



Annual Report 2001

Key figures of the RATIONAL Group in thousands of euros	2001	2000	Change
Sales	167,252	152,646	+ 9.6 %
Sales abroad in %	80 %	78 %	
Cost of goods sold	71,211	65,907	+ 8.0 %
as a percentage of revenues	42.6 %	43.2 %	
Sales and marketing costs	46,182	39,998	+ 15.5 %
as a percentage of revenues	27.6 %	26.2 %	
Research and development costs	7,233	7,046	+ 2.7 %
as a percentage of revenues	4.3 %	4.6 %	
General administration costs	11,070	9,461	+ 17.0 %
as a percentage of revenues	6.6 %	6.2 %	
EBIT – operating earnings before interest and taxes	31,948	29,786	+ 7.3 %
as a percentage of revenues	19.1 %	19.5 %	
EBT – earnings before taxes	31,857	29,474	+ 8.1 %
as a percentage of revenues	19.0 %	19.3 %	
Consolidated earnings	20,817	17,529	+ 18.8 %
as a percentage of revenues	12.4 %	11.5 %	
per share in euros	1.83	1.54	
Cash flow from current activities	19,703	15,995	+ 23.2 %
per share in euros	1.73	1.41	
Balance sheet total	100,771	85,885	+ 17.3 %
Capital and reserves	64,374	50,913	+ 26.4 %
as a percentage of the balance sheet total	63.9 %	59.3 %	
ROCE-return on capital employed as a percentage	40.0 %	45.6 %	–5.6 % Pkte
Working capital (without liquid funds)	34,814	31,128	+ 11.8 %
as a percentage of revenues	20.8 %	20.4 %	
Employees (as an annual average)	660	604	+ 9.3 %
Revenues per employee	253.4	252.7	+ 0.3 %

RATIONAL technology is today already sold in 85 countries in the world, yet only around 18 % of the world market has so far been utilised. The special challenge for the coming years is to attract and inspire potential new customers more and more efficiently with the tailor-made, exciting **RATIONAL** benefits message.

Revenues by region 2000

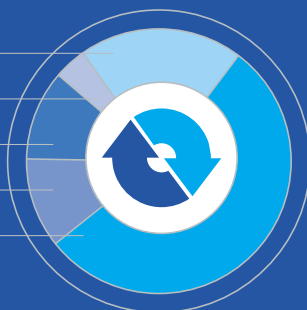
Germany 22 %

Rest of the world 4 %

Asia 12 %

America 10 %

Europe excluding Germany 52 %



Revenues by region 2001

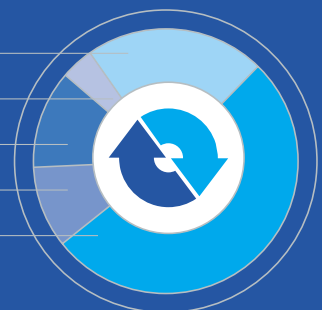
Germany 20 %

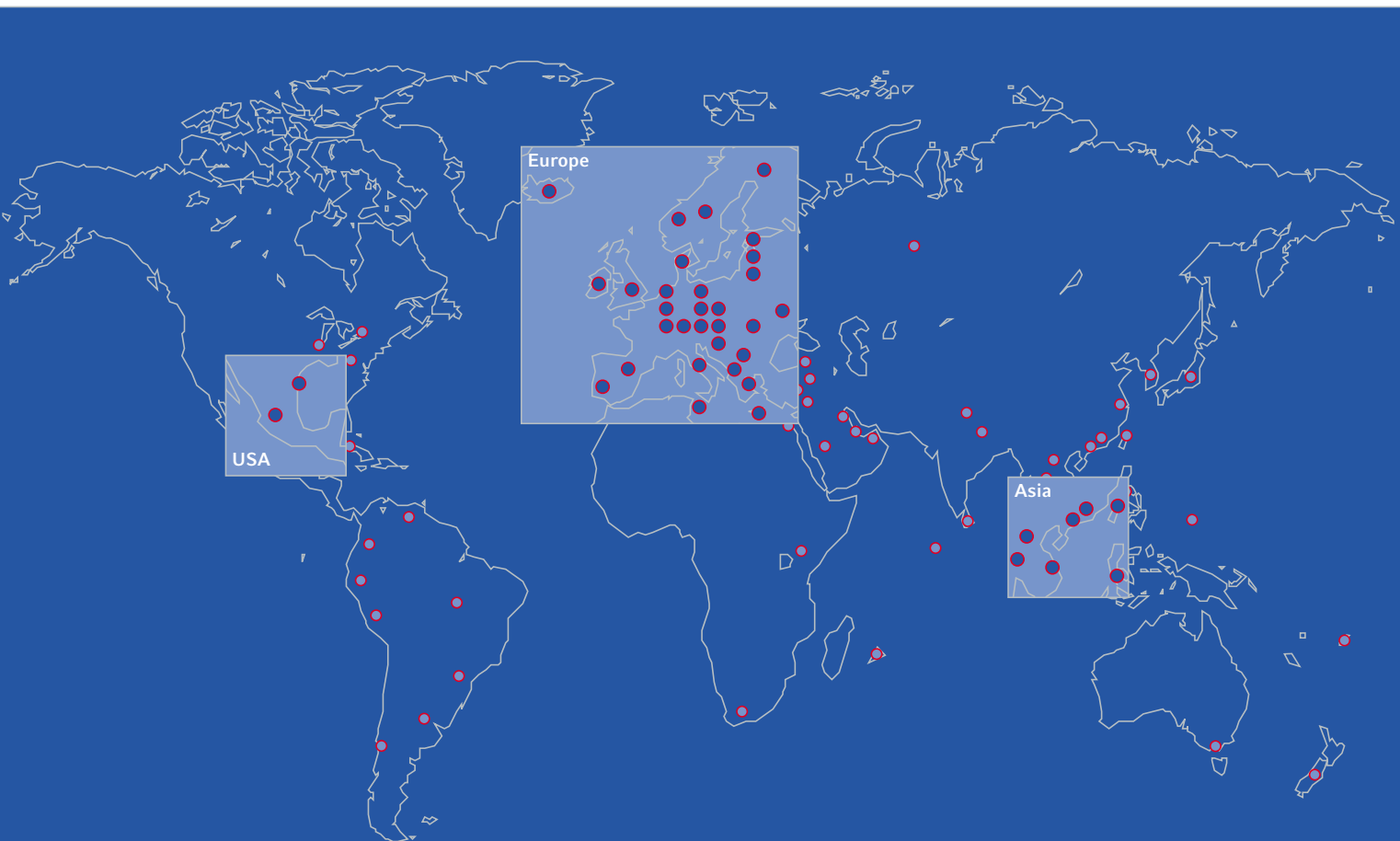
Rest of the world 4 %

Asia 11 %

America 11 %

Europe excluding Germany 54 %





America – the highest potential market for RATIONAL

In the USA we have succeeded in increasing our turnover by 11 percent even in 2001, which turned out to be a difficult year, by focusing on the ten federal states with the greatest market potential. Based on the high potential, we are confident that we can continuously improve our successful course in the future.

Europe – high growth, despite economic downtrend

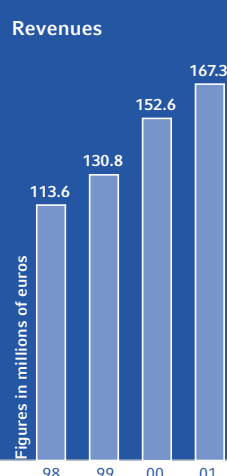
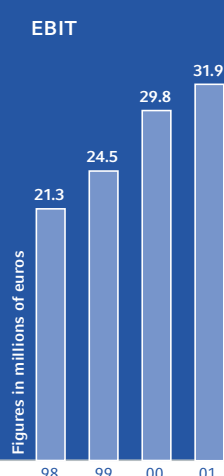
The European subsidiaries were able to increase their turnover by 21 percent to 63.7 million, despite the difficult underlying economic situation. The development in Italy is especially pleasing, with an increase in turnover of 59 percent to 5.3 million euros.

Asia – growth, despite the recession

Japan is, after the USA, the single market with the second largest future potential. Even in the recession year 2001 we succeeded in significantly expanding the Japanese business further with 15 percent sales growth. We expect growth rates to increase further over the coming years by focusing even more intensively on this market.

A real partnership knows only winners. RATIONAL's success story is, last but not least, based on solid partnerships with mutual trust.

Our product leadership gives partners security. RATIONAL products always have the most modern technology available on the market and the highest quality standard at a fair price.



1998 and 1999 according to the German commercial code and from 2000 according to IAS

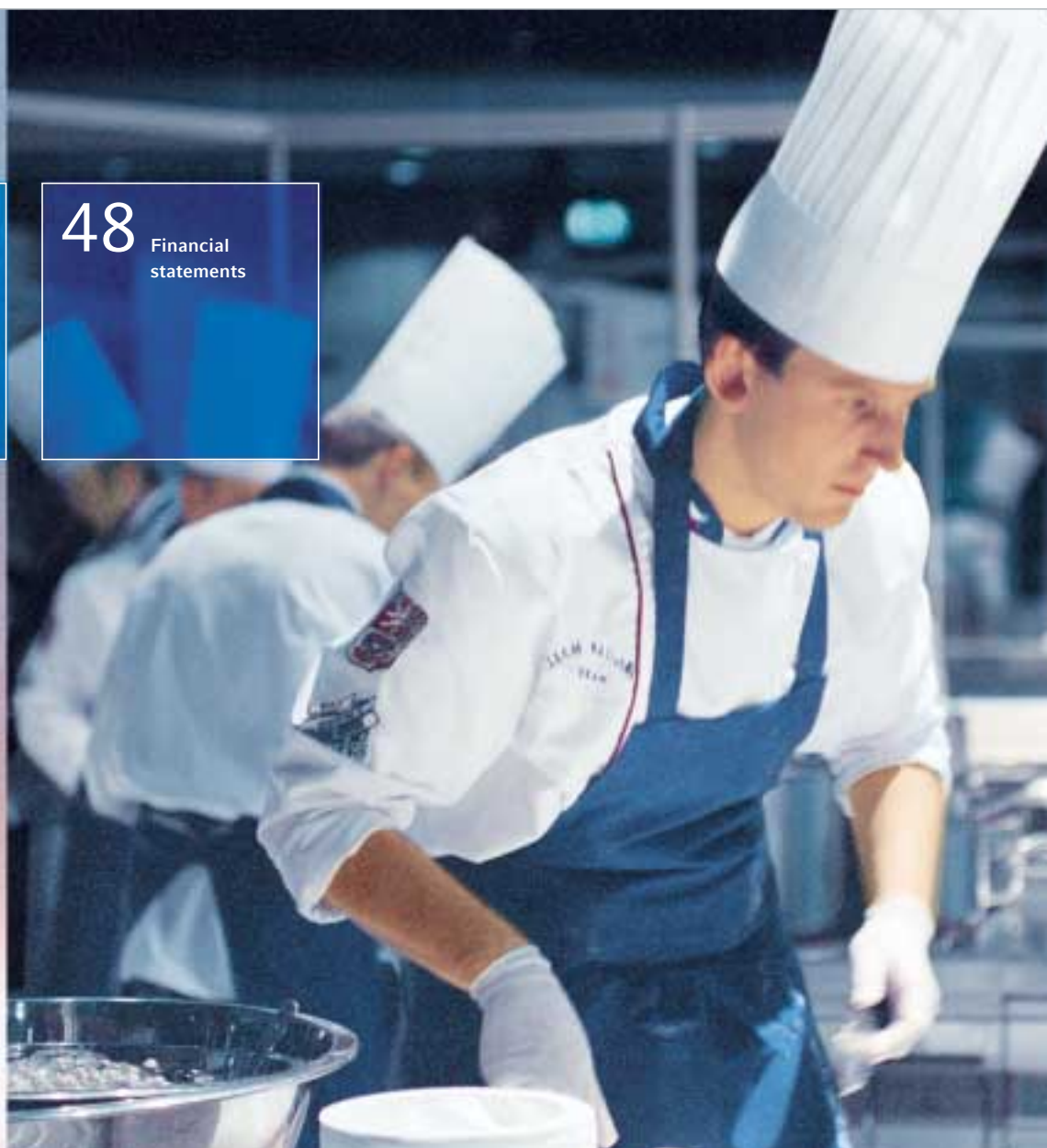
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The strengths of our trading partners are proximity to customers and a comprehensive range of services with maximum technical expertise. The sum of all our strengths multiplies the benefits for end customers.

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The increasing attractiveness of joint services leads to solid growth accompanied by good profits.

Foreword by the Supervisory Board



Siegfried Meister, Chairman of the Supervisory Board

The RATIONAL customer benefit philosophy as the ultimate corporate goal

SIEGFRIED MEISTER, born 1938, studied electrical engineering. The founder of RATIONAL AG is systematically developing the company into a worldwide operating enterprise offering industrial catering technology. The entrepreneur managed the RATIONAL Group as Managing Director and CEO until it was turned into a public limited company. Since then he has taken on a controlling function as Chairman of the Supervisory Board and assists the company in an active and committed way with his great experience and guidance.

Our ultimate corporate goal is to offer people who prepare food thermally in the professional kitchens of the world the maximum possible benefits.

As a result of consistently specialising and concentrating our thoughts and actions on this target group and its key problem area, we have, over the years, become acquainted with the wishes and needs of our customers right down to the last detail. Hence, we have become a part of their world and are able to solve their problems in the best way – better than anyone else.

By following this clear corporate orientation we have succeeded in further increasing customer benefits year by year. RATIONAL is becoming more and more attractive as a partner for its customers. Our competitive advantage is continually expanding.

Quality not quantity

We have only been able to utilise 18 percent of RATIONAL technology's worldwide potential. Sales and marketing activities are concentrating worldwide on countries that, with their high potential, are likely to pay dividends the quickest. Countries which are especially important future markets are, apart from Europe, mainly the USA and Japan. We can secure our long-term growth by intensively developing these countries with the highest potential and accumulated demand.



The benefits message as a key success factor

The special challenge for the coming years is to attract and inspire potential new customers more and more efficiently with the tailor-made, exciting RATIONAL benefits message. A new world market for modern cooking technology is developing.

Excellently equipped for the future

Over the last few years all sub-processes in our company have been redesigned and substantially further developed quality-wise. With targeted investments for the future in all divisions we have already created the best conditions for successful corporate development. We are, therefore, looking to the future with optimism, despite the overall economic situation in 2002, which is likely to be rather difficult.

A handwritten signature in blue ink, reading 'Siegfried Meister'.

Siegfried Meister, Chairman of the Supervisory Board

Foreword by the Executive Board

RATIONAL – **successful,** despite current trends

DR. GÜNTER BLASCHKE, born 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 the marketing, product management and video product sales departments at 3M Deutschland and later at 3M Europe in Brussels. From 1990 Dr. Blaschke was alternately responsible for domestic and foreign sales, marketing, production and research & development at Joh. Vaillant GmbH & Co. KG, Remscheid. In March 1997 he moved to RATIONAL GmbH to take up his post as Managing Director. He has been the CEO since September 1999.

Although our predictions for the overall development of the world economy were still positive at the start of 2001, this initial assessment changed more and more as the year went on. This trend was exacerbated by the spread of the economic downturn to more and more countries and regions. With the USA, Europe and Japan numbering amongst the casualties, the worldwide economic slump has meanwhile hit all the world's major national economies. The events of 11th September have led to an additional short-term decline in demand not only in the USA, but also in Europe.

RATIONAL was, nevertheless, largely able to escape this overall negative development of the world economy in 2001.

RATIONAL is achieving significant growth as regards turnover and earnings

The economic success in 2001, the year under review, confirms the stable and continual growth momentum of our company. Compared to the previous year, turnover increased by 10 percent from 153 million euros to 167 million euros.

The operating result at the same time increased from 29 million euros to 32 million euros in proportion to turnover. This also once again corresponds to a gross profit-sales ratio of 19 percent in 2001.



Dr. Günter Blaschke, CEO

International subsidiaries are especially successful and crisis-proof

In 2001 the approach of opening up new markets with our own subsidiaries once again turned out to be successful and crisis-proof even in economically difficult times. With a growth rate of plus 20 percent, our worldwide strategy for selectively opening up new markets with subsidiaries is being impressively endorsed. All these companies made a positive contribution to corporate growth in 2001. Their share of turnover is increasing annually and is now already 51 percent (previous year = 46 percent).

