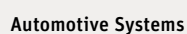
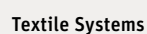
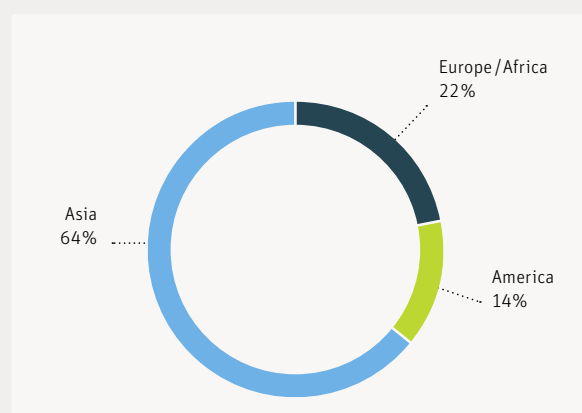


Sales in CHF million

Sales by geographical region (2 036.7 CHF million = 100%)



Sales by geographical region (1 109.0 CHF million = 100%)



Continued strategic development of the business



Kurt Feller Chairman of the Board of Directors

Dear shareholder

Despite the high oil price and the rising cost of raw materials, the global economy recorded stronger overall growth in 2005 than had generally been expected at the beginning of the year. The large Asian economies of China and India developed especially vigorously. The US and Japan also proved to be economically robust, while growth rates in the EU countries were considerably lower. The good prospects for the global economy also had a favorable impact on the stock markets.

The textile machinery and automobile markets developed less favorably than the global economy as a whole. Uncertainty in the textile industry caused by China's negotiations with the US and the EU over WTO textile quotas had an adverse impact on investments in textile machinery. In the automotive industry the high fuel prices were a major factor resulting in unstable demand trends.

In this difficult market environment net profit could be maintained, but Rieter did not quite equal the previous year's figures for sales and operating result. The group intensified its efforts in both divisions to develop the core business further, expand its position in the emerging markets of Eastern Europe and Asia, and further improve profitability.



Hartmut Reuter Chief Executive Officer

Good trend of business in the second half

Orders received by the Rieter Group in 2005 increased by 4.7% to 3 233.6 million CHF. Both divisions contributed to this development. Following a decline in the first half, which was due primarily to a subdued textile machinery market in Asia, order intake increased considerably in the second six months of 2005, especially at Textile Systems, compared with both the second half of 2004 and the first half of 2005.

Consolidated sales of 3 160.0 million CHF almost equaled the record figure of 3 173.2 million CHF posted in the previous year. Despite the difficult market environment in Western Europe and North America, Automotive Systems achieved sales growth that almost compensated for the cyclical decline in sales at Textile Systems. Exchange rate movements had a slightly positive influence on consolidated sales overall.

At the end of 2005, the Rieter Group employed a workforce of some 14 600 worldwide, about 8% more than at the end of the previous year. The increase was due mainly to the full consolidation of

the Suessen Group, the acquisition of the Graf Group and expansion in Eastern Europe and Asia. At the end of 2005, 28% of the workforce were employed in low-cost locations (25% in 2004).

Operating result

As with sales revenues, the Rieter Group's operating result before interest and taxes in 2005 also did not equal the previous year's figure. The outcome of 183.0 million CHF (210.5 million CHF in 2004) was equivalent to 6.0% of corporate output (6.9% in 2004). Automotive Systems achieved a higher operating result, while the decline at group level was due to the lower figure at Textile Systems. Both divisions posted higher returns in the second half than in the first six months, but this increase in earnings was insufficient to compensate for the decline in the first half.

Net profit and earnings per share

The level of net profit was maintained, despite lower operating profits. It amounted to 138.1 million CHF, equivalent to 4.5% of corporate output (137.8 million CHF or 4.5%, respectively, in 2004). Rieter posted substantially higher net profits in the second half than in the first six months. This was attributable to the good trend of business in the divisions, a lower tax charge and the sustained favorable trend on the financial markets, which Rieter exploited to the full, thus achieving a pleasing financial result. Cash flow fell by 8.8% to 256.9 million CHF (281.8 million CHF in 2004), corresponding to 8.4% of corporate output (9.2% in 2004). Earnings per share of 30.80 CHF almost equaled the previous year's figure of 31.04 CHF.

