ANNUAL REPORT
2014

AT HOME
IN THE WORLD'S
PROFESSIONAL KITCHENS

RATIONAL AG company profile

Sustainable and intelligent: thermal preparation of food using RATIONAL products

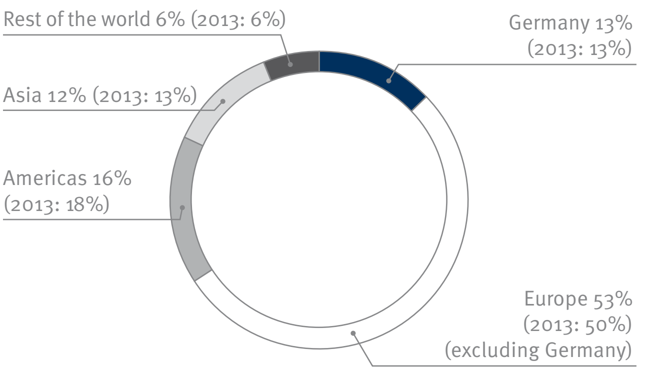
We are the global market and technology leader in innovative solutions for thermal food preparation. Our primary corporate objective is as follows: “We offer the greatest possible benefit to the people preparing hot food in the professional kitchens of the world.” Our trend-setting innovations set the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

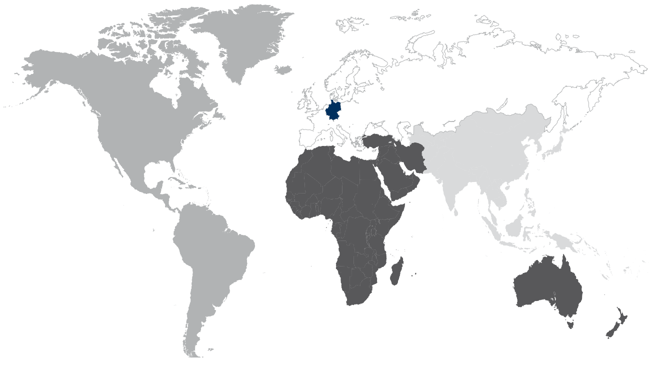
We set a new standard in 2014 with the introduction of the SelfCookingCenter® 5 Senses. Thanks to even more intelligent cooking processes from 40 years of research into cooking, it demonstrably enhances customer benefit and extends it to cover the needs of international cuisine. Another innovation is the table-top version of the VarioCooking Center® MULTIFICIENCY that meets our customers’ wish for a powerful, space-saving multi-functional model that can be installed without the need for conversion work. Our appliances are able to deal with practically all cooking processes. They can grill, steam, gratinate, bake, prove, 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 ever more customers worldwide. We maintain 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 3 million customers, of which to date only around 30% use combi-steamer technology. 70% of all potential customers still use traditional cooking equipment.

Global presence

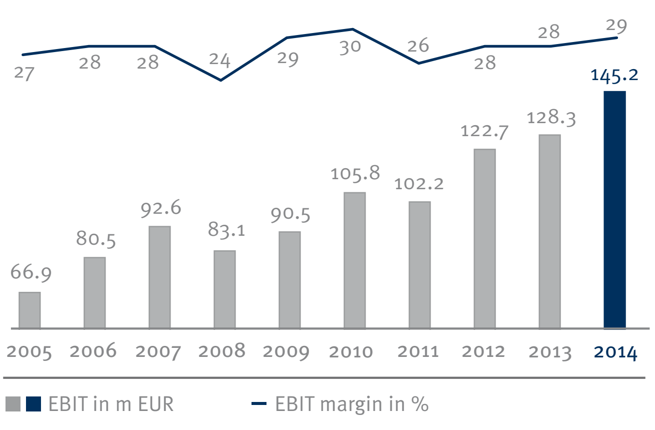
Sales by region in 2014





Key financial figures

EBIT development and EBIT margin 2005 to 2014



Key figures 2014/2013		2014	2013
Sales	m EUR	**496.7**	461.1
Gross profit	m EUR	**304.0**	280.7
Gross margin	%	**61.2**	60.9
Depreciation/Amortisation	m EUR	**8.3**	7.2
EBIT	m EUR	**145.2**	128.3
EBIT margin	%	**29.2**	27.8
Return on equity (after taxes)	%	**38.0**	38.4
Return on invested capital (ROIC)	%	**34.2**	34.6
Group earnings	m EUR	**110.1**	97.2
Net margin	%	**22.2**	21.1
Equity ratio	%	**73.4**	71.3
Cash flow from operating activities	m EUR	**112.5**	102.8

10-year Overview		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Sales	m EUR	**496.7**	461.1	435.0	391.7	350.1	314.4	343.0	336.6	283.7	246.4
EBIT	m EUR	**145.2**	128.3	122.7	102.2	105.8	90.5	83.1	92.6	80.5	66.9
Group earnings	m EUR	**110.1**	97.2	93.3	78.7	79.8	67.3	61.7	61.2	51.8	42.4
Earnings per share	EUR	**9.68**	8.55	8.20	6.93	7.02	5.92	5.42	5.38	4.55	3.73
Cash flow from operating activities	m EUR	**112.5**	102.8	111.4	67.7	86.9	83.2	71.0	61.1	49.1	32.8
Return on invested capital (ROIC)	%	**34.2**	34.6	38.4	33.2	33.9	35.5	40.7	48.0	49.6	40.4
Balance sheet total	m EUR	**423.4**	377.3	326.2	283.2	305.7	265.7	209.0	187.4	146.6	132.1
Equity ratio	%	**73.4**	71.3	72.8	73.1	75.3	71.4	63.9	66.2	72.2	68.1
Number of employees (average)		**1,401**	1,320	1,258	1,184	1,058	1,031	1,090	965	864	792
Dividend per share *	EUR	**6.80**	6.00	5.70	5.50	9.00	3.50	1.00	4.50	3.75	3.00

* Payout in the following year; Dividend 2014 subject to approval by Shareholders’ Meeting 2015

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

Uniquely intelligent: the SelfCookingCenter® 5 Senses

The SelfCookingCenter® 5 Senses transfers the heat via steam, hot air or a combination of the two. The key unique selling proposition is the further improved 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. It is the only smart cooking system with five senses that senses, recognises, thinks ahead, learns from the chef and even communicates with him, leaving him time for the essentials: creativity and the well-being of his guests.

Smart cooking: the VarioCooking Center® MULTIFICIENCY

The VarioCooking Center® 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 it.

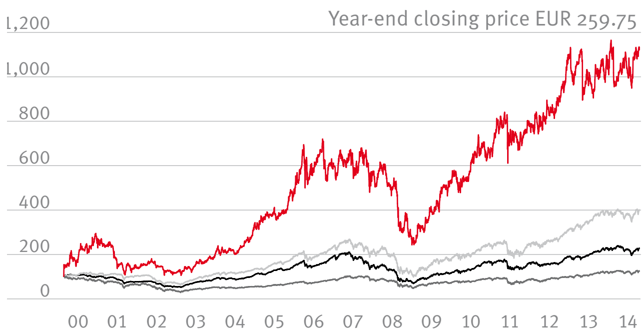
Key figures regarding RATIONAL shares

Key figures 2014/2013		2014	2013
Maximum price last 12 months[1]	EUR	**271.05**	269.15
Minimum price last 12 months[1]	EUR	**212.85**	200.00
Year end-closing price[1]	EUR	**259.75**	241.10
Market capitalisation[2]	Mio. EUR	**2,953.4**	2,741.3
Dividend yield[3]	%	**2.6**	2.5
Beta factor (one year) as of 31 Dec[4]	%	**0.74**	0.78
Sales per share		**43.69**	40.56
Price-to-sales ratio[2]	EUR	**5.9**	5.9
Earnings per share		**9.68**	8.55
Price-earnings ratio[2]	EUR	**26.8**	28.2
Cash flow per share		**9.89**	9.05
Price-cash flow ratio[2]		**26.3**	26.7

[1] German stock market
[2] As of balance sheet date
[3] In relation to the year-end closing price
[4] In relation to SDAX (previous year to MDAX)

Performance of RATIONAL shares since the IPO 2000

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



RATIONAL AG   DAX   MDAX   SDAX

RATIONAL shares – basic information

Number of outstanding shares[1]	11,370,000
Shareholder structure[1]	Holding shares 70.9%, Free float 29.1%
ISIN	DE0007010803
WKN	701 080
Market abbreviation	RAA

[1] Status: 20 February 2015

Financial calender 2015

Financial Statement Press Conference Fiscal Year 2014	Munich	19 Mar 2015
DVFA Analyst Meeting	Frankfurt	19 Mar 2015
General Meeting of Shareholders 2015	Augsburg	29 Apr 2015
Financial figures Q1/2015	Landsberg	6 May 2015
Financial figures H1/2015	Landsberg	5 Aug 2015
Financial figures 9M/2015	Landsberg	4 Nov 2015

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

Contact

Erich Baumgärtner
Chief Financial Officer
Phone: +49 8191 327-209
ir@rational-online.com

Stefan Arnold
Head of Group Accounting/
Investor Relations
Phone: +49 8191 327-2209
s.arnold@rational-online.com

Status: 19 March 2015

Key Figures

in m EUR	2014	2013	Change absolute	Change in %
Sales and earnings				
Sales	**496.7**	461.1	+35.6	+8
Sales abroad in %	**87**	87	+/–0	–
Cost of sales	**192.7**	180.4	+12.3	+7
Sales and service expenses	**122.3**	111.2	+11.1	+10
Research and development expenses	**19.1**	16.7	+2.4	+15
General administration expenses	**22.6**	21.3	+1.3	+6
Earnings before interest and taxes (EBIT)	**145.2**	128.3	+16.9	+13
Net Income	**110.1**	97.2	+12.9	+13
Return on invested capital (ROIC) in %	**34.2**	34.6	– 0.4	–
Balance sheet				
Balance sheet total	**423.4**	377.3	+46.1	+12
Working capital[1]	**87.9**	78.9	+9.0	+11
Equity	**310.7**	268.8	+41.9	+16
Equity ratio in %	**73.4**	71.3	+2.1	–
Cash flow				
Cash flow from operating activities	**112.5**	102.8	+9.7	+9
Investments	**16.8**	12.0	+4.8	+39
Free cash flow[2]	**95.7**	90.8	+4.9	+5
Key figures RATIONAL share				
Earnings per share (in EUR)	**9.68**	8.55	+1.13	+13
Year-end closing price[3] (in EUR)	**259.75**	241.10	+18.65	+8
Market capitalisation	**2,953.4**	2,741.3	+212.1	+8
Employees				
Number of employees as of 31 Dec	**1,424**	1,341	+83	+6
Number of employees (average)	**1,401**	1,320	+81	+6
Sales per employee (in kEUR)	**354.6**	349.4	+5.2	+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

AT HOME
IN THE WORLD'S
PROFESSIONAL KITCHENS

Cooking and eating habits around the globe are as different as the people themselves. As an innovative company, our focus for many years now has been on finding solutions for local dishes from Europe, Asia and America.

Through the intelligent interplay between people, hardware and software, we are laying the foundation for establishing the RATIONAL SelfCookingCenter® and the FRIMA VarioCooking Center® as the standard in the professional kitchens of the world, even outside of Europe.

Contents

FOREWORD BY THE Supervisory Board

Siegfried Meister

Dear Ladies and Gentlemen,

Right from when RATIONAL was founded more than 40 years ago, our declared goal was to provide the greatest possible benefit to people who prepare hot food in large-scale and commercial kitchens and, in doing so, not to be out-done by anyone.

This decision, in favour of a clearly-defined target group and our keen and unswerving focus on its core task of preparing hot food, quickly deepened our know-how and persuaded our customers that we offer them tangible benefits – benefits we keep on enhancing as our experience grows.

By using the RATIONAL combi-steamers and the FRIMA VarioCooking Center® systems, our customers not only achieve excellent cooking results, but also save time, energy and water, as well as reduce the cost of goods and the staff and working space they need. We also usually succeed in improving the cooking quality.

Our innovations enable us to keep on delivering new advantages even for customers in the already well-developed combi-steamer markets of Europe. In order to keep on increasing the customer benefit we need to offer, we intend to expand our research and development activities, and so consolidate and grow our technology leadership worldwide.

RATIONAL needs exceptional employees on its journey down this remarkable path. We expect performance and offer entrepreneurial freedom for that. We do not regard personal responsibility as an option, but rather as a basic necessity for ensuring that the philosophy of the “Entrepreneur in the Company” works and contributes to our success.

My special thanks therefore go to our employees, our “Entrepreneurs in the Company” in their various areas and functions, because RATIONAL’s success and again, its good results in the past fiscal year would not have been possible without their efforts and loyalty.

Siegfried Meister
Chairman of the Supervisory Board

LETTER FROM THE Executive Board

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.

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.

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 Managing Director 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.

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.

Dear Shareholders, Customers and Business Partners,

Developments in the major economies were again extremely heterogeneous in 2014. It is no longer possible to paint a single picture. In total, global economic output rose overall by around 3%. The emerging countries, China and India, grew at an above-average rate, while North America was stable. The increase in sales tax in Japan in April had a negative impact. In Latin America, a recessionary phase in Brazil weakened economic growth in the first half of the year. Russia's economy stagnated due to the conflict with Ukraine and depreciation of the ruble. After stagnating the previous year, the Eurozone, nevertheless, recorded a slight upward trend. The situation remains uncertain and tense and demands cautious action.

8% sales growth, above-proportionate increase in earnings, 29% EBIT margin

After a restrained start in the first quarter, our employees succeeded in posting new sales and earning records in fiscal year 2014 thanks to their great efforts on behalf of our customers. Sales rose by 8% from 461.1 million euros to 496.7 million euros. Earnings before interest and taxes (EBIT) were 145.2 million euros, a sharp increase of 13% over the good level of the previous year (128.3 million euros), also thanks to positive exchange rate effects. The EBIT margin was an excellent 29% (previous year: 28%).

Stability by satisfying a basic human need and an international orientation

Despite the differing trends in the regions, RATIONAL was able to keep up its success in 2014. We succeed in doing that firstly by satisfying an elementary human need. Thus, our business performance is far less dependent on economic trends than other sectors and companies. Secondly, the highly international nature of our operations means that temporarily difficult market conditions in some regions can be largely offset by better trends in others.

Corporate philosophy confirmed – strategy enhanced

As part of its new composition, the Executive Board critically scrutinised and reviewed the Group's fundamental orientation. Our central corporate objective – to offer the greatest possible benefit to people preparing hot food in the professional kitchens of the world – was quickly and unanimously confirmed. We also remain committed to a very clear focus and so to the specialisation that involves. Another result of our thorough discussions was multi-annual planning relating to expansion of sales, numerous key projects and innovations and the resultant key quantity figures.

Learning from customers

The obligation to offer customers maximum benefit is enshrined in our philosophy. In markets we are not familiar with, we first have to learn from our customers so that we can live up there to our promise of helping people who work in professional kitchens cook better than anyone else.

In order to get a true understanding of the diverse requirements in international kitchens, we connect intimately with our target group. Our application consultants and developers come from kitchens around the world and work together on the ground with domestic chefs in order to share experience and know-how. You can find some examples of that on the following pages and in our film “4 chefs – 4 journeys”, that is available on our website or via the QR code on page 9.

Maximum customer benefit through innovation and sustainability

We launched new products in both segments in fiscal year 2014. In January 2014, we introduced the FRIMA VarioCooking Center® MULTIFICIENCY in a table-top version that meets our customers’ wish for a powerful, space-saving multi-functional model that can be installed without the need for conversion work. It was followed in May by the new equipment generation at RATIONAL: SelfCookingCenter® 5 Senses. Its unique cooking intelligence has been further improved and communicates even more strongly with chefs.

Numerous international awards in the past fiscal year bear out the correctness of our product strategy and the lead our products enjoy. The 2014 Customer Innovation Prize, which is awarded by the German Institute for Service Quality, the magazine DUB-UNTERNEHMER and the Goethe University of Frankfurt am Main, shows that our innovations perceptibly enhance benefits and the customer experience. RATIONAL’s SelfCookingCenter® 5 Senses came first in the “Technology” category.

Innovations are also the foundation for maximum resource efficiency. That is why, in August 2014, RATIONAL received a sustainability award, the “Lean & Green Management Award 2014” in the “Manufacturing Industry SMEs” category.

New service parts centre in Landsberg

We were able to complete the service parts centre in Landsberg in July 2014. With 7,700 square metres of space, this energy-efficient building offers sufficient capacity for all spare and service parts required worldwide. We use state-of-the-art logistics concepts to ensure the smooth supply of materials to our global service partner network on time.

Entrepreneurs in the Company (U.i.U.®) ensure success

A key prerequisite for maximum customer satisfaction and so RATIONAL’s future success are enthusiastic employees who think and act responsibly. Regardless of function and hierarchy, the U.i.U.® acts like an entrepreneur. We promote the U.i.U.® culture among all employees worldwide by means of training and further development programmes. An identical understanding of the company’s values and objectives by all employees is especially important in respect to this.

Stable financial foundation

Our excellent sales and earnings situation in the past fiscal year strengthens our already sound balance sheet structure. An equity ratio of more than 70% and high free liquidity means we also have an extremely good financial position for the future.

RATIONAL shares

The trust our shareholders have in RATIONAL's ability to operate effectively in the future is reflected in the increase in the company's value to around 3 billion euros at the balance sheet date. Owing to the low free float of 29%, there are relatively few order book transactions for RATIONAL shares, which is why they returned to the SDAX index. There has not been any negative impact on the valuation and liquidity of RATIONAL shares so far.

Dividend of 6.80 euros proposed

Once again this year, we want our shareholders to participate in the company's success to a reasonable extent. The Executive Board and Supervisory Board therefore propose to the General Meeting of Shareholders to be held on 29 April 2014 to distribute a dividend of 6.80 euros for the 2014 fiscal year. This equates to a dividend yield of around 2.6% (in relation to the closing price in 2014).

Cautiously optimistic for 2015

Current forecasts by economic experts assume a rise in global economic output of just under 4% for 2015. We are confident that our products are highly competitive from a customer´s point of view and will do everything possible to make sure they remain so. There is a great market potential worldwide. We have a sound financial base. We can be proud of our hard working and skilled employees. All in all, we therefore have an excellent springboard for continuing to grow sales and earnings in 2015.

We thank our customers and business partners and you, our shareholders, for placing your confidence in us in the year under review.

Very special thanks go to our employees. They have created our overall success – with their exemplary commitment, great passion and exceptional customer orientation.

Dr Peter Stadelmann
Chief Executive Officer of RATIONAL AG

LEARNING FROM the world's chefs

As a company for chefs, we aim to know our customers' wishes and needs down to the smallest detail. These findings and our paramount goal of providing customer benefit drive us to develop, manufacture and market the best solutions for our customers. We have succeeded in establishing the SelfCookingCenter® 5 Senses as the standard for professional kitchens in Europe. Now we will get to know and better understand the eating and cooking habits in overseas countries in order to offer the greatest possible benefit to customers there, as well. To do this, we have sent our chefs on tour to gather experience. They are learning what matters in other parts of the world when it comes to cooking and what people eat there. Their wealth of experience helps our engineers to enhance our SelfCookingCenter® 5 Senses and make it a touch more international every day.

FREDRIK RASMUSSON

NORTH AMERICA

I'm from Sweden but have lived in Germany for a long time and am now touring North America for RATIONAL. A region as diverse as the people who characterise it. That is also apparent in the eating culture. It is as if the inspirations and experiences from many countries have been merged on one continent.

ALEXANDER JELITTO

LATIN AMERICA

Cooking is my dream job. I have gained a deep insight into the soul of Latin America's cooking off the main roads. There I met cooks who not only showed me their favourite dishes but also let me join in with the cooking.

CHRISTIAN ROSE

CHINA

After 25 years of experience in the kitchens of the world, I am now touring China for RATIONAL in order to get a better understanding of the people and their cooking habits. Every day is an adventure. Exotic vegetables, seafood, fish and meat – I keep discovering something new.

SASCHA BARBY

INDIA

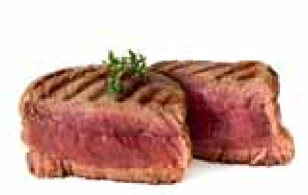
I have tried out many things in my life and am a chef with heart and soul. Now I have been given the opportunity to find out about cooking in India. Nowhere else is cooking so intensive as far as I'm concerned. The spices and aromas are unmistakeable.

THOMAS TREU

EUROPE

The SelfCookingCenter® has been an established product in Europe for many years thanks to its high quality and reliability. I know from experience that many chefs want a technology that makes all other traditional cooking appliances superfluous in the kitchen. The VarioCooking Center® meets this wish exactly.

Honoured with the "Silver Dolphin" in Cannes: the company film **"4 chefs - 4 journeys"** *http://www.rational-online.com/en/events/videos/rational_videos.html*



NORTH AMERICA

Cultural and culinary diversity

The United States is a big market and our SelfCookingCenter® is the perfect appliance for every professional kitchen in the country.

PLAYING WITH FIRE

The United States is a melting pot that combines people from all over the world. They have all brought something from their culture and cuisine to their new home country. Inspirations from Africa, the Caribbean, South America, Asia and the Old World have commingled with local foods to give rise to a wide range of new creations. Exploring small restaurants will turn up many culinary delights. The barbecue, where meat is slowly cooked at low temperature in special wood-fuelled smokers, is firmly anchored in the south of the United States. The smoke from the fire gives food, such as pulled pork, a special flavour. For this speciality, pieces of pig shoulder or neck are grilled over hours until they are so tender that they can simply be pulled apart with a fork.

There is something for all tastes in the varied North American cuisine.

Fans of lobster can mainly enjoy it in New England, whereas a juicy T-bone steak can be found practically throughout the country. Pulled pork is also delicious in a bun.

Top results even with large quantities

The art of cooking lies in preparing evenly cooked food. Our patented HiDensityControl® for the SelfCookingCenter® ensures that chefs always achieve the desired results – without manual adjustments. Highly sensitive sensors and exact control make sure that heat, air and humidity are distributed evenly in the cooking cabinet even at maximum load.

Winner of the 2014 Kitchen Innovations Award: the RATIONAL VarioSmoker.

