RIETER

Inspiring Innovation

Annual Report 2015

Important dates:

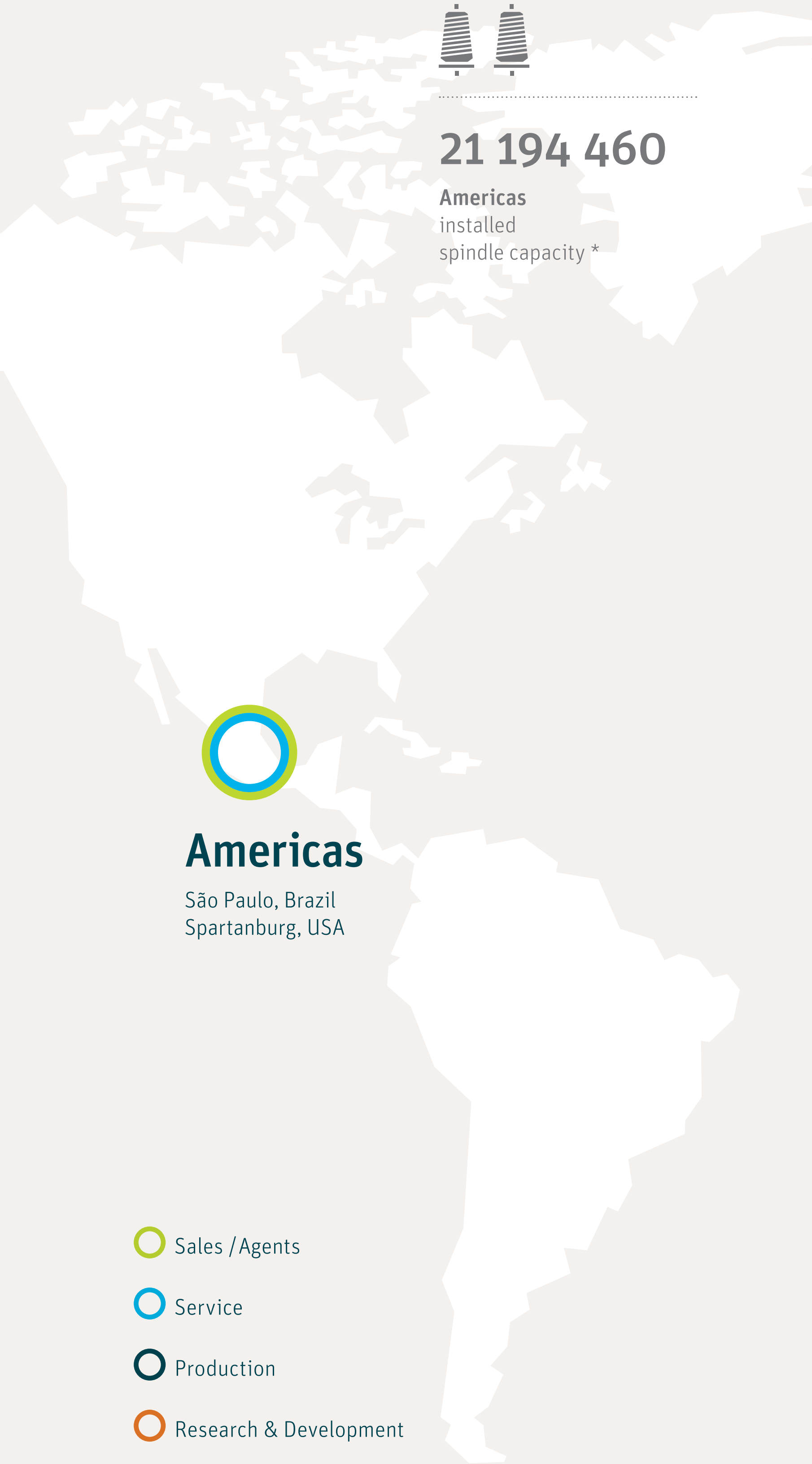
- Annual General Meeting 2016: April 6, 2016
- Semi-annual report 2016: July 21, 2016
- Publication of sales 2016: February 1, 2017
- Deadline for proposals regarding the agenda of the Annual General Meeting: February 22, 2017
- Results press conference 2017: March 14, 2017
- Annual General Meeting 2017: April 5, 2017

About Rieter

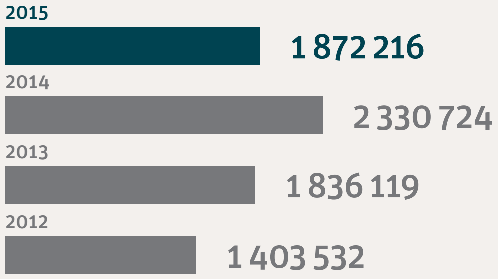
Rieter is the world's leading supplier of systems for short-staple fiber spinning. Based in Winterthur (Switzerland), the company develops and manufactures machinery, systems and components used to convert natural and manmade fibers and their blends into yarns. Rieter is the only supplier worldwide to cover spinning preparation processes as well as all four final spinning processes currently established on the market. With 16 manufacturing locations in ten countries, the company employs a global workforce of some 5 077, about 21% of whom are based in Switzerland.

Rieter is a strong brand with a long success story. Since it was established in 1795, Rieter has made important contributions to industrial progress through its strong innovative momentum. 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 aims continuously to increase sales and profitability, primarily through organic growth, but also through cooperation and acquisition.

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



Spindle equivalents delivered by Rieter



Sales / Agents

Service

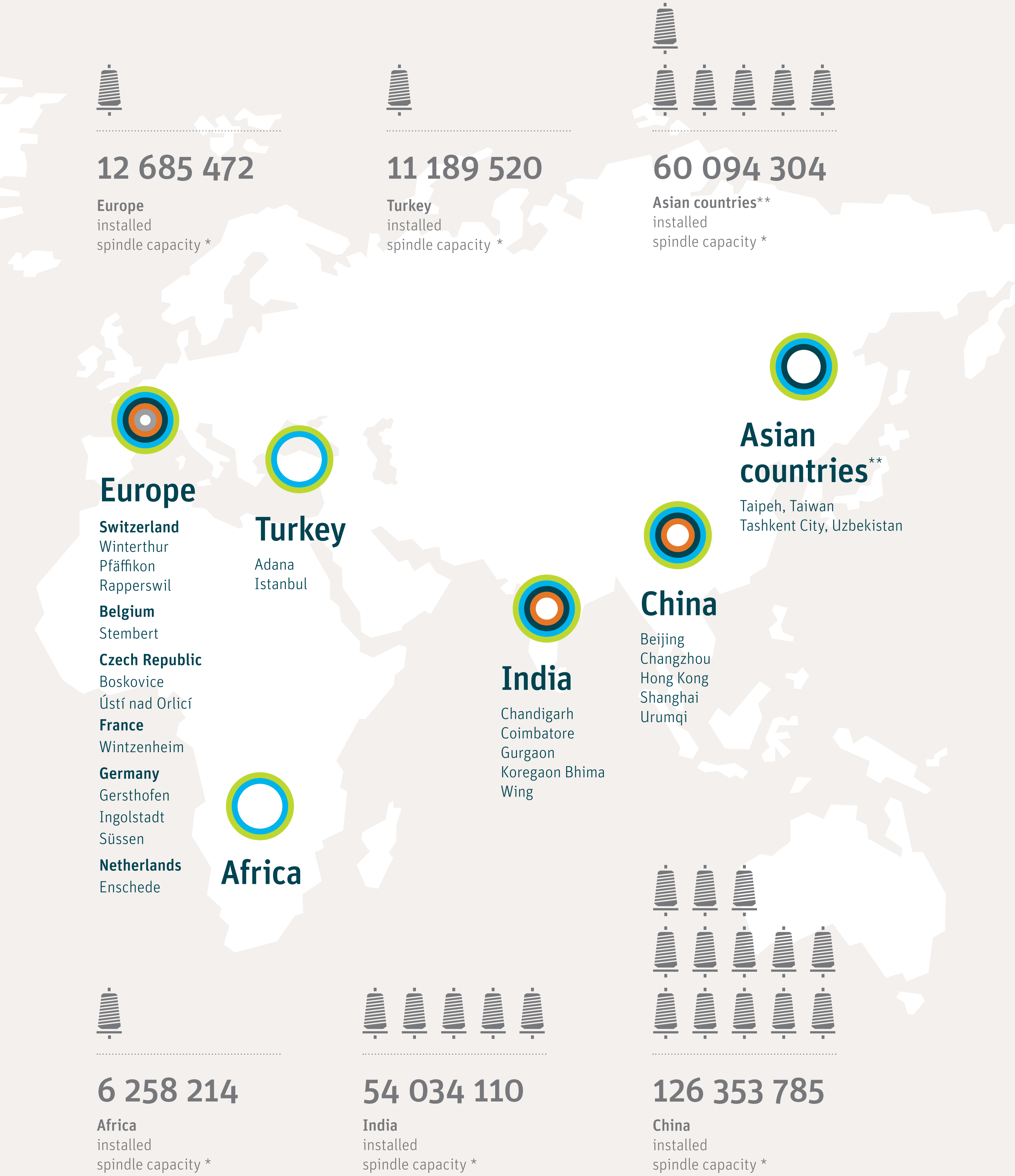
Production

Research & Development

Headquarters

* in spindle equivalents. Source: ITMF Volume 37/2014, including internal estimate of Airjet spindle equivalents, which are not included in ITMF.

** without China, India and Turkey


12 685 472
Europe
installed
spindle capacity *
11 189 520
Turkey
installed
spindle capacity *
60 094 304
Asian countries**
installed
spindle capacity *
Asian countries**
Taipeh, Taiwan
Tashkent City, Uzbekistan
Europe
Switzerland
Winterthur
Pfäffikon
Rapperswil
Belgium
Stembert
Czech Republic
Boskovice
Ústí nad Orlicí
France
Wintzenheim
Germany
Gersthofen
Ingolstadt
Süssen
Netherlands
Enschede
Turkey
Adana
Istanbul
Africa
India
Chandigarh
Coimbatore
Gurgaon
Koregaon Bhima
Wing
China
Beijing
Changzhou
Hong Kong
Shanghai
Urumqi
6 258 214
Africa
installed
spindle capacity *
54 034 110
India
installed
spindle capacity *
126 353 785
China
installed
spindle capacity *

+24%

Increase of net liquidity
compared to previous year

65.0

Free Cash Flow
in CHF million (before divestments)

11.2%

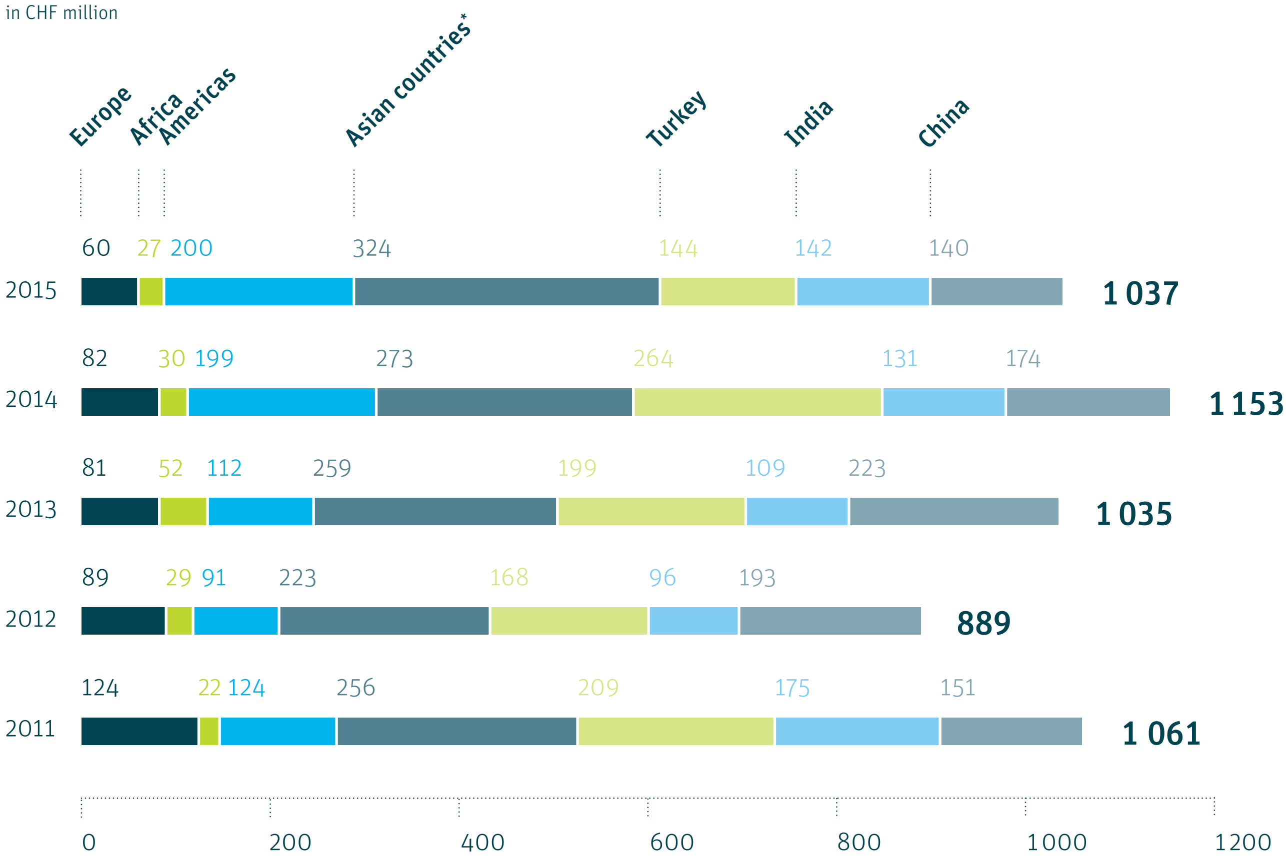
EBITDA
in % of sales

in CHF million	2015	2014	Change
Orders received	801.6	1 146.1	–30%
Sales	1 036.8	1 153.4	–10%
EBITDA	115.9	125.4	–8%
- in % of sales	11.2	10.9	
EBIT	73.1	84.6	–14%
- in % of sales	7.0	7.3	
Net profit	49.8	52.9	–6%
- in % of sales	4.8	4.6	
Investments	31.6	42.2	–25%
Net liquidity	212.4	171.7	+24%
Dividend per share (in CHF)[1]	4.5	4.5	
Equity in % of total assets	44.3	36.5	
Number of employees (excl. temporaries)	5 077	5 004	+1%

1) Proposal of the Board of Directors

Rieter Sales

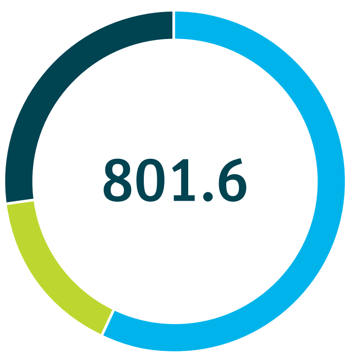
in CHF million



* without China, India und Turkey

Orders received

in CHF million



Sales

in CHF million

EBIT

in CHF million

Components
Machines & Systems
After Sales
Others/Corporate

2015 financial year: Increase in profit margin and free cash flow – positive trend in order intake in second half of year – significant increase in sales at After Sales and Components – implementation of STEP UP improvement program on schedule – dividend payout proposed at prior year level

In 2015 Rieter recorded a higher profit margin and free cash flow despite lower volume. Order intake totaled CHF 801.6 million (CHF 1 146.1 million in 2014) and was 6% higher in the second half of the year than in the first six months owing to more positive momentum in the latter period. In comparison to 2014, the After Sales and Components business groups posted a significant increase in sales, while sales were down at the Machines & Systems Business Group. With overall sales of CHF 1 036.8 million (CHF 1 153.4 million in 2014), EBITDA amounted to CHF 115.9 million (CHF 125.4 million in 2014) and the EBITDA margin rose from 10.9% to 11.2% of sales. At 7.0% of sales, the EBIT margin was only slightly lower than in the previous year (7.3%) with EBIT amounting to CHF 73.1 million (CHF 84.6 million in 2014). The net profit margin developed favorably, rising from 4.6% to 4.8% of sales, with net profit totaling CHF 49.8 million (CHF 52.9 million in 2014). The Board of Directors proposes a dividend distribution of CHF 4.50 per share for the 2015 financial year, the same as for the prior year.

The positive trend in profitability indicates that the company is strategically well positioned. Since January 1, 2015, Rieter has been conducting its operations in three business groups: Machines & Systems (machinery business), After Sales (spare parts and services) and Components (technology components). With the year-end figures for 2015, Rieter is for the first time reporting results for a full financial year on the basis of this new structure.

Dear shareholder

The strategic STEP UP improvement program was implemented systematically and swiftly by Rieter in the 2015 financial year. The aim of this program (adopted in fall 2014) has been to enhance Rieter's innovative drive, expand its after-sales business and to increase the company's profitability. In the year under review, Rieter succeeded in implementing all of the steps scheduled for the period and also pushed ahead with measures planned for the Winterthur site in order to further reduce its exposure to the Swiss franc. The fact that Rieter was able to increase profitability slightly in 2015, even though the demand for staple fiber machinery in key markets was subdued and the abandonment of the minimum exchange rate for the euro by the Swiss National Bank posed additional challenges, supports the strategic approach and the effectiveness of the measures taken.

Rieter worked intensively during the 2015 financial year on the implementation of all three strategic priorities of the STEP UP program: further boosting innovative capabilities, expanding its after-sales business and increasing its profitability.

