



2003 Semi-annual Report

Higher sales and earnings in the first half of 2003

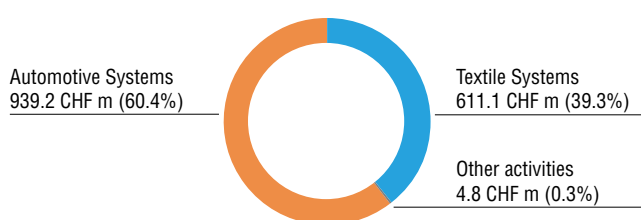
- Profitable growth thanks to dual strategy
- Group finances remain healthy and stable
- Widely spread placement of Rieter shares following sale of shares held by BZ Group

Sales

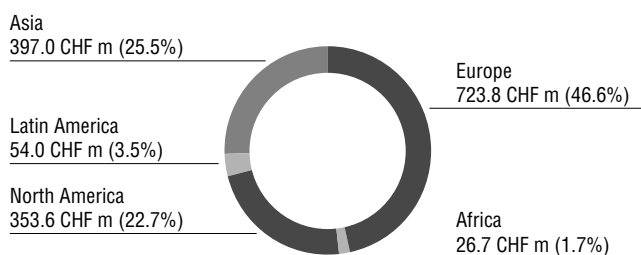
in CHF million



Sales by division



Sales by geographical region



Net profit

in CHF million

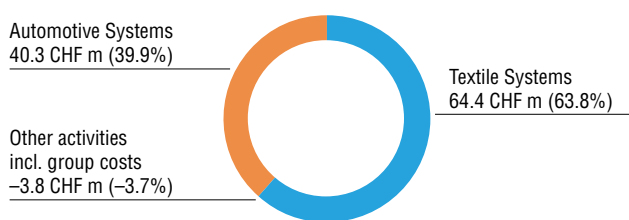


EBIT

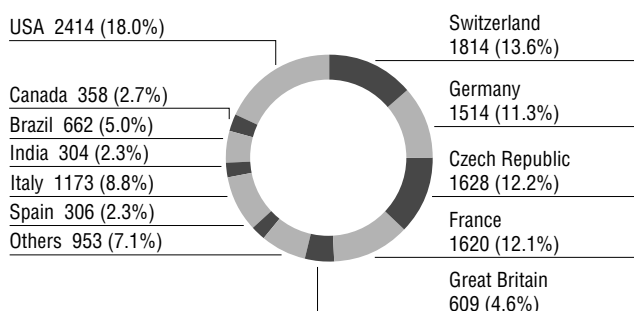
in CHF million



EBIT by division



Number of employees by country



Shareholders' equity as a % of total assets



Rieter with higher sales and earnings

		January–June 2003	January–June 2002	Change	Change at previous year's exchange rates	January–December 2002
Orders received	CHF m	1 488.3	1 596.3	-7%	-2%	2 999.8
Sales	CHF m	1 555.1	1 438.6	8%	14%	2 976.2
Corporate output	CHF m	1 514.7	1 402.0	8%		2 872.2
Operating result before interest and taxes (EBIT)	CHF m	100.9	87.9	15%		200.9
– as a % of corporate output		6.7	6.3			7.0
Net profit	CHF m	53.3	40.5	32%		83.8
– as a % of corporate output		3.5	2.9			2.9
Cash flow	CHF m	114.9	103.5	11%		205.4
– as a % of corporate output		7.6	7.4			7.2
Capital expenditure¹	CHF m	50.7	55.6	-9%		146.2
Number of employees²		13 355	12 785	4%		12 983

¹ Tangible fixed assets incl. additions to goodwill; ² At the end of the reporting period

Dear shareholders,

In the first half of 2003 the Rieter Group recorded an encouraging overall business trend with increases in sales, operating result and net profit. Compared with the corresponding period of 2002, sales were 8% higher at 1 555.1 million CHF. Expressed in local currencies, the increase amounted to 14%. This rise was due primarily to the good performance of the Textile Systems Division, which maintained its growth momentum in Asia. The currency-related decline in sales at the Automotive Systems Division (due mainly to the US dollar) was partially offset by the first-time consolidation of Rieter Saifa in Spain.

The operating result before interest and taxes (EBIT) showed a positive trend, rising by 15% to 100.9 million CHF (87.9 million CHF in 2002). This is equivalent to 6.7% of corporate output (6.3% in 2002). The contributions to operating earnings by the two divisions varied. While Textile Systems doubled its operating result by virtue of healthy capacity utilization, a favorable product mix and strict cost management, Automotive Systems reported lower results for the first six months. This was due primarily to insufficient utilization of capacity in North America, intensified pressure on prices by the automobile manufacturers and higher costs, especially in connection with production launches of new vehicle models.

