RIETER

2022

Semi-Annual Report

KEY FIGURES

CHF million	January – June 2022	January – June 2021	Change
Rieter			
Order intake	869.4	975.3	– 11%
Sales	620.6	400.5	55%
Operating result before interest, taxes, depreciation, and amortization (EBITDA)	15.6	27.1	
• in % of sales	2.5%	6.8%	
Operating result before interest, taxes, and amortization (EBITA)	– 3.0	12.2	
• in % of sales	– 0.5%	3.0%	
Operating result before interest and taxes (EBIT)	– 10.2	9.0	
• in % of sales	– 1.6%	2.2%	
Net result	– 25.2	5.3	
• in % of sales	– 4.1%	1.3%	
Basic earnings per share (CHF)	– 5.62	1.19	
Purchase of property, plant, and equipment, and intangible assets	19.0	10.1	
Free cash flow	– 57.1	53.2	
Net liquidity at the end of the reporting period	– 237.0	98.8	
Equity in % of total assets at the end of the reporting period	21.3%	35.3%	
Number of employees (excluding temporaries) at the end of the reporting period	5 479	4 385	
Business Group Machines & Systems			
Order intake	579.3	714.8	– 19%
Sales	383.8	218.9	75%
Operating result before interest, taxes, and amortization (EBITA)	– 28.9	– 12.2	
• in % of sales	– 7.5%	– 5.6%	
Operating result before interest and taxes (EBIT)	– 30.2	– 12.2	
• in % of sales	– 7.9%	– 5.6%	
Business Group Components			
Order intake	180.9	154.9	17%
Sales	159.9	112.4	42%
Total segment sales	219.8	154.1	43%
Operating result before interest, taxes, and amortization (EBITA)	17.0	16.3	
• in % of segment sales	7.7%	10.6%	
Operating result before interest and taxes (EBIT)	12.1	13.4	
• in % of segment sales	5.5%	8.7%	
Business Group After Sales			
Order intake	109.2	105.6	3%
Sales	76.9	69.2	11%
Operating result before interest, taxes, and amortization (EBITA)	9.2	9.2	
• in % of sales	12.0%	13.3%	
Operating result before interest and taxes (EBIT)	8.4	9.1	
• in % of sales	10.9%	13.2%	

Alternative Performance Measures (APM)

The definitions of the APM used are contained in the Annual Report 2021. The newly introduced key performance measure “Operating result before interest, taxes, and amortization (EBITA)” is shown accordingly in the Semi-Annual Report 2022.

Semi-Annual Report 2022

Financial report

Bernhard Jucker
Chairman of the Board of Directors

Dr. Norbert Klapper
Chief Executive Officer

FIRST HALF OF 2022

MARKET SUCCESS THROUGH TECHNOLOGY LEADERSHIP, PROFITS STRONGLY IMPACTED BY SIGNIFICANT COST INCREASES AND SUPPLY CHAIN BOTTLENECKS

DEAR SHAREHOLDER

Rieter continued to be successful in the market in the first half of 2022. Based on the company's technology leadership, innovative product portfolio and the completion of the ring- and compact-spinning system, a high order intake and a significant increase in sales were generated. The increase in sales was achieved even though preproduced deliveries in the three-digit million range had to be postponed until the second half of 2022. The order backlog is at a record level. Despite higher sales, the significant increase in material and logistics costs, additional costs for compensation of the material shortages and the expenditure incurred for the acquisition in the years 2021/2022 resulted in a loss. Rieter is implementing an action plan to increase sales and profitability. The sales process for the remaining land owned by Rieter was initiated.

ORDER INTAKE AND ORDER BACKLOG

Rieter posted an order intake of CHF 869.4 million, which included CHF 176.6 million from the businesses acquired in the years 2021/2022. As expected, demand has thus returned to normal compared with the exceptionally high figure for the prior-year period, but remains well above the average figure for the last five years of around CHF 570 million (first half 2021: CHF 975.3 million, first half 2022 excluding acquisition effect CHF 692.8 million).