- **Boosting innovative capability**: Rieter launched innovations for all four spinning processes established on the market in the year under review and also presented these at the ITMA textile machinery trade fair in Milan in November. Customers responded very favorably to the new products and also to the organizational realignment into three business groups (Machines & Systems, After Sales and Components), which enables Rieter to meet the various market requirements in a more systematic manner. A selection of the new products is presented in the chapters on the individual business groups in this report (see pages 14-19).

- **Expanding the after-sales business**: Rieter positioned its important, long-established service facilities on the market as an independent business during the year under review. The After Sales Business Group supports customers in operating their manufacturing facilities with a comprehensive range of services covering the entire product life cycle. This optimizes the utilization of spinning mills and thus enhances their competitiveness. This portfolio of services has quickly gained market acceptance. For the first time the After Sales Business Group presented its own range of services and products at the ITMA textile machinery trade fair.

The business group is aiming to grow by more than 30% overall in the next three years, based on sales amounting to CHF 127.5 million in the 2014 financial year. With sales increasing to CHF 139.8 million for the 2015 financial year, the business group developed according to plan.

In April 2015, Rieter opened China’s first technology center for short-staple fiber spinning in Changzhou. The spinning center is the most modern in the world and draws on its leading expertise to provide services including on-site spinning trials, customer training and technology trials for customers both in China and in the surrounding markets.

- **Increasing profitability**: In fall 2014 Rieter set out its mid-term financial targets within the framework of the STEP UP program of achieving an EBIT margin (operating profitability) of 10% and a return on net assets (RONA) of 14%.

Rieter recorded higher EBITDA-margin and free cash flow in 2015.

One priority set by Rieter in the year under review concerned preparations for the streamlining of manufacturing operations at the Winterthur site. Following the shift of the spinning industry to Asia, Rieter had established state-of-the-art production facilities in China and India in recent years. Rieter is now in a position to supply products of the highest level of quality from all sites of its global manufacturing network. The sudden appreciation of the Swiss franc in January 2015 brought further changes in the business environment for Rieter. As a consequence, the company decided to streamline production in Winterthur and reduce the volume of purchases denominated in Swiss francs. Rieter will concentrate on the assembly of machinery in Winterthur. Correspondingly, the workforce there will be reduced by around 150 employees. The consultation procedure has in the meantime been completed. The reduction in the workforce will in part be realized with early retirements and through workforce fluctuation, while for the unavoidable layoffs Rieter has a social plan in place. The implementation of the structural measures at the Winterthur site should yield cost savings of CHF 15-20 million from 2017 onwards.

The Schaltag Group, (comprising Schaltag, AG Switzerland and Schaltag CZ s.r.o., Czech Republic), was also sold in July to a private Swiss investment group with an industrial background in the context of the STEP UP program. The activities of Schaltag were not part of the core business of Rieter.

Positive order intake trend in second half of year

In the year under review the trend in demand in the After Sales and Components businesses was positive, while the Machines & Systems business reflected a cyclical reluctance to invest. Rieter received orders worth CHF 801.6 million in 2015 (CHF 1 146.1 million in 2014). Following a low point in the third quarter, demand in the machinery business recovered toward the end of the year. Rieter‘s order intake for the second half of the year was 6% higher than in the first six months (CHF 388.3 million in the first half of 2015, CHF 413.3 million in the second half of 2015).

At the end of 2015, Rieter’s order backlog amounted to approximately CHF 470 million (approximately CHF 730 million on December 31, 2014).

Significant increase in sales at After Sales and Components business groups

In 2015 Rieter recorded annual sales of CHF 1 036.8 million while maintaining a stable market share. This is equivalent to a 10% decline in sales compared to the previous year (CHF 1 153.4 million in 2014). The trend in sales was favorable in the After Sales and Components Business Groups, while sales were down at the Machines & Systems Business Group due to cyclical factors.

Adjusted for currency effects and the sale of the Schaltag Group, Rieter’s sales and order intake were 8% and 28% lower, respectively, than for the prior year.

In 2015 Rieter again achieved the best sales results in Asian countries (not including China, India and Turkey) with an increase of 19% compared to the prior year. In contrast, however, the propensity to invest declined in these countries in 2015.

The market situation in China has eased slightly as a result of a government investment program being implemented in the province of Xinjiang. Sales amounted to CHF 139.8 million, 20% down on the prior year, while order intake was up on 2014 and above the level of sales.

The Indian market was stable in 2015 and Rieter's sales were 9% (13% in local currency) higher at CHF 142.0 million. Order intake remained at the same level as in the prior year.

In Turkey, Rieter's sales for the reporting year amounted to CHF 143.7 million. Order intake was at a very low level, but the first signs of recovery were observed toward the end of the year.

Sales of CHF 200.6 million in North and South America in 2015 were at the same level as in the preceding year. Order intake was lower than in 2014 due to the more difficult economic situation in South America and the completion of the major investment projects in the USA.

The Business Groups After Sales and Components posted a significant increase in sales.

Sales in Africa of CHF 26.7 million were below the previous year's level, while the reduced sales figure of CHF 60.2 million in Europe was mainly attributable to the sale of the Schaltag Group.

Rieter employed a workforce of 5 077 on December 31, 2015, compared to 5 004 a year earlier. There were also 650 temporary employees, making up 11.3% of the entire workforce (1 221 temporary employees, or 19.6% of entire workforce, on December 31, 2014). The rise in the number of permanent employees occurred mainly in the Czech Republic and China.

Operating result and net profit

Despite the drop in sales, Rieter achieved higher EBITDA and net profit margins in 2015. The improved profitability confirms the strategic alignment. The positioning of the after-sales business as an independent business group supported this positive development and also resulted in an increased contribution to Rieter's profits. Furthermore, the cost reduction measures which Rieter adopted and swiftly implemented in response to the discontinued minimum euro exchange rate in January 2015 made a positive impact. Rieter was thereby able to achieve a disproportionate reduction in the material costs by 15%, in personnel costs by 6% and other operating expenses by 5%, with a 10% drop in sales.

With CHF 115.9 million, EBITDA increased to 11.2% of sales in 2015 (CHF 125.4 million or 10.9% of sales in 2014). The gain from the sale of properties (CHF 5.0 million), gains from currency hedging (CHF 2.4 million) and the gain from the sale of the Schaltag Group (CHF 3.4 million) all had a positive effect on profitability. The operating result before interest and taxes (EBIT) amounted to CHF 73.1 million or 7.0% of sales (CHF 84.6 million or 7.3% of sales in 2014). Depreciation and amortization amounted to CHF 42.8 million (CHF 40.8 million in 2014). This figure includes the impairment loss related to machinery and plant equipment arising from the streamlining of production at the Winterthur site and amounting to CHF 2.7 million. Rieter's capital expenditure in the year under review totaled CHF 31.6 million or 3.0% of sales, down by 25.1% on the prior year (CHF 42.2 million or 3.7% of sales in 2014).

Contrary to the cost-reduction measures, Rieter maintained research and development spending (CHF 46.6 million) at the previous year's level and even increased this as a percentage of sales to 4.5% (4.0% in 2014).

Rieter posted a net profit of CHF 49.8 million or 4.8% of sales in the reporting year (CHF 52.9 million or 4.6% of sales in 2014). There was an improvement in the net financial result to CHF -7.9 million (CHF -13.7 million in 2014) and likewise in the tax rate to 23.6% (25.8% in 2014). Earnings per share amounted to CHF 10.92 (CHF 11.52 in 2014).

The return on net assets was 9.5% (10.5% in 2014), thus slightly exceeding the cost of capital.

Balance sheet strengthened

Despite the slight reduction in earnings, Rieter recorded free cash flow before divestments of CHF 65.0 million (CHF 49.1 million in 2014) as a result of a reduction in net working capital and lower capital investments (CHF 31.6 million) compared to the previous year.

In 2015 Rieter increased the research and development spending as a percentage of sales to 4.5%.

After payment of a dividend of CHF 20.6 million (CHF 4.50 per share) out of the reserve from capital contributions and the repayment of a bond issue totaling CHF 151.9 million in April 2015, cash and cash equivalents, marketable securities and time deposits amounted to CHF 334.0 million and net liquidity to CHF 212.4 million on December 31, 2015 (CHF 171.7 million on December 31,2014). Rieter had an equity ratio of 44.3% on balance sheet date (36.5% on December 31, 2014).

The company is soundly financed for the long term with committed credit lines and a fixed-rate bond.

Stable dividend

Rieter Holding Ltd. posted a net profit of CHF 25.0 million for the 2015 financial year (CHF 22.8 million in 2014). At the Annual General Meeting on April 6, 2016, the Board of Directors will propose that a dividend of CHF 4.50 per share be paid for the 2015 financial year, the same as for the prior year. This corresponds to a payout ratio of 41% of earnings per share (39% in 2014). Rieter's dividend policy is to pay out at least 40% of net profit.

Business groups

With regard to order intake, differing dynamics were evident at the three business groups in the reporting year. The trend in order intake at the Components Business Group was very satisfying: A figure of CHF 217.7 million (CHF 172.3 million in 2014) was reported for orders received (up by 26% on the previous year) thanks to strong demand, in particular in the second half of 2015. The After Sales Business Group posted order intake of CHF 126.3 million (CHF 140.5 million in 2014), the 10% decline compared to the prior year being mainly attributable to the lower volume of orders for installations in the new machinery business. Order intake at the Machines & Systems Business Group amounted to CHF 457.6 million (CHF 833.3 million in 2014), 45% lower than in the previous year.

At the Components Business Group, sales to third parties grew by 13% to CHF 194.7 million (CHF 172.4 million in 2014), while segment sales dropped by 1% to CHF 258.6 million (CHF 262.1 million in 2014) due to the trend of business at Machines & Systems. After Sales reported a 10% increase in sales to CHF 139.8 million (CHF 127.5 million in 2014). Sales at Machines & Systems dropped by 18% to CHF 702.3 million (CHF 853.5 million in 2014) due to cyclical factors. Overall, Machines & Systems accounted for 68% of Rieter's sales (74% in 2014), After Sales for 13% (11% in 2014) and Components for 19% (15% in 2014).

The profitability trend for the After Sales Business Group is positive: EBIT and the EBIT margin were both significantly higher than in 2014. With EBIT amounting to CHF 26.5 million, After Sales achieved an EBIT margin of 19.0% of sales (compared to EBIT of CHF 20.0 million and an EBIT margin of 15.7% in 2014). The Components Business Group also reported an increase in EBIT and the EBIT margin, to CHF 33.7 million and 13.0% of segment sales, respectively (CHF 32.5 million and 12.4% of segment sales in 2014). EBIT at Machines & Systems was lower owing to the considerably smaller volumes and amounted to CHF 14.8 million or 2.1% of sales (CHF 40.6 million or 4.8% in 2014).

Board of Directors and Annual General Meeting
Shareholders approved all motions proposed by the Board of Directors at the ordinary general meeting held on April 16, 2015.

Shareholders voted for the first time on the framework for remuneration of the Board of Directors and the Group Executive Committee in the coming financial year, in line with the amendments to the Articles of Association that were approved in 2014. They approved the proposed maximum total amount of remuneration for 2016 and also approved the Remuneration Report for 2014 by means of a consultative vote. Erwin Stoller, Chairman of the Board of Directors, and Dr. Jakob Baer, Michael Pieper, This E. Schneider, Hans-Peter Schwald, Dr. Dieter Spälti and Peter Spuhler, as member of the Board of Directors, were each confirmed for a further one-year term of office. This E. Schneider, Hans-Peter Schwald and Erwin Stoller, the members of the remuneration committee who were standing for election, were also each re-elected for a one-year term of office.

Following their many years of service as members of Rieter's Board of Directors, Dr. Jakob Baer and Dr. Dieter Spälti have decided not to stand for re-election in 2016. Dieter Spälti has been a member of the Board since 2001 and Jakob Baer since 2006. Both have supported Rieter's Board of Directors through a challenging period with their invaluable expertise and high level of commitment. The Board of Directors of Rieter would like to express its sincere thanks to Jakob Baer und Dieter Spälti for their long-standing, dedicated contributions to the strategic management and further development of the company.

The Board of Directors of Rieter Holding Ltd. proposes two new members for election at the Annual General Meeting on April 6, 2016: Roger Baillod and Bernhard Jucker. Both candidates have broad management and specialist experience from working in large international industrial companies.

Outlook
The year 2015 was characterized by a healthy demand for products and services provided by the business groups After Sales and Components. By contrast, spinning mill owners were reluctant to invest into new equipment.

In the first semester, sales will be impacted by the cyclically lower order backlog in the Machines & Systems business group. Rieter has initiated capacity adjustment measures to cope with the lower utilization at Machines & Systems. As a consequence, Rieter expects in the first semester a lower net profit compared to the previous year's period.

The improvement of market demand for spinning machines since late 2015 has continued in the first two months of 2016. Due to the more positive order intake momentum in the Machines & Systems business group in combination with a good development in the After Sales and Components business groups, Rieter expects a stronger second semester both in sales and profitability. For the full year 2016, Rieter currently envisages sales and net profit below 2015 levels.

Rieter will continue to focus on implementing its programs on innovation, growing the after sales business and profitability improvement in order to reach its mid-term targets.

Thanks

2015 was a challenging year for the employees and management of the Rieter Group; this was especially true at the Winterthur site, where the company introduced comprehensive structural measures due to changed markets and the “Frankenschock” (steep rise in the value of the Swiss franc). Emphasis was also placed on furthering the development of the other projects of the STEP UP program according to plan and preparing the innovations for presentation at the ITMA trade fair. The Board of Directors and the Group Executive Committee thank the workforce and employee representatives for their tireless efforts. Rieter thanks customers, suppliers and other business partners for their loyalty, and shareholders for their continued confidence.

Winterthur, March 14, 2016

Erwin Stoller	Dr. Norbert Klapper
Chairman of the Board of Directors	Chief Executive Officer

Business Group Machines & Systems

In 2015 the Machines & Systems Business Group focused particularly closely on the new market and currency realities within the framework of the STEP UP improvement program. By implementing rapidly effective measures it achieved clearly positive EBIT, despite the expected drop in volumes. Demand picked up during the fourth quarter of 2015, in particular also due to the ITMA textile machinery trade fair held in November in Milan, at which Machines & Systems presented innovative products and systems.

Sales

702.3
CHF million (2015)

853.5
CHF million (2014)

Machines & Systems launched a wide range of products in the year under review, for both spinning preparation and end spinning processes. The new E 36/E 86 combing set, for example, offers a significant increase in productivity, while the extended R 66 automatic rotor spinning machine features a novel technological element to allow additional adaptation to the raw material. This increases flexibility in the machine's scope of application. This is also the case for the upgraded J 26 air-jet spinning machine with polyester option.

SPIDERweb was one of the highlights at the trade fair; this is the only spinning-mill control system on the market that gathers, analyzes and provides assistance with regard to all relevant data over the entire spinning process and for all four spinning technologies. Rieter thus taps into the potential for optimizing spinning installations via the "Internet of Things".

2015 was characterized by a relatively subdued propensity to invest in key markets. On the one hand the spinning mills recorded low margins, and on the other hand the currency turbulence and political instability in the Middle East unsettled the industry. However, the machinery business recovered again during the final months of the year. The business group posted overall order intake of CHF 457.6 million (CHF 833.3 million in 2014).

Machines & Systems recorded sales of CHF 702.3 million, a drop of -18% compared to the prior year. Despite this decline, the business group posted a clearly positive operating result in the year under review: EBIT amounted to CHF 14.8 million or 2.1% of sales (CHF 40.6 million or 4.8% of sales in 2014).

Orders received
CHF 457.6 (833.3) million

Sales
CHF 702.3 (853.5) million

Operating result before interest and taxes
CHF 14.8 (40.6) million

Number of employees at year-end
2 555 (2 768)

Capital expenditure
CHF 11.4 (14.8) million

Products
Machinery and systems for producing yarns from natural and man-made fibers and their blends.

Previous year's figures are in brackets

Business Group After Sales

One year on from the formation of the new After Sales Business Group, the effectiveness of this strategic move is being confirmed: The market response to the independently positioned business with its own innovative products and services has been very positive. The business group's sales, EBIT and EBIT margin were higher than in the previous year. The organization's focus on meeting the needs of customers during the operation of their facilities throughout their lifecycle made a major contribution to its positive development. After Sales is aiming to grow by more than 30% overall by 2018, based on sales of CHF 127.5 million in 2014.

Sales

139.8

CHF million (2015)

127.5

CHF million (2014)

The highlight of the first financial year of After Sales was the unveiling of the expanded product and service portfolio at the ITMA textile machinery trade fair in Milan. The numerous innovations attracted great interest from customers. The new offerings ranged from conversions to inspection services and technology consulting through to complete spinning mill solutions which enhance the competitiveness of existing installations.

After Sales took a number of initiatives in the year under review with the aim of expanding the product and service portfolio and further improving market penetration and the availability of spare parts. These innovations enable higher productivity, energy savings and service life extension for existing machinery as well as improvement of yarn quality to be achieved, which enhances the profitability of spinning mills. Another key driver of growth is the large globally installed base of Rieter machines and systems.

The business group posted order intake of CHF 126.3 million in the year under review (CHF 140.5 million in 2014), the decline compared to the prior year being attributable to lower demand for installation services, which in turn is directly linked to the reduction in orders received at the Machines & Systems Business Group.

After Sales increased sales in 2015 by 10% to CHF 139.8 million (CHF 127.5 million in 2014). The strongest growth was recorded in the USA, India, Bangladesh and Latin America. After Sales recorded virtually unchanged demand in China compared to the prior year, in spite of a challenging market environment.

EBIT at After Sales increased to CHF 26.5 million (CHF 20.0 million in 2014). The EBIT margin also developed strongly, amounting to 19.0% of sales (15.7% in 2014).

