

# Report on the 1st Quarter 2011



# Key Figures

m EUR	1st Quarter 2011	1st Quarter 2010	Change absolute	Change in %
<b>Sales and earnings</b>				
Sales	88.0	72.6	+15.4	+21
Sales abroad in %	85	85	+/- 0	-
Cost of sales	34.3	29.8	+4.5	+15
Sales and service expenses	24.8	20.0	+4.8	+24
Research and development expenses	3.4	3.2	+0.2	+8
General administration expenses	4.3	3.9	+0.4	+11
Earnings before interest and taxes (EBIT)	20.3	16.8	+3.5	+20
Group earnings	15.3	12.4	+2.9	+23
<b>Balance sheet</b>				
Balance sheet total	310.2	268.2	+42.0	+16
Working capital <sup>1</sup>	64.9	55.9	+9.0	+16
Equity	245.3	202.4	+42.9	+21
Equity ratio in %	79.1	75.5	+3.6	-
<b>Cash flow</b>				
Cash flow from operating activities	6.1	9.8	-3.7	-38
Investments	0.9	0.9	+/- 0	+/- 0
Free cash flow <sup>2</sup>	5.2	8.9	-3.7	-42
<b>Key figures RATIONAL share</b>				
Earnings per share (in EUR)	1.35	1.09	+0.26	+23
Share price (in EUR) <sup>3</sup>	168.00	129.80	+38.20	+29
Market capitalization	1,910.2	1,475.8	+434.4	+29
<b>Employees</b>				
Number of employees as of March 31	1,137	1,025	+112	+11
Number of employees (average)	1,117	1,015	+102	+10
Sales per employee (in kEUR)	78.8	71.5	+7.3	+10

<sup>1</sup> Excluding liquid funds

<sup>2</sup> Cash flow from operating activities less investments

<sup>3</sup> Xetra-closing share price on the last trading day of the fiscal period

# Letter from the Executive Board



  
Dr. Günter Blaschke  
- Chairman of the RATIONAL AG  
Executive Board -

## Dear Shareholders, Customers and Business Partners,

RATIONAL continued last year's growth in the first quarter of 2011. Compared to the first quarter of 2010, sales were up by 21%. One reason for this, besides the company's good performance, was the base effect of last year's comparatively weak equivalent quarter. Earnings Before Interest and Taxes (EBIT) rose by 20%. At 23%, the EBIT margin was unchanged from last year.

To exploit the global potential efficiently, we are targeting in 2011 our investments on building up our sales capacities all around the globe. Additional areas of focus are the systematic development of international restaurant chain business, which is increasingly important, and successful market penetration with the VarioCooking Center®.

The welcome trend in recent months and the positive global economic prospects mean we are confident of achieving our sales growth target of around 10% in 2011, together with positive earnings figures.

We were dismayed by the terrible disaster in Japan and we extend our sympathies to the Japanese people. Fortunately none of our employees were affected and the company's performance has also been positive in line with our expectations. On the supplier side we do not expect any significant problems as a result of the disaster as well.

