

Media release

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Good result for first half of year

Winterthur – Sales up on previous year – EBIT margin of over 8% – all three business groups contributed to success – vigorous implementation of the STEP UP program started in 2014

Rieter achieved a significant increase in sales and profitability in the first half of 2015. Sales rose by 6% to 553.9 million CHF. As a result, the EBITDA margin amounted to 11.9% and the EBIT margin to 8.3% of sales (compared to 9.3% and 5.5%, respectively, in the first half of 2014). Net profit rose to 29.1 million CHF or 5.3% of sales (compared to 14.3 million CHF or 2.7% of sales in the first half of 2014).

Since January 1, 2015, Rieter has been conducting its operations in three business groups: Machines & Systems (machinery business), After Sales (spare parts and services) and Components (technology components). The company is thus also taking account in particular of the strategic importance of the after-sales business and improving transparency. With the figures for the first half of 2015, Rieter is reporting results on the basis of this new structure for the first time.

Rieter posted pleasing growth in sales on the back of its large order backlog at the start of the year. Compared to the same period of the previous year, sales rose by 6% to 553.9 million CHF (522.1 million CHF in the first half of 2014).

The disproportionately high increase in profitability is especially pleasing: EBITDA rose by 36% to 66.0 million CHF, corresponding to 11.9% of sales (compared to 9.3% in the first half of 2014). EBIT rose by 60% to 46.1 million CHF; the EBIT margin increased from 5.5% to 8.3% of sales. This reflects the positive development in the three business groups and the effects of the cost-reduction measures which Rieter laid down and implemented as a response to the scrapping of the minimum exchange rate of the euro in January 2015. The gain on the sale of a property amounting to 5.0 million CHF also contributed to the satisfying result.

There was an improvement in Rieter's financial result (-4.7 million CHF compared to -7.3 million CHF in the first half of 2014); the tax ratio was 29.7% (compared to 33.5% in the first half of 2014). On account of the favorable trend of these two parameters

along with the improvement in EBIT, the group's net result rose significantly to 29.1 million CHF or 5.3% of sales (compared to 14.3 million CHF or 2.7% of sales in the first half of 2014).

Rieter's capital expenditure in the period under review totaled 7.3 million CHF, a good 40% less than the corresponding figure in the first half of 2014. Research and development spending increased slightly to 22.9 million CHF (compared to 21.5 million CHF in the first half of 2014).

Net working capital increased by 37.5 million CHF in the first half year of 2015, although inventories were reduced. This development is due to an increase in trade receivables and a reduction in trade payables as well as advance payments from customers. Free cash flow amounted to -5.1 million CHF (compared to -2.9 million CHF in the first half of 2014).

After payment of a dividend of 20.6 million CHF (4.50 CHF per share) out of the reserve from capital contributions and the repayment of a bond issue totaling 151.9 million CHF in April 2015, cash and cash equivalents at Rieter amounted to 257.6 million CHF and net liquidity to 139.0 million CHF as of June 30, 2015. Rieter is soundly financed and has an equity ratio of 42.7%.

The market situation forecast by Rieter at the results press conference held in March proved to be true for the first half of 2015. Spinning mills performed at a healthy level in many key markets and this had a positive effect on order intake and sales for the After Sales and Components business groups. For the Machines & Systems Business Group, subdued investment demand from customers was clearly apparent. This trend is due to spinning mills' low margins on the one hand, and to global currency turbulence on the other. These developments, however, did not lead to an increase in order cancellations in the period under review.

Asian markets continued to develop at the good level of the previous year during the first half of 2015. Compared to the strong first half of 2014, a significant drop in orders was recorded above all in Turkey, while customers in India continued to invest at a solid level. In China, the market remained subdued.

As expected, order intake (388.3 million CHF) was therefore lower than in the second half of 2014 (490.6 million CHF) and the first half of 2014 (655.5 million CHF). As of June 30, 2015, the order backlog amounted to around 540 million CHF (December 31, 2014: around 730 million CHF).

