

Rieter Holding Ltd.

2000 semi-annual report

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Rieter Group: Sales growth and striking increase in profitability

Winterthur, August 25, 2000

Dear shareholder,

The Rieter Group recorded a very encouraging trend of business in the first half of 2000. Compared with the same period of the previous year, orders received were 39% higher at 1560 million CHF and sales rose by 20% to 1416 million CHF. Both divisions of the Rieter Group, operating in the textile machinery and automotive supply sectors, showed positive development. Following the market-induced setback in the previous year, the Textile Systems Division recorded a sharp increase in sales in conjunction with the cyclical upturn on the world market for textile machinery. At the Automotive Systems Division the favourable trend of the second half of 1999 was maintained. Exchange rate movements had a positive impact of 5 percentage points on group sales and 4 percentage points on orders received. The textile machinery activities acquired from the ICBT Group in France contributed 5 percentage points to sales growth.

The increase in sales and further rigorous cost management at the Rieter Group resulted in a striking rise in profitability in the first half of 2000. The operating result before interest and taxes increased by 76% to 104.3 million CHF, equivalent to 7.5% of corporate output (59.3 million CHF and 5.2%, respectively, in 1999). Net profit increased by 57% to 82.6 million CHF, equivalent to 5.9% of corporate output. Cash flow of 142.4 million CHF was

33% higher and equivalent to 10.2% of corporate output (9.3% in the previous year).

The Rieter Group achieved this growth with only a slight increase in personnel numbers, which totalled 11 897 at mid-year (11 499). This increase is mainly due to the acquisition of the ICBT units.

The annual general meeting of Rieter Holding Ltd. held on May 25, 2000, approved a general revision of the articles of association. The main changes are the removal of restrictions on registration and voting rights and a 2-for-1 split of Rieter shares.

For the 2000 financial year as a whole Rieter is expecting substantially higher sales and earnings compared with the previous year.

Key statistics – Rieter Group

		Jan.–June 2000 ¹	Jan.–June 1999	Change in %	At previous year's exchange rates
Sales	CHF m	1416	1184	20	15
Corporate output	CHF m	1390	1149	21	
Operating result before interest and taxes	CHF m	104.3	59.3	76	
– as a % of corporate output		7.5	5.2		
Net profit	CHF m	82.6	52.7	57	
– as a % of corporate output		5.9	4.6		
Cash flow	CHF m	142.4	107.2	33	
– as a % of corporate output		10.2	9.3		
Number of employees on June 30		11 897	11 499	3	
Market capitalization on June 30	CHF m	2313	1964	18	
Registered shares entitled to dividend on June 30 ²		4 205 526	4 205 526		
Average number of registered shares entitled to dividend ²		4 205 526	4 258 238		
Data per registered share²					
Net profit after deduction of minority interests	CHF	17.33	11.11	56	
Cash flow after deduction of minority interests	CHF	31.55	23.90	32	
Prices (high/low)	CHF	571/461	472/395		

¹ Acquisition of two business units from ICBT, France, consolidated with effect from May 1, 2000.

² Figures adjusted to take account of the 2-for-1 share split.

Rieter Textile Systems: very pleasing sales and earnings trend

Following the reversal in the trend on the world market for textile machinery in the second half of 1999, demand rose steeply in the first half of 2000. This was especially the case for staple fiber machinery, while the world market for manmade fiber machinery is making only a slow recovery. The market for nonwoven production machinery has developed positively.

Rieter Textile Systems benefited strongly from the favourable economic conditions by virtue of its attractive products and very good market position. Orders received by the division doubled in comparison with the same period of the previous year to 613 million CHF. It should be noted here that the first half of 1999 was characterized by extremely adverse market conditions. Sales increased by 31% to 469 million CHF. Exchange rate movements had only a marginal impact on orders received and sales recorded by the division.

Good capacity utilization enabled Textile Systems to increase the operating result before interest and taxes to 41.2 million CHF. This is equivalent to 8.9% of corporate output (6.9 million CHF and 2.0%, respectively, in 1999). Textile Systems maintained rigorous cost management and was able to hold price levels constant even during the cyclical trough, thus contributing to this pleasing outcome.

In April 2000, Rieter acquired the non-woven production machinery and yarn processing machinery operations of the ICBT Group in France. These units have been consolidated since May 1, 2000, and contributed 52 million CHF to the division's corporate output. The acquisition also had a positive impact on operating results at Textile Systems. This important strategic move gives Rieter Textile Systems access to the highly promising non-wovens manufacturing market and expands its systems offering in the man-made fiber sector.

Expectations for the 2000 financial year

Demand on the world market for textile machinery is expected to remain healthy in the second half of 2000. Based on the high level of orders received in the first half and with the consolidation of the ICBT operations for a further six months, sales and earnings at Rieter Textile Systems will be much higher in the 2000 financial year than in 1999.

Key statistics – Rieter Textile Systems

		Jan.–June 2000	Jan.–June 1999	Change in %	at previous year's exchange rates
Orders received	CHF m	613	297	106	107
Sales	CHF m	469	358	31	29
Operating result before interest and taxes	CHF m	41.2	6.9	497	
– as a % of corporate output		8.9	2.0		
Number of employees on June 30		4001	3840	4	

Rieter Automotive Systems: strong organic growth

In the first half of 2000 Rieter Automotive Systems posted sales of 941 million CHF, an increase of 15% compared with the previous year. This growth was achieved without acquisitions. Vehicle output in western Europe and Nafta, Automotive Systems' main markets, displayed a more favourable trend than was forecast at the beginning of the year. Compared with the first half of 1999, the increase amounted to 3.5% in western Europe and 5.9% in Nafta. In both regions Automotive Systems' sales grew faster than the market as a whole. Model changes in large-volume vehicle types also had a positive impact on the trend of business at the division. These model changes had had an adverse effect on sales trends in the first half of 1999. Exchange rate movements had a positive impact of 6 percentage points on growth at Automotive Systems.

