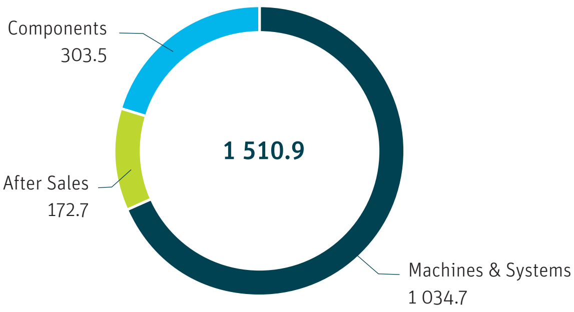
RIETER

Annual Report

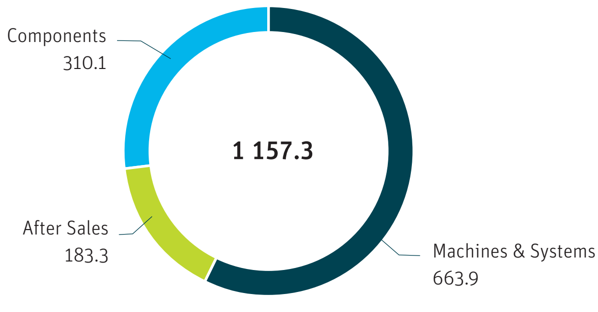
22

RIETER AT A GLANCE

Sales by Business Group
CHF million



Order Intake by Business Group
CHF million



CHF million	2022	2021	Difference
Order intake[1]	1 157.3	2 225.7	–48%
Sales	1 510.9	969.2	56%
EBITDA[1]	85.0	85.0	0%
– in % of sales	5.6	8.8	
EBITA[1]	47.0	54.5	-14%
– in % of sales	3.1	5.6	
EBIT[1]	32.2	47.6	-32%
– in % of sales	2.1	4.9	
Net profit	12.1	31.7	-62%
– in % of sales	0.8	3.3	
Capital expenditure[1]	46.7	38.6	21%
Net debt[1]	–285.6	–161.9	–76%
Dividend per share (in CHF)[2]	1.50	4.00	–62%
Equity ratio in %[1]	23.4	27.6	–15%
Number of employees (excluding temporaries)	5 629	4 907	15%

[1] Definition in Alternative Performance Measures on page 46/47
[2] Motion of the Board of Directors on page 113

RIETER GROUP

Rieter is the world's leading supplier of systems for manufacturing yarn from staple fibers in spinning mills. Based in Winterthur (Switzerland), the company develops and manufactures machinery, systems and components used to convert natural and man-made fibers and their blends into yarns in the most cost-efficient manner. Cutting-edge spinning technology from Rieter contributes to sustainability in the textile value chain by minimizing the use of resources. Rieter has 18 production locations in ten countries and employs a global workforce of around 5 630, about 16.4% of whom are based in Switzerland.

Rieter is a strong brand with a long tradition. For more than 225 years, Rieter's innovative momentum has been a powerful driving force for progress in the spinning mill industry. The main focus is the efficiency of the customer's yarn production. Efficiency in yarn production is attained through minimal use of resources. Therefore, Rieter makes an important contribution to the sustainable production of textiles.

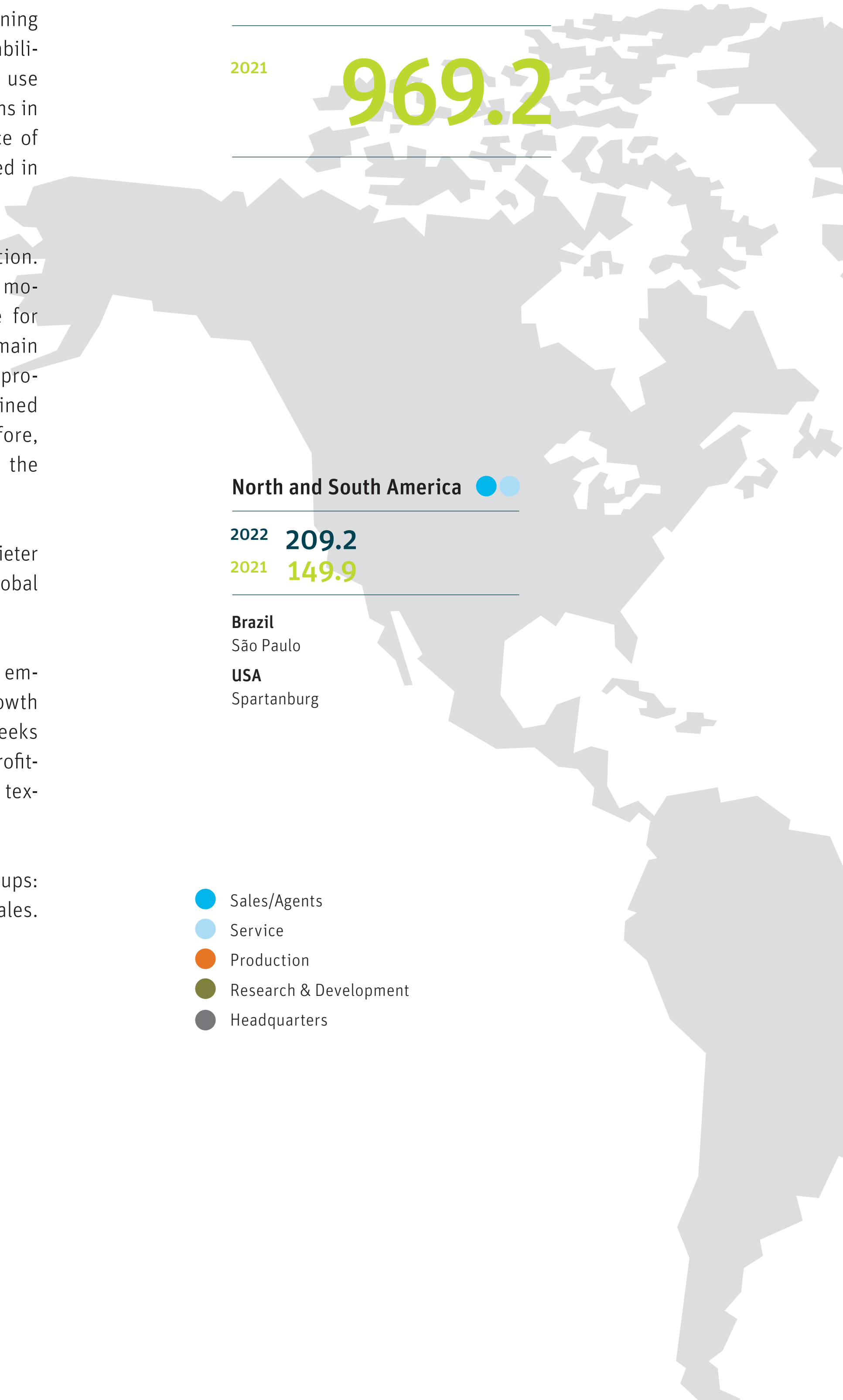
With a global sales and service organization, Rieter is well positioned as market leader in the global competitive environment.

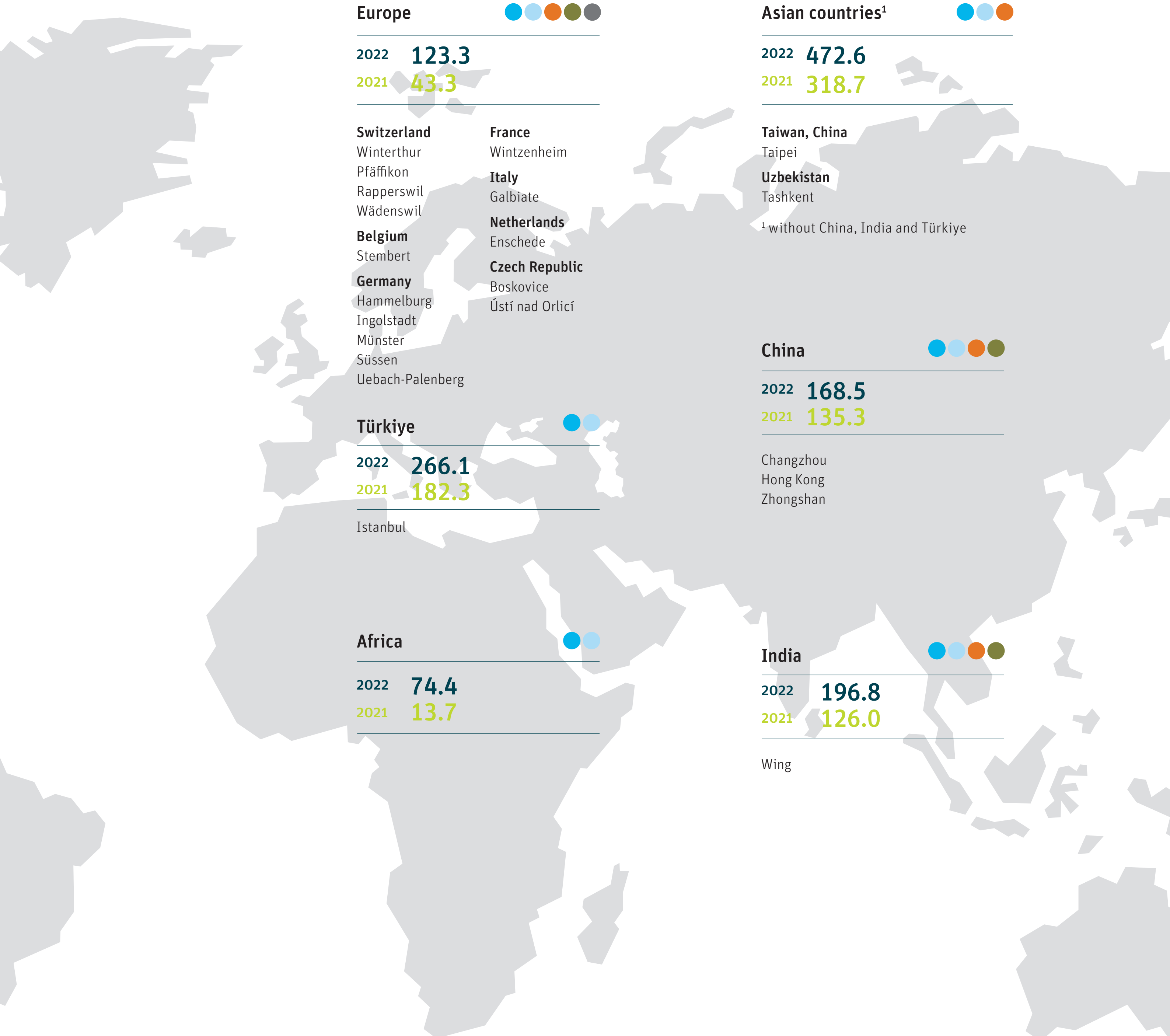
For the benefit of shareholders, customers and employees, Rieter aspires to achieve sustained growth in enterprise value. With this in mind, Rieter seeks to maintain continuous growth in sales and profitability throughout the investment cycle in the textile industry.

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

SALES
CHF million

2022	1 510.9
2021	969.2





Europe

2022 123.3
2021 43.3

Switzerland
Winterthur
Pfäffikon
Rapperswil
Wädenswil

Belgium
Stembert

Germany
Hammelburg
Ingolstadt
Münster
Süssen
Uebach-Palenberg

France
Wintzenheim

Italy
Galbiate

Netherlands
Enschede

Czech Republic
Boskovice
Ústí nad Orlicí

Türkiye

2022 266.1
2021 182.3

Istanbul

Africa

2022 74.4
2021 13.7

Asian countries[1]

2022 472.6
2021 318.7

Taiwan, China
Taipei

Uzbekistan
Tashkent

[1] without China, India and Türkiye

China

2022 168.5
2021 135.3

Changzhou
Hong Kong
Zhongshan

India

2022 196.8
2021 126.0

Wing

Bernhard Jucker
Chairman of the Board of Directors

Dr. Norbert Klapper
Chief Executive Officer

DEAR SHAREHOLDER

The 2022 financial year was characterized by record sales of CHF 1 510.9 million and enormous challenges in their realization. Geopolitical uncertainties, the rapid rise in inflation, and additional development expenditure to compensate for material bottlenecks, weighed heavily on earnings. Higher expenses were also incurred in connection with the acquired businesses. Despite the exceptionally challenging environment, Rieter generated an EBIT margin of 2.1%. Implementation of the measures already initiated to improve profitability is continuing.

We wish to highlight the constructive and trusting cooperation with our customers and the great commitment of Rieter's employees in this very challenging financial year.

SALES, ORDER INTAKE AND ORDER BACKLOG

With **record sales** of CHF 1 510.9 million, Rieter achieved an increase of 56% compared with the previous year (2021: CHF 969.2 million). In the second half of 2022, especially in the fourth quarter, the measures introduced to address material bottlenecks had a positive impact. Consequently, sales increased to CHF 890.3 million compared with the first six months (first half-year 2022: CHF 620.6 million).

Order intake was CHF 1 157.3 million in 2022 (2021: CHF 2 225.7 million) and thus remained at a high level thanks to the company's technological lead and broad international presence. The market situation, especially in the second half of 2022, was characterized by investment restraint and below-average capacity utilization at spinning mills due to geopolitical uncertainties, rising financing costs, and consumer reticence in important markets.

The company had an **order backlog** of around CHF 1 540 million at the end of 2022, which thus extends into 2023 and 2024.

EBIT, NET PROFIT AND FREE CASH FLOW

The profit at the **EBIT** level in the 2022 financial year was CHF 32.2 million (2021: CHF 47.6 million). The result was strongly influenced by substantial cost increases, which could only be offset in part through price increases or other remedial measures. In addition, to compensate for material shortages, expenses were incurred in connection with the development of alternative solutions, and in relation to the acquired businesses. In the 2022 financial year, an EBIT margin of 2.1% was achieved (2021: 4.9%) despite these challenges. Rieter closed 2022 with a positive result and achieved a **net profit** of CHF 12.1 million, equivalent to 0.8% in relation to sales, following a net loss in the first half of 2022.

Free cash flow was CHF -98.6 million, mainly a result of the build-up of inventories for deliveries in the 2023 financial year. Accordingly, net debt was CHF 285.6 million (2021: CHF 161.9 million). As of December 31, 2022, Rieter had liquid funds of CHF 176.1 million (2021: CHF 249.4 million).

The equity ratio as of December 31, 2022, was 23.4%, mainly due to the increased working capital and foreign exchange differences (previous year's reporting date 27.6%).

COMPLETION OF THE ACQUISITION

Rieter consolidated the acquired automatic winding machine business with effect from April 1, 2022. This acquisition completes Rieter's system offering in the largest market segment of ring and compact spinning, thus significantly strengthening the company's market position.

ACTION PLAN TO INCREASE PROFITABILITY

Implementation of the action plan to increase profitability is ongoing. With regard to the margins for the order backlog, which remains high, the already implemented price increases in combination with a positive trend in costs, particularly in logistics, are having a favorable impact. In addition, progress was made in eliminating material bottlenecks and reducing expenses for the three acquired businesses.

INNOVATION PROGRAM

In the context of ITME 2022 in Delhi (India), Rieter presented solutions for the economical production of yarns from recycled fibers, which met with great customer interest. As the technology leader, Rieter will present new, innovative products at ITMA 2023 in Milan (Italy). In conjunction with the Johann Jacob Rieter Foundation, Rieter is funding a Professorship for Artificial Intelligence at the ZHAW School of Engineering in Winterthur (Switzerland). The application of artificial intelligence will make an important contribution to automation and process optimization, thereby advancing sustainability in the spinning industry.

RIETER SITE SALES PROCESS

The sales process for the remaining land at the Rieter site in Winterthur (Switzerland) is proceeding according to plan. In total, around 75 000 m^2 of land will be sold. The Rieter CAMPUS is not part of this transaction.

DIVIDEND

The Board of Directors proposes to the shareholders the distribution of a dividend of CHF 1.50 per share for 2022. This corresponds to a payout ratio of 56%.

BOARD OF DIRECTORS AND ANNUAL GENERAL MEETING

At the 131st Annual General Meeting held on April 7, 2022, the shareholders approved all motions proposed by the Board of Directors. The Chairman of the Board, Bernhard Jucker, and the Directors, Hans-Peter Schwald, Peter Spuhler, Roger Baillod and Carl Illi, were confirmed for a further one-year term of office. Sarah Kreienbühl and Daniel Grieder were newly elected for a one-year term of office as members of the Board of Directors. The members of the Remuneration Committee who were standing for election – Hans-Peter Schwald and Bernhard Jucker – were also re-elected for a one-year term of office. Sarah Kreienbühl was newly elected for a one-year term of office as a member of the Remuneration Committee, and takes over the chair.

CHANGE OF LEADERSHIP

Norbert Klapper, who has led Rieter as CEO for nine years, has informed the Board of Directors that he wishes to take on new professional challenges. The Board of Directors thanks Dr. Klapper for his many years of hard work and his lasting contribution to the company and wishes him all the best for the future, both professionally and personally.

The Board of Directors has appointed Thomas Oetterli as new CEO. With his comprehensive leadership skills and many years of industrial and international experience, Thomas Oetterli brings ideal prerequisites to lead Rieter as a global market leader through the current challenges and successfully develop it further in the long term. He will take over the function of CEO from Dr. Klapper on March 13, 2023.

OUTLOOK

For the coming months, Rieter expects below-average demand for new equipment at first, with a revival expected in the second half of 2023 after ITMA, the leading trade fair in Milan (Italy). Rieter also believes that demand for consumables, wear & tear and spare parts will recover during 2023.

For the 2023 financial year, due to the high order backlog, Rieter anticipates sales in the order of magnitude of the previous year.

The realization of sales from the order backlog continues to be associated with risks in connection with the ongoing geopolitical uncertainties, rising financing costs, continuing bottlenecks in the supply chains, and possible, currently unforeseeable consequences of the earthquake in Türkiye in February 2023. Despite the price increases already implemented, further global cost increases continue to pose a risk to the growth of profitability. Rieter will specify the outlook in the 2023 semi-annual report.

THANK YOU

On behalf of the Board of Directors and the Group Executive Committee, we thank all Rieter employees for their great commitment under very difficult conditions in the 2022 financial year. It was only possible to overcome the major challenges resulting from record sales, combined with enormous cost increases, material bottlenecks and the integration of the acquired businesses, thanks to the exceptional commitment and great loyalty of employees to Rieter. We would especially like to thank Rieter employees, particularly in the Czech Republic, for their exemplary support for Ukrainian refugees.

Our customers, suppliers and business partners also deserve our sincere gratitude for their loyalty to Rieter, and their trusting and constructive cooperation in a difficult situation. To you, highly esteemed Rieter shareholder, we express our heartfelt thanks for your trust.

Winterthur, March 8, 2023

Bernhard Jucker
Chairman of the
Board of Directors

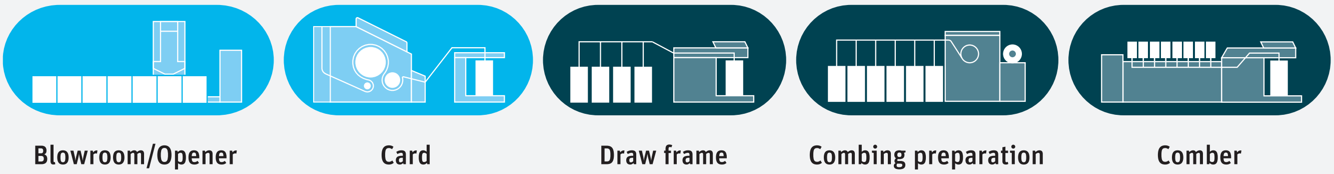
Dr. Norbert Klapper
Chief Executive Officer

FINANCIAL CALENDAR

Annual General Meeting 2023	April 20, 2023
Semi-Annual Report 2023	July 20, 2023
Investor Update 2023	October 20, 2023
Publication of Sales 2023	January 24, 2024
Deadline for Proposals Regarding the Agenda of the Annual General Meeting	February 23, 2024
Results Press Conference 2024	March 13, 2024
Annual General Meeting 2024	April 17, 2024
Semi-Annual Report 2024	July 16, 2024
Investor Update 2024	October 23, 2024

RIETER BUSINESS MODEL

COMPACT-SPINNING SYSTEM (EXAMPLE)



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

Around 106 million tons of fiber were processed around the world in 2022, mainly for clothing, technical textiles or home textiles. Fiber consumption is growing with the world population and disposable income, on average between two and three percent per year.

YARN PRODUCTION

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

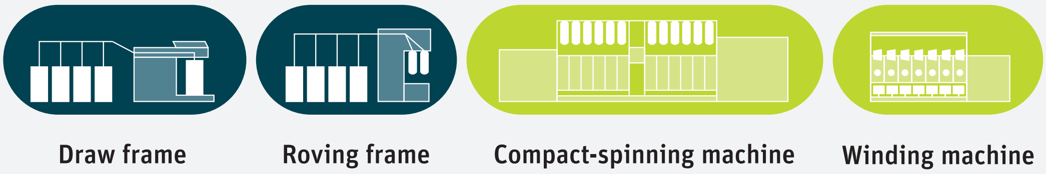
Yarn is produced in two basically different ways. On the one hand, this is done by spinning staple fibers. These are fibers with a staple length of 23 to 60 mm (short-staple fibers) or over 60 mm (long-staple fibers). On the other hand, yarn is produced by processing so-called filaments to make continuous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

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

Rieter is mainly engaged in yarn production from staple fibers. The most important of these in 2022 were cotton (about 24 million tons), polyester (about 17 million tons) and viscose (about six million tons).

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

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



SPINNING PROCESS

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

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

MEASURED VARIABLES FOR CAPACITY

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

A total of more than 250 million spindle equivalents worldwide were used in 2022 to produce yarn from the around 60 million tons of staple fibers, of which around 96 million are in China, 60 million in India, 70 million in the Asian countries (excluding China, India and Türkiye) and 12 million in Türkiye. Every year, between 11 and 13 million spindle equivalents are installed on average. Rieter delivered 2.56 million spindle equivalents (2021: 1.69 million) in 2022. In addition, spinning mills require consumables, wear & tear and spare parts for ongoing operation.

MARKET VOLUME

3 200 to 4 000 CHF million

Global volume for staple fiber machines per year

MARKET

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

BUSINESS WITH NEW MACHINES, CONSUMABLES, WEAR & TEAR 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 as well as foreign exchange rates and are influenced by government policies.

The business with consumables, wear & tear 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 consumables, wear & tear and spare parts. Project business such as the conversion or modernization of entire spinning mills, on the other hand, are subject to the investment cycle described above.

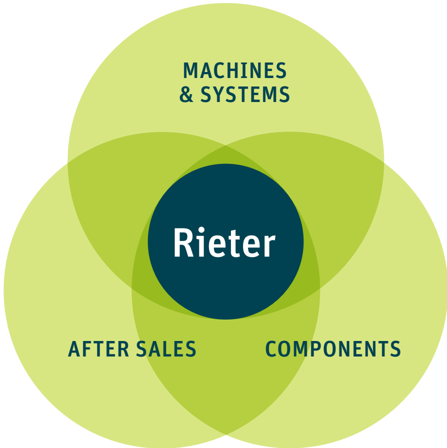
PRODUCT AND SERVICE OFFERING

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

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

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

BUSINESS GROUPS



Established premium supplier with innovative products and services

THREE BUSINESS GROUPS

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

The Business Group Components develops, produces and distributes technology components and precision winding machines as well as solutions for the production of filament yarns and nonwoven fabrics. Technology components come into contact with fibers and affect yarn properties; they are used in new machines and have to be replaced at regular intervals during operation.

