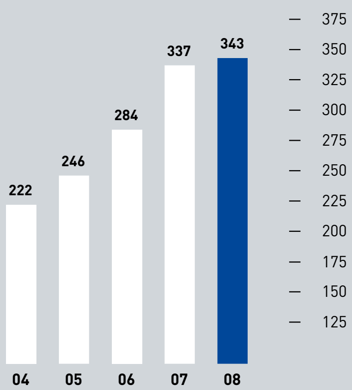
Annual Report 2008

RATIONAL – on all continents

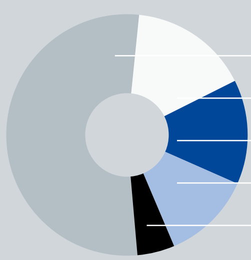
The Company at a Glance

Figures in thousands of euros	2008	2007	Change
Sales	342,958	336,556	+ 2 %
Sales abroad in %	84 %	84 %	+/– 0 %-Pts.
Cost of sales	139,274	136,703	+ 2 %
as a percentage of sales	40.6 %	40.6 %	
Sales and service expenses	88,517	79,654	+ 11 %
as a percentage of sales	25.8 %	23.7 %	
Research and development expenses	14,445	11,759	+ 23 %
as a percentage of sales	4.2 %	3.5 %	
General administration expenses	15,975	15,295	+ 4 %
as a percentage of sales	4.7 %	4.5 %	
EBIT – earnings before interest and taxes	83,104	92,560	– 10 %
as a percentage of sales	24.2 %	27.5 %	
EBT – earnings before taxes	83,536	93,463	– 11 %
as a percentage of sales	24.4 %	27.8 %	
Group earnings	61,681	61,155	+ 1 %
as a percentage of sales	18.0 %	18.2 %	
per share in euros	5.42	5.38	
Cash flow from operating activities	71,028	61,063	+ 16 %
per share in euros	6.25	5.37	
Balance sheet total	209,010	187,422	+ 12 %
Equity	133,557	123,988	+ 8 %
as a percentage of the balance sheet total	63.9 %	66.2 %	
Return on invested capital (ROIC)	40.7 %	48.0 %	– 7 %-Pts.
Working capital (without liquid funds)	60,749	61,716	– 2 %
as a percentage of sales	17.7 %	18.3 %	
Employees (as an annual average)	1,090	965	+ 13 %
Sales per employee	315	349	– 10 %

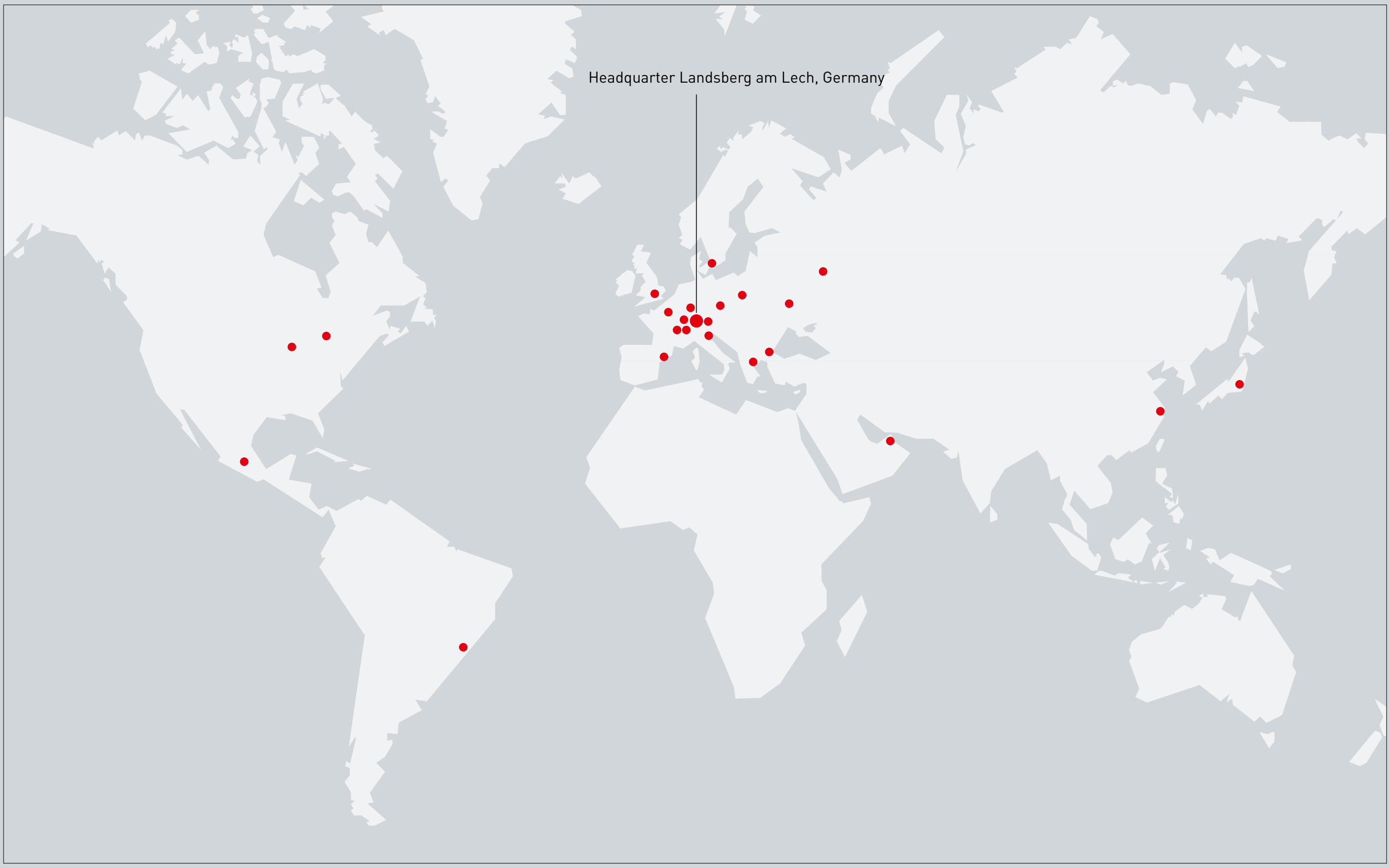
Sales in millions of euros



Sales revenue by region (customers' location) in %



	2008
Europe excluding Germany	53 %
Germany	16 %
Americas	14 %
Asia	12 %
Rest of the world	5 %



subsidiaries and representative offices

Landsberg (Headquarter/ several subsidiaries incl. German subsidiary)

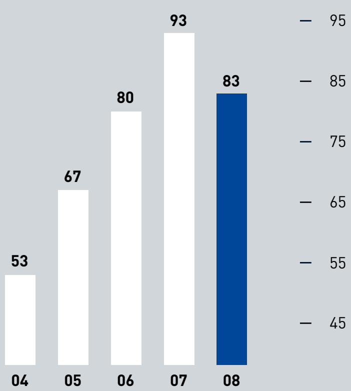
Germany/Frankfurt M.
France/Noisiel
France/Wittenheim
Switzerland/Balsthal
Switzerland/Heerbrugg
Austria/Salzburg

Spain/Barcelona
UK/Luton
Sweden/Lund
Italy/Marcòn
Greece/Salonika
Czechia/Prague

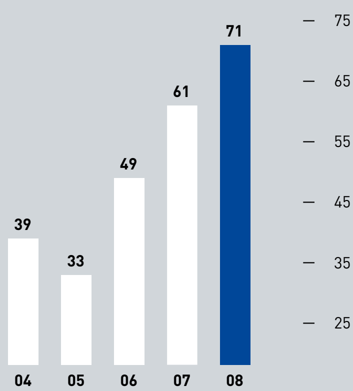
Poland/Warsaw
Turkey/Istanbul
Ukraine/Kiev
Russia/Moscow
Dubai/Dubai
China/Shanghai

Japan/Tokyo
USA/Schaumburg
Canada/Mississauga
Brazil/São Paulo
Mexico/Mexico

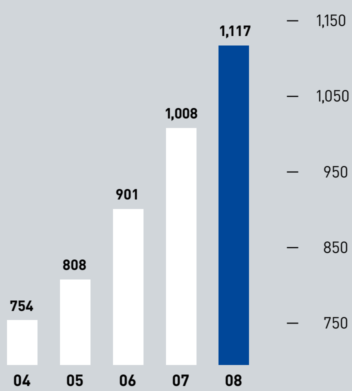
EBIT in millions of euros



Cash flow from operating activities in millions of euros



Number of employees on Dec. 31



24%

24% EBIT margin underlines the solid earning power of the company

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Foreword

SIEGFRIED MEISTER
Chairman of the Supervisory Board

Landsberg am Lech, March 2009

Quality First: Emerging stronger from the crisis

2009 – the year of uncertainty

2009 is not blessed with good fortune given the global macroeconomic trends. The World Bank warns of the worst recession since the Great Depression in 1929. None of us has ever gone through times like these. Nearly every country in the world is simultaneously slipping into a deep recession, and for the first time, the situation is compounded with a global financial crisis. This triggers, as well as, accelerates negative trends around the globe. The fear is that we are heading for a big crash and that 2009 will go down in history as the year of great uncertainty.

Flexibility – the number one prerequisite

In a general economic environment undergoing rapid and almost unpredictable change, there is already a proven formula for success in nature, with which we can build on. In such exceptional situations, it is not the strongest, biggest or smartest of the species that survive, but those that are able to adapt to their changing environment at lightning speed – in other words with the greatest of flexibility. These are the ones that frequently emerge from a crisis even stronger.

Success through employee quality and a culture of change

The challenging times ahead of us, above all, call for quite extraordinary employees at all levels and in all areas of the Company. Employee skills, creativity, commitment, continually inquiring minds and identification with the Company's goals and values are now quite crucial. One of RATIONAL's great strengths is that our employees think and act as entrepreneurs within the company. They are very aware of their goals and tasks, personally assume responsibility for them and flexibly, they, themselves, make the necessary decisions on the spot. In this way, the high level of knowledge and training of all employees is leveraged to the fullest and used as a critical factor to ensure success in this current climate.

Solid financial structure

By ensuring discipline in cost matters, continually bringing down manufacturing costs while increasing efficiency and productivity in all corporate divisions, RATIONAL has been able to significantly improve its earnings structure over the last few years. We now have to step up our efforts for 2009. Thanks to a high equity ratio, we are able to act independently from banks to the greatest possible extent. This gives us the scope to take the necessary corporate decisions with speed and flexibility in these very times when financial markets are stretched. We are, therefore, well equipped for the crisis and have the best conditions for coming out the other side stronger.

Siegfried Meister

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RATIONAL
AKTIENGESELLSCHAFT

The Executive Board

Dr. Günter Blaschke, born in 1949, gained his doctorate after studying business management at the University of Cologne in the industrial economics department. He began his professional career in 1978 working as Assistant Manager for Marketing at Procter & Gamble GmbH, Schwalbach. From 1981 to 1990, he managed marketing, product management and video product sales departments at 3M Germany and later at 3M Europe in Brussels. From 1990, Dr. Blaschke was alternately responsible for domestic and foreign sales, marketing, production and research & development at Joh. Vaillant GmbH & Co. KG, Remscheid. In March 1997, he moved to RATIONAL GmbH to take up his post as Managing Director. Since September 1999 he has been Chairman of the Executive Board.

Reinhard Banasch, born in 1961, studied business management. Following posts in sales and product management at Nixdorf Computer AG he spent eleven years with Mars Incorporated in a variety of international sales and general management functions. From 2002 onwards, he was European Sales Director and Regional Director Southern Europe at Pilkington. Since April 1, 2008 Reinhard Banasch has been Chief Sales Officer on the Executive Board of RATIONAL AG.

Erich Baumgärtner, born in 1954, studied business management at Rosenheim Technical College. From 1979 to 1987, he worked in various commercial functions at Messerschmitt-Bölkow-Blohm GmbH, Ottobrunn. His last position at the company was managing the tender department of the appliance division. In 1988, he moved to Digital Equipment GmbH, Munich, where, from 1996 on, he was responsible for commercial operations as Managing Director. In October 1998, he came to RATIONAL GmbH. Since December 1998, he has been responsible for commercial operations on the Executive Board of RATIONAL AG.

Peter Wiedemann, born in 1959, joined RATIONAL GmbH in 1988 as an engineer after studying mechanical engineering at the Technical University of Munich. From 1990 to 1993, he was Product Manager. Subsequently, he supported the development of the American subsidiary. Since January 1996, he has been responsible for the technical division as a member of the management team. In September 1999, he joined the Executive Board of RATIONAL AG.

DR. GÜNTER BLASCHKE
Chief Executive Officer

PETER WIEDEMANN
Chief Technical Officer

ERICH BAUMGÄRTNER
Chief Financial Officer

REINHARD BANASCH
Chief Sales Officer

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Letter to shareholders

DR. GÜNTER BLASCHKE
Chief Executive Officer

"Wherever we look upon this earth, the opportunities take shape within the problems."
NELSON ROCKEFELLER

Landsberg am Lech, March 2009

Dear Shareholders, Customers and Business Partners

Global economy in crisis

Over the last few months of 2008, the prevailing economic situation continued to deteriorate. The international financial crisis coincided with the global economy going through a cyclical slowdown, thus triggering a serious economic downturn. There is also considerable uncertainty about how long the slump will last and how severe it will be. This is reflected in the rapidity with which forecasts are continually being adjusted downwards. In the worst case scenario, we are at the start of a long and protracted global economic crisis.

All established industrial countries, in which RATIONAL generates around 80 percent of its sales, are affected by the economic downturn. However, Russia, Spain and the UK may have been particularly hard hit. The major emerging countries are providing a certain equilibrium, particularly in Asia and Latin America where economic growth may nearly reduce by half, but should, nevertheless, remain above 5 percent.

Growth targets for 2008 clearly missed

Unlike with recessions in the past that remained isolated to specific geographical areas, the global financial crisis in 2008 also had a negative impact on our development of the business. After strong growth in sales and earnings in 2007, we clearly missed our growth targets in 2008.

After another 8 percent growth in the first quarter and 11 percent growth in the second quarter, we were initially optimistic we would be able to continue on course for further growth in 2008 as planned. But in the third and fourth quarters, the global crisis caught up with us and extensively depleted the positive results of the first half year. With sales of 343 million euros, it was only possible to inch slightly ahead of the previous year's figure (337 million euros).

Emerging economies recording above-average growth

In the future regions of Asia and Latin America that are not so affected by the economic crisis, sales clearly bucked the trend, with above-average growth. Growth rates of 22 percent in Asia and 43 percent in Latin America are testament to the high acceptance of RATIONAL technology in these areas of the world, and endorse our strategy of further investing specifically in these markets to expand our sales and marketing network.

Sales of VarioCooking Center® up 30 percent

In 2005, we again achieved an impressive quantum leap in technology thanks to the VarioCooking Center® invented by our French subsidiary FRIMA. The VarioCooking Center® is the perfect complement to the SelfCooking Center®, replacing products used in a professional kitchen for cooking in liquid or in direct contact with heat. It, therefore, renders superfluous the remaining 50 percent of traditional cooking appliances needed to date, such as tilt-pans, boiling pans and deep-fat fryers. This means we are tapping into the same target group worldwide, while doubling the global sales potential for the entire RATIONAL group.

The VarioCooking Center® continued to establish itself in the long term in 2008 and is increasingly becoming the new benchmark in European target markets. Customers are, therefore, particularly enthusiastic about it because of the particularly large gap in performance compared with traditional cooking equipment used to date. With a growth rate of approximately 30 percent, the VarioCooking Center® shows – albeit on a small scale – that if innovative technology directly saves time and money, it will also continue to prevail in the markets even in difficult times.

24 percent EBIT margin

Although countermeasures were immediately taken to deal with costs, it was not possible to prevent an above-average increase in costs compared with revenue development for the full year. An EBIT of 83 million euros was recorded in 2008, which is 10 million euros down on the amount recorded the previous year (93 million euros). Despite this drop, an EBIT margin of 24 percent was, nevertheless, posted (previous year: 28 percent). This underlines the Company’s solid earnings performance.

Liquidity ensures stability and independence

Given the unforeseeable global economic turbulence and its possible effects on the real economy, ensuring the liquidity of our company must take top priority.
The prime concern is to effectively safeguard our independence from the crisis-ridden financial market, thereby simultaneously affording us maximum leeway to actively exploit our opportunities in the future.
For this reason, the Executive Board and Supervisory Board will be proposing a dividend of 1.00 euros per share (previous year: 4.50 euros) at the General Meeting of Shareholders.

Share price follows negative stock exchange trend

As a shareholder, you may not be pleased with how the RATIONAL share price developed in 2008. Almost in parallel to the DAX, MDAX and SDAX indices, the stock exchange value of our share practically halved last fiscal.

Increasing appeal through maximum customer benefit

Because of the slowdown in growth, there was no scope even for the RATIONAL share to keep holding its ground against the general stock exchange trend. We are, nevertheless, convinced we have created the best conditions for resuming our usual course for further growth in the future and, in turn, increasing the value of our Company year over year. This should also impact positively on our share price.

New scale-free SelfCooking Center® – significantly greater customer benefit to enhance growth potential in 2009

In the fourth quarter, the SelfCooking Center® with CareControl intelligent care system was launched as a unique new facility.

CareControl automatically detects the respective level of soiling and general care requirements of the unit. It calculates the ideal cleaning and care process, just in time, in turn reducing the consumption of chemicals, water and energy. This brings down running costs in the long term and protects the environment. At the same time, the intelligent care system prevents the build-up of scale in the steam generator. Special scale-dissolving ingredients contained in the care tabs prevent limescale building up in the first place.

CareControl®

Maximum operational reliability – even without expensive water softeners or time-consuming de-scaling – is guaranteed at all times. Our customers can, therefore, save up to 900 euros per unit a year, at no additional cost. The customer benefit, the attractiveness of the SelfCooking Center® and the competitiveness worldwide will obviously increase.

Fighting the trend with the power of innovation

RATIONAL is a global technology leader. This is amply backed up by customer surveys carried out by various trade magazines, in which we far outperform our nearest competitors in the criteria of innovation, quality and reliability time after time.
In June 2008, RATIONAL was awarded the "Innovation award of the German gas industry" for its particularly exemplary solution for the ecological and efficient use of energy. The natural gas version of the SelfCooking Center® significantly reduces carbon dioxide emissions.

In November 2008, RATIONAL was commended for its innovative strength as part of a commemorative event at the Federal Ministry of Economics. Management consultants A.T. Kearney and the "Wirtschaftswoche" voted RATIONAL as "Best Innovator" among small and mid-sized enterprises. It was praised in particular for the quality of its innovation strategy, organisation, culture of innovation and corresponding processes, and above all, for the economic success of its innovations.

Heading into the future with greater strength thanks to new production and technology platform

After a construction phase lasting approximately one year, production in the new third plant in Landsberg went live at the start of July 2008. With this plant, we have invested a total of 24 million euros in our future. This is the biggest, single investment to date in our company's history. It creates a new platform for economies of scale in the future and targeted increases in productivity.

Essential elements of innovation are: going beyond boundaries, breaking rules and shattering the peace

The design of the new plant was inspired by the latest ideas on process optimisation, workplace design and safety. The entire process chain was optimised, from delivery of parts, installation and testing, to packaging and shipment. The distances travelled by employees were clearly reduced. Assembly capacity has been expanded by some 50 percent to more than 60,000 appliances a year thanks to the new plant.

Komponenten GmbH was also fully revamped in 2008 with an investment of around 7 million euros, undergoing a technology as well as capacity upgrade, making it fit for the future. Highlights of technological advances that deserve particular mention are the new bending centre and a Stopa compact warehouse for the automatic provision of laser stamping which is now interlinked in the process.

Human Resources development as strategic success factor

No company is better than its people. Particularly in times of deepening economic gloom, the quality of all staff is an essential factor for a company to continue doing well.

Therefore, in 2008, we attached particularly high importance to the topic of Human Resources development. In addition to numerous further training measures, the targeted development of new talent and promotion systems within and across divisions, we have also developed a completely innovative system for assessing potential in all staff and have implemented it successfully for the first time worldwide.

An underlying objective of Human Resources development is to increasingly fill all new managerial positions from the Company's own ranks, with the aim of consistently improving our success, while minimising the risk of making mistakes in appointments.

Untapped global sales potential as a particular opportunity

Unlike many other industries, our market is not saturated. Around the world, there are about 2.5 million professional kitchens in which RATIONAL technology can be profitably installed. The new SelfCooking Center® now not only replaces conventional cooking appliances, it also replaces the combi-steamers of the past, thanks to the Company's entirely new technology. The untapped world market potential for the SelfCooking Center® therefore amounts to around 95 percent of the 2.5 million professional kitchens referred to above. In addition, the potential for the VarioCooking Center® is linked to the same 2.5 million kitchens, and therefore amounts to 100 percent.

Heading into 2009 with caution

RATIONAL technologies increase the disposable income of our customers. The monthly savings that can be generated simply by using fewer materials, energy and personnel clearly exceed the requisite financing costs for the units. So our customers' profitability is improved from the very first day. Focus is clearly placed on RATIONAL investments such as these – especially in these more difficult times.

The best way of predicting the future is to actively shape it

We have a global sales and marketing network to develop these chances successfully. In addition we have a superior portfolio of products and services and, of course, excellent employees.

Yet, as can be seen from business development in the second half of 2008, which is by far the biggest global economic crisis since the 1930s, it can take its toll even on us. We are, therefore, heading into 2009 with caution.

Our motto for 2009 is:

"QUALITY FIRST",

which stands for making improvements in corporate quality, by optimising all corporate processes and eliminating any existing weaknesses and waste. Focus is also placed on identifying fresh opportunities, while continually and flexibly adjusting costs and structures in all corporate processes to respond to new trends as they emerge. We are, therefore, confident we will be able to emerge from the crisis unscathed or even stronger.

We would like to thank all our customers, business partners, shareholders and especially our employees for the confidence they have placed in RATIONAL and for their highly constructive and positive cooperation.

Dr. Günter Blaschke

Chief Executive Officer
RATIONAL AG

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Report of the Supervisory Board for fiscal year 2008

Landsberg am Lech, March 1, 2009

Dear Shareholders,

The Supervisory Board herewith submits its report on the performance of its tasks in the last fiscal year 2008.

Reports and meetings

In the year under review, the Supervisory Board performed the tasks laid down for it by law and the Articles of Association. It regularly advised the Executive Board and monitored the Company's management of business. The Supervisory Board was directly involved in all decisions of strategic importance to the Company.

The Executive Board keeps the Supervisory Board fully and regularly informed in good time, both verbally and in writing, of the corporate planning, business activities, strategic further developments and current position of the Group. Deviations in the course of business from plans were discussed individually. The Executive Board agreed the Company's strategic alignment with the Supervisory Board. The business transactions of importance for the Company were discussed in detail on the basis of reports from the Executive Board. The Supervisory Board concurred with the Executive Board's proposed draft resolutions after thorough review and advice.

Six Supervisory Board meetings were held in 2008 on a regular basis. Regular monthly meetings were also held between the Supervisory Board and Executive Board, in addition to numerous individual discussions. The course of the business, revenue situation, liquidity and unforeseen developments for RATIONAL AG, individual subsidiaries and the Group were detailed in written monthly reports.

In addition, the members of the Supervisory Board consulted each other in writing and by telephone. The Supervisory Board was informed in detail of projects and plans of particular significance for the Company or of those requiring urgent action between its meetings. Where applicable, the Supervisory Board also passed resolutions outside the ordinary meetings. During the past fiscal year, the Supervisory Board regularly examined the efficiency of its work, in particular the procedures in the Supervisory Board and the timely provision of sufficient information. No committees were formed, as the Supervisory Board of RATIONAL AG has only three members.

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Report of the Supervisory Board of RATIONAL AG for fiscal year 2008

Key areas of consultation by the Supervisory Board

The key areas of consultation by the Supervisory Board were as follows in fiscal year 2008:

- Foundation of subsidiaries in Brazil and Russia to successfully tap into the market in these countries,
- Further development of the RATIONAL marketing strategy,
- The Company's planning and management philosophy,
- Product development to improve the global competitive position,
- Options for making the corporate structure more flexible against the background of the economic situation that is deteriorating in the long term as the financial crisis continues,
- Human Resources development to promote and increase the loyalty of high-potential employees.

Changes in the Executive Board

With effect from April 1, 2008, the Supervisory Board appointed Mr. Reinhard Banasch as ordinary member of the Executive Board. Mr. Reinhard Banasch is responsible for sales and marketing.

Corporate Governance Code

The Supervisory Board dealt with the content of the German Corporate Governance Code and its implementation in the Company. Information on corporate governance within the Company as well as a report on the amount and structure of compensation of the Supervisory Board and Executive Board can be found in the Corporate Governance Report. At the joint meeting held on January 15, 2009, the Executive Board and Supervisory Board approved the submission of the declaration of conformity pursuant to section 161 of the Stock Corporation Act (AktG) on the Corporate Governance Code in the version dated June 6, 2008. The declaration of conformity submitted by the Executive Board and Supervisory Board was published on the website of RATIONAL AG on February 5, 2009.

Review of annual financial statements and consolidated financial statements

The annual financial statements for the fiscal year from January 1 to December 31, 2008, prepared in accordance with the regulations laid down in the German Commercial Code (HGB) and the company's management report were audited by the Company's auditor elected by the general meeting of shareholders, Rölfs WP Partner AG, Wirtschaftsprüfungsgesellschaft, Munich and were issued with an unqualified audit opinion.

Consolidated financial statements according to IFRS, as applicable in the EU, as well as according to IFRS overall and the supplementary commercial regulations applicable under section 315a(1) of the German Commercial Code were prepared by the Executive Board, as well as a consolidated management report. The auditors audited the consolidated financial statements and the group management report and issued an unqualified audit opinion.

The annual financial statements, the consolidated financial statements, the management reports, the auditors' reports, and the Executive Board's proposal on the appropriation of unappropriated profits were forwarded to all Supervisory Board members for examination. They were the subject of intensive deliberations at the meeting of the Supervisory Board held on February 25, 2009. In particular, the Supervisory Board concerned itself thoroughly with the findings of the audit by the auditors. The auditors took part in the discussion of the Company's annual financial statements and the consolidated financial statements. They reported on the findings of their audit and were available to supply the Supervisory Board with additional information.

Following the final result of the consultations and a separate review by the Supervisory Board, no objections were raised. The Supervisory Board approves the findings of the audit. At its meeting held on February 25, 2009, the Supervisory Board approved the annual financial statements, prepared by the Executive Board, for RATIONAL AG as of December 31, 2008, including the certified version, dated February 09, 2009, of the management report for fiscal year 2008, as well as the consolidated financial statements as of December 31, 2008 and the certified version, dated February 13, 2009, of the consolidated management report. The Company's 2008 annual financial statements, including the management report, are thereby adopted in accordance with the first sentence of section 172 of the AktG.

The Supervisory Board examined the Executive Board's proposal for the appropriation of unappropriated profits with regard to the Company's profit and loss, liquidity and balance sheet. The Supervisory Board concurs with the proposal by the Executive Board to distribute from RATIONAL AG's total unappropriated profits of 82.2 million euros for 2008 a dividend of 1.00 euros per share to shareholders, and to carry forward the remainder to new account.

The Supervisory Board would like to thank the members of the Executive Board and the Company's management for their close, constructive cooperation in fiscal year 2008. But our particular thanks go to all employees for their reliability, their loyalty and their high level of commitment, which was the critical factor ensuring success in 2008.

