Ideas/ /change the world

Annual Report 2016

Worldwide success comes by putting the customer first

Thermal food preparation with RATIONAL and FRIMA

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 products set the global standard for cooking intelligence, cooking quality, user-friendliness, and resource efficiency.

We set a new standard in 2016 with the introduction of the new SelfCookingCenter®, which once again significantly increases customer benefit. This is the result of 40 years of research into cooking at RATIONAL. With even more intelligent cooking processes, even greater conservation of resources and even greater ease of operation, it meets the needs of international cuisine in the most optimal way. In addition, we introduced the first professional compact appliance with a fresh steam generator onto the market in the form of the SelfCookingCenter® XS. Despite its extremely small dimensions, it delivers the full RATIONAL performance and possesses the same cooking intelligence. Another innovation is the VarioCooking Center® 112L, which fills a gap in the existing range and meets our customers’ wish for a powerful, space-saving multifunctional model with 50-litre capacity 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, proof, roast, braise, simmer, stew, poach, blanch, deep-fry, cook at low temperatures and much more. Because of this they are able to 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 our own sales companies as well as independent sales partners.

Our appliances are ideal for any organisation in which at least 20 warm meals a day are prepared. The potential global market comprises more than 3 million end customers, of which to date only around 30% use combi-steamers. That means that 70% of all potential customers still use traditional cooking equipment. Our customer base traditionally ranges from restaurants and hotels, large-scale catering operations such as company canteens, hospitals, schools, universities, military facilities, prisons and retirement homes, right through to fast-food chains, caterers, butchers’ shops, as well as supermarkets, service stations, bakeries and snack outlets.

Global presence

Sales revenues by region in 2016

Germany (2015: 13%)

Europe excluding Germany (2015: 49%)

North America (2015: 14%)

Latin America (2015: 5%)

Asia (2015: 13%)

Rest of the world (2015: 6%)

Our products

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

Uniquely intelligent
RATIONAL
SelfCookingCenter®

The SelfCookingCenter® is a combi-steamer with intelligent cooking processes. The heat for cooking is transferred via steam, hot air or a combination of the two. SelfCookingControl® detects the size and consistency of the food and automatically determines the optimum cooking process, so that the desired result can be achieved with perfect precision every time and without any need for supervision. Alongside cooking intelligence, the main unique selling points of the SelfCookingCenter® are high resource efficiency, ease and flexibility of use, as well as minimal required effort for cleaning and care. That leaves the cook time for the essentials: creativity and the well-being of his or her guests.

Clever cooking
FRIMA
VarioCooking Center®

The VarioCooking Center® is a multifunctional cooking appliance. It cooks food in liquids or in direct contact with heat and 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 for each dish. 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 the best possible benefit in terms of economic and ecological efficiency is our primary goal. Growth, stability and profit are not aims, but results. And these will all increase as the benefit to our customers increases.”

Key figures

m EUR

Sales and earnings	2016	2015	Change absolute	Change in %
Sales revenues	613.0	564.2	+48.8	+9
Sales revenues abroad (in %)	87	87	0	–
Cost of sales	234.2	215.0	+19.2	+9
Gross profit	378.8	349.2	+29.6	+8
Gross margin (in %)	61.8	61.9	–0.1	–
Sales and service expenses	155.6	140.5	+15.1	+11
Research and development expenses	28.8	23.6	+5.2	+22
General administration expenses	26.4	25.1	+1.3	+5
Depreciation / amortisation	9.9	8.8	+1.1	+13
Earnings before interest and taxes (EBIT)	166.5	160.2	+6.3	+4
EBIT margin (in %)	27.2	28.4	–1.2	–
Profit or loss after tax	127.1	121.8	+5.3	+4
Return on invested capital (in %)	31.4	33.5	–2.1	–
Balance sheet				
Total assets	539.8	482.7	+57.1	+12
Working capital[1]	94.9	87.9	+7.0	+8
Equity	397.0	356.1	+40.9	+11
Equity ratio (in %)	73.5	73.8	–0.3	–
Cash flow				
Cash flow from operating activities	129.5	143.0	–13.5	–9
Investments	24.6	19.4	+5.2	+27
Free cash flow[2]	104.9	123.6	–18.7	–15
Key figures RATIONAL shares				
Earnings per share (in EUR)	11.18	10.71	+0.47	+4
Year-end closing price[3] (in EUR)	424.00	419.90	+4.10	+1
Market capitalisation	4,820.9	4,774.3	+46.6	+1
Employees				
Number of employees as at 31 Dec	1,713	1,530	+183	+12
Number of employees (average)	1,653	1,505	+148	+10
Sales revenues per employee (in kEUR)	370.8	374.9	–4.1	–1

[1] Excluding liquid funds [2] Cash flow from operating activities less investments [3] XETRA

Global market share of around

50%

“This result stems from the fact that we connect intimately with our target group, and know and want to meet the wishes and needs of our customers.”

“Our RATIONAL units take care of the cooking parameters and we focus on the menu creation and dish presentation.”

Benjamin Cross
Executive Chef, KU DE TA, Indonesia

Ideas / /change the world

For 40 years now, we have remained uncompromisingly true to our original idea of combining steam and hot air in one appliance, thus making life easier for chefs.

And this approach has paid off, especially for our customers, but also for our shareholders and for us. And it will continue to be worthwhile in the future, because the idea still offers unlimited potential for innovation – as clearly demonstrated by the new SelfCookingCenter® XS. This new appliance offers all the amazing functions of the SelfCookingCenter®, but in the smallest of spaces.

We are inspired by the idea of getting better every day and creating maximum benefit for our customers. Only those who stay focused can develop ideas and create solutions that change the world.

“To ensure that a good idea turns into something that delivers lasting benefit, it’s necessary to focus on that idea fully and adapt it regularly to a changing world. We are delighted to have succeeded in doing that for the last 40 years. And we will also continue in the future to channel all our energy towards improving our great idea.”

Foreword by the Supervisory Board

Dear Ladies and Gentlemen,

Truly good ideas have always changed the world and made it a better place.

It is our firm conviction that a truly good idea benefits people. It makes their lives easier, opens up new opportunities for them, and gives them room to develop and flourish. It improves the quality of life and prosperity, and not just for the few but for the many. That's why only a good idea has the chance to evolve further and last for a long time.

We have been working on just such an idea since 1976, one that was to change the world of cooking, the idea of combining steam and hot air in a single appliance, a cooking appliance that was far ahead of its time. Or one whose time had finally come. The best appliance on the market. A multi-functional appliance to replace all the other conventional appliances, such as tilting pans, boiling pans, stoves, ovens and deep fat fryers. An innovation that revolutionised work in professional kitchens and made it easier, better to plan and more efficient. And, at the same time, it also improved the quality of the food.

To ensure that the idea would deliver lasting benefit, we focused on it and it alone. And we never rested content with what we had thus far achieved, but instead developed and improved it further, adapting it to changing circumstances and customer needs.

Since 1976, we have repeatedly tackled the challenge of making a great idea even better by coming up with even more new ideas. Over 1,000 chefs work to create customer benefit day in, day out, all over the world. They listen, ask questions, try things, advise, test, and, of course, cook and eat.

We've not stopped thinking ahead and, by focusing fully on cooking and customer benefit, we have kept on optimising our combi-steamer. We have enhanced its performance, simplified its operation and, most important, perfected its cooking quality.

The result is increasingly better solutions for thermal food preparation. Our customers are so satisfied that the vast majority of them also recommend RATIONAL to their friends and colleagues. This now 40-year-old idea has managed to change the world. And it is still doing so to this day — positively, sustainably and in almost every country on our planet. We will make every effort to ensure that it does so in the future. We are happy about that and also a little bit proud.

My very special thanks go above all to our employees. It is solely thanks to their unwavering commitment and creativity that RATIONAL has been able to create all these good ideas for maximum customer benefit — the foundation for our success story over the past years.

Siegfried Meister
Chairman of the Supervisory Board
of RATIONAL AG

Markus Paschmann

Chief Sales Officer

Born in 1966, Markus Paschmann has been Chief Sales Officer at RATIONAL since December 2013. After graduating in industrial engineering, Markus Paschmann launched his career at Siemens AG. He then joined the Harting Technologiegruppe to manage the Electronics Global Business Unit and was CEO. In 2006, he joined the Executive Board of Sick AG before joining RATIONAL in 2013." //

Peter Wiedemann

Chief Technology Officer

Born in 1959, Peter Wiedemann 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 Peter Stadelmann

Chief Executive Officer

Born in 1965, Dr Peter Stadelmann has been a member of the Executive Board at RATIONAL since 2012. He has been CEO since January 2014. He previously spent over 20 years in a variety of managerial functions at the Malik Management Centre St. Gallen. Between 2006 and 2012, he held the position of CEO over the entire Malik corporate group. //

Dr Axel Kaufmann

Chief Financial Officer

Born in 1969, Dr Axel Kaufmann has been Chief Financial Officer at RATIONAL since October 2015. After completing his studies, he joined Deutsche Bank, and was then at Siemens AG for over ten years before moving to Nokia Networks, where he took up managerial positions in the fields of finance and strategy. From 2010 until 2015, he was Chief Financial Officer and deputy CEO at Koenig & Bauer AG. //

Letter from the Executive Board

Dear Shareholders, Customers and Business Partners,

2016 was a special year for RATIONAL and FRIMA. The SelfCookingCenter® XS and VarioCooking Center® 112L are two ideas that we turned into solutions and launched successfully. We listened to our customers and asked ourselves how we can minimise the footprint, yet achieve the same performance as with our larger products and thus help save space for our customers. With both of these innovations we have once again succeeded in positively surprising and impressing our customers, despite the high expectations placed on us.

The best ideas

Our customers had to wait a long time for a small combi-steamer from RATIONAL. That's because we insisted on maintaining our reputation as the leader in quality and refused to compromise on cooking intelligence, cooking performance or ease of use. After several years of research, we successfully launched the SelfCookingCenter® XS, a compact appliance that sets a new performance standard in its size category. The kitchen helper that offers everything its big brothers do, but in the smallest of spaces. The VarioCooking Center® 112L, which has a cooking volume of 50 litres, is a new addition to the FRIMA family: a table-top model that saves space and can easily be integrated into existing kitchens. Our customers were impressed right from the start.

The best employees

In order to regularly bring innovations to the markets that deliver ever greater benefit for our customers, we need the best people for our business. People who succeed in reconciling opposites. They must be creative, yet efficient. Innovative, yet traditional. International and with a family feel.

We need ambitious employees who are not merely content with what has already been achieved, employees who believe that things can always be done better, faster, more economically, employees who question the status quo and try out new things. We need people who do not give up — even when faced with seemingly insurmountable challenges — and keep chipping away in order to develop the best solutions for our customers.

And these are the people we have in our company. People with different backgrounds, training and experience. They approach the development of solutions from different perspectives and, with every idea, ask themselves the question: does it benefit our customers? Although their thinking is focused on detail, they take a holistic view of customer needs. They adapt our products and services flexibly to what customers want, while always maintaining the Company's long-established strengths. These people see themselves as Entrepreneurs in the Company and act as if it was their own company. They work independently in their own area, yet regard themselves as team players.

"To be able to regularly bring innovations to the markets that deliver ever greater customer benefit, we need the best employees and managers for our business: people who do not give up — even when faced with seemingly insurmountable challenges."

We visited

250
thousand

customers in 2016.

The best managers

And these people need the best managers, who act like good gardeners, creating an environment in which their employees can grow and flourish. They allow their employees to do what they are best at and help them develop according to their strengths. They have trust in them and assign them tasks which entail responsibility. They show them how important each individual employee is to the success of the whole company.

If they lead properly, their employees will enjoy coming to work and make a lasting contribution to the successful development of the Company. That they are doing an excellent job has been proven once again by the impressive figure of 89% of employees who are proud to work for RATIONAL, as well as by low staff turnover.

The best company quality — thanks to our employees

I would like to thank all our employees and managers. From the customers' perspective, RATIONAL is one of the best companies and it belongs to the most efficient, most stable and most profitable businesses in Germany. However, a company can only be as good as its employees. They deserve credit for this success, and I want to express my profound appreciation to them.

The high quality of our company was confirmed again in 2016 by numerous awards. They are the reward for our hard work and at the same time an incentive to continue to follow this path and never stop improving. We are particularly delighted with the awards from our customers. They show us that we have done well in offering our customers maximum benefit. Two examples:

The UK's "restaurant MAGAZINE" presented us with the Chef's Choice Award 2016 in the "Best Combi Oven" and "Best Equipment Brand” categories. In this context, the judges pointed out repeatedly that the SelfCookingCenter® had been rated by its users for many years as one of the most indispensable appliances in the kitchen.

In the “Superpartner 2016” competition held by the German trade association for catering and professional kitchen equipment, we came first in the “Large thermal appliances” category because of the excellent product and service quality and the very good price/performance ratio of the RATIONAL and FRIMA products.

Business performance in 2016

Although fiscal year 2016 was marked by many uncertainties, the global economy grew by around 3%.

Our employees once again scaled new heights in the past fiscal year. We generated a 9% increase in sales revenues — a new record of 613 million euros. Adjusted for currency effects, sales revenues grew by 11%. It is especially encouraging that this growth was driven by virtually all regions worldwide.

In individual markets, we were unable to escape the economic and political environment. Our sales revenues were down in Turkey, the United Kingdom, Russia and the African markets, but we successfully offset these declines with good performance elsewhere, especially in the USA, Germany and France.

EBIT (earnings before interest and taxes) was up slightly on last year’s very good level, at 166.5 million euros. At 27%, the EBIT margin remained at a high level (2015: 28%). In addition to negative currency effects, the reasons for the slight decrease in the EBIT margin include above all forward-looking investments in the rollout of our new products, in infrastructure, especially at the Landsberg location, and in strengthening central marketing and service processes.

Dividend of 10.00 euros proposed

We will again let our shareholders have an adequate share of the Company’s success this year. The Executive Board and the Supervisory Board will therefore propose a dividend of 8.00 euros plus a special dividend of 2.00 euros per share for the 2016 fiscal year to the General Meeting of Shareholders to be held on 3 May 2017.

Into 2017 with confidence and hard work

According to the latest forecasts, the global economy is set to grow in 2017. We will nevertheless keep a watchful eye on developments in all our markets and take action if conditions change.

In 2016, we once again surveyed our customers to find out how satisfied they are with us. 93% of them have confirmed that we offer them the greatest benefit. They would buy RATIONAL or FRIMA products again at any time and also recommend them to their colleagues. We will of course do everything in our power to further consolidate our leadership in the area of innovation and maintain a high level of customer satisfaction by making targeted investments in our innovation and global sales capabilities.

We believe therefore that we can continue our successful growth policy for sales revenues and profit in 2017.

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

Dr Peter Stadelmann
CEO of RATIONAL AG

How good ideas arise

be/ /curious

Good ideas can be extremely valuable. But does that also make them unpredictable? At RATIONAL, we are convinced that good ideas don't come about by chance, but are always the result of concentrated and systematic work.

Curiosity and communication play key roles in this process. That's why we have over 1,000 chefs working day in, day out on our behalf around the world, tackling the questions and problems that arise when professional chefs are at work. They observe, listen, enquire, identify potential, and transform practical bottlenecks into constructive questions.

A team then works together to find the answers. Chefs, engineers, IT specialists, physicists, nutritionists and many other experts develop product and service innovations, which — as is usual at RATIONAL — create one thing: customer benefit.

never/ /stop

About people who make the best even better

It's not enough for us just to be curious. We systematically look for ideas that offer our customers maximum benefit. We focus on these ideas and turn them into tailor-made solutions.

100

engineers, scientists, technicians and chefs at RATIONAL and FRIMA constantly look at things in new and different ways.

"The VarioSmoker® came about because our customers wanted it. With consistency and determination we developed the best possible product."

Dieter Reichelmeir
Product developer, RATIONAL

Ideas only come to people who are curious and enjoy finding the solutions to problems. We're convinced of that. Ideas come to us when we listen to our customers. When we look at their specific cultures, eating and cooking habits, specialities and preferences. When we take their problems and what hinders them seriously. When we find out what their greatest wishes are. Solutions that offer maximum benefit are reached when we apply our expertise to the problems facing chefs, and when we work specifically to meet their most urgent needs. That's how it's been for 40 years, all over the globe. And now, as a result, our customers can also smoke food — without a separate oven.

"In the American market in particular, hot smoking is a very important method for achieving the traditional barbecue taste", explains Fredrik Rasmusson, Corporate Chef for the Americas. "Our customers asked us for a way to smoke food in our appliances, which is why we developed the VarioSmoker®." It's an attachment that can be used in RATIONAL appliances to give meat, fish or vegetables a spicy smoky flavour, which can be adjusted to suit individual tastes. "The smoky flavour comes very close to the flavour achieved with traditional smokers", adds Fredrik Rasmusson. "Customers are regularly thrilled with the excellent quality." In order to achieve the best possible quality when developing the appliance, the idea was first turned into a prototype. A team then spent a year testing, adjusting and optimising the prototype. And customers were repeatedly asked for their feedback.

"We used very precise air flows, with finely balanced air vents. It was important for us that the appliance works optimally with all smoking materials. One problem had to be resolved, however: after using the smoker, how can customers then cook other sensitive products, without transferring any residual taste or aroma of smoke onto the next product? The solution is simply to run the cleaning programme. That's a unique selling point."

Product developer Dieter Reichelmeir is proud to say he believed in the product right from the outset. He even incorporated the experience of fishermen he knew.

Dr Markus Glück, Executive Vice President RATIONAL USA: "The VarioSmoker® opens up a whole new market not only for many smaller restaurants in America, but also for large supermarket chains that were never able to smoke in the past. They offer their customers freshly smoked products, and at times have seen significant increases in sales revenues."

Greater customer benefit

Everything else falls into place when you focus on the right goal

The VarioCooking Center® 112T, with a capacity of 14+14 litres, has been on the market since February 2015 — and the VarioCooking Center® 112L, with a usable capacity of 25+25 litres, since February 2016.

"We integrate all the relevant areas simultaneously into the development process, thus achieving more innovation in a shorter space of time."

Reinhard Waßmus
Chief Technology Officer, FRIMA

"I couldn't fit as many individual appliances into my small kitchen as the VarioCooking Center® replaces", says an enthusiastic Matthias Mayr, head chef at the BigBOX Hotel in Kempten. His personal favourite is the sous-vide function.

Since he began using the VarioCooking Center® 112T in his small professional kitchen — enabling him to cook, roast, fry and glaze without a tilt-pan, boiling pan or frying pan — his kitchen has felt much larger than it actually is, and he even manages to complete certain work steps four times faster.

In just 18 months, up to 30 experts at FRIMA reduced the casing of the successful VarioCooking Center® 112 to just a quarter of its original size. Boasting the same functionality, identical cooking area and the same cooking cabinet volume, a completely new class of appliance was developed.

"We wanted to offer our customers in the small and medium-sized kitchen segment the maximum benefit of a VarioCooking Center®. At the start, all we knew was that we needed to get a whole lot smaller", explains Reinhard Waßmus, Chief Technology Officer at FRIMA. "So we set about getting all the relevant parties involved in the process: Product Development and Production, Purchasing, Quality Management, Product Management and Marketing." They had all asked themselves one question: what is the best solution for our customers? Everything possible had to be scaled down in a targeted, integrated and coordinated way. Changes were made to 95% of all components.

"With a project like this, you don't start out with a clear-cut solution. You keep reaching a point when things turn critical", explains Reinhard Waßmus. "And whenever you get to a low point, you have to keep going. Then at some point everything falls into place, and exceptional solutions are found." Very little else beats moments like these.

Benoit Gourgues, Marketing Director at FRIMA, said that he too has a close emotional bond with the table-top model. "With this appliance, FRIMA has found its way to the heart of restaurant kitchens. Over 70% of customers who test the appliance also order it." Today, every fourth VarioCooking Center® sold ends up in a restaurant kitchen.

Research

Another 10 to 15 years

until series production

Materials of the future, changing eating habits. What will help our customers in the future in their work? (RATIONAL research team)

Predevelopment

5 years

until series production

How can we implement innovations in technological terms? The optimum concept? (Project teams)

Series development

1.5 to 2 years

until series production

The optimum product? We make an idea ready for series production. (Project teams)

Series production

0 years

until series production

The product impresses our customers.

Market launch

think/ /big

Maximum performance, minimum space

Volume saved with the same performance:

60%

"Irasshaimase" is the word Yukinori Yoshioka uses to greet his guests at his restaurant, about 4 hours by car and airplane outside Tokyo. It translates roughly as: "Welcome, come on in." Today, the Japanese chef is in an especially good mood. He is one of the very first RATIONAL customers in Asia to own the new SelfCookingCenter® XS. His assessment? "It's very powerful, even though it's really quite small." "It's just as powerful as the other SelfCookingCenter® systems and controls the temperatures and humidity very carefully."

"Very small and very, very much power."

Yukinori Yoshioka
Head Chef "Nawaya", Kyotango City (Japan)

There are 6,000 restaurants in London, UK; and 15,000 in New York, USA. In Tokyo there are 80,000 — often no bigger than a living room on the ground floor and frequently run by the chef alone. Others may have large dining areas, but the kitchens are usually very small.

"Izakaya" is the name for the traditional Japanese pubs. They have the smallest kitchens in the world — and since, traditionally, Japanese people sometimes entertain guests at home but usually in a restaurant, they are very popular. A lot of small dishes are ordered together. Everything has to be fast — and diners have very high expectations as regards the precision of the dishes.

So why is the XS so well suited for the "Izakaya" and also for kitchens like Yukinori Yoshioka's? "Because it's so small and so precise", he says, "and because of its maximum steam saturation and very exact steam temperature." HiDensityControl® always adjusts the required energy level exactly to the needs of the food and distributes the heat evenly and efficiently in the cooking chamber. The steam generator is unbeatable in the temperature range below 100 degrees Celsius when it comes to fresh pasta, gourmet fish and flans, ensuring the best possible food quality with absolutely no surface drying.