The regional shift in demand with investments in additional spinning capacity outside China along with investments in the competitiveness of Chinese spinning mills continues. Rieter benefits from its technology leadership, the innovative product portfolio and the completion of the ring- and compact-spinning system through the acquisition of the automatic winding machine business. The largest order intakes came from India, Turkey, China, Uzbekistan, and Pakistan.

On June 30, 2022, the company had an order backlog of more than CHF 2 100 million (June 30, 2021: CHF 1 135 million). Cancellations in the reporting period amounted to around 5% of the order backlog.

SALES

The Rieter Group posted sales of CHF 620.6 million, which included CHF 68.9 million from the businesses acquired in the years 2021/2022 (first half 2021: CHF 400.5 million).

As a result, sales were significantly higher than in the prior-year period, although preproduced deliveries, which mainly affected the Business Group Machines & Systems, in the three-digit million range had to be postponed until the second half of 2022. The reasons for the postponements were the COVID lockdown in China and supply chain bottlenecks.

EBIT, NET RESULT AND FREE CASH FLOW

Rieter posted a loss of CHF -10.2 million at the **EBIT** level in the first half of 2022.

Earnings were impacted by significantly higher material and logistics costs. The price increases already implemented are having a delayed effect, mainly in the Business Group Machines & Systems, and were therefore unable to compensate for the high increase in costs. In addition, costs in connection with material shortages negatively impacted profitability. The result also includes acquisition-related expenses of CHF -11.2 million.

The loss at the **net result** level was CHF -25.2 million, of which CHF -17.6 million was due to the acquisition.

Free cash flow was CHF -57.1 million, attributable to the build-up of inventories in connection with the high order backlog and postponed deliveries.

ACTION PLAN TO INCREASE SALES AND PROFITABILITY

Rieter is implementing a comprehensive package of measures with the aim of increasing sales and profitability in the second half of 2022.

The package focuses on two main priorities: Firstly, Rieter is continuing to systematically implement price increases while working to improve the quality of margins of the order backlog, so as to compensate for cost increases in materials and logistics.

Secondly, Rieter is working closely with key suppliers and is developing alternative solutions to eliminate material bottlenecks, as far as possible, in order to safeguard deliveries.

RIETER SITE WINTERTHUR

The Board of Directors has decided to begin the process for the sale of the remaining land at the Rieter site in Winterthur (Switzerland). In total, around 75 000 m^2 of land will be sold. The Rieter CAMPUS is not part of this transaction; the construction project is progressing according to plan.

OUTLOOK

As already reported, Rieter expects demand for new systems to normalize further in the coming months. Due to the capacity utilization at spinning mills, the company anticipates that demand for consumables, wear & tear and spare parts will remain at a good level.

For the full year 2022, due to the high order backlog and the consolidation of the businesses acquired from Saurer, Rieter expects sales of around CHF 1 400 million (2021: CHF 969.2 million). The reduced sales forecast compared to early 2022 (March 2022: CHF 1 500 million) reflects the impact of global supply bottlenecks. The realization of sales revenue from the order backlog continues to be associated with risks in relation to the well-known challenges.

Despite significantly higher sales, Rieter expects EBIT and net result for 2022 to be below the previous year's level. This is due to the considerable increases in the cost of materials and logistics, additional costs for compensation of material shortages as well expenses in connection with the acquisition in the years 2021/2022. Despite the price increases already implemented, global cost increases continue to pose a risk to the growth of profitability.

As market and technology leader, Rieter will benefit from the exceptionally high order backlog and the continuation of the regional shift of demand.

