RIETER

Globally connected

Annual Report 2013

Important dates:

- Annual General Meeting 2014: April 09, 2014
- Semi-Annual Report 2014: July 23, 2014
- Publication of sales 2014: February 4, 2015
- Deadline for proposals regarding the agenda of the Annual General Meeting: February 20, 2015
- Results press conference 2015: March 18, 2015
- Annual General Meeting 2015: April 16, 2015

Group report

Financial report

About Rieter

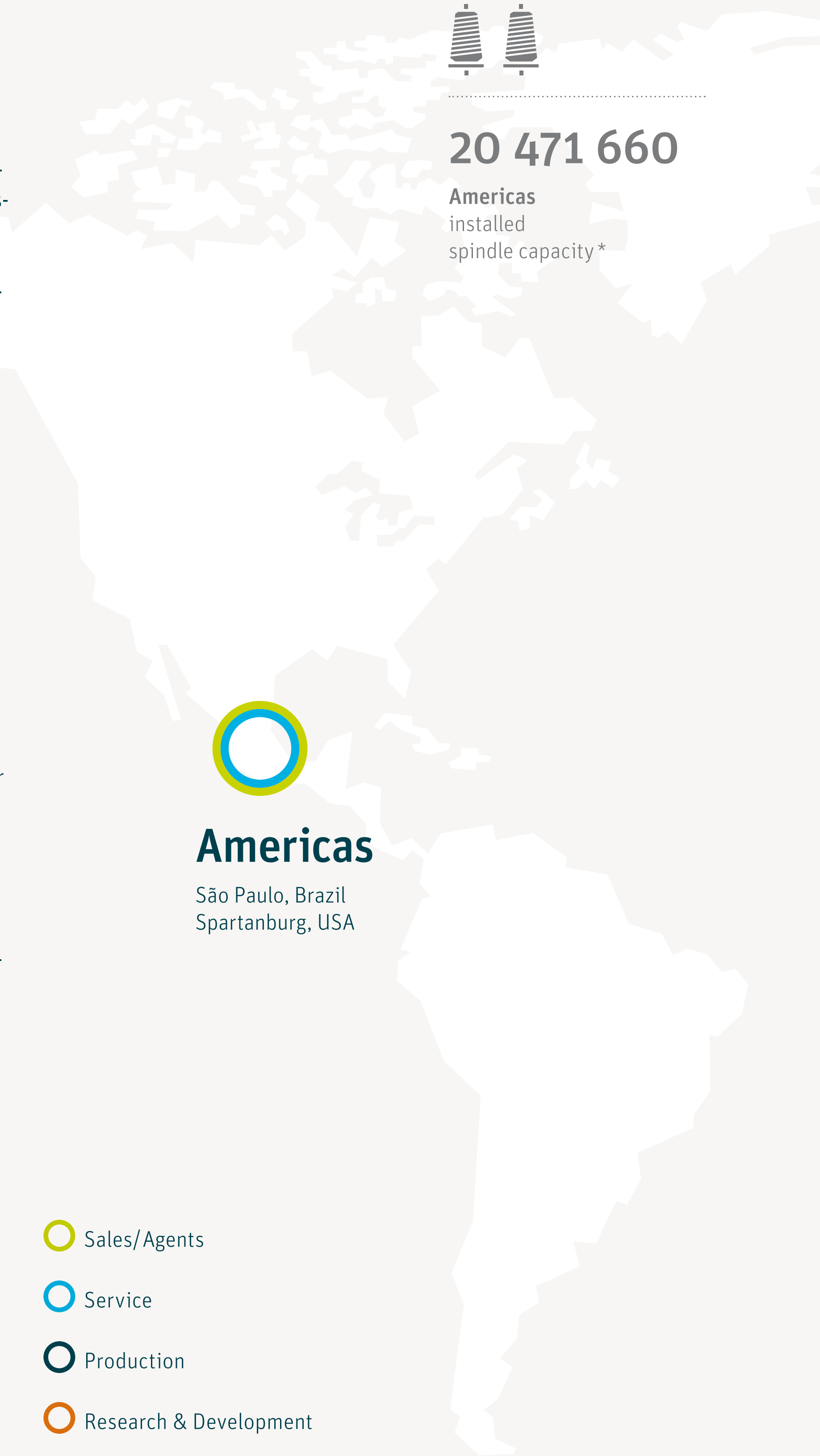
Rieter is a leading supplier on the world market for textile machinery and components used in short staple fiber spinning. Based in Winterthur (Switzerland), the company develops and manufactures systems, machinery and technology components used to convert natural and manmade fibers and their blends into yarns. Rieter is the only supplier worldwide to cover spinning preparation processes as well as all four final spinning processes currently established on the market. With 18 manufacturing locations in ten countries, the company employs a global workforce of some 4 800, about 25 % of whom are based in Switzerland.

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

The company consists of two business groups: Spun Yarn Systems and Premium Textile Components.

20 471 660

Americas
installed
spindle capacity *



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

* in spindle equivalents. Source: ITMF 2012

15 338 139

Europe
installed
spindle capacity *

10 275 000

Turkey
installed
spindle capacity *

54 181 051

Other Asian countries
installed
spindle capacity *

Europe

Switzerland
Winterthur
Effretikon
Pfäffikon
Rapperswil

Belgium
Stembert

Czech Republic
Boskovice
Ústí nad Orlicí

France
Wintzenheim

Germany
Gersthofen
Ingolstadt
Süssen

Netherlands
Enschede

Turkey

Adana
Istanbul

Africa

India

Chandigarh
Coimbatore
Gurgaon
Koregaon Bhima
Wing

China

Beijing
Changzhou
Hong Kong
Shanghai
Urumqi

Other Asian countries

Taipeh, Taiwan
Tashkent City, Uzbekistan

6 397 321

Africa
installed
spindle capacity *

52 206 250

India
installed
spindle capacity *

132 862 500

China
installed
spindle capacity *

+17%

Sales growth
compared to previous year

60.2

EBIT
in million CHF

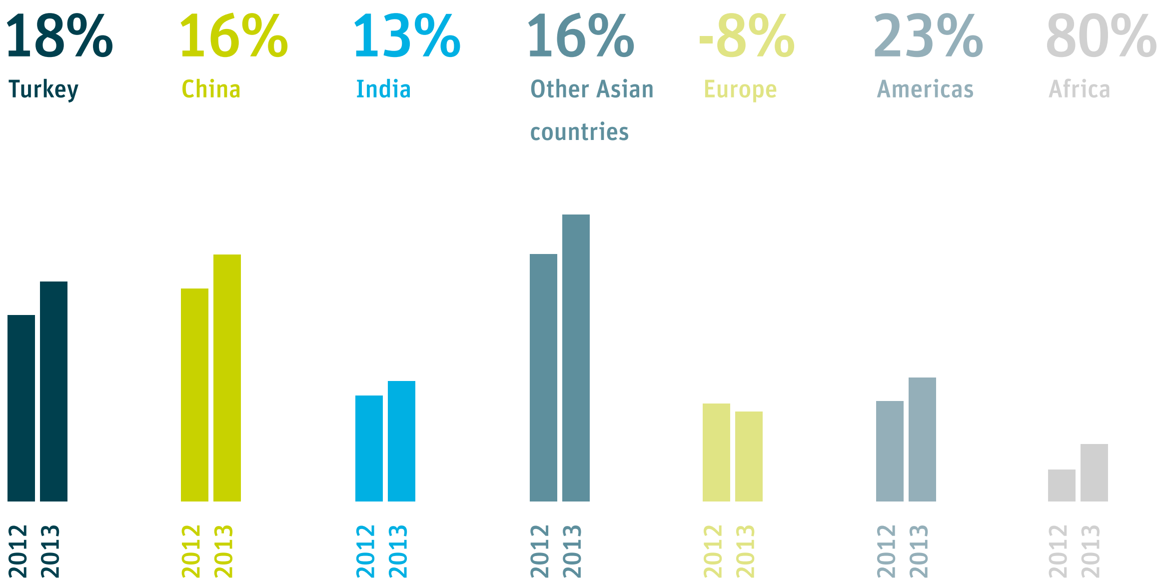
61.1

Free Cash Flow
in million CHF

in million CHF	2013	2012	Change
Orders received	1259.4	839.7	+50%
Sales	1035.3	888.5	+17%
EBIT before strategic projects	83.9	58.0	+45%
- in % of sales	8.1	6.5	
EBIT	60.2	32.7	+84%
- in % of sales	5.8	3.7	
Net profit	37.4	25.7	+46%
- in % of sales	3.6	2.9	
Investments	55.0	81.6	-33%
Free cash flow	61.1	-32.3	
Equity in % of total assets	35.0	35.1	
Number of employees (excl. temporaries)	4793	4720	+2%

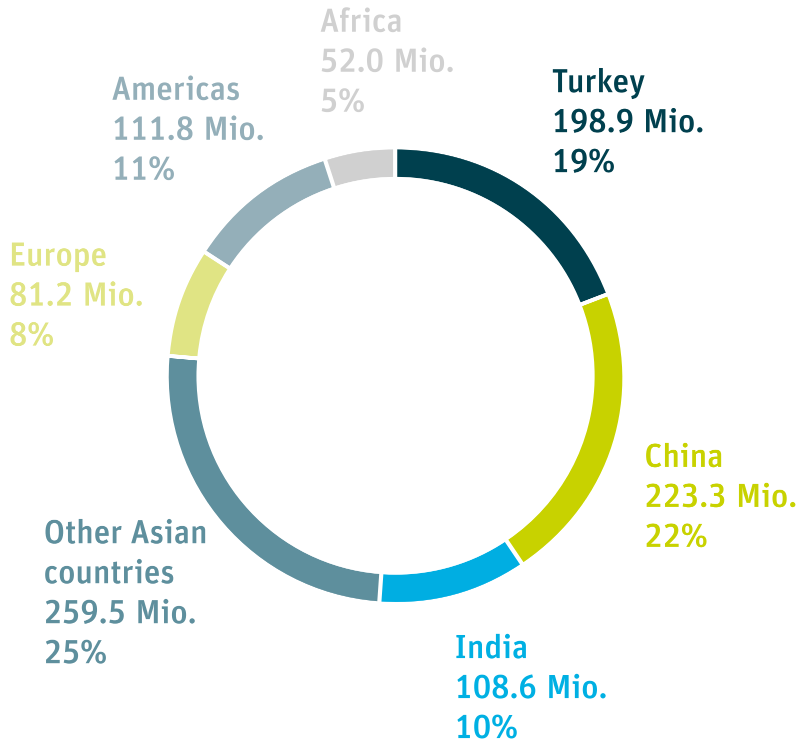
Sales by geographical region

Sales growth



Sales 2013 by region

in CHF



2013 financial year: Significant increase in new orders and sales – higher profitability and free cash flow – dividend increased to 3.50 CHF

Rieter recorded a pleasing trend in business in the 2013 financial year. The improvement in its market position enabled the company to post significant growth in all key figures – order intake, sales, EBIT and net profit – compared with the previous year. New orders of 1 259.4 million CHF were 50% higher. Sales totaled 1 035.3 million CHF, equivalent to an increase of 17%. The operating result before interest and taxes (EBIT) rose more steeply than sales – by 84% to 60.2 million CHF, corresponding to 5.8% of sales (3.7% in 2012). Rieter generated net profits of 37.4 million CHF in 2013, equivalent to 3.6% of sales. This figure is 46% higher than the previous year's outcome (25.7 million CHF or 2.9% in 2012). Rieter's balance sheet also developed favorably: while capital expenditure remained high, the company recorded free cash flows of 61.1 million CHF (-32.3 million CHF in 2012). The Board of Directors will propose that a dividend of 3.50 CHF be paid for the 2013 financial year out of the reserve from capital contributions. The investment program initiated for the years 2012 and 2013 in order to generate further growth was largely completed at year-end. It was already having a positive impact on the trend of business.

Dear shareholder

After a subdued start to the year, the market for short-staple fiber machinery and components gained momentum in the course of 2013. Spinning mills' margins continued to develop favorably, and this stimulated customers' willingness to invest. This positive trend was broad-based in regional terms and apparent in a large number of national markets. Following a strong initial six months, demand stabilized in the second half of the year, but remained at a plea-singly high level.

The positive trend in order intake and sales in 2013 underlines that Rieter is on the right track with the innovation and expansion strategy it has been implementing since 2012. Demand for the company's offering, expanded by major product launches, has been very strong in both traditional and new markets. Rieter has further developed its already strong market position with the implementation of the large-scale 2012/2013 investment program aimed at further growth and focusing on the three priorities of expansion in Asia, innovation and process improvements. With its product range centering on specific markets and its new plants, the company is ideally positioned with a worldwide operating network. Spinning mills in all major markets are increasingly placing their confidence in machinery and components which enable a high degree of automation to be achieved in conjunction with higher productivity and yarn quality with lower energy consumption. As the sole global supplier of integrated systems for all four spinning processes, Rieter can optimize the entire spinning operation in line with customers' specific needs. This is a crucial and lasting competitive advantage.

Orders received and sales

In the year under review, new orders received by Rieter increased by 50% to 1 259.4 million CHF. After developing especially vigorously in the first half of 2013, order intake slowed slightly in the second six months, but still remained above the long-term average. This trend was especially evident in Turkey, where demand had been particularly strong with the support of government development schemes. Rieter booked substantial new orders in China, especially in the first six months, due to the further expansion of its local presence. However, investments by Chinese spinning mills waned toward year-end due to large raw material inventories and growing difficulties with financing investment projects. Healthy demand for Rieter products nevertheless continued throughout the year in a number of Asian countries, such as Pakistan, Uzbekistan, South Korea, Bangladesh, Indonesia and Vietnam. Spinning mills in the US are renewing capacity as the industry benefits from a competitive cost structure. Business here developed briskly in the second half in particular, and Rieter secured substantial orders for rotor spinning machines. Orders received in India rose in the second half, albeit still at a modest level. Rieter posted an increase in order intake at both Business Groups, with the striking momentum in the first six months being attributable especially to orders for integrated systems from Spun Yarn Systems. Rieter had a backlog of orders in hand of some 765 million CHF at the end of 2013, which will ensure high capacity utilization until well into 2014 (compared to some 550 million CHF on December 31, 2012). The sales trend at Rieter in 2013 was also very good. The figure of 1 035.3 million CHF was 17% higher than a year earlier. All regions recorded increases, with only Europe posting slightly lower sales. Expanded and modernized manufacturing capacity enabled Rieter to process orders promptly and post a 17% increase in sales in the second half of the year compared with the first six months.

Rieter employed a total workforce of 4 793 as of December 31, 2013, compared with 4 720 a year earlier. Rieter coped with the large volume of incoming orders mainly through higher productivity and with larger numbers of temporary employees; amounting per year-end to 1 210 employees or 20% of the total workforce (2012: 985 temporaries or 17%). The increase in the number of permanent employees was due entirely to the new facilities in Asia. The structurally related reduction in administrative staff announced in early 2013 was implemented as planned despite the high order volumes.

The investment program 2012/2013 has clearly improved Rieter's market positioning in Asia.

