RIETER

Success through focus

Annual Report 2014

Important dates:

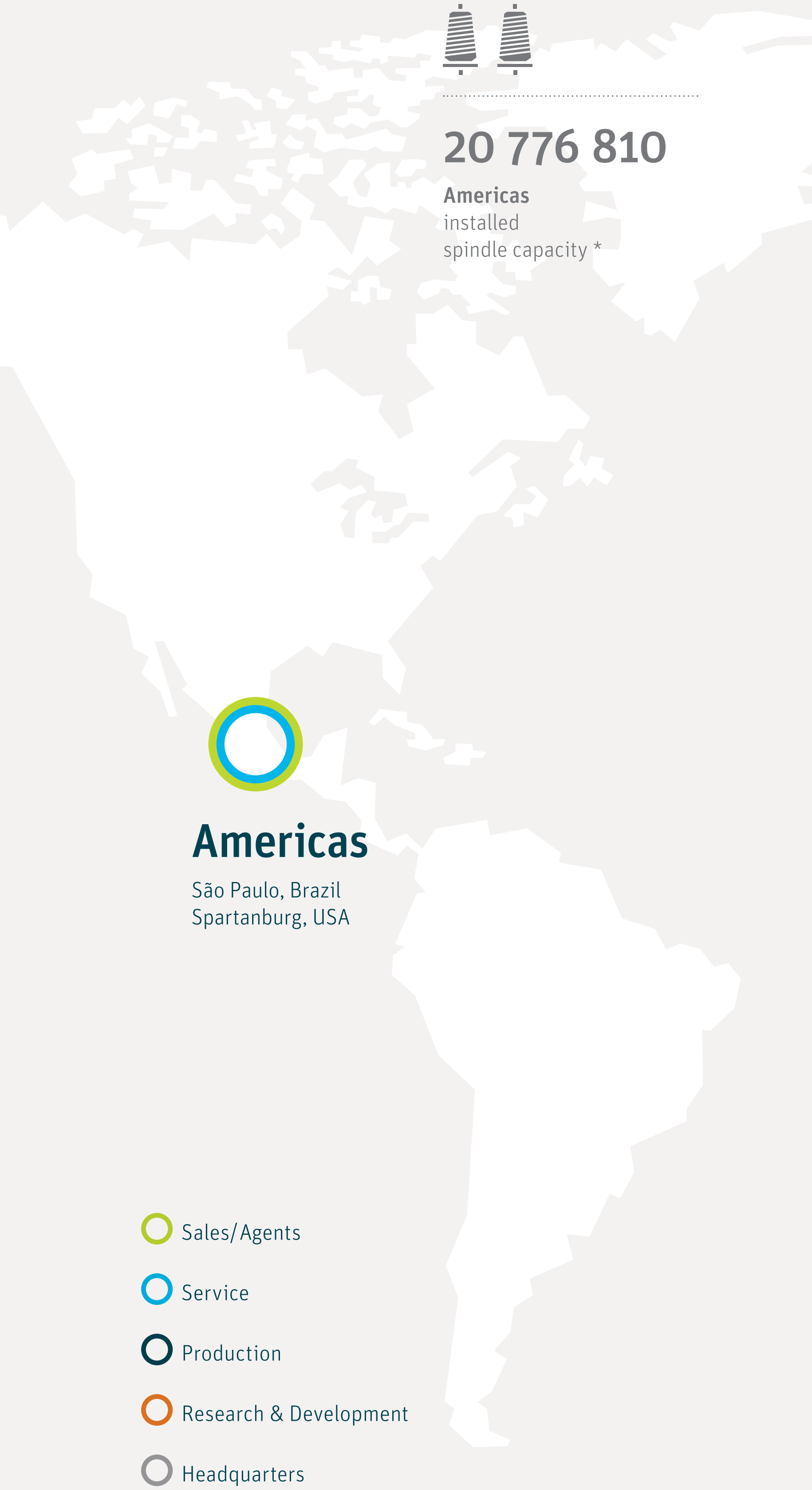
- Annual General Meeting 2015: April 16, 2015
- Semi-annual report 2015: July 23, 2015
- Publication of sales 2015: February 4, 2016
- Deadline for proposals regarding the agenda of the Annual General Meeting: February 22, 2016
- Results press conference 2016: March 15, 2016
- Annual General Meeting 2016: April 6, 2016

About Rieter

Rieter is the world‘s leading supplier of systems for short-staple fiber spinning. Based in Winterthur (Switzerland), the company develops and manufactures machinery, systems and components used to convert natural and manmade fibers and their blends into yarns. Rieter is the only supplier worldwide to cover spinning preparation processes as well as all four final spinning processes currently established on the market. With 18 manufacturing locations in ten countries, the company employs a global workforce of some 5 000, about 24% of whom are based in Switzerland.

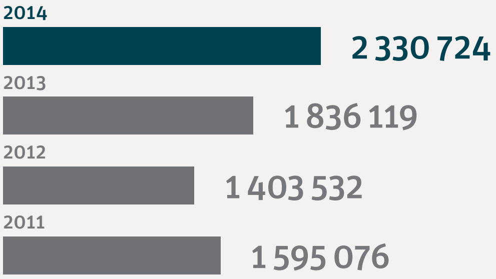
Rieter is a strong brand with a long tradition. Since it was established in 1795, Rieter’s innovative momentum has been a powerful driving force for industrial progress. With a global sales and service organization and a strong presence in the emerging markets of China and India, Rieter fulfills important prerequisites for achieving future growth. For the benefit of shareholders, customers and employees, Rieter aspires to achieve sustained growth in enterprise value. With this in mind, Rieter aims continuously to increase sales and profitability, primarily through organic growth, but also through cooperation and acquisition.

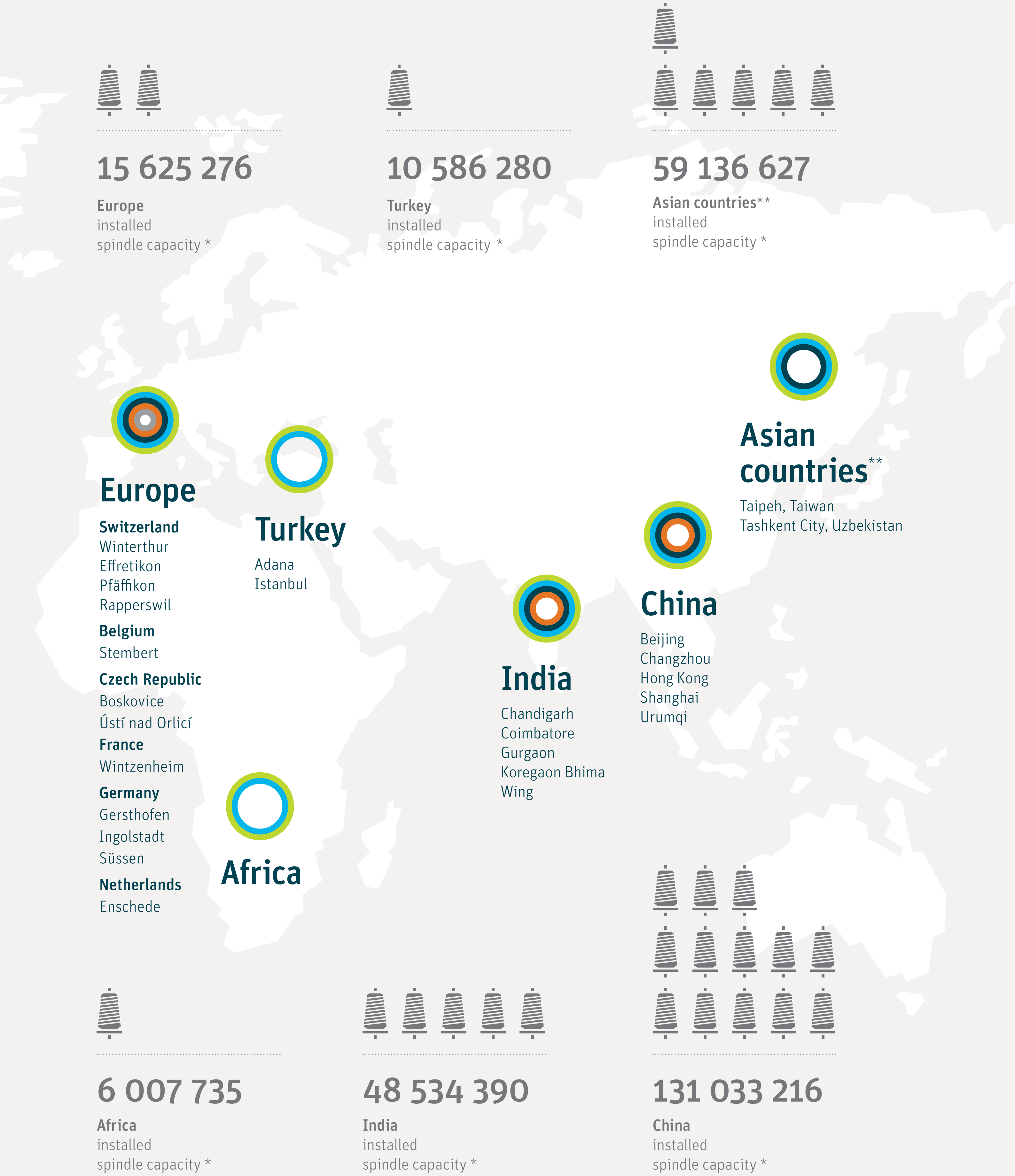
Until December 31, 2014 the company comprised the two business groups Spun Yarn Systems and Premium Textile Components. As of January 1, 2015 the group consists of three business groups: Machines&Systems, After Sales and Components.



* in spindle equivalents. Source: ITMF 2013
** without China, India, Turkey

Spindle equivalents delivered by Rieter




15 625 276
Europe
installed
spindle capacity *
10 586 280
Turkey
installed
spindle capacity *
59 136 627
Asian countries**
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spindle capacity *
Europe
Switzerland
Winterthur
Effretikon
Pfäffikon
Rapperswil
Belgium
Stembert
Czech Republic
Boskovice
Ústí nad Orlicí
France
Wintzenheim
Germany
Gersthofen
Ingolstadt
Süssen
Netherlands
Enschede
Turkey
Adana
Istanbul
Africa
India
Chandigarh
Coimbatore
Gurgaon
Koregaon Bhima
Wing
China
Beijing
Changzhou
Hong Kong
Shanghai
Urumqi
Asian countries**
Taipeh, Taiwan
Tashkent City, Uzbekistan
6 007 735
Africa
installed
spindle capacity *
48 534 390
India
installed
spindle capacity *
131 033 216
China
installed
spindle capacity *

+11%

Sales growth
compared to previous year

49.1

Free Cash Flow
in million CHF

10.9%

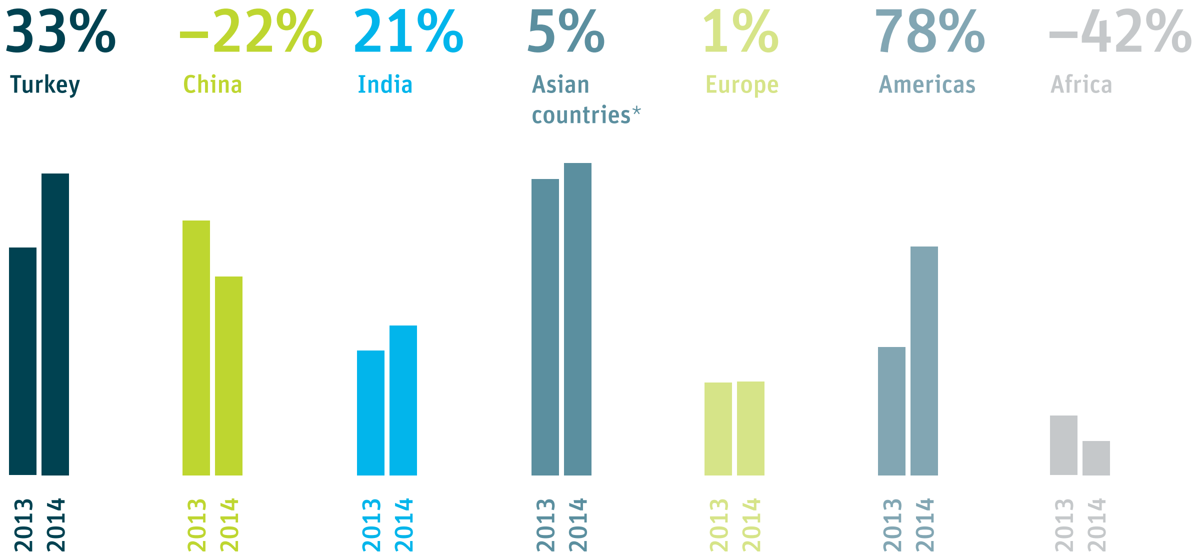
EBITDA
in % of sales

in million CHF	2014	2013	Change
Orders received	1146.1	1259.4	-9%
Sales	1153.4	1035.3	+11%
EBITDA	125.4	95.2	+32%
- in % of sales	10.9	9.2	
EBIT	84.6	60.2	+41%
- in % of sales	7.3	5.8	
Net profit	52.9	37.4	+41%
- in % of sales	4.6	3.6	
Investments	42.2	55.0	–23%
Net liquidity	171.7	141.3	+22%
Dividend per share (in CHF)[1]	4.5	3.5	+29%
Equity in % of total assets	36.5	35.0	
Number of employees (excl. temporaries)	5004	4793	+4%

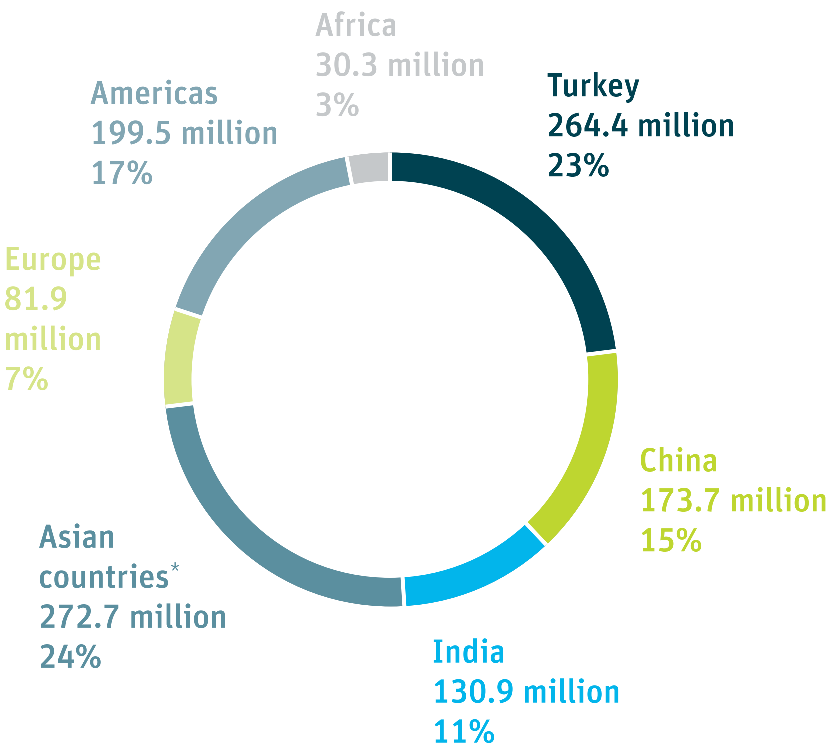
1 Proposal of the Board of Directors

Sales by geographical region

Sales growth



Sales by region 2014 in CHF



* without China, India, Turkey

2014 financial year: double-digit sales growth with a strong second half – order intake at the same level as sales – significant increase in profitability – free cash flow: 49.1 million CHF – dividend: 4.50 CHF per share proposed

Rieter posted increases in sales, profitability and market share in the 2014 financial year. Full advantage was taken of the market's momentum with successful products and a broader footprint in Asia. The company achieved double-digit sales growth with an especially strong second-half performance. Overall sales increased by 11% to 1 153.4 million CHF. New orders of 1 146.1 million CHF received in the year under review were at the same level as sales – so Rieter had an order backlog of some 730 million CHF at year-end. Rieter recorded a significant increase in profitability: EBITDA rose by 32% to 125.4 million CHF or 10.9% of sales. EBIT and net profit rose to 7.3% (84.6 million CHF) and 4.6% (52.9 million CHF) of sales, respectively. Free cash flow of 49.1 million CHF boosted net liquidity to 171.7 million CHF at year-end. The Board of Directors will propose that a dividend of 4.50 CHF be paid for the 2014 financial year out of the reserve from capital contributions. In 2014 Rieter benefited from the strategic investments made in recent years and reduced its exposure to the Swiss franc compared to 2011. There was a clear focus in 2014 on further increasing innovative capacity and profitability as well as expanding the after-sales business. Steps have been taken to reduce costs incurred in Swiss francs.

