

Media release

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Positive trend in order intake

***Winterthur* – Increase in order intake of 52% for machinery business – significant contribution to result by After Sales and Components business groups – STEP UP improvement program on track**

Rieter's order intake increased by 32% to CHF 510.7 million in the first half of 2016 (CHF 388.3 million in the first half of 2015), thanks in particular to stronger demand in the machinery business. As expected, order intake was thus significantly higher than sales of CHF 436.9 million (CHF 553.9 million in the first half of 2015). Rieter achieved EBITDA of CHF 34.4 million or 7.9% of sales (CHF 66.0 million or 11.9% of sales in the first half of 2015) due to good results of the Components and After Sales business groups. EBIT amounted to CHF 15.7 million while the EBIT margin was 3.6% (CHF 46.1 million and 8.3% respectively in the first half of 2015). Rieter posted a net profit of CHF 11.0 million or 2.5% of sales (CHF 29.1 million or 5.3% in the first half of 2015).

Rieter was able to acquire large orders for spinning systems since the end of 2015, and accordingly orders received by the Machines & Systems Business Group increased significantly by 52% compared to the prior year.

After Sales also posted higher order intake with an increase of 9%. Components likewise benefited from large orders for technology components and again recorded a healthy level of order intake.

Overall, Rieter received orders to the value of CHF 510.7 million in the period under review (CHF 388.3 million in the first half of 2015).

The order backlog increased to approx. CHF 550 million on June 30, 2016 (approx. CHF 470 million on December 31, 2015) and is thus at the level of the prior year (approx. CHF 540 million).

CHF million	January - June 2016	January - June 2015	Change	Change in local currencies	Change without divestments
Orders received	510.7	388.3	32%	32%	38%
Machines & Systems	343.4	225.6	52%	54%	66%
After Sales	71.2	65.1	9%	8%	8%
Components	96.1	97.6	-2%	-3%	-3%
Sales	436.9	553.9	-21%	-21%	-19%
Machines & Systems	256.9	392.7	-35%	-34%	-31%
After Sales	70.7	69.6	2%	0%	0%
Components	109.3	91.6	19%	17%	17%

Rieter's sales in the first half of 2016 totaled CHF 436.9 million, with the positive developments at the Components and After Sales business groups being offset by the decline in machinery business. The Components Business Group increased sales to third parties by 19%, thanks in part to the high volume of orders in the second half of 2015. Segment sales by Components, where both sales to third parties and internal deliveries to the Machines & Systems Business Group are taken into account, rose by 13% to CHF 141.3 million (CHF 125.4 million in the first half of 2015). The After Sales Business Group continued to expand the spare parts business and managed to increase sales slightly to CHF 70.7 million over a period in which installation services were reduced. Sales revenues at the Machines & Systems Business Group totaled CHF 256.9 million and were down in comparison to the first half of 2015, due to the smaller order backlog at the beginning of 2016 and the sale of the Schaltag group.

On June 30, 2016, Rieter had a workforce of 5 067 (5 150 on June 30, 2015). The number of temporary employees totaled 574, or 10.2% of the entire workforce (871 temporary employees or 14.5% of the entire workforce on June 30, 2015).

Sales trend by market

CHF million	January - June 2016	January - June 2015	Change	Change in local currencies	Change without divestments
Sales	436.9	553.9	-21%	-21%	-19%
Asian countries ¹	152.3	176.5	-14%	-14%	-14%
China	105.1	62.0	69%	70%	70%
India	81.5	72.2	13%	13%	13%
Americas	45.4	109.3	-58%	-59%	-59%
Turkey	31.7	82.1	-61%	-62%	-62%
Europe	15.5	40.5	-62%	-63%	-34%
Africa	5.4	11.3	-52%	-52%	-52%

1. without China, India, Turkey

In the period under review, Rieter achieved the most significant sales results in Asian countries (not including China, India and Turkey) with revenues totaling CHF 152.3 million. Order intake was slightly above the level of sales. The most important national markets in the region for Rieter were Bangladesh, Vietnam, Uzbekistan, Pakistan and Indonesia.

Rieter's sales to China amounted to CHF 105.1 million, 69% higher than in the first half of 2015, while order intake there was below the level of sales. More than half of sales revenues were generated in the province of Xinjiang, where a large-scale government investment program supports the expansion of the textile industry and is expected to provide further stimulation for the industry in the future.

In India, sales of CHF 81.5 million were 13% higher compared to the previous year. Despite the slight drop in demand for Indian yarns from China, customers showed a growing interest in Rieter products, especially the new K 42 compacting system. With this Rieter system, a 10% reduction in energy consumption and less waste yield important competitive advantages. Order intake in India was slightly below the level of sales.

