

# Half-Year Results 2018

- Media and Investor Presentation, July 19, 2018 · . . . . .
- Dr. Norbert Klapper, Group CEO · . . . . .
- Joris Gröflin, Group CFO · . . . . .

# Main Messages HY1 2018

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- Sales in the first half of 2018 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 14.1 million CHF und net profit of 10.9 million CHF
- 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

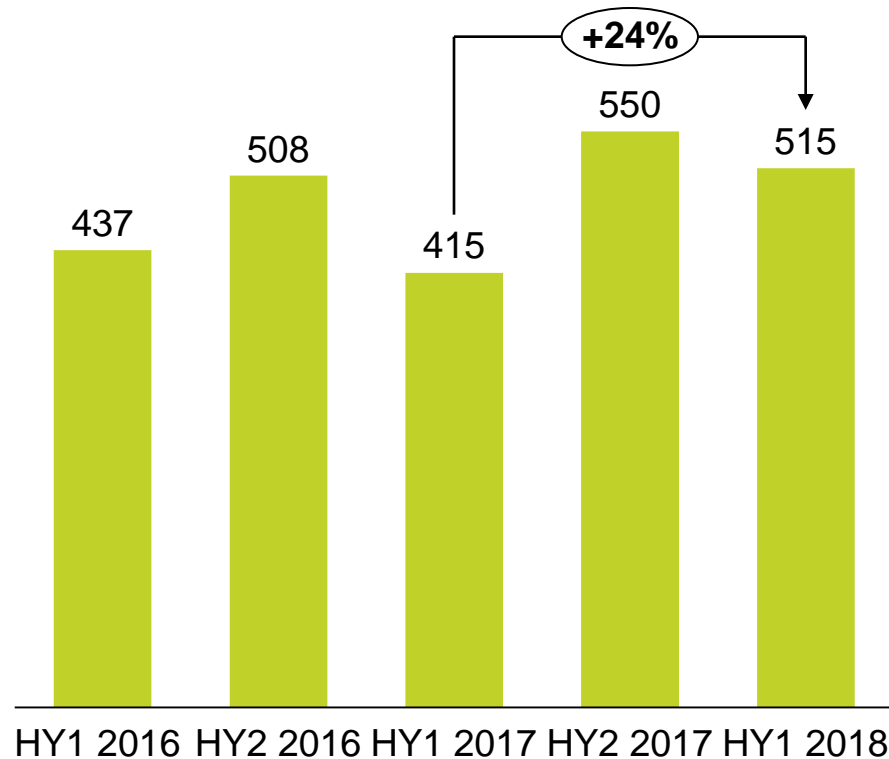
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# HY1 2018: Key Messages Today



## Increase in sales in HY1 2018

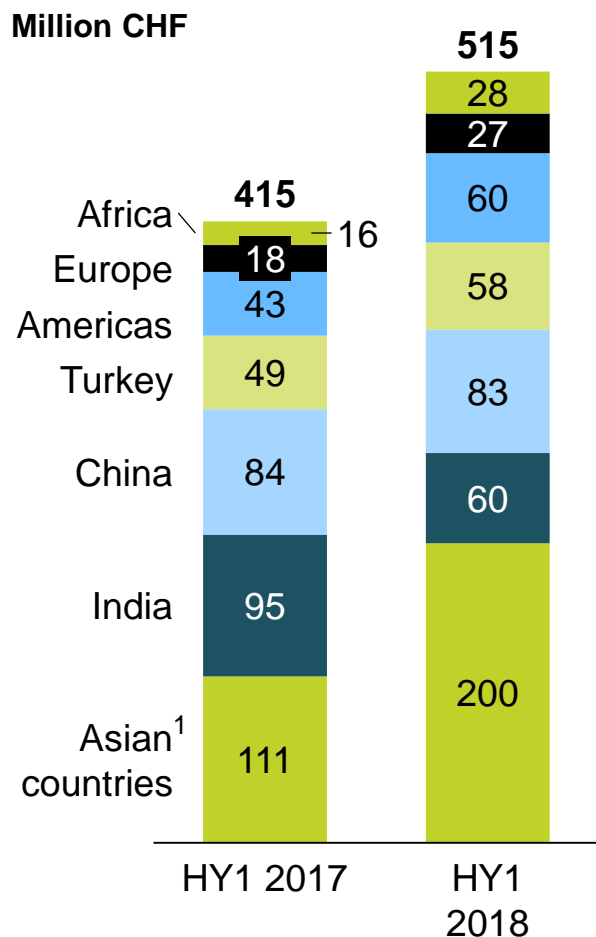
**Sales**  
(million CHF)



- Sales growth driven by all three business groups
- Order intake at level of sales
- Order backlog remains at 540 million CHF

