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Sales and corporate output in the year under review did not reach the previous year's levels, since the low order intake in the textile machinery business in the autumn of 2001 resulted in declining sales at Textile Systems. Automotive Systems achieved organic growth of 3.3% at constant exchange rates, while sales at current exchange rates were slightly lower. Mainly in North America sales were higher at constant exchange rates. Exchange rate fluctuations, especially the decline in value of the US dollar and the Euro, had a negative impact on the sales trend compared to the CHF. The currency-related decline in sales was around 4%, so that sales at constant exchange rates were only 2% lower than the previous year's figure. Nevertheless, sales of 2 976 million CHF were the second-highest in Rieter's history. Sales by Textile Systems in Asia were higher, while those in the other regions of the world declined.

The operating result before interest, taxes, depreciation and goodwill amortization (EBITDA) was equal to the previous year's outcome at 11.1% of corporate output.

At 200.9 million CHF, the operating result before interest and taxes (EBIT) was maintained at the previous year's level, despite the difficult business environment. It improved from 6.7% to 7.0% as a proportion of corporate output. Textile Systems' again performed well in achieving an operating return of 8.9% (8.5% in 2001). Continued strict cost management and deliveries in the second half of the year 40% higher than in the first half of the year were decisive elements in this successful outcome. Automotive Systems improved its operating return to 6.1% (5.5% in 2001). Improved capacity utilization in North America and cost-cutting efforts resulted in higher earnings.

The trend on the international equity markets resulted in clearly negative net financial income in the year under review. The loss of 30 million CHF recorded under securities and other financial income includes a valuation adjustment for the marketable securities available for sale in compliance with IAS 39. The financial results and the regionally uneven distribution of operating earnings had an unfavorable influence on the tax charge, which increased by 13% to 69.9 million CHF. Due mainly to negative financial income and the higher tax charge, net profit declined by 27.4 million CHF to 83.8 million CHF, equivalent to 2.9% of corporate output (3.7% in 2001).

Total assets were reduced by 5% to 2 224 million CHF. Both the 50 million CHF reduction in net working capital and the 55 million CHF decline in fixed assets contributed to this favorable development. Bank debt was reduced by 13 million CHF to 117 million CHF. A further reduction in debt of 65 million CHF was achieved by the repayment of 139.9 million CHF of convertible bonds compared to a 75 million CHF increase – to 200 million CHF – in the existing issue of 4% bonds maturing in 2007. Shareholders' equity on December 31 amounted to 873.3 million CHF (907.8 million in 2001), which was equivalent to 39.3% of total assets (39.0% in 2001). The equity ratio is within the target range of 35–40%.

Lower net profit also had a negative impact on cash flow of 205.4 million CHF, which was 17% lower than in the previous year. By contrast, free cash flow was more than 60% higher at 100.2 million CHF. Net liquidity – liquid funds less interest-bearing liabilities – improved by some 62 million CHF to +15.0 million CHF. Lower net debt and the higher equity ratio highlight the fact that the Rieter Group again achieved its goal of financial stability in the year under review.

## Consolidated income statement

	Notes <sup>1</sup>	2002 CHF million	%*	2001 CHF million	%*
<b>Sales</b>	(1)	<b>2 976.2</b>		<b>3 170.2</b>	
Sales deductions		-116.3		-129.9	
Change in semi-finished and finished goods		9.5		-18.0	
Own work capitalized		2.8		3.1	
<b>Corporate output</b>		<b>2 872.2</b>	<b>100.0</b>	<b>3 025.4</b>	<b>100.0</b>
Material costs		-1 270.4	44.2	-1 358.6	44.9
Employee costs	(2)	-878.4	30.6	-889.8	29.5
Operating expense		-404.6	14.1	-439.9	14.5
<b>Operating result before interest, taxes, depreciation and amortization (EBITDA)</b>		<b>318.8</b>	<b>11.1</b>	<b>337.1</b>	<b>11.1</b>
Depreciation and amortization	(3)	-117.9	4.1	-133.2	4.4
<b>Operating result before interest and taxes (EBIT)</b>		<b>200.9</b>	<b>7.0</b>	<b>203.9</b>	<b>6.7</b>
Financial expense		-28.0		-28.9	
Financial income	(4)	-16.0		0.4	
Other expenses/income		-3.2		-2.1	
<b>Profit before taxes</b>		<b>153.7</b>	<b>5.3</b>	<b>173.3</b>	<b>5.7</b>
Taxes	(5)	-69.9		-62.1	
<b>Net profit</b>		<b>83.8</b>	<b>2.9</b>	<b>111.2</b>	<b>3.7</b>
* as a % of corporate output					
Minority shareholders' interest in net profit		-14.8		-18.0	
Net profit after deduction of minority interests		69.0		93.2	
Earnings per share					
– average number of outstanding registered shares 2002: 4 071 343		16.95 <sup>2</sup>		22.85 <sup>2</sup>	
Earnings per share, including the shares reserved for the board					
– average number of registered shares in 2002, including conditional capital: 4 793 655		14.39 <sup>2</sup>		19.85 <sup>2</sup>	

<sup>1</sup> The numbers in this column refer to the comments in the notes (commencing on page 57).

<sup>2</sup> Shares held by the company are not included in the average number of shares.

## Consolidated balance sheet

		December 31 2002	December 31 2001
	Notes	CHF million	CHF million
<b>Assets</b>			
Tangible fixed assets	(7)	639.9	682.4
Investments		58.7	62.1
Long-term receivables		49.9	42.5
Goodwill	(8)	159.5	168.6
Other receivables and rights	(9)	82.1	89.3
<b>Fixed assets</b>		<b>990.1</b>	<b>1 044.9</b>
Liquid funds	(10)	295.4	321.0
Trade receivables	(11)	474.6	519.4
Other receivables		154.2	138.8
Inventories	(12)	309.3	304.6
<b>Current assets</b>		<b>1 233.5</b>	<b>1 283.8</b>
<b>Assets</b>		<b>2 223.6</b>	<b>2 328.7</b>
<b>Shareholders' equity and liabilities</b>			
Share capital		22.8	45.7
Share premium account (capital reserve)		27.5	27.2
Group reserves		754.0	741.7
Net profit for the year after deduction of minority interests		69.0	93.2
<b>Shareholders' equity</b>		<b>873.3</b>	<b>907.8</b>
in % of total shareholders' equity and liabilities		39.3%	39.0%
<b>Minority interests</b>	(13)	<b>66.6</b>	<b>82.4</b>
Trade payables		340.4	313.5
Advance payments by customers		116.9	105.6
Short-term bank borrowings		53.5	69.5
Bonds	(14)	0.0	139.9
Other short-term liabilities	(15)	278.2	272.2
<b>Current liabilities</b>		<b>789.0</b>	<b>900.7</b>
Loans from banks		63.3	59.8
Bonds	(14)	200.0	125.0
Deferred taxes	(5)	44.6	47.0
Provisions	(16)	170.9	186.1
Other long-term liabilities		15.9	19.9
<b>Long-term liabilities</b>		<b>494.7</b>	<b>437.8</b>
<b>Liabilities</b>		<b>1 283.7</b>	<b>1 338.5</b>
<b>Shareholders' equity and liabilities</b>		<b>2 223.6</b>	<b>2 328.7</b>

