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Media Release

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Severe test faced successfully in the 2009 financial year

- Net loss of 217.5 million CHF, but halved in HY2 09 compared to HY1 09
- Operating result in HY2 improved by 87 million CHF compared to HY1 09
- Break-even-point lowered in both divisions thanks to restructuring and cost-cutting programs
- Order intake 30% higher in HY2 09 compared to HY1 09
- Positive net liquidity of 10 million CHF at the end of 2009
- Sound balance sheet as of 31 December, 2009 and equity ratio of 36.1%
- Distinct market revival in the current year in both divisions
- Rieter is confident of achieving the turnaround in 2010, as already announced in the summer of 2009

The impact of the economic and financial crisis was a dominant feature of the 2009 financial year for the Rieter Group. The unfavorable market conditions had an adverse influence on the trend of business at both divisions, and resulted in a substantial net loss. Despite a drastic slump in sales in the past two financial years totaling 1 973.8 million CHF – equivalent to some 50% – Rieter successfully defended its strong market position in the textile machinery and automotive supply businesses. The difficult overall conditions subjected the group as a whole to a severe test. Rieter faced it successfully thanks to the strenuous efforts of management and personnel as well as thanks to the confidence of the shareholders. By focusing at an early stage on bolstering equity capital and managing liquidity, Rieter had a strong balance sheet with a sound equity ratio and positive net liquidity at year-end.

New orders received and sales by the group fell steeply in the year under review, but a slight recovery in the markets became apparent in the second half of the year. Rieter believes that activity in both sectors in which the group operates bottomed out before mid-2009. In the year under review Rieter made progress with the sustained improvement of its cost structure through restructuring and also took advantage of numerous opportunities for short-term cost economies. These measures in conjunction with improved capacity utilization due to higher volumes enabled the Rieter Group in the second semester to significantly reduce losses at operating and group level in the second half of 2009 compared to the first six months.

Investments in innovations and market development were reviewed against the backdrop of customers' restraint and prioritized to enable the projects of greatest strategic importance to be implemented nevertheless. With a strong market position and attractive products Rieter is thus well placed to benefit from the next upswing.

Decline in order intake and sales

Due to the unfavorable market environment, which affected the first half in particular, orders received by the Rieter Group in the 2009 financial year as a whole were 24% lower at 1 935.1 million CHF. Order intake in the second six months was 9% higher than in the same period of the previous year and 30% higher than in the first half of 2009. This positive trend was attributable to a significant increase in orders received by both divisions. Over the year as a whole group sales fell more steeply than orders received. They were 38% lower (35% lower in local currencies) at 1 956.3 million CHF. In the second half of 2009 this figure was 21% lower than in the same period of the previous year and 17% higher than in the first half of 2009.

Significantly reduced losses in the second half of 2009

Rieter had already initiated extensive programs to cut costs and realign structures and processes in both divisions in summer 2008. Rieter continued these efforts with top priority in the year under review. Employee costs and operating expenses in particular were reduced substantially, thus the first successes in lowering the break-even point have become apparent. Initial positive effects of these programs in conjunction with strict cost discipline became apparent in the second half of 2009: after an operating result before special charges amounting to -136.5 million CHF was posted in the first half of 2009, this figure improved in the second half to -50.1 million CHF. For the year as a whole the operating result before interest and taxes (EBIT) amounted to -186.6 million CHF (+ 22.4 million CHF before special charges in 2008). The progress made at both divisions in stemming losses and improving the cost structure in the second half of the year proves the effectiveness of the restructuring efforts. The operating losses at Textile Systems and Automotive Systems were more than halved in the second half of the year compared to the first.

In particular, the cost-cutting and restructuring programs also included various measures in the personnel sector. In order to adjust capacities to the lower order volumes Rieter utilized flexible working-time models, introduced short-time working at numerous facilities in Europe and reduced personnel capacity. A large number of managers and employees worldwide also deserve thanks for voluntarily waiving wage and salary entitlements in various forms. At the end of 2009 the Rieter Group’s worldwide workforce totaled 12 761 employees, a reduction of some 1 400 employees compared with a year earlier. In order to adjust capacity to the steep decline in demand Rieter has reduced the number of positions for permanent employees by a total of 2 700 and for temporary employees by some 1 000 since the end of 2007. The transfer of manufacturing operations to lower-cost countries has continued. Rieter thus aims to exploit the cost advantages of these locations and also to get closer to customers operating in those markets, primarily in China and India. The buildup of permanent employee numbers in the second half of 2009 took place in the growth markets or – due to firmer sales – at Rieter Automotive in North America, where our subsidiaries adjusted very flexibly to the changes in market conditions.

