capabilities are only three of the challenging goals in this area.

Occupational health management also offers employees at individual sites information on preparing for retirement and further information on social security.

Social sustainability

Social responsibility

Rieter has always taken its social responsibility in the communities where its plants are located and toward employees very seriously. In Switzerland Rieter is engaged through the Johann Jacob Rieter Foundation in the fields of art, culture, education and charitable causes. In India Rieter supports projects in education and medical care through the Rieter Abhiyan Charitable Trust.

Cooperation with employee representatives worldwide is fundamentally important to Rieter. At the European level this is with the European Works Council, and at the national level directly with the relevant employee representatives and trade unions in the individual countries.

For Rieter as a company operating globally it is important to implement and enforce the applicable standards in respect of legal and ethical obligations worldwide. For this purpose Rieter has developed a Code of Conduct governing behavior in business relationships which is binding for all Rieter employees at all levels and in all countries. Regular training courses and tests are conducted to ensure familiarity and compliance with this Code of Conduct.



ernende als Unternehmer

Every year four Rieter apprentices in their final training year themselves manage the marketing of design products for the house and garden under the Creative Solutions brand.

Environmental sustainability

Product development

Reducing the consumption of resources is a major concern for Rieter. Rieter not only strives continuously to make its own manufacturing operations more energy-efficient, but is also working constantly on the product and process optimization of its machinery and components to enable customers' consumption of resources in their spinning mills also to be reduced. Minimum environmental pollution, more efficient power generation, maximum savings in power consumption, optimal utilization of raw materials – Rieter recognized all these sustainability factors decades ago and takes full account of them in product development.

Rieter is the only supplier worldwide to cover spinning preparation processes as well as all four final spinning processes currently established on the market. This expertise along the entire value chain enables Rieter to optimize processes and machine settings for energy efficiency to meet individual customer needs.

Environmental sustainability Reporting

Rieter collects all data relevant to sustainable corporate management in the SEED (Social, Economic and Environmental Data) database. These data are analyzed annually and also provide the basis for this report.

Environmental sustainability

Environmental data

The main facts and figures of environmental relevance regarding Rieter's worldwide activities are set out below.

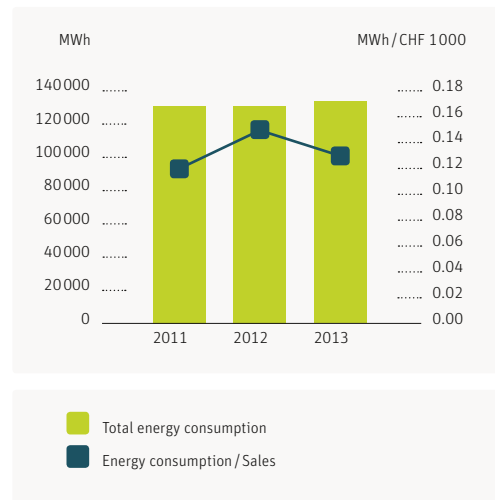
Energy consumption

Overall energy consumption in 2013 increased by 2 000+ MWh compared to the previous year, to 133 000 MWh. However, at the same time energy consumption relative to sales declined by almost 15% to 0.13 MWh/1 000 CHF. The increase in energy consumption in 2013 was mainly attributable to the increase in output at the new No. 2 Plant in China, at No. 2 Plant in India, and the expansion in Uzbekistan. At the same time consumption was reduced considerably in some cases at other plants.

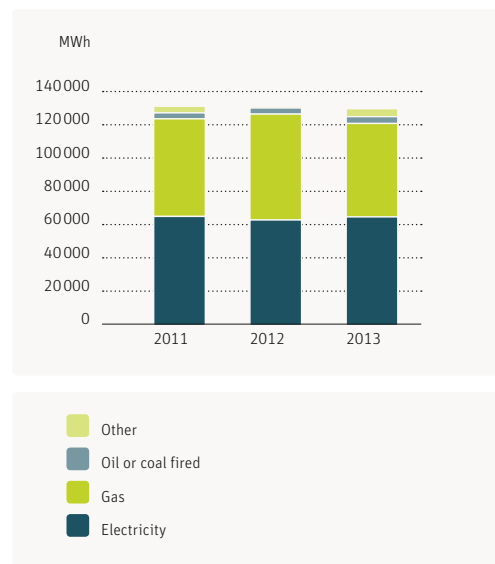
Energy mix

Electricity and gas were the main sources of energy for the company's needs in 2013, accounting for 93% of total energy consumption. Electricity's share rose to 50%, while that of gas declined to 43%.