Operating result and net profit

EBITDA at Rieter at the end of 2013 amounted to 95.2 million CHF (9.2% of sales). The operating result before interest and taxes (EBIT) in the year under review rose by 84% to 60.2 million CHF, equivalent to 5.8% of sales. Rieter's EBIT increased faster than sales in the second half in particular, due to improved capacity utilization, a more favorable product mix with higher margins in the machinery business, together with the momentum in the components business. The reduction in head count with a view to achieving a sustained increase in profitability supported the positive profit trend in the second half of the year to the tune of some 6 million CHF.

The EBIT figure includes costs of 23.7 million CHF relating to the strategic investment program for 2012/2013. EBIT before strategic projects thus amounted to 83.9 million CHF or 8.1% of sales.

Rieter's capital expenditure in 2013 totaled 55.0 million CHF (5.3% of sales). This figure was, as planned, 33% lower than in the previous year. The strategic investment program accounted for 35.7 million CHF of this total, while operating investments accounted for 19.3 million CHF or 1.9% of sales (30.0 million CHF or 3.4% of sales in 2012).

Rieter's investments in research and development of 45.0 million CHF or 4.3% of sales were slightly higher than a year earlier (42.7 million CHF or 4.8% of sales in 2012).

Rieter's net profit for 2013 was 46% higher at 37.4 million CHF, equivalent to 3.6% of sales (25.7 million CHF or 2.9% of sales in 2012). This figure includes a capital gain of 0.3 million CHF from the sale of equity investments. The previous year's profit had been boosted by 17.6 million CHF from the sale of equity interests. The tax rate in 2013 was 28.8% due to an imbalance in distribution between different countries. Financial results include a non-recurring gain of 5.2 million CHF in connection with the revaluation of a put option by minority shareholders and currency gains of 1.1 million CHF (currency losses of 2.9 million CHF in 2012). Earnings per share rose to 8.56 CHF (6.24 CHF in 2012). Return on net assets increased to 8.5% in 2013 (6.7% in 2012).

Dividend

Rieter Holding posted a net profit of 13.2 million CHF for the 2013 financial year (12.0 million CHF in 2012). The Board of Directors will propose to the Annual General Meeting on April 9, 2014, that a dividend of 3.50 CHF per share be paid for the 2013 financial year out of the reserve from capital contributions (2.50 CHF in 2012). This corresponds to a payout ratio of 41% of earnings per share (39% in 2012). Rieter aims for an average pay-out ratio of about 30% over the years, taking into consideration various factors such as the trend of business, liquidity needs and market prospects.

Spun Yarn Systems Business Group

The Spun Yarn Systems Business Group (machinery business) posted order intake of 1 084.3 million CHF, an increase of 56% compared to 2012. The strongest growth was recorded in Turkey and the US, followed by other Asian countries such as Pakistan, Uzbekistan, South Korea, Vietnam and Bangladesh, where demand was sustained at a high level. Orders received in India revived in the second half of the year, but still remained below the previous year's level overall. Following an encouraging start in the first six months, demand declined in China in the second half. Customers were unsettled by large inventories of cotton fiber, lower demand for yarns produced from viscose fibers and financing problems.

The investment program 2012/2013 has also revitalized Rieter's traditionally high innovative performance.

Spun Yarn Systems reported sales of 857.8 million CHF in 2013, an increase of 18% compared with the previous year. All regions contributed to this; only in Europe were sales slightly lower. In this context Spun Yarn Systems posted an 19% increase in sales in the second half compared with the first six months, and output increased considerably, especially toward year-end.

EBIT increased to 45.3 million CHF, equivalent to 5.3% of sales. Spun Yarn Systems therefore achieved a striking 49% increase in EBIT compared to 2012 (30.5 million CHF or 4.2% of sales in 2012). This positive trend resulted mainly from higher volumes in the second half, a more favorable product mix with margins above the average of current orders in hand and improved market penetration in the spare parts business. The savings achieved as a result of the reduced head count also had its greatest impact at Spun Yarn Systems.

Premium Textile Components Business Group

Orders received by the Premium Textile Components Business Group (components business) in 2013 increased by 21% to 175.1 million CHF. The highest growth rate was recorded in China, where Premium Textile Components had reinforced its local presence. The business group did good business both with spinning mills and with local textile machinery manufacturers. Orders placed in Turkey continued their positive trend. In India, Premium Textile Components maintained the level of order intake compared with the previous year despite the steep devaluation of the Indian rupee. Demand from other Asian countries was slightly higher. Demand was strong in the year under review for all four Premium Textile Components' brands: Bräcker, Graf, Novibra and Suessen.

Premium Textile Components' sales to third parties of 177.5 million CHF in the year under review were 10% higher (160.9 million CHF in 2012). The business group recorded a substantial increase in China, and sales also revived in India; increasing numbers of EliTe conversion kits were delivered by Suessen, especially in the second half. Intercompany sales rose even more strongly than those to third parties, which in turn reflects the good trend of business at Spun Yarn Systems. As a result segment sales of 259.1 million CHF were 12% higher than a year earlier. Flexible manufacturing at all four units of Premium Textile Components contributed to sales momentum.

EBIT at Premium Textile Components rose by 62% to 25.9 million CHF in 2013 as a result of higher capacity utilization and a favorable product mix. This amounts to 10.0% of segment sales (16.0 million CHF or 6.9% of segment sales in 2012).

Balance sheet and finances

Despite the significant increase in sales, net working capital at Rieter declined to 14.7 million CHF (62.0 million CHF in 2012), due mainly to higher advance payments by customers and a disproportionately small increase in inventories. Rieter therefore recorded free cash flows of 61.1 million CHF (-32.3 million CHF in 2012) while maintaining a high level of capital expenditure, and posted an increase in net liquidity to 141.3 million CHF at the end of 2013 (95.6 million CHF at the end of 2012), despite paying a dividend of 11.6 million CHF in April of the year under review. Rieter's financial health remains sound with an equity ratio of 35%.

Rieter recorded free cash flow of 61.1 million CHF while maintaining a high level of capital expenditure.

Rieter concluded committed credit lines with a five-year term in the amount of 125 million CHF in 2013. Rieter's financial stability is also assured by a 250 million CHF bond issue maturing in 2015. Rieter has authorized capital in the form of 500 000 shares at its disposal. This will assure Rieter of strategic flexibility and long-term finance for corporate development.

2012/2013 investment program for further growth

In the year under review Rieter continued to work intensively on the projects in the large-scale 2012/2013 investment program. This program was largely completed at the end of 2013.

Expansion in Asia: The planned expansion of facilities in China and India has been completed. This means that Rieter is considerably better positioned in these large markets and at the same time has made state-of-the-art capacity available which assumes a core function in the company's global manufacturing network.

Innovation: Rieter has expanded its offerings with important products for new markets. The new version of the J 20 airjet spinning machine was released for serial production at the end of 2013. Rieter can thus proceed with the selective market launch of this product. The airjet spinning process enables high productivity and fiber utilization to be achieved with good yarn quality.

Process improvements: The goal of operational excellence is being pursued in all Rieter facilities. Process improvements have resulted in a perceptible increase in competitiveness in manufacturing operations in particular. As already announced earlier, new IT-assisted global business processes will be introduced with a six-month delay, as of January 2014.

The 2012/2013 investment program generated costs of 23.7 million CHF (2.3% of sales) with an impact on EBIT and capital expenditure of 35.7 million CHF in the year under review. These investments were additional to regular maintenance capital expenditures. The program generated total costs of 49.0 million CHF with an impact on EBIT and capital expenditure of 87.3 million CHF. Further costs of some 10 million CHF with an impact on EBIT are planned in 2014 for the completion of the project to introduce new IT-assisted global business processes. Funds invested therefore total some 146 million CHF. Rieter had planned investments of 140 million CHF at the start of the program.

Through this investment program Rieter has laid the foundations for achieving further sustained, profitable growth.

Changes in the Group Executive Committee
Dr. Norbert Klapper assumed the post of CEO with effect from January 1, 2014. On the same date he also replaced Peter Gnägi as Head of the Spun Yarn Systems Business Group. After four years heading both the Board of Directors and the Group Executive Committee, Erwin Stoller is concentrating on the board chairmanship.

Board of Directors and Annual General Meeting
At the Annual General Meeting held on April 18, 2013, shareholders elected Dr. Dieter Spälti to the Board of Directors for a further term of office.

In addition to the amendments to the articles of association necessary to implement the requirements of the “Minder Initiative”, the Board of Directors will propose a two-year extension of approval for the authorized capital of up to 2.5 million CHF or 500 000 shares created in 2012 at the Annual General Meeting to be held on April 9, 2014.

Outlook
With broadly based business worldwide, Rieter has seen a good demand for textile machinery and components in the first two months of 2014. Demand depends among other factors on the development of yarn and raw materials prices, currency exchange rates, financing costs, and global consumer sentiment.

Based on the current order backlog – already reaching into 2015 – full year sales for 2014 are expected to show high single-digit growth compared to 2013 with a stronger second semester. Operational profitability (EBIT) in 2014 will be positively impacted by volume growth, whereas additional costs of 10 million CHF for conclusions of the IT-supported processes project, low airjet capacity utilization and lower order backlog margins than in the second semester 2013 are expected to have an adverse impact. Rieter expects for the year 2014 a higher operating result (EBIT) than in 2013.

Rieter will put additional focus in 2014 on its customers to ensure on-time delivery of order backlog and a profitable future order intake. Further priorities will be the completion of the final investment program activities and leveraging the new assets from the investment program 2012/2013.

Thanks
Rieter’s employees and management faced challenges imposed by various special circumstances in 2013. On the one hand they coped with high order volumes, while on the other hand the 2012/2013 investment program’s projects were driven forward and the reduction in administrative staff numbers put into effect, principally in Switzerland. The Board of Directors and the Executive Committee wish to thank the workforce and employee representatives for their efforts and their flexibility. Rieter thanks customers, suppliers and other business partners for their loyalty, and shareholders for their continued confidence.

Winterthur, March 17, 2014

Erwin Stoller	This E. Schneider
Chairman of the Board of Directors	Vice-Chairman of the Board of Directors

Business Group Spun Yarn Systems

The Spun Yarn Systems Business Group posted orders amounting to more than one billion CHF in 2013 and consolidated its strong position in both its traditional and new markets. Customers again confirmed their confidence in the Rieter brand. This stands for an overall product offering in all four spinning processes with the focus on specific markets, as well as comprehensive expertise in textile technology for advisory services and problem-solving. Customers benefit from innovative, high-performance products, partnership in service and top-quality spare and wearing parts. In the year under review the Business Group employed a workforce of 3 609 and accounted for 857.8 million CHF (83%) of Rieter's sales.

Orders received

1084.3

million CHF (2013)

695.0

million CHF (2012)

The trend toward highly productive and automated machinery continued in all markets of significance for Spun Yarn Systems in 2013. In China the Business Group benefited from the demand for machines featuring lower energy consumption, a higher degree of automation and higher productivity as well as the demand for high-quality yarns. Customers in Turkey have specialized in the European fashion markets with their rapid product cycles. They can fulfill their customers' needs ideally with the compact spinning systems for producing high-quality yarns and with automated rotor spinning systems for high productivity. Spinning mills in the US are again investing more in response to their favorable cost position.

Innovations for all stages of the spinning process
The large capital expenditure program in 2012/2013 has given Rieter's innovative capabilities a further boost. Product launches, such as those of the K 46 compact spinning machine, the G 36 ring spinning machine and the semi-automatic R 35 rotor spinning machine, enhance the competitiveness of Spun Yarn Systems. Energy, automation and performance innovations have been launched for all stages of the spinning process. Important examples of this are the J 20 airjet spinning machine, which has been released for further applications, and the ECOrized suction tube for ring spinning machines, which was presented with the Swiss government's "Watt d'Or" award in recognition of its high energy-saving potential.

Global cooperation
Customers have confidence in the Rieter brand. It vouches for uniform quality standards worldwide for all products manufactured locally and focusing on specific market requirements. The "Made by Rieter" label also stands for this. With the successful completion of the expansion projects in China and India, process optimization at all its locations and its global supply network, Spun Yarn Systems is present in its target markets with innovative solutions extending from project planning to continuous support for spinning mills. Personnel at all plants are seamlessly integrated in the global Rieter team. Rieter also attaches great importance to well-trained personnel in India and China and has introduced apprenticeship programs based on the proven Swiss model for this purpose.

Orders received
1 084.3 (695.0) million CHF

Sales
857.8 (727.6) million CHF

Operating result before interest and taxes
45.3 (30.5) million CHF

Number of employees at year-end
3 609 (3 542)

Capital expenditure
45.4 (62.7) million CHF

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

Previous year's figures are in brackets

Business Group Premium Textile Components

The Premium Textile Components Business Group maintains a worldwide presence through four strong brands with a wealth of tradition: Bräcker, Graf, Novibra and Suessen. Its customers include both spinning mills and textile machinery manufacturers, and especially also Rieter's Spun Yarn Systems Business Group. Premium Textile Components offers its customers leading-edge technology featuring high quality consistency. All four brands experienced a growing demand for Premium Textile Components' high-quality products in both market segments – spinning mills and machinery manufacturers. In the year under review the Business Group employed a workforce of 1 157 and accounted for 177.5 million CHF (17%) of Rieter's sales.

Orders received

175.1

million CHF (2013)

144.7

million CHF (2012)

Spinning mills worldwide were keen to invest in the year under review and again increasingly sought components in the premium segment. This trend continued in all markets, but especially in China and other East Asian countries. Spinning mills aim to make use of higher-quality components in order to boost productivity, utilize raw material more efficiently and reduce energy consumption. Premium Textile Components has a wide range of products at its disposal to meet these market needs. They assure customers of the high degree of reliability required in yarn manufacture, thus enabling Premium Textile Components to hold its own against all competitors.

Technological leadership through innovation

In 2013 Premium Textile Components launched a series of new products creating further competitive advantages for customers. The OPAL ring by Bräcker offers customers in China a particularly favorable price/performance ratio for ring spinning installations in the dimensions specific to this market. Novibra launched the LENA spindle, which enables substantial energy savings to be achieved and at the same time permits higher spinning speeds on ring spinning machines. It also reduces noise levels in spinning mills and stands out for its long service life.

Core competence in manufacturing

Premium Textile Components' technology components are developed and manufactured in Europe. Its plants have comprehensive know-how in manufacturing which is carefully protected. Process improvements aimed at raising the speed of response and at the same time reducing inventories contributed to the business group's commercial success in the year under review.

Orders received
175.1 (144.7) million CHF

Sales
177.5 (160.9) million CHF

Segment sales
259.1 (232.3) million CHF

Operating result before interest and taxes
25.9 (16.0) million CHF

Number of employees at year-end
1 157 (1 150)

Capital expenditure
9.6 (18.7) million CHF

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

Previous year's figures are in brackets

«The textile industry has always been a global industry. It‘s all the more important for us to combine local proximity to customers with global cooperation.»

Rieter China, Changzhou, China

«The achievements of the investment program 2012/2013 will make a major contribution to sustainable sales and profitability growth.»

Erwin Stoller, Chairman of the Board

In 2012 and 2013 Rieter put into effect a 140 million CHF investment program. A large sum and an extraordinary program for Rieter. It was an enormous challenge for the company's employees. To conclude: Was it worth the effort?

Erwin Stoller | Definitely. Rieter had set itself the strategic target of staying in the forefront worldwide in the premium segment for short-staple spinning machinery and components. We also aimed to expand our position in the local markets in China and India. The investment program 2012/2013 has substantially reinforced our market position. With it we have put ourselves on track for continued success in future.