## Consolidated statement of cash flows

	Notes	2002 CHF million	2001 CHF million
<b>Net profit</b>		83.8	111.2
Depreciation of tangible fixed assets		108.6	123.7
Amortization of goodwill/financial assets		13.0	11.2
<b>Cash flow</b>		<b>205.4</b>	<b>246.1</b>
Minority interests in profits		-14.8	-18.0
Change in provisions		-17.7	-11.3
Accruals		-7.5	57.6
Change in inventories		-4.7	18.2
Change in trade receivables		44.8	31.7
Change in trade payables		26.9	-49.5
Change in other liabilities, other assets		8.0	-26.4
<b>Cash provided by operations</b>		<b>240.4</b>	<b>248.4</b>
Capital expenditure		-133.6	-129.7
Disposals of tangible fixed assets		12.7	17.9
Investments		-29.2	-66.6
Disposals of investments		22.5	7.0
Changes in the scope of consolidation	(17)	-12.6	-16.3
<b>Cash used for investing activities</b>		<b>-140.2</b>	<b>-187.7</b>
<b>Free cash flow</b>		<b>100.2</b>	<b>60.7</b>
Dividend paid to shareholders of Rieter Holding Ltd.		-14.6	-35.3
Increase in share capital/capital repayment		-22.9	10.1
Change in holding of own shares		-2.0	-50.5
Change in marketable securities		-1.1	-17.8
Change in minority interests		-15.8	7.6
Change in short-term bank borrowings		-15.9	-55.3
Change in short-term, interest-bearing liabilities		-0.9	-17.1
Change in long-term loans from banks		3.4	-20.1
Change in bonds issued		-64.9	25.0
Change in other long-term liabilities		-1.6	4.3
<b>Cash provided by financing activities</b>		<b>-136.3</b>	<b>-149.1</b>
Changes in bases of valuation, currency effects and consolidation items		10.5	-8.6
<b>Change in liquid funds</b>		<b>-25.6</b>	<b>-97.0</b>
<b>Liquid funds at beginning of year</b>		<b>321.0</b>	<b>418.0</b>
<b>Liquid funds at end of year</b>		<b>295.4</b>	<b>321.0</b>
Interest paid		25.7	27.2
Taxes paid		68.6	73.9
Interest income		8.7	8.4
Dividends received		1.8	3.1

Changes in the scope of consolidation are stated as a total figure, and not in the individual items (Note 17).

## Changes in consolidated equity

	Share capital CHF million	Share premium account CHF million	Group reserves CHF million	Net profit for the year CHF million	Total CHF million
<b>At December 31, 2000</b>	45.5	46.0	699.2	128.9	919.6
Change in accounting principles according to IAS, Financial instruments	0.0	0.0	35.5	0.0	35.5
Dividend payment	0.0	0.0	0.0	-35.3	-35.3
Appropriation of profit	0.0	0.0	93.6	-93.6	0.0
<b>At January 1, 2001</b>	45.5	46.0	828.3	0.0	919.8
Currency effects, other	0.0	0.0	-11.5	0.0	-11.5
Net profit after deduction of minority interests	0.0	0.0	0.0	93.2	93.2
Own shares	0.0	-28.7	-21.8	0.0	-50.5
Increase in share capital	0.2	9.9	0.0	0.0	10.1
Change in marketable securities available for sale	0.0	0.0	-53.3	0.0	-53.3
<b>At December 31, 2001</b>	45.7	27.2	741.7	93.2	907.8
Dividend payment	0.0	0.0	0.0	-14.6	-14.6
Capital repayment	-22.9	0.0	0.0	0.0	-22.9
Appropriation of profit	0.0	0.0	78.6	-78.6	0.0
<b>At January 1, 2002</b>	22.8	27.2	820.3	0.0	870.3
Currency effects, other	0.0	0.0	-62.9	0.0	-62.9
Net profit after deduction of minority interests	0.0	0.0	0.0	69.0	69.0
Own shares	0.0	0.3	-2.3	0.0	-2.0
Change in marketable securities available for sale	0.0	0.0	-1.1	0.0	-1.1
<b>At December 31, 2002</b>	<b>22.8</b>	<b>27.5</b>	<b>754.0</b>	<b>69.0</b>	<b>873.3</b>

Included in group reserves is a valuation loss of 22.2 million CHF for securities available for sale not recognized in the income statement.

## Exchange rates for currency translation

		Average annual rates		Year-end rates at Dec. 31	
		2002 CHF	2001 CHF	2002 CHF	2001 CHF
Argentina	1 ARS	0.58	1.69	0.41	1.66
Brazil	1 BRL	0.56	0.72	0.39	0.72
China	100 CNY	18.79	20.38	16.75	20.00
Euro countries	1 EUR	1.47	1.51	1.45	1.48
Great Britain	1 GBP	2.33	2.43	2.23	2.42
Hong Kong	100 HKD	19.94	21.63	17.75	21.25
India	100 INR	3.19	3.58	2.88	3.44
Canada	1 CAD	0.99	1.09	0.88	1.05
Poland	100 PLN	38.18	40.08	36.10	41.90
South Africa	1 ZAR	0.15	0.20	0.16	0.14
Taiwan	100 TWD	4.51	5.00	3.99	4.75
Czech Republic	100 CZK	4.76	4.44	4.60	4.66
USA	1 USD	1.55	1.69	1.38	1.66

## Segment information

### by division

#### Sales

CHF m	2002	2001
Textile Systems	1 108.2	1 238.5
Automotive Systems	1 848.2	1 899.9
Other activities	19.8	31.8
<b>Total</b>	<b>2 976.2</b>	<b>3 170.2</b>

#### Operating result

CHF m	2002	2001
Textile Systems	94.3	97.9
Automotive Systems	109.6	102.0
Other activities, incl. group costs	-3.0	4.0
<b>Total</b>	<b>200.9</b>	<b>203.9</b>

#### Assets

CHF m	2002	2001
Textile Systems	985.7	986.8
Automotive Systems	1 110.9	1 160.0
Other activities, incl. group liquidity	127.0	181.9
<b>Total</b>	<b>2 223.6</b>	<b>2 328.7</b>

#### Liabilities

CHF m	2002	2001
Textile Systems	582.2	585.4
Automotive Systems	721.1	726.1
Other activities, incl. group liabilities	-19.6	27.0
<b>Total</b>	<b>1 283.7</b>	<b>1 338.5</b>

#### Capital expenditure and investments incl. goodwill

CHF m	2002	2001
Textile Systems	24.1	56.2
Automotive Systems	121.1	96.7
Other activities	1.0	0.7
<b>Total</b>	<b>146.2</b>	<b>153.6</b>

#### Depreciation of fixed assets incl. amortization of goodwill

CHF m	2002	2001
Textile Systems	34.9	41.2
Automotive Systems	82.1	88.4
Other activities	0.9	3.6
<b>Total</b>	<b>117.9</b>	<b>133.2</b>

#### Number of employees at year-end

	2002	2001
Textile Systems	4 520	4 675
Automotive Systems	8 336	8 180
Other activities	127	122
<b>Total</b>	<b>12 983</b>	<b>12 977</b>

### by geographical region

#### Sales

CHF m	2002	2001
Europe	1 333.3	1 444.4
Asia incl. Turkey	684.3	645.0
North America	794.2	860.4
Latin America	120.1	181.6
Africa	44.3	38.8
<b>Total</b>	<b>2 976.2</b>	<b>3 170.2</b>

#### Assets

CHF m	2002	2001
Europe	1 353.9	1 305.9
Asia incl. Turkey	50.0	59.8
North America	787.3	905.3
Latin America	27.7	53.7
Africa	4.7	4.0
<b>Total</b>	<b>2 223.6</b>	<b>2 328.7</b>

#### Capital expenditure and investments incl. goodwill

CHF m	2002	2001
Europe	97.1	102.7
Asia incl. Turkey	1.1	6.2
North America	45.5	38.8
Latin America	2.2	5.9
Africa	0.3	0.0
<b>Total</b>	<b>146.2</b>	<b>153.6</b>

#### Number of employees at year-end

	2002	2001
Europe	8 980	8 990
Asia incl. Turkey	578	605
North America	2 739	2 692
Latin America	668	674
Africa	18	16
<b>Total</b>	<b>12 983</b>	<b>12 977</b>

## Principles of consolidation

The basis for the consolidated financial statements are the financial statements of the individual group companies at December 31, 2002. These are formed using uniform accounting policies. The consolidated financial statements of the Rieter Group prepared in accordance with the consolidation and accounting principles set out below are based on fair value for the financial instruments and historical costs for other assets and liabilities, and they conform to International Financial Reporting Standards (IFRS), formerly International Accounting Standards (IAS).

