Report
on the first half year 2023

When it
tastes great,
we all speak
**the same
language.**

Landsberg am Lech, 3 August 2023

Key Figures

in m EUR	2nd quarter 2023	2nd quarter 2022	Absolute change	Change in %	1st half year 2023	1st half year 2022	Change absolute	Change in %
Sales revenues by region								
Germany	28.7	29.3	–0.6	-2	64.4	61.7	+2.7	+4
Europe (excluding Germany)	112.6	105.6	+7.0	+7	236.6	208.1	+28.5	+14
North America	71.4	45.4	+26.0	+57	126.0	84.2	+41.8	+50
Latin America	16.9	13.5	+3.4	+26	31.6	23.9	+7.7	+33
Asia	34.3	25.0	+9.3	+37	70.2	54.6	+15.6	+29
Rest of the world	14.5	13.6	+0.9	+6	32.0	25.2	+6.8	+27
Sales revenues generated abroad (in %)	90	87	+3	–	89	87	+2	-
Sales revenues by product group								
iCombi	249.3	199.9	+49.4	+25	503.0	395.1	+107.9	+27
iVario	29.0	32.5	–3.5	–11	57.8	62.6	–4.8	–8
Sales revenues and earnings								
Sales revenues	278.3	232.4	+45.9	+20	560.8	457.7	+103.1	+23
Cost of sales	120.9	108.0	+12.9	+12	246.0	210.5	+35.5	+17
Gross profit	157.4	124.4	+33.0	+27	314.8	247.2	+67.6	+27
in % of sales revenues	56.6	53.5	+3.1	–	56.1	54.0	+2.1	–
Sales and service expenses	62.6	57.7	+4.9	+9	126.4	111.0	+15.4	+14
Research and development expenses	11.6	10.7	+0.9	+9	24.7	22.2	+2.5	+11
General administration expenses	12.7	11.3	+1.4	+12	25.7	22.8	+2.9	+13
Earnings before financial result and taxes (EBIT)	69.6	45.4	+24.2	+53	136.0	93.1	+42.9	+46
in % of sales revenues	25.0	19.5	+5.5	–	24.3	20.3	+4.0	–
Profit or loss after taxes	54.4	34.7	+19.7	+57	106.1	70.9	+35.2	+50
Return on capital employed (ROCE)					41.4	31.6	+9.8	+31
Balance Sheet								
Total equity and liabilities					852.7	747.6	+105.1	+14
Equity					629.3	560.0	+69.3	+12
Equity ratio (in %)					73.8	74.9	–1.1	–
Cash flow								
Cash flow from operating activities					127.6	33.2	+94.4	+285
Cash-effective investments					15.4	17.9	–2.5	–14
Free cash flow [1]					112.2	15.3	+96.9	+635
Number of employees as at 30 June					2,486	2,341	+145	+6
Number of employees (average)					2,468	2,323	+145	+6
Key figures for RATIONAL shares								
Earnings per share (in EUR)					9.34	6.23	+3.11	+50
Quarter-end closing price[2] (in EUR)					663.00	554.50	+108.50	+20
Market capitalisation[2 3]					7,538	6,305	+1,234	+20

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

Group Management Report

Economic Report

Macroeconomic framework

Global economic growth of 3% expected for 2023
At the beginning of 2023, the International Monetary Fund (IMF) expected that the global economy would start to normalise. Shortly afterwards, it turned out that, despite falling energy and food prices, inflation was stickier than anticipated. Many countries are also reporting that labour markets continue to be tight. For a short period, fears of bank failures fuelled concerns that financial instability may spread to other sectors. Given the macroeconomic framework, the IMF's latest update forecasts global economic growth of 3.0% in 2023, slightly up from the January and April 2023 estimates. The eurozone's economic output is now forecast to expand at a rate of 0.9%, while the IMF anticipates year-on-year growth of 1.8% in the United States. In the developing and emerging markets, economic output is forecast to be 4.0% up on the previous year. (Source: IMF World Economic Outlook, July 2023)

Restaurant and communal catering sector: shortages of skilled staff and high energy costs a challenge for restaurateurs
After the start of the war in Ukraine, there were huge rises in energy costs and food prices. Despite the recent recovery, they continue to persist at a high level. The rising input prices are having a negative impact on our customers, as they add to the efficiency pressure in the restaurant and catering sector. By the same token, these developments are making our cooking systems more attractive and efficient for our customers.

