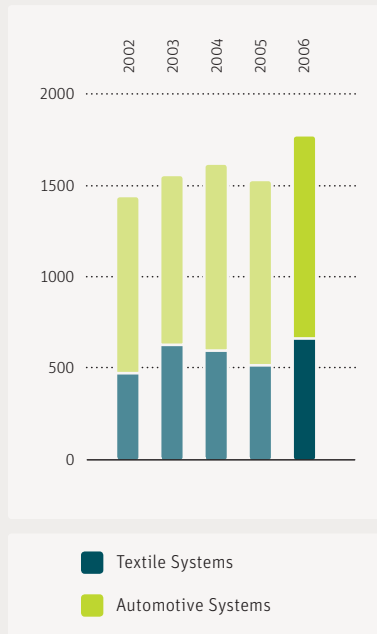


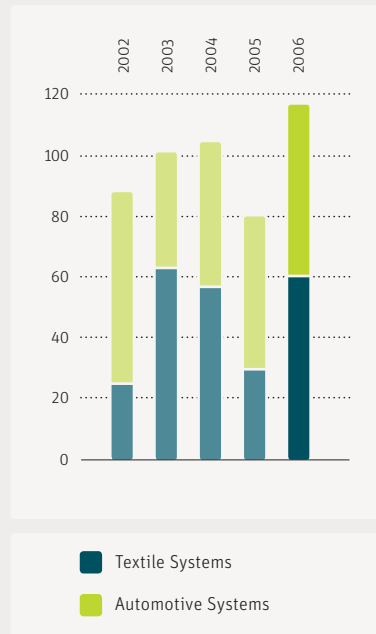


Rieter at a glance

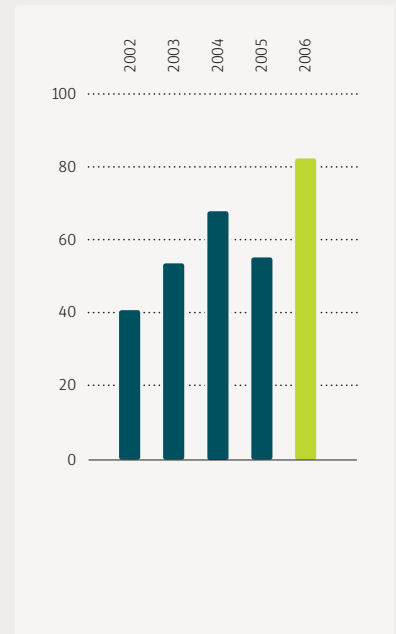
Sales January–June in CHF million



EBIT January–June in CHF million



Net profit January–June in CHF million



CHF million	January– June 2006	January– June 2005	Change	Change in local currencies	January– December 2005
Orders received	2 094.1	1 544.2	36%	33%	3 233.6
Sales¹	1 771.6	1 525.6	16%	13%	3 122.0
thereof Textile Systems	651.7	499.8	30%		1 085.4
thereof Automotive Systems	1 119.9	1 023.7	9%		2 031.4
Corporate output¹	1 731.9	1 497.9	16%		3 035.6
Operating result before restructuring, interest and taxes	128.3	82.7	55%		195.7
• in % of corporate output	7.4	5.5			6.4
Operating result before interest and taxes (EBIT)	116.8	80.2	46%		183.0
• in % of corporate output	6.7	5.3			6.0
Textile Systems, in % of corporate output	9.7	6.0			7.1
Automotive Systems, in % of corporate output	5.4	5.2			5.6
Net profit	82.1	54.9	50%		138.1
• in % of corporate output	4.7	3.7			4.5
Cash flow	138.8	118.9	17%		256.9
• in % of corporate output	8.0	7.9			8.5
Earnings per share	CHF 18.82	12.02	57%		30.80
Capital expenditure on tangible and intangible assets	82.8	54.7	51%		182.3
Number of employees at end of reporting period	14 914	13 990	7%		14 652

1. Excluding other income (2005 presentation adjusted)

Rieter reports sharply higher profits

Dear shareholders,

In the first half of 2006 the Rieter Group made further progress in developing its presence in the emerging markets in Asia and Eastern Europe. Projects aimed at expanding operations in these sales regions and exploiting cost benefits were successfully implemented by both divisions. In the first six months Rieter vigorously continued to adjust production capacity to the new competitive situation and will pursue this process further in the second half of the year.