# Sales Development by Region

## Strong increase in sales to Asian countries

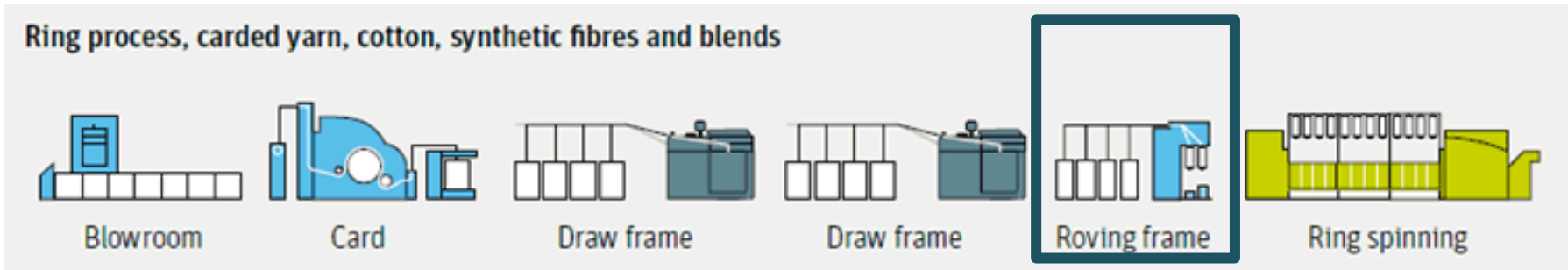


- Higher sales to **Asian countries** (Uzbekistan, Bangladesh, Vietnam and Indonesia)
- Good level of sales to **China** on par with previous year – due to the phasing out of the subsidy program in Xinjiang demand slowed down
- Sales to **India** below HY1 2017 level. Demand for new machinery improved substantially in HY1 2018
- Sales to **Turkey** higher than HY1 2017: Order intake momentum weakened towards the end of HY1 2018
- Orders delivered to Brazil and the US resulted in an increase in sales to the **Americas**

<sup>1</sup> Not including China, India and Turkey

# Acquisition of 25% Stake in Electro-Jet S.L.

## Ring spinning system strengthened



- Sales of around 25 million euro (2017) with 135 employees
- Company located in Gurb (Spain)
- Develops and produces roving frames (flyers)
- Strategic partnership allows joint development of innovative products
- Signing on July 18, 2018
- Closing subject to approval of the antitrust authorities

# Changes in the Group Executive Committee

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- 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.

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# Rieter – Financial Overview HY1 2018



## Increase in sales vs. prior period – net profit on par with HY1 2017

Million CHF	HY1 2018	Change vs. HY1 2017	
<b>Order intake</b>	<b>511.8</b>	<b>3%</b>	Order intake and sales on similar level resulting in stable order backlog (540 million CHF)
<b>Sales</b>	<b>515.3</b>	<b>24%</b>	Organic growth of Machines & Systems and After Sales supported by acquired growth of Components
<b>EBITDA</b>	<b>35.4</b>	<b>margin -1.5%</b>	Profitability increase of Components while Machines & Systems recorded lower EBITDA
<b>Net profit</b>	<b>10.9</b>	<b>stable</b>	Financial result improved compared to prior year; Group tax rate slightly below prior year
<b>Capex</b>	<b>8.6</b>	<b>+12%</b>	Significantly below depreciation/amortization
<b>Net liquidity</b>	<b>47.2</b>	<b>-53%</b>	Dividend payment and temporary increase of net working capital

# Financial Key Figures

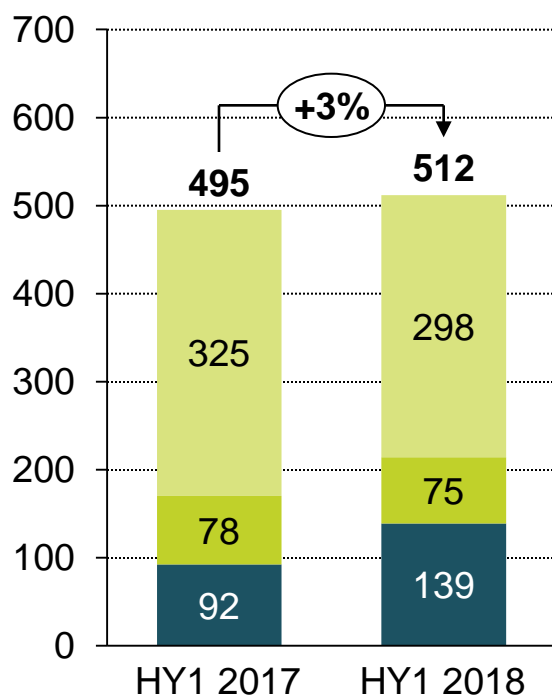
## EBIT and net profit at the level of HY1 2017

Million CHF	HY1 2018	HY2 2017	HY1 2017	FY 2017
Order Intake	<b>511.8</b>	556.3	495.2	1 051.5
Sales	<b>515.3</b>	550.4	415.2	965.6
EBITDA before restr. charges	<b>34.6</b>	59.8	34.8	94.6
EBITDA margin (of sales)	<b>6.7%</b>	10.9%	8.4%	9.8%
EBIT before restr. charges	<b>13.3</b>	35.8	16.0	51.8
EBIT margin (of sales)	<b>2.6%</b>	6.5%	3.9%	5.4%
Net profit	<b>10.9</b>	2.4	10.9	13.3
R&D expenditures	<b>26.6</b>	26.4	22.8	49.2
Capex	<b>8.6</b>	21.7	7.7	29.4
Free cash flow	<b>-59.7</b>	24.3	-125.6	-101.3

