

Financial report**Consolidated financial statements**

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Consolidated income statement

CHF million	Notes	2009	%*	2008	%*
Sales	(4)	1 956.3		3 142.5	
Sales deductions		- 73.6		- 130.6	
Net sales		1 882.7		3 011.9	
Change in semi-finished and finished goods		- 41.1		- 43.2	
Own work capitalized		4.9		3.0	
Corporate output		1 846.5	100.0	2 971.7	100.0
Material costs		- 885.1	- 48.0	- 1 440.8	- 48.5
Employee costs	(5)	- 693.0	- 37.5	- 938.2	- 31.5
Other operating expenses	(6)	- 349.3	- 18.9	- 466.9	- 15.7
Other operating income		35.2	1.9	50.3	1.7
Depreciation and amortization	(7)	- 140.9	- 7.6	- 153.7	- 5.2
Operating result before special charges, interest and taxes		- 186.6	- 10.1	22.4	0.8
Special charges	(8)	0.0	0.0	- 334.5	- 11.3
Operating result before interest and taxes (EBIT)		- 186.6	- 10.1	- 312.1	- 10.5
Financial income	(9)	4.7		10.0	
Financial expenses	(10)	- 29.6		- 74.7	
Result before taxes		- 211.5	- 11.5	- 376.8	- 12.7
Income taxes	(11)	- 6.0		- 19.9	
Net result		- 217.5	- 11.8	- 396.7	- 13.3
Attributable to shareholders of Rieter Holding Ltd.		- 223.9		- 405.9	
Attributable to minority interests		6.4		9.2	
Earnings per share					
• average number of registered shares outstanding: 4 392 808 (3 822 929 in 2008)	CHF	- 50.96		- 106.18	
Diluted earnings per share					
• average number of shares to calculate diluted earnings per share: 4 392 808 (3 822 929 in 2008)	CHF	- 50.96		- 106.18	

* In % of corporate output.

Consolidated statement of comprehensive income

CHF million	2009	2008
Net result	- 217.5	- 396.7
Currency effects	5.9	- 102.6
Financial instruments available for sale:		
Change in fair value	54.1	- 50.8
Realized results through income statement	0.3	42.6
Income taxes	- 19.9	0.4
Total other comprehensive income	40.4	- 110.4
Total comprehensive income	- 177.1	- 507.1
Attributable to shareholders of Rieter Holding Ltd.	- 182.5	- 510.6
Attributable to minority interests	5.4	3.5

The notes on pages 34 to 65 are an integral part of the consolidated financial statements.

Consolidated balance sheet

CHF million	Notes	December 31, 2009	December 31, 2008
Assets			
Tangible fixed assets	(13)	696.0	786.3
Intangible assets	(14)	23.0	30.2
Other non-current assets	(15)	164.0	107.9
Deferred tax assets	(11)	3.5	4.9
Non-current assets		886.5	929.3
Inventories	(16)	266.0	361.3
Trade receivables	(17)	331.5	382.1
Other receivables	(18)	92.4	125.9
Assets of disposal groups	(29)	7.0	0.0
Marketable securities and time deposits	(19)	13.0	7.7
Cash and cash equivalents	(20)	217.7	282.6
Current assets		927.6	1 159.6
Assets		1 814.1	2 088.9
Shareholders' equity and liabilities			
Share capital	(21)	23.4	21.4
Share premium account (capital reserve)		27.5	27.5
Group reserves		536.3	641.0
Equity attributable to shareholders of Rieter Holding Ltd.		587.2	689.9
Equity attributable to minority interests	(22)	68.6	56.3
Total shareholders' equity		655.8	746.2
Long-term financial debt	(23)	140.7	128.8
Deferred tax liabilities	(11)	75.0	62.4
Provisions	(24)	182.2	226.8
Other non-current liabilities		1.4	0.9
Non-current liabilities		399.3	418.9
Trade payables		226.8	268.5
Advance payments by customers		63.3	74.3
Short-term financial debt	(23)	81.7	198.3
Current tax liabilities		22.2	29.7
Provisions	(24)	174.3	153.7
Other current liabilities	(25)	177.3	199.3
Liabilities of disposal groups	(29)	13.4	0.0
Current liabilities		759.0	923.8
Liabilities		1 158.3	1 342.7
Shareholders' equity and liabilities		1 814.1	2 088.9

The notes on pages 34 to 65 are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

CHF million	Notes	2009	2008
Net result		- 217.5	- 396.7
Interest income	(9)	- 4.0	- 9.5
Interest expenses	(10)	27.6	21.1
Income taxes		6.0	19.9
Depreciation and amortization of tangible and intangible fixed assets		140.9	259.5
Profit/loss on divestments, net	(30)	- 4.5	2.6
Other non-cash income and expenses		- 5.7	31.7
Change in inventories		96.0	100.0
Change in receivables		82.0	206.9
Change in non-current provisions		- 50.3	32.5
Change in trade payables		- 43.4	- 149.8
Change in advance payments by customers and other liabilities		7.1	- 3.9
Dividends received		0.8	0.5
Interest received		4.0	9.5
Interest paid		- 23.2	- 19.7
Taxes paid		- 17.4	- 47.4
Net cash from operating activities		- 1.6	57.2
Capital expenditure on tangible and intangible assets	(13/14)	- 61.7	- 140.9
Proceeds from disposals of tangible and intangible assets		16.3	22.2
Investments in financial assets		- 10.3	- 14.6
Proceeds from disposals of other tangible assets		6.0	5.4
Purchase/sale of marketable securities and time deposits		- 5.6	58.9
Divestments of businesses	(30)	22.1	41.7
Acquisitions of businesses	(31)	0.0	- 8.5
Net cash used for investing activities		- 33.2	- 35.8
Shareholders' options program		46.7	0.0
Dividend paid to shareholders of Rieter Holding Ltd.		0.0	- 57.1
Sale/purchase of own shares		56.0	- 51.8
Capital increases by minority interests		16.2	0.0
Dividends to minority interests		- 9.3	- 7.3
Repayments/proceeds of/from short-term financial debt		- 134.9	37.7
Proceeds from long-term financial debt		104.9	100.0
Repayments of long-term financial debt		- 107.4	- 12.7
Net cash from financing activities		- 27.8	8.8
Currency effects		- 2.3	- 5.1
Change in cash and cash equivalents		- 64.9	25.1
Cash and cash equivalents at beginning of the year		282.6	257.5
Cash and cash equivalents at end of the year		217.7	282.6

The notes on pages 34 to 65 are an integral part of the consolidated financial statements.

Changes in consolidated equity

CHF million	Share capital	Own shares	Share premium account	Valuation reserves	Retained earnings	Total attributable to Rieter shareholders	Attributable to minority interests	Total consolidated equity
At January 1, 2008	22.3	- 1.3	27.5	299.9	961.0	1 309.4	60.1	1 369.5
Net result	0.0	0.0	0.0	0.0	- 405.9	- 405.9	9.2	- 396.7
Total other comprehensive income	0.0	0.0	0.0	- 104.7	0.0	- 104.7	- 5.7	- 110.4
Total comprehensive income	0.0	0.0	0.0	- 104.7	- 405.9	- 510.6	3.5	- 507.1
Dividend of Rieter Holding Ltd.	0.0	0.0	0.0	0.0	- 57.1	- 57.1 ¹	0.0	- 57.1
Dividends to minority interests	0.0	0.0	0.0	0.0	0.0	0.0	- 7.3	- 7.3
Share-based compensation	0.0	0.0	0.0	0.0	2.0	2.0	0.0	2.0
Change in holding of own shares	- 0.9	0.2	0.0	0.0	- 53.1	- 53.8	0.0	- 53.8
At December 31, 2008	21.4	- 1.1	27.5	195.2	446.9	689.9	56.3	746.2
Net result	0.0	0.0	0.0	0.0	- 223.9	- 223.9	6.4	- 217.5
Total other comprehensive income	0.0	0.0	0.0	41.4	0.0	41.4	- 1.0	40.4
Total comprehensive income	0.0	0.0	0.0	41.4	- 223.9	- 182.5	5.4	- 177.1
Shareholder option program	2.0	0.0	0.0	0.0	44.7	46.7	0.0	46.7
Capital increase by minority interests	0.0	0.0	0.0	0.0	- 22.9	- 22.9	16.2	- 6.7
Dividends to minority interests	0.0	0.0	0.0	0.0	0.0	0.0	- 9.3	- 9.3
Share-based compensation	0.0	0.0	0.0	0.0	1.8	1.8	0.0	1.8
Change in holding of own shares	0.0	1.0	0.0	0.0	53.2	54.2	0.0	54.2
At December 31, 2009	23.4	- 0.1	27.5	236.6	299.8	587.2	68.6	655.8

1. 15.00 CHF per registered share.

Valuation reserves include cumulative translation effects and after-tax valuation gains of 36.2 million CHF (1.7 million CHF in 2008) on financial instruments available for sale.

The notes on pages 34 to 65 are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

1 Summary of significant accounting policies

Basis of preparation

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

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

As of January 1, 2009, Rieter adopted IFRS 8 "Operating Segments" for the first time. The adoption resulted in certain changes in the presentation of segment information but had no impact on the definition of the reportable segments. The adoption of IAS 1 revised led to the additional disclosure of a statement of comprehensive income. The adoption of the amendments of IFRS 7 led to an expanded disclosure of fair value measurements of financial instruments. The adoption of IAS 23 revised "Borrowing Costs" and the other new regulations had no material impact on the consolidated financial statements.

Assumptions and estimates

Financial reporting requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, contingent assets and contingent liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are periodically reviewed and relate primarily to the areas of asset impairment, pension plans, provisions and taxes.

The most significant elements of estimates and assumptions are as follows:

Tangible and intangible assets are tested for impairment whenever there are indications that, due to changed circumstances, their carrying value may no longer be fully recoverable. If such a situation arises, recoverable amount is determined on the basis of expected future cash flows, corresponding to either the discounted value of expected future net cash flows or the expected net selling price. If the recoverable amount is below the carrying amount, a corresponding impairment loss is recognized in the income statement. The main assumptions on which these measurements are based include growth rates, margins and discount rates.

When assessing inventories, estimates for their recoverability that arise from the expected consumption of the corresponding item are necessary. The adjustments for the inventories are calculated for each item using a coverage analysis. The parameters are checked annually and modified if necessary. Changes in sales or other circumstances can lead to the book value having to be adjusted accordingly.

In order to measure liabilities and costs of employee benefit plans, it is first necessary to assess whether the plans are defined contribution or defined benefit plans. If they are defined benefit plans, assumptions are made for the purpose of estimating future developments related to the plan. These include assumptions made for the discount rates, the expected return on plan assets and future trends in wages and pensions. Statistical data such as mortality tables and staff turnover rates are used to determine employee benefit obligations. If these parameters change, the subsequent results can deviate considerably from the actuarial calculations. Such deviations can ultimately have an effect on the employee benefit obligation.

In the course of the ordinary operating activities of the Group, obligations from guarantee and warranty claims, restructuring and litigation can arise. Provisions for these obligations are measured on the basis of realistic estimates of the expected cash outflow. The outcome of these business transactions may result in claims against the Group that may be below or above the related provisions and that may be covered only in part or not at all by existing insurance coverage.

