ANNUAL REPORT 2013

FOCUS ON THE ESSENTIALS

RATIONAL

RATIONAL AG company profile

Sustainable and efficient: thermal preparation of food using RATIONAL products

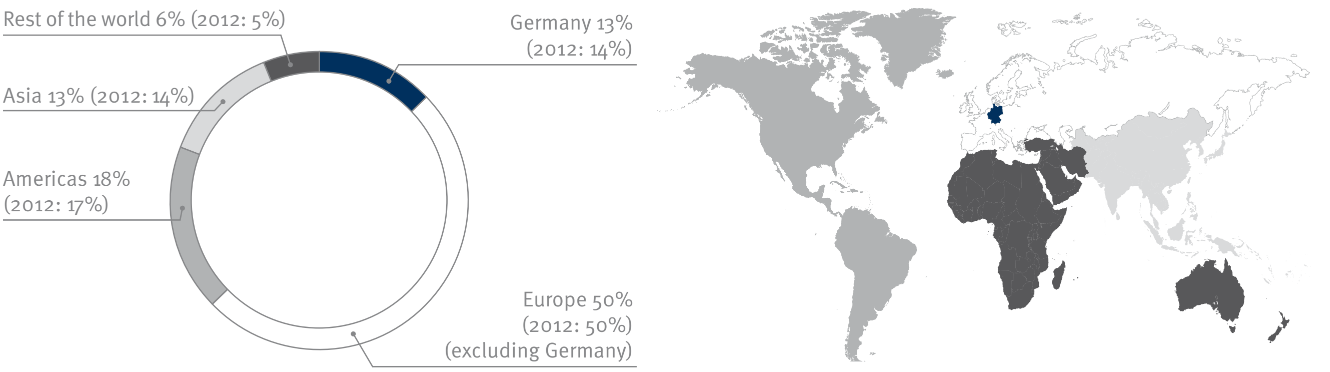
We are the global market and technology leader in innovative solutions for the thermal food preparation. Our primary corporate objective is as follows: **“We offer the greatest possible benefit to the people preparing hot food in the professional kitchens around the world.”** Our trendsetting innovations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

The SelfCookingCenter® whitefficiency® and the VarioCookingCenter 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.

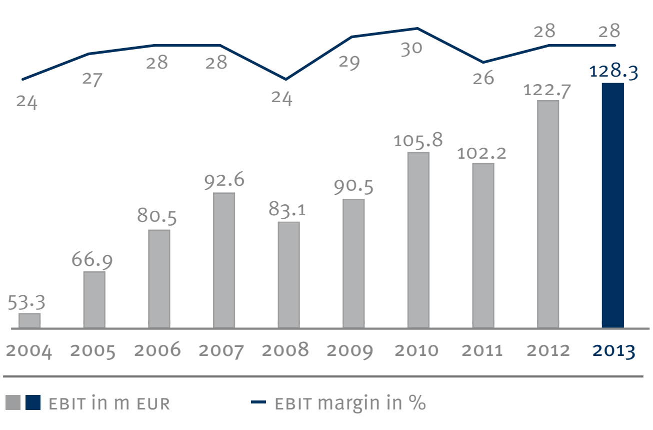
Global presence

Sales by region in 2013



Key financial figures

EBIT development and EBIT margin 2004 to 2013



Key figures 2013/2012		2013	2012
Sales	m EUR	**461.1**	435.0
Gross profit	m EUR	**280.7**	261.7
Depreciation/Amortisation	m EUR	**7.2**	6.8
EBIT	m EUR	**128.3**	122.7
EBIT-margin	%	**27.8**	28.2
Return on equity (after taxes)	%	**38.4**	42.0
Return on invested capital (ROIC)	%	**34.6**	38.4
Equity ratio	%	**71.2**	72.8
Cash flow from operating activities	m EUR	**102.8**	111.4

10-year Overview		2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Sales	m EUR	**461.1**	435.0	391.7	350.1	314.4	343.0	336.6	283.7	246.4	221.8
EBIT	m EUR	**128.3**	122.7	102.2	105.8	90.5	83.1	92.6	80.5	66.9	53.3
Group earnings	m EUR	**97.2**	93.3	78.7	79.8	67.3	61.7	61.2	51.8	42.4	33.8
Earnings per share	EUR	**8.55**	8.20	6.93	7.02	5.92	5.42	5.38	4.55	3.73	2.98
Cash flow from operating activities	m EUR	**102.8**	111.4	67.7	86.9	83.2	71.0	61.1	49.1	32.8	39.2
Return on invested capital (ROIC)	%	**34.6**	38.4	33.2	33.9	35.5	40.7	48.0	49.6	40.4	32.1
Balance sheet total	m EUR	**377.3**	326.2	283.2	305.7	265.7	209.0	187.4	146.6	132.1	146.8
Equity ratio	%	**71.2**	72.8	73.1	75.3	71.4	63.9	66.2	72.2	68.1	70.9
Number of employees (average)		**1,320**	1,258	1,184	1,058	1,031	1,090	965	864	792	742
Dividend per share *	EUR	**6.00**	5.70	5.50	9.00	3.50	1.00	4.50	3.75	3.00	5.00

* Payout in the following year, 2013 subject to approval by the General Meeting of Shareholders 2014

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		2013	2012
Maximum price [1]	EUR	**269,15**	221,70
Minimum price [1]	EUR	**200,00**	166,15
Year-end closing price [1]	EUR	**241,10**	218,00
Market capitalisation [2]	m EUR	**2.741,3**	2.478,7
Dividend yield [3]	%	**2,5**	2,6
Beta factor (one year) as of 31 Dec [4]		**0,78**	0,84
Sales per share	EUR	**40,56**	38,26
Price-to-sales ratio [2]		**5,9**	5,7
Earnings per share	EUR	**8,55**	8,20
Price-earnings ratio [2]		**28,2**	26,6
Cash flow per share	EUR	**9,05**	9,80
Price-cash flow ratio [2]		**26,7**	22,2

[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 2000

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: 20 February 2014

Financial calender 2014

Balance Sheet Press Conference Fiscal Year 2013	Munich	20 Mar 2014
DVFA Analyst Meeting	Frankfurt	20 Mar 2014
Financial figures Q1/2014	Landsberg	30 Apr 2014
General Shareholders Meeting 2014	Augsburg	30 Apr 2014
Financial figures Q2/2014	Landsberg	30 Jul 2014
Financial figures Q3/2014	Landsberg	29 Oct 2014

Executive Board and Supervisory Board

The Executive Board

Dr Peter Stadelmann, CEO
Erich Baumgärtner, CFO
Peter Wiedemann, CTO
Markus Paschmann, CSO

The Supervisory Board

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

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Status: 20 March 2014

Key Figures

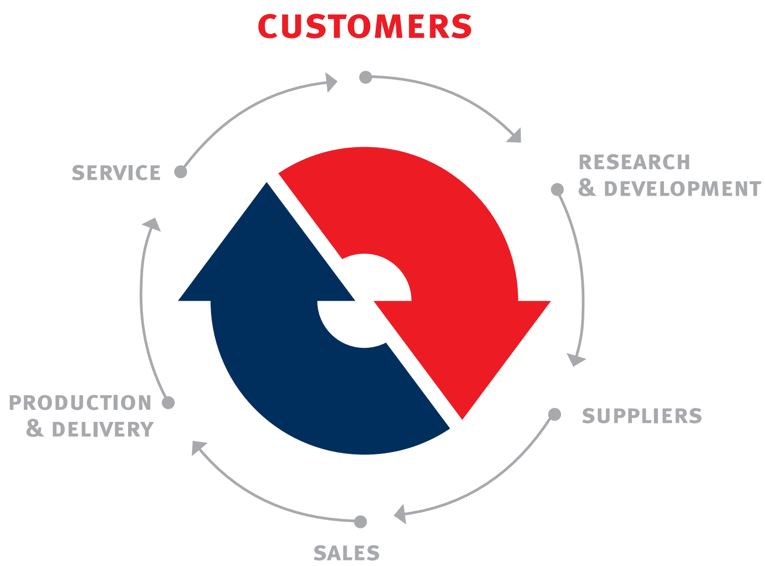
in m EUR	2013	2012	Change absolute	Change in %
Sales and earnings				
Sales	**461.1**	435.0	+26.1	+6
Sales abroad in %	**87**	86	+1	–
Cost of sales	**180.4**	173.3	+7.1	+4
Sales and service expenses	**111.2**	105.8	+5.4	+5
Research and development expenses	**16.7**	13.6	+3.1	+23
General administration expenses	**21.3**	18.8	+2.5	+13
Earnings before interest and taxes (EBIT)	**128.3**	122.7	+5.6	+5
Net Income	**97.2**	93.3	+3.9	+4
Return on invested capital (ROIC) in %	**34.6**	38.4	–3.8	–
Balance sheet				
Balance sheet total	**377.3**	326.2	+51.1	+16
Working capital[1]	**78.9**	69.8	+9.1	+13
Equity	**268.8**	237.4	+31.4	+13
Equity ratio in %	**71.3**	72.8	–1.5	–
Cash flow				
Cash flow from operating activities	**102.8**	111.4	–8.6	–8
Investments	**12.0**	9.4	+2.6	+29
Free cash flow[2]	**90.8**	102.0	–11.2	–11
Key figures RATIONAL share				
Earnings per share (in EUR)	**8.55**	8.20	+0.35	+4
Year-end closing price[3] (in EUR)	**241.10**	218.00	+23.10	+11
Market capitalisation	**2,741.3**	2,478.7	+262.6	+11
Employees				
Number of employees as of 31 Dec	**1,341**	1,263	+78	+6
Number of employees (average)	**1,320**	1,258	+62	+5
Sales per employee (in kEUR)	**349.4**	345.8	+3.6	+1

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

Follow the QR code or the link
www.rational-online.com/en/investor_relations
to the IR-Center of RATIONAL AG

FOCUS
ON THE ESSENTIALS

Our consistent orientation to our clearly defined target group, professional kitchens, and their core activity – the preparation of hot food – has meant that we know our customers' wishes and needs down to the smallest detail. We are part of their world and so are able to solve their problems better than anyone else. We concentrate on our strengths and key skills and focus our efforts in other areas by means of partnerships with skilled specialists. This strategy allows us to achieve maximum benefit for our customers.



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Foreword by the Supervisory Board

Dear Ladies and Gentlemen,

When our company started out, some 40 years ago, it employed a mere 18 people, and no one could have foreseen just how successful it would become. Right from the outset, our motivation was to do things better than others and this was what shaped our entrepreneurial philosophy. Hence, the primary question was not: “How can we maximise our profits?”, but rather “How can we use innovative cooking technology to make life easier for people working in the professional kitchens of this world?” And we have remained true to this consistent orientation of the entire company to maximum customer benefit right up to the present day.

Success thanks to specialisation and focus

Specialising in the thermal preparation of food has enabled RATIONAL, right from the outset, to expand its strengths and thus create and successfully occupy a completely new market.

Yet, a company can only offer maximum benefit to its customers if it is able to understand the wishes and needs of its target group and to develop the right solutions for them. This works best by focusing on a clearly defined group of customers. Only by concentrating forces it is possible to connect intimately with customers and thus become part of their world.

Over the past four decades we have demonstrated that we offer maximum customer benefit and in doing so have gained the reputation of being one of the best solution providers in the sector. The fact that RATIONAL is now by far the world market leader can be ascribed to our ability time and again to surprise customers positively with our performance. This is the criterion for our success, and will remain so for the next 40 years, too.

New generation at the helm

After 17 successful years at the helm of the Executive Board, Dr Günter Blaschke relinquished his position as CEO of the company by mutual agreement at the end of the 2013 fiscal year. With his entrepreneurial foresight and commitment, he successfully drove forward the internationalisation of the business and made RATIONAL one of the best companies on the German stock market.

Siegfried Meister

Dr Peter Stadelmann, who joined our Executive Board in 2012, took over as CEO on 1 January 2014. As an outstanding personality and experienced manager he, together with his colleagues on the Executive Board, will ensure the consistent continuation and further development of the current corporate strategy and philosophy. I wish him and his colleagues every success in this.

Finally, a special word of thanks should go to our employees, because without their tireless efforts and loyalty, the RATIONAL success story wouldn't be as it is today.

Siegfried Meister
Chairman of the Supervisory Board

Letter from the Executive Board

Dear Shareholders, Customers and Business Partners,

2013 was characterised by different economic cycles in the major regions of the world. Whereas the emerging countries grew at an above-average rate of around 5% and North America and Japan still posted solid growth of 2%, economic performance in the Eurozone stagnated.

6% sales growth, 28% EBIT margin

2013, RATIONAL successfully continued on its path of international growth. As a heavily export-dependent business, the weakness of major currencies had a negative effect on our sales patterns. Over the year, the Japanese yen, the pound sterling, the US dollar and the Brazilian real all fell sharply in value against the euro. These countries account for around one third of our sales and, therefore, their currencies had a negative impact on overall growth. In total, sales rose by 6% to 461 million euros in 2013. After exchange rate adjustments, growth stood at 9%.

EBIT (earnings before interest and taxes) was slightly up on last year's already good level at 128.3 million euros (2012: 122.7 million euros). The EBIT margin was 28% (2012: 28%).

54% global market share

By consistently focussing on customer benefit from the outset, we have succeeded in becoming the uncontested global market leader. Today, every second combi-steamer sold in the world comes from RATIONAL. In the past fiscal year we managed to further confirm and strengthen this unique market position.

Our products – the RATIONAL SelfCookingCenter® whitefficiency®, the RATIONAL CombiMaster® Plus and the FRIMA VarioCookingCenter MULTIFICIENCY® – are superior to those of our competitors and remain the key to our success. With these products, our customers at all times get the best possible technology and quality at an attractive price.

Technological edge combined with maximum customer satisfaction

Our product leadership was confirmed to us once again in 2013 by a customer satisfaction survey conducted by TNS Infratest. For 98% of the customers surveyed, RATIONAL offers the maximum benefit. For us, this is both an incentive and an obligation, not only to satisfy our customers' expectations, but also to exceed them in future.

Dr Günter Blaschke

Dr Peter Stadelmann

Owners of the FRIMA VarioCookingCenter MULTIFICIENCY® are also delighted with this new technology, which is complementary to the combisteamer. Virtually every one of them would buy the VarioCookingCenter MULTIFICIENCY® again immediately.

Sound financial basis

The good sales and earnings figures have further consolidated our sound balance sheet structure. An equity ratio of over 70%, combined with high free liquidity, underscores our company's stability and its ability to operate effectively in future. Our shareholders have rewarded this with an increase in the value of the company to over 2.7 billion euros as at the balance sheet date.

6.00 euros dividend proposed

As every year, we would also like our shareholders to participate commensurately in the company's profits. The Executive Board and Supervisory Board therefore propose to the General Meeting of Shareholders to be held on 30 April 2014 to distribute a dividend of 6.00 euros for the 2013 fiscal year. Based on the share price at year-end 2013, this represents a dividend yield of 2.5%, and the payout ratio is 70%.

Corporate quality is employee quality

Key to the sustained success of the business are our over 1,300 committed employees around the world, who think and act like Entrepreneurs in the Company (U.i.U.®). This means they work as autonomous entrepreneurs, master and complete their tasks, develop their working methods, make necessary decisions and take responsibility for them.

91% of all RATIONAL employees around the world are not only satisfied, but are proud to work for RATIONAL. This forms the basis for continuing maximum customer satisfaction in future, as only motivated employees can inspire customers with their outstanding performance for the long term.

Cautiously optimistic for the future

Current forecasts by economic experts assume a rise in global economic output of close to 4% for 2014. Against this backdrop, and with an eye to our superior products and services, the huge untapped customer potential and our sound financial footing, we are cautiously optimistic for 2014 and are assuming we will continue on our successful growth path.

Our thanks, also on behalf of all Executive Board colleagues, go to our customers and business partners and to you, our shareholders, for once again in the year under review placing your confidence in us.

In particular, however, we would like to thank our employees. Their high levels of commitment have once again made a vital contribution to the overall success of the business.

Dr Günter Blaschke
Chief Executive Officer of RATIONAL AG
(until 31 December 2013)

Dr Peter Stadelmann
Chief Executive Officer of RATIONAL AG
(since 1 January 2014)

Management

Markus Paschmann
Chief Sales Officer

Born in 1966, he began his career at Siemens AG. He then moved to the Harting Technology Group, where he was Head of the Global Business Unit Electronics and Managing Director of Harting Electronics GmbH. In 2006, he became a member of the Executive Board of SICK AG with responsibility for factory automation and marketing segments. With effect from 1 December 2013, Markus Paschmann was appointed as Chief Sales Officer of RATIONAL AG.

Dr Peter Stadelmann
Chief Executive Officer

Born in 1965. After his studies and dissertation at St. Gallen University he spent over 20 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 as Chief HR Officer. Since 1 January 2014, Dr Stadelmann is Chief Executive Officer of RATIONAL AG.

Peter Wiedemann
Chief Technical Officer

Born in 1959, joined RATIONAL GmbH as an engineer after studying mechanical engineering at the Technical University of Munich in 1988. 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 of RATIONAL AG.

FOCUS ON THE ESSENTIALS – MAXIMUM CUSTOMER BENEFIT

The secret of our success over the past 40 years is particularly due to our basic principle of intelligent differentiation. The German physicist and author Georg Christoph Lichtenberg tellingly formulated this principle around 1775 as follows:

»I cannot say whether things will get better if they change, what I can say is that they must change if they are to get better.«

RATIONAL is different

If a company wants to be significantly better than the others, it first has to be different. And RATIONAL is different. Our business is different. That difference starts from the basic strategic orientation.

Our top corporate goals are not sales or profits – as is generally the case – but always the maximum customer benefit. The only way to strengthen the attractive force of a brand and to strengthen demand and growth is to continuously increase the level of customer benefit. We are convinced that only by consistently aligning ourselves to customer benefit a sustained increase in the value of the business can be achieved.

In order to meet our own objectives to the full, we concentrate consistently on one target group – people in the professional kitchens of the world who prepare hot food – and offer the greatest possible benefit: the best products and services on the market at attractive prices.

We employ 300 trained chefs in sales and in application consulting and development. We connect intimately with our target group, to know their wishes and needs in detail and are able to provide ideal solutions to their challenges and problems.

Our own claim: maximum customer benefit thanks to the best technology

Providing customers the maximum benefit can only be achieved by offering the best technology for the optimum solution to their problems. The new SelfCookingCenter® whitefficiency® launched in 2011 sets new standards when it comes to cooking perfection, efficiency, flexibility, user-friendliness and ease of cleaning. The increasing appeal to our customers is readily apparent from the growing numbers of units sold every year.

The fact that maximum customer benefit is not simply a claim on our part but is something experienced by our customers at first hand is shown by the results of a customer survey conducted by TNS Infratest in 2013. 98% of all RATIONAL customers confirm that compared to all other equipment used in the kitchen, our products offer by far the greatest benefit.

Our own claim: maximum customer benefit thanks to the best services

Our general claim in dealings with customers is: “Every contact with RATIONAL is a positive experience for the customer.” The experience can only be positive if customers’ expectations are significantly exceeded.

We offer our customers a wide variety of tailor-made services before they make a purchase, but even more so afterwards, throughout the entire commercial relationship.

»Large amounts of food have to be served as fast as possible at the Oktoberfest. RATIONAL appliances have never let me down.«

Pascal Heide-Nigg, Junior and Executive Chef, "Pschorr-Bräurosl", Munich, Germany

»No dish leaves our kitchen without having been touched in some way by our RATIONAL units.«

Barbara Lynch, Founder & CEO, Barbara Lynch Gruppo, Massachusetts, USA

»RATIONAL means variety. Since we have been working with RATIONAL we became much more attractive to our customers.«

Irina Razumovskaya, Deputy Manager, Gazprom Neft, Moskow, Russia

»We just need to push a button and do always get the same result. This cooking perfection we can only achieve with RATIONAL.«

Nicolas Tsimidakis, Executive Chef,
Majestic Hotel Tower, Dubai, United Arab Emirates

»After experiencing RATIONAL for the first time I knew what I was missing in my kitchen. I can only recommend it – it changes your kitchen life.«

Purity Waihumbu, Director, Heritage Grill Limited, Nairobi, Kenya

»The way RATIONAL turns out food is just amazing.«

Julia Carmen Desa, Co-Owner, Tres, Delhi, India

Worldwide, 76,000 visitors to our CookingLive seminars are testimony to the high level of interest in our technologies. In a cooking demonstration lasting several hours our RATIONAL chefs show potential customers the advantages of our equipment. The customers can also try things out for themselves, and so experience the multiple benefits directly.

After the sale we assist and support the users of our technology via the ClubRATIONAL – in the meantime having over 46,000 members – with numerous free services, such as international recipes, RATIONAL software updates for improved cooking results, and much more.

In the Academy RATIONAL our chefs work with customers after the sale to cook their special menus, so they can use our technology to the full in day-to-day operations in their kitchens.

Needless to say, we offer these services to our customers free of charge. Hence we provide them with all the support they need to make the very best use of their equipment and to continuously increase their benefit, all at no additional cost.

In addition, since 2013 we have offered our customers a special service. Our homepage allows them to contact our CEO directly and to tell him what they want, make suggestions or express criticisms, if they are ever less than 100% satisfied.

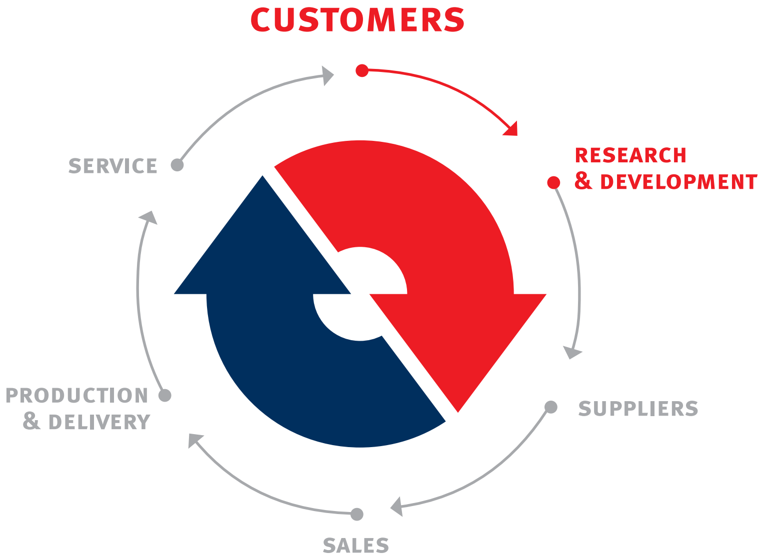
Our wide programme of services was singled out for praise in 2013. Out of around 100 participating firms from different sectors, RATIONAL took first prize for the quality of its services. Hence we are particularly proud that our own claim of making every contact with RATIONAL is a striking experience for our customers was met to the highest degree.

Our own claim: maximum customer benefit at attractive prices

The general economic consensus is that greater benefit thanks to a better product justifies a higher price. But RATIONAL takes a different view, as this consensus is out of step with the company's philosophy of customer benefit.

As it says in our philosophy: "We are a winning team. We play at the top level for the World Championship." We specialise in customer benefit, and when it comes to customer benefit we won't be beaten by anyone. Every customer should be able to afford to acquire the best product at an attractive price. Which is why in 2011 we launched the SelfCookingCenter® whitefficiency® without any increase in price.

This is how we manage to offer as many customers as possible the maximum benefit. The fact that we are doing ever better with this was confirmed by 2,000 decision-makers in the hotel, restaurant and communal catering sectors at the Best of Market Awards 2013 presented by the trade magazines "first class", "GVmanager" and "24 Stunden Gastlichkeit". We emerged as the overall winner with quality, service and above all the best price/performance ratio as criteria assessed.



FOCUS ON THE ESSENTIALS IN RESEARCH & DEVELOPMENT

Product and technology leadership has been firmly entrenched in our philosophy. This states: “We promise our customers the best possible technology and quality at a reasonable price.”

Depth of in-house knowledge is vital for product leadership

Permanently offering more product benefits than others, and continuously demonstrably increasing this benefit, calls for regular genuine innovations. The fundamental prerequisite for being truly innovative is indepth knowledge combined with creativity and passion.

Indepth, in-house knowledge additionally calls for application orientation. For us, this means fully automated cooking. Intelligent cooking profiles allow maximum ease of operation of the equipment. Hence we see ourselves not primarily as excellent mechanical engineers but as the company for chefs. In our research and development organisation we therefore employ chefs, physicists, food scientists as well as engineers in the areas of hardware, software and electronics.

By focusing the whole business on the professional kitchens of the world and on their core activity – cooking – we have created the ideal preconditions for inventions. Thus we managed to revolutionize the segment of thermal food preparation again and again. Starting in 1976, the combi-steamer replaced conventional cooking equipment, such as hot air appliances or boiling pans, and the SelfCookingCenter® whitefficiency® is now replacing the large installed base of older combi-steamers additionally.

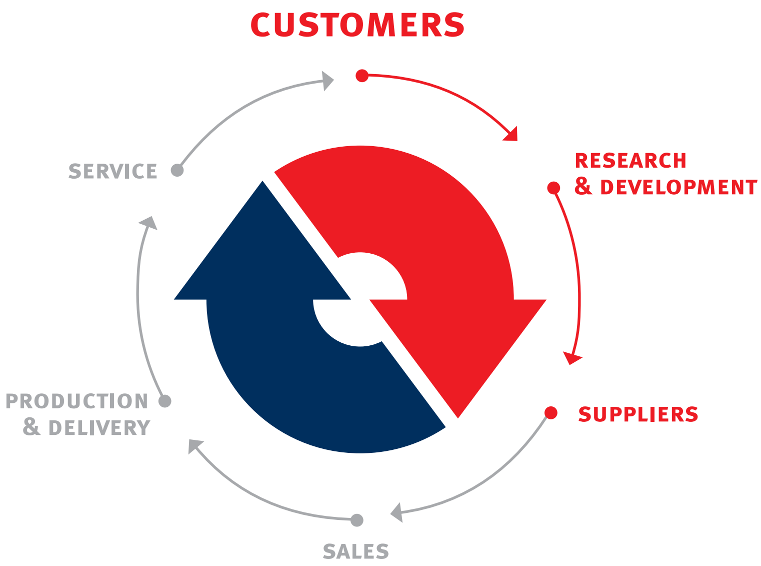
We focus on a basic human need, namely hot food away from home. As people’s prosperity increases, this need is steadily growing which gives us additional confidence for the future.

Best Innovator 2012/2013

Our special innovative strength is confirmed regularly in the form of numerous awards. In 2013, A.T. Kearney and the Fraunhofer-Gesellschaft awarded us as “Best Innovator 2012/2013” in the three categories of innovation strategy, innovation process and innovation success compared to other leading European businesses from a variety of sectors.

»By concentrating completely on cooking and thanks to our many years of experience we have indepth expert knowledge of product development, so we understand our customers and can translate their wishes into tailor-made solutions. The fact that with my creative and innovative work I can make a major contribution to our customers' success spurs me on every day and motivates me to achieve maximum performance.«

Andrea Jürgens, Head of Application Development at RATIONAL AG



FOCUS ON THE ESSENTIALS – WITH DEVELOPMENT PARTNERSHIPS

Partnerships with suppliers are firmly embedded in the RATIONAL philosophy. Strong RATIONAL partners possess innovative development and manufacturing skills which they continuously expand.

We offer our system suppliers a long-term business relationship, which emphasises close cooperation. Using established tools for supplier management, such as partner plans, we ensure cooperation that is geared to objectives and success from the outset.

After the concept phase when a concept is chosen and thus the subsequent supplier, series development commences. Milestones are defined jointly and manufacturing is costed during development, to ensure that any deviations from the target figures are identified and dealt with at an early stage. The production layout, including the necessary testing equipment, is worked out and furnished by the series development partner. Tools and manufacturing resources needed are defined and brought to series production.