Orders received
CHF 126.3 (140.5) million

Sales
CHF 139.8 (127.5) million

Operating result before interest and taxes
CHF 26.5 (20.0) million

Number of employees at year-end
707 (680)

Capital expenditure
CHF 0.8 (1.2) million

Products
With its own service and product range, After Sales provides comprehensive services for spinning mills throughout the product lifecycle of their installations.

Previous year’s figures are in brackets

Business Group Components

The Components Business Group can look back on a successful 2015 financial year, having increased order intake by 26% and sales to third parties by 13%. Components operates worldwide under four strong brands which are firmly established in the industry: Bräcker, Graf, Novibra and Suessen. The business group supplies wear and tear parts and technology components to spinning mills and sells these as original equipment to machinery manufacturers. Components is also the in-house technology supplier for the products of the Machines & Systems Business Group.

Sales

194.7

CHF million (2015)

172.4

CHF million (2014)

Innovations were presented by all four brands at the ITMA trade fair in Milan and positioned as leading premium products on the global market, capable of providing the customer with a clear competitive advantage. The keen interest shown by customers is also reflected in the favorable business trend at Components. The EliTe® compact spinning system from Suessen, which is selling very well in the key market of India in particular, continued its success. In China the redORBIT spinning ring from Bräcker, with its favorable price/performance ratio, has become accepted. The CROCOdoff spindle system can now also be used for core-spun yarns and heavy yarns with the CROCOdoff FORTE version. The EasyTop flat clothing from Graf, which is suitable for flat bars featuring magnetic holder technology, considerably simplifies the operation of the card, leading to a reduction in costs. LENA spindles from Novibra are the quickest starting and most energy-efficient spindles on the market.

The business group posted order intake of CHF 217.7 million (CHF 172.3 million in 2014), up by 26% on the previous year, thanks chiefly to strong demand in the second half of the year.

Sales to third parties at the business group grew by 13% to CHF 194.7 million (CHF 172.4 million in 2014). Segment sales, i.e. including intragroup deliveries to Machines & Systems, dropped by 1% to CHF 258.6 million (CHF 262.1 million in 2014). Components thus almost compensated for the decline in inter-segment sales through increased sales to third parties. The business group also increased profitability: EBIT rose to CHF 33.7 million and the EBIT margin to 13.0% of segment sales (CHF 32.5 million or 12.4% of segment sales in 2014).

Orders received
CHF 217.7 (172.3) million

Sales
CHF 194.7 (172.4) million

Segment sales
CHF 258.6 (262.1) million

Operating result before interest and taxes
CHF 33.7 (32.5) million

Number of employees at year-end
1 449 (1 195)

Capital expenditure
CHF 16.2 (11.9) million

Products
Components is one of the world's largest suppliers of components for short-staple and long-staple spinning mills as well as for producers of nonwovens. The business group is represented on the market through four brands: Bräcker, Graf, Novibra and Suessen.

Previous year's figures are in brackets

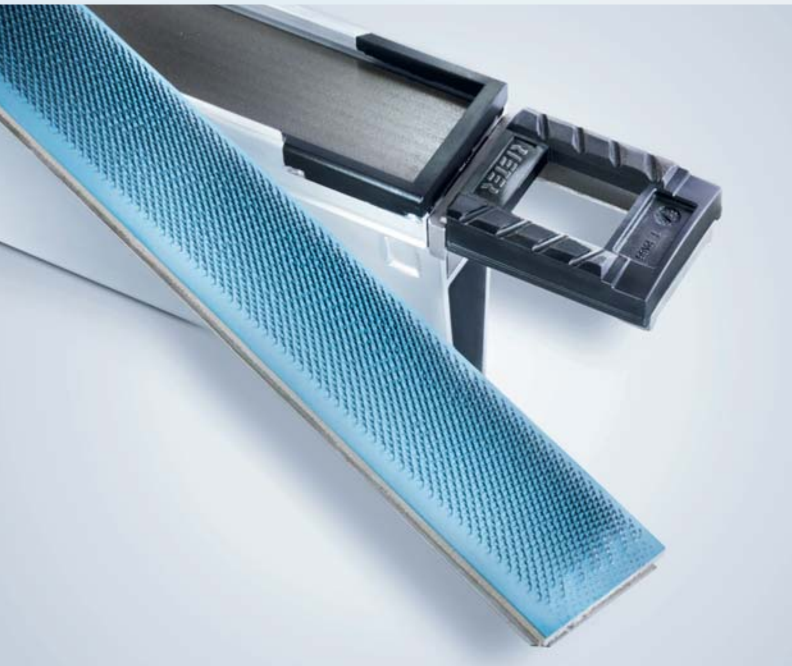

RIETER

We set high standards of quality for our products and services. This helps us reach our aim of fully meeting – and exceeding – the expectations of our customers.

At the ITMA 2015 international trade fair for textile machinery, Rieter presented novel features such as how to use the Internet to optimize spinning operations and unveiled its new generation of machinery for spinning preparation and final spinning.

The After Sales Business Group's comprehensive range of services was also highlighted for the first time. Rieter underscored the capabilities of its technology components business with a variety of innovations.

We see every dialogue with our customers as an opportunity to make progress towards a solution. And to stimulate. Partnership is the be-all and end-all in our customer relationships.



With the Bräcker STARLETplus traveller, a longer service life can be achieved in the case of abrasive fibers and high humidity. Furthermore, the new type of surface coating provides better protection against corrosion with high yarn quality.

The innovative Graf EasyTop card flat clothing features an intelligent attachment with high-energy magnets, which enables the card clothing to be replaced easily and quickly. This ensures consistent high quality and reduces machine downtimes.


RIETER
ITMA 2015

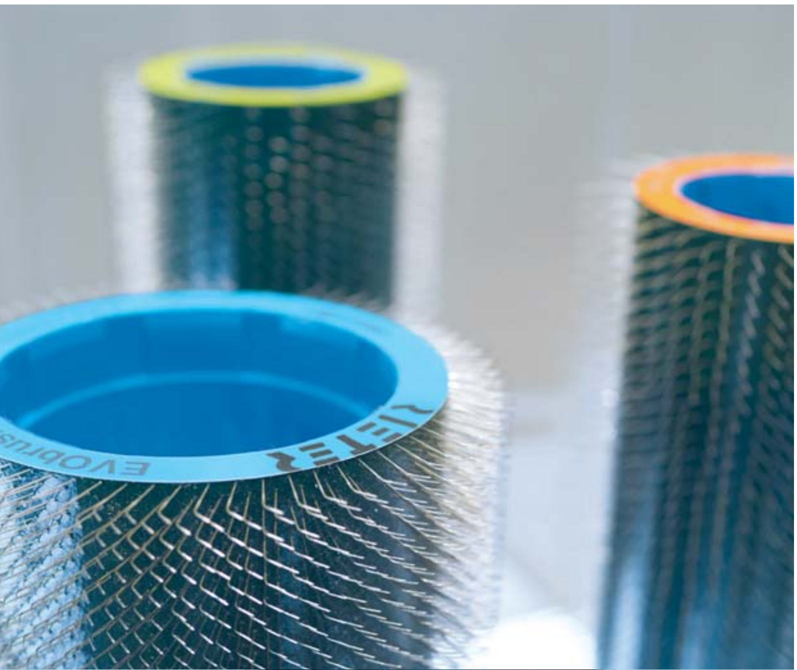

SWISS EFFECT YARN SYSTEMS

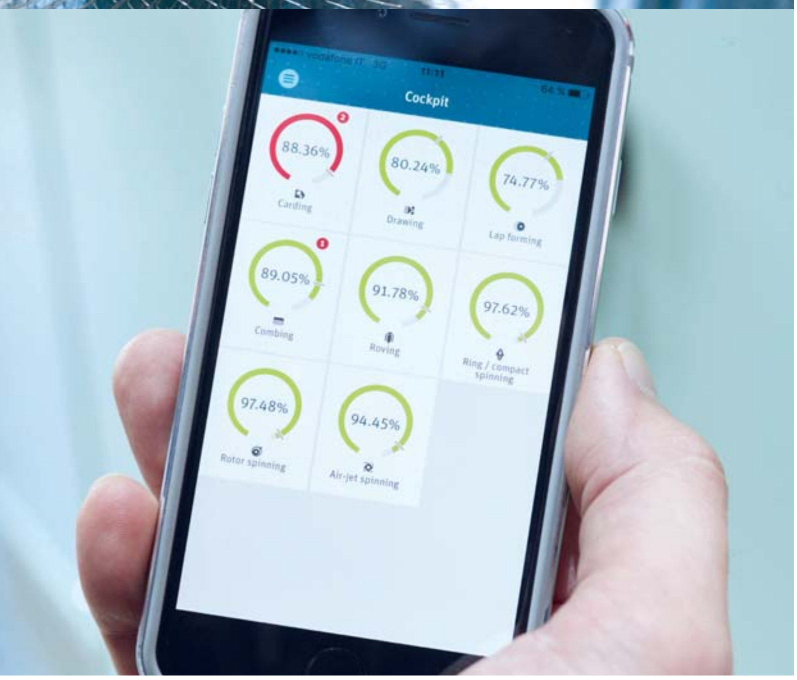
We want to inspire our customers, identify potentials with them, challenge them and break new ground with them. With the ever-present aim of making them more successful.

Six E 86 combers can be supplied by the new E 36 OMEGAlap. With a delivery rate of 540 kg/h, thus supplying almost 25 000 ring spindles, this combing set from Rieter achieves the highest production output on the market.

In April 2015, Rieter opened China's first complete technology center for short-staple spinning at its Changzhou site. The center is the most modern of its kind and a key factor in Rieter's service offering.

With our three business groups we have been able to focus more closely on our customers and their differing requirements throughout the product lifecycle of their spinning installations. This new approach increases customer satisfaction and strengthens ties with customers.





The EVObrush flat cleaning unit for the latest generation of cards can also be retrofitted to older models. It can be replaced without the use of tools, reliably keeps flat clothing clean and improves sliver quality.

The SPIDERweb Mill Control System from Rieter is the only system on the market to uniformly cover all four spinning technologies throughout the spinning process, from fiber to yarn. The system, which is available for the first time as a mobile app, provides even greater flexibility in respect of permanent monitoring of the spinning mill.

Corporate Governance

As a corporate group with an international scope which 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 following chapter (Group structure and shareholders). Reporting by Rieter conforms to the corporate governance guidelines issued by the SIX Swiss Exchange and the pertinent commentaries. Unless otherwise stated, the data refer to December 31, 2015. All information is updated regularly on the website at http://www.rieter.com/en/rieter/investor-relations. Some data refer to the financial section of this Annual Report. The remuneration report can be found on pages 41 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 which are members of the Rieter Group. Some 35 companies worldwide were members of the Rieter Group on December 31, 2015. A list of the companies included in the scope of consolidation of Rieter Holding Ltd. can be found on page 85. The management organization of the Rieter Group is independent of the legal structure of the group and the individual companies.

Significant shareholdings

On December 31, 2015, Rieter was aware of the following shareholders with more than three percent of all voting rights in the company:

- PCS Holding AG, Weiningen, Switzerland, with 19.14%
- Artemis Beteiligungen I AG, Franke Artemis Holding AG and Artemis Holding AG, Hergiswil, Switzerland, with 11.52%
- Rieter Holding Ltd., Winterthur, Switzerland, with 3.01%
- VERAISON SICAV, Zurich, Switzerland, with 3.01%

Refer to page 94 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 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, 2015, the share capital of Rieter Holding Ltd. totaled CHF 23 361 815. This 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, 2015, was CHF 848.1 million. Each share entitles the holder to one vote at general meetings 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 9, 2016. 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 contingent share capital outstanding on December 31, 2015.

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

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

Board of Directors

Michael Pieper (1946)
Director;
Swiss national

First election to Board
Director since 2009

Educational and professional background
Lic. oec. HSG; owner and Chief Executive Officer of Artemis Holding AG.

Other activities and interests
Director at Berenberg Bank (Schweiz) AG, Zurich; Hero AG, Lenzburg; Forbo Holding AG, Baar; AFG Arbonia-Forster-Holding AG, Arbon; Adval Tech Holding AG, Niederwangen; Autoneum Holding AG, Winterthur; various Artemis and Franke subsidiaries worldwide (active at Artemis Group, formerly known as Franke Group), since 1988 and owner and Chief Executive Officer of that group since 1989).

Committees
None.

Executive/non-executive
Non-executive

Peter Spuhler (1959)
Director;
Swiss national

First election to Board
Director since 2009

Educational and professional background
Owner of Stadler Rail AG, Bussnang.

Other activities and interests
Chairman of the Board at Stadler Rail AG, Bussnang; Stadler Bussnang AG, Bussnang; Aebi Schmidt Holding AG, Burgdorf; PCS Holding AG, Weiningen, and at several other companies of the Stadler Rail Group; Director at Walo Bertschinger Central AG, Zurich and Autoneum Holding AG, Winterthur; Director at Allreal Holding AG and DSH Holding AG, Weiningen; Vice Chairman at Litra, Berne; Vice Chairman at ZLE Betriebs AG, Zurich; member of the Swiss federal parliament (Nationalrat) from December 1, 1999 to December 31, 2012.

Committees
None.

Executive/non-executive
Non-executive

Erwin Stoller (1947)
Chairman;
Swiss national

First election to Board
Director and Chairman since 2008, Executive Chairman from 2009 to 2013, Chairman since 2014

Educational and professional background
Dipl. Masch.-Ing. ETH Zurich; with Rieter since 1978; Head of the Textile Systems Division from 1992 to 2002, Head of the Automotive Systems Division and member of the Group Executive Committee of Rieter Holding Ltd., Winterthur, from 2002 to 2007; member of the Group Executive Committee of Rieter Holding Ltd., Winterthur, from 2009 to the end of 2013; Executive Chairman of Rieter Holding Ltd., Winterthur, from 2009 to 2013; Chairman of the Board of Directors since 2014.

Other activities and interests
Chairman of the Board of Directors, Lienhard Office Group (LOG), since June 2014.

Committees
Member of the remuneration committee and the nomination committee

Executive/non-executive
Executive from 2009 to 2013

This E. Schneider (1952)
Vice Chairman;
Swiss national

First election to Board
Board member and Vice Chairman since 2009

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

Other activities and interests
Director at Galenica SA, Berne, and at Autoneum Holding AG, Winterthur.

Committees
Chairman of the remuneration committee and the nomination committee

Executive/non-executive
Non-executive

Dr. Jakob Baer (1944)
Director;
Swiss national

First election to Board
Director since 2006

Educational and professional background
Dr. iur. University of Berne; lawyer; CEO of KPMG Schweiz until September 30, 2004; independent consultant since 2004.

Other activities and interests
Chairman of the Board, Stäubli Holding AG, Pfäffikon, Schwyz; Director at Barry Callebaut AG, Zurich, and at IFBC AG, Zurich.

Committees
Chairman of the audit committee

Executive/non-executive
Non-executive

Hans-Peter Schwald (1959)
Director;
Swiss national

First election to Board
Director since 2009

Educational and professional background
Lic. iur. HSG; lawyer; Chairman in the legal practice of Staiger, Schwald & Partner AG, Zurich.

Other activities and interests
Chairman of the Board, Autoneum Holding AG, Winterthur; Chairman of the Board, Ruag Holding AG, Berne; Vice Chairman of the Board, Stadler Rail AG, Bussnang; Chairman, AVIA Association of Independent Importers of Petroleum Products, Zurich; Director of other Swiss stock corporations.

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

Executive/non-executive
Non-executive

Dr. Dieter Spälti (1961)
Director;
Swiss national

First election to Board
Director since 2001

Educational and professional background
Dr. iur. University of Zurich; Partner, McKinsey until 2001; Managing Partner, Spectrum Value Management, Jona, since 2002.

Other activities and interests
Director at IHAG Holding, Zurich, and at LafargeHolcim Ltd., Jona.

Committees
Member of the audit committee

Executive/non-executive
Non-executive

3 Board of Directors

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 2015 financial year, no member of the Board performed executive duties.

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

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 industrial and international management and specialist experience into account.

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 investment 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 has formed an audit committee, a remuneration 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 five meetings in the 2015 financial year. In addition, two 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 and one for personal reasons. The agendas for the Board meetings are drawn up by the Chairman. Any member of the Board can also propose items for inclusion on the agenda. The Board of Directors usually makes an annual visit to one group location. In the year under review the Board of Directors visited customers in the USA. The members of the Group Executive Committee also usually 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 Dr. Jakob Baer, and the other members are Dr. Dieter Spälti and Hans-Peter Schwald.

In the 2015 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 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 2015. The main duties of the audit committee are:

- elaborating principles for external and internal audits for submission to the Board of Directors and providing information on their implementation
- assessing the work of the external and internal auditors as well as their mutual cooperation and reporting to the Board of Directors
- assessing 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
- reporting to the Board of Directors and assisting the Board in nominating the statutory auditors and the group auditors for consideration at the Annual General Meeting
- considering the results of internal audits, approving the audit plan for the following year and nominating 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 2015. Each meeting lasted between half a day and a 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 meets 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. Ten regular audits and one extraordinary follow-up review were conducted in 2015. 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 Chairman of the Audit Committee meets the external statutory auditors and the Head of Internal Audit twice a year at separate meetings.

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 action was 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 2015. 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 met for four meetings in 2015, and one telephone conferences were also held. 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 2015. 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 met for four meetings in 2015, and two telephone conferences were also held. Each meeting lasted half a day. All committee members were present at the meetings.

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 to directors 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. Eleven meetings were held in 2015, each lasting between half a day and a full day.

