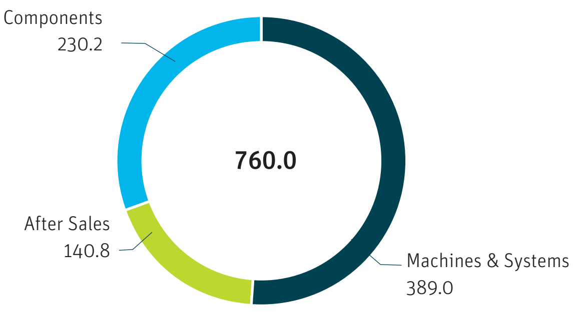
RIETER

2019

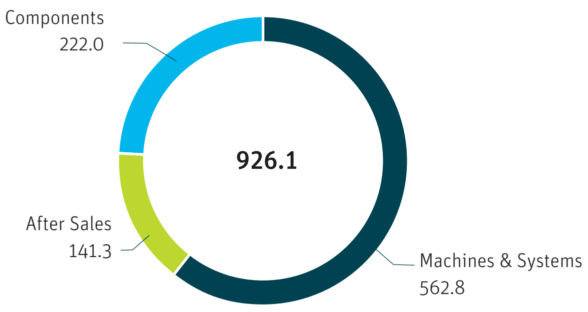
Annual Report

RIETER AT A GLANCE

Sales by Business Group
CHF million



Order Intake by Business Group
CHF million



CHF million	2019	2018	Difference
Order intake	926.1	868.8	7%
Sales	760.0	1 075.2	– 29%
EBITDA	123.1	84.1	46%
– in % of sales	16.2	7.8	
EBIT	84.9	43.2	97%
– in % of sales	11.2	4.0	
Net profit	52.4	32.0	64%
– in % of sales	6.9	3.0	
Capital expenditure	31.6	29.2	8%
Net liquidity	162.1	150.2	8%
Dividend per share (in CHF)[1]	4.50	5.00	– 10%
Equity in % of total assets	47.8	44.6	
Number of employees (excluding temporaries)	4 591	5 134	– 11%

[1] Motion of the Board of Directors

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RIETER GROUP

Rieter is the world's leading supplier of systems for short-staple fiber spinning. Based in Winterthur (Switzerland), the company develops and manufactures machinery, systems and components used to convert natural and man-made fibers and their blends into yarns. Rieter is the only supplier worldwide to cover spinning preparation processes as well as all four end spinning processes currently established on the market. Furthermore, Rieter is a leader in the field of precision winding machines. With 16 manufacturing locations in ten countries, the company employs a global workforce of some 4 590, about 21% of whom are based in Switzerland.

Rieter is a strong brand with a long tradition. For 225 years Rieter's innovative momentum has been a powerful driving force for progress in the spinning mill industry. Products and systems are ideally tailored to customer needs and mostly produced in the markets where the customers are located.

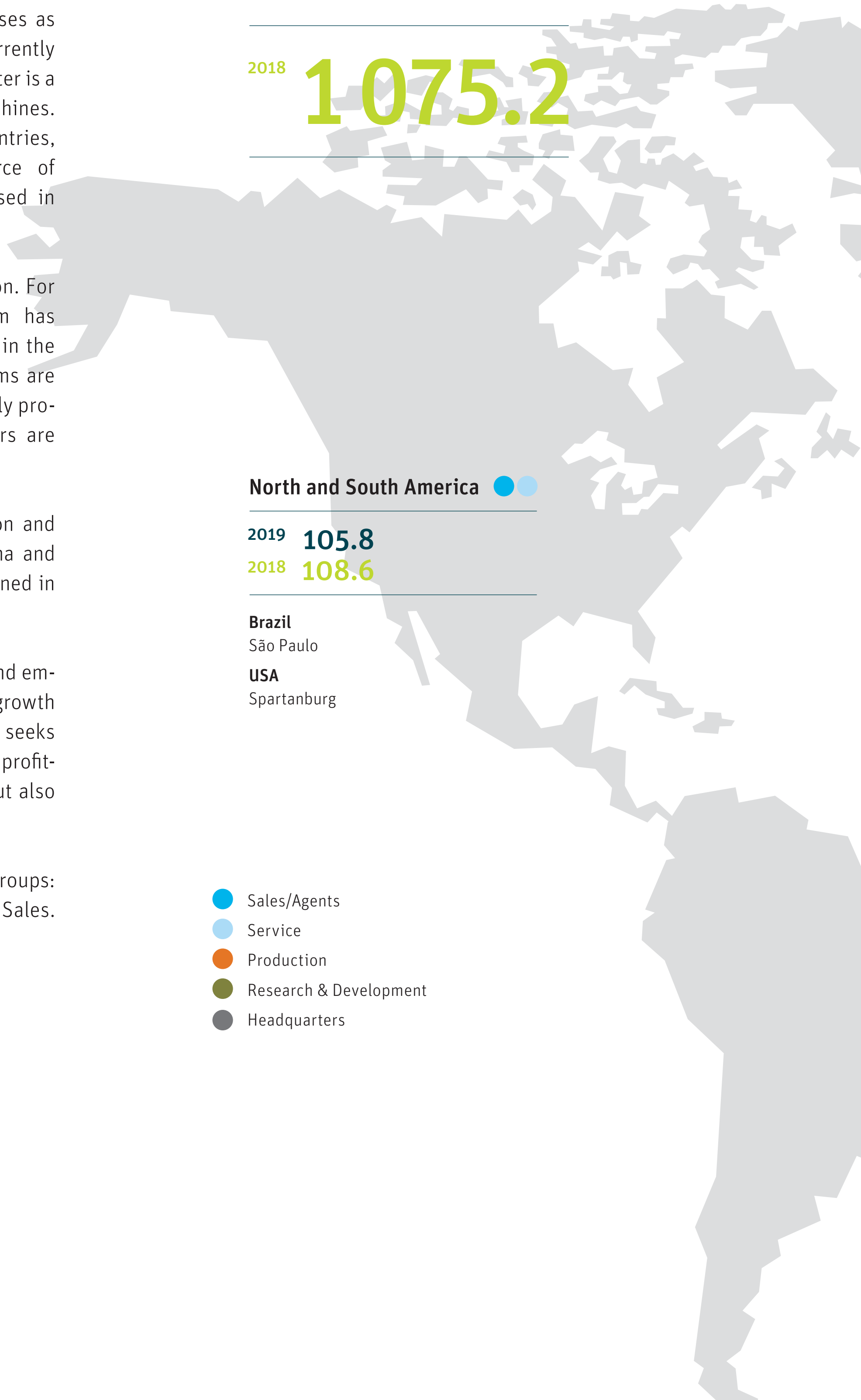
With a global sales and service organization and a strong presence in the core markets China and India, Rieter as market leader is well positioned in the global competitive environment.

For the benefit of shareholders, customers and employees, Rieter aspires to achieve sustained growth in enterprise value. With this in mind, Rieter seeks to maintain continuous growth in sales and profitability, primarily through organic growth, but also through strategic alliances and acquisitions.

The company comprises three business groups: Machines & Systems, Components and After Sales.

SALES
CHF million

2019	760.0
2018	1 075.2



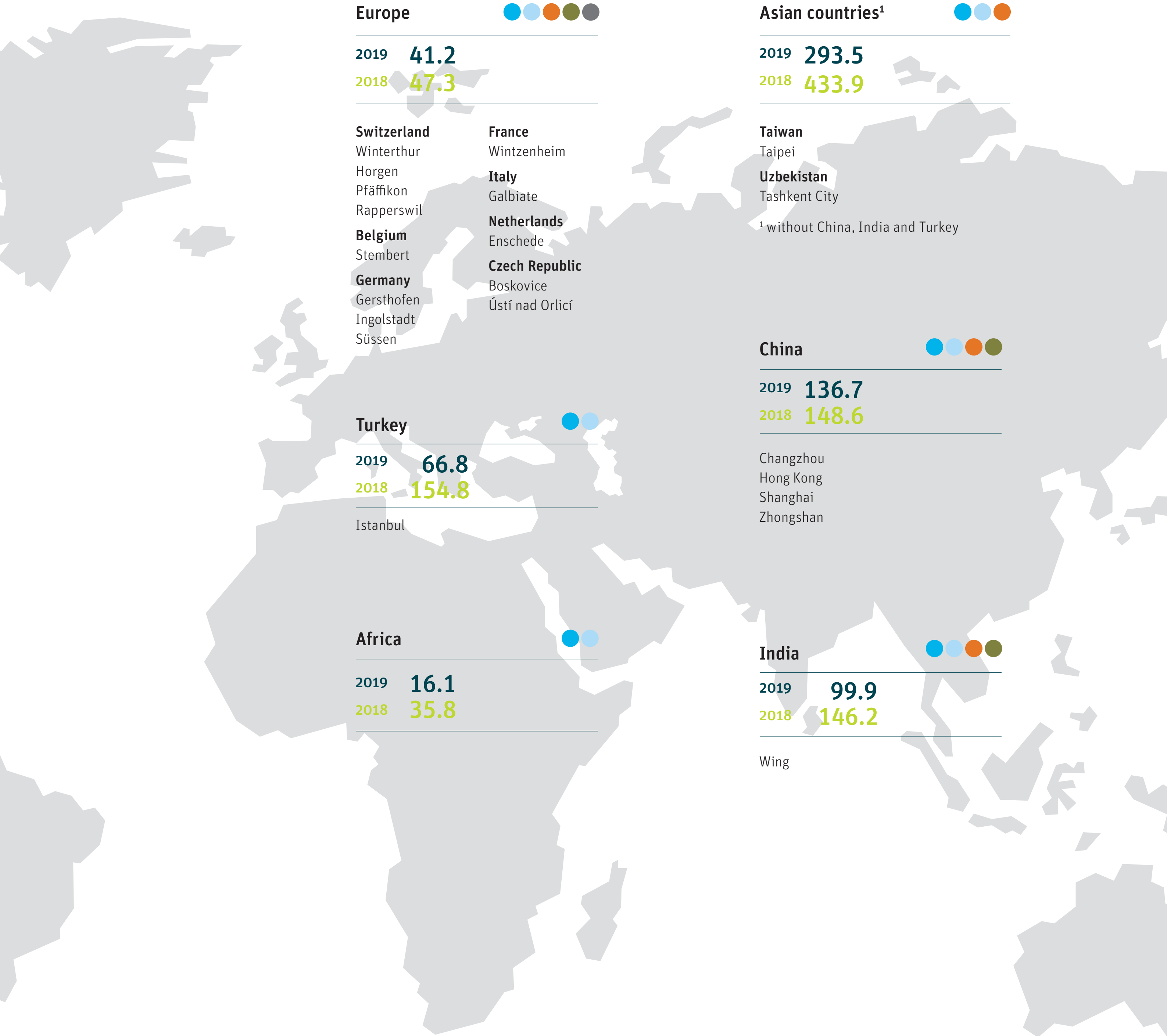
North and South America

2019	105.8
2018	108.6

Brazil
São Paulo

USA
Spartanburg

- Sales/Agents
- Service
- Production
- Research & Development
- Headquarters



Europe

2019 41.2
2018 47.3

Switzerland
Winterthur
Horgen
Pfäffikon
Rapperswil

Belgium
Stembert

Germany
Gersthofen
Ingolstadt
Süssen

France
Wintzenheim

Italy
Galbiate

Netherlands
Enschede

Czech Republic
Boskovice
Ústí nad Orlicí

Turkey

2019 66.8
2018 154.8

Istanbul

Africa

2019 16.1
2018 35.8

Asian countries[1]

2019 293.5
2018 433.9

Taiwan
Taipei

Uzbekistan
Tashkent City

[1] without China, India and Turkey

China

2019 136.7
2018 148.6

Changzhou
Hong Kong
Shanghai
Zhongshan

India

2019 99.9
2018 146.2

Wing

Bernhard Jucker
Chairman of the Board of Directors

Dr. Norbert Klapper
Chief Executive Officer

DEAR SHAREHOLDER

For Rieter, financial year 2019 was a year of contrasts. On the one hand, there was the weak demand for new machines in the first nine months of the year, with the respective consequences for the sales and profitability of all three business groups. The cost reduction measures that Rieter implemented in 2019 compensated for some of the effects of the lack of volume. On the other hand, there was the successful market launch of the innovations at ITMA in Barcelona, the major order from the Cotton & Textile Industries Holding Company of Egypt and the successful completion of the sale of real estate in Ingolstadt.

The demand for new machinery remained at a low level until the third quarter of 2019. Due to the low demand, Group sales declined by 29% to CHF 760 million (2018: CHF 1 075.2 million). Despite the low volume, the EBIT margin was 11.2%. This was due to the non-recurring profit contribution from the sale of real estate in Ingolstadt (Germany). The Board of Directors proposes to the shareholders the distribution of a dividend of CHF 4.50 per share.

In financial year 2019, Rieter recorded an order intake of CHF 926.1 million, which was 7% up on the prior-year period (2018: CHF 868.8 million). This development is attributable to a strong fourth quarter, in which Rieter booked orders totaling CHF 401.6 million (4th quarter 2018: CHF 119.0 million). At the end of 2019, the company had an order backlog of around CHF 500 million (December 31, 2018: around CHF 325 million).

EBIT MARGIN, NET PROFIT AND FREE CASH FLOW

Rieter generated an EBIT margin of 11.2% or CHF 84.9 million (2018: 4.0% or CHF 43.2 million). This includes the non-recurring profit from the sale of real estate in Ingolstadt in the amount of CHF 94.5 million. As a result of the capacity adjustment and cost reduction measures, the number of employees decreased by 11% to 4 591 (December 31, 2018: 5 134).

Net profit rose to CHF 52.4 million (6.9% of sales) and thus was significantly higher than in the previous year (2018: CHF 32.0 million or 3.0% of sales). The contribution from the sale of real estate in Ingolstadt had an impact of CHF 67.2 million (EUR 61.6 million) at the net profit level. Free cash flow in 2019 was CHF 42.3 million (2018: CHF 63.6 million). Net liquidity rose to CHF 162.1 million (December 31, 2018: CHF 150.2 million).

The equity ratio as of December 31, 2019, was 47.8% (prior year balance sheet date: 44.6%).

SALES BY REGIONS

The reporting year 2019 was characterized by the trade conflict between the USA and China, excess capacity in the spinning mills as well as political and economic uncertainties in regions of importance to Rieter. Against this background, sales in the Asian countries (without China, India and Turkey) amounted to CHF 293.5 million (-32%). In India, sales declined by 32% to CHF 99.9 million. Rieter's sales in Turkey amounted to CHF 66.8 million (-57%).

At CHF 136.7 million, sales in China were 8% down on the previous year. In North and South America, sales declined only slightly to CHF 105.8 million (-3%). In the Europe region, sales fell by 13% to CHF 41.2 million, while in the Africa region, Rieter recorded a decline in sales to CHF 16.1 million (-55%).

BUSINESS GROUPS

In the Business Group Machines & Systems, sales of new machines were at a very low level in the 2019 reporting year, falling by 42% to CHF 389.0 million (2018: CHF 669.3 million). The business group posted an EBIT of CHF -50.8 million (2018: CHF -9.7 million). This was due to the lower volume and expenditure on the ongoing innovation program. Machines & Systems received an order intake worth CHF 562.8 million, an increase of 20% compared to the previous year (2018: CHF 468.3 million). This is primarily due to the fourth quarter of 2019, in which an order intake worth CHF 307.0 million was booked. This figure includes orders from Cotton & Textile Industries Holding Company, Cairo (Egypt), for the delivery of ring and compact spinning systems, including installation services, of around CHF 165 million.

The Business Group Components recorded a drop in sales of 12% to CHF 230.2 million compared to the prior-year period (2018: CHF 262.3 million). This is attributable to the reluctance to invest in the markets, which primarily affected the business activities of SSM and Suessen. The wear and tear parts business continued at a normal level. At CHF 10.7 million, the business group generated a significantly lower EBIT compared to the previous year (2018: CHF 32.5 million). In addition to lower sales to third parties, this is due to the decline in sales from deliveries to Machines & Systems, which fell by 39% to CHF 52.6 million (2018: CHF 86.2 million). At CHF 222.0 million, order intake at Components was down by 15% compared to the previous year (2018: CHF 260.1 million), primarily in the Business Units SSM and Suessen.

With sales of CHF 140.8 million, the Business Group After Sales recorded a slight decline of 2% compared to the previous year (2018: CHF 143.6 million). This is mainly attributable to the lower volume in the machine business and the associated lower demand for installation services. In the spare parts business, After Sales generated sales at the level of the previous year. The business group increased EBIT to CHF 23.2 million (2018: CHF 21.3 million). With an order intake of CHF 141.3 million, After Sales also recorded an increase of 1% compared to the previous year (2018: CHF 140.4 million).

INNOVATIONS SUCCESSFULLY LAUNCHED

At ITMA 2019 in Barcelona (Spain), Rieter presented a comprehensive range of innovations for all four end spinning systems established on the market. The innovations aim to reduce raw material, energy and labor costs while increasing productivity and flexibility in the spinning mill. The strong demand for innovative solutions since the ITMA 2019 underlines Rieter's technology leadership. Thus, the company has achieved another important milestone in the implementation of the company strategy. The innovation program continues.

INGOLSTADT LOCATION

Rieter completed the sale of real estate in Ingolstadt (Germany) to GERCHGROUP AG of Düsseldorf (Germany) on September 13, 2019, which resulted in a one-time contribution of EUR 61.6 million at the net profit level. The Rieter employees in Ingolstadt will move into a new building in 2021.

START OF CONSTRUCTION OF RIETER CAMPUS AT THE WINTERTHUR LOCATION

Rieter applied for a building permit for the Rieter CAMPUS at the end of 2019. The Rieter CAMPUS comprises a new Customer and Technology Center as well as an administration building. The Board of Directors of Rieter Holding Ltd. has decided provisionally to start construction work on the Rieter CAMPUS during 2020, subject to receiving the legal building permit in good time.

DIVIDENDS AND DIVIDEND POLICY

At the Annual General Meeting on April 16, 2020, the Board of Directors will propose a dividend of CHF 4.50 per share.

CHANGES IN GROUP EXECUTIVE COMMITTEE

Since May 1, 2019, Rieter Group has two new Group Executive Committee members: Kurt Ledermann is Chief Financial Officer and Rico Randegger is Head of the Business Group After Sales.

BOARD OF DIRECTORS AND ANNUAL GENERAL MEETING

At the 128th Annual General Meeting held on April 4, 2019, the shareholders approved all motions proposed by the Board of Directors. The Chairman of the Board Bernhard Jucker and the Directors This E. Schneider, Michael Pieper, Hans-Peter Schwald, Peter Spuhler, Roger Baillod, Carl Illi and Luc Tack were confirmed for a further one-year term of office. This E. Schneider, Hans-Peter Schwald and Bernhard Jucker, the members of the Remuneration Committee who were standing for election, were also each re-elected for a one-year term of office.

OUTLOOK

As already reported, Rieter expects sales and earnings in the first half of 2020 to be significantly below the prior year level. The positive market sentiment in the fourth quarter of 2019 has continued in the first two months of 2020; hence sales and operating results in the second half of 2020 are expected to be above the prior-year level. The capacity adjustment program announced in January 2020 is proceeding according to plan.

The effects of the Covid-19 virus, which cannot be definitively determined at the present time, will be relevant for the year as a whole. Rieter has taken the appropriate precautions to protect employees and to keep the promises made to customers wherever possible.

THANKS

On behalf of the Board of Directors and the Group Executive Committee, we wish to thank all Rieter employees for their commitment in financial year 2019. We wish to thank our customers, suppliers and other business partners for their loyalty to the Rieter Group, and to thank the Rieter shareholders for the trust they have placed in us.

Winterthur, March 9, 2020

B. Jucker

Bernhard Jucker
Chairman of the
Board of Directors

N. Klapper

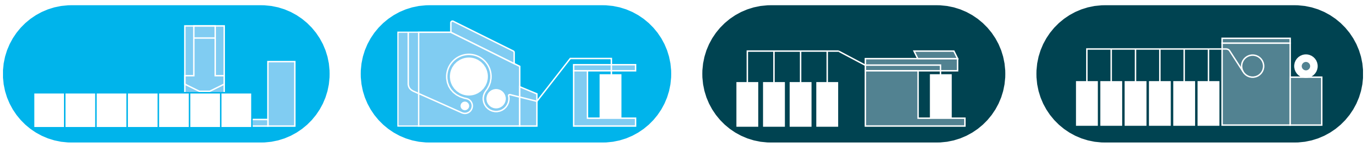
Dr. Norbert Klapper
Chief Executive Officer

FINANCIAL CALENDAR

Annual General Meeting 2020	April 16, 2020
Semi-Annual Report 2020	July 16, 2020
Publication of sales 2020	January 27, 2021
Deadline for proposals regarding the agenda of the Annual General Meeting	February 19, 2021
Results press conference 2021	March 9, 2021
Annual General Meeting 2021	April 15, 2021

RIETER BUSINESS MODEL

COMPACT-SPINNING SYSTEM (EXAMPLE)



Blowroom/Opener | Card | Draw frame | Combing preparation

With its spinning systems Rieter covers all four end spinning processes established on the market.

Around 104 million tons of fiber are processed annually around the world, for example for clothing, technical textiles or home textiles. Fiber consumption is growing with the world population and disposable income, on average between two and three percent per year.

YARN PRODUCTION

The process from fiber to textile begins with fiber production. A yarn is produced from the fibers, for example from cotton, linen, polyester or viscose. A textile is then produced from the yarn via various processing steps such as weaving, knitting, dyeing or finishing.

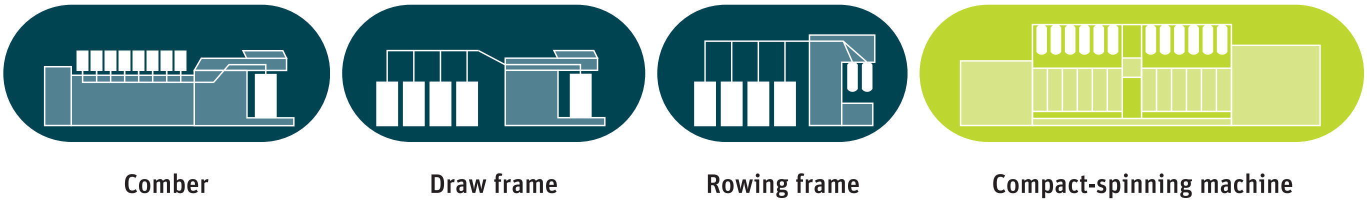
Yarn is produced in two basically different ways. On the one hand, this is done by spinning staple fibers. These are fibers with a staple length of 23 to 60 mm (short-staple fibers) or over 60 mm (long-staple fibers). On the other hand, yarn is produced by processing so-called filaments to make continuous filament yarn. The yarns resulting from filaments have different properties than those produced from staple fibers. In the clothing industry, the yarn produced from staple fiber predominates because it offers pleasant wearing comfort.

Each of the two types of yarn production accounts for around 50 percent of world fiber consumption.

Rieter is mainly engaged in yarn production from staple fibers. The most important of these are cotton (about 26 million tons per year), polyester (about 18 million tons per year) and viscose (about 6 million tons per year).

The process for producing a yarn from staple fibers consists of three stages: fiber preparation, spinning preparation and end spinning.

In fiber preparation, the fibers, which are delivered in bales, are separated, cleaned if necessary, and aligned. This takes place in the process stages blowroom/opener and card. Spinning preparation involves the homogenization and drawing of the sliver. The machine required for this is known as the draw frame. In cotton processing, the comber also plays a role: here, short fibers are combed out in order to produce a higher quality yarn. By the end of the spinning preparation stage, a uniform sliver or roving has been produced.



SPINNING PROCESS

In the end spinning stage, the fiber mesh is further drawn (up to about 40 fibers in cross-section for very fine yarns) and spun into a yarn by twisting. Twisting takes place either by means of a rotating spindle (ring spinning, compact spinning), by rotation of a rotor (rotor spinning) or by an air flow (air-jet spinning). Compact spinning is a variant of ring spinning that uses an auxiliary device to achieve yarn with a higher density as a result of improved fiber integration.

After spinning, imperfections are removed from the yarn. The yarn is then wound on a package, in order to present it in a suitable form for the subsequent process steps in the textile production chain.

MEASURED VARIABLES FOR CAPACITY

The production capacity for producing yarn from staple fibers is measured in spindle equivalents. The production capacity of a ring spindle serves as the basis. The spinning unit of a rotor spinning machine corresponds to the productivity of five to six ring spindles, whereas that of an air-jet spinning machine corresponds to the productivity of 20 ring spindles.

A total of more than 250 million spindle equivalents are used worldwide to produce yarn from the around 50 million tons of staple fibers, of which around 103 million are in China, 55 million in India, 70 million in the Asian countries (excluding China, India and Turkey) and 12 million in Turkey. Every year, between 11 and 13 million spindle equivalents are installed worldwide. In 2019, Rieter delivered 1.32 million spindle equivalents (2018: 2.15 million). In addition, spinning mills require wear and spare parts for ongoing operation.

MARKET VOLUME

**Global volume for
staple fiber machines per year**

MARKET

The world market for staple fiber machines, which is relevant for Rieter, has an annual volume of CHF 3 200 to 4 000 million. Rieter is the market leader with a market share of around 30 percent.

BUSINESS WITH NEW MACHINES, WEAR AND SPARE PARTS

The business with new machines is cyclical. The tendency to invest in the spinning industry is mainly influenced by expectations regarding fiber consumption and the margins that can be achieved by selling yarns. Fiber consumption is dependent on the economy, while the margins for yarn depend on the movement of raw material prices, capacity utilization and the production costs of the spinning mills, foreign exchange rates and government policies.

The business with wear and spare parts is much less cyclical. The basic business is driven by the degree of capacity utilization of spinning mills – operational spinning mills require wear and spare parts. Project business such as the conversion or modernization of entire spinning mills, on the other hand, are subject to the investment cycle described above.

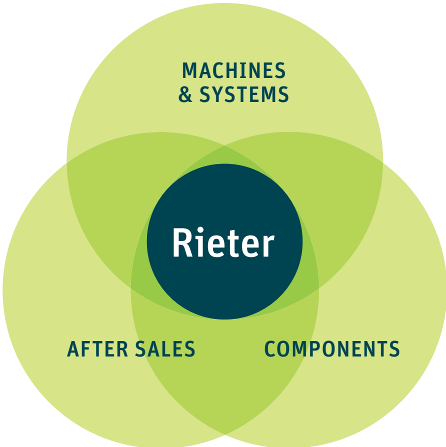
PRODUCT AND SERVICE OFFERING

Rieter plans spinning mills, develops, produces and supplies the machines for fiber preparation, spinning preparation and end spinning, and supervises the installed machines throughout their life cycle.

Rieter with all its brands is established worldwide as a premium supplier. Innovative products and services from Rieter enable spinning mill operators to be more competitive. Success factors are either low yarn production costs, which are achieved through savings on raw materials, energy, labor and depreciation, or special yarns, which allow higher prices to be achieved.

The professionalism and availability of the service is also a key aspect when customers decide to buy Rieter products.

BUSINESS GROUPS



Established premium supplier with innovative products and services

THREE BUSINESS GROUPS

The Business Group Machines & Systems develops, produces and distributes new equipment as spinning systems or as single machines. Blowroom and cards are used for fiber preparation; draw frames, combers and rowing frames are used for spinning preparation; and ring, compact-, rotor and air-jet spinning machines are used for end spinning. The offer is supplemented by planning services and automation solutions as well as ESSENTIAL, the Rieter Digital Spinning Suite, as a digital platform for the complete spinning mill.