The end result of the joint development process is an upstream product that perfectly complements our efforts to always offer the maximum customer benefit. A superior product such as the SelfCookingCenter® whitefficiency® can only come about if the individual components satisfy the highest quality standards.

The combination of the key skills of our suppliers specialising in individual components with our system expertise ultimately means we can always fully match our promise to customers of the best technology at an attractive price.

To jointly develop and manufacture electronic modules for the SelfCookingCenter® whitefficiency® we have for many years worked successfully in a close partnership with TQ-Systems, a leading German electronics service provider. We worked together to develop both generations of the SelfCookingCenter® equipment. By being a dependable supplier of series modules TQ-Systems makes a major contribution to this overall success.

The basis of this long-term, successful cooperation are reliability and trust combined with open and respectful interaction – and of course technology that meets the highest demands. Because of this we are able to present TQ-Systems with numerous awards at our annual RATIONAL suppliers' day.

»We are proud of our successful ten-year partnership with RATIONAL. In doing so, we focus on our key skills, the development of complex key modules and systems, and the implementation of their tailor-made production and logistics processes. Thus we meet the demanding product requirements for the optimum efficiency of the SelfCookingCenter® whitefficiency®.

By jointly developing sophisticated hardware and software for both generations of the SelfCookingCenter® we have set standards in terms of efficiency, reliability and fitness for the future.«

Friedrich Maier, Dipl.Ing. (Univ.), TQ-Systems, Plant Manager Murnau/Peißenberg

FOCUS ON THE ESSENTIALS – PARTNERSHIP OF WINNERS

Best Innovator 2012/2013

RATIONAL SUPPLIERS' DAY

EXCELLENT PARTNERS This year's suppliers' day was held on 15 May 2013. 170 participants took up our invitation and were updated about the latest developments at RATIONAL. The day was rounded off by selecting the best suppliers. The top three – punker GmbH, RAWE ELECTRONIC and Stolz Aufrolltechnik – were awarded the coveted RATIONAL trophy as the best suppliers of the year.

The aim of our corporate philosophy of maximum customer benefit is not simply satisfied customers, but enthusiastic customers. With this objective in mind we have increased our attractiveness year on year, which is the safeguard for sustained growth. The symbiosis of our specialist partners' proximity to the customer and market knowledge in combination with our innovative strength and on-site consultancy services forms the basis for stable and successful business relationships.

Reliable partnerships
In its aim of tapping the global market, RATIONAL counts on reliable partners, since long-term success is achieved only with partnerships that are based on mutual trust and in which everyone wins. They are specialist dealers and OEM partners – OEM partners sell RATIONAL products as part of their product range under their own brand – as well as kitchen planners and service partners.

Concentration on core competences
In future, and in line with our motto "We only do things ourselves if we can do them better than others", we will concentrate on developing and producing the best equipment for the preparation of hot food in professional kitchens. With our product and innovation leadership we give the dealers, planners and OEM partners the assurance that they are always getting the best and most competitive equipment on the market. In turn, we profit from their proximity to the customer. Our partners know the local markets best and can build on this to tailor sales and marketing perfectly to customers' needs. They are highly skilled when it comes to planning, installing and commissioning the equipment. They help with the selection of the right products, and after the sale are available to solve problems and answer questions.

Maximum customer benefit by pooling of resources
In this partnership of winners, each partner concentrates on its own key skills. The mutual strengths complement one another perfectly. By joining forces – our technology leadership and brand awareness with the sales strength of our partners and planners – we together succeed in penetrating the market better. Because each party focuses on its strengths, everyone profits, but customers most of all. Customers get an optimum overall offering that helps them save money, improve the quality of the food and offer their diners creative new menus. Or put another way: the customer always wins!

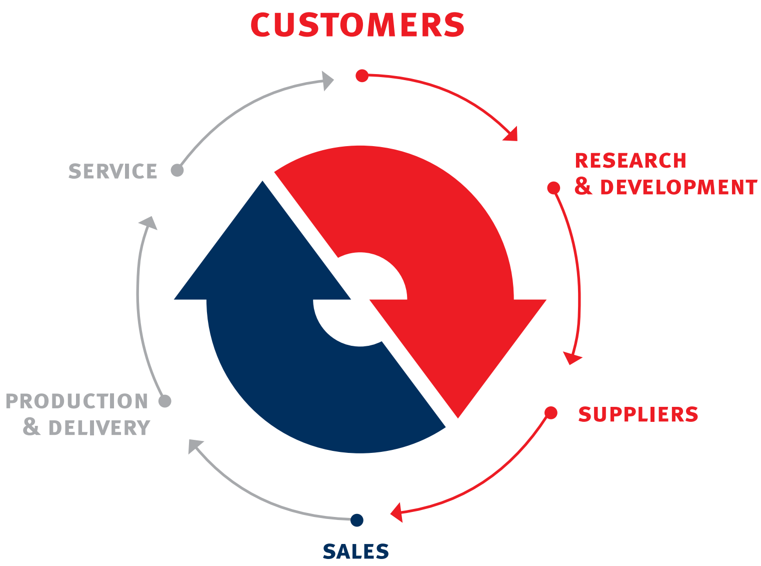
BEST INNOVATOR 2012/2013 Our special innovative strength is confirmed regularly in the form of numerous awards. In 2013, A.T. Kearney and the Fraunhofer-Gesellschaft awarded us as Best Innovator 2012/2013 in the three categories of innovation strategy, innovation process and innovation success compared to other leading European businesses from a variety of sectors.

Best of Market Awards 2013

BEST OF MARKET AWARDS 2013 We were awarded first place by 2,000 decision-makers in the hotel, restaurant and communal catering sectors at the Best of Market Awards 2013 presented by the trade magazines “first class”, “GVmanager” and “24 Stunden Gastlichkeit”.

Industry Award 2013 – RATIONAL is „Best of 2013“

INDUSTRY AWARD 2013 Our production and delivery process was named “Best of 2013” in the “Production Technology and Engineering” category of the Industry Award. Here we benchmark ourselves against the best industrial enterprises in Europe, from the automotive supplier or medical engineering sectors for example.



DEALER PARTNERSHIPS

From the very start, RATIONAL has used a two-tier sales channel to facilitate global market development. Selling our products through dealers gives us the room for manoeuvre we need so that our chefs in Sales can focus indepth on the interests of end users. In cooking demonstrations lasting several hours they provide them with comprehensive advice before the sale on the benefits of using our technologies. The sales process itself, the installation and the after-sales service are handled by the dealers.

Our partners profit from the technology and market leadership, the quality and reliability of the products, and also from the high brand awareness and customer satisfaction and the customer loyalty.

In return, RATIONAL benefits from its business partners' strengths, in particular their extensive customer base and local presence, their comprehensive range of services and their expertise in planning, installation, commissioning and on-site technical service.

The sum of all strengths multiplies customer benefits and opens up additional prospects for everyone involved. The attractiveness and uniqueness of the SelfCookingCenter® whitefficiency® are used by many partners as the ideal platform for winning new customers. The special appeal of our CookingLive Shows also gives the partners the opportunity to present their entire range of services to new customers. Satisfied RATIONAL customers also buy their other kitchen equipment from our partners. In this way, they develop into new, full-range customers.

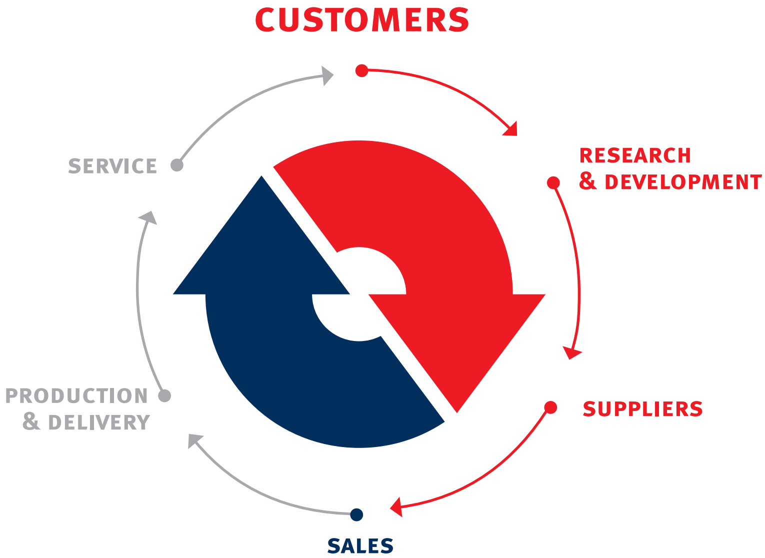
In Spain since 2001 we have been working with Oms y Viñas, a dealer specialising in professional kitchen equipment for the hotel industry, restaurants and communal catering. Through supportive activities and indepth service to his customers, managing director Jonathan P. Gilboy Rubio's aim is to enable them to derive the maximum benefit from RATIONAL equipment. This benefits both RATIONAL and Oms y Viñas, but ultimately it is the customer who wins.

»With over 100 years of history and experience in the catering and tourism sector, we deliberately specialise in this key area. This focus ensures we offer customers much more than they expect. Customer benefit is what drives both RATIONAL and us. Together we achieve satisfied customers.«

Jonathan P. Gilboy Rubio, Managing Director of Oms y Viñas, Spain

»We know exactly the needs of our Japanese customers working in commercial kitchens. In order to continuously fulfil our very high quality demands with innovative products, and based on the fact that we found more customer benefit by having RATIONAL's SelfCooking-Center®, it is in our eyes much more effective working together with specialised partners like RATIONAL than manufacturing everything by ourselves. We are very happy with our sustainable successful relationship with RATIONAL for many years and look forward to working with them in future.«

Toshinori Kumagai, President of Fujimak Corporation, Japan



OEM PARTNERS*

The cooperation between RATIONAL and our OEM partners is based in a high level of trust. Both partners concentrate on their respective strengths and can rely on the other one at all times.

Our OEM partners know RATIONAL always offers the best technology available in the market in order to be able to offer its customers a superior solution. This is why we concentrate on continuously further developing the combi-steamer technology and on the production and delivery.

In large projects, such as kitchen refits or renovations, our OEM partners very much help us to sell our products. We rely on the local market knowledge and high market reputation of our OEM partners and leave it to them in this partnership to actively market our products as part of their product range.

In Japan we have worked for over 20 years in a close partnership with Fujimak, one of the best known and most successful commercial kitchen outfitters in Japan, employing 1,200 people.

Fujimak always strives for quality improvements and offers best solutions at attractive prices. Because of this extraordinarily high quality demand the company makes on its own products, it only enters into partnerships with the best in the sector. And the combi-steamer comes from RATIONAL.

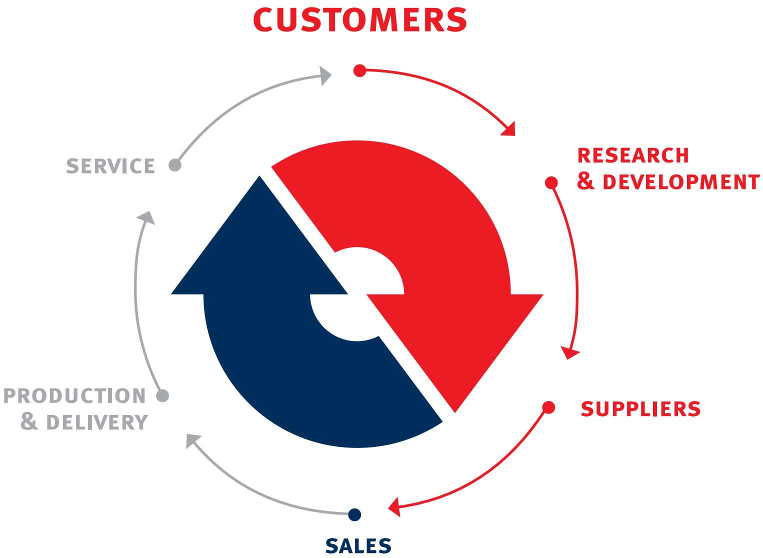
Owner and president Toshinori Kumagai particularly appreciates the high level of benefit that the SelfCookingCenter® whitefficiency® offers his customers. It helps Fujimak always meet customers' high demands in the shape of innovative products.

In a partnership such as this, everyone wins. Fujimak's offering includes the top-ranked combi-steamer, which rounds off its total solution. Based on trustful relationships RATIONAL improves its chances in commercial kitchen projects and in calls for tender and in addition, this gives us a major impetus to further develop our technologies. But it is customers who are the real winners, thanks to an excellent overall offering that helps them save money, improve the quality of the food and offer their diners creative new menus.

* Original Equipment Manufacturer; OEM partners sell RATIONAL products as part of their product range under their own brand.

»As independent kitchen consultants, we enjoy the trust of our customers due to our competence and experience with innovative systems. To be able to live up to the trust vested in us, we of course recommend only those products offering the greatest premium value for our customers. When it comes to culinary cooking we therefore place our trust in the RATIONAL people and the SelfCookingCenter® whitefficiency®.«

Doug Feltmate, Director – Food Service & Hospitality, WSP Group, Canada



KITCHEN PLANNERS

For high-quality food to be prepared economically at all times in a commercial kitchen, optimum kitchen planning is vital. Kitchen planners are important, independent opinion-leaders and decision-makers in specifying technology for large kitchens in projects and calls for tenders.

When planning kitchens in which a large number of meals have to be served in the shortest possible time, planners' skills and experience are invaluable. Examples include restaurants, hotels, supermarkets, militaries, catering facilities in schools, hospitals and nursing homes, right through to large conference centres.

Highest demands for quality, stringent time targets, large volumes of valuable food, power and water call for meticulous organisation and perfectly coordinated workflows. Planners have the necessary expertise and wide experience of influencing organisational and operational structures. In addition, they are familiar with the products and technologies available on the market that provide optimum support for smooth, stress-free procedures every day in the kitchen.

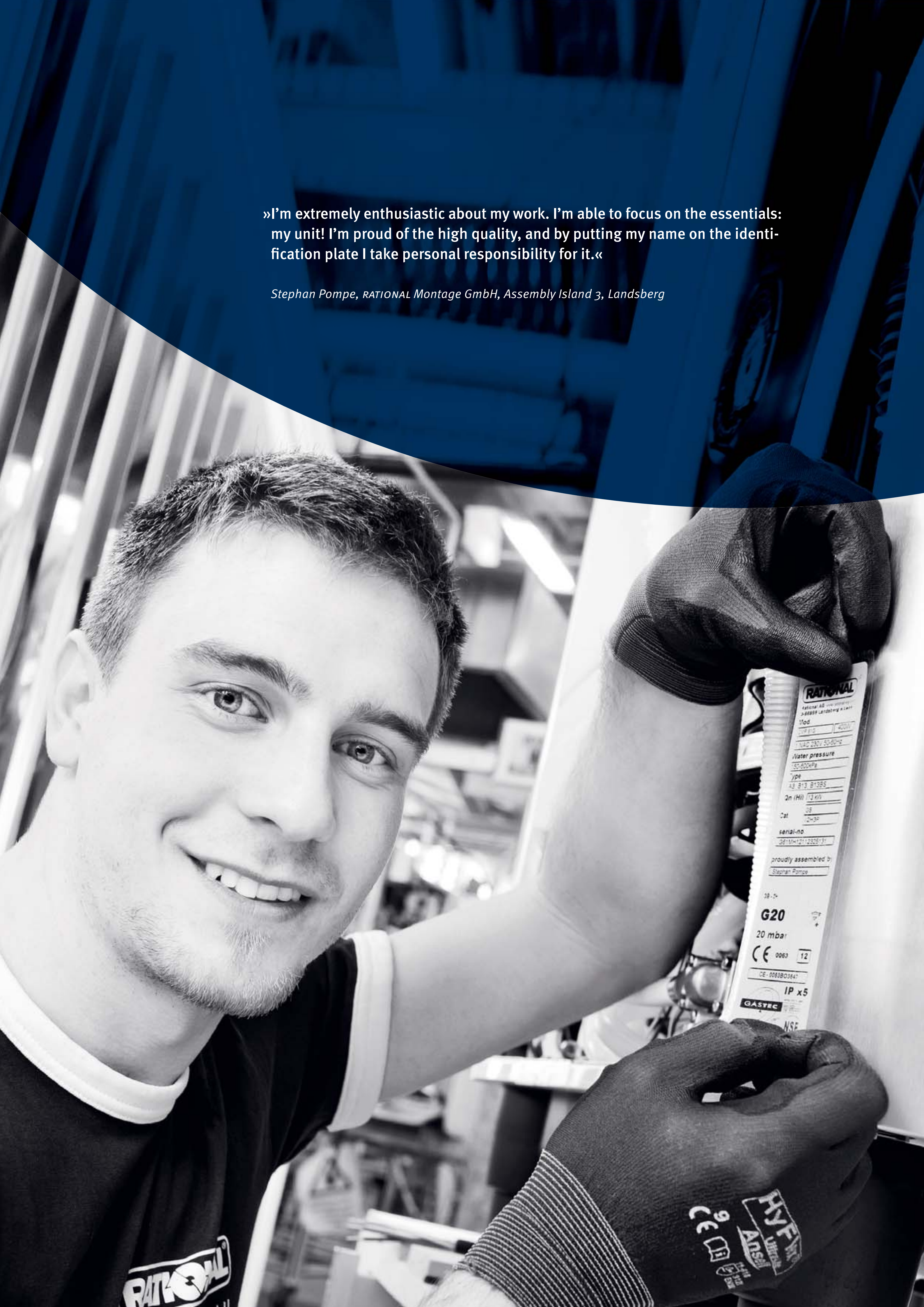
RATIONAL offers planners the best technology and quality available on the market at a reasonable price. With the help of RATIONAL products they can put together a tailor-made total package that will ease the burden on their customers as much as possible – for example Finishing®. Whether it's 20 plates or 10,000, in less than ten minutes the meals are cooked to perfection shortly before serving, free from stress and rush.

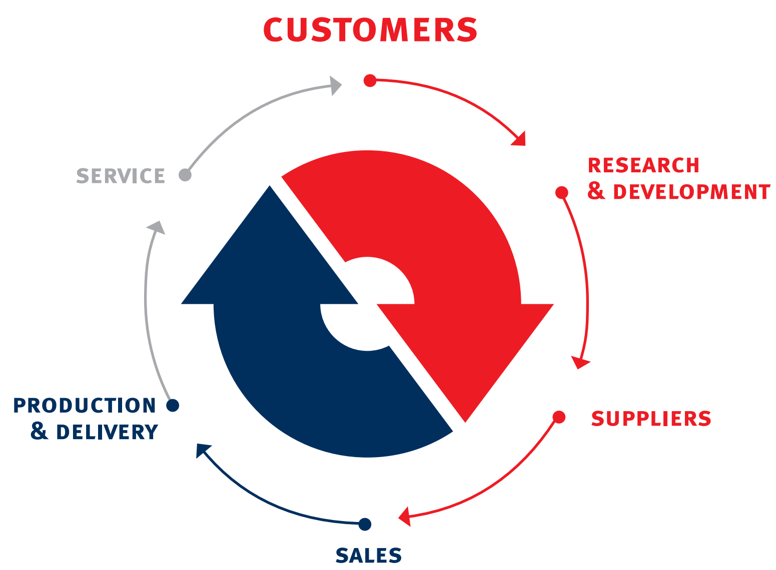
In Canada, we work together, amongst others, with the WSP Group, an experienced and well-respected kitchen planner. One of the most challenging projects in recent years was fitting out the kitchen in the Ottawa Convention Centre. Twelve SelfCookingCenter® whitefficiency® units allow the kitchen and serving team to serve up to 7,000 top-quality meals in the shortest possible time.

Ultimately this cooperation benefits all parties. RATIONAL gains market access through a skilled partner with great expertise and local market knowledge. The WSP Group delights its customers with its optimum solutions and as a result offers them the maximum benefit.

»I'm extremely enthusiastic about my work. I'm able to focus on the essentials: my unit! I'm proud of the high quality, and by putting my name on the identification plate I take personal responsibility for it.«

Stephan Pompe, RATIONAL Montage GmbH, Assembly Island 3, Landsberg





FOCUS ON THE ESSENTIALS IN THE PRODUCTION AND DELIVERY PROCESS

What concentrating on the essentials in manufacturing means: we only do things ourselves if we can manufacture them better or more cheaply than others, or if we possess system-critical expertise. Everything else we buy in from specialist, highly-skilled suppliers. The resulting low level of complexity and tied-up capital are crucial drivers for the maximum flexibility and success of our business.

Concentration thanks to the "One-Piece Flow" principle

As a company with minimal vertical integration, we essentially handle the final assembly of the appliances in manufacturing. In line with the "One-Piece Flow" principle an employee assembles "his" unit from the first to the last screw and puts his name on the identification plate as a guarantee of quality. This results in a high level of identification with the product and best quality.

Our customers benefit from short lead-times. "Ordered today, delivered tomorrow" is no empty slogan for RATIONAL, it is the reality.

Trust-based partnership with suppliers

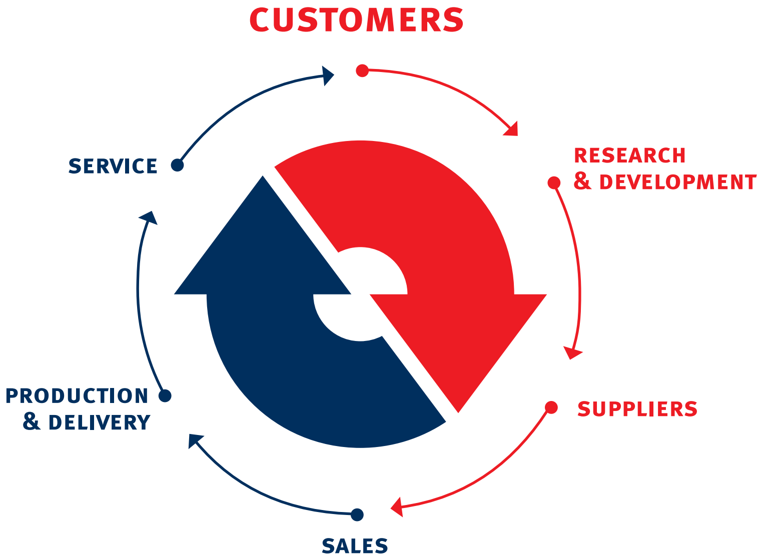
Following the extended workbench principle, we very much work in close partnership with our suppliers. We offer them a long-term, dependable partnership and in return expect loyalty, quality, commitment, flexibility and innovative skill.

Instead of permanently pushing for lower purchase prices, which often leads to costly and risk-laden changes in supplier, we collaborate with our suppliers on the basis of annual partner plans to meet joint quality, productivity and cost objectives. Over time this leads to attractive purchase prices while encouraging long-term supplier loyalty.

At this year's suppliers' day, we updated 170 participants about the latest developments at RATIONAL and awarded the top suppliers.

Industry Award 2013 – RATIONAL is "Best of 2013"

Our production and delivery process was named "Best of 2013" in the "Production Technology and Engineering" category of the Industry Award. Here we benchmark ourselves against the best industrial enterprises in Europe, from the automotive supplier or medical engineering sectors for example.



SERVICE PARTNERS

The preparation of hot food is the core activity of every kitchen. Having the cooking equipment available at all times is an absolute must. And so, RATIONAL appliances are designed with reliability and durability in mind.

Our customer benefit strategy includes our RATIONAL service partner concept. This entails regular training, certification and enduring close cooperation with specialist partners who concentrate exclusively on excellent technical service and thus ensure the smooth operation of the equipment.

Our service partners have technical Know-how and are characterised by their availability, fast response and highly skilled employees. They fulfil 80% of their orders the same day. Engineers can access a special service website to consult all the necessary technical information. They are therefore always kept up to date and can immediately resolve technical problems without having to consult anyone or carry out time-consuming research. In short: customers can always rely on RATIONAL service.

For around eight years we have been working in the Mexican market with ServIndustrial, a partner specialising in technical service. “Our top priority is total customer satisfaction”, explains company founder Gregorio González. “The only way to achieve this is by specialising on what we can do best: first-class technical service.” What ServIndustrial gets from the partnership is the high quality, good image and reliability of the RATIONAL equipment. RATIONAL gains from ServIndustrial’s high reputation and its good quality of service, which is a major factor in the decision to purchase. But it is customers who benefit most, as they are using the best product available on the market, the availability of which is guaranteed at all times by a skilled partner.

Customer satisfaction surveys show that around 95% of our customers around the world are highly satisfied with the service provided by our RATIONAL service partners and would purchase another RATIONAL product without hesitation.

»Our priority is total customer satisfaction. The only way to achieve this is by specialising in what we can do best: first-class technical service. Therefore, our customers enjoy the benefit of having highly competent partners. We can thus guarantee our customers a complete high quality solution.«

Gregorio González, founder and owner of ServIndustrial, Mexico

40 YEARS OF RATIONAL INNOVATIONS

On the principle of “Never me too” or “Never copy” we have revolutionised the hot food sector time and again over the past four decades, and have become the preferred solution provider. Driven by the ambition to always develop the best equipment for cooking food, the RATIONAL chefs keep in close contact with the research laboratories and the development engineers.

1973 – 2013

1976

A new global market has emerged

Our success story began with the invention of the RATIONAL combi-steamer in 1976. Looking back, for many decades it was the biggest and most important innovation in commercial kitchens, that changed the professional kitchens and their production processes fundamentally. It also marked the birth of a new global market. The RATIONAL combi-steamer replaces around half of all traditional cooking equipment and opens up completely new opportunities for chefs worldwide.

1997

The new global standard for perfect quality of food

With the invention of ClimaPlus-Control® technology in 1997 RATIONAL created a new global standard for perfect food quality. The basic idea was that top-quality products only ripen in an ideal climate. Heat and humidity determine this climate in nature. The RATIONAL ClimaPlus-Control® technology for the first time ensured the ideal climate specific to each product in the cooking cabinet. The climate cycle from nature to plate was closed for the first time. Thanks to a previously unheard of level of performance and cooking perfection, the global share of the ClimaPlus Combi® for RATIONAL rose to over 70% of total sales. The ClimaPlus Combi® thus largely replaced the traditional combi-steamer.

2004

Maximum ease of operation – the world's first SelfCookingCenter®

The invention of the SelfCookingCenter® sparked yet another revolution in 2004. This spectacular RATIONAL invention followed the principle of "Keep it simple". Simple and intuitive operation plus the fascination of cooking immediately moved centre stage.

The SelfCookingCenter® immediately did away with the need to set the climate, or even the cooking time, temperature or air speed in the cooking cabinet.

SelfCooking Control® automatically identifies all product-specific requirements such as size and type of food and the load size. It delicately checks and optimises the cooking process 60 times a minute. Without need for supervision, the desired result is achieved with perfect precision – repeatable at any time.

2011

Uncontested resource efficiency with the SelfCookingCenter® whitefficiency®

With the market launch of the SelfCookingCenter® whitefficiency® in 2011 we took a quantum leap in resource efficiency. With the patented HiDensityControl® the SelfCookingCenter® whitefficiency® sets new standards. So maximum uniformity of cooking is achieved even with a full load.

This is made possible by the use of extremely high-density energy and steam, as well as the dynamic air-mixing technology. As a result, exactly the right amount of energy and steam is directed to each individual food item in the cabinet, so that they are all cooked and browned evenly.

The tremendous efficiency of HiDensityControl® allows to increase loads by up to 30% compared with conventional combi-steamers that have the same size cooking cabinet. And that is achieved while consuming up to 20% less energy. The integrated approach to creating maximum benefit from every individual resource used. That is whitefficiency®.

FRIMA
FOCUS ON THE ESSENTIALS,
THE VARIOCOOKINGCENTER MULTIFICIENCY®

GREATEST FLEXIBILITY ON SMALL SURFACES

Our subsidiary FRIMA focuses completely on cooking technology that cooks food in liquid or with direct contact heat. The VarioCooking Center® represented the development of a completely innovative, revolutionary complementary product which was successfully established in selected markets.

Since 2011 we launched the second product generation, the VarioCookingCenter MULTIFICIENCY®. With improved resource efficiency and even greater ease of operation, it offers our customers demonstrably greater benefit.