Alongside the cost pressures, skills shortages have remained a constant factor. According to a survey conducted by the European Labour Authority, the shortage of chefs is similar in extent to that of IT specialists, craftspeople or carers (source: EURES Report on labour shortages and surpluses, March 2023). In many restaurants, this has led to shorter menus, personnel-related closing days and, in the worst case, restaurant closures. Our intelligent cooking systems can help our customer to better handle the challenges of skills shortages.

Earnings situation

Orders on hand reduced – return to normal level expected in third quarter
In particular in the first quarter of 2022, our customers tried to avoid supply problems and the announced price increases by placing their orders early. This led to a rapid increase in orders on hand, which peaked at around 400 million euros or 44,000 cooking systems at the end of the first half of 2022. An improved procurement situation and additional shifts in our production helped us to reduce orders on hand and thereby successfully cut delivery times in the past twelve months. At the end of June 2023, orders on hand stood at 160 million euros, or 13,500 appliances, representing an overall reduction in orders on hand by around 85 million euros in the first two quarters of 2023.

We anticipate that orders on hand will reach their new normal in the course of the third quarter of 2023. Before the coronavirus crisis, the normal level was the equivalent of about one month of sales revenues. We now expect that, given the experience of the past year, customers will place their orders slightly earlier on average.

Sales revenues stable at high level in both quarters
In addition to higher demand, the number of cooking systems sold and sales revenues were driven above all by the reduction in orders on hand in the first half of the year. Alongside the increase in the number of cooking systems sold, last year's price adjustments are also having a positive effect on sales revenues. Sales revenues of 278.3 million euros were 20% up on the figure of the second quarter of 2022 (232.4 million euros). After the first six months of 2023, sales revenues amounted to 560.8 million euros, 23% up on the previous year (457.7 million euros). Overall, we expect the effect of positive special factors relating to both the reduction in orders on hand and the price increases to tail off in the course of the year. Adjusted for currency effects, sales revenues were up 24%.

Americas remain growth driver – China's recovery accelerates

From a regional perspective, we achieved encouraging growth rates in all segments in the first half of the year. Building on the outstanding performance of the previous year, North and Latin America (Other segments) are continuing their success. Driven once again by very good business performance in the United States, sales revenues in the North America segment rose by 68% to 137.1 million euros. Strong sales in Brazil, Chile and Argentina helped sales revenues in Latin America (Other segments) to expand by 42% to 24.5 million euros. Thanks to high sales revenues in Japan and the recovery in the Chinese business, the Asia segment was up 31% on the previous year's figure, at 85.2 million euros. EMEA and DACH, which have recently recorded very high growth rates, achieved another rise in sales revenues, up 16% to 231.9 million euros and 9% to 87.1 million euros respectively.

Sales revenues by product group: iCombi expands by 27% – iVario consolidates success of the previous year

In the iCombi product group, sales revenues were up 27% year-on-year in the first six months, at 503.0 million euros (2022: 395.1 million euros). The iVario product group reported sales revenues of 57.8 million euros in the first half of the year (2022: 62.6 million euros), down 8% on the prior-year figure. Given that – due to the supply problems in the first half of 2021 – sales revenues for the iVario had risen by 50% in the first half of 2022, we do not believe that this represents a structural change in demand. The long-term growth potential remains high.

56% gross margin in the first half of 2023

Cost of sales increased more slowly than sales revenues in the first half of the year, up around 17%, to 246.0 million euros (2022: 210.5 million euros). As a result, the gross margin improved by 2.1 percentage points year-on-year, to 56.1% (2022: 54.0%). The reasons are the positive effects of last year's price increases combined with declining cost pressure in materials procurement and logistics. Procurement prices have recently begun to fall, especially for stainless steel, cleaning chemicals and international freight charges. An additional factor is improved productivity in our manufacturing processes, as good availability of materials meant there was no longer a need to produce partially finished appliances.

EBIT margin of 24% in the first half of 2023

EBIT (earnings before financial result and taxes) in the first six months of the current fiscal year was 136.0 million euros, up approximately 46% on the first half of 2022 (2022: 93.1 million euros). The EBIT margin of the first half of the previous year had been weighed down mainly by significant rises in material and component prices. Since both the costs of material usage and operating expenses have increased more slowly than sales revenues this year, we ended the first half of 2023 with an EBIT margin of 24.3% (2022: 20.3%). Adjusted for exchange rate movements, the EBIT margin was 25%.

