Annual Report 2012

Experiencing customer benefit

RATIONAL

RATIONAL AG company profile

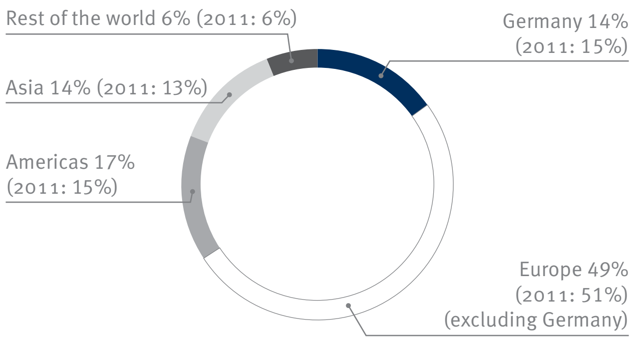
Sustainable and efficient: thermal preparation of food using RATIONAL products

We are the global market and technology leader in innovative solutions for the thermal food preparation. Our primary corporate objective is as follows: **"We offer the greatest possible benefit to the people preparing hot food in the professional kitchens around the world."** Our trendsetting innovations set the global standard for cooking intelligence, cooking quality, user friendliness and resource efficiency.

The SelfCookingCenter® whitefficiency® and the VarioCooking-Center MULTIFICIENCY® are able to deal with practically all cooking processes. They can grill, steam, gratinate, bake, ferment, roast, braise, simmer, stew, poach, blanch, deep-fry, cook at low temperatures and much more. As a result, they replace virtually all conventional cooking equipment in the professional kitchen and are winning over customers worldwide. RATIONAL maintains a presence in over 100 countries through own sales companies and independent sales partners. Our equipment is ideal for organisations serving 30 meals a day or more. Customers include restaurants, hotels, company canteens, hospitals, schools, universities, military facilities, prisons and retirement homes, as well as fast-food chains, caterers, supermarkets, butchers' shops, bakeries and snack outlets. The potential global market comprises more than 2.5 million professional kitchens, of which to date only around 30% use combi-steamer technology. 70% of all potential customers still use traditional cooking equipment.

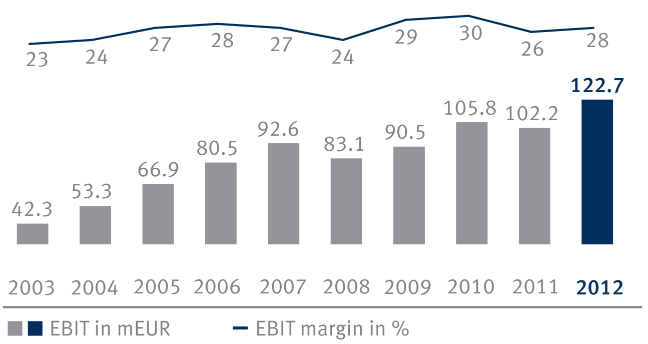
Global presence

Sales by region in 2012



Key financial figures

EBIT development and EBIT margin 2003 to 2012



Key figures 2012/2011		2012	2011
Sales	mEUR	**435.0**	391.7
Gross profit	mEUR	**261.7**	234.4
Depreciation/Amortisation	mEUR	**6.8**	7.3
EBIT	mEUR	**122.7**	102.2
EBIT-margin	%	**28.2**	26.1
Return on equity (after taxes)	%	**42.0**	36.0
Return on invested capital (ROIC)	%	**38.4**	33.2
Equity ratio	%	**72.8**	73.1
Cash flow from operating activities	mEUR	**111.4**	67.7

10-year Overview		2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Sales	mEUR	**435.0**	391.7	350.1	314.4	343.0	336.6	283.7	246.4	221.8	186.6
EBIT	mEUR	**122.7**	102.2	105.8	90.5	83.1	92.6	80.5	66.9	53.3	42.3
Group earnings	mEUR	**93.3**	78.7	79.8	67.3	61.7	61.2	51.8	42.4	33.8	26.8
Earnings per share	EUR	**8.20**	6.93	7.02	5.92	5.42	5.38	4.55	3.73	2.98	2.36
Cash flow from operating activities	mEUR	**111.4**	67.7	86.9	83.2	71.0	61.1	49.1	32.8	39.2	29.8
Return on invested capital (ROIC)	%	**38.4**	33.2	33.9	35.5	40.7	48.0	49.6	40.4	32.1	28.5
Balance sheet total	mEUR	**326.2**	283.2	305.7	265.7	209.0	187.4	146.6	132.1	146.8	128.0
Equity ratio	%	**72.8**	73.1	75.3	71.4	63.9	66.2	72.2	68.1	70.9	70.8
Number of employees (average)		**1,258**	1,184	1,058	1,031	1,090	965	864	792	742	679
Dividend per share*	EUR	**5.70**	5.50	9.00	3.50	1.00	4.50	3.75	3.00	5.00	1.85

* Payout in the following year, 2012 subject to approval by the General Meeting of Shareholders 2013

Maximum customer benefit due to easy handling, best cooking quality and efficiency

Perfectly designed: The SelfCookingCenter® whitefficiency®

The SelfCookingCenter® whitefficiency® transfers the heat via steam, hot air or a combination of the two. The key unique selling proposition is cooking intelligence, which automatically determines the optimum cooking process, so that the desired result can be achieved with perfect precision every time and without any need for the cooking process to be supervised. The chef is notified as soon as the cooking process has come to an end, leaving him time for the essentials: creativity and the wellbeing of his guests.

Smart cooking: The VarioCookingCenter MULTIFICIENCY®

The VarioCookingCenter MULTIFICIENCY® cooks in liquids or in direct contact with heat. It is up to four times faster than comparable products, with 40% less energy consumption. The cooking intelligence controls the cooking process fully automatically and perfectly matches it to the desired results of the dishes. The chef is notified as soon as he needs to take action himself. Nothing boils over, nothing burns. Anyone, who has experienced the benefits, will never want to go back to cooking without them.

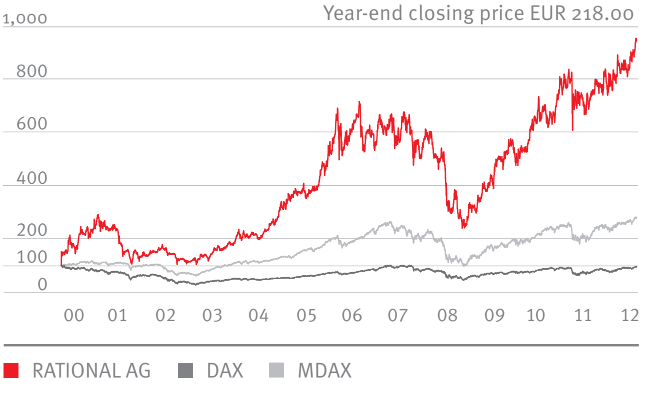
Key figures regarding RATIONAL shares

Key figures 2012/2011		2012	2011
Maximum price [1]	EUR	**221.70**	193.90
Minimum price [1]	EUR	**166.15**	134.65
Year-end closing price [1]	EUR	**218.00**	168.20
Market capitalization [2]	mEUR	**2,478.7**	1.912.4
Dividend yield [3]	%	**2.6**	3.3
Beta factor (one year) as of Dec. 31 [4]		**0.84**	0.38
Sales per share	EUR	**38.26**	34.45
Price-to-sales ratio [2]		**5.7**	4.9
Earnings per share	EUR	**8.20**	6.93
Price-earnings ratio [2]		**26.6**	24.3
Cash flow per share	EUR	**9.80**	5.96
Price-cash flow ratio [2]		**22.2**	28.2

1) German stock market 2) as of balance sheet date 3) in relation to the previous' year closing price 4) in relation to the MDAX-Performance-Index

Performance of the RATIONAL shares since the IPO

Index (issue price 23.00 EUR = 100); in %



RATIONAL shares – basic information

Number of shares [1]	11,370,000
Shareholderstructure [1]	Holding shares 70.8%, Free Float 29.2%
ISIN	DE0007010803
WKN	701 080
Market abbreviation	RAA

1) Status: February 15, 2012

Financial calender 2012

Balance Sheet Press Conference Fiscal Year 2012	Munich	Mar. 20, 2013
DVFA Analyst Meeting	Frankfurt	Mar. 20, 2013
Financial figures Q1/2013	Landsberg	May 8, 2013
General Shareholders Meeting 2013	Augsburg	May 8, 2013
Financial figures Q2/2013	Landsberg	Aug. 7, 2013
Financial figures Q3/2013	Landsberg	Nov. 6, 2013

Executive Board and Supervisory Board

The Executive Board

- Dr. Günter Blaschke, CEO
- Peter Wiedemann, CTO
- Erich Baumgärtner, CFO
- Reinhard Banasch, CSO
- Dr. Peter Stadelmann, CHRO

The Supervisory Board

- Siegfried Meister, Chairman
- Walter Kurtz, Deputy Chairman
- Dr. Hans Maerz, Deputy Chairman

Contact

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Status: March 20, 2013

Key Figures

in mEUR	2012	2011	Change absolute	Change in %
Sales and earnings				
Sales	**435.0**	391.7	+43.3	+11
Sales abroad in %	**86**	85	+1	–
Cost of sales	**173.3**	157.3	+16.0	+10
Sales and service expenses	**105.8**	100.7	+5.1	+5
Research and development expenses	**13.6**	14.9	−1.3	−9
General administration expenses	**18.8**	17.5	+1.3	+8
Earnings before interest and taxes (EBIT)	**122.7**	102.2	+20.5	+20
Group earnings	**93.3**	78.7	+14.6	+18
Return on invested capital (ROIC) in %	**38.4**	33.2	+5.2	–
Balance sheet				
Balance sheet total	**326.2**	283.2	+43.0	+15
Working capital[1]	**69.8**	73.4	−3.6	−5
Equity	**237.4**	206.9	+30.5	+15
Equity ratio in %	**72.8**	73.1	−0.3	–
Cash flow				
Cash flow from operating activities	**111.4**	67.7	+43.7	+65
Investments	**9.4**	5.7	+3.7	+64
Free cash flow[2]	**102.0**	62.0	+40.0	+65
Key figures RATIONAL share				
Earnings per share (in EUR)	**8.20**	6.93	+1.27	+18
Year-end closing price[3] (in EUR)	**218.00**	168.20	+49.80	+30
Market capitalization	**2,478.7**	1,912.4	+566.3	+30
Employees				
Number of employees as of Dec. 31	**1,263**	1,224	+39	+3
Number of employees (average)	**1,258**	1,184	+74	+6
Sales per employee (in kEUR)	**345.8**	330.8	+15.0	+5

[1] Excluding liquid funds
[2] Cash flow from operating activities less investments
[3] German stock market

Experiencing customer benefit

Our aspiration is to offer our customers tailored benefit they can experience at every point in the commercial relationship. Be it when using the equipment each day, in advice before or after purchasing, in the after-sales service or in availing themselves of our extensive range of free services.

In short: »When it comes to service to the customer, we won't let anyone outdo us.«

Contents

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Foreword by the Supervisory Board

Ladies and Gentlemen,

In recent years, the world has become a more unpredictable place, and this is not likely to change in the foreseeable future. One important reason for this is the excessive levels of debt which all major industrialised countries have built up over a long period of time. And it will take many years to overcome this critical situation. The consequence is that we will have to live with considerable risks and uncertainties in regards to future business trends.

Corporate culture as a factor for stability

Against this backdrop, RATIONAL's strength – the clear strategic orientation – is of great significance. This clear orientation is firmly entrenched in our philosophy, which fits onto a single sheet of paper.

The central corporate objective set out there, our self-image as a specialist and our values when dealing with customers and employees are constant factors which even in uncertain times provide the necessary stability. Everyone can rely on them at all times, regardless of the economic situation. RATIONAL's ongoing success stretching back 40 years amply demonstrates that this comprehensive corporate strategy is the right one.

Customer benefit is the only guarantee of long-term success

Our central corporate objective is to offer the greatest possible benefit to people preparing hot food in the professional kitchens around the world. In order to achieve this in the long term, we concentrated from the outset on a clearly delineated target group and on their key task. This consistent focus of our thoughts and actions remains the basic precondition for understanding the wishes and needs of our customers ever better. We are part of their world and so are able to solve their day-to-day problems better than anyone else. The growing customer benefit that flows from this has over the years constantly increased the attractiveness of our products and services.

Our greatest challenge in the coming years

Maximum customer benefit calls for enthusiastic, highly-qualified employees. The greatest challenge for our further long-term success is thus the ability to recruit enough suitable employees worldwide, to further develop them in their strengths as U.i.U.® (Entrepreneur in the Company) and to tie them emotionally to the business.

People in management positions have a key role to play in all of this. Our goal is for them to regard themselves as first among equals, thereby enabling all employees to be on a par and to be free to express their opinions.

Siegfried Meister
Chairman of the Supervisory Board

All managers serve their employees and ideally behave like gardeners. They always create the ideal climate for employees' optimum personal and professional development. The fact that 93% of all employees are not just satisfied, but are proud to work for RATIONAL is evidence of the progress we have made in this direction in recent years. This gives us confidence that we are well prepared for the greatest challenge of the future.

To be able to focus even more closely on pursuing the objective of developing the quality of employees on a sustained and consistent basis, the Supervisory Board has decided to add an human resources function to the Executive Board. I am pleased to report that in Dr. Peter Stadelmann we have found an outstanding individual to fill this role, and I wish him great success in his new position.

At this point I would like to express to all employees my special respect, my heartfelt thanks and my full recognition of the high levels of commitment and good results achieved in 2012.

Siegfried Meister

»As a specialist we have extremely close links with our customers and are part of their world. We are the company of chefs and have own in-depth knowledge in the field of transferring heat to all types of food. This is the precondition for frequent innovations, which sustainably improve our customer’s working environment.«

Letter from the Executive Board

Dear Shareholders, Customers and Business Partners,

The first half of 2012, in particular, was characterised by considerable uncertainties about the stability of the euro. Even the possible collapse of the European Currency Union could no longer be ruled out completely.

Once the European Central Bank had guaranteed to buy up government bonds of crisis-hit countries, on a large scale if necessary, the overall situation stabilised in the second half of the year. This measure simultaneously acted as a stimulus for the entire global economy, which in 2012 returned to growth at a level of 3%, in line with the average figure prior to the crisis. Nonetheless, at minus 0.5% Europe slipped into a mild recession, due almost entirely to the southern European countries of Spain, Italy and Greece. However, because these countries account for a relatively small proportion of our sales, the potential impact on our business is only of minor significance.

11% growth, overproportional rise in earnings, 5.70 euro dividend

In the past fiscal year, we once again succeeded in achieving record sales and earnings. Overall sales in 2012 rose from 392 million euros to 435 million euros. Compared to the previous year this equates to growth of 11%, and after exchange rate adjustments the figure is 9%.

The top rates of growth were achieved in the overseas markets. Because market penetration for combi-steamer technology remains low in the Americas and Asia, the potential for growth in these markets is particularly promising. Our sales share in the Americas is now 17%; the figure for Asia is 14%.

But in Europe too, from where we derive almost two-thirds of our sales, we are creating more and more new opportunities for growth thanks to regular innovations. Here SelfCookingCenter® technology is now replacing the large installed base of old combi-steamers. Even after many years of systematic cultivation of the market, we are growing in Europe year on year and in 2012 we also achieved sales growth of 5%. This continuing positive development is at the same time a representative indicator of the high remaining sales potential in all regions of the world.

Earnings before interest and taxes rose by 20% to 123 million euros, hence disproportionately high in relation to sales growth. This can be attributed partly to slight falls in raw material prices and small positive currency effects, but above all to the improved productivity and efficiency in all corporate processes.

The extraordinarily good sales and earnings figures are improving our sound balance sheet structure even further. The continuing high equity ratio of over 70% combined with very good liquidity underscores the stability and future viability of our business model. This is also confirmed by our shareholders and explains the increase in the value of our company to around 2.5 billion euros on the balance sheet date.

As in the past, we again want our shareholders to benefit appropriately from the fruits of the company's success. The Executive Board and Supervisory Board therefore propose to the General Meeting of Shareholders on May 8, 2013 to distribute a dividend of 5.70 euros per share for fiscal year 2012. Measured against the 2012 year-end price, this equates to a dividend yield of 2.6%.

High levels of customer acceptance worldwide

In 2012, our innovative products (the SelfCookingCenter® whitefficiency®, the CombiMaster® Plus and the VarioCookingCenter MULTIFICIENCY®) set a new standard of performance worldwide. Numerous international awards confirm that we are on the right track with our product strategy.

Thus, once again, we were able to noticeably increase customer benefit and make it even more tangible. In addition to cooking performance, cooking quality and ease of operation, the focus is on optimum resource efficiency, in other words the low consumption of energy, water, raw materials and chemicals. Resource efficiency has meanwhile become a matter of prime importance for our customers when choosing what to buy. Despite considerable increases in quality, functionality and efficiency, we launched the new generation of appliances at the same prices, another significant extra benefit for our customers.

The after-sales "Comprehensive Carefree Package"

It is not just our products and their attractively positioned prices that provide more customer benefit day on day, but above all, our comprehensive, professional after-sales services.

We have a compact, global service partner network for the ideal technical service. In addition, we have created highly-efficient and modern ways of providing our customers with even better support in their everyday work, for example, in the shape of ClubRATIONAL, the Academy RATIONAL and our social media presence.

ClubRATIONAL now has some 40,000 members worldwide. Apart from free customer services, it also provides direct access to software updates. Members, thus, benefit directly from the latest results of RATIONAL's cooking research. The club also enables chefs to provide each other with expert assistance. Around 1,500 RATIONAL recipes, not to mention a host of customers' recipes from all over the world, are available for free to club members to download and use immediately in their kitchen.

At the Academy RATIONAL, customers cook alongside our chefs and learn to use their equipment in ways that enable them to achieve the maximum benefit in their kitchens.

In addition to ClubRATIONAL, we also have an increasing presence on Facebook, Twitter and YouTube as global communication platforms for our customers and partners. We now have around 10,000 fans on Facebook and 1,400 followers on Twitter, as well as more than 100,000 video clicks on YouTube.

Strongest brand in the professional kitchen

Thanks to our unceasing efforts to achieve ever greater customer benefit, the RATIONAL brand has for many years been by far the strongest brand in the professional kitchen. This year too, we lead the list of brand champions, ahead even of very well-known consumer brands such as Knorr or Maggi. From the customer's perspective, our superiority relates in particular to the areas of brand recognition, technology and market leadership, diversity of use, quality, durability, greatest ease of operation and the extensive service offering.

Company quality is employee quality

The essential prerequisite for loyal customers, and thus for future success, is enthusiastic employees who day on day think and act ever better as U.i.U.® (Entrepreneurs in the Company). The U.i.U.® operates as an independent business person. They have a good command of their tasks, enhance their working methods, make decisions and personally take the responsibility for them.

By successfully implementing measures defined by the employees themselves in global U.i.U.® workshops, we have made significant measurable progress in further promoting the U.i.U.® culture specifically among all employees in a targeted way. This has enabled us to achieve the ideal image of the U.i.U.® from our employees' perspective in over 70% of the cases.

In order to enable all managers to even better fulfil their management tasks in terms of the U.i.U.® culture, a tailor-made training programme was developed in the past year and was introduced with great success. We are especially pleased that in 2012 we were able to fill over 80% of all vacant management positions from within our own ranks.

Cautiously optimistic for 2013

Current global economic forecasts indicate a comparable level of growth for 2013 as in 2012. Nevertheless, significant risks still continue to exist for 2013. Against this backdrop, but also with an eye to the very high level of acceptance of our products and the large untapped global market potential, we believe we can continue on our successful course for growth in 2013, in regards to sales and earnings.

We would like to thank all our customers and business partners as well as you, our shareholders, for the cooperation extended to us and the trust placed in us in fiscal year 2012.

Our very special thanks go to our employees. In the past year, their high level of commitment, great passion and extraordinary customer orientation have made a crucial contribution to our overall success.

Dr. Günter Blaschke
Chief Executive Officer of RATIONAL AG

Dr. Günter Blaschke
Chief Executive Officer

Born in 1949, began his professional career in 1978 working as Assistant Manager for Marketing at Procter & Gamble. From 1981 to 1990, he worked in Germany and abroad in various managerial posts at the 3M Group. From 1990 to 1997, he was alternately responsible for sales, marketing production and research at Joh. Vaillant GmbH. In March 1997, he moved to RATIONAL and has been the CEO since September 1999.

Peter Wiedemann
Chief Technical Officer

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

Erich Baumgärtner
Chief Financial Officer

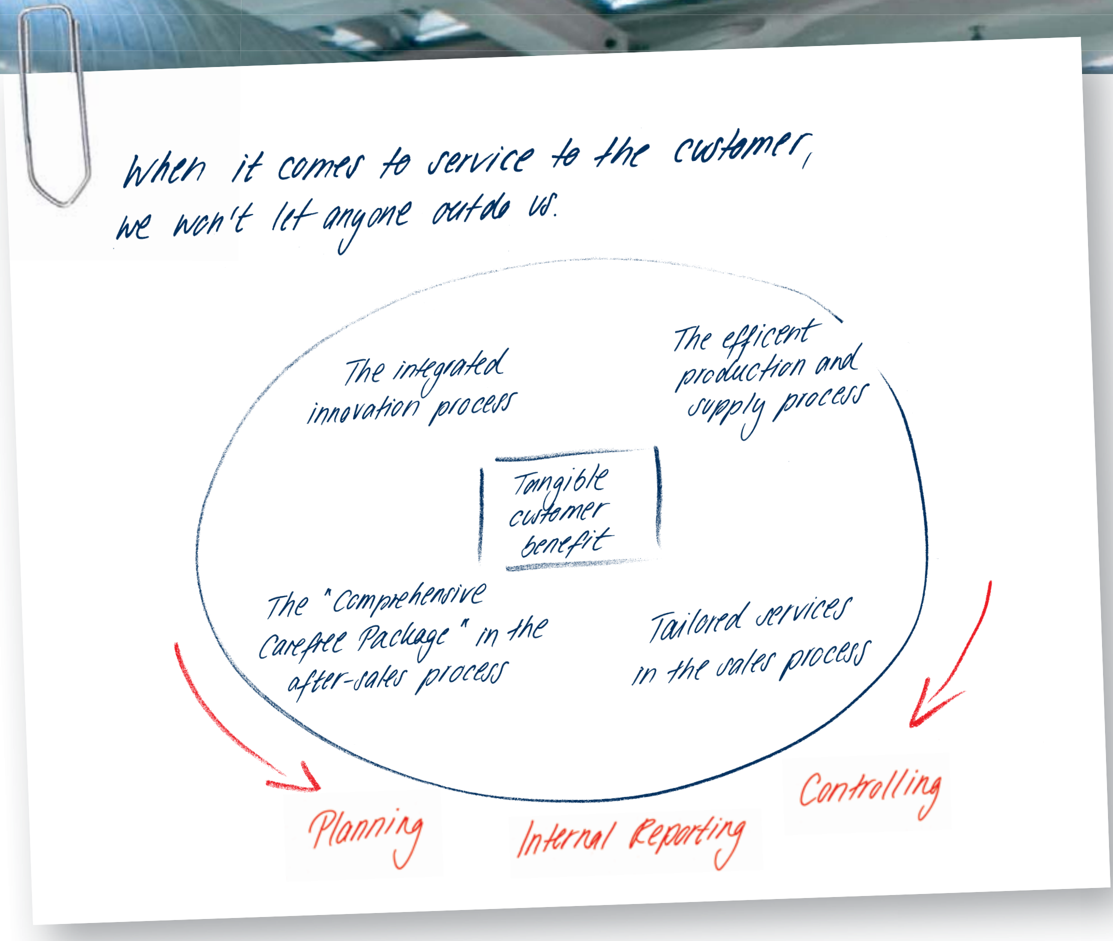
Born in 1954. From 1979 to 1987, he worked in various commercial functions at Messerschmitt-Bölkow-Blohm GmbH. In 1988, he moved to Digital Equipment GmbH, Munich, where, from 1996 on, he was responsible for commercial operations as Managing Director. In October 1998, he came to RATIONAL. Since December 1998, he has been responsible for commercial operations on the Executive Board.

Reinhard Banasch
Chief Sales Officer

Born in 1961, began his professional career in sales at Nixdorf Computer AG. Following this he spent eleven years with Mars Inc. in a variety of international sales and general management functions. From 2002, he was employed at Pilkington as distribution director Europe and regional Managing Director south Europe. On April 1, 2008, he was appointed as the Chief Sales Officer on the Executive Board at RATIONAL.

Dr. Peter Stadelmann
Chief Human Resources Officer

Born in 1965. After his studies and dissertation at St. Gallen University he spent over twenty years in a variety of managerial functions for the Malik Management Center St. Gallen. From 2006 to 2012 he was operational manager for the Malik Group. In December 2012, he joined the Executive Board of RATIONAL AG, with responsibility for HR development and HR management.



Maximum customer benefit thanks to company-wide process organisation

The success story over the past 40 years is the result of the high competence, creativity, quality and efficiency of our employees within the company-wide process organisation. At the same time, this enables us to adapt as flexibly as possible to changing circumstances.

We have relatively little vertical integration. We only do things ourselves if we can do them better or less expensively than anybody else or if our own know-how is critical. Everything else is outsourced to reliable system suppliers of many years of good standing. All the tasks we undertake ourselves are organised not in conventional departments, but as holistic processes along the value chain.

Our company-wide process organisation features holistic, clear and self-contained tasks for which individual employees take full responsibility. Consequently, we utilise and foster all our employees' high levels of knowledge and training in the most efficient way.

We have, therefore, deliberately moved away from an organisation which is based on the division of labour and, hence, is top-heavy in terms of management. Flat hierachies mean that superfluous interfaces have been completely eliminated. As a result, every employee remains focused on the customer as a whole.

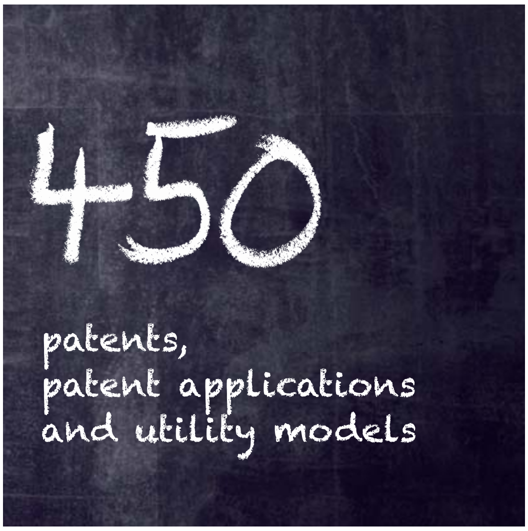
High levels of transparency provide opportunities for people to continuously learn from one another. The end result of this is continuously rising productivity and efficiency. Ongoing improvements in productivity and efficiency cut operating costs, giving us the freedom to cite a long-term attractive pricing policy as another example of the customer benefit we offer. We have dispensed with the general customary price-premium strategy.

RATIONAL understood perfectly to transform our individual requirements and delivered a customized solution for Nando's.

They adopted cooking processes for our fast food items and customized our operational concepts using RATIONAL Technology.

Jeff Bloch, Technical Director
Nando's, South Africa

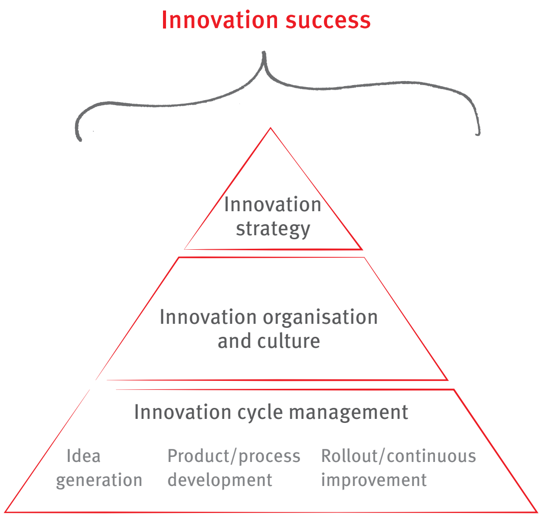
Innovation



Innovations for maximum customer benefit

We see ourselves not as a traditional machine manufacturer, but first and foremost as an inventor of innovative solutions for the customer. The central aim is to continually improve our customers' world of work, and to perform this task better than others.

The "Best Innovator 2012/2013" title once again confirms our company's extraordinary innovativeness in the interests of achieving maximum customer benefit.



Maximum customer benefit thanks to the integrated innovation process

Our research and development process reflects the world of our customers. Our development team includes physicists working on basic research, chefs and food scientists in applied research, and development engineers in traditional product development.

Devoting all our resources to our core skill – the transfer of heat to all kinds of food-results in maximum problem-solving skills, innovative strength and product leadership, and hence, to ever greater customer benefit.

For us, innovation follows a clearly defined, mandatory process. It starts with basic research and already from the design stage onwards involves colleagues, e. g. from applied research, aftersales, marketing and production. The progress of a project is controlled and monitored using clearly defined milestones. Any necessary adjustments are immediately agreed and implemented. High levels of transparency and the consistent inclusion of all parties involved right from the outset (simultaneous engineering) enables us to constantly improve the efficiency of the innovation process.

Our innovation process is “Best in class”, also in international comparison. This was confirmed by a highly respected jury, comprising of experts of renowned corporate consultants A.T. Kearney, the Fraunhofer-Gesellschaft research organisation and “WirtschaftsWoche” magazine. The RATIONAL innovation process was selected as overall winner of the European “Best Innovator 2012/2013” competition.

The main criteria assessed were anchoring of the innovation culture in the company’s organisation, innovation strategy, the long-term nature of innovation management and the resulting success with innovation.

The official award ceremony took place on February 7, 2013 at the German Federal Ministry of Economics and Technology in Berlin.

The FRIMA VarioCookingCenter® exceeded our high expectations. The quality of the food produced is now consistently at the highest level, the heating-up speed is impressive and the intelligent cooking processes help us day after day.

Although the VarioCookingCenter® in our kitchen is in use around the clock, it withstands the high demands – whether it's day or overnight.

Urs Schär
Restaurant Manager SV Group
Clariant AG, Basel, Switzerland

Production

Top quality through "personalized" products

During assembly, one employee assembles one complete appliance – from start to finish. We thus avoid unnecessary interfaces and minimize the potential for errors. At the end of the assembly, the employee guarantees the quality of the appliance by having his or her name on the identification plate.

