

## 2002 financial year: Encouraging order intake, higher operating margin

### Proven strategy pursued successfully

In the 2002 financial year, the Rieter Group demonstrated solid earning power in the face of fluctuating trends in the global markets. Both divisions of Rieter succeeded in maintaining their position in a difficult environment and once again proved their competitiveness. The main elements of this achievement are innovative products and services of high quality and the clear focus on customers' needs.

Winterthur, April 3, 2003

Dear shareholders,

The Rieter Group increased operating margins in a challenging market environment. Although sales were lower, the operating result before interest and taxes amounted to 200.9 million CHF (203.9 million CHF in 2001). This was equivalent to 7.0% of corporate output, representing an increase in operating margins (6.7% in 2001). High operating margins were again achieved in the textile machinery sector, while earnings improved substantially in the automotive supply business. As a result of the adverse stock market environment net financial income was negative; the tax charge was also higher. Net profit therefore declined to 83.8 million CHF, equivalent to 2.9% of corporate output (3.7% in 2001). Cash flow is slightly below the previous year's figure, declining to 205.4 million CHF, equivalent to 7.2% of corporate output (8.1% in 2001). Earnings per share decreased to 16.95 CHF (22.85 CHF in 2001).

The trend in orders received by the group in 2002 was positive, showing an increase of 3.9% to 3 000 million CHF. Expressed in local currency, the increase was as much as 8.2%. Group sales declined by 6.1% to 2 976 million CHF. Expressed in local currencies, the reduction would have been only 1.9%.

#### Outlook

Economic developments worldwide are characterized by uncertainty and unfavourable business trends in major markets. In view of the healthy level of orders in hand at Textile Systems and the first-time consolidation of Rieter Saifa, Rieter expects consolidated sales in the first half to be slightly higher than the previous year's figure. Strict cost discipline and the action initiated in recent years to make its operations more flexible will help to ease the impact on results of a possible market slow down in the second half.

### Key performance results of the Rieter Group

		2002	2001	Change in % actual	Change in % at previous year's exchange rates
<b>Orders received</b>	CHF m	<b>2 999.8</b>	2 886.3	<b>3.9</b>	<b>8.2</b>
<b>Sales</b>	CHF m	<b>2 976.2</b>	3 170.2	<b>-6.1</b>	<b>-1.9</b>
<b>Corporate output</b>	CHF m	<b>2 872.2</b>	3 025.4	<b>-5.1</b>	
<b>Operating result before interest, taxes, depreciation and amortization (EBITDA)</b>	CHF m	<b>318.8</b>	337.1	<b>-5.4</b>	
– as a % of corporate output		11.1	11.1		
<b>Operating result before interest and taxes (EBIT)</b>	CHF m	<b>200.9</b>	203.9	<b>-1.5</b>	
– as a % of corporate output		7.0	6.7		
<b>Net profit</b>	CHF m	<b>83.8</b>	111.2	<b>-24.6</b>	
– as a % of corporate output		2.9	3.7		
<b>Cash flow</b>	CHF m	<b>205.4</b>	246.1	<b>-16.5</b>	
– as a % of corporate output		7.2	8.1		
<b>Number of employees at year-end</b>		<b>12 983</b>	12 977	<b>0.0</b>	

All statements in this report which do not refer to historical facts are statements related to the future which offer no guarantee with regard to future performance; they are subject to risks and uncertainties including, but not confined to, future global economic conditions, exchange rates, legal provisions, market conditions, activities by competitors and other factors outside the company's control.

# Rieter Textile Systems

## Key performance results

		2002	2001	Change in % actual	Change in % at previous year's exchange rates
<b>Orders received</b>	CHF m	<b>1 131.9</b>	954.6	<b>18.6</b>	<b>19.6</b>
<b>Sales</b>	CHF m	<b>1 108.2</b>	1 238.5	<b>-10.5</b>	<b>-9.1</b>
<b>Operating result before interest and taxes</b>	CHF m	<b>94.3</b>	97.9	<b>-3.7</b>	
– as a % of corporate output		8.9	8.5		
<b>Number of employees at year-end</b>		<b>4 520</b>	4 675	<b>-3.3</b>	

### Sharp rise in order intake; operating margin improved to 8.9%

Textile Systems took full advantage of the favorable business environment with an attractive range of products and a strong market position. Orders received by the division rose to 1 132 million CHF, equivalent to an increase of 18.6% compared with the previous year, expressed in local currencies, the increase was as much as 19.6%. This growth was entirely organic. Sales were lower in the first half of 2002 due to weak demand in the autumn of 2001; they then rose sharply in the second half. They totalled 1 108 million CHF for the 2002 financial year, equivalent to a decline of 10.5% compared with the previous year. Expressed in local currencies, the reduction would have been only 9.1%.

