

2000 financial year: pleasing growth in sales and earnings

The Rieter Group reported a pleasing increase in sales and earnings in the 2000 financial year. Growth momentum was especially pronounced in the textile machinery business. Automotive supply activities also recorded an increase in sales, despite stagnating markets. As a consequence of the positive sales trend and active cost management, Rieter posted a sharp rise in operating results and net profit. Both divisions, Textile Systems and Automotive Systems, developed their business through internal growth and through acquisitions which reinforced and expanded their core competences.

Rieter Holding AG
Schlossalstrasse 43
CH-8406 Winterthur
Phone +41 52/208 71 71
Fax +41 52/208 70 60

Dear shareholders,

The Rieter Group recorded a 20.3% increase in sales to 2931.0 million CHF in the year 2000. The group's growth momentum was attributable in particular to the healthy trend of business at Rieter Textile Systems. Sales growth and ongoing cost management resulted in pleasing earnings growth by the group. Compared with the previous year, the operating result before interest and taxes increased by 47% to 199.5 million CHF, equivalent to 7.0% of corporate output. This increase was due in particular to the disproportionate rise in earnings at Textile Systems. Net profit was also 18% higher at 146.0 million CHF or 5.1% of cor-

porate output. This outcome was achieved despite an increase of 4.7 percentage points in the tax charge and a decline of 23.6 million CHF in the net financial result. Cash flow increased from 230.8 million to 271.7 million CHF, equivalent to 9.6% of corporate output. Earnings per share rose by 15% to 31.22 CHF.

In view of the more difficult market conditions, it will be a considerable challenge for the Rieter Group to exceed the previous year's sales and earnings figures in the 2001 financial year.

Key statistics – Rieter Group

		2000	1999	Change in %
Sales	CHF m	2931.0	2435.4	20.3
Corporate output	CHF m	2841.8	2364.7	20.2
Operating result before interest and taxes	CHF m	199.5	135.3	47.5
– as a % of corporate output		7.0	5.7	
Net profit	CHF m	146.0	124.0	17.7
– as a % of corporate output		5.1	5.2	
Cash flow	CHF m	271.7	230.8	17.7
– as a % of corporate output		9.6	9.8	
Number of employees at year-end		12 232	11 262	8.6

Rieter Textile Systems

Key statistics		2000	1999	Change in %
Orders received	CHF m	1114.4	641.8	73.6
Sales	CHF m	1089.9	754.2	44.5
Operating result before interest and taxes	CHF m	89.1	27.7	221.7
– as a % of corporate output		8.5	3.8	
Number of employees at year-end		4193	3652	14.8

Successful financial year

Rieter Textile Systems took advantage of the favourable market conditions prevailing in the year 2000 with an innovative range of products. Compared with 1999, order intake increased by 73.6% to 1114.4 million CHF, and sales by 44.5% to 1089.9 million CHF. Good capacity utilization levels and ongoing rigorous cost management resulted in a striking improvement in earnings. The operating result before interest and taxes increased almost three-fold, rising by 61.4 million CHF to 89.1 million CHF; this is equivalent to 8.5% of corporate output (3.8% in 1999). This outcome was achieved by price discipline and the measures initiated in earlier years to increase earning power. The enhanced flexibility of manufacturing structures also proved its worth in coping with much higher order levels in the staple fiber machinery sector.

Strategic expansion

With the acquisition of units of the French-based ICBT Group in the spring of 2000, Rieter Textile Systems took a decisive step in the implementation of its growth strategy. The division has become a systems supplier for carpet yarns and industrial yarns, reinforced its market position in texturing machinery and gained access to addi-

tional market segments such as nonwovens production machinery and glass fiber twisting machinery. These companies have been consolidated since May 1 and contributed 171 million CHF of sales to Textile Systems. The division's earnings trend was slightly depressed by the process of integrating the units from ICBT and the introduction of improved production processes.

As announced at the end of March 2001, Rieter Textile Systems will progressively acquire the textile machinery activities of the German-based Suessen Group. Rieter will thus reinforce its innovative thrust in textile machinery manufacturing and aims to become the world's largest supplier of spare parts, wearing parts and retrofit components for staple fiber machinery.

Expectations for the 2001 financial year

Rieter Textile Systems expects demand on the world market for staple fiber machinery to ease slightly in the current year. The market for man-made fiber machinery will remain generally subdued. Despite these market conditions, Rieter Textile Systems aims to exceed the previous year's sales and earnings figures in 2001 by virtue of the healthy level of orders in hand, the consolidation of the ICBT units for a full financial year and the acquisition of Suessen.

Rieter Automotive Systems

Key statistics		2000	1999	Change in %
Sales	CHF m	1824.9	1662.5	9.8
Operating result before interest and taxes	CHF m	107.2	114.7	- 6.5
– as a % of corporate output		6.0	7.1	
Number of employees at year-end		7721	7306	5.7

Growth and new model launches

Despite stagnating vehicle output in western Europe and the Nafta region, the division's two main markets, Rieter Automotive Systems recorded pleasing growth. Sales were 9.8% higher at 1824.9 million CHF, but were significantly lower in the second half of the year than in the first six months due to the economic slowdown in the USA.

