Annual Report 2011

SUSTAINABLE AND EFFICIENT

RATIONAL AG company profile

Sustainable and efficient: thermal preparation of food using RATIONAL products

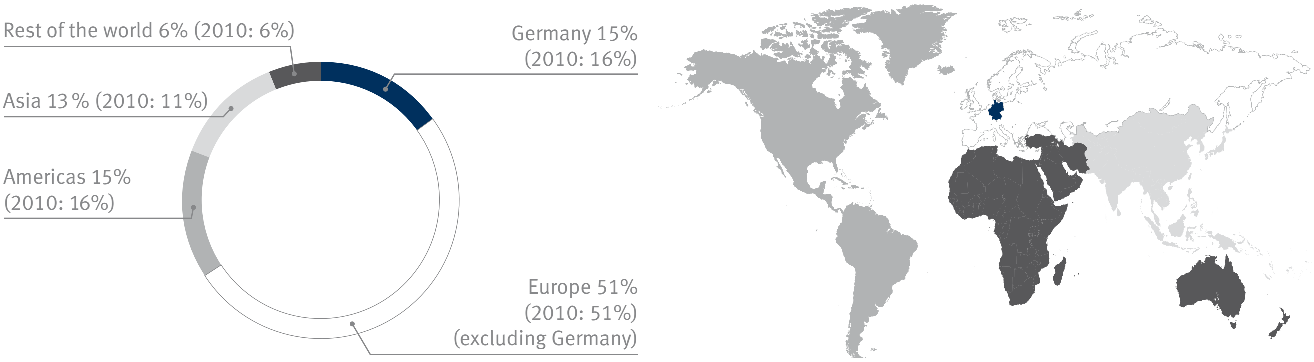
We are the global market and technology leader in innovative solutions for the thermal food preparation. Our primary corporate objective is as follows: **"We offer the greatest possible benefit to the people preparing hot food in the professional kitchens of the world."** Our trendsetting innovations set the global standard for cooking intelligence, cooking quality, user friendliness and resource efficiency.

The SelfCookingCenter® whitefficiency® and the VarioCookingCenter MULTIFICIENCY® are able to deal with practically all cooking processes. They can grill, steam, gratinate, bake, prove, roast, braise, simmer, stew, poach, blanch, deep-fry, cook at low temperatures and much more. As a result, they replace virtually all conventional cooking equipment in the professional kitchen and are winning over ever more customers worldwide. RATIONAL maintains a presence in over 100 countries through own sales companies and independent sales partners.

Our equipment is ideal for organisations serving 30 meals a day or more. Customers include restaurants, hotels, company canteens, hospitals, schools, universities, military facilities, prisons and retirement homes, as well as fast-food chains, caterers, supermarkets, butchers' shops, bakeries and snack outlets. The potential global market comprises more than 2.5 million professional kitchens, of which to date only around 30% use combi-steamer technology. 70% of all potential customers still use traditional cooking equipment.

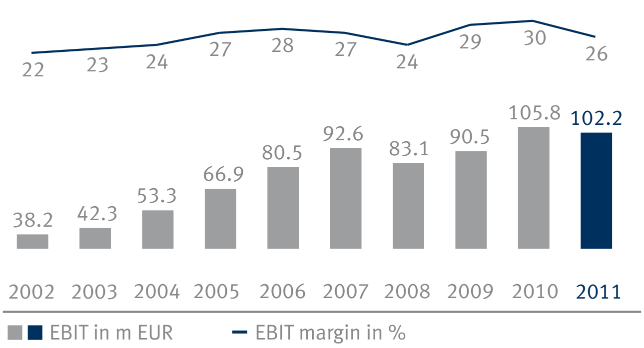
Global presence

Sales by region in 2011



Key financial figures

EBIT development and EBIT margin 2002 to 2011



Key figures 2011/2010		2011	2010
Sales	m EUR	391.7	350.1
Gross profit	m EUR	234.4	217.0
Depreciation/Amortisation	m EUR	7.3	6.8
EBIT	m EUR	102.2	105.8
EBIT margin	%	26.1	30.2
Return on equity (after taxes)	%	36.0	38.0
Return on invested capital (ROIC)	%	33.2	33.9
Equity ratio	%	73.1	75.3
Cash flow from operating activities	m EUR	67.7	86.9

10-year Overview		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Sales	m EUR	391.7	350.1	314.4	343.0	336.6	283.7	246.4	221.8	186.6	177.3
EBIT	m EUR	102.2	105.8	90.5	83.1	92.6	80.5	66.9	53.3	42.3	38.2
Group earnings	m EUR	78.7	79.8	67.3	61.7	61.2	51.8	42.4	33.8	26.8	26.6
Earnings per share	EUR	6.93	7.02	5.92	5.42	5.38	4.55	3.73	2.98	2.36	2.34
Cash flow from operating activities	m EUR	67.7	86.9	83.2	71.0	61.1	49.1	32.8	39.2	29.8	31.9
Return on invested capital (ROIC)	%	33.2	33.9	35.5	40.7	48.0	49.6	40.4	32.1	28.5	31.9
Balance sheet total	m EUR	283.2	305.7	265.7	209.0	187.4	146.6	132.1	146.8	128.0	114.0
Equity ratio	%	73.1	75.3	71.4	63.9	66.2	72.2	68.1	70.9	70.8	69.2
Number of employees (average)		1,184	1,058	1,031	1,090	965	864	792	742	679	669
Dividend per share*	EUR	5.50	9.00	3.50	1.00	4.50	3.75	3.00	5.00	1.85	1.30

* payout in the following year, 2011 subject to approval by the General Meeting of Shareholders 2012

Maximum customer benefit due to easy handling, best cooking quality and efficiency

Perfectly designed: The SelfCookingCenter® whitefficiency®

The SelfCookingCenter® whitefficiency® transfers the heat via steam, hot air or a combination of the two. The key unique selling proposition is cooking intelligence, which automatically determines the optimum cooking process, so that the desired result can be achieved with perfect precision every time and without any need for the cooking process to be supervised. The chef is notified as soon as the cooking process has come to an end, leaving him time for the essentials: creativity and the wellbeing of his guests.

Smart cooking: The VarioCookingCenter MULTIFICIENCY®

The VarioCookingCenter MULTIFICIENCY® cooks in liquids or in direct contact with heat. It is up to eight times faster than comparable products, with 40% less energy consumption. The cooking intelligence controls the cooking process fully automatically and perfectly matches it to the desired results of the dishes. The chef is notified as soon as he needs to take action himself. Nothing boils over, nothing burns. Anyone, who has experienced the benefits, will never want to go back to cooking without them.

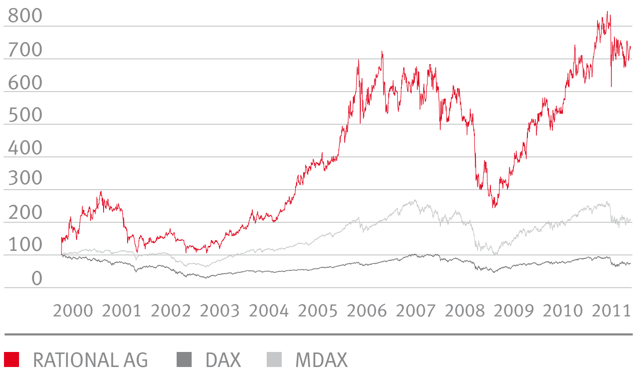
Key figures regarding RATIONAL shares

Key figures 2011/2010		2011	2010
Maximum price[1]	EUR	193.90	170.75
Minimum price[1]	EUR	134.65	103.75
Year-end closing price[1]	EUR	168.20	161.89
Market capitalization[2]	m EUR	1,912.4	1,840.7
Dividend yield[3]	%	3.3	5.6
Beta factor (one year) as of Dec. 31[4]		0.38	0.67
Sales per share	EUR	34.45	30.79
Price-to-sales ratio[2]		4.9	5.3
Earnings per share	EUR	6.93	7.02
Price-earnings ratio[2]		24.3	23.1
Cash flow per share	EUR	5.96	7.64
Price-cash flow ratio[2]		28.2	21.2

[1] German stock market; [2] as of balance sheet date; [3] in relation to the previous' year closing price; [4] in relation to the MDAX-Performance-Index

Performance of the RATIONAL shares since the IPO

Index (issue price 23 EUR = 100); in %



RATIONAL shares – basic information

Number of shares[1]	11,370,000
Shareholder structure[1]	Holding shares 71.4%, Free Float 28.6%
ISIN	DE0007010803
WKN	701 080
Market abbreviation	RAA

[1] Status: February 15, 2012

Financial calender 2012

Balance Sheet Press Conference Year 2011	Munich	Mar. 27, 2012
DVFA Analyst Meeting	Frankfurt	Mar. 27, 2012
Financial figures Q1/2012	Landsberg	May 10, 2012
General Meeting of Shareholders 2012	Augsburg	May 16, 2012
Financial figures Q2/2012	Landsberg	Aug. 7, 2012
Financial figures Q3/2012	Landsberg	Nov. 8, 2012

Executive Board and Supervisory Board

The Executive Board

Dr. Günter Blaschke, CEO
Peter Wiedemann, CTO
Erich Baumgärtner, CFO
Reinhard Banasch, CSO

The Supervisory Board

Siegfried Meister, Chairman
Walter Kurtz, Deputy Chairman
Dr. Hans Maerz

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Status: March 27, 2012

Key figures

in m EUR	2011	2010	Change absolute	Change in %
Sales and earnings				
Sales	391.7	350.1	+41.6	+12
Sales abroad in %	85	84	+1	–
Cost of sales	157.3	133.2	+24.1	+18
Sales and service expenses	100.7	83.4	+17.3	+21
Research and development expenses	14.9	13.5	+1.4	+11
General administration expenses	17.5	15.6	+1.9	+12
Earnings before interest and taxes (EBIT)	102.2	105.8	–3.6	–3
Group earnings	78.7	79.8	–1.1	–1
Return on invested capital (ROIC) in %	33.2	33.9	–0.7	–
Balance sheet				
Balance sheet total	283.2	305.7	–22.5	–7
Working capital [1]	73.4	58.2	+15.2	+26
Equity	206.9	230.3	–23.4	–10
Equity ratio in %	73.1	75.3	–2.2	–
Cash flow				
Cash flow from operating activities	67.7	86.9	–19.2	–22
Investments	5.7	4.5	+1.2	+28
Free cash flow [2]	62.0	82.4	–20.4	–25
Key figures RATIONAL shares				
Earnings per share (in EUR)	6.93	7.02	–0.09	–1
Year-end closing price [3] (in EUR)	168.20	161.89	+6.31	+4
Market capitalization	1,912.4	1,840.7	+71.7	+4
Employees				
Number of employees as of Dec. 31	1,224	1,092	+132	+12
Number of employees (average)	1,184	1,058	+126	+12
Sales per employee (in kEUR)	330.8	330.9	–0.1	+/–0

[1] Excluding liquid funds
[2] Cash flow from operating activities less investments
[3] German stock market

RATIONAL – sustainable and efficient.

Our integral strategic corporate approach finds expression in the word whitefficiency®. It underlines the theme of resource efficiency, as well as, sustainability of our actions. To us, whitefficiency® means to derive the maximum value out of each applied resource, be it time, energy, water, space, cleaner or raw material.

whitefficiency® is company philosophy!

Contents

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web link

Foreword by the Supervisory Board

Dear Ladies and Gentlemen,

The acceptance of social responsibility has a long tradition in Germany and, encouragingly, many companies make their contribution to the future sustainability of the community. Therewith, entrepreneurial responsibility for society finds expression in a variety of ways. How precisely it manifests itself in individual cases depends on the sector, the markets and the general situation. Yet one basic idea unites many entrepreneurs in their commitment: they link the justification for their business' existence to the extent of social benefit which is created by entrepreneurial action.

We, at RATIONAL, make a long-term contribution to this, in the form of innovative products and services, to ensure, that our customers are able to the greatest possible extent to satisfy the basic human need for warm food when away from home. We support people in the professional kitchens of the world in preparing meals of a consistently high quality, with savings in time and, above all, in resources. At present, more than 110 million meals a day are already prepared using our equipment.

Only customer value creates shareholder value

In keeping with long-term entrepreneurial responsibility for society, the main corporate objective must consequently be simply customer benefit and not – as is frequently the case – the short-term maximisation of profits.

Offering the customer maximum benefit at all times has been our top corporate objective for about 35 years now. Specialisation and the concentration of all our thoughts and actions on the preparation of hot food in the professional kitchens of the world has over the years led to ever closer links between us and our target group, and an even better understanding of their wishes and needs. We have practically become part of their world and, hence, are able to provide ideal solutions to their problems. We improve their world of work continuously and, as a result, our attractiveness and appeal are growing year by year.

The results are sustainable growth and high earnings power for future investments which result in ever more customer benefit. In this, the profit itself is the result at the end of the value-added chain, or merely the yardstick for how well we have fulfilled our entrepreneurial role.

In contrast, when the quest to maximise profits is upheld as the top corporate objective, this frequently leads to wrong decisions that benefit the business and shareholders in the short term, but yet are at the expense of customers. That is not the way to achieve long-term business success.

More customer benefit thanks to resource efficiency

From the very outset, the efficient use of resources took center stage at RATIONAL as an integral, strategic business approach. It starts right from product development, with the use of recoverable components, and

Siegfried Meister, Chairman of the Supervisory Board

continues through to environmentally certified production, a system of sales logistics which particularly targets the conservation of resources, and the recovery and recycling of old appliances.

In particular, resource efficiency applies to the day-to-day use of our appliances in the kitchen. And it is precisely here that our technology achieves the biggest savings.

In 2011, we successfully launched a completely new generation of products worldwide in the shape of the SelfCookingCenter® whitefficiency® and the VarioCookingCenter MULTIFICIENCY®, all without any increase in prices. With both trendsetting innovations we provided impressive proof of our claim to offer customers the best possible technology and quality at an attractive price at all times.

Siegfried Meister

Letter from the Executive Board

Dear Shareholders, Customers and Business Partners,

The unexpectedly strong economic recovery that started in 2010 has continued in 2011 with a growth rate of 4% – albeit at a slightly slower pace. Driven in particular by Asia and Latin America, absolute economic output in the past year exceeded the high pre-crisis level in all regions of the world.

On the other hand, by year end, the financial risks that continue to exist came to the forefront again. The euro crisis in particular, as well as the unresolved debt problems in the US and the continuing unrest in Arab countries, is negatively impacting the mood.

Highest sales in the company's history

Again in 2011, we were able to achieve double-digit sales growth, which at 392 million euros stands at a new record. All regions of the world contributed to sales growth. In Germany and the rest of Europe, we posted increases of 9% and 10%. In Asia, sales rose by 32%; in the Americas the figure was 7%. The rest of the world (Australia, New Zealand, Near/Middle East, Africa) posted a 12% increase. This development shows that our growth is not dependent on individual markets, but that it rests on a stable and diverse foundation.

Successful market launches

The successful market launch of the SelfCookingCenter® whitefficiency® and of the VarioCookingCenter MULTIFICIENCY® also played its part in this positive sales trend.

Thanks to trendsetting innovations, we were able to further extend our global technology lead. Both systems set completely new standards in regards to cooking perfection, user-friendliness, sustainability and efficiency. And all at an attractive price without any price increase.

The reaction from customers is extremely positive. This was impressively demonstrated at one of the most important international trade fairs – Milan's HOST catering trade fair. The SelfCookingCenter® whitefficiency® was voted the most innovative product (Gold Innovation), and also as the product with the best figures in terms of sustainability and efficiency (Green Excellence).

RATIONAL is the chef's company. So it goes without saying that we chose the colour white, which stands for cleanliness, hygiene, clarity, focus and decisiveness, as the colour for our new SelfCookingCenter® whitefficiency® and for the new brand image overall. To us, whitefficiency® means creating the maximum benefit from every resource used, be it time, energy, water, space, cleaner or raw materials.

At the same time, whitefficiency® stands for our integral, strategic approach to business. It underlines the sustainability of our actions, from product development, production, operation in the kitchen and efficient service, through to recovery of the components at the end of the life cycle.

Peter Wiedemann
Chief Technical Officer

Born in 1959, joined RATIONAL GmbH as an engineer after studying mechanical engineering at the Technical University of Munich. From 1990 until 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. In September 1999, he was appointed to the Executive Board.

Dr. Günter Blaschke
Chief Executive Officer

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 development at Joh. Vaillant GmbH & Co. KG, Remscheid. In March 1997, he moved to RATIONAL GmbH to take up his post as Managing Director. He has been the CEO since September 1999.

Reinhard Banasch
Chief Sales Officer

Born in 1961, after studying business management and working in tasks of sales and product management for Nixdorf Computer AG, Mr. Banasch worked for Mars Incorporated in several international distribution and general management functions for 11 years. From 2002, he was employed at Pilkington as distribution director Europe and regional Managing Director south Europe. Since 1st April 2008, Mr. Banasch is a member of the Executive Board of RATIONAL AG and responsible for marketing and sales.

Erich Baumgärtner
Chief Financial Officer

Born in 1954, studied business management at Rosenheim University of Applied Science. 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.

Investments in the future

One-off burdens of approximately 8 million euros were incurred in order to convert the entire product portfolio to the new lines in the seasonally strong sales months of the fourth quarter, and had a non-recurring adverse impact on profits for 2011.

Besides one-off effects in production for the phasing out of the old generations of products and the phasing in of the new ones, this relates primarily to the very comprehensive global rollout activities, especially in the major markets of the future in Asia and Latin America. At 90 launch events in 43 countries our new generations of appliances were presented to more than 5,000 enthusiastic dealers, planners, end customers and journalists. At the same time the entire brand image was completely redesigned.

With an EBIT of 102 million euros, the previous year's figure of 106 million euros was only slightly undershot, despite these non-recurring effects. This equates to an EBIT margin of 26% (previous year 30%). Adjusted for special effects, the EBIT margin would stand at 28%.

In order for our shareholders to reap in the company's success as appropriate, the Supervisory Board and Executive Board have decided to propose to the General Meeting of Shareholders to increase the dividend from 5.00 to 5.50 euros per share.

Two world brands to multiply success

The SelfCookingCenter® whitefficiency® and the VarioCookingCenter MULTIFICIENCY® complement one another perfectly and appeal to the same target group. They have comparable cooking intelligence and multifunctionality, and both have a large untapped global market potential. Nevertheless, the separate marketing has paid off, even though as a result we have largely had to forego the benefits of synergies.

The two-brand strategy is underpinned by our corporate philosophy of the flexible, decentralised organisation (enterprise in the enterprise), which enables us to establish our complex professional technology faster in the markets of the world. Small speedboats with autonomous management and their own identity are more focussed, more flexible and, hence, ultimately more successful than a large tanker.

Due to the fact that we allow RATIONAL and FRIMA to operate in parallel as independent specialists, we are establishing FRIMA as a second strong and innovative world brand with maximum customer benefit. From the perspective of long-term business development, two independent brands are worth more than one brand with two products.

The Entrepreneur in the Company (U.i.U®) as a guarantee of success

The principle of the U.i.U.®, the "Entrepreneur in the Company", is also based on this perception, and applies equally for all employees, regardless of function and hierarchy. U.i.U.® means that all employees work as independent entrepreneurs. They have a good command of their tasks, enhance their working methods, make decisions and take responsibility for them. They learn from mistakes and avoid them in future. They are on a par with colleagues and superiors, and express and justify their opinions. They make decisions with an eye to the entire business and its objectives.

One bottleneck which is already apparent, and which in future will become so even more, is the lack of skilled employees, especially engineers and international managers. Which is why we place great emphasis on professional training in the business, aimed at promoting as many manager positions as possible from within our own ranks. Additionally, graduate recruits are prepared for future specialist and management tasks in all areas of the business as young talents in tailor-made development programs.

Entering 2012 with confidence

The economic experts at the International Monetary Fund (IMF) are assuming 3% growth for the world economy for 2012. Growth forecasts, however, have been gradually scaled back in recent months, as a reflection of the prevailing uncertainty.

Nevertheless we are ideally placed to continue on our successful path in 2012. We have products which are superior to those of our competitors, a large untapped global market potential, excellent customer loyalty, a sound business model and an extremely solid financial base.

Against this backdrop, we plan to gradually expand our international sales and marketing network in 2012, in line with market potential. Overall we are entering the new year with confidence and we expect to see both sales and operating result grow again accordingly.

We would like to thank all our customers and business partners, as well as you, our shareholders, for the cooperation extended to us and the trust placed in us in fiscal year 2011.

Our very special thanks are directed to our employees. In the past year their high level of commitment, great passion and extraordinary flexibility have made a crucial contribution to our overall success.

Dr. Günter Blaschke
Chief Executive Officer of RATIONAL AG

Product leadership
– a customer promise

For us, product leadership means always offering our customers the best possible technology and quality at a reasonable price. This aspiration has been embraced in our corporate philosophy for many years and is, at the same time, a personal promise to our customers. Time and again, the customer feedback, received from many customer surveys shows that we are true to our word.

This long-term success is based on our self-understanding of being specialists in our field. We are specialists because we know we can serve our well-defined target group – people preparing food in the professional kitchens of the world – most effectively by concentrating all of our efforts on their most important and central need – the preparation of hot food. Specialising in this way, therefore, forms the very foundation of our superior solutions and innovative strength.

But we are not just the company for chefs, we are also the company of chefs. We have 250 chefs working in sales, application research and consulting. This means that we maintain an intimate relationship with our customers. After all, we have practically become part of their world and know exactly what they want. This deep, intrinsic knowledge is the key requirement for our forward-looking innovations that aim to continuously improve the working environment of our customers and, in turn, increase the customer benefits of our technologies.

Examples of key customer benefits include ease of use, optimum cooking quality and, not least, maximum efficiency in the consumption of resources. Resource efficiency is an issue of growing significance in customers' purchasing decisions. Our understanding of efficiency, therefore, covers financial and ecological aspects, which we integrate into integral innovative product solutions.

The most recent example of such solutions is the new SelfCooking Center® whitefficiency®. It combines cutting-edge technology with maximum ease of operation, as well as, enabling perfect cooking results with the lowest level of consumption. With the SelfCookingCenter® whitefficiency®, we were able to further extend our product and technology leadership.

Superior technology is also deployed in our complementary product, the VarioCookingCenter MULTIFICIENCY® – the universal unit for boiling, roasting and frying. It is up to eight times faster than conventional units, uses fewer raw materials and saves time, energy and space. The built-in intelligent cooking facility alerts chefs when something has to be done, e.g. turning the steak, so that they can achieve exactly the desired results with the utmost precision.

For us, product leadership also means heading the field. Guided by the principle of "Never Me Too", we have changed the industry for the thermal preparation of food beyond recognition over the last few decades. And the end of this success story is nowhere near in sight: chefs in over 2.5 million professional kitchens around the globe are expecting to be able to put their culinary ideas into practice with even greater efficiency using our tailored solutions.


RATIONAL

The SelfCookingCenter® whitefficiency® is the reliable partner to have in the kitchen. It can bake, roast, grill, steam, blanch, poach and much more, and, hence, replaces around half of all traditional cooking appliances. It excels with its maximum efficiency, turning performance into benefit. And this is all thanks to its unique cooking intelligence, on which all functions are based. In short, it delivers concentrated benefit through a guaranteed highest level of cooking quality with the broadest range of usage and lowest consumption levels.

Further information regarding the SelfCookingCenter® whitefficiency® is given by our product film on *www.rational-online.com* (Category: Service ▸ Videos).


RATIONAL
SelfCookingCenter
whitefficiency
roast
88°
00:28

Time for the essentials

Cooking without being tied to the stove: the SelfCookingCenter® whitefficiency® fulfils the dreams of many chefs. The specially developed, intelligent cooking technology, SelfCookingControl®, is based on 35 years of intensive research into cooking. It leaves more time for chefs to focus on the essentials, as it can automatically prepare typical dishes of nearly any country at the touch of a button. Simply set the desired cooking level and degree of browning and SelfCookingControl® will handle the rest itself.

But that's not all – SelfCookingControl® also offers a completely new degree of flexibility. Dishes in varied quantities and sizes can now be cooked at the same time in one cooking process. Sensors detect the quantity of the food and load size, and automatically set the right parameters for time, temperature, air speed and cooking cabinet climate. We are the only ones on the market who have perfected this combination of performance and fine-tuned control. In other words, the SelfCookingCenter® whitefficiency® is the ideal tool for all professional chefs wanting to attain the highest level of quality and creativity with the lowest amount of routine work.

Food prepared smartly and simply

Whether fish, meat, poultry, eggs, side dishes or bakery products, large or small, high or low quantities – SelfCookingControl® always controls the cooking process in the best way for each product, taking your desired result into account. In this way, consistently superior results are guaranteed.


RATIONAL
SelfCookingCenter
whitefficiency
croissant/
danish
15:00
00:28

Optimal heat distribution in the cooking cabinet

The patented HiDensityControl® is the innovation enabling the SelfCookingCenter® whitefficiency® to set new standards. So maximum uniformity of cooking is achieved even with a full load.

This is made possible thanks to the use of extremely high-density energy and steam, as well as the patented dynamic air-mixing technology. Fan impellers with pinpoint control cleverly adjust air speed in the cooking cabinet to the degree to which the dish in question is to be cooked. As a result, exactly the right amount of energy and steam is directed to each individual food item in the cabinet, so that they are cooked and browned evenly. Steam saturation can be set at such a level that even fresh pasta products like ravioli or tortellini can be cooked to perfection.

Normally speaking, the higher the performance, the more energy is consumed. But with the tremendous efficiency of HiDensityControl®, it is possible to increase loads by up to 30% compared with conventional combi-steamers that have the same size cooking cabinet. And that is achieved while consuming up to 20% less energy. That is whitefficiency®: the overall approach to create maximum benefit from every individual resource used.

Powerful vortex

At the core of the new HiDensityControl® lies its patented, dynamic air-mixing technology. The speed of the fan impellers is controlled with the utmost precision. As a result, it is possible to intelligently control the air speed and temperature, as well as, the distribution and density of steam in the cooking cabinet.


RATIONAL
SelfCookingCenter
whitefficiency

One above the other, instead of one next to the other

On the à la carte side or when setting out breakfast and lunchtime buffets, chefs have to be able to prepare a variety of dishes quickly. On top of this, they also have to make sure that quality does not drop in the chaos of daily business. And this is what underlines the motto of Efficient LevelControl®: "Cooking together what belongs together". In addition, it is so simple to use. For example, one can cook steaks, grilled vegetables, pizza or steamed dishes, such as vegetables and fish, in a single load. Efficient LevelControl® ensures the complete control over the cooking sequences for every single layer. No matter how often and for how long the door is opened and regardless of the quantity of food loaded in the cabinet, the cooking results remain at a consistently high level. It is no longer necessary to keep adjusting the settings or keep turning steaks or escalopes.

Just one unit can now achieve what previously required different pots, pans, ovens and grills. One above the other, instead of one next to the other. Five times more roasting surface is created in a rack area of less than 1 m², while saving space and energy. Now that's what we call efficient, that's "whitefficiency®".

Cooking together what belongs together

In preproduction, on the à la carte side or when setting out breakfast or lunchtime buffets, chefs can use the SelfCookingCenter® whitefficiency® to prepare a variety of dishes quickly and flexibly in the hectic of daily business. And all in consistently high quality.


RATIONAL
SelfCookingCenter
whitefficiency
medium
00:11
whitefficiency

Clean business

Kitchens not only get hot, they also get greasy. Moreover, grease leaves behind smears and marks that are very evident at the end of a working day. CareControl gets rid of all these marks. It puts the sparkle back into the SelfCookingCenter® whitefficiency®, and also adds a sparkle to the balance sheet. This is due to the fact that CareControl only uses the exact amount of energy, water and chemicals that are needed to clean the unit. This only works because CareControl analyses the respective level of soiling and scaling, and then automatically detects the respective cleaning and general care requirements.

The automatic cleaning can always be done at the right time, in other words preferably at the end of service. Costly descaling is a thing of the past. It is possible to ensure that the unit is always optimally maintained. Compared with conventional automated cleaning systems, CareControl saves up to 40% in energy, water and chemicals. This is a clean business in the truest sense of the word.

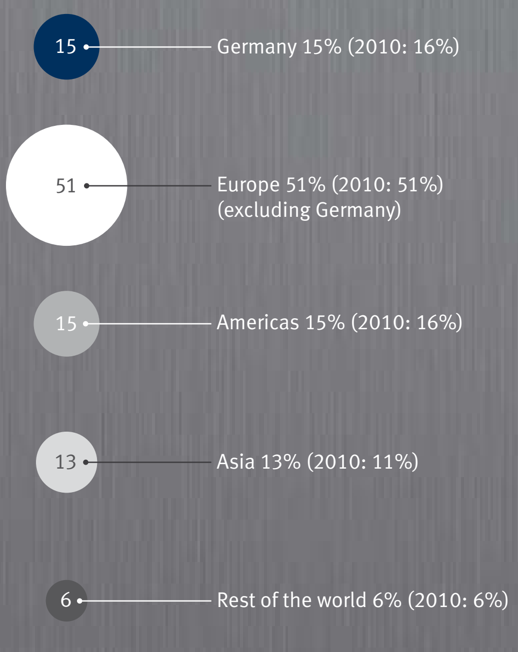
Sparkling unit and a sparkle in the balance sheet

CareControl only uses the exact amount of energy, water and cleaner that is necessary to clean the unit. At the same time, it ensures that all components receive as much maintenance as possible. What this means is that a hygienic level of cleanliness is ensured in combination with minimum impact on the environment and on budgets.

