

# 9-Month Report 2007



Key figures	Thousands of euros	3 <sup>rd</sup> Quarter	3 <sup>rd</sup> Quarter	Change	9 Months	9 Months	Change
		2007	2006		2007	2006	
Sales		81,705	68,516	+19%	235,626	198,761	+19%
Sales abroad as a percentage of sales		85%	84%	+1%-Pt.	85%	84%	+1%-Pt.
Cost of sales		33,679	26,570	+27%	96,445	77,683	+24%
as a percentage of sales		41.2%	38.8%		40.9%	39.1%	
Gross profit		48,026	41,946	+14%	139,181	121,078	+15%
as a percentage of sales		58.8%	61.2%		59.1%	60.9%	
Sales and service expenses		18,689	16,977	+10%	57,505	51,257	+12%
as a percentage of sales		22.9%	24.8%		24.4%	25.8%	
Research and development expenses		3,024	2,387	+27%	8,660	7,215	+20%
as a percentage of sales		3.7%	3.5%		3.7%	3.6%	
General administration expenses		4,021	2,909	+38%	11,740	9,053	+30%
as a percentage of sales		4.9%	4.2%		5.0%	4.6%	
EBIT – earnings before interest and taxes		21,865	19,646	+11%	60,515	53,215	+14%
as a percentage of sales		26.8%	28.7%		25.7%	26.8%	
EBT – earnings before taxes		21,941	19,704	+11%	60,949	53,455	+14%
as a percentage of sales		26.9%	28.8%		25.9%	26.9%	
Group earnings		14,428	12,583	+15%	39,379	34,243	+15%
as a percentage of sales		17.7%	18.4%		16.7%	17.2%	
per share in euros		1.27	1.11		3.46	3.01	
Employees (as an annual average)		978	873	+12%	957	853	+12%
Sales per employee		83.5	78.5	+6%	246.2	233.0	+6%
Cash flow from operating activities					39,428	37,820	+4%
per share in euros					3.47	3.33	
Balance sheet total					145,956	127,082	+15%
Equity as a percentage					102,895	88,282	+17%
of balance sheet total					70.5%	69.5%	
Working capital (without liquid funds)					64,072	52,953	+21%
as a percentage of sales					27.2%	26.6%	

Dear Shareholders,  
Dear Business Partners,

Many thanks for your interest in RATIONAL AG.

This report sets out information on RATIONAL AG's business situation in the first nine months of 2007, along with the prospects for the further development of the company during fiscal year 2007.

## **| Economic report**

### **World economic climate stable in spite of financial crisis**

In 2007, the global economy has been continuing to grow positively. The industrialized countries – led by Europe, the USA, Japan and Germany – are growing strongly. The same is true of the emerging nations – and, in particular, of China, India, Russia, and Brazil, which are increasingly gaining in global economic importance. In spite of the current financial crisis, the world economic climate also continues to be assessed as positive by experts. In historical terms, interest rates on the money market are still low. Up to now, therefore, uncertainties on the financial markets have had no serious negative effects.

## **| Business development**

### **At 19 percent, growth in sales is well above expectations**

In the third quarter of 2007, RATIONAL was able to increase its rate of growth still further, with an increase in sales revenue compared with the previous year of more than 19 percent to 81.7 million euros.

This likewise gives a growth in sales of 19 percent, or 36.9 million euros, to 235.6 million euros for the first nine months of 2007. This trend, which is well above expectations, was achieved in spite of the negative effects of exchange rates. If an adjustment is made for exchange rates, the increase compared with the previous year is actually 20 percent.

### **EBIT growth of 14 percent in the planning corridor in spite of special charges**

Special influences, such as the greatly increased price of raw materials – in particular the alloy surcharge for high-grade steel – and the strong euro, had a depressive effect on the trend in results in the first nine months of 2007. Nevertheless, growth in EBIT (earnings before interest and taxes) of 7.3 million euros – or 14 percent – to 60.5 million euros was achieved in the nine-month period. We are therefore right in the planning corridor for 2007. As a result of the decreasing alloy surcharge we expect a trend reversal in cost of sales for the fourth quarter 2007.

