

Operating result and net profit doubled

Rieter Holding AG
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April 7, 1998

Dear Shareholder,

The Rieter Group can look back on an outstanding financial year in 1997, during which it increased sales and boosted earnings. The strategy of improving profitability in the textile machinery business and expanding the automotive supply business on a global scale was successful.

Sales by the Rieter Group increased by 20% to 2636 million CHF; earnings grew even faster, doubling compared with the previous year. The operating result before interest and taxes rose by 100% to 184.7 million CHF, equivalent to 7.3% of corporate output. Higher sales, the success of new products in the marketplace, the im-

plementation of cost-cutting measures and employees' efforts were the main reasons for this increase in earnings. In addition, Rieter recorded gratifying financial results in 1997. Net profit increased by 102% to 134.2 million CHF, equivalent to 5.3% of corporate output. Cash flow was 62% higher at 253.1 million CHF, equivalent to 10% of corporate output.

The board of directors will propose to the annual general meeting of shareholders to be held on May 28, 1998, that the dividend should be increased from 9 CHF to 15 CHF.

		1997	1996	Change in %
Rieter Group				
Sales ¹	CHF million	2636.2	2200.4	+ 19.8
Corporate output ²	CHF million	2539.0	2114.4	+ 20.1
Operating result before interest and taxes	CHF million	184.7	92.2	+ 100.3
– as a % of corporate output		7.3	4.4	
Net profit	CHF million	134.2	66.3	+ 102.4
– as a % of corporate output		5.3	3.1	
Cash flow ³	CHF million	253.1	156.4	+ 61.8
– as a % of corporate output		10.0	7.4	
Capital expenditure	CHF million	139.2	110.3	+ 26.2
Number of employees at year-end ⁴		12 551	12 320	+ 1.9
– Number of employees in the Czech Republic and India ⁴		1584	1854	
– Number of employees at acquired companies ⁴		1244		
Earnings per share	CHF	56.52	27.00	+109.3
Rieter Holding Ltd.				
Net profit	CHF million	36.4	23.3	+ 56.2

¹ Acquisitions of Rieter-Ello Ltda. in Brazil and Magee Rieter Automotive Systems in the USA consolidated with effect from July 1, 1997.

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 depreciation.

⁴ Excluding apprentices and temporary employees.

Efficiency improved

Compared with the previous year, the Textile Systems Division recorded significantly higher earnings. The operating result before interest and taxes amounted to 85.9 million CHF, i.e. 7.7% of corporate output. Earnings were also higher at Automotive Systems, where the operating result before interest and taxes was 106.5 million CHF, equivalent to 7.5% of corporate output.

Rieter Textile Systems		1997
Sales	CHF million	1177.5
Operating result before interest and taxes	CHF million	85.9
– as a % of corporate output		7.7

Rieter Automotive Systems		
Sales	CHF million	1445.6
Operating result before interest and taxes	CHF million	106.5
– as a % of corporate output		7.5

The group achieved this growth with only a slight increase in the workforce. The total number of employees rose by 2% to 12 551 as a result of the consolidation for the first time of Ello Ltda. in Brazil, acquired in 1997, and the Magee Rieter Automotive joint venture in the USA. Excluding these two companies, there would have been a decline of some 1000 employees. Rieter achieved a substantial reduction in labour costs as a proportion of total expenses: compared with the previous year, employee costs were reduced from 32.7% to 30.7% of corporate output.

Capital expenditure amounted to 139.2 million CHF (110.3 million CHF in 1996), and was devoted mainly to expanding the automotive supply business. Investment was focused on the companies in North and Latin America, as well as a new research centre in Switzerland. With these investments Rieter aims to secure the technological leadership of Automotive Systems, enhance its innovative capacity, reinforce its manufacturing base worldwide and thus support the automotive manufacturers in the process of globalization.

Dividend increase proposed

Due to the strong growth in profits and the reduction in share capital in April 1997, earnings per share rose by 109.3% to CHF 56.52 in the past financial year.

Rieter Holding Ltd. closed the 1997 financial year with a net profit of 36.4 million CHF (23.3 million CHF in 1996). Including the balance brought forward from the previous year, the annual general meeting has 47.0 million CHF at its disposal. The board of directors will propose to the annual general meeting that a dividend of CHF 15 per registered share should be paid (CHF 9 in 1996).

We extend a warm welcome to attend the annual general meeting, which will be held in Winterthur-Töss at 4.30 p.m. on May 28, 1998.

Yours faithfully,

Rieter Holding Ltd.



Dr. Heinrich Steinmann
Chairman of the Board of Directors



Kurt Feller
President