Global presence – close to the customer.

More than 110 million meals are already prepared in RATIONAL units all around the world each and every day. Yet about 70% of kitchens worldwide are still cooking with obsolete technology. With our own sales companies and representative offices, as well as, a wide network of sales and service partners, we are always close to our – existing and future – customers, in nearly every country in the world. Besides Europe, our potential for growth lies primarily in the Americas and Asia.

Sales by region in 2011



Boiling, roasting, frying and pressure cooking are all possible in just one unit – the VarioCookingCenter MULTIFICIENCY® is the kitchen all-rounder. It complements the SelfCookingCenter® whitefficiency®, meeting the needs of the same target group. Together, they replace 100% of traditional cooking appliances. Customers are really impressed with its cooking quality and flexibility, from à la carte restaurants to communal catering establishments. It is three to eight times as quick and consumes up to 40% less energy than conventional units. It saves space, uses resources efficiently and, there-fore, meets the individual needs of our customers.

Smart cooking

VarioCookingControl®, the built-in intelligent cooking technology, greatly eases daily work. Laborious routine work, such as monitoring and adjusting temperature, is now a thing of the past. From pot-roasts, pasta and deep-fried food to soups and desserts – the desired result can be set by the touch of a button, from the perfect degree of browning to the ideal cooking level. As the cooking process is always automatically adjusted to the dishes, the desired results are always achieved with the utmost precision, regardless of the size or quantity of dishes loaded. VarioCookingControl® alerts the chef when something has to be done, like turning a steak, deglazing a ragout or decanting a traditionally made béchamel sauce.

It goes without saying that the VarioCookingCenter MULTIFICIENCY® can also be used manually without the built-in intelligent cooking. But anyone, who has experienced the benefits of VarioCookingControl®, will not want to go back to cooking without them.

Maximum degree of efficiency

With the revolutionary VarioBoost™ heating system, the pan heats up to a temperature of 200°C in just 90 seconds, and maintains this heat even if a large quantity of cold food is loaded. The huge adjustable reserve capacity increases browning capacity compared with ordinary tilt-pans by more than 40%, without losing any meat juices. This means higher quality dishes with up to 20% less weight loss.

The secret lies in the highly compacted, network-like heating structure, which distributes the heat completely evenly and prevents dishes from burning. Because VarioBoost™ only heats the base of the pan, the energy passes directly to the food – wasted energy is no longer an issue and the days of painful burns on the hot edges of pans are over. And thanks to the patented pan base, the VarioCookingCenter MULTIFICIENCY® is not only ready for use in next to no time, it can cool down again if so required just as quickly.

Sensitive products turn out perfectly each and every time

Thanks to the temperature control facility that automatically adjusts to just the right temperature and the completely even distribution of heat, even sensitive products, such as egg dishes, are cooked perfectly without any burning or sticking.

Unbeatable in communal catering

Even 50 portions of veal stew can be cooked in the VarioCookingCenter MULTIFICIENCY® 211 in just 28 minutes, which is twice as fast as with traditional technology, while ensuring the highest level of quality.

All-round champion

The name of the VarioCookingCenter MULTIFICIENCY® reflects its philosophy. It can be used for boiling, roasting, frying and pressure-cooking, so does away with the need for many of the conventional cooking appliances. The patented AreaControl® technology makes it possible to prepare diverse dishes at the same time. The various sections of the pan base are monitored with pinpoint accuracy and displayed accordingly. This not only ensures greatest flexibility, even – and especially – when preparing à la carte dishes, but also frees up space in the kitchen.

Flexibility is also created by the option to cook overnight. The unit monitors and controls the various processes involved in cooking roulades, pot-roasts, ham or goulash fully automatically, without requiring any supervision. This creates extra cooking capacity at times when the kitchen would normally be closed, so optimum use can be made of working hours, which in turn relieves the stress of peak service times. The VarioCookingCenter MULTIFICIENCY® is a true all-round champion, thanks to its ease of operation, optimum configuration of the cooking process through VarioCookingControl® and rapid switchover between the various applications.

Perfect for à la carte restaurants

From soup, fish cooked à point, crunchy vegetables and succulent meat to delicious desserts – a complete menu can be cooked quickly and gently, while ensuring a constantly high level of quality. And all in one unit – the VarioCookingCenter MULTIFICIENCY®.

Cleaning as easy as pie

Cleaning cooking equipment at the end of a busy working day is one of the least-favourite jobs of any kitchen employee, but that is not the case with the VarioCookingCenter MULTIFICIENCY®. Stubborn burned or stuck-on food no longer has to be scrubbed off, thanks to the built-in intelligent cooking technology, the unique VarioBoost™ heating system, and the patented FrimaTherm® pan base.

Cleaning is now as easy as pie. Gone are the days of scrubbing, scraping, scouring and brushing. The pan is simply rinsed out using the integrated hand shower, wiped over once and that's it. And with the built-in drain, there is no longer any need to wait ages for the rinsing water to empty out. This not only saves on work, water and cleaner, it also protects the environment and means the unit is ready to use at any time.

Actively avoiding pollution

Because heat is distributed evenly in the VarioCookingCenter MULTIFICIENCY®, nothing burns. What's more, it can be cleaned with the greatest of ease, using just two liters of water. This protects hands as well as the environment. And the tiresome job of cleaning pots and pans is a thing of the past.

RATIONAL Shares

Compared to the issue price at the time of the IPO in March 2000, RATIONAL shares have now risen more than sevenfold in value (+631%). Shareholders of the first hour, therefore, can be delighted about an average annual price appreciation of 18%. Taking into account paid out dividends, this results in an average annual return of even 23%.

Average annual return for RATIONAL shareholders since the IPO (incl. dividends)

23%*

* related to year-end closing price 2011

RATIONAL shares outperform the market

Last fiscal year, constantly fluctuating headlines took a heavy toll on the international financial markets. Accordingly, 2011 was a year of highs and lows for RATIONAL shares, too, characterised by an extraordinarily volatile share price performance. July saw the share price hit an all-time high of 194 euros. When German share index prices tumbled by almost 30% in the summer, RATIONAL shares also suffered. Our share price has now recovered from these severe losses, stabilising at levels between 150 and 170 euros towards the year-end.

With a 4% gain compared to the previous year, the price rose well above the figures for the relevant comparative indices (DAX30 [–15%] and MDAX [–12%]). At year-end, the price stood at 168.20 euros. Together with the dividend of 5.00 euros per share and a special dividend of 4.00 euros per share, this equates to an overall return of +9% in 2011 for RATIONAL shareholders. At year-end 2011, RATIONAL AG's market capitalisation stood at 1.9 billion euros.

Long-term price trend for RATIONAL shares reflects sustainable company development

The significant price increase in RATIONAL shares since the IPO in 2000 is an expression of the Company's long-term, sustainable strategic orientation and its excellent business performance over recent years. Furthermore, the traditionally high valuation in relation to the comparative indices – measured by the price-to-earnings ratio – reflects the strong trust that our shareholders place in our Company and our ability to sustain our successful growth into the future.

Compared to the issue price at the time of the IPO in March 2000 , RATIONAL shares have now risen more than sevenfold in value (+631%). This corresponds to an average annual price increase of 18%. Furthermore, dividends of 34.55 euros have been paid out to shareholders since the time of the IPO. This means that shareholders who invested in the company right from the start are now receiving an overall return of 739% or approximately 23% per annum.

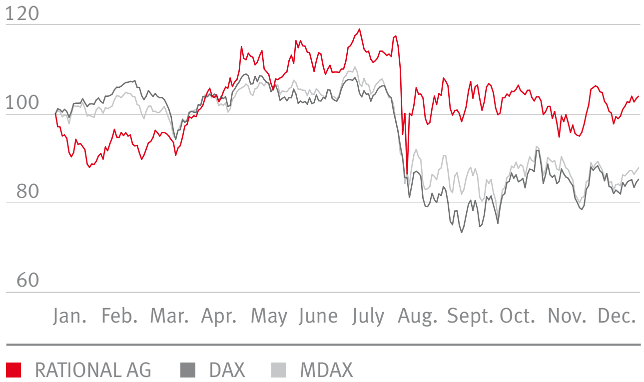
RATIONAL: three years in the MDAX

Our shares have been listed in the "Prime Standard" since the IPO, and are traded in all German stock exchange centers. Initially listed in the SDAX, the Company has for the last three years been quoted in the MDAX. This year, too, we have continued to hold our ground within the index.

Measured by free-float market capitalisation, RATIONAL shares were ranked 40th at year-end (2010: 49th), and in terms of trading volume achieved 53rd place (2010: 56th). The average daily trading volume across all stock exchange centers was 9,479 shares in 2011 (previous year: 7,994 shares). To support the marketability of RATIONAL shares, HSBC Trinkaus & Burkhardt AG acts as the designated sponsor.

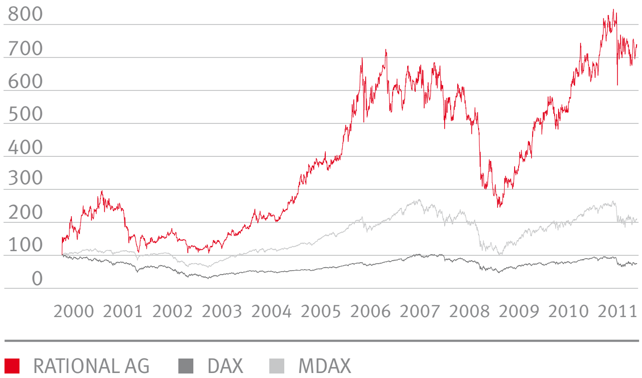
Performance of RATIONAL shares in 2011

Index (December 31, 2010 = 100); in %



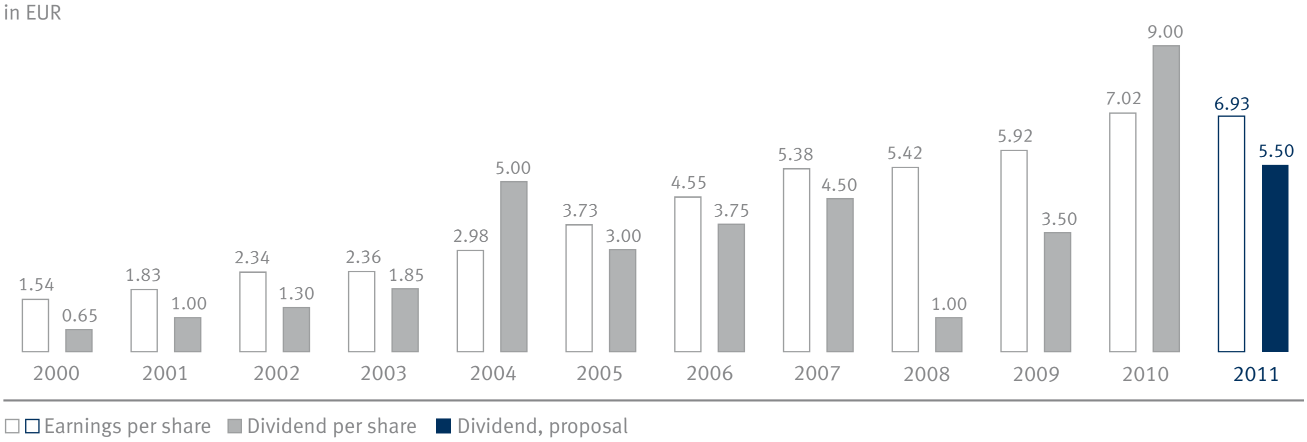
Performance of the RATIONAL shares since the IPO

Index (issue price 23 EUR = 100); in %



Earnings/dividend per share since the IPO

in EUR



Earnings per share fall slightly short of last year's figure

At 6.93 euros, our earnings per share fell just short of the previous year's figure of 7.02 euros. This slight decline was attributable in particular to the one-time effects of converting products to the new appliance generations. The number of shares issued is 11,370,000. No dilution effects occurred.

Dividend of 5.50 euros proposed

The Executive Board and Supervisory Board propose to the General Meeting of Shareholders to distribute a dividend of 5.50 euros per share for fiscal year 2011. A total amount of 62.5 million euros has been set aside for the distribution. The dividend yield (based on the 2011 closing price) is approximately 3.3%.

Key figures of RATIONAL shares

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Subscribed capital [1] (in m EUR)	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4
Number of shares [1] (in million pieces)	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4	11.4
Maximum price [2] (in EUR)	193.90	170.75	118.39	142.80	161.24	167.38	109.89	64.10	44.46	41.25	68.29	66.91
Minimum price [2] (in EUR)	134.65	103.75	54.82	66.68	112.64	98.67	62.39	39.87	22.92	24.29	24.29	30.25
Year-end closing price [2] (in EUR)	168.20	161.89	115.99	82.61	137.54	138.61	109.89	63.28	41.25	27.27	32.08	65.54
Market capitalization [1] (in m EUR)	1,912.4	1,840.7	1,318.8	939.3	1,563.8	1,576.0	1,249.4	719.5	469.0	310.1	364.7	745.2
Free float market capitalization [1] [2] (in m EUR)	546.7	524.5	374.8	266.9	445.9	439.0	348.3	199.3	129.9	81.8	95.2	194.5
Average trading volume [2] (in pieces)	9,479	7,994	10,962	18,176	14,425	11,109	6,853	4,234	3,714	2,451	3,320	6,090
Dividend per share [5] (in EUR)	5.50	9.00	3.50	1.00	4.50	3.75	3.00	5.00	1.85	1.30	1.00	0.65
Dividends paid [5] (in m EUR)	62.5	102.3	39.8	11.4	51.2	42.6	34.1	56.9	21.0	14.8	11.4	7.4
Dividend yield [4]	3.3%	5.6%	3.0%	1.2%	3.3%	2.7%	2.7%	7.9%	4.5%	4.8%	3.1%	1.0%
Annual performance without dividend	3.9%	39.6%	40.4%	−39.9%	−0.8%	26.1%	73.7%	53.4%	51.3%	−15.0%	−51.1%	285.0%
Annual performance incl. dividend	9.5%	42.6%	41.6%	−36.7%	1.9%	28.9%	81.6%	57.9%	56.0%	−11.9%	−50.1%	285.0%
Beta factor (one year) as of Dec. 31 [3]	0.38	0.67	0.75	0.63	0.77	1.25	0.52	0.21	0.22	0.28	0.40	0.55
Sales per share [1] (in EUR)	34.45	30.79	27.65	30.17	29.60	24.95	21.67	19.51	16.41	15.60	14.71	13.43
Price-to-sales ratio	4.9	5.3	4.2	2.7	4.6	5.6	5.1	3.2	2.5	1.7	2.2	4.9
Earnings per share (in EUR)	6.93	7.02	5.92	5.42	5.38	4.55	3.73	2.98	2.36	2.34	1.83	1.54
Price-earnings ratio	24.3	23.1	19.6	15.2	25.6	30.5	29.5	21.2	17.5	11.7	17.5	42.6
Cash flow per share (in EUR)	5.96	7.64	7.32	6.24	5.37	4.32	2.88	3.45	2.62	2.81	1.73	1.41
Price-cash flow ratio	28.2	21.2	15.9	13.2	25.6	32.1	38.1	18.4	15.7	9.7	18.5	46.5

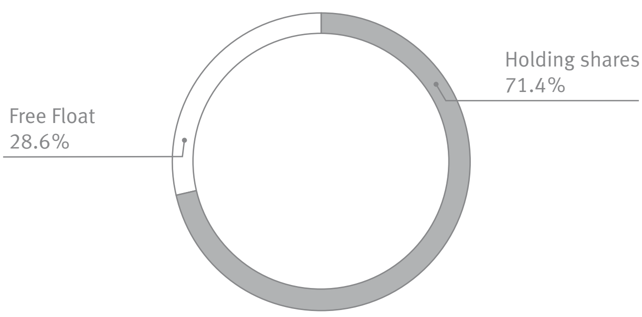
[1] as of balance sheet date
[2] German stock market
[3] in relation to the MDAX-Performance-Index
[4] in relation to the previous' year closing price
[5] payout in the following year, 2011 subject to approval by the General Meeting of Shareholders 2012

Source: HSBC, Bloomberg, RATIONAL

Stable shareholder structure

The major shareholders and founders of the Company, together with their families, currently hold 71.4% of the share capital. Free-float holdings amount to 28.6%. During the year, the single largest free-float shareholder, Royce & Associates, LLC, New York, USA, fell just below the declaration threshold of 3% of the total voting rights in the Company's share capital. RATIONAL AG does not hold any own shares. There are no outstanding stock option schemes or convertible bonds that could dilute the shareholding.

Shareholder structure

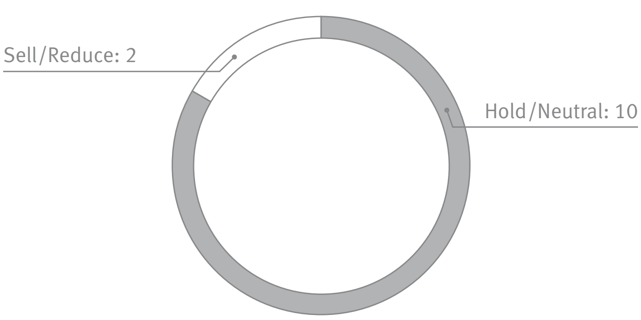


Status: February 15, 2012

Current analysts' comments on the RATIONAL corporate website

At present, 12 institutes publish detailed analyses on RATIONAL AG. All equity analysts are convinced of the Company's high quality and exceptional earnings power. Most analysts recommend holding the shares.

Analysts' comments



Status: February 15, 2012

Interested investors can find the latest ratings and investment recommendations under Investor Relations/Analysts' Ratings at *www.rational-online.com*.

Capital market communication

The demand for information on the capital markets is especially high in times of stock market turbulence. In response to this demand and in line with our philosophy, we have committed ourselves to making financial information available openly and transparently at all times to both institutional market players and private investors. On January 16, 2012, for example, we published an ad-hoc report with preliminary figures on our sales and EBIT (earnings before interest and taxes) for fiscal year 2011.

In 2011, management spent 24 days at roadshows and capital market conferences, both in Germany and abroad. On releasing our annual figures, we informed the public at an annual results press conference and an analysts' conference. Our Investor Relations specialists, as well as members of the Executive Board, are available at all times to answer questions from both professional market players and private shareholders.

RATIONAL shares – basic information

ISIN (International Security Identification Number)	DE0007010803
WKN (security identification code)	701 080
Market abbreviation	RAA
Stock exchange centers	Frankfurt, Munich, Stuttgart, Berlin/Bremen, Düsseldorf, Hamburg/Hanover
Market segment	Regulated market
Transparency level	Prime Standard
Membership of indices	MDAX, CDAX, Classic All Share, DAX International Mid 100, DAXglobal Sarasin Sustainability Germany Index, DAXplus Export Strategy, DAXPLUS FAMILY 30, DAXPLUS FAMILY, DAXsector All Industrial, DAXsector Industrial, DAXsubsector All Industrial Products & Services, DAXsubsector Industrial Products & Services, MIDCAP MKT, Prime All Share (Deutsche Börse), BayX30 (Munich Stock Exchange)
End of fiscal year	December 31
Accounting principles	IFRS
Flotation	March 3, 2000
Designated Sponsor	HSBC Trinkaus & Burkhardt AG

Corporate Governance Report

Conformity with new recommendations and suggestions in 2011

No amendments to the German Corporate Governance Code have been resolved on since publication of the new version dated May 26, 2010. The German Corporate Governance Code in the version dated May 26, 2010, therefore, remains valid. RATIONAL AG largely complies with the recommendations and suggestions set out in the Code. This has resulted in the submission of the declaration of conformity of February 2012, which is published in the 2011 Annual Report and under Investor Relations on the RATIONAL website *www.rational-online.com*.

Section 3.8 of the German Corporate Governance Code recommends that, if a D&O insurance policy is taken out for a member of the Management Board or Supervisory Board, a deductible of at least 10% and up to at least 1.5 times the member's fixed annual compensation must be agreed. For D&O insurance policies taken out for its Executive Board, RATIONAL has been following this recommendation since 2010. With effect from 2011, the deductible of 10% of the loss up to 1.5 times the fixed annual compensation also applies to D&O insurance policies for RATIONAL's Supervisory Board members.

Shareholders and General Meeting of Shareholders

700 shareholders, representatives of the press and guests attended the General Meeting of Shareholders in Augsburg on May 11, 2011. An imputed 87.75% of the share capital was represented. All resolutions on the agenda were approved by the General Meeting of Shareholders with a large majority.

Cooperation between Executive Board and Supervisory Board

A detailed account of the cooperation between Executive Board and Supervisory Board is provided in the Report of the Supervisory Board and in the Declaration of Corporate Governance on RATIONAL's website.

Executive Board

No conflicts of interest occurred in the past fiscal year. The members of the Executive Board, Dr. Günter Blaschke (Chief Executive Officer), Peter Wiedemann (Chief Technical Officer), Erich Baumgärtner (Chief Financial Officer) and Reinhard Banasch (Chief Sales Officer) do not perform any Supervisory Board duties in other listed companies.

Supervisory Board

The Supervisory Board of RATIONAL AG continues to comprise three members. Mr. Roland Poczka stepped down from his position as member of the Supervisory Board with effect from August 31, 2011 in accordance with section 8 (5) of RATIONAL AG's articles of association. Dr. Hans Maerz took his place with effect from September 1, 2011. Dr. Maerz is an auditor and tax consultant. He was delegated by the shareholders Mr. Siegfried Meister and Mr. Walter Kurtz in accordance with their right of delegation as set down in the Articles of Association until the next regular Supervisory Board elections by the General Meeting of Shareholders in 2014.

Article 8 of the articles of association grants Mr. Meister and Mr. Kurtz a joint right of delegation. In the event that a Supervisory Board member steps down prematurely, Mr. Meister and Mr. Kurtz have the joint right to delegate a member to the Supervisory Board in place of the Supervisory Board member who has stepped down, as long as they remain shareholders of RATIONAL AG.

Supervisory Board members are proposed for election exclusively on the basis of their special skills and qualifications; for this reason, other attributes such as gender or national identity have been and will be of no consequence for this decision.

Because it comprises so few members, the Supervisory Board has not formed any committees. Details of the focus of the Supervisory Board's activities and advice in the year under review are given in the Report by the Supervisory Board. According to its own assessment, the Supervisory Board has a sufficient number of independent members who have the necessary knowledge, skills, and experience to discharge their duties. No conflicts of interest occurred in the past fiscal year.

Compensation of management bodies

The total compensation of the Executive Board for fiscal year 2011 amounted to 3,746 thousand euros, including a performance-based salary component of 1,969 thousand euros. The variable components of the compensation are based on the Group's earnings performance, among other factors. Thus, both positive and any negative developments are taken into account. The compensation system for members of the Executive Board was not changed in the year under review.

Compensation paid to the Supervisory Board for its monitoring and advisory work amounts to 572 thousand euros for 2011. The payments for the members of the Supervisory Board consist of fixed and performance-related components.

Payments to the individual members of the Supervisory Board were as follows:

kEUR	Fixed	Performance-related	Other	Total
Siegfried Meister	150	51	24	225
Walter Kurtz	125	51	20	196
Dr. Hans Maerz	33	17	0	50
Roland Poczka	67	34	0	101
Total	**375**	**153**	**44**	**572**

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 Company measured against the SMAX Performance Index (replaced as of January 1, 2004 by the SDAX Performance Index). In 2000 and 2004, tranches totalling 69,000 no-par value shares were issued which, on expiry of the relevant waiting periods and time limits for exercising the rights, were likewise settled in cash.

Transparency

In the year under review, RATIONAL AG published a total of five ad-hoc notifications pursuant to section 15 of the *Wertpapierhandelsgesetz* (WpHG, German Securities Trading Act) to keep all shareholders directly informed of the latest business developments.

Date	Contents
March 22, 2011	Fiscal year 2010 – Return to clear-cut growth
May 11, 2011	A good start to 2011
August 9, 2011	On course for further growth – Successful first six months of 2011
September 12, 2011	New SelfCookingCenter® whitefficiency®
November 10, 2011	On course for further growth – Successful market launch of the SelfCookingCenter® whitefficiency®
January 16, 2012	RATIONAL AG – Preliminary figures for fiscal 2011

The following notifications on voting rights thresholds were received by RATIONAL AG in the year under review and published immediately:

Voting rights threshold announcements under section 26 (1) of the WpHG:

Date	Contents
May 4, 2011	The Royce Fund, Wilmington, USA, falls below 3% of the voting rights
June 17, 2011	Royce & Associates, LLC, New York, USA, falls below 3% of the voting rights
June 17, 2011	Legg Mason, Inc., Baltimore, USA, falls below 3% of the voting rights
June 22, 2011	Correction of the announcement dated June 17, 2011: Royce & Associates, LLC, New York, USA, falls below 3% of the voting rights
June 22, 2011	Correction of the announcement dated June 17, 2011: Legg Mason, Inc., Baltimore, USA, falls below 3% of the voting rights

The following notifications on directors' dealings under section 15a of the WpHG were forwarded to RATIONAL AG in the year under review.

Date	Type	Number	Buyer/seller
May 12, 2011	Sale	10,000	Gabriella Meister
Sept. 12, 2011	Purchase	350	Dr. Hans Maerz

All ad-hoc notifications and mandatory publications of the year under review are published on the Company's website in both German and English.

The shareholding of the Executive Board stands at well below 1% of the share capital. The total direct and indirect shareholding of the Supervisory Board stands at 70.79% according to the latest voting rights notifications.

Accounting and auditing

On May 11, 2011, the General Meeting of Shareholders appointed PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Munich, as auditors of the financial statements and the consolidated financial statements for fiscal year 2011. The audit engagement was awarded by the Supervisory Board. Prior to the proposal being distributed to the General Meeting of Shareholders, the Supervisory Board obtained a declaration from the auditors on their personal and business relationships with the Company. This gave no rise to any objections. The Supervisory Board agreed with the auditors that the Chairman of the Supervisory Board would be notified immediately about disqualification and reasons for bias during the audit.

The auditors are additionally required to report separately on any major weaknesses detected during the audit in the accounting-related internal control and risk management system.

Dependent company report

The Executive Board issued a dependent company report pursuant to section 312 of the *Aktiengesetz* (AktG, German Stock Corporation Act). The auditors raised no objections to the dependent company report following the audit. Likewise, the Supervisory Board declared after examining the dependent company report that there are no objections to the declaration by the Executive Board at the end of the dependent company report.

Declaration of Compliance of RATIONAL Aktiengesellschaft

Pursuant to section 161 of the *Aktiengesetz* (AktG, German Stock Corporation Act), the Executive Board and the Supervisory Board of RATIONAL Aktiengesellschaft, Landsberg am Lech, declare as follows:

RATIONAL Aktiengesellschaft complied with the recommendations of the German Corporate Governance Code as amended on May 26, 2010 from the time it submitted its last declaration of compliance in February 2011 with the following exceptions, and intends to comply with the recommendations of the Code in the future, with the following exceptions:

Numbers 4.2.4 and 4.2.5 of the Code:

Number 4.2.4: “The total compensation of each one of the members of the Management Board is to be disclosed by name, divided into fixed and variable compensation components. The same applies to promises of benefits that are granted to a Management Board member in case of premature or statutory termination of the function of a Management Board member or that have been changed during the financial year. Disclosure may be dispensed with if the General Meeting has passed a resolution to this effect by three-quarters majority.”

Number 4.2.5: “Disclosure shall be made in a compensation report which as part of the Corporate Governance Report describes the compensation system for Management Board members in a generally understandable manner.”
On May 11, 2011, the General Meeting of Shareholders of RATIONAL Aktiengesellschaft has decided to dispense with the publication of individualised figures for Executive Board compensation in accordance with section 286 (5) of the *Handelsgesetzbuch* (HGB, German Commercial Code). This resolution of the General Meeting was taken for five years. The other provisions of numbers 4.2.4 and 4.2.5 RATIONAL Aktiengesellschaft complies with in full, and also intends to do this in future.

Number 5.1.2 sentence 2 of the Code:

“When appointing the Management Board, the Supervisory Board shall also respect diversity and, in particular, aim for an appropriate consideration of women.”
The Supervisory Board and Executive Board expressly welcome all efforts to counter discrimination on the basis of gender or any other form of discrimination and to promote diversity in an adequate manner. When appointing Executive Board members, the Supervisory Board focuses exclusively on special skills and qualifications; for this reason, other attributes such as gender or national identity have not been and will not be of any consequence for this decision.

Number 5.3 of the Code (Formation of committees):

The Supervisory Board of RATIONAL Aktiengesellschaft has not formed any committees. Forming committees of the Supervisory Board, such as an audit committee, is not appropriate for RATIONAL Aktiengesellschaft because the Supervisory Board consists of only three members. For this reason, there is no intention to form any Supervisory Board committees in the future.

Numbers 5.4.1 (2) and (3) of the Code:

Number 5.4.1 (2): “The Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, an age limit to be specified for the members of the Supervisory Board and diversity. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation.”