Assumptions in relation to income taxes include interpretations of the tax regulations in place in the relevant countries. The adequacy of these interpretations is assessed by the tax authorities. This can result, at a later stage, in changes to tax expense. To determine whether tax loss carry-forwards may be carried as an asset requires judgement in assessing whether there will be future taxable profits against which to offset these loss carry-forwards.

Scope and principles of consolidation

The financial statements of Rieter Holding Ltd. and those group companies in which it has a controlling influence are fully consolidated. A controlling influence normally exists when more than 50% of the voting rights are owned, either directly or indirectly. Companies in which a 50% interest is held are also fully consolidated if Rieter exercises control, either by appointing management, by being the company's main customer, or by integrating the company in the group's customer services organization and product policies. Changes in the scope of consolidation are recognized on the date when control of the relevant business is transferred. Acquisitions are accounted for using the purchase method. Intercompany transactions are eliminated.

Holdings of 20 to 49% are included in the consolidated financial statements using the equity method. Holdings of less than 20% are included in the balance sheet at fair value. The significant subsidiaries and associated companies are listed on pages 64 and 65.

Changes in the scope of consolidation

The sale of the Rieter Real Estate Ltd. in Winterthur changed the scope of consolidation in the year under review. The impact of this transaction on the consolidated financial statements is shown in note 30 (page 57).

Foreign currency translation

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

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

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

Tangible fixed assets

Tangible fixed assets, including non-operational property, are stated at historical cost less accumulated depreciation, which is recognized on a straight-line basis over the estimated useful life of the asset. Historical cost includes expenditures that are directly attributable to the acquisition of the assets.

Useful life is determined according to the expected utilization of each asset. The relevant ranges are as follows:

Factory buildings/non-operational property	20–50 years
Machinery and plant equipment	5–15 years
Tools/IT equipment/furniture	3–10 years
Vehicles	3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

Investment grants and similar subsidies are deferred and credited to the income statement on a straight-line basis over the expected useful life of the related asset.

Leases

Tangible fixed assets which are financed by leases giving Rieter substantially all the risks and rewards of ownership are capitalized. Assets held under such finance leases are depreciated over the shorter of their estimated useful life or the lease term. The corresponding lease obligations, excluding finance

charges, are included in either short-term or long-term financial debt. Lease installments are divided into an interest and a redemption component.

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

Intangible assets

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

Research and development

Research costs are recognized in the income statement as incurred. The development costs of major projects are capitalized only if the present value of future cash flows is likely to exceed the expected costs and sales are firm when costs are capitalized.

Goodwill

Goodwill represents the difference between the purchase price of an acquired company and the estimated market value of its net assets. It is capitalized on the date that control of the acquired company is assumed and carried in the currency of the relevant acquisition. Goodwill is considered to have an indefinite useful life and is subject to annual impairment testing. For this purpose goodwill is allocated to cash-generating units. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. There was no goodwill in the balance sheet at December 31, 2009 and 2008.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or the asset's value in use.

Non-financial assets, other than goodwill, that suffered an impairment in the past are reviewed for possible reversal of the impairment at each reporting date.

Financial assets

Rieter classifies its financial assets in the following categories:

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet, in which case they are presented as non-current assets.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which management intends to hold to maturity. Rieter did not hold any investments in this category during 2009.

Available-for-sale financial assets are non-derivative financial assets that are either classified as such or not assigned to any of the other categories. They are measured at fair value as of the balance sheet date. Changes in the value are recorded in shareholders' equity prior to sale, and recognized in the income statement when they are sold. Any impairment in the value is charged to income. They are included in non-current assets unless management intends to dispose of them within twelve months of the balance sheet date.

Derivative financial instruments

Foreign currency risks are hedged by Rieter using forward foreign exchange contracts, currency options and cross-currency swaps. Hedge accounting within the meaning of IAS 39 is not applied.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at each reporting date. The resulting gains and losses are recognized directly in the income statement. The corresponding positive and negative replacement values are recognized on the balance sheet as "other receivables" and "other current liabilities", respectively.

Inventories

Raw materials and purchased goods are valued at the lower of average cost or net realizable value, while products manufactured in-house are stated at the lower of manufacturing cost or net realizable value. Valuation adjustments are made for slow-moving items and excess stock.

Trade receivables

Receivables are stated at original invoice value less allowances which are made for the difference between the invoiced amount and the expected, discounted payment. The allowances are established based on maturity structure and identifiable solvency risks.

Cash and cash equivalents

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

Financial debt

Financial debt is recognized initially at fair value, net of transaction costs incurred. Financial debt is subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the obligation using the effective interest method.

Provisions

If legal or constructive obligations are incurred as a consequence of past events, provisions are made to cover the expected outflow of funds.

Current income taxes

The expected tax charge is calculated and accrued on the basis of taxable income for the year.

Deferred income taxes

Deferred taxes on differences in amounts reported for group purposes and amounts determined for local tax purposes are calculated using the liability method; current local tax rates are applied for this purpose. Deferred tax assets and liabilities are offset to the extent that this is permitted by law. Changes in deferred taxes are recognized as tax expense.

Deferred taxes on retained earnings of group companies are only accrued for in cases where a distribution of profits is planned.

The tax impact of losses is capitalized to the extent that it appears probable that such losses will be offset in the future by temporary valuation differences or profits.

Pension funds

Employee pension plans are operated by certain subsidiaries, depending upon the level of coverage provided by the government pension facilities in

the various countries in which they operate. Some of these are provided by independent pension funds. If there is no independent pension fund, the respective obligations are shown in the balance sheet under pension provisions. As a rule, pensions are funded by employees' and employer's contributions. Pension plans exist on the basis of both defined contributions and defined benefits.

Pension liabilities arising from defined-benefit plans are calculated according to the projected unit credit method and are usually appraised annually by independent actuaries. If the actual assets and pension liabilities differ by more than 10% from the projected values, these actuarial gains or losses are posted to income on a straight-line basis over the remaining service life of the employees covered. In the case of defined contribution pension plans, the contributions are recognized as expense in the period in which they are incurred.

Share-based compensation

Share-based compensation to members of the Board of Directors, the Group Executive Committee and senior management is measured at fair value at the grant date and charged to employee costs.

Revenue recognition

Sales revenues arising from deliveries of products are recorded when benefit and risk pass to the customer. Sales revenues arising from services are recorded on completion of the service. Credits, discounts and rebates are deducted from gross proceeds, as well as sales deductions arising from actual or foreseeable defaults.

Financing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualified asset are capitalized as a part of the acquisition costs of the qualified asset. All other financial costs are recognized in the income statement.

Standards that have been published but not yet applied

The following new and revised Standards and Interpretations have been published and do not have to be applied for annual periods beginning before July 1, 2009. Rieter has not adopted any of these new regulations early as they are not expected to have a material impact on consolidated shareholders' equity and net result when they come into force. IFRS 3 (revised), IAS 27 (revised), changes to IAS 39, IAS 24 (revised), IFRIC 17, IFRIC 18, changes to IFRS 2, changes to IAS 32, IFRIC 19, IAS 24 (revised), changes to IFRIC 14, IFRS 9.

2.1 Risk management process

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

The risk management process is regulated by the Group directive "Rieter Risk Management System", issued by the Board of Directors on August 31, 2001. The directive defines the main risk categories to be considered for risk management, the persons in charge of the various risks within the Group, and the workflows regarding identification, reporting and handling of risks. The directive further defines criteria for the qualitative and quantitative risk assessments, as well as thresholds for the reporting of identified exposures.

Twice a year the Risk Council reviews the reported risks of the units concerned regarding their probability and relevance for the Group and any action required. In addition, the Risk Council reviews risk management activities in order to identify improvement requirements and opportunities.

Market and business risks resulting from developments in the relevant markets and of the products offered therein are assessed as part of the strategic planning and the financial planning processes. On the other hand, these risks, as well as operational risks, are regularly dealt with at the monthly meetings within the divisions and with the Executive Chairman and the CFO. Other risks impacting actual performance against budget are also dealt with in these meetings in order to identify and implement corrective measures. Significant individual risks are included in the monthly reports to the attention of the Executive Chairman.

Risks from acquisition or other significant projects are addressed as part of the project approval and project management. Such projects are monitored at the monthly meetings of the Executive Chairman and the CFO with the divisions, and reviewed quarterly to the attention of the Board of Directors.

Specific risks are addressed by periodic reports. Such reports cover environmental and work safety risks at the various sites of Rieter, financial risks from sale transactions of the Textile Systems Division, treasury risks, and risks from legal actions and legal compliance.

An aggregate review of all identified risks and of Rieter's instruments and measures to cope with these risks is performed half-yearly. The review results are summarized annually to the attention of the Board of Directors.

2.2 Financial risk management

Financial risk factors

As a result of its worldwide activities, Rieter is exposed in principle to various financial risks, such as market risks (fluctuations in exchange rates, interest rates and stock market prices), credit risks and liquidity risks. Rieter's financial risk management aligns on the aim to minimize the potential adverse impact of the development of the financial markets on the Group's financial performance and secure its financial stability. This includes the use of derivative financial instruments to hedge certain risk exposures.

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

Foreign exchange risk

Foreign exchange risks arise from net investments in foreign subsidiaries (translation risk) and when future business transactions or recognized assets and liabilities are denominated in a currency other than the functional currency of the entity concerned (transaction risk). To hedge such transaction risks, subsidiaries use forward contracts and currency options, contracted usually with corporate headquarters. The net position in each foreign currency is then subsequently managed through currency contracts with third parties.

The Rieter Group is primarily exposed to foreign exchange risks versus the euro and the US dollar. Assuming that the euro had been 5% stronger versus the Swiss franc at December 31, 2009, with all other variables held constant, the Group's after-tax result and retained earnings would have been 12.3 million CHF higher (5.6 million CHF higher in 2008). If the US dollar had been 5% stronger versus the Swiss franc at December 31, 2009, with all other variables held constant, the Group's after-

tax result and retained earnings would have been 1.9 million CHF higher (1.8 million CHF higher in 2008). If the reverse had been the case, the Group's after-tax result and retained earnings would have been the same amount lower. This would mainly have been due to exchange gains/losses on trade accounts receivable and payable.

The Group's internal cash netting and pooling system reduces the currency risks on liquid funds. The companies' cash holdings with banks are denominated mostly in the relevant local currency. The translation risks of cash deposits in foreign currencies are reviewed periodically.

Interest rate risk

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

However, interest rate risks can arise from interest-bearing financial debt. Financial debt with variable interest rates expose the Group to interest rate related cash flow risks, while fixed-rate financial debt represents a fair-value interest rate risk. No interest rate hedges are in place at present.

Cash flow sensitivity analysis: A one percentage-point increase in interest rates would have reduced net results and retained earnings by 1.8 million CHF (1.8 million CHF in 2008). Fair-value sensitivity analysis: Market value fluctuations of fixed interest financial debt are not recognized in the income statement and have no impact on net results.

Price risk

Holding shares and options exposes Rieter to a risk of price fluctuation. To reduce this risk, the Group reduced its portfolio significantly. Since the Group has no material securities at the end of 2009, no sensitivity analysis of fair-value risk is disclosed.