Yukinori Yoshioka can specify the climate he wants in the cooking chamber, which is then maintained throughout the entire cooking process by the smart controller. This allows him to cook his delicate creations gently. No other compact appliance in the world can offer him a result like this.

Does it make Yoshioka's work easier? The intelligent assistant iLevelControl shows him which different dishes he can cook at the same time. As the world's first and only compact model, the XS recognises the condition and size of his products and the respective amount. Thanks to iCookingControl®, the XS thinks in advance for the chef, continually redetermines the right settings for the desired result and makes the necessary adjustments on its own. The ideal result is always achieved in the gentlest manner. This saves up to 10% on raw materials. It also saves energy, of course. But, most of all, it saves time.

"Would we like our fish fully or partially cooked?", Yoshioka first asks the customer. Then he prepares it in a typically Japanese manner — unspoiled with only a few herbs or spices. By gathering the ingredients and garnishing the fish, he creates a magical culinary experience. This XS is exactly what he needs in order to do this work.

It's the smallest appliance, the most precise. It can prepare many different dishes simultaneously. But there's more. The XS even has Japanese cooking intelligence and is the only compact appliance that knows when to clean itself. It's just as good as a large one. "It's already a must-have for me."

“Passed with flying colours: the XS is the best solution for small kitchens.”

Number 1 in the world

55 x 65 x 56 cm in size

100% quality

Intelligence and performance in the smallest of spaces

Our new SelfCookingCenter® XS is not only the smallest of small appliances, but also the most powerful and precise.

The new SelfCookingCenter® XS — our compact intelligent cooking system — fits into any kitchen and is ideal as a cooking appliance in front cooking. It can be used at food stations in à la carte environments, in bakeries, petrol stations, supermarkets, and casual dining. It matches the performance, efficiency and cooking quality of our larger models in every way. Our cooking and cleaning intelligence, along with a self-learning system make the appliance exceptionally easy and convenient to use. New features include the LED lighting with rack indicator and energy-saving, triple-pane glass door with cutting-edge heat reflective coating.

Small appliance, **big performance**

40 years after the RATIONAL combi-steamer, the company from Landsberg am Lech had a big new innovation that turned out to be "small".

24 hours hospitality / BL Medien

A whole lot of steam. Now, for the first time, professional appliance with fresh steam generator also in XS format.

Chefs best

55 x 65 x 56

(cm) dream dimensions for cooking professionals

The smallest RATIONAL appliance ever **Chefs! Magazin**

Even the **best** ideas can be better

Normanton Catering

The German giant's combi ovens are found in almost half of all commercial kitchens in the UK, and the reduced footprint of its XS model could make it even more popular.

Catering INSIGHT

An eventful day

Götz Kämpfe

VdF (German association of professional planners), Denkte (Lower Saxony)


Well done

learn/ /more

About the worldwide success of ServicePlus

Listen!

Because we listen to our customers better than anyone else, we know exactly which are the best solutions to offer them.

As soon as customers have one of our appliances in their kitchen, they can use the RATIONAL ServicePlus services — at any time, straight away, and for the entire life of the product. It doesn't matter how old or new their appliance is, nor how major or minor their problems are. They have a partner who is there for them, who understands them, trains them and provides useful tips.

In fact, we start listening a long time before the appliance is actually bought. At our global RATIONAL CookingLive events, for example, our customers can experience the benefits of our appliances first-hand, before deciding whether to buy. By cooking together under realistic conditions, they see how RATIONAL can improve their everyday work in the kitchen while experiencing first-hand how efficient our appliances are.

Our appliances can always do more. But do our customers really use them to their fullest extent? With our new All-in-2 concept, we advise customers, assist them in reorganising work processes, or help them in modernising or replanning their kitchens. The aim is always to get the most out of the technologies offered by FRIMA and RATIONAL. We are already asking ourselves now what the kitchen of the future will look like. “The demands placed on modern kitchens are growing all the time. Guests want to be served fresh, healthy and modern dishes.

Kitchens have to respond with efficient production, while keeping an eye on costs”, says Sascha Barby, Head of All-in-2 at RATIONAL. “We offer customers a systematic and accurate analysis from chefs for chefs, and ask all the relevant questions that are important for them. We find out where there are bottlenecks, and where our customers want to be. Then we set about the task of helping them get there.”

Our aim

Academy RATIONAL is geared specifically to the needs of our customers. In consultation.

Academy RATIONAL

SelfCookingCenter® Basic Seminar & CombiMaster® Plus Basic Seminar
Basic knowledge

Academy Seminar “À la carte”
New stimulus for modern “à la carte” business

Academy Seminar “Banqueting”
Stimulus and sales opportunities
New profit opportunities
Marketing ideas

Academy Seminar “Large-scale catering”
New methods of preparing food
Efficiency in the day-to-day kitchen routine

Academy Seminar “Specialities from Asia”
Basic knowledge of Asian cuisine

Academy Seminar “Catering in schools and kindergartens”
Healthy, tasty, simple to prepare meals that are suitable for children
New methods of preparing food
Efficiency in the day-to-day kitchen routine

Academy Seminar “Vital kitchen”
New methods of preparing food
Efficiency in the day-to-day kitchen routine

Find out more about our seminars on our website: www.rational-online.com

“I see myself as an ambassador for healthy, balanced and tasty food. The specialist kitchens at RATIONAL are an ideal setting for passing on my experience and knowledge to head chefs. From school meals onwards, children should be shown how delicious healthy eating can be, so that it becomes a part of their lives for good.”

Holger Stromberg
Owner of KUTCHiiN restaurant (Munich) and chef for the German national football team

1,000 chefs work around the globe for RATIONAL.

“Our aim is to get the most out of our RATIONAL appliances. How can we continue to improve how they are used? How can the intelligence offered by the appliances be better utilised? That’s why we work closely together with RATIONAL and also provide on-site training facilities for Academy RATIONAL.”

Karl-Hermann Franck
Executive Chef Hotel and Restaurant Services, BASF Ludwigshafen, 36,000 employees (at the annual anniversary celebration, main courses are served for 1,300 people in 14 minutes)

ServicePlus
A good friendship

When customers buy one of our appliances, we make a promise to them: each and every day, we will look for new ways for them to work even more easily, quicker, more flexibly and more cost-effectively with us, while continuing to achieve top quality. As a reliable partner, we want to be there to meet their needs — as committed as a good friend.

01

Always be aware: what benefits customers the most. What do they really need?
We want to see things from each customer's viewpoint. We want to understand what they really need. We help them do their best, offering them solutions to their needs with our technology and our know-how, so that they derive maximum benefit. We are not simply sales consultants; we are culinary experts and passionate cooks, which is why we visit our customers in our chefs' whites and not our suits.

02

Responding to personal wishes with personal suggestions.
Every customer encounters a bottleneck, a very specific problem that needs to be solved. We want to eliminate these types of problems so that they can complete their work trouble-free. In order to do so, we offer our support, either together with other customers at joint learning events at the RATIONAL Basic Seminar or at the RATIONAL Specialist Seminar, where more specific topics are addressed.

03

Staying in constant contact.
Whatever positive experiences our customers have had, whatever has amazed them, is important to us since learning is the key to success. That's why a regular exchange is part of our philosophy. We want to meet each of our customers in person at least once a year, and pleasantly surprise them.

04

Having fun together.
We promise a lot, because that's what we can deliver. In our contact with customers, we want to demonstrate to them that we stand by everything we say. They should be saving the time and energy they want to save by making optimum use of the intelligence and benefits of our appliances at all times. There are no mistakes, only solutions. Fun is a key factor. We don't give seminars in the traditional sense, nor do we give PowerPoint presentations. We spend the whole day cooking — together.

05

Learning from each other.
It's not just our customers who constantly pick up useful information from our mutual dialogue. We also learn how to understand new and changing needs both now and in the future. When we take up suggestions and listen carefully, it helps our researchers and developers come up with the best ideas.

06

Having common goals.
Common goals lead to common ground. Our customers' goals are also our goals: less stress, more efficiency. Enjoying cooking while avoiding resource waste or unnecessary expenditure.

07

Exceeding expectations.
Our aim is to exceed customers' expectations — in product benefits, consultation and service. We can therefore be contacted whenever our customers need us.

1 appliance
1,000 possibilities

57

appliance languages are offered to our worldwide customers.

120 million

meals are prepared daily using our appliances.

350,000

kitchens use a SelfCookingCenter®.

Over 500

intellectual property rights and patents have been filed by RATIONAL and FRIMA.

Up to 100 litres

of steam per second are removed from the cooking cabinet by the new SelfCookingCenter®.

thinking/ /ahead

Milestones in our search for greater customer benefit

1976

'76 / Invention of the RATIONAL combi-steamer

Rudolf Drischberger, Head of Assembly: "Presenting the first combi-steamer at a trade fair in Frankfurt was a radical, exciting and spectacular occasion. We were still making changes right up to the start of the trade fair. I personally drove the condenser to the venue overnight. I had a good feeling from the outset that the ideas and visions of steam cooking would be very successful for our young and enthusiastic company."

800,000 RATIONAL appliances have since been delivered to date.

'83 / Withdrawal from pure hot air technology

Franz Ehelechner, Head of Technical Calculation: "I'll never forget the inspired decision of Siegfried Meister to align the Company to customer benefit, discontinue production of hot-air ovens and to only build combi-steamers. At the time, I thought: 'What a crazy decision!' But I soon realised we were in fact way ahead of our time."

The first RATIONAL combi-steamer

By focusing on combi-steamers, RATIONAL was able at times to even double its sales revenues.

’92 / **Acquisition of FRIMA**

Pascal Gluck, Product Development FRIMA: “I was really pleased when FRIMA became part of the RATIONAL family. We already had a really good relationship of trust thanks to the many years of cooperation. This and the combined strengths of both companies enabled us to make the VarioCooking Center® the success it is today.”

With more than 20,000 installed appliances in Europe alone, FRIMA is the undisputed market leader for multifunctional cooking appliances.

– 2016

’86 / **First CookingLive events**

Heidemarie Hemmeter, Sales Assistant: “Introducing the concept of CookingLive was completely new for customers and for the sector. Seeing, tasting, smelling, touching, trying and learning together with colleagues and our employees meant a more emotional affinity for many customers, rather than just reading a brochure. How can we benefit customers? That was the question right from the start.”

In 2016, we welcomed over 100,000 guests to our worldwide CookingLive events.

’04 Invention of the world’s first SelfCookingCenter®

Bruno Gerhard Maas, Head of Basic Research: “The launch of the SelfCookingCenter® heralded a new era in professional cooking. The new SelfCookingControl® cooking intelligence, which allows customers to achieve the desired cooking results with a constant level of quality, was developed by 100 employees. No other competitor has achieved such a quantum leap in intelligent cooking to date.”

SelfCookingCenter®

Since the SelfCookingCenter® was launched on the market in 2004, around 400,000 appliances have been installed around the world.

VarioCooking Center®

’05 Invention of the world’s first VarioCooking Center® by our subsidiary FRIMA

Reinhard Waßmus, Chief Technology Officer FRIMA: “Our idea was crystal clear: to develop a product that would enable users to thermally prepare 100% of all meals using the combi-steamer. The solution was an innovative multi-functional appliance. It transfers thermal energy to any type of food through contact with heat and through cooking in liquid, thus combining a number of different conventional cooking appliances in one unit. Together with the unique cooking intelligence, we brought about the second revolution in the thermal preparation of food in professional kitchens around the world with the VarioCooking Center®.”

97% of customers would buy a VarioCooking Center® again at any time.

’06 Global launch of Club RATIONAL

Elke Voss, Head of MediaDesign & Services: “How can we best pass on 30 years of cooking experience built up by our RATIONAL chefs to our customers? This question gave us much to think about. Then suddenly, we came up with the idea of a club — with recipes, application tips and videos that we provide free of charge 24/7. And Club RATIONAL was born.”

Club RATIONAL has 98,000 members worldwide, offers more than 12,000 recipes in 13 languages, and, with 1.5 million visitors a year, is the most successful knowledge database in the sector.

’06 Foundation of Academy RATIONAL

Simon Seemüller, Culinary Education: “At the end of 2006, we were able to launch the free Academy RATIONAL, initially with 10 planned and completed seminars in Germany. Because the idea worked immediately, it was expanded internationally. Since 2015, Specialist Seminars have also been held. These involve sharing in-depth knowledge from chef to chef, enabling customers to establish a real bond of trust with us, their partner.”

RATIONAL holds around 1,000 Basic Seminars a year in 22 countries. In 2017, a further 100 or so Specialist Seminars are planned in Europe, subject to a fee.

60% smaller — 100% power

SelfCookingCenter® XS

The market share of the compact appliance class in Japan is around 50%.

’11 Invention of the SelfCookingCenter® whitefficiency®

Andreas Deyerler, Head of Restaurants & Event Services RATIONAL: “As the first customers — here at the Company — my chefs and I were really curious to find out whether it would be possible to meet the high expectations we had of the advertised benefits and features of the SelfCookingCenter® whitefficiency®. And I still remember today that they were met, right down to the smallest detail, in the uniformity of the cooking, efficiency and flexibility.”

To us, whitefficiency® means creating the maximum benefit from every resource used, be it time, energy, water, space, cleaners or raw materials.

’16 Introduction of the SelfCookingCenter® XS

Hiroshi Nodo, Managing Director RATIONAL Japan: “I am extremely excited about RATIONAL’s latest innovation. It’s small in size but great in quality, which makes it perfectly suited for our Japanese customers with their small kitchens. They have repeatedly asked for it and now their long wait is over. 55 x 65 x 56 cm in size, it meets the needs of Japanese cuisine perfectly, either for à la carte dishes or for the famous Japanese Casual Dining.”

global – local/ /linked

Because we keep improving our idea and listen to the needs of chefs across the globe, we are now the global market leader. Thanks to our close global contacts with local kitchens all over the world, we can achieve a global market share of around 50%. And it's this worldwide link with our customers that enables us to develop products that set standards.

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 (+1,743%). Shareholders of the first hour, therefore, can be delighted about an average annual price appreciation of around 19%. Taking into account the distributed dividends, this results in an average annual return of more than 22%.

22%

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

* Based on the 2016 year-end closing price

RATIONAL shares hit a new all-time high

Global share markets were very volatile throughout 2016 due to various factors, in particular the weakness of China's economy in the spring, the Brexit vote in June and the US elections in November. The continuing expansionary monetary policy of the central banks tended to have a positive impact on the development of equity market valuations.

Driven by these circumstances, the DAX and MDAX — the key German indices for RATIONAL — moved sideways with strong fluctuations in the first half of the year. A sharp upward trend began in the second half of the year. The DAX closed at 11,606 points, close to its highest ever levels, while the MDAX rose to an all-time high, closing at 22,198 points. Both the DAX and the MDAX each rose by 7% for the year as a wholecompared to the previous year.

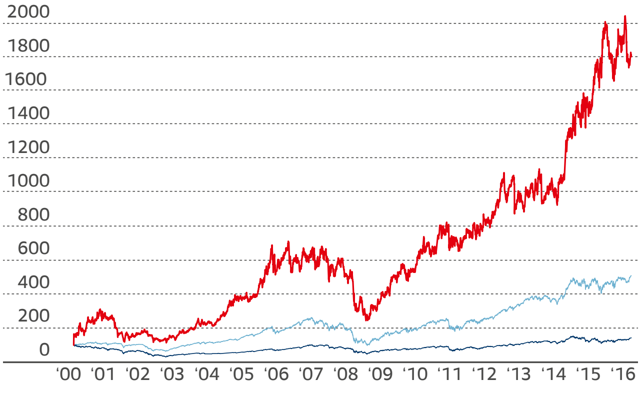
RATIONAL's shares were likewise volatile in 2016 and performed a little worse in relation to the comparative indices, not least because of the strong rise in their price last year and the high level they started from. They were even able to buck the general market trend in the first half of the year, reaching a new all-time high of 482.25 euros in the course of 23 March 2016. Following publication of the business figures for 2015 and the first quarter of 2016, analysts adjusted their target prices for RATIONAL shares, and their price settled at a level of 420 to 430 euros.

In the summer, RATIONAL shares briefly fell below 400 euros in the days after the vote in favour of Brexit. The subsequent upward trend ended on 26 October with the shares peaking at a record closing price of 480.45 euros. After announcement of the Q3 figures and the relatively cautious profit outlook for the whole of 2016, our shares dropped back again and were finally priced at 424.00 euros at the end of the fiscal year. Compared to the 2015 year-end closing price of 419.90 euros, this equates to a rise of 1%. Including the dividend distribution of 7.50 euros per share, this represents an overall return of +3% for RATIONAL shareholders in 2016. As at the balance sheet date, RATIONAL AG's market capitalisation stood at around 4.8 billion euros.

Performance of RATIONAL shares since the IPO in 2000

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

Year-end closing price: 424.00 EUR



Stable share performance thanks to sustainable corporate strategy

Our shareholders' trust in us is based on our Company's strategy, which is geared towards sustainability over the long term. That is also the foundation for our growth and profitability. This is 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 18 (+1,743%). This corresponds to an average annual price increase of 19%. Furthermore, dividends totalling 66.05 euros per share have been paid out to shareholders since the time of the IPO. This means that shareholders who invested in the Company right from the start are now receiving an overall return of approximately 22% per annum.

Historical development of RATIONAL shares and relevant benchmark indices on 30 December 2016

in %

	1 year	3 years	5 years	Since IPO
RATIONAL AG (share price development)	+1	+76	+152	+1,743
RATIONAL AG (incl. dividends)*	+3	+88	+184	+2,806
DAX 30	+7	+20	+95	+44
MDAX	+7	+34	+149	+420
SDAX	+5	+40	+115	+199

*Assumption: reinvestment of dividends at the opening price of the ex-dividend date

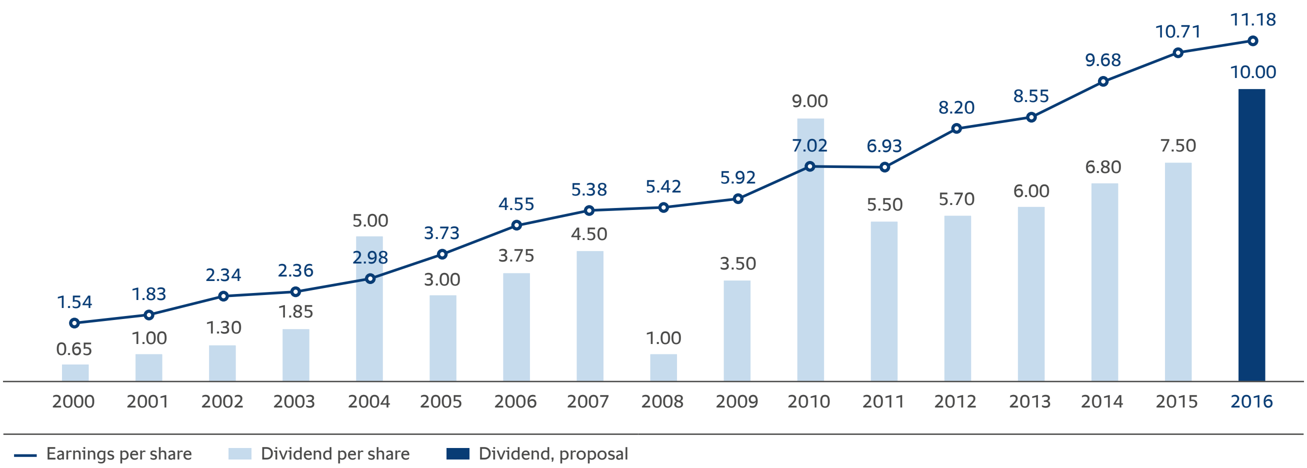
RATIONAL on the MDAX

Our shares have been listed in the "Prime Standard" since the IPO, and are traded in all German stock exchange centres. In September 2016, the shares were promoted back to the MDAX after two years in the SDAX. They rank 58th in Deutsche Börse's MDAX/SDAX trade volume ranking of December 2016. In terms of market capitalisation, RATIONAL ranks at number 42.

The average daily trading volume across all stock exchange centres was 6,222 shares in 2016 (2015: 5,449 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.

Earnings/dividend per share since the IPO



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 11.18 euros, earnings per share in 2016 exceeded the previous year's figure of 10.71 euros. This was thanks to revenue growth over the past fiscal year and the high earnings power of the Company. The number of shares issued remains unchanged at 11,370,000. No dilution effects occurred.

RATIONAL shares — key figures

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Number of shares[1] (in millions)	**11.37**	11.37	11.37	11.37	11.37	11.37	11.37	11.37	11.37	11.37
Year-end closing price[1] (in EUR)	**424.00**	419.90	259.75	241.10	218.00	168.20	161.89	115.99	82.61	137.54
Market capitalisation[1] (in m EUR)	**4,820.9**	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
Free float market capitalisation[1, 2] (in m EUR)	**1,403.5**	1,391.6	860.9	799.5	722.9	546.7	524.5	374.8	266.9	445.9
Average trading volume[2] (in shares)	**6,222**	5,449	6,883	6,746	6,085	9,479	7,994	10,962	18,176	14,425
Dividend per share for fiscal year[4] (in EUR)	**10.00**	7.50	6.80	6.00	5.70	5.50	9.00	3.50	1.00	4.50
Dividend yield[3] (in %)	**2.4**	1.8	2.6	2.5	2.6	3.3	5.6	3.0	1.2	3.3
Annual performance excluding dividend (in %)	**1.0**	61.7	7.7	10.6	29.6	3.9	39.6	40.4	–39.9	–0.8
Annual performance including dividend (in %)	**2.8**	64.3	10.2	13.2	32.9	9.5	42.6	41.6	–36.7	1.9
Price-to-sales ratio[1]	**7.9**	8.5	5.9	5.9	5.7	4.9	5.3	4.2	2.7	4.6
Price-earnings ratio[1]	**37.9**	39.2	26.8	28.2	26.6	24.3	23.1	19.6	15.2	25.6
Price-cash flow ratio[1]	**37.2**	33.4	26.3	26.7	22.2	28.2	21.2	15.9	13.2	25.6

[1] As of balance sheet date. [2] XETRA. [3] In relation to the previous year's closing price. [4] Payout in the following year. 2016 subject to approval by the 2017 General Meeting of Shareholders; 2011 and 2016 include a special dividend of 4.00 euros and 2.00 euros respectively. Source: vwd and RATIONAL

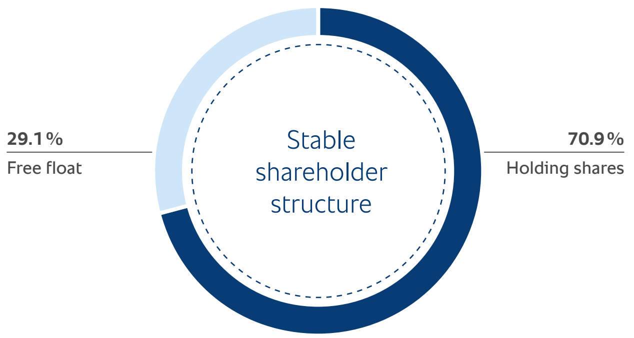
Dividend of 10.00 euros proposed

In the autumn of 2016, we won the DividendenAdel Award, which was presented for the first time by the independent research platform DividendenAdel in cooperation with Deutsche Börse AG, in acknowledgement of our traditionally high dividend payout ratio and sustainable dividend policy.

