



# Results 2017

- Media and Investor Presentation, March 13, 2018 · · · · ·
- Dr. Norbert Klapper, Group CEO · · · · ·
- Joris Gröflin, Group CFO · · · · ·

1. Highlights 2017

Dr. Norbert Klapper

2. Financial Results 2017

Joris Gröflin

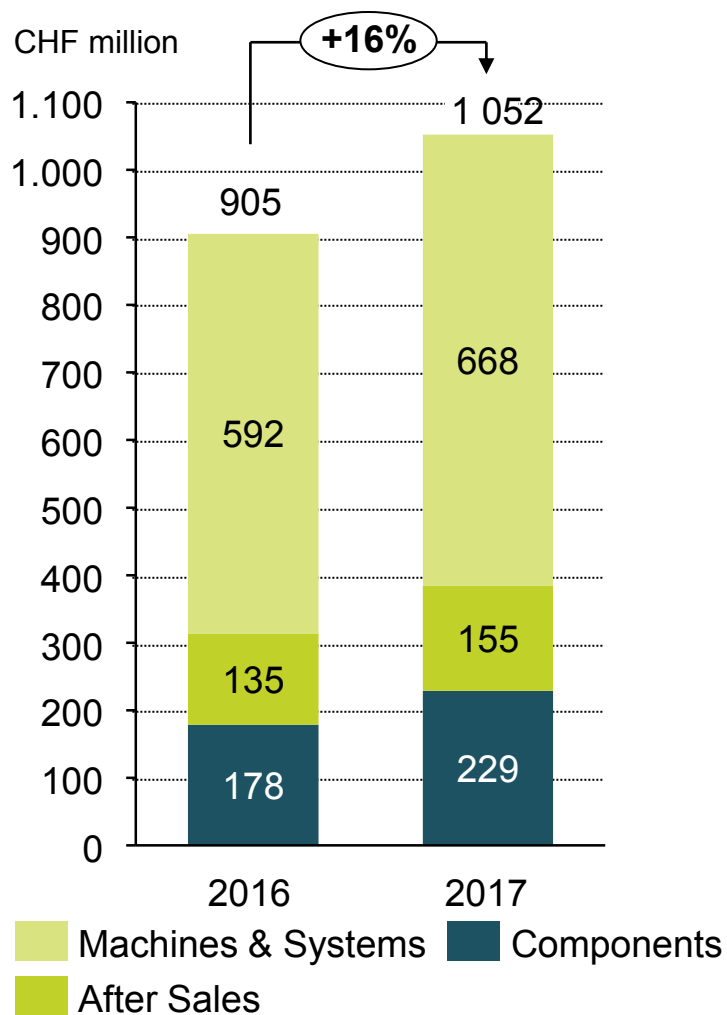
3. Outlook

Dr. Norbert Klapper

- Order intake CHF 1 051.5 million, order backlog CHF 540 million
- Improvement program “**STEP UP**” on track:
  - 1. Innovation:**
    - Successful product launches in 2017, launches in 2018 on track, strong focus on ITMA Barcelona 2019
  - 2. After Sales/Components:**
    - After Sales continues to grow, successful integration of SSM Textile Machinery into the Business Group Components
  - 3. Profitability:**
    - Implementation of production transfer from Ingolstadt in Germany to the Czech Republic
    - Unfavourable product/country mix at the Business Group Machines & Systems
- Proposed dividend of CHF 5.00

# Order Intake by Business Group

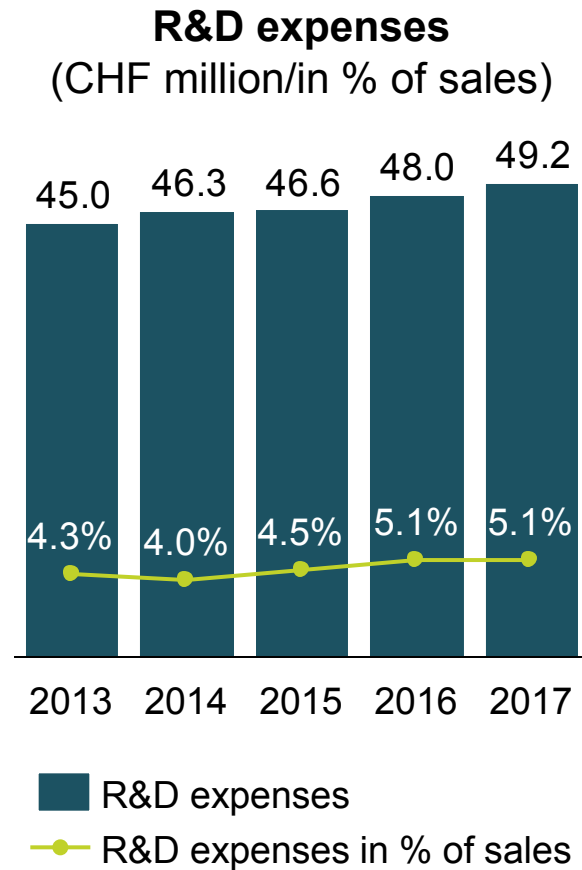
## Increase of orders in 2017 by 16%



- HY1 2017: CHF 495.2 million  
HY2 2017: CHF 556.3 million
- Business Group Machines & Systems  
Growth in Asian countries<sup>1</sup>, mainly Uzbekistan, Bangladesh and Indonesia; Turkey picked up in HY2; India recovered towards the end of the year
- Business Group After Sales  
Growth achieved in spare parts, services and installation of new machines across all regions
- Business Group Components  
Acquisition of SSM Textile Machinery (SSM) contributed CHF 42.5 million in HY2 2017. Without SSM, Components increased order intake by 3% in 2017

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

## Focus on innovation and digitization of spinning mills



- Successful market introduction of the single-head draw frame RSB-D 50
- Launch of Uptime Digital Maintenance Solution
- New compact spinning and ring spinning machine in 2018
- Strong focus on ITMA Barcelona 2019