SMOKED FLAVOURS EVEN WITHOUT A BARBECUE

At RATIONAL, we research solutions that are tailored to the specific aspects of local markets. One of our developments for the American market in particular is the VarioSmoker. It enables chefs to cook and smoke simultaneously with the SelfCookingCenter®. Meat, fish and vegetables turn spicy and get unmistakeable colours. The VarioSmoker saves time, space and money as there is no need to buy a separate smoking oven. Spare ribs, pulled pork and smoked salmon, for instance, always taste just as they should. The VarioSmoker is easy to install in only a few minutes. It works with conventional smoke materials such as wood chips and pellets. Chefs determine the aroma and intensity themselves, either manually or with the aid of the proven intelligence of the SelfCookingCenter®. Thanks to the benefit it delivers, the VarioSmoker has been very successful. It won the American National Restaurant Association's Kitchen Innovations Award in 2014.

At the RATIONAL laboratory, Fredrik Rasmusson (left) and Sascha Barby discuss their experiences.

CHINA

Good food in the Middle Kingdom

China is undergoing great change, and so are the cooking habits of chefs there.

TRADITION MEETS MODERNITY

Chinese cuisine is very complex and offers an incredible variety of regional specialities. Ranging from hearty in the north to sweet in the east and hot in the south, Chinese food comes in innumerable flavours and combinations. All the more important for us is to understand the cooking habits and different local requirements. We achieve this by holding regular discussions with chefs there to analyse cooking techniques and dishes. In conjunction with our Research and Development teams, this gives rise to cooking paths for the SelfCookingCenter® 5 Senses which not only reflect traditional approaches to cooking but also improve them with modern technology. Beijing duck, for example, a dish that takes a lot of preparation and requires great experience and special equipment, which is why it is normally served in certain restaurants only. The SelfCookingCenter® has a Beijing duck function which enables less specialised chefs to add this dish to their menu. This feature is very attractive for the Chinese market because it also prepares other typical food perfectly, such as crisp pork belly, dim sums and Macau egg tarts.




The wok is one of the most important cooking utensils in China. It is used to make delicious exotic dishes
– no matter whether quick-fried, deep-fried or steamed.

Countless food stalls and simple kitchens offer culinary delicacies in the streets, but the famous Beijing duck is only available in specialised restaurants. Heat and smoke make cooking hard work.

iCookingControl display

Cooking is always easy and successful when the right cooking path is used. iCookingControl senses and recognises the size, quantity and state of the products being cooked.

THE ART OF MAKING BEIJING DUCK

Beijing duck is traditionally suspended in a stone oven and roasted. The heat expands the skin, which becomes crisp and acquires its characteristic bright red colour. We developed the appropriate cooking path for the SelfCookingCenter® 5 Senses in close collaboration with the most renowned Beijing duck restaurants. The result is a perfect cooking process that meets the most demanding requirements – including when many ducks need to be prepared at the same time. The skin is blanched with the aid of the Steam Poultry setting prior to actual cooking. Then it is spiced and dried in a cool place for several hours. The SelfCookingCenter® 5 Senses handles all the rest automatically. The chef always knows exactly what is going on thanks to the intelligent and interactive iCookingControl assistant. The monitor shows not only what the SelfCookingCenter® 5 Senses is doing at present but also which steps are still pending. The technology of the SelfCookingCenter® 5 Senses is so suitable for the Chinese market because space, labour and energy costs are becoming increasingly important there.

Thanks to special software, the SelfCookingCenter® 5 Senses is tailored ideally to the needs of Chinese chefs.
Its operation is easily explained and the monitor shows all important information.

LATIN AMERICA

Diversity of taste

The features of the SelfCookingCenter® 5 Senses are as varied as the cuisine in South America. The new "Lomo Saltado" cooking process, for example, works not only for this widespread dish in Peru but also for Mexican fajitas and other quick-fried food.

FROM THE RIO GRANDE TO TIERRA DEL FUEGO

When touring Latin America to discover its culinary offerings, travellers need a healthy appetite as there is so much variety. South of the Rio Grande they will encounter the magic of the Mexican cuisine, where meat fans can enjoy cochinita pibil. This dish stands out thanks to gently cooked pork with a fruity taste from its marinade. Fajitas – quick-fried small pieces of meat with vegetable strips – are just as typical. In Brazil, pão de queijo is a must. These are buns made of choux pastry and cheese. Pão de queijo is eaten any time of the day or night – at breakfast or lunch, during coffee breaks or alongside steak, which is the Argentinians' favourite food. Another delicacy is lomo saltado, a meat speciality that is very popular in Peru. It contains simple but well harmonised ingredients such as potatoes, tomatoes and onions, and Peruvian pepper gives it a special taste. Although it is one of the classic Peruvian dishes, it has been heavily influenced by the Asian cuisine. Chinese and Japanese immigrants brought soy sauce to the country, which is essential for lomo saltado.

It is the attitude to life that makes Latin America so interesting – the passion and love of enjoyment.

The exotic fruits of Latin America not only put colour into the kitchen but also provide variety and plenty of taste.

The trick with the banana leaf

Banana leaves give cochinita pibil its special taste. The original recipe can also be reproduced without difficulty in the SelfCookingCenter® 5 Senses.

Pão de Queijo

OPTIMUM INTERPLAY BETWEEN PEOPLE AND TECHNOLOGY

Talking to chefs in Latin America showed that they are particularly concerned about one issue: ease of use of their appliances. People from different nations often work together in kitchens so they require simple solutions to prevent problems with the language barrier. The SelfCookingCenter® 5 Senses is ideal in this respect because its control panel can be tailored to individual requirements with the MyDisplay function. Users can even load their own pictures on to the display if necessary. To meet the various needs of Latin American kitchens, we have developed a large number of innovations for the SelfCooking-Center® 5 Senses. The Latin America setting provides special functions, for instance to prepare a cochinita pibil overnight. The Lomo Saltado application covers several dishes. This setting is also suitable for the popular fajitas and other quick-fried food. Development of the cooking process for pão de queijo was especially exciting. We needed to carry out tests with several thousand settings together with local chefs before everyone was satisfied with the results.

At the RATIONAL laboratory, chefs were not satisfied until cochinita pibil tasted just like in Mexico.

INDIA

In the country of fine spices

Finding the ideal cooking path requires long testing loops between chefs in India and developers in Germany. This task cannot be done sitting at a desk alone.

A LONG TRADITION OF FRIED RICE

Indian cuisine has been subject to all kinds of influences for a very long time, including from remote countries. Exotic spices and hot sauces turn tandooris (meat dishes cooked in a special oven called a tandoor), samosas (filled pastries) and dals (dishes from pulses) into a true delight. Society and the economy in India have undergone rapid change recently, and this has also affected many culinary traditions. With their better education and greater international experience, younger people are far more willing to experiment and spend more time and energy on innovations. Biryani is a unique Indian rice dish with a long tradition that is eaten day in, day out by millions of people on the subcontinent. Variants of this dish exist throughout the Middle East. The name biryani comes from Persian and means fried or roasted. The main ingredient is spiced rice. It is mostly prepared with chicken meat but, for vegetarians, there are variants containing vegetables only. Biryanis are generally served with mango chutney or yoghurt.

Baking of flatbreads also has to be learned. Sascha Barby selects the ingredients for a biryani at the market.

The biryani has a long history. This spiced rice dish goes back over 1,400 years to the Mogul Empire. On his journey through India, Sascha Barby got to know different variants.

Biryani – then and now

ABOUT 90 MINUTES //
TRADITIONAL PREPARATION

- 5 MIN. // Heat ghee and bring rough spices up to temperature
- 10 MIN. // Add ginger, garlic and marinated meat, brown
- 20 MIN. // Wash and boil basmati rice
- 10 MIN. // Brown onion rings/strips separately
  - // Add ground spices (garam masala)
  - // Drain rice and add it
  - // Place roasted onions on top
  - // Seal pan (aluminium foil or lid sealed with dough)
- 45 MIN. // Simmer on a low flame

ABOUT 60 MINUTES //
PREPARATION IN A SELFCOOKINGCENTER® 5 SENSES

- 5 MIN. // Wash and soak rice
- 10 MIN. // Grill marinated meat ("tikka")
- 10 MIN. // Brown onion rings/strips separately (also in SelfCookingCenter® 5 Senses)
- 5 MIN. // Place drained rice in cooking vessel
  - // Add garam masala
  - // Place meat and onions on top
- 30 MIN. // Cover vessel and cook under the "Pulao/Biryani" menu item

THE DESIRED RESULT AT THE PRESS OF A BUTTON

A biryani is traditionally made in a lengthy process consisting of several phases. First, the spices are warmed up to the right temperature in a copper pan with heated ghee and then ginger, garlic and the marinated meat are lightly browned. In parallel to this, the chef has to boil basmati rice and brown some onion rings. Afterwards, all ingredients are mixed together with a mixture of spices called garam masala. The pan is firmly sealed, and the whole dish is left to simmer on a low flame. The rice will often stick to the bottom of the pan. This is good for the flavour but increases the amount of ingredients needed. Another drawback of this method of cooking is that it is not possible to prepare large quantities at one time. It is all quite different with the SelfCookingCenter® 5 Senses. Here, chefs first grill the marinated meat, brown the onion rings and place both ingredients on the washed rice. They then push everything in a closed vessel into the SelfCookingCenter® 5 Senses and select the "Pulao/Biryani" program. The full capacity of the cooking cabinet can be used. In this method of preparation, the containers holding the layered ingredients can readied well before serving and be cooked on demand. Chefs can use a SelfCookingCenter® 5 Senses not only to easily make biryanis but also perfect dals, tikkas and kebabs as if they had come out of a tandoor.

At home in the RATIONAL test kitchen, the findings from the trip abroad flow into development of the SelfCookingCenter®. Only when Sascha Barby and Christian Rose are satisfied with the taste the solution is accepted.

EUROPE

»All in two« and the kitchen is complete

The VarioCooking Center® and the SelfCookingCenter® are an ideal combination and provide double growth perspectives.

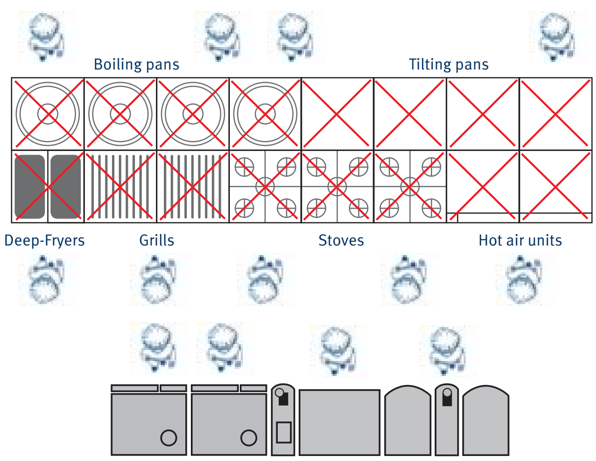
UNBEATABLE INTERACTION

Chefs who have become acquainted with the advantages of the SelfCookingCenter® will never want to forgo this experience again. Baking, roasting, grilling, steaming, blanching and poaching – when it comes to preparing food, the SelfCooking Center® is more versatile than any other appliance. And its self-explanatory operation is yet another compelling feature. In the VarioCooking Center®, FRIMA offers a complementary technology for deep-frying, boiling vegetables, milk, soups and sauces as well as pressure cooking. When it is used in conjunction with the SelfCookingCenter®, chefs can prepare all dishes quickly and efficiently with high quality. The VarioCooking Center® was developed in close collaboration with chefs in many field tests. The combination of these two appliances is the ideal kitchen of the future. The VarioCooking Center® serves the same target group as the SelfCookingCenter® and thus doubles our global market potential.

The VarioCooking Center® MULTIFICIENCY reduces the workload of chefs as they do not have to carry out routine tasks such as filling or emptying or supervising the cooking process.

No matter whether it is used in restaurants as a tabletop appliance or in large canteens, the VarioCooking Center® MULTIFICIENCY will always deliver perfect results.

RATIONAL + FRIMA ... and the kitchen is complete!



The SelfCookingCenter® 5 Senses and the VarioCooking Center® MULTIFICIENCY replace all conventional cooking appliances in a professional kitchen.

COOKING AND SAVING

The SelfCookingCenter® replaces 40 to 50% of conventional cooking appliances. Many chefs would like to do without the others, too, provided that the replacement offers multi-functionality like the SelfCookingCenter® and guarantees cooking perfection. The VarioCooking Center® meets this requirement and also provides speed and intelligence. It cooks up to four times faster without letting even sensitive dishes burn. The benefit is obvious. Using fewer raw materials and less energy reduces running costs. As nothing gets burnt, cleaning is easy and requires less water. It takes just a few seconds before the appliance is ready for use again. In the same way as for the SelfCookingCenter®, development of the VarioCooking Center® is a continuous process. Our customers can be sure that we will listen to their suggestions for new functions and improvements. Our maxim also applies to the VarioCooking Center®: always offer customers the best product at the most attractive price, and thus the maximum benefit.

Together with the SelfCookingCenter® from RATIONAL, the VarioCooking Center® is the ideal combination.

RATIONAL shares

Compared to the issue price at the time of the IPO in March 2000, RATIONAL shares have now risen more than tenfold in value (+1,029%). Shareholders of the first hour, therefore, can be delighted about an average annual price appreciation of 18%. Taking into account paid-out dividends, this results in an average annual return of no less than 21%.

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

21% *

* Related to year-end closing price 2014

RATIONAL shares reach a new all-time high

The low interest rate policies of the Central Banks and various political and economic developments influenced international share markets in the past fiscal year. The continuing euro debt crisis and difficult geopolitical environment had a negative impact on European share markets; on the other hand, the low base rates set by the European Central Bank continued to have a positive effect.

Accordingly, German share markets were volatile. The leading German index DAX closed the year slightly up by around 3% and the MDAX, which ranks immediately below it, was around 2% higher, while the SDAX posted good growth of some 6%.

Following a first quarter of 2014 that was rather weak compared with the previous fiscal year, the share price fell at times. In the further course of fiscal year 2014, RATIONAL shares recovered, making large gains at times and reaching a new all-time high of 271.05 euros. At year-end, the shares were valued at 259.75 euros. Compared to the 2013 year-end closing price of 241.10 euros, this equates to a price rise of 8%. Including the dividend payout of 6.00 euros, this represents an overall return of 10% for RATIONAL shareholders in 2014.

Corporate strategy based on sustainability is the foundation for a stable share price

Our shareholders' trust is founded on our Company's corporate strategy, which is geared to the long-term and sustainability. That is the basis for our long-term growth opportunities and profitability. 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 (+1,029%). This corresponds to an average annual price increase of 18%. Furthermore, dividends of 51.75 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 21% per annum.

Historical development of RATIONAL shares and relevant benchmark indices on 30 Dec 2014

in %	1 year	3 year	5 year	Since IPO
RATIONAL AG (share price development)	+8	+54	+124	+1,029
RATIONAL AG (incl. dividends) [1]	+11	+67	+162	+1,614
DAX 30	+3	+66	+65	+23
MDAX	+2	+90	+126	+296
SDAX	+6	+63	+102	+126

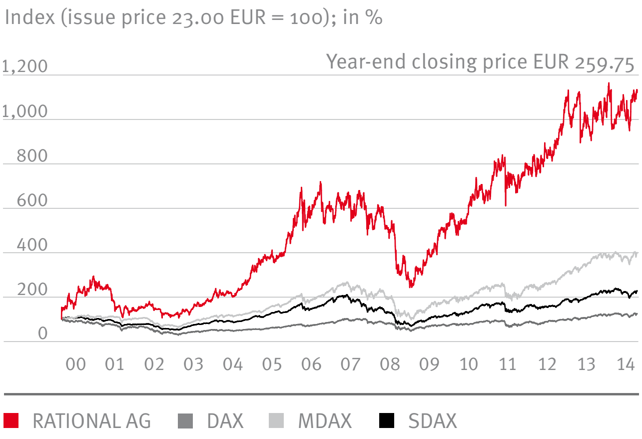
[1] Assumption: reinvestment of dividends at the opening price of the ex-dividend date

RATIONAL on the SDAX

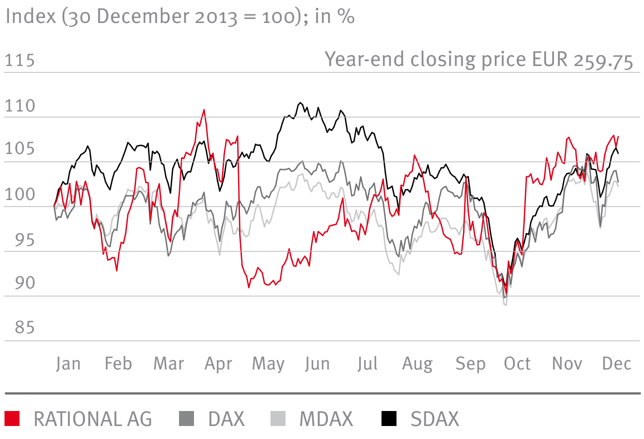
Our shares have been listed in the "Prime Standard" since the IPO. After five years on the MDAX, RATIONAL AG shares were reclassified to the SDAX as of 22 September 2014. The composition of the index is determined by two criteria: market capitalisation and order book turnover, which are reviewed twice a year. Owing to the low free float of 29%, there are relatively few order book transactions for RATIONAL shares, which is why they returned to the SDAX index. The average daily trading volume across all stock exchange centres was 6,883 shares in 2014 (previous year: 7,044). To support the liquidity of the shares, HSBC Trinkaus & Burkhardt AG acts as the designated sponsor.

Since September 2013, the negotiability of RATIONAL shares is being upgraded in the form of ADRs (American Depositary

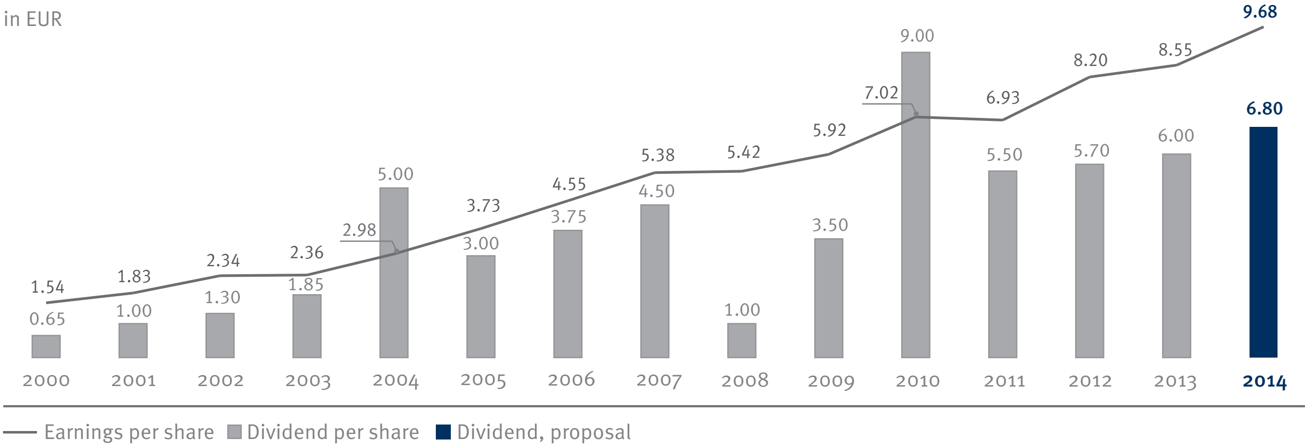
Performance of RATIONAL shares since the IPO 2000



Performance of RATIONAL shares in 2014



Earnings/dividend per share since the IPO



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 group ("unsponsored ADR"). This does not give rise to any follow-up obligations for RATIONAL.

Earnings per share

At 9.68 euros profit per share in 2014 we significantly exceeded the previous year's figure of 8.55 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.

Key figures of RATIONAL Shares

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
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)	**271.05**	269.15	221.70	193.90	170.75	118.39	142.80	161.24	167.38	109.89
Minimum price[2] (in EUR)	**212.85**	200.00	166.15	134.65	103.75	54.82	66.68	112.64	98.67	62.39
Year-end closing price[2] (in EUR)	**259.75**	241.10	218.00	168.20	161.89	115.99	82.61	137.54	138.61	109.89
Market capitalisation[1] (in m EUR)	**2,953.4**	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
Free float market capitalisation[1), 2)] (in m EUR)	**860.9**	799.5	722.9	546.7	524.5	374.8	266.9	445.9	439.0	348.3
Average trading volume[2] (in pieces)	**6,883**	7,044	6,085	9,479	7,994	10,962	18,176	14,425	11,109	6,853
Dividend per share for fiscal year[5] (in EUR)	**6.80**	6.00	5.70	5.50	9.00	3.50	1.00	4.50	3.75	3.00
Dividends paid[5] (in m EUR)	**77.3**	68.2	64.8	62.5	102.3	39.8	11.4	51.2	42.6	34.1
Dividend yield[4]	**2.6%**	2.5%	2.6%	3.3%	5.6%	3.0%	1.2%	3.3%	2.7%	2.7%
Annual performance without dividend	**7.7%**	10.6%	29.6%	3.9%	39.6%	40.4%	−39.9%	−0.8%	26.1%	73.7%
Annual performance incl. dividend	**10.2%**	13.2%	32.9%	9.5%	42.6%	41.6%	−36.7%	1.9%	28.9%	81.6%
Beta factor (one year) as of 31 Dec[3]	**0.74**	0.78	0.84	0.38	0.67	0.75	0.63	0.77	1.25	0.52
Sales per share (in EUR)	**43.69**	40.56	38.26	34.45	30.79	27.65	30.17	29.60	24.95	21.67
Price-to-sales ratio[1]	**5.9**	5.9	5.7	4.9	5.3	4.2	2.7	4.6	5.6	5.1
Earnings per share (in EUR)	**9.68**	8.55	8.20	6.93	7.02	5.92	5.42	5.38	4.55	3.73
Price-earnings ratio[1]	**26.8**	28.2	26.6	24.3	23.1	19.6	15.2	25.6	30.5	29.5
Cash flow per share (in EUR)	**9.89**	9.05	9.80	5.96	7.64	7.32	6.24	5.37	4.32	2.88
Price-cash flow ratio[1]	**26.3**	26.7	22.2	28.2	21.2	15.9	13.2	25.6	32.1	38.1

[1] As of balance sheet date
[2] German stock market
[3] In relation to SDAX (until 2013 to MDAX)
[4] In relation to year-end closing price
[5] Payout in the following year; Dividend 2014 subject to approval by shareholder meeting 2015

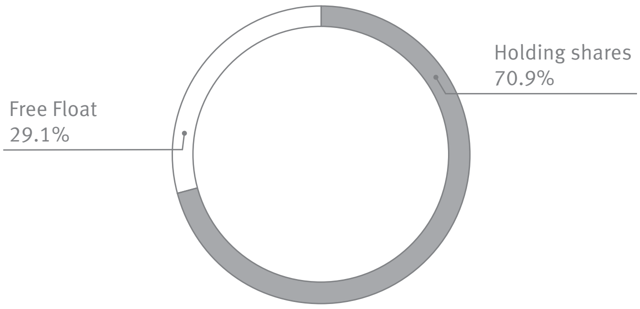
Source: HSBC, Bloomberg, RATIONAL

Dividend of 6.80 euros proposed

The Executive Board and Supervisory Board propose to the General Meeting of Shareholders to distribute a dividend of 6.80 euros per share for fiscal year 2014. A total amount of 77.3 million euros has been set aside for the distribution. The dividend yield (based on the 2014 closing price) is 2.6%.