Once more this year, we want our shareholders to participate adequately in our successful performance in 2016. The Executive Board and the Supervisory Board propose to the General Meeting of Shareholders to distribute a dividend of 10.00 euros per share (8.00 euros plus a special dividend of 2.00 euros per share) for the 2016 fiscal year. A total amount of 113.7 million euros has been set aside for the distribution. The dividend yield (based on the 2016 closing price) is 2.4%.

Stable shareholder structure

Shareholder structure

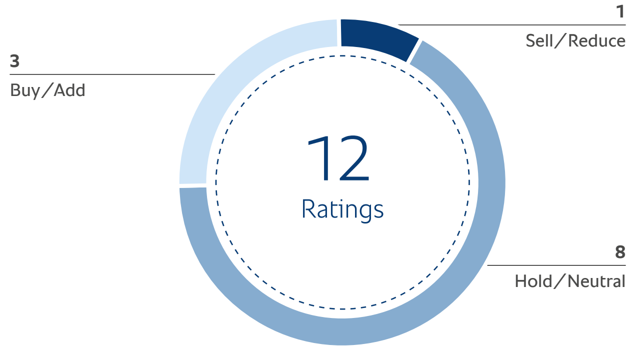


Status: 31 December 2016

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, as published on the RATIONAL website

Analysts' ratings



Status: 28 February 2017

At present, 12 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.

Award for capital market communication

The demand for information on the part of the capital markets, in particular among professional and private investors, is especially high in times of stock market turbulence. Our own mission is to work together with our shareholders in a spirit of partnership at all times. We finished third in the "SDAX" category in the contest "Best 2016 Annual Report" staged by the business magazine BILANZ. This is confirmation for us that we live up to the high standards demanded by the capital market as regards making financial information available in a transparent and open manner.

In 2016, management spent 25 days at roadshows and capital market conferences, both in Germany and abroad. After the release of our annual figures, we informed the public about them at the annual results press conference and an analysts' conference. An Analysts' Day was held for the first time at our Landsberg am Lech site in the past fiscal year, which gave capital market representatives and the press the chance to get to know RATIONAL even better through direct dialogue and an informative supporting programme. 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
Index membership	MDAX, CDAX, Classic All Share, DAX International Mid 100, DAXglobal Sarasin Sustainability Germany Index, DAXplus Export Strategy, DAXPLUS FAMILY 30, DAXPLUS FAMILY, DAXsector All Industrial, DAXsector Industrial, DAXsubsector All Industrial Products & Services, DAXsubsector Industrial Products & Services, MIDCAP MKT, Prime All Share (Deutsche Börse), BayX30 (Munich Stock Exchange)
Unsponsored ADRs (American Depositary Receipts)	Custodian: Citigroup Global Markets DR Ticker: RATIY / DR ISIN: US75410B1017
End of fiscal year	31 December
Accounting principles	IFRS
Flotation	3 March 2000
Designated sponsor	HSBC Trinkaus & Burkhardt AG

Corporate Governance Report and Declaration of Corporate Governance pursuant to section 289a of the 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 Board's 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 (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.

Composition of the Executive Board

The Executive Board of RATIONAL AG can consist of one or more persons. It had four members as at the balance sheet date. The assignment of division responsibility to the individual members is detailed in the executive organisation chart. The members of the Executive Board are Dr Peter Stadelmann (Chief Executive Officer), Peter Wiedemann (Chief Technical Officer), Dr Axel Kaufmann (Chief Financial Officer) and Markus Paschmann (Chief Sales Officer).

The Executive Board and its working methods

The members of the Executive Board bear joint responsibility for the overall management of the Company. They cooperate closely with one another and exchange information about important actions and procedures taking place 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 every two weeks. In addition, every member of the Executive Board can call a meeting by announcing the item on the agenda. Likewise every member can request that a topic be included in the agenda for a meeting. The Executive Board reaches decisions in meetings by a simple majority of votes cast or, outside of meetings, by a simple majority of its members.

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

The members of the Executive Board do not perform any Supervisory Board duties in other listed companies.

No conflicts of interest occurred in the past fiscal year.

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. Also on the Supervisory Board are Dr Gerd Lintz and Mr Werner Schwind, proven experts in business law, sales and technology.

With effect from 31 December 2016, Dr Hermann Garbers relinquished his post as member of the Supervisory Board pursuant to section 8 (5) of the articles of association of RATIONAL AG. Mr Erich Baumgärtner will take his place with effect from 1 January 2017. He was delegated by the principal shareholders Mr Siegfried Meister and Mr Walter Kurtz in accordance with their right of delegation as set down in the articles of association until the next Supervisory Board elections by the General Meeting of Shareholders in 2019.

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 concerning 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.

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 Supervisory Board may exercise its right to veto stipulated in the rules of procedure for the Executive 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 the audit committee 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.

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."

Formation of Supervisory Board committees

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.

Cooperation between Executive Board and Supervisory Board

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

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 AG 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.

Shareholdings of the management bodies

The members of the Supervisory Board held a total of 8,048,835 shares as at 31 December 2016. This corresponds to 70.79% 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 887,524 shares, corresponding to 7.81% of the share capital, were held by Mr Walter Kurtz.

The members of the Executive Board held a total of 2,703 shares at the balance sheet date. This corresponds to less than 1% of the share capital.

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 600 shareholders, representatives of the press and guests attended the General Meeting of Shareholders in Augsburg on 4 May 2016. An imputed 92.34% 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 was 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 cooperation with qualified local partners. Moreover, the local requirements for a compliance programme are continuously monitored in countries where RATIONAL has its own legal entities and employees and, where necessary, adapted to the existing compliance programme.

In 2015, an independent auditing company was commissioned to audit the risk management system as well as the design of the compliance management system in accordance with the auditing standards of the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer in Deutschland, IDW). The functional capability of both systems was hereby confirmed. The compliance management system and the risk management system were strategically enhanced in fiscal year 2016 on the basis of the existing concepts.

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 2016, which largely complies with the rules of the Code as amended and published in the Federal Gazette on 12 June 2015. There are no other voluntary commitments to comply with external codes and regulations. The Company has developed a comprehensive philosophy and has management principles that are set down in writing. It also has 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/About us/Corporate Philosophy". There are also recommendations on how to behave in dealings with customers, partners and colleagues.

An e-learning compliance tool specifically developed for the requirements of the RATIONAL Group was implemented in fiscal year 2016. All employees in the RATIONAL Group must complete the training at least once a year and pass a subsequent test.

Accounting and auditing

On 4 May 2016, the General Meeting of Shareholders appointed PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Munich, as auditors of the financial statements and the consolidated financial statements for fiscal year 2016. The audit contract was awarded by the Supervisory Board.

Prior to the proposal being submitted 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 or 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 2016 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 stated 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 December 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 4 May 2016 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 will be in effect for five years. Disclosure of the variable remuneration broken down by short-term and long-term components will not be made. 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 a reasonable 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."

Following its enlargement to six members by resolution of the 2015 General Meeting of Shareholders, the Supervisory Board has established 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 retain experience and skills for the benefit of the Company.

Landsberg, 25 January 2017

RATIONAL Aktiengesellschaft

Siegfried Meister
for the Supervisory Board

Dr Peter Stadelmann
for the Executive Board

Report by the Supervisory Board

Dear Shareholders,

As in the past few years, RATIONAL Aktiengesellschaft successfully continued on its successful growth path in the 2016 fiscal year. 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 2016, 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 2016 and in 2017 to date, this in particular related to decisions concerning product development, expansion and optimisation of the sales and marketing organisation, further development of the management structure, global HR development, risk management, and planning and approval of construction work at the Landsberg site.

Consultations in the Supervisory Board

The Supervisory Board had eleven meetings in 2016. In 2017, one further meeting was held up to the time of the meeting of the Supervisory Board on 1 March 2017 to adopt the financial statements. The members of the Supervisory Board also consulted each other in writing and by telephone, and held three other internal consultative meetings and three meetings of the Audit Committee in fiscal 2016. 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. According to a review carried out by the Supervisory Board itself, its members are, as a whole, familiar with the sector in which the Company is active.

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:

- The appropriation of earnings and proposed dividend
- Business planning for fiscal year 2017
- The development strategy for new markets
- The foundation of RATIONAL F & E GmbH
- Development of the market in Arab countries
- Further development in the focus market USA
- Key points in product development
- The product launch of the new SelfCookingCenter® XS appliance and the new SelfCookingCenter® appliance generation
- Enhancement of the RATIONAL compliance programme Construction projects at the Landsberg and Wittenheim locations
- Enhancement of the medium-term strategy, including the product portfolio and sales and marketing strategy
- Networking of the sales activities for combi-steamers and the VarioCooking Center®

At the Supervisory Board meeting to adopt the financial statements on 1 March 2017, 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 2017 General Meeting of Shareholders.

PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich, will be proposed as auditors for the 2017 fiscal year. We also adopted the remaining draft resolutions for the ordinary General Meeting of Shareholders.

Our duties in 2016, and, in particular, at the meeting held on 1 March 2017 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.

Committee activities

The Supervisory Board formed an Audit Committee in 2015. Its members are Mr Walter Kurtz, Dr Hans Maerz and Mr Werner Schwind. The Audit Committee meet three times in the 2016 fiscal year. At its meetings, the Audit Committee dealt in particular with the Half-year Report and the annual and consolidated financial statements, as well as the monitoring of the accounting processes, the effectiveness of the internal control system, of the risk management system and the internal audit system, and the selection and independence of the auditors. The Audit Committee reported regularly to the Supervisory Board.

Corporate governance

With effect from 31 December 2016, Dr Hermann Garbers relinquished his post as member of the Supervisory Board pursuant to section 8 (5) of the articles of association of RATIONAL AG. Mr Erich Baumgärtner took his place with effect from 1 January 2017. He was delegated by the shareholders Mr Siegfried Meister and Mr Walter Kurtz in accordance with their right of delegation as set down in the articles of association. Mr Baumgärtner will hold this until the next regular Supervisory Board elections by the General Meeting of Shareholders in 2019.

In fiscal year 2016, 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 2016 reporting year in connection with consultations, draft resolutions and the audit engagement.

The last amendment to the German Corporate Governance Code entered into force on 12 June 2015. There have been no further amendments since then. Together with the Executive Board, an account was rendered for the fiscal year 2016 in the Corporate Governance Report and Declaration of Corporate Governance pursuant to section 289a of the HGB. 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 of 25 January 2017. A resolution to this effect was passed at the meeting of the Supervisory Board on 25 January 2017 pursuant to section 161 of the Aktiengesetz (AktG, German Stock Corporation Act). The declaration of conformity as at 25 January 2017 has been published in the 2016 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 4 May 2016, PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich, audited the financial statements of RATIONAL AG and of the Group for fiscal year 2016. The audit contract 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 provide information 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 and the Audit Committee 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 2016, 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 (IFRSs), 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 the Audit Committee and all Supervisory Board members for examination. They were the subject of intensive deliberations at the meeting of the Supervisory Board held on 1 March 2017. 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. With regard to the audit reform, the Supervisory Board is adhering to the existing in-house rule on the strict separation of consulting and auditing services. 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 1 March 2017, the Supervisory Board approved the annual financial statements, prepared by the Executive Board, for RATIONAL AG as of 31 December 2016, including the certified version, dated 28 February 2017, of the management report for fiscal year 2016, as well as the consolidated financial statements as of 31 December 2016 and the certified version, dated 28 February 2017, of the Group management report. The 2016 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 282.1 million euros, a dividend of 10.00 euros per share (8.00 euros plus a special dividend of 2.00 euros per share) or a total of 113.7 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 2016, 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, 8 March 2017

Siegfried Meister
Chairman of the Supervisory Board
of RATIONAL AG

RATIONAL AG: Group Management Report for Fiscal Year 2016

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 industrial 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 33 subsidiaries, including 26 sales companies, we market our products in all regions around the globe. A list of all Group companies can be found in the section entitled "Scope of consolidation" in the notes.

The RATIONAL Group is divided into two operating segments, RATIONAL and FRIMA.

RATIONAL segment

Most of our sales revenues are generated with the SelfCookingCenter®. This is a combi-steamer with intelligent cooking processes. Combi-steamer technology involves transferring the heat during cooking via steam, hot air or a combination of the two. It thus allows between 40% and 50% of all traditional cooking appliances, such as hot air ovens, stoves and boiling pans, to be replaced. The software integrated into the SelfCookingCenter® recognises the size and consistency of the food and controls the cooking process until the desired cooking result is attained. Alongside cooking intelligence, the main unique selling points of the SelfCookingCenter® are resource efficiency, ease and flexibility of use, as well as fully automated cleaning and descaling. In addition, we offer our customers a basic model of the combi-steamer called the CombiMaster® Plus. With seven different appliance sizes, we can always offer the right product for all markets and customer groups.

We manufacture our combi-steamers at our headquarters in Landsberg am Lech, and market them globally via our own sales companies, sales offices and trade partners. To prepare for the growth in sales volume expected over the next few years, we will expand the production capacities at the Landsberg location and build a new production and assembly hall, starting in summer 2017. More capacity is expected to be added from 2021 onwards.

FRIMA segment

Since 2005, the FRIMA segment has offered the VarioCooking Center®, a product that complements the combi-steamer technology. It cooks with direct contact heat or in liquid and replaces another 40–50% of traditional cooking appliances in professional kitchens. It targets the same customer group and, due to its short product history, is only at the beginning of market development.

The products are manufactured in Wittenheim, France, and distributed through own sales companies and trade partners, primarily in Europe. In order to match our production to the growth in sales volume for the VarioCooking Center® expected in the next few years, we built a new assembly hall in Wittenheim in the year under review. More capacity is expected to be added from 2020 onwards.

Markets, customers and competitive situation

Our appliances are ideal for any organisation in which at least 20 warm meals a day are prepared. The potential global market comprises more than three million end customers. To date, only around 30% of them use combi-steamer technology. This provides great opportunities for further growth. The customer base ranges from restaurants and hotels, large-scale catering operations such as company canteens, hospitals, schools, universities, military facilities, prisons and retirement homes right through to fast-food chains and caterers. Meanwhile, our target market has expanded to include supermarkets, bakeries, snack outlets, butchers' shops and service stations.

Especially in established markets, we benefit increasingly from the fact that the SelfCookingCenter® can be used to prepare a growing range of dishes thanks to its continuous further development. More and more customers acquire an additional appliance to increase their capacity and flexibility. The introduction of the SelfCookingCenter® XS, RATIONAL's first compact appliance, will give further impetus to this trend.

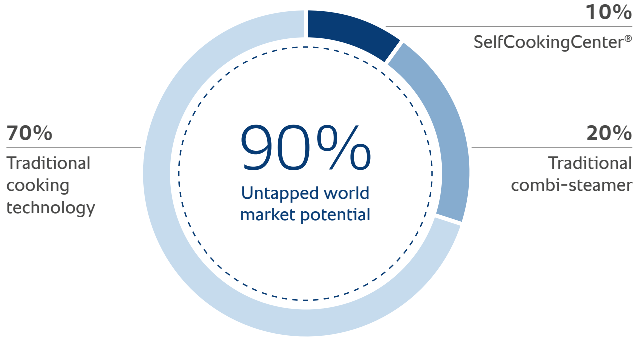
It is part of our corporate philosophy to exploit the huge untapped potential market. We do so by expanding our global sales, marketing and service network organically, step by step. In addition to higher penetration of already well-developed markets, we are increasingly addressing the growing potential presented by emerging markets.

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

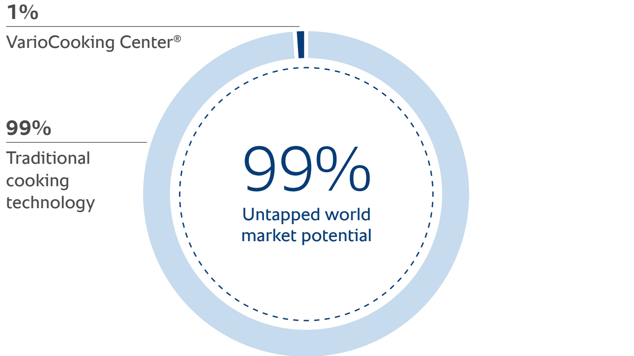
Our core market is Europe, where we generate over 60% of our sales revenues, and it still holds huge, untapped potential. In Europe, the SelfCookingCenter® also replaces a large number of old combi-steamers. New markets in the Americas and Asia — such as the United States, Canada, Mexico, Brazil, China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

The structure of the competition 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 regions, so our main competitors differ from country to country.

Untapped world market potential of the SelfCookingCenter®: 90%



Untapped world market potential VarioCooking Center®: almost 100%



Strategy and objectives

Strategy 2016

In 2016, 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. Focusing on professional kitchens and specialising in thermal food preparation
2. Maximising customer benefit as the primary corporate objective
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 were confirmed and reinforced by reviewing our strategy in 2016.

Focusing and specialising

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. In 2016, we recruited a significant number of employees in sales as well as in application research, development and consulting. With around 400 chefs now working in these customer-oriented functions, we are the company of chefs 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 in thermal food preparation, 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 quality

In manufacturing, too, 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. Each appliance is assembled by one individual, who is responsible for the whole process from beginning to end. This individual guarantees the quality of this equipment by including his or her name on the identification plate. We thus have 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 device, 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.

Maximising customer benefit as the primary corporate objective

Offering our customers the maximum benefit is our primary corporate aim. Every action and decision is scrutinised to ensure that it provides benefits for our customers. 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.

Financial stability and security are key to our Company’s success. For us, they are the cornerstones of flexible business activities geared to the future and with maximum customer benefit in mind. In our view, a high equity base and a good liquidity situation are essential to achieve that.

Sales revenues, growth and profit are not the primary objectives. For us, they are merely the benchmark for meeting our objective of maximising customer benefit.

Customer-focused services during the entire business relationship

Our sales processes are tailored to suit the needs of our target group. In CookingLive events, which can last for several hours, we present our products to potential customers all over the world and demonstrate the value they add. Growing numbers of seminar participants lead over time to an increase in sales volume and sales revenues. For the area of fast food and system catering, we employ staff specifically to serve the needs of this target group and work with the customers to devise tailor-made turnkey solutions.

Regional specialist dealers are then 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.

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.

We want our customers to be able to make optimal use of their appliances at any time and to integrate them in their everyday tasks in the kitchen. Further training for customers is therefore an important component of the successful customer benefit strategy.

The RATIONAL Academy 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 kindergarten or hospital.

We also provide support to our customers on general aspects of kitchen organisation. Our specialists visit the kitchens of our customers, where they jointly develop solutions to ensure that kitchen processes are efficiently configured by integrating our products.

Additional service offerings, such as Club RATIONAL, Academy RATIONAL, the RATIONAL-Portal, ChefLine®, our expert app and our presence on social media, are efficient ways to help end customers after they made a purchase and to consolidate customer loyalty for the long term. We maintain continual dialogue with our target group and learn what their current interests and needs are. These offerings allow us to provide important hints, tips, information and services to our customers, helping them to improve the use of their appliances further.

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 and are committed to the Company's best interests. They endeavour to fulfil their tasks as well as possible, enhance their working methods, make the necessary decisions and take independent responsibility for them. They learn from their mistakes in order to avoid them in future. They are on a par with colleagues and superiors, and put forward their own opinions.

Encouraged by this corporate philosophy, our employees are highly committed and continuously work towards improving quality, productivity and efficiency. This is reflected in the fact that we implemented around 3,900 suggestions for improvement in 2016 alone (2015: 4,300). 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.

Because of the growth recorded in recent years and the increasing international reach, we are gradually shifting competence and responsibility to our subsidiaries in line with the U.i.U.® philosophy. To optimise local processes, we are also creating support functions in major national organisations, such as culinary application experts, IT support or human resources management and development. In this way, we benefit to an even greater extent from local market knowledge and customer proximity.

Planning and control system

Planning and control

Planning and control 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 evaluated 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" team implements and safeguards the Company's 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 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.

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 events. This is an important early indicator for our future business performance. Customer satisfaction ratings and technical quality indicators are also used to this end.

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 launch 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.

In order to increase our innovative strength, we have expanded our development team and transferred it to RATIONAL F & E GmbH, a wholly owned subsidiary of RATIONAL AG established in fiscal year 2016. Alongside engineers in various disciplines, physicists work on basic research and chefs and nutritionists work on applied research and development.