# UPtime Digital Maintenance Solution

Bring artificial intelligence into spinning maintenance

## UPtime Digital Maintenance Solution

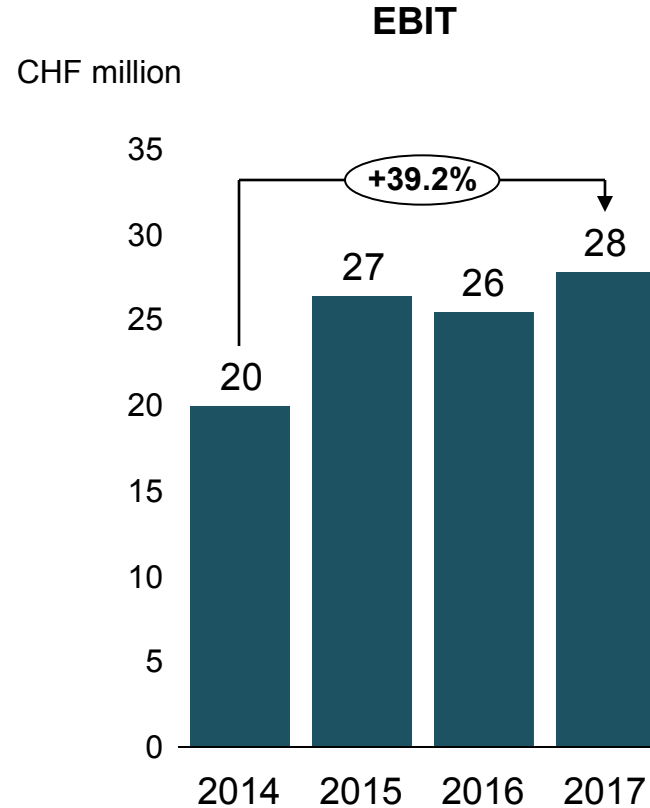
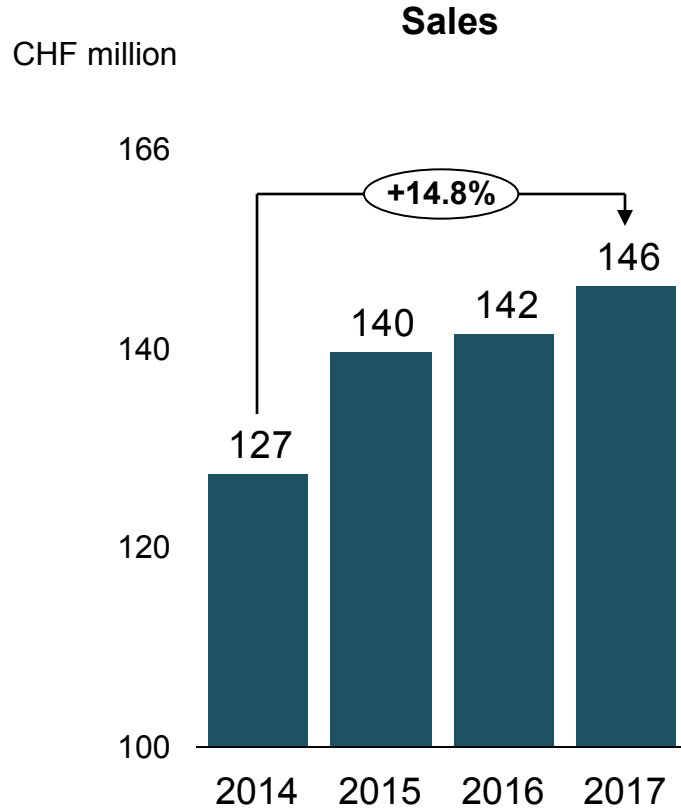


- UPtime is an expert system which supports predictive maintenance in the mill
- Significant reduction of unplanned downtime
- Lower cost of maintenance and inspection
- Increased productivity of machines

# After Sales Excellence



## Top and bottom line continue to grow



EBIT in 2017 are before restructuring and impairment

# SSM Textile Machinery (SSM)

## Successful integration of SSM into the Business Group Components



- Impact of SSM on the consolidated income statement (July 1 until December 31, 2017):

Order Intake:	CHF	42.5 million
Sales:	CHF	49.1 million
EBITDA <sup>1</sup> :	CHF	8.3 million

Enterprise Value: CHF 100.2 million

<sup>1</sup> before one-off and recurring effects resulting from the acquisition



## Project on track



- Agreement with the Works Council in September 2017
- Implementation started, production will be fully transferred to the Czech Republic by end of 2018
- Rieter expects annual savings of more than CHF 15 million as of 2019
- R&D and after sales support will stay in Ingolstadt
- Planning of modern set-up ongoing

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# Financial Highlights 2017



## Return to growth and strong impact of restructuring

CHF million, except dividend

<b>Order Intake</b>	<b>1 051.5</b>	<b>+16% (excl. SSM +11%)</b>	Upturn in second half-year 2017 continued
<b>Sales</b>	<b>965.6</b>	<b>+2% (excl. SSM -3%)</b>	Stronger second semester
<b>EBITDA before restr. charges</b>	<b>94.6</b>	<b>9.8% margin</b>	At the level of previous year (2016: 10.1%)
<b>EBIT before restructuring charges</b>	<b>51.8</b>	<b>5.4% margin</b>	Including non-recurring effects from acquisition of CHF 4.3 million
<b>Net profit</b>	<b>13.3</b>	<b>1.4% margin</b>	Including restructuring charges of CHF 36.0 million and a positive tax impact of CHF 7.5 million
<b>Free cash flow</b>	<b>-101.3</b>	<b>n/a</b>	Including acquisition of SSM (CHF -100.2 million) and networking capital build up
<b>Net liquidity</b>	<b>130.5</b>	<b>-50%</b>	Solid financial profile after acquisition
<b>Dividend (proposal)</b>	<b>CHF 5.00 per share</b>	<b>+0%</b>	On level of previous year

