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Comments on the 2003 consolidated financial statements

Sales and corporate output	<p>In the year under review the Rieter Group reported a 4.8% increase in sales to 3 118.3 million CHF and a 4.1% rise in corporate output to 2 991.3 million CHF. This growth was mainly attributable to the healthy trend of business at Textile Systems – driven by strong demand in Asia – while sales revenues held up well at Automotive Systems. The first-time consolidation of Rieter Saifa also contributed 2.5 percentage points to group sales growth. Sales revenues on constant currency basis were 7.5% higher. The strengthening of the Euro was insufficient to offset the steep decline in the value of the US dollar versus the Swiss franc in sales figures at Automotive Systems.</p>
EBIT and EBITDA	<p>The operating result before interest, taxes, depreciation and amortization (EBITDA) in the year under review was 3.2% higher at 332.7 million CHF and the operating result before interest and taxes (EBIT) improved by 0.7% to 202.4 million CHF. Consolidated EBITDA and EBIT declined by 0.1 and 0.2 percentage points to 11.1% and 6.8%, respectively, as a proportion of corporate output. The contributions made by the two divisions to the operating result differed in the year under review. While Textile Systems reported a 30.1% increase in operating earnings to 122.7 million CHF due to a healthy business trend and strict cost management, earnings at Automotive Systems declined by 22.8% to 84.6 million CHF in the year under review. The main reasons for this downturn were the severe pressure on sales prices, which were further enforced in North America by the discount policy of the US manufacturers, and various challenging model launches featuring new products and technologies. The operating result before interest and taxes at Textile Systems was a healthy 10.6% in the year under review (8.9% in 2002), while at Automotive Systems this figure declined to 4.6% (6.1%).</p>
Financial results	<p>The main factor influencing financial income was the improvement in sentiment on the financial markets in the second half of 2003 and a corresponding recovery in stock market trading results. The market development negated the requirement for the value adjustment of 8.6 million CHF charged to the consolidated income statement in the first half of 2003 for marketable securities available for sale. At the end of the year under review, group reserves were no longer reduced by valuation adjustments with impairment provisions on marketable securities available for sale (22.2 million CHF in 2002).</p>
Taxes	<p>The tax charge declined by 1.4 million CHF to 68.5 million CHF, equivalent to a tax rate of 37.1% (45.5% in 2002). The regionally uneven distribution of earnings continued to have a negative impact on the tax rate.</p>

Net profit and earnings per share	Rieter's net profit increased by 38.4% to 116.0 million CHF (83.8 million CHF in 2002) due to improved financial results. The net profit margin of 3.9% was a considerable improvement over the previous year's result (2.9%). Earnings per share increased sharply by 51.5% to 25.68 CHF in the year under review (16.95 CHF in 2002).
Cash flow	The improved net profit as well as higher depreciation and amortization contributed to a substantial increase in cash flow by 52.9 million CHF to 258.3 million CHF. Insignificant changes in provisions allowed an important increase of 42.0% for the net cash flow reported at 245.5 million CHF (172.9 million CHF in 2002), equivalent to a margin of 8.2% (6.0% in 2002).
Equity ratio	Total assets grew by 4.6%, due mainly to the first-time consolidation of Rieter Saifa and the increase in net working capital. Interest-bearing liabilities increased by 5.9 million CHF to 343.1 million CHF and improved in relation to total assets to 14.7% on December 31, 2003 (15.2% in 2002). Shareholders' equity of 918.0 million CHF at year-end (873.3 million CHF in 2002) was equivalent to 39.5% of total assets (39.3% in 2002). The equity ratio remained within the target range of 35% to 40%.
Proposed dividend	With a net profit of 36.6 million CHF reported by Rieter Holding Ltd. for 2003 (31.1 million CHF in 2002), a total of 54.6 million CHF is at the disposal of the 2004 annual general meeting of shareholders (53.7 million CHF in 2002). The gross dividend of 8.60 CHF per registered share proposed by the Board of Directors represents a total distribution of 34.0 million CHF, equivalent to a payout ratio of 33.2% (51.9% in 2003 for the financial year 2002) based on net profit after deduction of minority interests. This figure is therefore again at the target level of about one-third.

Consolidated income statement

	Notes ¹	2003 CHF million	%*	2002 CHF million	%
Sales	(3)	3 118.3		2 976.2	
Sales deductions		-137.8		-116.3	
Change in semi-finished and finished goods		6.5		9.5	
Own work capitalized		4.3		2.8	
Corporate output		2 991.3	100.0	2 872.2	100.0
Material costs		-1 356.1	45.3	-1 270.4	44.2
Employee costs	(4)	-891.1	29.8	-878.4	30.6
Operating expense		-411.4	13.8	-400.9	14.0
Operating result before interest, taxes, depreciation and amortization (EBITDA)		332.7	11.1	322.5	11.2
Depreciation and amortization	(5)	-130.3	4.3	-121.6	4.2
Operating result before interest and taxes (EBIT)		202.4	6.8	200.9	7.0
Financial expense		-29.9		-28.0	
Financial income	(6)	15.7		-16.0	
Other expenses/income		-3.7		-3.2	
Profit before taxes		184.5	6.2	153.7	5.3
Taxes	(7)	-68.5		-69.9	
Net profit²		116.0	3.9	83.8	2.9
Minority shareholders' interest in net profit		-13.7		-14.8	
Net profit after deduction of minority interests		102.3		69.0	
Earnings per share – average number of registered shares outstanding in 2003: 3 983 970 (4 071 343 in 2002)	CHF	25.68 ³		16.95 ³	
Earnings per share – average number of registered shares in 2003, including conditional capital: 4 706 282 (4 793 655 in 2002)	CHF	21.74 ³		14.39 ³	

* in % of corporate output

¹ The numbers in this column refer to the comments in the notes (starting on page 64).

² Net profit before deduction of minority interests.

³ Shares held by the company are not included in the average number of shares.

