Financial report

Comments on the 2006 financial report

Sales and corporate output

Rieter's sales of 3 579.9 million CHF in the year under review (+15% compared with 2005) were the highest in the company's history. Corporate output improved by 14% to 3 447.5 million CHF. The growth of 457.9 million CHF in consolidated sales was fueled mainly by the Textile Systems Division, which reported an increase of 315.3 million CHF or 29%; the increase at the Automotive Systems Division amounted to 147.8 million CHF or 7%. Currency translation effects on consolidated sales amounted to +2%, with the appreciation of the Euro, the Canadian Dollar and the Brazilian Real versus the Swiss franc having a positive impact on reported sales.

The acquisition of Graf (consolidated as of October 2005) and the remaining share capital of Unikeller India, together with the new joint venture in Northern China, contributed 97.1 million CHF to sales by the Rieter Group (22.7 million CHF in 2005). The manmade fiber activities divested in the 4th quarter of the financial year accounted for 78.5 million CHF of sales. The main sales markets for Textile Systems in 2006 were again in Asia; they accounted for 67% of the division's sales (65% in 2005). Growth at Automotive Systems was almost entirely organic. The Division achieved growth in Western Europe although the overall trend in vehicle output there was negative. Sales in North America declined mainly due to lower output by the US manufacturers.

Operating result

In the year under review the operating result before special charges, interest and taxes increased by 31% to 256.3 million CHF. The operating margin as a proportion of corporate output rose to 7.4% (6.4% in 2005). After special charges (book losses on divestments at Textile Systems and restructuring costs mainly at Automotive Systems) totaling 75.7 million CHF (12.7 million CHF in 2005), consolidated EBIT amounted to 180.6 million CHF (183.0 million CHF in 2005) and the EBIT margin was 5.2% (6.0% in 2005).

Mainly due to the strong sales growth, the operating result before special charges, interest and taxes at Textile Systems improved by 67.5 million CHF to 148.2 million CHF, which corresponds to an operating margin of 11.1% (7.7% in 2005). The operating result for the textile machinery operations was depressed by special charges (book losses on divestments, restructuring costs) of 55.5 million CHF, resulting in EBIT of 92.7 million CHF (74.7 million CHF in 2005), or an EBIT margin of 7.0% (7.1% in 2005). At Automotive Systems the operating result before special charges, interest and taxes was 3.2 million CHF lower at 114.9 million CHF, equivalent to a margin of 5.4% (5.9% in 2005). Operational improvements and increased volumes did not offset the impact of higher prices for energy and raw materials and the pressure exerted on prices by the automobile manufacturers. Restructuring costs of 20.2 million CHF (6.7 million CHF in 2005) reduced EBIT at the Automotive Systems Division to 94.7 million CHF (111.4 million CHF in 2005), equivalent to a margin of 4.4% (5.6% in 2005).

Financial result

Rieter reported a positive net financial result of 44.5 million CHF in the year under review (22.6 million CHF in 2005). Income of 55.5 million CHF (37.2 million CHF in 2005) from marketable securities and other financial income in particular contributed to this increase. Rieter took full advantage of the opportunities offered by a positive market environment. At the end of 2006 Rieter held securities totaling 175.9 million CHF (232.0 million CHF in 2005). Valuation reserves included in shareholders' equity for marketable securities available for sale and investments amounted to 23.5 million CHF at the end of 2006 (15.8 million CHF in 2005).

Taxes

Despite the higher net profit before taxes, the tax charge increased by only 0.2 million CHF to 67.7 million CHF. The corporate tax rate declined to 30.1% (32.8% in 2005). The good net financial result included in pre-tax profit, together with optimization of the financing and tax structure, contributed to this outcome.

Net profit and earnings per share

Rieter's net profit increased by 14% to 157.4 million CHF (138.1 Mio. CHF in 2005) with a higher net financial result, a lower tax rate and a slight reduction in EBIT due to special charges. The net profit margin amounted to 4.6% (4.5% in 2005). Excluding special charges, the profit margin amounted to 6.8% (5.0% in 2005). Earnings per share of 35.53 CHF represented an improvement of 15% compared with the previous year's figure of 30.80 CHF.

Cash flow and net liquidity

The higher operating profit before special charges resulted in a substantial increase of 72.7 million CHF in cash flow to 329.6 million CHF. Despite the increase of 82.6 million CHF in net working capital (17.9 million CHF in 2005), free cash flow rose to 100.6 million CHF (–1.4 million CHF in 2005). This increase was also due to the utilization of funds for acquisitions in 2005. Net liquidity increased by 50.6 million CHF to 147.3 million CHF.

Balance sheet

Total assets grew by 6% to 2 884.6 million CHF. The increased volume of business resulted in higher inventories and receivables. The 4% bonds are due for repayment in 2007 and were therefore reclassified from non-current to current liabilities in the year under review. Shareholders' equity of 1 375.4 million CHF at the end of 2006 (1 262.2 million CHF in 2005) resulted in an equity ratio of 47.7% (46.5% in 2005). Goodwill at the end of 2006 amounted to 118.9 million CHF (151.0 million CHF in 2005). The decline was due to the divestment of the manmade fiber activities. In compliance with IFRS 3, goodwill was no longer amortized in 2005 and 2006.

Proposed dividend

Rieter Holding Ltd. reported a net profit of 63.4 million CHF for the 2006 financial year (49.3 million CHF in 2005). Together with retained earnings brought forward from the previous year, a total of 92.7 million CHF is at the disposal of the Annual General Meeting. In light of the sound balance sheet and the confident outlook for the 2007 financial year, the Board of Directors will propose to the Annual General Meeting of Rieter Holding Ltd. on May 10, 2007, that it approve a 50% increase in the dividend for 2006 to 15.00 CHF per share (10.00 CHF in 2005). This corresponds to a total distribution of 62.8 million CHF (41.5 million CHF in 2005). Based on the year-end share price of 638 CHF, this results in a dividend yield of 2.4% on Rieter shares.

Share price

The price of Rieter shares rose by 64% to 638 CHF at the end of 2006 (390 CHF at the end of 2005). In 2005 the share price rose from 330 CHF to 390 CHF, resulting in a total price rise of 93% for the years 2005 and 2006 (cf. page 105).

Consolidated income statement

CHF million	Notes	2006	%*	2005	%*
Sales[1]	(3)	**3 579.9**		**3 122.0**	
Sales deductions		–145.2		–112.3	
Change in semi-finished and finished goods		8.3		22.3	
Own work capitalized		4.5		3.6	
Corporate output[1]		**3 447.5**	**100.0**	**3 035.6**	**100.0**
Material costs		–1 606.1	–46.6	–1 372.3	–45.2
Employee costs	(4)	–1 011.7	–29.4	–942.5	–31.0
Other operating expenses		–479.8	–13.9	–432.7	–14.3
Other operating income		51.4	1.5	38.0	1.2
Depreciation and amortization	(5)	–145.0	–4.2	–130.4	–4.3
Operating result before special charges, interest and taxes		**256.3**	**7.4**	**195.7**	**6.4**
Special charges	(6)	–75.7	–2.2	–12.7	–0.4
Operating result before interest and taxes (EBIT)		**180.6**	**5.2**	**183.0**	**6.0**
Financial income	(7)	65.0		43.8	
Financial expenses	(8)	–20.5		–21.2	
Profit before taxes		**225.1**	**6.5**	**205.6**	**6.8**
Income taxes	(9)	–67.7		–67.5	
Net profit		**157.4**	**4.6**	**138.1**	**4.5**
Attributable to:					
Shareholders of Rieter Holding Ltd.		147.4		126.9	
Minority interests		10.0		11.2	
Earnings per share • average number of registered shares outstanding: 4 149 946 (4 120 304 in 2005)	CHF	35.53		30.80	
Diluted earnings per share • average number of shares to calculate diluted earnings per share[2]: 4 150 198 (4 121 735 in 2005)	CHF	35.52		30.79	

* in % of corporate output
1. Excluding other operating income (2005 presentation adjusted).
2. Including dilution impact in connection with option plan.

The notes on pages 64 to 91 are an integral part of the consolidated financial statements.