### **Structural earning power further improved**

If the short-term effect caused by the „speculative bubble“ for nickel is eliminated, together with the resulting much higher alloy surcharge compared with the previous year, EBIT growth in the first nine months of 2007 would be about 27 percent. This shows that the structural earning power of RATIONAL AG has improved further in 2007 as well.

### **The equity ratio exceeds 70 percent**

As at September 30, 2007, the equity of RATIONAL AG has grown by 14.6 million euros compared with the previous year, and, at 102.9 million euros, it has reached the outstanding ratio of 70.5 percent (in the previous year, it was 69.5 percent).

### **Positive trend in cash flow**

Once again, the cash flow from commercial activities has increased compared with the previous year. After the first nine months of 2007, it stands at 39.4 million euros (in the previous year, it was 37.8 million euros), and is therefore within the range we expected.

The cash flow from investment activities is marked by the planned investments for expanding capacity at the Landsberg site.

### **Dispute about patents brought to an end**

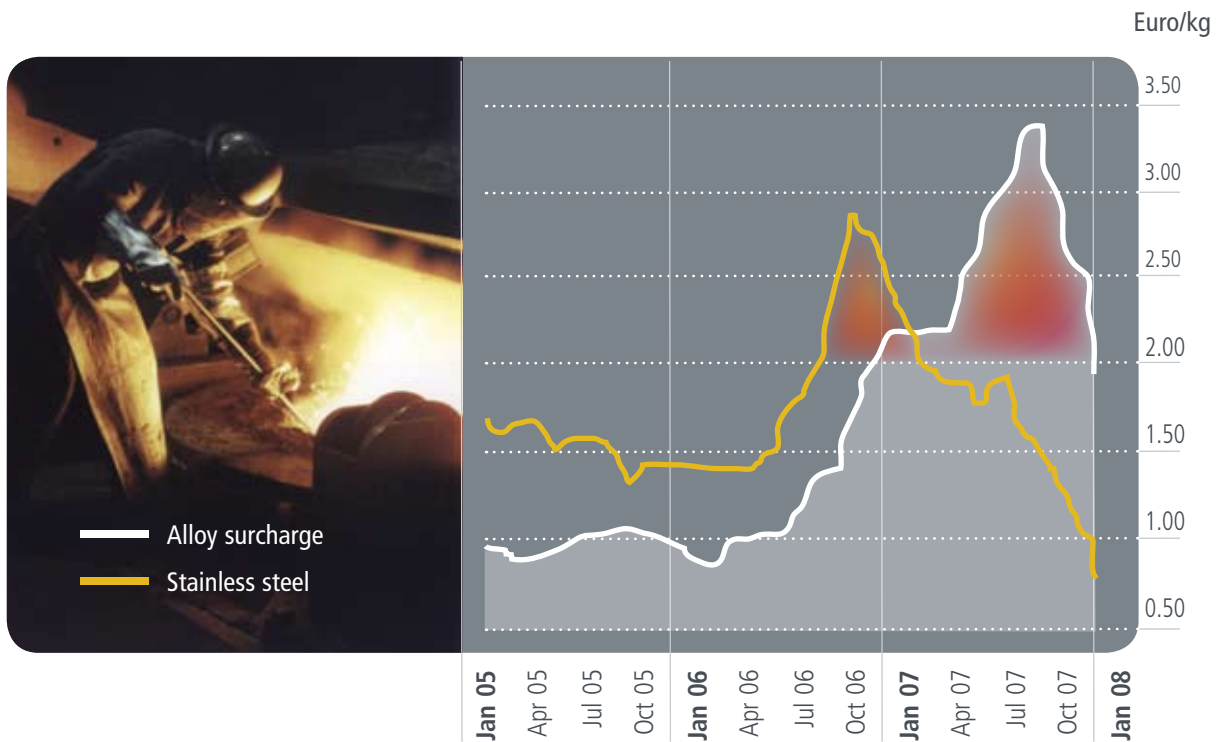
After about a year, the dispute about patents in the USA has been settled. In the third quarter of 2007, the parties involved – namely Technology Licensing Corporation, Food Automation-Service Techniques, Inc., RATIONAL AG, and RATIONAL Cooking Systems, Inc. – have withdrawn with prejudice all proceedings against each other.

