

Report on the 1st Half Year 2010



Key Figures

in m EUR	2nd Quarter 2010	2nd Quarter 2009	Change absolute	Change in %	Half Year 2010	Half Year 2009	Change absolute	Change in %
Sales and earnings								
Sales	84.9	74.4	+10.5	+14	157.5	147.7	+9.8	+7
Sales abroad in %	84	84	+/-0	-	85	84	+1	-
Cost of sales	32.3	29.4	+2.9	+10	62.1	59.5	+2.6	+4
Sales and service expenses	20.5	18.7	+1.8	+9	40.5	40.2	+0.3	+1
Research and development expenses	3.3	2.9	+0.4	+15	6.4	5.8	+0.6	+10
General administration expenses	3.8	3.7	+0.1	+4	7.7	7.7	+/-0	+/-0
Earnings before interest and taxes (EBIT)	26.5	20.1	+6.4	+32	43.3	35.3	+8.0	+23
Group earnings	19.7	14.7	+5.0	+34	32.1	25.8	+6.3	+24
Balance sheet								
Balance sheet total					250.6	225.4	+25.2	+11
Working capital ¹					61.1	60.9	+0.2	+/-0
Equity					182.7	148.3	+34.4	+23
Equity ratio in %					72.9	65.8	+7.1	-
Cash flow								
Cash flow from operating activities					32.3	30.2	+2.1	+7
Investments					1.9	1.4	+0.5	+33
Free cash flow ²					30.4	28.8	+1.6	+5
Key figures RATIONAL share								
Earnings per share (in EUR)					2.83	2.27	+0.56	+24
Share price (in EUR) ³					126.55	82.00	+44.56	+54
Market capitalization					1,438.9	932.3	+506.6	+54
Employees								
Number of employees as of June 30					1,037	1,032	+5	+/-0
Number of employees (average)	1,039	1,056	-17	-2	1,031	1,065	-34	-3
Sales per employee (in kEUR)	81.7	70.4	+11.3	+16	152.8	138.7	+14.1	+10

¹ Without liquid funds

² Cash flow from operating activities less investments

³ XETRA-closing share price on the last trading day of the fiscal period

Letter from the Executive Board



Dear Shareholders, Customers and Business Partners,

With sales growth of 14% compared to the equivalent period of the previous year, we can look back on a successful second quarter of 2010. What is particularly gratifying is that virtually all markets are contributing to growth. Even areas, such as Russia, Spain and the Americas, which were especially hit by the last financial crisis, are back on track again.

Against the backdrop of this sounder economic climate, we are selectively investing in the global expansion of our sales and marketing network. As a result, 44 highly skilled new jobs were created in the first half of 2010.

We are reaffirming our expectations for 2010 as a whole and believe we are on course for sustained growth.

A handwritten signature in black ink, appearing to read 'Günter Blaschke'.

Dr. Günter Blaschke
- CEO of RATIONAL AG -

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Management Report

Economic Report

Global economy on course for recovery

Over recent months the global economy has recovered faster than many experts had predicted. The ifo World Economic Climate Index has moved up another gear compared to the previous quarter. The current economic situation is now judged by those surveyed to be more optimistic than at the start of the year and expectations for the months ahead are trending upward. The International Monetary Fund has upgraded its forecast for global growth in 2010 by 0.4 percentage points to 4.6%. For 2011 too, the experts are optimistic and expect economic growth of 4.3%.