Credit risk

Credit risks arise from deposits and financial derivatives held with financial institutions and from trade accounts receivable. Relationships with financial institutions are only entered into with counterparties rated no lower than "A" by S&P. In the Textile Systems Division credit risks on trade receivables are usually hedged by means of insurance, advance payments, letters of credit or other instruments. The Automotive Systems Division maintains business relationships with all significant automotive manufacturers and, compared to the industry sector, has a geographically broad, diversified customer portfolio. No customer accounted for more than 11% (11% in 2008) of the division's sales. In the course of the financial restructuring measures at the US automotive manufacturers, Rieter has also benefited in the first half of 2009 from a receivables guarantee program. A corresponding insurance premium was paid.

Liquidity risk

Rieter's liquidity risk management includes holding adequate reserves of liquid funds and time deposits, the option of financing requirements via an appropriate level of credit lines, and basically the ability to place issues on the market. In light of the dynamic nature of the business environment in which the Group operates, its goal is to ensure its financial stability and retain the necessary flexibility in financing operations by generating free cash flow and maintaining adequate unutilized credit lines. Therefore in March 2009 Rieter and a group of banks concluded a loan agreement for medium- and longer-term financing. In addition to securing and expanding existing credit lines for the ongoing business, this agreement also established the financial preconditions for implementing the restructuring program.

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

Financial liabilities December 31, 2009	Carrying amount	Contractual cash flows			
		Within 1 year	In 1 to 5 years	In 5 or more years	Total cash-flow
CHF million					
Bank debt	188.1	84.3	124.9	0.0	209.2
Finance leasing obligations	4.6	1.1	3.8	0.5	5.4
Other financial debt	29.7	1.3	39.3	1.6	42.2
Negative replacement values of derivative financial instruments	0.5	0.5	0.0	0.0	0.5
Trade payables	226.8	226.8	0.0	0.0	226.8

Financial liabilities December 31, 2008	Carrying amount	Contractual cash flows			
		Within 1 year	In 1 to 5 years	In 5 or more years	Total cash-flow
CHF million					
Bank debt	317.4	206.5	141.0	0.0	347.5
Finance leasing obligations	6.0	1.3	5.3	0.2	6.8
Other financial debt	3.7	2.3	1.8	0.0	4.1
Negative replacement values of derivative financial instruments	3.4	3.4	0.0	0.0	3.4
Trade payables	268.5	268.5	0.0	0.0	268.5

Capital management

The capital managed by the Group corresponds with the consolidated equity. Rieter's objectives in terms of capital management are to safeguard the Group's financial stability and the ability to continue as a going concern in order to continue to provide returns for shareholders and benefits for other stakeholders, as well as to maintain an optimal capital structure. The equity ratio is currently about 36%. As an industrial Group, Rieter strives to have a strong balance sheet with an equity ratio of at about 35%. In order to maintain or change the capital structure the Group may adjust dividend payments to shareholders, return capital to shareholders, issues new shares or dispose of assets in order to reduce debt.

On February 22, 2009, the sale of 420 000 Rieter treasury shares to PCS Holding AG in Weinigen (Switzerland) led to a cash inflow of 55.9 million CHF. On May 5, 2009, Rieter allotted to the shareholders one shareholders' option for each share

held. Eleven shareholders' options entitled the holder to purchase one new Rieter share at a price of 120 CHF. Up to May 29, 2009 (the end of the purchase period) 389 307 new Rieter shares were purchased, which led to a cash inflow of 46.7 million CHF.

Since March 20, 2009, the Group is subject to externally imposed minimum requirements regarding equity and free cash flow. These minimum requirements have been complied with and compliance is monitored permanently.

3 Segment information by division

Segment information is based on the Group's organization and management structure and the internal financial reporting to the Chief Operating Decision Maker. The Chief Operating Decision Maker of Rieter is the Board of Directors of Rieter Holding AG. The Group consists of the two reportable segments Textile Systems and Automotive Systems. There is no aggregation of operating segments. Textile Systems develops, produces and sells machinery, components and systems for manufacturing yarns. Automotive Systems develops, produces and sells components, modules and integrated systems in order to provide acoustic and thermal comfort in motor vehicles. There were no material inter-divisional sales.

Segment information by division 2009

CHF million	Textile Systems	Automotive Systems	Reconciliation	Total Group
Sales	532.0	1 424.3	0.0	1 956.3
Net sales	496.1	1 386.6	0.0	1 882.7
Operating result before special charges, interest and taxes	-73.6	-105.1	-7.9 ¹	-186.6
Special charges	0.0	0.0	0.0	0.0
Operating result before interest and taxes (EBIT)	-73.6	-105.1	-7.9 ¹	-186.6
Assets	498.7	955.4	360.0 ²	1 814.1
Liabilities	285.4	526.2	346.7 ³	1 158.3
Net assets	213.3	429.2	13.3	655.8
Capital expenditures on tangible and intangible assets	5.5	56.2	0.0	61.7
Depr. and amort. of tangible and intangible assets	46.2	94.3	0.4 ¹	140.9
Number of employees ⁴	4 086	8 600	75 ¹	12 761

Segment information by division 2008

CHF million	Textile Systems	Automotive Systems	Reconciliation	Total Group
Sales	1 120.4	2 022.1	0.0	3 142.5
Net sales	1 051.7	1 960.2	0.0	3 011.9
Operating result before special charges, interest and taxes	41.3	-7.3	-11.6 ¹	22.4
Special charges	-90.8	-243.7	0.0	-334.5
Operating result before interest and taxes (EBIT)	-49.5	-251.0	-11.6 ¹	-312.1
Assets	669.3	1 032.2	387.4 ²	2 088.9
Liabilities	377.5	531.5	433.7 ³	1 342.7
Net assets	291.8	500.7	-46.3	746.2
Capital expenditures on tangible and intangible assets	53.2	85.3	2.4 ¹	140.9
Depr. and amort. of tangible and intangible assets	52.6	100.3	0.8 ¹	153.7
Number of employees ⁴	4 741	9 319	123 ¹	14 183

1. Other units (Rieter Holding Ltd, Corporate Center).

2. Assets other units 51.5 Mio. CHF (71.9 Mio CHF in 2008), cash and cash equivalents 217.7 Mio. CHF (282.6 Mio CHF in 2008), marketable securities and time deposits 13.0 Mio. CHF (7.7 Mio. CHF in 2008), investments 70.1 Mio. CHF (16.0 Mio. CHF in 2008), interest bearing receivables 4.2 Mio. CHF (4.3 Mio. CHF in 2008), deferred tax assets 3.5 Mio. CHF (4.9 Mio. CHF in 2008).

3. Liabilities other units 27.1 Mio. CHF (14.5 Mio. CHF in 2008), financial debt 222.4 Mio. CHF (327.1 Mio. CHF in 2008), deferred tax liabilities 75.0 Mio. CHF (62.4 Mio. CHF in 2008), current tax liabilities 22.2 Mio. CHF (29.7 Mio. CHF in 2008).

4. At year-end (excluding apprentices and temporary employees).

Sales and non-current assets by geographic region and countries

CHF million	Sales 2009	Sales 2008	Non-current assets 2009 ¹	Non-current assets 2008 ¹
Europe	901.1	1 449.6	459.9	550.9
Asia ²	405.3	791.3	99.8	97.2
North America	432.5	589.1	137.6	150.1
Latin America	181.7	256.8	19.0	15.9
Africa	35.7	55.7	2.7	2.4
Total Group	1 956.3	3 142.5	719.0	816.5
Switzerland (domicile of Rieter Holding Ltd.)	39.8	65.8	111.5	147.6
Foreign countries	1 916.5	3 076.7	607.5	668.9
Total Group	1 956.3	3 142.5	719.0	816.5
The following countries accounted for more than 10% of sales or non-current assets:				
USA	344.5	493.1	119.7	132.4
Switzerland (domicile of Rieter Holding Ltd.)	39.8	65.8	111.5	147.6
Czech Republic	19.1	22.0	87.4	100.1

1. Tangible fixed assets and intangible assets.

2. Including Turkey.

No individual customer accounted for more than 10% of consolidated sales in 2009 and 2008. Sales by product group are not available.

Capital expenditures and number of employees by geographical region

CHF million	Capital expenditures 2009	Capital expenditures 2008	Number of employees 2009 ¹	Number of employees 2008 ¹
Europe	30.8	85.4	7 295	8 445
Asia ²	13.2	34.3	2 161	2 093
North America	15.7	16.9	2 084	2 287
Latin America	1.8	4.2	1 152	1 275
Africa	0.2	0.1	69	83
Total Group	61.7	140.9	12 761	14 183

1. At year-end (excl. apprentices and temporary employees).

2. Including Turkey.

4 Sales**Change in sales**

CHF million	2009	2008
Change in sales due to volume and price, Textile Systems	-560.9	-378.0
Change in sales due to volume and price, Automotive Systems	-525.3	-227.9
Impact of divestments	-18.3	-57.2
Currency effects	-81.7	-124.5
Total change in sales	-1 186.2	-787.6

5 Employee costs

CHF million	2009	2008
Wages and salaries	570.3	769.4
Social security and other personnel expenses	122.7	168.8
Total	693.0	938.2

6 Other operating expenses

Other operating expenses include mainly the costs of maintenance, energy and external services.

7 Depreciation and amortization

CHF million	2009	2008
Tangible fixed assets	133.7	145.3
Intangible assets	7.2	8.4
Total	140.9	153.7

8 Special charges

CHF million	2009	2008
Restructuring costs Textile Systems	0.0	42.7
Restructuring costs Automotive Systems	0.0	195.0
Goodwill impairment Textile Systems	0.0	48.1
Goodwill impairment Automotive Systems	0.0	48.7
Total	0.0	334.5

There were no special charges for restructuring and goodwill impairment in 2009. In 2008 the special charges included the cost of the comprehensive restructuring program that entails capacity adjustments and a more rapid shift from traditional to emerging regions. In addition to the costs of the personnel-related measures, restructuring costs in 2008 included some extraordinary write-offs of assets as well as loss on sales of the sheet metal parts manufacturing facility in Ingolstadt, Germany (see note 30).

9 Financial income

CHF million	2009	2008
Interest income	4.0	9.5
Income from non-consolidated investments	0.7	0.5
Total	4.7	10.0

10 Financial expenses

CHF million	2009	2008
Interest cost	27.6	21.1
Loss on marketable securities	0.2	42.6
Other financial expenses and foreign exchange differences, net	1.8	11.0
Total	29.6	74.7

11 Income taxes

CHF million	2009	2008
Current income tax expense	11.3	32.0
Deferred income tax expense	-5.3	-12.1
Total	6.0	19.9

Reconciliation of expected and actual tax expense:

CHF million	2009	2008
Expected tax expense on pre-tax result of - 211.5 million CHF (- 376.8 million CHF in 2008) at an average rate of 35.5% (21.1% in 2008)	-75.0	-79.5
Impact of non tax-deductible income/expenses	2.5	-0.1
Impact of losses and loss carry-forwards	77.4	93.4
Impact of changes in tax rates and tax legislation	-2.4	-0.6
Other effects	3.5	6.7
Total	6.0	19.9

Deferred income taxes

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

CHF million	Deferred tax assets 2009	Deferred tax liabilities 2009	Deferred tax assets 2008	Deferred tax liabilities 2008
Tangible fixed assets	7.9	-23.1	4.7	-24.7
Inventories	7.2	-5.0	9.2	-7.4
Other assets	2.8	-44.7	4.7	-30.4
Provisions	9.8	-4.7	5.5	-3.4
Other liabilities	10.3	-14.0	15.2	-16.8
Valuation adjustments on deferred tax assets	-20.8	0.0	-15.1	0.0
Tax loss carry-forwards and tax credits	2.8	0.0	1.0	0.0
Total	20.0	-91.5	25.2	-82.7
Offsetting	-16.5	16.5	-20.3	20.3
Deferred tax assets/liabilities	3.5	-75.0	4.9	-62.4

In compliance with the exception clause of IAS 12.39, the Group does not recognize deferred taxes on investments in subsidiaries. The potential tax effect of profit distributions from subsidiaries to the parent company varies from country to country and can not be reliably determined.

