

Half Year Report 2005



Key figures

Thousands of euros	2 nd Quarter 2005	2 nd Quarter 2004	Change	Half Year 2005	Half Year 2004	Change
Sales	58,312	52,522	+11%	111,731	97,770	+14%
Sales abroad as a percentage of sales	84%	86%	-2%-pts	84%	85%	-1%-pt
Cost of sales	22,885	21,329	+7%	43,916	40,937	+7%
as a percentage of sales	39.2%	40.6%		39.3%	41.9%	
Sales and service expenses	15,553	14,036	+11%	31,014	27,086	+15%
as a percentage of sales	26.7%	26.7%		27.8%	27.7%	
Research and development expenses	2,645	2,529	+5%	4,996	5,149	-3%
as a percentage of sales	4.5%	4.8%		4.5%	5.3%	
General administration expenses	3,218	2,826	+14%	6,082	5,378	+13%
as a percentage of sales	5.5%	5.4%		5.4%	5.5%	
EBIT – earnings before interest and taxes	14,200	10,911	+30%	26,194	18,704	+40%
as a percentage of sales	24.4%	20.8%		23.4%	19.1%	
EBT – earnings before taxes	14,446	10,970	+32%	26,483	18,805	+41%
as a percentage of sales	24.8%	20.9%		23.7%	19.2%	
Group earnings	8,760	6,548	+34%	16,153	11,174	+45%
as a percentage of sales	15.0%	12.6%		14.5%	11.4%	
per share in euros	0.77	0.58		1.42	0.98	
Employees (as an annual average)	778	743	+5%	767	725	+6%
Sales per employee	74.95	70.69	+6%	145.7	134.9	+8%
Cash flow from operating activities				9,309	6,167	+51%
per share in euros				0.82	0.54	
Balance sheet total				100,828	120,856	-17%
Equity as a percentage of the balance sheet total				63,537	80,950	-22%
				63.0%	67.0%	
Working capital (without liquid funds)				47,349	46,000	+3%
as a percentage of sales				42.4%	47.0%	

**Dear Shareholder,
Dear Business Partners,**

Thank you for your interest in RATIONAL AG.

This report sets out information on our business situation in the first half of 2005 and on the further development of the company.

Economic Report

Higher crude oil prices constrain global economy

The upturn in the global economy lost some of its momentum in the first half of 2005. This was partly due to the effects of another powerful surge in oil prices, though there are wide variations in the economic situation in different regions. Whilst the solid expansion phase has been maintained in America, in Europe, and in Germany in particular, the positive forecasts have not yet been substantiated. It has already been necessary for the growth rates originally expected for 2005 to be adjusted downward.

Business situation

RATIONAL sales performance up with 14 percent

Despite the lack of economic backup, RATIONAL AG has again managed to increase its sales performance significantly in the first half of 2005. Its sales revenues of 111.7 million euros represent a 14 percent increase over the comparative figure for last year (97.8 million euros). The growth rate of 11 percent in Q2 2005 exceeded even last year's relatively strong figure for the same quarter that was achieved thanks to the launch of the new SelfCooking Center®.

Earnings 40 percent higher

At 60.7 percent, the gross yield margin in the first half of 2005 is well above last year's figure (58.1 percent) and is higher than the gross yield margin for the whole of 2004 (59.3 percent). Higher raw material prices were more than offset by cost savings and productivity gains in RATIONAL's production and delivery process. The higher gross yield combined with a modest increase in the cost of sales and administration, together with a slight fall in research and development expenditure, has resulted in earnings before interest and taxes (EBIT) increasing by 40 percent to 26.2 million euros (compared to 18.7 million euros last year). The EBIT of 14.2 million euros in Q2 2005 is 3.3 million euros or 30 percent higher than the comparable figure for last year (10.9 million euros).

Cash flow from operating activities 51 percent above previous year

Based on half year's excellent earning situation and further improvements in the management of inventory and receivables, cash flow from operating activities was raised with 51 percent up to 9.3 million euros (previous year: 6.2 million euros).