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# Management Report

## Economic Report

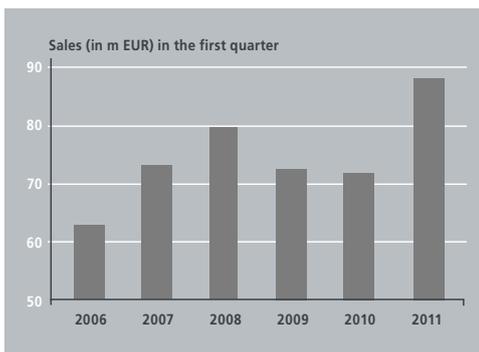
### Global economy back on track

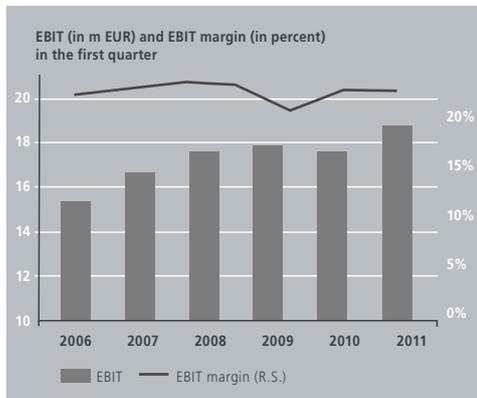
Following on from the robust economic recovery in 2010, which realized global growth of 5.0% (Source: IMF World Economic Outlook April 2011), the positive trend continued in the first quarter of 2011. It is particularly pleasing that this is happening on a global basis, though it is the emerging markets that are leading the way. The mood in the economy is better than for a long time. At 106.8 points, the ifo world economic climate is at its highest since 2007. Both the current position and the forecast are being viewed positively. However, uncertainties still persist as a result of the global rise in state indebtedness, the existing inflationary risks and the unstable political situation in countries of significance for the world's supply of raw materials.

## Net Assets, Financial Position and Results of Operations

### Sales up by 21% in the first quarter – Growth in all regions

In the first quarter of 2011, sales rose by 21% compared to the previous year, from 72.6 million euros to 88.0 million euros. It is especially gratifying that this growth is taking place in all regions of the world. In Asia, sales rose by 41% in the first quarter of 2011 compared to the previous year, but other regions also made a major contribution to growth. Germany is 17% up on the previous year, Europe excluding Germany is up 18% and the Americas market grew by 10%. In the rest of the world, sales grew by 47%. The Japanese business, too, was in line with our expectations.





### EBIT up by 20%

The good performance of the business led to a significant increase in the operating result year on year. Earnings Before Interest and Taxes (EBIT) improved by 3.5 million euros or 20% to 20.3 million euros. With 23%, the EBIT margin in the first quarter of 2011 reached the same level compared to the last year's equivalent quarter. Earnings after taxes are up by 2.9 million euros (23%) to 15.3 million euros.

### 79% equity ratio - 167 million euros in liquid funds

In the first quarter, RATIONAL posted an operating cash flow of 6.1 million euros (previous year 9.8 million euros). The fall compared to the previous year is due to the growth-related rise in working capital. On March 31, 2011, the company holds liquid funds of 167 million euros (previous year 136 million euros).

RATIONAL's financial structure is extremely sound. The equity ratio increased further from 75% last year to 79% on March 31, 2011. Even after the proposed dividend distribution of 102 million euros, which is being decided on at RATIONAL AG's General Meeting of Shareholders on May 11, 2011, the equity ratio will remain at well over 60%.

## **Employees**

### **RATIONAL invests in the future**

As a result of the still positive macroeconomic trends, and due to the large global potential for growth, the concerted build-up of sales capacities has continued apace. As at March 31, 2011, the company employed 1,137 people, which are 45 more than at the start of the year.

A major element in the further long-term build-up of staff and the development of the quality of our employee structure is training within the company itself. In the first quarter of 2011, eleven young employees successfully completed their professional training. All were offered permanent posts. Three apprentices were awarded distinctions by the vocational college or the Chamber of Industry and Commerce as a result of their excellent marks.

## **Non-financial Performance Indicators**

### **Ordered today – delivered tomorrow**

Maximum customer benefit is our company's prime aim and, hence, is also the benchmark for RATIONAL employees' every thought and action. As well as top quality at an attractive price, this also includes fast and on-time delivery. The delivery time for appliances is scheduled in accordance with customers' wishes at the time the order is placed. Where necessary, delivery is possible within 24 hours. The fact that one single employee is wholly responsible for assembling an appliance results in an economic lot size of one appliance and means that working hours can be adjusted easily and highly flexibly in response to day-to-day fluctuations in orders. As a result of this, in 2010 over 99% of all delivery dates requested were met.