These have been exceptionally challenging, intensive years for our employees. They have performed magnificently, since they also had to cope with their everyday work in addition to the strategic projects.

The 2012/2013 investment program focused on rapid expansion in China and India. What is your assessment of these two locations today?

Erwin Stoller | We have created additional capacity with the expansion and establishment of manufacturing facilities. This will enable us to supply our customers considerably faster, even in boom periods, and we are even more flexible. We also deliver in the high quality that is a feature of the Rieter brand. These plants are technologically state-of-the-art. Our employees are well instructed and trained. Operational excellence with uniform processes worldwide is in effect for the entire Rieter manufacturing network.

«An extensive global footprint with a broad product range is extremely important for us.»

«Our organization and manufacturing are clearly focused on global working methods.»

Rieter India, Wing, India

With the investment program 2012/2013 Rieter put a strong focus on China and India. Would you also be prepared if another region were to develop?

Erwin Stoller | Yes, we are prepared. The textile industry has always been a global industry. It's all the more important for us to combine local proximity to customers with global cooperation. Customers in neighboring countries also benefit from our modern manufacturing facilities in China and India. An extensive global footprint with a broad product range is extremely important for us. Europe is still the center from which we actively observe and shape developments in the world. America has for some time been experiencing a welcome revival, in which we are already participating.

Rieter has also given innovation a boost. How has the product range changed as a result of this in strategic terms?

Erwin Stoller | Our offering of integrated systems in all four spinning processes is one of our most crucial success factors. Our systems can also process all types of short staple fibers. We therefore have at our disposal a unique wealth of know-how in the spinning process. Our customers acquire optimally orchestrated machines and technology components. This has always been our strong point in the premium segment. In 2011 there were still considerable gaps in our offering for the local Asian markets. Now we have the product range we were aiming for. The new products are being well received.

«Our offering of integrated systems in all four spinning processes is one of our most crucial success factors.»

«In the past three years we have updated virtually the entire product range.»

In the past three years we have updated virtually the entire product range in terms of machinery. The addition of air-jet spinning technology to our portfolio was strategically important. At the same time, we have made significant progress in rotor spinning. In the field of technology components we have also brought important and successful innovations onto the market. Our machines are so good not least because they incorporate components that have been further developed alongside them.

With this investment program 2012/2013 Rieter also seeked to improve its global processes. What's the significance of this? What have been the benefits of these efforts?

Erwin Stoller | On the one hand we have launched projects for the global standardization and IT support of business processes – basic prerequisites for a global company. All our locations should operate smoothly together in a worldwide network. These are high aspirations which we don't yet meet in full. There are delays here. Work on this aspect will be completed in 2014. Finally, customers will enjoy the delivery performance they expect and deserve.

At the same time we have focused the organization and especially manufacturing on global working methods. Rieter aims to establish the same high standards of operational excellence worldwide. The improvements have already resulted in more efficient cooperation and a perceptible improvement in competitiveness in production operations. We now need to ensure that the effects of this method are sustained.

The achievements of the investment program 2012/2013 will make a major contribution to sustainable sales and profitability growth.

«Our customers acquire optimally orchestrated machines and technology components.»

Graf + Cie AG, Rapperswil, Switzerland

Corporate Governance

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

The basis for the contents of the following chapter (Group structure and shareholders) is provided by the Articles of Association of Rieter Holding Ltd. and the regulations governing the organization of the company. Reporting by Rieter conforms to the corporate governance guidelines issued by the SIX Swiss Exchange and the pertinent commentaries. Unless otherwise stated, the data refer to December 31, 2013. All information is updated regularly on the website at www.rieter.com/investors. Some data refer to the financial section of this Annual Report. The compensation report can be found on page 87 ff. of the Annual Report.

1 Group structure and shareholders

Group structure

Rieter Holding Ltd. is a company incorporated under Swiss law, with registered office in Winterthur, and as a holding company directly or indirectly controls all companies which are members of the Rieter Group. Some 40 companies worldwide were members of the Rieter Group as of December 31, 2013. A list of the companies included in the scope of consolidation of Rieter Holding Ltd. can be found on page 79. The management organization of the Rieter Group is independent of the legal structure of the group and the individual companies.

Significant shareholdings

As of December 31, 2013, Rieter was aware of the following shareholders with more than three percent of all voting rights in the company:

- PCS Holding AG, Weiningen, Switzerland, with 19.14%
- Artemis Beteiligungen I AG, Franke Artemis Holding AG and Artemis Holding AG, Hergiswil, Switzerland, with 11.52%
- Schroders Plc London, United Kingdom, with 5.06%
- Sparinvest Holding A/S, Randers, Denmark, with 3.45%
- Vontobel Fonds Services AG, Zurich, Switzerland, with 3.12%

Refer to page 87 for details of these holdings.

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

Cross-holdings

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

2 Capital structure

Share capital

On December 31, 2013, the share capital of Rieter Holding Ltd. totaled 23 361 815 CHF. This is divided into 4 672 363 fully paid, registered shares with a par value of 5.00 CHF each. The shares are listed on the SIX Swiss Exchange (securities code 367144; ISIN CH0003671440; Investdata RIEN). Rieter's market capitalization on December 31, 2013, was 963.7 million CHF. Each share entitles the holder to one vote at general meetings of shareholders.

Contingent and authorized share capital

The Board of Directors is authorized to increase the share capital by up to 2 500 000 CHF through the issue of up to 500 000 fully paid registered shares with a par value of 5.00 CHF each at any time until April 18, 2014. Increases by parts of this amount are permitted. Subscriptions for and purchases of the new shares are subject to the restrictions in §4 of the Articles of Association.

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

Rieter Holding Ltd. had no contingent share capital outstanding on December 31, 2013.

Changes in share capital

The Annual General Meeting held on April 13, 2011, approved the demerger of the Rieter Group into the Textile Systems and Automotive Systems units. Each Rieter shareholder received one Autoneum share for each Rieter share held, as a special dividend.

Convertible bonds and options

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

Participation certificates and dividend-right certificates

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

Board of Directors

Michael Pieper (1946)
Director;
Swiss national

First election to Board
Director since 2009

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

Other activities and interests
Director: Berenberg Bank (Schweiz) AG, Zurich; Hero AG, Lenzburg; Forbo Holding AG, Baar; Adval Tech Holding AG, Niederwangen; Autoneum Holding AG, Winterthur; with the Franke Artemis Group since 1988, since 1989 Chief Executive Officer of the Artemis Holding AG and Director of its subsidiaries and of the subsidiaries of Franke worldwide.

Committees
None.

Executive/non-executive
Non-executive

Peter Spuhler (1959)
Director;
Swiss national

First election to Board
Director since 2009

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

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

Committees
None.

Executive/non-executive
Non-executive

Erwin Stoller (1947)
Chairman;
Swiss national

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

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

Other activities and interests
None.

Committees
Member of the nomination and compensation committee

Executive/non-executive
Executive from 04.08.2009 to 31.12.2013

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

First election to Board
Board member and Vice Chairman (Lead Director) since 2009

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

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

Committees
Member of the nomination and compensation committee

Executive/non-executive
Non-executive

Dr. Jakob Baer (1944)
Director;
Swiss national

First election to Board
Director since 2006

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

Other activities and interests
Director and Chairman of the Board, Stäubli Holding AG, Pfäffikon, Schwyz; Director: Swiss Re, Zurich; Allreal Holding AG, Baar; Barry Callebaut AG, Zurich.

Committees
Chairman of the audit committee

Executive/non-executive
Non-executive

Hans-Peter Schwald (1959)
Director;
Swiss national

First election to Board
Director since 2009

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

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

Committees
Member of the audit committee and the nomination and compensati-on committee

Executive/non-executive
Non-executive

Dr. Dieter Spälti (1961)
Director;
Swiss national

First election to Board
Director since 2001

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

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

Committees
Member of the audit committee

Executive/non-executive
Non-executive

3 Board of Directors

Directors

Pursuant to the Articles of Association, the Board of Directors of Rieter Holding Ltd. consists of no less than five and no more than nine members. In the 2013 financial year, one member of the Board (Chairman) performed executive duties.

From August 4, 2009 to December 31, 2013, the Chairman of the Board has also acted as Executive Chairman. At the same time the Vice Chairman was appointed Lead Director in order to ensure compliance with the principles of good corporate governance. The management structure within the Board of Directors is periodically reviewed.

Group Secretary

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

Election and term of office

Elections to the Board of Directors are staggered and directors are elected for a term of office of three years. They retire at the Annual General Meeting following their 70th birthday. Nominations for election to the Board of Directors are made with due regard for the balanced composition of this body, taking industrial and international management and specialist experience into account.

The Annual General Meeting held on April 18, 2013, elected Dr. Dieter Spälti to the Board of Directors for a further term of office.

Internal organization

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

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

The Board of Directors comprises the Chairman, the Vice Chairman and the other members. The directors allocate their responsibilities among themselves. The Board of Directors has also appointed its Chairman to act as Executive Chairman. The Vice Chairman also acts as Lead Director. The Lead Director chairs the Board of Directors in assessing the performance of the Executive Chairman, deciding on his remuneration and other matters requiring separate discussion or decision-making. The Vice Chairman deputizes for the Chairman in the latter's absence. The Board of Directors has a quorum if a majority of members are present. Motions are approved by a simple majority. In the event of a tie, the Chairman has the casting vote. The Board has formed an audit committee and a nomination and compensation committee to assist it in its work. However, decisions are taken by the Board of Directors as a whole.

The Board of Directors meets at least six times a year at the invitation of the Chairman, usually for half a day. The Board of Directors met for seven meetings in the 2013 financial year. In addition, six telephone conferences of the whole Board were also held. All members of the Board of Directors attended all meetings of the Board, with the exception of two absences for business reasons. The agendas for the Board meetings are drawn up by the Chairman. Any member of the Board can also propose items for inclusion on the agenda. The Board of Directors usually makes an annual visit to one group location. In the year under review the Board of Directors visited Rieter's manufacturing facilities in India. The members of the Group Executive Committee also usually attend the meetings of the Board of Directors. They present the strategy as well as the results of their operating units and 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 in the context of self-assessment.

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

In the 2013 financial year none of the members of the audit committee performed executive duties. The chairman is elected for one year. The audit committee meets at least twice a year. The Head of Internal Audit, representatives of statutory auditors PricewaterhouseCoopers AG, the Executive Chairman and the CFO, and other members of the Group Executive Committee and management as appropriate, also attend the meetings. The main duties of the audit committee are:

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

The audit committee met for two regular meetings in 2013. The meetings lasted between half a day and a full day. With the exception of one absence for business reasons, all committee members attended all the meetings and regularly received the written reports of the internal auditors.

Internal audit

Internal Audit, headed by Martin R. Strub, Certified Auditor, is organizationally independent and reports to the audit committee. At the administrative level, Internal Audit reports to the CFO. Audits are performed on the basis of an audit schedule approved by the audit committee. 14 regular audits, three extraordinary follow-up reviews and two special audits were performed in 2013. The checkpoints defined within the scope of the internal controlling system were examined in particular in the context of the audits. Internal auditing also includes various compliance audits associated with these processes. Finally, additional risks and controls in connection with the above-mentioned business processes were examined. Each audit performed also includes verification of the implementation of recommendations from previous audits.

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

The **nomination and compensation committee** consists of three members. The chairman of this committee is appointed by the Board of Directors. This E. Schneider held this position in 2013. The committee stipulates the profile of requirements and the principles for selecting members of the Board of Directors and prepares the election of new members of the Group Executive Committee and their terms of employment. It establishes the principles for the remuneration of directors and senior management at the Rieter Group, especially bonus programs, share purchase plans and option programs. The nomination and compensation committee is also informed about succession plans for the Board of Directors and senior management and the associated development steps.

The committee met for three regular meetings and one extraordinary meeting in 2013. This meeting lasted half a day. All committee members attended this meeting. The Lead Director chairs the nomination and compensation committee when issues concerning the Executive Chairman are discussed.

Allocation of authority

The Board of Directors assigns operational management of the business to the Executive Chairman. The members of the Group Executive Committee report to the Executive Chairman. The allocation of authority and cooperation between the Board of Directors, the Executive Chairman and the Group Executive Committee are stipulated in the group management regulations. The Executive Chairman 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. He reports regularly on the course of business as well as on risks in the group and changes in personnel at management level. He is obliged to inform the Board of Directors immediately about business transactions of fundamental importance occurring outside the scope of periodic reporting. The Board of Directors assigned executive management to CEO Dr. Norbert Klapper with effect from January 1, 2014. Erwin Stoller has relinquished his dual role as Executive Chairman and concentrates on the board chairmanship.

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

The Board of Directors receives from the Group Executive Committee a written monthly report on the key figures of the group and Business Groups which provides information on the balance sheet, cash flow and income statements, capital expenditure and projects. The figures are compared with the budget and the previous year. The Board of Directors is also informed at each meeting about the course of business, important projects and risks, as well as rolling earnings and liquidity forecasts. If the Board of Directors has to rule on major projects, a written request is submitted to directors prior to the meeting. Projects approved by the Board of Directors are monitored in the context of special project controlling. 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 monthly. Eleven meetings were held in 2013, each lasting between half a day and a full day.

Group Executive Committee

Peter Gnägi (1954)
Head of the Spun Yarn Systems Business Group until 31.12.2013; Swiss national

Member of the Group Executive Committee since
from 2002 to 31.12.2013

Educational and professional background
Dipl. Masch. Ing. ETH Zurich. Alusuisse AG, Zurich, from 1979 to 1982; Mettler Instrumente AG, Stäfa, from 1982 to 1990, finally as Head of the Operational Equipment Business Group; with Rieter since 1990, Head of the Spun Yarn Systems Business Group from 1998 to 2002, member of Rieter Holding Ltd., Winterthur, since 2002; Head of the Textile Systems Division from 2002 to 2011; from 2011 to December 31, 2013, Head of the Business Group Spun Yarn Systems.

Other activities and interests
Member of the Executive Committee, Swissmem; Member of the Executive Committee, ITMF (International Textile Manufacturers Federation).

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

Member of the Group Executive Committee since
2011

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

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

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

Member of the Group Executive Committee since
2011

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

Other activities and interests
None.

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

Member of the Group Executive Committee since
2011

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

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

Dr. Norbert Klapper (1963)
Chief Executive Officer (CEO) and Head of the Spun Yarn Systems Business Group since 01.01.2014;
German national

Member of the Group Executive Committee since
2014

Educational and professional background
Dr. oec. Wirtschaftsingenieur Passau University and Munich TU; from 1989 to 1993 Munich Technical University; from 1993 to 2000 Arthur D. Little, Managing Partner Germany and Austria, Munich; from 2000 to 2005 Dürr AG, Stuttgart, Member of the Board; from 2005 to 2010 Voith Industrial Services Holding GmbH/Facility Services Europe, Stuttgart, Executive Vice President; from 2011 to 2012 Voith Turbo GmbH & Co. Kommanditgesellschaft, Executive Vice President; in his present position since 2014.

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

Risk management

The description of the risk management process and statements on financial risks can be found on pages 54 ff. of the Annual Report.

