

Sales and earnings levels maintained in a difficult business environment

April 12, 1999

Dear Shareholder,

For the Rieter Group, the 1998 financial year fell into two distinct halves. Following the pleasing first half, the economic crises in Asia, Russia and Latin America left their mark on the trend of business in the final two quarters. Despite these negative economic factors, the Rieter Group succeeded in maintaining sales and net profit for 1998 at much the same levels as in the previous year.

2643 million CHF, sales by the Rieter Group were slightly higher than in 1997. The operating result before interest and taxes declined by 10.3% to 165.7 million CHF, equivalent to 6.5% of corporate output. This fall was due primarily to reduced

sales and lower capacity utilization in the second half of the year. Due to good financial results, net profit amounted to 129.4 million CHF, equivalent to 5.1% of corporate output, thus almost equalling the previous year's figures. Cash flow was 7.9% lower at 233.2 million CHF, equivalent to 9.2% of corporate output.

The board of directors will propose to the annual general meeting called for May 27, 1999, that an unchanged dividend of 15 CHF per registered share should be paid.

		1998	1997	Change in %
Rieter Group				
Sales ¹	CHF million	2643.0	2636.2	0.3
Corporate output ²	CHF million	2546.2	2539.0	0.3
Operating result before interest and taxes	CHF million	165.7	184.7	-10.3
as a % of corporate output		6.5	7.3	
Net profit	CHF million	129.4	134.2	-3.6
as a % of corporate output		5.1	5.3	
Cash flow ³	CHF million	233.2	253.1	-7.9
as a % of corporate output		9.2	10.0	
Capital expenditure	CHF million	141.4	139.2	1.6
Number of employees at year-end ⁴		12 266	12 551	-2.3
Number of employees in the Czech Republic and India ⁴		1547	1584	
Earnings per share	CHF	54.91 ⁵	56.52	-2.8
Rieter Holding Ltd.				
Net profit	CHF million	38.6	36.4	6.0

¹ Acquisition of Rieter Elio Ltda., Brazil, and Magee Rieter Automotive, 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.

⁵ Based on average number of registered shares.

		1998	1997	Change in %
Rieter Textile Systems				
Sales	CHF million	989.0	1177.5	- 16.0
Operating result before interest and taxes	CHF million	64.8	85.9	- 24.6
- as a % of corporate output		6.9	7.7	
Rieter Automotive Systems				
Sales	CHF million	1641.4	1445.6	13.5
Operating result before interest and taxes	CHF million	110.1	106.5	3.4
- as a % of corporate output		6.9	7.5	

Impact of the market environment

Sales of 989 million CHF by the Textile Systems Division in 1998 were 16% lower than in the previous year. The operating result before interest and taxes amounted to 64.8 million CHF, equivalent to 6.9% of corporate output; this figure declined more rapidly than sales due to the abrupt fall in volumes in the second half. However, a product range which has been well received by the market, together with the steps taken in previous years with a view to lowering the break-even point, enabled Textile Systems to preserve margins to a large extent.

At the Automotive Systems Division sales increased by 14% to 1641 million CHF and the operating result before interest and taxes by 3% to 110.1 million CHF. The strike at General Motors in the USA, the crisis in Brazil and the cost of establishing new production facilities had an impact on the development in operating returns, which amounted to 6.9% of corporate output.

The Rieter Group generated its sales with marginally fewer personnel than in the previous year. The workforce totalled 12 266

employees at year-end. The reduction was mainly due to productivity gains and adjustments to capacity at Textile Systems in response to the economic situation.

Capital expenditure totalled 141.4 (vs. 139.2) million CHF, and focused mainly on improving the innovative capacity and establishing facilities in new markets and in countries with lower labour costs. Capital expenditure in the automotive supply business (104.2 million CHF) was higher than in the textile machinery business.

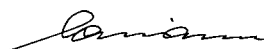
Shareholders

Rieter Holding Ltd. closed the 1998 financial year with a net profit of 38.6 million CHF. Including retained earnings brought forward from the previous year, 48.7 million CHF is at the disposal of the annual general meeting. The board of directors will propose to the annual general meeting that an unchanged dividend of 15 CHF per registered share should be paid.

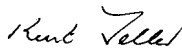
The annual general meeting will be held at 4.30 p.m. on Thursday, May 27, 1999, in Winterthur-Töss. You are warmly invited to attend.

Yours faithfully,

Rieter Holding Ltd.



Dr. Heinrich Steinmann
Chairman of the Board of Directors



Kurt Feller
President