The VarioCookingCenter MULTIFICIENCY® perfectly complements the SelfCookingCenter® whitefficiency® and the CombiMaster® Plus. It handles the remaining cooking processes in a professional kitchen, such as milk dishes, noodles, soups or goulash. Conventional cooking equipment, together with pots, pans and fryers, can be largely dispensed with.

No burning and unrivaled speed

The patented heating technology of the VarioCookingCenter MULTIFICIENCY® allows heat to be transferred much faster with a strength, precision and regularity previously only dreamed of. Compared to traditional cooking technology it is up to four times faster. There is no burning or overcooking and no complicated cleaning.

Chefs no longer have to put up with long waiting times and can dispense with many monotonous routine jobs. Ability, experience and creativity thus take their rightful place in everyday work.

VarioCooking Control® – Intelligence that works for the chef

VarioCooking Control® is the built-in intelligence of the VarioCookingCenter MULTIFICIENCY®. It completely does away with the need to enter conventional settings such as temperatures, times, or complex programming. Routine chores such as filling or emptying or supervising the cooking processes are a thing of the past. Simply select the food to be cooked and that's it. VarioCooking Control® monitors the cooking process fully automatically and alerts the chef if he needs to do anything himself, such as turning or stirring the food.

VarioCookingCenter MULTIFICIENCY® – right for every customer

Customers asked for an efficient, tailor-made table-top version, and our experienced staff in Development and Production managed to achieve this in close interaction with our partners and customers.

With the motto "Small outside – Big inside" the VarioCookingCenter MULTIFICIENCY® 112T offers a maximum of possibilities on the smallest footprint. Its compact size

VARIOCOOKING CENTER MULTIFICIENCY® 112T AT THE INTERGASTRA TRADE SHOW IN STUTTGART

THE VARIOCOOKING CENTER MULTIFICIENCY® 112T
SMALL OUTSIDE – BIG INSIDE

and manageability make it versatile and mean it can be used at any time wherever the customer needs it, without extensive reconfiguration work.

In launching this small version of the VarioCookingCenter MULTIFICIENCY® we are offering our customers a product range comparable to the SelfCookingCenter® whitefficiency®. Besides floor models, used primarily in large communal catering operations, our new table-top model allows us to address the needs of small and medium-sized restaurants in particular. We have the right VarioCookingCenter MULTIFICIENCY® now for every customer.

VarioCookingCenter MULTIFICIENCY® – enthusiastic customers

The users of the FRIMA VarioCookingCenter MULTIFICIENCY® are enthusiastic ambassadors for this new technology. The results of our most recent customer survey in Germany, France and Switzerland bear this out: 96% of the owners we surveyed would buy the VarioCookingCenter MULTIFICIENCY® again at any time.

600 chefs and managers from professional kitchens confirmed this result at the "KÜCHE AWARDS 2013" held by the renowned German trade magazine "KÜCHE". The VarioCookingCenter MULTIFICIENCY® took first place in the "Cooking and Stove Technology" category.

THE VARIOCOOKING CENTER MULTIFICIENCY® 112T can be used anywhere: on a table, a work surface, a central cooking block, or in production areas ... wherever our customers need it.

ENTHUSIASTIC EMPLOYEES ARE FUNDAMENTAL FOR MAXIMUM CUSTOMER BENEFIT

RATIONAL WAS AWARDED AS "TOP COMPANY" AND "OPEN COMPANY" BY KUNUNU

IN INTERNAL SEMINARS, RATIONAL MANAGERS PASS ON THEIR KNOWLEDGE AND EXPERIENCE TO FUTURE TOP PERFORMERS

Maximum customer benefit derives from the combination of superior products and exemplary services, all at an attractive price. Only by specialising on our key skill, the preparation of hot food, and by focusing on a single, clearly defined target group have we succeeded over the past 40 years in becoming one of the best problem solvers in the commercial kitchen and the uncontested world market leader in the combi-steamer sector.

The main source of our success and the foundation for RATIONAL's success story are enthusiastic employees, working like Entrepreneurs in the Company (U.i.U.®) around the globe.

Because a company cannot achieve maximum quality unless it has passionate U.i.U.® who undertake and complete entire tasks, take the necessary decisions, learn from mistakes, are on a par in a business free from hierarchical barriers and in all of this never lose sight of the overall picture.

For all employees to think and act like U.i.U.® the right management needs to be in place. For us, management means jointly developing a clear notion of what we want to achieve. Our managers regard themselves as first among equals, thereby enabling every individual to be on a par.

RATIONAL managers behave like gardeners, who create the right climate for the best possible personal and professional development of their staff. They create an environment based on trust, give their employees room to manoeuvre and recognise success. With constructive and positive thinking they help their employees to use and further expand their strengths to the full. In short: they serve their employees and create the basis for their ability to think and act as successful U.i.U.®.

91% of all employees are not only satisfied, but are proud to work for RATIONAL. This proofs that the gardener principle falls on fertile ground.

RESPONSIBILITY RIGHT FROM THE START

FUN AT LEARNING AND AT WORK

LONG-TERM FOCUS

THE RATIONAL TRAINEE PROGRAMME IS FAIR AND CAREER ENHANCING

ASSISTANCE BY EXPERIENCED MANAGERS

LAUNCH OF THE NEW PRODUCT GENERATION in autumn 2011

RATIONAL shares

Compared to the issue price at the time of the IPO (Initial Public Offering) in March 2000, RATIONAL shares have now risen more than tenfold in value (+948%). 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 no less than 22%.

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

22%*

* Related to year-end closing price 2013

RATIONAL shares at an all-time high in the last fiscal year

The expansionary monetary policy of the Central Banks had a positive impact on global share markets in the fiscal year 2013. European share markets in particular were stimulated by the cut in base rates by the European Central Bank to a historic low of 0.25%. As a result, the leading global indexes on the share markets enjoyed a positive development across the board. In Germany too, the leading indexes rose significantly in value (the DAX was up by 25% and the MDAX by 39%).

In fiscal 2013, RATIONAL shares posted large gains and reached a new all-time high of 269.15 euros. At year-end the shares were valued at 241.10 euros. Compared to the 2012 year-end closing price of 218.00 euros, this equates to a price rise of 11%. Including the dividend payout of 5.70 euros, this represents an overall return of +13% for RATIONAL shareholders in 2013.

Stable share performance thanks to far-sighted corporate governance

The continuous rise in value since the IPO in 2000 demonstrates investors' confidence in the long-term, sustainable corporate policy of recent years and in the company's future opportunities for growth. This is also evidenced by the traditionally high valuation – measured by the price-to-earnings ratio – compared to the relevant reference indexes.

Compared to the issue price at the time of the IPO in March 2000, the price has now risen more than tenfold in value (+948%). This corresponds to an average annual price increase of 19%. Furthermore, dividends of 45.75 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 22% per annum.

Historical development of RATIONAL shares and relevant benchmark indices on 30 December 2013

in %	1 year	2 years	3 years	5 years	Since IPO
RATIONAL AG (share price development)	+11	+43	+49	+192	+948
RATIONAL AG (incl. dividends) [1]	+13	+51	+65	+237	+1,450
DAX 30	+25	+62	+38	+99	+20
MDAX	+39	+86	+64	+196	+288

[1] Assumption: reinvestment of dividends at the opening price of the ex-dividend date

RATIONAL marks five years of MDAX listing

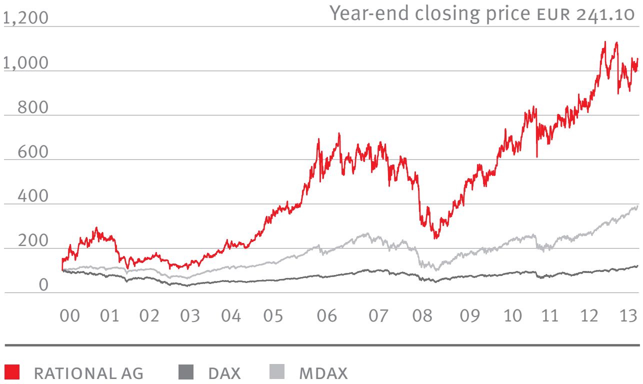
Our shares have been listed in the "Prime Standard" since the IPO, and are traded in all German stock exchange centres. Initially listed in the SDAX, the Company has for about the last five years been quoted in the MDAX. This year, too, we have continued to hold our ground within the index.

Measured by free-float market capitalisation, RATIONAL shares were ranked 50th at year-end (2012: 41st), and in terms of trading volume achieved 58th place (2012: 58th). The average daily trading volume across all stock exchange centres was 7,044 shares in 2013 (previous year: 6,085 shares). To support the liquidity of the shares, HSBC Trinkaus & Burkhardt AG acts as the designated sponsor.

Since September 2013, the tradability of RATIONAL shares is being upgraded in the form of ADRs (American Depositary Receipts) for investors in the US capital market. ADRs are depository receipts for non-US shares, which can be traded on US equities markets instead of the original securities via a depository bank. No depository agreement exists between RATIONAL and the Citigroup depository bank ("unsponsored ADR"). This does not give rise to any follow-up obligations for RATIONAL.

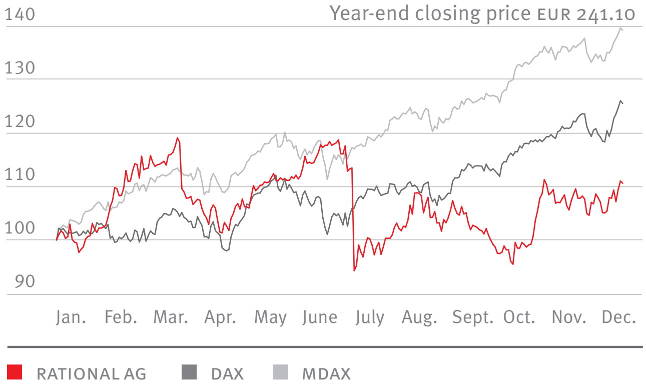
Performance of the RATIONAL shares since the IPO 2000

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

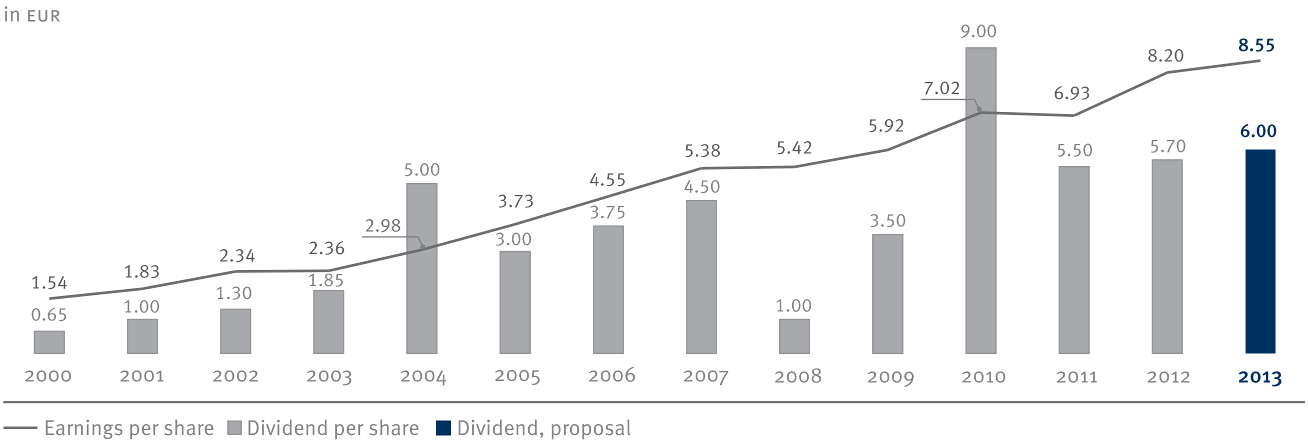


Performance of RATIONAL shares in 2013

Index (30 December 2012 = 100); in %



Earnings/dividend per share since the IPO



Earnings per share

At 8.55 euros profit per share in 2013 we easily exceeded the previous year's figure of 8.20 euros. This was thanks to 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 6.00 euros proposed

The Executive Board and Supervisory Board propose to the General Meeting of Shareholders to distribute a dividend of 6.00 euros per share for fiscal year 2013. A total amount of 68.2 million euros has been set aside for the distribution. The dividend yield (based on the 2013 closing price) is 2.5%.

Key figures of RATIONAL Shares

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Subscribed capital[1] (in m EUR)	**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)	**269.15**	221.70	193.90	170.75	118.39	142.80	161.24	167.38	109.89	64.10
Minimum price[2] (in EUR)	**200.00**	166.15	134.65	103.75	54.82	66.68	112.64	98.67	62.39	39.87
Year-end closing price[2] (in EUR)	**241.10**	218.00	168.20	161.89	115.99	82.61	137.54	138.61	109.89	63.28
Market capitalisation[1] (in m EUR)	**2,741.3**	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
Free float market capitalisation[1, 2] (in m EUR)	**799.5**	722.9	546.7	524.5	374.8	266.9	445.9	439.0	348.3	199.3
Average trading volume[2] (in pieces)	**7,044**	6,085	9,479	7,994	10,962	18,176	14,425	11,109	6,853	4,234
Dividend per share for fiscal year[5] (in EUR)	**6.00**	5.70	5.50	9.00	3.50	1.00	4.50	3.75	3.00	5.00
Dividends paid[5] (in m EUR)	**68.2**	64.8	62.5	102.3	39.8	11.4	51.2	42.6	34.1	56.9
Dividend yield[4]	**2.5%**	2.6 %	3.3 %	5.6 %	3.0 %	1.2 %	3.3 %	2.7 %	2.7 %	7.9 %
Annual performance without dividend	**10.6%**	29.6 %	3.9 %	39.6 %	40.4 %	−39.9 %	−0.8 %	26.1 %	73.7 %	53.4 %
Annual performance incl. dividend	**13.2%**	32.9 %	9.5 %	42.6 %	41.6 %	−36.7 %	1.9 %	28.9 %	81.6 %	57.9 %
Beta factor (one year) as of 31 Dec[3]	**0.78**	0.84	0.38	0.67	0.75	0.63	0.77	1.25	0.52	0.21
Sales per share (in EUR)	**40.56**	38.26	34.45	30.79	27.65	30.17	29.60	24.95	21.67	19.51
Price-to-sales ratio[1]	**5.9**	5.7	4.9	5.3	4.2	2.7	4.6	5.6	5.1	3.2
Earnings per share (in EUR)	**8.55**	8.20	6.93	7.02	5.92	5.42	5.38	4.55	3.73	2.98
Price-earnings ratio[1]	**28.2**	26.6	24.3	23.1	19.6	15.2	25.6	30.5	29.5	21.2
Cash flow per share (in EUR)	**9.05**	9.80	5.96	7.64	7.32	6.24	5.37	4.32	2.88	3.45
Price-cash flow ratio[1]	**26.7**	22.2	28.2	21.2	15.9	13.2	25.6	32.1	38.1	18.4

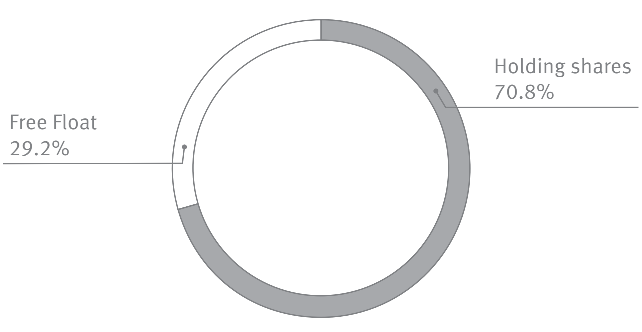
[1] As of balance sheet date
[2] German stock market
[3] In relation to the MDAX-Performance-Index
[4] In relation to the previous' year closing price
[5] Payout in the following year, 2013 subject to approval by shareholder meeting 2014

Source: HSBC, Bloomberg, RATIONAL

Stable shareholder structure

The major shareholders and founders of the Company, together with their families, held 70.8% of the share capital as at 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



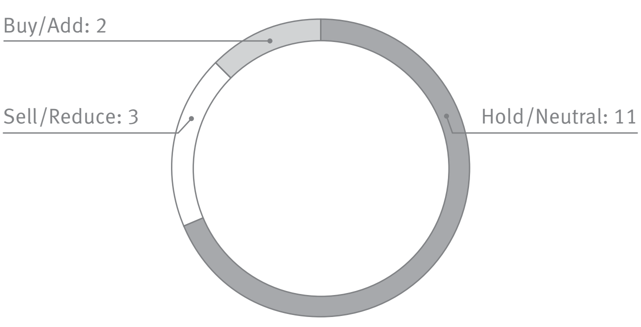
Status: 31 December 2013

Current analysts' comments on the RATIONAL corporate website

At present, 16 institutes publish detailed analyses on RATIONAL AG. All equity analysts are convinced of the Company's exceptional earning power and quality. Most analysts recommend holding the shares at the current valuation level.

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

Analysts' ratings



Status: 31 December 2013

Capital market communication

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

In 2013, management spent 23 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)
Unsponsored ADR (American Depositary Receipts)	Custodian: Citigroup Global Markets DR Ticker: RATIY / DR ISIN: US75410B1017
End of fiscal year	31 December
Accounting principles	IFRS
Flotation	3 March 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 13 May 2013 and published in the Federal Gazette on 10 June 2013. RATIONAL AG largely complies with the recommendations and suggestions set out in the Code. This has resulted in the submission of the declaration of conformity of February 2014, which is published in the 2013 Annual Report and under Investor Relations on the RATIONAL website *www.rational-online.com*.

Shareholders and General Meeting of Shareholders

Around 630 shareholders, representatives of the press and guests attended the General Meeting of Shareholders in Augsburg on 8 May 2013. An imputed 89.70% of the share capital was represented. All resolutions on the agenda were approved by the General Meeting of Shareholders with a large majority.

The General Meeting of Shareholders is chaired by the Chairman of the Supervisory Board or another member of the Supervisory Board appointed by the Chairman.

Cooperation between Executive Board and Supervisory Board

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

Executive Board

After 17 years at the helm, the previous CEO Dr Günter Blaschke relinquished his position by mutual agreement at the end of the 2013 fiscal year. With his entrepreneurial foresight and commitment he successfully drove forward the internationalisation of the business and made RATIONAL one of the best companies on the German stock market.

With effect from 1 January 2014, the Supervisory Board has appointed Dr Peter Stadelmann as the new CEO. Dr Stadelmann has been a member of the Executive Board since December 2012 and is responsible for HR development and HR management. As an outstanding personality and experienced manager he, together with his colleagues on the Executive Board, will ensure the continuation and further development of the current corporate strategy and philosophy.

Mr Reinhard Banasch, Chief Sales Officer, left the company on 31 January 2014. Mr Markus Paschmann, who was appointed to the Executive Board on 1 December 2013, will take over his duties.

No conflicts of interest occurred in the past fiscal year. The members of the Executive Board, Dr Peter Stadelmann (CEO from 1 January 2014), Dr Günter Blaschke (CEO until 31 December 2013), Peter Wiedemann (Chief Technical Officer), Erich Baumgärtner (Chief Financial Officer), Reinhard Banasch (Chief Sales and Marketing Officer) and Markus Paschmann (Chief Sales and Marketing Officer), do not perform any supervisory board duties in other listed companies.

Supervisory Board

The Supervisory Board of RATIONAL AG comprises three members: Chairman Mr Siegfried Meister and his two deputies Mr Walter Kurtz and Dr Hans Maerz.

Section 8 of the articles of association of RATIONAL AG grants Mr Meister and Mr Kurtz a joint right of delegation. For as long as Mr Meister and Mr Kurtz are shareholders of RATIONAL AG, they have the joint right to appoint a member of the Supervisory Board. The right of delegation shall be exercised by written declaration to the Executive Board of the company.

Supervisory Board members are proposed for election exclusively on the basis of their special skills and qualifications; other attributes such as gender or national identity have not been and will not be of any consequence for this decision. Accordingly, the Supervisory Board of RATIONAL AG has announced no specific targets in relation to its composition pursuant to number 5.4.1 (2) of the German Corporate Governance Code.

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 discharge their duties. No conflicts of interest occurred in the past fiscal year.

Stock option scheme

On 3 February 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 enterprise measured against 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. No stock options were issued in the year under review.

Shareholdings of the management bodies

The members of the Supervisory Board held a total of 8,048,935 shares as at 31 December 2013. This corresponds to 70.79% of the share capital. Of these, 7,161,411 shares corresponding to 62.99% of the share capital were held by Mr Siegfried Meister and 887,524 shares corresponding to 7.81% of the share capital were held by Mr Walter Kurtz.

The members of the Executive Board held a total of 4,493 shares at the balance sheet date. This corresponds to less than 1% of the share capital.

Compliance

Compliance with the law, integrity and responsible behaviour form the basis for the 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 AG began establishing a Compliance organisation in fiscal year 2012.

The starting point for Compliance activities 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.

In 2013, the RATIONAL Compliance team was set up, and a Compliance Manager was appointed for the entire RATIONAL Group. The Compliance Manager was awarded "Compliance Officer (TÜV)" certification after successfully completing a TÜV-Rhineland examination. Additionally, a compliance risk analysis was performed. The RATIONAL rules of conduct in business were specified in more detail. The Compliance organisation will undergo further development in 2014 in accordance with the RATIONAL Compliance Program.

Accounting and auditing

On 8 May 2013, the General Meeting of Shareholders appointed PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Munich, as auditors of the financial statements and the consolidated financial statements for fiscal year 2013. 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 of independence from the auditors. No reasons have been recognised, which may cause any doubts on the auditor's independence.

The auditors have agreed with the Supervisory Board to inform the Head of the Supervisory Board immediately on possible reasons for exclusion or prejudice 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:

RATIONAL Aktiengesellschaft complied with the recommendations of the German Corporate Governance Code as amended on May 15, 2012 from the time it submitted its last declaration of compliance in February 2013 until June 9, 2013 and since June 10, 2013 with the recommendations of the German Corporate Governance Code as amended on May 13, 2013 published in the official section of the electronic Federal Gazette ("Code") and also intends to comply with the recommendations of the German Corporate Governance Code as amended on May 13, 2013 in future, with the following exceptions:

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. (1): "Disclosure shall be 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. The outline shall be presented in a generally understandable way."
On May 11, 2011, the General Meeting of Shareholders of RATIONAL Aktiengesellschaft 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 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 adequate 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 is guided by the Company’s interests and guarantees that the Executive Board is effectively monitored and advised. The candidates for election to the Supervisory Board will be selected exclusively on the basis of knowledge, skills and experience. Other attributes such as gender or national identity have not been and will not be of any 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.

Number 5.4.3 (1) of the Code:

“Elections to the Supervisory Board shall be made on an individual basis”
In order to save time, the intention is to not elect the members of the Supervisory Board of RATIONAL Aktiengesellschaft on an individual basis at the ordinary General Meeting of Shareholders 2014, but to adopt the list system of election.

Landsberg, February 2014

RATIONAL Aktiengesellschaft

Siegfried Meister
for the Supervisory Board

Dr Peter Stadelmann
for the Executive Board

Report by the Supervisory Board

Dear Shareholders,

Once again in 2013, RATIONAL AG continued on its long-term growth path. The focus in the year under review, given the continuing uncertain global economic climate, was primarily on the stability of the company as a whole and on further improvement in the quality of the business.

Dialogue and communication as a basis for advice and monitoring

In fiscal 2013, we performed the tasks incumbent on the Supervisory Board by law and by the articles of association. 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 transactions outside the regular meetings. The Supervisory Board received monthly and quarterly reports on market developments, the competitive situation, 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 about the current business situation, significant transactions, and important decisions by the Executive Board. With this aim in mind, the Supervisory Board was in close and regular contact with all members of the Executive Board 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 fiscal 2013 and in 2014 to date, this in particular related to decisions concerning product development, expansion of the sales and marketing organisation, further development of the management structure, global HR development, risk management, and planning and approval of construction work at the Landsberg site.

Consultations in the Supervisory Board

The Supervisory Board had nine meetings in 2013. In 2014, one further meeting was held up to the time of the meeting of the Supervisory Board on 26 February 2014 to adopt the financial statements. The members of the Supervisory Board also consulted each other in writing and by telephone, and met together at 12 other consultative meetings in fiscal 2013. 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.

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:

› the departure of the former CEO Dr Günter Blaschke on 31 December 2013 and the appointment of the former Chief HR Officer Dr Peter Stadelmann as the new CEO with effect from 1 January 2014,
› the departure of the former Chief Sales Officer Mr Reinhard Banasch on 31 January 2014 and the appointment of Mr Markus Paschmann as Chief Sales Officer with effect from 1 December 2013,
› appropriation of earnings and proposed dividend
› business planning for fiscal year 2014
› the strategy for tapping new markets, in particular North and South America and China
› the key points in product development
› the further development of the Controlling organisation
› the further development of the RATIONAL Compliance Programme
› the construction projects at the Landsberg site

At the Supervisory Board meeting to adopt the financial statements on 26 February 2014, the principal topics included not only the audit and adoption or approval of the annual and consolidated group financial statements but also, in particular, the draft resolutions to be proposed to the 2014 General Meeting of Shareholders.

PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich, will be proposed as auditors for the 2014 fiscal year. We also adopted the remaining draft resolutions for the ordinary General Meeting of Shareholders.

Our duties in 2013, and, in particular, at the meeting held on 26 February 2014 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

After 17 years at the helm, the former CEO Dr Günter Blaschke relinquished his post by mutual agreement at the end of 2013. With his entrepreneurial foresight and commitment he successfully drove forward the internationalisation of the business and made RATIONAL one of the best companies on the German stock market.

With effect from 1 January 2014, the Supervisory Board has appointed Dr Peter Stadelmann as the new CEO. Dr Stadelmann has been a member of the Executive Board since December 2012 and was responsible for HR development and HR management. As an outstanding personality and experienced manager he, together with the Executive Board, will ensure that the current corporate strategy and philosophy are adhered to and developed further.

Mr Reinhard Banasch, Executive Board member in charge of Sales and Marketing, has decided to leave the company on 31 January 2014. The existing contract has been terminated by mutual agreement. As a member of the Executive Board with now sole responsibility for Sales and Marketing, the Supervisory Board has appointed Mr Markus Paschmann with effect from 1 December 2013.

Corporate Governance

There were no changes to the Supervisory Board of RATIONAL AG in the 2013 fiscal year.

Since the RATIONAL AG Supervisory Board consists of just three members, no committees have been formed.

In fiscal year 2013, the make-up 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 2013 reporting year in connection with consultations, draft resolutions and the audit engagement.

On 10 June 2013, a new version of the German Corporate Governance Code entered into force. The Supervisory Board has dealt in detail with the new recommendations in the Code. Together with the Executive Board, account was rendered for the fiscal year 2013 in the Corporate Governance Report. RATIONAL AG largely complies with the recommendations and suggestions set out in the German Corporate Governance Code. This has resulted in the submission of the declaration of conformity of February 2014. A resolution to this effect was passed at the meeting of the Supervisory Board on 29 January 2014 pursuant to section 161 of the AktG. The declaration of compliance is published in the 2013 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 8 May 2013, PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich, audited the financial statements of RATIONAL AG and of the Group for fiscal year 2013. 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 1 January to 31 December 2013, prepared by the Executive Board 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 26 February 2014. In particular, the Supervisory Board concerned itself thoroughly with the findings of the audit by the auditors.

The auditors took part in the discussion of the Company's annual financial statements and the consolidated financial statements. They reported on the results of the audits, in particular on the points on which it was agreed the 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 results of the audit. At its meeting held on 26 February 2014, the Supervisory Board approved the annual financial statements, prepared by the Executive Board, for RATIONAL AG as of 31 December 2013, including the certified version, dated 20 February 2014, of the management report for fiscal year 2013, as well as the consolidated financial statements as of 31 December 2013 and the certified version, dated 20 February 2014, of the consolidated management report. The 2013 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 on relations with associated companies and the final statement by the Executive Board contained therein.