Group Executive Committee

Werner Strasser (1954)
Head of the Components Business Group;
Swiss national

Member of the Group Executive Committee since
2011

Educational and professional background
Dipl. Masch.-Ing. FH; Videlec, Hong Kong, 1981 to 1985; Fritz Gegauf AG, Far East Delegate, 1985 to 1989; Fritz Gegauf AG, Switzerland, 1989 to 1994; with Rieter since 1994: Head of Technology Components and Conversions, 2002 to 2011; Head of Components (formerly Premium Textile Components) Business Group and member of the Group Executive Committee of Rieter Holding Ltd., Winterthur, since 2011; in present position since 2011.

Other activities and interests
Advisory Board member, BLANK HOLDING GmbH, Riedlingen.

Dr. Norbert Klapper (1963)
Chief Executive Officer;
Head of the Machines & Systems Business Group;
German national

Member of the Group Executive Committee since
2014

Educational and professional background
Dipl. Wirtschaftsingenieur, Darmstadt Technical University; Dr. oec., Munich Technical University, 1993; Arthur D. Little, Managing Partner Germany and Austria, Munich, 1993 to 2000; Dürr AG, Stuttgart, Member of the Executive Board, 2000 to 2005; Voith Industrial Services Holding GmbH/ Facility Services Europe, Stuttgart, Managing Director, 2005 to 2010; Voith Turbo GmbH & Co. Kommanditgesellschaft, Managing Director, 2011 to 2013; member of Group Executive Committee of Rieter Holding Ltd., Winterthur, since 2014; in present position since 2014.

Other activities and interests
Member of the Board of Directors, Jacoby & Cie. AG, Ostfildern.



Joris Gröflin (1977)
Chief Financial Officer (CFO);
Swiss and Dutch national

Member of the Group Executive Committee since
2011

Educational and professional background
Lic. oec. HSG, CEMS Master; A.T. Kearney (Int.) AG, Zurich, project manager, 2001 to 2006; with Rieter since 2006: Head of Corporate Controlling, 2009 to 2011; Chief Financial Officer and member of the Group Executive Committee of Rieter Holding Ltd., Winterthur, since 2011; in present position since 2011.

Other activities and interests
None.

Thomas Anwander (1960)
General Counsel, Group Secretary and Head of Legal Services;
Swiss national

Member of the Group Executive Committee since
2011

Educational and professional background
Lic. iur. HSG, lawyer; Winterthur Life, Winterthur, 1988; with Rieter since 1989: General Counsel and Group Secretary, Rieter Holding Ltd., since 1993; member of the Group Executive Committee of Rieter Holding Ltd., Winterthur, since 2011; in present position since 2011.

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

Carsten Liske (1973)
Head of the After Sales Business Group;
German national

Member of the Group Executive Committee since
2015

Educational and professional background
Dipl.-Ing. ETH (MSc ETH); ABB Group, Zurich, Group Assistant Vice President, Supply Chain Management, 1999 to 2004; Unaxis Balzers, Balzers, Head of Global Supply Chain Management, 2004 to 2005; Oerlikon Esec, Cham, Chief Operating Officer, 2006 to 2009; with Rieter since 2009: Senior Vice President of Operations, Spun Yarn Systems, Rieter Machine Works, Winterthur, 2009 to 2014, and General Manager of Rieter China, Changzhou/Shanghai, 2011 to 2013; Head of After Sales Business Group and member of the Group Executive Committee of Rieter Holding Ltd., Winterthur, since 2015; in present position since 2015.

Other activities and interests
None.

Risk management

The description of the risk management process and statements on financial risks can be found on pages 60 to 63 ff. of the Annual Report.

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 on the Internet at www.rieter.com/en/rieter/about-rieter-group.

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.

5 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 may 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 41 to 44 ff.

6 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 general meetings 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 general meetings 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.

7 Change of control and defensive measures

Obligation to submit an offer

The legal provisions in terms of 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 $^1/_3$% 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.

8 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. Stefan Räbsamen has officiated as lead auditor for the mandate since the 2012 financial year. The change in lead auditor was to comply with legal provisions stipulating such a change every seven years.

Audit fees

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 2015 amounted to CHF 0.2 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 in Chapter 3.

9 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 annual accounts 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 publishes a Sustainability Report.

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 the following address: http://www.rieter.com/en/rieter/media/press-releases.

Important dates:

• Annual General Meeting 2016	April 6, 2016
• Semi-annual report 2016	July 21, 2016
• Publication of sales 2016	February 1, 2017
• Closing date for proposals for inclusion on the agenda of the Annual General Meeting	February 22, 2017
• Results press conference 2017	March 14, 2017
• Annual General Meeting 2017	April 5, 2017

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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 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. They 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. If the lower threshold 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 2015, calculated on the basis of the sub-targets specified and weighted by the Board of Directors in advance – EBIT (60%), RONA (20%) and free cash flow (20%) – amounts to 75%. A total of CHF 20 000 was disbursed for individual achievements in 2015.

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 and 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 if necessary invite the CEO and the Head Group Human Resources to its meetings. The CEO is not present at the meetings at which his own remuneration is specified. The RC held four meetings in the 2015 financial year, one telephone conference was also held; 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 advisers were consulted for structuring salary policy or remuneration programs in 2015.

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 annu-

Types of remuneration	CEO	RC	BoD
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

ally 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 2015 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 alloted 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.

Board of Directors

CHF	Cash compensation	Share-based compensation[1]	Social contributions[2]	2015 Total	2014 Previous year
Erwin Stoller, Chairman of the Board of Directors Member of the remuneration and the nomination committee	250 000	–	17 860	267 860	268 127
This E. Schneider, Vice Chairman Chairman of the remuneration and the nomination committee	37 500	122 952	11 015	171 467	171 631
Dr. Jakob Baer Chairman of the audit committee	75 000	85 245	8 359	168 604	168 806
Michael Pieper	–	114 017	5 221	119 238	119 431
Hans-Peter Schwald Member of the audit, the remuneration and the nomination committee	–	167 809	10 958	178 767	178 761
Dr. Dieter Spälti Member of the audit committee	130 000	–	9 564	139 564	147 426
Peter Spuhler	–	111 694	7 376	119 070	119 264
Members of the Board of Directors	**492 500**	**601 717**	**70 353**	**1 164 570**	**1 173 446**

1. The shares were valued for overall remuneration at 178.71 CHF (average market price on the first ten trading days in 2016). The issue is made after deduction of any social security contributions.
2. Pension and social security benefits 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	Base-salary	Cash bonus	Share-based compensation	Other compensation[2]	Social contributions[3]	2015 Total	2014 Previous year
Dr. Norbert Klapper, Chief Executive Officer[1]	600 000	225 000	225 000	–	190 658	1 240 658	1 131 200
Other Members[4]	1 330 000	518 750	498 750	1 685	361 280	2 710 465	2 122 600
Members of the Group Executive Committee	**1 930 000**	**743 750**	**723 750**	**1 685**	**551 938**	**3 951 123**	**3 253 800**

1. Highest single salary.
2. Other compensation includes long-service awards.
3. 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.
4. An additional member as of January 1, 2015.

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.

Report of the statutory auditor on the remuneration report 2015

pwc

Report of the statutory auditor to the General Meeting of Rieter Holding Ltd., Winterthur

We have audited the remuneration report (section 5 to 8 on pages 43 to 44) of Rieter Holding Ltd. for the year ended December 31, 2015. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Remuneration 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 remuneration, 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 December 31, 2015 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Stefan Räbsamen Audit expert Auditor in charge	Tobias Handschin Audit expert

Zurich, March 14, 2016

Financial Report

Consolidated income statement

CHF million	Notes	2015	%*	2014	%*
Sales	(4)	**1 036.8**	**100.0**	**1 153.4**	**100.0**
Change in semi-finished and finished goods		– 15.6	– 1.5	– 4.5	– 0.4
Own work capitalized		2.4	0.2	1.8	0.1
Material costs		– 470.1	– 45.3	– 552.5	– 47.9
Employee costs	(5)	– 288.9	– 27.9	– 307.1	– 26.6
Other operating expenses	(6)	– 177.3	– 17.1	– 186.2	– 16.1
Other operating income	(7)	28.6	2.7	20.5	1.7
Depreciation and amortization	(8)	– 42.8	– 4.1	– 40.8	– 3.5
Operating result before interest and taxes (EBIT)		**73.1**	**7.0**	**84.6**	**7.3**
Share of profit of associated companies	(32)	0.0		0.4	
Financial income	(9)	3.2		3.7	
Financial expenses	(10)	– 11.1		– 17.4	
Profit before taxes		**65.2**	**6.3**	**71.3**	**6.2**
Income tax expense	(11)	– 15.4		– 18.4	
Net profit		**49.8**	**4.8**	**52.9**	**4.6**
Attributable to shareholders of Rieter Holding Ltd.		49.7		52.8	
Attributable to non-controlling interests	(23)	0.1		0.1	
Basic earnings per share (CHF)	(12)	**10.92**		**11.52**	
Diluted earnings per share (CHF)	(12)	**10.91**		**11.51**	

* In % of sales.
The notes on pages 53 to 85 are an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

CHF million	Notes	2015	2014
Net profit		**49.8**	**52.9**
Remeasurement of defined benefit plans	(27)	3.6	2.6
Income taxes on remeasurement of defined benefit plans		– 0.7	– 0.2
Items that will not be reclassified to income statement, net of taxes		**2.9**	**2.4**
Currency translation differences		– 24.2	13.6
Financial instruments available for sale:			
Change in fair value		3.5	1.1
Income taxes on change in fair value		– 0.3	– 0.1
Items that may be reclassified to income statement, net of taxes		**– 21.0**	**14.6**
Total other comprehensive income		**– 18.1**	**17.0**
Total comprehensive income		**31.7**	**69.9**
Attributable to shareholders of Rieter Holding Ltd.		31.6	69.3
Attributable to non-controlling interests	(23)	0.1	0.6

The notes on pages 53 to 85 are an integral part of the consolidated financial statements.

Consolidated balance sheet

CHF million	Notes	December 31, 2015	December 31, 2014
Assets			
Tangible fixed assets	(13)	257.2	278.9
Intangible assets	(14)	15.1	20.2
Investments in associates	(32)	2.7	2.9
Other non-current assets	(16)	81.6	73.1
Deferred income tax assets	(11)	13.5	12.2
Non-current assets		**370.1**	**387.3**
Inventories	(17)	191.5	253.1
Trade receivables	(18)	63.7	73.5
Other receivables	(19)	42.1	49.9
Marketable securities and time deposits	(20)	7.5	108.7
Cash and cash equivalents	(21)	326.5	336.9
Current assets		**631.3**	**822.1**
Assets		**1 001.4**	**1 209.4**
Shareholders' equity and liabilities			
Equity attributable to shareholders of Rieter Holding Ltd.		442.9	441.1
Equity attributable to non-controlling interests	(23)	0.9	0.8
Total shareholders' equity		**443.8**	**441.9**
Long-term financial debt	(24)	107.5	105.8
Deferred income tax liabilities	(11)	36.8	35.8
Provisions	(25)	107.1	105.9
Non-current liabilities		**251.4**	**247.5**
Trade payables		86.3	107.6
Advance payments from customers		71.5	104.4
Short-term financial debt	(24)	14.1	168.1
Current income tax liabilities		5.9	8.4
Provisions	(25)	32.1	27.2
Other current liabilities	(26)	96.3	104.3
Current liabilities		**306.2**	**520.0**
Liabilities		**557.6**	**767.5**
Shareholders' equity and liabilities		**1 001.4**	**1 209.4**

The notes on pages 53 to 85 are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

CHF million	Notes	Share capital	Treasury shares	Financial instruments available for sale	Currency translation differences	Reserves	Total attributable to Rieter shareholders	Attributable to non-controlling interests	Total consolidated equity
At January 1, 2014		**23.4**	**– 13.7**	**– 0.1**	**– 62.8**	**442.4**	**389.2**	**0.5**	**389.7**
Net profit		0.0	0.0	0.0	0.0	52.8	52.8	0.1	52.9
Total other comprehensive income		0.0	0.0	1.0	13.1	2.4	16.5	0.5	17.0
Total comprehensive income		**0.0**	**0.0**	**1.0**	**13.1**	**55.2**	**69.3**	**0.6**	**69.9**
Distribution of dividend from reserves from capital contribution	(22)	0.0	0.0	0.0	0.0	– 16.0	– 16.0	0.0	– 16.0
Change non-controlling interests	(23)	0.0	0.0	0.0	– 3.6	3.9	0.3	– 0.3	0.0
Share-based compensation	(31)	0.0	1.2	0.0	0.0	0.3	1.5	0.0	1.5
Change in holding of treasury shares		0.0	– 4.6	0.0	0.0	1.4	– 3.2	0.0	– 3.2
Total contributions by and distributions to owners of the company		**0.0**	**– 3.4**	**0.0**	**– 3.6**	**– 10.4**	**– 17.4**	**– 0.3**	**– 17.7**
At December 31, 2014		**23.4**	**– 17.1**	**0.9**	**– 53.3**	**487.2**	**441.1**	**0.8**	**441.9**
Net profit		0.0	0.0	0.0	0.0	49.7	49.7	0.1	49.8
Total other comprehensive income		0.0	0.0	3.2	– 24.2	2.9	– 18.1	0.0	– 18.1
Total comprehensive income		**0.0**	**0.0**	**3.2**	**– 24.2**	**52.6**	**31.6**	**0.1**	**31.7**
Distribution of dividend from reserves from capital contribution	(22)	0.0	0.0	0.0	0.0	– 20.6	– 20.6	0.0	– 20.6
Share-based compensation	(31)	0.0	1.5	0.0	0.0	– 0.1	1.4	0.0	1.4
Change in holding of treasury shares		0.0	– 10.6	0.0	0.0	0.0	– 10.6	0.0	– 10.6
Total contributions by and distributions to owners of the company		**0.0**	**– 9.1**	**0.0**	**0.0**	**– 20.7**	**– 29.8**	**0.0**	**– 29.8**
At December 31, 2015		**23.4**	**– 26.2**	**4.1**	**– 77.5**	**519.1**	**442.9**	**0.9**	**443.8**

The notes on pages 53 to 85 are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

CHF million	Notes	2015	2014
Net profit		**49.8**	**52.9**
Interest income	(9)	– 1.5	– 2.0
Interest expenses	(10)	7.4	12.7
Income tax expense	(11)	15.4	18.4
Depreciation and amortization of tangible and intangible fixed assets	(8)	42.8	40.8
Other non-cash income and expenses		– 3.3	4.9
Change in inventories		43.5	– 14.3
Change in receivables		7.4	20.4
Change in provisions		4.9	– 6.0
Change in trade payables		– 13.6	7.6
Change in advance payments by customers and other liabilities		– 36.8	– 20.9
Dividends received		0.1	0.3
Interest received		1.5	2.0
Interest paid		– 10.4	– 8.5
Taxes paid		– 18.2	– 18.7
Net cash from operating activities		**89.0**	**89.6**
Capital expenditure on tangible and intangible assets	(13/14)	– 31.6	– 42.2
Proceeds from disposals of tangible and intangible assets		6.0	1.1
Proceeds from disposals of other non-current assets		0.6	0.0
Sale / purchase of marketable securities and time deposits		1.0	0.6
Divestment of business	(29)	17.0	0.0
Net cash used for investing activities		**– 7.0**	**– 40.5**
Dividend paid to shareholders of Rieter Holding Ltd.	(22)	– 20.6	– 16.0
Purchase / sale of treasury shares		– 10.6	– 1.7
Proceeds from issue of fixed-rate bond 2014-2020	(24)	0.0	99.4
Short-term deposit of proceeds from issue of fixed rate bond 2014-2020	(24)	0.0	– 100.0
Proceeds from liquidation of short-term deposits	(24)	100.0	0.0
Proceeds from other financial debt		24.5	8.9
Repayments of fixed rate bond 2010-2015	(24)	– 151.9	– 32.5
Repayments of other financial debt		– 26.2	– 35.4
Net cash from financing activities		**– 84.8**	**– 77.3**
Currency effects on cash and cash equivalents		– 7.6	4.3
Change in cash and cash equivalents		**– 10.4**	**– 23.9**
Cash and cash equivalents at beginning of the year	(21)	**336.9**	**360.8**
Cash and cash equivalents at end of the year	(21)	**326.5**	**336.9**

The notes on pages 53 to 85 are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

1 Summary of significant accounting policies

Basis of preparation

The principal accounting policies applied in preparing these consolidated financial statements are set out below. These policies have been consistently applied to all of the reporting periods presented unless otherwise stated.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements are based on historical costs, with the exception of certain financial instruments and defined benefit pension assets, which are measured at fair value.

In the year under review, the following amended standards became effective: "Annual Improvements to IFRSs 2010–2012 and 2011–2013 Cycle". The adoption of these amended standards had no material impact on the consolidated financial statements. The amendments to IAS 19 "Defined Benefit Plans: Employee Contributions" were adopted early in the financial year 2013.

Changes in presentation

Segment information is presented for the first time in accordance with the organizational structure in force since January 1, 2015. Prior year figures have been restated.

Foreign currency risks are hedged by Rieter using foreign currency forward contracts. Hedge accounting in accordance with IAS 39 is not applied. Gains and losses resulting from the hedging of sales in foreign currencies were recognized as financial result in the Group's financial statements 2014. In the financial year 2015, the respective gains and losses became material for the first time and were therefore recognized as other operating income of CHF 2.4 million further improving transparency in relation to the operating as well as the financial results. This reclassification within the consolidated income statement 2015 had no impact on the consolidated net profit, earnings per share and the consolidated balance sheet. As the gains and losses resulting from the hedging of sales in foreign currencies recognized as financial result in 2014 were immaterial, prior year figures were not restated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Rieter Holding Ltd. and its subsidiaries as at December 31, 2015. 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.