Number 5.4.1. (3): “Recommendations by the Supervisory Board to the competent election bodies shall take these objectives into account. The concrete objectives of the Supervisory Board and the status of the implementation shall be published in the Corporate Governance Report.”
The composition of the Supervisory Board of RATIONAL Aktiengesellschaft must be guided by the Company’s interests and has to guarantee that the Executive Board is effectively monitored and advised. The candidates for election to the Supervisory Board will therefore be selected exclusively on the basis of knowledge, skills and experience. Other attributes such as gender or national identity have not been and will not be of any consequence. Accordingly, the Supervisory Board of RATIONAL Aktiengesellschaft will not set any concrete objectives for the composition of the Supervisory Board in accordance with number 5.4.1 (2) of the Code and will not report on this in the Corporate Governance Report.

No age limit has been set for members of the Supervisory Board. Nominations to the General Meeting of Shareholders are based exclusively on the knowledge, skills and experience of the candidates in question. The intention is to continue to abide by this policy in future in order to safeguard experience and skills for the benefit of the Company.

Landsberg, February 2012

RATIONAL Aktiengesellschaft

for the Supervisory Board

for the Executive Board

Report of the Supervisory Board

Dear Shareholders,

For RATIONAL, 2011 was a very special year. We rolled out a totally new, trendsetting generation of cooking units worldwide in the shape of the SelfCookingCenter® whitefficiency® and the VarioCookingCenter MULTIFICIENCY®, in the process further expanding our position as the product and technology leader in the sector.

Dialogue and communication as a basis for advice and monitoring

In 2011, we complied with the duties incumbent on the Supervisory Board by law and under the articles of association and the Corporate Governance Code. We regularly advised the Executive Board on the management of the Company and monitored its activities. The Supervisory Board was directly involved in all decisions of strategic importance to the RATIONAL Group. Cooperation between the Executive Board and the Supervisory Board was characterised by comprehensive, timely and regular communication, both written and verbal. The Executive Board also reported on major business transactions outside the meetings. The Supervisory Board received monthly and quarterly reports on market developments, the competitive situation, price developments, and the Company's marketing, sales, and profit trends. In addition, the Supervisory Board and the Chairman of the Supervisory Board took steps to ensure that at all times it was informed by the Executive Board about current developments in the business situation, significant transactions and important decisions. With this aim in mind, the Supervisory Board was in close and regular contact with all members of the Executive Board to exchange information and ideas.

Where called for by law, articles of association and rules of procedure, the Supervisory Board voted, following detailed consultation and scrutiny, on the reports and draft resolutions of the Executive Board. All operations requiring consent were approved. In 2011 and in 2012 to date this in particular entailed decisions relating to technology and product development, the sales and marketing organisation, the global product launch and staff development.

Changes in the Supervisory Board

With effect from August 31, 2011, Mr. Roland Poczka relinquished his post as member of the Supervisory Board. Dr. Hans Maerz took his place with effect from September 1, 2011. Dr. Maerz is an auditor and tax consultant. He was delegated onto the Supervisory Board by the shareholders Mr. Siegfried Meister and Mr. Walter Kurtz in accordance with their right of delegation as set down in section 8 (6) of the articles of association until the next regular Supervisory Board elections by the General Meeting of Shareholders in 2014.

The Supervisory Board thanks Mr. Roland Poczka for his many years of commendable service as a member of the Supervisory Board of RATIONAL Aktiengesellschaft.

In-depth work in plenary meetings

The Supervisory Board held ten meetings in 2011. In 2012, one further meeting was held up to the time of the meeting of the Supervisory Board on February 29, 2012, which objective it was to adopt the financial statements. In addition, the members of the Supervisory Board consulted one another in writing and by telephone. Where applicable, the Supervisory Board also passed resolutions outside the ordinary meetings. During the past fiscal year, the Supervisory Board regularly examined and further improved the efficiency of its activities, in particular the procedures and the timely provision of sufficient information.

Since the RATIONAL AG Supervisory Board consists of just three members, no committees have been formed.

At all times in fiscal year 2011 the composition of the RATIONAL AG Supervisory Board has met the legal requirement that at least one Supervisory Board member must be an independent financial expert.

All the members of the Supervisory Board attended all meetings. No conflicts of interest in respect of individual Supervisory Board members occurred in the 2011 reporting year in connection with consultations, draft resolutions and the audit mandate.

Key areas of consultation

The consultations with the Executive Board and the internal discussions dealt with all relevant aspects of the development of the business, including financial, investment, and HR planning, business trends, the economic situation of the Company and of the consolidated group, the risk situation, risk management, and last but not least the current cost and earnings position. In addition, numerous individual topics were on the agenda of the Supervisory Board meetings, and were discussed in depth. These included:

› The selection of the auditors for 2011,
› The key account strategy,
› Appropriation of earnings and proposed dividend,
› Staff development and management culture (U.i.U.® – Entrepreneur in the Company),
› Business planning for fiscal year 2012,
› Market development strategy for new markets,
› The product launch of the new generations of appliances: the SelfCookingCenter® whitefficiency® and the VarioCookingCenter MULTIFICIENCY®.

At the Supervisory Board meeting to adopt the financial statements on February 29, 2012, the principal topics included not only the audit and adoption of the annual and consolidated group financial statements but also, in particular, the draft resolutions to be proposed to the 2012 General Meeting of Shareholders.

PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich, will be proposed as auditors for the 2012 audit. We also adopted the remaining draft resolutions for the ordinary General Meeting of Shareholders.

Our duties in 2011, and, in particular, at the 2012 meeting to adopt the financial statements, covered not only the audit plus the entire accounting process in RATIONAL AG and the consolidated group, but also the supervision of the internal control system and the effectiveness of the internal audit and the risk management system.

Corporate Governance

There were no changes to the Executive Board in 2011. The Supervisory Board of RATIONAL AG continues to comprise three members. With effect from August 31, 2011, Mr. Roland Poczka relinquished his post as member of the Supervisory Board pursuant to section 8 (5) of the articles of association of RATIONAL AG. Dr. Hans Maerz took his place with effect from September 1, 2011. Dr. Maerz is an auditor and tax consultant. He was delegated by the shareholders Mr. Siegfried Meister and Mr. Walter Kurtz in accordance with their right of delegation as set down in the articles of association until the next regular Supervisory Board elections by the General Meeting of Shareholders in 2014.

Section 8 of the articles of association of RATIONAL AG grants Mr. Meister and Mr. Kurtz a joint right of delegation. In the event that a Supervisory Board member steps down prematurely, Mr. Meister and Mr. Kurtz have the joint right to delegate a member to the Supervisory Board in place of the Supervisory Board member who has stepped down, as long as they remain shareholders of RATIONAL AG.

No further amendments to the German Corporate Governance Code have been resolved on since publication of the new version dated May 26, 2010. The May 26, 2010 version of the German Corporate Governance Code therefore remains valid for fiscal year 2011. RATIONAL AG largely complies with the recommendations and suggestions set out in the Code. As a result the declaration of compliance dated February 2012 was issued, following the decision in this respect pursuant to section 161 AktG at the meeting of the Supervisory Board on February 1, 2012. The declaration of compliance is published in the 2011 Annual Report and under Investor Relations on the RATIONAL website *www.rational-online.com*.

Audit of the annual financial statements and consolidated financial statements

As proposed by the Supervisory Board and elected by the General Meeting of Shareholders on May 11, 2011, PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich, audited the financial statements of RATIONAL AG and of the Group for fiscal year 2011. The audit engagement was awarded by the Supervisory Board. Prior to the proposal for election, the Supervisory Board obtained a declaration of independence from the auditors. No reasons were apparent to doubt the independence of the auditors. The auditors were additionally obliged to inform us immediately of any circumstances which could give rise to a lack of impartiality on their part and, where appropriate, to notify us of services which they have performed in addition to the audit. The Supervisory Board reported prior to and during the audit in discussions with the auditor on the latter's approach to the audit and the progress of the audit.

The annual financial statements for the fiscal year from January 1 to December 31, 2011, prepared in accordance with the provisions of the Handelsgesetzbuch (HGB, German Commercial Code), and the Company's management report, which also refers to the Declaration of Corporate Governance on the Company's website, were audited by the auditors and given an unqualified audit opinion. The Executive Board drew up a consolidated financial statement for the consolidated group in accordance with the International Financial Reporting Standards (IFRS), supplemented by the commercial law regulations applicable under section 315a (1) of the HGB. In addition, a Group management report was prepared. 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 in good time to all Supervisory Board members for examination. They were the subject of intensive deliberations at the meeting of the Supervisory Board held on February 29, 2012. In particular, the Supervisory Board concerned itself thoroughly with the results 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 results of the audits, in particular on the points on which it was agreed the 2011 audit would focus, and were available to the Supervisory Board for questions and supplementary information. One area on which the auditors' explanations concentrated was the assessment of the accounts-related internal control and risk management system. Both the Executive Board and the auditors provided us with comprehensive answers to all our questions to our satisfaction.

The Supervisory Board raises no objections further to its own final results of the deliberations and its own examination. The Supervisory Board approves the results of the audit. At its meeting held on February 29, 2012, the Supervisory Board approved the annual financial statements, prepared by the Executive Board, for RATIONAL AG as of December 31, 2011, including the certified version, dated February 15, 2012, of the management report for fiscal year 2011, as well as the consolidated financial statements as of December 31, 2011 and the certified version, dated February 15, 2012, of the consolidated management report. The 2011 annual financial statements for RATIONAL AG, including the management report, are thereby adopted in accordance with section 172 sentence 1 of the AktG.

Dependent company report

The dependent company report, prepared by the Executive Board pursuant to section 312 of the AktG, on RATIONAL AG's relations with associated companies was examined by the auditor. The auditor issued the following audit opinion:

"Based on our statutory audit and our judgement, we confirm that the actual information in the report is correct and the consideration the Company paid for the legal transactions listed in the report was not inappropriately high."

The auditors' report on the dependent company report was available to all members of the Supervisory Board in good time before the meeting to approve the financial statements and was examined by us and discussed in detail with the auditors present. Following its own examination, the Supervisory Board concluded that there were no objections to the report on relations with associated companies and the final statement by the Executive Board contained therein.

Appropriation of earnings

After consideration of the operating environment, the situation on the global financial and capital markets, the financial position of the Company, and the expectations of the shareholders, we approve the appropriation of earnings proposed by the Executive Board.

From RATIONAL AG's net retained profits of 133.1 million euros, a dividend of 5.50 euros per share or a total of 62.5 million euros should be distributed and the remainder should be carried forward to new account.

The Supervisory Board would like to thank the management for their close and constructive cooperation, and the trust they have placed in us. In particular we want to thank all our employees, who once again in 2011 succeeded in convincing our existing and new customers of the benefits and added value of RATIONAL products and in making excellent use of the market opportunities that present themselves around the world.

Landsberg am Lech, March 7, 2012

Siegfried Meister
Chairman of the Supervisory Board

Management Report of the RATIONAL Group for Fiscal Year 2011

Contents

The charts and tables on pages 37 to 60 are not part of the audited group management report, with excemption of the chart on page 44.

Group Management Report

The RATIONAL Group

Group structure and main locations

The company was established in 1973. Today, the Group comprises 26 companies employing more than 1,200 people worldwide, of whom over 700 are in Germany.

The Group's parent company is RATIONAL Aktiengesellschaft (RATIONAL AG), whose registered office is located in Landsberg am Lech, Germany. Landsberg is home to the Group's largest production companies, which manufacture the SelfCookingCenter® whitefficiency® and the CombiMaster® Plus. The VarioCookingCenter MULTIFICIENCY® is produced by the French subsidiary, FRIMA , which is based at Wittenheim in Alsace.

Name and registered office of RATIONAL AG subsidiaries			% capital shares/ % voting rights
Germany			
LechMetall 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
RATIONAL Dienstleistungsgesellschaft mbH	Landsberg am Lech	Germany	100.0
RATIONAL Großküchentechnik GmbH	Landsberg am Lech	Germany	100.0
FRIMA Deutschland GmbH	Frankfurt am Main	Germany	100.0
Europe			
RATIONAL UK Ltd.	Luton	United Kingdom	100.0
FRIMA UK Ltd.	London	United Kingdom	100.0
FRIMA RATIONAL France SAS	Wittenheim	France	100.0
FRIMA - T SAS	Wittenheim	France	100.0
FRIMA France SAS	Wittenheim	France	100.0
RATIONAL Italia s.r.l.	Mestre	Italy	100.0
RATIONAL Ibérica Cooking Systems, SL	Barcelona	Spain	100.0
RATIONAL Austria GmbH	Salzburg	Austria	100.0
RATIONAL International AG	Balgach	Switzerland	100.0
RATIONAL Schweiz AG	Balgach	Switzerland	100.0
FRIMA International AG	Balgach	Switzerland	100.0
RATIONAL Polen Sp. z o.o.	Warsaw	Poland	100.0
RATIONAL Scandinavia AB	Malmö	Sweden	100.0
RATIONAL RUS OOO	Moscow	Russia	100.0

Name and registered office of RATIONAL AG subsidiaries			% capital shares/ % voting rights
Americas			
RATIONAL USA, Inc.	Schaumburg	USA	100.0
RATIONAL Canada Inc.	Mississauga	Canada	100.0
RATIONAL Brasil Comércio E Distribuição De Sistemas De Cocção Ltda.	São Paulo	Brazil	99.9
Asia			
RATIONAL Japan Co., Ltd.	Tokyo	Japan	100.0
RATIONAL Trading (Shanghai) Co., Ltd.	Shanghai	China	100.0

Products and markets

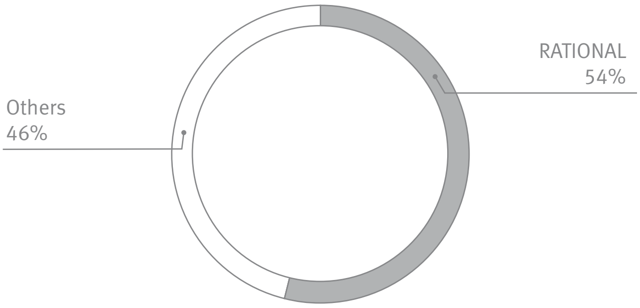
RATIONAL products set the standard worldwide

We are the global market and technology leaders in innovative solutions for thermal food preparation. Our primary corporate objective is as follows:

"We offer the greatest possible benefit to the people preparing hot food in the professional kitchens of the world."

To ensure that we really meet this objective, we focus all of our research and development resources on our core competence, which is the transfer of thermal energy to all types of food. This provides us with the best possible basis for maintaining our competitive advantage over the long term. The attractiveness and appeal of our products and services continues to grow steadily, as evidenced by constantly increasing sales volume and revenue figures. Numerous national and international awards, and not to forget our global market leadership with a market share of more than 50%, also confirm that the corporate strategy pursued by the Group is both effective and the right way to go.

World market share



Our pioneering innovations, for example relating to intelligent cooking processes, cooking quality, self-explanatory operation and efficient use of resources, are protected by more than 400 patents and patent applications. They guarantee repeatable, perfect cooking results every time with a significantly lower requirement for energy, water, raw materials, time and space. Innovative heating technology permits a high volume load with minimal cooking loss, and that all with a substantially reduced footprint.

Intelligent cooking processes are one of our key unique selling propositions. The integrated intelligent cooking system itself determines the optimum cooking process in accordance with the desired results set by the chef, for example medium or rare and the degree of browning for a steak. The chef's intended results can then be achieved with perfect precision every time and without any need for the cooking process to be supervised. The chef is notified as soon as the cooking process has come to an end. Use of the products is also extremely flexible. Intelligent mixed loading allows different foods to be cooked at the same time. This increases utilisation of equipment capacity and makes the cooking process highly efficient.

Our products are able to deal with practically all cooking processes. They can grill, steam, gratinate, bake, prove, roast, braise, simmer, stew, poach, blanch, deep-fry, cook at low temperatures and much more. The SelfCookingCenter® whitefficiency® – launched in 2011 – and the CombiMaster® Plus carry out cooking processes in which the heat transfer in the cooking cabinet is via steam, hot air or a combination of the two. The new VarioCookingCenter MULTIFICIENCY® – also launched in 2011 – allows food to be cooked either in liquids or in direct contact with heat.

Our equipment, therefore, covers the entire range and diversity of thermal food preparation and sets a new technological standard worldwide. It is able to replace almost all conventional cooking equipment in the professional kitchen.

In addition, our products are easy to clean. The SelfCookingCenter® whitefficiency® automatically recognises the cleaning requirement in the cooking cabinet and the degree of calcification in the steam generator. It suggests the cleaning level to be applied and the volume of cleaner and rinse aid to be used. Cleaning is then automatic – overnight, if so required. In the case of the VarioCookingCenter MULTIFICIENCY®, the integrated intelligent cooking system means, that there is no burning or adhesion of food. The result is that the equipment can be cleaned very simply with the built-in hand spray and is ready to be used again immediately. This cuts the consumption of cleaner, energy and water, reduces working time, protects the environment and ensures that the equipment operates reliably at all times.

Customers benefit from the SelfCookingCenter® whitefficiency® and the VarioCookingCenter MULTIFICIENCY® because these products relieve chefs of routine tasks. They also open up a wealth of new possibilities and improve the quality of the food produced. All our appliances offer extremely short payback periods, too. Thanks to the savings they deliver in terms of raw materials, water, space, staffing and energy, they pay for themselves in as little as three to twelve months, depending on the number of meals cooked.

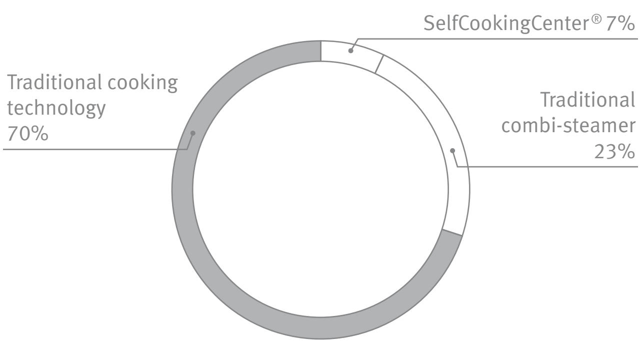
The SelfCookingCenter® whitefficiency® and the CombiMaster® Plus are available in six different sizes in either gas or electric versions; the VarioCookingCenter MULTIFICIENCY® comes in three different sizes. We can, therefore, offer any customer the right equipment in the right size to match their cooking volume requirement.

To facilitate optimum use of the performance available from all the types of equipment we produce, we also offer our customers intelligent accessories that allow cooking to succeed every time, even in the case of special applications, such as the roasting of a suckling pig or a whole lamb.

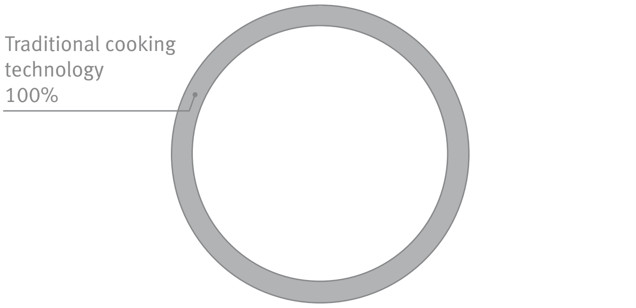
Markets and customers

We focus on a single target group, namely, all the people preparing hot food in the professional kitchens around the globe. We are, not only, a company for chefs, but we are also a company of chefs, with 250 chefs working in sales, application research and consulting. As a consequence, we know exactly what our customers want and need and are in a position to find the best possible solutions to their problems.

Untapped world market potential of the SelfCookingCenter® whitefficiency®: 93%



Untapped world market potential of the VarioCookingCenter MULTIFICIENCY®: 100%



Our equipment is ideal for the preparation of food in any organisation that needs to produce around 30 meals a day or more. The potential global market comprises more than 2.5 million professional kitchens, and this number is increasing. Around the world, approximately 30% of all potential customers currently use combi-steamer technology from RATIONAL or competitors; in other words, 70% are still using traditional cooking equipment. The customer base is vast and includes Michelin-starred and other restaurants, hotels, catering establishments such as company canteens, hospitals, schools, universities, military facilities, prisons, senior citizens homes, and fast-food chains, caterers, supermarkets, butchers' shops, as well as, increasingly, bakeries and snack outlets.

Customers around the globe are impressed by our technology. We maintain a presence in over 100 countries through own sales companies and independent sales partners. We aim to increase our market penetration constantly in every country.

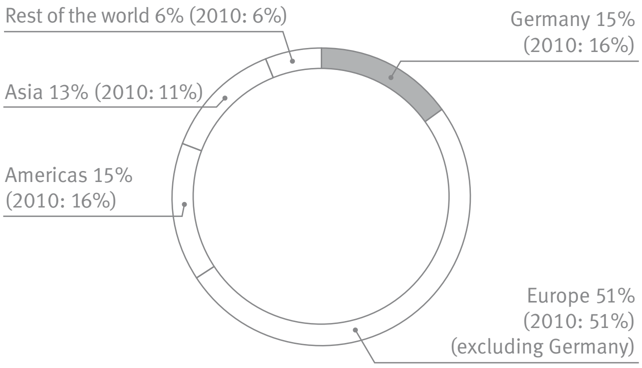
Currently, Europe remains our core market, where we generate around two-thirds of our sales, and it still holds huge, untapped potential. New markets, however, especially China, Brazil and India, are becoming increasingly important.

The proportion of total sales accounted for by Asia rose from 11% to 13% in the year under review, with sales growing by 32% year on year.

The Americas, comprising the US, Canadian and Latin American markets, constitute another key market of the future. Growth in Latin America in 2011 was disproportionately high. The Americas accounted for approximately 15% of total sales (2010: 16%).

Germany remained our largest individual market in sales terms, contributing 15% of the total (2010: 16%). In this market as well, sales saw a year-on-year increase of 9%. The proportion of sales accounted for by international business was 85% in 2011 (2010: 84%).

Sales by region in 2011



Strategy

Our overriding corporate objective is to maximise customer benefit

The objective of everything that our employees think and do is to offer the greatest possible benefit to our customers at all times. This objective is embedded as a guiding principle of the business. Every action and decision is scrutinised to ensure that it provides benefits for our customers.

Key financial performance indicators, such as growth and profits, are not objectives in themselves, but rather the outcome of implementing this customer benefit strategy in practice. The better the benefit provided for the customer, the better the performance indicators are as a result.

Customer-oriented sales process

We have a very specific sales process, precisely tailored to meet the needs of our customers. We hold product presentations lasting a number of hours (known as RATIONAL CookingLive and FRIMA CookingLive), in which we convince end-users throughout the world of the additional benefits of using our equipment. Specialist dealers, able to provide local proximity to customers around the world, are then responsible for equipment orders, deliveries to the customer and after-sales service.

Minimal vertical integration, maximum value-added

We aim for minimal vertical integration in our manufacturing processes and combine this approach with long-term, reliable partnerships with suppliers. Our objective is to achieve maximum flexibility and excellent quality with optimal costs and a high level of supplier loyalty. We only commit our own resources if the item concerned can be manufactured with better quality or more cost-effectively in-house than by third parties or if a specific element of system expertise is especially important for the future development of the technology.

We apply the “one-piece-flow” principle in our assembly operations. In other words, one employee assembles a complete item of equipment and guarantees the quality of this equipment by including the name on the identification plate. We are, therefore, in a position to take a highly flexible approach to manufacturing, assembling equipment to customer order and, in accordance, with any customer wish with the shortest possible lead times. Therefore, we do not need the usual warehouse of finished goods or a large number of interfaces along the value chain. This approach, in which one employee is entirely responsible for the complete unit, enables us to make best use of the high level of skills and training in Germany and at the same time boosts employee motivation. A system of personal working time accounts is used to achieve highly flexible day-to-day adjustment of the necessary production capacity in line with the number of orders to be processed.

Organic growth

We are the product and the global market leader in professional kitchen equipment for thermal food preparation. There is still a huge untapped potential market worldwide and we are expanding our global sales network to enable us to make headway into this market efficiently and steadily on a long-term basis. In addition to higher penetration of already well-developed markets, we are addressing the growing potential presented by emerging markets. In the future, our efforts will be directed exclusively towards generating organic growth.

Planning and controlling

We use a multilevel planning and controlling system to record, plan, report and analyse all of our global corporate processes, and measure these processes by key performance indicators (KPIs). Any necessary adjustments or corrective measures are determined promptly and, then, implemented immediately.

Quality and efficiency constitute our central controlling tools. We measure the quality of all suppliers and service partners using the same benchmarks that we use for measuring internal performance. We guarantee transparency with clearly-defined corporate processes and open communication of all our results. We continuously improve the quality of our products and services in collaboration with our suppliers and service partners, and thereby enhance the efficiency of our day-to-day activities.

We are committed to improving our company processes continuously and we put this commitment into practice every day. We implemented more than 3,000 suggested improvements during 2011. This demonstrates the extent to which our employees identify themselves with the exceptionally high standard of quality specified by the company.

In addition to the growth in sales, our other financial KPIs include the operating result, costs per unit, days sales outstanding (DSO) and the equity ratio.

Innovation delivers competitive edge

The superiority of our products and services forms the basis for the financial success of the business. In 2011, in research and development alone, we invested 14.9 million euros (2010: 13.5 million euros) in new technologies and in the further improvement of product and service efficiency.

Our prowess as a technical pioneer stems in part from specialisation and the structured innovation process, but in particular from the great expertise of the highly skilled people we employ in research and development. Our R&D team includes physicists for fundamental research, chefs and nutritionists for applied research and development, as well as engineers in various disciplines.

So in research and development too, we live up to our claim to be the company of chefs.

Corporate social responsibility as a fundamental principle

We attach particular importance to treating the environment in a responsible manner and conserving as many resources as possible.

Sustainable economic management forms an integral part of our business and production processes. This helps us to secure the long-term future of our business and enables us to best fulfil our corporate social responsibility.

Active environmental protection

Certified environmental management system

We are a company operating at an international level and focused on sustainability. One of our objectives is to ensure that we incorporate environmental considerations into all our business decisions.

We maintain an environmental management system certified in accordance with ISO 14001. This includes a committee that defines, edits and approves environmental objectives for the Group and then monitors compliance.

Objectives that form part of the environmental management system include reducing the consumption of resources, increasing employee awareness of environmental issues, optimising the environment-related performance of all business partners and ensuring the quality of wastewater. In regards to the consumption of resources, we set ourselves specific targets for reducing research consumption each year in relation to production volume.

Despite the product tests for the launch of the new generations of equipment – tests that involved intensive use of resources – we still managed to achieve most of the environmental targets that we had set for 2011.

Innovative energy and building systems

The assembly and shipping facilities opened in 2008 are equipped with cutting-edge technology, ensuring sustainable production and low consumption of resources. The highest possible level of energy efficiency is achieved by using air-conditioning based on cooler air stored during the night and by minimising artificial light, facilitated by special architectural features in the building and light intensity sensors that automatically adjust the level of lighting.

Very low emissions

Emissions are reduced by ensuring that the company fleet uses the latest vehicle technologies and by planning itineraries in accordance with actual requirements. We achieved a significant year-on-year cut in fuel consumption in relation to the number of units manufactured. The 2011 target of a 6%-reduction was achieved in full. Freight and logistics are handled by partner organisations holding ISO 14001 certifications. We make best efforts to use methods of shipment with the lowest possible emissions, including optimum utilisation of shipping capacity and goods flow pooling.

Production processes almost wastewater-free

Almost no wastewater is generated by our production processes. Any water that is polluted is cleaned and removed by our own treatment plant, which is regularly tested by an independent institute. Rapid integrated nickel tests are conducted to test the quality of wastewater and ensure that it is completely harmless.

Professional recycling

All processes are continuously optimised to ensure that the volume of waste is kept as low as possible and, for any waste that is produced, to ensure that as much of this waste as possible is transferred to recycling systems or used as a source of energy. Any hazardous materials arising from production processes are removed by a specialist waste disposal operator and disposed of in accordance with the requirements of ISO 14001. An audit is carried out each year to verify that the company is continuing to comply with this standard.

Accolade for sustainability and resource efficiency

Since 2011, we have been a member of “Umweltpakt Bayern”, a voluntary environmental collaboration between policymakers and business in the German state of Bavaria. The overarching objective of the participating businesses is to improve environmental, economic and social foundations for current and future generations in Bavaria. The priority is a forward-looking approach focusing on avoiding future environmental damage rather than cleaning up the damage when it has already occurred.

Our outstanding environmental management work has attracted an award from the “Lean and Green” environmental consultancy agency. “Lean and Green” is a consultancy specialising in supporting manufacturing industry systematically in order to rigorously reduce its energy consumption. In 2010, we received the “Lean and Green” award as one of the best industrial enterprises in Europe following a so called “green assessment”. The professionalism of our environmental management system and the systematic implementation of energy efficiency requirements in all company processes were found to be exemplary and particularly worthy of mention.