Declining sales and higher expenditure on new model launches in both main markets had a negative impact on the earnings trend at Automotive Systems in the second half of 2000. However, these production start-ups are launching major series featuring new materials, processes and technologies which will generate growth in sales and earnings in the years to come. The division's operating result before interest and taxes amounted to 107.2 million CHF or 6.0% of corporate output (114.7 million CHF and 7.1%, respectively, in 1999).

Future potential as an acoustic integrator

In the year 2000 Automotive Systems established itself in both its main markets as an innovative systems supplier with the Rieter Ultra Light acoustic system. The division received more large orders for this product, and these will generate growth in the years to come. With this system

Automotive Systems has taken a decisive step in implementing its strategy of becoming a global acoustic integrator for the automotive industry. In the year 2000 Automotive Systems worked intensively on the further development and new potential applications of Rieter Ultra Light.

With its majority holding in Idea Institute, a design, styling and engineering company, Automotive Systems has expanded its know-how in automotive engineering and is thus in a position to extend its competitive edge in vehicle acoustics. This partnership with Idea Institute has been very well received by customers and has resulted in additional orders. The company has been consolidated since August 1, 2000, and contributed 19 million CHF to the division's growth.

Expectations for the 2001 financial year

Compared with 2000, Rieter Automotive Systems expects the market trend in western Europe to be unchanged at best and vehicle output in the Nafta region to be substantially lower in the current financial year. In view of this market outlook, it will be a considerable challenge for Automotive Systems to maintain sales and earnings at the previous year's level.

Consolidated income statement

		2000	1999
Sales	CHF m	2931.0	2435.4
Sales deductions/change in inventories	CHF m	- 89.2	- 70.7
Corporate output	CHF m	2841.8	2364.7
Material costs	CHF m	- 1'276.4	- 1'006.4
Employee costs	CHF m	- 842.0	- 757.8
Operating expense	CHF m	- 400.1	- 354.8
Depreciation	CHF m	- 123.8	- 110.4
Operating result before interest and taxes	CHF m	199.5	135.3
Financial expense	CHF m	- 33.0	- 28.1
Financial income	CHF m	44.7	63.4
Other expenses/income	CHF m	- 7.5	- 8.3
Taxes	CHF m	- 57.7	- 38.3
Net profit	CHF m	146.0	124.0
Minority shareholders' interest in net profit	CHF m	- 17.1	- 12.2
Net profit after deduction of minority interests	CHF m	128.9	111.8
Earnings per share			
- with average number of registered shares	CHF	31.22	27.10

Consolidated balance sheet

		December 31, 2000	December 31, 1999
Fixed assets	CHF m	966.6	864.0
Current assets	CHF m	1462.1	1292.2
Assets	CHF m	2428.7	2156.2
Shareholders' equity	CHF m	919.6	825.7
Long-term liabilities	CHF m	635.8	683.1
Short-term liabilities	CHF m	873.3	647.4
Liabilities	CHF m	2428.7	2156.2
Equity ratio	in %	37.9	38.3

Consolidated statement of cash flows

		2000	1999
Net profit	CHF m	146.0	124.0
Depreciation	CHF m	125.7	106.8
Cash flow	CHF m	271.7	230.8
Change in net current assets	CHF m	49.0	- 53.7
Cash provided by operations	CHF m	320.7	177.1
Cash used for investing activities	CHF m	- 259.5	- 86.1
[of which capital expenditure]	CHF m	[- 122.9]	[- 100.9]
Increase in share capital/share repurchase	CHF m	4.6	- 80.5
Cash provided by financing activities	CHF m	- 46.7	- 19.0
Change in liquid funds	CHF m	19.1	- 8.5
Reclassification of holding of own shares	CHF m	0.0	- 39.5
Liquid funds at beginning of year	CHF m	398.9	446.9
Liquid funds at end of year	CHF m	418.0	398.9

Annual general meeting

Dividend increase

Rieter Holding Ltd. closed the 2000 financial year with a net profit of 45.3 million CHF (39.1 million CHF in the previous year). Including retained earnings brought forward from the previous year, 60.7 million CHF is at the disposal of the annual general meeting. The board of directors will propose to the annual general meeting that a dividend of 8.60 CHF per registered share should be paid. This corresponds to an increase of 15% compared with the previous year.

The board of directors will propose Dieter Spälti, entrepreneur, for election as an additional member of the board by the annual general meeting.

The annual general meeting will be held on Wednesday, May 30, 2001, in Winterthur-Töss. You are warmly invited to attend.

Yours faithfully,

Winterthur, April 9, 2001

Rieter Holding Ltd.



Kurt Feller

Chairman of the Board of Directors



Erwin Stoller

CEO Rieter

Textile Systems



Matti Paasila

CEO Rieter

Automotive Systems

The results press conference of Rieter Holding Ltd. will be held in Winterthur at 10 a.m. on Wednesday, April 11, 2001.