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

CHF million	Capitalized 2009	Non capitalized 2009	Total 2009	Total 2008
Expiry in				
1 to 3 years	0.2	4.6	4.8	3.1
3 to 7 years	0.8	15.0	15.8	6.9
7 or more years	1.8	209.7	211.5	143.7
Total	2.8	229.3	232.1	153.7

The unused tax losses for which no deferred tax asset has been recognized originate primarily from countries with a tax rate between 28% and 40%.

12 Research and development

In 2009, 98.7 million CHF was spent on research and development (122.3 million CHF in 2008).

Research and development at Textile Systems continued to focus on the further development of spinning preparation and end spinning machinery, technology components for cotton spinning mills and the development of new end spinning machines. Developments are aimed at machinery and technology components for the Asian market and achieving improved yarn quality, a better price/performance ratio, higher productivity and lower power consumption.

Developments at Automotive Systems included applications for new models and customized acoustic products, as well as carpets and underbody components for automotive manufacturers in Europe, Americas and Asia. Automotive Systems also invests continuously in new processes and materials in order to improve quality and provide customers with cost benefits.

As in the previous year, no development costs were capitalized in 2009, since the respective IFRS requirements were not met.

13 Tangible fixed assets

CHF million	Land and buildings	Machinery, equipment and tools	Data processing equipment	Vehicles and furniture	Machinery and tools under construction	Total tangible fixed assets
Net book value at January 1, 2008	337.6	485.2	11.6	20.2	62.8	917.4
Reclassification	2.3	26.9	0.5	1.6	-31.3	0.0
Additions by acquisitions	0.0	0.3	0.0	0.0	0.0	0.3
Other additions	21.3	75.3	3.9	3.7	36.7	140.9
Disposals by divestments	-14.9	-4.9	-0.2	-0.8	-1.6	-22.4
Other disposals	-5.5	-3.9	0.0	-0.3	-2.2	-11.9
Depreciation ¹	-16.9	-125.1	-5.5	-6.8	0.0	-154.3
Currency effects	-33.4	-42.0	-0.7	-1.7	-5.9	-83.7
Net book value at December 31, 2008	290.5	411.8	9.6	15.9	58.5	786.3
Cost at December 31, 2008	566.4	1 547.3	66.4	91.3	59.1	2 330.5
Accumulated depreciation at December 31, 2008	-275.9	-1 135.5	-56.8	-75.4	-0.6	-1 544.2
Net book value at December 31, 2008	290.5	411.8	9.6	15.9	58.5	786.3
Reclassification	9.5	19.5	0.0	0.1	-29.1	0.0
Additions	4.2	41.0	1.2	1.1	14.2	61.7
Disposals by divestments	-19.5	0.0	0.0	0.0	0.0	-19.5
Reclassification to disposal group	-0.1	-0.1	-0.1	-0.1	0.0	-0.4
Other disposals	-7.5	-0.6	0.0	0.0	-1.0	-9.1
Depreciation	-16.8	-106.6	-4.6	-5.7	0.0	-133.7
Currency effects	3.8	6.3	0.1	-0.6	1.1	10.7
Net book value at December 31, 2009	264.1	371.3	6.2	10.7	43.7	696.0
Cost at December 31, 2009	543.7	1 579.9	62.9	87.7	43.7	2 317.9
Accumulated depreciation at December 31, 2009	-279.6	-1 208.6	-56.7	-77.0	0.0	-1 621.9
Net book value at December 31, 2009	264.1	371.3	6.2	10.7	43.7	696.0

1. Includes 9.0 Mio. CHF write-offs in connection with the restructuring program.

The book value of tangible assets held under finance leases was 4.3 million CHF (6.4 million CHF in 2008). As of December 31, 2009 land and buildings with a net book value of 57.0 million CHF were pledged for financial debt.

Land and buildings

CHF million	2009	2008
Land in operational use	56.2	54.9
Buildings in operational use	207.9	217.2
Non-operational property	0.0	18.4
Total	264.1	290.5

Buildings were insured at the replacement value of 1 353.4 million CHF at balance sheet date (1 337.9 million CHF in 2008).

Non-operational property

CHF million	2009	2008
Net book value at January 1	18.4	18.9
Additions	0.0	2.0
Disposals	-18.3	-2.2
Depreciation	-0.1	-0.3
Net book value at December 31	0.0	18.4
Market value at December 31	0.0	22.2

In 2009 all non-operational property was sold.

14 Intangible assets

CHF million	Goodwill	Patents/ trademarks	Other intangible assets	Total intangible assets
Net book value at January 1, 2008	120.4	35.9	0.3	156.6
Additions by acquisitions	2.6	0.3	3.3	6.2
Disposals by divestments	- 21.6	0.0	0.0	- 21.6
Amortization	0.0	- 0.4	- 8.0	- 8.4
Impairment charges	- 96.8	0.0	0.0	- 96.8
Currency effects	- 4.6	- 8.5	7.3	- 5.8
Net book value at December 31, 2008	0.0	27.3	2.9	30.2
Cost at December 31, 2008		47.1	5.1	52.2
Accumulated amortization at December 31, 2008		- 19.8	- 2.2	- 22.0
Net book value at December 31, 2008		27.3	2.9	30.2
Amortization		- 6.7	- 0.5	- 7.2
Currency effects		0.0	0.0	0.0
Net book value at December 31, 2009		20.6	2.4	23.0
Cost at December 31, 2009		47.1	5.1	52.2
Accumulated amortization at December 31, 2009		- 26.5	- 2.7	- 29.2
Net book value at December 31, 2009		20.6	2.4	23.0

In 2008, goodwill allocated to the cash-generating units Division Textile Systems (48.1 million CHF) and Division Automotive Systems (48.7 million CHF) was fully written off based on the impairment tests.

In 2009 the impairment test on other assets was performed in the second half of the financial year. The recoverable amount of each cash-generating unit was determined by a value-in-use calculation. This calculation was based on best estimate for a period of five years prepared by the management in charge and takes into account past experience over a long economic cycle, but no further growth. For the value-in-use calculation future cash flows were discounted with the weighted average cost of capital before taxes of 12.0% (12.5% in 2008) for Textile Systems and 12.7% (13.2% in 2008) for Automotive Systems. Based on the impairment tests, it was not necessary to recognize impairment charges in 2009.

15 Other non-current assets

CHF million	2009	2008
Investments in non-consolidated companies	70.1	16.0
Long-term interest-bearing receivables	4.2	4.3
Other long-term receivables and pension funds	89.7	87.6
Total	164.0	107.9

Prepaid contributions and overfunding of personnel pension plans have been accrued up to the expected future benefit and amount to 60.0 million CHF.

16 Inventories

CHF million	2009	2008
Raw materials and consumables	74.0	97.1
Purchased parts and goods for resale	57.3	71.9
Semi-finished and finished goods	91.4	109.0
Work in progress	99.8	130.0
Allowance	-56.5	-46.7
Total	266.0	361.3

The following summarizes the movement in the allowance for inventories:

CHF million	2009	2008
Allowance at January 1	-46.7	-52.0
Utilization	0.7	5.9
Additions, net	-10.6	-4.3
Currency effects	0.1	3.7
Allowance at December 31	-56.5	-46.7

17 Trade receivables

CHF million	2009	2008
Trade receivables	358.7	405.2
Allowance for doubtful receivables	- 27.2	- 23.1
Total	331.5	382.1

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

CHF million	2009	2008
Allowance for doubtful receivables at January 1	- 23.1	- 21.4
Increase charged to income statement	- 9.8	- 2.1
Utilization or reversal	5.6	2.3
Currency effects	0.1	- 1.9
Allowance for doubtful receivables at December 31	- 27.2	- 23.1

Allowances for doubtful receivables are established based upon the difference between the invoice amount and the expected, discounted payment. Rieter establishes the allowance for doubtful receivables based on its historical loss experience.

Trade receivables include amounts denominated in the following major currencies:

CHF million	2009	2008
CHF	33.5	47.0
EUR	213.8	269.1
USD	41.1	37.6
GBP	3.6	3.5
Other	39.5	24.9
Total	331.5	382.1

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

CHF million	2009	2008
Not due	273.2	313.7
Past due less than 3 months	48.8	56.9
Past due 3 to 6 months	3.4	6.6
Past due 6 months to 1 year	4.2	1.2
Past due 1 to 5 years	0.0	1.5
Past due 5 or more years	1.9	2.2
Total	331.5	382.1

18 Other receivables

CHF million	2009	2008
Prepaid expenses and deferred charges	18.8	22.4
Advance payments to suppliers	13.0	36.2
Positive replacement values of derivative financial instruments	2.3	1.0
Other short-term receivables	58.3	66.3
Total	92.4	125.9

19 Marketable securities and time deposits

CHF million	2009	2008
Securities available for sale	2.0	3.0
Securities held for trading	0.0	0.1
Time deposits with original maturities between 3 and 12 months	11.0	4.6
Total	13.0	7.7

20 Cash and cash equivalents

CHF million	2009	2008
Cash and banks	179.8	257.5
Time deposits with original maturities up to 3 months	37.9	25.1
Total	217.7	282.6

21 Share capital

		31.12.2009	31.12.2008
Shares issued	Number of shares	4 672 363	4 283 056
Treasury shares ¹	Number of shares	27 628	476 743
Shares outstanding	Shares outstanding	4 644 735	3 806 313
Nominal value per share	CHF	5.00	5.00
Share capital	CHF	23 361 815	21 415 280

1. As of December 31, 2008 including shares at the disposal of the Board of Directors.

22 Minority interests

The main minority interests held by third parties are in UGN Inc. (USA), Rieter India Pvt. (India), Rieter Nittoku (Guangzhou) Automotive Sound-Proof Co. Ltd. (China), Tianjin Rieter Nittoku Automotive Sound-Proof Co. Ltd. (China) and Rieter-LMW Machinery Ltd. (India).

For one minority interest there is a put and a call option. The minority shareholders are entitled to sell their share within five years at an agreed minimum price. The fair value of this put option has been recognized in retained earnings as a financial debt in accordance with IAS 32. Rieter is entitled to buy the shares at an agreed minimum price within seven years (call option).

23 Financial debt

CHF million	Bank debt	Finance leasing obligations	Other financial debt	Total 2009	Total 2008
Duration less than 1 year	79.5	1.0	1.2	81.7	198.3
Duration 1 to 5 years	108.6	3.3	27.3	139.2	128.6
Duration 5 or more years	0.0	0.3	1.2	1.5	0.2
Total	188.1	4.6	29.7	222.4	327.1

As of December 31, 2009 bank debt of 103.6 million CHF was secured by land and buildings.

