RATIONAL

Grow together

ANNUAL REPORT 2018

Right from the start, RATIONAL has focussed on just one goal: improving the customer benefit for professional chefs. The tireless commitment to greater quality and efficiency in the professional kitchen has made RATIONAL the number one worldwide.

In order to continue growing with the chefs of the world and make their daily work even easier with complete, connected solutions from a single source, the two brands, RATIONAL and FRIMA, are finally embarking on a joint path.

Two brands will now become one even stronger brand. Two successful parts of the company will now become one even more capable market leader.

Around 90% of all dishes worldwide can be prepared with the two most innovative multifunctional cooking appliances in the professional kitchen, the VarioCookingCenter® and the SelfCookingCenter®.

Connected globally

Thermal food preparation with RATIONAL

We are the global market and technology leaders in innovative solutions for thermal food preparation with a market share of around 50%. A key factor in our success is uncompromising customer orientation. 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 appliances are ideal for any organisation in which at least 20 warm meals a day are prepared. Our customer base ranges from restaurants and hotels to large-scale catering operations, such as company canteens, hospitals, schools, universities, military facilities, prisons and retirement homes, to quick service restaurants, caterers, supermarkets, bakeries, snack outlets, butchers' shops and service stations.

Expenditure on eating out has risen by three to four percent p.a. in recent years. Similar growth rates are also expected in the future. Consequently, the prospects for the catering industry are extremely promising. By being aligned to the basic human need to eat, the food service industry as a whole, and RATIONAL as its market leader, are less dependent on economic conditions than other sectors and companies.

According to our estimates, potential global market comprises around four million customers, of which fewer than 30% currently use combi-steamers. The vast majority are still using conventional cooking technologies. Since the SelfCookingCenter® can replace not only conventional cooking technology but, thanks to its cooking intelligence, also standard combi-steamers, we see additional untapped market potential. With around two million potential customers, we currently estimate overall potential for the VarioCookingCenter® to be lower. As the product has only been on the market for a few years, market penetration is still relatively low. We therefore consider the market potential of the VarioCookingCenter® to be similarly high. This huge untapped market potential will allow us to grow as a result of further market penetration and rising demand for replacements.

It is part of our corporate philosophy to exploit this potential organically. We are frequently the trailblazers in developing new markets. This leads to increased brand recognition and makes a lasting contribution to consolidating and building on our position as the global market leader. In the meantime, we maintain a presence in over 120 countries through our own sales companies and independent sales partners.

In addition to powerful high-quality products, we offer our customers a comprehensive service offering for the entire duration of the business relationship, enabling them to use their appliances in the best possible way at all times. ConnectedCooking provides an online portal for professional chefs and a cloud-based networking solution offered free of charge. Customers can use it to connect their appliances, control them remotely, update their software, and transfer cooking programs. With more than 120,000 members, ConnectedCooking is the biggest online platform for professional chefs.

One key foundation of our company's success is our focus on professional kitchens and on their core activity: cooking. Through this specialisation, we can offer our customers ever better solutions and thereby continuously increase their benefit. Our products set standards for cooking intelligence, cooking quality, user-friendliness, and resource efficiency. They can perform 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. Thus, they replace virtually all conventional cooking equipment in the professional kitchen and are winning over more and more customers worldwide.

Today, the RATIONAL combi-steamer is considered one of the most important cooking appliances in a professional kitchen. We are perceived as a provider of innovative solutions, supplying high-quality, reliable products accompanied by an outstanding level of service quality. According to our latest customer satisfaction survey in Germany, the USA and the UK, 96% of our customers recommend RATIONAL to their colleagues. As a result, we continue to enjoy a significant market lead.

Another key factor in our success is 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, make the necessary decisions independently and take responsibility for them. At the end of 2018, we employed around 2,100 people, over 1,000 of whom are in Germany.

We are confident that we will be able to continue our success story in the coming years with the moderate growth trend of the past years and high profitability.