The strategy of our subsidiaries to concentrate more on the “single device business”, i.e. in addition to already existing kitchens, is considerably reducing the effect of negative economic developments and is, thus, at the same time an important stabilising factor. Total projects for new kitchens, on the other hand, are being hit harder by economic developments, as the high investment volume of up to several million euros often means they are postponed if budget cuts are enforced.

A large part of our business with international trading partners is structurally geared towards such total kitchen equipment and is, thus, directly dependent on the number of existing new projects. As a result, growth in this sales sector was virtually nil in 2001.

The important thing is to make up for investment projects that have been postponed when the economic situation improves again. This will in turn cause our partners' future opportunities for growth to improve.

Distribution of turnover 2001

Germany 20 %

International trading partners 29 %

International subsidiaries 51 %



More profit daily with RATIONAL technology

Especially in economically weaker times investments with a high rationalisation effect and a short repayment period tend to be preferred. The use of RATIONAL technology, even in addition to an already equipped kitchen, directly increases the disposable income of our customers.

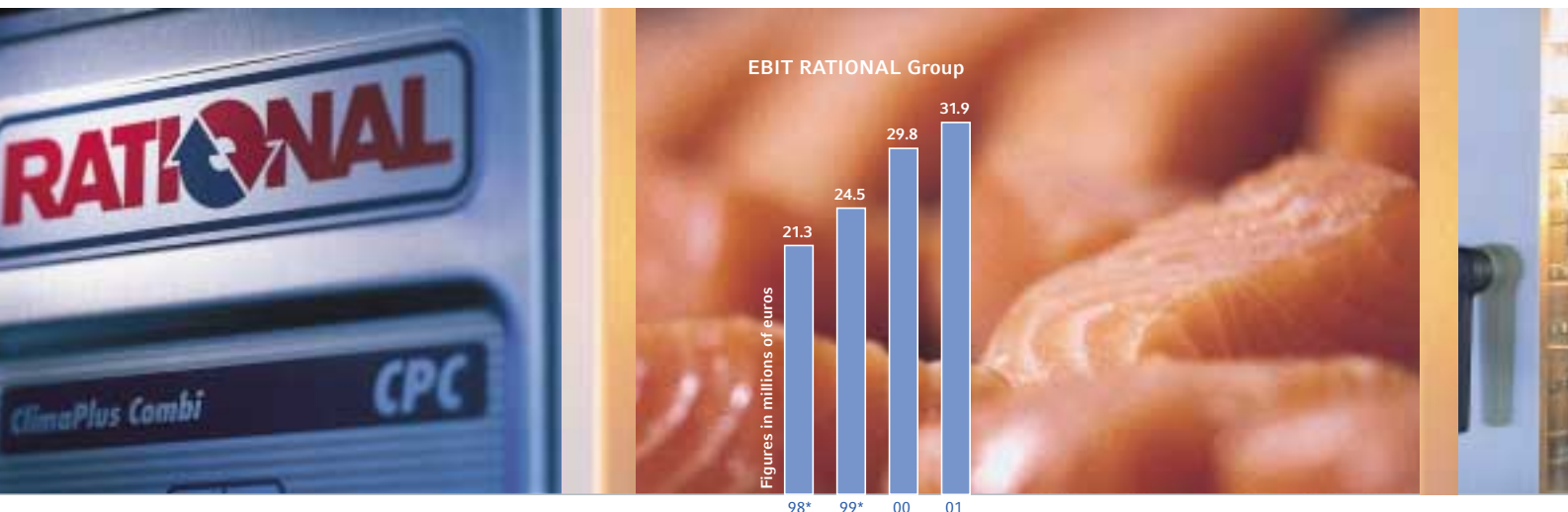
The achievable monthly savings in the use of commodities alone frequently exceed the costs of financing the device from the outset many times over. The repayment period is only 4 – 12 months on average.

World market leadership further increased

In 2001 RATIONAL was once again able to significantly further increase its world market share to 46 percent (previous year = 44 percent). The concentration of our resources on countries in the world with the highest potential, the superior RATIONAL product technology and the consistent implementation of the RATIONAL sales and marketing process also proved to be decisive success factors in 2001.

With a sales growth of 15 million euros RATIONAL was once again able to take first place in the industry's growth league table. There are outstanding growth opportunities for the future in Europe, but especially in the two highest potential world powers, the USA and Japan.

If we were to be successful in further developing the potential in the USA over the next few years, this would cause our current group turnover to virtually double.



1998 and 1999 according to the German commercial code and from 2000 according to IAS

Stable growth in 2002 by focusing more strongly

Given the continuing uncertain international situation and our experiences from 2001, we shall pool our main activities even more intensively and organise them in an even more targeted way according to the principle of “focus before extension”.

We shall mainly concentrate on increased utilisation of world markets with the most potential and, hence, the ones that show most promise.

We are convinced that we can also achieve a double-figure increase in our turnover and net earnings with these measures in 2002. Positive economic development would provide a tailwind for additional growth opportunities.

In our estimation the prospects of a slight recovery in the world economy as a whole are good. Admittedly, the Japanese economy might shrink slightly again, but an improved development in the USA would have a positive effect on Europe and the world economy overall.





Peter Wiedemann, CTO

25 years RATIONAL combination-steamer technology

PETER WIEDEMANN, born 1959, joined RATIONAL GmbH as an engineer after studying mechanical engineering at the Technical University of Munich. From 1990 to 1993 he was Product Manager. Subsequently he supported the development of the American subsidiary. Since January 1996 he has been responsible for the technical division. In September 1999 he was appointed to the Executive Board.

With the invention of the combination-steamer technology in 1976 RATIONAL laid the foundation stone for developing a completely new world market.

Steam was added to the dry heat that had hitherto been the norm in ovens and hot-air devices and both were combined with a newly developed control system. The combination-steamer was born and, thus, the foundation stone for the revolution in the world's industrial and commercial kitchens.

The RATIONAL combination-steamer technology has not only changed production processes in thermal food preparation, but has also changed the total industrial branch connected with it. In the same way that the computer has replaced the typewriter and has also opened up completely new possibilities in text processing, the combination-steamer has replaced traditional industrial kitchen technology and is offering the industry completely new perspectives in food preparation.

Maximum customer acceptance – the ClimaPlus Combi® is a new world standard

With its invention of the ClimaPlus Combi® in 1997 RATIONAL once again succeeded in establishing a new world standard. The patented unique position, along with its equipment technology, is especially based on the forward-looking, user-oriented cooking intelligence.

Only two presettings are necessary: the desired browning level and the desired inner consistency of the roasting item. The ClimaPlus Combi® then independently recognises the type of meat, the size of the roasting items and their quantity. It makes all necessary decisions in the cooking process, such as, e.g., higher temperature, shorter cooking time and less humidity, with the aid of its cooking intelligence, according to the situation and automatically. The anticipated end of the cooking process is calculated and displayed.

It is no longer necessary to carry out work-intensive monitoring and manual intervention during the cooking process. The required cooking result is always achieved automatically and to a consistently high standard.

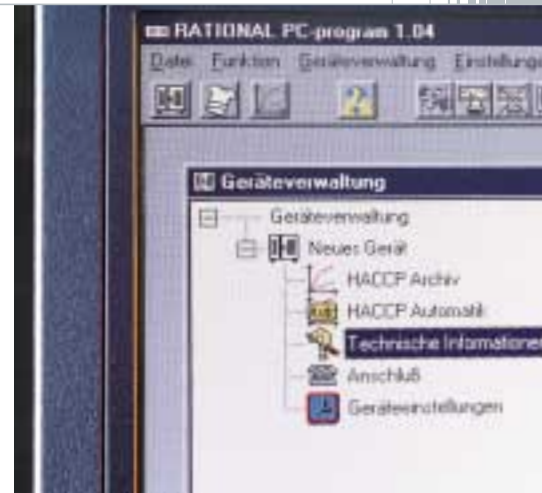
The worldwide customer acceptance of this new RATIONAL performance standard is continuously growing. The share of turnover of the ClimaPlus Combi® in 2001 was 66 percent (previous year = 62 percent). Thus, every third Combi-Steamer installed worldwide is already a ClimaPlus Combi®. A new RATIONAL world standard has established itself.

Technological advantage expanded

With the introduction of CombiCheck® we have increased the possibilities of technical service to a new technological platform. CombiCheck® allows our service partners to carry out an intelligent type of service by means of an online error diagnosis. In certain cases it is possible to simultaneously rectify errors online from their office desk.

With this technology on the one hand our authorised service partners can position themselves in the market and, on the other hand, it benefits our customers directly by reducing services costs with maximum operating safety. In addition, all kinds of software updates can be transferred through the WAN capability (Wide Area Network).

With UltraVent® we launched a patented condensation extractor hood as a perfect complement to the Combi-Steamer in 2001. Annoying smells and fumes are suppressed through condensation. This makes installation of the ClimaPlus Combi® even more flexible. It is independent of the existence of conventional and cost-intensive ventilation technology and, thus, allows increased desired use in a modern front-cooking area.



RATIONAL is on a stable **course for success**

ERICH BAUMGÄRTNER, born 1954, studied business management at Rosenheim Technical College. From 1979 to 1987 he worked in various commercial functions at Messerschmitt-Bölkow-Blohm GmbH, Ottobrunn. In the end he managed the tender department of the appliance division. In 1988 he moved to Digital Equipment GmbH, Munich, where since 1996 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.

The exceptionally high earning capacity of RATIONAL is especially based on low manufacturing costs and a lean, efficient process organisation.

We have been generating sustained gross profit-sales ratios of between 18 and 19 percent for years, whilst at the same time attractively positioning our competitively superior products according to a middle of the range price strategy.

Factory re-engineering opens up new perspectives for future productivity increases

The increasing worldwide demand for RATIONAL technology made it necessary to expand production capacity from a previous 20,000 up to 30,000 devices per year in 2001.

At the same time we used this expansion to fundamentally optimise and re-organise the total production process. State-of-the-art automatic bending centres and laser punch technology as well as integrated processes in the assembly lines are the basis for further reducing manufacturing costs and throughput time, making quality improvements and reducing interfaces.

Only our large-scale manufacturing quantities make it economically possible to use such fully automated systems, thus creating an additional competitive advantage.



Erich Baumgärtner, CFO

The special factory

In September the Chairman of the Supervisory Board, Siegfried Meister, officially opened the new production buildings in the presence of representatives from politics, business, associations and the press within the scope of an open day. More than 4,500 visitors have taken the opportunity to experience the RATIONAL "special factory" at first hand.

Manufacturing at RATIONAL is carried out in natural, straightforward and integrated processes. The employees on site now take on more far-reaching responsibility and make all necessary decisions themselves as "entrepreneurs within the company". Hence, we use a high training standard for our employees and achieve increasing customer satisfaction through better and better product quality combined with increasing productivity.

RATIONAL – receives international awards

RATIONAL was one of the very first companies to receive the **ISO/DIS 9001:2000** certification in January 2001. This new international norm, which appeared in December 2000, certifies the implementation of integrated process management for systematically identifying and making use of company-wide improvement potential.

"**Top 100**" is a project for emphasising and promoting top performance of medium-sized businesses in Germany. It is supported by the Fraunhofer-Gesellschaft and the editorial office of "Markt und Mittelstand". As an industry-wide "Best Practice Instrument" ratings focus on the economic development of the company, innovative strength in the areas of product technology, organisation and corporate culture. In February 2001 RATIONAL received an award as a "Top 100" medium-sized business.

In April RATIONAL received the **FCSI Award 2001** for outstanding product innovation and design from "Foodservice Consultant Society International".

With qualified employees successful, despite current trends

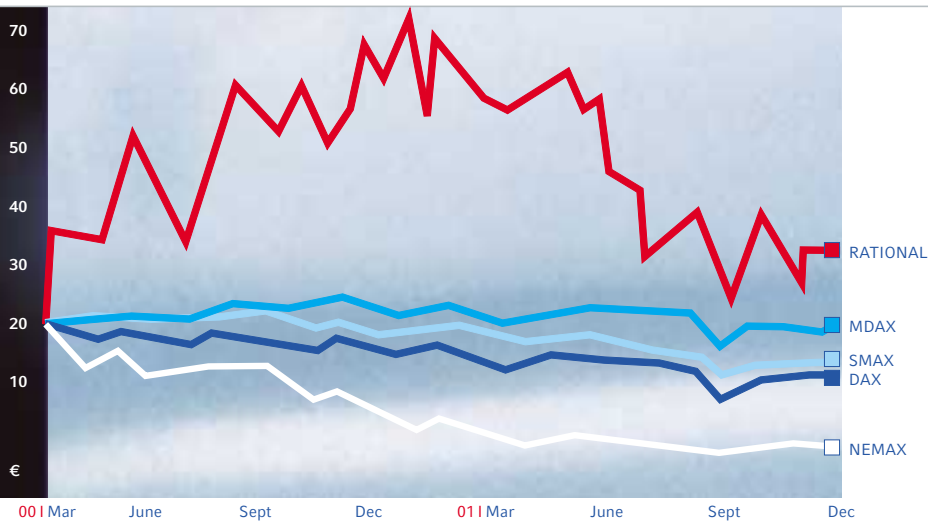
The qualification, creativity and commitment of employees are crucial for success, especially in economically difficult times. We are proud that we have also achieved stable turnover and net earnings in 2001 with our employees and that we have held our own against the generally economically negative trends of the industry.

We would like to thank all our customers, partners, shareholders and especially our employees for the trust they have placed in our company.



IR activities

Share price development since the IPO in March 2000



Open **communication** for long-term partnerships

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KEY FIGURES IN EUROS

	Share price	Market capitalisation
31.12.01	35.0	398 million
High	73.0	830 million
Low	27.4	312 million
Listing all German Stock Exchanges		

Our communication strategy is primarily intended to provide up-to-date, reliable and complete information for our shareholders. The trust of the financial world in RATIONAL is further reinforced by this continuous, open and transparent information policy.

Successful initial RATIONAL shareholders' meeting after the IPO

The first shareholders' meeting after the IPO was very well attended with approximately 600 participants. Numerous shareholders used the chance to acquaint themselves with RATIONAL combination-steamer technology at first hand before the official opening. All items on the agenda that were put to the vote received the broad approval of shareholders. Even in the first year of the IPO a dividend amounting to 0.65 euros per share was paid.

Turbulence on the stock market

The RATIONAL stock did not manage to completely escape the turbulent events on the stock market in 2001. Starting with a peak of 73 euros in January, the share price fell to even less than 30 euros on occasion, despite positive corporate news.





RATIONAL shareholders' meeting, 24th April 2001



The Executive Board stepped up all investor relations activities and presented the company at international road shows and numerous events for the press and potential investors. The company also attracted a second experienced designated sponsor in February in the shape of Sal. Oppenheim, besides Schroders, Salomon Smith Barney.

RATIONAL value-added share tends to be undervalued

A fair value of 44 euros is arrived at for the RATIONAL share on the basis of the discounted cash flow method. This valuation also corresponds to the price target recommendations of analysts and the trade press.

Taking into account future growth prospects, this value is expected to continually increase annually and may reach around 70 euros in 2004. This price potential, together with the attractive dividend policy, confirms the positioning of the RATIONAL value-added share as an exceptionally interesting medium and long-term investment.

FINANCIAL CALENDAR 2002

Balance Sheet Press Conference	25th March	2002
DVFA Analysts' Conference	25th March	2002
Shareholders' Meeting	8th May	2002
Quarterly Report Q1	May	2002
Half-yearly Report	August	2002
9-month Report	November	2002
DVFA German Mid Cap Conference	December	2002

RATIONAL SHARE RECOMMENDATIONS

Capital Depesche	RATIONAL "Tip of the Week"	Nov. 2001
	Price target 46 euros	
Börse Online	Price potential 45 euros	Nov. 2001
Platow	Accumulate	Nov. 2001
Sal. Oppenheim	Accumulate, price target 46 euros	Aug. 2001
Schroders,	Buy 1M, price target 51 euros	Oct. 2001
Salomon Smith Barney		

An overview of events

An overview of the most important events of 2001

RATIONAL CERTIFIED ACCORDING TO ISO/DIS 9001:2000
In January RATIONAL was one of the very first companies to be awarded certification according to this norm, which first appeared in December 2000. One of the criteria for ratings was the implementation of integrated process management for identifying and realising improvement potential.