Consolidated balance sheet

CHF million	Notes	December 31, 2006	December 31, 2005
Assets			
Tangible fixed assets	(11)	867.6	835.8
Intangible assets	(12)	161.0	198.2
Financial assets	(13)	111.9	115.0
Deferred tax assets	(9)	11.5	10.6
Non-current assets		**1 152.0**	**1 159.6**
Inventories	(14)	483.0	426.0
Trade receivables	(15)	654.9	573.2
Other receivables	(16)	120.4	125.4
Marketable securities	(17)	175.9	232.0
Cash and cash equivalents	(18)	298.4	198.5
Current assets		**1 732.6**	**1 555.1**
Assets		**2 884.6**	**2 714.7**
Shareholders' equity and liabilities			
Share capital		22.3	22.3
Share premium account (capital reserve)		27.5	27.5
Group reserves		1 270.7	1 142.4
Equity attributable to shareholders of Rieter Holding Ltd.		**1 320.5**	**1 192.2**
Equity attributable to minority interests	(19)	54.9	70.0
Total shareholders' equity		**1 375.4**	**1 262.2**
in % of total shareholders' equity and liabilities		47.7%	46.5%
Bonds	(20)	0.0	200.0
Other long-term financial debt	(20)	66.8	64.8
Deferred tax liabilities	(9)	71.5	69.9
Provisions	(21)	174.8	175.3
Other non-current liabilities		5.0	5.0
Non-current liabilities		**318.1**	**515.0**
Trade payables		399.9	431.8
Advance payments by customers		160.6	125.9
Bonds	(20)	200.0	0.0
Other short-term financial debt	(20)	60.2	69.0
Current tax liabilities		37.9	23.8
Other current liabilities	(22)	332.5	287.0
Current liabilities		**1 191.1**	**937.5**
Liabilities		**1 509.2**	**1 452.5**
Shareholders' equity and liabilities		**2 884.6**	**2 714.7**

The notes on pages 64 to 91 are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

CHF million	Notes	2006	2005
Net profit		157.4	138.1
Depreciation and amortization of tangible and intangible fixed assets		145.0	130.4
Loss on divestments		48.5	0.0
Other non-cash income and expenses		–21.3	–11.6
Change in inventories		–74.9	–19.5
Change in trade receivables		–95.1	–9.9
Change in other receivables		1.4	2.9
Change in provisions		5.6	3.8
Change in trade payables		–23.0	31.4
Change in advance payments by customers and other liabilities		109.0	–22.8
Cash provided by operations		**252.6**	**242.8**
Capital expenditure on tangible and intangible assets		–186.2	–182.3
Proceeds from disposals of tangible and intangible assets		32.7	20.9
Investments in financial assets		–6.6	–10.2
Proceeds from disposals of financial assets		14.3	4.1
Change in holdings of marketable securities		67.1	–78.6
Acquisitions	(23)	–3.9	–76.7
Divestments	(24)	–2.3	0.0
Cash used for investing activities		**–84.9**	**–322.8**
Dividend paid to shareholders of Rieter Holding Ltd.		–41.5	–41.5
Change in holding of own shares		3.5	8.5
Dividends paid to minority interests		–7.4	–3.8
Buyout of minority interests		–14.9	–60.2
Change in short-term financial debt		–8.8	12.9
Change in long-term financial debt		1.6	–38.9
Cash used for financing activities		**–67.5**	**–123.0**
Currency effect		–0.3	–4.1
Change in cash and cash equivalents		**99.9**	**–207.1**
Cash and cash equivalents at beginning of the year		**198.5**	**405.6**
Cash and cash equivalents at end of the year		**298.4**	**198.5**
Interest paid		20.8	18.3
Taxes paid		55.8	53.9
Interest received		6.7	5.3
Dividends received		1.4	1.3

The notes on pages 64 to 91 are an integral part of the consolidated financial statements.

Changes in consolidated equity

CHF million	Share capital	Own shares	Share premium account	Valuation reserves	Retained earnings	Total attributable to Rieter share-holders	Attribut-able to minority interests	Total
At December 31, 2004	22.3	–0.1	27.5	231.9	788.2	1 069.8	77.8	1 147.6
Currency effect	0.0	0.0	0.0	49.1	0.0	49.1	6.6	55.7
Change in marketable securities available for sale	0.0	0.0	0.0	7.7	0.0	7.7	0.0	7.7
Net result recognized directly in equity	**0.0**	**0.0**	**0.0**	**56.8**	**0.0**	**56.8**	**6.6**	**63.4**
Net profit	0.0	0.0	0.0	0.0	126.9	126.9	11.2	138.1
Total recognized results	**0.0**	**0.0**	**0.0**	**56.8**	**126.9**	**183.7**	**17.8**	**201.5**
Dividend of Rieter Holding Ltd.	0.0	0.0	0.0	0.0	–41.5	–41.5[1]	0.0	–41.5
Dividends to minority interests	0.0	0.0	0.0	0.0	0.0	0.0	–3.8	–3.8
Buyout of minority interests	0.0	0.0	0.0	0.0	–38.4	–38.4	–21.8	–60.2
Change in holding of own shares	0.0	0.0	0.0	0.0	18.6	18.6	0.0	18.6
At December 31, 2005	**22.3**	**–0.1**	**27.5**	**288.7**	**853.8**	**1 192.2**	**70.0**	**1 262.2**
Currency effect	0.0	0.0	0.0	9.5	0.0	9.5	–4.2	5.3
Change in marketable securities available for sale	0.0	0.0	0.0	7.7	0.0	7.7	0.0	7.7
Net result recognized directly in equity	**0.0**	**0.0**	**0.0**	**17.2**	**0.0**	**17.2**	**–4.2**	**13.0**
Net profit	0.0	0.0	0.0	0.0	147.4	147.4	10.0	157.4
Total recognized results	**0.0**	**0.0**	**0.0**	**17.2**	**147.4**	**164.6**	**5.8**	**170.4**
Dividend of Rieter Holding Ltd.	0.0	0.0	0.0	0.0	–41.5	–41.5[1]	0.0	–41.5
Dividends to minority interests	0.0	0.0	0.0	0.0	0.0	0.0	–7.4	–7.4
Buyout of minority interests	0.0	0.0	0.0	0.0	1.6	1.6	–16.5	–14.9
Other changes in minority interests	0.0	0.0	0.0	0.0	0.0	0.0	3.0	3.0
Change in holding of own shares	0.0	0.0	0.0	0.0	3.6	3.6	0.0	3.6
At December 31, 2006	**22.3**	**–0.1**	**27.5**	**305.9**	**964.9**	**1 320.5**	**54.9**	**1 375.4**

1. CHF 10.00 per registered share.

Valuation reserves include valuation gains of 23.5 million CHF (15.8 million CHF in 2005) on marketable securities available for sale and investments.

The notes on pages 64 to 91 are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

1 Principles of consolidation and accounting principles

Principles of consolidation

The basis for the consolidated financial statements are the financial statements of the individual group companies at December 31, 2006. 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).

For the Annual Report 2006 Rieter has applied the same principles of consolidation and accounting principles as in the previous year. The International Accounting Standards Board (IASB) revised IAS 19 (Employee Benefits) and IAS 39 (Financial Instruments: Recognition and Measurement). These amendments have no material influence on consolidated shareholders' equity and net profit. IAS 19 (revised) resulted in the disclosure of further information in the explanatory notes. The option to recognize all actuarial gains and losses directly in retained earnings will not be exercised at present.

Assumptions and estimates

Financial reporting requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, contingent assets and contingent liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are periodically reviewed and relate primarily to the areas of asset impairment, pension plans, provisions and taxes.

Scope of consolidation

The financial statements of Rieter Holding Ltd. and those group companies in which it has a controlling influence are fully consolidated. A controlling influence normally exists when more than 50% of the voting rights are owned, either directly or indirectly. 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 recognized on the date when control of the relevant business is assumed. 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 pages 92 and 93.

Change in the scope of consolidation
The acquisition of Tianjin Rieter Nittoku Automotive Sound-Proof Co. Ltd. and Rieter Automotive India Pvt. Ltd. as well as the sale of Rieter Textile Machinery France SAS changed the scope of consolidation in the year under review. The impact of these transactions on the consolidated financial statements is shown in Note 23 and 24 (pages 82 to 85).

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 posted directly to equity with no 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.

Tangible fixed assets
Tangible fixed assets, including non-operational property, are included in the balance sheet at acquisition cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over each asset's estimated useful life. Land is written down only in the event of ongoing impairment of value.

Useful life is determined according to the expected utilization of each item. The relevant ranges are as follows:

factory buildings/non-operational 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 released to income in the period corresponding to the related depreciation.

The various categories of assets also include assets financed by long-term contracts (finance leases). The related liabilities are included in the balance sheet under long-term financial debt. 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 up to eight years.

Research and development
Research costs are recognized in the income statement as incurred. 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.

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 on the date that control of the acquired company is assumed and carried in the currency of the relevant acquisition. Under IFRS 3 it is assumed as of January 1, 2005, that goodwill has an indefinite useful life. Goodwill is therefore no longer regularly amortized, but subjected to an impairment test at least once a year. Until December 31, 2004, goodwill was amortized against income on a straight-line basis over its estimated useful life, not exceeding 20 years.

Cash and cash equivalents
Cash and cash equivalents include bank accounts and short-term time deposits.

Marketable securities
Marketable securities are acquired in accordance with the group's portfolio management policy. They are valued at fair value on balance sheet date. 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, these changes in value are shown in the income statement. Any impairment in the value of marketable securities available for sale is charged to income.

Trade receivables
Receivables are stated at original invoice value less allowances to reduce them to net realizable value. Valuation adjustments on trade receivables are included if there is reliable evidence to suggest that the amount originally invoiced will not be paid, or not in full. The valuation adjustment represents the difference between the payment expected and the invoiced amount.