Stable shareholder structure

Shareholder structure

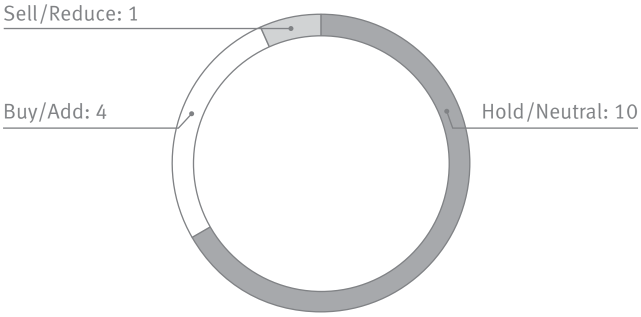


Status: 31 December 2014

The major shareholders and founders of the Company, together with their families, held 70.9% of the share capital as at the balance sheet date. Free-float holdings amount to 29.1%. There are no outstanding stock option schemes or convertible bonds that could dilute the shareholding.

Current analysts' comments

Analysts' ratings



Status: 31 December 2014

At present, 15 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.

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 2014, management spent 25 days at roadshows and capital market conferences, both in Germany and abroad. On releasing our annual figures, we informed the public at an annual results press conference and an analysts' conference. Our Investor Relations specialists, as well as members of the Executive Board, are available at all times to answer questions from both professional investors and private shareholders.

RATIONAL Share – key figures

ISIN (International Security Identification Number)	DE0007010803
WKN (security identification code)	701 080
Market abbreviation	RAA
Stock exchange centres	Frankfurt, Munich, Stuttgart, Düsseldorf, Berlin, Hamburg/Hanover
Market segment	Regulated Market
Transparency level	Prime Standard
Membership of indices	SDAX, 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 24 June 2014 and published in the Federal Gazette on 30 September 2014. 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 2015, which is published in the 2014 Annual Report and under Investor Relations on the RATIONAL website www.rational-online.com.

Shareholders and General Meeting of Shareholders

Around 620 shareholders, representatives of the press and guests attended the General Meeting of Shareholders in Augsburg on 30 April 2014. An imputed 87.10% 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 the Executive Board and Supervisory Board

A detailed account of the cooperation between the 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

No conflicts of interest occurred in the past fiscal year. The members of the Executive Board, Dr Peter Stadelmann (Chief Executive Officer), Peter Wiedemann (Chief Technical Officer), Erich Baumgärtner (Chief Financial Officer) and Markus Paschmann (Chief Sales 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 shall 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 8,049,235 shares as at 31 December 2014. 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, 887,524 shares corresponding to 7.81% of the share capital were held by Mr Walter Kurtz and 300 shares corresponding to 0.003% of the share capital were held by Dr Hans Maerz.

The members of the Executive Board held a total of 3,463 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 is the RATIONAL AG Code of Conduct, which has been summarized in the form of RATIONAL rules of conduct in business and communicated throughout the Company.

In 2013, the RATIONAL Compliance team was set up, a Compliance Manager appointed for the RATIONAL Group, and a compliance risk analysis was carried out. All material compliance risks are addressed via internal measures or in cooperation with qualified partners.

The Compliance organisation was systematically developed further in 2014. As part of that, the local requirements for a Compliance Programme were recorded in selected countries where RATIONAL has its own legal entities and employees and, where necessary to avoid risks, the RATIONAL Compliance regulations were adapted accordingly.

Accounting and auditing

On 30 April 2014, the General Meeting of Shareholders appointed PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Munich, as auditors of the financial statements and the consolidated financial statements for fiscal year 2014. The audit engagement was awarded by the Supervisory Board.

Prior to the proposal being distributed to the General Meeting of Shareholders, the Supervisory Board obtained a declaration from the auditors on their personal and business relationships with the Company. This gave no rise to any objections. The Supervisory Board agreed with the auditors that the Chairman of the Supervisory Board would be notified immediately about disqualification and reasons for bias during the audit.

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

Dependent company report

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

Declaration of Compliance of RATIONAL Aktiengesellschaft

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

Since the submission of the last declaration of compliance in February 2014 up to 30 September 2014, RATIONAL Aktiengesellschaft has, with the exceptions set out and justified therein, complied with the recommendations of the version of the German Corporate Governance Code (the "Code") dated 13 May 2013. It also intends to comply with the recommendations of the Code as amended on 24 June 2014 and published in the official section of the Federal Gazette on 30 September 2014 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: "Disclosure occurs 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.

The compensation report shall also include information on the nature of the fringe benefits provided by the company.

In addition, for financial years starting after 31 December 2013, and for each Management Board member, the compensation report shall present:

› the benefits granted for the year under review including the fringe benefits, and including the maximum and minimum achievable compensation for variable compensation components;
› the allocation of fixed compensation, short-term variable compensation and long-term variable compensation in/for the year under review, broken down into the relevant reference years;
› for pension provisions and other benefits, the service cost in/for the year under review.

The model tables provided in the appendix shall be used to present this information."

On 11 May 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.

Disclosure of the variable compensation broken down by short-term and long-term components is dispensed with.

RATIONAL Aktiengesellschaft also complies with the other provisions of numbers 4.2.4 and 4.2.5 in full, and also intends to do so in future.

Numbers 5.1.2 (1) Sentence 2 and 5.1.2 (2) Sentence 3 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."
"An age limit for members of the Management Board shall be specified."

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; other attributes such as gender or national identity have not been and will not be of any consequence for this decision.

An age limit for Executive Board members has not been specified, since the Company's interests may necessitate appointing members over the age of 65. Executive Board members are appointed solely on the basis of their ability to run the Company successfully. Just because someone reaches a specific age does not generally mean that he or she loses this ability. Moreover, a rigid age limit could be discriminatory.

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.

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 are 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 Declaration of Corporate Governance.

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 sentence 1 of the Code:

"Elections to the Supervisory Board shall be made on an individual basis"
In order to save time, the members of the Supervisory Board of RATIONAL Aktiengesellschaft were not elected on an individual basis at the ordinary General Meeting of Shareholders 2014, but by adoption of the list system of election.

Landsberg, February 2015

RATIONAL Aktiengesellschaft

Siegfried Meister	Dr Peter Stadelmann
for the Supervisory Board	for the Executive Board

Report by the Supervisory Board

Dear Shareholders,

Once again in 2014, RATIONAL AG continued on its long-term growth path. The focus in the year under review remained on the stability of the company as a whole and further improvement of the quality of the business.

Dialogue and communication as a basis for advice and monitoring

In fiscal year 2014, 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, the 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 year 2014 and in 2015 to date, this in particular related to decisions concerning product development, expansion and optimisation 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 eleven meetings in 2014. In 2015, one further meeting was held up to the time of the meeting of the Supervisory Board on 25 February 2015 to adopt the financial statements. The members of the Supervisory Board also consulted each other in writing and by telephone, and met together at 17 other consultative meetings in fiscal year 2014. 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:

› appropriation of earnings and proposed dividend
› business planning for fiscal year 2015
› the strategy for tapping new markets, in particular the foundation of subsidiaries in Turkey, Colombia and Singapore
› the key points in product development
› the further development of the RATIONAL Compliance Programme
› the construction projects at the Landsberg site
› formulation of the medium-term strategy, including the product portfolio and sales and marketing strategy
› expansion of the Supervisory Board and the nominations to the General Meeting of Shareholders

At the Supervisory Board meeting to adopt the financial statements on 25 February 2015, 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 2015 General Meeting of Shareholders.

PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich, will be proposed as auditors for the 2015 fiscal year. We also adopted the remaining draft resolutions for the ordinary General Meeting of Shareholders. In particular, it is proposed to the General Meeting of Shareholders to expand the Supervisory Board from three to six members in order to reflect the Company's size and the greater requirements demanded of the Supervisory Board in its duties.

Our duties in 2014, and, in particular, at the meeting held on 25 February 2015 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.

Corporate Governance

There were no changes to the Supervisory Board of RATIONAL AG in the 2014 fiscal year.

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

In fiscal year 2014, 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 2014 reporting year in connection with consultations, draft resolutions and the audit engagement.

On 30 September 2014, 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 2014 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 compliance of February 2015. A resolution to this effect was passed at the meeting of the Supervisory Board on 21 January 2015 pursuant to section 161 of the Aktiengesetz (AktG, German Stock Corporation Act). The declaration of compliance is published in the 2014 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 30 April 2014, PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich, audited the financial statements of RATIONAL AG and of the Group for fiscal year 2014. 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 2014, 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 25 February 2015. 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 25 February 2015, the Supervisory Board approved the annual financial statements, prepared by the Executive Board, for RATIONAL AG as of 31 December 2014, including the certified version, dated 20 February 2015, of the management report for fiscal year 2014, as well as the consolidated financial statements as of 31 December 2014 and the certified version, dated 20 February 2015, of the group management report. The 2014 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 211.3 million euros, a dividend of 6.80 euros per share or a total of 77.3 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 2014, 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 2015

Siegfried Meister
Chairman of the Supervisory Board

Group Management Report for Fiscal Year 2014

Contents

The charts and tables on pages 42 – 66 are not part of the audited group management report of RATIONAL AG, with the exception of the tables on pages 46, 47, 53 (up), 56, 60 and 61.

Group Management Report

Fundamental Information about the Group

The Group's business model

The Group's organisational structure and sites

Established in 1973, the Group is the market and technology leader in thermal food preparation products for professional kitchens with a world market share of around 50%. Revenue is generated through the sale of cooking appliances, accessories, care products and service parts. The Group's parent company is RATIONAL Aktiengesellschaft (RATIONAL AG), whose registered office is located in Landsberg am Lech, Germany. With 29 subsidiaries, including 23 sales companies, we market our products in all regions around the globe. The RATIONAL Group is divided into two operating segments, RATIONAL and FRIMA, which are controlled as companies within the company. This segmentation is reflected in the internal reporting structures.

RATIONAL segment

Most of our sales are generated with the SelfCookingCenter® 5 Senses, which was launched on the market in 2014. This is a combi-steamer with intelligent cooking processes. It replaces between 40 and 50% of all traditional cooking appliances, such as hot air ovens, stoves and boiling pans. The heat is transferred via steam, hot air or a combination of the two. Unique selling points are cooking intelligence, resource efficiency, ease and flexibility of use as well as minimal cleaning and care effort. In addition, we offer our customers a basic model of the combi-steamer called the CombiMaster® Plus.

We manufacture our products at our headquarters in Landsberg am Lech, and market them globally via our own sales companies, sales offices and trade partners.

FRIMA segment

Since 2005, our subsidiary FRIMA has offered a complementary product to the combi-steamer technology in the shape of the VarioCooking Center®. It cooks with direct contact heat or in liquid and thus replaces even more traditional cooking appliances in professional kitchens. The VarioCooking Center® has established a new product category, like the combi-steamer did many years ago.

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.	Rolling Meadows	USA	RATIONAL
RATIONAL Canada Inc.	Mississauga	Canada	RATIONAL
RATIONAL México S.A. DE C.V.	Mexico City	Mexico	RATIONAL
RATIONAL Brasil Comércio E Distribuição De Sistemas De Cocção Ltda.	São Paulo	Brazil	RATIONAL
RATIONAL Colombia – America Central S.A.S.	Bogotá	Colombia	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

Markets, customers and competitive situation
Our equipment is ideal for any organisation that needs to produce around 30 meals a day or more. There is a global market potential of over three million end customers, of which to date only around 30% are using combi-steamer technology from RATIONAL or one of our competitors.
The customer base ranges from restaurants and hotels, large-scale catering operations such as company canteens, hospitals, schools, universities, military facilities, prisons and retirement homes right through to fast-food chains, caterers, butchers' shops and, more recently, supermarkets, bakeries, snack outlets and service stations.

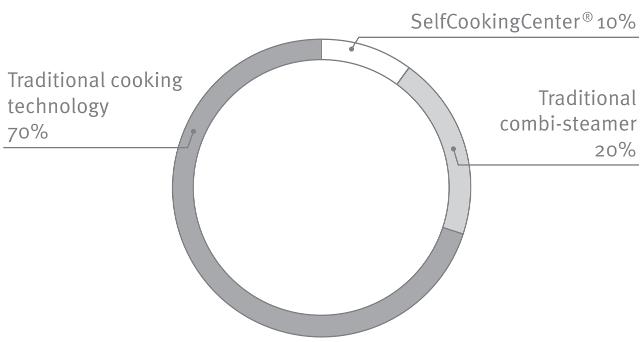
We maintain a presence in over 100 countries through own sales companies and trade partners. We usually collaborate with local sales partners in the respective markets. When the products have established themselves in a country, we gradually increase our sales capacities to raise awareness of the RATIONAL and FRIMA brands and products there and thus penetrate the market step by step.

Our core market is Europe, where we generate over 60% of our revenue, and it still holds huge, untapped potential. In Europe, the SelfCookingCenter® 5 Senses is now replacing a large number of old combi-steamers. New markets in the Americas and Asia – such as the United States, Canada, Mexico, Brazil, China and India – are growing in importance for us.

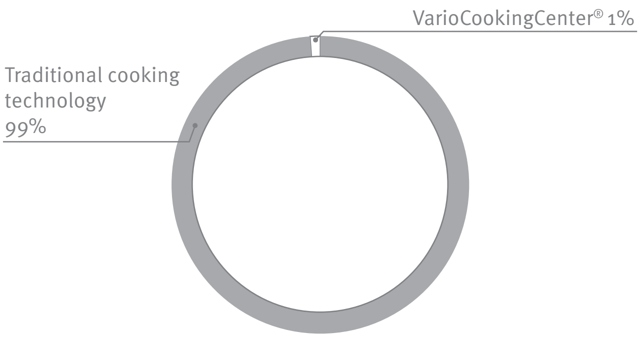
The structure of the competition on the combi-steamer market differs widely from region to region. We assume there are around 100 competitors worldwide. With the VarioCooking Center® MULTIFICIENCY, FRIMA competes with numerous manufacturers of traditional cooking technology such as tilting pans, boiling pans, stoves or deep-fryers.

Most of the competitors serve their domestic market only and, in the overall context, are not particularly relevant in terms of volume. Only few of them are acting globally. The companies with global operations focus on individual markets, so our main competitors differ from market to market.

Untapped world market potential of the SelfCookingCenter® 5 Senses: 90%



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



Strategy and objectives

Strategy 2014
In the past fiscal year, the Executive Board held intensive meetings to examine our corporate objectives and the strategy for achieving them and, where necessary, to redefine them for the future.

The strategy discussion confirmed that our success story stands on three main pillars:

1. Maximising customer benefit as the primary corporate objective
2. Focusing on professional kitchens and specialising in thermal food preparation
3. Entrepreneur in the Company (U.i.U.®): our employees and the U.i.U.® philosophy

These sources of success have been firmly entrenched in our corporate philosophy for many years. They have been confirmed and reinforced as part of “Strategy 2014”.

Maximising customer benefit as the primary corporate objective

Our primary corporate objective is to offer our customers the maximum possible benefit. This means not just satisfying customers throughout the business relationship but enthusing them. To accomplish this, we need the best products, best service and attractive prices. In turn, that necessitates the best employees and outstanding managers. The goal of everything that all our employees think and do is to provide customers with the best possible benefit. This means every action and decision is scrutinised to ensure that it benefits our customers.

Focusing on a clearly-defined target group and its main function, namely cooking, means that we have to specialise and enable ourselves to do so. In the future, we will continue to extend our market and technology leadership and thus be able to offer our customers the best solutions for thermal food preparation.

For us, financial parameters such as sales, growth and profit are the yardstick to show how well and efficiently we have managed to achieve our objective of maximising customer benefit.

Customer-focused services before purchase

We have a sales and marketing process that is exactly tailored to our customers’ needs. In our CookingLive seminars, which can last for several hours, we present our products to potential customers all over the world and show them the added benefit they will enjoy. Particularly in low-penetration markets, CookingLive seminars are an important tool when it comes to providing information and influencing the decision to buy. Ultimately, growing numbers of seminar participants lead over time to an increase in sales volume and revenue.

For customers engaged in fast food and system catering, we employ staff specifically to serve the needs of this target group and work with the customers to devise tailor-made solutions.

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.

Customer retention after purchase

We also support our customers during the rest of the business relationship to make sure they can make optimum use of the appliance throughout its lifetime. Around 1,300 service partners worldwide provide fast and reliable technical service to keep our products running smoothly and efficiently.

Our extra service offerings – ClubRATIONAL, Academy RATIONAL, the RATIONAL portal, ChefLine®, our expert app and our presence on social media – are efficient ways to help customers after they have purchased and to keep them loyal to RATIONAL. We thus always remain in a dialogue with our target group and learn what they are interested in and any problems they may have. This puts us in a position to provide tips, information and service and improve the use of their equipment.

Focus and specialisation

Focusing on professional kitchens

We focus on a clearly-defined target group, namely all the people preparing hot food in professional kitchens around the globe. With around 300 chefs working in sales, application research and consulting, we are a company of and for chefs. We are part of their world, have first-hand knowledge of what they want and need and are therefore able to solve their challenges in the best way.

Specialising in thermal food preparation

By specialising, we can offer our customers ever better solutions and thus continuously increase their benefit. We do not regard ourselves as mechanical engineers but rather as solution providers. With our innovative products and services, we make the day-to-day work of our customers easier.

Minimal vertical integration, maximum value-added

We also pursue a specialisation strategy when it comes to manufacturing. Here, we have little vertical integration. We only use our own resources if an item 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 and services. We therefore enter into long-term partnerships with reliable suppliers. Our objective is to achieve high flexibility and quality at optimal cost as well as a high level of loyalty among our suppliers.

We apply the “one-piece-flow” principle in our assembly operations. In other words, one employee produces 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 one item of equipment. This gives us the flexibility to meet customer requirements by producing to customer order and delivering very quickly. If required, we can deliver just one day after order placement. Because we make to order, we have no need for the usual warehouse of finished goods. This approach, in which one employee is entirely responsible for the complete appliance, enables us to make 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 make headway into this market efficiently and steadily on a long-term basis, we are expanding our global sales, marketing and service 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.

Financial security is key to our company’s success. For us, it is one of the cornerstones for flexible business activities geared to the future. A high equity base and a good liquidity situation are therefore essential for self-financing our growth.

U.i.U.® (Entrepreneur in the Company) stands for success

A key factor in increasing the motivation and satisfaction 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 endeavour to fulfil their tasks as well as possible, enhance their 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.

Planning and controlling system

Planning and controlling

Planning and controlling are based on uniform processes at RATIONAL and FRIMA. All corporate processes are planned, recorded, analysed and assessed with quality and satisfaction indicators in a multi-level planning and control system. These are analysed and the results are reported to decision-makers. On the basis of this information, appropriate action is taken to ensure and raise quality.

Our “Strategic Quality Management” process has been set up to implement our long-term quality philosophy. It aims to keep improving the quality of our products and services as well as an efficient process to generate them throughout the value chain. This extends from suppliers to assembly, shipment, installation and technical servicing at the customer’s site.

In many areas, decisions intended to bring about continuous improvement are based on up-to-the-minute data. Any complaints from our customers anywhere in the world – external or internal – are analysed as part of our daily cross-process urgent quality improvement system. Effective solutions are developed instantly. Suppliers and service partners are included in our regular process audits and are measured against the same benchmarks that are used for internal performance. We continuously improve the quality of our products and services in collaboration with our suppliers and service partners.

Financial key performance indicators

Financial KPIs include sales volume and revenue trends, gross profit, EBIT, gross margin (gross profit related to sales), EBIT margin (EBIT related to sales), operating expenses, receivables management (days sales outstanding – DSO), and development of the equity ratio. With these indicators, we can identify areas in which we are inefficient or waste resources at an early stage, and make adjustments.

Non-financial key performance indicators

A non-financial key performance indicator for our customers’ interest in our products and their satisfaction is the number of participants in our CookingLive events. This is an important early indicator for our future business performance. In the past fiscal year, a large number of existing and potential customers seized the opportunity to find out about the advantages of our products by watching live demonstrations and trying them out for themselves. We welcomed around 86,000 participants in 2014 to our CookingLive seminars (previous year: 76,000).

The KPI for employee satisfaction is the fluctuation rate, which we ascertain every month. In addition, we conduct annual staff surveys to identify the percentage of employees who are proud to work for RATIONAL or FRIMA. Our employees are highly committed to continuously work towards improving quality, productivity and efficiency. This is reflected in the fact that we received around 3,900 suggestions for improvement in 2014 alone (previous year: 3,300). By instilling quality responsibility in all our employees, we are in a position to improve our products and services continuously.

The table below shows the key performance indicators for RATIONAL Group's two segments:

Key performance indicators (KPIs)

Financial KPIs
Volume/sales development
Gross profit/gross margin
Operating expenses
EBIT/EBIT margin
Receivables management (DSO)
Development of the equity ratio
Non-financial KPIs
Customer satisfaction (CookingLive participants)
Employee satisfaction

Research and development

We place a special focus on research and development so that we can keep launching innovative technologies on the market at regular intervals. Our long-standing technology leadership is one result of the structured innovation process and the deployment of qualified staff.