Consolidated balance sheet

		December 31, 2003	December 31, 2002
	Notes	CHF million	CHF million
Assets			
Tangible fixed assets	(9)	666.9	639.9
Intangible assets	(10)	160.7	171.4
Financial assets	(11)	143.7	170.2
Deferred tax assets	(7)	11.1	8.6
Fixed assets		982.4	990.1
Inventories	(12)	369.4	309.3
Trade receivables	(13)	522.1	474.6
Other receivables	(14)	134.0	154.2
Marketable securities	(15)	144.0	103.0
Cash and cash equivalents ¹	(16)	175.0	192.4
Current assets		1 344.5	1 233.5
Assets		2 326.9	2 223.6
Shareholders' equity and liabilities			
Share capital		22.8	22.8
Share premium account (capital reserve)		27.5	27.5
Group reserves		867.7	823.0
Shareholders' equity		918.0	873.3
in % of total shareholders' equity and liabilities		39.5%	39.3%
Minority interests	(17)	79.6	66.6
Loans from banks		83.4	63.3
Bonds	(18)	200.0	200.0
Deferred tax liabilities	(7)	45.4	44.6
Provisions	(19)	173.8	170.9
Other long-term liabilities	(20)	12.7	15.9
Long-term liabilities		515.3	494.7
Trade payables		386.9	340.4
Advance payments by customers		102.7	116.9
Short-term bank borrowings		42.9	53.5
Other short-term liabilities	(21)	281.5	278.2
Current liabilities		814.0	789.0
Liabilities		1 329.3	1 283.7
Shareholders' equity and liabilities		2 326.9	2 223.6

¹ Cash and cash equivalents are in 2003 for the first time not including marketable securities and the previous year's presentation has been reclassified.

Consolidated statement of cash flows

	Notes	2003 CHF million	2002 CHF million
Net profit		116.0	83.8
Depreciation and amortization of tangible and intangible fixed assets		130.3	121.6
Valuation adjustments on financial assets		12.0	0.0
Minority interests in profits		-13.7	-14.8
Change in provisions		0.9	-17.7
Change in accruals		6.9	-7.5
Change in inventories		-50.8	-4.7
Change in trade receivables		-32.1	44.8
Change in trade payables		33.9	26.9
Change in other liabilities, other assets		-5.9	8.0
Cash provided by operations		197.5	240.4
Capital expenditure on tangible and intangible assets		-128.4	-133.6
Disposals of tangible and intangible assets		8.3	12.7
Investments		-21.6	-29.2
Disposals of investments		24.4	22.5
Changes in holdings of marketable securities		-18.2	59.7
Changes in the scope of consolidation ¹	(22)	6.0	-12.6
Cash used for investing activities		-129.5	-80.5
Dividend paid to shareholders of Rieter Holding Ltd.		-35.0	-14.6
Increase in share capital/capital repayment		0.0	-22.9
Change in holding of own shares		-56.9	-2.0
Change in minority interests		6.2	-15.8
Change in short-term bank borrowings		-10.7	-15.9
Change in short-term, interest-bearing liabilities		4.7	-0.9
Change in long-term loans from banks		20.2	3.4
Change in bonds issued		0.0	-64.9
Change in other long-term liabilities		-4.1	-1.6
Cash provided by financing activities		-75.6	-135.2
Changes in basis of valuation, currency effects and consolidation items		-9.8	9.4
Change in cash and cash equivalents		-17.4	34.1
Cash and cash equivalents at beginning of year²		192.4	158.3
Cash and cash equivalents at end of year²		175.0	192.4
Financial expense		21.2	25.7
Taxes paid		71.0	68.6
Interest income		5.6	8.7
Dividends received		0.7	1.8

¹ Changes in the scope of consolidation are summarized on one line (Note 22).

² Cash and cash equivalents are in 2003 for the first time not including marketable securities and the previous year's presentation has been reclassified.

Changes in consolidated equity

	Share capital CHF million	Own shares CHF million	Share premium account CHF million	Valuation reserves CHF million	Retained earnings CHF million	Total CHF million
At December 31, 2001	45.7	-1.8	27.2	275.6	561.1	907.8
Dividend payment	0.0	0.0	0.0	0.0	-14.6	-14.6
Capital repayment	-22.9	0.9	0.0	0.0	-0.9	-22.9
At January 1, 2002	22.8	-0.9	27.2	275.6	545.6	870.3
Currency effects, other	0.0	0.0	0.0	-62.9	0.0	-62.9
Net profit after deduction of minority interests	0.0	0.0	0.0	0.0	69.0	69.0
Own shares	0.0	0.0	0.3	0.0	-2.3	-2.0
Change in marketable securities available for sale	0.0	0.0	0.0	-1.1	0.0	-1.1
At December 31, 2002	22.8	-0.9	27.5	211.6	612.3	873.3
Dividend payment	0.0	0.0	0.0	0.0	-35.0	-35.0
At January 1, 2003	22.8	-0.9	27.5	211.6	577.3	838.3
Currency effects, other	0.0	0.0	0.0	11.6	0.0	11.6
Net profit after deduction of minority interests	0.0	0.0	0.0	0.0	102.3	102.3
Own shares	0.0	-1.0	0.0	0.0	-55.9	-56.9
Change in marketable securities available for sale	0.0	0.0	0.0	22.7	0.0	22.7
At December 31, 2003	22.8	-1.9	27.5	245.9	623.7	918.0

Valuation reserves include a valuation gain of 0.5 million CHF (valuation loss of 22.2 million CHF in 2002) on marketable securities available for sale.

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, 2003. 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), formerly International Accounting Standards (IAS).

The consolidation and accounting principles applied to the 2003 consolidated financial statements are unchanged from the previous year. No new International Financial Reporting Standards had to be adopted in the year under review.

Scope of consolidation

The financial statements of Rieter Holding Ltd. and those group companies in which it controls at least 50% of the voting rights, either directly or indirectly, are fully consolidated. 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 included with effect from the date of the addition or disposal. Minority interests are stated separately in the balance sheet and the income statement. 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 96 and 97.

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 without any 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. Exchange rates for currencies in high-inflation countries take due account of monetary depreciation in the local currency.

Change in the scope of consolidation

Our interest in Rieter Saifa was increased to 50% on January 1, 2003. Rieter Saifa was incorporated in Rieter's customer organization and consolidated as a Rieter group company with effect from January 1, 2003. Temkom AG in Pfäffikon has been merged into Rieter Holding Ltd.

Two new companies were incorporated in China. Rieter Textile Systems Co. Ltd., Shanghai, is responsible for sales and marketing of textile machinery in China, and Rieter Nittoku (Guangzhou) Automotive Sound Proof Co. Ltd., a joint venture with Japanese licensee Nittoku, is a supplier of automotive components.

Investments

A 19% holding in the Suessen spindle plant in Germany was acquired in 2001. Rieter has the right to acquire the remaining share capital in two stages by 2007. This right had neither been exercised nor notification thereof made to the owner up to balance sheet date.

In terms of the partnership agreement between Rieter and Magee Ltd., Magee Ltd. is entitled to sell its 50% interest in Magee Rieter Automotive Systems to Rieter as from 2003, with a two-year period of notice. If the parties are unable to agree on a purchase price, this will be determined on the basis of a valuation of the company commissioned by both parties. Magee has not notified Rieter of its intention to exercise this put option.

Tangible fixed assets

Tangible fixed assets are included in the balance sheet at acquisition cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over their estimated useful lives. Land is written down only in the event of ongoing impairment of value. Investment property is also included in the balance sheet at acquisition cost less depreciation on a straight-line basis.

