Semi-Annual Report 2019

KEY FIGURES

CHF million	January – June 2019	January – June 2018	Change
Rieter			
Order intake	378.3	511.8	– 26%
Sales	416.1	515.3	– 19%
Operating result before interest, taxes, depreciation and amortization (EBITDA)	18.3	35.4	– 48%
• in % of sales	4.4%	6.9%	
Operating result before interest and taxes (EBIT)	– 1.2	14.1	
• in % of sales	– 0.3%	2.7%	
Net profit	– 3.8	10.9	
• in % of sales	– 0.9%	2.1%	
Basic earnings per share (CHF)	– 0.85	2.39	
Purchase of tangible fixed assets and intangible assets	12.0	8.6	40%
Free cash flow	– 23.4	– 59.7	61%
Net liquidity at the end of the reporting period	97.6	47.2	107%
Equity in % of total assets at the end of the reporting period	45.7%	43.1%	
Number of employees (excluding temporaries) at the end of the reporting period	4 743	5 251	– 10%
Business Group Machines & Systems			
Order intake	196.2	297.7	– 34%
Sales	220.8	303.9	– 27%
Operating result before interest and taxes (EBIT)	– 23.8	– 14.8	– 61%
• in % of sales	– 10.8%	– 4.9%	
Business Group Components			
Order intake	115.8	139.1	– 17%
Sales	123.3	137.3	– 10%
Total segment sales	148.4	182.2	– 19%
Operating result before interest and taxes (EBIT)	6.4	19.2	– 67%
• in % of segment sales	4.3%	10.5%	
Business Group After Sales			
Order intake	66.3	75.0	– 12%
Sales	72.0	74.1	– 3%
Operating result before interest and taxes (EBIT)	12.3	11.2	10%
• in % of sales	17.1%	15.1%	

Semi-Annual Report 2019

4 Letter to the shareholders
7 Financial calendar

Financial report

8 Consolidated income statement
8 Consolidated statement of comprehensive income
9 Consolidated balance sheet
10 Consolidated statement of changes in equity
10 Consolidated statement of cash flows
11 Notes to the consolidated semi-annual financial statements

Bernhard Jucker
Chairman of the Board of Directors

Dr. Norbert Klapper
Chief Executive Officer

FIRST HALF OF 2019 CHARACTERIZED BY LOW DEMAND IN THE NEW MACHINERY BUSINESS

- **Order intake in the first half of 2019 amounted to CHF 378.3 million, 26% below the previous year period**
- **At CHF 416.1 million, sales were 19% down on the previous year period**
- **EBIT of CHF -1.2 million and net profit of CHF -3.8 million**
- **Implementation of cost-cutting measures proceeding according to plan**
- **Innovations successfully launched at ITMA 2019 in Barcelona**
- **Major order from Egypt signed – worth around CHF 180 million**
- **Completion of real estate sale in Ingolstadt (Germany) expected in the third quarter 2019**
- **Outlook unchanged compared to spring 2019**

DEAR SHAREHOLDER

In the first half of 2019, Rieter posted an order intake of CHF 378.3 million (first half year 2018: CHF 511.8 million). This represents a decline of around 26% compared to the previous year period. As already reported, the main reason was low demand in the new machinery business (Business Group Machines & Systems: -34%). Rieter understands that market share remained unchanged at the previous year's level of around 30%. Order backlog as at June 30, 2019 was CHF 295 million (December 31, 2018: CHF 325 million).

Sales in the first half of 2019 amounted to CHF 416.1 million (first half year 2018: CHF 515.3 million), which represents a decline of 19% compared to the previous year period. This development is mainly attributable to lower demand in the new machinery business (Business Group Machines & Systems: -27%).

EBIT, NET PROFIT AND FREE CASH FLOW

The significant decline in sales in the machinery business resulted in an operating loss (EBIT) of CHF -1.2 million in the first half of 2019 (first half year 2018: CHF +14.1 million). The cost-cutting measures introduced had a positive effect on the result from the second quarter of 2019.

