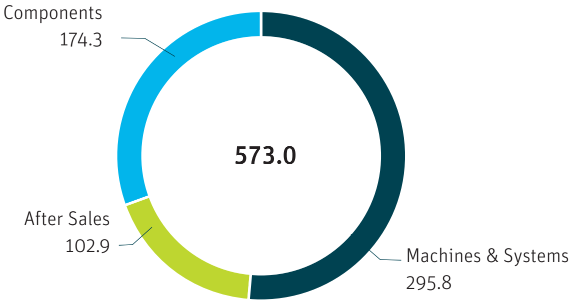
RIETER

2020

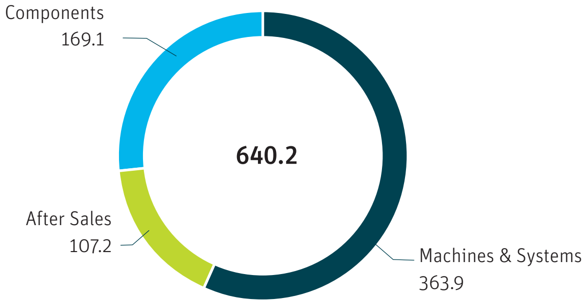
Annual Report

RIETER AT A GLANCE

Sales by Business Group
CHF million



Order Intake by Business Group
CHF million



CHF million	2020	2019	Difference
Order intake[1]	**640.2**	926.1	– 31%
Sales	**573.0**	760.0	– 25%
EBITDA[1]	**– 46.7**	123.1	
– in % of sales	**– 8.2**	16.2	
EBIT before restructuring charges[1]	**– 76.7**	84.6	
– in % of sales	**– 13.4**	11.1	
EBIT[1]	**– 84.4**	84.9	
– in % of sales	**– 14.7**	11.2	
Net profit	**– 89.8**	52.4	
– in % of sales	**– 15.7**	6.9	
Capital expenditure[1]	**28.6**	31.6	– 9%
Net liquidity[1]	**41.3**	162.1	– 75%
Dividend per share (in CHF)[2]	**0.00**	4.50	
Equity ratio in %[1]	**36.4**	47.8	
Number of employees (excluding temporaries)	**4 416**	4 591	– 4%

[1] Definition in Alternative Performance Measures on page 43/44
[2] Motion of the Board of Directors on page 103

Group report

RIETER GROUP

Rieter is the world's leading supplier of systems for short-staple fiber spinning. Based in Winterthur (Switzerland), the company develops and manufactures machinery, systems and components used to convert natural and man-made fibers and their blends into yarns. Rieter is the only supplier worldwide to cover spinning preparation processes as well as all four end spinning processes currently established on the market. Furthermore, Rieter is a leader in the field of precision winding machines. With 15 manufacturing locations in ten countries, the company employs a global workforce of some 4 420, about 21% of whom are based in Switzerland.

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

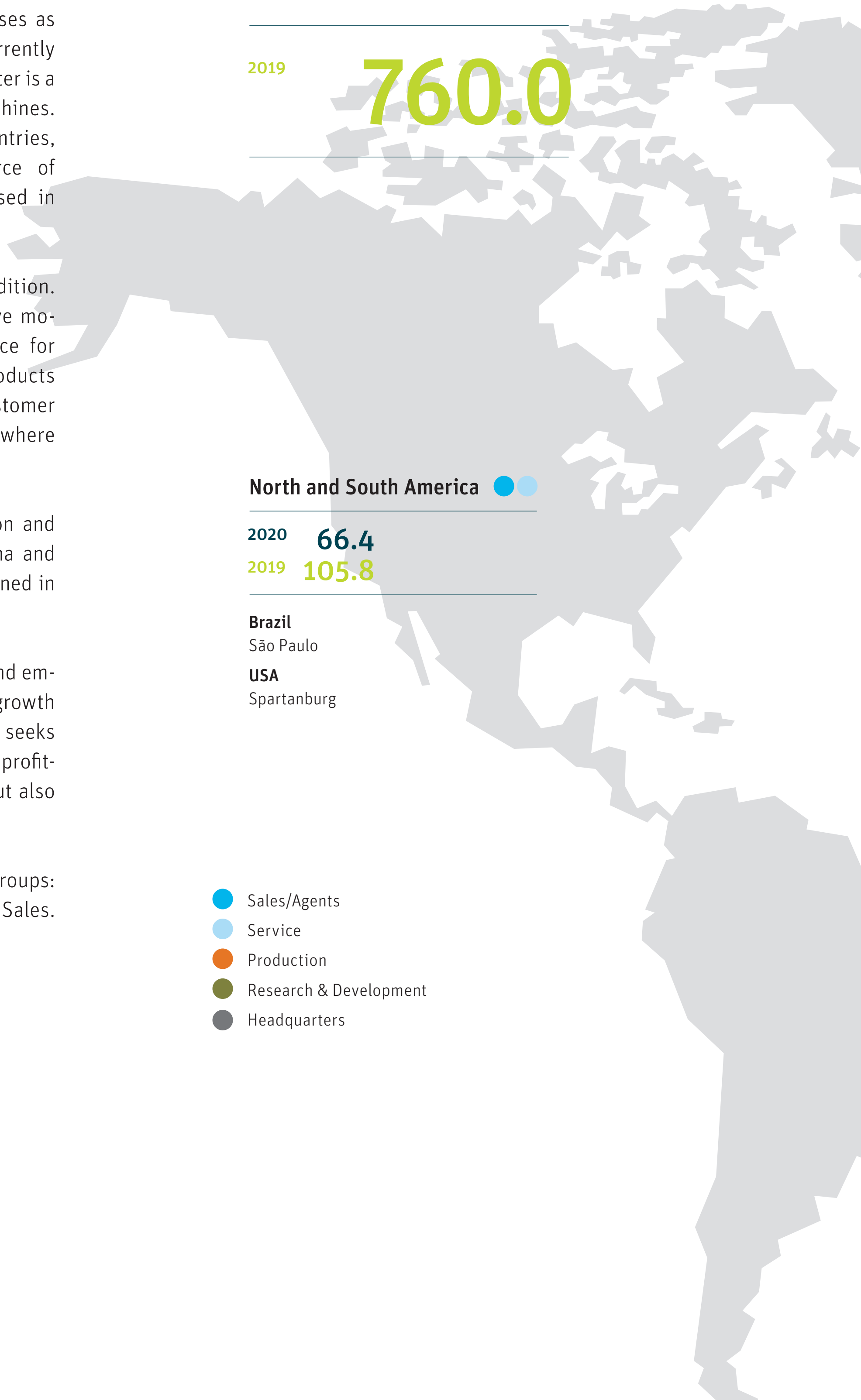
With a global sales and service organization and a strong presence in the core markets China and India, Rieter as market leader is well positioned in the global competitive environment.

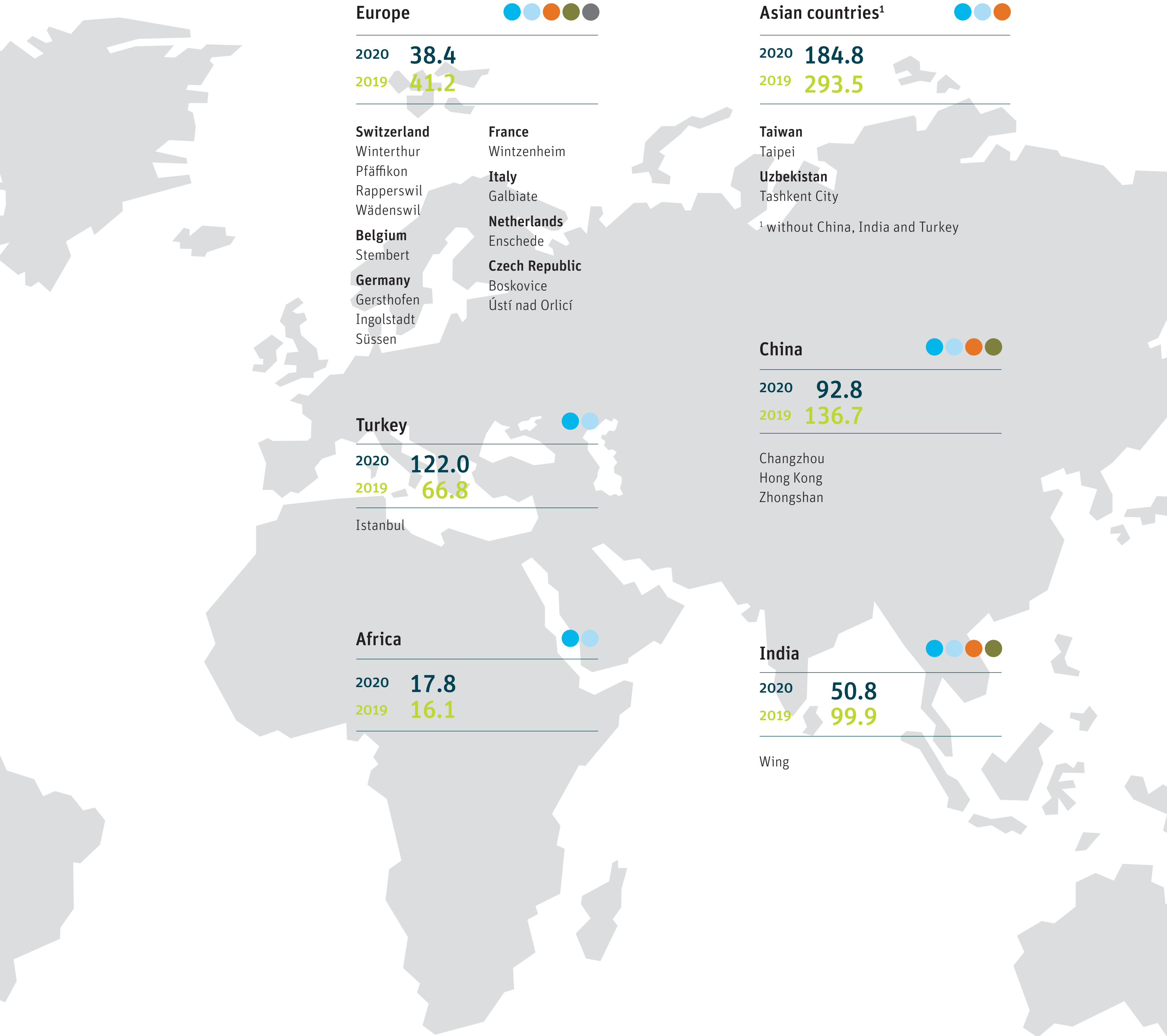
For the benefit of shareholders, customers and employees, Rieter aspires to achieve sustained growth in enterprise value. With this in mind, Rieter seeks to maintain continuous growth in sales and profitability, primarily through organic growth, but also through strategic alliances and acquisitions.

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

SALES
CHF million

2020	573.0
2019	760.0





Europe

2020 38.4
2019 41.2

Switzerland
Winterthur
Pfäffikon
Rapperswil
Wädenswil

Belgium
Stembert

Germany
Gersthofen
Ingolstadt
Süssen

France
Wintzenheim

Italy
Galbiate

Netherlands
Enschede

Czech Republic
Boskovice
Ústí nad Orlicí

Turkey

2020 122.0
2019 66.8

Istanbul

Africa

2020 17.8
2019 16.1

Asian countries[1]

2020 184.8
2019 293.5

Taiwan
Taipei

Uzbekistan
Tashkent City

[1] without China, India and Turkey

China

2020 92.8
2019 136.7

Changzhou
Hong Kong
Zhongshan

India

2020 50.8
2019 99.9

Wing

Bernhard Jucker
Chairman of the Board of Directors

Dr. Norbert Klapper
Chief Executive Officer

DEAR SHAREHOLDER

The 2020 financial year was marked by the COVID-19 pandemic, which led to a considerable decline in demand for new machines, but also for spare and wear parts. In the second and third quarters of 2020, many spinning mills around the world were shut down, investments were halted and deliveries were deferred at the request of customers. For Rieter, the effects on sales and profitability were significant. The company reacted quickly and implemented a comprehensive crisis management program. In this way, Rieter succeeded in protecting employees, keeping promises to customers, ensuring the company's liquidity and maintaining the ability to benefit from the initiating market recovery. The strategy was implemented consistently despite the pandemic. Demand picked up significantly in the fourth quarter of 2020, so that Rieter enters the 2021 financial year with optimism.

As a consequence of the COVID-19 pandemic, Rieter closed the 2020 financial year with sales of CHF 573.0 million, which corresponds to a decrease of 25% compared to the previous year (2019: CHF 760.0 million). Due to the low sales volume, a loss of CHF 84.4 million was recorded at the EBIT level while at the net profit level the loss was CHF 89.8 million. In view of the loss in the 2020 financial year, the Board of Directors proposes that shareholders waive the payment of a dividend for 2020.

Order intake of CHF 640.2 million in the 2020 financial year was 31% down on the previous year (2019: CHF 926.1 million). Following the significant slump in demand in the second quarter of 2020 (CHF 45.7 million), order intake recovered in the third quarter (CHF 174.4 million) and improved further in the fourth quarter (CHF 215.1 million).

At the end of 2020, the company had an order backlog of about CHF 560 million (December 31, 2019: about CHF 500 million).

EBIT, NET PROFIT AND FREE CASH FLOW

The loss at the EBIT level in the 2020 financial year was CHF 84.4 million, which corresponds to 14.7% of sales. At the net profit level, a loss of CHF 89.8 million was reported, i.e. 15.7% in relation to sales. The loss is a consequence of the reduced sales of CHF 573.0 million. Through short-time working compensation, reduced vacation and time credits and salary waivers, Rieter saved around CHF 12 million in costs in 2020. However, this was far from sufficient to compensate for the missing sales volume.

Free cash flow in 2020 was CHF -74.8 million (2019: CHF 42.3 million). Net liquidity declined to CHF 41.3 million (December 31, 2019: CHF 162.1 million). The equity ratio as of December 31, 2020, was 36.4% (previous year's reporting date: 47.8%).

SALES BY REGIONS

With the exception of Turkey and Africa, all regions were affected by the low demand as a consequence of the COVID-19 pandemic. In Turkey, thanks to the innovative range of products and services, Rieter benefited from customers' willingness to invest in the year under review, increasing sales by 83% to CHF 122.0 million. In the Asian countries (excluding China, India and Turkey), compared to the previous year sales fell by 37% to CHF 184.8 million, in China by 32% to CHF 92.8 million, in India by 49% to CHF 50.8 million, in North and South America by 37% to CHF 66.4 million and in Europe by 7% to CHF 38.4 million. In Africa, with sales of CHF 17.8 million a year-on-year increase of 11% was recorded.

BUSINESS GROUPS

Sales of the Business Group Machines & Systems amounted to CHF 295.8 million in 2020, which corresponds to a decrease of 24% compared to the previous year. Due to the low volume and taking into account the expenditure on the ongoing innovation program, the business group recorded a loss of CHF 72.4 million at the EBIT level. Order intake in the reporting year was CHF 363.9 million (-35% compared to the previous year).

The Business Group Components with sales of CHF 174.3 million (-24% compared to the previous year) achieved a profit of CHF 1.4 million at the EBIT level before restructuring charges. EBIT after restructuring charges was CHF -5.5 million. The order intake with CHF 169.1 million (-24% compared to the previous year) was just below sales.

The Business Group After Sales achieved sales of CHF 102.9 million (-27% compared to the previous year) and a positive EBIT of CHF 1.8 million. Order intake was CHF 107.2 million (-24% compared to the previous year). Over 60% of spinning mills were shut down in the second quarter of 2020, with a corresponding impact on the demand for spare parts.

CRISIS MANAGEMENT

At the outbreak of the COVID-19 pandemic in the first quarter of 2020, Rieter put a comprehensive crisis management program into effect.

Protective measures for employees were implemented at all Rieter locations worldwide, the effectiveness of which has been shown in countries badly affected by the pandemic, such as India and the Czech Republic.

Rieter made major efforts to avoid or compensate for disruptions in the supply chain and to ensure service in the field. This allowed the promised deliveries to take place almost on schedule while customers received largely seamless support.

To safeguard the liquidity of the company, Rieter made use of additional credit lines totaling around CHF 130 million between March and November 2020. In September 2020, as planned, Rieter repaid the bond issued in 2014 in the amount of CHF 100 million, and in August 2020 successfully placed a new bond in the amount of CHF 75 million.

Immediately after the outbreak of the pandemic, Rieter reacted to the lower capacity utilization of its own facilities, which was triggered by the slump in demand. In addition to reducing vacation and time credits, short-time working was applied for and implemented at the locations in Switzerland and Germany. At the other Rieter locations, corresponding measures were implemented in accordance with the legislation of the respective country. In this way, Rieter retained the ability to benefit from the initiating market recovery.

STRATEGY IMPLEMENTATION

Despite the extremely difficult situation, Rieter made further progress in implementing its corporate strategy in the 2020 financial year: Technology and innovation leadership, solutions for the installed base and the continuous improvement of the cost position.

The current innovation program marked the launch of the new products, which were presented at ITMA in Barcelona in summer 2019. Despite the low demand, the innovations continued to meet with a very positive response from customers, such as the 83% increase in sales in Turkey, but also the recovery in incoming orders in the fourth quarter of 2020. Major orders were received for the new card C 80 and the new comber E 90. Despite the difficulties caused by the pandemic, more preparations were made for the market launch of further innovations planned for 2021.

The Rieter CAMPUS is an important element of Rieter's innovation strategy. The decision about the start of the construction work will depend on the business situation.

The business with solutions for the installed base of Rieter machines, which the Business Groups Components and After Sales are driving forward, was also developed further despite the weak demand due to the COVID-19 pandemic. Thus, the first major orders were placed by customers for retrofitting Rieter ring spinning machines with the piecing robot ROBOspin and the compacting solutions COMPACTdrum and COMPACTeasy.

Rieter's cost position was also further improved. The measures announced in January 2020 to adjust capacity at the European locations, which affected a total of 180 positions, were implemented as planned during 2020.

DIVIDEND

Due to the loss of CHF 89.8 million at the net profit level in the 2020 financial year, the Board of Directors proposes that shareholders waive the distribution of a dividend.

CHANGES TO THE GROUP EXECUTIVE COMMITTEE

Carsten Liske, Head of the Business Group Machines & Systems and member of the Group Executive Committee since 2015, left the Group Executive Committee at the end of February 2021 to take on a new role outside of the Rieter Group. The Board of Directors thanks Carsten Liske for his many years of successful work as well as his great contribution to the further development of Rieter and wishes him every success and all the best for the future, both professionally and personally.

With effect from March 1, 2021, the Board of Directors of Rieter Holding Ltd. has appointed Roger Albrecht as Head of the Business Group Machines & Systems and a member of the Group Executive Committee. Roger Albrecht is 38 years old and a Swiss citizen. He has a Bachelor's degree in Business Administration and a Master's degree in Accounting and Finance from the University of St. Gallen. Roger Albrecht was employed by the Hilti Group in Liechtenstein and Canada from 2008 to 2015. In 2015 he was appointed to the position of Business Group Controller in the Business

Group Components, and from 2017 to the end of February 2021 he headed up Spindelfabrik Suessen GmbH in Suessen (Germany) as Managing Director.

