

Media Release

Rieter Holding Ltd.
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Winterthur – March 13, 2019

Financial Year 2018

- **Weak market environment leads to 17% decline in order intake**
- **Sales increase by 11% to CHF 1 075 million**
- **EBIT margin of 4% and net profit of 3% of sales**
- **Free cash flow of CHF 63.6 million**
- **Proposed dividend of CHF 5.00**

A weak market environment in the second half of the year, a trend that became even more evident in the fourth quarter of 2018, led to an overall decrease in order intake of 17% in financial year 2018. Group sales increased by 11%. The EBIT margin was 4%. Rieter achieved a free cash flow of CHF 63.6 million and as a result was able to increase its net liquidity to CHF 150.2 million. The Board of Directors proposes to the shareholders the distribution of an unchanged dividend of CHF 5.00 per share.

In financial year 2018, Rieter recorded an **order intake** of CHF 868.8 million, which was 17% down on the same period of the previous year (2017: CHF 1 051.5 million). This development is attributable to the decline in order intake in the second half of 2018 and, in particular, to the significant slowdown in the fourth quarter of 2018. At the end of 2018, Rieter's order backlog amounted to around CHF 325 million (December 31, 2017: around CHF 540 million).

In 2018, Group **sales** were CHF 1 075.2 million (2017: CHF 965.6 million), which corresponds to an increase of 11% over the previous year. Rieter achieved increased sales thanks to organic growth in the Business Group Machines & Systems. SSM Textile Machinery in the Business Group Components also supported this positive development. Rieter's market share was around 30%.

EBIT Margin, Net Profit and Free Cash Flow

Rieter recorded an **EBIT margin** (before restructuring charges) of 4.0% or CHF 42.9 million (2017: 5.4% or CHF 51.8 million). The lower profitability is mainly attributable to a disadvantageous product mix in the Business Group Machines & Systems as well as one-time costs in connection with the establishment of the central logistics facility in Europe in the Business Group After Sales. Research and development expenditure in 2018 increased to CHF 51.9 million (2017: CHF 49.2 million).

Net profit rose to CHF 32.0 million (3.0% of sales) and was thus significantly higher than in the previous year (2017: CHF 13.3 million or 1.4% of sales). Higher net profit, a reduction in net working capital and a disciplined investment policy led to a **free cash flow** of CHF 63.6 million (2017: CHF -1.1 million). Net liquidity rose to CHF 150.2 million (December 31, 2017: CHF 130.5 million). The equity ratio as of December 31, 2018, was 44.6% (prior year balance sheet date: 43.6%).

Sales by Regions

In the Asian countries (excluding China, India and Turkey), Rieter increased sales in the reporting year by 36% to CHF 433.9 million, of which Uzbekistan made a significant contribution of CHF 144.1 million. In 2018, sales in China fell by 19% to CHF 148.6 million. With the phasing out of the subsidy program in the western province of Xinjiang, the demand for machinery declined. Sales in India fell by 16% to CHF 146.2 million. In Turkey, Rieter achieved sales of CHF 154.8 million (+55%) in a difficult market environment, thanks to the introduction of the new ring and compact-spinning machines. Sales in North and South America amounted to CHF 108.6 million (-5%). In the Europe region, Rieter increased sales by 3% to CHF 47.3 million. Sales in the Africa region were CHF 35.8 million (+29%).

Business Groups

In 2018, the **Business Group Machines & Systems** increased its sales by 14% to CHF 669.3 million (2017: CHF 589.5 million). Machines & Systems posted an EBIT (before restructuring charges) of CHF -8.3 million (2017: CHF 0.8 million). The decline in profitability was due in particular to the less favorable product mix compared to the previous year. Order intake fell by 30% to CHF 468.3 million (2017: CHF 668.2 million). Demand in the new machinery business was characterized by uncertainties in Asia and Turkey as well as the tense financing situation for emerging market customers.

The **Business Group Components** increased sales by 14% to CHF 262.3 million (2017: CHF 229.8 million). SSM Textile Machinery made a significant contribution to this with sales of CHF 84.5 million. At CHF 32.5 million, Components generated a higher EBIT compared to the previous year (2017: CHF 30.8 million). Order intake of CHF 260.1 million (2017: CHF 228.5 million) was 14% up on the previous year, with SSM Textile Machinery also contributing significantly to this positive development.

With sales of CHF 143.6 million (2017: CHF 146.3 million), the **Business Group After Sales** recorded a slight decline of 2%. After Sales posted an EBIT (before restructuring charges) of CHF 20.4 million (2017: CHF 27.9 million). In addition to the one-time costs for the centralization of logistics in Europe, the weakening of demand towards the end of the year also resulted in a lower EBIT compared with the previous year. Order intake fell by 9% to CHF 140.4 million (2017: CHF 154.8 million). This development is mainly attributable to the lower order volume in the new machinery business at Machines & Systems, as this led to lower demand for installation services in the Business Group After Sales.

Boosting Innovative Capability

Rieter continued to drive innovation in financial year 2018. At ITMA Asia 2018, as part of the digitization strategy, the IoT platform Rieter Essential for spinning mills was presented for the first time. In addition, Rieter introduced new ring spinning and compact-spinning machines as well as a new double-head autoleveler draw frame to the market. The Business Groups After Sales and Components also showcased new developments.

To strengthen the ring spinning system, in December 2018 Rieter completed the acquisition of 25 percent of Electro-Jet S.L. The joint development of innovative products is also planned within the scope of the strategic partnership.