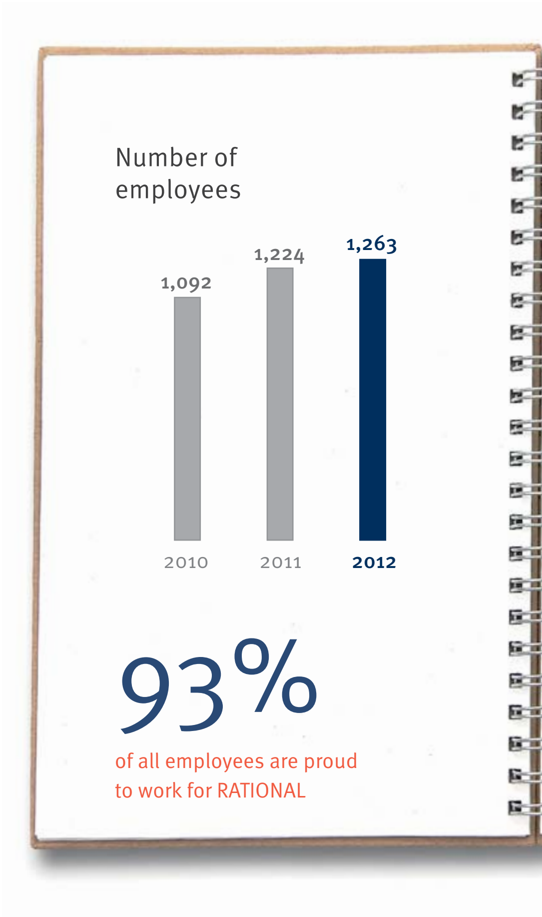
Maximum customer benefit thanks to flexibility, quality and productivity in the production and supply process

We have moved away from traditional assembly line production, which is heavily dependent on the division of labour, to flexible, autonomous production islands. Each employee builds a complete appliance and is individually identified on the nameplate, thereby providing a personal guarantee of high quality.

Production itself is based on customer orders, with lead times of just one to two days. Flexible working times allow employees to use their own initiative to adjust their workload to fluctuations in order intake. Each assembly island bears sole responsibility for planning not just its working times, but all materials, too. All materials are supplied on the kanban system. Minimal stocks, high flexibility, continuously rising productivity and quality are the main benefits of this process organisation.

RATIONAL is nowadays far and away the product leader. We promise our customers the best possible technology and quality at an attractive price at all times. For many years, representative customer surveys have confirmed this. Compared to our competitors, our particular strengths lie in quality, durability, maximum diversity of use and the range of applications of the equipment. Other strengths include continuous operation, ease of use and low susceptibility to failures.

International awards confirm that our production and supply process sets the standard even in cross-sector international comparisons. For example, in the industry prize of “Huber Verlag for new media” we received the accolade of “Best of 2012” in the “Production Engineering and Mechanical Engineering” category for high financial, social, technological and ecological benefits.



At the ceremony for the “Industry Awards 2012”, RATIONAL was named “Best of 2012” in the “Production Engineering & Mechanical Engineering” category.


Expert Kitchens and
RATIONAL Cooking Live
events are very useful.
They help our chefs to
get more out of the technology.
Mo Kaditi, Manager
Kaditi's, London UK

Professional advice at the CookingLive seminar – from chef to chef

Potential customers had the opportunity to learn more at the almost 12,000 CookingLive seminars held in 2012. A total of around 70,000 participants from all over the world were able to test for themselves, while cooking together with our sales staff, how RATIONAL and FRIMA technology relieves them of time-consuming routine tasks to free up time for more creative activities.

Maximum customer benefit thanks to tailored **pre-sales** services

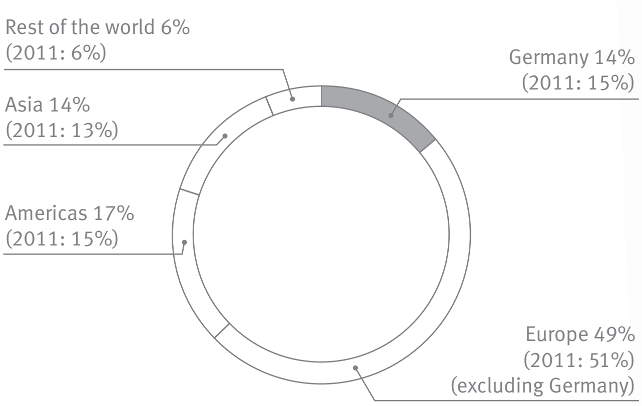
We are the chef's company. And who better to understand our customers than our chefs in the sales process? They speak the same language and are familiar with chefs' concerns, emergencies and day-to-day challenges. They have wide experience in finding tailor-made solutions for each individual customer. Sales staff in the field sees themselves not primarily as salespeople, but as partners and consultants for their customers. They help determine needs and are on hand with advice and assistance at any time, even and especially after the purchase.

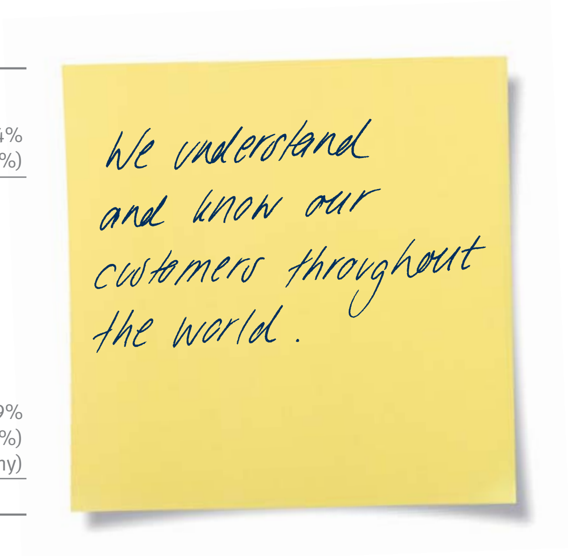
The sales process is precisely tailored to the needs of our target group. We don't just want to provide theoretical advice, we also want our customers to experience the benefits close-up before they purchase. An example of this is our CookingLive events, which we hold within easy reach of customers all over the world. At these, anyone can gain hands-on experience of the numerous benefits of our equipment, without any obligation and free of charge. By cooking together under realistic conditions, they can learn what it means to dispense with time-consuming routine activities, for example, when using RATIONAL technology. Our offering strikes a significant chord worldwide. Last year, about 70,000 people attended our events, and together with our sales staff cooked a huge range of dishes.

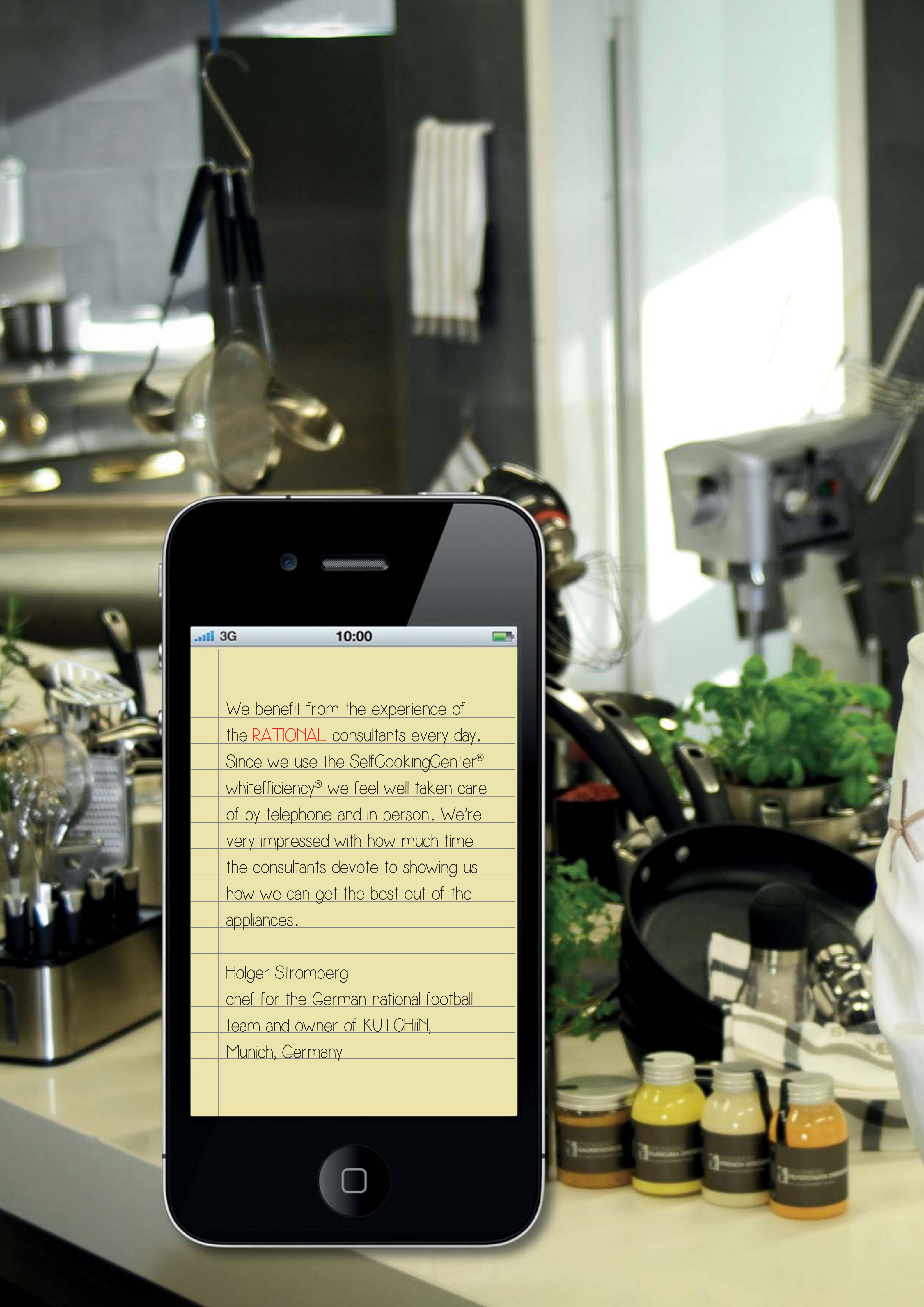
FINDING NEW CUSTOMERS → WINNING CUSTOMERS → BINDING CUSTOMERS

Customer addresses → Potential-ranking → Visit appointment → Visit → CookingLive seminar → Follow-up → Order → After-Sales-Service

Sales by region in 2012






3G
10:00
We benefit from the experience of the RATIONAL consultants every day. Since we use the SelfCookingCenter® whitefficiency® we feel well taken care of by telephone and in person. We're very impressed with how much time the consultants devote to showing us how we can get the best out of the appliances.
Holger Stromberg
chef for the German national football team and owner of KUTCHiiN,
Munich, Germany

Service

Academy RATIONAL

During an intensive one-day seminar, customers learn what an ideal daily routine looks like. The Academy RATIONAL is the perfect platform for deepening existing knowledge. In a relaxed atmosphere, customers learn from our experienced sales staff how to benefit even more from their SelfCookingCenter® whitefficiency®.

Maximum customer benefit thanks to tailored **after-sales** services

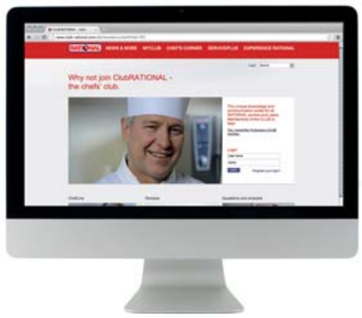
Our ambition is always to exceed our customers' expectations. The promise of offering maximum benefit in every aspect has already turned hundreds of thousands of chefs into enthusiastic users of our technology worldwide. But as we see it, the "Comprehensive Carefree Package" in no way ends with purchase and installation. Instead, our aim is to offer tailor-made services featuring maximum customer benefit throughout the lifecycle of the product.

The first port of call for customers' urgent inquiries is our telephone hotline, available 365 days a year. Here, customers can talk to our chefs and be given help and tips quickly and without fuss. ClubRATIONAL members have access to a wide range of free services, as well as to software updates. This ensures that the progress made in RATIONAL's cooking research benefits all customers immediately, and not simply after they have bought the next generation of equipment.

ClubRATIONAL is also a forum for contacting colleagues, sharing knowledge and experience and enabling chefs to assist one another. As well, in ClubRATIONAL, we present movies that explain the principles and important tricks for cooking with our equipment. An extensive database of recipes and the opportunity to share favourite personal recipes complete the service offering. 40,000 members worldwide have already discovered the advantages of ClubRATIONAL for themselves.

Another way of distributing knowledge is the Academy RATIONAL. Here, after purchasing the equipment, chefs cook their menus alongside RATIONAL chefs and experience at first-hand how to derive maximum benefit in their day-to-day work from the SelfCookingCenter® whitefficiency®. Attendance at the seminars is of course free of charge.

Because of their high quality, our appliances are designed for durability and reliability. Nevertheless, should problems ever occur, we offer an extensive network of qualified service partners to provide rapid assistance. Support ranges from the technical hotline to the weekend emergency service with its guaranteed supply of spare parts at any time. Competence and responsibilit with maximum customer benefit in mind are also paramount here.



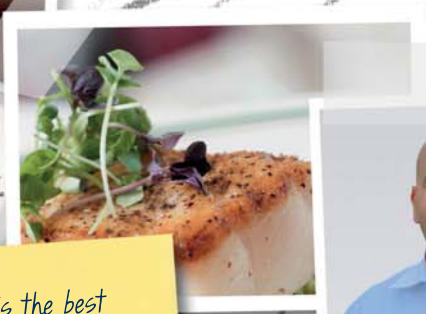
The ClubRATIONAL now has around 40,000 members worldwide.

Find RATIONAL at:

Facebook:
http://facebook.com/RATIONAL.AG

Twitter:
http://twitter.com/RATIONAL_AG

YouTube:
http://youtube.com/user/RATIONALAG



For us, RATIONAL is the best equipment in the market. The SelfCookingCenter® whitefficiency® is easy to use, you press a button, load the food, and it rings when it's done cooking. That's efficiency!

Didier Lailheugue, Executive Chef
InterContinental Buckhead, Atlanta, USA

We only want the best – not only in terms of ingredients, but also in terms of quality of production. RATIONAL is the best, it's the number one.

Mohamed Osman, Managing Director
Fait Maison, London, United Kingdom

RATIONAL is a must-have in our kitchen. It perfectly suits our high-quality demands at the touch of a button.

Matias Martinez, Head Chef
Banyam Tree Macau, China

Thanks to the SelfCookingCenter® we have more time to create new menus and offer our guests new surprises.

Alex Atala, Head Chef
Restaurant DOM, Sao Paolo, Brazil

During the CookingLive seminar I saw all applications which are possible with the SelfCookingCenter® whitefficiency® and I understood that it's the perfect solution for my bakery shop.

Nadia Suryakanth, Owner
CUPnCAKE factory, Gurgaon, India

Maximum customer benefit as a comprehensive promise

Our aspiration is not to let anyone outdo us in “Service to the Customer”. Every contact with RATIONAL must, therefore, be a positive experience for the customer.

We want to offer our customers benefits they can experience permanently at every point in the commercial relationship, be it when using the equipment every day in their kitchens, advice before or after purchasing, the after-sales service provided by our certified service partners or taking advantage from our numerous free services.

We are firmly convinced that greater customer benefit is the only recipe for long-term success.

Thanks to our unceasing efforts to achieve ever greater customer benefit, RATIONAL has for many years had no challengers to the title of strongest brand in the professional kitchen. This year once again, we lead the list of brand champions, ahead even of very well-known consumer brands such as Knorr and Maggi.

The strategy of gearing our whole company to maximum customer benefit has proved correct over the last 40 years. 84% of our customers around the world are “apostles”. They are not simply satisfied, but are so enthusiastic that they would recommend our equipment to others at any time, and of course would not hesitate to buy from us again.

RATIONAL – The company movie
Follow the QR code or the link
www.rational-online.com/en/company
to the RATIONAL company movie.

The new SelfCooking-Center® whitefficiency® is even better than its predecessor. Quality and uniformity are simply unbeatable.

Michael Bissert, Kitchen Manager
Edeka Stenger, Aschaffenburg,
Germany

RATIONAL shares

23%

Average annual return for RATIONAL shareholders since the IPO (incl. dividends)

Compared to the issue price at the time of the IPO in March 2000, RATIONAL shares have now risen more than ninefold in value (+848%). Shareholders of the first hour, therefore, can be delighted about an average annual price appreciation of 19%. Taking into account paid out dividends, this results in an average annual return of 23%.

RATIONAL shares hit a new all-time high

Last fiscal year, continuing uncertainty due to the international debt crisis took a heavy toll on the financial markets. Nevertheless, the overall trend in share markets around the world was very positive. A significant part in this was played by those countries and central banks which helped increase the money supply worldwide through their rescue packages and a loose monetary policy. As a result, the changes in international share indices over the past year have been positive across the board.

RATIONAL shares also performed very satisfactorily in 2012, and on December 21, 2012 reached a new all-time high of 221.70 euros. At the end of 2012, the price stood at 218.00 euros. This equates to a 30% rise compared to the 2011 year-end price (168.20 euros). Together with the dividend paid of 5.50 euros per share, this equates to an overall return of +33% in 2012 for RATIONAL shareholders. Our shares have therefore closely followed the changes in the relevant comparative indices DAX 30 (+29%) and MDAX (+34%). At year-end 2012, RATIONAL AG's market capitalisation stood at around 2.5 billion euros.

Long-term price trend reflects sustainable company development

The significant price increase in RATIONAL shares since the IPO in 2000 is an expression of the Company's long-term, sustainable strategic orientation and its excellent business performance over recent years. At the same time, the traditionally high valuation in relation to the comparative indices – measured by the price-to-earnings ratio – reflects the strong trust that our shareholders place in our Company and its ability to sustain successful growth into the future.

Since the IPO in March 2000, RATIONAL shares have now risen more than ninefold in value (+848%). This corresponds to an average annual price increase of 19%. Furthermore, dividends of 40.05 euros per share have been paid out to shareholders since the time of the IPO. This means that shareholders who invested in the company right from the start are now receiving an overall return of approximately 23% per annum.

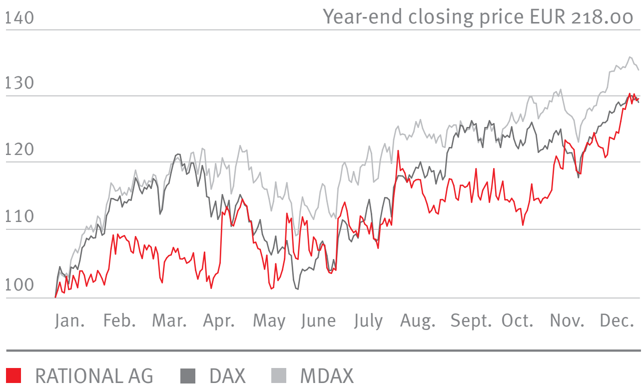
RATIONAL: four years in the MDAX

RATIONAL shares have been listed in the "Prime Standard" since the IPO, and are traded in all German stock exchange centres. Initially listed in the SDAX, the Company has for the last four years been quoted in the MDAX. This year, too, we have continued to hold our ground within the index.

Measured by free-float market capitalisation, within the MDAX RATIONAL shares were ranked 41st at year-end (2011: 40th), and in terms of trading volume achieved 58th place (2011: 53rd). The average daily trading volume across all stock exchange centres was 6,085 shares in 2012 (2011: 9,479 shares). To support the marketability of RATIONAL shares, HSBC Trinkaus & Burkhardt AG acts as the designated sponsor.

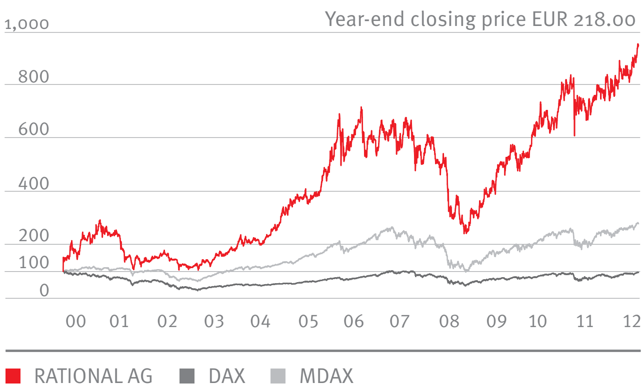
Performance of RATIONAL shares in 2012

Index (December 30, 2011 = 100); in %

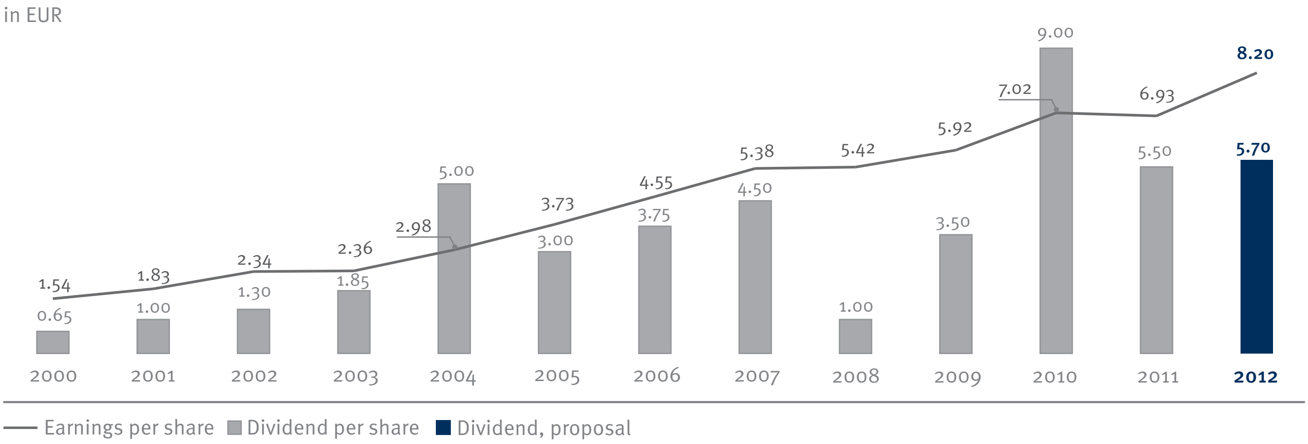


Performance of the RATIONAL shares since the IPO

Index (issue price 23.00 EUR = 100); in %



Earnings/dividends per share since the IPO



Earnings per share well up on previous year

With 8.20 euros profit per share in 2012 we clearly exceeded the previous year's figure of 6.93 euros. This was thanks to good sales growth over the past fiscal year and the high earning power of the company. The number of shares issued is 11,370,000. No dilution effects occurred.

Dividend of 5.70 euros proposed

The Executive Board and Supervisory Board propose to the General Meeting of Shareholders to distribute a dividend of 5.70 euros per share for fiscal year 2012. A total of 64.8 million euros has been set aside for the distribution. The dividend yield (based on the 2012 closing price) is approximately 2.6%.

Key figures of RATIONAL Shares

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Subscribed capital [1] (in mEUR)	**11.37**	11.37	11.37	11.37	11.37	11.37	11.37	11.37	11.37	11.37
Number of shares [1] (in million pieces)	**11.37**	11.37	11.37	11.37	11.37	11.37	11.37	11.37	11.37	11.37
Maximum price [2] (in EUR)	**221.70**	193.90	170.75	118.39	142.80	161.24	167.38	109.89	64.10	44.46
Minimum price [2] (in EUR)	**166.15**	134.65	103.75	54.82	66.68	112.64	98.67	62.39	39.87	22.92
Year-end closing price [2] (in EUR)	**218.00**	168.20	161.89	115.99	82.61	137.54	138.61	109.89	63.28	41.25
Market capitalization [1] (in mEUR)	**2,478.7**	1,912.4	1,840.7	1,318.8	939.3	1,563.8	1,576.0	1,249.4	719.5	469.0
Free float market capitalization [1, 2] (in mEUR)	**722.9**	546.7	524.5	374.8	266.9	445.9	439.0	348.3	199.3	129.9
Average trading volume [2] (in pieces)	**6,085**	9,479	7,994	10,962	18,176	14,425	11,109	6,853	4,234	3,714
Dividend per share [5] (in EUR)	**5.70**	5.50	9.00	3.50	1.00	4.50	3.75	3.00	5.00	1.85
Dividends paid [5] (in mEUR)	**64.8**	62.5	102.3	39.8	11.4	51.2	42.6	34.1	56.9	21.0
Dividend yield [4]	**2.6 %**	3.3 %	5.6 %	3.0 %	1.2 %	3.3 %	2.7 %	2.7 %	7.9 %	4.5 %
Annual performance without dividend	**29.6 %**	3.9 %	39.6 %	40.4 %	−39.9 %	−0.8 %	26.1 %	73.7 %	53.4 %	51.3 %
Annual performance incl. dividend	**32.9 %**	9.5 %	42.6 %	41.6 %	−36.7 %	1.9 %	28.9 %	81.6 %	57.9 %	56.0 %
Beta factor (one year) as of Dec. 31 [3]	**0.84**	0.38	0.67	0.75	0.63	0.77	1.25	0.52	0.21	0.22
Sales per share (in EUR)	**38.26**	34.45	30.79	27.65	30.17	29.60	24.95	21.67	19.51	16.41
Price-to-sales ratio [1]	**5.7**	4.9	5.3	4.2	2.7	4.6	5.6	5.1	3.2	2.5
Earnings per share (in EUR)	**8.20**	6.93	7.02	5.92	5.42	5.38	4.55	3.73	2.98	2.36
Price-earnings ratio [1]	**26.6**	24.3	23.1	19.6	15.2	25.6	30.5	29.5	21.2	17.5
Cash flow per share (in EUR)	**9.80**	5.96	7.64	7.32	6.24	5.37	4.32	2.88	3.45	2.62
Price-cash flow ratio [1]	**22.2**	28.2	21.2	15.9	13.2	25.6	32.1	38.1	18.4	15.7

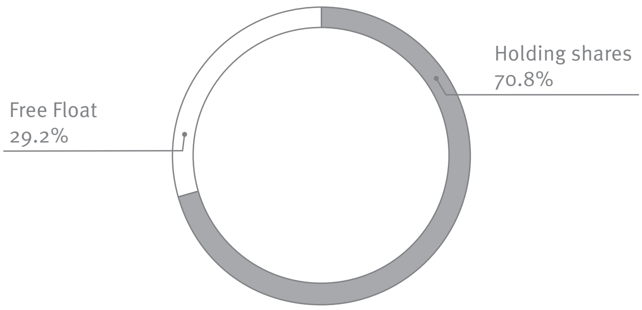
Source: HSBC, Bloomberg, RATIONAL

[1] as of balance sheet date
[2] German stock market
[3] in relation to the MDAX-Performance-Index
[4] in relation to the previous' year closing price
[5] payout in the following year, 2012 subject to approval by the General Meeting of Shareholders

Stable shareholder structure

The major shareholders of the Company, together with their families, held 70.8 % of the share capital on the balance sheet date. Free-float holdings amount to 29.2%. There are no outstanding stock option schemes or convertible bonds that could dilute the shareholding.

Shareholder structure

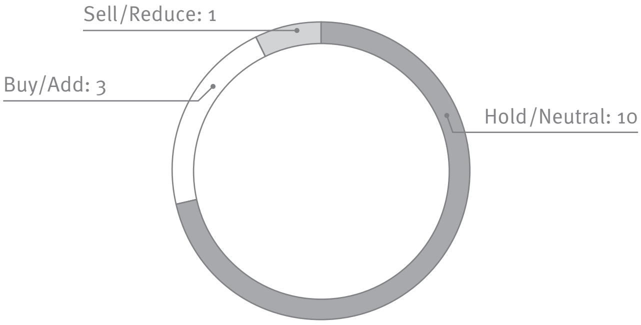


Status: December 31, 2012

Current analysts' ratings on the RATIONAL corporate website

At present, 14 institutes publish detailed analyses on RATIONAL AG. All share analysts are convinced of the Company's high quality and exceptional earning power. Most analysts recommend holding the shares.

Analysts' ratings



Status: December 31, 2012

Interested investors can find the latest ratings and investment recommendations under Investor Relations/Analysts' Ratings at *www.rational-online.com*

Capital market communication

The demand for information on the capital markets is especially high in times of stock market turbulence. In response to this demand and in line with our philosophy, we have committed ourselves to making financial information available openly and transparently at all times to both professional investors and private shareholders.

In 2012, management spent 25 days at roadshows and capital market conferences, both in Germany and abroad. On releasing our annual figures, we informed the public at an annual results press conference and an analysts' conference. Our Investor Relations specialists, as well as members of the Executive Board, are available at all times to answer questions from both professional investors and private shareholders.

RATIONAL share – key figures

ISIN (International Security Identification Number)	DE0007010803
WKN (security identification code)	701 080
Market abbreviation	RAA
Stock exchange centres	Frankfurt, Munich, Stuttgart, Düsseldorf, Berlin, Hamburg/Hanover
Market segment	Regulated Market
Transparency level	Prime Standard
Membership of indices	MDAX, CDAX, Classic All Share, DAX International Mid 100, DAXglobal Sarasin Sustainability Germany Index, DAXplus Export Strategy, DAXPLUS FAMILY 30, DAXPLUS FAMILY, DAXsector All Industrial, DAXsector Industrial, DAXsubsector All Industrial Products & Services, DAXsubsector Industrial Products & Services, MIDCAP MKT, Prime All Share (Deutsche Börse), BayX30 (Munich Stock Exchange)
End of fiscal year	December 31
Accounting principles	IFRS
Flotation	March 3, 2000
Designated Sponsor	HSBC Trinkaus & Burkhardt AG

Corporate Governance Report

Declaration of compliance

A new version of the German Corporate Governance Code was approved on May 15, 2012 and published in the Federal Gazette on June 15, 2012. RATIONAL AG largely complies with the recommendations and suggestions set out in the Code. This has resulted in the submission of the February 2013 declaration of conformity, which is published in the 2012 Annual Report and under Investor Relations on the RATIONAL website *www.rational-online.com*

Shareholders and General Meeting of Shareholders

About 500 shareholders, representatives of the press and guests attended the General Meeting of Shareholders in Augsburg on May 16, 2012. An imputed 88.14% of the share capital was represented. All resolutions on the agenda were approved by the General Meeting of Shareholders with a large majority.

Cooperation between Executive Board and Supervisory Board

A detailed account of the cooperation between Executive Board and Supervisory Board is provided in the Report by the Supervisory Board and in the Declaration on Corporate Governance on RATIONAL's website.

Executive Board

No conflicts of interest occurred in the past fiscal year. The members of the Executive Board, Dr. Günter Blaschke (CEO), Peter Wiedemann (CTO), Erich Baumgärtner (CFO), Reinhard Banasch (CSO) and Dr. Peter Stadelmann (CHRO) do not perform any supervisory board duties in other listed companies.