BOARD OF DIRECTORS AND ANNUAL GENERAL MEETING

At the 129th Annual General Meeting held on April 16, 2020, the shareholders approved all motions proposed by the Board of Directors. The Chairman of the Board Bernhard Jucker and the Directors This E. Schneider, Michael Pieper, Hans-Peter Schwald, Peter Spuhler, Roger Baillod, Carl Illi and Luc Tack were confirmed for a further one-year term of office. This E. Schneider, Hans-Peter Schwald and Bernhard Jucker, the members of the Remuneration Committee who were standing for election, were also each re-elected for a one-year term of office.

OUTLOOK

Rieter expects the market recovery that began in the second half of 2020 to continue in 2021. The company expects an order intake in the first half of 2021 exceeding that of the previous half year (second half of 2020: CHF 389.5 million). Thanks to the improved capacity utilization, Rieter is planning short-time working in only a few areas in the first half of 2021. Nonetheless, as already announced, Rieter still anticipates that sales in the first half of 2021 will be below the break-even point. In connection with the high order backlog at the beginning of 2021, Rieter expects an operating profit for the full year 2021.

THANKS

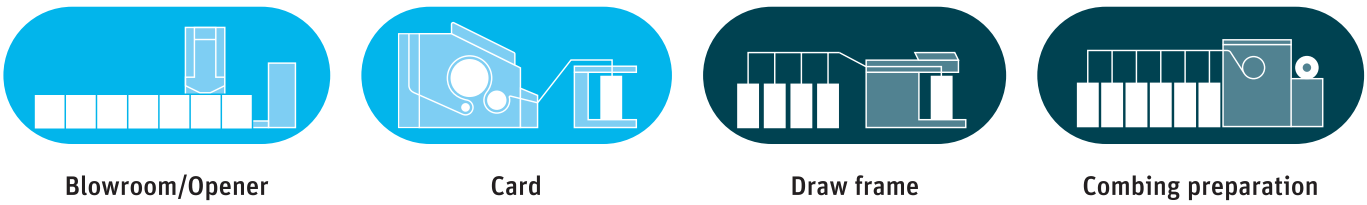
On behalf of the Board of Directors and the Group Executive Committee, we wish to thank all Rieter employees for their great commitment under the very difficult conditions in financial year 2020, which was characterized by COVID-19. We thank the employees who undertook business trips during pandemic times and worked in the field for customers as well as for the salary waiver in favor of the company. That is not to be taken for granted. Our customers, suppliers and all business partners who for their part have to overcome major challenges because of the pandemic deserve a very special thank you for their loyalty to the Rieter Group. We express our heartfelt thanks to the Rieter shareholders for their trust and hope to be able to welcome them again in person at the Annual General Meeting in 2022.

Winterthur, March 8, 2021

B. Jucker	N. Klapper
Bernhard Jucker Chairman of the Board of Directors	Dr. Norbert Klapper Chief Executive Officer

RIETER BUSINESS MODEL

COMPACT-SPINNING SYSTEM (EXAMPLE)



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

Around 94 million tons of fiber are processed annually around the world, for example for clothing, technical textiles or home textiles. Fiber consumption is growing with the world population and disposable income, on average between two and three percent per year.

YARN PRODUCTION

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

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

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

Rieter is mainly engaged in yarn production from staple fibers. The most important of these are cotton (about 22 million tons per year), polyester (about 17 million tons per year) and viscose (about 5 million tons per year).

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

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

Comber **Draw frame** **Rowing frame** **Compact-spinning machine**

SPINNING PROCESS

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

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

MEASURED VARIABLES FOR CAPACITY

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

A total of more than 250 million spindle equivalents are used worldwide to produce yarn from the around 50 million tons of staple fibers, of which around 100 million are in China, 55 million in India, 70 million in the Asian countries (excluding China, India and Turkey) and 12 million in Turkey. Every year, between 11 and 13 million spindle equivalents are installed on average worldwide. In 2020, Rieter delivered 850 000 spindle equivalents (2019: 1.32 million). In addition, spinning mills require wear and spare parts for ongoing operation.

MARKET VOLUME

3 200 to
4 000 CHF million

Global volume for staple fiber machines per year

MARKET

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

BUSINESS WITH NEW MACHINES, WEAR AND SPARE PARTS

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

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

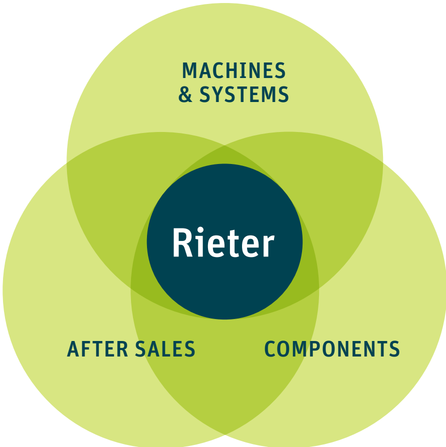
PRODUCT AND SERVICE OFFERING

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

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

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

BUSINESS GROUPS



Established premium supplier with innovative products and services

THREE BUSINESS GROUPS

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

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

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

(Sources: PCI, ITMF, estimate Rieter)

FOCUSED ON SUSTAINABILITY

Rieter has been committed to a policy of social, environmental and economic sustainability for many years. It is an integral part of the corporate strategy. The Fridays For Future movement has intensified public discussion on the subject. For Rieter, there are two dimensions to sustainability: first, it is about the contribution that Rieter makes to sustainable textile production. The focus here is on energy consumption and raw material in the spinning process. The digitization of the spinning mill also plays an important part. Second, it is about improving the environmental key data at Rieter in-house. Rieter has made significant progress in both dimensions in recent years.

ENERGY EFFICIENCY IN YARN PRODUCTION

As part of the textile value chain, yarn production also has to be optimized from the perspective of sustainability. Yarn production causes around 11% of greenhouse gas emissions in textile production.* For Rieter, minimizing the energy requirement per kg of yarn is an important development goal. The latest generation of Rieter rotor spinning machines illustrates this very clearly: using these machines reduces the energy requirement per kg of yarn by 20% compared to the previous model. With production of 100 000 tons of yarn per year, assuming natural gas as the energy source, this leads to a reduction in greenhouse gas emissions of 5 256 tons of CO_2 equivalents. This corresponds approximately to the annual CO_2 emissions of more than 1 000 people.

* MISTRA – The Swedish Foundation for Strategic Environmental Research

Consumer expectations for high-quality textiles made from recycled material are increasing. Rieter has the production expertise required for this.

The solar system at Rieter India supplies 25% of the power consumption required annually and reduces CO_2 emissions by 2 500 tons/year.

OPTIMAL USE OF RAW MATERIALS IN YARN PRODUCTION

Another important aspect in connection with the sustainability of yarn production is the use of raw materials. First, in relation to the raw material yield of the spinning process, i.e. the proportion of fibers used for processing into yarn. Rieter systems offer considerable advantages in this regard. And second, through the use of recycled fibers for yarn production.

PROCESSING RECYCLED MATERIAL

Currently, only 1% of the clothing sold worldwide is recycled – 73% ends up in the landfill. Furthermore, recycled clothing is mainly reused in lower value products such as cleaning wipes. In contrast, there are increasing consumer expectations for high-quality textiles made from recycled material. One of the challenges when processing recycled fibers is the high short fiber content associated with the recycling process. The results of a current Rieter study show that, on Rieter machines, it is possible to spin not only rotor but also ring yarns with a proportion of up to 75% of recycled fibers from old clothing. Despite the high short fiber content, the yarns are of sufficiently high quality to be processed in the weaving and knitting process and used to manufacture high-quality products.

THE CONTRIBUTION OF DIGITALIZATION TO SUSTAINABLE YARN PRODUCTION

ESSENTIAL, the Rieter Digital Spinning Suite, already measures energy consumption, quality data and key production statistics along the entire process chain in many spinning mills around the globe. By permanently monitoring and setting benchmarks, inefficiencies quickly become visible and can be remedied promptly. In this way, excessive resource requirements can be identified and eliminated.

SUSTAINABILITY AT RIETER

In 2019, Rieter managed to reduce total energy consumption by over 5 000 MWh. Greenhouse gas emissions declined by 15%. Waste and recycling volumes were reduced by 2 562 tons. The lower production output compared to previous years is having an impact here, but so are the initiatives that were implemented previously. The improved values are the result of corporate initiatives in recent years. For instance, Rieter uses electricity from photovoltaic systems at the Winterthur (Switzerland) and Wing (India) locations, in order to cover a good proportion of the annual electrical energy requirements. The company also promotes the use of electromobility in Winterthur: Ten newly installed charging stations for electric vehicles are available at the location.

In the coming years, Rieter aims to significantly reduce the use of fossil fuels in its own plants.

Each year, Rieter reports on sustainability in the company in the publication “Social, Environmental and Economic Key Data”, which addresses all the important factors in this context:
www.rieter.com/company/sustainability

The “Social, Environmental and Economic Key Data 2020” will be published in July 2021.

BUSINESS GROUP MACHINES & SYSTEMS

In reporting year 2020, due to the market situation the Business Group Machines & Systems recorded significantly lower order intake and sales than in the previous year, which is mainly attributable to the slump in demand in the second quarter of 2020 as a consequence of the COVID-19 pandemic. The exceptional market situation also gave rise to a significant decline in sales. Accordingly, the operating result before interest and taxes (EBIT) was negative.

Machines & Systems received orders worth CHF 363.9 million, a reduction of 35% compared to the previous year (2019: CHF 562.8 million). In the new machinery business, sales of CHF 295.8 million were 24% down on the prior year level (2019: CHF 389.0 million). Machines & Systems posted an EBIT of CHF -72.4 million or -24.5% of sales (2019: CHF -50.8 million or -13.1%). The ongoing innovation program continued and production capacities were maintained at pre-crisis levels in order to benefit from the post-pandemic recovery. Due to the restructuring in Winterthur announced in January 2020, the number of employees decreased by 3% from 2 119 to 2 060 as at December 31, 2020.

CARD C 80 AND COMBER E 90 IN GREAT DEMAND

Both machines were showcased at ITMA 2019 in Barcelona and, despite the low demand, met with a very positive response from the market. The card C 80 is characterized by unmatched productivity with the best cleaning performance and quality of the card sliver. With the comber E 90, productivity in the combing section also increased. In addition, the combing process and sliver quality were further improved. Both machines also impress with their gentle fiber treatment and low energy consumption.

The comber E 90 ensures maximum productivity and produces top sliver quality.

BUSINESS GROUP COMPONENTS

Against the background of the COVID-19 pandemic, the Business Group Components also recorded lower order intake and sales with third parties compared to the previous year. Despite the decline in sales, the operating result before interest, taxes and restructuring charges was positive.

In the Business Group Components with its Business Units Bräcker, Graf, Novibra, SSM and Suessen, order intake with third parties in the reporting year 2020 was down by 24% to CHF 169.1 million compared to the previous year (2019: CHF 222.0 million). In terms of sales to third parties, Components also recorded a decline by 24% to CHF 174.3 million, with segment sales falling by 19% to CHF 229.6 million (2019: CHF 230.2 million and CHF 282.8 million, respectively). At CHF -5.5 million, Components generated a negative EBIT and a margin of -2.4% of segment sales (2019: CHF 10.7 million or 3.8%). EBIT before restructuring charges was positive at CHF 1.4 million. Due to the restructuring announced in January 2020, the number of employees decreased by 8% from 1 487 to 1 374 as at December 31, 2020.

The Business Group Components continued to implement the ongoing innovation program and maintained production capacities at pre-crisis levels.

VERY EASY THANKS TO COMPACTEASY

The Business Group Components covers a wide range of components for yarn production. This includes the compacting device COMPACTeasy – the new mechanical compacting solution for all standard applications, which produces yarns with excellent characteristics from the established raw materials of cotton, man-made fibers and their blends. This is based on intensive, double compaction in the y-channel. Even so, this process requires no additional energy. The traverse motion support extends the service life of the components, which reduces maintenance costs, and guarantees constant yarn quality from spindle to spindle.

The product was presented at ITMA 2019 in Barcelona and successfully launched on the market thereafter.

The new mechanical compacting solution from Suessen: COMPACTeasy

BUSINESS GROUP AFTER SALES

The Business Group After Sales also recorded a significant decline in order intake and sales compared to the previous year. Despite the significantly lower sales, the operating result before interest and taxes (EBIT) was positive.

With an order intake of CHF 107.2 million, the Business Group After Sales registered a year-on-year decline of 24% (2019: CHF 141.3 million). In terms of sales, compared to the previous year the business group posted a decline of 27% to CHF 102.9 million (2019: CHF 140.8 million). Despite the significant downturn in sales, at CHF 1.8 million or 1.7% of sales After Sales achieved a positive EBIT (2019: CHF 23.2 million or 16.5%). The number of employees decreased by 3% from 678 to 658 as of December 31, 2020.

ROBOSPIN FOR THE INSTALLED BASE

Ring and compact-spinning technology continue to be the dominant end spinning processes. The ROBOspin piecing robot, which was presented at ITMA 2019 in Barcelona, makes the two spinning machines even more attractive, because it automatically repairs ends down and operates around the clock with no loss of efficiency. ROBOspin automates a very unattractive job for which it is difficult to find personnel in many markets: piecing on ring and compact-spinning machines. This allows spinning mills to benefit from increased machine availability, higher productivity and relief on the personnel side, which leads to a reduction in personnel costs. The quality of the yarn piecings is constant, while soiling and damage to the cop are a thing of the past. In this way, productivity and costs in existing Rieter spinning mills can be significantly improved by converting to ROBOspin.

The ROBOspin piecing robot increases productivity and reduces personnel costs.

FINANCIAL CALENDAR

Annual General Meeting 2021	April 15, 2021
Semi-Annual Report 2021	July 15, 2021
Publication of sales 2021	January 26, 2022
Deadline for proposals regarding the agenda of the Annual General Meeting	February 18, 2022
Results press conference 2022	March 9, 2022
Annual General Meeting 2022	April 7, 2022

CORPORATE GOVERNANCE

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

The Articles of Association of Rieter Holding Ltd. and the regulations governing the organization of the company constitute the basis for the contents of the chapter “Group structure and shareholders”. Reporting by Rieter conforms to the corporate governance guidelines issued by the SIX Swiss Exchange and the pertinent commentaries thereto. Unless otherwise stated, the data refer to December 31, 2020. All information is updated regularly on the website at:
https://www.rieter.com/investor-relations/.

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

1 GROUP STRUCTURE AND SHAREHOLDERS

Group structure
Rieter Holding Ltd. is a company incorporated under Swiss law, with registered office in Winterthur, and as a holding company directly or indirectly controls all companies that are members of the Rieter Group. Some 40 companies worldwide were members of the Rieter Group on December 31, 2020. A list of the companies included in the scope of consolidation of Rieter Holding Ltd. can be found on page 68. The management organization of the Rieter Group is independent of the legal structure of the Group and the individual companies.

Significant shareholders
On December 31, 2020, Rieter was aware of the following shareholders with more than three percent of all voting rights in the company:

- PCS Holding AG, Frauenfeld, Switzerland, with 22.07%
- Artemis Beteiligungen I AG, Franke Artemis Holding AG and Artemis Holding AG, Hergiswil, Switzerland, with 11.52%
- Credit Suisse Funds AG, Zurich, Switzerland, with 4.98%
- Rieter Holding Ltd., Winterthur, Switzerland, with 3.01%

Refer to page 102 for details of these holdings.

All notifications of shareholders with more than three percent of all voting rights in the company have been reported to the Disclosure Unit of the SIX Swiss Exchange Ltd. and published via its electronic publication platform at:
https://www.ser-ag.com/en/resources/notifications-market-participants/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, 2020, the share capital of Rieter Holding Ltd. totaled CHF 23 361 815. It is divided into 4 672 363 fully paid, registered shares with a par value of CHF 5.00 each. The shares are listed on the SIX Swiss Exchange (securities code 367144; ISIN CH0003671440; Investdata RIEN). Rieter's market capitalization on December 31, 2020, was CHF 431.9 million. Each share entitles the holder to one vote at the general meeting of shareholders.

Contingent and authorized share capital

The Board of Directors is authorized to increase the share capital by up to CHF 2 500 000 through the issue of up to 500 000 fully paid registered shares with a par value of CHF 5.00 each at any time until April 16, 2022. Increases by parts of this amount are permitted. Subscriptions for and purchases of the new shares are subject to the restrictions in §4 of the Articles of Association.

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

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

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

Rieter Holding Ltd. had no outstanding contingent share capital on December 31, 2020.

Convertible bonds and options

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

Participation certificates and dividend-right certificates

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

BOARD OF DIRECTORS

Michael Pieper
Member of the Board of Directors

Peter Spuhler
Member of the Board of Directors

Member of the strategy committee

Bernhard Jucker
Chairman of the Board of Directors

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

This E. Schneider
Vice Chairman of the Board of Directors

Chairman of the remuneration committee and the nomination committee

Hans-Peter Schwald
Member of the Board of Directors

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

Roger Baillod
Member of the Board of Directors

Chairman of the audit committee

Carl Illi
Member of the Board of Directors

Member of the audit committee and the strategy committee

Luc Tack
Member of the Board of Directors

Member of the strategy committee

BOARD OF DIRECTORS

Michael Pieper
(1946)
Member of the Board of Directors

Swiss national

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

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

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

Committees
None.

Executive/non-executive
Non-executive.

Peter Spuhler
(1959)
Member of the Board of Directors

Swiss national

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

Educational and professional background
Owner of Stadler Rail AG, Bussnang, until IPO in April 2019; largest shareholder since IPO; Group CEO a.i. since May 2020.

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

Committees
Member of the strategy committee.

Executive/non-executive
Non-executive.

Bernhard Jucker
(1954)
Chairman

Swiss national

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

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

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

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

Executive/non-executive
Non-executive.

This E. Schneider
(1952)
Vice Chairman

Swiss national

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

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

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

Committees
Chairman of the remuneration committee and the nomination committee.

Executive/non-executive
Non-executive.

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

Swiss national

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

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

Other activities and interests
Chairman of the Board, Autoneum Holding AG, Winterthur; Vice Chairman of the Board, Stadler Rail AG, Bussnang; Chairman of the Board, VAMED Management and Service Switzerland AG as well as VAMED Health Project Switzerland AG, Zihlschlacht, and Chairman of the Swiss VAMED rehabilitation clinics; Chairman, AVIA Association of independent Swiss importers and suppliers of energy products, Cooperative, Zurich; member of the Board of Directors of other Swiss stock corporations.

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

Executive/non-executive
Non-executive.

Roger Baillod
(1958)
Member of the Board of Directors

Swiss national

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

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

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

Committees
Chairman of the audit committee.

Executive/non-executive
Non-executive.

Carl Illi
(1961)
Member of the Board of Directors

Swiss national

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

Educational and professional background
Lic. oec. HSG.