The Business Group Components develops, produces and distributes technology components and precision winding machines for use in the textile value chain. Technology components come into contact with fibers and affect yarn properties; they are used in new machines and have to be replaced at regular intervals during operation. Precision winding machines are used for downstream yarn processing, such as dyeing.

The Business Group After Sales develops, produces and distributes spare parts for Rieter machines as well as upgrades, conversions and retrofits. After Sales also sells technology components that are not included in the range of products offered by the Business Group Components. After Sales also offers services that enable Rieter customers to improve the efficiency and effectiveness of their spinning mills.

(Sources: PCI, ITMF, estimate Rieter)

INNOVATIONS SUCCESSFULLY LAUNCHED AT ITMA 2019

At ITMA 2019 in Barcelona, Rieter presented a comprehensive range of innovations for all four spinning mill systems established on the market. These innovations aim to reduce raw material cost, energy and labor costs while increasing productivity and flexibility in the spinning mill. In addition to new solutions for the production of innovative yarns and the automation and greater flexibility of existing systems, Rieter also presented the advanced development of the digital platform ESSENTIAL.

Around 40 trade press journalists from all over the world looked on as CEO Norbert Klapper unveiled one Rieter innovation after the other at the start of ITMA 2019. Klapper began with the new rotor direct process, which once again significantly increases the strengths in system performance and yarn quality that have been available for many years. One reason for this is the fully automatic rotor spinning machine R 70, which sets new standards for rotor yarn production. It uses Rieter's proven spinning technology with few ends down and high productivity, and also offers greater efficiency through individual piecing at each spinning position. In fiber preparation, the high-performance card C 80 in conjunction with the draw frame module RSB-Module 50 ensures 30% more sliver production compared to the current standard. Impressive numbers for the representatives of the trade magazines.

The Rieter CEO then unveiled groundbreaking innovations for the ring and compact spinning process. As a long-standing system supplier, Rieter is well aware of the specific requirements that guarantee the success of the spinning mill for each customer. For this reason, Rieter presented an almost completely modernized portfolio that further increases the efficiency of this spinning process. So, in addition to the comber E 90 and the roving frame F 40, Rieter also showcased the

The first, closely-linked joint appearance of all Rieter brands at an important trade fair was explicitly praised by customers, visitors and the media.

CEO Norbert Klapper presented the over 40 trade press journalists with a portfolio that has been modernized almost throughout; here, the ring spinning machine G 38 with the three new compacting devices.

new COMPACT family (COMPACTeasy, COMPACTdrum and COMPACTapron), which enables simple switching between ring and compact yarn, thus offering maximum flexibility to the spinner. ROBOspin, the first piecing robot to reliably automate the piecing process and so make ring spinning even more appealing, attracted a great deal of interest.

CONTRACTS SIGNED FOR A VALUE OF AROUND CHF 180 MILLION

During the fair, Rieter signed contracts with the Cotton & Textile Industries Holding Company of Cairo (Egypt), which cover seven projects with a total volume for Rieter of around CHF 180 million. The agreement includes deliveries of ring and compact-spinning systems over the next two years. The order is part of a comprehensive modernization program for the Egyptian textile industry. The sales are expected to be realized in financial years 2020 and 2021.

As anticipated, customer demand for digital solutions from Rieter was high. And the customers were not disappointed: in ESSENTIAL, Rieter presented the system for managing a spinning mill. The Rieter Digital Spinning Suite integrates all digital applications, thereby linking all machines and the infrastructure that have an influence on yarn production. ESSENTIAL also offers user-defined interfaces for third-party systems such as ERP systems. Users can select the modules that meet their requirements and add these individually to the Rieter Digital Spinning Suite. In Barcelona, Rieter also presented new modules that will further improve the competitiveness of the spinning mill. The Rieter Digital Spinning Suite is constantly being developed.

Lively exchange of information: the innovations were very positively received by customers and visitors. The crowds at the Rieter booth were correspondingly large.

Rieter further showcased innovations in the air-jet spinning process, which is particularly cost-effective in producing a very attractive yarn from 100% combed cotton. The component manufacturers of the Rieter Group showed further innovations for ongoing operations, including a new ring traveler from Bräcker and the new solid ring from Suessen. SSM presented preciforce – a system for optimizing the package construction on precision winding machines, and fancyflex – technology for producing slub yarn for textured yarns. In addition, Rieter introduced to the market new solutions for optimizing the installed base, which made their debut at ITMA, including the PSM Drafting Motor and the Energy Saving Support Disc.

Many customers specifically praised the first, closely-linked joint appearance of all Rieter brands at an important trade fair; the strong cooperation between the Rieter business units Machines & Systems, Components and After Sales is having an impact. The innovations presented were received very positively by customers and visitors alike. In this way, Rieter achieved an important milestone in the implementation of its corporate strategy, focusing in the second half of 2019 on the successful market launch.

BUSINESS GROUP MACHINES & SYSTEMS

In reporting year 2019, the Business Group Machines & Systems recorded a significantly higher order intake than in the previous year, which is mainly attributable to the fourth quarter. By contrast, sales were at a very low level. Accordingly, the operating result before interest and taxes (EBIT) was negative.

Machines & Systems received orders worth CHF 562.8 million, an increase of 20% compared to the previous year (2018: CHF 468.3 million). The determining factor was the fourth quarter of 2019, in which an order intake of CHF 307.0 million was booked. This amount includes the order from the Egyptian Cotton & Textile Industries Holding Company for around CHF 165 million.

In the new machinery business, sales were very low at CHF 389.0 million (2018: CHF 669.3 million). This represents a decline of 42%. Demand for new machines in the reporting year was characterized by the trade conflict between the USA and China, excess capacity in the spinning mills and political and economic uncertainties in the regions of importance to Rieter. The Business Group posted an EBIT of CHF -50.8 million or -13.1% of sales (2018: CHF -9.7 million or -1.4%). The number of employees decreased by 16% from 2 516 to 2 119 as at December 31, 2019.

At ITMA 2019 in Barcelona, Machines & Systems showcased many innovations, which met with great interest. These include the new high-performance card C 80 for fiber preparation, which offers an unprecedented level of productivity. To increase the efficiency of the ring and compact-spinning processes, the new comber E 90, the roving frame F 40, the piecing robot ROBOspin and the compacting units COMPACTdrum, COMPACTapron and COMPACTeasy were introduced onto the market. Rieter also presented innovations in the rotor spinning process, such as the draw frame module RSB-Module 50 and the fully automatic rotor spinning machine R 70. All innovations are characterized by low energy consumption, high productivity and high machine availability with low raw material costs.

The high productivity, better use of raw materials and low energy consumption of the fully automatic rotor spinning machine R 70 set new standards.

BUSINESS GROUP COMPONENTS

In reporting year 2019, the Business Group Components posted a lower order intake with third parties than in the previous year. Sales to third parties declined in 2019, with the wear and tear parts business operating at a normal level. The operating result before interest and taxes (EBIT) decreased significantly.

In the Business Group Components with its business units Bräcker, Graf, Novibra, SSM and Suessen, order intake with third parties in 2019 was down by 15% to CHF 220.0 million compared to the previous year (2018: CHF 260.1 million). Overall, the decline can be attributed to a low level of investment by customers at SSM and Suessen.

In terms of sales to third parties, Components recorded a decline by 12% to CHF 230.2 million, with segment sales falling by 19% to CHF 282.8 million (2018: CHF 262.3 million and CHF 348.5 million, respectively). The decline in sales is also due to the lower order intake as a consequence of reluctance to invest, which primarily affected the business activities of SSM and Suessen. The wear and tear parts business continued at a normal level. At CHF 10.7 million, Components generated a lower EBIT compared to the previous year, which corresponds to a margin of 3.8% of segment sales (2018: CHF 32.5 million or 9.3%). In addition to the lower sales to third parties, this development can be attributed to the decline in sales from deliveries to Machines & Systems. The number of employees decreased by 7% from 1 598 to 1 487 as at December 31, 2019.

The Business Group covers a wide range of components for yarn production and subsequent processing. At ITMA 2019 in Barcelona, the component manufacturers of the Rieter Group showed further innovations for ongoing operations, which benefit Rieter's customers. These include the new ring traveler from Bräcker and the new solid ring from Suessen. With preciforce, SSM presented a system for optimizing the package construction on precision winding machines. SSM also showcased a further innovation in relation to yarn: fancyflex – technology for producing slub yarn for textured yarns.

Very well received at ITMA 2019: the SSM innovation preciforce – a system for optimizing the package construction on precision winding machines.

BUSINESS GROUP AFTER SALES

In reporting year 2019, the Business Group After Sales recorded a slightly higher order intake compared to the previous year. Sales decreased slightly. In contrast, the operating result before interest and taxes (EBIT) increased.

With an order intake of CHF 141.3 million, the Business Group After Sales recorded an increase of 1% in the reporting year compared to the previous year (2018: CHF 140.4 million).

The 2% year-on-year decline in sales to CHF 140.8 million compared to the previous year (2018: CHF 143.6 million) is mainly attributable to the lower volume in the machine business and thus a lower demand for installation services. After Sales generated a higher EBIT than in the previous year with CHF 23.2 million or 16.5% of sales (2018: CHF 21.3 million or 14.8%). The number of employees decreased by 1% from 684 to 678 as at December 31, 2019.

The growing range of digital services from Rieter also includes new solutions for optimizing the installed base. For example, ESSENTIAL, the Rieter Digital Spinning Suite, allows an entire spinning mill to be controlled using a single system. At ITMA 2019, After Sales also presented the ROBOspin piecing robot for Rieter ring spinning and compact-spinning machines. This means that After Sales has a highlight in its portfolio, because ROBOspin can also be used on installed machines. The robot guarantees fast repair of ends down, which can reduce personnel requirements and costs. Also new to the range, After Sales offers the three compacting units COMPACTdrum, COMPACTapron and COMPACTeasy, which are easy to assemble and disassemble on a ring spinning machine, thus offering maximum flexibility for spinning mills.

Already successfully in use: the piecing robot ROBOspin, which repairs ends down and thus ensures high productivity.

CORPORATE GOVERNANCE

As a corporate group with an international scope that is committed to creating long-term values, the Rieter Group maintains high standards of corporate governance and pursues a transparent information policy vis-à-vis its stakeholders. Transparent reporting forms the basis for trust.

The Articles of Association of Rieter Holding Ltd. and the regulations governing the organization of the company constitute the basis for the contents of the chapter "Group structure and shareholders". Reporting by Rieter conforms to the corporate governance guidelines issued by the SIX Swiss Exchange and the pertinent commentaries thereto. Unless otherwise stated, the data refer to December 31, 2019. All information is updated regularly on the website at https://www.rieter.com/investor-relations/.

Some data refer to the financial section of this Annual Report. The remuneration report can be found on pages 38 ff. of the Annual Report.

1 GROUP STRUCTURE AND SHAREHOLDERS

Group structure

Rieter Holding Ltd. is a company incorporated under Swiss law, with registered office in Winterthur, and as a holding company directly or indirectly controls all companies that are members of the Rieter Group. Some 40 companies worldwide were members of the Rieter Group on December 31, 2019. A list of the companies included in the scope of consolidation of Rieter Holding Ltd. can be found on page 64. The management organization of the Rieter Group is independent of the legal structure of the Group and the individual companies.

Significant shareholders

On December 31, 2019, Rieter was aware of the following shareholders with more than three percent of all voting rights in the company:

- PCS Holding AG, Frauenfeld, Switzerland, with 22.07%
- Artemis Beteiligungen I AG, Franke Artemis Holding AG and Artemis Holding AG, Hergiswil, Switzerland, with 11.52%
- Credit Suisse Funds AG, Zurich, Switzerland, with 5.11%
- Rieter Holding Ltd., Winterthur, Switzerland, with 3.01%

Refer to page 100 for details of these holdings.

All notifications of shareholders with more than three percent of all voting rights in the company have been reported to the Disclosure Unit of the SIX Swiss Exchange Ltd. and published via its electronic publication platform at https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

Cross-holdings

There are no cross-holdings in which the capital or voting interests exceed the three percent limit.

2 CAPITAL STRUCTURE

Share capital

On December 31, 2019, the share capital of Rieter Holding Ltd. totaled CHF 23 361 815. It is divided into 4 672 363 fully paid, registered shares with a par value of CHF 5.00 each. The shares are listed on the SIX Swiss Exchange (securities code 367144; ISIN CH0003671440; Investdata RIEN). Rieter's market capitalization on December 31, 2019, was CHF 623.4 million. Each share entitles the holder to one vote at the general meeting of shareholders.

Contingent and authorized share capital

The Board of Directors is authorized to increase the share capital by up to CHF 2 500 000 through the issue of up to 500 000 fully paid registered shares with a par value of CHF 5.00 each at any time until April 5, 2020. Increases by parts of this amount are permitted. Subscriptions for and purchases of the new shares are subject to the restrictions in §4 of the Articles of Association.

The Board of Directors stipulates the amount of issue, the type of contribution, the date of issue, the conditions for exercising subscription rights and the start of dividend entitlement. The Board of Directors can also issue new shares by means of firm underwriting by a bank or a third party and subsequent offer to existing shareholders. The Board of Directors is then authorized to restrict or preclude trading in subscription rights. The Board of Directors can allow unexercised subscription rights to lapse, can place them or shares for which subscription rights have been granted but not exercised on market terms and conditions or otherwise utilize them in the interests of the company.

The Board of Directors is also authorized to limit or cancel subscription rights of existing shareholders and allocate them to third parties in the event of their use

a) for acquiring companies, parts of companies or investments in companies, or for financing or refinancing such transactions or financing new investment projects by the company; or
b) for the purpose of broadening the shareholder structure in certain financial or investor markets, for the participation of strategic partners or in connection with the listing of the shares on domestic or foreign stock markets.

Rieter Holding Ltd. had no outstanding contingent share capital on December 31, 2019.

Convertible bonds and options

Rieter Holding Ltd. has no outstanding convertible bonds or shareholder's options.

Participation certificates and dividend-right certificates

Rieter Holding Ltd. has neither participation certificates nor dividend-right certificates in issue.

BOARD OF DIRECTORS

Michael Pieper
Member of the Board of Directors

Peter Spuhler
Member of the Board of Directors

Member of the strategy committee

Bernhard Jucker
Chairman of the Board of Directors

Chairman of the strategy committee, member of the remuneration committee and the nomination committee

This E. Schneider
Vice Chairman of the Board of Directors

Chairman of the remuneration committee and the nomination committee

Hans-Peter Schwald
Member of the Board of Directors

Member of the audit committee, the remuneration committee and the nomination committee

Roger Baillod
Member of the Board of Directors

Chairman of the audit committee

Carl Illi
Member of the Board of Directors

Member of the audit committee and the strategy committee

Luc Tack
Member of the Board of Directors

Member of the strategy committee

BOARD OF DIRECTORS

Michael Pieper
(1946)
Member of the Board of Directors

Swiss national

First election to Board
Member of the Board of Directors since 2009

Educational and professional background
Lic. oec. HSG; owner and Chief Executive Officer of Artemis Group (former Franke Group), Aarburg.

Other activities and interests
Director at Bergos Berenberg AG, Zurich; Forbo Holding AG, Baar; Arbonia AG, Arbon; Autoneum Holding AG, Winterthur; Franke Holding AG, Aarburg; Reppisch-Werke AG, Dietikon; various Artemis and Franke subsidiaries.

Committees
None.

Executive/non-executive
Non-executive.

Peter Spuhler
(1959)
Member of the Board of Directors

Swiss national

First election to Board
Member of the Board of Directors since 2009

Educational and professional background
Owner of Stadler Rail AG, Bussnang; largest shareholder since IPO in April 2019.

Other activities and interests
Chairman of the Board at Stadler Rail AG, Bussnang (and several other companies of the Stadler Rail Group), at PCS Holding AG, Frauenfeld, at Aebi Schmidt Holding AG, Frauenfeld; Vice Chairman at ZLE Betriebs AG (ZSC Lions), Zurich, at DSH Holding AG, Weiningen; Member of the Board of Directors at Allreal Holding AG, Zug, at Autoneum Holding AG, Winterthur, at Evonik Industries AG, Essen, at Robert Bosch GmbH, Stuttgart, at European Loc Pool AG, Frauenfeld; member of the council and member of the Executive Committee at Swissmem, Zurich; member of the Executive Committee at LITRA, Berne; member of the Foundation Board at Tele D, Diessenhofen; member of the Swiss federal parliament (Nationalrat) from October 1, 1999, to December 31, 2012.

Committees
Member of the strategy committee.

Executive/non-executive
Non-executive.

Bernhard Jucker
(1954)
Chairman

Swiss national

First election to Board
Member of the Board of Directors since 2016; Chairman since 2017

Educational and professional background
Master of Science in Electrical Engineering, ETH Zurich; Member of the Group Executive Committee ABB Ltd. from 2006 to June 2017; from 2006 to 2015 President Power Products Division ABB Ltd., from 2016 to June 2017 President Europe Region ABB Ltd.

Other activities and interests
Chairman of the Board of Directors of ABB Germany.

Committees
Chairman of the strategy committee, member of the remuneration committee and the nomination committee.

Executive/non-executive
Non-executive.

This E. Schneider
(1952)
Vice Chairman

Swiss national

First election to Board
Member of the Board of Directors and Vice Chairman since 2009

Educational and professional background
Lic. oec. HSG; Executive Chairman of the Board, Forbo Group, since April 2014; Executive Chairman and CEO, Forbo Group, from 2004 to March 2014; Executive Chairman and CEO of the Selecta Group from 1997 to 2002; member of the Executive Board, Valora Group, as managing director of the Canteen and Catering Division, from 1994 to 1997; Chairman and CEO of listed company SAFAA, Paris, France, from 1991 to 1993.

Other activities and interests
Member of the Board of Directors at Autoneum Holding AG, Winterthur.

Committees
Chairman of the remuneration committee and the nomination committee.

Executive/non-executive
Non-executive.

Hans-Peter Schwald
(1959)
Member of the Board of Directors

Swiss national

First election to Board
Member of the Board of Directors since 2009

Educational and professional background
Lic. iur. HSG; lawyer; Senior partner in the legal practice of BianchiSchwald LLC, Berne, Geneva, Lausanne and Zurich.

Other activities and interests
Chairman of the Board, Autoneum Holding AG, Winterthur; Vice Chairman of the Board, Stadler Rail AG, Bussnang; Chairman of the Board, VAMED Management and Service Switzerland AG as well as VAMED Health Project Switzerland AG, Zihlschlacht, and Chairman of the Swiss VAMED rehabilitation clinics; Chairman, AVIA Association of Independent Importers of Petroleum Products, Zurich; member of the Board of Directors of other Swiss stock corporations.

Committees
Member of the audit committee, the remuneration committee and the nomination committee.

Executive/non-executive
Non-executive.

Roger Baillod
(1958)
Member of the Board of Directors

Swiss national

First election to Board
Member of the Board of Director since 2016

Educational and professional background
Degree in Business Economics FH, certified Public Accountant; Professional Board Member since 2017; from 2006 to 2016 Chief Financial Officer and Member of the Group Management of Bucher Industries AG.

Other activities and interests
Member of the Board of Directors of Klingelnberg AG, Zurich; Chairman of the Board of Directors of Mitreva AG, Zurich; Vice Chairman of the Board of Directors of Ed. Geistlich Söhne AG, Schlieren; Member of the Board of Directors of BKW Energie AG, Berne; Member of the Board of Migros-Genossenschafts-Bund, Zurich.

Committees
Chairman of the audit committee.

Executive/non-executive
Non-executive.

Carl Illi
(1961)
Member of the Board of Directors

Swiss national

First election to Board
Member of the Board of Directors since 2017

Educational and professional background
Lic. oec. HSG.

Other activities and interests
Co-owner of CWC Textil AG Group, Zurich, since 2014; Chairman of the Board of Directors of CWC Textil AG, Zurich, and Swisstulle AG, Münchwilen, since 2009; Chairman of Swiss Textiles – Swiss Textile Federation, Zurich, since June 2017; member of the Board of Directors of the Swiss Textile College, Zurich, since 2014; Chairman of the Swiss Association of Textile Specialists, Reinach, from 1999 to 2011.

Committees
Member of the audit committee and the strategy committee.

Executive/non-executive
Non-executive.

Luc Tack
(1961)
Member of the Board of Directors

Belgian national

First election to Board
Member of the Board of Directors since 2017

Educational and professional background
Various management functions within Picanol NV, Belgium; since 2009 Managing Director of Picanol NV, Belgium; since 2013 Chief Executive Officer of Tessenderlo Chemie NV, Belgium.

Other activities and interests
Director of the following companies: Acotex NV, Belgium; Monks International NV, Belgium; Global Textile Alliance, Inc., USA; Symphony Mills NV, Belgium; Attent NV, Belgium; De Vier Weverkens NV, Belgium. Buba Begoos NV, Belgium; Harmony Industries NV, Belgium; VTP NV, Belgium; HTP NV, Belgium; Artela NV, Belgium; President of Symatex, Belgian Textile Machinery Association, Belgium.

Committees
Member of the strategy committee.

Executive/non-executive
Non-executive.

3 BOARD OF DIRECTORS

Members of the Board of Directors

Pursuant to the Articles of Association, the Board of Directors of Rieter Holding Ltd. consists of at least five and at most nine members. In the 2019 financial year, no member of the Board of Directors performed executive duties.

The management structure within the Board of Directors is reviewed periodically.

Group Secretary

Thomas Anwander, lic. iur., General Counsel of Rieter Holding Ltd., has been Secretary to the Board of Directors since 1993; he is not a member of the Board of Directors.

Election and term of office

Each person elected to the Board of Directors serves a term of office of one year. Nominations for election to the Board of Directors are made with due regard for the balanced composition of this body, taking account of industrial, international management and specialist experience as well as various aspects of diversity.

Directorships outside the Group

No member of the Board of Directors may hold more than fifteen other directorships, no more than five of which may be with listed companies. This restriction does not apply to the following:

a) directorships with companies controlled by the Group;
b) directorships held by a member of the Board of Directors by order of the Group or companies controlled by it;
c) directorships with companies which do not qualify as companies within the meaning of Art. 727 para. 1(2) CO;
d) directorships with non-profit associations and foundations as well as employee welfare foundations.

Directorships within the meaning of c) and d) are limited to twenty.

Internal organization

The Board of Directors is responsible for the overall management of the Rieter Group and the group companies. It exercises a supervisory function over the persons who have been entrusted with the management of the business. It takes decisions on all transactions assigned to it by law, the Articles of Association and the management regulations. It draws up the Annual Report, makes preparations concerning the Annual General Meeting and makes the necessary arrangements for implementing the resolutions adopted at the Annual General Meeting. The Board of Directors has the following decision-making authority:

- Composition of the business portfolio and the strategic focus of the Group
- Definition of the Group's structure
- Appointment and dismissal of the Chairman of the Group Executive Committee (CEO)
- Appointment and dismissal of the other members of the Group Executive Committee
- Definition of the authority and duties of the Chairman and the committees of the Board of Directors as well as the members of the Group Executive Committee
- Organization of accounting, financial control and financial planning
- Approval of strategic and financial planning, the budget, the annual financial statements and the Annual Report
- Principles of financial and investment policy, personnel and social policy, management and communications
- Signature regulations and allocation of authority
- Principles of internal auditing
- Decisions on projects involving expenditure exceeding CHF 10 million
- Issuance of bonds and other financial market transactions
- Incorporation, purchase, sale and liquidation of subsidiaries.

The Board of Directors comprises the Chairman, the Vice Chairman and the other members. The Chairman is elected at the Annual General Meeting; otherwise, the directors allocate their responsibilities among themselves. The Vice Chairman deputizes for the Chairman in the latter's absence. The Board of Directors has a quorum if a majority of members are present. Motions are approved by a simple majority. In the event of a tie, the Chairman has the casting vote. The Board of Directors has formed an audit committee, a remuneration committee, a strategy committee and a nomination committee to assist it in its work. However, decisions are taken by the Board of Directors as a whole.

The Board of Directors meets at least six times a year at the invitation of the Chairman, usually for half a day. The Board of Directors had six meetings in the 2019 financial year. In addition, three telephone conferences of the whole Board were held. All members of the Board of Directors attended all meetings of the Board, with the exception of one absence for business reasons. The agendas for the meetings of the Board of Directors are drawn up by the Chairman. Any member of the Board of Directors can also propose items for inclusion on the agenda. The Board of Directors usually makes an annual visit to one group location. Usually, the members of the Group Executive Committee also attend the meetings of the Board of Directors. They present the strategy and the results of their operating units, and also the projects requiring the approval of the Board of Directors. In exceptional cases, external consultants can also be invited for discussion of certain items on the agenda.

Once a year, the Board of Directors holds a special meeting to review its internal working methods and cooperation with the Group Executive Committee within the framework of self-assessment.

The **audit committee** currently consists of three members of the Board. Its chairman is Roger Baillod, and the other members are Carl Illi and Hans-Peter Schwald.

In the 2019 financial year, none of the members of the audit committee performed executive duties. The chairman is elected for one year. The audit committee meets at least twice a year. The Head of Internal Audit, representatives of the statutory auditors PricewaterhouseCoopers AG, the Chairman of the Board of Directors, the CEO and the CFO, and other members of the Group Executive Committee and management as appropriate, also attended the meetings in 2019. The main duties of the audit committee are:

- To elaborate principles for external and internal audits for submission to the Board of Directors and provide information on their implementation
- To assess the work of the external and internal auditors as well as their mutual cooperation and report to the Board of Directors
- To assess the audit reports and management letters submitted by the statutory auditors as well as the invoiced costs
- Overall supervision of risk management and acceptance of the Group Executive Committee's risk report addressed to the Board of Directors
- To report to the Board of Directors and assist the Board of Directors in nominating the statutory auditors and the group auditors for consideration at the Annual General Meeting
- To consider the results of internal audits, approve the audit plan for the following year and nominate the Head of Internal Audit
- The chairman of the audit committee is responsible for receiving complaints (whistle-blowing) in connection with the code of conduct (Regulations regarding Conduct in Business Relationships).

The audit committee met for two regular meetings in 2019. Each meeting lasted between half and one full day. All committee members attended all the meetings and regularly received the written reports of the internal auditors. The chairman of the audit committee met the external statutory auditors and the Head of Internal Audit twice a year at separate meetings.

Internal audit

Internal audit, headed by Stephan Mörgeli, Certified Public Accountant, is organizationally independent and reports to the audit committee. At the administrative level, internal audit reports to the CFO. Audits are performed on the basis of an audit plan approved by the audit committee. Fourteen regular audits were conducted in 2019. The audits focused on the design and the execution of the key controls defined within the scope of the internal control system.

Internal auditing also includes various compliance audits. Finally, additional risks and controls in connection with the business processes were examined. Each audit conducted also includes verification of the implementation of recommendations from previous audits.

The implementation and reliability of the internal controls were verified in the context of self-assessments to ensure that deviations were identified and appropriate corrective actions were taken. The internal audit reports are sent to the members of the audit committee, the Chairman of the Board of Directors, the members of the Group Executive Committee and the relevant members of management.