CHF million	January – June 2019	January – June 2018	Change	Change in local currency
Sales	**416.1**	**515.3**	**-19%**	**-19%**
Asian countries[1]	165.4	200.1	-17%	-17%
China	72.6	82.6	-12%	-10%
India	66.7	60.2	11%	13%
Turkey	24.5	58.3	-58%	-58%
North and South America	54.8	59.6	-8%	-9%
Europe	23.1	26.5	-13%	-11%
Africa	9.0	28.0	-68%	-68%

[1] Excluding China, India, Turkey

Net profit was CHF -3.8 million (first half year 2018: CHF +10.9 million). Due to the seasonal increase in net working capital, free cash flow amounted to CHF -23.4 million (first half year 2018: CHF -59.7 million). Net liquidity as at June 30, 2019, was CHF 97.6 million (December 31, 2018: CHF 150.2 million). The equity ratio as of June 30, 2019, stood at 45.7% (December 31, 2018: 44.6%).

REGIONS

Sales in the first half of 2019 declined by 19% to CHF 416.1 million (first half year 2018: CHF 515.3 million). In the Asian countries (excluding China, India and Turkey), sales fell by 17% to CHF 165.4 million. In Vietnam and Pakistan, by contrast, sales increased compared to the previous year period. In China, sales declined by 12% to CHF 72.6 million. In contrast, sales in India increased by 11% to CHF 66.7 million. In Turkey, sales fell by 58% to CHF 24.5 million in the first half of 2019. Sales in North and South America declined by 8% to CHF 54.8 million. In the Europe region, sales amounted to CHF 23.1 million (-13%) and in Africa to CHF 9.0 million (-68%).

BUSINESS GROUPS

Order intake by the Business Group **Machines & Systems** fell by 34% to CHF 196.2 million (first half year 2018: CHF 297.7 million). The reasons for the customers' reluctance to invest were, primarily, overcapacity in the spinning mills, the trade conflict between the USA and China, and political and economic uncertainties in other regions of importance to Rieter. In addition, some customers have been holding back on investment decisions and waiting for the innovations presented at ITMA in Barcelona in June 2019. For the Business Group, sales were CHF 220.8 million (first half year 2018: CHF 303.9 million), around 27% below the previous year period. This reflects the low demand for new machinery, which has prevailed since the fourth quarter of 2018. Despite the ongoing cost re-

CHF million	January – June 2019	January – June 2018	Change	Change in local currency
Order intake	**378.3**	**511.8**	**-26%**	**-26%**
Machines & Systems	196.2	297.7	-34%	-34%
Components	115.8	139.1	-17%	-16%
After Sales	66.3	75.0	-12%	-11%
Sales	**416.1**	**515.3**	**-19%**	**-19%**
Machines & Systems	220.8	303.9	-27%	-27%
Components	123.3	137.3	-10%	-9%
After Sales	72.0	74.1	-3%	-3%

duction measures, due to lower volumes EBIT amounted to CHF -23.8 million (first half year 2018: CHF -14.8 million).

The Business Group **Components** posted an order intake of CHF 115.8 million (first half year 2018: CHF 139.1 million), which was around 17% down on the previous year period. The decline was related, in particular, to the business activities of SSM and Suessen, mainly as a consequence of the investment restraint in the market, as already described. At CHF 123.3 million, sales were 10% down on the prior year level (first half year 2018: CHF 137.3 million). This again related, in particular, to SSM and Suessen. Business for wear and tear parts for spinning mills, however, is running at a good level. EBIT amounted to CHF 6.4 million (first half year 2018: CHF 19.2 million). In addition to the decline in sales to third parties, a downturn in volume of deliveries to the Business Group Machines & Systems was also evident here.

Order intake in the Business Group **After Sales** fell by 12% year-on-year to CHF 66.3 million (first half year 2018: CHF 75.0 million). This was mainly attributable to the lack of installation volume for new machinery. However, the spare parts business for spinning mills is at a good level. At CHF 72.0 million, sales were 3% down on the previous year (first half year 2018: CHF 74.1 million). Despite lower sales, EBIT reached CHF 12.3 million and was therefore higher than the previous year period (first half year 2018: CHF 11.2 million).

IMPLEMENTATION OF COST-CUTTING MEASURES PROCEEDING ACCORDING TO PLAN

In March 2019, in response to the market situation Rieter announced and began to implement capacity adjustment and cost reduction measures. These measures included a reduction of the workforce by around 5% worldwide. Implementation of the measures is proceeding as planned. On June 30, 2019, Rieter employed 4 743 people worldwide (December 31, 2018: 5 134 employees).