Employees

Employees are our most important resource

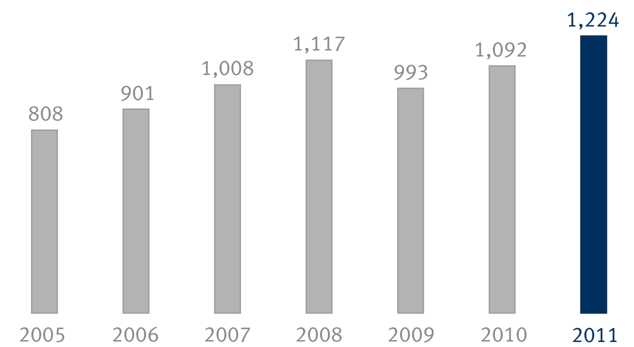
Satisfied employees help to create satisfied customers, and thereby, secure the long-term success of the business. Without highly qualified and motivated employees, the company would not have been successful in the past, nor would it be successful in the future.

We encourage the professional development of each employee in accordance with their strengths and delegate a great deal of responsibility. The result is a high degree of staff retention and satisfaction. According to a survey carried out in 2011, 92% of all employees are proud to work with RATIONAL. Staff turnover is relatively low, at 5% in Germany and 10% worldwide.

In 2011, we were able to fill approximately half of the management positions that became available during the year from within our own ranks.

The total number of employees in the Group rose from 1,092 at December 31, 2010 to 1,224 at December 31, 2011. Of this total, 720 were employed in Germany.

Number of employees



Status: December 31

“Entrepreneur in the company” (U.i.U.®) as a success factor

A key factor in increasing the motivation of our employees has been the management principle “entrepreneur in the company” (U.i.U.®). The U.i.U.® operates as an independent business person. They control their tasks, continue to enhance working methods, make decisions in their areas of activity and take responsibility for them. They learn from mistakes in order to avoid them in future. They are on par with colleagues and superiors, and express and justify their opinions. They make decisions with a view to achieving the greatest possible customer benefit and benefit to the business as a whole.

The integral structure of responsibilities means that our employees are keenly aware of their contribution to the success of the business. This increases motivation and satisfaction on the part of every individual employee.

Securing the future through training and young talent development

In the context of the long-term development of the skills and qualifications of all employees, we put great emphasis on training within the company itself. Vocational training is a cornerstone and a key contributing factor in ensuring that the business is fit for the future. Besides traditional vocational training, dual courses of studies are becoming increasingly important. At the end of 2011, we had 42 employees in their trainings as industrial business managers, industrial technicians, mechatronics engineers, IT specialists or chefs. In addition, six students are on dual courses of studies, combining studies with practical experience in mechatronics, engineering, business informatics and international business.

In addition, we offer a specific young talent programm for university graduates. This scheme is aimed at university graduates with particular skills and qualifications and offers technical, commercial or sales/marketing career paths. The purpose of the scheme is to prepare young people for management responsibilities in the future. These employees are deployed in various targeted processes and assume specific responsibility from the very beginning, enabling them to build up a broad base of expertise, identify their strengths and preferences, and develop their character in a purposeful manner. During this process, they receive close support from the Executive Board and their superiors. As at December 31, 2011, this development scheme had 29 participants employed in the various business units around the world.

Reinforcing strengths – the basic principle of human resources development

Our objective is to continue to develop the professional and personal strengths of our employees and provide them with an overall understanding of the entire business. In addition, we promote the creation of an internal network by enabling the participants to learn in groups that are not confined to individual processes.

In the international development group, the potential managers of tomorrow gain a detailed insight into how our business works. Specific topics such as planning and controlling, sales and marketing, production and logistics, quality management, and leadership and management are key components of the learning content. A particular highlight is the project work between the individual modules in which the participants work in teams on strategic issues, present the results to the Executive Board and later implement them in the business.

Remuneration and employee benefits

The above-average performance of our employees is rewarded by above-average pay. In addition to the payment of a Christmas bonus and holiday allowance, we also offer a number of additional benefits, such as meal and travel allowances. For many years now, we have also given our employees the opportunity to share in the profits of the company on a voluntary basis. As a result, for example, every eligible production employee received 14.7 months' salaries in the year under review.

Equality as the norm

All employees are equally valued, are given the same respect and offered identical opportunities. They are also called upon to maintain a working environment in which employees respect each other and oppose any form of discrimination. Skills, qualifications and experience are the only critical factors in deciding appointments or promotions.

Details on the proportion of women in the company are shown in the following table.

	Employees	thereof Women
Total staff	1,224	30%
Germany	720	28%
Abroad	504	32%

	Employees	thereof Women
Leadership position	152	22%
Germany	61	16%
Abroad	91	25%

Status: December 31, 2011

Corporate social responsibility

We support a large number of cultural projects in the region as well as charitable and non-profit organisations, both as a partner and sponsor.

On July 9, 2011, we held an open day at our Landsberg facilities attended by over 5,000 visitors. The proceeds from the sales of promotional items, pictures from the art@RATIONAL art group and extra drink vouchers were matched by a donation of the same amount by the company and then rounded up. As a result, we were able to present the “Landsberger Tafel” charity with a cheque for 10,000 euros.

In December 2011, we hosted an event at the company premises in partnership with the AKB foundation, an organisation promoting a campaign for bone marrow donations in Bavaria. We encouraged employees to undergo a blood and tissue type test and to register as potential donors in an international database and, therefore, potentially help save the life of a leukaemia victim by donating stem cells. The call for volunteers was followed by 180 employees who underwent blood and tissue type testing. We rounded up the costs of the event and were thus also able to give AKB a donation of 10,000 euros.

RATIONAL is also involved in provision of support for people with disabilities focusing particularly on close collaboration with Isar-Würm-Lech gGmbH (IWL) and the Regens-Wagner plant at Holzhausen. Both of these organisations operate workshops for these people and supply various upstream products and services to RATIONAL. IWL employees are also temporarily deployed in the parts dispatch process.

Economic report

Global economy continues on growth trajectory

The global economy performed well over the last fiscal year. In 2011, the BRIC countries again led the way, remaining the engine for growth in the global economy. Within this group, China was out in front with a growth rate of 9%. India (+7%), Russia (+4%) and Brazil (+3%) were all largely able to continue the dynamic expansion achieved in 2010; however, the catch-up trend in the industrialised countries in 2010 slowed in 2011. The large industrialised nations could only achieve just under 2% growth in gross domestic product (GDP). Overall global economic output in 2011 was up by 4% compared with 2010 (Source: IMF, WEO Update, January 2012).

Towards the end of the year, the financial and economic risks that had continued to persist in the background started to come rather more to the forefront again. The prospects of further economic growth are being hit by considerable uncertainty, primarily caused by the crisis in the eurozone centered on highly indebted countries, such as Greece and Italy; however, the unresolved debt problems in the US and the continuing unrest in Arab countries are also negatively impacting sentiment.

Uncertainty was also a feature of many of the movements in exchange rates. The euro proved to be very volatile over the course of the year in relation to all foreign currencies relevant to RATIONAL. Towards the end of the year, however, the majority of exchange rates were once again roughly at the same level they had been a year earlier. Marked negative swings were evident against the euro in the Polish zloty (–11%) and the Brazilian real (–8%). There were only small changes in the rates against the US dollar, pound sterling, Swiss franc, Russian rouble and Canadian dollar. On the other hand, the Japanese yen (+9%) and the Chinese yuan (+8%) rose significantly against the euro. In the end, the changes in currency markets had little impact on our earnings because the fluctuations during the course of the year largely balanced each other out overall.

Excellent sector growth

Our focus on a basic human need, hot food away from home, provides a certain degree of security even in times of an economic downturn. The findings of a survey conducted at the start of 2011 at Internorga, one of the most important trade fairs in the catering and food service industry, showed that around one half of the decision-makers in the catering sector were planning to purchase major items of equipment, such as combi-steamers, from 2011 onwards. The positive trends in the sector established in 2010, therefore, continued in 2011.

Legal framework

In the year under review, there were no changes in the legal framework with any material impact on our business.

Net assets, financial position and results of operations

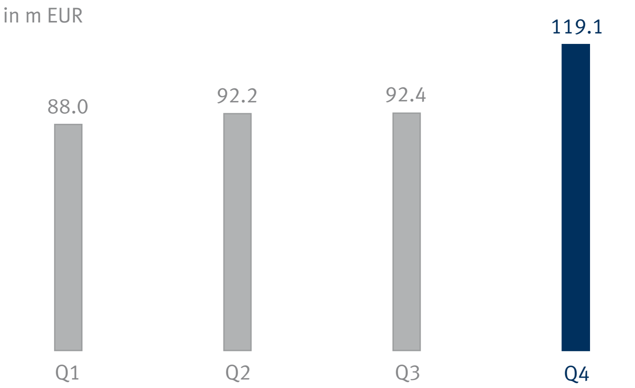
Results of operations

2011 performance – double-digit growth in sales

In 2011, targeted sales and marketing activities, together with the launch of the new product generations, led to an increase in sales from 350.1 million euros to 391.7 million euros. This equated to a growth rate of 12%, which was at the top end of our forecasts. Our growth, therefore, outperformed the sector as a whole. This increase resulted entirely from excellent growth in unit sales, due to the fact that average prices remained stable and the effect of foreign exchange fluctuations was of minor importance. What is particularly encouraging, is that growth was generated in all regions around the world.

The growth in sales, however, did vary significantly from quarter to quarter. The big jump in sales in the first quarter (+21%) was attributable to a number of factors, including the comparatively weak performance in the equivalent quarter in 2010. In the second quarter, sales climbed by 9%, with the result that the overall sales growth for the first half of the year was 14%.

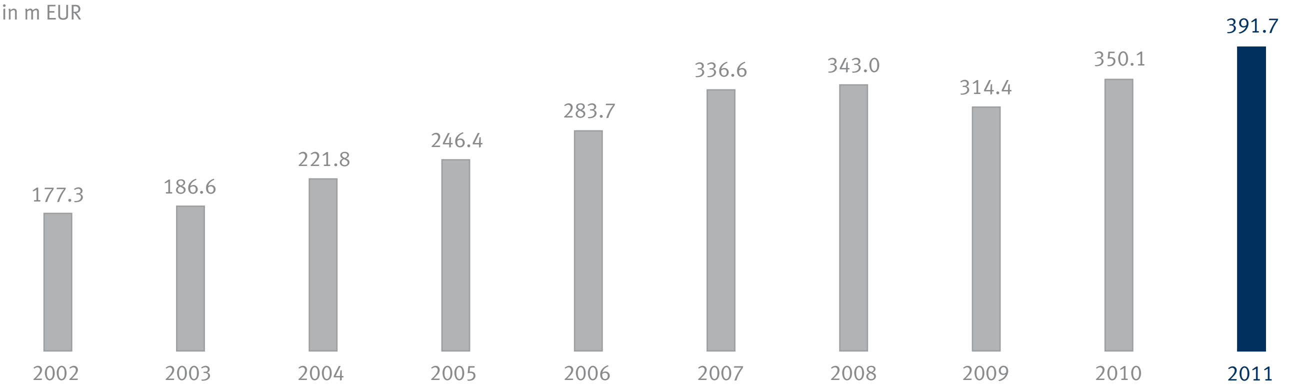
Sales in 2011 (for each quarter)



Business performance in the second half of the year was dominated by the launch of the SelfCookingCenter® whitefficiency® and the VarioCookingCenter MULTIFICIENCY®. Although some reticence was noticeable on the part of buyers after the launch was announced, new orders started to increase again after the launch itself. Given the significant rise in orders on hand, it was no longer possible to deliver all these orders within the third quarter and sales, therefore, only climbed by 7% for this quarter. Sales then hit 119.1 million euros in the fourth quarter, a new record in the history of the company. This equated to an increase of 12% compared with the already very good corresponding quarter in 2010.

Sales development 2002 to 2011

in m EUR



Gross profit up 8% year on year

Given the start-up phase for the new product lines and the discontinuation process for the superseded product lines, the third and fourth quarters saw a disproportionate rise in cost of sales, which amounted to 157.3 million euros for the year as a whole (2010: 133.2 million euros). Higher commodity prices on average over the year also adversely impacted cost of sales. As a consequence, the increase in gross profit to 234.4 million euros was disproportionately low at 8% year on year (2010: 217.0 million euros). The gross profit margin ended at 60% (2010: 62%).

RATIONAL invests in the future

Operating expenses, which consist of sales and service expenses, research and development expenses and general administration expenses, increased by 18%, or 20.5 million euros, to 133.1 million euros in 2011 (2010: 112.6 million euros).

Within this figure, the increase in sales and service expenses was disproportionately very high owing to the global launch events and the new brand presence in the market. These expenses were up by 17.3 million euros year on year to 100.7 million euros, an increase of 21% (2010: 83.4 million euros).

With research and development expenses of 14.9 million euros (2010: 13.5 million euros), we reinforced the importance of innovation to the successful growth of the company.

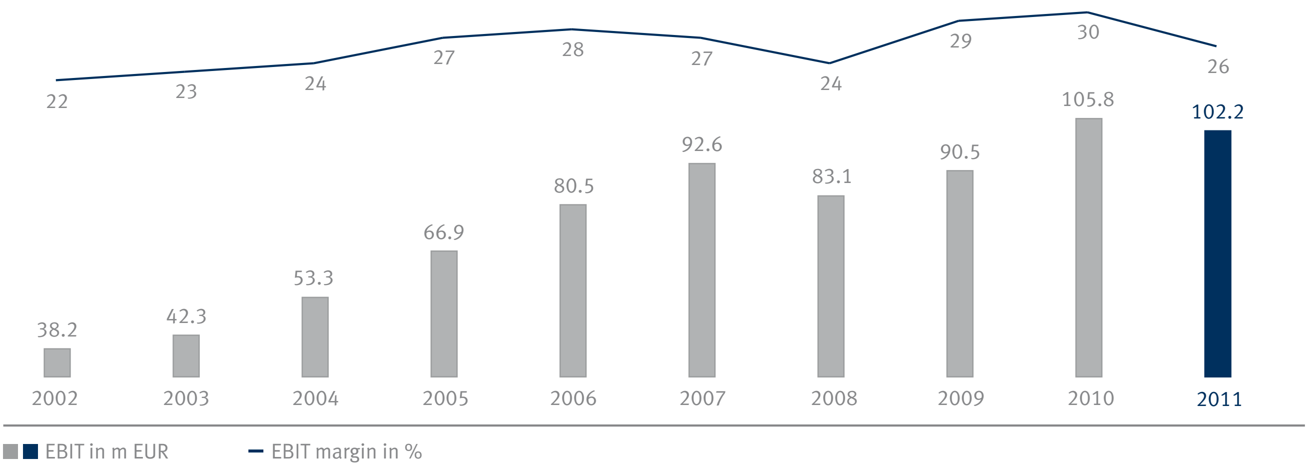
General administration expenses increased in proportion to sales from 15.6 million euros to 17.5 million euros, a rise of 1.8 million euros or 12%.

The tax ratio for the Group in 2011 stood at 23.1% (2010: 24.4%) and the absolute tax expense was 23.7 million euros (2010: 25.8 million euros).

Cost and earning structure

	2011	in % of total sales	2010	in % of total sales
Total sales	391.7		350.1	
Cost of sales	157.3	40	133.2	38
Sales & Marketing	100.7	26	83.4	24
Research & Development	14.9	4	13.5	4
Administration & others	16.6	4	14.2	4
EBIT	102.2	26	105.8	30

EBIT development and EBIT margin 2002 to 2011



EBIT margin of 26%

At 102.2 million euros (2010: 105.8 million euros), EBIT was slightly down compared to 2010. This was mainly attributable to non-recurring effects amounting to approximately 8 million euros, which arose as a result of the market launch for the new generations of products.

Nevertheless, an EBIT margin of 26% (2010: 30%) means that we are an exceptionally profitable company. Group earnings of 78.7 million euros were slightly below the earnings generated in 2010 (2010: 79.8 million euros). The net margin was 20% (2010: 23%).

High level of return on invested capital (ROIC)

The return on invested capital (ROIC) again reached a high level. For 2011, ROIC was 33% compared with 34% for 2010. This means it exceeded the assumed cost of capital of 9% by 24 percentage points, generating an increase of 57.3 million euros in enterprise value.

Dividend of 5.50 euros proposed

Despite the prevailing uncertainties, particularly those caused by the crisis in the eurozone, we are expecting economic trends to be largely stable in 2012. The short-term liquidity of the company at the end of the year continued to be excellent, with liquid funds of 120.8 million euros (2010: 163.1 million euros). The Supervisory Board and the Executive Board have therefore decided to propose to the General Meeting of Shareholders for 2011 an increase in the dividend from 5.00 euros to 5.50 euros per share.

This represents a dividend yield of 3.3% based on the closing price on December 31, 2011. The proposed dividend entails distributing a total of 62.5 million euros, but the liquidity of the company will still remain at an excellent level, even after the dividend payment. We are well-equipped to cope with any possible problems that could still arise as a result of the eurozone crisis.

Net assets and financial position

High degree of liquidity provides flexibility and security

The key components of financial management are the management of capital structure, particularly financial assets and money deposits, currency risk management, receivables management and the management of liquidity for the Group as a whole.

We aim to continuously reduce the amount of capital tied up in trade receivables. No substantial defaults were sustained during 2011. We achieved an average receivables coverage ratio in excess of 90% in 2011 through a combination of global trade credit insurance and bank letters of credit.

Sound balance sheet structure

The structure of our balance sheet is very sound. As at December 31, 2011, total assets had fallen from 305.7 million euros to 283.2 million euros, a decrease of 7%. The principal reason behind this decrease was the dividend distribution of 102.3 million euros (including the special dividend of 45.5 million euros), which reduced both cash and equity. The equity ratio at the balance sheet date was 73.1%, almost at the same level as twelve months earlier (2010: 75.3%).

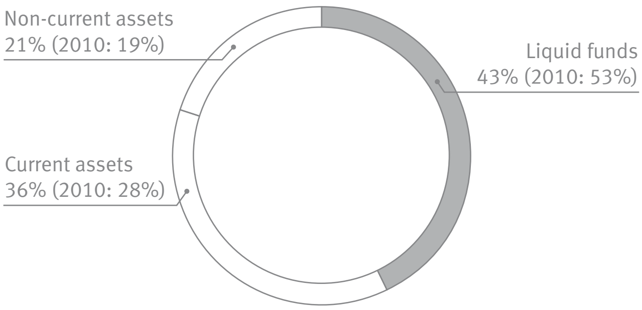
Non-current assets decreased by 1.2 million euros in 2011. The contraction in total assets was greater, however, so the overall asset structure has shifted more towards non-current assets. Current (short-term) assets account for 79% (2010: 81%), liquid funds for 43% of total assets (2010: 53%).

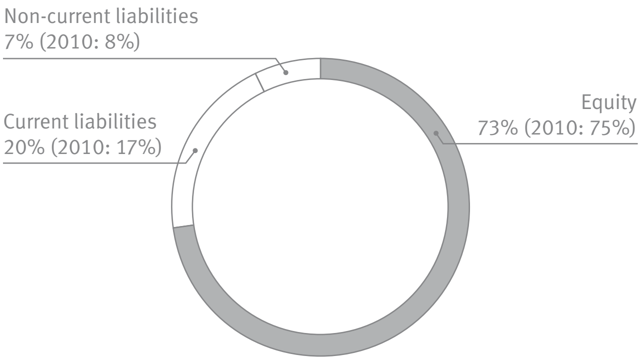
The largest single item under non-current liabilities are liabilities to banks, which stand at 17.2 million euros (2010: 19.0 million euros). The loans concerned were used to fund the assembly and shipping building, which was completed in 2008, and the production facilities at the components factory. Repayment of the greater part of these loans, for which the interest rate is fixed until 2017, is due until 2022.

Off-balance-sheet financing instruments

RATIONAL does not shift liabilities to expressly-created special purpose vehicles. We do, however, make very limited use of operating lease arrangements for technical equipment, company cars and IT systems, and enter into leases for office space. Over the next five years, we forecast that the payments in connection with these leases will be 9.9 million euros. Off-balance-sheet financing, therefore, has no material impact on net assets.

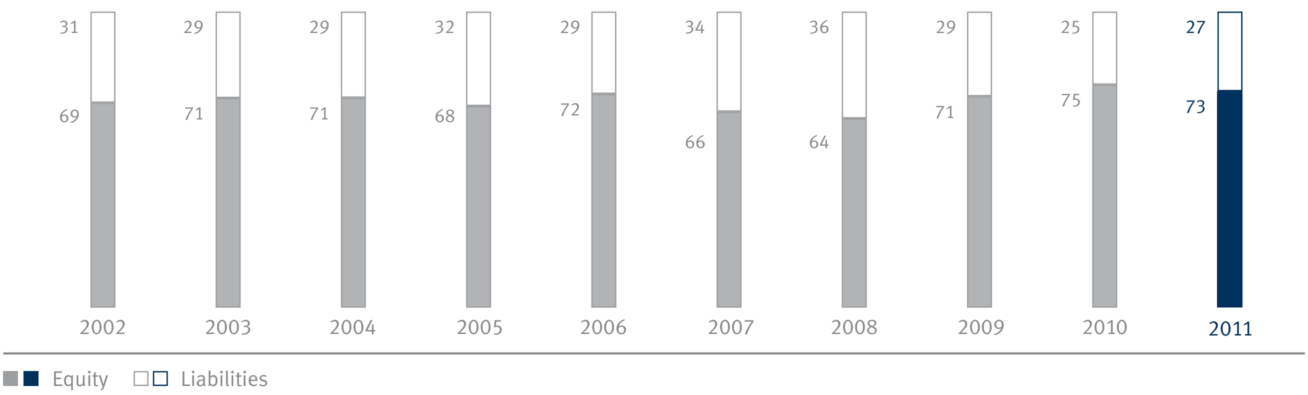
Balance sheet structure 2011





Equity/liabilities

in %



Analysis of capital investment

In the year under review, investments were focused particularly on future growth through the launch of our new generations of products. Funds were committed to research and development and used to back a comprehensive range of marketing activities in connection with product launches, although this expenditure was not capitalised. Capital spending on non-current assets amounted to 5.7 million euros (2010: 4.5 million euros) and largely comprised maintenance investment.

Working capital

Working capital increased by 15.2 million euros in the year under review as a consequence of the growth in the business. The most significant items were the rise of 5.4 million euros in inventories and the leap in trade receivables of 13.0 million euros attributable to the high growth in sales in the fourth quarter. As at December 31, 2011, working capital amounted to 73.4 million euros (2010: 58.2 million euros), which equated to 19% of total sales (2010: 17%).

High level of operating cash flow

Free cash flow, comprising cash flow from operating activities (67.7 million euros) less investment in non-current assets (5.7 million euros), reached 62.0 million euros in 2011 (2010: 82.4 million euros) and was, thus, down year on year. The principal reasons behind the change were the somewhat lower earnings, the increase in working capital, and higher tax payments in 2011, the latter being 6.6 million euros more than in 2010.

In 2011, total dividends of 102.3 million euros were paid to our shareholders for the 2010 fiscal year. Including the repayments of principal and interest payments in connection with our bank loans, the cash flow from financing activities amounted to –106.0 million euros (2010: –52.2 million euros). The balance of liquid funds fell by 42.3 million euros during the course of the year under review to 120.8 million euros (2010: 163.1 million euros).

Sustained high level of earnings power and financial stability

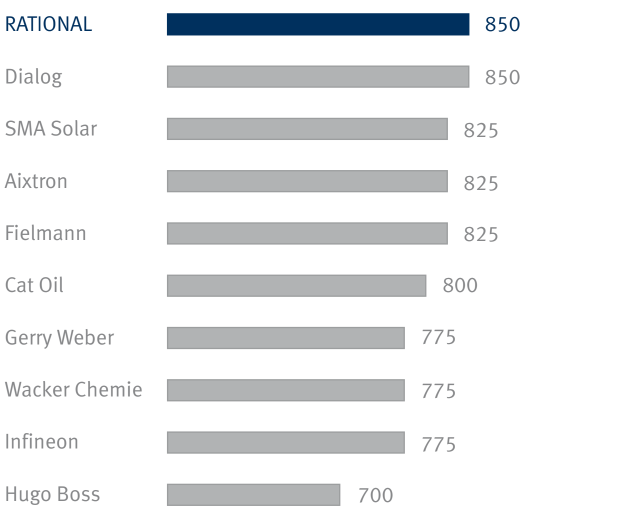
Top rank in “Handelsblatt” return check

Germany’s business newspaper “Handelsblatt” has confirmed the earnings power and financial stability of RATIONAL. Every year, the newspaper assesses the companies listed in the DAX, MDAX, SDAX and TecDax against the criteria of equity ratio, return on investment, cash flow/sales and cash flow/total capital, and so establishes their earnings power.

With 850 out of a possible 1,000 points, RATIONAL leaped to first place in 2011 and was crowned the “ROI King” of Germany’s 135 largest listed companies. The assessment was based on the financial data for fiscal year 2010.

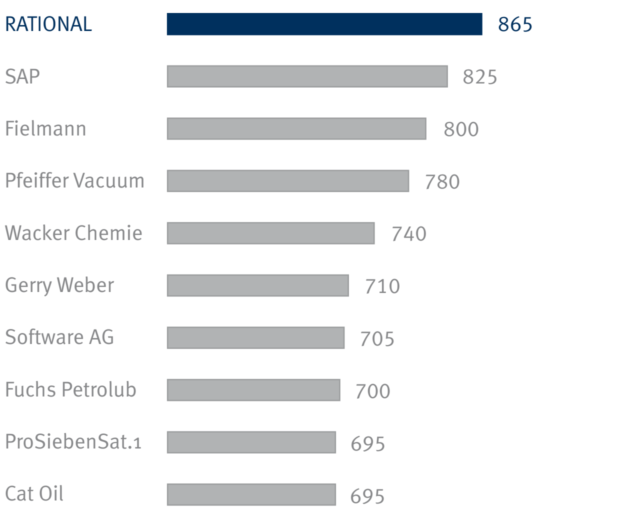
An even greater accolade is being Number 1 in the 5-year ranking. With an average of 865 points, RATIONAL took top position by a wide margin. This is testimony to the sustainability of our earnings structure and the result of the successful implementation of our long-term corporate strategy.

Handelsblatt Return Check 2011



Source: Handelsblatt

Average Score (5 Years) Handelsblatt Return Check



Source: Handelsblatt

High credit rating from banks

Our company is given a very good credit rating of AA to AAA by all lending banks. We have not raised any borrowings from capital markets, so we do not have any external rating from a ratings agency.

Excellent share price performance

Our share price performed in line with the positive performance of the business during the year under review. Whereas, the DAX ended the year down by 15%, our share price closed at 168.20 euros on December 31, 2011, compared to the closing price of 161.89 euros achieved on December 31, 2010. More detailed information can be found in the "Shares" section.

Management's assessment of the economic situation

Operating conditions for the business are good in terms of the state of the market, the performance of our products and our general financial position. There is a high level of untapped market potential around the world for our technologically leading products. We are already the out-and-out global market leader and continue to receive top scores for brand awareness, customer satisfaction and repurchase rates.

RATIONAL is also in the best possible position for the future, given its excellent liquidity, ongoing capacity to generate cash, sound earnings performance and significant equity base. In addition, we have proven that we are able to adapt rapidly and in a highly flexible manner to unexpected situations in times of crisis.

Non-financial performance indicators

Continuous improvement of all corporate processes

All employees in the company strive continuously to improve quality as a core task. Our company is organised entirely around processes. These processes are described in detail and are measured, both qualitatively and quantitatively, by means of appropriate key figures.

Our quality management system is designed to cover the whole of the business, plus all of our suppliers, service partners and trade partners, who are also included in the audited processes. Decisions intended to improve processes are in many areas based on up-to-the-minute data. We work together with both upstream and downstream organisations – i.e. with both suppliers on the one hand and service and trade partners on the other – in our pursuit of continuous process improvement.

Should a customer, nonetheless, have cause to complain, we always aim to more than compensate for each problem encountered. The IT-based Customer Care system introduced in Germany plays an important role in handling customer issues. It ensures the greatest degree of transparency, clear assignment of responsibility and offers automatic escalation options, guaranteeing that our response will be even faster and better than before.

The best possible technology at a reasonable price at all times

We promise our customers the best possible technology and quality at a reasonable price at all times. We continued to live up to this claim in 2011 with the launch of the SelfCookingCenter® whitefficiency® and the VarioCooking-Center MULTIFICIENCY®. Customers were offered significantly improved product features, greater flexibility and efficiency, easier operation – and all without any increase in prices.

This was confirmed in emphatic manner by a panel comprising specialist dealers, journalists and professional chefs at the HOST hospitality industry trade fair held in Milan. The SelfCookingCenter® whitefficiency® was voted the most innovative product (Gold Innovation), and also as the product with the best figures in terms of sustainability and efficiency (Green Excellence), from a field of more than 100 products used in professional kitchens.

Long-term partnership with suppliers

As a company with little vertical integration, the quality, productivity and reliability of our suppliers are particularly crucial to the success of our business. We offer our suppliers a long-term, reliable and trusting partnership and, in return, expect loyalty, quality, commitment, flexibility and innovative strength. Instead of placing our suppliers under more and more pressure to offer lower prices, we apply the extended workbench model and work in cooperation with our key suppliers on joint re-engineering projects to achieve demanded quality, productivity or cost-cutting targets.

In addition to supplier certification, successful cooperation is underpinned by annual partner plans with quality and productivity targets, monthly reporting for the principal key figures and regular audits. The RATIONAL supplier system separately assesses product quality and the quality of cooperation. The best suppliers are presented with awards at the annual suppliers day.