The **remuneration committee** consists of at least three and at most five members, each of whom is elected at the Annual General Meeting for a term of office of one year. The majority of its members must be independent pursuant to the Swiss Code of Best Practice for Corporate Governance, and have the necessary experience in the fields of remuneration planning and remuneration policy. The chairman of this committee is appointed by the Board of Directors. This E. Schneider held this position in 2019. The committee:

- Periodically reviews the remuneration plans and the remuneration regulations within the Group
- Sets out the basic features and key data of the Rieter Top Management Incentive System, the Group Bonus Program and the Long-Term Incentive Plan
- Elaborates the proposals for the remuneration of the Board of Directors and the Group Executive Committee for submission to the Board of Directors
- Examines the extent to which the defined performance objectives have been achieved and draws up a proposal for the payment of variable elements of remuneration
- Examines the remuneration report and confirms to the Board of Directors that the remuneration paid in the year under review complies with the resolutions of the Annual General Meeting, the principles governing remuneration policy and remuneration plans and regulations.

The committee held five meetings in 2019. Each meeting lasted half a day. All committee members were present at the meetings.

The **nomination committee** consists of at least three and at most five members, each of whom is elected by the Board of Directors for a term of office of one year. The chairman of this committee is appointed by the Board of Directors. This E. Schneider held this position in 2019. The committee has the following authority and duties:

- Succession planning for the Board of Directors, the Chairman and the committees
- Organization of the performance assessment of the Board of Directors and its members
- Definition of the selection criteria, evaluation and recommendation of candidates for the attention of the Board of Directors concerning the positions of Chairman of the Group Executive Committee (CEO), members of the Group Executive Committee and key management positions
- Regular receipt of information concerning succession plans in the group and management development activities
- Review of developments in the area of corporate governance which are not covered by the audit committee or the remuneration committee.

The committee held five meetings in 2019. Each meeting lasted half a day. All committee members were present at the meetings.

The **strategy committee** currently consists of four members of the Board, each of whom is elected by the Board of Directors for a term of office of one year. The chairman of the committee is appointed by the Board of Directors. Bernhard Jucker held this position in 2019. The strategy committee:

- Supports and assists the Board of Directors in the area of strategic planning
- Monitors and assesses developments and changes in the environment of the Rieter Group
- Reviews its own short and long-term orientation, especially in the areas of markets, customers, competition, products and technologies, business model, processes and standards
- Is involved in strategic matters such as acquisitions, divestitures, joint ventures, restructuring measures, etc.

The committee held two one-day meetings in 2019. All committee members were present at the meetings.

Rieter CAMPUS committee

To support the Rieter CAMPUS project in Winterthur, the Board of Directors has set up a committee consisting of two members of the Board of Directors and two members of the Group Executive Committee. The Rieter CAMPUS committee monitors the project organization, quality, costs and deadlines for the Rieter CAMPUS construction project. It is headed by Bernhard Jucker.

The committee held ten meetings in 2019.

Allocation of authority

The Board of Directors assigns operational management of the business to the CEO. The members of the Group Executive Committee report to the CEO. The allocation of authority and cooperation between the Board of Directors, the CEO and the Group Executive Committee is stipulated in the group management regulations. The CEO draws up the strategic and financial planning statements and the budget together with the Group Executive Committee, and submits them to the Board of Directors for approval. The CEO reports regularly on the course of business as well as on risks in the Group and changes in personnel at management level. The CEO is obliged to inform the Board of Directors immediately about business transactions of fundamental importance occurring outside the scope of periodic reporting.

Information and control instruments vis-à-vis the Group Executive Committee

Once a month, the Board of Directors receives from the Group Executive Committee a written report on the key figures of the Group and the business groups, which provides information on the balance sheet, cash flow and income statements, capital expenditure and projects. The figures are compared with the budget and the figures from the previous year. The Board of Directors is also informed at each meeting about the course of business, important projects and risks, as well as rolling earnings and liquidity planning. If the Board of Directors has to rule on major projects, a written request is submitted prior to the meeting. Projects approved by the Board of Directors are monitored within the framework of a special project controlling system. Once a year, the Board of Directors discusses the strategic plans drawn up by the Group Executive Committee and the financial budget for the Group and the business groups. Financial statements for publication are drawn up twice a year. The Group Executive Committee usually meets once a month. Twelve meetings were held in 2019. Two of them were held as closed-door meetings.

GROUP EXECUTIVE COMMITTEE (GROUP MANAGEMENT)

Dr. Norbert Klapper
Chief Executive Officer (CEO)

Carsten Liske
Head of the Business Group Machines & Systems

Serge Entleitner
Head of the Business Group Components

Rico Randegger
Head of the Business Group
After Sales

Kurt Ledermann
Chief Financial Officer (CFO)

Thomas Anwander
General Secretary and
General Counsel

GROUP EXECUTIVE COMMITTEE (GROUP MANAGEMENT))

Dr. Norbert Klapper
(1963)
Chief Executive Officer (CEO)

German national

Member of the Group Executive Committee
since 2014

Educational and professional background
Industrial Engineer, Technical University of Darmstadt, and Phd in Economics, Technical University of Munich.

Rieter Management AG, Winterthur, Chief Executive Officer and member of the Group Executive Committee of the Rieter Holding Ltd., Winterthur, since 2014; in addition to his present position, Head of the Business Group Machines & Systems, 2014 to 2016; Voith Turbo GmbH & Co. Kommanditgesellschaft, Heidenheim, member of the Board of Management, 2011 to 2013; Voith Industrial Services Holding GmbH, Heidenheim, member of the Board of Management, 2005 to 2010; Dürr AG, Stuttgart, member of the Executive Board, 2000 to 2005; Arthur D. Little, Munich, Partner, 1993 to 2000; University of Passau and Technical University of Munich, Teaching and Research Assistant, 1989 to 1993.

Other activities and interests
Member of the council at Swissmem, Zurich.

Carsten Liske
(1973)
Head of the Business Group Machines & Systems

German national

Member of the Group Executive Committee
since 2015

Educational and professional background
Master of Science ETH; Swiss Federal Institute of Technology, Zurich.

Rieter Management AG, Winterthur, Head of the Business Group Machines & Systems since 2019 and member of the Group Executive Committee of the Rieter Holding Ltd., Winterthur, since 2015; Rieter Management AG, Winterthur, Head of the Business Group After Sales, 2015 to 2018; Rieter Machine Works Ltd., Winterthur, Senior Vice President Operations Spun Yarn Systems, 2009 to 2014, and General Manager of Rieter China, Changzhou/Shanghai, 2011 to 2013; Oerlikon Esec, Cham, Chief Operating Officer, 2006 to 2009; Unaxis Balzers, Balzers, Head of Global Supply Chain Management, 2004 to 2005; ABB Group, Zurich, Assistant Vice President, Supply Chain Management, 1999 to 2004.

Other activities and interests
None.

Serge Entleitner
(1964)
Head of the Business Group Components

Austrian national

Member of the Group Executive Committee
since 2017

Educational and professional background
Master of social and economic sciences, Leopold-Franzens University Innsbruck; SKU Swiss Programs in Management, Brunnen and ETH Zurich, and London Business School.

Rieter Management AG, Winterthur, Head of the Business Group Components and member of the Group Executive Committee of the Rieter Holding Ltd., Winterthur, since 2017; Bühler AG, Uzwil, Head of Business Area Consumer Foods, 2011 to 2016; Conzzeta AG, Zurich, Head of Business Unit Coatings and member of the Executive Board, 2008 to 2010; Schmid-Rhyner AG, Adliswil, Managing Director, 2005 to 2008; SEFAR AG, Division Printing, Thal/SG, Head of Marketing & Sales MSC EUROW (Europe and Rest of the World, without USA and Asia Pacific), Vice President and member of the Division Management, 2000 to 2005; Saurer Sticksysteme AG, Arbon, several managing positions in sales, 1991 to 2000.

Other activities and interests
None.

Rico Randegger
(1973)
Head of the Business Group
After Sales

Swiss national

Member of the Group Executive Committee
since May 2019

Educational and professional background
Studies of Electrical Engineering at the NTB Buchs (HTL) and Postgraduate Studies in Business Engineering FH at the PHW Zurich.

Rieter Management AG, Winterthur, Head of the Business Group After Sales and member of the Group Executive Committee of the Rieter Holding Ltd., Winterthur, since 2019; Bosch Packaging Technology, Königsbrunn, Head of the Product Group Liquid Food, 2018 to 2019; Ampack GmbH, Königsbrunn, CEO, 2015 to 2017; Bosch Packaging Services AG, Beringen, CEO, 2010 to 2014; Bosch Packaging Services AG, Neuhausen, Director Field Service, 2008 to 2010; Sigpack Services, Inc., Raleigh (NC), Business Analyst, 2003 to 2007; Sigpack Systems AG, Neuhausen, Team Leader Customer Service, 2000 to 2002; SIG Pack Systems AG, Neuhausen, Commissioning Engineer, 1998 to 2000.

Other activities and interests
None.

Kurt Ledermann
(1968)
Chief Financial Officer (CFO)

Swiss national

Member of the Group Executive Committee
since May 2019

Educational and professional background
Master of Arts HSG, University of St. Gallen, and MSEE Degree in Electrical Engineering, ETH Zurich.

Rieter Management AG, Winterthur, Chief Financial Officer and member of the Group Executive Committee of the Rieter Holding Ltd., Winterthur, since 2019; Schaffner Holding AG, CFO and member of the Executive Committee, 2008 to 2019; RUAG Aerospace, CFO, 2007 to 2008; Schaffner Holding AG, Head of Group Finance & Accounting, 2003 to 2007; Medivision AG, CFO, 2002 to 2003; Sika Group, various positions in finance, 1996 to 2002.

Other activities and interests
Vice Chairman of the Board of Anlagestiftung Winterthur AWi, Zurich.

Thomas Anwander
(1960)
General Secretary and General Counsel

Swiss national

Member of the Group Executive Committee
since 2011

Educational and professional background
Lic. iur. HSG, University of St. Gallen; bar exam Canton Zurich.

Rieter Management AG, Winterthur, member of the Group Executive Committee of the Rieter Holding Ltd., since 2011, and General Secretary and General Counsel, since 1993; attorney at law in the legal department, 1989 to 1992; Winterthur Life, Winterthur, attorney at law in the legal department, 1988.

Other activities and interests
Chairman of the Board of Directors, Auwiesen Immobilien AG, Winterthur; Director, Gesellschaft für die Erstellung billiger Wohnhäuser, Winterthur; Director, Kowema AG, Risch-Rotkreuz; Chairman of the Chamber of Commerce and Employers' Federation, Winterthur.

Risk management

Rieter has an internal control system (ICS) with the aim of ensuring the effectiveness and efficiency of the company's operations, the reliability of the financial accounting, and compliance with legal requirements. The ICS is an important component of the risk management system.

The risk management process is regulated by the directive "Rieter Risk Management System". The directive defines the important risk categories on which risk management is based, and the offices that deal with the various risks within the Group. In addition, the directive sets out the procedures for the identification, reporting and handling of risks, the criteria for qualitative and quantitative risk assessment, and thresholds for reporting identified risks to the competent management levels.

In the context of an annual workshop, under the direction of the General Counsel, the risks associated with the probability of occurrence and the impact on the Group of the identified risks are assessed, and the necessary risk management measures are determined.

Market and business risks arising from developments in the relevant markets and the products offered are also assessed as part of strategic planning. In addition, as is the case with the operational risks, they are regularly the subject of the monthly Group Executive Committee meetings. Other risks which cause the current results to deviate from the financial plan are also dealt with at these meetings. In the process, necessary corrective measures are discussed, defined and monitored. Important individual risks are reported to the Board of Directors in the monthly reports.

Risks resulting from acquisitions or other major projects are recorded and dealt with at the corporate level within the scope of the authorization competencies and in the corresponding project organizations. Such projects are discussed at the Group Executive Committee meetings and evaluated regularly for submission to the Board of Directors.

Periodic reports are prepared for selected risks. This applies, in particular, to environmental and occupational safety risks at the various factories, financial risks from sales activities, risks arising from the work of treasury, and risks from legal disputes and legal compliance.

An overall assessment of the identified risks and the instruments and measures taken to deal with these risks takes place once annually. The results of this assessment are reported to the Board of Directors annually.

Code of Conduct

The Code of Conduct is part of every employee's contract of employment. The Code of Conduct is explained to the employees in the individual business units. Centralized coaching is also provided for members of management in the form of an e-learning program. Compliance with the Code of Conduct is regularly verified in the context of internal audits and by additional audits. The Code of Conduct can be accessed at https://www.rieter.com/investor-relations/corporate-governance/code-of-conduct/.

Employees have the option to report violations of the Code of Conduct via an external whistleblowing office.

Directorships outside the Group

No member of the Group Executive Committee may hold more than four directorships, no more than two of which may be with listed companies. This restriction does not apply to the following:
a) directorships with companies controlled by the Group;
b) directorships held by a member of the Group Executive Committee by order of the Group or companies controlled by it;
c) directorships with companies which do not qualify as companies within the meaning of Art. 727, para. 1(2) CO;
d) directorships with non-profit associations and foundations as well as employee welfare foundations.

Directorships within the meaning of c) and d) are limited to twenty.

Prior to a member of the Group Executive Committee assuming a directorship outside the Group, approval must first be obtained from the Board of Directors.

Management contracts
There are no management contracts between Rieter Holding Ltd. and third parties.

4 REMUNERATION, PARTICIPATION AND LOANS

Pursuant to §27 of the Articles of Association, the motions proposed by the Board of Directors regarding the maximum remuneration of the Board of Directors and the Group Executive Committee are adopted at the Annual General Meeting for the financial year following the ordinary general meeting.

Pursuant to §28 of the Articles of Association, the members of the Board of Directors receive a fixed remuneration, which is disbursed either wholly in cash or partly or wholly in the form of shares. The members of the Group Executive Committee receive a fixed remuneration plus an additional variable remuneration, which does not exceed 100% of their fixed remuneration. The variable remuneration depends on the achievement of financial, strategic and/or personal performance targets. The variable remuneration can be disbursed in the form of cash, shares or options.

Pursuant to §29 of the Articles of Association, the company is authorized to disburse additional remuneration to members of the Group Executive Committee who join the company or are promoted to the Group Executive Committee after the approval of remuneration at the Annual General Meeting, as long as this does not exceed 40% of the amount last approved.

Pursuant to §33 of the Articles of Association, the company can grant loans on market terms and conditions to members of the Board of Directors and the Group Executive Committee, whereby the amount of the loan may not exceed three times the last annual remuneration.

In other respects please refer to the remuneration report on pages 38 to 41.

5 SHAREHOLDERS' PARTICIPATORY RIGHTS

Voting restrictions
Rieter imposes no voting restrictions.

Restrictions on share transfers and nominee registrations
Those persons who are entered in the shareholders' register are recognized as voting shareholders. Rieter shares can be bought and sold without any restrictions. Pursuant to §4 of the Articles of Association, entry in the shareholders' register can be denied in the absence of an explicit declaration that the shares are held in the applicant's own name and for the applicant's own account. There are no other registration restrictions.

Shares held in a fiduciary capacity are not entered in the shareholders' register. As an exception to this rule, Anglo-Saxon nominee companies are entered in the register if the company in question has concluded a nominee agreement with Rieter. The nominee company exercises voting rights at the general meeting of shareholders. At Rieter's request, the nominee is obliged to disclose the name of the person on whose behalf it holds shares.

Statutory quorum
At the general meeting of shareholders, resolutions are adopted with the absolute majority of voting shares represented. Approval of the remuneration of the Board of Directors and the Group Executive Committee, and resolutions concerning the appropriation of available earnings, especially the declaration of dividends, is granted by a majority of votes cast, whereby abstentions do not count as votes cast. All amendments to the Articles of Association require at least a two-thirds majority of the votes represented.

Calling the general meeting of shareholders, drawing up the agenda, voting proxies

General meetings of shareholders are convened in writing by the Board of Directors at least twenty days prior to the event, with details of the agenda, pursuant to §8 of the Articles of Association, and are published in the company's official publication medium (Swiss Official Commercial Gazette). Pursuant to §9 of the Articles of Association, shareholders representing shares with a par value of at least CHF 500 000 can request the inclusion on the agenda of an item for discussion, with details of the relevant motions, by a closing date published by the company. Shareholders who do not attend general meetings in person can arrange to be represented by another shareholder, by the company or by the independent voting proxy. Power of attorney can be granted either in writing or electronically.

An independent voting proxy is elected every year at the Annual General Meeting. The term of office runs until the end of the next ordinary general meeting of shareholders.

Entries in the shareholders' register

No entries are made in the shareholders' register for ten days before and three days after the general meeting of shareholders.

6 CHANGE OF CONTROL AND DEFENSIVE MEASURES

Obligation to submit an offer

The legal provisions pursuant to Art. 22 BEHG (Bundesgesetz über die Börsen und den Effektenhandel – Swiss Exchanges and Securities Trading Act) are applicable. This states that a shareholder or a group of shareholders acting in concert who hold more than 33 1/3 percent of all shares must submit a takeover offer to the other shareholders.

Change of control clauses

There are no change of control clauses in contracts of employment and office. In the event of a change of control, all shares blocked in the context of variable remuneration are released.

7 STATUTORY AUDITORS

Duration of mandate and term of office of the lead auditor

PricewaterhouseCoopers AG, Zurich (PWC), have been the statutory auditors of Rieter Holding Ltd. and the Rieter Group since 1984. The statutory auditors are elected at the Annual General Meeting each year upon a motion proposed by the Board of Directors. Beat Inauen has officiated as lead auditor for the mandate since the 2019 financial year.

Audit fees

In the 2019 financial year PWC and other auditors charged the Rieter Group approximately CHF 0.8 million and CHF 0.1 million, respectively, for services in connection with auditing the annual financial statements of the group companies and Rieter's consolidated accounts.

Additional fees

Additional consultancy fees invoiced by the statutory auditors in 2019 amounted to CHF 0.1 million and concerned mainly tax consulting services.

Supervisory and monitoring instruments vis-à-vis the auditors

The audit committee of the Board of Directors makes an annual assessment of the performance, fees and independence of the statutory auditors. It submits a proposal for consideration at the Annual General Meeting regarding who should be elected as statutory auditors. Further information on auditing can be found on pages 27 and 28.

8 INFORMATION POLICY

Rieter maintains regular, transparent communication with the company's shareholders and the capital market. Shareholders entered in the shareholders' register are informed by mail (letters to shareholders) of the Group's annual financial statements and semi-annual results. In addition, shareholders and the capital market are informed via the media of material current changes and developments. Price-relevant events are publicized in accordance with the ad-hoc publicity requirements of the SIX Swiss Exchange. Rieter also cultivates dialog with investors and the media at special events.

The Annual Report is available in printed form and on the Internet at www.rieter.com. Press releases for the public, financial and trade media, as well as presentations, share price details and contact details, are also available at this website. The Board of Directors and the Group Executive Committee provide information on the financial statements and the course of business at the company, as well as answers to shareholders' questions, at the general meeting of shareholders. Once a year, Rieter informs about sustainability within the company.

Ad-hoc announcements

The push and pull links for disseminating ad-hoc announcements are published in compliance with the directive on ad-hoc publicity and can be accessed at
https://www.rieter.com/media/media-releases/.

Financial calendar

• Annual General Meeting 2020	April 16, 2020
• Semi-Annual Report 2020	July 16, 2020
• Publication of sales 2020	January 27, 2021
• Deadline for proposals regarding the agenda of the Annual General Meeting	February 19, 2021
• Results press conference 2021	March 9, 2021
• Annual General Meeting 2021	April 15, 2021

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REMUNERATION REPORT

This report complies with the provisions of the Ordinance against excessive compensation at listed public companies (VegüV), which came into effect on January 1, 2014, and the associated provisions of the Swiss Code of Obligations. It conforms essentially with the recommendations of the Swiss Code of Best Practice for Corporate Governance issued by Economiesuisse and the Corporate Governance Guidelines (RLCG) of the SIX Swiss Exchange.

1 BASIC PRINCIPLES

Managers at the highest corporate level are motivated by remuneration in line with market conditions and a performance and value-based system of variable salary components for the sustained enhancement of enterprise value.

The remuneration of members of the Group Executive Committee consists of a basic salary plus additional variable remuneration depending on the achievement of specific performance targets. In order to ensure a systematic focus on the long-term interests of shareholders, part of the variable remuneration is disbursed in the form of blocked shares. The three-year period during which the allocated shares are blocked ensures a close correlation between the compensation in the form of shares and the long-term development of Rieter's enterprise value.

Readiness to assume risks should not be influenced by a high proportion of variable remuneration components. There is therefore an upper limit to performance-related components, which amount to no more than 100% of the basic salary.

2 REMUNERATION SYSTEM

Generally available information on publicly-listed Swiss companies in the machine manufacturing industry is collected and compared in order to establish the levels of remuneration for the Board of Directors and the Group Executive Committee. Individual responsibility and experience are also taken into account in the case of the members of the Group Executive Committee.

Board of Directors

The members of the Board of Directors receive a fixed remuneration which differs according to their function and duties on the board committees. They can choose whether they wish to receive their entire remuneration in cash or in the form of shares to the same value. Cash compensation is paid as a rule in December of the current financial year. In the case of compensation in the form of shares, the number of shares is calculated on the basis of the average market value of Rieter shares on the first ten trading days of the new financial year, less a deduction of some 16% as permitted by the Swiss Federal Tax Administration to make allowance for the restriction on their sale. The shares are blocked for three years from the date of issue. Rieter Holding Ltd. makes the legally required pension and social security contributions; Board members also receive an annual lump-sum expenses allowance.

Board members do not receive any variable and performance-related remuneration.

Group Executive Committee

Basic salary

The basic salary of the members of the Group Executive Committee consists of a salary which is disbursed monthly. The CEO receives part of the basic salary in shares, which are subject to a lockup period of three years from the issue date. In 2019, the number of allocated shares was calculated based on the average market value of Rieter shares twenty stock exchange trading days before the Annual General Meeting. The members of the Group Executive Committee have a Swiss employment contract. The employer pays the pension and social security contributions stipulated by law and regulations, as well as employees' contributions for accident and sickness. The members of the Group Executive Committee receive a lump-sum expenses allowance for entertainment costs which is in line with the expenses guidelines approved by the tax authorities.

Variable remuneration

The members of the Group Executive Committee receive a variable remuneration component depending on the achievement of specific performance targets. According to §28 of the Articles of Association, these performance targets can comprise financial, strategic and/or personal targets, taking into account the function and level of responsibility of the recipient of the variable remuneration. The Board of Directors stipulates the weighting of the performance targets and the relevant target values annually in advance and provides information on these in the remuneration report.

If the financial, strategic and/or personal targets are achieved, the members of the Group Executive Committee are entitled to a performance-related component not exceeding 100% of their basic salary. The level is calculated on the basis of the sub-targets specified and weighted annually in advance.

A lower and upper threshold is defined for each of these sub-targets as well as a minimum target to be achieved within this range. If this minimum target is not achieved, no disbursement is made for this sub-target. Calculation of the performance-related remuneration is linear within the specified range. Half is disbursed in cash, the remainder in shares, which are blocked for three years from the date of issue. The number of shares granted is calculated on the basis of the average market value of Rieter shares on twenty trading days prior to the Annual General Meeting.

The Board of Directors is authorized to disburse up to 3% of the aggregate salary of the Group Executive Committee to members of the Group Executive Committee for exceptional individual achievements.

Target achievement in 2019, which is calculated on the basis of the sub-targets defined and weighted by the Board of Directors in advance, i.e. EBIT before restructuring charges (60%), RONOA (20%) and cash conversion rate (20%), while also taking due account of one-time income, amounts to 40%. Bonuses totaling CHF 124 500 were paid for individual performances in 2019.

3 RESPONSIBILITY AND AUTHORITY

The remuneration committee (RC) consists of no less than three and no more than five members of the Board of Directors. They are proposed by the Board of Directors to the Annual General Meeting. Their term of office is one year, until the conclusion of the next ordinary general meeting.

The RC assists the Board of Directors in setting out and monitoring remuneration policy, guidelines and performance targets, as well as in preparing proposals to the Annual General Meeting regarding total amounts of remuneration for the members of the Board of Directors and the Group Executive Committee.

The basic principles of salary policy are reviewed annually. The chairman of the RC can invite the CEO and the Head Group Human Resources to its meetings, if necessary. The CEO is not present at the meetings at which his own remuneration is specified. The RC held five meetings in the 2019 financial year; the minutes are available to all members of the Board of Directors.

Authority with regard to the type of remuneration is set out in the summary below. No external advisors were consulted for structuring salary policy or remuneration programs in 2019.

Types of remuneration	**CEO**	**RC**[1]	**BoD**[2]
Remuneration of the members of the Board of Directors		proposes	approves
Basic salary of the CEO		proposes	approves
Basic salary of other members of the Group Executive Committee	proposes	reviews	approves
Definition of targets for performance-related components of the Group Executive Committee's remuneration		proposes	approves
Definition of individual targets for the CEO		proposes	approves
Definition of individual targets for other members of the Group Executive Committee	proposes	reviews	approves

[1] Remuneration committee (RC)
[2] Board of Directors (BoD)

The Board's approval is subject to the consent of the Annual General Meeting. Pursuant to the Articles of Association, the Annual General Meeting votes annually on the total amount of the maximum remuneration of the Board of Directors and the Group Executive Committee for the financial year following the ordinary general meeting.

Pursuant to §29 of the Articles of Association, the company is authorized to disburse additional remuneration to members of the Group Executive Committee who join the company or are promoted to the Group Executive Committee after the approval of remuneration by the Annual General Meeting, and as long as the amount already approved for this period is insufficient. This applies so long as this does not exceed the amount last approved for the remuneration of the Group Executive Committee by 40% in all.

4 CONTRACTS OF EMPLOYMENT

Contracts of employment and mandates of members of the Board of Directors and the Group Executive Committee can be concluded for a fixed term of no more than twelve months or an unlimited term with a period of notice not exceeding twelve months. Renewal is permissible.

Prohibition of competition for a period following termination of the contract of employment may be agreed. In compensation for such prohibition of competition, remuneration may be paid for no more than two years in an annual amount not exceeding 50% of the annual remuneration last paid to this member.

5 REMUNERATION FOR THE 2018 FINANCIAL YEAR

Remuneration of the Group Executive Committee is stated according to the accrual method, since the performance-related salary components are not disbursed or allotted until the following year. A new member of the Board of Directors or the Group Executive Committee is included in the remuneration with effect from assuming the relevant function. The same applies to members leaving these bodies. The members of the Group Executive Committee receive their remuneration not from Rieter Holding Ltd., but from a directly held group company.

6 PAYMENTS TO FORMER DIRECTORS AND OFFICERS

No remuneration was paid to former directors and officers.

7 PAYMENTS TO RELATED PARTIES

No payments were made to parties related to the Board of Directors or the Group Executive Committee.

8 LOANS AND CREDITS

No loans were made or credits granted to related parties or directors and officers by either Rieter Holding Ltd. or any other group company. Nor are any loans or credits outstanding.