In the period between 2007 and 2009 the compensation of the Board of Directors and the Group Executive Committee was reduced by some 50%, corresponding to total savings of 3 million CHF.

Net result

The net result amounted to -217.5 million CHF (-396.7 million CHF in 2008). Compared to the first half of 2009 the net loss halved in the second six months. This was mainly attributable to the reduced operating loss.

No dividend payment

At the 2009 Annual General Meeting shareholders approved the proposal by the Board of Directors that no dividend should be paid for the 2008 financial year in the interests of preserving the capital of the Rieter Group. Instead of a dividend payment, options were allocated to shareholders on May 5, 2008, enabling them to purchase Rieter shares on attractive terms. The issue of shareholder's options reinforced Rieter's capital base with an inflow of 46.7 million CHF. Since the group is reporting a loss for the year under review, the Board of Directors will propose to the Annual General Meeting on April 28, 2010, that no dividend should be paid for 2009.

Rieter Textile Systems: market revival in the second half of the year

The world market for textile machinery featured a steep downturn from spring 2008 until mid-2009. Demand declined because government stimulus programs to expand spinning capacity in large textile-producing countries expired and at the same time consumption of textiles in major sales markets such as the US and Europe contracted for economic reasons. Signs of a slight revival of the markets have become apparent since summer 2009. This is especially the case in India and China. In 2009 as a whole, orders received by Rieter Textile Systems totaled 510.8 million CHF, equivalent to a decline of 5% compared with the previous year (539.5 million CHF). The trend of business diverged in the two halves of 2009. While order intake in the first six months continued to fall compared with the same – already weak – period in the previous year, it was some 69% higher in the second half of 2009 than in the first half. Rieter already recorded a significant revival in demand for wearing and spare parts in the second quarter of 2009. Due mainly to the very low level of orders received in the second half of 2008 and at the beginning of 2009, sales in the year under review as a whole were again sharply lower. They amounted to 532.0 million CHF, equivalent to a 53% reduction compared with the previous year. As a result of the increase in orders received as of summer 2009, sales in the second half of the year were already some 13% higher than in the first six months.

The steep fall in volumes resulted in unsatisfactory utilization of capacity. Despite the adjustments initiated in 2008, which continued to be implemented systematically in the year under review, the operating result before interest and taxes (EBIT) was -73.6 million CHF (+ 41.3 million CHF before special charges in 2008). However, the effect of the restructuring and cost-cutting programs and the slight increase in volumes was a striking reduction in the loss in the second half of the year compared to the first six months – from 58.2 million CHF to 15.4 million CHF.

Rieter has decided to focus even more closely on its core competencies as a systems supplier in the field of spinning machinery for short staple fibers as well as the appropriate technology components and service offerings. In December 2009 Rieter signed a contract to sell Rieter Perfojet in France to the Austrian Andritz Group. The company manufactures machinery and systems to produce nonwovens. The transaction was closed on March 9, 2010.

Rieter Automotive Systems: higher sales in the second half of the year

Rieter's automotive supply business suffered a severe slump in demand as a result of the economic and financial crisis in 2008 and 2009. This affected both of Rieter Automotive Systems' main markets, North America and Europe. Following a decline in the second half of 2008, vehicle output was again sharply lower in the first half of 2009. The trend in vehicle production was considerably better in Asia – with the exception of Japan – and in South America. Due largely to government stimulus programs to support economic activity, automobile manufacturers in Europe and North America reduced their excess inventories in the first six months and started to increase production slightly again in summer.

In this environment sales by Rieter Automotive Systems were 30% lower (26% lower in local currencies) in the 2009 financial year, totaling 1 424.3 million CHF (2 022.1 million CHF in 2008). With its broad customer base and global structure, Automotive Systems was able to take full advantage of the somewhat more favorable market environment in the second half of the year to improve its position with customers. The division's sales during this period were 19% higher than in the first six months, despite seasonally lower demand in this period. In order to adjust capacity to the considerably lower production volumes and align structures with the global changes in the industry, Rieter Automotive Systems has implemented extensive restructuring programs since 2008. In the context of these programs the closure of four plants had already been completed and corresponding negotiations at four other manufacturing sites are well advanced at the end of 2009. At the same time manufacturing operations were being transferred to low-cost countries. These moves had a very positive impact on the earnings situation in the 2009 financial year. The operating result before interest and taxes (EBIT) improved in the second half of 2009 to -27.1 million CHF, compared to -78.0 million CHF in the first six months. For the year as a whole the operating result before interest and taxes (EBIT) amounted to -105.1 million CHF, compared with -7.3 million CHF before special charges in 2008. The division continued to press ahead with its restructuring efforts in Europe in the year under review, and these will therefore have an even greater impact on earnings in 2010. The programs in the US are largely complete.