Order intake and sales in North America and South America were lower than in the prior-year period, as expected, reflecting the effect of major investment projects of previous years. Rieter recorded slightly higher sales than order intake, although revenues of CHF 45.4 million were significantly down on the first half of the prior year.

Rieter booked the largest volume of orders for the first half of the year in Turkey – the corresponding figure was several times higher than the sales of CHF 31.7 million recorded in this market over the same period. The volume of completed orders will be reflected in sales revenues from the second half of the year onwards. At the ITM textile machinery trade fair in Istanbul in June 2016, Rieter products aroused considerable interest among customers from Turkey and the surrounding countries.

Sales in Africa of CHF 5.4 million were below the prior-year period. On the other hand, orders received in the first half of 2016 significantly exceeded the corresponding figure in 2015, thanks to larger orders with deliveries to northern Africa. There was a decline in order intake and sales in Europe, chiefly due to the sale of the Schaltag group.

Operating result and net profit

High profitability of the After Sales and Components business groups and, for volume-related reasons, a more modest result for the machinery business characterized the first half of 2016 for Rieter. EBITDA of CHF 34.4 million or 7.9% of sales was realized by Rieter in the first half of 2016 (CHF 66.0 million or 11.9% of sales in the first half of 2015). The operating result before interest and taxes (EBIT) was CHF 15.7 million or 3.6% of sales (CHF 46.1 million or 8.3% of sales in the first half of 2015). Depreciation amounted to CHF 18.8 million (CHF 19.9 million in the first half of 2015). In contrast to this year, the corresponding result of the previous year was boosted by the sale of a property totaling CHF 5.0 million.

A healthy profitability trend was sustained at Components during the period under review. The business group posted EBIT of CHF 18.4 million or 13.0% of segment sales (CHF 16.0 million or 12.8% of segment sales in the first half of 2015). After Sales also contributed to the positive performance trend with EBIT of 13.2 million CHF or 18.7% of sales (CHF 13.6 million or 19.5% of sales in the first half of 2015). The decline in comparison to the previous year is mainly attributable to the costs involved in the expansion of the business. EBIT at Machines & Systems was lower and amounted to CHF -12.1 million or -4.7% of sales (CHF 17.2 million or 4.4% in the first half of 2015). The reduction in EBIT is due to the smaller volume.

Rieter invested CHF 10.7 million in the period under review (CHF 7.3 million in the first half of 2015). Here account has been taken of additional group-wide capital expenditure for the production realignment measures at the Winterthur site which were announced in October 2015.

Rieter recorded a net profit of CHF 11.0 million or 2.5% of sales (CHF 29.1 million or 5.3% of sales in the first half of 2015). There was an improvement in the net financial result to CHF -1.8 million (CHF -4.7 million in the first half of 2015), while income taxes amounted to CHF 2.9 million (CHF 12.3 million in the first half of 2015).

Sound and long-term financing of Rieter

Rieter recorded free cash flow amounting to CHF 4.5 million in the reporting period (CHF -5.1 million in the first half of 2015). As well as the comparatively modest result, the decrease in net working capital as compared to June 30, 2015, and higher capital investments compared to the previous year were decisive factors with regard to this development.

After payment of a dividend of CHF 20.3 million (CHF 4.50 per share) out of the reserve from capital contributions in April 2016 (which was in accordance with the dividend distribution objective of at least 40% of net profit), cash and cash equivalents, marketable securities and time deposits amounted to CHF 305.4 million and net liquidity to CHF 193.8 million on June 30, 2016. Rieter had an equity ratio of 43.8% on balance sheet date (42.7% on June 30, 2015).

Strategic focus

In the first half of 2016 Rieter continued its systematic pursuit of the objectives of the strategic STEP UP improvement program. Rieter has been focusing on the following three strategic priorities of this program which was started in 2014: boosting innovative capability, expanding the after-sales business and increasing profitability (EBIT margin) to 10% of sales.

Boosting innovative capability: Rieter invested CHF 24.4 million (amounting to 5.6% of sales) in research and development in the period under review (CHF 22.9 million in first half of 2015). Digitization is thus becoming increasingly important for Rieter. Again in 2016, a number of important trade fairs will be held, including the ITMA Asia + CITME 2016 textile machinery trade fair in Shanghai, China. Here Rieter will be focusing on the performance capacity of its range of products for the processing of man-made fibers. With the introduction of the K 42 spinning machine with 1 824 spindles, plus blowroom system and card, entire compact spinning systems are now available on

the Indian market. As with the EliTe® system, there is a strong demand for this spinning system. With such products, higher-quality yarn production can be realized.