The operating result before interest and taxes amounted to 94.3 million CHF (97.9 million CHF in 2001). This is equivalent to 8.9% of corporate output (8.5% in 2001), thus exceeding the high operating margins recorded in the previous two years, despite lower sales. This pleasing outcome was achieved due to a product range which was well received by customers. Moreover, flexibility in manufacturing operations, healthy capacity utilization in the second half of the year, pricing discipline and strict cost management helped to improve margins.

### Successful new products

In 2002 Rieter successfully launched a high-performance card and a new integrated system for manufacturing rotor yarns under the name of the Rieter Rotor System. This system was brought on to the market within a short time and has met with strong interest from customers.

Rieter's compact spinning machines enjoyed sustained heavy demand. Yarns produced using this spinning process are gaining acceptance as standard quality in Europe and are establishing themselves on the market worldwide.

### Reinforced market position

The units of the German-based Suessen Group acquired by Rieter in the spring of 2001 have been rapidly integrated and are contributing to the reinforcement of Rieter's market position. Since this acquisition, Textile Systems has become one of the world's largest suppliers of technology components, upgrades and service offerings for staple fiber machines. This sector also developed positively in the past year.

The integration of the units acquired from ICBT in 2000 was completed in 2002. With these companies Rieter Textile Systems gained access to strategically important market segments in the man-made fiber business and for nonwoven production machines.

Rieter Textile Systems has expanded its Shanghai-based distribution company in order to intensify its activities on the important Chinese market. Textile Systems has opened a sales office in Urumqi, in the west of the country, which is a major centre of the Chinese textile industry. The production plant for man-made fiber machinery in Changzhou, Jiangsu Province, has also been expanded.

### Outlook

The encouragingly high level of orders received in 2002 will enable Rieter Textile Systems to achieve good capacity utilization in the first half of 2003, while sales and operating results are expected to exceed those recorded in the comparable period of the previous year. New products and systems launched on the market will also generate positive momentum. Further projects aimed at cost optimization and expansion of the product range have been initiated. They will ensure that the earning power and innovative thrust of Textile Systems are maintained in 2003 and the years to come.

Key performance results		2002	2001	Change in % actual	Change in %
					at previous year's exchange rates
<b>Sales</b>	CHF m	<b>1 848.2</b>	1 899.9	<b>-2.7</b>	<b>3.3</b>
<b>Operating result</b>					
<b>before interest and taxes</b>	CHF m	<b>109.6</b>	102.0	<b>7.5</b>	
– as a % of corporate output		6.1	5.5		
<b>Number of employees at year-end</b>		<b>8 336</b>	8 180	<b>1.9</b>	

**Positive trend in earning power**

Automotive Systems posted sales growth of 3.3% in local currencies. This growth was entirely organic. Sales at Rieter Automotive Systems expressed in Swiss francs were slightly lower in the 2002 financial year due to the negative impact of exchange rate fluctuations. Sales totalled 1 848 million CHF, equivalent to a decline of 2.7% compared with the previous year. Sales growth in Western Europe exceeded that of the market as a whole. In America the division benefited from strong vehicle sales and recorded sales growth in line with market growth.

Automotive Systems' earning power increased in the 2002 financial year. The operating result before interest and taxes increased to 109.6 million CHF (102.0 million CHF in 2001), equivalent to 6.1% of corporate output (5.5%). This positive trend was due to the programs initiated in previous years to improve productivity and to good capacity utilization in North America.

**Successful innovations**

Rieter Automotive Systems worked intensively on further innovations in systems, products and material combinations in 2002. Further applications were developed for the Rieter Ultra Light acoustic system, which enables weight to be reduced considerably in conjunction with high acoustic performance. Rieter Ultra Light is establishing itself on the market and is now also in demand from Japanese manufacturers in particular.

Further progress has also been made in the development of the new underbody linings, which feature outstanding aerodynamic properties. This innovation secured new orders for Automotive Systems in European and American models.

Idea Institute, the Italian design, styling and engineering firm in which a majority holding was acquired in 2000, has been a wholly-owned subsidiary of the Rieter Group since July 1, 2002.

**Exploiting advantages of location**

In order to follow its customers' geographical expansion, cut costs and make its manufacturing operations more flexible, Automotive Systems is expanding in low-wage countries such as the Czech Republic and Poland. In 2002 the division enlarged its plant in Poland and continued to transfer individual production lines from Western European locations to Eastern Europe. Rieter's locations in the Czech Republic and Poland are utilized not only for manufacturing but also for engineering services, for example development work in tooling.

**Investments in new production facilities**

The Magee Rieter joint venture opened a plant in Canada for the production of carpet systems in 2002. The UGN joint venture, which supplies Japanese customers in North America, has also established a production location in Jackson, Tennessee.

As announced at the beginning of 2003, Rieter has increased its holding in Spanish automotive supplier Saifa-Keller (renamed Rieter Saifa) to 50% and at the same time assumed responsibility for industrial management. Rieter Automotive Systems has reinforced its presence in Europe's third-largest national market.

