

2001 financial year: Continued growth in sales and operating earnings

In the 2001 financial year the Rieter Group again recorded a substantial increase in sales revenues in a difficult economic environment. Growth was achieved mainly in the textile machinery sector, but sales in the automotive supply business also exceeded the previous year's figure by a clear margin, despite the economic slowdown in North America. Higher sales and strict cost management enabled Rieter to achieve a further increase in operating results.

Winterthur, April 10, 2002

Dear shareholders,

In the 2001 financial year the Rieter Group continued the positive trend of recent years, again achieving increases in sales and operating earnings. EBIT rose from 199.5 million CHF to 203.9 million CHF, equivalent to 6.7% of corporate output (7.0% in 2000). This increase is due to the positive earnings trend in the textile machinery business. As a result of unfavourable developments on the capital market and a higher tax charge, net profit declined to 111.2 million CHF, equivalent to 3.7% of corporate output (146.0 million CHF and 5.1 %, respectively, in 2000). Cash flow therefore also did not reach the previous year's high figure, declining from 271.7 million CHF to 246.1 million CHF, equivalent to 8.1% of corporate output (9.6% in 2000). Earnings per share were 22.85 CHF (31.22 CHF in 2000).

Compared with the previous year, sales by the Rieter Group in the 2001 financial year increased by 8.2% to 3170.2 million CHF, exceeding three billion Swiss francs for the first time. Expressed in local currencies, the increase in sales revenues was actually 10.4 %.

Outlook

On a current view, Rieter does not expect markets to revive before the second half of 2002. In view of the decline in orders received by Textile Systems in 2001 and the slowdown in activity in our main automotive supply markets, the Rieter Group expects sales and EBIT in 2002 to be lower than those recorded in the previous year.

Key statistics of the Rieter Group

		2001	2000	Change in %	At previous year's exchange rates
Sales	CHF m	3170.2	2931.0	8.2	10.4
Corporate output	CHF m	3025.4	2841.8	6.5	
Operating result before interest, taxes depreciation and amortization (EBITDA)	CHF m	337.1	323.3	4.3	
– in % der Unternehmensleistung		11.1	11.4		
Operating result before interest and taxes (EBIT)	CHF m	203.9	199.5	2.2	
– as a % of corporate output		6.7	7.0		
Net profit	CHF m	111.2	146.0	- 23.8	
– as a % of corporate output		3.7	5.1		
Cash flow	CHF m	246.1	271.1	- 9.4	
– as a % of corporate output		8.1	9.6		
Number of employees at year-end		12 977	12 232	6.1	

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 statistics

		2001	2000	Change in %	At previous year's exchange rates
Orders received	CHF m	954.6	1114.4	- 14.3	- 13.1
Sales	CHF m	1238.5	1089.9	13.6	14.7
Operating result before interest and taxes	CHF m	97.9	89.1	9.9	
– as a % of corporate output		8.5	8.5		
Number of employees at year-end		4675	4193	11.5	

Growth in sales and earnings

With a mature and proven product range, a global presence and the consolidation of new companies, Rieter Textile Systems recorded a 13.6% increase in sales revenues to 1238.5 million CHF in 2001; this was equivalent to growth of 14.7% in local currencies. Orders received by Textile Systems were lower than the previous year's high figure, reflecting the worldwide economic slowdown which became especially apparent in the second half of 2001. Order intake declined by 14.3% to 954.6 million CHF.

Due to the higher level of capacity utilization, price discipline, systematic cost management and ongoing rationalization efforts, Textile Systems recorded an 8.8 million CHF increase in the operating result before interest and taxes to 97.9 million CHF. This corresponds to 8.5% of corporate output (the same as in 2000).

Major strategic move

With the acquisition of units from the German-based Suessen Group in the spring of 2001, Rieter Textile Systems took a major stride in the implementation of its strategy to reinforce its activities in the fields of technology components, upgrades and service offerings. In combination with Suessen, Rieter has become one of the world's largest suppliers of technology components and upgrade packages for staple fibre machinery, and also of services for this market segment. Combined operations with Suessen had a good start and resulted in initial joint product developments. The market has reacted favourably to the merger of the two suppliers.

As a first step, Textile Systems acquired Suessen's research and development company together with all patents and industrial property rights and a component manufacturing plant in the Czech Republic with a total of 452 employees. Rieter holds a 19% interest in Suessen's parent company, and has an option to acquire the remaining share capital of this company in stages after the completion of its restructuring and refocusing.

The acquisition of parts of the Suessen Group, which have been consolidated since January 1, 2001, and the first-time consolidation for a full year of the textile machinery activities of the ICBT Group in France, acquired in the spring of 2000, contributed a total of 87 million CHF to the division's growth in sales revenues.

The integration of the units acquired from ICBT in the previous year continued in 2001. Action has been initiated to improve the profitability of the units acquired from ICBT and Suessen.

Expectations for the 2002 financial year

Rieter foresees a recovery in the global economy starting in the second half of the year, which should have a positive impact on the market for staple fibers. Textile Systems does not yet expect any significant revival in the market for man-made fiber machinery. Sales and earnings will not reach the level recorded in 2001. By virtue of its flexible structures and the reinforcement of its business with technology components and upgrades, Textile Systems regards itself as well positioned to perform successfully in today's very volatile market.

Key statistics

		2001	2000	Change in %	At previous year's exchange rates
Sales	CHF m	1899.9	1824.9	4.1	7.0
Operating result before interest and taxes	CHF m	102.0	107.2	- 4.9	
- as a % of corporate output		5.5	6.0		
Number of employees at year-end		8180	7922	3.3	

Growth despite the steep decline in the North American market

Despite the economic slowdown in North America, Rieter Automotive Systems recorded a 4.1% increase in sales to 1899.9 million CHF in the 2001 financial year. This corresponds to growth of 7.0% in local currencies. Automotive Systems achieved this by virtue of its broad customer base, innovative products and a good presence among Japanese manufacturers in the USA. While vehicle output in Western Europe remained at much the same level in 2001 as in the previous year, production of passenger cars and light commercial vehicles in the Nafta region declined by some 10%.

