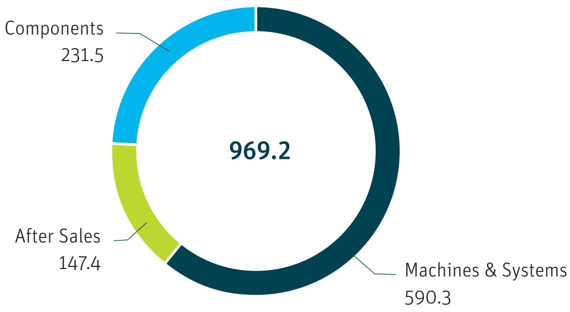
RIETER

2021

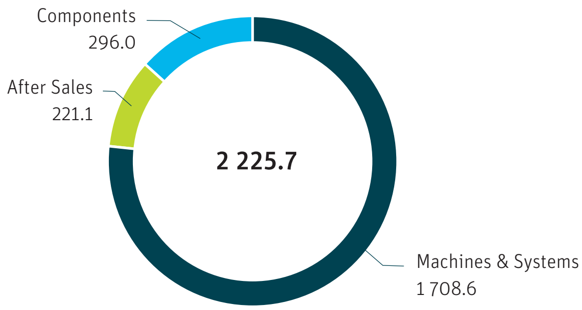
Annual Report

RIETER AT A GLANCE

Sales by Business Group
CHF million



Order Intake by Business Group
CHF million



CHF million	2021	2020	Difference
Order intake[1]	2 225.7	640.2	248%
Sales	969.2	573.0	69%
EBITDA[1]	85.0	–46.7	
– in % of sales	8.8	–8.2	
EBIT before restructuring charges[1]	46.0	–76.7	
– in % of sales	4.7	–13.4	
EBIT[1]	47.6	–84.4	
– in % of sales	4.9	–14.7	
Net profit	31.7	–89.8	
– in % of sales	3.3	–15.7	
Capital expenditure[1]	38.6	28.6	35%
Net liquidity[1]	–161.9	41.3	–492%
Dividend per share (in CHF)[2]	4.00	0.00	
Equity ratio in %[1]	27.6	36.4	–24%
Number of employees (excluding temporaries)	4 907	4 416	11%

[1] Definition in Alternative Performance Measures on page 43/44
[2] Motion of the Board of Directors on page 107

Group report

Remuneration report

Financial 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 the complete spinning process across all technologies established on the market. With 17 manufacturing locations in ten countries, the company employs a global workforce of some 4 900, about 18% 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. The main focus is the efficiency of the customer's yarn production. Efficiency in yarn production is attained through minimal use of resources. Therefore, Rieter makes an important contribution to the sustainable production of textiles.

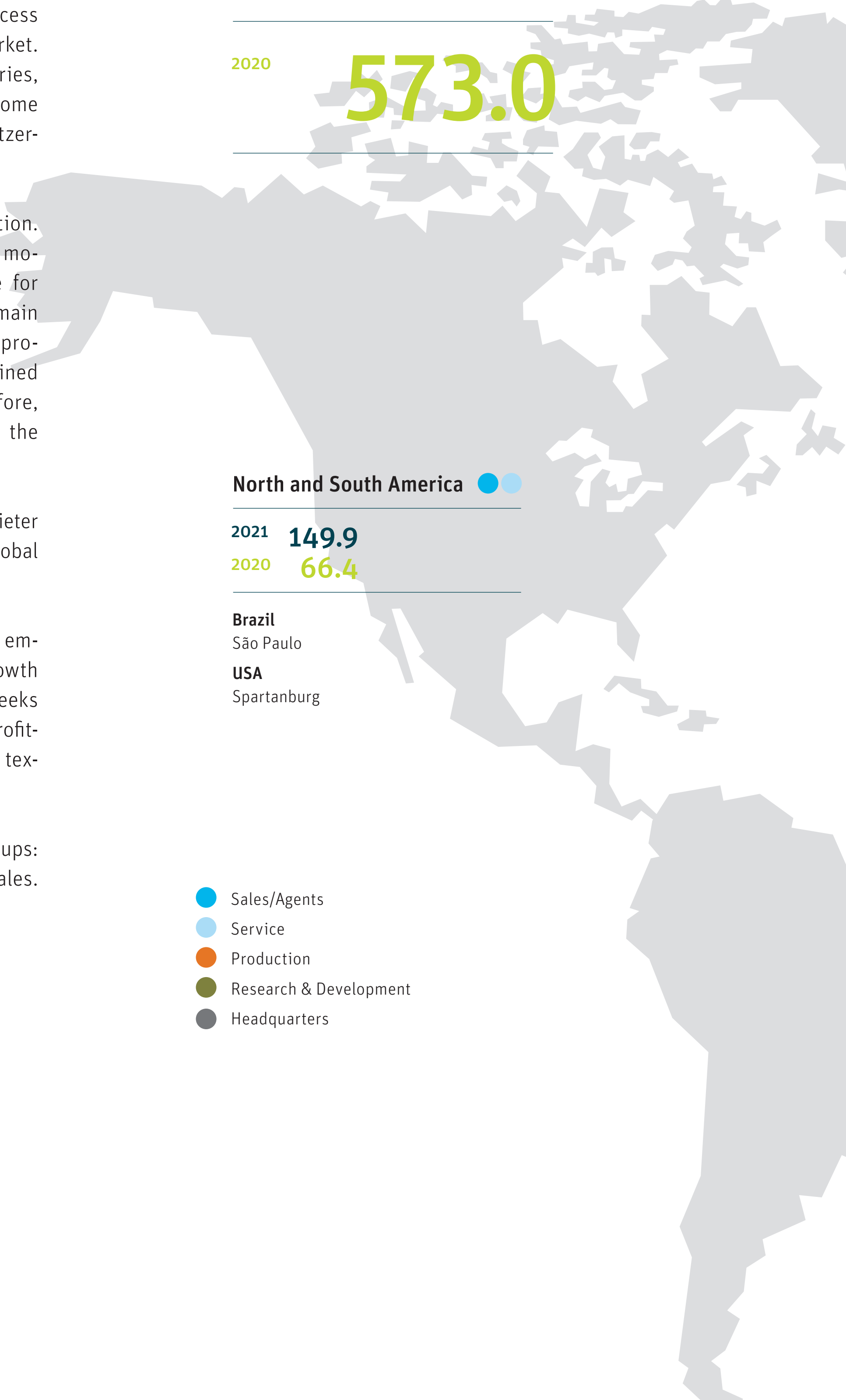
With a global sales and service organization, Rieter is well positioned as market leader in the global competitive environment.

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 throughout the investment cycle in the textile industry.

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

SALES
CHF million

2021	969.2
2020	573.0



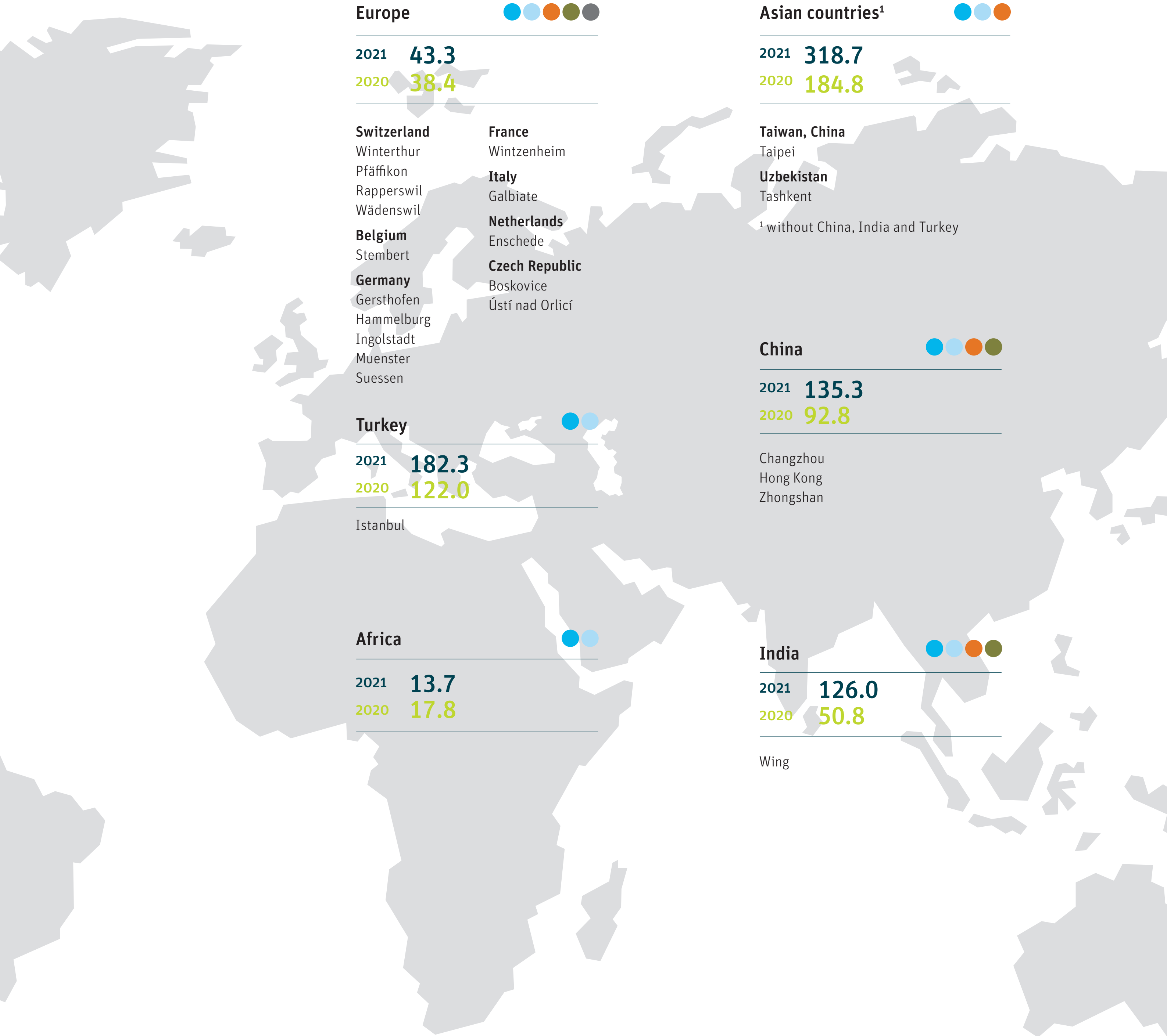
North and South America

2021	149.9
2020	66.4

Brazil
São Paulo

USA
Spartanburg

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



Europe

2021 43.3
2020 38.4

Switzerland
Winterthur
Pfäffikon
Rapperswil
Wädenswil

Belgium
Stembert

Germany
Gersthofen
Hammelburg
Ingolstadt
Muenster
Suessen

France
Wintzenheim

Italy
Galbiate

Netherlands
Enschede

Czech Republic
Boskovice
Ústí nad Orlicí

Turkey

2021 182.3
2020 122.0

Istanbul

Africa

2021 13.7
2020 17.8

Asian countries[1]

2021 318.7
2020 184.8

Taiwan, China
Taipei

Uzbekistan
Tashkent

[1] without China, India and Turkey

China

2021 135.3
2020 92.8

Changzhou
Hong Kong
Zhongshan

India

2021 126.0
2020 50.8

Wing

Bernhard Jucker
Chairman of the Board of Directors

Dr. Norbert Klapper
Chief Executive Officer

DEAR SHAREHOLDER

The 2021 financial year was characterized by a rapid market recovery. As market and technology leader, Rieter succeeded in this environment in posting a record order intake, significantly increased sales compared with the previous year despite the bottlenecks in the supply chains, and generated an EBIT margin of 4.9%. This success is based on the investments in innovation and competitiveness of Rieter in recent years. Crisis management in the 2020 pandemic year, which aimed at benefiting from the expected market recovery after the pandemic, was also a contributing factor. With the acquisition of three businesses from the Saurer Group, a further milestone in the implementation of the strategy has been achieved. The acquisition strengthens Rieter's market position by completing the ring and compact-spinning system. With the laying of the foundation stone for the Rieter CAMPUS in September 2021, an important prerequisite for the expansion of the company's technology leadership has been created. Rieter enters 2022 with confidence based on expected sales of around CHF 1 500 million. There are risks due to the well-known bottlenecks in the supply chains, the ongoing pandemic, the geopolitical uncertainties and the global cost increases.

ORDER INTAKE AND SALES

The exceptionally high order intake of CHF 2 225.7 million (2020: CHF 640.2 million) is broadly supported at the global level. It is based on a catch-up effect from the two prior years and a regional shift in demand for new machines and systems. Rieter believes that a major reason for this shift is the development of costs in China. This is leading to increased investment outside China, but also to investment in the competitiveness of Chinese spinning mills. The orders came primarily from Turkey, India, Latin America, Uzbekistan, China and Pakistan.

At the end of 2021, the company had an order backlog of around CHF 1 840 million (December 31, 2020: around CHF 560 million).

Rieter closed the 2021 financial year with sales of CHF 969.2 million, which corresponds to an increase of 69% compared to the previous year (2020: CHF 573.0 million).

EBIT, NET PROFIT AND FREE CASH FLOW

The profit at the EBIT level in the 2021 financial year was CHF 47.6 million, which represents 4.9% of sales. At the net profit level, a profit of CHF 31.7 million accrued, which corresponds to 3.3% in relation to sales.

Free cash flow at CHF 128.1 million is a result of the positive developments in earnings and net working capital.

The acquisition of three businesses from the Saurer Group for a purchase price of CHF 321.4 million resulted in net debt of CHF 161.9 million; as of December 31, 2020, net liquidity amounted to CHF 41.3 million. At December 31, 2021, liquid funds amounted to CHF 249.4 million (2020: CHF 283.2 million).

The equity ratio as of December 31, 2021, was 27.6% (previous year's reporting date: 36.4%).

SALES BY REGION

Sales increased in all regions, with the exception of Africa. The highest growth of CHF 126.0 million compared to CHF 50.8 million in the previous year was achieved in India, followed by North and South America with CHF 149.9 million in 2021 compared to CHF 66.4 million in the previous period, and the Asian countries excluding China, India and Turkey with CHF 318.7 million (2020: CHF 184.8 million). In Turkey, Rieter increased sales to CHF 182.3 million (2020: CHF 122.0 million), in China to CHF 135.3 million (2020: CHF 92.8 million) and in Europe to 43.3 million (2020: CHF 38.4 million). In Africa, sales were below the prior-year level at CHF 13.7 million (2020: CHF 17.8 million).

BUSINESS GROUPS

Despite the well-known challenges in the supply chain, the Business Group Machines & Systems posted an order intake of CHF 1 708.6 million (2020: CHF 363.9 million) and achieved sales of CHF 590.3 million, double the previous year's figure (2020: CHF 295.8 million). Ring and compact-spinning systems, on whose customer benefits Rieter has worked intensively in recent years, were particularly in demand.

The order intake of the Business Group Components was CHF 296.0 million, 75% above the previous year's level (2020: CHF 169.1 million). Against the backdrop of successful strategy implementation and good capacity utilization at spinning mills worldwide, sales increased to CHF 231.5 million (2020: CHF 174.3 million).

The Business Group After Sales recorded an order intake of CHF 221.1 million, 106% higher than the previous year (2020: CHF 107.2 million). Sales reached a level of CHF 147.4 million (2020: CHF 102.9 million). The positive evolution of the Business Group After Sales was also significantly influenced by successful strategy implementation and good capacity utilization at spinning mills around the world.

ACQUISITION OF THREE SAURER BUSINESSES

Effective from December 1, 2021, Rieter is consolidating the components businesses acquired from Saurer. With the acquisition of Accotex (elastomer components for spinning machines) and Temco (bearing solutions for filament machines), Rieter is strengthening its market position in the components business.

The acquisition of the third business from Saurer (automatic winder) completes and thus considerably increases the attractiveness of Rieter's ring and compact-spinning system. This acquisition marks an important milestone in the implementation of the company's strategy as an innovative systems supplier. The transaction is expected to be finalized in the first half of 2022.

RIETER CAMPUS

On September 8, 2021, at the Winterthur location, the foundation stone was laid for the Rieter CAMPUS, which includes a customer and technology center as well as an administration building. With the Rieter

CAMPUS, the company is creating a state-of-the-art and creative working environment, ensuring access to cutting-edge European technology and enhancing its ability to attract young talent. Thus, the Rieter CAMPUS will make an important contribution to the implementation of the innovation strategy and to the enhancement of the company's technology leadership position.

DIVIDEND

In view of the profit of CHF 31.7 million at the net profit level in the 2021 financial year, the Board of Directors proposes to the shareholders for 2021 the distribution of a dividend of CHF 4.00 per share. This corresponds to a payout ratio of 57%.