BOARD OF DIRECTORS

CHF	Cash compensation	Share-based compensation[1]	Social contributions and other compensation[2]	2019 Total	2018 Total
Bernhard Jucker, Chairman of the Board of Directors Chairman of the strategy committee, chairman of the Rieter CAMPUS committee, member of the remuneration committee and the nomination committee	–	389 939	26 234	416 173	379 702
This E. Schneider, Vice Chairman Chairman of the remuneration committee and the nomination committee	42 500	150 474	9 729	202 703	203 637
Roger Baillod Chairman of the audit committee	100 000	59 058	11 165	170 223	170 215
Carl Illi Member of the audit committee and the strategy committee	106 667	63 002	11 850	181 519	181 411
Michael Pieper	–	118 309	5 284	123 593	123 597
Hans-Peter Schwald Member of the audit committee, the remuneration committee, the nomination committee and the Rieter CAMPUS committee	190 000	–	14 646	204 646	186 192
Peter Spuhler Member of the strategy committee	–	153 398	9 686	163 084	162 981
Luc Tack Member of the strategy committee	–	153 398	9 686	163 084	162 981
Members of the Board of Directors	**439 167**	**1 087 578**	**98 280**	**1 625 025**	**1 570 716**

[1] The shares were valued for overall remuneration at CHF 134.17 (average market price on the first ten trading days in 2020). The issue is made after deduction of any social security contributions.
[2] Social contributions include the employer's social security contributions as well as contributions for accident and illness insurance. Employees' contributions are stated in the other compensation items.

GROUP EXECUTIVE COMMITTEE

CHF	Basic salary	Cash bonus	Share-based compensation	Social contributions[2]	2019 Total	2018 Total
Dr. Norbert Klapper, Chief Executive Officer[1]	650 000	130 000	130 000	201 742	1 111 742	1 082 160
Other Members	1 895 742	432 433	334 933	529 919	3 193 027	3 045 103
Members of the Group Executive Committee	**2 545 742**	**562 433**	**464 933**	**731 661**	**4 304 769**	**4 127 263**

[1] Highest single salary. Basic salary CHF 600 000 in cash and CHF 50 000 in shares.
[2] Pension and social security benefits include the employer's social security and pension fund contributions as well as contributions for accident and illness insurance. Employees' contributions are stated in the other compensation items.

REPORT OF THE STATUTORY AUDITOR ON THE REMUNERATION REPORT

pwc

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF RIETER HOLDING LTD., WINTERTHUR

We have audited the remuneration report of Rieter Holding Ltd. (section 5 to 8 on pages 40 and 41) for the year ended 31 December 2019. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance).

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the remuneration report of Rieter Holding Ltd. for the year ended 31 December 2019, complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Beat Inauen Audit expert Auditor in charge	Tobias Handschin Audit expert

Zurich, 9 March 2020

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CONSOLIDATED INCOME STATEMENT

CHF million	Notes	2019	%[1]	2018[2]	%[1]
Sales	(3.1/3.2)	**760.0**	**100.0**	**1 075.2**	**100.0**
Cost of sales		– 549.9	– 72.4	– 782.7	– 72.8
Gross margin		**210.1**	**27.6**	**292.5**	**27.2**
Research and development expenses		– 53.2	– 7.0	– 51.9	– 4.8
Selling, general and administrative expenses		– 189.1	– 24.9	– 215.1	– 20.0
Other income and expenses (net)	(3.3)	117.1	15.4	17.7	1.6
Operating result before interest and taxes (EBIT)		**84.9**	**11.2**	**43.2**	**4.0**
Share in profit of associated companies	(6.3)	0.9		1.4	
Financial income	(5.6)	4.6		2.7	
Financial expenses	(5.6)	– 5.0		– 4.7	
Profit before taxes		**85.4**	**11.2**	**42.6**	**4.0**
Income taxes	(8.1)	– 33.0		– 10.6	
Net profit		**52.4**	**6.9**	**32.0**	**3.0**
Attributable to shareholders of Rieter Holding Ltd.		52.4		31.9	
Attributable to non-controlling interests		0.0		0.1	
Basic earnings per share (CHF)	(5.4)	**11.65**		**7.07**	
Diluted earnings per share (CHF)	(5.4)	**11.65**		**7.06**	

1. In % of sales.
2. The comparative period (2018 financial year) has been adjusted due to the implementation of the cost of sales method (see note 1.2.1).
The notes on pages 48 to 87 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CHF million	Notes	2019	2018
Net profit		**52.4**	**32.0**
Remeasurement of defined benefit plans	(7.2)	– 2.3	0.5
Income taxes on remeasurement of defined benefit plans	(8.1)	1.3	– 0.3
Changes in fair values of financial assets		0.0	– 0.2
Items that will not be reclassified to the income statement, net of taxes		**– 1.0**	**0.0**
Currency translation differences		– 11.2	– 16.4
Income taxes on currency translation differences	(8.1)	0.1	0.0
Cash flow hedges	(8.6)	0.5	2.7
Income taxes on cash flow hedges	(8.1/8.6)	– 0.1	– 0.6
Items that may be reclassified to the income statement, net of taxes		**– 10.7**	**– 14.3**
Total other comprehensive income		**– 11.7**	**– 14.3**
Total comprehensive income		**40.7**	**17.7**
Attributable to shareholders of Rieter Holding Ltd.		40.7	17.7
Attributable to non-controlling interests		0.0	0.0

The notes on pages 48 to 87 are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

CHF million	Notes	December 31, 2019	December 31, 2018[1]
Assets			
Cash and cash equivalents	(5.2)	284.1	256.2
Marketable securities and time deposits		0.9	0.9
Trade receivables	(4.1)	68.2	80.2
Other current receivables	(4.2)	31.1	43.7
Inventories	(4.3)	182.9	186.6
		567.2	**567.6**
Assets classified as held for sale	(8.2)	0.0	10.2
Current assets		**567.2**	**577.8**
Property, plant and equipment[2]	(4.4)	209.7	212.8
Intangible assets and goodwill	(4.5)	93.6	98.0
Investments in associated companies	(6.3)	16.2	15.9
Defined benefit plan assets	(7.2)	62.7	62.7
Deferred income tax assets	(8.1)	24.1	26.4
Other non-current assets	(8.3)	9.5	8.7
Non-current assets		**415.8**	**424.5**
Assets		**983.0**	**1 002.3**

Liabilities and shareholders' equity			
Trade payables		68.9	96.3
Advance payments from customers	(4.6)	69.3	58.6
Other current liabilities	(4.7)	85.2	114.1
Current provisions	(4.8)	28.3	46.1
Current financial debt	(5.3)	121.0	0.2
Current income tax liabilities		38.0	5.3
Current liabilities		**410.7**	**320.6**
Non-current provisions	(4.8)	32.9	57.7
Non-current financial debt	(5.3)	1.9	106.7
Defined benefit plan liabilities	(7.2)	33.2	30.2
Deferred income tax liabilities	(8.1)	34.6	40.5
Other non-current liabilities		0.1	0.0
Non-current liabilities		**102.7**	**235.1**
Liabilities		**513.4**	**555.7**
Equity attributable to shareholders of Rieter Holding Ltd.		468.8	445.9
Equity attributable to non-controlling interests		0.8	0.7
Shareholders' equity		**469.6**	**446.6**
Liabilities and shareholders' equity		**983.0**	**1 002.3**

1. The comparative period (2018 financial year) has been adjusted due to the change in the sequence of the line items in the consolidated balance sheet (see note 1.2.2).
2. The balance sheet line item "Tangible fixed assets" has been renamed to "Property, plant and equipment" in the 2019 financial year.
The notes on pages 48 to 87 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CHF million	Notes	Share capital	Treasury shares	Hedge reserve	Currency translation differences	Retained earnings	Total attributable to Rieter shareholders	Attributable to non-controlling interests	Total consolidated equity
At January 1, 2018		**23.4**	**– 24.8**	**– 2.0**	**– 78.2**	**538.0**	**456.4**	**0.7**	**457.1**
Net profit		0.0	0.0	0.0	0.0	31.9	31.9	0.1	32.0
Total other comprehensive income		0.0	0.0	2.1	– 16.3	0.0	– 14.2	– 0.1	– 14.3
Total comprehensive income		**0.0**	**0.0**	**2.1**	**– 16.3**	**31.9**	**17.7**	**0.0**	**17.7**
Distribution of a dividend	(5.4)	0.0	0.0	0.0	0.0	– 22.6	– 22.6	0.0	– 22.6
Share-based compensation	(7.3)	0.0	1.1	0.0	0.0	0.4	1.5	0.0	1.5
Changes in treasury shares		0.0	– 7.1	0.0	0.0	0.0	– 7.1	0.0	– 7.1
Total contributions by and distributions to owners of the company		**0.0**	**– 6.0**	**0.0**	**0.0**	**– 22.2**	**– 28.2**	**0.0**	**– 28.2**
At December 31, 2018		**23.4**	**– 30.8**	**0.1**	**– 94.5**	**547.7**	**445.9**	**0.7**	**446.6**
Net profit		0.0	0.0	0.0	0.0	52.4	52.4	0.0	52.4
Total other comprehensive income		0.0	0.0	0.4	– 11.1	– 1.0	– 11.7	0.0	– 11.7
Total comprehensive income		**0.0**	**0.0**	**0.4**	**– 11.1**	**51.4**	**40.7**	**0.0**	**40.7**
Distribution of a dividend	(5.4)	0.0	0.0	0.0	0.0	– 22.5	– 22.5	0.0	– 22.5
Changes in non-controlling interests	(5.5)	0.0	0.0	0.0	0.1	– 0.1	0.0	0.1	0.1
Share-based compensation	(7.3)	0.0	2.4	0.0	0.0	– 0.5	1.9	0.0	1.9
Changes in treasury shares		0.0	4.8	0.0	0.0	– 2.0	2.8	0.0	2.8
Total contributions by and distributions to owners of the company		**0.0**	**7.2**	**0.0**	**0.1**	**– 25.1**	**– 17.8**	**0.1**	**– 17.7**
At December 31, 2019		**23.4**	**– 23.6**	**0.5**	**– 105.5**	**574.0**	**468.8**	**0.8**	**469.6**

The notes on pages 48 to 87 are an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

CHF million	Notes	2019	2018
Net profit		**52.4**	**32.0**
Interest income	(5.6)	– 3.0	– 2.1
Interest expenses	(5.6)	4.7	4.5
Income taxes	(8.1)	33.0	10.6
Depreciation of property, plant and equipment and amortization of intangible assets	(3.4)	38.2	40.9
Gain on disposals of property, plant and equipment	(3.3)	– 97.0	– 1.3
Other non-cash income and expenses		1.7	2.8
Change in inventories		0.2	0.2
Change in receivables		25.2	18.6
Change in provisions		– 33.5	– 14.1
Change in trade payables		– 26.4	11.5
Change in advance payments from customers and other liabilities		– 14.9	– 10.5
Dividends received	(6.3)	0.3	0.7
Interest received		3.0	2.1
Interest paid		– 3.9	– 3.7
Income taxes paid		– 25.7	– 13.8
Cash flow from operating activities		**– 45.7**	**78.4**
Acquisition of associated companies	(6.3)	0.0	– 10.2
Purchase of property, plant and equipment and intangible assets		– 31.6	– 29.2
Proceeds from disposals of property, plant and equipment		109.9	11.2
Proceeds from disposals of assets classified as held for sale	(8.2)	10.7	0.0
Purchase/proceeds from disposals of other non-current assets		– 1.4	2.5
Sale/purchase of marketable securities and time deposits		0.4	0.7
Cash flow from investing activities		**88.0**	**– 25.0**
Dividend paid to shareholders of Rieter Holding Ltd.	(5.4)	– 22.5	– 22.6
Sale/purchase of treasury shares		2.8	– 7.1
Proceeds from bank debt	(5.3)	12.5	0.0
Repayments of lease liabilities	(5.3)	– 2.6	0.0
Repayments of other financial debt	(5.3)	0.0	– 6.6
Cash flow from financing activities		**– 9.8**	**– 36.3**
Currency effects on cash and cash equivalents		– 4.6	– 4.2
Change in cash and cash equivalents		**27.9**	**12.9**
Cash and cash equivalents at January 1	(5.2)	**256.2**	**243.3**
Cash and cash equivalents at December 31	(5.2)	**284.1**	**256.2**

The notes on pages 48 to 87 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Rieter Holding Ltd. (the "Company") is a company incorporated in Switzerland with its registered office at Klosterstrasse 32 in Winterthur. The Company together with its subsidiaries ("Rieter" or "Group") is the world's leading supplier of systems for short-staple fiber spinning.

The consolidated financial statements were approved for publication by the Board of Directors on March 9, 2020. They are also subject to approval by the Annual General Meeting of shareholders.

1.1 BASIS FOR PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The significant accounting policies applied in preparing these consolidated financial statements are included in the respective notes. General types of policies are set out in note 8.9. These policies have been consistently applied to all of the reporting periods presented unless otherwise stated. Changes in accounting policies are disclosed in note 8.8.

The consolidated financial statements are based on historical cost, with the exception of certain financial instruments and defined benefit plan assets, which are measured at fair value.

The consolidated financial statements are presented in Swiss francs, the functional and presentation currency of Rieter Holding Ltd.

1.2 CHANGES IN PRESENTATION

1.2.1 Cost of sales method

Until December 31, 2018, Rieter presented the consolidated income statement using the "nature of expense" or "total cost" method. In the year under review, the consolidated income statement is presented for the first time in accordance with the "cost of sales" method. Rieter has elected to change the presentation of the consolidated income statement due to the higher transparency of the operating performance and a stronger focus on contribution margins as well as on structural costs.

The comparative period of the consolidated income statement (2018 financial year) has been adjusted to the new structure accordingly (see page 44). The following line items have been introduced as a result of the change in presentation:

- Cost of sales
- Gross margin
- Research and development expenses
- Selling, general and administrative expenses
- Other income and expenses (net)

The line item "Restructuring charges" is no longer presented separately, since the underlying income and expenses were not significant in the 2019 and 2018 financial years. Income and expenses related to restructuring and impairment have been included in "Other income and expenses (net)" (see note 3.3).

The other line items of the consolidated income statement (e.g. "Sales" as well as "Operating result before interest and taxes (EBIT)" and the line items below) remain unchanged.

1.2.2 Sequence of line items in the consolidated balance sheet

The sequence of the line items in the consolidated balance sheet has been adjusted in order to reflect liquidity of assets (e.g. time to convert assets into cash) and priority of payment of liabilities. There were no reclassifications between current and non-current assets or liabilities. The comparative period of the consolidated balance sheet (2018 financial year) has been adjusted to the new structure.

1.2.3 Structure of the notes to the consolidated financial statements

The structure of the notes to the consolidated financial statements has been revised in the year under review. Rieter has elected to change the structure of the notes and to rearrange the required disclosure with the goal to increase transparency for readers of the consolidated financial statements.

As of 2019, the notes are grouped into the following sections:

- Section 1: General information
- Section 2: Significant events
- Section 3: Operating performance
- Section 4: Operating assets and liabilities
- Section 5: Liquidity and financing
- Section 6: Group structure
- Section 7: Employee remuneration
- Section 8: Other disclosures

Significant accounting policies, significant accounting estimates and judgments are included in the respective notes. Significant accounting policies of a general nature and policies that apply to items contained in more than one of the notes are set out in note 8.9.

The information for the 2018 financial year has been adjusted to the new structure of the notes to the consolidated financial statements.

1.3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Financial reporting requires management to make estimates and exercise judgment in applying the Group's accounting policies, both of which can affect the reported amounts of assets, liabilities, contingent liabilities and contingent assets at the date of the financial statements, and reported amounts of income and expenses during the reporting period. These accounting estimates and judgments are periodically reviewed.

The areas involving significant accounting estimates and judgments are included in the following notes:

Note	Description of significant accounting estimates and judgments
4.3 Inventories	Assumptions associated with the allowance for inventories
4.5 Intangible assets and goodwill	Assumptions associated with expenses for development projects and the goodwill impairment test
4.8 Provisions	Estimates associated with the measurement of provisions
7.2 Employee benefit plans	Assumptions in relation to defined benefit plans
8.1 Income taxes	Assumptions in relation to income taxes

2 SIGNIFICANT EVENTS

With the exception of the disposal of land and buildings in Ingolstadt (Germany) in 2019 and the investment in the associated company Electro-Jet S.L. based in Gurb (Spain) in 2018 (see note 6.3) there were no significant events in the year under review, or in the previous year.

2.1 DISPOSAL OF LAND AND BUILDINGS IN INGOLSTADT (GERMANY)

On September 13, 2019, Rieter sold land and buildings in Ingolstadt to GERCHGROUP AG.

The following table summarizes the effects of the disposal on the consolidated income statement:

		EUR million	CHF million
Disposal consideration (gross)		103.7	113.1
Carrying amount of land and buildings		– 1.4	– 1.5
Costs directly attributable to the disposal		– 15.2	– 16.5
Other effects (e.g. temporary lease back of part of the property)		– 0.5	– 0.6
Gain on disposal of land and buildings in Ingolstadt[1]	**EBIT**	**86.6**	**94.5**
Interest income related to the deferred settlement of consideration	Financial result	1.2	1.3
Income taxes related to the gain on disposal and interest income	Income taxes	– 26.2	– 28.6
Impact of disposal of land and buildings in Ingolstadt on net profit	**Net profit**	**61.6**	**67.2**

1. Included in the line item "Gain on disposals of property, plant and equipment" in other income (see note 3.3).

Costs directly attributable to the disposal consist mainly of provisions for obligations related to site restoration and indirect taxes that remain with Rieter (CHF 11.9 million). In addition, the cost for directly linked variable remuneration is included (CHF 4.1 million), which is based on the achievement of Key Performance Indicators (KPIs). Without the gain on the disposal of land and buildings in Ingolstadt the respective KPI targets would not have been achieved.

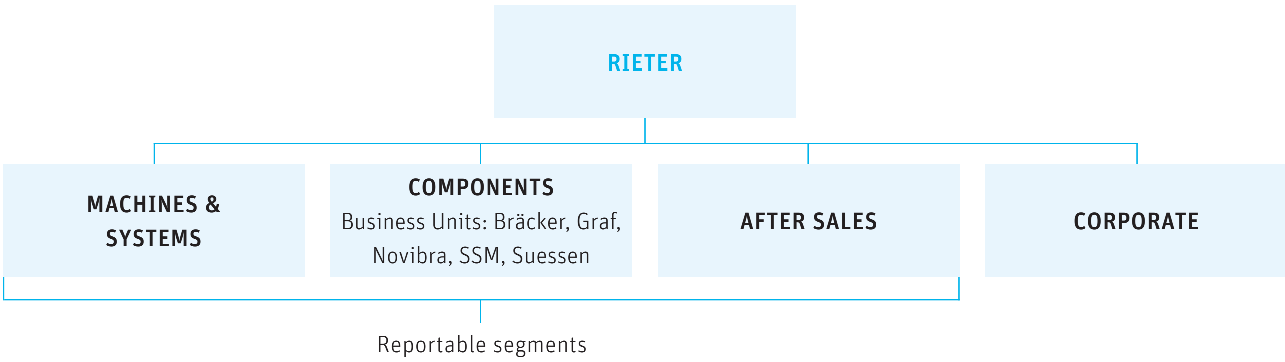
The amounts below are included in the consolidated cash flow statement:

	EUR million	CHF million
Disposal consideration (gross)	103.7	113.1
Advance payment in previous year	– 5.0	– 5.5
Proceeds from disposal of land and buildings in Ingolstadt[1]	**98.7**	**107.6**
Interest received	1.2	1.3
Income taxes paid	– 13.9	– 15.3
Impact of disposal of land and buildings in Ingolstadt on the cash flow statement	**86.0**	**93.6**

1. Included in the line item “Proceeds from disposals of property, plant and equipment” in the consolidated cash flow statement.

3 OPERATING PERFORMANCE

3.1 SEGMENT PERFORMANCE



Segment information is based on the Group’s organization and management structure and internal financial reporting to the Chief Operating Decision Maker up to the level of EBIT. The Chief Operating Decision Maker at Rieter is the Chief Executive Officer. Segment accounting is based on the same accounting policies as those used for the preparation of the consolidated financial statements. The Group consists of three reportable segments: Machines & Systems, Components and After Sales. There is no aggregation of operating segments. Rieter Machines & Systems develops and manufactures machinery and systems for processing natural and man-made fibers and their blends into yarns. Rieter Components supplies technology components to spinning mills and to textile machinery manufacturers as well as precision winding machines. Rieter After Sales serves customers with spare parts, value-adding after sales services and solutions over the entire product life cycle.

Segment information 2019

CHF million	Machines & Systems	Components	After Sales	Total reportable segments
Total segment sales	389.0	282.8	140.8	812.6
Inter-segment sales[1]	0.0	52.6	0.0	52.6
Sales to third parties[2]	389.0	230.2	140.8	760.0
Operating result before interest and taxes (EBIT)	– 50.8	10.7	23.2	– 16.9
Purchase of property, plant and equipment and intangible assets	7.7	10.1	0.6	18.4
Depreciation of property, plant and equipment and amortization of intangible assets	10.2	19.3	1.1	30.6

1. Inter-segment sales conducted at arms' length.
2. Equal to sales in the consolidated income statement.

Segment information 2018

CHF million	Machines & Systems	Components	After Sales	Total reportable segments
Total segment sales	669.3	348.5	143.6	1 161.4
Inter-segment sales[1]	0.0	86.2	0.0	86.2
Sales to third parties[2]	669.3	262.3	143.6	1 075.2
Operating result before interest and taxes (EBIT)	– 9.7	32.5	21.3	44.1
Purchase of property, plant and equipment and intangible assets	5.9	12.2	0.3	18.4
Depreciation of property, plant and equipment and amortization of intangible assets	11.6	17.1	1.0	29.7

1. Inter-segment sales conducted at arms' length.
2. Equal to sales in the consolidated income statement.

Reconciliation of segment results

CHF million	2019	2018
Operating result before interest and taxes (EBIT) of reportable segments	– 16.9	44.1
Result which cannot be allocated to reportable segments	101.8	– 0.9
Operating result before interest and taxes (EBIT), Group	**84.9**	**43.2**
Share in profit of associated companies	0.9	1.4
Financial income	4.6	2.7
Financial expenses	– 5.0	– 4.7
Profit before taxes	**85.4**	**42.6**

The result which cannot be allocated to reportable segments includes all those elements of income and expenses which cannot be allocated on a reasonable basis to the segments, such as certain costs of central functions and infrastructure (internally reported as "Corporate") as well as the elimination of unrealized profits on inter-segment deliveries.

In the 2019 financial year, the result which cannot be allocated to the reportable segments contains the gain on the disposal of land and buildings in Ingolstadt of CHF 94.5 million (see note 2.1) as well as a part of the income from the reversal of restructuring provisions amounting to CHF 4.6 million and the reversal of provisions due to court rulings in favor of Rieter amounting to CHF 3.0 million (see note 3.3). Restructuring costs and impairment losses amounting to CHF 1.2 million and CHF 1.1 million respectively, both connected to capacity adjustments and cost reduction measures, are also included (see note 3.3). In the prior year, a gain from the sale of property, plant and equipment in China amounting to CHF 0.5 million (the respective assets were disposed of for an amount of CHF 10.3 million) was included in the respective result. In addition, the reversal of provisions due to a court ruling in favor of Rieter amounting to CHF 2.5 million and the net income from restructuring of CHF 0.8 million were also included.

Sales and non-current assets by country

CHF million	Sales 2019[1]	Sales 2018[1]	Non-current assets 2019[2]	Non-current assets 2018[2]
Switzerland (domicile of Rieter Holding Ltd.)	1.9	2.6	156.0	150.6
Foreign countries	758.1	1 072.6	147.4	160.2
Total Group	**760.0**	**1 075.2**	**303.4**	**310.8**
The following countries accounted for more than 10% of sales or non-current assets:				
Switzerland (domicile of Rieter Holding Ltd.)	1.9	2.6	156.0	150.6
China	136.7	148.6	40.6	45.6
Czech Republic	1.3	2.9	45.9	46.7
India	99.9	146.2	19.1	20.1
Turkey	66.8	154.8	0.4	0.1
Uzbekistan	91.2	144.1	4.8	6.2

1. By location of customer.
2. Property, plant and equipment and intangible assets by country of location.

No individual customer accounted for more than 10% of consolidated sales in 2019 and 2018. The greatest granularity available for products and product groups is segment level, which is reflected in the segment reporting shown above.

3.2 SALES

CHF million	2019	2018
Sales of products	717.2	1 030.2
Sales of services	42.8	45.0
Total sales	**760.0**	**1 075.2**

Revenue from sales of services is mainly incurred at Rieter After Sales.

Significant accounting policies

Rieter sells textile machinery and systems on a global scale. The respective customer contracts may include further elements such as installation. Installation is treated as a separate performance obligation due to the nature of service rendered. Revenue from textile machinery and systems sales is recognized when control is transferred to the customer. In general, this happens at the point in time when products are handed over to the customer or its freight carrier based on contractually agreed terms ("International commercial terms" or "Incoterms"). Upon handover, the customer assumes physical control as well as significant risks and future rewards. Prior to delivery, Rieter ensures that machinery and systems comply with contractually agreed performance criteria. As a consequence, no significant unfulfilled obligations exist for Rieter upon handover, with the exception of installation. Installations are invoiced at the same time as the delivery of machinery and systems, although the service is rendered at a later date. Revenue from installation services is therefore deferred as contract liability in the line item deferred revenue and is recognized in the period when the service is rendered (see note 4.7). The progress of the activities is determined based on accumulated working hours or expenses compared to total expected working hours or expenses (over time). Estimates of total expected working hours or expenses are adjusted in the event of changes. The effects of such adjustments are recognized in the respective period. The total selling price agreed in machinery and systems contracts (including discounts granted) is allocated to individual performance obligations based on relative stand-alone selling prices.

The Group also distributes technology components and spare parts for textile machinery and systems. Revenue from these products is recognized when control is transferred to the customer. In general, this happens at the point in time when products are handed over to the customer or its freight carrier based on the relevant contractually agreed terms ("Incoterms"). Upon handover, the customer assumes physical control as well as significant risks and future rewards.

In addition, Rieter offers a wide range of services and solutions over the entire life cycle of textile machinery and systems (e.g. mill assessments and preventive maintenance as well as upgrade and conversion packages). Revenue from such services rendered at customers' machinery and systems is usually fixed and is recognized in the period when the service is rendered. The progress of the activities is determined based on accumulated working hours or expenses compared to total expected working hours or expenses (over time).

In case of customers' advance payments for goods or services, the respective contract liability is accrued separately in the line item advance payments from customers (see note 4.6).

Usually, the payment of selling prices in customer contracts is secured by means of letters of credit, advance payments, credit insurance or other instruments. For receivables which are not covered by advance payments, the general payment term is normally between 30 and 60 days. Since payment terms of more than one year are not generally granted, customer contracts do not normally include any financing component.

3.3 OTHER INCOME AND EXPENSES (NET)

CHF million	2019	2018
Rental income	2.6	2.4
Gain on disposals of property, plant and equipment	97.0	1.3
Reversal of restructuring provisions	5.4	3.5
Foreign exchange differences (net)	0.6	–
Miscellaneous other income[1]	18.0	18.0
Total other income	**123.6**	**25.2**
Restructuring costs	– 3.4	– 3.5
Impairment losses on property, plant and equipment	– 1.7	–
Foreign exchange differences (net)	–	– 3.5
Miscellaneous other expenses	– 1.4	– 0.5
Total other expenses	**– 6.5**	**– 7.5**
Total other income and expenses (net)	**117.1**	**17.7**

1. In 2018, miscellaneous other income included the reversal of allowance for inventories related to restructuring (CHF 0.3 million).

In 2019, the gain on disposals of property, plant and equipment includes the sale of land and buildings in Ingolstadt (Germany) amounting to CHF 94.5 million (see note 2.1). The reassessment of restructuring provisions based on the progress of the respective projects resulted in a reversal of CHF 5.4 million in 2019 (2018: CHF 3.5 million).

