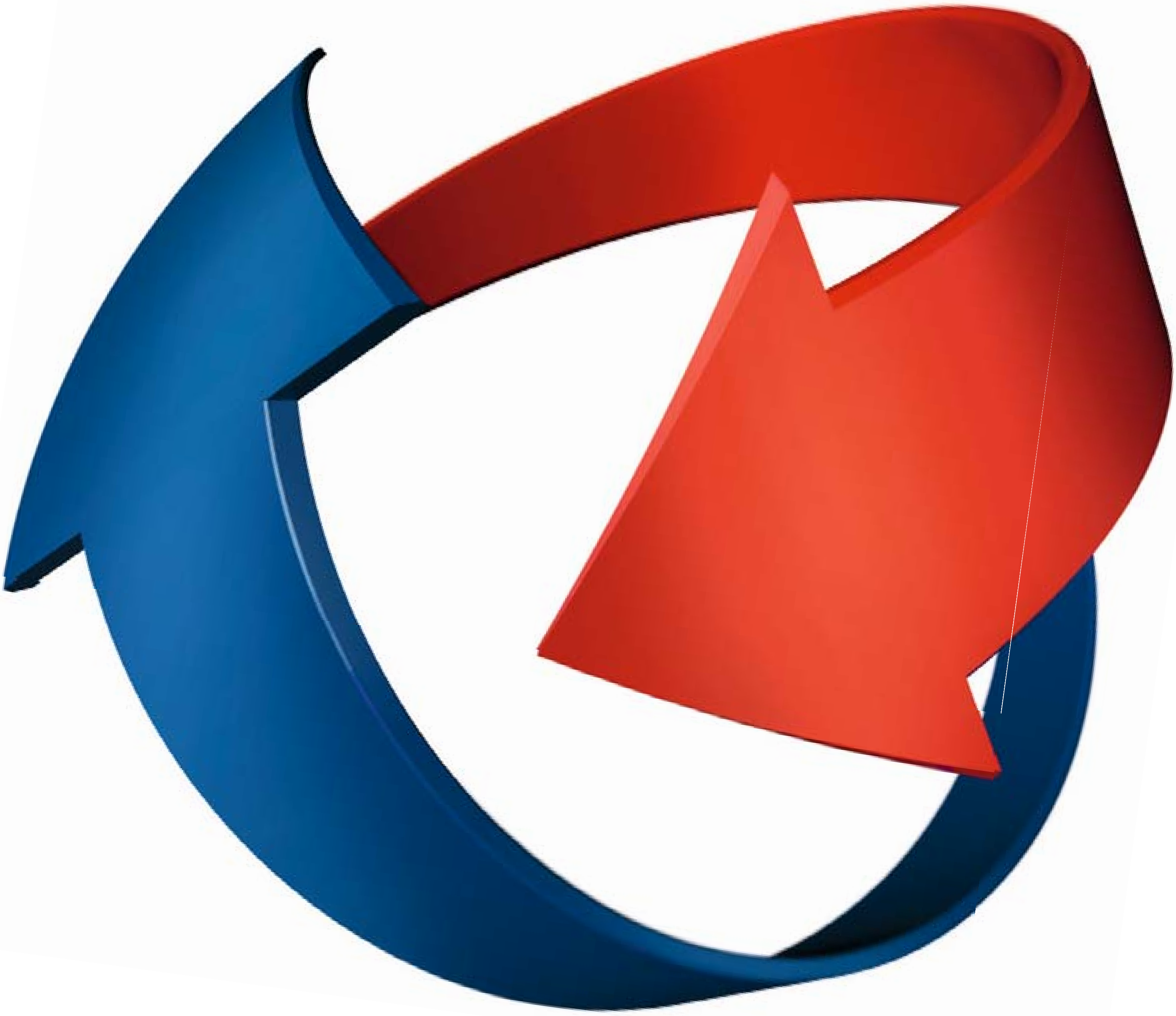
GLOBAL SUCCESS DRIVEN BY CUSTOMER BENEFITS

ANNUAL REPORT 2015



RATIONAL

GLOBAL SUCCESS DRIVEN BY CUSTOMER BENEFITS

THERMAL FOOD PREPARATION WITH RATIONAL

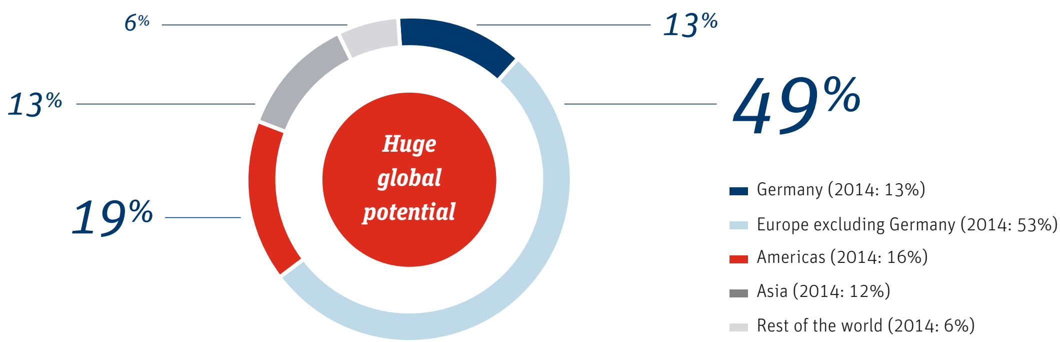
We are the global market and technology leader in innovative solutions for thermal food preparation. Our primary corporate objective is as follows: »We offer the greatest possible benefit to the people preparing hot food in the professional kitchens of the world.« Our trendsetting innovations set the 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 2015



OUR PRODUCTS

MAXIMUM CUSTOMER BENEFIT DUE TO EASY HANDLING, BEST COOKING QUALITY AND EFFICIENCY

UNIQUELY INTELLIGENT

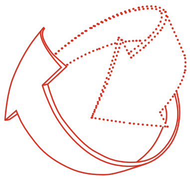
SelfCookingCenter® 5 Senses

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

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.



»Delivering products that offer maximum benefit in terms of economic and ecological efficiency is our primary goal. Growth, stability and profit are not aims, but results. The greater the customer benefits we offer, the better these are.«

KEY FIGURES

m EUR

Sales and earnings	2015	2014	Change absolute	Change in %
Sales	564.2	496.7	+67.5	+14
Sales abroad in %	87	87	0	–
Cost of sales	215.0	192.7	+22.3	+12
Gross profit	349.2	304.0	+45.2	+15
Gross margin in %	61.9	61.2	+0.7	–
Sales and service expenses	140.5	122.3	+18.2	+15
Research and development expenses	23.6	19.1	+4.5	+23
General administration expenses	25.1	22.6	+2.5	+11
Depreciation/Amortisation	8.8	8.3	+0.5	+6
Earnings before interest and taxes (EBIT)	160.2	145.2	+15.0	+10
EBIT margin in %	28.4	29.2	–0.8	–
Net income	121.8	110.1	+11.7	+11
Return on invested capital (ROIC) in %	33.5	34.2	–0.7	–
Balance sheet				
Balance sheet total	482.7	423.4	+59.3	+14
Working capital [1]	87.9	86.7	+1.2	+1
Equity	356.1	310.7	+45.4	+15
Equity ratio in %	73.8	73.4	+0.4	–
Cash flow				
Cash flow from operating activities	143.0	112.5	+30.5	+27
Investments	19.4	16.8	+2.6	+16
Free cash flow [2]	123.6	95.7	+27.9	+29
Key figures RATIONAL shares				
Earnings per share (in EUR)	10.71	9.68	+1.03	+11
Year-end closing price [3] (in EUR)	419.90	259.75	+160.15	+62
Market capitalisation	4,774.3	2,953.4	+1,820.9	+62
Employees				
Number of employees as at Dec. 31	1,530	1,424	+106	+7
Number of employees (average)	1,505	1,401	+104	+7
Sales per employee (in kEUR)	374.9	354.6	+20.3	+6

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

54%
world market share

»This result contributes from our intimate relationship with our target group, understanding our customers' wishes and needs and wanting to fulfill them.«

»Whenever I found RATIONAL where the team was playing, it felt like a bit of home for me and each time my heart beats a little faster.«

HOLGER STROMBERG – CHEF FOR THE GERMAN NATIONAL FOOTBALL TEAM

GLOBAL SUCCESS

DRIVEN BY CUSTOMER BENEFITS

Around three million addressable professional kitchens can be found in the various countries around the globe. All of them are waiting to be impressed and inspired by RATIONAL and FRIMA. The fact that we are succeeding in doing that worldwide is the highest honour customers can bestow on us. Our consistent focus on customer benefit is reaping its rewards.

Around three million professional kitchens is a particularly motivating figure for us. To ensure we create real added value for each and every one of these kitchens, we also keep an overall focus on the markets. We learn from both big and small – and create customer benefit that makes us successful worldwide.

CONTENTS

FOREWORD BY THE SUPERVISORY BOARD

»Many companies focus their activities on rapid growth and maximising short-term profit, and structure their organisations accordingly. At RATIONAL, we think and act differently. For us, financial key performance indicators merely serve as the benchmark of how well we have fulfilled our entrepreneurial role. They are the result of combining the right strategy with the right actions.«

SIEGFRIED MEISTER

DEAR LADIES AND GENTLEMEN,

Maximum customer benefit has been the overriding corporate objective since the company was founded. This objective is fully and firmly embedded as an inherent part of our corporate philosophy and will continue to be the foremost guiding principle for our employees, the Entrepreneurs in the Company (U.i.U.®), in the future.

Customer benefit is the only guarantee of long-term success. It is a fact that RATIONAL is now by far the world's market leader, which can be ascribed to its ability time and again to positively surprise its customers with innovative products. By specialising and concentrating all our thoughts and efforts on customer requirements, we forge close relationships with our clearly defined target group and are valued as a competent solution provider.

Our future efforts will continue to be aimed, above all, at making our customers' working lives easier and systematically improving their cooking results. We will, thus, build on RATIONAL's success story of the past 40 years.

On our path to a successful future, we have continued our generational shift in the Executive Board. After 17 successful years, Mr Erich Baumgärtner resigned from his position as Chief Financial Officer as at 31 December 2015. I would like to thank him sincerely for his many years of service for the benefit of our customers and our company. I wish his successor, Dr Axel Kaufmann, the accomplishment in ensuring the continuing successful development of the company, together with his colleagues on the Executive Board.

In addition, Dr Hermann Garbers, Dr Gerd Lintz and Mr Werner Schwind were appointed as new members of the Supervisory Board, thus adding proven expertise in technology, business law and sales to this body. This will make us viable for the future so that we can continue to meet our supervisory and control responsibilities thoroughly. I warmly welcome our new colleagues and look forward to working constructively and successfully with them.

My very special thanks goes above all to our employees. Their tireless efforts and loyalty were the foundation of our outstanding success in the past fiscal year.

SIEGFRIED MEISTER
Chairman of the Supervisory Board

MARKUS PASCHMANN

Chief Sales Officer

Born in 1966, he has been Chief Sales Officer at RATIONAL since December 2013. He was, among other things, previously head of the Global Business Unit Electronics at the Harting Technology Group and Managing Director of Harting Electronics GmbH. From 2006, he was a member of the Executive Board of SICK AG. //

ERICH BAUMGÄRTNER

Chief Financial Officer (until 31 December 2015)

Born in 1954, he joined RATIONAL in 1998. After 17 successful years as Chief Financial Officer, he resigned from his position on 31 December 2015. He began his career in 1979 at Messerschmitt-Bölkow-Blohm GmbH. From 1988, he was at Digital Equipment GmbH in Munich, where he held the position of Managing Director for commercial operations from 1996. //

DR PETER STADELMANN

Chief Executive Officer

Born in 1965, he has been a member of the Executive Board at RATIONAL since 2012. He has been Chief Executive Officer since January 2014. He previously spent over 20 years in a variety of managerial functions at the Malik Management Centre St. Gallen. From 2006, he spent six years as operational Managing Director of the Malik Group. //

PETER WIEDEMANN

Chief Technical Officer

Born in 1959, he joined RATIONAL GmbH in 1988 as an engineer. He went on to work as a product manager, supported the development of the American subsidiary and took over the technical division as a member of the management team in January 1996. Since September 1999, he has had the same responsibility as a member of the Executive Board. //

DR AXEL KAUFMANN

Chief Financial Officer (since 1 January 2016)

Born in 1969, he joined RATIONAL in October 2015 with a background in international finance and industry. He spent more than ten years at the Siemens Group and at Nokia Networks as head of finance and in strategy. From 2010, he was Chief Financial Officer at Koenig & Bauer AG and deputy Chief Executive Officer. //

LETTER FROM THE EXECUTIVE BOARD

DEAR SHAREHOLDERS, CUSTOMERS AND BUSINESS PARTNERS,

The 2015 fiscal year was characterised by different economic cycles in the most important markets of the world. The global economy grew by around 3%. The expansionary monetary policy of the European Central Bank and the resulting weak exchange rate of the euro had a positive impact on economic output in the Eurozone. However, some industrialised nations are still feeling the effects of the financial crisis, accompanied by a sharp rise in debt levels. The fact that economic growth has slowed in emerging countries compared with past performance is having a dampening effect on global rates of expansion. Brazil and Russia are currently in a recession. Even China has recorded a slowdown in economic growth, although Asia as a whole has performed well. Despite the tense situation in some markets, this is not expected to have a recessionary impact on the global economy. Experts assume that global economic output will continue to increase slightly.

Significant improvement in sales revenues and profit, 28% EBIT margin

In the past fiscal year, our employees once again succeeded in achieving new record sales revenues and profit levels. We generated a 14% increase in sales revenues resulting in a new record of 564,2 million euros. The performance of the Americas and Asia regions was particularly buoyant as they proved to be key growth drivers in 2015. Nonetheless, other regions also contributed to the Group-wide growth with positive business performance.

Since we generate around 40% of our sales revenues in foreign currencies, sales revenues were boosted by the fact that the euro was weaker on average than in the previous year. After exchange rate adjustments, sales revenues expanded by 10%.

EBIT (earnings before interest and taxes) was up 10% on last year's very good level, at 160,2 million euros. The EBIT margin remains at a high level with 28% (previous year: 29%).

Customer benefit leads to success

The successful, profitable growth course of the past 40 years has to a significant extent been underpinned by our sustainable corporate strategy, which manifests itself in our efforts to achieve the highest possible benefit for customers.

We are deeply convinced that uncompromising customer orientation is also the basis for future success.

The focus on the professional kitchen and the specialisation in cooking are important elements of our uncontested global leadership in solutions for thermal food preparation. To achieve this, we need the best employees, who act as Entrepreneurs in the Company (U.i.U.®), and lean business processes that are continuously optimised. Through a bottleneck-driven approach and a lean organisation across all processes, we achieve great innovative strength and resource efficiency along the entire value chain. Customers are able to experience this directly when using their appliance: it produces not only excellent cooking results, but also saves them time, raw materials, energy, water, personnel and working space.

This results in highly satisfied customers, proud employees, the leading market position by a wide margin, as well as sustained growth, a solid balance sheet and stable earning power.

Success confirmed by awards

Receipt of the Global Excellence in Operations (GEO) award confirms the success of our continuous strategic orientation. Our focus on customer benefit, the systematic implementation of lean management in production and our end-to-end process organisation – from development to after-sales service – result in great innovative strength and deliver high-quality, long-lasting products.

Accolades awarded by our international customers, such as the choice as the best combi-steamer by professional chefs in England or the »Best Brand 2015« award by the Brazilian trade magazines »Cozinha Profissional« and »Hotelaria Profissional«, demonstrate that we meet our customers' expectations, while at the same time serving as an incentive to keep improving.

International, diversified customer base

Our strong international reach gives us the opportunity to diversify regional market risks and actively tap into available potential in all regions of the world. For this reason, we continued to invest in further expanding our global sales capacities in 2015 and setting up subsidiaries in Turkey and competence centres in Singapore and Columbia to make further headway into these high-potential markets.

A particularly positive factor for us is that global growth is primarily driven by broadly based core business with small and medium-sized customers, who account for most of our transactions. Nevertheless, we are also pleased to be cooperating successfully with chain customers. We regard this as confirmation that we offer the greatest benefit to the different customer groups we target and, thus, support them in their work in the best possible way.

Decentralised responsibility, in other words autonomy and self-organisation on the part of all employees, are important factors for success in this respect. The stories starting on page 08 of our annual report tell you how we are implementing this around the world.

»To enable us to offer our internationally widely diversified customer base even better support, we take detailed stock of the country-specific requirements of professional kitchens around the world and continue to invest in expanding our local market coverage.«

INTERNATIONAL CUSTOMER BASE

Dividend of 7.50 euros proposed

The sustainability of the business model and the resulting trust of the capital markets in RATIONAL manifest themselves in our share price, which equated to a market capitalisation of around 4.8 billion euros as at the balance sheet date. We will again let our shareholders have an adequate share of the company's success this year. The Executive Board and Supervisory Board will therefore propose a dividend of 7.50 euros for the 2015 fiscal year to the General Meeting of Shareholders to be held on 4 May 2016.

Into 2016 with confidence

Current global economic forecasts indicate a similar level of growth for 2016 as in 2015. Nevertheless, we are keeping a critical eye on developments in all our markets. Operating conditions for the business remain in good terms for the state of the market, the performance of our products and our general financial position. We will do everything in our power to further consolidate our innovation leadership over the competition, continue the potential-driven expansion of international sales activities and invest in further training for our qualified and committed employees.

Against this backdrop and also in view of the very positive acceptance of our appliances and the large untapped global market potential, we believe we can continue our successful growth path regarding sales for revenues and profits in 2016.

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

Employee quality

Customer benefit and concentration are the core components of the RATIONAL philosophy and are implemented by everyone within the company. We conduct customer benefit workshops with all employees, which help them develop a deep understanding of the needs of their internal and external customers. They learn how to further improve the way they solve problems and bottlenecks and how to act like an Entrepreneur in the Company (U.i.U.®) by focusing on the big picture. The U.i.U.® philosophy ensures a high level of commitment and the acceptance of responsibility for important and difficult tasks.

A very special thanks, therefore, goes out to our qualified, committed employees. They have created our overall success – with their exemplary commitment, great passion and exceptional customer orientation.

DR PETER STADELMANN

CEO of RATIONAL AG

FIVE MARKETS. FIVE STORIES.

The 2015 Annual Report includes five stories from our markets, demonstrating how important innovation and success are for RATIONAL. Both are the fruit of our work which has always focused on creating benefit for our customers. After all, every country and every kitchen has its own culinary culture which needs to be understood.

At the same time, even the smallest professional kitchen has to cope with the constant process of change, driven by demographic, economic and even ecological factors. RATIONAL gives commercial kitchens and family-run businesses alike what they need to respond to these changes – with solutions for healthy eating, small spaces and traditional recipes. On the following pages we explain how RATIONAL solutions make the crucial difference for our customers all around the world, each and every day.

P. 30

United States

VEGGIES FOR PRESIDENT

— Switching off the school's deep-fat fryer —

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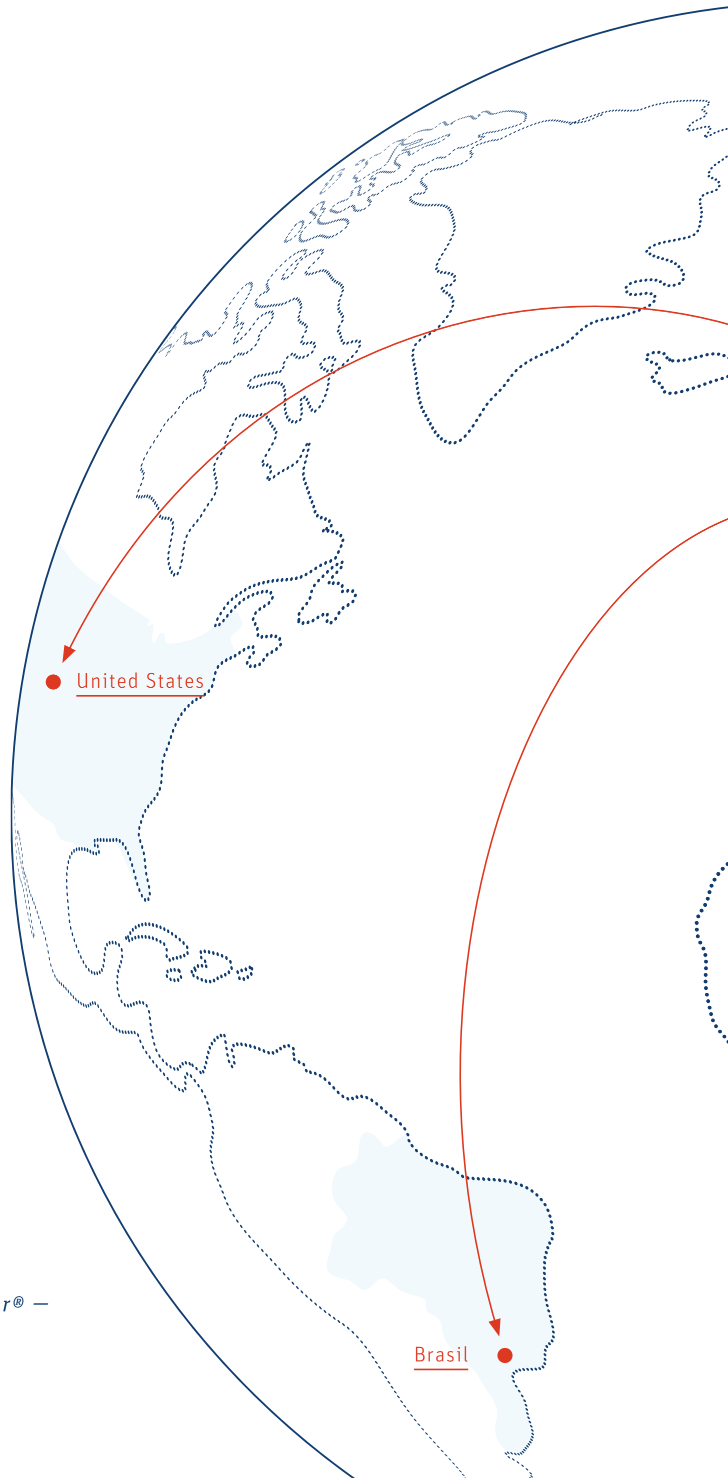
Brasil

THE CONQUISTADORA WITH A DIFFERENCE

— Multicultural harmony in the SelfCookingCenter® —



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Sweden

FOR LIFE, LOVE AND HEALTH

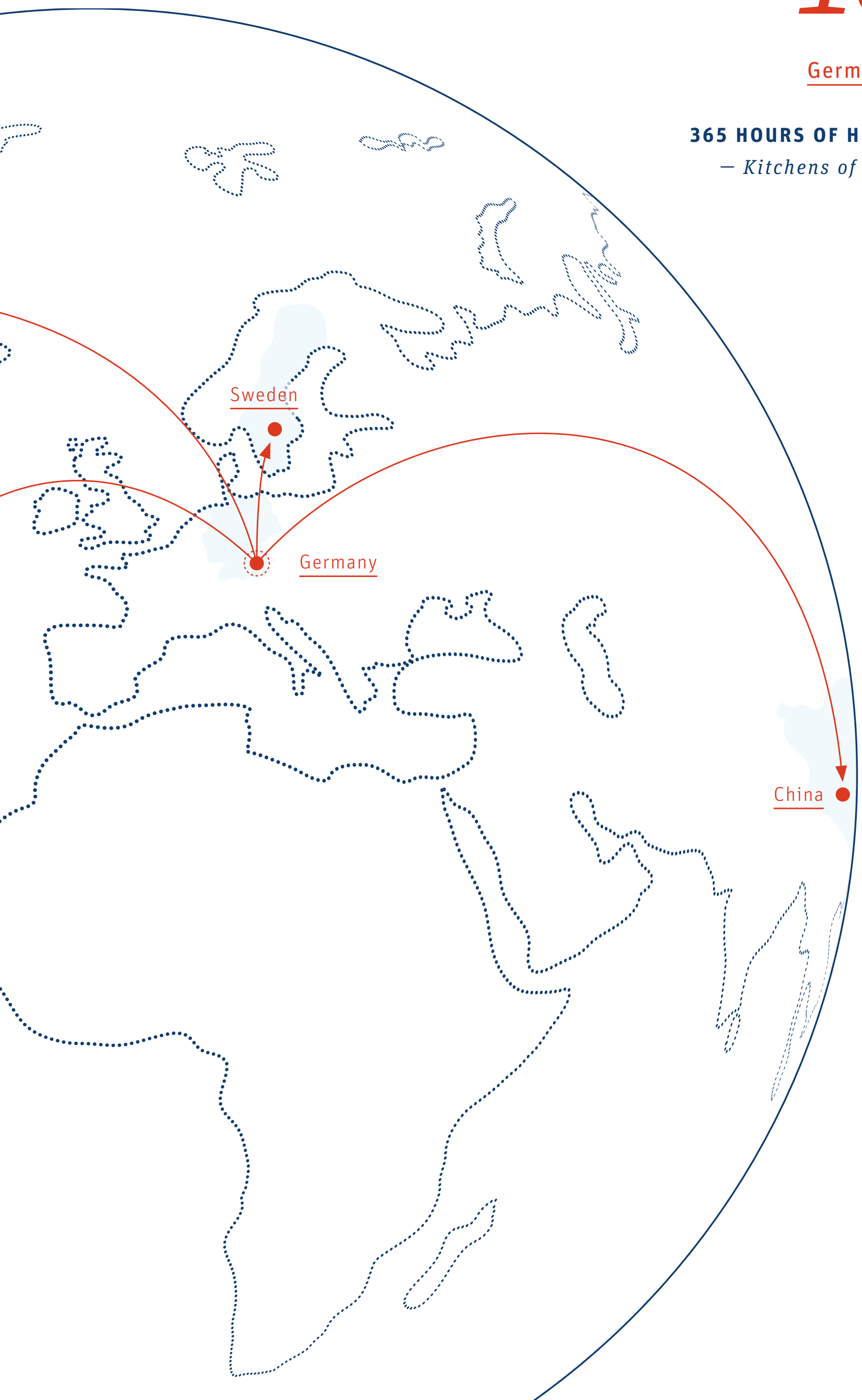
— Top cuisine at the museum —

P. 10

Germany

365 HOURS OF HOLIDAY A YEAR

— Kitchens of the future —



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China

WHERE TRADITION MEETS TECHNOLOGY

— No more smoke at Jin Bai Wan —

THE CHALLENGE:

FRIES VS. FALAFELS

IN THE FIELD

»All in 2«

365 hours of holiday a year

Community catering specialist, Nico Jahnke, talks about kitchens of the future and why eating should be a bit like a holiday

The world is getting smaller and smaller – and this trend of globalisation is also reflected in our kitchens. Mexican enchiladas, Indian curries and Arabic falafels feature regularly on the menu at the African-sounding Kairaba Lounge, where Mr Jahnke is the head chef. The Lounge is the company restaurant of FTI Touristik GmbH in Munich. Of course, fries, pizza, schnitzel and potato salad also occasionally appear on the menu. The impact of international cuisine reflects changes in food culture here as well.