### **Partnership of Success – Strategic alliance with dealers**

From the outset, RATIONAL opted for the multi-stage sales channel – that is to say, via traditional specialized dealers. A precondition for sustained business success is the setting up of a comprehensive network of active trading partners. On this basis, within the context of the “Partnership of Success”, we each year draw up tailor-made marketing strategies for ensuring successful business development. All the activities that are needed for this are jointly planned and scheduled in detailed partnership agreements. From the outset, therefore, the best-possible steps are taken to ensure that annual targets are met on a broad basis.

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# Cool down of overheated raw material markets



# Together on the road to success

**Partnership of winners**

**An idea for our joint business success**

**Success: customer knowledge**  
**RATIONAL Smart Selling System**

**RATIONAL**



### **Ground-breaking ceremony for the third plant in Landsberg**

Because of its continuous growth, RATIONAL will soon be at the capacity limit of its existing plants. Because of this, the third plant – and the largest one to date – is now being built in Landsberg. The ambitious building phase was launched with the ground-breaking ceremony on July 24, 2007. It is planned to take the new plant into operation in the middle of 2008.

With an investment value of more than 20 million euros, the building project is the largest single investment in the history of the company. The new plant is currently being built on a site measuring 46,000 square metres, just 800 metres in linear distance from the present plant. Assembly capacity will be extended by fifty percent to about 60,000 units a year, thus laying the foundation for future double-digit growth.

### **Commitment to Germany**

Although 85 percent of sales revenue is already earned abroad, Germany has again been selected as the site for the new plant. The decisive factors in this choice were the high standard of training and knowledge of employees, and, in particular, their flexibility, commitment, and identification with corporate objectives.

RATIONAL employees think and act in an integrated way, in the interests of achieving the greatest-possible benefits for customers. Thus, for instance, an employee in the new plant will once again build a complete unit on his or her own, and, by having his or her name on the type label, will give a personal guarantee of its quality. The result is an extremely high level of customer satisfaction together with an extremely low rate of complaints.

### **Investors show great interest in RATIONAL**

In the last quarter, the Executive Board presented the company at several road shows, investor conferences, and visits by interested parties to the headquarters of the company in Landsberg. In every case, it answered all questions from shareholders, analysts, and interested parties personally and in detail.

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# Construction of the new plant on schedule



## I Risk report

### Opportunities and risks

The opportunities for the further successful development of RATIONAL AG lie in its superior technology compared with that of competitors, its transparent and highly efficient worldwide sales and marketing network with its own sales companies, together with the fact that only a very small percentage of the possible market of 2.5 million professional kitchens with a requirement for RATIONAL technology has been tapped. Its existing technological lead is being developed still further through targeted investment in research and development. The opening up of new markets and the ever greater penetration of established markets, accompanied at the same time by increasing sales efficiency, give grounds for expecting excellent rates of growth in the future as well.

RATIONAL AG has a global system of risk management that ensures that opportunities and risks are identified and analysed early on, and that the best-possible support is given to the appropriate action to deal with them.

Possible risks result from an increase in the price of raw materials, the increasing strength of the euro compared with the USD, GBP, and JPY, and the general geo-political change processes in individual sales markets. The fact that about seventy percent of the group's sales revenue is earned in euros – and is therefore not affected by the rate of exchange – reduces the risk, as does the knowledge that, because of the strong fall in nickel prices, the cost of the alloy surcharge will again be considerably less in the second half of 2007 as well.

## I Outlook

### High level of growth in sales and operating results in 2007

In 2007, concerted investment is being made in the development of the international sales and marketing network. With the SelfCooking Center® and the VarioCooking Center®, the RATIONAL group has a unique, innovative technology platform entailing maximum customer acceptance. Against this background, and in view of the positive trend experienced in the past nine months, we expect a growth in sales of more than 15 percent, accompanied by a simultaneous increase in EBIT of 15 percent to 93 million euros, during fiscal year 2007.

