Report
on the first half year 2020

MAKE IT

easy.

Landsberg am Lech, 30 July 2020

Key Figures

in m EUR	2nd quarter 2020	2nd quarter 2019	Change absolute	Change in %	1st half year 2020	1st half year 2019	Change absolute	Change in %
Sales revenues by region								
Germany	17.6	23.6	– 6,0	– 26	39.2	48.9	– 9.7	– 20
Europe (excluding Germany)	46.3	93.2	– 46.9	– 50	131.6	181.2	– 49.6	– 27
North America	22.1	39.7	– 17.6	– 45	55.3	76.1	– 20.8	– 27
Latin America	2.5	11.8	– 9.3	– 78	11.8	21.3	– 9.5	– 45
Asia	20.4	25.6	– 5.2	– 20	43.6	52.2	– 8.6	– 17
Rest of the world	8.0	11.2	– 3.2	– 29	16.6	19.8	– 3.2	– 16
Sales revenues generated abroad (in %)	85	88	– 3	–	87	88	–1	–
Sales revenues by product group								
Combi-steamer	105.9	186.9	– 81.0	– 43	270.3	365.5	– 95.2	– 26
VarioCookingCenter/iVario	10.9	18.2	– 7.3	– 40	27.7	33.9	– 6.2	– 18
Sales and earnings								
Sales revenues	116.8	205.1	– 88.3	– 43	298.0	399.4	– 101.4	– 25
Cost of sales	55.3	83.8	– 28.5	– 34	135.1	163.3	– 28.2	– 17
Gross profit	61.5	121.3	– 59.8	– 49	162.9	236.1	– 73.2	– 31
as a percentage of sales revenues	52.6	59.1	– 6.5	–	54.7	59.1	– 4.4	–
Sales and service expenses	39.2	49.1	– 9.9	– 20	89.5	99.5	– 10,0	– 10
Research and development expenses	9.9	10.6	– 0.7	– 7	21.8	20.9	+ 0.9	+ 4
General administration expenses	9.1	9.5	– 0.4	– 5	19.4	18.9	+ 0.5	+ 3
Earnings before financial result and taxes (EBIT)	1.6	51.5	– 49.9	– 97	27.6	98.2	– 70,6	– 72
as a percentage of sales revenues	1.4	25.1	–23.7	–	9.2	24.6	– 15,4	–
Profit or loss after taxes	1.2	40.0	–38.8	–97	17.9	76.6	– 58.7	– 77
Balance Sheet								
Balance sheet total					615.1	589.0	+ 26.1	+ 4
Equity					471.5	424.1	+ 47.4	+ 11
Equity ratio in %					76.7	72.0	+ 4.7	–
Cash flow								
Cash flow from operating activities					17.2	75.1	– 57.9	– 77
Cash-effective investments					13.5	18.9	– 5.4	– 28
Free cash flow [1]					3.6	56.2	– 52.6	– 94
Number of employees as at 30 June					**2,266**	**2,212**	**+ 54**	**+ 2**
Key figures for RATIONAL shares								
Earnings per share (in EUR)					1.57	6.74	– 5.17	– 77
Quarter-end closing price[2] (in EUR)					498.40	605.50	– 107.10	– 18
Market capitalisation[2 3]					5,666.8	6,884.5	– 1,217.7	– 18

1 Cash flow from operating activities less investments
2 Xetra
3 As at balance sheet date

Letter from the Executive Board

Dear Shareholders,
Customers and Business Partners,

The full force of COVID-19 hit our company in the second quarter of 2020, while only the last month, March, was impacted in the first quarter. Sales revenues amounted to 116.8 million euros in the second quarter, a decline of 43% compared with the second quarter of 2019. We fortunately avoided our worst-case scenario – a drop in sales revenues of up to 50%. We achieved a slightly positive quarterly result (EBIT) of 1.6 million euros and an EBIT margin of 1.4%. The negative impact decreased in the course of the second quarter, from a year-on-year reduction in sales revenues of 54% in April to a 28% decline in June.

Hence, sales revenues amounted to 298.0 million euros in the first half of 2020, down 25% on the first half of 2019. Despite the significant fall in sales revenues, six-month EBIT stood at 27.6 million euros and the EBIT margin was 9.2%. This compares to 98.2 million euros and 24.6% in 2019.

During the weeks in which our customers, suppliers and we ourselves had to struggle the hardest with the COVID-19 protective measures, RATIONAL successfully tackled the biggest product changeover in its history. An innovation journey lasting several weeks began in Europe on 5 May 2020. We launched the iCombi Pro as the successor to the SelfCookingCenter, and the iCombi Classic as the successor to the CombiMaster Plus. The iVario Pro then followed on 16 June 2020, replacing the VarioCookingCenter.

We last did that on this scale – but at a much lower sales revenue level – back in 2004. A changeover like this is already a Herculean task just on its own, but mastering it under COVID-19 conditions is not something many companies would be able to achieve. We managed it only thanks to our U.i.U.® entrepreneurs. A big compliment and an even bigger thank you therefore go to our employees for accomplishing it with the greatest commitment, maximum flexibility and a sense of duty. You can find out what additional customer benefit our great new products offer on the following pages. Their even greater efficiency is the most important reason, especially in times of intense economic pressure, to buy a RATIONAL appliance.

In addition, our digital platform ConnectedCooking®, which allows all RATIONAL appliances to be connected, controlled, monitored and optimised, has also been revamped. New functions, such as a hygiene management module, have been available as fee-based software modules since February.

Due to the contact restrictions, we have found new ways of being there for our customers in this difficult time. That's our company's DNA. Because of the ban on events, we had to carry out the market launch for the new product generations completely online. Through that, we reached more than 25 million contacts on all social media. Traffic on our website was more than 50% higher than in the previous year.

