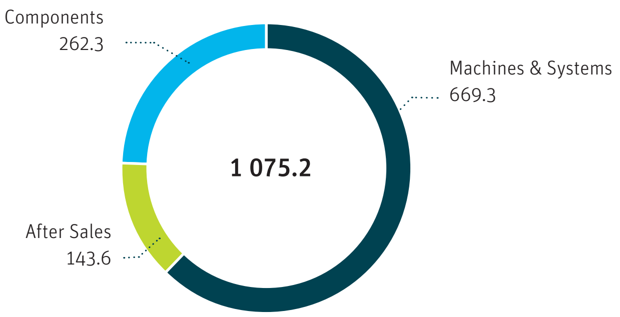
Annual Report 2018

RIETER AT A GLANCE

Sales by Business Group
in CHF million



Free Cash Flow
in CHF million

2018

63.6

in CHF million	2018	2017	Change
Order intake	**868.8**	1 051.5	**– 17%**
Sales	**1 075.2**	965.6	**11%**
EBITDA before restructuring charges	**83.8**	94.6	**– 11%**
– in % of sales	**7.8**	9.8	
EBIT before restructuring charges[1]	**42.9**	51.8	**– 17%**
– in % of sales	**4.0**	5.4	
EBIT	**43.2**	15.8	**173%**
– in % of sales	**4.0**	1.6	
Net profit	**32.0**	13.3	**141%**
– in % of sales	**3.0**	1.4	
Capital expenditure	**29.2**	29.4	**– 1%**
Net liquidity	**150.2**	130.5	**15%**
Dividend per share (in CHF)[2]	**5.00**	5.00	**0%**
Equity in % of total assets	**44.6**	43.6	
Number of employees (excluding temporaries)	**5 134**	5 246	**– 2%**

[1] Including impairments related to restructurings
[2] Motion of the Board of Directors

Group report

Remuneration report

Financial report

RIETER GROUP

Rieter is the world's leading supplier of systems for short-staple fiber spinning. Based in Winterthur (Switzerland), the company develops and manufactures machinery, systems and components used to convert natural and manmade fibers and their blends into yarns. Rieter is the only supplier worldwide to cover spinning preparation processes as well as all four end spinning processes currently established on the market. Furthermore, Rieter is a leader in the field of precision winding machines. With 16 manufacturing locations in ten countries, the company employs a global workforce of some 5 150, about 20% 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 progress in the spinning mill industry. Products and systems are ideally tailored to customer needs and mostly produced in the markets where the customers are located.

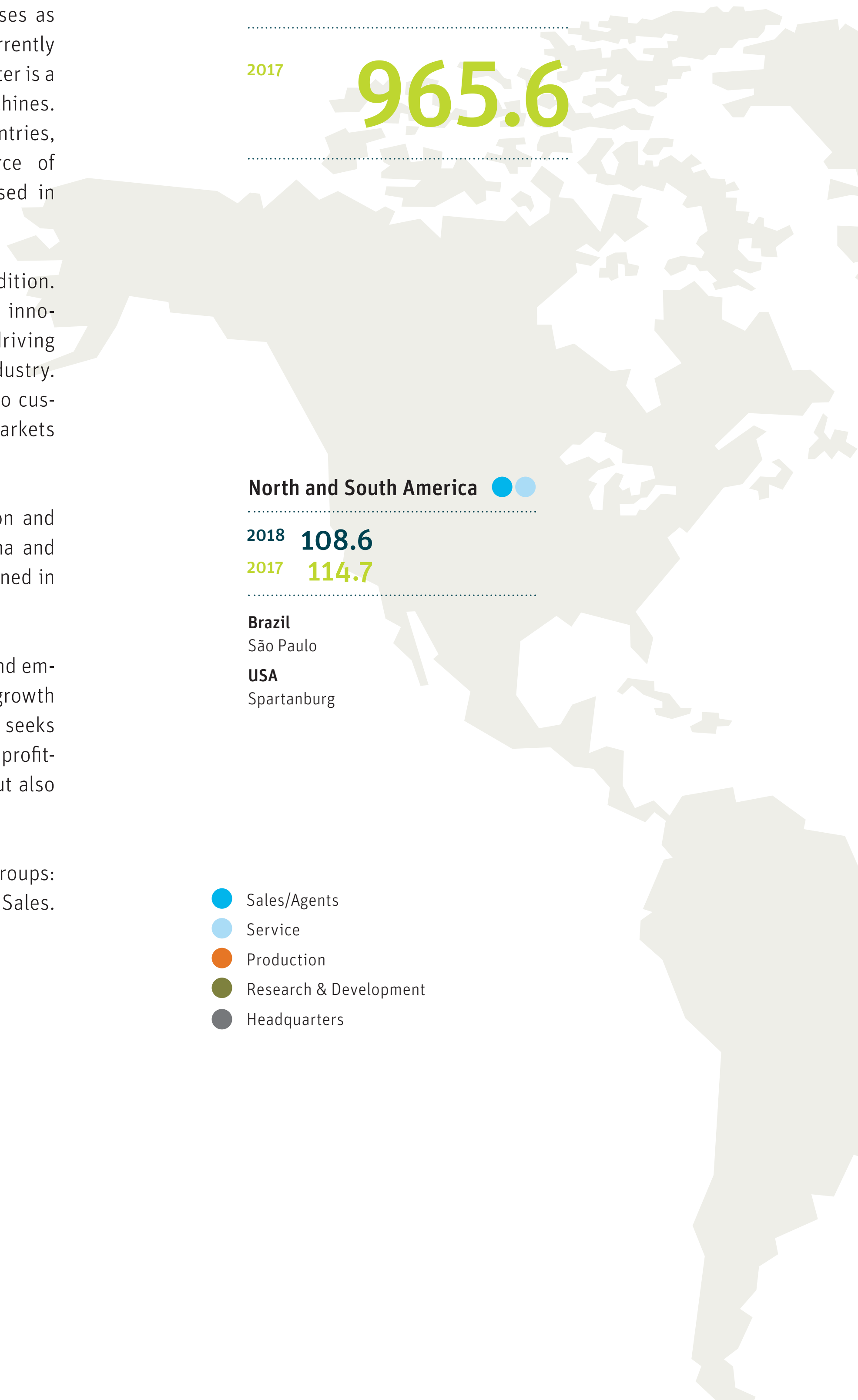
With a global sales and service organization and a strong presence in the core markets China and India, Rieter as market leader is well positioned in the global competitive environment.

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

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

SALES

2018	1 075.2
2017	965.6



Europe

2018	47.3
2017	46.2

Switzerland
Winterthur
Horgen
Pfäffikon
Rapperswil

Belgium
Stembert

Germany
Gersthofen
Ingolstadt
Süssen

France
Wintzenheim

Italy
Galbiate

Netherlands
Enschede

Czech Republic
Boskovice
Ústí nad Orlicí

Turkey

2018	154.8
2017	100.1

Istanbul

Africa

2018	35.8
2017	27.7

Asian countries[1]

2018	433.9
2017	319.1

Taiwan
Taipei

Uzbekistan
Tashkent City

[1] without China, India and Turkey

China

2018	148.6
2017	184.0

Changzhou
Hong Kong
Shanghai
Urumqi
Zhongshan

India

2018	146.2
2017	173.8

Wing

Bernhard Jucker
Chairman of the Board of Directors

Dr. Norbert Klapper
Chief Executive Officer

DEAR SHAREHOLDER

Rieter's sales increased by a pleasing 11% in 2018. At the same time, order intake fell by 17% in a challenging market environment. Demand was particularly weak in the fourth quarter of 2018. Those of you who have been involved with Rieter for a long time know that this is an indication of the cycle in textile machinery manufacturing. Nonetheless, Rieter continued to invest in research and development in financial year 2018, especially in the area of digitization.

In financial year 2018, Rieter recorded an order intake of CHF 868.8 million, which was 17% down on the same period of the previous year (2017: CHF 1 051.5 million). This development is attributable to the decline in order intake in the second half of 2018 and, in particular, to the significant slowdown in the fourth quarter of 2018. At the end of 2018, Rieter's order backlog amounted to around CHF 325 million (December 31, 2017: around CHF 540 million).

In 2018, Group sales were CHF 1 075.2 million (2017: CHF 965.6 million), which corresponds to an increase of 11% over the previous year. Rieter achieved increased sales thanks to organic growth in the Business Group Machines & Systems. SSM Textile Machinery in the Business Group Components also supported this positive development. Rieter's market share was around 30%.

EBIT MARGIN, NET PROFIT AND FREE CASH FLOW

Rieter recorded an EBIT margin (before restructuring charges) of 4.0% or CHF 42.9 million (2017: 5.4% or CHF 51.8 million). The lower profitability is mainly attributable to a disadvantageous product mix in the Business Group Machines & Systems as well as one-time costs in connection with the establishment of the central logistics facility in Europe in the Business Group After Sales. Research and development expenditure in 2018 increased to CHF 51.9 million (2017: CHF 49.2 million).

Net profit rose to CHF 32.0 million (3.0% of sales) and was thus significantly higher than in the previous year (2017: CHF 13.3 million or 1.4% of sales). Higher net profit, a reduction in net working capital and a disciplined investment policy led to a free cash flow of CHF 63.6 million (2017: CHF -1.1 million). Net liquidity rose to CHF 150.2 million (December 31, 2017: CHF 130.5 million). The equity ratio as of December 31, 2018, was 44.6% (prior year balance sheet date: 43.6%).

SALES BY REGIONS

In the Asian countries (excluding China, India and Turkey), Rieter increased sales in the reporting year by 36% to CHF 433.9 million, of which Uzbekistan made a significant contribution of CHF 144.1 million. In 2018, sales in China fell by 19% to CHF 148.6 million. With the phasing out of the subsidy program in the western province of Xinjiang, the demand for machinery declined. Sales in India fell by 16% to CHF 146.2 million. In Turkey, Rieter achieved sales of CHF 154.8 million (+55%) in a difficult market environment, thanks to the introduction of the new ring and compact-spinning machines. Sales in North and South America amounted to CHF 108.6 million (-5%). In the Europe region, Rieter increased sales by 3% to CHF 47.3 million. Sales in the Africa region were CHF 35.8 million (+29%).

Free cash flow of CHF 63.6 million

BUSINESS GROUPS

In 2018, the Business Group Machines & Systems increased its sales by 14% to CHF 669.3 million (2017: CHF 589.5 million). Machines & Systems posted an EBIT (before restructuring charges) of CHF -8.3 million (2017: CHF 0.8 million). The decline in profitability was due in particular to the less favorable product mix compared to the previous year. Order intake fell by 30% to CHF 468.3 million (2017: CHF 668.2 million). Demand in the new machinery business was characterized by uncertainties in Asia and Turkey as well as the tense financing situation for emerging market customers.

The Business Group Components increased sales by 14% to CHF 262.3 million (2017: CHF 229.8 million). SSM Textile Machinery made a significant contribution to this with sales of CHF 84.5 million. At CHF 32.5 million, Components generated a higher EBIT compared to the previous year (2017: CHF 30.8 million). Order intake of CHF 260.1 million (2017: CHF 228.5 million) was 14% up on the previous year, with SSM Textile Machinery also contributing significantly to this positive development.

With sales of CHF 143.6 million (2017: CHF 146.3 million), the Business Group After Sales recorded a slight decline of 2%. After Sales posted an EBIT (before restructuring charges) of CHF 20.4 million (2017: CHF 27.9 million). In addition to the one-time costs for the centralization of logistics in Europe, the weakening of demand towards the end of the year also resulted in a lower EBIT compared with the previous year. Order intake fell by 9% to CHF 140.4 million (2017: CHF 154.8 million). This development is mainly attributable to the lower order volume in the new machinery business at Machines & Systems, as this led to lower demand for installation services in the Business Group After Sales.

BOOSTING INNOVATIVE CAPABILITY

Rieter continued to drive innovation in financial year 2018. At ITMA Asia 2018, as part of the digitization strategy, the IoT platform Rieter Essential for spinning mills was presented for the first time (see pages 10/11). In addition, Rieter introduced new ring spinning and compact-spinning machines as well as a new double-head autoleveler draw frame to the market. The Business Groups After Sales and Components also showcased new developments.

To strengthen the ring spinning system, in December 2018 Rieter completed the acquisition of 25 percent of Electro-Jet S.L. The joint development of innovative products is also planned within the scope of the strategic partnership.

Rieter will present further innovations at ITMA Barcelona 2019.

LOWERING THE BREAKEVEN POINT

The relocation of production from Ingolstadt (Germany) to Ústí nad Orlicí (Czech Republic) was completed as scheduled at the end of the 2018 financial year. This will lead to a significant cost reduction in 2019.

INGOLSTADT LOCATION

The Rieter Group is selling its real estate in Ingolstadt (Germany). Rieter anticipates completing the transaction during the third quarter of 2019. On completion, Rieter expects an extraordinary contribution to profit after tax of around EUR 60 million. The employees remaining in Ingolstadt will move into a new building in 2021. There, Rieter will create a modern working environment for innovative research and development work and the respective support functions.

WINTERTHUR LOCATION

In Winterthur, Rieter is planning a modern location, concentrating customer center, product and technology development as well as administration on an area of approximately 30 000 square meters: the Rieter Campus. Rieter's Board of Directors has decided to have a detailed draft prepared for the project. The Rieter Campus will make an important contribution to the successful further advancement of the company. The decision regarding realization is expected to be made in the second half of 2019.

DIVIDENDS AND DIVIDEND POLICY

At the Annual General Meeting on April 4, 2019, as in the previous year the Board of Directors will again propose a dividend of CHF 5.00 per share. The company's dividend policy provides for a payout ratio of at least 40% of net profit.

CHANGES IN GROUP EXECUTIVE COMMITTEE

Jan Siebert, member of the Group Executive Committee since 2016 and responsible for the Business Group Machines & Systems, left the Group Executive Committee at the end of September 2018. Norbert Klapper, Rieter Group CEO, assumed responsibility for the business group on an interim basis.

BOARD OF DIRECTORS AND ANNUAL GENERAL MEETING

At the Annual General Meeting held on April 5, 2018, shareholders approved all motions proposed by the Board of Directors. The Chairman of the Board Bernhard Jucker and the Directors This E. Schneider, Michael Pieper, Hans-Peter Schwald, Peter Spuhler, Roger Baillod, Carl Illi and Luc Tack were confirmed for a further one-year term of office. This E. Schneider, Hans-Peter Schwald and Bernhard Jucker, the members of the Remuneration Committee who were standing for election, were also each re-elected for a one-year term of office.

OUTLOOK

The weak market environment also led to low demand in the first two months of 2019. Rieter therefore expects a significant decline in sales, EBIT and net profit for both the first half of the year and the 2019 financial year (before an extraordinary profit contribution from the sale of the real estate in Ingolstadt). Against this background, Rieter is working on the implementation of capacity adjustment and cost reduction measures. These measures include a reduction of the global workforce of around 5%.

Rieter is prepared for this situation. The company has a healthy balance sheet and a clear strategy that we will continue to drive forward.

THANKS

On behalf of the Board of Directors and the Group Executive Committee, we wish to thank all Rieter employees for their commitment in 2018. A big thank you for their loyalty to the company goes to our customers, suppliers and other business partners. We thank the Rieter shareholders for their trust.

Winterthur, March 12, 2019

B. Jucker N. Klapper

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

FINANCIAL CALENDAR

Annual General Meeting 2019	April 4, 2019
Semi-Annual Report 2019	July 18, 2019
Publication of sales 2019	January 29, 2020
Deadline for proposals regarding the agenda of the Annual General Meeting	February 22, 2020
Results press conference 2020	March 10, 2020
Annual General Meeting 2020	April 16, 2020

DIGITIZATION AND SYSTEMS IN FOCUS

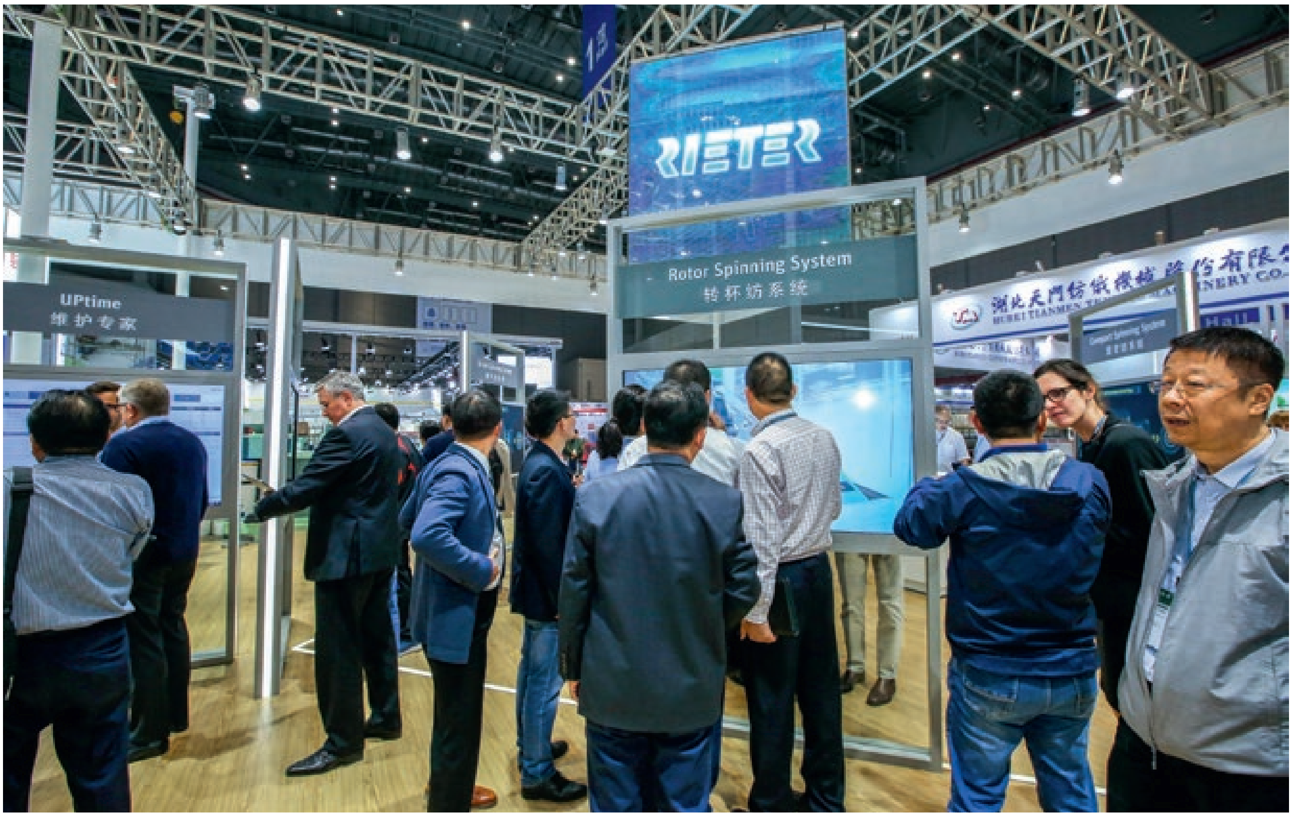
Rieter unveiled several world firsts at ITMA Asia, which took place from 15 to 19 October 2018 in Shanghai (China). These included Essential, the new Rieter Digital Spinning Suite. This platform optimally combines digital technology and Rieter's expertise in spinning. Rieter demonstrated the advantages of system solutions by means of interactive practical examples for four process lines. The company also introduced the double-head autoleveler draw frame RSB-D 26 and revealed the benefits of the four new ring and compact-spinning machines.

Digital products from Rieter optimize the spinning mill operation. UPtime introduces intelligence into maintenance planning and supports predictive maintenance. The SPIDERweb monitoring system collects and analyzes data about processes, quality and production efficiency, thus allowing an immediate response in case of deviations.

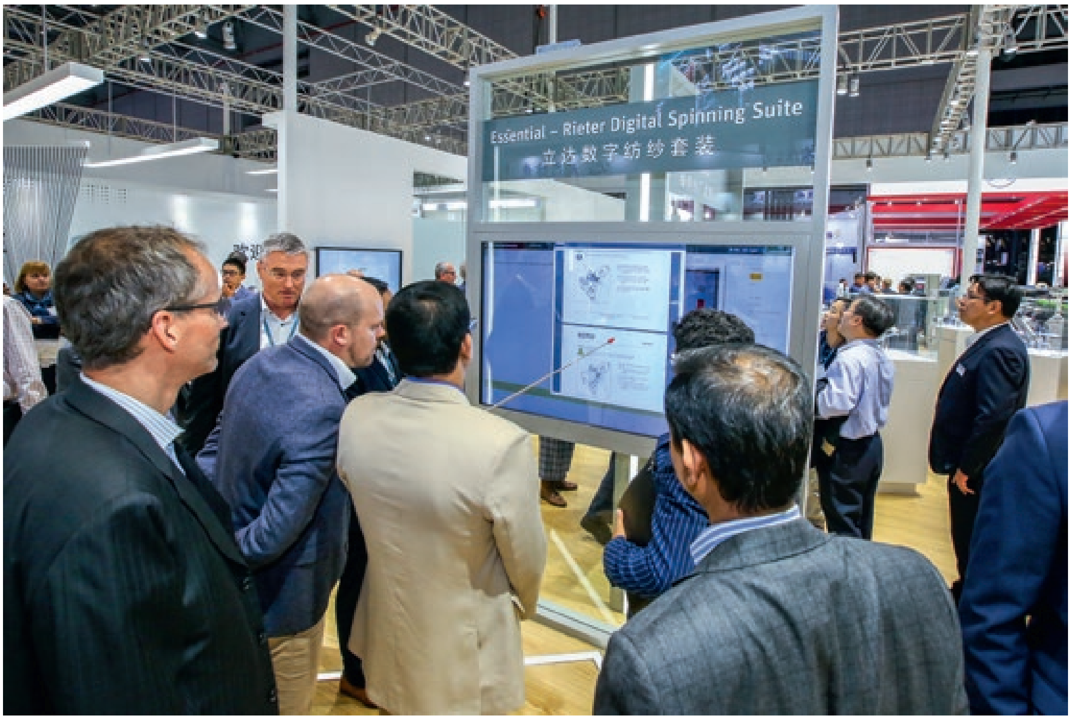
ESSENTIAL – RIETER DIGITAL SPINNING SUITE

At this year's ITMA, with the launch of Essential – the new Rieter Digital Spinning Suite – the company wrote another chapter in the digitization of spinning mills. The platform integrates the digital Rieter products and is open to customer systems, such as the ERP system of the spinning mill. Third party applications can also be integrated. Essential visualizes potential improvements for the entire spinning process at a glance. Combined with Rieter's in-depth knowledge of all four spinning processes, the platform uses digital technology to increase productivity and quality and optimize costs.

