Report
on the first half year
2022

Fast.
Precise.
Versatile.

Consistently
enhanced.

Landsberg am Lech, 3 August 2022

Key Figures

in m EUR	2nd quarter 2022	2nd quarter 2021	Change absolute	Change in %	1st half year 2022	1st half year 2021	Change absolute	Change in %
Sales revenues by region								
Germany	29.3	28.9	+0.4	+1	61.7	48.1	+13.6	+28
Europe (excluding Germany)	105.6	97.2	+8.4	+9	208.1	169.0	+39.1	+23
North America	45.4	36.5	+8.9	+24	84.2	67.4	+16.8	+25
Latin America	13.5	7.4	+6.1	+81	23.9	14.8	+9.1	+61
Asia	25.0	30.4	−5.4	−18	54.6	59.7	−5.1	-9
Rest of the world	13.6	11.2	+2.4	+21	25.2	20.4	+4.8	+24
Sales revenues generated abroad (in %)	87	86	+1	–	87	87	0	–
Sales revenues by product group								
iCombi	199.9	187.7	+12.2	+7	395.1	337.6	+57.5	+17
iVario	32.5	23.9	+8.6	+36	62.6	41.7	+20.9	+50
Sales revenues and earnings								
Sales revenues	232.4	211.6	+20.8	+10	457.7	379.3	+78.4	+21
Cost of sales	108.0	91.8	+16.2	+18	210.5	165.6	+44.9	+27
Gross profit	124.4	119.8	+4.6	+4	247.2	213.7	+33.5	+16
in % of sales revenues	53.5	56.6	−3.1	–	54.0	56.3	−2.3	–
Sales and service expenses	57.7	46.1	+11.6	+25	111.0	88.6	+22.4	+25
Research and development expenses	10.7	11.7	−1.0	−9	22.2	23.1	−0.9	−4
General administration expenses	11.3	9.7	+1.6	+17	22.8	19.4	+3.4	+17
Earnings before financial result and taxes (EBIT)	45.4	52.2	−6.8	−13	93.1	84.4	+8.7	+10
in % of sales revenues	19.5	24.7	−5.2	–	20.3	22.3	−2.0	–
Profit or loss after taxes	34.7	39.8	−5.1	−13	70.9	64.2	+6.7	+10
Balance Sheet								
Total equity and liabilities					747.6	710.0	+37.6	+5
Equity					560.0	543.8	+16.2	+3
Equity ratio (in %)					74.9	76.6	−1.7	–
Cash flow								
Cash flow from operating activities					33.0	76.5	−43.5	−57
Cash-effective investments					17.9	10.9	+7.0	+64
Free cash flow [1]					15.1	65.6	−50.5	−77
Number of employees as at 30 June					2,341	2,177	+164	+8
Key figures for RATIONAL shares								
Earnings per share (in EUR)					6.23	5.64	+0,59	+10
Quarter-end closing price[2] (in EUR)					554.50	764.00	−209.50	−27
Market capitalisation[2,3]					6,305	8,687	−2,382	−27

1 Cash flow from operating activities less capital expenditures
2 Xetra
3 As of balance sheet date

Group Management Report

Economic report

Macroeconomic framework

Economic situation: uncertainty on the increase
After a cautiously optimistic start to the year 2022, the outlook has taken another turn for the worse as a result of the war in Ukraine and supply shortages, which are being felt with increasing intensity. Given the macroeconomic framework, the International Monetary Fund (IMF) expects the global economy to grow by 3.2% in 2022. This is 1.2 percentage points lower than the estimate published in January 2022. The eurozone's economic output is now forecast to expand by 2.6%, while the IMF anticipates year-on-year growth of 2.3% in the United States. In the developing and emerging markets, economic output is forecast to be 3.6% up on the previous year. (Source: IMF World Economic Outlook, July 2022)

Restaurant and communal catering sector: major challenges despite ending of coronavirus restrictions
In the course of the first six months of 2022, coronavirus measures were eased or removed completely around the world. Despite these positive developments, new challenges became the focus of the restaurant and communal catering sector. After the start of the war in Ukraine, sharp rises in energy and food prices began to emerge. Moreover, shortages of skilled staff are becoming more and more noticeable. According to a study conducted by the German Economic Institute (IW), hotels and restaurant lost around 216,000 employees in 2020 in Germany alone. The rising input prices are having a positive effect on the efficiency of our cooking systems for customers.