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

(Sources: PCI, ITMF, Wood Mackenzie, estimate Rieter)

IMPLEMENTATION OF THE SUSTAINABILITY STRATEGY

Optimizing Energy and Material Consumption in the Spinning Mill and Beyond: New Perspectives with the Autoconer X6. Energy efficiency is the key to decarbonizing yarn production. With the automatic cone winder Autoconer X6, Rieter has added another all-star performer to its energy-efficient technology portfolio, while at the same time contributing to maximum resource utilization. Integrating the automatic winder into the Rieter ring and compact-spinning system also paves the way for further efficiency increases, even in downstream process stages of the textile value chain. Digitization and artificial intelligence open up new prospects for the future.

Some process steps in the textile value chain consume the scarce resource that is water and require the use of chemicals on a large scale. These include, for example, the cultivation of cotton, the production of synthetic fibers, and dyeing. When spinning fibers into yarn, the electrical energy required to operate the machines determines the environmental footprint, especially if it comes from fossil sources.

Rieter's ring and compact-spinning system sets the industry benchmark for energy consumption and thus for CO_2 emissions in yarn production. Assuming that the required electricity is generated from coal, the production of one ton of yarn with a Rieter system releases about one ton of CO_2. The Rieter system is about 10% lower in CO_2 emissions than competitor systems.

PRECISION CREATES ADVANTAGES

As the final process stage in ring and compact spinning, the winding machine accounts for around 14% of energy consumption in the spinning mill and is therefore the focus of efforts to reduce energy consumption.

Generating the vacuum is one of the processes that consume the most energy in the winding process. A vacuum is necessary to enable reliable yarn detection and gripping during all cycle operations on the Autoconer. Reliable yarn detection and gripping means high productivity, resource conservation, and quality-assured package handling. The Autoconer operates at a lower vacuum than competitor machines thanks to sensory monitoring and control. The resulting advantages in energy consumption over competitor machines are significant and range from 7% to 70%, depending on the competitor, machine type, and the number of winding units and cycles.

The Autoconer X6 winding machine in conjunction with ESSENTIAL enables sustainable yarn production.

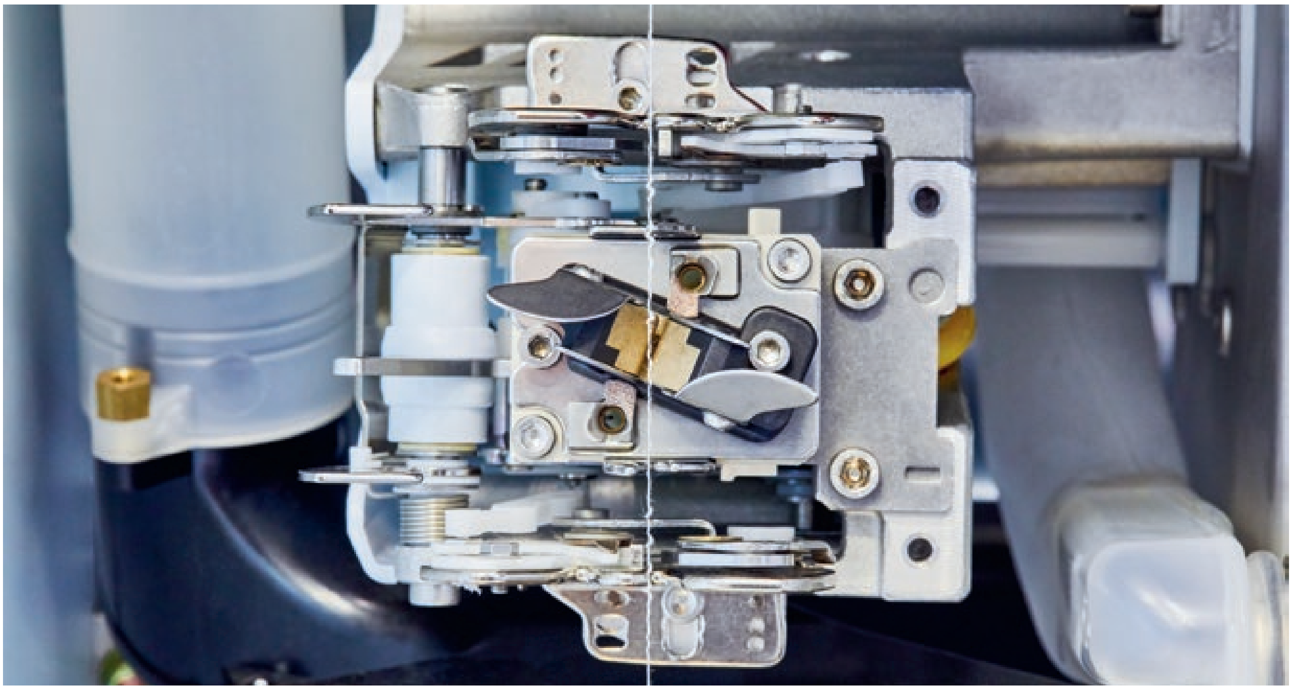
When it comes to minimizing material consumption, precision in yarn cleaning is the key. During yarn cleaning, faults are removed and the yarn ends are reconnected using splicing technology. Eliminating a defect, including splicing, takes only five to six seconds. Then the splice optics are checked to ensure that they meet the quality requirements. If the spliced yarn is too thick or too thin, it is spliced again.

The new open prism splicing technology improves the optics of the splice joint with high precision and uniformity. This means fewer repeats and consequently less yarn waste.

The Autoconer is integrated into the overall system via ESSENTIAL, Rieter's digital platform for spinning mill control. In this way, the detection of quality-related yarn values on the winder enables malfunctions in upstream process stages to be identified and quickly rectified. This also reduces energy and material consumption.

POSITIVE IMPACT ON DOWNSTREAM PROCESS STAGES

One example of the increase in efficiency in downstream process stages is the production of dyeing packages on the Autoconer X6. The package building process has a significant influence on the dyeing process and thus on the consumption of water, dye chemicals, energy consumption and the quality of the dyeing results. With the Preci FX drumless yarn traversing system, the Autoconer took on a pioneering role at an early stage and for the first time specifically optimized the design of the dyeing packages. The combination of Preci FX and the yarn tension control system Autotense FX allows to produce the exact uniform package density as required by the dyer. This is a prerequisite for uniform dyeing results in the first dyeing cycle. This conserves resources and lowers costs.



Splicing technology with open prism on the Autoconer X6.

ARTIFICIAL INTELLIGENCE SUPPORTS SUSTAINABLE YARN PRODUCTION

Artificial intelligence also contributes to minimizing energy and raw material consumption. ESSENTIAL, Rieter's digital platform for spinning mill control, for example, enables the detection and elimination of deviations at an early stage in the process.

The integration of the Autoconer X6 winding machine in ESSENTIAL opens up the potential for enhanced transparency and optimization across all process steps. The winding machine is the last process step in the production of ring or compact yarn. It reliably detects foreign fibers, impurities, and unevenness in the yarn and removes these faults. Connection of the winding machine to ESSENTIAL helps make detection of quality deviations during production even more effective. On top of this, it also makes it possible to trace the causes back to upstream process steps and to rectify them.

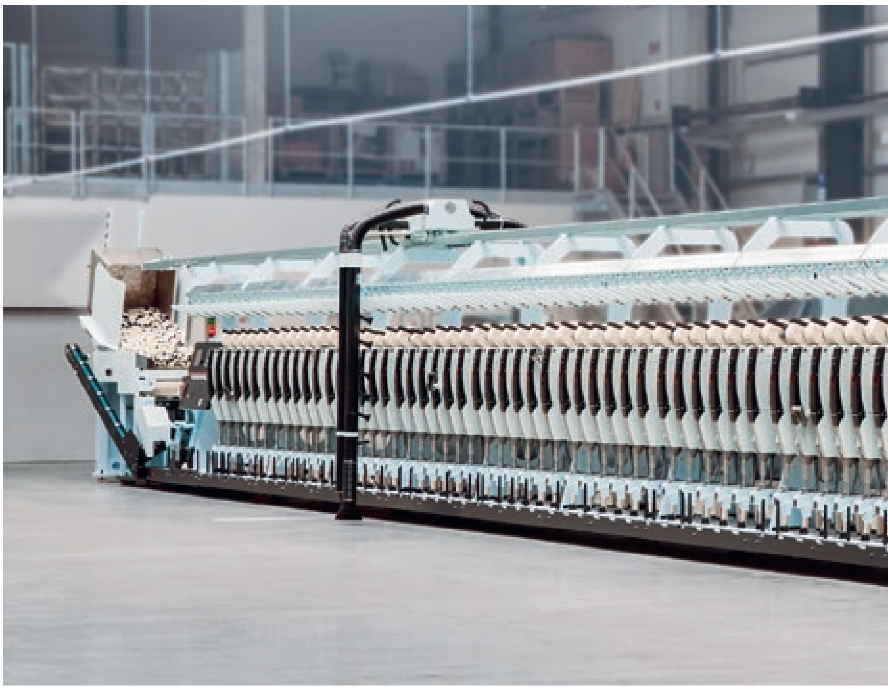
For example: A combed cotton yarn of yarn count Ne 40 deviates from the quality standard. For a yarn with these criteria, the winding machine normally makes 75 quality cuts per 100 km of yarn. The number of cuts increases with unsatisfactory yarn quality, with an increase in this example to 90 per 100 km of yarn. More cuts translates to more waste, corresponding to an increase from 0.4% to 0.5%. This seemingly small difference correlates to a considerable amount of yarn over the course of a year. For a spinning mill that produces 5 000 tons of yarn per year, this totals five tons of additional waste.

ESSENTIAL MAKES EXPERTISE ACCESSIBLE

If the number of cuts on the winding machine exceeds a preset value, ESSENTIAL analyzes the entire process from fiber to yarn. Deviations are detected and corrective measures initiated based on rules, threshold values, and evaluation of machine events throughout the process. This is how ESSENTIAL uses the potential of artificial intelligence to reflect the expertise of the spinning mill.

Evaluation of specific cases will enable the system to learn for the future, thereby allowing further development of the expertise related to optimization of the spinning process.

The use of artificial intelligence is a significant contribution to automation and process optimization and thus to improving sustainability in the textile industry. To expand this capacity in the field of industrial artificial intelligence, Rieter and the Johann Jacob Rieter Foundation are funding a professorship at ZHAW School of Engineering in Winterthur, Switzerland.



The Autoconer X6 winding machine contributes to maximum resource utilization.

BUSINESS GROUP MACHINES & SYSTEMS

The Business Group Machines & Systems recorded extraordinary sales growth in reporting year 2022. Despite the high turnover, it was not possible to achieve a positive result due to the rapid rise in inflation, considerable additional development expenses to compensate for material bottlenecks, and charges arising from the acquisition completed on March 31, 2022. Following the record year of 2021, the demand for new machines and systems declined.

Despite the well-known challenges in the global supply chains, at CHF 1 034.7 million the Business Group managed to almost double sales (2021: CHF 590.3 million). It was only possible to offset part of these significantly higher costs for materials and logistics through price increases and other remedial measures. Substantial additional development costs were incurred to compensate for material bottlenecks. Earnings were also negatively impacted by expenses in connection with the acquired automatic winding machine business. The EBIT of the Business Group was CHF -18.7 million (2021: CHF -3.7 million), which corresponds to -1.8% of sales (2021: -0.6%).

Order intake was CHF 663.9 million (2021: CHF 1 708.6 million). This reflected the weakening demand for new machines and systems due to geopolitical uncertainties, rising financing costs and consumer restraint in key markets. The order backlog of the Business Group extends into 2024.

The number of employees increased by 22%, from 2 091 to 2 547 as of December 31, 2022, due to sales growth and the acquisition.

AUTOMATIC WINDING MACHINE AUTOCONER X6

The Autoconer X6 completes Rieter's system offering in the largest market segment of ring and compact spinning. The integration of the machine into the Rieter system via ESSENTIAL offers considerable potential for differentiation from the competition. Following completion of the acquisition on March 31, 2022, the focus in the 2022 financial year was on building up the business unit, which was acquired via an asset deal, and integrating it into Rieter's business system. In this context, preparations were also made for the move to the new location in Heinsberg (Germany).

BUSINESS GROUP COMPONENTS

The Business Group Components also achieved strong sales growth in reporting year 2022. Price increases largely compensated for inflation-related cost increases, while charges from the acquired businesses had the opposite effect on earnings. Demand for consumables, wear & tear and spare parts declined in the second half of 2022, due to the slowdown in spinning mill capacity utilization.

Components posted growth of 31% in sales to third parties to CHF 303.5 million. Segment sales, which also include subcontracting to the Business Group Machines & Systems, increased by 33% to CHF 427.9 million. Besides the additional sales from the acquired businesses, this reflects the good capacity utilization of the spinning mills in the first half of 2022 and the record sales of the Business Group Machines & Systems. Components achieved an EBIT of CHF 26.8 million, which corresponds to a margin of 6.3% of segment sales (2021: CHF 30.1 million or 9.4%).

The order intake of the Business Group Components was CHF 310.1 million, an increase of 5% compared to the previous year (2021: CHF 296.0 million).

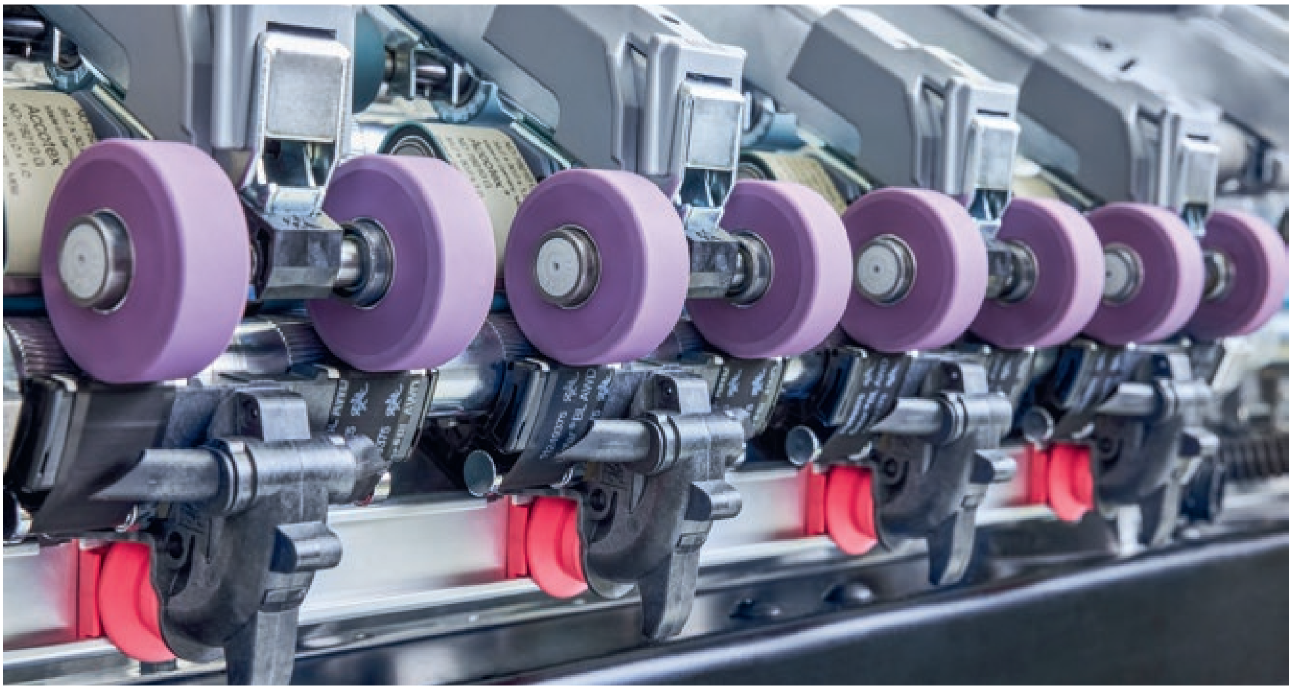
The number of employees increased by 4% from 1 759 to 1 835 as of December 31, 2022.

COMPACTAPRON: HIGHEST YARN STRENGTH

COMPACTapron, the third of Rieter's innovative compacting solutions, reached series production maturity in 2022 financial year. It sets new standards in terms of yarn strength.

The name says it all: COMPACTapron uses proven compacting technology based on a lattice apron. The fibers are transported via the suction slot and have a clear distance to the apron. All protruding hair fibers are fully exposed to the air stream and thus are reliably integrated into the yarn. The system is characterized by low energy consumption, low maintenance requirements, and durable components. This means that COMPACTapron can be used to produce yarns with outstanding strength, economically and thus in a sustainable manner.

COMPACTapron is developed, produced and distributed by Rieter subsidiary Suessen and is easy to connect to and disconnect from almost any ring spinning machine. The system is available for all standard applications.



COMPACTapron guides the fibers smartly through the compacting zone and enables excellent yarn tenacity values.

BUSINESS GROUP AFTER SALES

The Business Group After Sales successfully increased sales in the 2022 financial year, while price increases largely compensated for inflation-related cost increases. Earnings were weighed down by expenses in connection with the acquired after sales business for the automatic winding machine. Demand for spare parts declined in the second half of 2022, due to the slowdown in spinning mill capacity utilization.

At CHF 172.7 million, sales of the Business Group After Sales were 17% higher than in the previous year (2021: CHF 147.4 million), mainly due to strong demand for spare parts, a high level of installation services and the additional sales from the acquisition. After Sales posted EBIT of CHF 25.0 million, which corresponds to 14.5% of sales (2021: CHF 22.4 million or 15.2%).

Despite the acquisition, order intake of CHF 183.3 million was 17% below the 2021 record figure of CHF 221.1 million. This was due to the declining capacity utilization of the spinning mills in the second half of 2022 as well as the lower order intake in the Business Group Machines & Systems and the associated installation services.

The number of employees increased by 20% from 738 to 888 as of December 31, 2022.

REPAIR SERVICES

Repairing defective parts makes sense from both an ecological and economic point of view. Repairs can often be carried out less expensively and more quickly, and save valuable resources. More than one hundred Rieter repair engineers are in service worldwide. Thanks to their help, the spinning mill of Bhaskar Industries in India was quickly able to resume operations after severe flooding. At the same time, the repair team helped to prevent 1.5 tons of electronic waste.

DRIVING THE CIRCULAR ECONOMY FORWARD

Rieter has introduced sustainable recycling processes at 27 of its own repair workshops in 22 countries. Every Rieter repair station around the globe is able to recycle all products and components that are beyond repair.

More than one hundred certified repair service experts provide repair services worldwide.

CORPORATE GOVERNANCE

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

The Articles of Association of Rieter Holding Ltd. and the regulations governing the organization of the company constitute the basis for the contents of the chapter “Group structure and shareholders”. Reporting by Rieter conforms to the corporate governance guidelines issued by the SIX Swiss Exchange and the pertinent commentaries thereto. Unless otherwise stated, the data refer to December 31, 2022. All information is updated regularly on the website at: www.rieter.com/investor-relations.

Some data refer to the financial section of this Annual Report. The remuneration report can be found on pages 38 to 43 of the Annual Report.

1 GROUP STRUCTURE AND SHAREHOLDERS

Group structure

Rieter Holding Ltd. is a company incorporated under Swiss law, with registered office in Winterthur, and as a holding company directly or indirectly controls all companies that are members of the Rieter Group. Some 34 companies worldwide were members of the Rieter Group on December 31, 2022. A list of the companies included in the scope of consolidation of Rieter Holding Ltd. can be found on page 77. 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, 2022, 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 25.02%;
- Picanol Group (Verbrugge NV, Ieper, Belgium and Symphony Mills, Wielsbeke, Belgium and Artela NV, Oostrozebeke, Belgium and Picanol NV, Ieper, Belgium) with 15.16%;
- Rieter Holding Ltd., Winterthur, Switzerland, with 3.01%.

Refer to page 112 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:
www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html.

Cross-holdings

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

2 CAPITAL STRUCTURE

Share capital

On December 31, 2022, 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, 2022, was CHF 470.4 million. Each share entitles the holder to one vote at the general meeting of shareholders.

Contingent and authorized share capital

The Board of Directors is authorized to increase the share capital by up to CHF 2 500 000 through the issue of up to 500 000 fully paid registered shares with a par value of CHF 5.00 each at any time until April 7, 2024. Increases by parts of this amount are permitted. Subscriptions for and purchases of the new shares are subject to the restrictions in §4 of the Articles of Association.

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

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

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

Rieter Holding Ltd. had no outstanding contingent share capital on December 31, 2022.

Convertible bonds and options

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

Participation certificates and dividend-right certificates

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

BOARD OF DIRECTORS

Peter Spuhler
Member of the Board of Directors

Member of the strategy and sustainability committee

Bernhard Jucker
Chairman of the Board of Directors

Chairman of the strategy and sustainability committee, member of the remuneration committee as well as the nomination committee

Roger Baillod
Vice Chairman of the Board of Directors

Chairman of the audit committee

Hans-Peter Schwald
Member of the Board of Directors

Member of the audit committee, the remuneration committee as well as the nomination committee

Carl Illi
Member of the Board of Directors

Member of the audit committee as well as the strategy and sustainability committee

Sarah Kreienbühl
Member of the Board of Directors

Chairwoman of the remuneration committee as well as the nomination committee.

Daniel Grieder
Member of the Board of Directors

Member of the strategy and sustainability committee.

BOARD OF DIRECTORS

Peter Spuhler
(1959)
Member of the Board of Directors

Swiss national

Independent member

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

Educational and professional background
Owner of Stadler Rail AG, Bussnang, until IPO in April 2019; largest shareholder since IPO; Group CEO a.i. from May 2020 until December 31, 2022.

Other activities and interests
Chairman of the Board at Stadler Rail AG, Bussnang (and several other companies of the Stadler Rail Group), at PCS Holding AG, Frauenfeld, at Aebi Schmidt Holding AG, Frauenfeld; Vice Chairman at ZSC Lions AG, Zurich (until December 13, 2022), at DSH Holding AG, Weiningen; member of the Board of Directors at Allreal Holding AG, Baar, at Robert Bosch GmbH, Stuttgart, at European Loc Pool AG, Frauenfeld, at Sönmez Transformer Company (STS), Dilovasi; member of the Executive Committee at Swissmem, Zurich; member of the Executive Committee at LITRA, Berne; member of the Swiss federal parliament (Nationalrat) from October 1, 1999 to December 31, 2012.

Committees
Member of the strategy and sustainability committee.

Executive/non-executive
Non-executive.

Bernhard Jucker
(1954)
Chairman

Swiss national

Independent member

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

Educational and professional background
Master of Science in Electrical Engineering, ETH Zurich; member of the Group Executive Committee ABB Ltd. from 2006 to June 2017; from 2006 to 2015 President Power Products Division ABB Ltd.; from 2016 to June 2017 President Europe Region ABB Ltd; Chairman of the Board of Directors of ABB Germany from 2006 until March 2021.

Other activities and interests
None.

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

Executive/non-executive
Non-executive.