What is the situation for our customers? The impact of the protection measures on society and the economy will most probably be greater in all countries than long assumed. Hospitality and the tourism sector are among the areas hardest hit. Many restaurants will not survive. In Germany, the hotel and restaurant association DEHOGA put the figure in March 2020 at 30%. Its American pendant, the National Restaurant Association, put the figure for the U.S. at 15%. Those are frightening and tragic figures. These establishments will not survive, because they have no financial cushion or only one that's too small to last through such a long dry spell. In the new normal after COVID-19, there will tend to be fewer guests eating in restaurants. Guests who will be affected directly or indirectly by the economic consequences will tend to spend less on out-of-home catering. Restaurant operators will have learned after COVID-19 that they need more financial reserves should similar pandemics occur again. A familiar problem of finding and keeping trained staff will become even greater. The new normal will continue to be shaped by much stricter hygiene requirements. All in all, that means maximum efficiency will be even more important in order to meet the quality requirements of guests at the lowest possible cost. Larger businesses in particular will be able to do that with a standardised range of meals, optimised purchasing, logistics and production processes and state-of-the-art equipment.

People no longer eating out at a restaurant are still hungry. The need for calories remains. It's just where they eat and the type of meals they eat that change. Some have food delivered to their home office, others pick up food to take home while shopping or on their way back from work, while others eat on the go. That explains the positive development in the retail sector or for delivery services that prepare and deliver meals either in existing restaurant kitchens or central kitchens. The trend for us wanting to be able to get something to eat any time and anywhere will also remain after COVID-19.

It will take years for airline catering, just like flying itself, to reach the level of 2019. Many people are no longer flying or flying a lot less. They don't have a meal on the plane. But the same applies here. Just because someone doesn't fly, doesn't mean they won't eat anything. When business trips are replaced by video conferences, a meal in the company restaurant or brought to the home office by a delivery service replaces the meal on the plane. The demand remains – the place and type of meal change.

How have we at RATIONAL responded to these developments? Cost-cutting measures are still in place, with only a few strategic areas excluded. Investments remain under scrutiny. Both were made more difficult in the first six months of 2020 due to the special effects of the product changeover. We have been implementing short-time working in numerous countries since March and will continue to do so. Overtime and the use of temporary workers have been reduced. In other countries, the employees are helping to improve the situation through voluntary salary cuts or unpaid leave. We are already working on projects to use what we have learned from the COVID-19 crisis to be able to better assess risks in the future and improve process efficiency. Our traditional way of doing and managing business guarantees us the freedom and independence to act in the crisis. Not all our competitors have this favourable starting point.

The news these days is so unclear that it's not possible to make any medium-term forecasts on how individual areas of life that are relevant for us will permanently change. Will it remain compulsory to wear a mask? Will there be local lockdowns? Will the home office option continue to be used as often? Will distant holiday destinations remain unattractive? Will shopping areas become empty due to contactless and mask-free online business and the cityscape change? Will large-scale events continue to be prohibited or just avoided? These and many other factors influence our customers' business and hence also ours. Due to this rapidly changing situation we remain unable to provide an accurate forecast for the current year.

Our business model remains intact. The global potential for our products was slightly reduced due to the COVID-19 development: used appliances will influence the market more than before. The investment backlog will generally lengthen the useful life of all kitchen appliances. On the other hand, the combi-steamer is the most versatile cooking appliance and ensures benefits and gains in efficiency. And with an iVario Pro, our customers can prepare around 90% of all meals with both RATIONAL product families. Customers under cost pressure will have to intelligently reduce the menu so that they can produce meals with minimum staff and equipment. They will need to focus. This logic explains and justifies why RATIONAL itself has always concentrated on products that create maximum customer benefit.

The shortage of skilled staff and staff turnover will become even more acute in the kitchen. Our intelligent cooking technology is the ideal answer to that. It provides the perfect cooking result irrespective of the experience and training of the kitchen staff, and even irrespective of the kitchen and operation of the appliance. And it's a prerequisite for connecting those appliances that also genuinely benefit the customer.

A number of our customers' areas will benefit from the record government aid programmes. Investments in health care and education, for example, as was the case after the financial crisis, lead to increased demand in the commercial kitchen industry.

Many positive trends are still intact, while many new developments harbour risks but also present great opportunities. That's why, despite the massive slump in sales in the first half of the year, we are confident. We have created even more customer benefit through product innovations. As a result, because we hold the reins and continue to steer the company with great care, we are convinced that we will emerge stronger from the crisis.

All of us at RATIONAL hope that our customers will soon be better off again economically and that we can help them to be successful again or become even more successful. We also wish you, dear readers, all the best and, most of all, that you stay healthy!

Dr Peter Stadelmann
CEO of RATIONAL AG

iVario® Pro

The new performance class for large-scale catering operations.

Expectations of today's kitchen.

Frying, boiling, blanching, deep-frying, pressure cooking, overnight and to perfection, and all at the same time: Industry catering has never been so challenging. So fast and demanding. So international and regional. So diverse and flexible. Time for an intelligent cooking system, which not only meets the requirements of this modern kitchen, but also gets the best out of it. Which conveys 45 years of research, experience and innovation in a new dimension. Which shows its strengths in every kitchen. Which prepares dishes easily and always as required. For 300 or 3,000 guests. Which takes on work where it can be automated. Which can easily be operated by untrained staff. As a result of increasing cost pressure, stricter hygiene regulations and an ever increasing shortage of skilled staff in the post-COVID-19 era, the iVario Pro will become an indispensable helper in industry catering.

More than you think
A cooking system that can go way beyond what a tilting pan, boiling pan or deep-fat fryer can achieve.

The iVario Pro

Unusual. In every respect.

Looks like a tilting pan, but it can do so much more: Boiling, frying, deep-frying and pressure cooking – the iVario Pro replaces virtually all conventional cooking appliances, because it has the power: Its unique heating technology combines power with precision. Because it has intelligent cooking assistants which think, learn and support. Because it is up to four times as fast, requires up to 40% less energy with a huge space gain compared to conventional cooking appliances. Or, in other words, because it can. For outstanding food quality without checking or supervision.

Effective energy management
The iVarioBoost heating system combines power, speed and precision. The reserve capacity and precise heat distribution over the entire surface ensures that the cooking process for searing meat and delicate foods runs perfectly.

Greater flexibility
The patented iZoneControl turns one pan base into multiple iVario units. For different foods. For more freedom. For more creativity.