I RATIONAL dealer

RATIONAL - "Partnership of winners"

Based on the worldwide approved conception "Partnership of winners", RATIONAL gives assistance to its dealers in terms of adequate solutions for attracting new customers. The example of two Canadian commercial kitchen equipment suppliers provides an impressive indication of how both sides benefit from this partnership.

Adrian Boem, proprietor of "BARRIE EQUIPMENT SALES", sets himself the challenge of perfection in everything he does, and of only offering products that he himself endorses intransigently. With the RATIONAL SelfCooking Center® he offers his customers a superior solution in terms of quality and technology. He also uses the positive image and active sales support provided by RATIONAL to his own advantage. "More customers in my showrooms because of RATIONAL's innovative products inevitably mean additional sales of other products as well," acknowledges Adrian Boem happily. "For us, RATIONAL is the ideal partner".

Rick William of "WILLIAMS FOOD EQUIPMENT" is also very pleased. The "TeamCooking Live" demonstrations held in his showrooms by RATIONAL chefs are his key to success. The customers are completely involved and learn about the unique benefits of the RATIONAL SelfCooking Center® in a direct, hands-on way. "The partnership with RATIONAL is unique. Together, we perfectly meet the requirements of our customers".

I Awards

Additional awards for RATIONAL SelfCooking Center® in North America

RATIONAL's superior technology and high innovation power is affirmed again and again by a huge number of awards.

For the invention of the world's first SelfCooking Center® RATIONAL was honoured with two awards in the second quarter of 2005. The "Produit nouveau de l'année" prize, given at the "Salon Rest-Hôte Canada" trade show in Montreal together with the "Kitchen Innovation 2005 Award" is evidence of the increased attentiveness of RATIONAL's SelfCooking Center® in the North-American market.

On the occasion of the ceremony for the "Kitchen Innovation 2005 Award", which was given to Peter Schön, president of RATIONAL USA by the National Restaurant Association, the user-friendliness and the innovative and superior technology of the SelfCooking Center® was pointed out.

RATIONAL dealer – "Partnership of winners"



Rick Williams, owner
Williams Food Equipment, Windsor, Canada

"The partnership with RATIONAL is unique. Together, we meet perfectly the requirements of our customers".



Adrian Boem, owner
Barrie Equipment Sales, Barrie, Canada

"More customers in my showrooms because of RATIONAL's innovative products inevitably mean additional sales of other products as well".

RATIONAL SelfCooking Center® once more awarded



On the NRA Show in Chicago, Peter Schön, president of RATIONAL USA, received another award for the RATIONAL SelfCooking Center®.

From the "Salon Rest-Hôte Canada" RATIONAL SelfCooking Center® came back as a winner. In Montreal the SelfCooking Center® was appointed "product of the year".



I Suppliers day

Quality of suppliers as a key for success

As a company with a small vertical range of manufacture, the quality and reliability of our suppliers is particularly important for the sustainable success of our business. Based on the principle of the extended workbench, we work in close partnership with our system suppliers.

This may extend to providing know how, advice and support in reengineering projects, as exemplified by the Hungarian company Femfeldolgozo, a supplier of stainless steel components. Mr. Telek, managing director of Femfeldolgozo, was able to call on RATIONAL's experience again and again to help restructure his company's production and delivery process, introduce flexible working hours and modernize its administration structures. The initial successes started to become apparent within a very short time.

At its annual "Suppliers Day" on 12 May 2005, RATIONAL honoured its best suppliers in 2004 for their particular achievements. The companies in question were Punker GmbH & Co. KG, TQ Systems GmbH and EIV Engeser Innovative Verbindungstechnik GmbH, as well as five other key suppliers.

I New subsidiaries

New sales subsidiaries in Austria and Poland

The penetration of important sales markets by own subsidiaries appeared to be the right approach from a strategic point of view in the past.