### **Sustainable actions as the basis for business**

Since the company was founded in 1973, sustainability has been firmly entrenched as the company-wide watchword all along the value-added chain as part of RATIONAL's self-image. Since actions are geared to long-term growth, and this can only be achieved by handling available resources responsibly, sustainability is of great importance from the ecological, economic and social perspectives. In addition our customers are also supported to conduct their business sustainably. Thus, RATIONAL's highly efficient products bring with them major savings in the use of raw materials, in energy and water consumption and in space requirements.



### **RATIONAL wins accolade for best exhibition stand in Canada**

The "Canadian Restaurant and Foodservice Association (CRFA) Show" was held in Toronto on March 6-8, 2011. In total some 13,000 people visited the 1,200 exhibition stands. Test meals cooked in the SelfCooking Center®, regular cooking demonstrations and 30-minute in-depth presentations allowed interested visitors to see for themselves directly how the SelfCooking Center® assists chefs in their day-to-day work. Around 500 kitchen professionals were able to discover for themselves the huge benefits of the SelfCooking Center®.

The CRFA honored RATIONAL with the "Best Large Booth" Award 2011 for its customer-focused, high-quality product presentation. The high level of customer benefit of the training presentations on offer – rather than purely sales events – won widespread recognition.

### **Risk Report**

RATIONAL's global risk management system makes every effort to ensure that risks are detected and analysed early on and that appropriate corrective measures are taken where necessary. The existing uncertainties as regards the sustainability of the global economic recovery represent a risk factor. However, there are no significant changes to the statement of risks given in the last group financial statements.

### **Outlook**

The International Monetary Fund (IMF) is forecasting an economic upswing of 4.4% for 2011. With superior product technology, the sizable untapped market potential, maximum customer retention, highly efficient sales and marketing network plus an outstanding financial base, the prospects look set for RATIONAL to continue the successful development of its business.

Against this backdrop and thanks to the business development in the first quarter, we can confirm our sales growth forecast for 2011 of around 10% combined with continuing good performance as regards earnings.

Landsberg am Lech, May 3, 2011

### **RATIONAL AG**

- The Executive Board -

Louis-Philippe Audette (Management Director RATIONAL Canada) und Vinod Jotwani (Marketing-Director Americas) at the prize-giving ceremonial for the „Best Large Booth" Award 2011

# The RATIONAL "Shop-in-shop" Concept

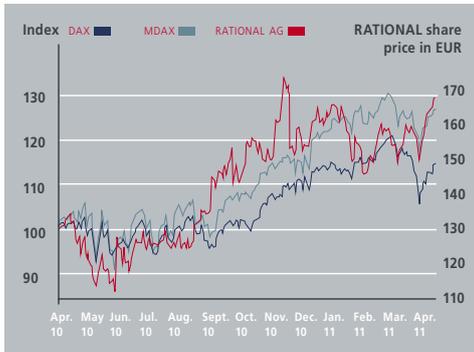


On the world's biggest trade fair for retailers' investment needs, "EuroShop", in Düsseldorf in March 2011 RATIONAL premiered a new "Shop-in-shop" concept. Visitors at the fair were introduced to an innovative solution for making efficient use of the SelfCooking Center® in their businesses. Besides supermarkets, there was a special focus on customers from bakeries, butcher's shops and filling station shops. All the customers from these segments were impressed by the presentation and by the potential uses of the SelfCooking Center®.

Visitors were able to experience for themselves how bakery products, assorted meat and chicken dishes plus food for the lunchtime trade can all be cooked in one appliance with the SelfCooking Center®. It was possible to sample the food in a bistro area, while RATIONAL's kitchen experts demonstrated individual solution strategies for special customer requests.