The consolidation and accounting principles applied to the 2002 consolidated financial statements are unchanged from the previous year. No new International Accounting Standards had to be adopted in the year under review.

## Scope of consolidation

The financial statements of Rieter Holding Ltd. and those group companies in which it controls at least 50% of the voting rights, either directly or indirectly, are fully consolidated. Joint ventures in which a 50% interest is held are also fully consolidated if Rieter exercises control, either by appointing management, by being the company's main customer, or by integrating the joint venture in the group's customer services organization and product policies. Changes in the scope of consolidation are included with effect from the date of the addition or disposal. Capital is offset according to the Anglo-Saxon method. Minority interests are stated separately in the balance sheet and the income statement. Intercompany transactions are eliminated.

Holdings of 20% to 49% are included in the consolidated financial statements using the equity method. Holdings of less than 20% are included in the balance sheet at fair value. The significant subsidiaries and associated companies are listed on page 73.

## Currency translation

The financial statements of the foreign group companies are drawn up in local currency and translated into Swiss francs for purposes of consolidation. Year-end exchange rates are used for the balance sheet, average exchange rates for the income statement.

Currency differences arising from translation are recorded directly to equity without any impact on income. In the event of the disposal or liquidation of foreign group companies, the accumulated currency differences are offset against sale or liquidation proceeds. Exchange rates for currencies in hyper-inflation countries take due account of monetary depreciation in the local currency. Foreign currency balances held by group companies are translated at year-end rates. The resulting gains or losses are posted to income.

## Change in the scope of consolidation

No new companies were added to the scope of consolidation in the year under review. The remaining 20% of the share capital of Temkom AG, Pfäffikon, was acquired, and the 2% of the share capital of Rieter Ingolstadt AG which was still held by public shareholders last year was also purchased. Trading in shares of Rieter Ingolstadt on the Stock Exchange was then discontinued. The remaining shares of Idea Institute S.p.A., Turin, the Italian automotive design and engineering firm, were also acquired.

Our interest in Rieter Saifa was increased to 50% on January 1, 2003. Rieter Saifa will be incorporated in Rieter's customer organization and consolidated as a Rieter group company with effect from January 1, 2003.

## Investments

A 19% holding in the Suessen spindle plant in Germany was acquired in the previous year. Rieter has the right to acquire the remaining share capital in two steps until 2007.

In terms of the partnership agreement between Rieter and Magee Ltd., Magee Ltd. is entitled to sell its 50% interest in Magee Rieter Automotive Systems to Rieter as from 2003, with a two-year period of notice. If the parties are unable to agree on a purchase price, this will be determined on the basis of a valuation of the company commissioned by both parties.

### Tangible fixed assets

Tangible fixed assets are included in the balance sheet at acquisition cost less accumulated depreciation.

Depreciation is recorded on a straight-line basis over the estimated useful life. Land is written down only in the event of ongoing impairment of value. Investment property is also included in the balance sheet at acquisition cost less depreciation on a straight-line basis.

The useful lives applied are as follows:

Factory buildings, investment property	20–50 years
Machinery/plant and equipment	5–15 years
Tools/data processing equipment/furniture	3–10 years

Investment grants and similar subsidies are taken to income in the period corresponding to the related depreciation.

The various categories of assets also include assets financed by long-term contracts (finance leasing).

The related liabilities are included in the balance sheet under long-term liabilities. The costs of assets held under operating leases are charged to income in the period in which they are incurred.

### Intangible assets

Intangible assets such as product licenses, patents and trademark rights acquired from third parties are included in the balance sheet at acquisition cost and are amortized on a straight-line basis over a period of 1 to 8 years.

### Goodwill

Goodwill represents the difference between the purchase price of an acquired company and the estimated market value of its net assets; it is capitalized and amortized against income on a straight-line basis over its estimated useful life, not exceeding 20 years.

### Liquid funds

Liquid funds include cash, short-term time deposits and marketable securities.

Marketable securities are acquired in accordance with the group's funds management policy. Changes in the value of marketable securities held for trading purposes are posted to income. Changes in the value of marketable securities available for sale are recorded in shareholders' equity until they are sold. When these securities are sold the changes in the market value that were previously recorded in equity are reclassified into the income statement. Any impairment in the value of marketable securities available for sale is charged to income.

### Receivables

Receivables are stated at face value less allowances to reduce them to net realizable value.

### Inventories

Purchased goods are stated at average cost, while products manufactured in-house are stated at the lower of manufacturing cost or net realizable value. Adjustments are made for slow-moving items and excess stock.

### Provisions

If legal or likely liabilities are incurred as a consequence of past events, provisions are made to cover the expected outflow of funds.

### Deferred taxes

Deferred taxes on differences in amounts reported for group purposes and amounts determined for local tax purposes are stated using the liability method; current local tax rates are applied for this purpose. Deferred tax assets and liabilities are offset to the extent that this is permitted by law. Changes in deferred taxes are recorded under tax expenses.

Deferred taxes on retained earnings of group companies are only accrued in cases where a distribution of profits is planned.

The tax impact of losses is capitalized only to the extent that it appears certain that such losses will be offset in future by temporary valuation differences or profits.

**Research and development**

No research and development costs were capitalized in the financial year under review. The development costs of major projects are capitalized only if the present value of future cash flows is likely to exceed the expected costs and sales are firm when costs are capitalized.

**Pension funds**

Employee pension plans are operated by certain subsidiaries, depending upon the level of coverage provided by the government pension facilities in the various countries in which they operate. Some of these are provided by independent pension funds. If no separate institutions exist, appropriate liabilities are recorded in provisions for pension liabilities in the balance sheet. As a rule, pensions are funded by employees' and employer's contributions. Pension plans exist on the basis of both defined contributions and defined benefits. Pension liabilities arising from defined-benefit plans are calculated according to the "projected unit credit method" and are usually appraised annually by independent actuaries. If the actual assets and pension liabilities differ by more than 10% from the projected values, these actuarial gains or losses are posted to income on a straight-line basis over the remaining service life of the employees covered. In the case of defined-contribution pension plans, the contributions are recorded as expenses in the period in which they are incurred.

**Sales and realization of profits**

Sales arising from deliveries of products and services are recorded on completion of delivery. Sales or value-added taxes, credits, discounts and rebates are deducted from gross proceeds, as well as sales deductions arising from actual or foreseeable defaults.

**Financing costs**

Financing costs are recognized in the income statement.

**Financial risk management**

Business activities are exposed to market risks such as fluctuations in exchange rates and interest rates, as well as volatile stock market prices. The group executive committee monitors on basis of risk reporting procedures the principles the group has established.