Supply chains: constant risk factor
The uncertainties in the supply chain were again one of the key issues in the first half of 2022. Delivery times for our products are still considerably above the level before the coronavirus crisis, especially in developed countries. In addition to bottlenecks for electronic components, there were problems in international logistics. (Source: IMF WP/22/31, February 2022)

Earnings situation

Order situation and order book persist at high level
As at 1 April 2022, price increases came into effect worldwide for RATIONAL cooking systems, cleaners and accessories. This led to a significant increase in orders in March. Because of these orders brought forward, orders received in the second quarter were down somewhat on the levels of previous months, but still remained high. Overall, new orders received in the second quarter were slightly above the level of units sold. This resulted in a slight increase in orders on hand compared with the first quarter of 2022, to around 400 million euros or 44,000 appliances, as at the end of the second quarter of 2022.

Apart from growing confidence among our end customers, two key factors contributed to the continuing high level of new orders. Since the autumn of 2021, there have been signs of noticeably longer delivery times caused by the international supply shortages for electronic components. This prompts specialised retailers to place their orders sooner. Moreover, we responded to the increase in component and logistics costs by raising prices. These two effects led to a significant number of orders brought forward.

Despite material bottlenecks – second-quarter sales revenues above pre-crisis level, at 232 million euros – best quarter and best half year in the company's history
As in the first quarter of 2022, it was not demand or production capacity that drove sales revenue recognition in the second quarter of 2022, but the availability of processors (CPUs). Although both suppliers of CPUs are based in Europe, they were affected by shortages of materials caused by the lockdowns in Shanghai. The result was that the volume we received in the first half of the year was well below our requirements.

Sales revenues of 232.4 million euros in the second quarter of 2022 were 10% up on the figure of the second quarter of 2021 (211.6 million euros). After the first six months of 2022, sales revenues amounted to 457.7 million euros, 21% up on the previous year (379.3 million euros). Group-wide sales revenues were therefore not only significantly up on the previous year in both the second quarter and the first half of the year, but also at a new all-time high – above 2019 pre-crisis levels.

Sales revenues benefit from after-sales business, price increases and positive currency effects

Due to the shortage of electronic components, not all orders could be fulfilled, and the number of cooking systems delivered in the first half of the year only rose by 4%. In contrast, the performance of the business with cleaners, service parts and accessories was very encouraging, growing by around 35% in the same period. This is firstly attributable to the general uptick in demand in this area in difficult economic times. Secondly, since price increases can be implemented here faster, they increase sales revenues immediately. We estimate that the price increases already implemented in the first six months will have a positive impact on sales revenues in the region of 5 percentage points.

In addition, exchange rate movements had a positive effect on sales revenue performance in the first six months of the current fiscal year. The depreciation of the euro against most currencies also helped to raise sales revenues. The overall effect of these positive currency movements on sales revenue growth was a year-on-year boost of more than 3 percentage points in the first half of 2022.

Strong performance in almost all regions – Asia held back by lockdowns in China

From a regional perspective, the growth rates of the segments compared with the first half of the previous year ranged from −7% in Asia to +55% in Latin America (other segments). In addition to the second quarter's lockdown-related weakness in sales revenues in China the main factors in Asia were the volatile OEM business in Japan and weaker sales revenues in Korea. In Latin America, business continued to recover rapidly in all markets from the very deep downturn during the coronavirus crisis. EMEA and DACH exceeded the previous year's comparative figures, growing by an encouraging 23% and 26% respectively. Almost all European countries recovered, strongly so in some cases. Only Russia and the neighbouring regions in Eurasia were noticeably down on the previous year, due to the sanctions imposed. North America expanded by 15%, slightly more slowly than the Group average.