# RATIONAL Shares

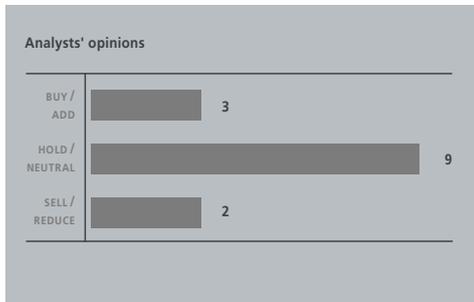


## RATIONAL shares on the up again

At the start of the year the most noteworthy features of the markets were global economic growth and continuing optimistic economic forecasts. Accordingly, plus signs were the order of the day and Germany's share index reached a three-year high. Contrary to market trends RATIONAL's share price was heading downwards at the start of the year. From a year-end close of 165.40 euros, the price dropped to an interim low of 146.80 euros. Following the publication of the positive business figures for 2010 on March 22, 2011, the price climbed back over the 160 euro mark and on March 31, 2011 closed at 168.00 euros. This represents a price rise of 29% within twelve months.

## 5.00 euro dividend and 4.00 euro special dividend

The Executive Board and Supervisory Board will submit a proposal to the General Meeting of Shareholders on May 11, 2011 to distribute a dividend of 5.00 euros per share, plus a special dividend of 4.00 euros per share. This equates to a dividend yield of 7% in relation to the closing price of March 31, 2010.



## Analysts' ratings

All equity analysts have been impressed by the very good quality of RATIONAL's business and its extraordinary earning power. Due to the increasing share price, which is, therefore, assessed as fair, a majority of analysts are classifying the shares as Hold/Neutral. Another banking firm, namely Berenberg, has now begun coverage with a Hold-rating. RATIONAL shares are, thus, currently being analysed and rated by 14 banking firms on a regular basis.

# Financial Statements

## STATEMENT OF COMPREHENSIVE INCOME

kEUR	1st Quarter 2011	1st Quarter 2010
Sales	88,003	72,621
Cost of sales	-34,299	-29,794
<b>Gross profit</b>	<b>53,704</b>	<b>42,827</b>
Sales and service expenses	-24,780	-19,951
Research and development expenses	-3,400	-3,160
General administration expenses	-4,348	-3,901
Other operating income	923	2,158
Other operating expenses	-1,836	-1,131
<b>Earnings before interest and taxes (EBIT)</b>	<b>20,263</b>	<b>16,842</b>
Financial results	115	-199
<b>Earnings from ordinary activities (EBT)</b>	<b>20,378</b>	<b>16,643</b>
Taxes on income	-5,085	-4,202
<b>Group earnings</b>	<b>15,293</b>	<b>12,441</b>
Differences from currency translation	-248	229
<b>Total comprehensive income</b>	<b>15,045</b>	<b>12,670</b>
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	1.35	1.09

**BALANCE SHEET****ASSETS**

kEUR	Mar. 31, 2011	Mar. 31, 2010	Dec. 31, 2010
<b>Long-term assets</b>	<b>58,421</b>	<b>60,168</b>	<b>59,415</b>
Intangible assets	1,085	1,134	1,155
Property, plant and equipment	53,372	55,615	54,155
Financial assets	50	50	50
Other long-term assets	230	233	245
Deferred tax assets	3,684	3,136	3,810
<b>Short-term assets</b>	<b>251,787</b>	<b>208,062</b>	<b>246,299</b>
Inventories	21,019	18,344	19,347
Trade receivables	58,454	48,782	58,726
Other short-term assets	5,055	5,247	5,089
Deposits with maturities of more than 3 months	97,800	77,000	115,900
Cash and cash equivalents	69,459	58,689	47,237
<b>Balance sheet total</b>	<b>310,208</b>	<b>268,230</b>	<b>305,714</b>