Winterthur, July 19, 2022

B. Jucker

Bernhard Jucker
Chairman
of the Board of Directors

Dr. Norbert Klapper
Chief Executive Officer

FINANCIAL CALENDAR

Investor Update 2022	October 21, 2022
Publication of sales 2022	January 25, 2023
Deadline for proposals regarding the agenda of the Annual General Meeting	February 17, 2023
Results press conference 2023	March 9, 2023
Annual General Meeting 2023	April 20, 2023
Semi-Annual Report 2023	July 20, 2023
Investor Update 2023	October 20, 2023

CONSOLIDATED INCOME STATEMENT

CHF million	Notes	January – June 2022	January – June 2021
Sales	(3, 4)	**620.6**	**400.5**
Cost of sales		– 490.5	– 275.8
Gross profit		**130.1**	**124.7**
Research and development expenses		– 35.4	– 28.2
Selling, general, and administrative expenses		– 113.1	– 97.5
Other income	(5)	12.8	13.9
Other expenses	(5)	– 4.6	– 3.9
Operating result before interest and taxes (EBIT)	(3)	**– 10.2**	**9.0**
Financial result		– 10.1	0.4
Result before taxes	(3)	**– 20.3**	**9.4**
Income taxes		– 4.9	– 4.1
Net result		**– 25.2**	**5.3**
Attributable to shareholders of Rieter Holding Ltd.		– 25.2	5.3
Attributable to non-controlling interests		0.0	0.0
Basic earnings per share (CHF)		**– 5.62**	**1.19**
Diluted earnings per share (CHF)		**– 5.62**	**1.19**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CHF million	January – June 2022	January – June 2021
Net result	**– 25.2**	**5.3**
Remeasurement of defined benefit plans	– 13.6	1.4
Income taxes on remeasurement of defined benefit plans	2.7	0.2
Changes in fair values of financial assets	– 0.2	0.0
Items that will not be reclassified to the income statement, net of taxes	**– 11.1**	**1.6**
Currency translation differences	– 8.1	11.7
Income taxes on currency translation differences	0.0	– 0.2
Cash flow hedges	– 6.8	5.2
Income taxes on cash flow hedges	0.3	– 1.0
Items that may be reclassified to the income statement, net of taxes	**– 14.6**	**15.7**
Total other comprehensive income	**– 25.7**	**17.3**
Total comprehensive income	**– 50.9**	**22.6**
Attributable to shareholders of Rieter Holding Ltd.	– 50.9	22.6
Attributable to non-controlling interests	0.0	0.0

CONSOLIDATED BALANCE SHEET

CHF million	Notes	June 30, 2022	December 31, 2021
Assets			
Cash and cash equivalents		191.3	248.7
Marketable securities and time deposits		0.4	0.7
Trade receivables		166.7	122.0
Other current receivables		101.6	80.1
Current income tax receivables		3.9	3.1
Inventories[1]		390.4	249.0
Assets classified as held for sale		–	14.7
Current assets[1]		**854.3**	**718.3**
Property, plant, and equipment[1]		242.5	234.4
Intangible assets[1]		151.1	84.9
Goodwill[1]		183.2	93.9
Prepaid consideration for acquisition		–	191.8
Investments in associated companies		18.0	17.1
Defined benefit plan assets		48.5	62.8
Deferred income tax assets		29.5	25.8
Other non-current assets		10.1	7.3
Non-current assets[1]		**682.9**	**718.0**
Assets		**1 537.2**	**1 436.3**

CHF million	Notes	June 30, 2022	December 31, 2021
Liabilities and shareholders' equity			
Current financial debt		227.6	209.7
Trade payables		138.3	117.2
Other current liabilities		212.7	148.1
Advance payments from customers		260.6	211.4
Current income tax liabilities		32.3	30.4
Current provisions		34.4	28.0
Deferred consideration from acquisitions	(2.1)	6.3	–
Current liabilities		**912.2**	**744.8**
Non-current financial debt		201.1	201.6
Defined benefit plan liabilities		39.0	30.9
Deferred income tax liabilities		31.5	34.9
Non-current provisions		26.1	28.0
Non-current liabilities		**297.7**	**295.4**
Liabilities		**1 209.9**	**1 040.2**
Equity attributable to shareholders of Rieter Holding Ltd.		327.2	395.8
Equity attributable to non-controlling interests		0.1	0.3
Shareholders' equity		**327.3**	**396.1**
Liabilities and shareholders' equity		**1 537.2**	**1 436.3**