Miscellaneous operating income includes income which is not presented as sales, such as proceeds from the disposal of materials for recycling purposes and income from export incentive schemes. In addition, the income from the reversal of provisions due to court rulings in favor of Rieter amounting to CHF 3.0 million (2018: CHF 2.5 million) is included.

In March 2019, Rieter announced capacity adjustments and cost reduction measures against the weak market environment. These measures included a significant reduction of the global workforce in 2019. As a result, restructuring costs related to severance payments and other directly linked expenses amounting to CHF 3.4 million as well as impairment losses related to property, plant and equipment amounting to CHF 1.7 million have been recognized. In the 2018 financial year, project costs and retention payments related to the reorganization of the Ingolstadt site resulted in restructuring costs of CHF 3.5 million.

3.4 DEPRECIATION AND AMORTIZATION

CHF million	2019	2018
Property, plant and equipment[1]	32.1	29.9
Intangible assets	6.1	11.0
Total	**38.2**	**40.9**

1. In 2019, depreciation of property, plant and equipment includes impairment losses of CHF 1.7 million related to capacity adjustments (see note 4.4).

3.5 OPERATING RESULT BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)

The operating result before interest, taxes, depreciation and amortization (EBITDA) is used by Rieter as an alternative performance measure. The table below contains a reconciliation of EBITDA:

CHF million	2019	2018
Operating result before interest and taxes (EBIT)	84.9	43.2
Depreciation and amortization (see note 3.4)	38.2	40.9
Operating result before interest, taxes, depreciation and amortization (EBITDA)	**123.1**	**84.1**

4 OPERATING ASSETS AND LIABILITIES

4.1 TRADE RECEIVABLES

CHF million	December 31, 2019	December 31, 2018
Trade receivables	72.9	85.7
Allowance for trade receivables	– 4.7	– 5.5
Total	**68.2**	**80.2**

Trade receivables are divided into the following major currencies:

CHF million	December 31, 2019	December 31, 2018
CHF	22.2	28.7
CNY	1.8	1.1
EUR	27.4	30.4
INR	1.4	11.6
USD	10.9	7.4
Other	4.5	1.0
Total	**68.2**	**80.2**

For further information on credit risks, the age structure of trade receivables and movements in the allowance for trade receivables, see note 8.6.

Significant accounting policies

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost, which is usually the original invoice value less an allowance for expected credit losses. The allowance for trade receivables is determined based on lifetime expected credit losses, which are calculated as the present value of expected cash shortfalls. Changes are recognized in the income statement as other income or expenses.

4.2 OTHER CURRENT RECEIVABLES

CHF million	December 31, 2019	December 31, 2018
Receivables from indirect taxes and customs duties	11.7	23.2
Advance payments to suppliers	5.0	6.6
Current income tax receivables	6.9	5.0
Prepaid expenses and deferred charges	2.2	3.4
Derivative financial instruments (positive fair values)	1.9	1.8
Other current receivables	3.4	3.7
Total	**31.1**	**43.7**

Receivables from indirect taxes and customs duties as well as other current receivables do not include any overdue or impaired items.

4.3 INVENTORIES

CHF million	December 31, 2019	December 31, 2018
Raw materials and consumables	30.6	36.8
Finished and semi-finished goods, trading goods	187.7	183.9
Work in progress	6.4	7.0
Allowance for inventories	– 41.8	– 41.1
Total	**182.9**	**186.6**

The allowance for inventories developed as follows:

CHF million	2019	2018
Allowance for inventories at January 1	**– 41.1**	**– 47.0**
Utilization	2.4	2.2
Additions/reversals (net)	– 3.7	3.0
Currency translation differences	0.6	0.7
Allowance for inventories at December 31	**– 41.8**	**– 41.1**

Significant accounting estimates and key judgments

When assessing the value of inventories, estimates of their recoverability are necessary. The recoverability of the respective items is based on the expected consumption. The allowance for inventories is calculated at item level using a range of coverage analysis. The assumptions used in this analysis are reviewed annually and modified if necessary. Changes in sales volumes, the production process or other circumstances may result in carrying amounts having to be adjusted accordingly.

Significant accounting policies

Raw materials, consumables and trading goods are measured at the lower of average cost or net realizable value. Semi-finished and finished goods are stated at the lower of manufacturing cost or net realizable value. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Allowances on inventories are recognized for slow-moving items and excess stock.

4.4 PROPERTY, PLANT AND EQUIPMENT

CHF million	Land and buildings	Machinery, plant equipment and tools	IT equipment	Vehicles and furniture	Property, plant and equipment under construction	Right-of-use assets	Total property, plant and equipment
Carrying amount at January 1, 2018	**113.4**	**97.6**	**4.3**	**7.8**	**9.5**	**–**	**232.6**
Additions	7.2	9.8	2.4	1.0	7.6	–	28.0
Disposals	– 8.1	– 1.5	0.0	– 0.3	0.0	–	– 9.9
Depreciation	– 5.4	– 19.6	– 2.1	– 2.8	0.0	–	– 29.9
Reclassifications	– 0.3	7.9	0.0	0.4	– 8.0	–	0.0
Currency translation differences	– 3.5	– 3.7	– 0.1	– 0.3	– 0.4	–	– 8.0
Carrying amount at December 31, 2018	**103.3**	**90.5**	**4.5**	**5.8**	**8.7**	**–**	**212.8**
Cost at December 31, 2018	244.4	384.0	22.3	39.2	8.7	–	698.6
Accumulated depreciation at December 31, 2018	– 141.1	– 293.5	– 17.8	– 33.4	0.0	–	– 485.8
Carrying amount at December 31, 2018	**103.3**	**90.5**	**4.5**	**5.8**	**8.7**	**–**	**212.8**
Impact of changes in accounting policies (IFRS 16 adoption)[1]	– 4.2	0.0	0.0	0.0	0.0	9.9	5.7
Carrying amount at January 1, 2019	**99.1**	**90.5**	**4.5**	**5.8**	**8.7**	**9.9**	**218.5**
Additions	10.9	9.6	1.5	1.4	7.2	1.4	32.0
Disposals	– 2.0	0.0	0.0	– 0.1	0.0	0.0	– 2.1
Depreciation	– 4.8	– 18.8	– 2.1	– 2.0	0.0	– 2.7	– 30.4
Impairment losses	– 0.7	– 0.6	0.0	– 0.4	0.0	0.0	– 1.7
Reclassifications	0.8	5.6	0.2	0.6	– 7.2	0.0	0.0
Changes in leases	–	–	–	–	–	– 0.8	– 0.8
Currency translation differences	– 2.5	– 2.6	0.0	– 0.1	– 0.3	– 0.3	– 5.8
Carrying amount at December 31, 2019	**100.8**	**83.7**	**4.1**	**5.2**	**8.4**	**7.5**	**209.7**
Cost at December 31, 2019	227.8	354.1	21.3	36.3	8.4	9.4	657.3
Accumulated depreciation at December 31, 2019	– 127.0	– 270.4	– 17.2	– 31.1	0.0	– 1.9	– 447.6
Carrying amount at December 31, 2019	**100.8**	**83.7**	**4.1**	**5.2**	**8.4**	**7.5**	**209.7**

1. Adjustment to the opening balance sheet due to the application of IFRS 16 at January 1, 2019 (see note 8.8).

Disposals of land and buildings include the sale of land and buildings in Ingolstadt (Germany; see note 2.1). Impairment losses recognized in 2019 for buildings, machinery, plant equipment, tools and furniture resulted from capacity adjustments (see note 3.3). No land and buildings are pledged as security for financial debt.

At the end of 2019, open purchase commitments in respect of major investments in tangible fixed assets amounted to CHF 5.3 million (December 31, 2018: CHF 4.0 million).

Significant accounting policies

Property, plant and equipment are recognized at historical cost and depreciated on a straight-line basis over the estimated useful life. Depreciation of an asset starts when it is available for use. Historical cost includes also expenditure that is directly attributable to the acquisition. Useful life is determined based on the expected period of utilization of individual assets. The respective ranges are as follows:

Buildings	*20–50 years*
Machinery and plant equipment	*5–15 years*
Tools/IT equipment/furniture	*3–10 years*
Vehicles	*3–5 years*

Assets under construction, which are not yet available for use, as well as land, are not depreciated. Value adjustments are recognized if required.

Where components of significant assets have differing useful lives, these are depreciated separately. All gains or losses arising from the disposal of property, plant and equipment are recognized in the income statement. Costs related to repair and maintenance are charged to the income statement as incurred.

Investment grants received for capital projects are deferred and credited to the income statement on a straight-line basis over the expected useful life of the related assets.

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalized as a part of the acquisition costs of the qualifying asset.

Significant accounting policies applied as of January 1, 2019

Accounting policies in relation to right-of-use assets, see note 8.4.

4.5 INTANGIBLE ASSETS AND GOODWILL

CHF million	Software[1]	Customer relationships	Patents and technology	Other intangible assets	Goodwill	Total intangible assets and goodwill
Carrying amount at January 1, 2018	**6.1**	**35.6**	**17.6**	**5.0**	**43.5**	**107.8**
Additions	0.9	0.0	0.0	0.3	0.0	1.2
Amortization	– 5.2	– 3.2	– 1.8	– 0.8	0.0	– 11.0
Carrying amount at December 31, 2018	**1.8**	**32.4**	**15.8**	**4.5**	**43.5**	**98.0**
Cost at December 31, 2018	27.0	37.3	18.5	6.9	43.5	133.2
Accumulated amortization at December 31, 2018	– 25.2	– 4.9	– 2.7	– 2.4	0.0	– 35.2
Carrying amount at December 31, 2018	**1.8**	**32.4**	**15.8**	**4.5**	**43.5**	**98.0**
Additions	1.4	0.0	0.0	0.3	0.0	1.7
Amortization	– 0.3	– 3.2	– 1.8	– 0.8	0.0	– 6.1
Carrying amount at December 31, 2019	**2.9**	**29.2**	**14.0**	**4.0**	**43.5**	**93.6**
Cost at December 31, 2019	3.4	37.3	18.5	7.2	43.5	109.9
Accumulated amortization at December 31, 2019	– 0.5	– 8.1	– 4.5	– 3.2	0.0	– 16.3
Carrying amount at December 31, 2019	**2.9**	**29.2**	**14.0**	**4.0**	**43.5**	**93.6**

1. The intangible asset class “Process improvement projects” was renamed to “Software” in the 2019 financial year.

Software consists of capitalized cost for internally generated software. Other intangible assets include mainly the SSM brand.

Goodwill was allocated in its entirety to the independently managed unit SSM, which corresponds to the lowest monitoring level.

Goodwill impairment test

The following table lists the key assumptions, which are used to calculate the recoverable amount defined as the net present value of the expected future cash flows from continuing use. The net present value of the expected future cash flows from continuing use was determined applying the discounted cash flow method. Rieter uses the most recent financial plan of SSM for this purpose.

Key assumptions	2019	2018
Long-term sales growth rate	1.0%	1.0%
Pre-tax discount rate	9.8%	9.8%

Based on the impairment test using the key assumptions mentioned above, there is no need for an impairment charge at December 31, 2019.

The long-term sales growth rate is based on internal assumptions from past experience regarding price and market development as well as external market information provided by industry specialists. The pre-tax discount rate is determined on the basis of the weighted cost of capital.

Rieter performed sensitivity analysis in order to determine which possible change in key assumptions would not cause the recoverable amount to fall short of the carrying amount of goodwill. Changes to 0% in the sales growth rate and +1% in the pre-tax discount rate would not result in an impairment loss. The analysis was performed separately per key assumption.

Significant accounting estimates and key judgments

No development costs were recognized as intangible assets in the year under review or in the previous year. Due to rapid technological changes and wide cyclical fluctuations in the industry, future economic benefits could not be sufficiently demonstrated.

For the goodwill impairment test, Rieter uses financial plans approved by the Group Executive Committee. These plans are extrapolated to a period of five years. Management thereby makes assumptions related to sales growth rates and profit margins. Expected future cash flows are discounted with a market-specific discount rate.

Significant accounting policies

Intangible assets acquired from third parties such as product licenses, patents, trademark rights and customer relationships are recognized in the balance sheet at historical cost and are amortized on a straight-line basis over the expected useful life of up to twelve years. With the exception of goodwill, Rieter does not hold any intangible assets with an indefinite useful life.

Internally generated software is capitalized as intangible asset only if the costs can be measured reliably, the completion of the project is intended, and it can be demonstrated that the software project is technically and financially feasible and will generate a future economic benefit. All other costs associated with internally generated software are recognized in the income statement as incurred. Internally generated software is amortized over a period of up to five years.

Research and development activities focus on the expansion and improvement of Rieter's product and service portfolio. Expenses related to research activities are recognized in the income statement as incurred. Expenditure in connection with development projects is capitalized as intangible assets only if the costs can be measured reliably and it can be demonstrated that the project is technically and financially feasible and will generate a future economic benefit. Otherwise, the respective costs are expensed as incurred.

Goodwill resulting from business combinations represents the difference between the purchase considerations paid and the fair value of net assets acquired. Due to its indefinite useful life, it is subject to an impairment test performed at least on an annual basis.

4.6 ADVANCE PAYMENTS FROM CUSTOMERS

CHF million	December 31, 2019	December 31, 2018
Advance payments from customers	69.3	58.6
Total	**69.3**	**58.6**

Of the advance payments from customers at December 31, 2018, CHF 53.8 million were recognized as sales and therefore included in the 2019 consolidated income statement. Additional significant changes comprise advance payments received in 2019, which were either recognized as sales in 2019 or which are still included in advance payments from customers at December 31, 2019.

4.7 OTHER CURRENT LIABILITIES

CHF million	December 31, 2019	December 31, 2018
Other accrued expenses	28.0	34.8
Deferred revenue	19.9	27.3
Accrued holidays and overtime	8.5	10.2
Accrued sales commissions	7.3	9.0
Derivative financial instruments (negative fair values)	0.9	1.6
Other current liabilities	20.6	31.2
Total	**85.2**	**114.1**

Deferred revenue consists mainly of revenue for installations of machines and components at Rieter customers' site, which were invoiced already, but have not yet been completed. Of the deferred revenue at December 31, 2018, CHF 18.8 million were recognized as sales and therefore included in the 2019 consolidated income statement. Additional significant changes comprise services invoiced in 2019, which were either recognized as sales in 2019 or which are still included in deferred revenue at December 31, 2019. The majority of deferred revenue is recognized as revenue within twelve months.

4.8 PROVISIONS

CHF million	Restructuring provisions	Personnel provisions	Guarantee and warranty provisions	Other provisions	Total provisions
Provisions at December 31, 2018	**28.0**	**6.1**	**37.0**	**32.7**	**103.8**
Impact of changes in accounting policies (IFRS 16 and IFRIC 23 adoption)[1]	–	–	–	– 20.6	– 20.6
Provisions at January 1, 2019[1]	**28.0**	**6.1**	**37.0**	**12.1**	**83.2**
Utilization	– 19.5	– 1.2	– 18.8	– 2.3	– 41.8
Reversal of unused amounts	– 5.4	– 0.4	– 5.1	– 3.0	– 13.9
Additions	3.2	1.9	14.7	14.9	34.7
Currency translation differences	– 0.2	– 0.2	– 0.3	– 0.3	– 1.0
Provisions at December 31, 2019	**6.1**	**6.2**	**27.5**	**21.4**	**61.2**
Of which current	4.0	1.1	21.6	1.6	28.3
Of which non-current	2.1	5.1	5.9	19.8	32.9

1. Adjustment to the opening balance sheet due to the application of IFRS 16 and IFRIC 23 at January 1, 2019 (see note 8.8).

Restructuring provisions cover legal and constructive obligations in connection with restructuring measures. In 2019, the reorganization in Germany resulted in a utilization of provisions of CHF 16.5 million. This includes severance payments and payments to transfer companies in accordance with the agreement with the Works Council. The reassessment of the provisions resulted in a reversal in the amount of CHF 5.4 million in 2019. As a result of the announcement of capacity adjustments and cost reduction measures against the weak market environment, restructuring costs related to severance payments amounting to CHF 3.2 million have been recognized in the year under review. Non-current restructuring provisions are expected to be utilized in 2021.

Personnel provisions include provisions for part-time arrangements for older employees, long-service awards and other long-term benefits attributable to employees.

Guarantee and warranty provisions are recorded in the context of product deliveries and services and are based on past experience. Non-current warranty provisions are expected to result in outflows of resources in one or two years on average.

Rieter has recognized other provisions mainly for ongoing legal proceedings, for onerous contracts (where the unavoidable direct cost of performance exceeds the expected financial benefit) or for contracts with benefits linked to conditions which have to be fulfilled in the future (e.g. government grants). Additions in the amount of CHF 11.9 million are associated with obligations for site restoration and indirect taxes in connection with the disposal of the land and buildings in Ingolstadt in 2019 (see note 2.1). Non-current other provisions are expected to be utilized in the years after 2020.

Significant accounting estimates and key judgments

In the course of the ordinary operating activities of the Group, obligations can arise from restructuring measures, warranty claims, ongoing legal proceedings, site restoration or onerous contracts. Provisions for the respective obligations are measured on the basis of expected cash outflows when accounts are drawn up. However, the outcome of the events mentioned above may result in claims against the Group which are higher or lower than the respective provisions and which are not – or only partially – covered by a relevant insurance benefit.

Significant accounting policies

Provisions for restructuring, warranty claims, ongoing legal proceedings, site restoration or onerous contracts are recognized if Rieter has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be estimated reliably. Provisions are discounted if the impact is considered to be material.

5 LIQUIDITY AND FINANCING

5.1 NET LIQUIDITY AND FREE CASH FLOW

Rieter uses net liquidity and free cash flow (before acquisitions and divestments) as alternative performance measures. Net liquidity is defined as follows:

CHF million	December 31, 2019	December 31, 2018
Cash and cash equivalents	284.1	256.2
Marketable securities and time deposits	0.9	0.9
Current financial debt	– 121.0	– 0.2
Non-current financial debt	– 1.9	– 106.7
Net liquidity	**162.1**	**150.2**

Free cash flow (before acquisitions and divestments) consists of:

CHF million	2019	2018
Cash flow from operating activities	– 45.7	78.4
Cash flow from investing activities	88.0	– 25.0
Without acquisition of associated companies	0.0	10.2
Free cash flow (before acquisitions and divestments)	**42.3**	**63.6**

5.2 CASH AND CASH EQUIVALENTS

CHF million	December 31, 2019	December 31, 2018
Cash and banks	256.5	210.5
Time deposits with original maturities of up to three months	27.6	45.7
Total	**284.1**	**256.2**

Significant accounting policies

Cash and cash equivalents include bank accounts and current time deposits with original maturities of up to three months.

5.3 FINANCIAL DEBT

CHF million	Fixed-rate bond	Bank debt	Lease liabilities	Other financial debt	Total December 31, 2019	Total January 1, 2019[1]	Total December 31, 2018
Maturity							
Less than 1 year	99.9	11.8	2.0	7.3	121.0	2.7	0.2
1 to 5 years	0.0	0.0	1.7	0.0	1.7	109.4	106.7
5 or more years	0.0	0.0	0.2	0.0	0.2	0.4	0.0
Total	**99.9**	**11.8**	**3.9**	**7.3**	**122.9**	**112.5**	**106.9**

1. Adjustment to the opening balance sheet due to the application of IFRS 16 at January 1, 2019 (see note 8.8).

Rieter Holding Ltd. issued a fixed-rate bond with a nominal value amounting to CHF 100 million on September 1, 2014. This bond has a term of six years with a maturity date on September 29, 2020 (2014–2020), a fixed interest rate of 1.5% p.a. and is listed on the SIX Swiss Exchange. The fair value of the bond amounted to CHF 101.1 million at December 31, 2019 (December 31, 2018: CHF 101.5 million). The effective interest expenses were CHF 1.6 million in 2019 (2018: CHF 1.6 million).

By currency, financial debt is divided up as follows:

CHF million	December 31, 2019	January 1, 2019[1]	December 31, 2018
CHF	102.0	102.1	100.0
INR	18.2	7.1	6.9
Other currencies	2.7	3.3	0.0
Total	**122.9**	**112.5**	**106.9**

1. Adjustment to the opening balance sheet due to the application of IFRS 16 at January 1, 2019 (see note 8.8).

Financial debt changed as follows:

CHF million		2019	2018
Financial debt at December 31, 2018 and 2017		**106.9**	**113.9**
Impact of changes in accounting policies (IFRS 16 adoption)[1]		5.6	–
Financial debt at January 1		**112.5**	**113.9**
Proceeds from bank debt	Cash flow	12.5	0.0
Recognition of lease liabilities	No cash flow	1.9	0.0
Repayments of lease liabilities	Cash flow	– 2.6	0.0
Changes in leases	No cash flow	– 0.9	0.0
Repayments of other financial debt	Cash flow	0.0	– 6.6
Changes in amortized cost	No cash flow	0.6	0.6
Changes in fair values	No cash flow	– 0.3	– 0.5
Currency translation differences	No cash flow	– 0.8	– 0.5
Financial debt at December 31		**122.9**	**106.9**

1. Adjustment to the opening balance sheet due to the application of IFRS 16 at January 1, 2019 (see note 8.8).

Significant accounting policies

Financial debt is recognized initially at fair value, net of transaction costs incurred. Financial debt is subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the term of the obligation using the effective interest rate method. Financial debt is classified as a current liability, unless Rieter has an unconditional, contractually agreed right to defer settlement for at least twelve months after balance sheet date.

Significant accounting policies applied as of January 1, 2019

Accounting policies in relation to lease liabilities, see note 8.4.

5.4 SHARE CAPITAL, EARNINGS AND DIVIDEND PER SHARE

		December 31, 2019	December 31, 2018
Shares issued	Number of shares	4 672 363	4 672 363
Treasury shares	Number of shares	158 032	191 407
Shares outstanding	**Number of shares**	**4 514 331**	**4 480 956**
Nominal value per share	CHF	5.00	5.00
Nominal value of share capital[1]	**CHF**	**23 361 815**	**23 361 815**

1. Share capital consists solely of registered shares and is fully paid in.

Earnings per share are calculated by dividing net profit attributable to Rieter Holding Ltd. shareholders by the average number of shares outstanding. Diluted earnings per share additionally take into account the effects of the potential dilution as if all rights relating to the long-term incentive plan (see note 7.3) were to be exercised.

	2019	2018
Net profit attributable to shareholders of Rieter Holding Ltd. (CHF million)	**52.4**	**31.9**
Average number of shares outstanding (undiluted)	4 496 460	4 514 846
Average number of shares outstanding (diluted)	4 498 795	4 517 722
Basic earnings per share (CHF)	**11.65**	**7.07**
Diluted earnings per share (CHF)	**11.65**	**7.06**

The dividend paid in 2019 amounted to CHF 22.5 million and was distributed out of retained earnings. In 2018, the dividend of CHF 22.6 million was taken from legal capital reserve (CHF 10.5 million) and from retained earnings (CHF 12.1 million).

Based on the financial statements as at December 31, 2019, the Board of Directors proposes to the General Meeting a dividend of CHF 4.50 per share.

The table below summarizes the dividend payout ratio of the 2019 and 2018 financial years:

	2019	2018
Dividend per share (CHF)	4.50 [1]	5.00
Basic earnings per share (CHF)	11.65	7.07
Dividend payout ratio in %	**39**	**71**

1. See motion of the Board of Directors on page 101.

5.5 NON-CONTROLLING INTERESTS IN SUBSIDIARIES

In the year under review, Rieter India Pvt. Ltd. purchased share capital with a nominal value of INR 20.3 million (CHF 0.3 million) back from Rieter Holding Ltd. As a result, the share of non-controlling interests increased by 0.3% from the prior 1.1% level. At December 31, 2019, the share of non-controlling interests in subsidiaries amounted to 1.4%. In 2018, there was no change in non-controlling interests.

Rieter has undertaken to acquire the remaining non-controlling interests in Rieter India Pvt. Ltd. for a contractually agreed amount by no later than April 15, 2020. The present value of this obligation has been reclassified to current financial debt in the 2019 financial year.

5.6 FINANCIAL INCOME AND EXPENSES

CHF million	2019	2018
Interest income	3.0	2.1
Other financial income and exchange rate differences (net)	1.6	0.6
Total financial income	**4.6**	**2.7**
Interest expenses	4.7	4.5
Other financial expenses	0.3	0.2
Total financial expenses	**5.0**	**4.7**

6 GROUP STRUCTURE

6.1 CHANGES IN GROUP STRUCTURE

In the period under review, Rieter divested the subsidiary RiRe Ltd. (Vaduz, Liechtenstein). In addition, the subsidiary Xinjiang Rieter Textile Instruments Co. Ltd. (Urumqi, China) was liquidated. The impact of both changes in the Group's structure on the consolidated financial statements was insignificant.

In 2018, Rieter acquired 25% of Electro-Jet S.L. based in Gurb, Spain (see note 6.3). In addition, the operationally inactive Novibra GmbH (Süssen, Germany) was liquidated with an insignificant impact on the consolidated financial statements.

6.2 SUBSIDIARIES AND ASSOCIATED COMPANIES

At December 31, 2019

			Capital	Group's share in capital and voting rights	Research & development	Sales/trading/services	Production	Management/financing
Belgium	Gomitex S.A., Stembert	EUR	100 000	100%		•	•	
Brazil	Graf Máquinas Têxteis Indústria e Comércio Ltda., São Paulo	BRL	10 220 000	100%		•		
	Rieter South America Ltda., São Paulo	BRL	3 287 207	100%		•		
China	Rieter China Textile Instruments Co. Ltd., Changzhou	EUR	37 800 000	100%	•	•	•	•
	European Excellent Textile Components Co. Ltd., Changzhou	CNY	35 287 000	100%		•	•	
	Rieter Textile Systems (Shanghai) Co. Ltd., Shanghai	USD	200 000	100%		•		
	Graf Cardservices Far East Ltd., Hong Kong	HKD	30 000	100%		•		
	SSM (Zhongshan) Ltd., Zhongshan	USD	600 000	100%	•	•	•	
Czech Republic	Rieter CZ s.r.o., Ústí nad Orlicí	CZK	316 378 000	100%	•	•	•	
	Novibra Boskovice s.r.o., Boskovice	CZK	40 000 000	100%	•	•	•	
France	Bräcker S.A.S, Wintzenheim	EUR	1 000 000	100%		•	•	
Germany	Rieter Vertriebs GmbH, Ingolstadt	EUR	15 338 756	100%		•		•
	Rieter Deutschland GmbH & Co. OHG, Ingolstadt	EUR	9 645 531	100%		•		•
	Rieter Ingolstadt GmbH, Ingolstadt	EUR	12 273 600	100%	•	•		
	Wilhelm Stahlecker GmbH, Süssen	EUR	255 645	100%	•			
	Spindelfabrik Suessen GmbH, Süssen	EUR	5 050 100	100%	•	•	•	
	Graf-Kratzen GmbH, Gersthofen	EUR	400 000	100%		•		
India	Rieter India Pvt. Ltd., Wing	INR	69 197 710	99%		•	•	
Italy	SSM Giudici S.r.l., Galbiate	EUR	100 000	100%	•	•	•	
	Prosino S.r.l., Borgosesia[1]	EUR	50 000	49%	•	•	•	
Netherlands	Graf Holland B.V., Enschede	EUR	113 500	100%		•	•	
Spain	Electro-Jet S.L., Gurb[1]	EUR	120 200	25%	•	•	•	•
	Graf España SA, Santa Perpètua de Mogoda (inactive)	EUR	601 000	100%				
Switzerland	Rieter Management AG, Winterthur	CHF	5 000 000	100%				•
	Tefina Holding-Gesellschaft AG, Zug	CHF	5 000 000	100%				•
	Unikeller Sona AG, Winterthur	CHF	500 000	100%				•
	Maschinenfabrik Rieter AG, Winterthur	CHF	8 500 000	100%	•	•	•	•
	Hogra Holding AG, Freienbach	CHF	1 000 000	100%				•
	Graf + Cie AG, Rapperswil	CHF	1 000 000	100%	•	•	•	•
	Bräcker AG, Pfäffikon	CHF	1 000 000	100%	•	•	•	•
	SSM Schärer Schweiter Mettler AG, Horgen	CHF	6 000 000	100%	•	•	•	•
	SSM Vertriebs AG, Steinhausen	CHF	100 000	100%		•		
Taiwan	Rieter Asia (Taiwan) Ltd., Taipeh	TWD	5 000 000	100%		•		
Turkey	Rieter Textile Machinery Trading & Services Ltd., Istanbul	TRY	25 000	100%		•		
USA	Rieter America, LLC, Spartanburg	USD	1 249	100%		•		
	Graf Metallic of America, LLC, Spartanburg	USD	50 000	100%		•		
	Rieter North America, Inc., Spartanburg	USD	1 000	100%				•
Uzbekistan	Rieter Uzbekistan FE LLC, Tashkent	UZS[2]	904 177	100%		•	•	

1. Associated company.
2. In UZS thousand.

Significant accounting policies

The consolidated financial statements comprise the financial statements of Rieter Holding Ltd. and its subsidiaries (or "group companies") as at December 31, 2019. Subsidiaries are all entities over which Rieter has control. Control is achieved when Rieter is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Rieter. They are deconsolidated from the date that control ceases.