CHANGES TO THE GROUP EXECUTIVE COMMITTEE

With effect from March 1, 2021, the Board of Directors of Rieter Holding AG appointed Roger Albrecht as Head of the Business Group Machines & Systems and a member of the Group Executive Committee.

BOARD OF DIRECTORS AND ANNUAL GENERAL MEETING

At the 130th Annual General Meeting held on April 15, 2021, the shareholders approved all motions proposed by the Board of Directors. The Chairman of the Board Bernhard Jucker and the Directors This E. Schneider, Hans-Peter Schwald, Peter Spuhler, Roger Baillod, Carl Illi and Luc Tack were confirmed for a further one-year term of office. Stefaan Haspeslagh was newly elected to the Board of Directors for a 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.

CHANGES TO THE BOARD OF DIRECTORS

The two members of the Board of Directors, Luc Tack and Stefaan Haspeslagh, resigned from Rieter's Board of Directors with effect from August 30, 2021.

OUTLOOK

Rieter anticipates a gradual normalization of the demand for new systems in the coming months. The company expects demand for wear and spare parts to remain at a good level due to high capacity utilization at spinning mills.

For the full year 2022, due to the high order backlog and the consolidation of the businesses acquired from Saurer, Rieter anticipates sales of around CHF 1 500 million. Sales in the second half of 2022 are expected to be higher than in the first half of the year.

The realization of sales from the order backlog continues to be associated with risks in relation to the well-known bottlenecks in the supply chains, the ongoing pandemic, and the geopolitcal uncertainties. Despite the price increases already implemented, the rise in global costs poses a risk to the development of profitability.

THANK YOU

On behalf of the Board of Directors and the Group Executive Committee, we wish to thank all Rieter employees for their great dedication under the very difficult conditions in financial year 2021. It was only possible to cope with the rapid market recovery, the bottlenecks in the supply chains and the ongoing COVID pandemic thanks to the great commitment of the employees and their loyalty to Rieter. Our customers, suppliers and business partners who for their part had to overcome major challenges also deserve a big 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 next year.

Winterthur, March 8, 2022

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 107 million tons of fiber were processed around the world in 2021, 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.

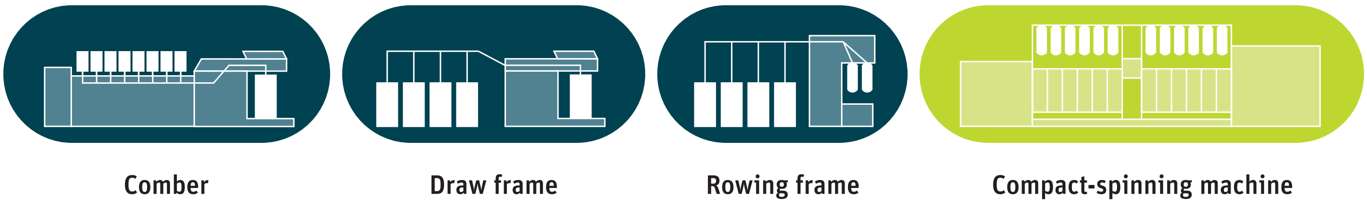
Yarn is produced in two basically different ways. On the one hand, this is done by spinning staple fibers. These are fibers with a staple length of 23 to 60 mm (short-staple fibers) or over 60 mm (long-staple fibers). On the other hand, yarn is produced by processing so-called filaments to make continuous 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 in 2021 were cotton (about 23 million tons), polyester (about 16 million tons) and viscose (about 6 million tons).

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

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



SPINNING PROCESS

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

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

MEASURED VARIABLES FOR CAPACITY

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

A total of more than 250 million spindle equivalents worldwide were used in 2021 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. Rieter delivered 1.69 million spindle equivalents (2020: 0.85 million) in 2021. 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.

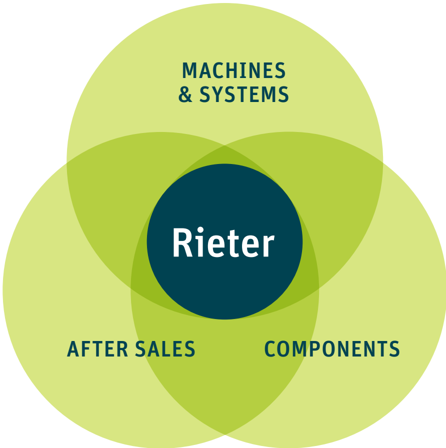
PRODUCT AND SERVICE OFFERING

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 productivity advantages and therefore enable a sustainable yarn production, 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 as well as solutions for the production of filament yarns and nonwoven fabrics. 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.

The Business Group After Sales develops, produces and distributes spare parts for Rieter machines as well as building conversions and modernizations. 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)

SUSTAINABLE YARN PRODUCTION THROUGH INNOVATIVE TECHNOLOGY

Rieter pursues the goal of sustainability in yarn production from three perspectives. For many years, Rieter has differentiated through technologies that minimize energy consumption in the spinning process and maximize raw material yield. Rieter technology thus leads to minimal resource consumption in the spinning process while also setting standards for economic efficiency and sustainability in the textile value chain.

The second aspect of sustainable yarn production is the technology for processing mechanically recycled fibers into high-quality yarns. Due to the strong increase in demand, this technology will gain considerably in importance in the coming years. The technical challenge is the high short fiber content that results from mechanical recycling. The third aspect involves the processing of yarns that have been produced or recycled in a chemically sustainable manner. Demand for these yarns is also expected to increase sharply in the coming years.

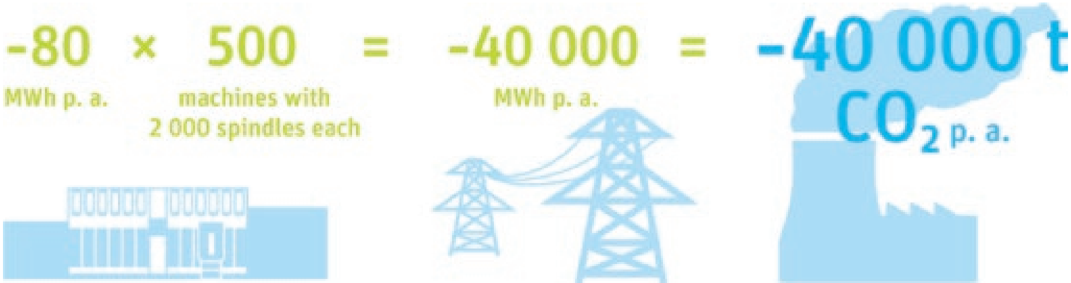
SUSTAINABILITY AND ECONOMIC EFFICIENCY

Energy efficiency is critical when it comes to improving sustainability. The production of one ton of yarn on a modern Rieter rotor spinning machine requires about 1 400 kWh – with annual production of 7 000 tons of yarn, this results in energy consumption of about 10 000 MWh, which is roughly equivalent to the electricity consumption of a small Swiss town with 4 500 households of four people each. The Rieter machine consumes 10% less electricity than other manufacturers' machines – equivalent to the electricity consumption of 450 households.

This clearly shows that sustainability and economic efficiency of the spinning process go hand in hand. The Rieter spinning process, which provides the lowest cost per kilogram of yarn on the market, also represents the ultimate contribution to the sustainability of yarn production.

Rieter supports customers in the development of new yarns from chemically sustainably produced or recycled fibers.

The following simplified estimate also illustrates Rieter's contribution to energy efficiency: a ring spinning machine of the latest generation with 2 000 spindles achieves an energy saving of 10% compared to an older machine, thus reducing energy consumption by 80 MWh per year. After all, new machines usually replace old ones. Using 1 million spindles with 500 Rieter machines of 2 000 spindles each reduces energy consumption by 40 000 MWh per year. This corresponds to a reduction in CO_2 emissions from coal-fired power of 40 000 tons per year.



MECHANICALLY RECYCLED FIBERS

Mechanical recycling of fibers is an important element of the circular economy in the textile industry. Since less than 1% of garments are currently recycled, many leading textile suppliers are aiming to use more recycled materials to contribute to sustainability. The "Global Recycled Standard" requires a share of at least 20% of recycled fibers in the yarn. The rotor spinning process can achieve and exceed this value without difficulty. The technical challenge lies in ring and compact spinning, the globally dominant spinning process for producing yarn to manufacture clothing.

Rieter is investing in the development of technologies to increase the short fiber content in ring and compact yarns. Rieter textile technologists have designed a classification system for recycled fibers, as already exists for virgin cotton. The parameters include the short fiber content, the average fiber length and the long fiber length. In this way, the use of recycled material can be maximized and optimized. The classification is being refined with the aim of specifically adjusting yarn properties in relation to the raw material.

SUSTAINABLE OR RECYCLED FIBERS

Rieter supports customers in the development of new yarns from chemically sustainably produced or recycled fibers. For instance, Rieter is supporting the Finnish company, Spinnova, in the development of a wood-based textile fiber, which requires no harmful chemicals, uses 99% less water and produces 65% less CO_2 than cotton. Spinnova has decided to invest in an in-house research and development spinning line equipped with Rieter machines, which will be installed at Spinnova in Jyväskylä, Finland, by the end of 2022.

The US specialty chemicals company Eastman also received support from Rieter in the development of a new staple fiber for use in textile applications. The fiber, called Naia, is produced from pulp sourced from sustainably cultivated pine and eucalyptus forests. The fiber is produced in a closed-loop process in which solvents are recycled back into the system for reuse. No hazardous chemicals are used. The manufacturing process has a low tree-to-fiber carbon and water footprint. In combination with certified biodegradability, this results in a sustainable option for yarn production.

BUSINESS GROUP MACHINES & SYSTEMS

The Business Group Machines & Systems recorded an exceptionally strong recovery in reporting year 2021. Against the background of the catch-up effect and the regional shift in demand, the continuing high demand for new Rieter equipment had a particularly marked impact.

The Business Group Machines & Systems posted an order intake of CHF 1 708.6 million (2020: CHF 363.9 million). Growth was driven by the demand for innovative complete systems in the areas of ring and compact-spinning. Despite the challenges in the supply chain, the machinery business doubled sales to CHF 590.3 million (2020: CHF 295.8 million). Machines & Systems posted an EBIT of CHF –3.7 million (2020: CHF –72.4 million), which corresponds to –0.6% of sales (2020: –24.5%).

Full advantage was taken of the positive market growth in reporting year 2021, also thanks to the continuation of the innovation program and the maintenance of production capacities during the pandemic year 2020. At the same time, Rieter's global presence made it possible to successfully serve the increased propensity to invest in all markets. Thus, the Business Group achieved the highest year-on-year growth in India, followed by North and South America and the Asian countries, excluding China, India and Turkey. The Business Group also enjoyed success on the Chinese market. Rieter offers the technology that Chinese customers need to maintain their competitiveness.

The number of employees increased slightly by 1.5% from 2 060 to 2 091 as of December 31, 2021.

SUCCESSFUL CARD C 80

The carding machine is often referred to as the heart of the spinning mill. With its high production rate, the high-performance card C 80 is predestined for this key function. It produces up to 30% more sliver than any other card on the market. This allows the number of cards for a spinning mill to be significantly reduced, resulting in lower energy consumption and thus lower production costs. The longest carding zone at 3.2 meters and hence the largest active carding area on the market is the basis for the high production rate. Thanks to the long pre- and post-carding zones, the C 80 can be equipped with up to eight different elements specific to each raw material.

The card C 80 produces up to 30% more sliver compared to its competitors.

BUSINESS GROUP COMPONENTS

Good utilization of global spinning capacities accelerated demand for spare and wear parts in the 2021 reporting year, as a result of which the Business Group Components recorded a significant year-on-year increase in order intake and sales to third parties. The Accotex and Temco brands acquired from Saurer were consolidated with effect from December 1, 2021, and strengthen Rieter's components business. This now includes Accotex, Bräcker, Graf, Novibra, SSM, Suessen and Temco.

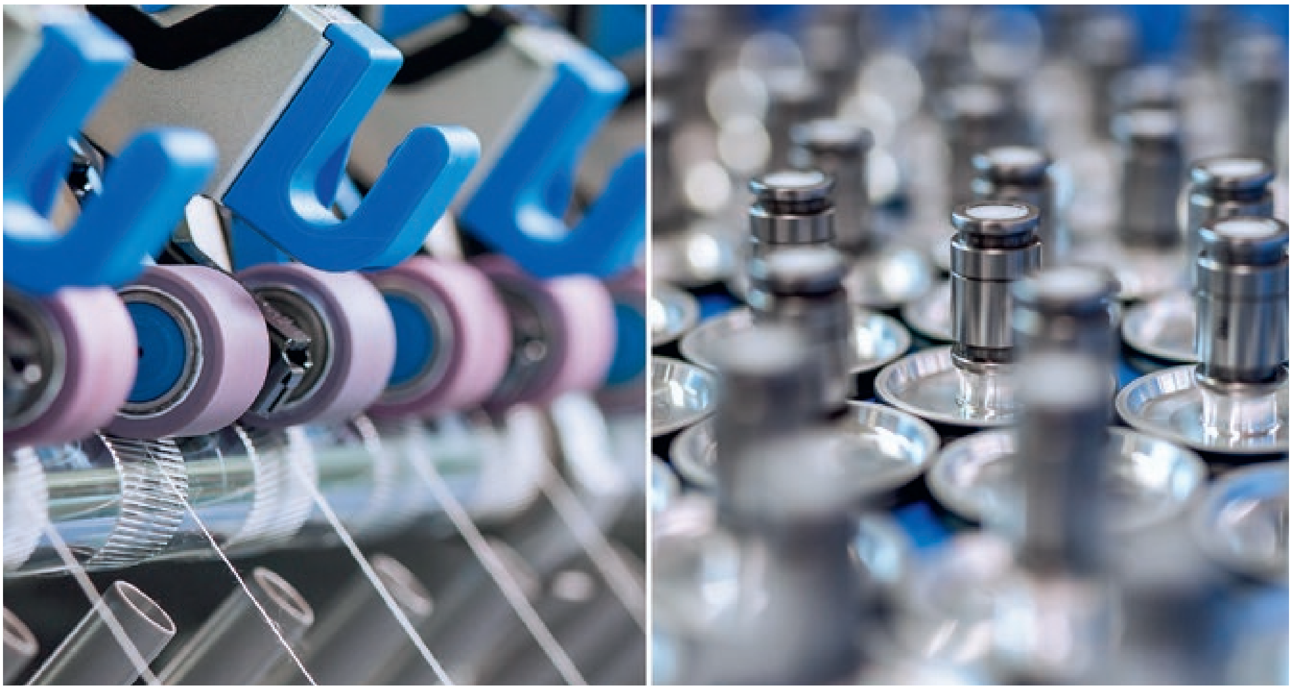
The order intake of the Business Group Components was CHF 296.0 million, an increase of 75% compared to the previous year (2020: CHF 169.1 million). In terms of sales to third parties, Components posted an increase of 33% to CHF 231.5 million, with segment sales rising by 40% to CHF 320.7 million (2020: CHF 174.3 million and CHF 229.6 million, respectively). At CHF 30.1 million, Components generated a positive EBIT and a margin of 9.4% of segment sales (2020: CHF –5.5 million or –2.4%). The Components business also took advantage of the continuation of the innovation program and the maintenance of production capacities in the pandemic year 2020.

Effective from December 1, 2021, Rieter is consolidating the components businesses Accotex and Temco acquired from Saurer. The figures from the two businesses have been incorporated into the results for the 2021 financial year as follows: the 2021 order intake includes CHF 2.1 million and sales include CHF 3.3 million. The two businesses contributed a total of around CHF 27 million to the order backlog at the end of 2021.

With the acquisitions, the number of employees increased by 28% from 1 374 to 1 759 as of December 31, 2021.

STRENGTHENED COMPONENTS BUSINESS

The acquisition of Accotex and Temco has added two strong brands to Rieter's components business. Accotex has a long-standing expertise in elastomer solutions for the textile industry. The cots and aprons from the company's product range ensure process stability and high yarn quality. Accotex, with its DAYTEX product line, is also the leading manufacturer of cots and aprons for the finishing and texturing sectors. Temco components make all the difference when it comes to the highest productivity and quality in spinning, texturing, draw twisting and draw winding of filaments.



High-performance products from Accotex and Temco enhance Rieter's components business.

BUSINESS GROUP AFTER SALES

The Business Group After Sales also took advantage of the dynamic market development and recorded strong year-on-year growth in order intake and sales. Solutions that allowed spinning mills to increase the output of existing plants to adapt to rapidly growing demand were in particular demand.