**Exchange rate risks**

Risks arising from exchange rate fluctuations due to the group's global operations have an impact on the financial position and cash flows presented in Swiss francs. Internal forward foreign exchange contracts are concluded when the relevant business transactions are entered into in order to cover transaction risks arising from operational activities. Hedging transactions are entered into with external counterparties with investment grade international credit ratings and are valued at market values.

**Credit risks**

Collection risks at Textile Systems are usually hedged by insurance, advance payments, letters of credit or other instruments. Bulk risks are avoided by diversifying the customer portfolio in terms of sector and region. The business relationships of Automotive Systems are mostly with well-known manufacturers. Banking relationships depend on the credit rating and range of services of the relevant institutions.

**Market and interest rate risks**

Balance sheet items and financial assets or liabilities are hedged against market and interest rate risks centrally at group headquarters. Forwards, options or swaps are used for this purpose.

## 1 Sales

Change in sales		
CHF m	2002	2001
Change in sales due to volume and price, Textile Systems	-112.3	73.3
Change in sales due to volume and price, Automotive Systems	62.5	107.8
Change in sales due to volume and price, other activities	-12.1	17.2
Change in the scope of consolidation	0.0	106.3
Currency effects	-132.1	-65.4
<b>Total change in sales</b>	<b>-194.0</b>	<b>239.2</b>

Compared with the previous year, Textile Systems posted a 9.1% decline in sales at constant exchange rates due to weak order intake in the second half of the previous year. Automotive Systems recorded organic growth of 3.3% at constant exchange rates. The negative currency effect of 6.0% resulted in a decline in sales for Automotive Systems expressed in Swiss francs, the reporting currency of the consolidated financial statements. The 4.2% reduction in sales for the group as a whole due to currency effects was caused primarily by changes in the exchange rates of the US dollar, the Euro and the South American currencies against the Swiss franc. The scope of consolidation was unchanged from the previous year.

## 2 Employee costs

CHF m	2002	2001
Wages and salaries	722.9	730.0
Social security and other personnel expenses	155.5	159.8
<b>Total</b>	<b>878.4</b>	<b>889.8</b>

## 3 Depreciation and amortization

CHF m	2002	2001
Tangible fixed assets	108.6	123.7
Goodwill	9.3	9.5
<b>Total</b>	<b>117.9</b>	<b>133.2</b>

## 4 Financial income

CHF m	2002	2001
Interest income	8.7	8.4
Income from marketable securities and other financial income	-30.0	-11.1
Income from non-consolidated investments	5.3	3.1
<b>Total</b>	<b>-16.0</b>	<b>0.4</b>

Persistently low interest rates on time deposits and negative price trends on the major securities markets again had an impact on financial income in the year under review. A net financial loss was reported in the year under review, which represents a significant deterioration compared with the previous year. In conformity with IAS 39, part of the securities holdings are carried as marketable securities available for sale. The change in value of this portion of the securities portfolio was reflected in the income statement by an impairment of 25.8 million CHF (13.8 million CHF in 2001).

**5 Taxes**

CHF m	2002	2001
Income taxes	59.3	65.3
Deferred taxes	1.3	-11.8
Other taxes	9.3	8.6
<b>Total</b>	<b>69.9</b>	<b>62.1</b>

The tax charge rose by 7.8 million CHF while pre-tax earnings declined. This was primarily due to the geographical distribution of taxable operating income. The potential positive impact of accrued losses on income taxes is only capitalized when it is certain that it can be offset in the foreseeable future.

**Income taxes**

CHF m	2002	2001
Expected charge on pre-tax profits of 153.7 (vs. 173.3) million CHF at an average rate of 39.1% (vs 32.5% in 2001)	60.1	56.4
Impact of losses and accrued losses	1.1	3.6
Impact of changes in tax rates and tax legislation	-0.2	-0.1
Other effects	-0.4	-6.4
<b>Total income taxes</b>	<b>60.6</b>	<b>53.5</b>

**Deferred taxes**

CHF m	2002	2001
<b>Assets</b>		
Tangible fixed assets	3.3	2.8
Inventories	2.0	3.9
Other assets	6.0	3.8
Provisions	4.0	2.9
Other liabilities	11.5	7.6
Adjustments of tax assets and liabilities	-11.5	-6.9
Accrued losses and tax credits	12.3	15.7
Deferred taxes, gross	27.6	29.8
Offsetting with liabilities	-19.0	-18.4
<b>Deferred taxes, net</b>	<b>8.6</b>	<b>11.4</b>

**Liabilities**

CHF m	2002	2001
Tangible fixed assets	41.2	43.3
Inventories	9.1	7.7
Other assets	14.2	12.7
Provisions	2.9	3.9
Other liabilities	2.6	1.5
Adjustments of tax assets and liabilities	-6.4	-3.7
Deferred taxes, gross	63.6	65.4
Offsetting with assets	-19.0	-18.4
<b>Deferred taxes, net</b>	<b>44.6</b>	<b>47.0</b>

**6 Research and development**

128.9 million CHF was spent on research and development (143.5 million CHF in 2001). The focus in the Textile Systems Division was on the development of new machines for cotton and filament spinning, primarily in the fields of rotor and ring spinning machinery for cards and drawframes, as well as texturing.

Developments at Automotive Systems included applications for new models and customer-specific acoustic products, carpets and underbody components.

The reduction is mainly due to currency influences and the expiration of third party contracts.

## 7 Tangible fixed assets

	Land and buildings CHF m	Machinery, equipment and tools <sup>1</sup> CHF m	Data processing equipment CHF m	Vehicles and furniture <sup>2</sup> CHF m	Machinery and tools under construction CHF m	Total fixed assets CHF m
<b>At December 31, 2000</b>	<b>259.7</b>	<b>337.3</b>	<b>20.3</b>	<b>16.8</b>	<b>49.6</b>	<b>683.7</b>
Reclassification	1.9	19.7	0.4	0.2	-22.2	0.0
Changes in the scope of consolidation	5.8	3.1	0.0	0.0	0.0	8.9
Capital expenditure	16.9	68.1	6.8	6.5	31.4	129.7
Disposals	-14.2	-1.7	-0.2	-1.1	-0.3	-17.5
Depreciation	-18.2	-89.0	-9.6	-6.9	0.0	-123.7
Currency effects	0.6	0.6	-0.1	-0.1	0.3	1.3
<b>At December 31, 2001</b>	<b>252.5</b>	<b>338.1</b>	<b>17.6</b>	<b>15.4</b>	<b>58.8</b>	<b>682.4</b>
Accumulated depreciation	249.1	855.9	54.7	61.2	0.0	1 220.9
<b>Cost at December 31, 2001</b>	<b>501.6</b>	<b>1 194.0</b>	<b>72.3</b>	<b>76.6</b>	<b>58.8</b>	<b>1 903.3</b>
Reclassification	-1.9	19.8	0.2	1.5	-19.6	0.0
Changes in the scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	18.0	88.0	4.6	6.3	16.7	133.6
Disposals	-9.2	-1.5	-0.1	-0.3	-1.6	-12.7
Depreciation	-13.8	-78.7	-8.1	-8.0	0.0	-108.6
Currency effects <sup>3</sup>	-13.2	-33.7	-0.7	0.0	-7.2	-54.8
<b>At December 31, 2002</b>	<b>232.4</b>	<b>332.0</b>	<b>13.5</b>	<b>14.9</b>	<b>47.1</b>	<b>639.9</b>
Accumulated depreciation	248.3	840.6	56.3	61.7	0.0	1 206.9
<b>Cost at December 31, 2002</b>	<b>480.7</b>	<b>1 172.6</b>	<b>69.8</b>	<b>76.6</b>	<b>47.1</b>	<b>1 846.8</b>

<sup>1</sup> Including machinery and operating facilities.