Net profit or loss and each component of other comprehensive income are attributed to the shareholders of Rieter Holding Ltd. and to the non-controlling interests in subsidiaries, even if this results in the non-controlling interests having a deficit balance.

Intercompany transactions and balances as well as unrealized gains on transactions between group companies are eliminated. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

6.3 INVESTMENTS IN ASSOCIATED COMPANIES

The table below summarizes the development of the line item investments in associated companies:

CHF million	2019	2018
Investments in associated companies at January 1	**15.9**	**4.0**
Acquisitions	0.0	11.3
Share in profit	0.9	1.4
Dividends received	–0.3	–0.7
Currency translation differences	–0.3	–0.1
Investments in associated companies at December 31	**16.2**	**15.9**

At December 14, 2018, Rieter acquired 25% of the share capital and the voting rights of Electro-Jet S.L. based in Gurb (Spain). The Group has significant influence over Electro-Jet S.L. and therefore, it is treated as an associated company. Through this investment, Rieter secures a long-term competitive solution in the field of roving frames. The acquisition price amounted to CHF 11.3 million (EUR 10.0 million), of which CHF 10.2 million was settled in cash in 2018. The residual balance of CHF 1.1 million will become due once further conditions have been met.

In addition, Rieter holds 49% of the share capital and the voting rights of Prosino S.r.l. incorporated in Borgosesia (Italy). The effects of the associated companies on the 2019 and 2018 consolidated financial statements are insignificant.

In the year under review, the Group purchased products from associated companies with a total value of CHF 6.3 million (2018: CHF 4.5 million). The respective open trade payable balances at December 31, 2019, were interest-free and amounted to CHF 2.3 million (December 31, 2018: CHF 0.5 million).

Rieter's total share in profit of individually immaterial associated companies resulted from continuing operations. The share in other comprehensive income was insignificant.

Significant accounting policies

Associated companies are entities over which Rieter has significant influence, generally through a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize Rieter's share of the profit or loss of the associate after the date of acquisition.

7 EMPLOYEE REMUNERATION

7.1 PERSONNEL EXPENSES

CHF million	2019	2018
Wages and salaries	210.1	242.8
Social security and other personnel expenses	49.3	58.7
Total	**259.4**	**301.5**

7.2 EMPLOYEE BENEFIT PLANS

Defined contribution plans

The expense for defined contribution plans amounted to CHF 3.7 million in the year under review (2018: CHF 5.2 million).

Defined benefit plans

Defined benefit plans in accordance with IAS 19 exist mainly in Switzerland.

In Switzerland, plan participants are insured against the financial consequences of old age, disability and death. The amount of risk benefits provided by the plans in case of disability or death depends on the insured salary of the employee. Life-long retirement benefits are calculated by multiplying the individual retirement savings capital at the date of retirement by the conversion rate defined and guaranteed in the regulations of the plan.

The plans are administered by independent and legally autonomous foundations which are under government supervision. The pension plans' most senior governing body (board of trustees) is composed of equal numbers of employee and employer representatives.

All material risks (financial and actuarial risks) are borne by the foundations. These risks are monitored on an ongoing basis and addressed by the board of trustees. If a plan is underfunded, the board of trustees has to perform an overall assessment of the financial situation, identify the reasons for the deficit and decide on appropriate measures to eliminate the shortfall.

Pursuant to the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), the trustees of the foundations are responsible for the definition and the execution of the investment strategy. The investment strategy defined by the trustees aims at aligning the plan assets and liabilities in the medium and long term.

The funded status of defined benefit plans was as follows:

CHF million	2019	2018
Actuarial present value of defined benefit plan obligations:		
• Funded plans (mainly Switzerland)	– 1 022.1	– 1 003.4
• Unfunded plans (other countries)	– 24.2	– 23.5
Defined benefit plan obligations at December 31	**– 1 046.3**	**– 1 026.9**
Fair value of defined benefit plan assets (mainly Switzerland)	1 313.4	1 203.6
Surplus at December 31	**267.1**	**176.7**
Impact of asset ceiling	– 237.6	– 144.2
Net defined benefit plan assets at December 31	**29.5**	**32.5**
Recognized in the balance sheet:		
• Defined benefit plan assets (in non-current assets)	62.7	62.7
• Defined benefit plan liabilities (in non-current liabilities)	– 33.2	– 30.2

The defined benefit plan obligations changed as follows:

CHF million	2019	2018
Defined benefit plan obligations at January 1	**1 026.9**	**1 024.9**
Current service cost	10.3	11.0
Interest expense	8.5	6.4
Employee contributions	6.7	7.3
Actuarial gains/losses (net)	13.9	24.7
Benefits paid	– 19.1	– 47.2
Past service cost	0.0	0.8
Currency translation differences	– 0.9	– 1.0
Defined benefit plan obligations at December 31	**1 046.3**	**1 026.9**

The weighted average duration of the defined benefit plan obligations is 13.0 years (2018: 12.7 years).

The fair value of defined benefit plan assets developed as follows:

CHF million	2019	2018
Fair value of defined benefit plan assets at January 1	**1 203.6**	**1 293.4**
Interest income	8.5	6.4
Return on defined benefit plan assets (excluding interest income)	105.0	– 65.7
Employer contributions	8.8	9.5
Employee contributions	6.7	7.3
Benefits paid	– 19.1	– 47.2
Currency translation differences	– 0.1	– 0.1
Fair value of defined benefit plan assets at December 31	**1 313.4**	**1 203.6**

The total gain on plan assets was CHF 113.5 million in the year under review (2018: loss of CHF 59.3 million). The Group expects to contribute CHF 9.0 million to its defined benefit plans in 2020.

The major categories of plan assets were as follows:

CHF million	December 31, 2019	December 31, 2018
Cash and cash equivalents	63.3	52.0
Equity instruments	565.5	475.9
Debt instruments	258.6	223.3
Real estate	403.8	389.9
Other	22.2	62.5
Fair value of defined benefit plan assets	**1 313.4**	**1 203.6**

At the end of 2019, plan assets included Rieter Holding Ltd. bonds with a market value of CHF 1.3 million (December 31, 2018: CHF 1.3 million). No Rieter shares were held at the end of 2019 and 2018. Cash equivalents (e.g. money market instruments), equity instruments and 80% of the debt instruments have a quoted market price on an active market. Real estate and other assets, which include private equity investments, do not usually have a quoted market price.

Expenses recognized in the income statement for the defined benefit plans include:

CHF million	2019	2018
Current service cost	10.3	11.0
Net interest result	0.0	0.0
Past service cost	0.0	0.8
Total	**10.3**	**11.8**

Remeasurements of defined benefit plans recognized as other comprehensive income contain:

CHF million	2019	2018
Actuarial gains/losses arising from:		
• Changes in demographic assumptions	53.7	– 0.3
• Changes in financial assumptions	– 85.5	23.8
• Experience adjustments	17.9	– 48.2
Return on defined benefit plan assets (excluding interest income)	105.0	– 65.7
Impact of changes in asset ceiling	– 93.4	90.9
Total	**– 2.3**	**0.5**

Main actuarial assumptions used at year-end are:

Weighted average in %	December 31, 2019	December 31, 2018
Discount rate	0.1	0.8
Future wage growth	0.8	0.7
Future pension growth	0.0	0.0

Against the background of a continuously low interest rate level and an increased life expectancy, the measurement of defined benefit plan obligations in Switzerland was conducted based on the assumption of sharing of risks between employer and employees in accordance with applicable Swiss law. Mid-term adjustments of the conversion rate were assumed as considered realistic by the Group. The result of the calculation was a reduction in defined benefit plan obligations by approx. 2% at December 31, 2019 (December 31, 2018: approx. 3%). Thus, the expected result from the recognition of defined benefit plan obligations is subject to lower fluctuation. In Rieter's largest pension plan, the conversion rate was reduced at January 1, 2019. Impacts on the future benefits of plan participants were mostly compensated.

The measurement of the defined benefit plan obligations is particularly sensitive to changes in the discount rate and the assumptions regarding future pension growth. The table below shows the potential impact of a change of 0.5 percentage points in the discount rate and a change of 0.5 percentage points in the assumed future pension growth rate on the defined benefit plan obligations:

CHF million	December 31, 2019	December 31, 2018
Increase in the discount rate by 0.5 percentage points	– 64.9	– 61.8
Decrease in the discount rate by 0.5 percentage points	73.1	69.0
Increase in the future pension growth rate by 0.5 percentage points[1]	55.8	54.7

1. Reduction in future pension growth rate by 0.5 percentage points was not considered in the sensitivity analysis as the respective rate was zero.

A change in the assumption of future wage growth rate by 0.5 percentage points would impact defined benefit plan obligations by less than 1% (same as 2018).

The sensitivity analysis above considers the change in one assumption while leaving the other assumptions unchanged. Interdependencies were not taken into account.

Significant accounting estimates and key judgments

Defined benefit plans require actuarial calculations in order to determine defined benefit plan obligations. These calculations are based on assumptions such as discount rates, future trends in wages and pensions as well as the employee share in the costs of the future benefits. Statistical data such as mortality tables and staff turnover probability rates are also used to calculate defined benefit plan obligations. If these parameters change, actual future results can deviate from the actuarial calculations. Such deviations can have an effect on the defined benefit plan obligations.

Significant accounting policies

Employee benefit plans are operated by certain subsidiaries, depending upon the level of coverage provided by government post-employment benefit facilities in the respective countries. Such employee benefit plans exist on the basis of both defined contributions and defined benefits.

Contributions to defined contribution plans are recognized as personnel expenses in the period in which they are incurred.

For defined benefit plans, the benefit plan obligation is determined using the projected unit credit method, with valuations being carried out by independent actuaries, usually at the end of each year. The present value of the defined benefit plan obligation less the fair value of the defined benefit plan assets is recognized in the balance sheet as a liability. When the calculation results in a potential asset, the respective defined benefit plan asset recognized is limited to the present value of the economic benefits available in the form of reductions of future contributions to the plan (asset ceiling). Remeasurements of the net defined benefit plan assets and liabilities, which comprise actuarial gains and losses, the return on defined benefit plan assets (excluding interest) and the effect of the asset ceiling, are recognized immediately as other comprehensive income. Contributions by employees are recognized as a reduction of service cost in the period in which the related service is rendered.

Net interest on the net defined benefit plan assets and liabilities is determined by applying the discount rate used to measure the defined benefit plan obligation at the beginning of the year. Service cost and net interest are recognized in the income statement as personnel expenses.

7.3 SHARE-BASED COMPENSATION

The members of the Board of Directors can choose whether to receive all or part of their remuneration in Rieter shares. In the context of their remuneration for 2019, seven members of the Board of Directors received in total 7 725 shares on January 17, 2020. The cost of CHF 1.0 million was charged to the 2019 income statement. On January 17, 2019, eight members of the Board of Directors received in total 8 034 shares in connection with their remuneration for 2018. The market value of the shares granted was CHF 1.1 million and was charged to the 2018 income statement. The shares are taken from treasury shares of Rieter Holding Ltd. and cannot be sold for three years.

In the context of the variable remuneration for 2019, the members of the Group Executive Committee will receive Rieter shares with a market value of CHF 0.5 million in April 2020. The respective cost of CHF 0.5 million was charged to the 2019 income statement. In the context of the variable remuneration for 2018, the members of the Group Executive Committee received 3 767 shares with a market value of CHF 0.5 million on April 4, 2019. The respective cost of CHF 0.5 million was charged to the 2018 income statement. These shares are taken from treasury shares of Rieter Holding Ltd. and cannot be sold for three years.

Rieter operates a long-term incentive plan for the members of senior management (excluding the members of the Group Executive Committee). The participants are granted rights to receive a certain number of Rieter shares free of charge or to receive cash compensation in the amount of the same number of shares at the market price after three years. The exercise of the rights in three years is subject to an unterminated employment contract. If employment is terminated within three years, the rights expire. Exceptions can be granted by the Remuneration Committee. There are no further performance-related criteria.

The movement of the outstanding rights was as follows:

Number of rights	2019	2018
Outstanding rights at January 1	**3 431**	**5 958**
Granted	4 104	0
Exercised/paid-out	– 1 841	– 2 001
Expired	– 205	– 526
Outstanding rights at December 31 (non-exercisable)	**5 489**	**3 431**

The estimated fair value of the outstanding rights amounts approximately to the market value of a Rieter share of CHF 138.10 at December 31, 2019. In the year under review, the cost of the long-term incentive plan in the amount of CHF 0.2 million affected the income statement (2018: none). The liability recognized in the balance sheet at the end of the year was CHF 0.4 million (December 31, 2018: CHF 0.4 million).

Significant accounting policies

Rieter uses share-based awards in the context of the compensation of the members of the Board of Directors, the Group Executive Committee and senior management. There are equity-settled and cash-settled share-based awards.

Share-based payments are measured at fair value at the grant date, and recognized in the income statement over the vesting period. For share-based payments that are settled with equity instruments a corresponding increase in equity is recognized.

8 OTHER DISCLOSURES

8.1 INCOME TAXES

CHF million	2019	2018
Current income taxes	36.0	14.2
Deferred income taxes	– 3.0	– 3.6
Total	**33.0**	**10.6**

The following deferred income tax effects were recognized in other comprehensive income:

CHF million	2019	2018
Income taxes on remeasurement of defined benefit plans	1.3	– 0.3
Income taxes on currency translation differences	0.1	0.0
Income taxes on cash flow hedges	– 0.1	– 0.6
Total	**1.3**	**– 0.9**

Reconciliation of expected and actual income taxes:

CHF million	2019	2018
Expected income taxes on profit before taxes of CHF 85.4 million (2018: CHF 42.6 million) at an average rate of 32.8% (2018: 23.8%)	28.0	10.1
Impact of non-deductible expenses	0.3	0.6
Impact of non-taxable income/income taxed at different rates	– 1.3	– 0.9
Impact of losses and loss carry-forwards	5.1	– 1.5
Impact of changes in tax rates and tax legislation	– 1.0	0.0
Tax effects from previous periods	0.0	0.4
Withholding taxes on payments from subsidiaries	1.5	1.8
Other effects	0.4	0.1
Actual income taxes	**33.0**	**10.6**

The expected weighted average tax rate increased by 9.0 percentage points compared to the prior year. The increase was mainly driven by the gain on the disposal of land and buildings in Ingolstadt (Germany) taxed at a rate of 29.6% (see note 2.1). The changes in the Swiss corporate tax legislation reduced income taxes by CHF 1.0 million in 2019.

Deferred income taxes

The following table summarizes the movement in the net deferred income tax liabilities:

CHF million	2019	2018
Deferred income tax liabilities, net at January 1	**14.1**	**15.7**
Deferred income taxes recognized in the income statement	– 3.0	– 3.6
Deferred income taxes recognized as other comprehensive income	– 1.3	0.9
Currency translation differences	0.7	1.1
Deferred income tax liabilities, net at December 31	**10.5**	**14.1**

Deferred income tax assets and liabilities result from the following balance sheet items:

CHF million	Deferred income tax assets December 31, 2019	Deferred income tax liabilities December 31, 2019	Deferred income tax assets December 31, 2018	Deferred income tax liabilities December 31, 2018
Property, plant and equipment	3.8	– 8.9	5.8	– 8.5
Intangible assets	0.0	– 8.9	0.2	– 9.9
Defined benefit plan assets	0.0	– 12.5	0.0	– 13.5
Inventories	6.7	– 1.2	7.3	– 4.3
Other assets	1.3	– 6.7	1.0	– 9.4
Provisions	3.1	– 0.2	2.6	– 0.8
Defined benefit plan liabilities	4.9	0.0	4.1	0.0
Other liabilities	2.3	– 1.8	2.7	– 0.5
Valuation adjustments on deferred income tax assets	– 2.5	0.0	– 2.6	0.0
Tax loss carry-forwards and tax credits	10.1	0.0	11.7	0.0
Total	**29.7**	**– 40.2**	**32.8**	**– 46.9**
Offsetting	– 5.6	5.6	– 6.4	6.4
Deferred income tax assets/liabilities	**24.1**	**– 34.6**	**26.4**	**– 40.5**

Capitalized and non-capitalized deferred income taxes resulting from tax loss carry-forwards and tax credits, presented by year of expiry:

CHF million	Capitalized 2019	Non-capitalized 2019	Total 2019	Total 2018
Expiry in				
1 to 3 years	0.0	0.0	0.0	0.1
3 to 7 years	4.7	2.3	7.0	0.1
7 or more years	5.4	13.4	18.8	22.4
Total at December 31	**10.1**	**15.7**	**25.8**	**22.6**

Significant unutilized tax losses for which no deferred tax asset has been recognized concern primarily countries with a tax rate between 12% and 34% (2018: 17% to 34%).

Significant accounting estimates and key judgments

Assumptions in relation to income taxes also include interpretations of the tax regulations in countries where Rieter has business activities. The adequacy of these interpretations is assessed by tax authorities and competent courts, a process which can result in changes to income taxes at a later stage. In addition, whether a deferred income tax asset is recognized for tax losses carried forward is based on management's estimate of the availability of future taxable profits to offset the respective losses carried forward.

Significant accounting policies

The expected income tax charge is calculated and accrued on the basis of taxable income for the year under review at the applicable income tax rate for each jurisdiction adjusted by the use of accumulated tax losses.

Deferred income taxes on temporary differences arising between the carrying amounts reported as part of the Group's consolidated financial statements and the tax basis of assets and liabilities used for local tax purposes are calculated using the liability method. Deferred income tax is determined using local tax rates that are fully or substantially enacted at the end of the reporting period and are expected to apply when the respective timing differences reverse. Deferred income tax assets and liabilities are offset to the extent that this is permitted by law. Changes in deferred income taxes are recognized as tax expense in the income statement unless they relate to items recognized directly in equity or other comprehensive income.

Deferred income taxes on retained earnings of group companies are only recognized in cases where a distribution of profits is planned. Therefore, no deferred income taxes on retained earnings of group companies are recognized if Rieter is able to control the timing of the reversal of the temporary difference and it is probable that retained earnings will not be distributed in the foreseeable future.

Deferred income tax assets are only capitalized to the extent that it is probable that sufficient future taxable income will be available to offset the respective temporary differences or tax losses in the foreseeable future.

Significant accounting policies applied as of January 1, 2019

Obligations in connection with uncertain tax balances are classified as income tax liabilities.

8.2 ASSETS CLASSIFIED AS HELD FOR SALE

CHF million	December 31, 2019	December 31, 2018
Land and buildings	0.0	9.1
Other tangible fixed assets	0.0	1.1
Total	**0.0**	**10.2**

Over the past years, Rieter has continuously streamlined and consolidated its production operations on a global scale. Process efficiency and capacity per area have increased and as a result, a part of the asset base previously used for production and administration purposes became redundant in 2016. Management was committed to disposing of these assets within a short period of time after the balance sheet date, which was why they were reclassified as “assets classified as held for sale” at the end of 2016.

In April 2019, total assets classified as held for sale were sold to a third party for an amount of CHF 10.7 million. Prior to the disposal, an amount of CHF 0.3 million was recognized as reversal of impairment losses in the result which cannot be allocated to reportable segments.

8.3 OTHER NON-CURRENT ASSETS

CHF million	December 31, 2019	December 31, 2018
Other financial assets	0.9	1.4
Non-current interest-bearing receivables[1]	1.0	1.3
Derivative financial instruments (positive fair values)	0.1	0.0
Other non-current assets	7.5	6.0
Total	**9.5**	**8.7**

1. No pledged time deposits included at December 31, 2019 (December 31, 2018: CHF 1.2 million).

8.4 LEASES

Rieter leases offices, warehouses, equipment and vehicles, complementing property, plant and equipment owned by group companies. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The total carrying amount of right-of-use assets as presented in note 4.4 can be allocated to the following asset classes:

CHF million	December 31, 2019	January 1, 2019[1]
Land and buildings	6.7	9.4
Vehicles and furniture	0.8	0.5
Right-of-use assets	**7.5**	**9.9**

1. Adjustment to the opening balance sheet due to the application of IFRS 16 at January 1, 2019 (see note 8.8).

Depreciation associated with right-of-use assets can be allocated to the following asset classes:

CHF million	2019[1]
Land and buildings	2.4
Vehicles and furniture	0.3
Depreciation associated with right-of-use assets	**2.7**

1. Due to application of IFRS 16 as of January 1, 2019, no comparative period.

The following table summarizes other expenses charged to the income statement in relation to leases:

CHF million		2019[1]
Expenses associated with short-term leases	EBIT	4.1
Interest expenses on lease liabilities	Financial result	0.1

1. Due to the application of IFRS 16 as of January 1, 2019, no comparative period.

Movements in the carrying amount of right-of-use assets are presented in note 4.4. Lease liabilities and the respective maturity analysis are included in note 5.3.

Total cash outflows for leases amounted to CHF 6.8 million in the 2019 financial year.

Discounted future cash outflows in connection with lease arrangements that were committed, but have not commenced at December 31, 2019, amounted to CHF 22.1 million (January 1, 2019: CHF 12.4 million).

Significant accounting policies applied as of January 1, 2019

For contracts that are or contain a lease, a lease liability reflecting future lease payments and a right-of-use asset is recognized on the balance sheet.

Lease liabilities are measured at present value of the outstanding lease payments at the date of commencement. Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used (interest rate payable to borrow the funds necessary to purchase an asset of similar value in a similar economic environment with similar terms and conditions). Lease payments include fixed payments, variable payments that are based on an index or a rate and the exercise price of a purchase option if the lessee is reasonably certain to exercise that option. Options for extension of the lease term are included in the calculation of the lease liability if management is reasonably certain to execute that option. Lease payments are divided into a component reducing the lease liability and interest expense recognized in the financial result. Lease liabilities are included in either current or non-current financial debt, depending on their maturity date.

Right-of-use assets represent the underlying assets leased by Rieter. The respective assets are measured at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, initial direct costs and restoration costs. Right-of-use assets are depreciated over the shorter of the assets' useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as expenses in the income statement. Short-term leases are leases with a non-cancelable lease term of twelve months or less. Low value assets comprise IT-equipment and small items of office furniture.

Significant accounting policy applied until December 31, 2018

Leased tangible fixed assets for which Rieter bears substantially all the risks and rewards of ownership are capitalized. Assets held under such finance leases are depreciated over the shorter of their estimated useful life or the lease term. The respective lease obligations, excluding finance charges, are included in either current or non-current financial debt depending on their date of maturity. Lease installments are divided into an interest and a principal redemption component.

Lease arrangements in which a substantial portion of the risks and rewards associated with ownership of the leased asset remains with the lessor are classified as operating leases. Payments in respect of operating leases are charged to the income statement on a straight-line basis over the duration of the lease.

8.5 FINANCIAL INSTRUMENTS

The following tables summarize all financial instruments held at December 31, 2019, and 2018, grouped according to the categories defined in the significant accounting policies. In addition, the tables provide information regarding the fair value hierarchy of IFRS 13. The carrying amounts of financial instruments measured at amortized cost approximate fair values due to their mainly short-term nature. The bond issued by Rieter Holding Ltd. is an exception (see note 5.3).

CHF million	December 31, 2019	December 31, 2018
Cash and cash equivalents (excluding time deposits)	256.5	210.5
Time deposits with original maturities of up to three months	27.6	45.7
Time deposits with original maturities of more than three months	0.5	0.5
Trade receivables	68.2	80.2
Other current receivables	15.1	26.9
Other financial assets	0.2	0.3
Non-current interest-bearing receivables	1.0	1.3
Financial assets at amortized cost	**369.1**	**365.4**
Other financial assets[1]	0.7	1.1
Derivative financial instruments (positive fair values)[1]	2.0	1.8
Financial assets at fair value through profit and loss (mandatorily)	**2.7**	**2.9**
Marketable securities[2]	0.4	0.4
Financial assets at fair value through other comprehensive income	**0.4**	**0.4**
Total financial assets	**372.2**	**368.7**

1. Measured at fair values which are based on directly or indirectly observable input parameters (level 2).
2. Measured at fair values which are based on quoted prices in active markets (level 1).

CHF million	December 31, 2019	January 1, 2019[1]
Trade payables	68.9	96.3
Other current liabilities	55.9	75.0
Bank debt	11.8	0.0
Current lease liabilities	2.0	2.5
Other current financial debt	7.3	0.2
Fixed-rate bond[2]	99.9	99.8
Non-current lease liabilities	1.9	3.1
Other non-current financial debt	0.0	6.9
Financial liabilities at amortized cost	**247.7**	**283.8**
Derivative financial instruments (negative fair values)[3]	1.0	1.6
Financial liabilities at fair values through profit and loss (mandatorily)	**1.0**	**1.6**
Total financial liabilities	**248.7**	**285.4**

1. Addition of lease liabilities to the opening balance sheet due to the application of IFRS 16 (see note 8.8).
2. The fair value of the fixed-rate bond as disclosed in note 5.3 is based on a quoted price in an active market (level 1).
3. Measured at fair values which are based on directly or indirectly observable input parameters (level 2).

There were no transfers among the categories and the valuation techniques have been applied consistently.

Financial instruments measured at level 2 consist mainly of derivatives held for hedging purposes entered into with reputable financial institutions. The fair value of these instruments is determined with the help of valuation techniques which use foreign exchange rates and interest rates as observable input parameters. At December 31, 2019, contract values of all outstanding forward exchange contracts amounted to CHF 325.2 million (December 31, 2018: CHF 260.9 million).