The Business Group After Sales recorded an order intake of CHF 221.1 million, 106% higher compared to the previous year (2020: CHF 107.2 million). At CHF 147.4 million (2020: CHF 102.9 million), sales were 43% higher than in the previous year. After Sales posted an EBIT of CHF 22.4 million which corresponds to 15.2% of sales (2020: CHF 1.8 million or 1.7%). The innovative portfolio offered by After Sales helped the well-utilized spinning mills to quickly adapt to the positive market development and achieve peak performance with existing installations.

The number of employees increased by 12% from 658 to 738 as of December 31, 2021.

COMPETITIVE ADVANTAGE WITH MAINTENANCE CONCEPT

Draw frames are central to any short-staple spinning process. This is where sliver evenness is created, which is decisive for yarn quality. Therefore, draw frames must deliver flawless performance at all times.

The maintenance concept for draw frames helps customers achieve excellent sliver evenness and reduce unplanned downtime, thus avoiding repair costs. Through preventive maintenance, customers can plan their production in the best possible way and thus gain a competitive advantage. The environment also benefits from an extended service life of the machines, as valuable resources are conserved.

Technological upgrades are key, first and foremost the upgrading of older models with SERVOdrive and top rollers. The SERVOdrive upgrade adapts the single-drive concept of the draw frame to the latest RSB-D 50 machine generation, resulting in increased productivity.

The new top roller offers the same technical design and advantages as the RSB-D 50. The upgrade eliminates much of the tedious cleaning work required to prevent fiber buildup.

The maintenance concept optimizes the performance of the draw frame for customers in the long term.

FINANCIAL CALENDAR

Annual General Meeting 2022	April 7, 2022
Semi-Annual Report 2022	July 19, 2022
Investor Update 2022	October 21, 2022
Publication of Sales 2022	January 25, 2023
Deadline for Proposals Regarding the Agenda of the Annual General Meeting	February 17, 2023
Results Press Conference 2023	March 9, 2023
Annual General Meeting 2023	April 20, 2023
Semi-Annual Report 2023	July 20, 2023
Investor Update 2023	October 20, 2023

CORPORATE GOVERNANCE

As a corporate group with an international scope that is committed to creating long-term value, 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, 2021. 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 35 companies worldwide were members of the Rieter Group on December 31, 2021. A list of the companies included in the scope of consolidation of Rieter Holding Ltd. can be found on page 70. 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, 2021, 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%;
- Picanol Group (Verbrugge NV, Ieper, Belgium and Symphony Mills, Wielsbeke, Belgium and Artela NV, Oostrozebeke, Belgium and Picanol NV, Ieper, Belgium) with 15.02%;
- Rieter Holding Ltd., Winterthur, Switzerland, with 3.01%.

Refer to page 106 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, 2021, 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, 2021, was CHF 795.4 million. Each share entitles the holder to one vote at the general meeting of shareholders.

Contingent and authorized share capital

The Board of Directors is authorized to increase the share capital by up to CHF 2 500 000 through the issue of up to 500 000 fully paid registered shares with a par value of CHF 5.00 each at any time until April 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, 2021.

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

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

BOARD OF DIRECTORS

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 (until March 25, 2021), at Evonik Industries AG, Essen (until June 2, 2021), 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 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; Chairman of the Board of Directors of ABB Germany from 2006 until March 2021.

Other activities and interests
None.

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 Directors 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 Geistlich Pharma AG, Wolhusen; Chairman of the Board of Directors of BKW 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 economiesuisse, Zurich, since September 2020.

Committees
Member of the audit committee and 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 2021 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. The Board of Directors had six meetings in the 2021 financial year. Each meeting lasted between a half and one full day.

	21/01/26	21/03/02	21/04/15	21/07/08	21/09/08	21/12/07
Bernhard Jucker	✓	✓	✓	✓	✓	✓
This E. Schneider	✓	✓	✓	✓	excused	✓
Michael Pieper	✓	✓	✓	-	-	-
Peter Spuhler	✓	✓	✓	✓	✓	✓
Hans-Peter Schwald	✓	✓	✓	✓	✓	✓
Roger Baillod	✓	✓	✓	✓	✓	✓
Luc Tack	✓	✓	✓	recused	-	-
Carl Illi	✓	✓	✓	✓	✓	✓
Stefaan Haspeslagh	-	-	-	recused	-	-

Luc Tack and Stefaan Haspeslagh announced their resignation from Rieter's Board of Directors per August 30, 2021.

In addition, 16 telephone conferences of the Board of Directors 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 2021 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 2021. 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 (whistleblowing) in connection with the code of conduct (Regulations regarding Conduct in Business Relationships).

The audit committee met for three regular meetings in 2021. Each meeting lasted between a 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. 13 regular audits were conducted in 2021. 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 2021. 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 2021. 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 2021. 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 2021. 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 2021. 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 a one-day meeting in 2021. All committee members were present at the meeting.

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 eleven meetings in 2021.

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 2021. Two of them were held as closed-door meetings.

GROUP EXECUTIVE COMMITTEE (GROUP MANAGEMENT)

Dr. Norbert Klapper
Chief Executive Officer (CEO)

Roger Albrecht
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.

Roger Albrecht
(1982)
Head of the Business Group Machines & Systems

Swiss national

Member of the Group Executive Committee
since 2021

Educational and professional background
Bachelor in Business Administration, University of Applied Sciences Zurich (ZHAW), Switzerland, and Master of Accounting and Finance, University of St. Gallen (HSG), Switzerland.

Rieter Management AG, Winterthur, Head of the Business Group Machines & Systems and member of the Group Executive Committee of the Rieter Holding Ltd., Winterthur, since March 2021; Spindelfabrik Suessen GmbH, Suessen, Managing Director, 2018 to 2021; Rieter Management AG, Winterthur, Senior Vice President Finance, Controlling & Projects, Business Group Components, 2015 to 2017; Hilti Canada, Mississauga/Ontario, Director of Finance, Finance Business Partner, 2012 to 2015; Hilti Group, Schaan, Business Unit Controller, BU Chemicals and BU Direct Fastening, 2008 to 2012.

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; member of the Board of Directors of 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 a year. 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 2021 financial year PWC and other auditors charged the Rieter Group approximately CHF 0.8 million and CHF 0.1 million, respectively, for services in connection with auditing the annual financial statements of the group companies and Rieter's consolidated accounts.

Additional fees

Additional consultancy fees invoiced by the statutory auditors in 2021 amounted to CHF 0.2 million and concerned mainly tax consulting services.

Supervisory and monitoring instruments vis-à-vis the auditors

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

Financial calendar

• Annual General Meeting 2022	April 7, 2022
• Semi-Annual Report 2022	July 19, 2022
• Investor Update 2022	October 21, 2022
• Publication of sales 2022	January 25, 2023
• Deadline for proposals regarding the agenda of the Annual General Meeting	February 17, 2023
• Results press conference 2023	March 9, 2023
• Annual General Meeting 2023	April 20, 2023
• Semi-Annual Report 2023	July 20, 2023
• Investor Update 2023	October 20, 2023

Blackout Periods

Prior to information or projects relevant to the stock exchange and until their publication (blackout periods), members of the Board of Directors, the Group Executive Committee and all persons involved are prohibited from effecting transactions in securities or other financial instruments of the Rieter Holding Ltd.

The regularly recurring blackout periods in connection with the Rieter Group's financial reporting are as follows:

Annual Report: From January 1 until 24 hours after the publication of the annual financial statement.

Semi-Annual Report: From June 15 until 24 hours after the publication of the Semi-Annual Report.

Investor Update: 14 days before the publication date until 24 hours after the publication of the Investor Update.

Contacts for queries regarding Rieter

For investors and financial analysts:
Kurt Ledermann
Chief Financial Officer
Phone +41 52 208 70 15
Fax +41 52 208 70 60
investor@rieter.com

For the media:
Relindis Wieser
Head Group Communication
Phone +41 52 208 70 45
Fax +41 52 208 70 60
media@rieter.com

REMUNERATION REPORT

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

1 BASIC PRINCIPLES

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

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

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

2 REMUNERATION SYSTEM

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

Board of Directors

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

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

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

Group Executive Committee

Basic salary

The basic salary of the members of the Group Executive Committee consists of a salary which is disbursed monthly. The CEO receives part of the basic salary in shares, which are subject to a lockup period of three years from the issue date. In 2021, the number of allocated shares was calculated based on the average market value of Rieter shares twenty stock exchange trading days before the Annual General Meeting. The members of the Group Executive Committee have a Swiss employment contract. The employer pays the pension and social security contributions stipulated by law and regulations, as well as employees' contributions for accident and sickness. The members of the Group Executive Committee receive a lump-sum expenses allowance for entertainment costs which is in line with the expenses guidelines approved by the tax authorities.

Variable remuneration

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

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

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

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

The target achievement in 2021, 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%), without taking into account one-time expenses, amounts to 85.8%. Bonuses for individual performances in the financial year 2021 amounted to CHF 142 500.

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 2021 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 2021.

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 2021 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]	Total 2021	Total[3] 2020
Bernhard Jucker, Chairman of the Board of Directors Chairman of the strategy committee, chairman of the Rieter CAMPUS committee, member of the remuneration committee and the nomination committee	–	389 951	25 420	415 371	332 276
This E. Schneider, Vice Chairman Chairman of the remuneration committee and the nomination committee	85 000	100 619	9 914	195 533	162 112
Roger Baillod Chairman of the audit committee	80 000	82 569	11 346	173 915	138 112
Carl Illi Member of the audit committee and the strategy committee	100 000	70 751	12 043	182 794	149 263
Michael Pieper, until April 30, 2021	–	39 555	1 795	41 350	98 782
Hans-Peter Schwald Member of the audit committee, the remuneration committee, the nomination committee and the Rieter CAMPUS committee	95 000	112 132	14 134	221 266	163 523
Peter Spuhler Member of the strategy committee	–	153 351	9 843	163 194	130 579
Luc Tack, until August 30, 2021 Member of the strategy committee	86 192	–	6 526	92 718	130 579
Stefaan Haspeslagh, from May 1, 2021 to August 30, 2021 Member of the audit committee	43 452	–	3 290	46 742	–
Members of the Board of Directors	**489 644**	**948 928**	**94 311**	**1 532 883**	**1 305 226**

1 The shares were valued for overall remuneration at CHF 192.35 (average market price on the first ten trading days in 2022). 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.

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

GROUP EXECUTIVE COMMITTEE

CHF	Basic salary	Cash bonus	Share-based compensation	Social contributions[2]	Total 2021	Total[3] 2020
Dr. Norbert Klapper, Chief Executive Officer[1]	650 000	318 850	278 850	225 457	1 473 157	819 809
Other Members	1 778 333	823 270	730 730	545 172	3 877 505	2 281 839
Members of the Group Executive Committee	**2 428 333**	**1 142 120**	**1 009 580**	**770 629**	**5 350 662**	**3 101 648**

1 Highest single salary. The basic salary is divided into CHF 600 000 in cash and CHF 50 000 in shares.

2 Pension and social security benefits include the employer's social security and pension fund contributions as well as contributions for accident and illness insurance. Employees' contributions are stated in the other compensation items.

3 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.

REPORT OF THE STATUTORY AUDITOR ON THE REMUNERATION REPORT

pwc

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

We have audited the remuneration report of Rieter Holding Ltd. for the year ended December 31, 2021. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in sections 5 to 8 as well as the tables on pages 40 and 41 of the remuneration report.

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 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 December 31, 2021 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Beat Inauen	Remo Hegner
Audit expert	Audit expert
Auditor in charge	

Zurich, March 8, 2022

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.
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 • Remuneration report • Consolidated income statement • Note 3.1 • Review 2017 to 2021	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 2017 to 2021	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 • Note 2.3 • Note 3.1 • Review 2017 to 2021	Operating result before interest and taxes (EBIT) excluding restructuring charges. These charges include restructuring costs (e.g. personnel expenses and other costs directly associated 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 2017 to 2021	Cash flow from operating activities adjusted by cash flow from investing activities. Acquisitions and divestments of business are excluded.
Free cash flow conversion ratio	• Remuneration report	Free cash flow divided by the net profit.

Alternative performance measure	Reference in the annual report	Rieter definition
Liquid funds	• Note 8.6 (Liquidity risk)	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 2017 to 2021	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 2017 to 2021	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) as a percentage of basic earnings per share of the respective period.
(Operating) net working capital		Operating net working capital consists of trade receivables, inventories and advance payments to suppliers, less trade payables and advance payments from customers. Net working capital equals to operating net working capital plus other short-term receivables non-interest-bearing less other short-term payables non-interest-bearing. Assets or liabilities are non-interest-bearing, when no receipt/payment of interest is agreed between Rieter and the counterparty (e.g. current income tax receivables/payables or deferred revenue).
Equity ratio	• Letter to the shareholders • Note 8.6 (Capital management) • Review 2017 to 2021	Shareholders' equity as a percentage of total assets.
Return on net operating assets (RONOA)	• Remuneration report	Operating result before interest and taxes (EBIT) as a percentage of the average of the last twelve month-end balances of net operating assets. Net operating assets contain operating net working capital, property, plant and equipment, intangible assets and goodwill.
Return on net assets (RONA)	• Review 2017 to 2021	Net profit before interest expenses and write-offs of financial assets as a percentage 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 2017 to 2021	Shares outstanding multiplied by share price at the Swiss Exchange (SIX).
Price/earnings ratio	• Review 2017 to 2021	Share price at the SIX divided by basic earnings per share.
Dividend yield	• Review 2017 to 2021	Dividend per share as a percentage of share price at the SIX.

FINANCIAL REPORT

CONSOLIDATED INCOME STATEMENT

CHF million	Notes	2021	2020
Sales	(3.1/3.2)	**969.2**	**573.0**
Cost of sales		– 692.7	– 439.2
Gross profit		**276.5**	**133.8**
Research and development expenses		– 58.4	– 52.5
Selling, general and administrative expenses		– 197.5	– 168.8
Other income	(3.3)	36.2	15.2
Other expenses	(3.3)	– 9.2	– 12.1
Operating result before interest and taxes (EBIT)		**47.6**	**– 84.4**
Share in profit of associated companies	(6.3)	2.0	– 0.3
Financial income	(5.6)	2.9	2.2
Financial expenses	(5.6)	– 11.2	– 5.5
Profit before taxes		**41.3**	**– 88.0**
Income taxes	(8.1)	– 9.6	– 1.8
Net profit		**31.7**	**– 89.8**
Attributable to shareholders of Rieter Holding Ltd.		31.7	– 89.8
Attributable to non-controlling interests		0.0	0.0
Basic earnings per share (CHF)	(5.4)	**7.04**	**– 20.05**
Diluted earnings per share (CHF)	(5.4)	**7.03**	**– 20.05**

The notes on pages 50 to 92 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CHF million	Notes	2021	2020
Net profit		**31.7**	**– 89.8**
Remeasurement of defined benefit plans	(7.2)	13.2	10.7
Income taxes on remeasurement of defined benefit plans	(8.1)	– 2.1	– 0.7
Change in fair values of financial assets		– 0.1	0.0
Items that will not be reclassified to the income statement, net of taxes		**11.0**	**10.0**
Currency translation differences		2.6	– 14.1
Income taxes on currency translation differences	(8.1)	0.0	0.3
Cash flow hedges	(8.6)	– 0.4	0.4
Income taxes on cash flow hedges	(8.1/8.6)	0.1	– 0.1
Items that may be reclassified to the income statement, net of taxes		**2.3**	**– 13.5**
Total other comprehensive income		**13.3**	**– 3.5**
Total comprehensive income		**45.0**	**– 93.3**
Attributable to shareholders of Rieter Holding Ltd.		45.0	– 93.2
Attributable to non-controlling interests		0.0	– 0.1

The notes on pages 50 to 92 are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