<sup>2</sup> Including pilot machines.

<sup>3</sup> Changes at the US companies (31.7 million CHF) and a reduction in the value of equipment from Brazil (10.4 million CHF) and Canada (3.5 million CHF) were the main components of the 54.8 million CHF reduction in net asset values due to currency effects.

### Land and buildings

CHF m	2002	2001
Land in operational use	27.1	27.4
Factory and office buildings	171.0	177.6
Residential properties, land	34.3	47.5
<b>Total</b>	<b>232.4</b>	<b>252.5</b>

Factory and office buildings were insured at the replacement value of 952.4 million CHF at balance sheet date (983.8 million CHF in 2001) and residential properties at the replacement value of 62.6 million CHF (88.8 million CHF in 2001).

**Investment property****Consolidated value**

CHF m	2002	2001
<b>At January 1</b>	41.4	45.4
Capital expenditure	0.2	0.0
Disposals	-13.2	-3.2
Depreciation	-0.3	-0.8
<b>At December 31</b>	<b>28.1</b>	<b>41.4</b>
<b>Market value at December 31</b>	<b>44.4</b>	<b>63.2</b>

A net income value with an anticipated gross yield was established as the market value of the investment property on the basis of calculations made by the company.

**8 Goodwill**

CHF m	2002	2001
<b>At January 1</b>	168.6	156.0
Change in the scope of consolidation	12.6	23.9
Amortization	-9.3	-9.5
Currency effects	-12.4	-1.8
<b>At December 31</b>	<b>159.5</b>	<b>168.6</b>
Accumulated amortization incl. currency effects	39.4	30.1
<b>Total goodwill at cost at December 31</b>	<b>198.9</b>	<b>198.7</b>

**9 Other receivables and rights**

The asset of 47.2 million CHF for employee benefits remained unchanged. The calculation of this figure is based on the potential future benefit to group companies.

**10 Liquid funds**

CHF m	2002	2001
Bank balances and time deposits	192.4	158.3
Marketable securities	103.0	162.7
<b>Total</b>	<b>295.4</b>	<b>321.0</b>

The majority of liquid funds are managed centrally in CHF in an effort to limit currency risk. A netting system and a group cash pool further reduce currency exposure.

Securities are valued at market value. Of the holdings of securities totalling 103.0 million CHF, 2.5 million CHF was invested in options (1.8 million CHF in 2001). These were mainly call options. 62% of the shareholdings were in securities of Swiss-based companies (48% in 2001). Investments in equities were mainly listed investments in the industrial, banking and service sectors.

Most of the funds held by group companies were in their local currencies. The valuation risks of the investments in securities and in foreign currencies are reviewed periodically.

**11 Trade receivables**

Trade receivables arise from the sale of products and services. Receivables are mainly in the local currencies of the relevant companies and are stated after deductions for possible losses. In the case of receivables in foreign currencies, possible currency risks are limited by entering into financial transactions.

Payment risks are avoided at Textile Systems by the use of advance payments, letters of credit and insurance.

## 12 Inventories

CHF m	2002	2001
Raw materials and consumables	51.2	53.0
Purchased parts and goods for resale	62.1	55.9
Semi-finished and finished goods	91.9	94.8
Work in progress	104.1	100.9
<b>Total</b>	<b>309.3</b>	<b>304.6</b>

## 13 Minority interests

The primary minority interests held by third parties are in United Globe Nippon (USA), Magee Rieter (USA) and Rieter-LMW Machinery Ltd. (India).

## 14 Bonds

CHF m	2002	2001
1½% convertible bonds, maturing 2002	0.0	139.9
4% bonds, maturing 2007	200.0	125.0
<b>Total</b>	<b>200.0</b>	<b>264.9</b>
Short-term liabilities	0.0	139.9
Long-term liabilities	200.0	125.0

## 16 Provisions

	Pension liabilities CHF m	Business risks CHF m	Other provisions CHF m	Total provisions CHF m
<b>Provisions at December 31, 2000</b>	<b>60.2</b>	<b>52.4</b>	<b>80.2</b>	<b>192.8</b>
Reclassification	0.0	-4.0	3.5	-0.5
Change in the scope of consolidation	1.7	0.0	0.2	1.9
Utilization	-4.9	-18.0	-16.0	-38.9
Release	-4.2	-8.7	-24.6	-37.5
Additions	7.6	25.8	36.3	69.7
Currency effects	-1.4	-0.1	0.1	-1.4
<b>Provisions at December 31, 2001</b>	<b>59.0</b>	<b>47.4</b>	<b>79.7</b>	<b>186.1</b>
Reclassification	0.0	-1.0	1.0	0.0
Change in the scope of consolidation	0.0	0.0	0.0	0.0
Utilization	-9.4	-8.9	-25.7	-44.0
Release	-0.1	-8.0	-3.5	-11.6
Additions	11.3	26.5	5.5	43.3
Currency effects	-1.5	-0.5	-0.9	-2.9
<b>Provisions at December 31, 2002</b>	<b>59.3</b>	<b>55.5</b>	<b>56.1</b>	<b>170.9</b>

The 139.9 million CHF of 1½% convertible bonds issued in 1997 matured and were paid at the end of October 2002. At a conversion price of 430 CHF per share, conversion was not an attractive proposition for bondholders. This issue was partially refinanced by increasing the 125 million CHF issue of 4% bonds maturing in 2007 by 75 million CHF to 200 million CHF. The remainder of the repayment was financed from ordinary cash flow.

## 15 Other short-term liabilities

CHF m	2002	2001
Sales commissions	17.8	19.0
Tax liabilities	19.2	20.2
Short-term, interest-bearing liabilities	6.0	3.7
Other short-term liabilities	108.4	112.7
Accrued liabilities	126.8	116.6
<b>Total</b>	<b>278.2</b>	<b>272.2</b>

**17 Changes in the scope of consolidation**

CHF m	2002	2001
Tangible fixed assets	0.0	8.9
Financial assets	0.0	7.3
Goodwill	12.6	17.9
Liquid funds	0.0	0.4
Trade receivables	0.0	5.0
Other receivables	0.0	1.1
Inventories	0.0	4.8
Trade payables	0.0	-2.7
Other liabilities	0.0	-26.0
<b>Additions</b>	<b>12.6</b>	<b>16.7</b>
less liquid funds	0.0	-0.4
Cash provided by changes in the scope of consolidation	12.6	16.3

The addition to goodwill arose from the acquisition of the remaining 20% of the share capital of Temkom, the outstanding 2% of the share capital of Rieter Ingolstadt and the remaining shares of Idea Institute.

**18 Pension plans****Defined-contribution plans**

The expenditure for defined-contribution pension plans amounted to 8.0 million CHF (8.4 million CHF in 2001).

**Defined-benefit plans**

For the actuarial calculation of the obligations of the different plans and the presentation of the value of the plans' assets, many countries, especially Switzerland, have rules for the definition of employee benefits which may differ substantially from IAS rules.

**Pension costs of defined-benefit plans**

CHF m	2002	2001
Current service cost	12.4	11.1
Interest cost	38.1	40.0
Expected return on plan assets	-34.8	-38.4
Employees' contributions	-5.3	-5.1
<b>Expense recognized in the income statement</b>	<b>10.4</b>	<b>7.6</b>

**Funded status of defined-benefit plans**

CHF m	2002	2001
Actuarial present value of defined benefit obligation (DBO)		
- unfunded	-50.5	-26.9
- funded	-873.6	-871.2
Fair value of plan assets adjusted by actuarial risk rate	863.3	928.4
Recognized in the balance sheet		
- as assets	47.9	51.5
- as pension provisions	-50.5	-28.1
<b>Net assets at December 31</b>	<b>-2.6</b>	<b>23.4</b>

Actuarial gains are capitalized to the extent the company will be able to utilize them.