Essential offers more flexible and more accurate functionality than any other available solution. And Essential is undergoing further development: although on its debut at ITMA the platform was presented exclusively with the Rieter rotor spinning system, in 2019 it will also be available for ring, compact and air spin-



Rieter demonstrated the benefits of system solutions using interactive practical examples for the four process lines.



A highlight for visitors to the Rieter stand on all days of the exhibition: Essential – the new Rieter Digital Spinning Suite

ning systems. Then it will also be possible for existing UPtime and SPIDERweb applications to migrate to Essential.

EVERYTHING FROM A SINGLE SOURCE

Spinning mill production that will also be cost-effective in the future. Yarns that meet the market needs and trained operators who get the most out of spinning machines. These are the benefits for those who choose Rieter systems. Because with its wide range of products and services and tailor-made systems, Rieter enables spinning mills to achieve extremely high efficiency rates and a competitive advantage over the entire life cycle. At ITMA, Rieter emphasized the benefits of system solutions with interactive practical examples for four different process lines. Exhibits shown were spinning systems with the ring spinning machine G 32, the new compact-spinning machine K 47 (see pages 16/17), the rotor spinning machine R 36 and the air-jet spinning machine J 26.

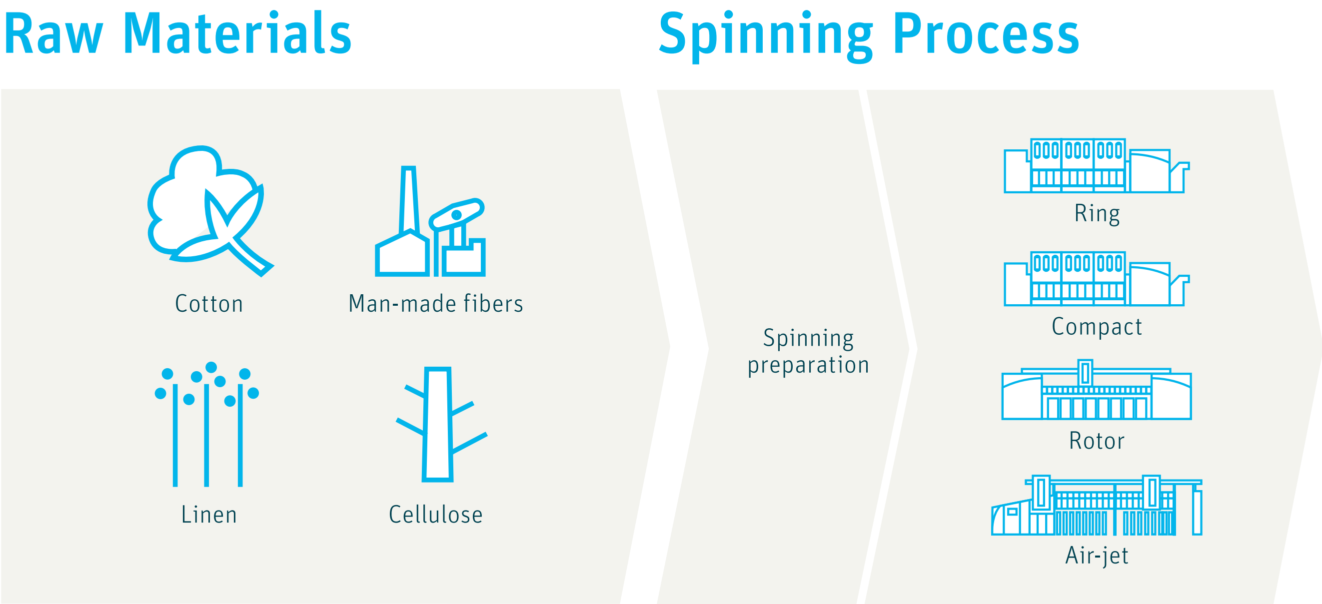
HIGHEST QUALITY, HIGHEST PRODUCTIVITY

Rieter also had interesting things to offer in the field of spinning preparation. The double-head autoleveler draw frame RSB-D 26, for example, which offers the highest quality and productivity on a small footprint, enjoyed an extremely successful debut in Shanghai. This can be demonstrated with numbers: depending on the fiber material, the RSB-D 26 produces up to 33 percent more sliver compared to its predecessor, with outstanding sliver quality – from the first to the last centimeter. The small footprint of the machine is ideal in tight spaces. The drive concept ECOrized saves energy costs.

GREAT PRAISE FROM CUSTOMERS

High-quality technology components from Bräcker, Graf, Novibra and Suessen as well as a new winder from SSM Textile Machinery (see pages 18/19) and Rieter modernization solutions for existing systems (see pages 20/21) completed the exhibition appearance in Shanghai. The large number of visitors to Hall 1, Stand D01 – the Rieter stand – bears testimony to the attractiveness of the offer presented by Rieter.

RIETER BUSINESS MODEL



Around 95 million tons of fiber are processed annually around the world, for example for clothing, technical textiles or household textiles. Fiber consumption is growing with the world population and disposable income, on average between two and three percent per year.

YARN PRODUCTION

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

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

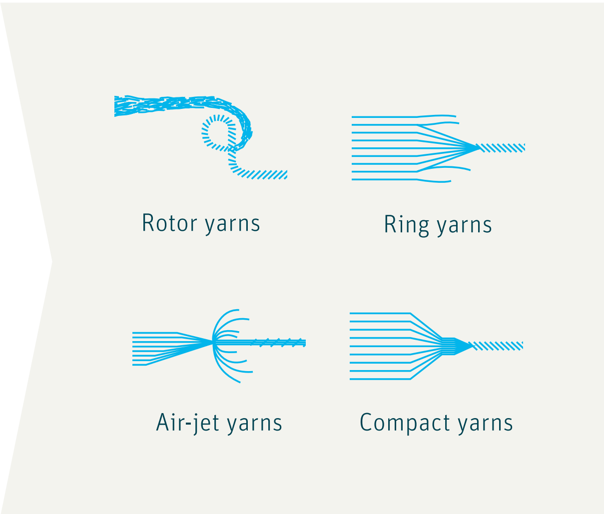
Each of the two types of yarn production accounts for around 50 percent of world fiber consumption.

Rieter is mainly engaged in yarn production from staple fibers. The most important of these are cotton (about 25 million tons per year), polyester (about 17 million tons per year) and viscose (about 6 million tons per year).

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

In the preparation stage, the fibers, which are delivered in bales, are separated, cleaned if necessary, aligned, homogenized and drawn. This is done in three process steps: blowroom/bale opener, carding machine and draw frame. In cotton processing, the combing machine also plays a role: here, short fibers are combed out to produce a higher-quality yarn. At the end of the preparation stage, a uniform sliver has been produced, which is as yet untwisted.

Yarn



Capacity

>250 million

spindle equivalents in use worldwide

SPINNING PROCESS

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

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

MEASURED VARIABLES FOR CAPACITY

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

A total of more than 250 million spindle equivalents are used worldwide to produce yarn from the around 50 million tons of staple fibers, of which around 104 million are in China, 55 million in India, 70 million in the Asian countries (excluding China, India and Turkey) and 13 million in Turkey. Every year, between 11 and 13 million spindle equivalents are installed worldwide: spinning mill owners invest in rationalization, replacement or expansion. In 2018, Rieter delivered 2.15 million spindle equivalents (2017: 1.93 million). In addition, spinning mills require wear and spare parts for ongoing operation.

Market Volume

3 200 to 4 000 CHF million

Global volume for staple fiber machines per year

Market Share

Rieter market leader in global competition

MARKET

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

BUSINESS WITH NEW MACHINES, WEAR AND SPARE PARTS

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

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

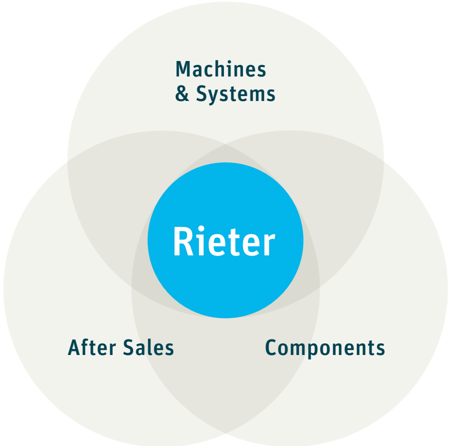
PRODUCT AND SERVICE OFFERING

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

Rieter with all its brands is established worldwide as a premium supplier. The innovative products and services from Rieter enable spinning mill operators to be more competitive. Success factors are lower yarn costs, which are achieved through savings on raw materials, energy, labor and depreciation, with the same or better yarn quality, which allows higher prices for the same production costs.

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

Business Groups



Established premium supplier with innovative products and services

THREE BUSINESS GROUPS

The Business Group Machines & Systems develops, produces and distributes new equipment in the spinning systems and single machines sector. Blowroom, carding machines, draw frames and combing machines are used for preparation; ring, compact, rotor and air-jet spinning machines are used for end spinning. The offer is supplemented by planning services and material flow technology as well as Essential, the Rieter Digital Spinning Suite, by means of which the machines are connected to a single system.

The Business Group After Sales develops, produces and distributes spare parts for Rieter machines that do not come into contact with fibers, such as drives, sensors or controllers. After Sales also sells technology components that are not included in the range of products offered by the Business Group Components (see right). After Sales also offers services that enable Rieter customers to improve the efficiency and effectiveness of their spinning mills.

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

(Sources: PCI, ITMF, estimate Rieter)

BUSINESS GROUP MACHINES & SYSTEMS

In reporting year 2018, the Business Group Machines & Systems posted a significantly lower order intake than in the previous year. Demand in the new machinery business was characterized by uncertainties in Asia and Turkey as well as the tense financing situation for emerging market customers. Both factors had a negative impact on the investment sentiment in the spinning industry. By contrast, the business group succeeded in increasing sales significantly. Rieter unveiled several new products at the leading ITMA Asia trade fair at the end of 2018, including new ring and compact spinning machines as well as Essential, the new Rieter Digital Spinning Suite.

The Business Group Machines & Systems posted an order intake of CHF 468.3 million, a reduction of 30% (2017: 668.2 Mio. CHF). This was especially evident in the fourth quarter of 2018, which with an order intake of CHF 34.9 million was very weak in all regions. Organic growth meant that the business group achieved a gratifying increase in sales of 14% to CHF 669.3 million (2017: CHF 589.5 million). In the financial year, Machines & Systems achieved an EBIT (before restructuring charges) of CHF –8.3 million or –1.2% of sales (2017: CHF 0.8 million or 0.1%).

The 2018 financial year was marked by implementation of the Rieter innovation strategy and relocation of production from Ingolstadt (Germany) to Ústí nad Orlicí (Czech Republic). For example, Machines & Systems further expanded its end spinning product portfolio. Four new models were added to the established G 32 ring spinning machine and K 42 compact-spinning machine, namely the G 37 and G 38 ring spinning machines as well as the K 47 and K 48 compact-spinning machines. Rieter thus offers tailored solutions for ring and compact spinning and, consequently, the ideal model for every customer on every market.

The G 38 and K 48 are ideal for markets where staff availability is limited and the requirements for flexibility and yarn quality are particularly high. These all-inclusive models ensure that customers benefit

in CHF million	2018	2017	Change
Order intake	468.3	668.2	–30%
Sales	669.3	589.5	14%
Operating result before restructuring charges, interest and taxes	–8.3	0.8	
Capital expenditure	5.9	11.8	

The G 38 ring spinning machine is one of four new spinning machines. It offers a maximum degree of automation as well as best yarn quality coupled with maximum productivity and complete flexibility.

from a maximum degree of automation and best yarn quality coupled with maximum productivity and complete flexibility for standard and special yarns. The machine has an electronic drafting system drive, an integrated ISM premium individual spindle monitoring system and an integrated slub yarn unit.

The G 37 and K 47 were designed for markets where the shortage of personnel is not an issue and the requirements for flexibility and yarn quality are high. They allow customers a high level of flexibility due to their unrestricted application range with full machine length, even with all special yarns. The electronic drafting system drive reduces the downtime for article change. The integrated individual spindle monitoring system ISM basic increases the efficiency of the operators – and hence the efficiency of the machine.

The G 32 and K 42 are still the ideal solution for customers who rarely change their range and are active in markets where personnel availability is not a problem. The machines have a mechanical drafting system drive and hence are ideal for standard applications in the medium and fine yarn quality range.

At ITMA Asia in Shanghai in late October 2018, not only did the G 37 ring spinning machine celebrate a highly-acclaimed premiere. Rieter also had something interesting to offer in the field of spinning preparation in the shape of the RSB-D 26 double-head autoleveler draw frame. Both machines met with great customer interest (see pages 10/11). Rieter will present a series of further innovations at ITMA Barcelona 2019.

2018

2 516

2017

2 516

Number of employees

BUSINESS GROUP COMPONENTS

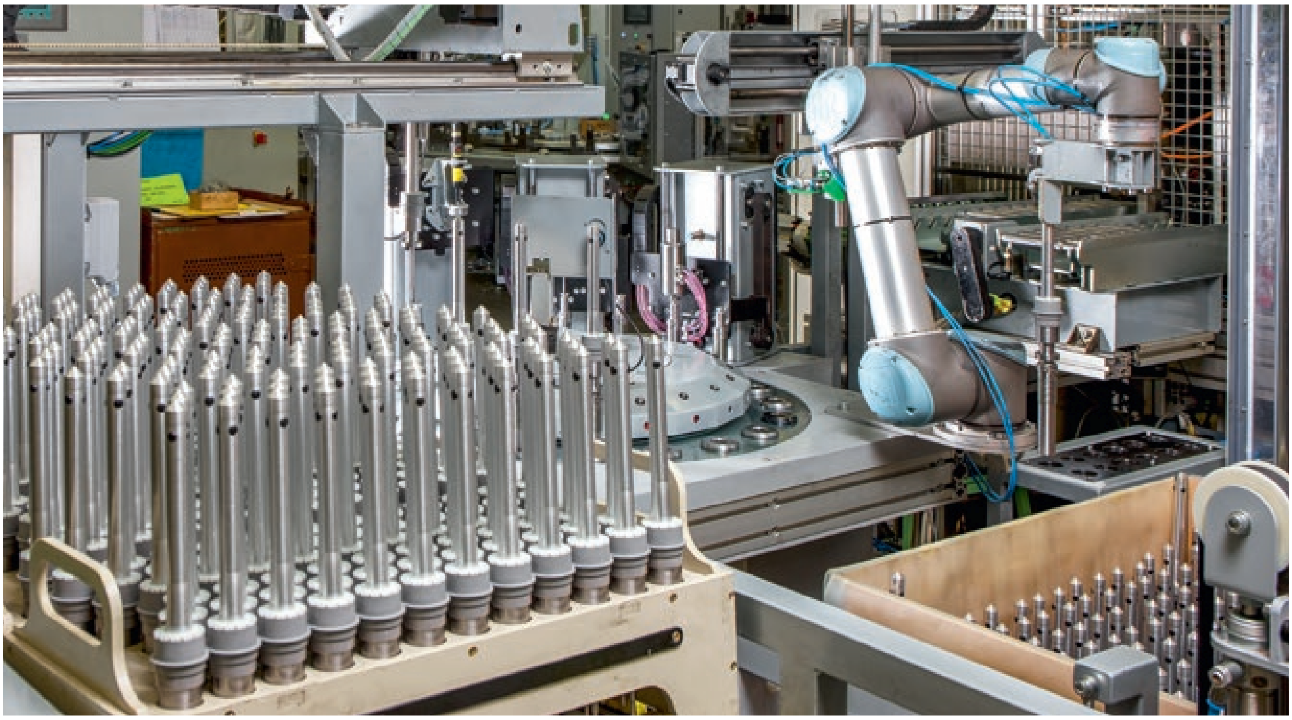
The Business Group Components is the world's leading supplier of technology components for short staple and long staple yarn production, non-woven plants and precision winding machines. The components and machines provided by the companies Bräcker, Graf, Novibra and Suessen guarantee the highest level of performance in spinning mills. With SSM, Components has also improved its market position in the adjacent areas of the textile value chain.

In financial year 2018, the Business Group Components achieved an order intake of CHF 260.1 million (2017: CHF 228.5 million), an increase of 14% over the previous year. With CHF 82.3 million, SSM Textile Machinery (SSM) made a significant contribution to this. Due to the weaker macroeconomic conditions, at CHF 55.0 million the order intake of the business group in the fourth quarter of 2018 was below the level of the previous quarters. This decline can be attributed to a low propensity for investments by customers.

Sales to third parties at Components grew by 14% to CHF 262.3 million, with segment sales increasing to CHF 348.5 million (2017: CHF 229.8 million and CHF 308.0 million respectively). SSM contributed to this with sales of CHF 84.5 million. At CHF 32.5 million, Components generated a higher EBIT compared to the previous year. This corresponds to an EBIT margin of 9% of segment sales (previous year: 10% of segment sales).

The companies of the Business Group Components cover a wide range of components for yarn production and processing. They are market leaders in their respective segments: Bräcker is the specialist for rings and travelers used on ring and compact-spinning machines. Graf focuses on components for cards, combers and non-woven applications. Novibra devel-

in CHF million	2018	2017	Change
Order intake	260.1	228.5	14%
Sales	262.3	229.8	14%
Operating result before interest and taxes	32.5	30.8	
Capital expenditure	12.2	11.7	
Segment sales	348.5	308.0	13%



In 2018, on the occasion of the 25th anniversary of Novibra, there were insights into the production processes of the high-speed spindles manufacturer in Boskovice, Czech Republic.

ops and markets precision spindles for ring and compact-spinning machines. Suessen manufactures technology components for compact-spinning machines, rotor spinning machines and air-jet spinning machines. SSM is the market leader for machines in the fields of precision spools and yarn preparation and is also active in filament yarn production.

In the year under review, Components launched attractive new products with great success, including the fixed combs Ri-Q-Top 2035 and 2040 from Graf and the new EliTe® compact spinning system from Suessen. SSM presented a world first at ITMA Asia in Shanghai (see pages 10/11): the CWX machines. They expand the application range for winding machines and are ideal for energy-efficient rewinding.

In 2018, Novibra celebrated its 25th anniversary with customers and employees: More than 1 400 people visited the Novibra production halls. The company has been part of the Rieter Group since 2001 and can look back on successful growth. Novibra has made a significant contribution to Rieter's success in recent years.

To optimize existing services and with a view to future growth, Graf together with the local agency opened a service workshop in Vietnam.

2018

1 598

2017

1 641

Number of employees

BUSINESS GROUP AFTER SALES

The Business Group After Sales offers Rieter customers a broad range of products and services with solutions for every stage of the spinning mill life cycle. Customer acceptance of innovative after sales products also increased further in 2018. With the merger of the European warehouse locations into a central warehouse, Rieter laid the foundation for the optimization of spare parts logistics. At the same time, the product range was expanded. In an unfavorable market environment towards the end of the year, sales and order intake declined slightly compared to the previous year. The business group continues to pursue its growth strategy.

In the reporting year, order intake in a demanding market decreased by 9% to CHF 140.4 million (2017: CHF 154.8 million). This is mainly due to the installation volume driven by the new machinery business. Sales fell by 2% to CHF 143.6 million (2017: CHF 146.3 million). After Sales posted an EBIT (before restructuring charges) of CHF 20.4 million or 14% of sales (2017: CHF 27.9 million or 19%). In addition to the one-time costs for the centralization of logistics in Europe, the weakening of demand towards the end of the year also resulted in a lower EBIT compared with the previous year.

In 2018, the business group also invested in the further expansion of the service network, the optimization of spare parts logistics, the streamlining of production and the extension of the product range, in order to support the ambitious plans for growth.

The business group also continued to drive the introduction of innovative service packages on the market. “Customer Specific Engineering” is a product which Rieter uses to develop tailor-made solutions that go beyond the scope of the upgrading previously offered. Based on the customer’s specific needs and requirements, a project is carried out in which either existing components are modified or entirely new solutions

in CHF million	2018	2017	Change
Order intake	140.4	154.8	–9%
Sales	143.6	146.3	–2%
Operating result before restructuring charges, interest and taxes	20.4	27.9	
Capital expenditure	0.3	1.5	

The fully-equipped service subsidiary in Kahramanmaras (Turkey) offers mechanical and electronic services, including gearbox inspections and servomotor adjustments.

are developed, tested, installed and commissioned. The scope ranges from specific individual parts to complete solutions such as machine extensions.