Operating expenses for sales and service amounted to 126.4 million euros in the first half of the year (2022: 111.0 million euros). This equates to a cost increase of 14% compared to the previous year. The rise is attributable in particular to the higher number of sales events and business trips. Research and development expenses amounted to 24.7 million euros in the first six months 2023, up 11% on the previous year (2022: 22.2 million euros). Administration expenses rose by 13% from 22.8 million euros to 25.7 million euros. Net currency losses of 3.1 million euros had a negative impact on EBIT in the first half of 2023 (2022: gains of 0.9 million euros).

In the first half of the year, 85 new employees joined the company

We believe there is great potential for our products and services. We know that they will require guidance in many cases and, to tap into this potential, we therefore need customer-focused employees in sales who make customers aware of our technology, provide user training and give support when queries or problems arise.

Except during the coronavirus crisis, RATIONAL has for this reason steadily increased its headcount in recent years, both internationally in the sales companies and centrally at the production sites. In the first half of 2023, we already created 85 new jobs, over half of them in our sales subsidiaries. At the end of the first half of the year, the RATIONAL Group had 2,486 employees (31 December 2022: 2,401), of whom 1,430 (31 December 2022: 1,392) were based in Germany.

As a socially responsible company, RATIONAL strives to be an attractive employer. In addition to the appreciation and trust we show our entrepreneurs in the company (U.i.U.s), this also includes fair remuneration. For this reason, we already raised the salaries of our U.i.U.s by an average of 5% worldwide last year. Since inflation has proved stickier than expected, we responded with another salary increase averaging about 4% with effect from 1 July 2023.

Net assets and financial position

Cash flow from operating activities of 128 million euros

In the first six months, we generated cash flow from operating activities of 127.6 million euros (2022: 33.2 million euros). The significant year-on-year increase is firstly due to the sharp rise in earnings after taxes. Secondly, accounts receivable and inventories in particular had gone up significantly in the first six months of 2022, and this had led to a considerable reduction in cash flows in the comparative period. In the six months under review, these two items decreased slightly, which had a beneficial impact on the operating cash flow.

The cash flows from investing activities include investments in property, plant and equipment and in intangible assets. These amounted to 15.4 million euros (2022: 17.9 million euros) in the first half of the year. The main drivers are investments in our Wittenheim location. In addition, the machinery installed at the Landsberg am Lech location was modernised.

The cash flow from financing activities of −159.4 million euros mainly reflects the dividend distribution (−153.5 million euros) and payments for lease liabilities in accordance with IFRS 16 (−4.9 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 the recent years of crisis, that was even more important for ensuring our company's long-term existence and success. Our equity ratio at the end of June 2023 was high, at 74%, and we had over 290 million euros in net financial assets. In addition, we had credit lines amounting to 98 million euros on June 30, 2023, of which 75 million euros was covered by a firm commitment. 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 distributed this year, on top of the regular dividend of 11.00 euros per share.

Outlook and Report on Opportunities and Risks

Outlook

Due to positive special factors, the first half of 2023 benefited from the reduction in the high level of orders on hand. We expect these positive effects to diminish in the second half of the year. We consequently do not anticipate that our sales revenues will follow the usual seasonal pattern of a stronger fourth quarter. We project sales revenues in the second half of the year to be slightly down on the first half and therefore confirm our forecast of growth in the high single-digit percentage range.

In accordance with our full-year outlook, we will specifically increase certain operating expenses in 2023. We are planning targeted measures, especially in sales, to increase the rate of contact with potential customers as a way to enhance customer proximity again. In addition, we continue to drive the strategic projects for the expansion of our international sites. We have identified movements in the relevant foreign currencies as another factor weighing on the second half of the year.

For fiscal year 2023 as a whole, we anticipate that operating expenses will rise faster than sales revenues, which would reduce the EBIT margin to slightly below the prior-year level. If the beneficial factors affecting these cost items were to continue, the EBIT margin could be on a level with the previous year.

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 from competition and substitution, legal risks from local laws and regulations, and currency risk will remain unchanged as uncertainty factors for our business performance. No additions have been made to the statement of risks and opportunities given in the last consolidated financial statements.

