



## 2004 Semi-Annual Report

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# Rieter increased profit substantially

CHF million	January–June 2004	January–June 2003	Change	Change at previous year's exchange rates	January–December 2003
<b>Orders received</b>	<b>1 663.1</b>	<b>1 488.3</b>	<b>12%</b>	11%	<b>2 967.9</b>
<b>Sales</b>	<b>1 626.1</b>	<b>1 555.1</b>	<b>5%</b>	4%	<b>3 118.3</b>
thereof Textile Systems	<b>582.4</b>	<b>611.1</b>	<b>-5%</b>		<b>1 228.2</b>
thereof Automotive Systems	<b>1 032.7</b>	<b>939.2</b>	<b>10%</b>		<b>1 875.6</b>
<b>Corporate output</b>	<b>1 582.8</b>	<b>1 514.7</b>	<b>4%</b>		<b>2 991.3</b>
<b>Operating result before interest and taxes (EBIT)</b>	<b>104.3</b>	<b>100.9</b>	<b>3%</b>		<b>202.4</b>
– in % of corporate output	6.6	6.7			6.8
Textile Systems, in % of corporate output	10.2	10.9			10.6
Automotive Systems, in % of corporate output	5.0	4.4			4.6
<b>Net profit</b>	<b>67.7</b>	<b>53.3</b>	<b>27%</b>		<b>116.0</b>
– in % of corporate output	4.3	3.5			3.9
<b>Cash flow</b>	<b>135.0</b>	<b>114.9</b>	<b>17%</b>		<b>258.3</b>
– in % of corporate output	8.5	7.6			8.6
<b>Earnings per share<sup>1</sup></b>	CHF <b>15.07</b>	<b>11.72</b>	<b>29%</b>		<b>25.68</b>
<b>Investments<sup>2</sup></b>	<b>47.6</b>	<b>50.7</b>	<b>-6%</b>		<b>128.7</b>
<b>Number of employees<sup>3</sup></b>	<b>13 520</b>	<b>13 355</b>	<b>1%</b>		<b>13 316</b>

<sup>1</sup> Shares held by the company are not included in the average number of shares

<sup>2</sup> Tangible fixed assets and intangible assets

<sup>3</sup> At the end of the reporting period

Dear shareholders

The Rieter Group continued its profitable growth in the first half of 2004, and recorded increases in orders received, sales and operating earnings compared with the same period of the previous year. Net profit and earnings per share were substantially higher.

## Healthy growth

Orders received were 12% higher at 1 663.1 million CHF. Group sales improved by 5% to 1 626.1 million CHF due to the positive business trend at Automotive Systems. Rieter is geographically well positioned and is therefore benefiting especially from the dynamic performance of the growing Asian markets. The share of group sales booked in Asia (including Turkey) continued to increase, reaching 27% in the first six months, compared to 25% in 2003.

The operating result before interest and taxes (EBIT) improved by 3% to 104.3 million CHF compared with the previous year, which is equivalent to 6.6% of corporate output (6.7% in 2003). Higher volumes and rigorous cost management compensated increased costs due to the higher expenditure for energy and raw materials as well as the continued demand for price reductions at Automotive Systems. Rieter increased net profit by 27% to 67.7 million CHF, which is equivalent to 4.3% of corporate output (3.5% in 2003). The improved financial result contributed to this outcome. Earnings per share rose by 29% to 15.07 CHF, compared with 11.72 CHF in the first half of 2003.

Rieter Textile Systems recorded a 14% increase in orders received in the first six months. The capacity utilization of this

division's business units is almost assured until the end of the year. Textile Systems made further progress in the major Asian markets and already books 70% of textile machinery sales in this region. Rieter Automotive Systems achieved sales growth of 10% in the currently not growing automotive industry's main markets and made further progress in improving its operating margins. Automotive Systems' operating earnings increased by 25%.

The Rieter Group achieved the growth with only a slight increase in the workforce, which was attributable primarily to the addition of 150 employees in the context of establishing and expanding capacity in China. At mid-year Rieter had a total of 13 520 employees, compared with 13 355 employees at the same day of the previous year.

The group's financial stability was further reinforced. For example, cash flow increased by 17% to 135.0 million CHF and net liquidity has improved by 77.7 million CHF – from –22.2 million CHF to 55.5 million CHF – since the end of 2003. The equity ratio is a sound 40.9% (39.5% at the end of 2003). The reduction in share capital through the cancellation of 118 200 of the company's registered shares was completed after June 30, 2004.