Net Assets, Financial Position and Results of Operations

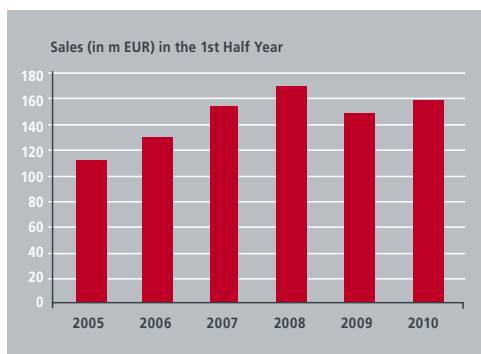
7% sales growth

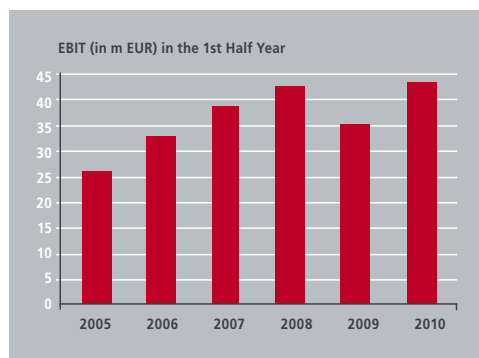
In the first six months sales rose by 7% or 9.8 million euros compared to the previous year, to 157.5 million euros. The fact that virtually all markets contributed to this growth inspires us with particular confidence. Second-quarter sales stood at 84.9 million euros, compared to 72.6 million euros in the first quarter. This is 14% up on the same quarter last year (74.4 million euros).

The current weakness of the euro is having a positive impact on our business. Around 2%-points of sales growth can be traced back to movements in exchange rates compared to the previous year.

Significant growth in the Americas and Europe

With a 22% sales increase compared to the previous year, developments in the Americas region were especially positive in the first half of 2010. This region accounts for 15% (previous year 13%) of group-wide sales revenues. With sales growth of 11%, Europe too has posted outstanding results. The trends were also positive in Germany, the largest individual sales market, where sales revenues were up by 5%. Because of the concentration of major orders in the first quarter of 2009, figures for the Asia region in the first half of 2010 are around 17% below those for the previous year. If this special base effect is eliminated, Asia would have grown by 7% in the first six months.





EBIT up by 23%

Thanks to the good sales performance, coupled with professional cost management, earnings are up considerably on a year-on-year basis. In the first six months earnings before interest and taxes (EBIT) improved by 8.0 million euros or 23% to 43.3 million euros. The EBIT margin of 27% is beyond the previous year's figure of 24%. Earnings after taxes stand at 32.1 million euros, a rise of 24% compared to the previous year.

In the second quarter of 2010 an EBIT of 26.5 million euros was posted. This equates to a 32% rise compared to the previous year and an EBIT margin of 31%.

32 million euros in operating cashflow

In the first six months of 2010 an operating cashflow of 32.3 million euros was achieved. After deducting investments this results in a free cashflow of 30.4 million euros. The cashflow from financing includes the dividend distribution of 39.8 million euros and the redemption of loans amounting to 9.1 million euros.

Risk provisioning due to the sound equity base

RATIONAL has an extremely sound financing mix and hence is in an excellent position to cope with unforeseen contingencies. The equity ratio increased further from 66% in the previous year to 73% on June 30, 2010.

In April the dividend of 3.50 euros per share (previous year 1.00 euro per share), resolved at the Annual General Meeting, was distributed to shareholders. In relation to net earnings for fiscal 2009 this represents a payout ratio of 60%.

Employees

44 new jobs created

Encouraged by the sustained, positive business trends, we started to make selective investments in the current fiscal year to increase sales capacities in markets with particularly high potential for growth. In addition to the focal points of China, India and South America, sales capacities for the VarioCooking Center® will also be further expanded. On June 30, 2010 the company employed 1,037 people, which are 44 more employees than at the start of the year.

Non-financial Performance Indicators

Customer service – The key to corporate success

Quick response times when faults develop are just as important for our customers as the outstanding quality of service. Our Service Partner Strategy, which has already won several accolades, ensures that service partners meet the highest standards. Not only do they undergo annual training and audits, but thanks to stocks of spare parts and the necessary measuring equipment they are ready to go at all times. Evidence of the high level of service quality comes in the form of the good results from ongoing customer satisfaction surveys.



FROM LEFT TO RIGHT
 Michael Kühn (RATIONAL); Ingo Lukas
 (Lukas GmbH); Franz Prähofer (Elektrotechnik Prähofer);
 Hans Peter Klöck (RATIONAL); Uwe Dierks (Elektrotechnik
 Wilhelmshafen); Kevin Matern (Hoinkis & Schürmann);
 Willi Paus (Kurt Halisch GmbH);
 Axel Schmiady (Jurke GmbH & Co. KG)

At the annual Service Partner Event honours went to 64 people who have been part of the Service Partner Strategy since its inception 10 years ago.