Landsberg am Lech, 3 August 2023

RATIONAL AG
The Executive Board

Financial Statements
RATIONAL Group

Statement of Comprehensive Income
RATIONAL Group

in kEUR	2nd quarter 2023	2nd quarter 2022	1st half year 2023	1st half year 2022
Sales revenues	278,339	232,425	560,788	457,675
Cost of sales	−120,898	−108,032	−246,037	−210,491
Gross profit	**157,441**	**124,393**	**314,751**	**247,184**
Sales and service expenses	−62,600	−57,664	−126,352	−111,028
Research and development expenses	−11,639	−10,690	−24,663	−22,193
General administration expenses	−12,670	−11,347	−25,682	−22,806
Other operating income	6,754	9,387	9,728	16,401
Other operating expenses	−7,720	−8,712	−11,752	−14,428
Earnings before financial result and taxes (EBIT)	**69,566**	**45,367**	**136,030**	**93,130**
Interest income	1,595	69	2,716	150
Interest expenses	−262	−145	−514	−305
Other financial result	−235	−11	−439	−316
Gain or loss on the net monetary position in accordance with IAS 29	41	0	56	0
Earnings before taxes (EBT)	**70,705**	**45,280**	**137,849**	**92,659**
Income taxes	−16,261	−10,616	−31,705	−21,777
Profit or loss after taxes	**54,444**	**34,664**	**106,144**	**70,882**
Items that may be reclassified to profit and loss in the future:				
Differences from currency translation	168	−671	509	−666
Differences from IAS 29 Hyperinflation	−109	176	−106	176
Other comprehensive income	**59**	**−495**	**403**	**−490**
Total comprehensive income	**54,503**	**34,169**	**106,547**	**70,392**
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	4.79	3.05	9.34	6.23

Balance Sheet
RATIONAL Group

Assets

in kEUR	30 June 2023	31 December 2022	30 June 2022
Non-current assets	**246,961**	**237,293**	**225,683**
Intangible assets	19,344	15,978	12,027
Property, plant and equipment	207,066	203,917	199,176
Other financial assets	1,137	1,158	1,189
Deferred tax assets	16,486	14,040	11,104
Other assets	2,928	2,200	2,187
Current assets	**605,759**	**661,929**	**521,942**
Inventories	115,191	116,297	103,037
Trade accounts receivable	171,056	174,663	145,728
Other financial assets	164,029	133,757	57,926
Income tax receivables	903	1,004	8,180
Other assets	23,694	28,307	26,403
Cash and cash equivalents	130,886	207,901	180,668
Total equity and liabilities	**852,720**	**899,222**	**747,625**

Equity and liabilities

in kEUR	30 June 2023	31 December 2022	30 June 2022
Equity	**629,292**	**676,240**	**560,022**
Subscribed capital	11,370	11,370	11,370
Capital reserves	28,058	28,058	28,058
Retained earnings	594,048	641,399	526,559
Other components of equity	−4,184	−4,587	−5,965
Non-current liabilities	**33,343**	**31,430**	**33,453**
Pension and similar obligations	4,037	4,025	5,817
Other provisions	10,165	10,600	10,938
Financial debt	–	–	472
Other financial liabilities	13,470	11,423	13,264
Deferred tax liabilities	4,322	3,704	1,526
Income tax liabilities	820	820	820
Other liabilities	529	858	616
Current liabilities	**190,085**	**191,552**	**154,150**
Other provisions	81,018	79,050	68,807
Financial debt	498	944	1,469
Trade accounts payable	35,301	36,352	28,832
Other financial liabilities	15,492	21,971	12,392
Income tax liabilities	24,688	21,821	11,014
Other liabilities	33,088	31,414	31,636
Liabilities	**223,428**	**222,982**	**187,603**
Total equity and liabilities	**852,720**	**899,222**	**747,625**

Cash Flow Statement
RATIONAL Group

in kEUR	1st half year 2023	1st half year 2022[1]
Earnings before taxes (EBT)	137,849	92,659
Depreciation and amortisation	15,758	15,231
Other	1,075	1,150
Net interest	−2,202	156
Changes in		
Inventories	3,525	−8,434
Trade accounts receivable and other assets	776	−54,468
Provisions	1,544	5,955
Trade accounts payable and other liabilities	−146	2,240
Income taxes paid	−30,563	−21,323
Cash flow from operating activities	**127,616**	**33,166**
Capital expenditures in intangible assets and property, plant and equipment	−15,418	−17,904
Proceeds from asset disposals	38	32
Change in fixed deposits	−31,650	28,637
Interest received	2,622	158
Cash flow from investing activities	**−44,408**	**10,923**
Dividends paid	−153,495	−113,700
Repayment of liabilities to banks	−472	−709
Change in other liabilities to banks	26	524
Payments for lease liabilities	−4,940	−4,400
Interest paid	−514	−305
Cash flow from financing activities	**−159,395**	**−118,590**
Effects of exchange rate fluctuations in cash and cash equivalents	−828	1,474
Change in cash and cash equivalents	**−77,015**	**−73,027**
Cash and cash equivalents as at 1 January	**207,901**	**253,695**
Cash and cash equivalents as at 30 June	**130,886**	**180,668**