Austria and Poland are among the most important sales markets for RATIONAL technology. Intensive market development by sales partners has been increasing awareness of the RATIONAL brand in Austria and Poland year on year. Given the good market conditions, RATIONAL took consistently the next logical step in its market development strategy by forming separate subsidiaries in Q2 2005. Experience in other markets has shown that market penetration and growth rates are increasing further as a result of intensive marketing by RATIONAL's own sales organization with an additional positive effect on the partner business as well.

I Annual Shareholders' Meeting

Shareholders convinced by business growth – 100 percent approval of dividend proposal

Each year, the RATIONAL Annual Shareholders' Meeting represents a highlight of its work in investor relations. Against a background of superb business growth, the rise in its share price and the announced extraordinary dividend of 5.00 euros per share, the interest among the shareholders this year was particularly high.

Suppliers Day: Reengineering together with RATIONAL



Successful Reengineering project together with Femfeldolgozo.



At its annual "Suppliers Day" on 12 May 2005, RATIONAL honoured its best suppliers in 2004.

RATIONAL is continuing to growth – Shareholders enthusiastic

"In particular we are proud, that primarily our customers favour RATIONAL as number 1", says Dr. Blaschke, CEO of RATIONAL AG.



Shareholders convinced by RATIONAL's business growth. All proposals by the management received the broad approval of the shareholders present.

Almost 600 shareholders took the opportunity to find out about the company's business growth at first hand and to vote on the items on the agenda. All proposals by the management received the broad approval of the shareholders present. Dividend was approved with out any dissenting vote.

I Investor Relations

The great significance that RATIONAL attaches to its investor relations work is also indicated by the Managing Board's constant willingness to answer questions from shareholders, analysts, fund managers and interested parties, promptly and in person. In Q2 2005 the company was presented at roadshows in Italy, New York, Chicago, Amsterdam, Paris, Copenhagen, London and Munich, and also in the context of telephone conferences and analyst meetings at the company headquarter in Landsberg. Confidence in the continued successful growth of the company and the resultant stability in the share price is not least the result of these activities.

I Business outlook

Business growth according to plan

Business growth in the first half of 2005 met our expectations completely. We also confidently expect to achieve our planned sales growth of 10 per cent to 244 million euros for the whole year (compared to 222 million euros last year), whilst at the same time achieving an increase in earnings before interest and taxes (EBIT) of 12 per cent to 60 million euros (compared to 54 million euros last year).

Landsberg am Lech, 22 July 2005

RATIONAL AG
The Managing Board

RATIONAL – on the right way



Financial Calendar

Roadshow Paris	September 2005
Roadshow Edinburgh	September 2005
9-Month-Report	November 8, 2005
SEQ-Conference	November 2005

Income Statement

RATIONAL Group

Thousands of euros	2 nd Quarter 2005	2 nd Quarter 2004	Half Year 2005	Half Year 2004
Sales	58,312	52,522	111,731	97,770
Cost of sales	-22,885	-21,329	-43,916	-40,937
Gross profit	35,427	31,193	67,815	56,833
Sales and service expenses	-15,553	-14,036	-31,014	-27,086
Research and development expenses	-2,645	-2,529	-4,996	-5,149
General administration expenses	-3,218	-2,826	-6,082	-5,378
Other operating income	2,245	400	4,246	1,734
Other operating expenses	-2,056	-1,290	-3,775	-2,250
Earnings before interest and taxes (EBIT)	14,200	10,911	26,194	18,704
Financial results	246	59	289	101
Earnings before taxes (EBT)	14,446	10,970	26,483	18,805
Taxes on income	-5,686	-4,422	-10,330	-7,631
Group earnings	8,760	6,548	16,153	11,174
Retained earnings brought forward	14,264	34,502	6,871	29,876
Retained earnings	23,024	41,050	23,024	41,050

