

## 1999 financial year: net profit maintained despite lower sales

The two divisions of the Rieter Group, operating in the textile machinery and automotive supply sectors, recorded differing trends in the 1999 financial year. While the Automotive Systems Division achieved marginal growth, sales at Textile Systems were sharply lower under the influence of the economic crises in Asia and Latin America. The action taken in previous years to boost profitability enabled net profit to be maintained at much the same level as the previous year, despite lower sales. Both divisions are continuing to develop their business on the basis of their core competences and are opening up new growth areas offering long-term potential. In the context of this strategy Textile Systems is strengthening its activities in the manmade fiber sector with the acquisition of the textile machinery operations of French industrial group ICBT.

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Dear shareholder,

The Rieter Group recorded sales of 2435 million CHF in 1999, equivalent to a decline of 7.8% compared with the previous year. The group's earnings trend was considerably influenced by the historic slump in demand on the world market for textile machinery. While net profit was maintained at much the same level as in the previous year, the operating result before interest and taxes was lower than in 1998, falling to 135.3 million CHF, equivalent to 5.7% of corporate output. This reduction was due to lower sales revenues and the related decline in capacity utilization at Textile Systems. However, prompt and resolute action to adjust costs enabled total material, operating and personnel expenses to be reduced in proportion

to the decline in corporate output. Earnings at Automotive Systems were higher than in the previous year. Lower restructuring costs and good financial results also contributed to net profits of 124.0 million CHF. This is equivalent to 5.2% of corporate output, which is slightly higher than the previous year's figure (5.1% and 129.4 million CHF, respectively). Cash flow of 230.8 million CHF was at the same level as in 1998 (233.2 million CHF), and was actually 3.6% higher on a per share basis. Profitability was better in the second half than in the first six months of the year.

Rieter expects group sales and earnings in the current year to exceed the figures recorded in the previous financial year.

Key statistics – Rieter Group		1999	1998	Change in %
Sales	CHF m	2435.4	2643.0	- 7.8
Corporate output	CHF m	2364.7	2546.2	- 7.1
Operating result before interest and taxes	CHF m	135.3	165.7	- 18.3
- as a % of corporate output		5.7	6.5	
Net profit	CHF m	124.0	129.4	- 4.2
- as a % of corporate output		5.2	5.1	
Cash flow	CHF m	230.8	233.2	- 1.0
- as a % of corporate output		9.8	9.2	
Number of employees at year-end		11 262	12 266	- 8.2

## Rieter Textile Systems

Key statistics		1999	1998	Change in %
Sales	CHF m	754.2	989.0	- 23.7
Operating result before interest and taxes	CHF m	27.7	64.8	- 57.3
– as a % of corporate output		3.8	6.9	
Number of employees at year-end		3652	4278	- 14.6

### Clearly positive outcome despite slump in sales

Sales at Rieter Textile Systems in the 1999 financial year were 24% lower at 754 million CHF, following a decline of 16% in 1998. Orders received were 16% lower at 642 million CHF. Textile Systems recorded a clearly positive operating result before interest and taxes in the 1999 financial year, despite the steep decline in sales. The figure of 27.2 million CHF was equivalent to 3.8% of corporate output. Rigorous and rapidly effective cost management, price discipline and attractive products formed the basis for this success. The earnings trend at Textile Systems demonstrates the effectiveness of the action initiated in previous years to increase earning power and improve flexibility.

### Growth projects

Despite the difficult market environment in 1999, Rieter Textile Systems continued to work intensively on projects aimed at the long-term improvement of sales and earnings. Textile Systems has identified growth potential in the nonwoven manufacturing technology sector, manmade fibers and the ongoing business with spare and wearing parts as well as service offerings.

### Strategic expansion of the product range

As announced on March 10, 2000, Rieter is negotiating exclusively with French industrial group ICBT regarding the acquisition of the latter's non-woven machinery and yarn processing machinery activities. ICBT and Rieter have now reached an understanding in principle on this transaction. Once the agreement has finally been concluded and the approval of the cartel authorities has been obtained, Rieter will provide further detailed information on the integration of these two units and the further development of this sphere of operations.

In 1999 these two divisions of ICBT generated sales of about 200 million CHF with some 380 employees. With these new activities Rieter Textile Systems will complement the product range and take a decisive step towards gaining access to new growth sectors.

### Expectations for the 2000 financial year

Rieter Textile Systems expects demand to rise on the world market for textile machinery in the current year. The division foresees an increase in sales and earnings in the year 2000 by virtue of its attractive product range, its efficient structures and the positive business outlook.