# Orders by Business Group

## Increase in order intake of 3% vs. HY1 2017

Million CHF



Machines & Systems  
After Sales  
Components

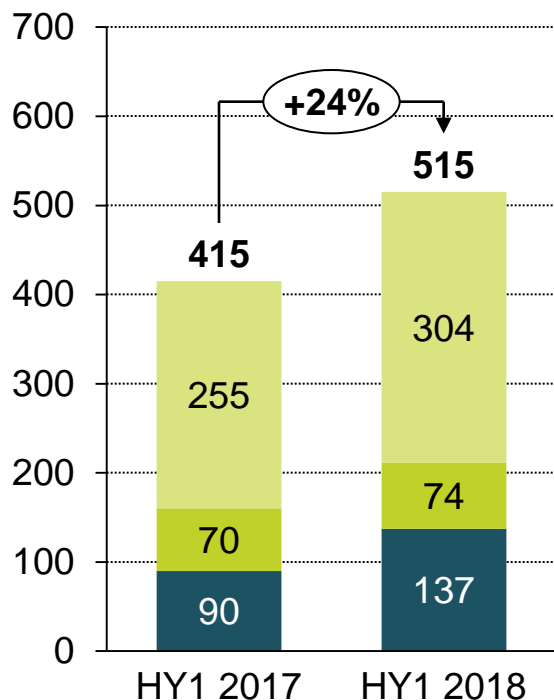
- Below prior year: Business Group Machines & Systems with 297.7 million CHF order intake 8% below HY1 2017 (-8% in local currencies)
- Slight decrease: Business Group After Sales with 75.0 million CHF order intake 3% below HY1 2017 (-5% in local currencies)
- Increase: Business Group Components with 139.1 million CHF order intake 51% higher than HY1 2017 (46% in local currencies; +1% without SSM)
- Order backlog of around 540 million CHF at June 30, 2018 (at the level of December 31, 2017)

# Sales by Business Group



All three business groups increased sales against HY1 2017

Million CHF



Machines & Systems Components  
After Sales

- 41% of sales from After Sales (14%) and Components (27%); 59% of sales from Machines & Systems
- Strong increase: Business Group Machines & Systems with 303.9 million CHF sales 19% higher than HY1 2017 (19% in local currencies)
- Increase: Business Group After Sales with 74.1 million CHF sales 6% higher than HY1 2017 (4% in local currencies)
- Increase: Business Group Components with 137.3 million CHF sales 53% higher than HY1 2017 (48% in local currencies; +4% without SSM)

# Operating Results (EBIT)



## EBIT increase of Components and lower profitability at Machines & Systems

Million CHF	<b>HY1 2018</b>	HY1 2017
Machines & Systems	<b>-14.8</b>	-3.8
After Sales	<b>11.2</b>	12.8
Components	<b>19.2</b>	12.6
Corporate/Others	<b>-1.5</b>	-5.6
<b>Rieter Group</b>	<b>14.1</b>	16.0
In % of sales	<b>2.7%</b>	3.9%

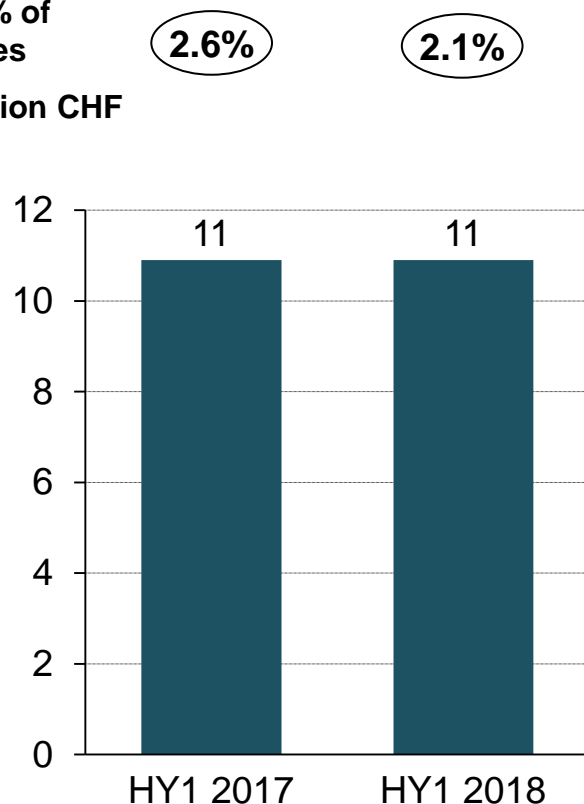
- Decrease in profitability of Business Group Machines & Systems to -4.9% of sales mainly as a result of unfavorable product mix (HY1 2017: -1.5% of sales)
- With 15.1% of sales, lower EBIT margin at Business Group After Sales due to one-off project cost related to the centralization of logistics in Europe (HY1 2017: 18.3% of sales)
- Increase in profitability to 10.5% of segment sales at Business Group Components due to higher utilization of plants and cost saving measures (HY1 2017: 9.8% of segment sales)
- Corporate/Others: improved result due to the gain on the sale of assets in China and the closure of a VAT case

# Net Profit and Return on Net Assets (RONA)



**Net profit of 10.9 million CHF on par with HY1 2017**

In % of sales  
Million CHF



- Financial result at -1.0 million CHF (HY1 2017: -2.1 million CHF)
- Income tax at -2.2 million CHF (HY1 2017: -3.0 million CHF)
- Earnings per share at 2.39 CHF (HY1 2017: 2.39 CHF)
- RONA of 4.8% on comparable level as HY1 2017