Supervisory Board

The Supervisory Board of RATIONAL AG continues to comprise three members. With effect from May 15, 2012, Dr. Hans Maerz was appointed by the Supervisory Board as an additional deputy for Supervisory Board Chairman Siegfried Meister in accordance with section 9 (1) of the articles of association. Dr. Maerz has been a member of the Supervisory Board since September 1, 2011. Mr. Walter Kurtz also continues to serve in the role of Deputy Chairman.

Section 8 of the articles of association of RATIONAL AG grants Mr. Meister and Mr. Kurtz a joint right of delegation. In the event that a Supervisory Board member steps down prematurely, Mr. Meister and Mr. Kurtz have the joint right to delegate a member to the Supervisory Board in place of a Supervisory Board member who has stepped down, as long as they remain shareholders of RATIONAL AG.

Supervisory Board members are proposed for election exclusively on the basis of their special skills and qualifications. For this reason, other attributes such as gender or national identity have not been and will not be of any consequence for this decision.

Because it comprises so few members, the Supervisory Board has not formed any committees. Details of the focus of the Supervisory Board's activities and advice in the year under review are given in the Report by the Supervisory Board. According to its own assessment, the Supervisory Board has an appropriate number of independent members who have the necessary knowledge, skills and experience to fulfill their duties. No conflicts of interest occurred in the past fiscal year.

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 decided on by the Supervisory Board. The exercise of option rights is linked to a specified increase in the value of the Company measured against the SMAX Performance Index (replaced as of January 1, 2004 by the SDAX Performance Index). In 2000 and 2004, tranches totalling 69,000 no-par value shares were issued which, on expiry of the relevant waiting periods and time limits for exercising the rights, were likewise settled in cash.

Compliance

Compliance with the law, integrity and responsible behaviour form the basis for security, sound business practices and future success of a business. To ensure compliance throughout the Group with the requirements of the law and with the company's internal guidelines, RATIONAL started in the past fiscal year on setting up a Compliance organisation.

The starting point for Compliance activities in the period under review was the RATIONAL AG "Code of Conduct", which was compiled in the form of RATIONAL rules of conduct in business and was communicated throughout the company. Additionally, the "Code of Conduct" was laid out in more concrete terms in corresponding guidelines for individual corporate processes.

The development of the Compliance organisation is being promoted through the introduction of further elements in 2013.

Accounting and auditing

On May 16, 2012, the General Meeting of Shareholders appointed PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Munich, as auditors of the financial statements and the consolidated financial statements for fiscal year 2012. The audit engagement was awarded by the Supervisory Board. Prior to the proposal being distributed to the General Meeting of Shareholders, the Supervisory Board obtained a declaration from the auditors on their personal and business relationships with the Company.

This did not give rise to any objections. The Supervisory Board agreed with the auditors that the Chairman of the Supervisory Board would be notified immediately about disqualification and reasons for bias during the audit.

The auditors are additionally required to report separately on any major weaknesses detected during the audit in the accounting-related internal control and risk management system.

Dependent company report

The Executive Board issued a dependent company report pursuant to section 312 of the Aktiengesetz (AktG, German Stock Corporation Act). The auditors raised no objections to the dependent company report following the audit. Likewise, the Supervisory Board declared after examining the dependent company report that there are no objections to the declaration by the Executive Board at the end of the dependent company report.

Declaration of Compliance of RATIONAL Aktiengesellschaft

Pursuant to section 161 of the Aktiengesetz (AktG, German Stock Corporation Act), the Executive Board and the Supervisory Board of RATIONAL Aktiengesellschaft, Landsberg am Lech, declare as follows:

Since the submission of the last declaration of compliance in February 2012, RATIONAL Aktiengesellschaft has, with the exceptions set out and justified therein, complied with the recommendations of the old version of the German Corporate Governance Code (the "Code") dated May 26, 2010. The new version of the Code dated May 15, 2012 was published in the Federal Gazette on June 15, 2012. Since June 15, 2012, RATIONAL Aktiengesellschaft has, with the following exceptions, complied with the version of the Code dated May 15, 2012 and is resolved to comply with the recommendations of the Code in future with the exceptions set out below:

Numbers 4.2.4 and 4.2.5 of the Code:

Number 4.2.4: "The total compensation of each one of the members of the Management 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 Management Board member in case of premature or statutory termination of the function of a Management Board member or that have been changed during the financial year. Disclosure is dispensed with if the General Meeting has passed a resolution to this effect by three-quarters majority."

Number 4.2.5: "Disclosure are made in the Notes or the Management Report. A compensation report as part of the Management Report outlines the compensation system for Management Board members in a generally understandable way."
On May 11, 2011, the General Meeting of Shareholders of RATIONAL Aktiengesellschaft has decided to dispense with the publication of individualised figures for Executive Board compensation in accordance with section 286 (5) of the Handelsgesetzbuch (HGB, German Commercial Code). This resolution of the General Meeting was taken for five years. RATIONAL Aktiengesellschaft complies with the other provisions of numbers 4.2.4 and 4.2.5 of this Code in full, and also intends to do so in future.

Number 5.1.2 sentence 2 of the Code:

"When appointing the Management Board, the Supervisory Board shall also respect diversity and, in particular, aim for an appropriate consideration of women."
The Supervisory Board and Executive Board expressly welcome all efforts to counter discrimination on the basis of gender or any other form of discrimination and to promote diversity in an appropriate manner. When appointing Executive Board members, the Supervisory Board focuses exclusively on special skills and qualifications. For this reason, other attributes such as gender or national identity have not been and will not be of any consequence for this decision.

Number 5.3 of the Code (Formation of committees):

The Supervisory Board of RATIONAL Aktiengesellschaft has not formed any committees. Forming committees of the Supervisory Board, such as an audit committee, is not appropriate for RATIONAL Aktiengesellschaft because the Supervisory Board consists of only three members. For this reason, there is no intention to form any Supervisory Board committees in the future.

Numbers 5.4.1 (2) and (3) of the Code:

Number 5.4.1. (2): "The Supervisory Board shall specify concrete objectives regarding its composition which, whilst considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of number 5.4.2, an age limit to be specified for the members of the Supervisory Board and diversity. These concrete objectives shall, in particular, stipulate an appropriate degree of female representation."

Number 5.4.1. (3): "Recommendations by the Supervisory Board to the competent election bodies shall take these objectives into account. The concrete objectives of the Supervisory Board and the status of the implementation shall be published in the Corporate Governance Report."
The composition of the Supervisory Board of RATIONAL Aktiengesellschaft must be guided by the Company's interests and must guarantee that the Executive Board is effectively monitored and advised. The candidates for election to the Supervisory Board will therefore be selected exclusively on the basis of knowledge, skills and experience. Other attributes such as gender or national identity have been and will be of no consequence. Accordingly, the Supervisory Board of RATIONAL Aktiengesellschaft will not set any concrete objectives for the composition of the Supervisory Board in accordance with number 5.4.1 (2) of the Code and will not report on this in the Corporate Governance Report.

No age limit has been set for members of the Supervisory Board. Nominations to the General Meeting of Shareholders are based exclusively on the knowledge, skills and experience of the candidates in question. The intention is to continue to abide by this policy in future in order to safeguard experience and skills for the benefit of the Company.

Landsberg am Lech, February 2013

RATIONAL Aktiengesellschaft

Siegfried Meister
for the Supervisory Board

Dr. Günther Blaschke
for the Executive Board

Report by the Supervisory Board

Dear Shareholders,

In fiscal year 2012, RATIONAL successfully continued on its course of long-term growth. Against the backdrop of the uncertainty prevailing in the global economy in the year under review, the focus was mainly on the stability of the Company.

Dialogue and communication as a basis for advice and monitoring

In 2012, we complied with the duties incumbent on the Supervisory Board by law and under the Articles of Association and the Corporate Governance Code. We regularly advised the Executive Board on the management of the Company and monitored its activities. 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 on market developments, the competitive situation, price developments, and the Company's marketing, sales, and profit trends. In addition, the Supervisory Board and the Chairman of the Supervisory Board took steps to ensure that at all times it was informed by the Executive Board about current developments in the business situation, significant transactions and important decisions. With this aim in mind, the Supervisory Board was in close and regular contact with all members of the Executive Board 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 2012 and in 2013 to date, this in particular entailed decisions relating to technology and product development, the expansion of the sales and marketing organisation, risk management and international HR development.

In-depth work in the Supervisory Board

The Supervisory Board held 13 meetings in 2012. In 2013, one further meeting was held up to the time of the meeting of the Supervisory Board on February 27, 2013, the purpose of which was to adopt the financial statements.
The members of the Supervisory Board also consulted each other in writing and by telephone, and met together at 15 other consultative meetings. Where applicable, the Supervisory Board also passed resolutions outside the ordinary meetings. During the past fiscal year, the Supervisory Board regularly examined and further improved 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.

In fiscal year 2012, the composition of the Supervisory Board of RATIONAL AG fully complied with the German Corporate Governance Code recommendation that the Supervisory Board should include what it considers to be an adequate number of independent members.

No conflicts of interest in respect of individual Supervisory Board members occurred in the 2012 reporting year in connection with consultations, draft resolutions and the audit mandate.

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 of 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:

- appropriation of earnings and proposed dividend
- the structure of the planning process
- business planning for fiscal year 2013
- the strategy for tapping the new markets of India and Mexico
- the key points in product development
- the foundation of RATIONAL Montage GmbH
- the addition of a separate function to the Executive Board responsible for HR and HR Development portfolio

At the Supervisory Board meeting to adopt the financial statements on February 27, 2013, the principal topics included not only the audit and adoption of the annual and consolidated group financial statements but also, in particular, the draft resolutions to be proposed to the 2013 General Meeting of Shareholders.

PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Munich, will be proposed as auditors for the 2013 audit. We also adopted the remaining draft resolutions for the ordinary General Meeting of Shareholders.

Our duties in 2013, and, in particular, at the 2013 meeting to adopt the financial statements, covered not only the audit plus the entire accounting process in RATIONAL AG and the consolidated group, but also the supervision of the internal control system and the effectiveness of the internal audit and the risk management system.

Changes in the Executive Board

A significant factor in our success is the quality of our international workforce. This is why personnel development has such a high priority in our Company. As of December 1, 2012 the Supervisory Board therefore appointed Dr. Peter Stadelmann as an additional member of the Executive Board, responsible for human resources development and management.

Corporate Governance

There was no change in the Supervisory Board of RATIONAL AG in 2012. It still consists of three members. When it met on May 15, 2012 Dr. Maerz was elected as additional Deputy Chairman of the Supervisory Board. Dr. Maerz has been a member of the Supervisory Board since September 1, 2011. Mr. Walter Kurtz also continues to serve in the role of Deputy Chairman.

The Supervisory Board has closely scrutinised the new recommendations contained in the edition of the Corporate Governance Code dated June 15, 2012. Together with the Executive Board, account was rendered for 2012 in the Corporate Governance Report. RATIONAL AG largely complies with the recommendations and suggestions. As a result the declaration of compliance dated February 2013 was issued, following the decision in this respect pursuant to section 161 AktG at the meeting of the Supervisory Board on January 23, 2013. The declaration of compliance is published in the 2012 Annual Report and under Investor Relations on the RATIONAL website *(www.rational-online.com)*.

Audit of the annual financial statements and consolidated financial statements

As proposed by the Supervisory Board and elected by the General Meeting of Shareholders on May 16, 2012, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Munich, audited the financial statements of RATIONAL AG and of the Group for fiscal year 2012. The audit engagement was awarded by the Supervisory Board. Prior to the proposal for election, the Supervisory Board obtained a declaration of independence from the auditors. No reasons were apparent to doubt the independence of the auditors. The auditors were additionally obliged to inform us immediately of any circumstances which could give rise to a lack of impartiality on their part and, where appropriate, to notify us of services which they have performed in addition to the audit. The Supervisory Board reported prior to and during the audit in discussions with the auditor on the latter's approach to the audit and the progress of the audit.

The annual financial statements for the fiscal year from January 1 to December 31, 2012, prepared in accordance with the provisions of the Handelsgesetzbuch (HGB, German Commercial Code), and the Company's management report, which also refers to the Declaration of Corporate Governance on the Company's website, were audited by the auditors and given an unqualified audit 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 (1) of the HGB. In addition, a Group management report was prepared. The auditors audited the consolidated financial statements and the group management report and issued an unqualified audit 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 in good time to all Supervisory Board members for examination. They were the subject of intensive deliberations at the meeting of the Supervisory Board held on February 27, 2013. In particular, the Supervisory Board concerned itself thoroughly with the results of the audit by the auditors.

The auditors attended the deliberations on the annual financial statements of the Company and on the consolidated financial statements. They reported on the results of the audits, in particular on the points on which it was agreed the 2012 audit would focus, and were available to the Supervisory Board for questions and supplementary information. One area on which the auditors' explanations concentrated was the assessment of the accounts-related internal control and risk management system. Both the Executive Board and the auditors answered all our questions comprehensively and to our satisfaction.

The Supervisory Board raises no objections further to its own final results of the deliberations and its own examination. The Supervisory Board approves the findings of the audit. At the meeting on February 27, 2013 the Supervisory Board approved the annual financial statements for RATIONAL AG for December 31, 2012 drawn up by the Executive Board, together with the certified version of the management report for fiscal year 2012 dated February 15, 2013 as well as the consolidated financial statements for December 31, 2012 and the certified version of the Group management report for fiscal year 2012 dated February 15, 2013. The 2012 annual financial statements for RATIONAL AG, including the management report, are thereby adopted in accordance with section 172 sentence 1 of the AktG.

Dependent company report

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

"Based on our statutory audit and our judgement, we confirm that the actual information in the report is correct and the consideration the Company paid for the legal transactions listed in the report was not inappropriately high."

The auditors' report on the dependent company report was available to all members of the Supervisory Board in good time before the meeting to approve the financial statements and was examined by us and discussed in detail with the auditors present. Following its own examination, 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 operating environment, 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.

From RATIONAL AG's net retained profits of 153.8 million euros, a dividend of 5.70 euros per share or a total of 64.8 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. In particular, we want to thank all our employees, who once again in 2012 succeeded in convincing existing and new customers of the benefits and added value of RATIONAL products and services and in making excellent use of the market opportunities that present themselves to us around the world.

Landsberg am Lech, March 7, 2013

Siegfried Meister
Chairman of the Supervisory Board

Management Report of the RATIONAL Group for Fiscal Year 2012

Contents

The charts and tables on pages 41 to 68 are not part of the audited group management report of RATIONAL AG, with the exception of the table on page 49.

Group Management Report

The RATIONAL Group

Global market leader in thermal food preparation

Established in 1973, the Group is today the unchallenged global market and technology leader in thermal food preparation products. We employ around 1,300 people in 28 companies, more than 700 of them in Germany, and market our products in all regions around the globe. The Group's parent company is RATIONAL Aktiengesellschaft (RATIONAL AG), whose registered office is located in Landsberg am Lech, Germany.

Two operating segments

The RATIONAL Group is divided into two operating segments, RATIONAL and FRIMA, each of which is controlled as a company within the company. This organisation is reflected in the internal reporting structures.

RATIONAL

The RATIONAL segment concentrates on products that transfer thermal energy by means of hot air, steam or a combination of the two, generating sales primarily through the marketing of the SelfCookingCenter® whitefficiency® and the CombiMaster® Plus. We manufacture these products exclusively at our headquarters in Landsberg am Lech, and market them worldwide via our own sales companies, sales branches and partners.

FRIMA

The FRIMA segment generates most of its sales through the marketing of the VarioCookingCenter MULTIFICIENCY®, manufactured in Wittenheim (France). This product cooks with direct contact heat or in liquid. Until 2011, the VarioCookingCenter MULTIFICIENCY® was available only in Europe. Since the middle of 2012, we have also been active via partners in overseas markets such as Australia and Korea.

Name an registered office of RATIONAL AG subsidiaries			Operating Segment
Germany			
LechMetall GmbH	Landsberg am Lech	Germany	RATIONAL
RATIONAL Komponenten GmbH	Landsberg am Lech	Germany	RATIONAL
RATIONAL Technical Services GmbH	Landsberg am Lech	Germany	RATIONAL
RATIONAL Dienstleistungsgesellschaft mbH	Landsberg am Lech	Germany	RATIONAL
RATIONAL Montage GmbH	Landsberg am Lech	Germany	RATIONAL
RATIONAL Großküchentechnik GmbH	Landsberg am Lech	Germany	RATIONAL
FRIMA Deutschland GmbH	Frankfurt am Main	Germany	FRIMA
Europe			
RATIONAL UK Ltd.	Luton	United Kingdom	RATIONAL
FRIMA UK Ltd.	London	United Kingdom	FRIMA
FRIMA RATIONAL France SAS	Wittenheim	France	RATIONAL
FRIMA - T SAS	Wittenheim	France	FRIMA
FRIMA France SAS	Wittenheim	France	FRIMA
RATIONAL Italia s.r.l.	Mestre	Italy	RATIONAL
RATIONAL Ibérica Cooking Systems, S.L.	Barcelona	Spain	RATIONAL
RATIONAL Austria GmbH	Salzburg	Austria	RATIONAL
RATIONAL International AG	Balgach	Switzerland	RATIONAL
RATIONAL Schweiz AG	Balgach	Switzerland	RATIONAL
FRIMA International AG	Balgach	Switzerland	FRIMA
RATIONAL Polen Sp. z o.o.	Warsaw	Poland	RATIONAL
RATIONAL Scandinavia AB	Malmö	Sweden	RATIONAL
RATIONAL RUS OOO	Moscow	Russia	RATIONAL
Americas			
RATIONAL USA, Inc.	Schaumburg	USA	RATIONAL
RATIONAL Canada Inc.	Mississauga	Canada	RATIONAL
RATIONAL Mexico S.A. DE C.V.	Mexico City	Mexico	RATIONAL
RATIONAL Brasil Comércio E Distribuição De Sistemas De Cocção Ltda.	São Paulo	Brazil	RATIONAL
Asia			
RATIONAL Japan Co., Ltd.	Tokyo	Japan	RATIONAL
RATIONAL Trading (Shanghai) Co., Ltd.	Shanghai	China	RATIONAL

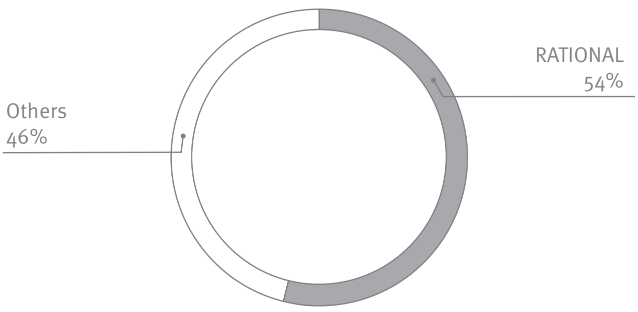
Products and markets

RATIONAL products set global standards
We are the global market and technology leader in innovative solutions for thermal food preparation. Our primary corporate objective is as follows:

"We offer the greatest possible benefit to the people preparing hot food in the professional kitchens around the world."

To ensure that we meet these requirements, we focus all of our resources on our core competence, the transfer of thermal energy to all types of food. This provides us with the best possible basis for maintaining and extending our competitive advantage. The attractiveness of our products and services continues to grow steadily and is ultimately reflected in our constantly increasing sales volume and revenue figures. Numerous national and international awards, and not to forget our global market leadership with a market share of more than 50%, also confirm that the corporate strategy pursued by the Group is both effective and the right way to go.

World market share



Intelligent cooking processes, which deliver perfect results, repeatable at any time, are one of our key unique selling propositions. The integrated intelligent cooking system itself determines the optimum cooking process in accordance with the desired results selected by the chef, for example the cooking level either medium or rare and the degree of browning for a steak. The chef's intended results can then be achieved with perfect precision and without any need for the cooking process to be supervised. The chef is notified as soon as the cooking process is finished or he needs to take action himself. The products are also extremely flexible to use. Intelligent mixed loading allows different foods to be cooked at the same time. This increases the utilisation of the equipment capacity, resulting in even greater efficiency.

Our products are able to deal with practically all cooking processes. They can grill, steam, gratinate, bake, ferment, roast, braise, simmer, stew, poach, blanch, deep-fry, cook at low temperatures and much more. Our equipment, therefore, covers the entire range and diversity of thermal food preparation and sets a new technological standard worldwide. It is able to replace almost all conventional cooking equipment in the professional kitchen.

In addition, our products are easy to clean, freeing staff in professional kitchens worldwide from the unpleasant task of scrubbing off stubborn cooking residues. The SelfCooking-Center® whitefficiency® automatically recognises the cleaning requirement in the cooking cabinet and the degree of calcification in the steam generator. It suggests the cleaning level to be applied and the volume of cleaner and rinse aid to be used. Cleaning is then automatic – overnight, if so required. In the case of the VarioCookingCenter MULTIFICIENCY®, the integrated intelligent cooking system means that there is no burning or adhesion of food. The result is that it can be cleaned very simply with the built-in hand shower and is ready to be used again immediately. This reduces working time, cuts the consumption of energy, cleaner and water, protects the environment and ensures that the products operate reliably at all times.

The SelfCookingCenter® whitefficiency® and the VarioCookingCenter MULTIFICIENCY® relieve chefs of routine tasks. They also open up a wealth of new possibilities and improve the quality of the food produced. All our appliances also offer very short payback periods, too. Thanks to the savings they deliver in terms of raw materials, water, space, staffing and energy, they pay for themselves after just a few months, depending on the number of meals cooked.

The SelfCookingCenter® whitefficiency® and the CombiMaster® Plus are available in gas and electric versions in six different sizes, while the VarioCookingCenter MULTIFICIENCY® comes in three different sizes as an electric model. We can therefore offer any customer group, the right equipment in the right size to match their cooking volume requirement.

To facilitate optimum use of the performance available from all the types of equipment we produce, we also offer our customers a range of intelligent accessories that can make even highly specialised applications possible.

Global customer acceptance

The SelfCookingCenter® whitefficiency® is the new global standard
The RATIONAL combi-steamer is a phenomenal success story. First produced in Landsberg in 1976, it has spread throughout Germany and Europe and is now in use all around the world; in fact, it is difficult to imagine a professional kitchen without it. There are around 100 manufacturers of combi-steamers worldwide, but only a handful of them are major international players. Every second out of the around 800,000 combi-steamers in use around the world today is a RATIONAL, making us the unchallenged global market leader.

The latest generation, the SelfCookingCenter® whitefficiency®, was launched onto the market in September 2011 and has taken just a year to establish itself as the new global standard. Its superior efficiency, ease of use and consistent, high-quality cooking results – all without increased prices – have convinced our customers completely.

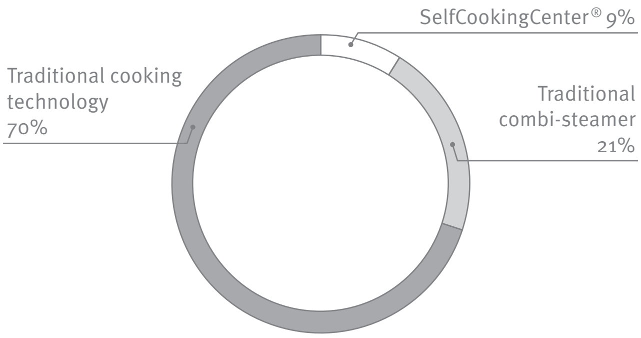
Customers have been equally impressed by the CombiMaster® Plus, our basic model for simple cooking applications, also launched in September 2011.

High acceptance of the FRIMA VarioCookingCenter MULTIFICIENCY®
Users of the FRIMA VarioCookingCenter MULTIFICIENCY®, which until 2011 had been available to purchase only in Europe, are enthusiastic ambassadors for this new, complementary technology. The results of our most recent customer survey in Germany, France and Switzerland bear this out: 96% of users spontaneously declared that they would purchase the VarioCookingCenter MULTIFICIENCY® again at any time, reserving particular praise for the intelligent cooking processes, the multifunctional use, the significantly shorter production times, the overnight cooking option, and the quick and easy cleaning that enables the equipment to be used again immediately.

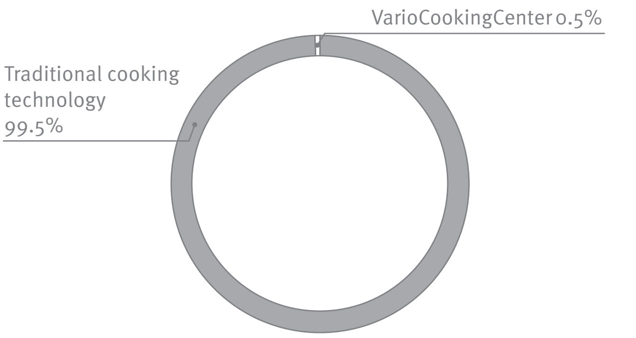
Since the middle of 2012, we have also been offering the VarioCookingCenter MULTIFICIENCY® in certain overseas markets such as Australia. The product already enjoys a good reputation there, this was underlined when it was voted best new kitchen appliance in the Australian market in the prestigious “Fine Food Award Australia 2012”. The “Fine Food Award” recognises the most interesting and innovative new products and sets benchmarks for top performance. A jury of experts from the food and restaurant trade judges products according to criteria such as design, performance, functionality, innovation, effectiveness and sustainability.

Markets and customers
We focus on a clearly defined target group: the people preparing hot food in professional kitchens around the globe. We are not only a company for chefs, but also a company of chefs, with 250 chefs working in sales, application research and consulting. As a consequence, we have first-hand knowledge of what our customers want and need and are therefore in a position to find the best possible solutions to their problems.

Untapped world market potential of the SelfCookingCenter® whitefficiency®: 91%



Untapped world market potential of the VarioCookingCenter MULTIFICIENCY®: almost 100%



Our products are ideal for any organisation that needs to produce around 30 meals a day or more. The global market potential comprises more than 2.5 million professional kitchens, and this number is increasing. Around the world, approximately 30% of all potential customers currently use combi-steamer technology from RATIONAL or competitors; in other words, 70% are still using traditional cooking equipment. The customer base is vast, ranging from fine dining and other restaurants, hotels, catering establishments such as company canteens, hospitals, schools, universities, military facilities, prisons and senior citizens' homes right through to fast-food chains, caterers, supermarkets, butchers' shops and, more recently, bakeries and snack outlets.

We maintain a presence in over 100 countries through our own sales companies and independent distributors, aiming to increase our market penetration constantly in every country.

Our core market is Europe, where we generate around two-thirds of our sales, and it still holds huge untapped potential. New markets in Asia and America, including China, India, Brazil and Mexico, are in these days becoming increasingly important.

Strategy

Our overriding corporate objective is to maximise customer benefit

The objective of everything that our employees think and do is to offer the greatest possible benefit to our customers at all times. This objective is embedded as a guiding principle in the company's mission statement. Every action and decision is scrutinised to ensure that it provides benefits for our customers.

Key financial performance indicators such as growth and profits are not objectives in themselves, but rather the outcome of our established customer benefit strategy. The better the customer benefit is, the better the performance indicators are as a result.

Customer-oriented sales process

We have a very specific sales process, tailored to meet the needs of our customers. We hold product presentations lasting a number of hours (RATIONAL CookingLive and FRIMA CookingLive), in which we work closely with our trade partners to convince users throughout the world of the additional benefits of using our equipment. Specialist dealers, able to provide local proximity to customers around the world, are then responsible for equipment orders, delivery to the customer and the installation.

Minimal vertical integration, maximum value-added

We aim for minimal vertical integration in our manufacturing processes and combine this approach with long-term, reliable partnerships with suppliers. Our objective is to achieve maximum flexibility and excellent quality with optimal costs and a high level of supplier loyalty. We only commit our own resources if the item concerned can be manufactured with better quality or more cost-effectively in-house than by third parties or if a specific element of system expertise is especially important for the future development of our products.

We apply the "One-Piece-Flow" principle in our assembly operations. In other words, one employee assembles one unit and guarantees the quality of this equipment by including their name on the identification plate. This means that the smallest economic lot size in production is one unit. We are therefore in a position to take a flexible approach to manufacturing and assembling equipment to customer order and in accordance with any customer wish with the shortest possible lead times. If required, we can deliver just one day after the order is placed. Because we produce to order, we have no need for the usual warehouse of finished goods or a large number of interfaces along the value chain. This approach, in which one employee is entirely responsible for the complete unit, enables us to make best use of our employees' high level of skills and training, and at the same time boosts employee motivation. A system of personal working time accounts is used to achieve flexible day-to-day adjustments of the necessary production capacity in line with the number of orders to be processed.

Organic growth

There is still a huge untapped potential market worldwide. To enable us to make headway into this market efficiently and steadily on a long-term basis, we are expanding our global sales network step by step, organically and without acquisitions. As well as increasing our penetration of already well-developed markets, we are addressing the growing potential presented by emerging markets.

Planning and controlling

We use a multilevel planning and controlling system to plan, record and analyse all of our global corporate processes and to measure these processes using key performance indicators (KPIs). The results are reported to the respective decision makers and any necessary adjustments or corrective measures are determined promptly and then implemented immediately.

Quality and efficiency constitute our central controlling tools. We regularly measure the quality of all suppliers and service partners using the same benchmarks that we use for measuring internal performance. We guarantee transparency with clearly defined corporate processes and open communication of all our results. We continuously improve the quality of our products and services in collaboration with our suppliers and service partners.

We are committed to improving our company processes continuously and we put this commitment into practice every day. We implemented approximately 3,200 suggested improvements during 2012 alone. This demonstrates the extent to which our employees identify themselves with the exceptionally high standards of quality, productivity and efficiency set by the company.

In addition to the growth in sales and revenue, our other financial KPIs include the operating result, costs per unit, days sales outstanding (DSO), liquidity and the equity ratio.

Innovation delivers competitive edge

The superiority of our technology forms the basis for the financial success of the business. In 2012, in research and development alone, we invested 13.6 million euros (2011: 14.9 million euros) in the further improvement of our product and service efficiency.

Our technology leadership stems from our specialisation, our structured innovation process and the commitment of our highly skilled employees. With more than 80 specialists, our R&D team is one of the largest in the industry. It includes physicists for fundamental research, chefs and nutritionists for applied research and development, as well as engineers in various disciplines. So in research and development, too, we live up to our claim to be the company of chefs.

To focus our innovation process even more closely on providing benefit to the customer, we have modelled it on the basic principles of intelligent house construction. Product architects have overall responsibility for a complete product. As entrepreneurs within the company, they autonomously supervise and coordinate the entire process through to series maturity, and deal with any subsequent complaints. The heads of the competence centres – such as mechanical and thermal engineering or software – are constantly developing new innovative, creative and competition-beating procedures and methods that increase customer benefit, making us more and more attractive to all customers.