Sound balance sheet

Despite the severe impact of the economic and financial crisis on business at both divisions, Rieter still had a sound balance sheet at the end of the year under review: the equity ratio was 36% as in the previous year, cash and cash equivalents at the end of the year amounted to 218 million CHF (283 million CHF in 2008) and net liquidity was 10 million CHF (net debt of 37 million CHF in 2008). The group focused on reinforcing equity capital and liquidity at an early stage. At the operating level this included systematic management of working capital and restraint in capital spending. The sale of Rieter shares to PCS Holding AG in February 2009, thus boosting liquidity and equity capital to the tune of 57 million CHF, and the successful issue of shareholder's options in May 2009, resulting in a further inflow of 47 million CHF, also made a substantial contribution to strengthening the balance sheet and improving the liquidity situation. The group's finances remain on a firm foundation thanks to the available funds and the long-term credit facility concluded with banks in March 2009.

Developing future markets; innovations for business development

Rieter took important steps toward implementing its strategy in the 2009 financial year, although numerous projects were re-prioritized after careful review owing to economy measures. It is of crucial importance for both divisions to have a presence in the major growth regions and be able to supply customers there with products and services specific to their markets. In 2009 Rieter Textile Systems continued to expand its presence in China and India as well developing products with a price/performance ratio appropriate to these large textile-producing countries. The airjet spinning process developed by Rieter and released for sale in selected markets by Textile Systems in 2009 is of interest to customers worldwide. It enables high-quality yarns with specific properties to be produced much more inexpensively than with existing spinning processes. Rieter Automotive Systems is also expanding its presence in Asia step by step. The populous countries of India and China offer great growth potential for the automotive industry. For example, China overtook the US as the largest automobile market in 2009. Automotive manufacturers are therefore establishing further capacity in these markets. Automotive Systems already has a presence in China and India with manufacturing plants and intends to align its network of production facilities even more closely with the global structural changes in the industry. The division is also pressing ahead with innovations to enable customers to overcome the major technical challenges posed by government environmental requirements for more economical automobiles with lower emissions as well as for the entire life cycle of the vehicles. Rieter Ultra Silent (RUS), the novel fiber technology launched in the previous year, which helps to reduce vehicle weight and fuel consumption, offers great potential.

Annual General Meeting and shareholders

At the Annual General Meeting held on April 29, 2009, shareholders elected Michael Pieper, This E. Schneider, Hans-Peter Schwald and Peter Spuhler to the Board for a three-year term of office. Dr. Jakob Baer was re-elected for a second three-year term of office. Dr. Ulrich Dätwyler and Dr. Peter Wirth did not stand for re-election to the board at the end of their term of office. Dr. Rainer Hahn decided to resign from the Board of Directors on the date of the 2009 Annual General Meeting.

Organizational and personnel changes

The Board of Directors of Rieter Holding Ltd. elected their Chairman, Erwin Stoller, as Executive Chairman at the beginning of August 2009. With this move the Board of Directors assumed greater responsibility and shortened decision-making lines in a very difficult business environment. With this re-assignment of responsibilities the board is seeking to establish an optimal organizational structure to implement the extensive restructuring measures and ensure the further development of the group. Since then the members of the Group Executive Committee report directly to Erwin Stoller. In order to conform to principles of good corporate governance, This E. Schneider, Vice-Chairman of the Board, has been appointed Lead Director.

Hartmut Reuter, CEO, has left the group with the appointement of Erwin Stoller as Executive Chairman. Hartmut Reuter had been a member of the Group Executive Committee since 1997 and Group CEO since 2002. The Board of Directors conveys its thanks to Hartmut Reuter for his good work and wishes him all the best for the future.

Outlook

By virtue of the leading positions occupied by both divisions, Rieter has been participating in the recovery of the textile machinery and automotive markets since mid-2009. In the initial months of the current year Textile Systems has recorded a further distinct revival in new orders received compared with the second half of 2009. Sales by Automotive Systems in the current year are higher than the average level in the second half of 2009. Although these volumes are well below the levels achieved in the record years of 2005 – 2007, they are nevertheless encouraging. The further development of the markets of relevance for Rieter depends mainly on consumer sentiment in Europe and North America, and on economic growth in the major Asian markets. If the market trend in recent months is confirmed, on a current view Rieter expects significant sales growth at group level in 2010 compared to 2009, primarily due to the very low level of sales in the first half of 2009. Due to the restructuring measures it has initiated, Rieter will continue to lower the breakeven point in both divisions in the course of 2010 and is confident of achieving the turnaround in 2010, as already announced in the summer of 2009.

