

## 1998 financial year: sales maintained at the previous year's level

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February 3, 1999

Dear Shareholder,

The Rieter Group reached sales of 2639 million CHF in the 1998 financial year, more or less the same as the previous year's figure. Orders received fell by 2.3% to 2411 million CHF. Business trends differed in the group's two fields of activity, textile machinery and automotive supplies. While Automotive Systems was able to increase sales by 13% to 1636 million CHF, sales at Textile Systems were 16% lower at 990 million CHF due to the influence of the turmoil in southeast Asia and Russia. Sales in both divisions were substantially higher in the first half of 1998 than in the second. Exchange rate movements had a marginally negative impact on the group's sales (0.9%).

The Rieter Group achieved these sales with a smaller number of employees. The workforce at the end of 1998 totalled 12 266, equivalent to a decline of 2.3%.

Earnings at the Rieter Group were adversely affected in 1998 by the economic problems in Asia and Latin America. Net profit will not quite reach the previous year's level, and the operating result before interest and taxes is likely to turn out lower than in 1997.

The board of directors of Rieter Holding Ltd. has decided to submit an offer to shareholders to repurchase Rieter registered shares.

Rieter Group		1998	1997	Change in %	
				actual	at 1997 exchange rates
<b>Orders received</b>	CHF million	<b>2411</b>	<b>2469</b>	<b>- 2.3</b>	<b>- 1.4</b>
- Textile Systems	CHF million	762	1010	- 24.6	- 24.1
- Automotive Systems	CHF million	1636	1446	13.1	14.5
- Other companies	CHF million	13	13	0.0	0.0
<b>Sales</b>	CHF million	<b>2639</b>	<b>2636</b>	<b>0.1</b>	<b>1.0</b>
- Textile Systems	CHF million	990	1177	- 15.9	- 15.5
- Automotive Systems	CHF million	1636	1446	13.1	14.5
- Other companies	CHF million	13	13	0.0	0.0
<b>Employees</b>		<b>12 266</b>	<b>12 551</b>	<b>- 2.3</b>	

### **Textile Systems: reduced demand in Asia**

The sales trend at Rieter Textile Systems in the 1998 financial year reflected a slump in demand in the major Asian markets. Sales declined by 16% to 990 million CHF. Orders received totalled 762 million CHF, 25% lower than in the previous year, with order intake especially weak in the second half of the year. Thanks to a new product range and its strong market position, Textile Systems succeeded in sustaining price levels in 1998, despite the substantial reduction in volumes.

The workforce was reduced in 1998, particularly in the UK, in order to adjust capacity to lower volumes. As already announced, employee numbers in Germany and Switzerland will also be reduced by about 250. Textile Systems believes that the decline in sales will result in a slightly larger reduction in the operating result before interest and taxes.

### **Automotive Systems: continued growth**

The 13% increase in sales at Rieter Automotive Systems to 1636 million CHF was the result of organic growth and acquisitions. Ello S.A. in Brazil, acquired in the summer of 1997, and the joint venture with US car carpet manufacturer Magee were consolidated for a full year for the first time (for 6 months in 1997). These two companies contributed 106 million CHF to the division's growth.

Excluding them, sales would have been 5.8% higher. Exchange rate movements had a slightly adverse impact on the division's sales figures (1.4%).

Internal growth at Automotive Systems reflected market trends and was thus stronger in Europe than in America. The strike at General Motors and the economic crisis in Brazil had a negative impact on sales momentum. Earnings before interest and taxes are likely to be at approximately the same level as in the previous year.

### **Shareholders**

The board of directors of Rieter Holding Ltd. is submitting an offer to shareholders to repurchase Rieter registered shares. The terms and conditions of this offer are explained in the attached document.

Final results for the 1998 financial year will be announced in mid-April. Any proposals regarding the agenda for the annual general meeting called for May 27, 1999, must be submitted to Rieter Holding Ltd., Office of the Group Secretary, Schlosstalstrasse 43/P.O. Box, CH-8406 Winterthur, Switzerland, by March 22, 1999, 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 Ltd.