Siegfried Meister
Chairman of the Supervisory Board

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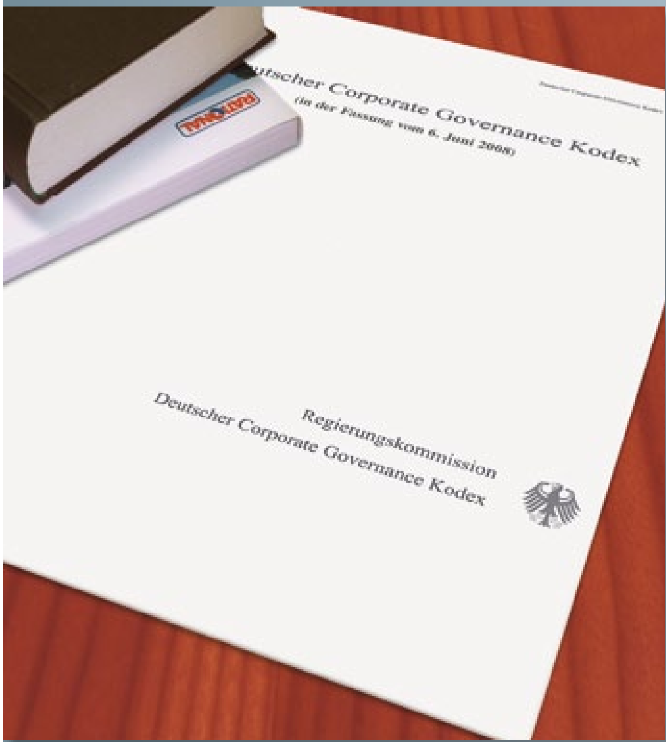

Corporate Governance Report

Basic structural conditions

RATIONAL AG is an Aktiengesellschaft (public limited company) under German law with its registered office in Landsberg am Lech, and since March 2000 has been listed on the stock exchange. The company is administered by the Executive Board and the Supervisory Board.
As at December 31, 2008 the Executive Board of RATIONAL AG consists of Dr. Günter Blaschke (Chief Executive Officer), Peter Wiedemann (Chief Technical Officer), Erich Baumgärtner (Chief Financial Officer) and Reinhard Banasch (Chief Sales Officer). Mr Banasch was newly appointed to the Executive Board of RATIONAL AG on April 01, 2008.
As before, the Supervisory Board consists of Mr Siegfried Meister (Chairman of the Supervisory Board), Walter Kurtz (Deputy Chairman of the Supervisory Board) and Roland Poczka (Member of the Supervisory Board). Since the Supervisory Board comprises just three members, no committees are formed.

The Executive Board submits detailed reports to the Supervisory Board each month about the current business situation and the strategic orientation of the business. Six regular meetings of the Supervisory Board were held in 2008 in addition to numerous individual discussions.

Remuneration report

In fiscal 2008 the Executive Board of RATIONAL AG was paid a total of 3,040 thousand euros (previous year: 2,708 thousand euros) for the performance of its services. Of this, 1,471 euros thousand was paid as a profit-related, variable component (previous year: 1,242 thousand euros).

Remuneration for the Supervisory Board for its monitoring and advisory work totalled 542 thousand euros (previous year: 552 thousand euros). Of this, Mr Meister received 216 thousand euros (previous year: 218 thousand euros), Mr Kurtz 185 thousand euros (previous year: 188 thousand euros) and Mr Poczka 141 thousand euros (previous year: 146 thousand euros) (cf. note "Supervisory Board and Executive Board").

The payments to the Supervisory Board consist of fixed and profit-related components. In fiscal 2008 payments to the members of the Supervisory Board were as follows:

Thousands of euros	Fixed	Performance related	Other	Total 2008
Mr Meister	150	41	25	216
Mr Kurtz	125	41	19	185
Mr Poczka	100	41	0	141
Total	**375**	**123**	**44**	**542**

Stock option scheme

On February 3, 2000, RATIONAL AG launched a stock option scheme for members of the Executive Board for a maximum of 200,000 individual shares in the company. The stock options are subject to waiting periods and time limits for exercising the rights, which are decided on by the Supervisory Board. The exercise of option rights is linked to a specified increase in the value of the business measured against the SDAX Performance Index. In February 2000, a first tranche of 34,500 option rights was issued, which was drawn on in 2002 in the form of a cash settlement. A second tranche of 34,500 option rights was issued in January 2004 with a waiting period until March 2006. This tranche was likewise drawn on in the form of a cash settlement (cf. note "Stock Option Plans"). As at the balance sheet date 2008, the shareholding of all the board members stands at well below one percent.

Mandatory publications in 2008

In 2008, RATIONAL AG provided information to shareholders and interested parties pursuant to Section 15 German Securities Trading Act (WpHG) in the form of five detailed, up-to-date ad-hoc communications within the prescribed periods concerning the Company's position as regards finance, assets and revenue. Share transactions by members of the Supervisory Board and the Executive Board were announced in 27 notifications in accordance with Section 15 German Securities Trading Act (WpHG) as soon as we gained knowledge thereof.
Further information on the business was provided to shareholders in the form of the annual and quarterly reports, press and capital market conferences and individual meetings, as well as on RATIONAL's internet site.

Principles of responsible corporate management

The Executive Board and the Supervisory Board of RATIONAL AG have always striven to take all actions and decisions on the basis of corporate management which is responsible and which is geared to long-term, sustained value creation. Openness and transparency in corporate communication and consideration of the interests of shareholders are principles of paramount importance to RATIONAL.

In consequence of this, RATIONAL AG welcomes the German Corporate Governance Code, published by the Government Commission on February 26, 2002 and most recently amended on June 6, 2008, along with the standards and recommendations contained therein.

Share ownership of the Supervisory Board

As founder of the company the Chairman of the Supervisory Board, Siegfried Meister, holds 63.78 percent of the issued RATIONAL shares. The Deputy Chairman of the Supervisory Board, Walter Kurtz, holds 7.81 percent of the shares. Mr Roland Poczka's shareholding is under one percent.

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Declaration of Compliance by RATIONAL AG

Landsberg am Lech, February 2009

Declaration of Compliance

Pursuant to Article 161 of the Stock Corporation Act (AktG) the Executive Board and the Supervisory Board of RATIONAL AG submitted the first declaration of compliance with the German Corporate Governance Code on February 18, 2003. The present version has been amended in accordance with the current edition of June 6, 2008.

RATIONAL AG therefore complies with the recommendations of the Government Commission on the German Corporate Governance Code, with the exception of:

3.8 "If the company takes out a **D&O** (directors' and officers' liability insurance) **policy** for the Management Board and Supervisory Board, a suitable deductible shall be agreed."
A Directors' & Officers' policy has been taken out for the members of the Executive Board and Supervisory Board. No specific deduction for the insured parties has been agreed.

4.2.4 "The **total compensation of each member of the Management Board** is to be disclosed by name, divided into non-performance-related, performance-related and long-term incentive components, unless decided otherwise by the General Meeting by three-quarters majority."
By resolution of the General Meeting of Shareholders of May 17, 2006 RATIONAL AG has dispensed with the publication of individualized figures for Executive Board compensation. The other provisions are complied with in full.

5.3 "Formation of committees"
Forming committees of the Supervisory Board to handle complex issues, such as an Audit Committee, is not appropriate for RATIONAL AG because the Supervisory Board consists of only three members.

5.4.1 "For nominations for the election of members of the Supervisory Board, care shall be taken that the Supervisory Board, at all times, is composed of members who, as a whole, have the required knowledge, abilities and expert experience to properly complete their tasks and are sufficiently independent. The international activities of the enterprise, potential conflicts of interest and **an age limit to be specified for the members of the Supervisory Board** shall be taken into account."
No age limit has been set for members of the Supervisory Board.

RATIONAL AG

The Supervisory Board The Executive Board

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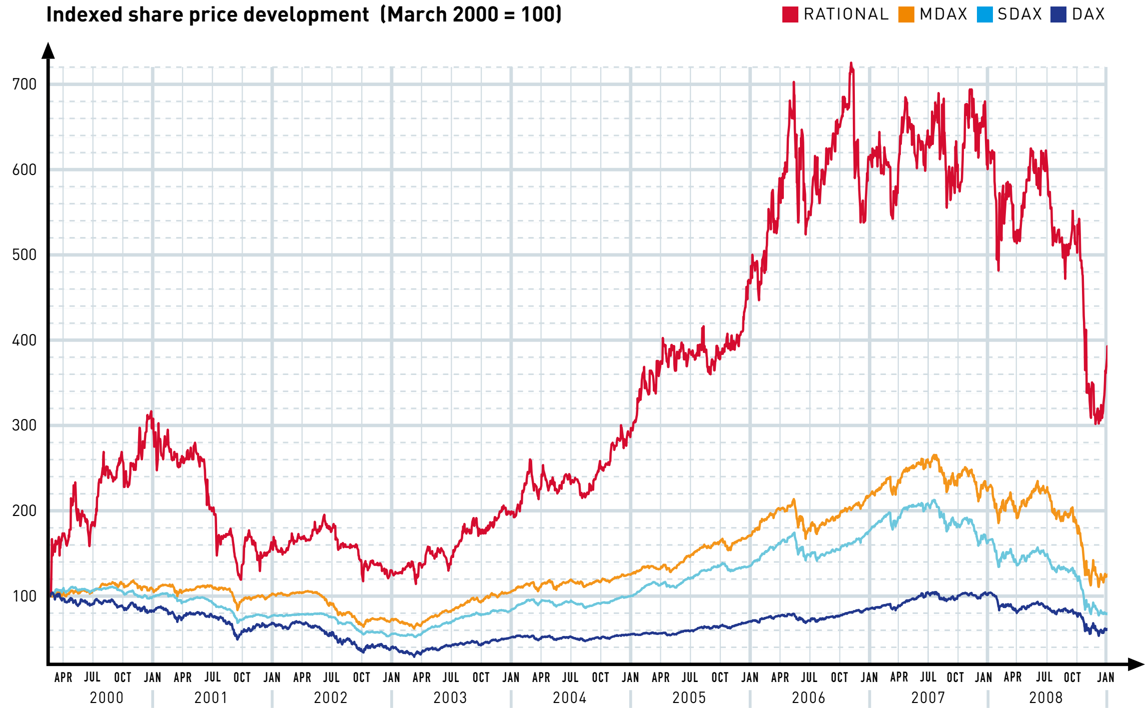
The RATIONAL share price

Stock exchange year 2008

The turbulence on the international financial markets had a clearly negative impact on all share indices throughout the world in 2008. In Germany, the DAX index went down 40 percent over the year, the MDAX index 43 percent and the SDAX index 46 percent. The RATIONAL share was also unable to avoid this trend and lost 40 percent over the year. At the end of 2008, the share price was at 84 euros (previous year: 140 euros). The highest price reached for the RATIONAL share for the year was 144 euros, and the lowest of 70 euros was recorded on November 11, 2008.

Indexed share price development (March 2000 = 100)



Despite this negative trend in 2008, the RATIONAL share price has more than tripled since the IPO in 2000, from 23 euros to 84 euros, and its increase in value has far exceeded the DAX, MDAX and SDAX indices.

The shares of the Company, which has been listed on the German Stock Exchange since March 2000, have been admitted to the Prime Standard and are traded on the Regulated Market in the SDAX segment. RATIONAL is also listed on the German Stock Exchange CDAX, Classic All Share, Prime All Share and GEX selective indices as well as on BayX30 on the Munich Stock Exchange.

Financial Calendar 2009

Mar. 26, 2009	Financial Statement Press Conference and DVFA conference for fiscal 2008
May 06, 2009	General Meeting of Shareholders 2009
May 13, 2009	1st quarter report Q1 2009
Aug. 11, 2009	Half year report 2009
Nov. 10, 2009	9-month report 2009

RATIONAL share – key figures

Members of the Executive Board and the founding family took advantage of the reduced share price last fiscal and bought 16 thousand shares. As a result, the free float of the Company dipped slightly from 28.5 percent at the end of the previous year to 28.4 percent as at December 31, 2008. Despite the overall shares purchased, the Executive Board of RATIONAL AG continues to hold less than 1 percent of the Company's shares.

The total number of shares issued remains the same, at 11,370,000, corresponding to an issued capital of 11,370 thousand euros. At the end of 2008, the Company's market capitalisation value was 959,628 thousand euros (previous year: 1,591,800 thousand euros).

Based on the year-end price, the share achieved a price-earnings ratio of 16 in 2008, so has clearly dropped in value compared with the previous year (P/E ratio 26).

Investor Relations

The top priority of Investor Relations work at RATIONAL is the prompt and comprehensive provision of information. In 2008, annual and quarterly reports were sent to prospective customers inside and outside Germany. The majority of investors now use the internet to access up-to-date information on the Company. This is reflected in the growing number of hits for the Investor Relations pages on the Company's website (www.rational-online.com).

The Executive Board personally provided information on Company developments to fund managers and analysts at 16 roadshows in the U.S. and Europe, as well as 5 conferences in Germany, the UK and France. The Executive Board also received prospective customers at the offices in Landsberg and attended numerous interviews with representatives from the business and financial press. The Executive Board was on hand to answer the growing number of questions on the Company's situation and developments from shareholders, analysts and fund managers.

660 shareholders and a large number of guests attended this year's General Meeting of Shareholders in May 2008 to find out at first hand how RATIONAL AG was progressing. All the proposals put forward from the agenda received widespread approval from shareholders.

Research coverage further extended

In fiscal year 2008, the number of institutes producing regular research reports on RATIONAL continued to rise. In their in-depth studies, analysts all echo the same positive sentiment despite the uncertain economic situation prevailing at present.

RATIONAL
AKTIENGESELLSCHAFT

Events 2008

General Meeting of Shareholders
With 660 shareholders and a large number of guests, the general meeting of shareholders held on May 7, 2008 was again one of the highlights of the fiscal year.

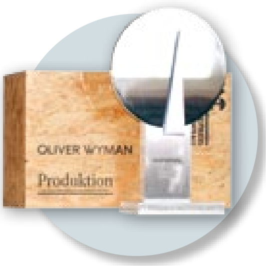
RATIONAL extends Executive Board
The Executive Board of RATIONAL AG was extended to include a new member on April 1, 2008 – Mr. Reinhard Banasch. He holds responsibility for sales and marketing.

Young talent from within the company
RATIONAL encourages and rewards promising employees. The international high-flyers system prepares committed employees with potential to develop, so that they are ready for future managerial roles.

Company anniversaries
Now more than ever, highly skilled employees are a major success factor for our Company. We are therefore proud that a record number of 47 people celebrated anniversaries in 2008.

New subsidiary RATIONAL Brazil
Brazil is one of the TOP 10 future markets in the world. To optimize our market development there, we newly founded a subsidiary in São Paulo in 2008.

Honors and Awards 2008



“Mechanical Engineering Strategy Award”

“International Best Factory Award”

“Nagroda MT Polska 2008”, Euro Gastro

“Best Marketing Company Award 2008”, BBDO

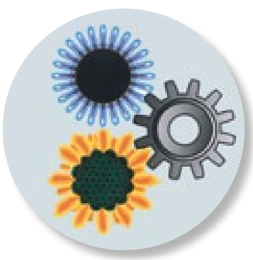
2-year warranty for all appliances
RATIONAL now grants a 2-year warranty for all appliances.

New third plant in Landsberg operational
After a construction phase lasting approximately a year, production in the new third plant in Landsberg went live at the start of July 2008. The new plant was designed in accordance with the latest findings of process optimisation, workplace design and safety.

State-of-the-art components plant
Komponenten GmbH was upgraded technologically and in a capacitive way in 2008.

400,000th unit
In October 2008, the 400,000th unit left the plant in Landsberg, enabling RATIONAL to celebrate yet another milestone in its history.

The new scale-free SelfCooking Center®
With CareControl, the first intelligent care system in the world, the new SelfCooking Center® has been offering significantly enhanced customer benefit without additional cost since October 2008.



"Innovation Award"
of the Germany Gas
Industry

"Bavaria's Best 50"
for especially strong growth

"Best Innovator 2008"
among small and
mid-sized enterprises

"Catering Star 2008"
for best cooking
technology

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Quality First

- Specialisation and innovation
- Process organisation and leadership
- Business partners and success

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Quality First: Priorities placed on specialisation, innovation and customer benefit

Focusing on a target group

A key component in RATIONAL's success is the way it consistently focuses all resources on a single, clearly defined target group. Thanks to this focus we have the necessary freedom to maintain an intimate relationship with this target group and become part of their world. We know their desires and needs, so we are better positioned than others to find solutions to their problems and continuously improve their working environment.

Specialising on our core activity

Unlike its competitors, RATIONAL does not see itself as a general kitchen supplier, but as a specialist in the "core" activity of any professional kitchen, in other words the thermal preparation of food. Our core expertise is the transfer of thermal energy to all kinds of food. So we do not see ourselves first and foremost as a machine manufacturer but as innovative problem-solvers for our customers. All members of RATIONAL's sales staff are chefs too. They speak the same language as our customers and can offer complete tailor-made solution strategies. RATIONAL's global image today is characterised by the chefs we employ.

But the structure of our research and development process also reflects our customers' operational world and the corresponding scientific environment. Our development team includes physicists who carry out basic research, chefs and nutritionists who focus on applied research and of course, design engineers who focus on product development.

Customer benefit as our overriding corporate goal

Our Company's overriding aim is to offer the greatest possible benefit to the people who thermally prepare food in the professional kitchens of the world. By focusing all our resources on this aim, we manage to continuously enhance customer benefit year on year. RATIONAL is becoming an increasingly attractive partner to its customers. This generates additional demand and helps us stay ever further ahead of the field. This growing corporate success creates a basis for investment in even more ways of increasing customer benefit and making the Company a compelling proposition.
The overall strategic orientation of the Company is clearly set out in a single page in the RATIONAL corporate philosophy.

Global technological leadership as a result

We promise our customers that:

- RATIONAL units always feature the most up-to-date technologies that the market has to offer
- RATIONAL products are made to the highest quality standards
- RATIONAL products are reasonably priced

Representative customer surveys give an impressive endorsement of RATIONAL's product leadership. Compared to our competitors, RATIONAL's strengths from the customer's point of view are above all its products' overall quality, durability, versatility and range of usage. Further strengths are their long running times, permanent stability, ease of operation and reliability. Customers also assign above-average marks to the units' general handling.

trade-fair appearance "hogatec 2008"

THE RATIONAL PHILOSOPHY

RATIONAL
. . . because details make the difference

RATIONAL's company objective:

We offer the people working in commercial kitchens the most beneficial solution to their thermal cooking tasks.

The way we see ourselves:

1. **We are specialists** because we know that we serve our clearly defined target group efficiently and clearly by focussing all our efforts on that essential and central need of this target group and because we solve these problem most effectively – better than by anyone else!
2. **We are a team of winners!**
We play in the world top for the world championship.
3. **We are product leader.**
We offer our customers the best possible technology and quality at a reasonable price.
We keep this promise – always.
4. Growth, stability and profit are not objectives but results.
The better our benefits are for the customer, the better will be growth, stability and profit.

Tasks and objectives in dealing with external customers as well as "internal customers"* and suppliers:

1. We build up an intimate relationship with our target group.
We know the desires and needs of our customers.
2. Our main task is to offer our customers the maximum benefits.
3. RATIONAL staff members are always frank, sincere and honest.
4. We offer our suppliers a stable and reliable partnership.
We expect in return loyalty, quality, commitment, flexibility and innovative spirit.

Tasks and objectives of the RATIONAL staff members:

1. We respect our staff members and colleagues as mature, emanzipated and self-responsible people – and we treat each other accordingly.
2. We expect from our staff members and colleagues performance, commitment, sense of responsibility and loyalty. Our staff members and colleagues expect the same from us.
3. RATIONAL managers behave like gardeners: they prepare the ground for the best possible personal and professional development of their staff members.
4. RATIONAL managers are partners to their staff members:
   • they lay down clearly defined objectives
   • they prepare the ground for reaching those objectives
   • they review the achievement of target with their staff members.

* "internal customers" = working colleagues

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Quality First: Process organisation and leadership as the basis of success

Integrated tasks and clear responsibility

RATIONAL is organised along a customer's order. The company-wide interlinked process organisation is marked by integrated, natural, manageable and self-contained tasks. Superfluous interfaces and conventional departments have been completely eliminated. The staff at RATIONAL know precisely what their goals and duties are and therefore what contribution they are making to the Company's success. As contractors in the company, they personally assume total responsibility for their subprocess and take the necessary decisions themselves.

The RATIONAL process organisation

The RATIONAL process organisation is moving away from work organisation which is management-heavy due to an extreme dependence on the division of labour. The overall picture remains. At the same time, we make optimum use of our employees' levels of knowledge and training.

Leadership is our prime responsibility

The know-how and skills of our staff are our most important corporate asset. Based on our management culture described in the Company philosophy we continually develop our staff's skills. RATIONAL managers behave like gardeners: They prepare the ground for the best possible personal and professional development of employees.

Leadership is more than management

Alongside functional and methodology skills, social skills are what really set RATIONAL managers apart. Social skills allow you to connect with the employee's emotional side and leverage this relationship effectively. They also include giving staff the opportunity to "find themselves". Enthusiastic determination is required every bit as much as an objective understanding of the logical needs. It is this enthusiastic determination that gives rise to the motivated, consistent action which will ensure objectives are achieved. Involving staff in the overall definition of what they do and setting out clearly the part they play is the key prerequisite.

Leadership creates space

Innovation and creativity, identification and personal responsibility of our staff are decisive competitive factors. Management at RATIONAL therefore creates the conditions under which employees can develop these key skills. This is done on the basis of clear structures, delegating responsibility and targeted promotion of staff by encouraging them to think and act along holistic entrepreneurial lines.

Leadership by example

Employees need points of reference and shared, exemplary values. They experience this from their managers, who automatically act as an example, be it good or bad. This calls for a high degree of self-discipline, motivational strength and formative intent from every manager. So for RATIONAL managers the maxim is: "Only if you have led by example yourself will employees follow your lead in the long term."

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Quality First: Business partners as multiplicators

Commitment to specialist retailers

From the very start, RATIONAL has used business partners to facilitate global market development. Cooperation with specialist retailers is based on long-term partnership.

Specialist retailers benefit from the Company's technological and market leadership, the products' quality and reliability, the high level of recognition of the RATIONAL brand, its global sales and marketing activities, high customer satisfaction and high repurchase rate.

In return, RATIONAL benefits from its business partners' strengths, in particular their extensive local customer bases, comprehensive range of services and their expertise in onsite planning, installation, operation and technical service.

The sum of all strengths multiplies customer benefits and opens up additional prospects. The appeal and uniqueness of the RATIONAL technology is now put to good use by many specialist retailers as the ideal platform from which to acquire new customers. The special appeal of our "Cooking Live Shows" gives them the opportunity to present their entire range of services to potential customers.
Satisfied new RATIONAL customers also buy their other kitchen equipment from our business partners. In this way, they develop into new, full-range customers.

Consultants to drive technological change

Consultants are important, independent opinion-leaders and decision-makers in specifying technology for large kitchens in projects and calls for tenders. In this way, they have a direct influence on the organisational and operational structures in kitchens. High quality and safety standards are applied when specifying units.

RATIONAL offers consultants the best technology and quality available on the market at a reasonable price. We help our partners, from initial design right up to planning installation. Joint consultants' workshops have successfully established themselves in many countries as the basis for the reciprocal transfer of expertise.

Service partners to ensure customer satisfaction after purchase

The unique RATIONAL service partner concept has enabled us to break entirely new ground.

RATIONAL supplier's meeting 2008

At the forefront are permanent accessibility, short response times, highly qualified employees and the necessary availability of spare parts. Once RATIONAL service partners have been certified, they receive exclusive rights to obtain orders and a special logo. They are also regularly audited, which is a key component in the quality assurance process. Feedback is obtained on every customer service intervention to ascertain first-time fix rates, availability of spare parts, response times and customer satisfaction. A personal performance profile is thus generated for every single RATIONAL service partner working for us around the world.

RATIONAL service partners fulfil 80 percent of their orders on the same day. Engineers can access a special service website to consult all the necessary technical information. They are therefore always kept up to date and can immediately resolve technical problems without having to consult anyone or carry out time-consuming research.

By benchmarking service partners with each other, potential for improvement is continuously identified, incorporated in the partner plan and promptly put into effect. The customary differences between the factory's and the partner's technical services no longer apply – the RATIONAL service partner is the specialist in all RATIONAL product lines.

Findings of customer satisfaction surveys show that more than 95 percent of our customers around the world are highly satisfied with the service provided by a RATIONAL service partner and would purchase another RATIONAL product without hesitation.

Supplier quality – learning from the best

As a company with little vertical integration, the quality and reliability of our suppliers are crucial to our success. Instead of continually pushing for lower purchase prices, which often leads to costly and high-risk changes in supplier, we work together with our key suppliers to meet quality, productivity and cost reduction targets in joint re-engineering projects focusing on material and process improvements, which are based on annual partner plans. This leads to attractive purchase prices while encouraging long-term supplier loyalty.

The suppliers' day was held on May 29, 2008, under the motto of "Learning from the best". A range of workshops and presentations were organised, giving around 135 participants the opportunity to exchange experiences with each other and get to know the various RATIONAL corporate processes in detail.

The day was rounded off by selecting the best suppliers. The top three suppliers, Stolz Aufrolltechnik GmbH, Stengel Apparatebau GmbH and Huba Control AG, were each able to take the prized RATIONAL trophy home with them as best suppliers of the year.

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RATIONAL
SelfCooking Center
RATIONAL
SelfCooking Center
Wolfgang Guth

Quality First

Customer satisfaction as result

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Restaurant “The Ivy”, London

Those eager to sample the delights of this London restaurant have to book six months in advance – it is a favourite haunt of celebrities and many column inches have been dedicated to it in the press. The restaurant is located near Covent Garden in central London and serves approximately 200 à la carte

meals a day. A reputation like that enjoyed by the Ivy can only be built up if the highest possible standards are achieved in all aspects of the dining experience – from decor, ambience, service and wine list, to a relaxed atmosphere and exclusivity.

Each and every day, high expectations put the reputation of executive head chef Alan Bird to the test. So he is glad to have assistants in the kitchen he can fully rely on, to maintain and build on the quality of his world-famous cuisine. And the RATIONAL SelfCooking Center® tops the list of his assistants.

The SelfCooking Center® takes centre stage in the kitchen

“Our SelfCooking Center® is in constant use. Even with delicate products like filo pastry, we get perfect results every time! We’ve been working with RATIONAL units for many years now. We couldn’t do without them.” Alan Bird has just one word to say about the reliability of the units: “Fantastic!”

“Our SelfCooking Center® units enable us to transfer consistently high quality onto the plate. They are a sheer necessity in a top restaurant”, believes Alan Bird.
Using the SelfCooking Center® is quite easy. All you have to do is program the desired result. And that’s it! Time, temperature and climate are individually calculated for each product and readjusted in a matter of seconds, so the dishes are cooked perfectly to meet precise requirements.

CareControl – scale-free SelfCooking Center®

London is a notorious hard water area. Limescale deposits create problems in all areas of work. Coffee machines, dishwashers, taps and sinks constantly have to be de-scaled. The number one problem area is obviously the kitchen. If unfiltered water is heated in kettles or pans, a white film of limescale forms within seconds. If filter systems are used, they take up valuable space in the kitchen and the filters have to be constantly changed.

“But it’s a totally different story with the RATIONAL SelfCooking Center® thanks to the new CareControl system. It’s unbelievably simple. Although there’s no other piece of kitchen equipment in which water

“We’ve been working
with RATIONAL units
for many years now.
We couldn’t do without them.”

ALAN BIRD, Head Chef

is heated so frequently, it doesn’t fur up – and it doesn’t even have a water filter”, enthuses Alan Bird. “With our old combi-steamer a technician had to come out to change and de-scale the water filter at least four times a year.”

The service costs for water filters and de-scaling the combi-steamer alone cost around 900 euros a year. The new SelfCooking Center® with CareControl is completely reliable and fault-free.