Dividend

Rieter Holding Ltd. reported a net profit of 49.3 million CHF for the 2005 financial year (43.7 million CHF in 2004). Together with retained earnings brought forward from the previous year, 70.8 million CHF are at the disposal of the Annual General Meeting. On the basis of the net profit reported, the Board of Directors will propose to the Annual General Meeting of Rieter Holding Ltd. on April 27, 2006, that a dividend of 10.00 CHF per share (10.00 CHF in 2004) should be paid. Based on the year-end share price of 390 CHF, this results in a yield of 2.6% on Rieter shares.

Textile Systems: sharp rise in orders received in the second half of the year

The trend of business at Rieter Textile Systems in 2005 reflects two disparate halves. While sales and orders received in the first six months were lower than in the same period of the previous year, they increased in the second half of the year. This was mainly due to stronger demand from India and Turkey, while the Chinese market remained subdued. Total order intake of 1 182.6 million CHF exceeded the figure recorded in 2004; sales were at 1 109.0 million CHF and did not quite reach the previous year's level of 1 175.9 million CHF. The operating result before interest and taxes of 74.7 million CHF also reflected the decline in sales compared with the previous year's high figure (114.1 million CHF). However, the division recorded substantially higher earnings in the second half. Textile Systems is intensifying its efforts to ensure good profitability by taking resolute action. With the acquisition of two manufacturers of technology components, Rieter Textile Systems has further extended its market lead and strategically reinforced a sphere of activity offering steady sales and earnings.

Automotive Systems: higher sales and profitability

Rieter Automotive Systems increased sales by 2.9% to 2 036.7 million CHF and reported higher operating earnings and margins in 2005 (111.4 million CHF or 5.6% of corporate output), despite lower vehicle output in Western Europe and stagnating production figures in North America. This positive development was based on successful products, cost-cutting measures and improved productivity. Higher raw material costs and pricing pressure from the car manufacturers inhibited further progress in profitability.

Ongoing implementation of strategy

The Rieter Group's focus on two industrial fields of activity with differing markets and its presence in all economically strong regions of the world again proved its worth in 2005. The market-related weakness in the trend of business at Textile Systems was largely offset by the Automotive Systems Division with its broad customer base. Rieter will continue to pursue its dual strategy and invest in a global market presence, innovation and the optimization of production and business processes at both divisions. In this way Rieter seeks to adapt continuously to the changing needs of customers which result e.g. from relocating production capacity to Eastern Europe and Asia and to create the preconditions for further profitable growth.

Acquisitions for profitable growth

The Rieter Group seeks to achieve primarily organic growth and makes acquisitions only when they offer a high probability of making a sustained contribution to profitable growth. In the year under review, Rieter seized opportunities to complement its core business in both divisions with acquisitions that meet these investment criteria. At Textile

Systems the components business was reinforced, while at Automotive Systems the carpet business in North America was expanded.

Rieter made two acquisitions in 2005 within the framework of its strategic objective of reinforcing ongoing business in the textile machinery sector. The new members of the Rieter Group operate in the business of technology components and upgrades. At the beginning of 2005 Rieter increased its holding in Spindelfabrik Suessen, which is based in Süssen (Southern Germany), from 19% to 100%. The new activities have been consolidated for the whole of the year under review. Rieter first acquired parts of the Suessen Group in 2001. This transaction included an option to purchase the entire share capital of the company, which Rieter has now exercised. The company had been successfully restructured in recent years. The newly acquired activities include a production facility at the company's base in Southern Germany and a plant in India. On October 3, 2005 (retrospectively as of July 1, 2005), Rieter acquired 100% of the share capital of Hogra Holding AG, the parent company of the Graf Group, based in Freienbach, Switzerland. Graf manufactures key components such as clothing for cards or combs for combing machinery. With this acquisition Rieter Textile Systems further extends its lead as supplier of technology components in the staple fiber machinery sector. The Graf Group was consolidated as of October 1, 2005.