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

factory buildings,	
investment 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 taken to income in the period corresponding to the related depreciation.

The various categories of assets also include assets financed by long-term contracts (finance leasing). The related liabilities are included in the balance sheet under long-term liabilities. 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.

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 control of the acquired company is assumed. It is carried in the currency of the relevant acquisition and amortized against income on a straight-line basis over its estimated useful life, not exceeding 20 years. Currency differences arising from translation are posted to group reserves.

Cash and cash equivalents

Cash and cash equivalents include bank accounts and short-term time deposits. Marketable securities are stated separately for the first time in the balance sheet and the statement of cash flows this year. The previous year's figures have been reclassified accordingly.

Marketable securities

Marketable securities are acquired in accordance with the group's funds 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 likely liabilities are incurred as a consequence of past events, provisions are made to cover the expected outflow of funds. Provisions are classified as pension liabilities, business risks and other provisions.

Pension liabilities are liabilities related to the various pension plans within the group.

Business risks include provisions for warranties and technical risks in the context of product deliveries and services.

Other provisions are made for current and probable future legal proceedings, environmental liabilities, burdensome contracts (where the unavoidable direct costs of performance exceed the expected financial benefit) and other likely or legal liabilities 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 only to the extent that it appears probable that such losses will be offset in future by temporary valuation differences or profits.

Research and development

No research and development costs were capitalized in the financial year under review. 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.

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. If no separate institutions exist, appropriate liabilities are recorded in provisions for pension liabilities in the balance sheet. 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.

Sales and realization of profits

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. Sales or value-added taxes, 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.

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 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 Textile Systems are usually hedged by insurance, advance payments, letters of credit or other instruments. Bulk risks are avoided by diversifying the customer portfolio in terms of sector. The business relationships of Automotive Systems 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

Sales

CHF million	2003	2002
Textile Systems	1 228.2	1 108.2
Automotive Systems	1 875.6	1 848.2
Other activities	14.5	19.8
Total	3 118.3	2 976.2

Operating result (EBIT)

CHF million	2003	2002
Textile Systems	122.7	94.3
Automotive Systems	84.6	109.6
Other activities, incl. group costs	-4.9	-3.0
Total	202.4	200.9

Assets

CHF million	2003	2002
Textile Systems	959.8	985.7
Automotive Systems	1 247.8	1 110.9
Other activities, incl. group liquidity	119.3	127.0
Total	2 326.9	2 223.6

Liabilities

CHF million	2003	2002
Textile Systems	580.7	582.2
Automotive Systems	852.8	721.1
Other activities, incl. group liabilities	-104.2	-19.6
Total	1 329.3	1 283.7

Capital expenditure on tangible and intangible assets

CHF million	2003	2002
Textile Systems	29.6	24.1
Automotive Systems	97.7	121.1
Other activities	1.4	1.0
Total	128.7	146.2

Depreciation and amortization of tangible and intangible assets

CHF million	2003	2002
Textile Systems	39.1	35.6
Automotive Systems	90.6	83.7
Other activities	0.6	2.3
Total	130.3	121.6

Number of employees at year-end

	2003	2002
Textile Systems	4 559	4 520
Automotive Systems	8 629	8 336
Other activities	128	127
Total	13 316	12 983

by geographical region**Sales**

CHF million	2003	2002
Europe	1 472.8	1 333.3
Asia incl. Turkey	792.4	684.3
North America	695.8	794.2
Latin America	96.3	120.1
Africa	61.0	44.3
Total	3 118.3	2 976.2

Assets

CHF million	2003	2002
Europe	1 520.5	1 353.9
Asia incl. Turkey	70.3	50.0
North America	704.6	787.3
Latin America	26.4	27.7
Africa	5.1	4.7
Total	2 326.9	2 223.6

Capital expenditure on tangible and intangible assets

CHF million	2003	2002
Europe	99.8	97.1
Asia incl. Turkey	2.4	1.1
North America	25.7	45.5
Latin America	0.7	2.2
Africa	0.1	0.3
Total	128.7	146.2

Number of employees at year-end

	2003	2002
Europe	9 163	8 980
Asia incl. Turkey	725	578
North America	2 762	2 739
Latin America	645	668
Africa	21	18
Total	13 316	12 983

3 Sales**Change in sales**

CHF million	2003	2002
Change in sales due to volume and price, Textile Systems	123.3	-112.3
Change in sales due to volume and price, Automotive Systems	31.5	62.5
Change in sales due to volume and price, other activities	-5.2	-12.1
Change in the scope of consolidation	74.5	0.0
Currency effects	-82.0	-132.1
Total change in sales	142.1	-194.0

4 Employee costs

CHF million	2003	2002
Wages and salaries	740.9	722.9
Social security and other personnel expenses	150.2	155.5
Total	891.1	878.4

5 Depreciation and amortization

CHF million	2003	2002
Tangible fixed assets	113.5	108.6
Intangible assets	7.0	3.7
Goodwill	9.8	9.3
Total	130.3	121.6

6 Financial income

CHF million	2003	2002
Interest income	5.6	8.7
Income from marketable securities and other financial income	9.4	-30.0
Income from non-consolidated investments	0.7	5.3
Total	15.7	-16.0

Net financial income totaled 15.7 million CHF in the year under review, an important improvement compared with the previous year's loss. Persistently low interest rates on time deposits partially offset the rising market values on the major securities markets in the second half of 2003. Part of the securities holdings are classified as marketable securities available for sale. The change in market value of this portion of the securities portfolio required no income statement provision at year-end. The total market value of these securities was slightly higher than book value on balance sheet date.

7 Taxes

CHF million	2003	2002
Income taxes	57.2	59.3
Deferred taxes	-2.5	1.3
Other	13.8	9.3
Total	68.5	69.9

The tax charge in the year under review was 1.4 million CHF lower despite a higher pre-tax profit of 30.8 million CHF than in the previous year, resulting in a corporate tax rate of 37.1% (45.5% in 2002). The reduction of the tax rate as a proportion of pre-tax profits was due mainly to the positive financial income. The potential positive impact of loss carry-forwards on future income taxes is capitalized as in the previous years if it is likely that it can be offset by taxable profit in the foreseeable future.