By currency, financial debt is divided up as follows:

CHF million	2009	2008
CHF	119.9	191.1
EUR	50.8	58.8
USD	9.7	13.6
Other	42.0	63.6
Total	222.4	327.1

24 Provisions

CHF million	Restructuring provisions	Pension provisions	Guarantee and warranty provisions	Environment provisions	Other provisions	Total provisions
Provisions at December 31, 2008	183.6	75.1	37.1	11.9	72.8	380.5
Reclassification	-9.8	9.1	0.0	0.0	0.7	0.0
Disposals by divestments	0.0	0.0	0.0	0.0	-0.1	-0.1
Utilization	-41.4	-5.4	-15.0	0.0	-23.2	-85.0
Release	0.0	-0.5	-1.5	-0.9	-8.7	-11.6
Additions	0.0	2.3	22.6	0.0	47.4	72.3
Currency effects	0.1	0.1	0.0	0.0	0.2	0.4
Provisions at December 31, 2009	132.5	80.7	43.2	11.0	89.1	356.5
Thereof non-current	13.8	80.5	30.0	11.0	46.9	182.2
Thereof current	118.7	0.2	13.2	0.0	42.2	174.3

Restructuring provisions cover the legal and constructive obligations in connection with the restructuring program initiated in 2008.

Pension provisions include the liabilities in connection with defined benefit plans (see note 32) and other long-term benefits to employees.

Guarantee and warranty provisions are made in the context of product deliveries and services and are based on past experience.

Environment provisions cover the expected remediation costs related to operations in previous years.

Other provisions are made for onerous contracts (where the unavoidable direct costs of performance exceed the expected financial benefit) and other constructive or legal obligations of Group companies.

Non-current restructuring, guarantee and warranty provisions are expected to result partly in a cash outflow in one to two years on average, environment and other provisions in two to three years on average. Due to this maturity structure provisions are not discounted.

25 Other current liabilities

CHF million	2009	2008
Accrued holidays	18.9	20.9
Accrued sales commissions	15.3	23.8
Other accrued expenses	68.1	69.0
Negative replacement values of derivative financial instruments	0.5	3.4
Other short-term liabilities	74.5	82.2
Total	177.3	199.3

26 Related parties

Related parties include members of the Board of Directors, the Group Executive Committee and employee benefit plans. Transactions with related parties are generally conducted at arm's length.

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

CHF million	2009	2008
Compensation	2.4	3.0
Employee benefit contributions	0.1	0.1
Social security	0.0	0.0
Share-based compensation	0.6	1.1
Other long-term benefits	0.0	0.0
Total	3.1	4.2

The remuneration report and the compensation of the Board of Directors and the Group Executive Committee in compliance with Swiss law are disclosed in the financial statements of Rieter Holding Ltd. on pages 73 to 75.

Rieter Real Estate Ltd. (see note 30) was sold to related party institutional investors. Apart from compensation to the Board of Directors and the Executive Committee and the ordinary contributions to the various employee benefit plans, there have been no further material transactions with related parties.

27 Financial instruments

The following tables summarize all financial instruments according to the categories of IAS 39. The book values correspond, approximately, to the fair values.

CHF million	2009	2008
Cash (excluding time deposits)	179.8	257.5
Securities held for trading ¹	0.0	0.1
Positive replacement values of derivative financial instruments ²	2.3	1.0
Investments in non-consolidated companies ²	1.8	4.2
Total financial assets at fair value through profit and loss	4.1	5.3
Time deposits with original maturities up to 3 months	37.9	25.1
Time deposits with original maturities between 3 and 12 months	11.0	4.6
Trade receivables	331.5	382.1
Other short-term receivables	58.3	66.3
Long-term interest-bearing receivables	4.2	4.3
Total loans and receivables	442.9	482.4
Securities available for sale ¹	2.0	3.0
Investments in non-consolidated companies ²	68.3	11.8
Total available for sale financial assets	70.3	14.8
Total financial assets and derivatives	697.1	760.0
CHF million	2009	2008
Short-term financial debt	81.7	198.3
Long-term financial debt (without put option minorities)	116.2	128.8
Put option minority interests ³	24.5	0.0
Negative replacement values of derivative financial instruments ²	0.5	3.4
Total financial debt and derivatives	222.9	330.5

1. Measured at fair values which are based on quoted prices in active markets (level 1 according to IFRS 7.27).

2. Measured at fair values which are calculated based on observable market data (level 2 according to IFRS 7.27).

3. Measured at fair values which are not based on observable market data (level 3 according to IFRS 7.27).

Financial instruments measured at level 3 (according to IFRS 7.27) concern the following item:

In 2009 a group of non-controlling shareholders acquired a non-controlling interest in a subsidiary together with a put option on such non-controlling interest. The valuation of this put option is based on the expected future earnings development of the concerned subsidiary up to the earliest possible execution date. The value of the put option was discounted by 9.4% and recognized as a financial debt of 22.9 million CHF. In 2009 the financial debt was increased by 1.6 million CHF by debiting interest expenses. If the value of the put option had been discounted by 8.4% the recognized financial debt would have been 1.1 million CHF higher.

28 Other commitments

Some Group companies lease factory and office space under operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under operating leases are as follows:

CHF million	2009	2008
Up to 1 year	12.4	12.5
1 to 5 years	25.0	24.0
5 or more years	3.9	5.8
Total	41.3	42.3

No purchase commitments in respect of major purchases were open at year-end.

29 Assets and liabilities from disposal groups

On December 11, 2009, Rieter signed a contract for the sale of the non-wovens activities of Division Textile Systems. The contract was closed on March 9, 2010.

In accordance with IFRS 5 the concerned assets and liabilities were classified as a disposal group in the balance sheet and were as follows:

CHF million	2009
Non-current assets	0.4
Current assets (without cash and cash equivalents)	4.5
Cash and cash equivalents	2.1
Total assets of disposal group	7.0
Long-term liabilities	1.3
Short-term liabilities	12.1
Total liabilities of disposal group	13.4

30 Divestments

On March 31, 2009, Rieter sold Rieter Real Estate Ltd. in Winterthur. The resulting divestment gain of 4.5 million CHF was recognized in other operating income.

The assets and liabilities arising from divestments were as follows:

CHF million	2009
Non-current assets	19.5
Current assets (without cash and cash equivalents)	1.3
Liabilities	-3.2
Net disposed assets and liabilities	17.6
Profit on divestments	4.5
Cash from divestments	22.1

In mid-April 2008, Rieter sold its activities in machinery and systems for manufacturing plastics granulates. In 2008 this unit of the Textile Systems Division generated sales of approximately 14 million CHF prior to its sale. The resulting gain on sale of 2.6 million CHF was recognized in other operating income.

At the end of September 2008, Rieter sold its sheet metal part manufacturing facility in Ingolstadt, Germany. In 2008 this unit of the Textile Systems Division generated sales of approximately 5 million CHF prior to its sale. The resulting loss on sale of 5.2 million CHF was recognized in special charges.

In aggregate, the assets and liabilities arising from the divestment were as follows:

CHF million	2008
Non-current assets	44.0
Current assets (without cash and cash equivalents)	29.3
Liabilities	- 29.0
Net disposed assets and liabilities	44.3
Profit and loss on divestments	- 2.6
Cash from divestments	41.7

31 Acquisitions

There were no acquisitions in 2009.

As of January 1, 2008 Rieter completed the components business of the Textile Systems Division with the acquisition of textile component manufacturer Berkol.

The assets and liabilities arising from the acquisition were as follows:

CHF million	Fair value	Adjustments	Book value before adjustments
Tangible fixed assets	0.3	0.0	0.3
Intangible assets, excluding goodwill	3.6	3.6	0.0
Inventories	2.5	0.2	2.3
Short-term liabilities	- 0.5		- 0.5
Net identifiable assets	5.9	3.8	2.1
Goodwill	2.6 ¹		
Cash used for acquisitions	8.5		

1. The goodwill arising from the acquisition reflected the expected synergies.

32 Pension plans

The expense for pension plans is included in employee costs.

Defined contribution plans

The expense for defined contribution plans amounted to 5.8 million CHF (9.2 million CHF in 2008).

Defined benefit plans

For the actuarial calculation of the obligations of the different plans and the presentation of the value of the plans' assets, many countries, especially Switzerland, have rules for the definition of employee benefits which may differ substantially from IFRS rules.

Funded status of defined benefit plans

CHF million	2009	2008
Actuarial present value of defined benefit obligation		
• unfunded plans	-43.9	-46.4
• funded plans	-1 048.3	-989.0
Defined benefit obligation at December 31	-1 092.2	-1 035.4
Fair value of plan assets	1 145.4	1 010.4
Surplus/Deficit at December 31	53.2	-25.0
Unrecognized actuarial gains and losses	15.1	58.2
Unrecognizable assets of pension plans (due to limit of IAS 19.58)	-54.2	-20.3
Net asset at December 31	14.1	12.9
Recognized in the balance sheet		
• as assets	70.7	71.6
• as pension provisions	-56.6	-58.7

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

CHF million	2009	2008
Defined benefit obligation at January 1	1 035.4	1 294.1
Reductions due to divestments	0.0	-11.0
Current service cost, net	12.8	13.6
Interest cost	37.3	46.2
Employee contributions	9.9	9.6
Actuarial gains/losses	78.5	-238.8
Past service cost	0.8	0.3
Benefits paid	-83.7	-61.3
Currency effects	1.2	-17.3
Defined benefit obligation at December 31	1 092.2	1 035.4

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

CHF million	2009	2008
Fair value of plan assets at January 1	1 010.4	1 474.4
Expected return on plan assets	41.6	60.2
Actuarial gains/losses	144.2	-482.4
Employer contributions	21.2	20.2
Employee contributions	9.9	9.6
Benefits paid	-83.7	-61.3
Currency effects	1.8	-10.3
Fair value of plan assets at December 31	1 145.4	1 010.4

The major categories of plan assets as a percentage of total plan assets were as follows:

in %	2009	2008
Equity	61	50
Debt	11	14
Real estate	24	29
Other	4	7

Pension plan assets included 22 614 Rieter shares with a market value of 5.3 million CHF (140 729 shares with a market value of 24.1 million CHF in 2008).

Pension costs of defined benefit plans

CHF million	2009	2008
Current service cost, net	12.8	13.6
Interest cost	37.3	46.2
Expected return on plan assets	-41.6	-60.2
Recognized actuarial gains/losses	-22.4	189.0
Past service cost	0.8	0.3
Impact of limit of IAS 19.58	33.9	-172.6
Pension costs of defined benefit plans	20.8	16.3

The Group expects to contribute 19 million CHF to its defined benefit pension plans in 2010. The actual return on plan assets was -185.8 million CHF (-422.2 million CHF in 2008).