»RATIONAL and FRIMA are a perfect fit on the smallest footprint – and they're easy to operate. Even our barista has been known to set programmes on them.«

NICO JAHNKE, HEAD CHEF AT THE KAIRABA LOUNGE

FACTS & FIGURES

GERMANY

2 m²

SPACE REQUIREMENTS

for an »All in 2« solution from RATIONAL and FRIMA

1 in every 4

INHABITANTS

in Germany has a preference for international cuisine

43 million

people are employed in Germany

18 million

Germans a day have a meal prepared in a commercial kitchen

39%

of Germans want fresher dishes served in their staff restaurant

10%

of the population are vegetarian


RATIONAL
RATIONAL

In 2010, the FTI Touristik company headquarters moved to Landsberger Strasse 88 in Munich. To make room for the Lounge, the Managing Board decided to forego their own suite of offices on the top floor. The name Kairaba Lounge was soon agreed upon. One of the Board members had enjoyed a fantastic stay in a hotel of the same name in Gambia. Nico Jahnke and his team were then given a remit following the same theme:

»Sell our employees an hour's worth of holiday a day.«

With 1,200 staff members wanting to have lunch between 12 noon and 3.30 pm each day, that's quite a challenge, even for a professional like Mr Jahnke. In an area of just 60 m², he prepares four different daily specials in two RATIONAL SelfCookingCenters®, a FRIMA VarioCooking Center® and a traditional pizza oven. Feeling good and eating well – the recipe for a successful holiday also works at the Kairaba Lounge. A fresh and balanced mix of ingredients is particularly important for achieving this.

SPACE AND TIME

As the top floor was originally designed for a different purpose, the kitchen space is relatively small. Mr Jahnke's catering team is therefore made up of just seven people. Another reason why the »All in 2« solution is perfect for him. Lack of space and few specialist staff is a familiar problem in kitchens around the world. According to him, the biggest challenge facing kitchens of the future is the use of technology to structure and standardise processes. But with RATIONAL and FRIMA, he feels confident of meeting this challenge:

»I have the feeling we're nowhere near the end of its possible applications. We use the units intensively, but there's so much more that can be done with them.«

THE CHALLENGE

MAXIMUM ENJOYMENT

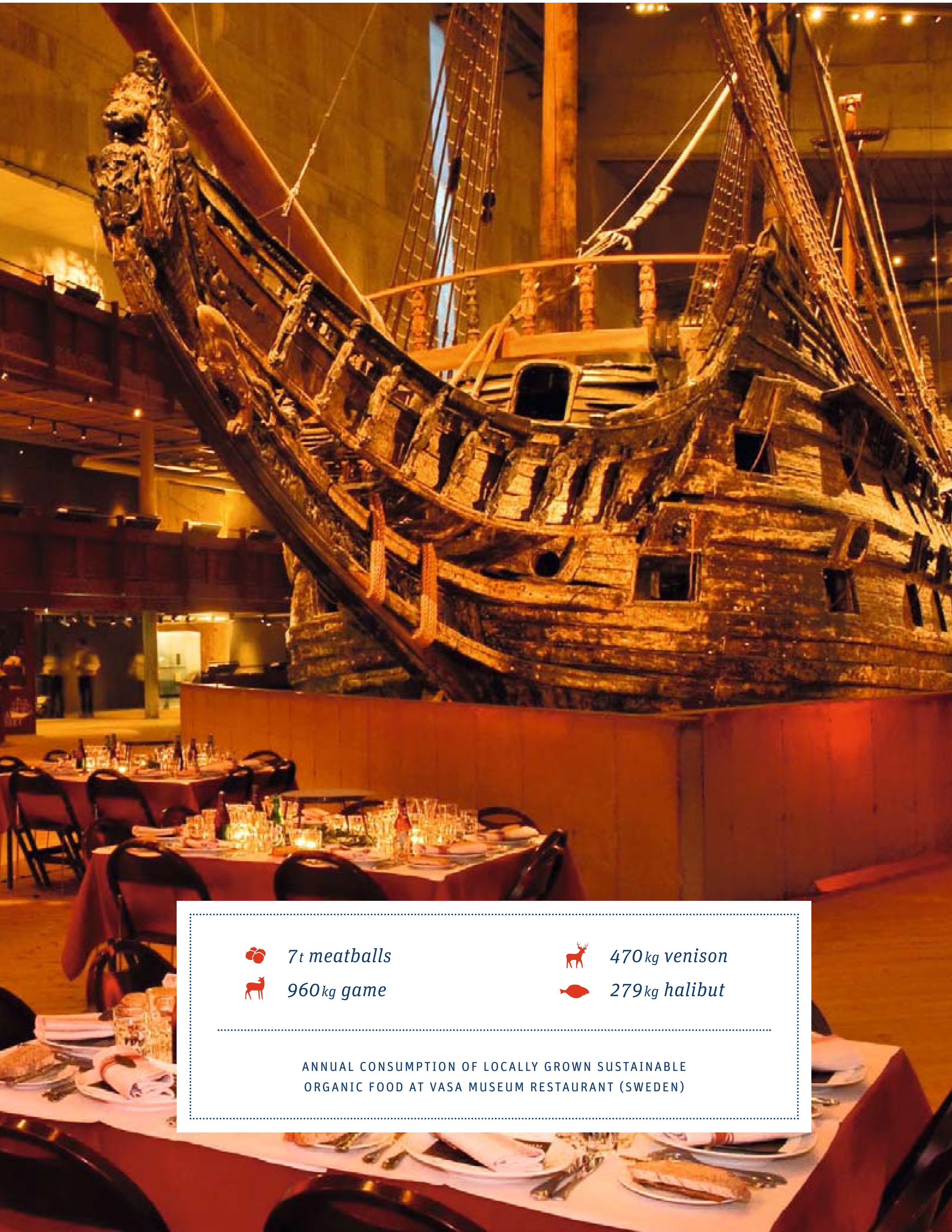
IN THE FIELD

Highest Quality

For life, love and health

Head chef David Green on excellent cuisine and what that has to do with shipwrecks

Stockholm, 7.14 pm: The aroma of old oak and fresh bread gently wafts through the air. The evening's first guests are starting to wander through the collection. Towering above them from a bygone age is the »Vasa«, a 17th century warship. The kitchen is a hive of activity. 800 demanding palates are about to experience an amazing banquet prepared by David Green and his team. Twelve years ago, Mr Green left the UK and headed to Sweden for love. Today he caters for the tastes, palettes and appetites of museum visitors and banqueting guests in the Vasa Museum restaurant, against the spectacular backdrop of this ship.



7 t meatballs

470 kg venison

960 kg game

279 kg halibut

ANNUAL CONSUMPTION OF LOCALLY GROWN SUSTAINABLE ORGANIC FOOD AT VASA MUSEUM RESTAURANT (SWEDEN)

The Vasa Museum opened its doors in 1990. It houses two top quality finds: the almost fully restored Vasa warship and the first-rate Vasa Museum restaurant. Dining next to the 69-metre long ship in this restaurant is a real experience. David Green loves this unique Swedish location. Together with his team and four RATIONAL SelfCookingCenters®, he serves up to 600 lunches a day and 120 banquets a year in keeping with his idea of exquisite cuisine – his aim is to ensure maximum enjoyment for his guests.

»The RATIONAL units minimise cooking shrinkage with gentle overnight cooking, especially when it comes to meat. No one has to oversee the cooking process, and the self-cleaning facility works like a dream, especially given the hard water here in Stockholm.«

DAVID GREEN

A BRITISH CHEF COOKING TYPICALLY SWEDISH DISHES

Mr Green focuses on traditional Swedish cuisine. His main ingredients are meat and fish, which are reared locally through sustainable organic farming.
»To delight Swedish taste buds, you have to ensure a certain quality of life.« ... and that includes in particular the desserts and bakery products freshly prepared by Mr Green each day in his SelfCookingCenters®.

LEARNING FROM THE »VASA SYNDROME«

Vasa was a warship that King Gustavus Adolphus of Sweden had built in 1628. It sank on its maiden voyage after sailing just 1,300 metres, keeling over after catching a gust of wind. The ship was found to be incorrectly proportioned which meant it was not stable. The fault lay with a lack of communication between the King who commissioned the ship and the master shipwright who built it. In management circles, the disaster is referred to as the »Vasa syndrome«, meaning problems in communication and goal-setting. As a company for chefs, we work in close dialogue with professional chefs around the globe. We understand processes in the kitchen and integrate this experience into the design of each unit so that head chefs such as David Green can achieve the aimed perfectionism.

FACTS & FIGURES

SWEDEN

69%

market share of RATIONAL combi-steamers

7th

largest economy in the European Union, in terms of gross domestic product

1,800
chocolate cakes

WERE BAKED IN THE VASA MUSEUM RESTAURANT IN 2015

1,100
trays of carrot cake

180,000 guests

visited the Vasa Museum restaurant, which is 15% of the total number of 1.2 million visitors to the Vasa Museum in 2015

»For many people here, Peking duck is a dish that they’ve eaten since childhood. It’s a very familiar taste for them and they’ll know if it’s done well from the very first bite.«

JUNSHENG KANG

THE CHALLENGE

30,000 GUESTS / DAY

IN THE FIELD

Regional cuisine

Where tradition meets technology

Interview with Junsheng Kang, Vice General Manager of the Kitchen Administration Center of the Jin Bai Wan Group

RATIONAL gave Chinese restaurant chain Jin Bai Wan the necessary technology to serve up the perfect traditional Peking duck with a 100% success rate. This ensured the company's survival. Jin Bai Wan has been steadily increasing the number of its outlets since 2011, with a total of 90 in China in 2015.

JUNSHENG KANG

RATIONAL IS AN ESSENTIAL FACTOR IN THE COMPANY'S SURVIVAL – WHY?

Since its formation in 1992, the company can look back on an eventful history. Based on a system of franchises, we grew really quickly – too quickly. In 2005, we had to close many of our outlets. To get back on track, we launched a programme of sustainable growth. We have since established a systematic and high quality organisation, staffed with efficient personnel. As part of the programme, our kitchens were fitted out with RATIONAL units.

WHAT SPECIFIC ADVANTAGES DID THE RATIONAL UNITS OFFER?

Our restaurant is known for its Peking duck. But the traditional way of preparing this dish presented us with a number of challenges. Everything depended on the chef. To produce a really good quality duck, chefs often need at least ten years' experience, which they call upon when individually thoroughly checking each duck. To ensure a consistently high level of quality of Peking duck, Jin Bai Wan had to invest considerably in highly experienced chefs. The RATIONAL units are the key component for delivering excellent results at a reasonable cost in terms of personnel. The roasting process is primarily controlled by the unit – not by the chef. This means that staff with less experience can quickly and reliably prepare the ducks.

SO DOES RATIONAL GUARANTEE TOP QUALITY?

Absolutely, yes it does. Nonetheless, the units also offer tremendous advantages in terms of space and environmental performance. We no longer have to use the large traditional duck ovens, which, in turn, means we have significantly reduced our CO_2 emissions. We can, therefore, meet our social and ecological responsibility.

× *Space savings: 50%* ×

× *Staffing: –20%* ×

× *1 Peking duck = 1 kg firewood: –100%* ×

× *Environmental impact of smoke: –100%* ×

»For many people, dining at Jin Bai Wan is like eating at home. It's a great place to go to meet family and friends.«

FACTS & FIGURES

CHINA

600

Peking duck dates back 600 years

The RATIONAL SelfCookingCenter® can prepare well over ***1,000*** *special Chinese dishes*

45 billion

The Chinese use 45 billion chopsticks each year

Up to ***24***

Peking ducks can be roasted in the SelfCookingCenter® per cooking sequence

1.374 billion

China has 1.374 billion inhabitants

10.4 trillion USD

China's gross domestic product is USD 10.4 trillion

THE CHALLENGE

1.3 MILLION
PROFESSIONAL KITCHENS IN BRAZIL

IN THE FIELD

24/7

For the customer

The Conquistadora with a difference

Maria Emilia Julieti is RATIONAL Senior Regional Sales Manager in Brazil – an emerging market that is there to be conquered

Conquerors are ambitious characters. They take on huge challenges. And in her very own way, Maria Emilia Julieti has just the character for it. She has been busy conquering the region of São Paulo for RATIONAL since 2009.

»In the same way as the people of Brazil, the cuisine here is a mixture of varied ingredients and great passion.«

MARIA EMILIA JULIETI

FACTS & FIGURES

BRAZIL

204 *million*

inhabitants in 2015

85%

of Brazilians live in urban areas

rice

grilled meat

beans

the three most popular ingredients of Brazilian cuisine

At the age of ***thirty-three***

MARIA EMILIA JULIETI
is one of the most successful Sales Managers at RATIONAL

12th

In 2014, Mocotó is an impressive 12th in the list of »Latin America's 50 Best Restaurants«

São Paulo is my home. I'm very familiar with the regional cuisine here. Many popular dishes in Brazil can also be found here. Chefs often use traditional methods to prepare them. This is where I see my challenge: If I can show chefs how easily a RATIONAL unit can be configured to meet their individual needs, the market here offers enormous potential. This is true of the whole of Brazil. I feel just as strongly about small family-run businesses as I do about top restaurants. It's all about conveying our philosophy and expertise to colleagues. If they become my customers today, they will also be RATIONAL ambassadors of tomorrow.

MARIA EMILIA JULIETI

RODRIGO OLIVEIRA*

»RATIONAL is the coolest toy of all« * Rodrigo Oliveira is one such ambassador. He is the owner and head chef of Mocotó in São Paulo. He was delighted to be won over by RATIONAL.

»When it comes to cooking, it's all about precision – so the SelfCookingCenter® is without doubt the most important member of my team. It can prepare large quantities of food with outstanding precision.« * Mocotó started up in 1973. Rodrigo's family came to São Paulo, bringing the simple cuisine and intense flavours of the northeast with them.

»We have created a new cuisine – a combination of our roots and the place where we now live.« * Rodrigo took the restaurant over from his father and has been indulging his passion since then: Making people happy with his dishes.

»We could build on our success by turning into a more expensive and exclusive restaurant – but what would be the point of that? Just for the sake of money?« * I've got the greatest of respect for Rodrigo and I'm proud that he's a RATIONAL customer. He shows that even though we are a company from Germany, we also understand Brazilian cuisine. Whether we're talking about Rodrigo Oliveira at Mocotó or star chef Alex Atala at D.O.M., every customer is important. For me and our local chefs, every kitchen presents a new place to conquer in this vast country, with its rich cultural and culinary diversity.

5,500 RATIONAL units in ...

... restaurants of all sizes

... staff restaurants of the Brazilian Air Force

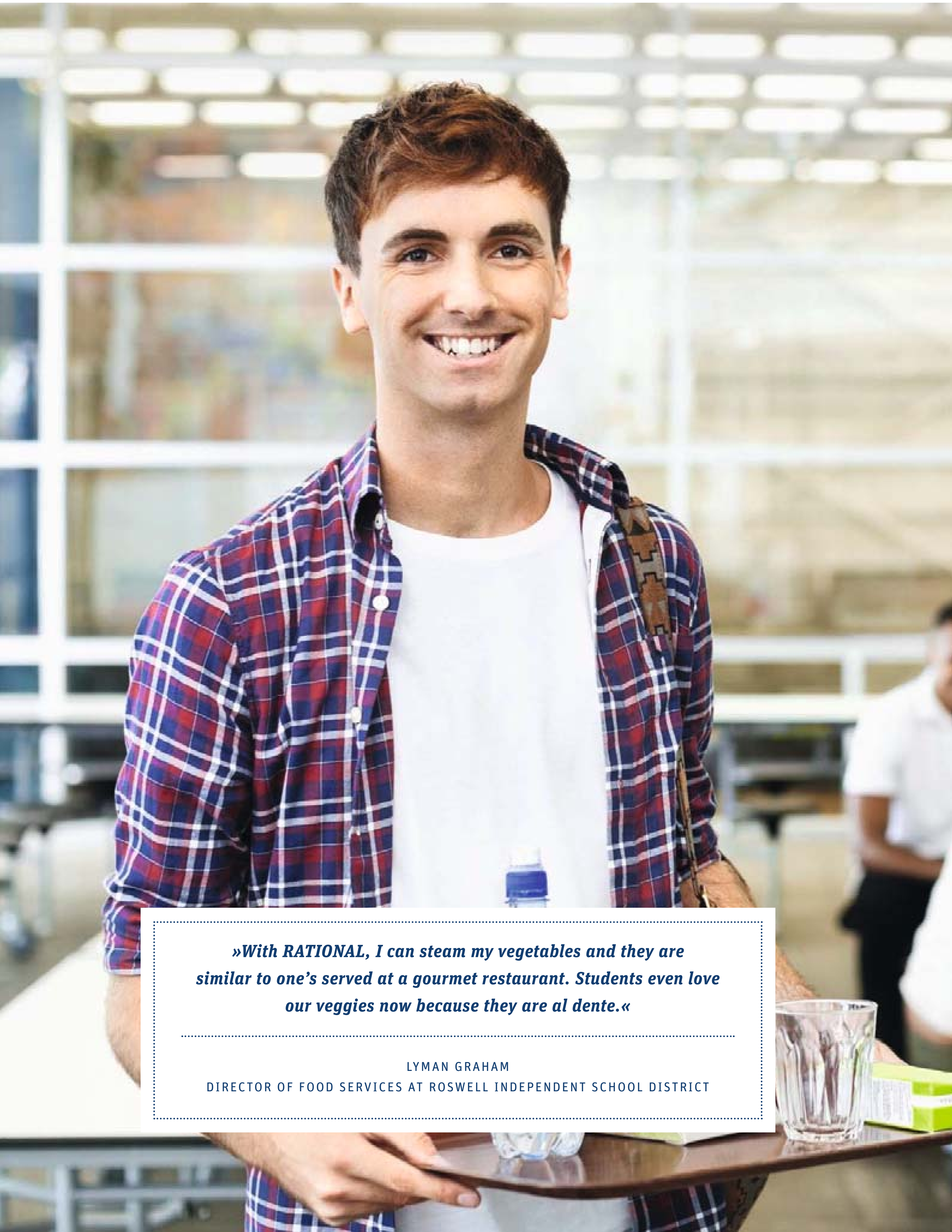
... catering businesses

... football stadiums

... staff restaurants of corporations

... educational institutions such as Senac

... throughout Brazil.



»With RATIONAL, I can steam my vegetables and they are similar to one's served at a gourmet restaurant. Students even love our veggies now because they are al dente.«

LYMAN GRAHAM

DIRECTOR OF FOOD SERVICES AT ROSWELL INDEPENDENT SCHOOL DISTRICT

THE CHALLENGE

HEALTHY EATING AND GREAT TASTE COMBINED

IN THE FIELD

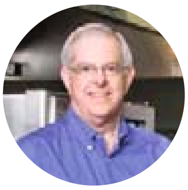
Cooking intelligence

Veggies for President

Lyman Graham, Director of Food Services for Roswell Independent School District, thinks outside of the box for his students

Every day, Mr Graham is busy with providing healthy meals for the students at Roswell Independent School District (RISD). He draws up menus and award-winning nutritional programmes for over 10,000 students. The RISD caters for 20 schools, from preschoolers to high school kids. That translates into roughly 1.5 million meals a year that RISD provides, which is a huge responsibility. Mr Graham was attending a CookingLive event when he had a wow effect that led him to equipping his kitchens with RATIONAL. His eureka moment may not be his last...

»I believe that school meals have to provide children with a balanced and healthy diet.«



LYMAN GRAHAM

US President Barack Obama also came to this conclusion in his »Healthy, Hunger-Free Kids Act«, setting new nutritional standards for schools throughout the country: Low fat, less calories, more vegetables, and healthy food. The RATIONAL units have helped Lyman and his team achieve this, with added benefits for the RISD cafeterias – superior taste and quality combined. The deep-fat fryers have been switched off and a high level of tasty food is assured: French fries and chicken nuggets are wonderfully crispy on the outside, with soft juicy meat on the inside. The vegetables have a satisfying crunch and are full of vitamins. Lyman's employees and the students alike are delighted. RATIONAL has not only made the most popular meals for over 10,000 students healthier, it has made them tastier too. And the vegetables are now far more popular. RATIONAL is also helping the RISD when it comes to cost savings. After all, apart from changes to menus, the new nutritional standards have caused costs to go up as well. But thanks to minimum cooking shrinkage and less effort involved in controlling and cleaning the RATIONAL units, the RISD kitchens are also making significant savings in terms of time, materials and labour costs. Obama would be really pleased with Lyman Graham. In fact, Lyman is already thinking about the next new school meal.

»I love the RATIONAL SelfCookingCenter® because the dishes look and taste exceptional, and they were prepared in a combi-steamer without adding additional fat.«

The most popular RISD meals prepared 100% in the RATIONAL units:

- *Chili enchiladas*
- *Fajitas*
- *Burritos*
- *Chicken nuggets*
- *Steamed vegetables*
- *Sweet potato fries*
- *Grilled chicken*
- *Pasta*
- *Barbecue meals*
- *Lasagne*
- *Hamburgers*
- *Chicken sandwiches*

FACTS & FIGURES

USA

30.4
million

students eat school meals in the United States every day

60%

That corresponds to more than 60% of all students

5 billion

lunches are eaten each year in schools across the United States

54%

of school districts are not able to cover the rising costs of school meals with the subsidies provided by the government

Raw materials (37%) and personnel (48%) are the biggest cost factors on average for US school cafeterias

RATIONAL SHARES

Compared to the issue price at the time of the IPO in March 2000, RATIONAL shares have increased by a factor of around 18 (+1,726%). Shareholders of the first hour, therefore, can be delighted about an average annual price appreciation of around 20%. Taking into account the distributed dividends, this results in an average annual return of more than 23%.

SUSTAINABLE AND PROFITABLE GROWTH

23%

AVERAGE ANNUAL RETURN *
for RATIONAL shareholders
since the IPO
(including dividends)

* Based on the 2015 year-end closing price

RATIONAL SHARES HIT A NEW ALL-TIME HIGH

Due to various factors, such as the monetary policy of the central banks, continuing uncertainty surrounding the political and economic market environment and mixed corporate results, the global stock markets were very volatile in the course of the year. The continuing, expansionary monetary policy of the European Central Bank tended to have a positive effect on the european equity markets. The leading German indices relevant to RATIONAL, the DAX and the SDAX, recorded strong gains at the beginning of the year, pushing the DAX to an all-time high of 12,391 points in April 2015. In particular as a result of the economic uncertainty in China in August 2015, the global stock markets went on a sharp decline, although they recovered somewhat by the end of November. At the beginning of December, ECB President Mario Draghi disappointed capital market participants when he announced that the existing bond purchase programme would not be expanded, thus sending the equity markets into a tailspin at the end of the year. On balance, however, both the DAX (+10%) and the SDAX (+27%) increased significantly for the year as a whole.

Relative to the overall positive performance of the relevant leading indices, RATIONAL shares outperformed the rest of the market by a substantial margin in the course of fiscal year 2015. The shares posted significant gains, especially in the first and last quarter, and reached a new all-time high of 422.00 euros on 17 December 2015. At year-end they were valued at 419.90 euros. Compared to the 2014 year-end closing price of 259.75 euros, this equates to a rise of 62%. Including the dividend distribution of 6.80 euros, this represents an overall return of 64% for RATIONAL shareholders in 2015. As at the balance sheet date, RATIONAL AG's market capitalisation stood at around 4.8 billion euros.

Stable share performance thanks to sustainable corporate strategy

Our shareholders' trust is founded on our Company's corporate strategy, which is geared to long-term sustainability. This is the basis of our growth opportunities and stable earnings power. This is also evidenced by the traditionally high valuation – measured by the price-earnings (P/E) ratio – compared to the relevant reference indices.

Compared to the issue price at the time of the IPO in March 2000, the share price has increased by a factor of around 18 (+1,726%). This corresponds to an average annual price increase of 20%. Furthermore, dividends of 58.55 euros per share have been paid out to shareholders since the time of the IPO. This means that shareholders who invested in the Company right from the start are now receiving an overall return of approximately 23% per annum.

