

Media release

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Rieter's Investor Update 2016

- Order intake up on previous year
- Market success in India, restrained demand in Turkey in third quarter
- Details on outlook for 2016

The amount of orders received by the Rieter Group in the first nine months of 2016 was significantly higher than for the same period of the previous year. Cumulative order intake amounted to CHF 718.4 million and was thus up by 22% on the said prior year period. Order intake in the third quarter totaled CHF 207.7 million owing to an investment reluctance in Turkey.

Order intake per business group

CHF million	January – September 2016	January – September 2015	Difference	Difference in local currency	Difference without divestments
Order intake	718.4	587.1	22%	23%	27%
Machines & Systems	477.6	323.9	47%	49%	57%
After Sales	103.3	97.4	6%	5%	5%
Components	137.5	165.8	-17%	-18%	-18%

The market environment in the third quarter was characterized by differing dynamics in the individual countries as well as with regard to the product categories. Whereas during the third quarter Rieter was able to achieve good market success in India and demand in China picked up slightly, demand for new machinery in Turkey – following a strong phase in the early part of the year – declined significantly over the same period. On the product side, the trend in demand for compact spinning systems was

overall positive. The market for rotor spinning systems, on the other hand, remained at a low level.

Thanks to its strong global presence and its wide and technologically advanced portfolio of products, Rieter recorded cumulative order intake of CHF 718.4 million in the first nine months of 2016 (CHF 587.1 million in 2015).

The success of the Machines & Systems business group in posting order intake of CHF 477.6 million, a significant rise (+47%) compared to the first nine months of the prior year (CHF 323.9 million in 2015), was a decisive factor with regard to the positive development. Machines & Systems received orders worth CHF 134.2 million in the third quarter (CHF 98.3 million in third quarter of 2015). In India, major orders were placed for the K 42 compact system, while in China order intake continued to be below average, despite a slight revival. Order intake in Turkey in the third quarter was considerably below the level achieved in the first months of 2016.

At the After Sales business group, order intake was increased from CHF 97.4 million to CHF 103.3 million, and thus improved by 6% compared to the prior year. The growth of the spare parts businesses in Turkey, India and China was one of the contributory factors here. The order volumes in the third quarter, which totaled CHF 32.0 million, were at the same level as the corresponding period of the prior year (CHF 32.3 million in third quarter of 2015). The fewer orders received for rotor spare parts could be compensated for by the successful sales performance of the after sales services and a higher demand for installation services.

At the Components business group, order intake of CHF 137.5 million was recorded, this being around CHF 28.3 million less than the corresponding period of the previous year. The regionally broad-based order intake in the third quarter amounted to CHF 41.5 million (CHF 68.2 million in third quarter of 2015). In contrast to the remarkably strong quarter of the previous year, restraint was evident in China and India as far as the placement of major orders was concerned.

Strategic focus

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

Enhancement of innovative solutions

With the introduction of the K 42 spinning machine with 1 824 spindles, plus blowroom system and card, whole compact spinning systems are now available on the Indian market. The volumes of orders received in the past few months are a clear indication that Rieter has once again proven its technological leadership with the new compact system. The most important competitive advantages, which have been recognized by the customers accordingly, are a 10% lower energy consumption and a minimized material loss.

As the highlight of its presentation at the ITMA Asia textile machinery trade fair in Shanghai, China, Rieter unveiled the new RSB-D 50 single-head draw frame generation, which offers significantly higher productivity and, at the same time, outstanding quality of draw frame sliver. With the patented ECorized drive technology along with an innovative autoleveller and fiber guiding system, an increase in delivery speed of up to 33% can be realized.

The portfolio of products for the processing of man-made fibers aroused considerable interest among the customers from China and the surrounding countries. The J 26 air-jet spinning machine with the P 26 option for processing polyester was for the first time presented by Rieter in China. The man-made fiber products specially developed for the Asian market were in great demand.

Rieter continues to systematically invest in research and development, with the aim of maintaining its worldwide technological and market leadership and continuing its expansion.

Expansion of the after-sales business

Concerning its after-sales business, Rieter demonstrated its new services and complete solutions for the whole production process at the most important textile machinery trade fair in China. The After Sales business group has thereby laid a further foundation for achieving the planned growth of more than 30% by 2018 (based on the 2014 sales figure of CHF 127.5 million).

Increase of profitability

In the period under review, Rieter's work towards reaching the milestones for increased profitability remained on track. In particular, the adaptation measures concerning production in Winterthur were implemented according to plan. Rieter's expectation to achieve cost reductions of around CHF 15 million to CHF 20 million from 2017 onwards through these measures remains unchanged.

Details on outlook for 2016

Visibility regarding the trend in demand for textile machinery and components remains limited. The demand is dependent on a number of factors, including the development of yarn prices and raw material prices, the economic and political development in the main sales markets and the financing costs. Rieter does not predict any significant changes to the market environment in the coming months.

Rieter forecasts a markedly stronger second half-year of 2016 compared to the first half-year, both in terms of sales and profitability. For the whole of 2016, Rieter is expecting sales in the region of CHF 940 million, an operative profitability (EBIT margin) of around 5% to 6% and net profitability of around 3.5% to 4.5% of sales.

Presentation material

The full presentation material and the media release can be found at: <http://www.rieter.com/en/rieter/media/press-releases/>. You can also register for our media release e-mail dispatch service at <http://www.rieter.com/en/subscription/>.

Forthcoming dates

- Publication of the sales figures for the 2016 financial year: February 1, 2017
- Results media conference and presentation for financial analysts for 2017: March 14, 2017
- Annual General Meeting 2017: April 5, 2017
- Semi-annual report for 2017: July 20, 2017

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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 end spinning technologies currently established on the market. With 16 manufacturing locations in ten countries, the company employs a global workforce of some 5 077, about 21% of whom are based in Switzerland. Rieter is listed on the SIX Swiss Exchange under ticker symbol RIEN. www.rieter.com

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