Global presence

Sales revenues by region in 2018

Our products

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

Uniquely intelligent
SelfCookingCenter®

The SelfCookingCenter® is a combi-steamer with intelligent cooking processes. The heat during 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 the cooking process to be supervised. Alongside cooking intelligence, the main unique selling points of the SelfCookingCenter® are high resource efficiency, ease and flexibility of use, as well as minimal cleaning and care effort. That leaves the cook time for the essentials: creativity and the well-being of the guests. With seven different appliance sizes, we can always offer the right product for all markets and customer groups.

Smart cooking
VarioCookingCenter®

The VarioCookingCenter® is a multifunctional cooking appliance. It cooks 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 the dishes. The chef is notified as soon as action should be taken. Nothing boils over, nothing burns. From restaurant businesses to communal catering establishments, we offer the optimum solution for all markets and customer groups with the five different models in the VarioCooking-Center® range.

Key figures

in m EUR

Sales and earnings	2018	2017	Change absolute	Change in %
Sales revenues	**777.9**	702.1	+75.8	+11
Sales revenues abroad (in %)	**88**	87	+1	–
Cost of sales	**321.0**	281.3	+39.7	+14
Gross profit	**456.9**	420.8	+36.1	+9
as a percentage of sales revenues	**58.7**	59.9	–1.2	–
Sales and service expenses	**184.0**	165.9	+18.1	+11
Research and development expenses	**38.1**	33.2	+4.9	+15
General administration expenses	**33.3**	29.8	+3.5	+12
Earnings before interest and taxes (EBIT)	**205.0**	187.6	+17.4	+9
as a percentage of sales revenues	**26.4**	26.7	–0.3	–
Net income	**157.3**	143.0	+14.3	+10
Balance sheet				
Balance sheet total	**604.4**	570.7	+33.7	+6
Equity	**455.5**	424.5	+31.0	+7
Equity ratio in %	**75.4**	74.4	+1.0	–
Cash flow				
Cash flow from operating activities	**144.3**	145.9	–1.6	–1
Cash-effective investments	**46.2**	34.2	+12.0	+35
Free cash flow[1]	**98.1**	111.7	–13.6	–12
Employees				
Number of employees as at 31 Dec	**2,113**	1,884	+229	+12
Number of employees (average)	**2,042**	1,836	+206	+11
Key figures RATIONAL shares				
Earnings per share (in EUR)	**13.84**	12.58	+1.26	+10
Year-end closing price[2] (in EUR)	**496.00**	537.20	–41.20	–8
Market capitalisation[2,3]	**5,639.5**	6,108.0	–468.5	–8

[1] Cash flow from operating activities less investments [2] Xetra [3] As at balance sheet date

Grow together

2018
Merger of
RATIONAL and FRIMA

"Since its establishment, RATIONAL has focused on creating maximum benefit for the people working in commercial kitchens around the world."

1976
Invention of the first
RATIONAL combi-steamer

Foreword by the Supervisory Board

Dear Ladies and Gentlemen,

Our ability to navigate constant change is the basis of our success.

We are never satisfied with what we have achieved. To this day, our daily concern has been how we can use innovative technology to make life easier for people preparing meals in commercial kitchens. We can only stay well ahead of others if we never stand still and always look for ways not only to meet customer expectations, but to exceed them time and again. This ethos is deeply embedded in our DNA.

It is only because RATIONAL has always left no stone unturned in its efforts to increase the benefits for chefs that we are the global market leader in thermal food preparation.

Because FRIMA shares this philosophy, the appliances of both brands are able to deliver key innovations in the commercial kitchen. Consistent and targeted investment in the future of cooking technology is another contributing factor.

When FRIMA was welcomed into the RATIONAL family in the early 1990s, the two companies had already been cooperating on a basis of trust for many years.

Now they will be merged completely — the two commercial cooking specialists united under one umbrella brand. The combination of RATIONAL and FRIMA will finally bring together what many people have long believed belongs together.

For our customers, this move will create the most modern system solution with the densest service network worldwide. This will allow us to improve the way we help more commercial chefs in future. For almost any cooking application in a commercial kitchen, they will get the right tool from RATIONAL — everything from a single source. As the company of chefs, this move will integrate us even more closely with kitchens around the globe.

The merger of RATIONAL and FRIMA marks a special milestone for us. It reflects our conscious decision to embark on a shared path, rooted in the knowledge that we will be even stronger together. We aim to pool our resources so that we may continue writing RATIONAL's success story.