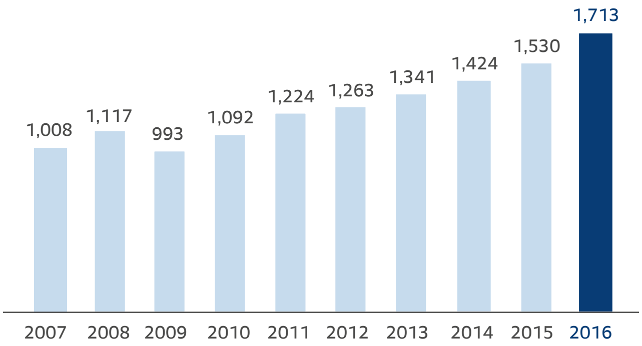
In 2016, we spent 30.6 million euros (2015: 26.5 million euros), or 5% of sales revenues (2015: 5%), on developing new solutions and improving the performance of our products and services. Of this total, 28.8 million euros was recognised as an expense in the income statement. 1.8 million euros (2015: 2.9 million euros) was capitalised as intangible assets, which will be amortised over their respective useful lives from the time production or service provision commences.

Our innovations are protected by 512 patents, patent applications and registered designs (2015: 495). 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 2016 by 183 from 1,530 to 1,713 (as of 31 December 2016). Of these, 958 (2015: 865) were employed in Germany.

Number of employees



Status: 31 December of each year

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 64 employees training as industrial business managers, industrial technicians, mechatronics engineers and IT specialists. 15 employees are on dual courses of study, combining studies with practical experience in mechatronics, engineering, business informatics, international business, and hotel and lifecycle catering.

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 for university graduates. 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 34 junior employees were involved in various programmes. In 2016, we were able to fill around 67% of management vacancies with employees drawn from our own ranks (2015: 71%).

Staff loyalty and satisfaction are at a high level. The survey results from 2016 show that 89% (2015: 94%) of all employees surveyed are proud to work for the RATIONAL Group, a result that reflects the strong feeling of loyalty among our workforce. In 2016, 106 employees (2015: 93) were honoured for their long service to the Company. Staff turnover was just 3% in Germany and 9% worldwide (2015: 4% 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 instruction and training are carried out at regular intervals, and the Company doctor is available for regular check-ups.

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 long-service bonuses.

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 and 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) on the RATIONAL website.

Around 190 new jobs planned for 2017

In 2017, 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. A total of around 190 new jobs will be created around the world, over half of them in sales and marketing.

Corporate social responsibility as a fundamental principle

As a business, we have a major responsibility towards society. For this reason, sustainable business and responsible corporate governance have been integral parts of our Company's policy since its establishment. To us sustainable development means giving equal consideration to environmental, social and economic aspects.

Resource-saving processes and products, satisfied employees, a positive public image, loyal suppliers and satisfied customers are important drivers for RATIONAL's long-term development. In this way, we are securing the long-term existence and growth of the business while creating jobs and supporting the development of the town of Landsberg and the surrounding region.

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 rules of conduct in business.

The Compliance Officer reports directly to the Executive Board and advises it on all relevant matters. The Compliance Officer is responsible for enhancing the compliance system and implementing it efficiently together with executive management.

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. The use of our technology reduces the consumption of raw ingredients, energy, water and cleaning products. Through our products, we help our customers achieve the greatest resource savings.

As a sustainability-focused, international company, we include ecological aspects in all business decisions. We also maintain an environmental management system certified according to ISO 14001 and an energy management system certified according to ISO 50001. We set ambitious targets for the reduction of waste as well as for resource, water, energy and fuel consumption. Despite extensive construction measures in Landsberg and Wittenheim, we met the targets set for 2016.

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

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 and also uses their employees in the RATIONAL parts dispatch department.

Cooperation in partnership with suppliers

As a company with little vertical integration, the quality, productivity and reliability of our suppliers are particularly important for 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

Global economy grows by 3.1% in 2016

The global economy continued on its growth trajectory in 2016, expanding by 3.1%. At the beginning of the year, there were concerns about a global recession. Although these fears proved to be unfounded, economists have described economic growth in 2016 as rather muted. This is particularly attributable to persistently poor economic performance in emerging market countries. Russia and Brazil continue to be in recession, while many other countries reported significantly lower growth rates than in the year before. Overall, growth in emerging countries declined to around 4%. India and China, by contrast, performed positively, generating growth of 7.6% and 6.6% respectively. The industrialised countries also expanded more slowly than forecast, and in particular the USA's growth rate of 1.6% fell significantly short of the previous year's rate of 2.6%. The main reasons were the low oil price and the increase in the value of the US dollar, which had a dampening effect on the export performance of US companies. Despite political uncertainty, the Eurozone economy continued its moderate upswing, expanding by 1.7%. (Source: Warburg Research, January 2017)

Good prospects for the future in the catering and food service sector

The mood in the German catering and food service sector 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, mass catering businesses confirmed their willingness to invest at a sustained high level. More than half of all businesses surveyed were planning to invest in large appliances in 2016, and around a third of businesses in cooking equipment. (Source: Internorga 2016)

The prospects for the catering industry also continue to be promising. Expenditure on eating out has risen by about 3–4% per annum in recent years. (Source: Federation of German Food and Drink Industries 2016)

Important trends contributing to this development continue undiminished. They include the growing average prosperity of the world's population, the rising number of one-person households in developed markets and increasing demands in terms of food quality and variety, international foods and food presentation. For this reason, expenditure on eating out is expected to continue its upward trend in future years.

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 segment performed well, continuing the previous year's development. According to the industry's main trade association in Germany, Industrieverband Haus-, Heiz- und Küchentechnik e.V. (HKI), manufacturers sold significantly more appliances than in the prior-year period. We further extended our leading position, which, with a market share of around 50%, is way ahead of the nearest rival. (Source: HKI statistics, November 2016)

Significant events in fiscal year 2016

New product launches

Our new VarioCooking Center® 112L was launched in February this year. With a pan volume of 50 litres, it closes a gap in the FRIMA range. In August 2016, we launched the SelfCookingCenter® XS, for the first time offering a compact class appliance. Despite its extremely small dimensions, it delivers the full RATIONAL performance and cooking intelligence. Enhanced versions of the larger appliances in the SelfCookingCenter® series have also been presented.

International expansion

In 2016, we formed a subsidiary in Dubai, thus laying the foundation for further penetrating the markets in the Middle East.

Investments in the future

By making significant investments in production capacities for the VarioCooking Center® in Wittenheim, we have created the conditions for the growth at FRIMA expected in future years. In order to maintain and extend our technological advantage, we invested in a new research and development centre in Landsberg am Lech in 2016.

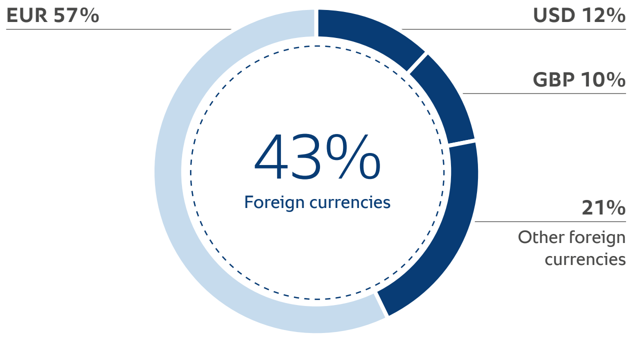
Business in 2016 — the Executive Board's assessment of the economic situation

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 2016 as favourable.

Our sales revenues grew by 9% in the past fiscal year. This increase is primarily attributable to the rise in unit sales volume compared with the previous year.

In contrast, sales revenue performance was negatively impacted by currency effects. In fiscal year 2016, we generated just over 40% of our sales revenues in foreign currency. The US dollar (12% of sales revenues) and pound sterling (10%) were the most significant currencies apart from the euro. On average, the euro was significantly stronger year-on-year against the currencies relevant to us, and this resulted in a decline in sales revenues. Adjusted for currency effects, sales revenues expanded by 11%.

Share of foreign currencies in 2016

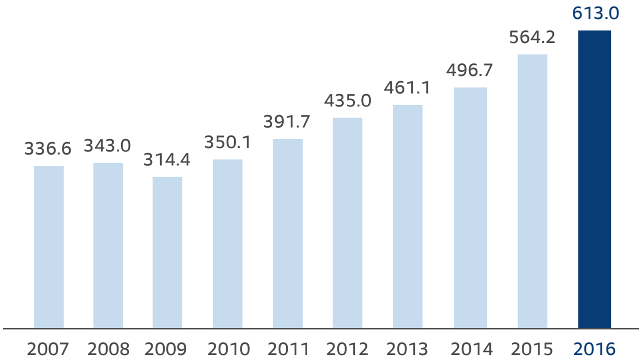


Earnings situation

With sales revenues of 613 million euros and earnings before interest and taxes (EBIT) of 167 million euros, the RATIONAL Group can look back on an altogether successful fiscal year 2016. Our sales revenues increased by 9%. EBIT was up 4% year-on-year, and the EBIT margin amounted to 27%.

Development of sales revenues

in m EUR



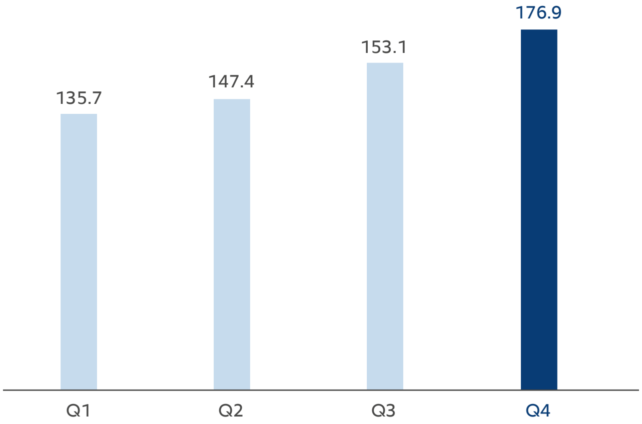
Increased sales revenues from quarter to quarter

In the first quarter, sales revenues increased by 9% to 135.7 million euros (2015: 124.7 million euros). Growth continued in the second quarter, with sales revenues increasing by 9% to 147.4 million euros (2015: 135.8 million euros). Consequently, sales revenues grew by 9% in the first half of the year to 283.1 million euros (2015: 260.5 million euros).

With sales revenues of 153.1 million euros (2015: 143.0 million euros), the growth rate decreased slightly to 7% in the third quarter in response to reticence on the part of buyers in the run-up to the launch of new products. Fourth-quarter sales revenues amounted to 176.9 million euros (2015: 160.8 million euros). This represents another increase of 10%. As a result, we generated total sales revenues of 613.0 million euros for the full year (2015: 564.2 million euros), an increase of 9%.

Quarterly sales revenue development in 2016

in m EUR



Worldwide growth

We recorded broad-based worldwide growth in 2016. Only a few regions fell short of the previous year's figures due to special economic or political factors. In addition, in some cases dramatic declines in the local currencies led to significant reductions in sales revenues in individual regions.

In recent years, the Europe region was a key driver of the Group's expansion. Apart from some individual markets, the region again performed well in 2016, growing by 7% in total. The markets in southern Europe continued the growth trend of the previous two years. Political uncertainty in Turkey meant that sales revenues in this country fell significantly short of the previous year's. In the UK, the significant fall in the value of pound sterling as a result of the country's vote to leave the European Union had a negative effect on our sales revenue performance.

The FRIMA segment, which generates a large part of its sales revenues in the European markets, reported sales revenue growth of 22%, thus making a substantial contribution to growth in Europe. Adjusted for the negative currency effects, sales revenues in Europe increased by 11%.

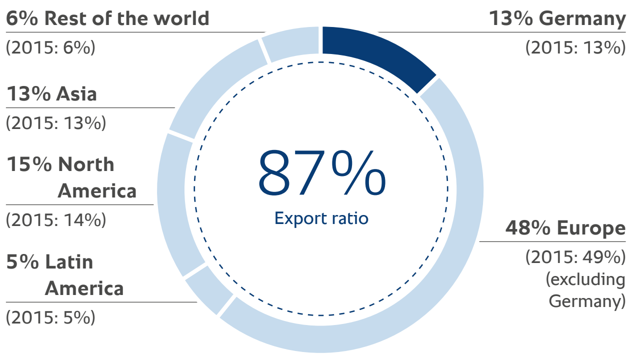
Since the beginning of 2014, we have aligned our sales approach in North America (USA and Canada) more closely with the specific market requirements. This again had a positive impact on our sales figures in 2016. In the past fiscal year, sales revenues in the North American market expanded by 15%, again making it a key growth market for RATIONAL. In the USA, a key market of the future, our sales revenues grew by 16%. Adjusted for the negative currency effects, sales revenues in North America increased by 16%.

Latin America also performed well. The most important individual markets, Mexico and Brazil, recorded sales revenue growth of 3% and 22% respectively. Business was also good in the region's other markets. Overall, sales revenues in Latin America rose by 13%; adjusted for negative currency effects, the figure was 20%.

Another important contribution to growth came from Asia, where sales revenues increased by 9%. In Japan, the region's largest individual market, we benefited from our long-standing business relationship with our OEM partner Fujimak, which has now also added the VarioCooking Center® to its range. The second most important market is China. Given the economic situation there, our business performed satisfactorily overall in 2016, and sales revenues rose slightly year-on-year, driven by a major order from an international fast food chain, among other factors. In Asia, we benefited from an increase in the value of the yen. Adjusted for the positive currency effects, sales revenues in Asia grew by 7%.

In our well-developed home market of Germany, a growth rate of 9% was recorded in 2016. Here, we are benefiting increasingly from the fact that the SelfCookingCenter® can be used to prepare a growing range of dishes thanks to its continuous further development. Moreover, the positive trend in company catering and orders from new customer groups such as supermarkets also help to increase market penetration in Germany. In addition, the VarioCooking Center® is becoming more and more established in German kitchens. Sales revenues generated with this product in Germany increased by 26% in 2016.

Sales revenues by region in 2016



Sales revenues in the "Rest of the world" region were up slightly compared with the previous year, rising by 1%. Sales revenues were down year-on-year in Australia, because of the very high prior-year figure, and in Africa, due to the political situation in North Africa. In the Middle East, the previous year's successful trend continued and sales revenues increased by 6%.

Gross margin of 62%

Compared to sales revenue growth, gross profit improved slightly more slowly, increasing by 8% to 378.8 million euros (2015: 349.2 million euros). At 61.8%, the gross margin remained at the high level of the previous year (61.9%). Negative factors affecting the gross margin included lower sales revenues due to currency effects and, as expected, slightly lower margins on the compact appliance. These were offset by the positive impact of lower commodity prices.

EBIT margin of 27%

In 2016, operating expenses (sales and service, research and development and general administration) rose slightly faster than sales revenues. In addition, as mentioned earlier, the exchange rates of the foreign currencies relevant to us also weighed on EBIT.

The cost increase was largely attributable to sales and service costs, which were up by 11% to 155.6 million euros (2015: 140.5 million euros). The expenses incurred related primarily to the launch of the new SelfCookingCenter® models and the SelfCookingCenter® XS at around 50 events worldwide. In addition, costs were incurred for completely new and expanded marketing materials in nearly 40 languages and the new website with its integrated dealer portal. Moreover, the global sales and service organisations received a further boost from increases in capacity and support provided by the extension of central marketing and service processes.

The cost of enhancing our technologies and products in research and development amounted to 28.8 million euros in the past fiscal year (2015: 23.6 million euros). This represents a cost increase of 22%. In addition, we recognised development costs of 1.8 million euros (2015: 2.9 million euros) as an asset. This amount is reported under intangible assets.

General administration expenses rose by 5% from 25.1 million euros to 26.4 million euros.

We incurred total operating expenses of 210.9 million euros, an increase of 11% (2015: 189.2 million euros).

Cost and earnings structure

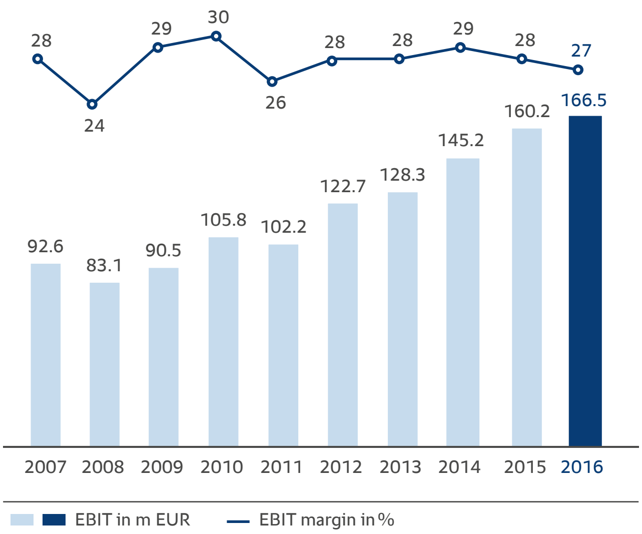
in m EUR

	2016	in % of sales revenues	2015	in % of sales revenues
Sales revenues	613.0		564.2	
Cost of sales	234.2	38	215.0	38
Sales & service	155.6	25	140.5	25
Research & development	28.8	5	23.6	4
Administration & Other*	27.9	5	24.9	5
EBIT	166.5	27	160.2	28

* Contains currency result

At 166.5 million euros (2015: 160.2 million euros), EBIT was 4% up on the previous year. The EBIT margin was 27% (2015: 28%). Adjusted for currency and commodity price effects, the EBIT margin stood at 28%.

EBIT margin and EBIT development



Because of the low proportion of interest-bearing debt and the low interest rates on fixed-term deposits, the financial result, which amounted to −0.6 million euros (2015: −0.5 million euros) was of minor significance.

Profit before tax was 165.9 million euros (2015: 159.7 million euros). The absolute tax expense was 38.8 million euros (2015: 37.9 million euros). The consolidated tax rate was 23.4% (2015: 23.7%). This resulted in consolidated net profit for the year of 127.1 million euros (2015: 121.8 million euros) and a net margin of 21% (2015: 22%).

RATIONAL segment

In the year under review, the RATIONAL segment increased its sales revenues by 8% to 570.0 million euros (2015: 529.5 million euros). EBIT amounted to 158.8 million euros (2015: 157.7 million euros), 1% up on the previous year. This equates to an EBIT margin of 28% (2015: 30%). The factors driving this development are largely the same as those described for the Group.

FRIMA segment

Sales revenues in the FRIMA segment increased by 22% to 47.1 million euros in 2016 (2015: 38.7 million euros), in particular because of the launch of the VarioCooking Center® 112L and the good business performance in France (+18%) and Germany (+26%).

EBIT increased by 13% to 7.6 million euros (2015: 6.7 million euros). The slightly below average increase in EBIT is above all due to high research and development expenses, the launch of new appliances, increased sales capacities and the expansion of the production location in Wittenheim. The EBIT margin was 16% (2015: 17%).

Operating segments 2016

in m EUR

	RATIONAL	FRIMA
Segment sales revenues	570.0	47,1
Segment result	158.8	7.6
Sales revenue growth	+8%	+22%
EBIT margin	28%	16%

Operating segments 2015

in m EUR

	RATIONAL	FRIMA
Segment sales revenues	529.5	38.7
Segment result	157.7	6.7
Sales revenue growth	+13%	+16%
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), although ROIC only plays a minor role as a key performance indicator.

ROIC, which is calculated by dividing consolidated net profit for the year less finance costs by the invested capital (equity plus interest-bearing borrowings), was 31% (2015: 34%). It exceeded the assumed cost of capital of 5.3% by around 26 percentage points, generating an increase of around 106 million euros in enterprise value.

The ROE (consolidated net profit in relation to equity) came to around 34% in the year under review (2015: 37%).

Financial position

RATIONAL strengthened its financial position in 2016. The liquidity ratio of 52% (2015: 55%) as at the balance sheet date and an operating cash flow of 129 million euros (2015: 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.

Because 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 mainly 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

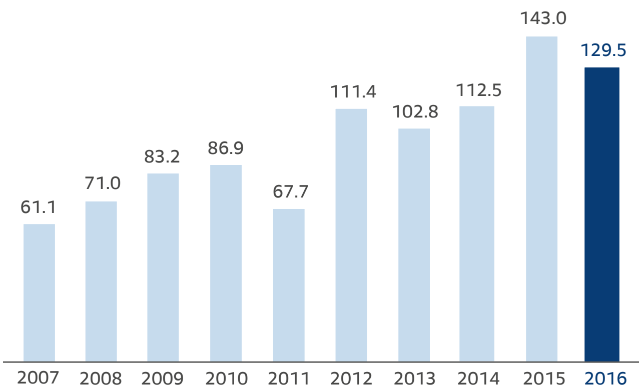
Because of the low level of capital intensity of our profitable business model, combined with little vertical integration and efficient receivables management, we are able to maintain our operating cash flow at a consistently high level.

In fiscal year 2016, this reached 129.5 million euros, a year-on-year decrease of 13.5 million euros (2015: 143.0 million euros). The decline was primarily due to the only slight year-on-year increase in profit, accompanied by higher tax payments, a larger increase in working capital and a slightly smaller increase in provisions compared with the previous year.

Cash outflows from investing activities amounting to 96.7 million euros (2015: 10.5 million euros) include investments in property, plant and equipment and intangible assets. In 2016, these stood at 24.6 million euros, 5.2 million more than in the previous year (2015: 19.4 million euros). They include investments in real estate, the extension and modernisation of our machinery, purchased software and software licences as well as capitalised development costs. Free cash flow is calculated by deducting investments in non-current assets from the cash flow from operating activities; it amounted to 104.9 million euros (2015: 123.6 million euros).

Operating cash flow

in m EUR



In the year under review, we also recorded net cash outflows of 72.8 million euros for deposits with a maturity of more than three months (2015: cash inflows of 8.1 million euros).

The cash flow from financing activities reflects the dividend distribution as well as the repayment of principal and interest payments in connection with bank loans. In the year under review, we paid dividends of 85.3 million euros to our shareholders for the 2015 fiscal year. Furthermore, we reduced our liabilities to banks by a total of 0.6 million euros and paid interest amounting to 0.8 million euros. In total, there was a cash outflow from financing activities of 86.7 million euros (2015: 82.5 million euros).

