Media Release

Rieter Holding Ltd
Schlosstalstrasse 43
Postfach
CH-8406 Winterthur
T +41 52 208 7171
F +41 52 208 7060
www.rieter.com

2008 annual results impacted by global recession – loan agreement signed – shareholder options instead of dividend payment

Winterthur – **Rieter Group sales for 2008 declined by 20% to 3142.5 million CHF. The operating result before special charges, interest and taxes totaled 22.4 million CHF. A corporate loss of 396.7 million CHF is mainly attributable to special charges due to restructuring provisions and goodwill impairment as well as the financial result. In the interest of retaining a sound financial basis, the Board of Directors proposes to allocate shareholder options instead of paying a dividend for the 2008 business year.**

The 2008 financial year for the Rieter Group bore clear traces of the consequences of the global economic downturn. After achieving record figures in the previous year's more favorable economic climate, Rieter recorded significantly lower orders received, sales, operating result and net result in the year under review. The Rieter Group has to cope with a drop in demand that is unprecedented in its intensity and rapidity. For the first time, both divisions – the textile machinery and the automotive component supply business – are affected simultaneously. Rieter therefore already launched an extensive restructuring program in summer 2008 in order to adjust to the new structural and cyclical conditions prevailing on the market.

In the textile machinery business a significant slowdown on the world market started in spring 2008, and this continued and intensified in the second half of the year. Rieter's automotive component supply business was affected by the crisis in the American automobile industry and the slowdown in economic activity in Europe, especially in the second six months. Despite the difficult overall economic conditions, Rieter succeeded in maintaining its market position in both divisions and even expanding it in Latin America. Both Rieter divisions have a global presence and a broad basis in terms of their products and customer relationships. This strategic position had always enabled diverging cyclical influences to be balanced in previous years. In 2008 the economic downturn affected for the first time all important markets of the Rieter Group at the same time.

Steep, market-related decline in orders received and sales

The adverse effects of market trends resulted in a steep decline in orders received and sales by the Rieter Group. The trend in new orders received was attributable primarily to the drop in order intake at the Textile Systems Division. Consolidated sales declined less steeply (– 20%) than orders received and totaled 3 142.5 million CHF (3 930.1 million CHF in 2007). This was due to the high level of orders in hand for textile machinery with which Rieter started 2008, and a proportionately smaller decline in sales by Automotive Systems. Exchange rate movements had a negative impact on the development in group sales amounting to some three percentage.

Earnings trend depressed by structural and cyclical factors

The Rieter Group's operating result before interest and taxes was adversely affected by several factors in 2008. While higher raw material and energy costs, upfront inputs for developing new markets and the cost of initial restructuring measures primarily accrued in the first six months, the massive decline in production volumes at both divisions was an additional burden on the earnings trend in the second half of the year. In order to align its operations with the structural and cyclical changes in the market, Rieter launched an extensive restructuring program. This necessitated expenditures totaling 237.7 million CHF, which were charged to the consolidated financial statements for 2008. Before special charges, interest and taxes, the Rieter Group posted an operating result of 22.4 million CHF. As a consequence of these restructuring measures and impairement charges on goodwill of 96.8 million CHF, the operating result before interest and taxes (EBIT) showed a loss of 312.1 million CHF – after a record outcome in the previous year (operating profit of 278.7 million CHF in 2007).

Extensive action to increase earnings

Rieter has considerable experience in dealing successfully with pronounced market cycles and reacted promptly and rapidly to the downturn. However, in face of the steep, market-related decline in volumes, particularly in the second half of the year, the action taken was only partially able to reduce the volume-related decline in earnings in 2008. These measures are being implemented systematically in both divisions. They include the utilization of flexible working-time models, short-time working at locations in Europe and North America, and a worldwide reduction in employee numbers in order to adjust the workforce to lower order volumes. In addition, Rieter has initiated plant closures and structural adjustments in the USA and in Spain, Germany, Italy and France. At the end of 2008 the Rieter Group employed a workforce of 14 183 worldwide, some 9% less than at the end of the previous year. Rieter also terminated the employment contracts of some 1 500 temporary employees; these jobs are not included in the workforce totals stated above. Rieter therefore already reduced employee numbers by more than 2 800 in 2008, equivalent to some 16% of the total workforce. With its restructuring programs and transfers of manufacturing facilities Rieter is not only responding to the structural changes in both sectors, but is also reacting to the cyclical downturn. The cost-cutting action is being complemented by price discipline and selective increases in product prices in order to compensate for cost inflation.