Our pioneering innovations, for example relating to intelligent cooking processes, cooking quality, self-explanatory operation and efficient use of resources, are protected by more than 400 patents and patent applications. Our appliances impress our customers with perfect, repeatable cooking results each and every time.

Corporate social responsibility as a fundamental principle

Sustainable economic management forms an integral part of our business and production processes. This helps us to secure the long-term future of our business and enables us, at the same time, to fulfil our corporate social responsibility.

Active environmental protection

Unbeatable resource efficiency of our products

We attach particular importance to treating the environment in a responsible manner and conserving as many resources as possible. Resource efficiency is becoming an increasingly important factor in our customers' investment decisions and was therefore one of our key criteria in the development of the new product generation. This philosophy is reflected in our product names: whitefficiency® and MULTIFICIENCY®.

Our approach is to extract the maximum benefit from every resource used, thereby minimising the impact on the environment. It starts right from product development, with the use of recoverable components, and continues through to environmentally certified production, a system of sales logistics which particularly targets the conservation of resources, and the take-back of old appliances.

In particular, resource efficiency applies to the day-to-day use of our appliances in the kitchen. And it is precisely here that our technology achieves the biggest savings. By sustainably reducing the consumption of raw materials, energy, water and cleaning chemicals, we help our customers to save money while protecting the environment. This applies in comparison to both traditional cooking technology and conventional combi-steamers.

Certified environmental management system

We are a company operating at an international level focused on sustainability. One of our objectives is to ensure that we incorporate environmental considerations into all of our business decisions.

We maintain an environmental management system certified in accordance with ISO 14001. A committee comprising members from quality management, product development and building and fleet management defines, edits and approves the Group's environmental objectives and monitors their compliance.

Objectives that form part of the environmental management system include reducing the consumption of resources, increasing employee awareness of environmental issues, optimising the environment-related performance of all business partners and ensuring the quality of wastewater. In terms of resource consumption, we set for ourselves annual targets for cutting our use of electricity, fuel, gas and water.

In 2012, too, we managed to achieve most of these targets to reduce our resource consumption in proportion to our production volume.

Innovative building technology minimises the consumption of resources

The assembly and shipping facility is equipped with cutting-edge technology, ensuring sustainable production and low consumption of resources. The highest possible level of energy efficiency is achieved by using air-conditioning based on cooler air stored during the night and by minimising artificial light, facilitated by special architectural features in the building and light intensity sensors that automatically adjust the level of lighting.

Very low emissions

Air emissions are reduced by ensuring that the company fleet uses the latest vehicle technologies and by planning itineraries in accordance with actual requirements. Freight and logistics are handled by partner organisations holding ISO 14001 certifications. We make best efforts to use methods of shipment with the lowest possible emissions, including optimum utilisation of shipping capacity and pooling all flows of goods.

Production processes almost wastewater-free

Almost no wastewater is generated by our production processes. Any water that is polluted is cleaned and removed through our own treatment site, which is regularly tested by an independent institute. Continuous tests are conducted to test the quality of wastewater and ensure that it is completely harmless.

Professional recycling

All processes are continuously optimised to ensure that the volume of waste is kept as low as possible and, for any waste that is produced, to ensure that as much of this waste as possible is transferred to recycling systems or used as a source of energy. In addition, the production processes generate low volumes of hazardous materials. These are removed by a specialist waste disposal operator in accordance with the requirements of ISO 14001. An audit is carried out each year to verify that the company is continuing to comply with this standard.

Accolades for sustainability and resource efficiency

Since 2011, we have been a member of “Umweltpakt Bayern”, a voluntary environmental collaboration between politics and economics in the German state of Bavaria. The overarching objective of the participating businesses is to improve environmental, economic and social foundations for current and future generations in Bavaria. The priority is a forward-looking approach focusing on avoiding future environmental damage.

Our outstanding environmental management work has attracted an award from the “Lean and Green” environmental consultancy agency. “Lean and Green” is a consultancy specialising in supporting the manufacturing industry systematically in order to rigorously reduce its energy consumption. Back in 2010, we received the “Lean and Green” award as one of the best industrial enterprises in Europe following a so-called “Green Assessment”. This entitles us to display the “Lean and Green” seal. The professionalism of our environmental management system and the systematic implementation of energy efficiency requirements in all company processes were found to be exemplary and particularly worthy of mention.

Our products, too, have received multiple accolades for their low consumption of energy, water and cleaning agents, including the prestigious “Green Excellence Award 2011” and “Grünes Band 2012” for sustainability in the catering and food service market.

Employees

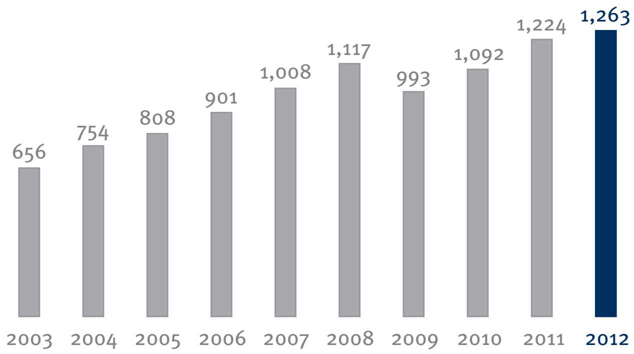
Success factor employees

Satisfied employees help to create satisfied customers, and thereby, secure the long-term success of the company. Without highly qualified and motivated employees, the company would not have been successful in the past, nor would it be successful in the future.

We encourage the development of each employee in accordance with their strengths, delegate a great deal of responsibility and foster self- and co-determination. The result is a high degree of staff retention and satisfaction. According to a survey carried out in 2012, 93% of all employees are proud to work with RATIONAL. A result thereof is the strong feeling of loyalty among our workforce. In 2012, 31 employees were honoured for their long service in the company. Staff turnover is just 5% in Germany and 10% worldwide. In 2012, we were able to fill over 80% of the management positions that became available during the year from within our own ranks.

The total number of employees in the Group rose from 1,224 at December 31, 2011 to 1,263 at December 31, 2012. Of this total, 749 were employed in Germany.

Number of employees



As at December 31

"Entrepreneur in the company" (U.i.U.®) is our future

A key factor in increasing the motivation and autonomy of our employees has been the principle of the "entrepreneur in the company" (U.i.U.®). The U.i.U.® entrepreneurs operate as independent business people within their own area of responsibility. They control and fulfil their tasks, continue to enhance working methods, make the necessary decisions and take responsibility for them. They learn from their mistakes in order to avoid them in future. They are on a par with colleagues and superiors, and put forward their own opinions.

Securing the future through training and young talent development

In the context of the long-term development of the skills and qualifications of all employees, we put great emphasis on training within the company itself. Vocational training is a cornerstone and a key contributing factor in ensuring that the business is fit for the future. Besides traditional vocational training, dual courses of studies are also becoming increasingly important. At the end of 2012, we had 41 employees training as industrial managers, industrial technicians, mechatronics, IT specialists or chefs. In addition, eleven students were on dual courses of studies, combining studies with practical experience in mechatronics, engineering, business informatics and international business.

Moreover, we offer young talent programmes for qualified university graduates in all areas of the company, aimed at preparing young people for the management responsibilities of the future. These employees are deployed in a targeted way in various processes. They assume specific responsibility at an early stage, enabling them to build up a broad base of expertise, identify their strengths and preferences, and develop their personality in a purposeful manner. During this process, they receive close support from the Executive Board and their line managers. On December 31, 2012, we had 31 young talents employed in the various business units around the world.

Reinforcing strengths – the basic principle of human resources development

Our objective is to continue to develop the professional and personal strengths of our employees and provide them with an overall understanding of the entire business. In addition, we promote the creation of internal networks by enabling the participants to learn in groups that are not confined to individual processes.

In the international development programme, potential managers gain a detailed insight into how our business works. Specific topics such as controlling, sales and marketing, production and logistics, quality management, and leadership and personality are key components of the learning content. A particular highlight is the project work between the individual modules in which the participants work in teams on strategic issues, present the results to the Executive Board and later implement them in the business.

Remuneration and employee benefits

The above-average performance of our employees is rewarded by above-average pay. In addition to the payment of a Christmas bonus and holiday allowance, we also offer a number of additional benefits, such as meal and travel allowances. For many years now, we have also given our employees the opportunity to share in the profits of the company on a voluntary basis.

Equality as the norm

All employees enjoy the same level of respect and appreciation and are offered comparable opportunities. They are also called upon to maintain a working environment in which employees respect each other and oppose any form of discrimination. Skills, qualifications and experience are the only factors in deciding appointments or promotions.

Details on the proportion of women in the company are shown in the following table.

	Employees	thereof women
Total staff	1,263	30%
Germany	749	29%
Abroad	514	31%

	Employees	thereof women
Leadership position	190	22%
Germany	83	19%
Abroad	107	24%

As at December 31, 2012

Corporate social responsibility

We support a large number of cultural projects in the region as well as charitable and non-profit organisations, both as a partner and sponsor.

RATIONAL supports the voluntary work carried out by two former senior doctors at Landsberg Hospital, Dr. Soeren Gatz and Dr. Michael Pahl, at the "Hôpital Protestant de Ndoungue" in Cameroon as part of a project run by a Landsberg-based humanitarian aid organisation. The aim is to restore the 200-bed hospital, which is more than 100 years old, so that it can once again provide medical care independently to the impoverished region in south-western Cameroon. RATIONAL's donation has enabled the project to purchase a mobile X-ray unit, which will sustainably improve surgical and endoscopic treatment.

RATIONAL is also involved in provision of support for people with disabilities, focusing particularly on close collaboration with Isar-Würm-Lech gGmbH (IWL) and the Regens-Wagner plant at Holzhausen. Both of these organisations operate workshops for these people and supply various upstream products and services to RATIONAL. IWL employees are also temporarily deployed in the parts dispatch process at RATIONAL.

RATIONAL is a partner of the "United Against Waste" initiative

Germany alone throws away some 11 million tonnes of food every year. The resulting increased demand for food is driving up the prices of basic foodstuffs, causing hunger problems for a large proportion of people in developing countries because they can no longer afford to buy essential food items such as wheat or maize.

To fight food waste actively along the entire value chain of the food service market, Unilever Food Solutions has launched the "United Against Waste" initiative. The aim is to identify the points in the process where waste occurs and find ways to reduce this waste or eliminate it entirely.

At RATIONAL, resource efficiency and sustainability have been key issues since the company was established. Part of the solution is to cut the amount of raw materials used in food preparation by minimising losses during the cooking process. Furthermore, it is almost impossible to operate our equipment incorrectly, and this significantly reduces the reject rate. For this reason, we support the "United against Waste" initiative as an active partner.

RATIONAL supports young people's education

In 2012, we made a donation to "Studienkompass", a scholarship programme available to grammar school pupils from non-academic families from year eleventh grade onwards. It helps the young people make the transition to higher education and continues to support them through to their second term of study. During this time, the "Studienkompass" team – comprising both volunteers and permanent employees – provides the pupils and students with practical workshops and a permanent point of contact.

Economic Report

Global economy continues on course for growth

Last fiscal year, the global economy was characterised by general uncertainty, particularly as a result of the global debt crisis in the established industrialised nations. Despite this, economic output grew in 2012. At 2.9%, global economic growth in 2012 showed a good level but failed to match the 2011 growth rate of 3.8%. (Source: Deutsche Bank, December 2012)

The highest rates of growth were seen in China (+7.7%), India (+4.6%) and Russia (+4.0%), although solid growth rates were also reported in the USA (+2.2%) and in Japan (+1.6%). Europe as a whole, however, slid into a shallow recession, with economic output declining to around 0.5%. This decline was attributable in particular to Italy, Spain, Greece and Portugal. Our domestic market, Germany, on the other hand, reported economic growth of 0.8%.

The movements in exchange rates were also marked by uncertainty. The euro came under intense pressure because of the fears surrounding a possible break-up of the Eurozone. Almost all the foreign currencies relevant to RATIONAL rose against the euro, in some cases very sharply. It was not until halfway through the year, when the first signs emerged of a consensus on the rescue of Greece, that the situation relaxed slightly and the euro exchange rates recovered. Based on average exchange rates over the course of the year, the Chinese yuan (+10%), the US dollar (+8%), the Japanese yen (+7%), the pound sterling (+7%) and the Canadian dollar (+7%) had experienced tangible positive swings compared to the previous year. Only minor movements had been reported in the Swedish krona (+4%), the Swiss franc (+2%), the Russian rouble (+2%) and the Polish zloty (–1%). Only the Brazilian real (–8%) had fallen sharply against the euro compared to the previous year. On balance, the changes in currency markets had a positive overall impact on our sales and earnings situation.

Good sector growth – regional variations

The catering and food service sector lived up to the dynamic growth expectations for 2012, continuing the positive trend of the last two years. Once again, this shows that our focus on a basic human need provides a certain degree of security even in uncertain economic times.

There were nevertheless regional variations, which reflected the development of the economy as a whole. In Asia and America, the catering and food service sector grew successfully, almost untroubled by the international debt crisis. In Europe, on the other hand, development in the sector was very heterogeneous. While markets like Germany, the northern European countries and even the United Kingdom experienced some growth, the situation in southern Europe was much worse.

Legal framework

In the year under review, there were no changes in the legal framework with any material impact on our business.

Significant events in fiscal year 2012

International growth strategy is continued

2012 was another year of successful international growth for us. In particular, our strategy to increase our penetration of the large untapped market potential in Asia and the Americas continued apace, with significantly above-average growth rates. Last fiscal year, in order to promote our technologies even more rapidly in the emerging markets of Central America and India, we founded a subsidiary in Mexico and began the process of establishing one in India. With our own sales force in place at the local level, we will increase our proximity to our customers in these countries, enabling us to convince them of the great benefits and high efficiency of our products and services.

International and local restaurant chains, whether offering fast food or commercial catering, are enjoying increasing importance in all regions around the world. The trend towards healthier and more varied nutrition means that even quick-service restaurants are offering an ever-expanding range of dishes involving challenging cooking processes. For this reason, combi-steamer technology is becoming a more and more popular food preparation choice among this customer group. To tap the large potential of this market segment as efficiently as possible, we have established positions in all parts of the value-added process that serve the needs of this target group and work with the customer to develop tailor-made solutions.

Construction of a new office and training building in Landsberg

Global growth and the expansion of our international sales organisation require us to adapt and extend our infrastructure accordingly. For this reason, we began the construction of a new office and training building in the summer of 2012 at our headquarters in Landsberg am Lech.

Over an area of 450 square metres, we are building four new, state-of-the-art training centres for training and practical cooking applications. Thanks to an automatic partition wall system, the building will also be flexible enough to accommodate major events with up to 200 participants. This project will enable us to meet the training needs of our customers which continue to grow year by year.

New Chief Human Resources Officer

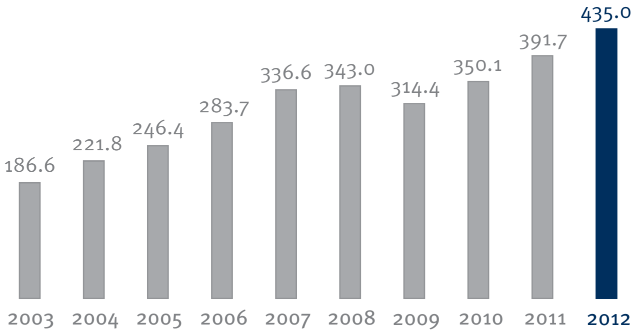
In December 2012, Dr. Peter Stadelmann joined our Executive Board team as Chief Human Resources Officer, assuming overall responsibility for human resources development and management.

International awards in recognition of corporate excellence

In 2012, we once again received numerous international awards, both as a company and for our products. We were recognised for aspects such as resource efficiency, corporate excellence, brand strength, marketing quality and innovation strength. More information on this is available under "Non-financial performance indicators".

Sales development 2003 to 2012

in mEUR



Net assets, financial position and results of operations

Results of operations

The RATIONAL Group can look back on a highly successful fiscal year 2012. Despite widespread economic uncertainty, sales exceeded our forecast growth of 10% and we reported an above-average growth in earnings. With sales of 435 million euros and earnings before interest and taxes (EBIT) of 123 million euros, we set new benchmarks in our company history. All regions around the world contributed to our profitable growth.

Positive order development

RATIONAL generates sales primarily through the marketing of thermal food preparation equipment (SelfCookingCenter® whitefficiency®, CombiMaster® Plus and VarioCookingCenter MULTIFICIENCY®) and downstream sales of accessories, spare parts and cleaning agents. At 77%, unit sales account for the largest proportion of our total sales.

We produce exclusively to customer order. The lead times are, on average, one to two days. We therefore work with relatively low levels of orders on hand, usually with a reach of between two and three weeks. Therefore, there are no noteworthy differences in the development of order intake and sales within one fiscal year.

2012 performance – 11% growth in sales

With total sales of 435.0 million euros (2011: 391.7 million euros), we were able to report year-on-year growth of 11%, outperforming our growth forecast of around 10%. This increase in the overall sales figure is attributable almost entirely to the growth in unit sales compared to the previous year. Average prices remained stable for the most part.

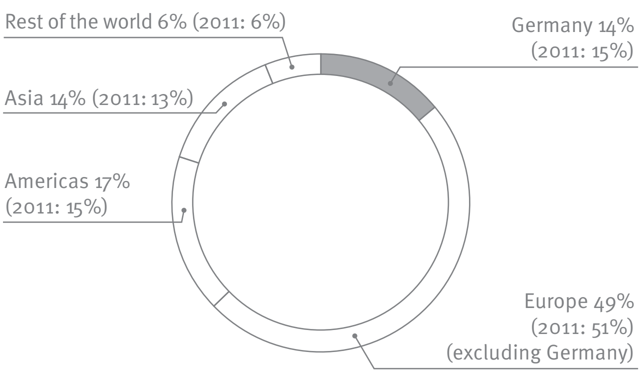
We generate around one third of our sales in foreign currencies. Of these, the most important currencies outside the euro are the pound sterling (10% of sales), the US dollar (9%), the Japanese yen (5%) and the Swedish krona (3%). The weak development of the euro against the foreign currencies of relevance to us had a positive overall effect on our sales growth in the year under review. Currency effects, therefore, account for around 2 percentage points of our growth.

Launched in September 2011, the new SelfCookingCenter® whitefficiency® was a major factor in our positive business performance and has established itself rapidly as the new performance standard for professional kitchens around the world.

The VarioCookingCenter MULTIFICIENCY®, too, is proving a popular choice. Sales of this product grew by 14% compared to the previous year, making a key contribution to the 2012 success story.

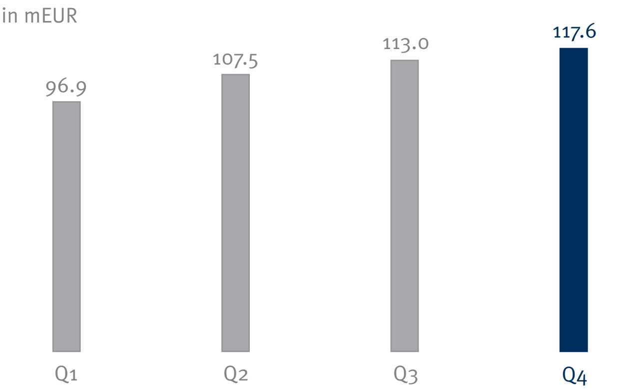
What is particularly encouraging is that growth was generated in all regions around the world. Above-average growth rates were reported especially in the Americas (+27%) and in Asia (+26%). Despite the uncertain economic environment, we also achieved growth of 6% in Europe (excluding Germany). In our largest individual market, Germany, sales were up just 1% on the previous year. The regions that constitute the "Rest of the world" also recovered from a weak first half of the year to perform well during the second half year, once again making a contribution to the Group's growth (+6%).

Sales by region in 2012



We were able to increase our sales in each consecutive quarter. While the first three quarters saw strong year-on-year growth, sales in the fourth quarter remained at the previous year's level. This was due mainly to the base effect resulting from the product changeover in September 2011, which had triggered an unusually sharp increase in sales in the fourth quarter of 2011.

Sales in 2012 (for each quarter)



Gross profit up 12% year on year

Compared to sales growth, we saw a slightly overproportional improvement in our gross profit, which rose by 12% to 261.7 million euros (2011: 234.4 million euros). At 60%, the gross margin remained at the previous year's level (2011: 60%).

Disproportionately small increase in operating expenses

In 2012, the increase in operating expenses for sales and service, research and development and general administration was disproportionately small compared to the growth in sales. One of the main reasons for this was the absence of the previous year's non-recurring expenses in connection with the product changeover. We also cut costs by continuing to improve efficiency in all areas of the company. We incurred total operating expenses of 138.2 million euros, 4% more than in the previous year (2011: 133.1 million euros).

Sales and service expenses rose year on year by 5% to 105.8 million euros (2011: 100.7 million euros). Research and development expenses fell by 9% to 13.6 million euros (2011: 14.9 million euros). General administration expenses rose by 8% from 17.5 million euros to 18.8 million euros.

Cost and earning structure

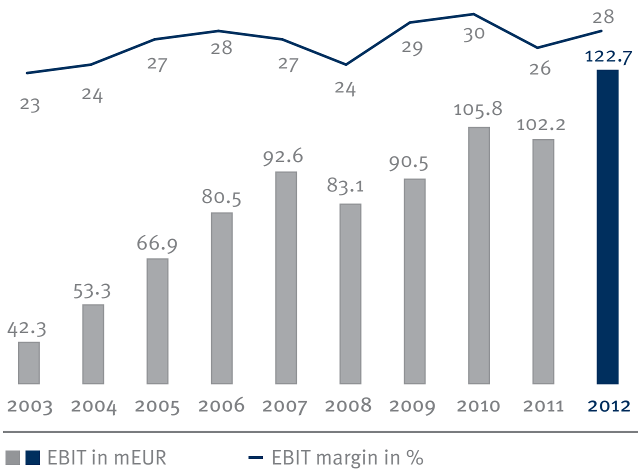
in mEUR	2012	in % of total sales	2011	in % of total sales
Total sales	435.0		391.7	
Cost of sales	173.3	40	157.3	40
Sales & Service	105.8	24	100.7	26
Research & Development	13.6	3	14.9	4
Administration & others	19.6	5	16.6	4
EBIT	122.7	28	102.2	26

28% EBIT margin

At 122.7 million euros (2011: 102.2 million euros), EBIT was 20% up on the previous year. This was attributable in particular to increased efficiency in all areas of the company combined with the significant growth in sales.

Our EBIT margin of 28% (2011: 26%) reflects our extraordinarily high level of earnings power. This strong improvement is due above all to the disproportionately small increase in expenses in comparison to sales growth.

EBIT development and EBIT margin 2003 to 2012



Operating segments

2012

in mEUR	RATIONAL	FRIMA
Segment sales	412.6	25.7
Segment results	+119.4	+3.0
Sales growth	+11%	+14%
EBIT margin	29%	12%

2011

in mEUR	RATIONAL	FRIMA
Segment sales	372.5	22.6
Segment results	+99.7	+2.6
EBIT margin	27%	11%

The tax ratio for the Group in 2012 stood at 24% (2011: 23%) and the absolute tax expense was 29.1 million euros (2011: 23.7 million euros).

Group earnings increased by 18% and, at 93.3 million euros, significantly outperformed the previous year's figure (2011: 78.7 million euros). The net margin was 21% (2011: 20%).

High level of return on invested capital (ROIC)
The return on invested capital (ROIC) again reached a high level. In 2012, the ROIC stood at 38% (2011: 33%), exceeding the assumed cost of capital of 9% by 29 percentage points and, thus, generating an increase of 72.1 million euros in enterprise value. The return on equity stood at 42% (2011: 36%).

Segment report

RATIONAL
In the year under review, the RATIONAL segment increased its sales by 11% to 412.6 million euros (2011: 372.5 million euros). EBIT reached 119.4 million euros (2011: 99.7 million euros), 20% up on the previous year. This resulted in an EBIT margin of 29% (2011: 27%).

FRIMA
The FRIMA segment increased its sales by 14% to 25.7 million euros (2011: 22.6 million euros). This represents above-average growth measured against the Group's business performance in Europe (+6%), where FRIMA generates almost all of its sales. EBIT rose by 19% to 3.0 million euros (2011: 2.6 million euros). At 12%, the EBIT margin remained at the previous year's level (2011: 11%).

Financial position

RATIONAL was able to maintain and even strengthen its solid financial position in 2012. The high liquidity ratio of 51% (2011: 43%) on the balance sheet date underlines our independence from banks and the capital market.

Financial strategy: putting security before return
RATIONAL's financial strategy is to maintain the Group's strong financial position and continue to safeguard its financial independence, minimise risks and ensure that the Group's financial resources are used as effectively as possible. The key components of financial management are the management of capital structure, particularly financial assets and money deposits, currency risk management, receivables management and the management of liquidity for the Group as a whole.

Because we always have sufficient liquidity, we are not dependent on banks and the capital market. This enables us to make rapid entrepreneurial decisions, especially in difficult economic times. We are, therefore, in a position to finance our growth from our own funds and keep liquidity in reserve at all times in case of unexpected developments in the global economy.

When it comes to investing liquid assets, we put capital maintenance before return. For this reason, we invest exclusively in euro-denominated fixed-term and demand deposits with short maturities at top-rated banks.

We distribute high liquidity to our shareholders, subject to resolution by the General Meeting of Shareholders. In recent years, we have on average paid out more than 70% of our net earnings as dividends.

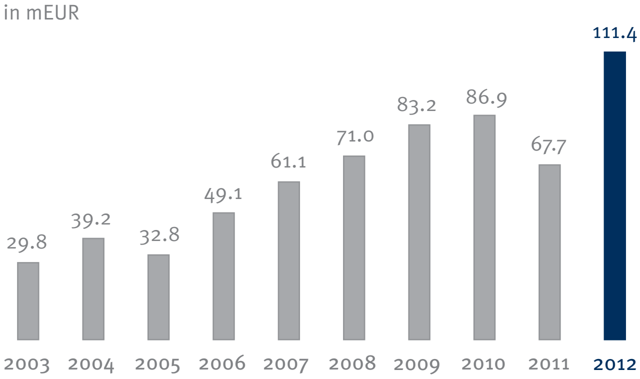
Sharp rise in operating cash flow

Because of the low level of capital intensity of our business model combined with minimal vertical integration and efficient receivables management, we are able to maintain our operating cash flow at a consistently high level.

During the year under review, operating cash flow reached 111.4 million euros, a year on year increase of 43.7 million euros or 65% (2011: 67.7 million euros). This was due primarily to increased earnings (+20.0 million euros), lower income tax payments in 2012 (–7.1 million euros) and the decrease in working capital (–3.6 million euros; 2011: +15.2 million euros).

Operating Cash Flow 2003 to 2012

in mEUR



Free cash flow, comprising cash flow from operating activities less investment in non-current assets (9.4 million euros) reached 102.0 million euros in the year under review (2011: 62.0 million euros), significantly up on the previous year's value.

The cash flow from financing activities reflects the dividends paid out to our shareholders, the cash inflows from borrowings, and the repayments of principal and interest payments in connection with our bank loans. In the year under review, we paid total dividends of 62.5 million euros to our shareholders for the 2011 fiscal year. We borrowed 8.2 million euros for investments in real estate and machinery. In total, the cash flow from financing activities stood at –57 million euros (2011: –106.0 million euros).

The cash flow from investing activities stood at –38.0 million euros; this includes investments in property, plant and equipment and intangible assets. In the year under review, these stood at 9.4 million euros, 3.7 million more than in the previous year (2011: 5.7 million euros). This figure includes expansion investments amounting to 4.9 million euros for the acquisition of a site, the construction of a new office and training building in Landsberg, and the modernisation and expansion of the machinery at our components factory. In the year under review, we also invested approximately 30 million euros in additional deposits with maturities of more than three months.

High level of liquidity

The balance of cash, cash equivalents and deposits rose by 45.6 million euros during the course of the year under review to 166.4 million euros (2011: 120.8 million euros). Liquid funds therefore represented 51% of total assets (2011: 43%).

This figure includes an amount of 2.7 million euros borrowed to finance the new office and training building. This affects liquidity that, based on the building progress, has not yet been used for its intended purpose and is being kept in an account assigned to the lending bank in accordance to the contract.

We also have unused credit lines amounting to 27.5 million euros (2011: 32.0 million euros).

Dividend of 5.70 euros proposed

Although economic stability is forecast for 2013, the uncertainties generated by the international debt crisis continue to prevail. The Supervisory Board and the Executive Board have therefore decided to propose a dividend of 5.70 euros per share to the General Meeting of Shareholders for 2012 (2011: 5.50 euros). This represents a dividend yield of 2.6% based on the closing price on December 31, 2012. The proposed dividend entails distributing a total of 64.8 million euros.

Even after the dividend payment, the liquidity of the company remains at a high level. This means that we are well-equipped to cope with any problems that could still arise as a result of the debt crisis.

Off-balance-sheet financing instruments
RATIONAL does not shift liabilities to special-purpose vehicles. We do, however, make very limited use of operating lease arrangements for technical equipment, company cars and IT systems, and enter into leases for office space. We expect that payments in connection with these leases will amount to 8.5 million euros (2011: 9.9 million euros) over the next five years. Off-balance-sheet financing therefore has no material impact on net assets.

Long-term financing measures
We generally use long-term bank loans to finance investments in property, plant and equipment. Accordingly, the largest single item under non-current liabilities are liabilities to banks, which stand at 22.5 million euros (2011: 17.2 million euros). The loans concerned were used to fund the assembly and shipping building completed in 2008, the new office and training building, 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 not due until 2022.

The funds of 6.9 million euros for new construction have already been drawn on in full and are secured by land charges. The loan of 1.3 million euros to fund the expansion and modernisation of the production facilities at the components factory is not secured.

Net assets

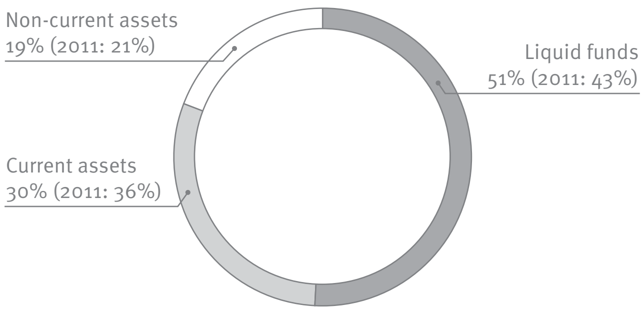
RATIONAL has a very solid balance sheet structure. With an equity ratio of 73% and current (short-term) assets accounting for more than 80% of total assets, this gives us maximum security and flexibility at all times.

