

Press Release

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2004 financial year: continued growth in sales and earnings – higher dividend of 10.00 CHF proposed

- **Operating result plus 4.0%**
- **Net profit plus 18.8%**
- **Earnings per share plus 20.9%**

Rieter's consolidated sales increased last year by 1.8% (expressed in local currencies by 2.6%) to 3 173.2 million CHF, thus exceeding the previous record posted in 2001. The operating result (EBIT) rose by 4.0% to 210.5 million CHF and net profit by 18.8% to 137.8 million CHF. The Board of Directors will propose a higher dividend of 10.00 CHF per share (8.60 CHF in 2003).

Rieter can look back on a financial year in which a revival in the global economy and strong economic development in Asia were the dominant features. The momentum for this came primarily from China. The two largest economies, the US and Japan, also showed dynamic development. By contrast, the EU countries recorded much lower growth rates. The development of the textile machinery and automobile markets in the year under review was weaker than expected, due to the subduing influence of high raw material and energy costs, the weak US dollar and political uncertainties.

In this environment Rieter increased orders received in the 2004 financial year by 4.1% to 3 088.3 million CHF and sales by 1.8% to 3 173.2 million CHF. Sales growth at Automotive Systems more than compensated for the decline at Textile Systems. The two largest markets for Rieter in the year under review were North America and France, followed by China, which only ranked fourth in the year before.

Operating result improved

Rieter reported an operating result before interest and taxes (EBIT) of 210.5 million CHF on slightly higher overall sales. That is 4.0% more than in the previous year and 3.2% more than the previous record figures in 2001. This corresponds to 6.9% of corporate output (6.8% in 2003). Both divisions contributed to this positive result; a slight, volume-related decline in the high return at Textile Systems was more than offset by the improvement in earnings at Automotive Systems.

Net profit and earnings per share increased

The higher operating result and the improved financial result contributed to an 18.8% increase in Rieter's net profit compared with 2003, to 137.8 million CHF (116.0 million CHF in 2003). This is 4.5% of corporate output (3.9% in 2003). Earnings per share rose by 20.9% to 31.04 CHF (25.68 CHF in 2003).

Higher dividend

Rieter Holding Ltd. reported a net profit of 43.7 million CHF for the 2004 financial year (36.6 million CHF in 2003). Together with the retained earnings brought forward from the previous year, 63.1 million CHF are at the disposal of the Annual General Meeting. On the basis of the net profit reported and the very good balance sheet figures, the Board of Directors will propose to the Annual General Meeting of Rieter Holding Ltd. on April 28, 2005, that a higher dividend of 10.00 CHF per share (8.60 CHF in 2003) should be paid. Based on the year-end share price of 330 CHF, this results in a yield of 3.0% on Rieter shares. The total dividend paid out amounts to 41.2 million CHF.

Strategically well positioned for the future

Basing the group's activities on two industrial sectors with different market cycles and customers in all regions of market relevance throughout the world again proved its worth in 2004. The Automotive Systems Division with its internationally well-balanced customer base therefore effectively cushioned the market-related decline in sales at Textile Systems. Rieter will continue to pursue its dual strategy and invest in expanding its market presence, developing new systems and products, increasing productivity and optimizing business processes at both divisions. In this way Rieter can expand its product range as well as improve its cost position and continue to grow profitably.

Rieter Textile Systems: very good profitability and higher order intake

Rieter Textile Systems again reported very good profitability with an operating result of 114.1 million CHF (122.7 million CHF in 2003) and an EBIT margin of 10.2% (10.6% in 2003). This result was based on strict cost discipline and a good product range with various new developments in staple fiber and man-made fiber machinery as well as an international manufacturing organization with low-cost locations and flexible and motivated personnel. The largest markets for sales in 2004 were again in Asia; they accounted for almost 70% (some 61% in 2003) of Textile Systems sales. The production capacities as well as the sales organization were reinforced in China in the year under review. Although demand from China slightly weakened orders received by the Textile Systems Division increased by 1.2% to 1 091.0 million CHF in 2004.

Rieter Automotive Systems: positive development of sales and earnings

Rieter Automotive Systems posted a 5.5% increase in sales to 1 978.9 million CHF in the 2004 financial year. Expressed in local currencies, this corresponds to growth of 6.7%. The operating result improved by 13.7 million CHF to 98.3 million CHF, and the operating margin rose to 5.1% (4.6% in 2003). This was achieved against a backdrop of vehicle production at about the previous year's level in Rieter's main markets Western Europe and North America. The increase in EBIT is attributable to initial successes of the program initiated in the previous year to reduce costs and increase productivity. The acoustic segment supplied by Rieter is continuing to grow faster than vehicle output as a whole. Also the Automotive Systems Division worked intensively on establishing and expanding the market position in China. Since the beginning of 2004 Rieter has been producing acoustic components in the province of Guangdong in Southern China, for Japanese automotive manufacturers in China.

