ANNUAL REPORT

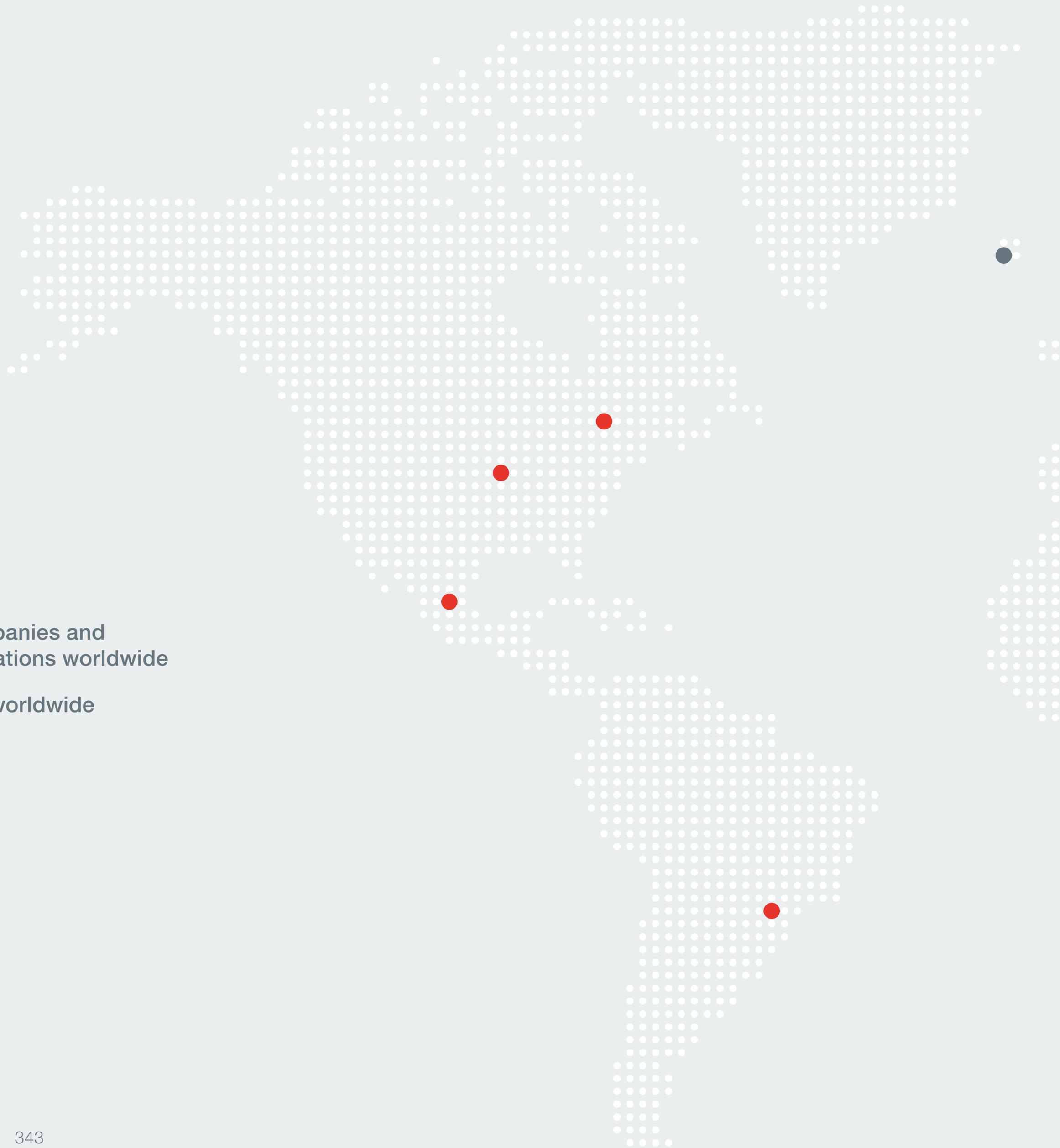
2009

Key Figures

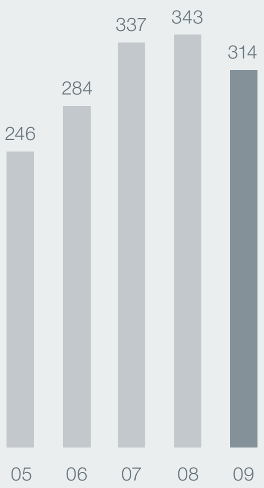
in m EUR	2009	2008	Change absolute	Change in %
Sales and earnings				
Sales	314.4	343.0	–28.6	–8
Sales abroad in %	83	84	–1	
Cost of sales	122.8	139.3	–16.5	–12
Sales and service expenses	75.5	88.5	–13.0	–15
Research and development expenses	11.4	14.4	–3.0	–21
General administration expenses	15.1	16.0	–0.9	–6
Earnings before interest and taxes (EBIT)	90.5	83.1	+7.4	+9
Group earnings	67.3	61.7	+5.6	+9
Balance sheet				
Balance sheet total	265.7	209.0	+56.7	+27
Working capital [1]	54.7	60.7	–6.0	–10
Equity	189.8	133.6	+56.2	+42
Equity ratio in %	71.4	63.9	+7.5	
Cash flow				
Cash flow from operating activities	83.2	71.0	+12.2	+17
Investments	2.4	32.6	–30.2	–93
Free cash flow [2]	80.8	38.4	+42.4	+110
Return on invested capital (ROIC) in %	35.5	40.7	–5.2	
Key figures RATIONAL share				
Earnings per share (in EUR)	5.92	5.42	+0.50	+9
Share price (in EUR) [3]	118.50	84.40	+34.10	+40
Market capitalization	1,347.3	959.6	+387.7	+40
Employees				
Number of employees as of Dec. 31.	993	1,117	–124	–11
Number of employees (average)	1,031	1,090	–59	–5
Sales per employee (in kEUR)	304.9	314.6	–9.7	–3

[1] without liquid funds
[2] Cash flow from operating activities less investments
[3] XETRA-closing share price on the last trading day of the fiscal year

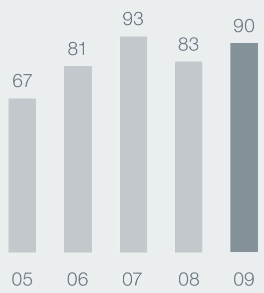
RATIONAL 2009
Global Presence – close to the Customer.



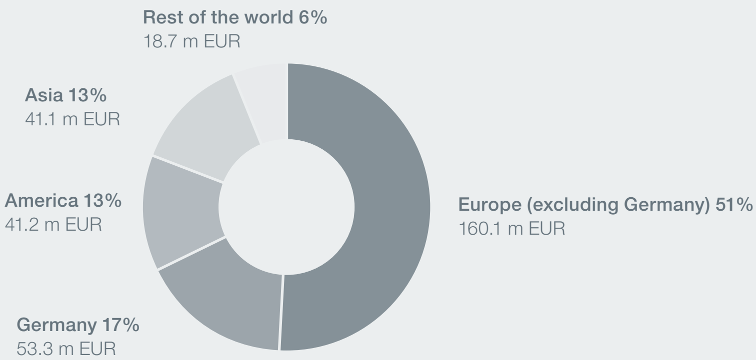
- Own companies and representations worldwide
- Partners worldwide



Sales development in m EUR



Earnings development
(EBIT – earnings before interest and taxes)



Sales revenue by region in 2009

The RATIONAL added-value Share – for high Yields and Growth

Since the IPO in 2000, when the issue price was 23.00 euros, RATIONAL AG shareholders have seen the price of their shares rise by 415% overall. This is equivalent to an annual average return of around 20%.

This highly satisfactory trend in the price of RATIONAL shares continued in 2009. When taking into account the dividend of 1.00 euro per share distributed, this represents a total yield in 2009 of +42% for RATIONAL AG shareholders.

Earnings per share (EPS) reached 5.92 euros in 2009, compared to 5.42 euros the previous year. The improvement in earnings, despite 2009's drop in sales, can primarily be attributed to consistent cost management, positive effects in raw material prices and the marked price stability for RATIONAL products.

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Siegfried Meister
Chairman of the Supervisory Board

Foreword by the Supervisory Board

The crisis is creating new realities

The rapid economic growth in the years leading up to the crisis was to a large extent financed and fuelled by speculative gains in the financial sector.

This speculative bubble has now burst. As a result, on the one hand the global economy received a body blow that set it back years, but on the other hand it is once again grounded in reality.

It is likely to last several years, until for example, Europe's economy will be back to pre-crisis levels. So what we have here is not a short-term phenomenon, but a medium- to long-term one. Hence, the general hope of finding a quick way back up seems unachievable.

Don't just wait and see, act

This was the background against which the Executive Board and Supervisory Board of RATIONAL – acting in close cooperation – decided on a strategy of consistent action, in other words to dynamically align the entire company to the newly emerged realities.

The generally accepted instruments for overcoming a crisis – in part advanced by the government – such as short-time working, curtailing or abolishing fringe benefits or reducing the working week – are only adequate in the case of short-term economic downturns and so were not an option for RATIONAL in 2009.

These short-term instruments ad here to the status of the past, and so would have acted as a brake to the essential reorientation of the entire business along flexible and long-lasting lines.

Seizing the crisis as an opportunity

It is essential to accept the new economic realities if we are to put an end to the paralysis, the wait-and-see attitude and the resulting uncertainty on the part of the whole workforce about the future of the business and – obviously directly linked to this – about their own prospects as well.

Entrepreneurial mindsets are creating a new platform as a launchpad for positive future development. A platform which is once again opening up prospects for targeted action and is creating the necessary breeding ground for motivation and creativity. In this way, the crisis is transformed into a new opportunity for the future. Everything is put to the test. Increases in productivity and efficiency, and, above all, further efforts to promote the quality of the workforce and to foster employee responsibility take center stage.

In consequence the overall quality of the business is increased and alongside this, there is the opportunity for the company to emerge from the crisis stronger than ever.

Fit for the future

Our employees worldwide demonstrated this very forcefully in 2009. In a very short time they created the optimum conditions for the future success of the business. I should like to express my special respect, my warm thanks and my unbounded appreciation to them, the RATIONAL workforce employed in diverse functions and positions around the world. Exactly in stormy weather the quality and steadfastness of a really top-class team are clearly evident.

Siegfried Meister
Chairman of the Supervisory Board

Letter of the Executive Board

Dear Shareholders, Customers and Business Partners,

The global economy bottomed out in 2009

2009 – or at any rate the first six months of it – was a year of complete uncertainty about how bad the economic downturn would really be. All the financial pundits were steadily adjusting their forecasts down from month to month. The bottom was reached in mid-2009. A global economic crisis has impacted on virtually all sectors and industries but which nevertheless exhibits clear national differences in its effects.

Among the great national economies, the impact in Russia, Spain, the US, the UK, Japan and Germany was particularly severe. Russia suffered a double blow. Not only was there a slump in oil and gas prices, but foreign financial investors very largely withdrew their money too. Spain's recession had its origins in the collapse in capital expenditure on building and the associated steep rise in unemployment. The effects of the property and financial crisis likewise impacted heavily on the US and the UK. Germany's export-oriented economy shrank by 5.1%, more than at any time since the Second World War.

Yet at the same time the leading threshold countries saw economic growth in 2009. China and India, the two most populous countries on earth, grew by 8.5% and 6% respectively and are gaining, year on year, on the world's top economies. Brazil too, the aspiring primary producing country, withstood the 2009 crisis relatively well, with growth of still 0.3%

RATIONAL – modest drop in sales

Following a still perceptible drop in sales in the first six months, our business too stabilised further in the second half of 2009. With annual sales of 314 million euros and thus a fall of merely 8% compared to the previous year, the year overall was in line with expectations.

Photograph (from left to right):

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

The distinctly international nature of our business once again proved to be an advantage in the difficult environment. Because of this spread of risk, it was possible to effectively cushion the negative effects of the crisis. 75% of the drop in our sales can be ascribed to the business environment in the markets of Russia, Spain and America, which were particularly hard hit by the crisis, as well as to the OEM business. All other sales markets proved relatively stable. Thus in many countries sales revenue levels held up compared to the previous year, and in some cases were easily exceeded.

Low point reached

In countries experiencing growth as well as in those hit by the crisis, there are strong signs that in 2009 we reached a new stable level overall. Orders from customers once again reflected the normal spread based on historic seasonality over the individual months of the year – even though levels were well down overall in some cases.

For our overall global sales in 2009 the bursting of the speculative bubble will though result in sales falling back to the levels seen between 2006 and 2007.

All key targets reached in 2009

Given that basic global economic conditions have changed fundamentally and for the long term, we have aligned our business extremely flexibly to the new realities and in addition have used the time positively to extend our own strengths.

The first thing to do was to make our business completely crisis-proof by building up a liquidity reserve as high as possible. Cutting the dividend for 2008 to 11 m euros (previous year 51 m euros) left additionally some 40 million euros of liquid assets in the company. Consistent management of costs, stocks and receivables as well as increases in productivity and efficiency across all divisions of the company resulted in a figure for net cash in bank accounts of over 100 m euros by the end of fiscal 2009. This puts us in an ideal position to face any eventuality, and also to make any future investments needed.

We managed to rapidly identify and go along with the new sales realities brought about by the crisis in each country, and to make the necessary organisational adjustments. At the same time all other expenses was correspondingly reduced. The crisis was also used as an opportunity to enhance staff qualification and to further develop managers on a selective basis.

All key targets we set for ourselves for 2009 were not only achieved but in some cases even exceeded. As a result, RATIONAL is now in a better position than at the start of 2009. This is reflected not least in the Group earnings posted in 2009 of 67.3 m euros, 9 percent above the figure for the previous year and dispite of the crisis a new record in the history of RATIONAL.

Competitive edge confirmed

The basis for our success, now and in the future, is our competitor-beating products, the SelfCooking Center® and the VarioCooking Center®. This competitive edge was also once more confirmed to us by our customers in 2009. One example of this is the result of the practical study “A Passion for Cooking” in trade magazine “Küche”. Around 1,400 chefs who took part in Germany impressively confirm the great customer benefit of RATIONAL’s intelligent cooking technology. The things that take up the most time in day-to-day work in the professional kitchen, apart from controlling and monitoring cooking processes, are quality checks, organising workflows, as well as cleaning and upkeep of the appliances. In all these areas both the SelfCooking Center® and the VarioCooking Center® greatly reduce the workload of kitchen staff. For the chefs participating the biggest benefit was that time-consuming routine work can be delegated to the intelligent technology, thereby freeing up time for activities that genuinely create value.

Untapped world market potential

Unlike many other industries, our market is not saturated. Around the world, there are about 2.5 m professional kitchens in which RATIONAL technology can be profitably installed. The SelfCooking Center® not only replaces conventional cooking appliances, it also replaces the combi-steamers of the past, thanks to its entirely new technology. The world market potential for the SelfCooking Center® therefore amounts to around 95 percent of the 2.5 m professional kitchens referred to above. In addition, the potential for the VarioCooking Center® is linked to the same 2.5 m kitchens, in other words virtually around 100 percent.

Share price confirms positive expectations

Our shareholders agree with the positive assessment of our future prospects. Compared to the low points in the first quarter of 2009, the RATIONAL share price on December 31, 2009 was up by 108%. On December 31, 2009 the shares stood at 118.50 euros, thereby valuing the company at around 1.3 billion euros. Our special corporate culture, the forward-looking business model, as well as its dynamic business approach and considerable earning power are held in very high esteem by analysts. For this reason the overwhelming majority of analysts see still further up-potential for the share price, and recommend buying or holding on to the RATIONAL shares.

Cautiously positive outlook for 2010

The forecasts for global economic trends have grown steadily more optimistic in recent months and give grounds for hoping that the global economy can return to slight growth in 2010.

RATIONAL products are a particularly attractive investment, even in difficult economic periods. Using our technology directly increases the disposable income of our customers. The monthly savings achievable on raw ingredients, energy and personnel alone greatly exceed even the monthly financing costs of the appliances. So the customer's profitability is improved from day one.

For us this means that after the “Year of Realignment” in 2009 we are now back on track in 2010 for making selective investments in new markets with particularly high potential for growth. At the same time we will continue to invest in innovation in order to further extend our product lead, and obviously efficiency and productivity increases are again centre stage in all divisions of the business. All RATIONAL employees are encouraged to act as entrepreneurs within the company, to take overall responsibility for their area of concern and thus to make an active contribution to the success of the company.

Despite all underlying positive trends, we continue to recognize considerable risks in 2010. The banking sector is still in an extremely fragile state globally, for the first time entire nations are at risk of insolvency. Nevertheless, all in all we are going forward into 2010 with cautious optimism and we expect slight growth again to set in.

We would like to thank all our customers, business partners, shareholders and especially our employees for the confidence they have placed in our company and for their highly constructive and positive cooperation.

Dr. Günter Blaschke
Chief Executive Officer
RATIONAL AG

RATIONAL Shares

Performance

In 2009 the RATIONAL share price posted a very satisfactory increase. When taking into account the dividend of 1.00 euro per share distributed, this represents a total yield in 2009 of +42% for RATIONAL AG shareholders.

This price development is all the more remarkable in that it is entirely based on the good performance since April 2009, when RATIONAL shares gradually began their recovery from the year's low of 57.10 euros. The year-end price was 118.50 euros or 108% above the year's low.

In the first quarter of 2009 in particular, RATIONAL shares were severely impacted by the poor environment generally in the world's capital markets. The negative trend, which started when the crisis broke out in the third quarter of 2008 and led to a 2008 year-end price of 84.40 euros, persisted for both RATIONAL and for the main comparative indices such as DAX30 and MDAX. As of the second quarter of 2009 though the recovery gradually set in.

	2009	2008
Number of shares	11,370,000	11,370,000
Market captalization (cut-off day) in m EUR	1,347.3	959.6
Average price (in EUR)	84.79	115.98
Maximum price (in EUR)	120.44	144.00
Lowest price (in EUR)	57.10	69.53
Closing price (cut-off day) (in EUR) [1]	118.50	84.40

[1] XETRA

At year-end 2009 market capitalization for RATIONAL AG stood at 1,347 million euros. In relation to the free float of 28.42% the market capitalization stood at 383 million euros. For comparison, the figures as at December 31, 2008 were 960 million euros total market capitalization and 273 million euros on the basis of the free float.

Long-term performance

Since the IPO in 2000, when the issue price was 23.00 euros, RATIONAL AG shareholders have seen the price of their shares rise by 415% overall. This is equivalent to an annual average return of around to 20%.

Stock performance RATIONAL AG 2009

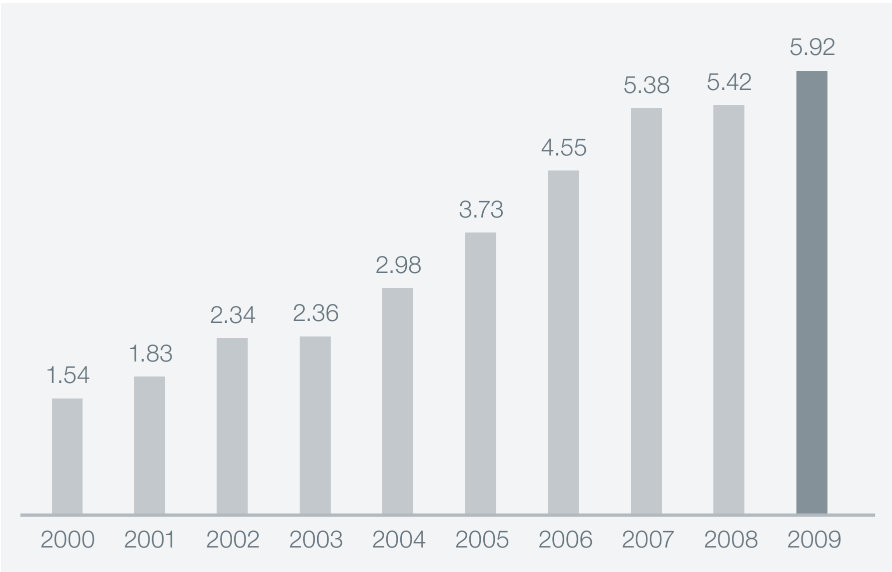
RATIONAL on the MDAX

RATIONAL shares have been quoted on the SDAX since 2000. Thanks to the long-term and consistent upward performance in terms of both price and trading volume, RATIONAL shortly came to occupy a top spot on the SDAX. In March 2009 RATIONAL made the move to the MDAX, consisting of the 50 largest companies in traditional sectors below the German DAX30 blue chip index.

As a newcomer to the MDAX, RATIONAL stood at No. 45 measured against free-float market capitalization and at No. 52 in terms of trading volume at the year end 2009. When measured against overall market capitalization, RATIONAL was in fact No. 28 out of the MDAX companies.

Earnings per share

Earnings per share (EPS) were 5.92 euros in 2009, compared to 5.42 euros to previous year. The improvement in earnings per share despite 2009's drop in sales can primarily be attributed to consistent cost management, positive effects on raw material prices and the marked price stability for RATIONAL products.



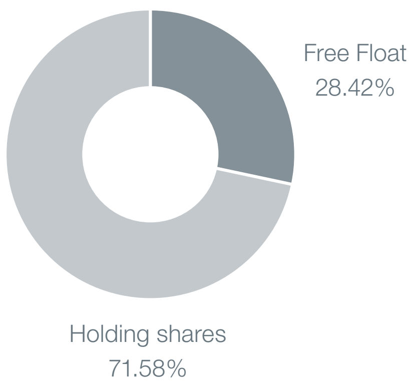
	2009	2008
Earnings per share (undiluted) (in EUR)	5.92	5.42
P/E ratio	20.0	15.6
P/CF ratio	16.2	13.5
P/S ratio	4.3	2.8
P/EBITDA	13.7	10.6
P/B ratio	7.1	7.2
BVPS (in EUR)	16.69	11.75

Dividend

The Executive Board and Supervisory Board will propose paying a dividend of 3.50 euros per share for fiscal 2009 at the General Meeting of Shareholders on April 21, 2010 in Augsburg. This equates to an overall distribution of a total of 39.8 million euros and a yield of around 3.0% (in respect of the price on December 31, 2009). RATIONAL AG's objective is to offer its shareholders dividend continuity and though at the same time to prepare the company for any eventuality.

Shareholder structure

RATIONAL AG's shareholder structure remains markedly stable. The cumulative share ownership by the major shareholders and founders of the company was in 2009 unaltered at 71.58%. At year-end the free-float was 28.42%.

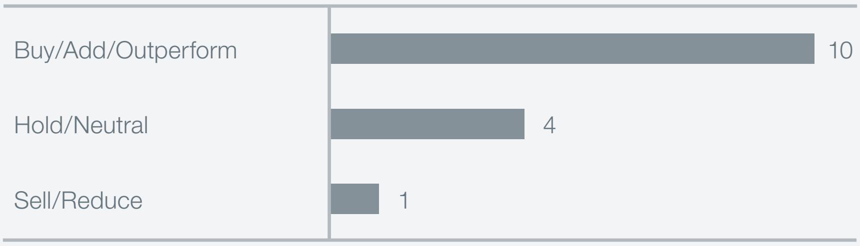


Analysts

RATIONAL AG is currently regularly covered by analysts from 15 institutes. Despite of the financial crises the good coverage was held largely constant in 2009.

The latest analysts' ratings can be found at www.rational-online.com under Investors / Analysts' Reports.

Analysts' opinion



Status: December 31, 2009

Capital market communication

RATIONAL AG's objective is to maintain continuous in-depth contacts with institutional and private investors and analysts. In 2009 management spent 22 days at roadshows and capital market conferences. In 2009 RATIONAL attended seven capital market and DVFA conferences in Germany and elsewhere.

Investors can find full essential and up-to-date information on RATIONAL shares in the Investors section of the company's website (www.rational-online.com), including the financial calendar, prices, current publications and analysts' reports.

RATIONAL share – key figures

ISIN (International Security Identification Number)	ISIN DE 0007010803
SIC (securities identification code)	701 080
Stock exchange centres	Frankfurt, Munich, Stuttgart, Berlin, Düsseldorf
Membership of indices	MDAX, GEX, CDAX, Classic All Share, Prime All Share (Deutsche Börse), DAXsector Industrial, DAX Internat. Mid 100, DAXplus Export Strategy, BayX (Munich Stock Exchange)

Corporate Governance Report

Corporate Governance Report

In fiscal year 2009 RATIONAL AG continued the development of its own corporate governance system, and wherever possible follows the recommendations and suggestions in the German Corporate Governance Code (the “Code”) included for the first time in the new edition of the Code dated June 18, 2009.

Divergences are set out and justified in the joint declaration of compliance by the Supervisory Board and the Executive Board.

The rules of procedure for the Executive Board and Supervisory Board were unchanged in 2009. One point in the company’s articles of association was amended by a resolution of the General Meeting of Shareholders and part of the section on election of Supervisory Board members was redrafted.

Shareholders and General Meeting of Shareholders

A total of 700 shareholders, representatives of the press and guests attended the General Meeting of Shareholders in Augsburg on May 6, 2009. An imputed 87.43% of the share capital was represented. All six resolutions on the agenda were approved by the General Meeting of Shareholders with a large majority.

Cooperation between Executive Board and Supervisory Board

Full details of the cooperation between the Executive Board and the Supervisory Board are given in the Supervisory Board’s report.