Other activities and interests
Co-owner of CWC Textil AG Group, Zurich, since 2014; Chairman of the Board of Directors of CWC Textil AG, Zurich, and Swisstulle AG, Münchwilen, since 2009; Chairman of Swiss Textiles – Swiss Textile Federation, Zurich, since June 2017; member of the Board of Directors of the Swiss Textile College, Zurich, since 2014; Chairman of the Swiss Association of Textile Specialists, Reinach, from 1999 to 2011. Member of the Board of economie-suisse, Zurich, since September 2020.

Committees
Member of the audit committee and the strategy committee.

Executive/non-executive
Non-executive.

Luc Tack
(1961)
Member of the Board of Directors

Belgian national

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

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

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

Committees
Member of the strategy committee.

Executive/non-executive
Non-executive.

3 BOARD OF DIRECTORS

Members of the Board of Directors

Pursuant to the Articles of Association, the Board of Directors of Rieter Holding Ltd. consists of at least five and at most nine members. In the 2020 financial year, no member of the Board of Directors performed executive duties.

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

Group Secretary

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

Election and term of office

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

Directorships outside the Group

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

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

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

Internal organization

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

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

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

The Board of Directors meets at least six times a year at the invitation of the Chairman. Each meeting lasted between half and one full day. The Board of Directors had seven meetings in the 2020 financial year, the participation rate was 100%.

	20/01/28	20/03/02	20/04/16	20/05/28	20/07/02	20/09/11	20/12/08
Bernhard Jucker	✓	✓	✓	✓	✓	✓	✓
This E. Schneider	✓	✓	✓	✓	✓	✓	✓
Michael Pieper	✓	✓	✓	✓	✓	✓	✓
Peter Spuhler	✓	✓	✓	✓	✓	✓	✓
Hans-Peter Schwald	✓	✓	✓	✓	✓	✓	✓
Roger Baillod	✓	✓	✓	✓	✓	✓	✓
Luc Tack	✓	✓	✓	✓	✓	✓	✓
Carl Illi	✓	✓	✓	✓	✓	✓	✓

In addition, eight telephone conferences of the whole Board were held.

The agendas for the meetings of the Board of Directors are drawn up by the Chairman. Any member of the Board of Directors can also propose items for inclusion on the agenda. The Board of Directors usually makes an annual visit to one group location. Usually, the members of the Group Executive Committee also attend the meetings of the Board of Directors. They present the strategy and the results of their operating units, and also the projects requiring the approval of the Board of Directors. In exceptional cases, external consultants can also be invited for discussion of certain items on the agenda.

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

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

In the 2020 financial year, none of the members of the audit committee performed executive duties. The chairman is elected for one year. The audit committee meets at least twice a year. The Head of Internal Audit, representatives of the statutory auditors PricewaterhouseCoopers AG, the Chairman of the Board of Directors, the CEO and the CFO, and other members of the Group Executive Committee and management as appropriate, also attended the meetings in 2020. The main duties of the audit committee are:

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

The audit committee met for two regular meetings in 2020. Each meeting lasted between half and one full day. All committee members attended all the meetings and regularly received the written reports of the internal auditors. The chairman of the audit committee met the external statutory auditors and the Head of Internal Audit twice a year at separate meetings.

Internal audit

Internal audit, headed by Stephan Mörgeli, Certified Public Accountant, is organizationally independent and reports to the audit committee. At the administrative level, internal audit reports to the CFO. Audits are performed on the basis of an audit plan approved by the audit committee. Nine regular audits were conducted in 2020. The audits focused on the design and the execution of the key controls defined within the scope of the internal control system.

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

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

The **remuneration committee** consists of at least three and at most five members, each of whom is elected at the Annual General Meeting for a term of office of one year. The majority of its members must be independent pursuant to the Swiss Code of Best Practice for Corporate Governance, and have the necessary experience in the fields of remuneration planning and remuneration policy. The chairman of this committee is appointed by the Board of Directors. This E. Schneider held this position in 2020. The committee:

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

The committee held six meetings and two telephone conferences in 2020. 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 2020. The committee has the following authority and duties:

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

The committee held six meetings and two telephone conferences in 2020. Each meeting lasted half a day. All committee members were present at the meetings.

The **strategy committee** currently consists of four members of the Board, each of whom is elected by the Board of Directors for a term of office of one year. The chairman of the committee is appointed by the Board of Directors. Bernhard Jucker held this position in 2020. The strategy committee:

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

The committee held two one-day meetings in 2020. All committee members were present at the meetings.

Rieter CAMPUS committee

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

The committee held ten meetings in 2020.

Allocation of authority

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

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

Once a month, the Board of Directors receives from the Group Executive Committee a written report on the key figures of the Group and the business groups, which provides information on the balance sheet, cash flow and income statements, capital expenditure and projects. The figures are compared with the budget and the figures from the previous year. The Board of Directors is also informed at each meeting about the course of business, important projects and risks, as well as rolling earnings and liquidity planning. If the Board of Directors has to rule on major projects, a written request is submitted prior to the meeting. Projects approved by the Board of Directors are monitored within the framework of a special project controlling system. Once a year, the Board of Directors discusses the strategic plans drawn up by the Group Executive Committee and the financial budget for the Group and the business groups. Financial statements for publication are drawn up twice a year. The Group Executive Committee usually meets once a month. Twelve meetings were held in 2020. Two of them were held as closed-door meetings.

GROUP EXECUTIVE COMMITTEE (GROUP MANAGEMENT)

Dr. Norbert Klapper
Chief Executive Officer (CEO)

Carsten Liske
Head of the Business Group
Machines & Systems

Serge Entleitner
Head of the Business Group
Components

Rico Randegger
Head of the Business Group
After Sales

Kurt Ledermann
Chief Financial Officer (CFO)

Thomas Anwander
General Secretary and
General Counsel

GROUP EXECUTIVE COMMITTEE (GROUP MANAGEMENT))

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

German national

Member of the Group Executive Committee
since 2014

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

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

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

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

German national

Member of the Group Executive Committee
since 2015

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

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

Other activities and interests
None.

Serge Entleitner
(1964)
Head of the Business Group Components

Austrian national

Member of the Group Executive Committee
since 2017

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

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

Other activities and interests
None.

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

Swiss national

Member of the Group Executive Committee
since May 2019

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

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

Other activities and interests
None.

Kurt Ledermann
(1968)
Chief Financial Officer (CFO)

Swiss national

Member of the Group Executive Committee
since May 2019

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

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

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

Thomas Anwander
(1960)
General Secretary and General Counsel

Swiss national

Member of the Group Executive Committee
since 2011

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

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

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

Risk management

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

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

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

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

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

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

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

Code of Conduct

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

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

Directorships outside the Group

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

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

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

Management contracts

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

4 REMUNERATION, PARTICIPATION AND LOANS

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

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

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

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

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

5 SHAREHOLDERS' PARTICIPATORY RIGHTS

Voting restrictions

Rieter imposes no voting restrictions.

Restrictions on share transfers and nominee registrations

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

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

Statutory quorum

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

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

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

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

Entries in the shareholders' register

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

6 CHANGE OF CONTROL AND DEFENSIVE MEASURES

Obligation to submit an offer

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

Change of control clauses

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

7 STATUTORY AUDITORS

Duration of mandate and term of office of the lead auditor

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

Audit fees

In the 2020 financial year PWC and other auditors charged the Rieter Group approximately CHF 0.7 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 2020 amounted to CHF 0.1 million and concerned mainly tax consulting services.

Supervisory and monitoring instruments vis-à-vis the auditors

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

8 INFORMATION POLICY

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

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

Rieter informs about sustainability within the company and publishes once a year "Social, Environmental and Economic Key Data", which addresses all the important factors in this context: https://www.rieter.com/company/sustainability.

Ad-hoc announcements

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

Financial calendar

• Annual General Meeting 2021	April 15, 2021
• Semi-Annual Report 2021	July 15, 2021
• Publication of sales 2021	January 26, 2022
• Deadline for proposals regarding the agenda of the Annual General Meeting	February 18, 2022
• Results press conference 2022	March 9, 2022
• Annual General Meeting 2022	April 7, 2022

Contacts for queries regarding Rieter

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REMUNERATION REPORT

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

1 BASIC PRINCIPLES

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

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

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

2 REMUNERATION SYSTEM

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

Board of Directors

The members of the Board of Directors receive a fixed remuneration which differs according to their function and duties on the board committees. They can choose whether they wish to receive their entire remuneration in cash or in the form of shares to the same value. Cash compensation is paid as a rule in December of the current financial year.

In the case of compensation in the form of shares, the number of shares is calculated on the basis of the average market value of Rieter shares on the first ten trading days of the new financial year, less a deduction of some 16% as permitted by the Swiss Federal Tax Administration to make allowance for the restriction on their sale. The shares are blocked for three years from the date of issue. Rieter Holding Ltd. makes the legally required pension and social security contributions; Board members also receive an annual lump-sum expenses allowance.

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

Due to the COVID-19 situation, all Board members voluntarily waived 20% of their remuneration for 2020.

Group Executive Committee

Basic salary

The basic salary of the members of the Group Executive Committee consists of a salary which is disbursed monthly. The CEO receives part of the basic salary in shares, which are subject to a lockup period of three years from the issue date. In 2020, the number of allocated shares was calculated based on the average market value of Rieter shares twenty stock exchange trading days before the Annual General Meeting. The members of the Group Executive Committee have a Swiss employment contract. The employer pays the pension and social security contributions stipulated by law and regulations, as well as employees' contributions for accident and sickness. The members of the Group Executive Committee receive a lump-sum expenses allowance for entertainment costs which is in line with the expenses guidelines approved by the tax authorities.

Due to the COVID-19 situation, all members of the Executive Committee waived 10% of their fixed remuneration for three months in 2020. In return, they were granted six days leave, which had to be taken in 2020.

Variable remuneration

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

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

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

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

Target achievement in 2020, which is calculated on the basis of the sub-targets defined and weighted by the Board of Directors in advance, i.e. EBIT (60%), RONOA (20%) and cash conversion rate (20%), while also taking due account of one-time income, amounts to 0%. No bonuses were paid for individual performances in the financial year 2020.

3 RESPONSIBILITY AND AUTHORITY

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

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

The basic principles of salary policy are reviewed annually. The chairman of the RC can invite the CEO and the Head Group Human Resources to its meetings, if necessary. The CEO is not present at the meetings at which his own remuneration is specified. The RC held six meetings in the 2020 financial year; two telephone conferences were 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 advisors were consulted for structuring salary policy or remuneration programs in 2020.

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

[1] RC = Remuneration Committee
[2] BoD = Board of Directors

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

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

4 CONTRACTS OF EMPLOYMENT

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

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

5 REMUNERATION FOR THE 2020 FINANCIAL YEAR

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

6 PAYMENTS TO FORMER DIRECTORS AND OFFICERS

No remuneration was paid to former directors and officers.

7 PAYMENTS TO RELATED PARTIES

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

8 LOANS AND CREDITS

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

BOARD OF DIRECTORS

CHF	Cash compensation	Share-based compensation[1]	Social contributions and other compensation[2]	2020 Total	2019 Total
Bernhard Jucker, Chairman of the Board of Directors Chairman of the strategy committee, chairman of the Rieter CAMPUS committee, member of the remuneration committee and the nomination committee	–	311 972	20 304	322 276	416 173
This E. Schneider, Vice Chairman Chairman of the remuneration committee and the nomination committee	34 000	120 368	7 744	162 112	202 703
Roger Baillod Chairman of the audit committee	70 000	58 997	9 115	138 112	170 223
Carl Illi Member of the audit committee and the strategy committee	64 000	75 540	9 723	149 263	181 519
Michael Pieper	–	94 677	4 105	98 782	123 593
Hans-Peter Schwald Member of the audit committee, the remuneration committee, the nomination committee and the Rieter CAMPUS committee	152 000	–	11 523	163 523	204 646
Peter Spuhler Member of the strategy committee	–	122 679	7 900	130 579	163 084
Luc Tack Member of the strategy committee	–	122 679	7 900	130 579	163 084
Members of the Board of Directors	**320 000**	**906 912**	**78 314**	**1 305 226**	**1 625 025**

1 The shares were valued for overall remuneration at CHF 98.43 (average market price on the first ten trading days in 2021). The issue is made after deduction of any social security contributions.
2 Social contributions include the employer's social security contributions as well as contributions for accident and illness insurance. Employees' contributions are stated in the other compensation items.

GROUP EXECUTIVE COMMITTEE

CHF	Basic salary	Cash bonus	Share-based compensation	Social contributions[2]	2020 Total	2019 Total
Dr. Norbert Klapper, Chief Executive Officer[1]	634 557	–	–	185 252	819 809	1 111 742
Other Members	1 808 993	–	–	472 846	2 281 839	3 193 027
Members of the Group Executive Committee	**2 443 550**	**–**	**–**	**658 098**	**3 101 648**	**4 304 769**

1 Highest single salary. Basic salary CHF 584 557 in cash and CHF 50 000 in shares.
2 Pension and social security benefits include the employer's social security and pension fund contributions as well as contributions for accident and illness insurance. Employees' contributions are stated in the other compensation items.

REPORT OF THE STATUTORY AUDITOR ON THE REMUNERATION REPORT

pwc

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

We have audited the remuneration report of Rieter Holding Ltd. (section 5 to 8 on pages 40 and 41) for the year ended 31 December 2020. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance).

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

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

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

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

Opinion
In our opinion, the remuneration report of Rieter Holding Ltd. for the year ended 31 December 2020 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

T. Handschin

Beat Inauen
Audit expert
Auditor in charge

Tobias Handschin
Audit expert

Zurich, 8 March 2021

ALTERNATIVE PERFORMANCE MEASURES

The Rieter Annual Report includes performance measures defined in accordance with the International Financial Reporting Standards (IFRS) as well as selective alternative performance measures. Alternative performance measures provide important information for readers of the Annual Report about Rieter's performance and financial position. They are used as an essential element of the financial management of the Group.

The following table includes the definitions of alternative performance measures as used by Rieter:

Alternative performance measure	Reference in the annual report	Rieter definition
Order intake	• Rieter at a glance • Letter to the shareholders • Business Groups	Order intake includes firm orders received from third party customers for Rieter products and services in the reporting period. Orders are reported as order intake if the following criteria have been met: • Receipt of a written, legally binding confirmation from the customer; • Production capacity is available in case manufacturing is required; • The order is financially secured. Orders are financially secured by means of advance payment, irrevocable letter of credit, bank guarantee, credit insurance or other instruments. In addition, customer credit limits are used, mainly in the After Sales and Components businesses. Order intake comprises the total gross order value excluding value added taxes. Additions to existing orders and cancellations are also included in order intake (see definition below).
Cancellations		Cancellations comprise terminations of complete customer orders and adjustments that reduce the value of existing orders.
Order backlog	• Letter to the shareholders	The order backlog is defined as the total undiscounted value of open customer orders at the end of the reporting period. The order backlog is expected to turn into sales in the future.
Operating result before interest and taxes (EBIT)	• Rieter at a glance • Letter to the shareholders • Business Groups • Consolidated income statement • Note 3.1 • Review 2016 to 2020	Operating result before the share in profit of associated companies, financial income and expenses, and income taxes.
Operating result before interest, taxes, depreciation and amortization (EBITDA)	• Rieter at a glance • Note 3.5 • Review 2016 to 2020	Operating result before interest and taxes (EBIT) excluding depreciation of property, plant and equipment and amortization of intangible assets.
EBIT before restructuring charges	• Rieter at a glance • Letter to the shareholders • Business Groups • Note 2.2 • Note 3.1 • Review 2016 to 2020	Operating result before interest and taxes (EBIT) excluding restructuring charges. These charges include restructuring costs (e.g. personnel expenses and other costs associated directly with restructuring measures) and impairment losses on property, plant and equipment. In addition, reversals of existing restructuring provisions are also included.
Capital expenditure	• Rieter at a glance	Purchase of property, plant and equipment and intangible assets (excluding additions to right-of-use assets).
Free cash flow	• Letter to the shareholders • Note 5.1 • Review 2016 to 2020	Cash flow from operating activities adjusted by cash flow from investing activities. Acquisitions and divestments of business are excluded.

Alternative performance measure	Reference in the annual report	Rieter definition
Liquid funds		Liquid funds contain cash and cash equivalents as well as marketable securities and time deposits with a maturity of less than twelve months.
Net liquidity or net debt	• Rieter at a glance • Letter to the shareholders • Note 5.1 • Review 2016 to 2020	Liquid funds (see definition above) minus current and non-current financial debt. Lease liabilities are included in financial debt.
Dividend payout ratio	• Note 5.4 • Review 2016 to 2020	Dividend per share paid or expected to be paid to shareholders of Rieter Holding Ltd. (based on the resolution of the annual general meeting of shareholders or the motion of the Board of Directors) in % of basic earnings per share of the respective period.
Equity ratio	• Letter to the shareholders • Note 8.5 (Capital management) • Review 2016 to 2020	Shareholders' equity in % of total assets.
Return on net assets (RONA)	• Review 2016 to 2020	Net profit before interest expenses and write-offs of financial assets in % of the average of the last twelve month-end balances of total assets less liabilities (excluding financial debt).
Market capitalization	• Corporate Governance (2 Capital structure) • Review 2016 to 2020	Shares outstanding multiplied by share price at the Swiss Exchange (SIX).
Price/earnings ratio	• Review 2016 to 2020	Share price at the SIX divided by basic earnings per share.
Dividend yield	• Review 2016 to 2020	Dividend per share in % of share price at the SIX.