Inventories
Raw materials and purchased goods are valued at average cost or at lower net realizable value, while products manufactured in-house are stated at the lower of manufacturing cost or net realizable value. Valuation adjustments are made for slow-moving items and excess stock.

Provisions
If legal or constructive obligations are incurred as a consequence of past events, provisions are made to cover the expected outflow of funds. Provisions are classified as pension provisions, guarantee and warranty provisions, environment provisions and other provisions.

Pension provisions arise from unfunded pension commitments or deficits on funded plans.

Guarantee and warranty provisions are made in the context of product deliveries and services and are based on past experience.

Environment provisions cover the expected remediation costs related to operations in previous years.

Other provisions are made for onerous contracts (where the unavoidable direct costs of performance exceed the expected financial benefit) and other constructive or legal obligations of group companies.

Income taxes
The expected tax charge is calculated and accrued on the basis of the results in the year under review which are relevant for taxation purposes.

Deferred taxes
Deferred taxes on differences in amounts reported for group purposes and amounts determined for local tax purposes are calculated 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 to the extent that it appears probable that such losses will be offset in future by temporary valuation differences or profits.

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. 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.

Revenue recognition

Sales revenues arising from deliveries of products are recorded when benefit and risk pass to the customer, and sales revenues arising from services are recorded on completion of delivery. 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.

Standards that have been published but not yet applied

As of January 1, 2007, the International Accounting Standards Board (IASB) has put into force IFRS 7 (Financial Instruments: Disclosures), Amendment to IAS 1 (Presentation of Financial Statements: Capital Disclosures) and IFRS 8 (Operating Segments). In addition, the International Financial Reporting Interpretations Committee (IFRIC) has published numerous new interpretations, which will become effective after January 1, 2007. Rieter has not adopted early any of these new provisions, and on the basis of an initial assessment does not expect them to have any material impact on consolidated shareholders' equity and net profit when they come into force. However, the new regulations will necessitate additional disclosure in the notes to the consolidated financial statements.

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. These risks are monitored on the basis of risk reporting procedures.

Exchange rate risks
Risks arising from exchange rate fluctuations due to the group's global operations have an impact on the group's financial position and cash flows presented in Swiss francs. Internal forward foreign exchange contracts are concluded when the relevant underlying 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 posted to income at fair value.

Credit risks
Collection risks at the Textile Systems Division are usually hedged by insurance, advance payments, letters of credit or other instruments. The business relationships of the Automotive Systems Division 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.

2 Segment information by division

The group comprises two divisions: Textile Systems develops and produces machinery and integrated systems for converting natural and manmade fibers and their blends into yarns, as well as nonwovens and pelletizing machinery. Automotive Systems develops and produces components, modules and integrated systems in partnership with automotive manufacturers, in order to provide acoustic and thermal comfort in motor vehicles.

Sales[1]

CHF million	2006	2005
Textile Systems	1 400.7	1 085.4
Automotive Systems	2 179.2	2 031.4
Other units	0.0	5.2
Total	**3 579.9**	**3 122.0**

1. Excluding other operating income (2005 adjusted).

There were no material inter-divisional sales.

Operating result before special charges, interest and taxes

CHF million	2006	2005
Textile Systems	148.2	80.7
Automotive Systems	114.9	118.1
Other units, including group costs	–6.8	–3.1
Total	**256.3**	**195.7**

Special charges

CHF million	2006	2005
Textile Systems	55.5	6.0
Automotive Systems	20.2	6.7
Total	**75.7**	**12.7**

Operating result before interest and taxes (EBIT)

CHF million	2006	2005
Textile Systems	92.7	74.7
Automotive Systems	94.7	111.4
Other units, including group costs	–6.8	–3.1
Total	**180.6**	**183.0**

Assets

CHF million	2006	2005
Textile Systems[1]	848.1	834.1
Automotive Systems[1]	1 407.3	1 299.6
Other units and assets not allocated to the divisions	629.2	581.0
Total	**2 884.6**	**2 714.7**

1. Segment assets excluding financial and income tax related positions.

Liabilities

CHF million	2006	2005
Textile Systems[1]	429.0	396.2
Automotive Systems[1]	620.1	602.4
Other units and liabilities not allocated to the divisions	460.1	453.9
Total	**1 509.2**	**1 452.5**

1. Segment liabilities excluding financial and income tax related positions.

Capital expenditure on tangible and intangible assets

CHF million	2006	2005
Textile Systems	58.7	26.7
Automotive Systems	121.3	155.1
Other units	6.2	0.5
Total	**186.2**	**182.3**

Depreciation and amortization of tangible and intangible assets

CHF million	2006	2005
Textile Systems	43.4	34.0
Automotive Systems	101.1	95.7
Other units	0.5	0.7
Total	**145.0**	**130.4**

Number of employees at year-end

	2006	2005
Textile Systems	5 219	5 422
Automotive Systems	9 485	9 098
Other units	122	132
Total	**14 826**	**14 652**

Segment information by geographical region

Sales[1]

CHF million	2006	2005
Europe	1 598.0	1 438.5
Asia including Turkey	1 002.9	775.3
North America	726.0	722.1
Latin America	171.5	156.2
Africa	81.5	29.9
Total	**3 579.9**	**3 122.0**

1. Excluding other operating income (2005 adjusted).

Assets

CHF million	2006	2005
Europe	1 825.7	1 631.8
Asia including Turkey	162.2	125.2
North America	833.6	899.0
Latin America	50.8	45.5
Africa	12.3	13.2
Total	**2 884.6**	**2 714.7**

Capital expenditure on tangible and intangible assets

CHF million	2006	2005
Europe	126.6	110.3
Asia including Turkey	18.9	18.1
North America	35.7	47.0
Latin America	4.4	1.8
Africa	0.6	5.1
Total	**186.2**	**182.3**

Number of employees at year-end

	2006	2005
Europe	9 275	9 561
Asia including Turkey	1 816	1 322
North America	2 696	2 853
Latin America	943	802
Africa	96	114
Total	**14 826**	**14 652**

3 Sales

Change in sales

CHF million	2006	2005
Change in sales due to volume and price, Textile Systems	236.7	–158.6
Change in sales due to volume and price, Automotive Systems	98.9	25.8
Change in sales due to volume and price, other activities	–5.2	–0.5
Impact of acquisitions	73.2	82.9
Currency effects	54.3	35.8
Total change in sales	**457.9**	**–14.6**

4 Employee costs

CHF million	2006	2005
Wages and salaries	831.8	767.1
Social security and other personnel expenses	179.9	175.4
Total	**1 011.7**	**942.5**

5 Depreciation and amortization

CHF million	2006	2005
Tangible fixed assets	137.8	125.8
Intangible assets	7.2	4.6
Total	**145.0**	**130.4**

6 Special charges

CHF million	2006	2005
Restructuring costs	27.2	12.7
Loss on divestments	48.5	0.0
Total	**75.7**	**12.7**

The restructuring costs include cost reduction measures and transfers of production facilities from Western to Eastern Europe and relate to the Textile Systems segment with 7.0 million CHF (6.0 million CHF in 2005) and the Automotive Systems segment with 20.2 million CHF (6.7 million CHF in 2005). The loss on divestments refers exclusively to the Textile Systems segment and resulted from the divestment of the manmade fiber business (see note 24).

7 Financial income

CHF million	2006	2005
Income from marketable securities and other financial income	55.5	37.2
Interest income	6.7	5.3
Income from non-consolidated investments	1.4	1.3
Foreign exchange differences, net	1.4	0.0
Total	**65.0**	**43.8**

8 Financial expenses

CHF million	2006	2005
Interest cost	20.5	19.9
Other financial expenses and foreign exchange differences, net	0.0	1.3
Total	**20.5**	**21.2**

Part of the securities holdings are held as marketable securities available for sale. As in the previous year, the change in market value of this portion of the securities portfolio required no value adjustment in the income statement in the year under review.

9 Income taxes

CHF million	2006	2005
Current income tax expenses	68.2	63.0
Deferred income tax expenses	–0.5	4.5
Total	**67.7**	**67.5**

Despite higher pre-tax profits in the year under review, the income tax charge was only 0.2 million CHF higher than in the previous year, resulting in a corporate tax rate of 30.1% (32.8% in 2005). The reduction in the corporate tax rate was due mainly to the improvement in the financial result.