“TOP 100”: RATIONAL IS VOTED ONE OF THE MOST INNOVATIVE MEDIUM-SIZED BUSINESSES
In February 2001 RATIONAL was given an award as a “Top 100” medium-sized business.

COMBICHECK® – THE INTELLIGENT TYPE OF SERVICES
CombiCheck® makes it possible for our service partners to carry out an intelligent type of service by means of online error diagnosis and, in certain cases, to rectify errors online from their desk.

ULTRA VENT® – THE PERFECT COMPLEMENT
The installation of the ClimaPlus Combi® is made even more flexible through the condensation extractor hood. Independence of expensive central ventilation technology, for example, makes use in the front-cooking area possible.

SECOND DESIGNATED SPONSOR ENSURES ADDITIONAL LIQUIDITY
With Sal. Oppenheim RATIONAL has gained a second experienced designated sponsor alongside Schroders, Salomon Smith Barney. We are above all expecting a higher liquidity of the share through additional activities.

RATIONAL SHAREHOLDERS’ MEETING CONVINCES SHAREHOLDERS
The first shareholders’ meeting after the IPO was exceptionally well attended with approximately 600 participants. All items on the agenda that were put to the vote received the broad approval of shareholders.



January 9001:2000 certified	February “Top 100”	March CombiCheck®	April Shareholders’ Meeting
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FCSI AWARD 2001**FOR INNOVATION AND DESIGN**

RATIONAL has received the FCSI Award 2001 for outstanding product development and design by the "Foodservice Consultant Society International".

OFFICIAL FACTORY OPENING

In September the company founder and today's Chairman of the Supervisory Board of RATIONAL, Siegfried Meister, officially opened the new production facilities in Landsberg. Production capacity has been extended up to 30,000 devices per year. This expansion in capacity has at the same time been used to fundamentally optimise and reorganise the total production process.

**RATIONAL –
THE SPECIAL FACTORY**

Using this slogan RATIONAL presented itself to the public at an open day. More than 4,500 visitors took the opportunity to experience the RATIONAL "special factory" at first hand.

**SUCCESS IN THE INTERNATIONAL
CHAIN STORE BUSINESS**

Major Esso petrol stations will soon cater for their customers in the "On the Run Café". The ClimaPlus Combi® will provide all meals that are baked, grilled or poached, at top quality.



April
FCSI Award 2001

September
Factory opening

September
Open Day

October
Esso major petrol stations







Long-term success is at the end of the day always based on solid partnerships where everybody wins. RATIONAL has succeeded in building up and fostering such winning partnerships worldwide for more than 25 years.



Real partnership only knows winners

The **customer** always wins

Our worldwide success is based on a strategy of consistently gearing all our thoughts and actions towards customer benefits. By specialising and concentrating all our resources on a clearly defined target group – people who prepare food thermally in industrial and commercial kitchens – and their key problem area, we are better and better equipped to develop innovative solutions with increasing customer benefits.

The RATIONAL combination-steamer fundamentally changes the way production processes are organised in industrial and commercial kitchens.

With its large capacity in the smallest space, its favourable energy budget, its large work and cost savings and its cooking intelligence it is replacing a whole range of conventional industrial kitchen equipment and is opening up totally new possibilities for our customers.

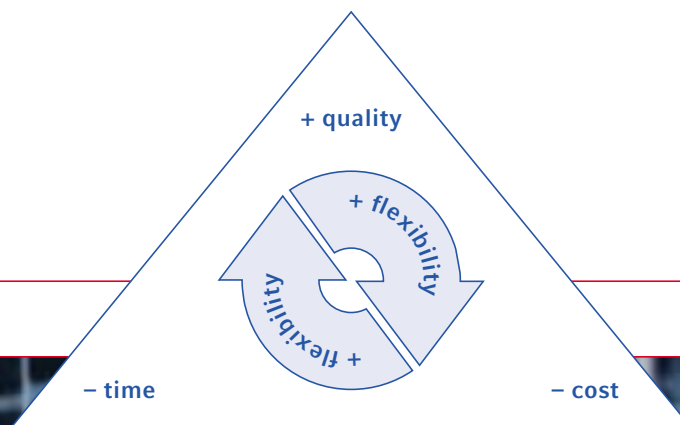
Nowadays a lot of what used to be thought impossible is virtually taken for granted. Through the RATIONAL ClimaPlus Combi® banquets, for example, with several thousand people, can be perfectly organised and menus with several courses can be served on the dot according to top quality standards. Meal-production is completely split from service. Peak workloads in the kitchen no longer occur due to targeted pre-production at times when there is less to do.



The ClimaPlus Combi® is equipped with the patented, intelligent IQT® expert system. The wealth of experience from our years of research is deposited in a corresponding database. IQT® recognises the type of meat, the size and number of items to be roasted by means of sensors and makes all the decisions about the necessary individual cooking steps independently, in order to achieve exactly the desired cooked end result. Only two parameters are necessary to accomplish this, namely the required degree of browning and the desired inner consistency. Intelligent technology and easier and easier operation thus make daily cooking chores easier.

The customer is the winner in every respect

- High food quality to a standard that can always be repeated,
- Reduction in investment, the use of commodities, operating and personnel costs,
- More time available due to shorter cooking times,
- Maximum flexibility and productivity, e.g. in the case of banquets,
- Alleviation of everyday stress in kitchens by dispensing with non value-creating routine work.



More profit daily with RATIONAL technology

The customer benefits of the ClimaPlus Combi® can be expressed in concrete terms in euros and cents. By immediately reducing the use of commodities, energy, space, investment and working time it saves significantly more than it costs.

Savings especially result from the use of less commodities due to lower roasting losses, no losses when cooking vegetables, virtually no use of fat, low energy consumption owing to the state-of-the-art control system and the omission of routine and monitoring work. Less space and the low investment requirement round off the financial benefits package.

Monthly additional income rises depending on the type of enterprise and the number of meals. A monthly additional profit of around 1,600 euros can be calculated for a restaurant serving an average of 70 meals per day. Monthly additional profit for a company restaurant serving 1,800 meals a day is more than 10,000 euros. The total investment is therefore paid off within a very short time.

Example of more profit: company restaurant serving 1,800 meals a day

Energy costs	- 840 euros
Personnel costs	- 2,250 euros
Use of commodities	- 8,610 euros
Total savings	-11,700 euros
Financing costs	+ 1,500 euros

10,200 euros **ADDITIONAL PROFIT PER MONTH**



Trading partners as **multipliers**

With more than 3,000 trading partners in 85 countries in the world, RATIONAL now has a broadly diversified network for successfully developing the markets.

To do this we combine and use our respective strengths in the best way. The strength of RATIONAL arises especially from our technological leadership, market leadership and the quality, reliability and durability of our products, but also from strong brand awareness and high customer satisfaction and customer loyalty. RATIONAL technology is pre-sold through creative marketing and customer recommendations.

The strengths of our trading partners are, above all, the existing broad local customer base, the comprehensive service range and the high level of expertise, e.g. in planning, installation, putting the equipment into operation and technical service on site.

The sum of all our strengths multiplies customer benefits and opens up additional prospects. The attractiveness and uniqueness of the RATIONAL ClimaPlus Combi® is used by many partners as an ideal platform for attracting new customers. The special appeal of ClimaCooking live demonstrations opens up the chance for the partners to present their total service range to more and more new customers. Satisfied RATIONAL customers also buy other kitchen technology from our partners and, thus, develop into new regular customers.





Only around 18 percent of all potential customers in the world currently own a Combi-Steamer. 82 percent of the available sales potential, estimated at around 20 billion euros, has, thus, not yet been utilised. Our main task is to spread the benefits message of RATIONAL technology worldwide more and more efficiently.



In professional kitchens around the globe time, costs, quality and flexibility play a crucial role. The strength of modern ClimaPlus Combi® technology lies in its enormous versatility from which all customer groups in all countries can benefit. In order to systematically attract new customers the RATIONAL sales and marketing process is not only implemented in our own subsidiaries, but also by selected sales partners.

The company thus uses the possibility of imparting the advantages of the ClimaPlus Combi® compared to conventional cooking methods to an extended potential clientele. Broader marketing leads to better market penetration and, thus, secures high growth rates for the future.

Success story: Flügel GmbH, Essen

Flügel – a family business with tradition

SUCCESSFUL COMPANY WITH A BROAD CUSTOMER BASE

The company that started 50 years ago as a two-man exclusive dealership for the Offenburg dishwasher specialist, Meiko, has meanwhile blossomed into a company with a workforce of 80 employees that operates successfully in the field of industrial kitchen equipment. The family business celebrated its 50-year anniversary last year and can now look back on splendid references. Along with well-known industrial partners, such as Siemens AG, Ruhrgas AG and RWE Systems, the equipment professional's customers also include industrial catering enterprises and representatives of high-class gastronomy.

Only the best is good enough

Flügel customers value above all the all-round service of the industrial kitchen specialist. The core of the company is the in-house consulting department, which can rely on decades of experience. Here tailor-made equipment solutions are produced for all manner of requirements. These solutions are fast, competent and without bureaucratic deviations. They are worked out by highly qualified employees with access to state-of-the-art equipment. It is obvious that a company like Flügel also carefully selects its manufacturers. "We work exclusively with important brands, as we want to supply our customers with the best", says the Managing Director, Dietrich G. Flügel.

Flügel's well-known partners include RATIONAL and this connection has already existed for around 30 years. Company founder Franz Flügel introduced the first generation of the RATIONAL Combi-Steamers at Karstadt.

Who talks about "convectomats" nowadays?

"RATIONAL has sailed past all the other competitors with its innovative technology", says Dietrich G. Flügel, full of praise. "RATIONAL has coined the term 'Combi-Steamer'. Or who talks about a convectomat nowadays?" Flügel sees the reason for this success in three essential factors: "RATIONAL offers technical expertise, creative marketing and professional management."



The right answer to all questions

A few months ago Flügel created a special kind of offer for its customers in cooperation with RATIONAL: since May 2001 "ClimaCooking Live" seminars have been taking place in a self-installed show kitchen. Cooks and other prospective clients from restaurants, clinic and industrial catering institutions are regularly invited to free training demonstrations on the ClimaPlus Combi®.

A RATIONAL kitchen master is responsible for theory and practice. The alternating topics are perfectly suited to the customers' interests, as the fully occupied rows of chairs in the show kitchen prove time and time again. "A shortage of personnel at the weekend?", "Saving when cooking?", "Buffet or menu for 50 or 1,500 people?", "90 percent of all products from one device?" – the ClimaPlus Combi® has the right answer to all questions. Cooking variety, food quality and simple operation of the device always amaze customers afresh. "Each of these seminar events is an investment that is worthwhile," assures Dietrich G. Flügel, as the "ClimaCooking Live" seminars are the most successful marketing instrument. Their message gets through to customers.

Trust is the basis

The partnership between Flügel and RATIONAL is based on mutual trust. RATIONAL supplies a first-class product, is very innovative and guarantees optimum training for Flügel sales representatives.

In return, RATIONAL can rely one hundred percent on the competence of the industrial kitchen equipment specialist Flügel. From consulting to assembly and regular maintenance: "A team of sales people, consultants, site managers and fitters is responsible for each installation project," stresses the Managing Director. "We don't do anything by halves!"

Both partners benefit, but in the end the customer benefits most.



Dietrich G. Flügel and his wife Irmgard Flügel

Success story: Hackman Metos, Finland

The **HACKMAN Group** – winning through attractive all-round solutions

SUCCESSFUL COMPANY WITH HIGH MARKET PENETRATION

The Hackman Group is one of the oldest companies in Finland. It was founded back in 1790 and has had a major impact on industrialisation throughout the country. Today this successful company offers a top-class, all-round service covering all aspects of “eating and drinking”. The corporate division DESIGNOR® is tailored to high quality consumer goods with a typical Scandinavian design. The product range includes tableware, porcelain, glassware, knives and cutlery. The corporate division METOS is the complete solution provider in industrial and commercial kitchens, with 1,100 employees and an annual turnover of around 170 million euros.

Not only devices, but solutions

METOS always wants to offer its customers the best solutions. Improving quality whilst at the same time reducing costs are the ultimate goals.

Managing Director and President Michael Ramm-Schmidt: “Our challenge was and is to offer a broad range of products and services. We only want to market the best products, but we cannot develop them all ourselves.” Hence, the company enters into partnerships with the best in the business.

“We offer our customers not only a device, but problem solutions. To do this we need suppliers with the same philosophy, the same quality standards and the same innovative strength. RATIONAL is our key partner in the field of thermal food preparation.”



Michael Ramm-Schmidt, Managing Director
and President of Hackman Metos

METOS-RATIONAL – a partnership of the best

The partnership with RATIONAL started fifteen years ago. METOS as the leading industrial kitchen manufacturer in Finland, and RATIONAL as the technology leader for Combi-Steamers – the best in the business. “This all went together well, of course,” explains Michael Ramm-Schmidt, “the customer gets the best product on the market – the Combi-Steamer from RATIONAL, with a self-manufactured kettle, both under the brand name METOS.”

In this cooperation, METOS trusts in RATIONAL to always develop the Combi-Steamer technology further, in order to remain the number one in the future.

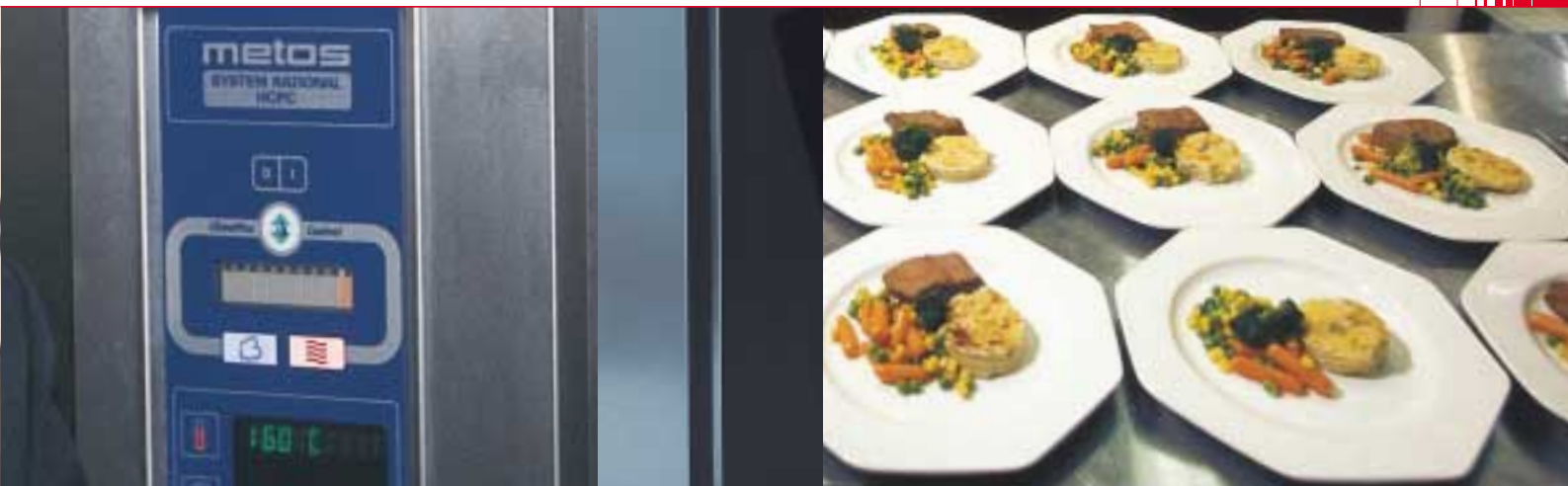
RATIONAL concentrates on research, development and production. “We rely on RATIONAL to always offer the best available products on the market at an attractive price. In return we focus on active marketing. Our market share for Combi-Steamers in Finland is 70 percent. Hence, we are simply everywhere,” says Michael Ramm-Schmidt. “whether in the Finish presidential residence, in many NOKIA plants or in Norway’s largest hospital, the ‘Rex’.”

Win-Win-Win

With such a partnership all those who participate can only be winners:

- Customers receive an excellent all-round service, which helps them to save costs, improve food quality and offer their guests creative menu variations.
- METOS has the best Combi-Steamer in its range, which rounds off its complete solution and markets itself profitably.
- RATIONAL benefits through increasing production numbers and gains additional momentum for its further technological development.