Roger Baillod
(1958)
Vice Chairman

Swiss national

Independent member

First election to Board
Member of the Board of Directors since 2016; Vice Chairman since 2022

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

Other activities and interests
Member of the Board of Directors of Klingelnberg AG, Zurich; Vice Chairman of the Board of Directors of Ed. Geistlich Söhne AG, Schlieren, as well as member of the Board of Directors of Geistlich Pharma AG, Wolhusen; Chairman of the Board of Directors of BKW AG, Berne.

Committees
Chairman of the audit committee.

Executive/non-executive
Non-executive.

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

Swiss national

Independent member

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

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

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

Committees
Member of the audit committee, the remuneration committee as well as the nomination committee.

Executive/non-executive
Non-executive.

Carl Illi (1961)
Member of the Board of Directors

Swiss national

Independent member

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

Educational and professional background
Lic. oec. HSG; 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.

Other activities and interests
Chairman of Swiss Textiles – Swiss Textile Federation, Zurich, since June 2017; member of the Board of Directors of the Swiss Textile College, Zurich, since 2014; Chairman of the Swiss Association of Textile Specialists, Reinach, from 1999 to 2011; member of the Board of economiesuisse, Zurich, since September 2020.

Committees
Member of the audit committee as well as the strategy and sustainability committee.

Executive/non-executive
Non-executive.

Sarah Kreienbühl (1970)
Member of the Board of Directors

Swiss and French national

Independent member

First election to Board
Member of the Board of Directors since 2022

Educational and professional background
Lic. phil. I, Zurich University; member of the Executive Board of the Federation of Migros Cooperatives, including Head Human Resources and Corporate Communications of Migros Group since 2018; Group VP Corporate Human Resources of Sonova Group from 2004 to 2017, including Group VP Corporate Communications from 2012.

Other activities and interests
None.

Committees
Chairwoman of the remuneration committee as well as the nomination committee.

Executive/non-executive
Non-executive.

Daniel Grieder (1961)
Member of the Board of Directors

Swiss national

Independent member

First election to Board
Member of the Board of Directors since 2022

Educational and professional background
HWV; CEO HUGO BOSS AG, Metzingen (Germany) since June 2021; various positions at PVH from 2010 to 2020, most recently as Global CEO Tommy Hilfiger and CEO PVH Europe; various roles with Tommy Hilfiger from 2004; management of own sales agency from 1985 to 2004, also active for Tommy Hilfiger from 1997.

Other activities and interests
None.

Committees
Member of the strategy and sustainability 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 2022 financial year, no member of the Board of Directors performed executive duties. All members of the Board of Directors are independent in accordance with the Swiss Code of Best Practice for Corporate Governance.

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

Group Secretary

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

Election and term of office

Each person elected to the Board of Directors serves a term of office of one year. Nominations for election to the Board of Directors are made with due regard for the balanced composition of this body. Consideration is given to industrial expertise, particularly in the machine building and textile industries, international management and professional experience, as well as various aspects of diversity. Rieter aims to increase the share of women on the Board of Directors to 30 percent with effect from the Annual General Meeting in 2024.

Directorships outside the Group

No member of the Board of Directors may hold more than 15 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 that 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 20.

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 implementation of 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 and sustainability committee and a nomination committee to assist it in its work. However, decisions are taken by the Board of Directors as a whole.

The Board of Directors meets at least six times a year at the invitation of the Chairman. The Board of Directors had eight meetings in the 2022 financial year. Each meeting lasted between a half and one full day.

At least 75 percent of all members of the Board of Directors were present at all board meetings. With one exception, all members of the Board of Directors attended all board meetings in 2022.

	25.01.	01.03.	07.04.	17.05.	07.07.	12.09.	01.11.	07.12.
Bernhard Jucker	✓	✓	✓	✓	✓	✓	✓	✓
Roger Baillod	✓	✓	✓	✓	✓	✓	✓	✓
Peter Spuhler	✓	✓	✓	✓	✓	✓	✓	✓
Hans-Peter Schwald	✓	✓	✓	✓	✓	✓	✓	✓
Carl Illi	✓	✓	✓	✓	✓	✓	✓	✓
Sarah Kreienbühl	–	–	–	✓	✓	✓	✓	✓
Daniel Grieder	–	–	–	✓	✓	*	✓	✓
This E. Schneider	✓	✓	–	resigned				

* excused

In addition, six telephone conferences of the Board of Directors were held.

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

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

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

In the 2022 financial year, none of the members of the audit committee performed executive duties. The Chairman is elected for one year. The audit committee meets at least twice a year. The Head of Internal Audit, representatives of the statutory auditors PricewaterhouseCoopers AG, the Chairman of the Board of Directors, the CEO and the CFO, and other members of the Group Executive Committee and management as appropriate also attended the meetings in 2022. The main duties of the audit committee are:

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

The audit committee met for three regular meetings in 2022. Each meeting lasted between a half and one full day. All committee members attended all the meetings and regularly received the written reports of the internal auditors. The Chairman of the audit committee met the external statutory auditors and the Head of Internal Audit twice a year at separate meetings.

Internal audit

Internal audit, headed by Stephan Mörgeli, Certified Public Accountant, is organizationally independent and reports to the audit committee. At the administrative level, internal audit reports to the CFO. Audits are performed on the basis of an audit plan approved by the audit committee. 14 regular audits were conducted in 2022. The audits focused on the design and 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 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 Chairwoman or Chairman of this committee is appointed by the Board of Directors. Sarah Kreienbühl has held this position since the Annual General Meeting 2022. The remuneration committee:

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

The committee held six meetings and two telephone conferences in 2022. 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 Chairwoman or Chairman of this committee is appointed by the Board of Directors. Sarah Kreienbühl has held this position since the Annual General Meeting 2022.
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 that are not covered by the audit committee or the remuneration committee.

The committee held six meetings and two telephone conferences in 2022. Each meeting lasted half a day. All committee members were present at the meetings.

The **strategy and sustainability 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 2022. As of January 1, 2023, the remit will be expanded to include the subject of sustainability.

The strategy and sustainability 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, particularly in the areas of markets, customers, competition, products, technologies and innovations, business model, processes and standards,
- is involved in strategic matters such as acquisitions, divestitures, joint ventures, restructuring measures, etc.
- supports and assists the Board of Directors in the area of sustainability, particularly in connection with the circular economy and the reduction of CO_2 emissions.

The committee held a one-day meeting in 2022. All committee members were present at the meeting.

Rieter CAMPUS committee

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

The committee held 11 meetings in 2022.

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 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 before 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. 12 meetings were held in 2022, two of which were held as closed-door meetings.

GROUP EXECUTIVE COMMITTEE (GROUP MANAGEMENT)

Dr. Norbert Klapper
Chief Executive Officer (CEO)

Roger Albrecht
Head of the Business Group
Machines & Systems

Serge Entleitner
Head of the Business Group
Components

Rico Randegger
Head of the Business Group
After Sales

Kurt Ledermann
Chief Financial Officer (CFO)

Thomas Anwander
General Secretary and
General Counsel

GROUP EXECUTIVE COMMITTEE (GROUP MANAGEMENT)

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

German national

Member of the Group Executive Committee
since 2014

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

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

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

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

Swiss national

Member of the Group Executive Committee
since 2021

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

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

Other activities and interests
None.

Serge Entleitner
(1964)
Head of the Business Group Components

Austrian national

Member of the Group Executive Committee
since 2017

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

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

Other activities and interests
None.

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

Swiss national

Member of the Group Executive Committee
since 2019

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

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

Other activities and interests
None.

Kurt Ledermann
(1968)
Chief Financial Officer (CFO)

Swiss national

Member of the Group Executive Committee
since 2019

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

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

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

Thomas Anwander
(1960)
General Secretary and General Counsel

Swiss national

Member of the Group Executive Committee
since 2011

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

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

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

Risk management

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

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

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

Market and business risks arising from developments in the relevant markets and the products offered are also assessed as part of strategic planning. In addition, as is the case with the operational risks, they are regularly the subject of the monthly Group Executive Committee meetings. Other risks that 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.

Cyber security risks

International companies are at risk of cyber attacks. Such attacks use a variety of methods to target computer information systems, infrastructures, computer networks and/or personal computing devices.

Rieter organizes its IT infrastructure in such a way as to provide the best possible protection against cyber attacks. In addition, comprehensive processes have been introduced to detect and respond to cyber attacks at an early stage and to ensure IT continuity. This is achieved by deploying internal staff and state-of-the-art technology, supported by an external Security Operations Center.

Rieter employees receive regular training on the identification of cyber risks and how to deal with them properly.

Cyber maturity is subject to regular audits. The Board of Directors and management assign high priority to the cyber security roadmap and monitor changes very closely.

New online fraud prevention training was introduced in 2022. This is designed to raise awareness of cyber fraud, particularly among those employees who are the most exposed to such risks. All Rieter employees were required to attend this training, which new employees must also complete.

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

Code of Conduct

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

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

The Supplier Code of Conduct, which also addresses environmental sustainability issues, was updated in 2022.

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 that 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 20.

Members of the Group Executive Committee must have their mandates approved by the Board of Directors before they are accepted.

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 percent 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 percent of the amount last approved.

Pursuant to §33 of the Articles of Association, the company may 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.

For other aspects, please refer to the remuneration report on pages 38 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, in particular 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.

Convocation of general meeting of shareholders, agenda items, voting proxies

General meetings of shareholders are convened in writing by the Board of Directors at least 20 days before 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 10 days before and three days after the general meeting of shareholders.

6 CHANGE OF CONTROL AND DEFENSIVE MEASURES

Obligation to submit an offer

The legal provisions pursuant to Art. 22 BEHG (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, has 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 on a motion proposed by the Board of Directors. Beat Inauen has officiated as lead auditor for the mandate since the 2019 financial year.

Audit fees

In the 2022 financial year, PricewaterhouseCoopers and other auditors charged the Rieter Group approximately CHF 0.9 million and CHF 0.1 million, respectively, for services in connection with auditing of the annual financial statements of the group companies and Rieter's consolidated accounts.

Additional fees

Additional consultancy fees invoiced by the statutory auditors in 2022 amounted to less than 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 on the election of the statutory auditors. Further information on auditing can be found on pages 27 and 28.

8 INFORMATION POLICY

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

The Annual Report is available in printed form and on the internet at www.rieter.com. Press releases for the public, financial and trade media, as well as presentations, share price details and contact details are also available at this website. The Board of

Directors and the Group Executive Committee provide information on the financial statements and the course of business at the company, as well as answers to shareholders' questions, at the general meeting of shareholders.

Rieter informs about sustainability within the company and publishes an annual report, which addresses all the important factors in this context:
www.rieter.com/sustainability.

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

Financial calendar

• Annual General Meeting 2023	April 20, 2023
• Semi-Annual Report 2023	July 20, 2023
• Investor Update 2023	October 20, 2023
• Publication of sales 2023	January 24, 2024
• Deadline for proposals regarding the agenda of the Annual General Meeting	February 23, 2024
• Results press conference 2024	March 13, 2024
• Annual General Meeting 2024	April 17, 2024
• Semi-Annual Report 2024	July 16, 2024
• Investor Update 2024	October 23, 2024

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

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

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

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

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

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

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

REMUNERATION REPORT

Dear Shareholder,

On behalf of the Board of Directors, I am pleased to present the Compensation Report 2022.

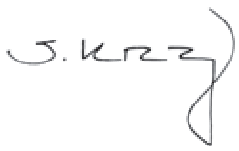
The Compensation Committee discussed the remuneration and compensation policy of the Rieter Group in detail in 2022. For members of the Executive Committee, compensation consists of three elements: the base salary, the profit-sharing bonus and Rieter shares. When determining the base salary, Rieter is guided, on the one hand, by the remuneration policy of listed Swiss companies in the machinery industry and, on the other hand, by the experience of the respective members of the Group Executive Committee. With the bonus program, Rieter consciously aims to promote and take account of entrepreneurial performance. Half of the bonus is paid in shares, which are blocked for three years. This ensures that the management is interested in increasing the value of the company in the long term.

The Rieter Group has operations in many different countries. For this reason, it is important to the Board of Directors that, in relation to purchasing power, comparable activities and assignments should receive comparable remuneration in all countries. In the coming years, Rieter will review the achievement of these targets by means of suitable audits at the individual locations. In 2021, the company already successfully conducted an in-house analysis in Switzerland at the three Rieter companies Graf + Cie AG, Maschinenfabrik Rieter AG and SSM Schärer Schweiter Mettler AG, and recorded positive results in terms of equal pay.

In addition to the principle of equal pay, the Compensation Committee also addressed the issue of diversity. For Rieter, diversity includes not only the representation of both genders in management, but also the question of the extent to which employees from all markets have access to management positions. Rieter has set itself the goal of filling as high a percentage of management positions as possible with employees from within the company, and to increase the share of women in the workforce as a whole. Thanks to appropriate training and development programs, the proportion of international executives increased at all levels in 2022.

Rieter aims to increase the share of women on the Board of Directors to 30 percent with effect from the 2024 Annual General Meeting.

Winterthur, March 8, 2023



Sarah Kreienbühl
Member of the Board of Directors and Chairwoman of the Compensation Committee

---

The remuneration report describes the remuneration policy and system in place at Rieter Holding Ltd. and provides information on the annual remuneration disbursed to the Board of Directors and the Group Executive Committee. The report is based on the Ordinance against Excessive Remuneration in Listed Stock Corporations (VegüV), the rules concerning information on Corporate Governance (RLCG) issued by SIX, the recommendations of the Swiss Code of Best Practice for Corporate Governance issued by Economiesuisse as well as the Articles of Association of Rieter Holding Ltd.

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 the members of the Group Executive Committee (Group Management) consists of a base salary and additional variable remuneration linked to the achievement of specific performance targets. To ensure a consistent focus on long-term shareholder interests, 50% of the variable remuneration is disbursed under a long-term incentive plan in the form of restricted 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.

Members of senior management benefit from a separate long-term incentive plan. Participants receive a number of rights to Rieter shares or the corresponding cash amount. The number of allocated rights depends on the achievement of certain targets, which are the same as those used to determine the variable remuneration of the Group Executive Committee. The rights may be exercised three years after their allocation, unless the employment contract was terminated in advance.

The principle of equal pay is an important concern for Rieter. In addition to the wage analyses carried out in Switzerland, which have all confirmed that the principle of equal pay is being observed, similar audits of the remuneration systems will also be conducted at all Rieter locations over the next two years.

2 RESPONSIBILITY AND AUTHORITY

Annual General Meeting – shareholders’ participation rights
Pursuant to §13 of the Articles of Association, the Annual General Meeting approves the maximum total remuneration for the Board of Directors and the maximum total remuneration for the Group Executive Committee for the financial year following the ordinary General Meeting of shareholders.

The Annual General Meeting acknowledges the remuneration report for the past financial year by means of an advisory vote.

Remuneration Committee
The remuneration committee 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 Chairwoman of the remuneration committee is elected by the Board of Directors.

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

Authority with regard to the type of remuneration is set out in the summary below.

The basic principles of salary policy are reviewed annually. The Chairwoman of the remuneration committee can invite the CEO and the Head Group Human Resources to its meetings, if necessary. The CEO is not present at the meetings at which his own remuneration is specified.

The remuneration committee held six meetings in the 2022 financial year; one telephone conference was also held. The minutes are available to all members of the Board of Directors.

3 REMUNERATION SYSTEM

The remuneration committee regularly reviews the 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. External consultants were not involved in the preparation of the remuneration systems.

Board of Directors
The members of the Board of Directors receive a fixed remuneration that differs according to their function and duties on the

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

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

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. The cash component of the remuneration is usually disbursed in December of the current financial year. In the case of remuneration 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 10 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 that is disbursed monthly. All 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 employee 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.

Long-Term Incentive Plan

Half of the variable remuneration is paid in shares, which are blocked for three years from the date of issue. The three-year blocking period of the allocated shares ensures that the share-based remuneration is geared to increasing the value of the company in the long term.

The number of shares granted is calculated on the basis of the average market value of Rieter shares on 20 trading days prior to the Annual General Meeting.

The Board of Directors is 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.

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 total.

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 12 months or an unlimited term with a period of notice not exceeding 12 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 2022 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.

5.1 BOARD OF DIRECTORS

The total remuneration disbursed to the Board of Directors in 2022 amounted to CHF 1 418 502 (2021: CHF 1 532 883) and was within the maximum remuneration of CHF 1 900 000 approved by the 2021 Annual General Meeting for the term of office.

The base remuneration for the Chairman is CHF 300 000, which includes payment for his work in the remuneration, nomination as well as in the strategy and sustainability committees, for the Vice Chairman CHF 120 000, and for the other members of the Board of Directors CHF 100 000. For their work in a committee, CHF 30 000 was paid per member, while the Chairwoman and the Chairmen of the committees received an additional CHF 20 000.

Within the scope of their option, 6 443 Rieter shares were allocated to five members of the Board of Directors on January 17, 2023. The costs for these shares in the amount of CHF 733 213 were charged to the 2022 income statement.

5.2 GROUP EXECUTIVE COMMITTEE

The total remuneration disbursed to the Group Executive Committee in 2022 amounted to CHF 3 854 425 (2021: CHF 5 350 662) and was within the maximum remuneration of CHF 6 500 000 approved by the 2021 Annual General Meeting for the term of office. Of the total remuneration, CHF 2 675 000 is allocated to the base salary and CHF 438 000 to the variable remuneration, including the corresponding social security contributions on a pro rata basis.

The sub-targets set and weighted in advance by the Board of Directors were achieved in 2022 as follows:

Sub-targets	Target achievement 2022	Weighting
EBIT weighting	26.6%	60%
RONOA weighting	0.0%	20%
Cash conversion rate	0.0%	20%

The overall target achievement for 2022 is 16.0%. As the 2022 sub-targets were only partially achieved, or not achieved at all, the variable remuneration was significantly reduced compared with the previous year.

Remuneration of CHF 10 000 was paid to one member of the Group Executive Committee for individual services in connection with the implementation of an integration plan.

6 PAYMENTS TO FORMER DIRECTORS AND OFFICERS

No remuneration was paid to former directors and officers.

7 PAYMENTS TO RELATED PARTIES

In 2022, the law firm BianchiSchwald GmbH provided services for a total of CHF 20 295. These were invoiced at standard market conditions. No other 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.

Remuneration Board of Directors

(Audited by PricewaterhouseCoopers)

	2022				2021
CHF	Cash compensation	Share-based compensation[1]	Social contributions and other compensation[2]	Total	Total
Bernhard Jucker, Chairman of the Board of Directors Chairman of the strategy and sustainability committee, Chairman of the Rieter CAMPUS committee, member of the remuneration committee and the nomination committee	–	389 864	26 045	415 909	415 371
Roger Baillod, Vice Chairman as of April 7, 2022 Chairman of the audit committee	63 333	117 982	12 227	193 542	173 915
Peter Spuhler Member of the strategy and sustainability committee	–	153 301	9 803	163 104	163 194
Hans-Peter Schwald Member of the audit committee, the remuneration committee, the nomination committee and the Rieter CAMPUS committee	190 000	–	14 078	204 078	221 266
Carl Illi Member of the audit committee and the strategy and sustainability committee	110 000	59 054	11 995	181 049	182 794
Sarah Kreienbühl, as of April 7, 2022 Chairwoman of the remuneration committee and the nomination committee	100 000	–	–	100 000	–
Daniel Grieder, as of April 7, 2022 Member of the strategy and sustainability committee	86 667	–	6 536	93 203	–
This E. Schneider, Vice Chairman, until April 7, 2022	14 167	50 161	3 289	67 617	195 533
Michael Pieper, until April 30, 2021	–	–	–	–	41 350
Luc Tack, until August 30, 2021	–	–	–	–	92 718
Stefaan Haspeslagh, from May 1, 2021 to August 30, 2021	–	–	–	–	46 742
Members of the Board of Directors	**564 167**	**770 362**	**83 973**	**1 418 502**	**1 532 883**

1 The shares were valued for overall remuneration at CHF 113.80 (average market price on the first 10 trading days in 2023). 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.

Remuneration Group Executive Committee

(Audited by PricewaterhouseCoopers)

	2022					2021
CHF	Basic salary	Cash bonus	Share-based compensation	Social contributions[2]	Total	Total
Dr. Norbert Klapper, Chief Executive Officer[1]	750 000	60 000	60 000	227 128	1 097 128	1 473 157
Other Members	1 925 000	164 000	154 000	514 297	2 757 297	3 877 505
Members of the Group Executive Committee	**2 675 000**	**224 000**	**214 000**	**741 425**	**3 854 425**	**5 350 662**

1 Highest single salary. Basic salary CHF 750 000 in cash.
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.

Share ownership Board of Directors

	Number of shares as of December 31, 2022	Number of shares as of December 31, 2021
Bernhard Jucker	12 047	10 106
Roger Baillod	2 366	1 960
Peter Spuhler	1 219 586	1 134 132
Hans-Peter Schwald	8 217	7 665
Carl Illi	2 106	1 758
Sarah Kreienbühl, as of April 7, 2022	0	–
Daniel Grieder, as of April 7, 2022	1 500	–
This E. Schneider, until April 7, 2022	–	9 689
Total	**1 245 822**	**1 165 310**

Share ownership Group Executive Committee

	Number of shares as of December 31, 2022	Number of shares as of December 31, 2021
Dr. Norbert Klapper	10 000	8 000
Roger Albrecht	873	0
Serge Entleitner	1 888	1 405
Rico Randegger	1 653	605
Kurt Ledermann	1 621	573
Thomas Anwander	2 440	1 418
Total	**18 475**	**12 001**

REPORT OF THE STATUTORY AUDITOR ON THE REMUNERATION REPORT

pwc

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

Opinion

We have audited the remuneration report of Rieter Holding Ltd. (the Company) for the year ended 31 December 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14 to 16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Ordinance) in the tables marked “audited” on page 42 of the remuneration report.

In our opinion, the information on remuneration, loans and advances in the remuneration report (pages 38 to 43) complies with Swiss law and article 14 to 16 of the Ordinance.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the remuneration report” section of our report. We are independent of the Company 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.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked “audited” in the remuneration report, the consolidated financial statements, the financial statements and our auditor’s reports thereon.

Our opinion on the remuneration report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the remuneration report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the remuneration report 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.

Board of Directors’ responsibilities for the remuneration report

The Board of Directors is responsible for the preparation of a remuneration report 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 a remuneration report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor’s responsibilities for the audit of the remuneration report

Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to article 14 to 16 of the Ordinance is 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 SA-CH 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 this remuneration report.