Code of conduct

The Code of Conduct is an integral part of every employee's contract of employment. The Code of Conduct is explained to employees in the individual 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. This code can be accessed on the Internet at www.rieter.com/about-rieter-group.

4 Group Executive Committee as of December 31, 2013

Since the election of Board Chairman Erwin Stoller as Executive Chairman on August 4, 2009, the members of the Group Executive Committee have reported directly to Erwin Stoller. In order to safeguard the principles of good corporate governance, This E. Schneider, Vice Chairman of the Board, has been elected Lead Director.

The members of the Board of Directors are as of January 1, 2014:

- Dr. Norbert Klapper,
  CEO and Head Business Group Spun Yarn Systems
- Werner Strasser,
  Head Business Group Premium Textile Components
- Joris Gröflin,
  Chief Financial Officer
- Thomas Anwander,
  General Counsel and Group Secretary

Management contracts

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

5 Remuneration report

Content and process for specifying remuneration and equity participation programs

Information on the remuneration of the Board of Directors and the Group Executive Committee can be found in the remuneration report on page 87 ff.

6 Shareholders' participatory rights

Voting restrictions

Rieter imposes no voting restrictions.

Restrictions on share transfers and nominee registrations

Those persons who are entered in the shareholders' register are recognized as voting shareholders. Rieter shares can be bought and sold without any restrictions. In terms of §4 of the Articles of Association, entry in the shareholder's 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 Annual 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

General meetings of shareholders adopt resolutions with the absolute majority of voting shares represented. All amendments to the Articles of Association require at least a two-thirds majority of the votes represented.

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

General meetings of shareholders are convened in writing by the Board of Directors at least 20 days prior to the event, with details of the agenda, pursuant to §8 of the Articles of Association, and are published in the company's official publication medium (Swiss Official Commercial Gazette). Pursuant to §9 of the Articles of Association, shareholders representing shares with a par value of at least 500 000 CHF can request the inclusion on the agenda of an item for discussion, with details of the relevant motions, by a closing date published by the company. Shareholders who do not attend general meetings in person can arrange to be represented by another shareholder, by the company or by the independent voting proxy.

Entries in the shareholders' register

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

7 Change of control and defensive measures

Obligation to submit an offer

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

Change of control clauses

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

8 Statutory auditors

Duration of mandate and term of office of the lead auditor

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

Audit fees

PWC and other auditors charged the Rieter Group approximately 0.9 million CHF in the 2013 financial year for services in connection with auditing the annual financial statements of the group companies and Rieter's consolidated accounts.

Additional fees

Additional consultancy fees invoiced by the statutory auditors in 2013 amounted to 0.3 million CHF and concerned mainly tax consulting.

Supervisory and monitoring instruments vis-à-vis the auditors

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

9 Information policy

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

Ad-hoc announcements

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

Important dates:

• Annual General Meeting 2014	April 9, 2014
• Semi-annual report 2014	July 23, 2014
• Publication of sales 2014	February 4, 2015
Closing date for proposals for inclusion on the agenda of the	
• Annual General Meeting	February 20, 2015
• Results press conference 2015	March 18, 2015
• Annual General Meeting 2015	April 16, 2015

Contacts for queries regarding Rieter:

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Financial report

Consolidated income statement

CHF million	Notes	2013	%*	2012[1]	%*
Sales	(4)	**1 035.3**	**100.0**	**888.5**	**100.0**
Change in semi-finished and finished goods		19.6	1.9	0.3	0.0
Own work capitalized		2.0	0.2	4.8	0.5
Material costs		– 525.4	– 50.7	– 412.1	– 46.4
Employee costs	(5)	– 296.7	– 28.7	– 279.8	– 31.4
Other operating expenses	(6)	– 171.4	– 16.6	– 167.6	– 18.9
Other operating income		31.8	3.1	31.8	3.6
Depreciation and amortization	(7)	– 35.0	– 3.4	– 33.2	– 3.7
Operating result before interest and taxes (EBIT)		**60.2**	**5.8**	**32.7**	**3.7**
Share of profit of associated companies	(32)	0.2		0.4	
Gain on sale of investments	(8)	0.3		17.6	
Financial income	(9)	9.8		2.2	
Financial expenses	(10)	– 18.0		– 18.7	
Profit before taxes		**52.5**	**5.1**	**34.2**	**3.8**
Income tax expense	(11)	– 15.1		– 8.5	
Net profit		**37.4**	**3.6**	**25.7**	**2.9**
Attributable to shareholders of Rieter Holding Ltd.		39.4		28.7	
Attributable to non-controlling interests	(23)	– 2.0		– 3.0	
Earnings per share in CHF	(12)	**8.56**		**6.24**	
Diluted earnings per share in CHF	(12)	**8.56**		**6.23**	

* In % of sales.
1. Restated (see paragraph "Changes in accounting policies" on page 48).
The notes on pages 47 to 79 are an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

CHF million	Notes	2013	2012[1]
Net profit		**37.4**	**25.7**
Remeasurement defined benefit plans	(27)	6.9	7.2
Income taxes on remeasurement		– 1.4	– 2.0
Items that will not be reclassified to income statement, net of taxes		**5.5**	**5.2**
Currency translation differences		– 13.1	– 6.1
Financial instruments available for sale:			
Change in fair value		0.2	4.7
Income taxes on change in fair value		0.0	3.2
Results reclassified to income statement		– 0.1	– 11.7
Items that may be reclassified to income statement, net of taxes		**– 13.0**	**– 9.9**
Total other comprehensive income		**– 7.5**	**– 4.7**
Total comprehensive income		**29.9**	**21.0**
Attributable to shareholders of Rieter Holding Ltd.		34.4	24.4
Attributable to non-controlling interests	(23)	– 4.5	– 3.4

1. Restated (see paragraph "Changes in accounting policies" on page 48).
The notes on pages 47 to 79 are an integral part of the consolidated financial statements.

Consolidated balance sheet

CHF million	Notes	December 31, 2013	December 31, 2012[1]	January 1, 2012[1]
Assets				
Tangible fixed assets	(13)	262.1	258.3	227.6
Intangible assets	(14)	25.6	20.1	9.5
Investments in associates	(32)	2.9	2.7	2.3
Other non-current assets	(16)	71.4	68.5	76.1
Deferred income tax assets	(11)	9.1	6.7	6.5
Non-current assets		**371.1**	**356.3**	**322.0**
Inventories	(17)	233.0	229.3	234.8
Trade receivables	(18)	94.1	91.1	84.1
Other receivables	(19)	46.1	41.5	44.1
Assets of disposal groups	(29)	0.0	0.0	10.8
Marketable securities and time deposits	(20)	8.9	9.3	7.3
Cash and cash equivalents	(21)	360.8	342.6	408.3
Current assets		**742.9**	**713.8**	**789.4**
Assets		**1 114.0**	**1 070.1**	**1 111.4**
Shareholders' equity and liabilities				
Equity attributable to shareholders of Rieter Holding Ltd.		389.2	370.9	374.0
Equity attributable to non-controlling interests	(23)	0.5	5.0	8.4
Total shareholders' equity		**389.7**	**375.9**	**382.4**
Long-term financial debt	(24)	183.6	249.6	253.5
Deferred income tax liabilities	(11)	32.8	32.7	40.6
Provisions	(25)	104.5	105.2	111.1
Other non-current liabilities		0.1	0.1	0.2
Non-current liabilities		**321.0**	**387.6**	**405.4**
Trade payables		96.0	97.3	86.4
Advance payments from customers		135.5	79.8	89.8
Short-term financial debt	(24)	44.8	6.7	3.1
Current income tax liabilities		9.0	7.2	14.4
Provisions	(25)	30.4	37.8	38.6
Other current liabilities	(26)	87.6	77.8	91.3
Current liabilities		**403.3**	**306.6**	**323.6**
Liabilities		**724.3**	**694.2**	**729.0**
Shareholders' equity and liabilities		**1 114.0**	**1 070.1**	**1 111.4**

1. Restated (see paragraph "Changes in accounting policies" on page 48).
The notes on pages 47 to 79 are an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

CHF million	Notes	Share capital	Treasury shares	Financial instruments available for sale	Currency translation differences	Reserves	Total attributable to Rieter shareholders	Attributable to non-controlling interests	Total consolidated equity
At January 1, 2012		**23.4**	**–9.8**	**3.6**	**–46.5**	**408.6**	**379.3**	**8.4**	**387.7**
Impact of changes in accounting policies[1]		0.0	0.0	0.0	0.0	–5.3	–5.3	0.0	–5.3
At January 1, 2012 restated		**23.4**	**–9.8**	**3.6**	**–46.5**	**403.3**	**374.0**	**8.4**	**382.4**
Net profit		0.0	0.0	0.0	0.0	28.7	28.7	–3.0	25.7
Total other comprehensive income		0.0	0.0	–3.8	–5.7	5.2	–4.3	–0.4	–4.7
Total comprehensive income		**0.0**	**0.0**	**–3.8**	**–5.7**	**33.9**	**24.4**	**–3.4**	**21.0**
Distribution of dividend from reserves from capital contribution	(22)	0.0	0.0	0.0	0.0	–27.7	–27.7	0.0	–27.7
Share-based compensation	(31)	0.0	1.2	0.0	0.0	–0.3	0.9	0.0	0.9
Change in holding of treasury shares		0.0	1.8	0.0	0.0	–2.5	–0.7	0.0	–0.7
Total contributions by and distributions to owners of the company		**0.0**	**3.0**	**0.0**	**0.0**	**–30.5**	**–27.5**	**0.0**	**–27.5**
At December 31, 2012		**23.4**	**–6.8**	**–0.2**	**–52.2**	**406.7**	**370.9**	**5.0**	**375.9**
Net profit		0.0	0.0	0.0	0.0	39.4	39.4	–2.0	37.4
Total other comprehensive income		0.0	0.0	0.1	–10.6	5.5	–5.0	–2.5	–7.5
Total comprehensive income		**0.0**	**0.0**	**0.1**	**–10.6**	**44.9**	**34.4**	**–4.5**	**29.9**
Distribution of dividend from reserves from capital contribution	(22)	0.0	0.0	0.0	0.0	–11.6	–11.6	0.0	–11.6
Share-based compensation	(31)	0.0	0.8	0.0	0.0	–0.1	0.7	0.0	0.7
Change in holding of treasury shares		0.0	–7.7	0.0	0.0	2.5	–5.2	0.0	–5.2
Total contributions by and distributions to owners of the company		**0.0**	**–6.9**	**0.0**	**0.0**	**–9.2**	**–16.1**	**0.0**	**–16.1**
At December 31, 2013		**23.4**	**–13.7**	**–0.1**	**–62.8**	**442.4**	**389.2**	**0.5**	**389.7**

1. See paragraph "Changes in accounting policies" on page 48.

The notes on pages 47 to 79 are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

CHF million	Notes	2013	2012[1]
Net profit		**37.4**	**25.7**
Interest income	(9)	– 1.8	– 1.8
Interest expenses	(10)	15.8	15.4
Income taxes	(11)	15.1	8.5
Depreciation and amortization of tangible and intangible fixed assets	(7)	35.0	33.2
Gain related to divestments of businesses	(29)	0.0	– 6.0
Gain on sale of investments	(8)	– 0.3	– 17.6
Other non-cash income and expenses		– 12.1	– 15.6
Change in inventories		– 9.9	9.2
Change in receivables		– 12.7	– 7.2
Change in provisions		– 5.5	0.9
Change in trade payables		0.4	11.7
Change in advance payments by customers and other liabilities		73.8	– 19.5
Dividends received		0.0	0.4
Interest received		1.8	1.8
Interest paid		– 13.3	– 12.1
Taxes paid		– 16.0	– 17.7
Net cash from operating activities		**107.7**	**9.3**
Capital expenditure on tangible and intangible assets	(13/14)	– 55.0	– 81.6
Proceeds from disposals of tangible and intangible assets		5.5	5.7
Proceeds from sale of investments (after local taxes)		1.3	17.8
Investments in other non-current assets		0.0	– 0.1
Proceeds from disposals of other non-current assets		0.7	1.2
Sale / purchase of marketable securities and time deposits		0.9	– 1.8
Divestments of businesses	(29)	0.0	17.2
Net cash used for investing activities		**– 46.6**	**– 41.6**
Dividend paid to shareholders of Rieter Holding Ltd.	(22)	– 11.6	– 27.7
Purchase / sale of treasury shares		– 4.4	0.3
Proceeds from short-term financial debt		12.5	3.2
Repayments of long-term financial debt		– 36.5	– 7.6
Net cash from financing activities		**– 40.0**	**– 31.8**
Currency translation differences		– 2.9	– 1.6
Change in cash and cash equivalents		**18.2**	**– 65.7**
Cash and cash equivalents at beginning of the year	(21)	**342.6**	**408.3**
Cash and cash equivalents at end of the year	(21)	**360.8**	**342.6**

1. Restated (see paragraph "Changes in accounting policies" on page 48).
The notes on pages 47 to 79 are an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

1 Summary of significant accounting policies

Basis of preparation

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

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of Rieter Holding Ltd. and its subsidiaries as at December 31, 2013. Subsidiaries are all entities over which Rieter has control. Control is achieved when Rieter is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Rieter. They are deconsolidated from the date that control ceases.

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

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

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

Subsidiaries and associated companies of Rieter are listed on page 79.

Changes in subsidiaries and associates

There were no changes in subsidiaries and associates in the year under review. The sale of two manufacturing facilities changed the scope of consolidation in 2012. The impact of this transaction on the consolidated financial statements is shown in note 29 (page 73).

Changes in accounting policies
The following new and revised standards were adopted in 2013 and had an impact on the consolidated financial statements:

The new standards IFRS 10 „Consolidated Financial Statements“, IFRS 12 „Disclosure of Interests in Other Entities“ and IFRS 13 „Fair Value Measurement“ had no impact on the balance sheet and comprehensive income, but resulted in additional disclosures in the notes. The amendments of the revised version of IAS 1 “Presentation of Financial Statements”, adopted for the first time as of January 1, 2013, address primarily the presentation of other comprehensive income. These items are newly split into two separate categories, depending on whether they are reclassified to the income statement in future periods or not.

Together with the revised version of IAS 19 “Employee Benefits” Rieter also adopted early the amendments to IAS 19 “Defined Benefit Plans: Employee Contributions“, which were published by the International Accounting Standards Board in November 2013. The effects of these changes are presented below.

All other new and amended regulations had no material impact on the consolidated financial statements.