# Financial Key Figures



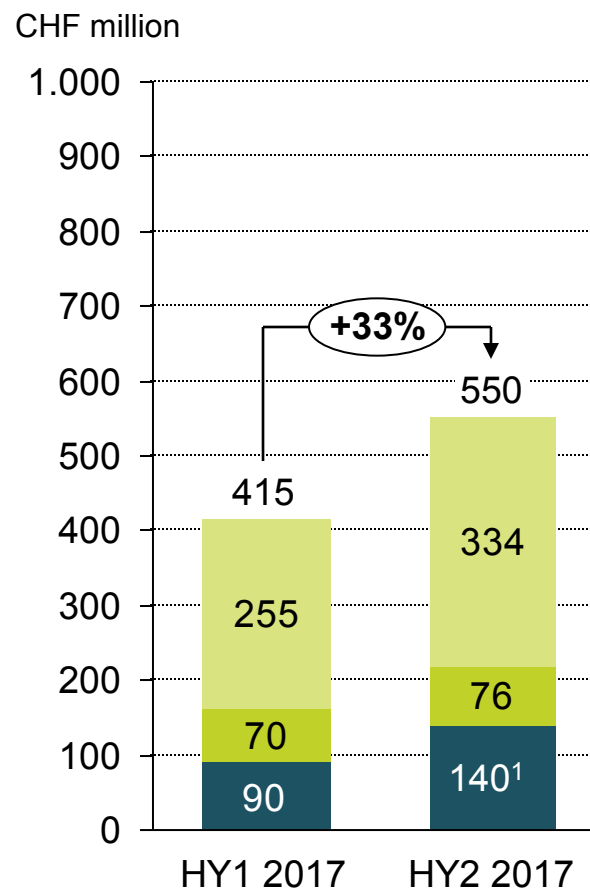
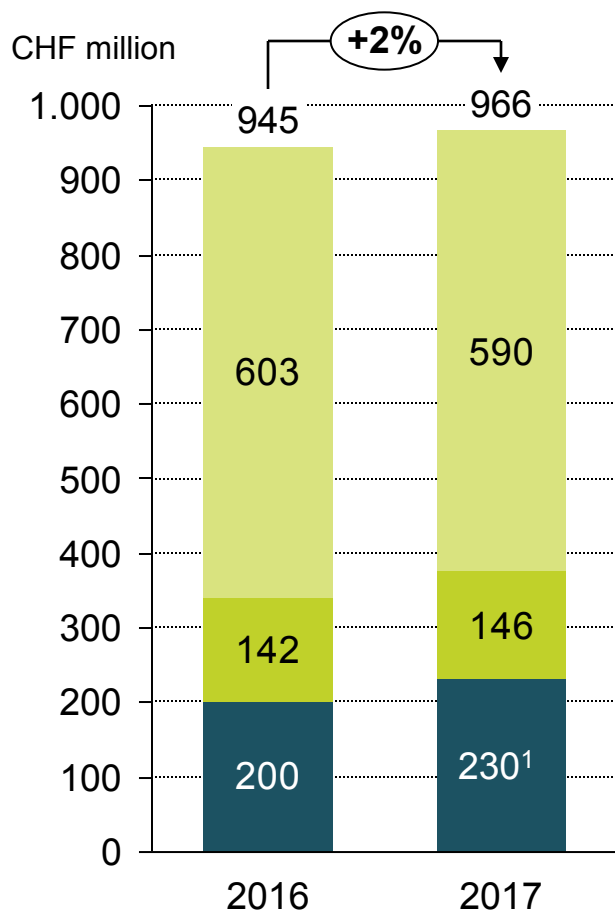
## Stronger profitability and cash flows in second half year

CHF million	FY 2017	HY2 2017	HY1 2017	FY 2016
Order Intake	<b>1 051.5</b>	556.3	495.2	<b>905.2</b>
Sales	<b>965.6</b>	550.4	415.2	<b>945.0</b>
EBITDA before restr. charges	<b>94.6</b>	59.8	34.8	<b>95.8</b>
EBITDA margin (of sales)	<b>9.8%</b>	10.9%	8.4%	<b>10.1%</b>
EBIT before restr. charges	<b>51.8</b>	35.8	16.0	<b>56.5</b>
EBIT margin (of sales)	<b>5.4%</b>	6.5%	3.9%	<b>6.0%</b>
Net profit	<b>13.3</b>	2.4	10.9	<b>42.7</b>
R&D expenditures	<b>49.2</b>	26.4	22.8	<b>48.0</b>
Capex	<b>29.4</b>	21.7	7.7	<b>30.9</b>
Free cash flow (after acquisition)	<b>-101.3</b>	24.3	-125.6	<b>76.3</b>

# Sales by Business Group



Sales at CHF 966 million – thanks to strong second semester



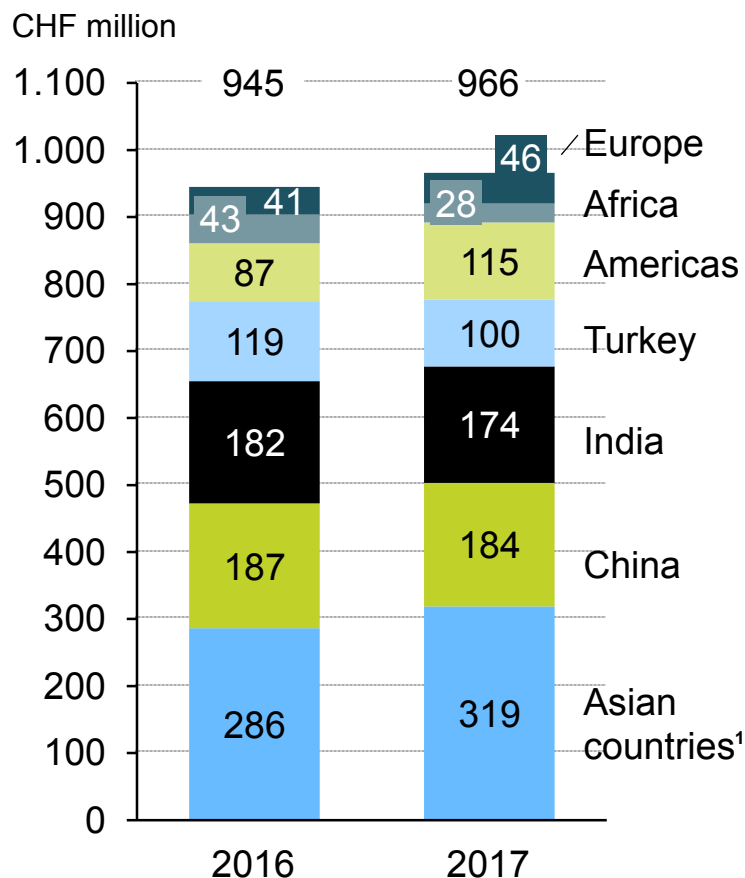
Machines & Systems
  After Sales
  Components