**Outlook**

Rieter Automotive Systems will vigorously pursue further developments in the product groups of carpet and acoustic systems (Rieter Ultra Light), thermal management and underfloor systems in the current year. Rieter expects that vehicle production in its main markets in 2003 will be lower than in the previous year due to the rather subdued economic trend. In view of the first-time consolidation of Rieter Saifa (sales of some 45 million Euro) and launches of new models featuring Rieter products, we believe that the previous year's sales level can almost be equalled in the current year. Automotive Systems is intensifying its cost-cutting efforts in order to counteract customers' sustained pressure on prices. At the same time the improvement processes aimed at enhancing productivity are being pursued with undiminished energy.

## Consolidated income statement

		2002	2001
<b>Sales</b>	CHF m	<b>2 976.2</b>	3 170.2
Sales deductions/change in inventories	CHF m	<b>-104.0</b>	-144.8
<b>Corporate output</b>	CHF m	<b>2 872.2</b>	3 025.4
Material costs	CHF m	<b>-1 270.4</b>	-1 358.6
Employee costs	CHF m	<b>-878.4</b>	-889.8
Operating expense	CHF m	<b>-404.6</b>	-439.9
<b>Operating result before interest, taxes, depreciation and amortization (EBITDA)</b>	CHF m	<b>318.8</b>	337.1
Depreciation and amortization	CHF m	<b>-117.9</b>	-133.2
<b>Operating result before interest and taxes (EBIT)</b>	CHF m	<b>200.9</b>	203.9
Financial expense	CHF m	<b>-28.0</b>	-28.9
Financial income	CHF m	<b>-16.0</b>	0.4
Other expenses/income	CHF m	<b>-3.2</b>	-2.1
Taxes	CHF m	<b>-69.9</b>	-62.1
<b>Net profit</b>	CHF m	<b>83.8</b>	111.2
Minority shareholders' interest in net profit	CHF m	<b>-14.8</b>	-18.0
Net profit after deduction of minority interests	CHF m	<b>69.0</b>	93.2
Earnings per share			
– with average number of registered shares	CHF	<b>16.95</b>	22.85

## Consolidated balance sheet

		December 31, 2002	December 31, 2001
Fixed assets	CHF m	<b>990.1</b>	1 044.9
Current assets	CHF m	<b>1 233.5</b>	1 283.8
Assets	CHF m	<b>2 223.6</b>	2 328.7
Shareholders' equity	CHF m	<b>873.3</b>	907.8
Long-term liabilities	CHF m	<b>561.3</b>	520.2
Short-term liabilities	CHF m	<b>789.0</b>	900.7
Liabilities	CHF m	<b>2 223.6</b>	2 328.7
Equity ratio	in %	<b>39.3</b>	39.0

## Consolidated statement of cash flows

		2002	2001
Net profit	CHF m	<b>83.8</b>	111.2
Depreciation	CHF m	<b>121.6</b>	134.9
Cash flow	CHF m	<b>205.4</b>	246.1
Change in net working capital	CHF m	<b>35.0</b>	2.3
Cash provided by operations	CHF m	<b>240.4</b>	248.4
Cash used for investing activities	CHF m	<b>-140.2</b>	-187.7
[of which capital expenditure]	CHF m	<b>[133.6]</b>	[129.7]
Cash provided by financing activities	CHF m	<b>-125.8</b>	-157.7
Change in liquid funds	CHF m	<b>-25.6</b>	-97.0
Liquid funds at beginning of year	CHF m	<b>321.0</b>	418.0
Liquid funds at end of year	CHF m	<b>295.4</b>	321.0

## Annual general meeting

Rieter Holding Ltd. closed the 2002 financial year with a net profit of 31.1 million CHF (36.1 million CHF in the previous year). Including retained earnings brought forward from the previous year, 53.7 million CHF is at the disposal of the annual general meeting. The board of directors will propose to the annual general meeting that a gross dividend of 8.60 CHF (2001: dividend of 3.60 CHF plus a capital repayment of 5.00 CHF) per registered share should be paid.

The board of directors will also propose the re-election of Ulrich Dätwyler and Peter Wirth for a further three-year term of office.

The annual general meeting will be held at 4.30 p.m. on Thursday, May 8, 2003, in the Auwiesen indoor tennis court at Winterthur-Töss. You are warmly invited to attend.

Yours faithfully,

Winterthur, April 3, 2003

Rieter Holding Ltd.



Kurt Feller

Chairman of the board of directors



Hartmut Reuter

Chief executive officer

## Results press conference

The results press conference of Rieter Holding Ltd. will be held in Winterthur on Thursday, April 3, 2003, at 10 a.m.

## 2002 annual report

You will find the full annual report on the Internet at [www.rieter.com](http://www.rieter.com) as from 11 a.m. on April 3, 2003.