The repair business offers Rieter customers cost-effective alternatives for replacing electronic and mechanical components. This includes the preventive maintenance of electronic components to avoid their premature, unplanned failure – and the associated production losses of the spinning mill. In India, the offer was expanded with the introduction of Top Arm maintenance for ring spinning machines. Rieter's service network also continues to evolve on a regular basis. Accordingly, the service branch in Kahramanmaras (Turkey), which was opened in spring 2017, achieved its goals in 2018. A new service branch was also opened in Vietnam.

2018

684

2017

733

Number of employees

CORPORATE GOVERNANCE

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

The Articles of Association of Rieter Holding Ltd. and the regulations governing the organization of the company constitute the basis for the contents of the chapter Group structure and shareholders. Reporting by Rieter conforms to the corporate governance guidelines issued by the SIX Swiss Exchange and the pertinent commentaries. Unless otherwise stated, the data refer to December 31, 2018. All information is updated regularly on the website at https://www.rieter.com/investor-relations/. Some data refer to the financial section of this Annual Report. The remuneration report can be found on pages 40 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 on December 31, 2018. A list of the companies included in the scope of consolidation of Rieter Holding Ltd. can be found on page 92. The management organization of the Rieter Group is independent of the legal structure of the Group and the individual companies.

Significant shareholders

On December 31, 2018, Rieter was aware of the following shareholders with more than three percent of all voting rights in the company:

- PCS Holding AG, Frauenfeld, Switzerland, with 19.14%
- Artemis Beteiligungen I AG, Franke Artemis Holding AG and Artemis Holding AG, Hergiswil, Switzerland, with 11.52%
- VERAISON SICAV – Engagement Fund, Zurich, Switzerland, with 5.04%
- Credit Suisse Funds AG, Zurich, Switzerland, with 3.02%
- Rieter Holding Ltd., Winterthur, Switzerland, with 3.01%

Refer to page 106 for details of these holdings.

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

Cross-holdings

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

2 CAPITAL STRUCTURE

Share capital
On December 31, 2018, the share capital of Rieter Holding Ltd. totaled CHF 23 361 815. It is divided into 4 672 363 fully paid, registered shares with a par value of CHF 5.00 each. The shares are listed on the SIX Swiss Exchange (securities code 367144; ISIN CH0003671440; Investdata RIEN). Rieter's market capitalization on December 31, 2018, was CHF 577.1 million. Each share entitles the holder to one vote at the general meeting of shareholders.

Contingent and authorized share capital
The Board of Directors is authorized to increase the share capital by up to CHF 2 500 000 through the issue of up to 500 000 fully paid registered shares with a par value of CHF 5.00 each at any time until April 5, 2020. 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, 2018.

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
Member of the Board of Directors

Peter Spuhler
Member of the Board of Directors

Member of the strategy committee

Bernhard Jucker
Chairman of the Board of Directors

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

This E. Schneider
Vice Chairman of the Board of Directors

Chairman of the remuneration committee and the nomination committee

Hans-Peter Schwald
Member of the Board of Directors

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

Roger Baillod
Member of the Board of Directors

Chairman of the audit committee

Carl Illi
Member of the Board of Directors

Member of the audit committee and the strategy committee

Luc Tack
Member of the Board of Directors

Member of the strategy committee

BOARD OF DIRECTORS

Michael Pieper
(1946)
Member of the Board of Directors

Swiss national

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

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

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

Committees
None.

Executive/non-executive
Non-executive.

Peter Spuhler
(1959)
Member of the Board of Directors

Swiss national

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

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

Other activities and interests
Chairman of the Board at Stadler Rail AG, Bussnang (and several other companies of the Stadler Rail Group), at Gleisag Gleis- und Tiefbau AG, Goldach, at PCS Holding AG, Frauenfeld, at Aebi Schmidt Holding AG, Frauenfeld; Vice Chairman at Walo Bertschinger AG (WBZ), Zurich, ZLE Betriebs AG (ZSC Lions), Zurich, DSH Holding AG, Weiningen; Member of the Board of Directors at Allreal Holding AG, Zug, at Autoneum Holding AG, Winterthur, at Evonik Industries AG, Essen, at European Loc Pool AG, Frauenfeld; member of the council and member of the Executive Committee at Swissmem, Zurich; member of the Executive Committee at LITRA, Berne; member of the Foundation Board at Tele D, Diessenhofen; member of the Swiss federal parliament (Nationalrat) from December 1, 1999, to December 31, 2012.

Committees
Member of the strategy committee.

Executive/non-executive
Non-executive.

Bernhard Jucker
(1954)
Chairman

Swiss national

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

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

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

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

Executive/non-executive
Non-executive.

This E. Schneider
(1952)
Vice Chairman

Swiss national

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

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

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

Committees
Chairman of the remuneration committee and the nomination committee.

Executive/non-executive
Non-executive.

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

Swiss national

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

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

Other activities and interests
Chairman of the Board, Autoneum Holding AG, Winterthur; Vice Chairman of the Board, Stadler Rail AG, Bussnang; Chairman of the Board, VAMED Management and Service Switzerland AG as well as VAMED Health Project Switzerland AG, Zihlschlacht, and Chairman of the Swiss VAMED rehabilitation clinics; Chairman, AVIA Association of Independent Importers of Petroleum Products, Zurich; member of the Board of Directors of other Swiss stock corporations.

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

Executive/non-executive
Non-executive.

Roger Baillod
(1958)
Member of the Board of Directors

Swiss national

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

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

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

Committees
Chairman of the audit committee.

Executive/non-executive
Non-executive.

Carl Illi
(1961)
Member of the Board of Directors

Swiss national

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

Educational and professional background
Lic. oec. HSG.

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

Committees
Member of the audit committee and the strategy committee.

Executive/non-executive
Non-executive.

Luc Tack
(1961)
Member of the Board of Directors

Belgian national

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

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

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

Committee
Member of the strategy committee.

Executive/non-executive
Non-executive.

3 BOARD OF DIRECTORS

Members of the Board of Directors

Pursuant to the Articles of Association, the Board of Directors of Rieter Holding Ltd. consists of at least five and at most nine members. In the 2018 financial year, no member of the Board of Directors 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, international management and specialist experience as well as various aspects of diversity into account.

Directorships outside the Group

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

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

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

Internal organization

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

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

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

The Board of Directors meets at least six times a year at the invitation of the Chairman, usually for half a day. The Board of Directors had eight meetings in the 2018 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 two absences for business reasons. The agendas for the Board of Directors meetings are drawn up by the Chairman. Any member of the Board of Directors can also propose items for inclusion on the agenda. The Board of Directors usually makes an annual visit to one group location. In the year under review, the Board of Directors was informed in detail about the situation at the Winterthur location. 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 Roger Baillod, and the other members are Carl Illi and Hans-Peter Schwald.

In the 2018 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 2018. The main duties of the audit committee are:

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

The audit committee met for two regular meetings in 2018. Each meeting lasted between half a day and a full day. All committee members attended all the meetings and regularly received the written reports of the internal auditors. The chairman of the audit committee meets the external statutory auditors and the Head of Internal Audit twice a year at separate meetings.

Internal audit
Internal audit, headed by Stephan Mörgeli, Certified Public Accountant, is organizationally independent and reports to the audit committee. At the administrative level, internal audit reports to the CFO. Audits are performed on the basis of an audit plan approved by the audit committee. Eleven regular audits were conducted in 2018. The audits focused on the design and the execution of the key controls defined within the scope of the internal control system.

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

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

The **remuneration committee** consists of at least three and at most five members, each of whom is elected at the Annual General Meeting for a term of office of one year. The majority of its members must be independent pursuant to the Swiss Code of Best Practice for Corporate Governance, and have the necessary experience in the fields of remuneration planning and remuneration policy. The chairman of this committee is appointed by the Board of Directors. This E. Schneider held this position in 2018. 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 six meetings in 2018, and five telephone conferences were also held. Each meeting lasted half a day. All committee members were present at the meetings.

The **nomination committee** consists of at least three and at most five members, each of whom is elected by the Board of Directors for a term of office of one year. The chairman of this committee is appointed by the Board of Directors. This E. Schneider held this position in 2018. The committee has the following authority and duties:

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

The committee met for six meetings in 2018, and five telephone conferences were also held. Each meeting lasted half a day. All committee members were present at the meetings.

The **strategy committee** currently consists of four members of the Board, each of whom is elected by the Board of Directors for a term of office of one year. The chairman of the committee is appointed by the Board of Directors. Bernhard Jucker held this position in 2018. The strategy committee

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

The committee met twice in 2018: once for one day and once for a two-day meeting. All committee members were present at the meetings.

Allocation of authority

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

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

Once a month, the Board of Directors receives from the Group Executive Committee a written report on the key figures of the Group and the business groups, which provides information on the balance sheet, cash flow and income statements, capital expenditure and projects. The figures are compared with the budget and the figures from the previous year. The Board of Directors is also informed at each meeting about the course of business, important projects and risks, as well as rolling earnings and liquidity planning. If the Board of Directors has to rule on major projects, a written request is submitted prior to the meeting. Projects approved by the Board of Directors are monitored within the framework of a special project controlling system. Once a year, the Board of Directors discusses the strategic plans drawn up by the Group Executive Committee and the financial budget for the Group and the business groups. Financial statements for publication are drawn up twice a year. The Group Executive Committee usually meets once a month. Twelve meetings were held in 2018. Two of them were held as closed-door meetings.

GROUP EXECUTIVE COMMITTEE (GROUP MANAGEMENT)

Dr. Norbert Klapper
Chief Executive Officer (CEO) and
a.i. Head of the Business Group
Machines & Systems

Serge Entleitner
Head of the Business Group
Components

Carsten Liske
Head of the Business Group
After Sales

Joris Gröflin
Chief Financial Officer (CFO)

Thomas Anwander
General Secretary and
General Counsel

GROUP EXECUTIVE COMMITTEE (GROUP MANAGEMENT))

Dr. Norbert Klapper
(1963)
Chief Executive Officer (CEO) and a.i. Head of the Business Group Machines & Systems

German national

Member of the Group Executive Committee
since 2014

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

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

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

Serge Entleitner
(1964)
Head of the Business Group Components

Austrian national

Member of the Group Executive Committee
since 2017

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

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

Other activities and interests
None.

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

German national

Member of the Group Executive Committee
since 2015

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

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

Other activities and interests
None.

Joris Gröflin
(1977)
Chief Financial Officer (CFO)

Swiss and Dutch national

Member of the Group Executive Committee
since 2011

Educational and professional background
Licentiate in Business Administration/Economics, CEMS Master, University of St. Gallen.

Rieter Management AG, Winterthur, Chief Financial Officer and member of the Group Executive Committee of the Rieter Holding Ltd., Winterthur, since 2011; Head of Corporate Controlling, 2009 to 2011; Bräcker AG, Pfäffikon ZH, Chief Financial Officer, 2007 to 2009; Rieter Management AG, Winterthur, Corporate Planning & Development, 2006 to 2007; A.T. Kearney (Int.) AG, Zurich, project manager, 2001 to 2006.

Other activities and interests
Member of the board of SwissHoldings, Berne, Switzerland.

Thomas Anwander
(1960)
General Secretary and General Counsel

Swiss national

Member of the Group Executive Committee
since 2011

Educational and professional background
Lic. iur. HSG, University of St. Gallen, lawyer.

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

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

Risk management

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

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

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

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

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

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

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

Code of Conduct

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

Directorships outside the Group

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

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

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

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

4 REMUNERATION, PARTICIPATION AND LOANS

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

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

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

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

In other respects please refer to the remuneration report on pages 40 to 43.

5 SHAREHOLDERS' PARTICIPATORY RIGHTS

Voting restrictions
Rieter imposes no voting restrictions.

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

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

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

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

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

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

Entries in the shareholders' register

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

6 CHANGE OF CONTROL AND DEFENSIVE MEASURES

Obligation to submit an offer

The legal provisions 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 percent of all shares must submit a takeover offer to the other shareholders.

Change of control clauses

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

7 STATUTORY AUDITORS

Duration of mandate and term of office of the lead auditor

PricewaterhouseCoopers AG, Zurich (PWC), have been the statutory auditors of Rieter Holding Ltd. and the Rieter Group since 1984. The statutory auditors are elected at the Annual General Meeting each year upon a motion proposed by the Board of Directors. Stefan Räbsamen has officiated as lead auditor for the mandate since the 2012 financial year.

Audit fees

In the 2018 financial year PWC and other auditors charged the Rieter Group approximately CHF 0.9 million and CHF 0.1 million, respectively, for services in connection with auditing the annual financial statements of the group companies and Rieter's consolidated accounts.

Additional fees

Additional consultancy fees invoiced by the statutory auditors in 2018 amounted to CHF 0.1 million and concerned mainly tax consulting services.

Supervisory and monitoring instruments vis-à-vis the auditors

The audit committee of the Board of Directors makes an annual assessment of the performance, fees and independence of the statutory auditors. It submits a proposal for consideration at the Annual General Meeting regarding who should be elected as statutory auditors. Further information on auditing can be found on page 29 and 30.

8 INFORMATION POLICY

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

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

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:
https://www.rieter.com/media/media-releases/.

Financial calendar

• Annual General Meeting 2019	April 4, 2019
• Semi-Annual Report 2019	July 18, 2019
• Publication of sales 2019	January 29, 2020
• Deadline for proposals regarding the agenda of the Annual General Meeting	February 22, 2020
• Results press conference 2020	March 10, 2020
• Annual General Meeting 2020	April 16, 2020

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

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

2 REMUNERATION SYSTEM

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

Board of Directors

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

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

Group Executive Committee

Basic salary

The basic salary of the members of the Group Executive Committee consists of a salary which is disbursed monthly. The CEO receives part of the basic salary in shares, which are subject to a lockup period of three years from the issue date. In 2018, the number of allocated shares was calculated based on the average market value of Rieter shares 20 stock exchange trading days before the Annual General Meeting. The members of the Group Executive Committee have a Swiss employment contract. The employer pays the pension and social security contributions stipulated by law and regulations, as well as employees' contributions for accident and sickness. The members of the Group Executive Committee receive a lump-sum expenses allowance for entertainment costs which is in line with the expenses guidelines approved by the tax authorities.

Variable remuneration

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

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

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

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

Target achievement in 2018, calculated on the basis of the sub-targets specified and weighted by the Board of Directors in advance – EBIT before restructuring charges (60%), RONA (20%) and cash conversion rate (20%) – amounts to 44%. No bonuses were paid for individual performances in 2018.

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 six meetings in the 2018 financial year, five telephone conferences were also held; the minutes are available to all members of the Board of Directors.

Authority with regard to the type of remuneration is set out in the summary below. No external advisors were consulted for structuring salary policy or remuneration programs in 2018.

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

[1] Remuneration committee (RC)
[2] Board of Directors (BoD)

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

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

4 CONTRACTS OF EMPLOYMENT

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

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

5 REMUNERATION FOR THE 2018 FINANCIAL YEAR

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

6 PAYMENTS TO FORMER DIRECTORS AND OFFICERS

No remuneration was paid to former directors and officers.

7 PAYMENTS TO RELATED PARTIES

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

8 LOANS AND CREDITS

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

BOARD OF DIRECTORS

CHF	Cash compensation	Share-based compensation[1]	Social contributions and other compensation[2]	2018 Total	2017 Previous year
Bernhard Jucker, Chairman of the Board of Directors, as of May 1, 2017 Chairman of the strategy committee, member of the remuneration committee and the nomination committee	–	353 951	25 751	379 702	327 216
Erwin Stoller, Chairman of the Board of Directors, until April 30, 2017 Member of the remuneration committee and the nomination committee	–	–	–	–	105 965
This E. Schneider, Vice Chairman Chairman of the remuneration committee and the nomination committee	42 500	150 481	10 656	203 637	204 862
Roger Baillod Chairman of the audit committee	100 000	59 050	11 165	170 215	170 352
Carl Illi, as of May 1, 2017 Member of the audit committee and the strategy committee	106 667	62 894	11 850	181 411	109 650
Michael Pieper	–	118 313	5 284	123 597	123 662
Hans-Peter Schwald Member of the audit committee, the remuneration committee and the nomination committee	80 000	94 342	11 850	186 192	171 850
Peter Spuhler Member of the strategy committee	–	153 295	9 686	162 981	137 974
Luc Tack, as of May 1, 2017 Member of the strategy committee	–	153 295	9 686	162 981	92 586
Members of the Board of Directors	**329 167**	**1 145 621**	**95 928**	**1 570 716**	**1 444 117**

1 The shares were valued for overall remuneration at CHF 135.45 (average market price on the first ten trading days in 2019). The issue is made after deduction of any social security contributions.

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

GROUP EXECUTICE COMMITTEE

CHF	Basic salary	Cash bonus	Share-based compensation	Social contributions[2]	2018 Total	2017 Previous year
Dr. Norbert Klapper, Chief Executive Officer[1]	620 000	136 400	136 400	189 360	1 082 160	1 002 232
Other Members	1 780 000	391 600	391 600	481 903	3 045 103	2 851 506
Members of the Group Executive Committee	**2 400 000**	**528 000**	**528 000**	**671 263**	**4 127 263**	**3 853 738**

1 Highest single salary. Basic salary CHF 600 000 in cash and CHF 20 000 in shares.

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

REPORT OF THE STATUTORY AUDITOR ON THE REMUNERATION REPORT

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

We have audited the remuneration report of Rieter Holding Ltd. (section 5 to 8 on pages 42 and 43) for the year ended December 31, 2018. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance).

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

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

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

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

Opinion
In our opinion, the remuneration report of Rieter Holding Ltd. for the year ended December 31, 2018 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

St Räbsamen T. Handschin

Stefan Räbsamen	Tobias Handschin
Audit expert	Audit expert
Auditor in charge	

Zurich, March 12, 2019

Financial report

CONSOLIDATED INCOME STATEMENT

CHF million	Notes	2018[1]	%[3]	2017[2]	%[3]
Sales	(5)	**1 075.2**	**100.0**	**965.6**	**100.0**
Changes in semi-finished and finished goods		– 25.0	– 2.3	– 5.3	– 0.5
Own work capitalized		0.4	0.0	0.7	0.1
Material costs		– 489.9	– 45.6	– 431.5	– 44.7
Personnel expenses	(6)	– 301.5	– 28.0	– 282.8	– 29.3
Other operating income	(8)	21.4	2.0	20.8	2.1
Other operating expenses	(9)	– 196.8	– 18.3	– 172.9	– 17.9
Depreciation and amortization	(10)	– 40.9	– 3.8	– 42.8	– 4.4
Operating result before restructuring charges, interest and taxes		**42.9**	**4.0**	**51.8**	**5.4**
Restructuring charges[4]	(3)	0.3		– 36.0	
Operating result before interest and taxes (EBIT)		**43.2**	**4.0**	**15.8**	**1.6**
Share in profit of associated companies	(17)	1.4		0.7	
Financial income	(11)	2.7		3.9	
Financial expenses	(12)	– 4.7		– 4.4	
Profit before taxes		**42.6**	**4.0**	**16.0**	**1.7**
Income taxes	(13)	– 10.6		– 2.7	
Net profit		**32.0**	**3.0**	**13.3**	**1.4**
Attributable to shareholders of Rieter Holding Ltd.		31.9		13.2	
Attributable to non-controlling interests	(26)	0.1		0.1	
Basic earnings per share (CHF)	(14)	**7.07**		**2.92**	
Diluted earnings per share (CHF)	(14)	**7.06**		**2.91**	

1. Including SSM Textile Machinery (see note 2).
2. Including SSM Textile Machinery (period from July 1 to December 31, 2017; see note 2).
3. In % of sales.
4. Including impairment losses related to restructurings.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CHF million	Notes	2018[1]	2017[2]
Net profit		**32.0**	**13.3**
Remeasurement of defined benefit plans	(31)	0.5	2.0
Income taxes on remeasurement of defined benefit plans		– 0.3	– 0.7
Change in fair values of financial assets		– 0.2	0.0
Items that will not be reclassified to the income statement, net of taxes		**0.0**	**1.3**
Currency translation differences		– 16.4	4.8
Income taxes on currency translation differences		0.0	0.2
Cash flow hedges	(36)	2.7	– 1.2
Income taxes on cash flow hedges	(36)	– 0.6	0.3
Items that may be reclassified to the income statement, net of taxes		**– 14.3**	**4.1**
Total other comprehensive income		**– 14.3**	**5.4**
Total comprehensive income		**17.7**	**18.7**
Attributable to shareholders of Rieter Holding Ltd.		17.7	18.6
Attributable to non-controlling interests	(26)	0.0	0.1

1. Including SSM Textile Machinery (see note 2).
2. Including SSM Textile Machinery (period from July 1 to December 31, 2017; see note 2).