Energy consumption



Energy source mix



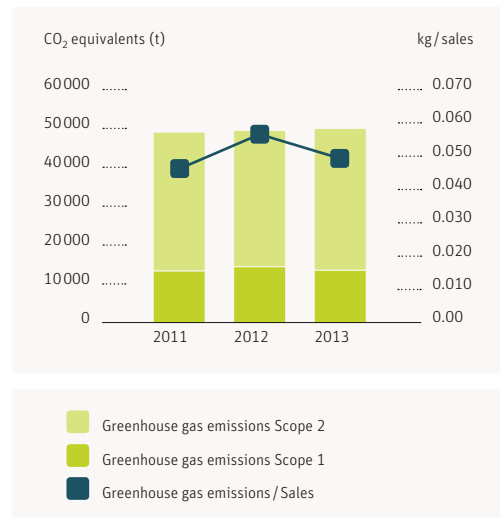
Greenhouse gas emissions and acidification

Greenhouse gas emissions, reported in metric tonnes of CO₂ equivalents, comprise emissions generated directly by Rieter production plants. They arise either from fuel combustion (scope 1 emissions) or from electricity generation by power utilities in countries where Rieter operates (scope 2 emissions). In 2013 absolute CO₂ emission figures remained at the same level as the previous two years, while emissions relative to sales were reduced to the level recorded in 2011.

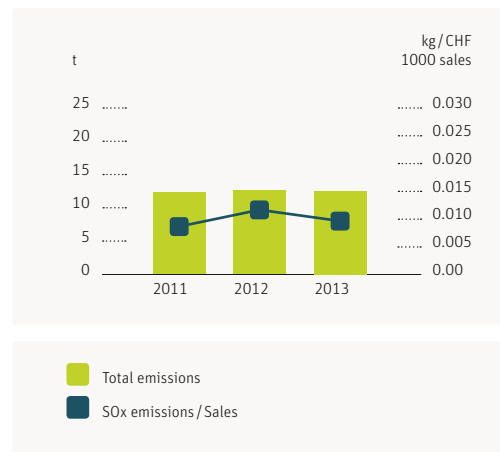
Acidification (SO_x equivalents)

Absolute SO_x emissions in 2013 were slightly lower (-1%) than in the previous year. SO_x emissions relative to sales declined from 0.014 to 0.012 kg/CHF 1 000 in the reporting period.

Greenhouse gas emissions



Acidification

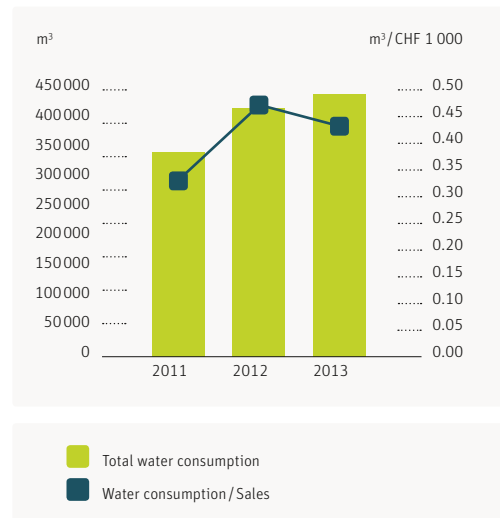


Water consumption

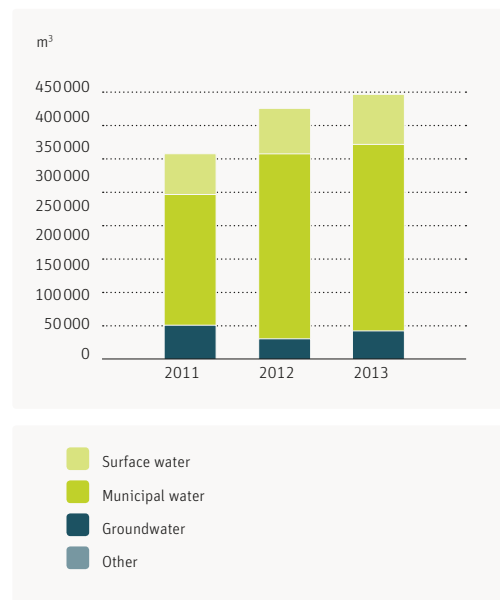
Water is used mainly for cooling or for sanitation and cleaning purposes. Wherever possible, closed-loop systems are used in order to reduce water consumption. Absolute water consumption in 2013 amounted to 445 000 m³. Water consumption relative to sales declined by 9+% in 2013, and water consumption per employee increased by 2%. The increase was due to higher output in 2013.