<sup>1</sup> SSM with sales of CHF 49.1 million in HY2

# Sales Development by Region



## Growth in Asian countries and Americas – solid demand from China



- In Asian countries<sup>1</sup>, Rieter increased sales to CHF 319.1 million (+11% vs. 2016)
- Sales of CHF 184.0 million in China at a good level (-1% vs. 2016)
- In India, sales decreased to CHF 173.8 million compared to previous year (-5% vs. 2016), particularly due to lower sales of technology components
- Sales in Turkey declined to CHF 100.1 million (-16% vs. 2016), mainly due to subdued demand for new machinery in HY1 2017
- In North and South America, sales rose to CHF 114.7 million (+32% vs. 2016) due to orders from the US and Brazil
- Share of sales to Asia at 80% in 2017 (2016: 82%)

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

# Operating Result (EBIT) before Restructuring Charges



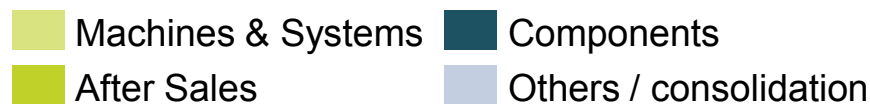
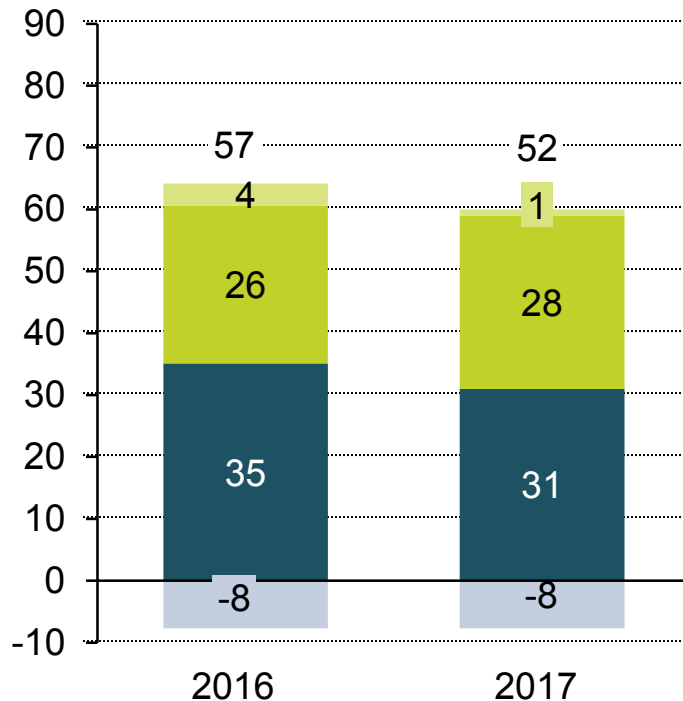
## EBIT before restructuring at 5.4% of sales

In % of sales

6.0%

5.4%

CHF million

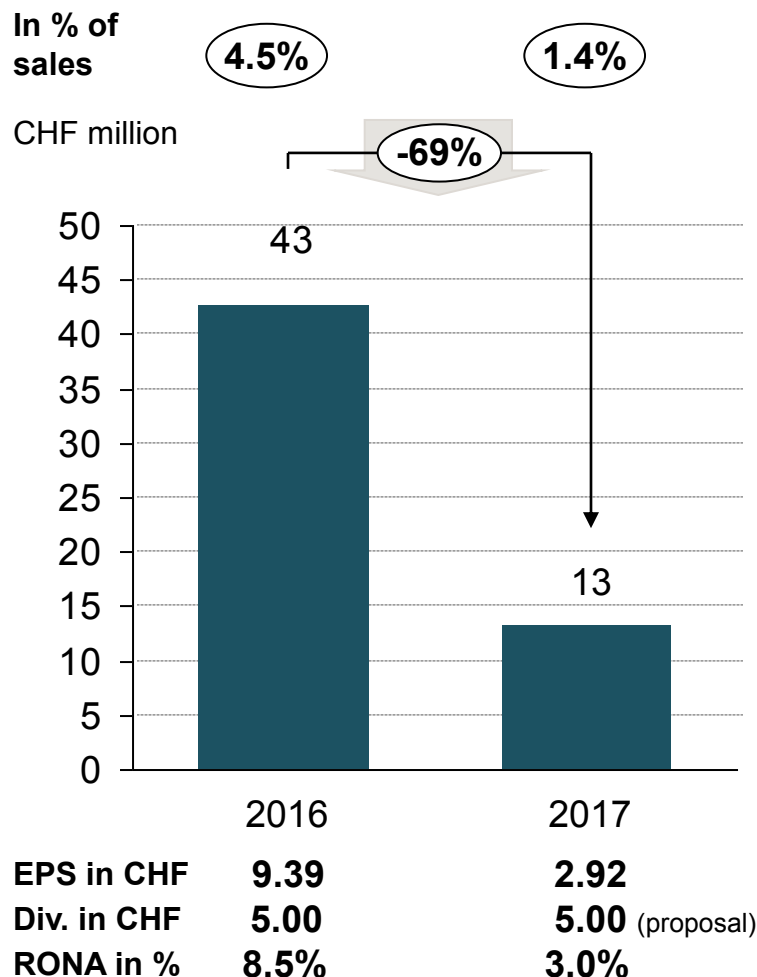


- Business Group Machines & Systems: decrease in operating profitability in 2017 due to lower volumes with EBIT before restructuring charges of 0.1% of sales (2016: 0.6%)
- Business Group After Sales: increase in operating profitability to 19.0% of sales (2016: 18.0%)
- Business Group Components: decrease in operating profitability to 10.0% of total sales (2016: 12.9%) due to a weaker first semester; SSM contributed EBIT of CHF 0.6 million with effects resulting from the acquisition of CHF -7.1 million (thereof CHF -4.3 million one-time)
- Others/consolidation performed at the same level as in previous year