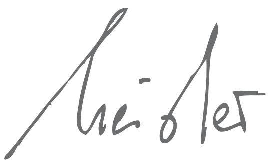
Appropriation of earnings

After consideration of the operating environment, the situation on the global financial and capital markets and the financial position of the Company, we approve the appropriation of earnings proposed by the Executive Board.

From RATIONAL AG's net retained profits of 177.1 million euros, a dividend of 6.00 euros per share or a total of 68.2 million euros should be distributed and the remainder should be carried forward to new account.

The Supervisory Board would like to thank all managers for their close and constructive cooperation, and the trust they have placed in us. But our very special thanks go to all employees. Once again in 2013, they succeeded in convincing our customers of the high added value of RATIONAL's products and services, and thus in making outstanding use of the market opportunities open to us.

Landsberg am Lech, 4 March 2014



Siegfried Meister
Chairman of the Supervisory Board

Group Management Report for Fiscal Year 2013

Contents

The charts and tables on pages 45–76 are not part of the audited group management report of RATIONAL AG, with the exception of the tables on pages 50, 55 (down) and 73.

Group Management Report

The RATIONAL Group

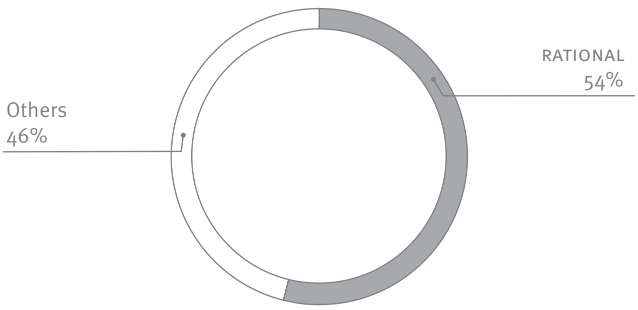
Global market leader in thermal food preparation

Established in 1973, the Group is now the global market and technology leader in thermal food preparation products for industrial kitchens. Our primary corporate objective is as follows:

"We offer the greatest possible benefit to the people preparing hot food in the professional kitchens of 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 year on year. This is reflected in our constantly increasing sales volume and revenue figures, our global market leadership with a market share of more than 50% and our numerous national and international awards.

World market share



The Group's parent company is RATIONAL Aktiengesellschaft (RATIONAL AG), whose registered office is located in Landsberg am Lech, Germany. We employ around 1,300 people in 29 companies, more than 700 of them in Germany, and market our products in all regions around the globe.

With the SelfCookingCenter® whitefficiency®, the CombiMaster® Plus and the VarioCookingCenter MULTIFICIENCY®, we have products that set the global technological standards in their segment. Together, they are able to replace all conventional cooking equipment in the professional kitchen.

Two operating segments

The RATIONAL Group is divided into two operating segments, RATIONAL and FRIMA, each of which is controlled as a company within a 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 revenue primarily through sales 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 offices and trade partners.

FRIMA

The FRIMA segment generates most of its revenue through sales of the VarioCookingCenter MULTIFICIENCY®, manufactured in Wittenheim (France). This complementary product cooks with direct contact heat or in liquid, making it ideal for use in combination with the SelfCookingCenter® whitefficiency® or the CombiMaster® Plus.

Until 2011, the VarioCookingCenter MULTIFICIENCY® was available only in Europe. Since the middle of 2012, we have also been active via selected partners in overseas markets such as Australia, Chile and Japan.

Name and registered office of RATIONAL AG subsidiaries			Business 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
RATIONAL France S.A.S.	Wittenheim	France	RATIONAL
FRIMA - T S.A.S.	Wittenheim	France	FRIMA
FRIMA France S.A.S.	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 Cooking Systems, 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
RATIONAL International India Private Ltd.	Delhi	India	RATIONAL

Products and markets

The SelfCookingCenter® whitefficiency® is the new global standard

The 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. RATIONAL supplies around half of the 800,000 combi-steamers in use around the world today.

Most of our revenues are generated with the SelfCookingCenter® whitefficiency®, which was launched in 2011.

The SelfCookingCenter® whitefficiency® is the only cooking appliance to offer intelligent cooking processes. It replaces between 40 and 50% of all traditional cooking appliances, including hot air ovens, stoves and boiling pans. The heat is transferred via steam, hot air or a combination of the two. The key unique selling propositions of the appliances are resource efficiency, ease of operation, flexibility of use and the minimum effort required for cleaning and maintenance.

Customers are also equally impressed by the CombiMaster® Plus, with its straightforward operation, limitless cooking versatility and outstanding cooking performance.

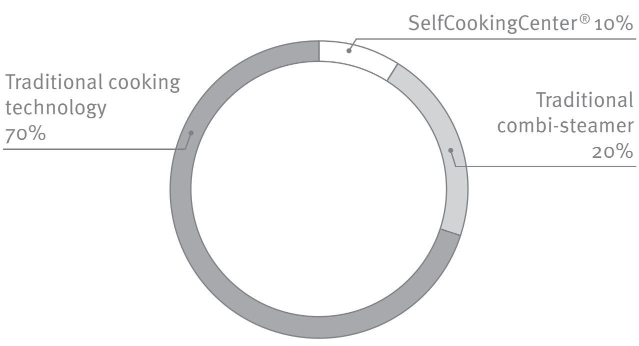
High acceptance of the FRIMA VarioCookingCenter MULTIFICIENCY®

Users of the FRIMA VarioCookingCenter MULTIFICIENCY® are also enthusiastic ambassadors of this new complementary technology. The results of our most recent customer survey in Germany, France and Switzerland bear this out: 96% of users surveyed spontaneously declared that they would be happy to purchase the VarioCookingCenter MULTIFICIENCY® again at any time.

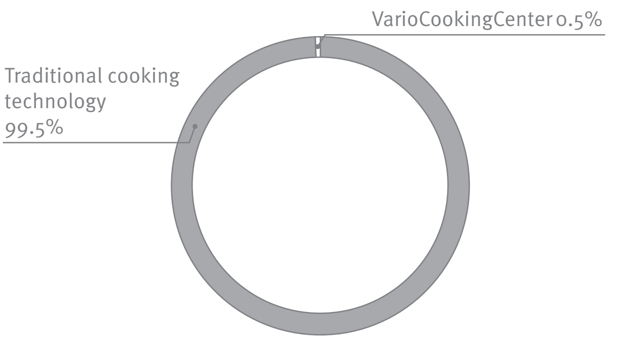
Markets and customers

We focus on a clearly defined target group, namely, all the people preparing hot food in professional kitchens around the globe. We are not only a company for chefs, but we are also a company of chefs, with 300 chefs working in sales, application research and consulting. We are part of their world, so we have first-hand knowledge of what they want and need. As a consequence, we are able to find the best possible solutions to their problems.

Untapped world market potential of the SelfCookingCenter® whitefficiency®: 90%



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



Our equipment is ideal for any organisation that needs to produce around 30 meals a day or more. The potential global market comprises more than 2.5 million professional kitchens. 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, such as hot-air appliances, steam-cookers or stoves. 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 nursing homes right through to fast-food chains, caterers, supermarkets, butchers' shops and, more recently, bakeries and snack outlets.

Our core market is Europe, where we generate over 60% of our sales, and it still holds huge, untapped potential. In Europe, the SelfCookingCenter® whitefficiency® is already starting to replace the large installed base of old combi-steamers, in addition to conventional cooking technology. New markets in the Americas and Asia, such as the United States, Canada, Brazil, Mexico, China and India are growing in importance for us.

Strategy and objectives

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 an overriding corporate objective in the guiding principles of the business. Every action and decision is scrutinised to ensure that it provides benefits for our customers.

The findings of the customer satisfaction survey conducted by market research institute TNS Infratest bear witness to the success of our strategy. 83% of all surveyed RATIONAL customers are so delighted by our products and services that they would not only buy further products and services at any time, but they would also be happy to recommend them to colleagues.

This was also confirmed by 600 chefs and managers from professional kitchens, who voted the products from RATIONAL and FRIMA as top in their respective categories at the "KÜCHE AWARDS 2013" run by prestigious German trade magazine "KÜCHE".

Customer-focused sales and marketing process

We have a tailored sales and marketing process, geared to meet the needs of our customers. We hold product presentations lasting a number of hours (known as RATIONAL CookingLive and FRIMA CookingLive), in which we work closely with our trade partners to convince potential customers throughout the world of the additional benefits of using our equipment through hands-on demonstrations and interactive cooking. Specialist dealers, who are able to provide local proximity to customers around the world, are then responsible for equipment orders, delivery to the customer, financing, installation and service.

Particularly in markets where market penetration is low, CookingLive seminars provide potential customers with information, in turn giving them an important means of support in the process of choosing what to buy. The seminars are also beneficial for existing customers who want to find out more about new developments before deciding what to buy. Finally, growing numbers of seminar participants lead to a deferred increase in sales and revenue.

International as well as national restaurant chains, whether offering fast food or commercial catering, are also enjoying increasing importance even outside the United States. The trend towards greater occupancy per outlet throughout the day (day part management) means that quick-service restaurants are offering an ever-expanding range of dishes for different target groups. As a consequence, this customer group is also increasingly relying on combi-steamer technology to prepare meals involving more complex cooking processes.

To tap the great potential of this market segment as efficiently as possible, we employ staff specifically to serve the needs of this target group and work with the customer to develop tailor-made solutions.

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 loyalty among our suppliers. We only use 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 a complete item of equipment and guarantees the quality of this equipment by including the name on the identification plate. This means that the smallest economic lot size in production is a single item of equipment. 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 order placement. Because we produce to order, we have no need for the usual warehousing of finished goods. This approach, in which one employee is entirely responsible for one 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 day-to-day adjustment 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 and marketing network step by step, organically and without acquisitions. In addition to higher penetration of already well-developed markets, we are increasingly addressing the growing potential presented by emerging markets.

We maintain a presence in over 100 countries through own sales companies and trade partners. To this end, the first step usually involves working together with local sales partners in the respective markets. Once we have successfully established our products, we increase market penetration and in turn tap into the market potential more effectively by setting up our own sales subsidiary in the country in question. For example, we set up our own sales company in India in the first quarter of fiscal year 2013, to make further headway into the market there.

Planning and controlling

We adopt a standardised planning and controlling system throughout the RATIONAL Group, which includes the two RATIONAL and FRIMA segments.

Our company is organised around processes. These are described in detail and are measured, both qualitatively and quantitatively, by means of appropriate key figures. All employees in the company strive continuously to improve quality as a core task. Our strategic quality management process deals with the implementation of our long-term corporate quality philosophy. It aims to ensure the high quality of our products, services and corporate processes, while actively promoting and supporting quality improvements.

All corporate processes around the world are planned, recorded, analysed and subjected to key figure assessments in a multi-level planning and controlling system. The results are reported to the respective decision-makers. Any necessary adjustments or corrective measures are determined promptly and, then, implemented immediately.

We have to ensure and enhance the quality of our products and services at every stage along the value chain, from suppliers, to assembly and shipment operations, to installation and technical servicing at the customer’s site. We elaborate key quality and satisfaction indicators, analyse them and use the results to initiate the corresponding changes to enhance quality.

We measure performance efficiency based on the gross margin or the operating income. In this way we can identify areas in which we are inefficient or waste resources, and make the necessary adjustments. We continuously improve the quality of our products and services in collaboration with our suppliers and service partners.

Our suppliers and service partners are included in the regular process audits and are measured against the same benchmarks as internal performance efficiency. In many areas, decisions intended to bring about continuous improvement are based on up-to-the-minute data. If complaints, nevertheless, are received from customers anywhere in the world – from external or internal sources – the problems are analysed on a daily basis as part of our cross-process urgent quality improvement system. Effective solutions are developed as quickly as possible.

The non-financial KPI for the interest in our products and the satisfaction of our customers is the number of CookingLive participants. For us, this figure is an important early indicator for us of future business trends, the highest quality and the efficient production of our products and services is key to our success. They are crucial for customer satisfaction and, therefore, for our ability to fulfil our promise to provide maximum customer benefit at any time.

In the year under review, our technologies have continued to enjoy a very high level of global interest. A large number of potential customers seized the opportunity to find out about the benefits of our products from watching live demonstrations and even trying them out for themselves. We welcomed around 76,000 participants (2012: 70,000) to our CookingLive seminars.

By instilling quality responsibility in all our employees, we are in a position to improve our products and services sustainably. This is fundamentally based on a high level of motivation on the part of all employees and managers.

In annual employee surveys, we determine the central KPI regarding the continuous improvement of our employee satisfaction. In 2013, 91% of all employees were found to be not just satisfied, but proud to worked for RATIONAL.

All employees across the entire value chain are highly committed to continuously working towards improving quality, productivity and efficiency. This is reflected in the fact that we received over 3,300 suggestions for improvement (2012: 3,200) in 2013 alone.

Financial KPIs are volume and sales trends, gross profit and EBIT, gross margin and EBIT margin, operating expenses, receivables management (days sales outstanding – DSO) and the development of the equity ratio.

The following table shows the KPIs relevant for RATIONAL-Group:

Key performance indicators (KPIs)

Financial KPIs
Volume/Sales development
Gross profit/Gross margin
Operating costs
EBIT/EBIT-margin
Receivables management (DSO)
Development of the equity ratio
Non-financial KPIs
Customer satisfaction (CookingLive-Participants)
Employee satisfaction

Innovation delivers competitive edge

The superiority of our technology forms the basis for our financial success. We place a special focus on research and development so that we can keep launching innovative technologies on the market at regular intervals. In 2013, in research and development alone, we invested 16.7 million euros (2012: 13.6 million euros) or 4% of sales (2012: 3%) in further developing the efficiency of our products and services.

Our technology leadership stems from our specialisation, our structured innovation process and the commitment of our highly skilled employees. To further extend our leadership and innovative strength, we took on more employees to boost our development team. Our 96-strong team of specialists (2012: 83) is one of the largest development teams 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.

Our innovations are protected by more than 470 patents, patent applications and design patents (2012: 450).

Economic Report

Economic conditions

Global economy continues on course for further growth

In the past fiscal year, global economic output rose by 2.8%. China (+7.8%) in particular was a driver of growth, but Japan and the United States also grew by around 2%, while in Europe, the gross domestic product stagnated (source: Deutsche Bank, January 2014).

The ifo World Economic Climate, which represents the assessment of the current economic situation and future expectations by international representatives from business, science and the capital markets, has slightly improved in the fourth quarter of 2013. The current situation and future expectations are again viewed in a slightly more optimistic light.

Low dependence on macroeconomic development

We focus on a basic human requirement, namely food away from home. Our business performance is therefore clearly less dependent on economic trends than other sectors and companies.

Nevertheless, the catering and food service sector was not able to completely avoid the negative trends in the year under review. In particular in the countries of southern Europe where debt levels and unemployment are high (Italy, Spain, Greece and Portugal), catering and food service suppliers have not yet been able to recover from the business slowdown dating back to the start of the financial crisis. Our percentage of sales in these countries only amounts to 6%.

In overall terms, the catering and food service sector saw cautious growth in the past fiscal year. In a primarily stable competitive environment, we enjoyed above-average growth in the sector and consequently further extended our market leadership by a long way (source: HKI-Statistik, December 2013).

Significant events in fiscal year 2013

Generational shift in the Executive Board of RATIONAL AG

After 17 years at the helm, the former CEO Dr Günter Blaschke relinquished his post by mutual agreement at the end of 2013. With his entrepreneurial foresight and commitment he successfully drove forward the internationalisation of the business and made RATIONAL one of the best companies on the German stock market.

With effect from 1 January 2014, the Supervisory Board has appointed Dr Peter Stadelmann as the new CEO. Dr Stadelmann has been a member of the Executive Board since 2012 and was responsible for HR development and HR management. As an outstanding personality and experienced manager he, together with the Executive Board, will ensure that the current corporate strategy and philosophy are adhered to and developed further.

Mr Reinhard Banasch, Chief Sales Officer, left the company on 31 January 2014. Mr Markus Paschmann, who was appointed to the Executive Board of RATIONAL AG at the end of 2013, will take over his duties

International expansion continued

2013 was another year of international growth for us. In addition to extending sales capacities in the more mature markets in Europe we also invested in further penetrating the significant future potential of Asia and Latin America. By expanding our sales subsidiary in Mexico and forming a new one in India, we are in a position to gradually keep gaining ground in these emerging markets with our technologies.

Completion 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 summer 2012 at our headquarters in Landsberg am Lech. This was completed in April 2013 and following, the building was put into operation. By this, we are now able to simultaneously train up to 200 participants, such as customers, service partners or employees.

Construction of a service parts centre in Landsberg

With the increased number of units installed at our customers' sites, the service parts area has now reached its capacity limits. We, therefore, started to construct a new service parts centre at Landsberg in October 2013. Apart from increasing our space, this new centre also gives us an opportunity to re-structure our processes and exploit potential for further gains in efficiency.

Net assets, financial position and results of operations

Earnings situation

With sales of 461 million euros and earnings before interest and taxes (EBIT) of 128 million euros, the RATIONAL Group can look back on an altogether satisfactory fiscal year 2013. Our organic growth (before currency effects) reached 9%. Taking negative currency effects into account, we were able to increase our sales by 6%. EBIT was 5% higher than in 2012. As in 2012, an EBIT margin of 28% was achieved.

Positive order development

RATIONAL generates sales primarily through its SelfCooking-Center® whitefficiency®, CombiMaster® Plus and Vario-CookingCenter MULTIFICIENCY® units and through sales of accessories, spare parts and cleaning agents.

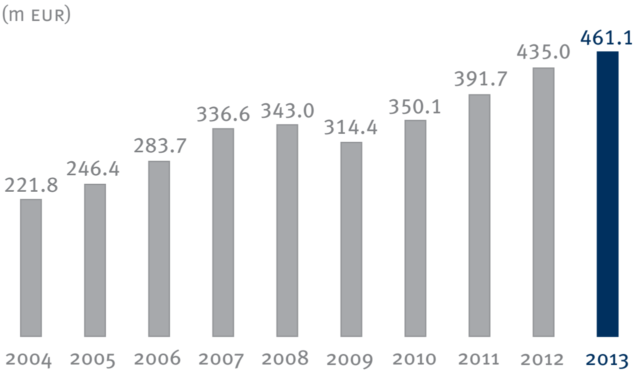
We produce to customer order with relative short lead times. The level of orders on hand usually reflects a range of just three to four weeks. Therefore, there are no noteworthy differences in the development of order intake and sales within one fiscal year.

2013 performance – 6% growth in sales

With total sales of 461.1 million euros (2012: 435.0 million euros), we were able to report year-on-year growth of 6%. 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 in 2013.

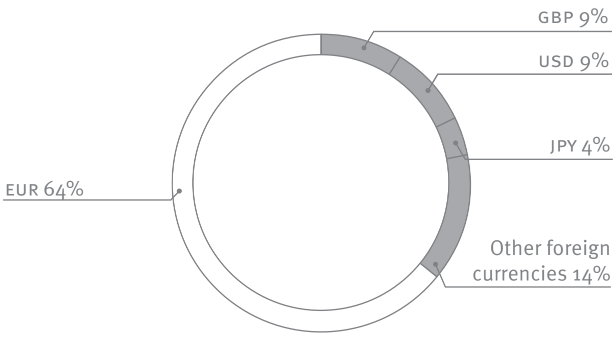
Sales development 2004 to 2013

(m EUR)



However, sales growth was hampered by negative currency effects in the year under review. We generate a little over one third of our sales in foreign currencies. Of these, the most important currencies outside the euro are the pound sterling (9% of sales), the US dollar (9%), the Japanese yen (4%), the Canadian dollar (3%) and the Swedish krona (3%). The strong development of the euro against the foreign currencies of relevance to us had a negative effect on our sales growth. With stable exchange rates compared to 2012, sales growth is 3 percentage points higher at 9%.

36% foreign currency sales in 2013



Growth drivers Europe and Americas

While sales in Europe saw disappointing growth of 2% in the first six months, we were able to report a 13% increase in the second six months. This resulted in growth of 8% for the whole year. After adjustments for negative currency effects, operating growth in Europe amounted to 9%.

In the Americas, sales went up by 9% compared to the previous year (currency-adjusted growth: +14%). Although the growth rate after nine months was still 4%, we saw growth of over 20% in the fourth quarter, attributable in particular to strong development in the Central and Latin American markets.

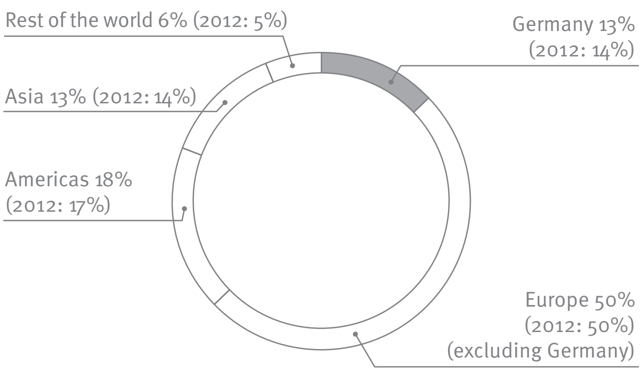
We were also able to win over the “Rest of the World” regions (Australia, Near and Middle East, Africa) with a growth rate of 22%.

In Germany, sales were slightly behind previous year. The reasons for this were the reluctance on the part of our customers to invest, and our sales teams failing to target customers with sufficient intensity. By stepping up our sales activities, we saw a clear increase in the number of CookingLive participants in the second six-month period, which should have a positive impact on business performance in 2014.

Due to currency effects, we were not able to reach previous year’s sales level in Asia. Our performance was significantly hampered by the depreciation of the Japanese yen. Adjusted for negative currency effects, growth in Asia amounted to

6%. Another significant reason was the strong business performance in 2012, particularly with large chain customers, and the resultant high basis for comparison.

Sales by region in 2013



Recovery in second six-month period

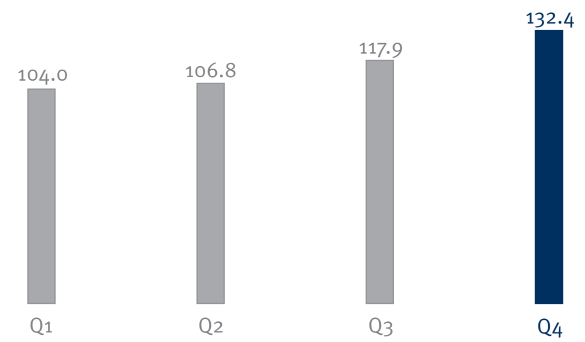
Business performance varied greatly over the course of the fiscal year. We increased our sales in each consecutive quarter.

Although performance in the first quarter met expectations with 7% growth (currency-adjusted +8%), the second quarter in particular was disappointing (–1%, currency-adjusted +1%).

The measures initiated in the first six-month period, however, started to have a positive impact in the second six-month period, with sales rising in the third quarter by 4% (currency-adjusted +8%). In the fourth quarter, we exceeded the equivalent 2012 sales figures by 13% (currency-adjusted +16%).

Sales in 2013 (for each quarter)

in MEUR



Gross profit up 7% year on year

Compared to sales growth, we saw a slightly overproportional improvement in our gross profit, which rose by 7% to 280.7 million euros (2012: 261.7 million euros). At 61%, the gross margin (ratio of gross profit to sales) was slightly above the previous year's level (2012: 60%). It was possible to overcompensate for the negative sales effects due to the strong euro by buying in at lower commodity prices and procuring a part of the upstream products in foreign currency.

Slightly disproportionate rise in operating expenses

In 2013, the percentage increase in operating expenses (sales and service, research and development and general administration) was slightly higher than sales growth.

This was primarily due to the disproportionate rise (+23%) in expenses for further developing our technologies and products in the area of research and development. These expenses had gone down slightly in 2012 further to introducing our new product generations in 2011.

Sales and service expenses rose year on year by 5% or by 5.4 million euros to 111.2 million euros (2012: 105.8 million euros). Apart from additional sales capacities in Europe, this was in particular attributable to setting up and expanding our sales branches in the Americas and Asia.

General administration expenses rose by 13% from 18.8 million euros to 21.3 million euros. The increase in expenses was primarily due to the restructuring of the Executive Board.

We incurred total operating expenses of 149.1 million euros, 8% more than in the previous year (2012: 138.2 million euros). This sum includes an expense-reducing currency effect amounting to 2.8 million euros.

EBIT influenced by special effects

In addition to sales- and expense-reducing effects, the strong euro also had a negative impact by re-calculating the foreign currency receivables of our foreign sales subsidiaries as at the balance sheet date. In the year under review, this effect amounted to a total of –4.2 million euros (2012: –0.4 million euros) and was immediately reflected in the balance of other operating income and other operating expenses.

The other operating income also included income relating to other periods from government grants for research and development services amounting to 1.0 million euros.

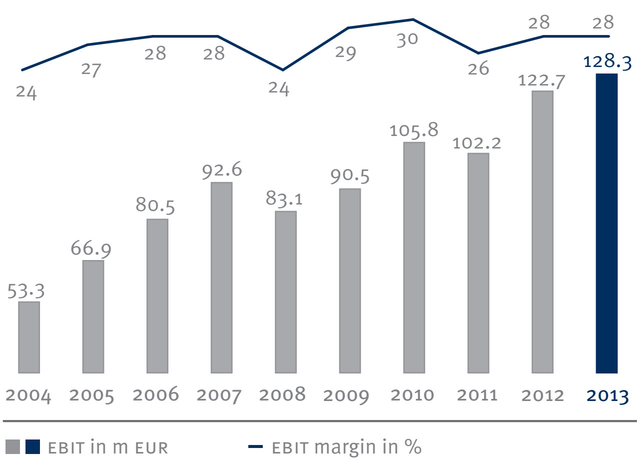
Cost and earning structure

in m EUR	2013	in % of total sales	2012	in % of total sales
Total Sales	**461.1**		435.0	
Cost of Sales	**180.4**	**39**	173.3	40
Sales & Marketing	**111.2**	**24**	105.8	24
Research & Development	**16.7**	**4**	13.6	3
Administration & Others	**24.6**	**5**	19.6	5
EBIT	**128.3**	**28**	122.7	28

EBIT margin of 28%

At 128.3 million euros (2012: 122.7 million euros), EBIT was 5% up on the previous year. As in 2012, an EBIT margin (ratio of EBIT to sales) of 28% was achieved.

EBIT development and EBIT margin 2004 to 2013



The tax ratio for the Group in 2013 stood at 24% (2012: 24%) and the absolute tax expense was 30.4 million euros (2012: 29.1 million euros).

Group earnings went up, amounting to 97.2 million euros (2012: 93.3 million euros). The net margin was 21% (2012: 21%).

Analysis of outlook attainment

In the 2012 annual report, we forecast growth in sales and EBIT in the range of growth rates generated in the previous years. This equates to a growth rate of around 10% for each.

In view of the performance of the business in the first six-month period and in particular the subdued development in the second quarter, we reduced our forecast to 5% growth in sales with income remaining at the previous year's level.

We were unable to meet the original expectations, generating sales of 461.1 million euros (+6%) and an EBIT amounting to 128.3 million euros (+5%). This was mainly attributable to the negative currency effects due to the strong performance of the euro. With stable exchange rates, we would have grown by 9% in sales in the year under review.

We were able to slightly outperform the adjusted forecasts. The main reason for this was the good business performance in the fourth quarter, which clearly exceeded expectations, especially in the Americas and Europe.

Segment report

RATIONAL

In the year under review, the RATIONAL segment increased its sales by 6% to 435.6 million euros (2012: 412.6 million euros). EBIT stood at 123.6 million euros (2012: 119.4 million euros), 4% up on the previous year. This equates to an EBIT margin of 28% (2012: 29%).

FRIMA

With the VarioCookingCenter MULTIFICIENCY®, the FRIMA segment is selling a product in an early phase of market development with above-average growth rates. As a result, despite its comparatively small size, FRIMA has already made a significant contribution to the overall growth of the RATIONAL Group.