As in previous years, the Executive Board and Supervisory Board report on Corporate Governance in the company in the 2009 Annual Report. The Corporate Governance Report including the declaration of compliance also forms part of the newly introduced corporate governance statement. RATIONAL AG displays this statement on its corporate website and refers to it in the consolidated management report. RATIONAL AG comments on the Code suggestions as part of the Corporate Governance Report.

Executive Board

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

Supervisory Board

The General Meeting of Shareholders on May 6, 2009 elected Mr Siegfried Meister, Mr Walter Kurtz and Mr Roland Poczka as Supervisory Board members and thereby confirmed them in office.

The Supervisory Board of RATIONAL AG comprises three members, hence no committees are formed. Details of the focus of the Supervisory Board's activities and advice in fiscal year 2009 are given in the Report of the Supervisory Board. The Supervisory Board considers that it contains a sufficient number of independent members. No conflicts of interest occurred in the fiscal year.

Remuneration of management bodies

In fiscal year 2009 the members of the Executive Board received total remuneration of 3,642 thousand euros, of which 2,082 thousand euros was paid out as a variable, earnings-related component. The variable components of the remuneration are geared to Group earnings. Thus both positive and any negative developments are taken into account.

Remuneration for the Supervisory Board for its monitoring and advisory work amounts to 555 thousand euros for 2009. The remuneration for the members of the Supervisory Board consists of fixed and earnings-related components.

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

kEUR	Fixed	Earnings-related	Other	Total
Siegfried Meister	150	45	27	222
Walter Kurtz	125	45	18	188
Roland Poczka	100	45	–	145
Total	**375**	**135**	**45**	**555**

Stock option scheme

On February 3, 2000 RATIONAL AG launched a stock option scheme for members of the Executive Board for a maximum of 200,000 individual shares in the company. The stock options are subject to waiting periods and time limits for exercising the rights, which are set and decided on by the Supervisory Board. The exercise of option rights is linked to a specified increase in the value of the business measured against the SMAX Performance Index (replaced by the SDAX Performance Index as of January 1, 2004). In 2000 and 2004 tranches totalling 69,000 option rights were issued, which on expiry of the relevant waiting periods and time limits for exercising the rights were likewise drawn on in the form of a cash settlement.

Transparency

In fiscal year 2009 RATIONAL AG published a total of four ad-hoc communications pursuant to Section 15 German Securities Trading Act (WpHG), in order to keep all shareholders directly informed of current business performance.

Date	Contents
Mar. 26, 2009	Fiscal 2008 – Global credit crunch puts the brakes on growth
May 06, 2009	Decrease in sales held at moderate level
Aug. 11, 2009	12 percent drop in sales in first six months
Nov. 10, 2009	Sales in third quarter back at previous year’s level

The following voting rights threshold announcements were sent to RATIONAL AG by its shareholders and were immediately published:

Voting rights threshold announcements under Section 26 para. 1 WpHG

Contents	Date
Royce & Associates, LLC., New York, USA, exceeds 3% of the voting rights (March 27, 2009)	April 2, 2009
Legg Mason, Inc., Baltimore, USA, exceeds 3% of the voting rights (March 27, 2009)	April 2, 2009

In fiscal year 2009 RATIONAL AG did not receive any Directors' Dealings announcements.

All ad-hoc communications and mandatory publications were put on the corporate website in 2009 and were published in both German and English.

The shareholding of the Executive Board stands at well below one percent of the capital stock. The total direct and indirect shareholding of the Supervisory Board stands at 72.22% according to the current voting rights announcements.

Accounting and auditing

On May 6, 2009 the General Meeting of Shareholders appointed Rölfs WP Partner AG Wirtschaftsprüfungsgesellschaft, Munich, as auditor and group auditor for fiscal year 2009. The audit mandate was issued by the Supervisory Board. Prior to the proposal being submitted to the General Meeting of Shareholders the Supervisory Board obtained a declaration from the auditor on the personal and business relationships to the company. This gave rise to no objections. The Supervisory Board agreed with the auditor – as in previous years – that the chairman of the Supervisory Board would be notified immediately about disqualification and reasons for lack of impartiality during the audit.

Subordinate Status Report

The Executive Board issued a Subordinate Status Report pursuant to Section 312 Stock Corporation Act (AktG). The auditor did not raise any objections to the Subordinate Status Report following his audit. Likewise the Supervisory Board stated after examining the Subordinate Status Report that there are no objections to the declaration by the Executive Board at the end of the Subordinate Status Report.

The auditor is additionally required, with immediate effect, to report any major weaknesses found during the audit which may occur in the accounting-related internal monitoring and risk management system.

Declaration of Compliance by RATIONAL AG

Pursuant to Article 161 of the Stock Corporation Act (AktG) the Executive Board and the Supervisory Board of RATIONAL AG declare as follows:

RATIONAL AG has complied with the recommendations of the June 18, 2009 edition of the German Corporate Governance Code (the "Code") since the last declaration of compliance was issued on February 5, 2009, with the following exceptions, and intends to comply with the recommendations of the Code in future with the exceptions set out below:

Point 3.8 of the Code:
"If the company takes out a D&O (directors' and officers' liability insurance) policy for the Executive Board, a deductible of at least 10% of the loss up to at least the amount of one and a half times the fixed annual compensation of the Executive Board member must be agreed upon."
A D&O insurance policy has been taken out for the Executive Board of RATIONAL AG. No deductible has hitherto been agreed. The company will bring this into line with the legal provisions in 2010.

"A similar deductible must be agreed upon in any D&O policy for the Supervisory Board."
A Directors' & Officers' policy has been taken out for the members of the Supervisory Board. No specific deductible for the insured parties has been agreed. The Executive Board and Supervisory Board are of the opinion that responsible actions are a self-evident obligation for members of all management bodies; a deductible is therefore not required, particularly since major shareholders are represented on the Supervisory Board. Hence it is not intended in future to agree a deductible for the members of the Supervisory Board in their Directors' and Officers' policies.

Point 4.2.4 of the Code:
"The total compensation of each one of the members of the Executive Board is to be disclosed by name, divided into fixed and variable compensation components. The same applies to promises of benefits that are granted to a Executive Board member in case of premature or statutory termination of the

function of an Executive Board member or that have been changed during the financial year. Disclosure may be dispensed with if the General Meeting has passed a resolution to this effect by three-quarters majority."
By resolution of the General Meeting of Shareholders of May 17, 2006 RATIONAL AG has dispensed with the publication of individualized figures for Executive Board compensation. The other provisions are complied with in full. The Executive Board and Supervisory Board intend to continue to abide by this in fiscal 2010.

Point 5.3 of the Code:
"Formation of committees"
The Supervisory Board of RATIONAL AG has not formed any committees. Forming committees of the Supervisory Board, such as an Audit Committee, is not appropriate for RATIONAL AG because the Supervisory Board consists of only three members. For this reason it is not intended to form any Supervisory Board committees in future.

Point 5.4.1 of the Code:
Age limit for members of the Supervisory Board
No age limit has been set for members of the Supervisory Board. Nominations to the General Meeting of Shareholders are geared exclusively to knowledge, skills and technical experience of the candidates in question. It is also intended to abide by this policy in future, in order to safeguard experience and skills for the benefit of the company.

Point 5.4.3 of the Code:
"Elections to the Supervisory Board shall be made on an individual basis"
In the 2009 General Meeting of Shareholders the Supervisory Board was confirmed in office using the list system of election. The company chose this procedure with the agreement of all shareholders present in order to save time.

Landsberg, February 2010
RATIONAL Aktiengesellschaft

The Supervisory Board | The Executive Board

Report of the Supervisory Board

Dear Shareholders,

For RATIONAL AG, 2009 was a difficult year on account of the global economic downturn. It was a year in which all business processes were critically analysed and readjusted. Structures were examined, processes further improved and additional tools were introduced to control and steer the company. The Supervisory Board supported this process of optimisation and adaptation by providing advice and scrutiny.

Advice and supervision in consultation with the Executive Board
We complied with the duties incumbent on us by law and under the articles of association and the Corporate Governance Code. The Supervisory Board was directly involved in all decisions of strategic importance to the RATIONAL Group.

Cooperation between the Executive Board and the Supervisory Board was characterised by comprehensive, timely and regular communication, both written and verbal. The Executive Board also reported on major business transactions outside the meetings. The Supervisory Board received monthly and quarterly reports focusing on market developments, the competitive situation and the company's marketing, sales and profit trends. In addition, the Supervisory Board – and I myself in particular in my role as Chairman of the Supervisory Board – took steps to ensure that at all times it was informed about current developments in the business situation, significant transactions and important decisions by the Executive Board. With this aim in mind, the Supervisory Board was in close and regular contact with all members of the Executive Board, and in particular with the CEO, to exchange information and ideas.

Where called for by law, articles of association and rules of procedure, the Supervisory Board voted, following detailed consultation and scrutiny, on the reports and draft resolutions of the Executive Board. All operations requiring consent were approved. In 2009 and to date in 2010 this related in particular to decisions concerning further development of products, the opening up of new markets such as India and China, or the marketing strategy for the VarioCooking Center®.

In-depth work in plenary meetings

The Supervisory Board held a total of twelf meetings in 2009. In 2010 a further meeting was held up to the time of the meeting of the Supervisory Board on February 24, 2010 to approve the balance sheet. In addition, the members of the Supervisory Board consulted one another in writing and by telephone. Where applicable, the Supervisory Board also passed resolutions outside the ordinary meetings. During the past fiscal year, the Supervisory Board regularly examined the efficiency of its activities, in particular the procedures and the timely provision of sufficient information. Since the RATIONAL AG Supervisory Board consists of just three members, no committees have been formed.

The legal requirement that at least one Supervisory Board member must be an independent financial expert has been met in respect of the RATIONAL AG Supervisory Board. This independence is constantly monitored.

All the members of the Supervisory Board attended all meetings. No conflicts of interest in respect of individual Supervisory Board members occurred in the 2009 reporting year in connection with consultations, draft resolutions and the audit mandate. The Supervisory Board considers that it contains a sufficient number of members who can be classed as independent, since no member of the Supervisory Board has any significant business or personal links to the company or the Executive Board – apart from acting in the capacity of shareholders in the company.

Key areas of consultation

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

- Organisational adjustments and cost reduction measures in the light of the deepening recession
- Proposal for appropriation of profits and for dividends for fiscal 2008
- Development of the company's earnings structure and measures to safeguard liquidity
- Communication on the need to adjust staffing levels at the Landsberg site
- Further development of the marketing strategy for the VarioCooking Center®
- HR development and management principles at RATIONAL

In the Supervisory Board meeting to approve the balance sheet on February 24, 2010 the principal topics included not only the audit and approvement of the annual and consolidated group financial statements but also in particular the draft resolutions to be proposed to the 2010 General Meeting of Shareholders. Auditors Rölfs WP Partner AG, Munich, are again being proposed for the 2010 final audit. We also agreed the remaining draft resolutions for the ordinary General Meeting of Shareholders.

A further focus of our consultations as well as of the audits and examinations in 2009, and in particular at the 2010 meeting to approve the balance sheet, was the overall accounting process in RATIONAL AG and in the consolidated group, monitoring of the internal audit system and the effectiveness of internal auditing and of the risk management system.

No changes to the company's management bodies

There were no changes to the Executive Board in 2009. The members of the Supervisory Board were re-elected by majority at the General Meeting of Shareholders on May 6, 2009 and were thus confirmed in office. At this point I should like to express my thanks, on behalf of myself and my colleagues Mr. Walter Kurtz and Mr. Roland Poczka, for the trust placed in us.

Corporate Governance

The Supervisory Board has paid close attention to the new recommendations in the June 18, 2009 version of the Corporate Governance Code. Together with the Executive Board an account was rendered for 2009 in the Corporate Governance Report. The Executive Board and Supervisory Board jointly decided on the submission of the declaration of conformity pursuant to Section 161 AktG (Stock Companies Act) at the meeting on January 25, 2010. The declaration of conformity submitted by the Executive Board and Supervisory Board was published on the RATIONAL AG website on February 2010.

Executive Board remuneration

The remuneration for the Executive Board is set by RATIONAL AG in the Supervisory Board. The Supervisory Board examined whether the remuneration for each member of the Executive Board was appropriate, and confirmed that this was the case. The remuneration structure for the Executive Board of RATIONAL AG is geared to the long-term development of the business. Other criteria required by law or the Code such as a remuneration structure which does not result in unreasonable risks being taken, or caps in the event of extraordinary developments, have already been implemented or are being complied with in new contracts.

Review of annual financial statements and consolidated financial statements

As proposed by the Supervisory Board and elected by the General Meeting of Shareholders on May 6, 2009, auditors Rölfs WP Partner AG, Munich, audited the closing statements for RATIONAL AG and the consolidated group for fiscal 2009. The audit mandate was issued by the Supervisory Board. Prior to publication of the electoral proposal the Supervisory Board obtained a declaration of independence from the auditor. No reasons were apparent to doubt the independence of the auditor. The auditor was additionally obliged to inform us immediately of any circumstances which could give rise to a lack of impartiality on his part and where appropriate to notify us of services which he has performed in addition to the final audit. The 2009 audit focused on determining the presentation of the business segments in conformity with IFRS 8 and the details of financial instruments in line with IFRS 7.

The annual financial statements drawn up by the Executive Board in accordance with the rules of the HGB (Commercial Code) for the fiscal year from January 1, 2009 to December 31, 2009 and the company's management report were examined by the auditor and were granted an unqualified auditors' opinion.

The Executive Board drew up a consolidated financial statement for the consolidated group in accordance with the International Financial Reporting Standards (IFRS), supplemented by the commercial law regulations applicable under Section § 315a para. 1 HGB. A group management report was also drawn up, which also makes reference to the corporate governance report issued for the first time. The auditors examined the consolidated financial statements and the group management report and granted an unqualified auditors' opinion.

The annual financial statements, the consolidated financial statements, the management reports, the auditors' reports and the Executive Board's proposal on the appropriation of unappropriated profits were forwarded to all Supervisory Board members for examination. They were the subject of intensive deliberations at the meeting of the Supervisory Board held on February 24, 2010. In particular, the Supervisory Board concerned itself in detail with the findings of the audit by the auditors. The auditors took part in the discussion of the Company's annual financial statements and the consolidated financial statements. They reported on the results of the audits, in particular on the points on which it was agreed the 2009 audit would focus, and were available to the Supervisory Board for questions and supplementary information. One area on which the auditor's explanations concentrated was the assessment of the accounts-related internal audit and risk management system. No significant weaknesses in this system were uncovered by the auditor. Both the Executive Board and the auditors provided us with comprehensive answers to all our questions to our satisfaction.

The Supervisory Board is raising no objections further to its own final results of the deliberations and its own audit. The Supervisory Board approves the findings of the audit. In the meeting of February 24, 2010 the Supervisory Board approved the annual financial statements for RATIONAL AG as at December 31, 2009 prepared by the Executive Board, together with the certified version dated February 17, 2010 of the management report for fiscal year 2009 plus the consolidated annual financial statements as at December 31, 2009 and the certified version dated February 17, 2010 of the group management report for fiscal year 2009. The 2009 annual financial statements for RATIONAL AG including the management report are thus adopted pursuant to Section 172 sentence 1 AktG.

Dependent company report

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

"Based on the results of our statutory audit and our judgement we confirm that
1. the actual information included in the report is correct and
2. the company's compensation with respect to the legal transactions listed in the report was not inappropriately high."

The auditor’s report on the dependent company report was available to all members of the Supervisory Board in good time before the balance sheet meeting and was examined by us and discussed in detail with the auditors present. The Supervisory Board concluded that there were no objections to the report and the final statement by the Executive Board contained therein.

Appropriation of earnings

After consideration of the situation on the global financial and capital markets, the financial position of the company and the expectations of the shareholders we approve the appropriation of earnings proposed by the Executive Board. Out of RATIONAL AG’s balance sheet earnings of 134.2 million euros a dividend of 3.50 euros per share or in total 39.8 million euros should be distributed and the remainder should be carried forward to new account.

The Supervisory Board would like to thank the management for their close and constructive cooperation, and the trust they have placed in us. Our particular thanks go to all our employees, who in the very challenging environment of 2009 succeeded in making RATIONAL even better in the details and through their reliability and enthusiasm offer our customers the “added benefit” they rightfully expect from us.

Landsberg am Lech, March 1, 2010

Siegfried Meister
Chairman of the Supervisory Board

Head Chefs around the Globe

Cooking reflects the soul of a country

In our modern day and age, we are able to get hold of whatever we want, whenever we want, wherever we are. And the same holds true for the art of cookery. Original recipes featuring regional cuisine from the remotest corners of the earth can be accessed via the internet with a single click of the mouse. Exotic ingredients from all over the world are at our fingertips, stocked in our local delicatessens.

Yet a certain je ne sais quoi still remains secret, ensuring that a steak served in Buenos Aires tastes different to anywhere else in the world, a lobster in Montreal is always a unique experience and spices in India never fail to add an extra taste dimension.

The master chefs presented in the following pages have first-hand experience of how this works. Their individual style – their very signature – is always enhanced by the soul and traditional cuisine of their country. Intelligent cooking technology developed by RATIONAL AG helps ensure that delicate distinctions can still be discerned in dishes served each and every day. The versatility and broad range of usage offered by the SelfCooking Center® support the chef's creativity and diversity in the best possible way, guaranteeing constant top quality in national dishes. Come with us on a voyage of discovery to explore the small yet significant differences in the various worlds of culinary enchantment.

Argentina.
A cultural tango.

Juicy steaks served with a hunk of white bread and glass of red wine. Anyone who visits Christian Petersen's bright and inviting restaurant "Los Petersen" in Buenos Aires will have to add a few surprising changes to this stereotypical idea of Argentinian fare, for besides Asado and other hearty meat dishes, the menu also boasts classic Italian specialities. Brothers Christian and Roberto Petersen have brought with them the culinary flair of their Mediterranean roots, further cultivating it here in the New World. And this has been welcomed with open arms – not least thanks to the staff's utmost precision and superbly assured service, ably supported by the pinpoint accuracy of timing guaranteed by the RATIONAL SelfCooking Center®.

The brothers' cuisine is particularly influential not just because of their high level of craftsmanship but also because they have both gone out and conveyed their art of cookery to the masses. Appearances on television have made them household names in Argentina, and their catering services for social occasions and events have earned them international renown.

Head Chef Christian Petersen recommends:
Veal tongue in vinaigrette

Serves 12 as a starter:
1 veal tongue, 1 carrot, ½ onion,
1 spring onion, 3 sprigs parsley, salt

1. Place the washed veal tongue, carrot, spring onion and ½ onion in a medium-sized pan. Fill pan with cold water and add salt.
2. Bring to boil and simmer until tongue is cooked. Leave pan to cool.
3. Take out tongue and peel off the skin. Cut into very fine slices. Place slices in layers in a vinaigrette with bay leaves and parsley.
4. Leave for a day to marinate.

Steak meets Tiramisu, followed by a great coffee

Pizza and pasta dishes can rival their Italian originals, even though some have developed their own individual twist over the course of time. Another old favourite in Argentinian cuisine is beef, the quality of which is first class. There are also various small tapas-type dishes originally hailing from Spain which have further evolved here in South America.

Typical fare of the masses includes hearty stews with ingredients determined more by availability in times of scarcity than by recipes from books, as described by the great Patagonian poet Pablo Neruda in his ode to the onion:

"But at the pursuit of the people's hands, sprinkled with oil, dusted with a little salt, you kill the hunger of the day-labourer on the hard road."

Culinary delicacies based on beef and onion






India. A subcontinent of more than 32,000 spices.

When talking about Indian cuisine, we should first make very clear we're not dealing with a country here but a whole subcontinent. The mountainous regions of the Himalaya and the ports on the Indian Ocean are separated not only by thousands of kilometres, but also a wealth of climate and vegetation zones. Religious beliefs dictate the food people should eat and how it should be prepared. Added to the mix of gastronomy in the mega-cities, it's also possible to detect traces of the former British and Portuguese colonial powers.

But one thing that's common to any type of Indian cuisine is its exuberant love for spices. Carefully blended, they can produce the most subtle of nuances, adding a deep complexity to even the simplest of dishes. Preparation is of the essence, carefully preserving all the precious aromas. This is one reason why Vikas Seth, head chef at Dish Central Catering in Mumbai, swears by intelligent steam cooking: "Given the high proportion of vegetarian dishes on our menu, and the fact that we serve up to 30,000 dishes a day, the reliability and top quality of RATIONAL technology are essential criteria for us."

The very best of Indian spices

Curry leaves. Leaves from the curry plant are totally unrelated to the curry powder we see sold closer to home. They have a pleasing aroma with hints of tangerine. They are especially popular in vegetarian dishes typical of southern Indian cuisine.

Cardamom is widely used in European cuisine as a component of curry powder. But the true nature of this spice only really emerges when the cardamom seeds are ground or milled just before they're used. In India, the pods are dried over an open fire and lend a unique taste to nourishing stews and vegetable dishes.

Turmeric is a plant of the ginger family. This rhizome does not develop its distinctive aroma until it has been dried and ground. Cardamom has been a staple of Indian cuisine for 4000 or so years.

Cinnamon, usually referred to as dalchini in India, is originally from Sri Lanka. It's not only used in desserts, but also in rice and meat dishes in Indian cuisine.

Spice mixes in India are called masalas. The mix of spices forming curry powder is only produced for export.

Sweden. From North Sea crabs to smoked reindeer heart.

The Gothenburg stars shine brightly in the sky – and in the Michelin guide, too. At Kock & Vin, close by the impressive King's Park, the philosophy is to use only the freshest locally produced ingredients. Stunning dishes often based on honest, hearty ingredients are served in combination with top quality wines from around the world. The cellar houses exquisite wines are from the best wine-growing regions, and it's always a pleasure to be advised by the restaurant's first rate sommeliers.

The shellfish dishes are particularly popular with guests. What makes the shellfish so special is that they grow very slowly in the cold North Atlantic waters, so their flesh is particularly aromatic. The menu includes smoked fish such as salmon, or various smoked cuts of reindeer, including reindeer heart. All these delicacies are prepared at Kock & Vin with the calm and gentle naturalness typical of the Swedish way of life. Claes Grännsjö and his team use RATIONAL technology to help ensure exactly the right cooking times for dishes – including reindeer roasts, which are traditionally particularly hearty.

Raised and matured slowly, then enjoyed at your leisure...

Kock & Vin
Gothenburg, Sweden

Head Chef Claes Grännsjö recommends:
Roast reindeer in rose hip sauce

1. Wash the meat, dab dry, remove skin and sinews, rub with salt and pepper. Peel and chop onions.
2. Heat some clarified butter in a roasting tin and brown the joint all over. Add onions to cook with it. Roast in oven at 160° for about 20 minutes.
3. Melt butter. While the meat is cooking, coat it with the melted butter. Take the meat out of the roasting tin and keep warm.
4. Add wild game stock to the meat juice and reduce, strain and bring to the boil. Make a paste out of starch flour and whipped cream, then add to sauce.
5. Stir in rose-hip purée, balsamic vinegar and apple juice concentrate, season with salt, pepper and cayenne pepper.
6. Cut reindeer into slices and serve with sauce.

Roast reindeer can be bought deep-frozen from a delicatessen.

Kock & Vin · Viktoriagatan 12 · 411 25 Gothenburg · Sweden · T +463 1701 7979





Canada. France's great ambassadors in the New World.

The world's second largest French-speaking city lies on the Saint Lawrence River. And it's primarily thanks to these French roots that Montreal has become renowned for its gastronomic prowess. Gastronomy can be described as the synthesis of good food and savoir vivre, which is just what you get when you dine at Laurie Raphaël.

The fact that the restaurant at Hôtel Le Germain in Montreal stands out from the great array of eateries in Quebec is chiefly thanks to Daniel Vézina. The chef has established a name for himself from his TV work and books. He runs his restaurant with the greatest of passion, which is evident from your starter through to the crème brûlée, all served with great care and attention. The French maxim of preparing everything à la minute is easily put into practice using the latest cooking technology and support from the RATIONAL SelfCooking Center® even with large quantities. And buying exquisite ingredients is not a problem in Montreal: the city's markets are a veritable treasure trove of the best and freshest foodstuffs available on the North American continent.

Crème brûlée is a dessert made of egg yolk, cream, milk and sugar that can be found in French cuisine – and with slight differences in Portuguese and Spanish cuisine as well.

A North American career: From poor man's food to gourmet delight

Whether you're in a simple eatery or fine-dining restaurant, lobster is nearly always on the menu in Montreal. When the first European settlers came to North America, lobster stocks were so high, they'd often be flushed onto the beach by the rough seas, so all you had to do was walk along and pick them up. The lobster in those days was primarily a source of food for the poorer echelons of society. The first boom in lobster consumption came about with the spread of canneries. Once blanched and canned, they started to conquer the continent.

Lobster-fishing is now strictly monitored, to safeguard stocks. Fishing licences are expensive, which in turn adds to the price of shellfish. And lobsters have also managed to escape from the cans: The gourmet fare is now mainly packaged as live cargo and sent by air freight. There are 41 fishing zones off the Canadian coast, so a fresh supply is guaranteed at any time of the year.





Malta. The best of ingredients mellowed by sea and sun.

Malta is a small island in the Mediterranean, in waters abundant in marine life. Over the centuries, it has been explored by the Greeks, Italians, British and North Africans in search of peace or war. As a result, the island's diverse and exciting array of ingredients translates into pure pleasure for the palate. A good Maltese menu promises a range of dishes you rarely see in other Mediterranean cuisines, from rich roast rabbit to delicate octopus stew and hearty macaroni bake to fried pastries stuffed with dates. Treasures can also be found in the drinks menu, for Maltese wine can hold its own among the finest wines in continental Europe.