A cycle in which there are only winners.



Success, stability and potential

Profit from the very start for our shareholders

We see the RATIONAL value-added share as an outstanding medium and long-term investment. We are convinced that the structural data crucial to corporate value and the prospects for corporate development are exceptionally good.

The risks are significantly lower than in the case of “start-up companies”. A success story that has already existed for 25 years forms a very solid base. A continually increasing corporate value will also positively influence the share price development in a sustained way.

Specialisation, the load-bearing pillar of success

RATIONAL has always specialised in a single target group, i.e. people who prepare food thermally in industrial and commercial kitchens.

Thus, we are concentrating at the same time on a permanent basic human need, namely, eating warm meals out.

As the affluence of society increases, the proportion of the population who eat out is growing and, thus, the size of our additional addressable potential.



Only 18 percent of worldwide potential has been utilised

RATIONAL technologies play a decisive role in the modernisation of organisation and production processes in the thermal preparation of food for people eating out. Around 2.5 million potential customers exist worldwide, who require one or several Combi-Steamers.

Out of the 450,000 Combi-Steamers on the market at the moment around 200,000 devices are from RATIONAL. Thus, 18 percent of the worldwide potential has been utilised at the most. Large regional markets in Europe, America and Asia are only at the start of their development.

RATIONAL is growing organically and is concentrating on opening up markets worldwide, focusing on Category A potential countries. According to the principle of focus before extension, we are especially successful with own subsidiaries.

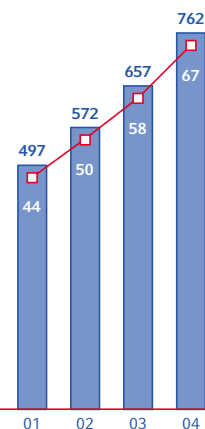
Double chance to win for shareholders

With a price level of 35 euros RATIONAL tends to be undervalued. Based on the "Discounted Cash Flow Method", a fair value of 44 euros was produced for the RATIONAL share in 2001. With the positive development of the company value this value is expected to significantly increase year by year.

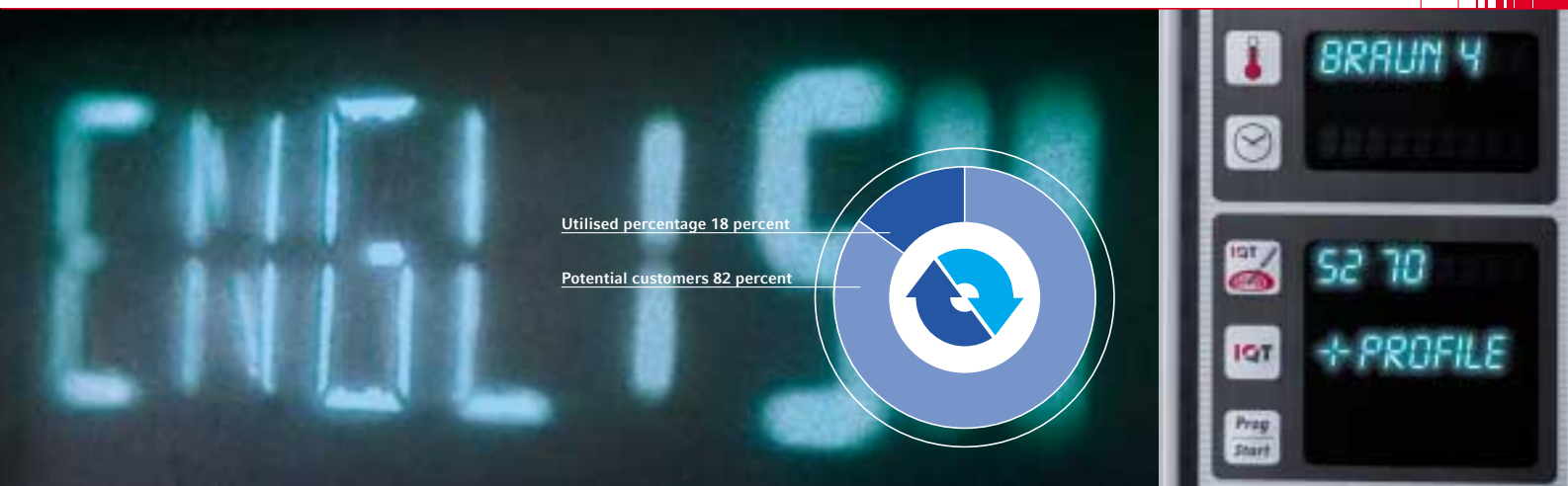
Owing to our high earning power, we have paid out dividends to shareholders from the start. RATIONAL is, thus, both growth and especially value stock and, thus, opens up the possibility of winning twice for the investor.

Fair value and price potential

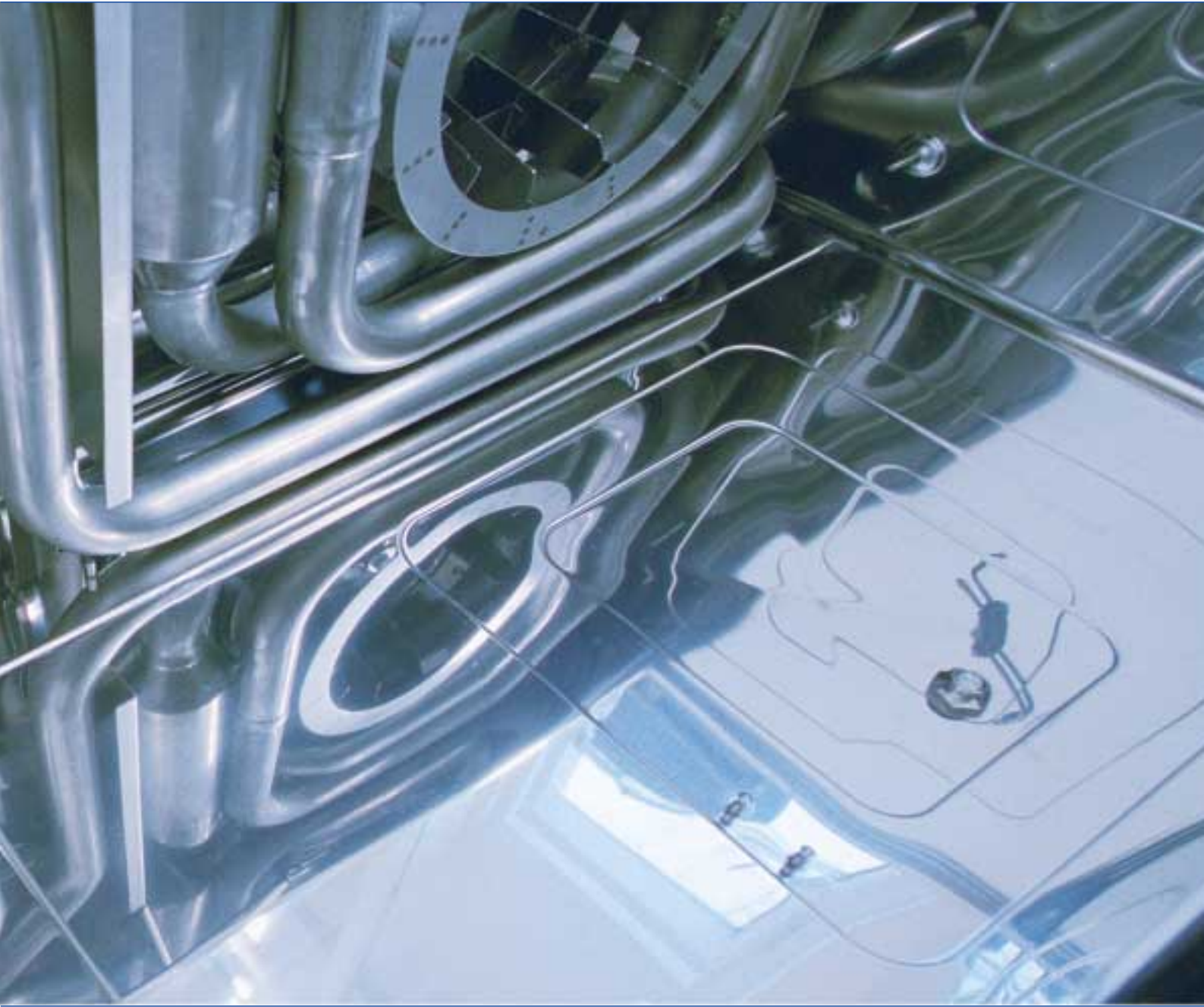
■ Fair corporate value in millions of euros according to DCF
 □ Share price in euros
 (Source: Sal. Oppenheim)



Only 18 percent of sales potential has been utilised







	KANBAN-Bestellung		Ballend AG	
			Sternstr. 5 80099 Landsberg Tel. 08791/327300 Fax. 08791/327413 Aachmann	
	2770.1360			
	Werk:	Abgasanlage C 202/0 L. Abgasanlage	Lieferant:	CE-MatPro
	Urspr:	-40.000 -ST	Teil:	Ein
ST-Pos:		Bestellnr:	002	
Artikl.:	BRA - Lager			
Bestellmenge:	002			

Economic initial situation

Overall economic development fails to live up to expectations

At the start of 2001 we were still able to expect a positive development of the world economy overall; however this forecast changed more and more as the year progressed. This trend was exacerbated by the spread of the economic downturn to more and more countries and regions. Affecting USA, Europe and Japan the worldwide economic slump has meanwhile hit all the world's major national economies. The events of 11th September have led to an additional short-term decline in demand not only in the USA, but also in Europe.

RATIONAL was, nevertheless, largely able to escape this overall negative development of the world economy in 2001.

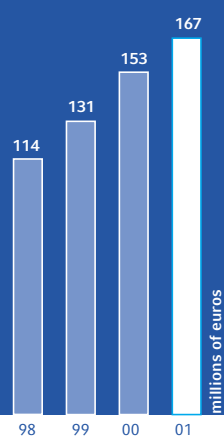
Double-digit growth in turnover and net income

The economic success in 2001, the year under review, confirms the stable and continual growth momentum of our company. Compared to the previous year, turnover increased by around 10 percent from 152.6 million euros to 167.3 million euros. At the same time we were able to increase the group result by around 19 percent from 17.5 million euros in 2000 to 20.8 million euros in 2001.

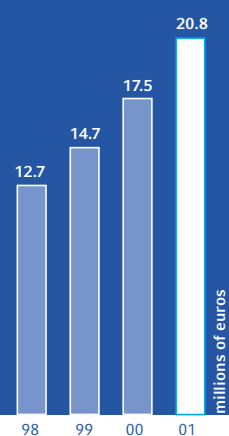
Market leadership is expanded further

Since the invention of the first RATIONAL Combi-Steamer 25 years ago we have consistently developed this technology further and have already successfully introduced it in over 80 markets worldwide. By concentrating and focusing all our resources on customer benefits we are succeeding in solving our customers' problems more and more effectively and are, thus, able to continually increase the attractiveness of our service range. We are now by far the market leader – virtually every second Combi-Steamer installed worldwide comes from RATIONAL. RATIONAL was also able to increase its world market share further to 46 percent (previous year: 44 percent) on the basis of association statistics (HKI) and the results of our own market research.

Revenues*



Group result*



* 1998 and 1999 according to the German commercial code (HGB) and as of 2000 according to IAS

More profit daily

The use of RATIONAL technology directly increases the disposable income of our customers. The achievable monthly savings in the use of commodities and personnel alone generally exceed the necessary costs of financing the device many times over. Thus, our customers' profit situation improves from day one. Especially in economically difficult times, investments with a high rationalisation effect and hence a short repayment period are preferred. With the benefit of this effect RATIONAL was able to continue its growth course in 2001, despite the difficult economic conditions.

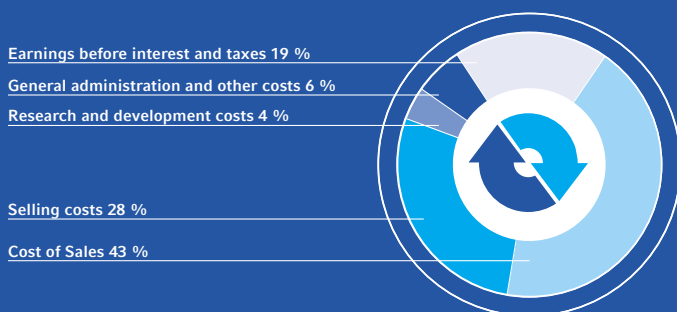
Earning power through streamlined organisation

RATIONAL's exceptionally good profit situation is not based on high prices, but on low manufacturing costs and streamlined, efficient process organisation.

Owing to our large production runs we are able to use better and more efficient equipment and can, thus, produce even more cost-effectively and competitively. The reorganisation of manufacturing processes carried out in 2001 and the investment in new manufacturing technologies are opening up additional potential for future productivity increases. We were already able to reduce manufacturing costs in the year under review by an average of 3 percent.

The accelerated expansion of our worldwide sales network led to a disproportionate increase in sales and marketing costs and connected administration costs. However, we see this as a necessary step for opening up additional new markets, in order to also use RATIONAL's growth prospects in the medium term.

Earnings structure 2001



Results

High profit-sales ratio in 2001 as well

In spite of high investments in further organisation development and the expansion of manufacturing, we were able to increase the result before taxes from 29.5 million euros to 31.9 million euros. Thus, a gross profit-sales ratio of 19.0 percent (previous year: 19.3 percent) was achieved in 2001.

The group result was 20.8 million euros (previous year: 17.5 million euros) and is, thus, 18.8 percent higher than the previous year. This high increase is, amongst other things, the result of an improved overall tax ratio from 40.5 percent in the previous year to 34.7 percent, influenced by the German tax reform.

Dividend increases by 54 percent

With the appropriate go-ahead by the shareholders' meeting a cash dividend of 1.00 euro (previous year: 0.65 euros) per share will be paid out by RATIONAL AG. This corresponds to a total amount of 11.4 million euros (previous year: 7.4 million euros) or 55 percent of the consolidated earnings of the RATIONAL Group.

Operating cash flow increases by 23 percent

Low stocks of finished goods due to purely order-based manufacturing, low stocks of raw material due to the "just in time" material supply in the KANBAN process and our active receivables management are leading to minimal use of working capital. This, combined with the company's high earning power has made it possible to increase our operating cash flow by 23 percent from 16.0 million euros to 19.7 million euros.

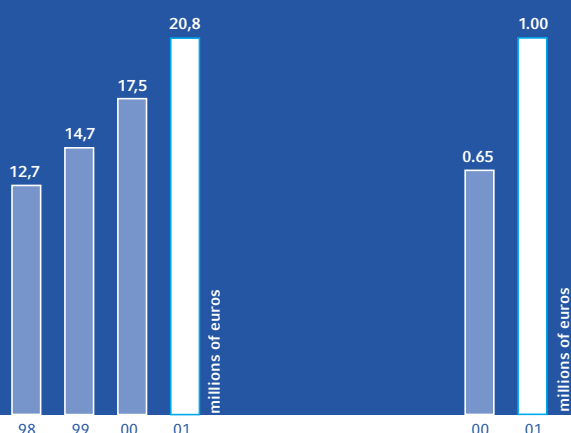
The cash flow from financing activity was assisted in the previous year by the inflow of funds from the IPO.

Good balance sheet structure – a solid basis for further success

Fixed assets have increased during the reporting period mainly due to the expansion of manufacturing by 5.4 million euros to 25.7 million euros (previous year: 20.3 million euros).

Group result*

Cash dividend in euros per share



* 1998 and 1999 according to the German commercial code (HGB) and as of 2000 according to IAS

The management of stocks has further improved. Stocks as per the balance sheet date increased only underproportionally compared to turnover development, i.e. by 0.8 million euros to 11.8 million euros (previous year: 11.0 million euros).

The equity capital before the payment of dividends increased as a result of the profit for the year from 2001 by 13.5 million euros to 64.4 million euros (previous year: 50.9 million euros). This corresponds to an equity ratio of 63.9 percent (previous year: 59.3 percent). We were able to maintain the return on capital employed (ROCE) at a very high level of 40.0 percent (previous year: 45.6 percent).