Sales revenues by product group: iVario defies supply difficulties and remains on course for success

Both product groups contributed equally to the Group's good growth. In the iCombi product group, sales revenues were up 17% year-on-year in the first six months, at 395.1 million euros (2021: 337.6 million euros). The sales revenue trend for the iVario was especially encouraging. With sales revenues up 50% compared to the first half of 2021, the iVario remains on its trajectory of success. Sales revenues amounted to 62.6 million euros (2021: 41.7 million euros). The volume of cooking systems sold did not rise to the same extent as sales revenues. Thanks to the better availability of electronic components, we successfully increased the sales volume of iVario cooking systems by 39% year-on-year.

54% gross margin in the first half of 2022

Cost of sales increased faster than sales revenues, by around 27%, to 210.5 million euros (2021: 165.6 million euros). As a result, the gross margin came under pressure in the first half of 2022. At 54.0 percent, it was 2.3 percentage points down on the prior-year figure (2021: 56.3%). The reasons include the massive cost increases in materials procurement and logistics and the fact that the higher prices only take effect with a time lag. Due to the high volume of orders on hand, which were entered at the prices applicable at the time they were placed, we are seeing a considerable delay in the price increases, which will become effective as soon as the orders on hand are processed once the availability of materials has improved.

EBIT margin of 20% in the first half of 2022

EBIT (earnings before financial result and taxes) in the first six months of the current fiscal year was 93.1 million euros, up approximately 10% on the first half of 2021 (2021: 84.4 million euros). The EBIT margin was 20.3% (2021: 22.3%).

Last year's EBIT margin in the first six months had benefited from the healthy sales revenue performance resulting from the gradual easing of the coronavirus lockdowns in combination with reduced cost levels.

This year's EBIT margin was weighed down mainly by sharp rises in material and component prices. While the costs of material usage accelerated faster than sales revenues, the operating expenses provided some tailwind. Totalling 156.0 million euros, they were up 19% on the previous year's figure of 131.1 million euros and therefore increased more slowly than sales revenues.

Operating expenses for sales and service stood at 111.0 million euros in the first half of the year (2021: 88.6 million euros). This rise is attributable to higher marketing expenses resulting from more frequent sales events and business trips, in addition to higher freight charges. Research and development expenses amounted to 22.2 million euros in the first six months of 2022, 4% down on the previous year (2021: 23.1 million euros). Administration expenses rose by 17% from 19.4 million euros to 22.8 million euros.

In the first six months of 2022, net currency gains of 0.9 million euros had a positive impact on EBIT (2021: 1.3 million euros).

Net assets and financial position

33 million euros in operating cash flow

In the first six months of the current fiscal year, our cash flow from operating activities was 33.0 million euros (2021: 76.5 million euros). This is primarily the result of net profit of 70.9 million euros, depreciation, amortisation and impairment losses of 15.2 million euros (increasing liquidity) as well as a significant rise in working capital, by 55.0 million euros, in the course of the year (reducing liquidity). The year-on-year decline is attributable to a higher increase in inventories and closing date effects on receivables, other assets and provisions recognised in the balance sheet.

The cash flow from investing activities includes investments in property, plant and equipment and in intangible assets. These amounted to 17.9 million euros in the first half of 2022 (2021: 10.9 million euros). The main drivers are investments in our Wittenheim location. In addition, the machinery installed at the Landsberg am Lech location was modernised. Because of project delays, we expect investments of between 30 and 35 million euros to be made for the current 2022 fiscal year, which is less than originally forecast in the 2021 Annual Report.

The cash flow from financing activities of −118.4 million euros mainly reflects the dividend payment (−113.7 million euros), the repayment of bank loans (−0.2 million euros) and the repayment of and payments for lease liabilities in accordance with IFRS 16 (−4.4 million euros).