To boost our innovative strength, we have expanded our development team. Alongside engineers in various disciplines, physicists work on basic research and chefs and nutritionists work on applied research and development.

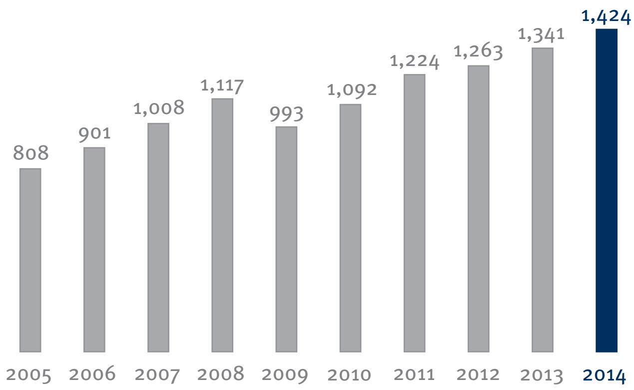
To enhance the efficiency of our products and services, we invested 19.1 million euros in research and development in 2014, or 4% of sales (previous year: 16.7 million euros or 4%). Furthermore, our innovations are protected by more than 480 patents, patent applications and registered designs (previous year: 470). We are planning to increase our R&D investments even further in 2015.

In the year under review, our innovation activities increased our sales yet again, enabling us to post a new record high in the company's history.

Employees and human resources development

The total number of employees in the Group rose in 2014 from 1,341 to 1,424 (as of 31 December 2014). Of these, 810 were employed in Germany (previous year: 765).

Number of employees



Status: 31 December

We encourage the professional development of all employees in accordance with their strengths, delegate a great deal of responsibility and promote self-determination and co-determination. This is in line with our U.i.U.® concept. Employees exhibiting high potential are individually fostered 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 2014, we were able to fill around 71% of management vacancies with employees drawn from our own ranks (previous year: 70%).

Employee loyalty and satisfaction are accordingly on a high level. According to survey results in 2014, 92% of our employees are proud to work for RATIONAL (previous year: 91%). This reflects the strong feeling of loyalty among our workforce. In 2014, 88 employees were honoured for their long service to the company. The fluctuation rate is just 3% in Germany and 8% worldwide (previous year: 3% and 8% respectively).

If RATIONAL is to remain successful, it is vital to target recruitment policies at young and talented people. Vocational training is a cornerstone and a key contributing factor in ensuring that the business is fit for the future. At present, 56 employees are undergoing vocational training to qualify as an industrial management assistant, industrial mechanic, mechatronics specialist or IT specialist, and 16 people are undertaking dual degree courses in mechatronics, mechanical engineering, business informatics, international business and hotel and gastronomy management with integrated part-time work for us. 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.

Remuneration and employee benefits

We reward above-average performance with above-average pay and benefits. We pay a Christmas bonus and holiday allowance and also provide voluntary profit sharing and additional benefits such as meal and travel allowances.

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 on the proportion of women in the company are shown in the following table:

	Employees		thereof women	
	2014	2013	**2014**	2013
Total staff	**1,424**	1,341	**31%**	29%
Germany	**810**	765	**29%**	27%
Abroad	**614**	576	**32%**	32%

	Employees		thereof women	
	2014	2013	**2014**	2013
Leadership positions	**217**	199	**22%**	25%
Germany	**100**	88	**19%**	19%
Abroad	**117**	111	**25%**	29%

Around 100 new jobs planned for 2015 worldwide

In 2015, we again 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. We therefore intend to continue expanding our workforce in 2015 as in past years. A total of around 100 new jobs worldwide will be created, over half of them in sales and marketing. We regard the United States as a particularly important market for the future owing to the high untapped potential there.

Corporate social responsibility as a fundamental principle

Sustainability has been a firm part of our general company policy for many years. Sustainable and future-oriented 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

Resource-saving processes and products, satisfied employees, a positive public image, loyal suppliers and highly satisfied customers are not simply ends in themselves. But rather they are key drivers for the successful development and safeguarding the long-term future of companies. The focus rests primarily on ensuring ethical and fair conduct, in addition to complying with laws and regulations. Sustainable business and a responsible role in society are core components of our business and production processes.

Corporate governance and compliance

For us, corporate governance means managing the company responsibly and controlling business operations efficiently while, of course, respecting laws and regulations and behaving in a totally ethical manner.

Compliance with legal provisions is set out in easy-to-understand language for all employees in our code of conduct in business. The Compliance Officer reports directly to the Executive Board and advises its members on all matters relating to the compliance system. The Compliance Officer is responsible for implementing these matters efficiently together with the Executive Board, and is also in charge of continuous development of our risk management system.

Treating customers, business partners and employees honestly and fairly is an important element of our corporate culture. Another important element is open, transparent and trustful communication with all stakeholders.

Active environmental protection

We regard it as important to treat the environment in a responsible manner and conserve all resources. Resource efficiency is also gaining in significance when it comes to our customers' decisions on investments. Our approach is to extract the maximum benefit from every resource used, thereby minimising the negative impact on the environment. Among other things, we achieve this by using recoverable components and running environment-certified production facilities. In particular, resource efficiency applies to the day-to-day use of our appliances in the kitchen. After all, our technology makes it possible to reduce the use of raw ingredients, energy, water and cleansing chemicals. This is where the biggest savings are made in the lifecycle of our products.

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 therefore have an environment management system that is certified to ISO 14001 and set ourselves challenging targets when it comes to reducing the consumption of resources, water, energy and fuel and the amount of waste generated. We achieved the targets we set for 2014 and even surpassed them in some cases.

When new buildings are erected, we pay 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 a special building architecture featuring large glass facades and self-adjusting brightness sensors, we have managed to minimise the use of artificial light. By using the latest technology, we have managed to hold CO_2 emissions to a relatively low level. Among other things, we have succeeded in reducing the emission of CO_2 per produced appliance by over 25% since 2010. We even managed to cut the energy consumption of each appliance by 30% over the same period.

Almost no waste water is generated by our production processes. Any water that is polluted is cleaned and removed by a treatment plant, which is regularly tested by an independent institute. Regular tests are conducted to check the quality of waste water. All processes are continuously optimised to minimise the volume of waste and, for any waste that is produced, to ensure that as much as possible is recycled or used as a source of energy. The low quantities of hazardous matter that we generate are disposed of by a specialist company in compliance with ISO 14001. An audit is carried out each year to verify our compliance with standards.

Social responsibility

As a successful business we also have a major responsibility towards society. Our sustainable, responsible corporate governance secures the long-term existence and growth of the business and creates jobs, contributing significantly to the development of the town of Landsberg and the surrounding region. We are also committed to supporting people who find themselves in difficult situations in their lives by regular donations to local social organisations.

Cooperation in partnership with customers and suppliers

For us, sustainability in our relationships with customers and suppliers means long-term collaboration on the basis of partnership. Maximum customer benefit is defined as the primary goal in our corporate philosophy.

As a company with little vertical integration, the quality, productivity and reliability of our suppliers are particularly important to RATIONAL's success. We offer our suppliers a reliable and trustful long-term partnership. In return, we expect loyalty, quality, commitment, flexibility and innovativeness.

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.

Economic Report

Macroeconomic and sector-related framework conditions

3.3% growth in the global economy

Global economic performance rose slightly by 3.3% in the year under review. Growth of 2.4% was achieved in North America, whereas a figure of 0.8% has been calculated for the eurozone. The reasons include the persistent Russia and Ukraine crisis, fears of deflation and the weak economies in France and Italy. The growth rate for Japan was only 0.1% but came to 6.5% for Asia without Japan. In Latin America, by contrast, a slow-down in current industrial growth and a fall in investment demand have led to a rate of just 1.2%. (Source: IMF, January 2015)

The ifo World Economic Climate, which reflects the assessment of the current economic situation and future expectations by international representatives from business, academia and the capital markets, deteriorated slightly in the fourth quarter of 2014. Both the current situation and future expectations are viewed in a less optimistic light.

Positive economic situation in the professional kitchen industry in Germany

The use of our products in a wide range of cooking scenarios means that our business performance is far less dependent on overall economic trends than other sectors and companies.

The mood in the German professional kitchen industry was positive in the year gone by. In a survey conducted by the trade magazine GastroSpiegel, around two-thirds of dealers selling to this sector saw the sector in a better position than in the previous year. As a result, GastroSpiegel's trade barometer climbed to one of its highest levels since the financial crisis. Suppliers to the various areas of the catering and food service sector profited from the good situation of their end customers and trade partners.

Following a muted time in the year before, the combi-steamer sector picked up in the year under review. According to Industrieverband Haus-, Heiz und Küchentechnik e.V. (HKI), manufacturers sold around 3% more appliances by the end of the third quarter on a year-on-year basis. In a stable competitive environment, we enjoyed above-average growth in the sector and consequently consolidated our big lead of over 50% market share. (Source: HKI statistics, November 2014)

Significant events in fiscal year 2014

The new SelfCookingCenter® 5 Senses

In May 2014, we launched the new SelfCookingCenter® 5 Senses on the market. It senses, recognises, thinks ahead, learns from chefs and even communicates with them. To be sure of achieving precisely the desired results, it shows users what it is currently doing and why it is adjusting settings. Every customer owning the predecessor model – the SelfCookingCenter® whitefficiency® can upgrade to the new 5 Senses version with the aid of a free software update.

The new table top unit of the VarioCooking Center® MULTIFICIENCY

In January 2014 the new table top unit of the VarioCooking Center® MULTIFICIENCY was launched. Because of its compact size and handling it is flexible and can be used in time where it is needed without extensive reconstruction.

Completion of the new service parts centre in Landsberg

Our new service parts centre went live at our Landsberg am Lech site in July. With 7,700 square metres of space, this energy-efficient building provides sufficient capacity for the worldwide growing demand for service parts.

Reversion of RATIONAL shares to the SDAX

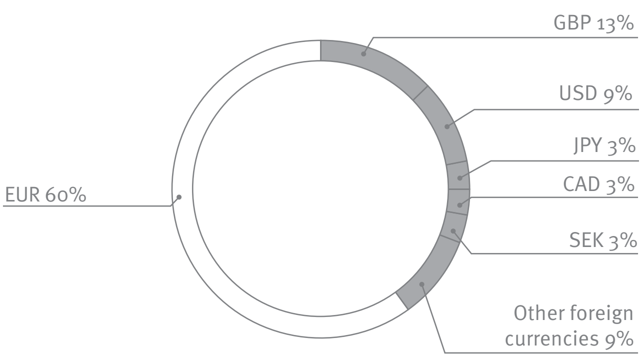
After five years on the MDAX index, RATIONAL AG shares reverted to the SDAX as of 22 September 2014. The composition of the index is determined by two criteria: market capitalisation and order book transactions, which are reviewed twice a year. Owing to the low free float of 29%, there are relatively few order book transactions for RATIONAL shares, which is why they returned to the SDAX index.

Business in 2014 – the Executive Board'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. Against this background, the Executive Board classes the company's business performance in 2014 as favourable all in all.

Our sales grew by 8% in the past fiscal year. This increase is attributable to the rise in unit sales volume compared to the previous year. Average prices largely remained stable in 2014 again. However, sales development suffered a little under negative currency effects. We generated around 40% of our sales in foreign currencies. The most important currencies outside the euro were the pound sterling (13% of sales), the US dollar (9%), the Japanese yen (3%), the Canadian dollar (3%) and the Swedish krona (3%). Compared with the previous year, the euro was somewhat stronger in relation to all currencies of relevance to us, which had a slightly negative impact on our sales figures.

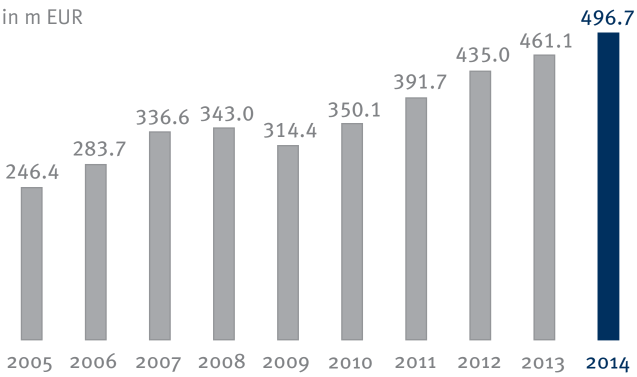
40% foreign currency sales in 2014



Earnings situation

With sales of 496.7 million euros and earnings before interest and taxes (EBIT) of 145.2 million euros, the RATIONAL Group can look back on an altogether successful fiscal year 2014. Our growth reached 8%. EBIT was 13% higher than in the previous year, and the EBIT margin came to 29%.

Sales development 2005 to 2014



Increased sales from quarter to quarter

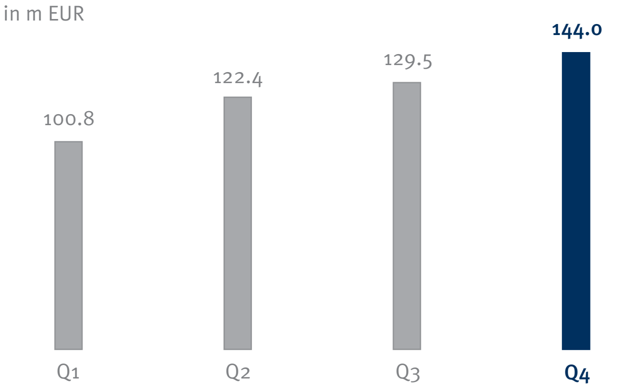
Business performance varied greatly over the course of the fiscal year. We managed to increase our sales from quarter to quarter.

The first three months were rather disappointing as sales declined by 3% to 100.8 million euros (previous year: 104.0 million euros). In the second quarter, we were able to make good this decline by increasing our sales by 15% to 122.4 million euros (previous year: 106.8 million euros). Consequently, sales grew by 6% in the first half of the year to 223.2 million euros (previous year: 210.8 million euros).

The second half of the year also got off to a good start. With sales of 129.5 million euros in the third quarter (previous year: 117.9 million euros), we were able to continue on our growth path. This is equivalent to a growth rate of 10% in the quarter.

Sales reached 144.0 million euros in the fourth quarter (previous year: 132.4 million euros), thus surpassing the third quarter. Although the fourth quarter was very strong in the previous year, we beat it with a growth rate of 9%. As a result, we generated total annual sales of 496.7 million euros and grew by 8%. Unit sales growth was eqivalent to sales growth.

Sales in 2014 (for each quarter)



Europe as the mainstay of growth

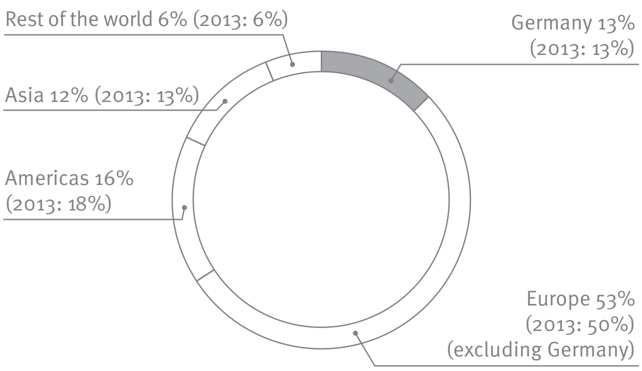
Since 2013, we have been increasingly investing in the restructuring and expansion of our European sales structures.

Our successes over the past two years, in which Europe was the main driver for the Group's growth, confirm this step. In the past fiscal year, we were able to increase sales by 8% in Germany and by 13% in the rest of Europe. A particularly high growth rate was posted in the United Kingdom, where an act passed in February 2014 guaranteed a free school lunch for all pupils in years 1 and 2. This resulted in a non-recurring benefit, because many school kitchens were equipped with RATIONAL appliances. But our regional business in the United Kingdom was also very good. In addition, sales were up in many parts of Europe, especially in the crisis regions of Southern Europe, where we achieved good growth rates again after the decline in sales in recent years. This helps us offset currently poor business in Russia. At 17%, the FRIMA segment, which generates a large part of our sales in the European markets, also made a very positive contribution to growth in Europe.

Despite strong sales in the fourth quarter, the Americas and Asia regions were both down by 3% year on year. However, these two regions' figures reached the previous year's level when adjusted to reflect negative currency effects. Whereas regional business through our own sales function, which is a key to our sustained success, performed well in the Americas and in Asia, we were down, in both regions, on the previous year in chain business, which experiences greater volatility.

In the "Rest of the world" region, sales rose by 18% year on year from 25.2 million euros to 29.7 million euros.

Sales by region in 2014



Gross margin of 61%

Our gross profit improved in proportion to sales growth, namely by 8% to 304.0 million euros (previous year: 280.7 million euros). At 61%, the gross margin was at the previous year's level (previous year: 61%). We were able to make up for the slightly negative sales effects due to the somewhat stronger euro by boosting productivity and sometimes procuring upstream products in foreign currency. The effect of the development in commodity prices was neutral.

Slightly disproportionate rise in operating expenses

In 2014, the percentage rise in operating expenses (sales and service, research and development and general administration) was slightly higher (up 10%) than sales. This was primarily due to the disproportionate increase of 15% to 19.1 million euros in our research and development expenses to further develop our technologies and products (previous year: 16.7 million euros).

Year on year, sales and service expenses increased by 10% or 11.1 million euros to reach 122.3 million euros (previous year: 111.2 million euros). This was due to the expansion of our sales activities in many markets.

General administration expenses rose by 6% from 21.3 million euros to 22.6 million euros.

We incurred total operating expenses of 164.0 million euros, which was up 10% (previous year: 149.1 million euros).

Cost and earning structure

in m EUR	2014	in % of total sales	2013	in % of total sales
Total Sales	**496.7**		461.1	
Cost of Sales	**192.7**	**39**	180.4	39
Sales & Marketing	**122.3**	**25**	111.2	24
Research & Development	**19.1**	**4**	16.7	4
Administration & Others*	**17.4**	**3**	24.6	5
EBIT	**145.2**	**29**	128.3	28

* Contains currency result

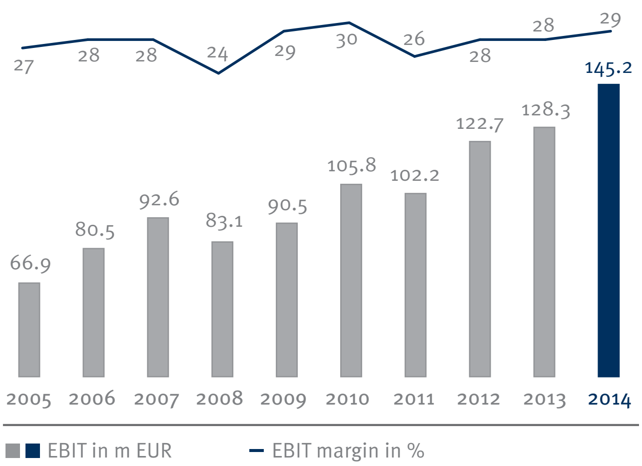
EBIT positively influenced by currency effects

The fall of the euro that ensued in the 2nd half of the year under review had a very positive impact due to revaluation of the foreign currency receivables of our foreign sales subsidiaries as at the balance sheet date. In past fiscal year, this effect amounted to a total of +5.8 million euros (previous year: −4.2 million euros) and was immediately reflected in the other operating income/expenses.

EBIT margin of 29%

At 145.2 million euros (previous year: 128.3 million euros), EBIT was 13% up on the previous year. The EBIT margin reached 29% (previous year: 28%). Adjusted by the overall positive currency effects, the EBIT margin came to 28%.

EBIT development and EBIT margin 2005 to 2014



In 2014, the tax ratio for the Group stood at 24% (previous year: 24%) and the absolute tax expense was 34.6 million euros (previous year: 30.4 million euros).

This results in net income of 110.1 million euros and a net margin of 22% (previous year: 97.2 million euros and 21%).

RATIONAL segment

In the year under review, the RATIONAL segment increased its sales by 7% to 467.3 million euros (previous year: 435.6 million euros). EBIT reached 140.2 million euros (previous year: 123.6 million euros), 13% up on the previous year. This equates to an EBIT margin of 30% (previous year: 28%).

FRIMA segment

In 2014, the FRIMA segment increased its sales by 18% to 33.3 million euros (previous year: 28.3 million euros). EBIT increased by 45% to 5.5 million euros (previous year: 3.8 million euros). At 17%, the EBIT margin went up four percentage points compared with the previous year (previous year: 13%).

Segments

2014

kEUR	RATIONAL	FRIMA
Segment sales	467,316	33,320
Segment result	+140,215	+5,536
Sales growth	+7%	+18%
EBIT margin	**30%**	**17%**

2013

kEUR	RATIONAL	FRIMA
Segment sales	412,608	28,269
Segment result	+119,409	+3,815
Sales growth	+11%	+10%
EBIT margin	**29%**	**13%**

High level of return on invested capital

To measure the efficiency of the capital that has been invested, we review the return on invested capital (ROIC) and the return on equity (ROE) but without using them as key performance indicators for our operations.

The ROIC, equal to net income adjusted by finance costs set in relation to invested capital (equity plus interest-bearing borrowings), reached 34% (previous year: 35%). The ROIC exceeded the assumed cost of capital of 5.2% by 29 percentage points. This generated an increase of 94.1 million euros in enterprise value.

The ROE (net income in relation to equity) came to around 40% during the past six years and 38% in the year under review (previous year: 38%).

Financial position

RATIONAL was able to maintain and strengthen its solid financial position in 2014. A liquidity ratio of 53% on the balance sheet date underlines our independence from lenders (previous year: 53%).

Financial strategy: putting security before return

RATIONAL's strategy is to safeguard its financial independence and short-term capacity to respond at all times. We put security before return. 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 lenders. This enables us to make rapid entrepreneurial decisions, even in uncertain economic times. We are therefore in a position to finance our growth from our own funds and also keep a liquidity reserve at all times in case of unexpected developments in the global economy. When it comes to investing liquid funds, 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 approximately 70% of our net earnings as dividends.