Since January 1, 2013 Rieter has applied the revised version of IAS 19 ”Employee Benefits”. Actuarial gains and losses from defined benefit plans have now to be recognized immediately in other comprehensive income as the option to defer such gains and losses, known as the corridor method, has been eliminated. The former method of including the expected income from plan assets at an estimated asset return has been replaced by using the discount rate that is used to discount the defined benefit obligation. The changes were adopted retrospectively as of January 1, 2012 and resulted in a decrease in consolidated equity of 5.3 million CHF. Thereby the immediate recognition of the actuarial gains and losses reduced equity by 6.8 million CHF, whereas deferred taxes increased equity by 1.5 million CHF. The effects of the changes on consolidated income, consolidated statement of comprehensive income, earnings per share in 2012 and balance sheet as of December 31, 2012, were as follows:

CHF million		2012 reported	Adjustment	2012 restated
Employee costs		– 278.9	– 0.9	– 279.8
Income taxes		– 8.6	0.1	– 8.5
Net profit		**26.5**	**– 0.8**	**25.7**
Other comprehensive income:				
Remeasurement defined benefit plans		0.0	7.2	7.2
Income taxes remeasurement		0.0	– 2.0	– 2.0
Total comprehensive income		**16.6**	**4.4**	**21.0**
Earnings per share	CHF	**6.40**	**– 0.16**	**6.24**
Diluted earnings per share	CHF	**6.39**	**– 0.16**	**6.23**

CHF million	December 31, 2012 reported	Adjustment	December 31, 2012 restated
Non-current provisions	104.7	0.5	105.2
Deferred income tax liabilities	32.3	0.4	32.7
Total shareholders' equity	**376.8**	**– 0.9**	**375.9**

Assumptions and estimates

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

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

Tangible and intangible assets are tested for impairment whenever there are indications that, due to changed circumstances, their carrying value may no longer be fully recoverable. If such a situation arises, recoverable amount is determined on the basis of expected future cash flows, corresponding to either the discounted value of expected future net cash flows from continuing use or expected fair value less cost to sell. If the recoverable amount is below the carrying amount, a corresponding impairment loss is recognized in the income statement. Where the recoverable amount cannot be estimated for an individual asset, it is determined for the cash-generating unit to which the asset belongs. The main assumptions on which these measurements are based include growth rates, margins and discount rates.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Leases
Tangible fixed assets which are financed by leases giving Rieter substantially all the risks and rewards of ownership are capitalized. Assets held under such finance leases are depreciated over the shorter of their estimated useful life or the lease term. The corresponding lease obligations, excluding finance charges, are included in either short-term or long-term financial debt. Lease installments are divided into an interest and a redemption component.

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

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

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

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

Impairment of non-financial assets
Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or the asset's value in use. Non-financial assets that suffered an impairment in the past are reviewed for possible reversal of the impairment at each reporting date.

Financial assets
Rieter classifies its financial assets in the following categories:

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

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

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

Derivative financial instruments
Foreign currency risks are hedged by Rieter using forward foreign exchange contracts. Hedge accounting within the meaning of IAS 39 is not applied.

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

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

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

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

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

Provisions
If legal or constructive obligations are incurred as a consequence of past events, provisions are made to cover the expected outflow of funds where it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

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

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

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

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

Pension funds
Employee pension plans are operated by certain subsidiaries, depending upon the level of coverage provided by the government pension facilities in the various countries in which they operate. Pension plans exist on the basis of both defined contributions and defined benefits.

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

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

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

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

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

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services supplied in the ordinary course of business of the Group, stated net of value added taxes, credits, discounts and rebates.

Rieter recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific contractual criteria are met.

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

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

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

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

Standards and interpretations that have been published but not yet applied
There are no IFRSs or IFRIC interpretations effective for the first time for the annual periods beginning on January 1, 2014 that have a material impact on the Group.

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

2.1 Risk management process

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

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

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

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

Risks from acquisition or other significant projects are addressed as part of the project approval and project management. Such projects are monitored at the meetings of the Group Executive Committee and reviewed quarterly to the attention of the Board of Directors.

Specific risks are addressed by periodic reports. Such reports cover environmental and work safety risks at the various sites of Rieter, financial risks from sales transactions of the Business Group Spun Yarn Systems, treasury risks, and risks from legal actions and legal compliance.

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

2.2 Financial risk management

Financial risk factors

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

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

Foreign exchange risk

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

The Rieter Group is primarily exposed to foreign exchange risks versus the Euro and the US dollar. Assuming that the Euro had been 5% stronger versus the Swiss franc at December 31, 2013, with all other variables held constant, the Group's after-tax result and equity would have been 3.5 million CHF higher (2.5 million CHF higher in 2012). Assuming that the US dollar had been 5% stronger versus the Swiss franc at December 31, 2013, with all other variables held constant, the Group's after-tax result and equity would have been 0.6 million CHF higher (0.2 million CHF lower in 2012). If the reverse had been the case, the Group's after-tax result and equity would have been the same amount lower and higher, respectively. This would mainly have been due to exchange gains/losses on trade accounts receivable and payable.

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

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

However, interest rate risks can arise from interest-bearing financial debt. Financial debt with variable interest rates expose the Group to interest rate related cash flow risks, while fixed-rate financial debt represents a fair value interest rate risk.

Cash flow sensitivity analysis: A one percentage-point increase in interest rates would have reduced net results and equity by 0.1 million CHF (0.1 million CHF in 2012).

Fair value sensitivity analysis: Market value fluctuations of fixed interest financial debt are not recognized in the income statement and have no impact on net results.

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

Credit risk
Credit risks arise from deposits and financial derivatives held with financial institutions and from trade accounts receivable. Relationships with financial institutions are only entered into with counterparties rated no lower than "A-" by S&P. In Business Group Spun Yarn Systems credit risks on trade receivables are usually hedged by means of insurance, advance payments, letters of credit or other instruments. In Business Group Premium Textile Components credit risks are limited due to the large number and wide geographic spread of customers. For more information, see note 18 "Trade receivables".

Liquidity risk
Rieter's liquidity risk management includes holding adequate reserves of liquid funds and time deposits, the option of financing requirements via an appropriate level of credit lines, and basically the ability to place issues on the market. In light of the dynamic nature of the business environment in

which the Group operates, its goal is to ensure its financial stability and retain the necessary flexibility in financing operations by generating free cash flow and maintaining adequate unutilized credit lines. To this end in July 2013 Rieter arranged with some banks bilaterally committed credit facilities in the total amount of 125 million CHF. These credit facilities have not been used so far.

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

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

Financial liabilities December 31, 2012	**Carrying amount**	**Contractual cash flows**			
CHF million		**Within 1 year**	**In 1 to 5 years**	**In 5 or more years**	**Total cash flow**
Fixed-rate bond	216.6	9.8	237.5	0.0	247.3
Bank debt	6.7	6.7	0.0	0.0	6.7
Other financial debt	33.0	0.0	36.0	0.2	36.2
Negative replacement values of derivative financial instruments	0.1	0.1	0.0	0.0	0.1
Trade payables	97.3	97.3	0.0	0.0	97.3

Capital management

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

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

3 Segment information

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

Segment information 2013

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

Segment information 2012

CHF million	Spun Yarn Systems	Premium Textile Components	Total reportable segments
Total segment sales	727.6	232.3	959.9
Inter-segment sales[1]	0.0	71.4	71.4
Sales to third parties[2]	727.6	160.9	888.5
Operating result before interest and taxes (EBIT)	30.5	16.0	46.5
Operating assets December 31, 2012[3]	487.1	173.8	660.9
Operating liabilities December 31, 2012[3]	316.7	59.5	376.2
Net operating assets December 31, 2012[3]	170.4	114.3	284.7
Capital expenditures on tangible and intangible assets	62.7	18.7	81.4
Depreciation and amortization	18.1	15.0	33.1
Number of employees[4]	3 542	1 150	4 692

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

Reconciliation of segment results

CHF million	2013	2012
Operating result before interest and taxes (EBIT) reportable segments	71.2	46.5
Elimination of unrealized inter-segment profits	– 0.5	– 0.8
Pension costs which cannot be allocated to segments (IAS 19)	– 0.5	– 0.9 [1]
Other companies (Rieter Holding Ltd, central units)	– 10.0	– 12.1
Operating result before interest and taxes (EBIT) Group	**60.2**	**32.7**
Share of profit of associated companies	0.2	0.4
Gain on sale of investments	0.3	17.6
Financial income	9.8	2.2
Financial expenses	– 18.0	– 18.7
Profit before taxes	**52.5**	**34.2**

1. Restated (see paragraph "Changes in accounting policies" on page 48).

Sales and non-current assets by countries

CHF million	Sales 2013[1]	Sales 2012[1]	Non-current assets 2013[2]	Non-current assets 2012[2]
Switzerland (domicile of Rieter Holding Ltd.)	38.1	38.2	90.9	89.8
Foreign countries	997.2	850.3	196.8	188.6
Total Group	**1 035.3**	**888.5**	**287.7**	**278.4**
The following countries accounted for more than 10% of sales or non-current assets:				
Switzerland (domicile of Rieter Holding Ltd.)	38.1	38.2	90.9	89.8
India	108.6	95.8	48.9	59.5
Turkey	198.9	168.4	0.1	0.0
China	223.3	192.5	76.4	55.1

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

No individual customer accounted for more than 10% of consolidated sales in 2013 and 2012. The greatest granularity on products is on segments and the sales by product are reflected in segmental reporting.

4 Sales

Change in sales

CHF million	2013	2012
Change in sales due to volume and price, Spun Yarn Systems	135.2	– 131.1
Change in sales due to volume and price, Premium Textile Components	16.0	– 36.2
Impact of divestments	0.0	– 9.4
Currency translation differences	– 4.4	4.4
Total change in sales	**146.8**	**– 172.3**

5 Employee costs

CHF million	2013	2012[1]
Wages and salaries	243.8	226.8
Social security and other personnel expenses	52.9	53.0
Total	**296.7**	**279.8**

1. Restated (see paragraph "Changes in accounting policies" on page 48).

6 Other operating expenses

CHF million	2013	2012
Energy and operating material	32.0	28.5
Sales commission to third parties	30.0	27.2
Repair and maintenance	15.6	15.1
Outbound freight	17.7	14.3
External services	7.8	9.6
Other operating expenses	68.3	72.9
Total	**171.4**	**167.6**

7 Depreciation and amortization

CHF million	2013	2012
Tangible fixed assets	32.0	27.5
Intangible assets	3.0	5.7
Total	**35.0**	**33.2**

8 Gain on sale of investments

In May 2013, Rieter sold its shareholding in Lakshmi Card Clothing Ltd., India, and realized a gain of 0.3 million CHF. In January 2012, Rieter sold its shareholding in Lakshmi Ring Travellers (Coimbatore) Ltd., India, and realized a gain of 4.4 million CHF. In October 2012 the sale of the remaining shares in Lakshmi Machine Works Ltd., India, resulted in a gain of 13.2 million CHF.

9 Financial income

CHF million	2013	2012
Interest income	1.8	1.8
Remeasurement put option non-controlling interests[1]	5.2	0.0
Foreign exchange differences, net	1.1	0.0
Other financial income	1.7	0.4
Total	**9.8**	**2.2**

1. See note 30 (page 75).

10 Financial expenses

CHF million	2013	2012
Interest cost	15.8	15.4
Loss on repurchase of own debt instruments	2.0	0.4
Other financial expenses and foreign exchange differences, net	0.2	2.9
Total	**18.0**	**18.7**

11 Income tax expense

CHF million	2013	2012[1]
Current income tax expense	18.8	15.7
Deferred income tax expense	– 3.7	– 7.2
Total	**15.1**	**8.5**

1. Restated (see paragraph "Changes in accounting policies" on page 48).

Reconciliation of expected and actual income tax expense:

CHF million	2013	2012
Expected tax expense on pre-tax profit of 52.5 million CHF (34.2 million CHF in 2012) at an average rate of 28.6% (24.9% in 2012)	15.0	8.5
Impact of non-deductible costs	0.4	0.4
Impact of non-taxable income / income taxed at different rates	– 2.5	– 5.6
Impact of losses and loss carry-forwards	0.6	2.7
Impact of changes in tax rates and tax legislation	0.0	0.0
Tax effects from previous periods (adjustments)	1.6	2.2
Other effects	0.0	0.3
Total	**15.1**	**8.5**

The increase in the expected weighted average tax rate by 3.7%-points resulted from changes in the profitability of some group companies.

Deferred income taxes

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

CHF million	2013	2012
Deferred tax liabilities, net at January 1	**26.0**	**34.1**
Deferred income taxes recognized in the income statement	– 3.7	– 7.2
Deferred income taxes recognized as other comprehensive income	1.4	– 1.2
Currency translation differences	0.0	0.3
Deferred tax liabilities, net at December 31	**23.7**	**26.0**

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

CHF million	Deferred tax assets 2013	Deferred tax liabilities 2013	Deferred tax assets 2012	Deferred tax liabilities 2012
Tangible fixed assets	0.3	– 10.6	0.6	– 12.0
Inventories	6.3	– 7.0	5.0	– 6.4
Other assets	4.4	– 19.7	4.3	– 19.3
Provisions	4.2	– 0.2	4.6	– 0.6
Other liabilities	1.2	– 2.0	1.9	– 0.1
Valuation adjustments on deferred tax assets	– 4.5	0.0	– 5.9	0.0
Tax loss carry-forwards and tax credits	3.9	0.0	1.9	0.0
Total	15.8	– 39.5	12.4	– 38.4
Offsetting	– 6.7	6.7	– 5.7	5.7
Deferred tax assets / liabilities	**9.1**	**– 32.8**	**6.7**	**– 32.7**

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

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

CHF million	Capitalized 2013	Non capitalized 2013	Total 2013	Total 2012
Expiry in				
1 to 3 years	0.0	0.2	0.2	0.3
3 to 7 years	0.0	0.3	0.3	0.1
7 or more years	3.9	28.5	32.4	32.3
Total	**3.9**	**29.0**	**32.9**	**32.7**

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

12 Earnings per share

Earnings per share are calculated by dividing net profit attributable to Rieter shareholders by the average number of shares outstanding. The figure for diluted earnings per share takes into account additionally the potential dilution effects if all rights from the long-term incentive plan (see note 31) were to be exercised.

CHF million	2013	2012[2]
Net profit (CHF million)[1]	**39.4**	**28.7**
Average number of shares outstanding (non diluted)	4 602 652	4 609 778
Average number of shares outstanding (diluted)	4 604 040	4 610 485
Earnings per share (CHF)	**8.56**	**6.24**
Diluted earnings per share (CHF)	**8.56**	**6.23**

1. Attributable to shareholders of Rieter Holding Ltd.
2. Restated (see paragraph "Changes in accounting policies" on page 48).

13 Tangible fixed assets

CHF million	Land and buildings	Machinery, equipment and tools	Data processing equipment	Vehicles and furniture	Tangible fixed assets under construction	Total tangible fixed assets
Net book value at January 1, 2012	**118.6**	**78.0**	**5.0**	**5.7**	**20.3**	**227.6**
Additions	25.0	18.7	5.3	4.0	12.3	65.3
Disposals	– 2.3	– 0.2	0.0	0.0	– 0.3	– 2.8
Depreciation	– 4.9	– 18.1	– 2.1	– 2.4	0.0	– 27.5
Reclassifications	– 1.1	13.6	0.2	0.3	– 13.0	0.0
Currency translation differences	– 2.1	– 1.2	– 0.1	– 0.1	– 0.8	– 4.3
Net book value at December 31, 2012	**133.2**	**90.8**	**8.3**	**7.5**	**18.5**	**258.3**
Cost at December 31, 2012	270.0	389.4	29.5	35.1	18.7	742.7
Accumulated depreciation at December 31, 2012	– 136.8	– 298.6	– 21.2	– 27.6	– 0.2	– 484.4
Net book value at December 31, 2012	**133.2**	**90.8**	**8.3**	**7.5**	**18.5**	**258.3**
Additions	9.6	10.1	1.7	2.3	22.9	46.6
Disposals	– 0.6	– 0.1	– 0.3	0.0	0.0	– 1.0
Depreciation	– 5.7	– 20.3	– 3.1	– 2.9	0.0	– 32.0
Reclassifications	1.3	26.1	0.4	2.1	– 29.9	0.0
Currency translation differences	– 4.4	– 2.9	0.0	0.1	– 2.6	– 9.8
Net book value at December 31, 2013	**133.4**	**103.7**	**7.0**	**9.1**	**8.9**	**262.1**
Cost at December 31, 2013	271.1	405.1	25.9	36.9	9.1	748.1
Accumulated depreciation at December 31, 2013	– 137.7	– 301.4	– 18.9	– 27.8	– 0.2	– 486.0
Net book value at December 31, 2013	**133.4**	**103.7**	**7.0**	**9.1**	**8.9**	**262.1**

No tangible assets are held under long-term finance leases. No land and buildings are pledged for financial debt. No borrowing costs were capitalized in 2013 and 2012. Buildings were insured at the replacement value of 566.4 million CHF at the balance sheet date (540.9 million CHF in 2012).