CHANGES TO THE GROUP EXECUTIVE COMMITTEE

Since May 1, 2019, Rieter Group has two new Group Executive Committee members: Kurt Ledermann is Chief Financial Officer and Rico Randegger is Head of the Business Group After Sales.

INNOVATIONS SUCCESSFULLY LAUNCHED AT ITMA 2019 IN BARCELONA

At ITMA 2019, Rieter presented a comprehensive range of innovations for all four spinning mill systems established on the market. These innovations are aimed at reducing the raw material, energy and labor costs while increasing productivity and flexibility in the spinning mill. Rieter also presented new solutions for the production of innovative yarns and the automation and flexibility of existing systems, as well as the further development of the digital platform ESSENTIAL. The innovations presented were received very positively by the many customers that Rieter welcomed at the trade fair. Rieter therefore achieved an important milestone in the implementation of its corporate strategy and is now focusing on the successful market launch.

MAJOR ORDER FROM EGYPT SIGNED – WORTH AROUND CHF 180 MILLION

At ITMA 2019, the Rieter Group signed contracts with Cotton & Textile Industries Holding Company, Cairo (Egypt). The contracts cover seven projects with a total volume for Rieter of around CHF 180 million. The agreement includes deliveries of compact and ring-spinning systems over the next two years. The order is part of a comprehensive modernization program for the Egyptian textile industry. Order intake is expected to be realized in 2019 with sales posted in the 2020/2021 financial years.

COMPLETION OF REAL ESTATE SALE IN INGOLSTADT (GERMANY) EXPECTED IN THE THIRD QUARTER 2019

As already reported, Rieter is selling its real estate in Ingolstadt. Completion of the transaction is expected during the third quarter of 2019. Rieter anticipates an extraordinary profit contribution at the level of net profit of around EUR 60 million. The employees remaining in Ingolstadt will move into a new building in 2021. There, Rieter will create a modern working environment for innovative research and development work and the respective support functions.

OUTLOOK

Demand for new machinery remained at a low level in the first half of 2019. Rieter does not anticipate a significant upturn in the market in the second half year period. For the full financial year 2019, compared to the previous year Rieter expects a significant decline in sales, EBIT and net profit (before extraordinary income from the sale of the real estate in Ingolstadt). The cost-cutting measures introduced will continue to be implemented as planned. Rieter is focusing on the successful market launch of the innovations which were presented and received positively by the customers at ITMA 2019 in Barcelona.

Winterthur, July 18, 2019

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

FINANCIAL CALENDAR

Trading Update 2019	**October 29, 2019**
Publication of sales 2019	**January 29, 2020**
Deadline for proposals regarding the agenda of the Annual General Meeting	**February 22, 2020**
Results press conference 2020	**March 10, 2020**
Annual General Meeting 2020	**April 16, 2020**

CONSOLIDATED INCOME STATEMENT

		January – June 2019		January – June 2018[1]	
	Notes	CHF million	%[2]	CHF million	%[2]
Sales	(6)	**416.1**	**100.0**	**515.3**	**100.0**
Cost of sales		– 303.8	– 73.0	– 374.3	– 72.6
Gross margin		**112.3**	**27.0**	**141.0**	**27.4**
Research and development expenses		– 26.5	– 6.4	– 26.7	– 5.2
Selling, general and administrative expenses		– 98.6	– 23.7	– 110.7	– 21.5
Other income and expenses (net)	(7)	11.6	2.8	10.5	2.0
Operating result before interest and taxes (EBIT)		**– 1.2**	**– 0.3**	**14.1**	**2.7**
Financial result		– 1.0		– 1.0	
Profit before taxes		**– 2.2**	**– 0.5**	**13.1**	**2.5**
Income taxes		– 1.6		– 2.2	
Net profit		**– 3.8**	**– 0.9**	**10.9**	**2.1**
Attributable to shareholders of Rieter Holding Ltd.		– 3.8		10.8	
Attributable to non-controlling interests		0.0		0.1	
Basic earnings per share (CHF)		**– 0.85**		**2.39**	
Diluted earnings per share (CHF)		**– 0.85**		**2.39**	

