

Media Release

Rieter Holding Ltd.
Klosterstrasse 32
P.O. Box
CH-8406 Winterthur
T +41 52 208 71 71
F +41 52 208 70 60
www.rieter.com

Winterthur – July 19, 2018

Sales Increase in the First Half of 2018

- Sales increases by 24% compared to the previous year period; all business groups contribute
- Order intake in the first half of 2018 grows by 3% compared to the first half of 2017
- EBIT of CHF 14.1 million and net profit of CHF 10.9 million
- Ring spinning system will be strengthened through the acquisition of a 25% stake in Electro-Jet S.L.
- Details on strategy implementation
- Changes in the Group Executive Committee

Rieter's sales increased to CHF 515.3 million in the first half of 2018, an increase of 24% compared to the previous year period (first half year 2017: CHF 415.2 million). This increase resulted from the organic growth of the Business Groups Machines & Systems and After Sales and the acquisitive growth of the Business Group Components.

Order intake at Rieter in the first half of 2018 amounted to CHF 511.8 million. This represents an increase of 3% compared to the previous year period. At the end of the first half of 2018, Rieter had an order backlog of around CHF 540 million – similar to that at the 2017 year end.

EBIT Margin, Net Profit and Free Cash Flow

As already announced in March 2018, despite higher sales in the first half of 2018, Rieter achieved a lower EBIT margin. While earnings in the Business Group Components developed positively, the Business Group Machines & Systems posted a decline in profitability.

The EBIT margin was 2.7% with EBIT of CHF 14.1 million (first half year 2017: 3.9% with EBIT of CHF 16.0 million).

As expected, net profit of CHF 10.9 million (2.1% of sales) matched that of the first half of 2017 (CHF 10.9 million or 2.6% of sales). Free cash flow amounted to CHF -59.7 million due to the seasonal increase in net working capital. The net liquidity amounted to CHF 47.2 million as of June 30, 2018. The equity ratio as of June 30, 2018, was 43.1% (prior year balance sheet date: 43.8%).

Regions

CHF million	January – June 2018	January – June 2017	Change	Change in local currency	Change without acquisition
Sales	515.3	415.2	24%	23%	12%
Asian countries ¹	200.1	111.2	80%	79%	68%
China	82.6	83.8	-1%	-5%	-13%
India	60.2	94.7	-36%	-37%	-42%
Turkey	58.3	49.1	19%	18%	7%
North and South America	59.6	42.7	39%	40%	24%
Europe	26.5	17.9	48%	41%	1%
Africa	28.0	15.8	77%	76%	72%

¹ Not including China, India, Turkey

Rieter achieved a strong increase in sales of 80% to CHF 200.1 million in the Asian countries (not including China, India and Turkey). In particular, Uzbekistan, Bangladesh, Vietnam and Indonesia developed positively. At CHF 82.6 million, a good level of sales was achieved in China, despite a slight decline of 1%. With the phasing out of the subsidy program in the western province of Xinjiang, the demand for machinery declined. In India, sales fell by 36% to CHF 60.2 million – while demand for machinery improved significantly. In the first half of 2018, sales in Turkey increased by 19% to CHF 58.3 million. However, the positive momentum in order intake weakened again towards the end of the reporting period. Orders in the USA and Brazil led to sales of CHF 59.6 million in the North and South America region, an increase of 39%.

Business Groups

CHF million	January – June 2018	January – June 2017	Change	Change in local currency	Change without acquisition
Order intake	511.8	495.2	3%	3%	-7%
Machines & Systems	297.7	325.2	-8%	-8%	-8%
After Sales	75.0	77.7	-3%	-5%	-5%
Components	139.1	92.3	51%	46%	-3%
Sales	515.3	415.2	24%	23%	12%
Machines & Systems	303.9	255.1	19%	19%	19%
After Sales	74.1	70.1	6%	4%	4%
Components	137.3	90.0	53%	48%	-1%

The Business Group Machines & Systems achieved sales growth of 19% to CHF 303.9 million in the first half of the year (first half year 2017: CHF 255.1 million).