In 2013, FRIMA increased its sales by 10% to 28.3 million euros (2012: 25.7 million euros). EBIT rose by 26% to 3.8 million euros (2012: 3.0 million euros). At 13%, the EBIT margin went up one percentage point compared with the previous year (2012: 12%).

Operating segments

2013

kEUR	RATIONAL	FRIMA
Segment sales	435,561	28,269
Segment result	+123,614	+3,815
Sales growth	+6 %	+10 %
EBIT margin	**28 %**	**13 %**

2012

kEUR	RATIONAL	FRIMA
Segment sales	412,608	25,695
Segment result	+119,409	+3,038
Sales growth	+11 %	+14 %
EBIT margin	**29 %**	**12 %**

Financial position

RATIONAL was able to maintain and even strengthen its solid financial position in 2013. The liquidity ratio of 53% (2012: 51%) on the balance sheet date underlines our independence from lenders.

Financial strategy: putting security before return

RATIONAL's financial strategy is to safeguard its financial independence and short-term capacity to react to market changes. Security comes before return in our investment strategy. 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 almost exclusively in euro-denominated fixed-term and demand deposits with short maturities at banks with good ratings.

We also ensure that our shareholders regularly participate in the success of the company. In recent years, we have on average paid out more than 70% of our net earnings as dividends.

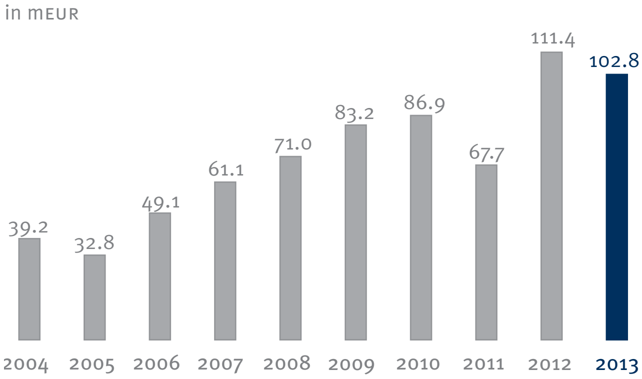
High level of operating cash flow

Because of the low level of capital intensity of our highly profitable business model combined with low 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 102.8 million euros, just below the previous year's figure (2012: 111.4 million euros), despite profit from ordinary activities going up by 5.2 million euros. This is mainly attributable to the higher level of receivables (+9.9 million euros) in the year under review, whereas we were able to reduce receivables in the previous year (2012: –5.7 million euros).

Cash flow from investing activities amounting to –27.5 million euros (2012: -38.0 million euros) includes investments in property, plant and equipment and intangible assets. In the year under review, these stood at 12.0 million euros, 2.6 million more than in the previous year (2012: 9.4 million euros). This figure includes expansion investments amounting to 7.5 million euros for the completion of the office and training building, the commenced new construction of the service parts centre and the modernisation and expansion of machinery at our components factory. In the year under review, we also invested approximately 16.0 million euros in financial assets with a maturity of more than three months.

Operating Cash Flow 2004 to 2013



Free cash flow, comprising cash flow from operating activities less investments in non-current assets (12.0 million euros), reached 90.8 million euros in 2013 (2012: 102.0 million euros).

The cash flow from financing activities reflects the dividends paid out, 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 64.8 million euros to our shareholders for the 2012 fiscal year. We borrowed 12.1 million euros for investments in real estate and machinery. Repayments of principal in respect of bank loans amounted to 3.0 million euros. In total, the cash flow from financing activities stood at –56.7 million euros (2012: –57.2 million euros).

Cash flow 2014

in m EUR	2013	2012	Change in %
Cash flow from operational activities	**102.8**	111.4	–8
Cash flow from investment activities	**–27.5**	–38.0	–28
Cash flow from financing activities	**–56.7**	–57.2	–1

High level of liquidity

The balance of cash, cash equivalents and deposits rose by 33.7 million euros during the course of the year under review to 200.1 million euros (2012: 166.4 million euros). Liquid funds therefore represented 53% of total assets (2012: 51%).

This figure includes an amount of 10.5 million euros borrowed to finance the new service parts centre. 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 with the contract.

We also have unused credit lines amounting to 28.5 million euros (2012: 27.5 million euros).

Dividend of 6.00 euros proposed

Although economic forecasts for 2014 are predicting positive growth rates, the uncertainties generated by the international debt crisis continue to prevail. Against this backdrop and considering the good liquidity position, the Supervisory Board and the Executive Board have decided to propose payment of a dividend of 6.00 euros per share to the General Meeting of Shareholders 2014 for fiscal year 2013 (2012: 5.70 euros). This represents a dividend yield of 2.5% based on the closing price on 31 December 2013.

The proposed dividend entails distributing a total of 68.2 million euros. Even after the dividend payment, the liquidity of the company remains at a high level.

Off-balance-sheet financing instruments

RATIONAL does not shift liabilities to expressly created, 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. Over the next five years, contractually fixed payments in connection with these leases will be 8.6 million euros (2012: 8.5 million euros). 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 items under non-current liabilities are liabilities to banks, which stand at 31.1 million euros (2012: 22.5 million euros).

The year-on-year increase is attributable to taking out new bank loans to fund the new service parts centre and to modernise our machinery at our components factory, amounting to 12.1 million euros. This amount is offset by repayments of loans amounting to 3.0 million euros. The funds for new buildings have already been drawn on in full and are secured by land charges.

The other outstanding loans were used to fund the assembly and shipping building completed in 2008, the new office and training building completed in 2013, and the production facilities at the components factory. Most of the amount borrowed will mature in 2022 (19.8 million euros) or 2023 (8.5 million euros).

Net assets

RATIONAL has a very sound balance sheet structure. With an equity ratio of 71% and current (short-term) assets accounting for more than 82% of total assets, this gives us maximum security and flexibility at all times.

High equity ratio

On 31 December 2013, total assets had risen by 16% from 326.2 million euros to 377.3 million euros. The principal reason behind this increase was the dividend distribution of 64.8 million euros, which was offset against net earnings of 97.2 million euros. As a result, equity increased significantly by 13% to 268.8 million euros (2012: 237.4 million euros). At 71%, the equity ratio at the balance sheet date remained at the previous year's level (2012: 73%).

Non-current assets increased by around 5.6 million euros in 2013 as a result of the new investments in real estate and machinery.

Current assets also grew by 45.5 million euros in the year under review. This growth was mainly driven by the increase in liquid funds (+33.7 million euros) and trade receivables (+9.9 million euros). Current assets accounted for 82% (2012: 81%) of total assets as of the balance sheet date, thus showing a slight increase.

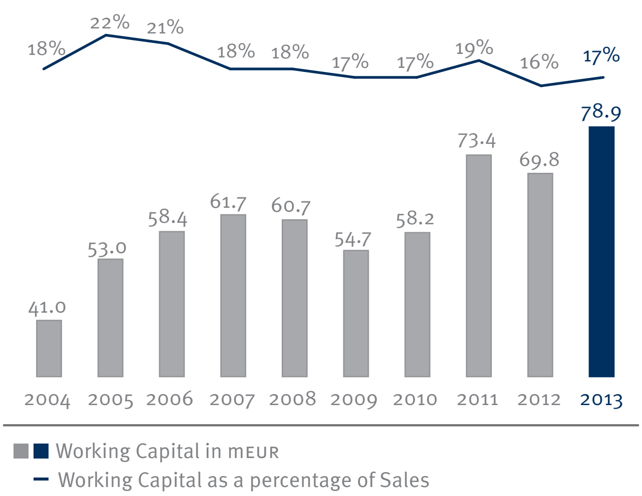
We continuously optimise the amount of capital tied up in trade receivables. In 2013, the average DSO (days sales outstanding) slightly reduced to 48 days (2012: 49 days) and the proportion of overdue receivables went down to an average of 4% (2012: 6%). Our most important dealer to date in the Austrian market went into insolvency in 2013. The effects of this insolvency on the balance sheet and earnings were kept to a relatively low level, by enforcing retention of title rights, obtaining compensation from the credit insurer and continuing major projects with other trade partners.

Using global trade credit insurance cover and confirmed, irrevocable letters of credit and bank guarantees, we achieved a receivables coverage ratio of 80% (2012: 86%) as of the balance sheet date, taking into account the trade credit insurance deductibles.

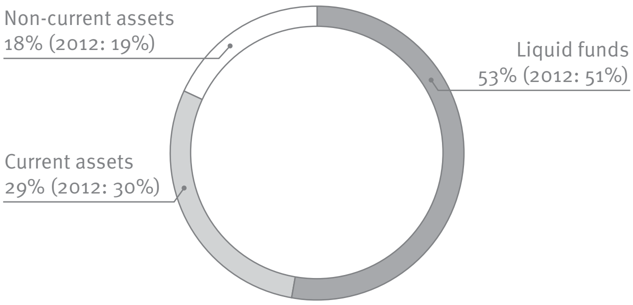
As a result of the ongoing crisis, the credit insurer was reluctant to accept cover in the southern countries of the EU. Our sales activities in the emerging countries are increasingly directed towards young trade companies that have not been trading long enough to have an established credit rating, making insurers less prepared to accept the risk. Against this background, we decided in the year under review to knowingly carry risks ourselves more widely in these regions, which ultimately led to the drop in the risk coverage ratio.

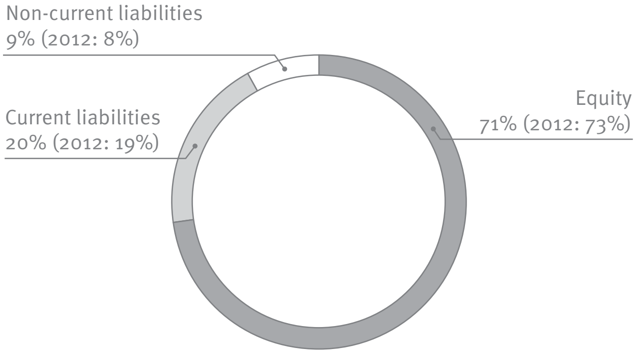
Overall, RATIONAL working capital management is highly effective. By managing receivables efficiently, we are able to maintain trade receivables at a low level. Because we manufacture to order in connection with our low level of vertical integration, and use the kanban system for the supply of materials 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 rose by 9.1 million euros in the year under review. This is mainly attributable to the higher level of trade receivables (+9.9 million euros). At the end of the year, working capital stood at 78.9 million euros (2012: 69.8 million euros) or 17% of sales (2012: 16%).

Working Capital 2004 to 2013

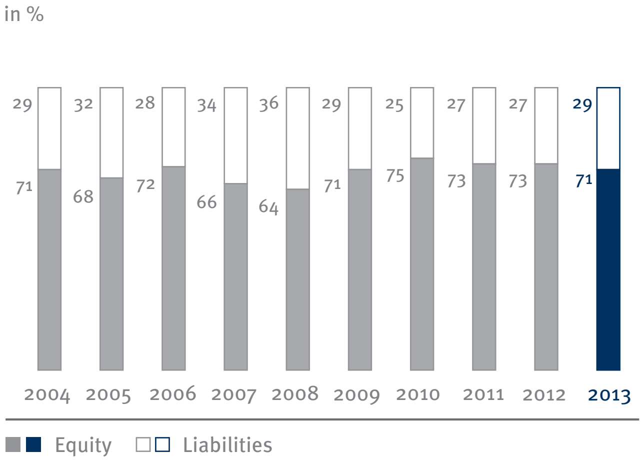


Balance sheet structure 2013

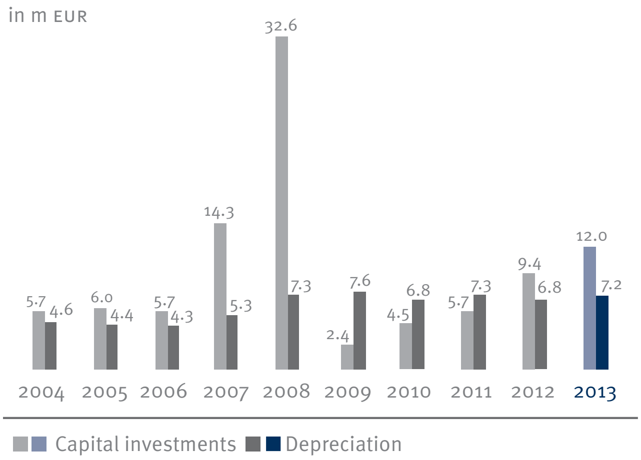




Equity/liabilities



Capital investments and depreciation



Capital investment

In the year under review, we invested 12.0 million euros in non-current assets (2012: 9.4 million euros). This figure includes new investments in real estate and in machinery at the components factory.

In the year under review, we also invested 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 and the management thereof. These investments in the future are recognised directly as research and development expenses (16.7 million euros), sales and service expenses (111.2 million euros) and general administration, and are not capitalised.

In 2013, investments amounting to 1.5 million euros have already been made in the construction of the new service parts centre. The total amount to be invested stands at around 11.5 million euros. The corresponding agreements in this respect have been concluded with construction firms.

The contractually agreed investments for 2014 amount to 8.2 million euros. In addition, there are no significant investment commitments for the next fiscal year that are contractually fixed or contingent upon economic considerations.

Capacity of our manufacturing facilities currently lies at around 70%. With this level of capacity utilisation at our facilities, we are well placed for future growth.

Sustained high level of earnings power and financial stability

High credit rating from banks

Our company is given a very good credit rating of A 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 269.15 euros, an all-time high. The closing price was 241.10 euros, 11% higher than in the previous year (218.00 euros).

Management's assessment of the economic situation

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 huge untapped market potential around the world for the SelfCookingCenter® whitefficiency®, the CombiMaster® Plus and VarioCookingCenter® MULTIFICIENCY® at between 90% and 100% of the around 2.5 million addressable professional kitchens. We are the out-and-out global market leader and continue to receive top scores for brand awareness, customer satisfaction and repurchase rates.

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

Legal framework

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

Supplementary Report

Mr Reinhard Banasch, Chief Sales Officer, left the company on 31 January 2014. Mr Markus Paschmann, who was appointed to the Executive Board of RATIONAL AG in December 2013, will take over his duties.

Mr Paschmann is ideally qualified for these duties. After graduating in engineering and business administration, he gained over 20 years of experience in the field of selling technical products. Before joining RATIONAL, he was a member of the Executive Board of the global leader in industrial automation solutions, with over 6,000 employees and sales of approximately 970 million euros.

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

Qualitative Strengths

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.

ClubRATIONAL is our customer network and already has more than 46,000 members around the globe. Members benefit from a number of free services, such as 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 Academy RATIONAL offers our customers the opportunity to tap into RATIONAL cooking expertise. By cooking alongside our chefs, customers can learn to use their equipment to the very best advantage and to derive the maximum benefit from it.

The RATIONAL portal is a special web platform made available to dealers, planners, service partners and sales people, and features 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, is always up to date and can be used intuitively.

Using social media to demonstrate customer benefit

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.

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 around 300 RATIONAL chefs. With this app, we are changing how we communicate with our customers, sharing our knowledge in an uncomplicated way with the users of our equipment. In addition to reliable, practical tips for specific applications, we offer creative recipe ideas. Users can also register for RATIONAL CookingLive events or join the Academy RATIONAL free of charge.

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 today already in the best possible position to meet future requirements.

Outlook, Opportunities and Risk Report

Outlook

Outlook assumptions

Our outlook takes into account all factors known at the time of preparing this report, which affect the business performance of the RATIONAL Group. Such factors include relevant external market indicators and company-specific circumstances.

The main market-related parameters are growth of the global economy, movements in currency rates and commodity prices.

Our leading market position with products that are superior to those of our competitors, a high level of brand recognition combined with an excellent brand image and a huge untapped global market potential are also taken into consideration in the outlook. In addition, we have satisfied customers, a consistently successful business model and a very sound financial foundation.

Internal factors are employee satisfaction and measures to maintain and further boost their high level of commitment. The outlook also takes into account activities that have already been implemented and measures planned for the future.

Global economy on growth path

Economists continue to be optimistic about the prospects for the international economy and expect to see global growth of 3.8% for 2014. The highest growth rates of 6% are those of the emerging economies. But North America is growing too, with an expected growth rate of around 3%. Europe emerged from the longest recession since the end of the Second World War. Experts expect economic growth in Europe for 2014 to be around 2% (source: Deutsche Bank, January 2014).

Expected currency effects for 2014

The poor development of the foreign currencies of relevance to us against the Euro had a significant negative impact on our sales and earnings performance. We do not expect this trend to continue in 2014; in fact we expect the currencies to remain relatively stable and to have no significant impact on our business and earnings performance.

No material impact on earnings expected from commodity price development

We do not expect commodity price development to have any material impact on our cost of sales and consequently on our profits for 2014. In the case of the basic price of steel, we have yearly contracts that provide us with a sound cost basis. We have already been able to agree a slight reduction in the basic price of steel with our suppliers for 2014.

The alloy surcharge continued to drop in the course of fiscal year 2013, currently lying at a relatively low level of around one euro per kilo (average 2013: almost 1.20 euros). Given that the global economy is forecast to stabilise, we are assuming that the price of nickel will rise slightly and that the alloy surcharge for 2014 will be an average of around 1.30 euros.

Satisfied employees mean satisfied customers

The main requirements to ensure long-term business success are enthusiastic customers and employees.

After all, only committed and enthusiastic employees also have satisfied customers. We therefore attach the highest importance to the satisfaction levels of our employees, who are seen as entrepreneurs in the company (U.i.U.®). For this reason, the company is not content with its already high level of employee satisfaction (91% are proud to work for RATIONAL), but would like to further boost satisfaction in 2014 by carrying out targeted activities and incentive measures.

Our customers and their highest satisfaction guide what we think and do. For only enthusiastic customers will stay loyal to our products, keep recommending them to colleagues and thus ensure our continued business success in the future.

We will keep investing in further developing and improving our products and services in the future, so that our customers can derive even more benefit from them. We therefore want to retain and even further improve the high level of satisfaction of our customers, as confirmed by a current customer satisfaction survey conducted by market research institute TNS Infratest.

Development of international market potential

In 2014, we plan to invest in the expansion of our global sales and marketing network so that we are in a position to exploit the available opportunities. The aim is to take advantage of opportunities presented that have not yet been fully penetrated. Nonetheless, there are also growth opportunities to be exploited in more developed regions. This can be achieved by further market penetration and by replacing older combi-steamers with the SelfCookingCenter® whitefficiency®.

To this end, we are planning a marked expansion in the number of employees in 2014. A total of around 90 new jobs will be created, over half of them in sales and marketing.

By boosting our sales power in this way, we will be able to spread our message of customer benefit even more effectively, which will translate into more people interested in our technologies. We assume double-digit growth in the number of people attending our CookingLive seminars.

Introduction of VCC table-top unit

In line with our top priority of always offering customers maximum benefit, we have also developed a table-top variant of the VarioCookingCenter MULTIFICIENCY®. This will generate further sales potential in existing kitchens, particularly in restaurants and hotels. As with the conventional floor model, it replaces the need for pans, boiling pans, stoves and deep fryers in the kitchen, but takes up considerably less space.

Additional investment in Landsberg

The company's heavy investment over recent years provides an excellent platform for future production operations. Our budget for capital investment in non-current assets in 2014 has been set at around 20 million euros. This covers maintenance investment and the completion of the new international service parts centre at the Landsberg location. This capital expenditure will be funded both from our own funds and from borrowings.

Sales and profit forecast for 2014

Based on economic expectations and in particular the foundations we have laid for successful corporate development, we expect the moderate volume and sales to continue for 2014. Above-average growth is expected in the regions of the Americas and Asia.

The VarioCookingCenter MULTIFICIENCY® is still at an early stage on the market. Moreover, efficiency within the FRIMA sales organisation significantly improved after various personnel measures were taken in 2013. In combination with the positive effects of launching a new table-top unit on the market, we envisage above-average growth in sales and earnings at FRIMA in 2014 compared with the Group.

We expect Group-wide costs of sales to increase in proportion to sales. Due to this, we expect a proportional increase of gross profit and, therefore, our expected gross profit margin is at around 60%, as in 2012.

Operating expenses, as well as EBIT, are expected to grow comparable with the increase in sales. We, therefore, assume that our EBIT margin will range from 26 to 28%.

Sustainably solid underlying financial position

Throughout 2014, we expect equity to remain the same at around 70%, as well as a high level of available liquidity. Liquidity requirements for current operating expenses, the increase in working capital needed to keep pace with growth, the necessary investment in plant and equipment, and the planned dividend payment will be covered for the most part by cash inflows and the net liquidity currently available.

Due to the reluctance on the part of the credit insurer to accept cover in the emerging countries, we expect the risk coverage ratio of our sales receivables to slightly decrease. Our DSO (Days Sales Outstanding) is assumed to stay on previous year's level.

Opportunities and risk report

The policy adopted at RATIONAL AG with respect to opportunities and risks aims to secure the continued existence of the company, increase enterprise value and meet financial and strategic organisational objectives. Effective risk management makes it possible to detect potential risks at an early stage and minimise them. Identifying new opportunities also ensures that the company can continue to develop in a sustainably profitable way. The presented opportunities and risks are equally relevant for the RATIONAL and FRIMA segments.

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, leading to opportunities and risks that may positively or negatively affect business operations. Our outlook for business performance in 2014 as well as our long-term expectations take the factors set out below into account. Risks may lead to negative variances in the outlook, and opportunities to positive ones.

Opportunities for the successful performance of our business in the future include the need to replace equipment with innovative products in established markets and the growing prosperity in emerging countries. Given that there is potential in the global market, that our products head the field 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 positive.

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 turmoil, political decisions, increasing competition, financial developments (e. g. currency trends) 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.

Opportunities report

RATIONAL opportunities management

RATIONAL operates in a global environment offering a wealth of opportunities for the company. The key to successful business activities is to identify these opportunities at an early stage and consistently exploit them. Taking advantage of realistic opportunities while avoiding unnecessary risks is and remains a vital prerequisite in ensuring sustainable and profitable growth.

Opportunities encompass external factors and trends, such as the growing number of potential customers as a result of increasing prosperity in the emerging markets. Opportunities also result from inherent strengths, which if optimally leveraged will have a positive impact on the company's successful performance in the future. Examples include the high level of qualification of our employees, our superior products and efficient corporate processes.

Positive external factors and trends

Eating out as a basic human requirement

We focus on a basic human requirement, namely food away from home. This provides us with a degree of security, even in times of crisis.

As prosperity increases, the restaurant and catering sector grows in significance. Per capital 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 and higher standard of living, which in turn has a positive impact on demand for our products in these markets.

Huge available potential in the global market

Only around 30% of the 2.5 million professional kitchens in which our technology can be installed are already using combi-steamer technology. The remaining 70% are still relying on conventional cooking technologies. So far, only around 10% 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 around 90% of all the 2.5 million professional kitchens worldwide.

The global potential for the VarioCookingCenter MULTIFICIENCY® is even higher. As the product has only been on the market for a few years, market penetration is still relatively low and the available customer potential is almost 100% of the 2.5 million professional kitchens.

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

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. If our products are used to prepare food, vitamins are conserved and fat is reduced, with the resulting dishes will therefore be healthy.

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 our products and services for customers who are looking for a multifunctional product offering the best features, exceptional ease of operation, a high degree of flexibility and a short payback period.

High innovative capability

To live up to our claim of offering products with the highest possible benefit to customers around the globe, it is essential to bring innovative products onto the market on a regular basis. This means we are never completely satisfied – we constantly search for better solutions and take hold of the reins of technological progress. In this way, we safeguard the high technical standards of our products and ensure ongoing development, which in turn enables us to not only maintain our excellent position on the market, but also keep extending it. We are in a position to address new customer groups and as a result further extend the sales potential of our products within our target group.

Excellent 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, reliable products accompanied by an outstanding level of service quality. More than 80% of our customers are so satisfied that they would buy RATIONAL products again at any time and recommend the products to others. As a result, we continue to enjoy our leading market position by a wide margin. Every second combi-steamer sold around the world is a RATIONAL product.

Successful marketing

We are frequently the trailblazers in developing new markets. This leads to rapid brand recognition and a substantial advantage over competitors when exploiting available market potential. The efficient, 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.

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, fat, cleaner and the use of raw materials, while taking up considerably less space than conventional cooking technology. The time and effort required to supervise cooking and carry out equipment cleaning is also reduced, resulting in savings in working time.

Unique corporate culture

The principle of “Entrepreneur in the Company” (U.i.U.®), which encompasses a decentralised management structure, high levels of personal responsibility and self-organisation, forms the basis for collaboration between employees throughout the Group 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 continuous improvement, as a result of which we identify and eliminate weaknesses in the areas of work covered by each individual employee, helping us to increasingly avoid 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 each individual employee identifies with their end-to-end tasks and responsibilities.

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 for us to identify risks at an early stage, analyse their causes and impact, and introduce suitable corrective measures to prevent or contain them on a long-term basis.

The RATIONAL risk management system

Risk management is a core task of the entire Executive Board. The process is coordinated by the Chief Financial Officer. The objective of the RATIONAL risk management system is to exploit achievable opportunities while taking account of existing risks.

The RATIONAL risk management system is structured so as to ensure that key risks are systematically identified, evaluated, aggregated, monitored and reported to the respective decision-maker. 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.

Internal and external risks are recorded and assessed for all business units in the company as part of an annual risk analysis. A Group-wide risk inventory was carried out in 2012. The results of this inventory were updated 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 department. In addition, the risk early 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.

The main insurable risks to which the company is exposed are covered by a global insurance strategy drawn up in concert 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.

The RATIONAL Compliance team was set up in 2013, and a Compliance Manager appointed for the entire RATIONAL Group. The Compliance Manager was awarded “Compliance Officer (TÜV)” certification after successfully completing a TÜV Rhineland examination. A compliance risk analysis was also carried out. All material compliance risks are address via internal measures or in cooperation with qualified local partners. The RATIONAL rules of conduct in business were defined in more detail and duly implemented.

Risks

Human resources risk

Skilled and motivated 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. The damage resulting from low employee commitment and significant employee turnover would adversely affect business performance in the long term, so the impact of this risk is considered to be high.

We implement a number of suitable measures to strengthen employee recruitment and retention, including challenging tasks, appropriate remuneration, targeted human resources development and promotion schemes and opportunities for the employees to share directly in the company’s profits. We therefore consider the chance of this risk arising to be fairly low.

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 an important step in this process, as evidenced by our consistently low warranty cost ratio of 1.3% (2012: 1.3%) and the customer satisfaction ratings returned by our regular customer surveys. 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 damage to property and injury to persons and in particular damage to RATIONAL’s reputation as a prestigious manufacturer of high-quality products. Possible damage to property and injury to persons are covered by insurance. High importance is attached to any risk resulting from damage to image.

To mitigate this risk, we subject all equipment to 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 occurring on the customer's premises are adequately covered with the existing product liability insurance. We take extreme steps to avoid potential damage to our image, overcompensating for any defect and resulting damage. We, therefore, consider the probability of this risk occurring to be low.

Acceptance of our technologies

To maintain and further extend our lead over competitors, we regularly launch new products onto the market, with further developed product features and new functions. Moreover, the VarioCookingCenter MULTIFICIENCY® is still at a very early phase of market development. This gives rise to the risk of our products not achieving the level of acceptance that we expect and not being accepted by the market. In view of our corporate structure with around 300 chefs working in sales and application research, development and consulting, we are practically part of our customers' world and are very familiar with their needs and wishes. We are therefore in a position to develop and offer the best possible solutions for our customers. We rate the possible damage arising from a lack of acceptance to be high, but the probability of such a risk occurring is 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. Not having sufficient security systems, which prevent unauthorised access from outside parties, might lead to the loss of critical information. The resulting damage is deemed high.

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.

Procurement risk

Our procurement strategy includes working in partnership with key component and subassembly suppliers. 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. Nonetheless, we are well aware of this risk and the possible high level of damage, and therefore, we keep a particularly sharp eye on business developments at 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 probability of the risk associated with this strategy to be low.