Reconciliation of expected and actual tax expenses:

CHF million	2006	2005
Expected tax expenses on pre-tax profits of 225.1 million CHF (205.6 million CHF in 2005) at an average rate of 20.7% (21.3% in 2005)	46.7	43.8
Impact of non tax-deductible income/expenses	–11.3	–30.1
Impact of losses and loss carry-forwards	28.3	39.3
Impact of changes in tax rates and tax legislation	–0.9	–2.3
Other effects	4.9	16.8
Total	**67.7**	**67.5**

Deferred income taxes

Deferred tax assets and liabilities result from the following balance sheet items:

CHF million	Deferred tax assets 2006	Deferred tax liabilities 2006	Deferred tax assets 2005	Deferred tax liabilities 2005
Tangible fixed assets	8.8	–41.9	2.1	–38.3
Inventories	4.4	–8.7	6.3	–9.6
Other assets	16.2	–34.8	7.1	–28.1
Provisions	8.5	–9.7	8.3	–1.2
Other liabilities	17.2	–3.9	14.6	–12.3
Valuation adjustments on deferred tax assets	–28.3		–24.8	
Tax loss carry-forwards and tax credits	12.2		16.6	
Total	39.0	–99.0	30.2	–89.5
Offsetting	–27.5	27.5	–19.6	19.6
Deferred tax assets/liabilities	**11.5**	**–71.5**	**10.6**	**–69.9**

Capitalized or non-capitalized deferred income taxes resulting from tax loss carry-forwards and tax credits, presented by year of expiry:

CHF million	Capitalized 2006	Non Capitalized 2006	Total 2006	Total 2005
Expiry in 1–3 years	0.3	2.2	2.5	3.3
3–7 years	0.3	3.1	3.4	9.1
7 and more years	11.6	114.1	125.7	109.6
Total	**12.2**	**119.4**	**131.6**	**122.0**

10 Research and development

144.8 million CHF was spent on research and development (144.7 million CHF in 2005).

Textile Systems focused on the further development of spinning preparation and final spinning machines and components for short-staple spinning mills as well as the development of new final spinning machines. The developments are focused on improved yarn quality, increased productivity and lower consumption of electricity. In the carding, ring spinning and rotor spinning sectors, market-specific generations of machines for India and China were launched. In the nonwovens sector the spunjet process was added to the already established spunbond, spunlace and meltblown processes. The spunjet process combines the spunbond and the spunlace process and enables the commercialization of upgraded products.

Developments at Automotive Systems included applications for new models and customized acoustic products, carpets and underbody components for automotive manufacturers in Europe, America and Asia. Automotive Systems also invests continuously in new processes and materials in order to improve quality and provide customers with cost benefits, and has intensified its synergies with Textile Systems in this field.

As in the previous year, no development costs were capitalized in 2006, since the respective IFRS requirements were not met.

11 Tangible fixed assets

CHF million	Land and buildings	Machinery, equipment and tools[1]	Data processing equipment	Vehicles and furniture[2]	Machinery and tools under construction	Total tangible fixed assets
Net book value at December 31, 2004	222.8	366.0	12.9	15.2	34.4	651.3
Reclassification	0.0	15.2	0.2	0.0	–15.4	0.0
Additions by acquisitions	51.1	41.1	1.0	2.7	0.5	96.4
Other additions	38.1	87.0	5.5	5.2	45.5	181.3
Disposals	–2.4	–3.4	–0.4	–1.0	0.0	–7.2
Depreciation	–15.4	–96.6	–7.1	–6.7	0.0	–125.8
Currency effects	11.7	25.3	0.5	0.7	1.6	39.8
Net book value at December 31, 2005	**305.9**	**434.6**	**12.6**	**16.1**	**66.6**	**835.8**
Accumulated depreciation at December 31, 2005	311.1	1 144.9	58.1	88.6	0.0	1 602.7
Cost at December 31, 2005	617.0	1 579.5	70.7	104.7	66.6	2 438.5
Reclassification	–0.5	11.5	0.1	0.1	–11.2	0.0
Additions by acquisitions	2.8	3.3	0.0	0.2	0.1	6.4
Other additions	34.2	124.4	5.0	7.9	12.0	183.5
Disposals by divestments	0.0	–2.3	0.0	–0.6	0.0	–2.9
Other disposals	–13.1	–3.1	0.0	–0.2	–1.3	–17.7
Depreciation	–15.8	–109.7	–6.1	–6.2	0.0	–137.8
Currency effects	3.3	–1.7	0.0	0.1	–1.4	0.3
Net book value at December 31, 2006	**316.8**	**457.0**	**11.6**	**17.4**	**64.8**	**867.6**
Accumulated depreciation at December 31, 2006	296.2	1 178.6	59.2	84.0	0.6	1 618.6
Cost at December 31, 2006	613.0	1 635.6	70.8	101.4	65.4	2 486.2

1. Including machinery and operating facilities.
2. Including pilot machines.

Land and buildings

CHF million	2006	2005
Land in operational use	62.3	52.4
Buildings in operational use	243.1	236.2
Non-operational property	11.4	17.3
Total	**316.8**	**305.9**

Buildings in operational use were insured at the replacement value of 1 302.2 million CHF at balance sheet date (1 265.5 million CHF in 2005) and non-operational property at the replacement value of 26.1 million CHF (32.6 million CHF in 2005).

Non-operational property

CHF million	2006	2005
Net book value at January 1	17.3	19.6
Disposals	–5.8	–2.2
Depreciation	–0.1	–0.1
Net book value at December 31	**11.4**	**17.3**
Market value at December 31	18.8	25.8

A net income value with an anticipated average gross yield of 6.4% (6.8% in 2005), less prospective taxes in the event of sale, was established as the market value of the non-operational property on the basis of estimates of future rental income calculated by the company.

12 Intangible assets

CHF million	Goodwill	Patents/ trademarks	Other intangible assets	Total intangible assets
Net book value at December 31, 2004	**140.4**	**3.8**	**1.5**	**145.7**
Additions by acquisitions	4.3	45.3	0.0	49.6
Other additions/disposals	0.0	0.1	0.9	1.0
Amortization	0.0	–4.2	–0.4	–4.6
Currency effects	6.3	0.1	0.1	6.5
Net book value at December 31, 2005	**151.0**	**45.1**	**2.1**	**198.2**
Accumulated amortization at December 31, 2005	–[1]	12.2	3.2	15.4
Cost at December 31, 2005	151.0	57.3	5.3	213.6
Disposals by divestments	–33.4	0.0	0.0	–33.4
Other additions/disposals	0.0	2.6	–1.0	1.6
Amortization	0.0	–6.7	–0.5	–7.2
Currency effects	1.3	0.5	0.0	1.8
Net book value at December 31, 2006	**118.9**	**41.5**	**0.6**	**161.0**
Accumulated amortization at December 31, 2006	–[1]	20.0	1.7	21.7
Cost at December 31, 2006	118.9	61.5	2.3	182.7

1. In accordance with IFRS 3, accumulated amortization of goodwill at January 1, 2005, was eliminated with a corresponding decrease in cost of goodwill.

Goodwill has been allocated to the cash-generating units as follows:

CHF million	2006	2005
Textile Systems Division	68.0[1]	99.6
Automotive Systems Division, Business Group Europe	28.9	28.0
Automotive Systems Division, Business Group Americas	22.0	23.4
Total	**118.9**	**151.0**

1. After sale of the manmade fiber activities.

The impairment test on goodwill was performed in the second half of the financial year. The recoverable amount of each cash-generating unit was determined by a value-in-use calculation. This calculation was based on mid-term financial plans approved by the Board of Directors covering a three-year period. The calculation of the residual value was based on the expected long-term growth. These growth expectations correspond to today's best estimate by the management in charge. For the value-in-use calculation future cash flows were discounted with the weighted average cost of capital of 8%. Based on the impairment tests, there was no need for recognition of any impairment in the 2006 financial year.

13 Financial assets

CHF million	2006	2005
Investments in non-consolidated companies	14.8	18.9
Long-term interest-bearing receivables	22.6	23.9
Other long-term receivables	27.3	25.0
Pension funds	47.2	47.2
Total	**111.9**	**115.0**

Prepaid contributions and overfunding of personnel pension plans have been accrued for the expected future benefit and amount to 47.2 million CHF (as in the previous year).

14 Inventories

CHF million	2006	2005
Raw materials and consumables	77.2	66.3
Purchased parts and goods for resale	94.5	94.2
Semi-finished and finished goods	110.4	109.3
Work in progress	200.9	156.2
Total	**483.0**	**426.0**

15 Trade receivables

CHF million	2006	2005
Trade receivables	676.9	597.9
Allowance for doubtful receivables	–22.0	–24.7
Total	**654.9**	**573.2**

16 Other receivables

CHF million	2006	2005
Prepaid expenses and deferred charges	17.6	37.0
Advance payments to customers	20.1	17.6
Other short-term receivables	82.7	70.8
Total	**120.4**	**125.4**

17 Marketable securities

CHF million	2006	2005
Securities held for trading	6.4	122.5
Securities available for sale	169.5	109.5
Total	**175.9**	**232.0**

Securities are stated at fair value, of which 4.1 million CHF (8.1 million CHF in 2005) was invested in options. These were mainly call options. 58.4% of the equity portfolio (74.8% in 2005) was invested in shares of Swiss companies. Investments in marketable securities are primarily in listed companies in different sectors. The investment risks of the securities portfolio are reviewed periodically.