The cyclical slowdown in demand for major vehicle models, declining capacity utilization and restructuring costs at American production plants had a negative impact on the earnings trend at Automotive Systems. The additional costs incurred in the previous year for new model launches were reduced in the year under review. The operating result before interest and taxes in the past financial year amounted to 102.0 million CHF, equivalent to 5.5% of corporate output (107.2 million CHF and 6.0%, respectively, in 2000). Automotive Systems has initiated actions to cut costs and improve earnings.

Powerful innovative thrust

Rieter Automotive responded to the pressure on costs and prices exerted by the vehicle manufacturers with innovations, larger modules and the launching of a productivity enhancement programme. Further potential applications were developed in 2001 for the Rieter Ultra Light acoustic system, which enables the weight of total acoustic packages to be reduced considerably while maintaining a high level of acoustic comfort. Following initial successes in Europe and the USA, Rieter Ultra Light is now also in demand from Japanese customers. Ultra Light solutions already account for some 10% of Rieter Automotive's sales.

Another significant new development is the Rieter Under-floor Module. This innovation for the underbody zone improves aerodynamic characteristics, reduces vehicle weight and at the same time provides protection against corrosion and flying grit. Fuel consumption is reduced, and acoustic and thermal comfort are improved. Novel materials and combinations of materials make the manufacturing process more environmentally friendly and the module almost totally recyclable. With this new development Automotive Systems is among this year's finalists for the Pace Award, the most prestigious international innovation award in the automotive supply industry.

Together with Idea Institute, the Italian automotive design and engineering firm in which a majority holding was acquired in the summer of 2000, Rieter Automotive Systems pursued further joint projects in 2001, now also for French customers. Restructuring in the Italian automotive industry had a negative impact on the trend of business at Idea Institute in 2001, which influenced earnings at Rieter Automotive Systems negatively.

Expectations for the 2002 financial year

Rieter Automotive Systems expects vehicle output to decline in its two main markets - Western Europe and North America - in the current financial year, probably resulting in rather lower sales than in 2001. The division has made adjustments to its production capacity and initiated other actions to improve profitability in response to the reduction in the market. Rieter Automotive Systems is aiming to maintain earnings at the previous year's level, despite the expected decline in sales revenues.

Consolidated income statement

		2001	2000
Sales	CHF m	3170.2	2931.0
Sales deductions/Change in inventories	CHF m	- 144.8	- 89.2
Corporate output	CHF m	3025.4	2841.8
Material costs	CHF m	- 1358.6	- 1276.4
Employee costs	CHF m	- 889.8	- 842.0
Operating expense	CHF m	- 439.9	- 400.1
Operating result before interest, taxes, depreciation and amortization (EBITDA)	CHF m	337.1	323.3
Depreciation and amortization	CHF m	- 133.2	- 123.8
Operating result before interest and taxes (EBIT)	CHF m	203.9	199.5
Financial expense	CHF m	- 28.9	- 33.0
Financial income	CHF m	0.4	44.7
Other expenses/income	CHF m	- 2.1	- 7.5
Taxes	CHF m	- 62.1	- 57.7
Net profit	CHF m	111.2	146.0
Minority shareholders' interest in net profit	CHF m	- 18.0	- 17.1
Net profit after deduction of minority interests	CHF m	93.2	128.9
Earnings per share			
- with average number of registered shares	CHF	22.85	31.22

Consolidated balance sheet

		December 31, 2001	December 31, 2000
Fixed assets	CHF m	1044.9	966.6
Current assets	CHF m	1283.8	1462.1
Assets	CHF m	2328.7	2428.7
Shareholders' equity	CHF m	907.8	919.6
Long-term liabilities	CHF m	520.2	635.8
Short-term liabilities	CHF m	900.7	873.3
Liabilities	CHF m	2328.7	2428.7
Equity ratio	in %	39.0	37.9

Consolidated statement of cash flows

		2001	2000
Net profit	CHF m	111.2	146.0
Depreciation	CHF m	134.9	125.7
Cash flow	CHF m	246.1	271.7
Change in net working capital	CHF m	2.3	44.7
Cash provided by operations	CHF m	248.4	316.4
Cash used for investing activities	CHF m	- 187.7	- 259.5
[of which capital expenditure]	CHF m	[129.7]	[122.9]
Cash provided by financing activities	CHF m	- 157.7	- 37.8
Change in liquid funds	CHF m	- 97.0	19.1
Liquid funds at beginning of year	CHF m	418.0	398.9
Liquid funds at end of year	CHF m	321.0	418.0

Annual general meeting

Rieter Holding Ltd. closed the 2001 financial year with a net profit of 36.1 million CHF (45.3 million CHF in the previous year). Including retained earnings brought forward from the previous year, 57.5 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 3.60 CHF and a capital repayment of 5.00 CHF per registered share should be paid.

The board of directors will also propose the re-election of Kurt Feller, Rudolf Hauser and Dr. Ing. Rainer Hahn for a further three-year term of office.

The annual general meeting will be held on Tuesday, May 7, 2002, in the Auswiesen indoor tennis hall at Winterthur-Töss. You are cordially invited to attend.

Yours faithfully,

Winterthur, April 10, 2002

Rieter Holding AG



Kurt Feller

Chairman of the board of directors

The results press conference of Rieter Holding Ltd. will be held in Winterthur on Wednesday, April 10, 2002, at 10 a.m.

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