Dear shareholder

The previous year's positive trend in the market for short-staple fiber machinery and components continued in 2014, albeit to differing degrees in the various economic regions. Overall demand was above the average in previous years, although momentum slowed in some important markets in the second half of the year.

Rieter took full advantage of the trend in the flourishing markets, posted a significant increase in sales compared to 2013 and thus benefited from the significant strategic investments made in previous years. Rieter is now in a position to offer products at the highest quality level from all its locations. Substantially supported by expanded capacity in Asia, Rieter delivered a record volume of some 2.33 million spindle equivalents in the year under review (1.84 million in 2013). Deliveries of extensive full compact, ring and rotor spinning system installations made a decisive contribution to this success. Market launches of innovative components such as EliTeAdvanced for compact spinning were also successful. Thus, the company further improved its leading position in 2014.

Orders received and sales

New orders received by the Rieter Group reached the level of sales in 2014. Compared to the strong previous year, orders received decreased by 9% to 1 146.1 million CHF (2013: 1 259.4 million CHF). A large number of orders came from Asian countries, where spinning mill capacities were built up to supply the Chinese textile markets, from Turkey and the US. The positive trend in India continued throughout the year under review. In China, demand was subdued, as in the previous year. In the favourable market environment of the first half of the year, Rieter recorded significantly higher order intake than in the more challenging second half. The decline in the second half of the year was mainly attributable to lower orders from Turkey and China, and affected Rieter's machinery business more than its components business. At Spun Yarn Systems, orders received decreased in the year under review by 10% to 973.8 million CHF, compared to the previous year (2013: 1 084.3 million CHF). Premium Textile Components almost equalled the previous year's level, with orders of 172.3 million CHF (2013: 175.1 million CHF).

Rieter had a backlog of orders in hand of around 730 million CHF at the end of 2014 (December 31, 2013: around 765 million CHF), which means a high level of capacity utilisation until well into the 2015 financial year.

As expected, sales by Rieter developed strongly in the year under review and increased by 11% to 1 153.4 million CHF (2013: 1 035.3 million CHF). In the second half of the year, sales increased by 21% compared to the first half. Rieter reported the highest increase in the US, followed by Turkey, India and various Asian countries. In contrast, sales in China and Africa decreased compared to the previous year. Spun Yarn Systems increased sales by 14% to 981.0 million CHF (2013: 857.8 million CHF). Premium Textile Components posted sales to third parties of 172.4 million CHF (2013: 177.5 million CHF). Segment sales, i.e. including deliveries to Spun Yarn Systems, increased by 1% to 262.1 million CHF.

Rieter employed a total workforce of 5 004 on December 31, 2014, compared with 4 793 a year earlier. The company also employed 1 221 temporary personnel, equivalent to 19.6% of the workforce (1 210 temporary personnel or 20.2% on December 31, 2013). The number of permanent employees increased by 4% while sales grew by 11%. The significant increase in output was achieved mainly by improved utilisation of manufacturing capacity and productivity increases resulting from operational excellence initiatives.

Rieter posted increases in sales, profitability and market share in the 2014 financial year.

Operating result and net profit

EBITDA at Rieter amounted to 125.4 million CHF or 10.9% of sales, an increase of 32% compared to 2013 (95.2 million CHF or 9.2% of sales).

In the year under review Rieter posted an increase of 41% in operating result before interest and taxes (EBIT) to 84.6 million CHF or 7.3% of sales (60.2 million CHF or 5.8% in 2013). The increase in employee costs (+ 10.4 million CHF or 4%) and other expenses (+ 14.8 million CHF or 9%) was considerably below sales growth (+ 118.1 million CHF or 11%). In the second half of the year, Rieter posted an EBIT margin of 8.8% on sales of 631.3 million CHF thanks to higher profitability at both business groups. Systematic capacity management and disciplined personnel management enabled employee costs in the second half to be held at the same level as in the first six months, despite higher volumes. Expenses relating to the completion of the projects for the introduction of new IT-assisted business processes were also no longer incurred in the second half of the year. Depreciation and amortisation increased to 40.8 million CHF in 2014 (35.0 million CHF in 2013).

Rieter's capital expenditure in the year under review totalled 42.2 million CHF, equivalent to 3.7% of sales (55.0 million CHF or 5.3% of sales in 2013).

Focus in 2014 was on boosting innovative capability. Research and development expenditure in 2014 amounted to 46.3 million CHF or 4.0% of sales (45.0 million CHF or 4.3% of sales in 2013).

Rieter also posted a significant increase in net profit to 52.9 million CHF, which was 41% higher than in 2013 (37.4 million CHF). The profit margin improved from 3.6 % to 4.6% of sales. Net financial result of -13.7 million CHF was slightly lower than in the previous year (-7.9 million CHF), which had benefited from positive special factors. The tax rate declined to 25.8% (28.8% in 2013) due to the more balanced distribution of profits among the different locations. Earnings per share rose to 11.52 CHF (8.56 CHF in 2013).

The return on net assets rose to 10.5% (8.5% in 2013), thus exceeding the cost of capital.

Dividend

Rieter Holding Ltd. posted a net profit of 22.8 million CHF for the 2014 financial year (13.2 million CHF in 2013). The Board of Directors will propose to the Annual General Meeting on April 16, 2015, that a dividend of 4.50 CHF per share be paid for the 2014 financial year out of the reserve from capital contributions (3.50 CHF in 2013). This corresponds to a distribution ratio of 39% of earnings per share (41% in 2013). Rieter aims for an average distribution ratio of about 30% over the years, taking into consideration various factors such as the trend of business, liquidity needs and market prospects.

New strategic priorities

In the years 2012/2013 Rieter had laid the foundations for sustained profitable corporate development with a large-scale strategic investment program. The group pressed forward with expansion in Asia, innovation and the improvement of global business processes. The 2014 financial year showed that the extensive resources deployed had been effectively utilised.

Based on these achievements, in 2014 Rieter set new priorities for implementing its strategy in the next three years. The strategic goal of being the leading supplier for equipping spinning mills to process short-staple fibers and having the complete portfolio of machinery, spare parts and technology components at its disposal remains unchanged. Rieter intends to continue in future to distinguish itself through systems expertise, value-creating innovative solutions, excellent after-sales service and the global availability of its product and service offering.

Rieter delivered a record volume of some 2.33 million spindle equivalents in 2014 (1.84 million in 2013).

Rieter is setting three new priorities in further boosting its innovative capability, expanding its after-sales business and increasing its profitability.

- **Boosting innovative capability**: Rieter will invest additional resources in research and development in order to systematically accelerate important innovations.

- **Expanding the after-sales business**: Rieter aims to assist customers even more intensively in operating their installations, so that they can achieve a high degree of competitiveness and rapidly follow trends on the yarn market. As an integrated supplier, Rieter has at its disposal outstanding expertise covering the entire yarn manufacturing process. In order to speed up the development of this business, the relevant functions incorporated to date in the Spun Yarn Systems Business Group were combined in a new After Sales Business Group on January 1, 2015. Carsten Liske has headed this Business Group as a new member of the Group Executive Committee with effect from January 1, 2015. Rieter will amend its segmental reporting as from 2015 to reflect the new organisation, thus further enhancing its transparency.

- **Increasing profitability**: Rieter will take steps to achieve optimal utilisation of existing capacity, improve product margins and reduce structural costs.

These steps will help Rieter to continue benefiting disproportionately from the growing demand for products featuring a higher degree of automation, productivity and energy efficiency. Rieter has set itself the target of growing faster than the market.

Medium-term financial targets

After concluding its investment program Rieter has reassessed the global market environment and reviewed the company's financial targets. With its medium-term profitability target of an EBIT return of some 10% of sales and a return on net assets (RONA) of some 14%, Rieter will create value for shareholders. On the basis of ongoing growth in fiber consumption of 2-3% annually, the in 2014 underlying currency environment, raw material prices and its portfolio of products and services, Rieter assumes it can achieve its profitability target in the medium term with sales of some 1.3 billion CHF.

Further strengthening of the balance sheet and finances
Despite the small increase in net working capital of 9.9 million CHF and capital expenditure of 42.2 million CHF, Rieter recorded free cash flow of 49.1 million CHF as a result of the increase in earnings.

On December 31, 2014, cash and cash equivalents, marketable securities and time deposits totalled 445.6 million CHF and net liquidity amounted to 171.7 million CHF.

In 2014 Rieter set new priorities for implementing its strategy in the next three years.

In September 2014 Rieter took advantage of the attractive interest rate environment and issued 100 million CHF of six-year bonds at an interest rate of 1.5%. Rieter thus secured the partial financing of its existing 250 million CHF bond issue, which is due for repayment on April 30, 2015. Together with the extension of the approval for authorised capital, this increases the company's flexibility in implementing its strategy.

This early refinancing operation resulted in a temporary increase in total assets, which amounted to 1 209.4 million CHF at the end of 2014. Rieter has thus further reinforced its sound balance sheet and finances and has an equity ratio of 36.5% (35.0% on December 31, 2013).

Board of Directors and Annual General Meeting
Shareholders approved all motions proposed by the Board of Directors at the ordinary general meeting held on April 9, 2014. These included an amendment to the articles of association which had become necessary as a consequence of the new Ordinance against excessive remuneration at listed public companies (VegüV). In compliance with the new legislation, the chairman, the members of the Board of Directors and the members of the remuneration committee were elected by the shareholders for a term of office of one year.

The shareholders also adopted a motion to extend the approval for authorised capital of up to 2.5 million CHF or 500 000 shares by two years. This increases Rieter's flexibility to seize strategic opportunities without delay if the need arises.

Reduced exposure to the Swiss franc
In recent years Rieter has invested increasingly in the Chinese and Indian markets as well as expanding production capacity in the Czech Republic. The global manufacturing concept has increased flexibility and reduced exposure to the Swiss franc compared to 2011.

Whereas Rieter still invoiced 53% of its sales in Swiss francs in the 2011 financial year, the relevant proportions in the 2014 financial year were as follows: 40% of sales in Swiss francs, 37% in euros and 23% in US dollars and local currencies. The proportion of costs incurred in Swiss francs declined to some 34% of sales (about 43% of sales in 2011).

Outlook
Rieter has closed the year 2014 with an order backlog of around 730 million CHF which demonstrates the global strength of the company and its brands.

Rieter‘s exposure to the Swiss Franc has decreased over the last years. Short term profitability improvement measures have been released to counteract the potential negative impact on top and bottom line of the stronger Swiss Franc. In addition, Rieter will streamline production and reduce purchasing volume in Switzerland. As a result and depending on the effective currency scenario in 2015, the negative impact on operating profitability (EBIT) compared to 2014 is currently estimated in the range of 100 – 200 base points.

In January and February, Rieter has seen order intake in the After Sales and Components business on last year's levels, as spinning mills continue to order upgrade kits, components and wear & tear parts. Demand in the Machines & Systems business has been below last year's levels. This is perceived to be the result of the currency driven uncertainties in the market and the low demand in China.

Based on the said above, Rieter expects sales in the first semester 2015 to be around the level of the first semester of 2014. The full year 2015 is currently expected to show lower sales volumes than 2014 due to the slower order intake at Machines & Systems. As a result, EBIT and net profit in 2015 is expected at lower levels than in 2014.

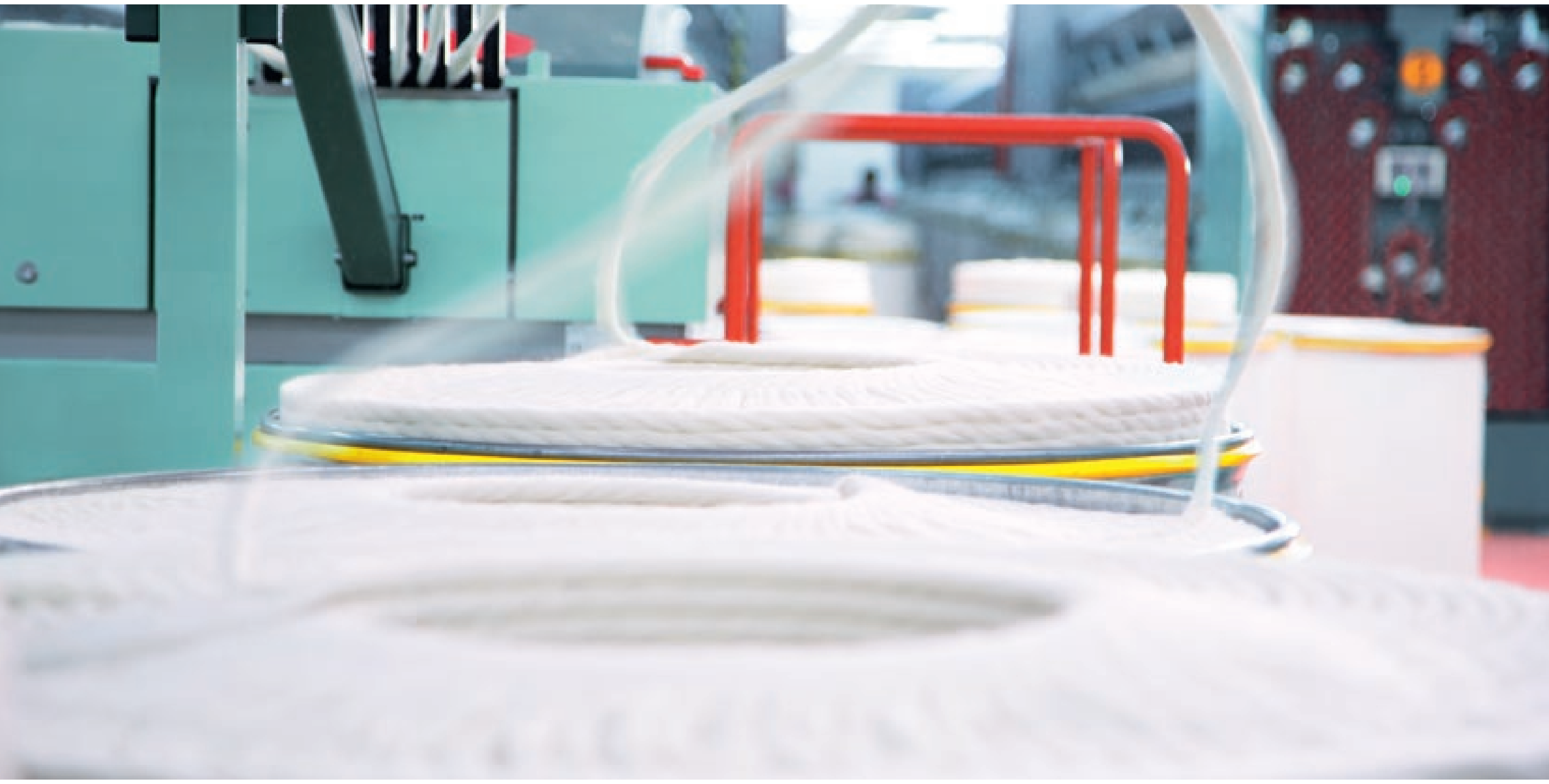
Rieter will continue to implement the strategy focus on innovation, after sales service and profitability improvements in order to reach its mid-term targets.

Thanks
2014 was an important year for Rieter. The goal was to make the most of the major investments made in previous years and cope with large volumes in the redesigned global manufacturing network. This was achieved very successfully in the second half of the year in particular and Rieter has shown that the medium-term objectives being aimed for in terms of sales and profitability are within reach. The Board of Directors and the Group Executive Committee wish to thank the workforce and employee representatives for their tireless efforts. Rieter thanks customers, suppliers and other business partners for their loyalty, and shareholders for their continued confidence.