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

- Identify and assess the risks of material misstatement in the remuneration report, 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

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

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

PricewaterhouseCoopers AG

Beat Inauen Licensed audit expert Auditor in charge	Christian Hill Licensed audit expert

Zurich, March 8, 2023

ALTERNATIVE PERFORMANCE MEASURES

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

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

Alternative performance measure	Reference in the Annual Report	Rieter definition
Order intake	• Rieter at a glance • Letter to the shareholders • Business Groups	Order intake includes firm orders received from third-party customers for Rieter products and services in the reporting period. Orders are reported as order intake if the following criteria have been met: • Receipt of a written, legally binding confirmation from the customer; • Production capacity is available if manufacturing is required; • The order is financially secured. Orders are financially secured by means of advance payment, irrevocable letter of credit, bank guarantee, credit insurance, or other instruments. In addition, customer credit limits are used, mainly in the After Sales and Components businesses. Order intake comprises the total gross order value, excluding value-added taxes. Additions to existing orders and cancellations are also included in order intake.
Order backlog	• Letter to the shareholders	The order backlog is defined as the total undiscounted value of open customer orders at the end of the reporting period. The order backlog is expected to turn into sales in the future.
Operating result before interest and taxes (EBIT)	• Rieter at a glance • Letter to the shareholders • Business Groups • Remuneration report • Consolidated income statement • Note 3.1 • Review 2018 to 2022	Operating result before the share in profit of associated companies, financial income and expenses as well as income taxes.
Operating result before interest, taxes, and amortization (EBITA)	• Rieter at a glance • Note 3.1 • Note 3.5 • Review 2018 to 2022	Operating result before interest and taxes (EBIT), excluding amortization of intangible assets.
Operating result before interest, taxes, depreciation, and amortization (EBITDA)	• Rieter at a glance • Note 3.5 • Review 2018 to 2022	Operating result before interest and taxes (EBIT), excluding depreciation of property, plant, and equipment, and amortization of intangible assets.
Capital expenditure	• Rieter at a glance	Purchase of property, plant, and equipment, and intangible assets (excluding additions to right-of-use assets).
Free cash flow	• Letter to the shareholders • Note 5.1 • Review 2018 to 2022	Cash flow from operating activities adjusted by cash flow from investing activities. Acquisitions and divestments of business are excluded.
Free cash flow conversion ratio	• Remuneration report	Free cash flow divided by the net profit.

Alternative performance measure	**Reference in the Annual Report**	**Rieter definition**
Liquid funds	• Letter to the shareholders • Note 8.6 (Liquidity risk)	Liquid funds contain cash and cash equivalents as well as marketable securities and time deposits with a maturity of less than twelve months.
Net liquidity or net debt	• Rieter at a glance • Letter to the shareholders • Note 5.1 • Review 2018 to 2022	Liquid funds (see definition above) minus current and non-current financial debt. Lease liabilities are included in financial debt.
Dividend payout ratio	• Letter to the shareholders • Note 5.4 • Review 2018 to 2022	Dividend per share paid or expected to be paid to shareholders of Rieter Holding Ltd. (based on the resolution of the Annual General Meeting of shareholders or the motion of the Board of Directors) as a percentage of basic earnings per share of the respective period.
(Operating) net working capital		Operating net working capital consists of trade receivables, inventories, and advance payments to suppliers, less trade payables and advance payments from customers. Net working capital equals to operating net working capital plus other short-term receivables non-interest-bearing less other short-term payables non-interest-bearing. Assets or liabilities are non-interest-bearing, when no receipt/payment of interest is agreed between Rieter and the counterparty (e.g. current income tax receivables/payables or deferred revenue).
Equity ratio	• Rieter at a glance • Letter to the shareholders • Note 8.6 (Capital management) • Review 2018 to 2022	Shareholders' equity as a percentage of total assets.
Return on net operating assets (RONOA)	• Remuneration report	Operating result before interest and taxes (EBIT) as a percentage of the average of the last twelve month-end balances of net operating assets. Net operating assets contain operating net working capital, property, plant, and equipment, intangible assets, and goodwill.
Return on net assets (RONA)	• Review 2018 to 2022	Net profit before interest expenses and write-offs of financial assets as a percentage of the average of the last twelve month-end balances of total assets less liabilities (excluding financial debt).
Market capitalization	• Corporate Governance (2 Capital structure) • Review 2018 to 2022	Shares outstanding multiplied by share price at the Swiss Exchange (SIX).
Price/earnings ratio	• Review 2018 to 2022	Share price at the SIX divided by basic earnings per share.
Dividend yield	• Review 2018 to 2022	Dividend per share as a percentage of share price at the SIX.

FINANCIAL REPORT

CONSOLIDATED INCOME STATEMENT

CHF million	Notes	2022	2021
Sales	(3.1/3.2)	**1 510.9**	**969.2**
Cost of sales		– 1 181.9	– 692.7
Gross profit		**329.0**	**276.5**
Research and development expenses		– 77.9	– 58.4
Selling, general, and administrative expenses		– 237.3	– 197.5
Other income	(3.3)	25.5	36.2
Other expenses	(3.3)	– 7.1	– 9.2
Operating result before interest and taxes (EBIT)		**32.2**	**47.6**
Share in profit of associated companies	(6.3)	2.4	2.0
Financial income	(5.6)	1.6	2.9
Financial expenses	(5.6)	– 19.1	– 11.2
Profit before taxes		**17.1**	**41.3**
Income taxes	(8.1)	– 5.0	– 9.6
Net profit		**12.1**	**31.7**
Attributable to shareholders of Rieter Holding Ltd.		12.1	31.7
Attributable to non-controlling interests		0.0	0.0
Basic earnings per share (CHF)	(5.4)	**2.70**	**7.04**
Diluted earnings per share (CHF)	(5.4)	**2.70**	**7.03**

The notes on pages 54 to 99 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CHF million	Notes	2022	2021
Net profit		**12.1**	**31.7**
Remeasurement of defined benefit plans	(7.2)	10.9	13.2
Income taxes on remeasurement of defined benefit plans	(8.1)	– 2.9	– 2.1
Change in fair values of financial assets		– 0.3	– 0.1
Items that will not be reclassified to the income statement, net of taxes		**7.7**	**11.0**
Currency translation differences		– 28.9	2.6
Income taxes on currency translation differences	(8.1)	0.0	0.0
Cash flow hedges	(8.6)	– 12.5	– 0.4
Income taxes on cash flow hedges	(8.1/8.6)	2.5	0.1
Items that may be reclassified to the income statement, net of taxes		**– 38.9**	**2.3**
Total other comprehensive income		**– 31.2**	**13.3**
Total comprehensive income		**– 19.1**	**45.0**
Attributable to shareholders of Rieter Holding Ltd.		– 19.1	45.0
Attributable to non-controlling interests		0.0	0.0

The notes on pages 54 to 99 are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

CHF million	Notes	December 31, 2022	December 31, 2021
Assets			
Cash and cash equivalents	(5.2)	175.7	248.7
Marketable securities and time deposits		0.4	0.7
Trade receivables	(4.1)	212.1	122.0
Other current receivables	(4.2)	74.1	80.1
Current income tax receivables		4.5	3.1
Inventories[1]	(4.3)	363.3	249.0
Assets classified as held for sale	(8.2)	13.8	14.7
Current assets[1]		**843.9**	**718.3**
Property, plant, and equipment[1]	(4.4)	231.2	234.4
Intangible assets[1]	(4.5)	139.6	84.9
Goodwill[1]	(4.6)	193.8	93.9
Prepaid consideration for acquisition		–	191.8
Investments in associated companies	(6.3)	16.7	17.1
Defined benefit plan assets	(7.2)	62.9	62.8
Deferred income tax assets	(8.1)	36.6	25.8
Other non-current assets	(8.3)	16.2	7.3
Non-current assets[1]		**697.0**	**718.0**
Assets		**1 540.9**	**1 436.3**
Liabilities and shareholders' equity			
Current financial debt	(5.3)	262.5	209.7
Trade payables		161.8	117.2
Other current liabilities	(4.7)	210.1	148.1
Advance payments from customers	(4.8)	192.7	211.4
Current income tax liabilities		30.6	30.4
Current provisions	(4.9)	32.8	28.0
Current liabilities		**890.5**	**744.8**
Non-current financial debt	(5.3)	199.2	201.6
Defined benefit plan liabilities	(7.2)	25.6	30.9
Deferred income tax liabilities	(8.1)	37.4	34.9
Other non-current liabilities		0.2	0.0
Non-current provisions	(4.9)	28.0	28.0
Non-current liabilities		**290.4**	**295.4**
Liabilities		**1 180.9**	**1 040.2**
Equity attributable to shareholders of Rieter Holding Ltd.		359.9	395.8
Equity attributable to non-controlling interests		0.1	0.3
Shareholders' equity		**360.0**	**396.1**
Liabilities and shareholders' equity		**1 540.9**	**1 436.3**

1. The comparative period (December 31, 2021) has been adjusted retrospectively as a result of the final purchase price allocations from the acquisitions of the Accotex, Temco, and the winder-related service and commission business in India on December 1, 2021 (see notes 1.3 and 2.1).

The notes on pages 54 to 99 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, 2021		**23.4**	**– 27.5**	**0.8**	**– 119.3**	**473.2**	**350.6**	**0.3**	**350.9**
Net profit		0.0	0.0	0.0	0.0	31.7	31.7	0.0	31.7
Total other comprehensive income		0.0	0.0	– 0.3	2.6	11.0	13.3	0.0	13.3
Total comprehensive income		**0.0**	**0.0**	**– 0.3**	**2.6**	**42.7**	**45.0**	**0.0**	**45.0**
Share-based compensation		0.0	1.4	0.0	0.0	– 0.5	0.9	0.0	0.9
Changes in treasury shares		0.0	– 0.5	0.0	0.0	– 0.2	– 0.7	0.0	– 0.7
Total contributions by and distributions to owners of the company		**0.0**	**0.9**	**0.0**	**0.0**	**– 0.7**	**0.2**	**0.0**	**0.2**
At December 31, 2021		**23.4**	**– 26.6**	**0.5**	**– 116.7**	**515.2**	**395.8**	**0.3**	**396.1**
Net profit		0.0	0.0	0.0	0.0	12.1	12.1	0.0	12.1
Total other comprehensive income		0.0	0.0	– 10.0	– 28.9	7.7	– 31.2	0.0	– 31.2
Total comprehensive income		**0.0**	**0.0**	**– 10.0**	**– 28.9**	**19.8**	**– 19.1**	**0.0**	**– 19.1**
Distribution of a dividend	(5.4)	0.0	0.0	0.0	0.0	– 18.0	– 18.0	0.0	– 18.0
Changes in non-controlling interests		0.0	0.0	0.0	– 0.2	0.2	0.0	– 0.2	– 0.2
Share-based compensation		0.0	2.7	0.0	0.0	– 0.4	2.3	0.0	2.3
Changes in treasury shares		0.0	– 1.1	0.0	0.0	0.0	– 1.1	0.0	– 1.1
Total contributions by and distributions to owners of the company		**0.0**	**1.6**	**0.0**	**– 0.2**	**– 18.2**	**– 16.8**	**– 0.2**	**– 17.0**
At December 31, 2022		**23.4**	**– 25.0**	**– 9.5**	**– 145.8**	**516.8**	**359.9**	**0.1**	**360.0**

The notes on pages 54 to 99 are an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

CHF million	Notes	2022	2021
Net profit		**12.1**	**31.7**
Depreciation of property, plant, and equipment, and amortization of intangible assets	(3.4)	52.8	37.4
Interest income	(5.6)	– 1.0	– 2.0
Interest expenses	(5.6)	9.6	5.8
Income taxes	(8.1)	5.0	9.6
Gain on disposals of property, plant, and equipment	(3.3)	– 0.3	– 0.9
Other non-cash income and expenses		– 4.7	11.2
Change in inventories		– 105.2	– 38.9
Change in receivables		– 87.9	– 99.2
Change in provisions		– 15.3	– 4.3
Change in trade payables		47.1	67.9
Change in advance payments from customers and other liabilities		30.2	156.6
Dividends received	(6.3)	2.3	0.3
Interest received		1.0	2.0
Interest paid		– 8.5	– 3.3
Income taxes paid		– 13.4	– 8.2
Cash flow from operating activities		**– 76.2**	**165.7**
Acquisition of subsidiaries	(2.1)	– 7.8	– 315.3
Purchase of property, plant, and equipment, and intangible assets		– 46.7	– 38.6
Proceeds from disposals of property, plant, and equipment		6.0	1.8
Proceeds from disposals of assets classified as held for sale	(8.2)	14.7	0.0
Proceeds from disposals/purchase of other non-current assets		3.6	– 0.7
Sale/purchase of marketable securities and time deposits		0.0	– 0.1
Cash flow from investing activities		**– 30.2**	**– 352.9**
Dividend paid to shareholders of Rieter Holding Ltd.	(5.4)	– 18.0	0.0
Purchase/sale of treasury shares		– 3.3	1.5
Proceeds from issue of fixed-rate bond	(5.3)	0.0	99.7
Proceeds from bank and other financial debt	(5.3)	63.1	52.6
Repayments of bank and other financial debt	(5.3)	– 2.7	0.0
Repayments of lease liabilities	(5.3)	– 4.2	– 2.4
Cash flow from financing activities		**34.9**	**151.4**
Currency effects on cash and cash equivalents		– 1.5	2.2
Change in cash and cash equivalents		**– 73.0**	**– 33.6**
Cash and cash equivalents at January 1	(5.2)	**248.7**	**282.3**
Cash and cash equivalents at December 31	(5.2)	**175.7**	**248.7**

The notes on pages 54 to 99 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

The consolidated financial statements were approved for publication by the Board of Directors on March 8, 2023. They are also subject to approval by the Annual General Meeting of shareholders.

1.1 BASIS FOR PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The significant accounting policies applied in preparing these consolidated financial statements are included in the respective notes. General types of significant accounting policies are set out in note 8.9. These policies have been consistently applied to all the reporting periods presented unless otherwise stated. Changes in accounting policies are disclosed in note 8.8.

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

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

1.2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Financial reporting requires management to make estimates and exercise judgment in applying the Group’s accounting policies, both of which can affect the reported amounts of assets, liabilities, contingent liabilities and contingent assets at the date of the financial statements, and reported amounts of income and expenses during the reporting period. These accounting estimates and judgments are periodically reviewed. In the 2022 and 2021 financial years, the effects of the global economic and geopolitical uncertainties on these assumptions have been taken into account.

The areas involving significant accounting estimates and judgments are the implications of the accounting of the acquisitions in 2022 and 2021 as well as the topics included in the following notes:

Note	Description of significant accounting estimates and judgments
4.3 Inventories	Assumptions associated with the allowance for inventories
4.5 Intangible assets	Assumptions associated with the capitalization of development costs
4.6 Goodwill	Assumptions associated with the goodwill impairment test
4.9 Provisions	Estimates associated with the measurement of provisions
7.2 Employee benefit plans	Assumptions in relation to defined benefit plans
8.1 Income taxes	Assumptions in relation to the measurement of income tax assets and liabilities

1.3 ADJUSTMENT OF THE COMPARATIVE PERIOD

The comparative period of the balance sheet, i.e. balance sheet as at December 31, 2021, has been adjusted retrospectively as a result of the final purchase price allocations from the acquisitions of the Accotex, Temco, and the winder-related service and commission business in India on November 30, 2021, and December 1, 2021 (see Note 2.1).

The following table summarizes the mentioned adjustments:

CHF million	**December 31, 2021 (adjusted)**	**December 31, 2021 (reported)**
Inventories	249.0	249.6
Current assets	**718.3**	**718.9**
Property, plant, and equipment	234.4	234.2
Intangible assets	84.9	86.8
Goodwill	93.9	91.6
Non-current assets	**718.0**	**717.4**
Assets	**1 436.3**	**1 436.3**

The adjustment of the purchase price allocations had no impact on total assets and liabilities at December 31, 2021. The respective impact on the consolidated income statement 2021 and the shareholders' equity 2021 was not material.

2 SIGNIFICANT EVENTS

2.1 ACQUISITIONS

On August 13, 2021, Rieter signed an investment and shareholders agreement (ISA) with Saurer Hong Kong Machinery Company Ltd (China), Saurer Intelligent Technology Company Ltd (China) and Saurer Netherlands Machinery Company B.V. (Netherlands) (Saurer Netherlands) to acquire 57% preferred shares of Saurer Netherlands in order to carve out, spin-off, and acquire the three businesses automatic winding machine, Accotex, and Temco (target businesses). These businesses form an integral part of two fully owned subsidiaries of Saurer Netherlands, i.e. Saurer Spinning Solutions GmbH & Co KG (Germany) and Saurer Technologies GmbH & Co KG (Germany) (together the German Saurer entities). To allow the release of the German Saurer entities from insolvency proceedings, Rieter agreed to prepay the consideration in the amount of EUR 300.0 million (CHF 321.4 million) in cash on August 17, 2021.

With the acquisition of the automatic winding machine business in the premium category, Rieter has laid the foundation to further improve the company's strong position in the largest market segment of short-staple fibers processing by completing its offering of ring and compact-spinning systems. The automatic winding machine business was allocated to the Machines & Systems and the After Sales segments. Furthermore, Rieter added two attractive components businesses to its Components segment: Accotex (elastomer technology for spinning machines) and Temco (technology components for filament machines).

To give effect to the ISA, Saurer Netherlands founded two new and fully owned subsidiaries, Rieter Components Germany GmbH (Hammelburg, Germany) and Rieter Automatic Winder GmbH (Uebach-Palenberg, Germany).

Accotex, Temco, and the winder-related service and commission business in India; consolidated on December 1, 2021

On November 19, 2021, Saurer Technologies GmbH & Co KG and Rieter Components Germany GmbH signed an asset purchase agreement on a cash- and debt-free basis to acquire assets and liabilities of the Accotex and Temco businesses. Closing of the transaction and therefore initial integration into the consolidated financial statements of Rieter was on December 1, 2021. The shares of Rieter Components Germany GmbH were transferred to Rieter Holding AG on December 21, 2021, in return for 21% preferred shares of Saurer Netherlands.

The purchase price for the two component businesses amounted to EUR 105.1 million (CHF 109.6 million). Thereof EUR 104.1 million (CHF 108.6 million) was settled against the prepaid purchase price and EUR 1.0 million (CHF 1.0 million) was deferred to the final closing; both using the foreign exchange rate relevant at the acquisition date. A corresponding foreign exchange loss of CHF 3.0 million was recorded in financial expenses in 2021. No contingent considerations were agreed. Goodwill of CHF 39.8 million is attributable to the acquired workforce and the complementary nature of the acquired businesses. Any amortization of goodwill will be deductible for tax purposes.

The acquired businesses contributed sales of CHF 3.3 million and a net result of CHF -1.5 million to the Group for the period from December 1 to December 31, 2021. If the acquisition had occurred on January 1, 2021, consolidated pro-forma sales and the net result for the year ended December 31, 2021, would have been CHF 1 032.5 million and CHF 29.9 million, respectively. These amounts were calculated from the results of the businesses, adjusted by the differences in the accounting policies between Rieter and Rieter Components Germany GmbH, and from the additional depreciation and amortization that would have been charged assuming the fair value adjustments to inventories, property, plant, and equipment, and intangible assets had applied from January 1, 2021, together with the consequential tax effects.

Further, on November 30, 2021, Rieter India Pvt. Ltd. (Wing, India) acquired assets and the winder-related service and commission business from Saurer Textile Solutions Private Limited (India) for a purchase price of INR 931.3 million (CHF 11.4 million, equals EUR 11.0 million) paid in cash. At the same time, Saurer Netherlands repaid EUR 11.0 million of the prepaid purchase price to Rieter Holding Ltd. A corresponding foreign exchange loss on the prepaid purchase price of CHF 0.3 million was recorded in financial expenses in 2021. No contingent considerations were agreed. Goodwill of CHF 10.9 million is attributable to the workforce and the complementary nature of the acquired business in India. Any amortization of goodwill will be deductible for tax purposes.

The acquired business contributed sales of CHF 0.5 million and a net result of CHF 0.1 million to the Group for the period from December 1 to December 31, 2021. If the acquisition had occurred on January 1, 2021, consolidated pro-forma sales and the net result for the financial year ended December 31, 2021, would have been CHF 974.7 million and CHF 33.2 million, respectively. These amounts were calculated from the results of the business and adjusted by the additional amortization that would have been charged assuming the fair value adjustments to intangible assets had applied from January 1, 2021, together with the consequential tax effects.

The following table presents a breakdown of assets acquired and liabilities assumed at December 1, 2021:

CHF million	Notes	**Rieter Components Germany GmbH**	**Rieter India Pvt. Ltd.**
Cash and cash equivalents		1.0	–
Trade receivables		5.5	–
Other current receivables		1.3	–
Inventories		15.6	0.4
Property, plant, and equipment	(4.4)	30.2	–
Intangible assets	(4.5)	43.4	0.2
Other non-current assets		1.4	–
Assets		**98.4**	**0.6**
Current lease liabilities		1.5	–
Trade payables		0.8	–
Other current liabilities		4.6	0.1
Advance payments from customers		1.9	–
Current provisions		0.2	–
Non-current lease liabilities		10.9	–
Defined benefit plan liabilities		8.5	–
Non-current provisions		0.2	–
Liabilities		**28.6**	**0.1**
Purchase price		109.6	11.4
Net identifiable assets acquired		69.8	0.5
Goodwill	(4.6)	**39.8**	**10.9**

The opening balance sheet of Rieter Components Germany GmbH, consolidated on December 1, 2021, was adjusted compared to the balance sheet presented in the Annual Report 2021 (note 2.1) as a result of the final purchase price allocations. The adjustments arose from a reduction in inventories (CHF -0.6 million) as well as higher values of property, plant, and equipment (CHF +0.2 million), and intangible assets (CHF +0.2 million), which resulted in a corresponding increase in goodwill (CHF +0.2 million).

Intangible assets identified comprise the fair value of technologies (CHF 15.4 million), customer relationships (CHF 14.9 million), the Accotex and Temco brands (CHF 12.5 million), and software (CHF 0.6 million).

The fair value of acquired trade receivables amounted to CHF 5.5 million. The gross contractual amount of invoiced trade receivables was CHF 5.6 million, with a respective allowance of CHF 0.1 million recognized at the acquisition date.

The opening balance sheet of the winder-related service and commission business in India, consolidated on December 1, 2021, was adjusted compared to the balance sheet presented in the Annual Report 2021 (note 2.1) as a result of the final purchase price allocation. The adjustments arose from a reduction in intangible assets (CHF -2.1 million), which resulted in a corresponding increase in goodwill (CHF +2.1 million).

Automatic winding machine business, consolidated on April 1, 2022

Further, on March 25, 2022, Saurer Spinning Solutions GmbH & Co KG and Rieter Automatic Winder GmbH signed an asset purchase agreement on a cash- and debt-free basis to acquire assets and liabilities of the automatic winding machine business. Closing of the transaction and therefore initial integration into the consolidated financial statements of Rieter was on March 31, 2022. The shares of Rieter Automatic Winder GmbH were transferred to Rieter Holding Ltd. on March 31, 2022, in return for 36% preferred shares of Saurer Netherlands.

The purchase price for the automatic winding machine business amounted to EUR 178.8 million (CHF 183.6 million), and was settled against the prepaid purchase price using the foreign exchange rate relevant at the acquisition date. A corresponding foreign exchange loss of CHF 8.0 million was recorded in financial expenses in 2022. No contingent consideration was agreed. In addition, a loss compensation for the transition period until March 31, 2022, in the amount of EUR 6.0 million (CHF 6.2 million) was paid on September 13, 2022.

Goodwill of CHF 107.2 million is attributable to the acquired workforce, synergies, and the complementary nature of the acquired automatic winding machine business. Any amortization of goodwill will be deductible for tax purposes.

The impact of the automatic winding machine business on the consolidated income statement 2022 is limited to the period from April 1 until December 31, 2022. During this period, the automatic winding machine business contributed sales of CHF 112.2 million and a net result of CHF -21.7 million to Rieter. If the acquisition had occurred on January 1, 2022, consolidated pro-forma sales and the net result for the period ended December 31, 2022, would have been CHF 1 543.5 million and CHF 8.1 million, respectively. These amounts were calculated from the results of the business, adjusted by the differences in the accounting policies between Rieter and the automatic winding machine business, and from the additional depreciation and amortization that would have been charged assuming the fair value adjustments to inventories, property, plant, and equipment, and intangible assets had applied from January 1, 2022, together with the consequential tax effects.

