

Rieter Holding Ltd., 2001 semi-annual report

Rieter continues growth

Earnings significantly higher than in second half-year 2000

Winterthur, August 24, 2001

Dear shareholders,

Profitable growth of the Rieter Group continued in the first half of 2001 despite more difficult conditions in the textile and automobile industries than last year. Consolidated sales rose by 15 percent compared with the first half of 2000 to 1625 million CHF (+8% adjusted for acquisitions). Currency effects slightly reduced consolidated sales by one percentage point.

Operating result before interest and taxes (EBIT) improved to 110 million CHF, 5 percent above the prior half-year level and equivalent to 6.9 percent of corporate output (half-year 2000: 7.5%). Net profit for the first six months totalled 66.8 million CHF, or 4.2 percent of corporate output (half-year 2000: 5.9%). Due to lower financial income and higher tax, net profit did not match the record prior half-year level.

Rieter Textile Systems recorded an excellent first semester, with further rises in sales and operating result. Rieter Automotive Systems also attained significant growth despite a certain market weakness, reversing the operating result trend to significantly exceed second-semester earnings for 2000.

Personnel figures per mid-year totalled 13 123 employees (mid-year 2000: 11 897). This increase is largely attributable to acquisitions (Idea Institute and three Suessen Group companies).

For refinancing the 100 million CHF bond issue maturing in October 2001, Rieter Holding Ltd. successfully placed a 125 million CHF bond issue (4%, maturing 2007). With an equity ratio around 35 percent, Rieter Group finances remain on a solid basis.

At the General Meeting of May 30, 2001 Dr. Dieter Spälti (of Nürensdorf/ZH) was newly elected to the Rieter Board of Directors.

Prospects

Based on the current situation, Rieter Group sales and operating result for 2001 are expected to exceed the prior year levels. However, sales growth in the second semester will likely be slower due to anticipated lower economic growth rates. In view of financial market conditions at the present time, it will be a great challenge for the Rieter Group to exceed the net profit of 2000.

Key statistics – Rieter Group

		January–June 2001	July–December 2000	January–June 2000	Change in %	At previous year's exchange rates
Sales	CHF m	1625	1515	1416	15	16
Corporate output	CHF m	1589	1452	1390	14	
Operating result before interest and taxes	CHF m	110.0	95.2	104.3	5	
– as a % of corporate output		6.9	6.6	7.5		
Net profit	CHF m	66.8	63.4	82.6	– 19	
– as a % of corporate output		4.2	4.4	5.9		
Cash flow	CHF m	132.8	129.3	142.4	– 7	
– as a % of corporate output		8.4	8.9	10.2		
Number of employees per mid-year		13 123	12 232	11 897	10	

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

Rieter Textile Systems

Key statistics

		January–June 2001	July–December 2000	January–June 2000	% change compared with prior half-year	At previous year's exchange rates
Orders received	CHF m	541	501	613	–12	–10
Sales	CHF m	606	621	469	29	30
Operating result before interest and taxes	CHF m	50.9	47.9	41.2	24	
– as a % of corporate output		8.5	8.2	8.9		
Number of employees on June 30		4680		4001	17	

Higher sales and earnings

Order intake of Rieter Textile Systems for the first half of 2001 was at the satisfying level of 541 million CHF, significantly exceeding the second-semester 2000 figure. As expected, the particularly high order intake for the first half of 2000 was not matched.

Order intake was negatively affected by economic decline in the USA, recession and financial problems in Turkey, and the energy crisis in Brazil. This was counteracted to some extent by the upward trend in Asian markets, particularly in China. The market for chemical fiber and non-woven textiles machinery remained stagnant during the first semester 2001, while demand for staple fibre textile machinery was at a high although slightly reduced level.