Winterthur, March 17, 2015

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

Business Group Spun Yarn Systems



Thanks to its improved position in Asia and above-average demand in Turkey and the USA, the Spun Yarn Systems Business Group was able to record an increase of 14% in sales and 37% in EBIT for the 2014 financial year in comparison to the previous year. Demand was especially strong for full spinning systems – a particular strength of Spun Yarn Systems. In 2014, Spun Yarn Systems optimally utilised and developed its expanded facilities in Asia. A major achievement was the start of production for the ring-spinning machines in China.

Sales

981.0

million CHF (2014)

857.8

million CHF (2013)

Rieter participated in the ITMA Asia + CITME 2014 textile machinery trade fair in June in Shanghai, China, where it presented innovations for all four final spinning technologies and a wide range of applications involving textile end products. Key products such as the C 70 high-performance card, the SB-D 22 double-head draw frame, the G 32 ringspinning machine and the fully-automatic R 60 rotorspinning machine generated a great deal of interest.

The Business Group posted order intake of 973.8 million CHF in the year under review (compared to 1 084.3 million CHF in 2013). In 2014, the largest orders were once again booked in the Turkish market, although demand was significantly lower than in 2013. Order intake was also high in the USA, albeit at a slightly reduced level compared to the previous year. Growth in orders compared to 2013 was also recorded in Asian countries such as Vietnam, Bangladesh and Indonesia. Demand and order intake in China declined during the year. In India, the spinning industry recovered gradually, with order intake more than doubling in 2014 compared to the previous year.

Spun Yarn Systems' sales for 2014 were 14% higher at 981.0 million CHF (857.8 million CHF in 2013). The strongest growth was recorded in Turkey, the USA, India and various Asian countries. A decline in sales compared to 2013 was recorded only in China and Africa. Overall, Spun Yarn Systems posted a 23% increase in deliveries in the second half of the year compared to the first half.

The Business Group's EBIT rose by 16.9 million CHF to 62.2 million CHF in 2014 (45.3 million CHF in 2013). The EBIT margin amounted to 6.3% of sales (5.3% in 2013). The significant sales increase of 14% compared to an increase in the workforce of just 5% to 3 782 employees was a major driving force for the improvement in profitability. On the other hand, the margins in the machinery business were below the level achieved in the strong second half of 2013, due to the product mix. Costs were also incurred for the implementation and stabilisation of the IT-assisted global business processes, mainly in the first half of the year. Other factors which contributed to the reduced margins were the 8.8 million CHF increase in depreciation arising from capital expenditure in previous years, and the time and effort invested in further developing the airjet spinning product line, with a move towards broadening the range of applications.

Orders received
973.8 (1 084.3) million CHF

Sales
981.0 (857.8) million CHF

Operating result before interest and taxes
62.2 (45.3) million CHF

Number of employees at year-end
3 782 (3 609)

Capital expenditure
30.3 (45.4) million CHF

Products
Machinery and systems for producing yarns from natural and manmade fibers and their blends.

Previous year's figures are in brackets

Business Group Premium Textile Components

Rieter's Premium Textile Components Business Group maintains a worldwide presence through four strong brands with a wealth of tradition: Bräcker, Graf, Novibra and Suessen. It supplies wearing parts and technology components to spinning mills. Such components are also sold as original equipment to machinery manufacturers. Premium Textile Components is the in-house technology supplier for the machinery and systems marketed by Rieter through its Spun Yarn Systems Business Group. In 2014 the Business Group achieved a 25% increase in EBIT with an increase of 1% in segment sales.

Segment sales

262.1

million CHF (2014)

259.1

million CHF (2013)

Premium Textile Components launched numerous innovations in 2014 and presented these at the ITMA Asia trade fair in Shanghai, China, and other places. In India, EliTeAdvanced was launched with much success. The new yarn compacting system is very flexible and energy-efficient, provides for a unique range of applications and makes good use of the raw material. The redORBIT spinning ring from Bräcker was specifically developed and introduced for the Chinese market. The CROCOdoff spindle system has also been well received. The general-purpose components reduce the amount of fiber fly, resulting in significantly higher yarn quality and productivity. The workforce of 1 195 employed by Premium Textile Components ensure top quality products.

In 2014, new orders received by Premium Textile Components amounted to 172.3 million CHF, close to the figure achieved in the previous year (175.1 million CHF), with the strongest growth being recorded in India. Higher order intake in this market largely compensated for the decline in China. Order intake in other Asian countries such as Bangladesh, Indonesia, Vietnam, Taiwan, Uzbekistan, Thailand and Japan, as well as in Europe, remained at the same level as in the previous year. Order intake from Turkey and the USA was at a slightly lower level compared to the previous year. The demand for products from Premium Textile Components was broad-based for all four brands.

Sales to third parties of 172.4 million CHF were slightly lower (-3%) compared to 2013 (177.5 million CHF). However, the segment sales of Premium Textile Components, including sales to Spun Yarn Systems, rose slightly by 1% to 262.1 million CHF.

The operating result before interest and taxes (EBIT) increased by 25% to 32.5 million CHF, corresponding to 12.4% of segment sales (compared to 25.9 million CHF or 10.0% of segment sales in 2013). High flexibility and stringent cost management in all four units of the Business Group were decisive factors. Higher capacity utilisation in the second half of the year – in particular also due to supplies to Spun Yarn Systems – and a more favourable product mix also contributed to the positive EBIT trend.

Orders received
172.3 (175.1) million CHF

Sales
172.4 (177.5) million CHF

Segment sales
262.1 (259.1) million CHF

Operating result before interest and taxes
32.5 (25.9) million CHF

Number of employees at year-end
1 195 (1 157)

Capital expenditure
11.9 (9.6) million CHF

Products
Premium Textile Components is one of the world's largest suppliers of components for short-staple spinning mills. The Business Group operates with the four brands Bräcker, Graf, Novibra and Suessen on the market.

Previous year's figures are in brackets

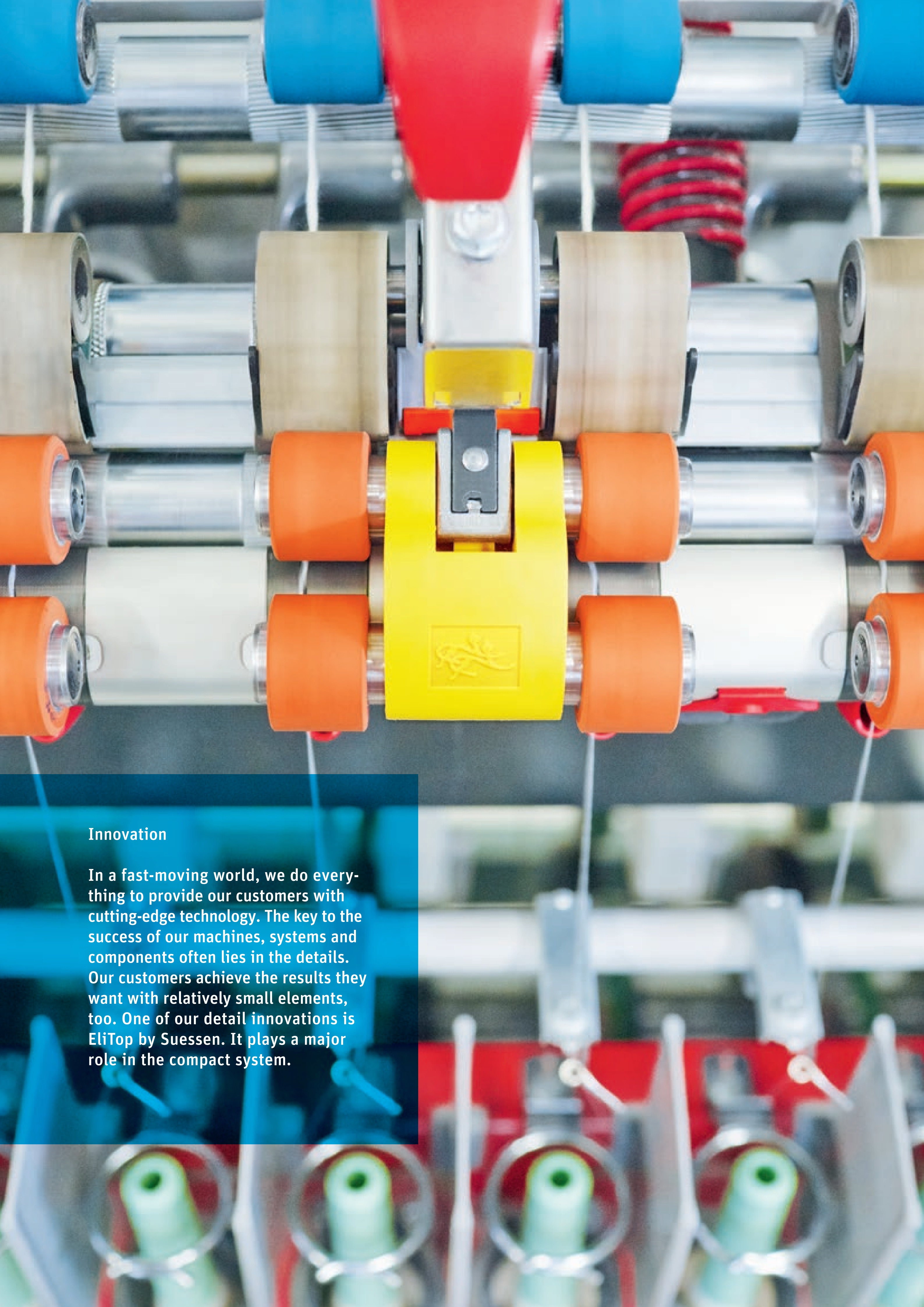
As the leading provider of equipment to spinning mills processing short-staple fibers, our systems competence is unique in the industry. And thanks to the investments we’ve made in the past few years, we have a stronger global presence than ever. We’ve expanded our sites in China and India to bring us even closer to our customers in Asia and other regions, both geographically and technically. Because where our customers are, that’s where Rieter is, too. And we’re continuing to expand our global service network to create value for spinning mills. Always focusing on innovation, which is more important than ever to us. Particularly in the small details, too. So that our customers achieve great things.

Expansion in Asia

Rieter in Changzhou, China, is one of our 18 manufacturing sites around the world. It supplies our customers with the products they want and at the right time. For orders big and small, we deliver speedy, powerful solutions on-site.

“We learn directly from our customers what they need, and tailor our solutions to fit their requirements perfectly. The expanded site in China is important for the entire company.”

“We’re able to drive innovation even through small technical changes. That’s what drives us and enables our customers around the world to achieve even greater success.”



Innovation

In a fast-moving world, we do everything to provide our customers with cutting-edge technology. The key to the success of our machines, systems and components often lies in the details. Our customers achieve the results they want with relatively small elements, too. One of our detail innovations is EliTop by Suessen. It plays a major role in the compact system.

Process improvements

At Rieter, we see process improvements as an ongoing task. Last year in India, for example, we were able to significantly increase the already high levels of productivity. To that end we cut manufacturing costs, shortened internal transport routes and reduced inventories.

“With this investment program we’ve also established new business processes. That enables us to offer even better service to our customers all over the world.”

Corporate Governance

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

The basis for the contents of the following chapter (Group structure and shareholders) is provided by the Articles of Association of Rieter Holding Ltd. and the regulations governing the organization of the company. Reporting by Rieter conforms to the corporate governance guidelines issued by the SIX Swiss Exchange and the pertinent commentaries. Unless otherwise stated, the data refer to December 31, 2014. All information is updated regularly on the website at www.rieter.com/investors. Some data refer to the financial section of this Annual Report. The remuneration report can be found on page 39 ff. of the Annual Report.

1 Group structure and shareholders

Group structure

Rieter Holding Ltd. is a company incorporated under Swiss law, with registered office in Winterthur, and as a holding company directly or indirectly controls all companies which are members of the Rieter Group. Some 40 companies worldwide were members of the Rieter Group as at December 31, 2014. A list of the companies included in the scope of consolidation of Rieter Holding Ltd. can be found on page 81. The management organization of the Rieter Group is independent of the legal structure of the group and the individual companies.

Significant shareholdings

As at December 31, 2014, Rieter was aware of the following shareholders with more than three percent of all voting rights in the company:

- PCS Holding AG, Weiningen, Switzerland, with 19.14%
- Artemis Beteiligungen I AG, Franke Artemis Holding AG and Artemis Holding AG, Hergiswil, Switzerland, with 11.52%
- Schroders Plc London, United Kingdom (Cazenove Capital Management Limited, London), with 5.10%.

Refer to page 89 for details of these holdings.

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

Cross-holdings

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

2 Capital structure

Share capital

On December 31, 2014, the share capital of Rieter Holding Ltd. totaled 23 361 815 CHF. This is divided into 4 672 363 fully paid, registered shares with a par value of 5.00 CHF each. The shares are listed on the SIX Swiss Exchange (securities code 367144; ISIN CH0003671440; Investdata RIEN). Rieter's market capitalization on December 31, 2014, was 757.2 million CHF. Each share entitles the holder to one vote at general meetings of shareholders.

Contingent and authorized share capital

The Board of Directors is authorized to increase the share capital by up to 2 500 000 CHF through the issue of up to 500 000 fully paid registered shares with a par value of 5.00 CHF each at any time until April 9, 2016. Increases by parts of this amount are permitted. Subscriptions for and purchases of the new shares are subject to the restrictions in §4 of the Articles of Association.

The Board of Directors stipulates the amount of issue, the type of contribution, the date of issue, the conditions for exercising subscription rights and the start of dividend entitlement. The Board of Directors can also issue new shares by means of firm underwriting by a bank or a third party and subsequent offer to existing shareholders. The Board of Directors is then authorized to restrict or preclude trading in subscription rights. The Board of Directors can allow unexercised subscription rights to lapse, can place them or shares for which subscription rights have been granted but not exercised on market terms and conditions or otherwise utilize them in the interests of the company. The Board of Directors is also authorized to limit or cancel subscription rights of existing shareholders and allocate them to third parties in the event of their use a) for acquiring companies, parts of companies or investments in companies, or for financing or refinancing such transactions or financing new investment projects by the company; or b) for the purpose of broadening the shareholder structure in certain financial or investor markets, for the participation of strategic partners or in connection with the listing of the shares on domestic or foreign stock markets.

Rieter Holding Ltd. had no contingent share capital outstanding on December 31, 2014.

Convertible bonds and options

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

Participation certificates and dividend-right certificates

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

Board of Directors

Michael Pieper (1946)
Director;
Swiss national

First election to Board
Director since 2009

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

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

Committees
None.

Executive/non-executive
Non-executive

Peter Spuhler (1959)
Director;
Swiss national

First election to Board
Director since 2009

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

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

Committees
None.

Executive/non-executive
Non-executive

Erwin Stoller (1947)
Chairman;
Swiss national

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

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

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

Committees
Member of the remuneration committee and the nomination committee

Executive/non-executive
Executive from 2009 to 2013

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

First election to Board
Board member and Vice Chairman since 2009

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

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

Committees
Chairman of the remuneration committee and the nomination committee

Executive/non-executive
Non-executive

Dr. Jakob Baer (1944)
Director;
Swiss national

First election to Board
Director since 2006

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

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

Committees
Chairman of the audit committee

Executive/non-executive
Non-executive

Hans-Peter Schwald (1959)
Director;
Swiss national

First election to Board
Director since 2009

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

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

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

Executive/non-executive
Non-executive

Dr. Dieter Spälti (1961)
Director;
Swiss national

First election to Board
Director since 2001

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

Other activities and interests
Director: IHAG Holding AG, Zurich; Holcim AG, Jona.

Committees
Member of the audit committee

Executive/non-executive
Non-executive

3 Board of Directors

Directors

Pursuant to the Articles of Association, the Board of Directors of Rieter Holding Ltd. consists of no less than five and no more than nine members. In the 2014 financial year, no member of the Board performed executive duties.