Dr. Heinrich Steinmann  
Chairman of the Board of Directors



Kurt Feller  
President

## Public invitation

to tender for repurchase up to 100 000 registered shares (Securities Code No. 367.144) of CHF 20.– p.v. of Rieter Holding Ltd. for the purpose of reducing share capital.

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### The offer

Rieter Holding Ltd. invites shareholders to tender for repurchase up to 100 000 registered shares (Securities Code No. 367.144). As the next step the board of directors will propose to the annual general meeting of shareholders called for May 27, 1999, that the share capital of Rieter Holding Ltd. should be reduced by the par value of the registered shares repurchased in the context of this invitation to tender totalling up to CHF 2 000 000.– by the retirement of such shares.

### Purchase price per registered share

	CHF 850.– gross
./ nominal value	<u>CHF 20.–</u>
	CHF 830.–
./ 35% withholding tax	<u>CHF 290.50</u>
	CHF 559.50 net

### Offer expires

at 6 p.m. on February 19, 1999 (receipt).

### Receiving agent; information; administration

Rieter Holding Ltd., Office of the Group Secretary, Schlosstalstrasse 43, CH-8406 Winterthur, Switzerland;  
Phone +41 52 208 80 92, Fax +41 52 208 81 20.

### Payment of the purchase price and delivery of the securities

Payment of the purchase price for the securities tendered, accepted in the event of allocation and delivered will be made with value date March 1, 1999 (payment against delivery).

### Tendering

Tenders for sale can only be submitted to the receiving agent in writing with full details of the vendor, the number of registered shares tendered and the vendor's bank. Tenders submitted by facsimile must subsequently be filed in the original. The tender must be accompanied by a confirmation from the depositary that the securities tendered are blocked until March 1, 1999.

### Allocation

If more than the maximum number of shares are tendered, tenders will be reduced pro rata, and an allocation will be made on the reduced basis. Shareholders will be informed by Rieter Holding Ltd. of the allocation made.

### Costs

Customary bank charges will be payable for submitting shares of Rieter Holding Ltd.

**Important information**

Rieter Holding Ltd. affirms that it is not aware of any unpublished information which could exercise a significant influence on shareholders' decisions.

**Withholding tax**

The Swiss federal tax authorities are designating this share repurchase and the reduction in share capital as a partial liquidation. Rieter Holding Ltd. is therefore required to deduct 35% of the difference between the repurchase price and the par value of the repurchased shares from the repurchase price and deliver it directly to the Swiss federal tax authorities. The right to reclaim this depends upon the individual legal status of the vendor.

**Stamp duty**

The company's repurchase of its own shares for the purpose of reducing share capital is not liable to stamp duty and no turnover levy is therefore payable.

**Direct federal tax**

In the case of shareholders holding shares as private assets, the sale of shares to Rieter Holding Ltd. creates taxable income corresponding to the difference between the par value and the repurchase price by virtue of the theory of direct partial liquidation (nominal value principle).

Shareholders holding shares as corporate assets realize taxable gains corresponding to the difference between the book value and the repurchase price of the shares (book value principle). The theory of direct partial liquidation has no impact on their tax situation.

**Cantonal taxes**

The cantonal income tax consequences depend upon the cantonal code at the place of residence or registered domicile of the taxpayer. The majority of cantonal codes foresee the same treatment as that applicable to direct federal tax (nominal value or book value principle). Whether or not taxable income is generated in a given case must be determined on the basis of the relevant cantonal code.

**Takeover code**

With its recommendation dated December 21, 1998, the Takeover Commission exempted this repurchase offer by Rieter Holding Ltd. from the provisions governing public purchase offers.

**Applicable law and jurisdiction**

This offer is subject to Swiss law. Exclusive jurisdiction for this offer is Winterthur.

Winterthur, February 3, 1999

Securities Code No.: reg. shares 367.144 RIEN

Rieter Holding Ltd.  
on behalf of the board of directors  
Dr. Heinrich Steinmann