Safeguarding liquidity while ensuring an appropriate dividend policy

A high level of liquidity and the resultant independence from capital markets and bank loans as well as 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. Our equity ratio at the end of June 2022 was high, at 75%, and we had around 180 million euros in net financial assets. In addition, we had credit lines amounting to 98 million euros on 30 June 2022 date, of which an amount of 75 million euros was contractually fixed. While maintaining our commercial prudence, we let our shareholders have an adequate share of the company's success and normally aim to make a dividend distribution of 70% of Group earnings. Given the reduction of the dividend in 2020 for coronavirus-related reasons, a special dividend of 2.50 euros per share was paid this year, on top of the regular dividend of 7.50 euros per share.

RATIONAL wins award as best employer brand 2021/2022

As a socially responsible company, RATIONAL strives to be and to remain a very attractive employer, because our employees are the cornerstone of our sustained success. We therefore expect a high level of commitment, flexibility and maximum customer centricity from our U.i.U.s. In the last few years, we have updated how we present ourselves as an employer in order to also attract the right applicants in times when there is a shortage of skilled staff. We are delighted that our employer brand now even has award-winning status. On 23 May 2022, our "A perfect match!" concept was presented with an award as best employer brand at the TalentAttract events by a jury of ten from the fields of HR, marketing and communication at major companies in the DACH regions and the University of Salzburg. Key criteria were personal responsibility, purpose, development and social responsibility, which, according to the jury, make a difference.

As at the end of the second quarter, we had 2,341 employees (31 December 2021: 2,248 employees), of whom 1,345 (31 December 2021: 1,285 employees) work in Germany. Our salary increases are based on or exceed the adjustments negotiated by the IG Metall union. We increased the salaries of our U.i.U.s employed in Germany by 5.1% as at 1 July 2022 and will continue to monitor the inflation trend closely.

RATIONAL recognised as one of the most sustainable SMEs

With its products that save energy and resources, offer safe and ergonomic workplaces, and prepare healthy food, RATIONAL has been making thousands of customer companies more sustainable for decades. In addition, we strive to make our own value creation as sustainable as possible and minimise our ecological footprint. We are delighted that the WirtschaftsWoche counts RATIONAL among the most sustainable companies in the German SME sector in its issue number 26 published at the end of June. In the ranking, compiled in collaboration with the Munich Strategy consulting firm, we are proud to rank 32nd.

Outlook and report on opportunities and risks

Outlook

As referred to earlier future sales revenue performance currently depends less on market developments and order trends, but is rather determined by the availability of components, especially electronic components. The material risks persist and are difficult to forecast. Both the lockdowns in China and the Ukraine crisis continue to affect us indirectly.

Significant cost increases due to the rise in energy prices and shortages of components could have a negative impact on the year. It is, moreover, hard to assess the consequences that potential gas rationing may have on our suppliers and on us. On the other hand, we have noticed that increases in our selling prices are beginning to have an effect, and this will be reflected in the second half of the year.

Based on the sales revenue performance in the first six months and our expectations for the remainder of the fiscal year, we are confirming the forecast for 2022. We anticipate sales revenue growth of 10 to 15 percent compared with the previous year and an EBIT margin slightly up on the previous year. If the risks identified materialise to a greater extent than the first six months have suggested so far, we expect slower sales revenue growth and an EBIT margin below that of the previous year. In a friendlier environment with stable availability of parts and positive effects from price increases and foreign currencies, a sales revenue level at the upper end of the forecast or slightly higher is realistic. Since the continuing cost pressure has a negative impact of the EBIT margin, we also expect an EBIT in line with the original expectations in absolute terms.

Report on risks and opportunities

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 existing risks as regards developments in the coronavirus crisis and, related to that, production readiness and the health of employees, the global economy, energy supplies and the Ukraine crisis continue to represent an uncertainty factor for the performance of the business. The following additions have been made to the statement of risks and opportunities given in the last consolidated financial statements:

Impact of the coronavirus and the economy on our customers' propensity to invest
Economic developments, especially in Europe, could have an adverse effect on our customers' propensity to invest. The general rise in inflation, which prompted us, too, to raise our prices, could lead to a wage-price spiral, which could be followed by a recession. Even without a wage-price spiral, economists have increasingly identified the risk of a cooling global economy and a recession in some parts of the world.

