

Rieter's sales rise to new record high – Striking increase in orders received at Textile Systems

The Rieter Group posted double-digit growth rates in sales and orders received in 2006. Compared to the previous year, order intake increased by 21% to 3 903.5 million CHF and sales by 15% to 3 579.9 million CHF. Orders received at Rieter Textile Systems increased by 46% to 1 724.3 million CHF.

CHF million	2006	2005	Change	Change in local currencies
Orders received	3 903.5	3 233.6	21%	19%
- Textile Systems	1 724.3	1 182.6	46%	45%
excluding manmade fiber activities ¹	1 614.3	1 047.2	54%	53%
Sales ²	3 579.9	3 122.0	15%	13%
- Textile Systems	1 400.7	1 085.4	29%	28%
excluding manmade fiber activities ¹	1 322.2	955.5	38%	37%
- Automotive Systems	2 179.2	2 031.4	7%	5%
- Other activities	0.0	5.2		

¹ These activities were divested in the fourth quarter 2006.

² Excluding other income (2005 presentation adjusted).

February 1, 2007

Dear shareholders:

The global economy as a whole developed well in 2006. While economic momentum in the US slowed down somewhat, especially in the second half of the year, growth remained vigorous in Asia and accelerated significantly in Europe. The emerging economies – in particular the dynamically expanding markets of China and India – also provided substantial support for global economic activity in the year under review.

Orders received by Rieter in 2006 rose by 21% to 3 903.5 million CHF. At Textile Systems the positive trend that had already become apparent in the second half of 2005 continued throughout 2006. Demand for staple fiber machinery was especially strong in Asia. The four most important markets for the Textile Systems division were India, Turkey, China and Bangladesh; alongside these, demand came primarily from other Asian countries, such as Pakistan, South Korea, Thailand and Indonesia.

Consolidated sales also showed a striking increase, rising by 15% (adjusted for currency and acquisition effects by 11%) to 3 579.9 million CHF and thus easily surpassing the previous record figure of 3 136.6 million CHF set in the 2004 financial year. The group's sales growth was fueled mainly by Textile

Systems, but Automotive Systems also achieved a new record, despite declining vehicle output in Rieter's main markets of Western Europe and North America. The strong development of order intake and sales was attributable almost entirely to organic growth.

Textile Systems: record order intake and sales figures

The global market for textile machinery in 2006 was characterized by strong demand from the major Asian growth regions. By virtue of its many years of presence and value added locally in Asia, with its strong brand and an innovative product range targeting specific markets, Rieter Textile Systems was well positioned to exploit these trends.

The trend of business at Rieter Textile Systems was very good throughout 2006. Compared with 2005, orders received rose by 46% to 1 724.3 million CHF. This growth was broad-based. Demand was strong for the whole range of systems, machines and components for the staple fiber machinery sector.

The division consolidated its leading position on the world market for staple fiber machinery and gained market share in the year under review. Orders received by the manmade fiber

All statements in this report which do not refer to historical facts are statements related to the future which offer no guarantee with regard to future performance; they are subject to risks and uncertainties including, but not limited to, future global economic conditions, exchange rates, legal provisions, market conditions, activities by competitors and other factors outside the company's control. The 2006 figures have not yet been audited.

business divested in the fourth quarter 2006 amounted to 110.0 million CHF in the year under review (135.4 million CHF in 2005).

As with orders received, Rieter Textile Systems posted a new record for sales in 2006. However, due to the exceptionally high level of new orders, delivery lead times became extended in some cases, so that – as was to be expected – the increase in sales revenues did not run parallel to the trend in orders received. Sales in the 2006 financial year rose by 29 % to 1 400.7 million CHF. The majority of this growth was organic. The Graf Group, which has been fully consolidated since October 1, 2005, contributed some 90 million CHF (20 million CHF in 2005) to external sales by the division in the year under review. The units of the manmade fiber machinery business that were sold in 2006 just contributed 78.5 million CHF to the division's sales (129.9 million CHF in 2005).

Automotive Systems: higher sales despite weaker main markets

Global automobile production in 2006 rose by some 4 % to 68.7 million vehicles. The emerging markets in Eastern Europe, Asia and South America recorded striking growth, while output declined in Rieter's main markets of North America and Western Europe. The Japanese and Korean manufacturers have continued to expand their capacity worldwide.

Sales by the division rose by 7 % in all to 2 179.2 million CHF. Growth was almost entirely organic. Sales trends differed in the division's two main markets. Automotive Systems achieved growth in Western Europe despite the negative trend in vehicle output overall, and especially by the French car manufacturers. The positive sales trend was based on the market success of a large number of models, e.g. of Italian brands. The tooling sales to automotive manufacturers also contributed to the sales growth of Rieter Automotive. The division's sales in North America were slightly lower, due mainly to the decline in output by US manufacturers. Large customers of Automotive Systems lowered vehicle production at short notice in the second half of the year to reduce car dealers' high inventory levels. High fuel prices and thus also reduced demand for pick-ups and heavy off-road vehicles were significant contributory factors. Produc-

tion growth by the Japanese manufacturers in North America also eased slightly overall, and major delivery programs by Rieter only came successfully on stream in the autumn.

In order to be able to participate in the transfer of manufacturing facilities to low-cost countries by the automobile manufacturers, Rieter expanded capacity further in Poland, Brazil and China in the year under review and secured access to the rapidly growing Indian automotive market by raising its interest in a former Indian licensee to 100 %.

Outlook for 2006 results

Rieter expects to report higher consolidated profits and an improvement in earnings per share for the 2006 financial year, although the second half of 2006 was affected by nonrecurring charges, especially in connection with the divestment of the manmade fiber business at Textile Systems, and a weaker trend at Automotive Systems.

Details of the Rieter Group's final results for 2006 will be announced at the press conference scheduled for March 27, 2007.

Annual General Meeting on May 10, 2007

The 2007 Annual General Meeting will be held in Winterthur on May 10, 2007. Any proposals regarding the agenda must be submitted in writing to Rieter Holding Ltd., Office of the Group Secretary, Schlosstalstrasse 43 / P.O. Box, CH-8406 Winterthur, Switzerland, by March 5, 2007, at the latest, including the relevant motions and evidence of the necessary shareholdings (par value of 500 000 Swiss francs, as stipulated in Art. 699 of the Swiss Code of Obligations and §9 of the company's Articles of Association).

Kurt Feller
Chairman
of the Board of Directors

Hartmut Reuter
Chief Executive Officer

Presentation for investors

You will find a presentation regarding order intake and sales in 2006 at www.rieter.com (see Investor Relations → Reports).

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Financial calendar

Results press conference and presentation for financial analysts	March 27, 2007
Annual General Meeting	May 10, 2007
Dividend payment	May 18, 2007
Semi-annual report 2007	August 15, 2007