Rieter employed a workforce of 5 150 as of June 30, 2015, compared to 4 835 a year earlier. This increase is mainly due to the rise in the number of employees in the Czech Republic. The number of additional temporary employees was reduced by Rieter to 871 (or 14.5% of the entire workforce) by the middle of the year, against the backdrop of the lower volume of orders; in comparison, there were 1 265 temporary employees (or 20.7% of the entire workforce) in the first half of 2014.

Business Groups

The trend in sales was positive in all three business groups. Machines & Systems was responsible for 71% of sales, and After Sales and Components for 13% and 16%, respectively.

Machines & Systems increased sales by 4% to 392.7 million CHF (compared to 376.1 million CHF of sales in the first half of 2014), and After Sales by 17% to 69.6 million CHF (compared to 59.6 million CHF in the first half of 2014). At Components, sales to third parties grew by 6% to 91.6 million CHF (compared to 86.4 million CHF in the first half of 2014). Segment sales, i.e. including deliveries to Machines & Systems, dropped slightly (by 4%) to 125.4 million CHF (compared to 130.1 million CHF during the first half of 2014).

All business groups contributed to the positive trend in profitability.

At the Machines & Systems Business Group, EBIT rose by 62% to 17.2 million CHF (compared to 10.6 million CHF in the first half of 2014). This corresponds to an EBIT margin of 4.4% of sales (compared to 2.8% in the first half of 2014). After Sales increased EBIT by 60% to 13.6 million CHF or 19.5% of sales (compared to 8.5 million CHF or 14.3% of sales in the first half of 2014). Components increased EBIT by 13% to 16.0 million CHF and the EBIT margin improved to 12.8% of segment sales (compared to 14.1 million CHF and 10.8% in the first half of 2014).

Trends in demand differed at the three business groups.

The demand for technology components was very satisfying. The Components Business Group posted order intake amounting to 97.6 million CHF, up by 9% on the first half of 2014 (89.2 million CHF). Orders from India and other Asian countries for the EliTe compact spinning system were pivotal to this increase in demand. Orders received by the Machines & Systems Business Group during the first half of 2015 amounted to 225.5 million CHF (compared to 493.5 million CHF during the first half of 2014), representing a considerable decline. At After Sales, order intake amounted to 65.1 million CHF compared to 72.8 million CHF during the first half of 2014, a drop of 11%; this reduction was principally due to fewer orders for installation services, which itself is linked to the reduced order intake at Machines & Systems.

Priorities for 2015

The company worked intensively during the first half of 2015 on the implementation of the three strategic priorities which it set out in fall last year. The implementation program is known as STEP UP.

Boosting innovative capability: The increased expenditure on research and development during the period under review was mainly directed at the completion of important product development projects, which will be presented in November at the ITMA textile machinery trade fair in Milan.

Expanding after-sales business: Rieter is in the process of positioning its important, long-established service facilities on the market as an independent business. With a comprehensive range of services covering the entire product life cycle, the company

aims to support customers in the operation of their systems and thereby enhance their competitiveness.

Rieter's after-sales business focuses on the growing global spinning capacities of customers operating Rieter machines and systems. The Machines & Systems Business Group is focusing increasingly on systems expertise and flexibility in response to fluctuations in demand. The Components Business Group also supplies components, spare parts and wearing parts to other textile machinery manufacturers and their customers.

In April 2015, Rieter opened China's first, and the world's most state-of-the-art, technology center for short-staple spinning at its Changzhou site. This marks the completion of Rieter's expansion in China. The spinning center provides services including spinning trials for customers, customer training and technology trials. As a result, Rieter's technological know-how is now also available to customers in China and the surrounding countries.