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

Intercompany transactions, balances and 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 Rieter's accounting policies.

Associates are entities over which Rieter has significant influence but not control, generally accompanying 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.

Subsidiaries and associated companies of Rieter are listed on page 85.

Changes in subsidiaries and associates
In the year under review, Rieter sold its interest in the subsidiaries Schaltag AG, Switzerland as well as the newly incorporated Schaltag CZ s.r.o., Czech Republic (see note 29). In addition, Xinjiang Rieter Textile Instruments Co. Ltd. was incorporated in China in 2015. Rieter North America, Inc., USA, was founded in 2014.

Critical accounting estimates and judgments
Financial reporting requires management to use accounting estimates and exercise judgment in applying the Group's accounting policies both of which affect the reported amounts of assets, liabilities, contingent assets and contingent liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. These accounting estimates and judgments are periodically reviewed. The areas involving the most significant estimates and judgments are described below:

Tangible and intangible assets are tested for impairment whenever there are indications that, due to changes in circumstances, their carrying value may no longer be fully recoverable. If such a situation arises, the recoverable amount is determined on the basis of expected future cash flows, equivalent to the higher of the discounted value of expected future net cash flows from continuing use or the expected fair value less cost to sell. If the recoverable amount is below the carrying amount, a corresponding impairment loss is recognized in the income statement. Where the recoverable amount cannot be estimated for an individual asset, it is determined for the cash-generating unit to which the asset belongs.

The main assumptions on which these measurements are based include growth rates, margins and discount rates.

When assessing the value of inventories, estimates of their recoverability are necessary that arise from the expected consumption of the respective items. The allowance for inventories is calculated at item level using a range of coverage analysis. The parameters used in this analysis are checked annually and modified if necessary. Changes in sales volumes, the production process or other circumstances may result in book values which have to be adjusted accordingly.

Defined benefit pension plans require actuarial calculations in order to determine employee benefit obligations. The actuarial calculations include assumptions such as discount rates and future trends in wages and pensions. Statistical data such as mortality tables and staff turnover rates are used to determine employee benefit obligations. If these parameters change, subsequent results can deviate considerably from the actuarial calculations. Such deviations can ultimately have an effect on the employee benefit obligations.

In the course of the ordinary operating activities of the Group, obligations from warranty claims, restructuring, litigations and onerous contracts can arise. Provisions for these obligations are measured on the basis of estimates of the expected cash outflows. The outcome of the events mentioned above may result in claims against the Group which are above or below the respective provisions and existing insurance coverage may not be sufficient.

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

Foreign currency translation

Items included in the financial statements of each group company are measured using the currency of the primary economic environment in which the company operates ("functional currency"). The consolidated financial statements are presented in Swiss francs, the functional and presentation currency of Rieter Holding Ltd.

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 year-end 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 year-end exchange rates, while income statement items are translated at average rates for the period. The resulting currency translation differences are recognized in other comprehensive income and, in the event of an entity's deconsolidation, reclassified to the income statement as part of the gain or loss of the entity's divestment or liquidation.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation, which is recognized on a straight-line basis over the estimated useful life of the asset. Depreciation of an asset begins when it is available for use. Historical cost includes expenditures that are directly attributable to the acquisition of the assets. 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 recorded if required.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if it is higher than its estimated recoverable amount (refer to the section "Impairment of non-financial assets" below).

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

Leases

Tangible fixed assets which are financed by leases giving Rieter 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 short-term or long-term financial debt. 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 remain 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.

Intangible assets

Intangible assets such as product licenses, patents and trademark rights acquired from third parties are included in the balance sheet at acquisition cost and are amortized on a straight-line basis over a period of up to eight years. Capitalized costs associated with process improvement projects are amortized over a period of up to five years.

Costs related to process improvement projects are capitalized as intangible assets only if the costs can be measured reliably, the completion of the project is intended, and it can be demonstrated that the improvement project is technically and financially feasible and will generate a future economic benefit. All other process improvement costs are recognized in the income statement.

Research and development

Expenses related to research activities are recognized in the income statement as incurred. Expenditure in connection with development projects are capitalized as intangible assets if the cost 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, respective costs are expensed as incurred.

Impairment of non-financial assets

Assets that are subject to planned depreciation or amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying value 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 suffered an impairment loss in the past are reviewed for possible reversal of the respective loss at each reporting date.

Financial assets

Financial assets are initially recognized at fair value plus directly attributable transaction costs, with the exception of financial assets at fair value through profit and loss for which transaction costs are expensed immediately to profit or loss. Subsequent measurement depends on the type of financial asset. Rieter classifies its financial assets into the following categories:

Financial assets at fair value through profit or loss include financial assets held for trading and those which are designated as such at inception. Derivative financial instruments are also assigned to this category. Assets in this category are presented as current assets if they are either held for trading or are expected to be realized within twelve months after the balance sheet date. They are continuously measured at fair value with changes recorded in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturity dates exceeding twelve months after the balance sheet date, in which case they are presented as non-current assets. Loans and receivables are subsequently measured at amortized cost using the effective interest method less cumulative impairment losses.

Available-for-sale financial assets are non-derivative financial assets that are either classified as such or not assigned to any of the other categories mentioned above. They are measured at fair value as of the balance sheet date. Changes in the fair value are recognized in other comprehensive income prior to sale, and reclassified to the income statement when they are sold. If there is objective evidence of a sustainable impairment, the cumulative loss is removed from equity and recognized in profit or loss. Available-for-sale financial assets are included in non-current assets unless management intends to dispose of them within twelve months of the balance sheet date.

Derivative financial instruments

Foreign currency risks may be hedged by Rieter using foreign currency forward contracts. Hedge accounting in accordance with IAS 39 is not applied.

Derivative financial instruments are initially recognized at their fair value on the date a derivative contract is entered into and are subsequently remeasured to the respective fair value at each reporting date. The resulting gains and losses are recognized immediately as other operating 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 “Other receivables” or “Other current liabilities”, respectively.

Inventories

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. Allowances on inventories are recorded for slow-moving items and excess stock.

Trade receivables

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 the difference between the invoiced amount and the expected, discounted payment. The allowance is calculated based on the aging structure and identifiable solvency risks. Changes are recognized as other operating expenses in the income statement.

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

Shareholders' equity
Ordinary shares of Rieter Holding Ltd. are classified as share capital. Costs directly attributable to the issue of ordinary shares are recognized as a deduction of equity (net of any taxes). Repurchased shares are recognized at the amount of considerations paid less directly attributable transaction costs and net of any tax effect. Such shares are classified in "Treasury shares" and presented as a negative component of equity. If treasury shares are sold or reissued subsequently, the amount received is recorded as an increase in equity derecognizing historic costs of the respective shares with the residual balance going to retained earnings.

Financial debt
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 duration of the obligation using the effective interest method. Financial debt is classified as current liability, unless Rieter has an unconditional right to defer the settlement for at least twelve months after the balance sheet date.

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

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

Deferred 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 tax assets and liabilities are offset to the extent that this is permitted by law. Changes in deferred taxes are recognized as tax expense in profit or loss unless they relate to items recognized directly in equity or other comprehensive income.

Deferred taxes on retained earnings of group companies are only recognized in cases where a distribution of profits is planned. Therefore, no deferred taxes on retained earnings of group companies are recognized if the Group 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 tax assets are only recognized to the extent that it is probable that future taxable amounts will be available to offset the respective temporary differences or tax losses.

Pension funds
Employee pension plans are operated by certain subsidiaries, depending upon the level of coverage provided by the government pension facilities in the various countries in which they operate. Pension plans exist on the basis of both defined contributions and defined benefits.

Contributions to defined contribution plans are recognized as employee costs in the period in which they are incurred.

For defined benefit plans, the pension 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 obligation less the fair value of the plan assets is recognized in the balance sheet as a liability. When the calculation results in a potential asset the 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 assets and liabilities, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling, are recognized immediately as other comprehensive income. Contributions from 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 assets and liabilities is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the year. Service cost and net interest are recognized in the income statement as employee costs.

Share-based compensation

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.

For equity-settled share-based awards, for which there are no vesting conditions, the difference between the grant date fair value of the shares and the cash payment is charged to income when the shares are granted.

For cash-settled share-based awards, which are subject to an ongoing employment over three years and where the participants have the choice to receive a certain number of shares free of charge or a corresponding cash compensation, a liability is recognized over three years reflecting the applicable market values at the balance sheet dates.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services supplied in the ordinary course of business of the Group, stated net of value added taxes, credits, discounts and rebates. Rieter recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific contractual criteria are met.

Revenues from the sale of products are recorded when the significant risks and rewards of ownership pass to the customer. This is determined by specific contractual terms (incoterms).

Revenue arising from rendering of product related services (assembling, training, etc.) is recognized based on the stage of completion of the service.

Subsequent allowances on trade receivables are not recognized as an adjustment to sales, but as other operating expenses.

Financing costs

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. All other financial expenses are recognized in the income statement.

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 IASB, but are not yet effective.

New or amended Standards and Interpretations	Effective date	Planned application by Rieter
Accounting for Acquisitions of Interests in Joint Operations (amendment to IFRS 11)*	January 1, 2016	Fiscal year 2016
Clarification of Acceptable Methods of Depreciation and Amortisation (amendments to IAS 16 and IAS 38)*	January 1, 2016	Fiscal year 2016
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments to IFRS 10 and IAS 28)*	January 1, 2016	Fiscal year 2016
Annual Improvements to IFRSs 2012–2014 Cycle*	January 1, 2016	Fiscal year 2016
Disclosure Initiative (amendments to IAS 1)**	January 1, 2016	Fiscal year 2016
Investment Entities: Applying the Consolidation Exception (amendments to IFRS 10, IFRS 12 and IAS 28)*	January 1, 2016	Fiscal year 2016
IFRS 9 Financial Instruments	January 1, 2018	Fiscal year 2016
IFRS 15 Revenue from Contracts with Customers	January 1, 2018	Fiscal year 2018
IFRS 16 Leases	January 1, 2019	Fiscal year 2019

* No impact or no significant impact expected on the consolidated financial statements.
** The impact on the consolidated financial statements is expected to result in additional disclosure or changes in presentation.

"IFRS 9 Financial Instruments" introduces new requirements for the classification and measurement of financial assets, a change in the impairment model from an "incurred loss" to an "expected loss" basis as well as new provisions in relation to hedge accounting aligning accounting and risk management objectives. The Group is planning to early adopt IFRS 9 as of January 1, 2016. The key effects are expected to be a change in the classification of the available for sale financial assets (see note 30) as well as the introduction of hedge accounting for foreign currency risks.

"IFRS 15 Revenue from Contracts with Customers" is based on the principle that revenue is recognized when control of a good or service transfers to the customers replacing the existing transfer of risk and rewards approach of IAS 18. The potential impacts of the new Standard on the consolidated financial statements have not yet been assessed in full.

"IFRS 16 Leases" requires lessees to recognize a lease liability reflecting future lease payments and "a right-of-use asset" for virtually all lease contracts with only optional exemptions for short-term leases or leases of low-value assets. The potential impacts of the new Standard have not yet been assessed in full.

2.1 Risk management process

Rieter maintains an Internal Control System (ICS) with the objective of ensuring effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The Internal Control System is a significant component of the risk management system.

The risk management process is regulated by the Group directive “Rieter Risk Management System”, issued by the Board of Directors in August 2001 and fully revised in 2010. The directive defines the main risk categories to be considered for risk management, the persons in charge of the various risks within the Group, and the workflows regarding identification, reporting and handling of risks. The directive further defines criteria for the qualitative and quantitative risk assessments, as well as thresholds for the reporting of identified exposures.

Within the scope of an annual workshop with management under the direction of the General Counsel, the identified risks are reviewed regarding their probability and relevance for the Group. In addition, the required risk management activities are assessed.

Market and business risks resulting from developments in the relevant markets and from the products offered therein are also assessed as part of the strategic planning process. In addition, the above mentioned risks, as well as operational risks, are regularly addressed at the monthly meetings within the Business Groups’ management teams and with the CEO and the CFO. Other risks impacting actual performance against budget are also dealt with in these meetings with the aim to identify, implement and monitor the necessary corrective measures. Significant individual risks are included in the monthly reports to the attention of the CEO.

Risks arising from acquisition or other significant projects are addressed as part of the project approval and project management process. Such projects are monitored at the meetings of the Group Executive Committee. A quarterly assessment is prepared for the Board of Directors.

Selected risks are addressed by periodic reports. Such reports cover environmental and work safety risks at the various sites of Rieter, financial risks resulting from sales transactions, treasury risks, and risks from legal actions and legal compliance.

A global assessment of all identified risks and of management’s measures to address these risks is performed semi-annually. The results of these reviews are summarized and reported annually to the Board of Directors.

2.2 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, interest rates and other prices), credit risks and liquidity risks. Rieter’s financial risk management is aiming to minimize the potential adverse impact of the development of the financial markets on the Group’s financial performance and secure its financial stability. Respective measures include the use of derivative financial instruments in order to hedge certain risk exposures.

Financial risk management of the Group is essentially centralized in accordance with directives issued by the Board of Directors and the Group Executive Committee. Financial risks are identified centrally, evaluated and hedged in close cooperation with the Group’s operating units. Risks are monitored by means of a risk reporting system.

Foreign exchange risk

Foreign exchange risks arise from net investments in foreign entities (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 entity concerned (transaction risk). In order to hedge such transaction risks, subsidiaries use foreign currency forward contracts usually with corporate headquarters as counterparty. Net positions in each foreign currency are managed centrally and hedged using forward contracts with third parties.

Rieter Group is primarily exposed to foreign exchange risks versus the euro, US dollar and the Chinese renminbi. The table below shows the impact of a 5%-change of the respective currencies against the Swiss franc on the profit before taxes, with all other variables held constant.

CHF million	Change	Impact 2015	Impact 2014
EUR/CHF	+ 5%	– 1.3	1.1
EUR/CHF	- 5%	1.3	– 1.1
USD/CHF	+ 5%	– 0.4	0.1
USD/CHF	- 5%	0.4	– 0.1
CNY/CHF	+ 5%	– 0.5	– 1.0
CNY/CHF	- 5%	0.5	1.0

These impacts would mainly be due to foreign exchange gains/losses on cash as well as 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 to spot rate at year-end. Translation impacts, which are recognized as other comprehensive income, are not taken into account.

Interest rate risk

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

However, interest rate risks can arise from interest-bearing financial debt. Financial debt with variable interest rates expose the Group to interest rate related cash flow risks, while fixed-rate financial liabilities may represent a fair value interest rate risk. However, Rieter is measuring 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 applicable for financial debt would have reduced the profit before taxes by CHF 0.2 million (CHF 0.2 million in 2014).

Price risk

Holding marketable securities exposes Rieter to a risk of price fluctuation. Price fluctuations result in proportional changes of the book values of the respective financial assets. The Group's balance of marketable securities is not material at the end of the reporting as well as the prior year period.

Credit risk

Credit risks arise from deposits, derivative financial instruments held with financial institutions and from trade accounts receivable. Relationships with financial institutions are only entered into with counterparties which have an Investment Grade Rating. In Business Group Machines & Systems credit risks on trade receivables are usually hedged by means of insurance, advance payments, letters of credit or other instruments. In other Business Groups credit risks are limited due to the large number and wide geographic spread of customers. For more information, see note 18 “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 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 the Group operates, its goal is to ensure financial stability and retain the necessary flexibility by financing operations with free cash flow (defined as cash flows from operating and investing activities) and maintaining adequate unutilized credit lines. For this purpose Rieter arranged bilaterally committed credit facilities with selected banks with a duration of five years in the total amount of CHF 125 million in July 2013. These credit facilities have not been used so far.

The table below shows the contractual maturities of the Group's financial liabilities (including interest):

Financial liabilities December 31, 2015	**Carrying amount**	**Contractual cash flows**			
CHF million		**Within 1 year**	**In 1 to 5 years**	**In 5 or more years**	**Total cash flow**
Trade payables	86.3	86.3	0.0	0.0	86.3
Other current liabilities	84.7	84.7	0.0	0.0	84.7
Bank debt	13.9	13.9	0.0	0.0	13.9
Fixed-rate bond	99.5	1.5	106.0	0.0	107.5
Other financial debt	8.2	0.2	9.6	0.0	9.8
Negative replacement values of derivative financial instruments	1.4	1.4	0.0	0.0	1.4
Total	**294.0**	**188.0**	**115.6**	**0.0**	**303.6**

Financial liabilities December 31, 2014	**Carrying amount**	**Contractual cash flows**			
CHF million		**Within 1 year**	**In 1 to 5 years**	**In 5 or more years**	**Total cash flow**
Trade payables	107.6	107.6	0.0	0.0	107.6
Other current liabilities	90.2	90.2	0.0	0.0	90.2
Bank debt	16.1	16.1	0.0	0.0	16.1
Fixed-rate bond	251.4	160.4	6.0	101.5	267.9
Other financial debt	6.4	0.1	8.2	0.0	8.3
Negative replacement values of derivative financial instruments	1.1	1.1	0.0	0.0	1.1
Total	**472.8**	**375.5**	**14.2**	**101.5**	**491.2**

Capital management

The capital managed by the Group is equal to the consolidated equity. Rieter's objectives in terms of capital management are on the one hand to safeguard the Group's financial stability and the ability to continue as a going concern in order to generate returns for shareholders and benefits for other stakeholders, and on the other hand to maintain an optimal capital structure. The equity ratio is currently about 44% (37% in 2014). 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 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 unused committed credit facilities, the Group is subject to externally imposed requirements (financial covenants) defining minimum equity and maximum gearing since July 2013. These minimum requirements have been complied with by Rieter and their compliance is monitored on a continuous basis.