EPS in CHF	2.39	2.39
RONA in %	4.6%	4.8%

# Changes in Workforce

## Stable workforce compared to HY1 2017



- Fix and temporary employees remained stable compared to HY1 2017

<sup>1</sup> Excluding apprentices, including temporary employees

# Balance Sheet



## Net cash position despite negative free cash flow in HY1 2018

Million CHF	30/06/ 2018	31/12/ 2017	30/06/ 2017
Total assets	<b>1 000.1</b>	1 048.2	1 009.0
Non-current assets	<b>419.5</b>	450.0	442.9
Net working capital	<b>109.5</b>	37.9	46.6
Liquid funds	<b>154.2</b>	244.4	207.5
Net liquidity	<b>47.2</b>	130.5	101.3
Short-term financial debt	<b>0.4</b>	7.3	0.1
Long-term financial debt	<b>106.6</b>	106.6	106.1
Shareholders' equity	<b>431.4</b>	457.5	442.4
in % of total assets	<b>43%</b>	44%	44%

Decrease in net liquidity vs. December:

- Dividend of 22.6 million CHF (5.00 CHF per share) paid out in April 2018
- Free cash flow of -59.7 million CHF

Sustainable financing:

- Long-term financial debt includes bond issued in 2014 (100.0 million CHF, 2014 to 2020, 1.5%)
- Committed credit lines of 175 million CHF in place until September 2022



# Net Working Capital



## Increase of net working capital to 109.5 million CHF

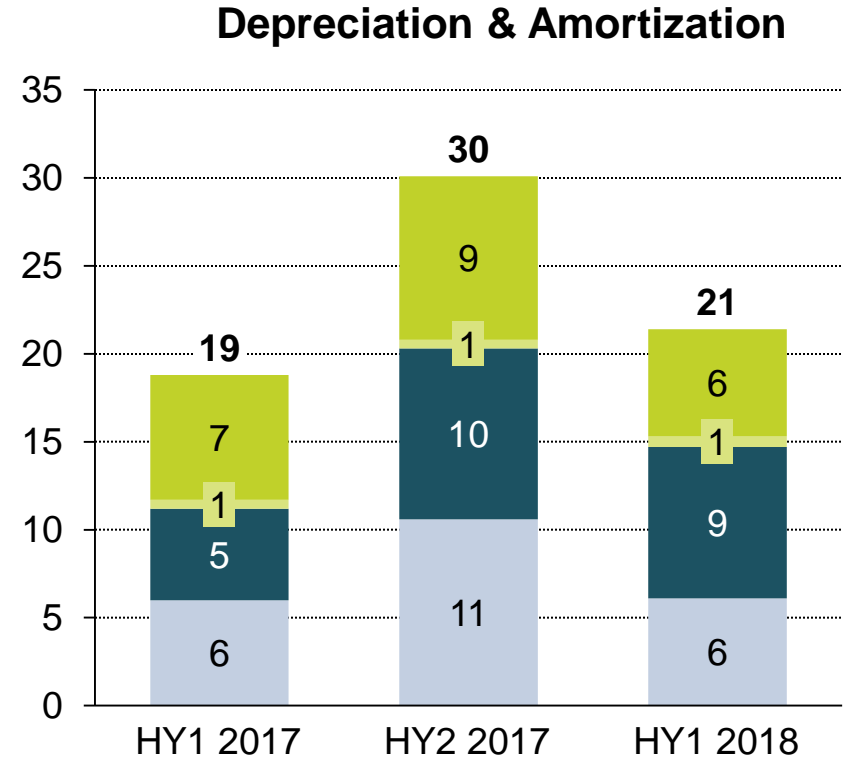
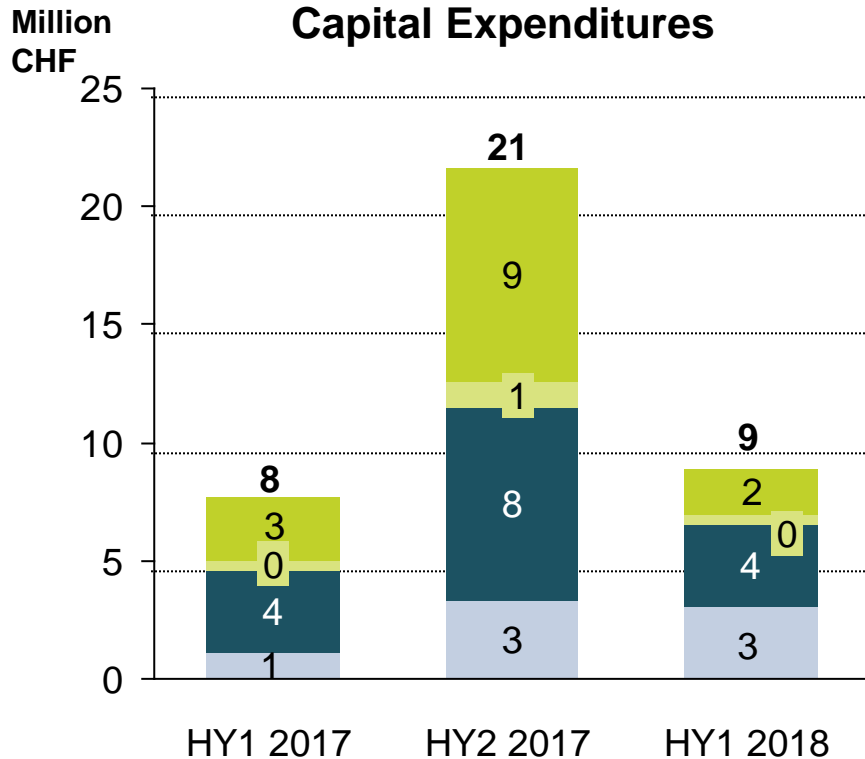
Million CHF	30/06/ 2018	31/12/ 2017	30/06/ 2017
Inventories	<b>225.0</b>	192.4	201.9
Trade receivables	<b>125.9</b>	88.3	82.8
Other current receivables	<b>75.5</b>	73.1	73.9
Trade payables	<b>-85.0</b>	-88.2	-83.2
Advance payments	<b>-68.7</b>	-77.9	-94.6
Other current liabilities	<b>-163.2</b>	-149.8	-134.2
<b>Net working capital</b>	<b>109.5</b>	37.9	46.6