1 Prior-year figures adjusted in accordance with IAS 8.14. For further details, please refer to the 2022 Annual Report.

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	Other changes (e.g. acc. to IAS 29)	
Balance as at 1 January 2022	**11,370**	**28,058**	**569,377**	**−4,630**	**−845**	**0**	**603,330**
Dividend	–	–	−113,700	–	–	–	−113,700
Profit or loss after taxes	–	–	70,882	–	–	–	70,882
Other comprehensive income	–	–	–	−666	–	176	−490
Balance as at 30 June 2022	**11,370**	**28,058**	**526,559**	**−5,296**	**−845**	**176**	**560,022**
Balance as at 1 January 2023	**11,370**	**28,058**	**641,399**	**−5,278**	**934**	**−243**	**676,240**
Dividend	–	–	−153,495	–	–	–	−153,495
Profit or loss after taxes	–	–	106,144	–	–	–	106,144
Other comprehensive income	–	–	–	509	–	−106	403
Balance as at 30 June 2023	**11,370**	**28,058**	**594,048**	**−4,769**	**934**	**−349**	**629,292**

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 semi-annual report should be read in conjunction with the consolidated financial statements as at the end of the 2022 fiscal year. Except for the changes described above, the consolidation methods and accounting policies used in the last consolidated financial statements have been applied.

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

› IFRS 17 "Insurance Contracts" (incl. amendments to IFRS 17)
› Amendments to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information"
› Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies"
› Amendments to IAS 8 "Definition of Accounting Estimates"
› Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments and the new standard (IFRS 17) have not had any material effects on these interim consolidated financial statements, in particular since, for its warranty and maintenance agreements, RATIONAL applies the option provided by IFRS 17.8 to continue to account for fixed-fee service contracts in accordance with IFRS 15.

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 2023, the scope of consolidation of RATIONAL AG included the parent company RATIONAL AG as well as eight German (31 December 2022: eight) and 25 foreign (31 December 2022: 24) subsidiaries.

The change in the scope of consolidation compared with 31 December 2022 is the result of the establishment of the Chinese subsidiary RATIONAL Technology (Suzhou) Ltd., whose business purpose is the development and subsequent production of a combi steamer specially adapted to the Chinese market.

Notes to the consolidated statement of comprehensive income

The rise in sales revenues of 103,113 thousand euros, or 23%, compared with the first half of 2022 is attributable to improved availability of components after the previous year's tense supply situation around the world, the price increases that entered into force, and the expanding non-appliance business. Despite the general upwards trend in material and service prices, the 17% increase in cost of sales was lower than the growth in sales revenues, and this was mainly due to the slower rise in production costs. Sales and service expenses were up by 14% year-on-year because of higher logistics costs and an increase in expenses for sales events and business trips. Research and development expenses were 11% higher, driven by a rise in the cost of development projects and consulting services. The 13% rise in administration expenses compared with the previous year is attributable to higher expenses for IT systems and an increase in building charges. Currency movements in the first half of 2023 led to currency losses of 3,093 thousand euros (2022: gains of 874 thousand euros). Other operating income includes exchange gains of 8,230 thousand euros (2022: 14,525 thousand euros), while other operating expenses include exchange losses of 11,323 thousand euros (2022: 13,651 thousand euros). In total, profit before tax was 45,190 thousand euros, or 49%, higher than in the first half of 2022.

The regional breakdown of sales revenues by customer location is shown in the table below: The iCombi product group achieved sales revenues of 503,014 thousand euros in the period under review (2022: 395,059 thousand euros), and the iVario product group had sales revenues of 57,774 thousand euros (2022: 62,616 thousand euros).

Sales revenues by region

in kEUR	1st half year 2023	% of total	1st half year 2022	% of total
Germany	64,425	11	61,676	13
Europe (excluding Germany)	236,582	42	208,138	46
North America	125,968	22	84,185	18
Latin America	31,643	6	23,854	5
Asia	70,180	13	54,589	12
Rest of the world[1]	31,990	6	25,233	6
Total	**560,788**	**100**	**457,675**	**100**

1 Australia, New Zealand, Middle East, Africa

71% (2022: 70%) of sales revenues was attributable to appliance sales. The remaining 29% (2022: 30%) 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.