1 The comparative period (December 31, 2021) has been adjusted retrospectively as a result of the final purchase price allocation from the acquisition of the Accotex and Temco businesses as well as the updated purchase price allocation from the acquisition of the winder-related service and commission business in India on December 1, 2021 (see notes 1.1 and 2.1).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CHF million	January – June 2022	January – June 2021
Total shareholders' equity at January 1	**396.1**	**350.9**
Total comprehensive income	– 50.9	22.6
Distribution of a dividend	– 18.0	0.0
Changes in non-controlling interests	– 0.2	0.0
Changes in treasury shares (including share-based compensation)	0.3	3.8
Total shareholders' equity at June 30	**327.3**	**377.3**

CONSOLIDATED CASH FLOW STATEMENT

CHF million	Notes	January – June 2022	January – June 2021
Net result		**– 25.2**	**5.3**
Depreciation of property, plant, and equipment, and amortization of intangible assets		25.8	18.1
Interest income/expenses		3.4	1.1
Income taxes		4.9	4.1
Other non-cash expenses and income		5.0	10.8
Change in net working capital, other		– 65.1	28.5
Interest paid/received		– 1.7	– 1.0
Income taxes paid		– 8.1	– 4.0
Cash flow from operating activities		**– 61.0**	**62.9**
Acquisition of subsidiaries	(2.1)	– 2.0	–
Purchase of property, plant, and equipment, and intangible assets		– 19.0	– 10.1
Proceeds from disposals of property, plant, and equipment (including assets classified as held for sale)		22.6	0.3
Proceeds from disposals/purchase of other non-current assets		0.2	0.0
Sale/purchase of marketable securities and time deposits		0.1	0.1
Cash flow from investing activities		**1.9**	**– 9.7**
Dividend paid to shareholders of Rieter Holding Ltd.		– 18.0	0.0
Purchase/sale of treasury shares		– 2.1	3.4
Proceeds from financial debt		26.3	12.2
Repayments of financial debt		– 5.3	– 75.6
Cash flow from financing activities		**0.9**	**– 60.0**
Currency effects on cash and cash equivalents		0.8	3.8
Change in cash and cash equivalents		**– 57.4**	**– 3.0**
Cash and cash equivalents at January 1		**248.7**	**282.3**
Cash and cash equivalents at June 30		**191.3**	**279.3**

NOTES TO THE CONSOLIDATED SEMI-ANNUAL FINANCIAL STATEMENTS

1 BASIS FOR PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated semi-annual financial statements of Rieter Holding Ltd. and its subsidiaries (“Rieter” or “Rieter Group”) have been prepared in accordance with IAS 34 Interim Financial Reporting. They are based on the financial statements of the individual group companies prepared in accordance with Rieter’s uniform accounting policies as of June 30, 2022. The significant accounting policies summarized in the Annual Report 2021 have been amended in the first half year of 2022 in accordance with the new and revised IFRS Standards and Interpretations. The implementation of these changes in IFRS had no significant impact on the consolidated semi-annual financial statements.

The consolidated semi-annual financial statements have not been audited by the statutory auditor. The consolidated income statement, the consolidated statement of changes in equity, and the consolidated cash flow statement are presented in condensed form.