- At June 30, 2018, higher inventory for orders to be delivered in HY2 2018
- Trade receivables from high volumes shipped in June 2018 had not been cashed
- Overall increase in net working capital by 71.6 million CHF

# Capital Expenditures/Depreciation & Amortization



Capital expenditures below depreciation/amortization level



■ Machines & Systems    ■ Components  
■ After Sales            ■ Corporate/Others

# Free Cash Flow



## Free cash flow mainly impacted by increase in net working capital

Million CHF	<b>HY1 2018</b>	HY1 2017
Net profit	<b>10.9</b>	10.9
Interest and tax expense (net)	<b>3.9</b>	4.1
Depreciation and amortization	<b>21.4</b>	18.8
+/- Non-cash items/disposal gains	<b>1.6</b>	3.4
+/- Change in NWC and provisions	<b>-92.3</b>	-55.1
+/- Interest paid/received (net)	<b>-0.3</b>	0.1
+/- Taxes paid	<b>-7.0</b>	-5.4
+/- Capital expenditure	<b>-8.6</b>	-7.7
+/- Proceeds from disposals	<b>10.5</b>	0.5
+/- Change in other financial assets	<b>0.2</b>	5.0
<b>Free cash flow before acquisition</b>	<b>-59.7</b>	-25.4

- Free cash flow is mainly affected by temporary increase in net working capital at June 30, 2018
- Sale of assets in China for 10.4 million CHF as a result of the continuous optimization of the global production footprint

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# Details on Strategy Implementation

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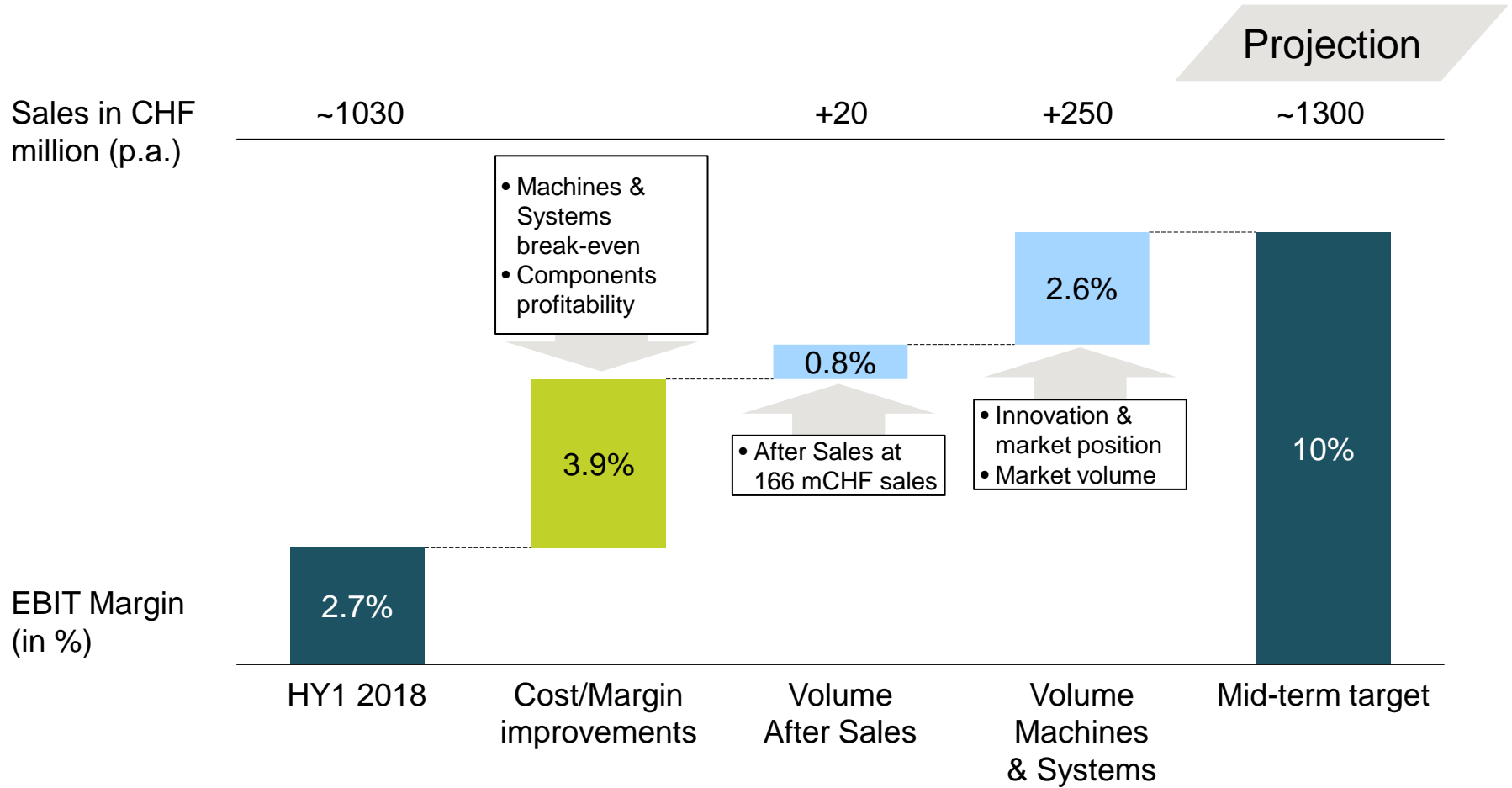
Rieter continues to aim for an EBIT margin of 10%, with sales of around CHF 1.3 billion and a Return On Net Assets (RONA) of 14%.