1. The period January to June 2018 is adjusted due to the implementation of the cost of sales method (see note 3).
2. In % of sales.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CHF million	January – June 2019	January – June 2018[1]
Net profit	**– 3.8**	**10.9**
Remeasurement of defined benefit plans	5.3	– 9.2
Income taxes on remeasurement of defined benefit plans	– 1.1	1.8
Changes in fair values of financial assets	– 0.1	– 0.1
Items that will not be reclassified to the income statement, net of taxes	**4.1**	**– 7.5**
Currency translation differences	– 2.5	– 6.8
Income taxes on currency translation differences	0.1	– 0.1
Cash flow hedges	0.1	0.0
Items that may be reclassified to the income statement, net of taxes	**– 2.3**	**– 6.9**
Total other comprehensive income	**1.8**	**– 14.4**
Total comprehensive income	**– 2.0**	**– 3.5**
Attributable to shareholders of Rieter Holding Ltd.	– 2.0	– 3.5
Attributable to non-controlling interests	0.0	0.0

1. Reclassification of the line item “Change in fair values of financial assets” amounting to CHF –0.1 million from “Items that may be reclassified to the income statement, net of taxes” to ”Items that will not be reclassified to the income statement, net of taxes” in the period January to June 2018.

CONSOLIDATED BALANCE SHEET

CHF million	Notes	June 30, 2019	December 31, 2018
Assets			
Tangible fixed assets		212.2	212.8
Intangible assets and goodwill		95.3	98.0
Investments in associated companies		15.9	15.9
Defined benefit plan assets		67.3	62.7
Other non-current assets		8.5	8.7
Deferred income tax assets		29.7	26.4
Non-current assets		**428.9**	**424.5**
Inventories		175.4	186.6
Trade receivables		68.1	80.2
Other current receivables		33.7	43.7
Marketable securities and time deposits		0.8	0.9
Cash and cash equivalents		221.8	256.2
		499.8	**567.6**
Assets classified as held for sale	(8)	0.0	10.2
Current assets		**499.8**	**577.8**
Assets		**928.7**	**1 002.3**
Shareholders' equity and liabilities			
Equity attributable to shareholders of Rieter Holding Ltd.		423.6	445.9
Equity attributable to non-controlling interests		0.7	0.7
Total shareholders' equity		**424.3**	**446.6**
Non-current financial debt		102.2	106.7
Deferred income tax liabilities		41.8	40.5
Non-current provisions		52.6	57.7
Defined benefit plan liabilities		30.1	30.2
Other non-current liabilities		0.1	0.0
Non-current liabilities		**226.8**	**235.1**
Trade payables		68.1	96.3
Advance payments from customers		45.6	58.6
Current financial debt		22.8	0.2
Current income tax liabilities		4.5	5.3
Current provisions		31.1	46.1
Other current liabilities		105.5	114.1
Current liabilities		**277.6**	**320.6**
Liabilities		**504.4**	**555.7**
Shareholders' equity and liabilities		**928.7**	**1 002.3**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CHF million	January – June 2019	January – June 2018
Total shareholders' equity at the beginning of the financial year	**446.6**	**457.5**
Impact of changes in accounting policies (IFRS 15 adoption)	–	– 0.5
Income taxes on impact of changes in accounting policies	–	0.1
Total comprehensive income	– 2.0	– 3.5
Distribution of a dividend	– 22.5	– 22.6
Changes in treasury shares (incl. share-based compensation)	2.2	0.4
Total shareholders' equity at the end of the reporting period	**424.3**	**431.4**

CONSOLIDATED STATEMENT OF CASH FLOWS

CHF million	Notes	January – June 2019	January – June 2018
Net profit		**– 3.8**	**10.9**
Interest expenses/interest income		1.3	1.7
Income taxes		1.6	2.2
Depreciation of tangible fixed assets and amortization of intangible assets		19.5	21.4
Other non-cash expenses and income		1.2	1.6
Change in net working capital, other		– 39.4	– 92.3
Dividends received		0.0	0.3
Interest paid/received		– 0.2	– 0.6
Income taxes paid		– 4.2	– 7.0
Net cash from operating activities		**– 24.0**	**– 61.8**
Purchase of tangible fixed assets and intangible assets		– 12.0	– 8.6
Proceeds from disposals of tangible fixed assets and intangible assets		1.9	10.5
Proceeds from disposal of assets classified as held for sale	(8)	10.7	0.0
Sale/purchase of marketable securities and time deposits		0.0	0.2
Net cash from investing activities		**0.6**	**2.1**
Dividend paid to shareholders of Rieter Holding Ltd.		– 22.5	– 22.6
Sale/purchase of treasury shares		0.4	– 1.0
Proceeds from other financial debt		13.9	0.3
Repayment of other financial debt		– 1.2	– 6.8
Net cash from financing activities		**– 9.4**	**– 30.1**
Currency effects on cash and cash equivalents		– 1.6	– 0.3
Change in cash and cash equivalents		**– 34.4**	**– 90.1**
Cash and cash equivalents at the beginning of the financial year		**256.2**	**243.3**
Cash and cash equivalents at the end of the reporting period		**221.8**	**153.2**