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

Group Secretary

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

Election and term of office

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

Directorships outside the group

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

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

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

Internal organization

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

- composition of the business portfolio and the strategic focus of the group
- definition of the group's structure
- appointment and dismissal of the Chairman of the Group Executive Committee (CEO)
- appointment and dismissal of the other members of the Group Executive Committee
- definition of the authority and duties of the Chairman and the committees of the Board of Directors as well as the members of the Group Executive Committee
- organization of accounting, financial control and financial planning
- approval of strategic and financial planning, the budget, the annual financial statements and the Annual Report
- principles of financial and investment policy, personnel and social policy, management and communications
- signature regulations and allocation of authority
- principles of internal auditing
- decisions on investment projects involving expenditure exceeding 10 million CHF
- issuance of bonds and other financial market transactions
- incorporation, purchase, sale and liquidation of subsidiaries

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

The Board of Directors meets at least six times a year at the invitation of the Chairman, usually for half a day. The Board of Directors had seven meetings in the 2014 financial year. In addition, five telephone conferences of the whole Board were held. All members of the Board of Directors attended all meetings of the Board, with the exception of one absence for business reasons and one for personal reasons. The agendas for the Board meetings are drawn up by the Chairman. Any member of the Board can also propose items for inclusion on the agenda. The Board of Directors usually makes an annual visit to one group location. In the year under review the Board of Directors visited customers in Turkey. The members of the Group Executive Committee also usually attend the meetings of the Board of Directors. They present the strategy and the results of their operating units, and also the projects requiring the approval of the Board of Directors. In exceptional cases external consultants can also be invited for discussion of certain items on the agenda.

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

The **audit committee** currently consists of three members of the Board. Its chairman is Dr. Jakob Baer, and the other members are Dr. Dieter Spälti and Hans-Peter Schwald.

In the 2014 financial year none of the members of the audit committee performed executive duties. The chairman is elected for one year. The audit committee meets at least twice a year. The Head of Internal Audit, representatives of statutory auditors PricewaterhouseCoopers AG, the Chairman of the Board of Directors, the CEO and the CFO, and other members of the Group Executive Committee and management as appropriate, also attended the meetings in 2014. The main duties of the audit committee are:

- elaborating principles for external and internal audits for submission to the Board of Directors and providing information on their implementation
- assessing the work of the external and internal auditors as well as their mutual cooperation and reporting to the Board of Directors
- assessing the audit reports and the management letter submitted by the statutory auditors as well as the invoiced costs
- overall supervision of risk management and acceptance of the Group Executive Committee's risk report addressed to the Board of Directors
- reporting to the Board of Directors and assisting the Board in nominating the statutory auditors and the group auditors for submission to the Annual General Meeting
- considering the results of internal audits, approving the audit schedule for the following year and nominating the Head of Internal Audit
- the chairman of the audit committee is responsible for accepting complaints (whistle-blowing) in connection with the code of conduct (Regulations regarding Conduct in Business Relationships).

The audit committee met for two regular meetings in 2014. The meetings lasted between half a day and a full day. All committee members attended all the meetings and regularly received the written reports of the internal auditors. The chairman of the audit committee meets the external statutory auditors and the Head of Internal Audit twice a year at separate meetings.

Internal audit

Internal Audit, headed by Martin R. Strub, Certified Auditor, is organizationally independent and reports to the audit committee. At the administrative level, Internal Audit reports to the CFO. Audits are performed on the basis of an audit schedule approved by the audit committee. Fourteen regular audits, one extraordinary follow-up review and two special audits were performed in 2014. The checkpoints defined within the scope of the internal controlling system were examined in particular in the context of the audits. Internal auditing also includes various compliance audits associated with these processes. Finally, additional risks and controls in connection with the above-mentioned business processes were examined. Each audit performed also includes verification of the implementation of recommendations from previous audits.

The implementation and reliability of the controls introduced in connection with the ICS were verified in the context of self-assessments to ensure that deviations were identified and appropriate corrective action was taken. The members of the audit committee, the Chairman, the members of the Group Executive Committee and the relevant members of management receive the internal audit reports.

The **remuneration committee** consists of at least three and no more than five members, each of whom is elected by the Annual General Meeting for a term of office of one year. A majority of members must be independent pursuant to the Swiss Code of Best Practice for Corporate Governance, and have the necessary experience in the fields of remuneration plans and remuneration policy. The chairman of this committee is appointed by the Board of Directors. This E. Schneider held this position in 2014. The committee:

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

The committee met for four regular meetings and one extraordinary meeting in 2014. Each meeting lasted half a day. All committee members were present at the meetings.

The **nomination committee** consists of at least three and no more than five members, each of whom is elected by the Board of Directors for a term of office of one year. The chairman of this committee is appointed by the Board of Directors. This E. Schneider held this position in 2014. The committee has the following authority and duties:

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

The committee met for four regular meetings and one extraordinary meeting in 2014. Each meeting lasted half a day. All committee members were present at the meetings.

Allocation of authority

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

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

Once a month, the Board of Directors receives from the Group Executive Committee a written report on the key figures of the group and Business Groups, which provides information on the balance sheet, cash flow and income statements, capital expenditure and projects. The figures are compared with the budget and the figures from the previous year. The Board of Directors is also informed at each meeting about the course of business, important projects and risks, as well as rolling earnings and liquidity forecasts. If the Board of Directors has to rule on major projects, a written request is submitted to directors prior to the meeting. Projects approved by the Board of Directors are monitored within the framework of a special project controlling system. Once a year the Board of Directors discusses the strategic plans drawn up by the Group Executive Committee and the financial budget for the group and the Business Groups. Financial statements for publication are drawn up twice a year. The Group Executive Committee usually meets once a month. Eleven meetings were held in 2014, each lasting between half a day and a full day.

Group Executive Committee

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

Member of the Group Executive Committee since
2011

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

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

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

Member of the Group Executive Committee since
2014

Educational and professional background
Dipl. Wirtschaftsingenieur, Darmstadt Technical University, 1989; Dr. oec., Munich Technical University, 1993; Arthur D. Little, Managing Partner Germany and Austria, Munich, 1993 to 2000; Dürr AG, Stuttgart, Member of the Board, 2000 to 2005; Voith Industrial Services Holding GmbH/Facility Services Europe, Stuttgart, Managing Director, 2005 to 2010; Voith Turbo GmbH & Co. Kommanditgesellschaft, Managing Director, 2011 to 2013; Member of the Group Executive Committee of Rieter Holding Ltd., since 2014; in present position since 2014.

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

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

Member of the Group Executive Committee since
2011

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

Other activities and interests
None.

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

Member of the Group Executive Committee since
2011

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

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

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

Member of the Group Executive Committee since
2015

Educational and professional background
Dipl.-Ing. ETH (MSc ETH);
ABB Group, Zurich, Group Assistant Vice President, Supply Chain Management, 1999 to 2004; Unaxis Balzers, Balzers, Head of Global Supply Chain Management, 2004 to 2005; Oerlikon Esec, Cham, Chief Operating Officer, 2006 to 2009; with Rieter since 2009: Senior Vice President of Operations, Spun Yarn Systems, Rieter Machine Works, Winterthur, 2009 to 2014, and General Manager of Rieter China, Changzhou/Shanghai, 2011 to 2013; Rieter Management Ltd., Head of the After Sales Business Group and member of the Group Executive Committee of Rieter Holding Ltd., since January 1, 2015; in present position since January 1, 2015.

Other activities and interests
None.

Risk management
The description of the risk management process and statements on financial risks can be found on pages 57 to 60 of the Annual Report.

Code of conduct
The Code of Conduct is an integral part of every employee's contract of employment. In 2014, the Code of Conduct was revised in content and adapted to new developments. The Code of Conduct is explained to the employees in the individual business units. Centralized coaching is also provided for members of management in the form of an e-learning program. Compliance with the Code of Conduct is regularly verified in the context of internal audits and by additional audits. The Code of Conduct can be accessed on the Internet at www.rieter.com/about-rieter-group.

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

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

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

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

5 Remuneration, participation and loans

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

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

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

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

In other respects please refer to the remuneration report on pages 39 to 42.

6 Shareholders’ participatory rights

Voting restrictions
Rieter imposes no voting restrictions.

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

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

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

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

The Annual General Meeting elects an independent voting proxy once a year. The term of office runs until the end of the next ordinary general meeting of shareholders.

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

7 Change of control and defensive measures

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

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

8 Statutory auditors

Duration of mandate and term of office of the lead auditor

PricewaterhouseCoopers AG, Zurich (PWC), have been the statutory auditors of Rieter Holding Ltd. and the Rieter Group since 1984. The statutory auditors are elected by the Annual General Meeting each year upon a motion proposed by the Board of Directors. Stefan Räbsamen has officiated as lead auditor for the Rieter mandate since the 2012 financial year. The change in lead auditor was to comply with legal provisions stipulating such a change every seven years.

Audit fees

PWC and other auditors charged the Rieter Group approximately 0.9 million CHF in the 2014 financial year for services in connection with auditing the annual financial statements of the group companies and Rieter's consolidated accounts.

Additional fees

Additional consultancy fees invoiced by the statutory auditors in 2014 amounted to 0.4 million CHF and concerned mainly tax consulting.

Supervisory and monitoring instruments vis-à-vis the auditors

The audit committee of the Board of Directors makes an annual assessment of the performance, fees and independence of the statutory auditors. It submits a proposal to the Annual General Meeting regarding who should be elected as statutory auditors. Further information on auditing can be found in Chapter 3.

9 Information policy

Rieter maintains regular, transparent communication with the company's shareholders and the capital market. Shareholders entered in the shareholders' register are informed by mail (letters to shareholders) of the group's annual financial statements and semi-annual results. In addition, shareholders and the capital market are informed via the media of material current changes and developments. Price-relevant events are publicized in accordance with the ad-hoc publicity requirements of the SIX Swiss Exchange. Rieter also cultivates dialog with investors and the media at special events. The Annual Report is available in printed form and on the Internet at www.rieter.com. Press releases for the public, financial and industrial media, as well as presentations, share price details and contact details are also available on this website. The Board of Directors and the Group Executive Committee provide information on the annual accounts and the course of business at the company, as well as answering shareholders' questions, at the general meeting of shareholders. Once a year Rieter releases a Sustainability Report.

Ad-hoc announcements

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

Important dates:

• Annual General Meeting 2015	April 16, 2015
• Semi-annual report 2015	July 23, 2015
• Publication of sales 2016	February 4, 2016
• Closing date for proposals for inclusion on the agenda of the Annual General Meeting	February 22, 2016
• Results press conference 2016	March 15, 2016
• Annual General Meeting 2016	April 6, 2016

Contacts for queries regarding Rieter:

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Remuneration report

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

1 Basic principles

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

The compensation of members of the Group Executive Committee consists of a basic salary plus additional variable remuneration depending on the achievement of specific performance targets. In order to ensure a systematic focus on the long-term interests of shareholders, part of the variable remuneration is disbursed in the form of blocked shares.

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

2 Remuneration system

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

Board of Directors

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

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

Group Executive Committee

Basic salary

The basic salary of the members of the Group Executive Committee consists of a salary which is disbursed monthly. They have a Swiss employment contract. The employer pays the pension and social security contributions stipulated by law and regulations, as well as employees' contributions for accident and sickness. The members of the Group Executive Committee receive a lump-sum expenses allowance for entertainment costs which is in line with the expenses guidelines approved by the tax authorities.

Variable remuneration

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

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

A lower and upper threshold is defined for each of these sub-targets. If the lower threshold is not achieved, no disbursement is made for this sub-target. Calculation of the performance-related remuneration is linear within the specified range. Half is disbursed in cash, the remainder in shares, which are blocked for three years from the date of issue. The number of shares granted is calculated on the basis of the average market value of Rieter shares on 20 trading days prior to the Annual General Meeting.

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

Target achievement in 2014, calculated on the basis of the sub-targets specified and weighted by the Board of Directors in advance – EBIT (60%), RONA (20%) and free cash flow (20%) – amounts to 57.3%. A total of 50 000 CHF was disbursed for individual achievements in 2014.

3 Responsibility and authority

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

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

The basic principles of salary policy are reviewed annually. The chairman of the RC can if necessary invite the CEO and the Head Group Human Resources to its meetings. The CEO is not present at the meetings at which his own remuneration is specified. The RC held five meetings in the 2014 financial year; the minutes are available to all members of the Board of Directors.

Authority with regard to the type of remuneration is set out in the summary below. No external advisers were consulted for structuring salary policy or remuneration programs in 2014.

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

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

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

4 Contracts of employment

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

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

5 Remuneration for the 2014 financial year

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

In 2014, expenses constituting claims for pension benefits and other remuneration are also stated for the first time by virtue of the provisions of the Ordinance against excessive compensation at listed public companies (VegüV), which came into effect on January 1, 2014. The previous year's figures have not been restated.

Board of Directors

CHF	Cash compensation (2014)	Share-based compensation[2] (2014)	Social contributions[3] (2014)	Total (2014)	Previous year[4] (2013)
Erwin Stoller, Chairman of the Board of Directors[1] Member of the remuneration and the nomination committee	250 000	–	18 127	268 127	1 070 825
This E. Schneider, Vice Chairman Chairman of the remuneration and the nomination committee	37 500	123 038	11 093	171 631	150 000
Dr. Jakob Baer Chairman of the audit committee	75 000	85 293	8 513	168 806	150 000
Michael Pieper	–	114 114	5 317	119 431	100 000
Hans-Peter Schwald Member of the audit, the remuneration and the nomination committee	–	167 660	11 101	178 761	150 000
Dr. Dieter Spälti Member of the remuneration committee	65 000	72 711	9 715	147 426	130 000
Peter Spuhler	–	111 773	7 491	119 264	100 000
Members of the Board of Directors	**427 500**	**674 589**	**71 357**	**1 173 446**	**1 850 825**

1. Chairman of the Board and Chief Executive Officer until December 31, 2013. Since it is impossible to allot total compensation appropriately between these two functions, the previous year's figure includes both components.
2. The shares were valued at 146.30 CHF for total remuneration (average market price on the twenty trading days preceding the board meeting in March 2015). Issue after deduction of any social security contributions.
3. Pension and social security benefits include the employer's contributions to social security and pension funds as well as contributions for accident and sickness. Employees' contributions are stated in other compensation items.
4. No adjustment has been made to the previous year's figures for the provisions of the Ordinance against excessive remuneration at listed public companies (VegüV), which came into effect on January 1, 2014. Compensation is unchanged from 2013; compared to the previous year, the employer's contributions to social security and pension funds are now also included and the shares allocated are also stated at market value.

Group Executive Committee

CHF	Base-salary (2014)	Cash bonus (2014)	Share-based compensation (2014)	Other compensation[2] (2014)	Social contributions[3] (2014)	Total (2014)	Previous year[4] (2013)
Dr. Norbert Klapper, Chief Executive Officer[1]	600 000	171 900	171 900	–	187 400	1 131 200	–
Other Members	955 000	323 600	273 600	300 700	269 700	2 122 600	2 729 096
Members of the Group Excecutive Committee	**1 555 000**	**495 500**	**445 500**	**300 700**	**457 100**	**3 253 800**	**2 729 096**

1. Highest single salary as from January 1, 2014.
2. The members of the Group Executive Committee who were members of that body on December 31, 2013, could voluntarily acquire shares at preferential rates in 2014 in the context of the share purchase plan (which was in effect for the last time in 2014). The discount was 35% based on the targets achieved in the 2013 financial year. A total of 3 950 shares were acquired and are blocked for three years. The shares were included in total remuneration with a value of 75.87 CHF (the average market price of 203.07 CHF during the subscription period less the subscription price of 127.20 CHF). Other remuneration also includes long-service awards.
3. Pension and social security benefits include the employer's contributions to social security and pension funds as well as contributions for accident and sickness. Employees' contributions are stated in other compensation items.
4. No adjustment has been made to the previous year's figures for the provisions of the Ordinance against excessive remuneration at listed public companies (VegüV), which came into effect on January 1, 2014.

6 Payments to former directors and officers
No remuneration was paid to former directors and officers.

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

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

Report of the statutory auditor on the remuneration report 2014

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

We have audited the remuneration report (section 5 to 8 on pages 41 to 42) of Rieter Holding Ltd. for the year ended December 31, 2014. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Remuneration in Stock Exchange Listed Companies (Ordinance).