Cash flow 2016

in m EUR

	2016	2015	Change
Cash flow from operating activities	129.5	143.0	−13.5
Cash flow from investing activities	−96.7	−10.5	−86.2
Cash flow from financing activities	−86.7	−82.5	−4.2

High level of liquidity

The balance of cash, cash equivalents and deposits rose by 11.2 million euros during the year under review to 278.2 million euros (2015: 267.0 million euros). In addition, we hold financial assets due after one year to the amount of 8.0 million euros. Cash and cash equivalents and deposits represented 52% of total assets (2015: 55%).

In addition, we had unused credit lines amounting to 29.2 million euros as of the balance sheet date (2015: 29.1 million euros).

Dividend of 10.00 euros proposed

The global economy is forecast to develop solidly in 2017, amid unchanged levels of uncertainty. In view of the good liquidity situation, the Supervisory Board and Executive Board will propose to the 2017 General Meeting of Shareholders the distribution of a dividend of 8.00 euros per share (2015: 7.50 euros) and a special dividend of 2.00 euros per share for fiscal year 2016. This represents a dividend yield of 2.4% based on the closing price on 30 December 2016. The dividend proposed entails distributing a total of 113.7 million euros (2015: 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. However, we made very limited use of operating lease arrangements for technical equipment, company cars and IT systems, and entered into leases for office space. Over the next five years, contractually fixed payments in connection with these will amount to 11.5 million euros (2015: 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 20.7 million euros (2015: 21.8 million euros). In addition, we have total short-term loans of 7.0 million euros (2015: 6.7 million), which will be repaid within the next twelve months in line with the repayment schedules. The loans outstanding are used to finance buildings and production systems. Most of the amount borrowed relates to annuity loans, which will mature in 2020 (4.0 million euros), 2022 (13.8 million euros) or 2023 (6.6 million euros). The remaining loan amount outstanding (3.4 million euros) relates to loans and discounted bills which will mature in 2018. In fiscal year 2016, a new loan of 4.5 million euros was raised to finance redevelopment at the Company's Landsberg location.

High credit rating from banks and our credit insurer

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

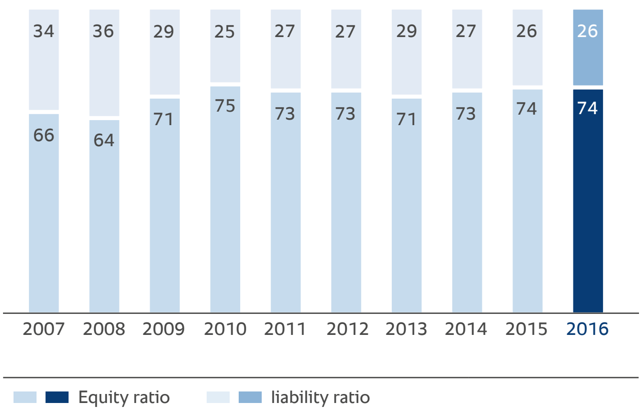
Asset situation

RATIONAL has a very sound balance sheet structure. With an equity ratio of 74% and current assets accounting for 79% of total assets, this gives us maximum security and flexibility at all times.

High equity ratio

As at 31 December 2016, the balance sheet total had risen by 12% from 482.7 million euros to 539.8 million euros. The principal reason behind this increase was the dividend distribution of 85.3 million euros out of consolidated net profit of 127.1 million euros. As a result, equity increased by 11% to 397.0 million euros (2015: 356.1 million euros). At 74%, the equity ratio at the balance sheet date remained at the previous year's level (2015: 74%).

Equity ratio/liability ratio in %



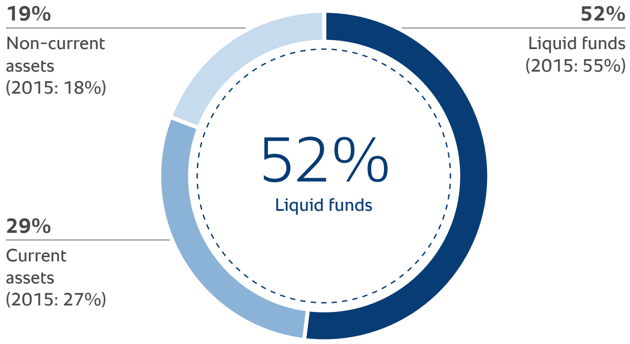
Capital tied up in the short term

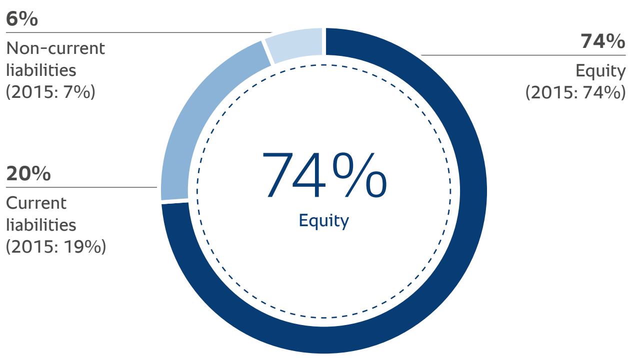
Current assets grew by 32.1 million euros in the year under review, mainly driven by liquid assets (+11.2 million euros), trade receivables (+10.6 million euros) and inventories (+8.3 million euros). Current assets accounted for 79% of total assets as at the balance sheet date (2015: 82%), slightly below the high prior-year's level.

As far as possible and within reasonable bounds, we continuously optimise the amount of capital tied up in trade receivables. We pay attention to finding a balance between the best possible support for our dealers and as little capital tie-up as possible. While there was another reduction in days sales outstanding (DSO) in some of the established markets, we supported our customers in a small number of emerging markets, where economic developments contributed to a shortage of credit lines, by granting longer payment terms. All in all, especially by taking advantage of cash discounts and net settlements before the due date, this resulted in an average DSO of 46 days in 2016 (2015: 48 days) for the Group. The proportion of overdue receivables was 6% on average (2015: 6%).

Using global trade credit insurance and confirmed, irrevocable letters of credit and bank guarantees, we achieved a receivables coverage ratio of 84% as of the balance sheet date, taking into account the trade credit insurance deductibles (2015: 84%).

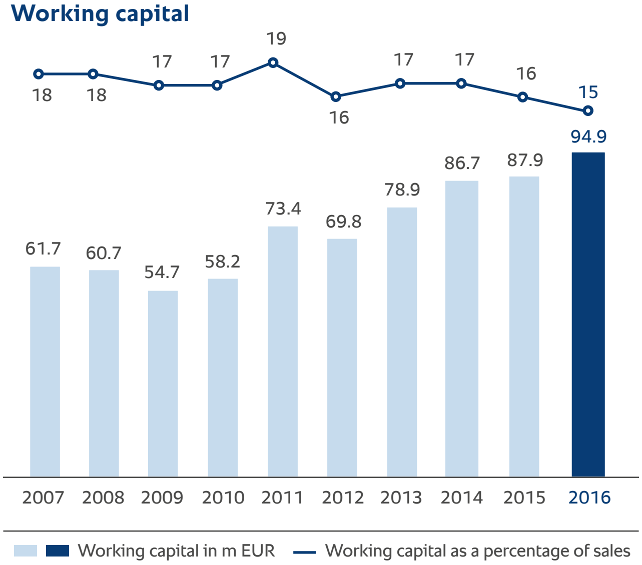
Balance sheet structure 2016





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 one-piece-flow principle and 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 7.0 million euros in the year under review. While trade receivables and inventories rose in line with business performance, this was offset by higher current liabilities (+13.7 million euros). At the end of the year, working capital stood at 94.9 million euros, or 15% of sales revenues (2015: 87.9 million euros or 16%).

Working capital



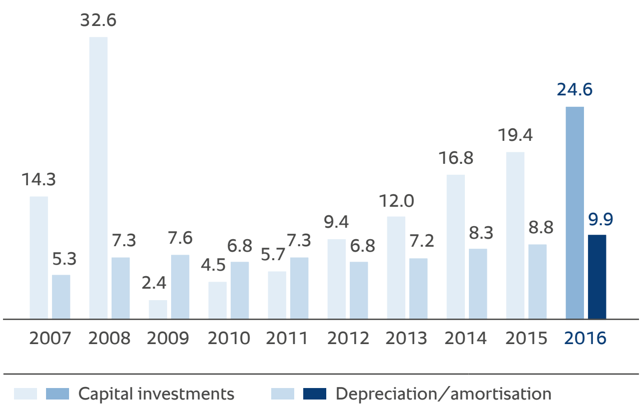
Property, plant and equipment increased by around 11.4 million euros in 2016, especially as a result of new investments in real estate and machinery. The increase in intangible assets is primarily due to development costs and software being recognised as assets.

Investments

In the year under review, we invested 24.6 million euros in non-current assets (2015: 19.4 million euros). This figure includes investments in new buildings and the renovation and redevelopment of real estate as well as in technical equipment amounting to 15.5 million euros, and capitalised development costs of 1.8 million euros. 22.0 million euros related to the RATIONAL segment and 2.6 million euros to the FRIMA segment.

Capital investments and depreciation/amortisation

in m EUR



Capacity utilisation of our manufacturing facilities at the Landsberg location currently stands at around 80% (2015: 70%). In response to the growth projected for the next few years, we will expand production capacities in 2017 and 2018.

The capacity at the Wittenheim location, which was increased through investments made in 2016, will be sufficient for the growth envisaged for the coming years.

In 2017, we expect maintenance, replacement and new investments to total around 40–50 million euros. The contractually agreed investments for 2017 amount to 3.8 million euros. In addition, a conditional sales contract worth 2.5 million euros (2015: 2.5 million euros) for the acquisition of land exists. The entry into force of the contract is contingent on the corresponding development plan becoming effective. Beyond that, there are no significant investment commitments that are contractually fixed or contingent upon economic considerations.

Outlook / actual comparison

In the previous year's annual report, we forecast that sales volume, sales revenues and EBIT would continue the moderate growth trend. With an 11% increase in sales volume, sales revenues of 613.0 million euros (+9%) and EBIT of 166.5 million euros (+4%), we were largely able to meet our expectations. Due to negative currency effects, EBIT growth was closer to the lower end of expectations. The EBIT margin of 27% was within the forecast range. DSO stood at 46 days, two days below the forecast. At 74%, the equity ratio was in the expected range.

In the year under review, employee satisfaction remained at the expected high level. Staff turnover was 9% worldwide (2015: 8%) and 3% in Germany (2015: 4%). 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. 100,000 people took part in our CookingLive events (2015: 95,000), putting the rate of increase at a slightly lower level than expected. This was mainly due to the large number of introductory events accompanying the launch of our new SelfCookingCenter® and VarioCooking Center® 112L. The fact that, despite this, the seminars had very good attendance figures and there has been positive feedback from customers, dealers, planners and the trade press is evidence that customers are satisfied with our products and services.

Outlook / actual comparison

	Actual 2015 in %	Outlook 2016	Actual 2016 in %
Financial KPIs			
Sales volume growth	+7	Moderate growth expected to continue	+11
Sales revenue growth	+14	Moderate growth expected to continue	+9
Gross margin	62	Just over 60	62
Operating costs	+15	Outlook to rise faster than sales revenues	+11
EBIT growth	+10	Moderate growth expected to continue	+4
EBIT margin	28	26–28	27
DSO (days)	48	Just over previous year's level	46
Equity ratio	74	Approx. 70	74
Non-financial KPIs			
CookingLive participants	+10	+10	+5
Staff turnover in Germany	4	Previous year's level	3
Staff turnover worldwide	8	Previous year's level	9

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 the RATIONAL Group and would be reported here occurred after the balance sheet date.

Outlook and report on opportunities and risks

Outlook

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.

Company-specific factors are customer and employee satisfaction. The forecast includes measures already implemented as well as measures planned to consolidate and improve these factors.

Global economy on growth trajectory

Economists predict global economic growth of 3.4% for 2017. Emerging markets in particular — including Brazil, Russia, India and China, whose economic size makes them significant for global economic growth — are expected to stage a significant recovery in 2017. This positive development is above all driven by recovering commodity prices. Economic development in industrialised countries is also forecast to accelerate, driven above all by stronger growth in the USA, where a growth rate of 2.2% is expected. The growth outlook for the Eurozone is a moderate 1.5% and may possibly be influenced by political decisions due to be made. (Source: Warburg Research, January 2017)

Financial key performance indicators

Sales volume, revenue and profit forecast for 2017

The trends relevant to our business performance continue unchanged. Given that expenditure in the eating out market is expected to increase in future years, we also expect demand for high-quality thermal food preparation products to continue to rise. Most of our customers are so satisfied that they would buy one of our products again at any time and also recommend them to colleagues.

Exchange rates have become increasingly volatile in recent years. For 2017, we expect that changes in exchange rates will largely cancel each other out. We therefore assume that currency effects will have a neutral to slightly negative impact on our revenues.

Additional growth potential in 2017 will come from the launch of the SelfCookingCenter® XS. In 2017, we will serve this new market segment for a full calendar year, unlike in 2016, when only a few months were included.

Against this background, we expect the moderate growth trends in sales volume and revenues to continue in 2017.

All in all, we expect Group-wide cost of sales to increase faster than sales revenues. This will firstly be attributable to the slightly lower gross margin expected for the SelfCookingCenter® XS. Secondly, higher commodity prices will lead to slight cost increases. In total, these factors will have a slightly negative effect on gross profit. For this reason, we expect gross profit to increase more slowly, resulting in a slightly lower gross margin of just above 60%.

Due to investments in research and development, the expansion of sales capacities, investments in corporate infrastructure as well as the reinforcement of central support processes in sales, marketing, technical service and IT, operating costs will increase faster than sales revenues.

Accordingly, we anticipate that EBIT will increase slightly, with an EBIT margin of between 26% und 27% in fiscal year 2017. For the medium to long term, we assume that our EBIT margin will range from 26 – 28%.

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

Sustainably solid underlying financial position

Throughout 2017, 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 2017 mostly be covered by operating cash inflows and the net liquidity currently available.

For DSO, we expect an increase to around 50 days in 2017, primarily because of granting more generous payment terms in some cases to support our partners in emerging countries and new markets, where economic developments have contributed to banks reducing the supply of credit lines.

Non-financial key performance indicators

We attach the utmost importance to the satisfaction levels of our employees, who are seen as Entrepreneurs in the Company (U.i.U.®). For this reason, we want to continue to improve employee satisfaction, which is already at a high level, by initiating targeted activities and support measures in 2017. We expect the staff turnover rate to be at a similarly low level as in 2016.

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 event will rise by around 7%.

Report on opportunities and risks

The risk and opportunity policy adopted at RATIONAL aims to secure the continued existence of the Company and meet financial and strategic 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 outlook for business performance in 2017 as well as our long-term expectations take into account the factors set out below. A number of current megatrends will lead to opportunities and risks that may positively or negatively affect business operations.

Opportunities for the future success of our Company include the need to replace equipment with innovative products, the winning of new customer groups in established markets and the growing prosperity in emerging countries. Given that there is great potential in the market, that our products head the field in terms of technology and that our market-leading position is unchallenged, the Executive Board believes that the opportunities for maintaining our history of success are positive.

In addition to the above-mentioned opportunities, there are risks that may lead to an adverse variance from the forecasts. In addition to insurable risks, there are risks such as economic turmoil, political decisions, changes in the competitive environment, financial developments as well as product and other operational risks.

Overall, the Executive Board believes that these risks can be controlled. In other words, these risks do not constitute a threat to the existence of the business as a going concern. Nevertheless, should any one or a combination of these risk factors materialise, the Company may fail to achieve its corporate objectives.

Opportunity 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 to 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 benefit the Company's successful performance.

Positive external factors and trends

Eating out as a basic human need

We focus on a basic human need, namely eating away from home. This provides us with a degree of security, even in times of crisis. As prosperity increases, the restaurant and catering sector grows in significance. Per capita income in the emerging markets is rising and, therefore, the buying power 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 are already cooking with combi-steamer technology. The remaining 70% are still relying on conventional cooking technologies. The SelfCookingCenter® replaces not only conventional cooking technology but, thanks to its cooking intelligence, also standard combi-steamers. So there is still additional untapped market potential. The market potential for the VarioCooking Center® 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 approximately 3 million target customers. This huge untapped market potential will allow us to grow 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 to be offered in public facilities, such as schools and universities. A trend towards healthier and more varied dishes is also apparent in the hospitality sector. When our products are used to prepare food, vitamins are conserved and fat is reduced, so the resulting dishes will be particularly healthy.

Strengths of RATIONAL

Excellent customer satisfaction

Today, the combi-steamer is considered to be one of the most important cooking appliances in a professional kitchen. We are perceived as a provider of innovative solutions, supplying high-quality and reliable products accompanied by an outstanding level of service quality. According to our latest customer satisfaction survey conducted by TNS Infratest, 93% of our customers confirmed that we offer them the greatest benefit. As a result, we continue to enjoy a significant market lead. Half of all combi-steamers currently sold come from RATIONAL.

Market-leading products

We have a portfolio of market-leading products and services. Both the SelfCookingCenter® and the VarioCooking Center® are 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 — such as the SelfCookingCenter® XS, the above-mentioned enhancements of the entire SelfCookingCenter® range or the VarioCooking Center® 112L delivered in 2016. 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 extend 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® and the VarioCooking Center® 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 to 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.

Improved market position due to new appliance sizes

Both the new VarioCooking Center® 112L and the new SelfCookingCenter® XS were launched in fiscal year 2016. These new compact sizes give RATIONAL access to new customer groups, such as supermarkets, service stations, butchers' shops or small restaurants. As a result, the way we meet the needs of our existing customers has improved, enabling us to improve customer benefit further while strengthening our market position. At the same time, dealers can now cover all appliance sizes with products from RATIONAL without having to rely on other manufacturers.

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 continually heightening risk and opportunity awareness 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. A suitable system has been set up for reporting existing risks to the appropriate decision makers.

The internal and external opportunities and risks of all business units in the Company are recorded and assessed over a period of three years. The results of the risk inventory were last updated in 2015. This exercise did not identify any risks, either individually or in combination, that could represent a threat to the continued existence of the business as a going concern. If the Company identifies risks that, if they were to materialise, could impact the achievement of corporate objectives, suitable corrective action is taken.

In the year under review, risk management focused on enhancing the internal control system, with particular emphasis on the national company in India and the Swiss companies of the RATIONAL Group.

The RATIONAL risk early detection system allows senior management to identify material risks at an early stage, take corrective action and monitor implementation of this action.

The risk management system is regularly updated by the internal audit department. In addition, the risk early detection system is reviewed by the independent auditors to ensure that it is capable of identifying 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 cover is adjusted accordingly.

The compliance management system implemented in the RATIONAL Group was subjected to a reasonable assurance engagement in accordance with the new Auditing Standard IDW PS 980 in fiscal year 2015. The system was further enhanced in the current fiscal year in accordance with legal requirements.

Risk assessment and limitation

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 occurrence	Description
≦ 10 %	Very low
> 10 % to 30 %	Low
> 30 % to 60 %	High
> 60 %	Very high

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

Risks

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

The risks, their probability and their impact are 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 sales 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 a risk that new, larger competitors with high sales capacities could emerge as a result of mergers and acquisitions of competitors. In addition, new competitors may enter the market, and therefore increase the intensity of competition and have a negative impact on RATIONAL's earnings power. Besides that, there is a risk that a competitor may be able to catch up in terms of technology or develop a new superior technology and launch it onto the market.

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

Non-acceptance of our technologies

To maintain and extend our lead over competitors, we regularly launch new products with enhanced features and new functions on the market. 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 with around 400 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.

Negative impact of the economy on our customers' propensity 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 and uncertainty about future economic conditions can have a negative impact on our end 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 needs-driven cost planning and our large liquidity reserve, which gives us adequate room to manoeuvre and the flexibility and independence to take all necessary business decisions, we are well prepared for currently conceivable macroeconomic scenarios. Our focus on a basic human need and the significant rationalisation effects from our products mean that economic fluctuations and crises have considerably less impact on our business than in the traditional engineering sector, for example.

Reduced cover of credit risks

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

Loss of sales revenue potential due to failure of a dealer

We generate all 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 3.2% (2015: 2.8%). The failure of a particular dealer can reduce our sales revenue potential, but this poses no special threat to our prospects for constant future sales revenue growth. Since our sales and marketing process is focused on end users, the failure of a dealer does not automatically entail a fall in demand.

Political and legal risks

Political instability or crises

The impact of political uncertainty or crises can put product sales in the affected countries at risk. Current examples affecting RATIONAL as an export-driven company include the difficult political situation in Turkey, the UK's decision to leave the EU and uncertainty about changes in US trade policies driven by the new US President. Possible consequences could be, for example, that customers are reluctant to invest or these countries impose import restrictions, and such actions have already been observed in some cases.

However, the international reach of RATIONAL's operations and the fact that we sell our products in many regions of the world allow us to compensate for regional downturns through growth 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. In the course of its normal business activities, RATIONAL is involved in smaller court actions concerning opposition proceedings before the patent office (own patents).

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. However, this does produce a certain degree of mutual dependency, which means that the complete failure of a supplier could lead to short-term disruptions of production. We keep a particularly sharp eye on business developments at our suppliers and on the production processes of relevance to our own operations. 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. Redundant systems are available to provide cover for production machines that are important for the existence of the Company. 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 and liability

The quality of the Company's products has continued to improve over recent years, as evidenced by our low warranty cost ratio and the high 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 these risks, 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. Damage to property or injury to persons occurring on customer premises are adequately covered by the existing product liability insurance. We go to extreme lengths to avoid potential harm to our image, overcompensating for any defect and resulting damage.

Operational risks

Human resources risks

Skilled and motivated employees and managers are the cornerstone of the Company's success, and it is extremely important that we are able both to attract new competent 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, both in the region and 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 2016. This was provided to draw employee's attention to possible IT risks and to hone their 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 collected by certified waste disposal companies. By using state-of-the-art welding techniques, this type of waste has been reduced by more than 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 their 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.

Around 40% of sales revenues are generated in foreign currencies. If the euro had been an average of 10% weaker (stronger) in 2016, consolidated sales revenues would have been around 4% higher (lower). EBIT would have been 13–14% higher (lower) if the euro had depreciated (appreciated) by 10%.