Targeted investments for profitable growth

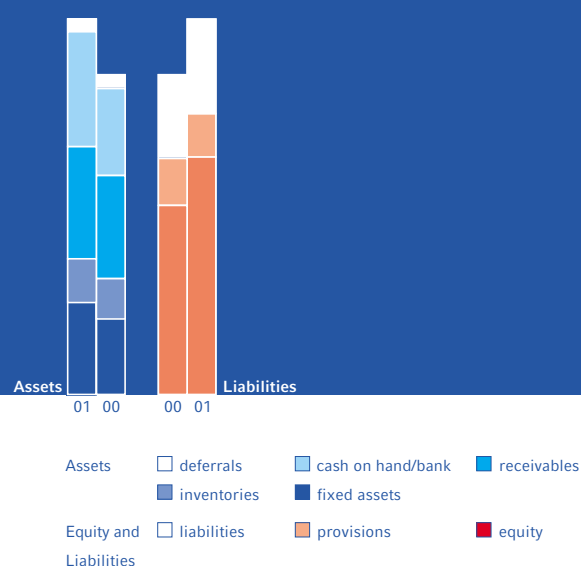
In the year under review 8.5 million euros (previous year: 3.6 million euros) were invested.

Investments focused mainly on the expansion and modernisation of manufacturing in Landsberg. Manufacturing capacities were increased from the previous 20,000 up to 30,000 devices per year. With the expansion in capacity it was possible, at the same time, to improve manufacturing organisation and manufacturing technology to a new platform.

The acquisition of a fully automatic bending and laser punching centre is opening up additional potential for us to further reduce manufacturing costs and at the same time achieve improved manufacturing quality. Considerable investments were also made in the further expansion and modernisation of the computer infrastructure to increase availability and the security standard.

Cash flow of the RATIONAL Group in thousands of euros	2001	2000
Group result	20,817	17,529
Cash flow from operating activities	19,703	15,995
Cash flow from investing activities	– 4,142	– 3,443
Cash flow from financing activities	– 8,596	5,019
Exchange rate changes	296	– 159
Change in cash funds	7,261	17,412

Balance sheet structure



Investments

Technological advantage through targeted research and development

With 46 employees RATIONAL has one of the largest, and from our point of view also the most qualified, development team in the industry. In the year under review 7.2 million euros (previous year: 7.0 million euros) or 4.3 percent (previous year: 4.6 percent) of revenues were spent on research and development. This investment will continue to safeguard our technological advantage, the basis of our outstanding competitive position, in the future.

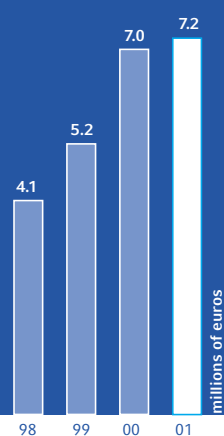
With the launch of CombiCheck® and UltraVent® in the spring of 2001 we were able to further expand our technological lead over the competition. The use of CombiCheck® makes it possible for our customer service partners to diagnose faults remotely with fault recognition and, in certain cases, to also rectify faults from their office desk. CombiCheck® therefore directly benefits our customers by improving operating safety and, at the same time, reducing service costs.

With UltraVent® as a perfect complement to the Combi-Steamer we launched a patent applied condensation extractor hood in 2001. Thus, the installation of the Combi-Steamer is considerably more flexible and does not depend on the availability of conventional and cost-intensive ventilation technology. This innovation, thus, also makes it possible to use the Combi-Steamer in the rapidly increasing front-cooking area.

RATIONAL internationally awarded

RATIONAL was one of the very first companies to receive the **ISO/DIS 9001:2000** certification in January 2001. This new international norm, published in December 2000, certifies the implementation of integrated process management for systematically identifying and controlling company-wide improvement potential.

Research and development costs



1998 and 1999 pro-forma figures

“Top 100” is a project for emphasizing and promoting top performance in medium-sized businesses in Germany. It is supported by the Fraunhofer-Gesellschaft and the editorial office of “Markt und Mittelstand”. Ratings focus is on the economic development of the company, innovative strength in the areas of product technology, organisation and corporate culture. In February 2001 RATIONAL received an award as a “Top 100” medium-sized business.

In April RATIONAL received the FCSI Award 2001 for outstanding product innovations and design from the “Foodservice Consultant Society International”.

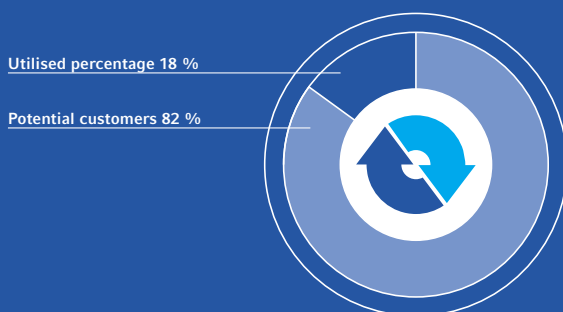
High market potential guarantees stability and growth

RATIONAL products are today already sold in more than 80 countries in the world. Nevertheless, only around 18 percent of the sales potential worldwide has been utilised. Large growth reserves still exist in Europe, but especially also in the USA and in Japan.

The RATIONAL sales and marketing process is “standardised” worldwide and is implemented via OEM partners, import partners and our own subsidiaries in the respective countries. All-inclusive projects for new kitchens are being hit harder by the economic development due to their high investment volume and tended to be postponed in 2001. A large part of our business with international trading partners is structurally geared to this all-inclusive kitchen equipment and is, thus, directly dependent on the number of existing projects. For this reason, this sales area did not grow in 2001. The sales route via our own subsidiaries, which is less dependent on economic changes due to concentration on the sale of single units, is very successful and crisis-proof.

We assume that postponed investment projects can be implemented when economic developments improve, thus increasing future growth opportunities.

Only 18 percent of sales potential has been utilised



Situation of the segments

Growing internationalisation

RATIONAL also continued its successful course in 2001. The proportion of exports in the group sales increased further from 78 percent to 80 percent.

The high growth rate of the foreign subsidiaries totalling 20 percent was an important stability factor in 2001.

Germany – growth at high level

The German market, including OEM customers, is still our largest sales area with a 20 percent share (previous year: 22 percent) in total turnover. In order to do justice to the importance of this market, and to ensure direct comparability with other subsidiaries, the German brand business was spun off into RATIONAL Großküchentechnik GmbH and, thus, made independent with legal effect from 1st January 2001 and operatively from 1st April 2001.

In the German market, which has already been well developed, replacement demand plays an important role. Due to exceptionally high customer satisfaction, the RATIONAL repeat purchase rate is especially high. We are consequently gaining additional market shares in the replacement business. In the stagnating German market, unit sales from the brand business grew by 4 percent compared to the previous year.

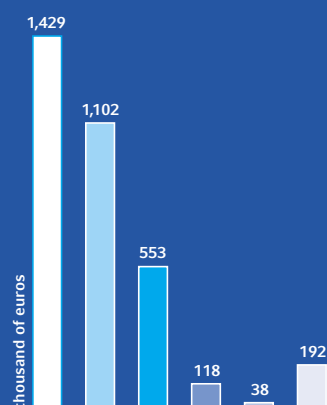
Europe without Germany – high growth, against current trends

The European subsidiaries were able to increase their turnover by 21 percent from 52.8 million euros to 63.7 million euros, in spite of the difficult underlying economic situation. The development in Italy is especially pleasing, where we succeeded in increasing turnover from 3.3 million euros to 5.3 million euros, i.e. by 59 percent.

Revenues



Annual net profit



□ UK □ France □ Scandinavia □ Italy □ Spain □ Switzerland

America – market with the highest potential for RATIONAL technology

Our high expectations have not been fulfilled in the **USA**, owing to economic and political developments. Along with the project business, the hotel and restaurant segment in particular was severely on the decline in the USA.

By focusing on the ten federal states with the most potential and on the less economically dependent single unit business we still succeeded in growing by 11 percent (previous year: 51 percent) and achieving a positive annual net profit of 0.2 million euros.

Against the background of high potential and the disproportionate sales growth of 34 percent in the focus federal states, we are confident of being able to continue the successful course of the last few years in the future.

Canada has passed its test in the second year of its existence. With an increase in turnover of 163 percent to 0.9 million euros (previous year: 0.4 million euros) it was able to almost break even with –0.1 million euros.

Even in **Argentina** revenues rose from 0.1 million euros to 0.5 million euros. Owing to the country's difficult economic situation at the present time we have, however, decided to close this business. In the future, the Argentinian customers will again be supplied and looked after by the AG directly. The negative contribution to operating income of the Argentinian subsidiary, including the effect of the Peso devaluation, currently stands at 0.5 million euros.

Asia – growth despite recession

After the USA **Japan** is the single market with the second largest future potential. We also succeeded in significantly expanding the Japanese business further in 2001. Turnover in local currency increased by 15 percent and this was despite the recessive economic development in the country (previous year: also 15 percent). The Japanese organisation was expanded further due to the good growth prospects. This led to a negative result of 0.3 million euros in the year under review.

By focusing even more strongly and improving the implementation of the RATIONAL sales and marketing process we are expecting further increasing growth rates in the next few years. Higher turnovers where structures have already been built up will substantially improve the cash flow and earnings situation of the subsidiary in the medium term.

South Korea was able to achieve a turnover of 0.7 million euros in the first full financial year. A virtually balanced result of –0.1 million euros was also achieved.

Rest of the world – greater dependence on economy and project business

The activities of the parent company are summarised in the “rest of the world” segment. The external turnover of this segment represents the total OEM business and exports via trading partners into countries that are not dealt with by our own subsidiaries. This also included the German brand market until it was hived off from the AG and taken over operatively by RATIONAL Großküchentechnik GmbH.

We were able to more than balance the slight shortfalls in international business with trading partners through an increase in turnover in the OEM business, so that the turnover in these two areas rose overall by 0.4 million euros to 49.2 million euros.

The supply of subsidiaries by the AG is also included in the “rest of the world” segment. The high growth of the subsidiaries and the spin-off of the German brand business caused turnover with the subsidiaries to rise by 66 percent to 71.2 million euros.

Employees

Exceptional employees – the key to success

Especially in economically difficult times the qualifications, creativity and commitment of employees at home and abroad are crucial for success. Employees at RATIONAL work extremely efficiently, like entrepreneurs within the company. They make the necessary decisions for their work area themselves. There are no pure decision-making levels and divisions. The fully implemented process organisation prevents unnecessary interfaces and, thus, facilitates unitary, closed areas of responsibility.

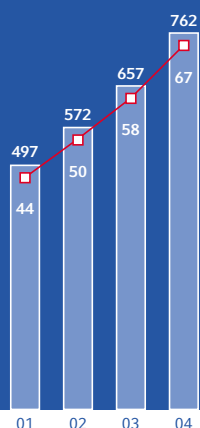
On 31st December 2001 the RATIONAL Group had a workforce of 678 employees compared to 626 employees at the comparable point in time of the previous year.

RATIONAL – the valued-added share

The rational share was also not able to completely evade the turbulent events in the stock market in 2001. Starting with a peak of 73 euros in January 2001, the share price dropped despite positive corporate news and fell to even less than 30 euros at times, ending the year at 35 euros. This price does not do justice to the current fair value of the company.

The Executive Board has further intensified investor relations activities and presented the company at numerous roadshows in the financial world. With the banking house, Sal. Oppenheim, a further internationally experienced partner was won as designated sponsor for RATIONAL in addition to Schrodgers Salomon Smith Barney.

Fair value and share price potential



- Fair company value in millions of euros according to the discounted cash flow method
 - Share price in euros
- (Source: Sal. Oppenheim)

Risk report

Overall economic risks

The RATIONAL Group was able to prove in the last fiscal year that it can also expand strongly and profitably under difficult economic conditions. Against this background we see the risk that might arise for the company from a possible further deterioration in the underlying economic situation as limited.

Markets

The largest single risks are that we do not always succeed in developing new markets at the planned speed. Due to our organisation and because of the relatively flexible cost structures due to a low capitalisation ratio we can react to this at short notice.

Currency risks

The RATIONAL Group is exposed to a number of risks within the scope of its international activities, which are inseparably connected to our business activities. 50 percent (previous year: 49 percent) of the total group turnover is completed in foreign currencies outside the euro zone. Exchange rate fluctuations that occur at short notice can, therefore, negatively influence the company's income situation. Due to the variety of markets we deal with, these risks are spread widely. In addition, the remaining risks are largely minimised through appropriate rate hedging activities.

Risks from operating activity

The operating risk connected with concentration on one production location is significantly reduced by splitting production into two separate manufacturing plants in different places.

Liquidity risk

Owing to the very high equity base and the good cash flow development, the liquidity risk is estimated to be very small.

Risk management further improved

In the year under review risk management at RATIONAL was further professionalised and improved with the introduction of a computer-supported "risk rating system" (RRS).

The Executive Board of RATIONAL AG currently sees no existence-endangering risks for the company.

Subsequent events

Events that would be of special importance for assessing the assets, liabilities, financial position and profit or loss of RATIONAL AG and the RATIONAL Group did not arise after completion of the fiscal year.

Forecast report

Industry situation and markets

Against the background of the position of the RATIONAL Group in a growth market that has only been marginally utilised, high growth rates for turnover and net income are also possible in the future.

By focusing even more strongly on opening up new markets in Europe, the USA and Japan we see very good chances to safeguard our growth in the medium and long term.

Research and development

The targeted activities in the field of research and development with special concentration on equipment technology, application research, equipment intelligence and user friendliness will, in our view, ensure that we remain the clear technology leader in the future.

Procurement and production

We are increasingly working with selected system suppliers who subject themselves to strict controls and, in doing so, regularly meet our high requirements. We are aiming to form long-term partnerships that are also the key to success in this case.

Investments made in the modernisation and optimisation of our manufacturing processes will develop new potential for productivity increases and further cost reductions in manufacturing.



Outlook

Our claim for the coming financial year is to once again offer our customers the maximum possible benefits. We shall work intensively to improve further the quality of our products and services and to, thus, increase customer benefits in a sustained way.

We are confident of being able to continue our previous success course in the future. With a once again improving underlying economic situation we see a good chance of achieving significant double-digit turnover and net income increases in 2002.

Landsberg, 28th February 2002

The Executive Board





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Report by the
Supervisory Board



Financial Statements

Report by the Executive Board

The Executive Board of RATIONAL AG is responsible for preparing the group financial statements and for the information included in the group management report. Reporting is carried out according to the rules of the International Accounting Standards Committee. The group management report has been prepared in compliance with the regulations of the German Commercial Code (HGB).

By carrying out group-wide reporting according to standard guidelines, using reliable software, selecting and training qualified personnel and by constantly checking our internal auditing, we ensure an accurate picture of how business has progressed throughout the group and, thus, a reliable basis for the group financial statements and the management report. A risk management system that contains a number of effective internal control and monitoring systems makes it possible for the Executive Board to recognise financial risks, such as changes in the economic development of the group, early on and to initiate appropriate countermeasures.

The financial statements of the parent company are not included in the group annual report. They are displayed in the business premises of RATIONAL AG in Landsberg am Lech for inspection and can also be requested at any time.

In accordance with the resolution of the shareholders' meeting, the Supervisory Board has appointed Allrevision Dornhof Kloss und Partner GmbH as an independent auditor to audit the group financial statements. Together with the auditors, the Supervisory Board will discuss the group financial statements, including the group management report and the audit report, in detail at its balance sheet meeting. The result of this audit can be found in the report by the Supervisory Board.

Landsberg am Lech, 25th February 2002

RATIONAL AG

The Executive Board



Dr. Günter Blaschke



Erich Baumgärtner



Peter Wiedemann

Auditor's report *

We have audited the accompanying financial statements of RATIONAL Aktiengesellschaft, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement as well as the notes to the financial statements for the business year from January 1 to December 31, 2001. The preparation and the content of the consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on whether the consolidated financial statements are in accordance with International Accounting Standards (IAS) based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing requirements and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with IAS.

Our audit, which also extends to the group management report prepared by the Company's management board for the business year from January 1 to December 31, 2001, has not led to any reservations. In our opinion, on the whole the group management report together with the other disclosures in the consolidated financial statements provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the group management report for the business year from January 1 to December 31, 2001, satisfy the conditions required for the Company's exemption from its obligation to prepare consolidated financial statements and the group management report in accordance with German law.