Risk Report

RATIONAL's global risk management system makes every effort to ensure that risks are detected and analysed at an early stage and that appropriate corrective measures are taken where necessary. The uncertainties that still remain as regards a lasting economic recovery in the global economy also continue to pose a risk. There are no significant changes to the statement of risks given in the last group financial statements.

Outlook

RATIONAL has everything in place for success in 2010. We have a superior product portfolio, large untapped market potential, very good customer loyalty and customer satisfaction, a global sales and marketing network and a proven business model with an excellent financial base.

Against the backdrop of the positive trends in the first six months we can confirm our expectations for 2010 as a whole to the effect that we will be back on a stable growth path.

Landsberg am Lech, August 2, 2010

RATIONAL AG

- The Executive Board -

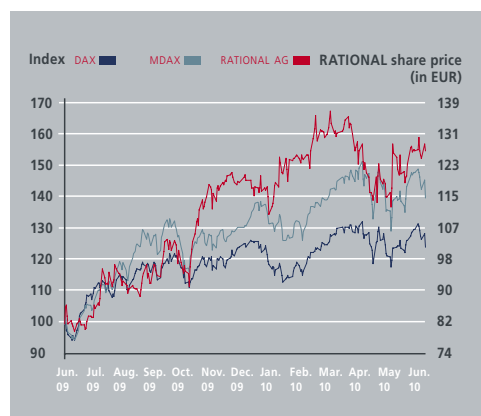
ClubRATIONAL is emerging as an interactive Network



In May ClubRATIONAL welcomed its 20,000th member. The club was set up about four years ago to provide our customers with even better support and to strengthen their ties with us. Membership gives customers a host of benefits, such as cooking tips or the opportunity to discuss their experiences directly with colleagues. At the same time the club offers all SelfCooking Center® owners the opportunity to benefit free of charge from software updates incorporating the latest developments by our cooking research team.

While the club was originally conceived as a platform to pass information to the customer, it is now more and more emerging as an interactive hub for the exchange of information by customers. One of the latest offerings from the club is the interactive recipe editor, where new recipes can be created in the twinkling of an eye, existing ones can readily be downloaded.

RATIONAL Share



Price gain of more than 50% in 12 months

With an increase in value of more than 50% in the last 12 months, RATIONAL shares have performed significantly better than the major DAX and MDAX indices. In addition to seeing the shares rise in value, investors have been gratified by a dividend of 3.50 euros per share in the current year. In total this represents an overall return of 59% within a year.

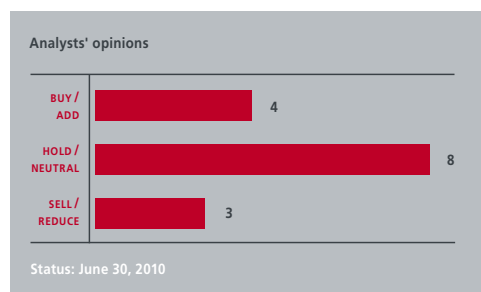
On June 30, 2010 the company's market capitalisation stood at 1,439 million euros, some 507 million euros up on the value on June 30, 2009.

General Meeting of Shareholders 2010 – large majority for all items on the agenda

Around 700 shareholders and guests again took the opportunity to attend this year's Shareholders' Meeting and gain first-hand information on the company's business performance. According to the information provided by the Executive Board and in the ensuing general debate, all the agenda items put to the vote were adopted with large majorities by the General Meeting.

Analysts' opinions

Analysts' sales and profit forecasts have barely changed in the second quarter of 2010 and remain at a high level thanks to the continuing positive assessment of the business outlook. Analysts view the overall corporate structure, the sound business model with the large untapped market potential and the high earning power of the company particularly positively. At present most analysts recommend holding or buying the shares.



Investor Relations create confidence

To satisfy the high levels of interest by investors, the company's Executive Board attended numerous investment conferences or roadshows in Europe and North America in the first half of 2010. In addition, many investors took the opportunity to find out more in individual meetings with the Executive Board at the company's headquarters in Landsberg. The positive development in the share price is due in no small measure to this prompt, open and transparent financial communication.