Production disruption risk
After the declaration of the emergency level by Germany's Minister of Economic Affairs, Germany is currently on stage two of the Emergency Plan for Gas. In addition to general price trends, future developments could have a negative impact on supply security. As an assembly-based company, RATIONAL is only to a small extent dependent on gas. Gas is used for heating at some of our locations in Landsberg. In production, we use gas only to test our gas-operated appliances. The greater risk, in our opinion, arises from the indirect consequences. For energy-intensive suppliers, such as stainless steel and glass suppliers, massive increases in gas prices could render their production unprofitable. Apart from this risk, any rationing or complete suspension of gas supplies poses another supply risk in these industries.

Landsberg am Lech, 3 August 2022

RATIONAL AG
The Executive Board

Financial Statements
RATIONAL Group

Statement of Comprehensive Income
RATIONAL Group

in kEUR	2nd quarter 2022	2nd quarter 2021	1st half year 2022	1st half year 2021
Sales revenues	232,425	211,638	457,675	379,337
Cost of sales	−108,032	−91,845	−210,491	−165,643
Gross profit	**124,393**	**119,793**	**247,184**	**213,694**
Sales and service expenses	−57,664	−46,089	−111,028	−88,617
Research and development expenses	−10,690	−11,731	−22,193	−23,101
General administration expenses	−11,347	−9,739	−22,806	−19,422
Other operating income	9,387	2,172	16,401	6,112
Other operating expenses	−8,712	−2,175	−14,428	−4,263
Earnings before financial result and taxes (EBIT)	**45,367**	**52,231**	**93,130**	**84,403**
Interest income	69	74	150	127
Interest expenses	−145	−155	−305	−347
Other financial result	−11	−144	−316	−294
Earnings before taxes (EBT)	**45,280**	**52,006**	**92,659**	**83,889**
Income taxes	−10,616	−12,221	−21,777	−19,714
Profit or loss after taxes	**34,664**	**39,785**	**70,882**	**64,175**
Items that may be reclassified to profit and loss in the future:				
Differences from currency translation	−671	172	−666	−879
Other comprehensive income	**−671**	**172**	**-666**	**−879**
Total comprehensive income	**33,993**	**39,957**	**70,216**	**63,296**
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	3.05	3.50	6.23	5.64

Balance Sheet
RATIONAL Group

Assets

in kEUR	30 June 2022	30 June 2021	31 December 2021
Non-current assets	**225,683**	**217,252**	**218,569**
Intangible assets	12,027	5,748	8,303
Property, plant and equipment	199,176	195,796	196,078
Other financial assets	1,189	1,141	1,040
Deferred tax assets	11,104	12,750	9,973
Other assets	2,187	1,817	3,175
Current assets	**521,942**	**492,775**	**565,269**
Inventories	103,037	77,946	97,288
Trade accounts receivable	145,728	122,342	108,787
Other financial assets	57,926	20,814	84,877
Income tax receivables	8,180	9,436	7,691
Other assets	26,403	19,839	12,931
Cash and cash equivalents	180,668	242,398	253,695
Total equity and liabilities	**747,625**	**710,027**	**783,838**