The fair value of plan assets of the defined benefit plans contains Rieter shares in the value of 4.5 million CHF and loans to Group companies of 3.2 million CHF.

**Development of balance sheet items**

CHF m	2002	2001
Net assets at January 1	23.4	23.4
Change in the scope of consolidation	0.0	-1.2
Additions	-25.7	0.0
Expense for defined-benefit plans	-10.4	-7.6
Employer's contributions	10.1	8.8
<b>Net assets at December 31</b>	<b>-2.6</b>	<b>23.4</b>

**Actuarial assumptions**

in %	2002	2001
Discount rate	4.1	4.2
Expected return on assets	4.2	4.2
Future wage growth	2.4	2.7
Future pension growth	1.8	1.7

The assumptions are calculated as a weighted average for all pension plans.

## 19 Staff share purchase plans

There is a share purchase plan for executives. In the year under review, 65 participants purchased 12 768 shares at a price of 299 CHF per share (272 CHF in 2001). Two-thirds of these shares cannot be sold for three years. At year-end, 37 019 shares were held in blocked accounts (33 412 in 2001). The shares for this program were delivered from the holdings of Rieter Holding Ltd.

In addition, top executives could subscribe for one additional option for each share which was purchased and subject to restrictions on sale under the above plan. Each option entitles the holder to purchase a share after two years at a price of 352 CHF (419 CHF in 2001), which corresponds to the average market price on the date the options were issued. A total of 2 927 options were issued and can be exercised until 2007.

A total of 9 822 options were open at year-end (6 895 in 2001).

Long-service bonuses are also granted in the form of shares at some companies, and 13 314 shares are reserved for this purpose.

## 20 Future liabilities of finance leasing

CHF m	2002	2001
Current	1.6	1.3
2-5 years	3.8	0.5
Over 5 years	2.0	0.0
<b>Total</b>	<b>7.4</b>	<b>1.8</b>

No purchase liabilities in respect of large projects were open at year-end.

## 21 Associated persons and companies

As in the previous year, there are no receivables from or payables to directors, associated persons and companies.

## 22 Approval for publication of the consolidated financial statements

The consolidated financial statements were approved for publication by the Board of Directors on April 1, 2003. They are also subject to approval by the annual general meeting of shareholders. No events have occurred up to April 1, 2003, which would necessitate adjustments to the book values of the group's assets or liabilities, or which require disclosure.



## Report of the group auditors to the general meeting of Rieter Holding Ltd., Winterthur

As auditors of the group, we have audited the consolidated financial statements (income statement, balance sheet, statement of cash flows, changes in equity and notes on pages 49 to 63 and page 73) of Rieter Holding Ltd. for the year ended December 31, 2002.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Handwritten signature of Christian Kessler in black ink.

Christian Kessler

Handwritten signature of Stefan Haag in black ink.

Stefan Haag

Zurich, April 2, 2003

## Income statement of Rieter Holding Ltd.

for the financial year from January 1 to December 31

	Notes	2002 CHF	2001 CHF
<b>Income</b>			
Income from investments	(1)	69 181 655	64 256 248
Income from marketable securities and interest income	(2)	-28 944 988	-18 045 094
Other income	(3)	9 597 006	12 615 032
<b>Total income</b>		<b>49 833 673</b>	<b>58 826 186</b>
<b>Expenditure</b>			
Financial expense	(4)	14 382 386	19 928 093
Administration expense		4 305 622	2 767 689
<b>Total expenditure</b>		<b>18 688 008</b>	<b>22 695 782</b>
<b>Net profit</b>		<b>31 145 665</b>	<b>36 130 404</b>

## Balance sheet of Rieter Holding Ltd.

At December 31, before appropriation of profit

	Notes	December 31 2002 CHF	December 31 2001 CHF
<b>Assets</b>			
Investments in and loans to subsidiaries	(5)	699 749 415	676 090 475
<b>Fixed assets</b>		<b>699 749 415</b>	<b>676 090 475</b>
Accrued income and prepayments	(6)	3 352 337	2 002 110
Receivables from third parties	(7)	4 764 009	11 713 472
Receivables from subsidiaries	(8)	26 143 268	55 520 248
<b>Receivables</b>		<b>34 259 614</b>	<b>69 235 830</b>
<b>Liquid funds</b>	(9)	<b>145 408 927</b>	<b>165 667 939</b>
<b>Current assets</b>		<b>179 668 541</b>	<b>234 903 769</b>
<b>Total assets</b>		<b>879 417 956</b>	<b>910 994 244</b>
<b>Shareholders' equity and liabilities</b>			
Share capital	(10)	22 845 280	45 690 560
Legal reserves			
- General reserve	(11)	27 500 000	27 500 000
- Reserve for own shares	(12)	74 904 352	76 232 520
Other reserves	(13)	214 903 316	193 575 148
Retained earnings	(14)		
- Balance brought forward		22 586 834	21 381 177
- Net profit for the year		31 145 665	36 130 404
<b>Shareholders' equity</b>		<b>393 885 447</b>	<b>400 509 809</b>
Short-term liabilities	(15)	256 326 231	222 545 332
Accrued liabilities	(16)	11 932 530	5 860 603
<b>Current liabilities</b>		<b>268 258 761</b>	<b>228 405 935</b>
Bonds	(17)	200 000 000	264 909 100
Loans from subsidiaries		6 173 748	6 069 400
Provisions	(18)	11 100 000	11 100 000
<b>Long-term liabilities</b>		<b>217 273 748</b>	<b>282 078 500</b>
<b>Liabilities</b>		<b>485 532 509</b>	<b>510 484 435</b>
<b>Total shareholders' equity and liabilities</b>		<b>879 417 956</b>	<b>910 994 244</b>

## 1 Income from investments

This comprises the dividend income received from subsidiaries and associated companies. The slight increase in income compared with the previous year arose from sales of shares in associated companies.

## 2 Income from marketable securities and interest income

The downtrend on the equity markets continued in 2002, resulting in a loss on holdings of marketable securities. Foreign interest income and profits from foreign exchange were lower than in the previous year due to the strong Swiss franc.

## 3 Other income

Income in the past financial year was slightly lower due to subsequent offsetting of income from services rendered.

## 4 Financial expense

The cost of interest on liabilities to group companies in the group cash pool and interest on bond issues are the main elements of financial expense. This was reduced by generally lower interest rates and the elimination of an interest rate swap.

## 5 Investments in and loans to subsidiaries

CHF m	2002	2001
Investments in subsidiaries	214.4	202.4
Loans to subsidiaries	485.3	473.7
<b>Total</b>	<b>699.7</b>	<b>676.1</b>

The main subsidiaries and associated companies are listed on page 73. These investments are held directly or indirectly by Rieter Holding Ltd.

## 6 Accrued income and prepayments

Accrued income and prepayments include accrued interest income on bond holdings and money market investments, as well as prepaid financing costs.

## 7 Receivables from third parties

Receivables from third parties consist of receivables from withholding tax credits and current account relationships with personnel welfare funds and foundations.

## 8 Receivables from subsidiaries

Current account credits or advances on market terms and conditions are granted in the context of central cash management.

## 9 Liquid funds

CHF m	2002	2001
Bank balances and time deposits	74.3	26.7
Marketable securities	71.1	139.0
<b>Total</b>	<b>145.4</b>	<b>165.7</b>

## 10 Share capital

Share capital was halved as a result of the repayment of capital of 5 CHF per registered share in 2002, involving the disbursement of 22.8 million CHF to shareholders.