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

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

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

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

Opinion
In our opinion, the remuneration report of Rieter Holding Ltd. for the year ended December 31, 2014 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

St Räbsamen T. Handschin

Stefan Räbsamen Audit expert Auditor in charge	Tobias Handschin Audit expert

Zurich, March 17, 2015

Financial Report

Consolidated financial statements

Consolidated income statement

CHF million	Notes	2014	%*	2013	%*
Sales	(4)	**1 153.4**	**100.0**	**1 035.3**	**100.0**
Change in semi-finished and finished goods		– 4.5	– 0.4	19.6	1.9
Own work capitalized		1.8	0.1	2.0	0.2
Material costs		– 552.5	– 47.9	– 525.4	– 50.7
Employee costs	(5)	– 307.1	– 26.6	– 296.7	– 28.7
Other operating expenses	(6)	– 186.2	– 16.1	– 171.4	– 16.6
Other operating income	(7)	20.5	1.7	31.8	3.1
Depreciation and amortization	(8)	– 40.8	– 3.5	– 35.0	– 3.4
Operating result before interest and taxes (EBIT)		**84.6**	**7.3**	**60.2**	**5.8**
Share of profit of associated companies	(31)	0.4		0.2	
Financial income	(9)	3.7		10.1	
Financial expenses	(10)	– 17.4		– 18.0	
Profit before taxes		**71.3**	**6.2**	**52.5**	**5.1**
Income tax expense	(11)	– 18.4		– 15.1	
Net profit		**52.9**	**4.6**	**37.4**	**3.6**
Attributable to shareholders of Rieter Holding Ltd.		52.8		39.4	
Attributable to non-controlling interests	(23)	0.1		– 2.0	
Earnings per share in CHF	(12)	**11.52**		**8.56**	
Diluted earnings per share in CHF	(12)	**11.51**		**8.56**	

* In % of sales.
The notes on pages 51 to 81 are an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

CHF million	Notes	2014	2013
Net profit		**52.9**	**37.4**
Remeasurement defined benefit plans	(27)	2.6	6.9
Income taxes on remeasurement		– 0.2	– 1.4
Items that will not be reclassified to income statement, net of taxes		**2.4**	**5.5**
Currency translation differences		13.6	– 13.1
Financial instruments available for sale:			
Change in fair value		1.1	0.2
Income taxes on change in fair value		– 0.1	0.0
Results reclassified to income statement		0.0	– 0.1
Items that may be reclassified to income statement, net of taxes		**14.6**	**– 13.0**
Total other comprehensive income		**17.0**	**– 7.5**
Total comprehensive income		**69.9**	**29.9**
Attributable to shareholders of Rieter Holding Ltd.		69.3	34.4
Attributable to non-controlling interests	(23)	0.6	– 4.5

The notes on pages 51 to 81 are an integral part of the consolidated financial statements.

Consolidated balance sheet

CHF million	Notes	December 31, 2014	December 31, 2013
Assets			
Tangible fixed assets	(13)	278.9	262.1
Intangible assets	(14)	20.2	25.6
Investments in associates	(31)	2.9	2.9
Other non-current assets	(16)	73.1	71.4
Deferred income tax assets	(11)	12.2	9.1
Non-current assets		**387.3**	**371.1**
Inventories	(17)	253.1	233.0
Trade receivables	(18)	73.5	94.1
Other receivables	(19)	49.9	46.1
Marketable securities and time deposits	(20)	108.7	8.9
Cash and cash equivalents	(21)	336.9	360.8
Current assets		**822.1**	**742.9**
Assets		**1 209.4**	**1 114.0**
Shareholders' equity and liabilities			
Equity attributable to shareholders of Rieter Holding Ltd.		441.1	389.2
Equity attributable to non-controlling interests	(23)	0.8	0.5
Total shareholders' equity		**441.9**	**389.7**
Long-term financial debt	(24)	105.8	183.6
Deferred income tax liabilities	(11)	35.8	32.8
Provisions	(25)	105.9	104.5
Other non-current liabilities		0.0	0.1
Non-current liabilities		**247.5**	**321.0**
Trade payables		107.6	96.0
Advance payments from customers		104.4	135.5
Short-term financial debt	(24)	168.1	44.8
Current income tax liabilities		8.4	9.0
Provisions	(25)	27.2	30.4
Other current liabilities	(26)	104.3	87.6
Current liabilities		**520.0**	**403.3**
Liabilities		**767.5**	**724.3**
Shareholders' equity and liabilities		**1 209.4**	**1 114.0**

The notes on pages 51 to 81 are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

CHF million	Notes	Share capital	Treasury shares	Financial instruments available for sale	Currency translation differences	Reserves	Total attributable to Rieter shareholders	Attributable to non-controlling interests	Total consolidated equity
At January 1, 2013		**23.4**	**– 6.8**	**– 0.2**	**– 52.2**	**406.7**	**370.9**	**5.0**	**375.9**
Net profit		0.0	0.0	0.0	0.0	39.4	39.4	– 2.0	37.4
Total other comprehensive income		0.0	0.0	0.1	– 10.6	5.5	– 5.0	– 2.5	– 7.5
Total comprehensive income		**0.0**	**0.0**	**0.1**	**– 10.6**	**44.9**	**34.4**	**– 4.5**	**29.9**
Distribution of dividend from reserves from capital contribution	(22)	0.0	0.0	0.0	0.0	– 11.6	– 11.6	0.0	– 11.6
Share-based compensation	(30)	0.0	0.8	0.0	0.0	– 0.1	0.7	0.0	0.7
Change in holding of treasury shares		0.0	– 7.7	0.0	0.0	2.5	– 5.2	0.0	– 5.2
Total contributions by and distributions to owners of the company		**0.0**	**– 6.9**	**0.0**	**0.0**	**– 9.2**	**– 16.1**	**0.0**	**– 16.1**
At December 31, 2013		**23.4**	**– 13.7**	**– 0.1**	**– 62.8**	**442.4**	**389.2**	**0.5**	**389.7**
Net profit		0.0	0.0	0.0	0.0	52.8	52.8	0.1	52.9
Total other comprehensive income		0.0	0.0	1.0	13.1	2.4	16.5	0.5	17.0
Total comprehensive income		**0.0**	**0.0**	**1.0**	**13.1**	**55.2**	**69.3**	**0.6**	**69.9**
Distribution of dividend from reserves from capital contribution	(22)	0.0	0.0	0.0	0.0	– 16.0	– 16.0	0.0	– 16.0
Change non-controlling interests	(23)	0.0	0.0	0.0	– 3.6	3.9	0.3	– 0.3	0.0
Share-based compensation	(30)	0.0	1.2	0.0	0.0	0.3	1.5	0.0	1.5
Change in holding of treasury shares		0.0	– 4.6	0.0	0.0	1.4	– 3.2	0.0	– 3.2
Total contributions by and distributions to owners of the company		**0.0**	**– 3.4**	**0.0**	**– 3.6**	**– 10.4**	**– 17.4**	**– 0.3**	**– 17.7**
At December 31, 2014		**23.4**	**– 17.1**	**0.9**	**– 53.3**	**487.2**	**441.1**	**0.8**	**441.9**

The notes on pages 51 to 81 are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

CHF million	Notes	2014	2013
Net profit		**52.9**	**37.4**
Interest income	(9)	– 2.0	– 1.8
Interest expenses	(10)	12.7	15.8
Income taxes	(11)	18.4	15.1
Depreciation and amortization of tangible and intangible fixed assets	(8)	40.8	35.0
Gain on sale of investments		0.0	– 0.3
Other non-cash income and expenses		4.9	– 12.1
Change in inventories		– 14.3	– 9.9
Change in receivables		20.4	– 12.7
Change in provisions		– 6.0	– 5.5
Change in trade payables		7.6	0.4
Change in advance payments by customers and other liabilities		– 20.9	73.8
Dividends received		0.3	0.0
Interest received		2.0	1.8
Interest paid		– 8.5	– 13.3
Taxes paid		– 18.7	– 16.0
Net cash from operating activities		**89.6**	**107.7**
Capital expenditure on tangible and intangible assets	(13/14)	– 42.2	– 55.0
Proceeds from disposals of tangible and intangible assets		1.1	5.5
Proceeds from sale of investments (after local taxes)		0.0	1.3
Proceeds from disposals of other non-current assets		0.0	0.7
Sale / purchase of marketable securities and time deposits		0.6	0.9
Net cash used for investing activities		**– 40.5**	**– 46.6**
Dividend paid to shareholders of Rieter Holding Ltd.	(22)	– 16.0	– 11.6
Purchase / sale of treasury shares		– 1.7	– 4.4
Proceeds from issue of fixed rate bond	(24)	99.4	0.0
Short-term deposit of proceeds from issue of fixed rate bond	(24)	– 100.0	0.0
Proceeds from other financial debt		8.9	14.0
Repayments of fixed rate bonds		– 32.5	– 36.5
Repayments of other financial debt		– 35.4	– 1.5
Net cash from financing activities		**– 77.3**	**– 40.0**
Currency translation differences		4.3	– 2.9
Change in cash and cash equivalents		**– 23.9**	**18.2**
Cash and cash equivalents at beginning of the year	(21)	**360.8**	**342.6**
Cash and cash equivalents at end of the year	(21)	**336.9**	**360.8**

The notes on pages 51 to 81 are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

1 Summary of significant accounting policies

Basis of preparation

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

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

In the year under review, the following amended standards became effective: “Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)”, “Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)”, “Financial Instruments: Offsetting Financial Assets and Liabilities (Amendments to IAS 32)”, “Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)” and “IFRIC 21 Levies”. The adoption of these amended standards had no material impact on the consolidated financial statements.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Rieter Holding Ltd. and its subsidiaries as at December 31, 2014. Subsidiaries are all entities over which Rieter has control. Control is achieved when Rieter is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Rieter. They are deconsolidated from the date that control ceases.

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

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Rieter’s accounting policies.

Associates are entities over which Rieter has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize Rieter’s share of the profit or loss of the associate after the date of acquisition.

Subsidiaries and associated companies of Rieter are listed on page 81.

Changes in subsidiaries and associates

In the year under review, Rieter North America, Inc., Spartanburg, USA was founded.

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, inventories, 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 from continuing use or expected fair value less cost to sell. If the recoverable amount is below the carrying amount, a corresponding impairment loss is recognized in the income statement. Where the recoverable amount cannot be estimated for an individual asset, it is determined for the cash-generating unit to which the asset belongs. The main assumptions on which these measurements are based include growth rates, margins and discount rates.

When assessing 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 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 and legal cases 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 and tax courts, respectively. 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 judgment in assessing whether there will be future taxable profits against which to offset these loss carry-forwards.

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, reclassified to the income statement as part of the gain or loss of the entity’s divestment or liquidation.

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

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

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

Assets under construction, which are not yet available for use, are not depreciated.

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 to projects 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. Capitalized costs associated with process improvement projects are amortized over a period of up to five years.

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

Research and development

Research costs are recognized in the income statement as incurred. Development costs for projects are capitalized as intangible assets if the cost can be measured reliably and it can be demonstrated that the project is technically feasible and will generate a future economic benefit.

Impairment of non-financial assets

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 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.

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 recognized in other comprehensive income prior to sale, and reclassified to the income statement when they are sold. Significant or long-term impairment is charged to income immediately. Available-for-sale financial assets are included in non-current assets unless management intends to dispose of them within twelve months of the balance sheet date.

Derivative financial instruments

Foreign currency risks are hedged by Rieter using forward foreign exchange contracts. 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 immediately as financial result in the income statement. The corresponding positive and negative fair values are recognized on the balance sheet as “other receivables” and “other current liabilities”, respectively.

Inventories
Raw materials, consumables and trading goods are valued at the lower of average cost or net realizable value. Semi-finished and finished goods are stated at the lower of manufacturing cost or net realizable value. 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 and the changes are recognized as other operating expenses.

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 where it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

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 unless they relate to items recognized directly in equity or other comprehensive income.

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

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. Pension plans exist on the basis of both defined contributions and defined benefits.

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

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

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

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

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

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

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

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

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

Financing costs
Borrowing costs that are attributable to the acquisition, construction or production of a 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 and interpretations that have been published but not yet applied
There are no IFRSs or IFRIC interpretations effective for the first time for the annual periods beginning on January 1, 2015 that have a material impact on the Group.

The other standards, interpretations and amendments already issued by IASB but not yet effective have not been early adopted by the Group. Based on the analysis to date, no material impact on the financial statements is expected from them.

2.1 Risk management process

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

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

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

Market and business risks resulting from developments in the relevant markets and of the products offered therein are additionally assessed as part of the strategic planning process. On the other hand, these risks, as well as operational risks, are also regularly dealt with at the monthly meetings within the Business Groups 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, implement and monitor the necessary 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 meetings of the Group Executive Committee 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 sales transactions of the Business Group Spun Yarn Systems, 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 entities (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, 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, US dollar and the Chinese renminbi. The table below shows the impact of a 5%-change of the concerned currencies against the Swiss franc on the consolidated income statement and consequently the consolidated equity, with all other variables held constant. These impacts would mainly be due to foreign exchange gains/losses on cash and accounts receivable and payable. The table only shows sensitivity in relation to transaction risks from financial instruments at year-end. Translation impacts, which are recognized as other comprehensive income, are not taken into account.

CHF million	Change	Impact 2014	Impact 2013
EUR/CHF	+5%	1.1	3.5
EUR/CHF	-5%	– 1.1	– 3.5
USD/CHF	+5%	0.1	0.6
USD/CHF	-5%	– 0.1	– 0.6
CNY/CHF	+5%	– 1.0	– 0.8
CNY/CHF	-5%	1.0	0.8

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.

Cash flow sensitivity analysis: A one percentage-point increase in interest rates would have reduced net results and equity by 0.1 million CHF (0.1 million CHF in 2013).

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 exposes Rieter to a risk of price fluctuation. Price fluctuations would result in proportional changes of the book values. The Group had no material securities at the end of the reporting period.

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 Business Group Spun Yarn Systems credit risks on trade receivables are usually hedged by means of insurance, advance payments, letters of credit or other instruments. In Business Group Premium Textile Components credit risks are limited due to the large number and wide geographic spread of customers. For more information, see note 18 “Trade receivables”.

Liquidity risk

Rieter’s liquidity risk management includes holding adequate reserves of liquid funds and time deposits, the option of financing 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. To this end in July 2013 Rieter arranged with some banks bilaterally committed credit facilities in the total amount of 125 million CHF. These credit facilities have not been used so far.

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

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

Financial liabilities December 31, 2013	Carrying amount	Contractual cash flows			
CHF million		Within 1 year	In 1 to 5 years	In 5 or more years	Total cash flow
Fixed-rate bond	182.6	8.2	191.6	0.0	199.8
Bank debt	17.8	17.8	0.0	0.0	17.8
Other financial debt	28.0	27.4	0.6	0.4	28.4
Negative replacement values of derivative financial instruments	0.5	0.5	0.0	0.0	0.5
Trade payables	96.0	96.0	0.0	0.0	96.0

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 37%. As an industrial Group, Rieter strives to have a strong balance sheet with an equity ratio of about 35%. In order to maintain or change the capital structure the Group may adjust dividend payments to shareholders, return capital to shareholders, issue new shares or dispose of assets in order to reduce debt.

In connection with existing, but unused committed credit facilities, the Group is subject to externally imposed requirements (financial covenants) regarding minimum equity and maximum gearing since July 2013. These minimum requirements have been complied with and compliance is monitored permanently.

3 Segment information

Segment information is based on the Group's organization and management structure and the internal financial reporting to the Chief Operating Decision Maker up to the level of EBIT. The Chief Operating Decision Maker of Rieter is the Chief Executive Officer. Segment accounting is based on the same accounting policies as the consolidated financial statements. The Group consists of the two reportable segments Spun Yarn Systems and Premium Textile Components. There is no aggregation of operating segments. Spun Yarn Systems develops and manufactures machinery and systems for processing natural and man-made fibers and their blends into yarns. Premium Textile Components supplies technology components to spinning mills and also to machinery manufacturers.