The following table presents a breakdown of assets acquired and liabilities assumed at March 31, 2022:

CHF million	Notes	Rieter Automatic Winder GmbH
Trade receivables		15.3
Other current receivables		2.8
Inventories		30.0
Property, plant, and equipment	(4.4)	11.6
Intangible assets	(4.5)	71.2
Other non-current assets		7.9
Assets		**138.8**
Trade payables		5.0
Other current liabilities		5.9
Advance payments from customers		14.1
Current provisions	(4.9)	21.7
Defined benefit plan liabilities		7.7
Non-current provisions	(4.9)	0.6
Liabilities		**55.0**
Agreed purchase price (EUR 178.8 million)		183.6
Increase in purchase price: Payment of liabilities not possible to be assumed by Rieter (EUR 1.2 million)		1.2
Increase in purchase price: Payment of a loss compensation for the transition period until March 31, 2022 (EUR 6.0 million)		6.2
Total consideration		**191.0**
Net identifiable assets acquired		83.8
Goodwill	(4.6)	**107.2**

The opening balance sheet of Rieter Automatic Winder GmbH, consolidated on April 1, 2022, was adjusted compared to the balance sheet presented in the Semi-Annual Report 2022 (see note 2.1) as a result of the updated purchase price allocation. The adjustments arose from a recognition of a provision for onerous contracts with third-party customers (CHF -12.0 million) as well as reductions in inventories (CHF -3.2 million), intangible assets (CHF -2.5 million), defined benefit plan liabilities (CHF +1.2 million), and other changes (CHF +0.1 million), which resulted in a corresponding increase in goodwill of CHF +16.4 million. In addition, long-term receivables from customers in the amount of CHF 7.9 million have been separated from trade receivables into the line item Other non-current assets.

Intangible assets identified comprise the fair values of customer relationships (CHF 35.9 million), technology (CHF 30.5 million), and the related brands Autoconer and Schlafhorst (CHF 4.8 million).

The fair value of acquired trade receivables amounted to CHF 15.3 million. The gross contractual amount of invoiced trade receivables was CHF 15.6 million, with a respective allowance of CHF 0.3 million recognized at the acquisition date.

The accounting for the acquisition of the automatic winding machine business is preliminary, due to the ongoing identification and separation of related assets and liabilities.

Cash flows from acquisitions of the target businesses

In 2021, cash flows resulting from the acquisitions of the target businesses amounted to CHF -315.3 million (see cash flow statement as well as note 2.1 in the Annual Report 2021).

In 2022, the respective cash flows are summarized in the table below:

CHF million	**Cash flow**
Payment of deferred purchase price portion for the Accotex and Temco businesses (EUR -1.0 million)	– 1.0
Repayment of prepaid purchase price assigned to inventory and property, plant, and equipment in various Rieter countries (EUR 0.2 million)	0.2
Payment of liabilities not possible to be assumed by Rieter (EUR -1.2 million)	– 1.2
Payment of a loss compensation for the transition period until March 31, 2022 (EUR -6.0 million)	– 5.8
Cash flow from acquisition of subsidiaries	**– 7.8**

Transaction costs related directly to the acquisitions amounted to CHF 6.8 million in total. Thereof CHF 2.4 million, mainly related to the acquisition of the automatic winding machine business, was recognized as other expenses in the consolidated income statement 2022 (see note 3.3). The remaining transaction costs amounting to CHF 4.4 million, mainly related to the acquisitions of the Accotex and Temco businesses, were included as other expenses in the consolidated income statement 2021 (see note 3.3).

2.2 GLOBAL ECONOMIC AND GEOPOLITICAL UNCERTAINTIES

Despite an exceptionally high order backlog and sustained strong demand, Rieter's business situation in 2022 was characterized by various post-COVID-19 impacts, particularly by supply chain bottlenecks, the repercussions of the lockdown in China, and significant increases in material and logistics costs.

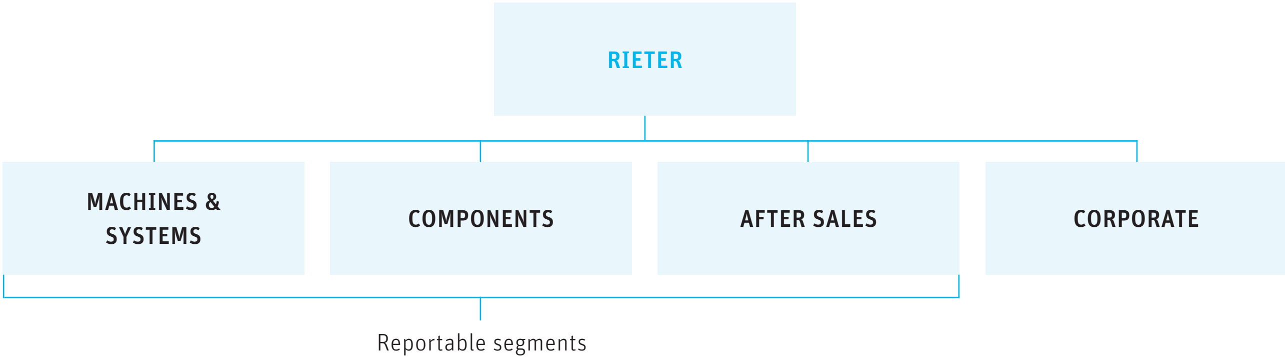
Rieter's business in Ukraine, Russia, and Belarus is not significant. As a consequence, the conflict in Ukraine has no direct impact on Rieter, as neither subsidiaries (assets) nor significant customers are based in this region. However, indirect impacts such as increases in energy costs and additional hurdles in the supply chain had a negative effect on Rieter's business.

These factors adversely impacted earnings in 2022 compared with 2021.

Against this background, Rieter has reviewed the areas involving significant accounting estimates and judgments (see note 1.2) to assess the impact of the global economic and geopolitical uncertainties. The results of this review are included in the respective notes. In addition, the global economic and geopolitical uncertainties had no significant impact on any other balance sheet line items at December 31, 2022 (at December 31, 2021: none).

3 OPERATING PERFORMANCE

3.1 SEGMENT PERFORMANCE



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

Segment information 2022

CHF million	Machines & Systems	Components	After Sales	Total reportable segments
Total segment sales	1 034.7	427.9	172.7	1 635.3
Inter-segment sales	0.0	124.4	0.0	124.4
Sales	**1 034.7**	**303.5**	**172.7**	**1 510.9**
Operating result before interest, taxes, and amortization (EBITA)	– 16.2	36.7	26.9	47.4
Operating result before interest and taxes (EBIT)	– 18.7	26.8	25.0	33.1
Purchase of property, plant, and equipment, and intangible assets	14.1	15.5	2.6	32.2
Depreciation of property, plant, and equipment, and amortization of intangible assets	15.1	27.2	2.9	45.2

Segment information 2021

CHF million	Machines & Systems	Components	After Sales	Total reportable segments
Total segment sales	590.3	320.7	147.4	1 058.4
Inter-segment sales	0.0	89.2	0.0	89.2
Sales	**590.3**	**231.5**	**147.4**	**969.2**
Operating result before interest, taxes, and amortization (EBITA)	– 3.7	36.4	22.6	55.3
Operating result before interest and taxes (EBIT)	– 3.7	30.1	22.4	48.8
Purchase of property, plant, and equipment, and intangible assets	10.6	13.2	0.9	24.7
Depreciation of property, plant, and equipment, and amortization of intangible assets	9.7	20.0	0.9	30.6

Reconciliation of segment results

CHF million	2022	2021
Operating result before interest and taxes (EBIT) of reportable segments	33.1	48.8
Result that cannot be allocated to reportable segments	– 0.9	– 1.2
Operating result before interest and taxes (EBIT), Group	**32.2**	**47.6**
Share in profit of associated companies	2.4	2.0
Financial income	1.6	2.9
Financial expenses	– 19.1	– 11.2
Profit before taxes	**17.1**	**41.3**

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

In 2022, the result that cannot be allocated to reportable segments contains transaction costs related directly to the acquisition in the amount of CHF 2.4 million (see notes 2.1 and 3.3).

In 2021, the respective result contained the reversal of provisions due to court rulings in favor of Rieter in the amount of CHF 4.1 million (see note 3.3) and transaction costs related directly to the acquisitions in the amount of CHF 4.4 million (see notes 2.1 and 3.3).

Sales and non-current assets by country

CHF million	Sales 2022[1]	Sales 2021[1]	Non-current assets 2022[2]	Non-current assets 2021[2]
Switzerland (domicile of Rieter Holding Ltd.)	7.1	2.6	131.3	144.9
Foreign countries[3]	1 503.8	966.6	433.3	268.3
Group	**1 510.9**	**969.2**	**564.6**	**413.2**
The following countries accounted for more than 10% of sales or non-current assets:				
Switzerland (domicile of Rieter Holding Ltd.)	7.1	2.6	131.3	144.9
China	168.5	135.3	38.2	37.6
Czech Republic	2.1	1.6	46.8	41.6
Germany[3]	72.6	7.4	295.8	134.6
India	196.8	126.0	19.6	30.1
Türkiye	266.1	182.3	0.4	0.3
Pakistan	100.5	98.5	0.0	0.0

1. By location of customer.
2. Property, plant, and equipment, intangible assets, and goodwill by country of location.
3. The comparative period (December 31, 2021) has been adjusted retrospectively as a result of the final purchase price allocations from the acquisitions of the Accotex, Temco, and the winder-related service and commission business in India on December 1, 2021 (see notes 1.3 and 2.1).

No individual customer accounted for more than 10% of consolidated sales in 2022 and 2021. The greatest granularity available for products and product groups is segment level, which is reflected in the segment reporting shown above.

3.2 SALES

CHF million	2022	2021
Sales of products	1 464.2	931.4
Sales of services	46.7	37.8
Sales	**1 510.9**	**969.2**

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

Significant accounting policies

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

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

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

In the case of customers' advance payments for goods or services, the respective contract liability is accrued separately in the line item Advance payments from customers (see note 4.8).

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

3.3 OTHER INCOME AND EXPENSES

CHF million	2022	2021
Rental income	3.5	3.1
Gain on disposals of property, plant, and equipment	0.3	0.9
Reversal of restructuring provisions	0.3	2.7
Foreign exchange differences (net)	7.2	7.3
Disposals of materials for recycling purposes	3.2	2.3
Miscellaneous other income	11.0	19.9
Other income	**25.5**	**36.2**
Restructuring costs	0.0	– 0.9
Impairment losses on property, plant, and equipment	– 0.2	– 0.2
Transaction costs related directly to the acquisitions[1]	– 2.4	– 4.4
Losses from accounts receivable	– 2.1	– 0.7
Miscellaneous other expenses	– 2.4	– 3.0
Other expenses	**– 7.1**	**– 9.2**

1. See note 2.1.

Miscellaneous other income includes income that is not presented as sales, such as income from export incentive schemes and income from government grants. In addition, the income from the reversal of provisions due to court rulings in favor of Rieter amounting to CHF 4.1 million was included in 2021.

3.4 DEPRECIATION AND AMORTIZATION

CHF million	2022	2021
Property, plant, and equipment[1]	– 38.0	– 30.5
Intangible assets	– 14.8	– 6.9
Depreciation and amortization	**– 52.8**	**– 37.4**

1. In 2022, depreciation of property, plant, and equipment includes impairment losses of CHF 0.2 million (2021: CHF 0.2 million) related to capacity adjustments (see note 4.4).

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

The operating result before interest, taxes, and amortization (EBITA) and the operating result before interest, taxes, depreciation, and amortization (EBITDA) are used by Rieter as alternative performance measures. The table below contains a reconciliation of EBITA and EBITDA:

CHF million	2022	2021
Operating result before interest and taxes (EBIT)	32.2	47.6
Amortization of intangible assets (see note 3.4)	14.8	6.9
Operating result before interest, taxes, and amortization (EBITA)	**47.0**	**54.5**
Depreciation of tangible fixed assets (see note 3.4)[1]	38.0	30.5
Operating result before interest, taxes, depreciation, and amortization (EBITDA)	**85.0**	**85.0**

1. In 2022, depreciation of property, plant, and equipment includes impairment losses of CHF 0.2 million (2021: CHF 0.2 million) related to capacity adjustments (see note 4.4).

4 OPERATING ASSETS AND LIABILITIES

4.1 TRADE RECEIVABLES

CHF million	December 31, 2022	December 31, 2021
Trade receivables (gross)	217.7	125.0
Allowance for trade receivables	– 5.6	– 3.0
Trade receivables	**212.1**	**122.0**

Trade receivables are divided into the following major currencies:

CHF million	December 31, 2022	December 31, 2021
CHF	100.2	62.3
CNY	7.7	5.4
EUR	81.9	29.3
INR	5.5	5.5
USD	15.4	18.2
Other	1.4	1.3
Trade receivables	**212.1**	**122.0**

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

Significant accounting policies

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

4.2 OTHER CURRENT RECEIVABLES

CHF million	December 31, 2022	December 31, 2021
Receivables from indirect taxes and customs duties	29.2	20.8
Advance payments to suppliers	12.3	13.9
Prepaid expenses and deferred charges	5.4	4.9
Derivative financial instruments (positive fair values)	16.0	21.5
Receivable from disposal of property, plant, and equipment	–	11.2
Miscellaneous current receivables	11.2	7.8
Other current receivables	**74.1**	**80.1**

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

4.3 INVENTORIES

CHF million	December 31, 2022	December 31, 2021
Raw materials and consumables	104.5	48.5
Finished and semi-finished goods, trading goods[1]	308.3	230.9
Work in progress[1]	31.7	22.0
Allowance for inventories	– 81.2	– 52.4
Inventories[1]	**363.3**	**249.0**

1. The comparative period (December 31, 2021) has been adjusted retrospectively as a result of the final purchase price allocations from the acquisitions of the Accotex, Temco, and the winder-related service and commission business in India on December 1, 2021 (see notes 1.3 and 2.1).

The allowance for inventories developed as follows:

CHF million	2022	2021
Allowance for inventories at January 1	**– 52.4**	**– 54.5**
Acquisitions[1]	– 10.7	– 1.5
Utilization	2.4	1.8
Additions/reversals (net)[2]	– 23.2	1.8
Currency translation differences	2.7	0.0
Allowance for inventories at December 31	**– 81.2**	**– 52.4**

1. Acquisitions of the automatic winding machine business in 2022 and the Accotex and Temco businesses in 2021.
2 In 2021, a reversal of allowance for finished goods in the amount of CHF 8.4 million was included, as the respective goods have been delivered.

Significant accounting estimates and judgments

When assessing the value of inventories, estimates of their recoverability are necessary. The recoverability of the respective items is based on the expected consumption. The allowance for inventories is calculated at item level using a range of coverage analysis. The assumptions used in this analysis are reviewed annually and modified if necessary. Changes in sales volumes, the production process or other circumstances may result in adjustments of the carrying amounts accordingly. The exceptionally high order backlog together with the supply chain bottlenecks mentioned in note 2.2 resulted in a significant increase in inventories as well as in the allowance for inventories at December 31, 2022, compared with December 31, 2021.

Significant accounting policies

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

4.4 PROPERTY, PLANT, AND EQUIPMENT

CHF million	Land and buildings	Machinery, plant equipment, and tools	IT equipment	Vehicles and furniture	Property, plant, and equipment under construction	Right-of-use assets	Total property, plant, and equipment
Carrying amount at January 1, 2021	**100.7**	**77.3**	**4.4**	**4.7**	**5.7**	**17.8**	**210.6**
Acquisitions[1]	0.0	16.2	0.1	0.9	0.4	12.4	30.0
Additions	12.2	9.2	2.2	0.9	11.6	8.1	44.2
Disposals	– 6.6	– 0.1	0.0	0.0	0.0	0.0	– 6.7
Depreciation	– 4.6	– 19.4	– 2.0	– 1.8	0.0	– 2.5	– 30.3
Impairment losses	0.0	– 0.2	0.0	0.0	0.0	0.0	– 0.2
Reclassifications	0.1	4.9	0.2	0.4	– 5.6	0.0	0.0
Reclassification to “assets classified as held for sale”[2]	– 14.7	0.0	0.0	0.0	0.0	0.0	– 14.7
Changes in leases	–	–	–	–	–	– 0.1	– 0.1
Currency translation differences	1.1	0.8	– 0.1	– 0.1	– 0.1	– 0.2	1.4
Carrying amount at December 31, 2021	**88.2**	**88.7**	**4.8**	**5.0**	**12.0**	**35.5**	**234.2**
Cost at December 31, 2021	218.8	365.7	20.8	33.9	12.0	41.4	692.6
Accumulated depreciation at December 31, 2021	– 130.6	– 277.0	– 16.0	– 28.9	0.0	– 5.9	– 458.4
Carrying amount at December 31, 2021 (reported)	**88.2**	**88.7**	**4.8**	**5.0**	**12.0**	**35.5**	**234.2**
Adjustment of the comparative period[3]	0.0	0.2	0.0	0.0	0.0	0.0	0.2
Carrying amount at December 31, 2021 (adjusted)	**88.2**	**88.9**	**4.8**	**5.0**	**12.0**	**35.5**	**234.4**
Acquisition[4]	0.0	11.1	0.0	0.2	0.3	0.0	11.6
Additions	6.2	16.2	2.6	2.5	16.3	2.0	45.8
Disposals	0.0	– 0.1	0.0	– 0.1	0.0	0.0	– 0.2
Depreciation	– 4.6	– 24.0	– 2.2	– 2.1	0.0	– 4.9	– 37.8
Impairment losses	– 0.1	– 0.1	0.0	0.0	0.0	0.0	– 0.2
Reclassifications	– 0.1	8.3	0.1	1.0	– 9.3	0.0	0.0
Reclassification to “assets classified as held for sale”[2]	– 12.2	– 1.6	0.0	0.0	0.0	0.0	– 13.8
Changes in leases	–	–	–	–	–	0.0	0.0
Currency translation differences	– 2.2	– 4.3	– 0.1	– 0.3	– 0.4	– 1.3	– 8.6
Carrying amount at December 31, 2022	**75.2**	**94.4**	**5.2**	**6.2**	**18.9**	**31.3**	**231.2**
Cost at December 31, 2022	160.8	378.6	20.7	35.0	18.9	40.9	654.9
Accumulated depreciation at December 31, 2022	– 85.6	– 284.2	– 15.5	– 28.8	0.0	– 9.6	– 423.7
Carrying amount at December 31, 2022	**75.2**	**94.4**	**5.2**	**6.2**	**18.9**	**31.3**	**231.2**

1. Acquisition of the Accotex and Temco businesses in 2021 (see note 2.1).
2. See note 8.2.
3. The comparative period (December 31, 2021) has been adjusted retrospectively as a result of the final purchase price allocations from the acquisitions of the Accotex, Temco, and the winder-related service and commission business in India on December 1, 2021 (see notes 1.3 and 2.1).
4. Acquisition of the automatic winding machine business in 2022 (see note 2.1).

No land and buildings are pledged as security for financial debt. At the end of 2022, open purchase commitments in respect of major investments in tangible fixed assets amounted to CHF 1.1 million (December 31, 2021: CHF 1.9 million).

Significant accounting policies

Property, plant, and equipment are recognized at historical cost and depreciated on a straight-line basis over the estimated useful life. Depreciation of an asset starts when it is available for use. Historical cost also includes 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 that are not yet available for use, as well as land, are not depreciated. Value adjustments are recognized if required.

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

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

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

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

4.5 INTANGIBLE ASSETS

CHF million	Software	Customer relationships	Patents and technology	Brands and trademarks	Other intangible assets	Total intangible assets
Carrying amount at January 1, 2021	**4.4**	**26.0**	**12.2**	**3.2**	**0.2**	**46.0**
Acquisitions[1]	0.6	17.3	15.2	12.4	0.0	45.5
Additions	2.5	0.0	0.0	0.0	0.0	2.5
Amortization	– 0.8	– 3.5	– 1.9	– 0.6	– 0.1	– 6.9
Currency translation differences	0.0	– 0.1	– 0.1	– 0.1	0.0	– 0.3
Carrying amount at December 31, 2021	**6.7**	**39.7**	**25.4**	**14.9**	**0.1**	**86.8**
Cost at December 31, 2021	8.4	54.6	33.7	17.3	2.5	116.5
Accumulated amortization at December 31, 2021	– 1.7	– 14.9	– 8.3	– 2.4	– 2.4	– 29.7
Carrying amount at December 31, 2021 (reported)	**6.7**	**39.7**	**25.4**	**14.9**	**0.1**	**86.8**
Adjustment of the comparative period[2]	0.0	– 2.3	0.3	0.1	0.0	– 1.9
Carrying amount at December 31, 2021 (adjusted)	**6.7**	**37.4**	**25.7**	**15.0**	**0.1**	**84.9**
Acquisition[3]	0.0	35.9	30.5	4.8	0.0	71.2
Additions	2.9	0.0	0.0	0.0	0.0	2.9
Amortization	– 1.1	– 7.6	– 4.3	– 1.7	– 0.1	– 14.8
Reclassification	0.4	0.0	– 0.4	0.0	0.0	0.0
Currency translation differences	0.1	– 2.2	– 2.0	– 0.6	0.1	– 4.6
Carrying amount at December 31, 2022	**9.0**	**63.5**	**49.5**	**17.5**	**0.1**	**139.6**
Cost at December 31, 2022	13.0	85.7	61.9	21.6	4.5	186.7
Accumulated amortization at December 31, 2022	– 4.0	– 22.2	– 12.4	– 4.1	– 4.4	– 47.1
Carrying amount at December 31, 2022	**9.0**	**63.5**	**49.5**	**17.5**	**0.1**	**139.6**

1. Acquisitions of the Accotex, Temco, and the winder-related service and commission business in India in 2021 (see note 2.1).
2. The comparative period (December 31, 2021) has been adjusted retrospectively as a result of the final purchase price allocations from the acquisitions of the Accotex, Temco, and the winder-related service and commission business in India on December 1, 2021 (see notes 1.3 and 2.1).
3. Acquisition of the automatic winding machine business in 2022 (see note 2.1).

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

Significant accounting estimates and judgments

No development costs were recognized as intangible assets in the year under review or in the previous year. Due to rapid technological changes and wide cyclical fluctuations in the industry, future economic benefits could not be sufficiently demonstrated. The global economic and geopolitical uncertainties had no impact on these accounting estimates and judgments, as Rieter has no intangible assets based in Ukraine, Russia, or Belarus, and due to the continuation of the recovery of Rieter's business in 2022.

Significant accounting policies

Intangible assets acquired from third parties such as product licenses, patents, trademark rights (brands), and customer relationships are recognized in the balance sheet at historical cost and are amortized on a straight-line basis over the expected useful life of up to 15 years. Rieter does not hold any intangible assets with an indefinite useful life.