Focus on strategy implementation:

- 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.

# Earnings Increase Towards 10% EBIT

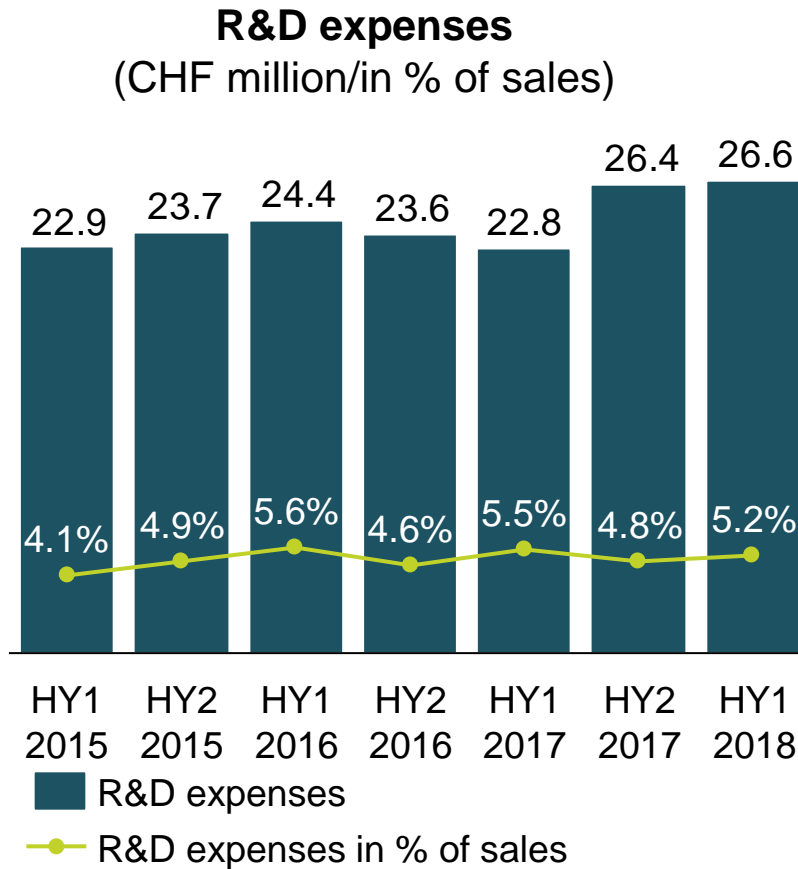
## Strategy with focus on profitability improvement



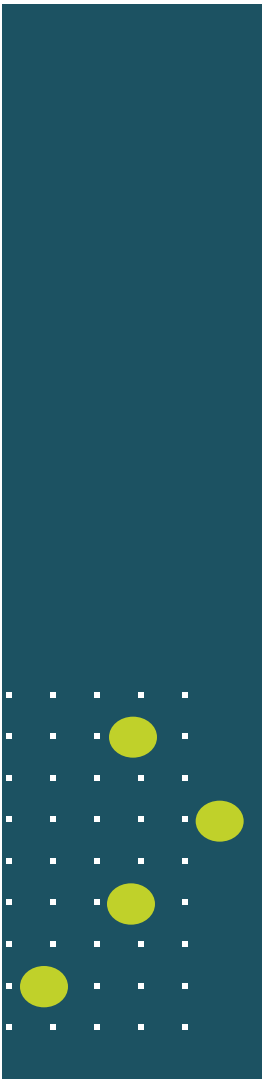
# R&D Expenses



Clearly committed to innovation



- Accelerate on-going innovation programs at Machines & Systems and at Components
- Innovative After Sales solutions (e.g. digitization)
- Strong focus on ITMA Barcelona 2019

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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.