Net result
In addition to cyclical effects, the disruptions on the financial markets also exerted a strong influence on the development in net result. Following many years of good performance, Rieter posted negative financial results in the year under review. Together with special charges this resulted in a net loss of 396.7 million CHF (net profit of 211.5 million CHF in 2007).

Dividend canceled
Rieter Holding Ltd. has reported profits and paid substantial dividends to its shareholders by way of participation in the company's success from its incorporation in 1985 until the 2007 financial year. In light of the difficult earnings situation at both divisions and the subdued outlook for the current year the Board of Directors will propose to the Annual General Meeting of Rieter Holding Ltd. on April 29, 2009, that no dividend should be paid for the 2008 financial year (15.00 CHF in 2007), in the interests of preserving capital. Instead of a dividend this year, shareholders will receive options for purchasing Rieter registered shares. They will be financed by contingent share capital of up to 396‘312 shares – corresponding to max. 9.2% of ordinary share capital. No AGM resolution is required for this shareholder-friendly measure. The Board of Directors will announce the respective conditions (term, strike price) at a later date.

Rieter Textile Systems: steep decline in orders received
The trend of business at Rieter Textile Systems in 2008 was dominated by a cyclical downturn on the world market for textile machinery of an intensity and rapidity that had not been experienced by the industry for decades. Orders of 539.5 million CHF received by Textile Systems were 68% lower than in the record year of 2007 (1 703.1 million CHF); this was also due in part to postponements of orders. The weakening effectiveness of government incentive programs, a cyclical decline in fiber consumption in major sales markets such as the USA and more difficult financing conditions caused a rapid fall in customers' tendency to invest. Domestic demand in India and China was unable to offset this decline. Orders received by Rieter Textile Systems for staple fiber machinery since March 2008 have been substantially lower than in previous years.

While the sales trend at Textile Systems in the first six months continued to benefit from the high level of orders in hand at the beginning of the year, the low volume of orders and delays in the acceptance of machines by customers in the second half of the year had a distinctly negative impact. The division’s sales of 1 120.4 million CHF for the year as a whole were 28% lower (1 566.8 million CHF in 2007). However, in this difficult business environment Rieter succeeded in maintaining its leadership in the market segments served by Textile Systems.

The operating result before special charges, interest and taxes amounted to 41.3 million CHF, equivalent to 4.1% of corporate output (200.7 million CHF and 13.1%, respectively, in 2007). This figure includes the gain of 2.6 million CHF on the disposal of the pelletizing machinery business in the first half of year. Special charges comprise restructuring costs of 42.7 million CHF and impairement charges on goodwill amounting to 48.1 million CHF. Due substantially to the steep decline in volumes, which resulted in inadequate capacity utilization, and to the restructuring program, the operating result before interest and taxes (EBIT) declined steeply, especially in the second half of 2008. Following the record figure of 200.7 million CHF in the previous year, Rieter Textile Systems posted an operating loss of 49.5 million CHF for the 2008 financial year.