My special thanks go to all our employees for choosing to walk this path with us and for tirelessly driving our company forward with their ideas. Their commitment and readiness, time and again, to do great things for the people in commercial kitchens form the foundation of our successful growth path.

Walter Kurtz
Chairman of the Supervisory Board
of RATIONAL AG

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 positions at the Malik Management Centre St. Gallen. Between 2006 and 2012, he held the position of CEO for 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 training and 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 areas of finance and strategy. From 2010, he was Chief Financial Officer at Koenig & Bauer AG. //

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. //

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, becoming the CEO. From 2006 to 2013, he was on the Executive Board of Sick AG. //

Letter from the Executive Board

"We are combining the two most innovative commercial kitchen appliances under the RATIONAL brand to inspire our customers with even greater speed and focus in future."

Dr Peter Stadelmann
CEO of RATIONAL AG

Dear Shareholders,
Customers and Business Partners,

Over 1,000 chefs are out and about on RATIONAL business around the clock, in large and commercial kitchens worldwide. They listen, ask questions — and, of course, they cook and eat. That's why they are familiar with the challenges and wishes of the people who work there — down to the last detail. RATIONAL's focus, right from the start, on simplifying the daily lives of customers has turned us into one of the most familiar and popular brands in commercial kitchens around the world. Around 96% of our customers recommend us to their colleagues.

Our success story began with the invention of the combi-steamer in 1976. We combined stoves, ovens and steamers into a single appliance for use in kitchens — an idea we have consistently enhanced and improved. Today, the SelfCookingCenter® has enthusiastic customers in more than 120 countries.

In 2005, the SelfCookingCenter® was joined by a sister appliance, the VarioCookingCenter®, developed by our subsidiary FRIMA. This appliance considerably simplifies commercial cooking in the same way as the SelfCookingCenter® — but with additional applications. By combining the functions of tilting pans, boiling pans and deep-fat fryers, for example, into a single appliance, it boosts efficiency tremendously. Just like RATIONAL, FRIMA has also made targeted investments in intelligent cooking technology and thus improved the VarioCookingCenter® to perfection. The result is a top-quality, highly efficient multifunctional cooking appliance that works with contact heat.

This year, we are merging RATIONAL and FRIMA under one umbrella brand in order to spread the customer benefits of the VarioCookingCenter® around the world under the RATIONAL brand. The market potential is huge. We generate around 90% of our appliance sales with combi-steamers, and only 10% with the VarioCookingCenter®.

Up to now, we have distributed the VarioCookingCenter® through independent distribution units and long-standing partners mainly in Europe, but also in some overseas markets — with demand rising sharply. Trust in the quality, reliability and service of the RATIONAL brand facilitates our entry into new markets and opens doors for the VarioCookingCenter® to more and more customers worldwide.

By merging the distribution functions of RATIONAL and FRIMA, we will use our existing well-established sales and service structures more efficiently — for the benefit, and in the interest, of our customers.

RATIONAL is establishing itself as a complete solution provider in order to meet customers' increasing demand for cooking appliances, complete solutions and premium services from a single source.

Each production line will retain its own location: Landsberg for combi-steamers, and Wittenheim for the VarioCookingCenter®. In Wittenheim, we doubled our capacity last year, and we will also ramp up production capacity for combi-steamers in Landsberg. An extension completed in March added 16,000 square metres of space; this will ensure that we can continue to manufacture safely and with even greater efficiency. In view of our forecast growth, we will make additional investments to expand our logistics capacity in 2019.

Corporate quality through management and employee quality

The merger of FRIMA and RATIONAL has entailed considerable effort and necessitated a number of changes. Many employees have had to adapt or change their jobs, while relocation was necessary in a few individual cases. This has led to the need for closer interaction between employees. On the other hand, these changes offer a wide variety of opportunities for professional and personal development for a larger group of employees.

To create maximum customer benefit, we need the right employees and managers who will walk this path with us and drive the various initiatives. We are pleased to have such people in our company. Our employees think and act like entrepreneurs in the company (U.i.U.®). They perform their duties reliably and conscientiously, take responsibility, and independently make decisions in their respective units, while always focussing on customer benefit.