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

		Average period CHF rates		Period-end CHF rates	
Country/region	**Currency (unit)**	**January – June 2022**	**January – June 2021**	**June 30, 2022**	**December 31, 2021**
China	CNY 100	14.57	14.04	14.31	14.36
Czech Republic	CZK 100	4.19	4.23	4.03	4.16
Euro countries	EUR 1	1.03	1.09	1.00	1.03
India	INR 100	1.24	1.24	1.21	1.23
USA	USD 1	0.94	0.91	0.96	0.91

1.1 ADJUSTMENT OF THE COMPARATIVE PERIOD

The comparative period of the balance sheet, i.e. balance sheet as at December 31, 2021, has been adjusted retrospectively as a result of the final purchase price allocation from the acquisition of the Accotex and Temco businesses as well as an updated purchase price allocation from the acquisition of the winder-related service and commission business in India on December 1, 2021 (see note 2.1).

The following table summarizes the mentioned adjustments:

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

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

2 SIGNIFICANT EVENTS

2.1 ACQUISITIONS

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

With the acquisition of the automatic winding machine business, Rieter marks an important milestone in the implementation of the Group's strategy as an innovative systems supplier by completing its offering of ring- and compact-spinning systems. The automatic winding machine business was allocated to the Machines & Systems and the After Sales segments. Furthermore, Rieter added two attractive components businesses to its Components segment: Accotex (elastomer components for spinning machines) and Temco (bearing solutions for filament machines).

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

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

The purchase price for the Accotex and Temco businesses amounted to EUR 105.1 million (CHF 109.6 million). Thereof EUR 104.1 million (CHF 108.6 million) was settled against the prepaid purchase price and EUR 1.0 million (CHF 1.0 million) was deferred to the final closing. No contingent considerations were agreed. The deferred purchase price portion of EUR 1.0 million (CHF 1.0 million) was settled at the final closing on March 31, 2022. Goodwill of CHF 39.8 million is attributable to the acquired workforce and the complementary nature of the acquired businesses. Any amortization of goodwill will be effective for tax purposes.

The impact of the Accotex and Temco businesses on the consolidated income statement of the financial year 2021 was limited to the period from December 1 until December 31, 2021. If the acquisition had occurred on January 1, 2021, consolidated pro-forma sales and the net result for the period ended June 30, 2021, would have been CHF 435.8 million and CHF 6.0 million respectively. These amounts were calculated from the results of the businesses, adjusted by the differences in the accounting policies between Rieter and the acquired businesses, and from the additional depreciation and amortization that would have been charged assuming the fair value adjustments to inventories, property, plant, and equipment, and intangible assets had applied from January 1, 2021, together with the consequential tax effects.

Further, on November 30, 2021, Rieter India Pvt. Ltd. (Wing, India) acquired assets and the winder-related service and commission business from Saurer Textile Solutions Private Limited (Mumbai, India) for a purchase price of INR 931.3 million (CHF 11.4 million, equals EUR 11.0 million) paid in cash. At the same time, Saurer Netherlands repaid EUR 11.0 million of the prepaid purchase price to Rieter Holding Ltd. No contingent considerations were agreed. Goodwill of CHF 10.9 million is attributable to the workforce and the complementary nature of the acquired business in India. Any amortization of goodwill will not be effective for tax purposes.

The impact of the winder-related service and commission business in India on the consolidated income statement of the financial year 2021 was limited to the period from December 1 until December 31, 2021. If the acquisition had occurred on January 1, 2021, consolidated pro-forma sales and the net result for the year ended June 30, 2021, would have been CHF 403.1 million and CHF 5.7 million respectively. These amounts were calculated from the results of the business and adjusted by the additional amortization that would have been charged assuming the fair value adjustments to intangible assets had applied from January 1, 2021, together with the consequential tax effects.

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

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

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

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

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

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

Automatic winding machine business, consolidated on April 1, 2022

Further, on March 25, 2022, Saurer Spinning Solutions GmbH & Co KG and Rieter Automatic Winder GmbH signed an asset purchase agreement on a cash and debt free basis to acquire assets and liabilities of the automatic winding machine business. Closing of the transaction and therefore initial integration into the consolidated financial statements of Rieter was on April 1, 2022. The shares of Rieter Automatic Winder GmbH were transferred to Rieter Holding Ltd. on March 31, 2022, in return for the remaining 36% preferred shares of Saurer Netherlands.