- Orders received by Textile Systems almost doubled
- Higher sales and operating result at both divisions

The good trend of business in the second half of 2005 continued in the first six months of the current year, especially in the textile machinery business, but also in the automotive component supply sector. Orders received were 36% higher at 2 094.1 million CHF (1 544.2 million CHF in 2005). This was due mainly to a 91% increase at Textile Systems. Excluding acquisitions and currency effects, the increase on group level amounted to 30%. Group sales rose by 16% to 1 771.6 million CHF (1 525.6 million CHF in 2005). This was mainly attributable to the very good trend of business at Textile Systems, good organic growth at Automotive Systems, the first-time consolidation of the Graf Group (+3%) and positive currency effects (+3%).

Rieter reported a sharp increase of 46% in the operating result before interest and taxes to 116.8 million CHF (80.2 million CHF in 2005), equivalent to 6.7% of corporate output (5.3% in 2005). Operating margins improved at both divisions. Results were adversely affected by the higher cost of energy and materials, unsatisfactory earnings in the man-made fiber sector at Textile Systems and restructuring costs of 11.5 million CHF (2.5 million CHF in 2005).

Rieter's net profit rose to 82.1 million CHF (54.9 million CHF in 2005), equivalent to 4.7% of corporate output (3.7% in 2005). Higher operating earnings and a lower tax rate were the main contributors to this positive outcome. Earnings per share increased by 57% to 18.82 CHF (12.02 CHF in 2005).

Rieter's financial basis remains sound: the equity ratio on June 30, 2006, was 45.4% (46.0% on June 30, 2005) and net liquidity amounted to minus 25.5 million CHF (67.2 million CHF in 2005). Cash flow of 138.8 million CHF was generated in the first half (118.9 million CHF in the same period of 2005). The decline in net liquidity since June 30, 2005 was due to the acquisition of the Graf Group in the second half of 2005, the purchase of the remaining shares in Rieter Saifa in Spain and Unikeller India, investments to exploit growth opportunities and cost benefits, and a sales-related, seasonal increase in working capital in the first half of 2006.

Rieter's workforce totaled 14 914 on June 30, 2006 (13 990 on June 30, 2005). The increase was primarily due to acquisitions and also to the expansion of production capacity in low-cost countries in Eastern Europe, Asia and South America.

Outlook

Rieter will exploit growth opportunities in the emerging Asian and Eastern European markets and systematically undertake the structural adjustments this necessitates. Due mainly to the very good order situation at Textile Systems, Rieter expects significant sales growth and a further improvement in operating profitability in the 2006 financial year.

Rieter Textile Systems: operating result more than doubled

The textile industry's geographical shift to Asia and the simultaneous modernization of production capacities in that region is continuing undiminished. Rieter will increasingly develop products for specific markets and manufacture them locally in order to reinforce its position in those segments that have been served primarily by local suppliers to date.

The Textile Systems division can look back on a very good first half. The uncertainties in the global textile machinery market in connection with the discontinuation of WTO textile quota regulations have subsided and given way to a phase of rapid modernization in the staple fiber machinery sector. The market for staple fiber machinery recorded strong demand, especially in India. Rieter registered many more orders there in the first half than in the same period of the previous year. Demand from China also increased again, but sales there are still below Rieter's earlier peaks. The Graf Group, wholly owned by Rieter since October 2005, has substantially reinforced Rieter's position in the components business and fulfilled expectations in the first half of 2006 in terms of orders received, sales and earnings.

Orders received by Textile Systems in the first six months increased by 91% to 974.2 million CHF (511.1 million CHF in 2005); excluding acquisitions and currency effects, the increase amounted to 80%. Alongside India, the major markets were Turkey, China, Pakistan, South Korea and Bangladesh. In the staple fiber machinery sector there was good demand for spinning preparation products and also for the various final spinning processes, with Rieter's expertise as a systems supplier and innovation leader once again taking effect. A further market revival was also apparent in the components business and in nonwovens machinery. The market for manmade fiber machinery showed initial signs of revival. Nevertheless, sales in the first six months were subdued.

The good order situation resulted in higher capacity utilization in the first half of the year, and delivery lead times tended to lengthen. Sales in the first six months therefore did not rise as steeply as order intake; they increased by 30% to 651.7 million CHF (499.8 million CHF in 2005); the increase excluding acquisitions and currency effects amounted to 20%. The operating result before interest and taxes (EBIT) at Textile Systems doubled to 62.0 million CHF (30.1 Mio. CHF in 2005) and the operating margin increased to the very good level of 9.7% of corporate output (6.0% in 2005). The unsatisfactory earnings in the manmade fiber machinery business had a negative impact.