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

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 parties involved closely coordinate their activities at regular meetings of representatives from across the Group.
- 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 dual-control principle.
- 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 make certain any errors that do occur are detected and corrected. This ensures that accounting practice at the Company complies with the applicable statutory regulations. The control and checking mechanisms described above also create a structure through which business transactions can be recorded, reported and evaluated consistently and appropriately throughout the Group, which enables us to make reliable and relevant information available as necessary.

Remuneration report

Section 315 (2) no. 4 of the 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 2016 was 5.2 million euros (2015: 5.1 million euros). This amount included performance-related pay components of 1.9 million euros (2015: 1.4 million euros). The above compensation also includes payments of 0.8 million euros to former Executive Board members (2015: 0.9 million euros). In addition, payments totalling 0.5 million euros were made into the pension scheme for Executive Board members (2015: 0.3 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 2016.

At the General Meeting of Shareholders held on 4 May 2016 it was decided not to publish an individual breakdown of Executive Board remuneration.

The total remuneration paid to the Supervisory Board for 2016 amounted to 1.2 million euros (2015: 1.0 million euros). Pursuant to a resolution of the 2015 General Meeting of Shareholders, a fixed remuneration system was implemented for the Supervisory Board as from fiscal year 2015.

Takeover-related disclosures

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

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

As at 31 December 2016 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.”

With effect from 31 December 2016, Dr Hermann Garbers relinquished his post as member of the Supervisory Board pursuant to section 8 (5) of the articles of association of RATIONAL AG. Mr Erich Baumgärtner took his place with effect from 1 January 2017. He was delegated by the principal shareholders Mr Siegfried Meister and Mr Walter Kurtz in accordance with their right of delegation as set down in the articles of association. Mr Baumgärtner will hold this position until the next Supervisory Board elections by the General Meeting of Shareholders in 2019.

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 seqq. of the AktG applies accordingly. The Supervisory Board made no amendments to the Articles of Association in 2016.

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

Landsberg am Lech, 28 February 2017

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

	Note	2016	in kEUR 2015
Sales revenues	1	613,010	564,231
Cost of sales	2	–234,188	–214,991
Gross profit		**378,822**	**349,240**
Sales and service expenses	3	–155,588	–140,465
Research and development expenses	4	–28,842	–23,585
General administration expenses	5	–26,424	–25,104
Other operating income	6	12,376	12,846
Other operating expenses	7	–13,833	–12,727
Earnings before interest and taxes (EBIT)		**166,511**	**160,205**
Interest and similar income	8	398	667
Interest and similar expenses	8	–1,041	–1,181
Earnings before taxes (EBT)		**165,868**	**159,691**
Income taxes	9	–38,761	–37,902
Profit or loss after taxes		**127,107**	**121,789**
Items that may be reclassified to profit and loss in the future:			
Differences from currency translation	21	–373	1,300
Items that will not be reclassified to profit and loss:			
Actuarial gains and losses from defined benefit obligations	21, 22	–608	–338
Other comprehensive income		**–981**	**962**
Total comprehensive income		**126,126**	**122,751**
Average number of shares (undiluted/diluted)		11,370,000	11,370,000
Earnings per share (undiluted/diluted) in euros, based on profit or loss after taxes and the number of shares	10	11.18	10.71

Balance Sheet RATIONAL Group

Assets

in kEUR

	note	31 Dec 2016	31 Dec 2015
Non-current assets		**112,276**	**87,316**
Intangible assets	12, 13	8,803	5,444
Property, plant and equipment	14	85,067	73,696
Financial assets	15, 19	8,000	0
Deferred tax assets	9	8,273	6,124
Other non-current assets	18	2,133	2,052
Current assets		**427,525**	**395,385**
Inventories	16	39,214	30,949
Trade receivables	17	100,180	89,613
Other current assets	18	9,979	7,801
Deposits with maturities of more than 3 months	19	175,700	110,900
Cash and cash equivalents	20	102,452	156,122
Total assets		**539,801**	**482,701**

Equity and liabilities

in kEUR

	Note	31 Dec 2016	31 Dec 2015
Equity		**396,958**	**356,107**
Subscribed capital	21	11,370	11,370
Capital reserves	21	28,058	28,058
Retained earnings	21	360,142	318,310
Other components of equity	21	-2,612	-1,631
Non-current liabilities		**34,888**	**32,330**
Provisions for pensions	22	3,223	2,597
Other non-current provisions	24	9,203	6,730
Non-current liabilities to banks	25	20,747	21,769
Deferred tax liabilities	9	578	471
Other non-current liabilities	23, 27	1,137	763
Current liabilities		**107,955**	**94,264**
Current income tax liabilities	23	8,340	9,860
Current provisions	24	38,518	36,885
Current liabilities to banks	25	7,046	6,666
Trade accounts payables	26	25,000	16,301
Other current liabilities	27	29,051	24,552
Liabilities		**142,843**	**126,594**
Total equity and liabilities		**539,801**	**482,701**

Cash Flow Statement RATIONAL Group

for the period 1 January – 31 December

in kEUR

	Note	2016	2015
Earnings before taxes (EBT)	12, 14	165,868	159,691
Depreciation and amortisation		9,900	8,765
Net gain or loss on asset disposals		-166	565
Unrealised net currency translation gain or loss		-785	945
Change in derivative financial instruments	18, 27	943	864
Interest and investment income		-398	-667
Interest expenses		1,041	1,181
Operating profit before changes in working capital		**176,403**	**171,344**
Changes in			
Inventories		-8,265	-660
Trade accounts receivable and other assets		-12,898	-6,657
Provisions		3,767	10,242
Trade accounts payable and other liabilities		12,131	6,334
Cash generated in operating activities		**171,138**	**180,603**
Income taxes paid		-41,648	-37,646
Cash flow from operating activities	29	**129,490**	**142,957**
Investments in intangible assets and property, plant and equipment	12, 14	-24,592	-19,432
Proceeds from asset disposals		266	101
Investment in fixed deposits with maturities of more than 3 months	19	-183,700	-110,900
Liquidation of fixed deposits with maturities of more than 3 months	19	110,900	119,000
Interest received		434	685
Cash flow from investing activities	29	**-96,692**	**-10,546**
Dividends paid	11	-85,275	-77,316
Proceeds from non-current liabilities to banks	25	4,500	0
Repayment of non-current liabilities to banks	25	-5,145	-4,724
Change in other liabilities to banks	25	3	527
Interest paid		-826	-1,035
Cash flow from financing activities	29	**-86,743**	**-82,548**
Net change in cash and cash equivalents		-53,945	49,863
Effects of exchange rate fluctuations in cash and cash equivalents		275	-143
Change in cash and cash equivalents		-53,670	49,720
Cash and cash equivalents as at 1 Jan	20	**156,122**	**106,402**
Cash and cash equivalents as at 31 Dec	20	**102,452**	**156,122**

Statement of Changes in Equity RATIONAL Group

in kEUR

	Subscribed capital	Capital reserves	Retained earnings	Other components of equity		Total
				Differences from currency translation	Actuarial gains and losses	
Note	21	21	11, 21	21	9, 21, 22	
Balance on 1 Jan 2015	**11,370**	**28,058**	**273,837**	**−2,511**	**−82**	**310,672**
Dividend	–	–	−77,316	–	–	−77,316
Total comprehensive income	–	–	121,789	1,300	−338	122,751
Balance on 31 Dec 2015	**11,370**	**28,058**	**318,310**	**−1,211**	**−420**	**356,107**
Dividend	–	–	−85,275	–	–	−85,275
Total comprehensive income	–	–	127,107	−373	−608	126,126
Balance on 31 Dec 2016	**11,370**	**28,058**	**360,142**	**−1,584**	**−1,028**	**396,958**

Notes

Fundamentals

Description and explanation of business activities

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

The RATIONAL Group (referred to as "RATIONAL" or "Group" in the following text) is a worldwide market and technology leader in the field of the thermal preparation of food in professional kitchens. Since its formation in 1973, the Company's sole activities have been the development, production and sale of professional cooking appliances for industrial kitchens. RATIONAL sells its products worldwide through its own subsidiaries and through independent distribution partners.

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

Presentation of financial statements

The functional currency and the currency used in the consolidated financial statements is the euro. For the sake of clarity, figures are shown in thousands of euros (kEUR). The structure of the balance sheet complies with the IAS 1 guidance regarding classification and format. The presentation for the fiscal year ending 31 December 2016 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 "Significant accounting policies". The financial instruments are described under "Other notes to the consolidated balance sheet and consolidated statement of comprehensive income". Information not relating to specific items in the financial statements can be found in "Other notes to the consolidated financial statements".

The consolidated financial statements were approved by the Executive Board of RATIONAL AG on 28 February 2017. The publication date is 23 March 2017.

Basis of preparation

The consolidated financial statements for fiscal year 2016 (including prior year figures) have been prepared in compliance with the International Financial Reporting Standards (IFRS) promulgated and published by the International Accounting Standards Board (IASB), as adopted in the EU, and in accordance with the supplementary rules applicable under section 315a (1) of the German Commercial Code (HGB).

All the effective and mandatory standards for fiscal year 2016 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 2016; RATIONAL had not applied them voluntarily in previous years.

		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 Separate Financial Statements"	1 January 2016
Amendment	IAS 16 "Property, plant and equipment", IAS 41 "Agriculture": Bearer Plants	1 January 2016
Amendment	Annual Improvement to IFRS 2012 – 2014	1 January 2016
Amendment	IFRS 10 "Consolidated Financial Statements", 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

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. These changes will result in minor adjustments to the notes disclosures in RATIONAL's consolidated financial statements. The amended standards applied in fiscal year 2016 for the first time will likewise have no material effect on RATIONAL's consolidated financial statements.

The following new or revised standards and interpretations did not yet apply on a mandatory basis in fiscal year 2016 and have not been applied early.

		Effective date
New	IFRS 9 "Financial Instruments"	1 January 2018
New	IFRS 15 "Revenue from Contracts with Customers"	1 January 2018

The new IFRS 9 "Financial Instruments" will replace IAS 39 "Financial Instruments: Recognition and Measurement". The standard has three fundamentally revised areas of regulation. New guidance has been set out for the classification and measurement of financial instruments, especially for financial assets. In future, the classification and measurement of financial assets will depend on the allocated business model and the cash flow characteristics. In addition, the new guidance for the recognition of impairment will lead to changes in the way impairment losses are recognised. The guidance on the recognition of hedges has also been completely revised with the aim of aligning hedge accounting more closely with a company's economic risk management.

IFRS 9 must be applied for the first time for the fiscal year starting on 1 January 2018. There are no plans for early application of the new standard in RATIONAL's consolidated financial statements. We currently do not assume that the new IFRS 9 will lead to any changes in the measurement of financial instruments in RATIONAL's consolidated financial statements. The business model and cash flows of financial assets, such as cash and cash equivalents and other financial assets, suggest that they should continue to be measured at amortised cost. Since the cash flow requirement is not met, derivative financial instruments will continue to be measured at fair value through profit or loss so that hedge accounting is not expected to be applied, despite the extended designation options and simplified effectiveness tests under IFRS 9. According to the analysis as it stands at present, the new hedge accounting requirements of IFRS 9 will therefore not have any impact on RATIONAL's consolidated financial statements. The analysis of the impact of IFRS 9 on the treatment of impairment losses on financial assets has not yet been finalised. To date, losses on financial assets not measured at fair value through profit or loss have been recognised when there is objective evidence of impairment. The new measurement model of IFRS 9 requires the recognition of expected losses to reflect the current and the future situation. We anticipate that the application of the expected loss model will tend to lead to an increase in the risk provision compared with the incurred loss model used to date. In addition, the new IFRS 9 will require extended disclosures in the notes. In the RATIONAL Group, this will primarily lead to different or expanded disclosures in note 17 "Trade receivables" and note 28 "Financial instruments". Although the full analysis of the impact of IFRS 9 has not been finalised, we do not currently expect that this will have a material impact on RATIONAL's consolidated financial statements.

Under the new IFRS 15 "Revenue from Contracts with Customers", revenue must be recognised when control of the agreed goods or services passes to the customer and the customer can obtain benefits from them. To determine revenue recognition, the new standard specifies the new five-step model, which requires that the contract with the customer and the performance obligations in that contract must first be identified. Then the transaction price of the contract must be determined and allocated to the respective performance obligations. As soon as the agreed good or service has been provided and control has passed to the customer, the new model requires revenue to be recognised for each performance obligation in the amount of the pro rata transaction price allocated to that obligation. Specified criteria must be used to distinguish between performance obligations satisfied at a point in time or over time.

IFRS 15 must be applied for the first time for the fiscal year starting on 1 January 2018. There are no plans for early application of the new standard in RATIONAL's consolidated financial statements. The initial application of IFRS 15 will probably be performed using the modified retrospective method. RATIONAL's business model generally entails short order lead times, and sales revenues are mostly recognised at a particular point in time. Overall, the new IFRS 15 is not expected to have a major effect on how RATIONAL recognises sales revenues. In exceptional circumstances and in certain constellations, the identification of distinct performance obligations within a contract may, in particular, lead to minor delays in sales revenue recognition. In addition, the new IFRS 15 requires additional disclosures on sales revenues in the notes, which will increase the size of the notes to the consolidated financial statements in the first year the standard is applied. Our examination of the impact of IFRS 15 has not yet been finalised. It is not expected to have a material effect on the RATIONAL's consolidated financial statements.

The following amended or new standards have been published by the IASB but not yet adopted by the EU, and are therefore not applied to the consolidated financial statements.

		Effective date in accordance to Standard
Amendment	IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"	1 January 2017
Amendment	IAS 7 "Disclosure Initiative"	1 January 2017
Amendment	Annual Improvement to IFRS 2014–2016	1 January 2017 1 January 2018
Amendment	IAS 40 "Transfers of Investment Property"	1 January 2018
New	IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	1 January 2018
Amendment	IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	1 January 2018
Amendment	IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	1 January 2018
Amendment	Clarifications to IFRS 15 "Revenue from Contracts with Customers"	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	EU endorsement indefinitely

RATIONAL AG will apply these standards, interpretations and amendments once they have been adopted as mandatory by the European Union. With the exception of IFRS 16 "Leases", they are not expected to have any material effect on RATIONAL AG's future consolidated financial statements. The examination of the effects of IFRS 16 "Leases" has not yet been completed. According to the analysis of IFRS 16 conducted so far, the initial application of the new standard will not have a material effect on RATIONAL's income statement. The recognition of usage rights and lease liabilities will increase total assets by an amount in the low double-digit million range. The equity ratio will decline by few percentage points as a result of this measure.

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. 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. 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.

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 2016), eight domestic (2015: seven) and 25 foreign subsidiaries (2015: 24) in addition to the parent company were included in the consolidated financial statements in accordance with IFRS 10. In 2016, one new subsidiary was established at the Company's Landsberg location and another in Dubai. The subsidiary in Dubai did not have any active operations or capital as at the balance sheet date.

As at 31 December 2016 the consolidated companies were as shown in the adjacent table.

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 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, but for consolidation purposes the figures are prepared on a calendar-year basis. The balance sheet date of the consolidated financial statements is the balance sheet date of the parent company in accordance with IFRS 10.

The domestic subsidiaries LechMetall GmbH, RATIONAL Großküchentechnik GmbH, RATIONAL Technical Services GmbH, RATIONAL Dienstleistungsgesellschaft mbH, RATIONAL Montage GmbH and RATIONAL Komponenten GmbH have exercised all available exemption options provided in section 264 (3) of the HGB (Handelsgesetzbuch, German Commercial Code) for fiscal year 2016.

Corporate structure

Name and registered office of RATIONAL AG subsidiaries			% share of capital/ % share of 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
RATIONAL F & E 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 Sp. z o.o.	Warsaw	Poland	100.0
RATIONAL Scandinavia AB	Malmö	Sweden	100.0
RATIONAL RUS OOO	Moscow	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	Brazil	99.9
RATIONAL Colombia - America Central S.A.S.	Bogotá	Colombia	100.0
Asia			
RATIONAL Japan Co., Ltd.	Tokyo	Japan	100.0
RATIONAL Trading (Shanghai) Co., Ltd.	Shanghai	China	100.0
RATIONAL International India Private Ltd.	Gurgaon	India	100.0
RATIONAL Cooking Systems PTE. LTD.	Singapore	Singapore	100.0
RATIONAL Kitchen and Catering Equipment Trading FZCO	Dubai	United Arab Emirates	100.0

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, because most sales revenues are generated in euros. 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:

	Annual average exchange rate		Exchange rate on 31 Dec	
1 euro =	**2016**	**2015**	**2016**	**2015**
BRL = Brazilian real	3.8260	3.7444	3.4368	4.3141
CAD = Canadian dollar	1.4592	1.4246	1.4223	1.5126
CHF = Swiss franc	1.0911	1.0641	1.0750	1.0823
CNY = Chinese yuan	7.3399	6.8898	7.3252	7.0728
COP = Colombian peso	3,362.2	3,056.8	3,170.0	3,457.4
GBP = Pound sterling	0.8228	0.7240	0.8586	0.7351
INR = Indian rupee	74.216	71.002	71.639	72.067
JPY = Japanese yen	120.43	133.58	123.51	131.12
MXN = Mexican peso	20.705	17.667	21.842	18.923
PLN = Polish zloty	4.3761	4.1838	4.4140	4.2660
RUB = Russian rouble	73.375	68.800	64.682	80.536
SEK = Swedish krona	9.4709	9.3263	9.5670	9.1815
SGD = Singapore dollar	1.5245	1.5219	1.5259	1.5397
TRY = Turkish lira	3.3451	3.0397	3.7269	3.1826
USD = US dollar	1.1037	1.1044	1.0560	1.0892

Significant accounting policies

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, these include the technical and economic realisability of the asset, reliable measurement of the expenditure attributable to it and adequate resources to complete the development project. 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 cost of sales in the statement of comprehensive income. Development projects that have been capitalised but not yet completed are tested annually for impairment.

Goodwill arising from the consolidation of the investment account and other company acquisitions is tested at least annually for impairment in compliance with IAS 36. If the fair value less disposal costs or the value in use is below the carrying amount of the cash-generating unit or the group of cash-generating units, an impairment loss is recognised in the income statement.

Property, plant and equipment is measured at cost less depreciation. 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 costs to sell 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. Raw materials, consumables, supplies and merchandise are measured at cost using the moving weighted average cost method. Price reductions such as volume and cash discounts and other comparable amounts are taken into account when measuring cost. Work in progress and finished goods are measured at production costs.

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 to the consolidated balance sheet and consolidated statement of comprehensive income" under note 28. RATIONAL makes no use of the fair value option.

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. Derivative financial instruments are classified as "held for trading" because they do not meet the IAS 39 requirements for hedge accounting. 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.

Allowances for accounts receivable

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 include cash in hand, cash in banks as well as short-term deposits with maturities of up to three months calculated from the time of acquisition; they are measured at nominal value. Cash in foreign currency is translated at the spot rate as 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 tax assets are recognised in accordance with IAS 12, using the liability method, for temporary differences between the value of an asset or liability as shown on the balance sheet and the tax base. Deferred tax assets and liabilities are calculated at the tax rates expected to be effective in the period in which the asset is realised or liability settled. The tax rates used to calculate deferred taxes for the subsidiaries are between 8% and 39% (2015: 8% and 38%). The tax rate used to calculate deferred taxes for RATIONAL AG is 28% (2015: 28%). Deferred taxes recognised at Group level have been measured on the basis of each country-specific income tax rate.

Deferred tax assets and deferred tax liabilities are reported on a net basis if there is an enforceable legal right to offset them and if the deferred tax assets and deferred tax liabilities relate to taxes on income that are levied on the same taxable entity and by the same tax authority.

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 a 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 or amortisation charges 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 in the period in which they accrue or are incurred. 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 to the consolidated statement of comprehensive income

1. Sales revenues

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

Sales revenues by region (in kEUR)

	2016	% of total	2015	% of total
Germany	82,279	13	75,183	13
Europe (excluding Germany)	295,026	48	275,650	49
North America	91,964	15	79,702	14
Latin America	31,655	5	28,028	5
Asia	77,294	13	71,098	13
Rest of the world *	34,792	6	34,570	6
Total	**613,010**	**100**	**564,231**	**100**

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

A significant share of consolidated sales revenues was generated in these countries, including 71,970 thousand euros (2015: 62,058 thousand euros) in the USA and 63,861 thousand euros (2015: 69,727 thousand euros) in the UK. As in the previous year, no more than 10% of sales revenues were generated with any one customer.

75% (2015: 76%) of sales revenues was attributable to appliance sales. The remaining 25% (2015: 24%) was generated from the sale of accessories, spare parts and care products.

Further sales revenue breakdowns appear in the section on segment reporting.

2. Cost of sales

Cost of sales comprises the manufacturing costs of the products sold, the cost of merchandise sold, warranty expenses and allowances on inventories.

3. Sales and service expenses

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

4. Research and development expenses

Research and development expenses include the cost of basic and application research and development costs not eligible for capitalisation.

5. General administration expenses

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

6. Other operating income

in kEUR

	2016	2015
Exchange gains	10,332	10,343
Further income	2,044	2,503
Total	**12,376**	**12,846**

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.

Income from government grants amounting to 543 thousand euros (2015: 645 thousand euros) are reported under “Other income” and includes grants for research and development services. The claim to these payments arose in the reporting period.

7. Other operating expenses

in kEUR

	2016	2015
Exchange losses	12,445	10,471
Further expenses	1,388	2,256
Total	**13,833**	**12,727**

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.

8. Financial result

Interest and similar income results primarily from short-term cash deposits with maturities of up to one year. Interest and similar expenses include mainly the interest expenses for real estate and machinery financing.

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% (2015: 27.73%) was applied to profit before tax to calculate expected tax expense for 2016. 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.

		in kEUR
	2016	**2015**
Earnings before taxes (EBT)	165,868	159,691
Expected tax rate in %	27.73	27.73
Expected income tax expense	**45,995**	**44,282**
Variations in local tax rates in the subsidiaries	−8,891	−7,929
Tax revenue from previous years	−92	−447
Tax expense relating to previous years	184	309
Non-tax-deductible expenses	1,565	1,687
Reported income tax expense	**38,761**	**37,902**

The deferred tax income in the income statement attributable to 2016 was 1,900 thousand euros (2015: 594 thousand euros). The current income tax expense, excluding deferred taxes, thus amounted to 40,661 thousand euros (2015: 38,496 thousand euros).