Segment information 2014

CHF million	Spun Yarn Systems	Premium Textile Components	Total reportable segments
Total segment sales	981.0	262.1	1 243.1
Inter-segment sales[1]	0.0	89.7	89.7
Sales to third parties[2]	981.0	172.4	1 153.4
Operating result before interest and taxes (EBIT)	62.2	32.5	94.7
Operating assets December 31, 2014[3]	529.1	164.1	693.2
Operating liabilities December 31, 2014[3]	371.4	55.5	426.9
Net operating assets December 31, 2014[3]	157.7	108.6	266.3
Capital expenditures on tangible and intangible assets	30.3	11.9	42.2
Depreciation and amortization	30.7	10.0	40.7
Number of employees[4]	3 782	1 195	4 977

Segment information 2013

CHF million	Spun Yarn Systems	Premium Textile Components	Total reportable segments
Total segment sales	857.8	259.1	1 116.9
Inter-segment sales[1]	0.0	81.6	81.6
Sales to third parties[2]	857.8	177.5	1 035.3
Operating result before interest and taxes (EBIT)	45.3	25.9	71.2
Operating assets December 31, 2013[3]	514.0	164.9	678.9
Operating liabilities December 31, 2013[3]	371.5	54.2	425.7
Net operating assets December 31, 2013[3]	142.5	110.7	253.2
Capital expenditures on tangible and intangible assets	45.4	9.6	55.0
Depreciation and amortization	21.9	13.0	34.9
Number of employees[4]	3 609	1 157	4 766

1. Inter-segment sales conducted at arms' length.
2. Corresponds to sales in the consolidated income statement.
3. Segment assets and liabilities excluding financial and income tax related items.
4. At year-end (excluding apprentices and temporary employees), in full-time equivalents.

Reconciliation of segment results

CHF million	2014	2013
Operating result before interest and taxes (EBIT) reportable segments	94.7	71.2
Elimination of unrealized inter-segment profits	0.5	– 0.5
Other companies (Rieter Holding Ltd, central units) and pension costs which cannot be allocated to segments (IAS 19)	– 10.6	– 10.5
Operating result before interest and taxes (EBIT) Group	**84.6**	**60.2**
Share of profit of associated companies	0.4	0.2
Financial income	3.7	10.1
Financial expenses	– 17.4	– 18.0
Profit before taxes	**71.3**	**52.5**

Sales and non-current assets by countries

CHF million	Sales 2014[1]	Sales 2013[1]	Non-current assets 2014[2]	Non-current assets 2013[2]
Switzerland (domicile of Rieter Holding Ltd.)	37.6	38.1	84.9	90.9
Foreign countries	1 115.8	997.2	214.2	196.8
Total Group	**1 153.4**	**1 035.3**	**299.1**	**287.7**
The following countries accounted for more than 10% of sales or non-current assets:				
Switzerland (domicile of Rieter Holding Ltd.)	37.6	38.1	84.9	90.9
India	130.9	108.6	50.1	48.9
Turkey	264.4	198.9	0.1	0.1
China	173.7	223.3	86.8	76.4
USA	134.8	45.8	2.7	2.2

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

No individual customer accounted for more than 10% of consolidated sales in 2014 and 2013. The greatest granularity on products is on segments and the sales by product are reflected in segmental reporting.

4 Sales

Change in sales

CHF million	2014	2013
Change in sales due to volume and price, Spun Yarn Systems	133.8	135.2
Change in sales due to volume and price, Premium Textile Components	– 2.5	16.0
Currency translation differences	– 13.2	– 4.4
Total change in sales	**118.1**	**146.8**

5 Employee costs

CHF million	2014	2013
Wages and salaries	256.0	243.8
Social security and other personnel expenses	51.1	52.9
Total	**307.1**	**296.7**

6 Other operating expenses

CHF million	2014	2013
Energy and operating material	32.6	32.0
Sales commission to third parties	34.1	30.0
Repair and maintenance	17.3	15.6
Outbound freight	21.9	17.7
External services	9.1	7.8
Other operating expenses	71.2	68.3
Total	**186.2**	**171.4**

7 Other operating income

CHF million	2014	2013
Rental income	2.2	3.6
Gain on disposals of tangible fixed assets	1.2	5.0
Miscellaneous operating income	17.1	23.2
Total	**20.5**	**31.8**

Miscellaneous operating income includes income which is not presented as sales, such as proceeds from the disposal of materials for recycling purposes, income from insurance benefits, etc.

8 Depreciation and amortization

CHF million	2014	2013
Tangible fixed assets	35.4	32.0
Intangible assets	5.4	3.0
Total	**40.8**	**35.0**

9 Financial income

CHF million	2014	2013
Interest income	2.0	1.8
Remeasurement put option non-controlling interests	0.0	5.2
Foreign exchange differences, net	0.0	1.1
Gain on sale of investments	0.0	0.3 [1]
Other financial income	1.7	1.7
Total	**3.7**	**10.1**

1. In 2013 presented as separate item in the consolidated income statement.

10 Financial expenses

CHF million	2014	2013
Interest cost	12.7	15.8
Loss on repurchase of own debt instruments	1.3	2.0
Other financial expenses and foreign exchange differences, net	3.4	0.2
Total	**17.4**	**18.0**

11 Income tax expense

CHF million	2014	2013
Current income tax expense	18.6	18.8
Deferred income tax expense	– 0.2	– 3.7
Total	**18.4**	**15.1**

Reconciliation of expected and actual income tax expense:

CHF million	2014	2013[1]
Expected tax expense on pre-tax profit of 71.3 million CHF (52.5 million CHF in 2013) at an average rate of 28.1% (28.6% in 2013)	20.0	15.0
Impact of non-deductible costs	0.1	0.4
Impact of non-taxable income / income taxed at different rates	– 2.8	– 3.4
Impact of losses and loss carry-forwards	– 2.2	0.6
Impact of changes in tax rates and tax legislation	– 0.1	0.0
Tax effects from previous periods (adjustments)	– 0.4	1.6
Non-recoverable withholding taxes on payments from subsidiaries	3.7	0.9
Other effects	0.1	0.0
Total	**18.4**	**15.1**

1. Adjusted to 2014 presentation.

The decrease in the expected weighted average tax rate by 0.5%-points resulted from changes in the profitability of some group companies.

Deferred income taxes

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

CHF million	2014	2013
Deferred tax liabilities, net at January 1	**23.7**	**26.0**
Deferred income taxes recognized in the income statement	– 0.2	– 3.7
Deferred income taxes recognized as other comprehensive income	0.3	1.4
Currency translation differences	– 0.2	0.0
Deferred tax liabilities, net at December 31	**23.6**	**23.7**

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

CHF million	Deferred tax assets 2014	Deferred tax liabilities 2014	Deferred tax assets 2013	Deferred tax liabilities 2013
Tangible fixed assets	3.0	– 10.6	0.3	– 10.6
Inventories	7.5	– 8.9	6.3	– 7.0
Other assets	4.5	– 21.0	4.4	– 19.7
Provisions	5.1	– 0.3	4.2	– 0.2
Other liabilities	3.0	– 0.3	1.2	– 2.0
Valuation adjustments on deferred tax assets	– 6.5	0.0	– 4.5	0.0
Tax loss carry-forwards and tax credits	0.9	0.0	3.9	0.0
Total	17.5	– 41.1	15.8	– 39.5
Offsetting	– 5.3	5.3	– 6.7	6.7
Deferred tax assets / liabilities	**12.2**	**– 35.8**	**9.1**	**– 32.8**

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

CHF million	Capitalized 2014	Non capitalized 2014	Total 2014	Total 2013
Expiry in				
1 to 3 years	0.0	0.0	0.0	0.2
3 to 7 years	0.0	0.2	0.2	0.3
7 or more years	0.9	24.8	25.7	32.4
Total	**0.9**	**25.0**	**25.9**	**32.9**

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

12 Earnings per share

Earnings per share are calculated by dividing net profit attributable to Rieter shareholders by the average number of shares outstanding. The figure for diluted earnings per share takes into account additionally the potential dilution effects if all rights from the long-term incentive plan (see note 30) were to be exercised.

CHF million	2014	2013
Net profit (CHF million)[1]	**52.8**	**39.4**
Average number of shares outstanding (non diluted)	4 583 909	4 602 652
Average number of shares outstanding (diluted)	4 586 771	4 604 040
Earnings per share (CHF)	**11.52**	**8.56**
Diluted earnings per share (CHF)	**11.51**	**8.56**

1. Attributable to shareholders of Rieter Holding Ltd.

13 Tangible fixed assets

CHF million	Land and buildings	Machinery, equipment and tools	Data processing equipment	Vehicles and furniture	Tangible fixed assets under construction	Total tangible fixed assets
Net book value at January 1, 2013	**133.2**	**90.8**	**8.3**	**7.5**	**18.5**	**258.3**
Additions	9.6	10.1	1.7	2.3	22.9	46.6
Disposals	– 0.6	– 0.1	– 0.3	0.0	0.0	– 1.0
Depreciation	– 5.7	– 20.3	– 3.1	– 2.9	0.0	– 32.0
Reclassifications	1.3	26.1	0.4	2.1	– 29.9	0.0
Currency translation differences	– 4.4	– 2.9	0.0	0.1	– 2.6	– 9.8
Net book value at December 31, 2013	**133.4**	**103.7**	**7.0**	**9.1**	**8.9**	**262.1**
Cost at December 31, 2013	271.1	405.1	25.9	36.9	9.1	748.1
Accumulated depreciation at December 31, 2013	– 137.7	– 301.4	– 18.9	– 27.8	– 0.2	– 486.0
Net book value at December 31, 2013	**133.4**	**103.7**	**7.0**	**9.1**	**8.9**	**262.1**
Additions	10.6	16.2	1.6	2.2	11.6	42.2
Disposals	0.0	0.0	0.0	– 0.2	0.0	– 0.2
Depreciation	– 7.0	– 21.0	– 3.3	– 4.1	0.0	– 35.4
Reclassifications	0.0	6.9	0.8	2.5	– 10.2	0.0
Currency translation differences	4.9	5.1	0.2	0.4	– 0.4	10.2
Net book value at December 31, 2014	**141.9**	**110.9**	**6.3**	**9.9**	**9.9**	**278.9**
Cost at December 31, 2014	284.1	419.1	22.7	38.2	9.9	774.0
Accumulated depreciation at December 31, 2014	– 142.2	– 308.2	– 16.4	– 28.3	0.0	– 495.1
Net book value at December 31, 2014	**141.9**	**110.9**	**6.3**	**9.9**	**9.9**	**278.9**

No tangible assets are held under long-term finance leases. No land and buildings are pledged for financial debt. No borrowing costs were capitalized in 2014 and 2013. Buildings were insured at the replacement value of 565.4 million CHF at the balance sheet date (566.4 million CHF in 2013).

14 Intangible assets

CHF million	Process improvement projects	Patents/ trademarks	Other intangible assets	Total intangible assets
Net book value at January 1, 2013	**16.3**	**2.6**	**1.2**	**20.1**
Additions	8.4	0.0	0.0	8.4
Amortization	0.0	– 2.6	– 0.4	– 3.0
Currency translation differences	0.1	0.0	0.0	0.1
Net book value at December 31, 2013	**24.8**	**0.0**	**0.8**	**25.6**
Cost at December 31, 2013	24.8	41.5	3.6	69.9
Accumulated amortization at December 31, 2013	0.0	– 41.5	– 2.8	– 44.3
Net book value at December 31, 2013	**24.8**	**0.0**	**0.8**	**25.6**
Additions	0.0	0.0	0.0	0.0
Amortization	– 4.9	0.0	– 0.5	– 5.4
Currency translation differences	0.0	0.0	0.0	0.0
Net book value at December 31, 2014	**19.9**	**0.0**	**0.3**	**20.2**
Cost at December 31, 2014	24.8	41.5	3.6	69.9
Accumulated amortization at December 31, 2014	– 4.9	– 41.5	– 3.3	– 49.7
Net book value at December 31, 2014	**19.9**	**0.0**	**0.3**	**20.2**

In 2014 and 2013, there were no intangible assets with undefined useful lives. Capitalized process improvement projects were amortized for the first time in 2014 as the related systems were available for use from January 2014. No intangible assets are financed by long-term lease agreements.

15 Research and development

46.3 million CHF were spent on research and development in 2014 (45.0 million CHF in 2013).

Development cost must meet various criteria to be recognized as an intangible asset. As such, the technical and financial resources must be available to complete the development and it must be possible to measure reliably the expenditures attributable to the development. Although these criteria were met in 2014 by all material development projects and the management in charge confirmed the intention and ability to complete the projects, no development costs were recognized as intangible assets in 2014 and in previous years, as the future economic benefits could not be sufficiently demonstrated as required by IAS 38.57d due to rapid technological change and strong economic fluctuations in the industry.

16 Other non-current assets

CHF million	2014	2013
Financial assets	2.4	1.7
Long-term interest-bearing receivables	0.7	2.6
Other long-term receivables and pension funds	70.0	67.1
Total	**73.1**	**71.4**

Prepaid contributions and overfunding of personnel pension plans have been accrued up to the expected future benefit and amount to 61.6 million CHF (59.6 million CHF in 2013).

17 Inventories

CHF million	2014	2013[1]
Raw materials and consumables	15.0	14.3
Finished and semi-finished goods, trading goods	259.3	236.1
Work in progress	17.7	20.3
Allowance	– 38.9	– 37.7
Total	**253.1**	**233.0**

1. Adjusted to 2014 presentation.

The following summarizes the movement in the allowance for inventories:

CHF million	2014	2013
Allowance at January 1	– 37.7	– 34.2
Utilization	2.1	1.4
Additions / reversals, net	– 3.0	– 5.0
Currency translation differences	– 0.3	0.1
Allowance at December 31	**– 38.9**	**– 37.7**

18 Trade receivables

CHF million	2014	2013
Trade receivables	80.6	105.3
Allowance for doubtful receivables	– 7.1	– 11.2
Total	**73.5**	**94.1**

At December 31, 2014, trade receivables of 19.3 million CHF (38.3 million CHF in 2013) were past due. Thereof 7.1 million CHF (11.2 million CHF in 2013) were covered by an individual allowance. Past due items of 12.2 million CHF (27.1 million CHF in 2013), which were not covered by allowances, were past due less than 3 months.

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

CHF million	2014	2013
Allowance for doubtful receivables at January 1	– 11.2	– 15.8
Increase charged to income statement	– 1.0	– 3.1
Utilization or reversal	5.1	7.6
Currency translation differences	0.0	0.1
Allowance for doubtful receivables at December 31	**– 7.1**	**– 11.2**

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	2014	2013
CHF	44.3	45.6
EUR	19.7	34.7
INR	1.7	6.3
USD	4.7	3.8
CNY	1.7	2.5
Other	1.4	1.2
Total	**73.5**	**94.1**

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

CHF million	2014	2013
Not due	61.3	67.0
Past due less than 3 months	12.3	29.4
Past due 3 to 6 months	2.8	0.9
Past due 6 months to 1 year	0.8	1.1
Past due 1 to 5 years	1.9	4.3
Past due 5 or more years	1.5	2.6
Trade receivables	80.6	105.3
Allowance for doubtful receivables	– 7.1	– 11.2
Total	**73.5**	**94.1**

19 Other receivables

CHF million	2014	2013
Prepaid expenses and deferred charges	9.9	5.2
Advance payments to suppliers	5.3	7.2
Positive replacement values of derivative financial instruments	0.8	1.2
Other short-term receivables[1]	33.9	32.5
Total	**49.9**	**46.1**

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

20 Marketable securities and time deposits

CHF million	2014	2013
Securities available for sale	6.8	6.5
Time deposits with original maturities between 3 and 12 months	101.9	2.4
Total	**108.7**	**8.9**

As of December 31, 2014, time deposits include short-term deposits in connection with the proceeds from the issue of the six year fixed interest bond . See note 24.

21 Cash and cash equivalents

CHF million	2014	2013
Cash and banks	271.0	354.7
Time deposits with original maturities up to 3 months	65.9	6.1
Total	**336.9**	**360.8**

22 Share capital and dividend per share

		31.12.2014	31.12.2013
Shares issued	Number of shares	4 672 363	4 672 363
Treasury shares	Number of shares	96 879	85 652
Shares outstanding	**Number of shares**	**4 575 484**	**4 586 711**
Par value per share	CHF	5.00	5.00
Share capital	**CHF**	**23 361 815**	**23 361 815**

The share capital is fully paid in.

The dividend paid in 2014 amounted to 16.0 million CHF or 3.50 CHF per registered share (11.6 million CHF or 2.50 CHF per registered share in 2013).