Despite intensified pressure on prices, the increase in sales and improved productivity generated a 23% increase in the operating result before interest and taxes to 68.5 million CHF. This is equivalent to 7.4% of corporate output (55.5 million CHF and 7.0%, respectively, in 1999).

Healthy demand for the Rieter Ultra Light acoustic system continued in the first half of 2000. This pioneering innovation enables vehicle weights to be reduced considerably with unchanged or improved acoustic properties. Automotive Systems has received further large orders for Rieter Ultra Light which will generate substantial additional growth from the year 2003 onwards.

As already announced on August 2, Rieter has acquired a majority holding in Idea Institute, the Italian design and engineering company based in Turin. Idea Institute is a recognized development partner of international car manufacturers. This in-

vestment represents a further important step in Automotive Systems' strategy to establish itself as a leading global acoustic integrator and full-service supplier for the automotive industry.

Expectations for the 2000 financial year

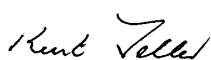
Rieter Automotive Systems expects vehicle output in its main western European and Nafta markets to slacken slightly in the second half of 2000. The division's sales and earnings in the 2000 financial year will probably be higher than in 1999.

Key statistics – Rieter Automotive Systems

		Jan.–June 2000	Jan.–June 1999	Change in %	at previous year's exchange rates
Sales	CHF m	941	816	15	9
Operating result before interest and taxes	CHF m	68.5	55.5	23	
– as a % of corporate output		7.4	7.0		
Number of employees on June 30		7594	7357	3	

Yours faithfully,

Rieter Holding Ltd.



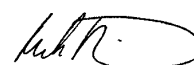
Kurt Feller

Chairman
of the board of directors



Erwin Stoller

CEO Rieter Textile Systems



Matti Paasila

CEO Rieter Automotive Systems

Consolidated income statement

		January–June 2000	January–June 1999
Sales	CHF m	1415.5	1183.6
Sales deductions/change in semi-finished and finished goods	CHF m	– 25.1	– 35.1
Corporate output	CHF m	1'390.4	1'148.5
Material costs	CHF m	– 618.3	– 475.7
Operating costs	CHF m	– 667.8	– 613.5
Operating result before interest and taxes	CHF m	104.3	59.3
Other expenses/income	CHF m	6.2	14.8
Taxes	CHF m	– 27.9	– 21.4
Net profit	CHF m	82.6	52.7
Minority shareholders' interest in net profit	CHF m	– 9.7	– 5.4
Net profit after deduction of minority interests	CHF m	72.9	47.3

The consolidated semi-annual statements have been drawn up according to the same accounting principles as the 1999 annual statements. The units acquired in April from the ICBT Group in France have been added to the scope of consolidation.

Rieter Holding Ltd. makes a single dividend payment in each financial year. No distribution is due at the half-year stage. The data per registered share relate to values after the 2-for-1 split of the shares on June 19, 2000.

The semi-annual report has not been audited by the external auditors.

Consolidated balance sheet

		June 30, 2000	December 31, 1999
Fixed assets	CHF m	946.5	864.0
Current assets	CHF m	1435.4	1292.2
Assets	CHF m	2381.9	2156.2
Shareholders' equity	CHF m	878.8	825.7
Long-term liabilities	CHF m	701.3	683.1
Short-term liabilities	CHF m	801.8	647.4
Shareholders' equity and liabilities	CHF m	2381.9	2156.2
Equity ratio	in %	36.9	38.3

Consolidated statement of cash flows

		January–June 2000	January–June 1999
Net profit	CHF m	82.6	52.7
Depreciation	CHF m	59.8	54.5
Cash flow	CHF m	142.4	107.2
Change in working capital	CHF m	– 11.4	– 72.6
Cash provided by operations	CHF m	131.0	34.6
Cash used for investing activities/acquisitions	CHF m	– 101.8	– 32.8
Share repurchase	CHF m	0.0	– 85.0
Change provided by financing activities	CHF m	– 69.4	44.4
Change in liquid funds	CHF m	– 40.2	– 38.8
Liquid funds at beginning of year	CHF m	398.9	446.9
Liquid funds at June 30	CHF m	358.7	408.1

Changes in equity

		June 30, 2000	December 31, 1999
Shareholders' equity at end of previous year	CHF m	825.7	798.6
Dividend payment	CHF m	– 31.5	– 32.9
Currency effects; other	CHF m	– 3.5	18.4
Net profit after deduction of minority interests	CHF m	72.9	111.8
Profit on holding own shares	CHF m	6.1	4.3
Increase in share capital/capital repayment	CHF m	0.0	– 80.5
Change in holdings of own shares	CHF m	9.1	6.0
Shareholders' equity at end of reporting period	CHF m	878.8	825.7

Exchange rates of the main currencies vs. CHF

	Average annual rates				Closing rates			
	1st half 2000	1st half 1999	Change in %	1999	June 30, 2000	June 30, 1999	Change in %	Dec. 31, 1999
1 USD	1.66	1.47	13	1.50	1.63	1.55	5	1.59
1 GBP	2.59	2.38	9	2.43	2.48	2.44	2	2.57
1 Euro	1.58	1.60	– 1	1.60	1.56	1.60	– 3	1.60