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

kEUR	2nd Quarter 2010	2nd Quarter 2009	Half Year 2010	Half Year 2009
Sales	84,926	74,369	157,547	147,686
Cost of sales	-32,288	-29,356	-62,082	-59,477
Gross profit	52,638	45,013	95,465	88,209
Sales and service expenses	-20,499	-18,747	-40,450	-40,220
Research and development expenses	-3,281	-2,858	-6,441	-5,849
General administration expenses	-3,806	-3,651	-7,707	-7,672
Other operating income	4,118	2,001	6,276	4,984
Other operating expenses	-2,707	-1,704	-3,838	-4,193
Earnings before interest and taxes (EBIT)	26,463	20,054	43,305	35,259
Financial results	-40	-67	-239	-58
Earnings from ordinary activities (EBT)	26,423	19,987	43,066	35,201
Taxes on income	-6,739	-5,259	-10,941	-9,354
Group earnings	19,684	14,728	32,125	25,847
Differences from currency conversion	356	112	585	249
Total comprehensive income	20,040	14,840	32,710	26,096
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 relating to the group earnings results and the number of shares	1.73	1.30	2.83	2.27

BALANCE SHEET**ASSETS**

kEUR	Jun. 30, 2010	Jun. 30, 2009	Dec. 31, 2009
Long-term assets	60,445	63,452	60,670
Intangible assets	1,195	1,540	1,259
Property, plant and equipment	55,167	58,987	56,321
Financial assets	50	50	50
Other long-term assets	254	259	222
Deferred tax assets	3,779	2,616	2,818
Short-term assets	190,190	161,933	204,991
Inventories	18,760	18,580	17,822
Trade receivables	53,144	51,587	51,434
Other short-term assets	5,308	4,588	4,106
Deposits with maturities of more than 3 months	76,000	54,000	96,000
Cash and cash equivalents	36,978	33,178	35,629
Balance sheet total	250,635	225,385	265,661

EQUITY AND LIABILITIES

kEUR	Jun. 30, 2010	Jun. 30, 2009	Dec. 31, 2009
Equity	182,665	148,283	189,750
Subscribed capital	11,370	11,370	11,370
Capital reserves	28,058	28,058	28,058
Retained earnings	144,726	110,938	152,396
Other components of equity	-1,489	-2,083	-2,074
Long-term liabilities	20,762	23,932	22,437
Provisions for pensions	666	609	688
Non-current loans	20,096	22,445	21,284
Other long-term liabilities	-	878	465
Short-term liabilities	47,208	53,170	53,474
Liabilities for current tax	5,013	1,937	4,564
Short-term provisions	21,171	19,807	18,784
Current portion of non-current loans	2,396	2,244	2,354
Liabilities to banks	-	14,000	8,000
Trade accounts payable	7,079	6,142	6,963
Other short-term liabilities	11,549	9,040	12,809
Liabilities	67,970	77,102	75,911
Balance sheet total	250,635	225,385	265,661

CASH FLOW STATEMENT

kEUR	1. Half Year 2010	1. Half Year 2009
Earnings from ordinary activities	43,066	35,201
Cash flow from operating activities	32,265	30,219
Changes in non-current fixed deposits	20,000	-29,000
Cash flow from other investing activities	-1,442	-692
Cash flow from investing activities	18,558	-29,692
Cash flow from financing activities	-50,014	452
Net changes in cash and cash equivalents	809	979
Changes in cash from exchange rate changes	540	89
Change in cash funds	1,349	1,068
Cash and cash equivalents on January 1	35,629	32,110
Cash and cash equivalents on June 30	36,978	33,178
Deposits with maturities of more than 3 months on June 30	76,000	54,000
Cash funds including deposits on June 30	112,978	87,178

STATEMENT OF CHANGES IN EQUITY

kEUR	Subscribed capital	Capital reserves	Retained earnings	Differences from currency conversion	Total
Balance on Jan. 1, 2009	11,370	28,058	96,461	-2,332	133,557
Dividend	-	-	-11,370	-	-
Total comprehensive income	-	-	25,847	249	26,096
Balance on Jun. 30, 2009	11,370	28,058	110,938	-2,083	148,283
Balance on Jan. 1, 2010	11,370	28,058	152,396	-2,074	189,750
Dividend	-	-	-39,795	-	-
Total comprehensive income	-	-	32,125	585	32,710
Balance on Jun. 30, 2010	11,370	28,058	144,726	-1,489	182,665