CareControl automatically detects the current level of soiling and the general care requirements of the SelfCooking Center®. It calculates the ideal cleaning process, in turn reducing the consumption of chemicals, water and energy. Savings are also made in terms of time, as scale no longer has to be removed by hand.
“The SelfCooking Center® is impressive not only because of its intelligent cooking but also because of its intelligent care. It really is unique on the market”, says Alan Bird.


THE IVY

DESERTS & PUDDINGS

Pistachio ice cream
with nougat
Rhubarb, rhubarb, rhubarb
Bramley apple crumble
with custard
Sticky toffee pudding
with vanilla ice cream
Crème brûlée
Golden Pineapple
with lime & coconut sorbet
Steamed lemon sponge
Scandinavian iced berries
with hot white chocolate sauce
with clotted cream
Chocolate pudding
with mint choc chip ice cream

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European Parliament, Strasbourg

Tastes matching the diversity of cultures

The European Parliament is the largest multinational parliament in the world. It has 785 members drawn from 27 different nationalities, representing a diversity of different tastes. No fewer than 23 official languages are used in the daily work of the European Parliament, which also has workplaces in Brussels and Luxembourg in addition to the main site at Strasbourg. In Strasbourg alone, there are 2,200 offices, with around 5,000 employees supporting the work of the MEPs. For nine years, head of production Christophe Cuny has been delighting his wide array of guests with food of the highest quality in three restaurants at the EU Parliament in Strasbourg.

As head of production for specialist industry caterer Eurest Christophe Cuny is responsible for the physical well-being of this diverse group of politicians.

When planning menus, a huge degree of care and attention is required. After all, to meet the needs of such a great variety of people and their demanding guests, it is necessary to know precisely what the target group wants. And that's not always easy, as Christophe Cuny knows from experience. Menus are planned with the aim of creating light and healthy meals that are modern, yet, not too exotic, and contain a high proportion of fresh ingredients.

4,000 meals a day

The 25-strong catering team dishes up a total of 4,000 meals a day at three different locations within the 200,000 m² building. In addition to the "Louise Weiss" self-service restaurant which serves around 3,000 meals, there is a members' restaurant serving around 600 meals a day and the "Winston Churchill" brasserie serving 400 meals a day. There are also a further six bars where members can get light refreshments from 9am to 11pm.

Photo: European Parliament, Strasbourg

> *"We set great store by equipping our kitchen to the best possible standards, and we use nothing but the latest in kitchen technology."*
>
> CHRISTOPHE CUNY, Production Manager

"We want to prepare as much as possible ourselves, with freshness of ingredients being of the essence for our customers", explains the dedicated head chef. To meet the high demand for quality and freshness, he sources many of his ingredients directly from local suppliers. The selection of vegetables is based on what is seasonally available. Cakes, sweets and desserts are prepared in their own patisserie.

Cooking takes place in two kitchens – a large production kitchen and a smaller kitchen which caters for the members' restaurant.

FRIMA technology guaranteeing quality

"To maintain our standards, we attach great importance to ensuring our kitchen is optimally equipped – we use state-of-the-art cooking technology with FRIMA VarioCooking Center® and SelfCooking Center®. This technology provides us with tremendous support in our daily work, as the cooking processes are automatically controlled and monitored in the VarioCooking Center® and SelfCooking Center®", explains Christophe Cuny.

When planning menus, the head chef focuses primarily on Western European food, regularly including typical dishes from different nationalities.

Each day, the menu includes four hot main dishes, three dishes from the grill, one hot starter, an extensive salad buffet and up to 1,000 desserts already divided into portions. With the SelfCooking Center® and VarioCooking Center® the greatest possible flexibility can be achieved. Christophe Cuny dedi-cates time and attention to meeting the special needs of the parliamentarians and their VIP guests in the members restaurant. Diners can choose from a three course à-la-carte menu which changes on a daily basis.

Feedback confirms top food quality

Daily feedback from guests confirms that they highly rate the quality of dishes produced and their expert composition. "Our guests are very critical and can appreciate the high quality of food offered". On occasion, some members also compare the three sites in Strasbourg, Brussels and Luxembourg with each other. Christophe Cuny is always pleased if his menu offerings come out on top, as often happens.

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Note: The graphs, graphic elements and photos included in this annual report are not part of the unqualified opinion of the auditors regarding RATIONAL's management report and financial statements.

Management Report

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Business Conditions and the General Situation

GENERAL INFORMATION

RATIONAL AG is a globally operating, public limited company under German law, with its registered headquarters in Landsberg am Lech. It employs approximately 1,100 people in 24 entities. Its market share worldwide is over 50 percent, which means that every second appliance bought in 2008 was a product of the RATIONAL Group.

Innovative Products

Our best-selling product is the SelfCooking Center®, the only cooking appliance with intelligent cooking processes for roasting and pan-frying, poultry, fish, vegetables and other side dishes, potato dishes, egg dishes, desserts and bakery products. The SelfCooking Center® replaces 40 percent to 50 percent of all traditional cooking appliances, including hot air ovens, stoves, tilt-pans, boiling pans, steamers, deep-fat fryers and various other types of pots and pans.

The untapped market potential this implies, including the potential for the replacement of older combi-steamers, is around 95 percent of the 2.5 million professional kitchens that exist worldwide. In addition to the SelfCooking Center®, the CombiMaster®, a combi-steamer, is offered for simple applications.

In 2005, our French subsidiary, FRIMA, brought the world's first VarioCooking Center® onto the market, an appliance which complements the SelfCooking Center® perfectly. The VarioCooking Center® can be used for cooking in liquid or in direct contact with heat. This essentially renders all the remaining traditional cooking appliances superfluous, replacing boiling pans, tilt-pans and deep-fat fryers with a single appliance, as well as cooking in half the time. Worldwide, the VarioCooking Center® appeals to the same target group as the SelfCooking Center® and the CombiMaster®, which, again, makes the untapped global market potential of this revolutionary new technology around 100 percent of the 2.5 million professional kitchens in the world.

With the SelfCooking Center® and the VarioCooking Center®, we, thus, are replacing virtually all the traditional cooking appliances normally found in a professional kitchen, at the same time offering a host of new possibilities for food preparation.

Enlargement of the Executive Board

As of April 1, 2008, the Executive Board of RATIONAL AG has an additional member, Mr Reinhard Banasch, who will be responsible for Sales and Marketing. This enlargement of the Executive Board is in response to RATIONAL's sustained growth and the consistent expansion of its international sales and marketing network.

Developing new markets through organic growth

RATIONAL technology is used with great success in all important regions of the world, and we have achieved this situation through organic growth, not acquisitions. Organic growth ultimately leads to greater stability and minimises entrepreneurial risk.

Depending on the market potential of the country in question, we are opening up markets in the various countries of the world, either by establishing sales companies in them or through collaborations with independent distribution partners.

High growth potential for RATIONAL in the markets of the future

In spite of the setbacks suffered as a result of the global financial and economic crisis, the biggest climbers of the next few years will probably be the countries with the largest populations, China and India. Additionally, as raw materials prices are likely to increase in the medium term, Russia and Brazil are likely to attain even higher positions within the leading global group, thanks to their abundant reserves of raw materials.

We still believe that the countries wielding the most power in the future in terms of economic policy will be China, the USA, Japan, India, Russia, Germany, Brazil, the UK, France and Italy. For RATIONAL, this means further stepping up our strategy of developing and expanding sales and marketing capacities in these countries. In 2008, we continued to open up markets of the future, such as Russia and Brazil, by setting up sale subsidiaries there.

Production sites

The SelfCooking Center® and the CombiMaster® are produced at our site in Landsberg am Lech. RATIONAL's subsidiary FRIMA, based in Wittenheim in Alsace, produces the VarioCooking Center®.

A comprehensive list of the sales and production companies within the RATIONAL Group can be found in the notes to the consolidated financial statements.

Expanding capacities with a third plant in Landsberg

After a building phase lasting approximately one year, production began at Plant III in Landsberg in early July 2008. The new plant represents the latest in process optimisation, workplace design and safety provision. The company is showing further commitment in Landsberg through the construction of plant III.

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ENTERPRISE MANAGEMENT: GOALS AND STRATEGY

Sales and marketing concept

The success of RATIONAL products is not only due to their outstanding quality and technology, but equally due to our global sales and marketing organisation. The RATIONAL sales process is clearly defined, transparent, measurable and implemented worldwide: The process chain is comprised of customer knowledge, customer choice and customer contact which ultimately leads to the customer order as a consequence of the unique selling proposition.

A dense network of demo kitchens holding regular Cooking Live demonstrations means that potential customers can be convinced “hands on” of the high benefits of RATIONAL products by seeing them in action.

RATIONAL’s after-sales support includes providing customers with all the in-depth advice, professional instruction and ongoing practical support they need.

Operational control

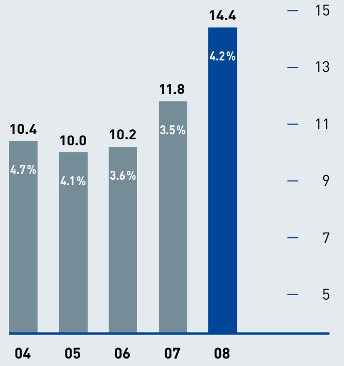
Operational control of the company is assured through a multi-tiered global planning and controlling system. All corporate processes are planned in detail, recorded promptly, reported with a high degree of accuracy, analysed and evaluated on the basis of key figures. Decisions on any necessary adjustment measures are taken and implemented immediately. The aim is to achieve sustained, year-on-year growth in the value of the company.

In production, we attach the greatest of value to the efficient use of resources, employee productivity and the highest possible quality. In order to achieve these controlling goals we use various parameters for constantly monitoring and optimising them.

RATIONAL does more than merely talk about continuous improvement. It makes it a part of everyday practice. We ask of every employee that they not only make suggestions for improvements but that they do this as simply and unbureaucratically as possible. As an incentive, we offer a financial reward for every suggestion implemented, with attractive prizes also being awarded for the best suggestions. In 2008, the over 3,600 suggestions for improvements submitted resulted in annual savings of more than a million euros.

For controlling purposes, important key financial figures are sales growth, EBIT and return on invested capital (ROIC). A company only adds value if ROIC exceeds the cost of capital.

Research and development costs
in millions of euros and percentage of sales



ROIC for fiscal 2008 was 41 percent (previous year: 48 percent), despite the rather difficult business climate. Assuming that the cost of capital was 9 percent, this means that in fiscal 2008 the company's value was increased by 48.7 million euros (previous year: 49.9 million euros).

RESEARCH AND DEVELOPMENT

Opportunities for growth through innovation

Regular quantum leaps in innovation bring considerably greater customer benefit while proactively preventing market saturation and all the associated negative effects, such as market decline, deterioration in prices, pressure on costs and the relocation of jobs to low-wage countries. RATIONAL aims to make such a technological leap every seven to ten years, with the intention to obviously increase customer benefit and hence the attractivenes in the customer's view.

Securing the future through research and development

With its development of the combi-steamer more than 30 years ago, RATIONAL made the work of the people in the professional kitchens of the world much easier. Systematic research and the regular innovations that result enable us to bring ever-increasing benefits to our customers. This can be seen for example in the development of the SelfCooking Center® in 2004, and as well in the introduction of the world's first VarioCooking Center® by our French subsidiary FRIMA in 2005.

By consistently focusing on the application side, RATIONAL has developed into an innovative solution provider and put itself well ahead of the competition in regards to technology.

The company's exceptional innovativeness is once again confirmed by its increasing number of patent applications, which serve to protect the numerous new developments that assure its product leadership. At the end of 2008, its patent portfolio consisted of 340 patents and utility models.

In 2008, research and development costs rose by 23 percent, from 11.8 million euros to 14.4 million euros. This puts them well above the industry average, and is evidence of the high value that RATIONAL places on research and development as a means of securing its future.

In November 2008, RATIONAL won a special award for its innovativeness, when management consultants A. T. Kearney and the magazine "Wirtschaftswoche" chose RATIONAL as the "Best Innovator" among medium-sized companies. Its continual development of its leading, customer benefit-oriented product range was given special mention.

Innovation award for RATIONAL's environment-friendly SelfCooking Center®

At RATIONAL, we attach particularly high importance to the responsible use of resources. The environmentally friendly and sparing use of both raw and processed materials is as important to product development as it is to the production, shipping, and subsequent use of appliances on the customer's premises.

The natural gas version of RATIONAL's SelfCooking Center® significantly reduces CO_2 emissions. For developing this environmentally friendly technology, RATIONAL was awarded the German Gas Industry's Innovation Prize, which is awarded every two years for outstanding examples of development in efficient energy use.

The new SelfCooking Center® with CareControl

In the fourth quarter of 2008, RATIONAL achieved a world's first in the sector with its SelfCooking Center® with CareControl. This is a completely new technology providing significantly more customer benefit – at no extra price.

CareControl automatically recognizes the particular levels of soiling and general maintenance of an appliance and calculates the optimum cleaning and maintenance process "just in time", resulting in reduced consumption of chemicals, water and energy. This permanently reduces day-to-day operating costs, spares the environment and, at the same time, prevents the accumulation of limescale deposits in the steam generator.

With the introduction of CareControl, we have once again succeeded in increasing our technological lead over the competition.

Economic Report

WORLD ECONOMY IN CRISIS

The economic climate has continued to worsen in the last few months. The international financial crisis surfaced in a period of global economic cyclical cooling and thus precipitated a serious economic downturn. There is also considerable uncertainty as to how long and how intense this period of weakness will be. This can be seen in the speed with which the forecasts are continually being adjusted downwards, the worst-case scenario being that we are at the beginning of a protracted global economic crisis.

All the established industrial countries, in which RATIONAL achieves around 80 percent of its sales, are affected by the economic downturn. The large emerging economies, especially those of Asia and Latin America, form a counterbalance to this in that although their economic growth might slow considerably, it should remain comfortably at over 5 percent.

Strong negative impact of currency fluctuations

The US dollar has recovered somewhat from its lowest levels, and has thus taken some of the pressure off the German economy, in particular, which is highly export-oriented. On the other hand the pound sterling has been increasingly in the spotlight in recent months, having lost more and more value against the euro, especially in the last quarter of 2008. Our export economy is particularly affected by the sharp rise in the value of the euro: As at balance sheet date 2007, the pound was still listed at 1.36 EUR/GBP, only to fall dramatically in the last quarter of 2008, when it almost reached parity. At the end of the year, it stood at 1.04 EUR/GBP, which means that it fell about 25 percent in value in the past financial year.

The economic trend in the sector – slower growth

According to figures published by the industry's main trade association "HKI-Industrieverband Haus-, Heiz- und Küchentechnik e. V.", the professional kitchen industry in Germany was not able to isolate itself from the overall economic trend in 2008, and in result, showed much slower growth than in the previous year.

RATIONAL was able to still confirm its exceptional position as uncontested market leader in hot air steamers, with a market share of over 50 percent.

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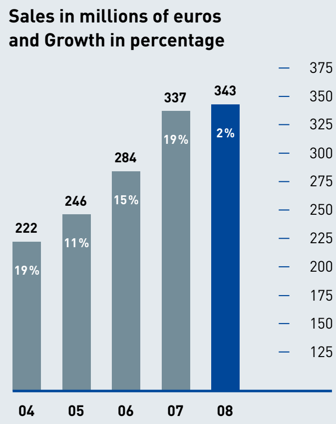


NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

Sales higher than in previous year

The dramatic deterioration in overall economic growth meant that in the second half of 2008 even RATIONAL experienced the effects of a noticeable reluctance to invest – in all markets and among all customer groups.

After strong growth in sales and income in 2007, in 2008 we missed our growth targets by a quite large margin. After 8 percent growth in sales in the first quarter and 11 percent in the second, we were initially optimistic that this growth would continue, as planned, for the rest of 2008. In the third quarter, however, and particularly in the fourth, the global economic crisis caught up with us as well, and most of the ground gained in the first half was lost.

With actual sales of 343.0 million euros (previous year: 336.6 million euros), growth achieved in 2008 was 2 percent, or 6.4 million euros, compared with the previous year. Growth was also slowed by the negative currency effects, especially the fall of the pound sterling. Currency-adjusted sales for 2008 amounted to 349.6 million euros, which corresponds to a growth of 4 percent.

Strategic market Asia on course for success

In the strategic market of Asia, we achieved excellent growth of 22 percent (currency-adjusted: 20 percent), as well as improving our already excellent market position. Growth in Japan, China and South Korea, in particular, was the main factor in this good result.

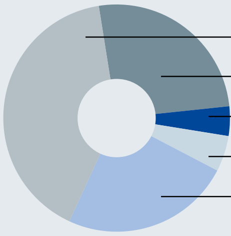
In the Americas, growth increased by 4 percent (currency-adjusted: 9 percent), and in Europe, we managed to maintain the previous year's level of sales, even after adjustments for currency effects.

On the other hand, in our well-developed home market of Germany, we were able to buck the generally negative trend and achieve sales growth of 3 percent, partly as a result of the above-average growth in the volume of VarioCooking Center® sales.

Good gross yield margin

In the past financial year, raw materials prices have eased substantially after reaching an all-time high in 2007. Prices for high-grade stainless steel, for example, in particular the alloy surcharge, have dropped considerably year on year. This partly compensated for the negative impact of the above-mentioned currency developments and the increased production costs for CareControl. This meant that in 2008 we were able to achieve as high a profit margin as in the previous year, namely 59 percent.

Cost and earnings structure



	2008	2007
Cost of sales	40.6%	40.6%
Sales and service	25.8%	23.7%
Research and development	4.2%	3.5%
Administration and miscellaneous	5.2%	4.7%
EBIT	24.2%	27.5%

24 percent EBIT margin

In line with our plans for growth and expansion, we increased our sales capacities still further in 2008. This caused sales and service costs to rise to 88.5 million euros, or 11 percent, during the year (previous year: 79.7 million euros).

Research and development costs rose by 23 percent in 2008, from 11.8 million euros to 14.4 million euros. This is further evidence of the great value that the company places on research and development.

In fiscal 2008, further structural expansion, both in the parent company and its subsidiaries, caused general administration expenses to rise by 4 percent, from 15.3 million euros in 2007 to 16.0 million euros in 2008. As in the previous year, this figure corresponds to 5 percent of sales.

We are posting an EBIT of 83.1 million euros this year (previous year: 92.6 million euros) and have thus failed to achieve the original prognosis for EBIT for the year of 106.0 million euros. However, we have still achieved an EBIT margin of 24 percent (previous year: 28 percent), and this confirms the company's solid earning power, even in economically difficult times.

Group earnings exceed last year

At 61.7 million euros, group earnings (net annual income) are slightly above last year's (61.2 million euros), in spite of lower pretax earnings. Corporate tax reform in Germany has had a positive effect here, as it has meant that our tax ratio is now 26 percent, as opposed to 35 percent.

This positive effect shows that our many years of commitment to Germany as a manufacturing base have paid off. Germany's skilled workforce is not the only advantage: nowadays, the tax situation also compares well with that of many other countries. Income taxes for the 2008 fiscal amounted to 21.9 million euros (previous year: 32.3 million euros). The figure for earnings per share is 5.42 euros (previous year: 5.38 euros), and net margin has remained at last year's level of 18 percent.

High cash flow from operations ensures liquidity

In 2008 we were again able to significantly increase cash flow from operations, from the previous year's figure of 61.1 million euros to 71.0 million this year. This corresponds to a growth of 16 percent, and is, in addition to earnings development, largely attributable to lower tax payments resulting from the corporate tax reforms.

The figure for cash flow from investment activities reflects, in particular, the company's even greater investment in property, plant and equipment in 2008 (especially, in the construction of the new third plant in Landsberg) as well as its investment in fixed-term deposits.

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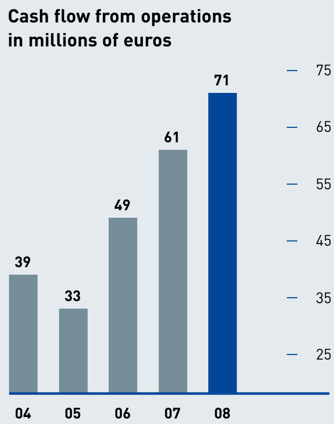


The dividend payment and the bank loan taken out for the expansion of capacity in Landsberg are the main factors affecting cash flow from financing activities.

Thousands of euros	2008	2007
Earnings from ordinary activities	83,536	93,463
Net cash generated from operating activities	71,028	61,063
Net cash used for investing activities	– 38,439	– 30,166
Net cash used for financing activities	– 45,374	– 25,988
Changes in cash from exchange rate changes	– 400	– 197
Changes in cash funds	– 13,185	4,712
Cash and cash equivalents on January 1	45,295	40,583
Cash and cash equivalents on December 31	32,110	45,295

Share price development and dividend policy

The turbulence in the capital markets and the general uncertainty regarding further economic development put share indexes worldwide under pressure, with the result that they lost more than half of their value during the year. RATIONAL shares were not immune to this development. Having reached 144 euros at one point, the share price fell to less than 70 euros at times ending the year at 84.40 euros.

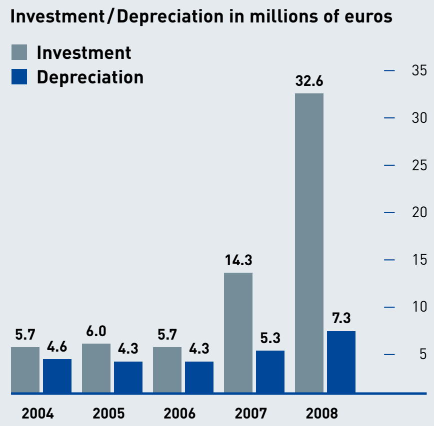
In addition to the attractive share price development, the company's attractive dividend policy also underlines the position of RATIONAL shares as a profitable investment option in the long term. However, because of the poor economic climate, the focus is currently on securing liquidity, financial stability and flexibility, so that we can retain our lack of reliance on external providers of capital and thus our entrepreneurial freedom. The dividend that the Executive Board will shortly be proposing to the Supervisory Board will therefore be adequately set to with the economic situation.

Financial stability and flexibility

Financial stability and flexibility are important prerequisites for entrepreneurial activity. By creating long-term stability in our liquidity situation, strengthening our internal financing power and making use of derivative hedging instruments and long-term supply contracts, we are minimising both our dependence on external providers of capital and the risks arising from currently unpredictable raw material prices and exchange rates.

New plant in Landsberg provides 50 percent more capacity

The 23.1 million euros invested in the construction of the new plant in Landsberg represents the greatest single investment in the company's history. Approximately 16.4 million euros were invested in 2008, the remaining 6.7 million having already been placed in 2007. Another major investment was the additional funding for RATIONAL Komponenten GmbH, to which we outsourced our component production



in 2008 and are now equipped to meet future challenges, both technological and capacity-related. We also selectively expanded our sales offices around the world.

Excellent liquidity position

Because of its excellent cash flow from operations, the RATIONAL Group's liquidity position is still very sound, in spite of high investment. As at the balance sheet date, the group had liquid funds of 57.1 million euros. The ratio between liquid funds and total short-term liabilities is 1.14, which means that all of our short-term debt is covered by easily accessible cash or cash equivalents. In addition to this, the total value of our current assets is almost three times that of our short-term liabilities.

Solid balance sheet structure

RATIONAL's balance sheet total as at the balance sheet date – December 31, 2008 – was 209.0 million euros, which is 21.6 million euros, or 12 percent, higher year on year.
The total for property, plant and equipment and intangible assets for the period under review increased again to 63.1 million euros (previous year: 37.8 million euros). The main items were the new production plant, the purchase of new machinery and the continued expansion of our subsidiaries worldwide.

As at the balance sheet date, trade accounts receivable amounted to 57.7 million euros, which corresponds to a decrease of 6 percent compared with the previous year's figure of 61.4 million euros. The average length of receivables is 56 days (previous year: 55 days). 85 percent of accounts receivable are secured against default with trade indemnity insurance or other protection. The written-off receivables for the fiscal year amounted to 0.5 million euros, or 0.16 percent of annual sales (previous year: 0.4 million euros, 0.13 percent). In the year under review, we received compensation payments amounting to 0.3 million euros from trade indemnity insurance.

High equity ratio promotes entrepreneurial activity

As at balance sheet date, RATIONAL has equity capital of 133.6 (previous year: 124.0 million euros) and its equity ratio is 64 percent (previous year: 66 percent).

Other long-term liabilities include 1.3 million euros' worth (previous year: 2.1 million euros) of finance leasing agreements under IAS 17 with remaining terms of more than one year.
Short-term provisions include accrued personnel costs, bonuses paid to business partners and provisions for warranties, and for the year under review, amounted to 18.2 million euros (previous year 15.5 million euros). No provisions for anticipated losses had to be created.

Liabilities to banks of 25.8 million euros mainly reflect the financing for the new plant and the production facilities at the components factory. The repayment of most of these loans, for which the interest rate is fixed until 2017, is due in 2022. More information on these loans can be found in the notes under "Liabilities to banks".

At 10.9 million euros, the figure for trade accounts payable is still very low (previous year: 9.3 million euros). Our liabilities are cleared in a short period of time. This has a favourable effect on the prices our suppliers charge us, as well as enabling us to make optimum use of suppliers' discounts.

Other short-term liabilities, which are mainly composed of liabilities to business partners in respect of bonuses and liabilities for wage tax, church tax and personnel costs, as well as sales tax liabilities, amount to 15.3 million euros, and so are slightly higher than the previous year's figure, which was 14.3 million euros.

Off balance sheet financial liabilities

Modern financing instruments, such as operating leases and the outsourcing of liabilities to companies specially created for the purpose, have made the financial position of many companies increasingly less transparent in recent years. RATIONAL only makes very limited use of such instruments. This includes the operating lease contracts for technical equipment, company cars and IT equipment, for which we are expecting minimum payments amounting to at least 4 million euros in the next five years.

Segment results

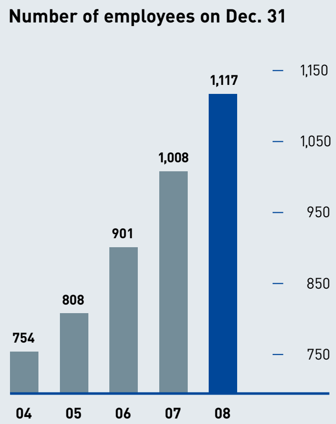
Organisationally, RATIONAL is divided into the parent company segment and the geographical segments of Germany, Europe (excluding Germany), the Americas and Asia.

The largest share of external sales is dedicated to the Europe segment at 219.6 million euro (previous year: 213.7 million euros), which represents 64 percent (previous year: 64 percent). In the second largest segment, Germany, we achieved 53.2 million euros (previous year: 52.0 million euros), or 15 percent of sales (previous year: 15 percent).

The parent company segment holds the largest share of EBIT at 69.2 million euros (previous year: 72.6 million euros). This represents 83 percent (previous year: 78 percent) of the organisation.

RATIONAL well-equipped for the future

RATIONAL not only has high earnings power, but is solidly financed and relies very little on external providers of capital. Its leadership in technology, the high quality of its products and the level of awareness of the brand, combined with the company's professional global selling and marketing network, will secure and multiply its chances of success in the global market of the future. RATIONAL is therefore well-placed to emerge stronger from the crisis and continue to improve its market position.



QUALITATIVE STRENGTHS ALONG THE VALUE CHAIN

Customer satisfaction a major success factor

Our products and services are designed to an optimum extent in accordance with the needs and wishes of our customers, resulting in high levels of satisfaction from both our SelfCooking Center® customers and our VarioCooking Center® customers. Most of our customers are so enthusiastic that they recommend our appliances to their friends and acquaintances, and say that they would always buy the same again. With customers satisfaction of 96 points, the SelfCooking Center® achieves one of the highest top scores ever measured by TNS Infratest.