Rieter increased its existing 50% interest in the American automotive components supplier Magee Rieter Automotive Systems to 100% as of January 12, 2005, thus further expanding its business in North America. Magee Rieter Automotive has extensive experience and a strong market position in the carpet sector. This holding had already been fully consolidated in previous years.

Sound, reliable finances

The purchase of the remaining share capital of the Suessen Group, the buyout of minority shareholders at Magee, the acquisition of the Graf Group and other important investments to maintain profitable organic growth were financed from internal resources. Rieter remained on a sound financial foundation at the end of the year under review with net liquidity of 96.7 million CHF (217.5 million CHF in 2004) and an equity ratio of 46.5% (46.1% in 2004). This sound financial foundation, combined with the ability to continue generating good levels of free cash flow in future, provides a strong basis for successfully pursuing Rieter's strategy, which focuses on profitable growth.

Shareholders and Annual General Meeting

The Swiss banking groups Credit Suisse Asset Management, Zurich, and UBS Fund Management (Switzerland) AG, Basel, increased their holdings in Rieter to more than 5% in the year under review and were thus the largest shareholders on December 31, 2005. No other shareholders held more than 5% of Rieter's shares at the end of 2005. Rieter continues to favor a broad shareholder base.

Chairman Kurt Feller, vice-chairman Rudolf Hauser and Dr. Rainer Hahn were re-elected to the Board of Directors for a three-year term of office at the Annual General Meeting held on April 28, 2005. Dr. Ulrich Dätwyler and Dr. Peter Wirth will stand for re-election at the forthcoming Annual General Meeting on April 27, 2006.

Outlook

The emerging markets in Eastern Europe and Asia are assuming increasing importance for the Rieter Group. For Rieter this means both opportunities for growth and the need to adapt to the new competitive situation. Rieter is strategically well positioned for the most part in both divisions to face these challenges. In view of the good level of orders received at Textile Systems, consolidation of the newly acquired Graf Group for a full year and positive overall prospects for Automotive Systems, Rieter expects to exceed the previous year's sales and earnings figures.

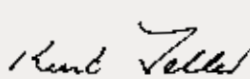
Thanks

On behalf of the Board of Directors and the Group Executive Committee, we wish to thank our shareholders for their loyalty in the past year, and our customers for the confidence they have shown toward us. What has been achieved would also have been impossible without the support of suppliers and other business partners. Our thanks to union and employee representatives for the good cooperative relationship and the willingness to engage in dialog. Finally, our very special thanks to our employees for all their efforts on behalf of our company.