Higher operating and improved financial results enabled Rieter to report a 32% increase in net profit to 53.3 million CHF. This is equivalent to 3.5% of corporate output. Earnings per share rose by 48% to 11.72 CHF, compared with 7.93 CHF in the first half of 2002.

The Rieter Group further reinforced its financial health and stability in the first half of 2003. Cash flow increased by 11% to 114.9 million CHF. Compared with the previous year, net liquidity on June 30, 2003, improved by 9.2 million CHF to -4.2 million CHF, and the equity ratio remained at over 39%.

The BZ Group sold its entire holding of Rieter shares on July 21, 2003. The Rieter shares held by the BZ Group (1 286 957 shares, or 28.2% of the voting rights, at the end of 2002) were purchased by various investors – each holding less than 5% of the voting rights – in the context of a widely spread share placement. Rieter Holding Ltd. acquired 220 000 shares in the course of this placement. Rieter also intends to repurchase shares for up to 50 million CHF via a second trading line on the Swiss Exchange SWX until the 2004 annual general meeting. These shares will be cancelled.

Outlook

On a current view, Rieter foresees no significant change in the trend of business in the second half of 2003 compared with the first six months. Unless there is a steep decline in automobile output in Europe and the US, and exchange rates remain in their current range, Rieter expects consolidated sales in the 2003 financial year to be slightly higher than in 2002. Consolidated operating earnings (EBIT) in 2003 may not quite reach the previous year's figure due to the intensified price and cost pressures prevailing at Automotive Systems. As long as there is no deterioration in the financial markets, net profit in 2003 should be higher than the previous year's figure.

Winterthur, August 21, 2003

Rieter Holding Ltd.


Kurt Feller

Chairman
of the Board of Directors


Hartmut Reuter

Chief Executive Officer

Rieter Textile Systems

Improvement in sales and operating margins

		January–June 2003	January–June 2002	Change	Change at previous year's exchange rates	January–December 2002
Orders received	CHF m	544.3	612.6	-11%	-11%	1 131.9
Sales	CHF m	611.1	455.0	34%	36%	1 108.2
Corporate output	CHF m	591.0	445.9	33%		1 057.4
Operating result before interest and taxes (EBIT)	CHF m	64.4	25.9	149%		94.3
– as a % of corporate output		10.9	5.8			8.9
Capital expenditure¹	CHF m	7.9	10.0	-21%		24.1
Number of employees²		4 528	4 522	0%		4 520

¹ Tangible fixed assets incl. additions to goodwill; ² At the end of the reporting period

In the first half of 2003 Rieter Textile Systems posted a 34% increase in sales to 611.1 million CHF. This high rate of growth is due partly to comparison with the weak first half of 2002 (base effect). Turkey and China, the division's two largest markets, again recorded considerable growth rates compared with the same period of the previous year.

Due to the high level of orders in hand from the previous year, capacity utilization in the staple fiber sector was healthy in the period under review. Newly launched products and systems, especially the Rieter Rotor System, aroused keen interest on the market. A number of sizeable projects were completed in the man-made fiber sector in Asia; however, in this segment Rieter did not participate in the growth due to its selective, margin-based policy on accepting new orders. In the case of production machinery for nonwovens, an innovative sector with growth potential, the trend of business continues to be dominated by individual, large-scale projects. Rieter has expanded its product portfolio with systems based on the melt-blown process. Sales of technology components developed well in the period under review.

A strong upward trend in order intake became apparent toward the end of the first half-year. Despite this increase in demand – especially for staple fiber machinery – the ground lost in the first quarter, when customers were very cautious due to the Iraq crisis and uncertainties caused by the SARS outbreak, was not recovered in full. Total orders received in the first half of 2003 were 11% lower at 544.3 million CHF.

The operating result before interest and taxes (EBIT) rose to 64.4 million CHF in the first half of 2003, more than double the figure for the corresponding period of the previous year (25.9 million CHF). This is equivalent to an operating margin of 10.9% (5.8% in 2002). This increase was achieved due to considerably improved capacity utilization, strict cost management exploiting low-cost locations, and a favorable product mix. The action initiated in the past to make business processes more flexible also contributed to this good earnings performance.