Speed
With the optional pressure cooking function, you can achieve up to 35% shorter cooking times. Automatic pressure build-up and decompression make the iVario Pro fast and convenient.

Best working conditions
The iVario Pro makes the kitchen ergonomic, labour-saving, safe and efficient. Good for well-being and improved working methods.

Desired result without supervision
Thanks to the built-in cooking intelligence iCookingSuite, it can do it all. Nothing sticks and nothing boils over. Also, the iVario Pro will only alert you when you are really needed. For cooking results exactly as you require.

Intuitive operating concept
Simple, logical and efficient. That makes working with the iVario Pro not only effortless, but also fun. From the very start.

This is how you benefit
One of the most modern cooking systems for enormous productivity, flexibility and simplicity.

rational-online.com/en/iVarioPro

Group Management Report

Economic Report

Macroeconomic framework

Biggest recession in almost a hundred years
The drastic restrictions imposed to contain the coronavirus pandemic will cause the world's economy to shrink dramatically this year. The International Monetary Fund (IMF) expects the severest global recession in almost a hundred years. According to IMF forecasts, global economic output could decline by 5% in 2020. The eurozone's economic output is forecasted to be down by as much as 10% on the previous year, and the USA's by 8%. (Source: IMF World Economic Outlook June 2020)

Catering and food services industry hit particularly hard by the crisis
The entire food services sector was among the hardest hit by the worldwide lockdown measures taken by governments. Surveys of businesses show the gravity of the situation. The responses of members surveyed by the German Hotel and Restaurant Association (Deutscher Hotel- und Gaststättenverband, DEHOGA) indicated that they had suffered losses in sales revenues of around 80% on average since March 2020. Even after reopening, most catering businesses do not expect to be able to run their businesses profitably because of a significant reduction in capacity and increased costs due to hygiene requirements. Many businesses have therefore remained closed or are concentrating on the take-away and delivery business. Survey results in Germany and the USA suggest that many businesses will remain closed even after the restrictions have been lifted. Many markets have reported a similar impact, depending on the severity of the restrictions imposed on the catering industry. (Source: DEHOGA)

Earnings situation

43% drop in sales revenues in the second quarter of 2020
As expected in light of a significant downturn in order intake at the end of the first and the beginning of the second quarter, sales revenues fell by 43% in the second quarter compared with the same quarter of the previous year. The falls in sales revenues were driven by measures taken by governments to contain the corona pandemic, which meant that many of our customers did not have a basis for doing business. The more comprehensive the official measures ordered in the respective markets, the more negative their impact on the propensity and ability of our customers to invest and consequently on our business performance. The negative effects were felt in all regions of the world, but especially in markets with weaker economies, such as South America.

Segments – all markets worldwide significantly below previous year
In the DACH segment, sales revenues declined by 28% in the second quarter. As a result of the product launches for our iCombi appliances, many initial orders had been received from customers, dealers and purchasing associations in this segment in previous months, which is why the German-speaking region performed significantly better than the Group as a whole. Our home market of Germany recorded a decrease in sales revenues of 26%, slightly better than average. Some positive stimulus was probably also attributable to the catch-up effect resulting from the product launch.

Sales revenues in the EMEA segment fell by 50%, thus suffering a significantly more severe impact than the German-speaking region. In particular the markets with the strictest lockdown measures, such as the UK (–76%) and Spain (–64%) recorded declines in sales revenues that were considerably above average. Scandinavia, where restrictions were less comprehensive, was consequently affected to a lesser extent, only decreasing by just under 20%. In the Middle East, we recorded significant growth of as much as 43%, driven by a major project.

In the Americas segment, sales revenues were also down by more than half (–51%). Markets in Latin America, which had economic and political difficulties even before the crisis, came under most pressure. Here sales revenues fell by almost 80%. But in North America, too, the corona measures and political unrest had a noticeable impact. In the USA, the largest individual market, the business volume contracted by 42% compared with the second quarter of 2019.

In the Asia segment, the picture was very mixed. While China and Japan, whose sales revenues decreased by around 20% in total, fared relatively well, business in India came to a virtual standstill in some parts. Due to a major contract from the education sector, Korea more than doubled its sales revenues compared with the prior-year quarter. On aggregate, this resulted in a decline in business volume of 23% in Asia as compared with the second quarter of 2019.

Total sales revenues amounted to 116.8 million euros (2019: 205.1 million euros) in the second quarter. At 88.3 million euros, or 43%, the drop in sales revenues was closer to the positive end of the range we had forecast at the beginning of the quarter. The main reason for this is the launch of the iCombi Pro in Europe at the beginning of May, which briefly generated a slight increase in demand in some markets, especially in the German-speaking region.

25% drop in sales revenues after six months

In the first six months of the current fiscal year, we generated total sales revenues of 298.0 million euros (2019: 399.4 million euros). This corresponds to a decrease in sales revenues of just over 100 million euros, or 25%, compared with the first half of the previous year. The drivers in the first six months were essentially the same as those in the second quarter, although the smaller negative effects of the first quarter made them slightly more moderate on aggregate. Sales revenues in the Americas (minus 27%) and EMEA (minus 27%) decreased faster than average. In DACH (minus 18%) and Asia (minus 18%) the declines were less dramatic due to the factors described above.

Sales revenues not influenced by currency effects

While some emerging market currencies suffered sharp losses in value in the current fiscal year, fluctuations in the currencies that are most important for RATIONAL had a mildly positive or neutral effect. In total, sales revenue performance was not significantly influenced by currency effects in any of the periods under review or in any region.

New product programmes for both product groups

On 5 May 2020, RATIONAL presented the new iCombi Pro, the successor to the SelfCookingCenter, marking the start of its innovation journey. In the following week, the iCombi Classic was unveiled, the successor to the CombiMaster Plus. In the combi steamer product group, sales revenues were 26% down in the first half of 2020, at 270.3 million euros (2019: 365.5 million euros). Following an 8% decline in the first quarter, the corona crisis had a much greater impact in the second quarter, causing a 43% drop in sales revenues compared with the previous year.