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

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

4.6 GOODWILL

CHF million	Goodwill
Carrying amount at January 1, 2021	**43.5**
Acquisitions[1]	48.4
Impairment	0.0
Currency translation differences	– 0.3
Carrying amount at December 31, 2021	**91.6**
Cost at December 31, 2021	91.6
Accumulated impairment at December 31, 2021	0.0
Carrying amount at December 31, 2021 (reported)	**91.6**
Adjustment of the comparative period[2]	2.3
Carrying amount at December 31, 2021 (adjusted)	**93.9**
Acquisition[3]	107.2
Impairment	0.0
Reclassification	0.0
Currency translation differences	– 7.3
Carrying amount at December 31, 2022	**193.8**
Cost at December 31, 2022	193.8
Accumulated impairment at December 31, 2022	0.0
Carrying amount at December 31, 2022	**193.8**

1. Acquisitions of the Accotex, Temco, and the winder-related service and commission business in India in 2021 (see note 2.1).
2. The comparative period (December 31, 2021) has been adjusted retrospectively as a result of the final purchase price allocations from the acquisitions of the Accotex, Temco, and the winder-related service and commission business in India on December 1, 2021 (see notes 1.3 and 2.1).
3. Acquisition of the automatic winding machine business in 2022 (see note 2.1).

Goodwill is allocated to the corresponding cash-generating unit (CGU) and monitored by management. Rieter tests whether goodwill has suffered any impairment on an annual basis. For 2022 and 2021, the recoverable amount of the CGUs was determined on value-in-use calculations.

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

CHF million	Machines & Systems	SSM	Accotex	Temco	After Sales	2022
Machines & Systems	59.8	–	–	–	–	59.8
Components	–	43.5	16.9	20.6	–	81.0
After Sales	–	–	–	–	53.0	53.0
Goodwill						**193.8**
Key assumptions:						
Sales volume (% growth)		3.7%	5.8%	4.0%		
Long-term sales growth rate	1.8%	1.4%	1.8%	1.8%	1.8%	
Pre-tax discount rate	14.5%	12.2%	14.0%	11.7%	14.6%	

CHF million	Machines & Systems	SSM	Accotex	Temco	After Sales	2021
Machines & Systems[1]	2.3	–	–	–	–	2.3
Components[2]	–	43.5	17.9	21.6	–	83.0
After Sales[1]	–	–	–	–	8.6	8.6
Goodwill						**93.9**
Key assumptions:						
Sales volume (% growth)		1.3%	12.2%	7.2%		
Long-term sales growth rate	–	1.0%	1.5%	1.5%	–	
Pre-tax discount rate	–	11.0%	11.7%	10.0%	–	

1. The comparative period (December 31, 2021), has been adjusted retrospectively as a result of the final purchase price allocation from the acquisition of the winder-related service and commission business in India on December 1, 2021 (see notes 1.3 and 2.1). During the process, the respective goodwill balance has been allocated from Other to the CGUs Machines & Systems (CHF 2.3 million) and After Sales (CHF 8.6 million).
2. The comparative period (December 31, 2021), has been adjusted retrospectively as a result of the final purchase price allocation from the acquisition of the Accotex and Temco businesses on December 1, 2021 (see notes 1.3 and 2.1).

Based on the performed impairment tests using the key assumptions mentioned above, there is no need for an impairment charge at December 31, 2022 and 2021.

Goodwill allocated to CGUs Machines & Systems and After Sales contains the goodwill from the automatic winding machine business acquired in 2022, including the goodwill from the winder-related service and commission business in India acquired in 2021 (see note 2.1). Gross profit and cash flows depend on sales volume and sales growth. The results of both impairment tests confirm the purchase price paid without an indication for impairment. No reasonably possible changes in key assumptions would cause the recoverable amount to equate the carrying amount of goodwill.

Regarding SSM, there is currently no indication of a long-term decrease of the market share or the profitability. Gross profit and cash flows depend on sales volume and sales growth. No reasonably possible changes in key assumptions would cause the recoverable amount to fall short of the carrying amount of goodwill.

In 2022, sales of Accotex and Temco have improved and recovered faster than projected. There is currently no indication of a long-term decrease in the market, the market share, or the profitability. Gross profit and cash flows depend on sales volume and sales growth. The results of the impairment tests confirm the purchase price paid without an indication for impairment, but showed only a small headroom for Accotex. Rieter performed sensitivity analysis in order to determine which reasonably possible changes in key assumptions would cause the recoverable amount to fall short of the carrying amount of goodwill.

The sensitivity analysis for Accotex showed that the recoverable amount would fall short of to the carrying amount of Accotex if the pre-tax discount rate would be increased by 0.4%, the sales volume growth would be reduced by 1.1% or the long-term sales growth rate would be decreased by 0.5%.

The recoverable amount of Accotex exceeds the present carrying amount by CHF 2.1 million. The sensitivity analysis for Temco showed that no reasonably possible change in key assumptions would cause the recoverable amount to fall short of the carrying amount of goodwill.

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

Significant accounting estimates and judgments

For the goodwill impairment test, Rieter uses financial plans for the next three years as approved by the Board of Directors and the Group Executive Committee. These plans are extrapolated to a period of five years. Management thereby makes assumptions related to sales growth rates and profit margins. Expected future cash flows are discounted with a market-specific discount rate. The global economic and geopolitical uncertainties (see note 2.2) have been reflected appropriately in these assumptions in 2022 and 2021.

Significant accounting policies

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

4.7 OTHER CURRENT LIABILITIES

CHF million	December 31, 2022	December 31, 2021
Accrued expenses	79.1	44.0
Deferred revenue	51.2	24.5
Accrued holidays and overtime	10.5	7.4
Sales commissions payable to agents	12.1	7.1
Derivative financial instruments (negative fair values)	22.7	23.3
Current liabilities to employees	9.5	9.0
Miscellaneous current liabilities	25.0	32.8
Other current liabilities	**210.1**	**148.1**

Deferred revenue consists mainly of revenue for installations of machines and components at Rieter customer sites, that have been invoiced but not yet been completed. Of the deferred revenue at December 31, 2021, CHF 15.1 million was recognized as sales and therefore included in the consolidated income statement 2022. Additional significant changes comprise services invoiced in 2022, which were either recognized as sales in 2022 or which are still included in deferred revenue at December 31, 2022. The majority of deferred revenue will be recognized as revenue within twelve months.

4.8 ADVANCE PAYMENTS FROM CUSTOMERS

CHF million	December 31, 2022	December 31, 2021
Advance payments from customers	**192.7**	**211.4**

Of the advance payments from customers at December 31, 2021, CHF 167.2 million was recognized as sales and therefore included in the consolidated income statement 2022. Additional significant changes comprise advance payments received in 2022, which were not recognized in sales in 2022.

4.9 PROVISIONS

CHF million	Restructuring provisions	Personnel provisions	Guarantee and warranty provisions	Restoration provisions	Other provisions	Total provisions
Provisions at December 31, 2021	**1.4**	**6.5**	**22.2**	**16.7**	**9.2**	**56.0**
Acquisition[1]	0.0	1.3	9.0	0.0	12.0	22.3
Utilization	– 0.1	– 2.0	– 12.8	– 4.7	– 9.7	– 29.3
Release	– 0.3	– 0.7	– 0.5	0.0	– 3.5	– 5.0
Additions	0.1	2.1	13.8	0.0	3.7	19.7
Currency translation differences	– 0.1	– 0.3	– 1.2	– 0.5	– 0.8	– 2.9
Provisions at December 31, 2022	**1.0**	**6.9**	**30.5**	**11.5**	**10.9**	**60.8**
Of which current	0.7	1.1	24.6	0.7	5.7	32.8
Of which non-current	0.3	5.8	5.9	10.8	5.2	28.0

1. Acquisition of the automatic winding machine business in 2022 (see note 2.1).

Restructuring provisions cover legal and constructive obligations in connection with restructuring measures. Of the open commitments, CHF 0.1 million has been settled in 2022. The reassessment of existing provisions resulted in a reversal in the amount of CHF 0.3 million in 2022. Non-current restructuring provisions are expected to be utilized in 2024.

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

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

Restoration provisions contain obligations for site restoration associated with the disposal of land and buildings in Ingolstadt (Germany) in 2019 and in Winterthur (Switzerland) in 2022. The respective provisions are expected to be utilized in the years after 2023.

Rieter has recognized other provisions mainly for ongoing legal proceedings, for onerous contracts (where the unavoidable direct cost of performance exceeds the expected financial benefit), or for contracts with benefits linked to conditions that have to be fulfilled in the future (e.g. government grants). Non-current other provisions are expected to be utilized in the years after 2023.

Significant accounting estimates and judgments

In the course of the ordinary operating activities of Rieter, obligations can arise from restructuring measures, warranty claims, ongoing legal proceedings, site restoration, or onerous contracts. Provisions for the respective obligations are measured on the basis of expected cash outflows when accounts are drawn up. However, the outcome of the events mentioned above may result in claims against the Group that are higher or lower than the respective provisions and which are not – or only partially – covered by a relevant insurance benefit. At December 31, 2022, the potential impact of the global economic and geopolitical uncertainties on the provision balances has been assessed. No significant impact was identified (December 31, 2021: none).

Significant accounting policies

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

5 LIQUIDITY AND FINANCING

5.1 NET DEBT AND FREE CASH FLOW

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

CHF million	December 31, 2022	December 31, 2021
Cash and cash equivalents	175.7	248.7
Marketable securities and time deposits	0.4	0.7
Current financial debt	– 262.5	– 209.7
Non-current financial debt	– 199.2	– 201.6
Net debt	**– 285.6**	**– 161.9**
Lease liabilities[1]	27.8	31.7
Net debt (without lease liabilities)	**– 257.8**	**– 130.2**

1. See notes 5.3 and 8.6

Free cash flow consists of:

CHF million	2022	2021
Cash flow from operating activities	– 76.2	165.7
Cash flow from investing activities	– 30.2	– 352.9
Less cash flow from acquisition of subsidiaries[1]	7.8	315.3
Free cash flow	**– 98.6**	**128.1**

1. See note 2.1.

5.2 CASH AND CASH EQUIVALENTS

CHF million	December 31, 2022	December 31, 2021
Cash and banks	174.8	226.1
Time deposits with original maturities of up to three months	0.9	22.6
Cash and cash equivalents	**175.7**	**248.7**

Significant accounting policies

Cash and cash equivalents include bank accounts, investments in money market funds, and current time deposits with original maturities of up to three months.

5.3 FINANCIAL DEBT

CHF million	Fixed-rate bond	Bank debt	Lease liabilities	Other financial debt	Total December 31, 2022	Total December 31, 2021
Maturity						
Less than 1 year	0.0	257.4	4.9	0.2	262.5	209.7
1 to 5 years	174.5	0.0	15.0	1.8	191.3	90.0
5 or more years	0.0	0.0	7.9	0.0	7.9	111.6
Financial debt	**174.5**	**257.4**	**27.8**	**2.0**	**461.7**	**411.3**

On November 25, 2021, Rieter issued a fixed-rate bond with a nominal value amounting to CHF 100.0 million. This bond has a term of six years with a maturity date on November 24, 2027, a fixed interest rate of 1.4% p.a. and is listed on the SIX Swiss Exchange. The fair value of this bond amounted to CHF 92.8 million at December 31, 2022 (December 31, 2021: CHF 101.0 million). The effective interest expenses in the amount of CHF 1.4 million were charged to the consolidated income statement 2022 (2021: CHF 0.1 million). In addition, Rieter Holding Ltd. previously issued a fixed-rate bond with a nominal value amounting to CHF 75.0 million on August 18, 2020. This bond has a term of four years with a maturity date on August 17, 2024, a fixed interest rate of 1.55% p.a. and is listed on the SIX Swiss Exchange. The fair value of the bond amounted to CHF 73.5 million at December 31, 2022 (December 31, 2021: CHF 76.3 million). The effective interest expenses of CHF 1.2 million were charged to the consolidated income statement 2022 (2021: CHF 1.2 million).

By currency, financial debt is divided up as follows:

CHF million	December 31, 2022	December 31, 2021
CHF	294.3	260.5
EUR	119.8	112.5
INR	46.9	37.4
Other currencies	0.7	0.9
Financial debt	**461.7**	**411.3**

Financial debt changed as follows:

CHF million		2022	2021
Financial debt at January 1		**411.3**	**241.9**
Proceeds from issue of fixed-rate bond	Cash flow	0.0	99.7
Proceeds from bank debt	Cash flow	63.1	52.6
Repayments of bank and other financial debt	Cash flow	– 2.7	0.0
Recognition of lease liabilities[1]	No cash flow	1.4	20.4
Repayments of lease liabilities	Cash flow	– 4.2	– 2.4
Changes in leases	No cash flow	0.0	– 0.1
Changes in amortized cost	No cash flow	0.3	0.2
Other changes in values[2]	No cash flow	– 1.3	– 0.5
Currency translation differences	No cash flow	– 6.2	– 0.5
Financial debt at December 31		**461.7**	**411.3**

1. In 2021, lease liabilities in connection with the acquisition of the Accotex and Temco businesses in the amount of CHF 12.4 million have been recognized (see note 2.1).
2. Exchange rate differences of financial debt in currencies other than the functional currency of the respective group company.

Significant accounting policies

Financial debt is recognized initially at fair value, net of transaction costs incurred. Financial debt is subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the term of the obligation using the effective interest rate method. Financial debt is classified as a current liability, unless Rieter has an unconditional, contractually agreed right to defer settlement for at least twelve months after the balance sheet date. For accounting policies in relation to lease liabilities, see note 8.4.

5.4 SHARE CAPITAL, EARNINGS, AND DIVIDEND PER SHARE

		December 31, 2022	December 31, 2021
Shares issued	Number of shares	4 672 363	4 672 363
Treasury shares	Number of shares	192 728	178 339
Shares outstanding	**Number of shares**	**4 479 635**	**4 494 024**
Nominal value per share	CHF	5.00	5.00
Nominal value of share capital[1]	**CHF**	**23 361 815**	**23 361 815**

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

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

	2022	2021
Net profit attributable to shareholders of Rieter Holding Ltd. (CHF million)	**12.1**	**31.7**
Average number of shares outstanding (undiluted)	4 491 246	4 496 214
Average number of shares outstanding (diluted)	4 498 372	4 501 217
Basic earnings per share (CHF)	**2.70**	**7.04**
Diluted earnings per share (CHF)	**2.70**	**7.03**

The dividend paid in 2022 amounted to CHF 18.0 million and was distributed from retained earnings (2021: none). Based on the financial statements at December 31, 2022, the Board of Directors proposes to the Annual General Meeting a dividend of CHF 1.50 per share.

The table below summarizes the dividend payout ratio of the 2022 and 2021 financial years:

	2022	2021
Dividend per share (CHF)	1.50 [1]	4.00
Basic earnings per share (CHF)	2.70	7.04
Dividend payout ratio in %	**56**	**57**

1. See motion of the Board of Directors on page 113.

Significant accounting policies

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

5.5 NON-CONTROLLING INTERESTS IN SUBSIDIARIES

In 2022, Rieter Holding Ltd. purchased share capital of Rieter India Pvt. Ltd. with a nominal value of INR 0.3 million (CHF 0.0 million). As a result, the share of non-controlling interests decreased to 0.3% at December 31, 2022. In 2021, non-controlling interests remained unchanged. Rieter has undertaken to acquire the remaining non-controlling interests in Rieter India Pvt. Ltd. for a contractually agreed amount by no later than April 30, 2024. As a consequence, the present value of this obligation has been reclassified to non-current financial debt in 2022.

Significant accounting policies

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

5.6 FINANCIAL INCOME AND EXPENSES

CHF million	2022	2021
Interest income	1.0	2.0
Other financial income	0.6	0.9
Financial income	**1.6**	**2.9**
Interest expenses	– 9.6	– 5.8
Other financial expenses and exchange rate differences (net)	– 9.5	– 5.4
Financial expenses	**– 19.1**	**– 11.2**

6 GROUP STRUCTURE

6.1 CHANGES IN GROUP STRUCTURE

In 2022, Rieter acquired the automatic winding machine business. This business was integrated into the newly established subsidiary Rieter Automatic Winder GmbH (Uebach-Palenberg, Germany, see note 2.1).

Moreover, Rieter liquidated the operationally inactive subsidiary Graf-Kratzen GmbH (Gersthofen, Germany) with a foreign exchange loss of CHF 0.5 million transferred from other comprehensive income to the financial result of the consolidated income statement 2022.

In 2021, Rieter acquired the Accotex and Temco businesses as well as the winder-related service and commission business in India. Accotex and Temco were integrated into the newly established subsidiary Rieter Components Germany GmbH (Hammelburg, Germany), whereas the winder-related service and commission business in India was integrated into the existing subsidiary Rieter India Pvt. Ltd. (Wing, India) (see note 2.1).

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

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

6.2 SUBSIDIARIES AND ASSOCIATED COMPANIES

At December 31, 2022

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

1. Associated company.

Significant accounting policies

The consolidated financial statements comprise the financial statements of Rieter Holding Ltd. and its subsidiaries (or "group companies") at December 31, 2022. Subsidiaries are all entities over which Rieter has control. Control is achieved when Rieter is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Rieter. They are deconsolidated from the date that control ceases.

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

6.3 INVESTMENTS IN ASSOCIATED COMPANIES

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

CHF million	2022	2021
Investments in associated companies at January 1	**17.1**	**15.8**
Share in profit/loss	2.4	2.0
Dividends received	– 2.3	– 0.3
Currency translation differences	– 0.5	– 0.4
Investments in associated companies at December 31	**16.7**	**17.1**

Rieter holds 25% of the share capital and the voting rights of Electro-Jet S.L. based in Gurb (Spain) and 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 consolidated financial statements 2022 and 2021 are insignificant.

In 2022, the Group purchased products from associated companies with a total value of CHF 23.6 million (2021: CHF 13.6 million). The respective open trade payable balances at December 31, 2022, were interest-free and amounted to CHF 0.7 million (December 31, 2021: CHF 2.7 million). Advance payments made to associated companies amounted to CHF 1.5 million.

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

Significant accounting policies

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

7 EMPLOYEE REMUNERATION

7.1 PERSONNEL EXPENSES

CHF million	2022	2021
Wages and salaries	– 257.4	– 204.5
Social security and other personnel expenses	– 68.0	– 51.5
Personnel expenses	**– 325.4**	**– 256.0**

7.2 EMPLOYEE BENEFIT PLANS

Defined contribution plans

The expense for defined contribution plans amounted to CHF 3.9 million in the year under review (2021: CHF 3.5 million).

Defined benefit plans

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

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

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

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

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

The status of defined benefit plans was as follows:

				December 31, 2022
CHF million	Funded plans (Switzerland)	Funded plans (other countries)	Unfunded plans (mainly Germany)	Total
Actuarial present value of defined benefit plan obligations (funded plans)	– 807.3	– 14.4	0.0	– 821.7
Fair value of defined benefit plan assets (funded plans)	1 252.4	10.0	0.0	1 262.4
Impact of asset ceiling	– 382.2	0.0	0.0	– 382.2
Overfunding (+)/Underfunding (-)	**62.9**	**– 4.4**	**0.0**	**58.5**
Actuarial present value of defined benefit plan obligations (unfunded plans)	0.0	0.0	– 21.2	– 21.2
Net defined benefit plan asset/liability recognized in the balance sheet	**62.9**	**– 4.4**	**– 21.2**	**37.3**
• thereof as defined benefit plan assets	62.9	0.0	0.0	62.9
• thereof as defined benefit plan liabilities	0.0	– 4.4	– 21.2	– 25.6

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

The defined benefit plan obligations changed as follows:

CHF million	2022	2021
Defined benefit plan obligations at January 1	**1 009.3**	**1 046.0**
Acquisitions[1]	12.8	11.1
Current service cost	9.5	9.7
Interest expense	2.4	1.8
Employee contributions[2]	6.7	6.5
Actuarial gains/losses (net)	– 140.7	– 16.7
Benefits paid	– 55.1	– 48.9
Past service cost	0.0	0.8
Currency translation differences	– 2.0	– 1.0
Defined benefit plan obligations at December 31	**842.9**	**1 009.3**

1. Acquisitions of the automatic winding machine business in 2022 and the Accotex and Temco businesses in 2021 (see note 2.1).
2. In 2021, this line item includes employee contributions financed by the use of employer contribution reserves in accordance with Swiss COVID-19-related legislation.

The weighted average duration of the defined benefit plan obligations is 10.5 years (2021: 12.4 years).

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

CHF million	2022	2021
Fair value of defined benefit plan assets at January 1	**1 428.9**	**1 348.4**
Acquisitions[1]	5.1	2.6
Interest income	2.2	1.7
Return on defined benefit plan assets (excluding interest income)	– 135.3	112.2
Employer contributions	9.1	7.7
Employee contributions	6.7	5.2
Benefits paid	– 53.9	– 48.9
Currency translation differences	– 0.4	0.0
Fair value of defined benefit plan assets at December 31	**1 262.4**	**1 428.9**

1. Acquisitions of the automatic winding machine business in 2022 and the Accotex and Temco businesses in 2021 (see note 2.1).

The total result on plan assets was CHF -133.1 million in the year under review (2021: CHF 113.9 million). The Group expects employer contributions in the amount of CHF 9.6 million to its defined benefit plans in 2023.

The major categories of plan assets were as follows:

CHF million	December 31, 2022	December 31, 2021
Cash and cash equivalents	58.5	94.0
Equity instruments	481.5	609.2
Debt instruments	271.4	286.2
Real estate	386.6	390.0
Other	64.4	49.5
Fair value of defined benefit plan assets	**1 262.4**	**1 428.9**

At the end of 2022, plan assets included no Rieter Holding Ltd. bonds (December 31, 2021: none). No Rieter shares were held at the end of 2022 and 2021. Cash equivalents (e.g. money market instruments), equity instruments, and 54% of the debt instruments have a quoted market price on an active market. Real estate and other assets, which include private equity investments, do not usually have a quoted market price.

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

CHF million	2022	2021
Current service cost	– 9.5	– 9.7
Net interest result	– 0.2	0.0
Past service cost	0.0	– 0.8
Expenses recognized in the income statement	**– 9.7**	**– 10.5**

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

CHF million	2022	2021
Actuarial gains/losses arising from:		
• Changes in demographic assumptions	0.2	20.3
• Changes in financial assumptions	185.8	6.8
• Experience adjustments	– 45.3	– 10.4
Return on defined benefit plan assets (excluding interest income)	– 135.3	112.2
Impact of changes in asset ceiling	5.5	– 115.7
Remeasurements of defined benefit plans	**10.9**	**13.2**

Main actuarial assumptions used at year-end are:

Weighted average in %	December 31, 2022	December 31, 2021
Discount rate	2.4	0.2
Future wage growth	1.5	0.8
Future pension growth	0.1	0.0

As a result of the increase in global interest rate levels driven by the global economic and geopolitical uncertainties as mentioned in note 2.2, the discount rate increased to 2.4% in 2022.

Against the background of an increased life expectancy, the measurement of defined benefit plan obligations in Switzerland was conducted based on the assumption of sharing of risks between employer and employees in accordance with applicable Swiss law. Mid-term adjustments of the conversion rate, as considered realistic by the Group, were assumed. The result of the calculation was a reduction in defined benefit plan obligations by approximately 1% at December 31, 2022 (December 31, 2021: approximately 1%). Thus, the expected result from the recognition of defined benefit plan obligations is subject to lower fluctuation.

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

CHF million	**December 31, 2022**	**December 31, 2021**
Increase in the discount rate by 0.5 percentage points	– 42.5	– 59.7
Decrease in the discount rate by 0.5 percentage points	46.8	66.5
Increase in the future pension growth rate by 0.5 percentage points[1]	36.1	52.0

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

A change in the assumption of future wage growth rate by 0.5 percentage points would impact defined benefit plan obligations by less than 1% (same as 2021).