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 2023 fiscal year.

Notes to the consolidated balance sheet

The rise in non-current assets by 9,668 thousand euros as compared with 31 December 2022 is the result of higher capitalised development costs in intangible assets in an amount of 3,657 thousand euros as well as higher advance payments on property, plant and equipment in an amount of 5,591 thousand euros as a result of construction projects, especially at the production location in Wittenheim, France. Trade accounts receivable were down somewhat on the high level of the first quarter of 2023, due to slightly slower sales revenue growth in the second quarter. Other current financial assets were up by 30,272 thousand euros compared with 31 December 2022, mainly as a result of an increase in fixed-term deposits by 31,297 thousand euros. The reduction in other current assets by 4,613 thousand euros is attributable to a decline in value added tax refund claims by 7,228 thousand euros and an increase in advance payments by 2,214 thousand euros. The change in cash and cash equivalents is explained in the notes to the consolidated cash flow statement.

Other non-current financial liabilities were 2,047 thousand euros higher than on 31 December 2022 because of an increase in non-current lease liabilities for real estate, in particular at the new Chinese subsidiary. The rise of 1,968 thousand euros in other current provisions is mainly the result of an increase in provisions for outstanding invoices, combined with a simultaneous decrease in provisions for dealer bonuses and warranties compared with 31 December 2022. The provision for dealer bonuses recognised at the end of 2022 was reversed as the bonuses were settled in the course of the first six months. The provision for warranties was down due to continuing usage under an exchange campaign launched in 2021 for a component in older product lines that are no longer distributed. Other current financial liabilities declined by 6,479 thousand euros, mainly as a result of the repayment of liabilities to business partners in an amount of 7,346 thousand euros. Income tax liabilities rose by 2,867 thousand euros, driven by the year-on-year improvement in pre-tax earnings.

Notes to the consolidated cash flow statement

The increase in the cash flow from operating activities in the first half of 2023 compared with the previous year is the result of higher pre-tax earnings and an increase in net working capital in the prior-year period. The lower cash flow from investment activities is due to an increase in fixed-term deposits compared with the previous year. The cash outflow from financing activities is mainly due to the dividend payment of 153,495 thousand euros (2022: 113,700 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 2023	Fair value 30 June 2023	Carrying amount 30 June 2022	Fair value 30 June 2022
Financial assets measured at amortised cost		**464,182**		**384,339**	
Other financial assets (non-current)	Level 2	1,137	1,051	1,189	1,146
Trade accounts receivable		171,056		145,728	
Other financial assets (current)		161,103		56,754	
Cash and cash equivalents		130,886		180,668	
Financial assets measured at fair value through profit or loss		**2,926**		**1,172**	
Derivatives not in a hedging relationship[1]	Level 2	2,926	2,926	1,172	1,172
Financial liabilities measured at amortised cost		**62,822**		**54,111**	
Financial debt (non-current)	Level 2	–	–	472	473
Lease liabilities (non-current)[2]		13,468		10,050	
Other financial liabilities (non-current)	Level 2	2	2	3,214	3,159
Financial debt (current)	Level 2	498	494	1,469	1,470
Trade accounts payable		35,301		28,832	
Lease liabilities (current)[3]		7,084		7,187	
Other financial liabilities (current)		6,469		2,887	
Financial liabilities measured at fair value through profit or loss		**1,939**		**2,318**	
Derivatives not designated as hedges[3]	Level 2	1,939	1,939	2,318	2,318

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.

Operating Segments 1st half year 2023

in kEUR	DACH	EMEA	North America	Asia	Other Segments	Total of Segments	Corporate departments	Reconciliation	Group
Segment sales revenues	**87,115**	**231,856**	**137,083**	**85,188**	**24,514**	**565,756**	**1,711**	**−6,679**	**560,788**
Segment profit or loss/EBIT	21,223	59,956	33,417	17,171	5,585	137,352		−1,322	136,030
Financial result									1,819
Earnings before taxes									137,849
Segment assets	**12,768**	**95,210**	**97,684**	**62,530**	**20,788**	**288,980**	**46,533**	**−49,266**	**286,247**

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**

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.

Significant events after the reporting date

No events have occurred since 30 June 2023 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 2023

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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 2023). 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.