18 Cash and cash equivalents

CHF million	2006	2005
Cash and banks	274.9	190.1
Time deposits	23.5	8.4
Total	**298.4**	**198.5**

The majority of cash and cash equivalents are managed centrally in Swiss francs in order to limit currency risk. A group netting system and group cash pools further reduce currency exposure. Most of the bank balances held by group companies were in their local currencies. The valuation risks of the investments in foreign currencies are reviewed periodically.

19 Minority interests

The main minority interests held by third parties are in UGN (USA) and Rieter-LMW Machinery Ltd. (India).

At the end of March 2006 Rieter acquired the remaining 50% interest in the Spanish automotive supplier Rieter Saifa S.A. Rieter had cooperated with what was then Saifa-Keller since 1975 and had held a minority interest until 2003. In 2003 Rieter increased its holding to 50% and consolidated the company for the first time. Rieter Saifa generated sales of around 70 million CHF in 2006 and employes a workforce of some 200. As Rieter Saifa had already been fully consolidated before the purchase of the remaining 50% interest, the difference between the purchase price and the minority interest stated before the acquisition was credited to shareholders' equity.

In January 2005 a purchase agreement was signed for the 50% minority interest in Magee Rieter.
Rieter Magee has been wholly owned by Rieter since January 12, 2005.

20 Financial debt

CHF million	less than 1 year	1 to 5 years	Maturity over 5 years	Total 2006	Total 2005
4% bonds 2001/2007	200.0	0.0	0.0	200.0	200.0
Bank debt	49.9	50.8	6.1	106.8	110.2
Finance leasing obligations	1.5	6.0	2.5	10.0	10.9
Other financial debt	8.8	0.7	0.7	10.2	12.7
Total	**260.2**	**57.5**	**9.3**	**327.0**	**333.8**

The 200.0 million CHF of 4% bonds are due for repayment on June 21, 2007. 125.0 million CHF of these bonds were issued in 2001 and 75.0 million CHF were added in 2002.

By currency, financial debt is divided up as follows:

CHF million	2006	2005
CHF	208.0	209.9
EUR	51.6	66.7
USD	33.1	29.7
Other	34.3	27.5
Total	**327.0**	**333.8**

21 Provisions

CHF million	Pension provisions	Guarantee and warranty provisions	Environment provisions	Other provisions	Total provisions
Provisions at December 31, 2005	**89.2**	**33.3**	**12.4**	**40.4**	**175.3**
Disposals by divestment	–0.8	–3.8	0.0	0.0	–4.6
Utilization	–5.6	–14.6	0.0	–5.8	–26.0
Release	–0.6	–0.2	0.0	–2.5	–3.3
Additions	10.1	13.3	0.3	7.4	31.1
Currency effects	2.3	0.2	0.0	–0.2	2.3
Provisions at December 31, 2006	**94.6**	**28.2**	**12.7**	**39.3**	**174.8**

22 Other current liabilities

CHF million	2006	2005
Accrued expenses	183.2	144.0
Sales commissions	23.7	22.9
Other short-term liabilities	125.6	120.1
Total	**332.5**	**287.0**

23 Acquisitions

Rieter increased the Automotive Systems Division’s market presence in Asia through two acquisitions in 2006:

Rieter acquired a 51% interest in the Chinese automotive supplier Tianjin Rieter Nittoku Automotive Sound-Proof Co., Ltd. as of January 1, 2006. The plant, which is operated jointly with Japanese partner Nittoku, has some 120 employees and generated sales of around 5 million CHF in 2006.

At the end of April 2006, Rieter raised its holding in the Indian automotive supplier Rieter Automotive India Pvt. Ltd. (formerly Unikeller India Pvt. Ltd.) to 100%. Previously, Rieter had held 35% in this Indian supplier of damping products. Rieter Automotive India has some 80 employees and generated sales of around 2 million CHF in 2006.

Both companies are fully consolidated as from the date of acquisition.

Individually, the impact of the two above-mentioned acquisitions on consolidated assets and liabilities was immaterial. In aggregate, the assets and liabilities arising from the acquisitions were as follows:

CHF million	**Fair Value[1] 2006**
Non-current assets	6.4
Current assets	3.8
Liabilities	–2.3
Net identifiable assets	**7.9**
Attributable to minority interests	–3.0
Net acquired assets	**4.9**
Acquired cash and cash equivalents	–1.0
Cash used for acquisitions	**3.9**

1. Book values were not adjusted substantially.

Initial accounting was determined provisionally. In accordance with IFRS 3, adjustments to the fair values assigned to the identifiable assets acquired and liabilities assumed can be made within 12 months of the acquisition date.

Professional fees and related costs for the acquisitions amounted to 0.1 million CHF.

In 2006, the acquired activities contributed about 7 million CHF to sales and an immaterial amount to operating profit before interest and taxes since the acquisition date. If both acquisitions had occurred on January 1, 2006, group sales would have been some 1 million CHF higher.

In 2005 Rieter reinforced and expanded the components business of the Textile Systems Division with two acquisitions:

Rieter acquired the remaining shares of Spindelfabrik Suessen GmbH in Germany and its subsidiary Suessen Asia Private Ltd. in India as of January 1, 2005. Rieter thus increased its equity holding from 19% to 100% and consolidated Suessen for the first time as of January 1, 2005. Suessen develops and manufactures primarily technology components for ring and rotor spinning machines and supplies these to all major machinery manufacturers as well as directly to spinning mills.

Rieter acquired the entire share capital of the Graf Group as of October 3, 2005. The Graf Group develops, manufactures and distributes card clothing, combs and clothing for combers as well as service machines for various spinning processes in the staple fiber sector. Its two largest manufacturing locations are in Switzerland and the Netherlands.

Individually, the impact of the two above-mentioned acquisitions on consolidated assets and liabilities was immaterial. In aggregate, the assets and liabilities arising from the acquisitions were as follows:

CHF million	Fair Value 2005	Adjustments 2005	Book value before adjustments 2005
Tangible fixed assets	96.4	13.3	83.1
Patents and trademarks	45.3	45.2	0.1
Financial assets	4.2	1.0	3.2
Inventories	43.0	2.5	40.5
Receivables	21.4		21.4
Cash and cash equivalents	6.3		6.3
Long and short-term financial debt	–29.4		–29.4
Deferred tax liabilities	–21.6	–16.7	–4.9
Provisions and other non-current liabilities	–36.2		–36.2
Other current liabilities	–30.4		–30.4
Net identifiable assets	**99.0**	**45.3**	**53.7**
Acquired cash and cash equivalents	–6.3		
Goodwill	4.3[1]		
Minority interest before assuming control	–10.3		
Purchase price settled by shares of Rieter Holding Ltd.	–10.0[2]		
Cash used for acquisitions	**76.7**		

1. The goodwill arising from the acquisitions reflects the value of expected synergies.
2. 26 148 shares of CHF 382.44.

No adjustments to these amounts determined provisionally in 2005 were necessary in 2006.

Professional fees and related costs for the acquisitions amounted to 0.1 million CHF in the year 2005.

In 2005, the acquired activities contributed 84.6 million CHF to sales and 5.6 million CHF to operating profit before interest and taxes since the acquisition date. If both acquisitions had occurred on January 1, 2005, group sales 2005 would have been some 60 million CHF higher.

24 Divestments

As of October 31, 2006, Rieter sold the activities in cabling, twisting and texturing machines. The French subsidiary Rieter Textile Machinery France SAS posted sales of approximately 50 million CHF during the first ten months of 2006 with a workforce of some 150 employees.

As of December 14, 2006, Rieter sold the assets and liabilities of the business in machinery and systems for manufacturing synthetic continuous filament yarns. This unit of Rieter Machine Works Ltd., Winterthur, with some 80 employees generated sales of approximately 30 million CHF prior to its sale.

The assets and liabilities arising from the divestments are as follows:

CHF million	**2006**
Non-current assets	–36.3
Current assets	–47.1
Liabilities	37.2
Net disposed assets and liabilities	**–46.2**
Loss on divestments	48.5
Cash used for divestments	**2.3**

There were no disposals of business activities in 2005.

25 Pension plan

The expense for pension plans is included in employee costs.

Defined-contribution plans

The expense for defined-contribution plans amounted to 9.5 million CHF (8.6 million CHF in 2005).

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 IFRS rules.