Risk from competition and other sector risks

There is a risk that new competitors could emerge as a result of mergers. Besides that, there is a risk that a competitor may be able to catch up in terms of technology or develop a new superior technology and launch it onto the market. We rate the damage resulting from such a risk to be moderate to high.

We monitor developments and trends in the sector and the market strategy of our competitors constantly and factor them into our corporate planning. We therefore consider the probability of such a risk occurring to be 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. Based on our experience in the past, we give a high rating to the risk of periods of economic slowdown, which would adversely affect investment decisions by our customers.

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.

Political crises and natural disasters

The impact of political instability and natural disasters can put product sales in the affected countries at risk. The potential consequences of political instability could include import restrictions in individual countries for example, We give a high rating to the probability of at least temporary import restrictions being imposed due to such a situation.

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. We consider the consequences resulting from this risk to be moderate.

Financial and capital market risk

Risks arising from changes in interest and foreign currency rates have been identified as relevant financial and capital market risks for RATIONAL AG. In terms of probability and possible damage, risks arising from changes in interest rates are considered to be low, given the minor significance of the financial consequence of such changes.

Short-term fluctuations in currency rates may affect the sales and earnings performance, and in turn impact the achievement of corporate objectives. The proportion of total sales generated in foreign currencies was 36% in 2013 (2012: 35%). The majority of expenses are incurred in euros, with increases in the value of the euro in relation to other currencies depressing earnings and reductions enhancing earnings. In recent years, exchange rate fluctuations have increased in volatility and intensity. We give a high rating to the probability of this risk negatively affecting our business performance and the outlook for sales and earnings.

If the euro appreciates by 10% compared to the foreign currencies of relevance to us, the Group-wide growth in sales would reduce by around 4 percentage points and the growth in EBIT by around 10 percentage points.

To mitigate this risk, standard currency-hedging instruments are applied, such as options or forwards. To this end, we only work with partners holding first-class ratings. The nature and scope of the company's hedging operations are prescribed by internal guidelines. They are arranged at the head office by the parent company. In addition, some procured components are denominated in Japanese yen and US dollars (natural hedge). Our currency risk management activities cannot fully insulate us against the impact of a medium-term or long-term increase in the value of the euro, but they can reduce such an impact.

Market risk and default risk

Bad debt risks on trade receivables can arise as a result of customers not fulfilling their payment obligations. Given the high number of customers in the various regions of the world, the probability of such risks occurring is high.

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, 80% (2012: 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. The resultant level of damage is low.

Market risk relates to the loss of sales potential as the result of the failure 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 failure 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 failure 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 2.5% (2012: 2.9%). 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. We consider the probability of the risk occurring and level of the possible damage to be low.

Commodity prices

Manufacturing companies like ours are sensitive to changes in commodity prices because of the way they cause our material and production costs to fluctuate. The prices of high-grade stainless steel and the alloy surcharge, which depends significantly on the price of nickel, have a direct impact on the cost of sales of our products. We therefore 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 consequently have a direct effect, positive or negative, on our cost of sales; however, the proportion of the total cost of sales accounted for by variable commodity costs is minor, and therefore we consider the resulting impact on earnings to be limited.

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 the probability of such risks occurring as well as the possible damage arising therefrom to be low.

Legal risk

We currently sell our products and services in more than 100 countries in all regions around the globe. Numerous risks are entailed in the increasingly international nature of business activities. These include in particular:

› Country-specific product requirements or safety regulations affecting the sales of our products

› Customs provisions or import/export regulations that may place restrictions on product imports

› Different tax systems, tax obstacles affecting business transactions or changing tax systems or tax rates with a negative impact on the earnings situation

› Compliance risks, in other words the possible infringement of local legislation by employees

To minimise such risks, we work – where necessary – with experts in the respective local legal requirements in all markets that are of importance to us. We consider the probability of these risks occurring and the resultant impact to be low.

Buildings and plant

We have established our on-site security system at the three plants in Landsberg to help protect our buildings, plant and machinery. With 24-hour security provided by our own personnel and a central security control room on site, we are able to guarantee a high level of security. We consider the probability of a significant claim to be low. We give a low rating to the possible level of damage arising therefrom.

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 annual financial statements of all companies are audited by an auditor 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.

Corporate Social Responsibility as a Fundamental Principle

The topic of sustainability has played an increasingly important role in society over the last few years. Sustainable and future-proof development means giving equal consideration to environmental, social and economic aspects. The aim is to ensure that our children and grandchildren will continue to enjoy an intact ecological, social and economic structure.

Sustainable business as a competitive advantage

Sustainable business has now become a key competitive driver for companies. On the one hand, using fewer resources translates directly into lower costs, which in turn has a positive impact on the earnings situation. On the other, customers and suppliers are increasingly looking for contractual partners who adopt a responsible approach with any resources they use. Resource-saving processes and products, satisfied employees, a positive public image, loyal suppliers and highly satisfied customers are therefore not simply ends in themselves. They are in fact important drivers for the successful development and long-term sustainability of companies, based on responsible corporate management. The focus rests primarily on ensuring ethical and fair conduct, in addition to legal aspects (compliance with laws and regulations).

Sustainable business and a responsible role in society have been core components of our business and production processes since RATIONAL was formed 40 years ago. This means responsible corporate management, promoting the respectful use of resources and conserving our environment. Moreover, as a company, we assume responsibility for our employees, make a positive contribution to the development of society and work together with our customers and suppliers in a spirit of long-term partnership and respect.

Corporate governance

We believe that good corporate governance means managing the company responsibly and controlling business operations efficiently. This means ensuring that legal provisions are complied with, conduct is inherently in keeping with the highest ethical standards and communication is open and transparent with all interested parties. Corporate governance also includes an effective system for controlling compliance with rules, so that any risks arising therefrom can be minimised.

Compliance with legal provisions is explicitly set out for all employees in our rules of conduct in business. Non-compliance with laws will result in disciplinary action as well as the possibility of criminal prosecution. The Compliance Officer, who reports directly to the Executive Board, advises the Executive Board on all matters relating to the compliance system and is responsible for ensuring that it is efficiently implemented. He is also the contact point for all employees if they have any queries about legal provisions. In the year under review, we have also appointed two confidential contact persons to whom employees can turn if they see potential instances of misconduct on the part of colleagues.

Fairness in dealings with colleagues, customers, suppliers and all other persons underpins our corporate culture and is set out in writing in the company's guiding principles. Workshops are regularly held to convey these guiding principles to all employees, to ensure that employees are familiar with them.

A further key component of corporate governance is communicating openly, transparently and honestly with interested parties, whether they are employees, suppliers, customers, shareholders, local policy-makers or the general public. By keeping in regular contact and mutually exchanging information, ideas, wishes and areas of interest, we are able not only to detect trends at an early stage and respond to them, but also to minimise risks and ensure a positive image of RATIONAL in the eyes of the general public.

Corporate governance at RATIONAL also involves managing potential risks with the necessary care. To this end, we have an appropriate risk management system which is further developed on an ongoing basis. The risk management system helps us to identify risks at an early stage and take the necessary counter-measures. The risk report sets out the key features of our risk management system and describes our accounting-related internal control system.

Active environmental protection

Maximum 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 negative impact on the environment. It starts right from product development, with the use of recoverable components, and continues through to environmentally certified production and a system of sales logistics which particularly targets the conservation of resources, right through to the recovery 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 which focuses on sustainability. One of our objectives is to ensure that we incorporate environmental considerations into all 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 compliance with them. Objectives that form part of the environmental management system include reducing the consumption of resources and the occurrence of waste, increasing employee awareness of environmental issues, optimising the environment-related performance of all business partners and ensuring the quality of waste water. In terms of resource consumption, we set ourselves annual targets for cutting our use of electricity, fuel, gas and water. In 2013, we again managed to achieve most of these targets to reduce our resource consumption in proportion to our production volume.

Innovative energy and building systems

In recent years we have invested extensively in buildings and plant in Landsberg. In addition to the construction of new buildings we are also paying particular attention to high resource efficiency through the use of the latest building technology and energy-efficient building materials and methods. For example, by using special building architecture featuring large glass façades and self-adjusting brightness sensors, we have managed to minimise the use of artificial light. By employing triple-insulated glass panels, heat pumps, heat recovery systems and night air cooling systems, we have minimised the use of heating energy and energy consumption for air-conditioning.

CO_2 emissions are consistently falling

By using energy-efficiency building technology and production systems we have managed to hold CO_2 emissions to a relatively low level. Our own vehicle fleet also features vehicles using the latest technology, thereby cutting fuel consumption and air emissions thanks to need-based route scheduling. 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 goods flow pooling. These measures have enabled us to cut CO_2 emissions per unit sold by around 7% a year over the past three years.

Waste water virtually eliminated from production processes
Almost no waste water is generated by our production processes. Any water that is polluted is cleaned and removed by our own treatment plant, which is regularly tested by an independent institute. Regular tests are conducted to check the quality of waste water and to ensure that it is completely harmless. In our components factory we invested in an ultra-modern welding system in the past year. This new technology does away with the electrochemical process previously required to clean and polish welding seams, which used to require considerable quantities of water. This emphasises our approach of preferring to avoid waste and pollution in the first place, for environmental as well as financial reasons, rather than having to deal with it retrospectively.

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 material. This is 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.

Accolade for sustainability and resource efficiency
In February 2014 we were awarded the Axia Award 2013 by consultants Deloitte and Munich's Ludwig Maximilian University. The Axia Award is a nationwide German competition which each year recognises outstanding mid-sized companies for their exemplary performance. The best practices developed in these companies are shared with other companies and act as a benchmark for them. Taking as its theme "Nachhaltig denken – erfolgreich lenken" (Think sustainably – guide successfully), Deloitte was looking for mid-sized companies that were able to safeguard finance, brand image and the company for themselves for the long term. The competitors had to demonstrate that their performance in at least one of the three categories is outstanding.

Since 2011, we have also been a member of "Umweltpakt Bayern", a voluntary environmental collaboration between policymakers and business 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.

Employees

U.i.U.® (Entrepreneur in the Company) stands for success
Satisfied employees help to create satisfied customers, and thereby, secure the long-term success of the business. Without highly qualified and motivated employees, the company would not have been successful in the past, nor would it be successful in the 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 independent 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. We hold regular U.i.U.® workshops to train all our employees worldwide and receive feedback on the quality of the way in which the U.i.U.® philosophy is implemented in our subsidiaries and on the conduct of managers.

We encourage the professional development all employees in accordance with their strengths, delegate a great deal of responsibility and promote self-determination and co-determination. The result is a high degree of staff retention and satisfaction. According to a survey in 2013, 91% (2012: 93%) of all employees are proud to work for RATIONAL, a result that reflects the strong feeling of loyalty among our workforce. In 2013, 51 employees were honoured for their long service to the company. Staff turnover is just 3% in Germany and 8% worldwide (2012: 5% and 10% respectively).

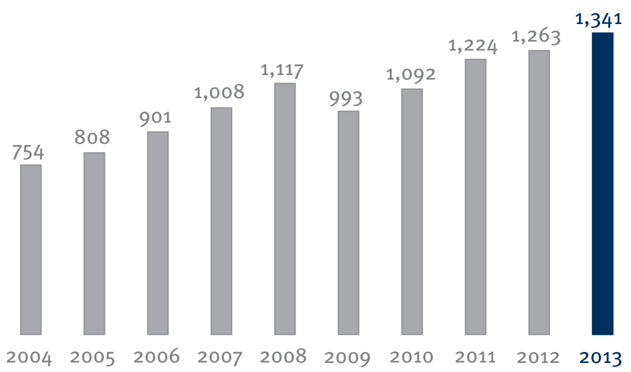
In the past fiscal year we were awarded the "Open Company" and "Top Company" seals by the employer evaluation portal kununu.com, which is active in German-speaking countries. "Open Company" is the seal of quality for proactive interaction with kununu.com. This means that the business invites its employees to rate it on kununu, comments on ratings on kununu and provides insight into its day-to-day work in the form of a kununu company profile. "Top Company" is the seal of quality for employers rated as good on kununu.com. For this, the company must have at least six ratings, which in total give an average evaluation points score of at least three. RATIONAL scores 3.89 out of a possible 5.00 points (as at early February 2014). Our employees were particularly positive about the good cross-hierarchy cohesion among colleagues, the willingness by employees to take responsibility for demanding and diverse tasks, and the transparent communication.

Employees exhibiting high potential are individually promoted and developed as part of our structured succession planning process. As a result, they are equipped to assume key positions and management tasks at RATIONAL in the future. In 2013 we were able to fill around 70% of management vacancies with employees drawn from our own ranks.

The total number of employees in the Group rose in 2013 from 1,263 to 1,341 (as of 31 December 2013). Of these, 765 (2012: 749) were employed in Germany.

By selectively expanding capacities in our global sales and marketing organisations (+54 employees) and in our research and development (+12 employees) in the past fiscal year we particularly improved our business's chances for the future.

Number of employees



Status: December 31

Transparent communication helps motivate employees

We hand our employees responsibility for as many self-contained tasks as possible along the value-added chain. As a result, they have a very good overview of the results of their work and of their contribution to the success of the business. In our quarterly entrepreneur forum we also update all employees worldwide about the development of the business in the various regions of the world, about particular events in the business and about actions planned. All employees can find out more about the topics of the moment by visiting our intranet portal or via RATIONAL TV.

This transparent information policy aims to provide employees with an overall picture and to foster employee satisfaction. This boosts the motivation and loyalty to the business of each and every one of them, and ultimately raises the quality of the work performed as a precondition for maximum customer benefit.

Skilled young talent safeguards the company's future

If RATIONAL is to remain successful in future, it is vital to target recruitment policies at young and talented people. To find the right young talent, we work closely with universities in the region and develop joint strategies for a combination of theoretical learning and practical experience. For students our program includes not only internships and work placements, but also support with dissertations. Regional education fairs, such as the one held in Landsberg last September, are also important events for getting young people interested in vocational training at RATIONAL. At these fairs, we showcase our company to senior-grade school students as a training company for a range of apprenticeships.

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 study are also becoming increasingly important. At year end, we had 50 employees training as industrial business managers, industrial technicians, mechatronics engineers and IT specialists. In addition, 13 students were on dual courses of study, combining studies with practical experience in mechatronics, engineering, business informatics, international business and hotel and catering management.

In addition, 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 various targeted processes and assume specific responsibility at an early stage, enabling them to build up a broad base of expertise, identify their strengths, and develop their character in a purposeful manner. During this process, they receive close support from the Executive Board and their line managers. As at 31 December 2013, this development scheme had 30 participants employed in the various business units around the world.

In December 2013, the RATIONAL young talent programme was rated as "particularly fair and conducive to career development" by ABSOLVENTA, a job fair for young graduates. Singled out for mention were the early assumption of responsibility by our young professionals at the various stages in the programme and the support afforded by experienced managers, as well as the long-term focus on occupying a management or specialist post in due course.

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 group, potential managers gain a detailed insight into how our business works. Specific topics such as planning and 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 directly in the profits of the company on a voluntary basis by way of a bonus payment.

Equality as the norm

All employees are equally valued, are given the same respect and have 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 of the proportion of women in the company are shown in the following table.

	Employees		thereof women	
	2013	2012	**2013**	2012
Total staff	1,341	1,263	29%	30%
Germany	765	749	27%	29%
Abroad	576	514	32%	31%

	Employees		thereof women	
	2013	2012	**2013**	2012
Leadership position	199	190	25%	22%
Germany	88	83	19%	19%
Abroad	111	107	29%	24%

Social responsibility

As a successful business we have a major responsibility towards society, something which we are pleased to acknowledge. Our sustainable, responsible corporate governance secures the long-term existence and growth of the business and creates jobs, and through the tax we pay we contribute significantly to the development of the town and the region.

We are also committed to supporting people who find themselves in difficult situations in their lives. Our commitment takes the form of donations to local social organisations such as the St. Martin social centre, the Lebenshilfe e.V. foundation, SOS Kinderdörfer e.V. or the Landsberg Technical Relief Agency.

RATIONAL supports people with cancer and the disabled

In December 2011, 180 employees responded to the call to be typed for the Bavarian Bone Marrow Donation Campaign (AKB) and to be included in an international donor database. At the start of August 2013, the first RATIONAL employee donated the life-saving stem cells as a result of this campaign and can with luck save the life of a person with leukaemia.

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

RATIONAL is a member of the Club "Deutsches Netzwerk Schulverpflegung e.V." (German Network for School Catering)
Healthy, high-quality food is essential for physical and mental wellbeing. The demand for healthy food exists in all types of outside catering.

The success of the catering provided to schools depends heavily on whether healthy and tasty meals suitable for children can be offered at an affordable price. The key to this lies in the use of a multifunctional device such as the SelfCookingCenter® whitefficiency®.

The DNSV's objective is to improve the quality of school meals. In close collaboration between practice and theory, it sets itself the task of bringing together all stakeholders (school boards, teachers, authorities, caterers, parents and politicians) under one roof, in order to gear itself to the present and future needs of school meals in Germany. RATIONAL also makes its contribution, as a partner from industry and as a member of the DNSV. In nationwide campaigns, our chefs draw on their expertise and many years of experience to advise and support the people who run school kitchens. Only through a shared commitment will it be possible to make all stakeholders even more aware of the importance of healthy food in schools and to ensure that the practice lives up to the theory.

RATIONAL supports young people's education
Thanks to financial support from RATIONAL AG, 25 school students from the Augsburg Region were awarded scholarships for the STUDIENKOMPASS development programme. STUDIENKOMPASS supports and assists young people from non-academic backgrounds, to give them the opportunity to complete their studies. The development programme thus helps to improve educational opportunities for young people and makes a major contribution to ensuring the supply of skilled labour in Germany.

Cultural engagement
For many years RATIONAL has promoted cultural activities in the Landsberg region. To mark the company's 40th anniversary, RATIONAL arranged a symphony concert in Plant 3 in July 2013. Entry was free to the around 1,300 visitors, as a mark of our links to Landsberg and the entire region.

In addition, we provide our art-loving employees who are members of art@RATIONAL with premises and material. For many years the love of art has created a bond between different parts of the company. In the evening, after work is over, they can develop their creative side together in a relaxed atmosphere.

Long-term customer relationships
When it comes to customer relationships, sustainability means for us long-term cooperation based on partnership.

Our philosophy lays down maximum customer benefit as the overriding corporate objective. Because only if we succeed in permanently offering our customers maximum benefit – in other words develop the ideal solutions to their problems – can we bind them to our business in the long term. Maximum customer benefit is therefore the crucial driver for our lasting success.

Besides market-leading products at a reasonable price and exemplary service, it is important that we interact with our customers appropriately. One of the fundamental claims for interaction with customers is that every contact with RATIONAL should be a positive experience for our customers.

The fact that we are succeeding ever better in offering our customers maximum benefit is shown by the TNS Infratest customer satisfaction with 83% enthusiastic customers.

Cooperation in partnership with suppliers
For us 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 putting our suppliers under permanent pressure to offer lower prices, we apply the extended workbench model and work in cooperation with our suppliers on joint re-engineering projects to achieve quality, productivity or cost-cutting targets which benefit both sides.

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 special awards at the annual supplier day.

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 21 April 2010.

The Board remuneration generally comprises fixed and variable components.

The total compensation paid to the Executive Board for the performance of its duties within the parent company and its subsidiaries in fiscal 2013 was 7.2 million euros (2012: 4.3 million euros). This amount included performance-related pay components of 2.4 million euros (2012: 1.9 million euros) and expenses for restructuring the Executive Board amounting to 1.7 million euros. Payments totalling 0.5 million euros were also made into the pension scheme for Executive Board members (2010: 0.3 million euros).

No stock options were issued in 2013. The General Meeting of Shareholders held on 11 May 2011 decided not to publish an individual breakdown of Executive Board remuneration.

The total remuneration paid to the Supervisory Board for 2013 amounted to 0.6 million (2012: 0.6 million euros).

Information relating to Takeovers

Pursuant to section 315 (4) HGB (German Commercial Code) companies must provide and clarify information relating to takeovers.

Details of the composition of the share capital pursuant to DRS 20 are given in the Notes under note 21: “Equity”.

As of 31 December 2013 the company founder and Supervisory Board chairman held 7,161,411 shares in RATIONAL AG. He therefore exceeds the threshold of 10% of the voting rights.

By resolution of the General Meeting of Shareholders on 8 May 2013, section 8 of the articles of association of RATIONAL AG was amended. 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. 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 the past fiscal year, the right to appoint a member of the Supervisory Board was not exercised.

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 2013.

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

Declaration of Corporate Governance

A Declaration of Corporate Governance pursuant to Section 289a of the German Commercial Code (HGB) is published under Corporate Governance in the Investor Relations section of the RATIONAL website.

Landsberg am Lech, 20 February 2014

RATIONAL AG
The Executive Board

Dr Peter Stadelmann
Chief Executive Officer

Erich Baumgärtner
Chief Financial Officer

Peter Wiedemann
Chief Technical Officer

Markus Paschmann
Chief Sales Officer

Consolidated Financial Statements

Contents

Statement of Comprehensive Income RATIONAL Group

for the period 1 January – 31 December

kEUR	Note	2013	2012
Sales	1	**461,148**	434,981
Cost of sales	2	**–180,446**	–173,263
Gross profit		**280,702**	**261,718**
Sales and service expenses	3	**–111,190**	–105,793
Research and development expenses	4	**–16,696**	–13,562
General administration expenses	5	**–21,255**	–18,815
Other operating income	6	**6,308**	5,878
Other operating expenses	7	**–9,615**	–6,710
Earnings before interest and taxes (EBIT)		**128,254**	**122,716**
Interest and similar income	8	**503**	816
Interest and similar expenses	8	**–1,104**	–1,107
Earnings from ordinary activities (EBT)		**127,653**	**122,425**
Income taxes	9	**–30,409**	–29,140
Net income		**97,244**	**93,285**
Items that may be reclassified to profit and loss in the future:			
Differences from currency translation	21	**–975**	–272
Items that will not be reclassified to profit and loss:			
Actuarial gains and losses from defined benefit obligations	21, 22	**–7**	0
Other comprehensive income		**–982**	**–272**
Total comprehensive income		**96,262**	**93,013**
Average number of shares (undiluted/diluted)		**11,370,000**	11,370,000
Earnings per share (undiluted/diluted) in euros relating to the net income and the number of shares	10	**8.55**	**8.20**

Balance Sheet
RATIONAL Group

Assets

kEUR	Note	31 Dec 2013	31 Dec 2012
Non-current assets		**66,893**	**61,319**
Intangible assets	12, 13	1,671	1,532
Property, plant and equipment	14	59,201	54,629
Financial assets	15	0	0
Other non-current assets	18	1,120	355
Deferred tax assets	9	4,901	4,803
Current assets		**310,402**	**264,873**
Inventories	16	27,169	26,364
Trade receivables	17	75,863	65,941
Other current assets	18	7,249	6,148
Deposits with maturities of more than 3 months	19	96,000	80,000
Cash and cash equivalents	20	104,121	86,420
Balance sheet total		**377,295**	**326,192**

Equity and Liabilities

kEUR	Note	31 Dec 2013	31 Dec 2012
Equity		**268,846**	**237,393**
Subscribed capital	21	11,370	11,370
Capital reserves	21	28,058	28,058
Retained earnings	21	231,994	199,559
Other components of equity	21	–2,576	–1,594
Non-current liabilities		**34,882**	**25,453**
Provisions for pensions	22	780	795
Other non-current provisions	24	2,963	2,187
Non-current liabilities to banks	25	31,139	22,471
Current liabilities		**73,567**	**63,346**
Current income tax liabilities	23	11,097	7,772
Current provisions	24	26,766	23,680
Current liabilities to banks	25	3,236	2,817
Trade accounts payables	26	11,995	10,468
Other current liabilities	27	20,473	18,609
Liabilities		**108,449**	**88,799**
Balance sheet total		**377,295**	**326,192**

Cash Flow Statement
RATIONAL Group

for the period 1 January – 31 December

kEUR	2013	2012
Earnings from ordinary activities	127,653	122,425
Depreciation on fixed assets	7,239	6,762
Net results from asset retirements	–14	–3
Non-realised foreign currency result	–38	–48
Change in derivative financial instruments	–27	–559
Interest income and income from financial assets	–503	–816
Interest expenses	1,104	1,107
Operating results before changes in working capital	**135,414**	**128,868**
Changes in		
Inventories	–805	–1,625
Trade accounts receivables and other assets	–12,109	5,287
Provisions	3,739	4,023
Trade accounts payables and other liabilities	3,426	–1,655
Cash generated from current business activities	**129,665**	**134,898**
Income taxes paid	–26,835	–23,454
Cash flow from operating activities	**102,830**	**111,444**
Investments in intangible and tangible assets	–12,039	–9,367
Income from asset retirements	47	100
Purchase of fixed deposits with maturities of more than 3 months	–96,000	–80,000
Decrease in fixed deposits with maturities of more than 3 months	80,000	50,400
Interest received	470	871
Cash flow from investing activities	**–27,522**	**–37,996**
Dividends paid	–64,809	–62,535
Proceeds of non-current liabilities to banks [1]	12,120	8,196
Repayment of liabilities to banks	–3,033	–1,904
Interest paid	–996	–947
Cash flow from financing activities	**–56,718**	**–57,190**
Net changes in cash and cash equivalents	**18,590**	**16,258**
Changes in cash from exchange rate fluctuations	–889	–206
Changes in cash funds	**17,701**	**16,052**
Cash and cash equivalents on 1 Jan	**86,420**	**70,368**
Cash and cash equivalents on 31 Dec [1]	**104,121**	**86,420**
[1] Thereof pledged cash funds for specific purposes	10,500	2,700

Statement of Changes in Equity
RATIONAL Group

kEUR	Subscribed capital	Capital reserves	Retained earnings	Other components of equity	Total
Balance on 1 Jan 2012	**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 31 Dec 2012	**11,370**	**28,058**	**199,559**	**–1,594**	**237,393**
Dividend	–	–	–64,809	–	–64,809
Total comprehensive income	–	–	97,244	–982	96,262
Balance on 31 Dec 2013	**11,370**	**28,058**	**231,994**	**–2,576**	**268,846**

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 offices 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 31 December 2013 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 statement of cash flows, 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 20 February 2014. The publication date is 20 March 2014.

Fundamental accounting principles

The consolidated financial statements for fiscal year 2013 (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 2013 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 new or revised standards were applied on a mandatory basis for the first time in fiscal year 2013; RATIONAL had not applied it voluntarily in previous years.

		Effective date
Amendment	IAS 1 “Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income”	1 July 2012
Amendment	IAS 19 “Employee Benefits”	1 January 2013
Amendment	IFRS 1 “First-time Adoption of IFRS: Severe Hyperinflation and Removal of Fixed Dates of First-Time Adopters”	1 January 2013
Amendment	IFRS 1 “First-time Adoption of IFRS: Government Loans”	1 January 2013
Amendment	IAS 12 “Deferred Tax: Recovery of Underlying Assets”	1 January 2013
Amendment	IFRS 7 “Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities”	1 January 2013
Amendment	Annual Improvements to IFRS 2009 – 2011	1 January 2013
New	IFRS 13 “Fair Value Measurement”	1 January 2013
New	IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine”	1 January 2013

› Implementation of IAS 1 “Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income” requires other comprehensive income to be broken down into items to be reclassified to profit or loss in subsequent periods and items to remain in other comprehensive income.

› The amendments associated with the new version of IAS 19 “Employee Benefits” affect RATIONAL in respect of how actuarial gains and losses are recognised in other comprehensive income. These must now be recognised immediately in other comprehensive income. The previous right to choose whether to recognise them in profit and loss or in other comprehensive income or to defer them using the corridor method has been abolished. RATIONAL used to recognise actuarial gains and losses immediately in administration and selling expenses in the income statement. The amended standard provides for retrospective application. Since the sums to be adjusted are insignificant, RATIONAL is only applying the amendment prospectively.