Sales for the first half-year 2001 rose by 29 percent to 606 million CHF. Thanks to good workloads, efficient cost management and maintaining price discipline, Rieter Textile Systems operating result before interest and taxes (EBIT) increased markedly by 24 percent to 50.9 million CHF. This corresponds to 8.5 percent of corporate output (half-year 2000: 8.9%).

As announced, Rieter has acquired three units of the textile machinery activities of the Suessen Group, Germany, with majority shareholding options on the remaining Group activities. The R&D company, a component production plant in the Czech Republic and a German distribution company with sales totalling 16.5 million CHF were added to the scope of consolidation for the first semester 2001. Integration of the three Suessen business units acquired is proceeding according to plan, and the

first joint projects with these companies have been launched. Joining forces with Suessen has been well accepted by our customers. This significantly strengthens Rieter's innovation potential and competence in textile machine technology. Together with Suessen, Rieter will furthermore be the world's largest supplier of spare parts and retrofit components for staple fibre spinning machinery.

Sales comparison with the prior half-year level is affected by first consolidation for only two months of the ICBT business units acquired per April 2000. The ICBT acquisition contributed additional sales totalling 58 million CHF for the first semester 2001.

Business prospects for 2001 as a whole

Rieter Textile Systems expects a weaker market for staple fibre machinery during the second half of 2001, and stagnating demand for chemical fibre machinery. Despite more difficult market conditions, however, higher sales and earnings are expected than in prior year.

Key statistics		January–June 2001	July–December 2000	January–June 2000	% change compared with prior half-year	At previous year's exchange rates
Sales	CHF m	1013	884	941	8	9
Operating result						
before interest and taxes	CHF m	60.1	38.7	68.5	–12	
– as a % of corporate output		6.1	4.5	7.4		
Number of employees on June 30		8325		7783	7	

Growth despite weaker markets

Sales of Rieter Automotive Systems for the first half of 2001 rose to 1013 million CHF, 8 percent above the prior half-year level (+9% adjusted for currency effects). This sales level – exceeding the one billion CHF mark for the first time – was attained despite production decline in the automobile industry. The sales growth was mainly attributable to large delivery volumes for new models. Additional sales totalling 17.8 million CHF were also contributed by the Idea Institute design and engineering company acquired one year ago and consolidated since August 1, 2000. Rieter Automotive Systems registered internal growth around 6 percent for the first half of 2001.

The two main Automotive Systems markets, Western Europe and the Nafta, developed differently during the first semester. Automobile production stagnated in Western Europe, but declined by about 13 percent in North America. In contrast to Ford, GM and Daimler-Chrysler, US production figures of the Japanese and European automobile manufacturers matched the prior half-year levels. Rieter Automotive Systems profited from these varying developments mainly because of the UGN joint venture, which largely handles deliveries to Japanese customers in North America.

Rieter Automotive Systems sales rose both in the USA and in Western Europe, thus resulting in market share gains in an overall declining market. This encouraging development was largely attributable to the innovative Rieter Ultra Light acoustic system, which increased sales for new models.

Operating result before interest and taxes (EBIT) totalled 60.1 million CHF for the first semester, corresponding to 6.1 percent of corporate output (half-year 2000: 7.4%). Profitability improved significantly compared with the second half of 2000. Less cost was incurred during the first semester 2001 for production start-up problems in the second half of 2000. Profitability has not yet reached the target level, however, one reason being the ongoing pricing pressure by automobile manufacturers on suppliers. Rieter Automotive Systems will continue to counteract this situation with innovative products and solutions, such as the Rieter Ultra Light acoustic system.

The Italian design and engineering company Idea Institute acquired by Rieter one year ago is starting to show the first synergy benefits, particularly with regard to know-how integration and engineering orders. For Rieter Automotive Systems, the Idea Institute acquisition represents a strategic reinforcement of our market position in automotive acoustics and complete module integration.

Business prospects for 2001 as a whole

Rieter Automotive Systems expects automobile production in Western Europe and North America to decline slightly in the second half of the year. Sales and earnings for 2001 are expected to exceed the prior year levels.

