

Report on the first 9 months of 2010



Key Figures

in m EUR	3rd Quarter 2010	3rd Quarter 2009	Change absolute	Change in %	9 Months 2010	9 Months 2009	Change absolute	Change in %
Sales and earnings								
Sales	86.4	78.7	+7.7	+10	244.0	226.4	+17.6	+8
Sales abroad in %	84	82	+2	-	84	84	+/-0	-
Cost of sales	31.8	29.7	+2.1	+7	93.9	89.1	+4.8	+5
Sales and service expenses	20.4	17.4	+3.0	+17	60.9	57.6	+3.3	+6
Research and development expenses	3.2	2.5	+0.7	+27	9.7	8.4	+1.3	+15
General administration expenses	3.9	3.7	+0.2	+7	11.6	11.3	+0.3	+2
Earnings before interest and taxes (EBIT)	25.9	25.4	+0.5	+2	69.2	60.7	+8.5	+14
Group earnings	19.5	18.7	+0.8	+4	51.6	44.6	+7.0	+16
Balance sheet								
Balance sheet total					274.5	246.6	+27.9	+11
Working capital ¹					58.7	59.8	-1.1	-2
Equity					201.9	167.1	+34.8	+21
Equity ratio in %					73.5	67.8	+5.7	-
Cash flow								
Cash flow from operating activities					61.5	60.2	+1.3	+2
Investments					2.8	1.5	+1.3	+87
Free cash flow ²					58.7	58.7	+/-0	+/-0
Key figures RATIONAL share								
Earnings per share (in EUR)					4.54	3.92	+0.62	+16
Share price (in EUR) ³					155.40	95.69	+59.71	+62
Market capitalization					1,766.9	1,088.0	+678.9	+62
Employees								
Number of employees as of Sep. 30					1,072	998	+74	+7
Number of employees (average)	1,067	1,011	+56	+6	1,045	1,042	+3	+0
Sales per employee (in kEUR)	81.0	77.9	+3.1	+4	233.4	217.3	+16.1	+7

¹ Without liquid funds

² Cash flow from operating activities less investments

³ 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 can look back on a successful third quarter. Sales rose by 10% compared to the same period in the previous year, equating to an 8% increase in sales for the first 9 months of the year. Thanks to the smaller rise in costs of 6% and positive effects in exchange rates, the 14% growth in earnings before interest and taxes in the first nine months was significantly higher in proportional terms. Therewith, we have achieved an EBIT margin of 28%.

In order to exploit our global opportunities in the future on a targeted basis, we are primarily investing in the expansion of our organisation and in the full year 2010, will be creating approximately 80 new highly skilled jobs.

Thanks to the pleasing business performance in the first nine months and the positive outlook for the global economy, we are confident that we will be able to continue strengthening our growth path.

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Management Report

Economic Report

Global economy on path of recovery

The global economy remains on a path of recovery, although at a slightly slower pace. The Ifo World Economic Climate Index did not rise further over the previous quarter, but it remains at a high level. Those surveyed view the current economic situation as more positive than in the previous quarters. The International Monetary Fund continues to forecast high levels of global growth for 2010, as well as 2011, at 4.8% and 4.2% respectively.

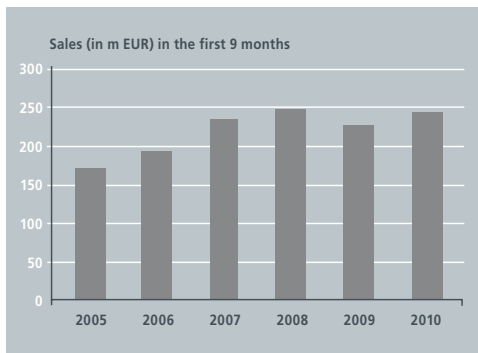
Net Assets, Financial Position and Results of Operations

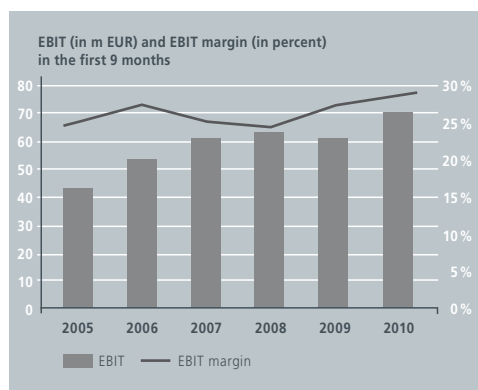
Sales up by 10% in the third quarter

RATIONAL successfully grew sales in the third quarter by 10% over the previous year, from 78.7 million euros to 86.4 million euros. It is pleasing to note that virtually every region contributed towards this increase. Sales in the first nine months rose by 8% to 244.0 million euros (previous year 226.4 million euros). Approximately 3% points of this growth for the first nine months are attributable to varying exchange rates as against the previous year.