CHF million	Notes	December 31, 2021	December 31, 2020
Assets			
Cash and cash equivalents	(5.2)	248.7	282.3
Marketable securities and time deposits		0.7	0.9
Trade receivables	(4.1)	122.0	50.4
Other current receivables	(4.2)	80.1	26.1
Current income tax receivables		3.1	3.5
Inventories	(4.3)	249.6	192.5
Assets classified as held for sale	(8.2)	14.7	–
Current assets		**718.9**	**555.7**
Property, plant and equipment	(4.4)	234.2	210.6
Intangible assets[1]	(4.5)	86.8	46.0
Goodwill[1]	(4.6)	91.6	43.5
Prepaid consideration for acquisition	(2.1)	191.8	–
Investments in associated companies	(6.3)	17.1	15.8
Defined benefit plan assets	(7.2)	62.8	62.7
Deferred income tax assets	(8.1)	25.8	22.1
Other non-current assets	(8.3)	7.3	7.1
Non-current assets		**717.4**	**407.8**
Assets		**1 436.3**	**963.5**
Liabilities and shareholders' equity			
Current financial debt	(5.3)	209.7	151.4
Trade payables		117.2	47.7
Other current liabilities	(4.7)	148.1	78.8
Advance payments from customers	(4.8)	211.4	95.5
Current income tax liabilities		30.4	24.9
Current provisions	(4.9)	28.0	30.0
Current liabilities		**744.8**	**428.3**
Non-current financial debt	(5.3)	201.6	90.5
Defined benefit plan liabilities	(7.2)	30.9	32.3
Deferred income tax liabilities	(8.1)	34.9	31.1
Other non-current liabilities		0.0	0.1
Non-current provisions	(4.9)	28.0	30.3
Non-current liabilities		**295.4**	**184.3**
Liabilities		**1 040.2**	**612.6**
Equity attributable to shareholders of Rieter Holding Ltd.		395.8	350.6
Equity attributable to non-controlling interests		0.3	0.3
Shareholders' equity		**396.1**	**350.9**
Liabilities and shareholders' equity		**1 436.3**	**963.5**

1. The comparative period (December 31, 2020) has been adjusted due to the separate presentation of goodwill as of January 1, 2021.
The notes on pages 50 to 92 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, 2020		**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		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**
Net profit		0.0	0.0	0.0	0.0	31.7	31.7	0.0	31.7
Total other comprehensive income		0.0	0.0	– 0.3	2.6	11.0	13.3	0.0	13.3
Total comprehensive income		**0.0**	**0.0**	**– 0.3**	**2.6**	**42.7**	**45.0**	**0.0**	**45.0**
Share-based compensation		0.0	1.4	0.0	0.0	– 0.5	0.9	0.0	0.9
Changes in treasury shares		0.0	– 0.5	0.0	0.0	– 0.2	– 0.7	0.0	– 0.7
Total contributions by and distributions to owners of the company		**0.0**	**0.9**	**0.0**	**0.0**	**– 0.7**	**0.2**	**0.0**	**0.2**
At December 31, 2021		**23.4**	**– 26.6**	**0.5**	**– 116.7**	**515.2**	**395.8**	**0.3**	**396.1**

The notes on pages 50 to 92 are an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

CHF million	Notes	2021	2020
Net profit		**31.7**	**– 89.8**
Depreciation of property, plant and equipment and amortization of intangible assets	(3.4)	37.4	37.7
Interest income	(5.6)	– 2.0	– 0.6
Interest expenses	(5.6)	5.8	5.0
Income taxes	(8.1)	9.6	1.8
Gain on disposals of property, plant and equipment	(3.3)	– 0.9	– 0.4
Other non-cash income and expenses		11.2	1.8
Change in inventories		– 38.9	– 16.0
Change in receivables		– 99.2	19.3
Change in provisions		– 4.3	– 0.5
Change in trade payables		67.9	– 19.4
Change in advance payments from customers and other liabilities		156.6	29.0
Dividends received	(6.3)	0.3	0.1
Interest received		2.0	0.6
Interest paid		– 3.3	– 3.9
Income taxes paid		– 8.2	– 14.5
Cash flow from operating activities		**165.7**	**– 49.8**
Acquisition of subsidiaries	(2.1)	– 315.3	0.0
Purchase of property, plant and equipment and intangible assets		– 38.6	– 28.6
Proceeds from disposals of property, plant and equipment		1.8	1.5
Purchase/proceeds from disposals of other non-current assets		– 0.7	2.0
Purchase/sale of marketable securities and time deposits		– 0.1	0.1
Cash flow from investing activities		**– 352.9**	**– 25.0**
Dividend paid to shareholders of Rieter Holding Ltd.	(5.4)	0.0	– 20.1
Sale/purchase of treasury shares		1.5	– 6.3
Proceeds from issue of fixed-rate bond	(5.3)	99.7	74.7
Repayment of fixed-rate bond	(5.3)	0.0	– 100.0
Proceeds from bank and other financial debt	(5.3)	52.6	136.9
Repayments of bank and other financial debt	(5.3)	0.0	– 4.3
Repayments of lease liabilities	(5.3)	– 2.4	– 2.9
Cash flow from financing activities		**151.4**	**78.0**
Currency effects on cash and cash equivalents		2.2	– 5.0
Change in cash and cash equivalents		**– 33.6**	**– 1.8**
Cash and cash equivalents at January 1	(5.2)	**282.3**	**284.1**
Cash and cash equivalents at December 31	(5.2)	**248.7**	**282.3**

The notes on pages 50 to 92 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, 2022. 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 the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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 8.9. These policies have been consistently applied to all of the reporting periods presented unless otherwise stated. Changes in accounting policies are disclosed in note 8.8.

The consolidated financial statements are based on historical cost, with the exception of certain financial instruments and defined benefit plan assets, which are measured at fair value, and assets classified as held for sale, which are measured at the lower of carrying amount or expected fair value less cost to sell.

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

1.2 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 financial years 2021 and 2020, the effects of the COVID-19 pandemic on these assumptions have been taken into account.

The areas involving significant accounting estimates and judgments are the implications of the accounting of the acquisition in 2021 as well as the topics included in the following notes:

Note	Description of significant accounting estimates and judgments
4.3 Inventories	Assumptions associated with the allowance for inventories
4.5 Intangible assets	Assumptions associated with the capitalization of development costs
4.6 Goodwill	Assumptions associated with the goodwill impairment test
4.9 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 ACQUISITIONS

On August 13, 2021, Rieter signed an investment and shareholders agreement (ISA) with Saurer Hong Kong Machinery Company Ltd (Hong Kong, China), Saurer Intelligent Technology Company Ltd (Urumqi, China) and Saurer Netherlands Machinery Company B.V. (Amsterdam, Netherlands) (Saurer Netherlands) to acquire 57% preferred shares of Saurer Netherlands in order to carve out, spin-off and acquire the three businesses automatic winder, Accotex and Temco (target businesses). These businesses form an integral part of two wholly owned subsidiaries of Saurer Netherlands, i.e. Saurer Spinning Solutions GmbH & Co KG (Uebach-Palenberg, Germany) and Saurer Technologies GmbH & Co KG (Krefeld, Germany) (together the German Saurer entities) both being parties to insolvency proceedings. To allow the release of the German Saurer entities from the insolvency proceedings, it was necessary to provide liquidity in the form of cash. Therefore, Rieter agreed to prepay the consideration in cash. The consideration for this transaction amounted to EUR 300.0 million (CHF 321.4 million) and was paid on August 17, 2021. The payment was recorded as prepayment of the acquisition price. Despite the majority in voting rights and number of members of the Board of Directors of Saurer Netherlands, Rieter does not control the company. The ISA and antitrust law limit Rieter to exercise control over Saurer Netherlands and its subsidiaries and defines the oversight over the carve-out of the target businesses to be its main responsibility. Furthermore, the ISA grants protective rights to Rieter to assure and protect the liquidity provided to the German Saurer entities. The carve-out of the target businesses, by means of transactions defined or transactions still to be defined, depending on the separability of assets and liabilities, is still in process. Rieter will only obtain control over the target businesses once the carve-out of each business is completed.

Rieter will complete its offering of ring- and compact spinning systems with the acquisition of the Saurer Schlafhorst automatic winder business (Winder), which will be allocated to the Machines & Systems and the After Sales segments. Furthermore, Rieter adds two attractive components businesses to its Components segment: Accotex (elastomer components for spinning machines) and Temco (bearing solutions for filament machines).

To give effect to the ISA, Saurer Netherlands founded two new and wholly owned subsidiaries, Rieter Components Germany GmbH (Hammelburg, Germany) and Rieter Automatic Winder GmbH (Uebach-Palenberg, Germany). On November 19, 2021, Saurer Technologies GmbH & Co KG and Rieter Components Germany GmbH signed an asset purchase agreement on a cash and debt free basis to acquire assets and assumed liabilities of the Accotex and Temco businesses. Closing of the transaction and therefore initial integration into the consolidated financial statements of Rieter was on December 1, 2021. The shares of Rieter Components Germany GmbH were transferred to Rieter Holding AG on December 21, 2021, in return for 21% preferred shares of Saurer Netherlands.

The purchase price for the two component businesses amounted to EUR 105.1 million (CHF 109.6 million). Thereof EUR 104.1 million (CHF 108.6 million) was settled against the prepaid purchase price and EUR 1.0 million (CHF 1.0 million) was deferred to the final closing; both using the foreign exchange rate relevant at the acquisition date. A corresponding foreign exchange loss of CHF 3.0 million was recorded in financial expenses. No contingent considerations were agreed.

Goodwill of CHF 39.6 million is attributable to the acquired workforce and the complementary nature of the acquired businesses. It will be deductible for tax purposes. The acquired businesses contributed sales of CHF 3.3 million and a net result of CHF –1.5 million to the Group for the period from December 1 to December 31, 2021. If the acquisition had occurred on January 1, 2021, consolidated pro-forma sales and the net result for the year ended December 31, 2021, would have been CHF 1 032.5 million and CHF 29.9 million respectively. These amounts were calculated from the results of the businesses, adjusted to take account of the differences in the accounting policies between the Group and the acquired businesses, and from the additional depreciation and amortization that would have been charged assuming the fair value adjustments to inventories, property, plant and equipment and intangible assets had applied from January 1, 2021, together with the consequential tax effects.

Further, on November 30, 2021, Rieter India Pvt. Ltd. (Wing, India) acquired assets and the Winder-related service and commission business from Saurer Textile Solutions Private Limited (Mumbai, India) for a purchase price of INR 931.3 million (CHF 11.4 million) paid in cash, which equals EUR 11.0 million. At the same time Saurer Netherlands repaid EUR 11.0 million of the prepaid purchase price to Rieter Holding Ltd. A corresponding foreign exchange loss on the prepaid purchase price of CHF 0.3 million was recorded in financial expenses.

Goodwill of CHF 8.8 million is attributable to the workforce and the complementary nature of the acquired business in India. It will not be deductible for tax purposes. The acquired business contributed sales of CHF 0.5 million and a net result of CHF 0.1 million to the Group for the period from December 1 to December 31, 2021. If the acquisition had occurred on January 1, 2021, consolidated pro-forma sales and the net result for the 2021 financial year would have been CHF 974.7 million and CHF 33.2 million respectively. These amounts were calculated from the results of the business and adjusted to take account of the additional amortization that would have been charged assuming the fair value adjustments to intangible assets had applied from January 1, 2021, together with the consequential tax effects.

In 2021, transaction costs of CHF 4.4 million related directly to the acquisition were recognized in the income statement as other expenses. The accounting for the two acquisitions is preliminary due to the ongoing identification and separation of related assets and liabilities.

CHF million	Notes	Rieter Components Germany GmbH	Rieter India Pvt. Ltd.
Property, plant and equipment	(4.4)	30.0	0.0
Intangible assets	(4.5)	43.2	2.3
Other non-current receivables		1.4	0.0
Inventories		16.2	0.3
Trade receivables		5.5	0.0
Other current receivables		1.3	0.0
Cash and cash equivalents		1.0	0.0
Total assets		**98.6**	**2.6**
Non-current lease liabilities		10.9	0.0
Defined benefit plan liabilities		8.5	0.0
Non-current provisions	(4.9)	0.2	0.0
Trade payables		0.8	0.0
Advance payments from customers		1.9	0.0
Current lease liabilities		1.5	0.0
Current provisions	(4.9)	0.2	0.0
Other current liabilities		4.6	0.1
Total liabilities		**28.6**	**0.1**
Purchase price		109.6	11.3
Net identifiable assets acquired		70.0	2.5
Goodwill	**(4.6)**	**39.6**	**8.8**

The fair value of acquired trade receivables is CHF 5.5 million. The gross contractual amount for trade receivables due is CHF 5.6 million, with an allowance for trade receivables of CHF 0.1 million recognized at acquisition date.

Cash flows resulting from these acquisitions are summarized in the table below:

CHF million	Cash flow
Purchase price prepaid on August 17, 2021 (EUR 300.0 million)	– 321.4
Repayment of prepaid purchase price for the Winder-related service and commission business in India (EUR 11.0 million)	11.4
Payment of local purchase price for the Winder-related service and commission business in India (INR 931.3 million)	– 11.4
Repayment of purchase price assigned to inventory and property, plant and equipment in China (EUR 4.9 million)	5.1
Repayment of deferred purchase price portion (EUR 1.0 million)	1.0
Cash flow from acquisition of subsidiaries	**– 315.3**

In addition, on December 27, 2021, Rieter (China) Textile Instruments Co. Ltd. and Suzhou Branch of European Excellent Textile Components (Changzhou) Co. Ltd. signed two agreements with Saurer (Jiangsu) Textile Machinery Co. Ltd. to acquire inventory and fixed assets for considerations of CNY 15.0 million (CHF 2.1 million) and CNY 20.9 million (CHF 3.0 million) related to the target businesses. Takeover of the assets was completed on January 3, 2022. Before entering into these transactions, Saurer Netherlands repaid EUR 4.9 million of the prepaid purchase price to Rieter Holding Ltd. A corresponding foreign exchange loss on the prepaid purchase price of CHF 0.1 million was recorded in financial expenses.

The identification and the separation of assets related to the Winder business is still in process but is expected to be completed in the first half of 2022. The remaining purchase price of EUR 179.0 million (CHF 191.8 million), translated with the foreign exchange rate at the date of transaction, will be settled upon completion of the carve out against the remaining portion of the prepaid consideration.

2.2 COVID-19

In 2021, governments around the globe have been adjusting lockdown and other restrictions depending on the key figures in relation to the development of the COVID-19 pandemic (e.g. number of infected people, hospitalization or deaths) in the respective countries. Against this background, Rieter is holding on to the priorities set in the prior year: Protecting employees, fulfilling customer commitments and ensuring liquidity. The progressive recovery of Rieter's business that began in the second half of 2020 continued in 2021.

Rieter has reviewed the areas involving significant accounting estimates and judgments (see note 1.2) to assess the continuous impact of the COVID-19 pandemic. The results of this review are included in the respective notes. In addition, the pandemic had no significant impact on any other balance sheet line items at December 31, 2021 (at December 31, 2020: none).

2.3 RESTRUCTURING

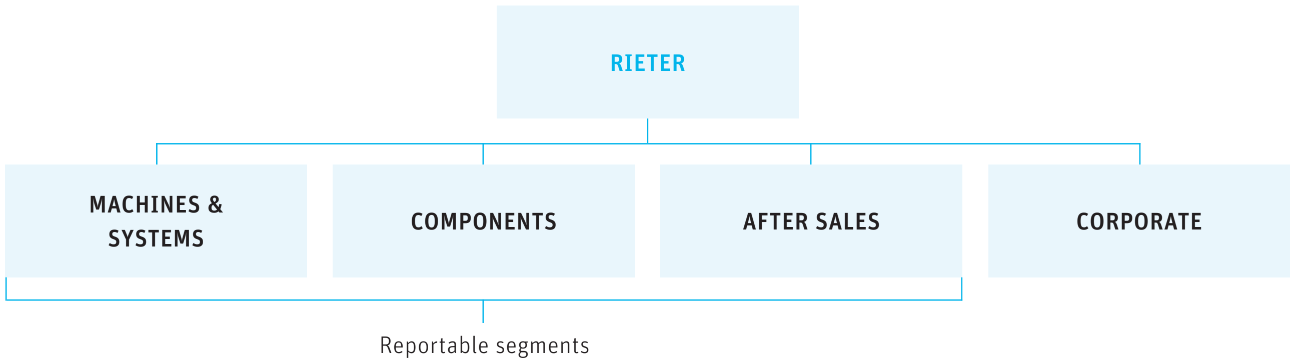
In 2021, Rieter continued to execute restructuring measures as announced previously. In addition, restructuring provisions in the amount of CHF 2.7 million no longer used, have been released. In the prior year, restructuring charges related to severance payments and other expenses in connection with capacity adjustments were recognized.