Thanks

The severe impact of the global economic and financial crisis and the steep decline in demand at both divisions faced the group, its employees and management with exceptional challenges in the 2009 financial year. The Rieter workforce and employee representatives therefore deserve special thanks and also appreciation for all their efforts. The Board of Directors wishes also to thank customers, suppliers and business partners, who have demonstrated in a difficult business environment that this severe test could be overcome through close partnership and committed effort. The Board’s thanks go also to the shareholders for the confidence they have shown in Rieter during this challenging year.

Further information about the year-end results as well as the Annual Report 2009 and photos for the media can be found at www.rieter.com (Media>>>Media Kit). At www.rieter.com you can also subscribe to the mailing list for our press releases.

2009 Annual Results Media Conference

Today, March 23, 09.00 h

2009 Annual Results Financial Analysts' Conference

Today, March 23, 11.30 h

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

Important dates 2010

Annual General Meeting 2010	April 28, 2010
Semi-annual report 2010	August 11, 2010

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Key Figures

CHF million	2007	2008	2009	2009/2008 Change in %
Rieter Group				
Orders received	4 066.4	2 561.6	1 935.1	-24
Sales	3 930.1	3 142.5	1 956.3	-38
Corporate output[1]	3 822.8	2 971.7	1 846.5	-38
Operating result before special charges, interest and taxes	286.8	22.4	-186.6	
• in % of corporate output	7.5	0.8	-10.1	
Operating result before interest and taxes (EBIT)	278.7	-312.1	-186.6	
• in % of corporate output	7.3	-10.5	-10.1	
Net result	211.5	-396.7	-217.5	
• in % of corporate output	5.5	-13.3	-11.8	
Cash flow[2]	360.2	-102.4	-93.0	
• in % of corporate output	9.4	-3.4	-5.0	
Investments in tangible fixed assets and intangible assets	203.5	140.9	61.7	-56
Total assets	2 847.4	2 088.9	1 814.1	-13
Shareholders' equity before appropriation of profit	1 369.5	746.2	655.8	-12
Number of employees at year-end[3]	15 506	14 183	12 761	-10
Divisions				
Sales Textile Systems	1 566.8	1 120.4	532.0	-53
Operating result before interest and taxes (EBIT) Textile Systems	200.7	-49.5	-73.6	
• in % of corporate output Textile Systems	13.1	-4.9	-15.8	
Sales Automotive Systems	2 363.3	2 022.1	1 424.3	-30
Operating result before interest and taxes (EBIT) Automotive Systems	91.6	-251.0	-105.1	
• in % of corporate output Automotive Systems	4.0	-12.8	-7.6	

Rieter Holding Ltd.					
Share capital		22.3	21.4	23.4	
Net profit		67.4	2.9	1.0	
Gross distribution		57.1	0.0	0.0[4]	
Number of registered shares, paid-in		4 450 856	4 283 056	4 672 363	
Average number of registered shares outstanding		4 092 265	3 822 929	4 392 808	15
Price per share (high/low)	CHF	717/478[5]	505/151[5]	270/95[5]	
Number of registered shareholders on December 31		7 091	8 519	8 400	-1
Market capitalization on December 31		1 965.7	650.9	1 084.5	67
Data per registered share					
Earnings per share	CHF	48.19	-106.18	-50.96	
Equity (group)[6]	CHF	332.86	181.25	126.42	-30
Gross distribution (Rieter Holding Ltd.)	CHF	15.00	0.00	0.00[4]	

1 Sales, adjustments for sales deductions and own work capitalized and changes in inventories of products manufactured by the company (see Annual Report page 30).
2 Net result plus depreciation and amortization (see Annual Report page 62).
3 Excluding apprentices and temporary employees.
4 Proposed by the Board of Directors (see Annual Report page 77).
5 Source: Bloomberg.
6 Shareholders' equity attributable to shareholders of Rieter Holding Ltd. per share outstanding at December 31.

All statements in this report which do not refer to historical facts are forecasts for the future which offer no guarantee whatsoever with respect to future performance; they embody risks and uncertainties which include – but are not confined to – future global economic conditions, exchange rates, legal provisions, market conditions, activities by competitors and other factors which are outside the company's control.