HISTORICAL DEVELOPMENT OF RATIONAL SHARES AND RELEVANT BENCHMARK INDICES ON 30 DECEMBER 2015 — in %

	1 year	3 years	5 years	Since IPO
RATIONAL AG (share price development)	+62	+93	+159	+1,726
RATIONAL AG (incl. dividends) [1]	+64	+107	+202	+2,695
DAX 30	+10	+41	+55	+35
MDAX	+23	+74	+105	+386
SDAX	+27	+73	+76	+186

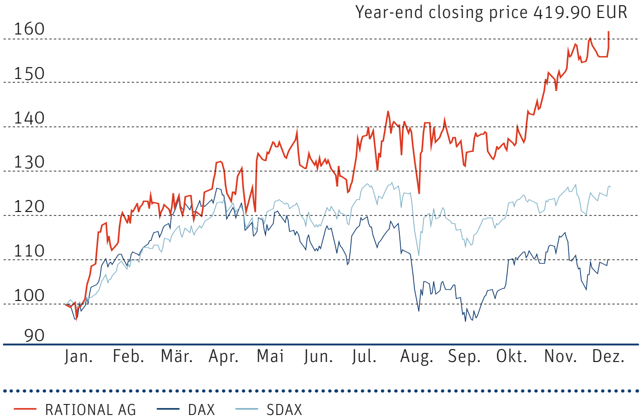
[1] Assumption: Reinvestment of dividends at the opening price of the ex-dividend date

RATIONAL ON THE SDAX

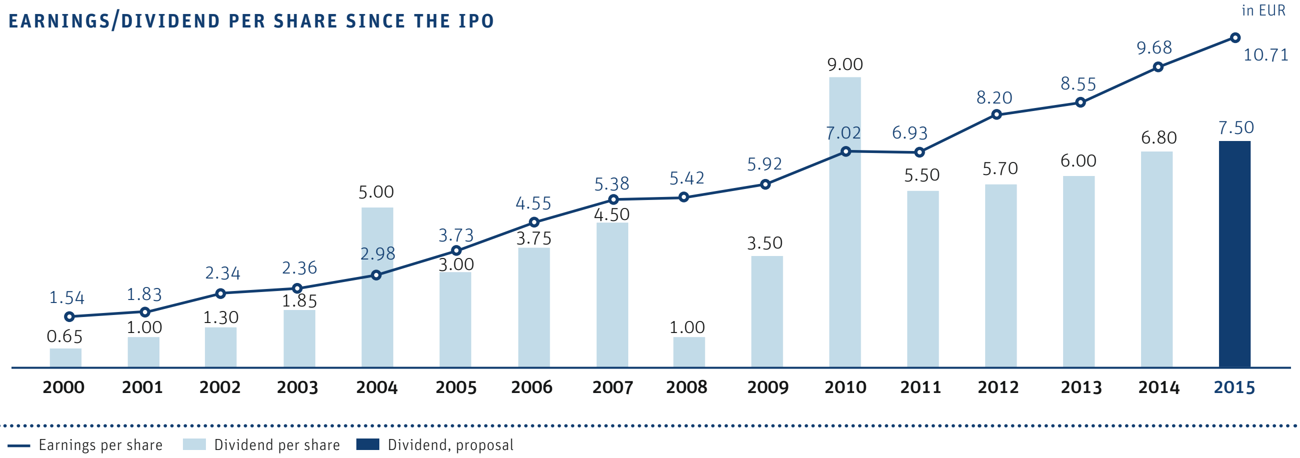
Our shares have been listed in the "Prime Standard" since the IPO, and are traded in all German stock exchange centres. After five years on the MDAX index, the relatively lower trading volume triggered the reversion of RATIONAL shares to the SDAX in 2014, where they rank in 64th place in Deutsche Börse's MDAX/SDAX ranking of December 2015. In terms of market capitalisation, RATIONAL ranks at number 43. On the basis of these rankings, it is realistic to assume that the shares will remain in the SDAX in the medium term.

PERFORMANCE OF RATIONAL SHARES SINCE THE IPO 2000 — Index (issue price 23.00 EUR = 100); in %

PERFORMANCE OF RATIONAL SHARES IN 2015 — Index (31 December 2014 = 100); in %



EARNINGS/DIVIDEND PER SHARE SINCE THE IPO



The average daily trading volume across all stock exchange centres was 5,449 shares in 2015 (previous year: 6,883 shares). To support the liquidity of the shares, HSBC Trinkaus & Burkhardt AG acts as the designated sponsor.

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

EARNINGS PER SHARE

At 10.71 euros, earnings per share in 2015 exceeded the previous year's figure of 9.68 euros. This was thanks to sales revenue growth over the past fiscal year and the high earnings power of

KEY FIGURES OF RATIONAL SHARES

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
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 m 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)	422.00	271.05	269.15	221.70	193.90	170.75	118.39	142.80	161.24	167.38
Minimum price [2] (in EUR)	251.60	212.85	200.00	166.15	134.65	103.75	54.82	66.68	112.64	98.67
Year-end closing price [2] (in EUR)	419.90	259.75	241.10	218.00	168.20	161.89	115.99	82.61	137.54	138.61
Market capitalisation [1] (in m EUR)	4,774.3	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
Free float market capitalisation [1] [2] (in m EUR)	1,391.6	860.9	799.5	722.9	546.7	524.5	374.8	266.9	445.9	439.0
Average trading volume [2] (in pieces)	5,449	6,883	6,746	6,085	9,479	7,994	10,962	18,176	14,425	11,109
Dividend per share for fiscal year [5] (in EUR)	7.50	6.80	6.00	5.70	5.50	9.00	3.50	1.00	4.50	3.75
Dividends paid [5] (in m EUR)	85.3	77.3	68.2	64.8	62.5	102.3	39.8	11.4	51.2	42.6
Dividend yield in % [4]	1.8	2.6	2.5	2.6	3.3	5.6	3.0	1.2	3.3	2.7
Annual performance without dividend in %	61.7	7.7	10.6	29.6	3.9	39.6	40.4	–39.9	–0.8	26.1
Annual performance incl. dividend in %	64.3	10.2	13.2	32.9	9.5	42.6	41.6	–36.7	1.9	28.9
Beta factor (one year) as of Dec. 31 [3]	0.78	0.74	0.78	0.84	0.38	0.67	0.75	0.63	0.77	1.25
Sales per share (in EUR)	49.62	43.69	40.56	38.26	34.45	30.79	27.65	30.17	29.60	24.95
Price-to-sales ratio [1]	8.5	5.9	5.9	5.7	4.9	5.3	4.2	2.7	4.6	5.6
Earnings per share (in EUR)	10.71	9.68	8.55	8.20	6.93	7.02	5.92	5.42	5.38	4.55
Price-earnings ratio [1]	39.2	26.8	28.2	26.6	24.3	23.1	19.6	15.2	25.6	30.5
Cash flow per share (in EUR)	12.57	9.89	9.05	9.80	5.96	7.64	7.32	6.24	5.37	4.32
Price-cash flow ratio [1]	33.4	26.3	26.7	22.2	28.2	21.2	15.9	13.2	25.6	32.1

[1] as of balance sheet date, [2] German stock market, [3] In relation to the SDAX-Performance-Index 2014 (until 2013 in relation to the MDAX-Performance-Index),
[4] In Relation to the previous' year closing price, [5] Payout in the following year, 2015 subject to approval by shareholder meeting 2016
Source: HSBC, Bloomberg, RATIONAL

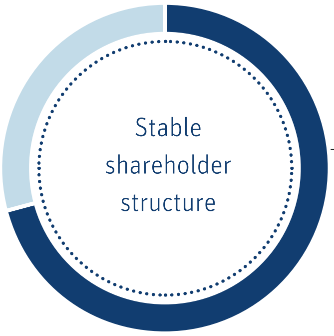
the Company. The number of shares outstanding is 11,370,000. No dilution effects occurred.

DIVIDEND OF 7.50 EUROS PROPOSED

The Executive Board and Supervisory Board propose to the General Meeting of Shareholders to distribute a dividend of 7.50 euros per share for fiscal year 2015. A total amount of 85.3 million euros has been set aside for the distribution. The dividend yield (based on the 2015 closing price) is 1.8%.

STABLE SHAREHOLDER STRUCTURE

SHAREHOLDER STRUCTURE



Status: 31 December 2015

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 amounts to 29.1%. There are no outstanding stock option schemes or convertible bonds that could dilute the shareholding.

CURRENT ANALYSTS' COMMENTS ON THE RATIONAL CORPORATE WEBSITE

ANALYSTS' RATINGS

Status: 31 December 2015

At present, 14 institutes publish detailed analyses on RATIONAL AG. All equity analysts are convinced of the Company's exceptional earnings 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 2015, management spent 18 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, Berlin/Bremen, Düsseldorf, 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	31.12.
Accounting principles	IFRS
Flotation	03.03.2000
Designated Sponsor	HSBC Trinkaus & Burkhardt AG

CORPORATE GOVERNANCE REPORT AND DECLARATION OF CORPORATE GOVERNANCE PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE (HANDELSGESETZBUCH, HGB)

Responsible corporate governance that is geared to sustained value creation and preservation is the benchmark of all actions of the Executive Board and Supervisory Board of RATIONAL AG and the cornerstone of the company's success. The following is the Executive Board's and Supervisory Boards' report on corporate governance at RATIONAL in accordance with our corporate governance principles, number 3.10 of the German Corporate Governance Code and section 289a of the Handelsgesetzbuch (HGB, German Commercial Code). The report is supplemented by the remuneration report, which is part of the Company's management report.

MANAGEMENT BODIES OF THE COMPANY

RATIONAL AG is an Aktiengesellschaft (AG, joint stock corporation) under German law. A basic principle of German corporation law is the dual system of management, comprising an executive board and a supervisory board, each of which has its own autonomous areas of responsibility. The Executive Board and Supervisory Board of RATIONAL AG cooperate closely and on a basis of trust in the management and monitoring of the Company.

THE EXECUTIVE BOARD AND ITS WORKING METHODS

The Executive Board of RATIONAL AG can consist of one or more persons. As at the balance sheet date it had five members. The assignment of division responsibility to the individual members is detailed in the executive organization chart.

The members of the Executive Board bear joint responsibility for the overall management of the Company. They cooperate closely together and exchange information about important actions and procedures falling within their divisions. Each member of the Executive Board is responsible for the divisions assigned to them on the basis of Executive Board resolutions. The Executive Board generally reaches decisions in meetings, which are held at bi-weekly intervals. In addition, every member of the Executive Board can call a meeting by giving notice of the item on the agenda. Likewise every member can require a topic to be included in the agenda for a meeting. The Executive Board reaches decisions in meetings by a simple majority of votes cast, and other than in meetings by a simple majority of its members.

The Executive Board keeps the Supervisory Board comprehensively informed in good time, verbally and in writing, and in regular meetings about planning, business development and the position of the Company, including risk management.

The members of the Executive Board, Dr Peter Stadelmann (Chief Executive Officer), Peter Wiedemann (Chief Technical Officer), Erich Baumgärtner (Chief Financial Officer until 31 December 2015), Markus Paschmann (Chief Sales Officer) and Dr Axel Kaufmann (Chief Financial Officer since 1 January 2016), do not perform any Supervisory Board duties in other listed companies.

No conflicts of interest occurred in the past fiscal year.

THE SUPERVISORY BOARD AND ITS WORKING METHODS

The Supervisory Board advises and monitors the Executive Board in the management of the Company. It is involved in strategy and planning as well as in all matters of fundamental importance for the Company. For significant business transactions – such as the annual planning and major investments – the rules of procedure for the Executive Board, as amended in 2015, include a right of veto by the Supervisory Board. The Chairman of the Supervisory Board coordinates the work in the Supervisory Board, chairs its meetings and looks after the interests of the Board in its external dealings.

In the case of significant events, an extraordinary meeting of the Supervisory Board is convened if necessary. For its work, the Supervisory Board has set itself rules of procedure.

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.

The members of the Supervisory Board are also represented in the following advisory boards and supervisory bodies: Dr Maerz is the Chairman of the Supervisory Board of FWU AG, Munich, and chairman of an audit committee formed in accordance with section 324 of the HGB at FWU Provisions-Factoring GmbH, Munich, Germany. Dr Garbers is a member of the Supervisory Board of Deutz AG, Cologne, Germany.

No conflicts of interest occurred in the past fiscal year.

COOPERATION BETWEEN EXECUTIVE BOARD AND SUPERVISORY BOARD

A detailed account of the cooperation between the Executive Board and Supervisory Board is provided in the Report by the Supervisory Board.

COMPOSITION OF THE SUPERVISORY BOARD

Under the Articles of Association, as amended by resolution of the General Meeting of Shareholders on 29 April 2015, the Supervisory Board of RATIONAL AG has six members, who are elected by the shareholders.

Mr Siegfried Meister is Chairman of the Supervisory Board and his two deputies are Mr Walter Kurtz and Dr Hans Maerz. The General Meeting of Shareholders on 29 April 2015 appointed Dr Hermann Garbers, Dr Gerd Lintz and Mr Werner Schwind to the Supervisory Board, thus adding proven expertise in technology, business law and sales to this body. This will make the Supervisory Board viable for the future so it can continue to meet all its supervisory and control responsibilities.

The Board includes a sufficient number of independent members who have no significant business or personal relationship with the Company or its Executive Board. The term of office of the Supervisory Board is five years. The current term of office will expire at the ordinary General Meeting of Shareholders in 2019.

Supervisory Board members are proposed for election exclusively on the basis of their special skills and qualifications. Other attributes, such as gender, age, nationality or length of membership of the Supervisory Board of RATIONAL AG, have not been and will not be of any consequence for this decision. The Supervisory Board of RATIONAL AG has set itself a target for the proportion of women in the Supervisory Board within the meaning of the German Act on Equal Participation of Women and Men in Executive Positions in the Private and the Public Sector (Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst) and has published this target in this report (see below). Beyond that, the Supervisory Board of RATIONAL AG will not set any concrete objectives for its composition in accordance with number 5.4.1 (2) of the German Corporate Governance Code and will not report on this in the Declaration of Corporate Governance in accordance with number 5.4.1 (3) of the Code.

RIGHT TO APPOINT FOR MEMBERS OF THE SUPERVISORY BOARD

By resolution of the General Meeting of Shareholders on 29 April 2015, article 8 (6) sentence 1 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 up to two members 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 shall 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.

FORMATION OF SUPERVISORY BOARD COMMITTEES

The Supervisory Board of RATIONAL AG previously comprised only three members. The formation of committees was therefore not appropriate. Following its enlargement to six members by resolution of the 2015 General Meeting of Shareholders, the Supervisory Board has established an Audit Committee. Its members are Mr Walter Kurtz, Dr Hans Maerz and Mr Werner Schwind. The Supervisory Board does not believe that the establishment of a nomination committee is necessary. With a six-member Supervisory Board, efficient discussions and lively exchanges of views on suitable candidates for nomination by the Supervisory Board to the General Meeting of Shareholders can also be held in the plenary session. Moreover, the fact that the Supervisory Board of RATIONAL AG is not subject to co-determination obviates the need to form a nomination committee that consists exclusively of shareholder representatives.

DEFINITION RELATING TO THE PARTICIPATION OF WOMEN IN EXECUTIVE POSITIONS IN ACCORDANCE WITH SECTIONS 76 (4) AND 111 (5) OF THE GERMAN STOCK CORPORATION ACT (AKTIENGESETZ)

RATIONAL AG is a listed company, but is not subject to parity co-determination. This means that, under the German Act on Equal Participation of Women and Men in Executive Positions in the Private and the Public Sector, the introduction of a 30% ratio for women in the Supervisory Board of RATIONAL is not binding. However, the company's listing on the stock exchange requires the company to specify targets for increasing the percentage of women in the Supervisory Board, Executive Board and on the two management levels below the Executive Board as well as to set deadlines for attaining these targets.

The Executive Board and Supervisory Board of RATIONAL AG have set themselves the following targets for the proportion of women in executive positions, thereby meeting their legal obligations:

- For the Supervisory Board, a target of 0% has been specified for the proportion of women.
- For the Executive Board, a target of 0% has been specified for the proportion of women.
- For the first management level below the Executive Board, a target of 12.5% has been specified for the proportion of women.
- For the second management level below the Executive Board, a target of 30.0% has been specified for the proportion of women.
- The deadline for meeting this target is 30 June 2017.

The targets specified for the proportion of women in executive positions at RATIONAL AG were met in the year under review.

SHAREHOLDINGS OF THE MANAGEMENT BODIES

The members of the Supervisory Board held a total of 8,049,695 shares as at 31 December 2015. This corresponds to 70.80% of the share capital. Of these, 7,161,311 shares corresponding to 62.98% of the share capital were held by Mr Siegfried Meister and 887,784 shares corresponding to 7.81% of the share capital were held by Mr Walter Kurtz. 300 shares each, corresponding to 0.003% of the share capital in each case, were held by Dr Hans Maerz and Dr Gerd Lintz.

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. In fiscal 2015, no RATIONAL shares were bought or sold by members of the Supervisory Board or Executive Board.

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 no-par value shares in the Company. The stock options are subject to waiting periods and time limits for exercising the rights, which are decided on by the Supervisory Board. The exercise of option rights is linked to a specified increase in the value of the Company measured against the SDAX Performance Index. No stock options were issued in the year under review.

SHAREHOLDERS AND GENERAL MEETING OF SHAREHOLDERS

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.

Around 700 shareholders, representatives of the press and guests attended the General Meeting of Shareholders in Augsburg on 29 April 2015. An imputed 90.86% of the share capital was represented. All resolutions on the agenda were approved by the General Meeting of Shareholders with a large majority.

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 to set up a compliance organisation in fiscal year 2012.

The starting point for compliance activities is the RATIONAL AG Code of Conduct, which has been summarised in the form of RATIONAL Rules of Conduct in Business and communicated throughout the Company.

The RATIONAL compliance team was set up in 2013, and a Compliance Officer appointed for the entire RATIONAL Group. On the basis of the results of compliance risk analyses carried out in different company divisions, actions were defined to counter all material compliance risks. In addition to applicable internal compliance rules, these measures also include the cooperation with qualified local partners. Moreover, 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.

In 2015 an independent auditing company performed an audit of the risk management system and the concept and design of the compliance management system in accordance with the relevant standards of the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer in Deutschland, IDW). The functionality of both systems was confirmed by this audit. The compliance management system and the risk management system are being enhanced in a targeted manner on the basis of the established concepts in the following years.

SIGNIFICANT CORPORATE GOVERNANCE PRACTICES

Responsible, sustainable, and socially aware actions have always been a basic element of the corporate culture of RATIONAL AG. This also includes integrity in dealings with customers, employees, business partners, shareholders and the public.

By compliance, RATIONAL understands adherence to legislation, laws and the Articles of Association, together with observance of other internal regulations. In addition, RATIONAL AG continued to develop its own corporate governance in fiscal year 2015 and largely complies with the guidance of the Code as amended on 12 June 2015. There are no other voluntary commitments to comply with external codes and regulations. The Company has equipped itself with a comprehensive philosophy and has management principles that are set down in writing as well as a Code of Conduct that applies throughout the Group. The corporate philosophy stresses the self-image of the Company, its executive bodies and employees. It can be found on the RATIONAL website under “Company/Philosophy/The RATIONAL Philosophy”. There are also recommendations on how to behave in dealings with customers, partners and colleagues.

In 2015, new rules of procedure for the subsidiaries entered into force, providing clear guidance for cooperation between the individual Group companies. They define in detail the responsibilities and competencies of executive management in the subsidiaries, but also reserve some decisions in favour of the Executive Board of RATIONAL AG.

ACCOUNTING AND AUDITING

On 29 April 2015, the General Meeting of Shareholders appointed PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Munich, as auditors of the financial statements and the consolidated financial statements for fiscal year 2015. 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.

The lead auditor of the 2015 annual financial statements was Mr Dietmar Eglauer.

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 IN ACCORDANCE WITH SECTION 161 OF THE AKTG AND DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

The Executive Board and the Supervisory Board of RATIONAL AG, Landsberg am Lech, hereby declare in accordance with section 161 of the AktG that, since the last declaration of conformity was submitted in August 2015, the recommendations of the Government Commission for a German Corporate Governance Code (as amended on 12 June 2015) published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette have been and are being complied with, 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 shall be made in the Notes or the Management Report. A compensation report as part of the Management Report outlines the compensation system for Management Board members. The outline shall be presented in a generally understandable way.

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 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 AG resolved to dispense with the publication of individualised figures for Executive Board remuneration 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 remuneration broken down by short-term and long-term components is dispensed with. RATIONAL AG complies in full with the other provisions of numbers 4.2.4 and 4.2.5 of the Code, and also intends to do so in future.

NUMBERS 5.1.2 (1) SENTENCES 2 AND 3 OF THE CODE:

Number 5.1.2 (1) sentence 2: “When appointing the Management Board, the Supervisory Board shall also respect diversity.”

Number 5.1.2 (2) sentence 3: “An age limit for members of the Management Board shall be specified.”

The Supervisory Board and Executive Board expressly welcome all efforts to counter any form of discrimination and to promote diversity in an adequate manner. When appointing members of the Executive Board, the special skills and qualifications of the candidate are the only decisive criterion for the Supervisory Board. Other attributes such as gender or national identity have not been and will not be of any consequence for this decision.

No age limit has been specified for members of the Executive Board, and the Supervisory Board believes that this would not be in the interest of the Company. 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 5.3.3 OF THE CODE (FORMATION OF COMMITTEES):

"The Supervisory Board shall form a nomination committee composed exclusively of shareholder representatives which recommends suitable Supervisory Board candidates for the proposals of the Supervisory Board to the General Meeting."

Until the 2015 General Meeting of Shareholders, the Supervisory Board of RATIONAL AG had only three members. The formation of committees was therefore not appropriate. The ordinary General Meeting of Shareholders on 29 April 2015 resolved to enlarge the Supervisory Board to six members. The Supervisory Board has since then formed an Audit Committee. The Supervisory Board does not believe that the establishment of a nomination committee is necessary. With a six-member Supervisory Board, efficient discussions and lively exchanges of views on suitable candidates for nomination by the Supervisory Board to the General Meeting of Shareholders can also be held in the plenary session. Moreover, the fact that the Supervisory Board of RATIONAL AG is not subject to co-determination obviates the need to form a nomination committee that consists exclusively of shareholder representatives.

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 and a regular limit of length of membership to be specified for the members of the Supervisory Board as well as diversity."

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 AG 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. No age limit has been specified for Supervisory Board members, nor has a regular limit of length of membership of the Supervisory Board. Nominations to the General Meeting of Shareholders are based exclusively on the knowledge, skills and experience of the candidates in question. The intention is to continue to abide by this policy in future in order to safeguard experience and skills for the benefit of the Company.

Landsberg, 31 December 2015

RATIONAL Aktiengesellschaft

Meister

P. Stadelmann

SIEGFRIED MEISTER
for the Supervisory Board

DR PETER STADELMANN
for the Executive Board

REPORT BY THE SUPERVISORY BOARD

Dear Shareholders,

Once again in 2015, 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 sustained improvement of the quality of the business.

DIALOGUE AND COMMUNICATION AS A BASIS FOR ADVICE AND MONITORING

In fiscal 2015, 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 2015 and in 2016 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 11 meetings in 2015. In 2016, one further meeting was held up to the time of the meeting of the Supervisory Board on 24 February 2016 to adopt the financial statements. The members of the Supervisory Board also consulted each other in writing and by telephone, and held 11 other internal consultative meetings and three meetings of the Audit Committee in fiscal 2015. 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 in the Supervisory Board 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:

- Selection of candidates for enlarging the Supervisory Board
- Election of the Chairman and Deputy Chairman of the Supervisory Board
- Departure of the previous CFO, Erich Baumgärtner, as at 31 December 2015 and appointment of Dr Axel Kaufmann as his successor as from 1 October 2015
- Appropriation of profits and proposed dividend
- Business planning for fiscal year 2016
- Strategy for tapping new markets, new management structure in Latin America and consolidation in India
- Development in the focus market USA
- Key points in product development
- Enhancement of the RATIONAL Compliance Programme
- Construction projects at the Landsberg and Wittenheim locations
- Enhancement of the mid-term strategy, including the product portfolio and sales and marketing strategy
- Definition of targets for the proportion of women in the Supervisory Board and Executive Board
- Formation of the Audit Committee

At the Supervisory Board meeting to adopt the financial statements on 24 February 2016, the principal topics included not only the audit and adoption or approval of the annual and consolidated financial statements, but also, in particular, the draft resolutions to be proposed to the 2016 General Meeting of Shareholders.

PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich, will be proposed as auditors for the 2016 fiscal year. We also adopted the remaining draft resolutions for the ordinary General Meeting of Shareholders.

Our duties in 2015, and, in particular, at the meeting held on 24 February 2016 to adopt the financial statements, covered not only the audit plus the entire accounting process in RATIONAL AG and the Group, but also the monitoring of the internal control system and the effectiveness of the internal audit and the risk management system.

CHANGES IN THE EXECUTIVE BOARD

After more than 17 successful years as the Company's Chief Financial Officer, Mr Erich Baumgärtner resigned from his Executive Board position by mutual agreement as at 31 December 2015. Through his entrepreneurial thinking and action, RATIONAL became one of the most sought-after companies on the German Stock Exchange. The Supervisory Board would like to thank Mr Erich Baumgärtner for his many years of service for the benefit of our customers and our Company. The Supervisory appointed his successor, Dr Axel Kaufmann, as member of the Executive Board with sole responsibility for Finance with effect from 1 October 2015.

CORPORATE GOVERNANCE

During fiscal year 2015, the Supervisory Board of RATIONAL AG was enlarged from three to six members.

At its meeting on 21 July 2015, the Supervisory Board also resolved to form an Audit Committee. Mr Walter Kurtz, Dr Hans Maerz and Mr Werner Schwind were elected as members of the Audit Committee, and Dr Hans Maerz is its Chairman. In fiscal year 2015, the composition of the Supervisory Board of RATIONAL AG fully complied with the German Corporate Governance Code recommendation that the Supervisory Board should include what it considers to be an adequate number of independent members.