The purchase price for the automatic winding machine business amounted to EUR 178.8 million (CHF 183.6 million) and was settled against the prepaid purchase price using the foreign exchange rate relevant at the acquisition date. A corresponding foreign exchange loss of CHF 8.0 million was recorded in the financial result in the first half of 2022. No contingent considerations were agreed. In addition, a consideration of a loss compensation for the transition period until March 31, 2022, in the amount of CHF 6.3 million has been deferred as a liability in the balance sheet at June 30, 2022. This liability is presented in the separate item “Deferred consideration from acquisitions”.

Goodwill of CHF 90.8 million is attributable to the acquired workforce, synergies, and the complementary nature of the acquired automatic winding machine business. Any amortization of goodwill will be effective for tax purposes.

The impact of Rieter Automatic Winder GmbH on the consolidated semi-annual income statement is limited to the period from April 1, until June 30, 2022. During this period, Rieter Automatic Winder GmbH contributed sales of CHF 27.8 million and a net result of CHF –12.4 million to the Group. If the acquisition had occurred on January 1, 2022, consolidated pro-forma sales and the net result for the period ended June 30, 2022, would have been CHF 653.2 million and CHF –34.3 million respectively. These amounts were calculated from the results of the Rieter Automatic Winder GmbH, adjusted to take account of the differences in the accounting policies between the Group and the Rieter Automatic Winder GmbH, and from the additional depreciation and amortization that would have been charged assuming the fair value adjustments to inventories, property, plant, and equipment, and intangible assets had applied from January 1, 2021, together with the consequential tax effects.

The following table presents a breakdown of assets acquired and liabilities assumed at April 1, 2022:

CHF million	**Rieter Automatic Winder GmbH**
Trade receivables	22.9
Other current receivables	2.7
Inventories	33.2
Property, plant, and equipment	11.7
Intangible assets	73.7
Assets	**144.2**
Trade payables	5.0
Other current liabilities	6.2
Advance payments from customers	14.0
Current provisions	9.0
Defined benefit plan liabilities	8.9
Non-current provisions	0.6
Liabilities	**43.7**
Agreed purchase price	183.6
Increase in purchase price: Payment of liabilities not possible to be assumed by Rieter (EUR 1.2 million)	1.2
Increase in purchase price: Deferred consideration of a loss compensation for the transition period until March 31, 2022 (EUR 6.3 million)	6.5
Total consideration	**191.3**
Net identifiable assets acquired	100.5
Goodwill	**90.8**

Intangible assets comprise the fair values of customer relationships (CHF 38.4 million), technology (CHF 30.5 million), and the brands Autoconer and Schlafhorst (CHF 4.8 million).

The fair value of acquired trade receivables amounted to CHF 22.9 million. The gross contractual amount of invoiced trade receivables was CHF 24.0 million, with an allowance for trade receivables of CHF 1.1 million recognized at acquisition date.

The accounting for the acquisition is preliminary due to the ongoing identification and separation of related assets and liabilities.

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

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

CHF million	**Cash flow**
Payment of deferred purchase price portion for the Accotex and Temco businesses (EUR –1.0 million)	– 1.0
Repayment of prepaid purchase price assigned to inventory and property, plant, and equipment in various Rieter countries (EUR 0.2 million)	0.2
Payment of liabilities not possible to be assumed by Rieter (EUR –1.2 million)	– 1.2
Cash flow from acquisition of subsidiaries	**– 2.0**

Transaction costs related directly to the acquisition amounted to CHF 6.8 million in total. Thereof CHF 2.4 million, mainly related to the acquisition of the automatic winding machine business, was recognized as other expenses in the consolidated semi-annual income statement January – June 2022 as incurred in the first half of 2022. The remaining transaction costs amounting to CHF 4.4 million, mainly related to the acquisition of the Accotex and Temco businesses, were included as other expenses in the consolidated income statement 2021 as incurred in the second half of 2021.