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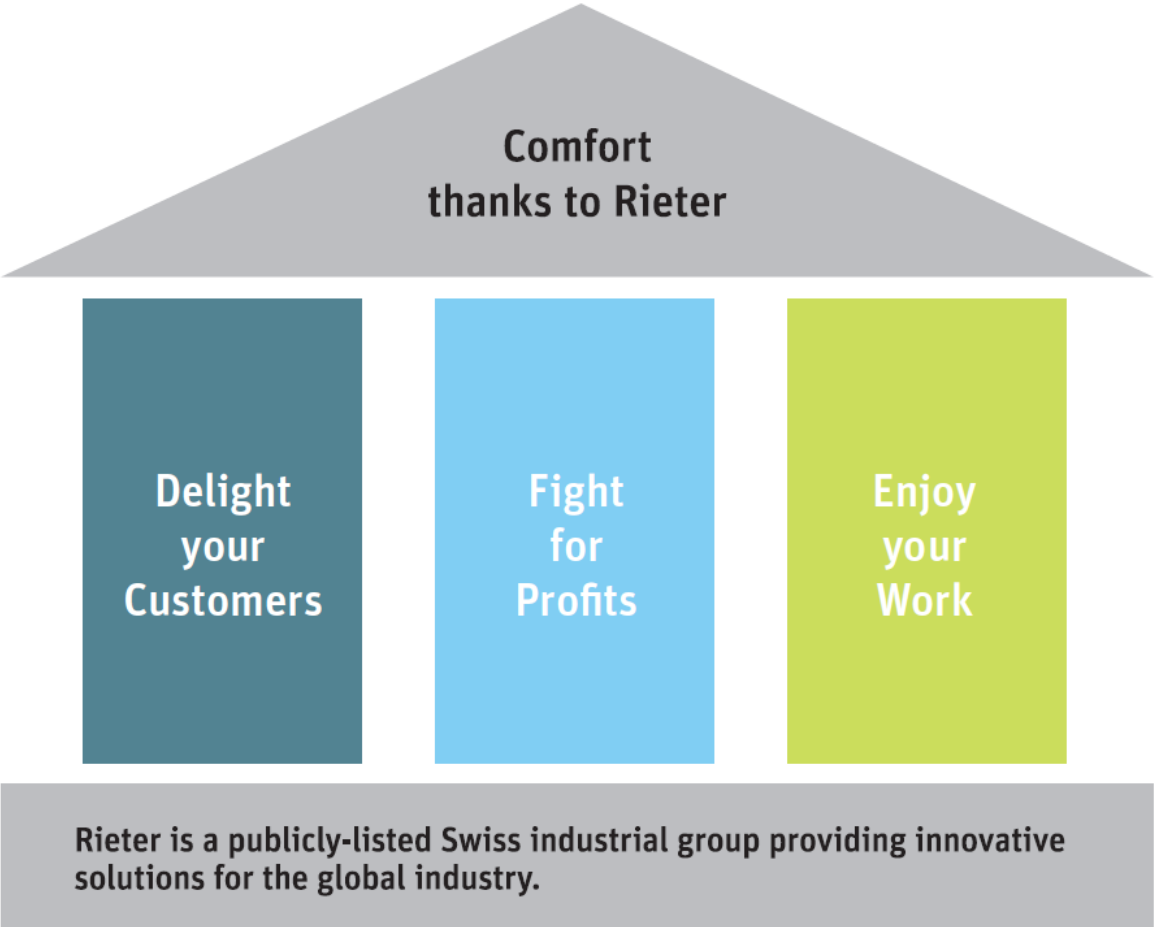
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# Values and Principles

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# Group Executive Committee

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**Dr. Norbert Klapper**  
Chief Executive Officer

**Serge Entleitner**  
Head Business Group  
Components

**Jan Siebert**  
Head Business Group  
Machines & Systems

**Carsten Liske**  
Head Business Group  
After Sales

**Joris Gröflin**  
Chief Financial Officer

**Thomas Anwander**  
General Counsel and  
Company Secretary

# Board of Directors



**Michael Pieper**  
Member of the BoD

**Bernhard Jucker**  
Chairman of the BoD  
Chairman of the SC  
Member of the NC/RC

**Hans-Peter Schwald**  
Member of the BoD  
Member of the AC/NC/RC

**Carl Illi**  
Member of the BoD  
Member of the AC/SC

**Peter Spuhler**  
Member of the BoD  
Member of the SC

**This E. Schneider**  
Vice Chairman of the BoD  
Chairman of the NC/RC

**Roger Baillod**  
Member of the BoD  
Chairman of the AC

**Luc Tack**  
Member of the BoD  
Member of the SC

Board of Directors (BoD)  
Audit Committee (AC)  
Nomination Committee (NC)  
Remuneration Committee (RC)  
Strategy Committee (SC)

# Key Data per Share



Rieter registered shares of CHF 5 nominal value Bloomberg: RIEN SW; Thompson Reuters: RIEN.S	<b>30/06/2018</b>	<b>31/12/2017</b>	<b>30/06/2017</b>
Shares outstanding excl. own shares (end of period)	<b>4 526 037</b>	<b>4 524 754</b>	<b>4 528 326</b>
Average shares (of period)	<b>4 526 055</b>	<b>4 524 273</b>	<b>4 523 565</b>
Share price (end of period) CHF	<b>171.5</b>	<b>237.8</b>	<b>218.9</b>
Market capitalization (end of period) million CHF	<b>776</b>	<b>1 076</b>	<b>991</b>