Intense customer retention activity after purchase

The company has a variety of new ways aimed at improving customer loyalty and increasing the retention of end-customers after a product has been sold. These new approaches include CLUB RATIONAL, the RATIONAL Academy and the RATIONAL business customer portal. CLUB RATIONAL already has more than 32,000 members around the globe. In addition to a wide range of free services, members have direct access to the latest software updates for the SelfCookingCenter® whitefficiency® and are, therefore, able to participate in the advances made by RATIONAL cooking research. The club also enables chefs to provide each other with expert assistance, with an extensive recipe database and the opportunity to publish personal recipes completing the service offering, which is free of charge.

The RATIONAL Academy offers customers the opportunity to tap into RATIONAL cooking expertise. By cooking together with our chefs, customers can learn to use their equipment in optimum fashion and derive the best possible benefit.

A new age in communications has opened up with the launch of the RATIONAL portal. This special web application has been available to dealers, planners, service partners and the sales and marketing department since July 2011. Product and service information can be accessed on the portal. It is also possible to order equipment, accessories, parts, merchandising items and print media. Dates of trade fairs and “RATIONAL CookingLive” events can be viewed at any time. Everything is available on one site, is always up to date and can be used intuitively.

Rising profile in financial markets

Our stock market listing and, not least, the inclusion of our shares in the MDAX are helping to raise the profile of the company in the global financial markets. Constructive dialogue with external analysts and investors strengthens awareness within the company of the importance of efficient processes, effective risk management, transparent structures and open communication. Information about current developments is published promptly and openly for the benefit of analysts, institutional investors, individual shareholders and the press.

Two-brand strategy

The RATIONAL brand ranks as one of the most recognised in the sector worldwide. Customers identify the brand with market-leading innovation and performance, excellent quality, a wide range of applications and benefits, absolute reliability, longevity, best value for money and outstanding ease of operation.

The VarioCookingCenter MULTIFICIENCY® is distributed under the FRIMA brand and we are making the most of this huge opportunity to establish a further international, innovative brand in the catering and food services industry. The development of a second strong brand will help us to achieve a sustained increase in enterprise value. We believe that two brands, each with one market-leading product, are ultimately worth more than one brand with two products.

Remuneration report

Section 315 (2) no. 4 of the German Commercial Code (HGB) requires public companies listed on a stock exchange to disclose information on the main features of their remuneration system.

Executive Board remuneration at RATIONAL AG is the responsibility of the Supervisory Board, which sets the remuneration payable to Executive Board members on the basis of the company's size and the global nature of its operations, its economic and financial situation and the level and structure of Executive Board remuneration at comparable companies. The Executive Board remuneration system was approved by the General Meeting of Shareholders on April 21, 2010.

The total compensation paid to the Executive Board for the performance of its duties within the parent company and its subsidiaries in fiscal year 2011 was 3.7 million euros (2010: 3.5 million euros). This amount included a performance-related pay component of 2.0 million euros (2010: 1.8 million euros). Payments totalling 0.3 million euros were also made into the pension scheme for Executive Board members (2010: 0.3 million euros).

No stock options were issued in 2011. The General Meeting of Shareholders held on May 11, 2011 decided not to publish an individual breakdown of Executive Board remuneration.

The level of the variable remuneration components is determined both on the basis of business performance and primarily also on the basis of employee satisfaction, the efficiency of the organisation and the extent to which the company has extended its technological leadership and improved its quality.

The total remuneration paid to the Supervisory Board for 2011 amounted to 572 thousand euros (2010: 580 thousand euros).

Information required under takeover law
Pursuant to section 315 (4) of the German commercial Code (HGB) and explanatory report

The share capital of RATIONAL AG on December 31, 2011 amounted to exactly 11,370,000 euros divided into 11,370,000 no-par value bearer shares, each of which has a nominal calculated share of the share capital equal to 1.00 euro. Each share carries one vote and is necessary for entitlement to a share of profits.

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

The company's founder, who is also Chairman of the Supervisory Board, held 7,161,411 shares in RATIONAL AG at December 31, 2011 and thus exceeded the threshold of 10% of voting rights.

By resolution of the General Meeting of Shareholders on May 6, 2009, section 8 of the articles of association of RATIONAL AG was changed to include a right of appointment. The wording of the resolution is as follows: "For as long as Mr. Siegfried Meister and Mr. Walter Kurtz are shareholders of the company they shall have the joint right to appoint a member of the Supervisory Board to replace a member who steps down from the Supervisory Board. The right to appoint may be exercised as soon as a member of the Supervisory Board, which was appointed in its entirety by the General Meeting of Shareholders, has stepped down. If one of the two holders of the right to appoint ceases to be a shareholder of the company, the remaining shareholder shall have the sole right to appoint. The right to appoint is to be exercised by submitting a written declaration to the Executive Board of the company."

In 2011, Siegfried Meister and Walter Kurtz exercised their right to make an appointment under the articles of association. They appointed Dr. Hans Maerz in place of Mr. Roland Poczka until the next regular Supervisory Board elections scheduled to take place at the General Meeting of Shareholders in 2014. Roland Poczka stepped down as a member of the Supervisory Board with effect from August 31, 2011 in accordance with section 8 (5) of the Articles of Association of RATIONAL AG.

In accordance with both statutory regulations and the company's Articles of Association, all employees of RATIONAL AG may directly exercise the rights of control they possess as shareholders in the same way as other shareholders.

Section 84 of the German Stock Corporation Act (AktG) stipulates that the Supervisory Board is responsible for the appointment and removal of members of the Executive Board. In relation to these powers, section 6 (2) of the articles of association of RATIONAL AG states in more detail that the Supervisory Board appoints the members of the Executive Board, determines their number and allocates their duties. The Executive Board manages the company and represents it vis-à-vis third parties.

According to section 11 (2) of the articles of association of RATIONAL AG, the Supervisory Board is entitled to make amendments and additions to the Articles of Association provided these are to the wording only. All other amendments to the Articles of Association are to be made by resolution of the General Meeting of Shareholders passed with a simple majority of the votes unless a greater majority is required by law. Sections 179 et seq. of the AktG apply accordingly. The Supervisory Board made no amendments to the Articles of Association in 2011.

The most recent amendments to the Articles of Association were made by resolution of the General Meeting of Shareholders on April 21, 2010 and relate to the increasing of the company's authorised capital and adjustments to the rules for the General Meeting of Shareholders, in particular those relating to deposit and registration, required to align the Articles of Association with changes in the applicable legal provisions.

The company does not hold any treasury shares. The company does not currently have authorisation from the General Meeting of Shareholders to repurchase its own shares.

RATIONAL AG has not entered into any material agreements that are subject to the condition of a 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 a change of control, that is to say the assumption of the majority of voting rights in the company by either an individual shareholder or by shareholders acting jointly.

Report on risks and opportunities

Overall assessment of opportunities and risks by the Executive Board

Our business performance is affected by a large number of current social trends and developments around the world. In addition to global population growth, this includes the increasing prosperity in the emerging markets. Awareness of the need to eat healthy and enjoy a varied diet is also becoming increasingly important, which presents an opportunity for the catering industry as a whole, and also particularly for our highly flexible products. Given that there is as yet untapped potential in the global market, that our products preceding in front in terms of technology and that our market-leading position is unchallenged, the Executive Board believes that the opportunities for maintaining our history of success into the future are very good indeed.

Nonetheless, there are also risks that could jeopardise whether we attain our corporate objectives or not. In addition to tangible, insurable risks, there are risks such as economic trends, political decisions, increasing competition, financial turmoil as well as product and operational risks. Overall, the Executive Board believes that it can control these risks. In other words, these risks do not constitute a threat to the existence of the business as a going concern. Nevertheless, should any one or a combination of these risk factors materialise, the company may fail to achieve its corporate objectives in one or more fiscal years.

Risk report

Business risk can be defined as the danger of not meeting financial, operational or strategic targets according to plan. Our operations around the world expose us to a variety of risks. In order to meet strategic targets and assure the company's success, it is essential that risks be identified at an early stage, their causes and impact be analysed and suitable corrective measures be introduced to prevent or contain them on a long-term basis.

The RATIONAL risk management system

The success of the RATIONAL risk management system critically depends on heightening the awareness of risks and opportunities among employees and on fostering a highly developed sense of entrepreneurial responsibility among managers. Reflecting RATIONAL's organisational structure, the managers of the individual business units are themselves responsible for the early detection, management and communication of risks. An appropriate system has been set up for reporting risks. There is also an internal requirement for the submission of ad hoc reports to the senior management of the company if managers identify risks with implications that exceed specified reporting thresholds.

In addition, internal and external risks are recorded and assessed for all business units in the company as part of risk analysis. The last risk inventory of this kind was undertaken in August 2011. This exercise did not identify any risks, either individually or in combination, that could represent a threat to the continued existence of the business as a going concern. If the company identifies risks that, if they were to materialise, could impact the achievement of corporate objectives, suitable corrective action is taken.

The RATIONAL risk early detection system allows senior management to identify material risk at an early stage, instigate corrective action and monitor implementation of this action. The risk management system is regularly updated by the internal audit department. In addition, the risk early detection system is audited by the independent auditors to ensure that the system is capable of identifying at an early stage any developments that could constitute a threat to the continued existence of the company as a going concern.

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 we sell our products in all the world's main markets give us the opportunity to compensate for regional difficulties through our activities in other markets.

The potential consequences of political instability could include import restrictions in individual emerging markets for example, but since the proportion of our sales attributable to these markets is still relatively small, we do not consider this risk to be a threat to the continued existence of the business and we believe the risk to be moderate.

Neither our Japanese subsidiary nor our suppliers were directly affected by the earthquake, tsunami or reactor disaster in Japan.

Risk from competition and other sector risks

We monitor developments and trends in the sector and the market strategy of our competitors constantly and factor them into our corporate planning. While there is a risk that new competitors could emerge as a result of mergers within the sector, we anticipate that any losses sustained by us as a result would be very limited.

Economic risk

The international economic environment in which the company operates is susceptible to cyclical risk. The purchase of RATIONAL appliances represents a significant investment for our customers and is thus subject to a capital investment decision-making process. Our special position in the market and the significant rationalisation effects from our products mean that economic fluctuations and crises have considerably less impact on our business than in the traditional engineering sector, for example.

We monitor economic developments in our principal markets very carefully to ensure that emerging risks are identified at an early stage and that any corrective measures required are implemented promptly. Thanks to our flexible cost planning and our large liquidity reserve, which gives us adequate room to manoeuvre and the flexibility and independence to take all necessary business decisions, we are well prepared for currently conceivable macroeconomic scenarios.

Financial and capital market risk

The proportion of total sales generated in foreign currencies was 34% in 2011 (2010: 34%). We incur most of our cost of sales in euros. This means that changes in exchange rates have a direct impact on the company's earnings, with increases in the value of the euro in relation to other currencies depressing earnings and reductions enhancing earnings. In 2011, the effect of exchange rate movements on our earnings was negligible.

We hedge currency risk using customary instruments such as options and futures and we only enter into such contracts with partners holding first-class ratings. The nature and scope of the company's hedging operations are prescribed by internal guidelines. Hedges are only arranged at the head office by the parent company. While our currency risk management activities cannot insulate us against the impact of a medium-term or long-term increase in the value of the euro, our currency hedges do significantly reduce the risk posed to our operating cash flows by short-term currency fluctuations.

Market risk and default risk

Bad debt risks on trade receivables can arise as a result of customers not fulfilling their payment obligations. We protect receivables against the risk of default by means of trade credit insurance or bank letters of credit in order to avoid or reduce such risks. More than 90% of receivables were protected by such arrangements on the balance sheet date and the risk of significant losses as a result of defaults on receivables has thus been largely eliminated.

Market risk relates to the loss of sales potential as the result of the failure of a customer. We generate our sales with several thousand individual customers, so the failure of particular customers poses no special threat to our prospects for constant future sales growth. Our sales and marketing process targets end users, moreover, so the failure of a trade customer does not automatically entail a fall in demand from end users.

In the year under review, the proportion of total sales accounted for by the individual customer generating the greatest sales was 2.96% (2010: 2.99%). Our credit insurer has awarded this partner an impeccable credit rating and we consequently see no reason to fear any interruption to our future business with this partner on grounds of financial instability. Receivables from this customer were fully covered by credit insurance during the reporting period.

Product quality

The quality of the company's products has continued to improve over recent years. The launch of the new product generations during 2011 constituted a further important step in this process.

All equipment is subjected to intensive testing before it leaves our factory. In addition to comprehensive tests on every single item of equipment, a random sample of equipment also undergoes additional detailed inspections. This enables us to ensure the absolute reliability of our products and also to identify any possible sources of defects at an early stage. If complaints are, nevertheless, received from customers – or from internal sources – the problems are analysed and immediate solutions sought as part of our urgent quality improvement system within daily technical processes. The warranty cost ratio remained unchanged at the very low level of 1% (2010: 1%) and the customer satisfaction ratings returned by our regular customer surveys confirmed the picture. We, nonetheless, remain fully aware of the potential risks associated with quality problems and incorrect product use, and take care to review and analyse service reports worldwide. The company's management believes that existing product liability insurance adequately covers the risks arising from product liability.

Product development and intellectual property rights

We have been the clear leader in our field in terms of products and technology for many years. Innovations are protected by a variety of intellectual property rights including patents and patent applications. Whenever an infringement of an active patent is suspected, appropriate action is initiated and this may go as far as taking the third party to court. Patent proceedings alleging possible patent infringements on our part are investigated by experienced patent attorneys and defended vigorously.

Currently, there are no proceedings against us based on alleged infringement of intellectual property rights.

Legal risk

Legal risk relates to changes in laws or regulations in one or more countries that could prevent or hamper the importation or sale of our products. Such changes could take the form, for example, of customs duties or safety regulations that are not satisfied by our equipment. We are aware of the legal situation in all our key markets and consider the probability that such risk will materialise and that there will be resulting implications for our business to be moderate.

Human resources risk

Our skilled employees and managers are the cornerstone of the company's success and future prospects, and it is, therefore, extremely important that we are able both to attract new, highly qualified personnel and to retain existing high achievers over the long-term. Significant employee turnover would adversely affect business performance. In regards to providing appropriate remuneration, we implement a number of measures to strengthen employee retention including targeted human resources development and promotion schemes and opportunities for the employees to share directly in the company's profits.

Commodity prices and procurement risk

Manufacturing companies like ours are sensitive to changes in energy and commodity prices because of the way they cause our material and production costs to fluctuate.

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 products we manufacture and we, thus, monitor the commodities markets closely. We are able reduce the price risk in respect of high-grade stainless steel by means of corresponding contracts with suppliers, but it is not possible to do this with the alloy surcharge. Changes in the alloy surcharge consequently have a direct effect, positive or negative depending on the direction of change, on our cost of sales; however, the proportion of the total cost of sales accounted for by variable commodity costs is minor, and therefore, we consider the resulting impact on our earnings to be very limited.

Our procurement strategy includes working in partnership with key component and subassembly suppliers. Focusing on key suppliers in this way enables us to improve our products and their quality continuously and is also the most effective way to protect our technological lead. It does produce a certain degree of co-dependency, which means that the complete loss of a supplier could lead to short-term interruptions in production. But we are well aware of this risk and keep a particularly sharp eye on business developments at our suppliers and on the production processes of relevance to our own operations. We believe, that the advantages and opportunities offered by this strategy far outweigh the associated risks.

IT risk

Risks can arise in particular as a result of the ever-increasing integration of IT systems. Networks can go down, data can be corrupted or destroyed by operating or program errors or as a result of external factors and system failures can cause work to be delayed. We counter information technology risks by investing continuously in hardware and software, by encrypting e-mail and data transfers, by using virus scanners, firewall systems, admission and access controls, and by housing our systems in a specially protected data center. Many of our systems include backup facilities to ensure that individual failures can be compensated quickly.

Transferring risk through insurance protection

The main insurable risks to which the company is exposed are covered by a global insurance concept drawn up in conjunction with external insurance brokers. The associated Group insurance policies transfer the risk to the insurer. An insurance deductible may still apply in each case depending on the provisions agreed. Changing risk situations for the Group are examined regularly and insurance cover is adjusted accordingly. In the last two years, both the contractually agreed sums insured and the deductibles have been improved as compared with previous years or, at the very least, maintained.

We only deal with insurers whose creditworthiness has been verified (meaning they have at least an A– rating from a reputable ratings agency) by our insurance broker. The broker monitors creditworthiness continuously; if there is any sustained negative trend affecting one of our insurers, we make a prompt decision as to how to respond.

We work continuously to improve loss/damage prevention, or at least to reduce the level of loss or damage, in all insured areas. The measures implemented in this connection include our ongoing efforts to optimise the materials used to package our appliances, and so realise a lasting reduction in damage in transit.

In addition to this, regular coordinated site inspections carried out by experts from our specialist insurer and our insurance broker ensure that we implement and comply with defined precautionary and security/safety measures designed to minimise risk.

Protection of buildings and plant

We have established our onsite security system at the three plants in Landsberg to help protect our employees, the buildings, our plant and machinery and the environment. With 24-hour security provided by our own personnel and a professional-standard central security control room onsite (with, among other things, permanent video surveillance and a technical fire protection system), we are able to guarantee high levels of security.

Summary of risks

Global economic trends are currently good; however, there are still financial and economic risks that are difficult to predict in terms of whether they are likely to materialise and, if so, what the impact is likely to be. In view of the action we have taken, our high liquidity reserves and our sound balance sheet structure, we do not believe that the risks described above – either individually or in combination – represent a threat to the continued existence of the business as a going concern.

Opportunities report

Sustained successful performance of our business in the future will be driven both by external factors and trends and by the strengths and competitive edge of our products and business processes.

Positive external factors and trends

Huge available potential in the global market

Around the world, there are about 2.5 million professional kitchens in which our technology can be installed and this number is increasing. Only around 30% of these kitchens are already using combi-steamer technology. The remaining 70% are still relying on conventional cooking technologies. So far, only around 7% of all kitchens have installed a SelfCookingCenter® or a SelfCookingCenter® whitefficiency®. The SelfCookingCenter® whitefficiency® replaces both conventional cooking technology and standard combi-steamers, so the potential market still available is around 93% of all these professional kitchens worldwide.

The same global customer potential exists for the VarioCookingCenter MULTIFICIENCY®. In this case, the product has only been on the market for a few years so market penetration is still low and the available potential is, respectively, almost 100% of the 2.5 million professional kitchens.

This huge untapped potential still available in the market will allow us – and indeed our competitors – to continue to grow in the future with sales generated from further market penetration and rising demand for replacement equipment.

Global population growth and rising prosperity

Per capita income in the emerging markets is rising rapidly as the prosperity of the growing population increases, leading to the emergence of a new middle class. This growing prosperity and the higher standard of living means that “eating out” is also taking on an increasingly important role in these emerging economies, with a correspondingly positive impact on demand for our products in these markets.

Trend towards healthier eating and greater variety of food

The importance of healthy eating has been recognised by both individuals and hot food providers, particularly in the developed industrialised nations. This has given rise to initiatives for healthier food to be offered in public facilities, such as schools and universities. A trend towards healthier and more varied dishes is also apparent in the hospitality industry and, particularly, in the increasingly important system catering practised by large chains. If our products are used to prepare food, vitamins are conserved and fat is reduced, with the resulting dishes will therefore be healthy.

Eating out as a basic human requirement

We focus on a basic human requirement, namely hot food away from home. This provides us with a degree of security, even in times of crisis.

Strengths of RATIONAL

Superior products

We enjoy a portfolio of products and services superior to that of our competitors. Both the SelfCookingCenter® whitefficiency® and the VarioCookingCenter MULTIFICIENCY® are market leaders in terms of technology and applications, even though our prices are similar to those of competitors. This adds to the appeal of the products and services for customers who are looking for a multifunction product offering the best features, exceptional ease of operation and a high degree of flexibility.

Resource efficiency

The efficiency of technologies in the use of resources is becoming an increasingly significant factor in capital spending decisions for professional kitchens. The SelfCookingCenter® whitefficiency® and the VarioCookingCenter MULTIFICIENCY® significantly reduce consumption of energy, water, space, fat, cleaner and the use of raw materials. The time and effort required to supervise cooking and carry out equipment cleaning is also reduced, resulting in considerable savings in working time.

Global market leadership

Our share of the global combi-steamer market is more than 50%. Every second combi-steamer sold around the world is a RATIONAL product. The benefits derived from this strength in the market are many and varied. For example, the company has the world’s largest and most professional sales team in this sector and is, thus, able to communicate the product message efficiently, further enhancing brand and product awareness. We also have enormous innovative capability at our disposal, allowing us to maintain or further extend our technological advantage over competitors.

High level of customer satisfaction

The combi-steamer is considered one of the most important items of equipment in a professional kitchen. We are perceived as a provider of innovative solutions, supplying high-quality, reliable products accompanied by an outstanding level of service quality. More than 80% of our customers are what we refer to as “apostles”, i.e. they are so satisfied that they buy RATIONAL products again and recommend the products to others.

Successful marketing

We are frequently the trailblazers in developing new markets. This leads to rapid brand recognition and a substantial advantage over competitors when exploiting available market potential. The efficient, successful development of new markets is a lasting contributing factor in helping us to consolidate and build on our position as the global market leader.

Corporate culture

The principle of “entrepreneur in the company” (U.i.U®), which encompasses a decentralised management structure, high levels of personal responsibility and self-organisation, forms the basis for collaboration between employees throughout the Group and for the self-image of all employees.

Other aspects of the corporate culture include the concept of continuous learning – based on the motto “Learn from the best” – and continuous improvement, as a result of which we identify and eliminate weaknesses in the areas of work covered by each individual employee, helping us to increasingly avoid wasted efforts in the organisation.

Group-wide process organisation ensures that we achieve the highest possible level of efficiency by avoiding unnecessary interfaces between processes. This enhances motivation and increases the extent to which individual employees identify with their end-to-end tasks and responsibilities.

Internal control and risk management system in relation to the accounting process

The main features of the internal control and risk management system in relation to the (Group) accounting process can be summarised as follows:

- The accounting processes in place at the parent company and its subsidiaries are clearly structured in relation to areas of responsibility and management.

- Standardised accounting practice is assured across the Group through constantly updated guidelines that are applied Group-wide.

- The functions of the main units (Finance, Accounting and Controlling) involved in the accounting process are clearly demarcated in respect of the preparation of the closing financial statements and responsibilities are unambiguously assigned.

- The actual bookkeeping process is handled centrally in Landsberg where possible, provided this is permitted under applicable national law. This ensures a high level of quality throughout the Group in relation to the recording and processing of data relevant to accounting.

- Standard software is employed wherever possible for the financial systems used in the Accounting unit. Appropriate security and authorisation concepts are deployed to protect these systems against unauthorised access.

- The units involved in the accounting process are properly equipped to meet requirements. The staff involved have the necessary skills and qualifications and receive further training on a continuous basis. The units involved in the accounting process throughout the Group closely coordinate their activities in regular meetings.

- Accounting-related data is subject to regular random sample checks to ensure the data is complete and accurate.

- All key processes relevant to accounting are subject to the universal principle that transactions must be double-checked by a second person.

- The single-entity annual financial statements of all Group companies are audited by locally appointed auditors or reviewed by the Group auditor in order to ensure that accounting practice is consistent and complies with the law.

- All of the Group processes relevant to accounting are regularly checked by the Internal Audit function as part of the audit process for subsidiaries. The processes involved at the Landsberg site are also regularly checked.

The internal control and risk management system, the main features of which are described above, ensures that the accounting process is efficient. The controls in place largely eliminate errors and make certain any errors that do occur are detected and corrected. This ensures that accounting practice at the company complies with the applicable statutory regulations. The control and checking mechanisms described above also create a structure through which business transactions can be recorded, reported and evaluated consistently and appropriately throughout the Group, which enables us to make reliable and relevant information available as necessary.

Supplementary report

No events that are of material importance to the assessment of the net assets, financial position or results of operations of the RATIONAL Group and would be reported here occurred after the balance sheet date, December 31, 2011.

On January 16, 2012, we published an ad hoc notice with preliminary figures for sales and EBIT for the fiscal year ended December 31, 2011.

Outlook

Huge untapped market potential

The potential market for our products remains huge. There are some 2.5 million professional kitchens around the world for which the SelfCookingCenter® whitefficiency® and the VarioCookingCenter MULTIFICIENCY® would be suitable and this number is increasing. Around 93% of those 2.5 million professional kitchens currently represent untapped market potential for the SelfCookingCenter® whitefficiency® and almost all are potential customers for the VarioCookingCenter MULTIFICIENCY®.

We predict that there will be growth in the sector over the next few years based on data from decision-makers indicating that they continue to be prepared to commit capital investment to professional kitchens. RATIONAL also stands to gain from this upward trend as the market and technology leader.

Development of international market potential

In 2011, we continued to invest in the expansion of our global sales and marketing network. Our particular objective is to tap into the potential available in emerging markets; however, there are further growth opportunities still to be exploited in regions that have already been developed. This can be achieved by further market penetration and by replacing older combi-steamers with the SelfCookingCenter® whitefficiency®. We will continue to advance this opportunity-based growth strategy in 2012. In the current year, based on this market potential, we will also undertake corresponding investment in increasing the number of employees, especially in sales and marketing processes in all regions of the world.

Modest rise in commodity prices expected

The price of high-grade stainless steel comprises the basic steel price and the alloy surcharge, the latter being closely linked to the price of nickel. The alloy surcharge rose in the period up to March 2011, but in the period between April until the end of 2011, the price then fell steadily, ultimately reaching a significantly lower level. Further price movements in both components depends to a large degree on trends in the global economy. In the case of the basic price of steel, we have long-term contracts that provide us with a sound cost basis.

The alloy surcharge is currently at a level below the average for the last few years. We are assuming that this price will rise again slightly in line with the forecasts of positive trends in the global economy. Nonetheless, we predict that commodity prices will not have any material impact on our cost of sales or respectively on our profits.

Additional capital investment in a training and office building

The company's heavy investment in modern production facilities and key skills over recent years has created an excellent platform for future production operations. Our budget for capital investment in non-current assets in 2012 has been set at round 10 million euros. The bulk of this investment is related to maintaining the status quo and the planned construction of a training and office building at the Landsberg facility. This capital expenditure will be funded both from our own funds and from borrowings. We will also be continuing to invest in marketing, sales, and research and development.

Operating cash flows cover current liquidity requirements

Liquidity requirements are largely determined on the basis of current operating costs, the increase in working capital needed to keep pace with growth, the necessary investment in plant and equipment, and the planned dividend payment. In the future, the liquidity requirement will continue to be covered for the most part by cash inflows from operating activities and the net liquidity currently available.

Into 2012 with confidence

The economic prospects, which are still good at present, are likely to be hit by the worsening crisis in the eurozone and its unforeseeable consequences. The economic experts at the International Monetary Fund (IMF) are still assuming 3% growth for the world economy for 2012 (Source: IMF, WEO Update, January 2012). Nevertheless, growth forecasts for 2012 have been gradually revised downwards over the last few months, reflecting a degree of uncertainty also among experts.

At RATIONAL, we have put everything in place for further success in 2012. We have products that are superior to those of competitors, a large, untapped global market potential, excellent customer loyalty, a sound business model and an extremely solid financial base. The market launch of the new generations of products has also improved our competitive position. Thus, we are entering the new year with confidence.

We forecast that RATIONAL will continue to achieve modest growth in 2012 and 2013, both in terms of sales and operating result. Given our competitive position, the new product launches and the untapped potential in the market, we also believe we have the opportunity to improve our key financial performance indicators.