Based on the financial statements as of December 31, 2014, the Board of Directors proposes to the General Meeting a dividend of 21.0 million CHF (4.50 CHF per registered share). The proposed dividend is not recognized as a liability in the consolidated financial statements as of December 31, 2014.

23 Non-controlling interests

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

No dividend was paid to non-controlling interests.

24 Financial debt

CHF million	Fixed-rate bond	Bank debt	Other financial debt	Total 2014	Total 2013
Duration					
less than 1 year	151.9	16.1	0.1	168.1	44.8
1 to 5 years	0.0	0.0	6.3	6.3	183.2
5 or more years	99.5	0.0	0.0	99.5	0.4
Total	**251.4**	**16.1**	**6.4**	**273.9**	**228.4**

By currency, financial debt is divided up as follows:

CHF million	2014	2013
CHF	251.5	182.8
CNY	16.1	7.4
INR	5.9	37.8
Other	0.4	0.4
Total	**273.9**	**228.4**

On March 30, 2010, Rieter Holding Ltd. issued a fixed-rate bond of 250 million CHF, which has a five-year maturity (final maturity: April 30, 2015) and a fixed coupon of 4.5%. The issue is listed on the SIX Swiss Exchange and a portion with a nominal value of 31.2 million CHF was repurchased in 2014 (34.5 million CHF in 2013). The market value of the bond outstanding was 154.3 million CHF at December 31, 2014 (193.3 million CHF in 2013). The effective interest costs were 7.9 million CHF in 2014 (9.7 million CHF in 2013).

Furthermore, Rieter Holding Ltd. issued a fixed-rate bond of 100 million on September 1, 2014. This issue has a six-year maturity (final maturity: September 29, 2020), a fixed coupon of 1.5% and is also listed on the SIX Swiss Exchange. The market value of this bond was 102.7 million CHF at December 31, 2014. The effective interest costs were 0.4 million CHF in 2014.

The 100 million CHF proceeds from the six-year fixed-rate bond will be used for a partial refinancing of the bond which matures in April 2015. The funds of 100 million CHF were temporarily deposited in money market accounts with maturity April 30, 2015. The related cash flows were therefore presented within financing activities of the statement of cash flows.

25 Provisions

CHF million	Restructuring provisions	Personnel provisions	Guarantee and warranty provisions	Other provisions	Total provisions
Provisions at December 31, 2013	**12.3**	**38.2**	**51.7**	**32.7**	**134.9**
Utilization	– 0.9	– 4.9	– 16.0	– 4.3	– 26.1
Release	0.0	– 0.6	– 7.2	– 3.0	– 10.8
Additions	0.0	4.4	19.7	6.9	31.0
Remeasurement defined benefit plans	0.0	4.3	0.0	0.0	4.3
Currency translation differences	0.0	– 0.3	0.1	0.0	– 0.2
Provisions at December 31, 2014	**11.4**	**41.1**	**48.3**	**32.3**	**133.1**
Thereof non-current	10.2	38.0	34.6	23.1	105.9
Thereof current	1.2	3.1	13.7	9.2	27.2

Restructuring provisions cover the legal and constructive obligations in connection with the restructuring program initiated in 2008. The faster than expected recovery of the markets in 2010 necessitated an adjustment of the timing of some restructuring projects. Consequently, some current restructuring provision had to be reclassified in 2010 to non-current. 0.9 million CHF were utilized in 2014 for structural adjustment projects in Brazil, China and India. The remaining restructuring provisions will lead to an expected utilization of 1.2 million CHF in 2015 and 10.2 million CHF in the following years.

Personnel provisions include the obligations in connection with defined benefit plans (see note 27), provisions for old-age part-time arrangements, long-service awards 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. The non-current guarantee and warranty provisions of 34.6 million CHF are expected to result partly in a cash outflow in one or two years on average.

Other provisions are made for onerous contracts (where the unavoidable direct costs of performance exceed the expected financial benefit) and for obligations relating to ongoing tax and legal cases for which the amount can only be reliably estimated. Non-current other provisions are expected to be utilized mainly in the years after 2015.

26 Other current liabilities

CHF million	2014	2013
Accrued holidays	13.0	8.0
Accrued sales commissions	9.0	17.0
Other accrued expenses	68.0	36.5
Negative replacement values of derivative financial instruments	1.1	0.5
Other short-term liabilities	13.2	25.6
Total	**104.3**	**87.6**

27 Pension plans

Defined contribution plans

The expense for defined contribution plans amounted to 4.7 million CHF (3.2 million CHF in 2013).

Defined benefit plans

Defined benefit plans as defined by IAS 19 exist mainly in Switzerland.

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

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

All material risks (financial and actuarial risks) are borne by the foundations, analyzed regularly and monitored by the board of trustees. If a plan is underfunded the board of trustees has to assess the situation and the reasons of the deficit and decide on measures to eliminate the shortfall.

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

Funded status of defined benefit plans

CHF million	2014	2013
Actuarial present value of defined benefit obligation		
• funded plans (Switzerland)	– 964.6	– 868.7
• unfunded plans (other countries)	– 25.7	– 23.5
Defined benefit obligation at December 31	**– 990.3**	**– 892.2**
Fair value of plan assets (Switzerland)	1 184.2	1 123.1
Surplus at December 31	**193.9**	**230.9**
Impact Asset Ceiling	– 161.1	– 197.3
Net asset at December 31	**32.8**	**33.6**
Recognized in the balance sheet		
• as assets	61.6	59.6
• as pension liabilities	– 28.8	– 26.0

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

CHF million	2014	2013
Defined benefit obligation at January 1	**892.2**	**909.4**
Current service cost	9.4	10.0
Interest cost	19.2	18.0
Employee contributions	7.3	7.7
Actuarial gains / losses	130.9	4.1
Benefits paid	– 68.2	– 57.4
Currency translation differences	– 0.5	0.4
Defined benefit obligation at December 31	**990.3**	**892.2**

The weighted average duration of the defined benefit obligation is 13.3 years.

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

CHF million	2014	2013
Fair value of plan assets at January 1	**1 123.1**	**1 021.8**
Interest income	19.8	18.4
Return on plan assets (excluding interest income)	97.3	122.7
Employer contributions	4.9	9.9
Employee contributions	7.3	7.7
Benefits paid	– 68.2	– 57.4
Currency translation differences	0.0	0.0
Fair value of plan assets at December 31	**1 184.2**	**1 123.1**

The total return on plan assets was 117.1 million CHF (141.1 million CHF in 2013). The Group expects to contribute 10.1 million CHF to its defined benefit pension plans in 2015.

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

in %	2014	2013
Cash and cash equivalents	5	6
Equity	53	49
Debt	7	9
Real estate	24	24
Other	11	12

At the end of 2014 plan assets included Rieter bonds with a market value of 1.9 million CHF (0.6 million CHF in 2013). No Rieter shares were included in 2014 and 2013. Cash, all equity instruments and more than 85% of the debt instruments have a quoted market price in an active market. Real estate and other investments, which include private equity investments, usually do not have a quoted market price.

Pension costs of defined benefit plans recognized in the income statement

CHF million	2014	2013
Current service cost	9.4	10.0
Net interest result	– 0.6	– 0.4
Total	**8.8**	**9.6**

Remeasurements of defined benefit plans recognized as other comprehensive income

CHF million	2014	2013
Actuarial gains / losses arising from:		
Changes in demographic assumptions	6.0	0.0
Changes in financial assumptions	– 119.9	17.4
Experience adjustments	– 17.0	– 21.5
Return on plan assets (excluding interest income)	97.3	122.7
Impact asset ceiling	36.2	– 111.7
Total	**2.6**	**6.9**

Actuarial assumptions

Weighted average in %	2014	2013
Discount rate	1.1	2.2
Future wage growth	1.2	1.3
Future pension growth	0.0	0.0

The measurement of the defined benefit obligation is particularly sensitive to changes in the discount rate and the assumptions about future pension growth. An increase in the discount rate by 0.3%-points would result in a reduction of the defined benefit obligation by 38.1 million CHF at the end of 2014 whereas a reduction of the discount rate by 0.3%-points would result in an increase of the defined benefit obligation by 40.8 million CHF. If the assumption about future pension growth was increased by 0.5%-points the defined benefit obligation would be higher by 52.1 million CHF at the end of 2014. A change in the assumptions about future wage growth by 0.5%-points would impact the defined benefit obligation by less than 1%.[1]

1. This sensitivity analysis considers the change in one assumption at a time leaving the other assumptions unchanged. Interdependencies were not taken into account.

28 Other commitments

Some group companies lease factory and office space under operating lease agreements. The lease expenditure charged to the income statement was 3.8 million CHF (3.2 million CHF in 2013). The leases have varying terms, escalation clauses and renewal rights.

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

CHF million	2014	2013
Up to 1 year	1.5	1.1
1 to 5 years	5.0	2.9
5 or more years	0.1	1.1
Total	**6.6**	**5.1**

There were open purchase commitments of 1.0 million CHF in respect of major purchases at year-end (1.5 million CHF in 2013).

29 Financial instruments

The following tables summarize all financial instruments according to the categories of IAS 39 and specify the fair values according to the hierarchy of IFRS 13. With the exception of the bond (see note 24) the book values correspond, approximately, to the fair values.

CHF million	2014	2013
Cash (excluding time deposits)	**271.0**	**354.7**
Positive replacement values of derivative financial instruments[2]	1.5	1.2
Total financial assets at fair value through profit and loss	**1.5**	**1.2**
Time deposits with original maturities up to 3 months	65.9	6.1
Time deposits with original maturities between 3 and 12 months	101.9	2.4
Trade receivables	73.5	94.1
Other short-term receivables	33.9	32.5
Long-term interest-bearing receivables	0.7	2.6
Total loans and receivables	**275.9**	**137.7**
Securities available for sale[1]	6.8	6.5
Financial assets[2]	2.4	1.7
Total available for sale financial assets	**9.2**	**8.2**
Total financial assets and derivatives	**557.6**	**501.8**

CHF million	2014	2013
Short-term financial debt[3] (without put option non-controlling interests)	168.1	17.8
Long-term financial debt [3]	105.8	183.6
Put option non-controlling interests[4]	0.0	27.0
Negative replacement values of derivative financial instruments[2]	1.1	0.5
Total financial debt and derivatives	**275.0**	**228.9**

1. Measured at fair values based on quoted prices in active markets (level 1 according to IFRS 13.76).
2. Measured at fair values which are based on direct or indirect observable input parameters (level 2 according to IFRS 13.81).
3. Measured at amortized cost.
4. 2013 measured at fair values which are not based on observable input parameters (level 3 according to IFRS 13.86).

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

The put option, which was measured at level 3 as of December 31, 2013, was executed at the beginning of April 2014 (see note 23). The obligation to acquire the remaining interests is carried at amortized costs in accordance with IAS 39 and presented as long-term financial debt.

Financial instruments measured at level 2 concern mainly derivatives held for hedging purposes. The fair value of these instruments is determined by using valuation techniques which use foreign exchange rates and interest rates as observable market data. At December 31, 2014, the contract values of all outstanding forward exchange contracts and foreign exchange options amounted to 160.1 million CHF (196.6 million CHF in 2013).

30 Share-based compensation

The members of the Board of Directors can choose whether to receive all or part of their remuneration in shares. On April 9, 2014, six members of the Board of Directors received 3 503 shares in connection with their remuneration for the year 2013. The market value of the shares granted was 0.7 million CHF and was charged to the income statement in 2013. In the context of their remuneration for the year 2014, six members of the Board of Directors will receive 4 611 shares in April 2015. The estimated cost of 0.7 million CHF was charged to the income statement 2014. The shares are taken from treasury shares of Rieter Holding Ltd. and cannot be sold for three years.

Rieter has established a share purchase plan for the members of the Group Executive Committee, which was executed for the last time in 2014. Four participants, who were members of the Group Executive Committee as of December 31, 2013, purchased 3 950 shares at a price of 127.20 CHF per share in May 2014. The average market value of shares granted was 203.07 CHF. The costs resulting from the share purchase plan amounted to 0.3 million CHF and were charged to the income statement 2014. In the context of the variable remuneration for the year 2014, the members of the Group Executive Committee will receive shares with a market value of 0.4 million CHF in April 2015. The estimated costs of 0.4 million CHF were charged to the income statement 2014. The shares cannot be sold for three years. They are taken from treasury shares of Rieter Holding Ltd. In 2013, no shares were purchased within the context of the share purchase plan.

Since March 2012, Rieter operates a long-term incentive plan for the members of senior management (excluding the members of the Executive Committee). The participants are granted rights to receive a certain number of Rieter shares free of charge or receive cash compensation for the corresponding number of shares at market price in three years. The execution of the rights in three years is subject to an unterminated employment contract. If the employment is terminated within three years, the rights will expire. Exceptions are to be decided by the Chairman of the Board. There are no further performance related criteria.

The movement of the outstanding rights was as follows:

Number of rights	**2014**	**2013**
Outstanding rights at January 1	2 697	3 323
Granted	4 983	0
Paid-out	– 146	– 546
Expired	– 551	– 80
Outstanding rights at December 31	**6 983**	**2 697**

The estimated fair value of the outstanding rights amounts approximately to the market value of the Rieter share of 165.50 CHF at December 31, 2014. The costs of the long-term incentive plan impacted the income statement in the reporting period by 0.2 million CHF (0.2 million CHF in 2013). The liability recognized in the balance sheet at the end of the year was 0.5 million CHF (0.3 million CHF in 2013).

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

The aggregate number of shares issued in 2014 under all employee and executive incentive schemes does not exceed 1% of the shares outstanding.

31 Related parties

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

Prosino S.r.l. constitutes an associated company because the Rieter Group holds a 49% stake. In 2014, Rieter bought products worth 5.4 million CHF (4.7 million CHF in 2013) from Prosino S.r.l. and there was a related interest-free liability at the end of 2014 of 0.7 million CHF (0.6 million CHF in 2013) to Prosino S.r.l.

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

CHF million	2014	2013
Cash compensation	2.5	3.9
Employee benefit contributions and social security	0.5	0.1
Share-based compensation	1.4	0.6
Other long-term benefits	0.0	0.0
Total	**4.4**	**4.6**

The remuneration report of Rieter Holding Ltd. in compliance with Swiss law is presented on pages 39 to 42.

Apart from the above mentioned purchases from Prosino S.r.l., the 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.

32 Net liquidity

Net liquidity at December 31 was as follows:

CHF million	2014	2013
Cash and cash equivalents	336.9	360.8
Marketable securities and time deposits	108.7	8.9
Short-term financial debt	– 168.1	– 44.8
Long-term financial debt	– 105.8	– 183.6
Net liquidity	**171.7**	**141.3**

33 Exchange rates for currency translation

		Average annual rates		Year-end rates	
CHF million		2014	2013	2014	2013
Brazil	1 BRL	0.39	0.43	0.37	0.38
China	100 CNY	14.86	15.08	15.96	14.70
Euro countries	1 EUR	1.21	1.23	1.20	1.23
Hong Kong	100 HKD	11.81	11.95	12.77	11.48
India	100 INR	1.50	1.59	1.57	1.44
Taiwan	100 TWD	3.02	3.12	3.14	2.99
Czech Republic	100 CZK	4.41	4.74	4.34	4.48
USA	1 USD	0.92	0.93	0.99	0.89

34 Events after balance sheet date

On January 15, 2015 the Swiss National Bank announced that it was discontinuing the minimum exchange rate of 1.20 Swiss franc per euro. The amounts reported in these consolidated financial statements have been translated at the year-end exchange rates as of December 31, 2014 and the 2014 average exchange rates, and therefore do not reflect changes in foreign exchange rates after December 31, 2014.

Rieter uses the Swiss franc as the presentation currency in its consolidated financial statements. Therefore, a strengthening of the Swiss franc against the relevant foreign currencies will have a negative translation impact on consolidated sales, earnings and equity. In addition, Rieter expects increasing price pressure on sales invoiced in Swiss francs, which will be partly compensated by lower costs for purchased materials and services.

35 Approval for publication of the consolidated financial statements

The consolidated financial statements were approved for publication by the Board of Directors on March 17, 2015. They are also subject to approval by the Annual General Meeting of shareholders. No events have occurred up to March 17, 2015, which would necessitate adjustments to the book values of the Group's assets or liabilities, or which require additional disclosure.