## Rieter Textile Systems with significantly higher order intake

Orders received by Rieter Textile Systems in the first half of 2004 reached 619.4 million CHF, 14% higher than in the same period of the previous year. The demand for textile machinery continued to grow in the Asian markets, while remaining subdued in Europe, North America and Latin America. Staple fiber machinery was in especially strong demand, primarily

in China, Turkey and Pakistan. Orders for man-made fiber processing machinery were slightly higher than in the same period of 2003.

Sales declined by 5% to 582.4 million CHF, since delivery of some orders was delayed due to scarcity of resources (energy) at our customer sites in China; this backlog should be cleared in the second half of the year. China overtook Turkey to head the sales table for the first time in the period under review. More than 20% of total half-year sales were booked in China. Deliveries by Textile Systems to Asia increased by 9 percentage points to 70% in the first six months.

The operating result before interest and taxes (EBIT) declined to 58.1 million CHF (64.4 million CHF in 2003) due to lower volumes, but operating margins were still very good (10.2% compared to 10.9% in the first half of 2003).

Rieter's strategy of operating as a systems supplier is proving successful: increasing numbers of customers in Rieter's core business sector of staple fiber processing machinery are showing an interest in complete spinning installations rather than individual machines. Since the end of the nineteen-nineties Textile Systems has continuously increased deliveries of complete systems. The Rieter Rotor System, the new integrated system for manufacturing rotor-spun yarns, is encountering encouraging demand from customers and gaining market share. The new C 60 Card, another major source of innovation and sales, is meeting a good level of acceptance both from customers and in the textile press. It won the 2004 innovation award presented by the trade magazine «Textile World».

With the healthy level of orders in hand, Rieter currently believes that Textile Systems will make up the shortfall from

## Rieter Textile Systems

### Orders received

CHF million

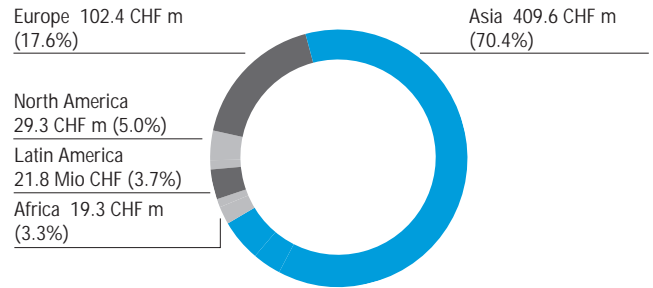


### Sales

CHF million



## Sales by geographical region



## EBIT

CHF million



the first six months despite the subdued man-made fiber business, and will achieve sales for the entire business year at the same healthy level as in the previous year.

## Rieter Automotive Systems improved sales and operating margin

As a successful supplier of integrated acoustic systems, Rieter Automotive increased sales in the first six months by 10% to 1 032.7 million CHF in a generally subdued automotive market. This performance was due to its very broad customer base, its strong position with the Japanese automobile manufacturers in Europe and North America and strong demand for Rieter Ultra-Light acoustic solutions. The commercial vehicle market was also a source of positive momentum in the first half of the year.

Global car production increased slightly in the first six months of 2004. However, the upswing forecasted by automotive industry experts remained weak. In Rieter's key markets of Western Europe and Nafta vehicle production even declined slightly by 0.3% and 0.1%, respectively. The trend was positive in the Eastern European and Asian markets as well as for the Japanese manufacturers in the US; in the first half of the year they produced 8.8% more vehicles than in the same period of 2003.

Despite ongoing demand for price reductions and higher raw material and energy costs, Automotive Systems reached a 25% increase in the operating result before interest and taxes (EBIT) to 50.3 million CHF. This corresponds to 5.0%

of corporate output, compared with 4.4% in the previous year. The improved operating margin is attributable to initial successes of the «Roadmap to Profitable Growth» program and improved utilization of manufacturing capacity.

High growth rates of some 20% in automobile production are again forecast for China this year. The joint venture formed last year by Rieter with Nittoku in southern China to supply the Japanese automobile manufacturers operating in that region started up as planned in the first half of 2004. As expected, sales during the start-up phase are still at a low level.