On 16 June 2020, the VarioCookingCenter/iVario product group was also sent off on its innovation journey. iVario, the completely revamped and improved successor to the VarioCookingCenter, was launched on the European markets. Although business performance stayed positive in the first quarter, sales revenues in the second quarter were 40% down on the prior-year period. The result was a decrease of 18% in sales revenues in the first six months of 2020, to 27.7 million euros (2019: 33.9 million euros).

Gross margin of 54.7% in the first half of 2020 – 52.6% in the second quarter

The gross margin stood at 54.7% after six months (2019: 59.1%), and at 52.6% in the second quarter (2019: 59.1%). The main reason for the significantly lower margin was the sharp year-on-year fall in sales revenues. Higher depreciation in production because of the investments in production machinery, higher discounts on appliances because of the product changeover, and a decline in productivity in the manufacture of the new range attributable to the production start additionally weighed on the gross margin. These are normal effects that occur during the comprehensive market launch of a completely new generation of appliances, and the situation should largely normalize again as the new processes become established and unit sales rise. There were no material exchange rate influences on the gross margin.

Positive EBIT despite slump in sales revenues

In the second quarter of 2020, we generated positive EBIT (earnings before financial result and taxes) of 1.6 million euros (2019: 51.5 million euros) – despite the drastic fall of 43% in sales revenues compared with the same quarter in 2019, and of 36% compared with the first quarter of the current fiscal year. This gives an EBIT margin of 1.4% (2019:

25.1%). Adjusted for currency effects, arising especially from the remeasurement of balance sheet items as at the balance sheet date (currency result), the EBIT margin was 3.1% in the second quarter.

Despite the complete redesign of the product launch campaign and the creation of new digital marketing tools, we managed to save around 10 million euros, or 20%, of costs in the sales and service areas compared with the previous year and the first quarter of this year. This achievement was to a significant driven by high cost savings due to the cancellation of trade fairs, customer visits and events, as well as a reduction in shipping costs.

In the research and development and administration areas, second-quarter costs were cut to significantly below the preceding quarter, and to slightly below the level of the prior-year quarter. In particular the completion of innovation projects conducted to support the product launches and lower travel expenses were the main cost-reducing factors here.

EBIT in the first six months of the current fiscal year was 27.6 million euros, 72% below the figure for the previous year (2019: 98.2 million euros). The EBIT margin was therefore 9.2% (2019: 24.6%). Adjusted for currency effects, the EBIT margin after six months was 10.8%.

Earnings after taxes 77% down year on year

Due especially to the negative performance of the special fund, which has since been liquidated, the financial result was minus 4.1 million euros in the first six months. This compares to a positive financial result of 1.3 million euros in the first six months of 2019.

The profit after taxes in the first six months was 17.9 million euros and so 77% down on the previous year (2019: 76.6 million euros).

Net assets and financial position

17 million euros in operating cash flow

In the first six months of the current fiscal year, our cash flow from operating activities was 17.2 million euros (2019: plus 75.1 million euros). This significant decline was almost exclusively attributable to the lower profit before taxes. The effects on working capital and on provisions largely offset each other.

The cash flow from investing activities includes investments in property, plant and equipment and in intangible assets. These amounted to 13.5 million euros (2019: 18.9 million euros) in the first half of the year. This is mainly due to investments in construction of the new logistics centre, which was commenced last autumn, and in modernising the machinery installed at the Landsberg am Lech location. The figure also includes returns on financial investments (liquidation of special fund) and fixed-term deposits totalling 46.9 million euros net. In total, there was a cash inflow from investing activities of 62.2 million euros.

The cash flow from financing activities of minus 73.6 million euros mainly reflects the dividend payment (minus 64.8 million euros), the repayment of liabilities to banks and notes payable (minus 4.0 million euros) and payments as part of lease liabilities in accordance with IFRS 16 (minus 4.7 million euros).

Securing liquidity has top priority

A high level of liquidity, the resultant independence from capital markets and bank loans, and preserving entrepreneurial freedom have always been vital for RATIONAL. In times of crisis, that is even more important in order to ensure our company's long-term existence and success. As at the end of June 2020, our equity ratio stood at a high 77%, despite the significant reduction in net profits and the dividend payment, and our net financial assets exceeded 200 million euros. In addition, we have contractually agreed credit lines of 75 million euros, which have not been touched to date.

Employees

Because of existing economic uncertainty, even before the corona outbreak, we exercised caution in recruiting new employees during the first three months. A total of 52 individuals joined in the first quarter, most of them on fixed-term contracts, for the launch of the new generations of appliances. As at 30 June 2020, most of these temporary employees had left RATIONAL again. In a number of units in Germany and abroad, we are using the short-time working instrument.

Due to the current situation, we will largely retain the existing recruitment freeze and not fill vacant positions, if that can be justified, and also not renew some fixed-term contracts. For this reason, we expect the number of employees to decrease slightly throughout the Group during the remainder of the fiscal year.

Outlook and Report on Opportunities and Risks

Outlook

After six months, sales revenues were 25% down on the previous year. The order intake in June and July was down on prior-year figures by a similar percentage. However, it is impossible to predict how the governments' lockdown measures of recent months will impact on our customers' willingness to buy in the coming quarters or how the restrictions on our customers will change during the rest of the year. For this reason, we maintain the downward revision announced on 6 May 2020 in the ad-hoc disclosure and the quarterly statement of the forecasts provided in the 2019 management report. In our opinion, it is not possible at the present time to make a serious forecast of our financial key performance indicators for fiscal year 2020.

Report on opportunities and risks

RATIONAL uses a global risk management system which ensures that risks are identified at an early stage and provides support for the appropriate corrective measures to be taken. The worsening negative impact of the lockdown measures imposed throughout almost the whole world has resulted in significant changes compared with the report on risks and opportunities set out in the last consolidated financial statements. The experience of recent months now gives us a better picture of the reach of these measures. The complete closure of hospitality and hotel businesses and canteens as well as the cancellation of major events, flights and cruises have led to a massive loss in sales revenues for our customers, thus reducing their ability and willingness to make investments. Based on these developments and expectations for the coming quarters, in the short to medium term, we consider the probability that the market and competitive risks will materialise to be very high (previously low) and the resulting risk impact to be very high (previous low). Other than the above, there were no material changes.