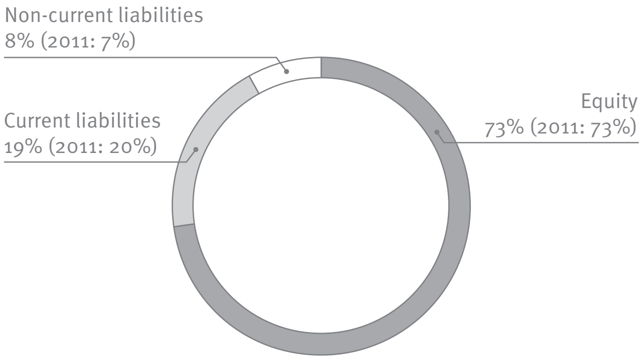
Sound balance sheet structure
On December 31, 2012, total assets had risen by 15% from 283.2 million euros to 326.2 million euros. The principal reason behind this increase was the dividend distribution of 62.5 million euros, which was offset against Group earnings of 93.3 million euros. As a result, equity increased significantly by 15% to 237.4 million euros (2011: 206.9 million euros). At 73%, the equity ratio at the balance sheet date remained at the previous year's level (2011: 73%).

Non-current assets increased by 3.1 million euros in 2012 as a result of the new investments in real estate and machinery. Current (short-term) assets also grew by 39.9 million euros in the year under review, driven above all by the increase in liquidity (+45.6 million euros). The proportion of current assets increased slightly, accounting for 81% of total assets on the balance sheet date (2011: 79%).

We continuously optimise the amount of capital tied up in trade receivables. In 2012, we reduced the average DSO (days sales outstanding) to 49 days (2011: 50 days) and maintained the proportion of overdue receivables at a stable average level of 6% (2011: 6%). No substantial defaults were sustained during 2012. Using a global trade credit insurance program and confirmed, irrevocable letters of credit and bank guarantees, we achieved an average receivables coverage ratio of 86% in 2012 (2011: 84%), taking into account the trade credit insurance deductibles.

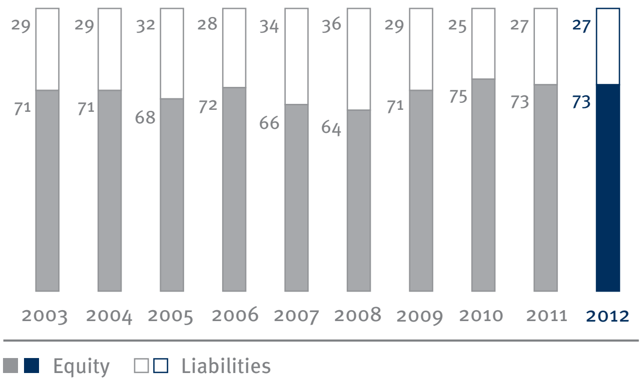
Balance sheet structure 2012





Equity/liabilities

in %



Investment analysis

In the year under review, we continued to invest in the growth of the company. We invested 9.4 million euros in non-current assets in 2012 (2011: 5.7 million euros). This figure includes new investments in real estate and in machinery at the components factory.

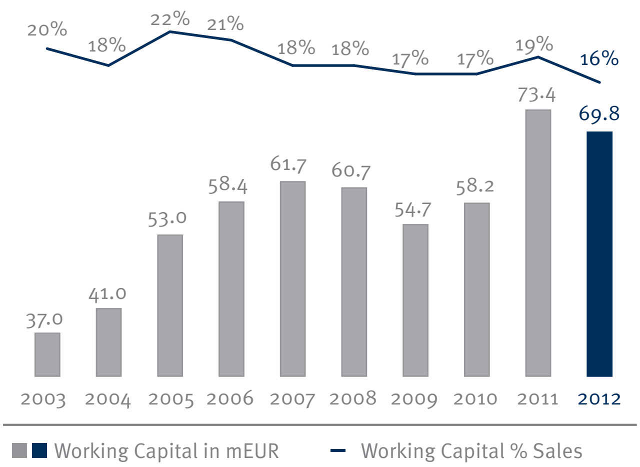
In the year under review, we also continued to invest in the further development of our innovative technologies with a view to safeguarding our product leadership, as well as in expanding our international sales, marketing and service organisation. These investments in the future are recognised directly as research and development expenses (13.6 million euros) and sales and service expenses (105.8 million euros), and are not capitalised.

Working capital

RATIONAL working capital management is highly effective. By managing receivables efficiently, we are able to maintain trade receivables at a consistently low level. Because we manufacture to order and use the kanban system in our production process, we require only minimal amounts of finished goods and work in progress. In settling supplier invoices, we make use of our terms of payment and take full advantage of any cash discounts available.

Working capital fell by 3.6 million euros in the year under review, primarily because of the 5.7 million euro reduction in trade receivables. These had been extraordinarily high on the balance sheet date of the previous year as a result of the new product launch and the following sharp rise in sales in the fourth quarter of 2011. At the end of the year, working capital stood at 69.8 million euros (2011: 73.4 million euros) or 16% of sales (2011: 19%).

Working Capital 2003 to 2012



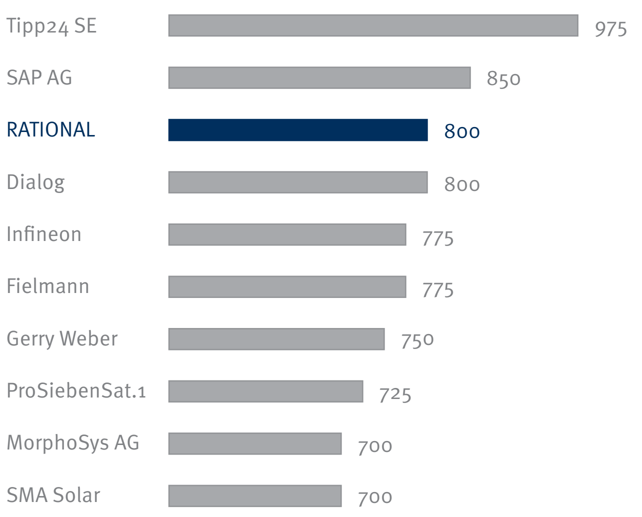
Sustained high level of earnings power and financial stability

RATIONAL has an extraordinarily high level of earnings power

Each year, Germany's business newspaper "Handelsblatt" assesses the companies listed in the DAX, MDAX, SDAX and TecDAX against various financial performance indicators.

We ranked third in the earnings power category, where our score of 800 out of a possible 1,000 points once again secured us a place among the best performers. The assessment criteria are equity ratio, return on investment (ROI), the ratio of cash flow to sales, and the ratio of cash flow to total capital.

Handelsblatt company check 2012 – earnings power



Source: Handelsblatt

High credit rating from banks

Our company is given a very good credit rating of AA to AAA by all lending banks. We have not raised any borrowings from capital markets, so we do not have any external rating from a ratings agency.

Excellent share price performance

Our share price performed in line with the positive performance of the business during the year under review. The share price peaked at 221.70 euros, an all-time high. The closing price was 218.00 euros, 30% higher than in the previous year (2011: 168.20 euros).

Assessment of the economic situation by the Executive Board

Operating conditions for the business remain good in terms of the state of the market, the performance of our products and our general financial position. There is a high level of untapped market potential around the world for our technologically leading products. We are the global market leader by a wide margin and continue to receive top scores for brand awareness, customer satisfaction and repurchase rates.

RATIONAL is also in an excellent position for the future, given its excellent liquidity, ongoing capacity to generate cash, solid earnings performance and significant equity base. In addition, we have proven that we are able to adapt rapidly and in a highly flexible manner to unexpected situations in times of crisis.

Non-financial performance indicators

Continuous improvement of all corporate processes

All employees in the company strive continuously to improve quality as a core task. Our company is organised entirely around processes. These processes are described in detail and are measured both qualitatively and quantitatively by means of appropriate key figures.

Our quality management system is designed to cover all areas of the business. Our strategic quality management process deals with the implementation of our long-term oriented corporate quality philosophy. It aims to ensure the high quality of our products and corporate processes, actively promoting and supporting quality improvements.

We also involve all our suppliers and service partners in regular process audits. In many areas, decisions intended to bring about continuous improvement are based on up-to-the-minute data.

This enables us to keep our promise to offer the customer the best possible technology and quality at an attractive price at all times. Through the holistic responsibility of all our employees for quality, we are in a position to improve our products and services sustainably.

If complaints are, nevertheless, received from customers – from external or internal sources – the problems are analysed on a daily basis within the technical processes, fast and effective solutions are developed as part of our urgent quality improvement system.

Long-term partnership with suppliers

As a company with little vertical integration, the quality, productivity and reliability of our suppliers are particularly crucial to the success of our business. We offer our suppliers a long-term, reliable and trusting partnership and, in return, expect loyalty, quality, commitment, flexibility and innovative strength. Instead of placing our suppliers under more and more pressure to offer lower prices, we apply the extended workbench model and work in cooperation with our key suppliers on joint re-engineering projects to achieve demanded quality, productivity or cost-cutting targets.

In addition to supplier certification, successful cooperation is underpinned by annual partner plans, monthly reporting for the principal key figures and regular audits. The RATIONAL supplier system separately assesses product quality and the quality of cooperation. The best suppliers are presented with awards at the annual suppliers day.

International awards in recognition of corporate excellence

In the last year, we won again numerous international awards for the high quality of the organisation and our products as well as for our marketing efforts.

We see this as confirmation that, from the customer's perspective too, we are getting better and better at meeting our primary business objective: to offer the greatest possible benefit to the customer.

Best Innovator 2012/2013

The RATIONAL innovation process was selected as overall winner of the European "Best Innovator 2012/2013" competition by a highly respected jury, comprising of experts of renowned corporate consultants A.T. Kearney, the Fraunhofer-Gesellschaft research organisation and WirtschaftsWoche magazine.

The main criteria assessed were anchoring of the innovation culture in the company's organisation, innovation strategy, the long-term nature of innovation management and the resulting success with innovation.

Corporate Excellence Award 2012

Around 1,700 European listed companies were analysed by a Swiss consulting company in cooperation with the Universities of Zurich and Eichstätt-Ingolstadt. The results showed that companies with a strong founding family in the background are particularly efficient in their use of resources and capital. RATIONAL won the title of "National Champion" for Germany, and received the "Corporate Excellence Award 2012". In addition to quantitative indicators such as balance sheet, liquidity, cash flow and profitability, the judges' decision was influenced in particular by qualitative criteria such as a transparent and sustainable business model and the stability and continuity of management.

"Best of Market 2012"

At the INTERNORGA international trade show in Hamburg in March 2012, the trade magazines "GVmanager", "24 Stunden Gastlichkeit" and "FIRST CLASS" presented the "Best of Market 2012" readers' award. It is based on the results of a representative survey of market and purchasing behaviour across the 2012 catering and food service market. Out of 400 manufacturers, RATIONAL came top of a poll of more than 2,000 decision-makers from the hotel, restaurant and communal catering trade in the Cooking Technology category. The criteria assessed were the price/performance ratio, product quality and service.

RATIONAL is the brand champion

A company needs a high profile and a positive image of its own corporate brand if it is to succeed in winning new customers, recruiting skilled employees and communicating effectively with shareholders and investors. The brand is therefore the cornerstone of a company's sustainable economic success and its ability to operate effectively in the future. It is associated in particular with a company's product and service quality, customer focus, innovative strength and the competence of the organisation.

From June to August 2012, Biesalski & Company – a management consultancy specialising in brand value – surveyed chefs from restaurants and company canteens across Germany about their knowledge of brands in the professional kitchen. Brands from the kitchen technology, food and non-food subsegments were also included in the analysis. The RATIONAL brand took first place, scoring 117 out of 150 possible points and beating even well-known consumer brands like Maggi, Knorr or Langnese. It came top of the three evaluation categories: brand competence, brand strength and brand success.

Best of 2012: Production Technology and Engineering

We won the title “Best of 2012” in the “Production Technology and Engineering” category of the “Industry Prize 2012” award. Out of more than 500 candidates, RATIONAL was placed in the leading group of companies that impressed the judges with their outstanding economic, social, technological and environmental contribution.

Kitchen Innovations Award 2012 in the USA

For our innovative HiDensityControl® and EfficientLevelControl® and above all for the considerable improvements we have made in terms of quality, productivity, service and sustainability, the North American Restaurant Association (NRA) conferred the Kitchen Innovations™ (KI) Award 2012 on us in May 2012.

“Grünes Band” for sustainability

In February 2012 RATIONAL won the “Grünes Band” for sustainability in the catering and food service market in the Energy category. The “Grünes Band” was awarded at the INTERGASTRA trade fair in Stuttgart for integrated concepts which emphasize ecological aspects as well as business success.

Silver awards for marketing, product and process information

Demonstrating that RATIONAL is also one of the best when it comes to marketing, we won two awards for our SelfCookingCenter® whitefficiency® product movie. In May 2012, we received the intermedia-globe Silver award at the World Media Festival in Hamburg, and at the 25th “Internationale Wirtschaftsfilmtage” (International Festival of Corporate Films) in Vienna we received the “Grand Prix Victoria” in silver for the “Marketing, Product and Process Information” category. In regards to artistic creativity and technical quality, films were judged above all for their credibility and how effectively they addressed the target group.

Intense customer retention activity after purchase

The company uses a variety of approaches aimed at improving customer loyalty and increasing the retention of end-customers after a product has been sold. These include ClubRATIONAL, the Academy RATIONAL and the RATIONAL portal.

Today, ClubRATIONAL already has more than 40,000 members around the globe. In addition to a wide range of free services, members have direct access to software updates for the SelfCookingCenter® whitefficiency® and are therefore able to participate directly in the advances made by RATIONAL cooking research. The club also enables chefs to provide each other with expert assistance, with an extensive recipe database and the opportunity to publish personal recipes completing the service offering, which is free of charge.

The RATIONAL Academy offers customers the opportunity to tap into RATIONAL cooking expertise. By cooking together with our chefs, customers can learn to use their equipment in optimum way and derive the best possible benefit.

The RATIONAL portal is the only web platform of its kind in the industry. We use it to provide dealers, planners, service partners and sales people with a comprehensive range of information and services. Product and service information can be accessed on the portal. It is also possible to order units, accessories, spare parts, merchandising items and print media. Dates of trade fairs and RATIONAL CookingLive events can be viewed at any time. Everything is available on one site, always up to date and can be used intuitively.

Progressive customer service via social media

RATIONAL is also represented on the virtual platforms Facebook and Twitter, where we seek a dialogue with our target group. Facebook and Twitter provide us with a fast, interactive means of communication that enables us to determine our customers’ requirements directly and to respond immediately to them.

As already offered in ClubRATIONAL, users on Facebook and Twitter can access practical tips and help, information about current events, and daily news updates. Both platforms can be used to ask questions and send in ideas and suggestions.

We use the video platform YouTube to offer our customers practical tips and information on various cooking applications or equipment functions, as well as ideas for preparing food. The video format makes it easier for chefs to put the ideas into practice in their own kitchen.

Our customers can use the Expert app to draw on the wealth of knowledge of over 200 RATIONAL chefs. With this app, we are offering new approaches in the way of communicating and sharing our knowledge in an uncomplicated way with the users of our equipment.

In addition to sound, practical tips for specific applications, we offer creative recipe ideas. Users can also register for RATIONAL CookingLive events or join the RATIONAL Academy for free. Anybody wishing to contact RATIONAL directly has the opportunity to do so. The ChefLine and the service team can be contacted by e-mail or telephone.

The positive feedback on these services and the constantly increasing number of users, readers, customer enquiries, online registrations, video clicks, fans and followers show that we are already in the best possible position to meet future requirements. In the TNS Fanpage Award, RATIONAL's Facebook presence was voted one of the best.

Rising profile in financial markets

Our stock market listing and, not least, the inclusion of our shares in the MDAX are helping to raise the profile of the company in the global financial markets. Constructive dialogue with external analysts and investors strengthens trust in our sustainable business model and effective risk management, and reflects the high degree of transparency of our business processes. Information about current developments is published promptly and openly for the benefit of analysts, institutional investors, individual shareholders and the press.

Two-brand strategy

The RATIONAL brand ranks as one of the most recognised in the sector worldwide. Customers identify the brand with market-leading innovation and performance, excellent quality, a wide range of applications and benefits, absolute reliability, durability, best value for money and outstanding ease of operation.

We distribute the VarioCookingCenter MULTIFICIENCY® as a complementary product under the FRIMA brand, and we are making the most of this huge opportunity to establish a further international, innovative brand in the catering and food service industry. The development of a second strong brand will help us to achieve a sustained increase in enterprise value. We believe that a company with two brands, each with one innovative, market-leading product based on cutting-edge technology, is ultimately worth more than one brand with two products.

Remuneration Report

Section 315 (2) no. 4. of the German Commercial Code (HGB) requires public companies listed on a stock exchange to disclose information on the main features of their remuneration system.

Executive Board remuneration at RATIONAL AG is the responsibility of the Supervisory Board, which sets the remuneration payable to Executive Board members on the basis of the company's size and the global nature of its operations, its economic and financial situation and the level and structure of Executive Board remuneration at comparable companies. The Executive Board remuneration system was approved by the General Meeting of Shareholders on April 21, 2010.

The total compensation paid to the Executive Board for the performance of its duties within the parent company and its subsidiaries in fiscal year 2012 was 4.3 million euros (2011: 3.7 million euros). This amount included a performance-related pay component of 1.9 million euros (2011: 2.0 million euros). Payments totalling 0.3 million euros were also made into the pension scheme for Executive Board members (2011: 0.3 million euros).

No stock options were issued in 2012. The General Meeting of Shareholders held on May 11, 2011 decided not to publish an individual breakdown of Executive Board remuneration.

The level of the variable remuneration components is determined both on the basis of business performance and primarily also on the basis of employee satisfaction, the efficiency of the organisation and the extent to which the company has extended its technological leadership and improved its quality.

The total remuneration paid to the Supervisory Board for fiscal year 2012 amounted to 0.6 million euros (2011: 0.6 million euros).

Information required under takeover law pursuant to section 315 (4) of the german commercial code (HGB) and explanatory report

The share capital of RATIONAL AG on December 31, 2012 amounted to 11,370,000 euros divided into 11,370,000 no-par value bearer shares, each of which has a nominal calculated share of the share capital equal to 1.00 euro. 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.

The company's founder, who is also Chairman of the Supervisory Board, held 7,161,411 shares in RATIONAL AG at December 31, 2012 and thus exceeded the threshold of 10% of voting rights.

By resolution of the General Meeting of Shareholders on May 6, 2009, section 8 of the articles of association of RATIONAL AG was changed to include a right of appointment. 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 the 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.

Section 84 of the German Stock Corporation Act (AktG) stipulates that the Supervisory Board is responsible for the appointment and removal of members of the Executive Board. In relation to these powers, section 6 (2) of the articles of association of RATIONAL AG states in more detail 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 section 11 (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 unless a greater majority is required by law. Sections 179 et seq. of the AktG apply accordingly. The Supervisory Board made no amendments to the Articles of Association in 2012.

The most recent amendments to the Articles of Association were made by resolution of the General Meeting of Shareholders on April 21, 2010 and relate to the increasing of the company's authorised capital and adjustments to the rules for the General Meeting of Shareholders, in particular those relating to deposit and registration, required to align the Articles of Association with changes in the applicable legal provisions.

The company does not hold any treasury shares. The company does not currently have authorisation from the General Meeting of Shareholders to repurchase its own shares.

RATIONAL AG has not entered into any material agreements that are subject to the condition of a 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 a change of control, that is to say the assumption of the majority of voting rights in the company by either an individual shareholder or by shareholders acting jointly.

Report on risk and opportunities

Overall assessment of opportunities and risks by the Executive Board

Our business performance is affected by a large number of current social trends and developments around the world. In addition to global population growth, this includes the increasing prosperity in the emerging markets. Awareness of the need to eat healthy and enjoy a varied diet is also becoming increasingly important, which presents an opportunity for the catering industry as a whole, and also particularly for our highly flexible products. Given that there is still yet untapped potential in the global market, that our products are preceding in front in terms of technology and that our market-leading position is unchallenged, the Executive Board believes that the opportunities for maintaining our history of success into the future are very good indeed.

Nonetheless, there are also risks that could jeopardise whether we attain our corporate objectives or not. In addition to tangible, insurable risks, there are risks such as economic trends, political decisions, increasing competition, financial turmoil as well as product and operational risks. Overall, the Executive Board believes that it can control these risks. In other words, these risks do not constitute a threat to the existence of the business as a going concern. Nevertheless, should any one or a combination of these risk factors materialise, the company may fail to achieve its corporate objectives in one or more fiscal years.

Risk report

The risk report explains the principles and organisation of risk management at RATIONAL and presents the current risk situation. Business risk can be defined as the danger of not meeting financial, operational or strategic targets according to plan. Our operations around the world expose us to a variety of risks. In order to meet strategic targets and assure the company's success, it is essential that risks be identified at an early stage, their causes and impact be analysed and suitable corrective measures be introduced to prevent or contain them on a long-term basis.

The RATIONAL risk management system

The RATIONAL risk management system is structured so as to ensure that key risks are systematically identified, evaluated, aggregated, monitored and reported. Its success critically depends on heightening the awareness of risks and opportunities among employees and on fostering a highly developed sense of entrepreneurial responsibility among managers. To maintain the effectiveness of the RATIONAL risk management system at a sustainable and appropriately high level, there are uniform standards that apply throughout the Group. The framework conditions and responsibilities for effective, forward-looking risk management are documented in a corporate guideline, which is binding for all employees. Reflecting RATIONAL's organisational structure, the managers of the individual business units are themselves responsible for the early detection, management and communication of risks. An appropriate system has been set up for reporting risks. There is also an internal requirement for the submission of ad hoc reports to the senior management of the company if managers identify risks with implications that exceed specified reporting thresholds.

Internal and external risks are recorded and assessed for all business units in the company as part of an annual risk analysis. The last risk inventory of this kind was undertaken in the year under review. This exercise did not identify any risks, either individually or in combination, that could represent a threat to the continued existence of the business as a going concern. If the company identifies risks that, if they were to materialise, could impact the achievement of corporate objectives, suitable corrective action is taken.

The RATIONAL risk early detection system allows senior management to identify material risk at an early stage, instigate corrective action and monitor implementation of this action. The risk management system is regularly updated by the internal audit process. In addition, the early risk detection system is audited by the independent auditors to ensure that the system is capable of identifying at an early stage any developments that could constitute a threat to the continued existence of the company as a going concern.

Risks

Political crises and natural disasters

The impact of political instability and natural disasters can put product sales in the affected countries at risk. The international nature of RATIONAL's operations and the fact that we sell our products in all the world's main markets give us the opportunity to compensate for regional difficulties through our activities in other markets.

The potential consequences of political instability could include import restrictions in individual emerging markets, for example, but since the proportion of our sales attributable to these markets is still relatively small, we do not consider this risk to be a threat to the continued existence of the business, and we believe the risk to be moderate.

Risk from competition and other sector risks

There is a risk that new competitors could emerge as a result of mergers within the sector. Besides that, there is a risk that a competitor is able to catch up in terms of technology.

We monitor developments and trends in the sector and the market strategy of our competitors constantly and factor them into our corporate planning. We anticipate the likelihood and any resulting potential losses as low.

Economic risk

The international economic environment in which the company operates is susceptible to cyclical risk. The purchase of RATIONAL appliances represents a significant investment for our customers and is thus subject to a capital investment decision-making process.

We monitor economic developments in our principal markets very carefully to ensure that emerging risks are identified at an early stage and that any corrective measures required are implemented promptly. Thanks to our flexible cost planning and our large liquidity reserve, which gives us adequate room to manoeuvre and the flexibility and independence to take all necessary business decisions, we are well prepared for currently conceivable macroeconomic scenarios.

Our focus on a basic human need and the significant rationalisation effects from our products mean that economic fluctuations and crises have considerably less impact on our business than in the traditional engineering sector, for example. We therefore consider the potential damage that may result in this context to be moderate.

Financial and capital market risk

The proportion of total sales generated in foreign currencies was 35% in 2012 (2011: 34%). We incur most of our cost of sales in euros. This means that changes in exchange rates have a direct impact on the company's earnings, with increases in the value of the euro in relation to other currencies depressing earnings and reductions enhancing earnings. In 2012, exchange rate movements had a positive overall effect on our business performance.

We hedge currency risk using customary instruments such as options and futures and we only enter into such contracts with partners holding first-class ratings. The nature and scope of the company's hedging operations are prescribed by internal guidelines. Hedges are only arranged at the head office by the parent company. Our currency risk management activities can reduce, but cannot entirely eliminate the impact of a medium-term or long-term increase in the value of the euro.

Nevertheless, the risk posed to our operating cash flows by short-term currency fluctuations is reduced by our currency hedges, and we consider this risk to be low.

Market risk and default risk

Bad debt risks on trade receivables can arise as a result of customers not fulfilling their payment obligations. We protect receivables against the risk of default by means of trade credit insurance or bank letters of credit in order to avoid or reduce such risks. On the balance sheet date, 86% of receivables were protected by such arrangements – taking into account the deductibles that apply in the event of a claim – and the risk of significant losses as a result of defaults on receivables has thus been largely eliminated.

Market risks relate to the loss of sales potential as the result of the default of a customer. We generate our sales with several thousand individual customers; most of them operating in the catering and food service sector, so the default of particular customers poses no special threat to our prospects for constant future sales growth. Because our sales and marketing process is focused in particular on end users, the default of a trade customer does not automatically entail a fall in demand from end users.

In the year under review, the proportion of total sales accounted for by the individual customer generating the greatest sales was 2.9% (2011: 3.0%). This customer is a long-standing, exclusive trade partner. Our credit insurer has awarded this partner an impeccable credit rating and we consequently see no reason to fear any interruption to our future business with this customer on grounds of financial instability. Receivables from this customer were fully covered by credit insurance during the reporting period.

Product quality

The quality of the company's products has continued to improve over recent years. The launch of the new product generations during 2011 constituted a further important step in this process. The warranty cost ratio remained unchanged at the very low level of 1.3% (2011: 1.2%) and the customer satisfaction ratings returned by our regular customer surveys confirmed the picture.

We nonetheless remain fully aware of the potential risks associated with quality problems in the products we supply to our customers. Possible consequences of inferior quality include not only damage to property and injury to persons but also damage to RATIONAL's reputation as a prestigious manufacturer of high-quality products.

To mitigate this risk, we subject all equipment to intensive testing before it leaves our factory. In addition to comprehensive tests on every single item of equipment, a random sample of equipment also undergoes additional detailed inspections. This enables us to ensure the absolute reliability of our products and also to identify any possible sources of defects at an early stage. If complaints are, nevertheless, received from customers – or from internal sources – the problems are analysed and immediate solutions sought as part of our urgent quality improvement system within daily technical processes.

Damage to property or injury to persons on the customer's premises is adequately insured by our product liability insurance in place.

We take extreme steps to avoid potential damage to our image, overcompensating for the defect and any resulting damage. We therefore consider this risk to be low.

Infringement of intellectual property rights

We have been the clear leader in our field in terms of products and technology for many years. Innovations are protected by a variety of intellectual property rights including patents and patent applications. Whenever an infringement of an active patent is suspected, appropriate action is initiated and this may go as far as taking the third party to court. Patent proceedings alleging possible patent infringements on our part are investigated by experienced patent attorneys and defended vigorously. Currently, there are no proceedings against us based on alleged infringement of intellectual property rights. We consider this risk to be low.

Legal risk

Due to the ongoing internationalisation of the company, legal risks relating to changes in laws or regulations in one or more countries are gaining more and more importance. A possible consequence thereof is that the importation or sale of our products could be prevented or hampered. Such changes could take the form, for example, of customs duties or safety regulations that are not satisfied by our equipment. Moreover, this relates to compliance risks, i.e. the violation of local laws by our employees.

We are aware of the legal situation in all our key markets and consider the probability that such risk will materialise and that there will be resulting implications for our business to be low.

Human resources risk

Our skilled employees and managers are the cornerstone of the company's success and future prospects, and it is, therefore, extremely important that we are able both to attract new, highly qualified personnel and to retain existing high achievers over the long-term. Significant employee turnover would adversely affect business performance. We have various employee recruitment and retention measures in place. In addition to appropriate remuneration, these include targeted human resources development and promotion schemes as well as opportunities for employees to share directly in the company's profits. We, therefore, consider this risk to be low.

Commodity prices

Manufacturing companies like ours are sensitive to changes in energy and commodity prices because of the way they cause our material and production costs to fluctuate.

The prices of both high-grade stainless steel and nickel, the price of which affects the alloy surcharge on stainless steel, have a direct impact on our production costs. We, thus, monitor the commodities markets closely. We are able to reduce the price risk in respect of high-grade stainless steel by means of corresponding contracts with suppliers, but it is not possible to do this with the alloy surcharge. Changes in the alloy surcharge therefore affect our cost of sales. The proportion of the total cost of sales, however, accounted for by variable commodity costs is minor, and we therefore consider the resulting impact on our earnings to be limited.

Procurement risk

Our procurement strategy includes working in partnership with key suppliers for component and subassembly. Focusing on key suppliers in this way enables us to improve our products and their quality continuously and is also the most effective way to protect our technological lead. It does produce a certain degree of co-dependency, which means that the complete loss of a supplier could lead to short-term interruptions in production. But we are well aware of this risk and keep a particularly sharp eye on business developments of our suppliers and on the production processes of relevance to our own operations. In addition, we resolved to implement various risk reduction measures as a result of the supply chain risk analysis conducted during the year under review. These include subjecting our key suppliers to regular risk assessments and setting up a system for auditing upstream suppliers. We therefore consider the risk associated with this strategy to be low.

IT risk
Risks can arise in particular as a result of the ever-increasing integration of IT systems. Networks can go down, data can be corrupted or destroyed by operating or program errors or as a result of external factors and system failures can cause work to be delayed. We counter information technology risks by investing continuously in hardware and software, by encrypting e-mail and data transfers, by using virus scanners, firewall systems, admission and access controls, and by housing our systems in a specially protected data centre. Many of our systems include backup facilities to ensure that individual failures can be compensated quickly. We therefore consider the resulting risk to be low.

Insurable risks
The main insurable risks to which the company is exposed are covered by a global insurance concept drawn up in conjunction with external insurance brokers. The associated Group insurance policies transfer the risk to the insurer. An insurance deductible may still apply in each case depending on the provisions agreed. Changing risk situations for the Group are examined regularly and insurance cover is adjusted accordingly.