In light of the ongoing demand for price reductions and the high cost of raw materials, innovation, cost reductions and new manufacturing concepts continue to have high priority

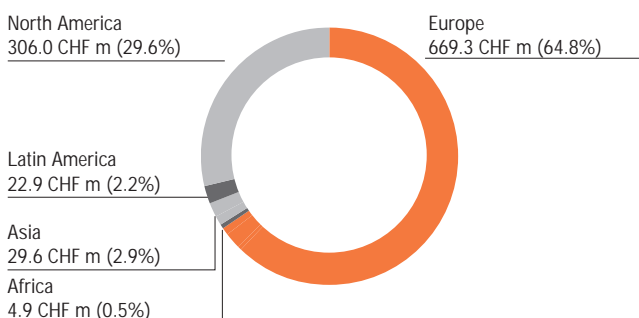
## Rieter Automotive Systems

### Sales

CHF million



### Sales by geographical region



### EBIT

in Mio CHF



for Automotive Systems. Despite the moderate prospects for increased output by the automobile manufacturers in the main markets of Western Europe and North America, sales momentum at Rieter Automotive will be maintained, although the sales trend in the second half of the year is likely to be rather more restrained than in the first six months due to seasonal factors.

## Outlook

Rieter expects sales in 2004 as a whole to exceed the previous year's figure, and foresees further improvements in operating earnings and net profit, provided exchange rates remain within the current range and there is no significant deterioration in the financial markets. This expectation is based on the healthy earnings position at Textile Systems and further improvement of the operating margin at Automotive Systems. Rieter is convinced of its ability to continue exploiting the opportunities for profitable growth in future on the basis of its dual strategy with two industrial divisions – Textile Systems and Automotive Systems – a good regional presence and the innovation potential of both divisions.

Winterthur, August 19, 2004  
Rieter Holding Ltd.

Kurt Feller

Chairman  
of the Board of Directors

Hartmut Reuter

Chief Executive Officer

## Consolidated income statement

	January–June 2004 CHF million %*		January–June 2003 CHF million %*		January–December 2003 CHF million %*	
<b>Sales</b>	<b>1 626.1</b>		<b>1 555.1</b>		<b>3 118.3</b>	
Sales deductions, change in semi-finished and finished goods, own work capitalized	-43.3		-40.4		-127.0	
<b>Corporate output</b>	<b>1 582.8 100.0</b>		<b>1 514.7 100.0</b>		<b>2 991.3 100.0</b>	
Material costs	-717.1	45.3	-690.1	45.6	-1 356.1	45.3
Employee costs	-470.2	29.7	-450.3	29.7	-891.1	29.8
Operating expense	-223.9	14.1	-212.0	14.0	-411.4	13.8
<b>Operating result before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>171.6 10.9</b>		<b>162.3 10.7</b>		<b>332.7 11.1</b>	
Depreciation and amortization	-67.3	4.3	-61.4	4.0	-130.3	4.3
<b>Operating result before interest and taxes (EBIT)</b>	<b>104.3 6.6</b>		<b>100.9 6.7</b>		<b>202.4 6.8</b>	
Financial result <sup>1</sup>	0.9		-12.4		-17.9	
Taxes	-37.5		-35.2		-68.5	
<b>Net profit<sup>2</sup></b>	<b>67.7 4.3</b>		<b>53.3 3.5</b>		<b>116.0 3.9</b>	
Minority shareholders' interest in net profit	-7.6		-5.6		-13.7	
<b>Net profit after deduction of minority interests</b>	<b>60.1</b>		<b>47.7</b>		<b>102.3</b>	
Earnings per share <sup>3</sup>	CHF	15.07	11.72		25.68	
Diluted earnings per share <sup>3</sup>	CHF	12.76	9.96		21.74	

\* in % of corporate output

<sup>1</sup> Financial result in 2004 does not require any valuation adjustment to marketable securities available for sale (January–June 2003: 8.6 million CHF)

<sup>2</sup> Net profit before deduction of minority interests

<sup>3</sup> Shares held by the company are not included in the average number of shares