Landsberg am Lech, 24 July 2020

RATIONAL AG
The Executive Board

Financial Statements
RATIONAL Group

Statement of Comprehensive Income
RATIONAL Group

for the period 1 January – 30 June

in kEUR	2nd quarter 2020	2nd quarter 2019	1st half year 2020	1st half year 2019
Sales revenues	116,771	205,133	298,030	399,392
Cost of sales	– 55,299	– 83,821	– 135,088	– 163,325
Gross profit	**61,472**	**121,312**	**162,942**	**236,067**
Sales and service expenses	– 39,216	– 49,123	– 89,533	– 99,468
Research and development expenses	– 9,889	– 10,604	– 21,757	– 20,902
General administration expenses	– 9,073	– 9,542	– 19,397	– 18,889
Other operating income	2,315	1,904	6,694	5,020
Other operating expenses	– 4,027	– 2,428	– 11,389	– 3,620
Earnings before financial result and taxes (EBIT)	**1,582**	**51,519**	**27,560**	**98,208**
Interest income	85	154	280	343
Interest expenses	– 188	– 184	– 382	– 352
Other financial result	17	473	– 3,951	1,318
Earnings before taxes (EBT)	**1,496**	**51,962**	**23,507**	**99,517**
Income taxes	– 338	– 11,959	– 5,615	– 22,901
Profit or loss after taxes	**1,158**	**40,003**	**17,892**	**76,616**
Items that may be reclassified to profit and loss in the future:				
Differences from currency translation	820	550	1,017	– 44
Other comprehensive income	**820**	**550**	**1,017**	**–44**
Total comprehensive income	**1,978**	**40,553**	**18,909**	**76,572**
Average number of shares (undiluted / diluted)	11,370,000	11,370,000	11,370,000	11,370,000
Earnings per share (undiluted / diluted) in euros, based on profit or loss after taxes and the number of shares	0.10	3.52	1.57	6.74

Balance Sheet
RATIONAL Group

Assets

in kEUR	30 June 2020	30 June 2019	31 Dec 2019
Non-current assets	**209,829**	**194,751**	**203,606**
Intangible assets	6,925	7,623	7,284
Property, plant and equipment	187,773	172,371	183,308
Other financial assets	1,335	1,107	1,330
Deferred tax assets	12,663	11,152	11,145
Other assets	1,133	2,498	539
Current assets	**405,250**	**394,229**	**495,084**
Inventories	83,514	63,781	66,022
Trade accounts receivable	85,564	121,532	125,344
Other financial assets	22,449	65,513	100,955
Income tax receivables	10,602	1,524	483
Other assets	17,125	21,259	20,890
Cash and cash equivalents	185,996	120,620	181,390
Total assets	**615,079**	**588,980**	**698,690**

Equity and liabilities

in kEUR	30 June 2020	30 June 2019	31 Dec 2019
Equity	**471,468**	**424,071**	**517,368**
Subscribed capital	11,370	11,370	11,370
Capital reserves	28,058	28,058	28,058
Retained earnings	438,086	390,029	485,003
Other components of equity	– 6,046	– 5,386	– 7,063
Non-current liabilities	**33,997**	**37,912**	**34,556**
Pension and similar obligations	6,357	4,868	6,188
Other provisions	8,724	8,200	8,613
Financial debt	2,861	4,991	3,676
Other financial liabilities	14,525	14,957	13,768
Deferred tax liabilities	321	166	432
Income tax liabilities	–	2,538	–
Other liabilities	1,209	2,192	1,879
Current liabilities	**109,614**	**126,997**	**146,766**
Other provisions	46,070	53,343	50,133
Financial debt	2,790	5,296	5,908
Trade accounts payable	18,798	22,269	24,977
Other financial liabilities	10,151	8,489	16,306
Income tax liabilities	9,507	13,459	23,388
Other liabilities	22,298	24,141	26,054
Liabilities	**143,611**	**164,909**	**181,322**
Total equity and liabilities	**615,079**	**588,980**	**698,690**

Cash Flow Statement
RATIONAL Group

for the period 1 January – 30 June

in kEUR	1st half year 2020	1st half year 2019
Earnings before taxes (EBT)	23,507	99,517
Cash flow from operating activities	**17,190**	**75,075**
Capital expenditures in intangible assets and property, plant and equipment including proceeds from asset disposals	– 13,543	– 18,918
Cash flow from financial investments	75,762	21,368
Cash flow from investing activities	**62,219**	**2,450**
Cash flow from financing activities	**– 73,629**	**–114,021**
Effects of exchange rate fluctuations in cash and cash equivalents	– 1,174	350
Change in cash and cash equivalents	**4,606**	**–36,146**
Cash and cash equivalents as at 1 January	**181,390**	**156,766**
Cash and cash equivalents as at 30 June	**185,996**	**120,620**

Statement of Changes in Equity
RATIONAL Group

in kEUR	Subscribed capital	Capital reserves	Retained earnings	Other components of equity		Total
				Differences from currency translation	Actuarial gains and losses	
Balance as at 1 January 2019	**11,370**	**28,058**	**421,428**	**– 4,647**	**– 695**	**455,514**
Dividend	–	–	– 108,015	–	–	– 108,015
Profit or loss after taxes	–	–	76,616	–	–	76,616
Other comprehensive income	–	–	–	– 44	–	– 44
Balance as at 30 June 2019	**11,370**	**28,058**	**390,029**	**– 4,691**	**– 695**	**424,071**
Balance as at 1 January 2020	**11,370**	**28,058**	**485,003**	**– 5,474**	**– 1,589**	**517,368**
Dividend	–	–	– 64,809	–	–	– 64,809
Profit or loss after taxes	–	–	17,892	–	–	17,892
Other comprehensive income	–	–	–	1,017	–	1,017
Balance as at 30 June 2020	**11,370**	**28,058**	**438,086**	**– 4,457**	**– 1,589**	**471,468**

Notes

Basis of preparation

The consolidated half-year report has been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted in the EU. The IAS 34 rules on condensed financial statements were applied. The consolidated half-year report should be read in conjunction with the consolidated financial statements as at the end of the 2019 fiscal year. Except for the exceptions described, the significant accounting policies and consolidation methods of the last consolidated financial statements have been applied.