Actuarial assumptions

Weighted average in %	2009	2008
Discount rate	3.5	3.7
Expected return on plan assets	4.1	4.1
Future wage growth	1.4	1.4
Future pension growth	0.9	0.9

Additional disclosure

CHF million	2009	2008	2007	2006	2005
Defined benefit obligation	-1 092.2	-1 035.4	-1 294.1	-1 184.8	-1 088.1
Plan assets	1 145.4	1 010.4	1 474.4	1 443.7	1 240.9
Surplus/deficit	53.2	-25.0	180.3	258.9	152.8
Experience adjustment on plan liabilities	34.3	-17.3	117.6	34.5	-8.8
Experience adjustment on plan assets	144.2	-482.4	26.8	174.5	132.0

33 Share-based compensation

Rieter has established a share purchase plan for its senior management. Between March 25 and April 17, 2009, 59 participants purchased 33 524 shares at a price of 97.00 CHF per share (14 400 shares at 249.00 CHF in 2008). The average market value of shares granted was 144.39 CHF (365.31 CHF in 2008). At least two-thirds of these shares cannot be sold for three years. The shares for this program were taken from the holdings of Rieter Holding Ltd.

In addition, the members of the Group Executive Committee could subscribe to one additional free option for each share which was purchased, subject to restrictions on sale under the above plan. Each option entitles the holder to purchase a share after two years at a price of 136.90 CHF (359.00 CHF in 2008). There are no vesting conditions.

In 2009 the costs resulting from the share purchase plan amounted to 1.6 million CHF (1.8 million CHF in 2008). The costs resulting from the share option plan amounted to 0.2 million CHF (0.2 million CHF in 2008).

Long-service awards are also granted in the form of shares at some Group companies.

The estimated fair value of each share option granted to the members of the Group Executive Committee in 2009 is 32.45 CHF. These values were calculated by applying an adapted model of the Black-Scholes option pricing model. The following parameters have been used:

Share price on the date granted	CHF	139.00
Exercise price	CHF	136.90
Expected volatility (based on historical data)	%	37.30
Option life	Years	5
Risk-free interest rate	%	1.29
Dividend yield	%	1.61

Change in options granted

	Number of options 2009	Weighted average exercise price in CHF 2009	Number of options 2008	Weighted average exercise price in CHF 2008
Outstanding at January 1	11 041	492.15	6 736	577.25
Granted	7 128	136.90	4 305	359.00
Exercised	0	0.00	0	0.00
Outstanding at December 31	18 169	352.78	11 041	492.15
Exercisable at December 31	6 736	577.25	3 379	501.00

No options expired in 2009 and 2008.

The share options outstanding at December 31, 2009, had an exercise price between 136.90 CHF and 654.00 CHF and a weighted average contractual life of 3.26 years.

34 Cash flow

CHF million	2009	2008 ¹
Net result	-217.5	-396.7
Depreciation and amortization of tangible and intangible assets	140.9	259.5
Profit/loss on divestments, net	-4.5	2.6
Other non-cash income and expenses	-11.9	32.2
Cash flow	-93.0	-102.4
Change in provisions	-50.3	32.5
Net cash flow	-143.3	-69.9
Change in net working capital	141.7	127.1
Capital expenditure on tangible and intangible assets, net	-45.4	-118.7
Change in financial assets, net	-4.3	-9.2
Change in marketable securities	-5.6	58.9
Divestments	22.1	41.7
Acquisitions	0.0	-8.5
Free cash flow	-34.8	21.4

1. Adjusted to the 2009 presentation.

35 Net liquidity

Net liquidity at December 31 was as follows:

CHF million	2009	2008
Cash and cash equivalents	217.7	282.6
Cash and cash equivalents disposal group	2.1	0.0
Marketable securities	13.0	7.7
Short-term financial debt	-81.7	-198.3
Long-term financial debt	-140.7	-128.8
Net liquidity	10.4	-36.8

36 Exchange rates for currency translation

CHF million		Average annual rates		Year-end rates	
		2009	2008	2009	2008
Argentina	1 ARS	0.29	0.34	0.27	0.31
Brazil	1 BRL	0.55	0.60	0.59	0.45
Canada	1 CAD	0.95	1.02	0.98	0.87
China	100 CNY	15.88	15.59	15.22	15.50
Czech Republic	100 CZK	5.72	6.36	5.61	5.59
Euro countries	1 EUR	1.51	1.59	1.48	1.49
Great Britain	1 GBP	1.70	2.00	1.67	1.54
Hong Kong	100 HKD	14.00	13.90	13.31	13.66
India	100 INR	2.24	2.50	2.21	2.18
Poland	100 PLN	35.00	45.35	36.15	35.65
Taiwan	100 TWD	3.28	3.43	3.25	3.22
USA	1 USD	1.09	1.08	1.03	1.06

37 Events after balance sheet date

The contract regarding the sale of Rieter Perfojet in France (see note 29), which was signed in December 2009, was closed on March 9, 2010.

38 Approval for publication of the consolidated financial statements

The consolidated financial statements were approved for publication by the Board of Directors on March 17, 2010. They are also subject to approval by the Annual General Meeting of shareholders. No events have occurred up to March 17, 2010, which would necessitate adjustments to the book values of the Group's assets or liabilities, or which require additional disclosure.

Significant subsidiaries and associated companies

at December 31, 2009

			Paid-in capital	Group interest	Research & development	Sales/trading	Production	Services/financing
Argentina	Rieter Automotive Argentina S.A., Córdoba	ARS	15 643 600	98%		•	•	
Belgium	Rieter Automotive Belgium N.V., Genk	EUR	7 994 569	100%		•	•	
Brazil	Graf Máquinas Têxteis Ind.e.com. Ltda., São Paulo	BRL	10 220 000	100%		•	•	•
	Rieter Automotive Brasil-Artefatos de Fibras Têxteis Ltda., São Bernardo d.C.	BRL	87 335 251	100%	•	•	•	
	Rieter South America Ltda., São Paulo	BRL	3 287 207	100%		•		
Canada	Rieter Automotive Mastico Ltd., Tillsonburg	CAD	381 000	100%	•	•	•	
China	Rieter Changzhou Textile Instruments Co. Ltd., Changzhou	EUR	37 800 000	100%			•	
	Rieter Textile Systems (Shanghai) Co. Ltd., Shanghai	USD	200 000	100%		•		
	Rieter Asia (Hong Kong) Ltd., Hongkong	HKD	1 000	100%		•		
	Rieter Automotive (Chongqing) Sound-Proof Parts Co. Ltd., Chongqing	CHF	7 600 000	100%			•	
	Rieter Nittoku (Guangzhou) Automotive Sound-Proof Co. Ltd., Guangzhou City	USD	9 250 000	51%		•	•	
	Tianjin Rieter Nittoku Automotive Sound-Proof Co. Ltd., Tianjin	USD	5 700 000	51%		•	•	
Czech Republic	Rieter CZ a.s., Ústí nad Orlicí	CZK	982 169 000	100%	•	•	•	•
	Novibra Boskovice s.r.o., Boskovice	CZK	40 000 000	100%	•	•	•	
France	Rieter France SAS, Lyon	EUR	39 843 540	100%				•
	Rieter Perfojet SAS, Grenoble	EUR	1 033 600	100%	•	•	•	•
	Graf France Sàrl, Illzach	EUR	150 000	100%		•		•
	Rieter Automotive France SAS, Aubergenville	EUR	8 000 000	100%	•	•	•	
Germany	Rieter Vertriebs GmbH, Ingolstadt	EUR	15 338 756	100%		•		•
	Rieter Deutschland GmbH & Co. OHG, Ingolstadt	EUR	15 645 531	100%		•		•
	Rieter Ingolstadt GmbH, Ingolstadt	EUR	12 273 600	100%	•	•	•	•
	Wilhelm Stahlecker GmbH, Reichenbach im Täle	EUR	255 645	100%	•			
	Spindelfabrik Suessen GmbH, Süssen	EUR	5 050 100	100%	•	•	•	•
	Graf-Kratzen GmbH, Gersthofen	EUR	400 000	100%		•		•
	Rieter Automotive Germany GmbH, Rossdorf	EUR	11 248 421	100%	•	•	•	
Great Britain	Rieter Automotive Great Britain Ltd., Heckmondwike	GBP	22 832 137	100%	•	•	•	
India	Rieter India Pvt. Ltd., New Delhi	IND	34 901 990	74%		•		
	Rieter-LMW Machinery Ltd., Coimbatore	INR	250 000 000	50%			•	
	Lakshmi Machine Works Ltd., Coimbatore ¹	INR	123 692 500	13%	•	•	•	•
	Rieter Automotive India Pvt. Ltd., New Delhi	INR	293 626 000	100%		•	•	

			Paid-in capital	Group interest	Research & development	Sales/trading	Production	Services/financing
Italy	Graf Italia S.r.l., Bergamo	EUR	500 000	100%		•	•	•
	Rieter Automotive Fimit S.p.A., Milan	EUR	8 400 000	100%	•	•	•	
	Idea Institute S.p.A., Turin	EUR	120 000	100%	•			•
Netherlands	Graf Holland B.V., Enschede	EUR	113 445	100%		•	•	•
Poland	Rieter Automotive Poland Sp.z.o.o., Katowice	PLN	20 844 000	100%		•	•	
Portugal	Rieter Componentes para Veículos Lda., Setúbal	EUR	598 557	87%		•	•	
Switzerland	Rieter Management AG, Winterthur	CHF	5 000 000	100%				•
	Tefina Holding-Gesellschaft AG, Zug	CHF	5 000 000	100%				•
	Sofima AG, Winterthur	CHF	1 000 000	100%				•
	Rieter Services AG, Winterthur	CHF	3 000 000	100%				•
	Maschinenfabrik Rieter AG, Winterthur	CHF	8 500 000	100%	•	•	•	•
	Schaltag AG, Effretikon	CHF	400 000	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%	•	•	•	•
	Rieter Automotive Heatshields AG, Sevelen	CHF	250 000	100%	•	•	•	
	Rieter Automotive Management AG, Winterthur	CHF	1 300 000	100%	•			•
	Rieter Automotive (International) AG, Winterthur	CHF	5 000 000	100%				•
Spain	Graf España S.A., Santa Perpètua de Mogoda	EUR	601 012	100%		•	•	•
	Rieter Saifa S.A., Barcelona	EUR	847 410	100%	•	•	•	
Taiwan	Rieter Asia (Taiwan) Ltd., Taipei	TWD	5 000 000	100%		•		
Thailand	Summit Rieter Nittoku Sound Proof Co. Ltd., Changwat Chonburi ¹	THB	100 000 000	30%		•	•	
Turkey	Rieter Textile Machinery Trading & Services Ltd., Levent	TRY	25 000	70%				•
	Rieter Erkurt Otomotive Yan Sanayi ve Ticaret AS, Bursa	TRY	700 000	51%	•	•	•	
USA	Rieter Corporation, Spartanburg	USD	1 249	100%		•		
	Graf Metallic of America Inc., Spartanburg	USD	50 000	100%		•		•
	Rieter Automotive North America Inc., Farmington Hills	USD	1 000	100%	•	•	•	
	UGN, Inc., Chicago	USD	1 000 000	50%	•	•	•	
	Rieter Automotive North America Carpet, Bloomsburg		²	100%	•	•	•	
	Rieter America Corporation, Farmington Hills	USD	1	100%				•

1. Non-consolidated associated company.

2. Partnership without registered paid-in capital

Report of the statutory auditor on the consolidated financial statements



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

As statutory auditor, we have audited the consolidated financial statements of Rieter Holding Ltd., which comprise the income statement, statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in consolidated equity and notes (pages 30 to 65), for the year ended December 31, 2009.