Protection of buildings and plant
We have established our on-site security system at the three plants in Landsberg to help protect our employees, the buildings, our plant and machinery. With 24-hour security provided by our own personnel and a central security control room onsite, we are able to guarantee a high level of security. We consider that the risks for our employees, buildings and plant are low.

Opportunities report
Sustained successful performance of our business in the future will be driven both by external factors and trends and by the strengths and competitive edge of our products and business processes.

Positive external factors and trends

Huge available potential in the global market
Around the world, there are about 2.5 million professional kitchens in which our technology can be installed and this number is increasing. Only around 30% of these kitchens are already using combi-steamer technology. The remaining 70% are still relying on conventional cooking technologies. So far, only 9% of all kitchens have installed a SelfCookingCenter® or SelfCookingCenter® whitefficiency®. The SelfCookingCenter® whitefficiency® replaces both conventional cooking technology and standard combi-steamers, so the potential market still available is 91% of these professional kitchens worldwide.

The same global customer potential exists for the VarioCookingCenter MULTIFICIENCY®. In this case, the product has only been on the market for a few years so market penetration is still relatively low and the available potential is respectively almost 100% of the 2.5 million professional kitchens.

This huge untapped potential still available in the market will allow us – and also our competitors – to continue to grow in the future with sales generated from further market penetration and rising demand for replacement equipment.

Global population growth and rising prosperity
Per capita income in the emerging markets is rising rapidly and, therefore, the prosperity of the growing population tangibly increases, leading to the emergence of a new middle class. This growing prosperity and the higher standard of living means that “eating out” is also taking on an increasingly important role in these emerging economies, with a correspondingly positive impact on demand for our products in these markets.

Trend towards healthier eating and greater variety of food
The importance of healthy, balanced eating has been recognised by both individuals and hot food providers, particularly in the developed industrialised nations. This has given rise to initiatives for healthier food to be offered in public facilities, such as schools and universities. A trend towards healthier and more varied dishes is also apparent in the hospitality industry and, particularly, in the increasingly important system gastronomy practised by large chains. If our products are used to prepare food, vitamins are conserved and fat is reduced, the resulting dishes will therefore be particularly healthy.

Eating out as a basic human requirement
We focus on a basic human requirement, eating away from home. This provides us with a degree of security, even in times of crisis.

Strengths of RATIONAL

Superior products
We enjoy a portfolio of products and services superior to that of our competitors. Both the SelfCookingCenter® whitefficiency® and the VarioCookingCenter MULTIFICIENCY® are market leaders in terms of technology and applications, even though our prices are similar to those of competitors. This adds to the appeal of the products and services for customers who are looking for a multifunctional product offering the best features, exceptional ease of operation and a high degree of flexibility.

Resource efficiency
The efficiency of technologies in the use of resources is becoming an increasingly significant factor in capital spending decisions for professional kitchens. The SelfCookingCenter® whitefficiency® and the VarioCookingCenter MULTIFICIENCY® significantly reduce consumption of energy, water, space, fat, cleaner and the use of raw materials. The time and effort required to supervise cooking and carry out equipment cleaning is also reduced, resulting in considerable savings in working time.

Global market leadership
Our share of the global combi-steamer market is more than 50%. Every second combi-steamer sold around the world is a RATIONAL product. The benefits derived from this strength in the market are many and varied. For example, the company has the world's largest and most professional sales team in this sector and is thus able to communicate the product message efficiently, further enhancing brand and product awareness. We also have enormous innovative capability at our disposal, allowing us to maintain or further extend our technological advantage over competitors.

High level of customer satisfaction
Today, the combi-steamer is considered one of the most important items of equipment in a professional kitchen. We are perceived as a provider of innovative solutions, supplying high-quality and reliable products accompanied by an outstanding level of service quality. More than 80% of our customers are "apostles", which means they are so satisfied that they would buy RATIONAL products again and recommend the products to others.

Successful market development
In developing new markets, we are frequently in the pioneering role. This leads to rapid brand recognition and a substantial advantage over competitors when exploiting available market potential. The efficient and successful development of new markets is a lasting contributing factor in helping us to consolidate and build on our position as the global market leader.

Corporate culture
The principle of the "entrepreneur in the company" (U.i.U.®), which combines a decentralised management structure with high levels of personal responsibility and self-organisation, forms the basis for company-wide collaboration and for the self-image of all employees.

Other aspects of the corporate culture include the concept of continuous learning – based on the motto "Learn from the best" – and the continuous improvement process, as a result of which we identify and eliminate weaknesses in the areas of work covered by each individual employee, helping us to increasingly reduce wasted efforts in the organisation.

Group-wide process organisation ensures that we achieve the highest possible level of efficiency by avoiding unnecessary interfaces between processes. This enhances motivation and increases the extent to which individual employees identify with their comprehensive tasks.

Internal control and risk management system in relation to the accounting process

The main features of the internal control and risk management system in relation to the (Group) accounting process can be summarised as follows:

- The accounting processes in place at the parent company and its subsidiaries are clearly structured in relation to areas of responsibility and management.
- Standardised accounting practice is assured across the Group through constantly updated guidelines that are applied Group-wide.

- The functions of the main units (Finance, Accounting and Controlling) involved in the accounting process are clearly demarcated in respect of the preparation of the closing financial statements and responsibilities are unambiguously assigned.

- The actual bookkeeping process is handled centrally in Landsberg where possible, provided this is permitted under applicable national law. This ensures a high level of quality throughout the Group in relation to the recording and processing of data relevant to accounting.

- Standard software is employed wherever possible for the financial systems used in the Accounting unit. Appropriate security and authorisation concepts are deployed to protect these systems against unauthorised access.

- The units involved in the accounting process are properly equipped to meet requirements. The staff involved have the necessary skills and qualifications and receive further training on a continuous basis. The units involved in the accounting process throughout the Group closely coordinate their activities in regular meetings.

- Accounting-related data is subject to regular random sample checks to ensure the data is complete and accurate.

- All key processes relevant to accounting are subject to the universal principle that transactions must be double-checked by a second person.

- The single-entity annual financial statements of the main Group companies are audited by locally appointed auditors or reviewed by the Group auditor in order to ensure that accounting practice is consistent and complies with the law.

- All of the Group processes relevant to accounting are regularly checked by the Internal Audit function as part of the audit process for subsidiaries. The processes involved at the Landsberg site are also regularly checked.

The internal control and risk management system, the main features of which are described above, ensures that the accounting process is efficient. The controls in place largely eliminate errors and make certain any errors that do occur are detected and corrected. This ensures that accounting practice at the company complies with the applicable statutory regulations. The control and checking mechanisms described above also create a structure through which business transactions can be recorded, reported and evaluated consistently and appropriately throughout the Group, which enables us to make reliable and relevant information available as necessary.

Supplementary Report

No events that are of material importance to the assessment of the net assets, financial position or results of operations of the RATIONAL Group and would be reported here occurred after the balance sheet date, December 31, 2012.

Outlook

Development of international market potential

In 2013, we plan to continue investing in the expansion of our global sales and marketing network so that we are in a position to exploit the available opportunities, especially in the world's emerging markets. However, we also plan to exploit further growth opportunities in regions that have already been developed by increasing our market penetration and replacing older combi-steamers with the SelfCookingCenter® whitefficiency®.

Expected currency effects in 2013

In 2012, the positive development of the foreign currencies of relevance to us boosted both our sales and earnings performance. Approximately two percentage points of our sales growth resulted from positive currency effects. We do not expect this trend to continue in 2013, but are assuming a neutral or slightly negative currency effect.

No material impact on earnings expected from commodity price development

The price of high-grade stainless steel comprises the basic steel price and the alloy surcharge, the latter being closely linked to the price of nickel. Further price movements in both components depend to a large degree on trends in the global economy. In the case of the basic price of steel, we have long-term contracts that provide us with a sound cost basis. At present, the alloy surcharge is relatively low. Given that the global economy is forecast to stabilise, we are assuming that commodity prices will remain stable or rise slightly. We do not expect commodity prices to have any material impact on our cost of sales and consequently on our profits.

Additional investments at the Landsberg location

The company's heavy investment over recent years has created an excellent platform for future production operations. In 2012, we began constructing an office and training centre in Landsberg, which is scheduled to open in April 2013. Our budget for capital investment in non-current assets in 2013 has been set at around 10 million euros, and covers maintenance investment and the completion of the training and office building. This capital expenditure will be funded both from our own funds and from borrowings.

Operating cash flow covers current liquidity requirements

Liquidity requirements are largely determined on the basis of current operating costs, the increase in working capital needed to keep pace with growth, the necessary investment in plant and equipment, and the planned dividend payment. In the future, the liquidity requirement will continue to be covered for the most part by cash inflows from operating activities and the net liquidity currently available.

Into 2013 with confidence

Economy experts are predicting generally solid growth in the global economy for 2013 and 2014 in excess of 3% (source: Deutsche Bank, December 2012). Nevertheless, the uncertainties generated by the international debt crisis still prevail, despite temporary solutions.

We ourselves have put everything in place for further success in 2013. We have superior products, a high brand recognition in conjunction with an excellent brand image and a huge untapped global market potential of 2.5 million addressable professional kitchens. Our customers are highly satisfied, our business model is sustainably successful and our financial position is solid.

We are, therefore, starting the new year with confidence, and expect to be able to continue our successful growth path in terms of both sales and EBIT during the course of 2013 and 2014, in a comparable range as in the last years.

Landsberg am Lech, February 15, 2013

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

Dr. Peter Stadelmann
Chief Human Resources Officer

Consolidated Financial Statements

Contents

Statement of Comprehensive Income RATIONAL Group

for the period January 1 – December 31

kEUR	Note	2012	2011
Sales	1	434,981	391,688
Cost of sales	2	−173,263	−157,315
Gross profit		**261,718**	**234,373**
Sales and service expenses	3	−105,793	−100,718
Research and development expenses	4	−13,562	−14,944
General administration expenses	5	−18,815	−17,458
Other operating income	6	5,878	7,433
Other operating expenses	7	−6,710	−6,521
Earnings before interest and taxes (EBIT)		**122,716**	**102,165**
Income from financial assets	8	–	74
Interest and similar income	8	816	1,303
Interest and similar expenses	8	−1,107	−1,077
Earnings from ordinary activities (EBT)		**122,425**	**102,465**
Taxes on income	9	−29,140	−23,720
Group earnings		**93,285**	**78,745**
Differences from currency translation		−272	234
Total comprehensive income		**93,013**	**78,979**
Average number of shares (undiluted/diluted)		11,370,000	11,370,000
Earnings per share (undiluted/diluted) in euros relating to the group earnings and the number of shares	**10**	**8.20**	**6.93**

Balance Sheet
RATIONAL-Group

Assets

kEUR	Note	Dec. 31, 2012	Dec. 31, 2011
Non-current assets		**61,319**	**58,237**
Intangible assets	12, 13	**1,532**	1,257
Property, plant and equipment	14	**54,629**	52,414
Financial assets	15	**0**	0
Other non-current assets	18	**355**	206
Deferred tax assets	9	**4,803**	4,360
Current assets		**264,873**	**224,952**
Inventories	16	**26,364**	24,739
Trade receivables	17	**65,941**	71,685
Other current assets	18	**6,148**	7,760
Deposits with maturities of more than 3 months	19	**80,000**	50,400
Cash and cash equivalents	20	**86,420**	70,368
Balance sheet total		**326,192**	**283,189**

Equity and Liabilities

kEUR	Note	Dec. 31, 2012	Dec. 31, 2011
Equity	21	**237,393**	**206,915**
Subscribed capital		**11,370**	11,370
Capital reserves		**28,058**	28,058
Retained earnings		**199,559**	168,809
Other components of equity		**–1,594**	–1,322
Non-current liabilities		**25,453**	**19,860**
Provisions for pensions	22	**795**	681
Other non-current provisions	24	**2,187**	1,949
Non-current liabilities to financial institutions	25	**22,471**	17,230
Current liabilities		**63,346**	**56,414**
Liabilities for current tax	23	**7,772**	3,238
Current provisions	24	**23,680**	19,849
Current liabilities to financial institutions	25	**2,817**	1,766
Trade accounts payable	26	**10,468**	10,085
Other current liabilities	27	**18,609**	21,476
Liabilities		**88,799**	**76,274**
Balance sheet total		**326,192**	**283,189**

Cash Flow Statement RATIONAL Group

for the period January 1 – December 31

kEUR	2012	2011
Earnings from ordinary activities	122,425	102,465
Depreciation on fixed assets	6,762	7,268
Net results from asset retirements	–3	17
Non-realised foreign currency result	–48	160
Change in derivative financial instruments	–559	351
Interest income and income from financial assets	–816	–1,377
Interest expenses	1,107	1,077
Operating results before changes in working capital	**128,868**	**109,961**
Changes in		
Inventories	–1,625	–5,392
Trade accounts receivables and other assets	5,287	–13,128
Accruals	4,023	1,352
Trade accounts payable and other liabilities	–1,655	5,473
Cash generated from current business activities	**134,898**	**98,266**
Taxes paid on income	–23,454	–30,549
Cash flow from operating activities	**111,444**	**67,717**
Investments in intangible assets and tangible assets	–9,367	–5,720
Income from asset retirements	100	72
Income from merger	–	81
Purchase of fixed deposits with maturities of more than 3 months	–80,000	–50,400
Decrease in fixed deposits with maturities of more than 3 months	50,400	115,900
Interest received	871	1,421
Dividends received	–	47
Cash flow from investing activities	**–37,996**	**61,401**
Dividends paid	–62,535	–102,330
Changes within the scope of finance leasing agreements	–	–434
Proceeds of non-current bank liabilities	8,196	–
Repayment of liabilities to banks	–1,904	–2,301
Interest paid	–947	–976
Cash flow from financing activities	**–57,190**	**–106,041**
Net changes in cash and cash equivalents	**16,258**	**23,077**
Changes in cash from exchange rate changes	–206	54
Changes in cash funds	**16,052**	**23,131**
Cash and cash equivalents on Jan. 1	**70,368**	**47,237**
Cash and cash equivalents on Dec. 31	**86,420**	**70,368**

Statement of Changes in Equity RATIONAL Group

kEUR	Subscribed capital	Capital reserves	Retained earnings	Differences from currency translation	Total
Balance on Jan. 1, 2011	**11,370**	**28,058**	**192,394**	**–1,556**	**230,266**
Dividend	–	–	–102,330	–	–102,330
Total comprehensive income	–	–	78,745	234	78,979
Balance on Dec. 31, 2011	**11,370**	**28,058**	**168,809**	**–1,322**	**206,915**
Dividend	–	–	–62,535	–	–62,535
Total comprehensive income	–	–	93,285	–272	93,013
Balance on Dec. 31, 2012	**11,370**	**28,058**	**199,559**	**–1,594**	**237,393**

Notes

Fundamentals

Description and explanation of business activities
RATIONAL Aktiengesellschaft (abbreviated to RATIONAL AG in the following text) is an Aktiengesellschaft (stock corporation) under German law with its registered office at Iglinger Strasse 62, Landsberg am Lech, Germany, entered in the Augsburg Commercial Register under number HRB 2001.

The RATIONAL Group (referred to as “RATIONAL” or “Group” in the following text) is a worldwide market and technology leader in the field of the 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. RATIONAL sells its products worldwide through its own subsidiaries and through independent distribution partners.

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.

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 (kEUR). The structure of the balance sheet complies with the IAS 1 guidance regarding classification and format. The presentation for the fiscal year ending December 31, 2012 and for the previous year is broken down by maturities of “12 months or less” (current) and those of “more than 12 months” (non-current). The consolidated financial statements are prepared on the basis of historical cost with the exception of derivative financial instruments, which are measured at fair value.

Based on the information also used by management for its operating and strategic decisions, the disclosures in the notes to the consolidated financial statements are intended to allow a comprehensive assessment of the company’s net assets, financial position and profit or loss, as well as to facilitate a full evaluation of the opportunities open to the company 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 cash flow statement and the statement of changes in equity. The specific notes relate to the respective captions of these financial statements. 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”. Disclosures not relating to specific items in the financial statements can be found in “Other Notes on the Group Financial Statements”.

The consolidated financial statements were approved by the Executive Board of RATIONAL AG on February 15, 2013.

Fundamental accounting principles
The consolidated financial statements for fiscal year 2012 (including prior year figures) have been prepared in compliance with the International Financial Reporting Standards (IFRS) promulgated and published by the International Accounting Standards Board (IASB), as adopted in the EU, and in accordance with the supplementary rules applicable under section 315a (1) of the German Commercial Code (HGB).

All the effective and mandatory standards for fiscal year 2012 have been 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 reported.

The following revised standard was applied on a mandatory basis for the first time in fiscal year 2012; RATIONAL had not applied it voluntarily in previous years.

		Effective date
Amendment	IFRS 7 “Financial Instruments: Disclosures: Transfers of Financial Assets”	July 1, 2011

- The revised IFRS 7 “Financial Instruments: Disclosures” sets out enhanced disclosure requirements regarding transfers of financial assets, creating greater transparency regarding the residual risks associated with such transactions. The revision of the standard has no material effect on RATIONAL’s consolidated financial statements.

The following new or revised standards and interpretations did not yet apply on a mandatory basis in fiscal year 2012 and have not been applied early:

		Effective date
Amendment	IAS 1 “Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income”	July 1, 2012
Amendment	IAS 19 “Employee Benefits”	Jan. 1, 2013
Amendment	IFRS 1 “First-time Adoption of IFRS: Severe Hyperinflation and Removal of Fixed Dates of First-Time Adopters”	Jan. 1, 2013
Amendment	IAS 12 “Deferred Tax: Recovery of Underlying Assets”	Jan. 1, 2013
Amendment	IFRS 7 “Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities”	Jan. 1, 2013
New	IFRS 13 “Fair Value Measurement”	Jan. 1, 2013
New	IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”	Jan. 1, 2013
Amendment	IAS 32 “Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities”	Jan. 1, 2014
Amendment	IAS 27 “Separate Financial Statements”	Jan. 1, 2014
Amendment	IAS 28 “Investments in Associates and Joint Ventures”	Jan. 1, 2014
New	IFRS 10 “Consolidated Financial Statements”	Jan. 1, 2014
New	IFRS 11 “Joint Arrangements”	Jan. 1, 2014
New	IFRS 12 “Disclosures of Interests in other Entities”	Jan. 1, 2014

› The amendments to IAS 1 “Presentation of Financial Statements” will require other comprehensive income (OCI) to be broken down into items to be reclassified to profit or loss in subsequent periods and items to remain in other comprehensive income. This revision will have no material effect on RATIONAL’s consolidated financial statements.

› The amendments to IAS 19 “Employee Benefits” affect the measurement and valuation of defined benefit plans and termination benefits. The main change is that actuarial gains and losses must be recognised immediately in other comprehensive income. An entity no longer has the right to choose whether to recognise these gains and losses in profit or loss or other comprehensive income or to defer such gains and losses using the corridor method. Other changes include the requirement for past service costs and curtailments to be recognised in full within the relevant period and for interest to be recognised on the net defined benefit asset or liability. The revised standard also requires significantly more extensive disclosures. These changes will have no material effect on RATIONAL’s consolidated financial statements.

› The amendments to IFRS 1 “First-time Adoption of IFRS: Severe Hyperinflation and Removal of Fixed Dates of First-time Adopters” introduce an exemption for entities preparing financial statements according to IFRS for the first time following a period of severe hyperinflation. They also remove the fixed dates in IFRS 1 relating to the derecognition rules of IAS 39 and the initial fair value measurement of certain financial assets and liabilities. These changes have no effect on RATIONAL’s consolidated financial statements.

› The amendment to IAS 12 “Deferred Taxes: Recovery of Underlying Assets” introduces an exemption rule for investment properties measured at fair value. In future, the deferred tax assets and liabilities relating to such investment properties will no longer be determined according to the intended use. Instead, the tax consequences of the sale of the property must be used as the measurement basis, unless the presumption of sale is rebutted. This change will have no effect on RATIONAL’s consolidated financial statements.

› The amendment to IFRS 7 “Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities” requires more extensive disclosures relating to the offsetting of financial assets and financial liabilities. This amendment will have no material effect on RATIONAL’s consolidated financial statements.

› With IFRS 13 “Fair Value Measurement”, the rules governing fair value measurement and the corresponding disclosures are summarised in a single standard. As well as defining the term “fair value”, the standard sets out a standardised method for measuring fair value for both financial and non-financial items and extends the associated disclosure requirements, in some cases significantly. Apart from the extended disclosure requirements, this standard is not expected to have a material effect on RATIONAL’s consolidated financial statements.

- IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine” considers the accounting treatment of waste removal costs incurred in surface mining operations, namely whether these should be recognised as inventories or as non-current assets. This interpretation will have no effect on RATIONAL’s consolidated financial statements.

- The amendments to IAS 32 “Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities” contain concrete guidance on the application of the IAS 32 offsetting model. These amendments will have no material effect on RATIONAL’s consolidated financial statements.

In issuing the following amendments and standards, the IASB has published a comprehensive package aimed at improving consolidated financial reporting:

- Following the amendments made to IAS 27 “Separate Financial Statements”, this standard will in future contain only the rules that are applicable to separate financial statements. The consolidation guidelines are now contained in IFRS 10 “Consolidated Financial Statements”. Accordingly, the name of the standard has been changed from “Consolidated and Separate Financial Statements” to “Separate Financial Statements”. These changes are not expected to have a material effect on RATIONAL’s consolidated financial statements.

- With the amendment of IAS 28 “Investments in Associates and Joint Ventures”, the scope of application of IAS 28 has been extended to include joint ventures, and the title of the standard adjusted accordingly. There are also changes resulting from the introduction of IFRS 10 “Consolidated Financial Statements”, 11 “Joint Arrangements” and 12 “Disclosure of Interest in other Entities”. Joint ventures will in future be accounted for using the equity method now that IFRS 11 has eliminated the use of proportionate consolidation. These amendments will have no material effect on RATIONAL’s consolidated financial statements.

- The new IFRS 10 “Consolidated Financial Statements” replaces the consolidation guidance previously contained in IAS 27 “Consolidated and Separate Financial Statements” and SIC-12 “Consolidation – Special Purpose Entities”. IFRS 10 sets out a standard consolidation model for all companies, based on the control of a subsidiary by a parent company. The standard also contains guidance on assessing whether a control relationship exists. This new standard will have no material effect on RATIONAL’s consolidated financial statements.

- IFRS 11 “Joint arrangements” replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities – Non-Monetary Contributions by Venturers”. The new standard classifies joint arrangements as “joint operations” or “joint ventures”, depending on the rights and duties of the parties involved. In addition, the use of proportionate consolidation has been eliminated with the introduction of IFRS 11. This standard will have no material effect on RATIONAL’s consolidated financial statements.

- IFRS 12 “Disclosure of Interest in Other Entities” summarises in one standard the disclosures about an entity’s interests in subsidiaries, joint arrangements, associates and unconsolidated special-purpose entities. This standard is not expected to have any material effect on RATIONAL’s consolidated financial statements.

The following amended or new standards have been published by the IASB but not yet adopted by the EU, and are therefore not applied to the consolidated financial statements. RATIONAL AG will apply these standards, interpretations and amendments once they have been adopted as mandatory by the European Union. They are not expected to have any material effect on RATIONAL AG’s future consolidated financial statements.

		Effective date in accordance to Standard
Amendment	Improvements to IFRS 2009 – 2011	Jan. 1, 2013
Amendment	IFRS 1 “First-time Adoption of IFRS: Government Loans”	Jan. 1, 2013
Amendment	IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements”, IFRS 12 “Disclosures of Interests in other Entities”: Transition Guidance	Jan. 1, 2013
Amendment	IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in other Entities”, IAS 27 “Separate Financial Statements”: Investment Entities	Jan. 1, 2014
Amendment	IFRS 7 and IFRS 9 “Financial Instruments: Mandatory Effective Date of IFRS 9 and Transition Disclosure”	Jan. 1, 2015
New	IFRS 9 “Financial Instruments”	Jan. 1, 2015

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

Consolidation methods

In addition to the parent company, all material domestic and foreign subsidiaries under the direct or indirect control of RATIONAL AG have been included in the consolidated financial statements of RATIONAL. Control is defined as the ability to govern the financial and operating policy of an entity in order to obtain a corresponding benefit. This is generally the case if RATIONAL AG directly or indirectly holds more than half of the voting power of an entity.

Initial capital consolidation is performed using the acquisition method in accordance with IFRS 3. The acquisition cost of the investment is offset against the revalued pro rata equity of the acquired entity at the time of acquisition. The assets, liabilities and contingent liabilities are recognised at fair value at the time of acquisition, irrespective of the extent of any non-controlling interests. Acquisition-related costs are recognised as expenses.

Any remaining positive differences are capitalised as goodwill, which must be tested for impairment annually or more frequently if changes in circumstances indicate a possible impairment. Any resulting impairment is recognised in the income statement.

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

The effects of material intercompany transactions are eliminated. Balances between consolidated companies are eliminated, intercompany profits on inventories are eliminated, and intercompany 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

As of the balance sheet date (December 31, 2012), seven domestic (2011: six) and 20 foreign subsidiaries (2011: 19) in addition to the parent company were included in the consolidated financial statements in compliance with IAS 27 requirements. In November 2012, a sales company was established in Mexico. In January 2013, the new sales company was entered in the commercial register and share capital of 400 thousand Mexican pesos (approximately 24 thousand euros) paid in. The subsidiary was not yet operationally active in fiscal year 2012. As of December 31, 2012 the consolidated companies were as follows:

Name and registered office of RATIONAL AG subsidiaries			**% capital shares/ % voting rights**
Germany			
LechMetall 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
RATIONAL Dienstleistungsgesellschaft mbH	Landsberg am Lech	Germany	100.0
RATIONAL Montage GmbH	Landsberg am Lech	Germany	100.0
RATIONAL Großküchentechnik GmbH	Landsberg am Lech	Germany	100.0
FRIMA Deutschland GmbH	Frankfurt am Main	Germany	100.0
Europe			
RATIONAL UK Ltd.	Luton	United Kingdom	100.0
FRIMA UK Ltd.	London	United Kingdom	100.0
FRIMA RATIONAL France SAS	Wittenheim	France	100.0
FRIMA – T SAS	Wittenheim	France	100.0
FRIMA France SAS	Wittenheim	France	100.0
RATIONAL Italia s.r.l.	Mestre	Italy	100.0
RATIONAL Ibérica Cooking Systems, S.L.	Barcelona	Spain	100.0
RATIONAL Austria GmbH	Salzburg	Austria	100.0
RATIONAL International AG	Balgach	Switzerland	100.0
RATIONAL Schweiz AG	Balgach	Switzerland	100.0
FRIMA International AG	Balgach	Switzerland	100.0
RATIONAL Polen Sp. z o.o.	Warschau	Poland	100.0
RATIONAL Scandinavia AB	Malmö	Sweden	100.0
RATIONAL RUS OOO	Moscow	Russia	100.0

Name and registered office of RATIONAL AG subsidiaries		% capital shares/ % voting rights	
Americas			
RATIONAL USA, Inc.	Schaumburg	USA	100.0
RATIONAL Canada Inc.	Mississauga	Canada	100.0
RATIONAL Mexico S.A. DE C.V.	Mexico City	Mexico	100.0
RATIONAL Brasil Comércio E Distribuição De Sistemas De Cocção Ltda.	São Paulo	Brazil	99.9
Asia			
RATIONAL Japan Co., Ltd.	Tokyo	Japan	100.0
RATIONAL Trading (Shanghai) Co., Ltd.	Shanghai	China	100.0

TOPINOX SARL, Nantes, France, an operationally inactive subsidiary of FRIMA - T SAS, is not included in the consolidation. This is of minor importance in providing a true and fair view of the Group's net assets, financial position and profit or loss. As in the previous year, the investment is reported with a carrying amount of 0 thousand euros. This corresponds to the fair value.

The domestic subsidiaries LechMetall GmbH, RATIONAL Großküchentechnik GmbH, RATIONAL Technical Services GmbH, RATIONAL Dienstleistungsgesellschaft mbH, RATIONAL Montage GmbH and RATIONAL Komponenten GmbH are exercising the option provided in section 264 (3) of the German Commercial Code (HGB) not to prepare notes and not to disclose their annual financial statements for fiscal year 2012. In addition, RATIONAL Großküchentechnik GmbH and RATIONAL Komponenten GmbH are electing not to prepare a management report in accordance with section 264 (3) HGB.

Foreign currency translation

In the separate financial statements of the subsidiaries, foreign currency transactions are translated into the functional currency at the exchange rate prevailing at the time of the transaction. Profits and losses resulting from the settlement of such transactions and from the translation at the spot rate of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

For the consolidated financial statements, the financial statements of the foreign subsidiaries are translated into euros in accordance with the concept of functional currency. The local currency in each country is the functional currency for the entities based in the country concerned. RATIONAL International AG and FRIMA International AG, both of which have registered offices in Switzerland, are exceptions to this rule and use the euro as their 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 capital consolidation and the accumulated profit or loss brought forward are translated at historical rates. If this gives rise to differences as a result of changes in rates, the differences are recognised under "Differences from currency translation" in the statement of comprehensive income.

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 Dec. 31		
1 euro =	2012	2011	Change in %	2012	2011	Change in %
USD = US-Dollar	**1.2927**	1.3989	–8	**1.3186**	1.2932	2
JPY = Japanese yen	**103.50**	111.33	–7	**113.65**	100.07	14
GBP = Pound sterling	**0.8115**	0.8712	–7	**0.8158**	0.8367	–2
CHF = Swiss franc	**1.2042**	1.2320	–2	**1.2073**	1.2165	–1
CAD = Canadian dollar	**1.2898**	1.3808	–7	**1.3118**	1.3192	–1
SEK = Swedish krona	**8.6825**	9.0160	–4	**8.5800**	8.9171	–4
PLN = Polish zloty	**4.1722**	4.1422	1	**4.0930**	4.4580	–8
CNY = Chinese yuan	**8.1462**	9.0240	–10	**8.2150**	8.1435	1
RUB = Russian rouble	**40.0754**	41.0361	–2	**40.2487**	41.6868	–3
BRL = Brazilian real	**2.5323**	2.3370	8	**2.6997**	2.4137	12

Accounting and valuation methods

Intangible assets and property, plant and equipment

Purchased 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 arising from capital consolidation and other company acquisitions is tested at least annually for impairment in compliance with IAS 36. If the fair value less disposal costs or the value in use is below the carrying amount of the cash-generating unit or the group of cash-generating units, an impairment loss is recognised in 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. Depreciation is calculated on the basis of the useful lives of the assets. Administration and production buildings are depreciated over a period of between 25 and 36 years, while items of technical equipment and machinery as well as operating and office equipment are depreciated over their useful lives, which range between 2 and 15 years. The straight-line method is normally used. Depreciation is charged pro rata in the year the asset is purchased.