FINANCIAL REPORT

CONSOLIDATED INCOME STATEMENT

CHF million	Notes	2020	2019
Sales	(3.1/3.2)	**573.0**	**760.0**
Cost of sales		– 439.2	– 549.9
Gross profit		**133.8**	**210.1**
Research and development expenses		– 52.5	– 53.2
Selling, general and administrative expenses		– 168.8	– 189.1
Other income[1]	(3.3)	15.2	123.6
Other expenses[1]	(3.3)	– 12.1	– 6.5
Operating result before interest and taxes (EBIT)		**– 84.4**	**84.9**
Share in profit of associated companies	(6.3)	– 0.3	0.9
Financial income	(5.6)	2.2	4.6
Financial expenses	(5.6)	– 5.5	– 5.0
Profit before taxes		**– 88.0**	**85.4**
Income taxes	(8.1)	– 1.8	– 33.0
Net profit		**– 89.8**	**52.4**
Attributable to shareholders of Rieter Holding Ltd.		– 89.8	52.4
Attributable to non-controlling interests		0.0	0.0
Basic earnings per share (CHF)	(5.4)	**– 20.05**	**11.65**
Diluted earnings per share (CHF)	(5.4)	**– 20.03**	**11.65**

1. The comparative period (2019 financial year) has been adjusted due to the separate presentation of other income and other expenses as of 2020.
The notes on pages 50 to 89 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CHF million	Notes	2020	2019
Net profit		**– 89.8**	**52.4**
Remeasurement of defined benefit plans	(7.2)	10.7	– 2.3
Income taxes on remeasurement of defined benefit plans	(8.1)	– 0.7	1.3
Items that will not be reclassified to the income statement, net of taxes		**10.0**	**– 1.0**
Currency translation differences		– 14.1	– 11.2
Income taxes on currency translation differences	(8.1)	0.3	0.1
Cash flow hedges	(8.5)	0.4	0.5
Income taxes on cash flow hedges	(8.1/8.5)	– 0.1	– 0.1
Items that may be reclassified to the income statement, net of taxes		**– 13.5**	**– 10.7**
Total other comprehensive income		**– 3.5**	**– 11.7**
Total comprehensive income		**– 93.3**	**40.7**
Attributable to shareholders of Rieter Holding Ltd.		– 93.2	40.7
Attributable to non-controlling interests		– 0.1	0.0

The notes on pages 50 to 89 are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

CHF million	Notes	December 31, 2020	December 31, 2019
Assets			
Cash and cash equivalents	(5.2)	282.3	284.1
Marketable securities and time deposits		0.9	0.9
Trade receivables	(4.1)	50.4	68.2
Other current receivables[1]	(4.2)	26.1	24.2
Current income tax receivables[1]		3.5	6.9
Inventories	(4.3)	192.5	182.9
Current assets		**555.7**	**567.2**
Property, plant and equipment	(4.4)	210.6	209.7
Intangible assets and goodwill	(4.5)	89.5	93.6
Investments in associated companies	(6.3)	15.8	16.2
Defined benefit plan assets	(7.2)	62.7	62.7
Deferred income tax assets	(8.1)	22.1	24.1
Other non-current assets	(8.2)	7.1	9.5
Non-current assets		**407.8**	**415.8**
Assets		**963.5**	**983.0**
Liabilities and shareholders' equity			
Trade payables		47.7	68.9
Advance payments from customers	(4.6)	95.5	69.3
Other current liabilities	(4.7)	78.8	85.2
Current financial debt	(5.3)	151.4	121.0
Current income tax liabilities		24.9	38.0
Current provisions	(4.8)	30.0	28.3
Current liabilities		**428.3**	**410.7**
Non-current financial debt	(5.3)	90.5	1.9
Defined benefit plan liabilities	(7.2)	32.3	33.2
Deferred income tax liabilities	(8.1)	31.1	34.6
Other non-current liabilities		0.1	0.1
Non-current provisions	(4.8)	30.3	32.9
Non-current liabilities		**184.3**	**102.7**
Liabilities		**612.6**	**513.4**
Equity attributable to shareholders of Rieter Holding Ltd.		350.6	468.8
Equity attributable to non-controlling interests		0.3	0.8
Shareholders' equity		**350.9**	**469.6**
Liabilities and shareholders' equity		**963.5**	**983.0**

1. The comparative period (December 31, 2019) has been adjusted due to the separate presentation of current income tax receivables as of January 1, 2020 (see note 1.2).
The notes on pages 50 to 89 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CHF million	Notes	Share capital	Treasury shares	Hedge reserve	Currency translation differences	Retained earnings	Total attributable to Rieter shareholders	Attributable to non-controlling interests	Total consolidated equity
At January 1, 2019		**23.4**	**– 30.8**	**0.1**	**– 94.5**	**547.7**	**445.9**	**0.7**	**446.6**
Net profit		0.0	0.0	0.0	0.0	52.4	52.4	0.0	52.4
Total other comprehensive income		0.0	0.0	0.4	– 11.1	– 1.0	– 11.7	0.0	– 11.7
Total comprehensive income		**0.0**	**0.0**	**0.4**	**– 11.1**	**51.4**	**40.7**	**0.0**	**40.7**
Distribution of a dividend	(5.4)	0.0	0.0	0.0	0.0	– 22.5	– 22.5	0.0	– 22.5
Changes in non-controlling interests	(5.5)	0.0	0.0	0.0	0.1	– 0.1	0.0	0.1	0.1
Share-based compensation	(7.3)	0.0	2.4	0.0	0.0	– 0.5	1.9	0.0	1.9
Changes in treasury shares		0.0	4.8	0.0	0.0	– 2.0	2.8	0.0	2.8
Total contributions by and distributions to owners of the company		**0.0**	**7.2**	**0.0**	**0.1**	**– 25.1**	**– 17.8**	**0.1**	**– 17.7**
At December 31, 2019		**23.4**	**– 23.6**	**0.5**	**– 105.5**	**574.0**	**468.8**	**0.8**	**469.6**
Net profit		0.0	0.0	0.0	0.0	– 89.8	– 89.8	0.0	– 89.8
Total other comprehensive income		0.0	0.0	0.3	– 13.7	10.0	– 3.4	– 0.1	– 3.5
Total comprehensive income		**0.0**	**0.0**	**0.3**	**– 13.7**	**– 79.8**	**– 93.2**	**– 0.1**	**– 93.3**
Distribution of a dividend	(5.4)	0.0	0.0	0.0	0.0	– 20.1	– 20.1	0.0	– 20.1
Changes in non-controlling interests	(5.5)	0.0	0.0	0.0	– 0.1	– 0.1	– 0.2	– 0.4	– 0.6
Share-based compensation	(7.3)	0.0	2.4	0.0	0.0	– 0.8	1.6	0.0	1.6
Changes in treasury shares		0.0	– 6.3	0.0	0.0	0.0	– 6.3	0.0	– 6.3
Total contributions by and distributions to owners of the company		**0.0**	**– 3.9**	**0.0**	**– 0.1**	**– 21.0**	**– 25.0**	**– 0.4**	**– 25.4**
At December 31, 2020		**23.4**	**– 27.5**	**0.8**	**– 119.3**	**473.2**	**350.6**	**0.3**	**350.9**

The notes on pages 50 to 89 are an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

CHF million	Notes	2020	2019
Net profit		**– 89.8**	**52.4**
Depreciation of property, plant and equipment and amortization of intangible assets	(3.4)	37.7	38.2
Interest income	(5.6)	– 0.6	– 3.0
Interest expenses	(5.6)	5.0	4.7
Income taxes	(8.1)	1.8	33.0
Gain on disposals of property, plant and equipment	(3.3)	– 0.4	– 97.0
Other non-cash income and expenses		1.8	1.7
Change in inventories		– 16.0	0.2
Change in receivables		19.3	25.2
Change in provisions		– 0.5	– 33.5
Change in trade payables		– 19.4	– 26.4
Change in advance payments from customers and other liabilities		29.0	– 14.9
Dividends received	(6.3)	0.1	0.3
Interest received		0.6	3.0
Interest paid		– 3.9	– 3.9
Income taxes paid		– 14.5	– 25.7
Cash flow from operating activities		**– 49.8**	**– 45.7**
Purchase of property, plant and equipment and intangible assets		– 28.6	– 31.6
Proceeds from disposals of property, plant and equipment		1.5	109.9
Proceeds from disposals of assets classified as held for sale	(3.1)	0.0	10.7
Proceeds from disposals/purchase of other non-current assets		2.0	– 1.4
Sale/purchase of marketable securities and time deposits		0.1	0.4
Cash flow from investing activities		**– 25.0**	**88.0**
Dividend paid to shareholders of Rieter Holding Ltd.	(5.4)	– 20.1	– 22.5
Purchase/sale of treasury shares		– 6.3	2.8
Proceeds from issue of fixed-rate bond	(5.3)	74.7	0.0
Repayment of fixed-rate bond	(5.3)	– 100.0	0.0
Proceeds from bank debt	(5.3)	136.9	12.5
Repayments of bank and other financial debt	(5.3)	– 4.3	0.0
Repayments of lease liabilities	(5.3)	– 2.9	– 2.6
Cash flow from financing activities		**78.0**	**– 9.8**
Currency effects on cash and cash equivalents		– 5.0	– 4.6
Change in cash and cash equivalents		**– 1.8**	**27.9**
Cash and cash equivalents at January 1	(5.2)	**284.1**	**256.2**
Cash and cash equivalents at December 31	(5.2)	**282.3**	**284.1**

The notes on pages 50 to 89 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

The consolidated financial statements were approved for publication by the Board of Directors on March 8, 2021. They are also subject to approval by the Annual General Meeting of shareholders.

1.1 BASIS FOR PREPARATION

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

The significant accounting policies applied in preparing these consolidated financial statements are included in the respective notes. General types of significant accounting policies are set out in note 8.8. These policies have been consistently applied to all of the reporting periods presented unless otherwise stated. Changes in accounting policies are disclosed in note 8.7.

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

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

1.2 CHANGES IN PRESENTATION

As of January 1, 2020, current income tax receivables have been presented separately in the balance sheet. The prior year period (December 31, 2019) has been adjusted accordingly.

The following table summarizes the effects of the separate presentation on the consolidated balance sheet:

CHF million	December 31, 2019 (adjusted)	December 31, 2019
Other current receivables	24.2	31.1
Current income tax receivables	6.9	–
Current assets	**567.2**	**567.2**
Assets	**983.0**	**983.0**

1.3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Financial reporting requires management to make estimates and exercise judgment in applying the Group's accounting policies, both of which can affect the reported amounts of assets, liabilities, contingent liabilities and contingent assets at the date of the financial statements, and reported amounts of income and expenses during the reporting period. These accounting estimates and judgments are periodically reviewed. In the 2020 financial year, the effects of the COVID-19 pandemic on these assumptions have been taken into account.

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

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

2 SIGNIFICANT EVENTS

2.1 COVID-19

On March 11, 2020, the World Health Organization (WHO) announced that the outbreak of the novel corona virus (COVID-19) could be characterized as a pandemic due to its rapid spread worldwide. As a consequence, lockdowns and other restrictions have been introduced by governments around the globe. To address the negative consequences of COVID-19, Rieter has quickly implemented comprehensive crisis management. Priority is being given to protecting employees, fulfilling customer commitments and ensuring liquidity.

To ensure sufficient liquidity for the ongoing business and the payback of the CHF 100 million bond on September 29, 2020, between March and November 2020 Rieter drew down bank loans in the amount of CHF 131.1 million with a one year term. On August 18, 2020, Rieter Holding Ltd. issued a new fixed-rate bond with a nominal value amounting to CHF 75 million, a term of four years and an interest coupon of 1.55%. In addition, the bilaterally committed credit facilities with selected banks were increased from CHF 175 million to CHF 225 million (maturity in October 2022). These credit facilities have not been utilized to date.

The pandemic has a significant impact on the global economic environment. In light of these changes, Rieter has reviewed the areas involving significant accounting estimates and judgments (see note 1.3). The results of this review are included in the respective notes.

In addition, the review of expected credit losses associated with trade receivables did not result in additional allowances. Finally, management has assessed the impact of COVID-19 on other areas (e.g. review of supplier agreements and government grants). No material effect has been identified on any of the respective balance sheet line items at December 31, 2020.

Rieter introduced short-time working in Switzerland and Germany for the second half of 2020. Similar measures were implemented worldwide within the scope of the available legal options. The total compensation received from government bodies in connection with these measures amounted to CHF 7.6 million. The respective income was recognized on an accrual-basis in the 2020 financial year and was netted with the underlying personnel expenses within the line items “Cost of sales”, “Research and development expenses” and “Selling, general and administrative expenses”.

2.2 RESTRUCTURING

On January 29, 2020, Rieter announced capacity adjustment measures at various sites in Europe. Restructuring costs related to severance payments and other expenses amounting to CHF 8.7 million as well as impairment losses related to property, plant and equipment in the amount of CHF 1.3 million were recognized in the 2020 financial year. Locations in Germany and Switzerland were primarily affected. In addition, the reassessment of restructuring provisions based on the progress of the respective projects resulted in a total reversal of CHF 2.3 million in 2020.

CHF million	2020	2019
EBIT before restructuring charges	**– 76.7**	**84.6**
Restructuring charges (net)	– 7.7	0.3
Operating result before interest and taxes (EBIT)	**– 84.4**	**84.9**

The breakdown of EBIT before restructuring charges by reportable segments is as follows:

CHF million	2020	2019
Machines & Systems	– 71.3	– 49.4
Components	1.4	11.0
After Sales	1.4	23.5
Others[1]	– 8.2	99.5
EBIT before restructuring charges	**– 76.7**	**84.6**

1. Includes the result which cannot be allocated to reportable segments (see note 3.1)

Restructuring charges as presented in the respective table on page 51 consist of the following line items:

CHF million		2020	2019
Machines & Systems	Restructuring costs	– 1.3	– 1.6
	Impairment losses on property, plant and equipment	– 0.6	– 0.3
	Reversal of restructuring provisions	0.8	0.5
Components	Restructuring costs	– 7.1	– 0.2
	Impairment losses on property, plant and equipment	– 0.5	– 0.1
	Reversal of restructuring provisions	0.7	0.0
After Sales	Restructuring costs	0.0	– 0.4
	Impairment losses on property, plant and equipment	0.0	– 0.2
	Reversal of restructuring provisions	0.4	0.3
Corporate	Restructuring costs	– 0.3	– 1.2
	Impairment losses on property, plant and equipment	– 0.2	– 1.1
	Reversal of restructuring provisions	0.4	4.6
Group	**Total restructuring charges (net)**	**– 7.7**	**0.3**

2.3 DISPOSAL OF LAND AND BUILDINGS IN INGOLSTADT (GERMANY)

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

The following table summarizes the effects of the disposal on the 2019 consolidated income statement:

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

1. Included in the line item “Gain on disposals of property, plant and equipment” in other income in the 2019 financial year (see note 3.3).

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

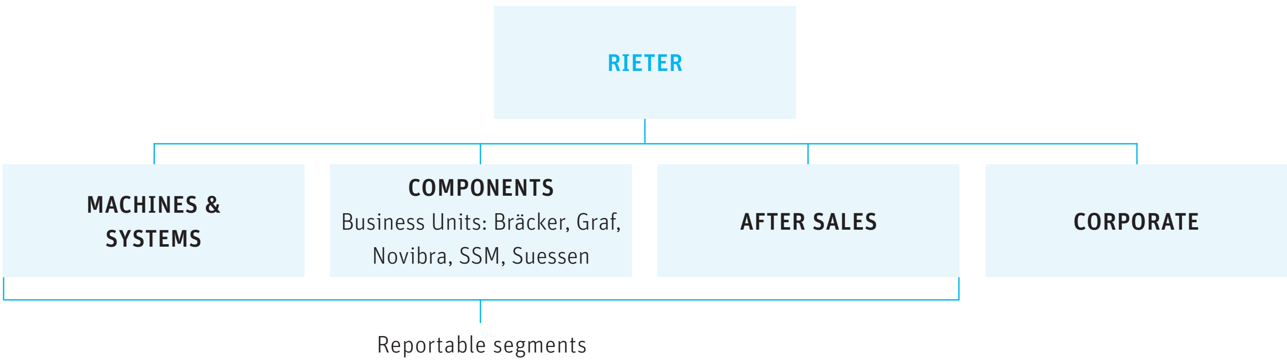
The amounts below are included in the 2019 consolidated cash flow statement:

	EUR million	CHF million
Disposal consideration (gross)	103.7	113.1
Advance payment received in 2018	– 5.0	– 5.5
Proceeds from disposal of land and buildings in Ingolstadt[1]	**98.7**	**107.6**
Interest received	1.2	1.3
Income taxes paid	– 13.9	– 15.3
Impact of disposal of land and buildings in Ingolstadt on the cash flow statement	**86.0**	**93.6**

1. Included in the line item "Proceeds from disposals of property, plant and equipment" in the 2019 consolidated cash flow statement.

3 OPERATING PERFORMANCE

3.1 SEGMENT PERFORMANCE



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

Segment information 2020

CHF million	Machines & Systems	Components	After Sales	Total reportable segments
Total segment sales	295.8	229.6	102.9	628.3
Inter-segment sales[1]	0.0	55.3	0.0	55.3
Sales to third parties[2]	295.8	174.3	102.9	573.0
EBIT before restructuring charges	– 71.3	1.4	1.4	– 68.5
Operating result before interest and taxes (EBIT)	– 72.4	– 5.5	1.8	– 76.1
Purchase of property, plant and equipment and intangible assets	5.5	11.3	0.6	17.4
Depreciation of property, plant and equipment and amortization of intangible assets	10.7	19.5	0.9	31.1

Segment information 2019

CHF million	Machines & Systems	Components	After Sales	Total reportable segments
Total segment sales	389.0	282.8	140.8	812.6
Inter-segment sales[1]	0.0	52.6	0.0	52.6
Sales to third parties[2]	389.0	230.2	140.8	760.0
EBIT before restructuring charges	– 49.4	11.0	23.5	– 14.9
Operating result before interest and taxes (EBIT)	– 50.8	10.7	23.2	– 16.9
Purchase of property, plant and equipment and intangible assets	7.7	10.1	0.6	18.4
Depreciation of property, plant and equipment and amortization of intangible assets	10.2	19.3	1.1	30.6

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

Reconciliation of segment results

CHF million	2020	2019
Operating result before interest and taxes (EBIT) of reportable segments	– 76.1	– 16.9
Result which cannot be allocated to reportable segments	– 8.3	101.8
Operating result before interest and taxes (EBIT), Group	**– 84.4**	**84.9**
Share in profit of associated companies	– 0.3	0.9
Financial income	2.2	4.6
Financial expenses	– 5.5	– 5.0
Profit before taxes	**– 88.0**	**85.4**

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

In the 2020 financial year, the result which cannot be allocated to the reportable segments contains restructuring costs (CHF 0.3 million) and impairment losses (CHF 0.2 million) as well as part of the income from the reversal of restructuring provisions (CHF 0.4 million; see note 2.2).

In the prior year, the gain on the disposal of land and buildings in Ingolstadt of CHF 94.5 million (see note 2.3) as well as a part of the income from the reversal of restructuring provisions amounting to CHF 4.6 million and the reversal of provisions due to court rulings in favor of Rieter amounting to CHF 3.0 million (see note 3.3) were included in the respective result. Restructuring costs (CHF 1.2 million) and impairment losses (CHF 1.1 million), both connected to capacity adjustments and cost reduction measures were also included. In addition, land, buildings and other tangible fixed assets classified as held for sale were sold to a third party for CHF 10.7 million in April 2019. Prior to the disposal, an amount of CHF 0.3 million was recognized as reversal of impairment losses.

Sales and non-current assets by country

CHF million	Sales 2020[1]	Sales 2019[1]	Non-current assets 2020[2]	Non-current assets 2019[2]
Switzerland (domicile of Rieter Holding Ltd.)	3.3	1.9	169.0	156.0
Foreign countries	569.7	758.1	131.1	147.4
Total Group	**573.0**	**760.0**	**300.1**	**303.4**
The following countries accounted for more than 10% of sales or non-current assets:				
Switzerland (domicile of Rieter Holding Ltd.)	3.3	1.9	169.0	156.0
China	92.8	136.7	35.5	40.6
Czech Republic	1.1	1.3	41.0	45.9
India	50.8	99.9	17.4	19.1
Turkey	122.0	66.8	0.3	0.4
Uzbekistan	40.2	91.2	3.3	4.8

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

No individual customer accounted for more than 10% of consolidated sales in 2020 and 2019. The greatest granularity available for products and product groups is segment level, which is reflected in the segment reporting shown above.