Equity and liabilities

in kEUR	30 June 2022	30 June 2021	31 December 2021
Equity	**560,022**	**543,812**	**603,330**
Subscribed capital	11,370	11,370	11,370
Capital reserves	28,058	28,058	28,058
Retained earnings	526,735	509,890	569,377
Other components of equity	−6,141	−5,506	−5,475
Non-current liabilities	**33,453**	**34,089**	**34,345**
Pension and similar obligations	5,817	6,732	5,785
Other provisions	10,938	10,389	10,780
Financial debt	472	1,416	944
Other financial liabilities	13,264	14,426	13,963
Deferred tax liabilities	1,526	28	677
Income tax liabilities	820	820	1,532
Other liabilities	616	278	664
Current liabilities	**154,150**	**132,126**	**146,163**
Other provisions	68,807	54,003	63,041
Financial debt	1,469	2,173	1,181
Trade accounts payable	28,832	24,720	28,440
Other financial liabilities	12,392	9,590	15,923
Income tax liabilities	11,014	8,948	9,077
Other liabilities	31,636	32,692	28,501
Liabilities	**187,603**	**166,215**	**180,508**
Total equity and liabilities	**747,625**	**710,027**	**783,838**

Cash Flow Statement
RATIONAL Group

for the period 1 January – 30 June

in kEUR	1st half year 2022	1st half year 2021
Earnings before taxes (EBT)	92,659	83,889
Cash flow from operating activities	**32,967**	**76,470**
Capital expenditures in intangible assets and property, plant and equipment including proceeds from asset disposals	−17,872	−10,873
Cash flow from financial investments	28,795	5,104
Cash flow from investing activities	**10,923**	**−5,769**
Cash flow from financing activities	**−118,391**	**−60,014**
Effects of exchange rate fluctuations in cash and cash equivalents	1,474	583
Change in cash and cash equivalents	**−73,027**	**11,270**
Cash and cash equivalents as at 1 January	**253,695**	**231,128**
Cash and cash equivalents as at 30 June	**180,668**	**242,398**

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 2021	**11,370**	**28,058**	**500,290**	**−3,078**	**−1,549**	**535,091**
Dividend	–	–	−54,576	–	–	−54,576
Profit or loss after taxes	–	–	64,175	–	–	64,175
Other changes	–	–	–	–	–	–
Other comprehensive income	–	–	–	−879	–	-879
Balance as at 30 June 2021	**11,370**	**28,058**	**509,890**	**−3,957**	**−1,549**	**543,812**
Balance as at 1 January 2022	**11,370**	**28,058**	**569,377**	**−4,630**	**−845**	**603,330**
Dividend	–	–	−113,700	–	–	−113,700
Profit or loss after taxes	–	–	70,882	–	–	70,882
Other changes	–	–	176	–	–	176
Other comprehensive income	–	–	–	−666	–	−666
Balance as at 30 June 2022	**11,370**	**28,058**	**526,735**	**−5,296**	**−845**	**560,022**

Notes

Accounting principles

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 semi-annual report should be read in conjunction with the consolidated financial statements as at the end of the 2021 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 amended standards entered into force:

- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 16 “Proceeds before Intended Use of Property, Plant and Equipment”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS – 2018–2020 cycle

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

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 2022, the scope of consolidation of RATIONAL AG included the parent company RATIONAL AG as well as seven German (31 December 2021: seven) and 24 foreign (31 December 2021: 24) subsidiaries.

There were no changes in the scope of consolidation compared with 31 December 2021.

Notes to the consolidated statement of comprehensive income

The increase in sales revenues by 78,338 thousand euros, or 21%, compared with the first half of 2021 is attributable to the normalisation of the situation after the global slump in demand caused by the coronavirus crisis at the beginning of the prior-year period as well as positive currency movements. In addition, price adjustments in response to general global inflation trends led to higher sales revenues in the second quarter. Cost of sales was up by 27%, and therefore expanded faster than sales revenues. This is above all due to a sharp rise in material costs as a result of the strained situation in the global procurement market. Sales and service expenses grew by 25% and therefore faster than sales revenues, which was mainly due to significant increases in logistics costs and a rise in expenses for sales events and business travel following the easing of contact and travel restrictions. The capitalisation of development costs led to a decline in research and development expenses. After adjusting for this effect, research and development expenses went up by 13%. Currency movements in the first half of 2022 led to a currency gain of 874 thousand euros (2021: 1,294 thousand euros). Other operating income includes exchange gains of 14,525 thousand euros (2021: 4,731 thousand euros), while other operating expenses include exchange losses of 13,651 thousand euros (2021: 3,437 thousand euros). In total, profit before tax was 8,770 thousand euros, or 10%, higher than in the first half of 2021.