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

Significant accounting estimates and judgments

Defined benefit plans require actuarial calculations in order to determine defined benefit plan obligations. These calculations are based on assumptions such as discount rates, future trends in wages and pensions as well as the employee share in the costs of the future benefits. Statistical data such as mortality tables and staff turnover probability rates are also used to calculate defined benefit plan obligations. If these parameters change, actual future results can deviate from the actuarial calculations. Such deviations can have an effect on the defined benefit plan obligations. Apart from the mentioned increase in discount rate 2022, the global economic and geopolitical uncertainties had no significant impact on the remaining assumptions used in the actuarial calculations at December 31, 2022 and 2021.

Significant accounting policies

Employee benefit plans are operated by certain subsidiaries, depending on 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 consolidated income statement as personnel expenses.

7.3 SHARE-BASED COMPENSATION

The members of the Board of Directors can choose whether to receive all or part of their remuneration in Rieter shares. In the context of their remuneration for 2022, five members of the Board of Directors received in total 6 443 shares on January 17, 2023. The cost of CHF 0.7 million was charged to the consolidated income statement 2022. On January 17, 2022, seven members of the Board of Directors received in total 4 701 shares in connection with their remuneration for 2021. The market value of the shares granted was CHF 0.9 million and was charged to the consolidated income statement 2022. 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 2022, the members of the Group Executive Committee will receive Rieter shares with a market value of CHF 0.2 million in April 2023. The respective cost of CHF 0.2 million was charged to the consolidated income statement 2022. In the context of the variable remuneration for 2021, the members of the Group Executive Committee received 6 666 shares with a market value of CHF 1.0 million on April 17, 2022. The respective cost of CHF 1.0 million was charged to the consolidated income statement 2021. These shares are taken from treasury shares of Rieter Holding Ltd. and cannot be sold for three years.

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

The movement of the outstanding rights was as follows:

Number of rights	2022	2021
Outstanding rights at January 1	**9 791**	**10 825**
Granted	6 487	0
Exercised/paid-out	– 3 764	– 451
Expired	– 481	– 583
Outstanding rights at December 31 (non-exercisable)	**12 033**	**9 791**

The estimated fair value of the outstanding rights amounts to the market value of a Rieter share of CHF 105.00 at December 31, 2022. In 2022, the cost of the long-term incentive plan in the amount of CHF 0.1 million affected the income statement (2021: CHF 1.0 million). The liability recognized in the balance sheet at the end of the year was CHF 0.8 million (December 31, 2021: CHF 1.4 million).

Significant accounting policies

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

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

8 OTHER DISCLOSURES

8.1 INCOME TAXES

CHF million	2022	2021
Current income taxes	– 12.1	– 14.0
Deferred income taxes	7.1	4.4
Income taxes	**– 5.0**	**– 9.6**

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

CHF million	2022	2021
Income taxes on remeasurement of defined benefit plans	– 2.9	– 2.1
Income taxes on cash flow hedges	2.5	0.1
Income taxes recognized in other comprehensive income	**– 0.4**	**– 2.0**

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

CHF million	2022	2021
Expected income taxes on profit before taxes of CHF 17.1 million (2021: CHF 41.3 million) at an average rate of 11.6% (2021: 23.7%)	– 1.9	– 9.8
Impact of non-deductible expenses	– 0.9	– 0.5
Impact of non-taxable income/income taxed at different rates	– 0.9	– 1.0
Impact of losses and loss carry-forwards	– 2.6	3.4
Impact of changes in tax rates and tax legislation	0.0	0.1
Tax effects from previous periods	3.0	1.0
Withholding taxes on payments from subsidiaries	– 1.6	– 2.4
Other effects	– 0.1	– 0.4
Income taxes	**– 5.0**	**– 9.6**

The expected weighted average tax rate decreased by 12.1 percentage points compared with the prior year. The decrease was mainly driven by changes in the profitability of certain group companies.

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

CHF million	2022	2021
Deferred income tax liabilities, net at January 1	**9.1**	**9.0**
Deferred income taxes recognized in the income statement	– 7.1	– 4.4
Deferred income taxes recognized as other comprehensive income	0.4	2.0
Deferred income taxes on treasury shares	– 2.3	2.3
Currency translation differences	0.7	0.2
Deferred income tax liabilities, net at December 31	**0.8**	**9.1**

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

CHF million	Deferred income tax assets December 31, 2022	Deferred income tax liabilities December 31, 2022	Deferred income tax assets December 31, 2021	Deferred income tax liabilities December 31, 2021
Property, plant, and equipment	3.0	– 12.9	3.8	– 14.9
Intangible assets	8.8	– 12.9	20.6	– 21.9
Defined benefit plan assets	0.0	– 12.6	0.0	– 12.6
Inventories	6.8	– 2.0	5.9	– 2.0
Other assets	1.1	– 15.6	0.2	– 19.9
Cash flow hedges	2.3	0.0	0.0	0.0
Provisions	3.5	– 0.1	4.0	– 0.1
Defined benefit plan liabilities	1.8	– 0.4	3.9	0.0
Other liabilities	12.9	– 4.2	9.5	– 1.5
Valuation adjustments on deferred income tax assets	– 3.1	0.0	– 3.7	0.0
Tax loss carry-forwards and tax credits	22.8	0.0	19.6	0.0
Total	**59.9**	**– 60.7**	**63.8**	**– 72.9**
Offsetting	– 23.3	23.3	– 38.0	38.0
Deferred income tax assets/liabilities	**36.6**	**– 37.4**	**25.8**	**– 34.9**

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

			December 31, 2022
CHF million	**Capitalized**	**Non-capitalized**	**Total**
Expiry in			
1 to 3 years	0.0	0.0	0.0
3 to 7 years	17.4	9.7	27.1
7 or more years	5.4	23.8	29.2
Total at December 31	**22.8**	**33.5**	**56.3**

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

Significant unused tax losses for which no deferred tax asset has been recognized concern primarily countries with a tax rate of between 15% and 35% (2021: 15% to 35%).

Significant accounting estimates and judgments

Assumptions in relation to income tax expenses also include interpretations of the tax regulations in countries where Rieter has business activities. The adequacy of these interpretations is assessed by tax authorities and competent courts, a process that can result in changes to income taxes at a later stage. In addition, whether a deferred income tax asset is recognized for tax losses carried forward, is based on management's estimate of the availability of future taxable profits to offset the respective losses carried forward. In 2022 and 2021, the global economic and geopolitical uncertainties had no impact on these accounting estimates and judgments.

Significant accounting policies

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

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

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

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

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

8.2 ASSETS CLASSIFIED AS HELD FOR SALE

CHF million	December 31, 2022	December 31, 2021
Land and buildings	13.8	14.7
Assets classified as held for sale	**13.8**	**14.7**

Capitalized costs for the development of land and buildings related to project CAMPUS in Winterthur, which were reclassified to assets classified as held for sale in 2021, were sold in 2022 at the carrying amount of CHF 14.7 million.

In addition, the Board of Directors decided in July 2022 to dispose of the remaining land at the Winterthur site (Switzerland) in 2023. As a consequence, the carrying amount of CHF 13.8 million was reclassified to assets classified as held for sale in 2022.

8.3 OTHER NON-CURRENT ASSETS

CHF million	December 31, 2022	December 31, 2021
Financial assets	0.9	1.0
Long-term receivables from customers	10.6	0.0
Miscellaneous non-current assets	4.7	6.3
Other non-current assets	**16.2**	**7.3**

Long-term receivables from customers are not expected to be settled within twelve months and mainly relate to the acquisition of the automatic winding machine business in 2022.

8.4 LEASES

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

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

CHF million	December 31, 2022	December 31, 2021
Land and buildings	30.6	34.8
Vehicles and furniture	0.7	0.7
Right-of-use assets	**31.3**	**35.5**

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

CHF million	2022	2021
Land and buildings	– 4.5	– 2.1
Vehicles and furniture	– 0.4	– 0.4
Depreciation associated with right-of-use assets	**– 4.9**	**– 2.5**

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

CHF million		2022	2021
Expenses associated with short-term leases	EBIT	– 4.9	– 4.1
Expenses associated with leases of low-value assets	EBIT	– 0.2	0.0
Interest expenses on lease liabilities	Financial result	– 0.3	– 0.1

Movements in the carrying amount of right-of-use assets are presented in note 4.4. Lease liabilities and the respective maturity analysis are included in notes 5.3 and 8.6.

Total cash outflows for leases amounted to CHF 9.6 million in 2022 (2021: CHF 6.6 million).

At December 31, 2022, future cash outflows in connection with lease arrangements that were committed, but have not commenced, amounted to CHF 35.1 million, and were related to the Rieter CAMPUS in Winterthur (December 31, 2021: CHF 0.2 million).

Significant accounting policies

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

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

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

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

8.5 FINANCIAL INSTRUMENTS

The following tables summarize all financial instruments held at December 31, 2022, and 2021, grouped according to the categories defined in the significant accounting policies. In addition, the tables provide information regarding the fair value hierarchy of IFRS 13. The carrying amounts of financial instruments measured at amortized cost approximate fair values due to their mainly short-term nature.

CHF million	December 31, 2022	December 31, 2021
Cash and banks	174.8	226.1
Time deposits with original maturities of up to three months	0.9	22.6
Time deposits with original maturities of more than three months	0.3	0.3
Trade receivables	212.1	122.0
Other current receivables	40.4	39.8
Long-term receivables from customers	10.6	0.0
Other non-current assets	2.9	0.0
Financial assets at amortized cost	**442.0**	**410.8**
Other financial assets[1]	0.4	0.5
Derivative financial instruments (positive fair values)[1]	16.0	21.5
Financial assets at fair value through profit and loss (mandatorily)	**16.4**	**22.0**
Marketable securities[2]	0.1	0.4
Other financial assets[3]	0.5	0.5
Financial assets at fair value through other comprehensive income	**0.6**	**0.9**
Financial assets	**459.0**	**433.7**

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

CHF million	December 31, 2022	December 31, 2021
Trade payables	161.8	117.2
Other current liabilities	125.7	92.9
Bank debt	257.4	200.9
Current lease liabilities	4.9	4.4
Other current financial debt	0.2	4.4
Fixed-rate bonds[1]	174.5	174.3
Non-current lease liabilities	22.9	27.3
Other non-current financial debt	1.8	0.0
Financial liabilities at amortized cost	**749.2**	**621.4**
Derivative financial instruments (negative fair values)[2]	22.7	23.3
Financial liabilities at fair values through profit and loss (mandatorily)	**22.7**	**23.3**
Financial liabilities	**771.9**	**644.7**

1. The fair value of the fixed-rate bonds as disclosed in note 5.3 is based on a quoted price in an active market (level 1).
2. Measured at fair values that 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 that use foreign exchange rates and interest rates as observable input parameters. At December 31, 2022, contract values of all outstanding forward exchange contracts amounted to CHF 1 536.0 million (December 31, 2021: CHF 1 510.9 million).

8.6 FINANCIAL RISK MANAGEMENT

Financial risk factors

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

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

Foreign exchange risk

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

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

Hedge accounting is applied to significant firm sales and purchase commitments associated with machinery and systems sales orders to avoid a temporary distortion of the operating result due to fair value gains and losses resulting from derivative financial instruments. The hedge accounting policy is included in the other significant accounting policies (see note 8.9). Rieter aims to achieve a hedge ratio of between 80% and 100%. The hedge ratio is defined as the nominal value of the foreign currency forward contract (hedging instrument) divided by the value of the unrecognized firm commitment (hedged transaction/item).

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

Rieter is primarily exposed to foreign exchange risks versus the Czech crown, 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 2022	Impact 2021
CZK/CHF	+ 5%	3.0	0.0
CZK/CHF	– 5%	– 3.0	– 0.0
EUR/CHF	+ 5%	4.2	3.2
EUR/CHF	– 5%	– 4.2	– 3.2
USD/CHF	+ 5%	0.4	3.3
USD/CHF	– 5%	– 0.4	– 3.3

These impacts would mainly be due to foreign exchange gains/losses on cash and cash equivalents and accounts receivable/payable balances. The table shows only 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, 2022, and 2021:

December 31, 2022	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]	8.5	14.7	1 028.1	2.4

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

December 31, 2021	Carrying amount of the hedging instruments			
CHF million	Derivative financial instruments (positive fair values)	Derivative financial instruments (negative fair values)	Nominal amount	Change in the fair value of the hedging instrument used as a basis for recognizing hedge ineffectiveness
Foreign exchange risks				
Current foreign currency forward and swap contracts (maturity date within twelve months)[1]	18.2	19.1	1 070.6	2.3

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

The change in value of the hedged transactions used as a basis for recognizing hedge ineffectiveness amounted to CHF 2.4 million in 2022 (2021: CHF 2.3 million).

The following hedging relationships affected the consolidated income statement and the consolidated statement of comprehensive income 2022 and 2021:

CHF million	2022	2021
Foreign exchange risks		
Hedging gains/losses recognized in other comprehensive income	– 12.9	– 0.4
Hedge ineffectiveness recognized in the income statement[1]	– 0.4	0.3
Hedged future transactions no longer expected to occur[1]	1.6	– 1.3
Amount reclassified from the hedge reserve into the income statement[1]	– 0.8	1.0

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

The following table provides a summary of the development of the hedge reserve in 2022 and 2021:

CHF million	2022	2021
Foreign exchange risks		
Hedge reserve at January 1	**0.5**	**0.8**
Hedging gains/losses recognized in other comprehensive income[1]	– 12.9	– 0.4
Hedge ineffectiveness recognized in the income statement[1]	– 0.4	0.3
Hedged future transactions no longer expected to occur[1]	1.6	– 1.3
Amount reclassified from the hedge reserve into the income statement[1]	– 0.8	1.0
Income taxes	2.5	0.1
Hedge reserve at December 31	**– 9.5**	**0.5**

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

Since January 1, 2021, the hedge reserve includes the spot and the forward element of the fair values of foreign currency forward and swap contracts not yet matured (effective portion) as well as realized gains/losses from foreign currency contracts, where the respective hedged transaction has not yet been accounted for (effective portion).

Until December 31, 2020, the hedge reserve included only the spot element of the fair values of foreign currency forward and swap contracts not yet matured (effective portion) as well as realized gains/losses from foreign currency contracts, where the respective hedged transaction has not yet been accounted for (effective portion).

The following tables provide information about the nominal amounts, the maturity as well as average forward exchange rates of foreign currency forward and swap contracts designated as hedging instruments at December 31, 2022, and 2021:

December 31, 2022	Period of maturity				Total	
	2023 Long[1]	2023 Short[2]	2024 and later Long[1]	2024 and later Short[2]	Total Long[1]	Total Short[2]
Foreign exchange risks						
CNY exposure hedged by group companies whose functional currency is CHF						
• Nominal amount (CHF million, long +/short -)	220.9	– 0.0	–	–	220.9	– 0.0
• Average forward foreign exchange rate (CNY 100/CHF)	13.86	13.85			13.86	13.85
EUR exposure hedged by group companies whose functional currency is CHF						
• Nominal amount (CHF million, long +/short -)	465.6	– 281.0	–	–	465.6	– 281.0
• Average forward foreign exchange rate (EUR/CHF)	1.01	1.00			1.01	1.00
USD exposure hedged by group companies whose functional currency is CHF						
• Nominal amount (CHF million, long +/short -)	–	– 60.6	–	–	–	– 60.6
• Average forward foreign exchange rate (USD/CHF)		0.93				0.93

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

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

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

Interest rate risk

With the exception of cash, time deposits, and long-term receivables from customers, Rieter held no material interest-bearing assets during 2022 and 2021; thus both income and cash flow from operations are largely unaffected by changes in market interest rates.

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

Cash flow sensitivity analysis: A one percentage point increase in interest rates would have an impact on profit before taxes of CHF 2.3 million in 2022 (2021: CHF 1.7 million).

Price risk

Holding marketable financial assets exposes Rieter to a risk of price fluctuation. The Group’s balance of marketable financial assets was not significant at the end of 2022 and 2021.

Credit risk

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

Financial institutions

Relationships with financial institutions are mainly entered into with counterparties that have an investment grade rating. In order to limit a concentration of risk, Rieter uses various banks that 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 institution).

Trade receivables

Rieter aims to secure the credit risk exposure arising from larger individual customer receivables by means of advance payment, irrevocable letter of credit, bank guarantee, credit insurance, or other instruments. This is mainly relevant for the Business Group Machines & Systems as well as for larger sales orders in the other two business groups. For the remaining business, credit risk is limited due to the large number of customers with individually smaller open balances and the wide geographical spread of these customers. As a result, management is of the opinion that there is no concentration of credit risk. At December 31, 2022, no open receivable balance from individual customers exceeded 10% of total trade receivables (December 31, 2021: none).

For open receivable balances 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 that are not secured and not overdue by more than 90 days, expected credit losses are determined by using publicly available credit default probabilities for the textile industry per country. These default probabilities incorporate forward-looking information. If at this stage information indicating a higher collection risk for individual customers is available, individual allowances are recognized for the respective balances. The risk of a credit loss increases significantly for open trade receivable balances that 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, 2022, and 2021:

December 31, 2022 CHF million	**Not due**	**No more than 90 days overdue**	**91 to 180 days overdue**	**181 days to one year overdue**	**More than 1 year overdue**	**Total**
Expected loss rate	0.9%	0.6%	10.2%	67.7%	86.7%	2.6%
Trade receivables (gross)	156.3	51.9	4.9	3.1	1.5	217.7
Allowance for trade receivables	1.4	0.3	0.5	2.1	1.3	5.6

December 31, 2021 CHF million	**Not due**	**No more than 90 days overdue**	**91 to 180 days overdue**	**181 days to one year overdue**	**More than 1 year overdue**	**Total**
Expected loss rate	1.1%	1.2%	20.0%	14.3%	92.9%	2.4%
Trade receivables (gross)	104.3	17.1	1.5	0.7	1.4	125.0
Allowance for trade receivables	1.1	0.2	0.3	0.1	1.3	3.0

The following table summarizes the movement in the allowance for trade receivables in 2022 and 2021:

CHF million	**2022**	**2021**
Allowance for trade receivables at January 1	**–3.0**	**–3.2**
Acquisitions[1]	–0.3	–0.1
Changes to expected credit losses on trade receivables	–3.4	–1.0
Write-off of trade receivables/reversal of unused amount	1.0	1.2
Currency translation differences	0.1	0.1
Allowance for trade receivables at December 31	**–5.6**	**–3.0**

1. Acquisitions of the automatic winding machine business in 2022 and of the Accotex and Temco businesses in 2021.

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

The following table provides a summary of the credit risk exposure at December 31, 2022, and 2021:

CHF million	December 31, 2022	December 31, 2021
Trade receivables	217.7	125.0
Comprising:		
• Trade receivables secured by letters of credit or similar instruments	131.5	79.8
• Trade receivables unsecured	86.2	45.2
Allowance for trade receivables	– 5.6	– 3.0
Trade receivables	**212.1**	**122.0**

Customers provide letters of credit from local and international banks as security. Rieter monitors credit risks related to the respective banks (e.g. by using official ratings). Where the ratings are unsatisfactory, management may seek additional security. At December 31, 2022, and 2021, no loss allowances were recorded for secured trade receivables.

Liquidity risk

Rieter's liquidity risk management includes holding adequate reserves of liquid funds and time deposits, the option of financing via an appropriate level of committed and uncommitted credit lines, and the ability to place issues on the capital market. In light of the dynamic nature of the business environment in which Rieter operates, the goal is to ensure financial stability and retain the necessary flexibility by financing operations with adequate free cash flow and maintaining unutilized credit lines. For this purpose, Rieter negotiated with several banks bilaterally committed credit facilities with a maturity on October 31, 2026. The total amount of CHF 250 million have not been utilized at December 31, 2022.

The following tables show the contractual maturities of the Group's financial liabilities (including interest) at December 31, 2022, and 2021:

December 31, 2022	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	161.8	161.8	0.0	0.0	161.8
Other current liabilities	125.7	125.7	0.0	0.0	125.7
Fixed-rate bonds	174.5	2.6	181.8	0.0	184.4
Bank debt	257.4	257.4	0.0	0.0	257.4
Lease liabilities	27.8	5.2	16.2	8.4	29.8
Other financial debt	2.0	0.4	1.9	0.0	2.3
Total non-derivatives	**749.2**	**553.1**	**199.9**	**8.4**	**761.4**
Derivatives					
Foreign currency forward and swap contracts	22.7	488.3	0.0	0.0	488.3
Total derivatives	**22.7**	**488.3**	**0.0**	**0.0**	**488.3**
Total	**771.9**	**1 041.4**	**199.9**	**8.4**	**1 249.7**

December 31, 2021	Carrying amount	Contractual cash flows			
CHF million		Within 1 year	In 1 to 5 years	In 5 or more years	Total cash flows
Non-derivatives					
Trade payables	117.2	117.2	0.0	0.0	117.2
Other current liabilities	92.9	92.9	0.0	0.0	92.9
Bank debt	200.9	200.9	0.0	0.0	200.9
Fixed-rate bond	174.3	2.7	83.3	101.5	187.5
Lease liabilities	31.7	4.5	15.6	12.5	32.6
Other financial debt	4.4	4.5	0.0	0.0	4.5
Total non-derivatives	**621.4**	**422.7**	**98.9**	**114.0**	**635.6**
Derivatives					
Foreign currency forward and swap contracts	23.3	517.8	0.0	0.0	517.8
Total derivatives	**23.3**	**517.8**	**0.0**	**0.0**	**517.8**
Total	**644.7**	**940.5**	**98.9**	**114.0**	**1 153.4**

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 23% at December 31, 2022 (December 31, 2021: 28%). 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) that define minimum equity and maximum gearing. Rieter complies with these requirements and this compliance is monitored on a continuous basis.

8.7 RELATED PARTIES

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

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

CHF million	2022	2021
Cash compensation	3.5	4.0
Employee benefit contributions and social security	0.8	0.9
Share-based compensation	1.0	2.0
Total	**5.3**	**6.9**

The remuneration report of Rieter Holding Ltd. in accordance with Swiss law is presented on pages 38 to 43.

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

8.8 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The following new or amended standards and interpretations became effective in 2022:

New or amended standards and interpretations
Annual Improvement to IFRS Standards 2018 - 2020[1]
Onerous Contracts - Costs of Fulfilling a Contract (Amendment to IAS 37)[1]
Reference to the Conceptual Framework (Amendments to IFRS 3)[1]
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)[1]

1. The application of these new or amended provisions had no significant impact on the consolidated financial statements 2022 and the comparative period.

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

New or amended standards and interpretations	Effective date	Planned application by Rieter
IFRS 17 Insurance Contracts[1]	January 1, 2023	Financial year 2023
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)[1]	January 1, 2023	Financial year 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]	January 1, 2023	Financial year 2023
Definition of Accounting Estimates (Amendments to IAS 8)[1]	January 1, 2023	Financial year 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)[1]	January 1, 2023	Financial year 2023
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)[1]	January 1, 2024	Financial year 2024
Non-current Liabilities with Covenants	January 1, 2024	Financial year 2024

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

8.9 OTHER SIGNIFICANT ACCOUNTING POLICIES

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

Foreign currency translation

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

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

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

The following foreign exchange rates of importance for Rieter were used in 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)	2022	2021	2022	2021
China	CNY 100	14.19	14.17	13.38	14.36
Czech Republic	CZK 100	4.09	4.22	4.08	4.16
Euro countries	EUR 1	1.00	1.08	0.98	1.03
India	INR 100	1.22	1.24	1.12	1.23
USA	USD 1	0.95	0.91	0.92	0.91

Impairment of non-financial assets

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

Financial assets

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

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

Debt instruments

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

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

Rieter held no debt instruments classified as "at fair value through profit or loss" or as "at fair value through other comprehensive income (OCI)" at December 31, 2022, and 2021.