Funded states of defined-benefit plans

CHF million	**2006**	**2005**
Actuarial present value of defined-benefit obligation • unfunded plans	–74.3	–71.4
• funded plans	–1 110.5	–1 016.7
Defined-benefit obligation at December 31	**–1 184.8**	**–1 088.1**
Fair value of plan assets	1 443.7	1 240.9
Surplus	**258.9**	**152.8**
Unrecognized actuarial gains and losses	17.2	26.3
Unrecognizable assets of pension plans (due to limit of IAS 19.58)	–297.0	–196.6
Net asset/(liability) at December 31	**–20.9**	**–17.5**
Recognized in the balance sheet • as assets	60.4	61.3
• as pension provisions	–81.3	–78.8

The movement in the defined-benefit obligation over the year was as follows:

CHF million	2006	2005
Defined-benefit obligation at January 1	**1 088.1**	**934.6**
Current service cost, net	19.1	11.7
Interest cost	32.9	32.4
Employee contributions	8.9	6.1
Actuarial gains/losses	82.4	45.7
Past service cost	0.1	1.0
Benefits paid	–44.6	–42.2
Liabilities acquired in a business combination	0.0	89.5
Currency effects	–2.1	9.3
Defined-benefit obligation at December 31	**1 184.8**	**1 088.1**

The movement in the fair value of plan assets over the year was as follows:

CHF million	2006	2005
Fair value of plan assets at January 1	**1 240.9**	**1 010.7**
Expected return on plan assets	46.3	36.8
Actuarial gains/losses	174.5	132.0
Employer contributions	21.4	20.2
Employee contributions	8.9	6.1
Benefits paid	–44.6	–42.2
Assets acquired in a business combination	0.0	69.9
Currency effects	–3.7	7.4
Fair value of plan assets at December 31	**1 443.7**	**1 240.9**

The major categories of plan assets as a percentage of total plan assets were as follows:

in %	2006	2005
Equity	54	57
Debt	17	13
Real estate	20	25
Other	9	5

Pension plan assets included 71 000 Rieter shares with a market value of 45.3 million CHF (86 092 shares with a market value of 33.6 million CHF in 2005) and loans to group companies of 0.3 million CHF (0.3 million CHF in 2005).

Pension costs of defined-benefit plans

CHF million	2006	2005
Current service cost, net	19.1	11.7
Interest cost	32.9	32.4
Expected return on plan assets	–46.3	–36.8
Recognized actuarial gains/losses	–84.0	–96.3
Impact of limit of IAS 19.58	86.2	98.6
Pension costs of defined-benefit plans	**7.9**	**9.6**

The group expects to contribute 20 million CHF to its defined-benefit pension plans in 2007. The actual return on plan assets was 220.8 million CHF (168.8 million CHF in 2005).

Actuarial assumptions

Weighted average in %	2006	2005
Discount rate	3.0	3.5
Expected return on plan assets	3.8	4.2
Future wage growth	2.1	1.6
Future pension growth	1.7	1.0

Additional disclosure

CHF million	2006	2005
Defined-benefit obligation	–1 184.8	–1 088.1
Plan assets	1 443.7	1 240.9
Surplus	**258.9**	**152.8**
Experience adjustment on plan liabilities	34.5	–8.8
Experience adjustment on plan assets	174.5	132.0

26 Share-based payments

Rieter has established a share purchase plan for its managers. Between May 8 and June 30, 2006, 73 participants purchased 10709 shares at a price of 351.00 CHF per share (15 053 shares at 267.00 CHF in 2005). The average market value of shares granted was 474.88 CHF (349.90 CHF in 2005). At least two-thirds of these shares cannot be sold for three years. The shares for this program were taken from the holdings of Rieter Holding Ltd.

In addition, the members of the Board of Directors (BoD) and the Group Executive Committee (GEC) could subscribe to one additional free 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 501.00 CHF (381.85 CHF in 2005). There are no vesting conditions.

The estimated fair value of each share option granted to the members of the Group Executive Committee in 2006 is 47.43 CHF. That for the share option granted to the members of the Board of Directors is 97.40 CHF. These values were calculated by applying an adapted model of the Black-Scholes option pricing model. The following parameters have been used:

		Share options to the GEC	Share options to the BoD
Share price on the date granted	CHF	474.75	580.00
Exercise price	CHF	501.00	501.00
Expected volatility (based on historical data)	%	21.50	21.50
Option life	Years	5	5
Risk-free interest rate	%	2.40	2.30
Dividend yield	%	2.40	2.00

Change in options granted

	Number of options 2006	Weighted average exercise price in CHF 2006	Number of options 2005	Weighted average exercise price in CHF 2005
Outstanding at January 1	**15 678**	**338.57**	**18 311**	**350.87**
Granted	3 379	501.00	3 513	381.85
Expired	0	0.00	–2 824	471.50
Exercised	–11 683	329.45	–3 322	339.16
Outstanding at December 31	**7 374**	**427.44**	**15 678**	**338.57**
Exercisable at December 31	**482**	**244.00**	**8 309**	**329.74**

The share options outstanding at December 31, 2006, had an exercise price between 244.00 CHF and 501.00 CHF and a weighted average contractual life of 3.92 years.

In 2006 the costs resulting from the share purchase plan amounted to 1.3 million CHF (1.2 million CHF in 2005). The costs resulting from the share option plan amounted to 0.2 million CHF (0.1 million CHF in 2005).

Long-service awards are also granted in the form of shares at some group companies.

27 Related parties

The members of the Board of Directors receive a fixed annual remuneration. The directors received 1 231 Rieter registered shares and options in the 2006 financial year in the context of the share purchase plan (1 462 shares in 2005). None of the shares allotted to the directors in the context of the share purchase plan can be resold for three years. The cash remuneration of the Board of Directors in the 2006 financial year totalled 0.8 million CHF (0.8 million CHF in 2005).

Remuneration totaling 3.8 million CHF was disbursed to the members of the Group Executive Committee for the 2006 financial year (3.6 million CHF in 2005). This sum comprises the basic salary (including employer's contributions to the pension fund, excluding employer's contributions to state social security funds), the deferred bonus for 2006 and the discount on Rieter shares purchased in 2006. In the context of the share purchase plan (see note 26) 2 148 Rieter shares and options were allotted (3 513 shares and options in 2005).

28 Other commitments

Commitments arising from future minimum lease payments under non-cancellable operating leases were as follows:

CHF million	2006	2005
up to 1 year	9.8	8.7
1–5 years	18.3	16.3
5 and more years	3.1	2.9
Total	**31.2**	**27.9**

No purchase commitments in respect of major purchases were open at year-end.

29 Cash flow

CHF million	2006	2005
Net profit	157.4	138.1
Depreciation and amortization of tangible and intangible assets	145.0	130.4
Loss on divestments	48.5	0.0
Other non-cash income and expenses	–21.3	–11.6
Cash flow	**329.6**	**256.9**
Change in provisions	5.6	3.8
Net cash flow	**335.2**	**260.7**
Change in net working capital	–82.6	–17.9
Capital expenditure on tangible and intangible assets, net	–153.5	–161.4
Change in financial assets, net	7.7	–6.1
Acquisitions	–3.9	–76.7
Divestments	–2.3	0.0
Free cash flow	**100.6**	**–1.4**

30 Net liquidity

CHF million	2006	2005
Cash and cash equivalents	298.4	198.5
Marketable securities	175.9	232.0
Bonds issued	–200.0	–200.0
Other short-term financial debt	–60.2	–69.0
Other long-term financial debt	–66.8	–64.8
Net liquidity	**147.3**	**96.7**

31 Exchange rates for currency translation

in CHF		Average annual rates 2006	Average annual rates 2005	Year-end rates 2006	Year-end rates 2005
Argentina	1 ARS	0.41	0.43	0.40	0.44
Brazil	1 BRL	0.58	0.52	0.57	0.57
Canada	1 CAD	1.10	1.03	1.05	1.13
China	100 CNY	15.71	15.21	15.62	16.34
Czech Republic	100 CZK	5.55	5.20	5.84	5.37
Euro countries	1 EUR	1.57	1.55	1.61	1.56
Great Britain	1 GBP	2.31	2.26	2.39	2.27
Hong Kong	100 HKD	16.13	16.02	15.65	17.00
India	100 INR	2.77	2.83	2.76	2.93
Poland	100 PLN	40.40	38.52	42.00	40.35
Taiwan	100 TWD	3.85	3.87	3.74	4.00
USA	1 USD	1.25	1.25	1.22	1.32

32 Approval for publication of the consolidated financial statements

The consolidated financial statements were approved for publication by the Board of Directors on March 20, 2007. They are also subject to approval by the Annual General Meeting of shareholders. No events have occurred up to March 20, 2007, which would necessitate adjustments to the book values of the group's assets or liabilities, or which require additional disclosure.