München, den 28. Februar 2002

Allrevision Dornhof Kloss und Partner
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Dr. Maerz	Voshagen
Wirtschaftsprüfer	Wirtschaftsprüfer
Steuerberater	Steuerberater

* translated version

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Income statement of the RATIONAL Group

THOUSANDS OF EUROS	Appendix	Page	2001	2000
Revenues	1	66	167,252	152,646
Cost of sales	2	66	– 71,211	– 65,907
Gross profit			96,041	86,739
Selling expenses	3	66	– 46,182	– 39,998
Research and development expenses	4	66	– 7,233	– 7,046
General administration expenses	5	66	– 11,070	– 9,461
Other operating income	6	67	1,939	1,065
Other operating expenses	7	67	– 1,547	– 1,513
Earnings before interest and taxes (EBIT)			31,948	29,786
Financial results	8	67	– 91	– 312
Earnings from ordinary activities			31,857	29,474
Taxes on income	9	67	– 11,040	– 11,945
Group earnings			20,817	17,529
Retained earnings brought forward				
(in the previous year: accumulated losses brought forward)			2,824	– 7,315
Retained earnings			23,641	10,214
Average number of shares			11,369,500	11,369,000
Earnings per share in euros relating to the group results and the number of shares	10	69	1.83	1.54

Balance sheet of the RATIONAL Group

Assets IN THOUSANDS OF EUROS	Appendix	Page	2001	2000
Intangible assets	12	70	2,308	2,658
Property, plant and equipment	13 14	71	23,176	17,448
Financial assets	15	71	218	218
Fixed assets			25,702	20,324
Inventories	16	71	11,782	11,006
Trade accounts receivable	17	72	29,811	27,486
Other assets	18	72	2,494	1,965
Cash in bank accounts and cash on hand	19	72	27,693	21,378
Current assets			71,780	61,835
Deferred tax refund claims	9	67	2,743	3,401
Prepaid expenses	20	72	546	325
Balance sheet total			100,771	85,885

Equity and Liabilities IN THOUSANDS OF EUROS	Appendix	Page	2001	2000
Subscribed capital	21	72	11,370	11,370
Capital reserve	22	73	28,849	28,815
Revenue reserves	23	73	514	514
Retained earnings			23,641	10,214
Equity			64,374	50,913
Provision for pensions	25	73	479	702
Provision for taxation	26	74	2,332	3,878
Other provisions	27	75	8,791	8,061
Accruals			11,602	12,641
Liabilities to banks	28	75	5,292	6,695
Trade accounts payable			4,375	3,885
Other liabilities	29	75	14,809	11,382
Liabilities			24,476	21,962
Deferrals	30	76	319	369
Balance sheet total			100,771	85,885

Cash flow statement for the RATIONAL Group

THOUSANDS OF EUROS	2001	2000
Cash flow from operating activities		
Results from ordinary activities	31,857	29,474
Depreciation on fixed assets	3,041	2,465
Proceeds from fixed assets	-3	- 58
Non-realised foreign currency result	- 358	- 158
Financial income	- 708	- 573
Interest expenses	799	886
Operating result before changes in working capital	34,628	32,036
Changes in		
Inventories	- 776	- 2,040
Trade accounts receivable and other assets	- 2,984	- 4,888
Accruals	507	2,004
Trade accounts payable and other liabilities	606	1,361
Cash generated from current business activities	31,981	28,473
Interest paid	- 799	- 886
Tax on income paid	- 11,479	- 11,592
Net cash generated from operating activities	19,703	15,995
Cash flow from investment activities		
Investments in intangible assets and tangible assets	- 4,335	- 3,799
Proceeds from fixed assets	65	333
Interest received	708	552
Dividends received from non-consolidated participations	0	21
Granted credit and loans	- 668	- 550
Repayment of granted credit and loans	88	0
Net cash assets used for investment activities	- 4,142	- 3,443
Cash flow from financing activities		
Proceeds from the increase in subscribed capital	0	1,370
IPO proceeds	0	29,994
Costs of the IPO	0	- 3,336
Dividends	- 7,390	- 17,389
Payments within the scope of financing lease agreements	- 867	- 717
Repayment of bank liabilities	- 457	- 4,857
Purchase of own shares	0	- 46
Income from the sale of own shares	118	0
Net cash used for financing activities	- 8,596	5,019
Net increase in cash	6,965	17,571
Changes in cash from exchange rate changes	296	- 159
Change in cash funds	7,261	17,412
Cash on 1st January	17,753	341
Cash on 31st December	25,014	17,753

Statement of changes in equity of the RATIONAL Group

THOUSANDS OF EUROS	Subscribed capital	Capital reserves	Revenue reserves	Retained earnings	Total
Balance on 1st January 2000	5,135	831	514	14,939	21,419
Dividends	—	—	—	-17,389	-17,389
Capital increase from funds retained earnings	4,865	—	—	- 4,865	—
Capital increase from the IPO	1,370	29,994	—	—	31,364
Clearing of the reserve for own shares	—	- 46	—	—	- 46
Group earnings	—	—	—	17,529	17,529
Other changes in equity not affecting operating results					
Clearing of IPO costs	—	-1,666	—	—	- 1,666
Differences from currency conversion	—	- 298	—	—	- 298
Balance on 31st December 2000	11,370	28,815	514	10,214	50,913
Dividends	—	—	—	- 7,390	- 7,390
Group earnings	—	—	—	20,817	20,817
Sale of own shares	—	92	—	—	92
Differences from currency conversion	—	- 58	—	—	- 58
Balance on 31st December 2001	11,370	28,849	514	23,641	64,374

General notes to the group financial statements

Description and explanation of business activity

The business activity of RATIONAL AG comprises the development, manufacturing and sale of Combi-Steamers for industrial kitchens. 25 different Combi-Steamer models are on offer in three different product lines (CPC, CD and CM). The worldwide sale of devices is partly operated via our own domestic and foreign subsidiaries.

The company shares are registered on the organised market at the Frankfurt Stock Exchange in the SMAX market segment.

Fundamental accounting principles

The group financial statements of RATIONAL AG for the financial year of 2001 (stating the previous year's figures) have been prepared in compliance with the International Accounting Standards (IAS), adopted and published by the International Accounting Standards Committee (IASC), and their interpretation through the Standard Interpretations Committee (SIC).

As this is the first time group financial statements have been prepared according to IAS, appropriate information about the previous year's figures had to be provided.

All effective standards for the financial year of 2001 have been taken into account. IAS 12 has already been used voluntarily in the revised version from October 2000 with regard to the previous year's figures for the year ended 31st December 2000.

Accounting and valuation methods according to the German Commercial Code that do not comply with the IAS or SIC have not been used.

The group financial statements on hand contain the following accounting and valuation methods that differ from German trading law:

Property, plant and equipment

Capitalisation of the asset value in the case of financing leasing agreements whilst, at the same time, showing leasing liabilities as liabilities according to the allocation criteria of IAS 17

Own shares

Clearing of our own shares against equity capital and clearing of income from the sale of our own shares against equity capital on an after-tax basis according to SIC 16

Deferred taxes

Recognition of deferred taxes on accumulated tax losses brought forward according to the balance sheet oriented liabilities method in compliance with IAS 12

Provision for pensions

Valuation of the provision for pensions according to the projected unit credit method in compliance with IAS 19

Other provisions

The formation of other provisions is dispensed in so far as the likelihood of them being utilised is under 50 percent according to IAS 37

Currency conversion

Conversion of currency receivables and liabilities at the rate on the balance-sheet date and treatment of the resulting differences affecting net income according to IAS 21

Derivative financial instruments

The accounting of derivative financial instruments takes place at the current market value to be inserted on the balance-sheet date according to IAS 39

IPO costs

Offsetting of the IPO costs against equity on an after-tax basis according to SIC 17

Leasing

Use of the criteria for accounting leasing items and leasing liabilities according to IAS 17

Tax calculation

The tax rate that applies to retained profits is used as a basis; valuation of the tax reduction connected with a dividend payout only in the year in which the dividend vote is on the table according to IAS 12

The prerequisites of § 292a of the German Commercial Code (HGB) for exemption from the obligation to prepare group financial statements according to German Commercial Code have been met. The assessment of these prerequisites is based on the German Accounting Standard No. 1 (DRS 1) published by the German Standardisation Council.

The financial year of RATIONAL AG and all included subsidiaries corresponds to the calendar year. The group financial statements for 2001 were prepared in euros for the first time. The previous year's figures were converted at the fixed conversion rate of DM 1.95583 per euro. To make things clearer, the figures in the group financial statements are given in thousands of euros.

Consolidation methods

In addition to the parent company, all major domestic and foreign subsidiaries have been included in the group financial statements of RATIONAL AG.

Capital consolidation is carried out on the date when the individual subsidiaries are acquired or founded. The acquisition values of participations are offset against the equity capital apportionable to them on the date they are first included in the group financial statements (book value method). The remaining differences are allocated to the assets in so far as their present value exceeds the book value on the date of the initial consolidation. A residual difference after this offset is reported as goodwill. The silent reserves thus retransferred and reported goodwill are finally depreciated by the straight-line method according to their expected useful lives.

The effects of group-internal business transactions are eliminated. Receivables and liabilities between the included companies are consolidated, inter-company profits in the inventories are eliminated and group-internal income is offset against the corresponding expenses. The tax accruals and deferrals necessary according to IAS 12 are carried out on temporary differences from consolidation measures.

Foreign currency conversion

The conversion of foreign currency receivables or liabilities is performed at the respective foreign currency rates on the balance sheet date.

The financial statements of the foreign subsidiaries are converted into euros according to the concept of functional currency. The respective national currency acts as the functional currency in this case. Asset values and debts are consequently converted at the foreign currency rates on the balance sheet date and the items in the income statement at the annual average rates. The parts of equity capital included in the capital consolidation and the retained profits or accumulated losses brought forward are converted at historic rates. Should differences arise in the balance sheet, they are recorded as not affecting net income as "differences from the currency conversion" and are balanced within the equity capital with the capital reserves.

The most important exchange rates for us have developed as follows in relation to the euro:

	Exchange rate on the balance-sheet date		Annual average exchange rate	
	2001	2000	2001	2000
GBP	0.6095	0.6230	0.6193	0.6067
US \$	0.8830	0.9308	0.8910	0.9171
CAN \$	1.4100	1.3930	1.3832	1.3648
YEN	115.80	106.95	108.72	98.82
SEK	9.3400	8.8350	9.2833	8.4702

Consolidated companies

The consolidated companies comprise two domestic and eleven foreign subsidiaries, besides RATIONAL AG.

Name and location of the companies in the RATIONAL Group	% capital shares and % voting shares as of 31.12.2001
Domestic	
LechMetall Landsberg GmbH, Landsberg am Lech	100.0
RATIONAL Großküchentechnik GmbH, Landsberg am Lech	100.0
Europe	
RATIONAL Skandinavia AG, Lund, Sweden	100.0
RATIONAL UK Limited, Luton, Great Britain	100.0
FRIMA S.A., Wittenheim, France	99.9
RATIONAL Schweiz AG, Oftringen, Switzerland	100.0
RATIONAL Iberica Cooking Systems, S.L., Barcelona, Spain	100.0
RATIONAL Italia S.R.L., Marcon, Italy	100.0
America	
RATIONAL Cooking Systems Inc., Schaumburg, USA	100.0
RATIONAL Canada Inc., Vaughan/Toronto, Canada	100.0
RATIONAL Argentina S.A., Buenos Aires, Argentina	100.0
Asia	
RATIONAL Japan KK, Tokyo, Japan	100.0
RATIONAL Korea Co., Ltd., Seoul, Korea	100.0

In addition, RATIONAL AG holds 98 percent of the shares and voting rights in MEIKU Vermögensverwaltung GmbH, Landsberg, which for its part has a stake as a sole limited partner in TAGO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Landsberg KG.

MEIKU Vermögensverwaltung GmbH posted equity capital of 40 thousand euros after an annual net profit of 20 thousand euros on its balance sheet date of 30th April 2001. We have decided not to include MEIKU Vermögensverwaltung GmbH and the financially inactive subsidiary of FRIMA S.A., Topinox Sarl, Nantes, in France, as they are only of minor importance for the group's net worth, financial position and earnings. Both participations must be valued at acquisition costs or lower applicable values.

Accounting and valuation methods

Intangible assets

Acquired intangible assets are capitalised at acquisition costs and are depreciated using the straight-line method over three to five years.

Goodwill from the capital consolidation and other corporate acquisitions are systematically depreciated over their expected useful life using the straight-line method. The expected useful lives are between 5 and 15 years and reflect expectations regarding utilisation of the market position gained through corporate acquisitions and the technological advantage.

Property, plant and equipment

Tangible fixed assets are valued at acquisition or manufacturing costs, reduced by scheduled depreciation. The manufacturing costs comprise all directly imputed costs and appropriate parts of manufacturing-related overheads. Financing costs are not reported. Depreciation is carried out on the basis of the economic useful life of the items. Depreciation based solely on tax regulations has not been reported.

The administration and production building are depreciated using the straight-line method over a period of between 25 and 50 years.

The remaining tangible assets are mainly depreciated by the declining balance method at rates of between 20 and 30 percent. Full depreciation is applied to new tangible assets in the first six months of the financial year, half the rate to assets in the second half of the year. Low-value assets are depreciated in full in the year of investment.

Finance leasing

If the beneficial ownership of leasing items according to IAS 17 has to be allocated to a group as a lessee, capitalisation of the leasing item is carried out on the date when the contract is concluded at the cash value of the leasing instalments. The depreciation methods and useful lives correspond to those of comparable purchased asset values.

Financial assets

Financial assets are shown at acquisition costs or the lower applicable value on the balance sheet date, in so far as the value reduction is expected to be permanent.

Inventories

Raw materials, supplies and merchandise goods are valued at acquisition costs. The lowest value principle with the FIFO procedure in concert with the weighted average price is brought into play for establishing the acquisition costs.

Unfinished and finished products are valued at manufacturing costs. The manufacturing costs contain acquisition costs and all costs directly chargeable to the production process as well as appropriate parts of manufacturing-related overheads.

Financing costs have not been allowed for.

Accounts receivable and other assets

Accounts receivable and other assets are disclosed at the nominal values. Recognisable risks are taken into account by individual value adjustments or the general credit risk through lump-sum individual value adjustments in the case of accounts receivable. The reported book values of the monetary asset values recorded in these items correspond to their respective market values.

Accounts receivable valued in foreign currency are converted using the middle rate on the balance sheet date.

Financial instruments

The applicable time value for all categories of financial asset values is the value on the markets relevant to RATIONAL AG, especially the decisive conditions of the banks for over-the-counter transactions. All changes to the applicable time value of financial asset values are recorded in the period results. Standard purchases are balanced according to the method of balancing on the day of trading.

Default risk and capital value of financial instruments

The book value of the cash in bank accounts, accounts receivable and other assets reported under the current assets mainly corresponds to the capital value because of the short maturity of these items.

Derivative financial instruments

The derivative financial instruments are valued on the balance sheet date at market values and the resulting valuation advantages or disadvantages in the balance sheet are recorded as other assets or other liabilities and the market value changes in the income statement are included in the other operating income or expenses.

Cash in bank accounts and cash on hand

The cash in bank accounts is valued at the nominal value. Cash in foreign currency is converted at the middle rate on the balance sheet date.

Deferred claims for tax refunds

Deferred taxes are formed, according to IAS 12, for valuation differences, on the one hand, between the commercial and tax balance sheets of the individual companies and, on the other hand, the group financial statements. Tax losses brought forward are also capitalised, in so far as they are likely to be used in the future, to the extent of the future deferred claim for a tax refund.

IAS 12 in the version revised in 2000 envisages the use of the corporation tax accumulation rate when valuing differences in deferred taxes. According to this method, the corporation tax reductions or credit balances connected with a dividend payout must only be recorded in the year in which the dividend resolution is presented.

The domestic tax rate forming the basis of the calculation of deferred tax was 36 percent in 2001 and 2000. The deferred tax rates of foreign subsidiaries were between 18 and 42 percent.

Accruals

Valuation of the provision for pensions is based on the projected unit credit method for performance-oriented pension schemes stipulated according to IAS. The percentage of interest included in the pension costs is reported as interest expenses within the financial results.

Provision for taxation and other provisions are formed, in so far as an obligation to third parties resulting from a past event exists, when utilisation is likely in the future and the extent of the utilisation can be reliably estimated. The valuation of the provisions is checked on each balance sheet date.