The brand with the highest level of brand awareness

In the professional kitchen industry market, RATIONAL is the company with the most distinctive profile and by far the highest level of brand awareness, as shown once again by a reader survey conducted by the trade magazine “Küche” for hogatec 2008, in which RATIONAL again took first place in the categories of brand image, innovation, quality and reliability.

Corporate quality means employee quality

No company is better than its people. It is precisely in times of rapidly deteriorating economic conditions that the quality of a company’s employees is crucial for its continuing success. RATIONAL employees excel in terms of skills, but also in terms of their extraordinary commitment and maximum levels of satisfaction.

According to TNS Infratest, RATIONAL occupies a top position in the sector with regard to employee satisfaction and is thus in the top 10 percent of German industrial companies.

Employee development – a strategic success factor

2008 was a year in which we attached particular importance to employee development. In addition to numerous continuing professional development measures, targeted development of management trainees, function-specific and cross-function development programmes, an appraisal system was also devised and implemented, and all employees worldwide were graded according to the following categories:

- Meets requirements,
- Exceeds requirements on a sustained basis and
- Fails to meet requirements on a sustained basis.

The most successful employees are those with characteristics and skills that meet requirements. Both under-stretched and over-stretched employees must be developed in a targeted way, as otherwise their potential is not fully tapped and they are not optimally deployed.
An important goal of employee development is to fill more than half of all management positions worldwide from the company’s own ranks and thus minimise the risk of positions being filled by the wrong people.

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The targeted development of employees has long been a standard practice at RATIONAL. Its international development programme, under which these promising employees spend two years acquainting themselves not only with all our processes, but also with our unique corporate culture, provides a proven platform to support this process.

47 employees celebrate anniversaries in 2008

Employee loyalty, and the high standards of training and knowledge that go with it, is an important factor in RATIONAL's success. In 2008, we were pleased to honour no fewer than 47 employees, some of whom had served the company for as many as 35 years, for their long service to the company.

Profit-sharing as an additional motivating factor

For many years now, RATIONAL employees have had the option of directly sharing in the company's profits. The "bonus" is paid out to employees in the form of a special payment in December. In 2008 employees received a share of the profits which was equivalent to an extra month's pay.

RATIONAL creates 109 new jobs

109 new jobs were created worldwide at RATIONAL in 2008 alone. As at the balance sheet date we employed 1,117 people (previous year: 1,008).
Not only did sales growth come under pressure as a result of the poor economic climate, but coupling with the increase in employee capacities planned for the medium to long term, we were not able to achieve the record per capita sales of 2007. In 2008 per capita sales were still 315 thousand euros, which is short of last year's figure of 349 thousand euros.

Keen interest from capital markets confirmed by high coverage

The high quality of the company and the attractive growth in its share price, together with our dividend policy over the last few years, resulted in ever-increasing investor interest in RATIONAL. This, in turn, resulted in high coverage by analysts from many respected banks and investment houses.

Supplier quality as a success factor

As a company with little vertical integration, the quality, productivity, reduced costs and reliability of our system suppliers are particularly crucial to our success. Instead of continually pushing for lower purchase prices, which often leads to costly and risk-laden changes in supplier, we work in partnership with our key suppliers to meet quality, productivity and cost objectives in joint reengineering projects.

In addition to certification, our collaborations with suppliers are underpinned by partner plans, monthly reporting of key figures and regular audits.
RATIONAL's supplier evaluation system not only closely examines product and process quality but also the quality of the collaboration as a whole. In addition to this, special awards are given to our best suppliers at our annual suppliers' conference.

Remuneration Report

EXECUTIVE BOARD REMUNERATION REPORT

According to § 315 Para. 2 No. 4 of the German Commercial Code (HGB), public companies listed on the stock exchange must provide information on the main features of their system of compensation for their executive board.

At RATIONAL AG, the Supervisory Board is responsible for setting Executive Board members' remuneration, which is based on the company's size and global activity, its economic and financial situation and the levels and structure of executive board remuneration in comparable companies.

The total compensation paid to the Executive Board for the performance of its duties within the parent company and its subsidiaries in fiscal year 2008 was 3.0 million euros (previous year: 2.7 million euros). This amount includes a performance-related component of 1.5 million euros (previous year: 1.2 million euros). Furthermore there were additional payments to the pension scheme of 0.2 million euros. No stock options were issued in 2008. By resolution at the General Meeting of Shareholders on May 17, 2006 RATIONAL AG has dispensed with the publication of individualised figures of Executive Board compensation.

The deciding criteria when setting variable components of compensation are sales, group earnings, the increase in the company's technological lead and improvement in entrepreneurial quality.

Total compensation for the Supervisory Board amounted to 542 thousand euros in fiscal year 2008 (previous year: 552 thousand euros).

INFORMATION TO BE PROVIDED UNDER § 315 PARA. 4 OF THE GERMAN COMMERCIAL CODE

The share capital of RATIONAL Aktiengesellschaft as at December 31, 2008 was unchanged at 11,370,000 euros and consisted of 11,370,000 ordinary registered no-par value shares, each of which has a nominal calculated value equal to a 1-euro share in the share capital.

There are currently no restrictions affecting voting rights or the transfer of shares.

As at December 31, 2008, 7,159,786 shares in RATIONAL AG (previous year: 7,159,786 shares) are held by chairman of the Supervisory Board, and thus exceed 10 percent of voting rights.

There are currently no shares with special rights conferring powers of control.

In accordance with both statutory regulations and the statutes of the company, employees of the company may directly exercise the rights of control they possess as shareholders in the same way as other shareholders.

The Executive Board of the company may consist of one or more people. Under §§ 84, 85 of the German Stock Companies Act (Aktiengesetz) in conjunction with § 6 No. 2 of the statutes, the Supervisory Board appoints members of the Executive Board, determines their number and is responsible for their removal.

Under § 11 No. 2 of the statutes the Supervisory Board is entitled to make amendments and additions to the statutes provided these relate to the wording only. All other amendments to the statutes are made by resolution of the General Meeting of Shareholders passed with a simple majority of the votes, provided a greater majority is not required by law. §§ 179ff. of the German Stock Companies Act (Aktiengesetz) apply accordingly.

The conditional capital amounts to 200 thousand euros and relates to option rights for members of the Executive Board to purchase up to 200 thousand shares. The conditional capital increase is dependent on the extent to which the options granted are exercised by their holders. The company does not own shares, neither is the Executive Board currently authorised by the General Meeting of Shareholders to purchase own shares for the company.

RATIONAL AG has not entered into any important agreements that are subject to the condition of change of control following a takeover bid.

No agreements have been entered into with members of the Executive Board or other employees of the company that provide for any particular compensation or additional remuneration in the event of change of control, i. e. of the assumption of the majority of voting rights in the company by either an individual shareholder or by shareholders acting jointly.

Supplementary report

No events that might have affected the assessment of the net assets, financial position or results of operations of the RATIONAL Group occurred after the close of the financial year.

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Risk Report

As a globally operating company, RATIONAL is exposed to a variety of risks. In order to meet its strategic targets and assure the company's success, it is essential that risks be identified early, their causes and impact analysed, and suitable measures introduced to prevent or contain them on a long-term basis.

Our various processes and early warning instruments are continually revised and improved. In spite of the global financial crisis and its consequences, we are convinced that the opportunities that present themselves are potentially of much greater value to RATIONAL than would be an approach that merely concentrated on the risks. This is particularly true given the great, but still to be fully exploited, market potential of both the SelfCooking Center® and the VarioCooking Center®.

THE RATIONAL RISK ANALYSIS PROCESS

Entrepreneurial risk can be defined as the danger of not meeting financial, operational or strategic targets according to plan.
Our risk analysis process includes assessing the probability of occurrence of a given risk and the amount of loss or damage that is likely to be suffered as a result. To do this, we use both quantitative and qualitative methods that are universally defined company-wide and thus allow comparisons to be made between different business units.

As regards the amount of the loss likely to be suffered, we assess the relative difference between actual income (profit) and anticipated income according to the relevant business unit's profit planning.
The amount of loss is expressed in our risk policy as follows:

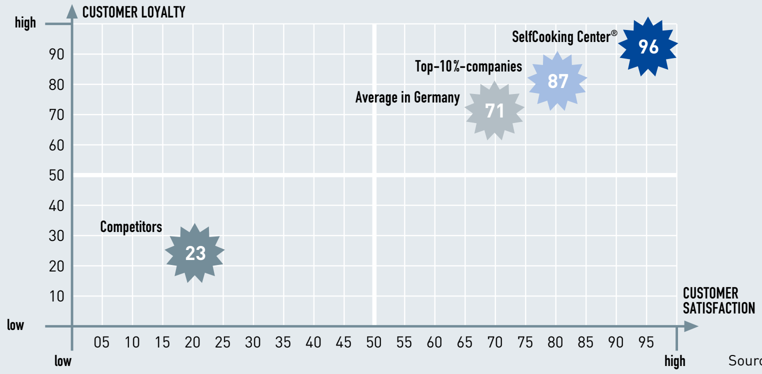
Difference from anticipated income	Very slight	Slight	Great	Very great
	< 2%	2% – 10%	10% – 20%	> 20%

The individual risks are assessed for their probability of occurrence and their impact, on the basis of an assessment horizon of three years. In the case of risks for which it is harder to make a quantitative assessment, we conduct a qualitative assessment on the basis of the definition of risk mentioned above.

The last risk assessment was conducted in September 2008, by over 50 specialists and managers.

A risk matrix for the RATIONAL Group as a whole is produced on the basis of the results of the assessments of probability of occurrence and anticipated amount of loss. By applying the same approach company-wide we are able to aggregate identical risks in different organisations, as well as, to compare risks of different types and observe how they develop over time.

Customer satisfaction and customer loyalty at the highest level



Source: Infratest, 2006

The results of the risk inventory flow into strategic planning are used by the business units in the implementation of internal controlling systems and organisational restructuring and serve the function of directing the Internal Audit's attention towards the main risk areas and their management.

THE RATIONAL RISK MANAGEMENT SYSTEM

In addition to its risk analysis process, RATIONAL has many other instruments for the early identification and analysis of risks and opportunities:

- a universal company-wide planning process that involves all our corporate divisions worldwide and comprehensive group reporting for all divisions and subsidiaries

- descriptions of the processes and internal controlling systems of all corporate divisions, the quality of which and adherence to which are assured worldwide through regular training courses and subsequent monitoring. To ensure that internal controls and decontrols continue to be conducted properly over time, we map sensitive processes such as that for approving creditor invoices using SAP workflows

- an internal audit, which provides an independent and objective snapshot of the current situation with regard to all processes, and assesses and weights any deviations from targets. The scoring system for both process risks and corporate risks is standardised, so comparisons can be made between the various processes with regard to quality and risk situation, and their development evaluated over time

- risk indicators with threshold values for sales and marketing efficiency, receivables management, supply chain management and the quality of the service network, to help identify undesirable developments at an early stage and allow appropriate countermeasures to be promptly implemented. As well as making the risk situation more transparent, ranking companies in this way creates internal competition, driving corporate quality, the result of which is that the less efficient organisations learn from the "best" and the quality of the company as a whole is improved

- a globally integrated treasury management system for optimum cash and currency management worldwide

- customer satisfaction surveys conducted regularly in all the important markets, providing an external perspective on product quality, service quality and the company's competitiveness

- partner plans agreed annually with key suppliers and designed to increase quality and productivity. As a result of our purchasing department's close collaboration with suppliers, and of regular auditing, we are largely able to avoid shortages in supply and problems with quality

- an important development during 2008 was that we extended the scope of our security concept, with the result that at the Landsberg site we now have our own site security, which is run by security experts using the latest technology. Additionally, prompt and adequate action in case of critical situations is enabled by predefined task forces and the existence of emergency plans

- information security is particularly important to RATIONAL, with its many sites all over the world and its many mobile PC users. The safeguards and tools used in this area are continually being updated and developed. This year we installed a data loss prevention system, which monitors the handling of sensitive data and prevents risky user behaviour. To ensure optimum information security at all times, the tools and concepts used are regularly checked and improved upon by specialists from both inside and outside the company

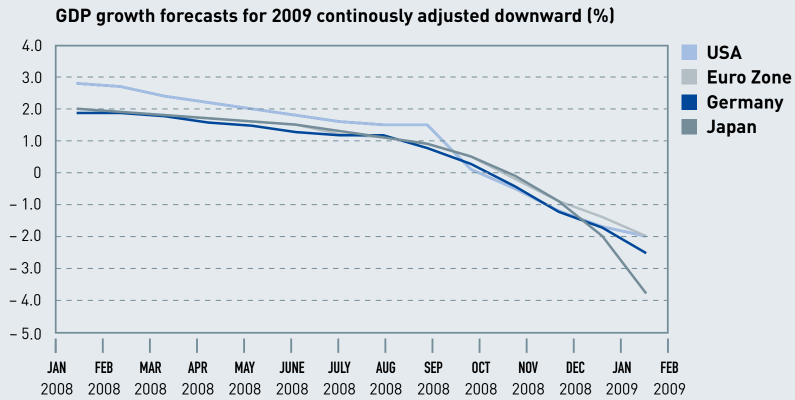
- a comprehensive insurance strategy that is updated each year in line with the latest risk situation and organisational structure

- to secure our receivables, we collaborate worldwide with Coface, one of the largest trade indemnity insurers. In addition to our integrated credit checking system, we operate our own trade indemnity insurance module. This means that the relevant data in the financial accounting system and in sales is available in real time, giving a complete overview of our indemnity insurance and its management. The insurance data is updated automatically, so full transparency with regard to any credit risks is assured at all times

- regular strategy meetings between the Supervisory Board and the Executive Board minimise the risk of undesirable strategic developments

The crucial success factors that complement risk analysis and the risk management system are the regular risk and opportunity awareness-raising initiatives we undertake with our employees and the highly developed sense of corporate identity among our managers.

The effectiveness and topicality of the risk management system are continually updated and adjusted through the internal auditing process. Also, external auditors check whether the Executive Board has taken the necessary steps required under § 91 Para. 2 of the German Stock Companies Act to ensure that developments that could put the existence of the company at risk are identified at an early stage.



RISKS

Political crises and natural disasters

The impact of political instability and natural disasters can put product sales in the affected countries at risk. The international nature of RATIONAL's operations and the fact that our products are sold in all the main markets of the world gives us the flexibility to compensate for regional difficulties with our activities in other markets.
Possible consequences of political instability could, for example, be import restrictions in China, Russia or Brazil. As the proportion of our sales attributable to these regions is relatively small, we consider this risk to be no more than moderate.

The risk from competition and other sector risks

Developments and trends within the sector are monitored constantly and factored into corporate planning. There is a risk that strong new competitors will emerge a result of mergers within the sector, but we do not rate the losses we might sustain as a result as particularly high.

Economic risks

The international economic environment in which RATIONAL operates is susceptible to cyclical risks. The purchase of RATIONAL appliances represents a major investment for some of our customers and is thus subject to an investment decision process.
2008 showed that one of the main consequences of the global financial crisis was the development of uncertainty among those in the market for our products, and that increased uncertainty is manifesting itself in a noticeable reluctance to buy among many of our customers.
We are assuming that in the short to medium term, not only will our customers' willingness to invest, in general, decline, but they will most likely postpone planned investments. As the global economic crisis could cause all sales markets to shrink simultaneously, we rate the associated risk to our assets, financial position and results of operations as existent.
Past experience has shown, however, that because of the company's special market position and the highly positive effect its products have on productivity, economic fluctuations and crises have little impact on our business compared with the market as a whole.
We are watching the risks posed by the current financial crisis extremely carefully and acknowledge the need for flexibility. We are carefully securing our liquidity in preparation for the macroeconomic scenarios which we are currently able to foresee.

Financial and capital market risks

In 2008 the proportion of total sales in foreign currencies outside the Euro Zone amounted to 28 percent (previous year: 30 percent), and since the greater part of production costs is generated within the Euro Zone, changes in exchange rates affect the company's results.

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Any increase in the value of the euro in relation to other currencies has generally a negative effect, whereas a low-value euro has a positive influence. Accordingly, the rise in the value of the euro in relation to foreign currencies, such as the US dollar and the pound sterling, has had a negative effect on our operating profit.

RATIONAL makes use of the usual hedging instruments such as options and futures, always collaborating with highly rated partners. The type and scope of its hedging activities are prescribed by internal guidelines developed centrally by the parent company.

The effects of a lasting increase in the value of the euro cannot be avoided through currency risk management alone. The risks to our operating cash flows posed by short and medium term currency fluctuations can, however, be significantly reduced through currency hedging.

Market risks

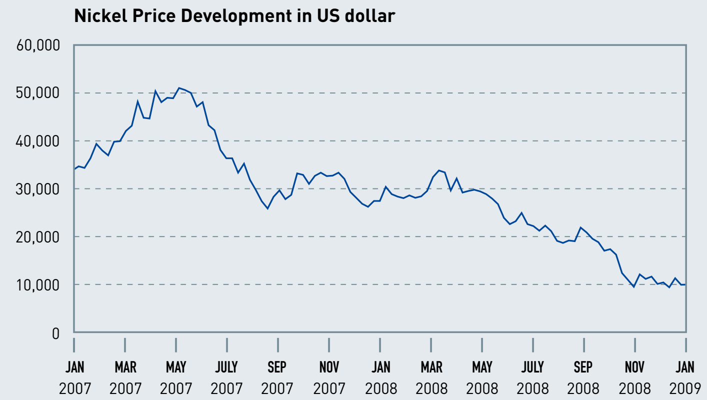
RATIONAL's total sales volume is divided between several thousand individual customers, most of whom operate in the "catering trade".
On the other hand there is no particular risk to constant future sales growth through the loss of individual customers. Given the fact that RATIONAL's sales and marketing process is not directed as much to trade customers as at end users, the loss of a trade customer does not lead to a fall in demand on the end user side – the order is simply passed on to an alternative dealer.

Bad debt risk on trade receivables can arise as a result of customers not fulfilling their payment obligations. In order to avoid or reduce such a risk, trade accounts receivable are secured against the risk of default by trade indemnity insurance or bank letters of credit. As at the balance sheet date, 85 percent (previous year: 83 percent) of receivables were covered by appropriate securities. This virtually eliminates any sizeable risk to the RATIONAL Group in relation to defaults on accounts receivables.

Product quality

RATIONAL product quality has continually improved over the last few years, a trend which is confirmed by our improved warranty cost ratio, a reduced number of customer service complaints and the high customer satisfaction levels recorded in our regular customer surveys.

Nevertheless, RATIONAL is aware of the potential risks associated with quality problems and the incorrect use of products. For this reason, service reports are continually subjected to expert scrutiny and analysis. In the view of management, existing product liability insurance adequately covers the risks arising from product liability.



Product development and the protection of trademarks

In terms of products and technology, RATIONAL has been the clear leader in its field for many years. Innovations are protected by a variety of intellectual property rights, such as numerous patents and patent applications.

Whenever an infringement of an active patent is suspected, all possible defensive measures, including taking the third party to court, are employed. Patent proceedings due to possible patent infringements by RATIONAL will be investigated by experienced patent attorneys and emphatically prosecuted and defended.

Personnel management related risks

Highly qualified employees and managers are the mainstay of the RATIONAL Group's success and continued development. It is therefore very important to us to be able not only to retain high achievers within the company, but also to attract new highly qualified personnel. If a large number of these high achievers were to leave the company in short succession, and suitable replacements could not be found at short notice, RATIONAL's business operations could be negatively affected.

Raw material prices and procurement risks

As a manufacturing company, RATIONAL is affected by rising energy and raw material prices, as they possibly result in higher production costs.
The prices of both high-grade stainless steel and nickel, the price of which affects the alloy surcharge on stainless steel, are of particular importance for the manufacture of our products.

RATIONAL closely watches the raw materials markets and, thanks to long-term contracts with suppliers, is able to reduce cost-related risk regarding high-grade stainless steel to a large degree. As far as the alloy surcharge is concerned, this is not directly possible as we do not enter into hedging transactions with regard to the price of nickel, which directly influences the alloy surcharge. Therefore, fluctuations in the price of nickel also directly affect our production costs.
Part of our procurement strategy is to work in close partnership with key suppliers of components and modules. This focus on key suppliers means that we are continually improving the quality of our products and, just as importantly, protecting our technological lead in the best possible way. This results in a certain degree of codependency, so the complete loss of a supplier could lead to short-term interruptions in production.
We are aware of this risk and therefore keep a careful eye both on the development of our suppliers' businesses and on those of their production processes that are relevant to us. In our view, the advantages and opportunities offered by this strategy far outweigh any risks that might be attached to it.

Summary

Taking into account the measures it has put in place and its solid balance sheet structure, RATIONAL does not see the existing risks, either individually or in combination, as posing a threat to its future viability – in spite of the current global financial crisis.

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Outlook

Good growth prospects

Around the world there are about 2.5 million professional kitchens in which RATIONAL and FRIMA technology can be installed. The new SelfCooking Center® now not only replaces conventional cooking appliances, it also replaces the combi-steamers of the past, thanks to entirely new technology. The global market potential of the SelfCooking Center® is currently around 95 percent, and, of the VarioCooking Center®, it is once again 100 percent for the 2.5 million professional kitchens.

Using RATIONAL technology directly increases the disposable income of its customers. The monthly savings achievable on raw ingredients, energy and personnel alone greatly exceed even the financing costs of the appliances, so the customer's profitability is improved from the very first day. RATIONAL products are therefore a particularly attractive investment, even in periods of recession.

On the basis of the above, we are cautiously optimistic that the consequences of the recession will be less serious for RATIONAL than for many other companies.

Moving with caution into 2009

It is looking increasingly likely as we enter 2009 that the world economy is facing one of the severest recessions since the Second World War. In many cases, prestigious banks and economic research institutes have stopped making exact forecasts and rather, are tending to plan for several different scenarios. These scenarios include the possibility of a severe and longer-lasting recession accompanied by a decline in economic output in the industrialised world and much slower growth in the emerging markets.

On the other hand the chance of a recovery starting in mid-2009 is also considered highly probable. This scenario would initially mean negative or slower growth in both the industrial nations and, respectively, many emerging economies during 2009. From 2010, however, a noticeable countertrend with improved chances of growth is expected. The main reasons cited for this are the support measures the various countries are introducing and considerable easing of the industry as a result of the recovery of energy and raw material prices. The continued relatively high growth in the emerging economies should also have a stabilising effect.

In contrast to past periods of economic downturn in individual markets, the current global crisis is also affecting the growth of the RATIONAL Group's business.

We are therefore moving into 2009 with considerable caution. It is a year when we will have to apply a highly flexible approach to adapting costs and structures in all processes and all subsidiaries. This year's motto is:

"QUALITY FIRST",

and means improving the quality of the company in all areas and subsidiaries. We will do this by eliminating existing weak spots and areas of waste and adapting its structure to the way business develops, in both cases with the aim of securing the company's earning power and its ability to face the challenges of the future.

In view of the uncertainty and unpredictability of the situation we are adopting a flexible approach to planning 2009 and allowing for different scenarios in regards to possible sales figures. Due to the ever-worsening forecasts for the economy as a whole, being able to reach the same level of business development as last year currently seems extremely unlikely.

Securing liquidity, a lack of reliance on external providers of capital as well as maintaining financial stability and flexibility have high priority. This is of crucial importance for securing entrepreneurial room to manoeuvre.

Need for investment

With the building of a new plant in Landsberg and the acquisition of new machinery, our production capacity was increased in line with our medium-term growth expectations and facilities improved to the latest state of the technology. We therefore do not expect high investment and associated financing measures over the next years on the same scale as in the last two years.

Emerging stronger from the crisis – as global market leader

In view of the technological lead over the competition that we have had for many years, in combination with our innovativeness and our strong focus on customer benefit, we have a good chance of emerging even stronger from the crisis and further strengthening our position as uncontested global market leader.

We would like to thank all our customers, partners, suppliers and shareholders, but especially our employees, for the confidence they have placed in RATIONAL and for their highly constructive and excellent cooperation.

Landsberg am Lech, February 13, 2009

RATIONAL AG
The Executive Board

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1,008
+ 107
38,8
14,31
5,295
1,008
107
Total
for
Reconcil.
Group
83,702
100 %
531
– 191,531
– 191,531
– 191,555
24
283,702
100 %
283,702
203,226
80,476
625
81,101
– 29,325
51,776

Financial Statements

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Income Statement RATIONAL-Group

Income Statement RATIONAL-Group

Thousands of euros	2008	2007	Note I Page
Sales	342,958	336,556	01 I 94
Cost of sales	– 139,274	– 136,703	02 I 95
Gross profit	**203,684**	199,853	
Sales and service expenses	– 88,517	– 79,654	03 I 95
Research and development expenses	– 14,445	– 11,759	04 I 95
General administration expenses	– 15,975	– 15,295	05 I 95
Other operating income	9,998	5,264	06 I 95
Other operating expenses	– 11,641	– 5,849	07 I 96
Earnings before interest and taxes (EBIT)	**83,104**	92,560	
Financial results	432	903	08 I 97
Earnings from ordinary activities (EBT)	**83,536**	93,463	
Taxes on income	– 21,855	– 32,308	09 I 97
Group earnings	**61,681**	61,155	
Retained earnings brought forward	**34,266**	24,276	
Retained earnings	**95,947**	85,431	

	2008	2007	Note I Page
Average number of shares (undiluted)	11,370,000	11,370,000	
Average number of shares (diluted)	11,370,000	11,370,000	
Earnings per share (undiluted) in euros relating to the group earnings and the number of shares	5.42	5.38	10 I 99
Earnings per share (diluted) in euros relating to the group earnings results and the number of shares	5.42	5.38	10 I 99

Assets RATIONAL-Group

Thousands of euros	Dec. 31, 2008	Dec. 31, 2007	Note | Page
Long-term assets	**66,291**	40,268	
Intangible assets	1,861	1,732	12, 13 | 100,101
Property, plant and equipment	61,195	36,097	14, 15 | 101,102
Financial assets	50	218	16 | 103
Other long-term assets	268	248	19 | 105
Deferred tax assets	2,917	1,973	09 | 97
Short-term assets	**142,719**	147,154	
Inventories	20,564	18,638	17 | 103
Trade receivables	57,659	61,393	18 | 103
Other short-term assets	7,386	4,828	19 | 105
Deposits with maturities of more than 3 months	25,000	17,000	20 | 105
Cash and cash equivalents	32,110	45,295	21 | 106
Balance sheet total	**209,010**	187,422	

Equity and Liabilities RATIONAL-Group

Thousands of euros	Dec. 31, 2008	Dec. 31, 2007	Note | Page
Equity	**133,557**	123,988	
Subscribed capital	11,370	11,370	22 | 107
Capital reserves	25,726	26,673	23 | 107
Revenue reserves	514	514	24 | 107
Retained earnings	95,947	85,431	
Long-term liabilities	**25,474**	19,813	
Provision for pensions	614	617	25 | 107
Non-current loans	23,580	17,144	28 | 109
Other long-term liabilities	1,280	2,052	30 | 110
Short-term liabilities	**49,979**	43,621	
Liabilities for current tax	3,264	3,646	26 | 108
Short-term provisions	18,233	15,486	27 | 108
Current portion of non-current loans	2,204	856	28 | 109
Trade accounts payable	10,935	9,292	29 | 110
Other short-term liabilities	15,343	14,341	30 | 110
Liabilities	**75,453**	63,434	
Balance sheet total	**209,010**	187,422	

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Cash Flow Statement RATIONAL-Group

Cash Flow Statement RATIONAL-Group

Thousands of euros	**2008**	2007
Cash flow from operating activities		
Earnings from ordinary activities	83,536	93,463
Depreciation on fixed assets	7,332	5,294
Net results from asset retirements	– 220	– 3
Non-realised foreign currency result	– 600	– 100
Change in derivative financial instruments	1,021	– 181
Interest income and income from financial assets	– 1,778	– 1,283
Interest expenses	1,177	380
Operating results before changes in working capital	90,468	97,750
Changes in		
Inventories	– 1,926	– 3,142
Trade accounts receivable and other assets	2,197	– 8,334
Accruals	2,744	2,112
Trade accounts payable and other liabilities	2,181	3,606
Cash generated from current business activities	95,664	91,812
Taxes paid on income	– 24,636	– 30,749
Net cash generated from operating activities	**71,028**	61,063
Cash flow from investing activities		
Investing in intangible assets and tangible assets	– 32,586	– 14,309
Income from asset retirements	373	—
Purchase of non-current fixed deposits	– 25,000	– 17,000
Decrease in non-current fixed deposits	17,000	—
Interest received	1,729	1,081
Dividend from non-consolidated, affiliated companies	45	62
Net cash used for investing activities	**– 38,439**	– 30,166
Cash flow from financing activities		
Dividends	– 51,165	– 42,638
Changes within the scope of finance leasing agreements	– 958	– 1,164
Proceeds of non-current bank liabilities	9,004	18,000
Proceeds of current bank liabilities	4,926	4,973
Repayment of liabilities to banks	– 6,146	– 4,973
Interest paid	– 1,035	– 186
Net cash used for financing activities	**– 45,374**	– 25,988
Net changes in cash and cash equivalents	**– 12,785**	4,909
Changes in cash from exchange rate changes	– 400	– 197
Change in cash funds	**– 13,185**	4,712
Cash and cash equivalents on Jan. 1	**45,295**	40,583
Cash and cash equivalents on Dec. 31	**32,110**	45,295

Statement of Changes in Equity RATIONAL-Group

Thousands of euros	Subscribed capital	Capital reserve	thereof: non-realised	Revenue reserves	Retained earnings	Total
Balance at Jan. 1, 2007	**11,370**	**27,018**	**– 3,792**	**514**	**66,914**	**105,816**
Differences from currency conversion	—	– 345	– 345	—	—	– 345
Other changes	—	—	—	—	—	—
Income statement for the period taken directly to equity	—	– 345	– 345	—	—	– 345
Group earnings	—	—	—	—	61,155	61,155
Total of profit and expense items recorded in the period under review	—	– 345	– 345	—	61,155	60,810
Dividends	—	—	—	—	– 42,638	– 42,638
Balance at Dec. 31, 2007	**11,370**	**26,673**	**– 4,137**	**514**	**85,431**	**123,988**
Differences from currency conversion	—	– 947	– 947	—	—	– 947
Other changes	—	—	—	—	—	—
Income statement for the period taken directly to equity	—	– 947	– 947	—	—	– 947
Group earnings	—	—	—	—	61,681	61,681
Total of profit and expense items recorded in the period under review	—	– 947	– 947	—	61,681	60,734
Dividends	—	—	—	—	– 51,165	– 51,165
Balance at Dec. 31, 2008	**11,370**	**25,726**	**– 5,084**	**514**	**95,947**	**133,557**

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Fundamentals

Description and explanation of business activities

RATIONAL AG is an Aktiengesellschaft (stock corporation) under German law with its registered offices at Iglinger Straße 62, Landsberg am Lech, Germany, entered in the Augsburg Commercial Register under number 2001.