# Net Profit and Return on Net Assets (RONA)



## Net profit margin (1.4%) and RONA (3.0%) affected by restructuring charges



- Financial result (net) of CHF -0.5 million improved compared to previous year (2016: CHF -3.1 million)
- Tax rate declined to 17% (2016: 21%) with low profit before taxes of CHF 16.0 million in 2017
- Net result includes restructuring charges of CHF 36.0 million and a positive tax impact of CHF 7.5 million
- Earnings per share at CHF 2.92
- Despite one-time restructuring charges, Board of Directors proposes a dividend of CHF 5.00 per share – this is equal to 171% of earnings per share (2016: 53%)
- RONA decreased to 3.0% after restructuring charges



# Balance Sheet



## Improvement of net liquidity in the second semester

CHF million	<b>31/12/ 2017</b>	30/06/ 2017	<b>31/12/ 2016</b>
Total assets	<b>1 048.2</b>	1 009.0	<b>998.1</b>
Non-current assets	<b>450.0</b>	442.9	<b>344.3</b>
Net working capital	<b>37.9</b>	46.6	<b>-14.6</b>
Liquid funds	<b>244.4</b>	207.5	<b>372.6</b>
Net liquidity	<b>130.5</b>	101.3	<b>263.5</b>
Short-term financial debt	<b>7.3</b>	0.1	<b>9.1</b>
Long-term financial debt	<b>106.6</b>	106.1	<b>100.0</b>
Shareholders' equity	<b>457.5</b>	442.4	<b>460.7</b>
in % of total assets	<b>44%</b>	44%	<b>46%</b>

- Net working capital increased to CHF 37.9 million (2016: CHF -14.6 million)
- Net liquidity decreased to CHF 130.5 million mainly affected by acquisition of SSM (CHF -100.2 million) and increase in net working capital
- Dividend of CHF 22.6 million (CHF 5.00 per share) paid out in April 2017
- Long-term financial debt includes bond issued in 2014 (CHF 100.0 million, 2014 to 2020, 1.5%)
- Shareholders' equity ratio decreased to 44% (2016: 46%)

# Net Working Capital



## Decrease of net working capital in the second semester

CHF million	<b>31/12/ 2017</b>	30/06/ 2017	<b>31/12/ 2016</b>
Inventories	<b>192.4</b>	201.9	<b>163.2</b>
Trade receivables	<b>88.3</b>	82.8	<b>59.4</b>
Other current receivables	<b>73.1</b>	73.9	<b>58.6</b>
Trade payables	<b>-88.2</b>	-83.2	<b>-79.4</b>
Advance payments	<b>-77.9</b>	-94.6	<b>-86.7</b>
Other current liabilities	<b>-149.8</b>	-134.2	<b>-129.7</b>
<b>Net working capital</b>	<b>37.9</b>	46.6	<b>-14.6</b>

Increase in net working capital compared to previous year mainly as a result of the following effects:

- higher inventories (planned deliveries in early 2018 and SSM)
- higher trade receivables (late deliveries in 2017 with cash collection in 2018)
- SSM with net working capital of CHF 6.2 million at December 31, 2017

# Capital Expenditures/Depreciation & Amortization

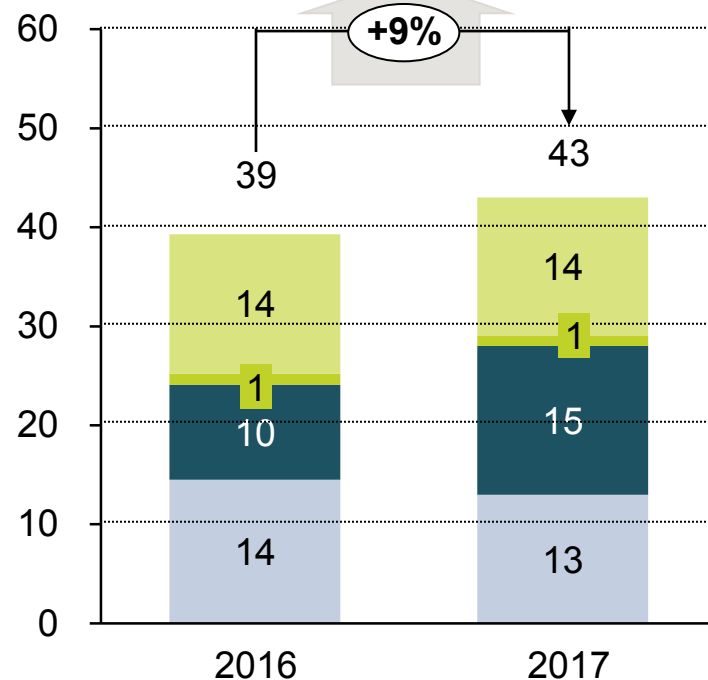
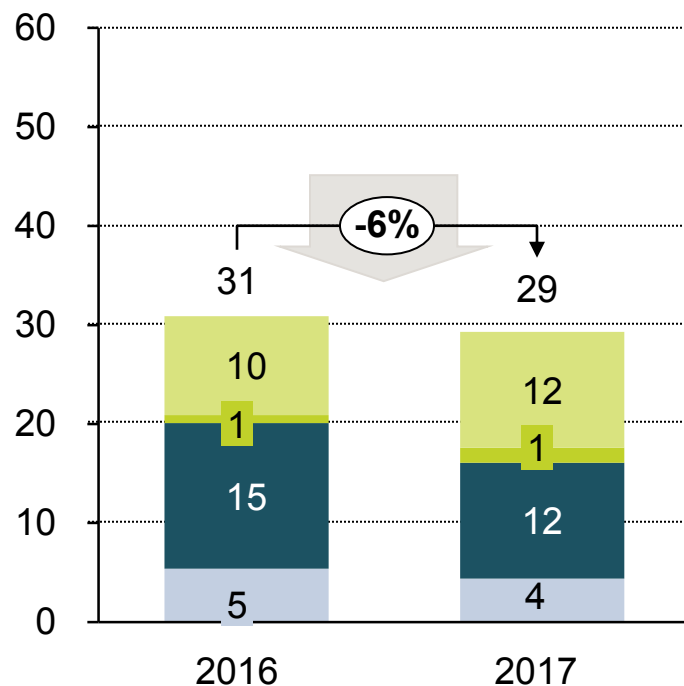