	2 nd Quarter 2005	2 nd Quarter 2004	Half Year 2005	Half Year 2004
Average number of shares (undiluted)	11,370,000	11,370,000	11,370,000	11,370,000
Earnings per share (undiluted) in euros relating to the consolidated results and the number of shares	0.77	0.58	1.42	0.98
Average number of shares (diluted)	11,404,500	11,404,500	11,404,500	11,398,750
Earnings per share (diluted) in euros relating to the consolidated results and the number of shares	0.77	0.57	1.42	0.98

Balance Sheet

RATIONAL Group

Assets

Thousands of euros	30.06.2005	30.06.2004	31.12.2004
Intangible assets	880	1,225	1,031
Property, plant and equipment	27,652	25,812	26,858
Financial assets	218	218	218
Fixed assets	28,750	27,255	28,107
Securities long-term	-	2,000	2,000
Deferred tax assets	2,982	1,824	1,761
Long-term assets	31,732	31,079	31,868
Inventories	15,309	16,370	14,338
Trade receivables	39,321	37,365	36,694
Other assets	2,422	2,572	3,922
Securities short-term	2,500	14,993	-
Cash in hand and cash in bank accounts	9,544	18,477	59,941
Short-term assets	69,096	89,777	114,895
Balance sheet total	100,828	120,856	146,763

Balance Sheet

RATIONAL Group

Equity and liabilities

Thousands of euros	30.06.2005	30.06.2004	31.12.2004
Subscribed capital	11,370	11,370	11,370
Capital reserve	28,629	28,016	28,472
Revenue reserves	514	514	514
Retained earnings	23,024	41,050	63,721
Equity	63,537	80,950	104,077
Provisions for pensions	601	543	591
Other liabilities long-term	172	196	172
Long-term liabilities	773	739	763
Provisions for taxation	2,590	8,628	9,969
Other provisions	14,231	12,229	11,416
Liabilities to banks	5,502	2,467	2,202
Trade accounts payable	6,063	6,888	5,844
Other liabilities short-term	8,132	8,955	12,492
Short-term liabilities	36,518	39,167	41,923
Liabilities	37,291	39,906	42,686
Balance sheet total	100,828	120,856	146,763

Statement of Changes in Equity

RATIONAL Group

Thousands of euros	Subscribed capital	Capital reserve	thereof non-realised	Revenue reserves	Retained earnings	Total
Balance on Jan.1, 2004	11,370	27,790	-2,753	514	50,911	90,585
Dividends	-	-	-	-	-21,035	-21,035
Group earnings	-	-	-	-	11,174	11,174
Differences from currency conversion	-	126	-	-	-	126
Other changes	-	100	-	-	-	100
Balance on Jun. 30, 2004	11,370	28,016	-2,753	514	41,050	80,950
Balance on Jan.1, 2005	11,370	28,472	-2,338	514	63,721	104,077
Dividends	-	-	-	-	-56,850	-56,850
Group earnings	-	-	-	-	16,153	16,153
Differences from currency conversion	-	37	-	-	-	37
Other changes	-	120	-	-	-	120
Balance on Jun. 30, 2005	11,370	28,629	-2,338	514	23,024	63,537

Cash Flow Statement

RATIONAL Group

Thousands of euros	Half Year 2005	Half Year 2004
Earnings from ordinary activities	26,483	18,805
Cash flow from operating activities	9,309	6,167
Cash flow from investing activities	-2,038	-1,767
Cash flow from financing activities	-40,226	-21,659
Exchange rate changes	59	30
Change in cash funds	-32,896	-17,229

Sales

Thousands of euros	Half Year 2005		Half Year 2004	
Germany	17,867	16.0%	14,936	15.3%
Europe (excluding Germany)	61,755	55.3%	53,387	54.6%
Americas	13,346	11.9%	11,282	11.5%
Asia	14,274	12.8%	14,615	15.0%
Rest of the world*)	4,489	4.0%	3,550	3.6%
Total	111,731	100.0%	97,770	100.0%

*) Australia, New Zealand, Near/Middle East, Africa

The sales per region are shown according to customer location.