8.6 FINANCIAL RISK MANAGEMENT

Financial risk factors

As a result of its worldwide activities, Rieter is exposed to various financial risks, such as market risks (fluctuations in exchange rates and interest rates as well as other price risks), credit risks and liquidity risks. Rieter's financial risk management aims to minimize the potential adverse impact of developments on the financial markets on the Group's financial position and to secure its financial stability. Respective measures include the use of derivative financial instruments in order to hedge certain risk exposures.

Rieter's financial risk management is essentially centralized in accordance with directives issued by the Board of Directors and the Group Executive Committee. Financial risks are identified centrally by the treasury department, evaluated and hedged in close cooperation with the Group's operating units.

Foreign exchange risk

Foreign exchange risks arise from net investments in foreign group companies (translation risk) and when future business transactions or assets and liabilities recognized on the balance sheet are denominated in a currency other than the functional currency of the respective group company (transaction risk). In order to hedge such transaction risks, subsidiaries use foreign currency contracts with corporate headquarters as counterparty, if permitted by legislation. The central treasury department manages these positions by entering into foreign currency spot, forward and swap contracts with financial institutions.

Rieter's risk management policy is to minimize the effects of fluctuations in currency exchange rates on committed or highly probable transactions. For this purpose, the main objective is to minimize transaction risks arising from firm sales and purchase commitments in non-functional currencies of the respective group companies associated with large machinery and systems sales orders in order to secure the profit margin as negotiated at contract inception. In addition, the transaction risks for bulk business and other operating type transactions are hedged for significant group companies. Foreign currency gains and losses resulting from loans to/from group companies, which form part of the net investment in a foreign operation, are recognized in other comprehensive income directly in equity until Rieter's control over the respective entity ceases. Significant current intercompany loans are hedged and changes in the fair values of the respective derivative financial instruments are recognized in the income statement.

Hedge accounting is applied to significant firm sales and purchase commitments associated with machinery and systems sales orders in order to avoid a temporary distortion of the operating result due to fair value gains and losses resulting from derivative financial instruments. The hedge accounting policy is included in the other significant accounting policies (see note 8.9). Rieter aims to achieve a hedge ratio of between 80% and 100%. The hedge ratio is defined as the nominal value of the foreign currency forward or swap contract (hedging instrument) divided by the value of the unrecognized firm commitment (hedged transaction/item).

Hedged transactions may be subject to changes (e.g. changes in volumes and/or in the timing of committed transactions). Depending on the nature of the change, the hedging relationship may be adjusted by entering into additional foreign currency forward and/or swap contracts in order to ensure that the hedge ratio remains within the target range of 80% to 100% and/or that the timing of the hedging instrument continues to match the hedged transaction. Ineffectiveness may occur if the value of the hedged sale or purchase transaction decreases to a level below the nominal value of the hedging instrument.

Rieter is primarily exposed to foreign exchange risks versus the euro and the US dollar. The table below shows the impact of a 5% change in the respective exchange rates against the Swiss franc on profit before taxes, based on the assumption that all other variables remained constant:

CHF million	Change	Impact 2019	Impact 2018
EUR/CHF	+ 5%	4.6	3.4
EUR/CHF	- 5%	– 4.6	– 3.4
USD/CHF	+ 5%	0.0	1.4
USD/CHF	- 5%	0.0	– 1.4

These impacts would mainly be due to foreign exchange gains/losses on cash and cash equivalents and accounts receivable/payable balances. The table only shows sensitivity in relation to risks arising from the revaluation of financial assets and liabilities in a currency other than the functional currency at year-end spot rates. Translation effects, which are recognized as other comprehensive income, are not taken into account.

Effects of hedge accounting

The tables below present the impact of derivative financial instruments designated as hedging instruments in a hedging relationship on the consolidated balance sheet at December 31, 2019, and 2018:

December 31, 2019	**Carrying amount of the hedging instruments**			
CHF million	**Derivative financial instruments (positive fair values)**	**Derivative financial instruments (negative fair values)**	**Nominal amount**	**Change in the fair value of the hedging instrument used as a basis for recognizing hedge ineffectiveness**
Foreign exchange risks				
Current foreign currency forward and swap contracts (maturity date within twelve months)[1]	1.1	0.2	33.9	0.8
Non-current foreign currency forward and swap contracts (maturity date after twelve months)[2]	0.1	0.1	– 33.9	0.0

1. Fair values are recognized in other current receivables/liabilities.
2. Fair values are recognized in other non-current assets/liabilities.

December 31, 2018	Carrying amount of the hedging instruments			
CHF million	Derivative financial instruments (positive fair values)	Derivative financial instruments (negative fair values)	Nominal amount	Change in the fair value of the hedging instrument used as a basis for recognizing hedge ineffectiveness
Foreign exchange risks				
Current foreign currency forward and swap contracts (maturity date within twelve months)[1]	1.4	1.3	61.1	– 2.4
Non-current foreign currency forward and swap contracts (maturity date after twelve months)[2]	0.0	0.0	0.0	0.0

1. Fair values are recognized in other current receivables/liabilities.
2. Fair values are recognized in other non-current assets/liabilities.

The change in value of the hedged transactions used as a basis for recognizing hedge ineffectiveness amounted to CHF 0.7 million in the year under review (2018: CHF 1.8 million).

The following hedging relationships affected the 2019 and the 2018 consolidated income statement and the consolidated statement of comprehensive income:

CHF million	2019	2018
Foreign exchange risks		
Hedging gains/losses recognized in other comprehensive income	0.8	– 2.4
Hedge ineffectiveness recognized in the income statement[1]	– 0.1	0.6
Hedged future transactions no longer expected to occur[1]	0.0	1.2
Amount reclassified from the hedge reserve into the income statement[1]	– 0.2	3.3

1. Included in other income or other expenses in the consolidated income statement respectively.

The following table provides a summary of the development of the hedge reserve in 2019 and 2018:

CHF million	2019	2018
Foreign exchange risks		
Hedge reserve at January 1	**0.1**	**– 2.0**
Hedging gains/losses recognized in other comprehensive income[1]	0.8	– 2.4
Hedge ineffectiveness recognized in the income statement[1]	– 0.1	0.6
Hedged future transactions no longer expected to occur[1]	0.0	1.2
Amount reclassified from the hedge reserve into the income statement[1]	– 0.2	3.3
Income taxes	– 0.1	– 0.6
Hedge reserve at December 31	**0.5**	**0.1**

1. Included in cash flow hedges in the consolidated statement of comprehensive income.

The hedge reserve includes the spot element of the fair values of foreign currency forward and swap contracts not yet matured (effective portion) as well as realized gains/losses from foreign currency contracts, where the respective hedged transaction has not yet been accounted for (effective portion).

The following tables provide information about the nominal amounts, the maturity as well as average forward exchange rates of foreign currency forward and swap contracts designated as hedging instruments at December 31, 2019, and 2018:

December 31, 2019	Period of maturity				Total	
	2020 Long[1]	2020 Short[2]	2021 and later Long[1]	2021 and later Short[2]	Total Long[1]	Total Short[2]
Foreign exchange risks						
CZK exposure hedged by group companies whose functional currency is CHF						
• Nominal amount (CHF million, long +/short -)	9.7	0.0	5.8	0.0	15.5	0.0
• Average forward foreign exchange rate (100 CZK/CHF)	4.21		4.14		4.19	
CNY exposure hedged by group companies whose functional currency is CHF						
• Nominal amount (CHF million, long +/short -)	8.3	0.0	6.6	0.0	14.9	0.0
• Average forward foreign exchange rate (CNY/CHF)	0.14		0.13		0.14	
EUR exposure hedged by group companies whose functional currency is CHF						
• Nominal amount (CHF million, long +/short -)	42.5	– 85.5	21.5	0.0	64.0	– 85.5
• Average forward foreign exchange rate (EUR/CHF)	1.09	1.10	1.08		1.09	1.10
USD exposure hedged by group companies whose functional currency is CHF						
• Nominal amount (CHF million, long +/short -)	0.4	– 9.3	0.0	0.0	0.4	– 9.3
• Average forward foreign exchange rate (USD/CHF)	0.96	0.96			0.96	0.96

1. "Long" is a position owned in a transaction.
2 "Short" is a position owed in a transaction.

December 31, 2018	Period of maturity				Total	
	2019 Long[1]	2019 Short[2]	2020 and later Long[1]	2020 and later Short[2]	Total Long[1]	Total Short[2]
Foreign exchange risks						
CZK exposure hedged by group companies whose functional currency is CHF						
• Nominal amount (CHF million, long +/short -)	8.7	– 0.1	0.0	0.0	8.7	– 0.1
• Average forward foreign exchange rate (100 CZK/CHF)	4.44	4.40			4.44	4.40
CNY exposure hedged by group companies whose functional currency is CHF						
• Nominal amount (CHF million, long +/short -)	4.1	0.0	0.0	0.0	4.1	0.0
• Average forward foreign exchange rate (CNY/CHF)	0.14				0.14	
EUR exposure hedged by group companies whose functional currency is CHF						
• Nominal amount (CHF million, long +/short -)	37.1	– 102.6	0.0	0.0	37.1	– 102.6
• Average forward foreign exchange rate (EUR/CHF)	1.14	1.14			1.14	1.14
USD exposure hedged by group companies whose functional currency is CHF						
• Nominal amount (CHF million, long +/short -)	0.0	– 8.2	0.0	0.0	0.0	– 8.2
• Average forward foreign exchange rate (USD/CHF)		0.92				0.92

1. "Long" is a position owned in a transaction.
2 "Short" is a position owed in a transaction.

Interest rate risk

With the exception of cash and time deposits, Rieter held no material interest-bearing assets during the year under review and the prior year, so both income and cash flow from operations are largely unaffected by changes in market interest rates.

Interest rate risks can arise from interest-bearing financial debt. Financial debt with variable interest rates exposes the Group to interest-rate related cash flow risks, while fixed-rate financial liabilities may represent a fair value interest rate risk. However, Rieter measures financial liabilities at amortized cost and hence is not exposed to fair value risks.

Cash flow sensitivity analysis: A one percentage point increase in interest rates would not have a significant impact on profit before taxes in 2019 and 2018.

Price risk

Holding marketable financial assets exposes Rieter to a risk of price fluctuation. The Group's balance of marketable financial assets was not material at the end of the year under review or the previous year.

Credit risk

Rieter is exposed to credit risks if counterparties fail to make payments as they fall due. Credit risks arise mainly from financial assets held with financial institutions, such as cash and time deposits (see note 5.2), as well as from trade receivables (see note 4.1). Financial assets included in other current receivables are mostly related to receivables from government bodies in the context of indirect taxes and customs duties (see note 4.2). Recovery of these receivables is monitored on a regular basis and respective credit risks are considered to be low. Credit risks related to the remaining financial assets are expected to be immaterial.

Financial institutions

Relationships with financial institutions are mainly entered into with counterparties which have an investment grade rating. In order to limit a concentration of risk, Rieter uses various banks which operate on an international scale and have a sound rating. The central treasury department monitors counterparty exposure (e.g. based on the rating of the respective financial institutions).

Trade receivables

Rieter aims to secure the credit risk exposure arising from larger individual customer receivables by means of advance payments, letters of credit, credit insurance or other instruments. This is mainly relevant for the Business Group Machines & Systems as well as for larger projects in the other two business groups. For the remaining business, credit risk is limited due to the large number of customers with individually smaller open balances and the wide geographical spread of these customers. As a result, management is of the opinion that there is no concentration of credit risk. At December 31, 2019, the open receivable balance from one individual customer exceeded 10% of total trade receivables (December 31, 2018: none). However, around 80% of the respective balance was secured by means of credit insurance.

For open receivable balances which are secured by accepted instruments, no loss allowance is recognized unless there are indications that the instrument securing the open balance may be subject to failure. For trade receivables which are not secured and not overdue by more than 90 days, expected credit losses are determined by using publicly available credit default probabilities for the textile industry per country. These default probabilities incorporate forward-looking information. If at this stage information indicating a higher collection risk for individual customers is available, individual allowances are recognized for the respective balances. The risk of a credit loss increases significantly for open trade receivable balances which are overdue for more than 90 days. Unless the open balance is negligible, an individual assessment is performed to estimate expected credit losses. Individual assessments incorporate forward-looking information such as macroeconomic forecasts and external credit ratings where available.

The following tables show the average expected loss rate for trade receivables per age category at December 31, 2019, and 2018:

December 31, 2019 CHF million	**Not due**	**No more than 90 days overdue**	**91 to 180 days overdue**	**181 days to one year overdue**	**More than one year overdue**	**Total**
Expected loss rate	1.4%	1.6%	18.2%	75.0%	96.7%	6.4%
Trade receivables (gross)	55.6	12.4	1.1	0.8	3.0	72.9
Allowance for trade receivables	0.8	0.2	0.2	0.6	2.9	4.7

December 31, 2018 CHF million	Not due	No more than 90 days overdue	91 to 180 days overdue	181 days to one year overdue	More than one year overdue	Total
Expected loss rate	1.4%	0.9%	13.3%	89.5%	82.8%	6.4%
Trade receivables (gross)	56.7	21.2	3.0	1.9	2.9	85.7
Allowance for trade receivables	0.8	0.2	0.4	1.7	2.4	5.5

The following table summarizes the movement in the allowance for trade receivables in 2019 and 2018:

CHF million	2019	2018
Allowance for trade receivables at January 1	**– 5.5**	**– 4.4**
Changes to expected credit losses on trade receivables	– 1.1	– 2.0
Write-off of trade receivables/reversal of unused amounts	1.8	0.8
Currency translation differences	0.1	0.1
Allowance for trade receivables at December 31	**– 4.7**	**– 5.5**

Trade receivables are written off when there is no reasonable expectation of recovery.

The following table provides a summary of the credit risk exposure at December 31, 2019, and 2018:

CHF million	December 31, 2019	December 31, 2018
Trade receivables	72.9	85.7
Comprising:		
• Trade receivables secured by letters of credit or similar instruments	38.2	55.3
• Trade receivables unsecured	34.7	30.4
Allowance for trade receivables	– 4.7	– 5.5
Total	**68.2**	**80.2**

Customers provide letters of credit from local and international banks as security. Rieter monitors credit risks related to the respective banks (e.g. using official ratings). Where the ratings are unsatisfactory, management may seek additional security. At December 31, 2019, and 2018, no loss allowances were recorded for secured trade receivables.

Liquidity risk

Rieter's liquidity risk management includes holding adequate reserves of liquid funds and time deposits, the option of financing via an appropriate level of committed and uncommitted credit lines, and basically the ability to place issues on the capital market. In light of the dynamic nature of the business environment in which Rieter operates, the goal is to ensure financial stability and retain the necessary flexibility by financing operations with adequate free cash flow (defined as cash flows from operating and investing activities) and maintaining unutilized credit lines. For this purpose, Rieter arranged bilaterally committed credit facilities with selected banks with a term of five years in the total amount of CHF 175 million in October 2017. These credit facilities have not been utilized to date.

The following tables show the contractual maturities of the Group's financial liabilities (including interest) at December 31, 2019, and January 1, 2019:

December 31, 2019	Carrying amount	Contractual cash flows			
CHF million		Within 1 year	In 1 to 5 years	In 5 or more years	Total cash flows
Non-derivatives					
Trade payables	68.9	68.9	0.0	0.0	68.9
Other current liabilities	55.9	55.9	0.0	0.0	55.9
Fixed-rate bond	99.9	101.5	0.0	0.0	101.5
Bank debt	11.8	11.8	0.0	0.0	11.8
Lease liabilities	3.9	2.0	1.8	0.2	4.0
Other financial debt	7.3	7.4	0.0	0.0	7.4
Total non-derivatives	**247.7**	**247.5**	**1.8**	**0.2**	**249.5**
Derivatives					
Foreign currency forward and swap contracts	1.0	128.2	27.3	0.0	155.5
Total derivatives	**1.0**	**128.2**	**27.3**	**0.0**	**155.5**
Total	**248.7**	**375.7**	**29.1**	**0.2**	**405.0**

January 1, 2019[1]	Carrying amount	Contractual cash flows			
CHF million		Within 1 year	In 1 to 5 years	In 5 or more years	Total cash flows
Non-derivatives					
Trade payables	96.3	96.3	0.0	0.0	96.3
Other current liabilities	75.0	75.0	0.0	0.0	75.0
Fixed-rate bond	99.8	1.5	101.5	0.0	103.0
Lease liabilities	5.6	2.5	2.8	0.4	5.7
Other financial debt	7.1	0.2	7.5	0.0	7.7
Total non-derivatives	**283.8**	**175.5**	**111.8**	**0.4**	**287.7**
Derivatives					
Foreign currency forward and swap contracts	1.6	136.9	0.0	0.0	136.9
Total derivatives	**1.6**	**136.9**	**0.0**	**0.0**	**136.9**
Total	**285.4**	**312.4**	**111.8**	**0.4**	**424.6**

1. Addition of lease liabilities to the opening balance sheet due to the application of IFRS 16 (see note 8.8).

Capital management

The capital managed by the Group is equal to the consolidated equity. Rieter's objectives in terms of capital management are to safeguard the Group's financial stability, its financial independence and its ability to continue as a going concern in order to generate returns for shareholders and respective benefits for other stakeholders. In addition, capital management aims to maintain an optimal capital structure. The equity ratio is 48% at December 31, 2019 (December 31, 2018: 45%). As an industrial group, Rieter strives to have a strong balance sheet with an equity ratio of at least 35%.

In order to maintain or change the capital structure, the Group may – as the need arises – adjust dividend payments to shareholders, return capital to shareholders, issue new shares or dispose of assets in order to reduce debt.

In connection with existing, but unutilized committed credit facilities, Rieter is subject to externally imposed requirements (financial covenants) defining minimum equity and maximum gearing. These requirements have been complied with by Rieter and their compliance is monitored on a continuous basis.

8.7 RELATED PARTIES

Related parties include associated companies, members of the Board of Directors and the Group Executive Committee, employee benefit plans as well as companies controlled by significant shareholders. Transactions with related parties are generally conducted at arms' length.

Total compensation of the Board of Directors and the Group Executive Committee consisted of:

CHF million	2019	2018
Cash compensation	3.5	3.2
Employee benefit contributions and social security	0.8	0.8
Share-based compensation	1.6	1.7
Total	**5.9**	**5.7**

The remuneration report of Rieter Holding Ltd. in accordance with Swiss law is presented on pages 38 to 41.

Apart from purchases from associated companies (see note 6.3), compensation to the Board of Directors and the Group Executive Committee as well as the ordinary contributions to the various employee benefit plans (see note 7.2), there have been no further transactions with related parties relevant for disclosure.

8.8 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The following new or amended standards and interpretations became effective in the year under review:

New or amended standards and interpretations
IFRS 16 Leases
Long-term Interests in Associates and Joint Ventures (amendments to IFRS 28)[1]
Prepayment Features with Negative Compensation (amendments to IFRS 9)[1]
Plan Amendment, Curtailment or Settlement (amendments to IAS 19)[1]
Annual Improvements to IFRS Standards 2015-2017 Cycle[1]
IFRIC Interpretation 23: Uncertainty over Income Tax Treatments

1. The application of these new or amended provisions had no significant impact on the 2019 consolidated financial statements and the comparative period.

8.8.1 Application of "IFRS 16 Leases"

Rieter has applied the new standard "IFRS 16 Leases" for the first time as of January 1, 2019. This note explains the impact of the adoption of IFRS 16 on the consolidated financial statements. The new accounting policies applied for leases as of January 1, 2019, are disclosed in note 8.4.

Adjustments to the balance sheet at January 1, 2019 (date of initial application)

Until December 31, 2018, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases were charged to the income statement on a straight-line basis over the period of the lease. No lease arrangements qualified as finance leases in accordance with the provisions of IAS 17.

In accordance with the transitional provisions, Rieter has applied IFRS 16 as of January 1, 2019, but has not restated the comparative period (2018 financial year). Existing lease arrangements classified as operating leases under the old standard IAS 17 were recognized as lease liabilities and as right-of-use assets in the opening balance sheet at January 1, 2019, unless they were associated with short-term leases or leases of low-value assets (see significant accounting policies in note 8.4).

The table below presents the impact of the recognition of the adjustments at January 1, 2019:

CHF million	January 1, 2019	December 31, 2018
Right-of-use assets[1]	5.7	0.0
Assets	**5.7**	**0.0**
Current lease liabilities[2]	2.5	0.0
Non-current lease liabilities[3]	3.1	0.0
Total lease liabilities	**5.6**	**0.0**
Restoration cost[4]	0.1	0.0
Liabilities	**5.7**	**0.0**

1. Increase in the line item “Property, plant and equipment” in the consolidated balance sheet.
2. Increase in the line item “Current financial debt” in the consolidated balance sheet.
3. Increase in the line item “Non-current financial debt” in the consolidated balance sheet.
4. Restoration cost related to new lease arrangements identified at the date of initial application. Increase in the line item “Non-current provisions” in the consolidated balance sheet.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the respective group companies at January 1, 2019. The weighted average incremental borrowing rate applied to lease liabilities amounted to 2.9%. The associated right-of-use assets were measured at the amount equal to the lease liability and the restoration cost. Adjustments of the right-of-use assets by the amount of any prepaid or accrued lease payments relating to the respective leases recognized in the balance sheet at December 31, 2018, were insignificant. There was no impact of the adjustments on retained earnings at January 1, 2019.

At December 31, 2018, property, plant and equipment included land-use-rights in the amount of CHF 4.2 million. The respective assets were based on payments associated with contracts that qualified as operating leases in accordance with IAS 17. These assets have been reclassified to “Right-of-use assets” within property, plant and equipment at January 1, 2019.

For leases previously classified as operating leases, when applying IFRS 16 for the first time Rieter elected to apply the following practical expedients:
- Lease with a remaining lease term of twelve months or less at January 1, 2019, were accounted for as short-term leases.
- Initial direct costs were excluded from the measurement of right-of-use assets at January 1, 2019.

The following table shows the reconciliation between the future aggregate minimum lease payments under operating leases at December 31, 2018, as disclosed in note 32 of the 2018 consolidated financial statements, and the lease liabilities recognized in the consolidated balance sheet at January 1, 2019:

CHF million	
Future aggregate minimum lease payments under operating leases as disclosed at December 31, 2018 (in accordance with IAS 17)	19.1
Less future aggregate minimum lease payments associated with lease agreements concluded but not commenced	– 13.2
Less future aggregate minimum lease payments associated with short-term leases and leases of low-value assets	– 0.6
Less impact of discounting future lease payments	– 0.4
Plus lease arrangements identified at the date of initial application	0.7
Lease liabilities at January 1, 2019 (in accordance with IFRS 16)	**5.6**

Impact on net profit and earnings per share
The adoption of IFRS 16 had no significant impact on Rieter’s net profit or on basic and diluted earnings per share for the 2019 financial year.

8.8.2 Application of "IFRIC Interpretation 23: Uncertainty over Income Tax Treatments"

Rieter has applied the new interpretation IFRIC 23 for the first time as of January 1, 2019. In addition, the IFRS Interpretations Committee (IC) concluded in an agenda decision on September 25, 2019, that an entity is required to present uncertain tax balances as current or deferred tax assets or liabilities. Such balances are not presented as provisions. This note explains the impact of the adoption of IFRIC 23 and the new IC conclusion on the consolidated financial statements. The new accounting policies applied as of January 1, 2019, are disclosed in note 8.1.

Adjustments to the balance sheet at January 1, 2019 (date of initial application)

Until December 31, 2018, Rieter classified obligations in connection with uncertain tax balances as provisions. As of January 1, 2019, Rieter is presenting such obligations as current income tax liabilities. In accordance with the transitional provisions, Rieter has applied IFRIC 23 as of January 1, 2019, but has not restated the comparative period (2018 financial year).

The table below presents the impact of the recognition of the adjustments at January 1, 2019:

CHF million	January 1, 2019	December 31, 2018
Current income tax liabilities[1]	20.7	0.0
Current liabilities	**20.7**	**0.0**
Non-current other provisions[2]	– 20.7	0.0
Non-current liabilities	**– 20.7**	**0.0**
Liabilities	**0.0**	**0.0**

1. Increase in the line item "Current income tax liabilities" in the consolidated balance sheet.
2. Decrease in the line item "Non-current provisions" in the consolidated balance sheet.

Obligations in connection with uncertain tax balances in the amount of CHF 20.7 million were reclassified from non-current other provisions to current income tax liabilities. There was no other impact of this change in accounting policy on the consolidated financial statements.

8.8.3 Standards and Interpretations that have been published but not yet applied

The new or amended standards and interpretations listed below have been issued by the International Accounting Standards Board (IASB), but are not yet effective:

New or amended standards and interpretations	Effective date	Planned application by Rieter
Conceptual Framework for Financial Reporting[1]	January 1, 2020	Financial year 2020
Definition of a Business (amendments to IFRS 3)[1]	January 1, 2020	Financial year 2020
Definition of Material (amendments to IAS 1 and IAS 8)[1]	January 1, 2020	Financial year 2020
Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7)[1]	January 1, 2020	Financial year 2020
IFRS 17 Insurance Contracts[1]	January 1, 2021	Financial year 2021
Classification of Liabilities as Current or Non-current (amendments to IAS 1)[1]	January 1, 2022	Financial year 2022

1. No impact or no significant impact expected on the consolidated financial statements.

8.9 OTHER SIGNIFICANT ACCOUNTING POLICIES

This section includes significant accounting policies that are of a general nature or apply to items contained in more than one of the notes.

Foreign currency translation

Items included in the financial statements of each group company are recognized using the currency of the primary economic environment in which the company operates (functional currency).

Transactions in foreign currencies are translated into the functional currency by applying the exchange rates prevailing on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at closing exchange rates are recognized in the income statement.

For consolidation purposes, items in the balance sheet of foreign group companies are translated into Swiss francs at closing exchange rates, while income statement items are translated at average rates for the respective period. The resulting currency translation differences are recognized in other comprehensive income. In the event of an entity's deconsolidation, currency translation differences are reclassified to the income statement as part of the gain or loss on the entity's divestment or liquidation.

The following foreign exchange rates of importance for Rieter were used for the preparation of the consolidated financial statements as well as for the financial statements of group companies:

		Average annual CHF rates		Year-end CHF rates	
Country/Region	Currency (unit)	**2019**	**2018**	**2019**	**2018**
China	100 CNY	14.38	14.79	13.88	14.31
Czech Republic	100 CZK	4.33	4.50	4.27	4.38
Euro countries	1 EUR	1.11	1.16	1.09	1.13
India	100 INR	1.41	1.43	1.35	1.41
USA	1 USD	0.99	0.98	0.97	0.98

Impairment of non-financial assets

Assets that are subject to regular depreciation or amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable. Goodwill is tested for impairment at least at each balance sheet date. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's discounted value of expected future net cash flows from continuing use or expected fair value less cost to sell. Non-financial assets that have suffered an impairment loss in the past are reviewed for possible reversal of the respective loss at each reporting date. Impairment losses related to goodwill are not reversed in subsequent periods.

Financial assets

Rieter classifies its financial assets as "at amortized cost", "at fair value through profit or loss" or "at fair value through other comprehensive income (OCI)".

At initial recognition, financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the asset, except for financial assets held at fair value through profit or loss where transaction costs are expensed immediately to the income statement.

Debt instruments

The classification of debt instruments (e.g. receivables, loans or bonds) depends on the company's business model for managing the respective asset and the cash flow characteristics of the asset. There are three measurement categories for the classification of debt instruments.

Debt instruments that are held for collection of contractual cash flows, where those cash flows represent solely repayments of principal and interest on the principal amount, are measured "at amortized cost". Gains or losses on a debt instrument subsequently measured at amortized cost are recognized in the income statement when the asset is sold or impaired. Interest income is included in the income statement using the effective interest rate method.