The RATIONAL Group (hereafter “RATIONAL” or “Group”) is the worldwide market and technology leader in the field of thermal preparation of food in professional kitchens. Since its formation in 1973, the Company’s sole activities have been the development, production, and sale of professional cooking appliances for industrial kitchens. In 2004, RATIONAL replaced its existing combi-steamer technology with the world’s first SelfCooking Center®. In addition to the SelfCooking Center® the CombiMaster®, a conventional combi-steamer, is offered for simple applications. The Group’s appliances and accessories are sold worldwide through its own subsidiaries and independent distribution partners.
In parallel with the SelfCooking Center®, the French subsidiary FRIMA developed an entirely new complementary product, the VarioCooking Center®, which it successfully launched in selected European markets from 2005. Whereas the SelfCooking Center® is used for cooking all foods for which the ideal cooking process is the transfer of heat by hot, fast-flowing gases, the VarioCooking Center® can be used to cook all the other products found in a professional kitchen, i.e., those that are cooked in liquid or in direct contact with heat.

The shares of the Company, which has been listed on the Frankfurt Stock Exchange since March 2000, have been admitted to the Prime Standard and are traded on the Regulated Market in the SDAX segment. RATIONAL is also listed on the German Stock Exchange CDAX, Classic All Share, Prime All Share and GEX selective indices as well as on BayX30 on the Munich Stock Exchange.

Presentation of financial statements

The functional currency and the currency used in the consolidated financial statements is the euro. For the sake of clarity, figures are shown in thousands of euros. The structure of the balance sheet complies with the IAS 1 guidance regarding classification and format. The presentation for fiscal year 2008 and the previous year defines maturities of “12 months or less” as current and those of “over 12 months” as non-current.

Based on the operational and strategic bases for decisions also available to management, the notes to the consolidated financial statements are to allow a full assessment of the Company’s net assets, financial position, and profit or loss, as well as of the opportunities open to it and the risks to which it is exposed. For RATIONAL, the key components of its consolidated financial statements are the income statement, the balance sheet, the statement of cash flows, the statement of changes in equity, and segment reporting. The specific notes relate to the respective captions of these financial statements. Information on accounting and consolidation methods can be found under “Basis of preparation”, “Consolidation methods”, and “Summary of significant accounting policies”. The significance of financial instruments is explained under “Notes on financial instruments”. Notes not relating to specific captions can be found in “Other disclosures”.

The consolidated financial statements were approved for publication by the Executive Board of RATIONAL AG on February 13, 2009.

Fundamental accounting principles

The consolidated financial statements for fiscal year 2008 (including the previous year's figures) were prepared in compliance with the International Accounting Standards (IAS) adopted and published by the International Accounting Standards Board (IASB), and the International Financial Reporting Standards (IFRS) and their interpretation by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) respectively, as adopted by the EU, and the supplementary rules applicable under Section 315a (1) of the German Commercial Code (HGB). All the effective Standards for the fiscal year 2008 were taken into account, with the result that a true and fair view of the Group's net assets, financial position, and profit or loss has been given.

In these financial statements, RATIONAL has applied for the first time IFRIC 14 (IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements, and their Interaction).
Application of IFRS 8 (Operating Segments), adopted by the IASB on November 30, 2006 and by the EU on November 21, 2007, is mandatory for annual periods beginning on or after January 1, 2009; it requires an entity to provide financial and descriptive information on its reportable segments. In these financial statements, RATIONAL provides segment financial statements in compliance with IAS 14, broken down by geographical location of registered offices of subsidiaries. This approach reflects the Company's management structures, as well as representing the risk and profit structures within its business worldwide. The application of IFRS 8, which RATIONAL will apply for fiscal years beginning on or after January 1, 2009, would not result in any fundamental changes in the way the segments are presented by registered office of subsidiary, but there would be additional disclosures in the notes.

On October 15, 2008, the EU adopted amendments to IAS 39 and IFRS 7. The amendments allow companies to reclassify certain financial instruments as from July 1, 2008. Voluntary early application did not result in any changes for RATIONAL's consolidated financial statements.

On December 10, 2008, the EU adopted IAS 23 (Borrowing Costs). This Standard replaces IAS 23 (revised 1993) and is mandatory for fiscal years beginning on or after January 1, 2009. RATIONAL has not applied the new guidance of IAS 23 in these consolidated financial statements. The application of IAS 23 is not expected to change the Group's net assets, financial position, or profit or loss.
The EU adopted the following amendments on December 16, 2008: Amendments to IFRS 2 (Share-based Payment) are mandatory for fiscal years beginning on or after January 1, 2009, IFRIC 13 (Customer Loyalty Programs) is mandatory for fiscal years beginning on or after July 1, 2008. RATIONAL has opted to apply this new guidance in the 2008 consolidated financial statements. Its application has not resulted in any changes to the consolidated financial statements.
On December 17, 2008, the EU adopted IAS 1 (Presentation of Financial Statements (revised 2007)). This Standard replaces the version of IAS 1 in force to date and is mandatory for fiscal years beginning on or after January 1, 2009. RATIONAL has not applied the new guidance of IAS 1 in these consolidated financial statements. Its application would lead to changes in the way the consolidated financial statements are presented, but would not lead to a fundamentally different view of the Group's net assets, financial position, or profit or loss.

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Fundamentals

In January 2009, the EU adopted further amendments to IAS 1 (Presentation of Financial Statements) and IAS 32 (Financial Instruments: Presentation). These amendments affect companies that have issued puttable financial instruments or financial instruments that impose on the company an obligation to deliver company assets in case of liquidation. They are mandatory for fiscal years beginning on or after January 1, 2009. RATIONAL has not applied the new standards in these consolidated financial statements. Their application would not have any impact on RATIONAL's consolidated financial statements.
Likewise in January 2009, the EU adopted amendments to IFRS 1 (First-time Adoption of International Financial Reporting Standards) and to IAS 27 (Consolidated and Separate Financial Statements). The amendments relate to the costs to be recognised for an investment in a subsidiary or joint venture. The amendments are mandatory for fiscal years beginning on or after January 1, 2009. RATIONAL has not applied the new standard in these consolidated financial statements. Its application would not have any impact on RATIONAL's consolidated financial statements.

The following amendments to standards or interpretations not yet adopted by the EU are not expected to have any impact on future consolidated financial statements of RATIONAL:

- Amendments to IFRS 3 (Business Combinations), primarily with regard to introducing an option for the measurement of non-controlling interests (full goodwill method); application mandatory for fiscal years beginning on or after July 1, 2009;
- Amendments to IAS 39 (Financial Instruments: Recognition and Measurement) to simplify the determination of a hedging relationship in the hedging of risks arising from financial instruments; application mandatory for fiscal years beginning on or after July 1, 2009;
- IFRIC 12 (Service Concession Arrangements) provides guidance for arrangements under which a government or other institution awards contracts to private operators for the provision of public services (roads, hospitals, energy supply networks, etc.). This interpretation, which has been mandatory under IFRS for fiscal years that started on or after January 1, 2008, has to date not been incorporated into EU law and must therefore not be applied in these financial statements;
- IFRIC 15 (Agreements for the Construction of Real Estate) standardises the accounting practice for recognising income from the sale of real estate units on the part of the construction company; application mandatory for fiscal years beginning on or after January 1, 2009;
- IFRIC 16 (Hedges of a Net Investment in a Foreign Operation) clarifies points relating to IAS 21 (The Effects of Changes in Foreign Exchange Rates) and IAS 39 (Financial Instruments: Recognition and Measurement); application mandatory for fiscal years beginning on or after October 1, 2008;
- IFRIC 17 (Distribution of Non-cash Assets to Owners) provides guidance for the distribution of non-cash dividends to the owners of a company; application mandatory for fiscal years beginning on or after July 1, 2009;
- IFRIC 18 (Transfers of Assets from Customers) is relevant in particular to companies in the utility sector; application mandatory for fiscal years beginning on or after July 1, 2009.

The fiscal year of RATIONAL AG and all subsidiaries included in the consolidated financial statements corresponds to the calendar year, and the balance sheet date for the consolidated financial statements is the same as the balance sheet date of the parent company, in compliance with IAS 27. The companies RATIONAL RUS OOO and RATIONAL Brasil Comércio E Distribuição De Sistemas De Cocção LTDA. established in 2008 have been consolidated on the basis of their respective short fiscal years ended December 31, 2008. Up to the date of their formation, the functions of these newly established companies were included in other Group companies. For this reason, the enlargement of the consolidated group has no impact on the comparability of the 2008 consolidated financial statements with the previous year.

Consolidation methods

In addition to the parent company, all material domestic and foreign subsidiaries under the legal control of RATIONAL AG have been included in the consolidated financial statements of RATIONAL.

Capital consolidation (initial consolidation) is carried out on the dates when individual subsidiaries are acquired or formed. In doing so, the carrying amounts of the respective subsidiaries are deducted from the acquisition fair values of the investments at the time of acquisition. Any remaining differences are allocated to the assets and liabilities if their fair values exceed the carrying amounts at the date of the initial consolidation. Any difference remaining after this allocation is recognised as goodwill. In accordance with IAS 36, goodwill is tested annually for impairment.

Non-consolidated subsidiaries are recognised at the lower of cost or fair value.

The effects of all material intragroup transactions are eliminated. Balances between consolidated companies are eliminated, intercompany profits on inventories are eliminated, and intragroup expenses are deducted from the corresponding income. Deferred taxes are recognised for temporary differences arising from consolidation measures in accordance with IAS 12.

The consolidation methods remain unchanged from those used last year.

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Fundamentals

Consolidated companies

In compliance with the guidance of IAS 27, as of the balance sheet date of December 31, 2008, the consolidated financial statements include five domestic and eighteen foreign subsidiaries, in addition to the parent company. The sales company RATIONAL RUS OOO, which was established on the basis of a contract dated May 5, 2008, has its registered office in Moscow, Russia and registered share capital of 2,700 thousand Russian roubles. In addition, RATIONAL Brasil Comércio E Distribuição De Sistemas De Cocção LTDA., which was established on the basis of a contract dated June 26, 2008, has its registered office in São Paulo, Brazil and registered share capital of 380 thousand Brazilian reais, were included in the basis of consolidation for the first time. Both companies are wholly owned subsidiaries of RATIONAL International AG. Capital increases were implemented in both companies in 2008, resulting in share capital of 5,750 thousand Russian roubles and 680 thousand Brazilian reais respectively. This means that the number of consolidated companies increased by two year-on-year to twenty-three. The consolidated group consisted of the following companies as of December 31, 2008:

Name and registered office of consolidated companies	% capital shares and % voting shares
LechMetall Landsberg GmbH Edelstahlerzeugnisse, Landsberg am Lech, Germany	100.0
RATIONAL Großküchentechnik GmbH, Landsberg am Lech, Germany	100.0
RATIONAL Komponenten GmbH, Landsberg am Lech, Germany	100.0
RATIONAL Technical Services GmbH, Landsberg am Lech, Germany	100.0
FRIMA S.A., Wittenheim, France	99.9
RATIONAL Canada Inc., Mississauga, Canada	100.0
RATIONAL Iberica Cooking Systems, SL, Barcelona, Spain	100.0
RATIONAL Italia s.r.l., Marcòn, Italy	100.0
RATIONAL Japan Co. Ltd., Tokyo, Japan	100.0
RATIONAL Scandinavia AB, Lund, Sweden	100.0
RATIONAL Schweiz AG, Balsthal, Switzerland	100.0
RATIONAL UK Limited, Luton, United Kingdom	100.0
RATIONAL USA, Inc., Schaumburg, USA	100.0
RATIONAL International AG, Balgach, Switzerland	100.0
RATIONAL Austria GmbH, Salzburg, Austria	100.0
RATIONAL Brasil Comércio E Distribuição De Sistemas De Cocção LTDA., São Paulo, Brazil	100.0
RATIONAL France SAS, Noisiel, France	100.0
RATIONAL Polen sp.zo.o., Warsaw, Poland	100.0
RATIONAL RUS OOO, Moscow, Russia	100.0
RATIONAL Trading (Shanghai) Co., Ltd., Shanghai, China	100.0
FRIMA International AG, Balgach, Switzerland	100.0
FRIMA Deutschland GmbH, Frankfurt on the Main, Germany	100.0
FRIMA France SAS, Wittenheim, France	100.0

In addition, RATIONAL AG holds 98 percent of the shares and voting rights in MEIKU Vermögensverwaltung GmbH, which has its registered office in Landsberg am Lech and for its part is the sole limited partner of TAGO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Landsberg KG. These companies are special-purpose entities, which must generally be consolidated in accordance with

IAS 27/SIC 12. However, due to their minor significance for the Group's net assets, financial position and profit or loss, they are not consolidated. As of the balance sheet date of December 31, 2008, MEIKU Vermögensverwaltung GmbH reported a net profit for the year of 68 thousand euros (previous year: 58 thousand euros) and equity of 94 thousand euros (previous year: 85 thousand euros).
Topinox Sarl, Nantes, France, an operationally inactive subsidiary of FRIMA S.A., is likewise not included in the consolidated group.

The domestic subsidiaries LechMetall Landsberg GmbH, RATIONAL Großküchentechnik GmbH, RATIONAL Technical Services GmbH, and RATIONAL Komponenten GmbH are planning to make use of the option not to disclose their annual financial statements in accordance with Section 264 (3) of the HGB. In addition, RATIONAL Großküchentechnik GmbH and RATIONAL Komponenten GmbH are planning to make use of the option not to prepare a management report in accordance with Section 264 (3) of the HGB.

Foreign currency conversion

The financial statements of the foreign subsidiaries are translated into euros according to the concept of functional currency. The respective national currency serves as the functional currency in this case. Exceptions are RATIONAL International AG and FRIMA International AG, both of which have registered offices in Switzerland, which use the euro as the functional currency. Assets and liabilities are translated at the spot rate as of the balance sheet date and the items in the income statement at the annual average rate. The portions of equity to be included in the consolidation of equity investments and the accumulated profit or loss brought forward are translated at historical rates. Should differences arise on the balance sheet, they are taken directly to equity as "differences arising from currency translation" and offset against the reserves.
The following table shows the exchange rates in relation to the euro used in the consolidated financial statements, as well as year-on-year changes:

	Exchange rate Annual average			Exchange rate on balance sheet date		
1 euro =	**2008**	2007	**Change**	**2008**	2007	**Change**
USD – US dollar	1.4741	1.3789	7 %	1.3980	1.4715	– 5 %
JPY – Japanese yen	151.52	162.08	– 7 %	126.45	165.05	– 23 %
GBP – Pound sterling	0.8039	0.6872	17 %	0.9606	0.7345	31 %
CHF – Swiss franc	1.5786	1.6461	– 4 %	1.4860	1.6558	– 10 %
CAD – Canadian dollar	1.5658	1.4654	7 %	1.7160	1.4435	19 %
SEK – Swedish krona	9.6866	9.2615	5 %	10.9200	9.4360	16 %
PLN – Polish zloty	3.5338	3.7769	– 6 %	4.1750	3.5860	16 %
CNY – Chinese yuan	10.2117	10.5384	– 3 %	9.5413	10.7476	– 11 %
RUB – Russian rouble	37.0506	—	—	42.5926	—	—
BRL – Brazilian real	2.9292	—	—	3.2594	—	—

Accounting and valuation methods

Intangible assets and property, plant, and equipment

Acquired intangible assets are recognised at cost and amortised over three to five years using the straight-line method. There are no capitalisable development costs as defined by IAS 38.57.

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Goodwill from the consolidation of equity investments and other company acquisitions is not amortised but tested at least annually for impairment in compliance with IAS 36. If the fair value or value in use is below the carrying amount of the cash-generating unit, an impairment loss is recognised through the income statement. Past impairment losses recognised on goodwill may not be reversed.

Property, plant, and equipment is measured at cost less depreciation. Production costs include all directly attributable costs and appropriate portions of production-related overheads. Financing costs are not recognised. Depreciation is calculated on the basis of the useful lives of the assets. Depreciation allowed exclusively on the basis of tax law was not recognised. If the cost of particular components of an item of property, plant, and equipment is a material proportion of the total cost of the asset, these components are recognised and depreciated separately. Administration and production buildings are depreciated over a period of between 25 and 36 years using the straight-line method. Other items of property, plant, and equipment are depreciated over their useful lives, using the straight-line or reducing-balance method. Depreciation is charged pro rata in the year of acquisition. Low-value assets are depreciated in full in the year of acquisition in compliance with the applicable legal requirements.

As of each balance sheet date, the Group has to assess whether there are any indications that the carrying amount of an intangible asset or item of property, plant, and equipment may be impaired. If impairment is identified in excess of depreciation, the asset is written down to its recoverable amount. To determine its recoverable amount, it is necessary to make assumptions and estimates, especially with regard to the expected useful life, future selling prices and volumes, and costs and discount rates. Although management is confident that the assumptions and estimates are appropriate, a change in the assumptions or circumstances could result in an additional requirement to recognise impairment losses or to reverse such losses.

Finance leasing

If a group company acting as lessee assumes all risks and rewards incidental to the ownership of the leased item, IAS 17 requires the leased item to be recognised by the lessee at the present value of the lease instalments at the time the contract is entered into. The depreciation methods and useful lives correspond to those of similar acquired assets.

Inventories

Raw materials, consumables, supplies and merchandise are measured at cost. Cost is determined as the lower of cost and net realisable value in relation to the weighted average price. Inventories are written down as soon as their net realisable value becomes lower than the carrying amount.

Work in process and finished goods are measured at cost. This includes acquisition costs and all costs directly attributable to the production process, as well as appropriate portions of production-related overheads.

Financing costs are not recognised.

Financial assets

Depending on the individual case, financial assets as defined by IAS 39 are classified as financial assets reported at fair value through profit and loss, as loans and receivables, as investments held to maturity, or as available-for-sale financial assets.

All financial assets are recognised at cost on the settlement date, i.e. the date on which the receivable arises, or on the date economic ownership is transferred. Standard purchases and sales are recognised in the balance sheet on the trading date.
Financial assets at fair value through profit and loss are derivatives classified as financial assets held for trading. If financial assets are held to maturity, they are carried at amortised cost. Subsequent to initial recognition, loans and receivables are measured at amortised cost, using the effective interest method. There are no available-for-sale financial assets on the balance sheet.
The fair values for all categories of financial asset are their values on those markets that are relevant for RATIONAL, especially taking into account the banks' terms and conditions for over-the-counter transactions. All changes in fair value of financial assets are recognised in the income statement for the period.

Derivative financial instruments

Derivative financial instruments are recognised at fair value as of the balance sheet date. Any measurement gains or losses are recognised as other assets or other liabilities in the balance sheet. Changes in fair value are charged to other operating income or expenses in the income statement. For further information on derivative financial instruments, please see "Notes on financial instruments" and "Derivative financial instruments".

Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash in banks, as well as short-term deposits due within three months calculated from the time of acquisition; they are measured at nominal value. Cash in foreign currency is converted at the spot rate as of the balance sheet date.

Current tax assets and tax liabilities

Current tax assets and liabilities for the current as well as prior periods are measured at the amount of the expected refund from or payment to the tax authorities. The amount is calculated on the basis of the tax rates or tax legislation enacted at the balance sheet date.

Deferred tax assets

Deferred tax assets are recognised in accordance with IAS 12, using the liability method, for temporary differences between the value of an asset or liability as shown on the balance sheet and the tax base. Also, any tax loss carryforwards are capitalised, if it is probable that they will be utilised in the future, in the amount of the future deferred tax asset. Deferred tax assets and liabilities are calculated at the tax rates expected to be effective in the period in which the asset is realised or liability settled. For the consolidated financial statements as of December 31, 2008, a tax rate of 27 percent was used to calculate deferred taxes on consolidation entries, the same as in the previous year. The deferred tax rates of the subsidiaries are between 28 percent and 42 percent (previous year: 28 percent and 42 percent). Deferred taxes which relate to items taken directly to equity are not recognised in the income statement, but in equity.
The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced by the amount by which it is no longer probable that sufficient taxable income will be available toward which at

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least part of the deferred tax asset can be used. This requires management to assess, among other things, the tax benefits arising from the available tax strategies and future taxable income. The reported amount of deferred tax could decline, if the estimates of planned taxable income and the achievable tax benefits are reduced or current tax legislation limits the period during which or the extent to which future tax benefits can be utilised.

Provisions

The measurement of provisions for pensions is based on the projected unit credit method stipulated in IAS 19 for defined benefit pension plans.
Other provisions are recognised if, as a result of a past event, a liability to a third party exists which is expected to have to be met in the future and of which the amount claimed can be reliably estimated. The amount recognised for the provisions is reviewed at each balance sheet date. If the effect of discounting is material, the provision is discounted.

Financial liabilities

Financial liabilities at fair value through profit and loss are derivatives classified as financial liabilities held for trading. Liabilities from finance leases are recognised on the date the agreements are signed, at the present value of the lease instalments. Since trade accounts payable and other liabilities belong to the category of loans and receivables, they are reported at amortised cost, which is equivalent to fair value.

Recognition of income and expense

The revenue from sales is recognised when the service is performed or when the risk is transferred to the customer. Operating expenses are recognised in the income statements when the service is utilised or on the date they are incurred. Provisions for warranties are recognised on an individual basis or when the corresponding revenue is recognised. Interest income and expense are recognised in the period in which it accrues or is incurred. Research and development costs are expensed as incurred. Financing costs are recognised as expenditure in the period in which they are incurred.

Use of estimates and assumptions

In the preparation of the consolidated financial statements, estimates and assumptions are required in general, and in particular for provisions and finance leases, as well as to assess whether goodwill is impaired; these estimates and assumptions may influence the amounts reported for assets, liabilities, and financial obligations as of the balance sheet date, as well as revenue and expenditure for the year under review. The carrying amounts of the assets and liabilities as of the balance sheet date are shown on the balance sheet. In this context, the material sources of uncertainty relate to forward-looking measurement factors, such as the assumed rate of interest, including the assumptions about the risk situation and the development of interest rates and assumptions about the future development of earnings in the underlying cash-generating units. The carrying amounts of the items in question are disclosed in the respective notes.
Actual developments may under certain circumstances differ from the estimates and assumptions made. The principle of the “true and fair view” is applied unreservedly when using estimates.
Other than to form estimates and assumptions, there was no significant use of management judgement in the application of accounting and measurement methods.

Notes on financial instruments

Since its formation in 1973, RATIONAL's activities have focused on the development, production, and sale of professional cooking appliances for industrial kitchens. The appliances and accessories are marketed worldwide by independent sales partners and RATIONAL sales companies, not directly to the end customer but indirectly, through specialised retailers. In the course of normal operating activities, companies can enter into a large number of contractual agreements that lead to the creation of financial assets for one company and, at the same time, financial liabilities for another. These financial instruments, as they are called, can conceal specific risks in addition to the operational risks to the Company already described in the Management Report. These risks are divided into a number of categories: credit risk, especially relating to receivables, liquidity risk relating to liabilities, and market risk, in particular exchange rate risk, interest rate risk, and price risk.

RATIONAL has a risk management system which is implemented worldwide, enabling it to identify and analyse opportunities and risks at an early stage, and so take appropriate preventive action. The following elements of the RATIONAL risk management system have particular relevance for the opportunities and risks connected with financial instruments (see the risk report in the Group Management Report):

- The integrated RATIONAL planning process, which involves all companies and corporate divisions worldwide, defines specific sales and financial targets, as well as detailed measures to ensure those targets are met.
- The monthly reporting process ensures that the degree to which targets are achieved in all corporate divisions is reliably and continuously measured, analysed, and commented on. Prompt provision of information allows countermeasures to be implemented quickly and flexibly if things start to go wrong.
- Benchmarks and thresholds in the area of finance, especially in receivables management, help managers to identify undesirable developments at an early stage, so that appropriate countermeasures can be taken.
- All business processes are documented in accurate process descriptions. Quality and compliance are assured through regular training, as well as through checks.
- The Internal Audit department independently and objectively records and assesses any variations from targets, and undesirable developments are quickly and flexibly halted.
- A professional treasury team implements the globally integrated treasury management system, providing quality cash management worldwide.
- The comprehensive insurance strategy is reviewed annually and adapted to the new risk environment.

Credit risks

RATIONAL supplies customers in different regions around the world. Bad debt risk on trade receivables can arise as a result of customers not fulfilling their payment obligations. In order to avoid or reduce bad debt risk, which could lead to potential liquidity risks and risks to the financial standing of RATIONAL, we subject the customers of all Group companies worldwide to credit checks performed by the credit sale insurer Coface.