The following table presents the operating result before interest and taxes (EBIT) of Rieter before and after restructuring charges:

CHF million	2021	2020
EBIT before restructuring charges	**46.0**	**–76.7**
Restructuring charges (net)	1.6	–7.7
Operating result before interest and taxes (EBIT)	**47.6**	**–84.4**

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 used to convert 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 2021

CHF million	Machines & Systems	Components	After Sales	Total reportable segments
Total segment sales	590.3	320.7	147.4	1 058.4
Inter-segment sales	0.0	89.2	0.0	89.2
Sales	**590.3**	**231.5**	**147.4**	**969.2**
EBIT before restructuring charges	– 3.7	28.7	23.1	48.1
Operating result before interest and taxes (EBIT)	– 3.7	30.1	22.4	48.8
Purchase of property, plant and equipment and intangible assets	10.6	13.2	0.9	24.7
Depreciation of property, plant and equipment and amortization of intangible assets	9.7	20.0	0.9	30.6

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	0.0	55.3	0.0	55.3
Sales	**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

Reconciliation of segment results

CHF million	2021	2020
Operating result before interest and taxes (EBIT) of reportable segments	48.8	– 76.1
Result which cannot be allocated to reportable segments	– 1.2	– 8.3
Operating result before interest and taxes (EBIT), Group	**47.6**	**– 84.4**
Share in profit of associated companies	2.0	– 0.3
Financial income	2.9	2.2
Financial expenses	– 11.2	– 5.5
Profit before taxes	**41.3**	**– 88.0**

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 2021, the result which cannot be allocated to the reportable segments contains the reversal of provisions due to court rulings in favor of Rieter amounting to CHF 4.1 million (see note 3.3) and transaction costs related directly to the acquisition in the amount of CHF 4.4 million (see note 2.1).

In 2020, the respective result contained 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).

Sales and non-current assets by country

CHF million	Sales 2021[1]	Sales 2020[1]	Non-current assets 2021[2]	Non-current assets 2020[2]
Switzerland (domicile of Rieter Holding Ltd.)	2.6	3.3	144.9	169.0
Foreign countries	966.6	569.7	267.7	131.1
Total Group	**969.2**	**573.0**	**412.6**	**300.1**
The following countries accounted for more than 10% of sales or non-current assets:				
Switzerland (domicile of Rieter Holding Ltd.)	2.6	3.3	144.9	169.0
China	135.3	92.8	37.6	35.5
Czech Republic	1.6	1.1	41.6	41.0
Germany	7.4	6.2	134.0	13.2
India	126.0	50.8	30.1	17.4
Turkey	182.3	122.0	0.3	0.3
Pakistan	98.5	38.4	0.0	0.0

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

No individual customer accounted for more than 10% of consolidated sales in 2021 and 2020. 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	2021	2020
Sales of products	931.4	543.8
Sales of services	37.8	29.2
Sales	**969.2**	**573.0**

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 the 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 4.8).

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	2021	2020
Rental income	3.1	2.8
Gain on disposals of property, plant and equipment	0.9	0.4
Reversal of restructuring provisions[1]	2.7	2.3
Foreign exchange differences (net)	7.3	1.1
Disposals of materials for recycling purposes	2.3	0.8
Miscellaneous other income	19.9	7.8
Other income	**36.2**	**15.2**
Restructuring costs[1]	– 0.9	– 8.7
Impairment losses on property, plant and equipment[1]	– 0.2	– 1.3
Miscellaneous other expenses[2]	– 8.1	– 2.1
Other expenses	**– 9.2**	**– 12.1**

1. The impact of restructuring measures is presented in note 2.3.
2. In 2021, miscellaneous other expenses include transaction costs related directly to the acquisition of the Saurer businesses in the amount of CHF 4.4 million (see note 2.1).

Miscellaneous other income includes income which is not presented as sales, such as 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 4.1 million is included in the 2021 financial year.

3.4 DEPRECIATION AND AMORTIZATION

CHF million	2021	2020
Property, plant and equipment[1]	– 30.5	– 31.5
Intangible assets	– 6.9	– 6.2
Depreciation and amortization	**– 37.4**	**– 37.7**

1. In 2021, depreciation of property, plant and equipment includes impairment losses of CHF 0.2 million (2020: CHF 1.3 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	2021	2020
Operating result before interest and taxes (EBIT)	47.6	– 84.4
Depreciation and amortization (see note 3.4)	37.4	37.7
Operating result before interest, taxes, depreciation and amortization (EBITDA)	**85.0**	**– 46.7**

4 OPERATING ASSETS AND LIABILITIES

4.1 TRADE RECEIVABLES

CHF million	December 31, 2021	December 31, 2020
Trade receivables (gross)	125.0	53.6
Allowance for trade receivables	– 3.0	– 3.2
Trade receivables	**122.0**	**50.4**

Trade receivables are divided into the following major currencies:

CHF million	December 31, 2021	December 31, 2020
CHF	62.3	16.9
CNY	5.4	1.8
EUR	29.3	21.6
INR	5.5	3.2
USD	18.2	4.4
Other	1.3	2.5
Trade receivables	**122.0**	**50.4**

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

Significant accounting policies

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

4.2 OTHER CURRENT RECEIVABLES

CHF million	December 31, 2021	December 31, 2020
Receivables from indirect taxes and customs duties	20.8	11.1
Advance payments to suppliers	13.9	2.2
Prepaid expenses and deferred charges	4.9	2.1
Derivative financial instruments (positive fair values)	21.5	7.2
Receivable from disposal of property, plant and equipment	11.2	–
Miscellaneous current receivables	7.8	3.5
Other current receivables	**80.1**	**26.1**

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

4.3 INVENTORIES

CHF million	December 31, 2021	December 31, 2020
Raw materials and consumables	48.5	39.4
Finished and semi-finished goods, trading goods	231.1	200.8
Work in progress	22.4	6.8
Allowance for inventories	– 52.4	– 54.5
Inventories	**249.6**	**192.5**

The allowance for inventories developed as follows:

CHF million	2021	2020
Allowance for inventories at January 1	**– 54.5**	**– 41.8**
Acquisitions[1]	– 1.5	–
Utilization	1.8	4.6
Additions/reversals (net)[2]	1.8	– 17.9
Currency translation differences	0.0	0.6
Allowance for inventories at December 31	**– 52.4**	**– 54.5**

1. Acquisition of the Accotex and Temco businesses from Saurer in 2021 (see note 2.1).
2 In 2021, a reversal of allowance for finished goods in the amount of CHF 8.4 million is included, as the respective goods have been delivered.

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. A reversal of the allowance for finished goods on stock at December 31, 2020, as the respective goods were delivered in 2021 as well as an acceleration of the expected consumption in connection with the progressive recovery of Rieter's business resulted in a decrease in the allowance for inventories as of December 31, 2021, compared to the prior year.

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, 2020	**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**
Acquisitions[1]	0.0	16.2	0.1	0.9	0.4	12.4	30.0
Additions	12.2	9.2	2.2	0.9	11.6	8.1	44.2
Disposals	– 6.6	– 0.1	0.0	0.0	0.0	0.0	– 6.7
Depreciation	– 4.6	– 19.4	– 2.0	– 1.8	0.0	– 2.5	– 30.3
Impairment losses	0.0	– 0.2	0.0	0.0	0.0	0.0	– 0.2
Reclassifications	0.1	4.9	0.2	0.4	– 5.6	0.0	0.0
Reclassification to “assets classified as held for sale”[2]	– 14.7	0.0	0.0	0.0	0.0	0.0	– 14.7
Changes in leases	–	–	–	–	–	– 0.1	– 0.1
Currency translation differences	1.1	0.8	– 0.1	– 0.1	– 0.1	– 0.2	1.4
Carrying amount at December 31, 2021	**88.2**	**88.7**	**4.8**	**5.0**	**12.0**	**35.5**	**234.2**
Cost at December 31, 2021	218.8	365.7	20.8	33.9	12.0	41.4	692.6
Accumulated depreciation at December 31, 2021	– 130.6	– 277.0	– 16.0	– 28.9	0.0	– 5.9	– 458.4
Carrying amount at December 31, 2021	**88.2**	**88.7**	**4.8**	**5.0**	**12.0**	**35.5**	**234.2**

1. Acquisition of the Accotex and Temco businesses from Saurer in 2021 (see note 2.1).
2. See note 8.2.

No land and buildings are pledged as security for financial debt. At the end of 2021, open purchase commitments in respect of major investments in tangible fixed assets amounted to CHF 1.9 million (December 31, 2020: CHF 4.5 million).

Significant accounting policies

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

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

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

Where components of significant assets have differing useful lives, these are depreciated separately. All gains or losses arising from the disposal of property, plant and equipment are recognized in the income statement. 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.

For accounting policies in relation to right-of-use assets see note 8.4.

4.5 INTANGIBLE ASSETS

CHF million	Software	Customer relationships	Patents and technology	Brands and trademarks	Other intangible assets	Total intangible assets
Carrying amount at January 1, 2020	**2.9**	**29.2**	**14.0**	**0.0**	**4.0**	**50.1**
Additions	1.9	0.0	0.0	0.0	0.2	2.1
Amortization	– 0.4	– 3.2	– 1.8	0.0	– 0.8	– 6.2
Carrying amount at December 31, 2020	**4.4**	**26.0**	**12.2**	**0.0**	**3.4**	**46.0**
Cost at December 31, 2020	5.3	37.3	18.5	0.0	7.4	68.5
Accumulated amortization at December 31, 2020	– 0.9	– 11.3	– 6.3	0.0	– 4.0	– 22.5
Carrying amount at December 31, 2020	**4.4**	**26.0**	**12.2**	**0.0**	**3.4**	**46.0**
Changes in presentation[1]	–	–	–	3.2	– 3.2	0.0
Net book value at January 1, 2021	**4.4**	**26.0**	**12.2**	**3.2**	**0.2**	**46.0**
Acquisitions[2]	0.6	17.3	15.2	12.4	0.0	45.5
Additions	2.5	0.0	0.0	0.0	0.0	2.5
Amortization	– 0.8	– 3.5	– 1.9	– 0.6	– 0.1	– 6.9
Currency translation differences	0.0	– 0.1	– 0.1	– 0.1	0.0	– 0.3
Carrying amount at December 31, 2021	**6.7**	**39.7**	**25.4**	**14.9**	**0.1**	**86.8**
Cost at December 31, 2021	8.4	54.6	33.7	17.3	2.5	116.5
Accumulated amortization at December 31, 2021	– 1.7	– 14.9	– 8.3	– 2.4	– 2.4	– 29.7
Carrying amount at December 31, 2021	**6.7**	**39.7**	**25.4**	**14.9**	**0.1**	**86.8**

1. At January 1, 2021, brands and trademarks have been excluded from the other intangible assets balance and presented separately.
2. Acquisition of the Accotex and Temco businesses as well as the Winder-related service and commission business in India from Saurer in 2021 (see note 2.1).

Software consists of capitalized cost for internally generated software. Brands and trademarks include the brands of SSM, Accotex and Temco.

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. The COVID-19 pandemic had no impact on these accounting estimates and judgments due to the progressive recovery of Rieter's business starting in the second half of 2020 and continuing in 2021.

Significant accounting policies

Intangible assets acquired from third parties such as product licenses, patents, trademark rights (brands) 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. 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.

4.6 GOODWILL

CHF million	**Goodwill**
Carrying amount at January 1, 2020	**43.5**
Impairment	0.0
Carrying amount at December 31, 2020	**43.5**
Cost at December 31, 2020	43.5
Accumulated impairment at December 31, 2020	0.0
Carrying amount at December 31, 2020	**43.5**
Acquisitions[1]	48.4
Impairment	0.0
Currency translation differences	– 0.3
Carrying amount at December 31, 2021	**91.6**
Cost at December 31, 2021	91.6
Accumulated impairment at December 31, 2021	0.0
Carrying amount at December 31, 2021	**91.6**

1. Acquisition of the Accotex and Temco businesses as well as the Winder-related service and commission business in India from Saurer in 2021 (see note 2.1).

Goodwill is allocated to the corresponding cash-generating unit (CGU) and monitored by management. Rieter tests whether goodwill has suffered any impairment on an annual basis. For 2021 and 2020, the recoverable amount of the CGU's was determined on value-in-use calculations.

A segment-level summary of the goodwill allocation, the CGU and the respective key assumptions, which are used, are presented below:

CHF million	SSM	Accotex	Temco	Others	2021
Components	43.5	20.5	18.8	–	82.8
Others	–	–	–	8.8	8.8
Goodwill					**91.6**
Key assumptions					
Sales volume (% growth)	1.3%	12.2%	7.2%		
Long-term sales growth rate	1.0%	1.5%	1.5%		
Pre-tax discount rate	11.0%	11.7%	10.0%		

CHF million	SSM	Accotex	Temco	Others	2020
Components	43.5	–	–	–	43.5
Goodwill					**43.5**
Key assumptions					
Sales volume (% growth)	6.9%				
Long-term sales growth rate	1.0%				
Pre-tax discount rate	10.4%				

Based on the performed impairment tests using the key assumptions mentioned above, there is no need for an impairment charge at December 31, 2021 and 2020.

Sales of SSM have materially improved in the 2021 financial year and have recovered much faster than the projected two years. There is currently no indication of a long-term decrease of the market relevant for SSM, the market share or the profitability. Gross margin and profitability depend on the sales volume. No reasonably possible changes in key assumptions would cause the recoverable amount to equate the carrying amount of goodwill.

For Accotex and Temco, business plans have been developed and agreed with the business unit management teams. Growth rates in the planning period contain a recovery effect from the difficult years 2020 (due to the COVID-19 pandemic) and 2021 (due to the insolvency proceedings in Germany described in note 2.1). The results of the impairment tests confirm the purchase price paid without an indication for impairment, but showed only a small headroom for Accotex. Rieter performed sensitivity analysis in order to determine which reasonably possible change in key assumptions would cause the recoverable amount to fall short of the carrying amount of goodwill. The sensitivity analysis for Accotex showed that the recoverable amount would equate to the carrying amount of Accotex if the pre-tax discount rate would be increased by 0.2%, the sales volume growth would be reduced by 0.3% or the long-term sales growth rate would be decreased by 0.3%. The recoverable amount of Accotex exceeds the present carrying amount by CHF 1.0 million. The sensitivity analysis for Temco showed that no reasonably possible changes in key assumptions would cause the recoverable amount to equate the carrying amount of goodwill.

Sales growth rates are calculated as compound average growth rate derived from the underlying business plans. Long-term sales growth rates are based on long-term inflation assumptions assuring rates are in line or below external market information provided by industry specialists. Pre-tax discount rates are determined on the basis of the weighted cost of capital using market participants information.

“Others” includes goodwill acquired in the transaction described in note 2.1 conducted by Rieter India Pvt. Ltd. on November 30, 2021. Acquired business relates to the foreseen acquisition of the automatic winder business and will be allocated to the segments Machines & Systems and After Sales as part of the closing of the full transaction. Based on the month of December and full year sales, and profitability levels, there is no indication for an impairment for the Winder-related service and commission business in India.

Significant accounting estimates and judgments

For the goodwill impairment test, Rieter uses financial plans for the next three 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. The COVID-19 pandemic had no impact on these accounting estimates and judgments due to the progressive recovery of Rieter's business starting in the second half of 2020 and continuing in 2021.

Significant accounting policies

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.

4.7 OTHER CURRENT LIABILITIES

CHF million	December 31, 2021	December 31, 2020
Accrued expenses	44.0	20.6
Deferred revenue	24.5	17.7
Accrued holidays and overtime	7.4	5.8
Accrued sales commissions	7.1	6.1
Derivative financial instruments (negative fair values)	23.3	2.7
Current liabilities to employees	9.0	4.0
Miscellaneous current liabilities	32.8	21.9
Other current liabilities	**148.1**	**78.8**

Deferred revenue consists mainly of revenue for installations of machines and components at Rieter customer sites, which were invoiced already, but have not yet been completed. Of the deferred revenue at December 31, 2020, CHF 11.8 million were recognized as sales and therefore included in the 2021 consolidated income statement. Additional significant changes comprise services invoiced in 2021, which were either recognized as sales in 2021 or which are still included in deferred revenue at December 31, 2021. The majority of deferred revenue is recognized as revenue within twelve months.

4.8 ADVANCE PAYMENTS FROM CUSTOMERS

CHF million	December 31, 2021	December 31, 2020
Advance payments from customers	**211.4**	**95.5**

Of the advance payments from customers at December 31, 2020, CHF 62.6 million were recognized as sales and therefore included in the consolidated 2021 income statement. Additional significant changes comprise advance payments received in 2021, which were not recognized in sales in 2021.

4.9 PROVISIONS

CHF million	Restructuring provisions	Personnel provisions	Guarantee and warranty provisions	Restoration provisions	Other provisions	Total provisions
Provisions at December 31, 2020	**5.1**	**6.0**	**27.3**	**0.0**	**21.9**	**60.3**
Changes in presentation[1]	–	–	–	12.1	– 12.1	0.0
Provisions at January 1, 2021	**5.1**	**6.0**	**27.3**	**12.1**	**9.8**	**60.3**
Acquisitions[2]	0.0	0.2	0.1	0.0	0.1	0.4
Utilization	– 1.1	– 1.6	– 16.9	0.0	– 2.0	– 21.6
Release	– 2.7	– 0.2	– 4.3	0.0	– 1.0	– 8.2
Additions	0.2	2.3	15.9	5.4	1.9	25.7
Currency translation differences	– 0.1	– 0.2	0.1	– 0.8	0.4	– 0.6
Provisions at December 31, 2021	**1.4**	**6.5**	**22.2**	**16.7**	**9.2**	**56.0**
Of which current	0.9	1.7	19.2	3.4	2.8	28.0
Of which non-current	0.5	4.8	3.0	13.3	6.4	28.0

1. At January 1, 2021, restoration provisions have been excluded from the other provisions balance and presented separately.
2. Acquisition of the Accotex and Temco businesses from Saurer in 2021 (see note 2.1).

