



## Rieter at a glance

Sales in CHF million



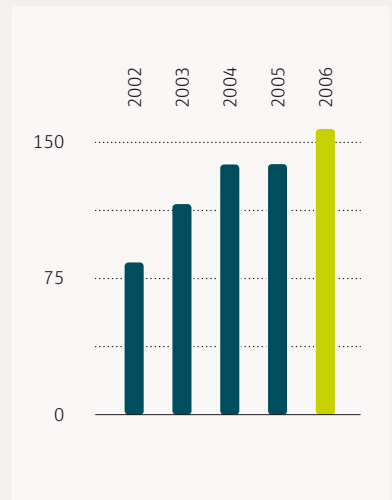
■ Textile Systems  
■ Automotive Systems

EBIT in CHF million



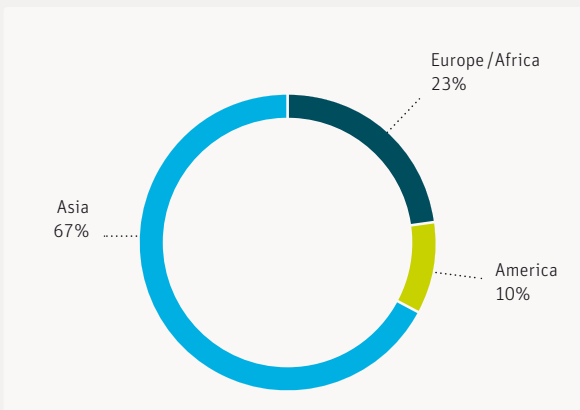
■ Textile Systems  
■ Automotive Systems

Net profit in CHF million



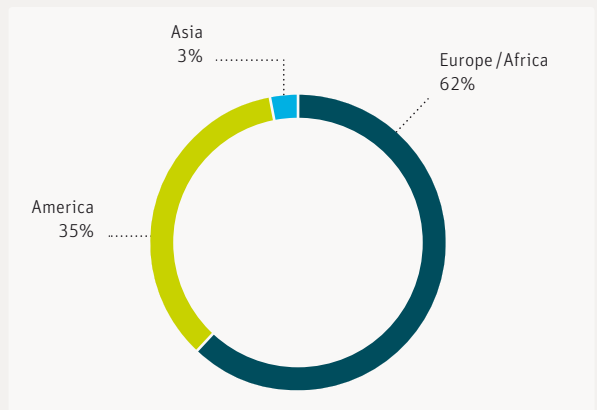
### Textile Systems

Sales by geographical region (1 400.7 CHF million = 100%)



### Automotive Systems

Sales by geographical region (2 179.2 CHF million = 100%)



## Substantial increase in sales and orders received



**Kurt Feller**  
Chairman of the Board of Directors

### Dear shareholder

The global economy as a whole developed well in 2006. The emerging economies – in particular the dynamically expanding markets of China and India – again provided substantial support for global economic activity in the year under review.

Market trends differed for our two divisions – Textile Systems and Automotive Systems – in the year under review. In the textile machinery sector the positive momentum that had already become apparent in the second half of 2005 continued throughout 2006. Demand for staple fiber machinery was especially strong in Asia. By contrast, vehicle output by the automotive industry declined in Rieter's main markets of Western Europe and North America, also due in part to high fuel prices. Growth of automotive production was confined to the emerging markets in Eastern Europe, Asia and South America.

### Growth in both divisions

Orders received by Rieter in 2006 rose by 21% to 3 903.5 million CHF. Consolidated sales also showed a striking increase, rising by 15% (11% excluding currency movements and acquisitions) to 3 579.9 million CHF, thus 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 its main markets. The healthy development of order intake and sales was due mainly to organic growth.

At the end of 2006, the Rieter Group employed a workforce of some 14 800 worldwide, an increase of 1% compared with the end of the previous year.

Compared with the previous year, the overall proportion of the total workforce employed in low-cost countries increased by 5 percentage points to 33%.