No conflicts of interest in respect of individual Supervisory Board members occurred in the 2015 reporting year in connection with consultations, draft resolutions and the audit engagement.

On 12 June 2015, 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, an account was rendered for the fiscal year 2015 in the Corporate Governance Report. RATIONAL AG largely complies with the recommendations and suggestions set out in the German Corporate Governance Code. This resulted in the submission of the declaration of conformity as at 31 December 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). This declaration of conformity was updated to reflect the enlargement of the Supervisory Board and the establishment of an Audit Committee and resolved at the meeting of the Supervisory Board held on 23 September 2015. The declaration of conformity as at 31 December 2015 has been published in the 2015 Annual Report. The declarations of conformity can also be found 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 29 April 2015, PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich, audited the financial statements of RATIONAL AG and of the RATIONAL Group for fiscal year 2015. 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 2015, 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 prepared consolidated financial statements for the Group in accordance with the International Financial Reporting Standards (IFRS), supplemented by the commercial law provisions 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 24 February 2016. 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 24 February 2016, the Supervisory Board approved the annual financial statements of RATIONAL AG prepared by the Executive Board as at 31 December 2015, including the certified version, dated 23 February 2016, of the management report for fiscal year 2015, as well as the consolidated financial statements as at 31 December 2015 and the certified version, dated 23 February 2016, of the Group management report. The 2015 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 affiliated and associated companies was examined by the auditors. The auditors 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 affiliated and associated companies and the final statement by the Executive Board contained therein.

APPROPRIATION OF PROFITS

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 profits proposed by the Executive Board.

From RATIONAL AG's net retained profits of 242.6 million euros, a dividend of 7.50 euros per share or a total of 85.3 million euros is to be distributed and the remainder is to 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 2015, 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, 2 March 2016

SIEGFRIED MEISTER
Chairman of the Supervisory Board

RATIONAL AG: GROUP MANAGEMENT REPORT FOR FISCAL YEAR 2015

CONTENTS

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 now the market and technology leader in thermal food preparation products for professional kitchens with a world market share of around 50%. Sales revenues are 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 31 subsidiaries, including 25 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 revenues 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 through a combination of the two. Unique selling points are cooking intelligence, resource efficiency, ease and flexibility of use as well as the 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 replaces even more traditional cooking appliances in professional kitchens. The VarioCooking Center® has established a new product category, like the combi-steamer did almost 40 years ago. It targets the same customer group and, due to its short product history, is only at the beginning of market development. FRIMA's headquarters are in Balgach, Switzerland. The products are manufactured in Wittenheim, France. Distribution is managed through own sales companies and trade partners, primarily in Europe.

CORPORATE STRUCTURE

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	Warschau	Poland	RATIONAL
RATIONAL Scandinavia AB	Malmö	Sweden	RATIONAL
RATIONAL RUS OOO	Moskau	Russia	RATIONAL
RATIONAL Endüstriyel Mutfak Ekipmanları Ticaret Limited Şirketi	Istanbul	Turkey	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	Columbia	RATIONAL
Asia			
Rational Japan Co., Ltd	Tokio	Japan	RATIONAL
RATIONAL Trading (Shanghai) Co., Ltd.	Shanghai	China	RATIONAL
RATIONAL International India Private Ltd.	Delhi	India	RATIONAL
RATIONAL Cooking Systems PTE. LTD.	Singapur	Singapore	RATIONAL

Markets, customers and competitive situation

Our equipment is ideal for any organisation that needs to produce around 30 meals a day or more. The global market potential comprises more than three million potential end customers. Currently only around 30% of them use combi-steamer technology from RATIONAL or a competitor. The customer base ranges from restaurants and hotels, community 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.

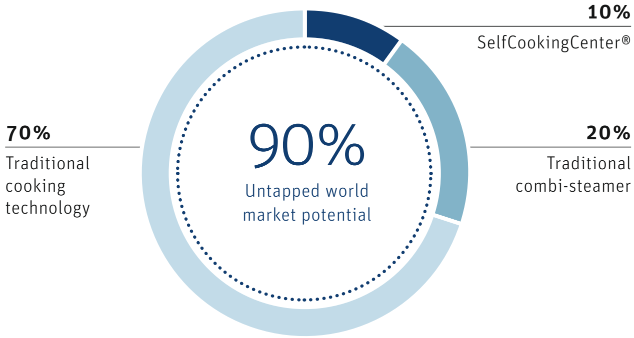
We maintain a presence in over 100 countries through own sales companies and trade partners. We usually collaborate with local sales partners. When the products have successfully established themselves in a country, we gradually increase our sales capacities to raise awareness of the RATIONAL and FRIMA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

Our core market is Europe, where we generate over 60% of our sales revenues, and it still holds huge, untapped market potential. In Europe, the SelfCookingCenter® 5 Senses replaces 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.

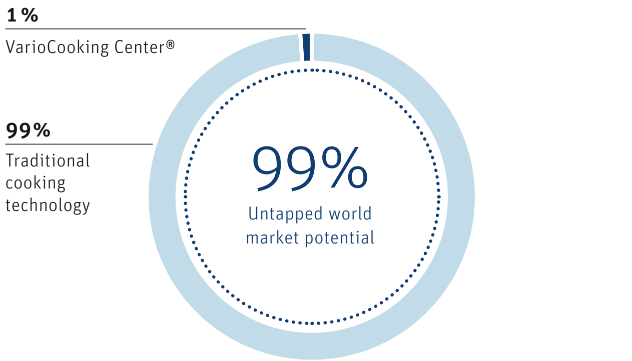
The competitive structure on the combi-steamer market differs from region to region. Most competitors only serve their respective home markets. Only a few providers have global operations; they focus mainly on individual markets, so our main competitors differ from market to market.

STRATEGY AND OBJECTIVES

UNTAPPED WORLD MARKET POTENTIAL OF THE SELFCOOKINGCENTER® 5 SENSES: 90%



UNTAPPED WORLD MARKET POTENTIAL OF THE VARIOCOOKING CENTER® MULTIFICIENCY: ALMOST 100%



Strategy 2015

In 2015, the Executive Board once again put the corporate objectives and the strategy to meet them to the test. 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 2015”.

Maximising customer benefit as the primary corporate objective

Offering our customers the maximum benefit is our primary corporate objective. We want to delight – and not just satisfy – them throughout the entire business relationship. To this end, we need to provide the best products and the best service at an attractive price. And we can only achieve that with the best employees and excellent managers. The goal of everything that our employees think and do is to provide customers with the best possible benefit. Every action and decision is scrutinised to ensure that it provides benefits for 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 offer our customers the best solutions for thermal food preparation.

For us, financial parameters such as sales revenues, growth and profit are the benchmarks for meeting our objective of maximising customer benefit.

Customer-focused services before purchase

We have a sales and marketing process that is tailored to our customers’ needs. In our CookingLive seminars, we present our products to potential customers all over the world and show them the benefits they will enjoy. Ultimately, growing numbers of seminar participants lead over time to an increase in sales volume and sales revenues. For the area of chains 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.

Regional specialist dealers are normally responsible for appliance orders, delivery to the customer, financing, installation and service. In addition, the broad global dealer network ensures local proximity to customers.

Customer retention after purchase

We 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 1,100 service partners worldwide provide fast and reliable technical service to keep our products running smoothly and efficiently at all times.

Further training for customers is an important component of the successful customer benefit strategy, which comprises the optimal use of the many options and profit potential of RATIONAL appliances. The Academy RATIONAL offers chefs the opportunity to obtain information on the latest techniques, trends and preparation methods. In addition to free basic training, fee-based advanced training courses have been offered since 2015. There is a programme tailored to the specific customer requirements in any kitchen – from the restaurant and hotel to the school or hospital.

Additional service offerings, such as ClubRATIONAL, the RATIONAL portal, ChefLine®, our expert app and our presence on social media, are efficient ways to help end customers after they have purchased and to consolidate customer loyalty for the long term. We thus always remain in dialogue with our target group and learn what they are interested in and any problems they may have. This allows us to provide important hints, tips, information and services to our customers, helping them to improve the use of their appliances further.

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 see our role in this primarily as a solution provider rather than an appliance manufacturer. With our innovative products and services, we lighten the daily work of our customers.

Minimal vertical integration, maximum value added

In manufacturing, as well, we aim to specialise and keep vertical integration to a minimum. 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.

We apply the "one-piece-flow" principle in our assembly operations. One employee assembles a complete item of equipment and guarantees the quality by including his or her name on the identification plate. This gives us the flexibility to meet customer requirements by making to order and delivering very quickly. If requested, the appliance can be delivered to the customer as early as one day after order placement. 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 flexible adjustment of the necessary production capacity in line with the number of orders to be processed.

Organic growth

There is still a huge untapped market potential worldwide. To make headway into this market, we are expanding our global sales, marketing and service network organically, step by step. In addition to the higher penetration of already well-developed markets, we are increasingly addressing the growing potential presented by emerging markets.

Financial stability and security are key to our company's success. For us, they are the cornerstones for flexible business activities geared to the future. A high equity base and a good liquidity situation are essential for self-financing our growth.

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

A key factor in the high levels of 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 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 indicators are analysed and the results are reported to the respective decision maker. Based on this, appropriate quality assurance and enhancement measures are initiated.

Our strategic quality management process was set up to implement our long-term quality philosophy. It allows us to continuously improve the quality of our products and services as well as the efficient production process along 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 every day as part of our 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.

Our employees are highly committed and continuously work towards improving quality, productivity and efficiency. This is reflected in the fact that we implemented around 4,300 suggestions for improvement in 2015 alone (previous year: 3,900). By instilling holistic quality responsibility in all our employees and closely involving our suppliers and service partners, we continuously improve the quality of our products and services.

Financial key performance indicators

The table below shows the financial key performance indicators for the two segments of the RATIONAL Group. With these indicators, we can identify inefficiencies and make the necessary adjustments at an early stage.

FINANCIAL KEY PERFORMANCE INDICATORS

Sales volume/revenue trends	EBIT/EBIT margin
Gross profit/gross margin	Receivables management (DSO)
Operating costs	Development of the equity ratio

Non-financial key performance indicators

The key performance indicator for our customers' interest in our products and their satisfaction is the number of participants in our CookingLive seminars. This is an important early indicator for our future business performance.

The KPI for employee satisfaction is the staff turnover rate, which is determined monthly. In addition, we conduct annual staff surveys to identify the percentage of employees who are proud to work for RATIONAL or FRIMA.

RESEARCH AND DEVELOPMENT

We place a special focus on research and development and 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 additionally. Alongside engineers in various disciplines, physicists work on basic research and chefs and nutritionists work on applied research and development.

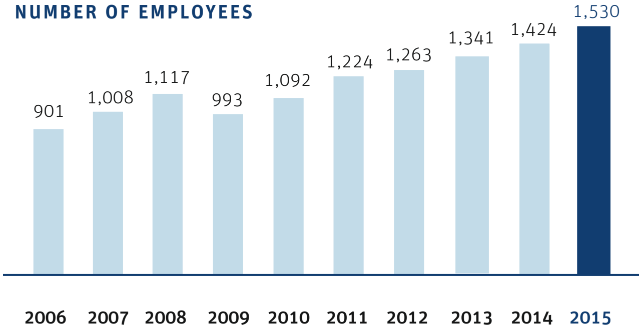
In 2015, we spent 26.5 million euros (previous year: 19.1 million euros), or 5% of sales revenues (previous year: 4%) on developing new solutions and improving the performance of our products and services. Of this total, 23.6 million euros were recognised as an expense in the income statement. 2.9 million euros were capitalised as intangible assets, which will be amortised over their respective useful lives from the time production or service provision commences. We are planning to increase development expenses further in 2016.

Our innovations are protected by around 495 patents, patent applications and registered designs (previous year: 480). In the year under review, our innovation activities resulted in another increase in our sales revenues, 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 2015 from 1,424 to 1,530 (as at 31 December 2015). Of these, 865 were employed in Germany (previous year: 810).

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 2015, we were able to fill around 71% of management vacancies with employees drawn from our own ranks (previous year: 71%).

Staff loyalty and satisfaction are at a high level. According to survey results in 2015, 94% of our employees are proud to work for RATIONAL (previous year: 92%), which is a result that reflects the strong feeling of loyalty among our workforce. In 2015, 93 employees were honoured for their long service to the company. Staff turnover is just 4% in Germany and 8% worldwide (previous year: 3% and 8% respectively).

The health and safety of all employees is a matter of great importance for RATIONAL. To prevent accidents at work and promote the health of employees, safety instructions and trainings are carried out at regular intervals, and the company doctor is available for regular check-ups.

Young, talented employees are an important building block for the company's successful development and fitness for the future. Qualified vocational training therefore enjoys a very high priority at RATIONAL. Currently, we have 63 employees undergoing vocational training as industrial management assistants, industrial mechanics, mechatronics and IT specialists. 18 employees are on dual courses of study, combining studies with practical experience in mechatronics, mechanical engineering, business informatics, international business and hotel and gastronomy management. Moreover, in the areas of technical and business administration as well as sales, we offer young talent programmes for qualified university graduates in all areas of the company, which prepare young people for the management responsibilities of the future. These employees are deployed in various targeted processes and assume specific responsibility at an early stage, enabling them to build up a broad base of expertise, identify their strengths, and develop their character in a purposeful manner. During this process, they receive close support from the Executive Board and their line managers. As at the balance sheet date, a total of 37 junior employees were involved in various programmes.

Remuneration and employee benefits

We reward above-average performance with above-average pay and benefits. Wage and salary adjustments are based on or exceed the wage increases negotiated by the IG Metall union. We pay an additional Christmas bonus and holiday allowance and also provide a voluntary bonus and additional benefits, such as meal and travel allowances and awards for long-standing periods of employment.

Equality as the norm

All employees are equally valued, are given the same respect and have comparable opportunities. By signing their contract of employment, all employees have committed themselves in writing to refrain from and act against any kind of discrimination, sexual harassment or other personal attacks against individuals. Two confidential contact persons are available to employees in the company at all times. Any problems can be voiced and solved anonymously. Skills, qualifications and experience are the only factors in deciding appointments, promotions and remuneration levels.

Information on the targets for increasing the percentage of women in the Supervisory Board, in the Executive Board of RATIONAL AG and on the two management levels below the Executive Board in accordance with sections 76 (4) and 111 (5) of the AktG (Aktiengesetz, German Stock Corporation Act) as well as deadlines for attaining these targets are provided in the Corporate Governance Report/Declaration of Corporate Governance pursuant to section 289a of the HGB (Handelsgesetzbuch, German Commercial Code) under Corporate Governance in the Investor Relations section of the RATIONAL website and in the annual report 2015.

Around 150 new jobs planned worldwide for 2016

In 2016, we plan to invest in the expansion of our global sales and marketing network and continue to increase the size of our workforce so that we are in a position to exploit the available opportunities. Worldwide, a total of around 150 new jobs will be created, over half of them in sales and marketing.

CORPORATE SOCIAL RESPONSIBILITY AS A FUNDAMENTAL PRINCIPLE

Sustainability has been a firm part of our general company policy for many years. Sustainable and future-proof development means giving equal consideration to environmental, social and economic aspects. The aim is to bequeath to our children and grandchildren an intact economical, social and environmental structure.

Sustainable business as a competitive advantage

Sustainable business and a responsible role in society have been core components of our business and production processes since the company was formed.

Resource-saving processes and products, satisfied employees, a positive public image, loyal suppliers and satisfied customers are important drivers for the successful development and long-term sustainability of companies. The focus rests primarily on ensuring ethical and fair conduct, in addition to complying with laws and regulations.

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, who reports directly to the Executive Board, continually enhances the compliance management system and advises the Executive Board on all matters relating to it. The Compliance Officer is responsible for implementing these matters efficiently together with the Executive Board.

Treating customers, business partners and employees honestly and fairly is an important element of our corporate culture. Another element is open, transparent and trustful communication with all stakeholders. To prevent corruption, all employees receive on entry into the company a guideline that applies throughout the Group and contains rules of conduct on how to deal with inducements offered by third parties. If corruption is suspected, our employees are also free to contact the Compliance Officer anonymously at any time.

Active environmental protection

We want to extract the maximum benefit from every resource used, thereby minimising the negative impact on the environment. We achieve this, for example, by using recoverable components and running environment-certified production facilities. For our customers, too, resource efficiency is becoming an increasingly significant criterion for investment decisions. For this reason, high resource efficiency is very important in the daily use of our appliances in the kitchen. 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 life cycle of our products.

As an international company which focuses on sustainability, we incorporate environmental considerations into all our business decisions. We maintain an environmental management system that is certified according to ISO 14001 and set ambitious targets for the reduction of waste as well as for resource, water, energy and fuel consumption. Because of extensive reconstruction and renovation measures at our site in Landsberg and enhanced activities in research and development, we could only partly reach our goals set for 2015.

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.

All processes are continuously optimised to ensure that the volume of waste is kept as low as possible and, for any waste that is produced, to ensure that as much of this waste as possible is transferred to recycling systems or used as a source of energy. 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 business, we have a major responsibility towards society. 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 in difficult situations in their lives by regularly donating money to local social organisations. In addition, RATIONAL buys upstream products and services from workshops for people with disabilities (Isar-Würm Lech GmbH (IWL) and Regens-Wagner-Werk Holzhausen) and also uses their employees in the RATIONAL service parts dispatch process.

Cooperation in partnership with suppliers

As a company with low vertical integration, the quality, productivity and reliability of our suppliers are particularly important to our success. We offer our suppliers a reliable and trustful long-term partnership. In return, we expect loyalty, quality, commitment, flexibility and innovativeness. The best suppliers are presented with special awards at the annual supplier day.

ECONOMIC REPORT

MACROECONOMIC AND SECTOR-RELATED FRAMEWORK CONDITIONS

3.1% growth of global economy in 2015

The estimated growth in global economic output of 3.1% for 2015 is slightly declining. For China, the forecast has been reduced slightly to 6.8% in light of the latest developments and the comparatively weak economy. Brazil and Russia are still in a recession, and economic output is expected to decline by 3.0% and 3.8% respectively in the year 2015. The growth forecast for the USA and Latin America has been lifted slightly and now stands at 2.6%. The growth outlook for the eurozone (1.5%) and Asia (6.5%) has largely remained unchanged. Overall, economic experts are predicting a slowdown in growth for the global economy in 2015, but there are no expectations of another global economic crisis. (Source: Warburg, January 2016)

Good prospects for the future in the professional kitchen industry

The mood in the German professional kitchen industry was again positive in the past year. The use of its products and services in a wide range of cooking scenarios means that RATIONAL's business performance is far less dependent on general economic trends than other sectors and companies. On the contrary, in a survey at the leading international trade fair Internorga, community catering businesses confirmed their willingness to invest at a sustained high level. Around 60% of all businesses surveyed were planning to invest in large appliances in 2015, and around a third of them in cooking equipment.

The prospects for the catering industry also continue to be promising. Expenditure on eating out has been rising continuously for a number of years and is expected to continue doing so in the future. In particular the trends towards fast food as well as system and event catering offer good opportunities for the manufacturers of large-scale catering technology.

The suppliers of commercial kitchen equipment in the various areas also benefited from the good business of their end customers and trading partners. The combi-steamer industry performed well, continuing the previous year's development. According to the industry's main trade association, Industrieverband Haus-, Heiz- und Küchentechnik e.V. (HKI), manufacturers sold significantly more appliances than in the prior-year period. We further strengthened our leading position, which, with a market share of more than 50%, is way ahead of the nearest rival. (Source: HKI statistics, November 2015)

SIGNIFICANT EVENTS IN FISCAL YEAR 2015

Enlargement of the Supervisory Board

The size of the Supervisory Board was increased to six members in the course of the year. The General Meeting of Shareholders on 29 April 2015 appointed Dr Hermann Garbers, Dr Gerd Lintz and Mr Werner Schwind to the Supervisory Board, thus adding proven expertise in technology, business law and sales and technology to this body. This will make the Supervisory Board viable for the future so it can continue to meet all its supervisory and control responsibilities.

New CFO

After more than 17 successful years as Chief Financial Officer, Mr Erich Baumgärtner resigned from his position as at 31 December 2015. He has been succeeded by Dr Axel Kaufmann, who has a broad financial and industrial background at an international level and previously held management positions in various sectors, mostly in the area of finance. In his most recent role, from 2010 onwards, he was CFO and Deputy Board Chairman at the SDAX-listed family business Koenig & Bauer AG. Dr Kaufmann joined RATIONAL on 1 October 2015 and gradually assumed the Executive Board tasks for which he is responsible.

International expansion

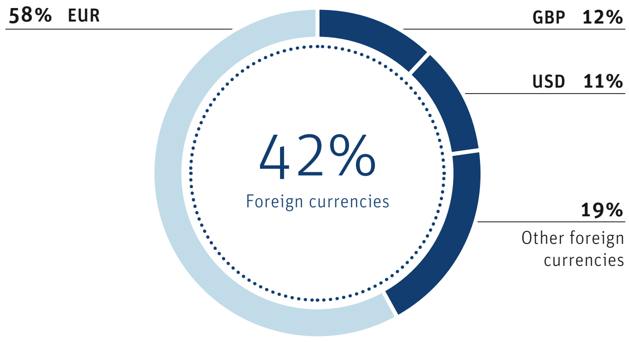
2015 was another year of international growth for us. In addition to expanding the sales activities in all regions worldwide, we laid the foundation for further penetrating the Turkish and South-East Asian markets by establishing subsidiaries in Turkey and Singapore. In this way, our technologies will gradually establish themselves increasingly more firmly in these emerging markets.

BUSINESS IN 2015 – 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 2015 as favourable.

Our sales revenues grew by 14% in the past fiscal year. This increase is primarily attributable to the rise in sales volume compared with the previous year. In addition, sales revenue performance is benefiting from currency effects. In the past fiscal year, we generated around 40% of our sales revenues in foreign currency. Pound sterling (12% of sales revenues) and the US dollar (11%) were the most significant currencies apart from the euro. On average, the euro was a little weaker year-on-year against the currencies relevant to us. This resulted in an increase in sales revenues. Adjusted for the positive currency effects, sales revenues expanded by 10%.

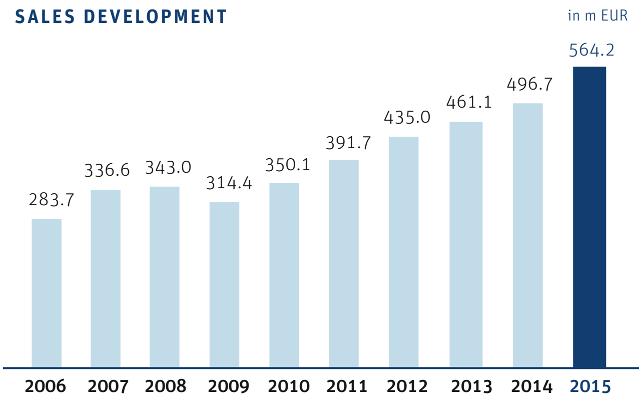
SHARE OF FOREIGN CURRENCY IN 2015



EARNINGS SITUATION

With sales revenues of 564 million euros and earnings before interest and taxes (EBIT) of 160 million euros, the RATIONAL Group can look back on an altogether successful fiscal year 2015. Our sales revenues increased by 14%. EBIT was up 10% year-on-year, and the EBIT margin amounted to 28%.

SALES DEVELOPMENT

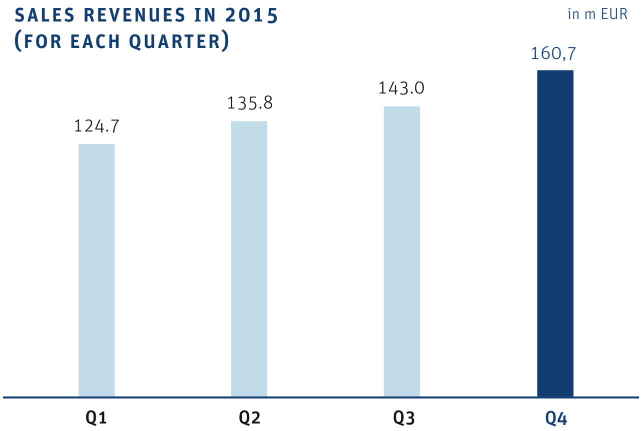


Increased sales revenues from quarter to quarter

Sales revenues increased by an extraordinarily buoyant 24% in the first three months. In total, sales revenues of 124.7 million euros were generated (previous year: 100.8 million euros). In addition to generally positive business performance, this was primarily attributable to positive currency effects and a relatively low base for comparison due to the weaker performance in the prior-year quarter. Growth continued in the second quarter, with sales revenues increasing by 11% to 135.8 million euros (previous year: 122.4 million euros). Consequently, sales revenues grew by 17% in the first half of the year to 260.5 million euros (previous year: 223.2 million euros).

With sales revenues of 143.0 million euros and a growth rate of 14% in the third quarter (previous year: 129.5 million euros), we were able to continue on our growth path of the first six months. Fourth-quarter sales revenues amounted to 160.7 million euros (previous year: 144.0 million euros), up 12% compared with the very strong prior-year quarter. As a result, we generated total sales revenues of 564.2 million euros for the full year, an increase of 14%.