## Capital expenditures below the level of depreciation/amortization

CHF million

### Capital expenditures

### Depreciation & amortization



# Free Cash Flow



## Free cash flow affected by acquisition and increase in net working capital

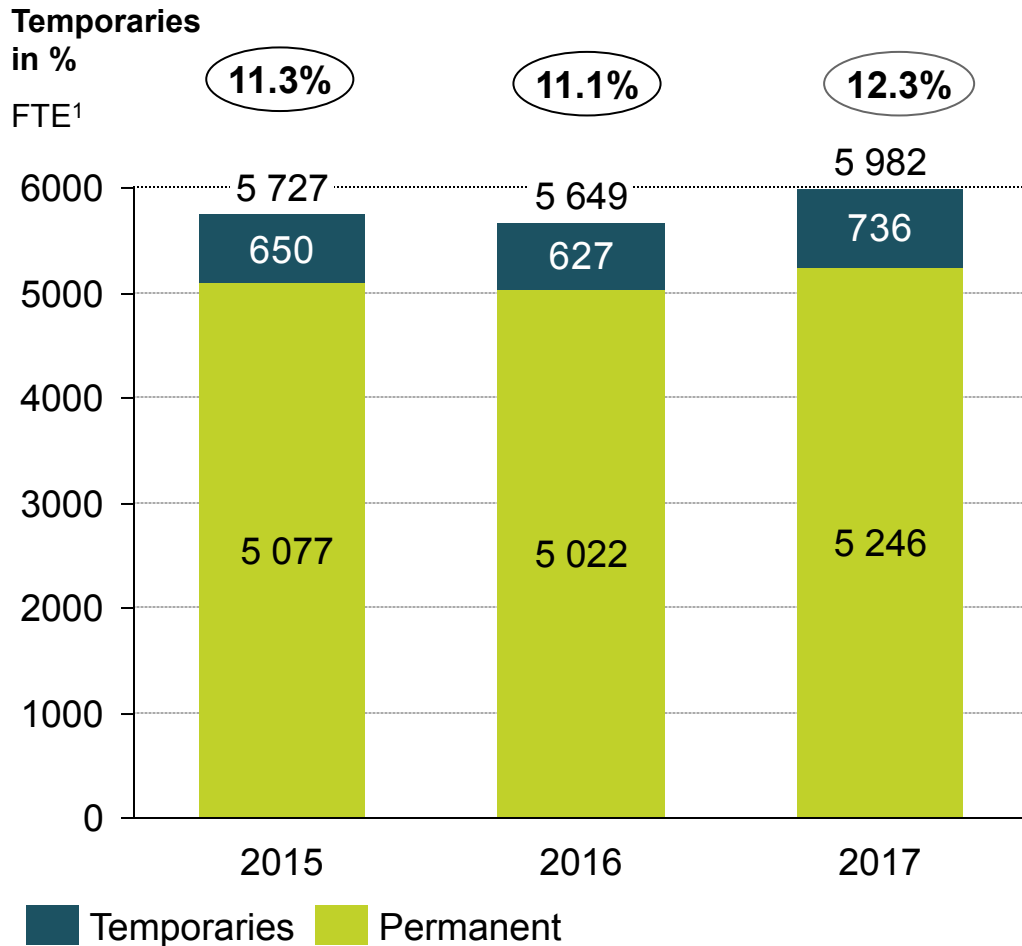
CHF million	2017	2016
Net profit	13.3	42.7
Interest expense (net)	1.8	2.6
Tax expense	2.7	11.1
Depreciation and amortization	48.9	39.3
+/- Non-cash items	-3.6	-2.5
+/- Change in NWC and provisions	-30.6	24.2
+/- Interest paid/received (net)	-1.0	-0.8
+/- Taxes paid	-10.9	-14.4
+/- Capital expenditure, net	-27.4	-27.4
+/- Change in other financial assets	5.7	1.5
- Acquisition	-100.2	-
<b>Free cash flow (after acquisition)</b>	<b>-101.3</b>	<b>76.3</b>

In 2017, free cash flow was affected mainly by the acquisition of SSM (CHF-100.2 million) and increase in net working capital

Depreciation and amortization includes impairment losses of CHF 6.1 million in 2017

# Changes in Workforce

**Increase in workforce mainly as a result of the acquisition of SSM**



- SSM workforce of 256 employees included in 2017
- Without SSM, the permanent workforce reduced marginally to 4 990

<sup>1</sup> FTE = Full time equivalent, excluding apprentices, including temporary employees

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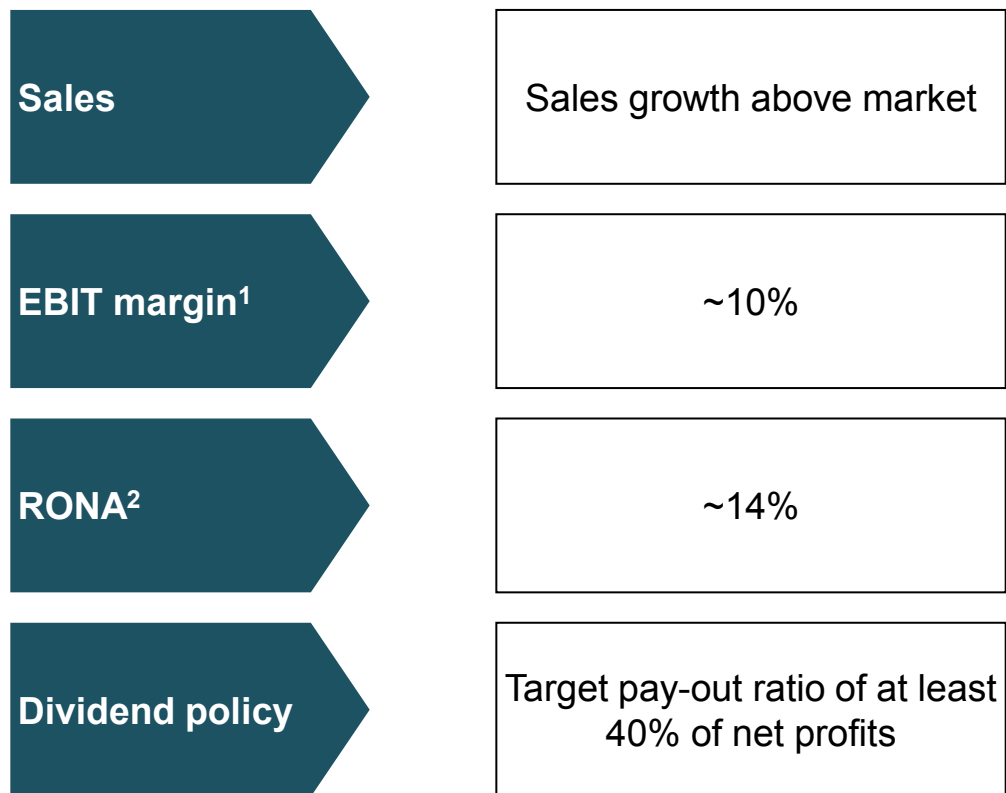
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## Rieter remains focused on STEP UP priorities