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

CONSOLIDATED BALANCE SHEET

CHF million	Notes	December 31, 2018	December 31, 2017
Assets			
Tangible fixed assets	(15)	212.8	232.6
Intangible assets and goodwill	(16)	98.0	107.8
Investments in associated companies	(17)	15.9	4.0
Defined benefit plan assets	(31)	62.7	62.0
Other non-current assets	(18)	8.7	14.4
Deferred income tax assets	(13)	26.4	29.2
Non-current assets		**424.5**	**450.0**
Inventories	(19)	186.6	192.4
Trade receivables	(20)	80.2	88.3
Other current receivables	(21)	43.7	62.1
Marketable securities and time deposits	(22)	0.9	1.1
Cash and cash equivalents	(23)	256.2	243.3
		567.6	**587.2**
Assets classified as held for sale	(24)	10.2	11.0
Current assets		**577.8**	**598.2**
Assets		**1 002.3**	**1 048.2**
Shareholders' equity and liabilities			
Equity attributable to shareholders of Rieter Holding Ltd.		445.9	456.8
Equity attributable to non-controlling interests	(26)	0.7	0.7
Total shareholders' equity		**446.6**	**457.5**
Non-current financial debt	(27)	106.7	106.6
Deferred income tax liabilities	(13)	40.5	45.0
Non-current provisions	(28)	57.7	86.9
Defined benefit plan liabilities	(31)	30.2	28.6
Other non-current liabilities		0.0	0.4
Non-current liabilities		**235.1**	**267.5**
Trade payables		96.3	88.2
Advance payments from customers	(29)	58.6	77.9
Current financial debt	(27)	0.2	7.3
Current income tax liabilities		5.3	11.5
Current provisions	(28)	46.1	32.9
Other current liabilities	(30)	114.1	105.4
Current liabilities		**320.6**	**323.2**
Liabilities		**555.7**	**590.7**
Shareholders' equity and liabilities		**1 002.3**	**1 048.2**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CHF million	Notes	Share capital	Treasury shares	Hedge reserve	Currency translation differences	Retained earnings	Total attributable to Rieter shareholders	Attributable to non-controlling interests	Total consolidated equity
At January 1, 2017		**23.4**	**– 25.8**	**– 1.1**	**– 83.0**	**546.1**	**459.6**	**1.1**	**460.7**
Net profit		0.0	0.0	0.0	0.0	13.2	13.2	0.1	13.3
Total other comprehensive income		0.0	0.0	– 0.9	5.0	1.3	5.4	0.0	5.4
Total comprehensive income		**0.0**	**0.0**	**– 0.9**	**5.0**	**14.5**	**18.6**	**0.1**	**18.7**
Distribution of a dividend	(25)	0.0	0.0	0.0	0.0	– 22.6	– 22.6	0.0	– 22.6
Changes in non-controlling interests	(26)	0.0	0.0	0.0	– 0.2	– 0.5	– 0.7	– 0.5	– 1.2
Share-based compensation	(33)	0.0	1.4	0.0	0.0	0.3	1.7	0.0	1.7
Changes in treasury shares		0.0	– 0.4	0.0	0.0	0.6	0.2	0.0	0.2
Total contributions by and distributions to owners of the company		**0.0**	**1.0**	**0.0**	**– 0.2**	**– 22.2**	**– 21.4**	**– 0.5**	**– 21.9**
At December 31, 2017		**23.4**	**– 24.8**	**– 2.0**	**– 78.2**	**538.4**	**456.8**	**0.7**	**457.5**
Impact of changes in accounting policies (IFRS 15 adoption)	(1)	0.0	0.0	0.0	0.0	– 0.5	– 0.5	0.0	– 0.5
Income taxes on impact of changes in accounting policies	(1)	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.1
At January 1, 2018		**23.4**	**– 24.8**	**– 2.0**	**– 78.2**	**538.0**	**456.4**	**0.7**	**457.1**
Net profit		0.0	0.0	0.0	0.0	31.9	31.9	0.1	32.0
Total other comprehensive income		0.0	0.0	2.1	– 16.3	0.0	– 14.2	– 0.1	– 14.3
Total comprehensive income		**0.0**	**0.0**	**2.1**	**– 16.3**	**31.9**	**17.7**	**0.0**	**17.7**
Distribution of a dividend	(25)	0.0	0.0	0.0	0.0	– 22.6	– 22.6	0.0	– 22.6
Share-based compensation	(33)	0.0	1.1	0.0	0.0	0.4	1.5	0.0	1.5
Changes in treasury shares		0.0	– 7.1	0.0	0.0	0.0	– 7.1	0.0	– 7.1
Total contributions by and distributions to owners of the company		**0.0**	**– 6.0**	**0.0**	**0.0**	**– 22.2**	**– 28.2**	**0.0**	**– 28.2**
At December 31, 2018		**23.4**	**– 30.8**	**0.1**	**– 94.5**	**547.7**	**445.9**	**0.7**	**446.6**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

CHF million	Notes	2018[1]	2017[2]
Net profit		**32.0**	**13.3**
Interest income	(11)	– 2.1	– 1.5
Interest expenses	(12)	4.5	3.3
Income taxes	(13)	10.6	2.7
Depreciation of tangible fixed assets and amortization of intangible assets	(10)	40.9	48.9
Other non-cash expenses and income		1.5	– 3.6
Change in inventories		0.2	– 4.8
Change in receivables		18.6	– 31.2
Change in provisions		– 14.1	17.7
Change in trade payables		11.5	– 3.5
Change in advance payments from customers and other liabilities		– 10.5	– 8.8
Dividends received		0.7	0.0
Interest received		2.1	1.5
Interest paid		– 3.7	– 2.5
Income taxes paid		– 13.8	– 10.9
Net cash from operating activities		**78.4**	**20.6**
Acquisition of subsidiaries	(2)	0.0	– 100.2
Acquisition of associated companies	(17)	– 10.2	0.0
Purchase of tangible fixed assets and intangible assets	(15/16)	– 29.2	– 29.4
Proceeds from disposals of tangible fixed assets and intangible assets		11.2	2.0
Proceeds from disposals/purchase of other non-current assets		2.5	– 1.5
Sale/purchase of marketable securities and time deposits		0.7	7.2
Net cash from investing activities		**– 25.0**	**– 121.9**
Dividend paid to shareholders of Rieter Holding Ltd.	(25)	– 22.6	– 22.6
Purchase/sale of treasury shares		– 7.1	0.2
Proceeds from other financial debt	(27)	0.0	7.0
Repayments of other financial debt	(27)	– 6.6	– 4.0
Net cash from financing activities		**– 36.3**	**– 19.4**
Currency effects on cash and cash equivalents		– 4.2	– 1.6
Change in cash and cash equivalents		**12.9**	**– 122.3**
Cash and cash equivalents at January 1	(23)	**243.3**	**365.6**
Cash and cash equivalents at December 31	(23)	**256.2**	**243.3**

1. Including SSM Textile Machinery (see note 2).
2. Including SSM Textile Machinery (period from July 1 to December 31, 2017; see note 2).
The notes on pages 50 to 92 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

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

The consolidated financial statements were approved for publication by the Board of Directors on March 12, 2019. They are also subject to approval by the Annual General Meeting of shareholders.

1 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The significant accounting policies applied in preparing these consolidated financial statements are set out on the following pages. 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 cost, with the exception of certain financial instruments and defined benefit plan assets, which are measured at fair value.

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

New or amended standards and interpretations
IFRS 9 Financial Instruments[1]
IFRS 15 Revenue from Contracts with Customers (including "Clarifications" issued in April 2016)
Classification and Measurement of Share-based Payment Transactions (amendments to IFRS 2)[2]
Transfers of Investment Property (amendments to IAS 40)[2]
Annual Improvements to IFRS Standards 2014–2016 Cycle[2]
IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration

1. Early adoption at January 1, 2016.
2. The application of these new or amended provisions had no or no significant impact on the 2018 consolidated financial statements and its comparative period.

Application of "IFRS 15 Revenue from Contracts with Customers"
Rieter has applied the new standard "IFRS 15 Revenue from Contracts with Customers", which defines revenue recognition for customer contracts, for the first time as of January 1, 2018. The main impacts of this standard are in the treatment of contracts with several performance obligations as well as in extended disclosures.

Adjustments to the balance sheet at January 1, 2018 (date of initial application of IFRS 15)
In accordance with the transitional provisions of IFRS 15, Rieter elected the modified retrospective approach for the changeover. Under this approach, the comparative period (2017 financial year) on the consolidated financial statements of the transition period (2018 financial year) is not restated. Instead, the line items affected by the application of IFRS 15 in the 2018 consolidated financial statements are presented in addition as if the old provisions of IAS 18 had still been applied. Customer contracts that were not fully completed at December 31, 2017, were adjusted to the new provisions for revenue recognition. The result of these adjustments was recognized in retained earnings in the opening balance sheet at January 1, 2018.

The table below presents the recognition of the adjustments at January 1, 2018:

CHF million	
Retained earnings at December 31, 2017 (before application of IFRS 15)	538.4
Recognition of contract liabilities for extensions of product warranty periods	– 0.5
Income taxes on the recognition of contract liabilities for extensions of product warranty periods	0.1
Retained earnings at January 1, 2018 (after application of IFRS 15)	**538.0**

Extensions of product warranty periods sold to customers are now treated as a separate performance obligation and the respective revenue is recognized over its performance period. At January 1, 2018, the respective contract liabilities of CHF 0.5 million were recognized in the line item deferred revenue (see note 30) against retained earnings. No specific guarantee and warranty provisions were included for the respective extensions of product warranty periods before January 1, 2018. The tax impact of CHF 0.1 million was recognized in deferred income tax liabilities.

Presentation of the 2018 consolidated financial statements in accordance with the old provisions of IAS 18
Had the old provisions of IAS 18 still been applied in the year under review, revenue from extensions of product warranty periods sold to customers would not have been accrued as corresponding contract liability at January 1 and December 31, 2018.

The following table shows the line items affected by the application of IFRS 15 in the 2018 consolidated financial statements based on the new provisions. For comparative purposes, the figures prepared in accordance with the old provisions of IAS 18 have been added.

CHF million	**Application of IFRS 15**	**Application of IAS 18**
	2018	**2018**
Sales	1 075.2	1 075.2
Operating result before interest and taxes (EBIT)	43.2	43.2
Income taxes	10.6	10.6
Net profit	32.0	32.0
	January 1, 2018	**December 31, 2017**
Other current liabilities	105.9	105.4
Deferred income tax liabilities	44.9	45.0
Retained earnings	538.0	538.4
	December 31, 2018	**December 31, 2018**
Other current liabilities	114.1	113.6
Deferred income tax liabilities	40.5	40.6
Retained earnings	547.7	548.1

Significant accounting policies as of January 1, 2018 – revenue recognition

Rieter sells textile machinery and systems on a global scale. The respective customer contracts may include further elements such as installation. Installation is treated as a separate performance obligation due to the nature of service rendered. Revenue from textile machinery and systems sales is recognized when control is transferred to the customer. In general, this happens at the point in time when products are handed over to the customer or its freight carrier based on contractually agreed terms ("International commercial terms" or "Incoterms"). Upon handover, the customer assumes physical control as well as significant risks and future rewards. Prior to delivery, Rieter ensures that machinery and systems comply with contractually agreed performance criteria. As a consequence, no significant unfulfilled obligations exist for Rieter upon handover, with the exception of installation. Installations are invoiced at the same time like the delivery of machinery and systems, although the service is being rendered at a later date. Revenue from installation services is therefore deferred as contract liability in the line item deferred revenue and is recognized in the period when the service is rendered (see note 30). The progress of the performance is determined based on accumulated working hours or expenses compared to total expected working hours or expenses (over time). Estimates of total expected working hours or expenses are adjusted in the event of changes. The effects of such adjustments are recognized in the respective period. The total selling price agreed in such contracts (including discounts granted) is allocated to individual performance obligations based on relative stand-alone selling prices. Rieter has implemented enhanced internal controls for customer contracts with high volumes ensuring a relative allocation of total selling prices to individual performance obligations. In case of customers' advance payments for such deliveries and installations, the respective contract liability is accrued separately in the line item advance payments from customers (see note 29).

The Rieter Group also distributes technology components and spare parts for textile machinery and systems. Revenue from these products is recognized when control is transferred to the customer. In general, this happens at the point in time when products are handed over to the customer or its freight carrier based on the relevant contractually agreed terms ("Incoterms"). Upon handover, the customer assumes physical control as well as significant risks and future rewards. There are no material unfulfilled obligations beyond this for Rieter. In case of customers' advance payments for such deliveries, the respective contract liability is accrued separately in the line item advance payments from customers (see note 29).

In addition, Rieter offers a wide range of services and solutions over the entire life cycle of textile machinery and systems. This portfolio includes, for example, mill assessments and preventive maintenance as well as upgrade and conversion packages. Revenue from such services rendered at customers' machinery and systems is usually fixed and is recognized in the period when the service is rendered. The progress of the performance is determined based on accumulated working hours or expenses compared to total expected working hours or expenses (over time). In case of customers' advance payments for such services, the respective contract liability is accrued separately in the line item advance payments from customers (see note 29).

Usually, the payment of selling prices in customer contracts is secured by means of letters of credit, advance payments, credit insurance or other instruments. For receivables which are not covered by advance payments, the general payment term is usually between 30 and 60 days. Since payment terms of more than one year are not generally granted, customer contracts do not usually include any financing component.

Disaggregation of revenue

Rieter discloses revenue divided by the Machines & Systems, After Sales and Components segments (see note 4). In addition, a disaggregation of revenue by sales of products and by sales of services is presented (see note 5).

Contract liabilities and assets

Contract liability balances from customer contracts as well as significant changes in the year under review are presented in the details for advance payments from customers (see note 29) and deferred revenue (see note 30). Except for trade receivables, there were no contract assets from customer contracts at December 31, 2018 (none at January 1, 2018).

Application of "IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration"
Rieter applied "IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration" prospectively for the first time as of January 1, 2018. The main impact of the new interpretation for Rieter is in the measurement of revenue from customer contracts with advance payments in foreign currencies. The respective revenues are recognized using foreign exchange rates applicable at the particular point in time of the individual payments. In addition, this clarification may also affect the recognition of tangible fixed assets and inventories with advance payments in foreign currencies. In accordance with IFRIC 22, the comparative period has not been adjusted.

Basis of consolidation
The consolidated financial statements comprise the financial statements of Rieter Holding Ltd. and its subsidiaries (or "group companies") as at December 31, 2018. 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.

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

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

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

Subsidiaries and associated companies of Rieter are listed on page 92.

Changes in subsidiaries and associated companies
In the year under review, Rieter has acquired 25% of Electro-Jet S.L. based in Gurb (Spain; see note 17). In addition, the operationally inactive Novibra GmbH (Germany) was liquidated in the year under review. In the previous year, Rieter acquired SSM Textile Machinery from Schweiter Technologies AG in Horgen (Switzerland; see note 2).

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

Tangible fixed and intangible assets are tested for impairment whenever there are indications that, due to changes in circumstances, their carrying amount may no longer be fully recoverable. Goodwill is tested for impairment at least on an annual basis. In doing so, the recoverable amount is determined on the basis of expected future net cash flows, and is equivalent to the higher of the discounted value of expected future net cash flows from continuing use or the expected fair value less cost to sell. If the recoverable amount is lower than the carrying amount, the difference is recognized as an impairment loss 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 and discount rates (see notes 15 and 16).

When assessing the value of inventories, estimates of their recoverability are necessary that arise from the expected consumption of the respective items. The allowance for inventories is calculated at item level using a range of coverage analysis. The parameters used in this analysis are reviewed annually and modified if necessary. Changes in sales volumes, the production process or other circumstances may result in carrying amounts having to be adjusted accordingly (see note 19).

Defined benefit plans require actuarial calculations in order to determine defined benefit plan obligations. These calculations are based on assumptions such as discount rates, future trends in wages and pensions as well as the employee share in the costs of the future benefits. Statistical data such as mortality tables and staff turnover probability rates are also used to calculate defined benefit plan obligations. If these parameters change, actual future results can deviate from the actuarial calculations. Such deviations can have an effect on the defined benefit plan obligations (see note 31).

In the course of the ordinary operating activities of the Group, obligations can arise from warranty claims, restructuring, litigations and onerous contracts. Provisions for these obligations are measured on the basis of expected cash outflows when accounts are drawn up. However, the outcome of the events mentioned above may result in claims against the Group which are higher or lower than the respective provisions and are not – or only partially – covered by a relevant insurance benefit (see note 28).

Assumptions in relation to income taxes also include interpretations of the tax regulations in countries where Rieter has business activities. The adequacy of these interpretations is assessed by the tax authorities and competent courts, a process which can result in changes to income taxes at a later stage. In addition, whether a deferred income tax asset is recognized for tax losses carried forward is based on management's estimate of the availability of future taxable profits to offset the respective losses carried forward (see note 13).

Foreign currency translation

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

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

For consolidation purposes, items in the balance sheet of foreign group companies are translated into Swiss francs at closing exchange rates, while income statement items are translated at average rates for the respective period.

The resulting currency translation differences are recognized in other comprehensive income. In the event of an entity's deconsolidation, currency translation differences are reclassified to the income statement as part of the gain or loss on the entity's divestment or liquidation.

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

		Average annual CHF rates		Year-end CHF rates	
Country/Region	Currency (unit)	**2018**	**2017**	**2018**	**2017**
China	100 CNY	14.79	14.57	14.31	14.99
Euro countries	1 EUR	1.16	1.11	1.13	1.17
India	100 INR	1.43	1.51	1.41	1.53
Czech Republic	100 CZK	4.50	4.22	4.38	4.58
USA	1 USD	0.98	0.98	0.98	0.98
Uzbekistan	1 000 UZS	0.12	0.18	0.12	0.12

Tangible fixed assets

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its estimated recoverable amount if it is higher than this amount (see "Impairment of non-financial assets" on page 56).

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

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

Leases

Leased tangible fixed assets for which Rieter bears substantially all the risks and rewards of ownership are capitalized. Assets held under such finance leases are depreciated over the shorter of their estimated useful life or the lease term. The respective lease obligations, excluding finance charges, are included in either current or non-current financial debt depending on their date of maturity. Lease installments are divided into an interest and a principal redemption component.

Lease arrangements in which a substantial portion of the risks and rewards associated with ownership of the leased asset remains 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 and goodwill

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

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

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

Research and development

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

Impairment of non-financial assets

Assets that are subject to regular depreciation or amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable. Goodwill is tested for impairment at least at each balance sheet date. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's discounted value of expected future net cash flows from continuing use or expected fair value less cost to sell. Non-financial assets that have suffered an impairment loss in the past are reviewed for possible reversal of the respective loss at each reporting date. For the goodwill impairment test, Rieter uses financial plans approved by the Group Executive Committee. These plans are extrapolated to a period of five years. Management thereby makes assumptions related to sales growth rates and profit margins. Expected future cash flows are discounted with a market- or country-specific discount rate respectively (see notes 15 and 16).

Financial assets

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

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

Debt instruments:

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

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

Rieter held no debt instruments classified as "at fair value through OCI" or as "at fair value through profit or loss" at December 31, 2018, and 2017.

Credit risks related to debt instruments at amortized cost held by Rieter at December 31, 2018, and 2017, are considered to be low. Therefore, the regular approach in accordance with IFRS 9 requires Rieter to determine the impairment allowance as the credit losses expected in the next twelve months. If the credit risk were to increase and no longer be regarded as low-risk, lifetime expected credit losses would have to be recognized. For trade receivables a separate approach is applied for measuring impairment (see "Trade receivables" on page 57).

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

Equity instruments:
A minor balance of equity instruments was designated as “at fair value through other comprehensive income” at acquisition date. Apart from that, Rieter held no financial assets at December 31, 2018, and 2017, that complied with the criteria for equity instruments.

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

Derivative financial instruments and hedge accounting
Rieter concludes foreign currency contracts in order to hedge foreign currency risks. Hedge accounting in accordance with IFRS 9 is applied to selected transactions.

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

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

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

Once the hedged transaction is accounted for in the financial statements, the fair value of the spot element is reclassified from the hedge reserve to the income statement (other operating income/expenses). Any ineffective portion of the fair value of the hedging instrument is recognized immediately in the income statement (in other operating income/expenses; see note 36).

Inventories
Raw materials, consumables and trading goods are measured at the lower of average cost or net realizable value. Semi-finished and finished goods are stated at the lower of manufacturing cost or net realizable value. Allowances on inventories are recognized for slow-moving items and excess stock.

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

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

Shareholders' equity

Shares of Rieter Holding Ltd. are classified as share capital. Costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity (net of taxes). Repurchased shares are recognized at the amount of considerations paid plus directly attributable transaction costs and taxes. Such shares are classified as "treasury shares" and presented as a negative component of equity.

If treasury shares are sold or reissued subsequently, the amount received is offset against the historical cost of the respective shares with the residual balance going to retained earnings.

Financial debt

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

Provisions

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

Current and deferred income taxes

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

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

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

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

Employee benefit plans

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

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

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

Contributions by employees are recognized as a reduction of service cost in the period in which the related service is rendered.

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

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.

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

Revenue recognition

Accounting policy applied as of January 1, 2018

See section “Significant accounting policies as of January 1, 2018 – revenue recognition” on page 52.

Accounting policy applied until December 31, 2017

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. Revenue is stated net of value added taxes, credits, discounts and rebates. Rieter recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific contractual criteria are met.

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

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

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

Financing costs

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalized as a part of the acquisition costs of the qualifying asset. All other expenses related to financing arrangements are recognized in the income statement.

