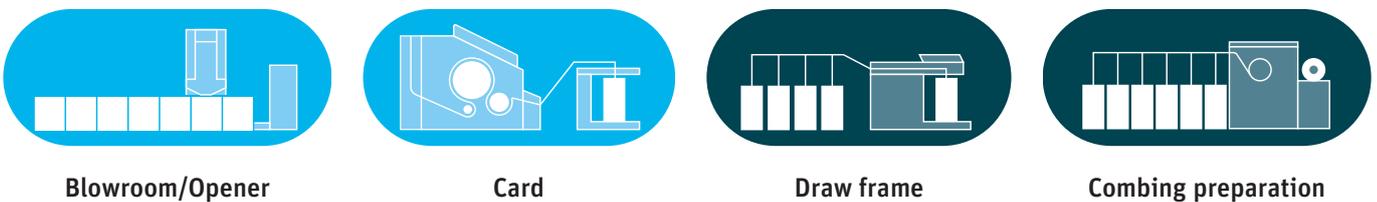


20 19

Business Model

RIETER BUSINESS MODEL

COMPACT-SPINNING SYSTEM (EXAMPLE)



With its spinning systems Rieter covers all four end spinning processes established on the market.

Around 104 million tons of fiber are processed annually around the world, for example for clothing, technical textiles or home textiles. Fiber consumption is growing with the world population and disposable income, on average between two and three percent per year.

YARN PRODUCTION

The process from fiber to textile begins with fiber production. A yarn is produced from the fibers, for example from cotton, linen, polyester or viscose. A textile is then produced from the yarn via various processing steps such as weaving, knitting, dyeing or finishing.

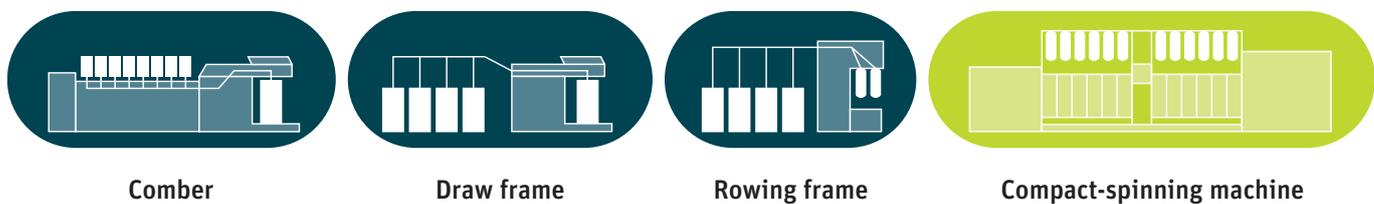
Yarn is produced in two basically different ways. On the one hand, this is done by spinning staple fibers. These are fibers with a staple length of 23 to 60 mm (short-staple fibers) or over 60 mm (long-staple fibers). On the other hand, yarn is produced by processing so-called filaments to make continuous filament yarn. The yarns resulting from filaments have different properties than those produced from staple fibers. In the clothing industry, the yarn produced from staple fiber predominates because it offers pleasant wearing comfort.

Each of the two types of yarn production accounts for around 50 percent of world fiber consumption.

Rieter is mainly engaged in yarn production from staple fibers. The most important of these are cotton (about 26 million tons per year), polyester (about 18 million tons per year) and viscose (about 6 million tons per year).

The process for producing a yarn from staple fibers consists of three stages: fiber preparation, spinning preparation and end spinning.

In fiber preparation, the fibers, which are delivered in bales, are separated, cleaned if necessary, and aligned. This takes place in the process stages blowroom/opener and card. Spinning preparation involves the homogenization and drawing of the sliver. The machine required for this is known as the draw frame. In cotton processing, the comb also plays a role: here, short fibers are combed out in order to produce a higher quality yarn. By the end of the spinning preparation stage, a uniform sliver or roving has been produced.



SPINNING PROCESS

In the end spinning stage, the fiber mesh is further drawn (up to about 40 fibers in cross-section for very fine yarns) and spun into a yarn by twisting. Twisting takes place either by means of a rotating spindle (ring spinning, compact spinning), by rotation of a rotor (rotor spinning) or by an air flow (air-jet spinning). Compact spinning is a variant of ring spinning that uses an auxiliary device to achieve yarn with a higher density as a result of improved fiber integration.

After spinning, imperfections are removed from the yarn. The yarn is then wound on a package, in order to present it in a suitable form for the subsequent process steps in the textile production chain.

MEASURED VARIABLES FOR CAPACITY

The production capacity for producing yarn from staple fibers is measured in spindle equivalents. The production capacity of a ring spindle serves as the basis. The spinning unit of a rotor spinning machine corresponds to the productivity of five to six ring spindles, whereas that of an air-jet spinning machine corresponds to the productivity of 20 ring spindles.