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As far as possible, customer receivables are insured on this basis. In this regard, the available cover volume (total insurance limits provided by the insurer) increased significantly, bucking the general market trend. Under the existing arrangements, the credit sale insurance not only covers the risk of customer insolvency, but also protracted default (non-payment as the insured event). In the event of a claim, 90 percent of the credit loss on receivables is met by the credit sale insurer. The KV-sprint software tool largely automates compliance with the obligations under the credit sale insurance agreement, thus ensuring that compensation claims can be successfully made in the event of loss.

In the year under review, an account application process was introduced for new customers throughout the Group. This process ensures that the credit sale insurance cover is obtained for the correct legal entities and the contractual arrangements with customers are put on a secure foundation.

As an alternative to credit sale insurance cover, other collateral (irrevocable confirmed letters of credit, bank guarantees, and other customary bank collateral) or advance payments are requested, depending on the type and value of the goods or services to be provided. The documented payment behaviour derived from the existing business relationship may also be used to determine on what basis goods or services are provided.

Trade accounts receivable from public sector customers are not subject to credit checks and collateralisation.

The following table showing trade receivables broken down by segment also shows where the risk is concentrated:

Thousands of euros	**2008**	**% of total**	2007	% of total
Germany	4,061	7	4,182	7
Europe (excluding Germany)	45,132	78	47,076	76
Americas	4,623	8	6,087	10
Asia	1,750	3	1,131	2
Parent company	2,093	4	2,917	5
Total	**57,659**	**100**	61,393	100

More information on credit risks in relation to trade accounts receivable can be found in the respective notes.

RATIONAL is also exposed to significant credit risk in relation to money deposits or derivative financial instruments in case the bank does not meet its contractual obligations. Details of these risk factors are provided in the notes to the consolidated balance sheet and on derivative financial instruments. The maximum risk exposure can be derived from the carrying amounts of the financial assets.

Liquidity risks

Liquidity risk refers to the possibility that at some point in time RATIONAL may not be in a position to fully meet payment obligations by their due dates. The provision of liquidity at RATIONAL is to a significant extent determined by the cash provided by operating activities and access to refinancing, for example when implementing capital spending projects.

Due to RATIONAL's very good capital structure, exceptional earning power and excellent liquidity situation, trade accounts payable and other payment obligations are settled within a very short time, taking advantage of supplier discounts without having to accept unfavourable financing terms and conditions. Corporate Treasury effectively counters the liquidity risk by continually planning and monitoring liquidity and managing the Group's cash flows.

The international financial crisis continues to weigh on macro-economic development and the financial markets. Liquidity problems among banks further limit the extent of loans given to customers with poor credit ratings. In case the credit rating of customers deteriorates and they cannot meet their payment obligations to RATIONAL, the cover provided by credit sale insurance (meeting 90 percent of the receivables value insured) ensures the inflow of cash generated by operating activities.

Banks have given RATIONAL an excellent credit rating (AA to AAA). Credit lines have been agreed with various banks (with long-term ratings ranging from A to AA+ according to Standard & Poor's) until further notice. As of the balance sheet date, RATIONAL had unused credit lines amounting to 40,588 thousand euros (previous year: 39,339 thousand euros). No collateral has been assigned in respect of the credit lines; instead, a negative covenant or a banks' pari passu clause is agreed upon. Under this clause, RATIONAL undertakes, in relation to the collateralisation of claims, not to put the individual bank into a position any less favourable than other creditors or banks providing comparable loans.

The credit lines were only used to a small extent in the context of discounting trade acceptances and notes of the subsidiary in Japan and as a result of guarantees issued for several RATIONAL companies around the world. They were not used to finance operating activities in the period under review and such use is not planned in the future. Capital spending projects have most recently been financed through the additional option of obtaining bank loans.

The Group's liquidity situation is influenced by cash used to make contractually fixed payments arising from liabilities to banks, trade accounts payable, and other liabilities. Further information, especially on maturities, can be found in the respective notes, including the notes on derivative financial instruments.

Market risks

Because of RATIONAL's international orientation, the fair values or future cash flows from financial instruments, taking the form of different asset and liability positions, may be exposed to market risks arising from changes in exchange rates, interest rates, and commodity prices.

Exchange rate risks in this case relate to receivables, liabilities, and anticipated transactions denominated in foreign currency. Anticipated transactions include planned payments, based on the currency-related receipts of each sales company, after costs and other expenses in the same currency have been deducted. Interest rate risk relates to the finance lease liabilities and long-term loan agreements included in other liabilities. Price risks may primarily result in relation to the purchase of raw materials for the production of products.

One of the functions of Corporate Treasury, which is a department within the parent company, is to counter these risks with suitable instruments and measures. Its activities are governed by corporate guidelines, and are supported, controlled, and monitored by a professional treasury system. Derivative financial instruments are used to counter any risks that are identified, which can involve the hedging of recognised, uncompleted, and anticipated transactions. Contractual partners in derivative financial instrument transactions are always banks with good to first-class credit ratings, i. e., with a Standard & Poor's A rating as a minimum.

Currency risks

Currency risk arises for financial instruments denominated in foreign currency, i. e., in a currency other than the Group currency. In the RATIONAL Group, transactions made in foreign currency lead to the risk that the fair value of or future cash flows from a financial instrument may fluctuate because of changes in the exchange rate.

Global exchange rate risks are determined, centrally pooled, and managed monthly with a rolling 6-month horizon. This applies in particular to sales companies that conduct their business in a freely convertible foreign currency, e. g., in Scandinavia, the UK, Switzerland, Poland, the United States, Canada, Japan, and Russia. Where necessary, future foreign currency transactions are hedged by means of derivative financial instruments.

An exception is the yuan (also referred to as renminbi), the currency the sales company in China uses to conduct its business. The yuan is subject to strict exchange control regulations, i. e., the currency can, when necessary, only be translated within China into other currencies for goods imports and dividend payments with the approval of a Chinese authority (called SAFE). Currently, RATIONAL's Chinese subsidiary carries out both purchases and sales of goods exclusively within China, so that all cash flows of this company are denominated in yuan. It is therefore not necessary to hedge foreign currency transactions here.

The currency risk of the newly formed sales company in Brazil has to date been limited to translating the "cash and cash equivalents" item. As of the balance sheet date, this company, which conducts its business in Brazilian reais, which are not freely convertible, was not involved in any transactions.

RATIONAL always uses currency options and forward exchange contracts to hedge anticipated foreign currency transactions. Currency options concluded include both plain vanilla options and zero-cost options with or without knock-in options. Both European-style knock-in options (exercisable on expiry) and American-style knock-in options (exercisable at any time from inception) are used.

Purchasing a plain vanilla put option entitles RATIONAL, on payment of an option premium when the deal is entered into, to sell a fixed volume of foreign currency at an agreed time at a fixed exchange rate in the agreed currency.

As a rule, the zero-cost option finances the option premium required for the purchase of the put option through the sale of another option at the same time. The sold call option without knock-in is active right from inception. The sold call option with knock-in (trigger) is only activated once the knock-in level is breached. On maturity of the activated call option, the buyer (the bank) decides whether or not to exercise, depending on price. Unlike forward exchange transactions, the zero-cost option (without expenses resulting from option premiums) offers not only guaranteed hedging rates, but also the ability to benefit from favourable exchange rates.

Further information on the management of currency risks can be found in the note on derivatives.

Interest rate risks

To expand capacity in Landsberg, real estate financing contracts were entered into in 2007 and several financing contracts for production facilities were entered into in 2008, with maturities of more than one year. These contracts contain fixed-interest periods. For the real estate finance, a fixed interest rate has been agreed to the end of 2017. The financing contracts for the production facilities stipulate fixed interest rates for the entire term.

To take advantage of differences in interest rates between various currency areas, interest rate/currency swaps with maturities of more than one year were entered into in the fiscal year just ended. This involves converting a fixed interest and repayment obligation in one currency into a fixed interest and redemption obligation in another currency. This means that the interest component of these transactions does not involve any risk for RATIONAL. Interest and principal payments are made from the income earned in the other currency through the subsidiaries' commercial activities in the respective country. The terms and conditions relating to interest rate/currency swaps are designed in such a way that no premium is payable when the contract is entered into.

Further information on the management of interest rate risks can be found in the note on derivatives.

Price risks

In its production processes, RATIONAL uses several thousand tonnes of high-quality stainless steel a year. The risk arising from changes in the price of stainless steel is governed both by the cost price of stainless steel itself and by the fluctuations in the price of alloys on the raw materials market, which are reflected in the what is known as the alloy surcharge.

Neither the basic price of steel nor that of alloy metals is hedged on the basis of derivative financial instruments.

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Classification of financial instruments

The following table shows the carrying amounts and fair values of financial instruments. With the exception of derivative financial instruments, which are recognised at fair value, these instruments are carried at amortised cost in the balance sheet. Based on the relevant balance sheet accounts, they are reconciled to the categories of financial instruments reportable under IAS 39.

Thousands of euros	Category	Book value Dec. 31, 2008	Acquisition cost carried forward	Fair Value
Assets				
Trade receivables	a	57,659	57,659	57,659
Other financial assets				
Other short-term assets	a	312	312	312
Other long-term assets	a	268	268	253
Derivatives not in a hedging relationship	c	394	—	394
Deposits with maturities of more than 3 months	a	25,000	25,000	25,293
Cash and cash equivalents	a	32,110	32,110	32,110
Investments	b	50	50	50
Equity and Liabilities				
Trade accounts payable	d	10,935	10,935	10,935
Other financial liabilities				
Other short-term liabilities	d	6,390	6,390	6,390
Derivatives not in a hedging relationship	e	772	—	772
Financing leasing liabilities	d	2,052	2,052	2,052
Liabilities from loans	d	25,784	25,784	27,591
Of which: aggregated by category in accordance with IAS 39				
a) Loans and receivables		115,349	115,349	115,627
b) Held-to-maturity investments		50	50	50
c) Financial assets held for trading		394	—	394
d) Financial liabilities measured at amortised cost		45,161	45,161	46,968
e) Financial liabilities held for trading		772	—	772

Thousands of euros	Category	Book value Dec. 31, 2007	Acquisition cost carried forward	Fair Value
Assets				
Trade receivables	a	61,393	61,393	61,393
Other financial assets				
Other short-term assets	a	312	312	312
Other long-term assets	a	248	248	230
Derivatives not in a hedging relationship	c	863	—	863
Deposits with maturities of more than 3 months	a	17,000	17,000	17,157
Cash and cash equivalents	a	45,295	45,295	45,295
Investments	b	218	218	218
Equity and Liabilities				
Trade accounts payable	d	9,292	9,292	9,292
Other financial liabilities				
Other short-term liabilities	d	5,454	5,454	5,454
Derivatives not in a hedging relationship	e	220	—	220
Financing leasing liabilities	d	2,912	2,912	2,912
Liabilities from loans	d	18,000	18,000	17,873
Of which: aggregated by category in accordance with IAS 39				
a) Loans and receivables		124,248	124,248	124,387
b) Held-to-maturity investments		218	218	218
c) Financial assets held for trading		863	—	863
d) Financial liabilities measured at amortised cost		35,658	35,658	35,531
e) Financial liabilities held for trading		220	—	220

For all financial instruments with maturities of less than one year – with the exception of derivatives – it is assumed that their fair values are the same as their carrying amounts. Other exceptions from this rule are deposits with maturities of more than three months as well as the mostly non-current loan liabilities, whose fair values have been determined using the discounted cash flow method. When measuring the fair values of other non-current assets, a discount rate of three percent and an average maturity of two years have been applied. The fair value of deposits with maturities of more than three months also includes the interest receivable as of the balance sheet date recognised under other current assets. The measurement of the fair values of loan liabilities takes into account in the discount rates the different repayment dates for annuity loans.

Additional, primarily quantitative, information on financial instruments can be found in the notes to the relevant balance sheet items.

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Fundamentals

Sensitivity analysis for financial instruments

IFRS 7 requires a sensitivity analysis to be carried out to show the hypothetical effects of market risks on income and equity capital. This involves making assumptions with regard to company-specific risk variables connected with financial instruments.

Risks attached to the conversion of currency items

As of the balance sheet date of December 31, 2008, RATIONAL was exposed to currency risks arising from activities in various foreign currencies. They are reflected in the “trade accounts receivable”, “other assets”, “cash and cash equivalents”, as well as “trade accounts payable” and “other liabilities” accounts. Significant risks arise in this regard from pound sterling and US dollar exposure. If on December 31, 2008 the euro had been 10 percent stronger against the foreign currencies in which RATIONAL conducts its operations, the value of firstly the equity and consolidated profit and secondly the currency reserve would have been 2,041 thousand euros lower (previous year: 1,265 thousand euros lower). If the euro had been 10 percent weaker, the value shown in the functional currency would have been 2,041 thousand euros higher (previous year: 1,265 thousand euros higher). The hypothetical impact on profit of –2,041 thousand euros is primarily the result of the currency sensitivity of EUR/USD: –533 thousand euros and EUR/GBP: –568 thousand euros. Unlike the figures reported for 2008, the effect of intercompany receivables had not been included in the calculation in 2007. The effect of derivatives, which are dealt with in the next section, is not included.

Risks attached to derivatives

RATIONAL contains the level of currency and interest rate risk to which it is exposed through the use of derivatives. Since RATIONAL does not fulfil the IAS 39 requirements for hedge accounting, it classifies all derivative financial instruments as “held for trading” and recognises them at fair value. Any changes in fair value are recognised in the income statement.
Hedging transactions relate to a future point in time, so a theoretical risk can arise from the above items as of the balance sheet date.
RATIONAL determines the effect on the income statement, as required by IFRS 7, by defining theoretical changes in the market situation. These relate to a simultaneous parallel increase (decrease) in the value of the euro as against all other foreign currencies by 10 percent. The change in this parameter is included in a theoretical measurement of all derivative financial instruments as of the reporting date, and thus in the calculation of the variances from the fair values shown on the balance sheet.
These theoretical measurements are based on established mathematical models:

- Futures and swaps, using the discounted cash flow method.
- European currency options using Garman-Kohlhagen’s modified Black-Scholes formula.

The above methods are the same as those used to measure derivative financial instruments in the balance sheet. The aim of these measurement methods is to show the theoretical impact on profits in the annual financial statements this measurement would have had if the changed market situation had applied at the end of the year.

For RATIONAL, when actual changes in the markets occur, the effects of the corresponding underlying transactions (e.g., sales revenue in foreign currency) counter the effects of the derivatives shown below.

The theoretical effects on the income statement calculated in this way and shown in the table below are estimates, and are based on the assumption that the changes in the markets assumed for the purposes of the sensitivity analysis actually occur. The effects of real developments in markets worldwide on the actual future income statement can vary considerably from these estimates.

	Theoretical effect on income* Devaluation of euro		Theoretical effect on income* Revaluation of euro	
Thousands of euros	**2008**	2007	**2008**	2007
Forward exchange contracts/swaps	896	386	– 722	– 315
Currency options	– 1,553	– 3,306	825	2,304
Interest-currency swaps	– 269	—	220	—
Total	**– 926**	– 2,920	**323**	1,989

*Positive values represent a theoretical increase in earnings and negative values a theoretical decrease in earnings

Management of capital

RATIONAL's capital structure is monitored through the company's reporting process, and the prevailing economic situation is the key determining factor in its management. The purpose of capital management is to secure the company's business and investment activities in the long term, to achieve a high credit rating for the company, and to maximise shareholder value. Capital is monitored in particular on the basis of the equity ratio, taking return on equity into account. The equity ratio indicates the ratio of shareholders' equity to the Company's total capital. Generally, the higher the equity ratio, the better a company's credit rating and financial stability, and the lower its dependence on external credit providers. RATIONAL's equity ratio as of December 31, 2008 was 63.9 percent (previous year: 66.2 percent).

Another important key figure in terms of strategic control is return on invested capital (ROlC), which gives the ratio of profit or loss from operating activities after income taxes to average invested capital. A company only adds value if ROlC exceeds the cost of capital. RATIONAL's ROIC of 41 percent (previous year: 48 percent) significantly exceeds its assumed cost of capital of around 9 percent, thus creating value added of 48,710 thousand euros (previous year: 49,879 thousand euros).

Thousands of euros	**2008**	2007
Group earnings	61,681	61,155
+ Interest on borrowings after tax	869	249
Profit or loss from operating activities after tax	62,550	61,404
Equity*	128,773	114,902
+ Non-current provisions*	616	645
+ Borrowings subject to interest*	24,387	12,506
Invested capital*	153,776	128,053
ROIC	**41%**	48%
Value added	**48,710**	49,879

*Annual averages: (figure as of Jan. 1 + figure as of Dec. 31)/2

Interest-bearing debt includes the Group's loan and finance lease liabilities.

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Notes on the Income Statement

Notes on the Income Statement

01 Sales

RATIONAL recognises revenue from sales of products as of the date on which the risks and rewards attaching to ownership of the goods and products sold are transferred to the buyer. Revenue includes all income from sales attributable to the typical business activities of RATIONAL.

In fiscal year 2008, RATIONAL generated worldwide revenue of 342,958 thousand euros (previous year: 336,556 thousand euros). 80 percent of revenue can be attributed to the sale of SelfCooking Center®, CombiMaster®, and VarioCooking Center® appliances. The remaining 20 percent was generated from the sale of accessories, spare parts, and care products.

Sales are distributed across the regions as follows, by customer location:

Thousands of euros	**2008**	**% of total**	2007	% of total
Germany	54,690	16	53,179	16
Europe (excluding Germany)	182,004	53	187,218	55
Americas	48,325	14	46,667	14
Asia	39,223	12	32,216	10
Rest of the world*	18,716	5	17,276	5
Total	**342,958**	**100**	336,556	100

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

The “Germany” region continues to generate the highest revenue of any single region and again made a positive contribution to the Group’s growth in the past fiscal year. In 2008, revenue there rose by 3 percent to 54,690 thousand euros, driven especially by rising sales numbers for the VarioCooking Center®.

The development of pound sterling had a negative impact on revenue growth in Europe. Adjusted for this effect, performance in the “Europe” region was similar to the previous year. The difficult market environment and the development of the US dollar and the Canadian dollar against the euro caused growth in the Americas, which continue to be a key strategic market, to slow to around 4 percent. Adjusted for the exchange rate effect, the region’s revenue expanded by 9 percent. The pace of growth in the “Asia” region continued to accelerate, with a year-on-year increase of 22 percent. Growth here has been driven especially by the markets of South Korea, China, and Japan.

The foreign share of revenue amounted to 84 percent, as in the previous year, and the share of revenue denominated in foreign currency was 28 percent (previous year: 30 percent). Due to the increasing strength of the euro, exchange rate movements negatively impacted revenue by 6,631 thousand euros in fiscal year 2008 (previous year: 4,243 thousand euros).

RATIONAL sells its products worldwide through subsidiaries and its own sales organisations as well as independent sales partners, whose respective shares of revenue can be broken down as follows:

Thousands of euros	**2008**	**% of total**	2007	% of total
Subsidiaries and own sales organisations	255,502	74	258,772	77
Sales partners	87,456	26	77,784	23
Total	**342,958**	**100**	336,556	100

While business through sales partners grew significantly year-on-year, business through subsidiaries declined, although it has to be taken into account that the reported negative exchange rate factors are included in the subsidiaries' revenue. Adjusting for this negative currency translation effect, subsidiaries were slightly above previous fiscal year.
Further revenue breakdowns appear in the segment financial statements.

02 Cost of sales

Cost of sales is calculated on the basis of direct costs for materials and production, overheads for materials and production, and depreciation and amortisation expense.
In spite of the 3 percent rise in revenue, the cost of materials of 116,353 thousand euros was lower than in the previous year (117,009 thousand euros), primarily because of a fall in steel prices and the alloy surcharge, which had reached record highs on commodity markets in the previous year. Production costs, which increased by 16 percent year-on-year, account for 16 percent (previous year: 14 percent) of cost of sales, which rose by a total of 2 percent.

03 Sales and service expenses

Selling and service expenses are made up of sales organization costs for office-based and field sales, shipping costs, and costs for marketing, application consultancy, and after-sales service.
In fiscal year 2008, the Company focused again on continuing to expand sales capacity in markets with high potential and on increasing sales efficiency, as well as building a robust management structure in the subsidiaries.
The biggest cost items within selling and service expenses are personnel costs, delivery costs, and promotional costs, in particular for exhibiting at trade fairs and for other marketing activities.

04 Research and development expenses

Research and development activities at RATIONAL largely consist of projects focusing on application research and the development of new product lines to secure the Company's technological edge and thus its success in the future. Research and development expenses rose by 2,686 thousand euros, or 22.8 percent, year-on-year and account for 4.2 percent of revenue (previous year: 3.5 percent). They are fully expensed and reported under "research and development expenses" in the income statement.

05 General administration expenses

General and administrative expenses include business administration costs, such as ledger accounting, human resources, finance, and IT costs, but also managerial accounting and financial control costs and certain executive management costs.
Non-recurring expenses of 1.7 million euros arising from a patent dispute had a negative impact on administrative expenses in fiscal year 2007. Adjusted for these non-recurring charges, administrative expenses rose by 17 percent in 2008 year-on-year, driven by the enhancements of the organisational structure in the subsidiaries and in the parent company.

06 Other operating income

Thousands of euros	**2008**	2007
Exchange gains	8,761	3,935
Insurance recoveries	481	749
Income from value adjustments and depreciation on accounts receivables	206	483
Income from asset retirements	230	—
Option fees	112	—
Other (< euro 100 thousand in each case)	208	97
Total	**9,998**	5,264

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Notes on the Income Statement

Exchange gains were primarily generated by fluctuations in the exchange rate between origination and payment dates, as well as by measuring balance sheet items at spot rates. Realised exchange gains are primarily the gains resulting from the measurement of forward exchange transactions and currency options, as well as the gains resulting from the measurement of foreign currency positions in US dollars, pound sterling, Canadian dollars, Swedish kronor, and Japanese yen. Unrealised gains from foreign currency measurement amounted to 3,058 thousand euros (previous year: 1,213 thousand euros). They result primarily from the measurement of intercompany receivables, forward exchange transactions, and currency options, as well as cash held in foreign currency. Exchange gains include income from financial instruments measured at fair value through profit and loss, amounting to 1,019 thousand euros (previous year: 827 thousand euros).

The item "insurance recoveries" primarily represents compensation from credit sale insurers for bad debt and from other insurance payouts for loss or damage in transit and other losses. Income from the retirement of assets results primarily from the sale of machinery in connection with the renewal of the machinery portfolio. "Other" includes a large number of smaller items.

07 Other operating expenses

Thousands of euros	**2008**	2007
Exchange losses	10,277	4,599
Depreciation and value adjustments on accounts receivables	677	712
Donations	292	325
Option fees	291	123
Other (< euro 100 thousand in each case)	104	90
Total	**11,641**	5,849

Exchange losses were primarily generated by fluctuations in the exchange rate between origination and payment dates, as well as by measuring balance sheet items at closing rates. Realised exchange losses are primarily the losses resulting from the measurement of forward exchange transactions and currency options, as well as the losses resulting from the measurement of foreign currency positions in US dollars, pound sterling, Canadian dollars, Swedish kronor, and Japanese yen. Unrealised losses on currency translation amounting to 4,481 thousand euros (previous year: 1,928 thousand euros) relate primarily to the measurement of intercompany receivables, forward exchange transactions, and currency options, but also from the measurement of cash held in foreign currency. Exchange losses include expenses for financial instruments measured at fair value through profit and loss, amounting to 1,867 thousand euros (previous year: 204 thousand euros).

Write-downs and allowances on receivables reflect specific valuation allowances and aggregated valuation allowances, as well as uncollectible receivables written off in individual instances. The derecognised receivables are largely offset by the payments from credit sale insurers shown under other operating income. There were no material write-downs of specific receivables in fiscal year 2008.

08 Financial results

Thousands of euros	2008	2007
Income from financial assets	57	—
Write-down of financial assets	– 169	—
Other interest and similar income	1,721	1,283
Interest and similar expenses	– 1,177	– 380
Total	**432**	903

Income from equity investments reflects the dividend paid to RATIONAL AG by the non-consolidated MEIKU Vermögensverwaltung GmbH. Write-downs of the equity investment in MEIKU Vermögensverwaltung GmbH are reported under “write-downs of financial assets”.
The interest income shown includes 979 thousand euros (previous year: 549 thousand euros) of interest on fixed-term deposits and 742 thousand euros (previous year: 734 thousand euros) of income from investment funds, demand deposits, and interest on credit balances in current accounts. The interest rates for demand deposits are based on EONIA (Euro Overnight Index Average), but also take account of an agreed margin for the bank.
The annual equivalent yields on the fixed-term deposits in the last fiscal year were between 2.66 and 5.10 percent p.a. (previous year: 3.41 percent and 4.69 percent). The annual equivalent yields on the investment funds were between 4.13 percent and 4.59 percent p.a. (previous year: 3.63 percent and 4.28 percent).
Interest and similar expenses primarily relate to financing of the real estate in Landsberg amounting to 926 thousand euros (previous year: 143 thousand euros), the interest portion of 142 thousand euros (previous year: 194 thousand euros) for lease liabilities recognised in accordance with IAS 17, and interest expense of 41 thousand euros for financing arrangements entered into in the past fiscal year for equipment to expand the capacity of the components factory (RATIONAL Komponenten GmbH).
The remaining interest expenses, totalling 68 thousand euros (previous year: 43 thousand euros), mainly represent interest on short-term liabilities to banks and interest on the Japanese subsidiary’s discount bills.

09 Taxes on income

The following table shows the reconciliation from expected to reported tax expense. An average tax rate of approximately 27 percent (previous year: 37 percent) was applied to profit from ordinary activities to calculate expected tax expense for 2008. This tax rate has been determined on the basis of a corporate income tax rate of 15 percent and a solidarity surcharge of 5.5 percent levied on corporate income tax, as well as a municipal trade tax multiplier of 320 percent, as applied to the parent company. Because of Germany’s corporate income tax reform, the rate of corporate income tax has been reduced from 25 percent to 15 percent. Deferred taxes recognised at Group level for 2007 and 2008 are measured at a standard average tax rate of around 27 percent. For the measurement of deferred taxes as of December 31, 2007, the Company used the reduced tax rate applicable from 2008 as a result of Germany’s corporate income tax reform.

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Notes on the Income Statement

Thousands of euros	**2008**	2007
Earnings before taxes (EBT)	83,536	93,463
Expected tax rate in percent	27.09	36.53
Expected income tax	**22,630**	34,142
Variations in local tax rates in the subsidiaries	– 1,334	– 2,052
Changes in tax rates for deferred tax in the consolidated group	—	599
Tax refunds from previous years	– 10	– 479
Tax expenses relating to previous years	30	17
Non tax-deductible expenses and other deductible amounts	539	81
Reported income tax	**21,855**	32,308

Deferred tax assets reported in fiscal year 2008 amounted to 2,917 thousand euros, as against 1,973 thousand euros as of the 2007 balance sheet date. The deferred tax income attributable to 2008 is therefore 944 thousand euros, as against tax expense of 1,126 thousand euros in the previous year.
The deferred taxes recognised for fiscal years 2008 and 2007 are attributable to the following balance sheet items and loss carryforwards:

			Effect on net income	Effect on net income
Thousands of euros	**2008**	2007	**2008**	2007
Inventories	2,808	2,202	606	– 1,072
Trade receivables	3	– 88	91	– 59
Provisions for pensions	24	26	– 2	– 30
Tax losses brought forward	—	51	– 51	– 12
Other	82	– 218	300	47
Total	**2,917**	1,973	**944**	– 1,126

Deferred tax assets of 2,893 thousand euros (previous year: 1,896 thousand euros) are expected to mature within less than a year. Of the reported amounts, 24 thousand euros (previous year: 77 thousand euros) are non-current. Current deferred taxes result from temporary differences between amounts reported in the financial statements and their tax base and from consolidation measures. Non-current deferred taxes are based on tax loss carryforwards and measurement differences for pension provisions. If a company has deferred tax assets and liabilities with the same maturity, they are reported on a net basis. In fiscal year 2008, taxes on dividends of 206 thousand euros (previous year: 91 thousand euros) distributed to RATIONAL AG by subsidiaries were recognised as expense. In addition, deferred tax expense of 160 thousand euros (previous year: 0 thousand euros) for the dividends expected to be distributed by the subsidiaries in 2009 was recognised as expense in 2008.