Standards and Interpretations that have been published but not yet applied

The new or amended standards and interpretations listed below have been issued by the IASB, but are not yet effective:

New or amended standards and interpretations	Effective date	Planned application by Rieter
IFRS 16 Leases	January 1, 2019	Financial year 2019
Long-term Interests in Associates and Joint Ventures (amendments to IFRS 28)[1]	January 1, 2019	Financial year 2019
Prepayment Features with Negative Compensation (amendments to IFRS 9)[1]	January 1, 2019	Financial year 2019
Plan Amendment, Curtailment or Settlement (amendments to IAS 19)[1]	January 1, 2019	Financial year 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle[1]	January 1, 2019	Financial year 2019
IFRIC Interpretation 23: Uncertainty over Income Tax Treatments[1]	January 1, 2019	Financial year 2019
Definition of a Business (amendments to IFRS 3)[1]	January 1, 2020	Financial year 2020
Definition of Material (amendments to IAS 1 and IAS 8)[1]	January 1, 2020	Financial year 2020
IFRS 17 Insurance Contracts[1]	January 1, 2021	Financial year 2021

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

"IFRS 16 Leases" requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts, with only optional exemptions for short-term leases (non-cancellable lease term of twelve months or less) or leases of low-value assets.

The provisions of IFRS 16 allow a modified retrospective approach to be applied for the transition. Under this approach, the comparative period (2018 financial year) of the consolidated financial statements of the transition period (2019 financial year) will not be restated. Existing lease arrangements classified as operating lease under the old standard IAS 17 and not exempted in accordance with IFRS 16, are recognized as a lease liability and as a right-of-use asset in the opening balance sheet at January 1, 2019. The lease liabilities are measured at present value of the remaining lease payments at initial application at January 1, 2019. Right-of-use assets are recognized in the amount of the lease liabilities on this date. At this stage, Rieter expects to recognize lease liabilities and right-of-use-assets of CHF 5.6 million each at January 1, 2019.

2 ACQUISITIONS

With the exception of the investment in the associated company Electro-Jet S.L. (see note 17), Rieter did not make any acquisitions in the year under review.

On June 30, 2017, Rieter acquired SSM Textile Machinery from Schweiter Technologies AG, Horgen (Switzerland). SSM Textile Machinery (SSM) comprises the following companies: SSM Schärer Schweiter Mettler AG, Horgen (Switzerland), SSM Vertriebs AG, Steinhausen (Switzerland), SSM Giudici S.r.l., Galbiate (Italy) and SSM (Zhongshan) Ltd., Zhongshan (China). Rieter acquired 100% of the shares of these companies.

SSM is the world's leading supplier of precision winding machines in the fields of dyeing, weaving and sewing-thread preparation and enjoys success in individual segments of filament yarn production. SSM has been attached to the Components Business Group as an independent unit.

The purchase price for SSM was settled in cash and amounted to CHF 124.2 million. No contingent considerations were agreed. The transaction costs of CHF 2.1 million related directly to the acquisition, of which CHF 1.5 million was incurred in the 2017 financial year and CHF 0.6 million in the 2016 financial year, were recognized in the income statement as other operating expenses.

The balance sheet of SSM was incorporated in the consolidated balance sheet for the first time on June 30, 2017. Assets and liabilities were measured at fair value with the exceptions of defined benefit pension plan liabilities and deferred income tax assets and liabilities.

CHF million	June 30, 2017
Assets	
Tangible fixed assets	3.1
Intangible assets	62.1
Deferred income tax assets	0.7
Inventories	19.8
Trade receivables	8.9
Other current receivables	2.2
Cash and cash equivalents	24.0
Total assets	**120.8**
Liabilities	
Deferred income tax liabilities	12.7
Non-current provisions	1.4
Defined benefit plan liabilities	1.1
Trade payables	9.4
Advance payments from customers	5.8
Current income tax liabilities	1.1
Current provisions	1.3
Other current liabilities	7.3
Total liabilities	**40.1**
Purchase price	124.2
Net identifiable assets acquired	80.7
Goodwill	**43.5**

The intangible assets line item comprised mainly the fair values of customer relationships (CHF 37.3 million), technology (CHF 18.5 million) and the SSM brand (CHF 4.9 million).

Goodwill was attributable mainly to the future value of joint projects in the areas of technology and innovation as well as to the strong market position and the profitability of SSM. Any amortization of goodwill will not be effective for tax purposes.

The fair value of trade receivables amounted to CHF 8.9 million. The gross contractual amount of invoiced trade receivables amounted to CHF 9.1 million, while the allowance for doubtful receivables was CHF 0.2 million.

The future aggregate minimum lease payments under operating leases amounted to CHF 6.2 million at June 30, 2017. These leasing contracts mainly related to the rental of business premises.

Cash flows resulting from the acquisition of SSM are summarized in the table below:

CHF million	June 30, 2017
Purchase price settled in cash	124.2
Less cash and cash equivalents acquired	– 24.0
Net cash outflow - net cash from investing activities	**100.2**

The impact of SSM on the consolidated income statement of the 2017 financial year was limited to the period from July 1 until December 31, 2017. During that period, SSM contributed sales of CHF 49.1 million, EBITDA of CHF 8.3 million and a net profit of CHF 6.9 million (before one-off and recurring effects resulting from the acquisition). One-off and recurring effects resulting from the acquisition consisted of CHF 3.1 million of additional material costs, CHF 4.0 million of amortization and a tax impact of CHF –1.3 million. Had the acquisition taken place on January 1, 2017, sales, EBITDA and net profit contributed by SSM to the 2017 consolidated income statement would have amounted to CHF 98.9 million, CHF 17.1 million and CHF 14.0 million respectively (before one-off and recurring effects resulting from the acquisition).

3 RESTRUCTURING CHARGES

Rieter is focusing on the development of machines and the provision of technical support for the after-sales business at the Ingolstadt location. Production was transferred to the Ústí nad Orlicí site in the Czech Republic. In September 2017, Rieter agreed with the Works Council at the Ingolstadt location on a package of measures for employees affected by the planned reduction in the workforce.

Restructuring costs include mainly current project costs and retention payments in the year under review. The reassessment of the restructuring provisions based on the project progress at December 31, 2018, resulted in a release of CHF 3.5 million. The significant part of the employees concerned by the restructuring has left the company at December 31, 2018. The respective cash outflow will take place mainly in 2019 (see note 28).

Restructuring charges incurred in the 2017 financial year included predominantly the recognition of provisions for the expected costs in connection with the affected employees. In addition, non-recurring impairment losses related to tangible fixed assets, additional write-offs on inventory balances as well as current costs directly attributable to restructurings were recognized.

The table below presents the allocation of the restructuring charges by segments as described in note 4:

CHF million	2018	2017
Restructuring costs, Machines & Systems	3.1	11.1
Impairment losses on tangible fixed assets, Machines & Systems	0.0	2.5
Reversal of restructuring provisions, Machines & Systems	– 1.7	0.0
Restructuring costs, After Sales	0.1	7.3
Reversal of allowance for inventories, After Sales	– 0.3	0.0
Impairment losses on tangible fixed assets, After Sales	0.0	0.1
Reversal of restructuring provisions, After Sales	– 0.7	0.0
Restructuring costs, corporate functions and infrastructure	0.3	11.5
Impairment losses on tangible fixed assets, corporate functions and infrastructure	0.0	3.5
Reversal of restructuring provisions, corporate functions and infrastructure	– 1.1	0.0
Total restructuring charges	**– 0.3**	**36.0**

4 SEGMENT INFORMATION

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

Segment information 2018[1]

CHF million	Machines & Systems	After Sales	Components	Total reportable segments
Total segment sales	669.3	143.6	348.5	1 161.4
Inter-segment sales[2]	0.0	0.0	86.2	86.2
Sales to third parties[3]	669.3	143.6	262.3	1 075.2
Operating result before restructuring charges, interest and taxes	– 8.3	20.4	32.5	44.6
Operating result before interest and taxes (EBIT)	– 9.7	21.3	32.5	44.1
Purchase of tangible fixed assets and intangible assets	5.9	0.3	12.2	18.4
Depreciation of tangible fixed assets and amortization of intangible assets	11.6	1.0	17.1	29.7

1. Including SSM Textile Machinery (see note 2).
2. Inter-segment sales conducted at arms' length.
3. Equal to sales in the consolidated income statement.

Segment information 2017[1]

CHF million	Machines & Systems	After Sales	Components	Total reportable segments
Total segment sales	589.5	146.3	308.0	1 043.8
Inter-segment sales[2]	0.0	0.0	78.2	78.2
Sales to third parties[3]	589.5	146.3	229.8	965.6
Operating result before restructuring charges, interest and taxes	0.8	27.9	30.8	59.5
Operating result before interest and taxes (EBIT)	– 12.8	20.5	30.8	38.5
Purchase of tangible fixed assets and intangible assets	11.8	1.5	11.7	25.0
Depreciation of tangible fixed assets and amortization of intangible assets	13.9	0.9	14.9	29.7
Impairment losses on tangible fixed assets and intangible assets	2.5	0.1	0.0	2.6

1. Including SSM Textile Machinery (period from July 1 to December 31, 2017; see note 2).
2. Inter-segment sales conducted at arms' length.
3. Equal to sales in the consolidated income statement.

Reconciliation of segment results

CHF million	2018	2017
Operating result before interest and taxes (EBIT) of reportable segments	44.1	38.5
Result which cannot be allocated to reportable segments	– 0.9	– 22.7
Operating result before interest and taxes (EBIT), Group	**43.2**	**15.8**
Share in profit of associated companies	1.4	0.7
Financial income	2.7	3.9
Financial expenses	– 4.7	– 4.4
Profit before taxes	**42.6**	**16.0**

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

In the 2018 financial year, the result which cannot be allocated to the reportable segments contains a gain from the sale of fixed assets in China amounting to CHF 0.5 million. These assets were disposed for an amount of CHF 10.3 million as a result of the continuous optimization of production operations on a global scale. In addition, due to a court ruling in favor of Rieter, provisions amounting to CHF 2.5 million were reversed in the year under review (see note 28). The net income from restructuring of CHF 0.8 million is also comprised (see note 3). In the prior year, the respective result included restructuring charges of CHF 15.0 million (see note 3) and transaction costs of CHF 1.5 million directly attributable to the acquisition of SSM (see note 2).

Sales and non-current assets by country

CHF million	Sales 2018[1]	Sales 2017[1]	Non-current assets 2018[2]	Non-current assets 2017[2]
Switzerland (domicile of Rieter Holding Ltd.)	2.6	2.1	150.6	157.1
Foreign countries	1 072.6	963.5	160.2	183.3
Total Group	**1 075.2**	**965.6**	**310.8**	**340.4**
The following countries accounted for more than 10% of sales or non-current assets:				
Switzerland (domicile of Rieter Holding Ltd.)	2.6	2.1	150.6	157.1
China	148.6	184.0	45.6	64.5
India	146.2	173.8	20.1	24.6
Czech Republic	2.9	2.5	46.7	41.9
Turkey	154.8	100.1	0.1	0.0
Uzbekistan	144.1	85.0	6.2	4.4

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

No individual customer accounted for more than 10% of consolidated sales in 2018 and 2017. The greatest granularity available for products and product groups is segment level, which is reflected in the segment reporting shown above.

5 SALES

The following table summarizes the changes in sales compared to the prior year:

CHF million	2018	2017
Changes in sales due to volume and price, Machines & Systems	83.5	– 11.4
Currency translation differences, Machines & Systems	– 3.7	– 2.5
Changes in sales due to volume and price, After Sales	– 2.5	4.1
Currency translation differences, After Sales	– 0.2	0.6
Changes in sales due to volume and price, Components	– 6.1	– 21.5
Currency translation differences, Components	3.7	2.2
Acquisitions, Components[1]	34.9	49.1
Total	**109.6**	**20.6**

1. Acquisition of SSM Textile Machinery at June 30, 2017 (see note 2).

Sales are divided into the following categories:

CHF million	2018[1]
Sales of products	1 030.2
Sales of services	45.0
Total sales	**1 075.2**

1. Due to the application of IFRS 15 no comparative period.

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

In the year under review, Rieter invoiced 38% of sales in Swiss francs (33% in 2017), 31% in euros (31% in 2017), 15% in US dollars (10% in 2017) and 16% in other currencies (26% in 2017). The portion of costs incurred in Swiss francs was about 25% of sales (27% in 2017).

6 PERSONNEL EXPENSES

CHF million	2018	2017
Wages and salaries	242.8	228.0
Social security and other personnel expenses	58.7	54.8
Total	**301.5**	**282.8**

7 RESEARCH AND DEVELOPMENT EXPENSES

CHF 51.9 million were spent on research and development in the year 2018 (CHF 49.2 million in 2017). Rieter aims to continuously improve and expand the functional features of its product and service offerings as well as to enhance the quality and quantity of the production output and efficiency of its customers' production processes.

Development costs must meet various criteria in order to be recognized as an intangible asset. The technical and financial resources have to be available to complete the development and the expenditure attributable to the development must be reliably measurable. Although these criteria were met in 2018 by all material development projects and management in charge confirmed its intention and ability to complete the projects, no development costs were recognized as intangible assets in the year under review and in the previous years. Due to rapid technological changes and wide cyclical fluctuations in the industry, future economic benefits could not be sufficiently demonstrated.

8 OTHER OPERATING INCOME

CHF million	2018	2017
Rental income	2.4	2.4
Gain on disposals of tangible fixed assets	1.3	1.6
Miscellaneous operating income	17.7	16.8
Total	**21.4**	**20.8**

Miscellaneous operating income includes income which is not presented as sales, such as proceeds from the disposal of materials for recycling purposes and income from export incentive schemes. In addition, the income from the reversal of provisions due to a court ruling in favor of Rieter amounting to CHF 2.5 million was recognized in the year under review (see note 28).

9 OTHER OPERATING EXPENSES

CHF million	2018	2017
Sales commissions	34.6	29.9
Outbound freight to customers	31.3	20.3
Energy and operating materials	28.0	27.0
Travel and representation expenses	18.2	18.2
Repair and maintenance	12.1	11.9
External services	11.3	11.7
Development work by third parties[1]	7.9	7.4
Operating lease expenses[1]	5.7	4.3
Other taxes and fees[1]	4.4	4.7
Foreign exchange differences (net)	3.5	7.0
Miscellaneous operating expenses	39.8	30.5
Total	**196.8**	**172.9**

1. Included in the line item miscellaneous operating expenses in the 2017 consolidated financial statements.

Miscellaneous operating expenses include among other items sales and marketing expenses, external IT expenses as well as expenses in connection with credit insurances.

10 DEPRECIATION AND AMORTIZATION

CHF million	2018	2017[1]
Tangible fixed assets	29.9	33.6
Intangible assets	11.0	9.2
Total	**40.9**	**42.8**

1. In 2017, depreciation of tangible fixed assets includes an impairment loss of CHF 0.7 million related to assets classified as held for sale (see note 24). Impairment losses related to restructurings amounting to CHF 6.1 million are included in restructuring charges (see note 3).

11 FINANCIAL INCOME

CHF million	2018	2017
Interest income	2.1	1.5
Other financial income and exchange rate differences (net)	0.6	2.4
Total	**2.7**	**3.9**

12 FINANCIAL EXPENSES

CHF million	2018	2017
Interest expenses	4.5	3.3
Other financial expenses	0.2	1.1
Total	**4.7**	**4.4**

13 INCOME TAXES

CHF million	2018	2017
Current income taxes	14.2	16.7
Deferred income taxes	– 3.6	– 14.0
Total	**10.6**	**2.7**

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

CHF million	2018	2017
Income taxes on remeasurement of defined benefit plans	– 0.3	– 0.7
Income taxes on currency translation differences	0.0	0.2
Income taxes on cash flow hedges	– 0.6	0.3
Total	**– 0.9**	**– 0.2**

Reconciliation of expected and actual income taxes:

CHF million	2018	2017
Expected income taxes on profit before taxes of CHF 42.6 million (CHF 16.0 million in 2017) at an average rate of 23.8% (22.4% in 2017)	10.1	3.6
Impact of non-deductible expenses	0.6	0.3
Impact of non-taxable income/income taxed at different rates	– 0.9	– 3.8
Impact of losses and loss carry-forwards	– 1.5	– 1.2
Impact of changes in tax rates and tax legislation	0.0	0.6
Tax effects from previous periods	0.4	0.9
Withholding taxes on payments from subsidiaries	1.8	2.2
Other effects	0.1	0.1
Actual income taxes	**10.6**	**2.7**

The expected weighted average tax rate increased by 1.4 percentage points due to changes in the profitability of certain group companies.

Deferred income taxes

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

CHF million	2018	2017
Deferred income tax liabilities, net at January 1	**15.8**	**18.2**
Income taxes on impact of changes in accounting policies[1]	– 0.1	0.0
Deferred income tax liabilities, net at January 1 (adjusted)	**15.7**	**18.2**
Deferred income taxes recognized in the income statement	– 3.6	– 14.0
Deferred income taxes recognized as other comprehensive income	0.9	0.2
Acquisitions[2]	0.0	12.0
Currency translation differences	1.1	– 0.6
Deferred income tax liabilities, net at December 31	**14.1**	**15.8**

1. Application of IFRS 15 (see note 1).
2. Acquisition of SSM Textile Machinery at June 30, 2017 (see note 2).

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

CHF million	Deferred income tax assets December 31, 2018	Deferred income tax liabilities December 31, 2018	Deferred income tax assets December 31, 2017	Deferred income tax liabilities January 1, 2018[1]
Tangible fixed assets	5.8	– 8.5	6.6	– 8.4
Intangible assets	0.2	– 9.9	0.3	– 10.8
Defined benefit plan assets	0.0	– 13.5	0.0	– 13.0
Inventories	7.3	– 4.3	9.5	– 1.8
Other assets	1.0	– 9.4	0.5	– 17.5
Provisions	2.6	– 0.8	4.1	– 0.6
Defined benefit plan liabilities	4.1	0.0	3.8	0.0
Other liabilities	2.7	– 0.5	2.7	– 0.2
Valuation adjustments on deferred income tax assets	– 2.6	0.0	– 2.7	0.0
Tax loss carry-forwards and tax credits	11.7	0.0	11.8	0.0
Total	**32.8**	**– 46.9**	**36.6**	**– 52.3**
Offsetting	– 6.4	6.4	– 7.4	7.4
Deferred income tax assets/liabilities	**26.4**	**– 40.5**	**29.2**	**– 44.9**

1. Adjustment of the opening balance with CHF +0.1 million in the line item other liabilities resulting from the application of IFRS 15 (see note 1).

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

CHF million	Capitalized 2018	Non-capitalized 2018	Total 2018	Total 2017
Expiry in				
1 to 3 years	0.0	0.1	0.1	0.0
3 to 7 years	0.0	0.1	0.1	0.0
7 or more years	11.7	10.7	22.4	26.1
Total at December 31	**11.7**	**10.9**	**22.6**	**26.1**

Significant unutilized tax losses for which no deferred tax asset has been recognized concern primarily countries with a tax rate between 17% and 34% (17% to 37% in 2017).

14 EARNINGS PER SHARE

Earnings per share are calculated by dividing net profit attributable to Rieter Holding Ltd. shareholders by the average number of shares outstanding. Diluted earnings per share take into account additionally the effects of the potential dilution if all rights relating to the long-term incentive plan (see note 33) were to be exercised.

	2018	2017
Net profit (CHF million)[1]	**31.9**	**13.2**
Average number of shares outstanding (undiluted)	4 514 846	4 524 273
Average number of shares outstanding (diluted)	4 517 722	4 527 942
Basic earnings per share (CHF)	**7.07**	**2.92**
Diluted earnings per share (CHF)	**7.06**	**2.91**

1. Attributable to shareholders of Rieter Holding Ltd.

15 TANGIBLE FIXED ASSETS

CHF million	Land and buildings	Machinery, plant equipment and tools	IT equipment	Vehicles and furniture	Tangible fixed assets under construction	Total tangible fixed assets
Carrying amount at January 1, 2017	**116.0**	**99.7**	**3.8**	**8.3**	**9.4**	**237.2**
Acquisitions[1]	0.5	1.7	0.7	0.2	0.0	3.1
Additions	2.6	11.0	1.9	1.6	11.0	28.1
Disposals	0.0	– 0.4	0.0	0.0	0.0	– 0.4
Depreciation	– 5.8	– 21.5	– 1.9	– 3.7	0.0	– 32.9
Impairment losses	– 2.0	– 3.9	– 0.1	– 0.1	0.0	– 6.1
Reclassifications	0.7	7.0	0.0	1.7	– 9.4	0.0
Currency translation differences	1.4	4.0	– 0.1	– 0.2	– 1.5	3.6
Carrying amount at December 31, 2017	**113.4**	**97.6**	**4.3**	**7.8**	**9.5**	**232.6**
Cost at December 31, 2017	261.1	397.4	22.9	41.8	9.5	732.7
Accumulated depreciation at December 31, 2017	– 147.7	– 299.8	– 18.6	– 34.0	0.0	– 500.1
Carrying amount at December 31, 2017	**113.4**	**97.6**	**4.3**	**7.8**	**9.5**	**232.6**
Additions	7.2	9.8	2.4	1.0	7.6	28.0
Disposals	– 8.1	– 1.5	0.0	– 0.3	0.0	– 9.9
Depreciation	– 5.4	– 19.6	– 2.1	– 2.8	0.0	– 29.9
Reclassifications	– 0.3	7.9	0.0	0.4	– 8.0	0.0
Currency translation differences	– 3.5	– 3.7	– 0.1	– 0.3	– 0.4	– 8.0
Carrying amount at December 31, 2018	**103.3**	**90.5**	**4.5**	**5.8**	**8.7**	**212.8**
Cost at December 31, 2018	244.4	384.0	22.3	39.2	8.7	698.6
Accumulated depreciation at December 31, 2018	– 141.1	– 293.5	– 17.8	– 33.4	0.0	– 485.8
Carrying amount at December 31, 2018	**103.3**	**90.5**	**4.5**	**5.8**	**8.7**	**212.8**

1. Acquisition of SSM Textile Machinery at June 30, 2017 (see note 2).

No tangible fixed assets are held under long-term finance leases. No land and buildings are pledged as security for financial debt. No borrowing costs were capitalized in 2018 and 2017. Impairment losses in 2017 were related to buildings, plant equipment and machinery in connection with restructurings (see note 3). The respective assets were written down to their expected fair value less cost to sell, whereby the attainable selling prices were estimated on the basis of past experience (level 3 in accordance with the IFRS 13 fair-value-hierarchy).

