

Trend in sales and order intake improved in the second half of 1999

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

Changes in the board of directors and the group executive committee

February 3, 2000

Dear Shareholder,

Despite adverse market conditions in the textile machinery sector, orders received by the Rieter Group in the 1999 financial year totalled 2311 million CHF, equivalent to a decline of only 4% compared with the previous year. Sales were 8% lower at 2422 million CHF. Sales by the Automotive Systems Division of 1658 million CHF were slightly higher than in the previous year, while the figure of 753 million CHF at Textile Systems was 24% lower under the influence of the economic crises in Asia and Latin America. Sales in both divisions were higher in the second half than in the first six months. Compared with the previous year exchange rates had virtually no impact on group sales and orders received.

In response to the difficult business environment and in order to increase productivity, the workforce of the Rieter Group was reduced by 8% to 11 262 employees in 1999. Reductions were made in both divisions.

Net profit will be slightly lower than in 1998 and the operating result before interest and taxes will not reach the previous year's level. However, earnings as a whole developed better in the second half of the year than in the first.

Dr. Heinrich Steinmann, Chairman of the Board of Rieter Holding Ltd., will retire from the board when his term of office expires at the annual general meeting on May 25, 2000. The board has elected Kurt Feller, President and Chief Executive Officer, to succeed him as chairman of the board.

Rieter Group		1999	1998	Change in %	
				actual	at 1998 exchange rates
Orders received	CHF million	2311	2416	- 4.4	- 4.2
- Textile Systems	CHF million	642	762	- 15.7	- 15.5
- Automotive Systems	CHF million	1658	1641	1.0	1.2
- Other companies	CHF million	11	13		
Sales	CHF million	2422	2643	- 8.4	- 8.4
- Textile Systems	CHF million	753	989	- 23.8	- 24.0
- Automotive Systems	CHF million	1658	1641	1.0	1.2
- Other companies	CHF million	11	13		
Number of employees at year-end		11 262	12 266	- 8.2	

Textile Systems: historic slump in demand overcome

The world market for textile machinery has been characterized by a historic slump in demand since autumn 1998. Under the influence of the continuing financial crises in major markets, sales by the Textile Systems Division declined by 24% in 1999 compared with the previous year, to 753 million CHF. Orders received were 16% lower at 642 million CHF. Order intake was especially weak in the first six months, but improved by 16% in the second half compared with the first.

As announced in 1998, Textile Systems reduced its workforce by some 500 persons in the 1999 financial year for cyclical and structural reasons. The number of employees was reduced mainly in Germany, the UK and Switzerland. The reduction also includes the discontinuation of foundry operations in Winterthur at the end of 1999.

Price discipline, attractive products, efficient cost management and the action already taken in earlier years to increase flexibility enabled Textile Systems to record a positive operating result before interest and taxes, despite the steep decline in sales.

Automotive Systems: slightly higher sales

Rieter Automotive Systems posted a 1% increase in sales to 1658 million CHF in 1999. This rise was due entirely to organic growth. As a result of market weakness in certain regions and new model launches, growth at Automotive Systems in the first six months was lower than that of the world market; the growth rate in the second half was again above that recorded by the market. The trend in vehicle output varied widely in the different countries in 1999; it declined in Italy, the UK and Brazil in particular. Automotive

Systems secured further substantial orders in Europe and North America in 1999 for its innovative Rieter Ultra Light acoustic system, and these will generate additional sales growth in the years to come.

The division's operating result before interest and taxes will probably be at much the same level as in 1998.

Board of Directors and Group Executive Committee


Concurrently with the changes in the board of directors, the function of President and Group CEO will be discontinued. Matti Paasila will be responsible as CEO for the Automotive Systems Division, Erwin Stoller as CEO for the Textile Systems Division. Hartmut Reuter will head the newly created Corporate Center. Hans Rudolf Widmer remains Chief Financial Officer. These organizational changes will strengthen the group's two industrial operations, promote divisional responsibility and development in the context of the dual strategy, and ensure management continuity. The new organization will come into effect after the annual general meeting.

Shareholders

The final figures for the 1999 financial year will be announced at the results press conference on April 14. Any proposals regarding the agenda for the annual general meeting called for May 25, 2000, must be submitted to Rieter Holding Ltd., Office of the Group Secretary, Schlosstalstrasse 43/P.O. Box, CH-8406 Winterthur, Switzerland, by March 22, 2000, together with the relevant motions and evidence of the necessary shareholdings (par value of 1 million CHF, pursuant to Art. 699 of the Swiss Code of Obligations).

Yours faithfully,

Rieter Holding AG



Dr. Heinrich Steinmann

Chairman of the Board of Directors



Kurt Feller

President