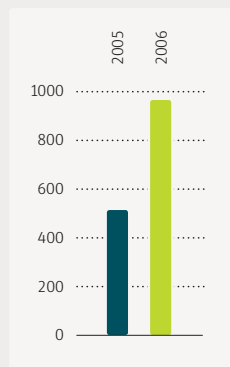
Rieter will systematically expand its presence in Asia, especially in China and India, in order to benefit from the geographical shift in the textile value chain. At the same time capacity and structures at existing locations will be adjusted to the new competitive situation.

On the basis of the high level of orders on hand and its flexible cost structure, Rieter Textile Systems expects to achieve significantly higher sales and operating earnings for the year as a whole.

Rieter Textile Systems

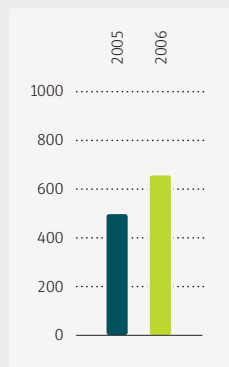
Orders received

January–June in CHF million



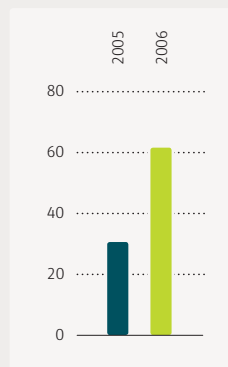
Sales

January–June in CHF million



EBIT

January–June in CHF million



Rieter Automotive Systems: a further rise in sales and operating result

The automotive manufacturers are continuing to expand capacity in the growth markets of Eastern Europe and Asia. Rieter is following its customers into these markets in order to create the preconditions for sustained, profitable growth. Rieter made further progress in putting its strategy into practice in the first half of 2006, for example by bringing a new plant on stream in Poland and forming a second joint venture with its Japanese partner Nittoku in China. The acquisition of a 100% interest in Unikeller India has given Rieter access to India's rapidly growing automotive market. However, in the period under review Rieter Automotive also continued to strengthen its good market position in Western Europe and in North and South America. This included investment in new plants in Spain, England, Brazil and the US in order to improve its cost position and geographical proximity to customers. At the same time Rieter is engaged in downsizing manufacturing capacity at locations in Western Europe. The integration of Rieter Saifa in Spain will enable costs to be reduced by utilizing synergies and growth opportunities in Europe's third-largest automotive manufacturing country to be exploited. Automobile output in Rieter's main markets of Western Europe and North America stagnated in the first six months. Market trends were better in East-

ern Europe (+18%), Asia (+11%) and South America (+7%). China alone recorded an increase in output of 32% in the period under review. Global automotive production increased by 5% to 34.3 million vehicles in the first six months of 2006.

Sales by Rieter Automotive rose by 9% to 1 119.9 million CHF (1 023.7 million CHF in 2005). Organic growth in all regions and positive currency effects (+4%) contributed to this outcome.

The division's operating result before interest and taxes increased in the first half of 2006 to 59.0 million CHF (52.6 million CHF in 2005), equivalent to 5.4% of corporate output, compared with 5.2% in the previous year. EBIT and operating margins improved despite the higher cost of energy and materials. Restructuring costs lowered EBIT by some 11 million CHF and the EBIT margin by 1 percentage point. Projects to transfer operations also had a temporary, adverse impact on operating efficiency at some locations.

Output growth is also being forecast for the second half of 2006, especially in the emerging automotive manufacturing nations. Rieter Automotive expects to post higher sales for 2006 as a whole compared to the previous year. The division will systematically continue to adjust capacity to changes in competitive conditions while at the same time improving its operating result.