Landsberg am Lech, February 15, 2012

RATIONAL AG
The Executive Board

Dr. Günter Blaschke
Chief Executive Officer

Erich Baumgärtner
Chief Financial Officer

Peter Wiedemann
Chief Technical Officer

Reinhard Banasch
Chief Sales Officer

Consolidated Financial Statements

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Statement of Comprehensive Income RATIONAL Group

for the period January 1 – December 31

kEUR	Note	2011	2010
Sales	1	391,688	350,136
Cost of sales	2	–157,315	–133,150
Gross profit		**234,373**	**216,986**
Sales and service expenses	3	–100,718	–83,443
Research and development expenses	4	–14,944	–13,515
General adminstration expenses	5	–17,458	–15,639
Other operating income	6	7,433	9,093
Other operating expenses	7	–6,521	–7,715
Earnings before interest and taxes (EBIT)		**102,165**	**105,767**
Income from financial assets	8	74	63
Interest and similar income	8	1,303	998
Interest and similar expenses	8	–1,077	–1,217
Earnings from ordinary activities (EBT)		**102,465**	**105,611**
Taxes on income	9	–23,720	–25,818
Group earnings		**78,745**	**79,793**
Differences from currency translation		234	518
Total comprehensive income		**78,979**	**80,311**
Average number of shares (undiluted/diluted)		11,370,000	11,370,000
Earnings per share (undiluted/diluted) in euros relating to the group earnings and the number of shares	10	**6.93**	**7.02**

Balance Sheet RATIONAL Group

Assets

kEUR	Note	Dec. 31, 2011	Dec. 31, 2010
Non-current assets		**58,237**	**59,415**
Intangible assets	12, 13	1,257	1,155
Property, plant and equipment	14, 15	52,414	54,155
Financial assets	16	0	50
Other non-current assets	19	206	245
Deferred tax assets	9	4,360	3,810
Current assets		**224,952**	**246,299**
Inventories	17	24,739	19,347
Trade receivables	18	71,685	58,726
Other current assets	19	7,760	5,089
Deposits with maturities of more than 3 months	20	50,400	115,900
Cash and cash equivalents	21	70,368	47,237
Balance sheet total		**283,189**	**305,714**

Equity and Liabilities

kEUR	Note	Dec. 31, 2011	Dec. 31, 2010
Equity	22	**206,915**	**230,266**
Subscribed capital		11,370	11,370
Capital reserves		28,058	28,058
Retained earnings		168,809	192,394
Other components of equity		−1,322	−1,556
Non-current liabilities		**19,860**	**22,755**
Provisions for pensions	23	681	697
Other non-current provisions	25	1,949	3,076
Non-current loans	26	17,230	18,982
Current liabilities		**56,414**	**52,693**
Liabilities for current tax	24	3,238	7,172
Current provisions	25	19,849	17,261
Current portion of non-current loans	26	1,766	2,315
Trade accounts payable	27	10,085	9,240
Other current liabilities	28	21,476	16,705
Liabilities		**76,274**	**75,448**
Balance sheet total		**283,189**	**305,714**

Cash Flow Statement RATIONAL Group

for the period January 1 – December 31

kEUR	2011	2010
Earnings from ordinary activities	102,465	105,611
Depreciation on fixed assets	7,268	6,796
Net results from asset retirements	17	11
Non-realised foreign currency result	160	69
Change in derivative financial instruments	351	160
Interest income and income from financial assets	−1,377	−1,061
Interest expenses	1,077	1,217
Operating results before changes in working capital	**109,961**	**112,803**
Changes in		
Inventories	−5,392	−1,525
Trade accounts receivables and other assets	−13,128	−8,395
Accruals	1,352	1,562
Trade accounts payable and other liabilities	5,473	6,342
Cash generated from current business activities	**98,266**	**110,787**
Taxes paid on income	−30,549	−23,934
Cash flow from operating activities	**67,717**	**86,853**
Investments in intangible assets and tangible assets	−5,720	−4,476
Income from asset retirements	72	33
Income from merger	81	–
Purchase of fixed deposits with maturities of more than 3 months	−50,400	−115,900
Decrease in fixed deposits with maturities of more than 3 months	115,900	96,000
Interest received	1,421	852
Dividends received	47	46
Cash flow from investing activities	**61,401**	**−23,445**
Dividends paid	−102,330	−39,795
Changes within the scope of finance leasing agreements	−434	−869
Repayment of liabilities to banks	−2,301	−10,341
Interest paid	−976	−1,163
Cash flow from financing activities	**−106,041**	**−52,168**
Net changes in cash and cash equivalents	**23,077**	**11,240**
Changes in cash from exchange rate changes	54	368
Changes in cash funds	**23,131**	**11,608**
Cash and cash equivalents on Jan. 1	**47,237**	**35,629**
Cash and cash equivalents on Dec. 31	**70,368**	**47,237**

Statement of Changes in Equity RATIONAL Group

kEUR	Subscribed capital	Capital reserves	Retained earnings	Differences from currency translation	Total
Balance on Jan. 1, 2010	**11,370**	**28,058**	**152,396**	**–2,074**	**189,750**
Dividend	–	–	–39,795	–	–39,795
Total comprehensive income	–	–	79,793	518	80,311
Balance on Dec. 31, 2010	**11,370**	**28,058**	**192,394**	**–1,556**	**230,266**
Dividend	–	–	–102,330	–	–102,330
Total comprehensive income	–	–	78,745	234	78,979
Balance on Dec. 31, 2011	**11,370**	**28,058**	**168,809**	**–1,322**	**206,915**

Notes

Fundamentals

Description and explanation of business activities
RATIONAL Aktiengesellschaft (abbreviated to RATIONAL AG in the following text) 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 HRB 2001.

The RATIONAL Group (referred to as "RATIONAL" or "Group" in the following text) is a worldwide market and technology leader in the field of the 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. RATIONAL sells its products worldwide through its own subsidiaries and through independent distribution partners.

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 MDAX segment.

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 (kEUR). The structure of the balance sheet complies with the IAS 1 guidance regarding classification and format. The presentation for the fiscal year ending December 31, 2011 and for the previous year is broken down by maturities of "12 months or less" (current) and those of "more than 12 months" (non-current). The consolidated financial statements are prepared on the basis of historical cost with the exception of derivative financial instruments, which are measured at fair value.

Based on the information also used by management for its operating and strategic decisions, the disclosures in the notes to the consolidated financial statements are intended to allow a comprehensive assessment of the company's net assets, financial position and profit or loss, as well as facilitate a full evaluation of the opportunities open to the company and the risks to which it is exposed. For RATIONAL, the key components of its consolidated financial statements are the statement of comprehensive income, the balance sheet, the statement of cash flows, and the statement of changes in equity. The specific notes relate to the respective captions of these financial statements. Information on accounting and consolidation methods can be found under "Fundamental accounting principles", "Consolidation methods" and "Accounting and valuation methods". The significance of financial instruments is explained under "Notes on financial instruments". Disclosures not relating to specific items in the financial statements can be found in "Other Notes on the Group Financial Statements."

The consolidated financial statements were approved by the Executive Board of RATIONAL AG on February 15, 2012.

Fundamental accounting principles
The consolidated financial statements for fiscal year 2011 (including prior year figures) have been prepared in compliance with the International Financial Reporting Standards (IFRS) promulgated and published by the International Accounting Standards Board (IASB), as adopted in the EU, and in accordance with the supplementary rules applicable under section 315a (1) of the German Commercial Code (HGB). All the effective and mandatory standards for fiscal year 2011 have been 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 reported.

The following new or revised standards and interpretations have been applied on a mandatory basis for the first time in fiscal year 2011; RATIONAL had not applied them voluntarily in previous years.

		Effective date
Amendment	IAS 32 "Financial Instruments: Presentation: Classification of Rights Issues"	Feb. 1, 2010
Amendment	IFRS 1 "First-time Adoption of IFRS: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
New	IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"	July 1, 2010
Amendment	IAS 24 "Related Party Disclosure"	Jan. 1, 2011
Amendment	IFRIC 14 "Prepayments of a Minimum Funding Requirement"	Jan. 1, 2011
New	Annual Improvement Project 2010	July 1, 2010/ Jan. 1, 2011

› The amendment to IAS 32 “Financial Instruments: Presentation: Classification of Rights Issues” states that subscription rights, options and option warrants offered for a fixed number of shares against a fixed amount of foreign currency should be classified as equity instruments, provided that such rights are issued pro rata to all existing shareholders in the same class. Because the Group has not issued any subscription rights, this amendment has no effect on the consolidated financial statements.

› With the amendment of IFRS 1 “First-time Adoption of International Financial Reporting Standards: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters”, it was made clear that the IFRS 7 exemption provisions relating to the additional disclosure requirements included in March 2009 can also be applied by first-time IFRS adopters. This has no effect on the consolidated financial statements.

› IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” provides guidance on how a debtor should account for the extinguishment of a financial liability by the issue of equity instruments if permitted under renegotiated terms. This has no effect on the consolidated financial statements.

› The revised IAS 24 “Related Party Disclosures” clarifies the definition of a related party. The standard now also grants relief from certain disclosures for entities that are controlled, jointly managed or significantly influenced by the state. The revision of the standard has had no effect on RATIONAL AG’s consolidated financial statements.

› The amendment to IFRIC 14 “Prepayments of a Minimum Funding Requirement” allows the economic benefit from contribution prepayments made by an entity to meet a minimum funding requirement to be capitalised as an asset. This amendment has no effect on the consolidated financial statements.

› Various amendments were made to a number of IFRSs as part of the “Annual Improvement Project 2010”, but have resulted in no material changes to the guidance given in the standard. Changes were made to IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IFRS 3 “Business Combinations”, IFRS 7 “Financial Instruments: Disclosures”, IAS 1 “Presentation of Financial Statements”, IAS 27 “Consolidated and Separate Financial Statements”, IAS 34 “Interim Financial Reporting” and IFRIC 13 “Customer Loyalty Programmes”. These changes have no material effect on the consolidated financial statements.

The following revised standard did not yet apply on a mandatory basis in fiscal year 2011 and has not been applied early.

		Effective date
Amendment	IFRS 7 “Financial Instruments: Disclosures: Transfers of Financial Assets”	July 1, 2011

› The revised IFRS 7 “Financial Instruments: Disclosures” sets out enhanced disclosure requirements regarding transfer transactions of financial assets that have been fully or partially transferred but not derecognised, as well as the nature of any continuing involvement in transferred financial assets. The revision of the standard will have no material effect on RATIONAL AG’s consolidated financial statements.

The following standards, interpretations and amendments have been published by the IASB but not yet adopted by the EU, and are therefore not applied to the consolidated financial statements. RATIONAL AG will apply these standards, interpretations and amendments once they have been adopted as mandatory by the European Union. They are not expected to have any material effect on RATIONAL AG’s future consolidated financial statements.

		Effective date in accordance to Standard
Amendment	IFRS 1 “First-time Adoption of IFRS: Severe Hyperinflation and Removal of Fixed Dates of First-Time Adopters”	July 1, 2011
Amendment	IAS 12 “Deferred Taxes: Recovery of Underlying Assets”	Jan. 1, 2012
Amendment	IAS 1 “Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income”	July 1. 2012
Amendment	IAS 19 “Employee Benefits”	Jan. 1, 2013
Amendment	IAS 27 “Separate Financial Statements”	Jan. 1, 2013
Amendment	IAS 28 “Investments in Associates and Joint Ventures”	Jan. 1, 2013
Amendment	IFRS 7 “Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities”	Jan. 1, 2013
New	IFRS 10 “Consolidated Financial Statements”	Jan. 1, 2013
New	IFRS 11 “Joint Arrangements”	Jan. 1, 2013
New	IFRS 12 “Disclosure of Interest in other Entities”	Jan. 1, 2013
New	IFRS 13 “Fair Value Measurement”	Jan. 1, 2013
New	IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”	Jan. 1, 2013
Amendment	IAS 32 “Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities”	Jan. 1, 2014
Amendment	IFRS 7 “Financial Instruments: Disclosures: Transition Disclosures to IFRS 9”	Jan. 1, 2015
New	IFRS 9 “Financial Instruments: Recognition and Measurement: Financial Assets and Liabilities”	Jan. 1, 2015

The fiscal year for RATIONAL AG and all subsidiaries included in the consolidated financial statements corresponds to the calendar year. The balance sheet date of the consolidated financial statements is the balance sheet date of the parent company in accordance with IAS 27.

Consolidation methods

In addition to the parent company, all material domestic and foreign subsidiaries under the direct or indirect control of RATIONAL AG have been included in the consolidated financial statements of RATIONAL. Control is defined as the ability to govern the financial and operating policy of an entity in order to obtain a corresponding benefit. This is generally the case if RATIONAL AG directly or indirectly holds more than half of the voting power of an entity.

Initial capital consolidation is performed using the acquisition method in accordance with IFRS 3. The acquisition cost of the investment is offset against the revalued pro rata equity of the acquired entity at the time of acquisition. The assets, liabilities and contingent liabilities are recognised at fair value at the time of acquisition, irrespective of the extent of any non-controlling interests. Acquisition-related costs are recognised as expenses.

Any remaining positive differences are capitalised as goodwill, which must be tested for impairment annually or more frequently if changes in circumstances indicate a possible impairment. Any resulting impairment is recognised in the income statement.

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

The effects of material intercompany transactions are eliminated. Balances between consolidated companies are eliminated, intercompany profits on inventories are eliminated, and intercompany 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.

Consolidated companies

As of the balance sheet date (December 31, 2011), six domestic (2010: five) and 19 foreign subsidiaries (2010: 19) in addition to the parent company were included in the consolidated financial statements in compliance with IAS 27 requirements. There were no material changes in fiscal year 2011 to the companies included in the consolidation. As of December 31, 2011 the consolidated companies were as follows:

Name and registered office of RATIONAL AG subsidiaries			% capital shares/ % voting rights
Deutschland			
LechMetall 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
RATIONAL Dienstleis-tungsgesellschaft mbH	Landsberg am Lech	Germany	100.0
RATIONAL Großküchen-technik GmbH	Landsberg am Lech	Germany	100.0
FRIMA Deutschland GmbH	Frankfurt am Main	Germany	100.0
Europa			
RATIONAL UK Ltd.	Luton	United Kingdom	100.0
FRIMA UK Ltd.	London	United Kingdom	100.0
FRIMA RATIONAL France SAS	Wittenheim	France	100.0
FRIMA - T SAS	Wittenheim	France	100.0
FRIMA France SAS	Wittenheim	France	100.0
RATIONAL Italia s.r.l.	Mestre	Italy	100.0
RATIONAL Ibérica Cooking Systems, SL	Barcelona	Spain	100.0
RATIONAL Austria GmbH	Salzburg	Austria	100.0
RATIONAL International AG	Balgach	Switzerland	100.0
RATIONAL Schweiz AG	Balgach	Switzerland	100.0
FRIMA International AG	Balgach	Switzerland	100.0
RATIONAL Polen Sp. z o.o.	Warsaw	Poland	100.0
RATIONAL Scandinavia AB	Malmö	Sweden	100.0
RATIONAL RUS OOO	Moscow	Russia	100.0
Amerika			
RATIONAL USA, Inc.	Schaumburg	USA	100.0
RATIONAL Canada Inc.	Mississauga	Canada	100.0
RATIONAL Brasil Comércio E Distribuição De Sistemas De Cocção Ltda.	São Paulo	Brazil	99.9
Asien			
RATIONAL Japan Co., Ltd.	Tokyo	Japan	100.0
RATIONAL Trading (Shanghai) Co., Ltd.	Shanghai	China	100.0

RATIONAL AG, which previously held 98% of the shares and voting rights in MEIKU Vermögensverwaltung GmbH, acquired the remaining 2% of shares in MEIKU Vermögensverwaltung GmbH in May 2011. MEIKU Vermögensverwaltung GmbH, which has its registered office in Landsberg am Lech and which had not previously been included in the consolidation, took over the assets of TAGO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Landsberg KG in June 2011 and was subsequently merged with RATIONAL AG. This had no significant effect on the Group's net assets, financial position and profit or loss.

TOPINOX SARL, Nantes, France, an operationally inactive subsidiary of FRIMA - T SAS, is not included in the consolidation. This is of minor importance in providing a true and fair view of the Group's net assets, financial position and profit or loss. As in the previous year, the investment is reported with a carrying amount of 0 thousand euros. This corresponds to the fair value.

The domestic subsidiaries LechMetall GmbH, RATIONAL Großküchentechnik GmbH, RATIONAL Technical Services GmbH, RATIONAL Dienstleistungsgesellschaft mbH and RATIONAL Komponenten GmbH are exercising the option provided in section 264 (3) of the HGB not to prepare notes and not to disclose their annual financial statements for fiscal year 2011. In addition, RATIONAL Großküchentechnik GmbH and RATIONAL Komponenten GmbH are electing not to prepare a management report in accordance with section 264 (3) of the HGB.

Foreign currency translation

In the separate financial statements of the subsidiaries, foreign currency transactions are translated into the functional currency at the exchange rate prevailing at the time of the transaction. Profits and losses resulting from the settlement of such transactions and from the translation at the spot rate of monetary foreign currency assets and liabilities are recognised in the income statement.

For the consolidated financial statements, the financial statements of the foreign subsidiaries are translated into euros in accordance with the concept of functional currency. The local currency in each country is the functional currency for the entities based in the country concerned. RATIONAL International AG and FRIMA International AG, both of which have registered offices in Switzerland, are exceptions to this rule and use the euro as their 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 capital consolidation and the accumulated profit or loss brought forward are translated at historical rates. If this gives rise to differences as a result of changes in rates, the differences are recognised under "Differences from currency translation" in the statement of comprehensive income.

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:

	Annual average exchange rate			Exchange rate on Dec. 31		
1 euro =	2011	2010	Change in %	2011	2010	Change in %
USD = US dollar	1.3989	1.3209	6	1.2932	1.3380	-3
JPY = Japanese yen	111.33	115.29	–3	100.07	108.80	–8
GBP = Pound sterling	0.8712	0.8560	2	0.8367	0.8625	–3
CHF = Swiss franc	1.2320	1.3700	–10	1.2165	1.2525	–3
CAD = Canadian dollar	1.3808	1.3652	1	1.3192	1.3370	–1
SEK = Swedish krona	9.0160	9.4918	–5	8.9171	8.9752	–1
PLN = Polish zloty	4.1422	4.0000	4	4.4580	3.9604	13
CNY = Chinese yuan	9.0240	8.9289	1	8.1435	8.8205	–8
RUB = Russian rouble	41.0361	40.2280	2	41.6868	40.9241	2
BRL = Brazilian real	2.3370	2.3270	0	2.4137	2.2211	9

Accounting and valuation methods

Intangible assets and property, plant and equipment

Purchased 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.

Goodwill arising from capital consolidation and other company acquisitions is not amortised but is tested at least annually for impairment in compliance with IAS 36. If the fair value less disposal costs or the 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. Depreciation is calculated on the basis of the useful lives of the assets. Administration and production buildings are depreciated over a period of between 25 and 36 years, while items of technical equipment and machinery as well as operating and office equipment are depreciated over their useful lives, which range between 1 and 15 years. The straight-line method is normally used. Depreciation is charged pro rata in the year the asset is purchased.

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/amortisation, the asset is written down to its recoverable amount. The recoverable amount is either the fair value less disposal costs or the value in use of an asset, whichever is higher.

Finance leasing

If a Group company acting as lessee assumes substantially 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 match those used for similar assets that have been purchased.

Inventories

Inventories are measured either at cost or at the net realisable value, whichever is lower. The net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Raw materials, consumables, supplies and merchandise are measured at cost using the moving weighted average cost method. Price reductions such as volume and cash discounts are taken into account when measuring cost. The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Work in process and finished goods are measured at production costs. The production costs include all costs directly attributable to the production process, as well as appropriate portions of production-related overheads. Financing costs are not included because the products are not qualifying assets as defined by IAS 23.

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 the beneficial ownership is transferred. Standard purchases and sales of financial assets are recognised in the balance sheet on the trading date.

Financial assets measured at fair value through profit and loss relate to derivatives classified as financial assets held for trading. If financial assets are held to maturity, they are carried at amortised cost after their initial recognition, and allowance is made for impairment as appropriate. Subsequent to initial recognition, loans and receivables are measured at amortised cost, using the effective interest method, less allowance for impairment. 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 contracts are classified as “held for trading” and are recognised at fair value because it does not fully meet the IAS 39 requirements for hedge accounting (despite the close alignment of the hedge with the underlying transaction). On the day of trading, derivative financial instruments are recognised at the purchase or sale price and reported under other assets or other liabilities in the balance sheet. Changes in fair value are recognised under other operating income or expenses in the income statement.

The recognition of derivatives at fair value is based on the figures supplied by the relevant counterparty bank for the measurement date in question. 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 swaps, the Black-Scholes method for options). We check the values determined by the banks by carrying out additional measurements using our 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 spot rate as of 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 Garman-Kohlhagen's modified 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.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash in banks, as well as short-term deposits with maturities of up to three months calculated from the time of acquisition; they are measured at nominal value. Cash in foreign currency is translated at the middle rate as of the balance sheet date.

Current tax assets and tax liabilities

Current tax assets and tax 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 and 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. Deferred tax assets are also recognised for tax loss carryforwards if it is probable that these tax loss carryforwards will be utilised in the future. 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. The tax rates used to calculate deferred taxes for the subsidiaries are between 10% and 42% (2010: 10% and 42%). As in 2010, the tax rate used to calculate deferred taxes for RATIONAL AG is 27%. Deferred taxes that relate to items recognised in comprehensive income are also recognised in comprehensive income.

Deferred tax assets and deferred tax liabilities are reported on a net basis if there is a corresponding enforceable legal right to offset them and if the deferred tax assets and deferred tax liabilities relate to taxes on income that are levied by the same taxation authority for either the same taxable entity or different taxable entities intending to perform settlement on a net basis.

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 against which at least part of the deferred tax asset can be used.

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 there is an obligation to a third party as a result of a past event, it is probable that the obligation will have to be settled in the future, and the amount required to settle the obligation can be reliably estimated. The carrying amount of provisions is reviewed at each balance sheet date. If the effect of discounting is material, the provision is discounted.

Financial liabilities

Financial liabilities measured at fair value through profit and loss relate to derivatives classified as financial liabilities held for trading. Liabilities from finance leases are recognised on the date the leases are signed and at the present value of the lease installments. Trade accounts payable and other liabilities are recognised at amortised cost.

Government grants

Government grants to cover expenses are accounted for at fair value through profit and loss if there is reasonable assurance that RATIONAL will comply with any conditions attached to the grant and the grant will be received.

Recognition of income and expense

The revenue from sales is recognised at the time of delivery or when the risk is transferred to the customer. Operating expenses are recognised in the income statement when the service is utilised or on the date the expenses are incurred. Provisions for warranties are recognised on an individual basis or when the corresponding revenue is recognised. Interest income and expenses are recognised in the period in which they accrue or are incurred. Research and development costs are expensed as incurred. Finance costs are expensed in the period in which they are incurred, unless they can be directly allocated to the acquisition, construction or manufacture of a qualifying asset.

Use of estimates and assumptions

In preparing the consolidated financial statements, company management must make certain estimates and assumptions, particularly for intangible assets including goodwill and for property, plant and equipment, deferred tax assets and provisions. These estimates and assumptions may influence the amounts reported for assets, liabilities and financial obligations as of the balance sheet date, as well as income and expenses for the year under review. The carrying amounts of the items in question are disclosed individually in the relevant notes.

For intangible assets and property, plant and equipment, the assumptions and estimates made by management relate in particular to the expected useful life, whether there are indications of impairment, and the estimated recoverable amount of an impaired asset. Management is confident that the assumptions and estimates made are appropriate. Any changes to the specified assumptions and estimates would change the company's net assets, financial position and profit or loss.

When goodwill is tested annually for impairment, assumptions must be made about future earnings performance and the resulting cash flow to be expected in the underlying cash-generating unit in order to determine the recoverable amount. The actual cash flows can differ significantly from the cash flows based on these estimates. This could lead to a change in the sales and cash flow forecast, which would influence the company's net assets, financial position and profit or loss.

When testing for asset impairment, the assumptions and estimates also relate to the future sale price and volume, as well as the 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.

To calculate deferred tax assets, management must assess 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.

The material sources of uncertainty in respect of provisions relate to forward-looking measurement factors, such as the assumed rate of interest, including assumptions about the risk situation and changes in interest rates. Any changes to these assumptions will have an effect on the carrying values of these items.

The warranty provision covers the Group companies' liability to ensure that their products are fully functioning. To determine this provision, it is necessary to make assumptions about the future expense that we may incur as a result of warranty claims. The provision is essentially determined on the basis of historical claims and unit sales, and takes into account a standard warranty period of two years. If future development differs significantly from expectations, this will affect RATIONAL's net assets, financial position and profit or loss.

RATIONAL recognises provisions for court actions if the prerequisites are met. The recognition and amount of the provisions are subject to management judgement. Because such court actions usually extend over a longer period and involve complex issues, they are associated with uncertainty. Management regularly assesses the current status of the court cases, sometimes with the involvement of external lawyers, in order to estimate the provisions reliably. It is nevertheless possible that an estimate must be adjusted, resulting in an increased provision or a negative impact on the earnings situation.

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 valuation methods.

Notes on financial instruments

RATIONAL's products are marketed worldwide by sales companies and independent sales partners, not directly to the end customer but 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, as well as market risk, which consists of currency 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 also the report on opportunities and risks 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 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 corrective action to be taken 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. To minimise the risk arising in connection with our receivables, we collaborate worldwide with Coface, one of the largest trade credit insurers.

› All business processes and internal control systems are clearly defined. Quality and compliance are assured through regular training and checks. Sensitive processes, such as the approval process for creditor invoices, are mapped using SAP workflows.

- The Internal Audit independently and objectively records and assesses any variances from targets. Undesirable developments are identified at an early stage.
- A globally integrated treasury management system is implemented to provide quality cash management worldwide.
- The comprehensive insurance strategy is reviewed annually and adapted to the new risk environment.

Credit risk

RATIONAL supplies customers on all continents and in almost all regions of 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 risk and a risk to the RATIONAL Group's credit rating, we submit customers of all Group companies worldwide to credit checks performed by the credit insurance provider Coface and its local partner companies. The RATIONAL customer portfolio is rated as "low risk" according to the "Coface @rating score".

As far as possible, customer receivables are also insured on the basis of this credit check. Because the market is expected to harden in the area of trade credit insurance, the corresponding contracts were extended early for a further two years in the year under review. The available coverage volume (sum of the insurance limits provided by the insurer) and the number of insured customers at the Group level continue to offer sufficient room for secured growth. Under the existing arrangements, the trade credit insurance covers not only the risk of customer insolvency, but also protracted default (non-payment as the insured event). In the event of a claim, 90% of the credit loss on insured receivables is met by the credit insurer.

A credit policy valid for the entire Group sets out clear rules that apply from the beginning to the end of the order process. Training, prompt reporting and IT support ensure that the policy is properly implemented. The credit policy combines the "minimum credit management requirements" (MaCM) of the Bundesverband Credit Management (German Credit Management Association, BvCM) with the RATIONAL-specific "one-piece-flow" process organisation.

As an alternative to trade credit insurance cover, other collateral (such as confirmed and irrevocable 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 supply of goods or services to a customer on the basis of open payment terms without adequate collateral is only considered by the company in clearly defined exceptional cases. Such cases require a documented satisfactory payment history in the business relationship with the customer to date in combination with third-party credit ratings and financial data provided by the customer itself (annual financial statements and management analyses).

Trade receivables from public-sector customers, on the other hand, are not subject to any credit checks or collateralisation, provided that the respective country rating is sufficiently high.

In the last two years, the Group-wide dunning process has been revised. By standardising statements of account and dunning letters to the greatest possible extent and optimising the document delivery workflow, the Group has succeeded in improving the efficiency of the dunning process. In addition, by structuring the dunning letters in a more comprehensible, standardized and clearer way and by involving the Sales organisation more closely in the dunning process, the Group has made the process more customer-focused, enabling any doubts or discrepancies to be clarified as early as possible and in the interest of both sides. As a result of this revision of the dunning process, the Group has reduced the proportion of overdue receivables to an average of 6% (2010: 8%) in the year under review.

More information on credit risk can be found in the note on "Trade receivables".

Dividing all trade receivables by segment, the risk distribution is as follows:

kEUR	2011	% of total	2010	% of total
Germany	3,865	5	3,319	6
Europe (excluding Germany)	57,672	81	45,120	77
Americas	7,013	10	7,853	13
Asia	3,036	4	2,416	4
Parent company	99	0	18	0
Total	**71,685**	**100**	**58,726**	**100**

RATIONAL is also exposed to significant credit risk in relation to cash deposits. This applies in particular to the possible failure of the bank to meet its contractual obligations. For derivative financial instruments with a positive fair value, a credit risk arises from the possible failure of the contract partner to fulfil its obligations. Details of these risk factors are provided in the disclosures on cash deposits with a maturity of more than three months, cash and cash equivalents, and market risk.

Liquidity risk

Liquidity risk refers to the possibility that at some point in time RATIONAL may not be in a position to meet its payment obligations in full by the relevant due dates.

Corporate Treasury assigns top priority to the monitoring and provision of liquidity. It does so by implementing daily cash management and rolling liquidity planning, including the continuous monitoring and control of the Group's incoming and outgoing payments. The liquidity reserve also enables the Group to respond flexibly to considerable fluctuations in cash flow or any demand peaks that may occur, thereby ensuring that the Group meets all its payment obligations on time.

RATIONAL attaches great importance to internal financing; most of our global business growth over recent years has been funded in this way. In the event that RATIONAL should have additional need for external financing, contractually agreed, confirmed credit lines are available from several banks (with long-term Standard & Poor's ratings ranging from A– to AA+).

Banks have given RATIONAL an investment-grade rating (AA to AAA). The existing credit lines are not subject to any covenants that could require the credit lines to be renegotiated in the event of non-compliance. Furthermore, the Group has not assigned any collateral to the banks in connection with the existing credit line agreements; instead, a negative covenant or a banks' "pari passu"-clause has been agreed. Under this clause, RATIONAL undertakes to treat all banks equally in relation to the provision of any collateral for comparable loans. Past fiscal year, the existing credit lines were used only to a limited extent, primarily in connection with bill discounting at the subsidiary in Japan and guarantees issued for several RATIONAL companies.

As of the balance sheet date, the Group's liquidity reserve from its own resources (including all existing fixed-term deposits, all of which had a maximum maturity of five months) amounted to a total of 120,768 thousand euros (2010: 163,137 thousand euros). This also included currency reserves amounting to 1,692 thousand euros (2010: 1,430 thousand euros) that were not freely convertible or were subject to strict currency restrictions. As of the balance sheet date, the total amount of the contractually agreed credit lines was 36,669 thousand euros (2010: 35,669 thousand euros). After taking into account assignments for subsidiaries and sureties, this leaves unused credit lines amounting to 31,994 thousand euros (2010: 31,995 thousand euros).