SALES REVENUES IN 2015 (FOR EACH QUARTER)



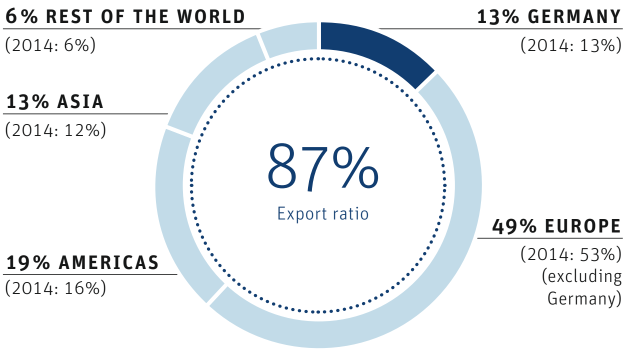
Growth in all regions

Since the beginning of 2014, we have aligned our sales approach in the Americas more closely with the specific market requirements. Specialised sales teams now target different customer groups with specifically tailored offerings. This had a positive impact on our sales figures in 2015. In the past fiscal year, sales revenues in the American market expanded by 34%, making it a key growth market for RATIONAL. Adjusted for positive currency effects, in particular the US dollar, Americas grow by 22%.

Another high contribution to growth came from Asia, where sales revenues increased by 19%. The well-developed home market of Germany also performed very well across all customer segments. The total growth rate in 2015 was 14%. Sales revenues in the “Rest of the world” region grew by 16% year-on-year, especially in Australia and in the Near and Middle East.

In the past few years, we have stepped up our investment in the sales team in Europe. In 2013 and 2014, the region was a key driver of the Group’s expansion. In 2015, Europe again performed well, growing by 5% in total. Adjusted for the Russian market, where weak macroeconomic conditions prevail, and the special factor in the UK, where many school kitchens were equipped with RATIONAL appliances in 2014, sales revenues in Europe were up 9%. As in 2014, countries in southern Europe achieved very good growth rates in 2015. At 16%, the FRIMA segment, which generates a large part of its sales revenues in the european markets, also made a very positive contribution to growth in Europe.

SALES BY REGION IN 2015



Gross margin of 62%

Gross profit expanded faster than sales revenues, namely by 15%, to 349,2 million euros (previous year: 304.0 million euros). The gross margin of 62% slightly exceeded the previous year's high level of 61%. In addition to efficiency gains in manufacturing, the good gross margin was attributable to positive contributions from exchange rate and commodity price movements.

EBIT margin of 28%

In 2015, the percentage rise in operating expenses (sales and service, research and development and general administration) was a little higher compared to sales revenues.

The rise was largely attributable to the sales and service divisions, which saw an increase of 15% to 140.5 million euros (previous year: 122.3 million euros). The reasons for the higher costs are in particular an increase in sales capacities, greater marketing and service activities and a rise in commission paid to sales partners related to the successful business performance.

The cost of enhancing our technologies and products in research and development amounted to 23.6 million euros in the past fiscal year (previous year: 19.1 million euros). This corresponds to a cost increase of 23%. In addition, we recognised development costs for the first time in 2015. Previously, all research and development expenses had been recognised in profit or loss, because the requirements of IAS 38.57 for recognition as an asset had not been met. Capitalised development costs, which amounted to 2.9 million euros in 2015, are included in intangible assets. In total, we therefore spent 26.5 million euros on the further development of our products and services.

General administration expenses rose by 11% from 22.6 million euros to 25.1 million euros.

We incurred total operating expenses of 189.2 million euros, up 15% on the previous year (164.0 million euros).

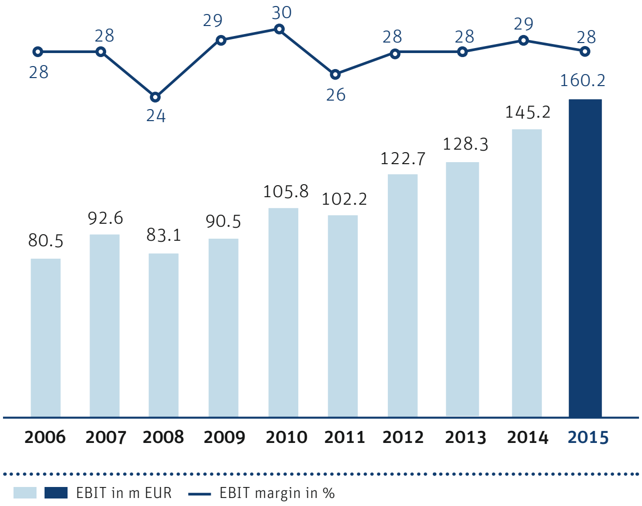
COST AND EARNINGS STRUCTURE in m EUR

	2015	in % of total sales	2014	in % of total sales
Total Sales	564.2		496.7	
Cost of Sales	215.0	38	192.7	39
Sales & Marketing	140.5	25	122.3	25
Research & Development	23.6	4	19.1	4
Administration & Others *	24.9	5	17.4	3
EBIT	**160.2**	**28**	**145.2**	**29**

* Contains currency result

At 160.2 million euros (previous year: 145.2 million euros), EBIT was 10% up on the previous year. The EBIT margin was 28% (previous year: 29%). Adjusted for the positive currency effects, EBIT was 148.3 million and the EBIT margin 27%.

EBIT MARGIN AND EBIT DEVELOPMENT



Due to the low proportion of interest-bearing borrowings and the low interest rates on fixed-term deposits, the financial result, which amounted to – 0.5 million euros (previous year: – 0.6 million euros) was of minor significance.

Profit before tax was 159.7 million euros (previous year: 144.6 million euros). The absolute tax expense was 37.9 million euros (previous year: 34.6 million euros). The consolidated tax rate was 24% (previous year: 24%). This resulted in net profit of 121.8 million euros for the year and a net margin of 22% (previous year: 110.1 million euros and 22%).

RATIONAL segment

In the year under review, the RATIONAL segment increased its sales revenues by 13% to 529.5 million euros (previous year: 467.3 million euros). EBIT reached 157.7 million euros (previous year: 140.2 million euros), 12% up on the previous year. This equates to an EBIT margin of 30% (previous year: 30%).

FRIMA segment

In 2015, the FRIMA segment's sales revenues increased by 16% to 38.7 million euros (previous year: 33.3 million euros). EBIT rose by 21% to 6.7 million euros (previous year: 5.5 million euros). The EBIT margin was 17% (previous year: 17%).

OPERATING SEGMENTS 2015 (m EUR)

	RATIONAL	FRIMA
Segment sales	529.5	38.7
Segment result	157.7	6.7
Sales growth	+13%	+16%
EBIT margin	30%	17%

OPERATING SEGMENTS 2014 (m EUR)

	RATIONAL	FRIMA
Segment sales	467.3	33.3
Segment result	+140.2	+5.5
Sales growth	+7%	+18%
EBIT margin	30%	17%

High level of return on invested capital

To measure the efficiency of the capital that has been invested, we use the return on invested capital (ROIC) and the return on equity (ROE). However, ROIC plays a subordinate role as key performance indicator for our operations.

ROIC, which is calculated by dividing net profit for the year less finance costs by the invested capital (equity plus interest-bearing borrowings), was 34% (previous year: 34%). This means it exceeded the assumed cost of capital of 4.6% by around 29 percentage points, generating an increase of round about 106 million euros in enterprise value.

The return on equity (net profit for the year in relation to equity) came to an average of around 40% in the past years and 37% in the year under review (previous year: 38%).

FINANCIAL POSITION

RATIONAL strengthened its solid financial position in 2015. The liquidity ratio of 55% (previous year: 53%) as at the balance sheet date and operating cash flow of 143 million euros express our earnings power.

Financial strategy: putting security before return

The core objective of RATIONAL's financial strategy is financial independence and short-term capacity to react to market changes. We put security before return. The key components of financial management are the management of capital structure, financial assets and money deposits, currency risk management, receivables management and the management of liquidity for the Group as a whole.

Since we always have sufficient liquidity, we are not dependent on lenders. This enables us to make rapid business decisions, including in uncertain economic times. We finance our growth almost exclusively from our own resources and keep liquidity in reserve at all times in case of unexpected developments in the global economy.

When it comes to investing liquid assets, we put capital maintenance before return. We deliberately forego higher returns and avoid risky cash investments. For this reason, we only invest in euro-denominated fixed-term and demand deposits with short maturities at banks with good ratings.

We also ensure that our shareholders adequately participate in the success of the company. In recent years, we have on average distributed approximately 70% of our net profits as dividends.

High level of operating cash flow

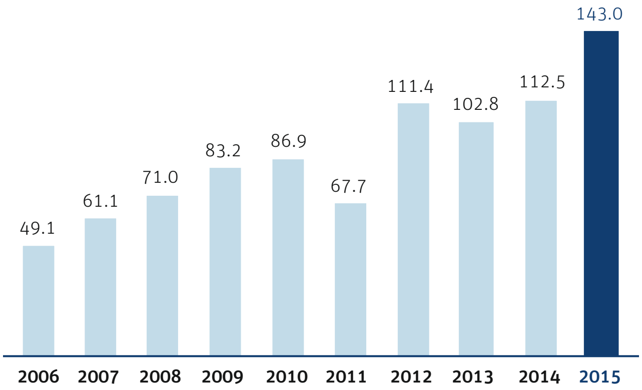
Due to the low level of capital intensity of our profitable business model combined with little vertical integration and efficient receivables management, we are able to maintain our operating cash flow at a consistently high level.

In fiscal year 2015, this reached 143.0 million euros, a year-on-year increase of 30.5 million euros (previous year: 112.5 million euros). The increase was mainly attributable to higher profit (15.1 million euros) as well as a rise in provisions (5.1 million euros). Net working capital rose less significantly compared with the previous year, making a positive contribution to the operating cash flow of 7.5 million euros.

Cash used in investing activities amounting to −10.5 million euros includes payments to acquire property, plant and equipment and intangible assets (previous year: −38.9 million euros). In 2015, these outflows amounted to 19.4 million euros, up 2.6 million euros on the previous year (16.8 million euros). The figure includes renovation and refurbishment investments in buildings, the cost of land and the extension and modernisation of our machinery amounting to 10.5 million euros. In the year under review, we also generated cash inflows amounting to approximately 8.1 million euros out of cash deposits with a maturity of more than three months (previous year: cash outflows of 23.0 million euros). In 2015, we capitalised development costs for the first time. They are included in the cash flow from investing activities in an amount of 2.9 million euros (previous year: 0 million euros).

OPERATING CASH FLOW

m EUR



Free cash flow is calculated by deducting investments in non-current assets from the cash flow from operating activities; it amounted to 123.6 million euros (previous year: 95.7 million euros).

The cash flow from financing activities reflects the dividend distribution and the repayment of principal and interest in connection with bank loans. In the year under review, we paid dividends of 77.3 million euros to our shareholders for the 2014 fiscal year. Furthermore, we reduced our liabilities to banks by a total of 4.2 million euros and paid interest amounting to 1.0 million euros. In total, the cash used in financing activities amounted to −82.5 million euros (previous year: −71.0 million euros).

CASHFLOW 2015

in m EUR

	2015	2014	Change in %
Cash flow from operating activities	143.0	112.5	+30.5
Cash flow from investing activities	−10.5	−38.9	+28.4
Cash flow from financing activities	−82.5	−71.0	−11.5

High level of liquidity

Cash, cash equivalents and short-term deposits rose by 41.6 million euros during the year under review to 267.0 million euros (previous year: 225.4 million euros). Liquid assets and cash depostis therefore represented 55% of total assets (previous year: 53%).

In addition, we had unused credit lines amounting to 29.1 million euros as at the balance sheet date (previous year: 29.5 million euros).

Dividend of 7.50 euros proposed

Although the global economy is forecasted to develop solidly in 2016, there are still uncertainties resulting from the international debt crisis, geopolitical tensions and weak growth of the Chinese economy. In view of the good liquidity situation, the Supervisory Board and Executive Board will propose the distribution of a dividend of 7.50 euros per share for fiscal year 2015 to the General Meeting of Shareholders in 2016 (previous year: 6.80 euros). This represents a dividend yield of 1.8% based on the closing price on 31 December 2015.

The proposed dividend corresponds to a total distribution of 85.3 million euros. Even after the dividend payment, the company will retain an adequate liquidity reserve.

Off-balance-sheet financing instruments

RATIONAL does not transfer liabilities to special-purpose vehicles. Nonetheless, we made very limited use of operating lease arrangements for technical equipment, company cars and IT systems, and entered into leases for office space. This will result in contractually fixed payments of 10.6 million euros over the next five years (previous year: 10.6 million euros). Off-balance-sheet financing has no material impact on the net assets.

Long-term financing measures

We also use long-term bank loans, among other instruments, to finance investments in property, plant and equipment. Accordingly, the largest items under non-current liabilities are liabilities to banks, which stand at 21.8 million euros (previous year:

26.4 million euros). Additionally we have 6.7 million euros (previous year: 6.2 million euros) of short-term loans, which will be repaid according to the amortisation plans within the next twelve months. The loans outstanding are used to finance buildings and production systems. Most of the amount borrowed relates to annuity loans, which will mature in 2022 (15.9 million euros) or 2023 (7.6 million euros). The remaining outstanding amount (5.0 million euros) relates to loans or bills of exchange which will mature in 2016 or 2018.

High credit rating from banks

Our company has been given a very good credit rating of A– to AAA by all lending banks. We have not raised any borrowings on the capital market, so we do not have any external rating from a ratings agency.

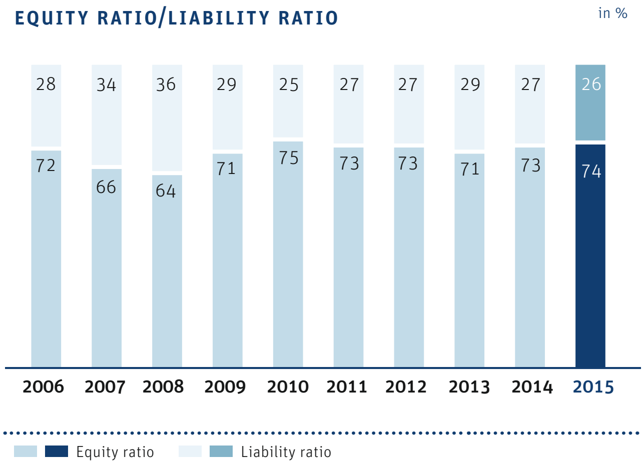
ASSET SITUATION

RATIONAL has a very sound balance sheet structure. With an equity ratio of 74% 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 2015, total assets had risen by 14%, from 423.4 million euros to 482.7 million euros, mainly as a result of the 121.8 million euro net profit for the year, offset by the dividend distribution of 77.3 million euros. As a result, equity increased by 15% to 356.1 million euros (previous year: 310.7 million euros). At 74%, the equity ratio at the balance sheet date increased slightly compared to the previous year's level (73%).

EQUITY RATIO/LIABILITY RATIO



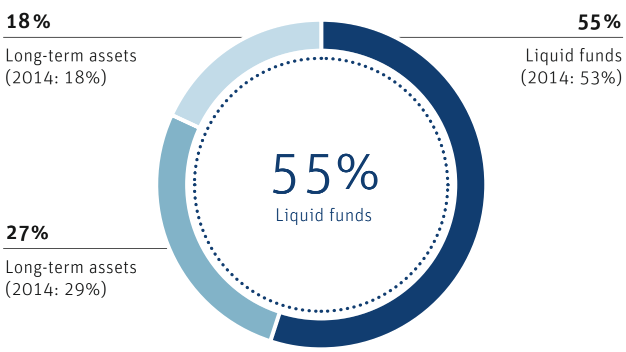
Capital tied up in the short term

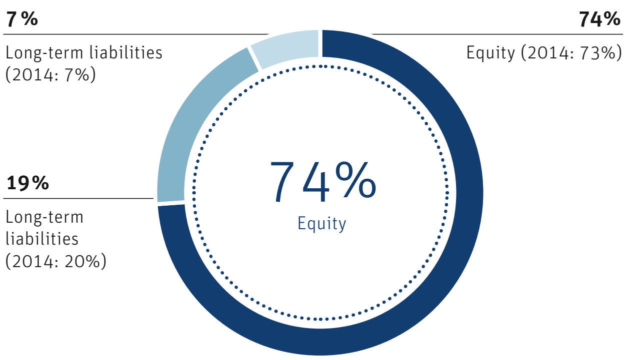
Current assets grew by 47.9 million euros in the year under review, mainly driven by the liquid assets (41.6 million euros) and trade receivables (6.7 million euros). Current assets accounted for 82% of total assets as at the balance sheet date, similar to the previous year (82%).

We continuously optimise the amount of capital tied up in trade receivables. We always aim to find a balance between offering the best possible support to our dealers and tying up as little capital as possible. In the established markets, there was another reduction in days sales outstanding (DSO). In some emerging markets, we support our trade customers by granting longer payment terms. All in all, this resulted in an average DSO of 48 days in 2015 (previous year: 50 days). The proportion of overdue receivables was 6% on average (previous year: 6%).

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

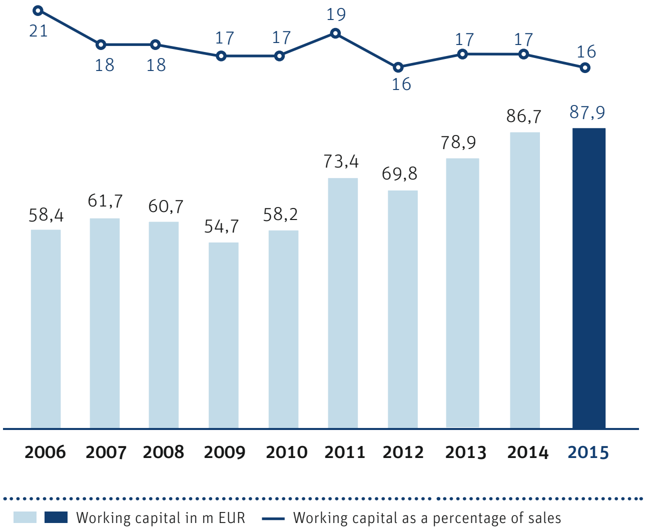
BALANCE SHEET STRUCTURE 2015





RATIONAL's working capital management is effective. By managing receivables, we maintain trade receivables at a low level. Since we make to order, have a low level of vertical integration and use the Kanban system for the supply of materials in our production process, we require only very small 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 1.2 million euros in the fiscal year under review. The level of trade receivables (+7.4 million euros), which increased in line with business performance was opposed by a higher level of current liabilities (+6.0 million euros). At the end of the year, working capital stood at 87.9 million euros, or 16% of sales revenues (previous year: 86,7 million euros or 17%).

WORKING CAPITAL

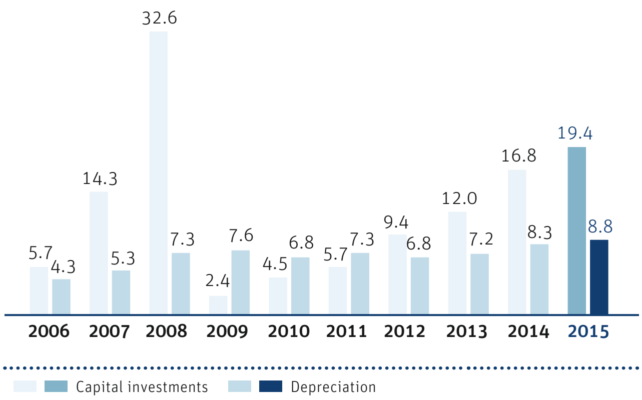


Non-current assets increased by around 7.0 million euros in 2015 as a result of new investments in real estate and machinery. The increase in intangible assets is primarily due to development costs recognised as an asset for the first time in 2015.

Investments

In the year under review, we invested 19.4 million euros in non-current assets (previous year: 16.8 million euros). This figure includes investments in land, the renovation and renewal of real estate and machinery at the components factory in the amount of 10.5 million euros as well as 2.9 million euros of capitalised development costs. 18.4 million euros related to the RATIONAL segment and 1.0 million euros to the FRIMA segment.

CAPITAL INVESTMENTS AND DEPRECIATION in m EUR



In 2016, we expect maintenance, replacement and new investments of around 21 million euros. Investments for 2016 for which contracts have already been signed amount to 7.0 million euros. Beyond that, there are no significant investment commitments that are contractually fixed or contingent upon economic considerations.

Capacity utilisation of our manufacturing facilities currently lies at around 70% (previous year: 70%). With this level of plant capacity, we are well placed for growth in future years.

OUTLOOK / ACTUAL COMPARISON

In the previous year's annual report, we forecasted that sales volume, sales revenues and EBIT would continue the moderate growth trend. With a 7% increase in sales volume, sales revenues of 564.2 million euros (+14%) and EBIT of 160.2 million euros (+10%), we were able to meet or slightly exceed our expectations. The fact that EBIT rose at a faster rate was mainly due to positive currency effects in other operating income and expenses, which were higher than expected. Changes in commodity prices had no major impact on our results, as forecasted.

In the year under review, employee satisfaction remained at the expected high level. 94% of our employees are proud to work for us. Correspondingly also the staff turnover remained at the expected low level. As expected, we were able to keep customer satisfaction at a similar level to the previous year. In the past fiscal year, a large number of existing and potential customers were able to find out about the advantages of our products by watching live demonstrations and trying them out for themselves. With 95,000 participants (previous year: 86,000), our CookingLive seminars showed a similar rate of increase to the previous year. This documents the customers' satisfaction with our products and services.

The average days sales outstanding (DSO) stood at 48 days, two days below the forecast.

OUTLOOK / ACTUAL COMPARISON

	Actual 2014 in %	Outlook 2015	Actual 2015 in %
Financial KPIs			
Sales growth	+8	Moderate growth expected to continue	+7
Revenue growth	+8	Moderate growth expected to continue	+14
Gross margin	61	Approx. 60%	62
Operating costs	+10	Outlook to rise faster than sales revenues	+15
EBIT growth	+13	Moderate growth expected to continue	+10
EBIT margin	29	26 – 28	28
DSO (days)	50	Previous year's level	48
Equity ratio	73	Approx. 70%	74
Non-financial KPIs			
CookingLive participants	+13	+10%	+10
Staff turnover in Germany	3	Previous year's level	4
Staff turnover worldwide	8	Previous year's level	8
Proportion of proud employees	92	Previous year's level	94

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 net assets, financial position or results of operations of RATIONAL AG and would have to 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 general market indicators as well as sector-related and company-specific matters.

The market-related parameters are growth of the global economy and movements in exchange rates and commodity prices. Sector-related matters are primarily the economic performance of the users of our products and services, dealers and the competitive situation among providers 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 3.6% for 2016. At around 4,5%, the highest growth rates are forecasted for the emerging economies. Nonetheless the USA is also on a solid growth path with an expected rate of expansion of around 2.8%. For the eurozone, experts expect slow economic growth of around 1.6% for 2016 (source: Warburg, January 2016).

FINANCIAL KEY PERFORMANCE INDICATORS

Sales volume, revenues and profit forecast for 2016

For 2016, we expect that the euro will remain neutral against the foreign currencies relevant to us and will consequently not have any impact on sales revenues or profit.

We also expect the effect of commodity prices on our cost of sales and consequently on our profits to be neutral in 2016. In terms of the basic price of steel, we have agreed stable prices with our suppliers for 2016, and we expect the alloy surcharge in 2016 to be at the average level of 2015.

All in all, we expect Group-wide cost of sales to increase in proportion to sales revenues. 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 slightly above 60%.

Owing to investments in research and development and in the expansion of our sales capacities, operating costs are expected to increase slightly faster than sales revenues. We assume that our EBIT margin will be around 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 moderate growth in sales volume, sales revenues and EBIT to continue in 2016.

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

Sustainably solid underlying financial position

Throughout 2016, we are planning an equity ratio at the same level of around 70% and a high level of available liquidity. Liquidity requirements for current operating expenses, the increase in working capital needed to keep pace with growth, the necessary investment in plant and equipment and the planned dividend distribution will in 2016 mostly be covered by operating cash inflows and the net liquidity currently available. In addition, we will finance some of the construction projects with new bank loans of 4.5 million euros.

For fiscal year 2016, we expect average days sales outstanding (DSO) for our trade receivables to be slightly over the previous year's level. This results primarily out of granting partly more generous terms of payments to support our partners in the emerging countries.

NON-FINANCIAL KEY PERFORMANCE INDICATORS

We attribute 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 want to continue to improve employee satisfaction, which is already at a high level, by initiating targeted activities and support measures in 2016. We expect the staff turnover rate to be at a similarly low level as in 2015.

The rise in the number of sales employees will lead to a year-on-year increase in sales activities and the number of participants in 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, achieve a sustained increase in 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 at an early stage 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 2016 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 for positive ones.

Opportunities for the success of our business in future include the replacement of equipment caused by innovative products and the winning of new customer groups in established markets as well as the growing prosperity in emerging countries. Given that there is great potential in the global market, that our products lead 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 to achieving our corporate objectives. In addition to 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 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 outside home. This provides us with a degree of security, even in times of crisis.

As prosperity increases, the restaurant and catering sector grows in significance. Per 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. The SelfCookingCenter® 5 Senses replaces both conventional cooking technology and standard combi-steamers, so there is still additional untapped market potential worldwide for such replacements.

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

This huge untapped market potential will allow us to continue to grow in future as a result of 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 being 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. This result was proven by our last two surveys with TNS Infratest. As a result, we continue to enjoy a clearly leading market position. Every second combi-steamer currently sold around the world comes from RATIONAL.

Market-leading products

We have a portfolio of market-leading products and services. 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 constantly search for better solutions and drive technological progress. In this way, we safeguard the high technical standards of our products and ensure ongoing development, which in turn enables us not only to maintain our market position, but also to keep extending it. We are also 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 build on 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.

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

RISK REPORT

The risk report explains the principles and organisation of risk management at RATIONAL and presents the current risk situation. Business risk can be defined as the danger of not meeting 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 opportunities and risks 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 and responsibilities for effective, forward-looking risk management are documented in a corporate guideline, which is binding on 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 existing risks to the appropriate decision makers.

Internal and external opportunities and risks are recorded and assessed for all business units in the company over a horizon of three years. In 2015, the results of the previous year's risk inventory 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, then 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 internal audit. In addition, the risk early detection system is reviewed by the independent auditors to ensure that it is capable of identifying and eliminating 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 coverage is adjusted accordingly.