Winterthur, March 21, 2006

Kurt Feller

Hartmut Reuter



Chairman
of the Board of Directors



Chief Executive
Officer

Financial highlights

CHF million	2005	2004	Change in %
Rieter Group			
Orders received	3 233.6	3 088.3	4.7
Sales	3 160.0	3 173.2	-0.4
• thereof Textile Systems	1 109.0	1 175.9	-5.7
• thereof Automotive Systems	2 036.7	1 978.9	2.9
Corporate output ¹	3 073.6	3 054.6	0.6
Operating result before interest, taxes, depreciation and amortization (EBITDA)	313.4	343.1	-8.7
• in % of corporate output	10.2	11.2	
Operating result before interest and taxes (EBIT)	183.0	210.5	-13.1
• in % of corporate output	6.0	6.9	
EBIT Textile Systems	74.7	114.1	-34.5
• in % of corporate output	7.0	10.2	
EBIT Automotive Systems	111.4	98.3	13.3
• in % of corporate output	5.6	5.1	
Net profit	138.1	137.8	0.2
• in % of corporate output	4.5	4.5	
Cash flow ²	256.9	281.8	-8.8
• in % of corporate output	8.4	9.2	
Investments in tangible fixed assets and intangible assets	182.3	120.8	50.9
Assets	2 714.7	2 490.0	9.0
Long-term assets	1 159.6	944.5	22.8
Shareholders' equity before appropriation of profit	1 262.2	1 147.6	10.0
Number of employees at year-end ³	14 652	13 557	8.1
Rieter Holding Ltd.			
Share capital	22.3	22.3	
Net profit	49.3	43.7	12.8
Gross distribution	41.7 ⁴	41.2	1.2
Number of registered shares, paid-in	4 450 856	4 450 856	0.0
Average number of registered shares outstanding	4 120 304	4 020 633	2.5
Price of registered shares (high/low)	CHF 328/393 ⁵	350/293 ⁵	
Number of registered shareholders on December 31	6 757	7 708	-12.3
Market capitalization on December 31	1 624.1	1 361.2	19.3
Data per registered share			
Earnings per share	CHF 30.80	31.04	-0.8
Equity (group) ⁶	CHF 286.29	260.37	10.0
Gross distribution (Rieter Holding Ltd.)	CHF 10.00 ⁴	10.00	0.0

1. Sales, adjustments for sales deductions and own work capitalized and changes in inventories of products manufactured by the company.

2. Net profit plus depreciation and amortization.

3. Excluding apprentices and temporary employees.

4. Proposed by the Board of Directors.

5. Source: Bloomberg.

6. Shareholders' equity attributable to shareholders of Rieter Holding Ltd. per share outstanding on December 31.

Information for investors

Data for investors

		2005	2004	2003	2002	2001
Share capital	CHF million	22.3	22.3	22.8	22.8	45.7
Net profit of Rieter Holding Ltd.	CHF million	49.3	43.7	36.6	31.1	36.1
Gross distribution	CHF million	41.7 ¹	41.2	34.0	35.8	36.5
Payout ratio (as a % of net profit) ²	in %	33	33	33	52	39
Market capitalization (Dec. 31) ³	CHF million	1 624	1 361	1 214	1 180	1 485
Market capitalization as a % of						
• sales	in %	51	43	39	40	47
• equity	in %	136	127	132	135	164

1. Proposed by the Board of Directors.

2. Net profit after deduction of minority interests.

Data per share (RIEN)

		2005	2004	2003	2002	2001
Share prices on the SWX Swiss Exchange, registered shares	high CHF	393	350	290	404	493
	low CHF	328	293	237	275	348
Price/earnings ratio	high	12.8	11.3	11.3	23.8	21.4
	low	10.6	9.4	9.2	16.2	15.1
Shareholders' equity (group) per registered share	CHF	286.29	260.37	230.42	214.50	222.55
Tax value per registered share	CHF	390.00	330.00	286.00	278.00	360.00
Gross distribution per registered share	CHF	10.00 ¹	10.00	8.60	8.60	8.60
• of which capital repayment	CHF					5.00
Gross yield on registered shares	high in %	2.5 ¹	2.9	3.0	2.1	1.7
	low in %	3.0 ¹	3.4	3.6	3.1	2.5
Earnings per share	CHF	30.80	31.04	25.68	16.95	22.85

1. Proposed by the Board of Directors.

Rieter Holding Ltd.
CH-8406 Winterthur
T +41 52 208 71 71
F +41 52 208 70 60

Investor Relations
Urs Leinhäuser
CFO
T +41 52 208 79 55
F +41 52 208 70 60
investor@rieter.com

Corporate Communications
Peter Grädel
Head Corporate
Communications
T +41 52 208 70 12
F +41 52 208 72 73
media@rieter.com

Important dates:

- Annual General Meeting 2006 April 27, 2006
- Disbursement of dividends to the shareholders May 4, 2006
- Semi-annual report 2006 August 15, 2006
- Publication of sales 2006 February 1, 2007
- Deadline for proposals regarding the agenda of the Annual General Meeting 2007 March 9, 2007
- Results press conference March 27, 2007
- Annual General Meeting 2007 May 10, 2007