Income taxes

CHF million	2003	2002
Expected income taxes on pre-tax profits of 184.5 million CHF (153.7 million CHF in 2002) at an average rate of 26.9% (39.1% in 2002)	49.7	60.1
Impact of losses and loss carry-forwards	-3.7	1.1
Impact of changes in tax rates and tax legislation	-0.5	-0.2
Other effects	9.2	-0.4
Total income taxes	54.7	60.6

Deferred taxes

Assets		
CHF million	2003	2002
Tangible fixed assets	3.1	3.3
Inventories	5.4	2.0
Other assets	7.9	6.0
Provisions	4.4	4.0
Other liabilities	15.5	11.5
Adjustments of tax assets and liabilities	-21.1	-11.5
Accrued losses and tax credits	13.2	12.3
Deferred tax assets, gross	28.4	27.6
Offsetting with liabilities	-17.3	-19.0
Deferred taxes, net	11.1	8.6

Liabilities		
CHF million	2003	2002
Tangible fixed assets	37.8	41.2
Inventories	9.8	9.1
Other assets	13.6	14.2
Provisions	3.1	2.9
Other liabilities	1.8	2.6
Adjustments of tax assets and liabilities	-3.4	-6.4
Deferred tax liabilities, gross	62.7	63.6
Offsetting with assets	-17.3	-19.0
Deferred taxes, net	45.4	44.6

8 Research and development

128.8 million CHF was spent on research and development (128.9 million CHF in 2002). The slight reduction is due to currency translation effects.

The Textile Systems Division focused on the development of new machines for cotton and filament spinning, primarily in the fields of rotor spinning machinery, cards, as well as in texturing, cabling and twisting and extrusion.

Developments at Automotive Systems included applications for new models and customized acoustic products, carpets and underbody components.

9 Tangible fixed assets

	Land and buildings CHF million	Machinery, equipment and tools ¹ CHF million	Data processing equipment CHF million	Vehicles and furniture ² CHF million	Machinery and tools under construction CHF million	Total fixed assets CHF million
At December 31, 2001	252.5	338.1	17.6	15.4	58.8	682.4
Reclassification	-1.9	19.8	0.2	1.5	-19.6	0.0
Capital expenditure	18.0	88.0	4.6	6.3	16.7	133.6
Disposals	-9.2	-1.5	-0.1	-0.3	-1.6	-12.7
Depreciation	-13.8	-78.7	-8.1	-8.0	0.0	-108.6
Currency effects	-13.2	-33.7	-0.7	0.0	-7.2	-54.8
At December 31, 2002	232.4	332.0	13.5	14.9	47.1	639.9
Accumulated depreciation	248.3	840.6	56.3	61.7	0.0	1 206.9
Cost at December 31, 2002	480.7	1 172.6	69.8	76.6	47.1	1 846.8
Reclassification	-2.8	42.8	0.4	0.0	-40.4	0.0
Changes in the scope of consolidation	0.2	16.5	0.0	0.2	0.0	16.9
Capital expenditure	15.9	71.9	8.4	7.2	23.8	127.2
Disposals	-6.1	-1.7	-0.5	0.0	0.0	-8.3
Depreciation	-13.2	-86.1	-7.4	-6.8	0.0	-113.5
Currency effects ³	1.9	0.4	0.3	0.5	1.6	4.7
At December 31, 2003	228.3	375.8	14.7	16.0	32.1	666.9
Accumulated depreciation	254.7	935.8	61.1	63.0	0.0	1 314.6
Cost at December 31, 2003	483.0	1 311.6	75.8	79.0	32.1	1 981.5

¹ Including machinery and operating facilities.

² Including pilot machines.

³ Negative changes at the North American companies and positive changes at the companies in the Euro countries resulted in a 4.7 million CHF increase in net asset values due to currency translation effects.

Land and buildings

CHF million	2003	2002
Land in operational use	30.3	27.1
Factory and office buildings	170.3	171.0
Residential properties, land	27.7	34.3
Total	228.3	232.4

Factory and office buildings were insured at the replacement value of 964.9 million CHF at balance sheet date (952.4 million CHF in 2002) and residential properties at the replacement value of 43.6 million CHF (62.6 million CHF in 2002).

Investment property

CHF million	2003	2002
Consolidated value at January 1	28.1	41.4
Capital expenditure	0.1	0.2
Disposals	-6.8	-13.2
Depreciation	-0.2	-0.3
Consolidated value at December 31	21.2	28.1
Market value at December 31	32.4	44.4

A net income value with an anticipated average gross yield of 7.1% (7.4% in 2002), less prospective taxes in the event of sale, was established as the market value of the investment property on the basis of estimates of future rental income calculated by the company.

10 Intangible assets

	Goodwill CHF million	Patents CHF million	Other intangible assets CHF million	Total intangible assets CHF million
At December 31, 2001	168.6	11.8	5.2	185.6
Changes in the scope of consolidation	12.6	0.0	0.0	12.6
Capital expenditure/disposals	0.0	0.0	-0.7	-0.7
Amortization	-9.3	-1.7	-2.0	-13.0
Currency effects	-12.4	0.0	-0.7	-13.1
At December 31, 2002	159.5	10.1	1.8	171.4
Accumulated amortization	39.4	1.7	2.0	43.1
Total at December 31, 2002	198.9	11.8	3.8	214.5
Changes in the scope of consolidation	0.3	0.0	0.0	0.3
Capital expenditure/disposals	-0.1	0.0	1.3	1.2
Amortization	-9.8	-5.4	-1.6	-16.8
Currency effects	4.7	0.0	-0.1	4.6
At December 31, 2003	154.6	4.7	1.4	160.7
Accumulated amortization	49.2	7.1	3.6	59.9
Total at December 31, 2003	203.8	11.8	5.0	220.6

The additions to goodwill are due to the acquisition of a 1% share in Rieter Saifa in Spain as of January 1, 2003.

11 Financial assets

CHF million	2003	2002
Investments in non-consolidated companies	37.3	58.7
Long-term interest-bearing receivables	41.9	49.9
Other long-term receivables	17.3	14.4
Pension funds	47.2	47.2
Total	143.7	170.2

Rieter Holding Ltd. holds direct or indirect interests in the Spindelfabrik Suessen (19%, Germany) and Lakshmi Machine Works (13%, India).

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

12 Inventories

CHF million	2003	2002
Raw materials and consumables	52.0	51.2
Purchased parts and goods for resale	88.7	62.1
Semi-finished and finished goods	84.0	91.9
Work in progress	144.7	104.1
Total	369.4	309.3

13 Trade receivables

The trade receivables have increased because of extended payment conditions for clients and the discontinuation of factoring for specific deliveries in the year under review.

14 Other receivables

CHF million	2003	2002
Short-term, interest-bearing receivables	1.9	6.8
Advance payments to suppliers	13.2	14.1
Other short-term receivables	118.9	133.3
Total	134.0	154.2

15 Marketable securities

CHF million	2003	2002
Securities held for trading	53.6	27.9
Securities available for sale	90.4	75.1
Total	144.0	103.0

Securities are stated at fair value. 2.5 million CHF (2.5 million CHF in 2002) of total securities holdings was invested in options. These were mainly call options. 71.5% of the equity portfolio (62.4% in 2002) was invested in Swiss shares. Investments in marketable securities are primarily in listed companies in the industrial, banking and service sectors. The investment risks of the securities portfolio are periodically reviewed.