Rieter Textile Systems, the leading supplier of integrated systems for manufacturing yarns from natural and man-made fibers for all applications, developed new products and systems in the first half of 2003. These innovations will be presented to potential purchasers in their home markets during the coming months. Trend-setting investments have been made for our customers: Rieter opened a new test and customer spinning center for staple fiber machinery in Winterthur. In India, Textile Systems is building a test spinning installation for man-made staple fibers for a strategic partner.

Further business trends

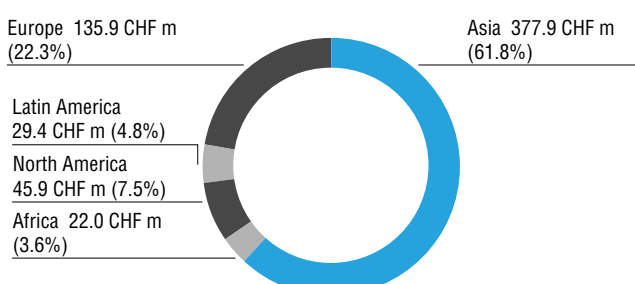
The market for staple fiber machinery is expected to weaken slightly in the second half of 2003, while demand in the different segments of the man-made fiber machinery market served by Rieter remains very uneven. Higher sales are expected for 2003 as a whole compared to the previous year.

Sales

in CHF million



Sales by geographical region



Rieter Automotive Systems

Operating margins under pressure

		January–June 2003	January–June 2002	Change	Change at previous year's exchange rates	January–December 2002
Sales	CHF m	939.2	977.7	-4%	4%	1 848.2
Corporate output	CHF m	925.8	955.2	-3%		1 810.2
Operating result before interest and taxes (EBIT)	CHF m	40.3	65.6	-39%		109.6
– as a % of corporate output		4.4	6.9			6.1
Capital expenditure¹	CHF m	42.4	45.2	-6%		121.1
Number of employees²		8 701	8 141	7%		8 336

¹ Tangible fixed assets incl. additions to goodwill; ² At the end of the reporting period

In the first half of 2003 global automobile production was slightly lower than in the same period of the previous year. The decline in Rieter's main markets – Western Europe and North America – was 2.0% and 3.9%, respectively. The downturn in North America mainly affected American manufacturers, while Japanese manufacturers operating in the US recorded a slight overall increase in output in the period under review. In North America, Rieter maintained sales levels in local currency, while in Europe they increased compared with the corresponding period of the previous year due to the first-time consolidation of Rieter Saifa in Spain. Total sales expressed in Swiss francs declined due to exchange rate movements (especially in the US dollar) by 4% to 939.2 million CHF.

In the period under review Rieter Automotive Systems reported an operating result (EBIT) of 40.3 million CHF (65.6 million CHF in 2002). This is equivalent to an operating margin of 4.4% (6.9% in 2002). The decline in operating result is based on various factors. In North America excess capacity at the US manufacturers again resulted in vehicles' being sold at steep discounts, which further intensified price pressures on suppliers. Rieter's good standing with the Japanese manufacturers was not enough to offset this trend. Furthermore, the two newly opened production plants in North America are not yet fully utilized due to the subdued automobile market. Various demanding model launches with new products and technologies involving significant additional costs depressed half-year results.

Steps were already taken in the final quarter of 2002 to improve the cost structure. Production launches of new vehicles required an increase of workforce and delayed the implementation of measures to improve productivity at certain locations.

As a leading supplier of integrated acoustic and thermal management systems, Rieter Automotive Systems will continue systematically to pursue its strategy with innovative solutions for noise and weight reduction. Measures to cut costs and enhance manufacturing flexibility involving low-cost locations in Eastern and Central Europe are being intensified.

Further business trend

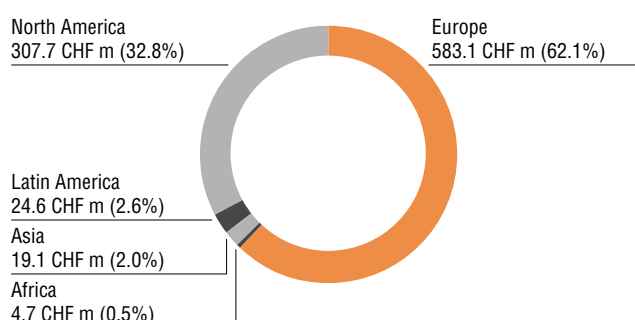
Global automobile production is likely to be slightly lower in 2003 than in the previous year. The following declines in output are forecast for the main markets: North America –3.6%, Western Europe –2.4%, Japan –5.0%. On the other hand, growth rates are forecast for the rest of Asia, and China in particular. For example, the number of new vehicle registrations in China rose from 0.8 million to 2.6 million between 1995 and 2002. This year Rieter will establish a joint venture there with its Japanese partner to manufacture noise control components. On the basis of the above-mentioned market trends and stable exchange rates, sales in the second half of 2003 are expected to be at the same level as in the first six months.