Growth on a broad basis

The performance of the Americas is particularly gratifying. With an increase of 26% in the third quarter it surpassed the high level achieved in the first half-year. Though, Europe also made a significant contribution towards the positive development by posting an 11% rise in sales. The strongest individual market, Germany, was up slightly in the third quarter compared to the previous year, reporting an accumulated 4% increase. Asia delivered a small rise of 3% in the third quarter, reporting after nine months still approximately 11% below the previous year's figure. Excluding the special effect of large orders in the first quarter 2009, the basic business in Asia reported growth of 6% after nine months.





30% EBIT margin in the third quarter

The good sales performance, combined with costs proportionally rising at a lower rate, plus the positive effects of exchange rates, produced a sharp increase in the result compared to the previous year. Earnings before interest and taxes (EBIT) improved in the first nine months by 8.5 million euros or 14% to 69.2 million euros. In the third quarter, the company posted a 30% EBIT margin; after nine months the figure stands at 28% and is, therefore, above the high level of 27% in the previous year. At 51.6 million euros, earnings after taxes are up by 7.0 million euros or 16%.

74% equity ratio – liquid funds of 140 million euros

In the first nine months, RATIONAL generated an operating cash flow of 61.5 million euros. This is approximately 10 million euros above the surplus for the period. The cash flow from financing includes the dividend distribution in the sum of 39.8 million euros, as well as the redemption of loans in the sum of 9.7 million euros. After nine months, RATIONAL has liquid funds of more than 140 million euros at its disposal.

RATIONAL has an extremely sound financing structure. The equity ratio further increased from 68% in the previous year to 74% as at September 30, 2010.

RATIONAL takes a top ranking in the “Handelsblatt”-Return Check

This year - as in the previous year - RATIONAL took second place amongst 136 listed companies from the DAX, MDAX, TecDax and SDAX. With 925 out of a possible 1,000 points, RATIONAL exceeded its previous year's figure of 875 points and was awarded the rating “Extremely profitable”. The average number of points achieved by all companies was 434. The categories assessed were equity ratio, return on investment (ROI), cashflow to total capital and cashflow to sales.

Employees

RATIONAL invests in the future

As a result of the positive overall economic development and significant potential for worldwide growth in virtually all the world's markets, the company pressed ahead with the targeted expansion of its sales capacities. As at the report date of September 30, 2010, the company employed 1,072 people, an increase of 79 compared to the start of the year.

Skills-training is an important element in the long-term personnel development at RATIONAL. At the beginning of September ten new apprentices and trainees began their training. In addition to industrial managers, mechatronic engineers and industrial mechanics, RATIONAL also provides training for IT specialists, media designers, and chefs.

Non-financial performance indicators

RATIONAL is the model for environmental management

RATIONAL attaches great importance to sustainable and long-term oriented economic activity, as well as to environmental protection. In July 2010, the RATIONAL Environmental Management System was awarded its certification by the "TÜV Süd".



In addition to the general policy on the environment, attention was also paid to the handling of hazardous materials and overall relationship between resource input and output. In this context, the low emissions, minimal use of resources, process of continual improvement, checks on the handling of the transportation of hazardous goods, and the measures relating to cleanliness and safety were all rated as particularly positive.

RATIONAL is one of the best Lean & Green-companies in Europe

Lean & Green is a joint venture between industry and consultancy firms, the aim of which is to assess and advise the manufacturing industry on an overall systematic and consistent reduction in energy consumption. Within the framework of a so-called "Green Assessment", RATIONAL took the Lean & Green award of the best Lean & Green-company in Europe in the less than 1 million euros energy consumption category. In particular, the company's professionalism in environmental management and consistent implementation of energy efficiency in all company processes were categorised as exemplary.



Risk Report

RATIONAL employs a risk management system worldwide which ensures that risks are detected and analysed at an early stage and that maximum support is provided for taking appropriate corrective measures. The existing uncertainties regarding the sustainability of the economic recovery by the global economy continue to represent a risk. There are no significant changes to the statement of risks in the last group financial statements.

Outlook

The positive prospects for economic activity worldwide, the superior product technology, significant market potential, as well as, optimum customer loyalty and satisfaction, combined with a highly efficient sales and marketing network and the backing of an excellent financial base provide the best conditions for enabling RATIONAL to continue its successful development in the future.