3.2 SALES

CHF million	2020	2019
Sales of products	543.8	717.2
Sales of services	29.2	42.8
Total sales	**573.0**	**760.0**

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

Significant accounting policies

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

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

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

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

For receivables which are not covered by advance payments, the general payment term is normally between 30 and 60 days. Since payment terms of more than one year are not generally granted, customer contracts do not normally include any financing component.

3.3 OTHER INCOME AND EXPENSES

CHF million	2020	2019
Rental income	2.8	2.6
Gain on disposals of property, plant and equipment	0.4	97.0
Reversal of restructuring provisions[1]	2.3	5.4
Foreign exchange differences (net)	1.1	0.6
Miscellaneous other income	8.6	18.0
Total other income	**15.2**	**123.6**
Restructuring costs[1]	– 8.7	– 3.4
Impairment losses on property, plant and equipment[1]	– 1.3	– 1.7
Miscellaneous other expenses	– 2.1	– 1.4
Total other expenses	**– 12.1**	**– 6.5**

1. The impact of restructuring measures is presented in note 2.2.

In 2019, the gain on disposals of property, plant and equipment included the sale of land and buildings in Ingolstadt (Germany) amounting to CHF 94.5 million (see note 2.3).

Miscellaneous operating income includes income which is not presented as sales, such as proceeds from the disposal of materials for recycling purposes, income from export incentive schemes and income from government grants. In addition, the income from the reversal of provisions due to court rulings in favor of Rieter amounting to CHF 3.0 million was included in the 2019 financial year.

3.4 DEPRECIATION AND AMORTIZATION

CHF million	2020	2019
Property, plant and equipment[1]	31.5	32.1
Intangible assets	6.2	6.1
Total	**37.7**	**38.2**

1. In 2020, depreciation of property, plant and equipment includes impairment losses of CHF 1.3 million (2019: CHF 1.7 million) related to capacity adjustments (see note 4.4).

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

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

CHF million	2020	2019
Operating result before interest and taxes (EBIT)	– 84.4	84.9
Depreciation and amortization (see note 3.4)	37.7	38.2
Operating result before interest, taxes, depreciation and amortization (EBITDA)	**– 46.7**	**123.1**

4 OPERATING ASSETS AND LIABILITIES

4.1 TRADE RECEIVABLES

CHF million	December 31, 2020	December 31, 2019
Trade receivables	53.6	72.9
Allowance for trade receivables	– 3.2	– 4.7
Total	**50.4**	**68.2**

Trade receivables are divided into the following major currencies:

CHF million	December 31, 2020	December 31, 2019
CHF	16.9	22.2
CNY	1.8	1.8
EUR	21.6	27.4
INR	3.2	1.4
USD	4.4	10.9
Other	2.5	4.5
Total	**50.4**	**68.2**

For further information on credit risks, the age structure of trade receivables and movements in the allowance for trade receivables, see note 8.5.

Significant accounting policies

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

4.2 OTHER CURRENT RECEIVABLES

CHF million	December 31, 2020	December 31, 2019 (adjusted)[1]	December 31, 2019
Receivables from indirect taxes and customs duties	11.1	11.7	11.7
Advance payments to suppliers	2.2	5.0	5.0
Current income tax receivables[1]	–	–	6.9
Prepaid expenses and deferred charges	2.1	2.2	2.2
Derivative financial instruments (positive fair values)	7.2	1.9	1.9
Other current receivables	3.5	3.4	3.4
Total	**26.1**	**24.2**	**31.1**

1. The comparative period (December 31, 2019) has been adjusted due to the separate presentation of current income tax receivables as of January 1, 2020 (see note 1.2).

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

4.3 INVENTORIES

CHF million	December 31, 2020	December 31, 2019
Raw materials and consumables	39.4	30.6
Finished and semi-finished goods, trading goods	200.8	187.7
Work in progress	6.8	6.4
Allowance for inventories	– 54.5	– 41.8
Total	**192.5**	**182.9**

The allowance for inventories developed as follows:

CHF million	2020	2019
Allowance for inventories at January 1	**– 41.8**	**– 41.1**
Utilization	4.6	2.4
Additions/reversals (net)	– 17.9	– 3.7
Currency translation differences	0.6	0.6
Allowance for inventories at December 31	**– 54.5**	**– 41.8**

Significant accounting estimates and judgments

When assessing the value of inventories, estimates of their recoverability are necessary. The recoverability of the respective items is based on the expected consumption. The allowance for inventories is calculated at item level using a range of coverage analysis. The assumptions used in this analysis are reviewed annually and modified if necessary. Changes in sales volumes, the production process or other circumstances may result in carrying amounts having to be adjusted accordingly. Higher inventory levels and the slowdown of the expected consumption resulted in an increase in the allowance for inventories at December 31, 2020, compared to the prior year. Inventory levels and expected consumption were affected by the COVID-19 pandemic.

Significant accounting policies

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

4.4 PROPERTY, PLANT AND EQUIPMENT

CHF million	Land and buildings	Machinery, plant equipment and tools	IT equipment	Vehicles and furniture	Property, plant and equipment under construction	Right-of-use assets	Total property, plant and equipment
Carrying amount at January 1, 2019	**99.1**	**90.5**	**4.5**	**5.8**	**8.7**	**9.9**	**218.5**
Additions	10.9	9.6	1.5	1.4	7.2	1.4	32.0
Disposals	– 2.0	0.0	0.0	– 0.1	0.0	0.0	– 2.1
Depreciation	– 4.8	– 18.8	– 2.1	– 2.0	0.0	– 2.7	– 30.4
Impairment losses	– 0.7	– 0.6	0.0	– 0.4	0.0	0.0	– 1.7
Reclassifications	0.8	5.6	0.2	0.6	– 7.2	0.0	0.0
Changes in leases	–	–	–	–	–	– 0.8	– 0.8
Currency translation differences	– 2.5	– 2.6	0.0	– 0.1	– 0.3	– 0.3	– 5.8
Carrying amount at December 31, 2019	**100.8**	**83.7**	**4.1**	**5.2**	**8.4**	**7.5**	**209.7**
Cost at December 31, 2019	227.8	354.1	21.3	36.3	8.4	9.4	657.3
Accumulated depreciation at December 31, 2019	– 127.0	– 270.4	– 17.2	– 31.1	0.0	– 1.9	– 447.6
Carrying amount at December 31, 2019	**100.8**	**83.7**	**4.1**	**5.2**	**8.4**	**7.5**	**209.7**
Additions	7.0	11.9	2.0	1.2	4.3	13.3	39.7
Disposals	– 0.1	– 0.8	0.0	– 0.1	– 0.1	0.0	– 1.1
Depreciation	– 4.5	– 18.9	– 2.0	– 2.0	0.0	– 2.8	– 30.2
Impairment losses	0.0	– 1.3	0.0	0.0	0.0	0.0	– 1.3
Reclassifications	0.2	5.4	0.4	0.6	– 6.6	0.0	0.0
Currency translation differences	– 2.7	– 2.7	– 0.1	– 0.2	– 0.3	– 0.2	– 6.2
Carrying amount at December 31, 2020	**100.7**	**77.3**	**4.4**	**4.7**	**5.7**	**17.8**	**210.6**
Cost at December 31, 2020	228.9	343.7	19.4	33.3	5.7	21.4	652.4
Accumulated depreciation at December 31, 2020	– 128.2	– 266.4	– 15.0	– 28.6	0.0	– 3.6	– 441.8
Carrying amount at December 31, 2020	**100.7**	**77.3**	**4.4**	**4.7**	**5.7**	**17.8**	**210.6**

Impairment losses recognized in the 2020 and 2019 financial years for buildings, machinery, plant equipment, tools and furniture resulted from capacity adjustments (see note 2.2).

In 2019, disposals of land and buildings include the sale of land and buildings in Ingolstadt (Germany; see note 2.3).

No land and buildings are pledged as security for financial debt. At the end of 2020, open purchase commitments in respect of major investments in tangible fixed assets amounted to CHF 4.5 million (December 31, 2019: CHF 5.3 million).

Significant accounting estimates and judgments

In connection with the COVID-19 pandemic and in addition to the impairment test for goodwill set out in note 4.5, management has conducted an assessment to identify whether there is any indication that Rieter's property, plant and equipment may be impaired at December 31, 2020. Due to the substantial operating loss of the Business Group Machines & Systems in the 2020 financial year, management concluded that there was an indication for an impairment of the respective assets. Therefore, an impairment test was performed at December 31, 2020. The test supported the carrying value of these assets and no impairment loss was recognized.

Significant accounting policies

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

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

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

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

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

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

Accounting policies in relation to right-of-use assets see note 8.3.

4.5 INTANGIBLE ASSETS AND GOODWILL

CHF million	Software	Customer relationships	Patents and technology	Other intangible assets	Goodwill	Total intangible assets and goodwill
Carrying amount at January 1, 2019	**1.8**	**32.4**	**15.8**	**4.5**	**43.5**	**98.0**
Additions	1.4	0.0	0.0	0.3	0.0	1.7
Amortization	–0.3	–3.2	–1.8	–0.8	0.0	–6.1
Carrying amount at December 31, 2019	**2.9**	**29.2**	**14.0**	**4.0**	**43.5**	**93.6**
Cost at December 31, 2019	3.4	37.3	18.5	7.2	43.5	109.9
Accumulated amortization at December 31, 2019	–0.5	–8.1	–4.5	–3.2	0.0	–16.3
Carrying amount at December 31, 2019	**2.9**	**29.2**	**14.0**	**4.0**	**43.5**	**93.6**
Additions	1.9	0.0	0.0	0.2	0.0	2.1
Amortization	–0.4	–3.2	–1.8	–0.8	0.0	–6.2
Carrying amount at December 31, 2020	**4.4**	**26.0**	**12.2**	**3.4**	**43.5**	**89.5**
Cost at December 31, 2020	5.3	37.3	18.5	7.4	43.5	112.0
Accumulated amortization at December 31, 2020	–0.9	–11.3	–6.3	–4.0	0.0	–22.5
Carrying amount at December 31, 2020	**4.4**	**26.0**	**12.2**	**3.4**	**43.5**	**89.5**

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

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

Goodwill impairment test

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

Key assumptions	2020	2019
Long-term sales growth rate	1.0%	1.0%
Pre-tax discount rate	10.4%	9.8%

Based on the impairment test using the key assumptions mentioned above, there is no need for an impairment charge at December 31, 2020.

Sales of SSM in the 2020 financial year have been affected by the COVID-19 pandemic. The financial plan used for impairment testing projects a recovery of sales over two years to pre-COVID levels. There is currently no indication of a long-term decrease of the market relevant for SSM, the market share or the profitability. The long-term sales growth rate is based on internal assumptions from past experience regarding price and market development as well as external market information provided by industry specialists. The pre-tax discount rate is determined on the basis of the weighted cost of capital. The key assumptions have been determined taking into account the effects of the COVID-19 pandemic. The SSM asset basis tested for impairment increased by CHF 13.6 million compared to prior year mainly due to the right-of-use asset capitalized in connection with the new leased property in Wädenswil (Switzerland) in 2020.

Rieter performed sensitivity analysis in order to determine which possible change in key assumptions would cause the recoverable amount to fall short of the carrying amount of goodwill. Changes to 0% in the sales growth rate and +1% in the pre-tax discount rate would result in an impairment loss of CHF 7.0 million and CHF 10.1 million respectively. The analysis was performed separately per key assumption.

Significant accounting estimates and judgments

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

For the goodwill impairment test, Rieter uses financial plans for the next four years as approved by the Group Executive Committee. These plans are extrapolated to a period of five years. Management thereby makes assumptions related to sales growth rates and profit margins. Expected future cash flows are discounted with a market-specific discount rate. See above for comments in relation to the impact of the COVID-19 pandemic on the goodwill impairment test of SSM.

The residual balance of the intangible assets at December 31, 2020, which is not connected to the unit SSM, has been included in the impairment consideration for property, plant and equipment (see note 4.4).

Significant accounting policies

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

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

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

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

4.6 ADVANCE PAYMENTS FROM CUSTOMERS

CHF million	December 31, 2020	December 31, 2019
Advance payments from customers	95.5	69.3
Total	**95.5**	**69.3**

Of the advance payments from customers at December 31, 2019, CHF 31.7 million were recognized as sales and therefore included in the 2020 consolidated income statement. Additional significant changes comprise advance payments received in 2020, which were either recognized as sales in 2020 or which are still included in advance payments from customers at December 31, 2020.

4.7 OTHER CURRENT LIABILITIES

CHF million	December 31, 2020	December 31, 2019
Other accrued expenses	20.6	28.0
Deferred revenue	17.7	19.9
Accrued holidays and overtime	5.8	8.5
Accrued sales commissions	6.1	7.3
Derivative financial instruments (negative fair values)	2.7	0.9
Other current liabilities	25.9	20.6
Total	**78.8**	**85.2**

Deferred revenue consists mainly of revenue for installations of machines and components at Rieter customers' site, which were invoiced already, but have not yet been completed. Of the deferred revenue at December 31, 2019, CHF 11.6 million were recognized as sales and therefore included in the 2020 consolidated income statement. Additional significant changes comprise services invoiced in 2020, which were either recognized as sales in 2020 or which are still included in deferred revenue at December 31, 2020. The majority of deferred revenue is recognized as revenue within twelve months.

4.8 PROVISIONS

CHF million	Restructuring provisions	Personnel provisions	Guarantee and warranty provisions	Other provisions	Total provisions
Provisions at December 31, 2019	**6.1**	**6.2**	**27.5**	**21.4**	**61.2**
Utilization	– 5.1	– 1.6	– 13.1	– 3.5	– 23.3
Reversal of unused amounts	– 2.3	0.0	– 3.3	– 0.7	– 6.3
Additions	6.5	1.6	16.6	5.1	29.8
Currency translation differences	– 0.1	– 0.2	– 0.4	– 0.4	– 1.1
Provisions at December 31, 2020	**5.1**	**6.0**	**27.3**	**21.9**	**60.3**
Of which current	3.8	1.1	21.7	3.4	30.0
Of which non-current	1.3	4.9	5.6	18.5	30.3

Restructuring provisions cover legal and constructive obligations in connection with restructuring measures. On January 29, 2020, Rieter announced capacity adjustment measures at various sites in Europe. As a result, restructuring provisions mainly related to severance payments were recognized in the amount of CHF 6.5 million. Of the open commitments, CHF 5.1 million have been settled in the year under review. The reassessment of existing provisions resulted in a reversal in the amount of CHF 2.3 million in the 2020 financial year. Non-current restructuring provisions are expected to be utilized in 2022.

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

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

Rieter has recognized other provisions mainly for obligations for restoration associated with the disposal of land and buildings in Ingolstadt (Germany), for ongoing legal proceedings, for onerous contracts (where the unavoidable direct cost of performance exceeds the expected financial benefit) or for contracts with benefits linked to conditions which have to be fulfilled in the future (e.g. government grants). Non-current other provisions are expected to be utilized in the years after 2021.

Significant accounting estimates and judgments

In the course of the ordinary operating activities of the Group, obligations can arise from restructuring measures, warranty claims, ongoing legal proceedings, site restoration or onerous contracts. Provisions for the respective obligations are measured on the basis of expected cash outflows when accounts are drawn up. However, the outcome of the events mentioned above may result in claims against the Group which are higher or lower than the respective provisions and which are not – or only partially – covered by a relevant insurance benefit. As at December 31, 2020, the potential impact of the COVID-19 pandemic on the provision balances has been assessed. No significant impact was identified.

Significant accounting policies

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

5 LIQUIDITY AND FINANCING

5.1 NET LIQUIDITY AND FREE CASH FLOW

Rieter uses net liquidity and free cash flow as alternative performance measures. Net liquidity is calculated as follows:

CHF million	December 31, 2020	December 31, 2019
Cash and cash equivalents	282.3	284.1
Marketable securities and time deposits	0.9	0.9
Current financial debt	– 151.4	– 121.0
Non-current financial debt	– 90.5	– 1.9
Net liquidity	**41.3**	**162.1**
Lease liabilities[1]	14.2	3.9
Net liquidity (without lease liabilities)	**55.5**	**166.0**

1. See note 8.5.

Free cash flow consists of:

CHF million	2020	2019
Cash flow from operating activities	– 49.8	– 45.7
Cash flow from investing activities	– 25.0	88.0
Free cash flow	**– 74.8**	**42.3**

5.2 CASH AND CASH EQUIVALENTS

CHF million	December 31, 2020	December 31, 2019
Cash and banks	249.2	256.5
Time deposits with original maturities of up to three months	33.1	27.6
Total	**282.3**	**284.1**

Significant accounting policies

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

5.3 FINANCIAL DEBT

CHF million	Fixed-rate bond	Bank debt	Lease liabilities	Other financial debt	Total December 31, 2020	Total December 31, 2019
Maturity						
Less than 1 year	0.0	148.9	2.3	0.2	151.4	121.0
1 to 5 years	74.7	0.0	6.4	3.9	85.0	1.7
5 or more years	0.0	0.0	5.5	0.0	5.5	0.2
Total	**74.7**	**148.9**	**14.2**	**4.1**	**241.9**	**122.9**

Between March and November 2020, Rieter drew down bank loans in the amount of CHF 131.1 million with a term of one year (see note 2.1). In addition, Rieter Holding Ltd. issued a fixed-rate bond with a nominal value amounting to CHF 75.0 million on August 18, 2020. This bond has a term of four years with a maturity date on August 17, 2024, a fixed interest rate of 1.55% p.a. and is listed on the SIX Swiss Exchange. The fair value of the bond amounted to CHF 75.1 million at December 31, 2020. The effective interest expenses were CHF 0.4 million in 2020. On September 29, 2020, Rieter repaid the existing fixed-rate bond in the amount of CHF 100 million. The bond had a term of six year, a fixed interest rate of 1.5% and was listed on the SIX Swiss Exchange. The effective interest expenses were CHF 1.2 million in 2020 (2019: CHF 1.6 million).

By currency, financial debt is divided up as follows:

CHF million	December 31, 2020	December 31, 2019
CHF	107.1	102.0
EUR	114.1	0.0
INR	19.6	18.2
Other currencies	1.1	2.7
Total	**241.9**	**122.9**

Financial debt changed as follows:

CHF million		2020	2019
Financial debt at January 1		**122.9**	**112.5**
Proceeds from issue of fixed-rate bond	Cash flow	74.7	0.0
Repayment of fixed-rate bond	Cash flow	– 100.0	0.0
Proceeds from bank debt	Cash flow	136.9	12.5
Repayments of bank and other financial debt	Cash flow	– 4.3	0.0
Recognition of lease liabilities	No cash flow	13.3	1.9
Repayments of lease liabilities	Cash flow	– 2.9	– 2.6
Changes in leases	No cash flow	0.0	– 0.9
Changes in amortized cost	No cash flow	0.4	0.6
Other changes in values[1]	No cash flow	2.2	– 0.3
Currency translation differences	No cash flow	– 1.3	– 0.8
Financial debt at December 31		**241.9**	**122.9**

1. Exchange rate differences of financial debt in currencies other than the functional currency of the respective group company.