Landsberg am Lech, October 29, 2007

RATIONAL AG  
The Executive Board

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# RATIONAL is a company with unusually strong earning power

In the "Handelsblatt Firmencheck" of September 4, 2007, RATIONAL was once again named as a company with unusually strong earning power. It came an excellent sixth, scoring 900 out of a possible 1,000 points. A total of 124 companies quoted on the stock exchange were analysed, with the average number of points scored being 497. The reference figures for Return on Investment (ROI), Cash Flow to Total Capital, Cash Flow to Sales, and the Equity Ratio were assessed. With a return on investment of 55.6 percent, RATIONAL came first, well ahead of the others, in this particularly significant category.

## Unusually strong earning power

Rank	Name	Total scores*
1	Q-Cells AG	975
2	SAP AG	950
3	Pro7Sat1 Media AG	925
	Pfeiffer Vacuum Technology AG	925
	SolarWorld AG	925
6	<b>RATIONAL AG</b>	<b>900</b>
	C.A.T. Oil AG	900
	Software AG	900
9	Salzgitter AG	875
10	Merck KGaA	850
	Puma AG	850
	ErlingKlinger AG	850
	Fielmann AG	850
14	Beiersdorf AG	825

\* of maximum 1,000 scores

## Income Statement RATIONAL Group

Thousands of euros	3 <sup>rd</sup> Quarter 2007	3 <sup>rd</sup> Quarter 2006	9 Months 2007	9 Months 2006
Sales	81,705	68,516	235,626	198,761
Cost of sales	-33,679	-26,570	-96,445	-77,683
<b>Gross profit</b>	<b>48,026</b>	<b>41,946</b>	<b>139,181</b>	<b>121,078</b>
Sales and service expenses	-18,689	-16,977	-57,505	-51,257
Research and development expenses	-3,024	-2,387	-8,660	-7,215
General administration expenses	-4,021	-2,909	-11,740	-9,053
Other operating income	1,517	1,361	3,113	3,159
Other operating expenses	-1,944	-1,388	-3,874	-3,496
<b>Earnings before interest and taxes (EBIT)</b>	<b>21,865</b>	<b>19,646</b>	<b>60,515</b>	<b>53,215</b>
Financial results	76	58	434	240
<b>Earnings before taxes (EBT)</b>	<b>21,941</b>	<b>19,704</b>	<b>60,949</b>	<b>53,455</b>
Taxes on income	-7,513	-7,121	-21,570	-19,212
<b>Group earnings</b>	<b>14,428</b>	<b>12,583</b>	<b>39,379</b>	<b>34,243</b>
<b>Retained earnings brought forward</b>	<b>49,227</b>	<b>36,798</b>	<b>24,276</b>	<b>15,138</b>
<b>Retained earnings</b>	<b>63,655</b>	<b>49,381</b>	<b>63,655</b>	<b>49,381</b>

	3 <sup>rd</sup> Quarter 2007	3 <sup>rd</sup> Quarter 2006	9 Months 2007	9 Months 2006
Average number of shares (undiluted)	11,370,000	11,370,000	11,370,000	11,370,000
Earnings per share (undiluted) in euros relating to the consolidated results and the number of shares	1.27	1.11	3.46	3.01
Average number of shares (diluted)	11,370,000	11,370,000	11,370,000	11,373,833
Earnings per share (diluted) in euros relating to the consolidated results and the number of shares	1.27	1.11	3.46	3.01

	Thousands of euros	30.09.2007	30.09.2006	31.12.2006
<b>Balance Sheet</b>				
<b>RATIONAL Group</b>				
<b>Assets</b>				
<b>Long-term assets</b>		<b>37,340</b>	32,447	32,525
Intangible assets		1,607	1,553	1,441
Property, plant and equipment		32,097	26,664	27,576
Financial assets		218	218	218
Other long-term assets		257	87	191
Deferred tax assets		3,161	3,925	3,099
<b>Short-term assets</b>		<b>108,616</b>	94,634	114,034
Inventories		18,916	14,308	15,496
Trade receivables		55,354	46,840	53,140
Other short-term assets		2,154	2,131	4,815
Short-term securities		5,008	8,006	-
Cash and cash equivalents		27,184	23,350	40,583
<b>Balance sheet total</b>		<b>145,956</b>	127,082	146,559