› The amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards: 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 of IFRS 1 “First-time Adoption of International Financial Reporting Standards: Government Loans” relates to first-time IFRS adopters and defines the recognition of a government loan with a below-market rate of interest. This change has no effect on RATIONAL’s consolidated financial statements.

› The amendment to IAS 12 “Deferred Taxes: Recovery of Underlying Assets” introduces an exemption rule for properties held as financial investments and 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 has 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. As a result of this amendment, there are new notes on offsetting, as explained under “Notes on financial instruments”.

› Various amendments were made to a number of IFRS as part of the “Annual Improvements 2009 – 2011”, but have resulted in no material changes to the guidance given in the standards. Changes were made to IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IAS 1 “Presentation of Financial Statements”, IAS 16 “Property, Plant and Equipment”, IAS 32 “Financial Instruments: Presentation” as well as IAS 34 “Interim Financial Reporting”. These changes have no material effect on the consolidated financial statements.

› With the entry into force of IFRS 13 “Fair Value Measurement”, the rules governing fair value measurement and the corresponding disclosures are summarised in a single standard. This standard affects RATIONAL in particular when determining the fair value of financial instruments and in the expanded notes. When determining the fair value, the credit risk of the contracting party is now additionally taken into account for financial assets, as is the own credit risk for financial liabilities. To this end, RATIONAL uses the value of the respective contracting party's credit default swap or the fair-value market interest curve for companies with a comparable rating for own credit risk.

› 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 has no 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 2013 and have not been applied early:

		Effective date in accordance to Standard
Amendment	IAS 32 "Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities"	1 January 2014
Amendment	IAS 36 "Impairment of Assets – Recoverable Amount of Disclosures for Non-Financial-Assets"	1 January 2014
Amendment	IAS 39 "Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting"	1 January 2014
Amendment	IAS 27 "Separate Financial Statements"	1 January 2014
Amendment	IAS 28 "Investments in Associates and Joint Ventures"	1 January 2014
New	IFRS 10 "Consolidated Financial Statements"	1 January 2014
New	IFRS 11 "Joint Arrangements"	1 January 2014
New	IFRS 12 "Disclosures of Interests in other Entities"	1 January 2014
Amendment	IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosures of Interests in other Entities": Transition Guidance	1 January 2014
Amendment	IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in other Entities", IAS 27 "Separate Financial Statements": Investment Entities	1 January 2014

› The amendments to IAS 32 "Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities" clarify aspects on the application of the IAS 32 offsetting model. These amendments are not expected to have any material effect on RATIONAL's consolidated financial statements.

› The amendment to IAS 36 "Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets" restricts the disclosures to the recoverable amount of assets and cash-generating units, for which an impairment loss was recorded or reversed in the period. This change will have no material effect on RATIONAL's consolidated financial statements.

› The amendment to IAS 39 "Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting" is prepared in response to the more stringent regulation of the derivatives markets and the obligation to novate derivatives to central clearing houses. Under certain conditions, hedge accounting can be continued even if the hedging instrument was transferred to a central counterparty. This change 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", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interest in other Entities". Joint ventures will in future be accounted for in accordance with the equity method now that IFRS 11 has eliminated the use of proportionate consolidation. These changes are not expected to have an 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 corporate groups in which a parent entity controls one or more subsidiaries. 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 is expected to have no effect on RATIONAL’s consolidated financial statements.

› IFRS 12 “Disclosure of Interest in Other Entities” contains all 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 amendment to the transition guidance of IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities” provides a clarification of the transition guidance set out in IFRS 10 and also contains further exemptions with respect to the transition to IFRS 10, IFRS 11 and IFRS 12. This change will have no material effect on RATIONAL’s consolidated financial statements.

› The amendments relating to investment entities in IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 27 “Separate Financial Statements” provide for investment entities as defined in IFRS 10 “Consolidated Financial Statements” to measure their investments in subsidiaries at fair value through profit or loss and not to include them as fully consolidated companies. New disclosures are also required as a result of the amendments. These changes have no 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 therefore not applied to the consolidated financial statements. RATIONAL will apply these standards group-wide 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’s future consolidated financial statements.

		Effective date in accordance to Standard
New	IFRC 21 “Levies”	1 January 2014
Amendment	IAS 19 “Employee Benefits – Defined Benefit Plans: Employee Contribution”	1 July 2014
New	Annual Improvements to IFRS 2010 – 2012	1 July 2014
New	Annual Improvements to IFRS 2011 – 2013	1 July 2014
Amendment	IFRS 7 and IFRS 9 “Financial Instruments: Mandatory Effective Date of IFRS 9 and Transition Disclosure”	1 January 2015
New	IFRS 9 “Financial Instruments”	1 January 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 RATIONAL AG as a 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 purchase method in accordance with IFRS 3. The acquisition cost of the equity investment is offset against the revalued pro rata equity of the acquired company 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 and 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 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, seven domestic (2012: seven) and 21 foreign subsidiaries (2012: 20) in addition to the parent company were included in the consolidated financial statements in compliance with IAS 27 requirements. In 2013, a sales company was established in India. It was entered in the commercial register and its registered capital amounting to 17,500 thousand INR (approx. 252 thousand euros) was paid in March 2013. As of 31 December 2013 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
RATIONAL France S.A.S.	Wittenheim	France	100.0
FRIMA – T S.A.S.	Wittenheim	France	100.0
FRIMA France S.A.S.	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.	Warsaw	Poland	100.0
RATIONAL Scandinavia AB	Malmö	Sweden	100.0
RATIONAL RUS OOO	Moscow	Russia	100.0
Americas			
RATIONAL Cooking Systems, 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
RATIONAL International India Private Ltd.	Delhi	Indien	100.0

TOPINOX S.A.R.L., Nantes, France, an operationally inactive subsidiary of FRIMA – T S.A.S., 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 2013. In addition, RATIONAL Großküchentechnik GmbH and RATIONAL Komponenten GmbH are electing not to prepare a management report in accordance with section 264 (3) of the 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 foreign currency assets and liabilities 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. Arising differences from this translation 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 31 Dec		
1 euro =	2013	2012	Change in %	2013	2012	Change in %
USD = US Dollar	**1.3301**	1.2927	3	**1.3768**	1.3186	4
JPY = Japanese yen	**130.13**	103.50	26	**144.50**	113.65	27
GBP = Pound sterling	**0.8503**	0.8115	5	**0.8328**	0.8158	2
CHF = Swiss franc	**1.2290**	1.2042	2	**1.2269**	1.2073	2
CAD = Canadian dollar	**1.3767**	1.2898	7	**1.4636**	1.3118	12
SEK = Swedish krona	**8.6691**	8.6825	0	**8.8263**	8.5800	3
PLN = Polish zloty	**4.2120**	4.1722	1	**4.1502**	4.0930	1
CNY = Chinese yuan	**8.1691**	8.1462	0	**8.3342**	8.2150	1
RUB = Russian rouble	**42.594**	40.075	6	**45.252**	40.249	12
BRL = Brazilian real	**2.8921**	2.5323	14	**3.2518**	2.6997	20
MXN = Mexican peso	**17.124**	–	–	**18.027**	–	–
INR = Indian rupee	**79.694**	–	–	**85.100**	–	–

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.

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.

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 process 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 derivative financial instruments classified as financial assets held for trading. If financial assets are held to maturity, they are carried at amortised cost after their initial recognition, using the effective interest method, 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 allowance for impairment. There are no available-for-sale financial assets on the balance sheet. RATIONAL makes no use of the fair value option.

Allowances must be recognised for receivables that are to be classified 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 held in an allowance account.

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

Derivative financial instruments

Derivative contracts are classified as “held for trading” and are recognised at fair value because it does not fully meet the IAS 39 requirements for hedge accounting (despite the close alignment of the hedge with the underlying transaction). On the day of trading, derivative financial instruments are recognised at the purchase or sale price and reported under other assets or other liabilities in the balance sheet. Changes in fair value between reporting dates are recognised under other operating income or expenses in the income statement.

The recognition of derivatives at fair value is based on the zero impact on credit-rating measurement 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 forwards and swaps, the Black-Scholes method for options).

The measurement with zero impact on credit-rating (according to the discounted cash flow method) of forward exchange contracts and swaps is calculated using the spot rate as of 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.

With currency transactions, the measurement with zero impact on credit-rating corresponds to the price received for the sale of an asset or the price paid for the transfer of a liability in an orderly transaction between market participants on the measurement date (using the modified Black-Scholes formula under the Garman-Kohlhagen model). Any offsetting effects from underlying transactions are disregarded when determining the measurement with zero impact on credit-rating.

As of fiscal year 2013, in accordance with IFRS 13 on measuring the fair value of derivative financial instruments, it is necessary to take into account the risk of non-performance (CVA = credit value adjustment and DVA = debit value adjustment) in addition to the above measurement, which is based on zero impact on credit-rating.

The debit value adjustment arising from an obligation for RATIONAL to provide a payment from derivative financial instruments is determined on the basis of an interest curve corresponding to the average value of corporate bonds with a comparable credit-rating, after deducting the money market rate. The credit value adjustment for derivative financial instruments for which the contracting party is obliged to provide a payment is determined taking into account the respective contracting party's credit default swap applicable at the end of the year.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash in banks, as well as short-term deposits with maturities of up to three months calculated from the time of acquisition; 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 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 9% and 40% (2012: 10% and 40%). The tax rate used to calculate deferred taxes for RATIONAL AG is 28% (2012: 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 taxation 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 defined benefit provisions for pensions is based on the projected unit credit method stipulated in IAS 19. The actuarial gains and losses are directly recognised in other comprehensive income The interest paid is immediately recognised in the income statement under “Interest and similar expenses”. 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

Depending on the individual circumstances, financial liabilities as defined by IAS 39 are classified either as financial liabilities measured at fair value through profit and loss or as financial liabilities measured at amortised cost.

Financial liabilities measured at fair value through profit and loss relate to derivative financial instruments classified as financial liabilities held for trading.

Trade accounts payable and other liabilities are recognised at amortised cost, using the effective interest method. RATIONAL makes no use of the fair value option.

A financial liability is retired if the corresponding obligation has been paid or rescinded, or has lapsed. The gains and losses arising from the retirement of financial liabilities are recognised in the income statement for the period.

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

On completion of delivery, i. e. on transfer of ownership and risk to the customer, revenues are recognised if it is sufficiently likely that economic benefits will accrue to the consolidated group from such service and the amount of the revenues can be reliably determined. The revenues include the consideration received or receivable at fair value, and are reported excluding value-added tax, returns, rebates and discounts. 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 amounts of these items.

The warranty provision covers the Group companies' liability to ensure that their products are 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 in respect 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.

Provisions for legal proceedings are recognised if the corresponding requirements 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 and 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.

Besides estimates and assumptions, there was no significant use of management judgement in the application of accounting and valuation methods.

Notes on financial instruments

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 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 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 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. Products are marketed worldwide by sales companies and independent sales partners, not directly to the end customer but through specialised retailers. 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 and its local partner companies. The RATIONAL customer portfolio is rated as "low risk".

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 Credit Management (German 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.

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
	31 Dec 2013	31 Dec 2013	31 Dec 2013
Deposits with maturities of more than three months	96,000	90,100	5,900
Cash and cash equivalents	104,121	85,354	18,767
Total	**200,121**	**175,454**	**24,667**

kEUR	Book value	Protected by deposit protection fund	Net risk
	31 Dec 2012	31 Dec 2012	31 Dec 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**

Further information is provided in the disclosures on cash deposits with a maturity of more than three months, cash and cash equivalents, market risk, and the offsetting of financial instruments.

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 any 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 (A 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 covenant 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 32,669 thousand euros (2012: 31,669 thousand euros). After taking into account assignments for subsidiaries and sureties, this leaves unused credit lines amounting to 28,528 thousand euros (2012: 27,457 thousand euros).

As of the balance sheet date, the liquidity reserve from own resources (including all existing fixed-term deposits) amount to a total of 200,121 thousand euros (2012: 166,420 thousand euros). This also included currency reserves amounting to 1,470 thousand euros (2012: 2,624 thousand euros) that were not freely convertible or were subject to strict currency restrictions.

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 generally 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 a department 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 ratings, 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 UK, 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.

By partially settling amounts payable to suppliers in the same foreign currencies that foreign sales companies use to recognise revenue, it is possible to reduce 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.

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. There is no fixed interest rate at present for the period from 2017 to 2022. All other financing contracts stipulate fixed interest rates for the entire term.

Price risk

In its production processes, RATIONAL uses several thousand tonnes of high-quality stainless steel a year. The risk arising from changes in the price of stainless steel is governed both by the basic price of steel itself and by the fluctuations in the price of alloys on 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 one to two years.

Classification of financial instruments

The following table shows the carrying amounts and fair values of financial instruments.

kEUR	Category	Fair value hierarchy[1)]	Book value 31 Dec 2013	Fair value 31 Dec 2013	Book value 31 Dec 2012	Fair value 31 Dec 2012
Assets						
Trade receivables	a		75,863		65,941	
Other current assets			7,249		6,148	
Derivatives not in a hedging relationship	c	Level 2	53	53	60	60
Other financial assets	a		735		233	
Remaining other current assets	no financial instr. acc. to IFRS 7		6,461		5,855	
Other non-current assets	a	Level 2	1,120		355	
Other financial assets	a		86	85	355	352
Remaining other non-current assets	no financial instr. acc. to IFRS 7		1,034		–	
Deposits with maturities of more than 3 months	a	Level 2	96,000	96,088	80,000	80,048
Cash and cash equivalents	a		104,121		86,420	
Financial assets	b		0		0	
Liabilities						
Trade accounts payables	d		11,995		10,468	
Other current liabilities			20,473		18,609	
Derivatives not in a hedging relationship	e	Level 2	54	54	89	89
Other financial liabilities	d		6,580		6,683	
Remaining other current liabilities	no financial instr. acc. to IFRS 7		13,839		11,837	
Liabilities from loans	d	Level 2	34,375	36,503	25,288	27,789
Of which: aggregated by category in accordance with IAS 39						
a) Loans and receivables			276,805	276,892	232,949	232,994
b) Held-to-maturity investments			0	0	0	0
c) Financial assets held for trading			53	53	60	60
d) Financial liabilities measured at amortised cost			52,950	55,078	42,439	44,940
e) Financial liabilities held for trading			54	54	89	89

[1)] According to IFRS 13.72 – 13.90

Financial assets and liabilities are generally recognised in the balance sheet at amortised cost. By way of exception, the derivative financial instruments are recognised at fair value. The relevant balance sheet items are reconciled to the categories of financial instruments reportable under IAS 39.

IFRS 13 establishes a three-Level fair value measurement hierarchy for financial instruments. Input factors for Level 1 are prices quoted on active markets accessible to the company on the measurement date for identical assets or liabilities. Level 2 incorporates financial instruments for which there are no prices quoted on an active market accessible to the company on the measurement date. However, it is possible to calculate their fair value on the basis of market prices of comparable financial instruments or using models based on input parameters observable on the market. The fair value of Level 3 financial instruments is measured using input factors that are not observable.

As shown in the table, other non-current assets, deposits with maturities of more than three months and liabilities to banks are allocated to measurement hierarchy level 2 in accordance with IFRS 13, in addition to the derivative financial instruments.

For financial instruments whose carrying amount is a reasonable approximation of fair value, fair value is not disclosed separately in accordance with IFRS 7.29a.

During the reporting period, there were no reclassifications between the measurement hierarchy levels. If circumstances occur which call for a different classification, the financial instruments will be reclassified at the end of the reporting period.

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

With current financial instruments with maturities of less than one year, the carrying amount is a reasonable approximation of fair value, given the short remaining maturities. 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 derivative financial instruments, deposits with a maturity of more than three months, and short-term portions of liabilities to banks, for which a fair value is calculated.

Other non-current assets include outstanding security deposits with a residual maturity of more than one year. The fair value is calculated using the discounted cash flow method by discounting the outstanding amounts matching the relevant maturity. The credit risks of contracting parties are not taken into account here.

The following table shows the contract values and fair values of the derivative financial instruments, by category, as of 31 December 2013 and 31 December 2012. The contract values do not represent the market risk, but they provide information on the volume of transactions outstanding on the balance sheet date.

kEUR	Currency	Contract value		Positive fair value (assets)		Negative fair value (liabilities)	
		2013	2012	**2013**	2012	**2013**	2012
Maturity < 1 Year							
Currency options	GBP	**18,232**	18,653	**17**	35	**38**	37
Currency options	USD	**–**	8,155	**–**	25	**–**	27
Currency options	JPY	**4,286**	–	**36**	–	**16**	–
Interest rate/currency swaps	JPY	**–**	115	**–**	–	**–**	25
Total		**22,518**	**26,923**	**53**	**60**	**54**	**89**

Derivatives with a maturity over one year did not exist on the balance sheet date.

For deposits with a maturity of more than three months, the fair value is determined using the discounted cash flow method. To this end, the redemption amounts on the maturity date have been discounted at the respective maturity-matched discount rates, taking the credit risk of contracting parties into account. The interest to be apportioned to past fiscal year is included in other current assets and is therefore no longer included here.

Investments are measured at amortised cost. As in the previous year, the investment is reported with a carrying amount of 0 thousand euros. This corresponds to the fair value.

The fair value of liabilities to banks is 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, taking own credit risk into account.

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

The interest and net earnings by class of financial instruments in accordance with IAS 39 include net profits/losses, total interest income/expense, and expenses from value adjustments. They are composed as follows:

kEUR	Net results	thereof:		
2013		**Interest earned/ paid**	**Value adjustments**	**Other**
Loans and receivables	–4,452	+468	–1,146	–3,774
Held-to-maturity investments	–	–	–	–
Financial assets/liabilities held for trading	+724	–	–	+724
Financial liabilities measured at amortised cost	–1,987	–932	–	–1,055

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

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 of 31 December 2013, RATIONAL was exposed to currency risk 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 31 December 2013, 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 6,381 thousand euros lower (2012: 3,935 thousand euros lower). If the euro had been 10% weaker, the amount reported in functional currency would have been 7,302 thousand euros higher (2012: 4,288 thousand euros higher).

The hypothetical impact on income of –6,381/+7,302 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	2013	2013
EUR/GBP	–1,689	1,657
EUR/USD	–1,584	1,847
EUR/CAD	–900	1,101
EUR/JPY	–430	525
EUR/MXN	–402	491
EUR/BRL	–361	441

Offsetting of financial instruments

The following financial assets and liabilities are set off in the balance sheet or are subject to a legally enforceable global netting agreement or similar agreements.

Financial assets:

kEUR	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet		Net amounts
2013				Financial instruments	Cash collateral	
Derivatives	53	–	53	16	–	37
Deposits with maturities of more than 3 months, cash and cash equivalents	200,121	–	200,121	34,375	–	165,746
Trade receivables	80,277	–4,414	75,863	–	–	75,863
Total	**280,451**	**–4,414**	**276,037**	**34,391**	**–**	**241,646**

kEUR	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not set off in the balance sheet		Net amounts
2012				Financial instruments	Cash collateral	
Derivatives	60	–	60	60	–	0
Deposits with maturities of more than 3 months, cash and cash equivalents	166,420	–	166,420	25,288	–	141,132
Trade receivables	70,778	–4,837	65,941	–	–	65,941
Total	**237,258**	**–4,837**	**232,421**	**25,348**	**–**	**207,073**

Financial liabilities:

kEUR	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet		Net amounts
2013				Financial instruments	Cash collateral	
Derivatives	54	–	54	17	–	37
Liabilities from banks	34,375	–	34,375	34,375	–	0
Liabilities from business partners	9,270	–4,414	4,856	–	–	4,856
Total	**43,699**	**–4,414**	**39,285**	**34,392**	**–**	**4,893**

kEUR	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not set off in the balance sheet		Net amounts
2012				Financial instruments	Cash collateral	
Derivatives	89	–	89	60	–	29
Liabilities from banks	25,288	–	25,288	25,288	–	0
Liabilities from business partners	9,893	–4,837	5,056	–	–	5,056
Total	**35,270**	**–4,837**	**30,433**	**25,348**	**–**	**5,085**

The gross amounts used in the financial assets and liabilities that have not led to any off-set are derived from global netting agreements or similar agreements. Offsetting is therefore only possible in the event of insolvency of one of the parties.

Notes on the Statement of Comprehensive Income

1. Sales

In fiscal year 2013, RATIONAL generated worldwide revenue of 461,148 thousand euros (2012: 434,981 thousand euros), of which 77% (2012: 77%) was attributable to appliance sales. The remaining 23% (2012: 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	2013	% of total	2012	% of total
Germany	**60,831**	**13**	61,520	14
Europe (excluding Germany)	**231,459**	**50**	214,824	50
Americas	**82,213**	**18**	75,314	17
Asia	**61,424**	**13**	62,675	14
Rest of the world*	**25,221**	**6**	20,648	5
Total	**461,148**	**100**	**434,981**	**100**

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

Since fiscal year 2013, sales with customers in Turkey have been allocated to “Europe” instead of to “Rest of the world”. The 2012 figures were adjusted accordingly.

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.

In 2013, the cost of sales was 180,446 thousand euros (2012: 173,263 thousand euros). The cost of materials included in this figure was 153,394 thousand euros (2012: 147,707 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 2013, there was an approximately proportional increase in sales and service expenses in comparison to the growth in sales.

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, research and development expenses amounting to 13,562 thousand euros had gone down slightly, as significant pre-investments had been made in 2011 with the introduction of new product generations. As a result, research and development expenses amounting to 16,696 thousand euros in the past fiscal year increased disproportionately compared with revenue.

5. General administration expenses

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

6. Other operating income

kEUR	2013	2012
Exchange gains	**3,242**	4,586
Income from government grants	**1,396**	–
Insurance recoveries	**920**	934
Income from value adjusted and depreciated accounts receivables	**370**	163
Income from refund of taxes	**184**	44
Other (< 100 thousand euros in each case)	**196**	151
Total	**6,308**	**5,878**

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 222 thousand euros (2012: 1,409 thousand euros).

In the year under review, the “insurance recoveries” item included income of 623 thousand euros (2012: 622 thousand euros) from the payment of claims by credit insurers relating to receivables defaults.

The income from government grants item includes grants for research and development services. The services pertain to fiscal years 2010 to 2013. The awarding of grants could be established in 2013.

7. Other operating expenses

kEUR	2013	2012
Exchange losses	**7,436**	5,023
Value adjustments on accounts receivables	**1,516**	917
Other taxes	**367**	345
Donations	**189**	333
Other (< 100 thousand euros in each case)	**107**	92
Total	**9,615**	**6,710**

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 195 thousand euros (2012: 850 thousand euros).

8. Financial results

Interest and similar income result primarily from short-term cash deposits. Interest and similar expenses include mainly the interest expenses for real estate and machinery financing contracts amounting to 923 thousand euros (2012: 897 thousand euros) and expenses from the compounding of interests on long-term provisions amounting to 108 thousand euros (2012: 160 thousand euros).

9. Taxes on income

The following table shows the reconciliation from expected to reported tax expense. A combined income tax rate of 27.73% (2012: 27.09%) was applied to profit from ordinary activities to calculate expected tax expense for 2013. 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 340% (2012: 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	2013	2012
Earnings before taxes (EBT)	127,653	122,425
Expected tax rate in percent	27.73	27.09
Expected income taxes	**35,398**	**33,165**
Variations in local tax rates in the subsidiaries	−6,441	−4,919
Tax refunds from previous years	−55	−89
Tax expenses relating to previous years	265	79
Non-tax-deductible expenses	1,242	904
Reported income taxes	**30,409**	**29,140**

The deferred taxes reported in fiscal year 2013 amount to 4,901 thousand euros, compared with 4,803 thousand euros as at the 2012 balance sheet date. The deferred tax income attributable to 2013 was therefore 98 thousand euros (2012: 443 thousand euros). The current income tax expense thus amounted to 30,507 thousand euros (2011: 29,583 thousand euros).

The deferred taxes recognised for fiscal years 2013 and 2012 are attributable to the following balance sheet items:

kEUR			Effect on net income	
	2013	2012	2013	2012
Inventories	4,570	4,456	114	240
Provisions	626	484	142	95
Trade receivables	54	61	−7	261
Other	−349	−198	−151	−153
Total	**4,901**	**4,803**	**98**	**443**

Deferred tax assets of 4,555 thousand euros (2012: 4,519 thousand euros) are expected to have a maturity of less than one year. Of the reported amounts, 346 thousand euros (2012: 284 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 provisions and non-current assets. The “Others” item includes deferred tax liabilities. These tax liabilities are offset against deferred tax assets relating to different balance sheet items.

Deferred taxes relating to items to be recognised directly in the equity are explained in note 21 on Equity (“Other equity”).

10. Earnings per share

Earnings per share are calculated as stipulated by IAS 33 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 (2012: 11,370,000 shares) and Group earnings of 97,244 thousand euros (2012: 93,285 thousand euros), basic and diluted earnings per share for fiscal year 2013 were 8.55 euros (2012: 8.20 euros).

11. Dividend per share

For fiscal year 2012, the dividend of 5.70 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 8 May 2013. Total dividends of 64,809 thousand euros were paid in May 2013.

The Executive Board and Supervisory Board propose to the General Meeting of Shareholders 2014 that a dividend of 6.00 euros per share be paid for fiscal year 2013, the total distribution in this case being 68,220 thousand euros.

Notes on the Balance Sheet – assets

12. Intangible assets

kEUR	Industrial and similar rights	Goodwill	Total
Acquisition cost			
Balance on 1 Jan 2013	**5,860**	**424**	**6,284**
Currency differences	**–2**	**–**	**–2**
Additions	**746**	**–**	**746**
Disposals	**–101**	**–**	**–101**
Balance on 31 Dec 2013	**6,503**	**424**	**6,927**
Amortisation			
Balance on 1 Jan 2013	**4,752**	**–**	**4,752**
Currency differences	**–1**	**–**	**–1**
Additions	**606**	**–**	**606**
Disposals	**–101**	**–**	**–101**
Balance on 31 Dec 2013	**5,256**	**–**	**5,256**
Book Values			
Balance on 31 Dec 2013	**1,247**	**424**	**1,671**
Acquisition cost			
Balance on 1 Jan 2012	5,125	424	**5,549**
Additions	735	–	**735**
Disposals	–	–	**–**
Balance on 31 Dec 2012	5,860	424	**6,284**
Amortisation			
Balance on 1 Jan 2012	4,292	–	**4,292**
Additions	460	–	**460**
Disposals	–	–	**–**
Balance on 31 Dec 2012	4,752	–	**4,752**
Book Values			
Balance on 31 Dec 2012	1,108	424	**1,532**

Intangible assets comprise industrial and similar rights recognised at cost, as well as goodwill. Self-created assets are not included. There were no capitalisable development costs as defined by IAS 38.57. If impairment is identified in excess of depreciation, the asset is written down to its recoverable amount. In fiscal year 2013, as in the previous year, no impairment losses were recognised on intangible assets. There are no pledges or restrictions on disposal. Exchange rate differences can occur when foreign-currency-denominated intangible assets held by the subsidiaries are translated into the functional currency.

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

kEUR	2013	2012
Production	**11**	10
Sales and service	**79**	83
Research and development	**47**	22
General administration	**469**	345
Total	**606**	**460**

13. Goodwill

A net carrying amount of 424 thousand euros (2012: 424 thousand euros) for goodwill was reported under intangible assets as of the balance sheet date. This goodwill arose from RATIONAL's acquisition of FRIMA-T S.A.S., Wittenheim, in 1993.