A total of more than 250 million spindle equivalents are used worldwide to produce yarn from the around 50 million tons of staple fibers, of which around 103 million are in China, 55 million in India, 70 million in the Asian countries (excluding China, India and Turkey) and 12 million in Turkey. Every year, between 11 and 13 million spindle equivalents are installed worldwide. In 2019, Rieter delivered 1.32 million spindle equivalents (2018: 2.15 million). In addition, spinning mills require wear and spare parts for ongoing operation.

MARKET VOLUME



MARKET

The world market for staple fiber machines, which is relevant for Rieter, has an annual volume of CHF 3 200 to 4 000 million. Rieter is the market leader with a market share of around 30 percent.

BUSINESS WITH NEW MACHINES, WEAR AND SPARE PARTS

The business with new machines is cyclical. The tendency to invest in the spinning industry is mainly influenced by expectations regarding fiber consumption and the margins that can be achieved by selling yarns. Fiber consumption is dependent on the economy, while the margins for yarn depend on the movement of raw material prices, capacity utilization and the production costs of the spinning mills, foreign exchange rates and government policies.

The business with wear and spare parts is much less cyclical. The basic business is driven by the degree of capacity utilization of spinning mills – operational spinning mills require wear and spare parts. Project business such as the conversion or modernization of entire spinning mills, on the other hand, are subject to the investment cycle described above.

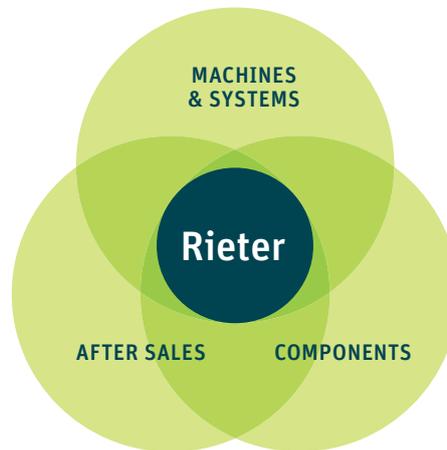
PRODUCT AND SERVICE OFFERING

Rieter plans spinning mills, develops, produces and supplies the machines for fiber preparation, spinning preparation and end spinning, and supervises the installed machines throughout their life cycle.

Rieter with all its brands is established worldwide as a premium supplier. Innovative products and services from Rieter enable spinning mill operators to be more competitive. Success factors are either low yarn production costs, which are achieved through savings on raw materials, energy, labor and depreciation, or special yarns, which allow higher prices to be achieved.

The professionalism and availability of the service is also a key aspect when customers decide to buy Rieter products.

BUSINESS GROUPS



Established premium supplier with innovative products and services

THREE BUSINESS GROUPS

The Business Group Machines & Systems develops, produces and distributes new equipment as spinning systems or as single machines. Blowroom and cards are used for fiber preparation; draw frames, combers and rowing frames are used for spinning preparation; and ring, compact-, rotor and air-jet spinning machines are used for end spinning. The offer is supplemented by planning services and automation solutions as well as ESSENTIAL, the Rieter Digital Spinning Suite, as a digital platform for the complete spinning mill.

The Business Group Components develops, produces and distributes technology components and precision winding machines for use in the textile value chain. Technology components come into contact with fibers and affect yarn properties; they are used in new machines and have to be replaced at regular intervals during operation. Precision winding machines are used for downstream yarn processing, such as dyeing.

The Business Group After Sales develops, produces and distributes spare parts for Rieter machines as well as upgrades, conversions and retrofits. After Sales also sells technology components that are not included in the range of products offered by the Business Group Components. After Sales also offers services that enable Rieter customers to improve the efficiency and effectiveness of their spinning mills.

(Sources: PCI, ITMF, estimate Rieter)

RIETER GROUP

Rieter is the world's leading supplier of systems for short-staple fiber spinning. Based in Winterthur (Switzerland), the company develops and manufactures machinery, systems and 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 end spinning processes currently established on the market. Furthermore, Rieter is a leader in the field of precision winding machines. With 16 manufacturing locations in ten countries, the company employs a global workforce of some 4 590, about 21% of whom are based in Switzerland.

Rieter is a strong brand with a long tradition. For 225 years Rieter's innovative momentum has been a powerful driving force for progress in the spinning mill industry. Products and systems are ideally tailored to customer needs and mostly produced in the markets where the customers are located.

With a global sales and service organization and a strong presence in the core markets China and India, Rieter as market leader is well positioned in the global competitive environment.

For the benefit of shareholders, customers and employees, Rieter aspires to achieve sustained growth in enterprise value. With this in mind, Rieter seeks to maintain continuous growth in sales and profitability, primarily through organic growth, but also through strategic alliances and acquisitions.

The company comprises three business groups: Machines & Systems, Components and After Sales.