- Innovation: Product launches in 2018, extend digital offering, strong focus on ITMA Barcelona 2019
- After Sales: Achieve sales target in 2018 of CHF 166 million
- Profitability: Ingolstadt (Germany) implementation of production transfer, Winterthur (Switzerland) site development

# Strategic focus – mid-term targets



<sup>1</sup> At sales of ~1.3 CHF bn

<sup>2</sup> RONA is calculated as net result before interest costs and write-off of financial assets divided by net assets excl. financial debt



- In the first two months, demand has been on a stable level. Rieter expects this momentum to continue.
- With a stronger second semester, Rieter expects sales and profitability for 2018 to be above the level of 2017 (before restructuring charges).
- In the first semester of 2018, EBIT and net profit for the Group are expected at the level of the previous period due to the country and product mix at the Business Group Machines & Systems.

# Disclaimer

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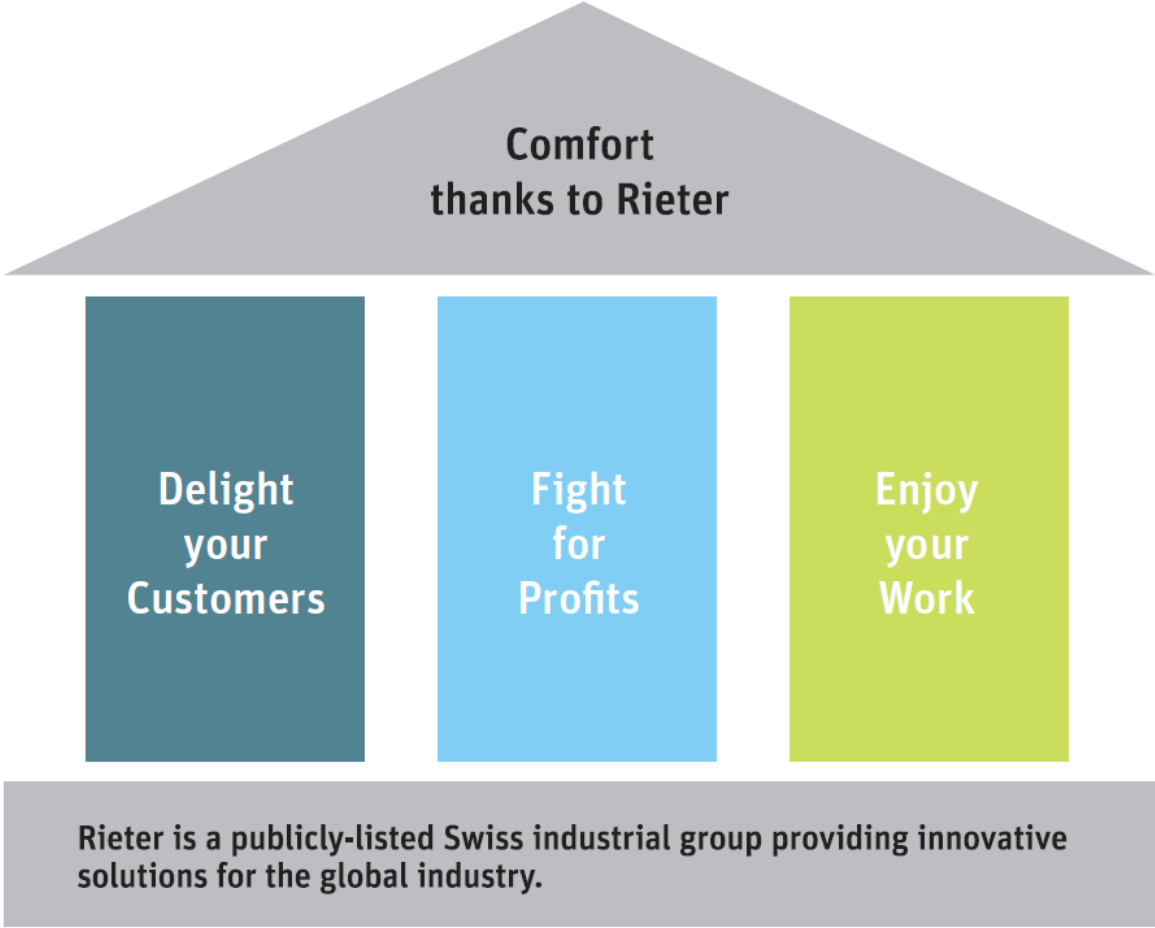


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# Group Executive Committee

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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 Bailod**  
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>31/12/2017</b>	<b>30/06/2017</b>	<b>31/12/2016</b>
Shares outstanding excl. own shares (end of period)	<b>4 524 754</b>	<b>4 528 326</b>	<b>4 515 015</b>
Average shares (of period)	<b>4 524 273</b>	<b>4 523 565</b>	<b>4 515 861</b>
Share price (end of period) CHF	<b>237.8</b>	<b>218.9</b>	<b>177.10</b>
Market capitalization (end of period) CHF million	<b>1 076</b>	<b>991</b>	<b>800</b>