Sound finances

By virtue of its strong equity ratio, sound net liquidity and the ability continuously to generate good levels of cash flow, Rieter has a stable financial base. Cash flow increased by 9.1% to 281.8 million CHF and free cash flow by 135% to 202.2 million CHF in 2004. The action taken to optimize net working capital showed good results and contributed 69.7 million CHF to free cash flow in 2004. The high free cash flow and the reduction of some 360 000 Rieter registered shares held by the company on December 31 increased net liquidity – from minus 22.2 million CHF at the end of 2003 – significantly in the course of the year by 239.7 million CHF to 217.5 million CHF, corresponding to 8.7% of total assets. This enabled short-term bank debt to be reduced by 16.0 million CHF to 26.9 million CHF. Shareholders' equity improved in the year under review by 151.8 million CHF to 1 069.8 million CHF, equivalent to 43.0% of total assets (39.5% in 2003). This sound financial foundation is a good basis for successfully pursuing Rieter's strategy, which focuses on profitable growth.

Innovation – the driving force for profitable growth

In 2004, 135.4 million CHF was spent on research and development (128.8 million CHF in 2003). Rieter is constantly working on increasing its innovation potential to be able to keep the lead or rather extend it in comparison with the worldwide competition. For example, in autumn a new automotive development center was opened near Paris, while new, customized acoustic products, carpets and underfloor components were developed elsewhere in Europe as well as in North America and Asia. Rieter Automotive has developed new plastic underfloor components incorporating natural fibers. For the first time the natural fibers of the Abaca banana plant were used in vehicle exterior parts of an automotive series production.

The Textile Systems Division focused on the development of new spinning preparation and final spinning machines for cotton spinning mills, on the market launch of new nonwovens processes and on additions to the range of pelletizing machines.

Continuous innovation and rapid implementation in the form of marketable products are even more important for Rieter now than in the past. Early identification of the needs of markets and customers are a crucial factor here.

Outlook

Economic signals are not consistent and do not allow a precise assessment to be made of prospects in the markets of importance to Rieter in 2005. Rieter's strong position in both divisions with innovative products and solutions enables growth opportunities to be exploited in a favorable market environment. With the corresponding economic situation Rieter has opportunities to exceed sales and earnings of the previous year.

Important dates 2005

Annual General Meeting 2005	April 28, 2005
Disbursement of dividends to shareholders	May 6, 2005
Semi-annual report 2005	August 16, 2005

Further information about the year-end results as well as the Annual Report 2004 can be found at www.rieter.com (Media Kit). At www.rieter.com you can also subscribe to the mailing list for our press releases.

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All statements in this report which do not refer to historical facts are forecasts for the future 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.

Key Figures

CHF million	2004	2003	Change in %
Rieter Group			
Orders received	3 088.3	2 967.9	4.1
Sales	3 173.2	3 118.3	1.8
thereof Textile Systems	1 175.9	1 228.2	-4.3
thereof Automotive Systems	1 978.9	1 875.6	5.5
Corporate output ¹	3 054.6	2 991.3	2.1
Operating result before interest, taxes, depreciation and amortization (EBITDA)	343.1	332.7	3.1
in % of corporate output	11.2	11.1	
Operating result before interest and taxes (EBIT)	210.5	202.4	4.0
in % of corporate output	6.9	6.8	
Operating result (EBIT) Textile Systems	114.1	122.7	-7.0
in % of corporate output	10.2	10.6	
Operating result (EBIT) Automotive Systems	98.3	84.6	16.2
in % of corporate output	5.1	4.6	
Net profit	137.8	116.0	18.8
in % of corporate output	4.5	3.9	
Cash flow ²	281.8	258.3	9.1
in % of corporate output	9.2	8.6	
Net cash flow ³	255.4	245.5	4.0
in % of corporate output	8.4	8.2	
Investments in tangible fixed assets and intangible assets	120.8	128.7	-6.1
Assets	2 490.0	2 326.9	7.0
Shareholders' equity before appropriation of profit	1 069.8	918.0	16.5
Number of employees at year-end ⁴	13 557	13 316	1.8
Rieter Holding Ltd.			
Share capital	22.3	22.8	
Net profit	43.7	36.6	19.4
Gross distribution	41.2 ⁵	34.0	21.2
Number of registered shares, paid-in	4 450 856	4 569 056	-2.6
Number of registered shares, issued ⁶	4 020 633	3 983 970	0.9
Price of registered shares (high/low) ⁷	CHF 350/293	290/237	
Market capitalization on December 31	1 361.2	1 213.5	12.2
Data per registered share			
Net profit after deduction of minority interests ⁶	CHF 31.04	25.68	20.9
Net cash flow ⁶	CHF 63.52	61.62	3.1
Equity (group) ⁶	CHF 266.08	230.42	15.5
Gross distribution (Rieter Holding Ltd.)	CHF 10.00 ⁵	8.60	16.3

¹ Sales, adjustments for sales deductions and own work capitalized and changes in inventories of products manufactured by the company (further details on page 64 of the Annual Report).

² Net profit plus depreciation and amortization (further details on page 88 of the Annual Report).

³ Net cash flow (details on page 88 of the Annual Report).

⁴ Excluding apprentices and temporary employees.

⁵ Proposed by the Board of Directors (further details on page 97 of the Annual Report).

⁶ Based on average number of registered shares.

⁷ Source: Bloomberg.