Board of Directors' responsibility

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

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

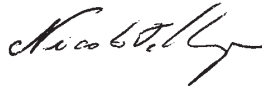
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers AG



Urs Hönegger
Audit expert
Auditor in charge



Nicolas Mayer

Zurich, March 18, 2010

Income statement of Rieter Holding Ltd.

for the financial year from January 1 to December 31

CHF million	Notes	2009	2008
Income			
Income from investments	(1)	48.8	107.7
Income from marketable securities and interest income	(2)	12.4	-62.8
Other income	(3)	4.8	10.5
Total income		66.0	55.4
Expenses			
Financial expenses	(4)	20.6	13.3
Administration expenses		4.8	4.2
Value adjustments, provisions	(5)	39.6	35.0
Total expenses		65.0	52.5
Net profit		1.0	2.9

Balance sheet of Rieter Holding Ltd.

at December 31, before appropriation of profit

CHF million	Notes	2009	2008
Assets			
Investments in and loans to subsidiaries	(6)	553.9	572.7
Non-current assets		553.9	572.7
Accrued income and prepayments	(7)	8.4	1.4
Receivables	(8)	139.9	70.7
Liquid funds	(9)	76.2	208.7
Current assets		224.5	280.8
Total assets		778.4	853.5
Shareholders' equity and liabilities			
Share capital	(10)	23.4	21.4
Legal reserves			
• General reserve	(11)	27.5	27.5
• Reserve for own shares	(12)	6.4	122.8
Other reserves	(13)	279.3	86.0
Retained earnings	(14)		
• Balance brought forward		43.7	40.8
• Net profit for the year		1.0	2.9
Shareholders' equity		381.3	301.4
Long-term financial debt	(15)	250.0	270.0
Provisions	(16)	11.3	11.3
Non-current liabilities		261.3	281.3
Short-term liabilities	(17)	133.3	268.5
Accrued liabilities		2.5	2.3
Current liabilities		135.8	270.8
Liabilities		397.1	552.1
Total shareholders' equity and liabilities		778.4	853.5

Notes to the financial statements of Rieter Holding Ltd.

1 Income from investments

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

2 Income from marketable securities and interest income

This includes income from marketable securities, interest income as well as the foreign exchange result.

3 Other income

Other income consists of the contractually agreed compensation payments by Group companies.

4 Financial expenses

Financial expenses consist mainly of interest payable on bank debt and liabilities to Group companies.

5 Value adjustments, provisions

The value adjustment for general business risks was increased by 39.6 million CHF and deducted from investments in and loans to subsidiaries.

6 Investments in and loans to subsidiaries

CHF million	2009	2008
Investments in subsidiaries	215.3	261.5
Loans to subsidiaries	338.6	311.2
Total	553.9	572.7

The main subsidiaries and associated companies are listed on pages 64 and 65. These investments are held directly or indirectly by Rieter Holding Ltd.

7 Accrued income and prepayments

Accrued income and prepayments consist mainly of accrued interest on granted loans, foreign exchange transactions and accrued financing costs.

8 Receivables

CHF million	2009	2008
Receivables from third parties	0.7	2.5
Receivables from subsidiaries	139.2	68.2
Total	139.9	70.7

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

9 Liquid funds

CHF million	2009	2008
Cash and cash equivalents	74.5	178.3
Marketable securities ¹	1.7	30.4
Total	76.2	208.7

1. Incl. own shares.

10 Share capital

On May 5, 2009, Rieter allotted to its shareholders one shareholders' option for each share held. Eleven shareholders' options entitled the holder to purchase one new Rieter share at a price of 120 CHF. Up to May 29, 2009 (the end of the purchase period) 389 307 new Rieter shares were purchased, which increased share capital by 9.1% from 21 415 280 CHF to 23 361 815 CHF.

11 General reserve

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

12 Reserve for own shares

Shares held by all Group companies

	Number
Registered shares held at January 1, 2009	223 743
Purchases January to December 2009 (average price 163.36 CHF)	20 224
Sales January to December 2009 (average price 137.55 CHF)	216 339
Registered shares held at December 31, 2009	27 628

A reserve for own shares has been made at an acquisition cost of 6.4 million CHF. This amount was deducted from other reserves.

13 Other reserves

CHF million	2009	2008
Opening balance	86.0	120.2
Transfer to reserve for own shares	116.4	36.5
Share buyback	0.0	- 73.8
Premium received on shares issued	76.9	3.1
Total	279.3	86.0

Share premium relates to the sale of 253 000 reserved treasury shares and the issue of 389 307 new shares (see also note 10).

14 Retained earnings

Including the balance brought forward, the Annual General Meeting has a total of 44.7 million CHF at its disposal (43.7 million CHF in 2008).

15 Long-term financial debt

CHF million	2009	2008
Financial debt	100.0	100.0
Loans from subsidiaries	150.0	170.0
Total	250.0	270.0

In 2009 long-term financial debts were reduced by 20 million CHF.

16 Provisions

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

17 Short-term liabilities

CHF million	2009	2008
Liabilities to Group companies	132.9	177.7
Liabilities to third parties	0.4	90.8
Total	133.3	268.5

Rieter Holding Ltd. manages liquid funds for Group companies in the central cash pool. In 2009 short-term liabilities to third parties could be reduced by some 90 million CHF.

18 Guarantees to third parties

CHF million	2009	2008
Guarantees	42.1	12.3

Guarantees to third parties consist of sureties issued to financial institutions and banks for loans granted to subsidiaries and for a tenancy agreement.

19 Shareholders

Major groups of shareholders with holdings exceeding 3% of all voting rights (pursuant to Art. 663c of the Swiss Code of Obligations) at December 31, 2009:

According to the notification on August 27, 2009, PCS Holding, Weiningen, Switzerland, held 894 223 shares.

According to the notification on August 27, 2009, the investment group Artemis Beteiligungen IV AG, Hergiswil, Switzerland, and Forbo International SA, Baar, Switzerland, held 677 549 shares.

According to the notification on December 7, 2009, First Eagle Investment Management LLC, Wilmington, USA, formerly called Arnhold and S. Bleichroeder Advisers LLC, New York, USA, held 183 274 shares.

20 Risk management

The detailed disclosures regarding the risk management that are required by law are included in the consolidated financial statements of the Rieter Group on page 39.

21 Remuneration report and disclosure of payments to the Board of Directors and the Group Executive Committee in terms of Art. 663b^{bis}, Swiss Code of Obligations

Content and process for specifying remuneration and equity participation programs

The basic features of salary policy are elaborated by the personnel committee and adopted by the Board of Directors as a whole, which also approves the bonus program, the share purchase plan and the option plan. The Board of Directors approves the remuneration of the members of the Board of Directors and the Group Executive Committee on the basis of proposals submitted by the personnel committee. The Board of Directors annually reviews the main features of the salary policy. It rules on the adjustment of the basic salary of the members of the Group Executive Committee annually and stipulates the targets for performance related payments and the key data for the share purchase plan and the option plan. The Board of Directors has not engaged independent consultants for elaborating the salary policy or the compensation programs.

Remuneration of the Board of Directors

Until April 30, 2009 remuneration of the Board of Directors consisted of a payment in cash and a further fixed sum which is disbursed in the form of shares. Since May 1, 2009 members of the Board of Directors can choose whether to receive remuneration as cash or to take up shares. In case remuneration is settled in shares, the number of shares is calculated on the basis of the average price of Rieter shares 20 trading days prior to the meeting of the Board of Directors, at which the annual accounts are approved. Shares will be allocated at tax value and are blocked for three years as of allocation date (28.4.2010). All entitled members of the Board of Directors have opted for remuneration in the form of shares. Erwin Stoller is Executive Chairman since 4.8.2009. His remuneration comprises a fixed component, a share component, and a performance-related component based on the operational and strategic targets set by the Board of Directors.

Total 2009 compensation to the members of the Board of Directors

	Cash compensation		Shares		Options		Contribution to pension plans	Total
	Fixed net	Variable net	Number	Value ¹	Number	Value		
CHF								
Erwin Stoller, Chairman, since 4.8.2009 Executive Chairman	392 500		180	41 760 ²	0	0	11 200	445 460
Dr. Ulrich Dätwyler, Vice-Chairman, until 30.4.2009	35 596		248	25 296 ¹	0	0	0	60 892
Dr. Jakob Baer	42 000		177	41 064 ²	0	0	0	83 064
Dr. Rainer Hahn, until 30.4.2009	23 197		186	18 972 ¹	0	0	0	42 169
Michael Pieper, since 1.5.2009			117	27 144 ²	0	0	0	27 144
Hans Peter Schwald, since 1.5.2009			160	37 120 ²	0	0	0	37 120
This E. Schneider, Vice-Chairman, since 1.5.2009			117	27 144 ²	0	0	0	27 144
Dr. Dieter Spälti	37 000		172	39 904 ²	0	0	0	76 904
Peter Spuhler, since 1.5.2009			117	27 144 ²	0	0	0	27 144
Dr. Peter Wirth, until 30.4.2009	23 197		186	18 972 ¹	0	0	0	42 169
Total	553 490		1 660	304 520	0	0	11 200	869 210

1. For the purpose of inclusion in the total compensation, the shares are valued at 102 CHF (average trading price 20 days prior to the March 2009 Board meeting [= 121 CHF] less a 16% discount for the three-year restriction on sale).
 2. The shares are valued at 232 CHF (average trading price 20 days prior to the March 2010 Board meeting [= 277 CHF] less a 16% discount for the three-year restriction on sale). The ownership of the shares will be transferred on April 28, 2010.

Total 2008 compensation to the members of the Board of Directors

	Cash compensation		Shares		Options		Contri- bution to pension plans	Total
	Fixed net	Variable net	Number	Value ¹	Number	Value		
CHF								
Erwin Stoller, Chairman, since 1.5.2008	185 000		266	92 663	0	0	0	277 663
Dr. Ulrich Dätwyler, Vice-Chairman	102 000		281	97 888	0	0	0	199 888
Dr. Jakob Baer	90 000		221	76 987	0	0	0	166 987
Dr. Rainer Hahn	64 000		221	76 987	0	0	0	140 987
Dr. Dieter Spälti	77 000		221	76 987	0	0	0	153 987
Dr. Peter Wirth	64 000		221	76 987	0	0	0	140 987
Kurt Feller, Chairman, until 30.4.2008	112 000		137	47 725	0	0	0	159 725
Total	694 000		1 568	546 224	0	0	0	1 240 224

1. For the purpose of inclusion in the total compensation, the shares are valued at 349 CHF (average trading price 20 days prior to the March 2008 Board meeting [= 415 CHF] less a 16% discount for the three-year restriction on sale).

Remuneration of former members of the Board of Directors

No remuneration was disbursed to former directors and officers.

Remuneration of the Group Executive Committee

The Group Executive Committee is remunerated according to the principle of flexible, performance related compensation. This remuneration consists of a basic salary, a performance related component in the context of the bonus plan, the opportunity to participate in the share purchase plan and the allocation of options. The basic salary is derived from salaries paid for comparable positions in the market relevant for Rieter (machine manufacturing and automotive component suppliers). The performance related component for the CFO is based on consolidated net profit in absolute and percentage terms. For the heads of the divisions the operating profit (EBIT) achieved by their division is applicable in absolute and percentage terms instead of consolidated net profit. The performance related component amounts to no more than 80% of the basic salary.