Rieter will present further innovations at ITMA Barcelona 2019.

Lowering the Breakeven Point

The relocation of production from Ingolstadt (Germany) to Ústí nad Orlicí (Czech Republic) was completed as scheduled at the end of the 2018 financial year. This will lead to a significant cost reduction in 2019.

Ingolstadt Location

The Rieter Group is selling its real estate in Ingolstadt (Germany). Rieter anticipates completing the transaction during the third quarter of 2019. On completion, Rieter expects an extraordinary contribution to profit after tax of around EUR 60 million. The employees remaining in Ingolstadt will move into a new building in 2021. There, Rieter will create a modern working environment for innovative research and development work and the respective support functions.

Winterthur Location

In Winterthur, Rieter is planning a modern location, concentrating customer center, product and technology development as well as administration on an area of approximately 30 000 square meters: the Rieter Campus. Rieter's Board of Directors has decided to have a detailed draft prepared for the project. The Rieter Campus will make an important contribution to the successful further advancement of the company. The decision regarding realization is expected to be made in the second half of 2019.

Dividends and Dividend Policy

At the Annual General Meeting on April 4, 2019, as in the previous year the Board of Directors will again propose a dividend of CHF 5.00 per share. The company's dividend policy provides for a payout ratio of at least 40% of net profit.

Changes to the Group Executive Committee

Jan Siebert, member of the Group Executive Committee since 2016 and responsible for the Business Group Machines & Systems, left the Group Executive Committee at the end of September 2018. Norbert Klapper, Rieter Group CEO, assumed responsibility for the business group on an interim basis.

Board of Directors and Annual General Meeting

At the Annual General Meeting held on April 5, 2018, shareholders approved all motions proposed by the Board of Directors. The Chairman of the Board Bernhard Jucker and the Directors This E. Schneider, Michael Pieper, Hans-Peter Schwald, Peter Spuhler, Roger Baillod, Carl Illi and Luc Tack were confirmed for a further one-year term of office. This E. Schneider, Hans-Peter Schwald and Bernhard Jucker, the members of the Remuneration Committee who were standing for election, were also each re-elected for a one-year term of office.

Outlook

The weak market environment also led to low demand in the first two months of 2019. Rieter therefore expects a significant decline in sales, EBIT and net profit for both the first half of the year and the 2019 financial year (before an extraordinary profit contribution from the sale of the real estate in Ingolstadt). Against this background, Rieter is working on the implementation of capacity adjustment and cost reduction measures. These measures include a reduction of the global workforce of around 5%.

Thanks

On behalf of the Board of Directors and the Group Executive Committee, we wish to thank all Rieter employees for their commitment in 2018. A big thank you for their loyalty to the company goes to our customers, suppliers and other business partners. We thank the Rieter shareholders for their trust.

Telephone Conference for Media and Investors

The telephone conference for media and investors will take place **today, March 13, 2019, at 10.00 am (CET)**.

Dial-in details:

Europe	+41 58 310 50 00
UK	+44 207 107 0613
USA	+1 631 570 56 13
China	+86 400 120 23 19
India	+91 446 688 60 46

Presentation Material

The media- and investor presentation can be found at:
<https://www.rieter.com/media/media-kit/>

Forthcoming Dates

- Annual General Meeting 2019 April 4, 2019
- Semi-Annual Report 2019 July 18, 2019

For further information please contact:

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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 both spinning preparation processes and 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 5 150, about 20% of whom are based in Switzerland. Rieter is listed on the SIX Swiss Exchange under ticker symbol RIEN. www.rieter.com

Key Figures

CHF million	2018	2017	Change
Rieter			
Order intake	868.8	1 051.5	-17%
Sales	1 075.2	965.6	11%
EBIT before restructuring charges	42.9	51.8	-17%
- in % of sales	4.0	5.4	
Net profit	32.0	13.3	141%
- in % of sales	3.0	1.4	
Purchase of tangible fixed and intangible assets	29.2	29.4	-1%
Total assets at December 31	1 002.3	1 048.2	-4%
Shareholders' equity before appropriation of retained earnings at December 31	446.6	457.5	-2%
Number of employees (excl. temporaries) at December 31	5 134	5 246	-2%
Business Group Machines & Systems			
Order intake	468.3	668.2	-30%
Sales	669.3	589.5	14%
EBIT before restructuring charges	-8.3	0.8	
- in % of sales	-1.2	0.1	
Business Group After Sales			
Order intake	140.4	154.8	-9%
Sales	143.6	146.3	-2%
EBIT before restructuring charges	20.4	27.9	
- in % of sales	14.2	19.0	
Business Group Components			
Order intake	260.1	228.5	14%
Sales	262.3	229.8	14%
Total segment sales	348.5	308.0	13%
Operating result before interest and taxes (EBIT)	32.5	30.8	
- in % of segment sales	9.3	10.0	
Rieter Holding Ltd.			
Share capital at December 31	23.4	23.4	
Net profit	24.9	22.7	10%
Dividend	23.4 ¹	22.6	
Number of shares, paid-in at December 31	4 672 363	4 672 363	
Average number of shares outstanding (undiluted)	4 514 846	4 524 273	
Share price (high/low) in CHF	259/119	248/175	
Market capitalization at December 31	577.1	1 076.0	-46%
Data per share			
Basic earnings per share in CHF	7.07	2.92	142%
Equity (Group) in CHF ²	99.50	100.97	-1%
Dividend (Rieter Holding Ltd.) per share in CHF	5.00 ¹	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 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. This text is a translation of the original German text.