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, 2019. The significant accounting policies summarized in the 2018 annual report have been amended in the 2019 financial year in accordance with the new and revised IFRS Standards and Interpretations. Basically, Rieter has applied the new standard "IFRS 16 Leases" for the first time as of January 1, 2019 (see note 2). The implementation of the remaining changes in IFRS had no material impact on the consolidated semi-annual financial statements.

In the period under review, the consolidated income statement is presented for the first time in accordance with the "function of expense" or "cost of sales" method (see note 3). The comparative period of the consolidated income statement for the period January to June 2019 has been adjusted according to the new structure.

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

The following are the most important foreign exchange rates for Rieter 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 2019**	**January – June 2018**	**June 30, 2019**	**December 31, 2018**
China	100 CNY	14.73	15.17	14.20	14.31
Czech Republic	100 CZK	4.40	4.59	4.36	4.38
Euro countries	1 EUR	1.13	1.17	1.11	1.13
India	100 INR	1.43	1.47	1.41	1.41
USA	1 USD	1.00	0.97	0.98	0.98

2 CHANGES IN ACCOUNTING POLICIES

Application of "IFRS 16 Leases"

Rieter has applied the new standard "IFRS 16 Leases" for the first time as of January 1, 2019. This note explains the impact of the adoption of IFRS 16 on the consolidated semi-annual financial statements and discloses the new accounting policies applied as of January 1, 2019.

Adjustments to the balance sheet at January 1, 2019 (date of initial application of IFRS 16)

Until December 31, 2018, leases of tangible fixed assets were classified as operating leases. Payments made under operating leases were charged to the income statement on a straight-line basis over the period of the lease. No lease arrangements qualified as finance leases in accordance with the provisions of IAS 17.

In accordance with the transitional provisions, Rieter has applied IFRS 16 as of January 1, 2019, but has not restated the comparative period (2018 financial year). Existing lease arrangements classified as operating leases under the old standard IAS 17 were recognized as lease liabilities and as right-of-use assets in the opening balance sheet at January 1, 2019, unless they were associated with short-term leases or leases of low-value assets (see accounting policy for leases on pages 12 and 13).

The table below presents the recognition of the adjustments at January 1, 2019:

CHF million	January 1, 2019	December 31, 2018
Right-of-use assets[1]	5.7	0.0
Assets	**1 008.0**	**1 002.3**
Non-current lease liabilities[2]	3.1	0.0
Current lease liabilities[3]	2.5	0.0
Total lease liabilities	**5.6**	**0.0**
Restoration cost[4]	0.1	0.0
Shareholders' equity and liabilities	**1 008.0**	**1 002.3**

1. Increase in the line item "Tangible fixed assets" in the consolidated balance sheet.
2. Increase in the line item "Non-current financial debt" in the consolidated balance sheet.
3. Increase in the line item "Current financial debt" in the consolidated balance sheet.
4. Restoration cost related to new lease arrangements identified at the date of initial application. Increase in the line item "Non-current provisions" in the consolidated balance sheet.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the respective group companies at January 1, 2019. The weighted average incremental borrowing rate applied to lease liabilities amounted to 2.9%. The associated right-of-use assets were measured at the amount equal to the lease liability and the restoration cost. Adjustments of right-of-use assets by the amount of any prepaid or accrued lease payments relating to the respective leases recognized in the balance sheet at December 31, 2018, were insignificant. There was no impact of the adjustments on retained earnings at January 1, 2019.

For leases previously classified as operating leases, when applying IFRS 16 for the first time Rieter elected to apply the following practical expedients:

- Leases with a remaining lease term of twelve months or less at January 1, 2019, were accounted for as short-term leases.
- Initial direct costs were excluded from the measurement of right-of-use assets at January 1, 2019.