The RATIONAL compliance team was set up in 2013, and a Compliance Officer appointed for the entire RATIONAL Group. On the basis of the results of compliance risk analyses carried out in different company divisions, actions were defined to counter all material compliance risks. In addition to applicable internal compliance rules, these measures also include the cooperation with qualified local partners. Also, 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 compliance regulations were adapted accordingly.

In 2015 an independent auditing company performed an audit of the risk management system and the concept and design of the compliance management system in accordance with the relevant standards of the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer in Deutschland, IDW). The functionality of both systems was confirmed by this audit. The compliance management system and the risk management system are being enhanced in a targeted manner on the basis of the established concepts in the following years.

Risk assessment and containment

In order to categorise the existing risks, we assess them according to their probability and in terms of their financial impact on the company's net assets and results of operations. We have implemented appropriate measures to reduce the probability and any loss or damage to a minimum. 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 occurence	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 categorised with regard to their probability and their impact in accordance with the above-mentioned definitions.

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

BUSINESS RISKS

	Probability	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 revenue 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		
Environmental 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 and countermeasures or indicate where the details are presented in the annual 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.

Alongside to this, 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. 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 RATIONAL operates is susceptible to cyclical risks. The purchase of our appliances represents a significant investment for customers. A weak economy or uncertainty about future trends can have a negative impact on our customers' propensity 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 current 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 revenue potential due to failure of a dealer

We generate our sales revenues with several thousand dealers, most of them operating in the catering and food service sector. In the year under review, the proportion of total sales revenues accounted for by the individual dealer generating the greatest sales revenues was 2.8% (previous year: 2.7%). The default of a particular dealer can reduce our revenue potential, but this poses no special threat to our prospects for constant future revenue growth. Since our sales and marketing process is focused on end users, the default of a dealer does not automatically entail a fall in demand from end users.

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.

In fiscal year 2015, the Russia-Ukraine crisis again led to a decline in sales revenues in these markets. However, the international nature of RATIONAL's operations and the fact that we sell our products in many of the world's main markets gives 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 for years been the leader in our field in terms of products and technology. 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, RATIONAL is involved in small proceedings on the basis of alleged infringement of intellectual property rights (own patents) as part of the normal course of business.

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 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 results of operations
- 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. Nonetheless, this does produce a certain degree of mutual dependency, which means that the complete default 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 1.0% (previous year: 1.1%) 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 subject all appliances to testing 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 urgent quality improvement system within technical processes. Damage to property or injury to persons occurring on customer premises are adequately covered by 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. It is 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 staff turnover would adversely affect business performance in the long term.

RATIONAL is an attractive employer in the region as well as internationally. To recruit suitable employees, the company undertakes various activities, such as scouting at university campuses or visiting vocational training fairs. To motivate and 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 U.i.U.® philosophy fosters a special corporate culture that encourages employees to be loyal and stay for the long term.

In order to avoid work accidents and high sickness rates, regular check-ups and preventive measures are conducted by the company doctor. Annual employee instructions on health and safety at work are performed as part of the RATIONAL Safety Initiative. Employees are in this way made aware of and taught about general safety rules and accident prevention measures.

IT risks

Risks can arise, in particular, as a result of the ever evolving 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.

To take account of the increasing significance of protecting and ensuring the security of corporate data, information security training was held in 2015 in order to hone the employees' awareness when dealing with such data.

Environmental risks

RATIONAL is only exposed to significant environmental risks to a limited extent at the production plants. They include increased energy consumption in production and in the office buildings, waste and greenhouse gas emissions. The company distributes chemical products in the form of cleaning tablets. To detect environmental risks early and avoid loss or damage, new investments are also assessed in terms of their environmental impact. Waste water, solid waste, emission values and other environmental damage are measured and analysed annually. Every year, new targets and the corresponding measures are formulated in order to reduce or altogether avoid any environmental impact. The only waste produced at RATIONAL that is classified as hazardous is electropolishing sludge, which is disposed of by certified waste disposal companies. By using state-of-the-art welding techniques, this type of waste has been reduced by 70% in the past few years. Regular investments are made in modern, environmentally friendly building technology, aimed at making, for example, heating and cooling systems as environmentally friendly as possible. Our products are continually developed and improved in terms of energy consumption, because lower energy costs and improved consumption values are also in the interest of our customers.

Financial and capital market risks

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

Details of the financial and capital market risks pursuant to German Accounting Standard (GAS) 20 are provided in note 28 “Financial instruments” under “Financial risks”.

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 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 relevant to the consolidated financial statements are audited by an auditor or reviewed by the Group auditor in order to ensure that accounting practice is consistent and complies with the law.
- All of the Group processes relevant to accounting are regularly checked by the Internal Audit function as part of the audit process for subsidiaries. The processes involved at the Landsberg site are also regularly checked.

The internal control and risk management system, the main features of which are described above, ensures that the accounting process is efficient. The controls in place largely eliminate errors and ensure 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 German Commercial Code (Handelsgesetzbuch, HGB) requires public companies listed on a stock exchange to disclose information on the main features of their remuneration system.

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

The total remuneration paid to the Executive Board for the performance of its duties within the parent company and its subsidiaries in fiscal year 2015 was 5.1 million euros (previous year: 6.4 million euros). This amount included performance-related pay components of 1.4 million euros (previous year: 1.6 million euros). The figures stated include remuneration for former Executive Board members amounting to 0.9 million euros (previous year: 2.0 million euros). In addition, payments totalling 0.3 million euros were made into the pension scheme for Executive Board members (previous year: 0.4 million euros).

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 kind, relating primarily to the use of a company car, telephone, and insurance premiums. The incidental benefits are part of their remuneration package and the individual Executive Board members therefore have to pay tax on them.

No stock options were issued in 2015.

The General Meeting of Shareholders held on 11 May 2011 decided not to publish an individual breakdown of Executive Board remuneration.

The total remuneration paid to the Supervisory Board for 2015 amounted to 1.0 million euros (previous year: 0.7 million euros). This amount included variable components of 0.0 million euros (previous year: 0.2 million euros). The significant increase in remuneration resulted from the enlargement of the Supervisory Board from three to six members in May 2015.

INFORMATION RELATING TO TAKEOVERS

Pursuant to section 315 (4) of the German Commercial Code (Handelsgesetzbuch, HGB), companies must provide and explain information relating to takeovers.

Details of the composition of the share capital pursuant to German Accounting Standard (GAS) 20 are given in note 21 “Equity”.

As at 31 December 2015 the company founder and Supervisory Board chairman held 7,161,311 shares in RATIONAL AG. He therefore exceeds the threshold of 10% of the voting rights.

By resolution of the General Meeting of Shareholders on 29 April 2015, article 8 (6) sentence 1 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 up to two members 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 shall 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, article 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 article 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 2015.

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

The Corporate Governance Report and the Declaration of Corporate Governance pursuant to section 289a of the German Commercial Code (Handelsgesetzbuch, HGB) are presented under Corporate Governance in the Investor Relations section of the RATIONAL website.

Landsberg am Lech, 23 February 2016

RATIONAL AG
The Executive Board

DR PETER STADELMANN
Chief Executive Officer

DR AXEL KAUFMANN
Chief Financial Officer

PETER WIEDEMANN
Chief Technical Officer

MARKUS PASCHMANN
Chief Sales Officer

CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

STATEMENT OF COMPREHENSIVE INCOME RATIONAL GROUP

for the period 1 January – 31 December

kEUR

	Note	2015	2014
Sales revenues	1	564,231	496,727
Cost of sales	2	–214,991	–192,691
Gross profit		**349,240**	**304,036**
Sales and service expenses	3	–140,465	–122,315
Research and development expenses	4	–23,585	–19,134
General administration expenses	5	–25,104	–22,575
Other operating income	6	12,846	11,807
Other operating expenses	7	–12,727	–6,585
Earnings before interest and taxes (EBIT)		**160,205**	**145,234**
Interest and similar income	8	667	595
Interest and similar expenses	8	–1,181	–1,207
Earnings from ordinary activities (EBT)		**159,691**	**144,622**
Income taxes	9	–37,902	–34,559
Net income		**121,789**	**110,063**
Items that may be reclassified to profit and loss in the future:			
Differences from currency translation	21	1,300	57
Items that will not be reclassified to profit and loss:			
Actuarial gains and losses from defined benefit obligations	21, 22	–338	–74
Other comprehensive income		**962**	**–17**
Total comprehensive income		**122,751**	**110,046**
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	**10.71**	**9.68**

BALANCE SHEET RATIONAL GROUP

ASSETS

kEUR

	Note	31 Dec 2015	31 Dec 2014
Non-current assets		**87,316**	**75,943**
Intangible assets	12, 13	5,444	2,232
Property, plant and equipment	14	73,696	66,747
Financial assets	15	0	0
Other non-current assets	18	2,052	1,954
Deferred tax assets	9	6,124	5,010
Current assets		**395,385**	**347,455**
Inventories	16	30,949	30,289
Trade receivables	17	89,613	82,902
Other current assets	18	7,801	8,862
Deposits with maturities of more than 3 months	19	110,900	119,000
Cash and cash equivalents	20	156,122	106,402
Balance sheet total		**482,701**	**423,398**

EQUITY AND LIABILITIES

kEUR

	Note	31 Dec 2015	31 Dec 2014
Equity		**356,107**	**310,672**
Subscribed capital	21	11,370	11,370
Capital reserves	21	28,058	28,058
Retained earnings	21	318,310	273,837
Other components of equity	21	−1,631	−2,593
Non-current liabilities		**32,330**	**31,151**
Provisions for pensions	22	2,597	807
Other non-current provisions	24	6,730	3,338
Non-current liabilities to banks	25	21,769	26,414
Deferred tax liabilities	9	471	0
Other non-current liabilities	27	763	592
Current liabilities		**94,264**	**81,575**
Current income tax liabilities	23	9,860	8,988
Current provisions	22, 24	36,885	31,087
Current liabilities to banks	25	6,666	6,218
Trade accounts payables	26	14,681	12,403
Other current liabilities	27	26,172	22,879
Liabilities		**126,594**	**112,726**
Balance sheet total		**482,701**	**423,398**

CASH FLOW STATEMENT RATIONAL GROUP

for the period 1 January – 31 December

kEUR

	2015	2014
Earnings from ordinary activities	159,691	144,622
Depreciation on fixed assets	8,765	8,285
Net results from asset retirements	565	75
Non-realised foreign currency result	945	221
Change in derivative financial instruments	864	–840
Interest income and income from financial assets	–667	–595
Interest expenses	1,181	1,207
Operating results before changes in working capital	**171,344**	**152,975**
Changes in		
Inventories	–660	–3,120
Trade accounts receivables and other assets	–6,657	–8,229
Provisions	10,242	5,174
Trade accounts payables and other liabilities	6,334	2,868
Cash generated from current business activities	**180,603**	**149,668**
Income taxes paid	–37,646	–37,214
Cash flow from operating activities	**142,957**	**112,454**
Investments in intangible and tangible assets	–19,432	–16,779
Income from asset retirements	101	273
Purchase of fixed deposits with maturities of more than 3 months	–110,900	–119,000
Decrease in fixed deposits with maturities of more than 3 months	119,000	96,000
Interest received	685	595
Cash flow from investing activities	**–10,546**	**–38,911**
Dividends paid	–77,316	–68,220
Repayment of liabilities to banks	–4,197	–1,743
Interest paid	–1,035	–1,066
Cash flow from financing activities	**–82,548**	**–71,029**
Net changes in cash and cash equivalents	**49,863**	**2,514**
Changes in cash from exchange rate fluctuations	–143	–233
Changes in cash funds	**49,720**	**2,281**
Cash and cash equivalents on 1 Jan	**106,402**	**104,121**
Cash and cash equivalents on 31 Dec	**156,122**	**106,402**

STATEMENT OF CHANGES IN EQUITY RATIONAL GROUP

kEUR

	Subscribed capital	Capital reserves	Retained earnings	Other components of equity	Total
Balance on 1 Jan 2014	**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**
Dividend	–	–	–77,316	–	–77,316
Total comprehensive income	–	–	121,789	962	122,751
Balance on 31 Dec 2015	**11,370**	**28,058**	**318,310**	**–1,631**	**356,107**

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 professional kitchens. RATIONAL sells its products worldwide through its own subsidiaries and through independent distribution partners.

The shares of the company, which has been listed on the Frankfurt Stock Exchange since March 2000, have been admitted to the Prime Standard and are traded on the Regulated Market in the SDAX segment.

PRESENTATION OF FINANCIAL STATEMENTS

The functional currency and the currency used in the consolidated financial statements is the euro. For the sake of clarity, figures are shown in thousands of euros (kEUR). The structure of the balance sheet complies with the IAS 1 guidance regarding classification and format. The presentation for the fiscal year ending 31 December 2015 and for the previous year is classified into maturities of “12 months or less” (current) and “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 “Basis of preparation”, “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 23 February 2016. The publication date is 22 March 2016.

BASIS OF PREPARATION

The consolidated financial statements for fiscal year 2015 (including prior-year figures) have been prepared in accordance 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 2015 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 2015; RATIONAL had not applied them voluntarily in previous years.

		Effective date
New	IFRC 21 "Levies"	17 June 2014
Amendment	Annual Improvements to IFRS 2011 – 2013	1 January 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 has no material effect on RATIONAL's consolidated financial statements.
- Various amendments were made to a number of IFRS as part of the "Annual Improvements 2011 – 2013", but have resulted in no material changes to the guidance given in the standards. Amendments were made in IAS 40 "Investment property", IFRS 3 "Business combinations" and IFRS 13 "Fair value measurement". These changes have no material effect on the consolidated financial statements.

The following new or revised standards and interpretations did not yet apply on a mandatory basis in fiscal year 2015 and have not been applied already.

		Effective date
Amendment	Annual Improvements to IFRS 2010 – 2012	1 February 2015
Amendment	IAS 19 "Employee Benefits – Employee Contributions"	1 February 2015
Amendment	IAS 1 "Presentation of Financial Statements: Disclosure Initiative"	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

- Various amendments have been made to a number of IFRS as part of the "Annual Improvements 2010 – 2012", but have resulted in no material changes to the guidance given in the standards. The amendments relate to IAS 16 "Property, plant and equipment", IAS 24 "Related Party Disclosures", IAS 38 "Intangible assets", IFRS 2 "Share-based payment", IFRS 3 "Business combinations" and IFRS 8 "Operating segments". These changes are not expected to have any 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 amendments to IAS 1 "Presentation of Financial Statements – Disclosure Initiative" clarify that disclosures in the notes are only necessary if the information is not immaterial. This applies even if a disclosure is explicitly required by other standards. In addition, the amendments to IAS 1 include guidance on or explain the presentation of subtotals, the structure of the notes and disclosures relating to accounting methods. They also govern how an entity's share of other comprehensive income of equity-accounted investments is presented in the statement of comprehensive income. These amendments are not expected to have any material effect on the presentation of RATIONAL's consolidated financial statements.
- The amendments to IFRS 11 "Joint Arrangements – Acquisition of an interest in a joint operation" mean that the acquisition of an interest or of additional shares in a joint operation that constitutes a business as defined in IFRS 3 "Business combinations" has to be accounted for in accordance with the principles of accounting for business combinations in IFRS 3 and other applicable IFRS. This applies only to the extent that these principles are not in conflict with the guidance of IFRS 11 "Joint Arrangements". These changes have no material effect on RATIONAL's consolidated financial statements.
- The amendments to IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets" clarify which depreciation and amortisation methods are appropriate for different types of assets. The amendments will have no material effect on RATIONAL's consolidated financial statements.
- The amendments to IAS 27 "Separate Financial Statements – Equity method in separate financial statements" allow investments in subsidiaries, joint ventures and associates to be accounted for using the equity method in IFRS separate financial statements. These changes have no effect on RATIONAL's consolidated financial statements.
- The amendments to IAS 16 "Property, plant and equipment" and IAS 41 "Agriculture" clarify that bearer plants are measured at cost until they are ready to produce, and subsequently in accordance with the provisions of IAS 16. This is not expected to have any effect on RATIONAL's consolidated financial statements.
- Various amendments have been made to a number of IFRS as part of the "Annual Improvements 2012 – 2014", but have resulted in no material changes to the guidance given in the standards. These changes have no material effect on RATIONAL's consolidated financial statements.

The following amended or new standards have been published by the IASB but are 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. The examination of the effects of IFRS 15 "Revenue from Contracts with Customers", IFRS 9 "Financial Instruments" and IFRS 16 "Leases" has not yet been completed.

		Effective date in accordance to Standard
New	IFRS 14 "Regulatory Deferral Accounts"	1 January 2016
Amendment	IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 28 "Investments in Associates and Joint Ventures": Investment Entities – Applying the Consolidation Exception	1 January 2016
New	IFRS 15 "Revenue from Contracts with Customers"	1 January 2018
New	IFRS 9 "Financial Instruments"	1 January 2018
New	IFRS 16 "Leases"	1 January 2019
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	indefinitely deferred

The fiscal year of RATIONAL AG and its subsidiaries, with the exception of RATIONAL International India Private Ltd., corresponds to the calendar year. In accordance with local legal 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 the ultimate 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, or has rights, to variable returns from its involvement with the investee and has the ability to affect these returns through its power over the investee. The consolidation of an investee begins on the day on which RATIONAL AG gains control over the entity and ends when it no longer has control over the investee.

Initial consolidation of the investment account is performed using the acquisition method in accordance with IFRS 3. In this process, the cost of the equity investment is offset against the share of the equity of the acquiree as 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 in equity. 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.

SCOPE OF CONSOLIDATION

As at the balance sheet date (31 December 2015), seven domestic (previous year: seven) and 24 foreign subsidiaries (previous year: 22) in addition to the parent company were included in the consolidated financial statements in accordance with IFRS 10. In 2015, two new subsidiaries were established in Singapore and Turkey. They were entered in the commercial register in February and May 2015 respectively.

As at 31 December 2015 the consolidated companies were as follows:

CORPORATE STRUCTURE

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
RATIONAL Endüstriyel Mutfak Ekipmanları Ticaret Limited Sirketi	Istanbul	Turkey	100.0
Americas			
RATIONAL Cooking Systems, Inc.	Rolling Meadows	USA	100.0
RATIONAL Canada Inc.	Mississauga	Canada	100.0
RATIONAL México S.A. DE C.V.	Mexico City	Mexico	100.0
RATIONAL Brasil Comércio E Distribuição de Sistemas De Cocção Ltda.	São Paulo	Brasilien	99.9
RATIONAL Colombia – America Central S.A.S.	Bogotá	Colombia	100.0
Asia			
RATIONAL Japan Co., Ltd.	Tokio	Japan	100.0
RATIONAL Trading (Shanghai) Co., Ltd.	Shanghai	China	100.0
RATIONAL International India Private Ltd.	Delhi	India	100.0
RATIONAL Cooking Systems PTE. LTD.	Singapur	Singapore	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 have exercised the option provided in section 264 (3) of the HGB (Handelsgesetzbuch, German Commercial Code) for fiscal year 2015. LechMetall GmbH makes use of the exemption from disclosing its annual financial statements. The other companies have opted not to prepare notes or disclose their annual financial statements. In addition, RATIONAL Großküchentechnik GmbH and RATIONAL Komponenten GmbH have chosen 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 on "Currency risks" in note 28 and in note 20.

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 at the balance sheet date and the items in the income statement at the annual average rate. The portions of equity to be included in the consolidation of the investment account 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:

1 euro =			Annual average exchange rate 2015	2014	Change in %	Exchange rate on 31 Dec 2015	2014	Change in %
USD	=	US dollar	1.1044	1.3217	–16	1.0892	1.2155	–10
JPY	=	Japanese yen	133.58	140.49	–5	131.12	145.03	–10
GBP	=	Pound sterling	0.7240	0.8034	–10	0.7351	0.7786	–6
CHF	=	Swiss franc	1.0641	1.2128	–12	1.0823	1.2024	–10
CAD	=	Canadian dollar	1.4246	1.4633	–3	1.5126	1.4074	+7
SEK	=	Swedish krona	9.3263	9.1231	+2	9.1815	9.3999	–2
PLN	=	Polish zloty	4.1838	4.1940	0	4.2660	4.2820	0
CNY	=	Chinese yuan	6.8898	8.1544	–16	7.0728	7.4373	–5
RUB	=	Russian rouble	68.800	51.938	+32	80.536	72.700	+11
BRL	=	Brazilian real	3.7444	3.1027	+21	4.3141	3.2301	+34
MXN	=	Mexican peso	17.667	17.643	0	18.923	17.864	+6
INR	=	Indian rupee	71.002	80.712	–12	72.067	76.616	–6
COP	=	Colombian peso	3,056.8	2,656.0	+15	3,457.4	2,887.1	+20
SGD	=	Singapore dollar	1.5219	1.6778	–9	1.5397	1.6059	–4
TRY	=	Turkish lira	3.0397	2.8952	+5	3.1826	2.8291	+12

ACCOUNTING AND VALUATION METHODS

Intangible assets and property, plant and equipment

Purchased intangible assets are recognised at cost and amortised over three to five years using the straight-line method.

Development costs are recognised as internally generated intangible assets if the requirements of IAS 38.57 are met. Among other things, the asset must be technically and economically feasible, it must be possible to measure reliably the expenditure attributable to it, and adequate resources must be available to complete the development project. In 2015, all of the conditions were met for the first time for certain development projects, and this led to the capitalisation of the corresponding development costs. Capitalised development costs include all attributable direct costs and a proportion of indirect costs. The assets are amortised over their useful lives using the straight-line method (usually 5 years), starting when they are available for commercial use. Amortisation charges on capitalised development costs are reported under research and development expenses in the statement of comprehensive income. Development projects that have been capitalised, but not yet completed, are tested annually for impairment. Development costs that do not meet the criteria of IAS 38.57, as well as all research expenses, are expensed as incurred.

Goodwill arising from the consolidation of the investment account and other company acquisitions are tested at the minimum 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. Cost includes 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 at 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 bonuses and cash discounts and other comparable amounts are taken into account when measuring cost. The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

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

Financial 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 recognised 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. RATIONAL does not have any financial instruments classified as “Available-for-sale financial assets”.

A financial asset is derecognised if the contractual right to payments from the financial asset has lapsed or if the financial asset has been transferred and RATIONAL has for the most part relinquished all risks and rewards associated with its ownership. A receivable is also derecognised if it is irrecoverable. A financial liability is derecognised if the corresponding obligation has been settled or rescinded, or has lapsed. The gains and losses arising from the derecognition 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 classified as 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 consolidated statement of comprehensive income.

The calculation of 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 at 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 there are no realistic prospects of recovering a receivable that has been written down, the amount is derecognised.

Cash and cash equivalents

Cash and cash equivalents are measured at nominal value and 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. Cash in foreign currency is translated at the spot rate as at 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 taxes

Deferred taxes 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 38% (previous year: 8% 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 pension provisions in Germany are recognised in the balance sheet in amount of the defined benefit obligation. The pension provisions in Switzerland are calculated on the basis of the difference between the defined benefit obligation and the fair value of the plan assets.

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 are recognised at fair value if there is reasonable assurance that RATIONAL will comply with any conditions attached to the grant and the grant will be received.

Government grants paid as compensation for expenses already incurred are recognised in profit or loss in the period in which the claim arises.

Government grants for assets reduce the carrying amounts of the corresponding assets reported in the balance sheet. The income is recognised in profit or loss by way of reduced depreciation over the useful life of the asset.

Recognition of income and expense

Sales revenues are recognised once goods or services have been provided, i.e. on transfer of ownership and risk to the customer, if it is sufficiently likely that economic benefits will accrue to the consolidated group and the amount of the sales revenues can be reliably determined. The sales 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 goods or services are utilised or on the date the expenses are incurred. Provisions for warranties are recognised on an individual basis or when the corresponding sales revenues are recognised. Interest income and expenses are recognised on an accrual basis. Research expenses and development costs not eligible for capitalisation are expensed as incurred. Finance costs are expensed in the period in which they are incurred, unless they can be directly allocated to the acquisition, construction or manufacture of a qualifying asset.

Use of estimates and assumptions 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 at 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 and capitalised uncompleted development projects are subjected to the annual impairment test, assumptions must be made about future profit or loss levels 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. Projects still under development additionally require assumptions about costs still to be incurred and the period to completion. The actual cash flows can differ significantly from the cash flows based on these estimates. This could lead to a change in the sales revenues and cash flow forecast, which would influence the company's net assets, financial position and profit or loss.

When testing financial assets for impairment, the assumptions and estimates also relate to the future sale price and volume, as well as the costs and discount rates. Although management is confident that the assumptions and estimates are appropriate, a change in the assumptions or circumstances could result in an additional requirement to recognise impairment losses or to reverse such losses.

To calculate deferred tax assets, management must assess the tax benefits arising from the available tax strategies and future taxable income. The reported amount of deferred tax could decline if the estimates of planned taxable income and the achievable tax benefits are reduced or current tax legislation limits the period during which, or the extent to which, future tax benefits can be utilised.

The material sources of uncertainty in respect of provisions relate to forward-looking measurement factors, such as the assumed rate of interest, including assumptions about the risk situation and changes in interest rates. Any changes to these assumptions 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 or goodwill gestures. 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 profit or loss.

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 policies.

NOTES ON THE STATEMENT OF COMPREHENSIVE INCOME

1. SALES REVENUES

In fiscal year 2015, RATIONAL generated worldwide sales revenues of 564,231 thousand euros (previous year: 496,727 thousand euros), of which 76% (previous year: 76%) was attributable to appliance sales. The remaining 24% (previous year: 24%) was generated from the sale of accessories, spare parts and care products.