Significant subsidiaries and associated companies

at December 31, 2006

			Paid-in capital	Group interest	Research & development	Sales/trading	Production	Services/financing
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 Automotive Brazil-Artefatos de Fibras Texteis Ltda., São Bernardo d.C.	BRL	35 107 344	100%	•	•	•	
	Rieter South America Ltda., São Paulo	BRL	2 172 653	100%		•		
	Graf Maquinas Ltda., São Paulo	BRL	10 220 000	100%		•	•	•
Canada	Rieter Automotive Mastico Ltd., Tillsonburg	CAD	381 000	100%	•	•	•	
	Rieter Magee Automotive Systems Canada, London		[2]	100%		•	•	
China	Rieter Changzhou Textile Instruments Co. Ltd., Changzhou	EUR	10 000 000	100%			•	
	Rieter Nittoku (Guangzhou) Automotive Sound-Proof Co. Ltd., Guangzhou City	USD	9 250 000	51%		•	•	
	Rieter Textile Systems (Shanghai) Co. Ltd., Schanghai	USD	200 000	100%		•		
	Rieter Asia (Hong Kong) Ltd., Hongkong	HKD	1 000	100%		•		
	Tianjin Rieter Nittoku Automotive Sound-Proof Co. Ltd.	USD	5 700 000	51%		•	•	
France	Rieter Automotive France SAS, Aubergenville	EUR	8 000 000	100%	•	•	•	
	Rieter Perfojet SAS, Grenoble	EUR	1 033 600	100%	•	•	•	•
	Rieter France SAS, Lyon	EUR	39 852 500	100%				•
	Graf France Sàrl, Illzach	EUR	150 000	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	15 645 531	100%		•		•
	Wilhelm Stahlecker GmbH, Reichenbach im Täle	EUR	255 645	100%	•			
	Spindelfabrik Suessen GmbH, Süssen	EUR	5 050 100	100%	•	•	•	•
	Graf-Kratzen GmbH, Gersthofen	EUR	400 000	100%		•		•
Great Britain	Rieter Automotive Great Britain, Ltd., Heckmondwike	GBP	15 818 461	100%	•	•	•	
India	Lakshmi Machine Works Ltd., Coimbatore[1]	INR	123 692 500	13%	•	•	•	•
	Rieter-LMW Machinery Ltd., Perianaickenpalayam	INR	250 000 000	50%			•	
	Suessen Asia Private Ltd., Wing	INR	409 900 000	100%		•	•	
	Rieter India Pvt. Ltd., New Delhi	INR	10 000 000	100%		•		
	Rieter Automotive India Pvt. Ltd., Gurgaon	INR	18 441 670	100%		•	•	
Italy	Rieter Automotive Fimit S.p.A., Mailand	EUR	8 400 000	100%	•	•	•	
	Rieter Italiana S.r.l., Mailand	EUR	46 800	100%		•		
	Idea Institute S.p.A., Turin	EUR	3 500 000	100%	•			•
	Graf Italia S.r.l., Bergamo	EUR	500 000	100%		•	•	•

			Paid-in capital	Group interest	Research & development	Sales/trading	Production	Services/financing
Czech Republic	Rieter CZ a.s., Ústí nad Orlicí	CZK	982 169 000	100%	•	•	•	•
	Novibra Boskovice s.r.o., Boskovice	CZK	40 000 000	100%	•	•	•	
Netherlands	Rieter Automotive Nederland B.V., Weert	EUR	2 042 010	100%		•	•	
	Graf Holland B.V., Enschede	EUR	113 445	100%		•	•	•
Poland	Rieter Automotive Poland Sp.z.o.o., Katowice	PLN	20 844 000	100%		•	•	
Portugal	Rieter Componentes para Veículos Lda., Setúbal	EUR	598 557	87%		•	•	
Switzerland	Rieter Management AG, Winterthur	CHF	5 000 000	100%				•
	Maschinenfabrik Rieter AG, Winterthur	CHF	8 500 000	100%	•	•	•	•
	Schaltag AG, Effretikon	CHF	400 000	100%	•	•	•	
	Hogra Holding AG, Freienbach	CHF	1 000 000	100%				•
	Graf + Cie AG, Rapperswil	CHF	1 000 000	100%	•	•	•	•
	Rieter Automotive Heatshields AG, Sevelen	CHF	250 000	100%	•	•	•	
	Rieter Automotive Management AG, Winterthur	CHF	1 300 000	100%	•			•
	Rieter Automotive (International) AG, Winterthur	CHF	1 300 000	100%				•
	Tefina Holding AG, Zug	CHF	5 000 000	100%				•
	Sofima AG, Winterthur	CHF	1 000 000	100%				•
	Bräcker 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%				•
Spain	Rieter Saifa S.A., Barcelona	EUR	847 410	100%	•	•	•	
	Graf España S.A., Santa Perpètua de Mogoda	EUR	601 012	100%		•	•	•
Taiwan	Rieter Asia (Taiwan) Ltd., Taipeh	TWD	5 000 000	100%		•		
Turkey	Rieter Textile Machinery Trading & Services Ltd., Levent	TRY	25 000	69%				•
	Rieter Erkurt Otomotive Yan Sanayi ve Ticaret AS, Bursa	TRY	700 000	51%	•	•	•	
USA	Rieter Automotive North America, Inc., Farmington Hills	USD	1 000	100%	•	•	•	
	Rieter Corporation, Spartanburg	USD	1 249	100%		•		
	Graf Metallic America Inc., Spartanburg	USD	50 000	100%		•		•
	UGN, Inc., Chicago	USD	1 000 000	50%	•	•	•	
	Magee Rieter Automotive Systems, Bloomsburg	USD	[2]	100%	•	•	•	
	Rieter America Corporation, Farmington Hills	USD	1	100%				•

1. Non-consolidated associated company.
2. Partnership without registered paid-in capital.

Report of the group auditors

PricewaterhouseCoopers

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 60 to 93) of Rieter Holding Ltd. for the year ended December 31, 2006.

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 Swiss Auditing Standards 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 financial 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 the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

PricewaterhouseCoopers AG

Christian Kessler
Auditor in charge

Nicolas Mayer

Zurich, March 21, 2007

Income statement of Rieter Holding Ltd.

for the financial year from January 1 to December 31

CHF million	Notes	2006	2005
Income			
Income from investments	(1)	72.9	92.3
Income from marketable securities and interest income	(2)	54.5	46.0
Other income	(3)	10.9	8.9
Total income		**138.3**	**147.2**
Expenses			
Financial expenses	(4)	14.1	11.8
Administration expenses		4.6	4.1
Value adjustments, provisions	(5)	56.2	82.0
Total expenses		**74.9**	**97.9**
Net profit		**63.4**	**49.3**

Balance sheet of Rieter Holding Ltd.

at December 31, before appropriation of profit

CHF million	Notes	2006	2005
Assets			
Investments in and loans to subsidiaries	(6)	648.7	586.2
Non-current assets		**648.7**	**586.2**
Accrued income and prepayments	(7)	1.6	2.6
Receivables from third parties	(8)	2.7	2.7
Receivables from subsidiaries	(9)	100.2	43.2
Receivables		**104.5**	**48.5**
Liquid funds	(10)	216.7	198.1
Current assets		**321.2**	**246.6**
Total assets		**969.9**	**832.8**
Shareholders' equity and liabilities			
Share capital		22.3	22.3
Legal reserves			
• General reserve	(11)	27.5	27.5
• Reserve for own shares	(12)	8.6	0.2
Other reserves	(13)	270.9	272.8
Retained earnings	(14)		
• Balance brought forward		29.3	21.5
• Net profit for the year		63.4	49.3
Shareholders' equity		**422.0**	**393.6**
Bonds	(15)	0.0	200.0
Provisions	(16)	11.3	11.3
Non-current liabilities		**11.3**	**211.3**
Short-term liabilities	(17)	329.0	223.0
Bonds	(15)	200.0	0.0
Accrued liabilities	(18)	7.6	4.9
Current liabilities		**536.6**	**227.9**
Liabilities		**547.9**	**439.2**
Total shareholders' equity and liabilities		**969.9**	**832.8**

Notes to the financial statements of Rieter Holding Ltd.

1 Income from investments

This consists of dividends paid by subsidiaries and associated companies as well as income from the disposal of investments.

2 Income from marketable securities and interest income

This position showed an increase as a result of higher income from marketable securities.

3 Other income

The contractually agreed compensation payments by group companies increased due to higher sales.

4 Financial expenses

The cost of interest payable to the cash pool increased, while interest on bond issues remained unchanged.

5 Value adjustments, provisions

The value adjustment for general business risks was increased by 56.2 million CHF and deducted from investments in and loans to subsidiaries.

6 Investments in and loans to subsidiaries

The main subsidiaries and associated companies are listed on pages 92 and 93. These investments are held directly or indirectly by Rieter Holding Ltd. The increase in investments was mainly due to the acquisition of the remaining 50% interest in the Spanish automotive supplier Rieter Saifa S.A. In the year under review some loans to subsidiaries were also converted into equity capital.

CHF million	2006	2005
Investments in subsidiaries	221.0	205.3
Loans to subsidiaries	427.7	380.9
Total	**648.7**	**586.2**

7 Accrued income and prepayments

Accrued income and prepayments include accrued interest income on bond holdings and loans granted, as well as prepaid financing costs.

8 Receivables from third parties

These consist of receivables from a loan and from withholding taxes and current account relationships with foundations.