High level of operating cash flow

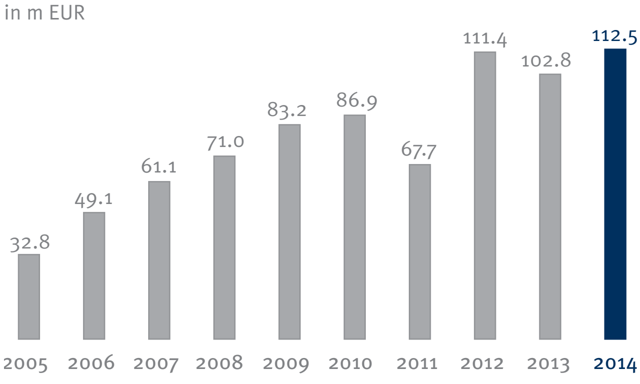
Because of the low level of capital intensity of our profitable business model combined with little vertical integration and efficient receivables management, we are able to maintain our operating cash flow at a consistently high level.

During the fiscal year 2014, this reached 112.5 million euros, a year-on-year increase of 9.6 million euros (previous year: 102.8 million euros). This increase is mainly attributable to the higher result (+17.0 million euros) whereas we paid 10.4 million euros more in taxes than in the previous year. The changes in working capital were comparable to the previous year and made a slight contribution to the increase in operating cash flow (+2.4 million euros).

Cash flow from investing activities amounting to –38.9 million euros (previous year: –27.5 million euros) includes investments in property, plant and equipment and intangible assets. In 2014, these stood at 16.8 million euros, up 4.8 million (previous year: 12.0 million euros). This figure includes expansion investments amounting to 10.1 million euros for the completion 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 23.0 million euros in additional financial assets with a maturity of more than three months.

Operating cash flow 2005 to 2014

in m EUR



Free cash flow, comprising cash flow from operating activities less investment in non-current assets (16.8 million euros), reached 95.7 million euros (previous year: 90.8 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 68.2 million euros to our shareholders for the fiscal year 2013. Furthermore, we reduced our liabilities to banks by a total of 1.7 million euros and paid interest amounting to 1.1 million euros. The total cash flow from financing activities stood at –71.0 million euros (previous year: –56.7 million euros).

Cash flow 2014

in m EUR	2014	2013	Change in %
Cash flow from operating activities	**112.5**	102.8	+9
Cash flow from investment activities	**–38.9**	–27.5	+41
Cash flow from financing activities	**–71.0**	–56.7	+25

High level of liquidity

The balance of cash, cash equivalents and deposits rose by 25.3 million euros during the year under review to 225.4 million euros (previous year: 200.1 million euros). Liquid funds therefore represented 53% of the balance sheet total (previous year: 53%).

In addition, we had unused credit lines amounting to 29.5 million euros as of the balance sheet date (previous year: 28.5 million euros).

Dividend of 6.80 euros proposed

The global economy is forecast to develop solidly. Nonetheless, uncertainties remain as a consequence of the sovereign debt crisis and geopolitical tension in some regions. Against this background and in view of the good liquidity situation, the Supervisory Board and Executive Board have decided to propose payment of a dividend of 6.80 euros per share for fiscal year 2014 to the General Meeting of Shareholders in 2015 (previous year: 6.00 euros). This represents a dividend yield of 2.6% (based on the closing price on 31 December 2014).

The proposed dividend entails distributing a total of 77.3 million euros. Even after the dividend payment, the liquidity of the company will remain at a high level.

Off-balance-sheet financing instruments

RATIONAL does not shift liabilities to expressly created, special-purpose vehicles. However, we made very limited use of operating lease arrangements for technical equipment, company cars and IT systems, and entered into leases for office space. Over the next five years, contractually fixed payments in connection with these will be 10.6 million euros (previous year: 8.6 million euros). Off-balance-sheet financing has no material impact on the asset situation.

Long-term financing measures

We also 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 26.4 million euros (previous year: 31.1 million euros). The outstanding loans serve to fund the assembly and dispatch building, the office and training building, the service parts centre and the production facilities at the components factory. Most of the amount borrowed will mature in 2022 (17.8 million euros) or 2023 (8.5 million euros). The rest of the amount borrowed will be due between 2016 and 2018. No new financing agreements were concluded in 2014.

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 rating agency.

Asset situation

RATIONAL has a very solid balance sheet structure. With an equity ratio of 73% and current assets accounting for 82% of total assets, this gives us maximum security and flexibility at all times.

High equity ratio

As at 31 December 2014, the balance sheet total had risen by 12% from 377.3 million euros to 423.4 million euros. The principal reason behind this increase was the dividend distribution of 68.2 million euros in the face of net income of 110.1 million euros. As a result, equity increased significantly by 16% to 310.7 million euros (previous year: 268.8 million euros). At 73%, the equity ratio at the balance sheet date was above the previous year's level (previous year: 71%).

Capital tied up in the short term

Non-current assets increased by around 9.1 million euros in 2014 as a result of new investments in real estate and machinery.

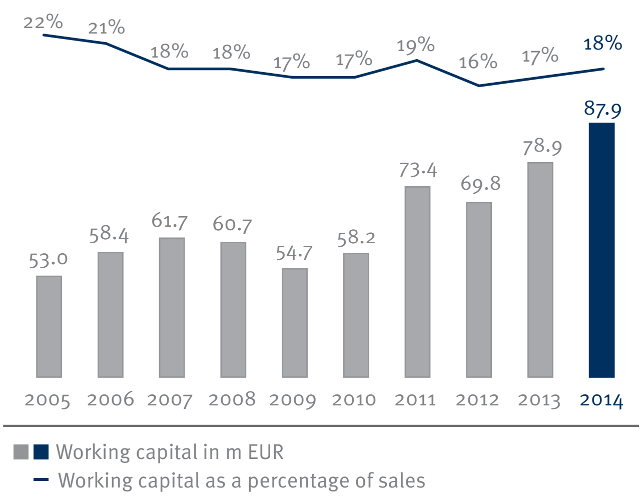
Current assets also grew by 37.1 million euros in the year under review. This was mainly driven by the increase in liquid funds (+25.3 million euros) and trade receivables (+7.0 million euros). Current assets accounted for 82% of total assets as of the balance sheet date (previous year: 82%), thus staying at the same level.

We continuously optimise the amount of capital tied up in trade receivables. We pay attention to finding a balance between the best possible support for our dealers and as little capital tie-up as possible. Whereas we were able to further reduce the days sales outstanding (DSO) in established markets, we helped our customers in several emerging markets through longer payment targets. All in all, this resulted in an average DSO of 50 days in 2014 (previous year: 48 days). The proportion of overdue receivables was 6% on average (previous year: 4%).

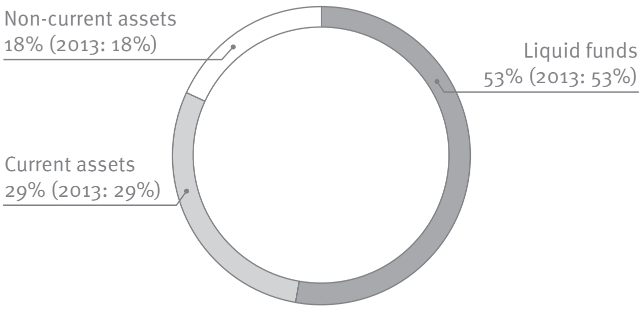
Using global trade credit insurance and confirmed, irrevocable letters of credit and bank guarantees, we achieved a receivables coverage ratio of 84% as of the balance sheet date, taking into account the trade credit insurance deductibles (previous year: 80%).

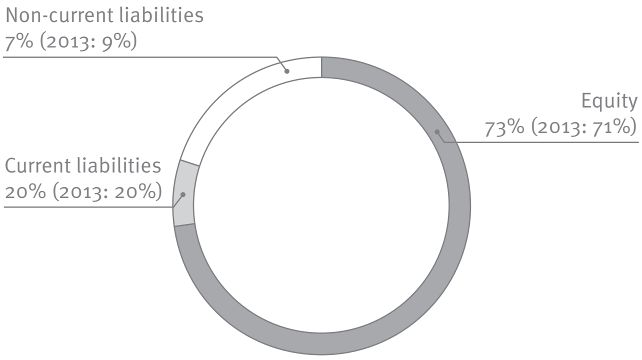
All in all, RATIONAL's working capital management is very effective. By managing receivables efficiently, we are able to maintain trade receivables at a low level. Because we make to order in connection with our low level of vertical integration and use the kanban system for the supply of materials in 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 advantage of any cash discounts available. Working capital rose by 9.0 million euros in the year under review. This is mainly attributable to the higher level of trade receivables (+7.0 million euros). At the end of the year, working capital stood at 87.9 million euros, or 18% of sales (previous year: 78.9 million euros or 17%).

Working capital 2005 to 2014



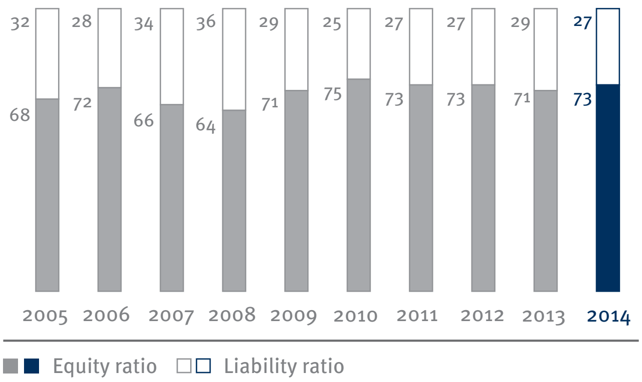
Balance sheet structure 2014





Equity ratio/Liability ratio

in %

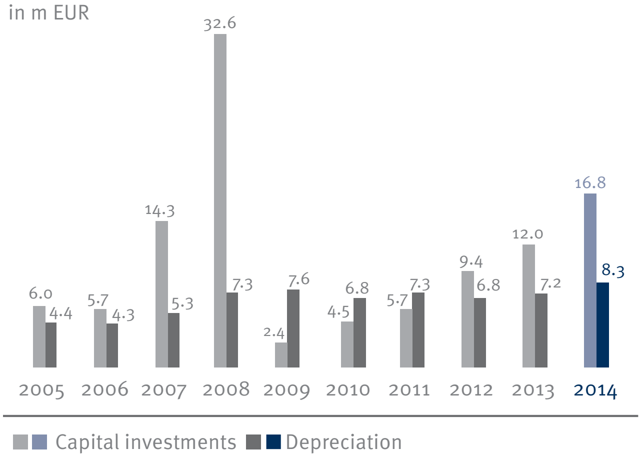


Investments

In the year under review, we invested 16.8 million euros in non-current assets (previous year: 12.0 million euros). This figure includes new investments in real estate and in machinery at the components factory. 16.2 million euros related to the RATIONAL segment and 0.6 million euros to the FRIMA segment.

In 2014, investments amounting to 9.3 million euros were made in the construction of the new service parts centre. The total amount invested here stood at 10.8 million euros.

Capital investments and depreciation



For 2015, we expect to invest around 19 million euros in maintenance, replacement and acquisition. The contractually agreed investments for 2015 amount to 1.1 million euros. Beyond that, there are no significant investment commitments for the next fiscal year that are contractually fixed or contingent upon economic considerations.

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

Forecast/actual comparison

In last year's Annual Report, we forecasted moderate sales and EBIT growth. With sales of 496.7 million euros (+8%) and EBIT of 145.2 million euros (+13%), we were able to meet or slightly exceed our expectations. Unit sales growth was eqivalent to sales growth. The somewhat disproportionately high rise in EBIT was mainly due to unexpected positive currency effects in other operating income and expenses. Changes in commodity prices had no impact on our results, as forecasted.

In the year under review, employee satisfaction remained at the expected high level. 92% of our employees are proud to work for us.

As expected, we were able to keep customer satisfaction at a similar level to the previous year. With 86,000 participants, our CookingLive seminars showed a similar rate of increase to the previous year. This documents the satisfaction of our existing customers and the great interest of potential customers.

We forecasted investments of approximately 20 million euros but stayed somewhat below this figure, at 16.8 million euros.

Contrary to the expected decline, the risk coverage ratio for our outstanding receivables was slightly better at 84%, and the days sales outstanding stood at 50 days, which was roughly as forecasted.

Forecast/actual comparison

	Actual 2013 (in %)	Forecast 2014	Actual 2014 (in %)
Financial KPIs			
Sales growth	+6	Moderate rise	**+8**
Gross margin	61	Approx. 60%	**61**
Operating expenses	+8	Moderate rise	**+10**
EBIT margin	28	26–28%	**29**
DSO (days)	48	Previous year's level	**50**
Equity ratio	71	Approx. 70%	**73**
Non-financial KPIs			
CookingLive participants	+9	Double-digit growth	**+13**
Number of proud employees	91	Previous year's level	**92**

Legal framework

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

Supplementary Report

No events that are of material importance to the assessment of the earnings, financial and asset situation of RATIONAL AG and would be reported here occurred after the balance sheet date.

Outlook, Opportunities and Risk Report

Outlook report

Outlook assumptions

Our outlook takes into account all factors affecting the business performance of the RATIONAL Group known at the time of preparing this report. Such factors include relevant general market indicators as well as sector-related and company-specific matters.

The main market-related parameters are growth of the global economy and movements in currency rates and commodity prices. Sector-related matters are, in particular, the circumstances of the end users of our products and services, our direct customers, dealers and the competitive situation among vendors of various cooking technologies.

Internal factors are employee satisfaction and measures to maintain and raise 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 see sound prospects for the international economy and expect global growth of 3.5% for 2015. At roughly 4.3%, the highest growth rates are forecast for the emerging economies. But the USA are also on a solid growth path with an expected rate of around 3.6%. For the eurozone, experts expect low growth of only around 1.2% for 2015. (Source: IMF, January 2015)

Financial key performance indicators

Sales volume, revenue and profit forecast for 2015
We expect exchange rates to have a slightly positive effect on sales and earnings in 2015 as many of the foreign currencies of relevance to us rose in value significantly during 2014. We do not expect any movement in the opposite direction, and indeed there are signs that many currencies will continue to develop positively.

For 2015, we do not expect commodity prices to have any material impact on our cost of sales and on our profits. In the case of the basic price of steel, we have yearly contracts that provide us with a sound costing basis. We have already agreed a stable basic price of steel with our suppliers for 2015. In the first half of 2014, the alloy surcharge rose from 1.00 euro per kilo to over 1.40 euros per kilo but then it stabilised at this level and finally fell back to 1.30 euros per kilo in the last two months of the year. The average price in 2014 stood at 1.25 euros per kilo. Given that the global economy is forecast to be stable, we are assuming that the price of nickel will be slightly higher in 2015 and that the alloy surcharge will be 1.30 euros per kilo on average.

All in all, we expect Group-wide cost of sales to increase in proportion to sales. As a result of this, we see a proportional rise in gross profit. Accordingly, we expect our gross margin to be on a similar level as in the previous year, at around 60%.

Owing to investments in research and development and in the expansion of our sales capacities, operating expenses will increase disproportionately to the increase in sales. Therefore, we assume that our EBIT margin will range from 26% to 28%.

Against this background and on the basis of the foundations we have laid for successful performance by the company, we expect the existing moderate growth trends in sales volume, revenue and EBIT to continue.

We expect disproportionately high growth in sales volume, revenue and EBIT in the FRIMA segment because the VarioCooking Center® is still at an early stage on the market.

Sustainably solid underlying financial position
Throughout 2015, we expect the equity ratio to remain the same at around 70% and available liquidity to be on a high level. 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 by cash inflows and the net liquidity currently available.

For 2015, we expect the risk coverage ratio of our trade receivables to decline slightly due to the rise in the development of emerging markets, in which it has barely been possible so far to obtain a sound credit rating and thus credit cover for young trade companies. We expect the days sales outstanding (DSO) to remain at the same level in 2015 as in the previous year.

Non-financial key performance indicators
We attach the utmost importance to the satisfaction levels of our employees, who are seen as entrepreneurs in the company (U.i.U.®). For this reason, we will not simply settle for its already high level of employee satisfaction but want to raise satisfaction in 2015 by carrying out targeted activities and incentive measures. We expect the fluctuation rate to be at a similarly low level as in 2014.

For the coming fiscal year, we plan to create around 100 new jobs, with over half of them in sales. Expanding our sales staff will lead to a year-on-year increase in the participants in our CookingLive seminars of around 10%.

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 2015 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 success of our business in future include the replacement of equipment with innovative products, the winning of new customer groups 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, changes in competition, financial developments (e.g. currency trends) as well as product and other operational risks.

Overall, the Executive Board believes that these risks can be controlled. 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.

Positive external factors and trends

Eating out as a basic human need

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

As prosperity increases, eating out gets more important. Per capita income in the emerging markets is rising rapidly and, therefore, the prosperity of the growing population is increasing tangibly, leading to the emergence of a new middle class and a 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 over three million end customers that we can address in the world are already cooking with combi-steamer technology. The remaining 70% are still relying on conventional cooking technologies. Just over 10% of all kitchens are using a SelfCookingCenter®. The SelfCookingCenter® 5 Senses replaces both conventional cooking technology and standard combi-steamers, so there is still additional untapped market potential worldwide for these appliances.

The global potential for the VarioCooking Center® MULTIFICIENCY is even higher. As the product has only been on the market for a few years, its degree of penetration is still relatively low and the available customer potential is therefore almost 100%.

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

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 sector. When our products are used to prepare food, vitamins are conserved and fat is reduced, so the resulting dishes will be particularly healthy.

Strengths of RATIONAL

Excellent customer satisfaction

Today, the combi-steamer is considered one of the most important cooking appliances 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 them to all colleagues. As a result, we continue to enjoy a leading market position by a wide margin. Every second combi-steamer currently sold around the world comes from RATIONAL.

Superior products

We have a portfolio of products and services superior to that of our competitors. Both the SelfCookingCenter® 5 Senses and the VarioCooking Center® MULTIFICIENCY are global leaders in terms of technology and applications, even though our prices are similar to those of competitors.

High innovative capability

To live up to our claim of offering products with the highest possible benefit for 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 thus extend the sales potential of our products within our target group.

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® 5 Senses and the VarioCooking Center® MULTIFICIENCY significantly reduce the use of energy, water, fat, cleansers and raw ingredients, while taking up considerably less space than conventional cooking technology. The time and effort required to supervise cooking and clean the equipment is also reduced, resulting in lower labour costs.

Successful market development

We are frequently the trailblazers in developing new markets. This leads to increasing brand recognition and a lead over competitors when exploiting the available market potential. The efficient, successful development of new markets is a lasting contributing factor in helping us to consolidate and extend our position as the global market leader.

Unique corporate culture

The principle of the 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 maximise 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 strategic, operational or financial 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 to identify risks at an early stage, analyse their causes and impact, and take suitable action 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 over a horizon of three years. In 2014, the results of the risk inventory from the previous year were updated. 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 risks at an early stage, take 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 reviewed by the independent auditors to ensure that it 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.

If it makes strategic and financial sense, the main insurable business risks 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 Officer appointed for the entire RATIONAL Group. A compliance risk analysis was also carried out. All material compliance risks are addressed via internal measures or in cooperation with local qualified partners. The Compliance organisation was systematically developed further in 2014. As part of that, the local requirements for a Compliance Programme were recorded in selected countries where RATIONAL has its own legal entities and employees and, where necessary to avoid risks, the RATIONAL Compliance regulations were adapted accordingly.

Risk assessment and containment

To classify the existing risks, we assess them according to their probability of occurrence and their impact on the company's earnings and asset situation. On the basis of the probability of occurrence and the resultant amount of damage (EBIT risk), we have implemented measures to minimise both the probability and the damage. These are described in more detail below.

The presentation of the probability of occurrence and the EBIT risk already incorporates the measures that have been implemented to mitigate the risk (net view). We use the following classifications:

Risk assessment

Probability of occurrence	Description
‹ 10%	Very low
› 10% to 30%	Low
› 30% to 60%	High
› 60%	Very high

Risk impact	Description	EBIT risk
Very low	Limited negative impact on the asset, financial and earnings situation	‹ 2%
Low	Some negative impact on the asset, financial and earnings situation	› 2% to 10%
High	Considerable negative impact on the asset, financial and earnings situation	› 10% to 20%
Very high	Very negative impact on the asset, financial and earnings situation	› 20%

Risks

In the table below, the business risks seen as material for RATIONAL by the Executive Board are classed with regard to their probability of occurrence and their impact in accordance with the above-mentioned definitions.

The risks, their probability of occurrence and their impact are largely unchanged in comparison with the previous year.

Business risks

	Probability of occurrence	Risk impact
Market and competitive risks	Low	Low
Risks from competition and substitution		
Non-acceptance of our technologies		
Negative impact of the economy on our customers' propensity to invest		
Reduced cover of credit risks		
Loss of sales potential due to failure of a dealer		
Political and legal risks	High	Low
Political instability or crises		
Infringement of intellectual property rights		
Legal risks from local laws and regulations		
Production and product risks	Low	Low
Procurement risks		
Production disruption risk		
Product quality and liability		
Operational risks	Low	Low
Human resources risks		
IT risks		
Financial and capital market risks	Very high	Low
Default risks		
Liquidity risks		
Foreign exchange risks		
Interest change risks		
Price risks		

The following sections describe the respective risks or indicate where the details are presented in the financial statements.

Market and competitive risks

Risks from competition and substitution

There is the risk that new, bigger competitors with greater innovation and sales capabilities could arise as a result of mergers. In addition, new competitors may enter the market, and therefore increase the intensity of competition and have a negative impact on RATIONAL's earning power.

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 monitor developments and trends in the sector and the market strategies of our competitors constantly and factor them into our corporate planning.

Non-acceptance of our technologies

To maintain and extend our lead over competitors, we regularly launch new products with enhanced features and new functions on the market. Moreover, the VarioCooking Center® MULTIFICIENCY is still at a very early phase of its 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 clear focus on customer benefit and 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.

Impact of the economy on our customers' willingness to invest

The international economic environment in which the company operates is susceptible to cyclical risks. The purchase of our appliances represents a significant investment for our customers. A weak economy or uncertainty about future trends can have a negative impact on our customers' willingness to invest.

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 action required is taken 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.

Reduced cover of credit risks

Negative developments in the economy and the resultant financial situation of our customers make the trade credit insurer less willing to accept credit risks and consequently increase the risk of customer defaults (see financial and capital market risks).