Increasing profitability: Rieter has initiated short-, medium- and long-term measures to further reduce its exposure to the Swiss franc and generally to improve efficiency. A series of measures activated at short notice already had a cost-reducing effect in the first half of 2015, and was thus a contributory factor in increasing profitability. In the coming months, measures aimed at reducing the volume of purchases in Swiss francs and streamlining the production structure in Winterthur will be of primary concern.

Events after balance sheet date

In the context of focusing on its core business, Rieter has sold the Schaltag Group, consisting of Schaltag AG (Switzerland) and Schaltag CZ s.r.o. (Czech Republic), to a private Swiss investor group with an industrial background. Schaltag and Rieter will continue to cooperate in the field of switchgear cabinet manufacturing. The parties have agreed not to disclose the purchase price.

Outlook

There was a healthy trend in demand for products and services provided by After Sales and Components in the first six months of the year. By contrast, Machines & Systems' markets were characterized by spinning mills' reluctance to invest. In Rieter's view, the market situation will remain essentially unchanged in the short term. The company expects sales for the whole of 2015 to be lower than in 2014. Consequently, EBIT and net profit are expected to be lower than in 2014. Depending on the effective currency scenario, the negative impact on operating profitability is unchanged estimated in the range of 100 to 200 basis points compared to 2014.

In order to achieve its medium-term targets, Rieter continues to work on the implementation of its strategic priorities of innovation, expansion of the after-sales business and improvement of profitability.

Semi-annual report and telephone conference

You will find the full text of the semi-annual report and 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.

Today Rieter will hold an investor and analyst conference call on the occasion of the publication of the Semi-Annual Results 2015 at 2 pm CET. More details and the corresponding presentation can be found on our website.

Future dates

- Publication of sales figures for the 2015 financial year: February 2, 2016
- Results media conference and presentation for financial analysts on the 2015 annual financial statements: March 16, 2016
- Annual General Meeting: April 6, 2016

For further details please refer to:

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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 spinning preparation processes as well as all four final spinning processes currently established on the market. With 18 manufacturing locations in ten countries, the company employs a global workforce of some 5 150, about 23% of whom are based in Switzerland. Rieter is listed on the SIX Swiss Exchange under the ticker symbol RIEN. (www.rieter.com)

Rieter at a glance

CHF million	January - June 2015	July - December 2014	January - June 2014	Change ¹	Change in local currencies ¹
Rieter					
Orders received	388.3	490.6	655.5	-41%	-40%
Sales	553.9	631.3	522.1	6%	7%
Operating result before interest, taxes, depreciation and amortization (EBITDA)	66.0	77.0	48.4		
- in % of sales	11.9%	12.2%	9.3%		
Operating result before interest and taxes (EBIT)	46.1	55.8	28.8		
- in % of sales	8.3%	8.8%	5.5%		
Net profit	29.1	38.6	14.3		
- in % of sales	5.3%	6.1%	2.7%		
Earnings per share	CHF 6.36	8.40	3.12		
Capital expenditures on tangible and intangible assets	7.3	29.7	12.5	-42%	
Number of employees at the end of the period (excluding temporary personnel)	5150	5004	4835	7%	
Business Group Machines & Systems					
Orders received	225.5	339.8	493.5	-54%	-55%
Sales	392.7	477.4	376.1	4%	3%
Operating result before interest and taxes (EBIT)	17.2	30.0	10.6		
- in % of sales	4.4%	6.3%	2.8%		
Business Group After Sales					
Orders received	65.1	67.8	72.8	-11%	-9%
Sales	69.6	67.9	59.6	17%	19%
Operating result before interest and taxes (EBIT)	13.6	11.5	8.5		
- in % of sales	19.5%	16.9%	14.3%		
Business Group Components					
Orders received	97.6	83.1	89.2	9%	18%
Sales	91.6	86.0	86.4	6%	14%
Total segment sales	125.4	132.0	130.1	-4%	4%
Operating result before interest and taxes (EBIT)	16.0	18.4	14.1		
- in % of segment sales	12.8%	13.9%	10.8%		

1. Change January - June 2015 vs. January - June 2014.