SALES CHF million

2019

760.0

2018

1 075.2

North and South America

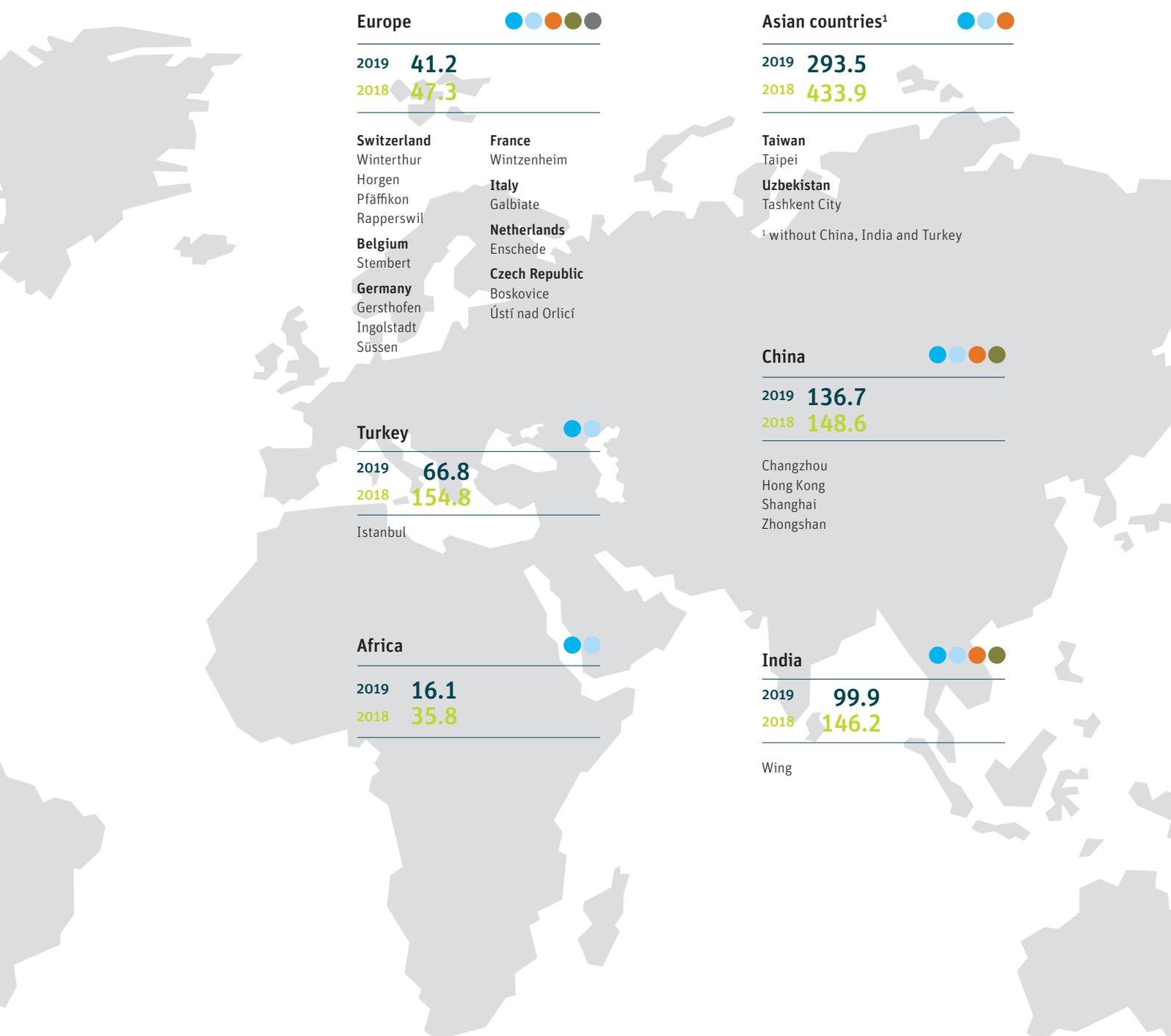
2019 105.8

2018 108.6

Brazil
São Paulo

USA
Spartanburg

- Sales/Agents
- Service
- Production
- Research & Development
- Headquarters



Europe ●●●●●

2019 **41.2**
2018 **47.3**

- Switzerland**
Winterthur
Horgen
Pfäffikon
Rapperswil
- Belgium**
Stembert
- Germany**
Gersthofen
Ingolstadt
Süssen
- France**
Wintzenheim
- Italy**
Galbiate
- Netherlands**
Enschede
- Czech Republic**
Boskovice
Ústí nad Orlicí

Asian countries¹ ●●●●

2019 **293.5**
2018 **433.9**

- Taiwan**
Taipei
- Uzbekistan**
Tashkent City

¹ without China, India and Turkey

Turkey ●●

2019 **66.8**
2018 **154.8**

- Istanbul

China ●●●●●

2019 **136.7**
2018 **148.6**

- Changzhou
- Hong Kong
- Shanghai
- Zhongshan

Africa ●●

2019 **16.1**
2018 **35.8**

India ●●●●●

2019 **99.9**
2018 **146.2**

- Wing

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