Loss of sales potential due to failure of a dealer

We generate all our sales with several thousand dealers, most of them operating in the catering and food service sector. The failure of a particular dealer can reduce our sales potential but this poses no special threat to our prospects for constant future sales growth. Because our sales and marketing process is focused on end users, the failure of a dealer 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 dealer generating the greatest sales was 2.7% (previous year: 2.5%). This dealer 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 dealer on grounds of financial instability. Receivables from this dealer were fully covered by credit insurance during the reporting period.

Political and legal risks

Political instability or crises

The impact of political instability and crises can put product sales in the affected countries at risk. The potential consequences of political instability could, for example, include import restrictions in individual countries.

The current Russia-Ukraine crisis has led to a decline in sales in these markets. However, the international nature of RATIONAL's operations and the fact that we sell our products in the world's main markets give us the opportunity to compensate for regional weakness through our activities in other markets.

Infringement of intellectual property rights

Both active and passive infringements of patents can give rise to costs for litigation and damages. We have been the 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, no proceedings have been instituted by or against us on the basis of alleged infringement of intellectual property rights.

Legal risks from local laws and regulations

We currently market our products and services in more than 100 countries. The increasingly international nature of our business activities entails numerous legal risks. 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, and changing tax systems or tax rates with a negative impact on the earnings situation

› business arrangements that infringe local competition or antitrust law

› compliance risks, in other words possible infringements 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.

Production and product risks

Procurement risks

Our procurement strategy involves working in partnership with key component and module 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. However, this does produce a certain degree of mutual dependency, which means that the complete failure of a supplier could lead to short-term disruptions of production. 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 in the course of the supply chain risk analysis that we conducted in 2013. These include regular risk assessments of our key suppliers and setting up a system for auditing upstream suppliers.

Production disruption risk

Alongside procurement risks, there is the risk that force majeure may cause machinery to fail and temporarily disrupt production. The financial risk that would arise as a result of this is adequately covered by business disruption insurance. For production machines that are important for the existence of the company, the company can fall back on standby machines. These are stored separately and, if necessary, they can be put into operation with a moderate amount of effort and relatively fast in comparison with buying new ones.

Product quality

The quality of the company's products has continued to improve over recent years, as evidenced by our consistently low warranty cost ratio of 1.1% (previous year: 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 as well as harm to the high-quality image of RATIONAL's products.

To mitigate this risk, we test all appliances before they leave our factory. In addition to comprehensive tests on every single appliance, a random sample of appliances undergoes additional detailed inspections. In this way, we ensure the reliability of our products and can also 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 daily urgent quality improvement system within technical processes. Damage to property or injury to persons occurring on customer premises are adequately covered with the existing product liability insurance. We take extreme steps to avoid potential harm to our image, overcompensating for any defect and resulting damage.

Operational risks

Human resources risks

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 harm resulting from low employee commitment and significant employee turnover would adversely affect business performance in the long term.

RATIONAL is an attractive employer in the region around Landsberg am Lech. To recruit suitable employees, the company undertakes various activities, such as scouting at university campuses or visiting vocational training fairs. In order to retain employees in the long-term, RATIONAL offers appropriate levels of pay as well as targeted measures to develop and promote its employees. In addition, our "Entrepreneur in the Company" philosophy fosters a special corporate culture that encourages employees to be loyal and stay for the long term.

IT risks

Risks can arise, in particular, as a result of the ever increasing networking 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. Inadequate security systems could allow unauthorised outsiders to access critical information.

We counter information technology risks by investing continuously in hardware and software, using virus scanners, encrypting e-mail and data transfers, installing firewall systems and admission and access controls as well as by housing our systems in a specially protected data centre. Many of our systems have redundant backup facilities to counteract failures quickly.

Financial and capital market risks

Risks arising from defaults, liquidity, prices and changes in interest and foreign currency rates have been identified as relevant financial and capital market risks for RATIONAL AG.

Credit risks can arise as a result of customers not fulfilling their payment obligations. As far as possible, receivables are insured on the basis of a credit rating check. Under the existing arrangements, our 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 loss on insured receivables is usually met by the trade credit insurer.

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. As of the balance sheet date, RATIONAL had a liquidity reserve of 225.4 million euros in total and unused credit lines amounting to 29.5 million euros (previous year: 200.1 million euros and 28.5 million euros respectively).

Currency rate fluctuations may affect sales and earnings performance, with rises and falls in the value of the euro in relation to other currencies having a negative and positive impact respectively. To mitigate this risk, common currency-hedging instruments such as options are applied. 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. If the euro were to appreciate (or depreciate) by 10%, this would cause a reduction (or increase) in Group-wide sales of around 21 million euros and in EBIT of roughly 24 million euros. The substantial appreciation of the Swiss franc vis-à-vis the euro in January 2015 has not significantly impacted RATIONAL Group's financial, asset and earnings situation. Costs incurred in Swiss francs are almost entirely covered by revenues in Swiss francs.

Interest rate change risks concern the negative impact on the asset, financial and earnings situation if the rate of interest changes. RATIONAL counteracts the risk of changed interest rates for future payments by agreeing fixed interest rates. Interest rates have been fixed for the entire term of most of the outstanding loans.

Price risks arise, in particular, with regard to the procurement of commodities. In its production processes, RATIONAL uses several thousand tonnes of high-quality stainless steel a year. The purchase price comprises the basic price of steel plus the so-called alloy surcharge. The company has no hedging in place in the form of derivative financial instruments. Concerning the basic price of steel, RATIONAL has fixed supply contracts under which the purchase price is set in advance for one to two years. Price change risks come about due to fluctuating prices for alloys (alloy surcharge). Fluctuations in the alloy surcharge therefore affect our cost of sales directly. If the average alloy surcharge in 2014 had been 10% more expensive (cheaper), net income in 2014 would have fallen (risen) by approximately 1.1 million euros (previous year: 1.0 million euros).

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 accounting 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 Internal Audit 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.

Remuneration Report

Section 315 (2) no. 4 of the HGB ("Handelsgesetzbuch", German Commercial Code) 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 total compensation paid to the Executive Board for the performance of its duties within the parent company and its subsidiaries in fiscal year 2014 was 6.4 million euros (previous year: 7.2 million euros). This amount included performance-related remuneration components of 1.6 million euros (previous year: 2.4 million euros). The figures stated include remuneration for former Executive Board members amounting to 2.0 million euros. In addition, payments totalling 0.4 million euros were also made into the pension scheme for Executive Board members (previous year: 0.5 million euros).

No stock options were issued in 2014. The General Meeting of Shareholders held on 11 May 2011 decided not to publish an individual breakdown of Executive Board remuneration.

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

In addition, Executive Board members receive incidental benefits in the form of non-monetary compensation; this largely consists in a company car, telephone charges and insurance premiums. These incidental benefits are part of their remuneration and the individual Executive Board members have to pay tax on them.

The total remuneration paid to the Supervisory Board for 2014 amounted to 0.7 million euros (previous year: 0.6 million euros).

Information Relating to Takeovers

Pursuant to section 315 (4) of the HGB ("Handelsgesetzbuch", 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 2014 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."

The right to appoint was not exercised in the past fiscal year.

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 AktG ("Aktiengesetz", German Stock Corporation Act) 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 2014.

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 HGB ("Handelsgesetzbuch", German Commercial Code) is published under Corporate Governance in the Investor Relations section of the RATIONAL website.

Landsberg am Lech, 20 February 2015

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

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Statement of Comprehensive Income RATIONAL Group

for the period 1 January – 31 December

kEUR	Note	2014	2013
Sales	1	**496,727**	461,148
Cost of sales	2	**–192,691**	–180,446
Gross profit		**304,036**	**280,702**
Sales and service expenses	3	**–122,315**	–111,190
Research and development expenses	4	**–19,134**	–16,696
General administration expenses	5	**–22,575**	–21,255
Other operating income	6	**11,807**	6,308
Other operating expenses	7	**–6,585**	–9,615
Earnings before interest and taxes (EBIT)		**145,234**	**128,254**
Interest and similar income	8	**595**	503
Interest and similar expenses	8	**–1,207**	–1,104
Earnings from ordinary activities (EBT)		**144,622**	**127,653**
Income taxes	9	**–34,559**	–30,409
Net income		**110,063**	**97,244**
Items that may be reclassified to profit and loss in the future:			
Differences from currency translation	21	**57**	–975
Items that will not be reclassified to profit and loss:			
Actuarial gains and losses from defined benefit obligations	21, 22	**–74**	–7
Other comprehensive income		**–17**	–982
Total comprehensive income		**110,046**	**96,262**
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	**9.68**	**8.55**

Balance Sheet RATIONAL Group

Assets

kEUR	Note	31 Dec 2014	31 Dec 2013
Non-current assets		**75,943**	**66,893**
Intangible assets	12, 13	2,232	1,671
Property, plant and equipment	14	66,747	59,201
Financial assets	15	0	0
Other non-current assets	18	1,954	1,120
Deferred tax assets	9	5,010	4,901
Current assets		**347,455**	**310,402**
Inventories	16	30,289	27,169
Trade receivables	17	82,902	75,863
Other current assets	18	8,862	7,249
Deposits with maturities of more than 3 months	19	119,000	96,000
Cash and cash equivalents	20	106,402	104,121
Balance sheet total		**423,398**	**377,295**

Equity and Liabilities

kEUR	Note	31 Dec 2014	31 Dec 2013
Equity		**310,672**	**268,846**
Subscribed capital	21	11,370	11,370
Capital reserves	21	28,058	28,058
Retained earnings	21	273,837	231,994
Other components of equity	21	–2,593	–2,576
Non-current liabilities		**31,151**	**34,882**
Provisions for pensions	22	807	780
Other non-current provisions	23, 24	3,930	2,963
Non-current liabilities to banks	25	26,414	31,139
Current liabilities		**81,575**	**73,567**
Current income tax liabilities	23	8,988	11,097
Current provisions	22, 24	31,087	26,766
Current liabilities to banks	25	6,218	3,236
Trade accounts payables	26	12,403	11,995
Other current liabilities	27	22,879	20,473
Liabilities		**112,726**	**108,449**
Balance sheet total		**423,398**	**377,295**

Cash Flow Statement RATIONAL Group

for the period 1 January – 31 December

kEUR	2014	2013
Earnings from ordinary activities	144,622	127,653
Depreciation on fixed assets	8,285	7,239
Net results from asset retirements	75	–14
Non-realised foreign currency result	221	–38
Change in derivative financial instruments	–840	–27
Interest income and income from financial assets	–595	–503
Interest expenses	1,207	1,104
Operating results before changes in working capital	**152,975**	**135,414**
Changes in		
Inventories	–3,120	–805
Trade accounts receivables and other assets	–8,229	–12,109
Provisions	5,174	3,739
Trade accounts payables and other liabilities	2,868	3,426
Cash generated from current business activities	**149,668**	**129,665**
Income taxes paid	–37,214	–26,835
Cash flow from operating activities	**112,454**	**102,830**
Investments in intangible and tangible assets	–16,779	–12,039
Income from asset retirements	273	47
Purchase of fixed deposits with maturities of more than 3 months	–119,000	–96,000
Decrease in fixed deposits with maturities of more than 3 months	96,000	80,000
Interest received	595	470
Cash flow from investing activities	**–38,911**	**–27,522**
Dividends paid	–68,220	–64,809
Proceeds of non-current liabilities to banks [1]	0	12,120
Repayment of liabilities to banks	–1,743	–3,033
Interest paid	–1,066	–996
Cash flow from financing activities	**–71,029**	**–56,718**
Net changes in cash and cash equivalents	**2,514**	**18,590**
Changes in cash from exchange rate fluctuations	–233	–889
Changes in cash funds	**2,281**	**17,701**
Cash and cash equivalents on 1 Jan	**104,121**	**86,420**
Cash and cash equivalents on 31 Dec [1]	**106,402**	**104,121**
[1] Thereof pledged cash funds for specific purposes	0	10,500

Statement of Changes in Equity RATIONAL Group

kEUR	Subscribed capital	Capital reserves	Retained earnings	Other components of equity	Total
Balance on 1 Jan 2013	**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**
Dividend	–	–	–68,220	–	–68,220
Total comprehensive income	–	–	110,063	–17	110,046
Balance on 31 Dec 2014	**11,370**	**28,058**	**273,837**	**–2,593**	**310,672**

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 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 SDAX segment. After five years on the MDAX, RATIONAL AG shares were reclassified to the SDAX as of 22 September 2014. The composition of the index is determined by two criteria: market capitalisation and order book turnover.

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 2014 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 financial instruments are described under "Other Notes on the Balance Sheet and Statement of Comprehensive Income". Information 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 2015. The publication date is 19 March 2015.

Fundamental accounting principles

The consolidated financial statements for fiscal year 2014 (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 HGB ("Handelsgesetzbuch", German Commercial Code).

All the effective and mandatory standards for fiscal year 2014 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 2014; RATIONAL had not applied them voluntarily in previous years:

		Effective date
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 State-ments", 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" contain detailed guidance on the application of the IAS 32 offsetting model. These changes have no material effect on RATIONAL's consolidated financial statements.

- The amendment to IAS 36 "Impairment of Assets – Recoverable Amount of 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 has no 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 report 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 has no effect on RATIONAL's consolidated financial statements.

In issuing the following amendments and standards, the IASB has published a comprehensive package aimed at further development of 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 do not 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 Interests in other Entities". As a result, jointly ventures will be recognised in future in accordance with the equity method. These changes have no material effect on RATIONAL's consolidated financial statements.

- The new IFRS 10 "Consolidated Financial Statements" replaces the consolidation guidance previously contained in IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities". IFRS 10 sets out a standard consolidation model for all 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 has no material effect on RATIONAL's consolidated financial statements.

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

- IFRS 12 “Disclosure of Interest in Other Entities” is a consolidated disclosure standard requiring a wide range of disclosures about an entity’s interests in subsidiaries, joint arrangements, associates and unconsolidated special-purpose entities. These changes have no material effect on RATIONAL’s consolidated financial statements.

- The amendment to the transitional provisions of IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities” provides a clarification of the transitional provisions set out in IFRS 10 and also contains further exemptions with respect to the transition to IFRS 10, IFRS 11 and IFRS 12. These changes 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 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 2014 and have not been applied early.

		Effective date in accordance to Standard
New	IFRC 21 “Levies”	17 June 2014
Amendment	Annual Improvements to IFRS 2011 – 2013	1 July 2014
Amendment	Annual Improvements to IFRS 2010 – 2012	1 February 2015
Amendment	IAS 19 “Employee Benefits – Employee Contributions”	1 February 2015

- The new IFRIC 21 “Levies” provides clarification on when to recognise obligations to pay public levies as liabilities or provisions in the financial statements. This clarification is not expected to have any material effect on RATIONAL’s consolidated financial statements.

- Various amendments were made to a number of IFRS as part of the “Annual Improvements to IFRS 2010 – 2012” and the “Annual Improvements to IFRS 2011 – 2013”, but have resulted in no material changes to the guidance given in the standards. These changes have no material effect on the consolidated financial statements.

- The amendment to IAS 19 “Employee Benefits – Employee Contributions” introduces an option for defined benefit plans to which employees or third parties make compulsory contributions. In future, employee contributions that are not linked to the number of years of service can be recognised in the period in which the benefit is earned by the employee. If the contributions depend on the number of years of service, they must be assigned to the periods of service as negative service costs in accordance with the “projected unit credit method”. This change is not expected to have any material effect on RATIONAL’s consolidated financial statements.

The following amended or new standards have been published by the IASB but not yet adopted by the EU, and are therefore not applied to the consolidated financial statements. RATIONAL AG will apply these standards, interpretations and amendments once they have been adopted as mandatory by the European Union. They are not expected to have any material effect on RATIONAL AG’s future consolidated financial statements. Examination of the effects of IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments” has not yet been completed.

		Effective date in accordance to Standard
New	IFRS 14 “Regulatory Deferral Accounts”	1 January 2016
Amendment	IFRS 11 “Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations”	1 January 2016
Amendment	IAS 16 “Property, plant and equipment”, IAS 38 “Intangible assets”: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendment	IAS 27 “Separate Financial Statements – Equity Method in Seperate Financial Statements”	1 January 2016
Amendment	IAS 16 “Property, plant and equipment”, IAS 41 “Agriculture”: Bearer Plants	1 January 2016
Amendment	Annual Improvement to IFRS 2012 – 2014	1 January 2016
Amendment	IFRS 10 “Consolidated Financial Statements”, IAS 28 “Investments in Associates and Joint Ventures”: Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures	1 January 2016
New	IFRS 15 “Revenue from Contracts with Customers”	1 January 2017
New	IFRS 9 “Financial Instruments”	1 January 2018
Amendment	IFRS 7 and IFRS 9 “Financial Instruments: Mandatory Effective Date of IFRS 9 and Transition Disclosure”	1 January 2018

The fiscal year for RATIONAL AG and its subsidiaries, with the exception of RATIONAL International India Private Ltd., corresponds to the calendar year. In accordance with local statutory requirements, the Indian subsidiary has a fiscal year from 1 April to 31 March. The balance sheet date of the consolidated financial statements is the balance sheet date of the parent company in accordance with IFRS 10.

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 a situation where RATIONAL AG is exposed to fluctuating returns from its commitment at the associated company or has rights to the returns and has the ability to influence these returns by means of its power over the associated company. Consolidation of an associated company begins on the day on which RATIONAL AG has control of the company and ends when it no longer has control over the associated company.

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 (31 December 2014), seven domestic (previous year: seven) and 22 foreign subsidiaries (previous year: 21) in addition to the parent company were included in the consolidated financial statements in compliance with IFRS 10 requirements. In 2014, a subsidiary was established in Colombia. It was entered in the commercial register in December 2014. The registered capital will be paid in 2015.

As of 31 December 2014 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.	Warschau	Poland	100.0
RATIONAL Scandinavia AB	Malmö	Sweden	100.0
RATIONAL RUS OOO	Moskau	Russia	100.0
Americas			
RATIONAL Cooking Systems, Inc.	Rolling Meadows	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
RATIONAL Colombia – America Central S.A.S.	Bogotá	Colombia	100.0
Asia			
RATIONAL Japan Co., Ltd.	Tokyo	Japan	100.0
RATIONAL Trading (Shanghai) Co., Ltd.	Shanghai	China	100.0
RATIONAL International India Private Ltd.	Delhi	India	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 HGB ("Handelsgesetzbuch", German Commercial Code) for fiscal year 2014. LechMetall GmbH makes use of the exemption from disclosing its annual financial statements. The other companies have dispensed with preparing notes and disclosing their annual financial statements. In addition, RATIONAL Großküchentechnik GmbH and RATIONAL Komponenten GmbH are electing not to prepare a management report.

Significant restrictions

Cash and cash equivalents at the subsidiaries in Brazil, India and China are subject to strict currency restrictions. More detailed information on the restrictions can found in the section "Currency risks" under note 28.

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. If this gives rise to differences as a result of changes in rates, the differences are recognised under "Differences from currency translation" in the statement of comprehensive income.

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

		Annual average exchange rate			Exchange rate on 31 Dec		
1 euro =		2014	2013	Change in %	2014	2013	Change in %
USD =	US dollar	**1.3217**	1.3301	–1	**1.2155**	1.3768	–12
JPY =	Japanese yen	**140.49**	130.13	+8	**145.03**	144.50	0
GBP =	Pound sterling	**0.8034**	0.8503	–6	**0.7786**	0.8328	–7
CHF =	Swiss franc	**1.2128**	1.2290	–1	**1.2024**	1.2269	–2
CAD =	Canadian dollar	**1.4633**	1.3767	+6	**1.4074**	1.4636	–4
SEK =	Swedish krona	**9.1231**	8.6691	+5	**9.3999**	8.8263	+6
PLN =	Polish zloty	**4.1940**	4.2120	0	**4.2820**	4.1502	+3
CNY =	Chinese yuan	**8.1544**	8.1691	0	**7.4373**	8.3342	–11
RUB =	Russian rouble	**51.938**	42.594	+22	**72.700**	45.252	+61
BRL =	Brazilian real	**3.1027**	2.8921	+7	**3.2301**	3.2518	–1
MXN =	Mexican peso	**17.643**	17.124	+3	**17.864**	18.027	–1
INR =	Indian rupee	**80.712**	79.694	+1	**76.616**	85.100	–10
COP =	Colombian peso	**2,887.1**	–	–	**2,887.1**	–	–

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 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. These relate to financial instruments. They are considered at the time when RATIONAL becomes a contractual party to the financial instruments.

Financial assets and liabilities

Financial assets and liabilities, 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.

Their subsequent measurement is determined on the basis of the following classification categories under IAS 39:

Classification category under IAS 39	Subsequent measurement
Financial assets/liabilities at fair value through profit or loss – Held for trading – Fair value option	At fair value through profit or loss
Held-to-maturity financial investments	At amortised cost using the effective interest method
Loans and receivables	At amortised cost using the effective interest method
Available-for-sale financial assets	Recognised directly in equity at fair value
Financial liabilities measured at amortised cost	At amortised cost using the effective interest method

The assignment of the respective financial instruments within the balance sheet items to the categories is summarised in “Other notes on the Balance Sheet and Statement of Comprehensive Income” under note 28. RATIONAL makes no use of the fair value option. It also does not have any financial instruments in the category “Available-for-sale financial assets.”

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. 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 assets and financial liabilities are recognised in the income statement for the period.

Derivative financial instruments

On the day of trading, derivative financial instruments are recognised at fair value and reported under other assets or other liabilities in the balance sheet. The derivative financial instruments are assigned to the classification category “Held for trading” because they do not fully meet the IAS 39 requirements for hedge accounting, despite the close alignment of the hedge with the underlying transaction. They are therefore measured subsequently at fair value. Changes in fair value between reporting dates are recognised under other operating income or expenses in the statement of comprehensive income.

Measurement of the fair value is based on the measurement supplied by the relevant counterparty bank for the measurement date in question, with zero impact on credit rating. The banks measure fair value on the basis of market data available as of the measurement date using recognised mathematical methods (discounted cash flow method for futures and swaps, the Black-Scholes method for options). Any offsetting effects from underlying transactions are disregarded when determining the measurement with zero impact on credit rating.

The risk of non-performance (CVA = credit value adjustment and DVA = debit value adjustment) is also taken into account in measuring fair value in addition to the measurements with 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 spread applicable at the end of the year.

Value adjustments on accounts receivables

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 held in an allowance account. If the group has no realistic prospects of recovering a receivable that has been written down, the amount is derecognised.