Significant accounting policies

Financial debt is recognized initially at fair value, net of transaction costs incurred. Financial debt is subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the term of the obligation using the effective interest rate method. Financial debt is classified as a current liability, unless Rieter has an unconditional, contractually agreed right to defer settlement for at least twelve months after balance sheet date. Accounting policies in relation to lease liabilities see note 8.3.

5.4 SHARE CAPITAL, EARNINGS AND DIVIDEND PER SHARE

		December 31, 2020	December 31, 2019
Shares issued	Number of shares	4 672 363	4 672 363
Treasury shares	Number of shares	206 060	158 032
Shares outstanding	**Number of shares**	**4 466 303**	**4 514 331**
Nominal value per share	CHF	5.00	5.00
Nominal value of share capital[1]	**CHF**	**23 361 815**	**23 361 815**

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

The following table presents the calculation of basic and diluted earnings per share:

	2020	2019
Net profit attributable to shareholders of Rieter Holding Ltd. (CHF million)	**– 89.8**	**52.4**
Average number of shares outstanding (undiluted)	4 479 637	4 496 460
Average number of shares outstanding (diluted)	4 483 071	4 498 795
Basic earnings per share (CHF)	**– 20.05**	**11.65**
Diluted earnings per share (CHF)	**– 20.03**	**11.65**

The dividend paid in 2020 amounted to CHF 20.1 million and was distributed out of retained earnings (2019: CHF 22.5 million). Based on the financial statements as at December 31, 2020, the Board of Directors proposes not to pay a dividend.

The table below summarizes the dividend payout ratio of the 2020 and 2019 financial years:

	2020	2019
Dividend per share (CHF)	0.00 [1]	4.50
Basic earnings per share (CHF)	– 20.05	11.65
Dividend payout ratio in %	**0**	**39**

1. See motion of the Board of Directors on page 103.

Significant accounting policies

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

5.5 NON-CONTROLLING INTERESTS IN SUBSIDIARIES

In the year under review, Rieter Holding Ltd. purchased share capital of Rieter India Pvt. Ltd. with a nominal value of INR 0.5 million (CHF 0.01 million). As a result, the share of non-controlling interests decreased to 0.7% at December 31, 2020 (December 31, 2019: 1.4%).

In 2019, Rieter India Pvt. Ltd. purchased share capital with a nominal value of INR 20.3 million (CHF 0.3 million) back from Rieter Holding Ltd. As a result, the share of non-controlling interests increased by 0.3% from the prior 1.1% level.

Rieter has undertaken to acquire the remaining non-controlling interests in Rieter India Pvt. Ltd. for a contractually agreed amount by no later than April 30, 2022. This repurchase obligation for the remaining shares was extended by two years in 2020, which is why the present value of this obligation has been reclassified to non-current financial debt in the 2020 financial year.

Significant accounting policies

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

5.6 FINANCIAL INCOME AND EXPENSES

CHF million	2020	2019
Interest income	0.6	3.0
Other financial income	1.6	1.6
Total financial income	**2.2**	**4.6**
Interest expenses	5.0	4.7
Other financial expenses and exchange rate differences (net)	0.5	0.3
Total financial expenses	**5.5**	**5.0**

6 GROUP STRUCTURE

6.1 CHANGES IN GROUP STRUCTURE

In the period under review, Rieter liquidated the subsidiary Rieter Textile Systems (Shanghai) Co. Ltd. (Shanghai, China) with an insignificant impact on the consolidated financial statements.

In 2019, Rieter divested the subsidiary RiRe Ltd. (Vaduz, Liechtenstein). In addition, the subsidiary Xinjiang Rieter Textile Instruments Co. Ltd. (Urumqi, China) was liquidated. The impact of both changes in the Group's structure on the consolidated financial statements was insignificant.

6.2 SUBSIDIARIES AND ASSOCIATED COMPANIES

At December 31, 2020

			Capital	Group's share in capital and voting rights	Research & development	Sales/trading/services	Production	Management/financing
Belgium	Gomitex S.A., Stembert	EUR	100 000	100%		•	•	
Brazil	Graf Máquinas Têxteis Indústria e Comércio Ltda., São Paulo	BRL	51 615 323	100%		•		
	Rieter South America Ltda., São Paulo	BRL	3 287 207	100%		•		
China	Rieter China Textile Instruments Co. Ltd., Changzhou	EUR	37 800 000	100%	•	•	•	
	European Excellent Textile Components Co. Ltd., Changzhou	CNY	35 287 000	100%		•	•	
	Graf Cardservices Far East Ltd., Hong Kong	HKD	30 000	100%		•		
	SSM (Zhongshan) Ltd., Zhongshan	USD	600 000	100%	•	•	•	
Czech Republic	Rieter CZ s.r.o., Ústí nad Orlicí	CZK	316 378 000	100%	•	•	•	
	Novibra Boskovice s.r.o., Boskovice	CZK	40 000 000	100%	•	•	•	
France	Bräcker S.A.S, Wintzenheim	EUR	1 000 000	100%		•	•	
Germany	Rieter Vertriebs GmbH, Ingolstadt	EUR	15 338 756	100%		•		•
	Rieter Deutschland GmbH & Co. OHG, Ingolstadt	EUR	9 645 531	100%		•		•
	Rieter Ingolstadt GmbH, Ingolstadt	EUR	12 273 600	100%	•	•		
	Wilhelm Stahlecker GmbH, Süssen	EUR	255 645	100%	•			
	Spindelfabrik Suessen GmbH, Süssen	EUR	5 050 100	100%	•	•	•	
	Graf-Kratzen GmbH (in liquidation), Gersthofen	EUR	400 000	100%		•		
India	Rieter India Pvt. Ltd., Wing	INR	69 197 710	99%		•	•	
Italy	SSM Giudici S.r.l., Galbiate	EUR	100 000	100%	•	•	•	
	Prosino S.r.l., Borgosesia[1]	EUR	50 000	49%	•	•	•	
Netherlands	Graf Holland B.V., Enschede	EUR	113 500	100%		•	•	
Spain	Electro-Jet S.L., Gurb[1]	EUR	120 200	25%	•	•	•	•
	Graf España SA, Santa Perpètua de Mogoda (inactive)	EUR	601 000	100%				
Switzerland	Rieter Management AG, Winterthur	CHF	5 000 000	100%				•
	Tefina Holding-Gesellschaft AG, Zug	CHF	5 000 000	100%				•
	Unikeller Sona AG, Winterthur	CHF	500 000	100%				•
	Maschinenfabrik Rieter AG, Winterthur	CHF	8 500 000	100%	•	•		•
	Hogra Holding AG, Freienbach	CHF	1 000 000	100%				•
	Graf + Cie AG, Rapperswil	CHF	1 000 000	100%	•	•	•	•
	Bräcker AG, Pfäffikon	CHF	1 000 000	100%	•	•	•	•
	SSM Schärer Schweiter Mettler AG, Wädenswil	CHF	6 000 000	100%	•	•	•	•
	SSM Vertriebs AG, Steinhausen	CHF	100 000	100%		•		
Taiwan	Rieter Asia (Taiwan) Ltd., Taipeh	TWD	5 000 000	100%		•		
Turkey	Rieter Textile Machinery Trading & Services Ltd., Istanbul	TRY	25 000	100%		•		
USA	Rieter America, LLC, Spartanburg	USD	1 249	100%		•		
	Graf Metallic of America, LLC, Spartanburg	USD	50 000	100%		•		
	Rieter North America, Inc., Spartanburg	USD	1 000	100%				•
Uzbekistan	Rieter Uzbekistan FE LLC, Tashkent	UZS	904 177 000	100%		•	•	

1. Associated company.

Significant accounting policies

The consolidated financial statements comprise the financial statements of Rieter Holding Ltd. and its subsidiaries (or "group companies") as at December 31, 2020. 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.

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

6.3 INVESTMENTS IN ASSOCIATED COMPANIES

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

CHF million	2020	2019
Investments in associated companies at January 1	**16.2**	**15.9**
Share in profit	– 0.3	0.9
Dividends received	– 0.1	– 0.3
Currency translation differences	0.0	– 0.3
Investments in associated companies at December 31	**15.8**	**16.2**

Rieter holds 25% of the share capital and the voting rights of Electro-Jet S.L. based in Gurb (Spain). The residual balance of the initial acquisition price of CHF 1.1 million has been settled in 2020. In addition, Rieter holds 49% of the share capital and the voting rights of Prosino S.r.l. incorporated in Borgosesia (Italy). The effects of the associated companies on the 2020 and 2019 consolidated financial statements are insignificant.

In the year under review, the Group purchased products from associated companies with a total value of CHF 10.5 million (2019: CHF 6.3 million). The respective open trade payable balances at December 31, 2020, were interest-free and amounted to CHF 0.4 million (December 31, 2019: CHF 2.3 million).

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

Significant accounting policies

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

7 EMPLOYEE REMUNERATION

7.1 PERSONNEL EXPENSES

CHF million	2020[1]	2019
Wages and salaries	187.1	210.1
Social security and other personnel expenses	45.7	49.3
Total	**232.8**	**259.4**

1. Including total compensation associated with short-time working in the amount of CHF 7.6 million (see note 2.1).

7.2 EMPLOYEE BENEFIT PLANS

Defined contribution plans
The expense for defined contribution plans amounted to CHF 1.8 million in the year under review (2019: CHF 3.7 million).

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

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

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

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

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

The funded status of defined benefit plans was as follows:

CHF million	2020	2019
Actuarial present value of defined benefit plan obligations:		
• Funded plans (mainly Switzerland)	– 1 023.7	– 1 022.1
• Unfunded plans (other countries)	– 22.3	– 24.2
Defined benefit plan obligations at December 31	**– 1 046.0**	**– 1 046.3**
Fair value of defined benefit plan assets (mainly Switzerland)	1 348.4	1 313.4
Surplus at December 31	**302.4**	**267.1**
Impact of asset ceiling	– 272.0	– 237.6
Net defined benefit plan assets at December 31	**30.4**	**29.5**
Recognized in the balance sheet:		
• Defined benefit plan assets (in non-current assets)	62.7	62.7
• Defined benefit plan liabilities (in non-current liabilities)	– 32.3	– 33.2

The defined benefit plan obligations changed as follows:

CHF million	2020	2019
Defined benefit plan obligations at January 1	**1 046.3**	**1 026.9**
Current service cost	10.9	10.3
Interest expense	1.3	8.5
Employee contributions	7.3 [1]	6.7
Actuarial gains/losses (net)	23.1	13.9
Benefits paid	– 42.4	– 19.1
Currency translation differences	– 0.5	– 0.9
Defined benefit plan obligations at December 31	**1 046.0**	**1 046.3**

1. Includes employee contributions financed by the use of employer contribution reserves in accordance with Swiss COVID-19-related legislation.

The weighted average duration of the defined benefit plan obligations is 12.9 years (2019: 13.0 years).

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

CHF million	2020	2019
Fair value of defined benefit plan assets at January 1	**1 313.4**	**1 203.6**
Interest income	1.2	8.5
Return on defined benefit plan assets (excluding interest income)	68.2	105.0
Employer contributions	3.6	8.8
Employee contributions	4.5	6.7
Benefits paid	– 42.4	– 19.1
Currency translation differences	– 0.1	– 0.1
Fair value of defined benefit plan assets at December 31	**1 348.4**	**1 313.4**

The total gain on plan assets was CHF 69.4 million in the year under review (2019: CHF 113.5 million). The Group expects to contribute CHF 4.2 million to its defined benefit plans in 2021.

The major categories of plan assets were as follows:

CHF million	December 31, 2020	December 31, 2019
Cash and cash equivalents	51.4	63.3
Equity instruments	566.9	565.5
Debt instruments	282.5	258.6
Real estate	412.3	403.8
Other	35.3	22.2
Fair value of defined benefit plan assets	**1 348.4**	**1 313.4**

At the end of 2020, plan assets included Rieter Holding Ltd. bonds with a market value of CHF 3.0 million (December 31, 2019: CHF 1.3 million). No Rieter shares were held at the end of 2020 and 2019. Cash equivalents (e.g. money market instruments), equity instruments and 82% of the debt instruments have a quoted market price on an active market. Real estate and other assets, which include private equity investments, do not usually have a quoted market price.

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

CHF million	2020	2019
Current service cost	10.9	10.3
Net interest result	0.1	0.0
Total	**11.0**	**10.3**

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

CHF million	2020	2019
Actuarial gains/losses arising from:		
• Changes in demographic assumptions	0.0	53.7
• Changes in financial assumptions	6.1	– 85.5
• Experience adjustments	– 29.2	17.9
Return on defined benefit plan assets (excluding interest income)	68.2	105.0
Impact of changes in asset ceiling	– 34.4	– 93.4
Total	**10.7**	**– 2.3**

Main actuarial assumptions used at year-end are:

Weighted average in %	December 31, 2020	December 31, 2019
Discount rate	0.2	0.1
Future wage growth	0.8	0.8
Future pension growth	0.0	0.0

Against the background of a continuously low interest rate level and an increased life expectancy, the measurement of defined benefit plan obligations in Switzerland was conducted based on the assumption of sharing of risks between employer and employees in accordance with applicable Swiss law. Mid-term adjustments of the conversion rate, as considered realistic by the Group, were assumed. The result of the calculation was a reduction in defined benefit plan obligations by approx. 1% at December 31, 2020 (December 31, 2019: approx. 2%). Thus, the expected result from the recognition of defined benefit plan obligations is subject to lower fluctuation. In Rieter's largest pension plan, the conversion rate was reduced at January 1, 2019. Impacts on the future benefits of plan participants were mostly compensated.

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

CHF million	December 31, 2020	December 31, 2019
Increase in the discount rate by 0.5 percentage points	– 64.4	– 64.9
Decrease in the discount rate by 0.5 percentage points	72.0	73.1
Increase in the future pension growth rate by 0.5 percentage points[1]	55.9	55.8

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

A change in the assumption of future wage growth rate by 0.5 percentage points would impact defined benefit plan obligations by less than 1% (same as 2019).

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

Significant accounting estimates and judgments

Defined benefit plans require actuarial calculations in order to determine defined benefit plan obligations. These calculations are based on assumptions such as discount rates, future trends in wages and pensions as well as the employee share in the costs of the future benefits. Statistical data such as mortality tables and staff turnover probability rates are also used to calculate defined benefit plan obligations. If these parameters change, actual future results can deviate from the actuarial calculations. Such deviations can have an effect on the defined benefit plan obligations. There was no significant impact of the COVID-19 pandemic on the assumptions used in the actuarial calculations as at December 31, 2020.

Significant accounting policies

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

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

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

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

7.3 SHARE-BASED COMPENSATION

The members of the Board of Directors can choose whether to receive all or part of their remuneration in Rieter shares. In the context of their remuneration for 2020, seven members of the Board of Directors received in total 8 775 shares on January 18, 2021. The cost of CHF 0.9 million was charged to the 2020 income statement. On January 17, 2020, seven members of the Board of Directors received in total 7 725 shares in connection with their remuneration for 2019. The market value of the shares granted was CHF 1.0 million and was charged to the 2019 income statement. The shares are taken from treasury shares of Rieter Holding Ltd. and cannot be sold for three years.

In the context of the variable remuneration for 2020, the members of the Group Executive Committee will receive no Rieter shares. In the context of the variable remuneration for 2019, the members of the Group Executive Committee received 5 277 shares with a market value of CHF 0.5 million on April 16, 2020. The respective cost of CHF 0.5 million was charged to the 2019 income statement. These shares are taken from treasury shares of Rieter Holding Ltd. and cannot be sold for three years.

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

The movement of the outstanding rights was as follows:

Number of rights	2020	2019
Outstanding rights at January 1	**5 489**	**3 431**
Granted	7 327	4 104
Exercised/paid-out	– 1 448	– 1 841
Expired	– 543	– 205
Outstanding rights at December 31 (non-exercisable)	**10 825**	**5 489**

The estimated fair value of the outstanding rights amounts approximately to the market value of a Rieter share of CHF 96.70 at December 31, 2020. In the year under review, the cost of the long-term incentive plan in the amount of CHF 0.2 million affected the income statement (2019: CHF 0.2 million). The liability recognized in the balance sheet at the end of the year was CHF 0.4 million (December 31, 2019: CHF 0.4 million).

Significant accounting policies

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

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

8 OTHER DISCLOSURES

8.1 INCOME TAXES

CHF million	2020	2019
Current income taxes	4.4	36.0
Deferred income taxes	– 2.6	– 3.0
Total	**1.8**	**33.0**

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

CHF million	2020	2019
Income taxes on remeasurement of defined benefit plans	– 0.7	1.3
Income taxes on currency translation differences	0.3	0.1
Income taxes on cash flow hedges	– 0.1	– 0.1
Total	**– 0.5**	**1.3**

Reconciliation of expected and actual income taxes:

CHF million	2020	2019
Expected income taxes on profit before taxes of CHF -88.0 million (2019: CHF 85.4 million) at an average rate of 20.8% (2019: 32.8%)	– 18.3	28.0
Impact of non-deductible expenses	0.6	0.3
Impact of non-taxable income/income taxed at different rates	– 0.9	– 1.3
Impact of losses and loss carry-forwards	19.6	5.1
Impact of changes in tax rates and tax legislation	– 0.1	– 1.0
Tax effects from previous periods	– 0.2	0.0
Withholding taxes on payments from subsidiaries	1.0	1.5
Other effects	0.1	0.4
Actual income taxes	**1.8**	**33.0**

The expected weighted average tax rate decreased by 12 percentage points compared to the prior year. The decrease was mainly driven by changes in the profitability of certain group companies, especially by the gain on the disposal of land and buildings in Ingolstadt (Germany) taxed at a rate of 29.6% in 2019 (see note 2.3).