Sales

in CHF million



Sales by geographical region



Consolidated income statement

	January–June 2003 CHF m %*		January–June 2002 CHF m %*		January–December 2002 CHF m %*	
Sales	1 555.1		1 438.6		2 976.2	
Sales deductions, change in semi-finished and finished goods, own work capitalized	-40.4		-36.6		-104.0	
Corporate output	1 514.7 100.0		1 402.0 100.0		2 872.2 100.0	
Material costs	-690.1	45.6	-609.6	43.5	-1 270.4	44.2
Employee costs	-450.3	29.7	-441.7	31.5	-878.4	30.6
Operating expense	-212.0	14.0	-200.1	14.3	-404.6	14.1
Operating result before interest, taxes, depreciation and amortization (EBITDA)	162.3 10.7		150.6 10.7		318.8 11.1	
Depreciation and amortization	-61.4	4.0	-62.7	4.4	-117.9	4.1
Operating result before interest and taxes (EBIT)	100.9 6.7		87.9 6.3		200.9 7.0	
Financial expense	-10.7		-12.8		-28.0	
Financial income	-3.3 ¹		-8.1		-16.0	
Other expenses/income	1.6		-3.0		-3.2	
Profit before taxes	88.5 5.8		64.0 4.6		153.7 5.3	
Taxes	-35.2		-23.5		-69.9	
Net profit	53.3 3.5		40.5 2.9		83.8 2.9	

* as a % of corporate output

Minority shareholders' interest in net profit	-5.6		-8.2		-14.8	
Net profit after deduction of minority interests	47.7		32.3		69.0	
Earnings per share	11.72 ²		7.93 ²		16.95 ²	
Diluted earnings per share	9.96 ²		6.74 ²		14.39 ²	

¹ Financial income in 2003 includes a valuation adjustment of 8.6 million CHF to marketable securities available for sale.

² Shares held by the company are not included in the average number of shares. 4 068 295 shares were outstanding in the first half of 2003 (4 072 075 in the first half of 2002).

Consolidated balance sheet

	June 30, 2003 CHF m	June 30, 2002 CHF m	December 31, 2002 CHF m
Assets			
Tangible fixed assets	674.9	643.0	639.9
Investments, goodwill, other receivables/rights	283.0	296.1	300.3
Long-term receivables	50.5	45.4	49.9
Fixed assets	1 008.4	984.5	990.1
Liquid funds	334.0	352.1	295.4
Trade receivables	520.4	506.9	474.6
Other receivables	148.6	132.3	154.2
Inventories	366.8	305.4	309.3
Current assets	1 369.8	1 296.7	1 233.5
Assets	2 378.2	2 281.2	2 223.6
Shareholders' equity and liabilities			
Share capital	22.8	45.7	22.8
Share premium account (capital reserve)	27.5	27.5	27.5
Group reserves	835.9	785.1	754.0
Net profit after deduction of minority interests	47.7	32.3	69.0
Shareholders' equity	933.9	890.6	873.3
Minority interests	80.9	74.3	66.6
Trade payables	326.7	298.5	340.4
Advance payments by customers	111.9	135.3	116.9
Short-term bank borrowings, bonds, other short-term liabilities	427.5	462.2	331.7
Current liabilities	866.1	896.0	789.0
Loans from banks, bonds, other long-term liabilities	275.6	200.4	279.2
Provisions, deferred taxes	221.7	219.9	215.5
Long-term liabilities	497.3	420.3	494.7
Liabilities	1 363.4	1 316.3	1 283.7
Shareholders' equity and liabilities	2 378.2	2 281.2	2 223.6