Restructuring provisions cover legal and constructive obligations in connection with restructuring measures. Of the open commitments, CHF 1.1 million have been settled in the year under review. The reassessment of existing provisions resulted in a reversal in the amount of CHF 2.7 million in 2021. Non-current restructuring provisions are expected to be utilized in 2023.

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.

Restoration provisions contain obligations for site restoration associated with the disposal of land and buildings in Ingolstadt (Germany) in 2019 and Winterthur (Switzerland). The respective provision is expected to be utilized in the years after 2022.

Rieter has recognized other provisions mainly for ongoing legal proceedings, for onerous contracts (where the unavoidable direct cost of performance exceeds the expected financial benefit) or for contracts with benefits linked to conditions which have to be fulfilled in the future (e.g. government grants). Non-current other provisions are expected to be utilized in the years after 2022.

Significant accounting estimates and judgments

In the course of the ordinary operating activities of Rieter, 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 of December 31, 2021, the potential impact of the COVID-19 pandemic on the provision balances has been assessed. No significant impact was identified (December 31, 2020: none).

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 significant.

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, 2021	December 31, 2020
Cash and cash equivalents	248.7	282.3
Marketable securities and time deposits	0.7	0.9
Current financial debt	– 209.7	– 151.4
Non-current financial debt	– 201.6	– 90.5
Net liquidity	**– 161.9**	**41.3**
Lease liabilities[1]	31.7	14.2
Net liquidity (without lease liabilities)	**– 130.2**	**55.5**

1. See notes 5.3 and 8.6.

Free cash flow consists of:

CHF million	2021	2020
Cash flow from operating activities	165.7	– 49.8
Cash flow from investing activities	– 352.9	– 25.0
Less cash flow from acquisition of subsidiaries[1]	315.3	0.0
Free cash flow	**128.1**	**– 74.8**

1. See note 2.1.

5.2 CASH AND CASH EQUIVALENTS

CHF million	December 31, 2021	December 31, 2020
Cash and banks	226.1	249.2
Time deposits with original maturities of up to three months	22.6	33.1
Cash and cash equivalents	**248.7**	**282.3**

Significant accounting policies

Cash and cash equivalents include bank accounts, money market funds 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, 2021	Total December 31, 2020
Maturity						
Less than 1 year	0.0	200.9	4.4	4.4	209.7	151.4
1 to 5 years	74.8	0.0	15.2	0.0	90.0	85.0
5 or more years	99.5	0.0	12.1	0.0	111.6	5.5
Financial debt	**174.3**	**200.9**	**31.7**	**4.4**	**411.3**	**241.9**

On November 25, 2021, Rieter issued a fixed-rate bond with a nominal value amounting to CHF 100.0 million. This bond has a term of six years with a maturity date on November 24, 2027, a fixed interest rate of 1.4% p.a. and is listed on the SIX Swiss Exchange. The fair value of this bond amounted to CHF 101.0 million at December 31, 2021. The effective interest expenses in the amount of CHF 0.1 million were charged to the 2021 income statement. In addition, Rieter Holding Ltd. previously 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 76.3 million at December 31, 2021 (December 31, 2020: CHF 75.1 million). The effective interest expenses were CHF 1.2 million in 2021 (2020: CHF 0.4 million).

By currency, financial debt is divided up as follows:

CHF million	December 31, 2021	December 31, 2020
CHF	260.5	107.1
EUR	112.5	114.1
INR	37.4	19.6
Other currencies	0.9	1.1
Financial debt	**411.3**	**241.9**

Financial debt changed as follows:

CHF million		2021	2020
Financial debt at January 1		**241.9**	**122.9**
Proceeds from issue of fixed-rate bond	Cash flow	99.7	74.7
Repayment of fixed-rate bond	Cash flow	0.0	– 100.0
Proceeds from bank debt	Cash flow	52.6	136.9
Repayments of bank and other financial debt	Cash flow	0.0	– 4.3
Recognition of lease liabilities[1]	No cash flow	20.4	13.3
Repayments of lease liabilities	Cash flow	– 2.4	– 2.9
Changes in leases	No cash flow	– 0.1	0.0
Changes in amortized cost	No cash flow	0.2	0.4
Other changes in values[2]	No cash flow	– 0.5	2.2
Currency translation differences	No cash flow	– 0.5	– 1.3
Financial debt at December 31		**411.3**	**241.9**

1 In 2021, lease liabilities in connection with the acquisition of the Accotex and Temco businesses from Saurer in the amount of CHF 12.4 million have been recognized (see note 2.1).
2 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 the balance sheet date. For accounting policies in relation to lease liabilities see note 8.4.

5.4 SHARE CAPITAL, EARNINGS AND DIVIDEND PER SHARE

		December 31, 2021	December 31, 2020
Shares issued	Number of shares	4 672 363	4 672 363
Treasury shares	Number of shares	178 339	206 060
Shares outstanding	**Number of shares**	**4 494 024**	**4 466 303**
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:

	2021	2020
Net profit attributable to shareholders of Rieter Holding Ltd. (CHF million)	**31.7**	**– 89.8**
Average number of shares outstanding (undiluted)	4 496 214	4 479 637
Average number of shares outstanding (diluted)	4 501 217	4 483 071
Basic earnings per share (CHF)	**7.04**	**– 20.05**
Diluted earnings per share (CHF)	**7.03**	**– 20.05**

In 2021, no dividend was paid. The dividend paid in 2020 amounted to CHF 20.1 million and was distributed from retained earnings. Based on the financial statements at December 31, 2021, the Board of Directors proposes to the Annual General Meeting a dividend of CHF 4.00 per share.

The table below summarizes the dividend payout ratio of the 2021 and 2020 financial years:

	2021	2020
Dividend per share (CHF)	4.00 [1]	0.00
Basic earnings per share (CHF)	7.04	– 20.05
Dividend payout ratio in %	**57**	**0**

1. See motion of the Board of Directors on page 107.

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 2021, non-controlling interests remained unchanged. In 2020, 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.

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. As a consequence, the present value of this obligation has been reclassified to current financial debt in the 2021 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	2021	2020
Interest income	2.0	0.6
Other financial income	0.9	1.6
Financial income	**2.9**	**2.2**
Interest expenses	– 5.8	– 5.0
Other financial expenses and exchange rate differences (net)	– 5.4	– 0.5
Financial expenses	**– 11.2**	**– 5.5**

6 GROUP STRUCTURE

6.1 CHANGES IN GROUP STRUCTURE

In 2021, Rieter acquired the Accotex and Temco businesses as well as the Winder-related service and commission business in India from Saurer. Accotex and Temco have been integrated into the newly set up subsidiary Rieter Components Germany GmbH, whereas the Winder-related service and commission business in India has been integrated into the existing subsidiary Rieter India Pvt. Ltd. (Wing, India) (see note 2.1).

In addition, the subsidiary Graf Máquinas Têxteis Indústria e Comércio Ltda. (São Paulo, Brazil) absorbed the subsidiary Rieter South America Ltda. (São Paulo, Brazil) and changed its company name to Rieter Brasil Comércio e Representação de Máquinas e Sistemas Têxteis Ltda. The impact of this merger on the consolidated financial statements was insignificant.

Moreover, Rieter liquidated the operationally inactive subsidiary Graf España SA (Santa Perpètua de Mogoda, Spain) with a foreign exchange gain of CHF 1.3 million transferred from the other comprehensive income to the financial result of the 2021 consolidated income statement.

In 2020, Rieter liquidated the subsidiary Rieter Textile Systems (Shanghai) Co. Ltd. (Shanghai, China) with an insignificant impact on the consolidated financial statements.

6.2 SUBSIDIARIES AND ASSOCIATED COMPANIES

At December 31, 2021

			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	Rieter Brasil Comércio e Representação de Máquinas e Sistemas Têxteis Ltda., São Paulo	BRL	51 615 323	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%	•	•		
	Rieter Components Germany GmbH, Hammelburg	EUR	1 000 000	100%	•	•	•	•
	Wilhelm Stahlecker GmbH, Suessen	EUR	255 645	100%	•			
	Spindelfabrik Suessen GmbH, Suessen	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%	•	•	•	•
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, China	Rieter Asia (Taiwan) Ltd., Taipeh	TWD	5 000 000	100%		•		
Turkey	Rieter Textile Machinery Trading & Services Ltd., Istanbul	TRY	25 000	100%		•		
USA	Rieter America, LLC, Spartanburg	USD	1 249	100%		•		
	Graf Metallic of America, LLC, Spartanburg	USD	50 000	100%		•		
	Rieter North America, Inc., Spartanburg	USD	1 000	100%				•
Uzbekistan	Rieter Uzbekistan FE LLC, Tashkent	UZS[2]	47 254	100%		•	•	

1. Associated company.
2. In UZS million.

Significant accounting policies

The consolidated financial statements comprise the financial statements of Rieter Holding Ltd. and its subsidiaries (or “group companies”) at December 31, 2021. 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	2021	2020
Investments in associated companies at January 1	**15.8**	**16.2**
Share in profit/loss	2.0	– 0.3
Dividends received	– 0.3	– 0.1
Currency translation differences	– 0.4	0.0
Investments in associated companies at December 31	**17.1**	**15.8**

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 was 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 2021 and 2020 consolidated financial statements are insignificant.

In the year under review, the Group purchased products from associated companies with a total value of CHF 13.6 million (2020: CHF 10.5 million). The respective open trade payable balances at December 31, 2021, were interest-free and amounted to CHF 2.7 million (December 31, 2020: CHF 0.4 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	2021	2020[1]
Wages and salaries	– 204.5	– 187.1
Social security and other personnel expenses	– 51.5	– 45.7
Personnel expenses	**– 256.0**	**– 232.8**

1. In 2020, Rieter received a total compensation associated with short-time working in the amount of CHF 7.6 million.

7.2 EMPLOYEE BENEFIT PLANS

Defined contribution plans

The expense for defined contribution plans amounted to CHF 3.5 million in the year under review (2020: CHF 1.8 million).

Defined benefit plans

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

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 status of defined benefit plans was as follows:

				December 31, 2021
CHF million	Funded plans (Switzerland)	Funded plans (other countries)	Unfunded plans (mainly Germany)	Total
Actuarial present value of defined benefit plan obligations (funded plans)	– 975.7	– 8.7	0.0	– 984.4
Fair value of defined benefit plan assets (funded plans)	1 423.7	5.2	0.0	1 428.9
Impact of asset ceiling	– 387.7	0.0	0.0	– 387.7
Overfunding (+)/Underfunding (-)	**60.3**	**– 3.5**	**0.0**	**56.8**
Actuarial present value of defined benefit plan obligations (unfunded plans)	0.0	0.0	– 24.9	– 24.9
Net defined benefit plan asset/liability recognized in the balance sheet	**60.3**	**– 3.5**	**– 24.9**	**31.9**
• thereof as defined benefit plan assets	62.8	0.0	0.0	62.8
• thereof as defined benefit plan liabilities	– 2.5	– 3.5	– 24.9	– 30.9

CHF million	Funded plans (Switzerland)	Funded plans (other countries)	Unfunded plans (mainly Germany)	Total
				December 31, 2020
Actuarial present value of defined benefit plan obligations (funded plans)	– 1 020.7	– 3.0	0.0	– 1 023.7
Fair value of defined benefit plan assets (funded plans)	1 346.7	1.7	0.0	1 348.4
Impact of asset ceiling	– 272.0	0.0	0.0	– 272.0
Overfunding (+)/Underfunding (-)	**54.0**	**– 1.3**	**0.0**	**52.7**
Actuarial present value of defined benefit plan obligations (unfunded plans)	0.0	0.0	– 22.3	– 22.3
Net defined benefit plan asset/liability recognized in the balance sheet	**54.0**	**– 1.3**	**– 22.3**	**30.4**
• thereof as defined benefit plan assets	62.7	0.0	0.0	62.7
• thereof as defined benefit plan liabilities	– 8.7	– 1.3	– 22.3	– 32.3

The defined benefit plan obligations changed as follows:

CHF million	2021	2020
Defined benefit plan obligations at January 1	**1 046.0**	**1 046.3**
Acquisitions[1]	11.1	0.0
Current service cost	9.7	10.9
Interest expense	1.8	1.3
Employee contributions[2]	6.5	7.3
Actuarial gains/losses (net)	– 16.7	23.1
Benefits paid	– 48.9	– 42.4
Past service cost	0.8	0.0
Currency translation differences	– 1.0	– 0.5
Defined benefit plan obligations at December 31	**1 009.3**	**1 046.0**

1 Acquisition of the Accotex and Temco businesses from Saurer in 2021 (see note 2.1).
2 Includes employee contributions financed by the use of employer contribution reserves in accordance with Swiss COVID-19-related legislation in 2021 and 2020.

The weighted average duration of the defined benefit plan obligations is 12.4 years (2020: 12.9 years).

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

CHF million	2021	2020
Fair value of defined benefit plan assets at January 1	**1 348.4**	**1 313.4**
Acquisitions[1]	2.6	0.0
Interest income	1.7	1.2
Return on defined benefit plan assets (excluding interest income)	112.2	68.2
Employer contributions	7.7	3.6
Employee contributions	5.2	4.5
Benefits paid	– 48.9	– 42.4
Currency translation differences	0.0	– 0.1
Fair value of defined benefit plan assets at December 31	**1 428.9**	**1 348.4**

1 Acquisition of the Accotex and Temco businesses from Saurer in 2021 (see note 2.1).

The total gain on plan assets was CHF 113.9 million in the year under review (2020: CHF 69.4 million). The Group expects employer contributions in the amount of CHF 8.8 million to its defined benefit plans in 2022.

The major categories of plan assets were as follows:

CHF million	December 31, 2021	December 31, 2020
Cash and cash equivalents	94.0	51.4
Equity instruments	609.2	566.9
Debt instruments	286.2	282.5
Real estate	390.0	412.3
Other	49.5	35.3
Fair value of defined benefit plan assets	**1 428.9**	**1 348.4**

At the end of 2021, plan assets included no Rieter Holding Ltd. bonds (December 31, 2020: CHF 3.0 million). No Rieter shares were held at the end of 2021 and 2020. Cash equivalents (e.g. money market instruments), equity instruments and 79% 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	2021	2020
Current service cost	9.7	10.9
Net interest result	0.0	0.1
Past service cost	0.8	0.0
Expenses recognized in the income statement	**10.5**	**11.0**

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

CHF million	2021	2020
Actuarial gains/losses arising from:		
• Changes in demographic assumptions	20.3	0.0
• Changes in financial assumptions	6.8	6.1
• Experience adjustments	– 10.4	– 29.2
Return on defined benefit plan assets (excluding interest income)	112.2	68.2
Impact of changes in asset ceiling	– 115.7	– 34.4
Remeasurements of defined benefit plans	**13.2**	**10.7**

Main actuarial assumptions used at year-end are:

Weighted average in %	December 31, 2021	December 31, 2020
Discount rate	0.2	0.2
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 approximately 1% at December 31, 2021 (December 31, 2020: approximately 1%). Thus, the expected result from the recognition of defined benefit plan obligations is subject to lower fluctuation.

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, 2021	December 31, 2020
Increase in the discount rate by 0.5 percentage points	– 59.7	– 64.4
Decrease in the discount rate by 0.5 percentage points	66.5	72.0
Increase in the future pension growth rate by 0.5 percentage points[1]	52.0	55.9

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 2020).

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 at December 31, 2021 and 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 2021, seven members of the Board of Directors received in total 4 701 shares on January 17, 2022. The cost of CHF 0.9 million was charged to the 2021 income statement. On January 18, 2021, seven members of the Board of Directors received in total 8 775 shares in connection with their remuneration for 2020. The market value of the shares granted was CHF 0.9 million and was charged to the 2020 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 2021, the members of the Group Executive Committee will receive Rieter shares with a market value of CHF 1.0 million in April 2022. The respective cost of CHF 1.0 million was charged to the 2021 income statement. These 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 received no shares.