3 Segment information

Segment information is based on the Group's organization and management structure and the internal financial reporting to the Chief Operating Decision Maker up to the level of EBIT. The Chief Operating Decision Maker of Rieter is the Chief Executive Officer. Segment accounting is based on the same accounting policies as used for the preparation of the consolidated financial statements. The Group consists of the three reportable segments Machines & Systems, After Sales and Components. 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 After Sales serves Rieter customers with spare parts, value-adding after sales services and solutions over the entire product life cycle. Rieter Components supplies technology components to spinning mills and also to textile machinery manufacturers.

Segment information 2015

CHF million	Machines & Systems	After Sales	Components	Total reportable segments
Total segment sales	702.3	139.8	258.6	1 100.7
Inter-segment sales[1]	0.0	0.0	63.9	63.9
Sales to third parties[2]	702.3	139.8	194.7	1 036.8
Operating result before interest and taxes (EBIT)	14.8	26.5	33.7	75.0
Capital expenditures on tangible and intangible assets	11.4	0.8	16.2	28.4
Depreciation and amortization	18.6 [4]	1.1	9.6	29.3

Segment information 2014[3]

CHF million	Machines & Systems	After Sales	Components	Total reportable segments
Total segment sales	853.5	127.5	262.1	1 243.1
Inter-segment sales[1]	0.0	0.0	89.7	89.7
Sales to third parties[2]	853.5	127.5	172.4	1 153.4
Operating result before interest and taxes (EBIT)	40.6	20.0	32.5	93.1
Capital expenditures on tangible and intangible assets	14.8	1.2	11.9	27.9
Depreciation and amortization	15.3	0.9	10.0	26.2

1. Inter-segment sales conducted at arms' length.
2. Equal to sales in the consolidated income statement.
3. Restated figures according to new organizational structure, effective since January 1, 2015.
4. Includes the impairment loss of CHF 2.7 million related to machinery and plant equipment in Winterthur, see note 13.

Reconciliation of segment results

CHF million	2015	2014[1]
Operating result before interest and taxes (EBIT) of reportable segments	75.0	93.1
Result which cannot be allocated to reportable segments	– 1.9	– 8.5
Operating result before interest and taxes (EBIT) Group	**73.1**	**84.6**
Share of profit of associated companies	0.0	0.4
Financial income	3.2	3.7
Financial expenses	– 11.1	– 17.4
Profit before taxes	**65.2**	**71.3**

1. Restated figures according to new organizational structure, effective since January 1, 2015.

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 operating segments, such as certain costs of central functions and infrastructure as well as the elimination of unrealized profits on inter-segment deliveries.

In the financial year 2015, the result which cannot be allocated to the reportable segments includes disposal gains on the sale of real estate of CHF 5.0 million, which were recognized as other operating income.

Sales and non-current assets by countries

CHF million	Sales 2015[1]	Sales 2014[1]	Non-current assets 2015[2]	Non-current assets 2014[2]
Switzerland (domicile of Rieter Holding Ltd.)	22.8	37.6	76.2	84.9
Foreign countries	1 014.0	1 115.8	196.1	214.2
Total Group	**1 036.8**	**1 153.4**	**272.3**	**299.1**
The following countries accounted for more than 10% of sales or non-current assets:				
Switzerland (domicile of Rieter Holding Ltd.)	22.8	37.6	76.2	84.9
China	139.8	173.7	75.0	86.8
India	142.0	130.9	43.2	50.1
Turkey	143.7	264.4	0.0	0.1
USA	127.3	134.8	2.8	2.7

1. By location of customer.
2. Tangible and intangible fixed assets by country of location.

No individual customer accounted for more than 10% of consolidated sales in 2015 and 2014. The greatest granularity available for products and product groups is segment level which is reflected in the segmental reporting shown above.

4 Sales

Changes in sales

CHF million	2015[1]
Changes in sales due to volume and price, Machines & Systems	– 145.4
Currency translation differences Machines & Systems	5.9
Divestments Machines & Systems[2]	– 11.7
Changes in sales due to volume and price, After Sales	15.0
Currency translation differences After Sales	– 2.7
Changes in sales due to volume and price, Components	36.3
Currency translation differences Components	– 14.0
Total	**– 116.6**

1. Changes in sales from 2013 to 2014 not available due to reorganization of segmental structure.
2. Divestment of Schaltag Group in 2015, see note 29.

In 2015, Rieter invoiced 44% of sales in Swiss francs (40% in 2014), 33% in euros (37% in 2014), 6% in US dollars (5% in 2014) and 17% in other currencies (18% in 2014). The portion of costs incurred in Swiss francs was about 30% of sales (34% in 2014).

5 Employee costs

CHF million	2015	2014
Wages and salaries	236.7	256.0
Social security and other personnel expenses	52.2	51.1
Total	**288.9**	**307.1**

6 Other operating expenses

CHF million	2015	2014
Energy and operating material	27.2	32.6
Sales commission to third parties	31.4	34.1
Repair and maintenance	14.6	17.3
Outbound freight	19.5	21.9
External services	11.0	9.1
Other operating expenses	73.6	71.2
Total	**177.3**	**186.2**

7 Other operating income

CHF million	2015	2014
Rental income	2.3	2.2
Gain on disposals of tangible fixed assets	5.4	1.2
Miscellaneous operating income	20.9	17.1
Total	**28.6**	**20.5**

Miscellaneous operating income includes income which is not presented as sales, such as proceeds from the disposal of materials for recycling purposes, income from insurance benefits as well as the gain of CHF 2.4 million resulting from the hedging of sales.

8 Depreciation and amortization

CHF million	2015	2014
Tangible fixed assets	37.4	35.4
Intangible assets	5.4	5.4
Total	**42.8**	**40.8**

9 Financial income

CHF million	2015	2014
Interest income	1.5	2.0
Other financial income	1.7	1.7
Total	**3.2**	**3.7**

10 Financial expenses

CHF million	2015	2014
Interest expenses	7.4	12.7
Loss on repurchase of own debt instruments	0.0	1.3
Other financial expenses and foreign exchange differences, net	3.7	3.4
Total	**11.1**	**17.4**

11 Income taxes

CHF million	2015	2014
Current income tax expense	16.3	18.6
Deferred income tax expense	– 0.9	– 0.2
Total	**15.4**	**18.4**

Deferred income taxes resulting from the remeasurement of defined benefit plans amounting to CHF 0.7 million (CHF 0.2 million in 2014) and from changes in fair values of financial instruments available for sale amounting to CHF 0.3 million (CHF 0.1 million in 2014) were recognized in other comprehensive income.

Reconciliation of expected and actual income tax expense:

CHF million	2015	2014
Expected tax expense on pre-tax profit of CHF 65.2 million (CHF 71.3 million in 2014) at an average rate of 28.7% (28.1% in 2014)	18.7	20.0
Impact of non-deductible costs	0.1	0.1
Impact of non-taxable income / income taxed at different rates	– 2.1	– 2.8
Impact of losses and loss carry-forwards	– 4.7	– 2.2
Impact of changes in tax rates and tax legislation	0.1	– 0.1
Tax effects from previous periods (adjustments)	0.9	– 0.4
Non-recoverable withholding taxes on payments from subsidiaries	2.1	3.7
Other effects	0.3	0.1
Total	**15.4**	**18.4**

The increase in the expected weighted average tax rate by 0.6 percentage points resulted from changes in the profitability of certain group companies.

Deferred income taxes

The following summarizes the movement in the net deferred tax position:

CHF million	2015	2014
Deferred tax liabilities, net at January 1	**23.6**	**23.7**
Deferred income taxes recognized in the income statement	– 0.9	– 0.2
Deferred income taxes recognized as other comprehensive income	1.0	0.3
Divestments[1]	– 0.5	0.0
Currency translation differences	0.1	– 0.2
Deferred tax liabilities, net at December 31	**23.3**	**23.6**

1. Divestment of Schaltag Group in 2015, see note 29.

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

CHF million	Deferred tax assets 2015	Deferred tax liabilities 2015	Deferred tax assets 2014	Deferred tax liabilities 2014
Tangible fixed assets	3.5	– 9.9	3.0	– 10.6
Inventories	8.9	– 6.2	7.5	– 8.9
Other assets	1.0	– 21.4	4.5	– 21.0
Provisions	4.8	– 0.3	5.1	– 0.3
Other liabilities	2.2	– 2.7	3.0	– 0.3
Valuation adjustments on deferred tax assets	– 6.1	0.0	– 6.5	0.0
Tax loss carry-forwards and tax credits	2.9	0.0	0.9	0.0
Total	**17.2**	**– 40.5**	**17.5**	**– 41.1**
Offsetting	– 3.7	3.7	– 5.3	5.3
Deferred tax assets / liabilities	**13.5**	**– 36.8**	**12.2**	**– 35.8**

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

CHF million	Capitalized 2015	Non capitalized 2015	Total 2015	Total 2014
Expiry in				
1 to 3 years	0.0	0.0	0.0	0.0
3 to 7 years	1.3	0.0	1.3	0.2
7 or more years	1.6	17.8	19.4	25.7
Total	**2.9**	**17.8**	**20.7**	**25.9**

The unused tax losses for which no deferred tax asset has been recognized originate primarily from countries with a tax rate between 17% and 37%.

12 Earnings per share

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 take into account additionally the effects from the potential dilution if all rights from the long term incentive plan (see note 31) were to be exercised.

	2015	2014
Net profit (CHF million)[1]	**49.7**	**52.8**
Average number of shares outstanding	4 550 650	4 583 909
Average number of shares outstanding (diluted)	4 553 407	4 586 771
Basic earnings per share (CHF)	**10.92**	**11.52**
Diluted earnings per share (CHF)	**10.91**	**11.51**

1. Attributable to shareholders of Rieter Holding Ltd.

13 Tangible fixed assets

CHF million	Land and buildings	Machinery, plant equipment and tools	IT equipment	Vehicles and furniture	Tangible fixed assets under construction	Total tangible fixed assets
Net book value at January 1, 2014	**133.4**	**103.7**	**7.0**	**9.1**	**8.9**	**262.1**
Additions	10.6	16.2	1.6	2.2	11.6	42.2
Disposals	0.0	0.0	0.0	– 0.2	0.0	– 0.2
Depreciation	– 7.0	– 21.0	– 3.3	– 4.1	0.0	– 35.4
Reclassifications	0.0	6.9	0.8	2.5	– 10.2	0.0
Currency translation differences	4.9	5.1	0.2	0.4	– 0.4	10.2
Net book value at December 31, 2014	**141.9**	**110.9**	**6.3**	**9.9**	**9.9**	**278.9**
Cost at December 31, 2014	284.1	419.1	22.7	38.2	9.9	774.0
Accumulated depreciation at December 31, 2014	– 142.2	– 308.2	– 16.4	– 28.3	0.0	– 495.1
Net book value at December 31, 2014	**141.9**	**110.9**	**6.3**	**9.9**	**9.9**	**278.9**
Additions	6.6	12.5	0.5	2.0	9.7	31.3
Disposals	– 0.5	0.0	0.0	0.0	0.0	– 0.5
Divestments[1]	– 1.4	– 0.6	– 0.1	0.0	– 0.1	– 2.2
Depreciation	– 6.4	– 21.9	– 2.6	– 3.8	0.0	– 34.7
Impairment losses	0.0	– 2.7	0.0	0.0	0.0	– 2.7
Reclassifications	0.5	6.1	0.2	0.7	– 7.5	0.0
Currency translation differences	– 6.8	– 3.8	– 0.3	– 0.4	– 1.6	– 12.9
Net book value at December 31, 2015	**133.9**	**100.5**	**4.0**	**8.4**	**10.4**	**257.2**
Cost at December 31, 2015	267.9	405.3	20.6	37.9	10.4	742.1
Accumulated depreciation at December 31, 2015	– 134.0	– 304.8	– 16.6	– 29.5	0.0	– 484.9
Net book value at December 31, 2015	**133.9**	**100.5**	**4.0**	**8.4**	**10.4**	**257.2**

1. Divestment of Schaltag Group in 2015, see note 29.

No tangible assets are held under long-term finance leases. No land and buildings are pledged for financial debt. No borrowing costs were capitalized in 2015 and 2014. Impairment losses in 2015 are related to machinery and plant equipment which are expected to become obsolete as a result of the restructuring in Winterthur.

14 Intangible assets

CHF million	Process improvement projects	Patents/ trademarks	Other intangible assets	Total intangible assets
Net book value at January 1, 2014	**24.8**	**0.0**	**0.8**	**25.6**
Additions	0.0	0.0	0.0	0.0
Amortization	– 4.9	0.0	– 0.5	– 5.4
Currency translation differences	0.0	0.0	0.0	0.0
Net book value at December 31, 2014	**19.9**	**0.0**	**0.3**	**20.2**
Cost at December 31, 2014	24.8	41.5	3.6	69.9
Accumulated amortization at December 31, 2014	– 4.9	– 41.5	– 3.3	– 49.7
Net book value at December 31, 2014	**19.9**	**0.0**	**0.3**	**20.2**
Additions	0.3	0.0	0.0	0.3
Amortization	– 5.1	0.0	– 0.3	– 5.4
Currency translation differences	0.0	0.0	0.0	0.0
Net book value at December 31, 2015	**15.1**	**0.0**	**0.0**	**15.1**
Cost at December 31, 2015	25.1	0.0	3.6	28.7
Accumulated amortization at December 31, 2015	– 10.0	0.0	– 3.6	– 13.6
Net book value at December 31, 2015	**15.1**	**0.0**	**0.0**	**15.1**

In 2015 and 2014, there were no intangible assets with infinite useful lives. Capitalized process improvement projects were amortized for the first time in 2014 as the related systems were available for use from January 2014.

15 Research and development

CHF 46.6 million were spent on research and development in 2015 (CHF 46.3 million in 2014). Rieter is aiming to continuously refine and extend the functionalities of its product and service offerings and improve the quality and quantity of the output as well as efficiency of the production process for its customers.

Development cost must meet various criteria in order to be recognized as an intangible asset. The technical and financial resources have to be available to complete the development and the expenditure attributable to the development must be reliably measurable. Although these criteria were met in 2015 by all material development projects and management in charge confirmed its intention and ability to complete the projects, no development costs were recognized as intangible assets in the financial year 2015 and in previous years. Due to rapid technological changes and strong economic fluctuations in the industry, future economic benefits could not be sufficiently demonstrated.

16 Other non-current assets

CHF million	2015	2014
Financial assets	6.0	2.4
Long-term interest-bearing receivables	0.4	0.7
Positive replacement values of derivative financial instruments	0.6	0.0
Other long-term receivables and pension funds	74.6	70.0
Total	**81.6**	**73.1**

Prepaid contributions and overfunding of personnel pension plans have been accrued up to the expected future benefit and amounted to CHF 65.2 million at December 31, 2015 (CHF 61.6 million at December 31, 2014).

17 Inventories

CHF million	2015	2014
Raw materials and consumables	13.4	15.0
Finished and semi-finished goods, trading goods	206.0	259.3
Work in progress	9.1	17.7
Allowance	– 37.0	– 38.9
Total	**191.5**	**253.1**

The following table summarizes the movement in the allowance for inventories:

CHF million	2015	2014
Allowance at January 1	– 38.9	– 37.7
Utilization	0.8	2.1
Additions / reversals, net	– 1.7	– 3.0
Divestments[1]	1.2	0.0
Currency translation differences	1.6	– 0.3
Allowance at December 31	**– 37.0**	**– 38.9**

1. Divestment of Schaltag Group in 2015, see note 29.

18 Trade receivables

CHF million	2015	2014
Trade receivables	70.7	80.6
Allowance for doubtful receivables	– 7.0	– 7.1
Total	**63.7**	**73.5**

At December 31, 2015, trade receivables of CHF 25.5 million (CHF 19.3 million at December 31, 2014) were past due. Thereof CHF 7.0 million (CHF 7.1 million in 2014) were covered by an individual allowance. Past due items of CHF 18.5 million (CHF 12.2 million in 2014), which were not covered by allowances, were past due less than three months.

The following table summarizes the movement in the allowance for doubtful receivables:

CHF million	2015	2014
Allowance for doubtful receivables at January 1	– 7.1	– 11.2
Increase charged to income statement	– 0.9	– 1.0
Utilization or reversal, net	0.3	5.1
Divestments[1]	0.3	0.0
Currency translation differences	0.4	0.0
Allowance for doubtful receivables at December 31	**– 7.0**	**– 7.1**

1. Divestment of Schaltag Group in 2015, see note 29.

Allowances for doubtful receivables are recorded based upon the difference between the invoice amount and the expected discounted payment. The allowance for doubtful receivables is based on historical loss experience and identifiable solvency risks.

Trade receivables include amounts denominated in the following major currencies:

CHF million	2015	2014
CHF	26.8	44.3
CNY	1.6	1.7
EUR	17.2	19.7
INR	5.7	1.7
USD	11.7	4.7
Other	0.7	1.4
Total	**63.7**	**73.5**

The following table sets forth the aging of trade receivables, showing amounts that are not yet due as well as an analysis of overdue amounts:

CHF million	2015	2014
Not due	45.2	61.3
Past due less than 3 months	19.5	12.3
Past due 3 to 6 months	1.5	2.8
Past due 6 months to 1 year	1.5	0.8
Past due 1 to 5 years	1.3	1.9
Past due 5 or more years	1.7	1.5
Trade receivables	70.7	80.6
Allowance for doubtful receivables	– 7.0	– 7.1
Total	**63.7**	**73.5**

19 Other receivables

CHF million	2015	2014
Prepaid expenses and deferred charges	7.5	9.9
Advance payments to suppliers	4.0	5.3
Positive replacement values of derivative financial instruments	0.4	0.8
Income tax receivables	2.5	0.0
Other short-term receivables	27.7	33.9
Total	**42.1**	**49.9**

Other short-term receivables do not include any past due or impaired items.