On the basis of the progress of business during the first nine months, we also anticipate being able to maintain the growth path in the fourth quarter.

Landsberg am Lech. November 2, 2010

RATIONAL AG

- The Executive Board -

Better City, Better Life – RATIONAL at EXPO in China



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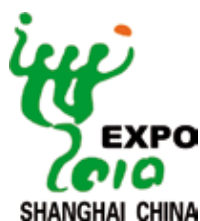


The World Expo in Shanghai also had superb culinary delights to offer

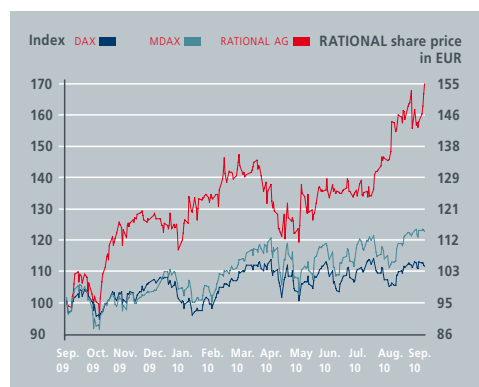
“Better City, Better Life” was the motto of Expo 2010. The spotlight was on the desire for a better life in the cities of the future. Concepts were formulated for sustainable, integrated urban development. In 1800, two percent of people lived in cities, today it’s more than 50 percent - and that figure is forecasted to continue to rise.

The doors of the World Expo in Shanghai were opened on May 1, 2010. Since then 44 SelfCooking Center® from RATIONAL have been providing sustenance for the 72 million visitors from around 200 countries. On peak days, more than 500,000 visitors attended the event. “We don’t just want to cater for our guests, but to indulge them, that’s why we’re using the SelfCooking Center®. We value its reliability and high quality meals”, says Yuan, Head Chef of the Quan Ju De Restaurant.

In the pavilions of various nations, such as e.g. the Netherlands and the Ukraine, typical specialities of the countries were being prepared in the SelfCooking Center®. Aleksander Kalesnik, Head Chef of the Ukrainian Restaurant, describes his working day: “At peak times, we are producing up to 500 meals within a confined area. We wouldn’t be able to achieve without RATIONAL. The fully automated cooking processes take care of a huge amount of the work for us, leaving us free to concentrate on important value-added tasks.”



RATIONAL Share



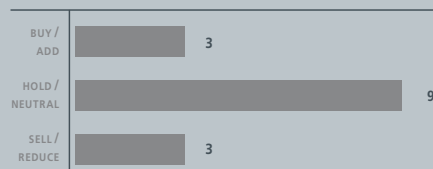
Share price outperforms the market

The RATIONAL share clearly outperformed the market as a whole in the current fiscal year. At the end of September, the share price rose to 155.40 euros against 95.69 euros in September 2009. Over the last twelve months, the RATIONAL share has therefore gained more than 62%, clearly outperforming the major indices, the DAX and MDAX. In addition to the appreciation in the value of the share, during the current year investors have also benefited from a dividend of 3.50 euros per share. The overall return within a year is 66%.

Analysts' opinions

Analysts' sales and profit forecasts remained at the same high level in the third quarter. Analysts are particularly positive about the corporate structure, the sound business model plus the significant, unexploited market potential and the company's high earnings capacity. In October, Hauck & Aufhäuser, another banking institution, added the share to its coverage.

Analysts' opinions



Status: September 30, 2010

Significant importance attached to the work of Investor Relations

In view of the significant importance attached to the work of Investor Relations at RATIONAL, this task is performed by the Executive Board itself. In the first nine months, the Executive Board gave presentations of the company at numerous investment conferences and roadshows in Europe and North America. Many investors and analysts also took the opportunity to find out more in individual meetings. The positive performance by the share is due to, but not limited to, the prompt, open and transparent communication on financial matters.

Financial Statements

STATEMENT OF COMPREHENSIVE INCOME

kEUR	3rd Quarter 2010	3rd Quarter 2009	9 Months 2010	9 Months 2009
Sales	86,406	78,747	243,953	226,433
Cost of sales	-31,806	-29,654	-93,888	-89,131
Gross profit	54,600	49,093	150,065	137,302
Sales and service expenses	-20,447	-17,423	-60,897	-57,643
Research and development expenses	-3,225	-2,543	-9,666	-8,392
General administration expenses	-3,910	-3,671	-11,617	-11,343
Other operating income	1,294	1,903	7,570	6,887
Other operating expenses	-2,452	-1,928	-6,290	-6,121
Earnings before interest and taxes (EBIT)	25,860	25,431	69,165	60,690
Financial results	-37	-198	-276	-256
Earnings from ordinary activities (EBT)	25,823	25,233	68,889	60,434
Taxes on income	-6,341	-6,488	-17,282	-15,842
Group earnings	19,482	18,745	51,607	44,592
Differences from currency conversion	-264	29	321	278
Total comprehensive income	19,218	18,774	51,928	44,870
Average number of shares (undiluted / diluted)	11,370,000	11,370,000	11,370,000	11,370,000
Earnings per share (undiluted / diluted) in euros relating to the group earnings results and the number of shares	1.71	1.65	4.54	3.92