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	2021	2020
Outstanding rights at January 1	**10 825**	**5 489**
Granted	0	7 327
Exercised/paid-out	– 451	– 1 448
Expired	– 583	– 543
Outstanding rights at December 31 (non-exercisable)	**9 791**	**10 825**

The estimated fair value of the outstanding rights amounts to the market value of a Rieter share of CHF 177.00 at December 31, 2021. In the year under review, the cost of the long-term incentive plan in the amount of CHF 1.0 million affected the income statement (2020: CHF 0.2 million). The liability recognized in the balance sheet at the end of the year was CHF 1.4 million (December 31, 2020: 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	2021	2020
Current income taxes	– 14.0	– 4.4
Deferred income taxes	4.4	2.6
Income taxes	**– 9.6**	**– 1.8**

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

CHF million	2021	2020
Income taxes on remeasurement of defined benefit plans	– 2.1	– 0.7
Income taxes on currency translation differences	0.0	0.3
Income taxes on cash flow hedges	0.1	– 0.1
Income taxes recognized in other comprehensive income	**– 2.0**	**– 0.5**

The reconciliation of expected and actual income taxes is as follows:

CHF million	2021	2020
Expected income taxes on profit before taxes of CHF 41.3 million (2020: CHF –88.0 million) at an average rate of 23.7% (2020: 20.8%)	– 9.8	18.3
Impact of non-deductible expenses	– 0.5	– 0.6
Impact of non-taxable income/income taxed at different rates	– 1.0	0.9
Impact of losses and loss carry-forwards	3.4	– 19.6
Impact of changes in tax rates and tax legislation	0.1	0.1
Tax effects from previous periods	1.0	0.2
Withholding taxes on payments from subsidiaries	– 2.4	– 1.0
Other effects	– 0.4	– 0.1
Income taxes	**– 9.6**	**– 1.8**

The expected weighted average tax rate increased by 2.9 percentage points compared to the prior year. The increase was mainly driven by changes in the profitability of certain group companies.

Deferred income taxes

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

CHF million	2021	2020
Deferred income tax liabilities, net at January 1	**9.0**	**10.5**
Deferred income taxes recognized in the income statement	– 4.4	– 2.6
Deferred income taxes recognized as other comprehensive income	2.0	0.5
Deferred income taxes on treasury shares	2.3	0.0
Currency translation differences	0.2	0.6
Deferred income tax liabilities, net at December 31	**9.1**	**9.0**

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

CHF million	Deferred income tax assets December 31, 2021	Deferred income tax liabilities December 31, 2021	Deferred income tax assets December 31, 2020	Deferred income tax liabilities December 31, 2020
Property, plant and equipment	3.8	– 14.9	3.1	– 8.0
Intangible assets	20.6	– 21.9	3.1	– 7.8
Defined benefit plan assets	0.0	– 12.6	0.0	– 12.5
Inventories	5.9	– 2.0	8.1	– 1.2
Other assets	0.2	– 19.9	0.7	– 10.0
Provisions	4.0	– 0.1	2.9	– 0.1
Defined benefit plan liabilities	3.9	0.0	4.8	0.0
Other liabilities	9.5	– 1.5	2.6	– 1.7
Valuation adjustments on deferred income tax assets	– 3.7	0.0	– 5.9	0.0
Tax loss carry-forwards and tax credits	19.6	0.0	12.9	0.0
Total	**63.8**	**– 72.9**	**32.3**	**– 41.3**
Offsetting	– 38.0	38.0	– 10.2	10.2
Deferred income tax assets/liabilities	**25.8**	**– 34.9**	**22.1**	**– 31.1**

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

CHF million	Capitalized	Non-capitalized	Total
Expiry in			
1 to 3 years	0.0	0.0	0.0
3 to 7 years	13.9	17.6	31.5
7 or more years	5.7	14.4	20.1
Total at December 31, 2021	**19.6**	**32.0**	**51.6**

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

Significant unused tax losses for which no deferred tax asset has been recognized concern primarily countries with a tax rate between 15% and 35% (2020: 15% to 34%).

Significant accounting estimates and judgments

Assumptions in relation to income tax expenses 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 2021, the COVID-19 pandemic had no impact on these accounting estimates and judgments due to the progressive recovery of Rieter's business resulting in a net gain. In 2020, 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 tax assets and liabilities 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 assets and liabilities are 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 tax assets and liabilities are recognized as income tax expenses in the income statement unless they relate to items recognized directly in equity or other comprehensive income.

Deferred income tax liabilities on retained earnings of group companies are only recognized in cases where a distribution of profits is planned. Therefore, no deferred income tax liabilities 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 ASSETS CLASSIFIED AS HELD FOR SALE

CHF million	December 31, 2021	December 31, 2020
Land and buildings	14.7	0.0
Assets classified as held for sale	**14.7**	**0.0**

Capitalized cost for the development of land and buildings related to project CAMPUS in Winterthur have been reclassified to assets classified as held for sale. The sale is expected to happen in 2022.

8.3 OTHER NON-CURRENT ASSETS

CHF million	December 31, 2021	December 31, 2020
Financial assets	1.0	1.2
Miscellaneous non-current assets	6.3	5.9
Other non-current assets	**7.3**	**7.1**

8.4 LEASES

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

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

CHF million	December 31, 2021	December 31, 2020
Land and buildings	34.8	17.1
Vehicles and furniture	0.7	0.7
Right-of-use assets	**35.5**	**17.8**

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

CHF million	2021	2020
Land and buildings	– 2.1	– 2.5
Vehicles and furniture	– 0.4	– 0.3
Depreciation associated with right-of-use assets	**– 2.5**	**– 2.8**

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

CHF million		2021	2020
Expenses associated with short-term leases	EBIT	– 4.1	– 4.1
Interest expenses on lease liabilities	Financial result	– 0.1	– 0.2

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 8.6.

Total cash outflows for leases amounted to CHF 6.6 million in the 2021 financial year (2020: CHF 7.2 million).

At December 31, 2021, discounted future cash outflows in connection with lease arrangements that were committed, but have not commenced amounted to CHF 0.2 million. (December 31, 2020: CHF 8.2 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 are 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.

8.5 FINANCIAL INSTRUMENTS

The following tables summarize all financial instruments held at December 31, 2021, and 2020, 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, 2021	December 31, 2020
Cash and banks	226.1	249.2
Time deposits with original maturities of up to three months	22.6	33.1
Time deposits with original maturities of more than three months	0.3	0.5
Trade receivables	122.0	50.4
Other current receivables	39.8	14.6
Financial assets at amortized cost	**410.8**	**347.8**
Other financial assets[1]	0.5	0.6
Derivative financial instruments (positive fair values)[1]	21.5	7.2
Financial assets at fair value through profit and loss (mandatorily)	**22.0**	**7.8**
Marketable securities[2]	0.4	0.4
Other financial assets[3]	0.5	0.6
Financial assets at fair value through other comprehensive income	**0.9**	**1.0**
Financial assets	**433.7**	**356.6**

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, 2021	December 31, 2020
Trade payables	117.2	47.7
Other current liabilities	92.9	52.6
Bank debt	200.9	148.9
Current lease liabilities	4.4	2.3
Other current financial debt	4.4	0.2
Fixed-rate bonds[1]	174.3	74.7
Non-current lease liabilities	27.3	11.9
Other non-current financial debt	0.0	3.9
Financial liabilities at amortized cost	**621.4**	**342.2**
Derivative financial instruments (negative fair values)[2]	23.3	2.8
Financial liabilities at fair values through profit and loss (mandatorily)	**23.3**	**2.8**
Financial liabilities	**644.7**	**345.0**

1. The fair value of the fixed-rate bonds 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, 2021, contract values of all outstanding forward exchange contracts amounted to CHF 1 510.9 million (December 31, 2020: CHF 667.2 million).

8.6 FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

Foreign exchange risk

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

Rieter's risk management policy is to minimize the effects of fluctuations in currency exchange rates on committed or highly probable transactions. For this purpose, the main objective is to minimize transaction risks arising from firm sales and purchase commitments in non-functional currencies of the respective group companies associated with large machinery and systems sales orders in order to secure the profit margin as negotiated at contract inception. In addition, the transaction risks for bulk business and other operating type transactions are hedged for significant group companies. Foreign currency gains and losses resulting from loans to/from group companies, which form part of the net investment in a foreign operation, are recognized in other comprehensive income directly in equity until Rieter's control over the respective entity ceases. 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 to avoid a temporary distortion of the operating result due to fair value gains and losses resulting from derivative financial instruments. The hedge accounting policy is included in the other significant accounting policies (see note 8.9). Rieter aims to achieve a hedge ratio of between 80% and 100%. The hedge ratio is defined as the nominal value of the foreign currency forward 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 2021	Impact 2020
EUR/CHF	+ 5%	3.2	2.1
EUR/CHF	– 5%	– 3.2	– 2.1
USD/CHF	+ 5%	3.3	1.3
USD/CHF	– 5%	– 3.3	– 1.3

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, 2021, and 2020:

December 31, 2021	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]	18.2	19.1	1 070.6	0.3

1. Fair values are recognized in other current receivables/liabilities.

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

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 0.4 million in the year under review (2020: CHF 0.8 million).

The following hedging relationships affected the 2021 and the 2020 consolidated income statement and the consolidated statement of comprehensive income:

CHF million	2021	2020
Foreign exchange risks		
Hedging gains/losses recognized in other comprehensive income	–0.4	0.2
Hedge ineffectiveness recognized in the income statement[1]	0.3	0.6
Hedged future transactions no longer expected to occur[1]	–1.3	–0.9
Amount reclassified from the hedge reserve into the income statement[1]	1.0	0.5

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 2021 and 2020:

CHF million	2021	2020
Foreign exchange risks		
Hedge reserve at January 1	**0.8**	**0.5**
Hedging gains/losses recognized in other comprehensive income[1]	– 0.4	0.2
Hedge ineffectiveness recognized in the income statement[1]	0.3	0.6
Hedged future transactions no longer expected to occur[1]	– 1.3	– 0.9
Amount reclassified from the hedge reserve into the income statement[1]	1.0	0.5
Income taxes	0.1	– 0.1
Hedge reserve at December 31	**0.5**	**0.8**

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

Since January 1, 2021, the hedge reserve includes the spot and the forward 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).

Until December 31, 2020, the hedge reserve included only 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, 2021, and 2020:

December 31, 2021	**Period of maturity**				**Total**	
	2022 Long[1]	**2022 Short[2]**	**2023 and later Long[1]**	**2023 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 -)	3.6	0.0	–	–	3.6	0.0
• Average forward foreign exchange rate (CZK 100/CHF)	4.14				4.14	
CNY exposure hedged by group companies whose functional currency is CHF						
• Nominal amount (CHF million, long +/short -)	299.5	– 0.2	–	–	299.5	– 0.2
• Average forward foreign exchange rate (CNY 100/CHF)	13.83	13.28			13.83	13.28
EUR exposure hedged by group companies whose functional currency is CHF						
• Nominal amount (CHF million, long +/short -)	442.4	– 264.8	–	–	442.4	– 264.8
• Average forward foreign exchange rate (EUR/CHF)	1.08	1.08			1.08	1.08
USD exposure hedged by group companies whose functional currency is CHF						
• Nominal amount (CHF million, long +/short -)	0.0	– 53.6	–	–	0.0	– 53.6
• Average forward foreign exchange rate (USD/CHF)		0.89				0.89

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

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.

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 have an impact on profit before taxes of CHF 1.7 million in 2021 (2020: CHF 0.8 million).

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, 2021, no open receivable balance from individual customers exceeded 10% of total trade receivables (December 31, 2020: none).

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, 2021, and 2020:

December 31, 2021 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	1.1%	1.2%	20.0%	14.3%	92.9%	2.4%
Trade receivables (gross)	104.3	17.1	1.5	0.7	1.4	125.0
Allowance for trade receivables	1.1	0.2	0.3	0.1	1.3	3.0

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

The following table summarizes the movement in the allowance for trade receivables in 2021 and 2020:

CHF million	**2021**	**2020**
Allowance for trade receivables at January 1	**–3.2**	**–4.7**
Changes to expected credit losses on trade receivables	–1.0	–0.8
Write-off of trade receivables/reversal of unused amount	1.2	2.2
Currency translation differences	0.0	0.1
Allowance for trade receivables at December 31	**–3.0**	**–3.2**

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, 2021, and 2020:

CHF million	December 31, 2021	December 31, 2020
Trade receivables	125.0	53.6
Comprising:		
• Trade receivables secured by letters of credit or similar instruments	79.8	22.1
• Trade receivables unsecured	45.2	31.5
Allowance for trade receivables	– 3.0	– 3.2
Trade receivables	**122.0**	**50.4**

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, 2021, and 2020, 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 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 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 250 million in the 2021 financial year. These credit facilities have not been utilized at December 31, 2021.

The following tables show the contractual maturities of the Group's financial liabilities (including interest) at December 31, 2021, and 2020:

December 31, 2021	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	117.2	117.2	0.0	0.0	117.2
Other current liabilities	92.9	92.9	0.0	0.0	92.9
Bank debt	200.9	200.9	0.0	0.0	200.9
Fixed-rate bonds	174.3	2.7	83.3	101.5	187.5
Lease liabilities	31.7	4.5	15.6	12.5	32.6
Other financial debt	4.4	4.5	0.0	0.0	4.5
Total non-derivatives	**621.4**	**422.7**	**98.9**	**114.0**	**635.6**
Derivatives					
Foreign currency forward and swap contracts	23.3	517.8	0.0	0.0	517.8
Total derivatives	**23.3**	**517.8**	**0.0**	**0.0**	**517.8**
Total	**644.7**	**940.5**	**98.9**	**114.0**	**1 153.4**

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**

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 28% at December 31, 2021 (December 31, 2020: 36%). As an industrial group, Rieter strives to have a strong balance sheet with an equity ratio of at least 35%.

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

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

8.7 RELATED PARTIES

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

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

CHF million	2021	2020
Cash compensation	4.0	2.7
Employee benefit contributions and social security	0.9	0.7
Share-based compensation	2.0	1.0
Total	**6.9**	**4.4**

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

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

8.8 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

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

New or amended standards and interpretations
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 2021 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
Reference to the Conceptual Framework (amendments to IFRS 3)[1]	January 1, 2022	Financial year 2022
Property, Plant and Equipment: 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 to IFRS Standards 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
Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]	January 1, 2023	Financial year 2023
Disclosure of Accounting Policies (amendments to IAS 1 and IFRS Practice Statement 2)[1]	January 1, 2023	Financial year 2023
Definition of Accounting Estimates (Amendments to IAS 8)[1]	January 1, 2023	Financial year 2023

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

8.9 OTHER SIGNIFICANT ACCOUNTING POLICIES

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

Foreign currency translation

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

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

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

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

		Average annual CHF rates		Year-end CHF rates	
Country/Region	Currency (unit)	**2021**	**2020**	**2021**	**2020**
China	CNY 100	14.17	13.59	14.36	13.46
Czech Republic	CZK 100	4.22	4.05	4.16	4.12
Euro countries	EUR 1	1.08	1.07	1.03	1.08
India	INR 100	1.24	1.26	1.23	1.20
USA	USD 1	0.91	0.94	0.91	0.88

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, 2021, and 2020.

Credit risks related to debt instruments at amortized cost held by Rieter at December 31, 2021, and 2020, 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 note 4.1 and 8.6).

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 the acquisition date. Apart from that, Rieter held no financial assets at December 31, 2021, and 2020, 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.

For unrecognized firm commitments entered into on or before December 31, 2020, 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.

For unrecognized firm commitments entered into on or after January 1, 2021, Rieter designates the hedged risk as changes in the forward rate. Changes in the full fair value of the forward or swap contracts are deferred and recognized in other comprehensive income (hedge reserve) until the hedged transaction has been accounted for in the consolidated income statement. If Rieter had applied the former destination principle to the respective unrecognized firm commitments, the change in net profit or the hedge reserve in equity would have been insignificant in 2021.

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

8.10 EVENTS AFTER BALANCE SHEET DATE

No events have occurred up to March 8, 2022, 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

REPORT OF THE STATUTORY AUDITOR ON THE AUDIT OF THE 2021 CONSOLIDATED FINANCIAL STATEMENTS TO THE ANNUAL 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, consolidated statement of comprehensive income, the consolidated balance sheet as at December 31, 2021, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 46 to 92) give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, 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 represent 87% of sales and 82% of the assets of the Group.