### Strategic focus at Textile Systems

A strategic review of the manmade fiber activities revealed that Rieter's growth and profitability targets could not be achieved even in the medium term. After examining all possible options, the Board of Directors and the Group Executive Committee decided to dispose of the manmade fiber activities.

Rieter sold its subsidiary in Valence, Rieter Textile Machinery France SAS, with the ply twisting, doubling and texturing machinery business units to the French company Co-Martin as of October 31, 2006. Rieter Textile Machinery France SAS employed a workforce of some 150 and generated sales of some 50 million CHF in 2006. The business of machinery and systems for manufacturing manmade continuous filament yarns owned by Rieter Machine Works Ltd. in Winterthur was sold to the German company Bavaria Maschinenfabrik GmbH as of November 30, 2006. This business unit generated sales of some 30 million CHF with approximately 80 employees in 2006.

The withdrawal from manmade fiber activities resulted in a loss of some 48.5 million CHF on divestments in the 2006 financial year. However, Rieter's strategic focus on more profitable product segments created a favorable base for further profitable growth in the textile machinery sector. Despite withdrawing from the manmade fiber machinery business, Rieter will nevertheless continue to participate in the growing market for processing manmade fibers into yarns: staple fiber machinery, of which Rieter is a leading supplier, is also being used increasingly to spin manmade fibers and fiber blends in addition to cotton fibers.



**Hartmut Reuter**  
Chief Executive Officer

### Operating result depressed by special factors

Excluding special charges, the operating result before interest and taxes increased by 31% to 256.3 million CHF, equivalent to 7.4% of corporate output (195.7 million CHF or 6.4% in 2005). Due to the above-mentioned loss on divestments in connection with the withdrawal from manmade fiber activities and restructuring costs of 27.2 million CHF, the Rieter Group's operating result before interest and taxes (EBIT) did not reflect the growth in corporate output. The outcome was 1% lower at 180.6 million CHF (183.0 million CHF in 2005), equivalent to 5.2% of corporate output (6.0% in 2005).

### Higher net profit and earnings per share

Rieter's net profit increased by 14% to 157.4 million CHF, equivalent to 4.6% of corporate output (138.1 million CHF or 4.5% in 2005). A slightly lower EBIT, a reduced tax charge and a higher net financial income contributed to this development. Excluding loss on divestments, net profit amounted to 205.9 million CHF (138.1 million CHF in 2005). Cash flow rose by 28% to 329.6 million CHF (256.9 million CHF in 2005), equivalent to 9.6% of corporate output (8.5% in 2005). Earnings per share increased to 35.53 CHF (30.80 CHF in 2005).

### 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. On the basis of the good net profit before loss on divestments, the sound balance sheet with positive net liquidity 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 637.50 CHF, this results in a dividend yield of 2.4% on Rieter shares.

### Textile Systems: striking rise in sales and earnings

The trend of business at Rieter Textile Systems was very good throughout 2006. Growth was achieved mainly in the whole product range of systems, machinery and components for staple fiber spinning and in numerous national markets. In India, where Rieter booked a large proportion of its order volume, the industry has been in a sustained growth phase since 2005. Rieter also recorded strong demand in Turkey, and orders from China also increased again compared to the previous year.

Compared with 2005, orders received by Rieter Textile Systems rose by 46% to 1 724.3 million CHF and sales increased by 29% to 1 400.7 million CHF. Orders received by the manmade fiber business divested in the 4th quarter of 2006 amounted to 110.0 million CHF in the year under review (135.4 million CHF in 2005) and sales to 78.5 million CHF (129.9 million CHF in 2005). Due to good capacity utilization, an attractive product range and cost discipline, Rieter Textile Systems also reported a striking increase in the operating result before special charges, interest and taxes in the 2006 financial year; this figure rose by 84% to 148.2 million CHF, equivalent to 11.1% of corporate output (7.7% in 2005). EBIT amounted to 92.7 million CHF (74.7 million CHF in 2005), equivalent to 7.0% of corporate output (7.1% in 2005).