# Change in Sales and Currency Impact



Main impacts are volume/price increase and acquisition of SSM

Million CHF	Machines & Systems	After Sales	Components	Rieter Group
<b>Sales HY1 2017</b>	<b>255.1</b>	<b>70.1</b>	<b>90.0</b>	<b>415.2</b>
Volume and price	48.1	3.0	-0.7	50.4
Acquisition <sup>1</sup>	0.0	0.0	44.1	44.1
Currency translation	0.7	1.0	3.9	5.6
<b>Sales HY1 2018</b>	<b>303.9</b>	<b>74.1</b>	<b>137.3</b>	<b>515.3</b>

<sup>1</sup> Acquisition of SSM



# Return on Net Assets (RONA)



## RONA of 4.8% in HY1 2018

CHF million	30/06/2018	31/12/2017	2018	Change
Non-current assets	419.5	450.0		-30.5
Inventories and receivables	426.4	353.8		72.6
Liquid funds	154.2	244.4		-90.2
<b>Total assets</b>	<b>1 000.1</b>	<b>1 048.2</b>		<b>-48.1</b>
Non-current liabilities (excl. debt)	-144.8	-160.9		16.1
Current liabilities (excl. debt)	-316.9	-315.9		-1.0
<b>Net assets (excl. debt)</b>	<b>538.4</b>	<b>571.4</b>	<b>549.9<sup>1</sup></b>	<b>-33.0</b>
Net profit HY1 2018			10.9	
Interest cost HY1 2018			2.2	
<b>Net profit before interest cost HY 2018</b>			<b>13.1</b>	
RONA 2018 in % (annualized)			4.8%	

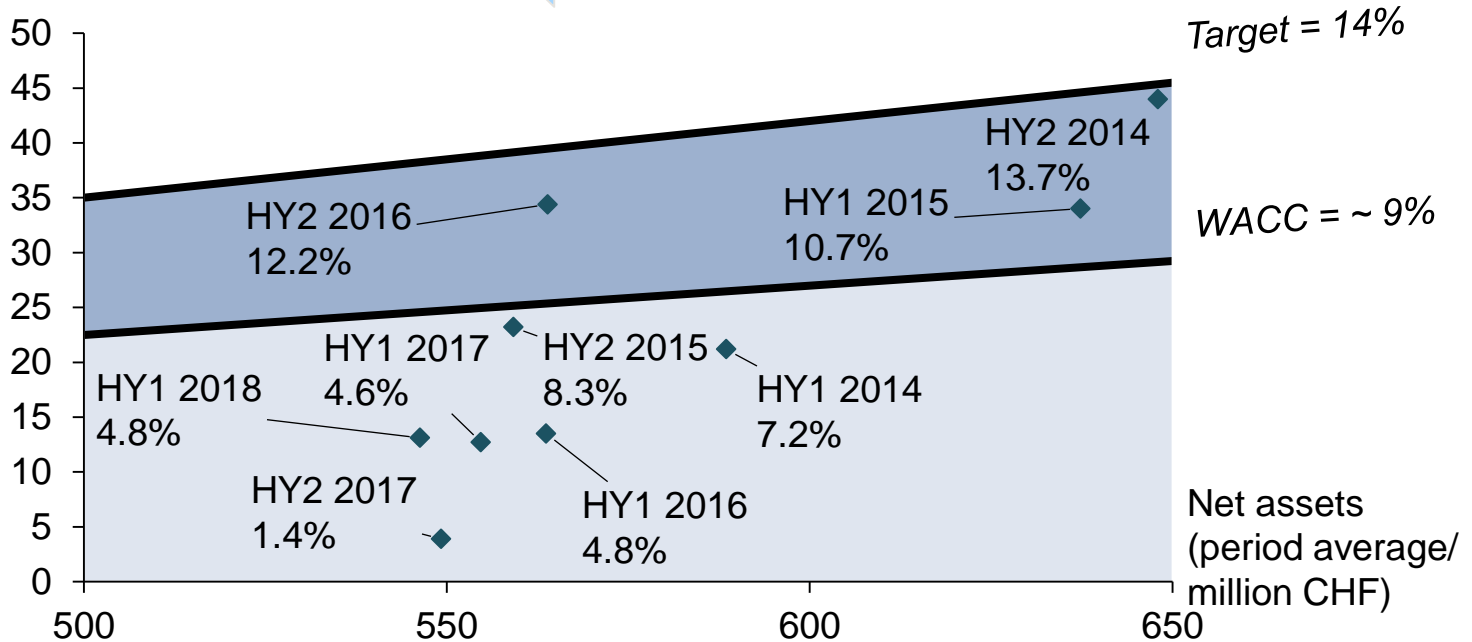
<sup>1</sup> 6 month average

# Profitability Improvement Mid-Term: 14% RONA

## Net asset basis stable

Net profit by half-year (before interest cost/million CHF)

- Reduction of net working capital
- Sale of non-core assets
- Investments below D&A level



- Profitability initiatives
- Cycle management