At the Hilton in Malta, head chef Joseph Vella has carved out his own niche, combining regional cuisine with international standards: Guests can indulge themselves in any of the four pools, four restaurants, three bars and 21 conference rooms. The four stylish restaurants offer a unique mix of Mediterranean charm and luxurious splendour. Up to 200 saddles of rabbit can be cooked simultaneously with the support of intelligent RATIONAL technology for high-end catering, even at peak times.

Head chef Joseph Vella recommends:
Rabbit with black olives

1 rabbit, 100 g black olives, 200 g chopped onions, rosemary, chopped garlic, oil, 1 glass dry white wine, spices.

1. Brown rabbit in some oil on a high heat.
2. Fry the onions and garlic and then
3. add to the rabbit along with the olives, wine, rosemary and spices.
4. Leave to roast in the oven for an hour.

Maltese wine – too good to export

The first vines were brought to Malta way back in Phoenician times. The British later converted many of the vineyards into cotton plantations, but since the turn of the 20th century, viticulture on Malta has enjoyed a renaissance.

Nutrient-rich soils and plenty of sunshine make the island a region in which grapes such as Merlot, Chardonnay, Syrah and Cabernet Sauvignon thrive. However, the overall surface area for wine-growing is so small that wine is practically only produced for Malta's own consumption. World class wines are made above all by the small wine estate of Meridiana, which only produces in very small quantities and has made a name for itself in the mid to high price range.

"Thanks to RATIONAL, we are in a position to offer our guests an excellent level of quality and diversity in our dishes at any time. Even at events with up to 1500 guests."

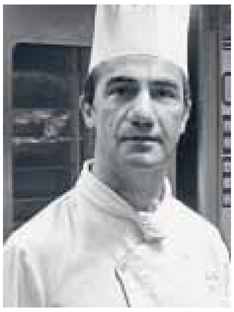
Joseph Vella

Head Chef
Christian Petersen
Los Petersen
Buenos Aires, Argentina

Head Chef Vikas Seth
Dish Central
Mumbai, India

Head Chef Claes Grännsjö
Kock & Vin Restaurant
Gothenburg, Sweden

Head Chef Daniel Vézinas
Restaurant/Atelier/Boutique
Québec – Montréal, Canada



Head Chef Joseph Vella
Hilton Hotel
Portomaso, St. Julians, Malta

Management Report
of the RATIONAL Group for Fiscal Year 2009

Contents

Note: The graphs and graphic elements included on pages 49, 52 and 57 of this annual report are not part of the unqualified opinion of the auditors regarding RATIONA L's management report.

Overview

Corporate philosophy: The RATIONAL mission statement

The most important factor underlying RATIONAL's corporate success is its simple, worldwide practised philosophy, the common mission statement. RATIONAL is an avowed specialist, concentrating on a clearly defined target group and, within the target group, on its core activity. Our target group are the people who work in the professional kitchens of the world. And our core activity is the thermal preparation of food.

The Company's overriding aim is to offer the greatest possible benefit to its customers. Through targeted specialisation and concentration of thought and effort over the years, we have succeeded in forging an increasingly close relationship with our customers and thus an intimate knowledge of their preferences and needs. Being practically part of their world in this way means we not only understand their problems better, but are in a better position to solve them than anyone else.

RATIONAL does not see itself first and foremost as a machine manufacturer, but as an innovative problem solver. The structure of our research and development team also reflects our customers' operational world and the corresponding scientific environment: we have physicists working in pure research, chefs and nutritionists in applied research and of course design engineers in product development.

The combination of the company concentrating all its resources on a single target group and being strategically oriented towards application has made it highly competent at problem solving. The result is continuing product leadership with ever-increasing customer benefit, which in turn make the RATIONAL brand ever more attractive.

Competitive position: Market and technology leader worldwide

The RATIONAL Group is the worldwide market and technology leader in the field of thermal preparation of food in professional kitchens. Formed in 1973, the Company incorporates 25 companies with around 1.000 employees in total, thereof over 600 in Germany. RATIONAL holds a global market share of over 50 percent.

Products: Increasing customer benefit through innovation

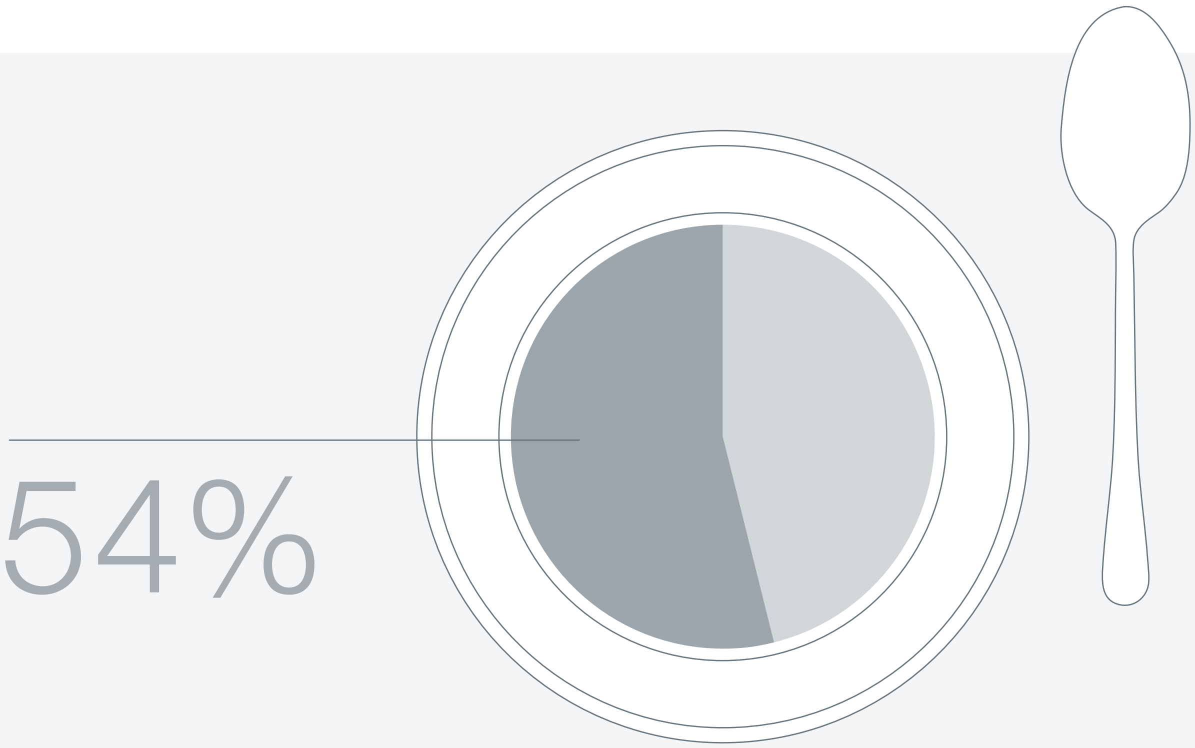
With its SelfCooking Center® and VarioCooking Center®, RATIONAL AG has two products that set global technological standards in their segment. The SelfCooking Center® is the only cooking appliance with intelligent cooking processes for baking, roasting, grilling, steaming, braising, blanching and poaching. It replaces between 40 and 50 percent of all traditional cooking appliances, including hot air ovens, stoves and boiling pans. The heat is transferred via steam, hot air or a combination of the two.

The ideal complement to the SelfCooking Center® is the VarioCooking Center®, which the French subsidiary FRIMA launched at the end of 2005. In this appliance food can be cooked either in liquid or in direct contact with heat. The SelfCooking Center® and the VarioCooking Center® together, practically replace all tradional appliances found in professional kitchens.

The SelfCooking Center® and the VarioCooking Center® bring together all major cooking and preparation applications in professional kitchens. They can nurture the saving of space and respectively the expanding of capacity without need for additional space. With our SelfCooking Center® and VarioCooking Center®, we are not only replacing all the cooking appliances traditionally found in a professional kitchen, we are also offering a host of new possibilities in terms of food quality and preparation. All RATIONAL appliances pay for themselves in a very short time – on average four to twelve months – delivering as they do positive contribution margins from day one as a result of the savings made on raw materials, manpower and energy.

World market: Plenty of untapped potential

Around the world, there are about 2.5 million professional kichens in which RATIONAL-technology could be installed. The untapped market potential for the SelfCooking Center®, including the replacement potential of old combi-steamers equals around 95 percent of those 2.5 million professional kitchens. The VarioCooking Center® appeals to the same target group as the SelfCooking Center®, which means that the untapped world market potential of this new, revolutionary technology in relation to the same 2.5 million professional kitchens is actually 100 percent.



54% world market share – thanks to its quality and innovation, RATIONAL is No. 1

Growth strategy: Organic development

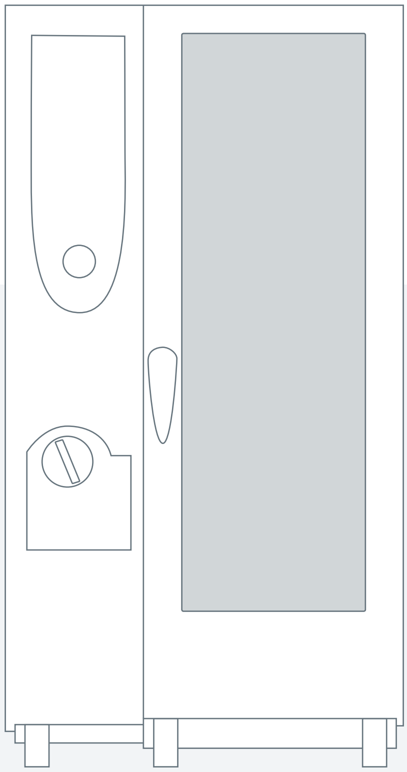
Against this background of the still large amounts of untapped market potential, RATIONAL's strategy is one of organic growth rather than acquisition. By continually improving customer benefit through innovative products and services in addition to expanding its sales and marketing network, it is becoming increasingly efficient, and therefore successful, at accessing the world market.

Distribution strategy: Focusing on market potential

RATIONAL is represented in a total of 40 countries through a combination of its own companies and exclusive distribution partners. For the remaining countries of the world, its products are distributed via selected business partners. RATIONAL's strategy is to constantly increase market penetration in every country. Its core sales market is Europe, where RATIONAL generates approximately 70 percent of its sales; however, even this market still offers large untapped market potential for RATIONAL's products. RATIONAL also has a policy of investing in markets of the future. During fiscal 2009 the economic crisis brought about declining spending capacity in individual markets, so RATIONAL focused on optimizing and adapting existing structures to their respective economic realities in each case.

Production strategy: Minimal vertical integration, maximum value added

In production, RATIONAL follows the basic principle of only tying up its own capacity if it is sure that it can produce something of better quality or at lower cost than others, or if certain system expertise is particularly important to the future development of the company. As a result, there is relatively little vertical integration in its production process, but a great deal of flexibility and added value.



2.5 million

2.5 million professional kitchens are the market potential for RATIONAL-products – worldwide.

Business Conditions and General Situation

Group structure: Focused structures and processes

RATIONAL AG, based in Landsberg am Lech, is not only the parent company of the RATIONAL Group, but also largely responsible for production and rendering of services. The Company's headquarters in Landsberg am Lech are home to the Group's largest production plants. RATIONAL's French subsidiary, FRIMA, has an additional production site in Wittenheim in Alsace. Most of the 19 international and five national subsidiaries within the consolidated companies at balance sheet date are sales or local service companies.

In December 2009, FRIMA UK Limited was founded, with the aim of gaining better access for the VarioCooking Center® to one of the more important sales markets in Europe, namely the UK. There were no further changes made to Group structure this year.

Control: The keyword is "flexibility"

The company has a multi-tiered planning and controlling system that covers all activities worldwide and allows all corporate processes to be planned in detail, recorded, reported and analysed. They are measured using the key figures system developed by the company. Any adjustments that may be necessary are promptly identified and implemented.

At RATIONAL, quality is a key controlling instrument. Even the quality of all our suppliers and service partners is continually analysed, measured and made transparent, and this is done using the same standards as for services provided internally. We are always working in cooperation with suppliers and service partners to improve the quality of our products and services.

In all company processes all over the world, continuous improvement is part of everyday practice. The more than 3,300 suggestions for improvements implemented during 2009 are proof of the high degree to which all RATIONAL employees identify with our extraordinary desire for quality.

For RATIONAL, the important key financial figures are sales growth, EBIT and return on invested capital (ROIC). ROIC for 2009 was 35 percent (previous year: 41 percent). This means that ROIC exceeded the assumed cost of capital of 9 percent threefold, which corresponds to a positive contribution of 51.0 million euros towards the ongoing increase in the company's value. The high level of cash funds that was deliberately sought for risk management reasons had quite a negative effect on this key figure in 2009. At an otherwise normal cash level of 60 million euros, ROIC would reach a peak at approximately 44 percent.

Economic Report

World economy: Global recession

In the year under review, the global economy was in an extremely problematical situation. The spread of the real estate and financial crises to the real economy led to a global crisis and a fall in economic output of 1.1 percent. A further characteristic of the economic situation was the high level of uncertainty that prevailed. Economic research institutes had to continually revise their forecasts downwards, especially during the first half of the year.

Although the crisis was global, some extreme national differences emerged in 2009. Russia, where economic output swung from plus 5.6 percent in 2008 to minus 7.4 percent in 2009, experienced the most serious downturn. Being heavily dependent on oil and gas exports, as well as foreign investments, its economic system was hit particularly hard by the crisis. Japan and Spain, already heading towards recession, continued on the same path. The situation was also difficult in the USA and the UK, which were particularly badly affected by the financial crisis – though this unfolded less negatively in the USA than many had feared. A certain amount of economic ground was regained worldwide during the second half of the year, even in the countries where the crisis had been most severe.

The effects of currency fluctuations and changes in interest rates had slightly negative consequences for RATIONAL in 2009. The pound sterling, the Swedish krona and the Polish zloty all lost value, and although the US dollar and Japanese yen were able to compensate for these effects during the first half of the year, the US dollar, in particular, lost value during the second half.

Due to its excellent liquidity position and low level of debt, RATIONAL did not ultimately profit from the falling interest rates, which made the investment of liquid funds less and less attractive. We still gave top priority to our strategy of “security before yield” in 2009.

Sector and market development: Order behaviour normalizes

The trend among customers to invest in industrial kitchen technology stabilised at a much lower level in 2009. After the crash in the market at the start of the year, there was a return to almost normal, seasonal order behaviour as the year progressed.

As far as the price of steel and the corresponding alloys were concerned, the sector benefited both from the economic trough and from prices that were consistently lower than in 2007 and 2008.

Development of the business in 2009: Stabilisation at a lower level

In 2009, business development at RATIONAL AG was characterised by a noticable reluctance on the part of our customers worldwide to reinvest. RATIONAL, nevertheless succeeded in limiting the negative effects of low order numbers and sales to a few foreign markets. Low sales in Spain, Russia, the Americas and to the OEMs were thus 75 percent responsible for the fact that the overall figure for sales was lower than the previous year. In the markets of all the other countries in which RATIONAL operates, business development was gratifyingly stable, and in some cases even clearly positive.

On the one hand, RATIONAL succeeded in achieving stable development in established markets such as the German home market as a result of high levels of customer satisfaction and the directly linked high repurchase rate in replacement business. On the other hand, RATIONAL was able to take advantage of existing opportunities for growth in markets less affected by the crisis, such as certain Asian countries. In those countries that were particularly affected by the crisis, such as Russia, Spain and the US, where the severity of the crisis affected even RATIONAL, we lost no time in adapting structures, and thus costs, to the new circumstances.

For the SelfCooking Center®, RATIONAL's biggest sales driver, development was much the same as the general business development. The VarioCooking Center® did significantly better, achieving growth in both sales and revenue, even in 2009 – although growth came from a much lower starting level.

Net Assets, Financial Position and Results of Operation

Sales growth: Expectations met

In 2009, sales growth was largely in line with our expectations. At 314.4 million euros, accumulated sales revenue was down by 8.3 percent, compared to previous year's figure of 343.0 million euros.

RATIONAL was able to achieve sales growth from quarter to quarter. Nevertheless, in the fourth quarter of 2009 a typical seasonal effect was again evident. Against the background of a still challenging environment, this can be taken as a positive sign, and in addition it does also reflect the widespread normalisation of demand.

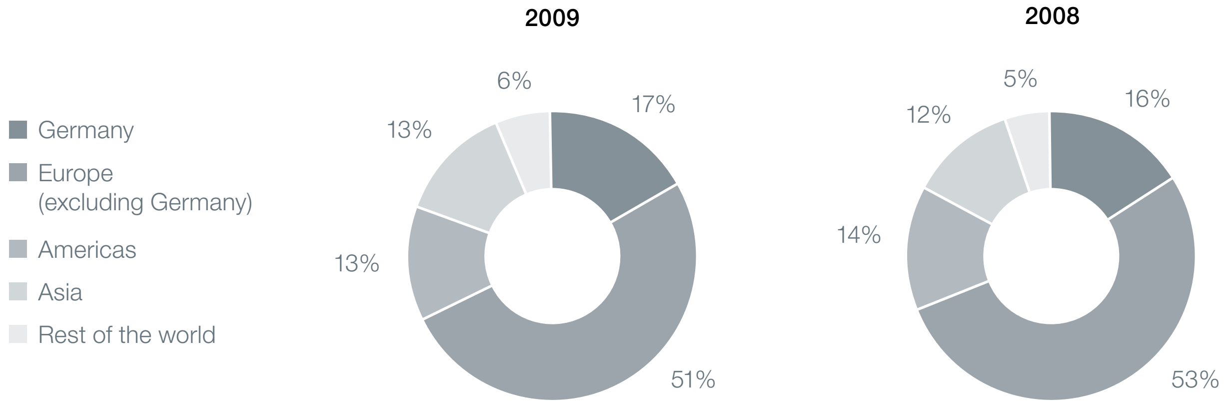
Evidence of this normalisation also emerges when the distribution of sales is analysed in more detail, i. e. for the individual months. Sales growth and development are once again following the laws of the market – and confirm RATIONAL's many years of experience – albeit to a reduced extent. This means that it should now be possible to plan business development more accurately again, and to make more reliable forecasts.

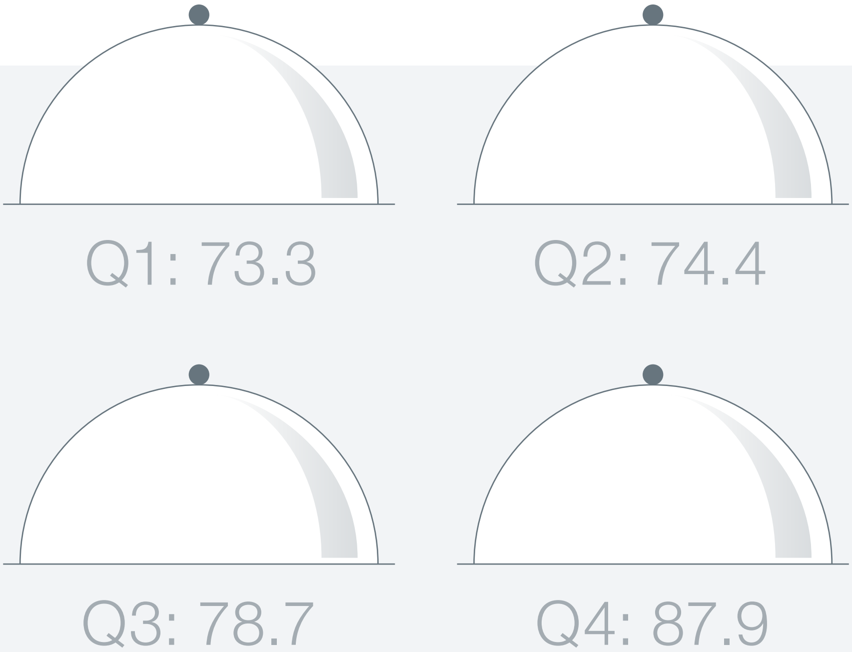
Internationality: Taking advantage of opportunities in emerging markets

The strong international nature of RATIONAL AG's operations has proved a definite advantage even during the current crisis. For example, it proved possible to top the previous year's sales figures in certain regional sales markets once again, particularly in the third and fourth quarters.

Exports as a percentage of sales fell slightly during 2009, from 84.1 percent to 83.0 percent.

Percentage shares of sales by region





In 2009 RATIONAL increased sales quarter by quarter (in million EUR).

Revenue situation: Expectations considerably exceeded

The RATIONAL Group's revenue situation continued to improve in 2009 compared to last year, despite the fall in sales. Gross profit margin (gross profit as a percentage of sales) rose from 59 percent in 2008 to 61 percent in 2009. EBIT grew by 8.9 percent, from 83.1 million euros to 90.5 million euros. The annual net earnings increased from 61.7 million euros to 67.3 million euros, an amount that exceeded the expectations considerably.

Cost management: Margin improvement

In 2009, RATIONAL's gross profit margin reached an outstanding 61 percent. This represents an increase of 2 percentage points on the previous year. The gratifying levels of growth in the third and fourth quarters are particularly worth noting. The critical success factor at work here is that RATIONAL only produces to order. From procurement through production and assembly to logistics, the entire production system is highly flexible in adjusting to both upward and downward fluctuations in order volumes, which means that optimum productivity and efficiency are guaranteed at all times. In parallel to this, raw material prices continued to ease in 2009, and RATIONAL was able to leverage additional potential on the procurement side. The trend in high-grade stainless steel prices, in particular, was downwards.

In 2009, RATIONAL managed to reduce operating expenses, which consist of sales and service expenses, research and development expenses and general administration expenses, by 16.9 million euros, or 14.2 percent, from 118.9 million euros to 102.0 million euros.

It was possible to make considerable savings in 2009 by reversing the high investment costs in relation to global sales that were shown in 2008. The result was that sales and service expenses fell from 88.5 million euros to 75.5 million euros.

RATIONAL's R&D budget of 11.4 million euros demonstrates the importance the Company attaches to such investment in the future, including – perhaps especially – in times of crisis. We see this as the only way to both secure and increase product leadership.

RATIONAL also managed to reduce general administration expenses by 5.6 percent in 2009, from 16.0 million euros to 15.1 million euros.

At 8.5 million euros, other operating income was below the 10.0 million euros achieved the previous year. In addition, at 7.6 million euros, other operating expenses were also below the previous year's figure (11.6 million euros). These reductions can be attributed to the reduced volatility in exchange rates compared with the previous year. Further details of the composition of other operating income and expenses can be found in the notes to the consolidated financial statements.

The figure for financial results of -0.4 million euros was obtained by netting interest income of 1.0 million euros against interest expense of 1.4 million euros. Of the excellent total liquidity at year end of 131.6 million euros, 105.0 million were invested in fixed-term deposits. One factor which had a negative effect on the financial results was the historic low to which interest rates fell in 2009.

At 25.3 percent, our tax ratio was below the previous year's figure of 26.2 percent. Absolute tax expense was 22.8 million euros.

All the profit margins calculated on the basis of sales have shown positive development. We not only increased our gross profit margin, but also our EBIT margin by 4.6 percentage points, to 28.8 percent. This meant that the improvement in RATIONAL's profits was generated entirely by operations. The EBT margin increased by 4.3 percentage points, to 28.7 percent. Taking account of tax expense, the net margin (net earnings as a percentage of sales revenue) rose by 3.4 percentage points to the record level of 21.4 percent.

Financial management: Securing liquidity as a major priority during the crisis

The financial management of the RATIONAL Group is in the responsibility of the Executive Board and includes management of the Group's capital structure (especially its financial assets and deposits), cash and liquidity control, management of market price risk in relation to interest rates and currencies, and receivables management.

In view of the difficult climate, and in order to minimise the amount of capital tied up in trade receivables, we continued to improve our receivables collection methods throughout 2009, thus reducing "days sales outstanding" (DSO) and further optimising the aging structure of our receivables. Even in a crisis year such as 2009, RATIONAL recorded very few defaults on receivables. Although allowances rose considerably between 2008 and 2009, they still remained at a low level. RATIONAL makes use of trade indemnity insurance worldwide and in 2009 had an average receivables coverage ratio of around 90 percent.

Analysis of financing: Excellent equity base

Selected balance sheet accounts in relation to the balance sheet total

% of total	Dec. 31, 2009	Dec 31, 2008
Equity	71	64
Long-term liabilities	9	12
Short-term liabilities	20	24
Equity & Liabilities (total)	**100**	**100**

As a result of professional resource management in all areas of the company, RATIONAL was able to substantially increase its equity ratio at the balance sheet date, from 63.9 percent last year to 71.4 percent this year. RATIONAL, therefore, has an extremely solid financing structure, which ensures it has the room to manoeuvre and the flexibility it needs to make necessary entrepreneurial decisions.

The largest item within long-term liabilities is liabilities to banks, at 21.3 million euros. This reflects the financing for the new plant and the production facilities at the components factory. Repayment of the greater part of these loans, for which the interest rate is fixed until 2017, is due in 2022.

Traditionally, RATIONAL keeps trade accounts payable at a very low level. Our systematic management of short-term liabilities and their payment terms has a very positive effect on the terms of contracts we are able to negotiate with suppliers and allows us to make extensive use of early payment discounts. As a result, RATIONAL was able to further reduce trade accounts payable from its already very low level of 10.9 million euros in 2008 to 7.0 million euros in 2009.