	Thousands of euros	30.09.2007	30.09.2006	31.12.2006
<b>Balance Sheet</b>				
<b>RATIONAL Group</b>				
<b>Equity and liabilities</b>				
<b>Equity</b>		<b>102,895</b>	88,282	105,816
Subscribed capital		11,370	11,370	11,370
Capital reserves		27,356	27,017	27,018
Revenue reserves		514	514	514
Retained earnings		63,655	49,381	66,914
<b>Long-term liabilities</b>		<b>3,920</b>	3,851	3,633
Provision for pensions		682	682	672
Long-term loan		1,000	-	-
Other long-term liabilities		2,238	3,169	2,961
<b>Short-term liabilities</b>		<b>39,141</b>	34,949	37,110
Liabilities for current tax		1,486	1,668	3,432
Short-term provisions		22,053	22,004	17,675
Liabilities to banks		2,445	-	-
Trade accounts payable		9,759	6,643	6,787
Other short-term liabilities		3,398	4,634	9,216
<b>Liabilities</b>		<b>43,061</b>	38,800	40,743
<b>Balance sheet total</b>		<b>145,956</b>	127,082	146,559

## Statement of Changes in Equity RATIONAL Group

Thousands of euros	Subscribed capital	Capital reserve	thereof non-realised	Revenue reserves	Retained earnings	Total
<b>Balance at Jan. 1, 2006</b>	<b>11,370</b>	<b>28,792</b>	<b>-2,018</b>	<b>514</b>	<b>49,248</b>	<b>89,924</b>
Differences from currency conversion	-	26	26	-	-	26
Other changes	-	-1,801	-1,801	-	-	-1,801
<b>Net income recognised directly in equity</b>	<b>-</b>	<b>-1,775</b>	<b>-1,775</b>	<b>-</b>	<b>-</b>	<b>-1,775</b>
Group earnings	-	-	-	-	34,243	34,243
Total recognised income and expense for the period	-	-1,775	-1,775	-	34,243	32,468
Dividends	-	-	-	-	-34,110	-34,110
<b>Balance at Sep. 30, 2006</b>	<b>11,370</b>	<b>27,017</b>	<b>-3,793</b>	<b>514</b>	<b>49,381</b>	<b>88,282</b>
<b>Balance at Jan. 1, 2007</b>	<b>11,370</b>	<b>27,018</b>	<b>-3,792</b>	<b>514</b>	<b>66,914</b>	<b>105,816</b>
Differences from currency conversion	-	338	338	-	-	338
Other changes	-	-	-	-	-	-
<b>Net income recognised directly in equity</b>	<b>-</b>	<b>338</b>	<b>338</b>	<b>-</b>	<b>-</b>	<b>338</b>
Group earnings	-	-	-	-	39,379	39,379
Total recognised income and expense for the period	-	338	338	-	39,379	39,717
Dividends	-	-	-	-	-42,638	-42,638
<b>Balance at Sep. 30, 2007</b>	<b>11,370</b>	<b>27,356</b>	<b>-3,454</b>	<b>514</b>	<b>63,655</b>	<b>102,895</b>

## Cash Flow Statement RATIONAL Group

Thousands of euros	9 Months 2007	9 Months 2006
Earnings from ordinary activities	60,949	53,455
Cash flow from operating activities	39,428	37,820
Cash flow from investing activities	-7,679	-3,274
Cash flow from financing activities	-44,090	-34,908
Exchange rate changes	-50	-45
Change in cash funds	-12,391	-407
Cash on January 1	40,583	31,763
Cash on September 30	28,192	31,356
Cash in hand, cash in bank accounts, securities on September 30	32,192	31,356
Long-term funds not included in cash position (>3 months)	4,000	0



Sales	Thousands of euros	9 Months 2007		9 Months 2006	
		Value	%	Value	%
Germany		35,338	15%	31,335	16%
Europe (excluding Germany)		132,946	56%	108,847	55%
Americas		32,061	14%	27,570	14%
Asia		22,866	10%	21,102	10%
Rest of the world *)		12,415	5%	9,907	5%
<b>Total</b>		<b>235,626</b>	<b>100%</b>	<b>198,761</b>	<b>100%</b>

\*) Australia, New Zealand, Near/Middle East, Africa  
The sales per region are shown according to customer location.