Further information, especially on the liquidity reserve and on existing external loans and their maturities, can be found in the disclosures on deposits with maturities of more than three months, cash and cash equivalents, and liabilities to banks.

Market risk

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 risk arising from changes in exchange rates, interest rates and commodity prices.

Exchange rate risk in this case relates to receivables, liabilities and anticipated transactions denominated in foreign currency. Anticipated transactions include planned cash flows from sales company receipts denominated in foreign currency after costs and other expenses in the same currency have been deducted. The interest rate risk relates to long-term loan agreements. Price risk may arise primarily in relation to the purchase of raw materials for the manufacture of products.

One of the functions of Corporate Treasury, which is a process within the parent company, is to counter these risks with suitable instruments and corrective action. Its activities are governed by corporate guidelines, and are supported, controlled and monitored by a treasury management system. Where deemed appropriate, and provided that effective hedging instruments are available, derivative financial instruments are used to counter any risks that are identified. This can involve the hedging of recognised, pending or anticipated transactions. Contractual partners in derivative financial instrument transactions are always banks with good to best quality credit ratings, i.e. with a Standard & Poor's A– rating as a minimum.

Currency risk

One of the factors giving rise to currency risk is the possible change in the fair value (as of the balance sheet date) of existing balance sheet items denominated in foreign currencies (other than the functional currency) owing to exchange rate fluctuations (translation risk). This applies to existing receivables, liabilities and cash denominated in foreign currency. At RATIONAL, translation risk is not minimised by the use of hedges.

Another factor giving rise to currency risk is that the future cash flows resulting from a financial instrument in a foreign currency may differ significantly from the recoverable values as of the balance sheet date owing to changes in exchange rates (transaction risk). Transaction risk has an impact on both liquidity and the income statement.

The global transaction risk faced by the RATIONAL Group is determined, centrally pooled, and managed monthly with a rolling six-month horizon. Where necessary, any identified transaction risk is hedged by means of derivative financial instruments. This applies in particular to transactions in the freely convertible currencies of our companies in Sweden, the UK, Switzerland, Poland, the United States, Canada and Japan.

The local currencies of companies subject to tight currency restrictions (such as Brazil, India and China) are not freely convertible. The local currency must therefore be exchanged to euros for the payment of goods imports and dividend payments. This is possible only within the country concerned and subject to the approval of the competent authorities. Because of the low volume, RATIONAL does not currently hedge foreign currency transactions in currencies that are not freely convertible or are freely convertible only to a limited extent.

RATIONAL uses currency options and forward exchange contracts to hedge anticipated foreign currency transactions in freely convertible currencies. Currency options considered by the Group include both plain vanilla put 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.

By settling amounts payable to suppliers in the same foreign currencies in which revenues were generated, RATIONAL simultaneously reduces the existing currency risk within the Group (natural hedge).

Interest rate risk

Interest rate risk is the risk of a possible change in fair values or future payments of financial instruments resulting from changes to market interest rates.

RATIONAL counteracts the risk of changed interest rates for future payments by agreeing fixed interest rates or interest rate/currency swaps.

For the existing real estate financing contracts, a fixed interest rate has been agreed to the end of 2017. The current financing contracts for production facilities stipulate fixed interest rates for the entire term.

To take advantage of differences in interest rates between various currency areas, the Group enters into interest rate/currency swaps with maturities of more than one year. This involves converting a fixed interest and redemption obligation in one currency into a fixed interest and redemption obligation in another currency. The interest payments and repayments of principal are made from the income generated in the other currency by the operating activities of the subsidiary in the country concerned. By using available foreign currency to make the payments, RATIONAL simultaneously reduces the existing currency risk within the Group (natural hedge). 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.

Price risk

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 basic price of steel itself and by the fluctuations in the price of alloys on metals markets, which are reflected in what is known as the “alloy surcharge”.

Neither the basic price of steel nor that of alloy metals is hedged by the use of derivative financial instruments. Concerning the steel price, however, RATIONAL does have fixed contracts with the suppliers, under which the purchase price is set in advance for twelve months.

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. The relevant balance sheet items are reconciled to the categories of financial instruments reportable under IAS 39.

kEUR	Category	Fair Value hierarchie*	Book value Dec. 31, 2011	Fair Value Dec. 31, 2011	Book value Dec. 31, 2010	Fair Value Dec. 31, 2010
Assets						
Trade receivables	a		71,685	71,685	58,726	58,726
Other financial assets						
Other current assets	a		628	628	754	754
Other non-current assets	a		206	199	245	237
Derivatives not in a hedging relationship	c	Level 2	330	330	95	95
Deposits with maturities of more than 3 months	a		50,400	50,545	115,900	115,921
Cash and cash equivalents	a		70,368	70,368	47,237	47,237
Financial assets	b		0	0	50	50
Liabilities						
Trade accounts payable	d		10,085	10,085	9,240	9,240
Other financial liabilities						
Other current liabilities	d		7,686	7,686	6,554	6,554
Derivatives not in a hedging relationship	e	Level 2	918	918	332	332
Financing leasing liabilities	d		–	–	465	465
Liabilities from loans	d		18,996	20,607	21,297	23,399
Of which: aggregated by category in accordance with IAS 39						
a) Loans and receivables			193,287	193,425	222,862	222,854
b) Held-to-maturity investments			0	0	50	50
c) Financial assets held for trading			330	330	95	95
d) Financial liabilities measured at amortised cost			36,767	38,378	37,556	39,658
e) Financial liabilities held for trading			918	918	332	332

* acc. to IFRS 7.27B

The fair values of financial instruments have been determined as explained below.

For all financial instruments with maturities of less than one year, it is generally assumed for the sake of simplicity due to the short residual maturity that their fair values are the same as their carrying amounts. This applies to both current assets (cash and cash equivalents, trade receivables and other current assets) and current liabilities (trade accounts payable and other current liabilities).

Exceptions are derivatives, deposits with a maturity of more than three months, and short-term portions of long-term loans.

The fair value of derivatives is determined using the discounted cash flow method. The fair value of European currency options is determined using the modified Black-Scholes formula in accordance with the Garman-Kohlhagen model.

The following table shows the contract values and fair values of the derivative financial instruments, by category, as of December 31, 2011 and December 31, 2010. The contract values do not represent the market risk, but they provide information on the volume of transactions outstanding on the balance sheet date. For reasons of materiality, the fair values of the interest rate-currency-swaps are reported under current assets or current liabilities, irrespective of their maturities.

kEUR	Currency	Contract value		Positive market value (assets)		Negative market value (liabilities)	
		2011	2010	**2011**	2010	**2011**	2010
Maturity < 1 year							
Currency options	GBP	41,948	5,332	181	24	440	3
Currency options	USD	21,620	7,035	128	32	232	21
Currency options	JPY	1,990	2,936	21	39	39	11
Interest rate/currency swaps	JPY	272	–	–	–	100	–
Subtotal		**65,830**	**15,303**	**330**	**95**	**811**	**35**
Maturity 1 to 5 years							
Interest rate/ currency swaps	JPY	281	1,105	–	–	107	297
Subtotal		**281**	**1,105**	**–**	**–**	**107**	**297**
Total		**66,111**	**16,408**	**330**	**95**	**918**	**332**

For deposits with a maturity of more than three months, the fair value is determined using the discounted cash flow method. The interest to be apportioned to past fiscal year is included in other current assets and is therefore no longer included here.

The fair values of other non-current assets and finance lease liabilities are determined using the discounted cash flow method.

The fair values of the loan liabilities are determined using the discounted cash flow method. To this end, the cash flows of the annuity loans at the different interest and repayment dates have been discounted using the relevant maturity-matched discount rates.

Investments are measured at amortised cost.

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

All financial instruments to be recognised at their fair value in the balance sheet according to IFRS 7.27B are classified at level 2 of the fair value hierarchy in accordance with IFRS 7.27A, as shown in the table above. This class includes financial instruments for which no prices are quoted on a public market but that can be measured using the market prices of comparable financial instruments or using models based on input parameters observable on the market.

The net results by category of financial instruments in accordance with IAS 39 are shown in the following table in accordance with the system specified in IFRS 7.20.

kEUR	Net results	Thereof:		
2011		**Interest earned/paid**	**Value adjustments**	**Other**
Loans and receivables	+1,576	+1,277	−509	+808
Held-to-maturity investments	+74	–	–	+74
Financial assets/liabilities held for trading	+546	–	–	+546
Financial liabilities measured at amortised cost	−939	−959	–	+20

kEUR	Net results	Thereof:		
2010		**Interest earned/paid**	**Value adjustments**	**Other**
Loans and receivables	+2,716	+981	−750	+2,485
Held-to-maturity investments	+63	–	–	+63
Financial assets/liabilities held for trading	−443	–	–	−443
Financial liabilities measured at amortised cost	−1,054	−1,142	–	+88

Sensitivity analysis for financial instruments

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

Risk attached to the translation of currency items

As of the balance sheet date of December 31, 2011, RATIONAL was exposed to currency risk arising from activities in various foreign currencies. These risks are reflected in "trade receivables", "other assets", "cash and cash equivalents" as well as "trade accounts payable" and "other liabilities". If, on December 31, 2011, the euro had been 10% stronger against the foreign currencies in which RATIONAL conducts its operations, the Group earnings and the currency reserve and thus the total equity would have been 3,503 thousand euros lower (2010: 3,242 thousand euros lower). If the euro had been 10% weaker, the carrying amount reported in the functional currency would have been 3,503 thousand euros higher (2010: 3,242 thousand euros higher). The hypothetical impact on profit of +/−3,503 thousand euros is primarily the result of significant currency sensitivities: +/−1,260 thousand euros for EUR/GBP; +/−698 thousand euros for EUR/USD; +/−445 thousand euros for EUR/JPY; and +/−320 thousand euros for EUR/SEK. The effect of derivatives, which are dealt with in the next section, is not included.

Risk attached to derivatives

RATIONAL limits its exposure to transaction risk associated with currencies and interest rates through the use of derivatives. RATIONAL classifies derivative financial instruments as "held for trading" and recognises them at fair value because it does not fully meet the IAS 39 requirements for hedge accounting, despite the close alignment of the hedge with the underlying transaction. Any changes in fair value are recognised in the income statement.

The maturities of derivative hedging transactions all relate to a future point in time.

RATIONAL determines the possible future effects on the income statement, as required by IFRS 7, by defining theoretical changes in the market situation. To this end, it assumes a simultaneous parallel increase (decrease) of 10% in the value of the euro as against all other foreign currencies. This assumption is included in the measurement of all derivative financial instruments as of the reporting date, and thus in the calculation of possible variances from the fair values actually shown on the balance sheet.

The measurement methods applied are based on established mathematical models and correspond to the methods used to measure derivative financial instruments in the balance sheet:

› Futures and swaps are measured using the discounted cash flow method.
› European currency options are measured using Garman-Kohlhagen's modified Black-Scholes formula.

The aim of this measurement according to IFRS 7 on the basis of assumed changes in the market situation is to show what impact this measurement would have had on Group earnings if the changed market situations described above had applied at the end of the year. When actual changes to the market situation occur, the effects of the corresponding underlying transactions counter the effects of the derivatives shown below.

The 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 future income statement can vary considerably from these estimates.

	Theoretical effect on income* Devaluation of euro		Theoretical effect on income* Revaluation of euro	
kEUR	**2011**	2010	**2011**	2010
Currency options	−2,350	−641	1,568	383
Interest rate/ currency swaps	−86	−145	70	145
Total	**−2,436**	**−786**	**1,638**	**528**

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

Notes on the Statement of Comprehensive Income

1. 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 2011, RATIONAL generated worldwide revenue of 391,688 thousand euros (2010: 350,136 thousand euros), of which 77% (2010: 77%) was attributable to appliance sales. The remaining 23% (2010: 23%) was generated from the sale of accessories, spare parts and care products.

The regional breakdown of revenue by customer location was as follows:

kEUR	2011	% of total	2010	% of total
Germany	60,721	15	55,832	16
Europe (excluding Germany)	199,199	51	181,104	51
Americas	59,340	15	55,373	16
Asia	49,803	13	37,598	11
Rest of the world*	22,625	6	20,229	6
Total	**391,688**	**100**	**350,136**	**100**

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

Further revenue breakdowns appear in the segment reporting.

2. Cost of sales

Cost of sales is calculated on the basis of direct costs for materials and production as well as overheads for materials and production. This item also includes strategic purchasing costs.

In 2011, the cost of sales was 157,315 thousand euros (2010: 133,150 thousand euros). This rise was attributable to the increase in sales volume, higher purchase prices, and the additional costs of phasing out old product lines and phasing in new ones. The cost of materials included in this figure was 132,112 thousand euros (2010: 110,992 thousand euros).

3. Sales and service expenses

Sales and service expenses are made up of sales organisation costs for office-based and field sales, shipping costs, and costs for marketing, application consultancy and after-sales service.

Against the background of significant potential for growth worldwide, RATIONAL continued to invest strategically in expanding its sales organisation in 2011. In fiscal year 2011, the sales and service costs also included non-recurring costs incurred in connection with the introduction of new product lines.

4. Research and development expenses

Research and development activities at RATIONAL largely consist of projects focusing on application research and the development of new products to secure the company's technological edge and thus its long-term success. The costs are fully expensed and reported under "research and development expenses" in the income statement, as the prerequisites for the capitalisation of development costs in accordance with IAS 38.57 are not fully met.

5. General administration expenses

General administration expenses include business administration costs, such as accounting, human resources, finance, IT, business finance and controlling as well as a certain proportion of executive management costs.

6. Other operating income

kEUR	2011	2010
Exchange gains	6,553	7,958
Insurance recoveries	533	667
Income from value adjustments and depreciation on accounts receivables	260	303
Others (< 100 thousand euros in each case)	87	165
Total	**7,433**	**9,093**

Exchange gains were primarily generated by fluctuations in the exchange rate between origination and payment dates, and by measuring balance sheet items at the spot rate. Exchange gains include income from financial instruments measured at fair value through profit or loss amounting to 452 thousand euros (2010: 1,133 thousand euros).

In the year under review, the “insurance recoveries” item included income of 347 thousand euros (2010: 490 thousand euros) from the payment of claims by credit insurers relating to receivables defaults.

7. Other operating expenses

kEUR	2011	2010
Exchange losses	5,025	6,006
Value adjustments on accounts receivables	769	1,053
Other taxes	305	389
Donations	292	114
Others (< 100 thousand euros in each case)	130	153
Total	**6,521**	**7,715**

Exchange losses were primarily generated by fluctuations in the exchange rate between origination and payment dates, and by measuring balance sheet items at the spot rate. Exchange losses include expenses for financial instruments measured at fair value through profit or loss amounting to 803 thousand euros (2010: 1,293 thousand euros).

8. Financial results

“Income from financial assets” includes the dividends distributed by MEIKU Vermögensverwaltung GmbH before the effective date of its merger with RATIONAL AG in 2011.

Interest and similar income result from short-term cash deposits. RATIONAL generally places greater emphasis on capital retention than on return when considering cash deposits. In the fiscal year under review, RATIONAL used only demand and term deposits protected by the German deposit protection fund. RATIONAL does not use interest rate derivatives to attempt to improve the return because of the risks involved.

Interest and similar expenses include mainly the interest expenses for existing real estate and machinery financing contracts and expenses from the compounding of interests on long-term provisions.

9. Taxes on income

The following table shows the reconciliation from expected to reported tax expense. An average tax rate of approximately 27% (2010: 27%) was applied to profit from ordinary activities to calculate expected tax expense for 2011. This tax rate was determined on the basis of a corporate income tax rate of 15% and a solidarity surcharge of 5.5% levied on corporate income tax, as well as a municipal trade tax multiplier of 320%, as applied to the parent company. Deferred taxes recognised at Group level have been measured on the basis of each country-specific income tax rate.

kEUR	2011	2010
Earnings before taxes (EBT)	102,465	105,611
Expected tax rate in percent	27.09	27.09
Expected income tax	**27,758**	**28,610**
Variations in local tax rates in the subsidiaries	−3,747	−2,620
Changes in tax rates for deferred tax in the consolidated group	–	−527
Tax refunds from previous years	−732	−154
Tax expenses relating to previous years	2	61
Non-tax-deductible expenses and other deductible amounts	439	448
Reported income tax	**23,720**	**25,818**

Deferred tax assets reported in fiscal year 2011 amounted to 4,360 thousand euros compared with 3,810 thousand euros on the 2010 balance sheet date. The deferred tax income attributable to 2011 was therefore 550 thousand euros (2010: 992 thousand euros). The current income tax expense thus amounted to 24,270 thousand euros (2010: 26,810 thousand euros). “Non-tax-deductible expenses and other deductible amounts” include government grants of 329 thousand euros for development expenses in the previous year.

The deferred taxes recognised for fiscal years 2011 and 2010 are attributable to the following balance sheet items:

kEUR			Effect on net income	
	2011	2010	2011	2010
Inventories	4,216	3,717	499	1,189
Provisions	389	279	110	17
Trade receivables	−200	37	−237	−61
Others	−45	−223	178	−153
Total	**4,360**	**3,810**	**550**	**992**

Deferred tax assets of 4,181 thousand euros (2010: 3,742 thousand euros) are expected to have a maturity of less than one year. Of the reported amounts, 179 thousand euros (2010: 68 thousand euros) are non-current. Current deferred taxes result from various temporary differences between the IFRS values and the tax base as well as from consolidation measures, while non-current deferred taxes are based on measurement differences for pension provisions and non-current assets. Trade receivables include deferred tax liabilities from the valuation of foreign currency receivables. These tax liabilities are offset against deferred tax assets relating to different balance sheet items.

As in the previous year, no deferred taxes relating to items reported in comprehensive income were recognised.

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 Group earnings of 78,745 thousand euros (2010: 79,793 thousand euros), basic and diluted earnings per share for fiscal year 2011 were 6.93 euros (2010: 7.02 euros).

11. Dividend per share

For fiscal year 2010, the dividend of 5.00 euros per share and a special dividend of 4.00 euros per share proposed by the Executive Board and Supervisory Board of RATIONAL AG were approved by a majority at the General Meeting of Shareholders on May 11, 2011. Total dividends of 102,330 thousand euros were paid in May 2011.

The Executive Board and Supervisory Board propose to the General Meeting of Shareholders that a dividend of 5.50 euros per share be paid for fiscal year 2011, the total distribution in this case being 62,535 thousand euros.

Notes on the Balance Sheet – assets

12. Intangible assets

kEUR	Industrial and similar rights	Goodwill	Total
Acquisition cost			
Balance on Jan. 1, 2011	4,942	424	**5,366**
Additions	541	–	**541**
Disposals	–358	–	**–358**
Balance on Dec. 31, 2011	5,125	424	**5,549**
Amortisation			
Balance on Jan. 1, 2011	4,211	–	**4,211**
Additions	438	–	**438**
Disposals	–357	–	**–357**
Balance on Dec. 31, 2011	4,292	–	**4,292**
Book Values			
Balance on Dec. 31, 2011	833	424	**1,257**
Acquisition cost			
Balance on Jan. 1, 2010	4,497	424	**4,921**
Additions	458	–	**458**
Disposals	–13	–	**–13**
Balance on Dec. 31, 2010	4,942	424	**5,366**
Amortisation			
Balance on Jan. 1, 2010	3,662	–	**3,662**
Additions	562	–	**562**
Disposals	–13	–	**–13**
Balance on Dec. 31, 2010	4,211	–	**4,211**
Book Values			
Balance on Dec. 31, 2010	731	424	**1,155**

Intangible assets comprise industrial and similar rights recognised at cost, as well as goodwill. Self-created assets are not included. If impairment is identified in excess of amortisation, the asset is written down to its recoverable amount. In fiscal year 2011, no impairment losses were recognised on intangible assets. There are no pledges or restrictions on disposal.

Amortisation of intangible assets is allocated to the following functional areas:

kEUR	2011	2010
Production	31	34
Sales and service	58	94
Research and development	28	93
General administration	321	341
Total	**438**	**562**

13. Goodwill

A net carrying amount of 424 thousand euros for goodwill was reported under intangible assets as of the balance sheet date. This goodwill arose from RATIONAL's acquisition of FRIMA - T SAS, Wittenheim, in 1993.

In December 2011, the goodwill related to FRIMA - T SAS was subjected to an impairment test using the discounted cash flow method. As in the previous year, the legal entity FRIMA - T SAS was identified as a smallest possible cash-generating unit. Its recoverable amount was 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 four years, based on past experience. Growth in earnings was calculated on the same basis, using a contribution margin model. This model assumes 1% (2010: 0%) growth in earnings from the fifth year onward. In accordance with IAS 36, no allowance was made for any future restructuring and associated increases in earning power. The applied discount rate of 8.4% after tax, which equated to 11.4% before tax (2010: 7.2% after tax and 10.2% before tax), took appropriate account of present market forecasts regarding the time value of money and risk estimates in relation to assets. The present value calculated under this method was substantially higher than the carrying amount of FRIMA - T SAS. No impairment was therefore identified and there was consequently no requirement to recognise any impairment loss in respect of the goodwill.

14. Property, plant and equipment

kEUR	Land and buildings	Technical equipment, machinery	Operating and office equipment	Total
Acquisition cost				
Balance on Jan. 1, 2011	58,460	22,928	15,900	**97,288**
Currency differences	12	2	81	**95**
Additions	377	2,066	2,736	**5,179**
Disposals	–48	–746	–1,108	**–1,902**
Balance on Dec. 31, 2011	58,801	24,250	17,609	**100,660**
Amortisation				
Balance on Jan. 1, 2011	19,529	12,291	11,313	**43,133**
Currency differences	10	2	80	**92**
Additions	2,128	2,286	2,417	**6,831**
Disposals	–32	–736	–1,042	**–1,810**
Balance on Dec. 31, 2011	21,635	13,843	12,768	**48,246**
Book values				
Balance on Dec. 31, 2011	37,166	10,407	4,841	**52,414**
Acquisition cost				
Balance on Jan. 1, 2010	58,191	20,658	14,931	**93,780**
Currency differences	40	4	255	**299**
Additions	317	2,327	1,374	**4,018**
Disposals	–88	–61	–660	**–809**
Balance on Dec. 31, 2010	58,460	22,928	15,900	**97,288**
Amortisation				
Balance on Jan. 1, 2010	17,840	10,043	9,576	**37,459**
Currency differences	25	2	183	**210**
Additions	1,752	2,294	2,188	**6,234**
Disposals	–88	–48	–634	**–770**
Balance on Dec. 31, 2010	19,529	12,291	11,313	**43,133**
Book values				
Balance on Dec. 31, 2010	38,931	10,637	4,587	**54,155**

Property, plant and equipment is recognised at cost less depreciation. If impairment is identified in excess of depreciation, the asset is written down to its recoverable amount.

In fiscal year 2011, RATIONAL recognised impairment losses of 15 thousand euros (2010: 0 thousand euros). Land charges of 23,000 thousand euros are registered for the third plant in Landsberg. There are no restrictions on disposal. Exchange rate differences can occur when foreign-currency-denominated carrying amounts for property, plant and equipment held by the subsidiaries are translated into the functional currency.

Depreciation of property, plant and equipment is allocated to the following functional areas:

kEUR	2011	2010
Production	3,918	3,800
Sales and service	1,445	1,228
Research and development	1,080	866
General administration	388	340
Total	**6,831**	**6,234**

15. Finance leasing

Property, plant and equipment includes land and buildings purchased under finance leases in the previous year and therefore recognised in accordance with the requirements of IAS 17 as the Group is the beneficial owner without owning legal title. As of December 31, 2010, the net carrying amounts of the land and buildings in question amounted to 8,283 thousand euros. Accumulated depreciation amounted to 5,282 thousand euros as of December 31, 2010. The buildings have an expected useful life of 25 years.

After expiry of the finance leasing contract in fiscal year 2011, RATIONAL assumed legal ownership of the assets. This took place as part of the transfer of the assets of TAGO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Landsberg KG to MEIKU Vermögensverwaltung GmbH and the subsequent merger of MEIKU Vermögensverwaltung GmbH with RATIONAL AG. Because the lessee had entered into a loan agreement to cover the fixed resale value of the leased asset at the end of the lease, ownership of the land and buildings was transferred to RATIONAL AG without the need for further liquidity.

This had no significant effect on the Group's net assets, financial position and profit or loss.

16. Financial assets

The acquisition cost of the financial assets amounted to 30 thousand euros (2010: 2,725 thousand euros), and accumulated depreciation of 30 thousand euros was recognised (2010: 2,675). The carrying amount of the financial assets as of December 31, 2011 thus amounts to 0 thousand euros (2010: 50 thousand euros). The previous year's value reflects the carrying value of the investment in MEIKU Vermögensverwaltung GmbH. In fiscal year 2011, this company was merged with RATIONAL AG. This had no significant effect on the Group's net assets, financial position and profit or loss.

17. Inventories

kEUR	2011	2010
Raw materials, consumables and supplies	10,056	7,835
Work in progress	700	438
Finished goods and goods for resale	13,983	11,074
Total	**24,739**	**19,347**

The increase in inventories amounting to 5,392 thousand euros in fiscal year 2011 (2010: 1,525 thousand euros) reflects the growth in business activity and the increase in the cost of sales. In addition, the conversion from the old to the new product lines in the final months of the year caused a temporary increase in inventories.

In fiscal year 2011, write-downs on inventories of 1,081 thousand euros (2010: 1,034 thousand euros) were expensed as cost of sales.

As in the previous year, the inventories were not subject to any restrictions on disposal or pledges as of the balance sheet date.

18. Trade accounts receivable

kEUR	2011	2010
Trade receivables, not impaired	70,207	57,808
Trade receivables, impaired	1,738	1,250
Impairment	–260	–332
Total	**71,685**	**58,726**

As in the previous year, all receivables are due within one year.

The following table shows the breakdown of non-impaired trade receivables by days overdue:

kEUR			Overdue			
Trade receivables, not impaired	Total	Not due	1–60 days	61–90 days	91–120 days	› 120 days
Balance on Dec. 31, 2011	**70,207**	65,416	4,432	50	272	37
Balance on Dec. 31, 2010	**57,808**	53,550	3,781	374	73	30

For trade receivables that are neither due nor subject to impairments, there are no indications as of the balance sheet date that the customers will be unable to meet their payment obligations.

The following table shows the development of impairments on trade receivables:

kEUR Impairment for doubtful accounts receivables	Balance on Jan. 1	Currency effect	Con-sumption	Reversal	Additions	Balance on Dec. 31
2011	332	4	–131	–192	247	260
2010	309	17	–134	–182	322	332

Adequate allowances are recognised for identifiable credit risk on receivables. Receivables written off in fiscal year 2011 amounted to 522 thousand euros (2010: 752 thousand euros). This figure does not include claims settled by or payments expected from the credit insurer, which amounted to 347 thousand euros (2010: 490 thousand euros).

The credit risk on trade receivables is reduced by means of trade credit insurance and irrevocable, confirmed bank letters of credit. In total, this gives a risk coverage ratio of 84% (2010: 86%). If the fact that value-added tax paid on bad debts will be refunded by the tax authorities is also taken into account, the coverage ratio is 95% (2010: 96%). The economic risk of bad debt amounted to 3,722 thousand euros (2010: 2,354 thousand euros) as of the balance sheet date.

Unsecured trade receivables with a principal amount of more than 100 thousand euros per individual customer are considered individually. The total amount for these risks is 2,515 thousand euros (2010: 429 thousand euros) and is divided among seven (2010: three) customers.

Where customers have long-term payment difficulties, the Group enters into instalment agreements where possible or initiates collection via the credit insurer or external collection agencies. As of the balance sheet date, installment agreements were in place for a receivables volume of less than 100 thousand euros (2010: 100 thousand euros).

19. Other assets

kEUR	**2011**	**2010**
Value-added tax refund claims	2,906	2,474
Imcome tax refund claims	2,500	154
Claims to suppliers	1,094	1,492
Security deposits	505	408
Fair value of derivative financial instruments	330	95
Receivables from travel expense advances	272	207
Receivables from interest	140	258
Insurance	129	110
Others (‹ 100 thousand euros in each case)	90	136
Total	**7,966**	**5,334**

Of the other assets shown in the table, assets worth 7,760 thousand euros (2010: 5,089 thousand euros) are classified as current.

Security deposits include a non-current component with a value of 206 thousand euros (2010: 245 thousand euros). These non-current assets have a fair value of 199 thousand euros (2010: 237 thousand euros). For reasons of materiality, non-current assets were not reported at their discounted fair values, but at cost.

Claims to suppliers include in particular prepaid expenses and advance payments.

20. Deposits with maturities of more than three months

As of the balance sheet date, the Group reported German fixed-term deposits with maturities of up to seven months and amounting to a total of 50,400 thousand euros (2010: 115,900 thousand euros). The longest maturity is until May 2012. None of these deposits has been pledged as collateral.

RATIONAL places greater emphasis on capital retention than on returns and therefore considers it imperative to protect its deposits adequately. In the case of fixed-term deposits, this protection is obtained from the German deposit protection fund. RATIONAL only makes deposits with banks that have a Standard & Poor's long-term rating of at least A. To diversify the risk, all fixed-term deposits were distributed over four banks at the end of the year.