Off balance sheet financial instruments: Limited Usage

RATIONAL only makes very limited use of financial instruments such as operating leases and outsourcing of liabilities to companies especially created for the purpose. An example of an instrument that RATIONAL does use are operating leases for technical equipment, company cars and IT equipment. From these contracts the Company anticipates having to make payments of around 6.1 million euros over the next five years.

Analysis of investments: Considerable pre-investments

In 2009, RATIONAL AG invested 2.4 million euros in tangible and intangible assets. At this volume, the investment was slightly below our normal level of maintenance investment. In 2007 and 2008, RATIONAL had already invested in the new Plant III at the Landsberg site, new component production facilities and a new data center, and therefore has already made the initial outlay for the next four to five years.

Cash flow: High cash inflow

Cash flow from operating activities developed extremely positively in 2009, reaching 83.2 million euros. This corresponds to a 17 percent increase on 2008's figure of 71.0 million euros. This is the result, in particular, of much higher earnings before taxes and lower income tax payments than last year. As a result of receivables management and the lower sales volume, trade receivables were again reduced by 6.2 million euros to 51.4 million euros.

Cash outflow from investing activities increased by a total of 33.8 million euros, to 72.2 million euros. This was mainly due to an addition in deposits with terms of over three months, which fall under cash flow from investing activities.

In fiscal 2009, RATIONAL achieved free cash flow of 80.8 million euros – well above the previous year's figure of 38.4 million euros.

In the year under review, cash flow from financing activities included the dividend payment for 2008 of 11.4 million euros. Cash flow from financing activities reflects the netting of loan repayments totaling 10.1 million euros against new short-term liabilities to banks of 16.0 million euros. Thus, at year end, the RATIONAL Group had total cash funds, excluding deposits with terms of over 3 months, of 35.6 million euros (previous year: 32.1 million euros).

Asset situation: Excellent liquidity assures flexibility

The balance sheet total for the RATIONAL Group on December 31, 2009 showed a year-on-year rise of 27.1 percent, to 265.7 million euros. This was primarily the result of excellent growth in earnings in 2008 and 2009 combined with a cautious dividend policy. The result has been significant growth in cash and cash equivalents and a much higher level of equity. Further optimisation of working capital had the opposite effect on the balance sheet total to a lesser extent. For these reasons, the composition of assets has shifted somewhat in favour of current assets. At around 1 to 3, the ratio of non-current to current assets reflects the strength of the Company's liquidity position. At year end 2009, cash and cash equivalents, including deposits, totalled 131.6 million euros (previous year: 57.1 million euros).

Management's assessment of the economic situation

The economic conditions that RATIONAL has managed to establish for itself in spite of the difficult climate are excellent. They include a high level of untapped market potential worldwide for RATIONAL products, which are leaders concerning technology and quality. RATIONAL itself is already the out-and-out world market leader, receiving top scores for brand awareness, customer satisfaction and repurchase rates.

With its high levels of liquid funds, ongoing ability to generate cash and excellent record of earnings growth coupled with an optimum equity base, RATIONAL is also in an excellent financial position. 2009 clearly demonstrated the extraordinary flexibility of the Company as a whole, also regarding the reaction to crises.

Report on Research and Development

R&D has always been extremely important at RATIONAL, and the Company's economic success is to a very large extent due to the technological superiority of its products and services. In 2009, with a total amount of 11.4 million euros, RATIONAL again invested strongly for the future.

Employees

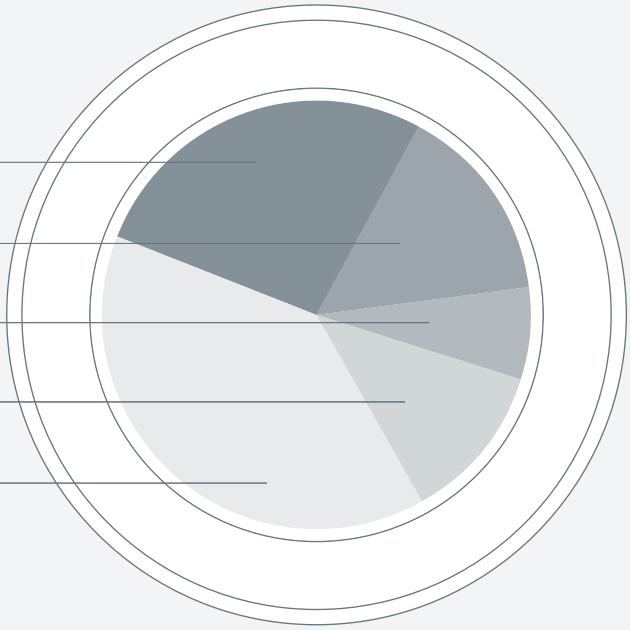
The quality of RATIONAL employees, both as individuals and as team members, is ultimately what makes the Company so successful. That is why RATIONAL continues to invest heavily in continuing education, professional training and, especially, in the development of managers.

Employee loyalty, together with the associated high standards of training and knowledge, as well as our employees' specialiced experience, are important factors in RATIONAL's success. Proof of employee loyalty can be seen from the number of Group-wide anniversaries in 2009, with 50 employees being honoured for their many years of service. In 2009, 67 percent of all management positions were filled from within the Company's own ranks.

Related to the excellent growth in its earnings and the outstanding achievements of its employees, RATIONAL, in 2009, again offered all eligible employees a voluntary profit-sharing payment in the shape of an additional month's pay.

RATIONAL continues to reap the benefits of its commitment to training. On December 31, 2009, RATIONAL had 46 trainees, working in a total of seven different job profiles.

Production/dispatch	27%
Business administration/management	15%
Research & development	7%
Technical services	12%
Sales/marketing	39%



Breakdown of RATIONAL's Personnel

Non-financial Performance Indicators

Quality management: Optimising the process as a whole

“Quality first” was the motto for 2009, and this meant improving quality in every part of the Company. The entire RATIONAL Group is organised around processes, and these processes are defined in detail to ensure that they are not only workable, but can also be measured for quality.

RATIONAL’s innovativeness and quality are reflected in the number of honours and awards it has won. For example, in 2009 RATIONAL won a special innovation award in Gemany for CareControl, and in the USA the “Kitchen Innovations” award, which is highly regarded in the sector.

Brand: Highest levels of brand awareness in the professional kitchen sector

The RATIONAL brand is particularly highly regarded in the industrial kitchens sector. Customers see RATIONAL as the innovation and market leader, but for them the brand also stands for the highest quality, a broad range of applications and benefits, absolute reliability, longevity and pure ease of operation.

CLUB RATIONAL – Optimal customer retention

With CLUB RATIONAL, an institution, which gives the opportunity for better and closer end customer retention, was established. It provides its members, who already number more than 10,000 and counting, with the latest updates for the SelfCooking Center® software. On top of that, it provides a point of contact for chefs and a forum where they can discuss the similar challenges they face and offer each other expert advice. It also offers access to an extensive recipe database, and so a chance to publish recipes.

Environmental protection: Emission-free and conservation of resources

RATIONAL attaches great importance to the responsible use of natural resources. The environmentally friendly and conservation of both raw and processed materials is as important in product development as it is in the production, shipping and subsequent use of appliances on the customer's premises.

We not only meet, but often fall well within, the legal limits and standards in all areas. We achieve this by using low-pollution production methods and by our exemplary environmental protection measures.

Capital market: Progression in international awareness

Becoming a public listed company and, not least, being promoted to the MDAX in 2009, have helped the Company become more well known. Being listed on the stock exchange also makes RATIONAL more attractive to prospective new employees. Continuous and constructive dialogue with external analysts also helps raise internal awareness as regards efficient processes, effective risk management, transparent structures and open communication.

Remuneration Report

According to §315 Para. 2 No. 4 of the German Commercial Code (HGB), public companies listed on the stock exchange must provide information on the main features of their system of compensation for their Executive Board.

At RATIONAL AG, the remuneration of Executive Board members is set by the Supervisory Board and is based on the company's size and global activity, its economic and financial situation and the levels and structure of Executive Board remuneration in comparable companies.

The total compensation paid to the Executive Board for the performance of its duties within the parent company and its subsidiaries in fiscal year 2009 was 3.6 million euros (previous year: 3.0 million euros). This amount includes a performance-related component of 2.1 million euros (previous year: 1.5 million euros), with additional payments into the pension scheme amounting to 0.3 million euros. No stock options were issued in 2009. In accordance with the resolution passed at the General Meeting of Shareholders on May 17, 2006, RATIONAL AG abstains from publishing individualised figures for Executive Board compensation. As regards the variable components of compensation, the deciding criteria when setting them are sales, Group earnings, the increase in the Company's technological lead and improved entrepreneurial quality.

Total compensation for the Supervisory Board in fiscal year 2009 amounted to 555 thousand euros (previous year: 542 thousand euros).

Information required under Takeover Law to § 315 Para. 4 of the German Commercial Code and Explanatory Report

On December 31, 2009, the share capital of RATIONAL AG amounted to exactly 11,370,000 euros and consisted of 11,370,000 ordinary registered no-par value shares, each of which has a nominal calculated value equal to a 1.00-euro share in the share capital. Each share carries one vote and is necessary for entitlement to a share of profits.

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

On December 31, 2009 the Company's founder and Chairman of the Supervisory Board held 7,159,786 shares in RATIONAL AG and thus exceeded the threshold of 10 percent of voting rights.

To date, RATIONAL AG has issued no shares with special rights conferring powers of control. By resolution of the General Meeting of Shareholders on May 6, 2009, § 8 of the Articles of Association of RATIONAL AG was changed to include the right to appoint. The wording of the resolution is as follows:

"For as long as Mr. Siegfried Meister and Mr. Walter Kurtz are shareholders of the Company they shall have the joint right to appoint a member of the Supervisory Board to replace a member who steps down from the Supervisory Board. The right to appoint may be exercised as soon as a member of the Supervisory Board, which was appointed in its entirety by the General Meeting of Shareholders, has stepped down. If one of the two holders of the right to appoint ceases to be a shareholder of the Company, the remaining shareholder shall have sole right to appoint. The right to appoint is to be exercised by submitting a written declaration to the Executive Board of the Company."

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

Under § 84 of the German Stock Companies Act (Aktiengesetz) the Supervisory Board is responsible for the appointment and removal of members of the Executive Board. In relation to these powers, § 6 No. 2 of the Articles of Association of RATIONAL AG states that the Supervisory Board appoints the members of the Executive Board, determines their number and allocates their duties. The Executive Board manages the Company and represents it vis-à-vis third parties.

According to § 11 No. 2 of the Articles of Association of RATIONAL AG the Supervisory Board is entitled to make amendments and additions to the Articles of Association provided these are to the wording only. All other amendments to the Articles of Association are to be made by resolution of the General Meeting of Shareholders passed with a simple majority of the votes, provided a greater majority is not required by law. §§ 179 ff. of the German Stock Companies Act (Aktiengesetz) apply accordingly. In 2009 the Supervisory Board made no amendments to the Articles of Association. The last amendment to the Articles of Association was made by resolution of the General Meeting of Shareholders on May 6, 2009 and related to the election of Supervisory Board members.

The conditional capital of the Company amounts to 200,000 euros and relates to option rights for Executive Board members for up to 200,000 shares. The conditional capital increase should be made only to the extent, to which the options granted are exercised by their holders.

The Company does not hold any company stock, nor is the Executive Board currently authorised by the General Meeting of Shareholders to buy back company stock.

RATIONAL AG has not entered into any important agreements that are subject to the condition of change of control following a takeover bid.

No agreements have been entered into with members of the Executive Board or other employees of the Company that provide for any particular compensation or additional remuneration in the event of change of control, i. e. of the assumption of the majority of voting rights in the Company by either an individual shareholder or by shareholders acting jointly.

Declaration of Corporate Governance

All actions on the part of the managing and controlling boards of RATIONAL AG are determined by the principles of responsible management. In its Declaration of Corporate Governance, the Executive Board is reporting, in compliance with both § 289a Para. 1 of the German Commercial Code (HGB) and Article 3.10 of the German Corporate Governance Code – and also on behalf of the Supervisory Board – on corporate leadership, management and governance. The declaration can be found on the Company's website at www.rational-online.com, in the Investors/Corporate Governance section.

Supplementary Report

No events that might have affected the assessment of the net assets, financial position or results of operations of the RATIONAL Group, and should have been reported here, occurred after the balance sheet date, December 31, 2009.

Risk Report

As a company operating globally, RATIONAL is exposed to a variety of risks. In order to meet strategic targets and assure the Company's success, it is essential that risks be identified early, their causes and impact analysed, and suitable measures introduced to prevent or contain them on a long-term basis.

To this end, our processes and early warning instruments are continually revised and improved.

The RATIONAL risk analysis process
Entrepreneurial risk can be defined as the danger of not meeting financial, operational or strategic targets according to plan.

Our risk analysis process includes assessing the probability of occurrence of a given risk and the amount of loss or damage that is likely to be suffered as a result. To do this, we use both quantitative and qualitative methods that are uniformly defined company-wide and thus allow comparisons to be made between different business units.

The individual risks are assessed for their probability of occurrence and their impact on the basis of an assessment horizon of three years. The last risk inventory of this kind was undertaken in September 2008.

The results of the risk inventory flow into the strategic planning process are taken into account by the business units when they implement internal controlling systems and organisational restructuring and allow corporate management to focus on the main areas of risk and how they are being managed.

In view of the global economic crisis in 2009, risk management was particularly focused on the flexible adaptation of the Company's organisational and cost structures, as well as on further improving the working capital position. We also kept a close eye on the development of our suppliers' businesses in order to counteract the threat of interruptions in production if a supplier were to fail.

The RATIONAL risk management system

In addition to its risk analysis process, RATIONAL has many other instruments for the early identification and analysis of risks and opportunities. These are:

- A uniform company-wide planning process used by all corporate divisions worldwide, together with a comprehensive reporting system.
- Descriptions of the processes and internal controlling systems of all corporate divisions, the quality of which and adherence to which are assured worldwide through regular training courses and appropriate monitoring. To ensure that internal controls and decontrols continue to be conducted properly over time, we map highly sensitive processes such as that for approving creditor invoices using SAP workflows.
- An internal audit, which provides an independent and objective snapshot of the current situation with regard to the Company’s processes and recommends suitable measures to counterract any deviations from targets.
- Risk indicators with threshold values for sales and marketing efficiency, receivables management, supply chain management and the quality of the service network, to help identify undesirable developments at an early stage and allow appropriate countermeasures to be promptly implemented.
- A globally integrated treasury management system for optimum cash and currency management worldwide.
- Customer satisfaction surveys conducted regularly in all the important markets, providing an external perspective on product quality, service quality and the Company’s competitiveness.
- Partner plans agreed annually with key suppliers and designed to increase quality and productivity. As a result of our purchasing department’s close collaboration with suppliers and regular auditing, we are largely able to avoid shortages in supply and problems with quality.
- Special processes and the use of appropriate systems in order to do justice to the great importance that RATIONAL places on information security and the protection of expertise.
- A comprehensive insurance strategy that is updated each year in line with the latest risk situation and organisational structure.

- Cooperation with Coface, one of the largest trade indemnity insurers, to secure our receivables. The use of specific software systems, including for the automatic updating of insurance data, ensures that full transparency regarding possible credit risks is maintained at all times.
- Regular strategy meetings between the Supervisory Board and the Executive Board, which minimise the risk of undesirable strategic developments.

Critical success factors that complement risk analsyis and the risk management system are the regular risk and opportunity awareness initiatives we undertake with our emplyees and the highly developed sense of corporate identity among the senior management.

The effectiveness and topicality of the risk management system are continually updated and adjusted through the internal auditing process. Also, external auditors check whether the Executive Board has taken the necessary steps required under § 91 Para. 2 of the German Stock Companies Act to ensure that developments that could jeopardise the existence of the Company are identified at an early stage.

Risks

Political crises and natural disasters

The impact of political instability and natural disasters can put sales of products and services in the affected countries at risk.

The international nature of RATIONAL's operations and the fact that our products are sold in all the main markets of the world gives us the flexibility to compensate for regional difficulties with our activities in other markets.

Possible consequences of political instability could, for example, be import restrictions in China, Russia or Brazil. As the proportion of our sales attributable to these regions is still relatively small, we consider this risk to be no more than moderate.

Risk from competition and other sector risks

Developments and trends within the sector are monitored constantly and factored into corporate planning. There is a risk that strong new competitors will emerge as a result of mergers within the sector, but we do not rate the losses we might sustain as a result as particularly high.

Economic risks

The international economic environment in which RATIONAL operates is susceptible to cyclical risks. The purchase of RATIONAL appliances represents a major investment for our customers and is thus subject to an investment decision process and the necessary finance.

One of the main consequences of the financial crisis in 2008 and 2009 was the evident caution shown by many customers, and in the past fiscal year this has also had a negative impact on the development of RATIONAL's sales.

Nonetheless, as already demonstrated in the past, RATIONAL's special market position and the highly positive effect its products have on productivity, cyclical fluctuations and crises tend to have less impact on the business than, for example, on mainstream machine manufacturers.

RATIONAL is extremely carefully monitoring economic development in the markets that are important to it. In this way, it is possible to identify risks at an early stage and will give the necessary corrective measures promptly.

Therefore, with flexible cost planning and good cash reserves, which will give the necessary room to manoeuvre, as well as the flexibility and independence to take all necessary entrepreneurial decisions, the Company is extremely well prepared for virtually any macroeconomic scenario that is currently conceivable.

Financial and capital market risks

In 2009, the proportion of total sales in foreign currencies outside the Euro Zone amounted to 30 percent (previous year: 28 percent), and since the greater part of production costs is generated within the Euro Zone, changes in exchange rates affect the Company's earnings situation.

Any increase in the value of the euro in relation to other currencies generally has a negative effect, whereas a low-value euro has a positive influence. In 2009 the rise in the value of the euro in relation to foreign currencies such as the pound sterling, the Polish zloty and the Swedish krona had a negative effect on our operating profit.

RATIONAL makes use of the usual hedging instruments such as options and futures, always collaborating with highly rated partners. The type and scope of its hedging activities are prescribed by internal guidelines developed centrally by the parent company.

The effects of a sustained increase in the value of the euro cannot be avoided through currency risk management alone. The risks to our operating cash flows posed by short- and medium-term currency fluctuations can, however, be significantly reduced through currency hedging.

Market risks

RATIONAL's total sales volume is divided between several thousand individual customers.

There is thus no particular risk to constant future sales growth through the loss of individual customers. Given the fact that RATIONAL's sales and marketing process is not directed as much at trade customers as at end users, the loss of a trade customer does not automatically lead to a larger fall in demand on the end user side.

Bad debt risk on trade receivables can arise as a result of customers not fulfilling their payment obligations. In order to avoid or reduce such a risk, the receivables are secured against the risk of default by trade indemnity insurance or bank letters of credit. On the balance sheet date, 85 percent (previous year: 85 percent) of receivables were covered by appropriate securities. In this way, the greater part of the considerable risk to the RATIONAL Group in relation to defaults on receivables is largely eliminated.

Product quality

RATIONAL product quality has continually improved over the last few years, a trend which is confirmed by our improved warranty cost ratio, the reduced number of customer service complaints and the high customer satisfaction levels recorded in our regular customer surveys.

Nevertheless, RATIONAL is aware of the potential risks associated with quality problems and the incorrect use of products. For this reason, service reports are continually subjected to expert scrutiny and analysis. In the view of management, existing product liability insurance adequately covers the risks arising from product liability.

Product development and the protection of trademarks

In terms of products and technology, RATIONAL has been the clear leader in its field for many years. Innovations are protected by a variety of intellectual property rights, such as patents and patent applications.

Whenever an infringement of an active patent is suspected, all possible defensive measures, including taking the third party to court, are employed. Patent infringement proceedings due to possible patent infringements by RATIONAL will be investigated by experienced patent attorneys and emphatically prosecuted and defended.

Personnel management related risks

Skilled employees and managers are the mainstay of the RATIONAL Group's success and continued development. It is therefore very important to the Company to be able not only to retain high achievers within the company, but also to attract new qualified personnel. A high turnover rate, especially in high achievers, would have a negative effect on the business. Alongside appropriate remuneration, measures that encourage employee loyalty include targeted human resources development and promotion schemes as well as opportunities for employees to share directly in company profits.

Raw material prices and procurement risks

As a manufacturing company, RATIONAL is affected by changes in energy and raw material prices, as these lead to fluctuating material and production costs.

The prices of both high-grade stainless steel and nickel, of which the price affects the alloy surcharge on stainless steel, are of particular importance for the products we manufacture.

RATIONAL closely watches the commodities markets and, thanks to long-term contracts with suppliers, is able to reduce the cost-related risk associated with high-grade stainless steel. It is not possible to do this with the alloy surcharge. Changes in the alloy surcharge can, therefore, have either a positive or a negative effect on our production costs.

Our procurement strategy includes working in partnership with key components and subassembly suppliers. This focus on key suppliers means that we are continually improving the quality of our products and, just as importantly, protecting our technological lead in the best possible way. This results in a certain degree of codependency, which means that the complete loss of a supplier could lead to short-term interruptions in production. RATIONAL is aware of this risk and therefore keep a particularly sharp eye on the development of our suppliers' businesses, as well as on any of their production processes that are relevant. The advantages and opportunities offered by this strategy far outweigh any risks that might be attached to it.

Transferring risk through insurance protection

With the help of external insurance brokers, RATIONAL has prepared an overall coverage concept that covers the main risks to which the Company is exposed. With Group insurance such as this, the risk is transferred to the insurer in each case, after deduction of any retentions. Changing risk situations for the Group are examined regularly and the insurance protection adjusted accordingly. In the last two years, both the contractually agreed amounts insured and the retentions have been improved upon or, at the very least, maintained.

RATIONAL only chooses insurers that the insurance broker has checked for creditworthiness (i. e. with at least an A rating from a reputable ratings agency). The broker then checks their ratings on a regular basis and informs RATIONAL promptly of any lasting negative development on the part of an insurer so that a decision can be taken as to how to proceed.

In all insured areas, we are continually working on measures to improve loss/damage prevention, or at least to reduce the probability of loss or damage. An example of this is our ongoing optimisation of packing materials for our appliances, aimed at achieving a lasting reduction in damage in transit.

We have put our own site security system in place at our three plants in Landsberg. This is not just for the protection of our employees, the buildings and the plant and machinery, but also the environment. With a 24-hour watch provided by our own personnel, as well as a central site security control room (with, among other things, permanent video monitoring and a technical fire protection system), we are able to guarantee security of the highest level.

In addition to this, regular coordinated site inspections carried out by specialists from our property insurer and our insurance broker make sure that defined precautionary and security measures designed to minimise risk are implemented.

Summary

Although it is currently impossible to predict how the world economy will develop, given the measures in place, the excellent cash reserves and the solid balance sheet structure, RATIONAL does not see the existing risks, either individually or in combination, as posing a threat to its future viability.

RATIONAL AG's internal controlling and risk management system in relation to the accounting process

The main points of the internal controlling and risk management process in place at RATIONAL AG in relation to the (Group) accounting process can be described as follows:

- The accounting processes in place at RATIONAL AG and its subsidiaries are clearly structured in relation to areas of responsibility and management.
- Standardised accounting practice is assured Group-wide through guidelines that are applied Group-wide as well as being constantly updated.
- With regard to the preparation of the closing financial statements, a clear division of functions exists between Finance and Accounting, as well as Controlling, which are the units principally involved in the accounting process, and assignment of reponsibilities is clear.
- Where possible, and subject to country-specific regulations, the actual bookkeeping process for the RATIONAL Group is handled centrally in Landsberg. This assures high quality of recording and processing throughout the Group for all accounting-relevant data.
- Where possible, standard software is used in our financial accounting systems. These systems are protected against unauthorised access through appropriate security and authorisation concepts.
- The units involved in the accounting process are properly equipped to meet requirements. The staff involved have the necessary qualifications and are involved in an ongoing process to improve their qualifications. In addition to this, the units involved in the accounting process throughout the Group hold regular meetings to ensure that methods are standardised.
- Accounting-relevant data is subject to regular spot checks for completeness and correctness.

- The four-eyes principle is applied to all accounting-relevant processes, without exception.
- In order to ensure that accounting practice is not only standardised but conforms with the law, the annual financial statements of all companies within the RATIONAL Group are audited by locally appointed auditors.
- All the accounting-relevant processes of the RATIONAL Group are regularly checked by Internal Audit as part of the audit process for subsidiaries. The processes involved are also subject to rotational checks carried out at the Landsberg site.

The internal controlling and risk management system, the main points of which are described above, ensures that the accounting process is efficient. The controls in place ensure that very few errors occur but that those that do are not only detected but corrected.

This ensures that accounting practice at RATIONAL AG not only conforms with statutory regulations but that, through the controlling and checking mechanisms described above, business transactions are recorded, reported and evaluated correctly and in a standardised manner Group-wide in order to make available, reliable and relevant information.

Outlook

The economy: Moderate upturn expected

Most economic researchers believe that the global economy will return to moderate growth in 2010. Most of the leading industrialised nations are expected to return to growth following the sharp decline experienced by some of them during 2009. The economies of China and India should continue to accelerate momentum.

Predictions with regard to private consumption in 2010 vary. According to the economic researchers, Europe can at best expect a stable development, and the rate of that growth will in any case be below that of general economic growth. This forecast for private consumption and, by extension, for growth in the so-called “food service market” could influence the investment decisions of RATIONAL’s customers.