Segment reporting 9-Month 2007	Activities of the subsidiaries in:				Activities of the parent company	Total for segments	Reconcl.	Group
	Germany	Europe excl. Germany	Americas	Asia				
Thousands of euros								
<b>External sales</b>	34,977	151,175	26,792	6,627	16,055	<b>235,626</b>	-	<b>235,626</b>
vs. previous year	+13%	+24%	+29%	-9%	-8%	+19%	-	+19%
share	15%	64%	11%	3%	7%	100%	-	100%
<b>Inter-company sales</b>	-	1,953	-	-	157,748	<b>159,701</b>	-	<b>159,701</b>
<b>Segment sales</b>	34,977	153,128	26,792	6,627	173,803	<b>395,327</b>	-	<b>395,327</b>
vs. previous year	+13%	+23%	+29%	-9%	+18%	+19%	-	+19%
<b>Segment result</b>	956	13,632	821	-246	45,793	<b>60,956</b>	-441	<b>60,515</b>
vs. previous year	+587	+7,192	-1,224	-211	+2,071	+8,415	-1,115	+7,300

Segment reporting 9-Month 2006	Activities of the subsidiaries in:				Activities of the parent company	Total for segments	Reconcl.	Group
	Germany	Europe excl. Germany	Americas	Asia				
Thousands of euros								
<b>External sales</b>	30,900	122,365	20,788	7,313	17,395	<b>198,761</b>	-	<b>198,761</b>
share	15%	62%	10%	4%	9%	100%	-	100%
<b>Inter-company sales</b>	0	1,758	0	0	130,376	<b>132,134</b>	-	<b>132,134</b>
<b>Segment sales</b>	30,900	124,123	20,788	7,313	147,771	<b>330,895</b>	-	<b>330,895</b>
<b>Segment result</b>	369	6,440	2,045	-35	43,722	<b>52,541</b>	674	<b>53,215</b>

**I Segment reporting**

RATIONAL's activities are focused on one business segment: the development, production and sale of devices used in the thermal preparation of food in industrial kitchens. The company does currently not engage in further significant independent product lines which are also reported as segments internally. For this reason, the primary and only segment reporting format is geographical. RATIONAL therefore summarises its subsidiaries on the basis of their various geographical regions, in accordance with the stipulations of IAS 14.13 governing the apportionment of assets by location.

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

**I Accounting principles**

The consolidated nine-month financial report is based on the accounting principles of the International Financial Reporting Standards (IFRS). Valuation and balance sheet methods were therefore applied as in the last financial statements. The regulations of IAS 34 for interim financial reporting have been applied.

**I Consolidated companies**

On September 30, 2007 the consolidated RATIONAL AG group contains, in addition to the parent company RATIONAL AG, five subsidiaries in Germany and sixteen outside Germany. On June 30, 2007 the sales company RATIONAL Trading (Shanghai) Co., Ltd., based in Shanghai, China, a 100percent holding of RATIONAL International AG, with a nominal capital of 220,000 euros, founded April 19, 2007 and the RATIONAL Komponenten GmbH, based in Landsberg, Germany, a 100percent holding of RATIONAL AG, with a nominal capital of 25,000 euros, founded May 31, 2007 were included in the consolidated group for the first time. Both companies started their business operations in the third quarter of 2007. There were no other changes to the composition of the consolidated group compared to September 30, 2006 and to the balance sheet date of December 31, 2006.

**I Associated companies and persons**

In the first nine month of 2007 no significant transactions occurred with companies or individuals which are in any way associated with RATIONAL AG.

**I DVFA result**

DVFA results as per September 30, 2007 match to the earnings per share according to IAS/IFRS as shown in the profit and loss statement.



Time for the essentials



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