The deferred taxes recognised for fiscal years 2016 and 2015 are attributable to the following balance sheet items:

				in kEUR
	deferred tax asset		**deferred tax liability**	
	2016	**2015**	**2016**	**2015**
Intangible assets	10	4	−1,221	−798
Inventories	7,323	5,492	–	–
Provisions	2,182	1,746	–	–
Trade receivables	80	39	–	–
Other	422	112	−1,101	−942
Total of deferred taxes assets/liabilities	**10,017**	**7,393**	**−2,322**	**−1,740**
Tax offset	−1,744	−1,269	1,744	1,269
Total recognised under assets/liabilities	**8,273**	**6,124**	**−578**	**−471**

This includes deferred tax assets of 222 thousand euros (2015: 80 thousand euros) recognised on actuarial gains and losses and taken directly to equity.

8,083 thousand euros (2015: 5,950 thousand euros) of the total amount of deferred tax assets and liabilities is classified as current. Of the reported amounts, −388 thousand euros (2015: −298 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 2016, there were temporary differences of 1,358 thousand euros (2015: 1,365 thousand euros) in connection with shares in subsidiaries for which no deferred taxes were recognised, because there is no intention to distribute these profits.

In addition, there are unused tax losses of 3,736 thousand euros (2015: 3,210 thousand euros). No deferred tax assets were recognised for this amount, because it is not reasonably certain 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 profit or loss after tax by the weighted average number of shares outstanding during the fiscal year.

Calculated on the basis of 11,370,000 shares (2015: 11,370,000 shares) and profit after tax of 127,107 thousand euros (2015: 121,789 thousand euros), basic and diluted earnings per share for fiscal year 2016 were 11.18 euros (2015: 10.71 euros).

11. Dividend per share

For fiscal year 2015, the dividend of 7.50 euros per share proposed by the Executive Board and Supervisory Board of RATIONAL AG was approved by a majority at the General Meeting of Shareholders on 4 May 2016. Total dividends of 85,275 thousand euros were paid in May 2016.

The Executive Board and Supervisory Board will propose to the General Meeting of Shareholders on 3 May 2017 that a dividend of 8.00 euros per share and a special dividend of 2.00 euros per share be paid for fiscal year 2016, the total distribution in this case being 113,700 thousand euros.

Notes to the consolidated balance sheet — assets

12. Intangible assets

in kEUR

	Industrial and similar rights	Goodwill	Capitalised development expenditure	Total
Cost				
Balance on 1 Jan 2016	8,758	424	2,878	**12,060**
Exchange rate differences	28	–	–	**28**
Additions	3,079	–	1,838	**4,917**
Disposals	–	–	–	**0**
Balance on 31 Dec 2016	**11,865**	**424**	**4,716**	**17,005**
Amortisation				
Balance on 1 Jan 2016	6,616	–	–	**6,616**
Exchange rate differences	13	–	–	**13**
Additions	1,259	–	314	**1,573**
Disposals	–	–	–	**0**
Balance on 31 Dec 2016	**7,888**	**–**	**314**	**8,202**
Carrying amounts				
Balance on 31 Dec 2016	**3,977**	**424**	**4,402**	**8,803**
Cost				
Balance on 1 Jan 2015	7,489	424	–	**7,913**
Exchange rate 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**
Exchange rate differences	–7	–	–	**–7**
Additions	942	–	–	**942**
Disposals	–	–	–	**0**
Balance on 31 Dec 2015	**6,616**	**–**	**–**	**6,616**
Carrying amounts				
Balance on 31 Dec 2015	**2,142**	**424**	**2,878**	**5,444**

Intangible assets comprise industrial and similar rights recognised at cost, as well as goodwill. In addition, this item contains development costs capitalised 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 2016, 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 costs of the functional areas.

13. Goodwill

A net carrying amount of 424 thousand euros (2015: 424 thousand euros) for goodwill was reported under intangible assets as at the balance sheet date. The goodwill, which results from the acquisition of the RATIONAL subsidiary FRIMA-T S.A.S, Wittenheim, in 1993, was allocated to the FRIMA segment.

At the end of 2016, this goodwill was subjected to an impairment test using the discounted cash flow method. The calculated present value was substantially higher than the carrying amount of the business segment. No impairment was therefore identified and there was consequently no requirement to recognise any impairment loss in respect of the goodwill.

14. Property, plant and equipment

in kEUR

	Land and buildings	Technical equipment, machinery	Operating and office equipment	Assets under constructions	Total
Cost					
Balance on 1 Jan 2016	81,361	32,713	24,501	3,644	**142,219**
Exchange rate differences	110	2	73	–	**185**
Additions	7,850	7,515	4,137	173	**19,675**
Reclassifications	2,209	1,159	17	–3,385	**0**
Disposals	–1,088	–702	–237	–	**–2,027**
Balance on 31 Dec 2016	**90,442**	**40,687**	**28,491**	**432**	**160,052**
Depreciation					
Balance on 1 Jan 2016	29,592	22,537	16,394	–	**68,523**
Exchange rate differences	21	1	39	–	**61**
Additions	2,511	2,943	2,873	–	**8,327**
Disposals	–1,017	–696	–213	–	**–1,926**
Balance on 31 Dec 2016	**31,107**	**24,785**	**19,093**	**–**	**74,985**
Carrying amounts					
Balance on 31 Dec 2016	**59,335**	**15,902**	**9,398**	**432**	**85,067**
Cost					
Balance on 1 Jan 2015	77,219	29,865	21,279	–	**128,363**
Exchange rate 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**
Depreciation					
Balance on 1 Jan 2015	27,392	20,160	14,063	–	**61,615**
Exchange rate 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**
Carrying amounts					
Balance on 31 Dec 2015	**51,769**	**10,176**	**8,107**	**3,644**	**73,696**

Property, plant and equipment is recognised at cost less depreciation. If impairment is identified in excess of depreciation, the asset is written down to its recoverable amount. As in the previous year, no impairment losses were recognised in fiscal year 2016. A land charge of 33,500 thousand euros (2015: 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.

Depreciation of property, plant and equipment is allocated to the costs of the functional areas.

15. Financial assets

In addition to an equity investment, which has been fully written down, this balance sheet item contains fixed-term deposits with remaining maturities of more than 12 months. More information on fixed-term deposits can be found in note 19.

16. Inventories

		in kEUR
	31 Dec 2016	**31 Dec 2015**
Raw materials, consumables and supplies	12,894	10,762
Work in progress	640	499
Finished goods and goods for resale	25,680	19,688
Total	**39,214**	**30,949**

The year-on-year increase in inventories is due to a rise in business volume and continuing internationalisation.

The carrying amount of the inventories measured at fair value less selling costs is 1,824 thousand euros (2015: 1,446 thousand euros). In fiscal year 2016, write-downs on inventories of 740 thousand euros (2015: 474 thousand euros) were expensed as cost of sales.

In total, inventories of 224,271 thousand euros (2015: 205,625 thousand euros) were recognised as expenses in the period under review.

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 100,180 thousand (2015: 89,613 thousand) are reported in the balance sheet, all of them are due within one year. The year-on-year increase in inventories is mainly due to sales revenue growth in the fourth quarter.

Trade receivables break down as follows:

		in kEUR
	31 Dec 2016	**31 Dec 2015**
Trade receivables, not impaired	99,670	89,133
Trade receivables, impaired	904	948
Impairment	−394	−468
Total	**100,180**	**89,613**

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

Trade receivables not impaired

in kEUR

	Total	Not due	Overdue for			
			1–60 days	61–90 days	91–120 days	>120 days
Balance on 31 Dec 2016	**99,670**	91,054	7,876	174	100	466
Balance on 31 Dec 2015	**89,133**	77,878	9,426	667	274	888

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 sections on financial risks and default risk 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:

Impairment of receivables

in kEUR

	Balance on 1 Jan	Currency effects	Use	Reversal	Additions	Balance on 31 Dec
2016	**468**	8	−165	−296	379	**394**
2015	**622**	−5	−265	−274	390	**468**

Receivables written off in fiscal year 2016 amounted to 620 thousand euros (2015: 782 thousand euros). This figure does not include any claims settled by or payments expected from the credit insurer, which amounted to 404 thousand euros (2015: 455 thousand euros).

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

18. Other assets

	current		non-current	
				in kEUR
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Total other financial assets	**588**	**350**	**654**	**688**
Value added tax refund claims	5,427	3,804	0	0
Receivables from government grants	850	645	1,479	1,199
Accrued and deferred items	1,415	1,273	0	0
Other	1,699	1,729	0	165
Total other non-financial assets	**9,391**	**7,451**	**1,479**	**1,364**
Total other assets	**9,979**	**7,801**	**2,133**	**2,052**

> The other financial assets include derivatives without a hedge relationship totalling 192 thousand euros (2015: 9 thousand euros). They are classified as “financial assets/liabilities at fair value through profit or loss — held for trading”. The remaining amount of the other financial assets is classified in the category “Loans and receivables.”

19. Deposits with maturities of more than three months

		in kEUR
Deposits with maturities > 3 months	**31 Dec 2016**	**31 Dec 2015**
Current	175,700	110,900
Non-current	8,000	0
Total	**183,700**	**110,900**

Most of the fixed-term deposits at the end of the year are protected by the German deposit protection fund (for details, see the section on financial risks in note 28). None of these deposits has been pledged as collateral. The non-current portion of fixed deposits is included under “Financial assets”.

> 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 financial risks in note 28.

Deposits in foreign currencies are measured at the rate applicable on the balance sheet date.

in kEUR

	Currency	31 Dec 2016	31 Dec 2015
Deposits incl. demand deposits	EUR	74,532	77,311
Deposits incl. demand deposits	GBP	4,831	24,985
Deposits incl. demand deposits	USD	4,447	16,422
Deposits	CHF	3,651	3,662
Deposits	JPY	2,907	3,607
Deposits incl. demand deposits	CAD	2,714	12,709
Deposits incl. demand deposits	SEK	2,096	1,876
Deposits incl. demand deposits	RUB	1,827	5,541
Deposits incl. demand deposits	TRY	1,557	1,640
Deposits	CNY	988	2,331
Deposits incl. demand deposits	MXN	958	3,832
Deposits incl. demand deposits	PLN	514	1,111
Deposits in other currencies and cash in hand	various	1,430	1,095
Total		**102,452**	**156,122**

Cash and cash equivalents include restricted items relating to a total amount of 2,757 thousand euros (2015: 4,130 thousand euros). More detailed information on the restrictions can be found in the section "Currency risks" under note 28.

> Cash and cash equivalents are financial instruments classified as "Loans and receivables".

Notes to the consolidated 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 2016 was unchanged at 11,370 thousand euros, divided into 11,370,000 no-par-value bearer shares, each with a notional 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. 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; 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 revenue reserves and recognised in accordance with section 150 of the AktG (Aktiengesetz, German Stock Corporation Act) amount to 514 thousand euros, as in the previous year. The profit or loss after tax and past profits or losses of companies included in the consolidated financial statements are also included in revenue reserves unless they have been distributed as dividends.

Other components of equity

Other components of equity are divided into differences from currency translation, actuarial gains and losses and the income tax payable on these items (see note 9).

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 is the key determining factor in its management. The equity ratio indicates the ratio of equity shown on the balance sheet to the Company's total capital. RATIONAL's equity ratio as of 31 December 2016 was 74% (2015: 74%).

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 has given pension commitments to two former employees. They are financed exclusively through pension provisions. Both pension recipients are already receiving benefits, which are expected to amount to 51 thousand euros in 2017.

In addition, there are individual commitments and commitments for members of the Executive Board and executive management, which are implemented through a provident fund. The individual commitments are basic pension commitments and defined contribution commitments, for which the benefits depend on how the contributions have been used in the insurance arrangements. The commitments relate to members of the Executive Board and retired former managers. The pension commitments implemented through the provident fund are reinsured with matching cover, which means that the benefits paid are reimbursed in full by an insurance undertaking. This results in a net obligation (pension provision) of zero for these commitments.

Switzerland

The old age pension plan arrangements in Switzerland cover a total of 53 (2015: 49) active employees with pension entitlements. As at the balance sheet date, none of these individuals received any benefits. Old age pension, surviving dependents' protection and disability insurance in Switzerland are based on a three-pillar system with different funding arrangements. Under the BVG (Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge, Swiss Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans), the second pillar provides cover for employees and their dependents in case of death or disability. From the age of 25, there is an additional mandatory pension cover, which is funded on the basis of income-related contributions by the employer and employee into a pension fund that is fully reinsured. The plan assets exclusively reflect insurance claims. The Act specifies minimum benefit levels. 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. The difference between the benefit obligation and the fair value of plan assets is funded by recognising a pension provision.

The benefits payable under pension plans in Switzerland are expected to amount to 173 thousand euros in 2017. Employer contributions into the pension plans are expected to amount to 236 thousand euros in 2017.

The average maturity of the pension obligations is 17 years (2015: 17 years) in Germany and 22 years (2015: 23 years) in Switzerland.

The present values of the defined benefit obligations are as follows:

in kEUR

	Defined benefit obligation (DBO)		Fair value of plan assets		Provisions	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Value as at 1 Jan	**4,419**	**3,637**	**1,771**	**1,476**	**2,648**	**2,161**
Currency differences	24	0	12	0	12	0
Interest expense	43	50	–	–	43	50
Interest income	–	–	15	19	–15	–19
Current service cost	518	478	–	–	518	478
Actuarial losses/gains due to changes in financial assumptions	116	357	–	–	116	357
Actuarial losses/gains due to changes in demographic assumptions	–61	0	–	–	-61	0
Actuarial losses/gains due to experience	331	11	–	–	331	11
Return on plan assets excluding amounts included in interest income	–	–	–118	0	118	0
Employer contributions	–	–	233	183	–233	–183
Employee contributions	–	–	233	183	–233	–183
Benefits received/paid	462	–114	483	–91	–21	–23
Value as at 31 Dec	**5,852**	**4,419**	**2,629**	**1,771**	**3,223**	**2,648**
thereof Germany	838	834	–	–	838	834
thereof Switzerland	5,014	3,585	2,629	1,771	2,385	1,814

The calculations were based on the following actuarial assumptions:

	Germany	Switzerland
Discount rate	1.50% (2015: 2.00%)	0.60% (2015: 0.75%)
Salary progression rate	–	1.50% (2015: 1.50%)
Pension progression rate	1.75% (2015: 1.75%)	0.00% (2015: 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.

Obligations are transferred to insurance undertakings to the extent possible. Risks for RATIONAL arise in particular from changes in actuarial factors. 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:

in kEUR

	2016	2015
Discount rate −0.5%	+649	+494
Discount rate +0.5%	−554	−419
Salary progression rate +0.5%	+41	+35
Pension progression rate +0.5%	+299	+216
Life expectancy +1 year	+106	+101

The sensitivity analysis does not take into account the fact that dependencies exist between the actuarial assumptions. Only one factor is changed, while the others remain the same for the purpose of the analysis. The amount of the salary and pension progression rate selected and of the discount rate is also affected by the expected rate of inflation.

23. Income tax liabilities

Income tax liabilities at the reporting date amounted to 9,418 thousand euros (2015: 10,623 thousand euros). The non-current portion amounting to 1,078 thousand euros (2015: 763 thousand euros) is reported under other non-current liabilities.

24. Other non-current and current provisions

in kEUR

2016	Balance on 1 Jan	Currency differences	Use	Additions	Interest rate effects	Balance on 31 Dec	of which non-current
Personnel	16,981	−30	−13,708	15,530	103	18,876	4,502
Trade bonuses	11,114	210	−11,285	11,963	–	12,002	–
Warranty	11,001	10	−7,422	8,506	76	12,171	4,272
Others	4,519	183	−4,461	4,431	–	4,672	429
Total	**43,615**	**373**	**−36,876**	**40,430**	**179**	**47,721**	**9,203**

in kEUR

2015	Balance on 1 Jan	Currency differences	Use	Additions	Interest rate effects	Balance on 31 Dec	of which 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**

Provisions for personnel obligations primarily comprise estimated expenses for variable remuneration components and future long-service benefits. 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 companies' liability for ensuring that its products are fully functioning; it is normally utilised within two years. The "Other" item includes provisions for a number of items, each of which is measured at an amount below the materiality threshold.

25. Liabilities to banks

In 2016, a new loan of 4,500 thousand euros was raised to finance the redevelopment at the Company's Landsberg location. As at the end of the year, liabilities to banks totalled 27,793 thousand euros (2015: 28,435 thousand euros). 7,046 thousand euros (2015: 6,666 thousand euros) are current liabilities, since they have to be repaid within the next 12 months.

The liabilities to banks mainly include loan agreements for real estate financing that is secured by land charges. Fixed interest rates apply to the entire term of most of these agreements. Given the current interest rate environment, low interest charges are expected for the remaining agreements once they expire. The assignment of rights to third parties has been contractually restricted.

In relation to the loan agreements, the following interest payments and repayments of principal will become due in subsequent periods. Payments after the fixed interest period have been calculated using current market interest rates.

			in kEUR
	2017	**2018–2021**	**From 2022**
Payments as of 31 Dec 2016	5,716	17,316	4,122

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

In addition, current liabilities to banks include discounted Japanese bills of exchange amounting to 2,024 thousand euros (2015: 2,021 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.

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

26. Trade accounts payable

All trade accounts payable as at the balance sheet are current. Because of the good liquidity situation, they are generally settled promptly to take advantage of any discounts from suppliers.

Trade accounts payable include liabilities for consulting and auditing services, for which an amount of 1,620 thousand euros was included in other liabilities in the 2015 consolidated financial statements.

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

27. Other liabilities

in kEUR

	current		non-current	
	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Liabilities to business partners	6,032	5,422	0	0
Liabilities from purchase of property	3,214	4,024	0	0
Fair value of derivative financial instruments	1,126	0	0	0
Other	652	250	59	0
Total other financial liabilities	**11,024**	**9,696**	**59**	**0**
Liabilities from value added tax	7,666	6,248	0	0
Vacation claims	4,975	4,128	0	0
Liabilities from PAYE and church taxes	3,077	2,687	0	0
Social security liabilities	1,422	1,416	0	0
Income tax liabilities	0	0	1,078	763
Other	887	377	0	0
Total other non financial liabilities	**18,027**	**14,856**	**1,078**	**763**
Total other liabilities	**29,051**	**24,552**	**1,137**	**763**

Current other liabilities are usually settled within a few months of the balance sheet date.

> Other financial assets include derivatives without a hedge relationship totalling 1,126 thousand euros (2015: 0 thousand euros). They are classified as “financial assets/liabilities at fair value through profit or loss — held for trading”. The remaining amount under other financial liabilities has been assigned to the “financial liabilities measured at amortised cost” measurement category.

Other notes to the consolidated balance sheet and consolidated statement of comprehensive income

28. Financial instruments

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

The 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. If no fair value is stated in the table for a financial instrument, the specified carrying amount of the financial instrument is a reasonable approximation of its fair value.

Categories of financial assets and liabilities acc. to IAS 39

in kEUR

	Carrying amount 31 Dec 2016	Fair value 31 Dec 2016	Carrying amount 31 Dec 2015	Fair value 31 Dec 2015
Loans and receivables	**387,382**		**357,664**	
Non-current deposits[1]	8,000	8,005	–	–
Other non-current financial assets[2]	654	654	688	688
Trade receivables	100,180		89,613	
Other current financial assets[3]	396		341	
Current deposits with maturities of more than 3 months	175,700	175,613	110,900	110,924
Cash and cash equivalents[3]	102,452		156,122	
Financial assets at fair value through profit or loss (held for trading)	**192**		**9**	
Derivatives not in a hedging relationship[3]	192	192	9	9
Financial liabilities measured at amortised cost	**62,750**		**54,432**	
Non-current liabilities to banks	20,747	22,853	21,769	24,094
Other non-current financial liabilities[4]	59		–	
Current liabilities to banks	7,046	7,114	6,666	6,735
Trade accounts payable	25,000		16,301	
Other current financial liabilities[5]	9,898		9,696	
Financial liabilities at fair value through profit or loss (held for trading)	**1,126**		–	
Derivatives not in a hedging relationship[5]	1,126	1,126	–	–

[1] Included in balance sheet item "Financial assets", [2] Included in balance sheet item "Other non-current assets",
[3] Included in balance sheet item "Other current assets", [4] Included in balance sheet item "Other non-current liabilities",
[5] Included in balance sheet item "Other current liabilities"

All financial instruments for which a fair value had been determined were allocated to Level 2 of the fair value hierarchy of IFRS 13. 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.

Fair value is measured using the following techniques:

Deposits with maturities of more than three months

For these deposits, 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 financial assets and is therefore not included here.

Other non-current financial assets

Other non-current financial assets include outstanding security deposits due after 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.

Derivative financial instruments

The derivative financial instruments recognised at the balance sheet date are forward exchange contracts and currency options. 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.

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.

Net gains or net losses excl. interest

in kEUR	2016	2015
Loans and receivables	–2,360	–517
Held-to-maturity investments	0	0
Financial assets/liabilities at fair value through profit or loss (held for trading)	–428	+1,038
Financial liabilities measured at amortised cost	+141	–1,105

The net gains and losses include amounts from currency translation. In addition, the net loss on loans and receivables includes write-downs amounting to 796 thousand euros (2015: 1,034 thousand euros) and income from impaired and derecognised receivables amounting to 282 thousand euros (2015: 420 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:

in kEUR	2016	2015
Total interest income	364	647
Total interest expense	835	948

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:

2016 — in 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						
Derivatives	192	–	192	192	–	0
Deposits with maturities of more than 3 months, cash and cash equivalents	286,152	–	286,152	25,769	–	260,383
Trade receivables	103,052	2,872	100,180	–	–	100,180
Total	**389,396**	**2,872**	**386,524**	**25,961**	**–**	**360,563**
Financial liabilities						
Derivatives	–	1,126	1,126	192	–	934
Liabilities to banks	–	27,793	27,793	25,769	–	2,024
Liabilities to business partners	2,872	8,904	6,032	–	–	6,032
Total	**2,872**	**37,823**	**34,951**	**25,961**	**–**	**8,990**

2015 — in 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**

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

Financial risks

The financial instruments include specific risks, such as default risk, liquidity risk and market risk, which consists of currency risk, interest rate risk and price risk.