# Profitability Improvement Mid-Term: 10% EBIT



## STEP UP initiatives address profitability improvement

CHF million		FY 2017	HY2 2017	HY1 2017	FY 2016
Group	Sales	<b>965.6</b>	550.4	415.2	<b>945.0</b>
	EBIT (b.r.c.)	<b>51.8</b>	35.8	16.0	<b>56.5</b>
	EBIT margin (of sales)	<b>5.4%</b>	6.5%	3.9%	<b>6.0%</b>
Machines & Systems	Sales	<b>589.5</b>	334.4	255.1	<b>603.4</b>
	EBIT (b.r.c.)	<b>0.8</b>	4.6	-3.8	<b>3.6</b>
After Sales	Sales	<b>146.3</b>	76.2	70.1	<b>141.6</b>
	EBIT (b.r.c.)	<b>27.9</b>	15.1	12.8	<b>25.5</b>
Components	Sales	<b>229.8</b>	139.8	90.0	<b>200.0</b>
	EBIT	<b>30.8</b>	18.2	12.6	<b>35.1</b>

⇒ Ingolstadt restructuring with savings of CHF 15 million as of 2019

⇒ Growth plan targeting CHF 166 million

⇒ One-off items of CHF 4.3 million in HY 2

<sup>1</sup> b.r.c. = before restructuring charges



# Return on Net Assets (RONA)



## RONA of 3.0% after restructuring charges

CHF million	31/12/2017	31/12/2016	2017	Change
Non-current assets	450.0	344.3		105.7
Inventories and receivables	353.8	281.2		72.6
Liquid funds	244.4	372.6		-128.2
<b>Total assets</b>	<b>1 048.2</b>	<b>998.1</b>		<b>50.1</b>
Non-current liabilities (excl. debt)	-160.9	-132.5		-28.4
Current liabilities (excl. debt)	-315.9	-295.8		-20.1
<b>Net assets (excl. debt)</b>	<b>571.4</b>	<b>569.8</b>	<b>547.5<sup>1</sup></b>	
Net profit 2017			13.3	
Interest cost 2017			3.3	
<b>Net profit before interest cost 2017</b>			<b>16.6</b>	
RONA 2017 in %			3.0%	

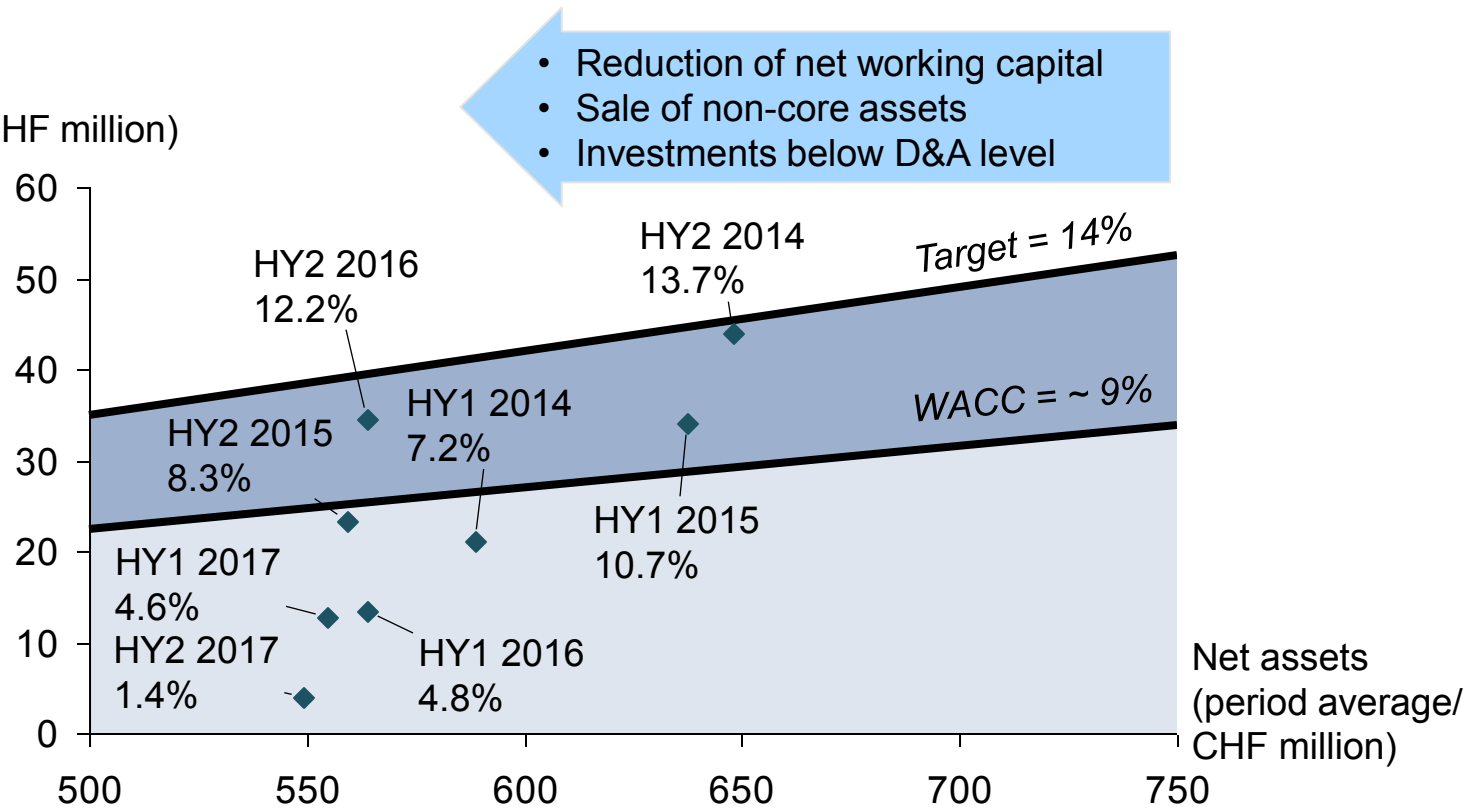
<sup>1</sup> 12 month average

# Profitability Improvement Mid-Term: 14% RONA

**Continued reduction of net assets – HY2 impacted by restructuring charges**

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

- Profitability initiatives
- Cycle management



# Winterthur Site Development

## New facility with customer and innovation center, assembly, administration



- Rieter intends to create a modern location in Winterthur on around 30 000 m<sup>2</sup>
- October 2017: Rieter launched a study contract and awarded this to five renowned Swiss architects
- March 2018: Firms submit their projects; which will then be assessed by a panel of judges
- End 2018: Final decision on realization will be taken by the Rieter Board of Directors
- In a later phase, work will begin on developing the remaining area of around 70 000 m<sup>2</sup>