The regional breakdown of sales revenues by customer location was as follows:

SALES BY REGION kEUR

	2015	% of total	Y-o-y-change in %	2014	% of total
Germany	75,183	13	+14	65,765	13
Europe (excluding Germany)	275,650	49	+5	261,575	53
Americas	107,730	19	+34	80,097	16
Asia	71,098	13	+19	59,573	12
Rest of the world *	34,570	6	+16	29,717	6
Total	**564,231**	**100**	**+14**	**496,727**	**100**

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

A large share of consolidated sales revenues was generated in the UK in the amount of 69,727 thousand euros (previous year: 64,908 thousand euros) and 62,058 thousand euros (previous year: 42,430 thousand euros) in the United States of America. However, as in the previous year, no more than 10% of sales revenues were generated with any one customer.

Further sales revenue breakdowns appear in the section on 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 2015, the cost of sales amounted to 214.991 thousand euros (previous year: 192,691 thousand euros). The cost of materials included in this figure was 184.815 thousand euros (previous year: 164,491 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 2015, sales and service expenses increased slightly proportional to sales revenues to 140,465 thousand euros (previous year: 122,315 thousand euros). Due to significant potential for growth worldwide, RATIONAL invested strategically in expanding its international sales and service organisation.

4. RESEARCH AND DEVELOPMENT EXPENSES

The focal points of research and development activities are application research and the development of new products and services. Research and development expenses include the cost of basic and application research, development costs not eligible for capitalisation and depreciation and amortisation charges on capitalised development costs.

Research and development expenses increased sharply compared with the previous year in order to secure the company's technology leadership and business success. They amounted to 23,585 thousand euros in 2015 (previous year: 19,134 thousand euros).

For the first time development costs were capitalised for certain projects in 2015. The associated costs are included in intangible assets.

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. They amounted to 25,104 thousand euros in 2015 (previous year: 22,575 thousand euros).

6. OTHER OPERATING INCOME

kEUR

	2015	2014
Exchange gains	10,343	9,702
Insurance recoveries	1,074	1,081
Income from government grants	645	548
Income from value adjusted and depreciated accounts receivables	420	340
Further Income	265	–
Other (< 100 thousand euros in each case)	99	136
Total	**12,846**	**11,807**

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 the measurement of foreign exchange positions in US dollars and pound sterling. Exchange gains include income from financial instruments measured at fair value through profit or loss amounting to 604 thousand euros (previous year: 1,381 thousand euros). The item "Further income" in the amount of 265 thousand euros resulted mainly from the reversal of a provision recognised in the previous year for a repayment obligation due to a customer's insolvency.

In the year under review, the "Insurance recoveries" item included among others income of 455 thousand euros (previous year: 586 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 claim to these payments arose in 2015.

7. OTHER OPERATING EXPENSES

kEUR

	2015	2014
Exchange losses	10,471	3,904
Value adjustments on accounts receivables	1,034	1,431
Losses from disposal of assets	614	150
Other taxes	481	732
Donations	67	63
Other (< 100 thousand euros in each case)	60	55
Further expenses	–	250
Total	**12,727**	**6,585**

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 large proportion of the exchange losses is attributable to the measurement of foreign exchange positions in Russian rouble, Brazilian real and Canadian dollar. Exchange losses include expenses for financial instruments measured at fair value through profit or loss amounting to 332 thousand euros (previous year: 530 thousand euros).

8. FINANCIAL RESULT

Interest and similar income results primarily from short-term cash deposits up to one year. Interest and similar expenses include mainly the interest expenses for real estate and machinery financing contracts amounting to 911 thousand euros (previous year: 1,017 thousand euros) and expenses from the compounding of interest on long-term provisions amounting to 146 thousand euros (previous year: 141 thousand euros).

9. TAXES ON INCOME

The following table shows the reconciliation from expected to reported tax expense. This figure includes both current and deferred taxes included in the calculation of profit or loss for the period. 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 2015. 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

	2015	2014
Earnings before taxes (EBT)	159,691	144,622
Expected tax rate in percent	27.73	27.73
Expected income taxes	**44,282**	**40,104**
Variations in local tax rates in the subsidiaries	−7,929	−7,071
Tax refunds from previous years	−447	−95
Tax expenses relating to previous years	309	242
Non-tax-deductible expenses	1,687	1,379
Reported income taxes	**37,902**	**34,559**

Deferred taxes reported in the balance sheet for fiscal year 2015 result on a net basis in deferred tax assets of 5,653 thousand euros after 5,010 thousand euros as at the balance sheet date of 2014. The deferred tax income recognised in the income statement and attributable to 2015 amounted to 563 thousand euros (previous year: 78 thousand euros), taking into account deferred taxes recognised directly in equity (see note 21 "Equity"). The current income tax expense, excluding deferred taxes, thus amounted to 38,545 thousand euros (previous year: 34,668 thousand euros).

The deferred taxes recognised for fiscal years 2015 and 2014 are attributable to the following balance sheet items:

kEUR

	deferred tax asset		deferred tax liability	
	2015	2014	2015	2014
Intangible assets	4	–	−798	–
Inventories	5,492	4,867	–	–
Provisions	1,746	737	–	–
Trade receivables	39	58	–	10
Other	112	68	−942	710
Sum of deferred taxes asset/liability	**7,393**	**5,730**	**−1,740**	**720**
Tax offset	−1,269	−720	1,269	−720
Total assets/ liabilities	**6,124**	**5,010**	**−471**	**0**

5,950 thousand euros (previous year: 5,010 thousand euros) of the total amount of deferred tax assets and liabilities are classified as current. Of the reported amounts, −298 thousand euros (previous year: 0 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.

On 31 December 2015, there was a deferred tax liability for temporary differences of 1,365 thousand euros (previous year: 1,678 thousand euros) in connection with interests in certain subsidiaries. No deferred tax liabilities were recognised for this item, because there are no plans to distribute these gains.

In addition, there are unused tax losses of 3,210 thousand euros (previous year: 2,281 thousand euros). No deferred tax assets were recognised for this amount, because it is not probable that taxable income will be available in the future against which the Group could use the deferred tax assets.

10. EARNINGS PER SHARE

Earnings per share are calculated as stipulated by IAS 33 by dividing net profit or loss for the year 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 net profit for the year of 121,789 thousand euros (previous year: 110,063 thousand euros), basic and diluted earnings per share for fiscal year 2015 were 10.71 euros (previous year: 9.68 euros).

11. DIVIDEND PER SHARE

For fiscal year 2014, the dividend of 6.80 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 29 April 2015. Total dividends of 77,316 thousand euros were paid in April 2015.

The Executive Board and Supervisory Board will propose to the General Meeting of Shareholders on 4 May 2016 that a dividend of 7.50 euros per share be paid for fiscal year 2015, the total distribution in this case being 85,275 thousand euros.

NOTES ON THE BALANCE SHEET – ASSETS

12. INTANGIBLE ASSETS

kEUR

	Industrial and similar rights	Goodwill	Capitalised development expenditure	Total
Acquisition cost				
Balance on 1 Jan 2015	7,489	424	–	**7,913**
Currency differences	–35	–	–	**–35**
Additions	1,304	–	2,878	**4,182**
Disposals	–	–	–	**0**
Balance on 31 Dec 2015	**8,758**	**424**	**2,878**	**12,060**
Amortisation				
Balance on 1 Jan 2015	5,681	–	–	**5,681**
Currency differences	–7	–	–	**–7**
Additions	942	–	–	**942**
Disposals	–	–	–	**0**
Balance on 31 Dec 2015	**6,616**	**–**	**–**	**6,616**
Book Values				
Balance on 31 Dec 2015	**2,142**	**424**	**2,878**	**5,444**
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**

Intangible assets comprise industrial and similar rights recognised at cost, as well as goodwill. Intangible assets for the first time include capitalised development costs of 2,878 thousand euros (previous year: 0 thousand euros) in accordance with IAS 38.57. Internally generated assets are not included. If impairment is identified in excess of depreciation, the asset is written down to its recoverable amount. In fiscal year 2015, 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

	2015	2014
Production	12	9
Sales and service	229	193
Research and development	281	136
General administration	420	487
Total	**942**	**825**

13. GOODWILL

A net carrying amount of 424 thousand euros (previous year: 424 thousand euros) for goodwill was reported under intangible assets as at 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 2015, 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 4.6% after tax, which equated to 5.8% before tax (previous year: 5.2% after tax and 6.5% 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.

In addition, sensitivity analysis was performed. In this process, an increase in the after-tax discount rate from 4.6% to 10.0% (before tax from 5.8% to 12.5%) was assumed. In addition, future sales revenue growth of 0% was assumed. Even based on these assumptions, there would be no need to recognise an impairment loss on the goodwill.

14. PROPERTY, PLANT AND EQUIPMENT

kEUR

	Land and buildings	Technical equipment, machinery	Operating and office equipment	Assets under construction	Total
Acquisition cost					
Balance on 1 Jan 2015	77,219	29,865	21,279	–	**128,363**
Currency differences	185	5	89	–	**279**
Additions	4,968	3,075	3,563	3,644	**15,250**
Disposals	−1,011	−232	−430	–	**−1,673**
Balance on 31 Dec 2015	81,361	32,713	24,501	3,644	**142,219**
Amortisation					
Balance on 1 Jan 2015	27,392	20,160	14,063	–	**61,615**
Currency differences	28	5	47	–	**80**
Additions	2,576	2,574	2,673	–	**7,823**
Disposals	−404	−202	−389	–	**−995**
Balance on 31 Dec 2015	29,592	22,537	16,394	–	**68,523**
Book values					
Balance on 31 Dec 2015	**51,769**	**10,176**	**8,107**	**3,644**	**73,696**
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**

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 2015, no impairment losses were recognised as in the previous year. 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 to land and building costs are primarily attributable to the acquisition of land as well as construction and redevelopment measures at the Landsberg location; some investments in these projects are reported under assets under construction.

For the renovation of an office building, the Group received benefits of 119 thousand euros (previous year: 0 thousand euros). This amount is included in land and buildings and the carrying amount has been reduced accordingly.

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

kEUR

	2015	2014
Production	2,615	2,593
Sales and service	702	652
Research and development	534	473
General administration	3,972	3,740
Total	**7,823**	**7,458**

15. FINANCIAL ASSETS

The cost of the financial assets amounted to 30 thousand euros (previous year: 30 thousand euros), and accumulated impairment losses amounted to 30 thousand euros, as in the previous year. The carrying amount of the financial assets as at 31 December 2015 thus remained unchanged at 0 thousand euros.

> The financial assets are financial instruments classified as "Held-to-maturity financial investments".

16. INVENTORIES

kEUR

	31 Dec 2015	31 Dec 2014
Raw materials, consumables and supplies	10,762	10,610
Work in progress	499	473
Finished goods and goods for resale	19,688	19,206
Total	**30,949**	**30,289**

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

The carrying amount of the inventories measured at fair value less costs to sell is 1,446 thousand euros (previous year: 2,266 thousand euros). In fiscal year 2015, write-downs on inventories of 474 thousand euros (previous year: 643 thousand euros) were recognised under cost of sales.

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

17. TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable totalling 89.613 thousand euro (previous year: 82,902 thousand euro) are reported in the balance sheet, whom all are due within one year. They are composed as follows:

kEUR

	31 Dec 2015	31 Dec 2014
Trade receivables, not impaired	89,133	82,639
Trade receivables, impaired	948	885
Impairment	–468	–622
Total	**89,613**	**82,902**

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

kEUR

Trade receivables not impaired	Total	Not due	Overdue for			
			1–60 days	61–90 days	91–120 days	> 120 days
Balance on 31 Dec 2015	**89,133**	77,878	9,426	667	274	888
Balance on 31 Dec 2014	**82,639**	74,797	6,562	522	237	521

For trade receivables that are neither due nor subject to impairment, there are no indications as at 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 on “Default risk” under “Financial risks” in note 28.

Adequate allowances are recognised for identifiable credit risk on receivables. The following table shows the changes in impairment allowances on trade receivables:

kEUR

Impairment for doubtful accounts receivables	Balance on 1 Jan	Currency effect	Consumption	Reversal	Additions	Balance on 31 Dec
2015	**622**	–5	–265	–274	390	**468**
2014	**396**	1	–258	–125	608	**622**

Receivables written off in fiscal year 2015 amounted to 782 thousand euros (previous year: 917 thousand euros). This figure does not include any claims settled by or compensation payments expected from the credit insurer, which amounted to 455 thousand euros (previous year: 586 thousand euros).

> The trade accounts receivable are financial instruments classified as “Loans and receivables”.

18. OTHER ASSETS

Other assets are classified as current, with the exception of the non-current portion of security deposits, receivables from government grants and other non-current reimbursement claims.

kEUR

	31 Dec 2015	31 Dec 2014
Security deposits		
thereof non-current	555	419
thereof current	115	143
Claims to suppliers	106	139
Receivables from interest	100	118
Fair value of the derivative financial instruments	9	873
Claims to insurance companies	20	132
Other non-current refund claims to customers	133	216
Total other assets (financial instruments)	**1,038**	**2,040**
Value-added tax refund claims	3,804	4,222
Receivables from government grants		
thereof non-current	1,199	1,198
thereof current	645	383
Accruals	1,273	921
Income tax refund claims	967	994
Other non-current refund claims	166	120
Advances to employees	524	439
Advance payments	104	341
Other (< 100 thousand euros in each case)	133	157
Total other assets (no financial instrumets)	**8,815**	**8,775**
Total other assets	**9,853**	**10,815**

> Other assets from financial instruments include derivatives without a hedge relationship totalling 9 thousand euros (previous year: 873 thousand euros). They are classified as “Financial assets/liabilities at fair value through profit or loss – held for trading”. The remaining amount of other assets from financial instruments is classified as “Loans and receivables”.

19. DEPOSITS WITH MATURITIES OF MORE THAN THREE MONTHS

As at 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 110,900 thousand euros (previous year: 119,000 thousand euros). The longest maturity is until July 2016. None of these deposits have 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 2015 are all protected by the German deposit protection fund (for details, see section on “Default risk” under “Financial risks” in note 28).

> Deposits with maturities of more than three months are financial instruments classified as “Loans and receivables”.

20. CASH AND CASH EQUIVALENTS

Corporate Treasury manages the Group's cash and cash equivalents worldwide, except 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 on "Default risk" under "Financial risks" in note 28.

Cash and cash equivalents of 156,122 thousand euros (previous year: 106,402 thousand euros) were reported as at the balance sheet date. Deposits in foreign currencies are measured at the rate applicable on the balance sheet date.

kEUR

	Currency	31 Dec 2015	31 Dec 2014
Deposits incl. demand deposits	EUR	77,311	64,624
Deposits incl. demand deposits	GBP	24,985	14,250
Deposits incl. demand deposits	USD	16,422	5,302
Deposits incl. demand deposits	CAD	12,709	7,500
Deposits incl. demand deposits	RUB	5,541	1,668
Deposits incl. demand deposits	MXN	3,832	1,612
Deposits incl. demand deposits	SEK	1,876	3,014
Deposits incl. demand deposits	TRY	1,640	16
Deposits incl. demand deposits	PLN	1,111	200
Deposits	CHF	3,662	1,475
Deposits	JPY	3,607	1,937
Deposits	CNY	2,331	2,463
Deposits	BRL	688	1,946
Deposits	INR	273	246
Deposits other currencies and cash in hand	various	134	149
Total		**156,122**	**106,402**

Cash and cash equivalents include restricted items relating to a total amount of 4,130 thousand euros (previous year: 5,605 thousand euros).

> Cash and cash equivalents are financial instruments classified as "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 2015 was unchanged at 11,370 thousand euros, divided into 11,370,000 no-par-value bearer shares, each with a theoretical value of 1.00 euro. Each share carries one vote and is necessary for calculating the share of the 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 shares. Of these, 69,000 shares have already been issued in previous years; this means option rights to 131,000 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 note 35, "Share-based payment".

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, which they resulted primarily from the entitlements of members of the Executive Board under the stock option plan dated 3 February 2000 and were settled in cash.

Retained earnings

The legal reserves included under retained earnings 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 profit or loss for the period under review and past profits or losses of companies included in the consolidated financial statements continue to be included in retained earnings unless they have been distributed as dividends. The year-on-year change in revenue reserves is attributable to net profit for the year amounting to 121,789 thousand euros (previous year: 110,063 thousand euros) and the dividend distribution of 77,316 thousand euros (previous year: 68,220 thousand euros) in April 2015.

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 2015	Before Income tax	Income tax	After Income tax
Differences from currency translation	–1,211	–	–1,211
Actuarial gains and losses	–500	80	–420
Total	**–1,711**	**80**	**–1,631**

kEUR

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

Capital management disclosures

RATIONAL's capital management is aimed at ensuring the company's continued existence on a sustainable basis and maintaining its capital structure with a high equity base. In addition, RATIONAL wants to let its shareholders have an adequate share of the company's success. 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 as 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 at 31 December 2015 was 74% (previous year: 73%).

To ensure adequate shareholder participation, the Group adjusts the dividend payments to shareholders in line with the profit situation.

22. PROVISIONS FOR PENSIONS

The pension provisions for employees of the RATIONAL Group comprise benefit entitlements of active and former employees in Germany and Switzerland. The two countries have different pension systems. The amount of pension provisions is primarily determined by the length of service, level of remuneration, life expectancy and current interest rates.

Germany

RATIONAL AG in Landsberg 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 amounted to 834 thousand euros in fiscal year 2015 (previous year: 857 thousand euros). Both pension recipients are already receiving payments.

Switzerland

The pension plan arrangement in Switzerland covers the three subsidiaries, RATIONAL International AG, RATIONAL Schweiz AG and FRIMA International AG and includes a total of 49 pensionable, active employees. As at the balance sheet date, no person received payments. The benefit obligation and the benefit costs are calculated using the projected unit credit method. This means that the projected accrued benefit is based on the pension plan and the length of service, with future salary increases included. The retirement pension is determined on the basis of the units of benefit accrued, the interest rate, and the conversion rate at retirement age. The risk benefits are dependent on salary. Pension plans are subject to the BVG (Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge, Swiss Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans). The pension obligations of 3,585 thousand euros are primarily financed through contributions to a benefit plan managed by an insurance company. The difference between the benefit obligation and the fair value of plan assets is 1,814 thousand euros; it is financed by recognising a pension provision. The year-on-year variances arise mainly from the lower interest rate, current service costs and from catch-up effects.

Payments out of pension plans in Switzerland will be 143 thousand euros in 2016. They will be made out of plan assets. Therefore the provision in Switzerland is fully included in the non-current pension provision.

Payments to pension recipients in Germany are expected to amount to 51 thousand euros in 2016. They are classified as current. Due to immateriality, this current provision item is not disclosed separately in the balance sheet. This amount is included in "Other current provisions".

The average maturity of the pension obligations is 17 years in Germany and 23 years in Switzerland.

The present value of the defined benefit obligation breaks down as follows:

kEUR

	Germany		Switzerland	Total
	2015	2014	2015	2015
Defined benefit obligation (DBO) as at 1 Jan	857	780	2,779	**3,637**
Interest expense	17	25	33	**50**
Current service cost	0	0	478	**478**
Benefits paid	−51	−50	−63	**−114**
Actuarial losses/gains	11	102	357	**368**
Defined benefit obligation (DBO) as at 31 Dec	834	857	3,585	**4,419**
Fair value of plan assets as at 1 Jan	–	–	1,476	**1,476**
Employer contributions	–	–	183	**183**
Employee contributions	–	–	183	**183**
Benefits paid	–	–	−91	**−91**
Expected return on plan assets	–	–	19	**19**
Gains/losses on plan assets	–	–	0	**0**
Fair value of plan assets as at 31 Dec	–	–	1,771	**1,771**
Provisions as at 31 Dec	834	857	1,814	**2,648**

The actuarial losses in 2015 include experience adjustments totalling 368 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:

	Germany	Switzerland
Discount rate	2.00% (previous year 2.00%)	0.75%
Salary progression rate	–	1.50%
Pension progression rate	1.75% (previous year 1.75%)	0.00%

For Germany, the biometric calculations were based on Prof K. Heubeck's mortality tables (2005 G version), while the BVG-2010 generational tables were used for Switzerland. The valuation is based on actuarial expert opinions.

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

kEUR

	Germany	Switzerland	Total
Discount rate −0.5%	+44	+450	**+494**
Discount rate +0.5%	−41	−378	**−419**
Salary progression rate +0,5%	0	+35	**+35**
Pension progression rate +0.5%	+42	+174	**+216**
Life expectancy +1 year	+36	+65	**+101**

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

23. CURRENT INCOME TAX OBLIGATIONS

kEUR

Accruals	2015	2014
Balance on 1 Jan	8,720	10,513
Currency differences	10	41
Consumption	–8,372	–10,412
Additions	9,061	8,578
Balance on 31 Dec	9,419	8,720
Liabilities		
Balance on 31 Dec	441	268
Current income tax obligations	**9,860**	**8,988**

The table shows the short-term portion of the liabilities for current tax. The long-term portion of the liabilities for current tax amounting to 763 thousand euros (previous year: 592 thousand euros) is reported under “Other non-current liabilities”.

24. OTHER NON-CURRENT AND CURRENT PROVISIONS

2015 kEUR

	Balance on 1 Jan	Currency differences	Consumption	Additions	Interest expense	Balance on 31 Dec	Thereof non-current
Personnel	14,211	147	–13,644	16,240	27	16,981	3,051
Trade bonuses	7,845	375	–8,220	11,114	–	11,114	–
Warranty	8,109	5	–5,829	8,627	89	11,001	3,455
Others	4,260	–165	–3,739	4,163	–	4,519	224
Total	**34,425**	**362**	**–31,432**	**40,144**	**116**	**43,615**	**6,730**

2014 kEUR

	Balance on 1 Jan	Currency differences	Consumption	Additions	Interest expense	Balance on 31 Dec	Thereof non-current
Personnel	12,584	80	–10,980	12,486	41	14,211	885
Trade bonuses	6,104	182	–6,286	7,845	–	7,845	–
Warranty	7,878	–	–5,770	5,894	107	8,109	2,248
Others	3,163	74	–3,191	4,214	–	4,260	205
Total	**29,729**	**336**	**–26,227**	**30,439**	**148**	**34,425**	**3,338**

Provisions for personnel obligations primarily comprise estimated expenses for variable remuneration components as well as future awards due to long-standing periods of employment. The provision for trade bonuses is recognised for outstanding discounts yet to be granted as at the balance sheet date. The warranty provision covers the Group’s companies liability to ensure its products are fully functioning. The "Others" item includes provisions for a number of items, each of which is measured at an amount below the materiality threshold.

The personnel provisions recognised as at 31 December 2015, together with the provisions for trade bonuses and other provisions, will mainly be used in 2016. 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 at the end of the year, liabilities to banks totalled 28,435 thousand euros (previous year: 32,632 thousand euros). 6,666 thousand euros (previous year: 6,218 thousand euros) are current liabilities, since they have to be repaid within the next 12 months. The assignment of rights to third parties has been contractually restricted.

Current liabilities to banks include discounted Japanese bills of exchange amounting to 2,021 thousand euros (previous year: 1,493 thousand euros). Experience shows that bills of exchange in Japan are normally fully 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

	2016	2017–2020	From 2021
Payments as of 31 December 2015	**5,430**	**16,099**	**7,930**

kEUR

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

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

26. TRADE ACCOUNTS PAYABLE

As at the balance sheet date, RATIONAL's current trade accounts payable amounted to 14,681 thousand euros (previous year: 12,403 thousand euros). As a result of its good liquidity position, payables to suppliers are generally settled net of early payment discounts.

- The trade accounts payable are financial instruments classified as "Financial liabilities measured at amortised cost".

27. OTHER LIABILITIES

kEUR

	31 Dec 2015	31 Dec 2014
Liabilities to business partners	5,422	5,869
Liabilities for consulting and auditing services	1,620	1,443
Liabilities from wages, salaries and other personnel costs	250	296
Total other liabilities (financial instruments)	**7,292**	**7,608**
Liabilities from value-added tax	6,248	6,829
Vacation payment accruals	4,128	4,092
Liabilities from purchase of property	4,024	0
Liabilities from PAYE and church taxes	2,687	2,548
Social security liabilities	1,416	1,583
Income tax liabilietes – non-current	763	592
Advance payments received	191	93
Deferred income and expenses	133	–
Other taxes	42	121
Other (< 100 thousand euros in each case)	11	5
Total other liabilities (no financial instruments)	**19,643**	**15,863**
Total other liabilities	**26,935**	**23,471**

Other liabilities are current liabilities and are usually settled within a few months of the balance sheet date except for the non-current portion of the liabilities for current tax.

- All other liabilities from financial instruments are classified as "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 are derivative financial instruments, which are recognised at fair value in the balance sheet.

The table below shows the carrying amounts of financial instruments as well as their fair values, which require additional disclosure in accordance with IFRS 7.29. Its content is then explained.

kEUR

	Category	Fair value hierarchy [1]	Book value 31 Dec 2015	Fair value 31 Dec 2015	Book value 31 Dec 2014	Fair value 31 Dec 2014
Assets						
Financial assets	b		0		0	
Miscellaneous non-current assets			2,052		1,953	
Miscellaneous assets (financial instruments)	a	Level 2	688	688	635	632
Other miscellaneous non-current assets	no financial instr. acc. to IFRS 7		1,364		1,318	
Trade receivables	a		89,613		82,902	
Miscellaneous current assets			7,801		8,862	
Derivatives not in a hedging relationship	c	Level 2	9	9	873	873
Miscellaneous assets (financial instruments)	a		341		532	
Other miscellaneous current assets	no financial instr. acc. to IFRS 7		7,451		7,457	
Deposits with maturities of more than 3 months	a	Level 2	110,900	110,924	119,000	119,096
Cash and cash equivalents	a		156,122		106,402	
Liabilities						
Non-current liabilities to banks	d	Level 2	21,769	24,094	26,414	28,820
Current liabilities to banks	d	Level 2	6,666	6,735	6,218	5,628
Trade accounts payables	d		14,681		12,403	
Miscellaneous current liabilities			26,172		22,879	
Derivatives not in a hedging relationship	e	Level 2	0	0	0	0
Miscellaneous liabilities (financial instruments)	d		7,292		7,608	
Other miscellaneous current liabilities	no financial instr. acc. to IFRS 7		18,880		15,271	
Of which: aggregated by category in accordance with IAS 39						
a) Loans and receivables			357,664	357,688	309,471	309,564
b) Held-to-maturity investments			0	0	0	0
c) Financial assets at fair value through profit or loss (held for trading)			9	9	873	873
d) Financial liabilities measured at amortised cost			50,408	52,802	52,643	54,459
e) Financial liabilities at fair value through profit or loss (held for trading)			0	0	0	0

[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: Level 1 inputs are prices quoted on active markets accessible to the company on the measurement date for identical assets or liabilities. RATIONAL does not have any financial instruments whose fair values are measured using Level 1 inputs.