## Consolidated balance sheet

	June 30, 2004 CHF million	June 30, 2003 CHF million	December 31, 2003 CHF million
<b>Assets</b>			
Tangible fixed assets	647.8	674.9	666.9
Intangible assets	152.2	162.2	160.7
Financial assets, deferred tax assets	154.8	171.3	154.8
<b>Fixed assets</b>	<b>954.8</b>	<b>1 008.4</b>	<b>982.4</b>
Inventories	379.0	366.8	369.4
Trade receivables	541.2	520.4	522.1
Other receivables	128.2	148.6	134.0
Marketable securities	148.2	96.0	144.0
Cash and cash equivalents	282.5	238.0	175.0
<b>Current assets</b>	<b>1 479.1</b>	<b>1 369.8</b>	<b>1 344.5</b>
<b>Assets</b>	<b>2 433.9</b>	<b>2 378.2</b>	<b>2 326.9</b>
<b>Shareholders' equity and liabilities</b>			
Share capital	22.8	22.8	22.8
Share premium account (capital reserve)	27.5	27.5	27.5
Group reserves	944.4	883.6	867.7
<b>Shareholders' equity</b>	<b>994.7</b>	<b>933.9</b>	<b>918.0</b>
<b>Minority interests</b>	<b>81.4</b>	<b>80.9</b>	<b>79.6</b>
Loans from banks, bonds, other long-term liabilities	293.8	275.6	296.1
Provisions, deferred taxes	218.4	221.7	219.2
<b>Long-term liabilities</b>	<b>512.2</b>	<b>497.3</b>	<b>515.3</b>
Trade payables	366.1	326.7	386.9
Advance payments by customers	117.3	111.9	102.7
Short-term bank borrowings, other short-term liabilities	362.2	427.5	324.4
<b>Current liabilities</b>	<b>845.6</b>	<b>866.1</b>	<b>814.0</b>
<b>Liabilities</b>	<b>1 357.8</b>	<b>1 363.4</b>	<b>1 329.3</b>
<b>Shareholders' equity and liabilities</b>	<b>2 433.9</b>	<b>2 378.2</b>	<b>2 326.9</b>

## Consolidated statement of cash flows

	January–June 2004 CHF million	January–June 2003 CHF million	January–December 2003 CHF million
<b>Net profit</b>	<b>67.7</b>	<b>53.3</b>	<b>116.0</b>
Depreciation, amortization	67.3	61.6	130.3
Change in net working capital, other	-36.1	-74.5	-48.8
<b>Cash provided by operations</b>	<b>98.9</b>	<b>40.4</b>	<b>197.5</b>
Capital expenditure / Disposals of tangible fixed and immaterial assets	-46.1	-51.8	-120.1
Investments / Disposals of investments	-0.9	8.4	2.8
Changes in holdings of marketable securities	-0.5	20.7	-18.2
Changes in the scope of consolidation	0.0	5.9	6.0
<b>Cash used for investing activities</b>	<b>-47.5</b>	<b>-16.8</b>	<b>-129.5</b>
Dividend paid to shareholders of Rieter Holding Ltd.	-34.5	-35.0	-35.0
Change in holding of own shares	51.4	2.9	-56.9
Change in minority interests	1.1	-1.1	6.2
Other changes arising from financing activities	39.1	60.1	10.1
<b>Cash provided by financing activities</b>	<b>57.1</b>	<b>26.9</b>	<b>-75.6</b>
Changes in basis of valuation, currency effects and consolidation items	-1.0	-4.9	-9.8
<b>Change in cash and cash equivalents</b>	<b>107.5</b>	<b>45.6</b>	<b>-17.4</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>175.0</b>	<b>192.4</b>	<b>192.4</b>
<b>Cash and cash equivalents at end of reporting period</b>	<b>282.5</b>	<b>238.0</b>	<b>175.0</b>

## Changes in consolidated equity

	January–June 2004 CHF million	January–June 2003 CHF million	January–December 2003 CHF million
<b>Shareholders' equity at end of previous period</b>	<b>918.0</b>	<b>873.3</b>	<b>873.3</b>
Dividend payment	-34.5	-35.0	-35.0
Currency effects, other	-4.1	31.3	11.6
Net profit after deduction of minority interests	60.1	47.7	102.3
Change in holding of own shares <sup>1</sup>	51.4	2.9	-56.9
Change in marketable securities available for sale <sup>2</sup>	3.8	13.7	22.7
<b>Shareholders' equity at end of reporting period</b>	<b>994.7</b>	<b>933.9</b>	<b>918.0</b>

<sup>1</sup> Holding of own shares on June 30, 2004: 207 391, include the 118 200 shares to be destroyed according to the decision of the Annual General Meeting (own shares on December 31, 2003: 377 130)

<sup>2</sup> Equity at the end of June 2004 does not require any valuation loss (end of June 2003: valuation loss in equity of 8.6 million CHF). At the end of December 2003, no valuation loss in equity was registered

### Net profit

CHF million



### Equity in % of total assets

CHF million



### Earnings per share

CHF



# Remarks to the semi-annual financial statement

## 1. Principles of consolidation and accounting principles

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 as of June 30, 2004. The principles of consolidation and accounting principles set forth in the 2003 annual report have been applied unchanged to the 2004 semi-annual financial statements. No new IFRS came into effect in the first half of 2004.