Subsidiaries and associated companies

at December 31, 2014

			Capital	Capital and voting rights	Research & development	Sales/trading/services	Production	Management/financing
Belgium	Gomitex S.A., Stembert	EUR	100 000	100%		•	•	
Brazil	Graf Máquinas Têxteis Indústria e Comércio Ltda., São Paulo	BRL	10 220 000	100%		•	•	
	Rieter South America Ltda., São Paulo	BRL	3 287 207	100%		•		
China	Rieter China Textile Instruments Co. Ltd., Changzhou	EUR	10 000 000	100%	•	•	•	
	European Excellent Textile Components Co. Ltd., Changzhou	CNY	35 287 000	100%			•	
	Rieter Textile Systems (Shanghai) Co. Ltd., Shanghai	USD	200 000	100%		•		
	Rieter Asia (Hong Kong) Ltd., Hong Kong	HKD	1 000	100%		•		
	Graf Cardservices Far East Ltd., Hong Kong	HKD	30 000	100%		•		
Czech Republic	Rieter CZ s.r.o., Ústí nad Orlicí	CZK	316 378 000	100%	•	•	•	
	Novibra Boskovice s.r.o., Boskovice	CZK	40 000 000	100%	•	•	•	
France	Bräcker S.A.S, Wintzenheim	EUR	1 000 000	100%		•	•	
Germany	Rieter Vertriebs GmbH, Ingolstadt	EUR	15 338 756	100%		•		•
	Rieter Deutschland GmbH & Co. OHG, Ingolstadt	EUR	15 645 531	100%		•		•
	Novibra GmbH, Süssen (inactive)	EUR	1 534 000	100%				
	Rieter Ingolstadt GmbH, Ingolstadt	EUR	12 273 600	100%	•	•	•	
	Wilhelm Stahlecker GmbH, Süssen	EUR	255 645	100%	•			
	Spindelfabrik Suessen GmbH, Süssen	EUR	5 050 100	100%	•	•	•	
	Graf-Kratzen GmbH, Gersthofen	EUR	400 000	100%		•		
India	Rieter India Pvt. Ltd., Koregaon Bhima	IND	106 515 830	98%		•	•	
Italy	Prosino S.r.l., Borgosesia[1]	EUR	50 000	49%		•	•	
Liechtenstein	RiRe Ltd., Vaduz	CHF	4 800 000	100%				•
Netherlands	Graf Holland B.V., Enschede	EUR	113 500	100%		•	•	
Spain	Graf España SA, Santa Perpètua de Mogoda (inactive)	EUR	601 000	100%				
Switzerland	Rieter Management AG, Winterthur	CHF	5 000 000	100%				•
	Tefina Holding-Gesellschaft AG, Zug	CHF	5 000 000	100%				•
	Unikeller Sona AG, Winterthur	CHF	500 000	100%				•
	Maschinenfabrik Rieter AG, Winterthur	CHF	8 500 000	100%	•	•	•	•
	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%	•	•	•	•
Taiwan	Rieter Asia (Taiwan) Ltd., Taipeh	TWD	5 000 000	100%		•		
Turkey	Rieter Textile Machinery Trading & Services Ltd., Esenler	TRY	25 000	100%		•		
USA	Rieter America, LLC, Spartanburg	USD	1 249	100%		•		
	Graf Metallic of America, Inc., Spartanburg	USD	50 000	100%		•		
	Rieter North America, Inc., Spartanburg	USD	1 000	100%				•
Uzbekistan	Rieter Uzbekistan FE LCC, Tashkent	USD	2 650 000	100%		•	•	

1. Associated company.

Report of the statutory auditor on the consolidated financial statements

pwc

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

As statutory auditor, we have audited the consolidated financial statements of Rieter Holding Ltd., which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows and notes on pages 46 to 81, for the year ended December 31, 2014.

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, 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

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

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

PricewaterhouseCoopers AG

Stefan Räbsamen	Tobias Handschin
Audit expert	Audit expert
Auditor in charge	

Zurich, March 17, 2015

Income statement of Rieter Holding Ltd.

CHF million	Notes	2014	2013
Income			
Income from investments	(2)	52.0	24.6
Income from marketable securities and interest income	(3)	3.3	7.7
Other income	(4)	7.0	2.8
Total income		**62.3**	**35.1**
Expenses			
Financial expenses	(5)	13.9	12.6
Administration expenses		5.6	4.3
Value adjustments, provisions	(6)	20.0	5.0
Total expenses		**39.5**	**21.9**
Net profit		**22.8**	**13.2**

Balance sheet of Rieter Holding Ltd.

CHF million	Notes	2014	2013
Assets			
Investments in and loans to subsidiaries	(7)	286.3	241.4
Non-current assets		**286.3**	**241.4**
Accrued income and prepayments	(8)	3.8	3.0
Receivables	(9)	40.3	45.5
Liquid funds	(10)	433.5	337.4
Current assets		**477.6**	**385.9**
Total assets		**763.9**	**627.3**
Shareholders' equity and liabilities			
Share capital	(11)	23.4	23.4
Legal reserves			
• General reserve	(12)	27.5	27.5
• Reserve for treasury shares	(13)	17.1	13.7
• Reserve from capital contributions	(14)	74.1	90.1
Other reserves	(15)	29.3	22.7
Retained earnings	(16)		
• Balance brought forward		26.5	23.3
• Net profit for the year		22.8	13.2
Shareholders' equity		**220.7**	**213.9**
Long-term financial debt	(17)	100.0	250.0
Provisions	(18)	11.3	11.3
Non-current liabilities		**111.3**	**261.3**
Short-term financial debt	(17)	250.0	0.0
Other short-term liabilities	(19)	173.4	144.0
Accrued liabilities		8.5	8.1
Current liabilities		**431.9**	**152.1**
Liabilities		**543.2**	**413.4**
Total shareholders' equity and liabilities		**763.9**	**627.3**

Notes to the financial statements of Rieter Holding Ltd.

Applying the transitional provisions of the new accounting law, these financial statements have been prepared in accordance with the provisions on accounting and financial reporting of the Swiss Code of Obligations effective until December 31, 2012.

1 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 pages 57 to 60.

2 Income from investments

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

3 Income from marketable securities and interest income

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

4 Other income

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

5 Financial expenses

Financial expenses consist mainly of interest payable on the fixed-rate bond, on bank debt and liabilities to group companies.

6 Value adjustments, provisions

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

7 Investments in and loans to subsidiaries

CHF million	2014	2013
Investments in subsidiaries	220.5	173.0
Loans to subsidiaries	65.8	68.4
Total	**286.3**	**241.4**

The main subsidiaries and associated companies are listed on page 81. These investments are held directly or indirectly by Rieter Holding Ltd.

8 Accrued income and prepayments

Accrued income and prepayments consist mainly of accrued interest and accrued financing costs.

9 Receivables

CHF million	2014	2013
Receivables from third parties	0.1	0.3
Receivables from subsidiaries	40.2	45.2
Total	**40.3**	**45.5**

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.

10 Liquid funds

CHF million	2014	2013
Cash and cash equivalents	321.7	257.6
Marketable securities[1]	111.8	79.8
Total	**433.5**	**337.4**

1. Incl. treasury shares and repurchased bonds.

11 Share capital

At December 31, 2014, the share capital of Rieter Holding Ltd. amounts to 23 361 815 CHF. It is divided into 4 672 363 fully paid registered shares with a par value of 5.00 CHF each.

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

12 General reserve

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

13 Reserve for treasury shares

Shares held by all group companies

	Number
Registered shares held at January 1, 2014	85 652
Purchases January to December 2014 (average price 194.09 CHF)	41 361
Sales January to December 2014 (average price 211.78 CHF)	30 134
Registered shares held at December 31, 2014	96 879

The reserve for treasury shares has been made at the acquisition cost of 17.1 million CHF. This amount was deducted from other reserves.

14 Reserve from capital contributions

CHF million	2014	2013
Opening balance	90.1	101.7
Reversal for distribution	– 16.0	– 11.6
Total	**74.1**	**90.1**

The dividend of 16.0 million CHF which was distributed in April 2014 was taken from reserves from capital contributions.

15 Other reserves

CHF million	2014	2013
Opening balance	22.7	9.6
Transfer from retained earnings	10.0	20.0
Transfer to reserve for treasury shares	– 3.4	– 6.9
Total	**29.3**	**22.7**

16 Retained earnings

Including the balance brought forward and before the reversal of reserves, the Annual General Meeting has a total of 49.3 million CHF at its disposal (36.5 million CHF in 2013).

17 Long-term financial debt

On March 30, 2010, Rieter Holding Ltd. issued a fixed-rate bond of 250 million CHF. The issue has a five-year maturity and a fixed coupon of 4.5%. Yearly coupon date is at April 30. Final maturity is at April 30, 2015. In 2014, this bond was reported as current liabilities based on the date of maturity.

On September 1, 2014, a fixed-rate bond of 100 million CHF was issued. The issue has a six-year maturity and a fixed coupon of 1.5%. Yearly coupon date is at September 29. Final maturity is at September 29, 2020.

18 Provisions

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

19 Short-term liabilities

CHF million	2014	2013
Liabilities to group companies	173.0	143.7
Liabilities to third parties	0.4	0.3
Total	**173.4**	**144.0**

Rieter Holding Ltd. manages liquid funds for group companies in the central cash pool.

20 Guarantees to third parties

CHF million	2014	2013
Guarantees	48.2	38.7

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

21 Significant shareholders

Major groups of shareholders with holdings exceeding 3% of total voting rights (pursuant to Art. 663c of the Swiss Code of Obligations) at December 31, 2014:

According to the notification on August 27, 2009, PCS Holding AG, Weiningen, Switzerland, held 894 223 shares (19.14%).

According to the notification on May 12, 2011, Artemis Beteiligungen I AG, Franke Artemis Holding AG and Artemis Holding AG, Hergiswil, Switzerland, held 538 087 shares (11.52%).

According to the notification on February 26, 2014, Schroders Plc London, United Kingdom (Cazenove Capital Management Limited, London, United Kingdom), held 238 328 shares (5.10%).

22 Disclosure of the equity holdings of the Board of Directors and the Group Executive Committee (including related parties) as of December 31, 2014 (Art. 663c, Swiss Code of Obligations)

	Shares	
	2014	**2013**
Erwin Stoller, Chairman	12 995	12 082
Dr. Jakob Baer	2 536	2 100
Michael Pieper	539 941	539 358
This E. Schneider	3 639	3 010
Hans-Peter Schwald	4 000	4 000
Dr. Dieter Spälti	4 160	3 789
Peter Spuhler	897 781	897 210
Total Board of Directors	**1 465 052**	**1 461 549**

	Shares	
	2014	**2013**
Dr. Norbert Klapper (from January 1, 2014)	0	-
Thomas Anwander	1 363	1 360
Peter Gnägi (until December 31, 2013)	-	2 624
Joris Gröflin	1 622	1 229
Werner Strasser	1 404	560
Total Group Executive Committee	**4 389**	**5 773**

In 2011, the Board of Directors decided to discontinue the option program. At December 31, 2013 and 2014, respectively, there were no options outstanding.

Proposal of the Board of Directors

for the appropriation of profit and distribution of a dividend from reserves from capital contributions

CHF	**2014**
Net profit for the year	22 795 611
Retained earnings brought forward from previous year	26 524 865
Reversal of reserve from capital contributions[1]	21 025 634
At the disposal of the Annual General Meeting	**70 346 110**
Proposal	
Distribution of dividends[1]	21 025 634
Allocation to other reserves	15 000 000
Carried forward to new account	34 320 476
	70 346 110

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

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

Report of the statutory auditor on the financial statements

pwc

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

As statutory auditor, we have audited the financial statements of Rieter Holding Ltd., which comprise the income statement, balance sheet and notes on pages 84 to 90 and page 81, for the year ended December 31, 2014.

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, 2014 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

St Räbsamen T. Handschin

Stefan Räbsamen	Tobias Handschin
Audit expert	Audit expert
Auditor in charge	

Zurich, March 17, 2015

Review 2010 to 2014

Consolidated income statement

		2014	2013	2012	2011	2010
Sales	CHF million	1 153.4	1 035.3	888.5	1 060.8	870.4
• Europe	CHF million	82	81	89	124	119
• Asia	CHF million	842	790	680	791	595
thereof China	CHF million	174	223	193	151	103
thereof India	CHF million	131	109	96	175	146
thereof Turkey	CHF million	264	199	168	209	117
• Americas	CHF million	199	112	91	124	128
• Africa	CHF million	30	52	29	22	28
Operating result before interest, taxes, depreciation and amortization (EBITDA)	CHF million	125.4	95.2	65.9	146.5	115.6
• in % of sales		10.9	9.2	7.4	13.8	13.3
Operating result before interest and taxes (EBIT)	CHF million	84.6	60.2	32.7	112.6	75.7
• in % of sales		7.3	5.8	3.7	10.6	8.7
Net profit	CHF million	52.9	37.4	25.7	119.0	82.9
• in % of sales		4.6	3.6	2.9	11.2	9.5
Return on net assets (RONA) in %		10.5	8.5	6.7	19.8	-

Consolidated statement of cash flows

		2014	2013	2012	2011	2010
Net cash from operating activities	CHF million	89.6	107.7	9.3	80.4	99.2
Net cash used for investing activities	CHF million	– 40.5	– 46.6	– 41.6	– 0.9	– 20.5
Net cash from financing activities	CHF million	– 77.3	– 40.0	– 31.8	– 25.1	140.2
Number of employees at year-end[1]		**5 004**	**4 793**	**4 720**	**4 695**	**4 395**

Consolidated balance sheet

		2014	2013	2012	2011	2010
Non-current assets	CHF million	387.3	371.1	356.3	322.0	802.2
Current assets	CHF million	822.1	742.9	713.8	789.4	1 166.9
Equity attributable to Rieter shareholders	CHF million	441.1	389.2	370.9	379.3	556.9
Equity attributable to non-controlling interests	CHF million	0.8	0.5	5.0	8.4	70.7
Non-current liabilities	CHF million	247.5	321.0	387.6	400.1	557.1
Current liabilities	CHF million	520.0	403.3	306.6	323.6	784.4
Total assets	CHF million	1 209.4	1 114.0	1 070.1	1 111.4	1 969.1
Shareholders' equity in % of total assets		36.5	35.0	35.1	34.9	31.9
Net liquidity	CHF million	**171.7**	**141.3**	**95.6**	**159.0**	**– 3.5**

As of 2011 without Automotive Systems.

1. Excluding apprentices and temporary employees.

Information for investors

		2014	2013	2012	2011	2010
Share capital	CHF million	23.4	23.4	23.4	23.4	23.4
Net profit of Rieter Holding Ltd.	CHF million	22.8	13.2	12.0	28.7	143.1
Dividend	CHF million	21.0 [1]	16.0	11.6	27.7	0.0
Payout ratio (in % of net profit)[2]	in %	39	41	39	23	0
Market capitalization (December 31)	CHF million	757	964	737	653	1 566
Market capitalization in % of						
• sales	in %	66	92	83	62	61
• equity attributable to Rieter shareholders	in %	172	248	199	172	281

As of 2011 without Automotive Systems.

1. See proposal of the Board of Directors on page 91.
2. Net profit attributable to shareholders of Rieter Holding Ltd.

Data per share (RIEN)

			2014	2013	2012	2011	2010
Share prices on the SIX Swiss Exchange	high	CHF	230	210	198	267	343
	low	CHF	159	142	123	133	244
Price / earnings ratio	high		19.9	24.5	31.7	10.3	60.0
	low		13.8	16.6	19.7	5.1	42.7
Shareholders' equity (Group) per registered share		CHF	96.41	84.85	80.26	81.93	120.57
Tax value per registered share		CHF	165.50	210.10	159.40	141.10	339.00
Dividend per registered share		CHF	4.50 [1]	3.50	2.50	6.00	0.00
Gross yield on registered shares	high	in %	2.0 [1]	1.7	1.3	2.2	0.0
	low	in %	2.8 [1]	2.5	2.0	4.5	0.0
Earnings per share		CHF	11.52	8.56	6.24	25.86	5.72

As of 2011 without Automotive Systems.

1. See proposal of the Board of Directors on page 91.

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

March 2015

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