The result: 89% of our employees are proud to work at RATIONAL. This and other excellent results have been confirmed by an employee survey, conducted worldwide for the first time by an external service provider. It is proof of the affinity felt by our employees and managers.

I want to thank all our employees and managers for their commitment. They deserve credit for our continuous success, and I want to express my sincere appreciation to them.

SelfCookingCenter®
already impresses professional chefs today in more than 120 countries with its combination of steam and hot air.

Close customer proximity and business success

The global economy put in a very robust performance worldwide in fiscal year 2018. Despite geopolitical and financial uncertainty in many areas, global economic output increased again by 4%.

Through their close relationships with customers, our employees succeeded once more in the past fiscal year in setting new sales revenue and profit records. We generated an 11% increase in sales revenues, establishing a new record of 778 million euros. Adjusted for negative currency effects, our sales revenue growth was 13%. It is especially encouraging that virtually all regions around the world contributed to this positive performance. Developments in the growth regions of North and Latin America and Asia were particularly positive.

VarioCookingCenter® meets the growing demand for multifunctional cooking appliances in RATIONAL quality.

90%

of all global recipes can be prepared using the multifunctional RATIONAL appliances.

EBIT (earnings before interest and taxes) was up significantly on last year's good level, at 205 million euros. Despite strained performance in the area of cost of sales and foreign currencies, the EBIT margin was just over 26% (2017: 27%), thus remaining at a high level within the defined target range of 26% to 27%.

Dividend of 9.50 euros proposed

We will again let our shareholders have an adequate share of the company's success this year. The Executive Board and Supervisory Board will therefore propose a dividend of 9.50 euros per share for the 2018 financial year to the General Meeting of Shareholders to be held on 15 May 2019. Based on the net profit for the year, this translates into a distribution ratio of nearly 70%.

Into 2019 with confidence and commitment

According to the latest forecasts, the global economy is set to grow moderately in 2019. Nevertheless, we will keep a watchful eye on developments in our markets so that we can take action if conditions change.

A number of megatrends, such as population growth, urbanisation and rising prosperity in the emerging markets, is leading to an increased consumption of meals eaten out of the home. The growth forecast for the habit of eating out reflects this positive development.

What makes us particularly confident is that our customers continue to be highly satisfied with our products and services, as is demonstrated by high repeat-purchase and referral rates.

We believe therefore that we can continue our successful growth path for revenues and profits in 2019.

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

P. Stadelmann

Dr Peter Stadelmann
CEO of RATIONAL AG

Invented in Bavaria connected globally

500

companies in Munich
alone use at least one of the
RATIONAL appliances.

VarioCookingCenter®

SelfCookingCenter®

Leonardi Catering
(several locations)
12 30

Allianz SE
1 14

Munich
Airport
17 127

Käfer
Fine Foods >
4 8

The best of two worlds

Whether it's fine dining or mass catering, with RATIONAL, professional chefs are ready for any challenge.

"Servus!" greets Matthias Stuber, Executive Chef of Roomers in Munich. Since the restaurant opened in 2017, he and Head Chef Joaquin Santos have succeeded in turning it into one of the top addresses in Munich, earning high praise for its reinvention of Japanese cuisine. It has been awarded 15 points by the Gault-Millau.

"Izakaya" is the Japanese name for small pubs where guests traditionally receive small plates of food along with their drinks. IZAKAYA is reinventing this tradition and raising it to a new culinary level. Modern Japanese cuisine meets the delights of South America. Here you share excellent tapas in a mystical atmosphere.

IZAKAYA is part of the luxury hotel Roomers — a restaurant and hotel combined into an integrated whole. Both share the same high standards when creating the absolute best experience for their guests.

Here on the ground floor of the hotel, the best of Japan is combined with the taste of South America. Stuber combines a wide variety of specialities from across continents and oceans with ease — unbounded culinary freedom. In this effort, Stuber is certain that he will achieve the best possible cooking results for each new creation.

"VarioCookingCenter® and SelfCookingCenter® prepare our gourmet dishes to perfection. Optimum use is made of precious ingredients."