At the end of 2013, this goodwill was subjected to an impairment test using the discounted cash flow method. The FRIMA business segment was identified as a cash-generating unit. 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% (2012: 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 6.6% after tax, which equated to 8.3% before tax (2012: 6.8% after tax and 8.1% 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 1 Jan 2013	**62,451**	**26,459**	**19,171**	**108,081**
Currency differences	**–36**	**–2**	**–195**	**–233**
Additions	**4,813**	**2,667**	**3,812**	**11,292**
Disposals	**–195**	**–102**	**–810**	**–1,107**
Balance on 31 Dec 2013	**67,033**	**29,022**	**21,978**	**118,033**
Amortisation				
Balance on 1 Jan 2013	**23,710**	**15,621**	**14,121**	**53,452**
Currency differences	**–17**	**–2**	**–160**	**–179**
Additions	**2,121**	**2,447**	**2,065**	**6,633**
Disposals	**–194**	**–98**	**–782**	**–1,074**
Balance on 31 Dec 2013	**25,620**	**17,968**	**15,244**	**58,832**
Book values				
Balance on 31 Dec 2013	**41,413**	**11,054**	**6,734**	**59,201**
Acquisition cost				
Balance on 1 Jan 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 31 Dec 2012	62,451	26,459	19,171	**108,081**
Amortisation				
Balance on 1 Jan 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 31 Dec 2012	23,710	15,621	14,121	**53,452**
Book values				
Balance on 31 Dec 2012	38,741	10,838	5,050	**54,629**

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. As in 2012, no impairment losses were recognised in fiscal year 2013. A land charge of 33,500 thousand euros (2012: 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.

Additions under acquisition costs for land and buildings mainly result from the construction of a new office and training building in Landsberg, which was purchased in April 2013.

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

kEUR	2013	2012
Production	**3,397**	3,192
Sales and service	**1,421**	1,457
Research and development	**940**	799
General administration	**875**	854
Total	**6,633**	**6,302**

15. Financial assets

The acquisition cost of the financial assets amounted to 30 thousand euros (2012: 30 thousand euros), and accumulated depreciation of 30 thousand euros was recognised, as in 2012. The carrying amount of the financial assets as of 31 December 2013 thus remained unchanged at 0 thousand euros.

16. Inventories

kEUR	31 Dec 2013	31 Dec 2012
Raw materials, consumables and supplies	**10,412**	10,275
Work in progress	**536**	570
Finished goods and goods for resale	**16,221**	15,519
Total	**27,169**	**26,364**

The procurement of raw materials, consumables, supplies and merchandise, and the production of units were based on orders.

The carrying amount of the inventories measured at fair value less selling costs is 3,092 thousand euros (2012: 1,356 thousand euros). In fiscal year 2013, write-downs on inventories of 728 thousand euros (2012: 293 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 at the balance sheet date.

17. Trade accounts receivable

KEUR	31 Dec 2013	31 Dec 2012
Trade receivables, not impaired	75,649	64,973
Trade receivables, impaired	610	1,315
Impairment	–396	–347
Total	**75,863**	**65,941**

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 31 Dec 2013	**75,649**	**69,804**	**5,058**	**461**	**43**	**283**
Balance on 31 Dec 2012	**64,973**	58,542	5,613	321	99	398

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 1 Jan	Currency effect	Consumption	Reversal	Additions	Balance on 31 Dec
2013	**347**	**–8**	**–100**	**–152**	**309**	**396**
2012	260	–2	–106	–152	347	347

Adequate allowances are recognised for identifiable credit risk on receivables. Receivables written off in fiscal year 2013 amounted to 1,077 thousand euros (2012: 733 thousand euros). This figure does not include any claims settled by or payments expected from the credit insurer, which amounted to 623 thousand euros (2012: 622 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	31 Dec 2013	31 Dec 2012
Trade receivables	75,863	65,941
thereof credit-insured receivables[1]	52,121	45,375
thereof receivables secured by letters of credit / bank guarantees	2,661	5,032
thereof receivables against public-sector entities[2]	106	75
Maximum net credit risk	**20,975**	**15,459**
less refundable value-added tax[2]	5,985	5,913
Unsecured credit risk	14,990	9,546
Risk coverage ratio	**80%**	**86%**

[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 4,984 thousand euros (2012: 1,746 thousand euros), distributed over 15 (2012: seven) customers. Unsecured receivables with a nominal value of more than 100 thousand euros per individual customer are considered when assessing concentration risk. For customers with regular outstanding receivables of more than 100 thousand euros, yearly revenues in the seven-digit range can be assumed. Thereby these customers can be classified to the segment of A-customers and are in direct attention of the company's management.

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 (2012: 100 thousand euros).

18. Other assets

kEUR	31 Dec 2013	31 Dec 2012
Security deposits	**392**	454
Receivables from interest	**307**	32
Fair value of derivative financial instruments	**118**	85
Other (< 100 thousand euros in each case)	**57**	77
Total other financial assets	**874**	**648**
Value-added tax refund claims	**3,934**	3,331
Receivables from government grants	**1,396**	–
Accruals	**905**	1,131
Income tax refund claims	**557**	904
Advances to employees	**450**	301
Advance payments	**104**	121
Other (< 100 thousand euros in each case)	**149**	67
Total other assets	**8,369**	**6,503**

Of the other assets shown in the table, assets worth 7,249 thousand euros (2012: 6,148 thousand euros) are classified as current.

Security deposits include a non-current component with a value of 86 thousand euros (2012: 355 thousand euros). These non-current financial assets have a fair value of 85 thousand euros (2012: 352 thousand euros). For reasons of materiality, these assets were not reported at their fair values, but at cost.

A non-current proportion amounting to 1,034 thousand euros (2012: 0 thousand euros) was recognised under "Receivables from government grants", which was included in "Other non-current assets" in the balance sheet.

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 twelve months and amounting to a total of 96,000 thousand euros (2012: 80,000 thousand euros). The longest maturity is until June 2014. 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. The majority of fixed-term deposits at the end of 2013 are protected by the German deposit protection fund (for details, see section on "Credit risk"). 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 six 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. Deposits at German banks are usually protected by the deposit protection fund (for details, see section on "Credit risk"). At RATIONAL, cash and cash equivalents in Germany include not only balances on current accounts but also all fixed-term deposits and demand deposits.

Cash and cash equivalents of 104,121 thousand euros (2012: 86,420 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.

As at the end of the year, an amount of 10,500 thousand euros in a separate bank account had been pledged as collateral. This resulted from new real estate financing taken out and fully drawn down in fiscal year 2013. Based on the building progress, it is not yet possible to verify use in accordance with the intended purpose. In 2012, a bank deposit pledged as collateral for a different real estate financing project in a comparable situation had amounted to 2,700 thousand euros.

kEUR	Currency	31 Dec 2013	31 Dec 2012
Fixed-term deposits with maturities of up to 3 months	EUR	**15,000**	–
Deposits incl. demand deposits	EUR	**40,495**	55,983
Deposits incl. demand deposits	USD	**14,708**	5,447
Deposits incl. demand deposits	GBP	**14,482**	12,514
Deposits incl. demand deposits	CAD	**8,190**	3,947
Deposits incl. demand deposits	MXN	**2,195**	42
Deposits incl. demand deposits	CHF	**1,711**	941
Deposits incl. demand deposits	SEK	**1,281**	1,129
Deposits	PLN	**344**	284
Deposits	JPY	**2,668**	3,247
Deposits	RUB	**1,718**	747
Deposits	CNY	**676**	715
Deposits	BRL	**434**	1,333
Deposits	INR	**97**	28
Deposits other currencies and cash in hand	various	**122**	63
Total		**104,121**	**86,420**

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 31 December 2013 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. 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 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 initial public offering. Capital reserves also include income and expenses taken directly to equity and which resulted primarily from the entitlements under the stock option plan dated 3 February 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. The Group's earnings in the period under review and past earnings of companies included in the consolidated financial statements continue to be included in retained earnings unless they have been distributed as dividends. The reason behind the variation in retained earnings compared with 2012 is the positive net income amounting to 97,244 thousand euros (2012: 93,285 thousand euros) and the dividend distribution of 64,809 thousand euros (2012: 62,535 thousand euros) in May 2013.

Other equity

Other components of equity are divided into income and expenses and the income tax incurred with respect to the following items:

kEUR	31 Dec 2013		
	before Income tax	**Income tax**	**after Income tax**
Differences from currency translation	**–2,569**	**0**	**–2,569**
Actuarial gains and losses	**–10**	**3**	**–7**
Total	**–2,579**	**3**	**–2.576**

kEUR	31 Dec 2012		
	before Income tax	**Income tax**	**after Income tax**
Differences from currency translation	–1,594	–	–1,594
Total	–1,594	–	–1,594

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 31 December 2013 was 71.3% (2012: 72.8%).

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 2013 to 780 thousand euros (2012: 795 thousand euros). Both pension recipients are already receiving payments. Payments amounting to 50 thousand euros are expected for 2014. For reasons of immateriality, this short-term provision is not shown separately on the balance sheet. The pension obligation has an average maturity of 19 years.

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

kEUR	2013	2012
Defined benefit obligations 1 Jan	795	681
Interest expense	25	32
Paid obligations	–50	–49
Recognised actuarial losses	10	131
Defined benefit obligations 31 Dec	**780**	**795**

The actuarial losses in 2013 result from experienced adjustments based on the difference between the expected and actual change in the pension obligation.

The calculations were based on the following actuarial assumptions:

Discount rate: 3.30% (2012: 3.30%)
Pension progression rate: 1.75% (2012: 1.75%)

Prof. 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 following sensitivity analysis shows how the pension provisions would be affected by changes in discount rate, pension progression rate and life expectancy:

- If the discount rate had been 0.5% lower, the pension provision would have gone up by 41 thousand euros, provided that all other assumptions remain unchanged.
- If the discount rate had been 0.5% higher, the pension provision would have gone down by 38 thousand euros, provided that all other assumptions remain unchanged.
- If the pension progression rate had been 0.5% higher, the pension provision would have gone up by 39 thousand euros, provided that all other assumptions remain unchanged.
- If the life expectancy had been one year longer, the pension provision would have gone up by 28 thousand euros, provided that all other assumptions remain unchanged.

The sensitivity analysis does not take into account the fact that dependencies exist between the actuarial assumptions. The amount of the pension progression rate selected and of the discount rate is also affected by the expected rate of inflation.

23. Liabilities for current tax

2013

kEUR	Balance on 1 Jan	Currency differences	Con-sumption	Additions	Balance on 31 Dec
Income tax liabilities	7,772	–187	–7,585	11,097	11,097

2012

kEUR	Balance on 1 Jan	Currency differences	Con-sumption	Additions	Balance on 31 Dec
Income tax liabilities	3,238	–55	–3,183	7,772	7,772

24. Other provisions

2013

kEUR	Balance on 1 Jan	Currency differences	Con-sumption	Additions	Interest expense	Balance on 31 Dec	Thereof non-current
Personnel	10,799	–250	–9,943	11,969	7	12,582	768
Trade bonuses	5,006	–174	–4,832	6,104	–	6,104	–
Warranty	7,525	–	–5,779	6,057	76	7,879	2,149
Others	2,537	–52	–2,421	3,100	–	3,164	46
Total	25,867	–476	–22,975	27,230	83	29,729	2,963

2012

kEUR	Balance on 1 Jan	Currency differences	Con-sumption	Additions	Interest expense	Balance on 31 Dec	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

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 "Other" item 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 31 December 2013, together with the provisions for trade bonuses and other provisions, will mainly be used in the first six months of 2014. 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 banks

As of the end of the year, liabilities to banks totalled 34,375 thousand euros (2012: 25,288 thousand euros).

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

In fiscal years 2012 and 2013, 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 2017. At the end of the fiscal year, the remaining liabilities in connection with these loans amounted to 2,254 thousand euros (2012: 1,319 thousand euros).

Other liabilities to banks relate to loan agreements, secured by land charges, to fund the construction of new buildings and the acquisition of a site in Landsberg. New financing for a further new building construction project was agreed in 2013. 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 the year, the remaining liabilities in connection with real estate financing amounted to 32,121 thousand euros (2012: 23,969 thousand euros).

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

kEUR	2014	2015 – 2018	From 2019
Payments as of 31 December 2013	**4,253**	19,851	15,245

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

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 the good liquidity position, payables to suppliers are settled so that advantage can be taken of discounts granted by suppliers. 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
Balance on 31 Dec 2013	**11,995**	11,806	185	4
Balance on 31 Dec 2012	**10,468**	10,296	172	0

27. Other liabilities

kEUR	31 Dec 2013	31 Dec 2012
Liabilities from business partners	**4,856**	5,056
Liabilities for consulting and auditing services	**1,480**	1,305
Liabilities from wages, salaries and other personnel costs	**244**	322
Other (‹ 100 thousand euros in each case)	**54**	89
Total other financial liabilities	**6,634**	**6,772**
Liabilities from value-added tax	**5,829**	4,482
Vacation payment accruals	**3,851**	3,588
Liabilities from PAYE and church taxes	**2,402**	2,173
Social security liabilities	**1,381**	1,305
Advance payments received	**233**	145
Other taxes	**125**	116
Other (‹ 100 thousand euros in each case)	**18**	28
Totel other liabilities	**20,473**	**18,609**

Other liabilities are current financial liabilities and are usually settled within a few months of the balance sheet date.

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 statement of cash flows reports the cash flows classified by operating, investing and financing activities.

Cash and cash equivalents include items subject to restrictions on disposal. These restrictions on disposal relate to an amount of 1,470 thousand euros (2012: 2,624 thousand euros). Cash and cash equivalents increased from 86,420 thousand euros at the start of the fiscal year to 104,121 thousand euros as of 31 December 2013. In addition, RATIONAL has fixed-term deposits as of the balance sheet date amounting to 96,000 thousand euros (2012: 80,000 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	2013	% of total	2012	% of total
Production and Dispatch	330	25	331	26
Sales and Marketing	561	43	532	42
Technical Customer Service	143	11	134	11
Research and Development	96	7	83	7
Administration	190	14	178	14
Total	**1,320**		**1,258**	
Thereof abroad	**555**	**42**	**515**	**41**

Personnel costs comprise the following items:

Angaben in TEUR	2013	2012
Salaries and wages	85,544	78,360
Social security	15,670	14,745
Thereof expenses for defined contribution plans	7,173	6,708
Total	**101,214**	**93,105**

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 2013 and 2012.

Other financial obligations

As of the balance sheet date, RATIONAL's other financial obligations amounted to 20,966 thousand euros (2012: 17,088 thousand euros). This item relates mainly to future payments under rental and leasing contracts, and purchase commitments for property, plant and equipment, and for intangible assets.

The rental and leasing contracts treated as operating leases in accordance with IAS 17 are predominantly for the rental of office space and leasing of 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 rental and leasing payments:

Obligations for operating leases

kEUR	31 Dec 2013	31 Dec 2012
Up to 1 year	**4,484**	4,968
1 – 5 years	**4,159**	3,534
› 5 years	**777**	0
Total	**9,420**	8,502
Fair Value	**9,270**	8,451

There are no restrictions included in any of the rental and leasing contracts. The rental and leasing expenses recognised in the income statement for fiscal year 2013 amount to 5,923 thousand euros (2012: 6,095 thousand euros).

The obligations to purchase property, plant and equipment amount to 8,130 thousand euros (2012: 7,487 thousand euros) and those to purchase intangible assets amount to 67 thousand euros (2012: 44 thousand euros).

31. Operating segments

The Group is exclusively concerned with the thermal preparation of food in professional kitchens. In accordance with the requirements of IFRS 8, segment reporting represents the RATIONAL and FRIMA operating segments and thus reflects the Group's reporting structure for management purposes.

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 CombiMaster® Plus.

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

Both segments incorporate departments with responsibility for research and development, production, sales and marketing, service and administration.

Segment sales include both sales revenue from third parties and intercompany sales generated between Group companies across the segments. Intercompany sales and revenue are always based on arm's length prices. Segment earnings correspond to earnings before interest and taxes of the respective segments. Besides segment sales, this includes 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, see the sales disclosures.

Segment depreciation and amortisation relates to intangible assets and property, plant and equipment. No other material non-cash expenses reportable under IFRS 8.23 were incurred in either 2013 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 2013

kEUR	RATIONAL	FRIMA	Total of segments	Reconciliation	Group
External sales	433,727	25,933	459,660	+1,488	461,148
Intercompany sales	1,834	2,336	4,170	–4,170	–
Segment sales	435,561	28,269	463,830	–2,682	461,148
Segment result	+123,614	+3,815	+127,429	+825	+128,254
Financial result	–	–	–	–	–601
Earnings before taxes	–	–	–	–	+127,653
Segment depreciation	6,716	523	7,239	–	7,239

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

Of the property, plant and equipment and intangible assets, 57,335 thousand euros (2012: 52,477 thousand euros) are reported in Germany, while 3,537 thousand euros (2012: 3,684 thousand euros) are attributable to third countries.

32. Related parties

Related parties of RATIONAL AG include the subsidiaries, the members of the Executive Board and the members of the Supervisory Board, and their related persons as well as companies in which these persons own shares. Mr Siegfried Meister, the Chairman of the Supervisory Board, has a controlling interest 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 1,703 thousand euros in 2013 (2012: 1,621 thousand euros). As of 31 December 2013, outstanding trade accounts payable to these companies amounted to 18 thousand euros (2012: 0 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

Total compensation for the Supervisory Board amounted to 644 thousand euros in fiscal year 2013 (2012: 621 thousand euros). The breakdown by Supervisory Board member is as follows:

2013

kEUR	Fixed	Performance-related	Others	Total
Siegfried Meister	150	64	24	238
Walter Kurtz	125	64	19	208
Dr Hans Maerz	125	64	9	198
Total	**400**	**192**	**52**	**644**

2012

kEUR	Fest	Performance-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**

As of the balance sheet date, Supervisory Board compensation of 608 thousand euros (2012: 580 thousand euros) was included in other liabilities.

As of December 31, 2013, the members of the Supervisory Board held a total of 8,048,935 shares in RATIONAL AG (2012: 8,049,262 shares), of which Mr Siegfried Meister held 7,161,411 shares (2012: 7,161,411 shares).

The members of the Supervisory Board are also represented in the following supervisory 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 Peter Stadelmann, Dipl.-Volkswirt
Chief Executive Officer,
Chief Human Resources Officer (until 31 December 2013)

Dr Günter Blaschke, Dipl.-Kaufmann
Chief Executive Officer (until 31 December 2013)

Erich Baumgärtner, Dipl.-Betriebswirt
Chief Financial Officer

Peter Wiedemann, Dipl.-Ingenieur
Chief Technical Officer

Markus Paschmann, Dipl.-Wirtschaftsingenieur
Chief Sales Officer

Reinhard Banasch, Dipl.-Betriebswirt
Chief Sales Officer (until 31 January 2014)

With effect from 1 January 2014, Dr Peter Stadelmann was appointed as Chief Executive Officer by the Supervisory Board. Dr Günter Blaschke relinquished his position as Chief Executive Officer by mutual agreement at the end of the year 2013.

Mr Reinhard Banasch, Chief Sales Officer, left the company on 31 January 2014. His duties were taken over by Mr Markus Paschmann, who was appointed to the Executive Board of RATIONAL AG with effect from 1 December 2013.

The General Meeting of Shareholders held on 11 May 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 2013 was 7,204 thousand euros (2012: 4,284 thousand euros). This amount includes a performance-related salary component of 2,419 thousand euros (2012: 1,931 thousand euros). Also included are expenses in connection with restructuring the Executive Board, amounting to 1,690 thousand euros. Payments into the pension scheme totalling 486 thousand euros (2012: 310 thousand euros) were also made.

As of the balance sheet date, the members of the Executive Board together held 4,493 shares in RATIONAL AG (2012: 5,793 shares).

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

It was decided initially to grant beneficiaries of the plan the option to buy a total of 200,000 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 shareholders' meeting of the company or the publication of a quarterly report.

The exercise price for option rights issued before the company's shares were first listed on the Frankfurt Stock Exchange at the time of the company's IPO in 2000 corresponds to the offering price per share set 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 31 December 2013, 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 31 December 2013.

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 13 May 2013. The declaration is permanently available on RATIONAL AG's website: www.rational-online.com.

36. Subsequent events

Dr Günter Blaschke relinquished his position as Chief Executive Officer by mutual agreement at the end of the year 2013. Dr Peter Stadelmann was appointed as his successor with effect from 1 January 2014.

Mr Reinhard Banasch, Chief Sales Officer, left the company on 31 January 2014. His duties were taken over by Mr Markus Paschmann, who was appointed to the Executive Board of RATIONAL AG with effect from 1 December 2013.

37. Auditor's fee

By resolution of the General Meeting of Shareholders held on 8 May 2013, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Munich, was appointed as auditor for fiscal year 2013.

The auditor's fee, including reimbursement of expenses, amounted to a total of 220 thousand euros (2012: 211 thousand euros), which was broken down as follows:

An amount of 220 thousand euros (2012: 176 thousand euros) for the auditing of separate and consolidated financial statements and 0 thousand euros (2012: 35 thousand euros) for other services.

Landsberg am Lech, 20 February 2014

RATIONAL AG
The Executive Board

Dr Peter Stadelmann
Chief Executive Officer

Erich Baumgärtner
Chief Financial Officer

Peter Wiedemann
Chief Technical Officer

Markus Paschmann
Chief Sales 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, 20 February 2014

RATIONAL AG
The Executive Board

Dr Peter Stadelmann
Chief Executive Officer

Erich Baumgärtner
Chief Financial Officer

Peter Wiedemann
Chief Technical Officer

Markus Paschmann
Chief Sales 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 1 January to 31 December 2013. 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, 20 February 2014

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dietmar Eglauer	**ppa. Stefan Rossmeisl**
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

10-year Overview

		2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Earnings situation											
Sales	m EUR	**461.1**	435.0	391.7	350.1	314.4	343.0	336.6	283.7	246.4	221.8
Sales abroad	%	**87**	86	85	84	83	84	84	84	83	84
Gross profit	m EUR	**280.7**	261.7	234.4	217.0	191.6	203.7	199.9	173.8	149.7	131.5
EBITDA	m EUR	**135.5**	129.5	109.5	112.6	98.1	90.4	97.9	84.8	71.2	57.9
Depreciation/Amortisation	m EUR	**7.2**	6.8	7.3	6.8	7.6	7.3	5.3	4.3	4.3	4.6
EBIT	m EUR	**128.3**	122.7	102.2	105.8	90.5	83.1	92.6	80.5	66.9	53.3
Financial results	m EUR	**−0.6**	−0.3	0.3	−0.2	−0.4	0.4	0.9	0.6	0.3	0.5
EBT	m EUR	**127.7**	122.4	102.5	105.6	90.1	83.5	93.5	81.1	67.2	53.9
Group earnings	m EUR	**97.2**	93.3	78.7	79.8	67.3	61.7	61.2	51.8	42.4	33.8
Earnings per share (undiluted)	EUR	**8.55**	8.20	6.93	7.02	5.92	5.42	5.38	4.55	3.73	2.98
Gross margin	%	**60.9**	60.2	59.8	62.0	60.9	59.4	59.4	61.3	60.8	59.3
EBITDA-margin	%	**29.4**	29.8	28.0	32.2	31.2	26.4	29.1	29.9	28.9	26.1
EBIT-margin	%	**27.8**	28.2	26.1	30.2	28.8	24.2	27.5	28.4	27.2	24.0
EBT-margin	%	**27.7**	28.1	26.2	30.2	28.7	24.4	27.8	28.6	27.3	24.3
Net margin	%	**21.1**	21.4	20.1	22.8	21.4	18.0	18.2	18.3	17.2	15.2
Return on equity (after taxes)	%	**38.4**	42.0	35.4	38.0	41.6	47.9	53.3	52.9	43.7	34.7
Return on invested capital (ROIC)	%	**34.6**	38.4	33.2	33.9	35.5	40.7	48.0	49.6	40.4	32.1
Dividend*	m EUR	**68.2**	64.8	62.5	102.3	39.8	11.4	51.2	42.6	34.1	56.9
Dividend per share*	EUR	**6.00**	5.70	5.50	9.00	3.50	1.00	4.50	3.75	3.00	5.00
Asset situation											
Fixed assets	m EUR	**60.9**	56.2	53.7	55.4	57.6	63.1	38.0	29.2	28.1	28.1
Current assets (including deferred tax assets and other non-current assets)	m EUR	**316.4**	270.0	229.5	250.3	208.1	145.9	149.4	117.4	104.0	118.7
Inventories	m EUR	**27.2**	26.4	24.7	19.3	17.8	20.6	18.6	15.5	16.2	14.3
Trade accounts receivable	m EUR	**75.9**	65.9	71.7	58.7	51.4	57.7	61.4	53.1	46.1	36.7
Cash and cash equivalents (including fixed deposits)	m EUR	**200.1**	166.4	120.8	163.1	131.6	57.1	62.3	40.6	34.8	59.9
Balance sheet total	m EUR	**377.3**	326.2	283.2	305.7	265.7	209.0	187.4	146.6	132.1	146.8
Equity	m EUR	**268.8**	237.4	206.9	230.3	189.8	133.6	124.0	105.8	89.9	104.1
Liabilities	m EUR	**108.5**	88.8	76.3	75.4	75.9	75.4	63.4	40.8	42.2	42.7
Provisions (including liabilities for current tax)	m EUR	**41.6**	34.4	25.7	28.2	24.0	22.1	19.7	21.8	21.3	22.0
Liabilities to banks	m EUR	**34.4**	25.3	19.0	21.3	31.6	25.8	18.0	–	2.5	2.2
Trade accounts payable	m EUR	**12.0**	10.5	10.1	9.2	7.0	10.9	9.3	6.8	5.4	5.8
Other liabilities	m EUR	**20.5**	18.6	21.5	16.7	13.3	16.6	16.4	12.2	13.0	12.7
Liabilities from finance leasing agreements	m EUR	**0.0**	0.0	0.0	0.5	1.3	2.1	2.9	4.0	5.8	5.6
Other liabilities	m EUR	**20.5**	18.6	21.5	16.2	12.0	14.5	13.5	8.2	7.2	7.1
Equity ratio	%	**71.2**	72.8	73.1	75.3	71.4	63.9	66.2	72.2	68.1	70.9
Debt ratio	%	**28.8**	27.2	26.9	24.7	28.6	36.1	33.8	27.8	31.9	29.1
Equity-to-fixed-assets ratio	%	**441.4**	422.4	385.3	415.7	329.5	211.7	326.3	362.3	320.0	370.5
Invested capital (average)	m EUR	**283.7**	245.0	239.7	238.0	192.7	153.8	128.1	104.7	105.7	106.4
Working Capital (excluding liquid funds)	m EUR	**78.9**	69.8	73.4	58.2	54.7	60.7	61.7	58.4	53.0	41.0
as a percentage of sales	%	**17.1**	16.0	18.7	16.6	17.4	17.7	18.3	20.6	21.5	18.5
Cash flow/Investments											
Cash flow from operating activities	m EUR	**102.8**	111.4	67.7	86.9	83.2	71.0	61.1	49.1	32.8	39.2
Cash flow from investing activities	m EUR	**−27.5**	−38.0	61.4	−23.4	−72.2	−38.4	−30.2	−1.8	−3.7	−4.6
Cash flow from financing activities	m EUR	**−56.7**	−57.2	−106.0	−52.2	−7.7	−45.4	−26.0	−38.4	−42.3	−37.3
Investments	m EUR	**12.0**	9.4	5.7	4.5	2.4	32.6	14.3	5.7	6.0	5.7
Employees											
Number of employees (average)		**1,320**	1,258	1,184	1,058	1,031	1,090	965	864	792	742
Personnel expenses	m EUR	**101.2**	93.1	84.7	74.3	71.1	72.3	63.7	57.0	53.4	47.7
Sales per employee	kEUR	**349.3**	345.8	330.8	330.9	304.9	314.6	348.8	328.4	311.1	298.9

* Payout in the following year, 2013 subject to approval by the General Meeting of Shareholders 2014

Financial Calender 2014

Balance Sheet Press Conference Fiscal Year 2013	Munich	**20 Mar 2014**
DVFA Analyst Meeting	Frankfurt	**20 Mar 2014**
Financial figures Q1/2014	Landsberg	**30 Apr 2014**
General Shareholders Meeting 2014	Augsburg	**30 Apr 2014**
Financial figures Q2/2014	Landsberg	**30 Jul 2014**
Financial figures Q3/2014	Landsberg	**29 Oct 2014**

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