9 Receivables from subsidiaries

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

10 Liquid funds

CHF million	2006	2005
Cash and cash equivalents	124.1	52.9
Marketable securities	92.6	145.2
Total	**216.7**	**198.1**

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, 2006	10 582
Purchases January–December 2006 (average price CHF 507.33)	144 528
Sales January–December 2006 (average price CHF 526.55)	139 596
Registered shares held at December 31, 2006	15 514

A reserve for own shares has been made at an acquisition cost of 8.6 million CHF. This amount was deducted from other reserves.

13 Other reserves

CHF million	2006	2005
Opening balance	272.8	253.0
Transfer to reserve for own shares	–8.4	1.5
Premium received on shares issued	6.5	18.3
Total	**270.9**	**272.8**

In connection with share-based payments to managers in the year under review, 15 000 share were taken from the holding at the disposal of the Board of Directors.

14 Retained earnings

Including the balance brought forward, the Annual General Meeting has a total of 92.7 million CHF at its disposal (70.8 million CHF in 2005).

15 Bonds

CHF million	2006	2005
4% bonds maturing 2007	200.0	200.0
Total	**200.0**	**200.0**

The 200 million CHF of 4% bonds are due for repayment on June 21, 2007 (securities code No. 1236261; Reuters: CH 1236261 = S). In 2006 they were therefore transferred from non-current liabilities to current liabilities.

16 Provisions

These consist of provisions for foreign exchange risks and guarantee commitments.

17 Short-term liabilities

CHF million	2006	2005
Liabilities to group companies	328.2	222.3
Liabilities to third parties	0.8	0.7
Total	**329.0**	**223.0**

Rieter Holding Ltd. manages liquid funds for group companies in the central cash pool.

18 Accrued liabilities

These consist mainly of accrued interest on the bond issue and accruals for forward foreign exchange contracts.

19 Guarantees to third parties

CHF million	2006	2005
Guarantees	2.9	1.2

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

20 Shareholders

At December 31, 2006, there were no major groups of shareholders with holdings exceeding 5% of all voting rights (pursuant to Art. 663c of the Swiss Code of Obligations).

Rieter Holding Ltd. held 15 514 of its own shares directly or indirectly at December 31, 2006 (10 582 shares in 2005).

Proposal of the Board of Directors

for the appropriation of profit (2006 financial year)

CHF	2006	2005
Net profit for the year	63 433 667	49 267 303
Retained earnings brought forward from previous year	29 259 638	21 517 755
Retained earnings at the disposal of the Annual General Meeting	**92 693 305**	**70 785 058**
Proposal		
Dividend on registered shares[1]	62 847 840	41 525 420
Retained earnings	29 845 465	29 259 638
Retained earnings at the disposal of the Annual General Meeting	**92 693 305**	**70 785 058**

1. The total dividend amount in 2006 covers all shares eligible for dividend. As there is no dividend payment for shares held in treasury, the actual total dividend payment may differ by the dividend amount for treasury shares, as in the previous year.

Upon approval of this proposal by the Annual General Meeting, a dividend for the 2006 financial year of 15.00 CHF will be paid on each registered share of 5.00 CHF p.v. on May 18, 2007. The dividend, less Swiss withholding tax, amounts to 9.75 CHF and will be paid into the bank or postal account specified by the holder of the shares.

Report of the statutory auditors

PRICEWATERHOUSECOOPERS

Report of the statutory auditors to the General Meeting of Rieter Holding Ltd., Winterthur

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes on pages 95 to 102 and pages 92 and 93) of Rieter Holding Ltd. for the year ended December 31, 2006.

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 Swiss Auditing Standards, 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

Christian Kessler Auditor in charge	Nicolas Mayer

Zurich, March 21, 2007

Review 2002 to 2006

Consolidated income statement

		2006	2005	2004	2003	2002
Sales[1]	CHF million	3 579.9	3 122.0	3 136.6	3 086.2	2 945.1
• Europe	CHF million	1 598	1 439	1 448	1 443	1 304
• Asia (incl. Turkey)	CHF million	1 003	775	875	792	684
• North America	CHF million	726	722	674	695	793
• Latin America	CHF million	172	156	97	95	120
• Africa	CHF million	81	30	43	61	44
Corporate output[1]	CHF million	3 447.5	3 035.6	3 018.0	2 959.2	2 841.1
Operating result before interest, taxes, depreciation and amortization (EBITDA)	CHF million	325.6	313.4	343.1	332.7	322.5
• in % of corporate output		9.4	10.3	11.4	11.2	11.4
Operating result before interest and taxes (EBIT)	CHF million	180.6	183.0	210.5	202.4	200.9
• in % of corporate output		5.2	6.0	7.0	6.8	7.1
Net profit[2]	CHF million	157.4	138.1	137.8	116.0	83.8
• in % of corporate output		4.6	4.5	4.6	3.9	2.9

Consolidated balance sheet

		2006	2005	2004	2003	2002
Non-current assets	CHF million	1 152.0	1 159.6	944.5	982.4	990.1
Current assets	CHF million	1 732.6	1 555.1	1 545.5	1 344.5	1 233.5
Shareholders' equity before appropriation of profit	CHF million	1 320.5	1 192.2	1 069.8	918.0	873.3
Minority interests	CHF million	54.9	70.0	77.8	79.6	66.6
Non-current liabilities	CHF million	318.1	515.0	498.9	515.3	494.7
Current liabilities	CHF million	1 191.1	937.5	843.5	814.0	789.0
Total assets	CHF million	2 884.6	2 714.7	2 490.0	2 326.9	2 223.6
Shareholders' equity (%)		47.7	46.5	46.1	42.9	42.3

Consolidated statement of cash flows[3]

		2006	2005	2004	2003	2002
Cash provided by operations	CHF million	252.6	242.8	338.1	197.5	240.4
Cash used for investing activities	CHF million	–84.9	–322.8	–120.2	–129.5	–80.5
Cash used for financing activities	CHF million	–67.5	–123.0	20.3	–75.6	–135.2
Net cash flow	CHF million	335.2	260.7	268.4	245.5	172.9
Free cash flow	CHF million	100.6	–1.4	215.2	86.2	100.2

	2006	2005	2004	2003	2002
Number of employees at year-end	**14 826**	**14 652**	**13 557**	**13 316**	**12 983**

1. Excluding other operating income (previous years adjusted).
2. Net profit before deduction of minority interests.
3. See pages 62 and 90.

Information for investors

		2006	2005	2004	2003	2002
Share capital	CHF million	22.3	22.3	22.3	22.8	22.8
Net profit of Rieter Holding Ltd.	CHF million	63.4	49.3	43.7	36.6	31.1
Gross distribution	CHF million	62.8[1]	41.5	41.2	34.0	35.8
Payout ratio (as a % of net profit)[2]	in %	43	33	33	33	52
Market capitalization (December 31)	CHF million	2 661	1 624	1 361	1 214	1 180
Market capitalization as a % of						
• sales	in %	74	52	43	39	40
• equity attributable to Rieter shareholders	in %	202	136	127	132	135

1. Proposed by the Board of Directors (see page 102).
2. Net profit after deduction of minority interests.

Data per share (RIEN)

			2006	2005	2004	2003	2002
Share prices on the SWX Swiss Exchange, registered shares	high	CHF	641	393	350	290	404
	low	CHF	387	328	293	237	275
Price/earnings ratio	high		18.0	12.8	11.3	11.3	23.8
	low		10.9	10.6	9.4	9.2	16.2
Shareholders' equity (group) per registered share		CHF	316.34	286.29	260.37	230.42	214.50
Tax value per registered share		CHF	637.50	390.00	330.00	286.00	278.00
Gross distribution per registered share		CHF	15.00[1]	10.00	10.00	8.60	8.60
Gross yield on registered shares	high	in %	2.3[1]	2.5	2.9	3.0	2.1
	low	in %	3.9[1]	3.0	3.4	3.6	3.1
Earnings per share		CHF	35.53	30.80	31.04	25.68	16.95

1. Proposed by the Board of Directors (see page 102).

Additional information for shareholders

Capital structure

At the end of 2006 6 429 shareholders were entered in the shareholders' register of Rieter Holding Ltd. (6 757 in the previous year). The analysis of shareholders is as follows:

Registered shareholders

	2006 shares in %	2006 holders in %	2005 shares in %	2005 holders in %
Total:				
• Individuals	12.3	90.7	15.4	90.8
• Legal entities	54.6	9.3	53.5	9.2
• Floating shares	33.1	–	31.1	–
Foreign investors:				
• Individuals	0.8	5.9	1.0	6.0
• Legal entities	25.9	1.6	23.3	1.0

Rieter registered shares at December 31, 2006 (listed on the Swiss Stock Exchange SWX)

	Number	
Securities code 367144 (Investdata: RIEN; Reuters: RITZN)		
Share capital	4 450 856	registered shares of 5.00 CHF p.v.
Share capital eligible for dividend	4 189 856	• including 15 436 shares held by Rieter Holding Ltd. • including 78 shares held by group companies
Conditional share capital	396 312	registered shares

Share price development 2004–2007