Yours faithfully,

Rieter Holding Ltd.



Kurt Feller

Chairman of the board of directors



Erwin Stoller

CEO Rieter Textile Systems



Matti Paasila

CEO Rieter Automotive Systems

Consolidated income statement

		January–June 2001	January–June 2000
Sales	CHF m	1624.7	1415.5
Sales deductions/change in semi-finished and finished goods	CHF m	– 35.3	– 25.1
Corporate output	CHF m	1589.4	1390.4
Material costs	CHF m	– 720.5	– 618.3
Operating costs	CHF m	– 758.9	– 667.8
Operating result before interest and taxes	CHF m	110.0	104.3
Other expenses/income	CHF m	– 3.7	6.2
Taxes	CHF m	– 39.5	– 27.9
Net profit	CHF m	66.8	82.6
Minority shareholders' interest in net profit	CHF m	– 7.0	– 9.7
Net profit after deduction of minority interests	CHF m	59.8	72.9
Earnings per share			
– based on average number of registered shares	CHF	14.62	17.33

Consolidated balance sheet

		June 30, 2001	December 31, 2000
Fixed assets	CHF m	1058.0	966.6
Current assets	CHF m	1615.4	1462.1
Assets	CHF m	2673.4	2428.7
Shareholders' equity	CHF m	930.5	919.6
Long-term liabilities	CHF m	784.7	635.8
Short-term liabilities	CHF m	958.2	873.3
Shareholders' equity and liabilities	CHF m	2673.4	2428.7
Equity ratio	in %	34.8	37.9

Consolidated statement of cash flows

		January–June 2001	January–June 2000
Net profit	CHF m	66.8	82.6
Depreciation	CHF m	66.0	59.8
Cash flow	CHF m	132.8	142.4
Change in working capital	CHF m	– 53.6	– 11.4
Cash provided by operations	CHF m	79.2	131.0
Cash used for investing activities/acquisitions	CHF m	– 95.5	– 101.8
Change provided by financing activities	CHF m	41.5	– 69.4
Change in liquid funds	CHF m	25.2	– 40.2
Liquid funds at beginning of year	CHF m	418.0	398.9
Liquid funds at June 30	CHF m	443.2	358.7

Changes in equity

		June 30, 2001	December 31, 2000
Shareholders' equity at end of previous year	CHF m	919.6	825.7
Dividend payment	CHF m	– 35.3	– 31.5
Currency effects; other	CHF m	30.7	– 20.3
Net profit after deduction of minority interests	CHF m	59.8	128.9
Change in holdings of own shares	CHF m	– 44.3	12.2
Increase in share capital/capital repayment	CHF m	0.0	4.6
Shareholders' equity at end of reporting period	CHF m	930.5	919.6

Exchange rates of the main currencies vs. CHF

	Average annual rates				Closing rates			
	1st half 2001	1st half 2000	Change in %	2000	June 30, 2001	June 30, 2000	Change in %	Dec. 31, 2000
1 USD	1.72	1.66	4	1.69	1.79	1.63	10	1.61
1 GBP	2.49	2.59	– 4	2.55	2.54	2.48	2	2.41
1 Euro	1.53	1.58	– 3	1.56	1.52	1.56	– 3	1.52

The consolidated half-year accounts are closed according to the same principles as the annual accounts. The necessary adjustments have been made for compliance with IAS requirements in the current business year.

Three of the Suessen Group companies were added to the scope of consolidation per January 1, 2001. In prior year the acquired ICBT companies (per 1.5.2000) and Idea Institute (per 1.8.2000) were added to the scope of consolidation.

Rieter Holding Ltd. dividend payment for the business year 2000 amounted to CHF 8.60 per registered share, 15 percent higher than in prior year. No dividend is paid per mid-year.

This semi-annual report is not subject to external auditing. It is published in the German and English languages.

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