As at the start of the fiscal year, the following new or amended standards entered into force:

› IAS 39, IFRS 7, IFRS 9 "Amendments regarding pre-placement issues in the context of the IBOR reform"
› Amendment to references to the Conceptual Framework in IFRS standards
› IAS 1 and IAS 8 "Definition of Material"
› IFRS 3 "Business Combinations"

There were no significant effects on these consolidated financial statements from new or amended standards which entered into force at the beginning of the fiscal year and were not applied voluntarily in previous years.

The global corona crisis had a negative effect on the Group's net assets, financial position and profit or loss in the first half of 2020. Government support programmes could offset this effect only to a small extent. For further disclosures on the effects on the Group's net assets, financial position and profit or loss please refer to the information in the notes and the Group Management Report.

This consolidated half-year report was neither audited in accordance with section 317 of the German Commercial Code (HGB) nor reviewed by an auditor.

Scope of consolidation

On 30 June 2020, the scope of consolidation of RATIONAL AG included the parent company RATIONAL AG as well as seven German (31 December 2019: seven) and 24 foreign (31 December 2019: 25) subsidiaries.

The changes compared with 31 December 2019 are due to the liquidation of the subsidiary FRIMA UK Ltd., which had not had any operational activities for several years, and the liquidation of the special fund, which had been included in the consolidated financial statements as a structured entity.

Changes to accounting policies

Changes to assumptions and accounting policies are described below, if they differ from those applied in the last consolidated financial statements as at the end of fiscal year 2019.

Financial instruments

RATIONAL applies the simplified approach under IFRS 9 to measure the expected credit losses for trade accounts receivable. Accordingly, the lifetime expected credit losses are applied to trade accounts receivable in the form of specific bad debt allowances and portfolio allowances.

In view of the current circumstances, the appropriateness of the models used to determine expected credit losses and the assumptions they make were critically reviewed and adjusted.

Specific bad debt allowances must be recognised for receivables that are to be classified as doubtful on the basis of objective criteria and for which no information is available that justifies a different assessment. In assessing the effects of the corona crisis on possible defaults on receivables, additional facts (including non-availability of the customer, massive deterioration in payment behaviour, insolvency or suspension of payments by factoring clients) were taken into account. Receivables with a justified assumption of possible existential or liquidity problems were categorised as doubtful and an allowance was recognised. Direct government payment guarantees (e.g. by expanding the scope of flat-rate export guarantees in Germany) were not used. The indirect effects of government support packages that some countries have implemented for the private credit insurance sector are reflected by taking account of potential compensation payments when calculating specific bad debt allowances.

The model of portfolio allowances has only been adjusted so that any losses on receivables already incurred are no longer used as a corrective factor in the calculation of the probability of default for the reporting period. No other changes have been made to the model.

Income taxes

In the consolidated interim financial statements, income tax expense is calculated in accordance with IAS 34 on the basis of the expected weighted average annual tax rate for fiscal year 2020.

Use of estimates and assumptions and significant use of management judgement

In preparing the consolidated financial statements, company management must make certain estimates and assumptions which may influence the amounts reported for assets, liabilities and financial obligations as at the balance sheet date, as well as income and expenses for the year under review. The future effects of the COVID-19 pandemic are subject to uncertainty, which may influence these amounts and cannot be reliably estimated at present. The assumptions and estimates the management made to the best of their knowledge could have been made differently for equally plausible reasons. The assumptions made may alter over time and hence have a material effect on the net assets, financial position and profit or loss. Management is confident that the assumptions and estimates made are appropriate.

Information on changes in estimates, including information on the effects of the corona crisis, can be found in the appropriate notes.

Notes to the consolidated statement of comprehensive income

The decline in sales revenues by 101,362 thousand euros, or 25%, compared with the first half of 2019 is attributable to the global slump in demand caused by the corona crisis. Cost of sales was down 17%, and thus decreased more slowly than sales revenues. In addition to the drop in sales revenues, higher depreciation on new production machinery and the effects of introducing the new generation of appliances had a negative impact on the gross margin. Sales and service expenses were 9,935 thousand euros, or 10%, lower than in the first half of 2019; this was mainly due to a significant decrease in sales activities and a reduction in shipping costs. Currency fluctuations in the first half of 2020 led to a currency loss of 4,716 thousand euros (2019: gain of 1,231 thousand euros). Other operating income includes exchange gains of 5,132 thousand euros (2019: 4,086 thousand euros), while other operating expenses include exchange losses of 9,848 thousand euros (2019: 2,855 thousand euros). The other financial result relates primarily to the loss of 3,787 thousand euros on the special fund, which has in the meantime been liquidated. In total, profit before tax was 76,010 thousand euros lower than in the first half of 2019.

The regional breakdown of sales revenues by customer location is shown in the table on the next page. The combi-steamer product group achieved sales revenues of 270,290 thousand euros (2019: 365,519 thousand euros) in the period under review and the VarioCookingCenter/iVario product group achieved sales revenues of 27,740 thousand euros (2019: 33,873 thousand euros). 72% (2019: 73%) of sales revenues was attributable to appliance sales. The remaining 28% (2019: 27%) was generated from the sale of accessories, spare parts and care products and from the provision of services. Further information on sales revenues appears in the section on segment reporting.

Sales revenues by region

in kEUR	1st half of 2020	% of total	1st half of 2019	% of total
Germany	39,227	13	48,852	12
Europe (excluding Germany)	131,553	44	181,181	46
North America	55,286	18	76,073	19
Latin America	11,777	4	21,311	5
Asia	43,552	15	52,223	13
Rest of the world[1]	16,635	6	19,752	5
Total	**298,030**	**100**	**399,392**	**100**

1 Australia, New Zealand, Middle East, Africa

Government grants

As a response to the corona crisis, government assistance was granted in some countries. In the first half of 2020, RATIONAL recognized government grants in the form of personnel and rental cost subsidies of 1,101 thousand euros.