14 Intangible assets

CHF million	Process improvement projects	Patents/ trademarks	Other intangible assets	Total intangible assets
Net book value at January 1, 2012	**0.0**	**7.8**	**1.7**	**9.5**
Additions	16.3	0.0	0.0	16.3
Amortization	0.0	– 5.2	– 0.5	– 5.7
Currency translation differences	0.0	0.0	0.0	0.0
Net book value at December 31, 2012	**16.3**	**2.6**	**1.2**	**20.1**
Cost at December 31, 2012	16.3	41.5	3.6	61.4
Accumulated amortization at December 31, 2012	0.0	– 38.9	– 2.4	– 41.3
Net book value at December 31, 2012	**16.3**	**2.6**	**1.2**	**20.1**
Additions	8.4	0.0	0.0	8.4
Amortization	0.0	– 2.6	– 0.4	– 3.0
Currency translation differences	0.1	0.0	0.0	0.1
Net book value at December 31, 2013	**24.8**	**0.0**	**0.8**	**25.6**
Cost at December 31, 2013	24.8	41.5	3.6	69.9
Accumulated amortization at December 31, 2013	0.0	– 41.5	– 2.8	– 44.3
Net book value at December 31, 2013	**24.8**	**0.0**	**0.8**	**25.6**

Capitalized process improvement projects have not been amortized as the related systems were not available for use before January 2014. In 2013 and 2012, there were no intangible assets with undefined useful lives. No intangible assets are financed by long-term lease agreements.

15 Research and development

45.0 million CHF were spent on research and development in 2012 (42.7 million CHF in 2012).

Development cost must meet various criteria to be recognized as an intangible asset. As such, the technical and financial resources must be available to complete the development and it must be possible to measure reliably the expenditures attributable to the development. Although these criteria were met in 2013 by all material development projects and the management in charge confirmed the intention and ability to complete the projects, no development costs were recognized as intangible assets in 2013 and 2012, as the future economic benefits could not be sufficiently demonstrated as required by IAS 38.57d due to rapid technological change and strong economic fluctuations in the industry.

16 Other non-current assets

CHF million	2013	2012
Financial assets	1.7	3.4
Long-term interest-bearing receivables	2.6	3.3
Other long-term receivables and pension funds	67.1	61.8
Total	**71.4**	**68.5**

Prepaid contributions and overfunding of personnel pension plans have been accrued up to the expected future benefit and amount to 59.6 million CHF (56.2 million CHF in 2012).

17 Inventories

CHF million	2013	2012
Raw materials and consumables	47.8	46.2
Purchased parts and goods for resale	75.3	77.3
Semi-finished and finished goods	95.5	90.0
Work in progress	52.1	50.0
Allowance	– 37.7	– 34.2
Total	**233.0**	**229.3**

The following summarizes the movement in the allowance for inventories:

CHF million	2013	2012
Allowance at January 1	– 34.2	– 35.8
Utilization	1.4	1.4
Additions / reversals, net	– 5.0	0.1
Currency translation differences	0.1	0.1
Allowance at December 31	**– 37.7**	**– 34.2**

18 Trade receivables

CHF million	2013	2012
Trade receivables	105.3	106.9
Allowance for doubtful receivables	– 11.2	– 15.8
Total	**94.1**	**91.1**

At December 31, 2013, trade receivables of 38.3 million CHF (34.4 million CHF in 2012) were past due. Thereof 11.2 million CHF (15.8 million CHF in 2012) were covered by an individual allowance. Past due items of 27.1 million CHF (18.6 million CHF in 2012), which were not covered by allowances, were past due less than 3 months.

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

CHF million	2013	2012
Allowance for doubtful receivables at January 1	– 15.8	– 19.7
Increase charged to income statement	– 3.1	– 4.0
Utilization or reversal	7.6	7.8
Currency translation differences	0.1	0.1
Allowance for doubtful receivables at December 31	**– 11.2**	**– 15.8**

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

Trade receivables include amounts denominated in the following major currencies:

CHF million	2013	2012
CHF	45.6	52.9
EUR	34.7	26.0
INR	6.3	4.6
USD	3.8	3.8
CNY	2.5	2.1
Other	1.2	1.7
Total	**94.1**	**91.1**

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

CHF million	2013	2012
Not due	67.0	72.5
Past due less than 3 months	29.4	19.4
Past due 3 to 6 months	0.9	1.2
Past due 6 months to 1 year	1.1	2.1
Past due 1 to 5 years	4.3	10.5
Past due 5 or more years	2.6	1.2
Trade receivables	105.3	106.9
Allowance for doubtful receivables	– 11.2	– 15.8
Total	**94.1**	**91.1**

19 Other receivables

CHF million	2013	2012
Prepaid expenses and deferred charges	5.2	4.6
Advance payments to suppliers	7.2	4.1
Positive replacement values of derivative financial instruments	1.2	0.0
Other short-term receivables[1]	32.5	32.8
Total	**46.1**	**41.5**

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

20 Marketable securities and time deposits

CHF million	2013	2012
Securities available for sale	6.5	7.2
Time deposits with original maturities between 3 and 12 months	2.4	2.1
Total	**8.9**	**9.3**

21 Cash and cash equivalents

CHF million	2013	2012
Cash and banks	354.7	334.1
Time deposits with original maturities up to 3 months	6.1	8.5
Total	**360.8**	**342.6**

22 Share capital and dividend per share

		31.12.2013	31.12.2012
Shares issued	Number of shares	4 672 363	4 672 363
Treasury shares	Number of shares	85 652	50 938
Shares outstanding	**Number of shares**	**4 586 711**	**4 621 425**
Par value per share	CHF	5.00	5.00
Share capital	**CHF**	**23 361 815**	**23 361 815**

The share capital is fully paid in.

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

Based on the financial statements as of December 31, 2013, the Board of Directors proposes to the General Meeting a dividend of 16.4 million CHF (3.50 CHF per registered share). The proposed dividend is not recognized as a liability in the consolidated financial statements as of December 31, 2013.

23 Non-controlling interests

26% of the capital and the voting rights of Rieter India Pvt. Ltd. are held by non-controlling interests.

No dividend was paid to non-controlling interests.

For the non-controlling interest there is a put and a call option. As from March 2014, the non-controlling shareholders are entitled to sell their shares at an agreed minimum price. As from March 2016, Rieter is entitled to buy the shares at an agreed minimum price (call option). See note 30 (page 75).

24 Financial debt

CHF million	Fixed-rate bond	Bank debt	Other financial debt	Total 2013	Total 2012
Duration					
less than 1 year	0.0	17.8	27.0	44.8	6.7
1 to 5 years	182.6	0.0	0.6	183.2	249.4
5 or more years	0.0	0.0	0.4	0.4	0.2
Total	**182.6**	**17.8**	**28.0**	**228.4**	**256.3**

By currency, financial debt is divided up as follows:

CHF million	2013	2012
CHF	182.8	216.7
CNY	7.4	3.0
INR	37.8	36.4
Other	0.4	0.2
Total	**228.4**	**256.3**

The fixed-rate bond of 250 million CHF was issued by Rieter Holding Ltd. on March 30, 2010 and has a five-year maturity (final maturity: April 30, 2015). The issue has a fixed coupon of 4.5% and is listed on the SIX Swiss Exchange. The market value of the bond outstanding was 193.3 million CHF at December 31, 2013 (229.1 million CHF in 2012). The effective interest costs were 9.7 million CHF in 2013 (10.4 million CHF in 2012).

25 Provisions

CHF million	Restructuring provisions	Personnel provisions	Guarantee and warranty provisions	Other provisions	Total provisions[1]
Provisions at December 31, 2012	**12.9**	**40.1**	**51.8**	**38.2**	**143.0**
Utilization	– 0.5	– 4.0	– 13.2	– 3.7	– 21.4
Release	– 0.1	– 0.1	– 3.3	– 5.9	– 9.4
Additions	0.1	4.7	16.5	4.1	25.4
Remeasurement defined benefit plans	0.0	– 2.9	0.0	0.0	– 2.9
Currency translation differences	– 0.1	0.4	– 0.1	0.0	0.2
Provisions at December 31, 2013	**12.3**	**38.2**	**51.7**	**32.7**	**134.9**
Thereof non-current	10.2	36.1	36.2	22.0	104.5
Thereof current	2.1	2.1	15.5	10.7	30.4

1. Restated (see paragraph "Changes in accounting policies" on page 48).

Restructuring provisions cover the legal and constructive obligations in connection with the restructuring program initiated in 2008. The faster than expected recovery of the markets in 2010 necessitated an adjustment of the timing of some restructuring projects. Consequently, some current restructuring provision had to be reclassified in 2010 to non-current. 0.5 million CHF were utilized in 2013 for structural adjustment projects in Switzerland, India and Brazil. The remaining restructuring provisions will lead to an expected utilization of 2.1 million CHF in 2014 and 10.2 million CHF in 2015 to 2016.

Personnel provisions include the obligations in connection with defined benefit plans (see note 27), provisions for old-age part-time arrangements, long-service awards and other long-term benefits to employees.

Guarantee and warranty provisions are made in the context of product deliveries and services and are based on past experience. The non-current guarantee and warranty provisions of 36.2 million CHF are expected to result partly in a cash outflow in one or two years on average, i.e. in 2015 and 2016.

Other provisions are made for onerous contracts (where the unavoidable direct costs of performance exceed the expected financial benefit) and for obligations relating to ongoing tax and legal cases for which the amount can only be reliably estimated. Non-current other provisions are expected to be utilized mainly in the years 2015 and 2016.

26 Other current liabilities

CHF million	2013	2012
Accrued holidays	8.0	8.1
Accrued sales commissions	17.0	17.5
Other accrued expenses	36.5	28.3
Negative replacement values of derivative financial instruments	0.5	0.1
Other short-term liabilities	25.6	23.8
Total	**87.6**	**77.8**

27 Pension plans

Defined contribution plans

The expense for defined contribution plans amounted to 3.2 million CHF (3.0 million CHF in 2012).

Defined benefit plans

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

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

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

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

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

Funded status of defined benefit plans

CHF million	2013	2012[1]
Actuarial present value of defined benefit obligation		
• funded plans (Switzerland)	– 868.7	– 886.6
• unfunded plans (other countries)	– 23.5	– 22.8
Defined benefit obligation at December 31	**– 892.2**	**– 909.4**
Fair value of plan assets (Switzerland)	1 123.1	1 021.8
Surplus at December 31	**230.9**	**112.4**
Impact Asset Ceiling	– 197.3	– 85.6
Net asset at December 31	**33.6**	**26.8**
Recognized in the balance sheet		
• as assets	59.6	56.2
• as pension liabilities	– 26.0	– 29.4

1. Restated (see paragraph "Changes in accounting policies" on page 48).

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

CHF million	2013	2012[1]
Defined benefit obligation at January 1	**909.4**	**942.2**
Current service cost	10.0	10.8
Interest cost	18.0	25.4
Employee contributions	7.7	8.1
Actuarial gains / losses	4.1	– 2.0
Benefits paid	– 57.4	– 74.9
Currency translation differences	0.4	– 0.2
Defined benefit obligation at December 31	**892.2**	**909.4**

1. Restated (see paragraph "Changes in accounting policies" on page 48).

The weighted average duration of the defined benefit obligation is 12.3 years.

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

CHF million	2013	2012[1]
Fair value of plan assets at January 1	**1 021.8**	**981.3**
Interest income	18.4	26.2
Return on plan assets (excluding interest income)	122.7	71.3
Employer contributions	9.9	9.8
Employee contributions	7.7	8.1
Benefits paid	– 57.4	– 74.9
Currency translation differences	0.0	0.0
Fair value of plan assets at December 31	**1 123.1**	**1 021.8**

1. Restated (see paragraph "Changes in accounting policies" on page 48).

The total return on plan assets was 141.1 million CHF (97.5 million CHF in 2012). The Group expects to contribute 10.1 million CHF to its defined benefit pension plans in 2014.

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

in %	2013	2012
Cash and cash equivalents	6	9
Equity	49	46
Debt	9	12
Real estate	24	24
Other	12	9

At the end of 2013 plan assets included Rieter bonds with a market value of 0.6 million CHF (0.6 million CHF in 2012). No Rieter shares were included in 2013 and 2012. Cash, all equity instruments and more than 85% of the debt instruments have a quoted market price in an active market. Real estate and other investments, which include private equity investments, usually do not have a quoted market price.

Pension costs of defined benefit plans recognized in the income statement

CHF million	2013	2012[1]
Current service cost	10.0	10.8
Net interest result	– 0.4	– 0.8
Total	**9.6**	**10.0**

1. Restated (see paragraph "Changes in accounting policies" on page 48).

Remeasurements of defined benefit plans recognized as other comprehensive income

CHF million	2013	2012[1]
Actuarial gains / losses arising from:		
Changes in demographic assumptions	0.0	– 8.6
Changes in financial assumptions	17.4	11.0
Experience adjustments	– 21.5	– 0.4
Return on plan assets (excluding interest income)	122.7	71.3
Impact asset ceiling	– 111.7	– 66.1
Total	**6.9**	**7.2**

1. Restated (see paragraph "Changes in accounting policies" on page 48).

Actuarial assumptions

Weighted average in %	2013	2012
Discount rate	2.2	2.0
Future wage growth	1.3	1.3
Future pension growth	0.0	0.0

The measurement of the defined benefit obligation is particularly sensitive to changes in the discount rate and the assumptions about future pension growth. An increase in the discount rate by 0.5%-points would result in a reduction of the defined benefit obligation by 51.0 million CHF at the end of 2013 whereas a reduction of the discount rate by 0.5%-points would result in an increase of the defined benefit obligation by 58.4 million CHF. If the assumption about future pension growth was increased by 0.5%-points the defined benefit obligation would be higher by 42.7 million CHF at the end of 2013. A change in the assumptions about future wage growth by 0.5%-points would impact the defined benefit obligation by less than 1%.[1]

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

28 Other commitments

Some Group companies lease factory and office space under operating lease agreements. The lease expenditure charged to the income statement was 3.2 million CHF (2.7 million CHF in 2012). The leases have varying terms, escalation clauses and renewal rights.

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

CHF million	2013	2012
Up to 1 year	1.1	0.7
1 to 5 years	2.9	0.6
5 or more years	1.1	0.0
Total	**5.1**	**1.3**

There were open purchase commitments of 1.5 million CHF in respect of major purchases at year-end (2.5 million CHF in 2012).