Rieter Automotive Systems: downturn in the second half of the year
While high fuel prices in conjunction with cyclical and structural problems in the automobile industry already resulted in a significant reduction in vehicle output in North America in the first half of 2008, as of autumn the downturn also affected manufacturers in Europe and South America, and to a lesser extent in Asia. The automotive component supply industry, which has struggled for years with severe pressure on prices and margins, was additionally confronted with a massive drop in production volumes. In this adverse competitive environment Rieter Automotive Systems succeeded in maintaining its market position in its main markets of Western Europe and North America and expanding in Asia by virtue of its broad-based customer portfolio and its innovative product offering. In the second half of the year the automotive division also managed initial volume production start-ups of aerodynamic underfloor modules incorporating the innovative Rieter Ultra Silent technology. This new product’s unique lightweight structure enables significant reductions in vehicle CO_2 emissions to be achieved.

Following years of steady growth, sales of 2022.1 million CHF by Rieter Automotive Systems in the year as a whole (2 363 million CHF in 2007) were 10% lower in local currencies (– 14% in nominal terms) as a consequence of the market turbulence.

As a result of the marked drop in volumes in the second half of the year and the burden of sharply higher raw material, energy and transport costs in the first half, the operating result before special charges, interest and taxes declined to -7.3 million CHF. The operating result before interest and taxes (EBIT) was also depressed by a radical restructuring program to adjust capacity, including plant closures and transfers of manufacturing facilities to low-cost locations (195.0 million CHF), as well as impairement charges on goodwill (48.7 million CHF). Rieter Automotive Systems therefore posted an operating loss of 251.0 million CHF (operating profit of 91.6 million CHF in 2007).

Sound balance sheet and secure financing

Rieter remained on a good financial foundation at the end of the year under review with an equity ratio of 36% (48% in 2007) and low net debt of 37 million CHF (net liquidity of 145 million CHF in 2007). Cash and cash equivalents at year-end amounted to 283 million CHF (258 million CHF in 2007), despite the dividend payment to shareholders and the share buyback program, which was, however, suspended in the spring of 2008.

In mid-February 2009 Rieter also announced the sale of Rieter shares to Peter Spuhler’s PCS Holding AG. Together with the announcement in mid-February that an agreement in principle (term sheet) had been signed with a group of banks with a view to securing or expanding existing credit lines, finance is therefore available for the ongoing business and the restructuring program announced by Rieter.

Developing future markets

At the same time as launching a comprehensive restructuring program with the priority goal of taking rapidly effective action to adapt to the cyclical problems in the market environment, Rieter undertook important strategic steps for the long-term development of the business in the 2008 financial year. The divisions’ strategy of following customers into new markets has not been called into question by current market developments, although capital investment has been cautious. Rieter Textile Systems continues to see considerable potential for the future in the populous markets of India and China, in which the largest yarn manufacturing capacity worldwide is installed. The division is thus continuing to pursue the strategy of expanding its presence in these markets. Rieter Automotive Systems invested in new locations where major customers are installing manufacturing facilities, such as Eastern Europe and Asia. The division is making vigorous efforts to adjust its network of production sites to the structural changes in the industry worldwide.

Innovations for the further development of the business

In the 2008 financial year Rieter promoted product development in both divisions in order to maintain its strong market position and to be able to exploit the next cyclical upswing with attractive offer-ings. At Rieter Textile Systems the air-jet spinning machine presented in the previous year proved its qualities in operations at initial customer mills. This machine enables good quality yarns to be produced for a wide range of textile end products at much lower cost than with existing spinning processes. Rieter Automotive Systems worked intensively on further applications of the novel Rieter Ultra Silent fiber material. Rieter Ultra Silent products meet several requirements of modern automotive engineering at the same time – weight saving, recyclability, and indirectly CO_2 reduction – and are thus attracting considerable interest from customers.

Share buyback program

Rieter Holding Ltd will prematurely terminate per March 24, 2009 the share buyback program launched on September 7, 2007 during the course of which 167'800 registered shares or 3.77% of the Rieter share capital were bought back. All repurchased shares have already been eliminated by resolution of the Annual General Meeting 2008.