## 11 General reserve

The general reserve meets the legal requirements. No transfer was made in the year under review.

**12 Reserve for own shares****Shares held by all group companies**

	Number
Registered shares held at January 1, 2002	178 275
Purchases January-December 2002 (average price 300.57)	22 465
Sales January-December 2002 (average price 294.44)	24 277
Registered shares held at December 31, 2002	176 463

The reserve for own shares was made at acquisition cost.

**13 Other reserves**

CHF m	2002	2001
Opening balance	193.6	230.3
Allocation from profits	20.0	4.0
Premium on newly issued shares	0.0	9.9
Transfer to reserve for own shares	1.3	-50.6
<b>Total</b>	<b>214.9</b>	<b>193.6</b>

**14 Retained earnings**

Including the balance brought forward, the annual general meeting has 53.7 million CHF at its disposal (57.5 million CHF in 2001).

**15 Short-term liabilities**

CHF m	2002	2001
Liabilities to group companies	255.4	221.5
Liabilities to third parties	0.9	1.0
<b>Total</b>	<b>256.3</b>	<b>222.5</b>

Rieter Holding Ltd. manages the liquid funds of group companies and pension funds in the central cash pool.

**16 Accrued liabilities**

Accrued liabilities include accrued interest payable and open foreign exchange transactions.

**17 Bonds**

CHF m	2002	2001
1½% convertible bonds, maturing 2002	0.0	139.9
4% bonds, maturing 2007	200.0	125.0
<b>Total</b>	<b>200.0</b>	<b>264.9</b>

The issue of 4% bonds was increased by 75 million CHF in 2002 which enabled to partially refinance the 1½% convertible bonds due for repayment. Further details are provided on page 70.

**18 Provisions**

Provisions include foreign exchange risks and guarantee commitments.

**19 Guarantees to third parties**

CHF m	2002	2001
Guarantees	37.6	42.1

Guarantees to third parties consist of sureties issued to investment institutions and banks for loans granted to subsidiaries and for a tenancy agreement.

## Proposal of the board of directors

### for the appropriation of profit (2002 financial year)

	2002 CHF	2001 CHF
Net profit for the year	31 145 665	36 130 404
Retained earnings brought forward from previous year	22 236 579	20 389 287
Waiver of dividends on own shares	350 255	991 890
<b>At the disposal of the annual general meeting</b>	<b>53 732 499</b>	<b>57 511 581</b>
<b>Proposal</b>		
Dividend on registered shares	35 781 624	15 275 002
Allocation to other reserves	0	20 000 000
Retained earnings	17 950 875	22 236 579
<b>Net profit at the disposal of the annual general meeting</b>	<b>53 732 499</b>	<b>57 511 581</b>

Upon approval of this proposal by the annual general meeting, a dividend for the 2002 financial year of CHF 8.60 (CHF 5.59 net dividend) will be paid on each registered share of CHF 5.00 p.v. on May 14, 2003. The dividend, less Swiss withholding tax, will be paid into the bank or postal account specified by the holder of the shares.



## Report of the statutory auditors to the general meeting of Rieter Holding Ltd.

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes on pages 65 to 68 and page 73) of Rieter Holding Ltd. for the year ended December 31, 2002.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Handwritten signature of Christian Kessler in black ink.

Christian Kessler

Handwritten signature of Stefan Haag in black ink.

Stefan Haag

Zurich, April 2, 2003

## Shareholdings and capital structure

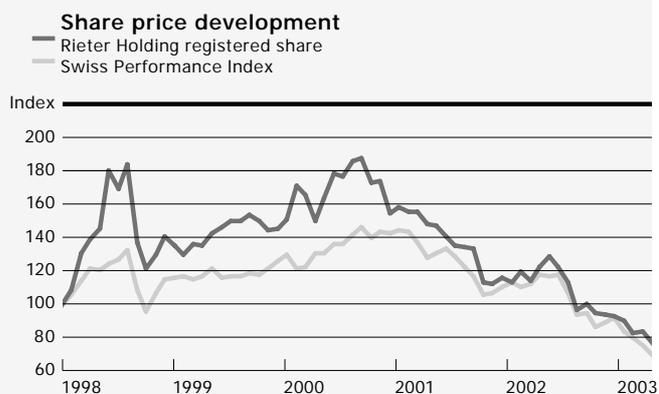
At the end of the year 4 922 shareholders were entered in the shareholders' register of Rieter Holding Ltd. (4 898 in the previous year). The analysis of shareholders is as follows:

Registered shareholders	2002		2001	
	shares in %	holders in %	shares in %	holders in %
<b>Total:</b>				
- individuals	12.2	93.7	12.6	94.3
- legal entities	43.7	6.3	50.9	5.7
- floating shares	44.1		36.5	
<b>Foreign investors:</b>				
- individuals	0.9	7.1	0.8	6.9
- legal entities	8.1	0.6	5.4	0.6

Major shareholders and groups of shareholders with holdings exceeding 5% of all voting rights (pursuant to Art. 633c of the Swiss Code of Obligations) at December 31, 2002: BZ Group, Wilen: 1 286 957 shares.

Rieter Holding Ltd. held 233 463 of its own shares directly or indirectly.

Rieter Holding Ltd. has issued put options with the obligation to buy in December 2003 50 000 shares for a price of CHF 350 per share.



### Capital structure at December 31, 2002

	Number	
Securities code 367144 (Investdata: RIEN; Reuters: RITZn)		
Paid-in:	4 569 056	registered shares of CHF 5.- p.v.
Eligible for dividend, incl. own shares:	4 243 056	including 82 402 own shares held by Rieter Holding Ltd. and 94 061 own shares held by group companies
Conditional capital:	396 312	registered shares
Listed on the Swiss Stock exchange		
<b>Bonds</b>		
Securities code 1236261 (Reuters: CH 1236261=S)		
<b>4% bonds, maturing 2007</b>	CHF million 200.0	Annual interest payments on June 21

## Information for investors

		2002	2001	2000	1999	1998
Share capital	CHF m	22.8	45.7	45.5	45.5	47.5
Net profit of Rieter Holding Ltd.	CHF m	31.1	36.1	45.3	39.1	38.6
Net profit	CHF m	83.8	111.2	146.0	124.0	129.4
Cash flow	CHF m	205.4	246.1	271.7	230.8	233.2
Gross distribution	CHF m	35.8 <sup>1</sup>	36.5	36.3	31.5	32.9
Payout ratio (as a % of net profit)	in %	52	39	28	28	27
Market capitalization (Dec. 31)	CHF m	1 180	1 485	2 080	1 977	1 844
Market capitalization as a % of						
- sales	in %	40	47	71	81	70
- cash flow after deduction of minority interests	in %	620	651	817	904	822
- equity	in %	135	164	226	239	231

### Data per share:

Prices on the Swiss Stock Exchange:

- Registered shares <sup>2</sup>	high	CHF	404	493	598	484	590
	low	CHF	275	348	461	395	300
Gross distribution per registered share		CHF	8.60 <sup>1</sup>	8.60	8.60	7.50	7.50
- of which capital repayment		CHF		5.00			
Gross yield on registered shares	high	in %	2.1 <sup>1</sup>	1.7	1.4	1.5	1.3
	low	in %	3.1 <sup>1</sup>	2.5	1.9	1.9	2.5
Net profit after deduction of minority interests per registered share		CHF	16.95	22.85	31.22	27.09	27.45
Cash flow after deduction of minority interests per registered share		CHF	46.82	55.92	61.66	52.97	51.12
Price/earnings ratio of registered share	high		23.8	21.4	19.2	17.9	21.5
	low		16.2	15.1	14.8	14.6	10.9
Shareholders' equity (group) per registered share		CHF	214.50	222.55	222.73	200.09	182.10
Tax value per registered share		CHF	278.00	360.00	479.00	453.00	425.00

<sup>1</sup> Proposed by the board of directors (cf. page 68).