29 Divestments

At January 1, 2012, Rieter sold two manufacturing facilities in the Czech Republic, which were part of segment Spun Yarn Systems and operate as subcontractor for Rieter and other industrial companies. The resulting divestment gain of 6.0 million CHF was recognized in 2012 in other operating income.

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

CHF million	2012
Non-current assets	4.8
Current assets (excluding cash and cash equivalents)	6.8
Liabilities	– 0.4
Net disposed assets and liabilities	**11.2**
Gain on divestments	6.0
Cash flow	**17.2**

30 Financial instruments

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

CHF million	2013	2012
Cash (excluding time deposits)	**354.7**	**334.1**
Positive replacement values of derivative financial instruments[2]	1.2	0.0
Financial assets[2]	0.0	1.0
Total financial assets at fair value through profit and loss	**1.2**	**1.0**
Time deposits with original maturities up to 3 months	6.1	8.5
Time deposits with original maturities between 3 and 12 months	2.4	2.1
Trade receivables	94.1	91.1
Other short-term receivables	32.5	32.8
Long-term interest-bearing receivables	2.6	3.3
Total loans and receivables	**137.7**	**137.8**
Securities available for sale[1]	6.5	7.2
Financial assets[2]	1.7	2.4
Total available for sale financial assets	**8.2**	**9.6**
Total financial assets and derivatives	**501.8**	**482.5**

CHF million	2013	2012
Short-term financial debt[3] (without put option non-controlling interests)	17.8	6.7
Long-term financial debt [3] (without put option non-controlling interests)	183.6	217.4
Put option non-controlling interests[4]	27.0	32.2
Negative replacement values of derivative financial instruments[2]	0.5	0.1
Total financial debt and derivatives	**228.9**	**256.4**

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

There were no transfers between the categories and the valuation techniques have been applied consistently with the exception set out below.

Financial instruments measured at level 3 concern the following item:

In 2009, a group of non-controlling shareholders acquired a non-controlling interest in a subsidiary together with a put option on such non-controlling interest. The exercise price of the option is defined as a multiple of the EBITDA of the subsidiary during the last 12 months prior to the execution of the option plus the net liquidity of the subsidiary at the date of the execution, or a lower minimum exercise price. Until mid-2013, the valuation of the put option was based on the expected future earnings development of the concerned subsidiary up to the earliest possible execution date in March 2014. In the second half of 2013 it became apparent that the option will most likely be exercised in spring 2014 at the minimum exercise price of 1‘905.8 million INR. Consequently, the put option was remeasured to the present value of its minimum exercise price of 27.0 million CHF as of December 31, 2013. The resulting valuation gain of 5.2 million CHF was recognized as financial income.

Financial instruments measured at level 2 concern mainly derivatives held for hedging purposes. The fair value of these instruments is determined by using valuation techniques which use foreign exchange rates and interest rates as observable market data.

31 Share-based compensation

The members of the Board of Directors can choose whether to receive all or part of their remuneration in shares. On April 18, 2013, six Board Directors received 4 407 shares in connection with their remuneration for the year 2012. The market value of the shares granted was 0.7 million CHF and was charged to the income statement in 2012. In the context of their remuneration for the year 2013, six Board Directors will receive 3 508 shares in April 2014. The estimated cost of 0.6 million CHF was charged to the income statement 2013. The shares are taken from treasury shares of Rieter Holding Ltd. and cannot be sold for three years.

Rieter has established a share purchase plan for the members of the Group Executive Committee. On May 7, 2012, two participants purchased 2 300 shares at a price of 131.00 CHF per share. The average market value of shares granted was 147.95 CHF. The shares cannot be sold for three years. In 2012, the costs resulting from the share purchase plan amounted to less than 0.1 million CHF. The shares for this program were taken from treasury shares of Rieter Holding Ltd. In 2013, no shares were purchased within the context of the share purchase plan.

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

CHF million	2013	2012
Outstanding rights at January 1	3 323	0
Granted	0	3 337
Paid-out	– 546	– 14
Expired	– 80	0
Outstanding rights at December 31	**2 697**	**3 323**

The estimated fair value of the outstanding rights amounts approximately to the market value of the Rieter share of 210.10 CHF at December 31, 2013. The costs of the long-term incentive plan impacted the income statement in the reporting period by 0.2 million CHF (0.1 million CHF in 2012).

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

The aggregate number of shares issued in 2013 under all employee and executive incentive schemes does not exceed 1% of the shares outstanding.

32 Related parties

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

Prosino S.r.l. constitutes an associated company because Rieter holds a 49% stake. In 2013, Rieter bought products worth 4.7 million CHF (4.5 million CHF in 2012) from Prosino S.r.l. and there was a related interest-free liability at the end of 2013 of 0.6 million CHF (0.6 million CHF in 2012) to Prosino S.r.l.

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

CHF million	2013	2012
Cash compensation	3.9	2.4
Employee benefit contributions	0.1	0.1
Social security	0.0	0.0
Share-based compensation	0.6	0.7
Other long-term benefits	0.0	0.0
Total	**4.6**	**3.2**

The remuneration report and the compensation of the Board of Directors and the Group Executive Committee in compliance with Swiss law are disclosed in the financial statements of Rieter Holding Ltd. on pages 87 to 90.

Apart from the above mentioned purchases from Prosino S.r.l., the compensation to the Board of Directors and the Executive Committee and the ordinary contributions to the various employee benefit plans, there have been no further material transactions with related parties.

33 Net liquidity

Net liquidity at December 31 was as follows:

CHF million	2013	2012
Cash and cash equivalents	360.8	342.6
Marketable securities and time deposits	8.9	9.3
Short-term financial debt	– 44.8	– 6.7
Long-term financial debt	– 183.6	– 249.6
Net liquidity	**141.3**	**95.6**

34 Exchange rates for currency translation

		Average annual rates		Year-end rates	
CHF million		2013	2012	2013	2012
Brazil	1 BRL	0.43	0.48	0.38	0.45
China	100 CNY	15.08	14.86	14.70	14.68
Euro countries	1 EUR	1.23	1.21	1.23	1.21
Hong Kong	100 HKD	11.95	12.09	11.48	11.81
India	100 INR	1.59	1.76	1.44	1.66
Taiwan	100 TWD	3.12	3.17	2.99	3.14
Czech Republic	100 CZK	4.74	4.80	4.48	4.80
USA	1 USD	0.93	0.94	0.89	0.92

35 Approval for publication of the consolidated financial statements

The consolidated financial statements were approved for publication by the Board of Directors on March 17, 2014. They are also subject to approval by the Annual General Meeting of shareholders. No events have occurred up to March 17, 2014, which would necessitate adjustments to the book values of the Group's assets or liabilities, or which require additional disclosure.

Subsidiaries and associated companies

at December 31, 2013

			Capital	Capital and voting rights	Research & development	Sales/trading/services	Production	Management/financing
Belgium	Gomitex S.A., Stembert	EUR	100 000	100%		•	•	
Brazil	Graf Máquinas Têxteis Indústria e Comércio Ltda., São Paulo	BRL	10 220 000	100%		•	•	
	Rieter South America Ltda., São Paulo	BRL	3 287 207	100%		•		
China	Rieter China Textile Instruments Co. Ltd., Changzhou	EUR	10 000 000	100%	•	•	•	
	European Excellent Textile Components Co. Ltd., Changzhou	CNY	35 287 000	100%			•	
	Rieter Textile Systems (Shanghai) Co. Ltd., Shanghai	USD	200 000	100%		•		
	Rieter Asia (Hong Kong) Ltd., Hong Kong	HKD	1 000	100%		•		
	Graf Cardservices Far East Ltd., Hong Kong	HKD	30 000	100%		•		
Czech Republic	Rieter CZ s.r.o., Ústí nad Orlicí	CZK	316 378 000	100%	•	•	•	
	Novibra Boskovice s.r.o., Boskovice	CZK	40 000 000	100%	•	•	•	
France	Bräcker S.A.S, Wintzenheim	EUR	1 000 000	100%		•	•	
Germany	Rieter Vertriebs GmbH, Ingolstadt	EUR	15 338 756	100%		•		•
	Rieter Deutschland GmbH & Co. OHG, Ingolstadt	EUR	15 645 531	100%		•		•
	Novibra GmbH, Süssen (inactive)	EUR	1 534 000	100%				
	Rieter Ingolstadt GmbH, Ingolstadt	EUR	12 273 600	100%	•	•	•	
	Wilhelm Stahlecker GmbH, Reichenbach im Täle	EUR	255 645	100%	•			
	Spindelfabrik Suessen GmbH, Süssen	EUR	5 050 100	100%	•	•	•	•
	Graf-Kratzen GmbH, Gersthofen	EUR	400 000	100%		•		
India	Rieter India Pvt. Ltd., Koregaon Bhima	IND	34 901 990	74%		•	•	
Italy	Prosino S.r.l., Borgosesia[1]	EUR	50 000	49%		•	•	
Liechtenstein	RiRe Ltd., Vaduz	CHF	4 800 000	100%				•
Netherlands	Graf Holland B.V., Enschede	EUR	113 500	100%		•	•	
Spain	Graf España SA, Santa Perpètua de Mogoda (inactive)	EUR	601 000	100%				
Switzerland	Rieter Management AG, Winterthur	CHF	5 000 000	100%				•
	Tefina Holding-Gesellschaft AG, Zug	CHF	5 000 000	100%				•
	Unikeller Sona AG, Winterthur	CHF	500 000	100%				•
	Maschinenfabrik Rieter AG, Winterthur	CHF	8 500 000	100%	•	•	•	•
	Schaltag AG, Effretikon	CHF	400 000	100%	•	•	•	
	Hogra Holding AG, Freienbach	CHF	1 000 000	100%				•
	Graf + Cie AG, Rapperswil	CHF	1 000 000	100%	•	•	•	•
	Bräcker AG, Pfäffikon	CHF	1 000 000	100%	•	•	•	•
Taiwan	Rieter Asia (Taiwan) Ltd., Taipeh	TWD	5 000 000	100%		•		
Turkey	Rieter Textile Machinery Trading & Services Ltd., Esenler	TRY	25 000	100%		•		
USA	Rieter Corporation, Spartanburg	USD	1 249	100%		•		
	Graf Metallic of America Inc., Spartanburg	USD	50 000	100%		•		
Uzbekistan	Rieter Uzbekistan FE LCC, Tashkent City	USD	2 650 000	100%		•	•	

1. Associated company.

Report of the statutory auditor on the consolidated financial statements

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

As statutory auditor, we have audited the consolidated financial statements of Rieter Holding Ltd., which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and notes on pages 42 to 79, for the year ended December 31, 2013.

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

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

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

Opinion
In our opinion, the consolidated financial statements for the year ended December 31, 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers AG

Stefan Räbsamen	Tobias Handschin
Audit expert	Audit expert
Auditor in charge	

Zurich, March 17, 2014

Income statement of Rieter Holding Ltd.

for the financial year from January 1 to December 31

CHF million	Notes	2013	2012
Income			
Income from investments	(1)	24.6	41.4
Income from marketable securities and interest income	(2)	7.7	8.1
Other income	(3)	2.8	2.5
Total income		**35.1**	**52.0**
Expenses			
Financial expenses	(4)	12.6	12.4
Administration expenses	(5)	4.3	7.0
Value adjustments, provisions	(6)	5.0	20.6
Total expenses		**21.9**	**40.0**
Net profit		**13.2**	**12.0**

Balance sheet of Rieter Holding Ltd.

at December 31, before appropriation of profit

CHF million	Notes	2013	2012
Assets			
Investments in and loans to subsidiaries	(7)	241.4	242.0
Non-current assets		**241.4**	**242.0**
Accrued income and prepayments	(8)	3.0	2.5
Receivables	(9)	45.5	53.1
Liquid funds	(10)	337.4	286.4
Current assets		**385.9**	**342.0**
Total assets		**627.3**	**584.0**
Shareholders' equity and liabilities			
Share capital	(11)	23.4	23.4
Legal reserves			
• General reserve	(12)	27.5	27.5
• Reserve for treasury shares	(13)	13.7	6.8
Reserve from capital contributions	(14)	90.1	101.7
Other reserves	(15)	22.7	9.6
Retained earnings	(16)		
• Balance brought forward		23.3	31.3
• Net profit for the year		13.2	12.0
Shareholders' equity		**213.9**	**212.3**
Long-term financial debt	(17)	250.0	250.0
Provisions	(18)	11.3	11.3
Non-current liabilities		**261.3**	**261.3**
Short-term liabilities	(19)	144.0	102.3
Accrued liabilities		8.1	8.1
Current liabilities		**152.1**	**110.4**
Liabilities		**413.4**	**371.7**
Total shareholders' equity and liabilities		**627.3**	**584.0**

Notes to the financial statements of Rieter Holding Ltd.

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

1 Income from investments

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

2 Income from marketable securities and interest income

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

3 Other income

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

4 Financial expenses

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

5 Administration expenses

Due to lower project costs the administration expenses were lower than in the previous year.

6 Value adjustments, provisions

The value adjustment for general business risks was increased by 5.0 million CHF and deducted from investments in and loans to subsidiaries.

7 Investments in and loans to subsidiaries

CHF million	2013	2012
Investments in subsidiaries	173.0	178.0
Loans to subsidiaries	68.4	64.0
Total	**241.4**	**242.0**

The changes in investments in subsidiaries are mainly due to value adjustments. The main subsidiaries and associated companies are listed on page 79. These investments are held directly or indirectly by Rieter Holding Ltd.

8 Accrued income and prepayments

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

9 Receivables

CHF million	2013	2012
Receivables from third parties	0.3	0.4
Receivables from subsidiaries	45.2	52.7
Total	**45.5**	**53.1**

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

10 Liquid funds

CHF million	2013	2012
Cash and cash equivalents	257.6	247.0
Marketable securities[1]	79.8	39.4
Total	**337.4**	**286.4**

1. Incl. treasury shares and repurchased bonds.

11 Share capital

At December 31, 2013, the share capital of Rieter Holding Ltd. amounts to 23 361 815 CHF. It is divided into 4 672 363 fully paid registered shares with a par value of 5.00 CHF each.

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

12 General reserve

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

13 Reserve for treasury shares

Shares held by all Group companies

	Number
Registered shares held at January 1, 2013	50 938
Purchases January to December 2013 (average price 159.33 CHF)	91 352
Sales January to December 2013 (average price 180.07 CHF)	56 638
Registered shares held at December 31, 2013	85 652

The reserve for treasury shares has been made at the acquisition cost of 13.7 million CHF. This amount was deducted from other reserves.

14 Reserve from capital contributions

CHF million	2013	2012
Opening balance	101.7	129.4
Reversal for distribution	– 11.6	– 27.7
Total	**90.1**	**101.7**

The dividend of 11.6 million CHF which was distributed in April 2013 was taken from reserves from capital contributions.

15 Other reserves

CHF million	2013	2012
Opening balance	9.6	6.6
Transfer from retained earnings	20.0	0.0
Transfer to reserve for treasury shares	– 6.9	3.0
Total	**22.7**	**9.6**

16 Retained earnings

Including the balance brought forward and before the reversal of reserves, the Annual General Meeting has a total of 36.5 million CHF at its disposal (43.3 million CHF in 2012).