Segment reporting Half Year 2005 <small>Thousands of euros</small>	Activities of the subsidiaries in:				Activities	Total	Reconcil	Group
	Germany	Europe excl. Germany	Americas	Asia	of the parent company	for segments		
External sales	17,751	45,342	9,720	6,767	32,151	111,731	-	111,731
vs. previous year	+20%	+21%	+28%	+5%	+2%	+14%	-	+14%
share	15.9%	40.5%	8.7%	6.1%	28.8%	100%	-	100%
Inter-company sales	-	-54	-	-	56,854	56,800	-	56,800
Segment sales	17,751	45,288	9,720	6,767	89,005	168,531	-	168,531
vs. previous year	+20%	+21%	+28%	+5%	+10%	+14%	-	+14%
Segment result	135	533	-284	-93	26,631	26,922	-728	26,194
vs. previous year	+768	-1,139	-401	-347	+7,851	+6,732	+758	+7,490

Segment reporting Half Year 2004 <small>Thousands of euros</small>	Activities of the subsidiaries in:				Activities	Total	Reconcil	Group
	Germany	Europe excl. Germany	Americas	Asia	of the parent company	for segments		
External sales	14,825	37,331	7,607	6,425	31,582	97,770	-	97,770
share	15.2%	38.1%	7.8%	6.6%	32.3%	100%	-	100%
Inter-company sales	-	-	-	-	49,479	49,479	-	49,479
Segment sales	14,825	37,331	7,607	6,425	81,061	147,249	-	147,249
Segment result	- 633	1,672	117	254	18,780	20,190	-1,486	18,704

Segment reporting

RATIONAL activities are focussed on one business segment: the development, production and marketing of devices used for the thermal preparation of food in industrial kitchens. The company does currently not engage in further significant independent product lines which are also reported internally as segments. That is why the primary and only reporting format for the segments is organised geographically.

In the segments RATIONAL summarises the subsidiaries in the geographical regions in accordance with the stipulations in IAS 14.13 governing the structure according to the location of assets. Besides the segments Germany, Europe excl. Germany, Americas and Asia the fifth segment represents the activities of the parent company, including the LechMetall Landsberg GmbH and the RATIONAL Technical Services GmbH. The activity of this segment comprises the development, production and delivery of the products to the subsidiaries, but also the supply of both partners in markets that are not covered by any subsidiary and OEM-customers around the world. The reconciliation column reflects the effects of consolidation.

| Accounting principles

The group financial statements of RATIONAL AG as per June 30, 2005 were prepared in compliance with the International Accounting Standards (IAS) respectively the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) and the interpretation by the Standing Interpretations Committee (SIC) respectively the International Financial Reporting Interpretations Committee (IFRS). All the effective standards for the financial year 2005 were taken into account, with the result that a true and fair view of the RATIONAL Group's net assets, financial position and result of operations has been given. Accounting, valuation and consolidation methods generally have been kept unchanged compared to the previous year. Option rights on 34,500 RATIONAL shares, issued for the management on January 28, 2004, have been reflected in the profit and loss statement in compliance with IFRS 2. 2004 comparison figures have been adapted accordingly. Determination of goodwill and depreciation of goodwill was done in accordance with IFRS 3 and IAS 36. Balance sheet structure was adapted to requirements of IAS 1.

| Consolidated companies

The consolidated companies as per June 30, 2005 comprise three domestic and ten foreign subsidiaries, beside RATIONAL AG as the parent company. Starting from March 31, 2005 RATIONAL Austria, formed on March 17, 2005, as certified by notary public, with its registered office in Salzburg, Austria, was shown as a consolidated company for the first time. RATIONAL Austria has authorised capital of euro 35 thousand, of which RATIONAL AG as the parent company owns 100 percent. RATIONAL Poland as a new subsidiary is not included in consolidated companies as per half year 2005 as business activities have not been started yet.

| DVFA result

DVFA result as per June 30, 2005 matches to earnings per share according to IAS/IFRS as shown in the profit and loss statement.



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