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. The recoverable amount is either the fair value less disposal costs or the value in use of an asset, whichever is higher.

Leasing

According to IAS 17, leasing transactions are classified as operating leases if the lessor retains substantially all the risks and rewards incidental to the ownership of the leased item. The lease payments are recognised as expense in the income statement over the lease term.

Inventories

Inventories are measured either at cost or at the net realisable value, whichever is lower. The net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Raw materials, consumables, supplies and merchandise are measured at cost using the moving weighted average cost method. Price reductions such as volume and cash discounts are taken into account when measuring cost. The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Work in progress and finished goods are measured at production costs. The production costs include all costs directly attributable to the production process, as well as appropriate portions of production-related overheads.

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.

Financial assets, with the exception of derivative financial instruments, are recognised at fair value on the settlement date, taking into account any transaction costs directly attributable to the acquisition. The settlement date is the date on which an asset is delivered to or by the company.

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

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.

Allowances must be recognised for receivables that are to be considered as doubtful on the basis of objective criteria, especially if the receivable has been transferred to an external debt collection agency following sustained, unsuccessful dunning activities, if insolvency proceedings have been applied for or are ongoing, or if the receivable is being disputed in court, and there are no indications that would justify an alternative assessment. Any allowances that are required are generally recorded on an allowance account.

A financial asset is derecognised if the contractual right to payments from the financial asset has lapsed or if the financial asset has been transferred and RATIONAL has relinquished all risks and rewards associated with its ownership. A receivable is also derecognised if it is irrecoverable. The gains and losses arising from the derecognition of financial assets are recorded in the income statement for the period.

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 fair value and reported under other assets or other liabilities in the balance sheet. Changes in fair value are recognised under other operating income or expenses in the income statement.

The recognition of derivatives at fair value is based on the figures supplied by the relevant counterparty bank for the measurement date in question. 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 swaps, the Black-Scholes method for options). We check the values determined by the banks by carrying out additional measurements 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.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash in banks, as well as short-term deposits with maturities of up to three months calculated from the time of deposit; they are measured at nominal value. Cash in foreign currency is translated at the spot rate as of the balance sheet date.

Current tax assets and tax liabilities

Current tax assets and tax 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. Deferred tax assets are also recognised for tax loss carryforwards if it is probable that these tax loss carryforwards will be utilised in the future. 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. The tax rates used to calculate deferred taxes for the subsidiaries are between 10% and 40% (2011: 10% and 42%). The tax rate used to calculate deferred taxes for RATIONAL AG is 27% (2011: 27%).

Deferred tax assets and deferred tax liabilities are reported on a net basis if there is a corresponding enforceable legal right to offset them and if the deferred tax assets and deferred tax liabilities relate to taxes on income that are levied by the same tax authority for either the same taxable entity or different taxable entities intending to perform settlement on a net basis.

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 against which at least part of the deferred tax asset can be used.

Provisions

The measurement of provisions for pensions is based on the projected unit credit method stipulated in IAS 19 for defined benefit pension plans. The actuarial gains/losses are recognised fully and immediately in the income statement. The full amount of the defined benefit obligation is recognised in the balance sheet.

Other provisions are recognised if there is an obligation to a third party as a result of a past event, it is probable that the obligation will have to be settled in the future, and the amount required to settle the obligation can be reliably estimated. The carrying amount of provisions is reviewed at each balance sheet date. If the effect of discounting is material, the provision is discounted.

Financial liabilities

Financial liabilities measured at fair value through profit and loss relate to derivatives classified as financial liabilities held for trading. Trade accounts payable and other liabilities are recognised at amortised cost. RATIONAL makes no use of the fair value option.

Government grants

Government grants to cover expenses are accounted for at fair value through profit and loss if there is reasonable assurance that RATIONAL will comply with any conditions attached to the grant and the grant will be received.

Recognition of income and expense

The revenue from sales is recognised at the time of delivery, that is, when the risk is transferred to the customer. Operating expenses are recognised in the income statement when the service is utilised or on the date the expenses are incurred. Provisions for warranties are recognised on an individual basis or when the corresponding revenue is recognised. Interest income and expenses are recognised in the period in which they accrue or are incurred. Research and development costs are expensed as incurred. Finance costs are expensed in the period in which they are incurred, unless they can be directly allocated to the acquisition, construction or manufacture of a qualifying asset.

Use of estimates and assumptions

In preparing the consolidated financial statements, company management must make certain estimates and assumptions, particularly for intangible assets including goodwill and for property, plant and equipment, deferred tax assets and provisions. These estimates and assumptions may influence the amounts reported for assets, liabilities and financial obligations as of the balance sheet date, as well as income and expenses for the year under review. The carrying amounts of the items in question are disclosed individually in the relevant notes.

For intangible assets and property, plant and equipment, the assumptions and estimates made by management relate in particular to the expected useful life, whether there are indications of impairment, and the estimated recoverable amount of an impaired asset. Management is confident that the assumptions and estimates made are appropriate. Any changes to the specified assumptions and estimates would change the company's net assets, financial position and profit or loss.

When goodwill is tested annually for impairment, assumptions must be made about future earnings performance and the resulting cash flow to be expected in the underlying cash-generating unit or group of cash-generating units in order to determine the recoverable amount. The actual cash flows can differ significantly from the cash flows based on these estimates. This could lead to a change in the sales and cash flow forecast, which would influence the company's net assets, financial position and profit or loss.

When testing for asset impairment, the assumptions and estimates also relate to the future sale price and volume, as well as the 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.

To calculate deferred tax assets, management must assess 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.

The material sources of uncertainty in respect of provisions relate to forward-looking measurement factors, such as the assumed rate of interest, including assumptions about the risk situation and changes in interest rates. Any changes to these assumptions will have an effect on the carrying values of these items.

The warranty provision covers the Group companies' liability to ensure that their products are fully functioning. To determine this provision, it is necessary to make assumptions about the future expense that we may incur as a result of warranty claims. The provision is essentially determined on the basis of historical claims and unit sales, and takes into account a standard warranty period of two years. If future development differs significantly from expectations, this will affect RATIONAL's net assets, financial position and profit or loss.

RATIONAL recognises provisions for court actions if the prerequisites are met. The recognition and amount of the provisions are subject to management judgement. Because such court actions usually extend over a longer period and involve complex issues, they are associated with uncertainty. Management regularly assesses the current status of the court cases, sometimes with the involvement of external lawyers, in order to estimate the provisions reliably. It is nevertheless possible that an estimate must be adjusted, resulting in an increased provision or a negative impact on the earnings situation.

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 valuation 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. Financial instruments are considered at the time when RATIONAL becomes a contractual party to the financial instrument. 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, as well as market risk, which consists of currency 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 also the "report on opportunities and risks" in the Group Management Report):

› The integrated 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 corrective action to be taken 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 minimise the risk arising in connection with our receivables, we collaborate worldwide with Coface, one of the largest trade credit insurers.

- All business processes and internal control systems are clearly defined. Quality and compliance are assured through regular training and checks. Sensitive processes, such as the approval process for creditor invoices, are mapped using SAP workflows.

- Internal Audit independently and objectively records and assesses any variances from targets. Undesirable developments are identified at an early stage.

- A globally integrated treasury management system is implemented to provide quality cash management worldwide.

- The comprehensive insurance strategy is reviewed annually and adapted to the new risk environment.

Credit risk

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 risk and a risk to the RATIONAL Group's credit rating, we submit customers of all Group companies to credit checks performed by the credit insurance provider Coface and its local partner companies. The RATIONAL customer portfolio is rated as "low risk" by Coface.

As far as possible, customer receivables are insured on the basis of this credit check. Under the existing arrangements, the trade credit 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 insured receivables is usually met by the credit insurer.

A credit policy valid for the entire Group sets out clear rules that apply from the beginning to the end of the order process. Training, prompt reporting and IT support ensure that the policy is properly implemented. The credit policy combines the minimum credit management requirements (MaCM) of the "Bundesverband Creditmanagement" (German federal credit management association, BvCM) with the RATIONAL-specific "one-piece flow" process organisation.

As an alternative to trade credit insurance cover, other collateral (such as confirmed and irrevocable 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. The supply of goods or services to a customer on the basis of open payment terms without adequate collateral is only considered by the company in clearly defined exceptional cases. Such cases require a documented satisfactory payment history in the business relationship with the customer to date in combination with third-party credit ratings and financial data provided by the customer itself (annual financial statements and management analyses).

Trade receivables from public-sector customers, on the other hand, are not subject to any credit checks or collateralisation, provided that the respective country rating is sufficiently high.

More information on credit risk can be found in the note on "Trade receivables".

RATIONAL is also exposed to significant credit risk in relation to cash deposits. This applies in particular to the possible failure of the bank to meet its contractual obligations. For derivative financial instruments with a positive fair value, a credit risk arises from the possible failure of the contract partner to fulfil its obligations. Details of these risk factors are provided in the disclosures on cash deposits with a maturity of more than three months, cash and cash equivalents, and market risk.

Liquidity risk

Liquidity risk refers to the possibility that at some point in time RATIONAL may not be in a position to meet its payment obligations in full by the relevant 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 liquidity reserve also enables the Group to respond flexibly to considerable fluctuations in cash flow or any demand peaks that may occur, thereby ensuring that the Group meets all its payment obligations on time.

RATIONAL attaches great importance to internal financing; most of our global business growth over recent years has been funded in this way. 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 Standard & Poor's ratings ranging from A– to AAA).

Banks have given RATIONAL an investment-grade rating (AA to AAA). The existing credit lines are not subject to any covenants that could require the credit lines to be renegotiated in the event of non-compliance. Furthermore, the Group has not assigned any collateral to the banks in connection with the existing credit line agreements; instead, a negative pledge or a banks' "pari passu" clause has been agreed. Under this clause, RATIONAL undertakes to treat all banks equally in relation to the provision of any collateral for comparable loans. As of the balance sheet date, the total amount of the contractually agreed credit lines was 31,669 thousand euros (2011: 36,669 thousand euros). After taking into account assignments for subsidiaries and sureties, this leaves unused credit lines amounting to 27,457 thousand euros (2011: 31,994 thousand euros).

As of the balance sheet date, the Group's liquidity reserve from its own resources (including all existing fixed-term deposits, all of which have a maximum residual maturity of five months) amounted to a total of 166,420 thousand euros (2011: 120,768 thousand euros). This also includes currency reserves amounting to 2,624 thousand euros (2011: 1,692 thousand euros) that are not freely convertible or are subject to strict currency restrictions.

The following table indicates the securitisation of deposits with banks and the residual net risk in the event of a failure of the banks:

kEUR	Book value	Protected by deposit protection fund	Net risk
	2012	2012	2012
Deposits with maturities of more than three months	80,000	80,000	0
Cash and cash equivalents	86,420	70,082	16,338
Total	**166,420**	**150,082**	**16,338**

kEUR	Book value	Protected by deposit protection fund	Net risk
	2011	2011	2011
Deposits with maturities of more than three months	50,400	50,400	0
Cash and cash equivalents	70,368	51,360	19,008
Total	**120,768**	**101,760**	**19,008**

Further information, especially on the liquidity reserve and on existing external loans and their maturities, can be found in the disclosures on deposits with maturities of more than three months, cash and cash equivalents, and liabilities to banks.

Market risk

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 risk arising from changes in exchange rates, interest rates and commodity prices.

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

One of the functions of Corporate Treasury, which is located within the parent company, is to counter the currency and interest risks to which transactions are exposed with suitable instruments and corrective action. Its activities are governed by corporate guidelines, and are supported, controlled and monitored by a treasury management system. Identified risks are countered by the use of derivative financial instruments, provided that this approach is deemed appropriate and effective hedging instruments are available. Contractual partners in derivative financial instrument transactions are always banks with good to best quality credit ra-tings, i.e. with a Standard & Poor's A– rating as a minimum.

Currency risk

One of the factors giving rise to currency risk is the possible change in the fair value (as of the balance sheet date) of existing balance sheet items denominated in foreign currencies (other than the functional currency) owing to exchange rate fluctuations (translation risk). This applies to existing receivables, liabilities and cash denominated in foreign currency. At RATIONAL, translation risk is not minimised by the use of hedges.

Another factor giving rise to currency risk is 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 owing to changes in exchange rates (transaction risk). Transaction risk has an impact on both liquidity and the income statement.

The global transaction risk faced by the RATIONAL Group is determined, centrally pooled, and managed monthly with a rolling six-month horizon. Where necessary, any identified transaction risks are hedged by means of derivative financial instruments. Such a hedge can relate to recognised, pending and anticipated transactions. This applies in particular to transactions in the freely convertible currencies of our companies in Sweden, the United Kingdom, Switzerland, Poland, the United States, Canada and Japan.

The local currencies of companies that are subject to tight currency restrictions are either not freely convertible (Brazil and India) or are available only for verified commercial transactions (China). To settle receivables that cannot be settled in the local currency under the restrictions, the local currency must be exchanged for euros. This is possible only within the country concerned and subject to the approval of the competent authorities. Because of the low volume, RATIONAL does not currently hedge foreign currency transactions in currencies that are not freely convertible or are freely convertible only to a limited extent.

RATIONAL uses currency options and forward exchange contracts to hedge foreign currency transactions in freely convertible currencies. Currency options considered by the Group include both plain vanilla put 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.

By settling amounts payable to suppliers in the same foreign currencies that it uses to recognise revenue, RATIONAL reduces the existing currency risk within the Group (natural hedge).

Interest rate risk

Interest rate risk is the risk of a possible change in fair values or future payments of financial instruments resulting from changes to 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 real estate financing contract concluded in 2007, which runs until the end of 2022, a fixed interest rate has been agreed to the end of 2017. All other financing contracts stipulate fixed interest rates for the entire term.

An interest rate/currency swap entered into in 2008 is due to expire at the end of August 2013. Interest rate/currency swaps generally involve converting a fixed interest and redemption obligation in one currency into a fixed interest and redemption obligation in another currency in order to take advantage of differences in interest rates between various currency areas. Because the euro is currently in a phase of low interest rates, this instrument is no longer effective and is therefore not currently used by RATIONAL for new financing contracts.

Price risk

In its production processes, RATIONAL uses several thousand tonnes of high-grade 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 metals markets, which are reflected in what is known as the alloy surcharge.

Neither the basic price of steel nor that of alloy metals is hedged by the use of derivative financial instruments. Concerning the basic price of steel, however, RATIONAL does have fixed contracts with the suppliers, under which the purchase price is set in advance for twelve months.

Classification of financial instruments

The following table shows the book values 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. The relevant balance sheet items are reconciled to the categories of financial instruments reportable under IAS 39.

kEUR	Category	Fair Value hierarchy*	Book value Dec. 31, 2012	Fair Value Dec. 31, 2012	Book value Dec. 31, 2011	Fair Value Dec. 31, 2011
Assets						
Trade receivables	a		**65,941**	**65,941**	71,685	71,685
Other financial assets						
Other current assets	a		**233**	**233**	628	628
Other non-current assets	a		**355**	**352**	206	199
Derivatives not in a hedging relationship	c	Level 2	**60**	**60**	330	330
Deposits with maturities of more than 3 months	a		**80,000**	**80,048**	50,400	50,545
Cash and cash equivalents	a		**86,420**	**86,420**	70,368	70,368
Financial assets	b		**0**	**0**	0	0
Liabilities						
Trade accounts payable	d		**10,468**	**10,468**	10,085	10,085
Other financial liabilities						
Other current liabilities	d		**6,683**	**6,683**	7,686	7,686
Derivatives not in a hedging relationship	e	Level 2	**89**	**89**	918	918
Liabilities from loans	d		**25,288**	**27,789**	18,996	20,607
Of which: aggregated by category in accordance with IAS 39						
a) Loans and receivables			**232,949**	**232,994**	193,287	193,425
b) Held-to-maturity investments			**0**	**0**	0	0
c) Financial assets held for trading			**60**	**60**	330	330
d) Financial liabilities measured at amortised cost			**42,439**	**44,940**	36,767	38,378
e) Financial liabilities held for trading			**89**	**89**	918	918

* Acc. to IFRS 7.27B

The fair values of financial instruments have been determined as explained below.

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 book values. This applies to both current assets (cash and cash equivalents, trade receivables and other current assets) and current liabilities (trade accounts payable and other current liabilities). Exceptions are derivatives, deposits with a maturity of more than three months, and short-term portions of liabilities to banks, for which a fair value is calculated.

The following table shows the contract values and fair values of the derivative financial instruments, by category, as of December 31, 2012 and December 31, 2011. The contract values do not represent the market risk, but they provide information on the volume of transactions outstanding on the balance sheet date. For reasons of materiality, the fair values of the interest rate/currency swaps are reported under current assets or current liabilities, irrespective of their maturities.

kEUR	Currency	Contract value		Positive market value (assets)		Negative market value (liabilities)	
		2012	2011	2012	2011	2012	2011
Maturity < 1 year							
Currency options	GBP	18,653	41,948	35	181	37	440
Currency options	USD	8,155	21,620	25	128	27	232
Currency options	JPY	–	1,990	–	21	–	39
Interest rate/ currency swaps	JPY	115	272	–	–	25	100
Subtotal		**26,923**	**65,830**	**60**	**330**	**89**	**811**
Maturity 1 to 5 years							
Interest rate/ currency swaps	JPY	–	281	–	–	–	107
Subtotal		–	**281**	–	–	–	**107**
Total		**26,923**	**66,111**	**60**	**330**	**89**	**918**

For deposits with a maturity of more than three months, the fair value is determined using the discounted cash flow method. The interest to be apportioned to last fiscal year is included in “Other current assets” and is therefore no longer included here.

The fair values of other non-current assets are determined using the discounted cash flow method.

The fair values of the loan liabilities 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 using the relevant maturity-matched discount rates.

Investments are measured at amortised cost.

Additional, primarily quantitative, information on financial instruments can be found in the disclosures on 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 prices are quoted on a public market but that can be measured using the market prices of comparable financial instruments or using models based on input parameters observable on the market.

The net results by category of financial instruments in accordance with IAS 39 are shown in the following table in accordance with the system specified in IFRS 7.20.

kEUR	Net results	Thereof:		
2012		**Interest earned/paid**	**Value adjustments**	**Other**
Loans and receivables	**–1,469**	**781**	**–754**	**–1,496**
Held-to-maturity investments	**–**	**–**	**–**	**–**
Financial assets/liabilities held for trading	**+663**	**–**	**–**	**+663**
Financial liabilities measured at amortised cost	**–781**	**–905**	**–**	**+124**

kEUR	Net results	Thereof:		
2011		**Interest earned/paid**	**Value adjustments**	**Other**
Loans and receivables	+1,576	+1,277	–509	+808
Held-to-maturity investments	+74	–	–	+74
Financial assets/liabilities held for trading	+546	–	–	+546
Financial liabilities measured at amortised cost	–939	–959	–	+20

Sensitivity analysis for financial instruments

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

As of the balance sheet date December 31, 2012, RATIONAL was exposed to currency risks arising from activities in various foreign currencies. These risks are reflected in “trade receivables”, “other assets”, “cash and cash equivalents” as well as “trade accounts payable” and “other liabilities”. If, on December 31, 2012, 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 3,935 thousand euros lower (2011: 1,865 thousand euros lower). If the euro had been 10% weaker, the amount reported in functional currency would have been 4,288 thousand euros higher (2011: 1,067 thousand euros higher).

The hypothetical impact on income of –3,935 / +4,288 thousand euros is primarily the result of the following significant currency sensitivities:

	Hypothetical impact on profit revaluation of euro +10%	Hypothetical impact on profit devaluation of euro –10%
kEUR	2012	2012
EUR/GBP	–1,331	1,224
EUR/USD	–699	737
EUR/CAD	–502	614
EUR/JPY	–474	579
EUR/SEK	–297	363
EUR/BRL	–283	346

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 2012, RATIONAL generated worldwide revenue of 434,981 thousand euros (2011: 391,688 thousand euros), of which 77% (2011: 77%) was attributable to appliance sales. The remaining 23% (2011: 23%) was generated from the sale of accessories, spare parts and care products.

The regional breakdown of revenue by customer location was as follows:

kEUR	2012	% of total	2011	% of total
Germany	61,520	14	60,721	15
Europe (excluding Germany)	211,595	49	199,199	51
Americas	75,314	17	59,340	15
Asia	62,675	14	49,803	13
Rest of the world *	23,877	6	22,625	6
Total	**434,981**	**100**	**391,688**	**100**

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

Further revenue breakdowns appear in the segment reporting.

2. Cost of sales

Cost of sales is calculated on the basis of direct costs for materials and production as well as overheads for materials and production. This item also includes strategic purchasing costs.

In 2012, the cost of sales was 173,263 thousand euros (2011: 157,315 thousand euros). The cost of materials included in this figure was 147,707 thousand euros (2011: 132,112 thousand euros). This rise was attributable primarily to the increased sales volume.

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 2012, there was a disproportionately small increase in sales and service expenses in comparison to the growth in sales. One of the main reasons for this was the absence of the previous year's non-recurring expenses in connection with the introduction of the new product lines.

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. The costs are fully expensed and reported under "research and development expenses" in the income statement, as the prerequisites for the capitalisation of development costs in accordance with IAS 38.57 are not met. In 2012, there was a slight fall in research and development expenses in comparison to the previous year. This is attributable to the introduction of new product lines in fiscal year 2011 and the associated high level of additional development expenses.

5. General administration expenses

General administration expenses include business administration costs, such as accounting, human resources, finance, IT, business finance and controlling as well as a certain proportion of executive management costs.

6. Other operating income

kEUR	2012	2011
Exchange gains	4,586	6,553
Insurance recoveries	934	533
Income from value adjusted and depreciated accounts receivables	163	260
Others (‹ 100 thousand euros in each case)	195	87
Total	**5,878**	**7,433**

Exchange gains were primarily generated by fluctuations in the exchange rate between origination and payment dates, and by measuring balance sheet items at the spot rate. Exchange gains include income from financial instruments measured at fair value through profit or loss amounting to 1,409 thousand euros (2011: 452 thousand euros).

In the year under review, the "insurance recoveries” item included income of 622 thousand euros (2011: 347 thousand euros) from the payment of claims by credit insurers relating to receivables defaults.

7. Other operating expenses

kEUR	2012	2011
Exchange losses	5,023	5,025
Value adjustments on accounts receivables	917	769
Other taxes	345	305
Donations	333	292
Others (‹ 100 thousand euros in each case)	92	130
Total	**6,710**	**6,521**

Exchange losses were primarily generated by fluctuations in the exchange rate between origination and payment dates, and by measuring balance sheet items at the spot rate. Exchange losses include expenses for financial instruments measured at fair value through profit or loss amounting to 850 thousand euros (2011: 803 thousand euros).

8. Financial results

Interest and similar income result primarily from short-term cash deposits. RATIONAL generally places greater emphasis on capital retention than on return when considering cash deposits. RATIONAL uses only demand and term deposits protected by the German deposit protection fund. RATIONAL does not use interest rate derivatives to attempt to improve the return because of the risks involved.

Interest and similar expenses include mainly the interest expenses for real estate and machinery financing contracts amounting to 897 thousand euros (2011: 938 thousand euros) and expenses from the compounding of interests on long-term provisions amounting to 160 thousand euros (2011: 90 thousand euros).

9. Taxes on income

The following table shows the reconciliation from expected to reported tax expense. A combined income tax rate of 27.09% (2011: 27.09%) was applied to profit from ordinary activities to calculate expected tax expense for 2012. This tax rate is composed of a corporate income tax rate of 15.0% and a solidarity surcharge of 5.5% levied on corporate income tax, as well as a municipal trade tax multiplier of 320% (2011: 320%), as applied to the parent company. Deferred taxes recognised at Group level have been measured on the basis of each country-specific income tax rate.

kEUR	2012	2011
Earnings before taxes (EBT)	122,425	102,465
Expected tax rate in percent	27,09	27,09
Expected income tax	**33,165**	**27,758**
Variations in local tax rates in the subsidiaries	–4,919	–3,747
Tax refunds from previous years	–89	–732
Tax expenses relating to previous years	79	2
Non-tax-deductible expenses and other amounts	904	439
Reported income tax	**29,140**	**23,720**

Deferred tax assets reported in fiscal year 2012 amounted to 4,803 thousand euros compared with 4,360 thousand euros at the 2011 balance sheet date. The deferred tax income attributable to 2012 was therefore 443 thousand euros (2011: 550 thousand euros). The current income tax expense thus amounted to 29,583 thousand euros (2011: 24,270 thousand euros).

The deferred taxes recognised for fiscal years 2012 and 2011 are attributable to the following balance sheet items:

kEUR			Effect on net income	
	2012	2011	2012	2011
Inventories	4,456	4,216	240	499
Provisions	484	389	95	110
Trade receivables	61	–200	261	–237
Others	–198	–45	–153	178
Total	**4,803**	**4,360**	**443**	**550**

Deferred tax assets of 4,519 thousand euros (2011: 4,181 thousand euros) are expected to have a maturity of less than one year. Of the reported amounts, 284 thousand euros (2011: 179 thousand euros) are non-current. Current deferred taxes result from various temporary differences between the IFRS values and the tax base as well as from consolidation measures, while non-current deferred taxes are based on measurement differences for pension provisions and non-current assets. The position "Others" includes deferred tax liabilities. These tax liabilities are offset against deferred tax assets relating to different balance sheet items.

As in the previous year, no deferred taxes relating to items reported in comprehensive income were recognised.

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 93,285 thousand euros (2011: 78,745 thousand euros), basic and diluted earnings per share for fiscal year 2012 were 8.20 euros (2011: 6.93 euros).

11. Dividend per share

For fiscal year 2011, the dividend of 5.50 euros per share proposed by the Executive Board and Supervisory Board of RATIONAL AG was approved by a majority at the General Meeting of Shareholders on May 16, 2012. Total dividends of 62,535 thousand euros were paid in May 2012.

The Executive Board and Supervisory Board propose to the General Meeting of Shareholders that a dividend of 5.70 euros per share be paid for fiscal year 2012, the total distribution in this case being 64,809 thousand euros.

Notes on the Balance Sheet – assets

12. Intangible assets

kEUR	Industrial and similar rights	Goodwill	Total
Acquisition cost			
Balance on Jan. 1, 2012	**5,125**	**424**	**5,549**
Additions	**735**	**–**	**735**
Disposals	**–**	**–**	**–**
Balance on Dec. 31, 2012	**5,860**	**424**	**6,284**
Amortisation			
Balance on Jan. 1, 2012	**4,292**	**–**	**4,292**
Additions	**460**	**–**	**460**
Disposals	**–**	**–**	**–**
Balance on Dec. 31, 2012	**4,752**	**–**	**4,752**
Book Values			
Balance on Dec. 31, 2012	**1,108**	**424**	**1,532**
Acquisition cost			
Balance on Jan. 1, 2011	4,942	424	**5,366**
Additions	541	–	**541**
Disposals	–358	–	**–358**
Balance on Dec. 31, 2011	5,125	424	**5,549**
Amortisation			
Balance on Jan. 1, 2011	4,211	–	**4,211**
Additions	438	–	**438**
Disposals	–357	–	**–357**
Balance on Dec. 31, 2011	4,292	–	**4,292**
Book Values			
Balance on Dec. 31, 2011	833	424	**1,257**

Intangible assets comprise industrial and similar rights recognised at cost, as well as goodwill. Self-created assets are not included. If impairment is identified in excess of amortisation, the asset is written down to its recoverable amount. In fiscal year 2012, as in the previous year, no impairment losses were recognised on intangible assets. There are no pledges or restrictions on disposal.

Amortisation of intangible assets is allocated to the following functional areas:

kEUR	2012	2011
Production	10	31
Sales and service	83	58
Research and development	22	28
General administration	345	321
Total	**460**	**438**

13. Goodwill

A net carrying amount of 424 thousand euros (2011: 424 thousand euros) was reported under intangible assets as of the balance sheet date. This goodwill arose from the acquisition of the RATIONAL subsidiary FRIMA - T SAS, Wittenheim, in 1993.

In December 2012, this goodwill was subjected to an impairment test using the discounted cash flow method. Following the reorganisation of the reporting structure, the FRIMA business segment was identified as a cash-generating unit. In the previous year, the cash-generating unit was FRIMA - T SAS. The recoverable amount is determined on the basis of the 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 1% (2011: 1%) growth in earnings from the fifth year onward. In accordance with IAS 36, no allowance was made for any future restructuring and associated increases in earning power. The applied discount rate of 6.8% after tax, which equated to 8.1% before tax (2011: 8.4% after tax and 11.4% before tax), took appropriate account of present market forecasts regarding the time value of money and risk estimates in relation to assets. The present value calculated under this method was substantially higher than the carrying amount of the business segment. No impairment was therefore identified and there was consequently no requirement to recognise any impairment loss in respect of the goodwill.

14. Property, plant and equipment

kEUR	Land and buildings	Technical equipment, machinery	Operating and office equipment	Total
Acquisition cost				
Balance on Jan. 1, 2012	58,801	24,250	17,609	100,660
Currency differences	–4	–1	–78	–83
Additions	3,654	2,763	2,215	8,632
Disposals	–	–553	–575	–1,128
Balance on Dec. 31, 2012	62,451	26,459	19,171	108,081
Amortisation				
Balance on Jan. 1, 2012	21,635	13,843	12,768	48,246
Currency differences	–3	–1	–68	–72
Additions	2,078	2,303	1,921	6,302
Disposals	–	–524	–500	–1,024
Balance on Dec. 31, 2012	23,710	15,621	14,121	53,452
Book values				
Balance on Dec. 31, 2012	38,741	10,838	5,050	54,629
Acquisition cost				
Balance on Jan. 1, 2011	58,460	22,928	15,900	97,288
Currency differences	12	2	81	95
Additions	377	2,066	2,736	5,179
Disposals	–48	–746	–1,108	–1,902
Balance on Dec. 31, 2011	58,801	24,250	17,609	100,660
Amortisation				
Balance on Jan. 1, 2011	19,529	12,291	11,313	43,133
Currency differences	10	2	80	92
Additions	2,128	2,286	2,417	6,831
Disposals	–32	–736	–1,042	–1,810
Balance on Dec. 31, 2011	21,635	13,843	12,768	48,246
Book values				
Balance on Dec. 31, 2011	37,166	10,407	4,841	52,414

"Property, plant and equipment" is recognised at cost less depreciation. If impairment is identified in excess of depreciation, the asset is written down to its recoverable amount. No impairment losses were recognised in fiscal year 2012 (2011: 15 thousand euros). As in the previous year, a land charge of 23,000 thousand euros is registered for land and buildings in Landsberg. There are no restrictions on disposal. Exchange rate differences can occur when foreign-currency-denominated carrying amounts for property, plant and equipment held by the subsidiaries are translated into the functional currency.