Matthias Stuber
Executive Chef of Roomers

Nobody in the guest area would guess how skilfully a well-trained team could work together in the open show kitchen, and all with razor-sharp precision. "The SelfCooking-Center® and VarioCookingCenter® prepare the gourmet dishes to perfection, with no extra checking required. Nothing burns, and optimum use is made of the precious ingredients." That saves up to 10% on raw materials and, most importantly, allows for time for creativity and the customer experience.

The fusion of exquisite delicacies creates new taste sensations.

“Whether at IZAKAYA or in our other kitchens, in order to achieve the best possible quality, we consistently rely on RATIONAL appliances in all our kitchens.”

Matthias Stuber
Executive Chef of Roomers

In the open show kitchen every course becomes a work of art. “Guests today don’t want to just eat and drink”, says Stuber. “They want unique experiences that they share with the whole world.” The guests stage their photos of toro tartare with Beluga caviar on a momori ice bowl and post them on Instagram or Facebook. “Food is also a feast for the eyes here”, says Stuber. That’s where close attention to the appearance of the dishes becomes especially important. Everything must be perfect, and it all has to happen very fast.

He says that the demands on a restaurant today are far higher than just a few years ago. And that’s also why Stuber would always choose RATIONAL. Because the skilful interplay of SelfCookingCenter® and VarioCookingCenter® eliminates all the routine work, he can exploit the potential of a show kitchen and front cooking to its fullest. Or, to put it another way: he can inspire guests again and again. That’s exactly why he became a professional chef.

He sees the combination of the SelfCookingCenter® and VarioCookingCenter® under the RATIONAL brand as a perfectly logical step. “In my kitchen, both appliances have long since belonged together.” He says he’s definitely looking forward to the future with all its growing opportunities. He’s right in the middle of connecting both appliances via ConnectedCooking. Perhaps the same applies to taste and beauty. Its limits can be repeatedly tested with the new opportunities arise.

SelfCookingCenter®
Seared in the SelfCookingCenter®, the beef tataki develops its full flavour — tender and succulent.

VarioCookingCenter®
The VarioCooking-Center® can be used to cook not only perfect sushi rice, but also unique filling compositions — such as short rib sous-vide.

390

meals

are served daily in IZAKAYA.

Kitchen with a big impact

How more than 15,000 employees benefit from the advantages of modern kitchen technology.

Welcome to Sapore in Brazil. Founded in 1992 as one of the pioneers of company restaurants, Sapore now runs a network of 1,255 restaurants and kitchens. More than 15,000 employees serve more than 1.3 million meals every day. Sapore also has restaurants in Mexico and Columbia.

What makes it so successful? Nothing is left to chance at Sapore. All its workflows are aligned with value creation and sustainability. In order to ensure this, it relies on the very latest technology for professional kitchens available on the market. Sapore has completed the transition from traditional to digital professional kitchen. More than 600 RATIONAL appliances are now used in Sapore kitchens.

Previously, when Sapore still used conventional kitchen appliances, the chefs had to complete a lot of tasks by hand, monitor cooking processes and supervise workflows. But that cost a lot of time. Today, by coordinating operations 20% of that time is saved, and in production planning the figure is even higher: 35%. The effects were already felt in the first month, as soon as a RATIONAL appliance was installed.

Optimising processes also means improving convenience and safety for the staff. For example, the room temperature in large kitchens often gets quite high and is difficult for the chefs to cope with. Because the SelfCookingCenter® and VarioCookingCenter® replace heat sources such as griddles and deep fryers, it was possible to reduce the temperatures in the Sapore kitchens by six degrees.

> “RATIONAL creates safe processes — so that we can serve 1.3 million meals daily.”

Daniel Mendez, President of Sapore

Installing the RATIONAL appliances also reduced the number of injuries to staff. Because the appliances securely shield the cooking process, they reduce the number of burns from splashes of hot fat and falls due to slippery floors. And since the staff no longer need to carry heavy pans of hot water, they experience less back pain and suffer fewer burns. Making workflows at all levels as safe and efficient as possible is part of the recipe for success.

01

RATIONAL appliances maximise the number of dishes that can be prepared.

02

Professional chefs can use Finishing® to prepare food in advance whenever time allows.