Market development: Excellent potential

The untapped market potential worldwide of RATIONAL’s products remains at an unchanged high level. Worldwide, there are around 2.5 million professional kitchens that are eligible to use the SelfCooking Center® or the VarioCooking Center®. The untapped world market potential for the SelfCooking Center® equals around 95 percent of those 2.5 million professional kitchens and that of the VarioCooking Center® around 100 percent. A crucial factor in further market penetration resides in the willingness of decision-makers in professional kitchens to invest.

RATIONAL products and technologies pay for themselves very quickly and, therefore, present a perfect case for a positive investment decision, also in economically difficult times. Using RATIONAL-solutions directly increases customers’ available income. The monthly cost savings that are achievable on raw materials and energy use, as well as manpower, far exceed even the financing costs for the appliances. RATIONAL-solutions deliver positive contribution margins from day one.

Internationalisation: Concentration on emerging markets

After the deliberate caution shown by the Company in 2009, RATIONAL, in 2010, plans the well-directed expansion of the sales and marketing networks. international expansion are now under way at RATIONAL. Nonetheless, it is paticularly focusing on the markets of those countries where the underlying economic conditions and market potential offer particularly good opportunities for future growth.

Procurement: Moderate rise in raw material prices expected

RATIONAL is expecting a moderate rise in purchase prices in 2010. If the world economy gradually starts to recover, steel prices can be expected to rise, as can costs in relation to the alloys that RATIONAL needs. As far as steel prices are concerned, RATIONAL ensures it has a reliable costing base by negotiating long-term contracts. Nevertheless, it is possible that in 2010 the cost of the alloy surcharge will cause material costs to rise.

Investments: Continuity

In 2010, RATIONAL will continue to profit from its well-above-average future investments in 2007 and 2008. No specific investment is therefore planned for 2010.

Employees: Employee quality is company quality

At the beginning of 2009, RATIONAL took the conscious decision not to introduce short-time working. Instead, particularly as the international business was concerned, the new lower sales realities were accepted and the workforce was adjusted accordingly. With the current employee structure RATIONAL adjusted to the new level of sales worldwide. In 2010, RATIONAL will continue to invest in both employee loyalty and employee qualification and development.

Corporate outlook: 2010 – another year of caution, climate still restrictive

As far as the outlook for the business development of RATIONAL Group is concerned, large opportunities are in opposition to unpredictable elements resulting from influences outside the market, or cyclical factors. RATIONAL itself has created all the prerequisites to be successful in 2010. The Company has superior products, excellent customer loyalty, an intact business model, and an excellent, underlying financial position. Nonetheless, there is still a risk in relation to the actual inclination to invest on the part of customers.

Against this background, for 2010 we are anticipating slightly growth in sales.

Landsberg am Lech, February 17, 2010

RATIONAL AG
The Executive Board

Consolidated Financial Statements of the RATIONAL Group for Fiscal Year 2009

Contents

Statement of Comprehensive Income RATIONAL Group

kEUR	Note	2009	2008
Sales	1	314,354	342,958
Costs of sales	2	–122,788	–139,274
Gross profit		**191,566**	**203,684**
Sales and service expenses	3	–75,534	–88,517
Research and development expenses	4	–11,380	–14,445
General administration expenses	5	–15,085	–15,975
Other operating income	6	8,544	9,998
Other operating expenses	7	–7,629	–11,641
Earnings before interest and taxes (EBIT)		**90,482**	**83,104**
Financial results	8	–355	432
Earnings from ordinary activities (EBT)		**90,127**	**83,536**
Taxes on income	9	–22,822	–21,855
Group earnings		**67,305**	**61,681**
Differences from currency conversion		258	–947
Total comprehensive income		**67,563**	**60,734**
Average number of shares (undiluted/diluted)		11,370,000	11,370,000
Earnings per share (undiluted/diluted) in euros relating to the group earnings results and the number of shares	10	5.92	5.42

Balance Sheet
RATIONAL Group

ASSETS

kEUR	Note	Dec. 31, 2009	Dec. 31, 2008
Long-term assets		**60,670**	**66,291**
Intangible assets	12, 13	1,259	1,861
Property, plant and equipment	14, 15	56,321	61,195
Financial assets	16	50	50
Other long-term assets	19	222	268
Deffered tax assets	9	2,818	2,917
Short-term assets		**204,991**	**142,719**
Inventories	17	17,822	20,564
Trade receivables	18	51,434	57,659
Other short-term assets	19	4,106	7,386
Deposits with maturities of more than 3 months	20	96,000	25,000
Cash and cash equivalents	21	35,629	32,110
Balance sheet total		**265,661**	**209,010**

EQUITY AND LIABILITIES

kEUR	Note	Dec. 31, 2009	Dec. 31, 2008
Equity	22	**189,750**	**133,557**
Subscribed capital		11,370	11,370
Capital reserves		28,058	28,058
Retained earnings		152,396	96,461
Other components of equity		–2,074	–2,332
Long-term liabilities		**22,437**	**25,474**
Provisions for pensions	23	688	614
Non-current loans	26	21,284	23,580
Other long-term liabilities	28	465	1,280
Short-term liabilities		**53,474**	**49,979**
Liabilities for current tax	24	4,564	3,264
Short-term provisions	25	18,784	18,233
Corrent portion of non-current loans	26	2,354	2,204
Liabilities to banks	26	8,000	–
Trade accounts payable	27	6,963	10,935
Other short-term liabilities	28	12,809	15,343
Liabilities		**75,911**	**75,453**
Balance sheet total		**265,661**	**209,010**

Cash Flow Statement
RATIONAL Group

kEUR	2009	2008
Earnings from ordinary activities	90,127	83,536
Depreciation on fixed assets	7,589	7,332
Net results from asset retirements	177	–220
Non-realised foreign currency result	76	–600
Change in derivative financial instruments	–300	1,021
Interest income and income from financial assets	–1,073	–1,778
Interest expenses	1,428	1,177
Operating results before changes in working capital	**98,024**	**90,468**
Changes in		
Inventories	2,742	–1,926
Trade accounts receivables and other assets	7,837	2,197
Accruals	625	2,744
Trade accounts payable and other liabilities	–5,929	2,181
Cash generated from current business activities	**103,299**	**95,664**
Taxes paid on income	–20,110	–24,636
Cash flow from operating activities	**83,189**	**71,028**
Investing in intangible assets and tangible assets	–2,382	–32,586
Income from asset retirements	94	373
Purchase of non-current fixed deposits	–96,000	–25,000
Decrease in non-current fixed deposits	25,000	17,000
Interests received	1,081	1,729
Dividend from non-consolidated, affiliated companies	49	45
Cash flow from investing activities	**–72,158**	**–38,439**
Dividends	–11,370	–51,165
Changes within the scope of finance leasing agreements	–869	–958
Proceeds of non-current bank liabilities	–	9,004
Proceeds of current bank liabilities	16,000	4,926
Repayment of liabilities to banks	–10,146	–6,146
Interest paid	–1,331	–1,035
Cash flow from financing activities	**–7,716**	**–45,374**
Net changes in cash and cash equivalents	**3,315**	**–12,785**
Changes in cash from exchange rate changes	204	–400
Changes in cash funds	**3,519**	**–13,185**
Cash and cash equivalents on Jan. 1	**32,110**	**45,295**
Cash and cash equivalents on Dec. 31	**35,629**	**32,110**
Deposits with maturities of more than 3 months on Dec. 31	96,000	25,000
Cash funds including fixed deposits on Dec. 31	**131,629**	**57,110**

Statement of Changes in Equity
RATIONAL Group

kEUR	Subscribed capital	Capital reserves	Retained earnings	Differences from currency conversion	Total
Balance on Jan. 1, 2008	**11,370**	**28,058**	**85,945**	**–1,385**	**123,988**
Dividend	–	–	–51,165	–	–51,165
Total comprehensive income	–	–	61,681	–947	60,734
Balance on Dec. 31, 2008	**11,370**	**28,058**	**96,461**	**–2,332**	**133,557**
Dividend	–	–	–11,370	–	–11,370
Total comprehensive income	–	–	67,305	258	67,563
Balance on Dec. 31, 2009	**11,370**	**28,058**	**152,396**	**–2,074**	**189,750**

Notes
on the RATIONAL Group Annual Report for Fiscal Year 2009

Fundamentals

Description and explanation of business activities

RATIONAL AG is an Aktiengesellschaft (stock corporation) under German law with its registered offices at Iglinger Straße 62, Landsberg am Lech, Germany, entered in the Augsburg Commercial Register under number 2001.

The RATIONAL Group (hereafter “RATIONAL” or “Group”) is a worldwide market and technology leader in the field of thermal preparation of food in professional kitchens. Since its formation in 1973, the Company’s sole activities have been the development, production, and sale of professional cooking appliances for industrial kitchens. In 2004, RATIONAL replaced its existing combi-steamer technology with the world’s first SelfCooking Center®. In addition to the SelfCooking Center®, it also offers a conventional combi-steamer. RATIONAL sells its products worldwide through its own subsidiaries and independent distribution partners.

In parallel with the SelfCooking Center®, the subsidiary FRIMA S.A. developed an entirely new complementary product, the VarioCooking Center®, which has been on sale in selected European markets since 2005. Whereas the SelfCooking Center® is used for cooking all foods involving the transfer of heat by hot, fast-flowing gases, the VarioCooking Center® can be used to cook products found in a professional kitchen, i. e., those that are cooked in liquid or in direct contact with heat.

The shares of the Company, which has been listed on the Frankfurt Stock Exchange since March 2000, have been admitted to the Prime Standard and are traded on the Regulated Market in the MDAX segment. RATIONAL is also listed on the German Stock Exchange CDAX, Classic All Share, Prime All Share and GEX selective indices as well as on BayX30 on the Munich Stock Exchange.

Presentation of financial statements

The functional currency and the currency used in the consolidated financial statements is the euro. For the sake of clarity, figures are shown in thousands of euros. The structure of the balance sheet complies with the IAS 1 guidance regarding classification and format. The presentation for fiscal year 2009 and the previous year defines maturities of “12 months or less” as current and those of “over 12 months” as non-current.

Based on the operational and strategic bases for decisions also available to management, the notes to the consolidated financial statements are intended to allow a full assessment of the Company’s net assets, financial position, and profit or loss, as well as of the opportunities open to it and the risks to which it is exposed. For RATIONAL, the key components of its consolidated financial statements are the statement of comprehensive income, the balance sheet, the statement of cash flows, and the statement of changes in equity. The specific notes relate to the respective captions of these financial statements. Basic information on accounting and consolidation methods can be found under “Fundamental accounting principles,” “Consolidation methods,” and “Accounting and valuation methods”.

The significance of financial instruments is explained under “Notes on financial instruments.” Notes not relating to specific captions can be found in “Other Notes on the Group Financial Statements”.

The consolidated financial statements were approved for publication by the Executive Board of RATIONAL AG on February 17, 2010.

Fundamental accounting principles

The consolidated financial statements for fiscal year 2009 (including the previous year’s figures) were prepared in compliance with the International Accounting Standards (IAS) adopted and published by the International Accounting Standards Board (IASB), and the International Financial Reporting Standards (IFRS) and their interpretation by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) respectively, as adopted by the EU, and the supplementary rules applicable under Section 315a (1) of the German Commercial Code (HGB). All the effective standards for fiscal year 2009 were taken into account, with the result that a true and fair view of the Group’s net assets, financial position, and profit or loss has been given.

The following new or revised standards and interpretations were applied on a mandatory basis for the first time in fiscal year 2009; RATIONAL had not applied them voluntarily in previous years.

- IAS 1 “Presentation of Financial Statements” (amendments/puttable financial instruments and obligations arising on liquidation)
- IAS 23 “Borrowing Costs”
- IAS 27 “Consolidated and Separate Financial Statements” (accounting for investments in subsidiaries, jointly controlled entities and associates)
- IAS 32 “Financial Instruments: Disclosure and Presentation” (puttable financial instruments and obligations arising on liquidation)
- IAS 39 “Financial Instruments: Recognition and Measurement” (reclassification of financial assets – effective date and transition)
- IAS 39 “Financial Instruments: Recognition and Measurement” (embedded derivatives)
- IFRS 1 “First-time Adoption of IFRS” (accounting for investments in subsidiaries, jointly controlled entities and associates)
- IFRS 7 “Financial Instruments: Disclosures” (reclassification of financial assets – effective date and transition)
- IFRS 7 “Financial Instruments: Disclosures” (new disclosures on financial instruments)
- IFRS 8 “Operating Segments”
- IFRIC 9 “Reassessment of Embedded Derivatives”
- IFRIC 15 “Agreements for the Construction of Real Estate”

- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”
- Various changes due to the “Annual Improvement Project 2006–2008”

IFRS 2 “Share-based Payment” (Vesting Conditions and Cancellations) became mandatory for the first time this fiscal year, although RATIONAL had already applied it voluntarily in fiscal year 2008.

The revision of IAS 1 “Presentation of Financial Statements” has resulted in a number of changes, including modified presentation of the income statement and the statement of changes in equity. IFRS 8 “Operating Segments” replaces IAS 14 “Segment Reporting”. Further information relating to this topic can be found in the notes on the operating segments. Otherwise, this has had no material effect on the consolidated financial statements.

The following new or revised standards and interpretations are not yet mandatory and RATIONAL has not applied them early. This is not expected to have a material effect on the consolidated financial statements.

- IAS 27 “Consolidated and Separate Financial Statements” (amendments dated January 10, 2008); applicable to fiscal years beginning on or after July 1, 2009
- IAS 32 “Financial Instruments: Disclosure and Presentation” (classification of rights issues); applicable to fiscal years beginning on or after February 1, 2010
- IAS 39 “Financial Instruments: Recognition and Measurement” (eligible hedged items); applicable to fiscal years beginning on or after July 1, 2009
- IFRS 1 “First-time Adoption of International Financial Reporting Standards” (restructuring of the standard); applicable to fiscal years beginning on or after July 1, 2009
- IFRS 3 “Business Combinations”; applicable to fiscal years beginning on or after July 1, 2009
- IFRIC 17 “Distributions of Non-cash Assets to Owners”; applicable to fiscal years beginning on or after July 1, 2009
- IFRIC 18 “Transfers of Assets from Customers”; applicable to fiscal years beginning on or after July 1, 2009

The following new or amended standards and interpretations not yet adopted by the EU are not expected to have any impact on future consolidated financial statements of RATIONAL.

- IAS 24 “Related Party Disclosures”; applicable to fiscal years beginning on or after January 1, 2011
- IFRS 1 “First-time Adoption of International Financial Reporting Standards” (additional exemptions for first-time adopters); applicable to fiscal years beginning on or after January 1, 2010
- IFRS 1 “First-time Adoption of International Financial Reporting Standards” (limited exemption from comparative IFRS 7 disclosures for first-time adopters); applicable to fiscal years beginning on or after July 1, 2010
- IFRS 2 “Share-based Payment” (group cash-settled share-based payment transactions); applicable to fiscal years beginning on or after January 1, 2010

- IFRS 9 “Financial Instruments: Classification and Measurement”; applicable to fiscal years beginning on or after January 1, 2013
- IFRIC 14 “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction” (prepayments of minimum funding requirement); applicable to fiscal years beginning on or after January 1, 2011
- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”; applicable to fiscal years beginning on or after July 1, 2010
- Various changes due to the “Annual Improvement Project 2007–2009”

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

Consolidation methods

In addition to the parent company, all material domestic and foreign subsidiaries under the legal control of RATIONAL AG have been included in the consolidated financial statements of RATIONAL.

Capital consolidation (initial consolidation) is carried out on the dates when individual subsidiaries are acquired or formed. In doing so, the carrying amounts of the respective subsidiaries are deducted from the acquisition fair values of the investments at the time of acquisition. Any remaining differences are allocated to the assets and liabilities if their fair values exceed the carrying amounts at the date of the initial consolidation. Any difference remaining after this allocation is recognised as goodwill. In accordance with IAS 36, goodwill is tested annually for impairment.

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

The effects of all material intragroup transactions are eliminated. Balances between consolidated companies are eliminated, intercompany profits on inventories are eliminated, and intragroup expenses are deducted from the corresponding income. Deferred taxes are recognised for temporary differences arising from consolidation measures in accordance with IAS 12.

The consolidation methods remain unchanged from those used last year.

Consolidated companies

In compliance with the guidance of IAS 27, as of the balance sheet date of December 31. 2009, the consolidated financial statements include five domestic and 19 foreign subsidiaries, in addition to the parent company. The London-based sales company FRIMA UK Limited, a wholly owned subsidiary of FRIMA International AG registered on December 21, 2009 with share capital of 25 thousand pounds sterling, was included in the consolidated group for the first time. This means that the number of consolidated companies increased by one to 24 compared to the previous year.

The consolidated group consisted of the following companies as of December 31, 2009:

Name and registered office of RATIONAL AG subsidiaries	% capital shares/ % voting rights
LechMetall Landsberg GmbH Edelstahlerzeugnisse, Landsberg am Lech, Germany	100.0
RATIONAL Großküchentechnik GmbH, Landsberg am Lech, Germany	100.0
RATIONAL Komponenten GmbH, Landsberg am Lech, Germany	100.0
RATIONAL Technical Services GmbH, Landsberg am Lech, Germany	100.0
FRIMA S.A., Wittenheim, France	99.9
RATIONAL Canada Inc., Mississauga, Canada	100.0
RATIONAL Iberica Cooking Systems, SL, Barcelona, Spain	100.0
RATIONAL Italia s.r.l, Marcon, Italy	100.0
RATIONAL Japan Co. Ltd., Tokyo, Japan	100.0
RATIONAL Scandinavia AB, Malmö, Sweden	100.0
RATIONAL Schweiz AG, Balsthal, Switzerland	100.0
RATIONAL UK Limited, Luton, United Kingdom	100.0
RATIONAL USA, Inc., Schaumburg, USA	100.0
RATIONAL International AG, Balgach, Switzerland	100.0
RATIONAL Austria GmbH, Salzburg, Austria	100.0
RATIONAL Brasil Comércio E Distribuição , De Sistemas De Cocção LTDA., São Paulo, Brazil	100.0
RATIONAL France SAS, Noisiel, France	100.0
RATIONAL Polen sp. z o. o, Warsaw, Poland	100.0
RATIONAL RUS OOO, Moscow, Russia	100.0
RATIONAL Trading (Shanghai) Co., Ltd., Shanghai, China	100.0
FRIMA International AG, Balgach, Switzerland	100.0
FRIMA Deutschland GmbH, Frankfurt on the Main, Germany	100.0
FRIMA France SAS, Wittenheim, France	100.0
FRIMA UK Limited, London, United Kingdom	100.0

In addition, RATIONAL AG holds 98% of the shares and voting rights in MEIKU Vermögensverwaltung GmbH, which has its registered office in Landsberg am Lech and for its part is the sole limited partner of TAGO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Landsberg KG. These companies are special-purpose entities, which must generally be consolidated in accordance with IAS 27/SIC 12. However, due to their minor significance for the Group's net assets, financial position and profit or loss, they are not consolidated. As of the balance sheet date of December 31, 2009, MEIKU Vermögensverwaltung GmbH reported a net profit for the year of 64 thousand euros (previous year: 68 thousand euros) and equity of 91 thousand euros (previous year: 94 thousand euros).

Topinox Sarl, Nantes, France, an operationally inactive subsidiary of FRIMA S.A., is likewise not included in the consolidated group.

The domestic subsidiaries LechMetall Landsberg GmbH, RATIONAL Großküchentechnik GmbH, RATIONAL Technical Services GmbH, and RATIONAL Komponenten GmbH intend to make use of the option not to disclose their annual financial statements in accordance with Section 264 (para. 3) of the HGB for fiscal year 2009. In addition, RATIONAL Großküchentechnik GmbH and RATIONAL Komponenten GmbH are making use of the option not to prepare a management report in accordance with Section 264 (para. 3) of the HGB.

Foreign currency translation

The financial statements of the foreign subsidiaries are translated into euros according to the concept of functional currency. The respective national currency serves as the functional currency in this case. Exceptions are RATIONAL International AG and FRIMA International AG, both of which have registered offices in Switzerland, which use the euro as the functional currency. Assets and liabilities are translated at the spot rate as of the balance sheet date and the items in the income statement at the annual average rate. The portions of equity to be included in the consolidation of equity investments and the accumulated profit or loss brought forward are translated at historical rates. Should differences arise on the balance sheet, they are taken directly to equity as "differences arising from currency translation" and offset against the reserves.

The following table shows the exchange rates in relation to the euro used in the consolidated financial statements, as well as year-on-year changes:

	Annual average exchange rate			Exchange rate on balance sheet date		
1 euro =	2009	2008	Change in %	2009	2008	Change in %
USD = US dollar	1.3970	1.4741	–5	1.4405	1.3980	+3
JPY = Japanese yen	130.66	151.52	–14	133.06	126.45	+5
GBP = Pound sterling	0.8900	0.8039	+11	0.8900	0.9606	–7
CHF = Swiss franc	1.5085	1.5786	–4	1.4836	1.4860	+0
CAD = Canadian dollar	1.5805	1.5658	+1	1.5100	1.7160	–12
SEK = Swedish krona	10.5966	9.6866	+9	10.2589	10.9200	–6
PLN = Polish zloty	4.3434	3.5338	+23	4.1030	4.1750	–2
CNY = Chinese yuan	9.5400	10.2117	–7	9.8299	9.5413	+3
RUB = Russian rouble	44.3098	37.0506	+20	43.6469	42.5926	+2
BRL = Brazilian real	2.7659	2.9292	–6	2.5097	3.2594	–23

Accounting and valuation methods

Intangible assets and property, plant and equipment

Acquired intangible assets are recognised at cost and amortised over three to five years using the straight-line method. There are no capitalisable development costs as defined by IAS 38.57.

Goodwill from the consolidation of equity investments and other company acquisitions is not amortised but is tested at least annually for impairment in compliance with IAS 36. If the fair value or value in use is below the carrying amount of the cash-generating unit, an impairment loss is recognised through the income statement. Past impairment losses recognised on goodwill may not be reversed.

Property, plant and equipment is measured at cost less depreciation. Production costs include all directly attributable costs and appropriate portions of production-related overheads. Financing costs are recognised according to IAS 23. Depreciation is calculated on the basis of the useful lives of the assets. Depreciation allowed exclusively on the basis of tax law was not recognised. If the cost of particular components of an item of property, plant and equipment is a material proportion of the total cost of the asset, these components are recognised and depreciated separately.

Administration and production buildings are depreciated over a period of between 25 and 36 years using the straight-line method. The technical equipment and machinery as well as the operating and office equipment are depreciated over their useful lives, which normally range between 5 and 15 years, using the straight-line or reducing-balance method. Depreciation is charged pro rata in the year of acquisition. Low-value assets are depreciated in full in the year of acquisition in compliance with the applicable legal requirements.

As of each balance sheet date, the Group has to assess whether there are any indications that the carrying amount of an intangible asset or item of property, plant and equipment may be impaired. If impairment is identified in excess of depreciation, the asset is written down to its recoverable amount. To determine its recoverable amount, it is necessary to make assumptions and estimates, especially with regard to the expected useful life, future selling prices and volumes, costs and discount rates. Although management is confident that the assumptions and estimates are appropriate, a change in the assumptions or circumstances could result in an additional requirement to recognise impairment losses or to reverse such losses.

Finance leasing

If a Group company acting as lessee assumes all risks and rewards incidental to the ownership of the leased item, IAS 17 requires the leased item to be recognised by the lessee at the present value of the lease instalments at the time the contract is entered into. The depreciation methods and useful lives correspond to those of similar acquired assets.

Inventories

Raw materials, consumables, supplies and merchandise are measured at cost. Cost is determined as the lower of cost and net realisable value in relation to the weighted average price. Inventories are written down as soon as their net realisable value becomes lower than the carrying amount.

Work in process and finished goods are measured at cost. This includes acquisition costs and all costs directly attributable to the production process, as well as appropriate portions of production-related overheads.
Financing costs are not recognised.

Financial assets

Depending on the individual case, financial assets as defined by IAS 39 are classified as financial assets reported at fair value through profit and loss, as loans and receivables, as investments held to maturity, or as available-for-sale financial assets.

All financial assets are recognised at cost on the settlement date, i. e. the date on which the receivable arises, or on the date economic ownership is transferred. Standard purchases and sales are recognised in the balance sheet on the trading date.

Financial assets at fair value through profit and loss are derivatives classified as financial assets held for trading. If financial assets are held to maturity, they are carried at amortised cost. Subsequent to initial recognition, loans and receivables are measured at amortised cost, using the effective interest method, less allowance for impairment. There are no available-for-sale financial assets on the balance sheet.

The fair values for all categories of financial asset are their values on those markets that are relevant for RATIONAL, especially taking into account the banks' terms and conditions for over-the-counter transactions. All changes in fair value of financial assets are recognised in the income statement for the period.

Derivative financial instruments

Derivative financial instruments are recognised at fair value as of the balance sheet date. Any measurement gains or losses are recognised as other assets or other liabilities in the balance sheet. Changes in fair value are charged to other operating income or expenses in the income statement. For further information on derivative financial instruments, see "Notes on financial instruments" and "Derivative financial instruments".

Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash in banks, as well as short-term deposits due within three months calculated from the time of acquisition; they are measured at nominal value. Cash in foreign currency is converted at the spot rate as of the balance sheet date.

Current tax assets and tax liabilities

Current tax assets and liabilities for the current as well as prior periods are measured at the amount of the expected refund from or payment to the tax authorities. The amount is calculated on the basis of the tax rates and tax legislation enacted at the balance sheet date.