2.2 GLOBAL ECONOMIC AND GEOPOLITICAL CHALLENGES

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

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

These factors are adversely impacting earnings in the first half of 2022 compared to the first half of 2021.

Against this background, Rieter has reviewed the areas involving significant accounting estimates and key judgments to assess the impacts of the global economic and geopolitical challenges (see note 1.2 in the consolidated financial statements 2021). The assumptions and the financial plans underlying the impairment test for the goodwill and the intangible assets allocated to SSM, Accotex, and Temco (see note 4.6 in the consolidated financial statements 2021) have been reviewed as of June 30, 2022. There was no impairment loss as a result of the review. The global economic and geopolitical challenges also had no material impact on either the remaining significant accounting estimates and key judgments or any other balance sheet line items on June 30, 2022.

3 SEGMENT INFORMATION

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

Segment information January – June 2022

CHF million	Machines & Systems	Components	After Sales	Total reportable segments
Total segment sales	383.8	219.8	76.9	680.5
Inter-segment sales	0.0	59.9	0.0	59.9
Sales	**383.8**	**159.9**	**76.9**	**620.6**
Operating result before interest, taxes, and amortization (EBITA)	– 28.9	17.0	9.2	– 2.7
Operating result before interest and taxes (EBIT)	– 30.2	12.1	8.4	– 9.7
Purchase of property, plant, and equipment, and intangible assets	5.5	7.0	1.3	13.8
Depreciation of property, plant, and equipment, and amortization of intangible assets	7.0	13.6	1.2	21.8

Segment information January – June 2021

CHF million	Machines & Systems	Components	After Sales	Total reportable segments
Total segment sales	218.9	154.1	69.2	442.2
Inter-segment sales	0.0	41.7	0.0	41.7
Sales	**218.9**	**112.4**	**69.2**	**400.5**
Operating result before interest, taxes, and amortization (EBITA)	– 12.2	16.3	9.2	13.3
Operating result before interest and taxes (EBIT)	– 12.2	13.4	9.1	10.3
Purchase of property, plant, and equipment, and intangible assets	0.9	1.9	0.2	3.0
Depreciation of property, plant, and equipment, and amortization of intangible assets	4.9	9.5	0.5	14.9

Reconciliation of segment results

CHF million	January – June 2022	January – June 2021
Operating result before interest and taxes (EBIT) of reportable segments	– 9.7	10.3
Result which cannot be allocated to reportable segments	– 0.5	– 1.3
Operating result before interest and taxes (EBIT)	**– 10.2**	**9.0**
Financial result	– 10.1	0.4
Result before taxes	**– 20.3**	**9.4**

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

In the first half of 2022, the result which cannot be allocated to the reportable segments contains transaction costs related directly to the acquisition of the Saurer businesses in the amount of CHF 2.4 million (see note 2.1). In the first half of 2021, the reversal of provisions due to court rulings in favor of Rieter amounting to CHF 4.1 million was included in the respective result.

4 SALES

Sales are divided into the following categories:

CHF million	January – June 2022	January – June 2021
Sales of products	598.8	382.6
Sales of services	21.8	17.9
Sales	**620.6**	**400.5**

Sales of services are mainly incurred at Rieter After Sales.

