

**Media Release**

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**Financial Year 2017**

- **Order intake grows by 16% to CHF 1 051 million**
- **Sales increases by 2% to CHF 966 million**
- **Order backlog rises by CHF 100 million to CHF 540 million**
- **EBIT margin of 5.4% (before restructuring charges) and net profit of 1.4% of sales**
- **Proposed dividend of CHF 5.00**

A significant increase in order intake and order backlog at the end of the year marked the 2017 financial year. In terms of sales, Rieter posted a slight increase. The EBIT margin before restructuring charges was 5.4%. Despite special effects, the company's dividend policy and solid financial position allow the payment of an attractive dividend. Therefore, the Board of Directors proposes to the shareholders to leave the dividend unchanged at CHF 5.00.

Rieter posted an order intake of CHF 1 051.5 million in the 2017 financial year. This represents an increase of 16% compared to the previous year (increase of CHF 146.3 million). Thus, the upturn that began in the first half of 2017 continued. At the end of 2017, Rieter's order backlog was some CHF 100 million higher than the previous year at around CHF 540 million (December 31, 2016: around CHF 440 million).

At CHF 965.6 million, total sales were 2% higher than the previous year (2016: CHF 945.0 million). Compared to sales of CHF 415.2 million in the first half year, Rieter posted strong growth in the second half year to CHF 550.4 million, due in particular to a large increase in deliveries in the Business Group Machines & Systems and the acquisition of SSM Textile Machinery. Thanks to a global presence and a comprehensive product and service portfolio, Rieter again achieved a market share of around 30%.

**EBIT Margin, Net Profit and Free Cash Flow**

The 2017 financial year was characterized by improved profitability in the Business Group After Sales and weaker, volume-related results in the Business Groups Machines & Systems and Components. With slightly higher sales than in the previous year, Rieter recorded an EBIT margin (before restructuring charges) of 5.4% or CHF 51.8 million (2016: 6.0% or CHF 56.5 million). The restructuring charges amounted to CHF 36 million. These are associated with the reorganization of the Ingolstadt location (Germany). Consequently, at CHF 13.3 million (1.4% of sales), the net profit is considerably lower than in the previous year (CHF 42.7 million or 4.5% of sales). Free cash flow amounted to CHF -101.3 million, mainly due to the cash outflow of CHF 100.2 million for the acquisition of SSM Textile

Machinery and the demand driven increase of net working capital. The equity ratio as of December 31, 2017 was 43.6% (December 31, 2016: 46.2%).

### **Sales by Region**

In the Asian countries (excluding China, India and Turkey), Rieter increased sales in the reporting year by 11% to CHF 319.1 million. At CHF 184.0 million, a good level of sales was achieved in China, despite a slight decline of 1%. Sales in India fell by 5% to CHF 173.8 million. This development is attributable in particular to lower sales of technology components. Sales in Turkey fell by 16% to CHF 100.1 million in 2017, mainly due to the sluggish order intake for new machines in the first half of the year. Orders in the USA and Brazil led to sales of CHF 114.7 million in the North and South America region, an increase of 32%.

### **Business Groups**

In terms of sales, the Business Group Machines & Systems posted a slight decline to CHF 589.5 million (2016: CHF 603.4 million) and an EBIT (before restructuring charges) of CHF 0.8 million (2016: CHF 3.6 million). Order intake rose to CHF 668.2 million (2016: CHF 591.6 million).

The Business Group After Sales generated an EBIT (before restructuring charges) of CHF 27.9 million (2016: CHF 25.5 million) on sales of CHF 146.3 million (2016: CHF 141.6 million). With stable installation volume, growth was driven by spare parts and after sales services. Order intake in what continues to be a demanding market increased to CHF 154.8 million (2016: CHF 135.2 million).

The Business Group Components increased sales thanks to the acquisition of SSM Textile Machinery (CHF 49.1 million) to CHF 229.8 million (2016: CHF 200.0 million); at CHF 30.8 million, however, the EBIT margin was lower compared to the previous year (2016: CHF 35.1 million). The strong second half-year could not fully compensate for the first half-year. The order intake was significantly higher than the previous year at CHF 228.5 million (2016: CHF 178.4 million), with the acquisition of SSM Textile Machinery contributing CHF 42.5 million to this positive growth from the second half of the year.

### **Improvement Program STEP UP**

Rieter also forged ahead with the improvement program STEP UP in the 2017 financial year. Strengthening innovative capacity and the after sales and components business as well as increasing profitability through cost reduction remain the top priorities.

The systematic implementation of the current innovation program continues. For example, the single-head draw frame RSB-D 50 was launched successfully in 2017. In 2018, Rieter will present a new ring spinning machine and a new compact spinning machine. In the Business Groups After Sales and Components, innovations that enjoy strong demand are also regularly launched on the market. Research and development expenditure increased to CHF 49.2 million (2016: CHF 48.0 million).

Rieter places a further priority on the digitization of spinning mills. Thanks to the combination of profound expertise in spinning mills with technologies from the digital world, the Uptime Maintenance Solution has emerged as the digital expert system that optimizes the maintenance of spinning mills and their monitoring in relation to predictive maintenance.

In mid-2017, Rieter acquired the SSM Textile Machinery Division (SSM) from Schweiter Technologies AG in Horgen (Switzerland). SSM is the world's leading supplier of precision winding machines in the fields of dyeing, weaving and sewing thread preparation and enjoys success in individual segments of filament yarn production. Assigned to the Business Group Components, the unit will further strengthen Rieter's components business.