Winterthur, August 15, 2006

Kurt Feller


Chairman
of the Board of Directors

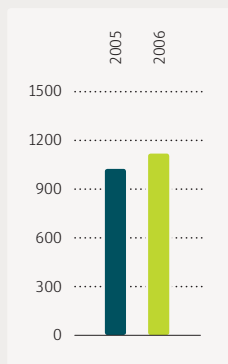
Hartmut Reuter


Chief Executive
Officer

Rieter Automotive Systems

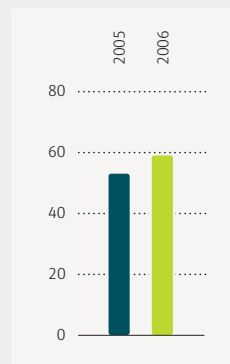
Sales

January–June in CHF million



EBIT

January–June in CHF million



Consolidated income statement

	January–June 2006		January–June 2005		January–December 2005	
	CHF million	%*	CHF million	%*	CHF million	%*
Sales¹	1 771.6		1 525.6		3 122.0	
Sales deductions, change in semi-finished and finished goods, own work capitalized	-39.7		-27.7		-86.4	
Corporate output¹	1 731.9	100.0	1 497.9	100.0	3 035.6	100.0
Material costs	-802.3	-46.3	-680.3	-45.4	-1 372.3	-45.2
Employee costs	-509.1	-29.4	-468.9	-31.3	-942.5	-31.0
Other operating expenses	-256.2	-14.8	-218.2	-14.6	-445.4	-14.7
Other operating income	24.0	1.3	13.7	0.9	38.0	1.2
Depreciation and amortization	-71.5	-4.1	-64.0	-4.3	-130.4	-4.3
Operating result before interest and taxes (EBIT)	116.8	6.7	80.2	5.3	183.0	6.0
Financial result	4.0		4.1		22.6	
Profit before taxes	120.8	7.0	84.3	5.6	205.6	6.8
Taxes	-38.7		-29.4		-67.5	
Net profit	82.1	4.7	54.9	3.7	138.1	4.5
Attributable to:						
Shareholders of Rieter Holding Ltd.	78.0		49.4		126.9	
Minority interests	4.1		5.5		11.2	
Earnings per share	CHF	18.82	12.02		30.80	
Diluted earnings per share ²	CHF	18.82	12.02		30.79	

* in % of corporate output

1. Excluding other income (2005 presentation adjusted)

2. Including dilution impact in connection with option plan (2005 adjusted)

Consolidated balance sheet

CHF million	June 30, 2006	June 30, 2005	December 31, 2005
Assets			
Tangible fixed assets	831.0	684.8	835.8
Intangible assets	193.3	176.2	198.2
Financial assets, deferred tax assets	125.3	121.1	125.6
Non-current assets	1 149.6	982.1	1 159.6
Inventories	490.1	394.7	426.0
Trade receivables	639.5	567.4	573.2
Other receivables	130.1	146.8	125.4
Marketable securities	232.3	158.3	232.0
Cash and cash equivalents	108.6	250.2	198.5
Current assets	1 600.6	1 517.4	1 555.1
Assets	2 750.2	2 499.5	2 714.7
Shareholders' equity and liabilities			
Share capital	22.3	22.3	22.3
Share premium account (capital reserve)	27.5	27.5	27.5
Group reserves	1 148.5	1 040.6	1 142.4
Equity attributable to shareholders of Rieter Holding Ltd.	1 198.3	1 090.4	1 192.2
Equity attributable to minority interests	49.7	60.6	70.0
Total shareholders' equity	1 248.0	1 151.0	1 262.2
Long-term financial debt	81.3	291.2	264.8
Provisions, other non-current liabilities	255.6	212.5	250.2
Non-current liabilities	336.9	503.7	515.0
Trade payables	401.1	345.2	431.8
Advance payments by customers	159.2	130.3	125.9
Short-term financial debt	285.1	50.1	69.0
Other current liabilities	319.9	319.2	310.8
Current liabilities	1 165.3	844.8	937.5
Liabilities	1 502.2	1 348.5	1 452.5
Shareholders' equity and liabilities	2 750.2	2 499.5	2 714.7

Consolidated statement of cash flows

CHF million	January–June 2006	January–June 2005	January– December 2005
Net profit	82.1	54.9	138.1
Depreciation, amortization and other non-cash income and expenses	56.7	64.0	118.8
Change in net working capital, other	-122.9	-106.4	-14.1
Cash provided by operations	15.9	12.5	242.8
Capital expenditure/disposals of tangible and intangible assets	-65.4	-51.9	-161.4
Investments in/disposals of non-current financial assets	8.5	0.5	-6.1
Change in holdings of marketable securities	-3.0	-18.1	-78.6
Acquisitions	-3.9	1.7	-76.7
Cash used for investing activities	-63.8	-67.8	-322.8
Dividend paid to shareholders of Rieter Holding Ltd.	-41.5	-41.5	-41.5
Change in holding of own shares	-13.5	1.0	8.5
Buyout of minority interests	-14.9	-60.2	-60.2
Other changes in minority interests	-4.2	-6.0	-3.8
Change in financial debt	32.6	-1.2	-26.0
Cash used for financing activities	-41.5	-107.9	-123.0
Currency effects	-0.5	7.8	-4.1
Change in cash and cash equivalents	-89.9	-155.4	-207.1
Cash and cash equivalents at beginning of year	198.5	405.6	405.6
Cash and cash equivalents at end of reporting period	108.6	250.2	198.5