5 OTHER INCOME AND EXPENSES

CHF million	January – June 2022	January – June 2021
Rental income	1.6	1.5
Gain on disposals of property, plant, and equipment	0.1	0.5
Disposals of materials for recycling purposes	1.7	0.9
Foreign exchange differences (net)	3.7	2.3
Miscellaneous other income	5.7	8.7
Other income	**12.8**	**13.9**
Restructuring costs	0.0	– 0.7
Impairment losses on property, plant, and equipment	– 0.1	0.0
Miscellaneous other expenses	– 4.5	– 3.2
Other expenses	**– 4.6**	**– 3.9**

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

In the first half of 2022, miscellaneous other expenses include transaction costs related directly to the acquisition of the Saurer businesses in the amount of CHF 2.4 million (see note 2.1).

6 SELECTED ALTERNATIVE PERFORMANCE MEASURES

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

CHF million	January – June 2022	January – June 2021
Operating result before interest and taxes (EBIT)	– 10.2	9.0
Amortization of intangible assets	7.2	3.2
Operating result before interest, taxes, and amortization (EBITA)	**– 3.0**	**12.2**
Depreciation of tangible fixed assets	18.6	14.9
Operating result before interest, taxes, depreciation, and amortization (EBITDA)	**15.6**	**27.1**

7 CHANGES IN GROUP STRUCTURE

In the first half of 2022, Rieter acquired the automatic winding machine business from Saurer. This business has been integrated into the newly set up subsidiary Rieter Automatic Winder GmbH (see note 2.1). Moreover, Rieter liquidated the operationally inactive subsidiary Graf-Kratzen GmbH (Gersthofen, Germany) with a foreign exchange loss of CHF 0.5 million transferred from other comprehensive income to the financial result of the consolidated semi-annual income statement 2022. In the first half of 2021, the subsidiary Graf Máquinas Têxteis Indústria e Comércio Ltda. (São Paulo, Brazil) absorbed the subsidiary Rieter South America Ltda. (São Paulo, Brazil) and changed its company name to Rieter Brasil Comércio e Representaçáo de Máquinas e Sistemas Têxteis Ltda. The impact of this merger on the consolidated semi-annual financial statements 2021 was insignificant.

8 FINANCIAL INSTRUMENTS

The following table shows the financial instruments which are measured at fair value, grouped according to the categories defined in the accounting policies:

CHF million		June 30, 2022	December 31, 2021
Marketable securities	Assets, level 1	0.1	0.4
Other financial assets	Assets, level 2	0.4	0.5
Other financial assets	Assets, level 3	0.5	0.5
Derivative financial instruments (positive fair values)	Assets, level 2	33.6	21.5
Derivative financial instruments (negative fair values)	Liabilities, level 2	39.2	23.3

There were no transfers among the categories and the valuation techniques have been applied consistently. Financial instruments measured at level 2 consist mainly of derivatives held for hedging purposes entered into with reputable financial institutions. The fair value of these instruments is determined with the help of valuation techniques which use foreign exchange rates and interest rates as observable input parameters.

On June 30, 2022, financial debt measured at amortized cost includes two fixed-rate bonds; one with a carrying amount of CHF 74.8 million (December 31, 2021: CHF 74.8 million) and a fair value of CHF 74.1 million (December 31, 2021: CHF 76.3 million) and a second with a carrying amount of CHF 99.6 million (December 31, 2021: 99.5) and a fair value of CHF 93.6 million (December 31, 2021: CHF 101.0 million). Both bonds are listed on the SIX Swiss Exchange and are included in the balance sheet line item “Non-current financial debt”.

The carrying amounts of the financial instruments measured at amortized cost approximate fair values due to their mainly short-term nature (except for non-current lease liabilities).

9 EVENTS AFTER BALANCE SHEET DATE

The Semi-Annual Report 2022 was approved for publication by the Board of Directors on July 18, 2022. No events have occurred up to July 18, 2022, which would necessitate adjustments to the carrying amounts of the Group's assets or liabilities, or which would require disclosure.

The Board of Directors has decided to begin the process for the sale of the remaining land at the Rieter site in Winterthur (Switzerland). In total, around 75 000 m^2 shall be sold. This decision had no impact on the consolidated semi-annual financial statements 2022.

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

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