Rieter held no debt instruments classified as "at fair value through profit or loss" or as "at fair value through OCI" at December 31, 2019, and 2018.

Credit risks related to debt instruments at amortized cost held by Rieter at December 31, 2019, and 2018, are considered to be low. Therefore, Rieter determines the impairment allowance as the credit losses expected in the next twelve months. If the credit risk were to increase and no longer be regarded as low risk, lifetime expected credit losses would have to be recognized. For trade receivables a separate approach is applied for measuring impairment (see notes 4.1).

Debt instruments are included in current assets, except for maturity dates more than twelve months after the balance sheet date, in which case they are presented as non-current assets.

Equity instruments
A minor balance of equity instruments was designated as “at fair value through other comprehensive income” at acquisition date. Apart from that, Rieter held no financial assets at December 31, 2019, and 2018, that complied with the criteria for equity instruments.

Other financial instruments
Holdings in investment funds (equity or debt funds) cannot usually be treated as either equity or debt instruments for classification purposes. Rieter’s holdings in investment funds are classified as “financial assets at fair value through profit or loss”, and changes in fair values as well as profit distributions are included in the income statement. Holdings in investment funds are presented as current assets if they are either held for trading purposes or are likely to be sold within twelve months after the balance sheet date.

Derivative financial instruments and hedge accounting
Rieter concludes foreign currency contracts in order to hedge foreign currency risks. Hedge accounting is applied to selected transactions.

Derivative financial instruments – without hedge accounting
Derivative financial instruments are initially recognized at fair value on the date a derivative contract is concluded and are subsequently remeasured to the respective fair value at each reporting date. The resulting gains and losses are recognized immediately as other income/expenses or financial income/expenses depending on the nature of the underlying transaction.

The respective positive and negative fair values are recognized in the balance sheet as derivative financial instruments in other current receivables or other current liabilities if their maturity date is within twelve months after balance sheet date, and otherwise in other non-current assets or other non-current liabilities.

Derivative financial instruments – with hedge accounting
Rieter designates selected foreign currency forward and swap contracts as hedges for firm sale and purchase commitments in non-functional currencies of the respective group companies with the aim of securing the profit margin against fluctuations in foreign exchange rates. At inception of the hedged transaction, the hedge relationship between the unrecognized firm commitment (hedged transaction/item) and the foreign currency forward or swap contract (hedging instrument) is documented. Fair values of derivative financial instruments are split into an element related to the foreign currency basis spread (spot element) and a forward element related to changes in the interest rate differential. The spot element of the fair value is deferred and recognized in other comprehensive income (hedge reserve) until the hedged transaction has been accounted for in the consolidated financial statements. The forward element is recognized in the income statement in other income/expenses at all times.

Once the hedged transaction is accounted for in the financial statements, the fair value of the spot element is reclassified from the hedge reserve to the income statement (other income/expenses). Any ineffective portion of the fair value of the hedging instrument is recognized immediately in the income statement. If the hedged transaction is no longer expected to occur, the fair value of the respective hedging instrument is immediately reclassified to the income statement.

8.10 EVENTS AFTER BALANCE SHEET DATE

In a media release issued on January 29, 2020, Rieter announced further planned measures to adjust capacities due to structural changes in the market situation. This concerns the locations Winterthur (Switzerland), Suessen and Gersthofen (both Germany), Enschede (Netherlands) and Boskovice (Czech Republic).

No other events have occurred up to March 9, 2020, which would necessitate adjustments to the carrying amounts of the Group’s assets or liabilities, or which require additional disclosure.

REPORT OF THE STATUTORY AUDITOR ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF THE STATUTORY AUDITOR ON THE AUDIT OF THE 2019 CONSOLIDATED FINANCIAL STATEMENTS TO THE GENERAL MEETING OF RIETER HOLDING LTD., WINTERTHUR

Opinion

We have audited the consolidated financial statements of Rieter Holding Ltd. and its subsidiaries (the Group) which comprise the the consolidated income statement and consolidated statement of comprehensive income for the year 2019, consoldated balance sheet as at 31 December 2019, consolidated statement of changes in equity, consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 44 to 87) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall Group materiality: CHF 2 000 000

We concluded full scope audit work at eight Group companies in four countries. These group companies represented 85% of sales and 80% of the assets of the Group.

As key audit matters, the following areas of focus were identified:

- Recognition and measurement of guarantee and warranty provisions
- Measurement of goodwill
- Disposal of land and buildings in Ingolstadt (Germany)

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 2 000 000
How we determined it	5% of the weighted average profit before taxes achieved in the last four years (before restructuring charges and gains from the sale of real estate).
Rationale for the materiality benchmark applied	We chose profit before tax before restructuring charges and gains from the sale of real estate as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We used the weighted average of the last four years because the Group's sales and results by segment over such a period are highly volatile. Profit before taxes is also a generally accepted benchmark for materiality considerations.

We agreed with the Audit Committee that we would report to them misstatements above CHF 180 000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The main subsidiaries of the Group are audited by PwC (eight full scope audits) and we remain in constant contact with the audit teams that perform the work. Additionally, there are three companies in the "specified procedures scope" (of these, one company are not audited by PwC). As the auditor of the consolidated financial statements, we ensure that we regularly visit local management as well as the local auditors. As part of the audit of the 2019 consolidated financial statements, we performed the audit of the four most significant Swiss Group companies and visited the main Group companies and the local auditors in China and Germany.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

RECOGNITION AND MEASUREMENT OF GUARANTEE AND WARRANTY PROVISIONS

Key audit matter	How our audit addressed the key audit matter
Guarantee and warranty commitments can arise from the Rieter Group's regular business activities in the manufacture of spinning machines, systems and components. The recognition and the measurement of these provisions require critical accounting estimates and judgments by Management based on historical experience and expectations. We consider guarantee and warranty commitments to be a key audit matter because of the inherent uncertainty regarding their likelihood of occurrence and magnitude. *Please refer to Note 4.8 'Provisions' in the annual report.*	We performed the following audit procedures: • Compared the guarantee and warranty provisions recorded in the prior year with the actual expenses arising from guarantee and warranty provisions incurred in the year under review and assessed the adjustments made by Management. • Compared the estimated amounts of guarantee and warranty provisions for current guarantee and warranty provisions with actual and expected costs. • Assessed the accounting estimates and judgements of Management and the estimated probability of occurrence of the risks relating to guarantee and warranty provisions as at 31 December 2019. The results of our audit support Management's assumptions with regard to the recognition and measurement of guarantee and warranty provisions.

MEASUREMENT OF GOODWILL

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2019, Rieter disclosed goodwill of CHF 43.5 million arising from acquisition of the SSM Textile Machinery division from Schweiter Technologies AG in 2017. The value of the goodwill depends significantly on Management's estimates of the future cash flows, the discount rate and the growth rate. Owing to the numerous assumptions and estimates used by Management, the impairment testing of these assets was a key audit matter. *Please refer to note 4.5 'Intangible assets and goodwill' in the annual report.*	We performed the following audit procedures: • Tested the appropriateness of the assumptions and estimates used and the logical consistency (structure, completeness) and arithmetical correctness of the valuation model used. • Assessed previous cash flows in order to assess more accurately future cash flows and their forecasts. • Discussed with Management the future cash flows and forecasts. • Compared the long-term growth rates with economic and industry-specific forecasts. • Assessed the sensitivity analyses performed by Management. The audit evidence obtained supports Management's assumptions with regard to the measurement of goodwill.

DISPOSAL OF LAND AND BUILDINGS IN INGOLSTADT (GERMANY)

Key audit matter	How our audit addressed the key audit matter
In 2019, Rieter Holding Ltd. realized a net profit of CHF 67.2 million arising from the disposal of land and buildings in Ingolstadt (Germany). The recognition of the net profit from the disposal of land and buildings involves a significant extent of judgment in respect to costs directly attributable to the disposal, that mainly consist of provisions for obligations related to site restoration and accrual for indirect tax in the amount of CHF 11.9 million. In addition, the cost for directly linked variable remuneration in the amount of CHF 4.1 million is included. We focused on this area due to the magnitude of the gain realized in the consolidated Group financial statements 2019, and recognition and measurements of these obligations involve judgments made by Management based on expectation and historical experience. *Please refer to note 2.1 'Disposal of land and buildings in Ingolstadt (Germany)' in the annual report.*	We performed the following audit procedures: • Evaluated whether net profit of CHF 67.2 million from the disposal of land and buildings was correctly measured and recognized in alignment with the corresponding sales contract. • For costs attributable to the disposal, we challenged Management's assumptions applied when calculating the provisions for site restoration by performing past-year comparisons and assessing magnitude and probability of occurrence within the contractual range. Furthermore, we tested the accuracy of the directly linked remuneration calculation. • Evaluated appropriateness of the accrual for indirect tax in line with local regulations. The results of our audit support that Management's assumptions with regard to the disposal of land and buildings in Ingolstadt (Germany) and provisions for obligations in the consolidated financial statements lie within a reasonable range.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of Rieter Holding Ltd. and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Beat Inauen
Audit expert
Auditor in charge

Remo Hegner
Audit expert

Zurich, 9 March 2020

INCOME STATEMENT OF RIETER HOLDING LTD.

CHF million	Notes	2019	2018
Income			
Income from investments	(2.1)	30.1	27.1
Financial income	(2.2)	2.6	1.9
Other income	(2.3)	3.9	5.7
Total income		**36.6**	**34.7**
Expenses			
Administrative expenses		5.5	6.8
Financial expenses	(2.4)	2.4	2.9
Increase in value adjustments and provisions	(2.5)	9.6	0.0
Taxes		0.1	0.1
Total expenses		**17.6**	**9.8**
Net profit		**19.0**	**24.9**

BALANCE SHEET OF RIETER HOLDING LTD.

CHF million	Notes	December 31, 2019	December 31, 2018
Assets			
Cash and cash equivalents	(2.6)	164.9	124.6
Current receivables	(2.7)	50.5	2.7
Prepaid expenses and accrued income	(2.8)	0.2	0.5
Current assets		**215.6**	**127.8**
Other financial assets	(2.9)	25.5	17.5
Investments	(2.10)	211.0	301.6
Non-current assets		**236.5**	**319.1**
Total assets		**452.1**	**446.9**
Liabilities and shareholders' equity			
Current liabilities	(2.11)	1.6	1.9
Current interest-bearing liabilities	(2.12)	231.1	127.0
Accrued expenses and deferred income	(2.8)	1.1	0.9
Current liabilities		**233.8**	**129.8**
Non-current interest-bearing liabilities	(2.13)	0.0	100.0
Provisions	(2.14)	11.3	11.3
Non-current liabilities		**11.3**	**111.3**
Total liabilities		**245.1**	**241.1**
Share capital	(2.15)	23.4	23.4
General legal reserve	(2.17)	27.5	27.5
Free reserves	(2.18)	121.4	108.9
Retained earnings	(2.19)		
• Balance carried forward		39.3	51.9
• Net profit		19.0	24.9
Treasury shares	(2.20)	– 23.6	– 30.8
Shareholders' equity		**207.0**	**205.8**
Total shareholders' equity and liabilities		**452.1**	**446.9**

NOTES TO THE FINANCIAL STATEMENTS OF RIETER HOLDING LTD.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES

The financial statements of Rieter Holding Ltd. have been prepared in accordance with the provisions of Swiss accounting law.

Significant accounting policies which are not specified by the Swiss Code of Obligations are listed below.

1.2 INVESTMENTS

Investments are usually measured individually. If management and internal performance assessment are combined for a group of investments, impairment testing for these investments may also be combined. Investments are recognized in the balance sheet at acquisition cost less necessary accumulated value adjustments.

1.3 TREASURY SHARES

Treasury shares are recognized at historical cost and presented as a negative component of equity. If treasury shares are sold or reissued subsequently, any resulting gains or losses are directly recognized against free reserves.

1.4 FOREIGN CURRENCIES

All monetary assets and liabilities in foreign currencies are translated at year-end exchange rates. Losses from the revaluation of non-current receivables and payables are recorded in the income statement, whereas the respective gains are not recognized. Income and expenses as well as all transactions in foreign currencies are translated using the exchange rate prevailing on the date of the transaction. The resulting foreign currency gains and losses are recognized in the income statement.

1.5 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are only recognized on the balance sheet if unrealized losses exist.

2 DETAILS OF BALANCE SHEET AND INCOME STATEMENT ITEMS

2.1 INCOME FROM INVESTMENTS

Income from investments consists of dividends paid by subsidiaries and associated companies.

2.2 FINANCIAL INCOME

Financial income includes interest income as well as the foreign exchange result.

2.3 OTHER INCOME

Other income consists of the contractually agreed compensation payments from group companies.

2.4 FINANCIAL EXPENSES

Financial expenses consist mainly of interest payable on the fixed-rate bond and liabilities payable to banks and group companies. In addition, the charges for the non-utilized bilaterally committed credit facilities (CHF 175 million, maturity on October 31, 2022) are included.

2.5 INCREASE IN VALUE ADJUSTMENTS AND PROVISIONS

In 2019, the value of investments in subsidiaries has been adjusted by CHF 9.6 million (2018: none).

2.6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include bank accounts.

2.7 CURRENT RECEIVABLES

CHF million	December 31, 2019	December 31, 2018
Receivables from subsidiaries	50.5	2.7
Total	**50.5**	**2.7**

Receivables consist mainly of current account credit facilities which are granted to subsidiaries based on market terms and conditions in the context of central cash management.

2.8 PREPAID EXPENSES AND ACCRUED INCOME/ ACCRUED EXPENSES AND DEFERRED INCOME

Prepaid expenses and accrued income consist mainly of financing costs.

Accrued expenses and deferred income include mainly accrued interest and taxes.

2.9 OTHER FINANCIAL ASSETS

CHF million	December 31, 2019	December 31, 2018
Loans to subsidiaries	25.5	17.5
Total	**25.5**	**17.5**

2.10 INVESTMENTS

CHF million	December 31, 2019	December 31, 2018
Investments in subsidiaries	199.2	289.8
Investments in associated companies	11.8	11.8
Total	**211.0**	**301.6**

In 2019, the reduction of investments in subsidiaries is mainly a result of capital repayments, partially in relation to the disposal of land and buildings in Ingolstadt (Germany). In 2018, Rieter Holding Ltd. took over 25% of Electro-Jet S.L. based in Gurb (Spain).

Investments are listed on page 64. These are held directly or indirectly by Rieter Holding Ltd.

2.11 CURRENT LIABILITIES

CHF million	December 31, 2019	December 31, 2018
Liabilities to group companies	0.2	0.3
Liabilities to third parties	1.4	1.6
Total	**1.6**	**1.9**

2.12 CURRENT INTEREST-BEARING LIABILITIES

CHF million	December 31, 2019	December 31, 2018
Liabilities to group companies	131.1	127.0
Fixed-rate bond	100.0	0.0
Total	**231.1**	**127.0**

Rieter Holding Ltd. manages cash and cash equivalents of group companies in the central cash-pool.

On September 1, 2014, a fixed-rate bond of CHF 100 million was issued. The bond has a six-year maturity period and a fixed interest rate of 1.5% p.a. Interest is payable annually on September 29. The final maturity date is September 29, 2020.

2.13 NON-CURRENT INTEREST-BEARING LIABILITIES

At December 31, 2018, non-current interest-bearing liabilities included the bond of CHF 100 million. Due to the final maturity date in 2020, the fixed-rate bond has been reclassified to “Current interest-bearing liabilities” (see note 2.12).

2.14 PROVISIONS

This item consists of provisions for foreign exchange risks and guarantee commitments.

2.15 SHARE CAPITAL

At December 31, 2019, the share capital of Rieter Holding Ltd. amounted to CHF 23 361 815. It is divided into 4 672 363 fully paid registered shares with a nominal value of CHF 5.00 each.

The Annual General Meeting held on April 18, 2012, authorized the Board of Directors to increase the share capital at any time until April 18, 2014, by up to CHF 2 500 000 by issuing a maximum of 500 000 fully paid registered shares with a nominal value of CHF 5.00 each. The Annual General Meeting approved the extension of this time limit by two years in 2014, 2016 and 2018, most recently until April 5, 2020. Increases in partial amounts are permitted. The subscription and purchase of the new shares are subject to the restrictions set forth in §4 of the Articles of Association.

2.16 LEGAL CAPITAL RESERVE

CHF million	2019	2018
Opening balance	0.0	10.5
Reversal for dividend distribution	0.0	– 10.5
Total	**0.0**	**0.0**

The dividend of CHF 22.6 million distributed in April 2018 was taken partially from the legal capital reserve.

2.17 GENERAL LEGAL RESERVE

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

2.18 FREE RESERVES

CHF million	2019	2018
Opening balance	108.9	93.6
Transfer from the appropriation of retained earnings	15.0	15.0
Losses/gains from treasury shares	– 2.5	0.3
Total	**121.4**	**108.9**

2.19 RETAINED EARNINGS

Including retained earnings carried forward, the Annual General Meeting has a total of CHF 58.4 million at its disposal (2018: CHF 76.8 million).

2.20 TREASURY SHARES

Treasury shares are held directly by Rieter Holding Ltd. Consequently, there is no need for a separate reserve for treasury shares.

Treasury shares held by Rieter Holding Ltd.

	Number of shares
Treasury shares at January 1, 2019 (registered shares)	191 407
Purchases from January to December 2019 (average price per share: CHF 136.98)	13 265
Sales from January to December 2019 (average price per share: CHF 138.52)	– 46 640
Treasury shares at December 31, 2019 (registered shares)	**158 032**

3 ADDITIONAL INFORMATION

3.1 LEGAL FORM, REGISTERED OFFICE AND NUMBER OF FULL-TIME EMPLOYEES

Rieter Holding Ltd. is a limited company (“Aktiengesellschaft”) with its registered office in Winterthur. The company does not employ any personnel.

3.2 GUARANTEES TO THIRD PARTIES

CHF million	December 31, 2019	December 31, 2018
Guarantees	68.0	32.4

Guarantees to third parties consist of sureties issued to financial institutions for loans granted.

3.3 SIGNIFICANT SHAREHOLDERS

Major groups of shareholders with holdings exceeding 3% of total voting rights (pursuant to Article 663c of the Swiss Code of Obligations) at December 31, 2019:

- According to the notification from SIX Swiss Exchange (SIX) on October 26, 2019, PCS Holding AG, Frauenfeld, Switzerland, held 1 031 380 shares (22.07%).
- According to the notification from SIX on May 12, 2011, Artemis Beteiligungen I AG, Franke Artemis Holding AG and Artemis Holding AG, Hergiswil, Switzerland, held 538 087 shares (11.52%).
- According to the notification from SIX on October 18, 2019, Credit Suisse Funds AG, Zurich, Switzerland, held 238 924 shares (5.11%).
- According to the notification from SIX on August 19, 2015, Rieter Holding Ltd., Winterthur, Switzerland, held 140 504 shares (3.01%).

3.4 SHAREHOLDINGS BY THE BOARD OF DIRECTORS AND THE GROUP EXECUTIVE COMMITTEE (INCLUDING RELATED PARTIES) AT DECEMBER 31, 2019 (ARTICLE 663C, SWISS CODE OF OBLIGATIONS)

	Number of shares	
	December 31, 2019	December 31, 2018
Bernhard Jucker, Chairman	4 285	1 803
Roger Baillod	976	563
Carl Illi	587	147
Michael Pieper	543 293	542 451
This E. Schneider	7 467	6 414
Hans-Peter Schwald	7 665	7 005
Peter Spuhler	1 031 380	920 892
Luc Tack	1 329	257
Total Board of Directors	**1 596 982**	**1 479 532**

	Number of shares	
	December 31, 2019	December 31, 2018
Dr. Norbert Klapper	5 034	3 704
Thomas Anwander	1 664	1 715
Serge Entleitner	778	213
Joris Gröflin (until March 30, 2019)	–	5 019
Kurt Ledermann (as of May 1, 2019)	10	–
Carsten Liske	1 338	1 445
Rico Randegger (as of May 1, 2019)	0	–
Total Group Executive Committee	**8 824**	**12 096**

In 2019, the members of the Board of Directors and the Group Executive Committee received 11 801 shares with a fair value of CHF 1.6 million as part of their share-based compensation.

3.5 EVENTS AFTER BALANCE SHEET DATE

The financial statements were approved by the Board of Directors on March 9, 2020. They are subject to approval by the Annual General Meeting of shareholders on April 16, 2020. There were no other significant events after balance sheet date.

MOTION OF THE BOARD OF DIRECTORS

FOR THE APPROPRIATION OF RETAINED EARNINGS AND THE DISTRIBUTION OF A DIVIDEND

CHF	2019
Net profit for the year	19 031 398
Retained earnings carried forward from previous year	39 322 166
At the disposal of the Annual General Meeting	**58 353 564**
Motion	
Distribution of dividend[1]	21 025 634
Balance to be carried forward	37 327 930
	58 353 564

1. Shares held by Rieter Holding Ltd. at the time of distribution are not entitled to dividend. The amount distributed will be reduced accordingly at the time of distribution.

The Board of Directors proposes that a dividend of CHF 4.50 per registered share be paid.

REPORT OF THE STATUTORY AUDITOR ON THE AUDIT OF THE FINANCIAL STATEMENTS

pwc

REPORT OF THE STATUTORY AUDITOR ON THE AUDIT OF THE 2019 FINANCIAL STATEMENTS TO THE GENERAL MEETING OF RIETER HOLDING LTD., WINTERTHUR

Opinion

We have audited the financial statements of Rieter Holding Ltd., which comprise the balance sheet as at 31 December 2019, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 94 to 100 and page 64) as at 31 December 2019 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 1 000 000
How we determined it	0.5 % of shareholders' equity.
Rationale for the materiality benchmark applied	We chose shareholders' equity as the benchmark because it is a generally accepted benchmark for materiality considerations relating to a holding company.

We agreed with the Audit Committee that we would report to them misstatements above CHF 100 000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient workt to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority
We have determined that there are no key audit matters to communicate in our report.

Responsibilities of the Board of Directors for the financial statements
The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Beat Inauen Audit expert Auditor in charge	Remo Hegner Audit expert

Zurich, 9 March 2020

REVIEW 2015 TO 2019

		2019	2018	2017	2016	2015
Consolidated income statement						
Sales	CHF million	760.0	1 075.2	965.6	945.0	1 036.8
• Asia without China/India/Turkey	CHF million	293	434	319	286	324
• China	CHF million	137	149	184	187	140
• India	CHF million	100	146	174	182	142
• Turkey	CHF million	67	155	100	119	144
• North and South America	CHF million	106	109	115	87	200
• Europe	CHF million	41	47	46	41	60
• Africa	CHF million	16	36	28	43	27
Operating result before interest, taxes, depreciation and amortization (EBITDA)	CHF million	123.1 [1]	84.1	64.7 [3]	95.8	115.9
• in % of sales		16.2	7.8	6.7	10.1	11.2
Operating result before interest and taxes (EBIT)	CHF million	84.9 [1]	43.2	15.8 [4]	56.5	73.1
• in % of sales		11.2	4.0	1.6	6.0	7.0
Net profit	CHF million	52.4 [2]	32.0	13.3 [5]	42.7	49.8
• in % of sales		6.9	3.0	1.4	4.5	4.8
Return on net assets (RONA) in %		10.0	6.6	3.0	8.5	9.5
Consolidated cash flow statement						
Cash flow from operating activities	CHF million	– 45.7	78.4	20.6	102.2	89.0
Cash flow from investing activities[6]	CHF million	88.0	– 14.8	– 21.7	– 25.9	– 7.0
Cash flow from financing activities	CHF million	– 9.8	– 36.3	– 19.4	– 34.4	– 84.8
Free cash flow[6]	CHF million	42.3	63.6	– 1.1	76.3	65.0
Number of employees at December 31[7]		**4 591**	**5 134**	**5 246**	**5 022**	**5 077**
Consolidated balance sheet at December 31						
Current assets	CHF million	567.2	577.8	598.2	653.8	631.3
Non-current assets	CHF million	415.8	424.5	450.0	344.3	370.1
Current liabilities	CHF million	410.7	320.6	323.2	304.9	306.2
Non-current liabilities	CHF million	102.7	235.1	267.5	232.5	251.4
Equity attributable to shareholders of Rieter Holding Ltd.	CHF million	468.8	445.9	456.8	459.6	442.9
Equity attributable to non-controlling interests	CHF million	0.8	0.7	0.7	1.1	0.9
Total assets	CHF million	983.0	1 002.3	1 048.2	998.1	1 001.4
Shareholders' equity in % of total assets		47.8	44.6	43.6	46.2	44.3
Cash and cash equivalents	CHF million	284.1	256.2	243.3	365.6	326.5
Marketable securities and time deposits	CHF million	0.9	0.9	1.1	7.0	7.5
Current financial debt	CHF million	– 121.0	– 0.2	– 7.3	– 9.1	– 14.1
Non-current financial debt	CHF million	– 1.9	– 106.7	– 106.6	– 100.0	– 107.5
Net liquidity	CHF million	**162.1**	**150.2**	**130.5**	**263.5**	**212.4**

1. Including the gain on disposal of land and buildings in Ingolstadt (Germany) amounting to CHF 94.5 million.
2. Including the gain on disposal of land and buildings in Ingolstadt (Germany) amounting to CHF 94.5 million, directly related interest income amounting to CHF 1.3 million and a negative tax impact of CHF 28.6 million.
3 Including restructuring costs amounting to CHF 29.9 million.
4. Including restructuring costs amounting to CHF 29.9 million and impairment losses related to restructurings amounting to CHF 6.1 million.
5. Including restructuring costs amounting to CHF 29.9 million, impairment losses related to restructurings amounting to CHF 6.1 million and a positive tax impact of CHF 7.5 million.
6. Excluding acquisitions and divestments of business.
7. Excluding apprentices and temporary employees.

Information for investors

		2019	2018	2017	2016	2015
Share capital	CHF million	23.4	23.4	23.4	23.4	23.4
Net profit of Rieter Holding Ltd.	CHF million	19.0	24.9	22.7	27.0	25.0
Dividend	CHF million	21.0 [1]	22.5	22.6	22.6	20.4
Dividend payout ratio in %[2]		39	71	171	53	41
Market capitalization (December 31)	CHF million	623	577	1 076	800	848
Market capitalization in % of						
• sales	in %	82	54	111	85	82
• equity attributable to shareholders of Rieter Holding Ltd.	in %	133	129	236	174	191

1. See motion of the Board of Directors on page 101.
2. Dividend per share divided by basic earnings per share.

Data per share (RIEN)

			2019	2018	2017	2016	2015
Share prices on the SIX Swiss Exchange	high	CHF	157	259	248	218	190
	low	CHF	122	119	175	168	117
Price/earnings ratio	high		13.5	36.6	84.9	23.2	17.4
	low		10.5	16.8	59.9	17.9	10.7
Shareholders' equity (Group) per share		CHF	103.84	99.50	100.97	101.79	98.18
Tax value per share		CHF	138.10	128.80	237.80	177.10	188.00
Dividend per share		CHF	4.50 [1]	5.00	5.00	5.00	4.50
Gross yield on shares	high	in %	2.9	1.9	2.0	2.3	2.4
	low	in %	3.7	4.2	2.9	3.0	3.8
Basic earnings per share		CHF	11.65	7.07	2.92	9.39	10.92

1. See motion of the Board of Directors on page 101.

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

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