## Rieter Automotive Systems

Key statistics		1999	1998	Change in %
Sales	CHF m	1'662.5	1'641.4	1.3
Operating result before interest and taxes	CHF m	114.7	110.1	4.2
– as a % of corporate output		7.1	6.9	
Number of employees at year-end		7'306	7'744	– 5.7

### 1999 financial year: growth and innovation

In the 1999 financial year Rieter Automotive Systems again recorded an increase in sales and earnings. Sales rose by 1% to 1662 million CHF. The operating result before interest and taxes amounted to 114.7 million CHF, equivalent to 7.1% of corporate output. In 1999 Automotive Systems secured further large orders in North America and Europe with its innovative Rieter Ultra Light acoustic system, and these will generate additional sales in the years to come. Rieter Ultra Light is likely to account for some 500 million CHF of sales in the year 2003. The division made substantial up-front investments in 1999 in anticipation of future orders in its capacity as a full system supplier.

### Significant future potential as an acoustic integrator

Rieter Automotive Systems has further reinforced its position on the market as an acoustic integrator for the automotive industry with its pioneering innovation of Rieter Ultra Light. This acoustic system enables considerable weight savings to be achieved while maintaining or even improving

the acoustic properties of a vehicle. The division was presented with the «Pace Award» for Rieter Ultra Light in March 2000. This high-profile international award is presented annually to companies in the automotive supply industry which have distinguished themselves through outstanding innovative achievement. Automotive Systems is also working on development projects in the field of carpet and floor modules as well as in plastics and virtual engineering.

### Expectations for the 2000 financial year

Compared with the previous year, the division expects the market to remain approximately unchanged or decline slightly in the current year. Automotive Systems foresees an increase in sales and earnings due to innovations such as Rieter Ultra Light as well as the up-front investments for new models made in previous years.

## Consolidated income statement

		1999	1998
<b>Sales</b>	CHF m	<b>2435.4</b>	2643.0
Sales deductions/change in inventories	CHF m	<b>- 70.7</b>	- 96.8
<b>Corporate output</b>	CHF m	<b>2364.7</b>	2546.2
Material costs	CHF m	<b>- 1006.4</b>	- 1093.3
Employee costs	CHF m	<b>- 757.8</b>	- 809.0
Operating expense	CHF m	<b>- 357.4</b>	- 379.4
Depreciation	CHF m	<b>- 107.8</b>	- 98.8
<b>Operating result before interest and taxes</b>	CHF m	<b>135.3</b>	165.7
Financial expense	CHF m	<b>- 28.1</b>	- 28.8
Financial income	CHF m	<b>63.4</b>	81.5
Other expenses/income	CHF m	<b>- 8.3</b>	- 46.9
Taxes	CHF m	<b>- 38.3</b>	- 42.1
<b>Net profit</b>	CHF m	<b>124.0</b>	129.4
Minority shareholders' interest in profit	CHF m	<b>- 12.2</b>	- 9.0
Net profit after deduction of minority interests	CHF m	<b>111.8</b>	120.4
Earnings per share			
- with average number of registered shares	CHF	<b>54.19</b>	54.91

## Consolidated balance sheet

		December 31, 1999	December 31, 1998
Fixed assets	CHF m	<b>864.0</b>	815.0
Current assets	CHF m	<b>1292.2</b>	1328.7
<b>Assets</b>	CHF m	<b>2156.2</b>	2143.7
Shareholders' equity	CHF m	<b>825.7</b>	798.6
Long-term liabilities	CHF m	<b>683.1</b>	706.9
Short-term liabilities	CHF m	<b>647.4</b>	638.2
<b>Liabilities</b>	CHF m	<b>2156.2</b>	2143.7
Equity ratio	in %	<b>38.3</b>	37.3

## Consolidated statement of cash flows

		1999	1998
Net profit	CHF m	<b>124.0</b>	129.4
Depreciation	CHF m	<b>106.8</b>	103.8
<b>Cash flow</b>	CHF m	<b>230.8</b>	233.2
Change in net current assets	CHF m	<b>- 53.7</b>	- 25.8
<b>Cash provided by operations</b>	CHF m	<b>177.1</b>	207.4
Cash used for investing activities	CHF m	<b>- 86.1</b>	- 143.8
[of which capital expenditure	CHF m	<b>- 100.9</b>	- 141.4]
Increase in share capital/capital repayment	CHF m	<b>- 80.5</b>	2.8
<b>Cash provided by financing activities</b>	CHF m	<b>- 19.0</b>	- 118.5
Change in liquid funds	CHF m	<b>- 8.5</b>	- 52.1
Reclassification of holding of own shares	CHF m	<b>- 39.5</b>	0.0
<b>Liquid funds at beginning of year</b>	CHF m	<b>446.9</b>	499.0
<b>Liquid funds at end of year</b>	CHF m	<b>398.9</b>	446.9

## Shareholders

### Dividend at the previous year's level

Rieter Holding Ltd. closed the 1999 financial year with a net profit of 39.1 million CHF (38.6 million CHF in the previous year). Including retained earnings brought forward from the previous year, 50.9 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 on May 25, 2000, in Winterthur-Töss. You are warmly invited to attend.

Yours faithfully,

Winterthur, April 14, 2000

Rieter Holding AG

Dr. Heinrich Steinmann

Kurt Feller




Chairman of the Board  
of Directors

President

Results press conference of Rieter Holding Ltd.:  
April 14, 2000, 10:00 a.m. in Winterthur.