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 8% and 40% (previous year: 9% and 40%). The tax rate used to calculate deferred taxes for RATIONAL AG is 28% (previous year: 28%).

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.

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 a service, 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, since separating the internal resources between the research and development phase is not possible. 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 and significant use of management judgement

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 impairment of financial assets, 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 have an effect on the carrying amounts of these items.

The warranty provision covers the Group companies' liability to ensure that their products are fully functioning. To determine this provision, it is necessary to make assumptions about the future expense that we may incur as a result of warranty claims. The provision is essentially determined 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, as well as the risk of losing legal cases and risk of liability to pay damages, are recognised if the corresponding requirements are met. The recognition and amount of the provisions are subject to management judgement. Because such cases usually extend over a longer period and involve complex issues, they are associated with uncertainty. Management regularly assesses their current status, sometimes with the involvement of external lawyers, in order to estimate the provisions reliably. It is nevertheless possible that an estimate must be adjusted, resulting in an increased provision or a negative impact on the earnings situation.

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

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

Notes on the Statement of Comprehensive Income

1. Sales

In fiscal year 2014, RATIONAL generated worldwide revenue of 496,727 thousand euros (previous year: 461,148 thousand euros), of which 76% (previous year: 77%) was attributable to appliance sales. The remaining 24% (previous year: 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	**2014**	**% of total**	2013	% of total
Germany	**65,765**	**13**	60,831	13
Europe (excluding Germany)	**261,575**	**53**	231,459	50
Americas	**80,097**	**16**	82,213	18
Asia	**59,573**	**12**	61,424	13
Rest of the world *	**29,717**	**6**	25,221	6
Total	**496,727**	**100**	**461,148**	**100**

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

A large share of the consolidated sales: 64,908 thousand euros (previous year: 42,721 thousand euros) – was generated in the UK.

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 2014, the cost of sales was 192,691 thousand euros (previous year: 180,446 thousand euros). The cost of materials included in this figure was 164,491 thousand euros (previous year: 153,394 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 2014, the sales and service expenses rose disproportionately compared with revenue to 122,315 thousand euros (previous year: 111,190 thousand euros). Due to significant potential for growth worldwide, RATIONAL continued to invest strategically in expanding its sales organisation.

4. Research and development expenses

Research and development activities focus 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.

Spending on research and development was increased over the previous year with the objective of securing and expanding the Group's technology leadership long term.

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	2014	2013
Exchange gains	9,702	3,242
Insurance recoveries	1,081	920
Income from government grants	548	1,396
Income from value adjusted and depreciated accounts receivables	340	370
Income from refund of taxes	2	184
Other (‹ 100 thousand euros in each case)	134	196
Total	**11,807**	**6,308**

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. The increase in exchange gains is mainly due to measurement of foreign exchange positions in US dollars, pound sterling and Canadian dollars. Exchange gains include income from financial instruments measured at fair value through profit or loss amounting to 1,381 thousand euros (previous year: 222 thousand euros).

In the year under review, the "insurance recoveries" item included income of 586 thousand euros (previous year: 623 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 year 2014 (previous year: 2010 to 2013).

7. Other operating expenses

kEUR	2014	2013
Exchange losses	3,904	7,436
Value adjustments on accounts receivables	1,431	1,516
Other taxes	732	367
Extraordinary expenses	250	–
Losses from disposal of assets *	150	14
Donations	63	189
Other (‹ 100 thousand euros in each case)	55	93
Total	**6,585**	**9,615**

* In annual report of the previous year included in position "Other"

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. A main factor in the exchange losses is attributable to the measurement of foreign exchange positions in Russian roubles. Exchange losses include expenses for financial instruments measured at fair value through profit or loss amounting to 530 thousand euros (previous year: 195 thousand euros). The extraordinary expense of 250 thousand euros results from an impending default due to a customer's insolvency.

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 1,017 thousand euros (previous year: 923 thousand euros) and expenses from the compounding of interest on long-term provisions amounting to 141 thousand euros (previous year: 108 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% (previous year: 27.73%) was applied to profit from ordinary activities to calculate expected tax expense for 2014. 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%, which is 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	2014	2013
Earnings before taxes (EBT)	144,622	127,653
Expected tax rate in %	27.73	27.73
Expected income taxes	**40,104**	**35,398**
Variations in local tax rates in the subsidiaries	–7,071	–6,441
Tax refunds from previous years	–95	–55
Tax expenses relating to previous years	242	265
Non-tax-deductible expenses	1,379	1,242
Reported income taxes	**34,559**	**30,409**

The deferred taxes reported in fiscal year 2014 amount to 5,010 thousand euros, compared with 4,901 thousand euros as at the 2013 balance sheet date. The deferred tax income attributable to 2014 was therefore 109 thousand euros (previous year: deferred tax income of 98 thousand euros). The current income tax expense thus amounted to 34,668 thousand euros (previous year: 30,507 thousand euros).

The deferred taxes recognised for fiscal years 2014 and 2013 are attributable to the following balance sheet items:

kEUR			Effect on net income	
	2014	2013	2014	2013
Inventories	4,867	4,570	297	114
Provisions	737	626	111	142
Trade receivables	48	54	–6	–7
Other	–642	–349	–293	–151
Total	**5,010**	**4,901**	**109**	**98**

Deferred tax assets of 5,010 thousand euros (previous year: 4,555 thousand euros) are referring to short-term facts only. Of the reported amounts, 0 thousand euros (previous year: 346 thousand euros), are non-current. Current deferred taxes result from various temporary differences between the IFRS values and the tax base as well as from consolidation measures, while non-current deferred taxes are based on measurement differences for pension provisions and non-current assets. The “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 (previous year: 11,370,000 shares) and Group earnings of 110,063 thousand euros (previous year: 97,244 thousand euros), basic and diluted earnings per share for fiscal year 2014 were 9.68 euros (previous year: 8.55 euros).

11. Dividend per share

For fiscal year 2013, the dividend of 6.00 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 30 April 2014. Total dividends of 68,220 thousand euros were paid in May 2014.

The Executive Board and Supervisory Board will propose to the General Meeting of Shareholders on 29 April 2015 that a dividend of 6.80 euros per share be paid for fiscal year 2014, the total distribution in this case being 77,316 thousand euros.

Notes on the Balance Sheet – assets

12. Intangible assets

kEUR	Industrial and similar rights	Goodwill	Total
Acquisition cost			
Balance on 1 Jan 2014	**6,503**	**424**	**6,927**
Currency differences	**1**	**–**	**1**
Additions	**1,385**	**–**	**1,385**
Disposals	**–400**	**–**	**–400**
Balance on 31 Dec 2014	**7,489**	**424**	**7,913**
Amortisation			
Balance on 1 Jan 2014	**5,256**	**–**	**5,256**
Currency differences	**0**	**–**	**0**
Additions	**825**	**–**	**825**
Disposals	**–400**	**–**	**–400**
Balance on 31 Dec 2014	**5,681**	**–**	**5,681**
Book Values			
Balance on 31 Dec 2014	**1,808**	**424**	**2,232**
Acquisition cost			
Balance on 1 Jan 2013	5,860	424	**6,284**
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**
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**

Intangible assets comprise industrial and similar rights recognised at cost, as well as goodwill. Self-created assets are not included. There were no capitalised 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 2014, 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	2014	2013
Production	**9**	11
Sales and service	**193**	79
Research and development	**136**	47
General administration	**487**	469
Total	**825**	**606**

13. Goodwill

A net carrying amount of 424 thousand euros (previous year: 424 thousand euros) for goodwill was reported under intangible assets as of the balance sheet date. It results from the acquisition of the RATIONAL subsidiary FRIMA - T S.A.S., Wittenheim, in 1993.

At the end of 2014, 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% (previous year: 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 5.2% after tax, which equated to 6.5% before tax (previous year: 6.6% after tax and 8.3% 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 2014	**67,033**	**29,022**	**21,978**	**118,033**
Currency differences	**–7**	**7**	**75**	**75**
Additions	**10,997**	**1,154**	**3,244**	**15,395**
Disposals	**–804**	**–318**	**–4,018**	**–5,140**
Balance on 31 Dec 2014	**77,219**	**29,865**	**21,279**	**128,363**
Amortisation				
Balance on 1 Jan 2014	**25,620**	**17,968**	**15,244**	**58,832**
Currency differences	**52**	**7**	**58**	**117**
Additions	**2,522**	**2,489**	**2,447**	**7,458**
Disposals	**–802**	**–304**	**–3,686**	**–4,792**
Balance on 31 Dec 2014	**27,392**	**20,160**	**14,063**	**61,615**
Book values				
Balance on 31 Dec 2014	**49,827**	**9,705**	**7,216**	**66,748**
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**

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. In fiscal year 2014, RATIONAL recognised impairment losses of 0 thousand euros (previous year: 0 thousand euros). A land charge of 33,500 thousand euros (previous year: 33,500 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 the new Service Parts Centre in Landsberg, which was occupied in July 2014.

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

kEUR	2014	2013
Production	**3,259**	3,397
Sales and service	**1,903**	1,421
Research and development	**1,007**	940
General administration	**1,289**	875
Total	**7,458**	**6,633**

15. Financial assets

The acquisition cost of the financial assets amounted to 30 thousand euros (previous year: 30 thousand euros), and accumulated depreciation of 30 thousand euros was recognised, as in the previous year. The carrying amount of the financial assets as of 31 December 2014 thus remained unchanged at 0 thousand euros.

The financial assets are financial instruments that are classified in the category “Held-to-maturity financial investments.”

16. Inventories

kEUR	31 Dec 2014	31 Dec 2013
Raw materials, consumables and supplies	**10,610**	10,412
Work in progress	**473**	536
Finished goods and goods for resale	**19,206**	16,221
Total	**30,289**	**27,169**

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

The carrying amount of the inventories measured at fair value less selling costs is 2,266 thousand euros (previous year: 3,092 thousand euros). In fiscal year 2014, write-downs on inventories of 643 thousand euros (previous year: 728 thousand euros) were expensed as cost of sales.

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

17. Trade accounts receivable

Trade accounts receivable totalling 82,902 thousand euros (previous year: 75,863 thousand euros) are reported in the balance sheet: all of them are due within one year. They are composed as follows:

kEUR	31 Dec 2014	31 Dec 2013
Trade receivables, not impaired	82,639	75,649
Trade receivables, impaired	885	610
Impairment	–622	–396
Total	**82,902**	**75,863**

The non-impaired trade receivables are broken down by days overdue as follows:

kEUR	Total	Not due	Overdue for			
Trade receivables not impaired			1–60 days	61–90 days	91–120 days	› 120 days
Balance on 31 Dec 2014	**82,639**	**74,797**	**6,562**	**522**	**237**	**521**
Balance on 31 Dec 2013	**75,649**	69,804	5,058	461	43	283

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.

RATIONAL uses trade credit insurance and irrevocable, confirmed bank letters of credit to minimise the credit risk on trade receivables. For more detailed information on the default risk on trade receivables, please refer to the section “Financial risks/credit risk” under note 28.

Adequate allowances are recognised for identifiable credit risk on receivables. 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
2014	**396**	**1**	**–258**	**–125**	**608**	**622**
2013	347	–8	–100	–152	309	396

Receivables written off in fiscal year 2014 amounted to 917 thousand euros (previous year: 1,077 thousand euros). This figure does not include any claims settled by or payments expected from the credit insurer, which amounted to 586 thousand euros (previous year: 623 thousand euros).

⦿ The trade accounts receivable are financial instruments that are classified in the category “Loans and receivables”.

18. Other assets

The other assets are classified as current, with the exception of the long-term components in the security deposits and the receivables from government grants as well as other non-current refund claims.

kEUR	31 Dec 2014	31 Dec 2013
Security deposits		
thereof non-current	**419**	86
thereof current	**143**	306
Claims to suppliers	**139**	307
Receivables from interest	**118**	118
Fair value of the derivative financial instruments	**873**	53
Insurance policies	**132**	4
Other non-current refund claims to customers	**216**	0
Total other assets (financial instruments)	**2,040**	**874**
Value-added tax refund claims	**4,222**	3,934
Receivables from government grants		
thereof non-current	**1,198**	1,034
thereof current	**383**	362
Accruals	**921**	905
Income tax refund claims	**994**	557
Other non-current refund claims	**120**	0
Advances to employees	**439**	450
Advance payments	**341**	104
Other (‹ 100 thousand euros in each case)	**157**	149
Total other assets (no financial instruments)	**8,775**	**7,495**
Total other assets	**10,815**	**8,369**

⦿ The other assets referring to financial instruments include derivatives without a hedge relationship totalling 873 thousand euros (previous year: 53 thousand euros). They are classified in the category “Financial assets/liabilities at fair value through profit or loss – Held for trading”. The remaining amount of the other assets referring to financial instruments is classified in the category “Loans and receivables”.

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 119,000 thousand euros (previous year: 96,000 thousand euros). The longest maturity is until August 2015. 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 fixed-term deposits at the end of 2014 are all protected by the German deposit protection fund (for details, see the section on “Financial risks/Credit risk” under note 28).

⦿ Deposits with maturities of more than three months are financial instruments that are classified in the category “Loans and receivables”.

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 protected by the deposit protection fund. For details, see the section “Financial risks/credit risk” under note 28.

Cash and cash equivalents of 106,402 thousand euros (previous year: 104,121 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.

kEUR	Currency	31 Dec 2014	31 Dec 2013
Fixed-term deposits with maturities of up to 3 months	EUR	0	15,000
Deposits incl. demand deposits	EUR	64,624	40,495
Deposits incl. demand deposits	USD	5,302	14,708
Deposits incl. demand deposits	GBP	14,250	14,482
Deposits incl. demand deposits	CAD	7,500	8,190
Deposits incl. demand deposits	MXN	1,612	2,195
Deposits incl. demand deposits	CHF	1,475	1,711
Deposits incl. demand deposits	SEK	3,014	1,281
Deposits incl. demand deposits	PLN	200	344
Deposits incl. demand deposits	RUB	1,668	1,718
Deposits	JPY	1,937	2,668
Deposits	CNY	2,463	676
Deposits	BRL	1,946	434
Deposits	INR	246	97
Deposits other currencies and cash in hand	various	165	122
Total		**106,402**	**104,121**

The cash and cash equivalents are financial instruments that are classified in the category "Loans and receivables".

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 share capital as at 31 December 2014 was unchanged at 11,370 thousand euros and consists of 11,370,000 ordinary registered shares at no-par value, issued in the name of the bearer, with a theoretical 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 35 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 revenue reserves and recognised in accordance with Section 150 of the AktG ("Aktiengesetz", German Stock Corporation Act) 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 revenue reserves unless they have been distributed as dividends. The reason behind the variation in revenue reserves compared with the previous year is the Group earnings amounting to 110,063 thousand euros (previous year: 97,244 thousand euros) and the dividend distribution of 68,220 thousand euros (previous year: 64,809 thousand euros) in May 2014.

Other components of 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 2014		
	Before Income tax	Income tax	After Income tax
Differences from currency translation	–2,511	0	–2,511
Actuarial gains and losses	–113	31	–82
Total	**–2,624**	**31**	**–2,593**

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**

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 2014 was 73.4% (previous year: 71.3%).

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 2014 to 857 thousand euros (previous year: 780 thousand euros). Both pension recipients are already receiving payments. Payments amounting to 50 thousand euros are expected for 2015. For reasons of immateriality, this short-term provision is not shown separately on the balance sheet, the amount is shown included in the other current provisions. The pension obligation has an average maturity of 18 years.

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

kEUR	**2014**	2013
Defined benefit obligations 1 Jan	**780**	795
Interest expense	**25**	25
Paid obligations	**–50**	–50
Recognised actuarial losses	**102**	10
Defined benefit obligations 31 Dec	**857**	**780**

The actuarial losses in 2014 include experience adjustments totalling 3 thousand euros 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: 2.00% (previous year: 3.30%)
Pension progression rate: 1.75% (previous year: 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 the discount rate, the pension progression rate and life expectancy:

› If the discount rate had been 0.5% lower, the pension provision would have gone up by 47 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 43 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 45 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 36 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 income tax

2014

kEUR	Balance on 1 Jan	Currency differences	Con-sumption	Additions	Balance on 31 Dec
Income tax liabilities – short term	11,097	1	−10,957	8,847	8,988
Income tax liabilities – long term	0	0	0	592	592
Total	**11,097**	**1**	**−10,957**	**9,439**	**9,580**

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**

The long-term part of the liabilities for current tax amounting to 592 thousand euros (previous year: 0 thousand euros) is reported under other non-current provisions.

24. Other provisions

2014

kEUR	Balance on 1 Jan	Currency differences	Con-sumption	Additions	Interest expense	Balance on 31 Dec	Thereof non-current
Personnel	12,584	80	−10,980	12,485	41	14,210	885
Trade bonuses	6,104	182	−6,286	7,845	–	7,845	–
Warranty	7,878	0	−5,770	5,895	107	8,110	2,248
Others	3,163	74	−3,191	4,164	–	4,210	205
Total	**29,729**	**336**	**−26,227**	**30,389**	**148**	**34,375**	**3,338**

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

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 2014, together with the provisions for trade bonuses and other provisions, will mainly be used in the first six months of 2015. 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 32,632 thousand euros (previous year: 34,375 thousand euros). 6,218 thousand euros (previous year: 3,236 thousand euros) are current liabilities, since they have to be repaid within the next twelve months. The assignment of rights to third parties has been contractually restricted.

The current liabilities also include discounted Japanese bills of exchange totalling 1,493 thousand euros. In previous years, they were set off in the balance sheet item "Trade accounts receivable". Experience shows that bills of exchange in Japan are almost wholly serviced and so claims for repayment from the banks cannot be expected.

The liabilities to banks mainly include real estate financing that is secured by land charges. 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.

Of the liabilities to banks, the following interest payments and repayments of principal will become due in subsequent periods. For payments to be made after the fixed interest period has ended, it has been assumed that the terms and conditions will remain unchanged.

kEUR	2015	2016 – 2019	From 2020
Payments as of 31 Dec 2014	**5,636**	**17,885**	**11,575**

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

⦿ Both the current and non-current liabilities to banks are classified in the category "Financial liabilities measured at amortised cost".

26. Trade accounts payable

As of the balance sheet date, RATIONAL's current trade accounts payable amounted to 12,403 thousand euros (previous year: 11,995 thousand euros). As a result of its good liquidity position, payables to suppliers are generally settled under deduction of early payment discounts.

⦿ The trade accounts payable are financial instruments that are classified in the category "Financial liabilities measured at amortised cost".

27. Other liabilities

kEUR	31 Dec 2014	31 Dec 2013
Liabilities to business partners	**5,869**	4,856
Liabilities for consulting and auditing services	**1,443**	1,480
Liabilities from wages, salaries and other personnel costs	**296**	244
Other (‹ 100 thousand euros in each case)	**0**	54
Total other liabilities (financial instruments)	**7,608**	**6,634**
Liabilities from value-added tax	**6,829**	5,829
Vacation payment accruals	**4,092**	3,851
Liabilities from PAYE and church taxes	**2,548**	2,402
Social security liabilities	**1,583**	1,381
Advance payments received	**93**	233
Other taxes	**121**	125
Other (‹ 100 thousand euros in each case)	**5**	18
Total other liabilities (no financial instruments)	**15,271**	**13,839**
Total other liabilities	**22,879**	**20,473**

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

⦿ All other liabilities reffering to financial instruments are classified in the category "Financial liabilities measured at amortised cost" as at the balance sheet date.

Other notes on the Balance Sheet and Statement of Comprehensive Income

28. Financial instruments

Based on the classification categories in IAS 39, financial assets and liabilities are in general recognised subsequently at amortised cost in the balance sheet. The only exception is derivative financial instruments, which are recognised at fair value in the balance sheet.

The following table shows the carrying amounts and fair values of financial instruments. Its content is then explained.

kEUR	Category	Fair value hierarchy [1]	Book value 31 Dec 2014	Fair value 31 Dec 2014	Book value 31 Dec 2013	Fair value 31 Dec 2013
Assets						
Financial assets	b		0		0	
Miscellaneous non-current assets			1,953		1,120	
Miscellaneous assets (financial instruments)	a	Level 2	635	635	86	85
Other miscellaneous non-current assets	no financial instr. acc. to IFRS 7		1,318		1,034	
Trade receivables	a		82,902		75,863	
Miscellaneous current assets			8,862		7,249	
Derivatives not in a hedging relationship	c	Level 2	873	873	53	53
Miscellaneous assets (financial instruments)	a		532		735	
Other miscellaneous current assets	no financial instr. acc. to IFRS 7		7,457		6,461	
Deposits with maturities of more than 3 months	a	Level 2	119,000	119,096	96,000	96,088
Cash and cash equivalents	a		106,402		104,121	
Liabilities						
Non-current liabilities to banks	d	Level 2	26,414	28,820	31,139	31,491
Current liabilities to banks	d	Level 2	6,218	5,628	3,236	5,012
Trade accounts payables	d		12,403		11,995	
Miscellaneous current liabilities			22,879		20,473	
Derivatives not in a hedging relationship	e	Level 2	0	0	54	54
Miscellaneous liabilities (financial instruments)	d		7,608		6,580	
Other miscellaneous current liabilities	no financial instr. acc. to IFRS 7		15,271		13,839	
Of which: aggregated by category in accordance with IAS 39						
a) Loans and receivables			309,471	309,564	276,805	276,892
b) Held-to-maturity financial investments			0	0	0	0
c) Financial assets at fair value through profit or loss (held for trading)			873	873	53	53
d) Financial liabilities measured at amortised cost			52,643	54,458	52,950	55,078
e) Financial liabilities at fair value through profit or loss (held for trading)			0	0	54	54

[1] According to IFRS 13.72 – 13.90

Assignment to fair value hierarchy levels
Under IFRS 13, a distinction must be made between three hierarchy levels in measuring fair value. The respective input factors determine which level is applicable.

Level 1: Input factors for Level 1 are prices quoted on active markets accessible to the company on the measurement date for identical assets or liabilities. No input factors of level 1 are taken into account in measuring fair value at RATIONAL.

Level 2: This level incorporates financial instruments for which there are no prices quoted on an active market accessible to the company on the measurement date, but 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. 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.

Level 3: The fair value of Level 3 financial instruments is measured using input factors that are not observable. No Level 3 input factors were used for measuring fair value at RATIONAL.