Deferred income taxes

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

CHF million	2020	2019
Deferred income tax liabilities, net at January 1	**10.5**	**14.1**
Deferred income taxes recognized in the income statement	– 2.6	– 3.0
Deferred income taxes recognized as other comprehensive income	0.5	– 1.3
Currency translation differences	0.6	0.7
Deferred income tax liabilities, net at December 31	**9.0**	**10.5**

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

CHF million	Deferred income tax assets December 31, 2020	Deferred income tax liabilities December 31, 2020	Deferred income tax assets December 31, 2019	Deferred income tax liabilities December 31, 2019
Property, plant and equipment	3.1	– 8.0	3.8	– 8.9
Intangible assets	3.1	– 7.8	0.0	– 8.9
Defined benefit plan assets	0.0	– 12.5	0.0	– 12.5
Inventories	8.1	– 1.2	6.7	– 1.2
Other assets	0.7	– 10.0	1.3	– 6.7
Provisions	2.9	– 0.1	3.1	– 0.2
Defined benefit plan liabilities	4.8	0.0	4.9	0.0
Other liabilities	2.6	– 1.7	2.3	– 1.8
Valuation adjustments on deferred income tax assets	– 5.9	0.0	– 2.5	0.0
Tax loss carry-forwards and tax credits	12.9	0.0	10.1	0.0
Total	**32.3**	**– 41.3**	**29.7**	**– 40.2**
Offsetting	– 10.2	10.2	– 5.6	5.6
Deferred income tax assets/liabilities	**22.1**	**– 31.1**	**24.1**	**– 34.6**

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

CHF million	Capitalized 2020	Non-capitalized 2020	Total 2020	Total 2019
Expiry in				
1 to 3 years	0.0	0.0	0.0	0.0
3 to 7 years	8.4	17.1	25.5	7.0
7 or more years	4.5	16.1	20.6	18.8
Total at December 31	**12.9**	**33.2**	**46.1**	**25.8**

Significant unused tax losses for which no deferred tax asset has been recognized concern primarily countries with a tax rate between 15% and 34% (2019: 12% to 34%).

Significant accounting estimates and judgments

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

In the 2020 financial year, Rieter recognized a substantial net loss which was mainly driven by the effects of the COVID-19 pandemic. For a large part of the resulting tax losses, management did not capitalize deferred tax assets at December 31, 2020, due to the extent of the losses in certain group companies and the uncertainty associated with the pandemic.

Significant accounting policies

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

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

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

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

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

8.2 OTHER NON-CURRENT ASSETS

CHF million	December 31, 2020	December 31, 2019
Other financial assets	1.2	0.9
Non-current interest-bearing receivables	0.0	1.0
Derivative financial instruments (positive fair values)	0.0	0.1
Other non-current assets	5.9	7.5
Total	**7.1**	**9.5**

8.3 LEASES

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

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

CHF million	December 31, 2020	December 31, 2019
Land and buildings	17.1	6.7
Vehicles and furniture	0.7	0.8
Right-of-use assets	**17.8**	**7.5**

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

CHF million	2020	2019
Land and buildings	2.5	2.4
Vehicles and furniture	0.3	0.3
Depreciation associated with right-of-use assets	**2.8**	**2.7**

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

CHF million		2020	2019
Expenses associated with short-term leases	EBIT	4.1	4.1
Interest expenses on lease liabilities	Financial result	0.2	0.1

Movements in the carrying amount of right-of-use assets are presented in note 4.4. Lease liabilities and the respective maturity analysis are included in note 5.3 and 8.5.

Total cash outflows for leases amounted to CHF 7.2 million in the 2020 financial year (2019: CHF 6.8 million).

Discounted future cash outflows in connection with lease arrangements that were committed, but have not commenced at December 31, 2020, amounted to CHF 8.2 million (December 31, 2019: CHF 22.1 million).

Significant accounting policies

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

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

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

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

8.4 FINANCIAL INSTRUMENTS

The following tables summarize all financial instruments held at December 31, 2020, and 2019, grouped according to the categories defined in the significant accounting policies. In addition, the tables provide information regarding the fair value hierarchy of IFRS 13. The carrying amounts of financial instruments measured at amortized cost approximate fair values due to their mainly short-term nature.

CHF million	December 31, 2020	December 31, 2019
Cash and banks	249.2	256.5
Time deposits with original maturities of up to three months	33.1	27.6
Time deposits with original maturities of more than three months	0.5	0.5
Trade receivables	50.4	68.2
Other current receivables	14.6	15.1
Other financial assets	0.0	0.2
Non-current interest-bearing receivables	0.0	1.0
Financial assets at amortized cost	**347.8**	**369.1**
Other financial assets[1]	0.6	0.7
Derivative financial instruments (positive fair values)[1]	7.2	2.0
Financial assets at fair value through profit and loss (mandatorily)	**7.8**	**2.7**
Marketable securities[2]	0.4	0.4
Other financial assets[3]	0.6	0.0
Financial assets at fair value through other comprehensive income	**1.0**	**0.4**
Total financial assets	**356.6**	**372.2**

1. Measured at fair values which are based on directly or indirectly observable input parameters (level 2).
2. Measured at fair values which are based on quoted prices in active markets (level 1).
3. Measured at fair values which are based on unobservable inputs (level 3).

CHF million	December 31, 2020	December 31, 2019
Trade payables	47.7	68.9
Other current liabilities	52.6	55.9
Bank debt	148.9	11.8
Current lease liabilities	2.3	2.0
Other current financial debt	0.2	7.3
Fixed-rate bond[1]	74.7	99.9
Non-current lease liabilities	11.9	1.9
Other non-current financial debt	3.9	0.0
Financial liabilities at amortized cost	**342.2**	**247.7**
Derivative financial instruments (negative fair values)[2]	2.8	1.0
Financial liabilities at fair values through profit and loss (mandatorily)	**2.8**	**1.0**
Total financial liabilities	**345.0**	**248.7**

1. The fair value of the fixed-rate bond as disclosed in note 5.3 is based on a quoted price in an active market (level 1).
2. Measured at fair values which are based on directly or indirectly observable input parameters (level 2).

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

Financial instruments measured at level 2 consist mainly of derivatives held for hedging purposes entered into with reputable financial institutions. The fair value of these instruments is determined with the help of valuation techniques which use foreign exchange rates and interest rates as observable input parameters. At December 31, 2020, contract values of all outstanding forward exchange contracts amounted to CHF 667.2 million (December 31, 2019: CHF 325.2 million).

8.5 FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

Foreign exchange risk

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

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

Hedge accounting is applied to significant firm sales and purchase commitments associated with machinery and systems sales orders in order to avoid a temporary distortion of the operating result due to fair value gains and losses resulting from derivative financial instruments. The hedge accounting policy is included in the other significant accounting policies (see note 8.8). Rieter aims to achieve a hedge ratio of between 80% and 100%. The hedge ratio is defined as the nominal value of the foreign currency forward contract (hedging instrument) divided by the value of the unrecognized firm commitment (hedged transaction/item).

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

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

CHF million	Change	Impact 2020	Impact 2019
EUR/CHF	+ 5%	2.1	4.6
EUR/CHF	- 5%	– 2.1	– 4.6
USD/CHF	+ 5%	1.3	0.0
USD/CHF	- 5%	– 1.3	0.0

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

Effects of hedge accounting

The tables below present the impact of derivative financial instruments designated as hedging instruments in a hedging relationship on the consolidated balance sheet at December 31, 2020, and 2019:

December 31, 2020	Carrying amount of the hedging instruments			
CHF million	Derivative financial instruments (positive fair values)	Derivative financial instruments (negative fair values)	Nominal amount	Change in the fair value of the hedging instrument used as a basis for recognizing hedge ineffectiveness
Foreign exchange risks				
Current foreign currency forward and swap contracts (maturity date within twelve months)[1]	3.5	0.5	344.6	0.2
Non-current foreign currency forward and swap contracts (maturity date after twelve months)[2]	0.0	0.0	9.6	0.0

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

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

The change in value of the hedged transactions used as a basis for recognizing hedge ineffectiveness amounted to CHF 0.8 million in the year under review (2019: CHF 0.7 million).

The following hedging relationships affected the 2020 and the 2019 consolidated income statement and the consolidated statement of comprehensive income:

CHF million	2020	2019
Foreign exchange risks		
Hedging gains/losses recognized in other comprehensive income	0.2	0.8
Hedge ineffectiveness recognized in the income statement[1]	0.6	– 0.1
Hedged future transactions no longer expected to occur[1]	– 0.9	0.0
Amount reclassified from the hedge reserve into the income statement[1]	0.5	– 0.2

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

The following table provides a summary of the development of the hedge reserve in 2020 and 2019:

CHF million	2020	2019
Foreign exchange risks		
Hedge reserve at January 1	**0.5**	**0.1**
Hedging gains/losses recognized in other comprehensive income[1]	0.2	0.8
Hedge ineffectiveness recognized in the income statement[1]	0.6	– 0.1
Hedged future transactions no longer expected to occur[1]	– 0.9	0.0
Amount reclassified from the hedge reserve into the income statement[1]	0.5	– 0.2
Income taxes	– 0.1	– 0.1
Hedge reserve at December 31	**0.8**	**0.5**

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

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

The following tables provide information about the nominal amounts, the maturity as well as average forward exchange rates of foreign currency forward and swap contracts designated as hedging instruments at December 31, 2020, and 2019:

December 31, 2020	**Period of maturity**				**Total**	
	2021 Long[1]	**2021 Short[2]**	**2022 and later Long[1]**	**2022 and later Short[2]**	**Total Long[1]**	**Total Short[2]**
Foreign exchange risks						
CZK exposure hedged by group companies whose functional currency is CHF						
• Nominal amount (CHF million, long +/short -)	24.8	0.0	0.0	0.0	24.8	0.0
• Average forward foreign exchange rate (CZK 100/CHF)	4.02				4.02	
CNY exposure hedged by group companies whose functional currency is CHF						
• Nominal amount (CHF million, long +/short -)	79.6	– 8.8	0.0	0.0	79.6	– 8.8
• Average forward foreign exchange rate (CNY 100/CHF)	13.20	13.23			13.20	13.23
EUR exposure hedged by group companies whose functional currency is CHF						
• Nominal amount (CHF million, long +/short -)	100.9	– 102.2	3.4	– 6.2	104.3	– 108.4
• Average forward foreign exchange rate (EUR/CHF)	1.07	1.07	1.07	1.07	1.07	1.07
USD exposure hedged by group companies whose functional currency is CHF						
• Nominal amount (CHF million, long +/short -)	0.0	– 28.2	0.0	0.0	0.0	– 28.2
• Average forward foreign exchange rate (USD/CHF)		0.93				0.93

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

December 31, 2019	Period of maturity				Total	
	2020 Long[1]	2020 Short[2]	2021 and later Long[1]	2021 and later Short[2]	Total Long[1]	Total Short[2]
Foreign exchange risks						
CZK exposure hedged by group companies whose functional currency is CHF						
• Nominal amount (CHF million, long +/short -)	9.7	0.0	5.8	0.0	15.5	0.0
• Average forward foreign exchange rate (CZK 100/CHF)	4.21		4.14		4.19	
CNY exposure hedged by group companies whose functional currency is CHF						
• Nominal amount (CHF million, long +/short -)	8.3	0.0	6.6	0.0	14.9	0.0
• Average forward foreign exchange rate (CNY 100/CHF)	13.69		13.28		13.51	
EUR exposure hedged by group companies whose functional currency is CHF						
• Nominal amount (CHF million, long +/short -)	42.5	– 85.5	21.5	0.0	64.0	– 85.5
• Average forward foreign exchange rate (EUR/CHF)	1.09	1.10	1.08		1.09	1.10
USD exposure hedged by group companies whose functional currency is CHF						
• Nominal amount (CHF million, long +/short -)	0.4	– 9.3	0.0	0.0	0.4	– 9.3
• Average forward foreign exchange rate (USD/CHF)	0.96	0.96			0.96	0.96

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

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

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

Cash flow sensitivity analysis: A one percentage point increase in interest rates would not have a significant impact on profit before taxes in 2020 and 2019.

Price risk
Holding marketable financial assets exposes Rieter to a risk of price fluctuation. The Group’s balance of marketable financial assets was not significant at the end of the year under review or the prior year.

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

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

Trade receivables

Rieter aims to secure the credit risk exposure arising from larger individual customer receivables by means of advance payment, irrevocable letter of credit, bank guarantee, credit insurance or other instruments. This is mainly relevant for the Business Group Machines & Systems as well as for larger sales orders in the other two business groups. For the remaining business, credit risk is limited due to the large number of customers with individually smaller open balances and the wide geographical spread of these customers. As a result, management is of the opinion that there is no concentration of credit risk. At December 31, 2020, no open receivable balance from individual customers exceeded 10% of total trade receivables (December 31, 2019: one individual customer).

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

The following tables show the average expected loss rate for trade receivables per age category at December 31, 2020, and 2019:

December 31, 2020 CHF million	**Not due**	**No more than 90 days overdue**	**91 to 180 days overdue**	**181 days to one year overdue**	**More than one year overdue**	**Total**
Expected loss rate	1.6%	1.5%	16.7%	37.5%	95.2%	6.0%
Trade receivables (gross)	36.4	13.7	0.6	0.8	2.1	53.6
Allowance for trade receivables	0.6	0.2	0.1	0.3	2.0	3.2

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

The following table summarizes the movement in the allowance for trade receivables in 2020 and 2019:

CHF million	**2020**	**2019**
Allowance for trade receivables at January 1	**– 4.7**	**– 5.5**
Changes to expected credit losses on trade receivables	– 0.8	– 1.1
Write-off of trade receivables/reversal of unused amounts	2.2	1.8
Currency translation differences	0.1	0.1
Allowance for trade receivables at December 31	**– 3.2**	**– 4.7**

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

The following table provides a summary of the credit risk exposure at December 31, 2020, and 2019:

CHF million	December 31, 2020	December 31, 2019
Trade receivables	53.6	72.9
Comprising:		
• Trade receivables secured by letters of credit or similar instruments	22.1	38.2
• Trade receivables unsecured	31.5	34.7
Allowance for trade receivables	– 3.2	– 4.7
Total	**50.4**	**68.2**

Customers provide letters of credit from local and international banks as security. Rieter monitors credit risks related to the respective banks (e.g. by using official ratings). Where the ratings are unsatisfactory, management may seek additional security. At December 31, 2020, and 2019, no loss allowances were recorded for secured trade receivables.

Liquidity risk

Rieter's liquidity risk management includes holding adequate reserves of liquid funds and time deposits, the option of financing via an appropriate level of committed and uncommitted credit lines, and basically the ability to place issues on the capital market. In light of the dynamic nature of the business environment in which Rieter operates, the goal is to ensure financial stability and retain the necessary flexibility by financing operations with adequate free cash flow (defined as cash flows from operating and investing activities) and maintaining unutilized credit lines. For this purpose, Rieter arranged bilaterally committed credit facilities with selected banks with a term of five years in the total amount of CHF 175 million in October 2017. In the light of the COVID-19 pandemic, these facilities have been increased by CHF 50 million to CHF 225 million in the 2020 financial year. These credit facilities have not been utilized to date.

The following tables show the contractual maturities of the Group's financial liabilities (including interest) at December 31, 2020, and 2019:

December 31, 2020	**Carrying amount**	**Contractual cash flows**			
CHF million		**Within 1 year**	**In 1 to 5 years**	**In 5 or more years**	**Total cash flows**
Non-derivatives					
Trade payables	47.7	47.7	0.0	0.0	47.7
Other current liabilities	52.6	52.6	0.0	0.0	52.6
Bank debt	148.9	150.2	0.0	0.0	150.2
Fixed-rate bond	74.7	1.2	78.5	0.0	79.7
Lease liabilities	14.2	2.5	7.1	5.9	15.5
Other financial debt	4.1	0.2	4.2	0.0	4.4
Total non-derivatives	**342.2**	**254.4**	**89.8**	**5.9**	**350.1**
Derivatives					
Foreign currency forward and swap contracts	2.8	289.6	6.6	0.0	296.2
Total derivatives	**2.8**	**289.6**	**6.6**	**0.0**	**296.2**
Total	**345.0**	**544.0**	**96.4**	**5.9**	**646.3**

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

Capital management

The capital managed by the Group is equal to the consolidated equity. Rieter's objectives in terms of capital management are to safeguard the Group's financial stability, its financial independence and its ability to continue as a going concern in order to generate returns for shareholders and respective benefits for other stakeholders. In addition, capital management aims to maintain an optimal capital structure. The equity ratio is 36% at December 31, 2020 (December 31, 2019: 48%). As an industrial group, Rieter strives to have a strong balance sheet with an equity ratio of at least 35%.

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

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

8.6 RELATED PARTIES

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

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

CHF million	2020	2019
Cash compensation	2.7	3.5
Employee benefit contributions and social security	0.7	0.8
Share-based compensation	1.0	1.6
Total	**4.4**	**5.9**

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

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

8.7 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

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

New or amended standards and interpretations
Conceptual Framework for Financial Reporting[1]
Definition of a Business (amendments to IFRS 3)[1]
Definition of Material (amendments to IAS 1 and IAS 8)[1]
Interest Rate Benchmark Reform – Phase 1 (amendments to IFRS 9, IAS 39 and IFRS 7)[1]
COVID-19-related Rent Concessions (amendments to IFRS 16)[1]

1. The application of these new or amended provisions had no significant impact on the 2020 consolidated financial statements and the comparative period.

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

New or amended standards and interpretations	Effective date	Planned application by Rieter
Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)[1]	January 1, 2021	Financial year 2021
Reference to the Conceptual Framework (amendments to IFRS 3)[1]	January 1, 2022	Financial year 2022
Proceeds for Intended Use (amendments to IAS 16)[1]	January 1, 2022	Financial year 2022
Onerous Contracts – Costs of Fulfilling a Contract (amendments to IAS 37)[1]	January 1, 2022	Financial year 2022
Annual Improvements 2018-2020[1]	January 1, 2022	Financial year 2022
IFRS 17 Insurance Contracts[1]	January 1, 2023	Financial year 2023
Classification of Liabilities as Current or Non-current (amendments to IAS 1)[1]	January 1, 2023	Financial year 2023

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

8.8 OTHER SIGNIFICANT ACCOUNTING POLICIES

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

Foreign currency translation

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

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

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

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

		Average annual CHF rates		Year-end CHF rates	
Country/Region	Currency (unit)	2020	2019	2020	2019
China	CNY 100	13.59	14.38	13.46	13.88
Czech Republic	CZK 100	4.05	4.33	4.12	4.27
Euro countries	EUR 1	1.07	1.11	1.08	1.09
India	INR 100	1.26	1.41	1.20	1.35
USA	USD 1	0.94	0.99	0.88	0.97

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

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

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

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

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

Rieter held no debt instruments classified as "at fair value through profit or loss" or as "at fair value through OCI" at December 31, 2020, and 2019.

Credit risks related to debt instruments at amortized cost held by Rieter at December 31, 2020, and 2019, are considered to be low. Therefore, Rieter determines the impairment allowance as the credit losses expected in the next twelve months. If the credit risk were to increase and no longer be regarded as low risk, lifetime expected credit losses would have to be recognized. For trade receivables a separate approach is applied for measuring impairment (see notes 4.1).

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

Equity instruments
A minor balance of equity instruments was designated as "at fair value through other comprehensive income" at acquisition date. Apart from that, Rieter held no financial assets at December 31, 2020, and 2019, that complied with the criteria for equity instruments.

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

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

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

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

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

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

8.9 EVENTS AFTER BALANCE SHEET DATE

No events have occurred up to March 8, 2021, which would necessitate adjustments to the carrying amounts of the Group's assets or liabilities, or which would require disclosure.