16 Cash and cash equivalents

CHF million	2003	2002
Cash and banks	164.1	162.0
Time deposits	10.9	30.4
Total	175.0	192.4

The majority of cash and cash equivalents are managed centrally in Swiss francs in order to limit currency risk. A netting system and a group cash pool 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.

17 Minority interests

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

18 Bonds

CHF million	2003	2002
4% bonds, maturing 2007	200.0	200.0
Total	200.0	200.0

The 200.0 million CHF of 4% bonds mature in 2007. 125.0 million CHF of these bonds were issued in 2001 and 75.0 million CHF were added in 2002.

19 Provisions

	Pension liabilities CHF million	Business risks CHF million	Other provisions CHF million	Total provisions CHF million
Provisions at December 31, 2001	59.0	47.4	79.7	186.1
Reclassification	0.0	-1.0	1.0	0.0
Utilization	-9.4	-8.9	-25.7	-44.0
Release	-0.1	-8.0	-3.5	-11.6
Additions	11.3	26.5	5.5	43.3
Currency effects	-1.5	-0.5	-0.9	-2.9
Provisions at December 31, 2002	59.3	55.5	56.1	170.9
Change in the scope of consolidation	0.0	0.0	2.8	2.8
Utilization	-5.3	-27.3	-4.9	-37.5
Release	0.0	-7.4	-3.1	-10.5
Additions	6.1	27.3	10.6	44.0
Currency effects	3.9	0.3	-0.1	4.1
Provisions at December 31, 2003	64.0	48.4	61.4	173.8

20 Other long-term liabilities

CHF million	2003	2002
Other long-term, interest-bearing liabilities	10.9	13.9
Other long-term liabilities	1.8	2.0
Total	12.7	15.9

21 Other short-term liabilities

CHF million	2003	2002
Sales commissions	21.7	17.8
Tax liabilities	17.0	19.2
Short-term, interest-bearing liabilities	5.9	6.5
Other short-term liabilities	116.7	107.9
Accrued liabilities	120.2	126.8
Total	281.5	278.2

22 Changes in the scope of consolidation

CHF million	2003	2002
Tangible fixed assets	15.7	0.0
Financial assets	-13.7	0.0
Goodwill	0.3	12.6
Cash and cash equivalents	6.7	0.0
Trade receivables	14.3	0.0
Other receivables	0.3	0.0
Inventories	8.6	0.0
Trade payables	-11.7	0.0
Other liabilities	-7.1	0.0
Minority interests	-12.7	0.0
Net additions	0.7	12.6
Less cash and cash equivalents	-6.7	0.0
Cash provided by changes in the scope of consolidation	-6.0	12.6

The first-time consolidation of Rieter Saifa was the only change to the scope of consolidation in the year under review.

23 Pension plans

The expenditure for pension plans is charged to employee costs.

Defined-contribution pension plans

The expenditure for defined-contribution pension plans amounted to 10.0 million CHF (8.0 million CHF in 2002).

Defined-benefit pension 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.

Pension costs of defined-benefit plans under IFRS

CHF million	2003	2002
Current service cost	12.8	12.4
Interest cost	37.5	38.1
Expected return on plan assets	-31.8	-34.8
Employees' contributions	-4.8	-5.3
Expense recognized in the income statement	13.7	10.4

Funded status of defined-benefit plans

CHF million	2003	2002
Actuarial present value of defined benefit obligation (Defined Benefit Obligation)		
– unfunded	-54.9	-50.5
– funded	-867.9	-873.6
Fair value of plan assets	937.2	863.3
Recognized in the balance sheet		
– as assets	47.7	47.9
– as pension provisions	-54.9	-50.5
Net assets at December 31	-7.2	-2.6

Actuarial gains are capitalized under financial assets to the extent the company will be able to utilize them. Pension plan assets included 207 000 Rieter shares and loans to group companies of 3.0 million CHF (3.2 million CHF in 2002).

Development of balance sheet items

CHF million	2003	2002
Net assets at January 1	-2.6	23.4
Addition	0.0	-25.7
Expense for defined-benefit plans	-13.7	-10.4
Employer's contributions	9.1	10.1
Net assets at December 31	-7.2	-2.6

Actuarial assumptions

in %	2003	2002
Discount rate	3.9	4.1
Expected return on assets	3.9	4.2
Future wage growth	1.8	2.4
Future pension growth	0.9	1.8

The assumptions are calculated as a weighted average for all pension plans.

24 Staff share purchase plans

There is a share purchase plan for executives. In the year under review 72 participants purchased 21 255 shares at a price of 183.00 CHF per share (12 768 shares at 299.00 CHF in 2002). Two-thirds of these shares cannot be sold for three years. At year-end, 42 003 shares were held in blocked accounts (37 019 in 2002). The shares for this program were taken from the holdings of Rieter Holding Ltd.

In addition, the members of the Group Executive Committee could subscribe 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 244.00 CHF (352.00 CHF in 2002), which corresponded to the average market price on the date the options were issued. A total of 4 633 options were issued.

Summary of options held:

Issue date	Number of options	Exercise price in CHF	Blocked until	Expiration date
2000	2 824	471.50	2002	2005
2001	4 071	419.00	2003	2006
2002	2 927	352.00	2004	2007
2003	4 633	244.00	2005	2008
Total	14 455			

No options had been exercised up to the end of 2003.

Long-service bonuses are also granted in the form of shares at some group companies, and 12 314 shares are reserved for this purpose (13 314 shares in 2002).

25 Future liabilities of finance leasing

CHF million	2003	2002
Current	5.0	1.6
2-5 years	2.9	3.8
Over 5 years	4.7	2.0
Total	12.6	7.4

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

Related persons and associated companies

As in the previous year, there are no receivables from or payables to directors, associated persons and companies.