Following the agreement with the Works Council, the restructuring at the Ingolstadt location is proceeding according to plan. Rieter will concentrate on the development of machines in Ingolstadt, and the previous production will be relocated to Ústí nad Orlicí in the Czech Republic. Overall, Rieter expects cost reductions of more than CHF 15 million from 2019 as a result of these measures.

### **Winterthur Location**

In Winterthur, the intention is to create a modern location, concentrating the customer center, product and technology development, assembly and administration on an area of approximately 30 000 square meters. In October 2017, Rieter launched a study contract and awarded this to five renowned consultancy firms from the Canton of Zurich. These firms have until the end of March 2018 to submit their projects, which will then be assessed by a panel of judges. The final decision on the realization of the project will be taken by the Rieter Board of Directors during 2018.

### **Dividends and Dividend Policy**

At the Annual General Meeting on April 5, 2018, as in the previous year the Board of Directors will propose a dividend of CHF 5.00. The company's dividend policy allows a payout ratio of at least 40% of net profit. Rieter's solid financial strength allows the pay-out of an attractive dividend even with one-off special charges.

### **Changes in Group Executive Committee**

As of April 6, 2017, Serge Entleitner, as a member of the Group Executive Committee, took over the management of the Business Group Components. This group was previously managed by Werner Strasser, who has retired.

### **Board of Directors and Annual General Meeting**

At the Annual General Meeting held on April 5, 2017, shareholders approved all motions proposed by the Board of Directors. They elected two new members to the Board of Directors, Carl Illi and Luc Tack. The members of the Board of Directors: Roger Baillod, Bernhard Jucker, Michael Pieper, This E. Schneider, Hans-Peter Schwald and Peter Spuhler were confirmed for a further one-year term of office. Chairman of the Board of Directors Erwin Stoller was no longer available to stand for re-election. The general meeting elected Bernhard Jucker as Chairman of the Board of Directors. This E. Schneider and Hans-Peter Schwald, the members of the Remuneration Committee who were standing for election, were also each re-elected for a one-year term of office. Chairman of the Board of Directors, Bernhard Jucker was elected as a new member of the Remuneration Committee.

### **Outlook**

In the first two months, demand has been on a stable level. Rieter expects this momentum to continue. With a stronger second semester, Rieter expects sales and profitability for 2018 to be above the level of 2017 (before restructuring charges). In the first semester of 2018, EBIT and net profit for the Group are expected at the level of the previous period due to the country and product mix at the Business Group Machines & Systems.

## Thanks

On behalf of the Board of Directors and the Group Executive Committee, we wish to thank all Rieter employees for their dedicated commitment in the year 2017. We also offer our heartfelt gratitude to our customers, suppliers and other business partners for your loyalty to our company – and to the shareholders for their confidence.

## Presentation Material

The full presentation material and the media release can be found at:

<http://www.rieter.com/en/rieter/investor-relations/presentations/>

<http://www.rieter.com/en/rieter/media/press-releases/>

## Forthcoming Dates

- Annual General Meeting 2018: April 5, 2018
- Semi-annual report for 2018: July 19, 2018

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## About Rieter

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 manmade 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 18 manufacturing locations in ten countries, the company employs a global workforce of some 5 250, about 20% 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)

## Key figures

CHF million	2017	2016	Change in %
<b>Rieter</b>			
Order intake	1 051.5	905.2	16%
Sales	965.6	945.0	2%
EBIT before restructuring charges	51.8	56.5	-8%
- in % of sales	5.4	6.0	
Net profit	13.3	42.7	-69%
- in % of sales	1.4	4.5	
Purchase of tangible fixed and intangible assets	29.4	30.9	-5%
Total assets at December 31	1 048.2	998.1	5%
Shareholders' equity before appropriation of retained earnings at December 31	457.5	460.7	-1%
Number of employees (excl. temporaries) at December 31	5 246	5 022	4%
<b>Business Group Machines &amp; Systems</b>			
Order intake	668.2	591.6	13%
Sales	589.5	603.4	-2%
EBIT before restructuring charges	0.8	3.6	-78%
- in % of sales	0.1	0.6	
<b>Business Group After Sales</b>			
Order intake	154.8	135.2	14%
Sales	146.3	141.6	3%
EBIT before restructuring charges	27.9	25.5	9%
- in % of sales	19.0	18.0	
<b>Business Group Components</b>			
Order intake	228.5	178.4	28%
Sales	229.8	200.0	15%
Total segment sales	308.0	271.3	14%
Operating result before interest and taxes (EBIT)	30.8	35.1	-12%
- in % of segment sales	10.0	12.9	
<b>Rieter Holding Ltd.</b>			
Share capital at December 31	23.4	23.4	
Net profit	22.7	27.0	-16%
Dividend	23.4 <sup>1</sup>	22.6	
Number of shares, paid-in at December 31	4 672 363	4 672 363	
Average number of shares outstanding (undiluted)	4 524 273	4 515 861	
Share price (high/low) in CHF	248/175	218/168	
Market capitalization at December 31	1 076.0	799.6	35%
<b>Data per share</b>			
Basic earnings per share in CHF	2.92	9.39	-69%
Equity (Group) in CHF <sup>2</sup>	100.97	101.79	-1%
Dividend (Rieter Holding Ltd.) per share in CHF	5.00 <sup>1</sup>	5.00	0%

1. According to motion of the Board of Directors.

2. Shareholders' equity (Group) attributable to shareholders of Rieter Holding Ltd. per share outstanding at December 31.

### Disclaimer

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.