As key audit matters the following areas of focus have been identified:

- Recognition and measurement of guarantee and warranty provisions
- Measurement of goodwill
- Recognition and measurement of the acquisition of certain businesses from Saurer

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
Benchmark applied	Weighted average profit before taxes achieved in the last four years (before restructuring charges).
Rationale for the materiality benchmark applied	We chose the 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 four 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 2021 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 commitments require critical accounting estimates and judgments by Management based on historical experience and expectations. We consider guarantee and warranty commitments to be a key audit matter because of the inherent uncertainty regarding their probability and magnitude. *Please refer to Note 4.9 '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 December 31, 2021. • We analyzed 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 December 31, 2021, Rieter recognized goodwill amounting to CHF 43.5 million (2020: CHF 43.5 million) without acquisitions. The goodwill must be 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 forecasted 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 carrying amounts related to goodwill as a key audit matter. *Please refer to note 4.6 '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 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 forecasted 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.

RECOGNITION AND MEASUREMENT OF THE ACQUISITION OF CERTAIN BUSINESSES FROM SAURER

Key audit matter	How our audit addressed the key audit matter
On August 13, 2021, Rieter signed an investment and shareholders agreement (ISA) with several Saurer companies in order to carve out, spin-off and acquire the three businesses automatic Winder, Accotex and Temco (target businesses) which have been an integral part of two wholly owned subsidiaries of Saurer Netherlands. For this purpose, Saurer Netherlands incorporated the two new and wholly owned subsidiaries Rieter Components Germany GmbH (Hammelburg, Germany) and Rieter Automatic Winder GmbH (Uebach-Palenberg, Germany). On November 19, 2021, Saurer Technologies GmbH & Co KG and Rieter Components Germany GmbH signed an asset purchase agreement to acquire assets and liabilities of the Accotex and Temco businesses. Closing of the transaction and therefore initial integration into the consolidated financial statements of Rieter was on December 1, 2021. The shares of Rieter Components Germany GmbH were transferred to Rieter Holding AG on December 21, 2021. Furthermore, on November 30, 2021, Rieter acquired assets and the Winder-related service and commission business from Saurer India. On the basis of the purchase price allocation established with the assistance of an external specialist, Rieter recognized identifiable intangible assets amounting to CHF 45.5 million and goodwill amounting to CHF 48.4 million. The identification and valuation of intangible assets, such as customer relationships, technologies and brands, requires significant accounting estimates and judgments by Management. The calculation of the fair value of these intangible assets is performed on the basis of valuation models used by Management. These valuation models include, among others, assumptions regarding future cash flows, revenue and cost growth, long-term growth rates and changes in net working capital and in the discount rate applied to the forecasted cash flows. Owing to the numerous assumptions and estimates used by Management and the scope for judgment in the identification and valuation process of intangible assets, the purchase price allocation undertaken was a key audit matter. *Please refer to note 2.1 'Acquisitions', 4.5 'Intangible assets' and 4.6 'Goodwill' in the Annual Report.*	• We assessed the terms and conditions of the purchase agreement and reconciled the acquisition price paid to the agreement and the bank statements. • We audited the intangible assets identified in the transaction. • We assessed the valuation models with the assistance of our internal valuation experts, who compared assumptions used for the valuation, such as the discount rate and the royalty rates, with those of analogous transactions and with market data. • We assessed the technical appropriateness and the arithmetical correctness of the valuation models used and of the valuation report. • We reconciled the amounts according to the purchase price allocation to the opening balance sheet and checked whether the transaction was recorded and disclosed in the consolidated financial statements in accordance with the provisions of IFRS 3 'Business Combinations'. The audit evidence obtained supports Management's assumptions underlying the recognition and measurement of the acquired businesses.

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, March 8, 2022

INCOME STATEMENT OF RIETER HOLDING LTD.

CHF million	Notes	2021	2020
Income			
Income from investments	(2.1)	12.7	21.1
Financial income	(2.2)	2.7	3.4
Other income	(2.3)	5.0	3.0
Release of value adjustments and provisions	(2.4)	10.0	–
Total income		**30.4**	**27.5**
Expenses			
Administrative expenses	(2.5)	11.6	4.5
Financial expenses	(2.6)	16.7	6.6
Income taxes		0.2	0.2
Total expenses		**28.5**	**11.3**
Net profit		**1.9**	**16.2**

BALANCE SHEET OF RIETER HOLDING LTD.

CHF million	Notes	December 31, 2021	December 31, 2020
Assets			
Cash and cash equivalents	(2.7)	130.9	183.3
Current receivables	(2.8)	11.2	40.3
Prepaid expenses and accrued income	(2.9)	1.8	0.4
Current assets		**143.9**	**224.0**
Other financial assets	(2.10)	128.9	118.6
Investments	(2.11)	324.1	214.5
Prepaid consideration for acquisition	(2.12)	185.0	–
Non-current assets		**638.0**	**333.1**
Total assets		**781.9**	**557.1**

Liabilities and shareholders' equity			
Current liabilities	(2.13)	1.5	1.0
Current interest-bearing liabilities	(2.14)	386.6	269.3
Accrued expenses and deferred income	(2.9)	4.7	2.1
Current liabilities		**392.8**	**272.4**
Non-current interest-bearing liabilities	(2.15)	175.0	75.0
Provisions	(2.16)	11.3	11.3
Non-current liabilities		**186.3**	**86.3**
Total liabilities		**579.1**	**358.7**
Share capital	(2.17)	23.4	23.4
General legal reserve	(2.18)	27.5	27.5
Free reserves	(2.19)	119.9	120.6
Retained earnings	(2.20)		
• Balance carried forward		54.4	38.2
• Net profit		1.9	16.2
Treasury shares	(2.21)	– 24.3	– 27.5
Shareholders' equity		**202.8**	**198.4**
Total liabilities and shareholders' equity		**781.9**	**557.1**

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 RELEASE OF VALUE ADJUSTMENTS AND PROVISIONS

In 2021, the value of other financial assets have been adjusted by CHF 10.0 million (2020: none).

2.5 ADMINISTRATIVE EXPENSES

Compared to the prior period, administrative expenses increased mainly due to transaction costs related directly to the acquisition of the three businesses automatic Winder, Accotex and Temco from Saurer.

2.6 FINANCIAL EXPENSES

Financial expenses consist mainly of interest payable on the fixed-rate bonds 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 250 million, maturity on October 31, 2026) are included.

2.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include bank accounts.

2.8 CURRENT RECEIVABLES

CHF million	December 31, 2021	December 31, 2020
Receivables from third	0.0	0.1
Receivables from subsidiaries	11.2	40.2
Current receivables	**11.2**	**40.3**

Receivables from subsidiaries 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.

2.9 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 as well as consultancy fees.

2.10 OTHER FINANCIAL ASSETS

CHF million	December 31, 2021	December 31, 2020
Loans to subsidiaries	128.9	118.6
Other financial assets	**128.9**	**118.6**

Non-current loans granted to subsidiaries are based on market terms and conditions. The increase in 2021 is mainly related to a release of value adjustments.

2.11 INVESTMENTS

CHF million	December 31, 2021	December 31, 2020
Investments in subsidiaries	312.3	202.7
Investments in associated companies	11.8	11.8
Investments	**324.1**	**214.5**

Investments are listed on page 70. These are held directly or indirectly by Rieter Holding Ltd. Compared to the prior period, investments in subsidiaries increased due to the acquisition of the Accotex and Temco businesses from Saurer.

2.12 PREPAID CONSIDERATION FOR ACQUISITION

Prepaid consideration for acquisition represents payments made for the acquisition of the automatic Winder business from Saurer in the amount of EUR 179.0 million (CHF 185.0 million), for which control of the respective net assets has not been obtained until December 31, 2021. The prepaid consideration has been translated with the year-end foreign exchange rate.

2.13 CURRENT LIABILITIES

CHF million	December 31, 2021	December 31, 2020
Liabilities to group companies	1.1	0.8
Liabilities to third parties	0.4	0.2
Current liabilities	**1.5**	**1.0**

2.14 CURRENT INTEREST-BEARING LIABILITIES

CHF million	December 31, 2021	December 31, 2020
Liabilities to group companies	217.7	135.9
Bank debt	168.9	133.4
Current interest-bearing liabilities	**386.6**	**269.3**

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

In 2021, Rieter continued to draw down short-term bank loans at various financial institutions with different terms to secure liquidity. In September 2020, Rieter repaid the fixed-rate bond in the amount of CHF 100.0 million.

2.15 NON-CURRENT INTEREST-BEARING LIABILITIES

On November 25, 2021, Rieter Holding Ltd. issued a fixed-rate bond with a nominal value amounting to CHF 100.0 million. This bond has a term of six years with a maturity date on November 24, 2027, a fixed interest rate of 1.4% p.a. and is listed on the SIX Swiss Exchange.

On August 18, 2020, Rieter Holding Ltd. issued a 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.

2.16 PROVISIONS

Provisions are recorded for foreign exchange risks and guarantee commitments.

2.17 SHARE CAPITAL

At December 31, 2021, 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.

2.18 GENERAL LEGAL RESERVE

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

2.19 FREE RESERVES

CHF million	2021	2020
Opening balance	**120.6**	**121.4**
Losses/gains from treasury shares	– 0.7	– 0.8
Free reserves	**119.9**	**120.6**

2.20 RETAINED EARNINGS

Including retained earnings carried forward, the Annual General Meeting has a total of CHF 56.3 million at its disposal (2020: CHF 54.4 million).

2.21 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, 2021 (registered shares)	206 060
Purchases from January to December 2021 (average price per share: CHF 169.63)	47 837
Sales from January to December 2021 (average price per share: CHF 140.12)	– 75 558
Treasury shares at December 31, 2021 (registered shares)	**178 339**

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, 2021	December 31, 2020
Guarantees	40.1	68.1

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, 2021:

- According to the notification from SIX Swiss Exchange (SIX), PCS Holding AG, Frauenfeld, Switzerland, held 1 031 380 shares (22.07%).
- According to the notification from SIX, Picanol Group (Verbrugge NV, Ieper, Belgium and Symphony Mills, Wielsbeke, Belgium and Artela NV, Oostrozebeke, Belgium and Picanol NV, Ieper, Belgium) held 701 835 shares (15.02%).
- According to the notification from SIX, 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, 2021 (ARTICLE 663C, SWISS CODE OF OBLIGATIONS)

	Number of shares	
	December 31, 2021	**December 31, 2020**
Bernhard Jucker, Chairman	10 106	7 069
Roger Baillod	1 960	1 393
Carl Illi	1 758	1 032
Michael Pieper (until April 15, 2021)	–	544 143
This E. Schneider	9 689	8 530
Hans-Peter Schwald	7 665	7 665
Peter Spuhler	1 134 132	1 132 463
Luc Tack (until August 30, 2021)	–	2 412
Total Board of Directors	**1 165 310**	**1 704 707**

	Number of shares	
	December 31, 2021	**December 31, 2020**
Dr. Norbert Klapper	8 000	9 077
Roger Albrecht (as of March 1, 2021)	0	–
Thomas Anwander	1 418	2 368
Serge Entleitner	1 405	1 618
Kurt Ledermann	573	573
Carsten Liske (until February 28, 2021)	–	1 984
Rico Randegger	605	805
Total Group Executive Committee	**12 001**	**16 425**

In 2021, the members of the Board of Directors and the Group Executive Committee received 9 164 shares with a fair value of CHF 0.9 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, 2022. They are subject to approval by the Annual General Meeting of shareholders on April 7, 2022. There were no other significant events after balance sheet date.

MOTION OF THE BOARD OF DIRECTORS

FOR THE APPROPRIATION OF RETAINED EARNINGS

CHF	2021
Net profit for the year	1 858 824
Retained earnings carried forward from previous year	54 431 884
At the disposal of the Annual General Meeting	**56 290 708**
Motion:	
Distribution of dividend	18 689 452
Balance to be carried forward	37 601 256
	56 290 708

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

The Board of Directors proposes that a dividend of CHF 4.00 per registered share be paid.

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

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REPORT OF THE STATUTORY AUDITOR ON THE AUDIT OF THE 2021 FINANCIAL STATEMENTS TO THE ANNUAL GENERAL MEETING OF RIETER HOLDING LTD., WINTERTHUR

Opinion

We have audited the financial statements of Rieter Holding Ltd., which comprise the income statement for the year ended December 31, 2021, balance sheet as at December 31, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 100 to 107 and page 70) as at December 31, 2021, 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 1 000 000
Benchmark applied	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, March 8, 2022

REVIEW 2017 TO 2021

		2021	2020	2019	2018	2017
Consolidated income statement						
Sales	CHF million	969.2	573.0	760.0	1 075.2	965.6
• Asian countries (without China/India/Turkey)	CHF million	319	185	293	434	319
• China	CHF million	135	93	137	149	184
• India	CHF million	126	51	100	146	174
• Turkey	CHF million	182	122	67	155	100
• North and South America	CHF million	150	66	106	109	115
• Europe	CHF million	43	38	41	47	46
• Africa	CHF million	14	18	16	36	28
EBITDA[1]	CHF million	85.0	– 46.7	123.1 [2]	84.1	64.7
• in % of sales		8.8	– 8.2	16.2	7.8	6.7
EBIT before restructuring charges[1]	CHF million	46.0	– 76.7	84.6 [2]	42.9	51.8
• in % of sales		4.7	– 13.4	11.1	4.0	5.4
EBIT[1]	CHF million	47.6	– 84.4	84.9 [2]	43.2	15.8
• in % of sales		4.9	– 14.7	11.2	4.0	1.6
Net profit	CHF million	31.7	– 89.8	52.4	32.0	13.3
• in % of sales		3.3	– 15.7	6.9	3.0	1.4
RONA[1]	in %	5.6	– 14.3	10.0	6.6	3.0
Consolidated cash flow statement						
Cash flow from operating activities	CHF million	165.7	– 49.8	– 45.7	78.4	20.6
Cash flow from investing activities[3]	CHF million	– 37.6	– 25.0	88.0	– 14.8	– 21.7
Cash flow from financing activities	CHF million	151.4	78.0	– 9.8	– 36.3	– 19.4
Free cash flow[1]	CHF million	128.1	– 74.8	42.3	63.6	– 1.1
Number of employees at December 31[4]		**4 907**	**4 416**	**4 591**	**5 134**	**5 246**
Consolidated balance sheet at December 31						
Current assets	CHF million	718.9	555.7	567.2	577.8	598.2
Non-current assets	CHF million	717.4	407.8	415.8	424.5	450.0
Current liabilities	CHF million	744.8	428.3	410.7	320.6	323.2
Non-current liabilities	CHF million	295.4	184.3	102.7	235.1	267.5
Equity attributable to shareholders of Rieter Holding Ltd.	CHF million	395.8	350.6	468.8	445.9	456.8
Equity attributable to non-controlling interests	CHF million	0.3	0.3	0.8	0.7	0.7
Total assets	CHF million	1 436.3	963.5	983.0	1 002.3	1 048.2
Equity ratio[1]	in %	27.6	36.4	47.8	44.6	43.6
Cash and cash equivalents	CHF million	248.7	282.3	284.1	256.2	243.3
Marketable securities and time deposits	CHF million	0.7	0.9	0.9	0.9	1.1
Current financial debt	CHF million	– 209.7	– 151.4	– 121.0	– 0.2	– 7.3
Non-current financial debt	CHF million	– 201.6	– 90.5	– 1.9	– 106.7	– 106.6
Net liquidity[1]	CHF million	**– 161.9**	**41.3**	**162.1**	**150.2**	**130.5**

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)

			2021	2020	2019	2018	2017
Market capitalization[1]	December 31	CHF million	795	432	623	577	1 076
Market capitalization/EBITDA ratio			9.4	– 9.3	5.1	6.9	16.6
Share price at SIX Swiss Exchange	December 31	CHF	177.0	96.7	138.1	128.8	237.8
	high	CHF	234.5	137.5	157.0	258.8	248.0
	low	CHF	91.3	74.5	122.2	119.0	175.0
Equity attributable to shareholders of Rieter Holding Ltd. per share	December 31	CHF	88.1	78.5	103.8	99.5	101.0
Basic earnings per share		CHF	7.04	– 20.05	11.65	7.07	2.92
Price/earnings ratio[1]			25.1	– 4.8	11.9	18.2	81.4
Dividend per share		CHF	4.00 [2]	0.00	4.50	5.00	5.00
Dividend payout ratio[1]		in %	56.8	0.0	38.6	70.7	171.2
Dividend yield[1]		in %	2.3	0.0	3.3	3.9	2.1

1. Definition in Alternative Performance Measures on pages 43 and 44.
2. Motion of the Board of Directors on page 107.

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 2022

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Rieter Holding Ltd.
CH-8406 Winterthur
T +41 52 208 71 71
F +41 52 208 70 60

Group Communication
T +41 52 208 70 45
F +41 52 208 70 60
media@rieter.com

Investor Relations
T +41 52 208 70 15
F +41 52 208 70 60
investor@rieter.com

www.rieter.com