Most of the water used in 2013 was taken from municipal supplies (71%); the combined surface and groundwater component amounted to 29% in 2013.

Water consumption



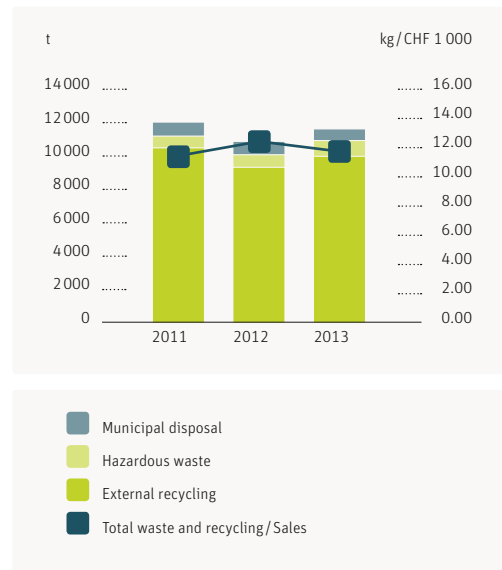
Water consumption by source



Waste and recycling

The volume of waste relative to sales declined by 5+% to 11.78 kg/1000 CHF. The volume of waste generated by the Rieter locations increased by 10 % in absolute terms. The reasons for this are the increase in output and the expansion of manufacturing capacity. Most of the waste (86 %) was recycled externally in 2013.

Waste and recycling





Through the Vocational Education Training (VET) program Rieter is also engaged in training future generations of personnel in China and India in addition to vocational training at its European sites.

Examples of sustainable projects in 2013

Sustainable energy saving with the R 60 rotor spinning machine

With each product development Rieter also aims to reduce energy consumption per kilogram of yarn produced. The energy consumption of final spinning machines is a major element of yarn manufacturing costs in spinning mills. Any improvement in this respect pays off directly for spinning operations.

The current R 60 rotor spinning machine has been optimized to save 5% energy compared to the predecessor model, and even as much as 10% compared to other rotor spinning machines. Using the production of cotton T-shirts as an example, this results in annual energy savings of up to 128 000 kWh per machine. By comparison: In Switzerland an average three-person household consumes 4 500 kWh annually. The energy savings by a single R 60 would therefore suffice to supply 28 households with energy for a year.



Up to
128 000
kWh

is saved annually by
a single R 60 rotor
spinning machine,
calculated using
T-shirt production
as an example.

Vocational training at Rieter

Apprenticeship training has a long tradition at Rieter. The company maintains fully equipped infrastructure for conveying all essential study content in-house. This is based on the long-standing goal of providing future generations of personnel for the company and the machine manufacturing industry. Rieter Machine Works in Winterthur alone has trained more than 4 000 apprentices since the first apprenticeship contract was signed in 1906.

In 2013 Rieter trained 266 apprentices in 17 trades, 92 of them in Winterthur. In addition to wide-ranging technical education, Rieter attaches great importance to preparing apprenticeship graduates for their future assignments. This also includes Creative Solutions, the apprentices' firm established in Winterthur in 2002. Final-year apprentices themselves manage the marketing of design products for the house and garden under this brand.

For the past five years or so Rieter has also been engaged in training future generations of personnel in India and China in addition to vocational training at its European sites. The twin-track training system current in Switzerland and Germany serves as the model for this.



5.5%
of Rieter's global
workforce in 2013
were trainees.

The Vocational Education Training (VET) program in India was launched in 2009 with four apprentices. CNC Training and Safety were added in 2012. Last year 62 young people were already taking part in this training program at Rieter India.

In China the initiative to provide sustainable basic training for production and assembly personnel was launched in 2011. This program offers school-leavers vocational training and already numbered 27 apprentices in 2013.

All statements in this report which do not refer to historical facts are forecasts for the future which offer no guarantee whatsoever with respect to future performance; they 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 which are outside the company's control.

August 2014
© Rieter Holding AG, Winterthur, Switzerland

Copy:
Rieter Management Ltd.

Concept and design:
MetaDesign, Zurich

Photos:
Daniel Hager, Zurich
Katharina Hesse, Beijing

For environmental reasons this report is only published electronically.

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

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

**Group Secretary / Corporate
Environment, Health and Safety**
T +41 52 208 86 29
F +41 52 208 70 60
gpgs@rieter.com