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

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REPORT OF THE STATUTORY AUDITOR ON THE AUDIT OF THE 2020 CONSOLIDATED FINANCIAL STATEMENTS TO THE GENERAL MEETING OF RIETER HOLDING LTD., WINTERTHUR

Opinion

We have audited the consolidated financial statements of Rieter Holding Ltd. and its subsidiaries (the Group) which comprise the consolidated income statement and consolidated statement of comprehensive income for the year 2020, consolidated balance sheet as at 31 December 2020, consolidated statement of changes in equity, consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 46 to 89) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

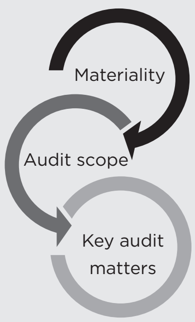
Basis for opinion

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

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

Our audit approach

Overview



Overall Group materiality: CHF 2 000 000

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

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

- Recognition and measurement of guarantee and warranty provisions
- Measurement of goodwill

Materiality

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

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

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

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

Audit scope

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

The main subsidiaries of the Group are audited by PwC (seven full scope audits) and we remain in constant contact with the audit teams that perform the work. Additionally, there are three companies in the "specified procedures scope" (of these, two companies are not audited by PwC). As the auditor of the consolidated financial statements, we ensure that we regularly visit local management as well as the local auditors. As part of the audit of the 2020 consolidated financial statements, we performed the audit of the most significant Swiss Group companies (three full scope audits) and we held videocalls with component auditors at the planning and completion stage of the audit.

Key audit matters

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

RECOGNITION AND MEASUREMENT OF GUARANTEE AND WARRANTY PROVISIONS

Key audit matter	How our audit addressed the key audit matter
Guarantee and warranty provisions can arise from the Rieter Group's regular business activities in the manufacture of spinning machines, systems and components. The recognition and measurement of these provisions require critical accounting estimates and judgments by Management based on historical experience and expectations. We consider guarantee and warranty commitments to be a key audit matter because of the inherent estimation uncertainty regarding their probability and magnitude. *Please refer to Note 4.8 'Provisions' in the annual report.*	• We compared the guarantee and warranty provisions recorded in the prior year with the actual expenses arising from guarantee and warranty claims incurred in the year under review and assessed the adjustments made by Management. • We compared the estimated amounts of guarantees and warranties with actual and expected costs. • We assessed the accounting estimates and judgments of Management and the estimated probabilities of associated risks from guarantees and warranties as of 31 December 2020. • We analysed management's estimates of other provisions on a case-by-case basis and reviewed relevant contracts. The results of our audit support Management's assumptions with regard to the recognition and measurement of guarantee and warranty provisions.

MEASUREMENT OF GOODWILL

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2020, Rieter recognized goodwill amounting to CHF 43.5 million (2019: CHF 43.5 million). The goodwill is tested annually for impairment. The valuation of goodwill is highly dependent on Management's estimates of future cash flows, revenue and cost growth and changes in net working capital and in the discount rate applied to the forecast cash flows. Owing to the numerous assumptions and estimates used by Management and the fact that they are subject to a certain degree of uncertainty, we considered the valuation of the recoverability of the carrying amounts related to goodwill as a key audit matter. *Please refer to note 4.5 'Intangible assets and goodwill' in the annual report.*	• We tested the appropriateness of the valuation model used and verified the logical consistency (structure, completeness) and mathematical correctness of the valuation model used. • We assessed the allocation of the goodwill to cash-generating-units and the future cash flows of the cash-generating units and discussed the forecasts with Management. • We compared Management's assumptions regarding revenue and margin growth with economic and industry-specific forecasts as well as historical data, respectively. • We compared the discount rates applied to industry benchmarks, considering country-specific characteristics of foreign cash-generating units. In addition, we performed a plausibility check on the forecast changes in net working capital. • We assessed the sensitivity analyses of the key assumptions performed by Management. The assumptions used were consistent and in line with our expectations. The audit evidence obtained supports Management's assumptions with regard to the recoverability of goodwill.

Other information in the annual report

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

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

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

Responsibilities of the Board of Directors for the consolidated financial statements

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

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

PricewaterhouseCoopers AG

Beat Inauen
Audit expert
Auditor in charge

Remo Hegner
Audit expert

Zurich, 8 March 2021

INCOME STATEMENT OF RIETER HOLDING LTD.

CHF million	Notes	2020	2019
Income			
Income from investments	(2.1)	21.1	30.1
Financial income	(2.2)	3.4	2.6
Other income	(2.3)	3.0	3.9
Total income		**27.5**	**36.6**
Expenses			
Administrative expenses		4.5	5.5
Financial expenses	(2.4)	6.6	2.4
Increase in value adjustments and provisions	(2.5)	0.0	9.6
Taxes		0.2	0.1
Total expenses		**11.3**	**17.6**
Net profit		**16.2**	**19.0**

BALANCE SHEET OF RIETER HOLDING LTD.

CHF million	Notes	December 31, 2020	December 31, 2019
Assets			
Cash and cash equivalents	(2.6)	183.3	164.9
Current receivables	(2.7)	40.3	50.5
Prepaid expenses and accrued income	(2.8)	0.4	0.2
Current assets		**224.0**	**215.6**
Other financial assets	(2.9)	118.6	25.5
Investments	(2.10)	214.5	211.0
Non-current assets		**333.1**	**236.5**
Total assets		**557.1**	**452.1**
Liabilities and shareholders' equity			
Current liabilities	(2.11)	1.0	1.6
Current interest-bearing liabilities	(2.12)	269.3	231.1
Accrued expenses and deferred income	(2.8)	2.1	1.1
Current liabilities		**272.4**	**233.8**
Non-current interest-bearing liabilities	(2.13)	75.0	0.0
Provisions	(2.14)	11.3	11.3
Non-current liabilities		**86.3**	**11.3**
Total liabilities		**358.7**	**245.1**
Share capital	(2.15)	23.4	23.4
General legal reserve	(2.16)	27.5	27.5
Free reserves	(2.17)	120.6	121.4
Retained earnings	(2.18)		
• Balance carried forward		38.2	39.3
• Net profit		16.2	19.0
Treasury shares	(2.19)	– 27.5	– 23.6
Shareholders' equity		**198.4**	**207.0**
Total shareholders' equity and liabilities		**557.1**	**452.1**

NOTES TO THE FINANCIAL STATEMENTS OF RIETER HOLDING LTD.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES

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

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

1.2 INVESTMENTS

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

1.3 TREASURY SHARES

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

1.4 FOREIGN CURRENCIES

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

1.5 DERIVATIVE FINANCIAL INSTRUMENTS

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

2 DETAILS OF BALANCE SHEET AND INCOME STATEMENT ITEMS

2.1 INCOME FROM INVESTMENTS

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

2.2 FINANCIAL INCOME

Financial income includes interest income.

2.3 OTHER INCOME

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

2.4 FINANCIAL EXPENSES

Financial expenses consist mainly of interest payable on the fixed-rate bond and liabilities payable to banks and group companies as well as the foreign exchange result. In addition, the charges for the non-utilized bilaterally committed credit facilities (CHF 225 million, maturity on October 31, 2022) are included.

2.5 INCREASE IN VALUE ADJUSTMENTS AND PROVISIONS

In 2019, the value of investments in subsidiaries was adjusted by CHF 9.6 million.

2.6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include bank accounts.

2.7 CURRENT RECEIVABLES

CHF million	December 31, 2020	December 31, 2019
Receivables from third	0.1	0.0
Receivables from subsidiaries	40.2	50.5
Total	**40.3**	**50.5**

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

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

Prepaid expenses and accrued income consist mainly of financing costs.

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

2.9 OTHER FINANCIAL ASSETS

CHF million	December 31, 2020	December 31, 2019
Loans to subsidiaries	118.6	25.5
Total	**118.6**	**25.5**

Non-current loans granted to subsidiaries are based on market terms and conditions. The increase in 2020 is related to additonal financing of subsidiaries.

2.10 INVESTMENTS

CHF million	December 31, 2020	December 31, 2019
Investments in subsidiaries	202.7	199.2
Investments in associated companies	11.8	11.8
Total	**214.5**	**211.0**

Investments are listed on page 68. These are held directly or indirectly by Rieter Holding Ltd.

2.11 CURRENT LIABILITIES

CHF million	December 31, 2020	December 31, 2019
Liabilities to group companies	0.8	0.2
Liabilities to third parties	0.2	1.4
Total	**1.0**	**1.6**

2.12 CURRENT INTEREST-BEARING LIABILITIES

CHF million	December 31, 2020	December 31, 2019
Liabilities to group companies	135.9	131.1
Fixed-rate bond	0.0	100.0
Bank debt	133.4	0.0
Total	**269.3**	**231.1**

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

Between March and November 2020, Rieter drew down bank loans with a term of one year. In addition, Rieter repaid the existing fixed-rate bond in the amount of CHF 100 million on September 29, 2020. The bond had a term of six years, a fixed interest rate of 1.5% and was listed on the SIX Swiss Exchange.

2.13 NON-CURRENT INTEREST-BEARING LIABILITIES

On August 18, 2020, Rieter Holding Ltd. issued a new fixed-rate bond with a nominal value amounting to CHF 75.0 million. This bond has a term of four years with a maturity date on August 17, 2024, a fixed interest rate of 1.55% p.a. and is listed on the SIX Swiss Exchange.

2.14 PROVISIONS

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

2.15 SHARE CAPITAL

At December 31, 2020, the share capital of Rieter Holding Ltd. amounted to CHF 23 361 815. It is divided into 4 672 363 fully paid registered shares with a nominal value of CHF 5.00 each.

The Annual General Meeting held on April 18, 2012, authorized the Board of Directors to increase the share capital at any time until April 18, 2014, by up to CHF 2 500 000 by issuing a maximum of 500 000 fully paid registered shares with a nominal value of CHF 5.00 each. The Annual General Meeting approved the extension of this time limit by two years in 2014, 2016, 2018 and 2020, most recently until April 16, 2022. Increases in partial amounts are permitted. The subscription and purchase of the new shares are subject to the restrictions set forth in §4 of the Articles of Association.

2.16 GENERAL LEGAL RESERVE

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

2.17 FREE RESERVES

CHF million	2020	2019
Opening balance	121.4	108.9
Transfer from the appropriation of retained earnings	0.0	15.0
Losses/gains from treasury shares	– 0.8	– 2.5
Total	**120.6**	**121.4**

2.18 RETAINED EARNINGS

Including retained earnings carried forward, the Annual General Meeting has a total of CHF 54.4 million at its disposal (2019: CHF 58.4 million).

2.19 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, 2020 (registered shares)	158 032
Purchases from January to December 2020 (average price per share: CHF 100.73)	62 703
Sales from January to December 2020 (average price per share: CHF 112.52)	– 14 675
Treasury shares at December 31, 2020 (registered shares)	**206 060**

3 ADDITIONAL INFORMATION

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

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

3.2 GUARANTEES TO THIRD PARTIES

CHF million	December 31, 2020	December 31, 2019
Guarantees	68.1	68.0

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

3.3 SIGNIFICANT SHAREHOLDERS

Major groups of shareholders with holdings exceeding 3% of total voting rights (pursuant to Article 663c of the Swiss Code of Obligations) at December 31, 2020:

- According to the notification from SIX Swiss Exchange (SIX) on October 26, 2019, PCS Holding AG, Frauenfeld, Switzerland, held 1 031 380 shares (22.07%).
- According to the notification from SIX on May 12, 2011, Artemis Beteiligungen I AG, Franke Artemis Holding AG and Artemis Holding AG, Hergiswil, Switzerland, held 538 087 shares (11.52%).
- According to the notification from SIX on October 21, 2020, Credit Suisse Funds AG, Zurich, Switzerland, held 232 893 shares (4.98%).
- According to the notification from SIX on August 19, 2015, Rieter Holding Ltd., Winterthur, Switzerland, held 140 504 shares (3.01%).

3.4 SHAREHOLDINGS BY THE BOARD OF DIRECTORS AND THE GROUP EXECUTIVE COMMITTEE (INCLUDING RELATED PARTIES) AT DECEMBER 31, 2020 (ARTICLE 663C, SWISS CODE OF OBLIGATIONS)

	Number of shares	
	December 31, 2020	December 31, 2019
Bernhard Jucker, Chairman	7 069	4 285
Roger Baillod	1 393	976
Carl Illi	1 032	587
Michael Pieper	544 143	543 293
This E. Schneider	8 530	7 467
Hans-Peter Schwald	7 665	7 665
Peter Spuhler	1 132 463	1 031 380
Luc Tack	2 412	1 329
Total Board of Directors	**1 704 707**	**1 596 982**

	Number of shares	
	December 31, 2020	December 31, 2019
Dr. Norbert Klapper	9 077	5 034
Thomas Anwander	2 368	1 664
Serge Entleitner	1 618	778
Kurt Ledermann	573	10
Carsten Liske	1 984	1 338
Rico Randegger	805	0
Total Group Executive Committee	**16 425**	**8 824**

In 2020, the members of the Board of Directors and the Group Executive Committee received 13 570 shares with a fair value of CHF 1.6 million as part of their share-based compensation.

3.5 EVENTS AFTER BALANCE SHEET DATE

The financial statements were approved by the Board of Directors on March 8, 2021. They are subject to approval by the Annual General Meeting of shareholders on April 15, 2021. There were no other significant events after balance sheet date.

MOTION OF THE BOARD OF DIRECTORS

FOR THE APPROPRIATION OF RETAINED EARNINGS

CHF	2020
Net profit for the year	16 199 660
Retained earnings carried forward from previous year	38 232 224
At the disposal of the Annual General Meeting	**54 431 884**
Motion:	
No dividend distribution	
Balance to be carried forward	54 431 884
	54 431 884

The Board of Directors proposes not to pay a dividend.

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

pwc

REPORT OF THE STATUTORY AUDITOR ON THE AUDIT OF THE 2020 FINANCIAL STATEMENTS TO THE GENERAL MEETING OF RIETER HOLDING LTD., WINTERTHUR

Opinion

We have audited the financial statements of Rieter Holding Ltd., which comprise the balance sheet as at 31 December 2020, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 96 to 102 and page 68) as at 31 December 2020 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

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

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

Our audit approach

Materiality

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

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

Overall materiality	CHF 900 000
How we determined it	0.5% of shareholders' equity.
Rationale for the materiality benchmark applied	We chose shareholders' equity as the benchmark because it is a generally accepted benchmark for materiality considerations relating to a holding company.

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

Audit scope

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

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

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

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

PricewaterhouseCoopers AG

Beat Inauen Audit expert Auditor in charge	Remo Hegner Audit expert

Zurich, 8 March 2021

REVIEW 2016 TO 2020

		2020	2019	2018	2017	2016
Consolidated income statement						
Sales	CHF million	573.0	760.0	1 075.2	965.6	945.0
• Asian countries (without China/India/Turkey)	CHF million	185	293	434	319	286
• China	CHF million	93	137	149	184	187
• India	CHF million	51	100	146	174	182
• Turkey	CHF million	122	67	155	100	119
• North and South America	CHF million	66	106	109	115	87
• Europe	CHF million	38	41	47	46	41
• Africa	CHF million	18	16	36	28	43
EBITDA[1]	CHF million	– 46.7	123.1 [2]	84.1	64.7	95.8
• in % of sales		– 8.2	16.2	7.8	6.7	10.1
EBIT before restructuring charges[1]	CHF million	– 76.7	84.6 [2]	42.9	51.8	56.5
• in % of sales		– 13.4	11.1	4.0	5.4	6.0
EBIT[1]	CHF million	– 84.4	84.9 [2]	43.2	15.8	56.5
• in % of sales		– 14.7	11.2	4.0	1.6	6.0
Net profit	CHF million	– 89.8	52.4	32.0	13.3	42.7
• in % of sales		– 15.7	6.9	3.0	1.4	4.5
RONA[1]	in %	– 14.3	10.0	6.6	3.0	8.5
Consolidated cash flow statement						
Cash flow from operating activities	CHF million	– 49.8	– 45.7	78.4	20.6	102.2
Cash flow from investing activities[3]	CHF million	– 25.0	88.0	– 14.8	– 21.7	– 25.9
Cash flow from financing activities	CHF million	78.0	– 9.8	– 36.3	– 19.4	– 34.4
Free cash flow[1]	CHF million	– 74.8	42.3	63.6	– 1.1	76.3
Number of employees at December 31[4]		**4 416**	**4 591**	**5 134**	**5 246**	**5 022**
Consolidated balance sheet at December 31						
Current assets	CHF million	555.7	567.2	577.8	598.2	653.8
Non-current assets	CHF million	407.8	415.8	424.5	450.0	344.3
Current liabilities	CHF million	428.3	410.7	320.6	323.2	304.9
Non-current liabilities	CHF million	184.3	102.7	235.1	267.5	232.5
Equity attributable to shareholders of Rieter Holding Ltd.	CHF million	350.6	468.8	445.9	456.8	459.6
Equity attributable to non-controlling interests	CHF million	0.3	0.8	0.7	0.7	1.1
Total assets	CHF million	963.5	983.0	1 002.3	1 048.2	998.1
Equity ratio[1]	in %	36.4	47.8	44.6	43.6	46.2
Cash and cash equivalents	CHF million	282.3	284.1	256.2	243.3	365.6
Marketable securities and time deposits	CHF million	0.9	0.9	0.9	1.1	7.0
Current financial debt	CHF million	– 151.4	– 121.0	– 0.2	– 7.3	– 9.1
Non-current financial debt	CHF million	– 90.5	– 1.9	– 106.7	– 106.6	– 100.0
Net liquidity[1]	CHF million	**41.3**	**162.1**	**150.2**	**130.5**	**263.5**

1. Definition in Alternative Performance Measures on pages 43 and 44.
2. Including the gain on disposal of land and buildings in Ingolstadt (Germany) amounting to CHF 94.5 million.
3. Excluding acquisitions and divestments of business.
4. Excluding apprentices and temporary employees.

Rieter Holding Ltd. share (RIEN)

			2020	2019	2018	2017	2016
Market capitalization[1]	December 31	CHF million	432	623	577	1 076	800
Market capitalization/EBITDA ratio			– 9.3	5.1	6.9	16.6	8.4
Share price at SIX Swiss Exchange	December 31	CHF	96.7	138.1	128.8	237.8	177.1
	high	CHF	137.5	157.0	258.8	248.0	218.4
	low	CHF	74.5	122.2	119.0	175.0	168.0
Equity attributable to shareholders of Rieter Holding Ltd. per share	December 31	CHF	78.5	103.8	99.5	101.0	101.8
Basic earnings per share		CHF	– 20.05	11.65	7.07	2.92	9.39
Price/earnings ratio[1]			– 4.8	11.9	18.2	81.4	18.9
Dividend per share		CHF	0.00 [2]	4.50	5.00	5.00	5.00
Dividend payout ratio[1]		in %	0.0	38.6	70.7	171.2	53.2
Dividend yield[1]		in %	0.0	3.3	3.9	2.1	2.8

1. Definition in Alternative Performance Measures on pages 43 and 44.
2. Motion of the Board of Directors on page 103.

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

March 2021

Copy:
Rieter Management AG

Concept and design:
NeidhartSchön, Zurich

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Daniel Hager, Zurich

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