Liabilities

Liabilities from financing leasing agreements are reported on the date when the agreements are concluded at the cash value of the leasing instalments. The other liabilities are valued at the amount repayable. Liabilities valued in foreign currency are converted on the balance sheet date at the middle rate.

Income and expense realisation

Revenues are realised when the service is rendered or when the risks are transferred to the customer. Operating expenses are recorded as affecting net income when the service is utilised or on the date it is originated. Provisions for warranty are formed on an individual basis or when the corresponding revenues are realised. Interest income and expenses are adjusted on an accrual basis. Incurred research and development costs are immediately allowed for as profit reduction items after they arise. Financing costs are recorded as expenditure in the period they are incurred.

Use of estimates and assumptions

Preparation of the financial statements requires estimates and assumptions which may influence the stated amounts for assets, debts and financial liabilities on the balance sheet as well as the income and expenditure in the year under review. The actual developments may differ from the estimates and assumptions made. The principle of the “true and fair view” is unreservedly preserved also when using estimates.

Notes to the group income statement

1 Revenues

Revenue is distributed as follows across the regions, according to the customer location:

	2001		2000	
	T-EURO	%	T-EURO	%
Germany	33,577	20 %	33,177	22 %
Europe (without Germany)	90,191	54 %	79,157	52 %
America	18,071	11 %	15,706	10 %
Asia	19,185	11 %	17,766	12 %
Rest of the world*)	6,228	4 %	6,840	4 %
Total	167,252	100 %	152,646	100 %

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

The regions shown correspond to the segments in the segment reporting.

2 Cost of sales

Manufacturing costs are calculated from the individual costs for materials and production, the overheads for materials and production and from the wear and tear of the fixed assets.

3 Selling expenses

The selling costs include the costs of sales organisation, marketing, shipping, application consultancy and customer service.

4 Research and development expenses

Research and development is carried out at RATIONAL at the Landsberg location and at the subsidiary FRIMA. The main part of the activities is allocated to projects that mainly deal with continuous application research and products to be developed in the future in order to safeguard the company's success in the future. Around 50 percent of the costs for research and development are personnel costs for our own employees. Only a small percentage arises from external research contracts. Because of its activity, part of strategic purchasing is allocated to the research and development sector.

5 General administration expenses

Expenses for central services and administration, such as personnel, data processing, accounting and parts of strategic purchasing are included in administration costs.

6 Other operating income

Other operating income has mainly originated in the parent company and is broken down as follows:

THOUSANDS OF EUROS	2001	2000
Exchange gains	880	282
Income from the release of provisions	573	236
Income from asset retirements	178	13
Rental revenues	126	119
Insurance recoveries	106	167
Other (each < T-Euro 100)	76	248
Total	1,939	1,065

7 Other operating expenses

THOUSANDS OF EUROS	2001	2000
Exchange losses	1,228	1,041
Depreciation and value adjustments on accounts receivable	114	175
Demolition costs	—	162
Charges from hedging transactions	59	44
Other (each < T-Euro 100)	146	91
Total	1,547	1,513

8 Financial results

THOUSANDS OF EUROS	2001	2000
Income from partnerships	—	21
Other interest and similar income	708	552
Interest and similar expenses	–799	–886
Total	–91	–312

The income from partnerships in the previous year affect the dividend payout from MEIKU Vermögensverwaltung GmbH.

9 Taxes on income

The following table shows a transition from the expected to the actual reported tax expenses. A tax rate of around 36 percent for 2001 and around 50 percent for 2000 is used to ascertain expected tax expenses for the results from ordinary business activities. The tax rate comprises the profit accumulation rate for corporation tax and business tax. Due to the Tax Reduction Act of 2000 and the corporation tax rate of 25 percent effective from the financial year of 2001, plus 5.5 percent solidarity surcharge, the deferred tax items for the years 2001 and 2000 have been valued uniformly at an average tax rate of around 36 percent.

THOUSANDS OF EUROS	2001	2000
Expected income tax	11,462	14,657
Tax refunds on dividends from the previous year	-1,114	-3,283
Non tax-deductible depreciation on goodwill and released silent reserves from capital consolidation	139	192
Losses incurred in subsidiaries that have not led to tax relief through the formation of deferred taxes	184	5
Variation in local tax rates in the subsidiaries	-168	-338
Effects of the external tax audit for previous years	469	—
Effects of the tax rate changes on the calculation for deferred tax	—	763
Non tax-deductible expenses and other deductible amounts	68	-51
Reported income and income tax expenditure	11,040	11,945

IAS 12 in the revised version from 2000 has already been voluntarily used for the fiscal year 2000. According to this, dividend payments based on corporation tax reductions and credit balances are now taken into account in the year of the resolution for the appropriation of profits or on the date dividends are paid out. Non-capitalised deferred corporation tax credit balances (incl. solidarity surcharges) of around 2,000 thousand euros exist from previous years.

Active deferred taxes of 2,743 thousand euros and 3,401 thousand euros were formed in the fiscal years 2001 and 2000, which led to deferred tax expenses of 658 thousand euros in 2001 and in 2000 to an accrued tax income of 100 thousand euros. The tax accruals and deferrals in 2001 and 2000 are attributable to the following facts:

THOUSANDS OF EUROS	Deferred taxes		Effect on net income
	2001	2000	2001
Elimination of intercompany profits	1,996	1,982	14
Debt consolidation	-765	12	-777
Currency conversion	-394	-181	-213
Financing leasing	187	171	16
Hedging transactions	42	-130	172
Provision for pensions	23	64	-41
Other	-25	9	-34
Accumulated tax losses brought forward	1,679	1,474	205
Total	2,743	3,401	-658

In addition to the stated deferred tax claims, additional carried-over tax losses of 520 thousand euros existed in the Argentinian subsidiary in 2001 and 2000 (previous year: 1 thousand euros) and no tax accrual and deferrals could be formed for the subsidiary as a result of the economic situation.

Settlement of the capitalised deferred tax refund claims of 854 thousand euros (previous year: 1,692 euros) is expected to take less than a year. The reported amounts of 1,889 thousand euros (previous year: 1,709 euros) have a long-term character. The short-term deferred taxes are apportionable to RATIONAL AG and result from temporary differences between the commercial balance and the tax balance sheet, as well as from consolidation measures, whilst the long-term deferred taxes are mainly based on the accumulated tax losses carried forward from the subsidiaries. In so far as tax deferrals and accruals exist with the same term of maturity in a company, a balance will be shown for these items.

10 Earnings per share

The earnings per share are determined according to IAS 33 (earnings per share) by dividing the group results by the average weighted number of outstanding shares during the fiscal years 2001 and 2000. Due to the stock of 2,000 own shares in the company held from April 2000 to July 2001, the average number of shares for 2001 comes to 11,369,500 for 2001 and 11,369,000 for 2000. The results per share for the business year 2001 come to 1.83 euros (in the previous year: 1.54 euros). This means an increase of 19 percent compared to the previous year.

No shares were outstanding on 31st December 2001 or 2000 that might dilute the results per share.

11 Dividend per share

With the appropriate approval from the shareholders' meeting a cash dividend of 1.00 euros (previous year: 0.65 euros) will be paid per share which corresponds to a total of 11,370 thousand euros (previous year: 7,390 thousand euros) and means an increase of 54 percent compared to the previous year.

Notes to the consolidated balance sheet

12 Intangible assets

THOUSANDS OF EUROS

	Industrial and similar rights	Goodwill	Total
Acquisition cost			
Balance at Jan. 1, 2001	13,816	6,048	19,864
Translation differences	-3	—	-3
Additions	334	—	334
Disposals	-15	—	-15
Transfers	-31	—	-31
Balance at Dec 31, 2001	14,101	6,048	20,149
Depreciation and Amortisation			
Balance at Jan. 1, 2001	13,410	3,796	17,206
Translation differences	-1	—	-1
Additions	176	478	654
Disposals	-15	—	-15
Transfers	-3	—	-3
Balance at Dec. 31, 2001	13,567	4,274	17,841
Book values			
Balance at Dec. 31, 2001	534	1,774	2,308
Balance at Dec. 31, 2000	406	2,252	2,658

The depreciations and amortisations disclosed were allocated to each functional area according to origin in the profit and loss statement.

13 Tangible assets

THOUSANDS OF EUROS

	Land and buildings	Technical equipment and machinery	Operating and office equipment	Payments on account	Total
Acquisition cost					
Balance at Jan. 1, 2001	21,491	1,250	7,521	92	30,354
Translation differences	—	—	28	—	28
Additions	4,874	177	2,930	161	8,142
Disposals	-5	-7	-545	-10	-567
Transfers	1	81	31	-82	31
Balance at Dec. 31, 2001	26,361	1,501	9,965	161	37,988
Depreciation and amortisation					
Balance at Jan. 1, 2001	7,103	1,146	4,657	—	12,906
Translation differences	—	—	21	—	21
Additions	811	57	1,519	—	2,387
Disposals	-5	-8	-493	—	-506
Transfers	—	—	4	—	4
Balance at Dec. 31, 2001	7,909	1,195	5,708	—	14,812
Book values					
Balance at Dec. 31, 2001	18,452	306	4,257	161	23,176
Balance at Dec. 31, 2000	14,388	104	2,864	92	17,448

The depreciations and amortisations were allocated to each functional area according to origin in the profit and loss statement.

14 Finance leasing

The remaining book value of those leased assets where, in accordance with IAS 17, the Company is considered to be the economic owner, was 12.1 million euros (previous year: 8.3 million euros). The accumulated amortisation on these leased assets totalled 1.5 million euros (previous year: 1.1 million euros).

15 Financial assets

The financial assets disclosed relate to the book value of the investment in MEIKU Vermögensverwaltung GmbH. The original acquisition cost totalled 2.725.000 euros the accumulated partial amortisation to the lower going-concern value made necessary by the distribution of dividends was 2.507.000 euros. It should be assumed that the market value of the shareholding will equal the book value of 218.000 euros.

16 Inventories

THOUSANDS OF EUROS	2001	2000
Raw materials, consumables and supplies	4,913	4,166
Work in progress	844	930
Finished goods	6,025	5,910
Total	11,782	11,006

17 Trade receivables

T-EURO	2001	2000
Trade receivables at nominal value	30,524	28,100
Write-downs for doubtful accounts receivable	-713	-614
Total	29,811	27,486

Of these accounts receivable, 637.000 euros (previous year: 602.000 euros) had a term of more than one year. The majority of accounts receivable were insured against risk of default by a credit sale insurance.

18 Other assets

T-EURO	2001	2000
Value added tax refund claims	1,161	836
Present value of derivative financial instruments	327	411
Security deposits	211	108
Miscellaneous	795	610
Total	2,494	1,965

152 thousand euros (previous year: 21 thousand euros) had a remaining term of more than one year.

19 Bank balances and cash-in-hand

Short-term deposits were in accounts in various eurozone banks at the balance sheet date bearing interest of between 3.30 and 3.88 percent.

20 Prepaid expenses

The prepaid expenses in the consolidated balance sheet contain exclusively amounts for expenses to be allocated to the subsequent year. Expenses resulted primarily from exhibitions and marketing activities as well as insurance benefits. All prepaid expenses have a remaining term of less than one year.

21 Subscribed capital

As of the date of foundation, the share capital amounted to DM 10,044 thousand and was composed of 2,008,000 registered no par-value shares issued January 1, 2000 in the names of the shareholders. The shares were converted to euros on February 3, 2000. At the same time, the capital was raised from corporate funds to 10 thousand euros and the shares split into 10,000,000 units. As a result of the IPO, a further capital increase amounting to 1,370 thousand euros (1,370,000 shares) was undertaken.

On December 31, 2001 the share capital of RATIONAL AG amounted to 11,370 thousand euros and was composed of 11,370,000 ordinary registered shares having a calculated value of 1 euro per share issued in the name of the bearer. Under the terms of Section 4 (2) and (3) of the Articles of Association and with the consent of the Supervisory Board, the Executive Board is authorised to raise the company's share capital in the period until January 1, 2005 by issuing new registered shares to an amount up to 4,215 thousand euros (approved capital I) and up to 1,100 thousand euros (approved capital II).

The conditional capital amounts to 200 thousand euros and applies to option rights held by members of the Executive Board of up to 200 thousand shares. The conditional increase of capital stock is dependent on the use made of the option rights issued by their owners (cf. note 40 in the appendix).

22 Capital reserves

The capital reserves, which primarily arose from the premium from the share issuance, is composed moreover of expense and earnings positions not affecting net income amounting to -1,620 thousand euros (previous year: -1,712 thousand euros). Included in this figure are tax benefits not affecting net income of 1,645 thousand euros (previous year: 1,671 thousand euros).

In addition, the capital reserves contain differences from currency translation not affecting net income amounting to -548 thousand euros (2000: 490 thousand euros).

23 Revenue reserves

Disclosed is the legal reserve accrued from previous years in accordance with § 150 of the shareholders law.

24 Own shares

On April 4, 2001 the company sold its 2,000 own shares with a par value of 2,000 thousand euros at the current market price of 59.07 euros. The shares represented a 0.02% share in the share capital. After deducting tax the resulting income amounting to 92 thousand euros was taken directly to capital reserves. Thus, at balance sheet date there were no own shares held.

25 Provisions for pensions

Entitlements to the employee pension scheme exist for one former managing director and a former company secretary. The employee pension scheme is financed exclusively by pension provisions. The approved payments are calculated actuarially using the Projected Unit Credit method.

In calculating pension provisions and the ensuing pension costs, the Ten-Percent-Corridor method is used which means that any profits or losses over a ten-percent threshold are distributed evenly over the average remaining length of service. Because of actuarial profits not accounted for, the balanced pension provision may be higher than the current value of pension obligations.

T-EURO	2001	2000
Present value of pension obligations	479	679
Actuarial profits not accounted for	—	23
Balance at Dec. 31	479	702

The calculations are based on the following assumptions:

Rate of interest: 6.00 % (previous year: 6.25 %)

Salaries trend: 3.00 % (previous year: 3.00 %)

Pensions trend: 1.25 % (previous year: 1.25 %)

The calculations were based on K. Heubeck's 1998 mortality tables.

During 2001 and 2000 provisions for pensions developed as follows:

T-EURO	2001	2000
Balance at Jan. 1	702	642
Additions	27	60
Curtailment gain	-250	—
Balance at Dec. 31	479	702

The item "curtailment gain" applies to the withdrawal of previously granted entitlements to a member of the Executive Board and a member of the Management Team (cf. note 41 in the appendix).

The costs of the provisions for pensions in the profit and loss statement is composed as follows:

T-EURO	2001	2000
Current value of expected entitlement increase	—	21
Accumulation of expected pension obligations	27	39
Total	27	60

26 Provisions for taxes

T-EURO	Balance at Jan. 1, 2001	Translation differences 2001	Use 2001	Additions 2001	Balance at Dec. 31, 2001
Income and earnings taxes	3,878	-12	-3,825	2,291	2,332

The provisions for taxes are composed exclusively of short-term provisions with terms of less than one year.

27 Other provisions

T-EURO	Balance at Jan. 1, 2001	Translation differences 2001	Use 2001	Additions 2001	Balance at Dec. 31, 2001
Personnel	3,691	-7	-3,577	3,947	4,054
Warranty	1,427	5	-198	256	1,490
Outstanding invoices	876	4	-880	1,002	1,002
Consulting and acquisition costs	824	-2	-525	686	983
Trader bonuses	566	23	-266	334	657
Miscellaneous	677	5	-622	545	605
Total	8,061	28	-6,068	6,770	8,791

The individual provisions are composed exclusively of short-term provisions with terms of less than one year.

28 Liabilities to banks

All liabilities disclosed have a remaining term of less than one year. The interest rates applying at the end of the financial year were in the range of 1.0 to 2.3 percent.

29 Other liabilities

T-EURO	2001	2000
Liabilities from finance lease agreements	9,248	5,973
Value added tax liabilities	1,466	1,246
Liabilities from annual reimbursements to trading partners	1,750	1,468
Liabilities from income and church taxes	1,092	1,046
Income tax liabilities	134	98
Liabilities from wages, salaries and social security contributions	493	1,292
Liabilities due to affiliated companies	55	18
Present value of derivative financial instruments	445	50
Miscellaneous (items less than 100 thousand euros)	126	191
Total	14,809	11,382

The "liabilities to affiliated companies" item represents a loan to MEIKU Vermögensverwaltung GmbH bearing interest of 5.5 percent.