10 Earnings per share

Earnings per share are calculated as stipulated by IAS 33 (Earnings per Share), by dividing Group earnings by the weighted average number of shares outstanding during the fiscal year.
Calculated on the basis of 11,370,000 shares and consolidated net profit of 61,681 thousand euros (previous year: 61,155 thousand euros), basic and diluted earnings per share are 5.42 euros (previous year: 5.38 euros).
The earnings per share shown for fiscal year 2008 in compliance with IFRS/IAS also correspond to DVFA earnings.

11 Dividend per share

The dividend of 4.50 euros per share proposed by the Supervisory Board and the Executive Board of RATIONAL AG for fiscal year 2007 was approved by a majority at the shareholders' meeting on May 7, 2008. Total dividends of 51,165 thousand euros were paid in May 2008.
Because of the poor economic climate, the current focus is on securing liquidity and maintaining financial stability and flexibility in order to preserve the Group's independence from external investors and thus keep entrepreneurial freedom. The Executive Board will therefore propose to the Supervisory Board a dividend that reflects the economic situation.

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Notes on the Balance Sheet – Assets

Notes on the Balance Sheet – Assets

12 Intangible assets

Thousands of euros	Industrial and similar rights	Goodwill	Total
Acquisition cost			
Balance at Jan. 1, 2008	3,892	424	4,316
Additions	883	—	883
Disposals	– 164	—	– 164
Balance at Dec. 31, 2008	4,611	424	5,035
Amortisation			
Balance at Jan. 1, 2008	2,584	—	2,584
Additions	741	—	741
Disposals	– 151	—	– 151
Balance at Dec. 31, 2008	3,174	—	3,174
Book values			
Balance at Dec. 31, 2008	1,437	424	1,861
Acquisition cost			
Balance at Jan. 1, 2007	3,131	424	3,555
Additions	932	—	932
Disposals	– 171	—	– 171
Balance at Dec. 31, 2007	3,892	424	4,316
Amortisation			
Balance at Jan. 1, 2007	2,114	—	2,114
Additions	575	—	575
Disposals	– 105	—	– 105
Balance at Dec. 31, 2007	2,584	—	2,584
Book values			
Balance at Dec. 31, 2007	1,308	424	1,732

Intangible assets are comprised of industrial and similar rights recognised at cost, as well as goodwill. Self-created assets are not included. Development costs are not capitalised, but expensed as incurred under research and development expenses in the income statement. Amortisation allowed exclusively on the basis of tax law was not recognised. If impairment is identified in excess of depreciation, the asset is written down to its recoverable amount. In fiscal year 2008, no impairment losses were recognised on intangible assets. None of the intangible assets is subject to pledges or restrictions on disposal, and no contractual obligations to purchase intangible assets exist.

Amortisation of intangible assets amounted to 741 thousand euros (previous year: 575 thousand euros) and was charged to the functional areas as follows: Production 25 thousand euros (previous year: 26 thousand euros), development 93 thousand euros (previous year: 49 thousand euros), sales and service 74 thousand euros (previous year: 34 thousand euros), and general administration 549 thousand euros (previous year: 466 thousand euros).

13 Goodwill

As of the balance sheet date, a net carrying amount for goodwill of 424 thousand euros is reported under intangible assets. This goodwill originated from RATIONAL's acquisition of its subsidiary FRIMA S.A., Wittenheim, in 1993.

Under IFRS 3, the goodwill for fiscal years beginning on or after March 31, 2004 can no longer be amortised over its useful life as previously allowed under IAS 22. Instead, goodwill must be tested for impairment at least annually in compliance with IAS 36.

In December 2008, an impairment test based on the discounted cash flow method was performed on the goodwill of FRIMA S.A. As in the previous year, the legal entity FRIMA S.A was identified as a smallest possible cash generating unit. Its recoverable amount is determined on the basis of its value in use. Future cash flows were estimated on the assumption that the assets would continue to be used, and using the management's current financial and business plans for the next 4 years, based on past experience. Growth in earnings was calculated on the same basis, using a contribution margin model. This model assumes 0 percent growth in earnings starting in the 5th year. In accordance with IAS 36, no allowance was made for any future restructuring and associated increases in earning power. The applied discount rate of 8.9 percent (after tax, previous year: 7.5 percent) took appropriate account of the current market assessment of the effect of interest rates and the risk expectation as they affect the assets. The capital value calculated in this way was substantially higher than the carrying amount of the cash-generating unit FRIMA S.A. No impairment was identified and there was no need to write down goodwill.

Although management believes that the assumptions used in calculating the recoverable amount are appropriate, unforeseen changes in these assumptions could lead to an impairment loss, which could have a negative impact on net assets, financial position, and profit or loss.

14 Property, plant and equipment

Thousands of euros	Land and Buildings	Technical equipment, machinery	Operating and office	Total
Acquisition cost				
Balance at Jan. 1, 2008	39,212	12,574	12,210	63,996
Currency differences	– 26	1	70	45
Additions	18,798	7,939	4,978	31,715
Disposals	– 79	– 305	– 1,027	– 1,411
Balance at Dec. 31, 2008	57,905	20,209	16,231	94,345
Amortisation				
Balance at Jan. 1, 2008	14,111	6,581	7,207	27,899
Currency differences	– 21	1	55	35
Additions	1,736	1,940	2,746	6,422
Disposals	– 16	– 208	– 982	– 1,206
Balance at Dec. 31, 2008	15,810	8,314	9,026	33,150
Book values				
Balance at Dec. 31, 2008	42,095	11,895	7,205	61,195

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Notes on the Balance Sheet – Assets

Thousands of euros	Land and Buildings	Technical equipment, machinery	Operating and office	Total
Acquisition cost				
Balance at Jan. 1, 2007	31,266	10,667	11,183	53,116
Currency differences	– 30	– 7	– 203	– 240
Additions	8,144	1,958	3,275	13,377
Disposals	– 168	– 44	– 2,045	– 2,257
Balance at Dec. 31, 2007	39,212	12,574	12,210	63,996
Amortisation				
Balance at Jan. 1, 2007	13,068	5,195	7,277	25,540
Currency differences	– 27	– 6	– 148	– 181
Additions	1,238	1,436	2,045	4,719
Disposals	– 168	– 44	– 1,967	– 2,179
Balance at Dec. 31, 2007	14,111	6,581	7,207	27,899
Book values				
Balance at Dec. 31, 2007	25,101	5,993	5,003	36,097

Property, plant, and equipment includes land and buildings, as well as technical equipment and machinery, and operating and office equipment recognised at cost less depreciation. Buildings are depreciated over their expected useful lives of 25 to 36 years using the straight-line method. In the previous year, property, plant, and equipment included assets under construction of 6,673 thousand euros. Other items of property, plant, and equipment are depreciated over their useful lives using the straight-line or reducing-balance method.

If impairment is identified in excess of depreciation, the asset is written down to its recoverable amount. In the fiscal year 2008, no impairment losses were recognised on property, plant, and equipment. Land charges of 23,000 thousand euros are registered for the new plant in Landsberg. No items of property, plant, and equipment are subject to restrictions on disposal, and contractual obligations to purchase property, plant, and equipment only existed as of the end of the previous year; they are disclosed in the note on other financial obligations. Exchange rate differences can occur when foreign-currency denominated carrying amounts of property, plant, and equipment held by the subsidiaries are translated into the functional currency.

Depreciation of property, plant, and equipment amounted to 6,422 thousand euros (previous year: 4,719 thousand euros) and was charged to the functional areas as follows: Production 3,364 thousand euros (previous year: 2,579 thousand euros), sales and service 1,582 thousand euros (previous year: 1,072 thousand euros), development 949 thousand euros (previous year: 769 thousand euros), and general administration 527 thousand euros (previous year: 299 thousand euros).

15 Finance leasing

Property, plant, and equipment includes land and buildings which, in compliance with IAS 17, are accounted for as finance leases, under which the Group has acquired the risks and rewards incidental to ownership without owning legal title.

The finance lease of the subsidiary FRIMA S.A. in Wittenheim/France expired in 2008. As of December 31, 2007, a net carrying amount of 916 thousand euros and accumulated depreciation of 624 thousand euros for this lease was included in non-current assets. The expiration of the finance lease has not resulted in a change in non-current assets, because the land and buildings have been transferred to the lessee's assets, as stipulated in the lease agreement.

The net carrying amount of land and buildings recognised by the Group under a finance lease amounted to 9,239 thousand euros as of December 31, 2008, compared with 9,717 thousand euros at the end of the previous year. Accumulated depreciation increased by 478 thousand euros (previous year: 478 thousand euros) to 4,326 thousand euros (previous year: 3,848 thousand euros). The buildings have an expected useful life of 25 years.
The corresponding liabilities arising from the property, plant, and equipment recognised in accordance with IAS 17 are reported under other liabilities and itemised in the corresponding note.

16 Financial assets

As in previous years, financial assets amounting to 50 thousand euros (previous year: 218 thousand euros) relate to the investment carrying amount of MEIKU Vermögensverwaltung GmbH. Due to its minor significance for the RATIONAL's net assets, financial position and profit or loss, it is not consolidated.
The original cost of the financial assets is 2,725 thousand euros (previous year: 2,725 thousand euros), and, due to the dividends paid, the accumulated write-downs to fair value amount to 2,675 thousand euros (previous year: 2,507 thousand euros). The impairment loss of 168 thousand euros (previous year: 0 thousand euros) is reported under net finance income. The investment in MEIKU is allocated to the parent company segment.
The investment carrying amount of MEIKU Vermögensverwaltung GmbH is the only item in the category of investments held to maturity. The write-down is thus the only impairment loss recognised in this financial asset category.

17 Inventories

Thousands of euros	**2008**	2007
Raw materials, consumables and supplies	8,001	7,197
Work in progress	546	1,263
Finished goods and goods for resale	12,017	10,178
Total	**20,564**	18,638

Inventories are recognised at cost, including acquisition costs, all costs directly attributable to the production process, and reasonable production overheads.
In 2008, raw materials, consumables, and supplies as well as work in process related to inventories of the producing companies RATIONAL AG, RATIONAL Komponenten GmbH and FRIMA S.A. RATIONAL Komponenten GmbH did not report any inventories as of December 31, 2007. The increase in finished products and goods was mainly driven by the Group's overseas regions, where the new SelfCooking Center® with CareControl was introduced in early 2009; this had led to a temporary increase in inventories at the end of the year.
In the period under review, impairment losses recognised on inventories fell from 956 thousand euros to 843 thousand euros (previous year: 1,082 thousand euros to 956 thousand euros).
As of the balance sheet date of December 31, 2008, the inventories were not subject to any restrictions on disposal or pledges.

18 Trade receivables

Thousands of euros	**2008**	2007
Trade receivables at nominal value	58,152	61,808
Write-downs for doubtful accounts receivables	– 493	– 415
Total	**57,659**	61,393

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Notes on the Balance Sheet – Assets

As of the balance sheet date on December 31, 2008, trade receivables were similar to the annual average and significantly below the figure at the previous balance sheet date due to a reduction in revenue at the end of the year. All receivables are due within less than one year.
As of the balance sheet date of December 31, 2008, 12 percent of trade receivables were overdue, 79 percent of which (previous year: 74 percent) were 1 to 60 days overdue.
The following table shows the breakdown of trade receivables by due date:

Thousands of euros			Overdue			
	Total	not due	1-60 days	61-90 days	91-120 days	> 120 days
Trade receivables at nominal value						
Balance at Dec. 31, 2008	58,152	51,311	5,379	331	294	837
Balance at Dec. 31, 2007	61,808	54,519	5,429	555	472	833

Of the unsettled trade receivables at the end of 2008, 84 percent (previous year: 78 percent) were insured through credit sale insurance. In addition to this, collateral was provided in the form of clean credits from banks amounting to 668 thousand euros (previous year: 2,465 thousand euros). A total of 255 thousand euros (previous year: 360 thousand euros) related to amounts receivable from public sector customers. This gives a total cover ratio for trade receivables of 85 percent (previous year: 83 percent). If you also take into account that value added tax paid on bad debts will be refunded by the tax authorities, the cover ratio is 94 percent (previous year: 91 percent).
The credit risk remaining after this security has been taken into account does not contain any material cluster risks. Cluster risks relate to unsecured receivables with a nominal value of more than 100 thousand euros per individual customer. The total for this category is 1,263 thousand euros (previous year: 1,281 thousand euros), and is divided among six (previous year: eight) customers. This corresponds to a share of 2.18 percent (previous year: 2.09 percent) of trade receivables recognised in the balance sheet. The customer owing the largest amount of unsecured receivables, 379 thousand euros (previous year: 279 thousand euros), accounts for 0.66 percent (previous year: 0.45 percent) of total receivables. The maximum credit risk from trade receivables reportable under IFRS amounted to 57,659 thousand euros (previous year: 61,393 thousand euros) as of the balance sheet date.

Thousands of euros	**2008**	2007
Write-downs for doubtful accounts receivables		
Balance at Jan. 1	415	656
Use	272	483
Additions	350	242
Balance at Dec. 31	493	415

Adequate allowances are recognised for credit risks on receivables. Receivables written off in fiscal year 2008 amount to 534 thousand euros, or 0.16 percent of annual revenue (previous year: 431 thousand euros or 0.13 percent) and 0.9 percent of total receivables as of the balance sheet date (previous year: 0.7 percent).

This figure does not include compensation paid by or expected from the credit sale insurer. In 2008, the Company received compensation of 270 thousand euros (previous year: 254 thousand euros) from the credit sale insurer.

19 Other assets

Thousands of euros	2008	2007
Value-added tax refund claims	3,929	2,271
Corporation tax refund claims	1,735	279
Prepaid Expenses	751	785
Fair value of derivative financial instruments	394	864
Deposits	368	269
Receivables from interest	184	192
Receivables from travel expense advances	150	35
Payments in advance	44	125
Other (< euro 100 thousand in each case)	99	256
Total	**7,654**	5,076

An amount of 7,386 thousand euros (previous year: 4,828 thousand euros) of other assets is classified as current.

Security deposits include receivables of 262 thousand euros (previous year: 242 thousand euros) due after one year. Non-current loans of 6 thousand euros (previous year: 6 thousand euros) are included under "Other". In total, other non-current assets therefore amount to 268 thousand euros (previous year: 248 thousand euros), reflecting a fair value of 253 thousand euros (previous year: 230 thousand euros). For reasons of materiality, non-current assets were not reported at their discounted fair values, but at cost.

Prepaid expenses only include expenses incurred before the reporting date, but which relate to the following year. This item is made up of a number of smaller prepaid amounts. The expenses relate primarily to exhibitions, marketing activities, and rents, as well as insurance payments. All the items in prepaid expenses are due within less than one year.

20 Deposits with maturities of more than 3 months

Fixed deposits with maturities of more than three months, amounting to 25,000 thousand euros (previous year: 17,000 thousand euros), were reported as of the balance sheet date. These fixed-term deposits are held in a number of different banks with long-term ratings by Standard & Poor's of at least A.

As of December 31, 2008, no deposits with maturities of more than three months had been pledged as collateral.

Thousands of euros	Currency	2008	2007
Fixed deposits in previous year with maturities of more than 3 months	EUR	—	17,000
Fixed deposits with maturities from Oct. 27, 2008 to Apr. 22, 2009	EUR	16,000	—
Fixed deposits with maturities from Nov. 06, 2008 to Apr. 27, 2009	EUR	4,000	—
Fixed deposits with maturities from Dec. 17, 2008 to Apr. 27, 2009	EUR	5,000	—
Total	**EUR**	**25,000**	17,000

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Notes on the Balance Sheet – Assets

21 Cash and cash equivalents

Corporate Treasury is responsible for the management of the Group's cash and cash equivalents worldwide, other than in countries where restrictions on capital movements conflict with this, such as in China or Brazil.

Cash and cash equivalents of 32,110 thousand euros (previous year: 45,295 thousand euros) were reported as of the balance sheet date.

During the fiscal year, RATIONAL AG invested the major portion of its cash and cash equivalents in investment funds or fixed-term deposits. Gains on the sale of shares in growth funds sold before the end of the fiscal year were recognised in interest income. At year end, cash was primarily invested in the form of fixed-term deposits.

The annual equivalent yields on the fixed-term deposits in the last fiscal year were between 2.66 percent and 5.10 percent p. a. (previous year: 3.41 percent and 4.69 percent). The annual equivalent yields on the market-based funds were between 4.13 percent and 4.59 percent p. a. (previous year: 3.63 percent and 4.28 percent). The interest rates for demand deposits are based on EONIA (Euro Overnight Index Average), but also take account of an agreed margin for the bank. As of the balance sheet date, the fixed-term deposits of up to three months and euro-denominated demand deposits were held in a number of different banks.

Deposits in foreign currencies are measured at the rate applicable on the balance sheet date. No cash and cash equivalents have been pledged as collateral for loans and confirmed lines of credit.

Thousands of euros	Currency	**2008**	2007
Fixed deposits in previous year with maturities of up to 3 months	EUR	—	18,000
Fixed deposits with maturities from Dec. 17, 2008 to Jan. 09, 2009	EUR	4,000	—
Fixed deposits with maturities from Dec. 17, 2008 to Feb. 23, 2009	EUR	2,000	—
Deposits incl. demand deposits	EUR	18,671	13,217
Deposits incl. demand deposits	USD	1,937	1,413
Deposits incl. demand deposits	GBP	1,242	9,575
Deposits incl. demand deposits	SEK	1,023	356
Deposits incl. demand deposits	CAD	949	1,381
Deposits incl. demand deposits	CHF	792	710
Deposits incl. demand deposits	PLN	280	192
Deposits	JPY	670	301
Deposits	BRL	205	—
Deposits	RUB	176	25
Deposits	CNY	101	103
Deposits other currencies and cash in hand	various	64	22
Total		**32,110**	45,295

Notes on the Balance Sheet – Equity and Liabilities

22 Subscribed capital

RATIONAL AG's share capital as of December 31, 2008 was unchanged at 11,370 thousand euros, divided into 11,370,000 ordinary registered no-par value shares, each with a nominal value of 1 euro.
Conditional capital amounts to 200 thousand euros and relates to option rights for members of the Executive Board to purchase up to 200,000 shares. The conditional capital increase is dependent on the extent to which the options granted are exercised by their holders. The stock option plan is described in the note on stock options plans.
Changes in issued capital are shown in the statement of changes in equity, which forms part of the consolidated financial statements.

23 Capital reserves

The capital reserves mainly represent the premium of 29,994 thousand euros from the initial public offering. They also include income and expenses taken directly to equity totalling –5,084 thousand euros (previous year: –4,137 thousand euros) resulting primarily from the costs of the IPO taken to equity in previous years, the currency translation of a loan granted to the US subsidiary, and the entitlements under the second tranche of the stock option plan dated February 3, 2000 paid as cash compensation to members of the Executive Board.

Changes in capital reserves are shown in the statement of changes in equity, which forms part of the consolidated financial statements.

24 Revenue reserves

Retained earnings are legal reserves from previous years transferred in compliance with Section 150 of the German Stock Corporation Act (AktG).
Changes in retained earnings are shown in the statement of changes in equity.

25 Provisions for pensions

RATIONAL AG has given pension commitments to a former director and a former company secretary. The benefits amount to a final salary scheme. The scheme is financed exclusively by pension provisions which in fiscal year 2008 amounted to 614 thousand euros (previous year: 617 thousand euros).
In compliance with IAS 19, benefit obligations are calculated annually using the actuarial projected unit credit method. Also in compliance with IAS 19, when pension provisions and pension costs were calculated, any actuarial gains and losses were recognised immediately and in full in the income statement. The full amount of the defined benefit obligation is recognised in the balance sheet.
Administration and selling expenses included the following pension benefit expenses:

Thousands of euros	**2008**	2007
Interest expense	31	30
Recognised actuarial gains	– 2	– 53
Total	**29**	– 23

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Notes on the Balance Sheet – Equity and Liabilities

The present value of the defined benefit obligation changed as follows:

Thousands of euros	2008	2007
Efficiency-oriented obligation Jan. 1	617	672
Interest expense	31	30
Paid obligations	– 32	– 32
Recognised actuarial gains	– 2	– 53
Efficiency-oriented obligation Dec. 31	**614**	617

The benefits paid relate to the pension payments to a former director, which started in 2006. The calculations were based on the following assumptions:

Rate of interest:	6.25 percent	(previous year: 5.25 percent)
Pension progression rate:	2.00 percent	(previous year: 1.00 percent)

K. Heubeck's mortality tables (2005 G version) were used as the biometric basis for the calculations. The defined benefit obligations for the current and the previous four reporting periods are as follows:

Thousands of euros	2008	2007	2006	2005	2004
Efficiency-oriented obligation Dec. 31	**614**	617	672	683	591

26 Liabilities for current tax

Thousands of euros	Balance at Jan. 1, 2008	Currency Differences	Use	Additions	Balance at Dec. 31, 2008
Taxes on income	3,646	– 234	– 3,412	3,264	3,264

Thousands of euros	Balance at Jan. 1, 2007	Currency Differences	Use	Additions	Balance at Dec. 31, 2007
Taxes on income	3,432	– 11	– 3,421	3,646	3,646

All liabilities for income taxes shown are due within one year.

27 Short-term provisions

Thousands of euros	Balance at Jan. 1, 2008	Currency Differences	Use	Additions	Balance at Dec. 31, 2008
Personnel	5,980	– 93	– 5,887	7,033	7,033
Trade bonuses	3,918	– 208	– 3,694	3,511	3,527
Warranty	3,001	– 5	– 2,996	4,181	4,181
Outstanding invoices/Other	2,587	– 16	– 2,571	3,492	3,492
Total	**15,486**	**– 322**	**– 15,148**	**18,217**	**18,233**

Thousands of euros	Balance at Jan. 1, 2007	Currency Differences	Use	Additions	Balance at Dec. 31, 2007
Personnel	4,661	– 115	– 4,546	5,980	5,980
Trade bonuses	3,276	– 166	– 3,110	3,918	3,918
Warranty	2,981	4	– 2,985	3,001	3,001
Outstanding invoices/Other	2,400	– 61	– 2,339	2,587	2,587
Total	13,318	– 338	– 12,980	15,486	15,486

In October 2008, a two-year warranty for appliances was introduced. As of the balance sheet date, this resulted in a non-current portion of warranty obligations of 520 thousand euros. For reasons of materiality, non-current provisions are reported in the balance sheet not at their discounted fair value, but at their expected expense. They are shown under current provisions. All other provisions continue to be regarded as current.

Items previously reported under provisions (Supervisory Board compensation, consulting and financial statement costs, and accrued liabilities in connection with personnel costs) have been reclassified to other liabilities in the current financial statements. The previous year has been adjusted accordingly and the opening balance as of January 1, 2008 reduced from 19,424 thousand euros to 15,486 thousand euros. In the same context, the classification of provisions was revised and adjusted.

To determine the warranty provision, it is necessary to make assumptions about the future expense to be incurred as a result of warranty claims. The provision has essentially been determined on the basis of experience gathered in the past. The change to the contractual warranty period also requires additional assumptions about the probable use of warranties during the extended warranty period.

28 Liabilities to banks

As of the end of the year, liabilities to banks totalled 25,784 thousand euros (previous year: 18,000 thousand euros). Of this total, 3,759 thousand euros (previous year: 0 thousand euros) was attributable to RATIONAL Komponenten GmbH and 22,025 thousand euros (previous year: 18,000 thousand euros) to RATIONAL AG. The option of assigning the rights under these agreements to third parties has been contractually excluded.

For the production company RATIONAL Komponenten GmbH, which was established in June 2007, multi-year annuity loan agreements for production facilities were entered into in order to increase capacity. Fixed interest rates have been agreed for the entire term of the agreements. The last repayment of principal will be made in 2013. To secure this finance, RATIONAL AG has issued guarantees for a limited amount and a limited period of time to the financing banks.

RATIONAL AG's liabilities to banks relate to two annuity loan agreements, secured by land charges, to finance the construction of its new building in Landsberg. Fixed interest rates have been agreed for both contracts until December 30, 2017 and the expiration of the contract on December 30, 2022.

All financing agreements the banks have entered into with the Company have been refinanced as KfW global loans, as LfA global loans, or through other banks (such as the European Central Bank).

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Notes on the Balance Sheet – Equity and Liabilities

Of the liabilities to banks, the following payments will become due in subsequent periods:

Thousands of euros	2009	2010-2013	from 2014
Payments as of Dec. 31, 2008	3,355	11,436	19,294

Thousands of euros	2008	2009-2012	from 2013
Payments as of Dec. 31, 2007	2,184	6,636	16,064

For payments to be made after the fixed interest period has ended, it has been assumed that terms and conditions remain unchanged.

In the period May to December 2008, the parent company arranged interim finance totalling 0.8 billion Japanese yen (initial cost 4,926 thousand euros). Through revenue generated in its foreign sales subsidiaries, RATIONAL has access to sufficient low-interest currency (e.g. the Japanese yen) for this type of finance without additional currency risk.

29 Trade accounts payable

As of the 2008 balance sheet date, 83 percent (previous year: 80 percent) of the reported trade accounts payable were incurred at the production facilities of RATIONAL AG, RATIONAL Komponenten GmbH and FRIMA S.A. The excellent liquidity means that amounts payable to suppliers are settled so that advantage can be taken of discounts granted by suppliers. The following table shows payment terms and cash outflows, based on the payment terms agreed with suppliers:

Thousands of euros	**2008** Total	**Due dates** up to 30 days	30-60 days	> 60 days
Trade accounts payable	**10,935**	10,474	454	7

Thousands of euros	2007 Total	Due dates up to 30 days	30-60 days	> 60 days
Trade accounts payable	9,292	8,736	551	5

30 Other liabilities

Thousands of euros	**2008**	2007
Liabilities to business partners	4,714	3,582
Liabilities from wages, salaries, and other personnel costs	3,590	3,204
Liabilities from value-added tax	2,652	3,495
Liabilities from finance leasing agreements	2,052	2,912
Liabilities from PAYE and church taxes	1,740	1,504
Liabilities from consulting and auditing services	1,031	1,303
Fair value of derivative financial instruments	772	220
Other (< euro 100 thousand in each case)	72	173
Total	**16,623**	16,393

In these financial statements, items previously reported as provisions have been reclassified to other liabilities. In particular, these items relate to provisions recognised for Supervisory Board compensation, consulting services, financial statement fees, and personnel liabilities. For fiscal year 2007, the amount reclassified totalled 3,938 thousand euros.
In accordance with IAS 17, liabilities under finance lease were reduced in fiscal year 2008 by the amount of the regular repayments of principal under the finance lease liabilities, which amounted to 860 thousand euros (previous year 1,164 thousand euros).
The maturities of liabilities resulting from finance leases are listed in the following table:

Thousands of euros	**2008**			2007		
		Remaining			Remaining	
Term; interest	Total	up to 1 Year	> 1 Year	Total	up to 1 Year	> 1 Year
a) to 2008; Pibor 3 months +1.50 %	—	—	—	129	129	—
b) to 2011; 6.65 %	1,166	429	737	1,567	401	1,166
c) to 2011; 6.05 %	151	56	95	204	53	151
d) to 2011; 3.50 %	735	287	448	1,012	277	735
Total	**2,052**	**772**	**1,280**	2,912	860	2,052

For the contract modules under a), b), c), and d) in the above table, which are elements of finance leases, fixed interest rates have been agreed, as well as fixed lease instalments, which are allocated evenly over the terms of the contract modules. There are no options to extend the terms of the contract modules, nor are there any restrictions on them. It was agreed that a lessee loan agreement was to be concluded that would achieve the fixed sale value (purchase option for RATIONAL AG) of the leased object when the lease expires.
The leased object under finance lease a) was bought from the lessor for 0.15 euros on expiration of the lease in fiscal year 2008.