The EBIT of the Business Group Machines & Systems of CHF -14.8 million was lower than in the previous year period, despite higher sales (first half year 2017: CHF -3.8 million), predominantly because of the unfavorable product mix. The order intake of CHF 297.7 million was 8% below the previous year's level (first half year 2017: CHF 325.2 million).

The Business Group Components, including the acquisition of SSM Textile Machinery, increased sales to CHF 137.3 million (first half year 2017: CHF 90.0 million). This represents an increase of 53% (excluding SSM: 4%). At CHF 19.2 million (first half year 2017: CHF 12.6 million), the EBIT of the Business Group was around 52% (excluding SSM: 37%) higher than the previous year period. The Business Group benefited from better plant utilization and cost reduction measures. Order intake of CHF 139.1 million (first half year 2017: CHF 92.3 million) was around 51% above the previous year period (excluding SSM: +1%).

The Business Group After Sales increased sales by 6% to CHF 74.1 million (first half year 2017: CHF 70.1 million). One-time project costs for the centralization of European logistics led to a decline in EBIT to CHF 11.2 million (first half year 2017: CHF 12.8 million). The centralization of logistics will lead to a significant reduction in delivery times for critical spare parts. Order intake amounted to CHF 75.0 million (first half year 2017: CHF 77.7 million). After Sales began marketing "UPtime" in the reporting period. UPtime digitizes the maintenance of the spinning mill. The offer met with a good customer response and the first orders were received.

Rieter Strengthens Ring Spinning System

On July 18, 2018, Rieter signed a contract to acquire 25 percent of Electro-Jet S.L., thus strengthening the ring spinning system. The company, based in Gurb (Spain), generated annual sales of around EUR 25 million in 2017 and employs around 135 people. Through this investment, Rieter secures a long-term competitive solution in the field of flyers (roving frames). The joint development of innovative products is also planned as part of the strategic partnership. The transaction is subject to the approval of the antitrust authorities.

Details on Strategy Implementation

Rieter continues to aim for an EBIT margin of 10%, with sales of around CHF 1.3 billion and a Return On Net Assets (RONA) of 14%.

To achieve this goal, Rieter concretizes the implementation of the strategy as follows:

- Improve the market position in the machinery and systems business by accelerating the ongoing innovation program.
- Substantially lower the break-even point of the Business Group Machines & Systems. To this end, in addition to the planned shift of production from Ingolstadt (Germany) to Ústí nad Orlicí (Czech Republic), further measures are underway.
- Increase profitability of the components business by accelerating the current innovation program and optimizing the cost base.

- Further organic growth in the after sales business above sales of CHF 166 million, by increasing market share on the installed base of Rieter machines and implementing innovative digitization solutions.

Rieter increased spending on research and development in the first half of 2018 to CHF 26.6 million (first half year 2017: CHF 22.8 million).

Realignment of Locations

Rieter is working in a future-oriented way to optimize its locations and properties. The project to redesign the Winterthur location is proceeding according to plan. The detailed concept for the new building at the Winterthur location will be finalized in the second half of 2018 and submitted to the Board of Directors for decision. In China, thanks to the optimization of production space, a property was sold in the reporting period.

Changes in the Group Executive Committee

Joris Gröflin, CFO at the Rieter Group since 2011, is to leave the Group Executive Committee in March 2019 to pursue a career opportunity outside the Rieter Group. The Board of Directors wishes to express its gratitude to Joris Gröflin in advance for his many years of valuable service and his major contribution to the further development of Rieter. Details about succession arrangements shall be provided in due course.

Jan Siebert, member of the Group Executive Committee since 2016 and responsible for the Business Group Machines & Systems, is to leave the Group Executive Committee with effect from the end of September 2018. The Board of Directors wishes to thank Jan Siebert for his work in connection with the transformation of the Business Group. Responsibility for the Business Group Machines & Systems is to be taken over until further notice by Norbert Klapper, CEO of the Rieter Group, with effect from October 1, 2018.

Outlook

In some markets, Rieter customers are faced with rising interest rates, strong currency fluctuations, commodity price volatility and political uncertainties. Overall, this could lead to a slowdown in demand for new machinery in the coming months. In the components and after sales business, Rieter expects stable demand.