With the exception of liabilities relating to finance lease agreements the remaining liabilities are due at short notice. The due dates of liabilities resulting from finance lease agreements are listed in the following table:

T-EURO	Total	Remaining term up to one year	Total	Remaining term up to one year
Term; interest	2001	2001	2000	2000
a) until 2007; 6.45 %	3,910	635	4,505	595
b) until 2007; 4.93 %	311	53	361	50
c) until 2008; Pibor 3 mths. +1.50 %	989	124	1,107	118
d) until 2011; 6.65 %	3,491	270	—	—
e) until 2011; 6.05 %	547	46	—	—
Total	9,248	1,128	5,973	763

For the finance leases under a), b), d) and e) in the above table, both interest and leasing rates are fixed during the entire term and are distributed evenly over the period of the leases. There are neither options to extend these terms nor restrictions placed upon them. It was agreed contractually that lessee loans were to be concluded for each that would attain the fixed sale value (option to buy in RATIONAL AG's favour) by the maturity of the leasing agreement.

The finance lease under c) bears a variable rate of interest (Pibor 3 months + 1.5 %) with the option of converting to a fixed rate of interest (OAT +1.8 %). At maturity, the leased object may be purchased by the lessor for 0.15 euros. The contract is not subject to restrictions.

The following lease payments will become due:

T-EURO	2002	2003 – 2006	from 2007
Present value	1,620	5,583	2,096
Discounts	61	1,147	1,094
Lease payments	1,682	6,729	3,191

30 Prepaid income

The accrued expense position contains accrued book profits amounting to 319 thousand euros (previous year: 369 thousand euros) arising from financing leasing transactions that will be carried to profit and loss statement at expiry in accordance with IAS 17.

31 Cash flow statement

The cash flow statement shows the development of cash and cash equivalents of the RATIONAL Group during the year under review. The cash flow statement is structured in accordance with IAS 7 according to the operating activity to which the cash inflow relates, and investing and financing activities.

Investing and financing activities which did not result in a change in cash are not included in this cash flow statement in accordance with IAS 7.

The cash and cash equivalents include cash balances, bank balances that have a remaining term of three months or less and short-term, payable at call liabilities to banks.

The bank balances include cash subject to restraints on disposal. The restraints on disposal apply to an amount of 177 thousand euros (previous year: 25 thousand euros).

T-EURO	2001	2000
Cash-in-hand and bank balances	27,693	21,378
Short-term liabilities to banks	-2,679	-3,625
Cash and cash equivalents as of Dec. 31	25,014	17,753

32 Contingent liabilities

On the one hand, contingent liabilities represent possible obligations whose actual existence must be first confirmed by the occurrence of one or several uncertain future events, which cannot be entirely influenced. On the other hand, they include existing obligations which will probably not result in an outflow of assets or whose outflow of assets cannot be reliably quantified.

Warranties and obligations arising from legal costs are covered by the relevant provisions.

There are bills payable amounting to 1,278 thousand euros in the Group.

33 Number of employees

The RATIONAL Group employed on average 660 members of staff in the twelve months prior to the balance sheet date in the following operational areas:

Production	224
Marketing, Sales, Service	282
Research and Development	46
Administration	108
Average number of employees in 2001	660

The number of employees at the balance sheet date of Dec. 31, 2001 was 678 compared to 626 at the same date the previous year.

These figures do not include inactive contracts, trainees and the Executive Board.

Together, personnel costs in 2001 amounted to 40,391 thousand euros compared to 36,236 thousand euros in the previous year.

T-EURO	2001	2000
Wages and salaries	34,261	30,714
Social security contributions	6,130	5,522
Total	40,391	36,236

34 Other financial liabilities

Besides the provisions, liabilities and contingent liabilities, other financial liabilities worth 4,214 thousand euros existed as of December 31, 2001 of which 2,088 thousand euros become due within the next twelve months. These are primarily composed of future payments resulting from long-term rental, transport and lease agreements.

The lease agreements, treated in accordance with IAS 17 as operative leases, apply to the long-term use of production facilities. The terms of the agreements run for up to 66 months and are subject to fixed lease rates evenly distributed over the terms of the agreements. These are non-terminable agreements which contain continuation clauses applicable at the end of the agreed leasing term. There are no subtenancies. Insurance against loss or destruction of the objects leased is generally covered by policies issued by the RATIONAL Group.

The lease agreements contain no restrictions such as relating to dividends, additional debts or further contractual relationships.

Future minimum lease payments for operative leases will amount to 1,797 thousand euros in the next twelve months, 1,673 thousand euros in 2003 – 2006 and 35 thousand euros from 2007.

In addition, 107 thousand euros are payable to former employees for agreed restraints on competition.

35 Derivative financial instruments

Derivative financial instruments to secure against foreign exchange risks and to exploit interest-rate variations between various countries are traded solely and centrally by the parent company. Hedging policy is authorised and monitored by the Executive Board. The trading of individually planned hedges is only possible with the express consent of a member of the Executive Board.

The foreign exchange risks apply to future net profits in foreign currency via the subsidiaries of the RATIONAL Group.

The underlying transactions are carried to the planned exchange-related moneys received by the subsidiaries after the deduction of costs, other expenses relating to each subsidiary and a security deposit.

Currency options and currency futures with terms of up to twelve months are employed for hedging purposes. Currency options representing the combination of a simultaneous buy and sell of the same currency were taken into account on the balance sheet date.

The options were entered into as zero-cost options meaning that the premium payable is the same as the premium resulting from the option sale. At the same time, the purchase of put options is combined with the sale of half the volume of call options at the same base price.

Hedging trades are carried or accrued on the trading day at the buy or sell price. The valuation on the balance sheet date is based on the market value that could have been achieved in the market from sale of the rights and/or obligations arising from the financial instrument. Value changes were carried to the current-period result. On an option being exercised or expiring, the balanced sum is carried to the operating result as a translation difference. The sum required to settle put options amounted to 113 thousand euros (previous year: 99 thousand euros) on the balance sheet date, the current value required to settle call options amounted to -445 thousand euros (previous year: -50 thousand euros).

Interest-currency swaps to a value of over 4,090 thousand euros with terms of several years were used to exploit interest rate variations between various countries. This involved converting a fixed interest obligation in one currency into a fixed interest obligation in another currency. Interest and redemption payments are made from the income earned through the subsidiary's economic activities in the particular country.

The conditions relating to swaps are so designed that no premium is due at the conclusion of the deal. The valuation of swaps at the balance sheet date is at the market value representing the value that could have been achieved by the sale in the market of the rights and obligations associated with it.

Changes in value and the interest payments and income resulting from swaps are carried to net income. At the balance sheet date, the present value payable on swaps amounted to 214 thousand euros (previous year: 312 thousand euros).

36 Credit risks

To safeguard against credit risks in connection with claims against customers, security cover is provided by credit sale insurance (COFACE Group) or a security deposit or the historic data of the previous business relationship is requested, depending on the type and the amount of the claim. In an effort to avoid payment default, the client's payment behaviour is subject of particular scrutiny throughout the business relationship. Recognisable risks are met by appropriate allocation of discounts on accounts receivable.

Credit risk from derivative financial instruments is primarily limited to risks relating to business relationships of RATIONAL Group subsidiaries. The loss of a partner of a subsidiary has no considerable impact on the credit risk of the RATIONAL Group.

37 Segments

The company's activities are focused on one business segment: the development, production and marketing of devices used in the thermal preparation of food in high-volume and commercial kitchens.

It does not currently engage in any further, significant independent product lines. For this reason, the primary and only reporting format for the segments is organised geographically.

RATIONAL distinguishes between the following five segments:

Germany, Europe excluding Germany, America, Asia and Rest of the World, each oriented to the location of the assets in accordance with IAS 14.13. This means that in the segments the individual subsidiaries of the respective geographical area are grouped together.

In Europe excluding Germany these are the subsidiaries in the UK, France, Italy, Switzerland, Spain (for sales in Portugal and Spain) and in Sweden (for sales in Scandinavia). The segment America comprises the companies in the USA, Canada and Argentina. Japan and South Korea form the Asia segment. The Rest of the World segment bundles the parent company's activities in product development, production and delivery and in particular the supply of markets not assigned to any one subsidiary but handled centrally.

This segmental division reflects the company's management structure and represents the risk and earnings structures of our business.

The German sales organisation and customer service was hived off from the AG to the newly founded German subsidiary in January 2001 and has operated in this new structure since April 2001. When viewing the segment report it should be taken into account that the German subsidiary did not exist in the previous year and that 2001 represents a short business year in operative terms.

Segment sales contains both sales with third parties and intercompany sales between group companies across the regions. As a matter of principle, sales and proceeds arising from internal relationships are priced at the same level as those with third parties.

The write-downs for the segments disclosed relate to intangible and tangible assets. No other significant non-cash expenses requiring disclosure according to IAS 14.61 occurred in either 2001 or the previous year.

Operating assets comprises all assets with the exception of securities and liquid funds.

The reconciliation column reflects firstly, the effects of consolidation and, secondly, the amounts resulting from the variant definition of the contents of segmental positions in comparison to the related group positions.

The additional subdivision of sales according to customer location as required by IAS 14.71 is disclosed under note (1) Sales in the appendix

Segment overview

2001 T-EURO	Germany	Europe excl. Germany	America	Asia	Rest of the World	Total segments	Recon- ciliation	Group
External sales	23,717	63,662	11,156	10,572	58,145	167,252	—	167,252
Intercompany sales	2,282	52	0	0	71,212	73,546	—	73,546
Segment sales	25,999	63,713	11,156	10,572	129,357	240,798	—	240,798
Previous year	N/A.	+21 %	+26 %	+13 %	+4 %	+23 %		+23 %
Segment expenses	26,029	58,486	11,566	11,096	102,564	209,741		
Segment result	-29	5,227	-410	-524	26,793	31,057	891	31,948
Segment assets	2,813	22,180	6,705	6,816	52,438	90,952	9,819	100,771
Segment liabilities	2,988	16,525	11,458	5,296	18,875	55,142	-18,745	36,397
Segment investments	23	759	828	93	6,775	8,477	0	8,477
Segment depreciation and amortisation	0	433	458	80	2,070	3,041	0	3,041
2000 T-EURO	Germany	Europe excl. Germany	America	Asia	Rest of the World ¹⁾	Total segments	Recon- ciliation	Group
External sales		52,615	8,881	9,381	81,769	152,646	—	152,646
Intercompany sales		184	0	0	42,869	43,053	—	43,053
Segmental sales		52,799	8,881	9,381	124,638	195,699	—	195,699
Segment expenses		49,925	8,563	8,903	96,167	163,558		
Segment result		2,874	318	479	28,470	32,141	-2,355	29,786
Segment assets		21,055	5,437	6,799	44,814	78,105	7,780	85,885
Segment liabilities		15,544	8,912	3,622	19,937	48,014	-13,043	34,972
Segment investments		256	274	204	3,462	4,196	0	4,196
Segment depreciation and amortisation		403	261	48	1,753	2,465	0	2,465

¹⁾includes the German operation which at that time was legally and organisationally embedded in the AG

38 Legal disputes

In the course of its normal business activities, the Group is involved in a series of smaller court actions and claims concerning the recovery of lost receivables, assumed infringement of patents by competitors and proceedings before the patents court (own and patents owned by third parties).

39 Supervisory and Executive Board

The members of the Supervisory Board are:

- Mr. Siegfried Meister, Chairman,
- Mr. Walter Kurtz, Deputy Chairman,
- Mr. Roland Poczka.

The total remuneration of the Supervisory Board for each of the fiscal years 2001 and 2000 amounted to 138 thousand euros. In 2000, short-term receivables from Supervisory Board members for expenses amounted to 60 thousand euros.

The members of the Supervisory Board hold a total of 8,308,285 shares (previous year: 8,307,655 shares) in RATIONAL AG, thereof Mr. Siegfried Meister holds 7,314,581 shares (2000: 7,313,831 shares).

The members of the Executive Board are:

- Dr. Günter Blaschke, Chief Executive Officer,
- Mr. Erich Baumgärtner, Chief Financial Officer,
- Mr. Peter Wiedemann, Chief Technical Officer.

The total remuneration of the members of the Executive Board for the performance of their tasks in the parent company and its subsidiaries amounted to 1,193 thousand euros in fiscal year 2000 and 1,195 thousand euros in fiscal year 2000.

The members of the Executive Board hold a total of 9,065 shares in RATIONAL AG (previous year: 11,030 shares).

40 Stock option plans

On February 3, 2000, the company resolved to implement a stock option plan for the duration of five years altogether, which is at present limited to the members of the Executive Board and grants the option to buy a maximum of 200,000 shares in RATIONAL AG representing an accounting share of 200 thousand euros in the share capital (cf. note 21 in appendix). The options are not transferable.

The beneficiaries of option rights are entitled to receive in place of each option right

- an option share in declared authorised but unissued capital or
- a no-par value share in the company from its available stock which, because of the separate authorisation necessary at the time that the option right is exercised, is remunerated with a fixed issue value of 23 euros per share or
- a cash payment of 100 percent of the value of one RATIONAL share from which the share-issuance amount per share (23 euros) is deducted. The value of a RATIONAL share will correspond to the average closing market price of the common shares of the company on the Frankfurt Stock Exchange on the last five trading days prior to the first exercise during the authorisation period, but no higher than the closing price on the Frankfurt Stock Exchange on the day each option is exercised.

The Supervisory Board has resolved that after deduction of the fixed share-issuance amount, a cash payment equivalent to 100 percent of the value of a common share of the company may be drawn on each option right.

The relevant option rights are subdivided into annual tranches. The first tranche of a maximum 34,500 shares was authorised by the Supervisory Board on February 16, 2000.

The waiting period is two years and the first tranche is exercisable for a period of three years. The exercise of option rights is linked to the attainment of RATIONAL share price targets laid down in the share option plans.

41 Provisions for pensions for the management

A contributory pension plan for the Executive Board and other members of the management, through an external insured relief fund was implemented in 2001. The expense amounted to 262 thousand euros.

42 Subsequent events

There were no events of any significance after the balance sheet date affecting the assets, financial and earnings position of RATIONAL AG and the RATIONAL Group.

Report by the Supervisory Board

In the course of the past fiscal year, the Supervisory Board informed itself in depth and in a timely manner via oral and written reports from the Executive Board of RATIONAL AG as to the situation and development of the company. In the course of 2001, seven meetings of the entire Supervisory Board were held in addition to numerous individual discussions.

Thanks to regular reports from the Executive Board on the sales and earnings position, the Supervisory Board was informed at all times of the current business situation of the company. Questions of fundamental importance for the company's business strategy were discussed by the Supervisory Board with the Executive Board.

Central topics in the year under report were marketing strategy, in particular the stabilisation and optimisation of existing subsidiaries, the company's earnings position and further development of sales. Another focus of deliberations was the extension and restructuring of production at Landsberg.

The Supervisory Board performed the tasks laid down for it by law and the Articles of Association and supervised the company's management.

The annual financial statements as of December 31, 2000 and the management report, including accounting, were audited by ALLREVISION Dornhof Kloss und Partner GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Munich, and granted an unqualified auditors opinion on February 28, 2002.

The Supervisory Board examined the annual financial statements, the consolidated annual financial statements, the Management Report and the Group management report for the fiscal year from January 1, 2001 to December 31, 2001 and discussed them at length with the auditors, ALLREVISION Dornhof Kloss und Partner GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Munich. The examination did not reveal any causes for objections.

The Supervisory Board therefore approved the annual financial statements prepared by the Executive Board in the version contained in the auditors report by ALLREVISION by way of a resolution dated March 15, 2002. The annual financial statements for 2001 are thereby adopted in accordance with § 172 clause 1 AktG (German Public Companies Act).

The Supervisory Board concurs with the proposal of the Executive Board to distribute from the total 26.3 million euros unappropriated retained profits the amount of 1.00 euro per dividend bearing share to shareholders and to carry forward the remainder to new account.

The Supervisory Board would like to thank the members of the Executive Board and the company's management for their constructive participation and achievements in fiscal year 2001. Our particular thanks go to all employees for their high level of commitment, which once again was the critical success factor in 2001.

Landsberg am Lech, March 15, 2002





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