27 Cash flow

CHF million	2003	2002
Net profit	116.0	83.8
Depreciation and amortization of tangible and intangible assets	130.3	121.6
Valuation adjustments on financial assets	12.0	0.0
Cash flow	258.3	205.4
Minority interests in profits	-13.7	-14.8
Change in provisions	0.9	-17.7
Net cash flow	245.5	172.9
Change in current assets	-48.0	67.5
Capital expenditure on tangible and intangible assets, net	-120.1	-120.9
Financial assets, net	2.8	-6.7
Changes in the scope of consolidation	6.0	-12.6
Free cash flow	86.2	100.2

28 Net liquidity

CHF million	2003	2002
Cash and cash equivalents	175.0	192.4
Marketable securities	144.0	103.0
Short-term, interest-bearing receivables	1.9	6.8
Short-term bank borrowings	-42.9	-53.5
Short-term, interest-bearing liabilities	-5.9	-6.5
Long-term loans from banks	-83.4	-63.3
Bonds issued	-200.0	-200.0
Other long-term, interest-bearing receivables	-10.9	-13.9
Net liquidity	-22.2	-35.0
Long-term, interest-bearing receivables	41.9	49.9
Net liquidity incl. long-term, interest-bearing receivables	19.7	14.9

29 Exchange rates for currency translation

		Average annual rates		Year-end rates	
		2003 CHF	2002 CHF	2003 CHF	2002 CHF
Argentina	1 ARS	0.46	0.58	0.42	0.41
Brazil	1 BRL	0.44	0.56	0.43	0.39
China	100 CNY	16.25	18.79	15.00	16.75
Euro countries	1 EUR	1.52	1.47	1.56	1.45
Great Britain	1 GBP	2.20	2.33	2.21	2.23
Hong Kong	100 HKD	17.26	19.94	16.00	17.75
India	100 INR	2.89	3.19	2.71	2.88
Canada	1 CAD	0.96	0.99	0.96	0.88
Poland	100 PLN	34.63	38.18	33.13	36.10
Taiwan	100 TWD	3.92	4.51	3.64	3.99
Czech Republic	100 CZK	4.78	4.76	4.80	4.60
USA	1 USD	1.34	1.55	1.24	1.38

30 Approval for publication of the consolidated financial statements

The consolidated financial statements were approved for publication by the Board of Directors on March 23, 2004. They are also subject to approval by the Annual General Meeting of shareholders. No events have occurred up to March 23, 2004, which would necessitate adjustments to the book values of the group's assets or liabilities, or which require disclosure.



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 84 and pages 96 to 97) of Rieter Holding Ltd. for the year ended December 31, 2003.

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 auditing standards promulgated by the Swiss profession 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

Handwritten signature of Christian Kessler in black ink.

Christian Kessler

Handwritten signature of Stefan Haag in black ink.

Stefan Haag

Zurich, March 24, 2004

Income statement and balance sheet of Rieter Holding Ltd.

Income statement

for the financial year from January 1 to December 31

	Notes	2003 CHF million	2002 CHF million
Income			
Income from investments	(1)	64.6	69.2
Income from marketable securities and interest income	(2)	5.1	-29.0
Other income	(3)	9.8	9.6
Total income		79.5	49.8
Expenditure			
Financial expense	(4)	13.8	14.4
Administration expense		4.1	4.3
Value adjustments, provisions	(5)	25.0	0.0
Total expenditure		42.9	18.7
Net profit		36.6	31.1

Balance sheet

at December 31, before appropriation of profit

	Notes	2003 CHF million	2002 CHF million
Assets			
Investments in and loans to subsidiaries	(6)	653.4	699.7
Fixed assets		653.4	699.7
Accrued income and prepayments	(7)	3.3	3.4
Receivables from third parties	(8)	2.6	4.8
Receivables from subsidiaries	(9)	29.4	26.1
Receivables		35.3	34.3
Liquid funds	(10)	214.0	145.4
Current assets		249.3	179.7
Total assets		902.7	879.4
Shareholders' equity and liabilities			
Share capital	(11)	22.8	22.8
Legal reserves			
– General reserve	(12)	27.5	27.5
– Reserve for own shares	(13)	113.1	75.0
Other reserves	(14)	176.3	214.9
Retained earnings	(15)		
– Balance brought forward		18.0	22.6
– Net profit for the year		36.6	31.1
Shareholders' equity		394.3	393.9
Short-term liabilities	(16)	284.7	256.3
Accrued liabilities	(17)	6.2	11.9
Current liabilities		290.9	268.2
Bonds	(18)	200.0	200.0
Loans from subsidiaries		6.2	6.2
Provisions	(19)	11.3	11.1
Long-term liabilities		217.5	217.3
Liabilities		508.4	485.5
Total shareholders' equity and liabilities		902.7	879.4

1 Income from investments

This comprises the dividend income received from subsidiaries and associated companies, and proceeds from the sales of investment holdings.

2 Income from marketable securities and interest income

Higher gains on holdings of marketable securities were partially offset by lower interest income due to persistently low interest rates.

3 Other income

Income from services rendered was slightly higher than in the previous year.

4 Financial expense

The cost of interest on liabilities to group companies in the group cash pool and interest on bond issues are the main elements of financial expense.

5 Value adjustments, provisions

The provision for general business risks was increased by 25.0 million CHF and deducted from investments in and loans to subsidiaries.

6 Investments in and loans to subsidiaries

CHF million	2003	2002
Investments in subsidiaries	201.0	214.4
Loans to subsidiaries	452.4	485.3
Total	653.4	699.7

The main subsidiaries and associated companies are listed on pages 96 to 97. These investments are held directly or indirectly by Rieter Holding Ltd. Temkom AG was merged into Rieter Holding Ltd. with effect from January 1, 2003.

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

Receivables from third parties consist of receivables from withholding taxes and current account relationships with foundations, and from a loan.

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	2003	2002
Cash and cash equivalents	56.5	74.3
Marketable securities	157.5	71.1
Total	214.0	145.4

11 Share capital

At December 31, 2003, 4 243 056 shares were eligible for dividend.

12 General reserve

The general reserve meets the legal requirements. No transfer was made in the year under review.

13 Reserve for own shares

Shares held by all group companies

	Number
Registered shares held at January 1, 2003	176 463
Purchases January-December 2003 (average price CHF 260.25)	303 661
Sales January-December 2003 (average price CHF 260.81)	102 994
Registered shares held at December 31, 2003	377 130

The reserve for own shares was made at acquisition cost.

14 Other reserves

CHF million	2003	2002
Opening balance	214.9	193.6
Allocation from profits	0.0	20.0
Transfer to reserve for own shares	-38.1	1.3
Other	-0.5	0.0
Total	176.3	214.9

15 Retained earnings

Including the balance brought forward, the Annual General Meeting has a total of 54.6 million CHF at its disposal (53.7 million CHF in 2002).

16 Short-term liabilities

CHF million	2003	2002
Liabilities to group companies	280.8	255.4
Liabilities to third parties	3.9	0.9
Total	284.7	256.3

There was an increase in the liquid funds managed for group companies in the central cash pool.

17 Accrued liabilities

Accrued liabilities include accrued interest payable and open foreign exchange contracts.

18 Bonds

CHF million	2003	2002
4% bonds, maturing 2007	200.0	200.0
Total	200.0	200.0

The issue of 4% bonds was increased by 75.0 million CHF in 2002 for partial refinancing of the 1 $\frac{1}{2}$ % convertible bonds due for repayment. Further details of the bond are provided on page 93.