Deferred tax assets

Deferred tax assets are recognised in accordance with IAS 12, using the liability method, for temporary differences between the value of an asset or liability as shown on the balance sheet and the tax base. Also, any tax loss carryforwards are capitalised, if it is probable that they will be utilised in the future, in the amount of the future deferred tax asset. Deferred tax assets and liabilities are calculated at the tax rates expected to be effective in the period in which the asset is realised or liability settled. For the consolidated financial statements as of December 31, 2009, a tax rate of 27% was used to calculate deferred taxes on consolidation entries, the same as in the previous year. The deferred tax rates of the subsidiaries are between 19 and 42% (previous year: 28 and 42%). Deferred taxes which relate to items taken directly to equity are recognised in the statement of comprehensive income below Group earnings.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced by the amount by which it is no longer probable that sufficient taxable income will be available towards which at least part of the deferred tax asset can be used. This requires management to assess, among other things, the tax benefits arising from the available tax strategies and future taxable income. The reported amount of deferred tax could decline, if the estimates of planned taxable income and the achievable tax benefits are reduced or current tax legislation limits the period during which or the extent to which future tax benefits can be utilised

Provisions

The measurement of provisions for pensions is based on the projected unit credit method stipulated in IAS 19 for defined benefit pension plans.

Other provisions are recognised if, as a result of a past event, a liability to a third party exists which is expected to have to be met in the future and of which the amount claimed can be reliably estimated. The amount recognised for the provisions is reviewed at each balance sheet date. If the effect of discounting is material, the provision is discounted.

Financial liabilities

Financial liabilities at fair value through profit and loss are derivatives classified as financial liabilities held for trading. Liabilities from finance leases are recognised on the date the agreements are signed, at the present value of the lease instalments. Since trade accounts payable and other liabilities belong to the category of loans and receivables, they are reported at amortised cost, which is equivalent to fair value.

Recognition of income and expense

The revenue from sales is recognised when the service is performed or when the risk is transferred to the customer. Operating expenses are recognised in the income statements when the service is utilised or on the date they are incurred. Provisions for warranties are recognised on an individual basis or when the corresponding revenue is recognised. Interest income and expense are recognised in the period in which they accrue or are incurred. Research and development costs are expensed as incurred. Financing costs are recognised as expenditure in the period in which they are incurred.

Use of estimates and assumptions

In the preparation of the consolidated financial statements, estimates and assumptions are required in general, and in particular for provisions and finance leases, as well as to assess whether goodwill is impaired; these estimates and assumptions may influence the amounts reported for assets, liabilities, and financial obligations as of the balance sheet date, as well as revenue and expenditure for the year under review. The carrying amounts of the assets and liabilities as of the balance sheet date are shown on the balance sheet. In this context, the material sources of uncertainty relate to forward-looking measurement factors, such as the assumed rate of interest, including the assumptions about the risk situation and the development of interest rates and assumptions about the future development of earnings in the underlying cash-generating units. The carrying amounts of the items in question are disclosed in the respective notes.

Actual developments may under certain circumstances differ from the estimates and assumptions made. The principle of the “true and fair view” is applied unreservedly when using estimates.

Other than to form estimates and assumptions, there was no significant use of management judgement in the application of accounting and measurement methods.

Notes on financial instruments

RATIONAL’s products are marketed worldwide by sales companies and independent sales partners, not directly to the end customer but through specialised retailers. In the course of normal operating activities, companies can enter into a large number of contractual agreements that lead to the creation of financial assets for one company and, at the same time, financial liabilities for another. These financial instruments, as they are called, can conceal specific risks in addition to the operational risks to the Company already described in the Management Report. These risks are divided into a number of categories: credit risk, especially relating to receivables, liquidity risk relating to liabilities, and market risk, in particular exchange rate risk, interest rate risk, and price risk.

RATIONAL has a risk management system which is implemented worldwide, enabling it to identify and analyse opportunities and risks at an early stage, and so take appropriate preventive action. The following elements of the RATIONAL risk management system have particular relevance for the opportunities and risks connected with financial instruments (see the risk report in the Group Management Report):

- The integrated RATIONAL planning process, which involves all companies and corporate divisions worldwide, defines specific sales and financial targets, as well as detailed measures to ensure those targets are met.
- The reporting process ensures that the degree to which targets are achieved in all corporate divisions is reliably and continuously measured, analysed, and commented on. Prompt provision of information allows countermeasures to be implemented quickly and flexibly if things start to go wrong.
- Benchmarks and thresholds in the area of finance, especially in receivables management, help managers to identify undesirable developments at an early stage, so that appropriate countermeasures can be taken. To secure our receivables, we collaborate worldwide with COFACE, one of the largest credit sale insurers.
- All business processes and internal control systems are documented in process descriptions. Quality and compliance are assured through regular training, as well as through checks. Sensitive processes, such as the approval process for creditor invoices, are mapped using SAP workflows.
- The Internal Audit department independently and objectively records and assesses any variations from targets. Undesirable developments are halted quickly and flexibly at an early stage.
- A professional treasury team implements the globally integrated treasury management system, providing quality cash management worldwide
- The comprehensive insurance strategy is reviewed annually and adapted to the new risk environment.

Credit risks

RATIONAL supplies customers on all continents and in almost all regions of the world. Bad debt risk on trade receivables can arise as a result of customers not fulfilling their payment obligations. In order to avoid or reduce bad debt risk, which could lead to potential liquidity risks and risks to the financial standing of RATIONAL, we subject the customers of all Group companies worldwide to credit checks performed by the credit sale insurer COFACE.

As far as possible, customer receivables are insured on this basis. In this regard, the available cover volume (total insurance limits provided by the insurer) and the number of insured customers at the Group level during the reporting year were maintained at the previous year's excellent level, bucking the generally negative market trend for insured sums and once again ensuring sufficient room for secured growth in the coming fiscal year. Under the existing arrangements, the credit sale insurance covers not only the risk of customer insolvency, but also protracted default (non-payment as the insured event). In the event of a claim, 90% of the credit loss on receivables is met by the credit sale insurer.

In the year under review, a new credit policy was adopted and implemented for the entire Group. This policy sets out clear rules throughout the entire order process. Successful implementation will be ensured through training, prompt reporting and IT support. The credit policy combines the minimum credit management requirements (MaCM) of the “Verein für Creditmanagement” (German credit management association, VfCM) with the RATIONAL-specific “one-piece flow” process organisation.

As an alternative to credit sale insurance cover, other collateral (irrevocable confirmed letters of credit, bank guarantees, and other customary bank collateral) or advance payments are requested, depending on the type and value of the goods or services to be provided. Only in clearly defined exceptional cases is it possible to consider supplying a customer on the basis of an open payment target without collateral, subject to the documented payment performance from the business relationship to date in combination with third-party credit ratings and the financial data provided by the customer itself (annual financial statements and management analyses).

Trade accounts receivable from public sector customers are not subject to credit checks and collateralisation.

The following table showing trade receivables broken down by segment also shows how the risk is distributed:

kEUR	**2009**	**% of total**	**2008**	**% of total**
Germany	3,190	6	4,061	7
Europe (excluding Germany)	40,713	80	45,132	78
Americas	3,695	7	4,623	8
Asia	1,683	3	1,750	3
Parent company	2,153	4	2,093	4
Total	**51,434**	**100**	**57,659**	**100**

RATIONAL is also exposed to significant credit risk in relation to money deposits. This applies in particular to the possible failure of the bank to meet its contractual obligations. For derivative financial instruments with a positive market value, a credit risk arises from the possible failure of the respective contract partner to fulfil its obligations. Details of these risk factors are provided in the notes on the consolidated balance sheet and on derivative financial instruments.

The maximum risk exposure for all classes of financial assets corresponds to their carrying amounts. These can be taken from the table showing the classification of financial instruments.

Liquidity risks

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

Corporate Treasury assigns top priority to the monitoring and provision of liquidity. It does so by implementing daily cash management and rolling liquidity planning, including the continuous monitoring and control of the Group's incoming and outgoing payments. The expected liquidity requirement for fiscal year 2010 is covered sufficiently by the inflow of cash generated by operating activities and the liquidity reserve from the Group's own resources, which was extended significantly last fiscal year. This liquidity reserve enables the Group to respond flexibly to considerable fluctuations in cash flow or any demand peaks that may occur, putting it in a good position to meet its payment obligations on time.

RATIONAL attaches great importance to internal financing, which we have used mainly to finance our global business growth over recent years. In the event that RATIONAL should have additional need for external financing, contractually agreed, confirmed credit lines are available from several banks (with long-term ratings ranging from A to AA+ according to Standard & Poor's). These credit lines have been defined with fixed maturities up to the end of May 2011 at the latest or "until further notice".

Banks have given RATIONAL an excellent credit rating (AA to AAA). For the existing credit lines, no constraints have been agreed in the form of conditions and performance indicators (covenants) that could require the credit lines to be renegotiated in the event of non-fulfilment. Furthermore, no collateral has been assigned to the banks in respect of the existing credit line contracts; instead, a negative covenant or a banks' pari passu clause is agreed upon. Under this clause, RATIONAL undertakes to treat all banks equally in relation to the possible collateralisation of comparable loans.

As of the balance sheet date, the Group's liquidity reserve from its own resources totals 131,629 thousand euros (previous year: 57,110 thousand euros). This also includes currency reserves amounting to 796 thousand euros that are not freely convertible or are subject to strict currency restrictions (previous year: 483 thousand euros). As of the balance sheet date, the total amount of the contractually agreed credit lines is 43,669 thousand euros (previous year: 44,919 thousand euros). After taking into account loans, assignments for subsidiaries and sureties, this leaves unused credit lines amounting to 32,291 thousand euros (previous year: 40,588 thousand euros).

Further information, especially on the liquidity reserve and existing external loans and their maturities, can be found in the respective notes.

Market risks

Because of RATIONAL's international orientation, the fair values or future cash flows from financial instruments, taking the form of different asset and liability positions, may be exposed to market risks arising from changes in exchange rates, interest rates, and commodity prices.

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

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

Currency risks

Currency risks arise on the one hand from the possible change to the fair values of existing balance sheet items denominated in foreign currencies (other than the functional currency) on the balance sheet date due to exchange rate fluctuations (translation risk). This applies to existing receivables, liabilities and cash denominated in foreign currency. Translation risks are not secured by hedging transactions.

On the other hand, there is a risk that the future cash flows resulting from a financial instrument in a foreign currency may differ significantly from the recoverable values as of the balance sheet date due to changes in the exchange rates (transaction risk). Transaction risks have an impact on both liquidity and income.

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

In the sales companies in China and Brazil, the respective national currencies are subject to strict currency restrictions and are not freely convertible. The national currency must therefore be exchanged into euros for the payment of goods imports and dividend payments. This is possible only within the country and subject to the approval of the competent authorities. Due to the low volume, there is currently no hedging of the foreign currency transactions of these two companies.

RATIONAL in general uses currency options and forward exchange contracts to hedge anticipated foreign currency transactions in freely convertible currencies. Currency options concluded include both plain vanilla options and zero-cost options with or without knock-in options. Both European-style knock-in options (exercisable on expiry) and American-style knock-in options (exercisable at any time from inception) are used.

Purchasing a plain vanilla put option entitles RATIONAL, on payment of an option premium when the deal is entered into, to sell a fixed volume of foreign currency at an agreed time at a fixed exchange rate in the agreed currency.

Regarding the zero-cost-option, the payable option premium, required for the purchase of the put option, is financed through the sale of a call option at the same time. The sold call option without knock-in is active right from inception. The sold call option with knock-in (trigger) is only activated once the knock-in level is breached. On maturity of the activated call option, the buyer (the bank) decides whether or not to exercise, depending on price. Unlike forward exchange transactions, the zero-cost option (without expenses resulting from option premiums) offers not only guaranteed hedging rates, but also the ability to benefit from favourable exchange rates.

Further information on the management of currency risks can be found in the note on derivative financial instruments.

Interest rate risks

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

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

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

To take advantage of differences in interest rates between various currency areas, interest rate/currency swaps with maturities of more than one year were entered into. This involves converting a fixed interest and repayment obligation in one currency into a fixed interest and redemption obligation in another currency. Interest and principal payments are made from the income earned in the other currency through the commercial activities of the subsidiary in the respective country. Using the respective foreign currency to make the payments simultaneously reduces the existing currency risks within the Group (natural hedge). The terms and conditions relating to interest rate/currency swaps are designed in such a way that no premium is payable when the contract is entered into.

Further information can be found in the notes on liabilities to banks and on derivative financial instruments.

Price risks

In its production processes, RATIONAL uses several thousand tonnes of high-quality stainless steel a year. The risk arising from changes in the price of stainless steel is governed both by the basic price of steel itself and by the fluctuations in the price of alloys on the raw materials market, which are reflected in what is known as the "alloy surcharge".

Neither the basic price of steel nor that of alloy metals is hedged on the basis of derivative financial instruments. Concerning the steel price, however, RATIONAL does have fixed contracts with the suppliers, who set the purchase price in advance on a rolling 12-month basis.

Classification of financial instruments

The following table shows the carrying amounts and fair values of financial instruments. With the exception of derivative financial instruments, which are recognised at fair value, these instruments are carried at amortised cost in the balance sheet. Based on the relevant balance sheet accounts, they are reconciled to the categories of financial instruments reportable under IAS 39.

kEUR	Category	Fair value hierarchy*	Book value Dec. 31, 2009	Fair value Dec. 31, 2009	Book value Dec. 31, 2008	Fair value Dec. 31, 2008
Assets						
Trade receivables	a		51,434	51,434	57,659	57,659
Other financial assets						
Other short-term assets	a		399	399	312	312
Other long-term assets	a		222	214	268	253
Derivatives not in a hedging relationship	c	Level 2	73	73	394	394
Deposits with maturities of more than 3 months	a		96,000	95,999	25,000	25,120
Cash and cash equivalents	a		35,629	35,629	32,110	32,110
Financial assets	b		50	50	50	50
Liabilities						
Trade accounts payable	d		6,963	6,963	10,935	10,935
Other financial liabilities						
Other short-term liabilities	d		4,848	4,848	6,390	6,390
Derivatives not in a hedging relationship	e	Level 2	151	151	772	772
Financing leasing liabilities	d		1,280	1,275	2,052	2,020
Liabilities from loans	d		31,638	33,508	25,784	27,591
Of which: aggregated by category in accordance with IAS 39						
a) Loans and receivables			183,684	183,675	115,349	115,454
b) Held-to-maturity investments			50	50	50	50
c) Financial assets held for trading			73	73	394	394
d) Financial liabilities measured at amortised cost			44,729	46,594	45,161	46,936
e) Financial liabilities held for trading			151	151	772	772

* Acc. to IFRS 7.27 B

The fair values of financial instruments have been determined as follows:

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

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

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

For cash deposits with a maturity of more than three months, the fair value was determined using the discounted cash flow method. The proportion of the interest to be allocated to the fiscal year just ended is included in other short-term assets, and is therefore no longer included here.

The fair values of the other long-term assets and financing leasing liabilities are determined using the discounted cash flow method.

The fair values of the mostly non-current loan liabilities (but also those of the short-term loans and the short-term portions of long-term loans) are determined using the discounted cash flow method. To this end, the cash flows of the annuity loans at the different interest and repayment dates have been discounted at the respective discount rates with congruent maturity.

Investments are measured at amortised cost. For a more detailed explanation, please refer to note 16 on financial assets.

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

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

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

Risks attached to the conversion of currency items
As of the balance sheet date of December 31, 2009, RATIONAL was exposed to currency risks arising from activities in various foreign currencies. These are reflected in the “trade accounts receivable,” “other assets,” “cash and cash equivalents,” as well as “trade accounts payable” and “other liabilities” accounts. If, on December 31, 2009, the euro had been 10% stronger against the foreign currencies in which RATIONAL conducts its operations, the Group earnings and the currency reserve and thus the total equity would have been 2,711 thousand euros lower (previous year: 2,041 thousand euros lower). If the euro had been 10% weaker, the value shown in the functional currency would have been 2,711 thousand euros higher (previous year: 2,041 euros higher). The hypothetical impact on profit of +/–2,711 thousand euros is primarily the result of the significant currency sensitivities: +/–789 thousand euros for EUR/USD and +/–815 thousand euros for EUR/GBP. The effect of derivatives, which are dealt with in the next section, is not included.

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

Derivative hedging transactions relate to a future point in time, so a theoretical risk can arise from the existing items as of the balance sheet date.

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

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

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

The aim of this measurement according to IFRS 7 on the basis of assumed changes in the market situation is to show what impact this measurement would have had on Group earnings if the changed market situations described above had applied at the end of the year.

For RATIONAL, when actual changes to the market situation occur, the effects of the corresponding underlying transactions counter the effects of the derivatives shown below.

The effects on the income statement calculated in this way and shown in the table below are estimates, and are based on the assumption that the changes in the markets assumed for the purposes of the sensitivity analysis actually occur. The effects of real developments in markets worldwide on the actual future income statement can vary considerably from these estimates.

	Theoretical effect on income* Devaluation of euro		Theoretical effect on income* Revaluation of euro	
kEUR	**2009**	**2008**	**2009**	**2008**
Forward exchange contracts/ swaps	–	896	–	–722
Currency options	–1,423	–1,553	481	825
Interest rate/currency swaps	–196	–269	159	220
Total	**–1,619**	**–926**	**640**	**323**

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

Management of capital

RATIONAL's capital structure is monitored through the company's reporting process, and the prevailing economic situation is the key determining factor in its management. The purpose of capital management is to secure the company's business and investment activities in the long term, to achieve a high credit rating, and to maximise the value of the company. Capital is monitored in particular on the basis of the equity ratio and the return on equity. The equity ratio indicates the ratio of shareholders' equity to the Company's total capital. Generally, the higher the equity ratio, the better a company's credit rating and financial stability, and the lower its dependence on external credit providers. RATIONAL's equity ratio as of December 31, 2009 was 71.4% (previous year: 63.9%). The return on average equity was 41.6% in the year under review (previous year: 47.9%).

Another important key figure in terms of strategic control is return on invested capital (ROIC), which gives the ratio of profit or loss from operating activities after income taxes to average invested capital. A company only adds value if ROIC exceeds the cost of capital. RATIONAL's ROIC of 35% (previous year: 41%) significantly exceeds its assumed cost of capital of around 9%, thus creating value added of 51,031 thousand euros (previous year: 48,710 thousand euros).

kEUR	2009	2008
Group earnings	67,305	61,681
+ Interest on borrowings after tax	1,067	869
Profit or loss from operating activities after tax	**68,372**	**62,550**
Equity*	161,654	128,773
+ Non-current provisions*	651	616
+ Borrowings subject to interest*	30,377	24,387
Invested capital*	**192,682**	**153,776**
ROIC	**35%**	**41%**
Value added	**51,031**	**48,710**

* Annual averages: (figure as of Jan. 1 + figure as of Dec. 31) /2

Interest-bearing debt includes the Group's loan and finance lease liabilities.

Notes on the Statement of Comprehensive Income

1. Sales

RATIONAL recognises revenue from sales of products as of the date on which the risks and rewards attaching to ownership of the goods and products sold are transferred to the buyer. Revenue includes all income from sales attributable to the typical business activities of RATIONAL.

In fiscal year 2009, RATIONAL generated worldwide revenue of 314,354 thousand euros (previous year: 342,958 thousand euros), 78% of which is attributable to appliance sales. The remaining 22% was generated from the sale of accessories, spare parts, and care products.

Sales are distributed across the regions as follows, by customer location:

kEUR	2009	% of total	2008	% of total
Germany	53,304	17	54,690	16
Europe (excluding Germany)	160,128	51	182,004	53
Americas	41,175	13	48,325	14
Asia	41,064	13	39,223	12
Rest of the world*	18,683	6	18,716	5
Total	**314,354**	**100**	**342,958**	**100**

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

France generated a large proportion of the Group's total revenue, worth 32,575 thousand euros (previous year: 31,628 thousand euros).

RATIONAL sells its products worldwide through its own subsidiaries as well as via independent sales partners, whose respective shares of revenue can be broken down as follows:

kEUR	2009	% of total	2008	% of total
Subsidiaries	236,590	75	255,502	74
Sales partners	77,764	25	87,456	26
Total	**314,354**	**100**	**342,958**	**100**

Further revenue breakdowns appear in the segment financial statements.

2. Cost of sales

Cost of sales is calculated on the basis of direct costs for materials and production, overheads for materials and production, and depreciation and amortisation expense.

At 101,395 thousand euros, the cost of materials was 13% lower than in the previous year (116,353 thousand euros). This is attributable to a reduction in the sales volume combined with a year-on-year fall in steel prices and the alloy surcharge.

3. Sales and service expenses

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

In fiscal year 2009, the Company implemented targeted structural changes in line with the changed market situation. In particular, the additional sales capacities built up in 2008 in anticipation of continuing robust growth were adjusted consistently to match the current volume of business.

4. Research and development expenses

Research and development activities at RATIONAL largely consist of projects focusing on application research and the development of new products to secure the Company’s technological edge and thus its long-term success. They are fully expensed and reported under “research and development expenses” in the income statement.

5. General administration expenses

General administration expenses include business administration costs, such as ledger accounting, human resources, finance, and IT costs, but also managerial accounting and financial control costs and certain executive management costs.

6. Other operating income

kEUR	2009	2008
Exchange gains	6,895	8,761
Insurance recoveries	1,062	481
Income from value adjustments and depreciation on accounts receivables	491	206
Income from asset retirements	18	230
Option fees	–	112
Other (< 100 thousand euros in each case)	78	208
Total	**8,544**	**9,998**

Exchange gains were primarily generated by fluctuations in the exchange rate between origination and payment dates, as well as by measuring balance sheet items at spot rates. Exchange gains include income from financial instruments measured at fair value through profit and loss, amounting to 662 thousand euros (previous year: 1,019 thousand euros).

For the year under review, the item “insurance recoveries” includes income from credit sale insurers for bad debt amounting to 635 thousand euros (previous year: 270 thousand euros).

7. Other operating expenses

kEUR	2009	2008
Exchange losses	5,439	10,277
Depreciation and value adjustments on accounts receivables	1,489	677
Other taxes	218	–
Loss from asset retirements	195	24
Donations	105	292
Option fees	50	291
Other (< 100 thousand euros in each case)	133	80
Total	**7,629**	**11,641**

Exchange losses were primarily generated by fluctuations in the exchange rate between origination and payment dates, as well as by measuring balance sheet items at spot rates. Exchange losses include expenses for financial instruments measured at fair value through profit and loss, amounting to 362 thousand euros (previous year: 1,867 thousand euros).

8. Financial results

kEUR	2009	2008
Income from financial assets	66	57
Write-down of financial assets	–	–169
Interest and similar income	1,007	1,721
Interest and similar expenses	–1,428	–1,177
Total	**–355**	**432**

Income from financial assets reflects the dividend paid to RATIONAL AG by the non-consolidated MEIKU Vermögensverwaltung GmbH. Write-downs of the equity investment in MEIKU Vermögensverwaltung GmbH in 2008 are reported under “write-downs of financial assets.”

9. Taxes on income

The following table shows the reconciliation from expected to reported tax expense. An average tax rate of approximately 27% (previous year: 27%) was applied to profit from ordinary activities to calculate expected tax expense for 2009. This tax rate was determined on the basis of a corporate income tax rate of 15% and a solidarity surcharge of 5.5% levied on corporate income tax, as well as a municipal trade tax multiplier of 320%, as applied to the parent company. Deferred taxes recognised at Group level for 2008 and 2009 are also measured at a standard average tax rate of around 27%.

kEUR	2009	2008
Earnings before taxes (EBT)	90,127	83,536
Expected tax rate in percent	27.09	27.09
Expected income tax	**24,415**	**22,630**
Variations in local tax rates in the subsidiaries	–1,850	–1,334
Tax expenses relating to previous years	307	30
Tax refunds from previous years	–205	–10
Non-tax-deductible expenses and other deductible amounts	155	539
Reported income tax	**22,822**	**21,855**

Deferred tax assets reported in fiscal year 2009 amounted to 2,818 thousand euros, as against 2,917 thousand euros as of the 2008 balance sheet date. The deferred tax expense attributable to 2009 is therefore 99 thousand euros, as against tax income of 944 thousand euros in the previous year. The actual income tax expense therefore amounts to 22,723 thousand euros (previous year: 22,799 thousand euros). In fiscal year 2009, taxes on dividend payments made by subsidiaries to RATIONAL AG amounting to 167 thousand euros (previous year: 206 thousand euros) were recognised as expenses.

The deferred taxes recognised for fiscal years 2009 and 2008 are attributable to the following balance sheet items and loss carryforwards:

			Effect on net income	
kEUR	2009	2008	2009	2008
Inventories	2,528	2,808	–280	606
Trade receivables	98	3	95	91
Provisions for pensions	38	24	14	–2
Tax losses brought forward	–	–	–	–51
Other	154	82	72	300
Total	**2,818**	**2,917**	**–99**	**944**

Deferred tax assets of 2,780 thousand euros (previous year: 2,893 thousand euros) are expected to mature within less than a year. Of the reported amounts, 38 thousand euros (previous year: 24 thousand euros) are non-current. Current deferred taxes result from temporary differences between amounts reported in the financial statements and their tax base and from consolidation measures, while non-current deferred taxes are based on measurement differences for pension provisions. If a company has deferred tax assets and liabilities with the same maturity, they are reported on a net basis. Deferred tax liabilities of 151 thousand euros (previous year: 160 thousand euros) for the dividends expected to be distributed by the subsidiaries in 2010 was recognised. This item therefore shows tax income of 9 thousand euros (previous year: tax expense of 160 thousand euros) for fiscal year 2009.