**Automotive Systems:  
higher sales – lower profitability**

Although vehicle output was lower in both its main markets – Western Europe and North America – Rieter Automotive Systems posted higher sales revenues in 2006. Sales by the division rose by a total of 7% to 2 179.2 million CHF. This growth was almost entirely organic. Sales trends diverged in the division's two main markets. Contrary to the market trend, Automotive Systems achieved growth in Western Europe, primarily due to successful new models and strong output growth in Italy. Sales by the division in North America were somewhat lower, due mainly to the decline in output by US manufacturers and a slower increase in the production volumes of Japanese manufacturers. Exchange rate movements had a marginally positive impact on the division's sales figure.

After rising in the first six months, the operating result before interest and taxes (EBIT) declined in the second half of the year. The outcome of 94.7 million CHF for the 2006 financial year as a whole was 15.0% lower, equivalent to 4.4% of corporate output (111.4 million CHF or 5.6% in 2005). The division suffered from a series of negative market factors in the second half in particular. The higher cost of energy and materials, which could not be offset by price increases, and interruptions to production at short notice by the large American vehicle manufacturers reduced margins. Lower output in major markets such as France could not be compensated in full by higher production in other markets.

In 2006 the restructuring and realignment of Automotive Systems was expanded and the process accelerated by the closure of various plants and the establishment of new facilities. Rieter will continue vigorously to pursue the cost-cutting and improvement programs within the scope of the «Roadmap for Profitable Growth».

**Ongoing implementation of strategy**

The Rieter Group's focus on two fields of industrial activity with differing markets in all strong economic regions worldwide again proved its worth in 2006. Rieter will continue to pursue this dual strategy and invest in a global market presence, innovation and the optimization of production and business processes at both divisions. Rieter thus seeks to adapt continuously to the needs of customers and create the preconditions for further profitable growth. Rieter seeks to generate primarily organic growth, but also makes acquisitions when they make strategic sense and contribute to good profitability. In the context of implementing its strategy Rieter increased its holding in Spanish automotive components supplier Rieter Saifa to 100% at the end of March 2006. The entire share capital of Indian automotive component supplier Rieter Automotive India was also acquired in the year under review. This acquisition will provide Rieter with improved access to the rapidly growing Indian automobile market.

### Sound financial condition and a healthy balance sheet

The buyout of minority shareholders at Rieter Saifa, the acquisition of the entire share capital of Indian automotive component supplier Rieter Automotive India and other moves to boost profitable growth were financed from internal resources. The losses on divestments in connection with the disposal of the manmade fiber activities, which had virtually no impact on liquidity, and restructuring costs had only a minor impact on the consolidated balance sheet. Rieter remained on a sound financial foundation at the end of the year under review with net liquidity of 147.3 million CHF (96.7 million CHF in 2005) and an equity ratio of 47.7% (46.5% in 2005).

### Shareholders and Annual General Meeting

Credit Suisse Asset Management, Zurich, and UBS Fund Management (Switzerland) AG, Basel, reduced their holdings in Rieter to less than 5% each in the 2006 financial year. No shareholder held more than 5% of Rieter's shares at the end of 2006. Rieter continues to favor a broad shareholder base.

At the Annual General Meeting held on April 27, 2006, Dr. Jakob Baer was elected to the Board of Directors of Rieter Holding Ltd. to take office on October 1, 2006, as a new, additional member of the board. Dr. Ulrich Dätwyler and Dr. Peter Wirth were re-elected for a three-year term of office. Dr. Dieter Spälti, whose term of office expires in 2007, will stand for re-election as a member of the board for a further three years at the forthcoming Annual General Meeting on May 10, 2007.

Rudolf Hauser will retire from the Board of Directors at the 2007 Annual General Meeting upon reaching retirement age as stipulated in the Articles of Association. Rieter's Board and the Group Executive Committee wish to express their sincere thanks to Rudolf Hauser for all his efforts and his valuable contribution to the further development of the group.

### Outlook

Rieter is confident of achieving a further increase in sales and a continued improvement in earnings in 2007.

### Thanks

On behalf of the Board of Directors and the Group Executive Committee, we wish to thank our shareholders for their commitment. We also want to thank our customers for the loyalty they have shown toward us and our products in the past year. Our thanks go to our employees for all their efforts. Exceptional flexibility and enthusiasm were called for on the part of employees and suppliers in the Textile Systems Division in 2006 in response to the high level of order intake.