<sup>2</sup> Per-share data for 1998 to 1999 restated to reflect 2-for-1 share split.

Market capitalization is based on the number of shares eligible for dividend, including own shares.  
Data per share are based on the average number of registered shares.

## Review – 1998 to 2002

<b>Consolidated income statement</b>		<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
Sales	CHF m	2 976.2	3 170.2	2 931.0	2 435.4	2 643.0
– Europe	CHF m	1 333	1 444	1 324	1 266	1 288
– Asia (incl. Turkey)	CHF m	685	645	527	270	385
– North America	CHF m	794	860	864	725	726
– Latin America	CHF m	120	182	181	137	205
– Africa	CHF m	44	39	35	37	39
Corporate output	CHF m	2 872.2	3 025.4	2 841.8	2 364.7	2 546.2
Operating result before interest, taxes, depreciation and amortization (EBITDA)	CHF m	318.8	337.1	323.3	245.7	264.5
– as a % of corporate output		11.1	11.1	11.4	10.4	10.4
Operating result before interest and taxes (EBIT)	CHF m	200.9	203.9	199.5	135.3	165.7
– as a % of corporate output		7.0	6.7	7.0	5.7	6.5
Net profit	CHF m	83.8	111.2	146.0	124.0	129.4
– as a % of corporate output		2.9	3.7	5.1	5.2	5.1
Cash flow	CHF m	205.4	246.1	271.7	230.8	233.2
– as a % of corporate output		7.2	8.1	9.6	9.8	9.2
Capital expenditure	CHF m	133.6	129.7	122.9	100.9	141.4
<b>Consolidated balance sheet</b>						
Fixed assets	CHF m	990.1	1 044.9	966.6	864.0	815.0
Current assets	CHF m	1 233.5	1 283.8	1 462.1	1 292.2	1 328.7
Shareholders' equity before appropriation of profit	CHF m	873.3	907.8	919.6	825.7	798.6
Minority interests	CHF m	66.6	82.4	74.8	68.1	56.6
Current liabilities	CHF m	789.0	900.7	873.3	647.4	638.2
Long-term liabilities	CHF m	494.7	437.8	561.0	615.0	650.3
Total assets/liabilities	CHF m	2 223.6	2 328.7	2 428.7	2 156.2	2 143.7
Shareholders' equity (%)		39.3	39.0	37.9	38.3	37.3
<b>Number of employees at year-end</b>		<b>12 983</b>	<b>12 977</b>	<b>12 232</b>	<b>11 262</b>	<b>12 266</b>

## Significant subsidiaries and associated companies

at March 31, 2003

			Paid-in capital in local currency	Group interest	Research & development	Sales/trading	Production	Services/financing
Switzerland	Maschinenfabrik Rieter AG, Winterthur	CHF	85 000 000	100%	•	•	•	•
	Schaltag AG, Effretikon	CHF	400 000	100%	•	•	•	
	Rieter Automotive Heatshields AG, Sevelen	CHF	250 000	100%	•	•	•	
	Rieter Management AG, Winterthur	CHF	5 000 000	100%				•
	Rieter Automotive Management AG, Winterthur	CHF	1 300 000	100%	•			•
	Tefina Holding AG, Zug	CHF	5 000 000	100%				•
	Temkom AG, Pfäffikon	CHF	1 000 000	100%	•	•	•	•
	Rieter Immobilien AG, Winterthur	CHF	2 000 000	100%				•
	Rieter Services AG, Winterthur	CHF	3 000 000	100%				•
Argentina	Rieter Automotive Argentina S.A., Córdoba	ARS	7 070 000	95%		•	•	
Belgium	Rieter Automotive Belgium N.V., Genk	EUR	1 797 228	100%		•	•	
Brazil	Rieter-Ello Artefatos de Fibras Textis Ltda., São Bernardo d. C.	BRL	35 107 000	100%	•	•	•	
	Rieter South America Ltda., São Paulo	BRL	2 173 653	100%		•		
China	Rieter Changzhou Textile Instruments Co. Ltd., Changzhou	RMB	6 000 000	100%				•
	Rieter Textile Systems (Shanghai) Co. Ltd., Shanghai	USD	200 000	100%		•		
Germany	Rieter Ingolstadt Spinnereimaschinenbau AG, Ingolstadt	EUR	12 273 600	100%	•	•	•	•
	Rieter Automotive Germany GmbH, Rossdorf	EUR	11 248 421	100%	•	•	•	
	Rieter Automatik GmbH, Grossostheim	EUR	7 158 086	100%	•	•	•	•
	Rieter Vertriebs GmbH, Ingolstadt	EUR	15 338 756	100%		•		•
	Rieter Deutschland GmbH & Co. OHG, Ingolstadt	EUR	15 644 172	100%		•		•
	Wilhelm Stahlecker GmbH, Reichenbach im Täle	EUR	255 624	100%	•			
France	Rieter Automotive France S.A., Aubergenville	EUR	8 000 000	100%	•	•	•	
	Rieter ICBT S.A., Valence	EUR	4 120 500	100%	•	•	•	•
	Rieter Perfojet S.A., Grenoble	EUR	336 000	100%	•	•	•	•
Great Britain	Rieter Automotive Great Britain Ltd., Heckmondwike	GBP	6 500 000	100%	•	•	•	
Hong Kong	Rieter Asia (Hong Kong) Ltd., Hong Kong	HKD	1 000	100%		•		
India	Rieter-LMW Machinery Ltd., Perianaickenpalayam	INR	250 000 000	50%				•
	Rieter India Pvt. Ltd., New Delhi	INR	10 000 000	100%		•		
Italy	Rieter Automotive Fimit S.p.A., Milano	EUR	8 400 000	100%	•	•	•	
	Rieter Italiana S.r.l., Milano	EUR	46 800	100%		•		
	Idea Institute S.p.A., Torino	EUR	3 500 000	100%	•			•
Canada	Rieter Automotive Mastico Ltd., Ontario	CAD	381 000	100%	•	•	•	
Netherlands	Rieter Automotive Nederland B.V., Weert	EUR	2 042 010	100%		•	•	
Portugal	Rieter Componentes para Veiculos Lda., Setúbal	EUR	598 557	87%		•	•	
Spain	Rieter Saifa S.A., Barcelona	EUR	847 410	50%	•	•	•	
Taiwan	Rieter Asia (Taiwan) Ltd., Taipei	TWD	5 000 000	100%		•		
Czech Republic	Rieter CZ a.s., Ustí nad Orlicí	CZK	982 169 000	100%	•	•	•	•
	Novibra Boscovice s.r.o., Boscovice	CZK	40 000 000	100%	•	•	•	
USA	Rieter Automotive North America, Inc., Farmington Hills	USD	5 700 000	100%	•	•	•	
	Rieter Corporation, Spartanburg	USD	1 249	100%		•		
	Rieter Greensboro, Inc., Greensboro	USD	5 000	100%		•		
	UGN, Inc., Chicago	USD	500 000	50%	•	•	•	
	Magee Rieter Automotive Systems, Bloomsburg <sup>1</sup>	USD		50%	•	•	•	

<sup>1</sup> no registered paid-in capital

April 2003

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