16 INTANGIBLE ASSETS AND GOODWILL

CHF million	Process improvement projects	Customer relationships	Patents and technology	Other intangible assets	Goodwill	Total intangible assets
Carrying amount at January 1, 2017	**10.1**	**0.0**	**0.0**	**0.0**	**0.0**	**10.1**
Acquisitions[1]	0.0	37.3	18.5	6.3	43.5	105.6
Additions	1.0	0.0	0.0	0.3	0.0	1.3
Amortization	– 5.0	– 1.7	– 0.9	– 1.6	0.0	– 9.2
Currency translation differences	0.0	0.0	0.0	0.0	0.0	0.0
Carrying amount at December 31, 2017	**6.1**	**35.6**	**17.6**	**5.0**	**43.5**	**107.8**
Cost at December 31, 2017	26.1	37.3	18.5	6.6	43.5	132.0
Accumulated amortization at December 31, 2017	– 20.0	– 1.7	– 0.9	– 1.6	0.0	– 24.2
Carrying amount at December 31, 2017	**6.1**	**35.6**	**17.6**	**5.0**	**43.5**	**107.8**
Additions	0.9	0.0	0.0	0.3	0.0	1.2
Amortization	– 5.2	– 3.2	– 1.8	– 0.8	0.0	– 11.0
Currency translation differences	0.0	0.0	0.0	0.0	0.0	0.0
Carrying amount at December 31, 2018	**1.8**	**32.4**	**15.8**	**4.5**	**43.5**	**98.0**
Cost at December 31, 2018	27.0	37.3	18.5	6.9	43.5	133.2
Accumulated amortization at December 31, 2018	– 25.2	– 4.9	– 2.7	– 2.4	0.0	– 35.2
Carrying amount at December 31, 2018	**1.8**	**32.4**	**15.8**	**4.5**	**43.5**	**98.0**

1. Acquisition of SSM Textile Machinery at June 30, 2017 (see note 2).

Other intangible assets include mainly the SSM brand (see note 2).

Goodwill was allocated in its entirety to the independently managed unit SSM, which is corresponding to the lowest monitoring level. Due to its indefinite useful life, goodwill is subject to an impairment test on an annual basis.

Goodwill impairment test

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

Key assumptions	2018	2017
Long-term sales growth rate (in %)	1.0%	1.0%
Pre-tax discount rate (in %)	9.8%	9.6%

Based on the impairment test using the key assumptions mentioned on page 71, there is no need for an impairment charge at December 31, 2018.

The long-term sales growth rate is based on internal assumptions from past experience regarding price and market development as well as based on external market information provided by industry specialists. For discounting future cash flows, a pre-tax discount rate is determined on the basis of the weighted cost of capital.

Rieter performed sensitivity analysis in order to determine which possible change in key assumptions would not cause the recoverable amount to fall short of the carrying amount of goodwill. Changes to 0% in the sales growth rate and +1% in the pre-tax discount rate would not result in an impairment loss. The analysis was performed separately per key assumption.

17 INVESTMENTS IN ASSOCIATED COMPANIES

At December 14, 2018, Rieter has acquired 25% of the share capital and the voting rights of Electro-Jet S.L. based in Gurb (Spain). The Group has significant influence over Electro-Jet S.L. and therefore, it is treated as associated company. Through this investment, Rieter secures a long-term competitive solution in the field of flyers (roving frames). The acquisition price amounted to CHF 11.3 million (EUR 10.0 million). Thereof CHF 10.2 million was settled in cash. CHF 1.1 million will become due once further conditions have been met.

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

CHF million	2018	2017
Investments in associated companies at January 1	**4.0**	**3.0**
Acquisitions	11.3	0.0
Share in profit	1.4	0.7
Dividends	– 0.7	0.0
Currency translation differences	– 0.1	0.3
Investments in associated companies at December 31	**15.9**	**4.0**

In addition, Rieter holds 49% of the share capital and the voting rights of Prosino S.r.l. incorporated in Borgosesia (Italy). The effects of the associated companies on the 2018 and 2017 consolidated financial statements are not material.

In year under review, the Group purchased products with a total value of CHF4.5 million (CHF 6.6 million in 2017) from associated companies. The respective open trade payable balances at December 31, 2018, were interest-free and amounted to CHF 0.5 million (CHF 1.0 million at December 31, 2017).

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

18 OTHER NON-CURRENT ASSETS

CHF million	December 31, 2018	December 31, 2017
Other financial assets	1.4	2.3
Non-current interest-bearing receivables[1]	1.3	3.3
Other non-current assets	6.0	8.8
Total	**8.7**	**14.4**

1. Including pledged time deposits amounting to CHF 1.2 million at December 31, 2018 (CHF 1.2 million at December 31, 2017).

19 INVENTORIES

CHF million	December 31, 2018	December 31, 2017
Raw materials and consumables	36.8	34.4
Finished and semi-finished goods, trading goods	183.9	196.5
Work in progress	7.0	8.5
Allowance for inventories	– 41.1	– 47.0
Total	**186.6**	**192.4**

The allowance for inventories developed as follows:

CHF million	2018	2017
Allowance for inventories at January 1	**– 47.0**	**– 37.4**
Acquisitions[1]	0.0	– 8.2
Utilization	2.2	3.4
Additions/reversals (net)	3.0	– 3.4
Currency translation differences	0.7	– 1.4
Allowance for inventories at December 31	**– 41.1**	**– 47.0**

1. Acquisition of SSM Textile Machinery at June 30, 2017 (see note 2).

20 TRADE RECEIVABLES

CHF million	December 31, 2018	December 31, 2017
Trade receivables	85.7	92.7
Allowance for doubtful receivables	– 5.5	– 4.4
Total	**80.2**	**88.3**

For further information on credit risks, the age structure of trade receivables and movements in the allowance for doubtful receivables, see note 36.

Trade receivables are divided up in the following major currencies:

CHF million	December 31, 2018	December 31, 2017
CHF	28.7	23.4
CNY	1.1	3.2
EUR	30.4	34.5
INR	11.6	4.8
USD	7.4	21.5
Other	1.0	0.9
Total	**80.2**	**88.3**

21 OTHER CURRENT RECEIVABLES

CHF million	December 31, 2018	December 31, 2017
Receivables from indirect taxes and customs duties	23.2	36.6
Advance payments to suppliers	6.6	7.0
Current income tax receivables	5.0	5.2
Prepaid expenses and deferred charges	3.4	7.1
Derivative financial instruments (positive fair values)	1.8	2.4
Other current receivables	3.7	3.8
Total	**43.7**	**62.1**

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

22 MARKETABLE SECURITIES AND TIME DEPOSITS

CHF million	December 31, 2018	December 31, 2017
Marketable securities	0.4	0.6
Time deposits with original maturities of more than three months	0.5	0.5
Total	**0.9**	**1.1**

23 CASH AND CASH EQUIVALENTS

CHF million	December 31, 2018	December 31, 2017
Cash and banks	210.5	216.8
Time deposits with original maturities of up to three months	45.7	26.5
Total	**256.2**	**243.3**

24 ASSETS CLASSIFIED AS HELD FOR SALE

CHF million	December 31, 2018	December 31, 2017
Land and buildings	9.1	9.8
Other tangible fixed assets	1.1	1.2
Total	**10.2**	**11.0**

Rieter has continuously streamlined and consolidated its production operations on a global scale over the past years. Process efficiency and capacity per area have increased and as a result, a part of the asset base previously used for production and administration purposes has become redundant in 2016. Management was committed to disposing of these assets within a short period of time after balance sheet date, which was why they were reclassified as “assets classified as held for sale” at the end of 2016.

The sales process has been delayed, the sale is now expected in 2019. Consequently, the relevant assets remain “classified as held for sale” at December 31, 2018. In 2018, no impairment loss was recognized in depreciation and amortization in the income statement (CHF 0.7 million in 2017, see note 10).

25 SHARE CAPITAL AND DIVIDEND PER SHARE

		December 31, 2018	December 31, 2017
Shares issued	Number of shares	4 672 363	4 672 363
Treasury shares	Number of shares	191 407	147 609
Shares outstanding	**Number of shares**	**4 480 956**	**4 524 754**
Nominal value per share	CHF	5.00	5.00
Nominal value of share capital	**CHF**	**23 361 815**	**23 361 815**

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

Dividend paid out in 2018 amounted to CHF 22.6 million or CHF 5.00 per share, whereof CHF 10.5 was taken from the legal capital reserve and CHF 12.1 million from the retained earnings. In 2017, a dividend of CHF 22.6 million or CHF 5.00 per share was distributed out of the legal capital reserve.

Based on the financial statements as at December 31, 2018, the Board of Directors proposes to the General Meeting a dividend of CHF 5.00 per share. The proposed dividend is not recognized as a liability in the consolidated financial statements at December 31, 2018.

26 NON-CONTROLLING INTERESTS IN SUBSIDIARIES

In the year under review, non-controlling interests remained unchanged. In the year 2017, Rieter Holding Ltd. purchased share capital of Rieter India Pvt. Ltd. with a nominal value of INR 0.7 million (CHF 0.01 million). As a result, the share of non-controlling interests decreased to 1.1% at December 31, 2017.

Rieter has undertaken to acquire the remaining non-controlling interests in Rieter India Pvt. Ltd. (1.1%) for a contractually agreed amount by April 15, 2020, at the latest. This repurchase obligation for the remaining shares was extended by three years in 2017, which is why the present value of this obligation is still recognized as non-current financial debt at December 31, 2018.

In 2018 and 2017 no dividend was paid to non-controlling interests.

27 FINANCIAL DEBT

CHF million	Fixed-rate bond	Bank debt	Other financial debt	Total December 31, 2018	Total December 31, 2017
Maturity					
Less than 1 year	0.0	0.0	0.2	0.2	7.3
1 to 5 years	99.8	0.0	6.9	106.7	106.6
Total	**99.8**	**0.0**	**7.1**	**106.9**	**113.9**

Rieter Holding Ltd. issued a fixed-rate bond with a nominal value amounting to CHF 100 million on September 1, 2014. This bond has a term of six years with a maturity date on September 29, 2020 (2014-2020), a fixed interest rate of 1.5% p.a. and is listed on the SIX Swiss Exchange. The fair value of the bond amounted to CHF 101.5 million at December 31, 2018 (CHF 103.0 million at December 31, 2017). The effective interest expenses were CHF 1.6 million in 2018 (CHF 1.6 million in 2017).

Financial debt changed as follows:

CHF million		2018	2017
Financial debt at January 1		**113.9**	**109.1**
Proceeds from other financial debt	Cash flow	0.0	7.0
Repayments of other financial debt	Cash flow	– 6.6	– 4.0
Changes in amortized cost	No cash flow	0.6	0.8
Changes in fair values	No cash flow	– 0.5	0.9
Currency translation differences	No cash flow	– 0.5	0.1
Financial debt at December 31		**106.9**	**113.9**

By currency, financial debt is divided up as follows:

CHF million	December 31, 2018	December 31, 2017
CHF	100.0	99.9
INR	6.9	14.0
Total	**106.9**	**113.9**

28 PROVISIONS

CHF million	Restructuring provisions	Personnel provisions	Guarantee and warranty provisions	Other provisions	Total provisions
Provisions at December 31, 2017	**36.3**	**7.2**	**41.8**	**34.5**	**119.8**
Utilization	– 4.0	– 1.8	– 17.2	– 1.4	– 24.4
Reversal of unused amounts	– 3.5	– 0.8	– 3.2	– 0.9	– 8.4
Additions	0.0	1.8	16.1	0.9	18.8
Currency translation differences	– 0.8	– 0.3	– 0.5	– 0.4	– 2.0
Provisions at December 31, 2018	**28.0**	**6.1**	**37.0**	**32.7**	**103.8**
Of which non-current	7.5	4.9	16.7	28.6	57.7
Of which current	20.5	1.2	20.3	4.1	46.1

Restructuring provisions cover legal and constructive obligations in connection with restructuring measures. In 2018, the reorganization in Germany resulted in a utilization of provisions of CHF 4.0 million. This includes severance payments and payments to transfer companies in accordance with the agreement with the Works Council. As a result of the reassessment of the provisions at December 31, 2018, an amount of CHF 3.5 million was reversed (see note 3). Non-current restructuring provisions are expected to be utilized in the 2020 financial year.

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

Guarantee and warranty provisions are recorded in the context of product deliveries and services and are based on past experience. In the year under review, provisions amounting to CHF 2.5 million were reversed due to a court ruling in favor of Rieter. Non-current warranty provisions of CHF 16.7 million are expected to result in outflows of resources in one or two years on average.

Rieter has recognized other provisions mainly for ongoing tax proceedings in various countries, for ongoing legal proceedings, for onerous contracts (where the unavoidable direct cost of performance exceeds the expected financial benefit) or for contracts with benefits linked to conditions which have to be fulfilled in the future (e.g. government grants). The expected outflow of resources for these obligations is based mainly on management estimates. Non-current other provisions are expected to be utilized in the years after 2019.

29 ADVANCE PAYMENTS FROM CUSTOMERS

CHF million	December 31, 2018	January 1, 2018[1]	December 31, 2017
Advance payments from customers	58.6	77.9	77.9
Total	**58.6**	**77.9**	**77.9**

1. No adjustment to the opening balance sheet due to the application of IFRS 15 (see note 1).

Of the advance payments from customers accounted for in the opening balance at January 1, 2018, CHF 72.0 million were recognized as sales and therefore included in the consolidated income statement of the year under review. Additional significant changes comprise advance payments received from customers in the year under review, which were either recognized as sales in 2018 or which are still included in advance payments from customers at December 31, 2018. Due to the initial application of IFRS 15, no prior year period disclosure is presented.

30 OTHER CURRENT LIABILITIES

CHF million	December 31, 2018	January 1, 2018[1]	December 31, 2017
Other accrued expenses	34.8	37.8	61.4
Deferred revenue	27.3	24.1	0.0
Accrued holidays and overtime	10.2	10.5	10.5
Accrued sales commissions	9.0	9.4	9.4
Derivative financial instruments (negative fair values)	1.6	3.8	3.8
Other current liabilities	31.2	20.3	20.3
Total	**114.1**	**105.9**	**105.4**

1. Adjustment to the opening balance sheet due to the application of IFRS 15 (see note 1).

Deferred revenue consists mainly of revenue for installations of machines and components at Rieter customers site, which were invoiced already, but have not yet been completed. In addition, the line item includes amongst other things customer trainings to be provided and extensions of product warranty periods sold to customers, whose term have not yet expired. Of the deferred items in the opening balance at January 1, 2018, CHF 17.8 million were recognized as sales and therefore included in the consolidated income statement of the year under review. Additional significant changes comprise services invoiced in the year under review, which were either recognized as sales in 2018 or which are still included in deferred revenue at December 31, 2018. The majority of deferred revenue is recognized as revenue within twelve months. Due to the initial application of IFRS 15, no prior year period disclosure is presented.

31 EMPLOYEE BENEFIT PLANS

Defined contribution plans
The expense for defined contribution plans amounted to CHF 5.2 million in the year under review (CHF 5.1 million in 2017).

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

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

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

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

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

The funded status of defined benefit plans was as follows:

CHF million	2018	2017
Actuarial present value of defined benefit plan obligations:		
• funded plans (mainly Switzerland)	– 1 003.4	– 998.9
• unfunded plans (other countries)	– 23.5	– 26.0
Defined benefit plan obligations at December 31	**– 1 026.9**	**– 1 024.9**
Fair value of defined benefit plan assets (mainly Switzerland)	1 203.6	1 293.4
Surplus at December 31	**176.7**	**268.5**
Impact of asset ceiling	– 144.2	– 235.1
Net defined benefit plan assets at December 31	**32.5**	**33.4**
Recognized in the balance sheet:		
• Defined benefit plan assets (in non-current assets)	62.7	62.0
• Defined benefit plan liabilities (in non-current liabilities)	– 30.2	– 28.6

The defined benefit plan obligations changed as follows:

CHF million	2018	2017
Defined benefit plan obligations at January 1	**1 024.9**	**973.7**
Acquisitions[1]	0.0	67.4
Current service cost	11.0	11.6
Interest expense	6.4	5.3
Employee contributions	7.3	6.9
Actuarial gains/losses (net)	24.7	4.8
Benefits paid	– 47.2	– 46.9
Past service cost	0.8	0.0
Currency translation differences	– 1.0	2.1
Defined benefit plan obligations at December 31	**1 026.9**	**1 024.9**

1. Acquisition of SSM Textile Machinery at June 30, 2017 (see note 2).

The weighted average duration of the defined benefit plan obligations is 12.7 years (13.2 years in 2017).

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

CHF million	2018	2017
Fair value of defined benefit plan assets at January 1	**1 293.4**	**1 149.0**
Acquisitions[1]	0.0	66.3
Interest income	6.4	5.4
Return on defined benefit plan assets (excluding interest income)	– 65.7	103.4
Employer contributions	9.5	9.3
Employee contributions	7.3	6.9
Benefits paid	– 47.2	– 46.9
Currency translation differences	– 0.1	0.0
Fair value of defined benefit plan assets at December 31	**1 203.6**	**1 293.4**

1. Acquisition of SSM Textile Machinery at June 30, 2017 (see note 2).

The total loss on plan assets was CHF 59.3 million in the year under review (income of CHF 108.8 million in 2017). The Group expects to contribute CHF 9.8 million to its defined benefit plans in 2019.

The major categories of plan assets were as follows:

CHF million	December 31, 2018	December 31, 2017
Cash and cash equivalents	52.0	67.8
Equity instruments	475.9	572.4
Debt instruments	223.3	211.1
Real estate	389.9	303.5
Other	62.5	138.6
Fair value of defined benefit plan assets	**1 203.6**	**1 293.4**

At the end of 2018 plan assets included Rieter Holding Ltd. bonds with a market value of CHF 1.3 million (CHF 1.3 million at December 31, 2017). No Rieter shares were held at the end of 2018 and 2017. Cash equivalents (e.g. money market instruments), equity instruments and 78% of the debt instruments have a quoted market price on an active market. Real estate and other assets, which include private equity investments, do usually not have a quoted market price.

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

CHF million	2018	2017
Current service cost	11.0	11.6
Net interest result	0.0	– 0.1
Past service cost	0.8	0.0
Total	**11.8**	**11.5**

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

CHF million	2018	2017
Actuarial gains/losses arising from:		
changes in demographic assumptions	– 0.3	0.0
changes in financial assumptions	23.8	12.6
experience adjustments	– 48.2	– 17.4
Return on defined benefit plan assets (excluding interest income)	– 65.7	103.4
Impact of changes in asset ceiling	90.9	– 96.6
Total	**0.5**	**2.0**

Main actuarial assumptions used at year-end are:

Weighted average in %	December 31, 2018	December 31, 2017
Discount rate	0.8	0.6
Future wage growth	0.7	0.8
Future pension growth	0.0	0.0

Against the background of a continuously low interest rate-level and an increased life expectancy, the measurement of defined benefit plan obligations in Switzerland was conducted based on the assumption of sharing of risks between employer and employees (risk sharing) in accordance with applicable Swiss law. Midterm adjustments of the conversion rate were assumed as considered realistic by the Group. The result of the calculation was a reduction in defined benefit plan obligations by approx. 3% at December 31, 2018, and 2017. Thus, the expected result from the recognition of defined benefit plan obligations is subject to lower fluctuation. In Rieter's largest pension plan, the conversion rate was reduced at January 1, 2019. Impacts on the future benefits of plan participants were mostly compensated.

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

CHF million	**December 31, 2018**	**December 31, 2017**
Increase in the discount rate by 0.5 percentage points	– 61.8	– 64.3
Decrease in the discount rate by 0.5 percentage points	69.0	71.7
Increase in the future pension growth rate by 0.5 percentage points[1]	54.7	56.6

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

A change in the assumption of future wage growth rate by 0.5 percentage points would impact defined benefit plan obligations by less than 1% (same as 2017).

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

32 OTHER COMMITMENTS

Some group companies rent factory and office space under operating lease arrangements. The relevant lease expenditure was CHF 5.7 million in 2018 (CHF 4.3 million in 2017). These leases have varying terms, escalation clauses and renewal options.

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

CHF million	**December 31, 2018**	**December 31, 2017**
Up to 1 year	2.4	3.4
1 to 5 years	9.6	5.8
5 or more years	7.1	0.5
Total	**19.1**	**9.7**

At the end of 2018, open purchase commitments in respect of major investments in tangible fixed assets amounted to CHF 4.0 million (none at December 31, 2017).