Thanks to the order backlog at the end of June 2018, Rieter anticipates a stronger second semester in both sales and operating profit (EBIT) compared to the first half of 2018. For 2018 as a whole, Rieter expects sales to be above the level of 2017, while EBIT (before restructuring charges) is expected to be below the previous year's level.

Telephone Conference for Media and Investors

In the context of the publication of the half-year results, a telephone conference for media and investors will take place **today, July 19, 2018**, at 09.00 am (CEST):

Dial-in details:

Europe	+41 58 310 50 00
UK	+44 203 059 58 62
USA	+1 631 570 56 13
China	+86 400 120 23 19
India	+91 446 688 60 46

Presentation Material

The full presentation material, the semi-annual report and the media release can be found at:

<https://www.rieter.com/en/rieter/investor-relations/presentations/>
<https://www.rieter.com/en/rieter/investor-relations/reports/annual-report/>
<https://www.rieter.com/en/rieter/media/press-releases/>

Forthcoming Dates

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|---|-------------------|
| • Trading update 2018 | October 31, 2018 |
| • Publication of sales 2018 | January 30, 2019 |
| • Deadline for proposals regarding the agenda of the Annual General Meeting | February 22, 2019 |
| • Results press conference 2019 | March 13, 2019 |
| • Annual General Meeting 2019 | April 4, 2019 |

For further information please contact:

Rieter Holding Ltd.

Investor Relations

Joris Gröflin
Chief Financial Officer
T +41 52 208 70 15
F +41 52 208 70 60
investor@rieter.com
www.rieter.com

Rieter Management Ltd.

Media Relations

Relindis Wieser
Head Group Communication
T +41 52 208 70 45
F +41 52 208 70 60
media@rieter.com
www.rieter.com

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 17 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/

Key Figures

CHF million	January – June 2018 ¹	January – June 2017	Change	January – December 2017 ²
Rieter				
Order intake	511.8	495.2	3%	1 051.5
Sales	515.3	415.2	24%	965.6
Operating result before interest, taxes, depreciation and amortization (EBITDA)	35.4	34.8	2%	64.7 ³
- in % of sales	6.9%	8.4%		6.7%
EBIT before restructuring charges	13.3	16.0	-17%	51.8
- in % of sales	2.6%	3.9%		5.4%
Operating result before interest and taxes (EBIT)	14.1	16.0	-12%	15.8
- in % of sales	2.7%	3.9%		1.6%
Net profit	10.9	10.9	0%	13.3
- in % of sales	2.1%	2.6%		1.4%
Basic earnings per share (CHF)	2.39	2.39	0%	2.92
Purchase of tangible fixed assets and intangible assets	8.6	7.7	12%	29.4
Net liquidity at the end of the reporting period	47.2	101.3	-53%	130.5
Equity in % of total assets at the end of the reporting period	43.1%	43.8%		43.6%
Number of employees (excluding temporaries) at the end of the reporting period	5 251	5 232 ¹	0%	5 246
Business Group Machines & Systems				
Order intake	297.7	325.2	-8%	668.2
Sales	303.9	255.1	19%	589.5
EBIT before restructuring charges	-14.8	-3.8	-289%	0.8
- in % of sales	-4.9%	-1.5%		0.1%
Operating result before interest and taxes (EBIT)	-14.8	-3.8	-289%	-12.8
- in % of sales	-4.9%	-1.5%		-2.2%
Business Group After Sales				
Order intake	75.0	77.7	-3%	154.8
Sales	74.1	70.1	6%	146.3
EBIT before restructuring charges	10.3	12.8	-20%	27.9
- in % of sales	13.9%	18.3%		19.0%
Operating result before interest and taxes (EBIT)	11.2	12.8	-13%	20.5
- in % of sales	15.1%	18.3%		14.0%
Business Group Components				
Order intake	139.1	92.3	51%	228.5
Sales	137.3	90.0	53%	229.8
Total segment sales	182.2	128.8	41%	308.0
Operating result before interest and taxes (EBIT)	19.2	12.6	52%	30.8
- in % of segment sales	10.5%	9.8%		10.0%

¹ Including SSM Textile Machinery.

² Including SSM Textile Machinery (period from July 1 to December 31, 2017).

³ EBITDA before restructuring charges in the 2017 financial year: 94.6 Mio. CHF.

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.