The corresponding claims arose in the reporting period. The conditions attached to these grants were satisfied in full and there are no uncertainties in this regard. In addition, RATIONAL received government assistance in the form of reduced social security contributions.

Besides this corona-related assistance, subsidies for assets were recognized in the amount of 150 thousand euros (2019: 0 thousand euros) and subsidies for research and development in the amount of 420 thousand euros (2019: 324 thousand euros).

Notes to the consolidated balance sheet

Intangible assets and property, plant and equipment

The negative effects of the corona crisis were identified as indications of possible impairment of non-financial assets. As at 30 June 2020, RATIONAL allocated the main non-current assets to the cash-generating units and subjected these units to impairment testing.

RATIONAL based the impairment tests on the latest forecasts that had been prepared separately for each of the cash-generating units. To account for the degree of uncertainty arising from the corona crisis, RATIONAL used different cash flow scenarios for future periods, which were weighted according to probability and included in the measurement of the value in use of the cash-generating unit in question. The values in use are derived from the expected future cash flows on an after-tax basis. The forecast calculations cover a period of four to five years. The cash flows expected after this period are extrapolated assuming a growth rate of 1.0%. No impairment losses had to be recognized on any of the cash-generating units. The recoverable amounts of the cash-generating units examined were significantly above their carrying amounts.

In the calculation of the value in use of the cash-generating unit, the greatest uncertainty relates to the growth rates on which the future cash flows within and outside of the forecast period are based. The management believes that no reasonably possible change in the assumptions made could lead to the carrying amounts of the cash-generating units significantly exceeding their recoverable amounts.

Inventories

Inventories increased in the reporting period from 66,022 thousand euros as at 31 December 2019 to 83,514 thousand euros as at 30 June 2020. The rise in inventories is attributable to the product changeover in the second quarter, higher levels of raw materials to ensure supply capabilities as well as the significant decrease in unit sales in the second quarter.

Trade accounts receivable

in kEUR	30 June 2020	31 Dec 2019
Gross trade accounts receivable (subject to specific bad debt allowances)	2,052	1,043
Gross trade accounts receivable (subject to portfolio bad debt allowances)	84,299	124,868
Total	**86,351**	**125,911**
Specific valuation allowance	– 731	– 519
Portfolio valuation allowance	– 56	– 48
Trade accounts receivable	**85,564**	**125,344**

Trade accounts receivable

Trade accounts receivable are shown in the table above.

The reduction in trade accounts receivable as compared with 31 December 2019 reflects the decline in sales revenues, especially in the second quarter 2020.

Gains and losses on the derecognition of receivables resulted in an expense of 435 thousand euros in the first half of 2020 (2019: 278 thousand euros). This figure does not include any claims settled by or payments expected from the credit insurer, which amounted to 338 thousand euros (2019: 191 thousand euros). Impairment losses and the reversal of impairment losses on trade accounts receivable gave rise to an expense of 261 thousand euros in the first half of 2020 (2019: 12 thousand euros). These are reported under other operating expenses or other operating income.

Other financial assets

Other financial assets break down as follows:

Other financial assets

	Current		Non-current	
in kEUR	30 June 2020	31 Dec 2019	30 June 2020	31 Dec 2019
Bonds, shares and fund units	–	50,290	–	–
Deposits incl. interest claims	20,652	49,596	–	–
Derivatives without a hedge relationship	685	327	–	–
Other	1,112	742	1,335	1,330
Total	**22,449**	**100,955**	**1,335**	**1,330**

The decrease in other financial assets compared with 31 December 2019 is mainly the result of the sale of bonds, shares and fund units in connection with the liquidation of the special fund and the reduction in short-term deposits.

Notes on the consolidated cash flow statement

The lower cash flows from operating activities in the first half of 2020 as compared with the first half of 2019 is primarily attributable to the reduced profit before tax. The increased cash flow from investing activities is attributable to the liquidation of the special fund. The cash outflow from financing activities is mainly due to the dividend payment of 64,809 thousand euros (2019: 108,015 thousand euros).

Notes on financial instruments

The following table shows the carrying amounts and the fair values that have to be disclosed additionally under IFRS 7 for financial instruments. If no fair value is stated in the table for a financial instrument, the specified carrying amount of the financial instrument is a reasonable approximation of its fair value. For lease liabilities, no fair value is specified in accordance with IFRS 7.29 d).

Categories of financial assets and liabilities acc. to IFRS 9

in kEUR	Fair value hierarchy level	Carrying amount 30 June 2020	Fair value 30 June 2020	Carrying amount 31 Dec 2019	Fair value 31 Dec 2019
Financial assets measured at amortised cost		**294,659**		**358,402**	
Other financial assets (non-current)	Level 2	1,335	1,330	1,330	1,330
Trade accounts receivable		85,564		125,344	
Other financial assets (current)		21,764		50,338	
Cash and cash equivalents		185,996		181,390	
Financial assets measured at fair value through profit or loss		**685**		**50,617**	
Derivatives not in a hedging relationship[1]	Level 1	–	–	91	91
Derivatives not in a hedging relationship [1]	Level 2	685	685	236	236
Other financial assets (current)	Level 1	–	–	49,172	49,172
Other financial assets (current)	Level 2	–	–	1,118	1,118
Financial liabilities measured at amortised cost		**48,925**		**63,906**	
Financial debt (non-current)	Level 2	2,861	2,966	3,676	3,830
Lease liabilities (non-current)[2]		11,311		10,554	
Other financial liabilities (non-current)	Level 2	3,214	3,184	3,214	3,214
Financial debt (current)	Level 2	2,790	2,809	5,908	5,931
Trade accounts payable		18,798		24,977	
Lease liabilities (current)[3]		6,930		6,550	
Other financial liabilities (current)		3,021		9,027	
Financial liabilities measured at fair value through profit or loss		**200**		**729**	
Derivatives without a hedge relationship[3]	Level 2	200	200	729	729

1 Included in “Other financial assets” (current) balance sheet item
2 Included in “Other financial liabilities” (non-current) balance sheet item
3 Included in “Other financial liabilities” (current) balance sheet item

During the reporting period there were no reclassifications between the fair value hierarchy levels in accordance with IFRS 13. If circumstances occur which necessitate a different classification, the financial instruments will be reclassified at the end of the reporting period.