33 SHARE-BASED COMPENSATION

The members of the Board of Directors can choose whether to receive all or part of their remuneration in Rieter shares. In the context of their remuneration for 2018, eight members of the Board of Directors received in total 8 034 shares on January 17, 2019. The cost of CHF 1.1 million was charged to the 2018 income statement. On January 17, 2018, eight members of the Board of Directors received in total 3 633 shares in connection with their remuneration for 2017. The market value of the shares granted was CHF 0.9 million and was charged to the 2017 income statement. The shares are taken from treasury shares of Rieter Holding Ltd. and cannot be sold for three years.

In the context of the variable remuneration for 2018, the members of the Group Executive Committee will receive Rieter shares with a market value of CHF 0.5 million in April 2019. The respective cost of CHF 0.5 million was charged to the 2018 income statement. In the context of the variable remuneration for 2017, the members of the Group Executive Committee received 1 907 shares with a market value of CHF 0.4 million on April 5, 2018. The respective cost of CHF 0.4 million was charged to the 2017 income statement. These shares are taken from treasury shares of Rieter Holding Ltd. and cannot be sold for three years.

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

The movement of the outstanding rights was as follows:

Number of rights	2018	2017
Outstanding rights at January 1	**5 958**	**8 034**
Granted	0	2 020
Exercised/paid-out	– 2 001	– 3 548
Expired	– 526	– 548
Outstanding rights at December 31 (non-exercisable)	**3 431**	**5 958**

The estimated fair value of the outstanding rights amounts approximately to the market value of a Rieter share of CHF 128.8 at December 31, 2018. In the year under review, there was no cost of the long-term incentive plan affecting the income statement (CHF 0.6 million in 2017). The liability recognized in the balance sheet at the end of the year was CHF 0.4 million (CHF 1.0 million at December 31, 2017).

The aggregate number of shares issued in 2018 in the context of all share-based board, executive and employee incentive schemes does not exceed 1% of the shares outstanding.

34 RELATED PARTIES

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

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

CHF million	2018	2017
Cash compensation	3.2	3.2
Employee benefit contributions and social security	0.8	0.8
Share-based compensation	1.7	1.3
Total	**5.7**	**5.3**

The remuneration report of Rieter Holding Ltd. in accordance with Swiss law is presented on pages 40 to 43.

Apart from purchases from associated companies (see note 17), compensation to the Board of Directors and the Group Executive Committee as well as the ordinary contributions to the various employee benefit plans (see note 31), there have been no further transactions with related parties relevant for disclosure.

35 FINANCIAL INSTRUMENTS

The following tables summarize all financial instruments held at December 31, 2018, and 2017, grouped according to the categories defined in the significant accounting policies. In addition, the tables provide information regarding the fair value hierarchy of IFRS 13.

The carrying amounts of financial instruments measured at amortized cost approximate fair values due to their mainly short-term nature. The bond issued by Rieter Holding Ltd. is an exception (see note 27).

CHF million	December 31, 2018	December 31, 2017
Cash and cash equivalents (excluding time deposits)	210.5	216.8
Time deposits with original maturities of up to three months	45.7	26.5
Time deposits with original maturities of more than three months	0.5	0.5
Trade receivables	80.2	88.3
Other current receivables	26.9	40.4
Other financial assets	0.3	0.7
Non-current interest-bearing receivables	1.3	3.3
Financial assets at amortized cost	**365.4**	**376.5**
Other financial assets[1]	1.1	1.6
Derivative financial instruments (positive fair values)[1]	1.8	2.4
Financial assets at fair value through profit and loss (mandatorily)	**2.9**	**4.0**
Marketable securities[2]	0.4	0.6
Financial assets at fair value through other comprehensive income	**0.4**	**0.6**
Total financial assets	**368.7**	**381.1**

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

CHF million	December 31, 2018	January 1, 2018[1]
Trade payables	96.3	88.2
Other current liabilities	75.0	67.5
Bank debt	0.0	7.1
Other current financial debt	0.2	0.2
Fixed-rate bond[2]	99.8	99.7
Other non-current financial debt	6.9	6.9
Financial liabilities at amortized cost	**278.2**	**269.6**
Derivative financial instruments (negative fair values)[3]	1.6	3.9
Financial liabilities at fair values through profit and loss (mandatorily)	**1.6**	**3.9**
Total financial liabilities	**279.8**	**273.5**

1. Adjustment of the opening balance in the line item other current liabilities resulting from the application of IFRS 15 (see note 1).
2. The fair value of the fixed-rate bond as disclosed in note 27 is based on a quoted price in an active market (level 1).
3. Measured at fair values which are based on directly or indirectly observable input parameters (level 2).

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

Financial instruments measured at level 2 consist mainly of derivatives held for hedging purposes entered into with reputable financial institutions. The fair value of these instruments is determined with the help of valuation techniques which use foreign exchange rates and interest rates as observable input parameters. At December 31, 2018, contract values of all outstanding forward exchange contracts amounted to CHF 260.9 million (CHF 266.6 million at December 31, 2017).

36 FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

Foreign exchange risk

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

Rieter's risk management policy is to minimize the effects of fluctuations in currency exchange rates on committed or highly probable transactions. For this purpose, the main objective is to minimize transaction risks arising from firm sales and purchase commitments in non-functional currencies of the respective group companies related to large machinery and systems sales orders in order to secure the profit margin as negotiated at contract inception. In addition, the transaction risks for bulk business and other operating type transactions are hedged for significant group companies. Other cash flow and translation risks are not hedged at this point in time. Foreign currency gains and losses resulting from loans to/from group companies, which form part of the net investment in a foreign operation, are recognized in other comprehensive income directly in equity until Rieter's control over the respective entity ceases. Significant current intercompany loans are hedged and changes in the fair values of the respective derivative financial instruments are recognized in the income statement.

Hedge accounting in accordance with IFRS 9 is applied to significant firm sales and purchase commitments related to machinery and systems sales orders in order to avoid a temporary distortion of the operating result due to fair value gains and losses resulting from derivative financial instruments. The hedge accounting policy is included in the significant accounting policies (see note 1). Rieter aims to achieve a hedge ratio of between 80% and 100%. The hedge ratio is defined as the nominal value of the foreign currency forward or swap contract (hedging instrument) divided by the value of the unrecognized firm commitment (hedged transaction/item). The element of the fair values of the foreign currency forward and swap contracts related to the foreign currency basis spread (spot element) is recognized in other comprehensive income (hedge reserve) until the hedged transaction has been accounted for in the financial statements. The forward element (reflecting the fair value of the changes in the interest rate differential) is recognized in the income statement at all times. Once the hedged transaction is accounted for in the financial statements, the fair value of the spot element is reclassified from the hedge reserve to the income statement.

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

Any ineffective portion of the fair value of the spot element is recognized in profit or loss immediately. If the hedged transaction is no longer expected to occur, the fair value of the respective hedging instrument is reclassified to the income statement immediately.

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

CHF million	Change	Impact 2018	Impact 2017
EUR/CHF	+ 5%	3.4	3.2
EUR/CHF	- 5%	– 3.4	– 3.2
USD/CHF	+ 5%	1.4	1.5
USD/CHF	- 5%	– 1.4	– 1.5

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

Effects of hedge accounting

The tables below present the impact of derivative financial instruments designated as hedging instruments in a hedging relationship on the consolidated balance sheet at December 31, 2018, and 2017:

December 31, 2018	Carrying amount of the hedging instruments			
CHF million	Derivative financial instruments (positive fair values)	Derivative financial instruments (negative fair values)	Nominal amount	Change in the fair value of the hedging instrument used as a basis for recognizing hedge ineffectiveness
Foreign exchange risks				
Current foreign currency forward and swap contracts (maturity date within twelve months)[1]	1.4	1.3	61.1	– 2.4
Non-current foreign currency forward and swap contracts (maturity date after twelve months)[2]	0.0	0.0	0.0	0.0

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

December 31, 2017	Carrying amount of the hedging instruments			
CHF million	Derivative financial instruments (positive fair values)	Derivative financial instruments (negative fair values)	Nominal amount	Change in the fair value of the hedging instrument used as a basis for recognizing hedge ineffectiveness
Foreign exchange risks				
Current foreign currency forward and swap contracts (maturity date within twelve months)[1]	1.3	3.2	100.5	– 0.7
Non-current foreign currency forward and swap contracts (maturity date after twelve months)[2]	0.0	0.1	3.5	0.0

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

The change in value of the hedged transactions used as a basis for recognizing hedge ineffectiveness amounted to CHF 1.8 million in the year under review (CHF 0.7 million in 2017).

The following hedging relationships affected the 2018 and the 2017 consolidated income statement and the consolidated statement of comprehensive income:

CHF million	2018	2017
Foreign exchange risks		
Hedging gains/losses recognized in other comprehensive income	– 2.4	– 3.0
Hedge ineffectiveness recognized in the income statement[1]	0.6	0.3
Hedged future transactions no longer expected to occur[1]	1.2	0.0
Amount reclassified from the hedge reserve into the income statement[1]	3.3	1.5

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

The following table provides a summary of the development of the hedge reserve in 2018 and 2017:

CHF million	2018	2017
Foreign exchange risks		
Hedge reserve at January 1	**– 2.0**	**– 1.1**
Hedging gains/losses recognized in other comprehensive income[1]	– 2.4	– 3.0
Hedge ineffectiveness recognized in the income statement[1]	0.6	0.3
Hedged future transactions no longer expected to occur[1]	1.2	0.0
Amount reclassified from the hedge reserve into the income statement[1]	3.3	1.5
Income taxes	– 0.6	0.3
Hedge reserve at December 31	**0.1**	**– 2.0**

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

The hedge reserve includes the spot element of the fair values of foreign currency forward and swap contracts not yet matured (effective portion) as well as realized gains/losses from foreign currency contracts, where the respective hedged transaction has not yet been accounted for (effective portion). No losses are recognized in the hedge reserve at December 31, 2018, from hedging relationships to which hedge accounting is no longer applied (loss of CHF 1.2 million at December 31, 2017).

The following tables provide information about the nominal amounts, the maturity as well as average forward exchange rates of foreign currency forward and swap contracts designated as hedging instruments at December 31, 2018, and 2017:

December 31, 2018	**Period of maturity**				**Total**	
	2019 Long[1]	**2019 Short**[2]	**2020 and later long**[1]	**2020 and later short**[2]	**Total long**[1]	**Total short**[2]
Foreign exchange risks						
CZK exposure hedged by group companies whose functional currency is CHF						
Nominal amount (CHF million, long +/short -)	8.7	– 0.1	0.0	0.0	8.7	– 0.1
Average forward foreign exchange rate (100 CZK/CHF)	4.44	4.40			4.44	4.40
CNY exposure hedged by group companies whose functional currency is CHF						
Nominal amount (CHF million, long +/short -)	4.1	0.0	0.0	0.0	4.1	0.0
Average forward foreign exchange rate (CNY/CHF)	0.14				0.14	
EUR exposure hedged by group companies whose functional currency is CHF						
Nominal amount (CHF million, long +/short -)	37.1	– 102.6	0.0	0.0	37.1	– 102.6
Average forward foreign exchange rate (EUR/CHF)	1.14	1.14			1.14	1.14
USD exposure hedged by group companies whose functional currency is CHF						
Nominal amount (CHF million, long +/short -)	0.0	– 8.2	0.0	0.0	0.0	– 8.2
Average forward foreign exchange rate (USD/CHF)		0.92				0.92

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

December 31, 2017	**Period of maturity**				**Total**	
	2018 Long[1]	**2018 Short**[2]	**2019 and later long**[1]	**2019 and later short**[2]	**Total long**[1]	**Total short**[2]
Foreign exchange risks						
CZK exposure hedged by group companies whose functional currency is CHF						
Nominal amount (CHF million, long +/short -)	22.8	– 1.0	0.0	0.0	22.8	– 1.0
Average forward foreign exchange rate (100 CZK/CHF)	4.36	4.59			4.36	4.59
EUR exposure hedged by group companies whose functional currency is CHF						
Nominal amount (CHF million, long +/short -)	17.0	– 71.7	0.0	– 3.5	17.0	– 75.2
Average forward foreign exchange rate (EUR/CHF)	1.16	1.13		1.13	1.16	1.13
USD exposure hedged by group companies whose functional currency is CHF						
Nominal amount (CHF million, long +/short -)	0.0	– 67.7	0.0	0.0	0.0	– 67.7
Average forward foreign exchange rate (USD/CHF)		0.96				0.96

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

Interest rate risk

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

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

Cash flow sensitivity analysis: A one percentage point increase in interest rates would not have a significant impact on profit before taxes in 2018 and 2017.

Price risk

Holding marketable financial assets exposes Rieter to a risk of price fluctuation. Price fluctuations would result in proportional changes in the carrying amounts of the respective financial assets. The Group's balance of marketable financial assets was not material at the end of the year under review or the previous year.

Credit risk

Rieter is exposed to credit risks if counterparties fail to make payments as they fall due. Credit risks arise mainly from financial assets held with financial institutions, such as cash and time deposits (see notes 22 and 23), as well as from trade receivables (see note 20). Financial assets included in other current receivables are mostly related to receivables from government bodies in the context of indirect taxes and customs duties (see note 21). Recovery of these receivables is monitored on a regular basis and respective credit risks are considered to be low. Credit risks related to the remaining financial assets are expected to be immaterial.

Financial institutions:

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

Trade receivables:

Rieter aims to secure the credit risk exposure arising from larger individual customer receivables by means of advance payments, letters of credit, credit insurance or other instruments. This is mainly relevant for the Business Group Machines & Systems as well as for larger projects in the other two business groups. For the remaining business, credit risk is limited due to the large number of customers with individually smaller open balances and the wide geographical spread of these customers. As a result, management is of the opinion that there is no concentration of credit risk. At December 31, 2018, and 2017, no open receivable balance from an individual customer exceeded 10% of total trade receivables.

In accordance with IFRS 9, Rieter applies the simplified approach to trade receivables, which provides for expected credit losses based on life-time expected losses. For open receivables balances which are secured by accepted instruments, no loss allowance is recognized unless there are indications that the instrument securing the open balance may be subject to failure. For trade receivables which are not secured and not overdue by more than 90 days, expected credit losses are determined by using publicly available credit default probabilities for the textile industry per country. These default probabilities incorporate forward-looking information. If at this stage information indicating a higher collection risk for individual customers is available, individual allowances are recognized for the respective balances. The risk of an impairment loss increases significantly for open trade receivable balances which are overdue for more than 90 days. Unless the open balance is negligible, an individual assessment is performed to estimate expected credit losses. Individual assessments incorporate forward-looking information such as macroeconomic forecasts and external credit ratings where available.

The following tables show the average expected loss rate for trade receivables per age category at December 31, 2018, and 2017:

December 31, 2018 CHF million	**Not due**	**No more than 90 days overdue**	**91 to 180 days overdue**	**181 days to one year overdue**	**More than one year overdue**	**Total**
Expected loss rate (in %)	1.4%	0.9%	13.3%	89.5%	82.8%	6.4%
Trade receivables (gross)	56.7	21.2	3.0	1.9	2.9	85.7
Allowance for doubtful receivables	0.8	0.2	0.4	1.7	2.4	5.5

December 31, 2017 CHF million	**Not due**	**No more than 90 days overdue**	**91 to 180 days overdue**	**181 days to one year overdue**	**More than one year overdue**	**Total**
Expected loss rate (in %)	1.5%	1.4%	25.0%	60.0%	78.8%	4.7%
Trade receivables (gross)	73.8	14.3	0.8	0.5	3.3	92.7
Allowance for doubtful receivables	1.1	0.2	0.2	0.3	2.6	4.4

The following table summarizes the movement in the allowance for doubtful receivables in 2018 and 2017:

CHF million	**2018**	**2017**
Allowance for doubtful receivables at January 1	**– 4.4**	**– 7.1**
Acquisitions[1]	0.0	– 0.2
Changes to expected credit losses on trade receivables	– 2.0	– 0.8
Write-off of trade receivables/reversal of unused amounts	0.8	3.8
Currency translation differences	0.1	– 0.1
Allowance for doubtful receivables at December 31	**– 5.5**	**– 4.4**

1. Acquisition of SSM Textile Machinery at June 30, 2017 (see note 2).

Trade receivables are written off when there is no reasonable expectation of recovery. Rieter does not expect to receive any cash flows in future from receivables which have been written off.

The following table provides a summary of the credit risk exposure at December 31, 2018, and 2017:

CHF million	**December 31, 2018**	**December 31, 2017**
Trade receivables	85.7	92.7
Comprising:		
Trade receivables secured by letters of credit or similar instruments	55.3	61.9
Trade receivables unsecured	30.4	30.8
Allowance for doubtful receivables	– 5.5	– 4.4
Total	**80.2**	**88.3**

Customers provide letters of credit from local and international banks as security. Rieter monitors credit risks related to the respective banks (e.g. using official ratings). Where the ratings are unsatisfactory, management may seek additional security. At December 31, 2018, and 2017, no loss allowances were recorded for secured trade receivables.

Liquidity risk

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

The following tables show the contractual maturities of the Group's financial liabilities (including interest) at December 31, 2018, and 2017:

December 31, 2018	Carrying amount	Contractual cash flows			
CHF million		Within 1 year	In 1 to 5 years	In 5 or more years	Total cash flows
Non-derivatives					
Trade payables	96.3	96.3	0.0	0.0	96.3
Other current liabilities	75.0	75.0	0.0	0.0	75.0
Fixed-rate bond	99.8	1.5	101.5	0.0	103.0
Other financial debt	7.1	0.2	7.5	0.0	7.7
Total non-derivatives	**278.2**	**173.0**	**109.0**	**0.0**	**282.0**
Derivatives					
Foreign currency forward and swap contracts	1.6	136.9	0.0	0.0	136.9
Total derivatives	**1.6**	**136.9**	**0.0**	**0.0**	**136.9**
Total	**279.8**	**309.9**	**109.0**	**0.0**	**418.9**

January 1, 2018[1]	Carrying amount	Contractual cash flows			
CHF million		Within 1 year	In 1 to 5 years	In 5 or more years	Total cash flows
Non-derivatives					
Trade payables	88.2	88.2	0.0	0.0	88.2
Other current liabilities	67.5	67.5	0.0	0.0	67.5
Bank debt	7.1	7.1	0.0	0.0	7.1
Fixed-rate bond	99.7	1.5	103.0	0.0	104.5
Other financial debt	7.1	0.0	8.4	0.0	8.4
Total non-derivatives	**269.6**	**164.3**	**111.4**	**0.0**	**275.7**
Derivatives					
Foreign currency forward and swap contracts	3.9	173.8	3.5	0.0	177.3
Total derivatives	**3.9**	**173.8**	**3.5**	**0.0**	**177.3**
Total	**273.5**	**338.1**	**114.9**	**0.0**	**453.0**

1. Adjustment of the opening balance in the line item other current liabilities resulting from the application of IFRS 15 (see note 1).

Capital management

The capital managed by the Group is equal to the consolidated equity. Rieter's objectives in terms of capital management are to safeguard the Group's financial stability, its financial independence and its ability to continue as a going concern in order to generate returns for shareholders and respective benefits for other stakeholders. In addition, capital management aims to maintain an optimal capital structure. The equity ratio is 45% at December 31, 2018 (44% at December 31, 2017). As an industrial group, Rieter strives to have a strong balance sheet with an equity ratio of at least 35%.

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

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

37 EVENTS AFTER BALANCE SHEET DATE

No events have occurred up to March 12, 2019, which would necessitate adjustments to the carrying amounts of the Group's assets or liabilities, or which require additional disclosure.