21. Cash and cash equivalents

Corporate Treasury manages the Group's cash and cash equivalents worldwide, other than in countries where this is prevented by restrictions on capital movements, such as Brazil, China or India.

The largest proportion of cash and cash equivalents is concentrated at the parent company in Germany. The total amount is distributed over several banks (diversification). Deposits at German banks are protected by the deposit protection fund. At RATIONAL, cash and cash equivalents in Germany include not only balances on current accounts but also all fixed-term deposits and all demand deposits.

Cash and cash equivalents of 70,368 thousand euros (2010: 47,237 thousand euros) were reported as of the balance sheet date. Deposits in foreign currencies are measured at the rate applicable on the balance sheet date. As in the previous year, no cash or cash equivalents have been pledged as collateral.

kEUR	Currency	2011	2010
Fixed-term deposits with maturities of up to 3 months	EUR	10,000	9,900
Deposits incl. demand deposits	EUR	45,941	23,644
Deposits incl. demand deposits	GBP	4,722	6,088
Deposits incl. demand deposits	USD	3,160	2,800
Deposits incl. demand deposits	SEK	950	829
Deposits incl. demand deposits	CAD	842	813
Deposits incl. demand deposits	CHF	870	624
Deposits incl. demand deposits	PLN	110	164
Deposits	BRL	883	820
Deposits	JPY	1,877	758
Deposits	RUB	839	519
Deposits	CNY	72	204
Deposits other currencies and cash in hand	various	102	74
Total		**70,368**	**47,237**

Notes on the Balance Sheet – equity and liabilities

22. Equity

Changes in equity are reported in the statement of changes in equity.

Subscribed capital

RATIONAL AG's subscribed capital as of December 31, 2011 remained unchanged at 11,370 thousand euros divided into 11,370,000 no-par-value bearer shares, each with a nominal value of 1.00 euro. The subscribed capital is fully paid in.

Conditional capital amounts to 200 thousand euros and relates to option rights for members of the Executive Board to purchase up to 200,000 no-par-value shares. Of these, 69,000 no-par-value shares have already been issued; option rights to 131,000 no-par-value shares currently remain available. 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 disclosures on stock option plans.

Capital reserves

Capital reserves consist mainly of the premium from the initial public offering less the costs associated with the initial public offering. Capital reserves also include income and expenses taken directly to equity and which resulted primarily from the entitlements under the second tranche of the stock option plan dated February 3, 2000 paid out in previous years as cash compensation to members of the Executive Board.

Revenue reserves

The legal reserves recognised under revenue reserves and transferred in accordance with section 150 of the German Stock Corporation Act (AktG) amount to 514 thousand euros, as in the previous year. Past earnings of companies included in the consolidated financial statements continue to be included in revenue reserves unless they have been distributed as dividends.

Other equity

Other equity comprises only the differences from currency translation.

Notes on capital management

RATIONAL's aim is to secure the company's equity base and operating activities in the long term. In this context, RATIONAL is not bound by any capital requirements under its articles of association. The capital structure is monitored through the company's reporting process with a particular focus on the equity ratio, and the prevailing economic situation is the key determining factor in its management. The equity ratio indicates the ratio of equity shown on the balance sheet to the company's total capital.

RATIONAL's equity ratio as of December 31, 2011 was 73.1% (2010: 75.3%). The reduction of the equity ratio compared to the previous year is attributable in particular to the dividend payment in 2011, which exceeded the total comprehensive income reported for the period under review. The dividend payment in 2011 included an additional special dividend of 4.00 euros per share.

23. 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 funded exclusively by pension provisions, which were reduced in fiscal year 2011 to 681 thousand euros (2010: 697 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, any actuarial gains and losses arising from the measurement of pension provisions and the calculation of pension costs are recognised immediately and in full in the income statement. The full amount of the defined benefit obligation is recognised in the balance sheet.

The actuarial gain/loss for the current and previous four reporting periods, resulting from the difference between the expected and actual change in the pension obligation, is shown below:

kEUR	2011	2010	2009	2008	2007
Experienced gains/ losses (–)	4	6	–22	0	1

The expenses for pension benefits are made up as follows:

kEUR	2011	2010
Interest expense	32	35
Recognised actuarial losses	0	21
Total	**32**	**56**

Actuarial gains and losses are included in the administration and selling expenses. The interest expense is included in the financial result.

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

kEUR	2011	2010
Efficiency-oriented obligation Jan. 1	697	688
Interest expense	32	35
Paid obligations	–48	–47
Recognised actuarial losses	0	21
Efficiency-oriented obligation Dec. 31	**681**	697

Since 2010, both pension recipients have been receiving payments. Payments amounting to 48 thousand euros (2010: 48 thousand euros) are expected for fiscal year 2012.

For reasons of materiality, this short-term provision is not shown separately on the balance sheet.

The calculations were based on the following assumptions:

Discount rate: 4.80% (2010: 4.80%)
Pension progression rate: 1.75% (2010: 1.75%)

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:

kEUR	2011	2010	2009	2008	2007
Efficiency-oriented obligation Dec. 31	681	697	688	614	617

24. Liabilities for current tax

2011

kEUR	Balance on Jan. 1, 2011	Currency differences	Consumption	Additions	Balance on Dec. 31, 2011
Taxes on income	7,172	39	–7,211	3,238	**3,238**

2010

kEUR	Balance on Jan. 1, 2010	Currency differences	Consumption	Additions	Balance on Dec. 31, 2010
Taxes on income	4,564	138	–4,702	7,172	7,172

25. Other provisions

2011

kEUR	Balance on Jan. 1, 2011	Currency differences	Consumption	Additions	Interest expense	Balance on Dec. 31, 2011	Thereof non-current
Personnel	8,584	43	–8,164	8,599	–26	9,036	550
Trade bonuses	2,710	34	–2,744	3,436	–	3,436	–
Warranty	6,305	4	–3,834	4,000	83	6,558	1,352
Others	2,738	16	–2,707	2,721	–	2,768	47
Total	**20,337**	**97**	**–17,449**	**18,756**	**57**	**21,798**	**1,949**

2010

kEUR	Balance on Jan. 1, 2010	Currency differences	Consumption	Additions	Interest expense	Balance on Dec. 31, 2010	Thereof non-current
Personnel	8,482	189	–8,341	8,254	–	8,584	490
Trade bonuses	3,072	177	–3,249	2,710	–	2,710	–
Warranty	4,980	8	–3,512	4,829	–	6,305	2,536
Others	2,250	51	–2,301	2,738	–	2,738	50
Total	**18,784**	**425**	**–17,403**	**18,531**	**–**	**20,337**	**3,076**

Provisions for personnel obligations primarily comprise estimated expenses for variable remuneration components. The provision for trade bonuses is recognised for outstanding discounts yet to be granted as of the balance sheet date. The warranty provision covers the Group's liability to ensure its products are fully functioning. The "Other" item includes provisions for a number of items, each of which is valued at an amount of below 150 thousand euros and is therefore of minor importance.

The personnel provisions recognised as of December 31, 2011, together with the provisions for trade bonuses and other provisions, will mainly be used in the first six months of 2012. The warranty provisions are normally used within two years. For reasons of materiality, the country-specific rules on the discounting of provisions have still been applied in the consolidated financial statements.

26. Loan liabilities

At the end of fiscal year 2011, liabilities to banks amounted to 18,996 thousand euros (2010: 21,297 thousand euros), distributed over several banks.

The assignment of rights to third parties has been contractually excluded.

In fiscal year 2008, RATIONAL entered into multi-year annuity loan agreements to finance the acquisition of new production facilities. Fixed interest rates were agreed for the entire term of the agreements. The last repayment of principal will be made in 2013. At the end of fiscal year 2011, the remaining liabilities in connection with these loans amounted to 566 thousand euros (2010: 1,613 thousand euros).

Other liabilities to banks relate to two annuity loan agreements, secured by land charges, to fund the construction of an assembly and distribution building in Landsberg. The construction was completed in 2008. Both agreements include fixed interest rates until the end of 2017, and both are scheduled to expire at the end of 2022. As of December 31, 2011, the remaining liabilities in connection with these loans amounted to 18,430 thousand euros (2010: 19,684 thousand euros).

Of the liabilities to banks, the following interest payments and repayments of principal will become due in subsequent periods:

kEUR	2012	2013–2016	Ab 2017
Payments as of Dec. 31, 2011	2,609	8,693	12,863

kEUR	2011	2012–2015	Ab 2016
Payments as of Dec. 31, 2010	3,254	9,144	15,007

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

27. Trade accounts payable

As a result of its good liquidity position, payables to suppliers are settled under deduction of early payment discounts. The following table shows a breakdown of maturities for trade accounts payable and the resulting expected cash outflows, based on the payment terms agreed with suppliers:

kEUR	Due dates			
	Total	Up to 30 days	30–60 days	› 60 days
2011	**10,085**	9,696	377	12
2010	**9,240**	8,940	294	6

28. Other liabilities

kEUR	2011	2010
Liabilities to business partners	6,294	4,060
Liabilities from value-added tax	5,831	4,742
Liabilities from wages, salaries and other personnel costs	5,040	3,773
Liabilities from PAYE and church taxes	2,050	1,824
Liabilities for consulting and auditing services	1,229	1,346
Fair value of derivative financial instruments	918	332
Other taxes	86	137
Liabilities from finance leasing agreements	–	465
Others (‹ 100 thousand euros in each case)	28	26
Total	**21,476**	**16,705**

Finance lease liabilities in accordance with IAS 17 amounted to 465 thousand euros as of December 31, 2010. In the year under review, an amount of 434 thousand euros was repaid, and the remaining amount was recognised in the income statement. Repayments of principal in the previous year amounted to 815 thousand euros.

Other liabilities include current financial liabilities of 8,604 thousand euros (2010: 7,351 thousand euros). Other financial liabilities are usually settled within a few months of the balance sheet date.

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Notes on the Cash Flow Statement

29. Cash flow statement

The cash flow statement shows the changes in RATIONAL's cash and cash equivalents 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. These restrictions on disposal relate to an amount of 1,692 thousand euros (2010: 1,430 thousand euros). Cash and cash equivalents increased from 47,237 thousand euros at the start of the fiscal year to 70,368 thousand euros as of December 31, 2011. In addition, RATIONAL had fixed-term deposits as of the balance sheet date amounting to 50,400 thousand euros (2010: 115,900 thousand euros). These deposits have maturities of more than three months from the date of deposit, and are not therefore included in cash and cash equivalents.

Other notes on the Group Financial Statements

30. Employees and personnel costs

Average number of employees	2011	% of total	2010	% of total
Production and Dispatch	312	26	285	27
Sales and Marketing	500	42	423	40
Technical Customer Service	125	11	120	11
Research and Development	83	7	74	7
Administration	164	14	156	15
Total	**1,184**		**1,058**	
thereof abroad	488	41	428	40

The growth in the number of people employed in sales and marketing reflects the continuing expansion of the international sales organisations.

In 2011, personnel costs amounted to 84,678 thousand euros (2010: 74,284 thousand euros).

kEUR	2011	2010
Salaries and wages	71,512	62,800
Social security	13,166	11,484
thereof expenses for defined contribution plans	6,514	5,718
Total	**84,678**	**74,284**

31. Contingent liabilities and other financial obligations

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.

There were no contingent liabilities in fiscal years 2011 and 2010.

Other financial obligations:

As of the balance sheet date (December 31, 2011), RATIONAL's other financial obligations amounted to 10,957 thousand euros (2010: 9,619 thousand euros). This item relates mainly to future payments under leases and maintenance contracts.

The leasing contracts treated as operating leases in accordance with IAS 17 are predominantly for the rental of office space, production facilities, vehicles, IT equipment, and miscellaneous office equipment. Some of the leases have fixed terms, others are for an indefinite period. They include the following future minimum lease payments:

Obligations for operative leases

kEUR	Dec. 31, 2011	Dec. 31, 2010
Up to 1 year	4,639	3,853
1–5 years	5,238	4,689
› 5 years	33	1
Total	**9,910**	**8,543**

There are no restrictions included in any of the leases. Lease expenses recognised in the income statement in fiscal year 2011 amounted to 5,415 thousand euros (2010: 4,494 thousand euros).

There are further obligations amounting to 912 thousand euros (2010: 944 thousand euros) for maintenance contracts in connection with land and buildings, production machinery and IT equipment.

As of December 31, 2011, there are obligations to purchase property, plant and equipment amounting to 665 thousand euros (2010: 1,089 thousand euros) and to purchase intangible assets amounting to 34 thousand euros (2010: 9 thousand euros).

32. Operating segments

RATIONAL combines the subsidiaries located in the different regions into operating segments. These reflect the internal reporting structure and thus the management approach laid down in IFRS 8. The Executive Board is the main operating-decision-making body. Operating segments are organisational units for which information is passed to management so that it can measure performance and allocate resources.

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 segments generate most of their revenue from sales of the SelfCookingCenter®, CombiMaster® and VarioCookingCenter®.

The "Germany" segment includes both RATIONAL Großküchentechnik GmbH and FRIMA Deutschland GmbH. To simplify administration, capital investment for RATIONAL Großküchentechnik GmbH is undertaken by RATIONAL AG. The segment profit or loss for Germany includes the depreciation and amortisation charges attributable to this capital investment.

The "Europe excluding Germany" segment includes the companies in the UK, France, Italy, Spain, Austria, Switzerland, Poland, Sweden and Russia.

The "Americas" segment brings together the activities of our subsidiaries in the United States, Canada and Brazil.

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

The activities of the parent company, RATIONAL AG, (including LechMetall GmbH, RATIONAL Technical Services GmbH, RATIONAL Dienstleistungsgesellschaft mbH and RATIONAL Komponenten GmbH) are reported in the fifth segment. This segment encompasses product development, manufacturing, and the supply of products to subsidiaries as well as service support operations. During the course of fiscal year 2010, the supply of goods and services to OEM customers was gradually transferred to RATIONAL International AG.

Segment sales includes both sales from third parties and intercompany sales generated between Group companies across the segments. Intercompany sales are always based on arm's length prices.

As in the previous year, no more than 10% of sales were generated with any one customer.

For a further breakdown of sales, see the sales disclosures.

Segment depreciation and amortisation relates to intangible assets and property, plant and equipment. No other material non-cash expenses reportable under IFRS 8.23 were incurred in either 2011 or the previous year.

Segment assets include all assets assigned to a segment.

Of total non-current assets (property, plant and equipment, and intangible assets), assets with a total carrying amount of 50,014 thousand euros (2010: 51,861 thousand euros) are reported in the "Germany" segment, with assets of 3,657 thousand euros (2010: 3,449 thousand euros) allocated to other countries.

Segment liabilities are calculated from the difference between segment assets and segment equity.

The reconciliation column reflects the effects of consolidation.

Operating segments 2011

	Activities of the subsidiaries in:							
kEUR	Germany	Europe excl. Germany	Americas	Asia	Activities of the parent company	Total of segments	Reconciliation	Group
External sales	59,425	266,318	46,929	17,750	1,266	391,688	–	391,688
Intercompany sales	456	17,561	286	128	268,265	286,696	–286,696	–
Segment sales	59,881	283,879	47,215	17,878	269,531	678,384	–286,696	391,688
Segment result	**+340**	**+26,909**	**+1,334**	**+1,165**	**+73,921**	**+103,669**	**–1,504**	**+102,165**
Financial result	–	–	–	–	–	–	–	300
Earnings before taxes	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**+102,465**
Segment assets	5,971	101,088	20,949	10,115	220,662	358,785	–75,596	283,189
Segment liabilities	5,851	62,883	17,231	8,143	43,918	138,026	–61,752	76,274
Segment investments	60	1,234	112	68	4,246	5,720	–	5,720
Segment depreciation	44	914	170	55	6,085	7,268	–	7,268

Operating segments 2010

	Activities of the subsidiaries in:							
kEUR	Germany	Europe excl. Germany	Americas	Asia	Activities of the parent company	Total of segments	Reconciliation	Group
External sales	54,848	223,756	46,809	14,953	9,770	350,136	–	350,136
Intercompany sales	330	15,315	–	87	230,203	245,935	–245,935	–
Segment sales	55,178	239,071	46,809	15,040	239,973	596,071	–245,935	350,136
Segment result	**+95**	**+24,593**	**+3,944**	**+748**	**+78,966**	**+108,346**	**– 2,579**	**+105,767**
Financial result	–	–	–	–	–	–	–	–156
Earnings before taxes	–	–	–	–	–	–	–	**+105,611**
Segment assets	5,222	80,960	19,235	7,739	252,181	365,337	–59,622	305,715
Segment liabilities	5,129	47,716	15,553	6,803	47,095	122,296	–46,848	75,448
Segment investments	33	972	85	39	3,347	4,476	–	4,476
Segment depreciation	25	736	188	49	5,798	6,796	–	6,796

33. Related parties

IAS 24 requires reporting entities to disclose transactions with related parties. Related parties of RATIONAL AG include the subsidiaries, the members of the Executive Board and the members of the Supervisory Board, as well as companies in which these persons own shares. Mr. Siegfried Meister, the Chairman of the Supervisory Board, has a controlling interest because he owns the majority of shares in RATIONAL AG.

Transactions with consolidated subsidiaries are eliminated during consolidation.

In fiscal year 2011, there were transactions with the non-consolidated subsidiaries MEIKU Vermögensverwaltung GmbH and TAGO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Landsberg KG. MEIKU Vermögensverwaltung GmbH, which has its registered office in Landsberg am Lech, took over the assets of TAGO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Landsberg KG with effect from June 27, 2011 and was subsequently merged with RATIONAL AG with effect from June 30, 2011.

Before the date of the merger, 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 61 thousand euros (2010: 120 thousand euros). Sales revenue generated by RATIONAL AG from transactions with MEIKU Vermögensverwaltung GmbH up to the date of the merger amounted to 12 thousand euros (2010: 24 thousand euros). In addition, income from the investment in MEIKU Vermögensverwaltung GmbH amounted to 64 thousand euros (2010: 63 thousand euros).

RATIONAL AG leased buildings located at Siemensstrasse 5 in Landsberg am Lech from TAGO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Landsberg KG. The associated charges up to the date of the merger amounted to 288 thousand euros (2010: 603 thousand euros).

Further information on MEIKU Vermögensverwaltung GmbH and TAGO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Landsberg KG can be found under the disclosures on the consolidated companies, finance leasing, and financial assets.

The transfer of assets and subsequent merger in fiscal year 2011 had no material effect on the Group's net assets, financial position and profit or loss.

In the previous year, RATIONAL AG's liabilities to TAGO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Landsberg KG amounted to 17 thousand euros. Furthermore, RATIONAL AG granted a lessee loan to TAGO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Landsberg KG amounting to 7,775 thousand euros as of December 31, 2010.

Members of the Supervisory Board hold shares in companies from which the company purchases goods or services. The expense for these goods and services amounted to 1,580 thousand euros in 2011 (2010: 1,449 thousand euros). As of December 31, 2011, trade accounts payable to these companies amounted to 7 thousand euros (2010: 2 thousand euros).

All of the transactions described were concluded at arm's length conditions. No further significant transactions occurred with companies or individuals in any way related to RATIONAL AG.

34. Supervisory Board and Executive Board

The members of the Supervisory Board are as follows:

Siegfried Meister, entrepreneur
Chairman of the Supervisory Board

Walter Kurtz, entrepreneur
Deputy Chairman of the Supervisory Board

Roland Poczka, entrepreneur
Member of the Supervisory Board until August 31, 2011

Dr. Hans Maerz, auditor and tax consultant
Member of the Supervisory Board since September 1, 2011

With effect from August 31, 2011, Mr. Roland Poczka relinquished his post as member of the Supervisory Board. Dr. Hans Maerz took his place with effect from September 1, 2011.

The total compensation due to the Supervisory Board for fiscal year 2011 amounted to 572 thousand euros (2010: 580 thousand euros). The breakdown by Supervisory Board member is as follows:

2011

kEUR	Fixed	Perfor-mance-related	Others	Total
Siegfried Meister	150	51	24	225
Walter Kurtz	125	51	20	196
Dr. Hans Maerz	33	17	–	50
Roland Poczka	67	34	–	101
Total	**375**	**153**	**44**	**572**

2010

kEUR	Fixed	Perfor-mance-related	Others	Total
Siegfried Meister	150	53	27	230
Walter Kurtz	125	53	19	197
Roland Poczka	100	53	–	153
Total	**375**	**159**	**46**	**580**

As of the balance sheet date, Supervisory Board compensation of 535 thousand euros for fiscal year 2011 (2010: 533 thousand euros) was included in other liabilities.

As of December 31, 2011, the members of the Supervisory Board held a total of 8,049,285 shares in RATIONAL AG (2010: 8,120,935 shares), of which Mr. Siegfried Meister held 7,161,411 shares (2010: 7,161,411 shares).

The members of the Supervisory Board are also represented in the following advisory boards and controlling committees:

Mr. Poczka is on the Advisory Board of the Glatz Group, Neidenfels, Germany.

Dr. Maerz is a member of the Supervisory Board of FWU AG, Munich, and is Chairman of an Audit Committee formed in accordance with section 324 of the HGB at FWU Provisions-Factoring GmbH, Munich, Germany.

The Executive Board comprises the following members:

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 Officer

The General Meeting of Shareholders held on May 11, 2011 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 paid to the Executive Board for the performance of its duties within the parent company and its subsidiaries in fiscal year 2011 was 3,746 thousand euros (2010: 3,460 thousand euros). This amount includes a performance-related salary component of 1,969 thousand euros (2010: 1,826 thousand euros). To this must be added payments of 304 thousand euros made into the pension scheme (2010: 303 thousand euros).

As of the balance sheet date, the members of the Executive Board together held 15,293 shares in RATIONAL AG (2010: 14,793 shares).

None of the members of the Executive Board is a member of Supervisory Board committees of companies outside the Group.

35. Stock option plans

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 no-par-value 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. 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 at that time. 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.

To date, two tranches have been issued with a total of 69,000 option rights, which were drawn on in 2002 and 2006 in the form of cash payments equivalent to 100% of the value of a company share minus the exercise price. As of December 31, 2011, option rights to a maximum of 131,000 no-par-value shares in RATIONAL AG still remained in the stock option plan. No options were issued as of the balance sheet date December 31, 2011.

36. Declaration on the 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 May 26, 2010. No amendments were made to the Code in 2011. The declaration is permanently available on RATIONAL AG's website: *www.rational-online.com*.

37. Subsequent events

No events have taken place since the close of fiscal year 2011 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.

On January 16, 2012, the company issued an Ad-hoc notification of the preliminary figures for sales revenue and EBIT for fiscal year 2011.

38. Auditor's fee

By resolution of the General Meeting of Shareholders held on May 11, 2011, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Munich, was appointed as auditor for fiscal year 2011.

The auditor's fee, including reimbursement of expenses, amounted to a total of 221 thousand euros, which is broken down as follows:

an amount of 189 thousand euros for the auditing of separate and consolidated financial statements, and 32 thousand euros for other services.

Landsberg am Lech, February 15, 2012

RATIONAL AG
The Executive Board

Dr. Günter Blaschke
Chief Executive Officer

Erich Baumgärtner
Chief Financial Officer

Peter Wiedemann
Chief Technical Officer

Reinhard Banasch
Chief Sales Officer

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 15, 2012

RATIONAL AG
The Executive Board

Dr. Günter Blaschke
Chief Executive Officer

Erich Baumgärtner
Chief Financial Officer

Peter Wiedemann
Chief Technical Officer

Reinhard Banasch
Chief Sales Officer

Auditor's Report

We have audited the consolidated financial statements prepared by the Parent Company RATIONAL Aktiengesellschaft, comprising the statement of financial position, the statement of comprehensive income, 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, 2011. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) of the HGB (*Handelsgesetzbuch*: German Commercial Code) is the responsibility of the Parent Company's Executive Board. 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 section 317 of the 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 accounting-related 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 the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Executive Board, 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 IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to section 315a (1) of the 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 15, 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Stefano Mulas	Dietmar Eglauer
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

10-year Overview

		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Earnings situation											
Sales	m EUR	391.7	350.1	314.4	343.0	336.6	283.7	246.4	221.8	186.6	177.3
Sales abroad	%	85	84	83	84	84	84	83	84	83	81
Gross profit	m EUR	234.4	217.0	191.6	203.7	199.9	173.8	149.7	131.5	108.5	105.0
Depreciation/Amortisation	m EUR	7.3	6.8	7.6	7.3	5.3	4.3	4.3	4.6	4.2	3.4
EBIT	m EUR	102.2	105.8	90.5	83.1	92.6	80.5	66.9	53.3	42.3	38.2
Group earnings	m EUR	78.7	79.8	67.3	61.7	61.2	51.8	42.4	33.8	26.8	26.6
Earnings per share (undiluted)	EUR	6.93	7.02	5.92	5.42	5.38	4.55	3.73	2.98	2.36	2.34
Gross margin	%	59.8	62.0	60.9	59.4	59.4	61.3	60.8	59.3	58.1	59.2
EBIT margin	%	26.1	30.2	28.8	24.2	27.5	28.4	27.2	24.0	22.7	21.5
Net margin	%	20.1	22.8	21.4	18.0	18.2	18.3	17.2	15.2	14.4	15.0
Return on equity (after taxes)	%	36.0	38.0	41.6	47.9	53.3	52.9	43.7	34.7	31.6	37.1
Return on invested capital (ROIC)	%	33.2	33.9	35.5	40.7	48.0	49.6	40.4	32.1	28.5	31.9
Dividend*	m EUR	62.5	102.3	39.8	11.4	51.2	42.6	34.1	56.9	21.0	14.8
Dividend per share*	EUR	5.50	9.00	3.50	1.00	4.50	3.75	3.00	5.00	1.85	1.30
Asset situation											
Fixed assets	m EUR	53.7	55.4	57.6	63.1	38.0	29.2	28.1	28.1	27.5	26.0
Current assets (including deferred tax assets and other long-term assets)	m EUR	229.5	250.3	208.1	145.9	149.4	117.4	104.0	118.7	100.5	88.0
Inventories	m EUR	24.7	19.3	17.8	20.6	18.6	15.5	16.2	14.3	12.8	11.3
Trade accounts receivable	m EUR	71.7	58.7	51.4	57.7	61.4	53.1	46.1	36.7	32.7	30.9
Cash and cash equivalents (including fixed deposits)	m EUR	120.8	163.1	131.6	57.1	62.3	40.6	34.8	59.9	49.7	41.0
Balance sheet total	m EUR	283.2	305.7	265.7	209.0	187.4	146.6	132.1	146.8	128.0	114.0
Equity	m EUR	206.9	230.3	189.8	133.6	124.0	105.8	89.9	104.1	90.6	78.9
Liabilities	m EUR	76.3	75.4	75.9	75.4	63.4	40.8	42.2	42.7	37.4	35.1
Provisions (including liabilities for current tax)	m EUR	25.7	28.2	24.0	22.1	19.7	21.8	21.3	22.0	16.7	13.0
Liabilities to banks	m EUR	19.0	21.3	31.6	25.8	18.0	–	2.5	2.2	2.4	2.9
Trade accounts payable	m EUR	10.1	9.2	7.0	10.9	9.3	6.8	5.4	5.8	4.6	4.8
Other liabilities	m EUR	21.5	16.7	13.3	16.6	16.4	12.2	13.0	12.7	13.8	14.3
Equity ratio	%	73.1	75.3	71.4	63.9	66.2	72.2	68.1	70.9	70.8	69.2
Working Capital (excluding liquid funds)	m EUR	73.4	58.2	54.7	60.7	61.7	58.4	53.0	41.0	37.0	33.6
as a percentage of sales	%	18.7	16.6	17.4	17.7	18.3	20.6	21.5	18.5	19.9	18.9
Cash flow/Investments											
Cash flow from operating activities	m EUR	67.7	86.9	83.2	71.0	61.1	49.1	32.8	39.2	29.8	31.9
Cash flow from investing activities	m EUR	61.4	–23.4	–72.2	–38.4	–30.2	–1.8	–3.7	–4.6	–4.9	–3.4
Cash flow from financing activities	m EUR	–106.0	–52.2	–7.7	–45.4	–26.0	–38.4	–42.3	–37.3	–5.1	–25.2
Investments	m EUR	5.7	4.5	2.4	32.6	14.3	5.7	6.0	5.7	6.0	4.3
Employees											
Number of employees (average)		1,184	1,058	1,031	1,090	965	864	792	742	679	669
Personnel expenses	m EUR	84.7	74.3	71.1	72.3	63.7	57.0	53.4	47.7	43.6	42.0
Sales per employee	kEUR	330.8	330.9	304.9	314.6	348.8	328.4	311.1	298.9	274.7	265.1

* payout in the following year, 2011 subject to approval by the General Meeting of Shareholders 2012

Financial Calendar 2012

Balance Sheet Press Conference Fiscal Year 2011	Munich	Mar. 27, 2012
DVFA Analyst Meeting	Frankfurt	Mar. 27, 2012
Financial figures Q1/2012	Landsberg	May 10, 2012
General Shareholders Meeting 2012	Augsburg	May 16, 2012
Financial figures Q2/2012	Landsberg	Aug. 7, 2012
Financial figures Q3/2012	Landsberg	Nov. 8, 2012

Imprint

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