Under the terms of the finance leases, the following lease payments will become due in subsequent periods:

Thousands of euros	**2009**	2010	2011
Present values	837	726	342
Discounts	32	143	92
Leasing payments	869	869	434

With the exception of the non-current other liabilities arising from finance leases, all reported other liabilities are current.

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Notes on the Cash Flow Statement

Notes on the Cash Flow Statement

31 Cash flow statement

The statement of cash flows shows the changes in cash and cash equivalents of RATIONAL during the year under review. In compliance with IAS 7, the statement of cash flows reports the cash flows classified by operating, investing, and financing activities.

Cash and cash equivalents include items subject to restrictions on disposal. The restrictions on disposal relate to an amount of 454 thousand euros (previous year: 128 thousand euros). Cash and cash equivalents fell from 45,295 thousand euros at the beginning of the fiscal year to 32,110 thousand euros as of December 31, 2008. In addition, RATIONAL had fixed-term deposits of 25,000 thousand euros (previous year: 17,000 thousand euros), which are due after more than three months and can therefore not be included in cash and cash equivalents.

Other Notes on the Group Financial Statements

32 Contingent liabilities

Contingent liabilities are, firstly, possible obligations whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the Company. Secondly, they are present obligations where it is not probable that an outflow of resources will be required to settle the obligation or where the amount of the obligation cannot be measured with sufficient reliability.

At RATIONAL, warranty obligations could be considered contingent liabilities, although they are covered by appropriate provisions. The other provisions are itemised in the respective notes.

33 Employees and personnel costs

The average number of people employed by RATIONAL continued to rise in fiscal year 2008. The size of the workforce increased from 965 employees in fiscal year 2007 to 1,090 in the year under review. The average number of people employed outside Germany increased by 69, to 465 (previous year: 396).

The largest area of growth in the number of people employed was that of sales and marketing, reflecting the continuing expansion of the international sales organisations.

Employee distribution among the various functional areas is as follows:

Employee distribution to operational areas	**2008**	% of total	2007	% of total
Production	280	25	263	27
Sales and Marketing	455	42	393	41
Technical Customer Service	128	12	114	12
Research and Development	76	7	68	7
Administration	151	14	127	13
Average number of employees	**1,090**		965	
of which abroad	465	43	396	41

As of the balance sheet date of December 31, 2008, the number of employees was 1,117, compared with 1,008 as of the same date in the previous year.

Personnel costs in 2008 amounted to 72,253 thousand euros (previous year: 63,694 thousand euros).

Thousands of euros	**2008**	2007
Salaries and wages	61,193	54,065
Social security	11,060	9,629
Total	**72,253**	63,694

34 Derivative financial instruments

Because of the international nature of its operations, RATIONAL is exposed to the risks generally associated with the financial markets. Corporate Treasury, a department within the parent company, is responsible for all hedging and financing activities conducted by any of the RATIONAL companies. The activities of Corporate Treasury are governed by written guidelines. The treasury activities required are supported, managed, and monitored by a professional treasury management system.

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Other Notes on the Group Financial Statements

Derivative financial instruments are used to counter the risks identified. Derivative financial instruments are used to hedge recognised, uncompleted, and anticipated transactions. A portion of the identified risks is hedged for a period of six to twelve months. The Group does not generally enter into any commitments where the risk involved is unquantifiable at the time the contract is concluded. Its contractual partners in derivative financial instrument transactions are always banks with good to first class credit ratings, i.e., with a Standard & Poor's A rating as a minimum.

Valuation of derivative financial instruments

Since RATIONAL does not fulfil the IAS 39 requirements for hedge accounting, it classifies all derivative financial instruments as "available for sale" and recognises them at fair value. On the day of trading, they are recognised at the purchase or sale price and reported under other assets or other liabilities in the balance sheet. Any changes in fair value are recognised in the income statement.

For fair value measurement, RATIONAL uses the marked-to-market measurements of the bank with which it has entered into the respective contract. The banks measure fair value on the basis of market data available as of the measurement date, using recognised mathematical methods (discounted cash flow method for futures and the Black-Scholes method for options). The Company checks the values determined by the banks on the basis of additional measurements carried out with its internal treasury management system to ensure that the key assumptions on which the banks have based their calculations do in fact conform to the market as of the respective measurement date.

The fair value (according to the discounted cash flow method) of forward exchange contracts and swaps is calculated using the middle spot rate applicable on the balance sheet date, taking account of the forward premiums or discounts that apply for the remaining terms of the individual contracts compared with the forward exchange rate at the time each contract was entered into.

In the case of currency options, the fair value (according to the Black-Scholes method) is the value that could have been achieved under current market conditions in trading between willing and independent contractual parties from the sale of the rights and/or obligations of a financial instrument. Any offsetting effects from underlying transactions are disregarded when determining fair value.

The following table shows the contract values and fair values of the derivative financial instruments, by category, as of December 31, 2008 and 2007: The contract values do not represent the market risk, but they provide information on the volume of transactions outstanding on the balance sheet date. All the open currency hedging transactions are due within less than one year.

Thousands of euros	Currency	Contract Value 2008	Contract Value 2007	Positive market value (assets) 2008	Positive market value (assets) 2007	Negative market value (liabilities) 2008	Negative market value (liabilities) 2007
Forward exchange contracts	GBP	6,963	—	—	—	184	—
Forward exchange contracts	USD	1,780	—	—	—	3	—
Forward exchange contracts	JPY	583	242	26	2	—	—
Forward exchange contracts	SEK	—	1,666	—	—	—	4
Forward exchange contracts	CHF	—	1,087	—	3	—	—
Forward exchange contracts	CAD	—	475	—	9	—	—
Currency Options	GBP	14,439	38,282	222	572	230	80
Currency Options	USD	8,460	12,270	103	130	159	60
Currency Options	JPY	1,720	—	43	—	8	—
Currency Options	CAD	—	8,696	—	147	—	76
Interest rate/ currency swaps	JPY	2,140	—	—	—	188	—
Total		**36,085**	62,718	**394**	863	**772**	220

35 Other financial obligations

In addition to provisions, liabilities, and contingent liabilities, other financial liabilities as of December 31, 2008 amounted to 7,621 thousand euros (previous year: 21,105 thousand euros), of which 3,615 thousand euros (previous year: 16,047 thousand euros) will become due within the next twelve months; 197 thousand euros (previous year: 235 thousand euros) will become due after five years. The previous year's total includes obligations under building contracts concluded for expanding the capacity at the Landsberg location, amounting to 12,905 thousand euros. The rest of this item relates to future payments under rental agreements and leases.

The leases treated as operating leases in accordance with IAS 17 are predominantly for the use of production facilities, vehicles, IT equipment, and miscellaneous office machinery. The agreements do not have fixed terms, but provide for future minimum lease payments within the next 12 months of 2,216 thousand euros (previous year: 2,131 thousand euros), and of 2,183 thousand euros (previous year: 3,017 thousand euros) for the years 2010 to 2013 (1-5 years). No lease payments are due after that date. Insurance against loss or destruction of the objects leased is generally covered by insurance policies. There are no restrictions on any of the leases. Lease expenses recognised in the income statement in fiscal year 2008 amounted to 3,092 thousand euros (previous year: 2,667 thousand euros). 157 thousand euros (previous year: 304 thousand euros) is payable to former employees for agreed restraints on competition.

36 Segment reporting

RATIONAL's activities are focused on one business segment: the development, production, and sale of appliances used in the thermal preparation of food in industrial kitchens. RATIONAL does not currently carry any other significant independent product lines that would be reported as segments internally. For this reason, the primary and only segment reporting format is geographical.

In its segments, RATIONAL combines the subsidiaries located in the different geographical regions. This complies with the definition of segments by the location of the company's assets under IAS 14.13. The Company distinguishes between the following five segments: a) subsidiaries in Germany, b) subsidiaries in Europe excluding Germany, c) subsidiaries in the Americas, d) subsidiaries in Asia, and e) parent company activities.

The "Germany" segment includes RATIONAL Großküchentechnik GmbH as well as FRIMA Deutschland GmbH. To simplify administration, investments for RATIONAL Großküchentechnik GmbH

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Other Notes on the Group Financial Statements

are made by RATIONAL AG. However, the segment expenses for Germany, and therefore the segment profit or loss, also include the depreciation and amortisation charges attributable to these investments.

The "Europe excluding Germany" segment includes the companies in the UK, France, Italy, Spain, Austria, Switzerland, Poland, and Sweden (sales activities in the whole of Scandinavia), as well as the sales company in Russia, which was established in the year under review. Since the activities in Russia had previously been reported under RATIONAL International, which is included in the "Europe" segment, it is not necessary to adjust the prior-year figures.

The "Americas" segment combines the activities of the companies in the United States and Canada as well as the newly formed sales company in Brazil. For reasons of materiality, comparative figures are not reported for this newly established subsidiary. When making a year-on-year comparison, it should be noted that in fiscal year 2007 RATIONAL AG reimbursed to its U.S. subsidiary costs of 504 thousand euros incurred in the United States in connection with a legal dispute in 2006.

The activities of the subsidiaries in Japan and China are reported in the "Asia" segment.

The activities of the parent company segment, which comprises RATIONAL AG, LechMetall Landsberg GmbH, RATIONAL Technical Services GmbH, and RATIONAL Komponenten GmbH, all with registered offices in Landsberg am Lech, Germany, involve the development, production, and delivery of products to the subsidiaries and the provision of services. In addition, the parent company makes supplies to OEM customers around the world.

This segment division reflects the company's management structure and also represents the risk and profit structures within the business worldwide.

Segment sales include both sales to third parties and intercompany sales between Group companies across the segments. Intercompany revenue and income are always based on arm's length prices.

Segment depreciation and amortisation relates to intangible assets and property, plant, and equipment. No other material non-cash expenses reportable under IAS 14.61 were incurred in either 2008 or the previous year.

Segment assets include all assets except cash and cash equivalents and tax assets. Segment liabilities do not include liabilities under finance leases, loans, or income tax liabilities.

The reconciliation column reflects the effects of consolidation as well as amounts resulting from different definitions of the content of segment captions compared with the corresponding Group captions.

2008 Thousands of euros	**Activities of the subsidiaries in:** Germany	Europe excl. Germany	Americas	Asia	**Activities** of the parent company	**Total** for segments	**Reconcil.**	**Group**
External sales	53,212	219,586	37,102	10,608	22,450	**342,958**	—	**342,958**
vs. previous year	+ 2%	+ 3%	– 4%	+ 21%	– 4%	+ 2%	—	+ 2%
share	15%	64%	11%	3%	7%	100%	—	100%
Intercompany sales	1,880	4,655	—	—	228,583	**235,118**	– 235,118	—
Segment sales	55,092	224,241	37,102	10,608	251,033	**578,076**	– 235,118	**342,958**
vs. previous year	+ 4%	+ 3%	– 4%	+ 21%	+ 2%	+ 3%	—	+ 2%
Segment expenses	55,182	208,932	36,323	10,450	181,818	**492,705**	– 232,851	259,854
Segment result	– 90	+ 15,309	+ 779	+ 158	+ 69,215	**+ 85,371**	– 2,267	**+ 83,104**
vs. previous year	– 1,094	– 741	– 777	+ 95	– 3,411	– 5,928	– 3,528	– 9,456
Financial result	—	—	—	—	—	—	—	**432**
Earnings before taxes	—	—	—	—	—	—	—	**83,536**
Taxes on income	—	—	—	—	—	—	—	**– 21,855**
Group earnings	—	—	—	—	—	—	—	**61,681**
Segment assets	5,304	60,394	14,791	5,021	130,553	**216,063**	– 68,816	**147,247**
Segment liabilities	6,090	45,721	17,187	5,849	23,804	**98,651**	– 54,299	**44,352**
Segment investments	9	1,011	267	43	31,256	**32,586**	—	**32,586**
Segment depreciation	28	983	231	49	5,872	**7,163**	—	**7,163**
Employees as at Dec. 31, 2008	76	356	75	37	573	**1,117**	—	**1,117**
vs. previous year	+ 3	+ 38	+ 5	+ 5	+ 58	+ 109	—	109

2007 Thousands of euros	**Activities of the subsidiaries in:** Germany	Europe excl. Germany	Americas	Asia	**Activities** of the parent company	**Total** for segments	**Reconcil.**	**Group**
External sales	51,972	213,683	38,679	8,750	23,472	**336,556**	—	**336,556**
share	15%	64%	11%	3%	7%	100%	—	100%
Intercompany sales	760	3,203	—	—	223,374	**227,337**	– 227,337	—
Segment sales	52,732	216,886	38,679	8,750	246,846	**563,893**	– 227,337	**336,556**
Segment expenses	51,728	200,836	37,123	8,687	174,220	**472,594**	– 228,598	**243,996**
Segment result	1,004	16,050	1,556	63	72,626	**91,299**	1,261	**92,560**
Financial result	—	—	—	—	—	—	—	**903**
Earnings before taxes	—	—	—	—	—	—	—	**93,463**
Taxes on income	—	—	—	—	—	—	—	**– 32,308**
Group earnings	—	—	—	—	—	—	—	**61,155**
Segment assets	5,563	60,657	12,546	3,465	99,515	**181,746**	– 58,871	**122,875**
Segment liabilities	6,080	43,387	13,911	3,926	18,231	**85,535**	– 46,658	**38,877**
Segment investments	158	874	481	28	12,769	**14,310**	—	**14,310**
Segment depreciation	17	772	197	45	4,264	**5,295**	—	**5,295**
Employees as at Dec. 31, 2007	73	318	70	32	515	**1,008**	—	**1,008**

In accordance with IAS 14.71, revenue is also broken down by customer location in the note on revenue.

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Other Notes on the Group Financial Statements

37 Legal disputes

In the course of its normal business activities, RATIONAL is involved in a number of small court actions and claims concerning opposition proceedings before the patent office (own patents and patents owned by third parties) and the recovery of default receivables.

38 Associated companies and persons

In the 2008 reporting year, there were transactions with the non-consolidated subsidiaries MEIKU Vermögensverwaltung GmbH and TAGO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Landsberg KG. The only party related to the Group is majority shareholder Mr. Siegfried Meister, who holds 62.97 percent of the equity of RATIONAL AG and thus exercises control over the Company.
In the period under review, invoices issued by MEIKU Vermögensverwaltung GmbH to RATIONAL AG, primarily for the management of land and buildings at Siemensstraße 5 in Landsberg am Lech, were recognised as expenses in an amount of 125 thousand euros (previous year: 121 thousand euros). RATIONAL AG's revenue generated with MEIKU Vermögensverwaltung GmbH amounted to 24 thousand euros (previous year: 24 thousand euros). In addition, income from the investment in MEIKU Vermögensverwaltung GmbH amounted to 57 thousand euros (previous year: 0 thousand euros). As of December 31, 2008, RATIONAL AG had neither liabilities to nor receivables from MEIKU Vermögensverwaltung GmbH.
RATIONAL AG leases buildings located at Siemensstraße 5 in Landsberg am Lech from TAGO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Landsberg KG. Lease expenses incurred in this regard amounted to 685 thousand euros in the period under review (previous year: 723 thousand euros). As of the balance sheet date of December 31, 2008, RATIONAL AG had liabilities to TAGO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Landsberg KG amounting to 16 thousand euros (previous year: 15 thousand euros). RATIONAL AG has granted a lessee loan to TAGO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Landsberg KG amounting to 7,159 thousand euros as of December 31, 2008 (previous year: 6,914 thousand euros). The loan will be used to acquire the building at the end of the lease without additional cash. Since finance leases are reported in accordance with IAS 17, these consolidated financial statements do not include any lease expenses nor the lessee loan. The inclusion of TAGO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Landsberg KG in the consolidated group would have no material effect on the consolidated financial statements.
Further information on MEIKU Vermögensverwaltung GmbH and TAGO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Landsberg KG can be found in the notes on the basis of consolidation and on financial assets.

39 Supervisory Board and Executive Board

The composition of the Supervisory Board did not change during fiscal year 2008. The members of the Supervisory Board are as follows:

• Siegfried Meister, Entrepreneur	Chairman of the Supervisory Board
• Walter Kurtz, Kaufmann	Deputy Chairman of the Supervisory Board
• Roland Poczka, Kaufmann	Member of the Supervisory Board

For fiscal year 2008, the total compensation of the Supervisory Board amounted to 542 thousand euros (previous year: 552 thousand euros), distributed as follows:

Thousands of euros	Fixed	Performance-related	Other	Total 2008
Siegfried Meister	150	41	25	216
Walter Kurtz	125	41	19	185
Roland Poczka	100	41	—	141
Total	**375**	**123**	**44**	**542**

Thousands of euros	Fixed	Performance-related	Other	Total 2007
Siegfried Meister	150	46	22	218
Walter Kurtz	125	46	17	188
Roland Poczka	100	46	—	146
Total	375	138	39	552

The Supervisory Board compensation for fiscal year 2008, amounting to 444 thousand euros (previous year: 513 thousand euros), is included in other liabilities as of the balance sheet date.

As of December 31, 2008, the members of the Supervisory Board held a total of 8,119,310 shares in RATIONAL AG (previous year: 8,119,310 shares), of which Mr. Siegfried Meister held 7,159,786 shares (previous year: 7,159,786 shares). Mr. Siegfried Meister and Mr. Walter Kurtz each also hold one percent of the share capital of MEIKU Vermögensverwaltung GmbH.

In addition to his membership of the Supervisory Board of RATIONAL AG, Roland Poczka is on the Advisory Board of the Glatz Group, Neidenfels, Germany. He resigned from the Administrative Boards of RATIONAL International AG and FRIMA International AG, both of Balgach, Switzerland, as well as of RATIONAL Schweiz AG, Balsthal, Switzerland, in 2008.

Reinhard Banasch was appointed member of the Executive Board and Chief Sales and Marketing Officer as from April 1, 2008. The following are therefore members of the Executive Board:

- Dr. Günter Blaschke, Dipl.-Kaufmann — Chief Executive Officer
- Erich Baumgärtner, Dipl.-Betriebswirt — Chief Financial Officer
- Peter Wiedemann, Dipl.-Ingenieur — Chief Technical Officer
- Reinhard Banasch, Dipl.-Betriebswirt — Chief Sales and Marketing Officer

The shareholders' meeting held on May 17, 2006 resolved in accordance with Section 314 (2) sentence 2 of the HGB not to disclose separately the compensation paid to individual members of the Executive Board.

The total compensation of the members of the Executive Board for the performance of their duties in the parent company and its subsidiaries amounted to 3,040 thousand euros in fiscal year 2008 (previous year: 2,708 thousand euros). This amount includes a performance-related salary component of 1,471 thousand euros (previous year: 1,242 thousand euros).

As of the balance sheet date, the members of the Executive Board together held 15,293 shares in RATIONAL AG (previous year: 9,933 shares).

None of the members of the Executive Board are members of Supervisory Board committees of non-Group companies.

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Other Notes on the Group Financial Statements

40 Stock option scheme

On February 3, 2000, RATIONAL AG launched a stock option plan for the Company's Executive Board members. The plan is designed to offer Board members additional incentives to secure the company's economic success in the medium and long term and, in the interests of the shareholders, to work toward increasing the value of the company.

It was decided initially to grant beneficiaries of the plan the option to buy a total of 200,000 shares in the Company in up to five tranches, representing a notional share of the Company's share capital of 200 thousand euros. Only the Supervisory Board is competent to conclude option agreements, and is also responsible for deciding who is eligible among the members of the Executive Board.

The option rights may have terms of up to five years from the dates of issue of the individual tranches. The option rights themselves may be exercised two years after issue at the earliest. The Supervisory Board can resolve that portions of the option rights may only be exercised after a longer lock-up period. When individual lock-up periods expire, the option rights are only exercisable within certain periods. The periods during which options can be exercised start in each case on the second and end on the sixth trading day following a regular shareholders' meeting of the Company or the publication of a quarterly report.

The exercise price for option rights issued before the Company's shares were first listed on the Frankfurt Stock Exchange at the time of the Company's IPO in 2000 corresponds to the offering price per share set then. For option rights issued at a later date, the exercise price corresponds to the average (arithmetic mean) closing price of the Company's shares on the Frankfurt Stock Exchange on the last five trading days prior to the Supervisory Board's resolution to issue the particular portion of option rights.

As of the balance sheet date of December 31, 2008, option rights to a maximum of 131,000 shares in RATIONAL AG still remained in the stock option plan.

41 Provision for pensions for the management

In 2001, RATIONAL AG implemented a pension plan for the Executive Board and other senior executives, through an external reinsured support fund. In fiscal year 2008, 308 thousand euros (previous year: 291 thousand euros) was contributed to the defined contribution plan.

42 Statement on the German Corporate Governance Code

The Executive Board and the Supervisory Board of RATIONAL AG have issued a declaration in accordance with Section 161 of the AktG detailing which recommendations of the Government Commission for a German Corporate Governance Code were and are being complied with. This declaration was based on the German Corporate Governance Code as amended on June 6, 2008. The declaration of conformity has been made permanently available to the shareholders.

43 Subsequent events

No events have taken place since the close of fiscal year 2008 that are of particular significance for the assessment of RATIONAL AG's and the Group's net assets, financial position, and profit or loss, as stipulated by IAS 10.

44 Auditor

By resolution of the shareholders' meeting of May 7, 2008, Rölfs WP Partner AG Wirtschaftsprüfungsgesellschaft, Munich, was appointed as auditor for fiscal year 2008.

In fiscal year 2008, total expenses of 332 thousand euros (previous year: 292 thousand euros) were recognised for services provided by Rölfs WP Partner AG Wirtschaftsprüfungsgesellschaft. The total is made up of 200 thousand euros (previous year: 219 thousand euros) for the auditing of separate and consolidated financial statements, 76 thousand euros (previous year: 32 thousand euros) for tax consultancy services, 53 thousand euros (previous year: 32 thousand euros) for certification and valuation services, and 3 thousand euros (previous year: 9 thousand euros) for other services.

Landsberg am Lech, February 13, 2009

RATIONAL AG
The Executive Board

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Auditors' Report

We have audited the consolidated financial statements prepared by the Parent Company RATIONAL Aktiengesellschaft, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2008.

The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. [paragraph] 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accountingrelated internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, February 13, 2009

Rölfs WP Partner AG
Wirtschaftsprüfungsgesellschaft

Dr. Wenk	Weissinger
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Responsibility Statement

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

Landsberg am Lech, February 13, 2009

RATIONAL AG
The Executive Board

Notes


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Multi-year overview

		2008	2007	2006	2005	2004	2003	2002
Earnings situation								
Sales	€ million	343.0	336.6	283.7	246.4	221.8	186.6	177.3
Sales abroad	%	84	84	84	83	84	83	81
Gross margin	€ million	203.7	199.9	173.8	149.7	131.5	108.5	105.0
EBITDA	€ million	90.4	97.9	84.8	71.2	57.9	46.5	41.6
Depreciation / Amortisation	€ million	7.3	5.3	4.3	4.3	4.6	4.2	3.4
EBIT	€ million	83.1	92.6	80.5	66.9	53.3	42.3	38.2
Financial results	€ million	0.4	0.9	0.6	0.3	0.5	0.3	0.2
EBT	€ million	83.5	93.5	81.1	67.2	53.9	42.6	38.4
Group earnings	€ million	61.7	61.2	51.8	42.4	33.8	26.8	26.6
Earnings per share (undiluted)	€	5.42	5.38	4.55	3.73	2.98	2.36	2.34
Gross margin	%	59.4	59.4	61.3	60.8	59.3	58.1	59.2
EBITDA-margin	%	26.4	29.1	29.9	28.9	26.1	24.9	23.5
EBIT-margin	%	24.2	27.5	28.4	27.2	24.0	22.7	21.5
EBT-margin	%	24.4	27.8	28.6	27.3	24.3	22.8	21.6
Return on equity (before taxes)	%	62.5	75.4	76.7	74.7	51.8	47.0	48.6
Return on invested capital (ROIC)	%	40.7	48.0	49.6	40.4	32.1	28.5	31.9
Dividend*	€ million	11.4	51.2	42.6	34.1	56.9	21.0	14.8
Dividend per share*	€	1.00	4.50	3.75	3.00	5.00	1.85	1.30

*Dividend 2008 - subject to approval by Shareholders' Meeting.

		2008	2007	2006	2005	2004	2003	2002
Asset situation								
Fixed assets	€ million	63.1	38.0	29.2	28.1	28.1	27.5	26.0
Current assets								
(incl. deferred tax assets and prepaid expenses)	€ million	145.9	149.4	117.4	104.0	118.7	100.5	88.0
Inventories	€ million	20.6	18.6	15.5	16.2	14.3	12.8	11.3
Trade receivables	€ million	57.7	61.4	53.1	46.1	36.7	32.7	30.9
Cash and cash equivalents (including fixed deposits)	€ million	57.1	62.3	40.6	34.8	59.9	49.7	41.0
Balance sheet total	€ million	209.0	187.4	146.6	132.1	146.8	128.0	114.0
Equity	€ million	133.6	124.0	105.8	89.9	104.1	90.6	78.9
Debts	€ million	75.4	63.4	40.8	42.2	42.7	37.4	35.1
Provisions (incl. liabilities from current taxes)	€ million	22.1	19.7	21.8	21.3	22.0	16.7	13.0
Liabilities to banks	€ million	25.8	18.0	—	2.5	2.2	2.4	2.9
Trade accounts payable	€ million	10.9	9.3	6.8	5.4	5.8	4.6	4.8
Other liabilities (incl. deferred income)	€ million	16.6	16.4	12.2	13.0	12.7	13.8	14.3
Liabilities from finance leasing agreements	€ million	2.1	2.9	4.0	5.8	5.6	6.9	8.1
Other liabilities	€ million	14.5	13.5	8.2	7.2	7.1	6.9	6.2
Equity ratio	%	63.9	66.2	72.2	68.1	70.9	70.8	69.2
Net gearing	%	36.1	33.8	27.8	31.9	29.1	29.2	30.8
Equity-to-fixed-assets ratio	%	211.7	326.3	362.3	320.0	370.5	329.0	304.0
Capital Employed	€ million	162.0	145.5	110.6	99.0	112.6	100.6	90.7
Working Capital (excluding liquid funds)	€ million	60.7	61.7	58.4	53.0	41.0	37.0	33.6
as a percentage of sales	%	17.7	18.3	20.6	21.5	18.5	19.9	18.9
Cash flow/Investments								
Cash flow from operating activities	€ million	71.0	61.1	49.1	32.8	39.2	29.8	31.9
Cash flow from investing activities	€ million	– 38.4	– 30.2	– 1.8	– 3.7	– 4.6	– 4.9	– 3.4
Cash flow from financing activities	€ million	– 45.4	– 26.0	– 38.4	– 42.3	– 37.3	– 5.1	– 25.2
Investments	€ million	32.6	14.3	5.7	6.0	5.7	6.0	4.3
Employees								
Employees (as an annual average)		1,090	965	864	792	742	679	669
Personnel expenses	€ million	72.3	63.7	57.0	53.4	47.7	43.6	42.0
Sales per employee	€ thousand	314.7	348.8	328.4	311.1	298.9	274.7	265.1

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