Expanding the after-sales business: The After Sales Business Group is aiming to grow by 30% overall by 2018, based on sales amounting to CHF 127.5 million in the 2014 financial year. Rieter continued to work according to plan toward these objectives in the reporting period. In April, Rieter put a new site into operation in Urumqi, the capital of the Chinese province of Xinjiang, thereby expanding its presence with sales, service and customer-training facilities. In addition, After Sales is well positioned to take advantage of the positive trend at the Machines & Systems Business Group.

Increasing profitability: The measures designed to improve profitability which Rieter launched in 2014 and which were afforded a higher priority following the abandonment of the minimum exchange rate for the euro by the Swiss National Bank, continued to be pursued consistently. The planned further measures concerning the changes to production at the Winterthur site were implemented in the first half of 2016. The implementation of these structural measures should yield cost savings of CHF 15-20 million from 2017 onwards.

Outlook

The first six months of 2016 have been characterized by improved demand for spinning machinery and healthy demand at the Components and After Sales business groups.

Higher order intake for spinning machinery in the first half of 2016 has led to an increase in order backlog (as at June 30, 2016).

On the basis of the higher order backlog at Machines & Systems and the continued stable business development of After Sales and Components, Rieter is expecting a stronger second half of the year with regard to sales and profitability in comparison to the first half. The company also expects sales and profit for the whole of 2016 to be lower than in 2015.

Rieter currently foresees a stable market environment with limited visibility and is continuing to work consistently on the programs geared toward boosting innovative capability, expanding the after-sales business and increasing profitability.

Semi Annual Report and telephone conference

You will find the media release at www.rieter.com (<http://www.rieter.com/en/rieter/media/press-releases/>). You can also register at www.rieter.com to receive our media releases regularly by e-mail.

The corresponding presentation (<http://www.rieter.com/en/rieter/investor-relations/presentations/>) and the Half Year Report 2016 (<http://www.rieter.com/en/rieter/investor-relations/reports/annual-report/>) can be found on our website.

Today Rieter will hold an investor and analyst conference call on the occasion of the publication of the Semi Annual Report 2016 at 2 pm CET.

Future dates

- Publication of sales figures for the 2016 financial year: February 1, 2017
- Results media conference and presentation for financial analysts on the 2016 annual financial statements: March 14, 2017
- Annual General Meeting: April 5, 2017

For further details please refer to:

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About Rieter

Rieter is the world's leading supplier of systems for short-staple fibre spinning. Based in Winterthur (Switzerland), the company develops and manufactures machinery, systems and components used to convert natural and manmade fibres 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 16 manufacturing locations in ten countries, the company employs a global workforce of some 5 067, about 21 % of whom are based in Switzerland. Rieter is listed on the SIX Swiss Exchange under ticker symbol RIEN. (www.rieter.com)

Rieter at a glance

CHF million	January - June 2016	July - December 2015	January - June 2015	Change ¹	Change in local currencies ¹	Change w/o divestments ¹
Rieter						
Orders received	510.7	413.3	388.3	32%	32%	38%
Sales	436.9	482.9	553.9	-21%	-21%	-19%
Operating result before interest, taxes, de- preciation and amortization (EBITDA)	34.4	49.9	66.0			
· in % of sales	7.9%	10.3%	11.9%			
Operating result before interest and taxes	15.7	27.0	46.1			
· in % of sales	3.6%	5.6%	8.3%			
Net profit	11.0	20.7	29.1			
· in % of sales	2.5%	4.3%	5.3%			
Basic earnings per share (CHF)	2.42	4.56	6.36			
Capital expenditures on tangible and intan- gible assets	10.7	24.3	7.3	47%		
Number of employees at the end of the period (excluding temporary personnel)	5 067	5 077	5 150	-2%		
Business Group Machines & Systems						
Orders received	343.4	232.1	225.6	52%	54%	66%
Sales	256.9	309.6	392.7	-35%	-34%	-31%
Operating result before interest and taxes	-12.1	-2.4	17.2			
· in % of sales	-4.7%	-0.8%	4.4%			
Business Group After Sales						
Orders received	71.2	61.2	65.1	9%	8%	8%
Sales	70.7	70.2	69.6	2%	0%	0%
Operating result before interest and taxes	13.2	12.9	13.6			
· in % of sales	18.7%	18.4%	19.5%			
Business Group Components						
Orders received	96.1	120.1	97.6	-2%	-3%	-3%
Sales	109.3	103.1	91.6	19%	17%	17%
Total segment sales	141.3	133.2	125.4	13%	10%	10%
Operating result before interest and taxes	18.4	17.7	16.0			
· in % of segment sales	13.0%	13.3%	12.8%			

1 Change January – June 2016 vs. January – June 2015