In the context of the share purchase plan the members of the Group Executive Committee can purchase Rieter shares at a variable discount. The number of shares is calculated on the basis of the average price of Rieter shares 20 trading days prior to the meeting of the Board of Directors, at which the annual accounts are approved, less a discount. The level of discount depends upon the extent to which predefined targets for consolidated net profit, return on net assets (RONA) and growth have been achieved. In order to foster long-term ties between management and the company, at least two-thirds of the shares acquired in this way cannot be sold for three years.

The members of the Group Executive Committee receive an option to purchase one Rieter registered share for each share purchased under the share purchase plan and subject to the three-year restriction on sale. The options have a duration of five years and can be exercised for the first time after the end of the second year following their allocation. The exercise price is calculated on the basis of the average price on the ten trading days immediately preceding the allocation of the option.

Total 2009 compensation to the members of the Group Executive Committee

	Cash compensation		Shares		Options		Contri- bution to pension plans	Total
	Fixed net	Variable net	Number	Value ¹	Number	Value ²		
CHF								
Members of the Executive Committee	1 805 650	0	7 128	35 640	7 128	228 096	138 064	2 207 450
Thereof Hartmut Reuter, Chief Executive Officer, until 31.07.2009	419 150	0	3 202	16 010	3 202	102 464	49 664	587 288

1. For the purpose of inclusion in the total compensation, the shares are valued at 5 CHF (difference between the preferred purchase price [= 97 CHF] and the average trading price 20 days prior the March 2009 Board meeting less a 16% discount for the three-year restriction on sale [= 102 CHF]).
2. One option entitles the holder to purchase one Rieter share at the exercise price of 137 CHF. The awarded options are valued according to the Black-Scholes formula at 32 CHF per option.

Remuneration of former members of the Board of Directors¹

299 392 CHF to Hartmut Reuter since August 1, 2009 in fulfillment of a current contract of employment.

1. The contract of employment was terminated prematurely at the beginning of 2010, giving rise to an entitlement to compensation on the part of Hartmut Reuter totaling some 1.1 million CHF. This amount is in much the same order of magnitude as the remuneration for 2008, when no bonus was paid. This payment will be disbursed in 2010 and disclosed accordingly in the 2010 annual report. If the restructuring program initiated in 2008 under Hartmut Reuter as CEO at that time were to yield a positive net result in the years 2011 and 2012, a bonus of 0.15 million CHF would be due for each of these years. Any corresponding financial obligations will be disclosed in 2011 and 2012.

Total 2008 compensation to the members of the Group Executive Committee

	Cash compensation		Shares		Options		Contri- bution to pension plans	Total
	Fixed net	Variable net	Number	Value ¹	Number	Value ²		
CHF								
Members of the Executive Committee	2 325 000	0	4 305	426 195	4 305	154 980	136 048	3 042 223
Thereof Hartmut Reuter, Chief Executive Officer	775 000	0	1 495	148 005	1 495	53 820	47 648	1 024 473

1. For the purpose of inclusion in the total compensation, the shares are valued at 99 CHF (difference between the preferred purchase price [= 249 CHF] and the average trading price 20 days prior the March 2008 Board meeting less a 16% discount for the three-year restriction on sale [= 348 CHF]).
2. One option entitles the holder to purchase one Rieter share at the exercise price of 359 CHF. The awarded options are valued according to the Black-Scholes formula at 36 CHF per option.

Additional fees and payments

No additional fees or other payments were disbursed to the members of the Board of Directors or the Group Executive Committee in 2009, nor were severance payments disbursed to any member of the Board of Directors or the Group Executive Committee in 2009.

Directorships with other companies

The Board of Directors rules on whether members of the Group Executive Committee or senior management may hold directorships with other companies. As a general rule, only one directorship may be held in order to limit demands on time. If the directorship is exercised outside contractually agreed working hours, there is no obligation to surrender to Rieter the director's fees received.

Loans to directors and officers

No loans have been made to members of the Board of Directors or the Group Executive Committee.

Disclosure of the equity holdings of the Board of Directors and the Group Executive Committee (including related parties) as of December 31, 2009 (Art. 663c, Swiss Code of Obligations)

	Shares	Options			
		Expiry date 2011	Expiry date 2012	Expiry date 2013	Expiry date 2014
Erwin Stoller, Chairman	8 993	599	475	784	0
Dr. Jakob Baer	572	118	145	0	0
Michael Pieper ¹	249 154	0	0	0	0
Hans Peter Schwald	2 181	0	0	0	0
This E. Schneider ¹	0	0	0	0	0
Dr. Dieter Spälti	1 071	157	145	0	0
Peter Spuhler	894 223	0	0	0	0

1. Excluding 428 395 shares held by Forbo International SA.

	Shares	Options			
		Expiry date 2011	Expiry date 2012	Expiry date 2013	Expiry date 2014
Wolfgang Drees	302	0	0	302	0
Peter Gnägi	5 502	450	396	856	2 066
Urs Leinhäuser	3 974	400	506	868	1 860

Disclosure of the equity holdings of the Board of Directors and the Group Executive Committee (including related persons) as of December 31, 2008 (Art. 663c, Swiss Code of Obligations)

	Shares	Options			
		Expiry date 2011	Expiry date 2012	Expiry date 2013	Expiry date 2014
Erwin Stoller, Chairman	8 427	599	475	784	0
Dr. Ulrich Dätwyler, Vice-Chairman	3 285	157	185	0	0
Dr. Jakob Baer	484	118	145	0	0
Dr. Rainer Hahn	1 875	157	145	0	0
Dr. Dieter Spälti	981	157	145	0	0
Dr. Peter Wirth	1 276	157	145	0	0

	Shares	Options			
		Expiry date 2011	Expiry date 2012	Expiry date 2013	Expiry date 2014
Hartmut Reuter, Chief Executive Officer	9 066	699	886	1 495	0
Wolfgang Drees	302	0	0	302	0
Peter Gnägi	5 156	450	396	856	0
Urs Leinhäuser	2 948	400	506	868	0

Proposal of the Board of Directors

for the appropriation of profit (2009 financial year)

CHF	2009	2008
Net profit for the year	979 653	2 909 032
Retained earnings brought forward from previous year	43 711 178	40 802 146
Retained earnings at the disposal of the Annual General Meeting	44 690 831	43 711 178
Proposal		
Retained earnings	44 690 831	43 711 178
Retained earnings at the disposal of the Annual General Meeting	44 690 831	43 711 178

Report of the statutory auditor on the financial statements



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

As statutory auditor, we have audited the financial statements of Rieter Holding Ltd., which comprise the income statement, balance sheet and notes (pages 68 to 77 and pages 64 and 65), for the year ended December 31, 2009.

Board of Directors' responsibility

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2009 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

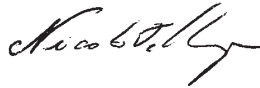
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers AG



Urs Hönegger
Audit expert
Auditor in charge



Nicolas Mayer

Zurich, March 18, 2010

Review 2005 to 2009

Consolidated income statement

		2009	2008	2007	2006	2005
Sales	CHF million	1 956.3	3 142.5	3 930.1	3 579.9	3 122.0
• Europe	CHF million	901	1 450	1 728	1 598	1 439
• Asia ¹	CHF million	405	791	1 206	1 003	775
• North America	CHF million	433	589	715	726	722
• Latin America	CHF million	182	257	204	172	156
• Africa	CHF million	36	56	77	81	30
Corporate output	CHF million	1 846.5	2 971.7	3 822.8	3 447.5	3 035.6
Operating result before interest, taxes, depreciation and amortization (EBITDA)	CHF million	-45.7	-52.6	437.0	325.6	313.4
• in % of corporate output		-2.5	-1.8	11.4	9.4	10.3
Operating result before interest and taxes (EBIT)	CHF million	-186.6	-312.1	278.7	180.6	183.0
• in % of corporate output		-10.1	-10.5	7.3	5.2	6.0
Net result ²	CHF million	-217.5	-396.7	211.5	157.4	138.1
• in % of corporate output		-11.8	-13.3	5.5	4.6	4.5
Return on net assets (RONA) in %		-19.5	-28.1	13.8	10.8	10.2

Consolidated balance sheet

Non-current assets	CHF million	886.5	929.3	1 192.0	1 152.0	1 159.6
Current assets	CHF million	927.6	1 159.6	1 655.4	1 732.6	1 555.1
Equity attributable to Rieter shareholders	CHF million	587.2	689.9	1 309.4	1 320.5	1 192.2
Equity attributable to minority interests	CHF million	68.7	56.3	60.1	54.9	70.0
Non-current liabilities	CHF million	399.3	418.9	321.6	318.1	515.0
Current liabilities	CHF million	759.1	923.8	1 156.3	1 191.1	937.5
Total assets	CHF million	1 814.1	2 088.9	2 847.4	2 884.6	2 714.7
Shareholders' equity in % of total assets		36.2	35.7	48.1	47.7	46.5

Consolidated statement of cash flows

Net cash from operating activities	CHF million	-1.6	57.2	394.9	252.6	242.8
Net cash used for investing activities	CHF million	-33.2	-35.8	-118.5	-84.9	-322.8
Net cash from financing activities	CHF million	-27.8	8.8	-309.5	-67.5	-123.0
Net liquidity	CHF million	10.4	-36.8	144.5	147.3	96.7
Number of employees at year-end		12 761	14 183	15 506	14 826	14 652

1. Including Turkey.

2. Net result before deduction of minority interests.

Information for investors

		2009	2008	2007	2006	2005
Share capital	CHF million	23.4	21.4	22.3	22.3	22.3
Net profit of Rieter Holding Ltd.	CHF million	1.0	2.9	67.4	63.4	49.3
Gross distribution	CHF million	0.0 ¹	0	62.8	62.1	41.5
Payout ratio (in % of net profit) ²	in %	0	0	32	42	33
Market capitalization (December 31)	CHF million	1 085	651	1 966	2 661	1 624
Market capitalization in % of						
• sales	in %	55	21	50	74	52
• equity attributable to Rieter shareholders	in %	185	94	150	202	136

1. Proposed by the Board of Directors (see page 77).

2. Net profit after deduction of minority interests.

Data per share (RIEN)

			2009	2008	2007	2006	2005
Share prices on the SIX Swiss Exchange	high	CHF	270	505	717	641	393
	low	CHF	95	151	478	387	328
Price/earnings ratio	high		-5.3	-4.8	14.9	18.0	12.8
	low		-1.9	-1.4	9.9	10.9	10.6
Shareholders' equity (Group) per registered share	CHF		126.42	181.25	332.86	316.34	286.29
Tax value per registered share	CHF		233.50	171.00	500.00	637.50	390.00
Gross distribution per registered share	CHF		0.00 ¹	0.00	15.00	15.00	10.00
Gross yield on registered shares	high	in %	0.0 ¹	0.0	2.1	2.3	2.5
	low	in %	0.0 ¹	0.0	3.1	3.9	3.0
Earnings per share	CHF		-50.96	-106.18	48.19	35.53	30.80

1. Proposed by the Board of Directors (see page 77).