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. However, it is possible to calculate their fair value on the basis of market prices of comparable financial instruments or using models based on inputs observable on the market. As shown in the table above, 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 inputs that are not observable. RATIONAL does not have any financial instruments whose fair values are measured using Level 3 inputs.

During the reporting period there were no reclassifications between the fair value 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 quoted for a financial instrument in the above table, 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 the current portion 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 due after more than one year and other non-current reimbursement 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 attributable to the 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 currency options. The method of measuring their fair value is explained under “Significant accounting policies” 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 gain or loss on financial instruments

The table below shows the net gain or loss on financial instruments for each measurement category. The interest income/expense is not included in this amount.

kEUR

	2015	2014
Loans and receivables	−517	+2,553
Held-to-maturity investments	–	–
Financial assets/liabilities at fair value through profit or loss (held for trading)	+1,038	+1,818
Financial liabilities measured at amortised cost	−1,105	+227

The net gains and losses include amounts from currency translation. In addition, the net loss on loans and receivables includes impairment losses amounting to 1,034 thousand euros (previous year: 1,431 thousand euros) and income from impaired and derecognised receivables amounting to 420 thousand euros (previous year: 340 thousand euros). These are carried under "Other operating expenses" and "Other operating income".

Total interest income and expense

The following total interest income and expense resulted from financial assets and financial liabilities not measured at fair value through profit or loss; the items are carried in the financial result:

kEUR

	2015	2014
Total interest income	647	595
Total interest expense	948	1,207

Offsetting of financial instruments

The following financial assets and liabilities are offset against each other in the balance sheet or are subject to a legally enforceable global netting agreement or similar agreements:

2015 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
				Financial instruments	Cash collateral	
Financial assets						
Deposits with maturities of more than 3 months, Cash and cash equivalents	267,022	–	267,022	26,414	–	240,608
Trade receivables	91,555	1,941	89,614	–	–	89,614
Total	**358,577**	**1,941**	**356,636**	**26,414**	**–**	**330,222**
Financial liabilities						
Liabilities from banks	–	28,435	28,435	26,414	–	2,021
Liabilities to business partners	1,941	7,363	5,422	–	–	5,422
Total	**1,941**	**35,798**	**33,857**	**26,414**	**–**	**7,443**

2014

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
				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	–	–
Liabilities to business partners	4,454	10,323	5,869	–	–	5,869
Total	**4,454**	**41,462**	**37,008**	**31,139**	**–**	**5,869**

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 Opportunities and risk report 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 (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 have to be audited for the year 2015.

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. Default 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 default 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 cover, 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 default risk:

kEUR

	31 Dec 2015	31 Dec 2014
Trade receivables	89,613	82,902
thereof credit-insured receivables [1]	65,725	60,238
thereof receivables secured by letters of credit/bank guarantees	1,611	1,771
thereof receivables against public-sector entities [2]	239	171
Maximum net credit risk	**22,038**	**20,722**
less refundable value-added tax [2]	7,572	7,171
Unsecured credit risk	**14,466**	**13,551**
Risk coverage ratio	**84%**	**84%**

[1] assessed with contractual insured percentage
[2] precondition: perfect country rating

The residual credit risk not covered by the collateral shown includes concentration risk amounting to 2,029 thousand euros (previous year: 2,536 thousand euros), distributed over 13 (previous year: 14) customers. Unsecured receivables with a nominal value of more than 100 thousand euros per individual customer are considered when assessing concentration risk. Annual sales revenues in the seven-digit euro range can be assumed for customers from whom accounts receivable of more than 100 thousand euros are 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 at the balance sheet date, instalment agreements were in place for a receivables volume of 276 thousand euros (previous year: 580 thousand euros).

Receivables from banks

A significant default 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 maximum net risk in the event of default of the banks:

kEUR

	Book value 31 Dec 2015	Protected by deposit protection fund 31 Dec 2015	Net risk 31 Dec 2015
Deposits with maturities of more than three months	110,900	110,900	0
Cash and cash equivalents	156,122	131,128	24,994
Total	**267,022**	**242,028**	**24,994**

kEUR

	Book value 31 Dec 2014	Protected by deposit protection fund 31 Dec 2014	Net risk 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**

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

Other financial assets

The maximum 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 growth in sales revenues 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 BBB+ to A+).

Banks have given RATIONAL an excellent 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. 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 at the balance sheet date, the total amount of the contractually agreed credit lines was 34,669 thousand euros (previous year: 34,669 thousand euros). After taking into account assignments for subsidiaries and sureties, this leaves unused credit lines amounting to 29,119 thousand euros (previous year: 29,493 thousand euros).

As at the balance sheet date, the liquidity reserve from own resources (including all existing fixed-term deposits) amount to a total of 267,022 thousand euros (previous year: 225,402 thousand euros). This also included currency reserves amounting to 4,130 thousand euros (previous year: 5,605 thousand euros) that were not freely convertible or were subject to strict currency or payment restrictions.

The trade accounts payable of 14,681 thousand euros (previous year: 12,403 thousand euros) and other liabilities of 26,935 thousand euros (previous year: 23,471 thousand euros) will prevailling be settled within one year. Specific information on the interest payments and repayments of principal due to banks can be found in 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 process 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 BBB+ rating as a minimum.

Currency risk

One of the factors giving rise to currency risk is exchange rate fluctuations at the balance sheet date and consequently the possible change in the fair value of existing balance sheet items denominated in foreign currencies (translation risk). This affects the “Trade accounts receivable”, “Other assets”, “Cash and cash equivalents” as well as “Trade accounts payable” and “Other liabilities” items at the balance sheet date. At RATIONAL, translation risk is not hedged. 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 at 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 hedges relate 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 at 31 December 2015 and 31 December 2014. 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.

CURRENCY RISK kEUR

		Contract value		Positive fair value (assets)		Negative fair value (liabilities)	
	Currency	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Maturity < 1 Year							
Forward exchange contracts	USD	–	7,374	–	865	–	–
Currency options	GBP	7,692	–	7	–	–	–
Currency options	USD	4,274	–	2	–	–	–
Currency options	JPY	719	2,615	–	8	–	–
Total		**12,685**	**9,989**	**9**	**873**	**0**	**0**

There were no derivatives due after 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 sales revenue, it is possible to reduce the existing currency risk within the Group (natural hedge).

Around 40% of sales revenue is generated in foreign currencies. If the euro had been an average of 10% weaker (stronger) in 2015, consolidated sales revenues would have been around 4% higher (lower).

EBIT would have been around 20% higher (lower) if the euro had depreciated (appreciated) by 10%. These calculations include hypothetical translation effects of our balance sheet items denominated in foreign currencies in "Other operating income" and "Other operating expenses". They would have reduced the net profit for the year and the currency reserve, and thus equity, by 12,785 thousand euros (previous year: reduction of 7,703 thousand euros). If the euro had been 10% weaker, the amount reported in functional currency would have been 16,153 thousand euros higher (previous year: 9,548 thousand euros higher).

The hypothetical impact on income from translation effects of our balance sheet items denominated in foreign currencies of −12,785/+16,153 thousand euros is primarily the result of the following significant currency sensitivities:

HYPOTHETICAL IMPACT ON PROFIT

kEUR

	Revaluation of euro +10%	Devaluation of euro −10%
	2015	2015
EUR/GBP	−5,467	7,022
EUR/USD	−2,253	2,907
EUR/CAD	−1,377	1,683
EUR/JPY	−668	850
EUR/RUB	−557	681

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 in market interest rates.

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 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 (in particular nickel) on metals markets, which are reflected in what is known as the "alloy surcharge".

The fluctuations of the alloy surcharge have direct impact on the cost of sales and therefore on the overall result. If the alloy surcharge had been on average 10% higher (lower) in the year 2015, the net profit of 2015 would have been round about 1,131 thousand euros (previous year: 1,058 thousand euros) lower (higher).

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. Since the alloy surcharge accounts for a small proportion of total costs, there is only a minor impact on the profit or loss of RATIONAL AG.

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 activities, which represent the cash inflows from the ongoing business activities and by investing and financing activities.

Cash and cash equivalents increased from 106,402 thousand euros at the start of the fiscal year to 156,122 thousand euros as at 31 December 2015. In addition, RATIONAL has fixed-term deposits as at the balance sheet date amounting to 110,900 thousand euros (previous year: 119,000 thousand euros). These deposits have maturities of more than three months from the date of deposit and are therefore not included in cash and cash equivalents.

OTHER NOTES ON THE GROUP FINANCIAL STATEMENTS

30. EMPLOYEES AND PERSONNEL COSTS

AVERAGE NUMBER OF EMPLOYEES

	2015	% of total	2014	% of total
Production and Dispatch	362	24	341	25
Sales and Marketing	656	43	618	44
Technical Customer Service	149	10	138	10
Research and Development	118	8	104	7
Administration	220	15	200	14
Total	**1,505**	**100**	**1,401**	**100**
thereof abroad	655	44	591	42

Personnel costs comprise the following items:

PERSONNEL COSTS (kEUR)

	2015	2014
Salaries and wages	101,611	91,638
Social security	19,914	17,133
Thereof expenses for defined contribution plans	8,885	8,666
Total	**121,524**	**108,771**

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 2015 and 2014.

Other financial obligations

As at the balance sheet date (31 December 2015), RATIONAL's other financial obligations amounted to 20,107 thousand euros (previous year: 14,066 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 leases 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 lease payments:

OBLIGATIONS FOR OPERATING LEASES (kEUR)

	31 Dec 2015	31 Dec 2014
Up to 1 year	4,991	4,617
1–5 years	5,590	6,028
› 5 years	106	751
Total	**10,687**	**11,396**
Fair Value	**10,633**	**11,333**

There are no restrictions included in any of the lease agreements. The lease expenses recognised in the income statement for fiscal year 2015 amount to 6,128 thousand euros (previous year: 5,680 thousand euros).

The obligations to purchase property, plant and equipment and intangible assets amount to 7,028 thousand euros (previous year: 1,126 thousand euros).

32. BUSINESS SEGMENTS

The Group is exclusively involved in 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 through a combination of both. It generates most of its sales revenues 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 sales revenues are 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 revenues include both sales revenues from third parties and intercompany sales revenues generated between Group companies across the segments. Intercompany sales and sales revenues are always based on arm's length prices. Segment profit or loss corresponds to earnings before interest and taxes of the respective segments. Besides segment sales revenues, this includes all segment expenses except for income taxes and the financial result.

For a further breakdown of sales revenues, see the sales revenues disclosures.

Segment amortisation and depreciation relates to intangible assets and property, plant and equipment. Material non-cash expenses reportable under IFRS 8.23 were incurred neither in 2015 nor in the previous year.

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

OPERATING SEGMENTS 2015

kEUR

	RATIONAL	FRIMA	Total of segments	Reconciliation	Group
External sales	527,412	36,762	564,174	+ 57	564,231
Intercompany sales	2,055	1,932	3,987	–3,987	–
Segment sales	529,467	38,694	568,161	–3,930	564,231
Segment result	**157,674**	**6,710**	**164,384**	**–4,179**	**160,205**
Financial result	–	–	–	–	–514
Earnings before taxes	**–**	**–**	**–**	**–**	**159,691**
Segment depreciation	8,390	375	8,765	–	8,765

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

Of the property, plant and equipment and intangible assets, 72,056 thousand euros (previous year: 63,679 thousand euros) are reported in Germany, while 7,084 thousand euros (previous year: 5,300 thousand euros) are attributable to third countries.

33. RELATED PARTIES

Related parties of RATIONAL AG include the subsidiaries, the members of the Executive Board and the members of the Supervisory Board, as well as 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 1,885 thousand euros in 2015 (previous year: 1,808 thousand euros). As at 31 December 2015, outstanding trade accounts payable to these companies amounted to 15 thousand euros (previous year: 30 thousand euros).

Additionally the RATIONAL AG has provided goods and services to members of the supervisory board or to companies in which these persons own shares amounting to 104 thousand euros.

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

34. SUPERVISORY BOARD AND EXECUTIVE BOARD

Pursuant to a resolution of the General Meeting of Shareholders on 29 April 2015, the number of members of the Supervisory Board of RATIONAL AG was increased to six. The current members of the Supervisory Board are:

Siegfried Meister, Chairman
Businessman

Walter Kurtz, Deputy Chairman
Businessman

Dr Hans Maerz, Deputy Chairman
Auditor

Dr Hermann Garbers, Freelance Management Consultant

Dr Gerd Lintz, Retired Notary, Independent Lawyer

Werner Schwind, Businessman

Total remuneration of the Supervisory Board amounted to 992 thousand euros in fiscal year 2015 (previous year: 659 thousand euros). The breakdown by Supervisory Board member is as follows:

2015 kEUR

	Fixed	Performance-related	Others	Total
Siegfried Meister	250	0	22	272
Walter Kurtz	200	0	17	217
Dr Hans Maerz	200	0	9	209
Dr Hermann Garbers	98	0	0	98
Dr Gerd Lintz	98	0	0	98
Werner Schwind	98	0	0	98
Total	**944**	**0**	**48**	**992**

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**

As at the balance sheet date, Supervisory Board remuneration of 946 thousand euros (previous year: 613 thousand euros) was included in "Other current liabilities".

As at 31 December 2015, the members of the Supervisory Board held a total of 8,049,695 shares in RATIONAL AG (previous year: 8,049,235 shares), of which Mr Siegfried Meister held 7,161,311 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 chairman of an audit committee formed in accordance with section 324 of the HGB (Handelsgesetzbuch, German Commercial Code) at FWU Provisions-Factoring GmbH, Munich, Germany. Dr Garbers is a member of the Supervisory Board of Deutz AG, Cologne, Germany.

The Executive Board had the following members at the balance sheet date (31 December 2015):

Dr Peter Stadelmann, Chief Executive Officer
Dipl.-Volkswirt

Erich Baumgärtner, Chief Financial Officer
(until 31 December 2015)
Dipl.-Betriebswirt

Peter Wiedemann, Chief Technical Officer
Dipl.-Ingenieur

Markus Paschmann, Chief Sales Officer
Dipl.-Wirtschaftsingenieur

Dr Axel Kaufmann, Chief Financial Officer
(from 1 January 2016)
Dipl.-Kaufmann

Mr Erich Baumgärtner has relinquished his position as at the end of fiscal year 2015. The Supervisory Board has appointed Dr Axel Kaufmann as his successor as from 1 January 2016. He became a member of the Executive Board on 1 October 2015.

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 remuneration paid to individual members of the Executive Board.

The total remuneration paid to the Executive Board for the performance of its duties within the parent company and its subsidiaries in fiscal year 2015 was 5,118 thousand euros (previous year: 6,357 thousand euros). This amount includes a performance-related component of 1,410 thousand euros (previous year: 1,638 thousand euros). The remuneration also includes payments of 899 thousand euros (previous year: 2,028 thousand euros) to former Executive Board members. Payments into the pension scheme totalling 317 thousand euros (previous year: 403 thousand euros) were also made.

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

The members of the Executive Board are also represented in the following non-Group advisory boards and controlling committees: Dr Stadelmann is a member of the Administrative Board of KSP Krieg Schlupp Partner Werbeagentur AG, Zurich, Switzerland.

35. SHARE-BASED PAYMENT

On 3 February 2000, RATIONAL AG launched a stock option plan comprising 200,000 shares for the company's Executive Board members. The plan is designed to offer Board members additional incentives, secure the company's economic success in the medium and long term and, in the interests of the shareholders, work towards increasing the value of the company.

To date, two tranches have been issued with a total of 69,000 option rights, which were settled in 2002 and 2006 in the form of cash payments equivalent to 100% of the value of a company share minus the exercise price.

There was no share-based payment agreement in 2015, so at the balance sheet date (31 December 2015) option rights to a maximum of 131,000 shares of RATIONAL AG remain in the stock option plan.

36. DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

The Executive Board and the Supervisory Board of RATIONAL AG have issued a declaration in accordance with section 161 of the 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 12 June 2015. The declaration is permanently available on RATIONAL AG's website: www.rational-online.com.

37. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred since the close of fiscal year 2015 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 29 April 2015, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Munich, was appointed as auditor for fiscal year 2015. The lead auditor of the 2015 annual financial statements was Mr Dietmar Eglauer.

The auditor's fee, including reimbursement of expenses, amounted to a total of 231 thousand euros (previous year: 233 thousand euros) and comprises the auditing of separate and consolidated financial statements. 13 thousand euros (previous year: 0 thousand euros) have occurred for audit-related services.

Landsberg am Lech, 23 February 2016

RATIONAL AG
The Executive Board

DR PETER STADELMANN
Chief Executive Officer

DR AXEL KAUFMANN
Chief Financial Officer

PETER WIEDEMANN
Chief Technical Officer

MARKUS PASCHMANN
Chief Sales Officer

RESPONSIBILITY STATEMENT

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, 23 February 2016

RATIONAL AG
The Executive Board

DR PETER STADELMANN
Chief Executive Officer

DR AXEL KAUFMANN
Chief Financial Officer

PETER WIEDEMANN
Chief Technical Officer

MARKUS PASCHMANN
Chief Sales Officer

AUDITOR'S REPORT

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the Parent Company RATIONAL Aktiengesellschaft, Landsberg am Lech, 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 2015. 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.

München, 23 February 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

STEFANO MULAS
Wirtschaftsprüfer
(German Public Auditor)

DIETMAR EGLAUER
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KEY FIGURES REGARDING RATIONAL SHARES

KEY FIGURES 2015/2014

		2015	2014
Maximum price last 12 months [1]	EUR	422.00	271.05
Minimum price last 12 months [1]	EUR	251.60	212.85
Year end closing price [1]	EUR	419.90	259.75
Market capitalization [2]	m EUR	4,774.3	2,953.4
Dividend yield [3]	%	1.8	2.6
Beta factor (one year) as of Dec. 30 [4]	%	0.78	0.74
Sales per share	EUR	49.62	43.69
Price-to-sales ratio [2]		8.5	5.9
Earnings per share	EUR	10.71	9.68
Price-earnings ratio [2]		39.2	26.8
Cash flow per share	EUR	12.57	9.89
Price-cash flow ratio [2]		33.4	26.3

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

PERFORMANCE OF RATIONAL SHARES SINCE THE IPO 2000

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

RATIONAL SHARES – BASIC INFORMATION

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

[1] Status: 23 February 2016

FINANCIAL CALENDAR 2016

Balance Sheet Press Conference Fiscal Year 2015	München	22 Mar 16
Analyst Meeting 2016	Frankfurt	22 Mar 16
General Meeting of Shareholders 2016	Augsburg	04 May 16
Financial figures Q1/2016	Landsberg	04 May 16
Financial figures HY/2016	Landsberg	03 Aug 16
Financial figures 9M/2016	Landsberg	08 Nov 16

THE EXECUTIVE BOARD

DR PETER STADELMANN
CEO

DR AXEL KAUFMANN
CFO

MARKUS PASCHMANN
CSO

PETER WIEDEMANN
CTO

THE SUPERVISORY BOARD

SIEGFRIED MEISTER
Chairman

WALTER KURTZ
Deputy Chairman

DR HANS MAERZ
Deputy Chairman

DR HERMANN GARBERS

DR GERD LINTZ

WERNER SCHWIND

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10-YEAR OVERVIEW

KEY FIGURES

Earnings situation		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Sales	m EUR	564.2	496.7	461.1	435.0	391.7	350.1	314.4	343.0	336.6	283.7
Sales abroad	%	87	87	87	86	85	84	83	84	84	84
Gross profit	m EUR	349.2	304.0	280.7	261.7	234.4	217.0	191.6	203.7	199.9	173.8
EBITDA	m EUR	169.0	153.5	135.5	129.5	109.5	112.6	98.1	90.4	97.9	84.8
Depreciation/Amortisation	m EUR	8.8	8.3	7.2	6.8	7.3	6.8	7.6	7.3	5.3	4.3
EBIT	m EUR	160.2	145.2	128.3	122.7	102.2	105.8	90.5	83.1	92.6	80.5
Financial results	m EUR	–0.5	–0.6	–0.6	–0.3	0.3	–0.2	–0.4	0.4	0.9	0.6
EBT	m EUR	159.7	144.6	127.7	122.4	102.5	105.6	90.1	83.5	93.5	81.1
Group earnings	m EUR	121.8	110.1	97.2	93.3	78.7	79.8	67.3	61.7	61.2	51.8
Earnings per share (undiluted)	EUR	10.71	9.68	8.55	8.20	6.93	7.02	5.92	5.42	5.38	4.55
Gross margin	%	61.9	61.2	60.9	60.2	59.8	62.0	60.9	59.4	59.4	61.3
EBITDA-margin	%	30.0	30.9	29.4	29.8	28.0	32.2	31.2	26.4	29.1	29.9
EBIT-margin	%	28.4	29.2	27.8	28.2	26.1	30.2	28.8	24.2	27.5	28.4
EBT-margin	%	28.3	29.1	27.7	28.1	26.2	30.2	28.7	24.4	27.8	28.6
Net margin	%	21.6	22.2	21.1	21.4	20.1	22.8	21.4	18.0	18.2	18.3
Return on equity (after taxes)	%	36.5	38.0	38.4	42.0	35.4	38.0	41.6	47.9	53.3	52.9
Return on invested capital (ROIC)	%	33.5	34.2	34.6	38.4	33.2	33.9	35.5	40.7	48.0	49.6
Dividend*)	m EUR	85.3	77.3	68.2	64.8	62.5	102.3	39.8	11.4	51.2	42.6
Dividend per share*)	EUR	7.50	6.80	6.00	5.70	5.50	9.00	3.50	1.00	4.50	3.75

Asset situation		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Fixed assets	m EUR	79.1	69.0	60.9	56.2	53.7	55.4	57.6	63.1	38.0	29.2
Current assets (including deferred tax assets and other long-term assets)	m EUR	403.6	354.4	316.4	270.0	229.5	250.3	208.1	145.9	149.4	117.4
Inventories	m EUR	30.9	30.3	27.2	26.4	24.7	19.3	17.8	20.6	18.6	15.5
Trade accounts receivable	m EUR	89.6	82.9	75.9	65.9	71.7	58.7	51.4	57.7	61.4	53.1
Cash and cash equivalents (including fixed deposits)	m EUR	267.0	225.4	200.1	166.4	120.8	163.1	131.6	57.1	62.3	40.6
Balance sheet total	m EUR	482.7	423.4	377.3	326.2	283.2	305.7	265.7	209.0	187.4	146.6
Equity	m EUR	356.1	310.7	268.8	237.4	206.9	230.3	189.8	133.6	124.0	105.8
Liabilities	m EUR	126.6	112.7	108.5	88.8	76.3	75.4	75.9	75.4	63.4	40.8
Provisions (including liabilities for current tax)	m EUR	56.1	44.2	41.6	34.4	25.7	28.2	24.0	22.1	19.7	21.8
Liabilities to banks	m EUR	28.4	32.6	34.4	25.3	19.0	21.3	31.6	25.8	18.0	–
Trade accounts payable	m EUR	14.7	12.4	12.0	10.5	10.1	9.2	7.0	10.9	9.3	6.8
Other liabilities	m EUR	27.4	23.5	20.5	18.6	21.5	16.7	13.3	16.6	16.4	12.2
Equity ratio	%	73.8	73.4	71.2	72.8	73.1	75.3	71.4	63.9	66.2	72.2
Invested capital (average)	m EUR	365.6	324.1	283.7	245.0	239.7	238.0	192.7	153.8	128.1	104.7
Working Capital (excluding liquid funds)	m EUR	87.9	86.7	78.9	69.8	73.4	58.2	54.7	60.7	61.7	58.4
as a percentage of sales	%	15.6	17.5	17.1	16.0	18.7	16.6	17.4	17.7	18.3	20.6

Cash flow/Investments		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Cash flow from operating activities	m EUR	143.0	112.5	102.8	111.4	67.7	86.9	83.2	71.0	61.1	49.1
Cash flow from investing activities	m EUR	–10.5	–38.9	–27.5	–38.0	61.4	–23.4	–72.2	–38.4	–30.2	–1.8
Cash flow from financing activities	m EUR	–82.5	–71.0	–56.7	–57.2	–106.0	–52.2	–7.7	–45.4	–26.0	–38.4
Investments	m EUR	19.4	16.8	12.0	9.4	5.7	4.5	2.4	32.6	14.3	5.7

Employees		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Number of employees (average)		1,505	1,401	1,320	1,258	1,184	1,058	1,031	1,090	965	864
Personnel expenses	m EUR	121.5	108.8	101.2	93.1	84.7	74.3	71.1	72.3	63.7	57.0
Sales per employee	kEUR	374.9	354.6	349.3	345.8	330.8	330.9	304.9	314.6	348.8	328.4

*) Payout in the following year; Dividend 2015 subject to approval by General Meeting of Shareholders 2016

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