Changes in consolidated equity

CHF million	January–June 2006	January–June 2005	January– December 2005
Total shareholders' equity at end of previous period	1 262.2	1 147.6	1 147.6
Dividend of Rieter Holding Ltd.	-41.5	-41.5	-41.5
Buyout of minority interests	-14.9	-60.2	-60.2
Other changes in minority interests	-4.2	-6.0	-3.8
Currency effects	-18.8	54.9	55.7
Net profit	82.1	54.9	138.1
Change in holding of own shares ¹	-13.5	1.0	18.6
Change in marketable securities available for sale	-3.4	0.3	7.7
Total shareholders' equity at end of reporting period	1 248.0	1 151.0	1 262.2

1. Holding of own shares on June 30, 2006: 50 162 (on December 31, 2005: 10 582)

Notes to the semi-annual financial statements

1 Principles of consolidation and accounting principles

The consolidated semi-annual financial statements have been prepared in accordance 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, 2006. The principles of consolidation and accounting principles set forth in the 2005 annual report have been amended for 2006 by the new and revised IFRS standards, without this having a material impact on the consolidated semi-annual financial statements.

Tianjin Rieter Nittoku Automotive Sound-Proof Co., Ltd. in China and Rieter Automotive India Pvt. Ltd. in India were added to the scope of consolidation (cf. note 5 Changes in the scope of consolidation).

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

Sales¹

CHF million	January–June 2006	January–June 2005	January– December 2005
Textile Systems	651.7	499.8	1 085.4
Automotive Systems	1 119.9	1 023.7	2 031.4
Other activities	0.0	2.1	5.2
Total	1 771.6	1 525.6	3 122.0

1. Excluding other income (2005 adjusted)

Operating result (EBIT)

CHF million	January–June 2006	January–June 2005	January– December 2005
Textile Systems	62.0	30.1	74.7
Automotive Systems	59.0	52.6	111.4
Other activities, incl. group costs	-4.2	-2.5	-3.1
Total	116.8	80.2	183.0

Capital expenditure on tangible and intangible assets

CHF million	January–June 2006	January–June 2005	January– December 2005
Textile Systems	16.1	7.7	26.7
Automotive Systems	64.1	46.8	155.1
Other activities	2.6	0.2	0.5
Total	82.8	54.7	182.3

Number of employees

	June 30, 2006	June 30, 2005	December 31, 2005
Textile Systems	5 370	4 979	5 422
Automotive Systems	9 416	8 884	9 098
Other activities	128	127	132
Total	14 914	13 990	14 652

3 Segment information by geographical region

Sales¹

CHF million	January–June 2006	January–June 2005	January– December 2005
Europe	814.4	775.1	1 438.5
Asia incl. Turkey	453.8	316.3	775.3
North America	392.0	345.7	722.1
Latin America	84.1	72.5	156.2
Africa	27.3	16.0	29.9
Total	1 771.6	1 525.6	3 122.0

1. Excluding other income (2005 adjusted)

4 Sales

Change in sales

CHF million	January–June 2006	January–June 2005	January– December 2005
Change in sales due to volume and price, Textile Systems	101.4	-105.9	-158.6
Change in sales due to volume and price, Automotive Systems	53.6	1.0	25.6
Change in sales due to volume and price, other activities	-2.1	-2.9	-0.5
Change in the scope of consolidation	47.5	27.9	82.9
Currency effects	45.6	-9.9	36.0
Total change in sales	246.0	-89.8	-14.6

5 Changes in the scope of consolidation

Rieter acquired a 51% interest in the Chinese automotive supplier Tianjin Rieter Nittoku Automotive Sound-Proof Co., Ltd. as of January 1, 2006. The plant, which is operated jointly with Japanese joint venture partner Nittoku, has some 100 employees and is expecting sales of about 5 million CHF in 2006. At the end of April 2006, Rieter raised its holding in the Indian automotive supplier Rieter Automotive India Pvt. Ltd. (formerly Unikeller India Pvt. Ltd.) to 100%. Previously, Rieter had held 35% in this Indian supplier of damping products. Rieter Automotive India has some 80 employees and generated sales of around 3 million CHF

in the last financial year. Both companies are fully consolidated as from the date of acquisition. The impact of the acquired companies on the consolidated result for the first half of 2006 was immaterial. The initial accounting was determined provisionally. In accordance with IFRS 3, adjustments to the fair values assigned to the identifiable assets acquired and liabilities assumed can be made within 12 months of the acquisition date. The initial accounting for the Graf Group, which was acquired as of October 3, 2005, was based on provisionally determined fair values. No adjustments to these provisionally determined amounts were necessary in the first half of 2006. Adjustments are possible until September 30, 2006. In the first half of 2006 the Graf Group contributed about 45 million CHF to sales and orders received.