10. Earnings per share

Earnings per share are calculated as stipulated by IAS 33 (Earnings per Share), by dividing Group earnings by the weighted average number of shares outstanding during the fiscal year.

Calculated on the basis of 11,370,000 shares and Group earnings of 67,305 thousand euros (previous year: 61,681 thousand euros), basic and diluted earnings per share are 5.92 euros for fiscal year 2009 (previous year: 5.42 euros).

The earnings per share shown for fiscal year 2009 in compliance with IFRS/IAS also correspond to DVFA earnings.

11. Dividend per share

The dividend of 1.00 euro per share proposed by the Supervisory Board and the Executive Board of RATIONAL AG for fiscal year 2008 was approved by a majority at the shareholders' meeting on May 6, 2009. Total dividends of 11,370 thousand euros were paid in May 2009.

The Supervisory Board and the Executive Board propose to the shareholders' meeting that a dividend of 39,795 thousand euros or 3.50 euros per share be paid for fiscal year 2009.

Notes on the Balance Sheet – Assets

12. Intangible assets

kEUR	Industrial and similar rights	Goodwill	Total
Acquisition cost			
Balance at Jan. 1, 2009	4,611	424	5,035
Additions	134	–	134
Disposals	–248	–	–248
Balance at Dec. 31, 2009	4,497	424	4,921
Amortisation			
Balance at Jan. 1, 2009	3,174	–	3,174
Additions	736	–	736
Disposals	–248	–	–248
Balance at Dec. 31, 2009	3,662	–	3,662
Book values			
Balance at Dec. 31, 2009	835	424	1,259
Acquisition cost			
Balance at Jan. 1, 2008	3,892	424	4,316
Additions	883	–	883
Disposals	–164	–	–164
Balance at Dec. 31, 2008	4,611	424	5,035
Amortisation			
Balance at Jan. 1, 2008	2,584	–	2,584
Additions	741	–	741
Disposals	–151	–	–151
Balance at Dec. 31, 2008	3,174	–	3,174
Book values			
Balance at Dec. 31, 2008	1,437	424	1,861

Intangible assets are comprised of industrial and similar rights recognised at cost, as well as goodwill. Self-created assets are not included. Amortisation allowed exclusively on the basis of tax law was not recognised. If impairment is identified in excess of depreciation, the asset is written down to its recoverable amount. In fiscal year 2009, no impairment losses were recognised on intangible assets. None of the intangible assets is subject to pledges or restrictions on disposal, and no contractual obligations to purchase intangible assets exist.

Amortisation of intangible assets amounted to 736 thousand euros (previous year: 741 thousand euros) and was charged to the functional areas as follows: 46 thousand euros (previous year: 25 thousand euros) to production, 102 thousand euros (previous year: 93 thousand euros) to development, 94 thousand euros (previous year: 74 thousand euros) to sales and service, and 494 thousand euros (previous year: 549 thousand euros) to general administration.

13. Goodwill

As of the balance sheet date, a net carrying amount for goodwill of 424 thousand euros is reported under intangible assets. This goodwill originated from RATIONAL's acquisition of its subsidiary FRIMA S.A., Wittenheim, in 1993.

Under IFRS 3, goodwill cannot be amortised over its useful life, but must be tested for impairment at least annually in compliance with IAS 36.

In December 2009, an impairment test based on the discounted cash flow method was performed on the goodwill of FRIMA S.A. As in the previous year, the legal entity FRIMA S.A was identified as a smallest possible cash generating unit. Its recoverable amount is determined on the basis of its value in use. Future cash flows were estimated on the assumption that the assets would continue to be used, and using the management's current financial and business plans for the next four years, based on past experience. Growth in earnings was calculated on the same basis, using a contribution margin model. This model assumes 0% growth in earnings starting in the fifth year (perpetual annuity). In accordance with IAS 36, no allowance was made for any future restructuring and associated increases in earning power. The applied discount rate of 8.9% after tax (12.7% before tax; previous year: 8.9% after tax and 12.5% before tax) took appropriate account of the current market assessment of the effect of interest rates and the risk expectation as they affect the assets. The capital value calculated in this way was substantially higher than the carrying amount of the cash-generating unit FRIMA S.A. No impairment was identified and there was no need to write down goodwill.

Although management believes that the assumptions used in calculating the recoverable amount are appropriate, unforeseen changes in these assumptions could lead to an impairment loss, which could have a negative impact on net assets, financial position, and profit or loss.

14. Property, plant and equipment

kEUR	Land and buildings	Technical equipment, machinery	Operating and office equipment	Total
Acquisition cost				
Balance at Jan. 1, 2009	57,905	20,209	16,231	94,345
Currency differences	10	–2	–5	3
Additions	455	1,297	496	2,248
Disposals	–179	–846	–1,644	–2,669
Balance at Dec. 31, 2009	58,191	20,658	15,078	93,927
Amortisation				
Balance at Jan. 1, 2009	15,810	8,314	9,026	33,150
Currency differences	7	–1	–	6
Additions	2,193	2,420	2,240	6,853
Disposals	–170	–690	–1,543	–2,403
Balance at Dec. 31, 2009	17,840	10,043	9,723	37,606
Book values				
Balance at Dec. 31, 2009	40,351	10,615	5,355	56,321
Acquisition cost				
Balance at Jan. 1, 2008	39,212	12,574	12,210	63,996
Currency differences	–26	1	70	45
Additions	18,798	7,939	4,978	31,715
Disposals	–79	–305	–1,027	–1,411
Balance at Dec. 31, 2008	57,905	20,209	16,231	94,345
Amortisation				
Balance at Jan. 1, 2008	14,111	6,581	7,207	27,899
Currency differences	–21	1	55	35
Additions	1,736	1,940	2,746	6,422
Disposals	–16	–208	–982	–1,206
Balance at Dec. 31, 2008	15,810	8,314	9,026	33,150
Book values				
Balance at Dec. 31, 2008	42,095	11,895	7,205	61,195

Property, plant and equipment includes land and buildings, as well as technical equipment and machinery, and operating and office equipment recognised at cost less depreciation.

If impairment is identified in excess of depreciation, the asset is written down to its recoverable amount. In fiscal year 2009, no impairment losses were recognised on property, plant and equipment. Land charges of 23,000 thousand euros are registered for the new plant in Landsberg. There are no restrictions on disposal. Exchange rate differences can occur when foreign-currency-denominated carrying amounts of property, plant and equipment held by the subsidiaries are translated into the functional currency.

Depreciation of property, plant and equipment amounted to 6,853 thousand euros (previous year: 6,422 thousand euros) and was charged to the functional areas as follows: 4,154 thousand euros (previous year: 3,364 thousand euros) to production, 1,265 thousand euros (previous year: 1,582 thousand euros) to sales and service, 876 thousand euros (previous year: 949 thousand euros) to development, and 558 thousand euros (previous year: 527 thousand euros) to general administration.

15. Finance leasing

Property, plant and equipment includes land and buildings which, in compliance with IAS 17, are accounted for as finance leases, under which the Group has acquired the risks and rewards incidental to ownership without owning legal title.

As of December 31, 2009, the net carrying amounts of the land and buildings totalled 8,761 thousand euros as against 9,239 thousand euros in the previous year. Accumulated depreciation increased by 478 thousand euros (previous year: 478 thousand euros) to 4,804 thousand euros (previous year: 4,326 thousand euros). The buildings have an expected useful life of 25 years.

The corresponding liabilities arising from the property, plant and equipment recognised in accordance with IAS 17 are reported under other liabilities and itemised in the corresponding note.

16. Financial assets

As in previous years, financial assets amounting to 50 thousand euros (previous year: 50 thousand euros) relate to the investment carrying amount of MEIKU Vermögensverwaltung GmbH. Due to its minor significance for RATIONAL's net assets, financial position and profit or loss, it is not consolidated.

The original cost of the financial assets is 2,725 thousand euros (previous year: 2,725 thousand euros) and, due to the dividends paid, the accumulated write-downs to fair value amount to 2,675 thousand euros (previous year: 2,675 thousand euros). The impairment loss of 168 thousand euros in 2008 is reported under net finance income for 2008. The investment in MEIKU is allocated to the parent company segment.

The investment carrying amount of MEIKU Vermögensverwaltung GmbH is the only item in the category of investments held to maturity. The write-down is thus the only impairment loss recognised in this financial asset category.

17. Inventories

kEUR	2009	2008
Raw materials, consumables and supplies	7,255	8,001
Work in progress	427	546
Finished goods and goods for resale	10,140	12,017
Total	**17,822**	**20,564**

Inventories are recognised at cost, including acquisition costs, all costs directly attributable to the production process, and reasonable production overheads.

In the period under review, impairment losses recognised on inventories increased from 843 thousand euros to 871 thousand euros (in the previous year, they fell from 956 thousand euros to 843 thousand euros).

As of the balance sheet date of December 31, 2009, the inventories were not subject to any restrictions on disposal or pledges.

18. Trade receivables

kEUR	2009	2008
Trade receivables at nominal value	52,017	58,152
Write-downs for doubtful accounts receivables	–583	–493
Total	**51,434**	**57,659**

All receivables are due within less than one year.

As of the balance sheet date, 10% (previous year: 12%) of receivables were overdue. Of these, 81% (previous year 79%) were between one and 60 days overdue.

The following table shows the breakdown of trade receivables by due date:

Trade receivables at nominal value

	Total	Not due	Overdue			
kEUR			1–60 days	61–90 days	91–120 days	> 120 days
Balance at Dec. 31, 2009	52,017	47,007	4,066	215	150	579
Balance at Dec. 31, 2008	58,152	51,311	5,379	331	294	837

Of the receivables not yet due, amounting to 47,007 thousand euros (previous year: 51,311 thousand euros), 274 thousand euros (previous year: 234 thousand euros) were written down as of the balance sheet date. Of the receivables already overdue, amounting to 5,010 thousand euros (previous year: 6,841 thousand euros), 309 thousand euros (previous year: 259 thousand euros) were written down.

Where customers have long-term payment difficulties, instalment agreements are concluded where possible or collection is initiated via the credit sale insurer or external collection agencies. Receivables for which instalment agreements are concluded continue to be recognised with their original maturity and are therefore considered overdue. As of the balance sheet date, instalment agreements were in place for a receivables volume of less than 100 thousand euros.

Of the unsettled trade receivables at the end of 2009, 80% (previous year: 84%) were insured through credit sale insurance. In addition to this, collateral was provided in the form of clean credits from banks amounting to 2,259 thousand euros (previous year: 668 thousand euros). A total of 264 thousand euros (previous year: 255 thousand euros) related to amounts receivable from public sector customers. This gives a total cover ratio for trade receivables of 85% (previous year: 85%). If account is also taken of the fact that value-added tax paid on bad debts will be refunded by the tax authorities, the cover ratio is 94% (previous year: 94%). Taking into account the refundable value-added tax, the economic risk of bad debt therefore amounts to 3,260 thousand euros as of the balance sheet date (previous year: 3,718 thousand euros).

The credit risk remaining after this security has been taken into account does not contain any material cluster risks. Cluster risks relate to unsecured receivables with a nominal value of more than 100 thousand euros per individual customer. The total for this category is 341 thousand euros (previous year: 1,263 thousand euros), and is divided among two (previous year: six) customers. This corresponds to a share of 0.66% (previous year: 2.18%) of trade receivables recognised in the balance sheet. The customer owing the largest amount of unsecured receivables, worth 237 thousand euros (previous year: 379 thousand euros), accounts for 0.46% (previous year: 0.65%) of the total receivables recognised in the balance sheet. As of the balance sheet date, the maximum credit risk on trade receivables that can be recognised according to IFRS is 51,434 thousand euros (previous year: 57,659 thousand euros).

Write-downs for doubtful accounts receivables

kEUR	2009	2008
Balance at Jan. 1	493	415
Consumption	–537	–296
Additions	627	374
Balance at Dec. 31	583	493

Adequate allowances are recognised for credit risks on receivables. The above table takes into account write-downs that have been used, as well as additions, during the year. Receivables written off in fiscal year 2009 amount to 945 thousand euros, or 0.30% of annual sales (previous year: 534 thousand euros or 0.16%) or 1.8% of total receivables as of the balance sheet date (previous year: 0.9%). This reflects the fact that even the RATIONAL Group was unable to protect itself entirely against the global increase in bad debt caused by the economic crisis. However, the level of written-off receivables is still significantly lower than the average for all companies, which “Creditreform” estimates at 0.64% of sales for the German market. This figure does not include compensation paid by or expected from the credit sale insurer, which amounted to 635 thousand euros in 2009 (previous year: 270 thousand euros).

19. Other assets

kEUR	2009	2008
Value-added tax refund claims	1,844	3,929
Prepaid expenses	979	751
Corporation tax refund claims	422	1,735
Deposits	355	368
Receivables from travel expense advances	181	150
Insurance	145	–
Receivables from interest	112	184
Fair value of derivative financial instruments	73	394
Other (< 100 thousand euros in each case)	217	143
Total	**4,328**	**7,654**

Of the other assets shown, an amount of 4,106 thousand euros (previous year: 7,386 thousand euros) is classified as current.

Security deposits include receivables of 222 thousand euros (previous year: 262 thousand euros) due after one year. These non-current assets reflect a fair value of 214 thousand euros in 2009 (previous year: 253 thousand euros). For reasons of materiality, non-current assets were not reported at their discounted fair values, but at cost.

Prepaid expenses only include expenses incurred before the reporting date, but which relate to the following year. This item is made up of a number of smaller prepaid amounts. The expenses relate primarily to exhibitions, marketing activities, and rents, as well as insurance payments. All the items in prepaid expenses are due within less than one year.

20. Deposits with maturities of more than 3 months

German fixed-term deposits with maturities of up to 6 months, amounting to 96,000 thousand euros (previous year: 25,000 thousand euros) were reported as of the balance sheet date. The longest maturity is in April 2010. None of these deposits has been pledged as collateral.

RATIONAL places the retention of value before return, and therefore considers it essential to protect its deposits adequately via the German deposit protection fund. RATIONAL holds deposits only with banks that have long-term ratings by Standard & Poor's of at least A. In the interest of diversification, all fixed-term deposits are distributed at the end of the year over four banks, each bank having a share of less than 30%.

21. Cash and cash equivalents

Corporate Treasury is responsible for the management of the Group's cash and cash equivalents worldwide, other than in countries where restrictions on capital movements conflict with this, such as in Russia, Brazil or China.

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

Cash and cash equivalents of 35,629 thousand euros (previous year: 32,110 thousand euros) were reported as of the balance sheet date. Deposits in foreign currencies are measured at the rate applicable on the balance sheet date. No cash or cash equivalents have been pledged as collateral.

kEUR	Currency	2009	2008
Fixed-term deposits with maturities of up to 3 months	EUR	9,000	6,000
Deposits incl. demand deposits	EUR	13,134	18,671
Deposits incl. demand deposits	USD	5,888	1,937
Deposits incl. demand deposits	GBP	2,602	1,242
Deposits incl. demand deposits	SEK	1,615	1,023
Deposits incl. demand deposits	CHF	785	792
Deposits incl. demand deposits	PLN	439	280
Deposits incl. demand deposits	CAD	454	949
Deposits	RUB	808	176
Deposits	JPY	524	670
Deposits	BRL	207	205
Deposits	CNY	103	101
Deposits other currencies and cash in hand	various	70	64
Total		**35,629**	**32,110**

Notes on the Balance Sheet – Equity and Liabilities

22. Equity

The development of equity is recognised in the statement of changes in equity as a component of the consolidated financial statements.

Subscribed capital

RATIONAL AG's share capital as of December 31, 2009 remained unchanged at 11,370 thousand euros, divided into 11,370,000 ordinary registered no-par-value shares, each with a nominal value of 1.00 euro.

Conditional capital amounts to 200 thousand euros and relates to option rights for members of the Executive Board to purchase up to 200,000 shares. The conditional capital increase is dependent on the extent to which the options granted are exercised by their holders. The stock option plan is described in the note on stock option plans.

Capital reserves

Capital reserves consist mainly of the premium from the initial public offering. After deduction of the costs associated with the initial public offering, this amounts to 28,329 thousand euros. Capital reserves also include income and expenses taken directly to equity, which result primarily from the entitlements under the second tranche of the stock option plan dated February 3, 2000 paid out in previous years as cash compensation to members of the Executive Board.

Differences from currency conversion previously included in capital reserves have now been reclassified to other components of equity. The previous year has been adjusted accordingly.

Revenue reserves

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

These earnings, which were previously recognised under retained earnings, have now been reclassified to revenue reserves. The previous year has been adjusted accordingly.

kEUR	Dec. 31, 2008 Before adjustment	Adjustment	Dec. 31, 2008 After adjustment
Subscribed capital	11,370	–	11,370
Capital reserves	25,726	2,332	28,058
Revenue reserves	514	95,947	96,461
Retained earnings	95,947	–95,947	–
Other components of equity	–	–2,332	–2,332
Equity	**133,557**	**0**	**133,557**

For reasons of materiality, the adjustment is shown neither in the consolidated balance sheet nor in the consolidated statement of changes in equity.

23. Provisions for pensions

RATIONAL AG has given pension commitments to a former director and a former company secretary. The benefits amount to a final salary scheme. The scheme is financed exclusively by pension provisions, which were increased in fiscal year 2009 to 688 thousand euros (previous year: 614 thousand euros).

In compliance with IAS 19, benefit obligations are calculated annually using the actuarial projected unit credit method. Also in compliance with IAS 19, when pension provisions and pension costs were calculated, any actuarial gains and losses were recognised immediately and in full in the income statement. The actuarial loss due to the difference between the expected and actual development of the pension obligation amounted to 22 thousand euros in fiscal year 2009 (previous year: 0 thousand euros). The full amount of the defined benefit obligation is recognised in the balance sheet.

Administration and selling expenses included the following pension benefit expenses:

kEUR	2009	2008
Interest expense	37	31
Recognised actuarial losses (previous year: gains)	71	–2
Total	**108**	**29**

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

kEUR	2009	2008
Efficiency-oriented obligation Jan. 1	614	617
Interest expense	37	31
Paid obligations	–34	–32
Recognised actuarial losses (previous year: gains)	71	–2
Efficiency-oriented obligation Dec. 31	**688**	**614**

The benefits paid relate to the pension payments to a former director, which started in 2006.

The calculations were based on the following assumptions:

Rate of interest: 5.25% (previous year: 6.25%)
Pension progression rate: 1.75% (previous year: 2.00%)

K. Heubeck's mortality tables (2005 G version) were used as the biometric basis for the calculations.

The defined benefit obligations for the current and the previous four reporting periods are as follows:

kEUR	2009	2008	2007	2006	2005
Efficiency-oriented obligation Dec. 31	688	614	617	672	683

24. Liabilities for current tax

2009

kEUR	Balance at Jan. 1, 2009	Currency differences	Consumption	Additions	Balance at Dec. 31, 2009
Taxes on income	3,264	28	–3,292	4,564	4,564

2008

kEUR	Balance at Jan. 1, 2008	Currency differences	Consumption	Additions	Balance at Dec. 31, 2008
Taxes on income	3,646	–234	–3,412	3,264	3,264

25. Short-term provisions

2009

kEUR	Balance at Jan. 1, 2009	Currency differences	Consumption	Additions	Balance at Dec. 31, 2009
Personnel	7,033	13	–7,041	8,477	8,482
Trade bonuses	3,527	82	–3,559	3,022	3,072
Warranty	4,181	–7	–4,070	4,876	4,980
Other	3,492	1	–3,493	2,250	2,250
Total	**18,233**	**89**	**–18,163**	**18,625**	**18,784**

2008

kEUR	Balance at Jan. 1, 2008	Currency differences	Consumption	Additions	Balance at Dec. 31, 2008
Personnel	5,980	–93	–5,887	7,033	7,033
Trade bonuses	3,918	–208	–3,694	3,511	3,527
Warranty	3,001	–5	–2,996	4,181	4,181
Other	2,587	–16	–2,571	3,492	3,492
Total	**15,486**	**–322**	**–15,148**	**18,217**	**18,233**

Provisions for personnel and social security obligations primarily comprise expenses for the variable remuneration components and for the holiday allowance and Christmas bonus.

The provision for trade bonuses is recognised for outstanding discounts yet to be granted as of the balance sheet date.

The warranty provision covers the Group's liability for the functionality of its products. To determine this provision, it is necessary to make assumptions about the future expense to be incurred as a result of warranty claims. The provision has essentially been determined on the basis of experience gathered in the past.

Other provisions include items for freight, contribution obligations, marketing costs and a large number of other items for which only an insignificant amount has to be recognised.

In October 2008, a two-year warranty for appliances was introduced. As of the balance sheet date, this resulted in a non-current portion of warranty obligations amounting to 1,798 thousand euros (previous year: 520 thousand euros).

For reasons of materiality, non-current provisions are reported in the balance sheet not at their discounted fair value, but at their expected expense. They are shown under short-term provisions.

26. Liabilities to banks

As of the end of the year, liabilities to banks totalled 31,638 thousand euros (previous year: 25,784 thousand euros), distributed over several banks.

This total included short-term loans worth 8,000 thousand euros (previous year: 0 thousand euros). The interest payments for these loans are based on the three-month Euribor rate, and are fixed for three months at a time. The contractual redemption dates are in March and April 2010.

The option of assigning the rights to these long-term agreements to third parties has been contractually excluded.

In fiscal year 2008, RATIONAL entered into multi-year annuity loan agreements to finance the acquisition of new production facilities. Fixed interest rates have been agreed for the entire term of the agreements. The last repayment of principal will be made in 2013.

Other liabilities to banks relate to two annuity loan agreements, secured by land charges, to finance the construction of a new assembly and distribution building in Landsberg. Fixed interest rates have been agreed for both agreements until the end of 2017, and both are scheduled to expire at the end of 2022.

Of the liabilities to banks, the following payments will become due in subsequent periods:

kEUR	2010	2011–2014	From 2015
Payments as of December 31, 2009	11,442	10,240	17,150

kEUR	2009	2010–2013	From 2014
Payments as of December 31, 2008	3,355	11,436	19,294

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

27. Trade accounts payable

RATIONAL's excellent liquidity means that amounts payable to suppliers are settled so that advantage can be taken of early payment discounts granted by suppliers. The following table shows payment terms and cash outflows, based on the payment terms agreed with suppliers:

	Total	Due dates		
kEUR		Up to 30 days	30–60 days	> 60 days
2009	6,963	6,609	350	4
2008	10,935	10,474	454	7

28. Other liabilities

kEUR	2009	2008
Liabilities to business partners	3,360	4,714
Liabilities from value-added tax	3,094	2,652
Liabilities from wages, salaries and other personnel costs	2,719	3,590
Liabilities from PAYE and church taxes	1,723	1,740
Liabilities from finance leasing agreements	1,280	2,052
Liabilities for consulting and auditing services	781	1,031
Fair value of derivative financial instruments	151	772
Other (< 100 thousand euros in each case)	166	72
Total	**13,274**	**16,623**

In accordance with IAS 17, liabilities from finance leasing agreements were reduced in fiscal year 2009 by the amount of the regular repayments of principle under the finance lease liabilities, which amounted to 772 thousand euros (previous year: 860 thousand euros).

The maturities of liabilities resulting from finance leases are listed in the following table:

Term; interest	2009			2008		
	Total	Remaining		Total	Remaining	
kEUR		Up to 1 year	> 1 year		Up to 1 year	> 1 year
a) Until 2011; 6.65%	737	459	278	1,166	429	737
b) Until 2011; 6.05%	95	60	35	151	56	95
c) Until 2011; 3.50%	448	296	152	735	287	448
Total	**1,280**	**815**	**465**	**2,052**	**772**	**1,280**

The contract modules a), b) and c) in the above table are elements of finance leases. Fixed interest rates have been agreed over the entire term, as have fixed lease instalments, which are allocated evenly over the terms of the contract modules. There are no options to extend the terms of the contract modules, nor are there any restrictions on them. It was agreed that a lessee loan agreement was to be concluded that would achieve the fixed sale value (purchase option for RATIONAL AG) of the leased object when the lease expires.

Under the terms of the finance leases, the following lease payments will become due in subsequent periods:

kEUR	2010	2011
Present values	837	438
Discounts	32	37
Leasing payments	**869**	**475**

With the exception of the cited non-current other liabilities arising from finance leases, all reported other liabilities are current.

Notes on the Cash Flow Statement

29. Cash flow statement

The statement of cash flows shows the changes in cash and cash equivalents of RATIONAL during the year under review. In compliance with IAS 7, the statement of cash flows reports the cash flows classified by operating, investing, and financing activities.

Cash and cash equivalents include items subject to restrictions on disposal. The restrictions on disposal relate to an amount of 796 thousand euros (previous year: 483 thousand euros). Cash and cash equivalents rose from 32,110 thousand euros at the start of the fiscal year to 35,629 thousand euros as of December 31, 2009. In addition, RATIONAL had fixed-term deposits of 96,000 thousand euros as of the balance sheet date (previous year: 25,000 thousand euros), which are due after more than three months and cannot therefore be included in cash and cash equivalents.