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

Measurement of the fair value of financial instruments
If no fair value is stated in the table for a financial instrument, the specified carrying amount of the financial instrument is a reasonable approximation of its fair value. That is the case in particular with current financial instruments with maturities of less than one year. 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.

Fair value is measured using the following techniques:

Financial assets
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.

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

Deposits with maturities of more than three months
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 not included here.

Derivative financial instruments
The derivative financial instruments recognised at the balance sheet date are forward exchange contracts and currency options. The method of measuring their fair value was explained in the accounting and valuation methods in the “Fundamentals” section.

Liabilities to banks
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.

Net earnings from financial instruments

The table below shows the net earnings from financial instruments for each classification category. The interest result is not included in this.

Net gains or net losses without interest

kEUR	2014	2013
Loans and receivables	+2,553	−4,920
Held-to-maturity investments	–	–
Financial assets/liabilities at fair value through profit or loss (held for trading)	+1,818	+724
Financial liabilities measured at amortised cost	+227	−1,055

The net gains and losses include amounts from currency translation. In addition, the net loss from loans and receivables includes write-downs amounting to 1,431 thousand euros (previous year: 1,516 thousand euros) and income from written-down and derecognised receivables amounting to 340 thousand euros (previous year: 370 thousand euros). These are carried in the "Other operating expenses" and "Other operating income."

Total interest income and expense

There was the following total interest income and expense resulting from financial assets and financial liabilities not measured at fair value through profit or loss; they are carried in the financial result:

kEUR	2014	2013
Total interest income	595	503
Total interest expense	1,207	967

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.

kEUR	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities	Net amounts presented in the balance sheet	Related amounts not set off in the balance sheet		Net amounts
2014				**Financial instruments**	**Cash collateral**	
Financial assets						
Deposits with maturities of more than 3 months, Cash and cash equivalents	225,402	–	225,402	31,139	–	194,263
Trade receivables	87,356	4,454	82,902	–	–	82,902
Total	312,758	4,454	308,304	31,139	–	277,165
Financial liabilities						
Liabilities from banks	–	31,139	31,139	31,139	–	0
Liabilities to business partners	4,454	10,323	5,869	–	–	5,869
Total	4,454	41,462	37,008	31,139	0	5,869

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

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

Financial risks

The financial instruments include specific risks, such as default risk, liquidity risk and 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.

As part of a crisis prevention strategy, the group of the 20 most important industrialised and emerging countries has decided to regulate financial markets globally. The RATIONAL Group has complied in time with the adopted and applicable statutory requirements, disclosure and risk minimisation obligations for over-the-counter derivatves (OTC derivatives) in this regard. In accordance with Section 20 (1) of the WpHG ("Wertpapierhandelsgesetz", German Securities Trading Act), none of the affected RATIONAL companies must be audited for the year 2014.

The specific risks at the RATIONAL Group are explained in the following:

Credit risk

Trade accounts receivable

RATIONAL supplies customers on all continents and in almost all regions of the world. Products are marketed through specialised retailers. The end customers mainly come from the hospitality, hotel and mass catering segments. The trade accounts receivable are usually due from specialised retailers. Credit risk can arise as a result of customers not fulfilling their payment obligations.

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.

In order to avoid or reduce credit 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 and permanent credit monitoring performed by the credit insurance provider and its local partner companies. The RATIONAL customer portfolio is rated as "low risk" by it.

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.

As an alternative to trade credit insurance coverage, other collateral (such as confirmed, 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 are not subject to credit checks or collateralisation, provided that the respective country rating is sufficiently high.

The following table summarises the securitisation of trade receivables and the residual, unsecured credit risk:

kEUR	31 Dec 2014	31 Dec 2013
Trade receivables	**82,902**	75,863
thereof credit-insured receivables [1]	**60,238**	52,121
thereof receivables secured by letters of credit/bank guarantees	**1,771**	2,661
thereof receivables against public-sector entities [2]	**171**	106
Maximum net credit risk	**20,722**	**20,975**
less refundable value-added tax [2]	**7,171**	5,985
Unsecured credit risk	**13,551**	**14,990**
Risk coverage ratio	**84 %**	**80 %**

[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 2,536 thousand euros (previous year: 4,984 thousand euros), distributed over fourteen (previous year: fifteen) customers. Unsecured receivables with a nominal value of more than 100 thousand euros per individual customer are considered when assessing concentration risk. Annual sales in the seven-digit euro range can be assumed for customers whose accounts receivable have more than 100 thousand euros regularly due. These customers can thus be classified as “A” customers and are a direct focus of 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 580 thousand euros (previous year: less than 100 thousand euros).

Receivables from banks

A significant credit risk for RATIONAL is in relation to deposits and derivative financial instruments with a positive fair value, namely 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 2014	31 Dec 2014	31 Dec 2014
Deposits with maturities of more than three months	119,000	119,000	0
Cash and cash equivalents	106,402	83,756	22,645
Total	**225,402**	**202,756**	**22,645**

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**

RATIONAL only makes deposits with banks that have a Standard & Poor’s long-term rating of at least A–. To diversify the risk, the deposits were distributed over several banks at the end of the year.

Other financial assets

The default risk for other financial assets corresponds to the values recognised in the balance sheet.

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 sales growth over recent years has been funded in this way. In the event that RATIONAL should have additional need for external financing, contractually agreed, confirmed credit lines are available from several banks (with long-term Standard & Poor’s ratings ranging from A– to AAA).

Banks have given RATIONAL a first-class 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 34,669 thousand euros (previous year: 32,669 thousand euros). After taking into account assignments for subsidiaries and sureties, this leaves unused credit lines amounting to 29,493 thousand euros (previous year: 28,528 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 225,402 thousand euros (previous year: 200,121 thousand euros). This also included currency reserves amounting to 5,605 thousand euros (previous year: 1,470 thousand euros) that were not freely convertible or were subject to strict currency or payment restrictions.

The trade accounts payable of 12,403 thousand euros (previous year: 11,995 thousand euros) and the other liabilities of 22,879 thousand euros (previous year: 20,473 thousand euros) will all be settled within one year. Specific information on the interest payments and repayments of principal due to banks can be found under note 25 "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.

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 exchange rate fluctuations at the balance sheet and consequently the possible change in the fair value of existing balance sheet items denominated in foreign currencies (translation risk). The items "trade accounts receivables", "other assets", "cash and cash equivalents" as well as "trade accounts payable" and "other liabilities" are affected by that at the balance sheet date. 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 relates to recognised 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. RATIONAL uses currency options and forward exchange contracts to hedge foreign currency transactions in freely convertible currencies.

The following table shows the contract values and fair values of the derivative financial instruments, by category, as of 31 December 2014 and 31 December 2013. The contract values correspond to the total of all purchase and selling amounts of the currency derivatives and so 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)	
		2014	2013	**2014**	2013	**2014**	2013
Maturity < 1 Year							
Forward exchange contracts	USD	**7,374**	–	**865**	–	**–**	–
Currency options	GBP	**–**	18,232	**–**	17	**–**	–
Currency options	JPY	**2,615**	4,286	**8**	36	**–**	16
Total		**9,989**	**22,518**	**873**	**53**	**0**	**16**

There were no derivatives with a residual maturity of more than one year at the balance sheet date.

The local currencies of companies that are subject to tight currency restrictions are either not freely convertible (e.g. Brazil and India) or are available only for verified commercial transactions (e.g. 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 convertible only to a limited extent.

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).

If, on 31 December 2014, 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 7,703 thousand euros lower (previous year: 6,381 thousand euros lower). If the euro had been 10% weaker, the amount reported in functional currency would have been 9,548 thousand euros higher (previous year: 7,302 thousand euros higher).

The hypothetical impact on income of –7,703/+9,548 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	2014	2014
EUR/GBP	–2,464	3,012
EUR/USD	–1,971	2,408
EUR/CAD	–833	1,018
EUR/JPY	–514	628
EUR/MXN	–374	457
EUR/BRL	–366	582

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.

Price risk

Price risk may arise primarily in relation to the purchase of raw materials for the manufacture of products.

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.

In general, RATIONAL is exposed to price risks resulting from fluctuating commodity prices for alloy metals. The related “alloy surcharge” developed as follows in the past fiscal year:

Price of alloys 2014 per kilogram *

Month	EUR
January	1.00
February	1.03
March	1.05
April	1.07
May	1.19
June	1.36
July	1.39
August	1.40
September	1.40
October	1.44
November	1.32
December	1.25

* Source: Kallas Edelstahl GmbH

Fluctuations in the alloy surcharge have a direct impact on the cost of sales and so on total earnings. If the alloy surcharge had been an average of 10% higher (lower) in 2014, Group earnings in 2014 would fallen (increased) by approximately 1,058 thousand euros (previous year: 987 thousand euros).

Notes on the Cash Flow Statement

29. 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 5,605 thousand euros (previous year: 1,470 thousand euros). Cash and cash equivalents increased from 104,121 thousand euros at the start of the fiscal year to 106,402 thousand euros as of 31 December 2014. In addition, RATIONAL has fixed-term deposits as of the balance sheet date amounting to 119,000 thousand euros (previous year: 96,000 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

30. Employees and personnel costs

Average number of employees	2014	% of total	2013	% of total
Production and Dispatch	341	25	330	25
Sales and Marketing	618	44	561	43
Technical Customer Service	138	10	143	11
Research and Development	104	7	96	7
Administration	200	14	190	14
Total	**1,401**	**100**	**1,320**	**100**
thereof abroad	**591**	**42**	**555**	**42**

Personnel costs comprise the following items:

kEUR	2014	2013
Salaries and wages	91,638	85,544
Social security	17,133	15,670
Thereof expenses for defined contribution plans	8,666	7,173
Total	**108,771**	**101,214**

31. 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 2014 and 2013.

Other financial obligations

As of the balance sheet date (31 December 2014), RATIONAL's other financial obligations amounted to 14,066 thousand euros (previous year: 20,966 thousand euros). This item relates mainly to future payments under leases 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 2014	31 Dec 2013
Up to 1 year	4,617	4,484
1 – 5 years	6,028	4,159
› 5 years	751	777
Total	**11,396**	**9,420**
Fair Value	**11,333**	**9,270**

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 2014 amount to 5,680 thousand euros (previous year: 5,923 thousand euros).

The obligations to purchase property, plant and equipment amount to 1,006 thousand euros (previous year: 8,130 thousand euros) and those to purchase intangible assets amount to 120 thousand euros (previous year: 67 thousand euros).

32. Business segments

The consolidated 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 main operating-decision-making body.

RATIONAL concentrates on cooking processes in which heat is transferred by means of steam, hot air or a combination of the two. It generates most of its revenue from sales of the SelfCookingCenter® 5 Senses and CombiMaster® Plus.

FRIMA focuses on cooking applications in which cooking is carried out in liquid or with direct contact heat. Most of its revenue is generated from sales of the VarioCooking Center® MULTIFICIENCY.

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

Segment sales includes both sales 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 income taxes and financial results.

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 2014 or the previous year.

The reconciliation column essentially reflects the effects of consolidation. In addition, differences there between the figures presented to management in the context of internal reporting and the externally reported figures are included.

Operating segments 2014

kEUR	RATIONAL	FRIMA	Total of segments	Reconciliation	Group
External sales	465,491	31,209	496,700	+27	496,727
Intercompany sales	1,825	2,111	3,936	–3,936	–
Segment sales	467,316	33,320	500,636	–3,909	496,727
Segment result	140,215	5,536	145,751	–517	145,234
Financial result	–	–	–	–	–612
Earnings before taxes	–	–	–	–	144,622
Segment depreciation	7,918	367	8,285	–	8,285

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

Of the property, plant and equipment and intangible assets, 63,679 thousand euros (previous year: 57,335 thousand euros) are reported in Germany, while 5,300 thousand euros (previous year: 3,537 thousand euros) are attributable to third countries.

33. Associated companies and persons

Related parties of RATIONAL AG include the subsidiaries, the members of the Executive Board and the members of the Supervisory Board, as well as persons associated with them and 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 1,808 thousand euros in 2014 (previous year: 1,703 thousand euros). As of 31 December 2014, outstanding trade accounts payable to these companies amounted to 30 thousand euros (previous year: 18 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.

34. 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
Supervisory Board

Total compensation for the Supervisory Board amounted to 659 thousand euros in fiscal year 2014 (previous year: 644 thousand euros). The breakdown by Supervisory Board member is as follows:

2014

kEUR	Fixed	Performance-related	Others	Total
Siegfried Meister	**150**	**71**	**21**	**242**
Walter Kurtz	**125**	**71**	**17**	**213**
Dr Hans Maerz	**125**	**71**	**8**	**204**
Total	**400**	**213**	**46**	**659**

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**

As of the balance sheet date, Supervisory Board compensation of 613 thousand euros (previous year: 608 thousand euros) was included in other liabilities.

As of 31 December 2014, the members of the Supervisory Board held a total of 8,049,235 shares in RATIONAL AG (previous year: 8,048,935 shares), of which Mr Siegfried Meister held 7,161,411 shares (previous year: 7,161,411 shares).

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

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

The Executive Board comprises the following members at the balance sheet date (31 December 2014):

Dr Peter Stadelmann, **Dipl.-Volkswirt**
Chief Executive Officer

Erich Baumgärtner, **Dipl.-Betriebswirt**
Chief Financial Officer

Peter Wiedemann, **Dipl.-Ingenieur**
Chief Technical Officer

Markus Paschmann, **Dipl.-Wirtschaftsingenieur**
Chief Sales Officer

Mr Reinhard Banasch, Chief Sales Officer, left the company on 31 January 2014.

The General Meeting of Shareholders held on 11 May 2011 resolved in accordance with Section 314 (2) Sentence 2 of the HGB ("Handelsgesetzbuch", German Commercial Code) 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 2014 was 6,357 thousand euros (previous year: 7,204 thousand euros). This amount includes a performance-related salary component of 1,638 thousand euros (previous year: 2,419 thousand euros). The above compensation also includes payments of 2,028 thousand euros to former Executive Board members. Payments into the pension scheme totalling 403 thousand euros (previous year: 486 thousand euros) were also made.

As of the balance sheet date, the members of the Executive Board together held 3,463 shares in RATIONAL AG (previous year: 4,493 shares).

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

Dr Stadelmann is a member 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.

35. 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 towards 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 2014, option rights to a maximum of 131,000 shares in RATIONAL AG still remained in the stock option plan. No options were issued as of the balance sheet date 31 December 2014.

36. 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 AktG ("Aktiengesetz", German Stock Corporation Act) 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 24 June 2014. The declaration is permanently available on RATIONAL AG's website: www.rational-online.com.

37. Subsequent events

No events have taken place since the close of fiscal year 2014 that are of particular significance for the assessment of RATIONAL AG's and the Group's net assets, financial position and profit or loss as stipulated by IAS 10.

38. Auditor's fee

By resolution of the General Meeting of Shareholders held on 30 April 2014, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Munich, was appointed as auditor for fiscal year 2014.

The auditor's fee, including reimbursement of expenses, amounted to a total of 233 thousand euros (previous year: 220 thousand euros) and comprises the auditing of separate and consolidated financial statements.

Landsberg am Lech, 20 February 2015

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 2015

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 2014. 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 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dietmar Eglauer
Wirtschaftsprüfer
(German Public Auditor)

ppa. Stefan Rossmeisl
Wirtschaftsprüfer
(German Public Auditor)

10-year Overview

		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Earnings situation											
Sales	m EUR	**496.7**	461.1	435.0	391.7	350.1	314.4	343.0	336.6	283.7	246.4
Sales abroad	%	**87**	87	86	85	84	83	84	84	84	83
Gross profit	m EUR	**304.0**	280.7	261.7	234.4	217.0	191.6	203.7	199.9	173.8	149.7
EBITDA	m EUR	**153.5**	135.5	129.5	109.5	112.6	98.1	90.4	97.9	84.8	71.2
Depreciation/Amortisation	m EUR	**8.3**	7.2	6.8	7.3	6.8	7.6	7.3	5.3	4.3	4.3
EBIT	m EUR	**145.2**	128.3	122.7	102.2	105.8	90.5	83.1	92.6	80.5	66.9
Financial results	m EUR	**–0.6**	–0.6	–0.3	0.3	–0.2	–0.4	0.4	0.9	0.6	0.3
EBT	m EUR	**144.6**	127.7	122.4	102.5	105.6	90.1	83.5	93.5	81.1	67.2
Group earnings	m EUR	**110.1**	97.2	93.3	78.7	79.8	67.3	61.7	61.2	51.8	42.4
Earnings per share (undiluted)	EUR	**9.68**	8.55	8.20	6.93	7.02	5.92	5.42	5.38	4.55	3.73
Gross margin	%	**61.2**	60.9	60.2	59.8	62.0	60.9	59.4	59.4	61.3	60.8
EBITDA-margin	%	**30.9**	29.4	29.8	28.0	32.2	31.2	26.4	29.1	29.9	28.9
EBIT-margin	%	**29.2**	27.8	28.2	26.1	30.2	28.8	24.2	27.5	28.4	27.2
EBT-margin	%	**29.1**	27.7	28.1	26.2	30.2	28.7	24.4	27.8	28.6	27.3
Net margin	%	**22.2**	21.1	21.4	20.1	22.8	21.4	18.0	18.2	18.3	17.2
Return on equity (after taxes)	%	**38.0**	38.4	42.0	35.4	38.0	41.6	47.9	53.3	52.9	43.7
Return on invested capital (ROIC)	%	**34.2**	34.6	38.4	33.2	33.9	35.5	40.7	48.0	49.6	40.4
Dividend*	m EUR	**77.3**	68.2	64.8	62.5	102.3	39.8	11.4	51.2	42.6	34.1
Dividend per share*	EUR	**6.80**	6.00	5.70	5.50	9.00	3.50	1.00	4.50	3.75	3.00
Asset situation											
Fixed assets	m EUR	**69.0**	60.9	56.2	53.7	55.4	57.6	63.1	38.0	29.2	28.1
Current assets (including deferred tax assets and other long-term assets)	m EUR	**354.4**	316.4	270.0	229.5	250.3	208.1	145.9	149.4	117.4	104.0
Inventories	m EUR	**30.3**	27.2	26.4	24.7	19.3	17.8	20.6	18.6	15.5	16.2
Trade accounts receivable	m EUR	**82.9**	75.9	65.9	71.7	58.7	51.4	57.7	61.4	53.1	46.1
Cash and cash equivalents (including fixed deposits)	m EUR	**225.4**	200.1	166.4	120.8	163.1	131.6	57.1	62.3	40.6	34.8
Balance sheet total	m EUR	**423.4**	377.3	326.2	283.2	305.7	265.7	209.0	187.4	146.6	132.1
Equity	m EUR	**310.7**	268.8	237.4	206.9	230.3	189.8	133.6	124.0	105.8	89.9
Liabilities	m EUR	**112.7**	108.5	88.8	76.3	75.4	75.9	75.4	63.4	40.8	42.2
Provisions (including liabilities for current tax)	m EUR	**44.8**	41.6	34.4	25.7	28.2	24.0	22.1	19.7	21.8	21.3
Liabilities to banks	m EUR	**32.6**	34.4	25.3	19.0	21.3	31.6	25.8	18.0	–	2.5
Trade accounts payable	m EUR	**12.4**	12.0	10.5	10.1	9.2	7.0	10.9	9.3	6.8	5.4
Other liabilities	m EUR	**22.9**	20.5	18.6	21.5	16.7	13.3	16.6	16.4	12.2	13.0
Equity ratio	%	**73.4**	71.3	72.8	73.1	75.3	71.4	63.9	66.2	72.2	68.1
Invested capital (average)	m EUR	**324.1**	283.7	245.0	239.7	238.0	192.7	153.8	128.1	104.7	105.7
Working Capital (excluding liquid funds)	m EUR	**87.9**	78.9	69.8	73.4	58.2	54.7	60.7	61.7	58.4	53.0
as a percentage of sales	%	**17.7**	17.1	16.0	18.7	16.6	17.4	17.7	18.3	20.6	21.5
Cash flow/Investments											
Cash flow from operating activities	m EUR	**112.5**	102.8	111.4	67.7	86.9	83.2	71.0	61.1	49.1	32.8
Cash flow from investing activities	m EUR	**–38.9**	–27.5	–38.0	61.4	–23.4	–72.2	–38.4	–30.2	–1.8	–3.7
Cash flow from financing activities	m EUR	**–71.0**	–56.7	–57.2	–106.0	–52.2	–7.7	–45.4	–26.0	–38.4	–42.3
Investments	m EUR	**16.8**	12.0	9.4	5.7	4.5	2.4	32.6	14.3	5.7	6.0
Employees											
Number of employees (average)		**1,401**	1,320	1,258	1,184	1,058	1,031	1,090	965	864	792
Personnel expenses	m EUR	**108.8**	101.2	93.1	84.7	74.3	71.1	72.3	63.7	57.0	53.4
Sales per employee	kEUR	**354.5**	349.3	345.8	330.8	330.9	304.9	314.6	348.8	328.4	311.1

* Payout in the following year; Dividend 2014 subject to approval by the General Meeting of Shareholders 2015.

Financial Calendar 2015

Balance Sheet Press Conference Fiscal Year 2014	Munich	19 Mar 2015
DVFA Analyst Meeting 2015	Frankfurt	19 Mar 2015
General Shareholders Meeting 2015	Augsburg	29 Apr 2015
Financial figures Q1/2015	Landsberg	6 May 2015
Financial figures H1/2015	Landsberg	5 Aug 2015
Financial figures 9M/2015	Landsberg	4 Nov 2015

Contact

RATIONAL Aktiengesellschaft
Iglinger Straße 62
86899 Landsberg am Lech
Germany

Erich Baumgärtner
Chief Financial Officer
Phone: +49 8191 327-209
Fax: +49 8191 327-272
E-mail: ir@rational-online.com

Stefan Arnold
Head of Group Accounting/Investor Relations
Phone: +49 8191 327-2209
Fax: +49 8191 327-722209
E-mail: s.arnold@rational-online.com

Imprint

Editor
RATIONAL Aktiengesellschaft
Iglinger Straße 62
86899 Landsberg am Lech
Germany

Phone: +49 8191 327-0
E-mail: info@rational-online.com

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RATIONAL AG
Iglinger Strasse 62
86899 Landsberg am Lech
Germany

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