17 Long-term financial debt

On March 30, 2010, Rieter Holding Ltd. issued a fixed-rate bond of 250 million CHF. The issue has a five-year maturity and a fixed coupon of 4.5%. Yearly coupon date is at April 30. Final maturity is at April 30, 2015.

18 Provisions

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

19 Short-term liabilities

CHF million	2013	2012
Liabilities to Group companies	143.7	102.2
Liabilities to third parties	0.3	0.1
Total	**144.0**	**102.3**

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

20 Guarantees to third parties

CHF million	2013	2012
Guarantees	38.7	3.0

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

21 Significant shareholders

Major groups of shareholders with holdings exceeding 3% of total voting rights (pursuant to Art. 663c of the Swiss Code of Obligations) at December 31, 2013:

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

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

According to the notification on October 29, 2013, Schroders Plc London, United Kingdom, held 236 317 shares (5.06%).

According to the notification on November 16, 2012, Sparinvest Holding A/S, Randers, Denmark, held 161 400 shares (3.45%).

According to the notification on December 24, 2013, Vontobel Fonds Services AG, Zurich, Switzerland, held 145 528 shares (3.12%).

22 Risk management

The detailed disclosures regarding the risk management that are required by law are included in the consolidated financial statements of the Rieter Group on pages 54 to 57.

23 Remuneration report and disclosure of payments to the Board of Directors and the Group Executive Committee in terms of Art. 663b[bis], Swiss Code of Obligations

Content and process for specifying remuneration and equity participation programs

The basic features for salary policy are elaborated by the Nomination and Compensation Committee (NCC) and adopted by the Board of Directors as a whole, which also approves the bonus program and the share purchase plan. The Board of Directors approves the remuneration of the members of the Board of Directors and the Group Executive Committee on the basis of proposals submitted by the NCC. The Board of Directors reviews the main features of the salary policy annually. It rules on the adjustment of the basic salary of the members of the Group Executive Committee annually and stipulates the targets for performance related payments and the key data for the share purchase plan. In determining the amount of remuneration for the Board of Directors and the Group Executive Committee, publicly available information of Swiss listed companies in the machine industry is consulted and compared. For the members of Group Executive Committee, additional information like individual responsibility and experience is taken into account as well. The Board of Directors has not engaged independent consultants for elaborating the salary policy or the compensation program.

Remuneration of the Board of Directors

Members of the Board of Directors can choose whether to receive all or part of their remuneration as cash or to take up the equal amount in shares. Cash remuneration is paid in December of the reporting year. In case remuneration is settled in shares, the number of shares is calculated on the basis of the average price of Rieter shares 20 trading days prior to the meeting of the Board of Directors, at which the annual accounts are approved. Shares will be allocated at tax value and are blocked for three years as of the allocation date (April 9, 2014).

The remuneration of Erwin Stoller, Executive Chairman, comprises a fixed cash component, a fixed component settled in shares (the number of shares is calculated the same way as for the other Board members) and a performance-related cash component based on the operational (EBIT, RONA and Free Cash Flow) and strategic (projects) targets set by the Board. Determining whether the strategic targets are achieved is based on the judgement of the Board of Directors. For 2013, the performance-related cash component amounts to a maximum of 350 000 CHF. Erwin Stoller's remuneration is disclosed separately and included in the total remuneration of the Board of Directors. A reasonable split of his tasks within the Board of Directors and the Group Executive Committee cannot be done.

Remuneration of the Group Executive Committee

The remuneration of the Group Executive Committee consists of a basic salary, a performance-related component, and the opportunity to participate in the share purchase plan. If the Group generates a consolidated net profit, the members of the Group Executive Committee are entitled to a performance-related component, which does not exceed 80% of the basic salary. The size of the performance-related component is based on weighted targets set annually in advance (EBIT [50%], RONA [30%] and Free Cash Flow [20%]). An upper and a lower threshold are defined for each target. If the lower threshold is not reached, no compensation is paid for the respective target. Within the defined thresholds, the performance-related component is calculated on a straight-line basis.

If the Group reports a consolidated net profit, the members of the Group Executive Committee can purchase Rieter shares in the following year at a variable discount in the context of the share purchase plan. The purchase price of the shares is calculated on the basis of the average price of Rieter shares 20 trading days prior to the meeting of the Board of Directors, at which the annual accounts were approved, less a variable discount. Up to 50% of the basic salary can be drawn in discounted shares. The level of discount is based on equally weighted targets set in advance (EBIT, RONA and Free Cash Flow). An upper and a lower threshold are defined for each target. The maximum discount is 40% of the market value of the Rieter shares if all upper thresholds are achieved. For 2013 the actual discount is 35%. In order to foster long-term ties between management and the Company, the shares acquired in this way cannot be sold for three years.

The subscription period of the share purchase plan starts after the Annual General Meeting. As participation is voluntary, the resulting monetary benefit can only be determined and disclosed in the remuneration report 2014.

Total 2013 compensation to the members of the Board of Directors and the Group Executive Committee

CHF	Cash compensation		Shares			Total
	Fixed net	**Variable net**	**Number**	**Value**	**Contribution to pension plans**	
This E. Schneider, Vice-Chairman	37 500	0	629	112 500[1]	0	150 000
Dr. Jakob Baer	75 000	0	436	75 000[1]	0	150 000
Michael Pieper	0	0	583	100 000[1]	0	100 000
Hans-Peter Schwald	150 000	0	0	0	0	150 000
Dr. Dieter Spälti	65 000	0	371	65 000[1]	0	130 000
Peter Spuhler	0	0	571	100 000[1]	0	100 000
Non-executive members of the Board of Directors	**327 500**	**0**	**2 590**	**452 500[1]**	**0**	**780 000**
Erwin Stoller, Executive Chairman of the Board of Directors	600 000	320 000	918	150 825[1]	0	1 070 825
Members Board of Directors	**927 500**	**320 000**	**3 508**	**603 325[1]**	**0**	**1 850 825**
Members Group Executive Committee	**1 545 000**	**1 125 996**	**0**	**0**	**58 100**	**2 729 096**

1. For the purpose of inclusion in the total compensation, the shares are valued at 164.31 CHF (average trading price 20 days prior to the March 2014 Board meeting [=195.69 CHF] less a 16% discount for the three-year restriction on sale). The transfer will take place in consideration of the applicable social security contributions.

Total 2012 compensation to the members of the Board of Directors and the Group Executive Committee

CHF	Cash compensation		Shares			Total
	Fixed net	**Variable net**	**Number**	**Value**	**Contribution to pension plans**	
This E. Schneider, Vice-Chairman	0	0	974	150 000[1]	0	150 000
Dr. Jakob Baer	50 000	0	661	100 000[1]	0	150 000
Michael Pieper	0	0	663	100 000[1]	0	100 000
Hans-Peter Schwald	150 000	0	0	0	0	150 000
Dr. Dieter Spälti	65 000	0	422	65 000[1]	0	130 000
Peter Spuhler	0	0	649	100 000[1]	0	100 000
Non-executive members of the Board of Directors	**265 000**	**0**	**3 369**	**515 000[1]**	**0**	**780 000**
Erwin Stoller, Executive Chairman of the Board of Directors	600 000	0	1 038	150 000[1]	40 333	790 333
Members Board of Directors	**865 000**	**0**	**4 407**	**665 000[1]**	**40 333**	**1 570 333**
Members Group Executive Committee	**1 495 000**	**48 000**	**2 300**	**0[2]**	**54 600**	**1 597 600**

1. For the purpose of inclusion in the total compensation, the shares are valued at 144.57 CHF (average trading price 20 days prior to the March 2013 Board meeting [=172.19 CHF] less a 16% discount for the three-year restriction on sale). The transfer took place in consideration of the applicable social security contributions.
2. The shares are valued at 0.00 CHF (difference between purchase price [=131.00 CHF] and average trading price during subscription period less a 16% discount for the three-year restriction on sale [=124.22 CHF]).

Additional fees and payments

In 2013, no additional fees and payments were paid.

Remuneration of former members of the Board of Directors and the Group Executive Committee

There is an agreement with Hartmut Reuter, former CEO of Rieter, that if the restructuring program initiated in 2008 under Hartmut Reuter as CEO at that time were to yield a positive net result in the years 2011 and 2012, a bonus of 0.15 million CHF would be due for each of these years. In 2012, the agreed conditions were met so that 0.15 million CHF were paid out in 2013.

Directorships with other companies

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

Loans to directors and officers

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

Disclosure of the equity holdings of the Board of Directors and the Group Executive Committee (including related parties) as of December 31, 2013 (Art. 663c, Swiss Code of Obligations)

	Shares	
	2013	**2012**
Erwin Stoller, Chairman	12 082	11 039
Dr. Jakob Baer	2 100	1 439
Michael Pieper	539 358	538 695
This E. Schneider	3 010	2 036
Hans-Peter Schwald	4 000	3 513
Dr. Dieter Spälti	3 789	3 367
Peter Spuhler	897 210	896 561
Total Board of Directors	**1 461 549**	**1 456 650**

	Shares	
	2013	**2012**
Thomas Anwander	1 360	1 260
Peter Gnägi	2 624	2 624
Joris Gröflin	1 229	1 229
Werner Strasser	560	560
Total Group Executive Committee	**5 773**	**5 673**

In 2011, the Board of Directors decided to discontinue the option program. As of December 31, 2012 and 2013, there were respectively no options outstanding.

Proposal of the Board of Directors

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

CHF	2013
Net profit for the year	13 208 654
Retained earnings brought forward from previous year	23 316 211
Reversal of reserve from capital contributions[1]	16 353 271
At the disposal of the Annual General Meeting	**52 878 136**
Proposal	
Distribution of dividends[1]	16 353 271
Allocation to other reserves	10 000 000
Carried forward to new account	26 524 865
	52 878 136

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

The Board of Directors proposes 10.0 million CHF to be allocated to other reserves and a dividend of 3.50 CHF per registered share to be paid, the latter is taken from reserves from capital contributions. As a consequence, the dividend distribution is to be effected without deduction of 35% capital gains withholding tax (as provided for in Art. 5 section 1bis of the Swiss Federal Law on Withholding Tax (VStG)).

Report of the statutory auditor on the financial statements

pwc

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

As statutory auditor, we have audited the financial statements of Rieter Holding Ltd., which comprise the income statement, balance sheet and notes on pages 82 to 92 and page 79, for the year ended December 31, 2013.

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

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

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

Opinion
In our opinion, the financial statements for the year ended December 31, 2013 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

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

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

PricewaterhouseCoopers AG

Stefan Räbsamen	Tobias Handschin
Audit expert	Audit expert
Auditor in charge	

Zurich, March 17, 2014

Review 2009 to 2013

Consolidated income statement

		2013	2012[2]	2011	2010	2009
Sales	CHF million	1 035.3	888.5	1 060.8	870.4	1 956.3
• Europe	CHF million	81	89	124	119	-
• Asia	CHF million	790	680	791	595	-
thereof China	CHF million	223	193	151	103	-
thereof India	CHF million	109	96	175	146	-
thereof Turkey	CHF million	199	168	209	117	-
• Americas	CHF million	112	91	124	128	-
• Africa	CHF million	52	29	22	28	-
Operating result before interest, taxes, depreciation and amortization (EBITDA)	CHF million	95.2	65.9	146.5	115.6	– 45.7
• in % of sales		9.2	7.4	13.8	13.3	– 2.3
Operating result before interest and taxes (EBIT)	CHF million	60.2	32.7	112.6	75.7	– 186.6
• in % of sales		5.8	3.7	10.6	8.7	– 9.5
Net result[1]	CHF million	37.4	25.7	119.0	82.9	– 217.5
• in % of sales		3.6	2.9	11.2	9.5	– 11.1
Return on net assets (RONA) in %		8.5	6.7	19.8	-	– 19.5

Consolidated statement of cash flows

		2013	2012[2]	2011	2010	2009
Net cash from operating activities	CHF million	107.7	9.3	80.4	99.2	– 1.6
Net cash used for investing activities	CHF million	– 46.6	– 41.6	– 0.9	– 20.5	– 33.2
Net cash from financing activities	CHF million	– 40.0	– 31.8	– 25.1	140.2	– 27.8
Number of employees at year-end		**4 793**	**4 720**	**4 695**	**4 395**	**12 761**

As of 2010 without Automotive Systems.

Consolidated balance sheet

		2013	2012[2]	2011	2010	2009
Non-current assets	CHF million	371.1	356.3	322.0	802.2	886.5
Current assets	CHF million	742.9	713.8	789.4	1 166.9	927.6
Equity attributable to Rieter shareholders	CHF million	389.2	370.9	379.3	556.9	587.2
Equity attributable to non-controlling interests	CHF million	0.5	5.0	8.4	70.7	68.7
Non-current liabilities	CHF million	321.0	387.6	400.1	557.1	399.3
Current liabilities	CHF million	403.3	306.6	323.6	784.4	759.0
Total assets	CHF million	1 114.0	1 070.1	1 111.4	1 969.1	1 814.1
Shareholders' equity in % of total assets		35.0	35.1	34.9	31.9	36.2
Net liquidity	CHF million	**141.3**	**95.6**	**159.0**	**– 3.5**	**10.4**

As of 2011 without Automotive Systems.

1. Net result before deduction of non-controlling interests.
2. Restated (see paragraph "Changes in accounting policies" on page 48).

Information for investors

		2013	2012	2011	2010	2009
Share capital	CHF million	23.4	23.4	23.4	23.4	23.4
Net profit of Rieter Holding Ltd.	CHF million	13.2	12.0	28.7	143.1	1.0
Dividend	CHF million	16.4 [1]	11.6	27.7	0.0	0.0
Payout ratio (in % of net profit)[3]	in %	41	39	23	0	0
Market capitalization (December 31)	CHF million	964	737	653	1 566	1 085
Market capitalization in % of						
• sales	in %	92	83	62	61	55
• equity attributable to Rieter shareholders	in %	248	199 [2]	172	281	185

As of 2011 without Automotive Systems.

1. See proposal of the Board of Directors on page 92.
2. Restated (see paragraph "Changes in accounting policies" on page 48).
3. Net profit continuing operations after deduction of non-controlling interests.

Data per share (RIEN)

			2013	2012[2]	2011	2010	2009
Share prices on the SIX Swiss Exchange	high	CHF	210	198	267	343	270
	low	CHF	142	123	133	244	95
Price / earnings ratio	high		24.5	31.7	10.3	60.0	– 5.3
	low		16.6	19.7	5.1	42.7	– 1.9
Shareholders' equity (Group) per registered share		CHF	84.85	80.26	81.93	120.57	126.42
Tax value per registered share		CHF	210.10	159.40	141.10	339.00	233.50
Dividend per registered share		CHF	3.50 [1]	2.50	6.00	0.00	0.00
Gross yield on registered shares	high	in %	1.7 [1]	1.3	2.2	0.0	0.0
	low	in %	2.5 [1]	2.0	4.5	0.0	0.0
Earnings per share		CHF	8.56	6.24	25.86	5.72	– 50.96

As of 2011 without Automotive Systems.

1. See proposal of the Board of Directors on page 92.
2. Restated (see paragraph "Changes in accounting policies" on page 48).

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

March 2014

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