19 Provisions

Provisions include foreign exchange risks and guarantee commitments.

20 Guarantees to third parties

CHF million	2003	2002
Guarantees	19.8	37.6

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

21 Shareholders

Major groups of shareholders with holdings exceeding 5% of all voting rights (pursuant to Art. 663c of the Swiss Code of Obligations) at December 31, 2003: None (previous year BZ Gruppe, Wilen: 1 286 957 shares)

Rieter Holding Ltd. held at December 31, 2003 377 130 of its own shares directly or indirectly (233 463 shares in 2002), thereof 63 000 shares from the share repurchasing program.

Proposal of the Board of Directors

for the appropriation of profit (2003 financial year)		
	2003	2002
	CHF million	CHF million
Net profit for the year	36.6	31.1
Retained earnings brought forward from previous year	17.9	22.2
Waiver of dividends on own shares	0.1	0.4
At the disposal of the Annual General Meeting	54.6	53.7
Proposal		
Dividend on registered shares	34.0	35.8
Retained earnings	20.6	17.9
Net profit at the disposal of the Annual General Meeting	54.6	53.7

Upon approval of this proposal by the Annual General Meeting, a dividend for the 2003 financial year of CHF 8.60 will be paid on each registered share of CHF 5.00 p.v. on May 12, 2004. The dividend, less Swiss withholding tax, of CHF 5.59 will be paid into the bank or postal account specified by the holder of the shares.



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

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes on pages 86 to 91 and pages 96 to 97) of Rieter Holding Ltd. for the year ended December 31, 2003.

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 auditing standards promulgated by the Swiss profession, 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

Handwritten signature of Christian Kessler in black ink.

Christian Kessler

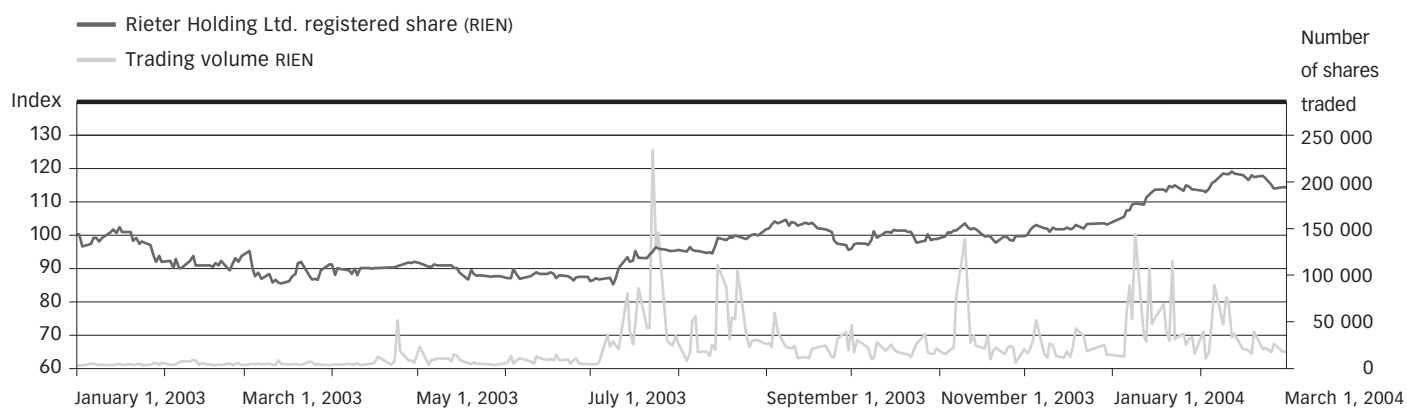
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Stefan Haag

Zurich, March 24, 2004

Shareholdings and capital structure

Share price development 2003/2004



Capital structure

At the end of the year 7 070 shareholders were entered in the shareholders' register of Rieter Holding Ltd. (4 922 in the previous year). The analysis of shareholders is as follows:

Registered shareholders	2003		2002	
	shares in %	holders in %	shares in %	holders in %
Total:				
– individuals	17.0	90.7	12.2	93.7
– legal entities	50.2	9.3	43.7	6.3
– floating shares	32.8		44.1	
Foreign investors:				
– individuals	1.1	6.0	0.9	7.1
– legal entities	8.6	0.9	8.1	0.6

Rieter registered shares at December 31, 2003 (Listed on the Swiss Stock Exchange SWX)

	Number	
Securities code 367144 (Investdata: RIEN; Reuters: RITZN)		
Share capital:	4 569 056	registered shares of CHF 5.00 p.v.
Share capital eligible for dividend:	4 243 056	– including 284 064 own shares held by Rieter Holding Ltd. (without dividend) – 93 066 own shares held by group companies (dividend payable)
Conditional share capital:	396 312	registered shares

Bonds

	CHF million	
Securities code 1236261 (Reuters: CH 1236261=S)		
4% bonds, maturing 2007	200.0	Annual interest payments on June 21

Information for investors		2003	2002	2001	2000	1999
Share capital	CHF million	22.8	22.8	45.7	45.5	45.5
Net profit of Rieter Holding Ltd.	CHF million	36.6	31.1	36.1	45.3	39.1
Gross distribution	CHF million	34.0 ¹	35.8	36.5	36.3	31.5
Payout ratio (as a % of net profit) ²	in %	33	52	39	28	28
Market capitalization (Dec. 31) ³	CHF million	1 214	1 180	1 485	2 080	1 977
Market capitalization as a % of						
– sales	in %	39	40	47	71	81
– net cash flow	in %	494	682	685	887	928
– equity	in %	132	135	164	226	239

¹ Proposed by the Board of Directors (cf. page 91).

² Net profit after deduction of minority interests.

³ Market capitalization is based on the number of shares eligible for dividend, including own shares.

Date per share (RIEN)		2003	2002	2001	2000	1999
Prices on the SWX Swiss Exchange, registered shares						
	high CHF	290	404	493	598	484
	low CHF	237	275	348	461	395
Price/earnings ratio						
	high	11.3	23.8	21.4	19.2	17.9
	low	9.2	16.2	15.1	14.8	14.6
Shareholders' equity (group) per registered share						
	CHF	230.42	214.50	222.55	222.73	200.09
Tax value per registered share						
	CHF	286.00	278.00	360.00	479.00	453.00
Gross distribution per registered share						
	CHF	8.60 ¹	8.60	8.60	8.60	7.50
– of which capital repayment						
	CHF			5.00		
Gross yield on registered shares						
	high in %	3.0 ¹	2.1	1.7	1.4	1.5
	low in %	3.6 ¹	3.1	2.5	1.9	1.9
Net profit after deduction of minority interests per registered share						
	CHF	25.68	16.95	22.85	31.22	27.09
Net cash flow per registered share						
	CHF	61.62	42.47	53.15	56.82	50.57

¹ Proposed by the Board of Directors (see page 91).