Notes

SALES BY REGION

kEUR	1. Half Year 2010	% of total	1. Half Year 2009	% of total
Germany	24,527	15	23,428	16
Europe (excluding Germany)	83,474	53	75,220	51
Americas	23,096	15	18,887	13
Asia	16,872	11	20,364	14
Rest of the world	9,578	6	9,787	6
Total	157,547	100	147,686	100

OPERATING SEGMENTS

1. Half Year 2010 kEUR	Activities of the subsidiaries in				Activities of the parent company	Total of segments	Reconciliation	Group
	Germany	Europe excl. Germany	Americas	Asia				
External sales	24,093	99,591	19,015	7,477	7,371	157,547	-	157,547
Intercompany sales	-	6,521	-	24	98,748	105,293	-105,293	-
Segment sales	24,093	106,112	19,015	7,501	106,119	262,840	-105,293	157,547
Segment result	-403	12,072	565	303	32,701	45,238	-1,933	43,305
Financial result								-239
Earnings before taxes								43,066

1. Half Year 2009 kEUR	Activities of the subsidiaries in				Activities of the parent company	Total of segments	Reconciliation	Group
	Germany	Europe excl. Germany	Americas	Asia				
External sales	23,225	93,084	15,743	6,902	8,732	147,686	-	147,686
Intercompany sales	-	1,840	-	-	93,186	95,026	-95,026	-
Segment sales	23,225	94,924	15,743	6,902	101,918	242,712	-95,026	147,686
Segment result	-714	4,836	73	516	29,167	33,878	1,381	35,259
Financial result								-58
Earnings before taxes								35,201

Fundamental accounting principles

The group six-month financial report was drawn up in line with the principles of the International Financial Reporting Standards (IFRS). The same valuation and balance sheet methods have therefore been applied as in the group's last financial statements. The rules in IAS 34 on condensed financial statements were applied in this case.

This consolidated six-month financial report was not audited in accordance with § 317 HGB (German Commercial Code), nor was it subject to an audit inspection by a balance sheet auditor.

Consolidated companies

On June 30, 2010 RATIONAL AG's consolidated group includes, besides the parent company RATIONAL AG, five German and nineteen foreign subsidiaries. Compared to June 30, 2009, the London-based subsidiary FRIMA UK has been included in the consolidated group. There were no other changes to the composition of the consolidated group compared to the balance sheet date of December 31, 2009.

Operating segments

In its operating segments, RATIONAL combines the subsidiaries located in the different regions. This corresponds to the internal reporting structure and thus the management approach laid down in IFRS 8. Operating segments are organisational units for which information is passed to management in order to measure success and allocate resources.

Besides the Germany, Europe excluding Germany, Americas and Asia segments, the fifth segment covers the work of the parent company (including LechMetall Landsberg GmbH, RATIONAL Technical Services GmbH and RATIONAL Komponenten GmbH). This segment represents the development, manufacture and supply of products to subsidiaries as well as supplies of goods and services to OEM customers. The effects arising from the consolidation operations are reflected in the reconciliation column.

Associated companies and persons

In the first half of 2010 no significant transactions occurred with companies or individuals in any way associated with RATIONAL AG.

DVFA result

The DVFA result on June 30, 2010 corresponds to the profit per share as per IAS or IFRS in the profit and loss account.

Responsibility Statement

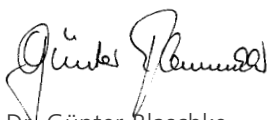
Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group 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 for the remaining months of the financial year.

Landsberg am Lech, August 2, 2010

RATIONAL AG

- The Executive Board -



DN Günther Blaschke
- Chief Executive Officer -



Erich Baumgärtner
- Chief Financial Officer -



Peter Wiedemann
- Chief Technical Officer -



Reinhard Banasch
- Chief Sales Officer -

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