Winterthur, March 20, 2007

Kurt Feller



Chairman  
of the Board of Directors

Hartmut Reuter



Chief  
Executive Officer

## Financial highlights

CHF million	2006	2005	Change in %
<b>Rieter Group</b>			
Orders received	3 903.5	3 233.6	20.7
Sales <sup>1</sup>	3 579.9	3 122.0	14.7
Corporate output <sup>1,2</sup>	3 447.5	3 035.6	13.6
Operating result before special charges, interest and taxes	256.3	195.7	31.0
• in % of corporate output	7.4	6.4	
Operating result before interest and taxes (EBIT)	180.6	183.0	-1.3
• in % of corporate output	5.2	6.0	
Net profit	157.4	138.1	14.0
• in % of corporate output	4.6	4.5	
Cash flow <sup>3</sup>	329.6	256.9	28.3
• in % of corporate output	9.6	8.5	
Investments in tangible fixed assets and intangible assets	186.2	182.3	2.1
Assets	2 884.6	2 714.7	6.3
Shareholders' equity before appropriation of profit	1 375.4	1 262.2	9.0
Number of employees at year-end <sup>4</sup>	14 826	14 652	1.2
<b>Divisions</b>			
Sales Textile Systems	1 400.7	1 085.4	29.0
Operating result Textile Systems before special charges, interest and taxes	148.2	80.7	83.6
• in % of corporate output Textile Systems	11.1	7.7	
Operating result before interest and taxes (EBIT) Textile Systems	92.7	74.7	24.1
Sales Automotive Systems	2 179.2	2 031.4	7.3
Operating result Automotive Systems before special charges, interest and taxes	114.9	118.1	-2.7
• in % of corporate output Automotive Systems	5.4	5.9	
Operating result before interest and taxes (EBIT) Automotive Systems	94.7	111.4	-15.0
<b>Rieter Holding Ltd.</b>			
Share capital	22.3	22.3	
Net profit	63.4	49.3	28.6
Gross distribution	62.8 <sup>5</sup>	41.5	51.3
Number of registered shares, paid-in	4 450 856	4 450 856	
Average number of registered shares outstanding	4 149 946	4 120 304	0.7
Price of registered shares (high/low)	CHF 641/387 <sup>6</sup>	393/328 <sup>6</sup>	
Number of registered shareholders on December 31	6 429	6 757	-4.9
Market capitalization on December 31	2 661.1	1 624.1	63.9
<b>Data per registered share</b>			
Earnings per share	CHF 35.53	30.80	15.4
Equity (group) <sup>7</sup>	CHF 316.34	286.29	10.5
Gross distribution (Rieter Holding Ltd.)	CHF 15.00 <sup>5</sup>	10.00	50.0

1. Excluding other operating income (2005 adjusted).

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

3. Net profit plus depreciation and amortization.

4. Excluding apprentices and temporary employees.

5. Proposed by the Board of Directors.

6. Source: Bloomberg.

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

## Information for investors

### Data 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 <sup>1</sup>	41.5	41.2	34.0	35.8
Payout ratio (as a % of net profit) <sup>2</sup>	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.

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 <sup>1</sup>	10.00	10.00	8.60	8.60
Gross yield on registered shares	high in %	2.3 <sup>1</sup>	2.5	2.9	3.0	2.1
	low in %	3.9 <sup>1</sup>	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.

**Rieter Holding AG**  
CH-8406 Winterthur  
T +41 52 208 71 71  
F +41 52 208 70 60

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

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

#### Important dates:

- Annual General Meeting 2007 May 10, 2007
- Disbursement of dividends to the shareholders May 18, 2007
- Semi-annual report 2007 August 15, 2007
- Publication of sales 2007 January 31, 2008
- Deadline for proposals regarding the agenda of the Annual General Meeting 2008 March 6, 2008
- Results press conference March 26, 2008
- Annual General Meeting 2008 May 8, 2008