In addition, Rieter elected to reassess whether a contract was, or contained a lease at the date of initial application.

The following table shows the reconciliation between the future aggregate minimum lease payments under operating leases at December 31, 2018, as disclosed in note 32 of the 2018 consolidated financial statements, and the lease liabilities recognized in the consolidated balance sheet at January 1, 2019:

CHF million	
Future aggregate minimum lease payments under operating leases as disclosed at December 31, 2018 (in accordance with IAS 17)	19.1
Less future aggregate minimum lease payments associated with lease agreements concluded but not commenced	– 13.2
Less future aggregate minimum lease payments associated with short-term leases and leases of low-value assets	– 0.6
Less impact of discounting future lease payments	– 0.4
Plus lease arrangements identified at the date of initial application	0.7
Lease liabilities at January 1, 2019 (in accordance with IFRS 16)	**5.6**

Impact on net profit and earnings per share

The adoption of IFRS 16 had no significant impact on Rieter's net profit or on basic and diluted earnings per share for the period January to June 2019.

Significant accounting policies as of January 1, 2019 – accounting for leases (lessee)

Rieter leases offices, warehouses, equipment and vehicles, complementing tangible fixed assets owned by group companies. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. For contracts that are or contain a lease, a lease liability reflecting future lease payments and a right-of-use asset is recognized on the balance sheet. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as expenses in the income statement. Short-term leases are leases with a non-cancellable lease term of twelve months or less. Low value assets comprise IT-equipment and small items of office furniture.

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

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

3 CHANGES IN PRESENTATION

Until December 31, 2018, Rieter presented the consolidated income statement using the "nature of expense" or "total cost" method. In the period under review, the consolidated income statement is presented for the first time in accordance with the "cost of sales" method. Rieter has elected to change the presentation of the consolidated income statement due to the higher transparency of the operational profitability and a stronger focus on contribution margins and structural costs.

The comparative period January to June 2018 of the consolidated income statement has been adjusted to the new structure accordingly (see page 8). The following line items have been introduced as a result of the change in presentation:

- Cost of sales
- Gross margin
- Research and development expenses
- Selling, general and administrative expenses
- Other income and expenses (net)

The line item "Restructuring charges" is no longer presented separately, since the underlying income and expenses were neither significant in the first half of 2019 nor in the first half of 2018. Income and expenses related to restructuring and impairment have been included in "Other income and expenses (net)" (see note 7).

The other line items of the consolidated income statements (e.g. "Sales" as well as "Operating result before interest and taxes (EBIT)" and the line items below) remain unchanged.

4 CHANGES IN SCOPE OF CONSOLIDATION

In the period under review, Rieter divested the subsidiary RiRe Ltd. (Liechtenstein). The impact of the divestment on the consolidated financial statements was insignificant. In the period January to June 2018, there was no change in subsidiaries and associated companies.

5 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 for processing 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 2019

CHF million	Machines & Systems	Components	After Sales	Total reportable segments
Total segment sales	220.8	148.4	72.0	441.2
Inter-segment sales[1]	0.0	25.1	0.0	25.1
Sales to third parties[2]	220.8	123.3	72.0	416.1
Operating result before interest and taxes (EBIT)	– 23.8	6.4	12.3	– 5.1
Purchase of tangible fixed assets and intangible assets	3.0	3.4	0.2	6.6
Depreciation of tangible fixed assets and amortization of intangible assets	5.0	9.8	0.5	15.3

Segment information January – June 2018

CHF million	Machines & Systems	Components	After Sales	Total reportable segments
Total segment sales	303.9	182.2	74.1	560.2
Inter-segment sales[1]	0.0	44.9	0.0	44.9
Sales to third parties[2]	303.9	137.3	74.1	515.3
Operating result before interest and taxes (EBIT)	– 14.8	19.2	11.2	15.6
Purchase of tangible fixed assets and intangible assets	1.7	4.0	0.1	5.8
Depreciation of tangible fixed assets and amortization of intangible assets	6.1	8.6	0.6	15.3