Outlook

2009 will be a challenging year for Rieter, since the prospects for both the automotive and the textile machinery industry are very subdued and highly uncertain due to the global recession. Rieter expects declining demand in both divisions, and will therefore continue with capacity reductions and cost saving measures accordingly. Nevertheless, operating losses must be reckoned with in both divisions. Maintaining a sound balance sheet and adequate liquidity are therefore top priorities. In the medium term Rieter believes that demand will increase at both Textile Systems and Automotive Systems in line with global trends. As market leaders with an innovative product portfolio, both divisions are very well positioned to benefit from the next upswing.

Further information about the year-end results as well as the Annual Report 2008 and photos for the media can be found at www.rieter.com (Media>>>Media Kit). At www.rieter.com you can also subscribe to the mailing list for our press releases.

2008 Annual Results Media Conference

Today, March 24, 08.30 h

2008 Annual Results Financial Analysts' Conference

Today, March 24, 11.30 h

Location : Maschinenfabrik Rieter, Training Center, Klosterstrasse 20, 8406 Winterthur

Important dates 2009

Annual General Meeting 2009	April 29, 2009
Semi-annual report 2009	August 12, 2009

For further informationn please contact:

Rieter Holding AG
Investor Relations
Urs Leinhäuser
Chief Financial Officer
T +41 52 208 79 55
F +41 52 208 70 60
investor@rieter.com
www.rieter.com

Rieter Management AG
Media Relations
Peter Grädel
Head Corporate Communications
T +41 52 208 70 12
F +41 52 208 72 73
media@rieter.com
www.rieter.com

Key Figures

CHF million	2008	2007	Change in %
Rieter Group			
Orders received	2 561.6	4 066.4	– 37
Sales	3 142.5	3 930.1	– 20
Corporate output[1]	2 971.7	3 822.8	– 22
Operating result before special charges, interest and taxes	22.4	286.8	
• in % of corporate output	0.8	7.5	
Operating result before interest and taxes (EBIT)	– 312.1	278.7	
• in % of corporate output	– 10.5	7.3	
Net result	– 396.7	211.5	
• in % of corporate output	– 13.3	5.5	
Cash flow[2]	– 102.4	360.2	
• in % of corporate output	– 3.4	9.4	
Investments in tangible fixed assets and intangible assets	140.9	203.5	– 31
Total assets	2 088.9	2 847.4	– 27
Shareholders’ equity before appropriation of profit	746.2	1 369.5	– 46
Number of employees at year-end[3]	14 183	15 506	– 9

Divisions			
Sales Textile Systems	1 120.4	1 566.8	– 28
Operating result before special charges, interest and taxes Textile	41.3	200.7	
• in % of corporate output Textile Systems	4.1	13.1	
Sales Automotive Systems	2 022.1	2 363.3	– 14
Operating result before special charges, interest and taxes Automotive	– 7.3	99.7	
• in % of corporate output Automotive Systems	– 0.4	4.3	

Rieter Holding Ltd.

Share capital		21.4	22.3	
Net profit		2.9	67.4	
Gross distribution		0.0	57.1	
Number of registered shares, paid-in		4 283 056	4 450 856	
Average number of registered shares outstanding		3 822 929	4 092 265	– 7
Price per share (high/low)	CHF	505/151	717/478	
Number of registered shareholders on December 31		8 519	7 091	20
Market capitalization on December 31		650.9	1 965.7	– 67

Data per registered share

Earnings per share	CHF	– 106.18	48.19	
Equity (group)6	CHF	181.25	332.86	– 46
Gross distribution (Rieter Holding Ltd.)	CHF	0.00	15.00	

1 Sales, adjustments for sales deductions and own work capitalized and changes in inventories of products manufactured by the company (cf. Annual Report page 38).
2 Net profit plus depreciation and amortization (cf. Annual Report page 72).
3 Excluding apprentices and temporary employees.
4 Proposed by the Board of Directors (cf. Annual Report page 87).
5 Source: Bloomberg.
6 Shareholders' equity attributable to shareholders of Rieter Holding Ltd. per share outstanding at December 31.

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.