Consolidated statement of cash flows

	January–June 2003 CHF m	January–June 2002 CHF m	January–December 2002 CHF m
Net profit	53.3	40.5	83.8
Depreciation, amortization	61.6	63.0	121.6
Cash flow	114.9	103.5	205.4
Change in net working capital, other	-74.5	-10.0	35.0
Cash provided by operations	40.4	93.5	240.4
Capital expenditure/Disposals of tangible fixed assets	-51.8	-50.9	-120.9
Investments/Disposals of investments	8.4	8.7	-6.7
Changes in the scope of consolidation	5.9	0.0	-12.6
Cash used for investing activities	-37.5	-42.2	-140.2
Dividend paid to shareholders of Rieter Holding Ltd.	-35.0	-14.6	-14.6
Capital repayment	0.0	0.0	-22.9
Change in holding of own shares	2.9	6.7	-2.0
Change in marketable securities	13.7	-2.5	-1.1
Change in minority interests	-1.1	-8.0	-15.8
Other changes arising from financing activities	60.1	-1.2	-79.9
Cash provided by financing activities	40.6	19.6	-136.3
Changes in bases of valuation, currency effects and consolidation items	-4.9	-0.6	10.5
Change in liquid funds	38.6	31.1	-25.6
Liquid funds at beginning of year	295.4	321.0	321.0
Liquid funds at end of reporting period	334.0	352.1	295.4

Changes in consolidated equity

	January–June 2003 CHF m	January–June 2002 CHF m	January–December 2002 CHF m
Shareholders' equity at end of previous period	873.3	907.8	907.8
Dividend payment	-35.0	-14.6	-14.6
Capital repayment	0.0	0.0	-22.9
Currency effects; other	31.3	-39.1	-62.9
Net profit after deduction of minority interests	47.7	32.3	69.0
Own shares	2.9 ¹	6.7	-2.0
Change in marketable securities available for sale ²	13.7	-2.5	-1.1
Shareholders' equity at end of reporting period	933.9	890.6	873.3

¹ Holding of own shares on June 30, 2003: 165 052 (176 463 on December 31, 2002).

² Equity at the end of June 2003 includes a valuation loss of 8.6 million CHF on marketable securities available for sale.
At the end of December 2002 the valuation loss in equity amounted to 22.2 million CHF.

Remarks to the semi-annual financial statements

Principles of consolidation

The consolidated semi-annual financial statements have been drawn up in compliance with IAS 34 «Interim Financial Reporting». They are based on the financial statements of the individual group companies drawn up according to uniform accounting policies at the end of the period under review and conform to the principles of consolidation and accounting principles set forth in the 2002 financial year. These have been applied unchanged to the 2003 semi-annual report.

Scope of consolidation

The holding in Saifa Keller (Spain) was increased by about 1% to 50% as of January 1, 2003, and the company's name changed to Rieter Saifa. By virtue of Rieter's controlling position, the company is fully consolidated as of that date. Rieter Saifa was included in the consolidated financial statements under the equity method up to the end of 2002. In the first six months of 2003 Rieter Saifa generated sales of 35.1 million CHF with some 300 employees.

Exchange rates for currency translation

	Average rates				Closing rates			
	First half 2003	First half 2002	Change	2002	30.6.2003	30.6.2002	Change	31.12.2002
1 Euro	1.49	1.47	1%	1.47	1.55	1.47	5%	1.45
1 USD	1.35	1.63	-17%	1.55	1.35	1.48	-9%	1.38
1 GBP	2.18	2.36	-8%	2.33	2.24	2.27	-1%	2.23

Sales

	January–June 2003 CHF m	January–June 2002 CHF m	January–December 2002 CHF m
Change in sales compared with the corresponding period of the previous year			
Change in sales due to volume and price, Textile Systems	164.4	-144.3	-112.3
Change in sales due to volume and price, Automotive Systems	3.5	17.6	62.5
Change in sales due to volume and price, other activities	-1.2	0.5	-12.1
Change in the scope of consolidation	35.1	0.0	0.0
Currency effects	-85.3	-59.9	-132.1
Total change in sales	116.5	-186.1	-194.0

The annual general meeting of Rieter Holding Ltd. held on Thursday, May 8, 2003, fixed the gross dividend for the 2002 financial year at 8.60 CHF per registered share, and this dividend was payable on May 14, 2003. The annual general meeting also re-elected Dr. Ulrich Dätwyler and Dr. Peter Wirth as members of the board of directors for a further three-year period of office.

The semi-annual financial statements have not been audited by the group auditors. The semi-annual report is published in English and German.

The report for the first half of 2003 was approved for publication by the board of directors on August 18, 2003. It will be published on August 21, 2003.

Financial calendar

Publication of sales figures for the 2003 financial year	February 5, 2004
Press conference and presentation of the 2003 financial statements for financial analysts	March 30, 2004
Annual general meeting	May 5, 2004

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

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