1. Inter-segment sales conducted at arms' length.
2. Equal to sales in the consolidated income statement.

Reconciliation of segment results

CHF million	January – June 2019	January – June 2018
Operating result before interest and taxes (EBIT) of reportable segments	– 5.1	15.6
Result which cannot be allocated to reportable segments	3.9	– 1.5
Operating result before interest and taxes (EBIT), Rieter Group	**– 1.2**	**14.1**
Financial result	– 1.0	– 1.0
Profit before taxes	**– 2.2**	**13.1**

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

In the first half of 2019, the result which cannot be allocated to the reportable segments contains restructuring costs amounting to CHF 1.0 million and impairment losses amounting to CHF 0.6 million, both connected to capacity adjustments and cost reduction measures (see note 7). In addition, a part of the income from the reversal of restructuring provisions (CHF 3.3 million) is also included (see note 7). In the first half of 2018, a gain from the sale of tangible fixed assets in China amounting to CHF 0.5 million (the respective assets were disposed for an amount of CHF 10.3 million) and the reversal of provisions due to a court ruling in favor of Rieter amounting to CHF 2.5 million were included in the respective result.

6 SALES

Sales are divided into the following categories:

CHF million	January – June 2019	January – June 2018
Sales of products	394.4	492.0
Sales of services	21.7	23.3
Total sales	**416.1**	**515.3**

Revenue from sales of services is mainly incurred at Rieter After Sales. In addition, Rieter discloses revenue divided by the Machines & Systems, Components and After Sales segments (see note 5).

7 OTHER INCOME AND EXPENSES (NET)

CHF million	January – June 2019	January – June 2018
Rental income	1.3	1.2
Gain on disposals of tangible fixed assets	1.7	1.0
Reversal of restructuring provisions	4.1	1.0
Foreign exchange differences (net)	0.1	–
Miscellaneous operating income	8.1	8.7
Total other income	**15.3**	**11.9**
Restructuring costs	– 2.7	– 0.2
Impairment losses on tangible fixed assets	– 1.0	0.0
Foreign exchange differences (net)	–	– 1.2
Total other expenses	**– 3.7**	**– 1.4**
Total other income and expenses (net)	**11.6**	**10.5**

The reassessment of restructuring provisions based on the progress of the respective projects resulted in a reversal of CHF 4.1 million in the first half of 2019 (first half of 2018: CHF 1.0 million).

In March 2019, Rieter announced capacity adjustments and cost reduction measures against the weak market environment. These measures include a reduction of the global workforce of around 5%. In the first half of 2019, restructuring costs related to severance payments and other expenses (CHF 2.7 million) as well as impairment losses related to tangible fixed assets (CHF 1.0 million) have been recognized.

Miscellaneous operating income includes income which is not presented as sales, such as proceeds from the disposal of materials for recycling purposes and income from export incentive schemes. In addition, the income from the reversal of provisions due to a court ruling in favor of Rieter amounting to CHF 2.5 million was recognized in the first half of 2018.

8 ASSETS CLASSIFIED AS HELD FOR SALE

CHF million	June 30, 2019	December 31, 2018
Land and buildings	0.0	9.1
Other tangible fixed assets	0.0	1.1
Total assets classified as held for sale	**0.0**	**10.2**

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

In April 2019, total assets classified as held for sale were sold to a third party for an amount of CHF 10.7 million. Prior to the disposal, an amount of CHF 0.3 million was recognized as reversal of impairment losses in the result which cannot be allocated to reportable segments.

9 FINANCIAL INSTRUMENTS

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

CHF million		June 30, 2019	December 31, 2018
Marketable securities	Assets, level 1	0.3	0.4
Other financial assets	Assets, level 2	0.8	1.1
Derivative financial instruments (positive fair values)	Assets, level 2	1.2	1.8
Derivative financial instruments (negative fair values)	Liabilities, level 2	0.8	1.6

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

On June 30, 2019, financial debt measured at amortized cost includes a fixed-rate bond with a carrying amount of CHF 99.9 million (December 31, 2018: CHF 99.8 million) and a fair value of CHF 101.8 million (December 31, 2018: CHF 101.5 million). The bond is listed on the SIX Swiss Exchange.

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

10 EVENTS AFTER BALANCE SHEET DATE

The 2019 semi-annual report was approved for publication by the Board of Directors on July 17, 2019. No events have occurred up to July 17, 2019, which would necessitate adjustments to the carrying amounts of the Group's assets or liabilities, or require additional disclosure.

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