The regional breakdown of sales revenues by customer location is shown in the table below. The iCombi product group achieved sales revenues of 395,059 thousand euros in the period under review (2021: 337,641 thousand euros), and the iVario product group had sales revenues of 62,616 thousand euros (2021: 41,696 thousand euros). 70% (2021: 74%) of sales revenues was attributable to appliance sales. The remaining 30% (2021: 26%) 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 2022	% of total	1st half of 2021	% of total
Germany	61,676	13	48,053	13
Europe (excluding Germany)	208,138	46	169,007	44
North America	84,185	18	67,373	18
Latin America	23,854	5	14,790	4
Asia	54,589	12	59,730	16
Rest of the world[1]	25,233	6	20,384	5
Total	**457,675**	**100**	**379,337**	**100**

1 Australia, New Zealand, Middle East, Africa

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 the 2022 fiscal year.

Notes to the consolidated balance sheet

The rise in non-current assets by 7,114 thousand euros as compared with 31 December 2021 is the result of capitalised development costs in intangible assets in an amount of 3,817 thousand euros as well as higher advance payments on property, plant and equipment in an amount of 8,032 thousand euros as a result of construction projects, especially at the production location in Wittenheim. The increase of 36,941 thousand euros in trade accounts receivable compared with 31 December 2021 is attributable to sales revenue growth, especially towards the end of the reporting period. Other current financial assets were down by 26,951 thousand euros compared with 31 December 2021, mainly as a result of a reduction in fixed-term deposits by 28,589 thousand euros. Other assets were 13,472 thousand euros higher than on 31 December 2021; this is above all due to the rise of 6,704 thousand euros in value added tax receivables and of 5,936 thousand euros in advance payments. The change in cash and cash equivalents is explained in the notes to the consolidated cash flow statement.

The increase of 5,766 thousand euros in other current provisions is predominantly the result of growth in personnel-related provisions between reporting dates. Other current financial liabilities declined by 3,531 thousand euros, mainly as a result of the repayment of liabilities to business partners in an amount of 5,708 thousand euros. The growth in other current liabilities by 3,135 thousand euros was driven by a rise of 1,648 thousand euros in advance payments received, value added tax liabilities of 665 euros and an increase of 653 thousand euros in contractual obligations.

Notes on the consolidated cash flow statement

The decline in the cash flow from operating activities in the first half of 2022 compared with the previous year is the result of an increase in net working capital. This is attributable in particular to the increase in trade accounts receivable and the build-up of inventories compared with 31 December 2021. The higher cash flow from investment activities is due to the decrease in fixed-term deposits compared with the previous year. The cash outflow from financing activities is mainly due to the dividend payment of 113,700 thousand euros (2021: 54,576 thousand euros).

Other notes to the consolidated financial statements

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).

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.

Categories of financial assets and liabilities in accordance with IFRS 9

in kEUR	Fair value hierarchy level	Carrying amount 30 June 2022	Fair value 30 June 2022	Carrying amount 31 Dec 2021	Fair value 31 Dec 2021
Financial assets measured at amortised cost		**384,339**		**447,804**	
Other financial assets (non-current)	Level 2	1,189	1,146	1,040	1,036
Trade accounts receivable		145,728		108,787	
Other financial assets (current)		56,754		84,282	
Cash and cash equivalents		180,668		253,695	
Financial assets measured at fair value through profit or loss		**1,172**		**595**	
Derivatives not in a hedging relationship [1]	Level 2	1,172	1,172	595	595
Financial liabilities measured at amortised cost		**54,111**		**59,486**	
Financial debt (non-current)	Level 2	472	473	944	972
Lease liabilities (non-current)[2]		10,050		10,749	
Other financial liabilities (non-current)	Level 2	3,214	3,159	3,214	3,202
Financial debt (current)	Level 2	1,469	1,470	1,181	1,193
Trade accounts payable		28,832		28,440	
Lease liabilities (current)[3]		7,187		6,719	
Other financial liabilities (current)		2,887		8,239	
Financial liabilities measured at fair value through profit or loss		**2,318**		**965**	
Derivatives not designated as hedges [3]	Level 2	2,318	2,318	965	965