Depreciation of property, plant and equipment is allocated to the following functional areas:

kEUR	2012	2011
Production	3,192	3,271
Sales and service	1,457	1,445
Research and development	799	1,080
General administration	854	1,035
Total	**6,302**	**6,831**

15. Financial assets

The acquisition cost of the financial assets amounted to 30 thousand euros (2011: 30 thousand euros), and accumulated depreciation of 30 thousand euros was recognised (2011: 30 thousand euros). The carrying value of the financial assets as of December 31, 2012, thus, remained unchanged at 0 thousand euros.

16. Inventories

kEUR	2012	2011
Raw materials, consumables and supplies	10,275	10,056
Work in progress	570	700
Finished goods and goods for resale	15,519	13,983
Total	**26,364**	**24,739**

The increase in inventories amounting to 1,625 thousand euros in fiscal year 2012 (2011: 5,392 thousand euros) reflects the growth in business activity.

The book value of the inventories measured at fair value less selling costs is 1,356 thousand euros (2011: 1,349 thousand euros). In fiscal year 2012, write-downs on inventories of 293 thousand euros (2011: 1,081 thousand euros) were expensed as cost of sales.

As in the previous year, the inventories were not subject to any restrictions on disposal or pledges as of the balance sheet date.

17. Trade accounts receivable

kEUR	2012	2011
Trade receivables, not impaired	64,973	70,207
Trade receivables, impaired	1,315	1,738
Impairment	–347	–260
Total	**65,941**	**71,685**

As in the previous year, all receivables are due within one year.

The following table shows the breakdown of non-impaired trade receivables by days overdue:

kEUR			Overdue			
Trade receivables, not impaired	Total	Not due	1–60 days	61–90 days	91–120 days	> 120 days
Balance on Dec. 31, 2012	**64,973**	**58,542**	**5,613**	**321**	**99**	**398**
Balance on Dec. 31, 2011	**70,207**	65,416	4,432	50	272	37

For trade receivables that are neither due nor subject to impairments, there are no indications as of the balance sheet date that the customers will be unable to meet their payment obligations.

The following table shows the development of impairments on trade receivables:

kEUR Impairment for doubtful accounts receivables	Balance on Jan. 1	Currency effect	Consumption	Reversal	Additions	Balance on Dec. 31
2012	**260**	**–2**	**–106**	**–152**	**347**	**347**
2011	332	4	–131	–192	247	260

Adequate allowances are recognised for identifiable credit risk on receivables. Receivables written off in fiscal year 2012 amounted to 733 thousand euros (2011: 522 thousand euros). This figure does not included claims settled by or payments expected from the credit insurer, which amounted to 622 thousand euros (2011: 347 thousand euros).

RATIONAL uses trade credit insurance and irrevocable, confirmed bank letters of credit to minimise the credit risk on trade receivables. The following table indicates the securitisation of trade receivables and the residual, unsecured credit risk:

kEUR	2012	2011
Trade receivables	**65,941**	71,685
thereof credit-insured receivables [1]	**45,375**	49,052
thereof receivables secured by letters of credit / bank guarantees	**5,032**	3,056
thereof receivables against public-sector entities [2]	**75**	1,269
Maximum net credit risk	**15,459**	**18,308**
less refundable value-added tax [2]	**5,913**	6,633
Unsecured credit risk	**9,546**	11,675
Risk coverage ratio	**86 %**	**84 %**

[1] Assessed with contractual insured percentage
[2] Precondition: perfect country rating

The residual credit risk not covered by the securities shown includes concentration risk amounting to 1,746 thousand euros (2011: 2,515 thousand euros), distributed over seven (2011: seven) individual customers. Unsecured receivables with a nominal value of more than 100 thousand euros per individual customer are considered when assessing concentration risk.

Where customers have long-term payment difficulties, the Group enters into instalment agreements where possible or initiates collection via the credit insurer or external collection agencies. As of the balance sheet date, instalment agreements were in place for a receivables volume of less than 100 thousand euros (2011: 100 thousand euros).

18. Other assets

kEUR	2012	2011
Value-added tax refund claims	**3,331**	2,906
Claims to suppliers	**1,284**	1,094
Income tax refund claims	**904**	2,500
Security deposits	**454**	505
Advances to employees	**301**	316
Receivables from interest	**85**	140
Fair value of derivative financial instruments	**60**	330
Insurance	**17**	129
Others (< 100 thousand euros in each case)	**67**	46
Total	**6,503**	**7,966**

Other assets include other financial assets amounting to 648 thousand euros (2011: 1,164 thousand euros). These include in particular receivables from security deposits, receivables from interest and derivative financial instruments.

Of the other assets shown in the table, assets worth 6,148 thousand euros (2011: 7,760 thousand euros) are classified as current.

Security deposits include a non-current component with a value of 355 thousand euros (2011: 206 thousand euros). These non-current assets have a fair value of 352 thousand euros (2011: 199 thousand euros). For reasons of materiality, non-current assets were not reported at their discounted fair values, but at cost.

Claims to suppliers include in particular prepaid expenses and advance payments.

19. Deposits with maturities of more than three months

As of the balance sheet date, the Group reported German fixed-term deposits with total maturities of up to nine months and amounting to a total of 80,000 thousand euros (2011: 50,400 thousand euros). The longest maturity is until May 2013. None of these deposits has been pledged as collateral.

RATIONAL places greater emphasis on capital retention than on returns and therefore considers it imperative to protect its deposits adequately. All fixed-term deposits up to the end of 2012 are fully protected by the German deposit protection fund. RATIONAL only makes deposits with banks that have a Standard & Poor's long-term rating of at least A–. To diversify the risk, all fixed-term deposits were distributed over five banks at the end of the year.

20. Cash and cash equivalents

Corporate Treasury manages the Group's cash and cash equivalents worldwide, other than in countries where this is prevented by restrictions on capital movements, such as Brazil, China or India.

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, this includes not only balances on current accounts in Germany, but also all fixed-term deposits and all demand deposits.

Cash and cash equivalents of 86,420 thousand euros (2011: 70,368 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.

Liquidity from a real estate financing contract for which use in accordance with the intended purpose cannot yet be verified on the basis of the construction progress is held in a separate bank account, which is pledged to the financing bank. At the end of the year, the liquidity held in this bank account amounted to 2,700 thousand euros. No cash or cash equivalents had been pledged as collateral in the previous year.

kEUR	Currency	2012	2011
Fixed-term deposits with maturities of up to 3 months	EUR	**–**	10,000
Deposits incl. demand deposits	EUR	**55,983**	45,941
Deposits incl. demand deposits	GBP	**12,514**	4,722
Deposits incl. demand deposits	USD	**5,447**	3,160
Deposits incl. demand deposits	SEK	**1,129**	950
Deposits incl. demand deposits	CAD	**3,947**	842
Deposits incl. demand deposits	CHF	**941**	870
Deposits incl. demand deposits	PLN	**284**	110
Deposits	BRL	**1,329**	883
Deposits	JPY	**3,248**	1,877
Deposits	RUB	**747**	839
Deposits	CNY	**715**	72
Deposits other currencies and cash in hand	various	**136**	102
Total		**86,420**	**70,368**

Notes on the Balance Sheet – equity and liabilities

21. Equity

Changes in equity are reported in the statement of changes in equity.

Subscribed capital

RATIONAL AG's subscribed capital as of December 31, 2012 remained unchanged at 11,370 thousand euros divided into 11,370,000 no-par-value bearer shares, each with a nominal value of 1.00 euro. The subscribed capital is fully paid in.

Conditional capital amounts to 200 thousand euros and relates to option rights for members of the Executive Board to purchase up to 200,000 no-par-value shares. Of these, 69,000 no-par-value shares have already been issued; option rights to 131,000 no-par-value shares currently remain available. 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 less the costs associated with the IPO. Capital reserves also include income and expenses taken directly to equity and which resulted 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.

Retained earnings

The legal reserves included under retained earnings and recognised 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 retained earnings unless they have been distributed as dividends.

Other components of equity

Other components of equity comprises only the differences from currency translation.

Notes on capital management

RATIONAL's aim is to secure the company's equity base and operating activities in the long term. In this context, RATIONAL is not bound by any capital requirements under its articles of association. The capital structure is monitored through the company's reporting process with a particular focus on the equity ratio, and the prevailing economic situation is the key determining factor in its management. The equity ratio indicates the ratio of equity shown on the balance sheet to the company's total capital.

RATIONAL's equity ratio as of December 31, 2012 was 72.8% (2011: 73.1%).

22. 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 funded exclusively by pension provisions, which rose in fiscal year 2012 to 795 thousand euros (2011: 681 thousand euros).

The actuarial gain/loss for the current and previous four reporting periods, resulting from the difference between the expected and actual change in the pension obligation, is shown below:

kEUR	2012	2011	2010	2009	2008
Experienced gains/ losses (–)	**–22**	4	6	–22	0

The expenses for pension benefits are made up as follows:

kEUR	2012	2011
Interest expense	**32**	32
Recognised actuarial losses	**131**	0
Total	**163**	**32**

Actuarial gains and losses are included in the administration and selling expenses. The interest expense is included in the financial result.

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

kEUR	2012	2011
Defined benefit obligations on Jan. 1	681	697
Interest expense	32	32
Paid obligations	–49	–48
Recognised actuarial losses	131	0
Defined benefit obligations on Dec. 31	**795**	**681**

Both pension recipients are already receiving payments. Payments amounting to 50 thousand euros are expected for the fiscal year 2013. For reasons of materiality, this short-term provision is not reported separately on the balance sheet.

The calculations were based on the following assumptions:

Discount rate: 3.30% (2011: 4.80%)
Pension progression rate: 1.75% (2011: 1.75%)

K. Heubeck's mortality tables (2005 G version) were used as the biometric basis for the calculations. The valuation is based on an actuarial expert opinion.

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

kEUR	2012	2011	2019	2009	2008
Defined benefit obligations on Dec. 31	**795**	681	697	688	614

23. Liabilities for current tax

2012

kEUR	Balance on Jan. 1, 2012	Currency differences	Consumption	Additions	Balance on Dec. 31, 2012
Taxes on income	**3,238**	**–55**	**–3,183**	**7,772**	**7,772**

2011

kEUR	Balance on Jan. 1, 2011	Currency differences	Consumption	Additions	Balance on Dec. 31, 2011
Taxes on income	7,172	39	–7,211	3,238	**3,238**

24. Other provisions

2012

kEUR	Balance on Jan. 1, 2012	Currency differences	Consumption	Additions	Interest expense	Balance on Dec. 31, 2012	Thereof non-current
Personnel	9,036	–32	–8,543	10,279	59	10,799	663
Trade bonuses	3,436	–12	–3,424	5,006	–	5,006	–
Warranty	6,558	–	–5,143	6,040	70	7,525	1,477
Others	2,768	–8	–2,654	2,431	–	2,537	47
Total	**21,798**	**–52**	**–19,764**	**23,756**	**129**	**25,867**	**2,187**

2011

kEUR	Balance on Jan. 1, 2011	Currency differences	Consumption	Additions	Interest expense	Balance on Dec. 31, 2011	Thereof non-current
Personnel	8,584	43	–8,164	8,599	–26	**9,036**	550
Trade bonuses	2,710	34	–2,744	3,436	–	**3,436**	–
Warranty	6,305	4	–3,834	4,000	83	**6,558**	1,352
Others	2,738	16	–2,707	2,721	–	**2,768**	47
Total	20,337	97	–17,449	18,756	57	**21,798**	1,949

Provisions for personnel obligations primarily comprise estimated expenses for variable remuneration components. 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 to ensure its products are fully functioning. The position "Others" includes provisions for a number of items, each of which is valued at an amount below the materiality threshold.

The personnel provisions recognised as of December 31, 2012, together with the provisions for trade bonuses and other provisions, will mainly be used in the first six months of 2013. The warranty provisions are normally used within two years. For reasons of materiality, the country-specific rules on the discounting of provisions have still been applied in the consolidated financial statements.

25. Liabilities to financial institutions

At the end of fiscal year 2012, liabilities to banks totalled 25,288 thousand euros (2011: 18,996 thousand euros), distributed over several banks.

The assignment of rights to third parties has been contractually excluded.

In fiscal years 2008 and 2012, RATIONAL entered into multi-year loan agreements to finance the acquisition of new production facilities. Fixed interest rates were agreed for the entire term of the agreements. The last repayment of principal will be made in 2016. At the end of fiscal year 2012, the remaining liabilities in connection with these loans amounted to 1,319 thousand euros (2011: 566 thousand euros).

Other liabilities to banks relate to annuity loan agreements, secured by land charges, to fund the construction of new buildings and the acquisition of a site in Landsberg. Fixed interest rates apply to the entire term of all except two of these agreements. These two agreements have fixed interest rates until the end of 2017, and both are scheduled to expire at the end of 2022. At the end of fiscal year 2012, the remaining liabilities in connection with these loans amounted to 23,969 thousand euros (2011: 18,430 thousand euros).

Of the liabilities to banks, the following interest payments and repayments of principal will become due in subsequent periods:

kEUR	2013	2014 – 2017	From 2018
Payments as of Dec. 31, 2012	**3,703**	**13,444**	**12,929**

kEUR	2012	2013 – 2016	From 2017
Payments as of Dec. 31, 2011	**2,609**	8,693	12,863

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

26. Trade accounts payable

As a result of its good liquidity position, RATIONAL AG is able to settle its payables to suppliers and take advantage of early payment discounts. The following table shows a breakdown of maturities for trade accounts payable and the resulting expected cash outflows, based on the payment terms agreed with suppliers:

kEUR	Due dates			
	Total	Up to 30 days	30 – 60 days	› 60 days
2012	**10,468**	**10,296**	**172**	**0**
2011	**10,085**	9,696	377	12

27. Other liabilities

kEUR	2012	2011
Liabilities from wages, salaries and other personnel costs	**5,215**	5,040
Liabilities to business partners	**5,201**	6,294
Liabilities from value-added tax	**4,482**	5,831
Liabilities from PAYE and church taxes	**2,173**	2,050
Liabilities for consulting and auditing services	**1,305**	1,229
Other taxes	**116**	86
Fair value of derivative financial instruments	**89**	918
Other (‹ 100 thousand euros in each case)	**28**	28
Total	**18,609**	**21,476**

Other liabilities include current financial liabilities of 6,772 thousand euros (2011: 8,604 thousand euros). Other financial liabilities are usually settled within a few months of the balance sheet date. Other financial liabilities mainly include liabilities to business partners, liabilities for consulting and auditing services, and derivative financial instruments.

Notes on the Cash Flow Statement

28. Cash flow statement

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

Cash and cash equivalents include items subject to restrictions on disposal. These restrictions on disposal relate to an amount of 2,624 thousand euros (2011: 1,692 thousand euros). Cash and cash equivalents increased from 70,368 thousand euros at the start of the fiscal year to 86,420 thousand euros as of December 31, 2012. In addition, RATIONAL had fixed-term deposits as of the balance sheet date amounting to 80,000 thousand euros (2011: 50,400 thousand euros). These deposits have maturities of more than three months from the date of deposit, and are not therefore included in cash and cash equivalents.

Other notes on the Group Financial Statements

29. Employees and personnel costs

Average number of employees	**2012**	**% of total**	**2011**	**% of total**
Production and Dispatch	331	**26**	312	26
Sales and Service	532	**42**	500	42
Technical Customer Service	134	**11**	125	11
Research and Development	83	**7**	83	7
Administration	178	**14**	164	14
Total	**1,258**		**1,184**	
Thereof abroad	**515**	**41**	**488**	**41**

Personnel costs comprise the following items:

kEUR	**2012**	**2011**
Salaries and wages	**78,360**	71,512
Social security	**14,745**	13,166
Thereof expenses for defined contribution plans	**6,708**	6,514
Total	**93,105**	**84,678**

30. Contingent liabilities and other financial obligations

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.

There were no contingent liabilities in fiscal years 2012 and 2011.

Other financial obligations:
As of the balance sheet date (December 31, 2012), RATIONAL's other financial obligations amounted to 9,557 thousand euros (2011: 10,957 thousand euros). This item relates mainly to future payments under leases and maintenance contracts.

The leasing contracts 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 equipment. Some of the leases have fixed terms, others are for an indefinite period. They include the following future minimum lease payments:

Obligations for operating leases

kEUR	Dec. 31, 2012	Dec. 31, 2011
Up to 1 year	4,968	4,639
1 – 5 years	3,534	5,238
› 5 years	0	33
Total	**8,502**	**9,910**
Fair Value	**8,451**	**9,658**

There are no restrictions included in any of the leases. Lease expenses recognised in the income statement in fiscal year 2012 amounted to 6,095 thousand euros (2011: 5,415 thousand euros).

There are further obligations amounting to 1,038 thousand euros (2011: 912 thousand euros) for maintenance contracts in connection with land and buildings, production machinery and IT equipment.

As of December 31, 2012, there are obligations to purchase property, plant and equipment amounting to 7,487 thousand euros (2011: 665 thousand euros) and to purchase intangible assets amounting to 44 thousand euros (2011: 34 thousand euros).

31. Operating segments

The Group is exclusively active in the field of the thermal preparation of food in professional kitchens. The Group's reporting structure for management purposes was reorganised in fiscal year 2012 and is geared to the RATIONAL and FRIMA brands. Segment reporting in accordance with IFRS 8 has also been adapted in line with the changed internal reporting structures. The segment information from the previous year has been updated accordingly.

Operating segments are organisational units for which information is passed to management so that it can measure performance and allocate resources. The Executive Board is the body with primary responsibility for making operating decisions.

RATIONAL concentrates on cooking processes in which heat is transferred via steam, hot air or a combination of the two. It generates most of its revenue from sales of the SelfCookingCenter® whitefficiency® and the CombiMaster® Plus.

FRIMA focuses on cooking applications in which food is cooked in liquid or with direct contact heat. It generates most of its revenue from sales of the VarioCookingCenter MULTIFICIENCY®.

Both segments incorporate research and development, production, sales and marketing, as well as service and administration.

Segment sales revenue includes both sales revenue from third parties and intercompany sales revenue generated between Group companies across the segments. Intercompany sales and revenue are always based on arm's length prices. The segment profit is equivalent to the profit before interest and taxes of the respective segments. Also included in this, besides the segment sales revenues, are all segment expenses except for taxes on earnings and the financial result.

As in the previous year, no more than 10% of sales were generated with any one customer.

For a further breakdown of sales revenue, please refer to the sales disclosures.

Segment depreciation/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 2012 or the previous year.

The reconciliation column mainly reflects the effects of consolidation. It also includes differences between the internal reports submitted to management and the figures reported externally.

Operating segments 2012

kEUR	Rational	FRIMA	Total of segments	Reconciliation	Group
External sales	411,008	23,824	434,832	+149	434,981
Intercompany sales	1,600	1,871	3,471	–3,471	–
Segment sales	412,608	25,695	438,303	–3,322	434,981
Segment result	**+119,409**	**+3,038**	**+122,447**	**+269**	**+122,716**
Financial result	–	–	–	–	–291
Earnings before taxes	–	–	–	–	**+122,425**
Segment depreciation	6,262	500	6,762	–	6,762

Operating segments 2011

kEUR	RATIONAL	FRIMA	Total of segments	Reconciliation	Group
External sales	370,891	20,884	391,775	–87	391,688
Intercompany sales	1,602	1,699	3,301	–3,301	–
Segment sales	372,493	22,583	395,076	–3,388	391,688
Segment result	**+99,729**	**+2,553**	**+102,282**	**–117**	**+102,165**
Financial result	–	–	–	–	+300
Earnings before taxes	–	–	–	–	**+102,465**
Segment depreciation	6,760	508	7,268	–	7,268

Of the total reported non-current assets (property, plant and equipment and intangible assets), non-current assets worth 52,477 thousand euros (2011: 50,014 thousand euros) were reported in Germany. Non-current assets worth 3,684 thousand euros (2011: 3,657 thousand euros) are attributable to third countries.

32. Related parties

IAS 24 requires reporting entities to disclose transactions with related parties. Related parties of RATIONAL AG include the subsidiaries, the members of the Executive Board and the members of the Supervisory Board, as well as companies in which these persons own shares. Mr. Siegfried Meister, the Chairman of the Supervisory Board, has a controlling relationship because he owns the majority of shares in RATIONAL AG.

Transactions with consolidated subsidiaries are eliminated during consolidation.

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 1,621 thousand euros in 2012 (2011: 1,580 thousand euros). As of December 31, 2012, there were no outstanding trade accounts payable to these companies (2011: 7 thousand euros).

All of the transactions described were concluded at arm's length conditions. No further significant transactions occurred during the year under review with companies or individuals in any way related to RATIONAL AG.

33. Supervisory Board and Executive Board

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

Dr. Hans Maerz, auditor
Deputy Chairman of the Supervisory Board

The total compensation due to the Supervisory Board for fiscal year 2012 amounted to 621 thousand euros (2011: 572 thousand euros). The breakdown by Supervisory Board member is as follows:

2012

kEUR	Fixed	Perfor-mance-related	Others	Total
Siegfried Meister	150	61	24	235
Walter Kurtz	125	61	19	205
Dr. Hans Maerz	117	61	3	181
Total	**392**	**183**	**46**	**621**

2011

kEUR	Fixed	Perfor-mance-related	Others	Total
Siegfried Meister	150	51	24	225
Walter Kurtz	125	51	20	196
Dr. Hans Maerz (from Sep. 1)	33	17	–	50
Roland Poczka (until Aug. 31)	67	34	–	101
Total	**375**	**153**	**44**	**572**

As of the balance sheet date, Supervisory Board compensation of 580 thousand euros for fiscal year 2012 (2011: 535 thousand euros) was included in other liabilities.

As of December 31, 2012, the members of the Supervisory Board held a total of 8,049,262 shares in RATIONAL AG (2011: 8,049,285 shares), of which Mr. Siegfried Meister held 7,161,411 shares (2011: 7,161,411 shares).

The members of the Supervisory Board are also represented in the following advisory boards and controlling committees:

Dr. Maerz is the Chairman of the Supervisory Board of FWU AG, Munich, and is Chairman of an Audit Committee formed in accordance with section 324 of the German Commercial Code (HGB) at FWU Provisions-Factoring GmbH, Munich, 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 Officer

Dr. Peter Stadelmann, Dipl.-Volkswirt
Chief Human Resources Officer

Dr. Stadelmann was appointed to the Executive Board of RATIONAL AG with effect from December 1, 2012.

The General Meeting of Shareholders held on May 11, 2011 resolved in accordance with section 314 (2) sentence 2 HGB not to disclose separately the compensation paid to individual members of the Executive Board.

The total compensation paid to the Executive Board for the performance of its duties within the parent company and its subsidiaries in fiscal year 2012 was 4,284 thousand euros (2011: 3,746 thousand euros). This amount includes a performance-related salary component of 1,931 thousand euros (2011: 1,969 thousand euros). Also included are payments of 310 thousand euros made into the pension scheme (2011: 304 thousand euros).

As of the balance sheet date, the members of the Executive Board together held 5,793 shares in RATIONAL AG (2011: 15,293).

The members of the Executive Board are also represented in the following advisory boards and controlling committees:

Dr. Stadelmann is Vice President of the Administrative Board of Malik Management Zentrum St. Gallen AG, St. Gallen, Switzerland and a member of the Administrative Board of KSP Krieg Schlupp Partner Werbeagentur AG, Zurich, Switzerland.

34. Stock option plans

On February 3, 2000, RATIONAL AG launched a stock option plan for the company's Executive Board members. The stock option plan is designed to offer Executive 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 no-par-value 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 meeting of the company's shareholders 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 offer price per share set at that time. 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 December 31, 2012, option rights to a maximum of 131,000 no-par-value shares in RATIONAL AG still remained in the stock option plan. No options were issued as of the balance sheet date December 31, 2012.

35. Declaration on the 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 May 15, 2012. The declaration is permanently available on RATIONAL AG's website: www.rational-online.com.

36. Subsequent events

No events have taken place since the close of fiscal year 2012 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.

37. Auditor’s fee

By resolution of the General Meeting of Shareholders held on May 16, 2012, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Munich, was appointed as auditor for fiscal year 2012.

The auditor’s fee, including reimbursement of expenses, amounted to a total of 211 thousand euros (2011: 221 thousand euros), which is broken down as follows:

an amount of 176 thousand euros (2011: 189 thousand euros) for the auditing of separate and consolidated financial statements, and 35 thousand euros (2011: 32 thousand euros) for other services.

Landsberg am Lech, February 15, 2013

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

Dr. Peter Stadelmann
Chief Human Resources Officer

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 15, 2013

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

Dr. Peter Stadelmann
Chief Human Resources Officer

Auditor's Report

We have audited the consolidated financial statements prepared by the Parent Company RATIONAL Aktiengesellschaft, comprising the statement of financial position, the statement of comprehensive income, 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, 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) of the HGB (Handelsgesetzbuch: German Commercial Code) is the responsibility of the Parent Company's Executive Board. 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 of the 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 the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Executive Board, 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 IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to section 315a (1) of the 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 15, 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Stefano Mulas	**Dietmar Eglauer**
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

10-year Overview

		2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Earnings situation											
Sales	mEUR	**435.0**	391.7	350.1	314.4	343.0	336.6	283.7	246.4	221.8	186.6
Sales abroad	%	**86**	85	84	83	84	84	84	83	84	83
Gross profit	mEUR	**261.7**	234.4	217.0	191.6	203.7	199.9	173.8	149.7	131.5	108.5
Depreciation/Amortisation	mEUR	**6.8**	7.3	6.8	7.6	7.3	5.3	4.3	4.3	4.6	4.2
EBIT	mEUR	**122.7**	102.2	105.8	90.5	83.1	92.6	80.5	66.9	53.3	42.3
Group earnings	mEUR	**93.3**	78.7	79.8	67.3	61.7	61.2	51.8	42.4	33.8	26.8
Earnings per share (undiluted)	EUR	**8.20**	6.93	7.02	5.92	5.42	5.38	4.55	3.73	2.98	2.36
Gross margin	%	**60.2**	59.8	62.0	60.9	59.4	59.4	61.3	60.8	59.3	58.1
EBIT margin	%	**28.2**	26.1	30.2	28.8	24.2	27.5	28.4	27.2	24.0	22.7
Net margin	%	**21.4**	20.1	22.8	21.4	18.0	18.2	18.3	17.2	15.2	14.4
Return on equity (after taxes)	%	**42.0**	36.0	38.0	41.6	47.9	53.3	52.9	43.7	34.7	31.6
Return on invested capital (ROIC)	%	**38.4**	33.2	33.9	35.5	40.7	48.0	49.6	40.4	32.1	28.5
Dividend*	mEUR	**64.8**	62.5	102.3	39.8	11.4	51.2	42.6	34.1	56.9	21.0
Dividend per share*	EUR	**5.70**	5.50	9.00	3.50	1.00	4.50	3.75	3.00	5.00	1.85
Asset situation											
Fixed assets	mEUR	**56.2**	53.7	55.4	57.6	63.1	38.0	29.2	28.1	28.1	27.5
Current assets (including deferred tax assets and other non-current assets)	mEUR	**270.0**	229.5	250.3	208.1	145.9	149.4	117.4	104.0	118.7	100.5
Inventories	mEUR	**26.4**	24.7	19.3	17.8	20.6	18.6	15.5	16.2	14.3	12.8
Trade accounts receivable	mEUR	**65.9**	71.7	58.7	51.4	57.7	61.4	53.1	46.1	36.7	32.7
Cash and cash equivalents (including fixed deposits)	mEUR	**166.4**	120.8	163.1	131.6	57.1	62.3	40.6	34.8	59.9	49.7
Balance sheet total	mEUR	**326.2**	283.2	305.7	265.7	209.0	187.4	146.6	132.1	146.8	128.0
Equity	mEUR	**237.4**	206.9	230.3	189.8	133.6	124.0	105.8	89.9	104.1	90.6
Liabilities	mEUR	**88.8**	76.3	75.4	75.9	75.4	63.4	40.8	42.2	42.7	37.4
Provisions (including liabilities for current tax)	mEUR	**34.4**	25.7	28.2	24.0	22.1	19.7	21.8	21.3	22.0	16.7
Liabilities to financial institutions	mEUR	**25.3**	19.0	21.3	31.6	25.8	18.0	–	2.5	2.2	2.4
Trade accounts payable	mEUR	**10.5**	10.1	9.2	7.0	10.9	9.3	6.8	5.4	5.8	4.6
Other liabilities	mEUR	**18.6**	21.5	16.7	13.3	16.6	16.4	12.2	13.0	12.7	13.8
Equity ratio	%	**72.8**	73.1	75.3	71.4	63.9	66.2	72.2	68.1	70.9	70.8
Working Capital (excluding liquid funds)	mEUR	**69.8**	73.4	58.2	54.7	60.7	61.7	58.4	53.0	41.0	37.0
as a percentage of sales	%	**16.0**	18.7	16.6	17.4	17.7	18.3	20.6	21.5	18.5	19.9
Cash flow/Investments											
Cash flow from operating activities	mEUR	**111.4**	67.7	86.9	83.2	71.0	61.1	49.1	32.8	39.2	29.8
Cash flow from investing activities	mEUR	**−38.0**	61.4	−23.4	−72.2	−38.4	−30.2	−1.8	−3.7	−4.6	−4.9
Cash flow from financing activities	mEUR	**−57.2**	−106.0	−52.2	−7.7	−45.4	−26.0	−38.4	−42.3	−37.3	−5.1
Investments	mEUR	**9.4**	5.7	4.5	2.4	32.6	14.3	5.7	6.0	5.7	6.0
Employees											
Number of employees (average)		**1,258**	1,184	1,058	1,031	1,090	965	864	792	742	679
Personnel expenses	mEUR	**93.1**	84.7	74.3	71.1	72.3	63.7	57.0	53.4	47.7	43.6
Sales per employee	kEUR	**345.8**	330.8	330.9	304.9	314.6	348.8	328.4	311.1	298.9	274.7

* Payout in the following year, 2012 subject to approval by the General Meeting of Shareholders 2013

Financial Calendar 2013

Balance Sheet Press Conference Fiscal Year 2012	Munich	Mar. 20, 2013
DVFA Analyst Meeting	Frankfurt	Mar. 20, 2013
Financial figures Q1/2013	Landsberg	May 8, 2013
General Shareholders Meeting 2013	Augsburg	May 8, 2013
Financial figures Q2/2013	Landsberg	Aug. 7, 2013
Financial figures Q3/2013	Landsberg	Nov. 6, 2013

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