Data per share are based on the average number of registered shares.

Consolidated income statement		2003	2002	2001	2000	1999
Sales	CHF million	3 118.3	2 976.2	3 170.2	2 931.0	2 435.4
– Europe	CHF million	1 473	1 333	1 444	1 324	1 266
– Asia (incl. Turkey)	CHF million	792	685	645	527	270
– North America	CHF million	696	794	860	864	725
– Latin America	CHF million	96	120	182	181	137
– Africa	CHF million	61	44	39	35	37
Corporate output	CHF million	2 991.3	2 872.2	3 025.4	2 841.8	2 364.7
Operating result before interest, taxes, depreciation and amortization (EBITDA)	CHF million	332.7	322.5	337.1	323.3	245.7
– in % of corporate output		11.1	11.2	11.1	11.4	10.4
Operating result before interest and taxes (EBIT)	CHF million	202.4	200.9	203.9	199.5	135.3
– in % of corporate output		6.8	7.0	6.7	7.0	5.7
Net profit ¹	CHF million	116.0	83.8	111.2	146.0	124.0
– in % of corporate output		3.9	2.9	3.7	5.1	5.2
Consolidated balance sheet						
Fixed assets	CHF million	982.4	990.1	1 044.9	966.6	864.0
Current assets	CHF million	1 344.5	1 233.5	1 283.8	1 462.1	1 292.2
Shareholders' equity before appropriation of profit	CHF million	918.0	873.3	907.8	919.6	825.7
Minority interests	CHF million	79.6	66.6	82.4	74.8	68.1
Long-term liabilities	CHF million	515.3	494.7	437.8	561.0	615.0
Current liabilities	CHF million	814.0	789.0	900.7	873.3	647.4
Total assets/liabilities	CHF million	2 326.9	2 223.6	2 328.7	2 428.7	2 156.2
Shareholders' equity (%)		39.5	39.3	39.0	37.9	38.3
Consolidated statement of cash flows²						
Cash provided by operations	CHF million	197.5	240.4	248.4	316.4	172.8
Cash used for investing activities	CHF million	–129.5	–80.5	–187.7	–259.5	–86.1
Cash provided by financing activities	CHF million	–75.6	–135.2	–149.1	–48.5	–92.2
Net cash flow	CHF million	245.5	172.9	216.8	234.6	208.7
Free cash flow	CHF million	86.2	100.2	60.7	56.9	86.7
Number of employees at year-end		13 316	12 983	12 977	12 232	11 262

¹ Net profit before deduction of minority interests.

² See page 62.

Significant subsidiaries and associated companies

at December 31, 2003

			Paid-in capital in local currency	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 Textis Ltda., São Bernardo d. C.	BRL	35 107 000	100%	•	•	•	
	Rieter South America Ltda., São Paulo	BRL	2 173 653	100%		•		
China	Rieter Changzhou Textile Instruments Co. Ltd., Changzhou	RMB	6 000 000	100%			•	
	Rieter Nittoku (Guangzhou) Automotive Sound-Proof Co. Ltd., Guangzhou City	USD	3 000 000	51%		•	•	
	Rieter Textile Systems (Shanghai) Co. Ltd., Shanghai	USD	200 000	100%		•		
	Rieter Asia (Hong Kong) Ltd., Hongkong	HKD	1 000	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	15 644 172	100%		•		•
	Wilhelm Stahlecker GmbH, Reichenbach im Täle	EUR	255 624	100%	•			
	Spindelfabrik Suessen AG, Suessen ¹	EUR	5 050 029	19%	•	•	•	•
France	Rieter Automotive France S.A., Aubergenville	EUR	8 000 000	100%	•	•	•	
	Rieter Textile Machinery France S.A., Valence	EUR	4 120 500	100%	•	•	•	•
	Rieter Perfojet S.A., Grenoble	EUR	336 000	100%	•	•	•	•
	Rieter Textile Systems France S.A., Valence	EUR	39 852 500	100%				•
Great Britain	Rieter Automotive Great Britain Ltd., Heckmondwike	GBP	6 500 000	100%	•	•	•	
India	Lakshmi Machine Works Ltd., Coimbatore ¹	INR	60 957 600	13%	•	•	•	•
	Rieter-LMW Machinery Ltd., Perianaickenpalayam	INR	250 000 000	50%			•	
	Rieter India Pvt. Ltd., New Delhi	INR	10 000 000	100%		•		
Italy	Rieter Automotive Fimit S.p.A., Milano	EUR	8 400 000	100%	•	•	•	
	Rieter Italiana S.r.l., Milano	EUR	46 800	100%		•		
	Idea Institute S.p.A., Torino	EUR	3 500 000	100%	•			•
Canada	Rieter Automotive Mastico Ltd., Tillsonburg	CAD	381 000	100%	•	•	•	
	Magee Rieter Automotive Systems Canada Ltd., London		²	50%			•	
Netherlands	Rieter Automotive Nederland B.V., Weert	EUR	2 042 010	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	85 000 000	100%	•	•	•	•
	Schaltag AG, Effretikon	CHF	400 000	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%				•
	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%				•

			Paid-in capital in local currency	Group interest	Research & development	Sales/trading	Production	Services/financing
Spain	Rieter Saifa S.A., Barcelona	EUR	847 410	50%	•	•	•	
Taiwan	Rieter Asia (Taiwan) Ltd., Taipei	TWD	5 000 000	100%		•		
Turkey	Rieter Textile Machinery Trading & Services Ltd., Levent	Mio TRL	25 000	69%				•
	Rieter Erkurt Otomotive Yan Sanayi ve Ticaret AS, Bursa	Mio TRL	700 000	51%	•	•	•	
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%	•	•	•	
USA	Rieter Automotive North America, Inc., Farmington Hills	USD	5 700 000	100%	•	•	•	
	Rieter Corporation, Spartanburg	USD	1 249	100%		•		
	Rieter Greensboro, Inc., Greensboro	USD	5 000	100%		•		
	UGN, Inc., Chicago	USD	500 000	50%	•	•	•	
	Magee Rieter Automotive Systems, Bloomsburg	USD	²	50%	•	•	•	
	Rieter Acquisition Corporation, Farmington Hills	USD	100	100%				•

¹ Non-consolidated associated company.

² No registered paid-in capital.

Translation: Herbert Hind, Weiach

Copy: Rieter Management AG

Concept and design: Gottschalk+Ash Int'l

Photos: Bettina Schaefer, Zurich (p. 9, 10)

Prepress: Visiolink, Zurich

Printing: Printlink, Wezikon

March 2004

This is a translation of the
original German text.

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Comfort

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