SUBSIDIARIES AND ASSOCIATED COMPANIES

at December 31, 2018

			Capital	Group's share in capital and voting rights	Research & development	Sales/trading/services	Production	Management/financing
Belgium	Gomitex S.A., Stembert	EUR	100 000	100%		•	•	
Brazil	Graf Máquinas Têxteis Indústria e Comércio Ltda., São Paulo	BRL	10 220 000	100%		•		
	Rieter South America Ltda., São Paulo	BRL	3 287 207	100%		•		
China	Rieter China Textile Instruments Co. Ltd., Changzhou	EUR	10 000 000	100%	•	•	•	•
	European Excellent Textile Components Co. Ltd., Changzhou	CNY	35 287 000	100%		•	•	
	Rieter Textile Systems (Shanghai) Co. Ltd., Shanghai	USD	200 000	100%		•		
	Graf Cardservices Far East Ltd., Hong Kong	HKD	30 000	100%		•		
	Xinjiang Rieter Textile Instruments Co. Ltd., Urumqi	CNY	5 000 000	100%		•		
	SSM (Zhongshan) Ltd., Zhongshan	CNY	4 090	100%	•	•	•	
Czech Republic	Rieter CZ s.r.o., Ústí nad Orlicí	CZK	316 378 000	100%	•	•	•	
	Novibra Boskovice s.r.o., Boskovice	CZK	40 000 000	100%	•	•	•	
France	Bräcker S.A.S, Wintzenheim	EUR	1 000 000	100%		•	•	
Germany	Rieter Vertriebs GmbH, Ingolstadt	EUR	15 338 756	100%		•		•
	Rieter Deutschland GmbH & Co. OHG, Ingolstadt	EUR	9 645 531	100%		•		•
	Rieter Ingolstadt GmbH, Ingolstadt	EUR	12 273 600	100%	•	•		
	Wilhelm Stahlecker GmbH, Süssen	EUR	255 645	100%	•			
	Spindelfabrik Suessen GmbH, Süssen	EUR	5 050 100	100%	•	•	•	
	Graf-Kratzen GmbH, Gersthofen	EUR	400 000	100%		•		
India	Rieter India Pvt. Ltd., Wing	INR	89 530 630	99%		•	•	
Italy	SSM Giudici S.r.l., Galbiate	EUR	100 000	100%	•	•	•	
	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	Electro-Jet S.L., Gurb[1]	EUR	120 200	25%	•	•	•	•
	Graf España SA, Santa Perpètua de Mogoda (inactive)	EUR	601 000	100%				
Switzerland	Rieter Management AG, Winterthur	CHF	5 000 000	100%				•
	Tefina Holding-Gesellschaft AG, Zug	CHF	5 000 000	100%				•
	Unikeller Sona AG, Winterthur	CHF	500 000	100%				•
	Maschinenfabrik Rieter AG, Winterthur	CHF	8 500 000	100%	•	•	•	•
	Hogra Holding AG, Freienbach	CHF	1 000 000	100%				•
	Graf + Cie AG, Rapperswil	CHF	1 000 000	100%	•	•	•	•
	Bräcker AG, Pfäffikon	CHF	1 000 000	100%	•	•	•	•
	SSM Schärer Schweiter Mettler AG, Horgen	CHF	6 000 000	100%	•	•	•	•
	SSM Vertriebs AG, Steinhausen	CHF	100 000	100%		•		
Taiwan	Rieter Asia (Taiwan) Ltd., Taipeh	TWD	5 000 000	100%		•		
Turkey	Rieter Textile Machinery Trading & Services Ltd., Istanbul	TRY	25 000	100%		•		
USA	Rieter America, LLC, Spartanburg	USD	1 249	100%		•		
	Graf Metallic of America, LLC, Spartanburg	USD	50 000	100%		•		
	Rieter North America, Inc., Spartanburg	USD	1 000	100%				•
Uzbekistan	Rieter Uzbekistan FE LLC, Tashkent	UZS[2]	180 543	100%		•	•	

1. Associated company
2. In UZS million.

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

REPORT OF THE STATUTORY AUDITOR ON THE AUDIT OF THE 2018 CONSOLIDATED FINANCIAL STATEMENTS TO THE GENERAL MEETING OF RIETER HOLDING LTD., WINTERTHUR

Opinion

We have audited the consolidated financial statements of Rieter Holding Ltd. and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 December 2018 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 46 to 92) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

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

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

Our audit approach

Overview

Overall Group materiality: CHF 2 400 000

We concluded full scope audit work at eight Group companies in five countries. These Group companies represented 81% of sales and 73% of the assets of the Group.

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

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

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

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

Overall Group materiality	CHF 2400000
How we determined it	5% of the weighted average profit before taxes achieved in the last three years (before restructuring charges).
Rationale for the materiality benchmark applied	We chose profit before taxes as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We used the weighted average of the last three years because the Group's sales and results by segment over such a period are highly volatile. Profit before taxes is also a generally accepted benchmark for materiality considerations.

We agreed with the Audit Committee that we would report to them misstatements above CHF 200 000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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

The main subsidiaries of the Group are audited by PwC (eight full scope audits) and we remain in constant contact with the audit teams that perform the work. Additionally, there are seven companies in “specified procedures scope” (of these, two companies are not audited by PwC). As the auditor of the consolidated financial statements, we ensure that we regularly visit local management as well as the local auditors. As part of the audit of the 2018 consolidated financial statements, we performed the audit of the four most significant Swiss Group companies and visited the main Group companies and the local auditors in China.

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

RECOGNITION AND MEASUREMENT OF GUARANTEE AND WARRANTY PROVISIONS

Key audit matter	How our audit addressed the key audit matter
Guarantee and warranty commitments can arise from the Rieter Group's regular business activities in the manufacture of spinning machines, systems and components. The recognition and the measurement of these commitments require critical accounting estimates and judgements by management based on historical experience and expectations. We consider guarantee and warranty commitments to be a key audit matter because of the inherent uncertainty regarding their assessment and size. *Please refer to page 53 'Critical accounting estimates and judgements' and note 28 'Provisions' in the annual report.*	We performed the following audit procedures: • Compared the guarantee and warranty provisions recorded in the prior year with the actual expenses arising from guarantee and warranty commitments incurred in the year under review and assessed the adjustments made by Management. • Compared the estimate of the amount of guarantee and warranty provisions for current guarantee and warranty commitments with actual and expected costs. • Assessed the accounting estimates and judgements of Management and the estimated probability of occurrence of the risks relating to guarantee and warranty commitments as at 31 December 2018. The results of our audit support Management's assumptions with regard to the recognition and measurement of guarantee and warranty provisions.

MEASUREMENT OF GOODWILL

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2018, Rieter disclosed goodwill of CHF 43.5 million arising from the acquisition of the SSM Textile Machinery division from Schweiter Technologies AG. The value of the goodwill identified and measured in the prior year depends significantly on Management's estimates of the future cash flows, the discount rate and the growth rate. Owing to the numerous assumptions and estimates used by Management, the impairment testing of these assets was a key audit matter. *Please refer to note 16 'Intangible assets and goodwill' in the annual report.*	We performed the following audit procedures: • Tested the appropriateness of the assumptions and estimates used and the logical consistency (structure, completeness) and arithmetical correctness of the valuation model used. • Assessed previous cash flows in order to assess more accurately future cash flows and their forecasts. • Discussed with Management the future cash flows and forecasts. • Compared the long-term growth rates with economic and industry-specific forecasts. • Assessed the sensitivity analyses performed by Management. The audit evidence obtained supports Management's assumptions with regard to the measurement of goodwill.

Other information in the annual report

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

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

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

Responsibilities of the Board of Directors for the consolidated financial statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

PricewaterhouseCoopers AG

Stefan Räbsamen	Remo Hegner
Audit expert	Audit expert
Auditor in charge	

Zurich, March 12, 2019

INCOME STATEMENT OF RIETER HOLDING LTD.

CHF million	Notes	2018	2017
Income			
Income from investments	(2.1)	27.1	22.7
Financial income	(2.2)	1.9	3.7
Other income	(2.3)	5.7	5.8
Total income		**34.7**	**32.2**
Expenses			
Administrative expenses		6.8	6.7
Financial expenses	(2.4)	2.9	2.5
Taxes		0.1	0.3
Total expenses		**9.8**	**9.5**
Net profit		**24.9**	**22.7**

BALANCE SHEET OF RIETER HOLDING LTD.

CHF million	Notes	December 31, 2018	December 31, 2017
Assets			
Cash and cash equivalents	(2.5)	124.6	88.4
Current receivables	(2.6)	2.7	21.1
Prepaid expenses and accrued income	(2.7)	0.5	0.7
Current assets		**127.8**	**110.2**
Other financial assets	(2.8)	17.5	14.7
Investments	(2.9)	301.6	290.3
Non-current assets		**319.1**	**305.0**
Total assets		**446.9**	**415.2**
Shareholders' equity and liabilities			
Current liabilities	(2.10)	1.9	0.3
Current interest-bearing liabilities	(2.11)	127.0	93.5
Accrued expenses and deferred income	(2.7)	0.9	0.9
Current liabilities		**129.8**	**94.7**
Non-current interest-bearing liabilities	(2.12)	100.0	100.0
Provisions	(2.13)	11.3	11.3
Non-current liabilities		**111.3**	**111.3**
Total liabilities		**241.1**	**206.0**
Share capital	(2.14)	23.4	23.4
Legal capital reserve	(2.15)	0.0	10.5
General legal reserve	(2.16)	27.5	27.5
Free reserves	(2.17)	108.9	93.6
Retained earnings	(2.18)		
• Balance carried forward		51.9	56.3
• Net profit		24.9	22.7
Treasury shares	(2.19)	– 30.8	– 24.8
Shareholders' equity		**205.8**	**209.2**
Total shareholders' equity and liabilities		**446.9**	**415.2**

NOTES TO THE FINANCIAL STATEMENT OF RIETER HOLDING LTD.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 General principles

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

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

1.2 Investments

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

1.3 Treasury shares

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

1.4 Foreign currencies

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

1.5 Derivative financial instruments

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

2 DETAILS OF BALANCE SHEET AND INCOME STATEMENT ITEMS

2.1 Income from investments

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

2.2 Financial income

Financial income includes interest income.

2.3 Other income

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

2.4 Financial expenses

Financial expenses consist mainly of interest payable on the fixed-rate bond and liabilities payable to banks and group companies as well as the foreign exchange result. In addition, the charges for the non-utilized bilaterally committed credit facilities (CHF 175 million, maturity on October 31, 2022) are included.

2.5 Cash and cash equivalents

Cash and cash equivalents include bank accounts.

2.6 Current receivables

CHF million	December 31, 2018	December 31, 2017
Receivables from subsidiaries	2.7	21.1
Total	**2.7**	**21.1**

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

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

Prepaid expenses and accrued income consist mainly of financing costs as well as contractually agreed compensation payments from group companies.

Accrued expenses and deferred income consist mainly of accrued interest and taxes.

2.8 Other financial assets

CHF million	December 31, 2018	December 31, 2017
Loans to subsidiaries	17.5	14.7
Total	**17.5**	**14.7**

2.9 Investments

CHF million	December 31, 2018	December 31, 2017
Investments in subsidiaries	289.8	289.8
Investments in associated companies	11.8	0.5
Total	**301.6**	**290.3**

In 2018, Rieter Holding Ltd. took over 25% of Electro-Jet S.L. In 2017, Rieter Holding Ltd. acquired the SSM Textile Machinery Division from Schweiter Technologies AG for an amount of CHF 124.2 million.

Investments are listed on page 92. These are held directly or indirectly by Rieter Holding Ltd.

2.10 Current liabilities

CHF million	December 31, 2018	December 31, 2017
Liabilities to group companies	0.3	0.1
Liabilities to third parties	1.6	0.2
Total	**1.9**	**0.3**

2.11 Current interest-bearing liabilities

CHF million	December 31, 2018	December 31, 2017
Liabilities to group companies	127.0	93.5
Total	**127.0**	**93.5**

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

2.12 Non-current interest-bearing liabilities

On September 1, 2014, a fixed-rate bond of CHF 100 million was issued. The bond has a six-year maturity period and a fixed interest rate of 1.5% p.a. Interest is payable annually on September 29. The final maturity date is September 29, 2020.

2.13 Provisions

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

2.14 Share capital

At December 31, 2018, the share capital of Rieter Holding Ltd. amounted to CHF 23 361 815. It is divided into 4 672 363 fully paid registered shares with a nominal value of CHF 5.00 each.

The Annual General Meeting held on April 18, 2012, authorized the Board of Directors to increase the share capital at any time until April 18, 2014, by up to CHF 2 500 000 by issuing a maximum of 500 000 fully paid registered shares with a nominal value of CHF 5.00 each. The Annual General Meeting approved the extension of this time limit by two years in 2014, 2016 and 2018, most recently until April 5, 2020. Increases in partial amounts are permitted. The subscription and purchase of the new shares are subject to the restrictions set forth in §4 of the Articles of Association.

2.15 Legal capital reserve

CHF million	2018	2017
Opening balance	10.5	33.1
Reversal for dividend distribution	– 10.5	– 22.6
Total	**0.0**	**10.5**

The dividend of CHF 22.6 million distributed in April 2018 was taken partially from the legal capital reserve.

2.16 General legal reserve

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

2.17 Free reserves

CHF million	2018	2017
Opening balance	93.6	77.7
Transfer from the appropriation of retained earnings	15.0	15.0
Gains/losses from treasury shares	0.3	0.9
Total	**108.9**	**93.6**

2.18 Retained earnings

Including retained earnings carried forward and before the reversal of reserves, the Annual General Meeting has a total of CHF 76.8 million at its disposal (2016: CHF 79.1 million).

2.19 Treasury shares

Treasury shares are held directly by Rieter Holding Ltd. Consequently, there is no need for a separate reserve for treasury shares.

Treasury shares held by Rieter Holding Ltd.

	Number of shares
Treasury shares at January 1, 2018 (registered shares)	147 609
Purchases from January to December 2018 (average price per share: CHF 140.84)	50 081
Sales from January to December 2018 (average price per share: CHF 226.79)	– 6 283
Treasury shares at December 31, 2018 (registered shares)	**191 407**

3 ADDITIONAL INFORMATION

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

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

3.2 Guarantees to third parties

CHF million	December 31, 2018	December 31, 2017
Guarantees	32.4	20.0

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

3.3 Significant shareholders

Major groups of shareholders with holdings exceeding 3% of total voting rights (pursuant to Article 663c of the Swiss Code of Obligations) at December 31, 2018:

- According to the notification from SIX Swiss Exchange (SIX) on September 2, 2009, PCS Holding AG, Frauenfeld, Switzerland, held 894 223 shares (19.14%).
- According to the notification from SIX on May 12, 2011, Artemis Beteiligungen I AG, Franke Artemis Holding AG and Artemis Holding AG, Hergiswil, Switzerland, held 538 087 shares (11.52%).
- According to the notification from SIX on July 21, 2018, VERAISON SICAV, Zurich, Switzerland, held 235 624 shares (5.04%).
- According to the notification from SIX on June 5, 2018, Credit Suisse Funds Ltd., Zurich, Switzerland, held 141 225 shares (3.02%).
- According to the notification from SIX on August 19, 2015, Rieter Holding Ltd., Winterthur, Switzerland, held 140 504 shares (3.01%).

3.4 Shareholdings by the Board of Directors and the Group Executive Committee (including related parties) at December 31, 2018 (Article 663c, Swiss Code of Obligations)

	Number of shares	
	December 31, 2018	**December 31, 2017**
Bernhard Jucker, Chairman	1 803	613
Roger Baillod	563	334
Carl Illi (as of April 5, 2017)	147	–
Michael Pieper	542 451	541 985
This E. Schneider	6 414	5 843
Hans-Peter Schwald	7 005	7 005
Peter Spuhler	920 892	899 783
Luc Tack (as of April 5, 2017)	257	–
Total Board of Directors	**1 479 532**	**1 455 563**

	Number of shares	
	December 31, 2018	**December 31, 2017**
Dr. Norbert Klapper	3 704	3 117
Thomas Anwander	1 715	1 479
Serge Entleitner (as of April 6, 2017)	213	–
Joris Gröflin	5 019	3 385
Carsten Liske	1 445	1 813
Jan Siebert (until September 30, 2018)	–	408
Total Group Executive Committee	**12 096**	**10 202**

In 2018, the members of the Board of Directors and the Group Executive Committee received 5 281 shares with a fair value of CHF 1.2 million as part of their share-based compensation.

3.5 Events after balance sheet date

The financial statements were approved by the Board of Directors on March 12, 2019. They are subject to approval by the Annual General Meeting of shareholders on April 4, 2019. There were no other significant events after balance sheet date.

MOTION OF THE BOARD OF DIRECTORS

FOR THE APPROPRIATION OF RETAINED EARNINGS AND THE DISTRIBUTION OF A DIVIDEND

CHF	**2018**
Net profit for the year	24 896 137
Retained earnings carried forward from previous year	51 885 799
At the disposal of the Annual General Meeting	**76 781 936**
Motion	
Distribution of dividend[1]	23 361 815
Allocation to free reserves	15 000 000
Balance to be carried forward	38 420 121
	76 781 936

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

The Board of Directors proposes that CHF 15.0 million be allocated to free reserves and a dividend of CHF 5.00 per registered share be paid.

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

pwc

REPORT OF THE STATUTORY AUDITOR ON THE AUDIT OF THE 2018 FINANCIAL STATEMENTS TO THE GENERAL MEETING OF RIETER HOLDING LTD., WINTERTHUR

Opinion
We have audited the financial statements of Rieter Holding Ltd., which comprise the balance sheet as at December 31, 2018, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 100 to 106 and page 92) as at December 31, 2018 comply with Swiss law and the company's articles of incorporation.

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

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

Our audit approach

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

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

Overall materiality	CHF 1 000 000
How we determined it	0.5 % of shareholders' equity.
Rationale for the materiality benchmark applied	We chose shareholders' equity as the benchmark because it is a generally accepted benchmark for materiality considerations relating to a holding company.

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

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

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

We have determined that there are no key audit matters to communicate in our report.

Responsibilities of the Board of Directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

PricewaterhouseCoopers AG

Stefan Räbsamen	Remo Hegner
Audit expert	Audit expert
Auditor in charge	

Zurich, March 12, 2019

REVIEW 2014 TO 2018

		2018	2017	2016	2015	2014
Consolidated income statement						
Sales	CHF million	1 075.2	965.6	945.0	1 036.8	1 153.4
• Europe	CHF million	47	46	41	60	82
• Asia without China/India/Turkey	CHF million	434	319	286	324	273
• China	CHF million	149	184	187	140	174
• India	CHF million	146	174	182	142	131
• Turkey	CHF million	155	100	119	144	264
• North and South America	CHF million	109	115	87	200	199
• Africa	CHF million	36	28	43	27	30
Operating result before interest, taxes, depreciation and amortization (EBITDA)	CHF million	84.1	64.7 [1]	95.8	115.9	125.4
• in % of sales		7.8	6.7	10.1	11.2	10.9
Operating result before interest and taxes (EBIT)	CHF million	43.2	15.8 [2]	56.5	73.1	84.6
• in % of sales		4.0	1.6	6.0	7.0	7.3
Net profit	CHF million	32.0	13.3 [3]	42.7	49.8	52.9
• in % of sales		3.0	1.4	4.5	4.8	4.6
Return on net assets (RONA) in %		6.6	3.0	8.5	9.5	10.5
Consolidated statement of cash flows						
Net cash from operating activities	CHF million	78.4	20.6	102.2	89.0	89.6
Net cash from investing activities[4]	CHF million	– 14.8	– 21.7	– 25.9	– 7.0	– 40.5
Net cash from financing activities	CHF million	– 36.3	– 19.4	– 34.4	– 84.8	– 77.3
Free cash flow[5]	CHF million	63.6	– 1.1	76.3	65.0	49.1
Number of employees at December 31[6]		**5 134**	**5 246**	**5 022**	**5 077**	**5 004**
Consolidated balance sheet at December 31						
Non-current assets	CHF million	424.5	450.0	344.3	370.1	387.3
Current assets	CHF million	577.8	598.2	653.8	631.3	822.1
Equity attributable to shareholders of Rieter Holding Ltd.	CHF million	445.9	456.8	459.6	442.9	441.1
Equity attributable to non-controlling interests	CHF million	0.7	0.7	1.1	0.9	0.8
Non-current liabilities	CHF million	235.1	267.5	232.5	251.4	247.5
Current liabilities	CHF million	320.6	323.2	304.9	306.2	520.0
Total assets	CHF million	1 002.3	1 048.2	998.1	1 001.4	1 209.4
Shareholders' equity in % of total assets		44.6	43.6	46.2	44.3	36.5
Cash and cash equivalents	CHF million	256.2	243.3	365.6	326.5	336.9
Marketable securities and time deposits	CHF million	0.9	1.1	7.0	7.5	108.7
Current financial debt	CHF million	– 0.2	– 7.3	– 9.1	– 14.1	– 168.1
Non-current financial debt	CHF million	– 106.7	– 106.6	– 100.0	– 107.5	– 105.8
Net liquidity	CHF million	**150.2**	**130.5**	**263.5**	**212.4**	**171.7**

1. Including restructuring costs amounting to CHF 29.9 million.
2. Including restructuring costs amounting to CHF 29.9 million and impairment losses related to restructurings amounting to CHF 6.1 million.
3. Including restructuring costs amounting to CHF 29.9 million, impairment losses related to restructurings amounting to CHF 6.1 million and a positive tax impact of CHF 7.5 million.
4. Excluding acquisitions and divestments of business.
5. Net cash from operating activities and net cash from investing activities excluding acquisitions and divestments of business.
6. Excluding apprentices and temporary employees.

Information for investors

		2018	2017	2016	2015	2014
Share capital	CHF million	23.4	23.4	23.4	23.4	23.4
Net profit of Rieter Holding Ltd.	CHF million	24.9	22.7	27.0	25.0	22.8
Dividend	CHF million	23.4 [1]	22.6	22.6	20.4	20.6
Payout ratio in % of net profit[2]		71	171	53	41	39
Market capitalization (December 31)	CHF million	577	1 076	800	848	757
Market capitalization in % of						
• sales	in %	54	111	85	82	66
• equity attributable to shareholders of Rieter Holding Ltd.	in %	129	236	174	191	172

1. See motion of the Board of Directors on page 107.
2. Net profit attributable to shareholders of Rieter Holding Ltd.

Data per share (RIEN)

			2018	2017	2016	2015	2014
Share prices on the SIX Swiss Exchange	high	CHF	259	248	218	190	230
	low	CHF	119	175	168	117	159
Price/earnings ratio	high		36.6	84.9	23.2	17.4	19.9
	low		16.8	59.9	17.9	10.7	13.8
Shareholders' equity (Group) per share		CHF	99.50	100.97	101.79	98.18	96.41
Tax value per share		CHF	128.80	237.80	177.10	188.00	165.50
Dividend per share		CHF	5.00 [1]	5.00	5.00	4.50	4.50
Gross yield on shares	high	in %	1.9 [1]	2.0	2.3	2.4	2.0
	low	in %	4.2 [1]	2.9	3.0	3.8	2.8
Basic earnings per share		CHF	7.07	2.92	9.39	10.92	11.52

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

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

March 2019

This is a translation of the original German text.

Copy:
Rieter Management AG

Concept and design:
NeidhartSchön, Zurich

Photos:
Daniel Hager, Zurich

Publishing-System:
Multimedia Solutions AG, Zurich

Printing:
Druckmanufaktur, Urdorf

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