BALANCE SHEET**ASSETS**

kEUR	Sep. 30, 2010	Sep. 30, 2009	Dec. 31, 2009
Long-term assets	59,045	61,338	60,670
Intangible assets	1,192	1,393	1,259
Property, plant and equipment	54,240	57,195	56,321
Financial assets	50	50	50
Other long-term assets	238	240	222
Deferred tax assets	3,325	2,460	2,818
Short-term assets	215,493	185,221	204,991
Inventories	18,919	18,732	17,822
Trade receivables	52,136	50,922	51,434
Other short-term assets	4,358	3,527	4,106
Deposits with maturities of more than 3 months	100,000	72,000	96,000
Cash and cash equivalents	40,080	40,040	35,629
Balance sheet total	274,538	246,559	265,661

EQUITY AND LIABILITIES

kEUR	Sep. 30, 2010	Sep. 30, 2009	Dec. 31, 2009
Equity	201,883	167,057	189,750
Subscribed capital	11,370	11,370	11,370
Capital reserves	28,058	28,058	28,058
Retained earnings	164,208	129,683	152,396
Other components of equity	-1,753	-2,054	-2,074
Long-term liabilities	20,146	23,130	22,437
Provisions for pensions	654	589	688
Non-current loans	19,492	21,868	21,284
Other long-term liabilities	-	673	465
Short-term liabilities	52,509	56,372	53,474
Liabilities for current tax	6,059	4,887	4,564
Short-term provisions	25,949	24,720	18,784
Current portion of non-current loans	2,424	2,269	2,354
Liabilities to banks	-	10,000	8,000
Trade accounts payable	7,242	5,506	6,963
Other short-term liabilities	10,835	8,990	12,809
Liabilities	72,655	79,502	75,911
Balance sheet total	274,538	246,559	265,661

CASH FLOW STATEMENT

kEUR	9 Months 2010	9 Months 2009
Earnings from ordinary activities	68,889	60,434
Cash flow from operating activities	61,455	60,174
Changes in non-current fixed deposits	-4,000	-47,000
Cash flow from other investing activities	-2,207	-676
Cash flow from investing activities	-6,207	-47,676
Cash flow from financing activities	-51,069	-4,681
Net changes in cash and cash equivalents	4,179	7,817
Changes in cash from exchange rate changes	272	113
Change in cash funds	4,451	7,930
Cash and cash equivalents on January 1	35,629	32,110
Cash and cash equivalents on Sep. 30	40,080	40,040
Deposits with maturities of more than 3 months on Sep. 30	100,000	72,000
Cash funds including deposits on Sep. 30	140,080	112,040

STATEMENT OF CHANGES IN EQUITY

kEUR	Subscribed capital	Capital reserves	Retained earnings	Differences from currency conversion	Total
Balance on Jan. 1, 2009	11,370	28,058	96,461	-2,332	133,557
Dividend	-	-	-11,370	-	-11,370
Total comprehensive income	-	-	44,592	278	44,870
Balance on Sep. 30, 2009	11,370	28,058	129,683	-2,054	167,057
Balance on Jan. 1, 2010	11,370	28,058	152,396	-2,074	189,750
Dividend	-	-	-39,795	-	-39,795
Total comprehensive income	-	-	51,607	321	51,928
Balance on Sep. 30, 2010	11,370	28,058	164,208	-1,753	201,883

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 September 30, 2010 RATIONAL AG's consolidated group includes, besides the parent company RATIONAL AG, five German and nineteen foreign subsidiaries. Compared to September 30, 2009, the London-based subsidiary FRIMA UK has been included in the consolidated group. There were no other changes to the composition of the consolidated group compared to the balance sheet date of December 31, 2009.

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 nine month of 2010 no significant transactions occurred with companies or individuals in any way associated with RATIONAL AG.

DVFA result

The DVFA result on September 30, 2010 corresponds to the profit per share as per IAS or IFRS in the profit and loss account.

RATIONAL AG

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