Financial risks

The financial instruments include specific risks, such as credit risk, liquidity risk and market risk, which consists of currency risk, interest rate risk, price risk and share price risk. The regular risk review also covers the potential impact of the corona crisis. In this context, measures were taken to reduce the above risks.

Credit risks

Trade accounts receivable

RATIONAL supplies customers in almost all regions of the world. Products are marketed through specialised retailers. The end customers mainly come from the hospitality, hotel and mass catering segments. The trade accounts receivable are usually due from specialised retailers. RATIONAL's customers and business partners have been severely affected by the measures taken to contain the corona crisis. Credit risk can arise as a result of customers not fulfilling their payment obligations.

The models to determine expected credit losses and the assumptions and estimates they contain were reviewed and adjusted as described in the section entitled "Changes to accounting policies".

In order to avoid or reduce credit risk, customers are subjected to credit checks and permanent credit monitoring performed by the credit insurance providers Coface and Atradius and their local partner companies. The RATIONAL customer portfolio is still rated as "low risk" by them.

As far as possible, customer receivables are insured or secured with customary bank collateral. To maintain the company's ability to operate given declining sums assured by credit insurers and increasing risk aversion among banks in issuing guarantees and letters of credit, supplies of goods or services that are only partially collateralised and based on open payment terms or part payments in advance are considered more frequently than in the past.

As at the balance sheet date, the risk coverage ratio was at the high level of previous years.

Financial assets at banks

The following table shows the collateralisation of deposits with banks and the unsecured credit risk.

Financial assets at banks

in kEUR	Carrying amount after risk allowance 30 June 2020	Secured by deposit protection fund 30 June 2020	Unsecured credit risk 30 June 2020
Deposits	20,652	10,774	9,878
Cash and cash equivalents	185,996	107,253	78,473
Total	**206,648**	**118,027**	**88,621**

in kEUR	Carrying amount after risk allowance 31 Dec 2019	Secured by deposit protection fund 31 Dec 2019	Unsecured credit risk 31 Dec 2019
Deposits	49,596	19,655	29,941
Cash and cash equivalents	181,390	121,826	59,564
Total	**230,986**	**141,481**	**89,505**

Liquidity risks

In the first half of 2020, RATIONAL's business and economic environment was severely impacted by the corona crisis. Liquidity was shifted in response to the turbulent developments in the economy.

As at 30 June 2020, the liquidity reserve from own resources (including all existing short-term fixed-term deposits) totalled 206,668 thousand euros (31 December 2019: 231,023 thousand euros). As at the reporting date, there were no fixed-term deposits with a remaining maturity of more than 12 months.

RATIONAL attaches great importance to internal financing; most of the global growth in sales revenues over recent years has been funded in this way. In the event that RATIONAL should have additional need for external financing, contractually agreed, confirmed credit lines are available from several banks (with long-term Standard & Poor's ratings ranging from BBB+ to A); their availability has not changed since the end of 2019.

Market risk

Following the liquidation of the special fund and the resulting sale of all investments in equities, RATIONAL is no longer exposed to share price risk.

Operating Segments

The Group's reporting structure follows the internal control and reporting to the Executive Board and is based on the geographical regions. The business segments DACH (Germany, Austria and Switzerland), EMEA (Europe, Middle East, Africa), Americas and Asia are reported.

For sales revenues and net costs or income, the reconciliation results from currency translation and items that are not allocated to the segments. Because of the decline in sales revenues, in the first half of 2020, this item relates in particular to overheads not allocated to the segments. In the case of assets, the column essentially contains assets that are not allocated to business segments as well as consolidation effects.

Operating Segments 1st half year 2020

in kEUR	DACH	EMEA	AMERICAS	ASIA	Total of segments	Reconciliation	Group
Segment sales revenues	**53,553**	**127,699**	**67,712**	**48,904**	**297,868**	**162**	**298,030**
Segment profit or loss	11,332	29,376	11,821	9,395	61,924	– 34,364	27,560
Financial result							– 4,053
Earnings before taxes							23,507
Segment assets	**12,302**	**47,470**	**58,190**	**49,645**	**167,607**	**1,471**	**169,078**

Operating Segments 1st half year 2019

in kEUR	DACH	EMEA	AMERICAS	ASIA	Total of segments	Reconciliation	Group
Segment sales revenues	**65,222**	**174,085**	**93,190**	**59,457**	**391,954**	**7,438**	**399,392**
Segment profit or loss	16,303	47,787	17,520	13,235	94,845	3,363	98,208
Financial result							1,309
Earnings before taxes							99,517
Segment assets	**12,534**	**72,522**	**66,362**	**43,094**	**194,512**	**– 9,199**	**185,313**

Significant events after the reporting date

The dynamic of the COVID-19 pandemic results in new developments every day. No events have occurred, however, since 30 June 2020 that would significantly alter the assessment of RATIONAL AG's and the Group's net assets, financial position and profit or loss.

Statement of Responsibility

Statement of Responsibility
To the best of our knowledge, and in accordance with the applicable reporting principles for interim reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the consolidated group, and the interim consolidated management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remainder of the fiscal year.

Landsberg am Lech, 24 July 2020

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Disclaimer
This half-yearly financial report contains forward-looking statements that are based on assumptions and expectations at the time the report went to press (24 July 2020). Forward-looking statements entail risks and uncertainties, and the actual outcomes may vary considerably from them. Many of these risks and uncertainties are determined by factors that are outside the influence of RATIONAL AG and cannot be assessed reliably at present. They include future market conditions and economic trends, the actions of other market players, and legal and political decisions. RATIONAL AG is also not obligated to publish revisions to these forward-looking statements in order to reflect events or circumstances that have occurred after they were published.