Credit risks related to debt instruments at amortized cost held by Rieter at December 31, 2022, and 2021, are considered to be low. Therefore, Rieter determines the impairment allowance as the credit losses expected in the next twelve months. If the credit risk were to increase and no longer be regarded as low risk, lifetime expected credit losses would have to be recognized. For trade receivables, a separate approach is applied for measuring impairment (see note 4.1 and 8.6).

Debt instruments are included in current assets, except for maturity dates of more than twelve months after the balance sheet date. In that 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 (OCI)" at the acquisition date. Apart from that, Rieter held no financial assets at December 31, 2022, and 2021, that complied with the criteria for equity instruments.

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

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

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

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

Rieter designates the hedged risk as changes in the forward rate. Changes in the full fair value of the forward or swap contracts are deferred and recognized in other comprehensive income (hedge reserve) until the hedged transaction has been accounted for in the consolidated income statement.

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

8.10 EVENTS AFTER BALANCE SHEET DATE

On February 6, 2023, a devastating earthquake occurred in southern Türkiye and northern Syria. This region is home to an important part of the Turkish textile industry and thus a significant market for Rieter. The financial impact on Rieter cannot be estimated at present.

No other events have occurred up to March 8, 2023, that would necessitate adjustments to the carrying amounts of the Group's assets or liabilities, or which would require disclosure.

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

pwc

REPORT OF THE STATUTORY AUDITOR ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS 2022 TO THE ANNUAL GENERAL MEETING OF RIETER HOLDING LTD., WINTERTHUR

Opinion

We have audited the consolidated financial statements of Rieter Holding Ltd. and its subsidiaries (the Group), which comprise the consolidated income statement and the consolidated statement of comprehensive income for the year ended December 31, 2022, the consolidated balance sheet as at December 31, 2022, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 50 to 99) give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, 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 Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards), issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Our audit approach

Overview

Overall Group materiality: CHF 3 150 000

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.

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

- Recognition and measurement of guarantee and warranty provisions
- Recoverability of goodwill
- Recognition and measurement of the acquisition of the automatic winding machine business

Materiality

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

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

Overall Group materiality	CHF 3 150 000
Benchmark applied	Sales
Rationale for the materiality benchmark applied	We chose sales as the benchmark because, in our view, it is an important benchmark against which the performance of the Group is measured. In particular, when an entity’s earnings are volatile and when an entity’s earnings are at or near break-even.

We agreed with the Audit Committee that we would report to them misstatements above CHF 283 000 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 (nine full scope audits) and we remain in constant contact with the audit teams that perform the work. Additionally, there are three companies in the “specified procedures scope” (of these, two companies are not audited by PwC). As part of the audit of the consolidated financial statements 2022, we performed the audit of the most significant Swiss Group companies (three full scope audits) and we held videocalls with component auditors at the planning and completion stage of the audit. Furthermore, we performed one site visit in one location and met with the local audit team.

Key audit matters

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

RECOGNITION AND MEASUREMENT OF GUARANTEE AND WARRANTY PROVISIONS

Key audit matter	How our audit addressed the key audit matter
Guarantee and warranty provisions arise from the Rieter Group's regular business activities in the manufacture of spinning machines, systems, and components. The recognition and measurement of these provisions require critical accounting estimates and judgments by Management based on historical experience and expectations. We consider guarantee and warranty commitments to be a key audit matter because of the inherent uncertainty regarding their probability and magnitude. *Please refer to Note 4.9 'Provisions' in the consolidated financial statements.*	• We compared the guarantee and warranty provisions recorded in the prior year with the actual expenses arising from guarantee and warranty claims incurred in the year under review and assessed the adjustments made by Management. • We compared the estimated amounts of guarantees and warranties with actual and expected costs. • We assessed Management's model and the key parameters to determine the guarantee and warranty provisions at December 31, 2022. • We analyzed Management's estimates on a case-by-case basis and reviewed relevant contracts. The results of our audit support Management's assumptions with regard to the recognition and measurement of guarantee and warranty provisions.

RECOVERABILITY OF GOODWILL

Key audit matter	How our audit addressed the key audit matter
As at December 31, 2022, Rieter recognized goodwill amounting to CHF 193.8 million. The goodwill must be tested annually for impairment. The valuation of goodwill is highly dependent on Management's estimates of future cash flows and in the discount rate applied to the forecasted cash flows. Owing to the numerous assumptions and estimates used by Management and the fact that they are subject to a certain degree of uncertainty, we considered the recoverability of the carrying amount of goodwill as a key audit matter. *Please refer to note 4.6 'Goodwill' in the consolidated financial statements.*	• We tested the appropriateness of the valuation model used and verified the logical consistency (structure, completeness) and mathematical correctness of the valuation model used. • We assessed the cash-generating units selected by Management. • We assessed the future cash flows of the cash-generating units and discussed the forecasts with Management. • We compared Management's assumptions regarding revenue and margin growth with economic and industry-specific forecasts as well as historical data, respectively. • We compared the discount rates applied to industry benchmarks, considering country-specific characteristics of foreign cash-generating units. In addition, we performed a plausibility check on the forecasted changes in net working capital. • We assessed the sensitivity analyses of the key assumptions performed by Management. The audit evidence obtained supports Management's assumptions with regard to the recoverability of goodwill.

RECOGNITION AND MEASUREMENT OF THE ACQUISITION OF THE AUTOMATIC WINDING MACHINE BUSINESS

Key audit matter	How our audit addressed the key audit matter
On March 25, 2022, Saurer Spinning Solutions GmbH & Co KG and Rieter Automatic Winder GmbH signed an asset purchase agreement on a cash- and debt-free basis to acquire assets and liabilities of the automatic winding machine business. Closing of the transaction and therefore initial integration into the consolidated financial statements of Rieter was on March 31, 2022. Thus, the fair value of acquired identifiable net assets as well as the amount of goodwill were determined as of March 31, 2022. On the basis of the purchase price allocation which was established with the assistance of an external specialist, Rieter recognized identifiable intangible assets amounting to CHF 71.2 million and goodwill amounting to CHF 107.2 million. The identification and valuation of intangible assets, such as customer relationships, technologies, and brands, required significant accounting estimates and judgments by Management. The calculation of the fair value of these intangible assets is performed on the basis of valuation models used by Management. These valuation models include, among others, assumptions regarding future cash flows, revenue and cost growth, long-term growth rates, and changes in net working capital and in the discount rate applied to the forecasted cash flows. Owing to the numerous assumptions and estimates used by Management and the scope for judgment in the identification and valuation of intangible assets, the purchase price allocation undertaken was a key audit matter. *Please refer to note 2.1 'Acquisitions', 4.5 'Intangible assets', and 4.6 'Goodwill' in the consolidated financial statements.*	• We assessed the terms and conditions of the purchase agreement and reconciled the acquisition price paid to the agreement and the bank statements. • We assessed Management's process to determine newly identifiable intangible assets. • We assessed the valuation models with the assistance of our internal valuation experts, who compared assumptions used for the valuation, such as the discount rate and the royalty rates, with those of analogous transactions and with market data. • We assessed the technical appropriateness and the arithmetical correctness of the valuation models used. • We reconciled the amounts according to the purchase price allocation to the opening balance sheet and checked whether the transaction was recorded in accordance with the provisions of IFRS 3 'Business Combinations'. The audit evidence obtained supports Management's assumptions underlying the recognition and measurement of the acquired business.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements, the consolidated financial statements, the remuneration report, and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information 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 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.

Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements, which 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 SA-CH 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 SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

PricewaterhouseCoopers AG

Beat Inauen Licensed audit expert Auditor in charge	Christian Hill Licensed audit expert

Zurich, March 8, 2023

INCOME STATEMENT OF RIETER HOLDING LTD.

CHF million	Notes	2022	2021
Income			
Income from investments	(2.1)	17.8	12.7
Financial income	(2.2)	7.5	2.7
Other income	(2.3)	7.6	5.0
Release of value adjustments and provisions	(2.4)	–	10.0
Total income		**32.9**	**30.4**
Expenses			
Administrative expenses	(2.5)	– 5.5	– 11.6
Financial expenses	(2.6)	– 11.0	– 16.7
Increase in value adjustments and provisions	(2.7)	– 10.0	–
Income taxes		– 0.2	– 0.2
Total expenses		**– 26.7**	**– 28.5**
Net profit		**6.2**	**1.9**

BALANCE SHEET OF RIETER HOLDING LTD.

CHF million	Notes	December 31, 2022	December 31, 2021
Assets			
Cash and cash equivalents	(2.8)	84.9	130.9
Current receivables	(2.9)	21.2	11.2
Prepaid expenses and accrued income	(2.10)	3.7	1.8
Current assets		**109.8**	**143.9**
Other financial assets	(2.11)	234.6	128.9
Investments	(2.12)	508.4	324.1
Prepaid consideration for acquisition	(2.13)	–	185.0
Non-current assets		**743.0**	**638.0**
Assets		**852.8**	**781.9**

Liabilities and shareholders' equity			
Current liabilities	(2.14)	2.3	1.5
Current interest-bearing liabilities	(2.15)	471.8	386.6
Accrued expenses and deferred income	(2.10)	2.6	4.7
Current liabilities		**476.7**	**392.8**
Non-current interest-bearing liabilities	(2.16)	175.0	175.0
Provisions	(2.17)	11.3	11.3
Non-current liabilities		**186.3**	**186.3**
Liabilities		**663.0**	**579.1**
Share capital	(2.18)	23.4	23.4
General legal reserve	(2.19)	27.5	27.5
Free reserves	(2.20)	119.4	119.9
Retained earnings	(2.21)		
• Balance carried forward		38.3	54.4
• Net profit		6.2	1.9
Treasury shares	(2.22)	– 25.0	– 24.3
Shareholders' equity		**189.8**	**202.8**
Liabilities and shareholders' equity		**852.8**	**781.9**

NOTES TO THE FINANCIAL STATEMENTS OF RIETER HOLDING LTD.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 GENERAL PRINCIPLES

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

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

1.2 INVESTMENTS

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

1.3 TREASURY SHARES

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

1.4 FOREIGN CURRENCIES

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

1.5 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognized on the balance sheet only 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. The interest income has increased significantly due to the rising interest rate level compared to the previous year.

2.3 OTHER INCOME

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

2.4 RELEASE OF VALUE ADJUSTMENTS AND PROVISIONS

In 2021, the value of other financial assets has been adjusted by CHF 10.0 million.

2.5 ADMINISTRATIVE EXPENSES

Administrative expenses decreased mainly because of lower transaction costs related directly to the acquisition of the three businesses Accotex, Temco, and the automatic winding machine business.

2.6 FINANCIAL EXPENSES

Financial expenses consist mainly of interest payable on the fixed-rate bonds and liabilities payable to banks and group companies, as well as the foreign exchange result. In addition, the charges for the non-utilized bilaterally committed credit facilities (CHF 250 million, maturity on October 31, 2026) are included.

2.7 INCREASE IN VALUE ADJUSTMENTS AND PROVISIONS

Due to general business risks, the value adjustments were increased by CHF 10.0 million by decreasing the investments in subsidiaries accordingly.

2.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include bank accounts.

2.9 CURRENT RECEIVABLES

CHF million	December 31, 2022	December 31, 2021
Receivables from subsidiaries	21.2	11.2
Current receivables	**21.2**	**11.2**

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

2.10 PREPAID EXPENSES AND ACCRUED INCOME/ ACCRUED EXPENSES AND DEFERRED INCOME

Prepaid expenses and accrued income consist mainly of financing costs. Accrued expenses and deferred income include mainly accrued interest and taxes as well as consultancy fees.

2.11 OTHER FINANCIAL ASSETS

CHF million	December 31, 2022	December 31, 2021
Loans to subsidiaries	234.6	128.9
Other financial assets	**234.6**	**128.9**

The financing requirements of the subsidiaries in 2022 were covered with non-current loans, granted by Rieter Holding Ltd. based on market terms and conditions.

2.12 INVESTMENTS

CHF million	December 31, 2022	December 31, 2021
Investments in subsidiaries	496.6	312.3
Investments in associated companies	11.8	11.8
Investments	**508.4**	**324.1**

Investments are listed on page 77. These are held directly or indirectly by Rieter Holding Ltd. Compared with the prior period, investments in subsidiaries increased due to the acquisition of the automatic winding machine business.

2.13 PREPAID CONSIDERATION FOR ACQUISITION

Prepaid consideration for acquisition represented payments made in 2021 for the acquisition of the automatic winding machine business from Saurer in the amount of EUR 179.0 million (CHF 185.0 million).

2.14 CURRENT LIABILITIES

CHF million	December 31, 2022	December 31, 2021
Liabilities to group companies	1.1	1.1
Liabilities to third parties	1.2	0.4
Current liabilities	**2.3**	**1.5**

2.15 CURRENT INTEREST-BEARING LIABILITIES

CHF million	December 31, 2022	December 31, 2021
Liabilities to group companies	257.8	217.7
Bank debt	214.0	168.9
Current interest-bearing liabilities	**471.8**	**386.6**

Rieter Holding Ltd. manages cash and cash equivalents of group companies in the central cashpool. In 2022, Rieter continued to draw down short-term bank loans at various financial institutions with different terms to secure liquidity.

2.16 NON-CURRENT INTEREST-BEARING LIABILITIES

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

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

2.17 PROVISIONS

Provisions are recorded for foreign exchange risks and guarantee commitments.

2.18 SHARE CAPITAL

At December 31, 2022, the share capital of Rieter Holding Ltd. amounted to CHF 23 361 815. It is divided into 4 672 363 fully paid registered shares with a nominal value of CHF 5.00 each.

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

2.19 GENERAL LEGAL RESERVE

The general legal reserve meets the legal requirements. No transfer was made in 2022.

2.20 FREE RESERVES

CHF million	2022	2021
Opening balance	**119.9**	**120.6**
Losses/gains from treasury shares	– 0.5	– 0.7
Free reserves	**119.4**	**119.9**

2.21 RETAINED EARNINGS

Including retained earnings carried forward, the Annual General Meeting has a total of CHF 44.5 million at its disposal (2021: CHF 56.3 million).

2.22 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, 2022 (registered shares)	178 339
Purchases from January to December 2022 (average price per share: CHF 118.68)	28 213
Sales from January to December 2022 (average price per share: CHF 161.31)	– 13 824
Treasury shares at December 31, 2022 (registered shares)	**192 728**

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, 2022	December 31, 2021
Guarantees	66.0	40.1

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

3.3 SIGNIFICANT SHAREHOLDERS

Major groups of shareholders with holdings exceeding 3% of total voting rights (pursuant to Article 663c of the Swiss Code of Obligations) at December 31, 2022:

- According to the notification from SIX Swiss Exchange (SIX), PCS Holding AG, Frauenfeld, Switzerland, held 1 168 945 shares (25.02%).
- According to the notification from SIX, Picanol Group (Verbrugge NV, Ieper, Belgium and Symphony Mills, Wielsbeke, Belgium and Artela NV, Oostrozebeke, Belgium and Picanol NV, Ieper, Belgium) held 708 262 shares (15.16%).
- According to the notification from SIX, Rieter Holding Ltd., Winterthur, Switzerland, held 140 504 shares (3.01%).

3.4 SHAREHOLDINGS BY THE BOARD OF DIRECTORS AND THE GROUP EXECUTIVE COMMITTEE (INCLUDING RELATED PARTIES) AT DECEMBER 31, 2022 (ARTICLE 663C, SWISS CODE OF OBLIGATIONS)

	Number of shares	
	December 31, 2022	**December 31, 2021**
Bernhard Jucker, Chairman	12 047	10 106
Roger Baillod	2 366	1 960
Peter Spuhler	1 219 586	1 134 132
Hans-Peter Schwald	8 217	7 665
Carl Illi	2 106	1 758
Sarah Kreienbühl (from April 7, 2022)	0	–
Daniel Grieder (from April 7, 2022)	1 500	–
This E. Schneider (until April 7, 2022)	–	9 689
Total Board of Directors	**1 245 822**	**1 165 310**

	Number of shares	
	December 31, 2022	**December 31, 2021**
Dr. Norbert Klapper	10 000	8 000
Roger Albrecht	873	0
Serge Entleitner	1 888	1 405
Rico Randegger	1 653	605
Kurt Ledermann	1 621	573
Thomas Anwander	2 440	1 418
Total Group Executive Committee	**18 475**	**12 001**

In 2022, the members of the Board of Directors and the Group Executive Committee received 11 367 shares with a fair value of CHF 1.9 million as part of their share-based compensation.

3.5 EVENTS AFTER BALANCE SHEET DATE

The financial statements were approved by the Board of Directors on March 8, 2023. They are subject to approval by the Annual General Meeting of shareholders on April 20, 2023. There were no other significant events after the balance sheet date.

MOTION OF THE BOARD OF DIRECTORS

FOR THE APPROPRIATION OF RETAINED EARNINGS

CHF	2022
Net profit for the year	6 193 273
Retained earnings carried forward from previous year	38 298 837
At the disposal of the Annual General Meeting	**44 492 110**
Motion:	
Distribution of dividend[1]	7 008 545
Balance to be carried forward	37 483 565
	44 492 110

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 a dividend payment of CHF 1.50 per registered share.

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

pwc

REPORT OF THE STATUTORY AUDITOR ON THE AUDIT OF THE FINANCIAL STATEMENTS 2022 TO THE ANNUAL GENERAL MEETING OF RIETER HOLDING LTD., WINTERTHUR

Opinion

We have audited the financial statements of Rieter Holding Ltd. (the Company), which comprise the income statement for the year ended December 31, 2022, the balance sheet as at December 31, 2022, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 106 to 113 and page 77), 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 Standards on Auditing (SA-CH). 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 Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Our audit approach

Materiality

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

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

Overall materiality	CHF 940 000
Benchmark applied	Shareholders' equity
Rationale for the materiality benchmark applied	We chose shareholders' equity as the benchmark because it is a generally accepted benchmark for materiality considerations relating to a holding company.

We agreed with the Audit Committee that we would report to them misstatements above CHF 94 000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

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

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

Key audit matters

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

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements, the consolidated financial statements, the remuneration report, and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

Board of Directors' responsibilities 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 Company'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 Company 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 SA-CH 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 SA-CH, 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 Company'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 Company'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 Company to cease to continue as a going concern.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with article 728a paragraph 1 item 3 CO and PS-CH 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 retained earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Beat Inauen
Licensed audit expert
Auditor in charge

Christian Hill
Licensed audit expert

Zurich, March 8, 2023

REVIEW 2018 TO 2022

		2022	2021	2020	2019	2018
Consolidated income statement						
Sales	CHF million	1 510.9	969.2	573.0	760.0	1 075.2
• Asian countries (without China/India/Türkiye)	CHF million	473	319	185	293	434
• China	CHF million	169	135	93	137	149
• India	CHF million	197	126	51	100	146
• Türkiye	CHF million	266	182	122	67	155
• North and South America	CHF million	209	150	66	106	109
• Europe	CHF million	123	43	38	41	47
• Africa	CHF million	74	14	18	16	36
EBITDA[1]	CHF million	85.0	85.0	– 46.7	123.1 [2]	84.1
• in % of sales		5.6	8.8	– 8.2	16.2	7.8
EBITA[1]	CHF million	47.0	54.5	– 78.2	91.0 [2]	54.2
• in % of sales		3.1	5.6	– 13.6	12.0	5.0
EBIT[1]	CHF million	32.2	47.6	– 84.4	84.9 [2]	43.2
• in % of sales		2.1	4.9	– 14.7	11.2	4.0
Net profit	CHF million	12.1	31.7	– 89.8	52.4	32.0
• in % of sales		0.8	3.3	– 15.7	6.9	3.0
RONA[1]	in %	2.8	5.6	– 14.3	10.0	6.6
Consolidated cash flow statement						
Cash flow from operating activities	CHF million	– 76.2	165.7	– 49.8	– 45.7	78.4
Cash flow from investing activities[3]	CHF million	– 30.2	– 37.6	– 25.0	88.0	– 14.8
Cash flow from financing activities	CHF million	34.9	151.4	78.0	– 9.8	– 36.3
Free cash flow[1]	CHF million	– 98.6	128.1	– 74.8	42.3	63.6
Number of employees at December 31[4]		**5 629**	**4 907**	**4 416**	**4 591**	**5 134**
Consolidated balance sheet at December 31						
Current assets	CHF million	843.9	718.3	555.7	567.2	577.8
Non-current assets	CHF million	697.0	718.0	407.8	415.8	424.5
Current liabilities	CHF million	890.5	744.8	428.3	410.7	320.6
Non-current liabilities	CHF million	290.4	295.4	184.3	102.7	235.1
Equity attributable to shareholders of Rieter Holding Ltd.	CHF million	359.9	395.8	350.6	468.8	445.9
Equity attributable to non-controlling interests	CHF million	0.1	0.3	0.3	0.8	0.7
Total assets	CHF million	1 540.9	1 436.3	963.5	983.0	1 002.3
Equity ratio[1]	in %	23.4	27.6	36.4	47.8	44.6
Cash and cash equivalents	CHF million	175.7	248.7	282.3	284.1	256.2
Marketable securities and time deposits	CHF million	0.4	0.7	0.9	0.9	0.9
Current financial debt	CHF million	– 262.5	– 209.7	– 151.4	– 121.0	– 0.2
Non-current financial debt	CHF million	– 199.2	– 201.6	– 90.5	– 1.9	– 106.7
Net debt/liquidity[1]	CHF million	**– 285.6**	**– 161.9**	**41.3**	**162.1**	**150.2**

1. Definition in Alternative Performance Measures on pages 46/47.
2. Including the gain on disposal of land and buildings in Ingolstadt (Germany) amounting to CHF 94.5 million.
3. Excluding acquisitions and divestments of business.
4. Excluding apprentices and temporary employees.

Rieter Holding Ltd. share (RIEN)

			2022	2021	2020	2019	2018
Market capitalization[1]	December 31	CHF million	470	795	432	623	577
Market capitalization/EBITDA ratio			5.5	9.4	– 9.3	5.1	6.9
Share price at SIX Swiss Exchange	December 31	CHF	105.0	177.0	96.7	138.1	128.8
	high	CHF	204.5	234.5	137.5	157.0	258.8
	low	CHF	80.6	91.3	74.5	122.2	119.0
Equity attributable to shareholders of Rieter Holding Ltd. per share	December 31	CHF	80.34	88.08	78.50	103.84	99.50
Basic earnings per share		CHF	2.70	7.04	– 20.05	11.65	7.07
Price/earnings ratio[1]			38.9	25.1	– 4.8	11.9	18.2
Dividend per share		CHF	1.50 [2]	4.00	0.00	4.50	5.00
Dividend payout ratio[1]		in %	55.6	56.8	0.0	38.6	70.7
Dividend yield[1]		in %	1.4	2.3	0.0	3.3	3.9

1. Definition in Alternative Performance Measures on pages 46/47.
2. Motion of the Board of Directors on page 113.

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 2023

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

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

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

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

www.rieter.com