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

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

As part of a crisis prevention strategy, the group of the 20 most important industrialised and emerging countries has decided to regulate financial markets globally. The RATIONAL Group has complied in time with the adopted and applicable statutory requirements, disclosure and risk minimisation obligations for over-the-counter (OTC) derivatives in this regard. In accordance with section 20 (1) of the WpHG (Wertpapierhandelsgesetz, German Securities Trading Act), RATIONAL Aktiengesellschaft has to be audited for the year 2016. The auditors will be engaged and the special audit conducted in accordance with legal requirements in the course of 2017.

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

Default risks

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:

in kEUR	31 Dec 2016	31 Dec 2015
Trade receivables	100,180	89,613
of which credit-insured receivables[1]	73,118	65,725
of which receivables secured by letters of credit/bank guarantees	1,882	1,611
of which receivables from public-sector entities[2]	278	239
Maximum net credit risk	**24,902**	**22,038**
less refundable value-added tax[2]	8,562	7,572
Unsecured credit risk	**16,340**	**14,466**
Risk coverage ratio	**84%**	**84%**

[1] assessed with contractual insured percentage
[2] if country rating meets requirements

The residual credit risk not covered by the securities shown includes concentration risk amounting to 983 thousand euros (2015: 2,029 thousand euros), distributed over three (2015: thirteen) customers. Unsecured receivables with a nominal value of more than 200 thousand euros (2015: 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 200 thousand euros are regularly due. These customers can thus be classified as “A” customers and are a direct focus of management based on internal competency arrangements, among others.

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:

31 Dec 2016 (in kEUR)

	Carrying amount	Protected by deposit protection fund	Net risk
Deposits with maturities of more than three months	183,700	158,800	24,900
Cash and cash equivalents	102,452	82,025	20,427
Total	**286,152**	**240,825**	**45,327**

31 Dec 2015 (in kEUR)

	Carrying amount	Protected by deposit protection fund	Net risk
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**

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 risks

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.

As of the balance sheet date, the liquidity reserve from own resources (including all existing fixed-term deposits) amount to a total of 278,152 thousand euros (2015: 267,022 thousand euros). In addition, there were fixed deposits amounting to 8,000 thousand euros with remaining maturities of more than 12 months as at the balance sheet date. Due to the long-term nature of the deposits, they do not count towards the liquidity reserve from own resources.

RATIONAL attaches great importance to internal financing; most of the 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 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 of the balance sheet date, the total amount of the contractually agreed credit lines was 35,000 thousand euros (2015: 34,669 thousand euros). After taking into account assignments for subsidiaries and sureties, this leaves unused credit lines amounting to 29,245 thousand euros (2015: 29,119 thousand euros).

Most trade accounts payable and other financial liabilities are 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 value 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 objectives of Corporate Treasury, which is a department within the parent company, is to counter the currency and interest risks to which transactions are exposed with suitable instruments and corrective action. Its activities are governed by corporate guidelines, and are supported, controlled and monitored by a treasury management system. Identified risks are countered by the use of derivative financial instruments, provided that this approach is deemed appropriate and effective hedging instruments are available.

Contractual partners in derivative financial instrument transactions are always banks with good to best quality credit ratings, i.e. with a Standard & Poor's BBB rating as a minimum.

Currency risk

One of the factors giving rise to currency risk is exchange rate fluctuations at the balance sheet and consequently the possible change in the fair value of existing balance sheet items denominated in foreign currencies (translation risk). 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 minimised by the use of hedges. Another factor giving rise to currency risk is that the future cash flows resulting from a financial instrument in a foreign currency may differ significantly from the recoverable values as 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 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 2016 and 31 December 2015. 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.

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.

Currency risk

in kEUR

		Contract value		Positive fair value (assets)		Negative fair value (liabilities)	
	Currency	2016	2015	2016	2015	2016	2015
Maturity < 1 Year							
Forward exchange contracts	GBP	1,946	–	0	–	43	–
Forward exchange contracts	USD	1,438	–	27	–	0	–
Currency options	GBP	40,181	7,692	92	7	692	0
Currency options	USD	22,338	4,274	58	2	331	0
Currency options	CAD	5,983	–	15	–	61	–
Currency options	JPY	–	719	–	0	–	0
Total		**71,886**	**12,685**	**192**	**9**	**1,127**	**0**

By partially settling amounts payable to suppliers in the same foreign currencies that foreign sales companies use to recognise sales revenues, it is possible to reduce the existing currency risk within the Group (natural hedge).

Changes in the exchange rate would have the following hypothetical effects on financial instruments: If, on 31 December 2016, the euro had been 10% stronger, profit after tax and other components of equity would have been 4,229 thousand euros (2015: 12,785 thousand euros) lower. If the euro had been 10% weaker, the amount reported in functional currency would have been 3,332 thousand euros (2015: 16,153 thousand euros) higher. The hypothetical impact on income is primarily the result of the following significant currency sensitivities:

Hypothetical impact on profit 2016

in kEUR

	Value of euro 10% higher	Value of euro 10% lower
EUR/JPY	–752	919
EUR/GBP	–276	–780
EUR/USD	–644	228
EUR/SEK	–424	518
EUR/CHF	–382	467

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 a large proportion of the outstanding loans.

Price risks

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".

Fluctuations in the alloy surcharge have a direct impact on the cost of sales and so on total earnings. If the alloy surcharge had been an average of 10% higher (lower) in 2016, profit after tax in 2016 would have declined (increased) by approximately 807 thousand euros (2015: 1,131 thousand euros).

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 suppliers, under which the purchase price is set about one year in advance.

Notes to the cash flow statement

29. Cash flow statement

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

Cash and cash equivalents declined from 156,122 thousand euros at the start of the fiscal year to 102,452 thousand euros as at 31 December 2016. In addition, RATIONAL has fixed-term deposits as of the balance sheet date amounting to 183,700 thousand euros (2015: 110,900 thousand euros). These deposits have maturities of more than three months from the date of deposit, and are not therefore included in cash and cash equivalents.

Other notes to the consolidated financial statements

30. Employees and personnel costs

Average number of employees

	2016	% of total	2015	% of total
Production and Dispatch	397	24	362	24
Sales and Marketing	726	44	656	43
Technical Customer Service	163	10	149	10
Research and Development	130	8	118	8
Administration	237	14	220	15
Total	**1,653**	**100**	**1,505**	**100**
of which outside Germany	730	44	655	44

Personnel costs comprise the following items:

Personnel costs

in kEUR

	2016	2015
Salaries and wages	111,743	101,611
Social security	20,736	19,914
of which expenses for defined contribution plans	9,043	8,885
Total	**132,479**	**121,525**

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 2016 and 2015.

Other financial obligations

As of the balance sheet date (31 December 2016), RATIONAL's other financial obligations amounted to 18,939 thousand euros (2015: 20,107 thousand euros). This item relates mainly to future payments under rental, lease and maintenance contracts, and purchase commitments for property, plant and equipment, and for intangible assets.

The rental and leasing contracts treated as operating leases in accordance with IAS 17 are predominantly for the rental of office space and leasing of production facilities, vehicles, IT equipment, and miscellaneous office equipment. Some of the leases have fixed terms, others are for an indefinite period. They include the following future minimum lease payments:

Future operating lease obligations

in kEUR

	31 Dec 2016	31 Dec 2015
Up to 1 year	5,192	4,991
1–5 years	6,316	5,590
>5 years	85	106
Total	**11,593**	**10,687**
Fair value	**11,583**	**10,633**

There are no restrictions included in any of the lease agreements. The rental and leasing expenses recognised in the income statement for fiscal year 2016 amount to 6,388 thousand euros (2015: 6,128 thousand euros).

The obligations to purchase property, plant and equipment amount to 3,505 thousand euros (2015: 6,792 thousand euros) and those to purchase intangible assets amount to 291 thousand euros (2015: 236 thousand euros).

In addition, a conditional sales contract worth 2,455 million euros for the acquisition of land exists. The entry into force of the contract is contingent on the corresponding development plan becoming effective.

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 chief operating decision maker.

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

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 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.

Segment amortisation and depreciation relates to intangible assets and property, plant and equipment. No material non-cash expenses reportable under IFRS 8.23 were incurred in either 2016 or 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.

Of the property, plant and equipment and intangible assets, 85,314 thousand euros (2015: 72,056 thousand euros) are reported in Germany, while 8,556 thousand euros (2015: 7,084 thousand euros) are attributable to third countries.

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

2016 in kEUR

	RATIONAL	FRIMA	Total of segments	Reconciliation	Group
External sales revenues	567,783	44,904	612,687	+323	613,010
Intercompany sales revenues	2,168	2,148	4,316	–4,316	–
Segment sales revenues	569,951	47,052	617,003	–3,993	613,010
Segment profit or loss	**158,790**	**7,595**	**166,385**	**+126**	**166,511**
Financial result	–	–	–	–	–643
Earnings before taxes	**–**	**–**	**–**	**–**	**165,868**
Segment depreciation	9,418	482	9,900	–	9,900

2015 in kEUR

	RATIONAL	FRIMA	Total of segments	Reconciliation	Group
External sales revenues	527,412	36,762	564,174	+57	564,231
Intercompany sales revenues	2,055	1,932	3,987	–3,987	–
Segment sales revenues	529,467	38,694	568,161	–3,930	564,231
Segment profit or loss	**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

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 1,996 thousand euros in 2016 (2015: 1,885 thousand euros). As of 31 December 2016, outstanding trade accounts payable to these companies amounted to 55 thousand euros (2015: 15 thousand euros).

In addition, RATIONAL AG supplied goods and services in an amount of 88 thousand euros (2015: 104 thousand euros) to members of the Supervisory Board or companies in which members of the Supervisory Board hold interests.

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

The members of the Supervisory Board are as follows:

Siegfried Meister, Chairman
Businessman

Walter Kurtz, Deputy Chairman
Businessman

Dr Hans Maerz, Deputy Chairman
Auditor

Dr Gerd Lintz,
Retired notary, independent lawyer

Werner Schwind,
Businessman

Dr Hermann Garbers (until 31 December 2016),
Freelance management consultant

Erich Baumgärtner (since 1 January 2017),
Businessman

With effect from 31 December 2016 Dr Hermann Garbers relinquished his post as member of the Supervisory Board pursuant to section 8 (5) of the articles of association of RATIONAL AG. Mr Erich Baumgärtner took his place with effect from 1 January 2017. He was delegated by the principal shareholders Mr Siegfried Meister and Mr Walter Kurtz in accordance with their right of delegation as set down in the articles of association. Mr Baumgärtner will hold this until the next Supervisory Board elections by the General Meeting of Shareholders in 2019.

The remuneration of Supervisory Board members breaks down as follows:

2016 — in kEUR

	Fixed	Others	Total
Siegfried Meister	250	22	272
Walter Kurtz	200	17	217
Dr Hans Maerz	200	12	212
Dr Hermann Garbers	150	0	150
Dr Gerd Lintz	150	0	150
Werner Schwind	150	0	150
Total	**1,100**	**51**	**1,151**

2015 — in kEUR

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

As of the balance sheet date, Supervisory Board remuneration of 1,100 thousand euros (2015: 946 thousand euros) was included in current liabilities.

The Executive Board had the following members at the balance sheet date (31 December 2016):

Dr Peter Stadelmann, Chief Executive Officer
Dipl.-Volkswirt

Peter Wiedemann, Chief Technical Officer
Dipl.-Ingenieur

Markus Paschmann, Chief Sales Officer
Dipl.-Wirtschaftsingenieur

Dr Axel Kaufmann, Chief Financial Officer
Dipl.-Kaufmann

The General Meeting of Shareholders held on 4 May 2016 resolved in accordance with section 314 (3) sentence 1 of the HGB (Handelsgesetzbuch, German Commercial Code) not to disclose separately the remuneration paid to individual members of the Executive Board.

The total compensation paid to the Executive Board for the performance of its duties within the parent company and its subsidiaries in fiscal year 2016 was 5,189 thousand euros (2015: 5,118 thousand euros). This amount includes performance-related components of 1,927 thousand euros (2015: 1,410 thousand euros), which are classified as current liabilities. The above compensation also includes payments of 821 million euros to former Executive Board members (2015: 899 million euros). Payments into the pension scheme totalling 474 thousand euros (2015: 317 thousand euros) were also made.

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 2016, so at the balance sheet date (31 December 2016) 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 the RATIONAL website: www.rational-online.com.

37. Significant events after the balance sheet date

No events have occurred since the close of fiscal year 2016 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 4 May 2016, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Munich, was appointed as auditor for fiscal year 2016. The lead auditor of the 2016 consolidated financial statements was Mr Dietmar Eglauer.

The auditor's fee, including reimbursement of expenses, amounted to a total of 245 thousand euros (2015: 231 thousand euros) and comprises the auditing of separate and consolidated financial statements. No audit-related services were provided in fiscal year 2016 (2015: 13 thousand euros).

Landsberg am Lech, 28 February 2017

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

Statement of Responsibility

Statement of Responsibility

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, 28 February 2017

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 2016. 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, is in compliance with statutory provisions, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, 28 February 2017

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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

Imprint

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Key figures regarding RATIONAL shares

Key figures

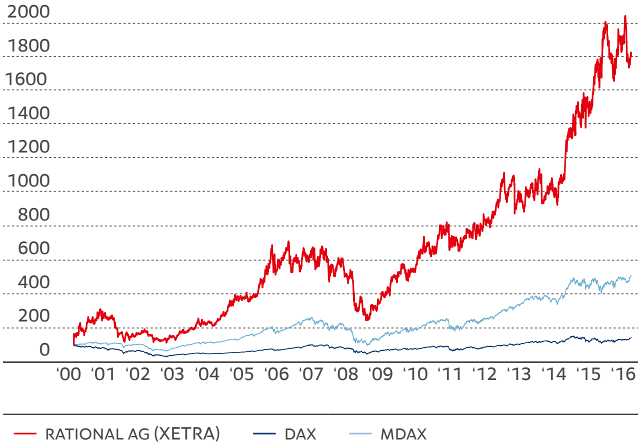
		2016	2015
Maximum price last 12 months[1]	EUR	482.25	422.00
Minimum price last 12 months[1]	EUR	365.00	251.60
Year-end closing price[1]	EUR	424.00	419.90
Market capitalisation[2]	m EUR	4,820.9	4,774.3
Dividend yield[3]	%	2.4	1.8
Beta factor (one year) as of 30 Dec[4]	%	0.74	0.78
Sales per share	EUR	53.91	49.62
Price-to-sales ratio[2]		7.9	8.5
Earnings per share	EUR	11.18	10.71
Price-earnings ratio[2]		37.9	39.2
Cash flow per share	EUR	11.39	12.57
Price-cash flow ratio[2]		37.2	33.4

[1] XETRA [2] As of balance sheet date
[3] In relation to the year-end closing price [4] In relation to MDAX

Performance of RATIONAL shares since the IPO in 2000

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

Year-end closing price 424.00 EUR



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: 28 February 2017

Financial calendar 2017

Financial figures Fiscal Year 2016	Landsberg	23 Mar '17
Balance Sheet Press Conference Fiscal Year 2016	Munich	23 Mar '17
Telephone conference Fiscal Year 2016	Landsberg	23 Mar '17
General Shareholders' Meeting 2017	Augsburg	03 May '17
Financial figures Q1 2017	Landsberg	03 May '17
Financial figures HY 2017	Landsberg	08 Aug '17
Analysts' Day	Wittenheim	11 Sept '17
Financial figures 9 Months 2017	Landsberg	07 Nov '17

The Executive Board

Dr Peter Stadelmann
CEO

Peter Wiedemann
CTO

Markus Paschmann
CSO

Dr Axel Kaufmann
CFO

The Supervisory Board

Siegfried Meister
Chairman

Walter Kurtz
Deputy Chairman

Dr Hans Maerz
Deputy Chairman

Dr Gerd Lintz

Werner Schwind

Erich Baumgärtner

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10-year overview

Key figures

Earnings situation		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Sales revenues	m EUR	613.0	564.2	496.7	461.1	435.0	391.7	350.1	314.4	343.0	336.6
Sales revenues abroad	%	87	87	87	87	86	85	84	83	84	84
Gross profit	m EUR	378.8	349.2	304.0	280.7	261.7	234.4	217.0	191.6	203.7	199.9
EBITDA	m EUR	176.4	169.0	153.5	135.5	129.5	109.5	112.6	98.1	90.4	97.9
Depreciation/amortisation	m EUR	9.9	8.8	8.3	7.2	6.8	7.3	6.8	7.6	7.3	5.3
EBIT	m EUR	166.5	160.2	145.2	128.3	122.7	102.2	105.8	90.5	83.1	92.6
Financial result	m EUR	−0.6	−0.5	−0.6	−0.6	−0.3	0.3	−0.2	−0.4	0.4	0.9
EBT	m EUR	165.9	159.7	144.6	127.7	122.4	102.5	105.6	90.1	83.5	93.5
Profit or loss after tax	m EUR	127.1	121.8	110.1	97.2	93.3	78.7	79.8	67.3	61.7	61.2
Earnings per share (basic)	EUR	11.18	10.71	9.68	8.55	8.20	6.93	7.02	5.92	5.42	5.38
Gross margin	%	61.8	61.9	61.2	60.9	60.2	59.8	62.0	60.9	59.4	59.4
EBITDA margin	%	28.8	30.0	30.9	29.4	29.8	28.0	32.2	31.2	26.4	29.1
EBIT margin	%	27.2	28.4	29.2	27.8	28.2	26.1	30.2	28.8	24.2	27.5
EBT margin	%	27.1	28.3	29.1	27.7	28.1	26.2	30.2	28.7	24.4	27.8
Net margin	%	20.7	21.6	22.2	21.1	21.4	20.1	22.8	21.4	18.0	18.2
Return on equity (after taxes)	%	33.8	36.5	38.0	38.4	42.0	35.4	38.0	41.6	47.9	53.3
Return on invested capital (ROIC)	%	31.4	33.5	34.2	34.6	38.4	33.2	33.9	35.5	40.7	48.0
Dividend*	m EUR	113.7	85.3	77.3	68.2	64.8	62.5	102.3	39.8	11.4	51.2
Dividend per share*	EUR	10.00	7.50	6.80	6.00	5.70	5.50	9.00	3.50	1.00	4.50
Asset situation											
Fixed assets	m EUR	101.9	79.1	69.0	60.9	56.2	53.7	55.4	57.6	63.1	38.0
Current assets (including deferred tax assets and other long-term assets)	m EUR	437.9	403.6	354.4	316.4	270.0	229.5	250.3	208.1	145.9	149.4
Inventories	m EUR	39.2	30.9	30.3	27.2	26.4	24.7	19.3	17.8	20.6	18.6
Trade accounts receivable	m EUR	100.2	89.6	82.9	75.9	65.9	71.7	58.7	51.4	57.7	61.4
Cash and cash equivalents (including fixed deposits)	m EUR	278.2	267.0	225.4	200.1	166.4	120.8	163.1	131.6	57.1	62.3
Total assets	m EUR	539.8	482.7	423.4	377.3	326.2	283.2	305.7	265.7	209.0	187.4
Equity	m EUR	397.0	356.1	310.7	268.8	237.4	206.9	230.3	189.8	133.6	124.0
Liabilities	m EUR	142.8	126.6	112.7	108.5	88.8	76.3	75.4	75.9	75.4	63.4
Provisions (including liabilities for current tax)	m EUR	59.3	56.1	44.2	41.6	34.4	25.7	28.2	24.0	22.1	19.7
Liabilities to banks	m EUR	27.8	28.4	32.6	34.4	25.3	19.0	21.3	31.6	25.8	18.0
Trade accounts payable	m EUR	25.0	14.7	12.4	12.0	10.5	10.1	9.2	7.0	10.9	9.3
Other liabilities	m EUR	30.7	27.4	23.5	20.5	18.6	21.5	16.7	13.3	16.6	16.4
Equity ratio	%	73.5	73.8	73.4	71.2	72.8	73.1	75.3	71.4	63.9	66.2
Invested capital (average)	m EUR	407.6	365.6	324.1	283.7	245.0	239.7	238.0	192.7	153.8	128.1
Working capital (excluding liquid funds)	m EUR	94.9	87.9	86.7	78.9	69.8	73.4	58.2	54.7	60.7	61.7
as a percentage of sales	%	15.5	15.6	17.5	17.1	16.0	18.7	16.6	17.4	17.7	18.3
Cash flow/investments											
Cash flow from operating activities	m EUR	129.5	143.0	112.5	102.8	111.4	67.7	86.9	83.2	71.0	61.1
Cash flow from investing activities	m EUR	−96.7	−10.5	−38.9	−27.5	−38.0	61.4	−23.4	−72.2	−38.4	−30.2
Cash flow from financing activities	m EUR	−86.7	−82.5	−71.0	−56.7	−57.2	−106.0	−52.2	−7.7	−45.4	−26.0
Investments	m EUR	24.6	19.4	16.8	12.0	9.4	5.7	4.5	2.4	32.6	14.3
Employees											
Number of employees (average)		1,653	1,505	1,401	1,320	1,258	1,184	1,058	1,031	1,090	965
Personnel expenses	m EUR	132.5	121.5	108.8	101.2	93.1	84.7	74.3	71.1	72.3	63.7
Sales per employee	kEUR	370.8	374.9	354.6	349.3	345.8	330.8	330.9	304.9	314.6	348.8

* Payout in the following year; Dividend 2016 subject to approval by General Meeting of Shareholders 2017;
The figures for 2011 and 2016 include a special dividend of 4.00 euros and 2.00 euros respectively

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