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

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 following business segments are reported: DACH (Germany, Austria and Switzerland), EMEA, North America, Asia and Other segments. As from the 2021 fiscal year, the South America segment is no longer reported under the combined Americas segment but grouped under Other segments.

Operating Segments 1st half year 2022

in kEUR	DACH	EMEA	North America	Asia	Other Segments	Total of Segments	Corporate departments	Reconciliation	Group
Segment sales revenues	**80,102**	**199,358**	**81,548**	**65,127**	**17,314**	**443,449**	**1,703**	**12,523**	**457,675**
Segment profit or loss/EBIT	17,845	48,598	12,513	11,753	3,028	93,737		−607	93,130
Financial result									−471
Earnings before taxes									92,659
Segment assets	**12,221**	**79,486**	**57,416**	**44,655**	**12,951**	**206,729**	**67,717**	**−25,681**	**248,765**

Operating Segments 1st half year 2021

in kEUR	DACH	EMEA	North America	Asia	Other Segments	Total of Segments	Corporate departments	Reconciliation	Group
Segment sales revenues	**63,726**	**161,669**	**71,067**	**70,164**	**11,192**	**377,818**	**925**	**594**	**379,337**
Segment profit or loss/EBIT	13,734	35,900	11,462	13,397	694	75,187		9,216	84,403
Financial result									−514
Earnings before taxes									83,889
Segment assets	**12,517**	**69,999**	**50,999**	**52,658**	**8,627**	**194,800**	**33,313**	**−27,825**	**200,288**

For segment sales revenues and segment profit or loss, the reconciliation results from currency translation and items that are not allocated to the segments. For assets, the column includes primarily consolidation effects.

Hyperinflation

In the first half of 2022, the International Monetary Fund (IMF) classified Turkey as a hyperinflationary country. As a result, IAS 29 requires an inflation adjustment to be recognized on non-monetary items of the Turkish subsidiary. This is done retrospectively in accordance with IAS 29 on the basis of historical cost. The inflation adjustment is made on the basis of the TÜIK consumer price index (CPI), which stood at 977.90 on 30 June 2022 (31 December 2021: 686.95); it has risen at an increasing pace in the past twelve months (30 June 2021: 547.48).

As at 30 June 2022, the net effect of inflation adjustments on non-monetary items amounted to 284 thousand euros; it comprises effects of 4 thousand euros recognised in intangible assets, of 169 thousand euros in property, plant and equipment, and of 111 thousand in inventories. Effects of adjusting the statement of comprehensive income to the CPI are recognised in the financial result. They amounted to 108 thousand euros in the first half of 2022. The remaining balance of these inflation adjustments was recognised in retained earnings.

Prior-year figures in the consolidated financial statements have not been restated, as they are presented in a stable currency.

Effects of the Russia/Ukraine conflict

In the second quarter of 2022, RATIONAL decided for economic and political reasons to discontinue its operations in Russia and to close down the local subsidiary by the end of the year. For expenses incurred in this regard, costs between one and two million euros are included in the statement of comprehensive income for the half year 2022. The sales revenues generated in Russia accounted for about one percent of global sales revenues, which is why this decision is not expected to have any material impact on the net assets, financial position and profit or loss.

As part of the review of further effects of the Russia/Ukraine conflict, assets were tested for impairment. This resulted in an impairment loss of 333 thousand euros on outstanding receivables from our Ukrainian customers. There was no need to recognise any other impairment losses.

Significant events after the reporting date

No events have occurred since 30 June 2022 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

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, 3 August 2022

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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 (28 July 2022). 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.