There were no changes in the scope of consolidation in the first half of 2004.

The semi-annual report is published in English and German and has not been audited by the group auditors. The consolidated income statement, balance sheet, statement of cash flows and changes in consolidated equity are presented in a condensed form.

## 2. Segment information by division

<b>Sales</b>			
CHF million	January– June 2004	January– June 2003	January– December 2003
Textile Systems	582.4	611.1	1 228.2
Automotive Systems	1 032.7	939.2	1 875.6
Other activities	11.0	4.8	14.5
<b>Total</b>	<b>1 626.1</b>	<b>1 555.1</b>	<b>3 118.3</b>

<b>Operating result (EBIT)</b>			
CHF million	January– June 2004	January– June 2003	January– December 2003
Textile Systems	58.1	64.4	122.7
Automotive Systems	50.3	40.3	84.6
Other activities, incl. group costs	-4.1	-3.8	-4.9
<b>Total</b>	<b>104.3</b>	<b>100.9</b>	<b>202.4</b>

<b>Capital expenditure on tangible and intangible assets</b>			
CHF million	January– June 2004	January– June 2003	January– December 2003
Textile Systems	8.4	7.9	29.6
Automotive Systems	39.1	42.4	97.7
Other activities	0.1	0.4	1.4
<b>Total</b>	<b>47.6</b>	<b>50.7</b>	<b>128.7</b>

<b>Number of employees at end of reporting period</b>			
	June 2004	June 2003	December 2003
Textile Systems	4 526	4 528	4 559
Automotive Systems	8 865	8 701	8 629
Other activities	129	126	128
<b>Total</b>	<b>13 520</b>	<b>13 355</b>	<b>13 316</b>

### 3. Segment information by geographical region

<b>Sales</b>			
CHF million	January–June 2004	January–June 2003	January–December 2003
Europe	782.7	723.8	1 472.8
Asia incl. Turkey	439.2	397.0	792.4
North America	335.3	353.6	695.8
Latin America	44.7	54.0	96.3
Africa	24.2	26.7	61.0
<b>Total</b>	<b>1 626.1</b>	<b>1 555.1</b>	<b>3 118.3</b>

### 4. Sales

<b>Change in sales</b>			
CHF million	January–June 2004	January–June 2003	January–December 2003
Change in sales due to volume and price, Textile Systems	–31.9	164.4	123.3
Change in sales due to volume and price, Automotive Systems	85.1	3.5	31.5
Change in sales due to volume and price, other activities	6.0	–1.2	–5.2
Change in the scope of consolidation	0.0	35.1	74.5
Currency effects	11.8	–85.3	–82.0
<b>Total change in sales</b>	<b>71.0</b>	<b>116.5</b>	<b>142.1</b>

### 5. Exchange rates for currency translation

	January–June 2004	Average rates			Closing rates			
		January–June 2003	Change	2003	June 30, 2004	June 30, 2003	Change	2003
<b>1 EUR</b>	<b>1.55</b>	1.49	4%	1.52	1.53	1.55	–1%	1.56
<b>1 USD</b>	<b>1.27</b>	1.35	–6%	1.34	1.25	1.35	–7%	1.24
<b>1 GBP</b>	<b>2.31</b>	2.18	6%	2.20	2.27	2.24	1%	2.21

### 6. Annual General Meeting and dividend

The Annual General Meeting of Rieter Holding Ltd. held on Thursday, May 5, 2004, fixed the gross dividend for the 2003 financial year at 8.60 CHF per registered share of 5.00 CHF par value. This dividend was payable to shareholders on May 12, 2004. The Annual General Meeting also re-elected Dr. Dieter Spälti as member of the Board of Directors for a further three-year period of office.

### 7. Financial calendar

The semi-annual report of 2004 was approved for publication by the Board of Directors on August 17, 2004. It will be published on August 19, 2004.

Publication of sales for the 2004 financial year	February 3, 2005
Result press conference and presentation of the 2004 financial statements	March 30, 2005
Annual General Meeting	April 28, 2005

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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