20 Marketable securities and time deposits

CHF million	2015	2014
Securities available for sale	7.0	6.8
Time deposits with original maturities between 3 and 12 months	0.5	101.9
Total	**7.5**	**108.7**

As of December 31, 2014, time deposits included short-term deposits in connection with the proceeds from the issue of the six year fixed interest bond of CHF 100 million (see note 24).

21 Cash and cash equivalents

CHF million	2015	2014
Cash and banks	310.6	271.0
Time deposits with original maturities of up to 3 months	15.9	65.9
Total	**326.5**	**336.9**

22 Share capital and dividend per share

		31.12.2015	31.12.2014
Shares issued	Number of shares	4 672 363	4 672 363
Treasury shares	Number of shares	161 288	96 879
Shares outstanding	**Number of shares**	**4 511 075**	**4 575 484**
Par value per share	CHF	5.00	5.00
Share capital	**CHF**	**23 361 815**	**23 361 815**

Share capital is fully paid in.

Dividend paid in 2015 amounted to CHF 20.6 million or CHF 4.50 per registered share (CHF 16.0 million or CHF 3.50 per registered share in 2014).

Based on the financial statements as at December 31, 2015, the Board of Directors proposes to the General Meeting a dividend of CHF 21.0 million (CHF 4.50 per registered share). The proposed dividend is not recognized as a liability in the consolidated financial statements as at December 31, 2015.

23 Non-controlling interests

No changes in non-controlling interests occurred in 2015.

Until end of March 2014, 26% of the capital and the voting rights of Rieter India Pvt. Ltd. were held by non-controlling interests. At the beginning of April 2014, the non-controlling shareholders executed an existing put option and 21% of the capital and voting rights were sold at the minimum exercise price of CHF 22.8 million to Rieter. This reduced short-term financial debt accordingly. Subsequently, non-controlling interests in Rieter India Pvt. Ltd. were reduced to 1.6% as the non-controlling shareholders did not participate in a capital increase of Rieter India Pvt. Ltd. Rieter is obliged to acquire these remaining interests for a contractually agreed amount by April 15, 2017 at the latest. The present value of this obligation has been recognized as long-term financial debt.

In 2015 and 2014 no dividend was paid to non-controlling interests.

24 Financial debt

CHF million	Fixed-rate bond	Bank debt	Other financial debt	Total 2015	Total 2014
Duration					
less than 1 year	0.0	13.9	0.2	14.1	168.1
1 to 5 years	99.5	0.0	8.0	107.5	6.3
5 or more years	0.0	0.0	0.0	0.0	99.5
Total	**99.5**	**13.9**	**8.2**	**121.6**	**273.9**

By currency, financial debt is divided up as follows:

CHF million	2015	2014
CHF	99.7	251.5
CNY	14.0	16.1
INR	7.5	5.9
Other	0.4	0.4
Total	**121.6**	**273.9**

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 duration of six years with maturity date on September 29, 2020 (2014-2020), a fixed interest rate of 1.5% p.a. and it is listed on the SIX Swiss Exchange. The market value of the bond amounted to CHF 102.2 million at December 31, 2015 (CHF 102.7 million at December 31, 2014). The effective interest expenses were CHF 1.6 million in 2015 (CHF 0.4 million in 2014).

The bond which was issued on March 30, 2010 with a nominal value of CHF 250 million and listed on the SIX Swiss Exchange, had a five-year maturity (2010-2015) and a fixed interest rate of 4.5% p.a. This bond was repaid on its maturity date on April 30, 2015. The outstanding balance amounted to CHF 151.9 million as Rieter Holding Ltd. had repurchased various portions of the bond totaling CHF 98.1 million between 2012 and 2014. The effective interest expenses amounted to CHF 2.5 million in 2015 (CHF 7.9 million in 2014).

The proceeds from the six-year bond (2014-2020) of CHF 100 million, which had been temporarily deposited in money market accounts in September 2014 with maturity date April 30, 2015, were used for a partial refinancing of the five-year bond which matured on April 30, 2015. Consistent with the presentation in the financial report 2014, the related cash flows were presented within financing activities in the statement of cash flows.

25 Provisions

CHF million	Restructuring provisions	Personnel provisions	Guarantee and warranty provisions	Other provisions	Total provisions
Provisions at December 31, 2014	**11.4**	**41.1**	**48.3**	**32.3**	**133.1**
Utilization	– 0.9	– 4.0	– 18.9	– 2.1	– 25.9
Release	– 1.1	– 0.2	– 0.8	– 4.0	– 6.1
Additions	0.0	2.6	26.7	11.7	41.0
Divestments[1]	0.0	0.0	– 0.3	0.0	– 0.3
Remeasurement of defined benefit plans	0.0	1.9	0.0	0.0	1.9
Currency translation differences	0.0	– 3.0	– 0.8	– 0.7	– 4.5
Provisions at December 31, 2015	**9.4**	**38.4**	**54.2**	**37.2**	**139.2**
Thereof non-current	9.2	35.1	34.3	28.5	107.1
Thereof current	0.2	3.3	19.9	8.7	32.1

1. Divestment of Schaltag Group in 2015, see note 29.

Restructuring provisions cover legal and constructive obligations in connection with restructuring measures. CHF 0.9 million were utilized in 2015 for structural adjustment projects at locations in Switzerland and China. The remaining restructuring provisions are expected to result in outflows of resources of CHF 0.2 million in 2016 and CHF 9.2 million in the two following years.

Personnel provisions include the obligations in connection with defined benefit plans (see note 27), provisions for part-time arrangements for elderly 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 of CHF 34.3 million are expected to result in outflows of resources in one or two years on average.

Other provisions are recorded for onerous contracts (where the unavoidable direct costs of performance exceed the expected financial benefit) and for obligations relating to ongoing tax and legal cases for which the amount can only be estimated. Non-current other provisions are expected to be utilized mainly in the years after 2016.

26 Other current liabilities

CHF million	2015	2014
Accrued holidays and overtime	10.2	13.0
Accrued sales commissions	10.2	9.0
Other accrued expenses	60.4	68.0
Negative replacement values of derivative financial instruments	1.4	1.1
Other short-term liabilities	14.1	13.2
Total	**96.3**	**104.3**

27 Pension plans

Defined contribution plans

The expense for defined contribution plans amounted to CHF 5.2 million in 2015 (CHF 4.7 million in 2014).

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 supervision of the state. 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 on-going 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 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.

Funded status of defined benefit plans:

CHF million	2015	2014
Actuarial present value of defined benefit obligations		
• funded plans (Switzerland)	– 924.9	– 964.6
• unfunded plans (other countries)	– 23.3	– 25.7
Defined benefit obligations at December 31	**– 948.2**	**– 990.3**
Fair value of plan assets (Switzerland)	1 143.3	1 184.2
Surplus at December 31	**195.1**	**193.9**
Impact Asset Ceiling	– 157.5	– 161.1
Net assets at December 31	**37.6**	**32.8**
Recognized in the balance sheet		
• as pension assets (in other non-current assets)	65.2	61.6
• as pension liabilities (in non-current provisions)	– 27.6	– 28.8

The movement in the defined benefit obligation over the year was as follows:

CHF million	2015	2014
Defined benefit obligations at January 1	**990.3**	**892.2**
Current service cost	10.7	9.4
Interest expense	10.8	19.2
Employee contributions	6.9	7.3
Actuarial gains / losses (net)	46.7	130.9
Benefits paid	– 50.8	– 68.2
Divestments[1]	– 64.0	0.0
Currency translation differences	– 2.4	– 0.5
Defined benefit obligations at December 31	**948.2**	**990.3**

The weighted average duration of the defined benefit obligations is 13.2 years (13.3 years in 2014).

The movement in the fair value of plan assets over the year was as follows:

CHF million	2015	2014
Fair value of plan assets at January 1	**1 184.2**	**1 123.1**
Interest income	11.1	19.8
Return on plan assets (excluding interest income)	46.7	97.3
Employer contributions	9.2	4.9
Employee contributions	6.9	7.3
Benefits paid	– 50.8	– 68.2
Divestments[1]	– 64.0	0.0
Currency translation differences	0.0	0.0
Fair value of plan assets at December 31	**1 143.3**	**1 184.2**

1. Divestment of Schaltag Group in 2015, see note 29.

The total return on plan assets was CHF 57.8 million (CHF 117.1 million in 2014). The Group expects to contribute CHF 9.3 million to its defined benefit pension plans in 2016.

The major categories of plan assets were as follows:

CHF million	2015	2014
Cash and cash equivalents	96.0	59.2
Equity instruments	570.2	629.8
Debt instruments	148.9	89.0
Real estate	268.9	278.9
Other	59.3	127.3
Fair value of plan assets at December 31	**1 143.3**	**1 184.2**

At the end of 2015 plan assets included Rieter Holding Ltd. bonds with a market value of CHF 1.3 million (CHF 1.9 million in 2014). No Rieter shares were held at the end of the years 2015 and 2014. Cash equivalents, more than 95% of equity instruments and 80% of the debt instruments have a quoted market price in an active market. Real estate and other investments, which include private equity investments, usually do not have a quoted market price.

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

CHF million	2015	2014
Current service cost	10.7	9.4
Net interest result	– 0.3	– 0.6
Total	**10.4**	**8.8**

Remeasurements of defined benefit plans recognized as other comprehensive income:

CHF million	2015	2014
Actuarial gains / losses arising from:		
Changes in demographic assumptions	0.0	6.0
Changes in financial assumptions	– 21.4	– 119.9
Experience adjustments	– 25.3	– 17.0
Return on plan assets (excluding interest income)	46.7	97.3
Impact asset ceiling	3.6	36.2
Total	**3.6**	**2.6**

The effect of the divestment of Schaltag Group (see note 29) was considered immaterial in the context of the respective pension funds. Consequently it was recorded in other comprehensive income in accordance with the respective provisions of IAS 19.

Main actuarial assumptions used at year-end:

Weighted average in %	2015	2014
Discount rate	0.9	1.1
Future wage growth	0.7	1.2
Future pension growth	0.0	0.0

The measurement of the defined benefit obligation is particularly sensitive to changes in the discount rate and the assumption about the future pension growth. The table below shows the potential impact of a change in the discount rate by 0.3 percentage points and the change of the future pension growth rate by 0.5 percentage points on the defined benefit obligations:

CHF million	2015	2014
Increase in the discount rate by 0.3 percentage points	– 36.6	– 38.1
Decrease in the discount rate by 0.3 percentage points	39.1	40.8
Increase in the future pension growth rate by 0.5 percentage points[1]	50.7	52.1

1. Reduction of 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 about the future wage growth rate by 0.5 percentage points would impact the defined benefit obligations by less than 1% (same as 2014).

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

28 Other commitments

Some group companies are renting factory and office space under operating lease arrangements. The lease expenditure charged to the income statement was CHF 3.1 million in 2015 (CHF 3.8 million in 2014). These leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under operating leases at year-end are as follows:

CHF million	2015	2014
Up to 1 year	1.2	1.5
1 to 5 years	4.0	5.0
5 or more years	0.0	0.1
Total	**5.2**	**6.6**

There were open purchase commitments amounting to CHF 0.5 million in respect of major investments in tangible assets at December 31, 2015 (CHF 1.0 million at December 31, 2014).

29 Divestments

At July 22, 2015, Rieter sold the Schaltag Group, consisting of Schaltag AG (Switzerland) and Schaltag CZ s.r.o. (Czech Republic), to a private Swiss investor group with an industrial background. Schaltag Group manufactures and distributes electronic switchgear and control systems and was part of the segment Machines & Systems. The gain from the divestment amounting to CHF 3.4 million was recognized in other operating income in 2015.

The assets and liabilities sold as part of the divestment of Schaltag Group are summarized below:

CHF million	2015
Non-current assets	2.3
Current assets (excluding cash and cash equivalents)	16.6
Liabilities	– 5.3
Net assets disposed	**13.6**
Gain on divestment	3.4
Cash flow from divestment	**17.0**

30 Financial instruments

The following tables summarize all financial instruments as at December 31, 2015 and 2014, according to the categories defined in the accounting policies and specify the fair values in line with the hierarchy of IFRS 13. The carrying values 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 24).

CHF million	2015	2014
Cash (excluding time deposits)	**310.6**	**271.0**
Positive replacement values of derivative financial instruments[2]	1.0	0.8
Total financial assets at fair value through profit and loss	**1.0**	**0.8**
Time deposits with original maturities of up to 3 months	15.9	65.9
Time deposits with original maturities between 3 and 12 months	0.5	101.9
Trade receivables[3]	63.7	73.5
Other current receivables[3]	27.7	33.9
Long-term interest-bearing receivables[3]	0.4	0.7
Total loans and receivables	**108.2**	**275.9**
Securities available for sale[1]	7.0	6.8
Financial assets[2]	6.0	2.4
Total available for sale financial assets	**13.0**	**9.2**
Total financial assets and derivatives	**432.8**	**556.9**

CHF million	2015	2014
Trade payables[3]	86.3	107.6
Other current liabilities[3]	84.7	90.2
Short-term financial debt[3]	14.1	168.1
Long-term financial debt[3]	107.5	105.8
Negative replacement values of derivative financial instruments[2]	1.4	1.1
Total financial liabilities and derivatives	**294.0**	**472.8**

1. Measured at fair values based on quoted prices in active markets (level 1).
2. Measured at fair values which are based on direct or indirect observable input parameters (level 2).
3. Measured at amortized cost.

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 renowned 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 market data. At December 31, 2015, the contract values of all outstanding forward exchange contracts and foreign exchange options amounted to CHF 169.9 million (CHF 160.1 million at December 31, 2014).

31 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 the year 2015, five members of the Board of Directors have received 3 367 shares on January 6, 2016. The estimated cost of CHF 0.6 million was charged to the income statement 2015. On April 16, 2015, six members of the Board of Directors received 4 611 shares in connection with their remuneration for the year 2014. The market value of the shares granted was CHF 0.7 million and was charged to the income statement in 2014. 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 the year 2015, the members of the Group Executive Committee will receive Rieter shares with a market value of CHF 0.7 million in April 2016. The estimated costs of CHF 0.7 million were charged to the income statement 2015. In the context of the variable remuneration for the year 2014, the members of the Group Executive Committee received 3 467 shares with a market value of CHF 0.4 million on April 16, 2015. The respective cost of CHF 0.4 million were charged to the income statement 2014. The shares cannot be sold for three years and they are taken from treasury shares of Rieter Holding Ltd.

Rieter had established a share purchase plan for the members of the Group Executive Committee, which was executed for the last time in 2014. Four participants, who were members of the Group Executive Committee as of December 31, 2013, purchased 3 950 shares at a price of CHF 127.20 per share in May 2014. The average market value of shares granted was CHF 203.07. The costs resulting from the share purchase plan amounted to CHF 0.3 million and were charged to the income statement 2014.

Since March 2012, Rieter is offering 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 market price in three years. The execution of the rights in three years is subject to an unterminated employment contract. If the employment is terminated within three years, the rights will expire immediately. Exceptions are to be granted by the CEO. There are no further performance related criteria.

The movement of the outstanding rights was as follows:

Number of rights	2015	2014
Outstanding rights at January 1	6 983	2 697
Granted	2 774	4 983
Exercised / paid-out	– 2 480	– 146
Expired	– 645	– 551
Outstanding rights at December 31 (non-exercisable)	**6 632**	**6 983**

The estimated fair value of the outstanding rights amounts approximately to the market value of the Rieter share of CHF 188.00 at December 31, 2015. The cost of the long-term incentive plan impacted the income statement in the reporting period by CHF 0.3 million (CHF 0.2 million in 2014). The liability recognized in the balance sheet at the end of the year was CHF 0.5 million (CHF 0.5 million at December 31, 2014).

Long-service awards are also granted in the form of Rieter shares or cash by some group companies.

The aggregate number of shares issued in 2015 under all employee and executive incentive schemes does not exceed 1% of the shares outstanding.

32 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.

Prosino S.r.l. constitutes an associated company because Rieter holds a 49% stake. In 2015, Rieter purchased products with a total value of CHF 4.9 million (CHF 5.4 million in 2014) from Prosino S.r.l. The respective open trade payable balance at December 31, 2015, was interest-free and amounted to CHF 0.7 million (CHF 0.7 million at December 31, 2014).

Total compensation to the Board of Directors and the Group Executive Committee was as follows:

CHF million	2015	2014
Cash compensation	3.2	2.5
Employee benefit contributions and social security	0.6	0.5
Share-based compensation	1.3	1.4
Other long-term benefits	0.0	0.0
Total	**5.1**	**4.4**

The remuneration report of Rieter Holding Ltd. in accordance with Swiss law is presented on pages 41 to 44.

Apart from the above mentioned purchases from Prosino S.r.l., the compensation to the Board of Directors and the Group Executive Committee and the ordinary contributions to the various employee benefit plans (see note 27), there have been no further material transactions with related parties.