Other Notes on the Group Financial Statements

30. Contingent liabilities

Contingent liabilities are, firstly, possible obligations whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the Company. Secondly, they are present obligations where it is not probable that an outflow of resources will be required to settle the obligation or where the amount of the obligation cannot be measured with sufficient reliability.

At RATIONAL, warranty obligations could be considered contingent liabilities, although they are covered by appropriate provisions. The other provisions are itemised in the respective notes.

31. Employees and personnel costs

The average number of people employed by RATIONAL fell in fiscal year 2009. The size of the workforce shrank from 1,090 employees in fiscal year 2008 to 1,031 in 2009. The average number of people employed outside Germany fell by 56, to 409 (previous year: 465).

The largest area of workforce reduction was sales and marketing. In particular, the capacities built up in 2008 in anticipation of continuing robust growth were re-calibrated to match the current volume of business.

Employee distribution among the various functional areas is as follows:

Employee distribution to operational areas	**2009**	**% of total**	**2008**	**% of total**
Production	285	27	280	25
Sales and Marketing	400	39	455	42
Technical Customer Service	120	12	128	12
Research and Development	70	7	76	7
Administration	156	15	151	14
Average number of employees	**1,031**		**1,090**	
of which abroad	409	40	465	43

As of the balance sheet date of December 31, 2009, the number of employees was 993, compared with 1,117 as of the same date in the previous year. The workforce reduction of 124 employees is distributed as follows over the various functional areas: 1 in production, 89 in sales and marketing, 11 in technical customer service, 10 in research and development, and 13 in administration.

Personnel costs in 2009 amounted to 71,067 thousand euros (previous year: 72,253 thousand euros).

kEUR	2009	2008
Salaries and wages	59,902	61,193
Social security	11,165	11,060
Total	**71,067**	**72,253**

32. Derivative financial instruments

Because of the international nature of its operations, RATIONAL is exposed to the risks generally associated with the financial markets. Corporate Treasury, a department within the parent company, is responsible for all hedging and financing activities conducted by any of the RATIONAL companies. The activities of Corporate Treasury are governed by written corporate guidelines, which stipulate, among other requirements, the implementation of the dual control principle for treasury activities. The treasury activities required are supported, managed, and monitored by a professional treasury management system.

Derivative financial instruments are used to counter the risks identified. The financial instruments internally permitted for this purpose include futures, swaps, plain vanilla options and zero-cost options. Derivative financial instruments are used to hedge recognised, uncompleted, and anticipated transactions. A portion of the identified risks is hedged for a period of six to twelve months. RATIONAL does not generally enter into any contractual commitments unless there is a reasonable alignment with an underlying transaction in terms of factual content, value and timing. Its contractual partners in derivative financial instrument transactions are always banks with good to first class credit ratings, i. e. with a Standard & Poor’s A rating as a minimum.

Valuation of derivative financial instruments

RATIONAL classifies derivative contracts as “held for trading” and recognises them at fair value because it does not fully meet the IAS 39 requirements for hedge accounting (despite the close alignment of the hedge with the underlying transaction). On the day of trading, derivative financial instruments are recognised at the purchase or sale price and reported under other assets or other liabilities in the balance sheet. Any changes in fair value are recognised in the income statement.

For fair value measurement, RATIONAL uses the marking-to-market measurements of the bank with which it has entered into the respective contracts. The banks measure fair value on the basis of market data available as of the measurement date, using recognised mathematical methods (discounted cash flow method for futures and the Black-Scholes method for options). We check the values determined by the banks on the basis of additional measurements carried out using our internal treasury management system to ensure that the key assumptions on which the banks have based their calculations do in fact conform to the market as of the respective measurement date.

The fair value (according to the discounted cash flow method) of forward exchange contracts and swaps is calculated using the spot rate applicable on the balance sheet date, taking account of the forward premiums or discounts that apply for the remaining terms of the individual contracts compared with the forward exchange rate at the time each contract was entered into.

In the case of currency options, the fair value (according to Garman-Kohlhagen's modified Black-Scholes method) is the value that could have been achieved under current market conditions in trading between willing and independent contractual parties from the sale of the rights and/or obligations of a financial instrument. Any offsetting effects from underlying transactions are disregarded when determining fair value.

The following table shows the contract values and fair values of the derivative financial instruments, by category, as of December 31, 2009 and 2008. The contract values do not represent the market risk, but they provide information on the volume of transactions outstanding on the balance sheet date. All the open currency hedging transactions are due within less than one year.

	Currency	Contract value		Positive market value (assets)		Negative market value (liabilities)	
kEUR		2009	2008	2009	2008	2009	2008
Forward exchange contracts	GBP	–	6,963	–	–	–	184
Forward exchange contracts	USD	–	1,780	–	–	–	3
Forward exchange contracts	JPY	–	583	–	26	–	–
Currency options	GBP	9,908	14,439	29	222	19	230
Currency options	USD	7,213	8,460	6	103	62	159
Currency options	JPY	3,102	1,720	38	43	20	8
Interest rate/currency swaps	JPY	1,634	2,140	–	–	50	188
Total		**21,857**	**36,085**	**73**	**394**	**151**	**772**

33. Other financial obligations

In addition to provisions, liabilities and contingent liabilities, other financial liabilities as of December 31, 2009 amounted to 7,498 thousand euros (previous year: 7,778 thousand euros). This item relates mainly to future payments under leases and maintenance contracts.

The leases treated as operating leases in accordance with IAS 17 are predominantly for the rental of office space, production facilities, vehicles, IT equipment, and miscellaneous office machinery. The contracts do not have fixed terms, but provide for the following future minimum lease payments:

Obligations for operative leases

kEUR	Dec. 31, 2009	Dec. 31, 2008
Up to 1 year	3,044	3,615
1 to 5 years	3,103	3,809
More than 5 years	–	197
Total	**6,147**	**7,621**

Insurance against loss or destruction of the objects leased is generally covered by insurance policies. There are no restrictions on any of the leases. Lease expenses recognised in the income statement in fiscal year 2009 amounted to 4,618 thousand euros (previous year: 4,647 thousand euros).

There are further obligations amounting to 1,034 thousand euros for maintenance contracts in connection with land and buildings, production machinery and IT equipment.

34. Operating segments

In its operating segments, RATIONAL combines the subsidiaries located in the different regions. This corresponds to the internal reporting structure and thus the management approach according to IFRS 8. Operating segments are organisational units for which information is passed to management in order to measure success and allocate resources. There are no significant changes compared to the segmentation undertaken in line with IAS 14 for the last Group financial statements.

The Company distinguishes between the following five segments: a) subsidiaries in Germany, b) subsidiaries in Europe excluding Germany, c) subsidiaries in the Americas, d) subsidiaries in Asia, and e) parent company activities.

The “Germany” segment includes RATIONAL Großküchentechnik GmbH as well as FRIMA Deutschland GmbH. To simplify administration, investments for RATIONAL Großküchentechnik GmbH are made by RATIONAL AG. The segment profit or loss for Germany includes the depreciation and amortisation charges attributable to these investments.

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

The “Americas” segment includes the activities of our subsidiaries in the United States, Canada and Brazil.

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

The activities of the parent company (including LechMetall Landsberg GmbH, RATIONAL Technical Services GmbH and RATIONAL Komponenten GmbH) are reported in the fifth segment. This segment represents the development, manufacture and supply of products to subsidiaries as well as supplies of goods and services to OEM customers.

Segment sales include both sales to third parties and intercompany sales between Group companies across the segments. Intercompany sales and income are always based on arm’s length prices.

For a further breakdown of sales revenue, see the note on sales.

Segment depreciation and amortisation relates to intangible assets and property, plant and equipment. No other material non-cash expenses reportable under IFRS 8.23 were incurred in either 2009 or the previous year.

Segment assets include all assets assigned to a segment. The comparative values for 2008 in which the segment assets were shown after deduction of cash and cash equivalents and tax assets have been adjusted.

54,316 thousand euros (previous year: 58,878 thousand euros) of all non-current assets (property, plant and equipment, and intangible assets) are reported in Germany. 3,264 thousand euros (previous year: 4,178 thousand euros) are attributable to third countries.

Segment liabilities are calculated from the difference between segment assets and segment equity. The comparative values from 2008, in which the segment liabilities were shown without the liabilities arising from finance leases, loans and income tax liabilities, have been adjusted.

The reconciliation column reflects the effects of consolidation.

Operating segments 2009

	Activities of the subsidiaries in:			
kEUR	Germany	Europe excl. Germany	Americas	Asia
External sales	52,638	196,245	33,371	13,301
Intercompany sales	200	4,674	–	–
Segment sales	52,838	200,919	33,371	13,301
Segment result	+1,316	+16,246	+1,256	+650
Financial result	–	–	–	–
Earnings before taxes	–	–	–	–
Segment assets	4,965	62,237	12,659	5,686
Segment liabilities	4,980	37,695	11,800	5,001
Segment investments	2	143	90	25
Segment depreciation	26	844	208	43

Operating segments 2008

	Activities of the subsidiaries in:			
kEUR	Germany	Europe excl. Germany	Americas	Asia
External sales	53,212	219,586	37,102	10,608
Intercompany sales	1,880	4,655	–	–
Segment sales	55,092	224,241	37,102	10,608
Segment result	–90	+15,309	+779	+158
Financial result	–	–	–	–
Earnings before taxes	–	–	–	–
Segment assets	6,068	69,659	17,642	6,213
Segment liabilities	6,100	47,480	17,298	5,796
Segment investments	9	1,011	267	43
Segment depreciation	28	983	231	49

	Activities of the parent company	Total of segments	Reconciliation	Group
	18,799	**314,354**	–	**314,354**
	199,376	**204,250**	–204,250	**–**
	218,175	**518,604**	–204,250	**314,354**
	+69,456	**+88,924**	+1,558	**+90,482**
	–	–	–	**–355**
	–	–	–	**90,127**
	229,396	**314,943**	–49,282	**265,661**
	54,549	**114,025**	–38,114	**75,911**
	2,122	**2,382**	–	**2,382**
	6,468	**7,589**	–	**7,589**

	Activities of the parent company	Total of segments	Reconciliation	Group
	22,450	**342,958**	–	**342,958**
	228,583	**235,118**	–235,118	**–**
	251,033	**578,076**	–235,118	**342,958**
	+69,215	**+85,371**	–2,267	**+83,104**
	–	–	–	**432**
	–	–	–	**83,536**
	175,996	**275,578**	–66,568	**209,010**
	53,024	**129,698**	–54,245	**75,453**
	31,256	**32,586**	–	**32,586**
	5,872	**7,163**	–	**7,163**

35. Legal disputes

In the course of its normal business activities, RATIONAL is involved in a number of small court actions and claims concerning opposition proceedings before the patent office (own patents and patents owned by third parties) and the recovery of default receivables.

36. Associated companies and persons

In the 2009 reporting year, there were transactions with the non-consolidated subsidiaries MEIKU Vermögensverwaltung GmbH and TAGO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Landsberg KG. The only individual related to the Group, who exercises control over the Company, is majority shareholder Mr. Siegfried Meister, holding 62.97% of the equity of RATIONAL AG.

In the period under review, invoices issued by MEIKU Vermögensverwaltung GmbH to RATIONAL AG, primarily for the management of land and buildings at Siemensstraße 5 in Landsberg am Lech, were recognised as expenses in an amount of 122 thousand euros (previous year: 125 thousand euros). RATIONAL AG's revenue generated with MEIKU Vermögensverwaltung GmbH amounted to 24 thousand euros (previous year: 24 thousand euros). In addition, income from the investment in MEIKU Vermögensverwaltung GmbH amounted to 66 thousand euros (previous year: 57 thousand euros). As of December 31, 2009, RATIONAL AG had neither liabilities to nor receivables from MEIKU Vermögensverwaltung GmbH.

RATIONAL AG leases buildings located at Siemensstraße 5 in Landsberg am Lech from TAGO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Landsberg KG. Lease expenses incurred in this regard amounted to 641 thousand euros in the period under review (previous year: 685 thousand euros). As of the balance sheet date of December 31, 2009, RATIONAL AG had liabilities to TAGO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Landsberg KG amounting to 16 thousand euros (previous year: 16 thousand euros). RATIONAL AG has granted a lessee loan to TAGO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Landsberg KG amounting to 7,446 thousand euros as of December 31, 2009 (previous year: 7,159 thousand euros). The loan will be used to acquire the building at the end of the lease without additional cash. Since finance leases are reported in accordance with IAS 17, these consolidated financial statements do not include any lease expenses nor the lessee loan. The inclusion of TAGO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Landsberg KG in the consolidated group would have no material effect on the consolidated financial statements.

Further information on MEIKU Vermögensverwaltung GmbH and TAGO Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Landsberg KG can be found in the notes on the consolidated companies and on financial assets.
Members of the Supervisory Board hold shares in companies from which the Company purchases goods or services. The expense for these goods and services amounted to 1,251 thousand euros in 2009 (previous year: 1,724 thousand euros). As of December 31, 2009, trade accounts payable to these companies amounted to 27 thousand euros (previous year: 27 thousand euros).

Over and above the transactions stated, no further significant transactions occurred with companies or individuals in any way associated with RATIONAL AG.

37. Supervisory Board and Executive Board

The composition of the Supervisory Board did not change during fiscal year 2009. The members of the Supervisory Board are as follows:

Siegfried Meister, entrepreneur	Chairman of the Supervisory Board
Walter Kurtz, entrepreneur	Deputy Chairman of the Supervisory Board
Roland Poczka, entrepreneur	Member of the Supervisory Board

For fiscal year 2009, the total compensation of the Supervisory Board amounted to 555 thousand euros (previous year: 542 thousand euros), distributed as follows:

2009

kEUR	Fixed	Performance-related	Other	Total
Siegfried Meister	150	45	27	222
Walter Kurtz	125	45	18	188
Roland Poczka	100	45	–	145
Total	**375**	**135**	**45**	**555**

2008

kEUR	Fixed	Performance-related	Other	Total
Siegfried Meister	150	41	25	216
Walter Kurtz	125	41	19	185
Roland Poczka	100	41	–	141
Total	**375**	**123**	**44**	**542**

The Supervisory Board compensation for fiscal year 2009, amounting to 234 thousand euros (previous year: 444 thousand euros), is included in other liabilities as of the balance sheet date.

As of December 31, 2009, the members of the Supervisory Board held a total of 8,119,310 shares in RATIONAL AG (previous year: 8,119,310 shares), of which Mr. Siegfried Meister held 7,159,786 shares (previous year: 7,159,786 shares). Mr. Siegfried Meister and Mr. Walter Kurtz each also hold 1% of the share capital of MEIKU Vermögensverwaltung GmbH.

In addition to his membership of the Supervisory Board of RATIONAL AG, Roland Poczka is on the Advisory Board of the Glatz Group, Niedenfels, Germany.

The Executive Board comprises the following members:

Dr. Günter Blaschke, Dipl.-Kaufmann	Chief Executive Officer
Erich Baumgärtner, Dipl.-Betriebswirt	Chief Financial Officer
Peter Wiedemann, Dipl.-Ingenieur	Chief Technical Officer
Reinhard Banasch, Dipl.-Betriebswirt	Chief Sales and Marketing Officer

The shareholders' meeting held on May 17, 2006 resolved in accordance with section 314 (para. 2) sentence 2 of the HGB not to disclose separately the compensation paid to individual members of the Executive Board.

The total compensation paid to the members of the Executive Board for the performance of their duties in the parent company and its subsidiaries amounted to 3,642 thousand euros in fiscal year 2009 (previous year: 3,040 thousand euros). This amount includes a performance-related salary component of 2,082 thousand euros (previous year: 1,471 thousand euros).

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

None of the members of the Executive Board has an active role in Supervisory Board committees of non-Group companies.

38. Stock option scheme

On February 3, 2000, RATIONAL AG launched a stock option plan for the Company's Executive Board members. The plan is designed to offer Board members additional incentives to secure the company's economic success in the medium and long term and, in the interests of the shareholders, to work toward increasing the value of the company.

It was decided initially to grant beneficiaries of the plan the option to buy a total of 200,000 shares in the Company in up to five tranches, representing a notional share of the Company's share capital of 200 thousand euros. Only the Supervisory Board is competent to conclude option agreements, and is also responsible for deciding who is eligible among the members of the Executive Board.

The option rights may have terms of up to five years from the dates of issue of the individual tranches. When individual lock-up periods expire, the option rights are only exercisable within certain periods. The periods during which options can be exercised start in each case on the second and end on the sixth trading day following a regular shareholders' meeting of the Company or the publication of a quarterly report.

The exercise price for option rights issued before the Company's shares were first listed on the Frankfurt Stock Exchange at the time of the Company's IPO in 2000 corresponds to the offering price per share set then. For option rights issued at a later date, the exercise price corresponds to the average (arithmetic mean) closing price of the Company's shares on the Frankfurt Stock Exchange on the last five trading days prior to the Supervisory Board's resolution to issue the particular portion of option rights.

To date, two tranches have been issued with a total of 69,000 option rights, which were drawn on in 2002 and 2006 in the form of cash payments equivalent to 100% of the value of a company share minus the exercise price. As of the balance sheet date of December 31, 2009, option rights to a maximum of 131,000 shares in RATIONAL AG still remained in the stock option plan.

39. Provision for executive management pensions

In 2001, RATIONAL AG implemented a pension plan for the Executive Board and other senior executives, through an external reinsured support fund. In fiscal year 2009, a contribution of 469 thousand euros (previous year: 308 thousand euros) was made to the defined contribution plan.

40. Declaration on the German Corporate Governance Code

The Executive Board and the Supervisory Board of RATIONAL AG have issued a declaration in accordance with section 161 of the German Stock Corporation Act (AktG) detailing which recommendations of the Government Commission for a German Corporate Governance Code were and are being complied with. This declaration was based on the German Corporate Governance Code as amended on June 18, 2009. The declaration has been made permanently available to the shareholders on RATIONAL AG's internet site: www.rational-online.com.

41. Subsequent events

No events have taken place since the close of fiscal year 2009 that are of particular significance for the assessment of RATIONAL AG's and the Group's net assets, financial position, and profit or loss, as stipulated by IAS 10.

42. Auditor

By resolution of the shareholders' meeting of May 6, 2009, Rölfs WP Partner AG Wirtschaftsprüfungsgesellschaft, Munich, was appointed as auditor for fiscal year 2009.

The auditor's fee, including reimbursement of expenses, amounts to a total of 339 thousand euros, broken down as follows:
207 thousand euros for the auditing of separate and consolidated financial statements, 41 thousand euros for other certification services, 81 thousand euros for tax consultancy services, and 10 thousand euros for other services.

Landsberg am Lech, February 17, 2010

RATIONAL AG
The Executive Board

Auditors' Report

Auditors' Report

We have audited the consolidated financial statements prepared by the Parent Company RATIONAL Aktiengesellschaft, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2009.

The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a para. 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the "Institut der Wirtschaftsprüfer" [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to section 315a para. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, February 17, 2010

Rölfs WP Partner AG
Wirtschaftsprüfungsgesellschaft

Dr. Wenk	**Weissinger**
Wirtschaftsprüfer	**Wirtschaftsprüfer**
(German Public Auditor)	**(German Public Auditor)**

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Landsberg am Lech, February 17, 2010

RATIONAL AG
The Executive Board

Dr. Günter Blaschke
Chief Executive Officer

Erich Baumgärtner
Chief Financial Officer

Peter Wiedemann
Chief Technical Officer

Reinhard Banasch
Chief Sales Officer

Financial Calendar 2010

Balance Sheet Press Conference Year 2009	Munich	Mar. 11, 2010
DVFA Analyst Meeting	Frankfurt	Mar. 11, 2010
General Shareholders Meeting 2010	Augsburg	Apr. 21, 2010
Financial Figures Q1/2010	Landsberg	May 12, 2010
Financial Figures Q2/2010	Landsberg	Aug. 10, 2010
Financial Figures Q3/2010	Landsberg	Nov. 10, 2010

Imprint

Contact
RATIONAL Aktiengesellschaft
Erich Baumgärtner
CFO
Iglinger Straße 62
86899 Landsberg am Lech
Phone: +49 8191 327-209
Fax: +49 8191 327-272
E-Mail: ir@rational-online.com

RATIONAL Aktiengesellschaft
Ilona Klinckmann
Iglinger Straße 62
86899 Landsberg am Lech
Phone: +49 8191 327-364
Fax: +49 8191 327-272
E-Mail: ir@rational-online.com

Editor
RATIONAL Aktiengesellschaft
Iglinger Straße 62
86899 Landsberg am Lech
Phone: +49 8191 327-0
E-Mail: info@rational-online.com

Text, concept & realisation
better value, München/Berlin

Private Notes

Multi-year Overview

		2009	2008	2007	2006	2005	2004	2003
Earnings situation								
Sales	m EUR	314.4	343.0	336.6	283.7	246.4	221.8	186.6
Sales abroad	%	83	84	84	84	83	84	83
Gross margin	m EUR	191.6	203.7	199.9	173.8	149.7	131.5	108.5
EBITDA	m EUR	98.1	90.4	97.9	84.8	71.2	57.9	46.5
Depreciation/Amortisation	m EUR	7.6	7.3	5.3	4.3	4.3	4.6	4.2
EBIT	m EUR	90.5	83.1	92.6	80.5	66.9	53.3	42.3
Financial results	m EUR	–0.4	0.4	0.9	0.6	0.3	0.5	0.3
EBT	m EUR	90.1	83.5	93.5	81.1	67.2	53.9	42.6
Group earnings	m EUR	67.3	61.7	61.2	51.8	42.4	33.8	26.8
Earnings per share (undiluted)	Euro	5.92	5.42	5.38	4.55	3.73	2.98	2.36
Gross margin	%	60.9	59.4	59.4	61.3	60.8	59.3	58.1
EBITDA-margin	%	31.2	26.4	29.1	29.9	28.9	26.1	24.9
EBIT-margin	%	28.8	24.2	27.5	28.4	27.2	24.0	22.7
EBT-margin	%	28.7	24.4	27.8	28.6	27.3	24.3	22.8
Return on equity (after taxes)	%	41.6	47.9	53.3	52.9	43.7	34.7	31.6
Return on invested capital (ROIC)	%	35.5	40.7	48.0	49.6	40.4	32.1	28.5
Dividend*	m EUR	39.8	11.4	51.2	42.6	34.1	56.9	21.0
Dividend per share*	Euro	3.50	1.00	4.50	3.75	3.00	5.00	1.85

* Dividend 2009 – subject to approval by Shareholders' Meeting.

		2009	2008	2007	2006	2005	2004	2003
Asset situation								
Fixed assets	m EUR	57.6	63.1	38.0	29.2	28.1	28.1	27.5
Current assets (including deferred tax assets and other longterm assets)	m EUR	208.1	145.9	149.4	117.4	104.0	118.7	100.5
Inventories	m EUR	17.8	20.6	18.6	15.5	16.2	14.3	12.8
Trade receivables	m EUR	51.4	57.7	61.4	53.1	46.1	36.7	32.7
Cash and cash equivalents (including fixed deposits)	m EUR	131.6	57.1	62.3	40.6	34.8	59.9	49.7
Balance sheet total	m EUR	265.7	209.0	187.4	146.6	132.1	146.8	128.0
Equity	m EUR	189.8	133.6	124.0	105.8	89.9	104.1	90.6
Debts	m EUR	75.9	75.4	63.4	40.8	42.2	42.7	37.4
Provisions (including liabilities from current taxes)	m EUR	24.0	22.1	19.7	21.8	21.3	22.0	16.7
Liabilities to banks	m EUR	31.6	25.8	18.0	–	2.5	2.2	2.4
Trade accounts payable	m EUR	7.0	10.9	9.3	6.8	5.4	5.8	4.6
Other liabilities	m EUR	13.3	16.6	16.4	12.2	13.0	12.7	13.8
Liabilities from finance leasing agreements	m EUR	1.3	2.1	2.9	4.0	5.8	5.6	6.9
Other liabilities	m EUR	12.0	14.5	13.5	8.2	7.2	7.1	6.9
Equity ratio	%	71.4	63.9	66.2	72.2	68.1	70.9	70.8
Debt ratio	%	28.6	36.1	33.8	27.8	31.9	29.1	29.2
Equity-to-fixed-assets ratio	%	329.5	211.7	326.3	362.3	320.0	370.5	329.0
Invested capital (average)	m EUR	192.7	153.8	128.1	104.7	105.7	106.4	95.4
Working Capital (excluding liquid funds)	m EUR	54.7	60.7	61.7	58.4	53.0	41.0	37.0
as a percentage of sales	%	17.4	17.7	18.3	20.6	21.5	18.5	19.9
Cash flow/Investments								
Cash flow from operating activities	m EUR	83.2	71.0	61.1	49.1	32.8	39.2	29.8
Cash flow from investing activities	m EUR	–72.2	–38.4	–30.2	–1.8	–3.7	–4.6	–4.9
Cash flow from financing activities	m EUR	–7.7	–45.4	–26.0	–38.4	–42.3	–37.3	–5.1
Investments	m EUR	2.4	32.6	14.3	5.7	6.0	5.7	6.0
Employees								
Number of employees (average)		1,031	1,090	965	864	792	742	679
Personnel expenses	m EUR	71.1	72.3	63.7	57.0	53.4	47.7	43.6
Sales per employee	kEUR	304.9	314.6	348.8	328.4	311.1	298.9	274.7

RATIONAL AG
Iglinger Straße 62
86899 Landsberg am Lech

Phone: +49 (0) 8191-327-0
Fax: +49 (0) 8191-327-272
www.rational-online.com