6 Buyout of minority interests

At the end of March 2006 Rieter acquired the remaining 50% interest in the Spanish automotive supplier Rieter Saifa S.A. Rieter had cooperated as a joint venture partner with what was then Saifa-Keller since 1975 and had held a minority interest until 2003. In 2003 Rieter increased its holding to 50% and consolidated the company for the first time. Rieter Saifa generated sales of around 80 million CHF in 2005 and employed a workforce of some 300 at the end of 2005. As Rieter Saifa had already been fully consolidated before the purchase of the remaining 50% interest, the difference between the purchase price and the minority interest stated before the acquisition was credited to shareholders' equity.

7 Exchange rates for currency translation

Average rates	January–June 2006	January–June 2005	Change	January–Dec. 2005
1 EUR	1.56	1.55	1%	1.55
1 USD	1.27	1.20	6%	1.25
1 GBP	2.27	2.26	0%	2.26

Closing rates	June 30, 2006	June 30, 2005	Change	Dec. 31, 2005
1 EUR	1.57	1.55	1%	1.56
1 USD	1.23	1.28	-4%	1.32
1 GBP	2.27	2.30	-1%	2.27

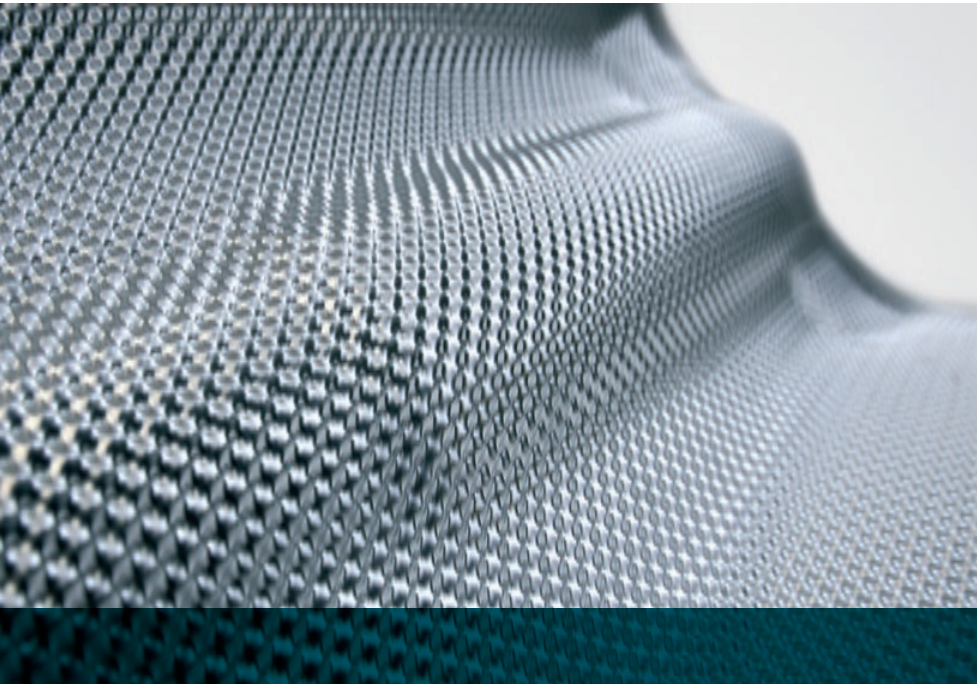
8 Annual General Meeting and dividend

The Annual General Meeting of Rieter Holding Ltd. held on Thursday, April 27, 2006, fixed the gross dividend for the 2005 financial year at CHF 10.00 (previous year CHF 10.00) per registered share of CHF 5.00 par value. This dividend was payable to shareholders on May 4, 2006.

9 Financial calendar

The semi-annual report for 2006 was approved for publication by the Board of Directors on August 11, 2006.

Publication of sales figures for the 2006 financial year:	February 1, 2007
Results press conference and presentation of the 2006 financial statements:	March 27, 2007
Annual General Meeting:	May 10, 2007



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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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