

Growth in sales and earnings

April 8, 1997

Rieter Holding AG
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Dear Shareholder,

The Rieter Group recorded an increase in sales of 10% to 2200 million CHF in the past financial year. This positive trend is also reflected in earnings: the operating result before interest and taxes was 28% higher at 92.2 million CHF, and net profit rose by 16% from 57.3 to 66.3 million CHF. Cash flow increased by 15% to 156.4 million CHF, corresponding to 7.4% of corporate output (7.0% in 1995). Rieter has again succeeded in improving its key figures. Growth was due primarily to higher sales at the Automotive Systems Division, systematic cost management throughout the group and the dedicated efforts of its employees. The trend in the final two months of the financial year was especially favourable.

Rieter focuses its attention on the textile machinery and automotive supply businesses. The strategy of globalizing both industrial sectors and expanding automotive supply activities through acquisition in recent years has proved successful.

The board of directors will propose to the annual general meeting of shareholders called for May 22, 1997, that a dividend of CHF 9.– per registered share should be paid (CHF 7.– in the previous year). The board has also resolved to submit to shareholders an offer to repurchase Rieter registered shares.

		1996	1995	Change %
Rieter Group				
Sales ¹	CHF million	2200.4	2007.9	+ 9.6
Corporate output ²	CHF million	2114.4	1950.2	+ 8.4
Operating result before interest and taxes	CHF million	92.2	71.9	+ 28.2
– as a % of corporate output	CHF million	4.4	3.7	
Net profit	CHF million	66.3	57.3	+ 15.7
– as a % of corporate output	CHF million	3.1	2.9	
Cash flow ³	CHF million	156.4	136.4	+ 14.7
– as a % of corporate output	CHF million	7.4	7.0	
Capital expenditure	CHF million	110.3	83.6	+ 31.9
Number of employees at year-end ⁴		12 320	12 056	+ 2.2
– Number of employees in the Czech Republic, India and China ⁴		1887	1635	+ 15.0
– Number of employees at acquired companies ⁴		348		
Earnings per share	CHF	27.00	25.81	
Rieter Holding Ltd.				
Net profit	CHF million	23.3	20.3	+ 14.8

¹ Acquisition of Globe Industries, Inc. consolidated with effect from June 1, 1995, Fimit consolidated with effect from January 1, 1996.

² Corporate output comprises sales, adjustments for sales deductions and own work capitalized, and changes in inventories of products manufactured by the company.

³ Net profit plus ordinary and non-operating depreciation.

⁴ Excluding apprentices and temporary employees.

Continued pursuit of globalization

Growth at the Rieter Group was achieved with only a slight increase in the workforce, which grew by 2% to 12 320. This increase is due mainly to the acquisition of automotive supplier Fimit in Italy. There was a decline in the number of employees in Germany and Switzerland, while the workforce has tended to grow in countries with lower wage costs. Despite the decline in sales at Textile Systems, employee costs in the group as a proportion of corporate output were reduced again compared to the previous year. This ratio was 32.7% (32.9% in 1995).

Capital expenditure totalled 110.3 million CHF (83.6 million CHF in 1995). This increase is due entirely to the expansion of the automotive supply business, with the focus of capital expenditure on the companies in North America and France. All capital spending in the automotive supply sector at Rieter is aimed at reinforcing the manufacturing base for existing customer relationships and supporting the automotive manufacturers in their rapid globalization process. Rieter's worldwide activities also enable it to exploit efficiently the economic and currency strengths of the different economic regions.

Higher dividend and share repurchase offer

As announced on the date of the transaction, a group of investors and Rieter purchased all the registered shares held by investment company BB Industrie on March 11, 1997. This holding amounted to 34.5% of the total of 2 346 628 Rieter shares. The shares were subsequently widely dispersed among the investing public.

Rieter Holding Ltd. closed the 1996 financial year with a net profit of 23.3 million CHF (20.3 million CHF in 1995). Including retained earnings brought forward from the previous year, the annual general meeting will have 34.0 million CHF at its disposal. The board of directors will propose to the annual general meeting that a dividend of CHF 9.– per registered share should be paid (CHF 7.– in the previous year).

The board of Rieter Holding Ltd. has resolved to submit to shareholders an offer to repurchase Rieter registered shares. The terms and conditions are set out in a separate document. The effect of the transaction will be for the benefit of all shareholders, since profits will in future be divided among fewer shares, thus increasing earnings per share.

The annual general meeting will be held at 4.30 p.m. on Thursday, May 22, 1997, in Winterthur-Töss. We warmly invite you to attend.

Yours faithfully,

Rieter Holding AG



Dr. Heinrich Steinmann
Chairman of the Board of Directors



Kurt Feller
President