33 Net liquidity

Net liquidity at December 31 was as follows:

CHF million	2015	2014
Cash and cash equivalents	326.5	336.9
Marketable securities and time deposits	7.5	108.7
Short-term financial debt	– 14.1	– 168.1
Long-term financial debt	– 107.5	– 105.8
Net liquidity	**212.4**	**171.7**

34 Exchange rates for currency translation

		Average annual CHF rates		Year-end CHF rates	
		2015	2014	2015	2014
Brazil	1 BRL	0.29	0.39	0.25	0.37
China	100 CNY	15.31	14.86	15.35	15.96
Czech Republic	100 CZK	3.91	4.41	4.01	4.34
Euro countries	1 EUR	1.07	1.21	1.08	1.20
Hong Kong	100 HKD	12.41	11.81	12.84	12.77
India	100 INR	1.50	1.50	1.50	1.57
Taiwan	100 TWD	3.03	3.02	3.03	3.14
USA	1 USD	0.96	0.92	1.00	0.99

35 Events after balance sheet date

No events have occurred up to March 14, 2016, which would necessitate adjustments to the book values of the Group’s assets or liabilities, or which require additional disclosure.

36 Approval for publication of the consolidated financial statements

The consolidated financial statements were approved for publication by the Board of Directors on March 14, 2016. They are also subject to approval by the Annual General Meeting of shareholders.

Subsidiaries and associated companies

at December 31, 2015

			Capital	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	10 000 000	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%		•		
	Xinjiang Rieter Textile Instruments Co. Ltd., Urumqi	CNY	5 000 000	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	15 645 531	100%		•		•
	Novibra GmbH, Süssen (in liquidation)	EUR	1 534 000	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., Koregaon Bhima	IND	106 515 830	98%		•	•	
Italy	Prosino S.r.l., Borgosesia[1]	EUR	50 000	49%		•	•	
Liechtenstein	RiRe Ltd., Vaduz	CHF	4 800 000	100%				•
Netherlands	Graf Holland B.V., Enschede	EUR	113 500	100%		•	•	
Spain	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%	•	•	•	•
Taiwan	Rieter Asia (Taiwan) Ltd., Taipeh	TWD	5 000 000	100%		•		
Turkey	Rieter Textile Machinery Trading & Services Ltd., Esenler	TRY	25 000	100%		•		
USA	Rieter America, LLC, Spartanburg	USD	1 249	100%		•		
	Graf Metallic of America, Inc., Spartanburg	USD	50 000	100%		•		
	Rieter North America, Inc., Spartanburg	USD	1 000	100%				•
Uzbekistan	Rieter Uzbekistan FE LCC, Tashkent	USD	2 650 000	100%		•	•	

1. Associated company.

Report of the statutory auditor on the consolidated financial statements

Report of the statutory auditor on the consolidated financial statements to the General Meeting of Rieter Holding Ltd., Winterthur

As statutory auditor, we have audited the consolidated financial statements of Rieter Holding Ltd., which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows and notes on pages 48 to 85, for the year ended December 31, 2015.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended December 31, 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

Stefan Räbsamen Audit expert Auditor in charge	Tobias Handschin Audit expert

Zurich, March 14, 2016

Income statement of Rieter Holding Ltd.

CHF million	Notes	2015	2014
Income			
Income from investments	(2.1)	46.5	52.0
Financial income	(2.2)	5.3	3.3
Other income	(2.3)	5.4	7.0
Total income		**57.2**	**62.3**
Expenses			
Administrative expenses		5.9	5.6
Financial expenses	(2.4)	6.2	13.8
Increase of value adjustments / provisions	(2.5)	20.0	20.0
Taxes		0.1	0.1
Total expenses		**32.2**	**39.5**
Net profit		**25.0**	**22.8**

Balance sheet of Rieter Holding Ltd.

CHF million	Notes	December 31, 2015	December 31, 2014
Assets			
Cash and cash equivalents	(2.6)	216.4	321.7
Financial assets with an observable market price	(2.6)	0.0	96.4
Current receivables	(2.7)	39.7	40.3
Prepaid expenses and accrued income	(2.8)	0.5	3.8
Current assets		**256.6**	**462.2**
Other financial assets	(2.9)	44.1	65.8
Investments	(2.10)	198.3	220.5
Non-current assets		**242.4**	**286.3**
Total assets		**499.0**	**748.5**
Shareholders' equity and liabilities			
Current liabilities	(2.11)	0.3	0.7
Current interest-bearing liabilities	(2.12)	186.4	422.7
Accrued expenses and deferred income	(2.8)	1.2	8.5
Current liabilities		**187.9**	**431.9**
Non-current interest-bearing liabilities	(2.13)	100.0	100.0
Provisions	(2.14)	11.3	11.3
Non-current liabilities		**111.3**	**111.3**
Total liabilities		**299.2**	**543.2**
Share capital	(2.15)	23.4	23.4
Legal reserve from capital contributions	(2.16)	53.5	74.1
General legal reserve	(2.17)	27.5	27.5
Free reserves	(2.18)	62.3	46.4
Retained earnings	(2.19)		
• Balance brought forward		34.3	26.5
• Net profit		25.0	22.8
Treasury shares	(2.20)	– 26.2	– 15.4
Shareholders' equity		**199.8**	**205.3**
Total shareholders' equity and liabilities		**499.0**	**748.5**

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 for the first time in accordance with the provisions for the new Swiss accounting law (valid as at January 1, 2013). Prior year figures in the balance sheet and the income statement have been restated applying the new requirements for classification in order to ensure comparability.

The effects of changes in the requirements for recognition and measurement resulting from the application of the new accounting law amounted to CHF 0.6 million and were recorded as financial income in the current financial year.

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

1.2 Investments

Investments are usually measured individually. In case management and internal performance assessment is combined for a group of investments, the measurement of these investments may be combined as well. Investments are recognized at acquisition cost less subsequent 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 recorded against retained earnings.

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 other transactions in foreign currencies are translated using the exchange rate prevailing on the date of the transaction. The resulting gains and losses are recognized in the income statement.

2 Details to balance sheet and income statement

2.1 Income from investments

Income from investments consists of dividends paid by subsidiaries and associated companies as well as gains from the disposal of investments.

2.2 Financial income

Financial income includes income from marketable securities, 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, bank debt and liabilities to group companies.

2.5 Increase in value adjustments / provisions

The value adjustment for general business risks was increased by CHF 20.0 million (CHF 20.0 million in 2014) and deducted from investments in subsidiaries.

2.6 Cash and cash equivalents / Financial assets with an observable market price

Cash and cash equivalents include bank accounts and term deposits.

In 2014, financial assets with an observable market price consisted of the repurchased portion of the fixed-rate bond.

2.7 Current receivables

CHF million	2015	2014
Receivables from third parties	0.1	0.1
Receivables from subsidiaries	39.6	40.2
Total	**39.7**	**40.3**

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

2.8 Prepaid expenses and accrued income / Accrued expenses and deferred income

Prepaid expenses and accrued income include mainly accrued interest and deferred financing costs.

Accrued expenses and deferred income mainly contain unrealized losses resulting from foreign currency forward contracts in the amount of CHF 0.2 million (CHF 0.3 million in 2014) as well as accrued interest.

2.9 Other financial assets

CHF million	2015	2014
Loans to subsidiaries	44.1	65.8
Total	**44.1**	**65.8**

2.10 Investments

CHF million	2015	2014
Investments in subsidiaries	197.8	220.0
Investments in associated companies	0.5	0.5
Total	**198.3**	**220.5**

The main investments are listed on page 85. These are held directly or indirectly by Rieter Holding Ltd.

2.11 Current liabilities

CHF million	2015	2014
Liabilities to group companies	0.0	0.3
Liabilities to third parties	0.3	0.4
Total	**0.3**	**0.7**

2.12 Current interest-bearing liabilities

CHF million	2015	2014
Liabilities to group companies	186.4	172.7
Fixed-rate bond	0.0	250.0
Total	**186.4**	**422.7**

On March 30, 2010, Rieter Holding Ltd. issued a fixed-rate bond of CHF 250 million. The bond had a five-year maturity period and a fixed interest rate of 4.5% p.a. Annual interest coupon date was at April 30 and the final maturity at April 30, 2015. In 2014, this bond was reported as current liability based on the date of maturity. It was settled on April 30, 2015.

2.13 Non-current interest-bearing liabilities

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. Annual interest coupon date is at September 29. The final maturity date is at September 29, 2020.

2.14 Provisions

These consist of provisions for foreign exchange risks and guarantee commitments.

2.15 Share capital

At December 31, 2015, 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 par value of CHF 5.00 each.

The Annual General Meeting on April 18, 2012, has authorized the Board of Directors to increase the share capital at all times until April 18, 2014, up to a maximum amount of CHF 2 500 000 by issuing a maximum of 500 000 fully paid registered shares with a par value of CHF 5.00 each. The Annual General Meeting on April 9, 2014, has approved the extension of this subscription period until April 9, 2016. Increases in partial amounts are permitted. The subscription and acquisition of the new registered shares as well as any subsequent assignment of the registered shares shall be subject to the restrictions set forth in §4 of the Articles of Association.

2.16 Legal reserve from capital contributions

CHF million	2015	2014
Opening balance	74.1	90.1
Reversal for dividend distribution	– 20.6	– 16.0
Total	**53.5**	**74.1**

The dividend of CHF 20.6 million which was distributed in April 2015 was taken from the legal reserve from capital contributions.

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	2015	2014
Opening balance	46.4	22.7
Transfer from retained earnings	15.0	10.0
Transfer to reserve for treasury shares	0.0	– 3.4
Release of reserve for treasury shares[1]	0.0	17.1
Change in measurement of treasury shares[2]	1.0	0.0
Gains/losses from treasury shares[3]	– 0.1	0.0
Total	**62.3**	**46.4**

1. The reserve for treasury shares recorded in 2014 was reversed and transferred to free reserves.
2. As from 2015 onward, treasury shares have to be measured at historic acquisition cost. Previously recorded increases in value were transferred to free reserves.
3. Since January 1, 2015, gains and losses resulting from the sale or reissuance of treasury shares are directly recorded against free reserves.

2.19 Retained earnings

Including the balance brought forward and before the reversal of reserves, the Annual General Meeting has a total of CHF 59.3 million at its disposal (CHF 49.3 million in 2014).

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, 2015 (registered shares)	96 879
Acquisitions from January to December 2015 (average price per share of CHF 144.02)	74 261
Sale from January to December 2015 (average price per share of CHF 151.90)	– 9 852
Treasury shares at December 31, 2015 (registered shares)	**161 288**

3 Additional information

3.1 Legal form, registered office, number of full time employees

Rieter Holding Ltd. is a limited liability company with its registered office in Winterthur. The company does not employ any personnel.

3.2 Guarantees to third parties

CHF million	2015	2014
Guarantees	34.5	48.2

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 Art. 663c of the Swiss Code of Obligations) at December 31, 2015:

According to the notification from SIX Swiss Exchange (SIX) on September 2, 2009, PCS Holding AG, Weiningen, Switzerland, held 894 223 shares (19.14%).

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 August 19, 2015, Rieter Holding Ltd., Winterthur, Switzerland, held 140 504 shares (3.01%).

According to the notification from SIX on August 28, 2015, VERAISON SICAV, Zurich, Switzerland, held 140 635 shares (3.01%).

3.4 Disclosure of the equity holdings of the Board of Directors and the Group Executive Committee (including related parties) as of December 31, 2015 (Art. 663c, Swiss Code of Obligations)

	Number of shares	
	2015	**2014**
Erwin Stoller, Chairman	12 995	12 995
Dr. Jakob Baer	3 519	2 536
Michael Pieper	540 721	539 941
This E. Schneider	4 480	3 639
Hans-Peter Schwald	5 146	4 000
Dr. Dieter Spälti	4 657	4 160
Peter Spuhler	898 545	897 781
Total Board of Directors	**1 470 063**	**1 465 052**

	Number of shares	
	2015	**2014**
Dr. Norbert Klapper	1 086	0
Thomas Anwander	1 855	1 363
Joris Gröflin	2 256	1 622
Carsten Liske (from January 1, 2015)	707	0
Werner Strasser	2 006	1 404
Total Group Executive Committee	**7 910**	**4 389**

In 2015, the members of the Board of Directors and the Group Executive Committee received 7 426 shares with a fair value of CHF 1.1 million as part of their share-based compensation.

3.5 Events after balance sheet date

The financial statements were approved by Board of Directors on March 14, 2016. They are subject to approval by the Annual General Meeting of shareholders on April 6, 2016. There were no other significant events after the balance sheet date.

Proposal of the Board of Directors

for the appropriation of retained earnings and the distribution of a dividend from the reserve from capital contributions

CHF	2015
Net profit for the year	24 993 225
Retained earnings brought forward from previous year	34 320 476
Reversal of legal reserve from capital contributions[1]	21 025 634
At the disposal of the Annual General Meeting	**80 339 335**
Proposal	
Distribution of dividends[1]	21 025 634
Allocation to free reserves	15 000 000
Balance to be brought forward	44 313 701
	80 339 335

1. Shares held by Rieter Holding Ltd. at the time of distribution are not entitled to dividend. The amount distributed as well as the reversal of the legal reserve from capital contributions will be reduced accordingly at the time of distribution.

The Board of Directors proposes CHF 15.0 million to be allocated to free reserves and a dividend of CHF 4.50 per registered share to be paid. The latter is taken from the legal reserve from capital contributions. As a consequence, the dividend distribution is to be effected without deduction of 35% withholding tax (as provided for in Art. 5 section 1bis of the Swiss Federal Law on Withholding Tax (VStG)).

Report of the statutory auditor on the financial statements

pwc

Report of the statutory auditor on the financial statements to the General Meeting of Rieter Holding Ltd., Winterthur

As statutory auditor, we have audited the financial statements of Rieter Holding Ltd., which comprise the income statement, balance sheet and notes on pages 88 to 94 and page 85, for the year ended December 31, 2015.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended December 31, 2015 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

Stefan Räbsamen	Tobias Handschin
Audit expert	Audit expert
Auditor in charge	

Zurich, March 14, 2016

Review 2011 to 2015

		2015	2014	2013	2012	2011
Consolidated income statement						
Sales	CHF million	1 036.8	1 153.4	1 035.3	888.5	1 060.8
• Europe	CHF million	60	82	81	89	124
• Asia without China / India / Turkey	CHF million	324	273	259	223	256
• China	CHF million	140	174	223	193	151
• India	CHF million	142	131	109	96	175
• Turkey	CHF million	144	264	199	168	209
• Americas	CHF million	200	199	112	91	124
• Africa	CHF million	27	30	52	29	22
Operating result before interest, taxes, depreciation and amortization (EBITDA)	CHF million	115.9	125.4	95.2	65.9	146.5
• in % of sales		11.2	10.9	9.2	7.4	13.8
Operating result before interest and taxes (EBIT)	CHF million	73.1	84.6	60.2	32.7	112.6
• in % of sales		7.0	7.3	5.8	3.7	10.6
Net profit	CHF million	49.8	52.9	37.4	25.7	119.0
• in % of sales		4.8	4.6	3.6	2.9	11.2
Return on net assets (RONA) in %		9.5	10.5	8.5	6.7	19.8
Consolidated statement of cash flows						
Net cash from operating activities	CHF million	89.0	89.6	107.7	9.3	80.4
Net cash used for investing activities	CHF million	– 7.0	– 40.5	– 46.6	– 41.6	– 0.9
Net cash from financing activities	CHF million	– 84.8	– 77.3	– 40.0	– 31.8	– 25.1
Number of employees at year-end[1]		**5 077**	**5 004**	**4 793**	**4 720**	**4 695**
Consolidated balance sheet						
Non-current assets	CHF million	370.1	387.3	371.1	356.3	322.0
Current assets	CHF million	631.3	822.1	742.9	713.8	789.4
Equity attributable to Rieter shareholders	CHF million	442.9	441.1	389.2	370.9	379.3
Equity attributable to non-controlling interests	CHF million	0.9	0.8	0.5	5.0	8.4
Non-current liabilities	CHF million	251.4	247.5	321.0	387.6	400.1
Current liabilities	CHF million	306.2	520.0	403.3	306.6	323.6
Total assets	CHF million	1 001.4	1 209.4	1 114.0	1 070.1	1 111.4
Shareholders' equity in % of total assets		44.3	36.5	35.0	35.1	34.9
Net liquidity	CHF million	**212.4**	**171.7**	**141.3**	**95.6**	**159.0**

1. Excluding apprentices and temporary employees.

Information for investors

		2015	2014	2013	2012	2011
Share capital	CHF million	23.4	23.4	23.4	23.4	23.4
Net profit of Rieter Holding Ltd.	CHF million	25.0	22.8	13.2	12.0	28.7
Dividend	CHF million	21.0 [1]	20.6	16.0	11.6	27.7
Payout ratio in % of net profit[2]		42	39	41	39	23
Market capitalization (December 31)	CHF million	848	757	964	737	653
Market capitalization in % of						
• sales	in %	82	66	92	83	62
• equity attributable to Rieter shareholders	in %	191	172	248	199	172

1. See proposal of the Board of Directors on page 95.
2. Net profit attributable to shareholders of Rieter Holding Ltd.

Data per share (RIEN)

			2015	2014	2013	2012	2011
Share prices on the SIX Swiss Exchange	high	CHF	190	230	210	198	267
	low	CHF	117	159	142	123	133
Price / earnings ratio	high		17.4	19.9	24.5	31.7	10.3
	low		10.7	13.8	16.6	19.7	5.1
Shareholders' equity (Group) per registered share		CHF	98.18	96.41	84.85	80.26	81.93
Tax value per registered share		CHF	188.00	165.50	210.10	159.40	141.10
Dividend per registered share		CHF	4.50 [1]	4.50	3.50	2.50	6.00
Gross yield on registered shares	high	in %	2.4 [1]	2.0	1.7	1.3	2.2
	low	in %	3.8 [1]	2.8	2.5	2.0	4.5
Earnings per share		CHF	10.92	11.52	8.56	6.24	25.86

1. See proposal of the Board of Directors on page 95.

All statements in this report which do not refer to historical facts are forecasts for the future 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.

March 2016

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