**EQUITY AND LIABILITIES**

kEUR	Mar. 31, 2011	Mar. 31, 2010	Dec. 31, 2010
<b>Equity</b>	<b>245,311</b>	<b>202,420</b>	<b>230,266</b>
Subscribed capital	11,370	11,370	11,370
Capital reserves	28,058	28,058	28,058
Retained earnings	207,687	164,837	192,394
Other components of equity	-1,804	-1,845	-1,556
<b>Long-term liabilities</b>	<b>22,353</b>	<b>24,088</b>	<b>22,755</b>
Provisions for pensions	689	678	697
Other long-term provisions	3,147	2,461	3,076
Non-current loans	18,517	20,694	18,982
Other long-term liabilities	-	255	-
<b>Short-term liabilities</b>	<b>42,544</b>	<b>41,722</b>	<b>52,693</b>
Liabilities for current tax	5,711	3,654	7,172
Short-term provisions	14,428	13,972	17,261
Current portion of non-current loans	2,176	2,322	2,315
Liabilities to banks	-	4,000	-
Trade accounts payable	8,316	7,533	9,240
Other short-term liabilities	11,913	10,241	16,705
<b>Liabilities</b>	<b>64,897</b>	<b>65,810</b>	<b>75,448</b>
<b>Balance sheet total</b>	<b>310,208</b>	<b>268,230</b>	<b>305,714</b>

**CASH FLOW STATEMENT**

kEUR	1st Quarter 2011	1st Quarter 2010
Earnings from ordinary activities	20,378	16,643
<b>Cash flow from operating activities</b>	<b>6,057</b>	<b>9,781</b>
Changes of fixed deposits with maturities of more than 3 months	18,100	19,000
Cash flow from other investing activities	-698	-743
<b>Cash flow from investing activities</b>	<b>17,402</b>	<b>18,257</b>
<b>Cash flow from financing activities</b>	<b>-1,070</b>	<b>-5,189</b>
<b>Net changes in cash and cash equivalents</b>	<b>22,389</b>	<b>22,849</b>
Changes in cash from exchange rate changes	-167	211
<b>Change in cash funds</b>	<b>22,222</b>	<b>23,060</b>
<b>Cash and cash equivalents on Jan. 1</b>	<b>47,237</b>	<b>35,629</b>
<b>Cash and cash equivalents on Mar. 31</b>	<b>69,459</b>	<b>58,689</b>
Deposits with maturities of more than 3 months on Mar. 31	97,800	77,000
<b>Cash funds including fixed deposits on Mar. 31</b>	<b>167,259</b>	<b>135,689</b>

**STATEMENT OF CHANGES IN EQUITY**

kEUR	Subscribed capital	Capital reserves	Retained earnings	Differences from currency translation	Total
<b>Balance on Jan. 1, 2010</b>	<b>11,370</b>	<b>28,058</b>	<b>152,396</b>	<b>-2,074</b>	<b>189,750</b>
Dividend	-	-	-	-	-
Total comprehensive income	-	-	12,441	229	12,670
<b>Balance on Mar. 31, 2010</b>	<b>11,370</b>	<b>28,058</b>	<b>164,837</b>	<b>-1,845</b>	<b>202,420</b>
<b>Balance on Jan. 1, 2011</b>	<b>11,370</b>	<b>28,058</b>	<b>192,394</b>	<b>-1,556</b>	<b>230,266</b>
Dividend	-	-	-	-	-
Total comprehensive income	-	-	15,293	-248	15,045
<b>Balance on Mar. 31, 2011</b>	<b>11,370</b>	<b>28,058</b>	<b>207,687</b>	<b>-1,804</b>	<b>245,311</b>



**Fundamental accounting principles**

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

**Consolidated companies**

On March 31, 2011, RATIONAL AG's consolidated group includes, besides the parent company RATIONAL AG, five domestic and nineteen foreign subsidiaries. There were no changes to the composition of the consolidated group compared to March 31, 2010 and to the balance sheet date of December 31, 2010.

**Operating segments**

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

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

**Associated companies and persons**

In the first quarter of 2011 no significant transactions occurred with companies or individuals in any way associated with RATIONAL AG.

**DVFA result**

The DVFA result on March 31, 2011 corresponds to the profit per share as per IAS or IFRS in the profit and loss account.



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