03

Sous-vide cooking is ideal when preparing meals in central kitchens and serving a host of satellite kitchens.

04

SelfCookingCenter® and VarioCookingCenter® save energy, materials used and other valuable resources.

More than 600 RATIONAL appliances are now used in Sapore kitchens.

Sapore is on the right track, with an impressive growth of 15% per year, and RATIONAL will remain an important partner as it heads into the future. The merger of RATIONAL and FRIMA under one brand opens up new opportunities to further optimise the daily interaction between SelfCookingCenter® and VarioCookingCenter®. As with a good meal, it's all a question of preparation and the right ingredients.

“Because we only invest in the best technologies, RATIONAL is the right choice for us.”

Daniel Mendez
President of Sapore

96%

of our customers recommend RATIONAL.

"The perfect interaction between SelfCookingCenter® and VarioCooking-Center® creates space for new ideas."

Daniel Röhrig
Head chef at BHS Corrugated, Weiherhammer, Germany

100% intelligently connected. About ConnectedCooking.

Thanks to ConnectedCooking, the state-of-the-art digital platform for the professional kitchen, all appliances can be controlled centrally and managed digitally while thousands of recipes can be downloaded from our database, no matter how many SelfCookingCenters® or VarioCookingCenters® customers own or how many restaurants they run in different parts of the world.

Two product lines. One promise of quality.

"In professional kitchens, the RATIONAL brand stands for the best possible cooking performance combined with excellent service. By merging the brands, we will now be able to even more closely meet the needs of the professional kitchen."

Alexander Frühauf
Sales Manager for VarioCookingCenter® at RATIONAL

130 million

dishes are prepared using RATIONAL appliances every day.

950 000

combi-steamers have been produced since 1976.

One central contact. For all concerns.

One central contact is available for all RATIONAL customers who own both a SelfCookingCenter® and a VarioCookingCenter®. At the same time, they can also rely on our specialised sales team and Service Partners, as they've always done.

Together. Even long after the purchase.

"We at RATIONAL want to inspire chefs not only with our technology but also with our cooking expertise. That's why we always include after-sales service. At the RATIONAL Academy we show professional chefs how, for example, they can make the best use of the synergies between the SelfCookingCenter® and VarioCookingCenter® in their daily kitchen routine."

Wolfgang Guth
Head of DACH (German-speaking countries) Application Consulting at RATIONAL

35 000

have been produced since 2005.

Combined together

As FRIMA and RATIONAL grow together so too will the proximity to the customer.

The "we" in the kitchen

Two views of the growth potential of the VarioCookingCenter® and SelfCookingCenter® under one roof.

Julian Shine
RATIONAL DEAL partner and Managing Director of Shine Food Machinery

Simon Lohse
Managing Director RATIONAL UK

“RATIONAL and FRIMA are a perfect match.”

Simon Lohse

To master the complexity of a large commercial kitchen, professional chefs are increasingly asking for modern and individual system solutions. That's exactly what the VarioCookingCenter® and SelfCookingCenter® offer: one complete solution from a single source for more than 90% of all recipes — and hence for almost any challenge in the professional kitchen.

What exactly does the “central partner for any and all requirements” of international professional chefs promise by fully exploiting the synergies between the two innovative appliances?

In a joint interview, Simon Lohse, Managing Director RATIONAL UK, and long-standing DEAL partner Julian Shine (Shine Food Machinery) talk about how RATIONAL meets customers' needs even more effectively now that the VarioCookingCenter® and SelfCookingCenter® are under one roof.

They should know, because the RATIONAL and FRIMA brands were merged in the United Kingdom earlier than in all other markets.

Mr Lohse, based on the experience in the UK, why is merging the brands also the right and logical step worldwide?

Lohse: Ever since we combined the brands under one roof in the UK we've had positive feedback from all sides. Dealers and customers welcome the simplification. Many can't understand now why we didn't take this step much sooner. Since the day of the merger, we as a product specialist, solution provider and consultant have been better able than ever to offer customers the appliance that suits them best. There are no longer two brands battling for the same share of the budget. One brand attempts to maximise the customers' benefit even more effectively and meet their wishes even better within the available budget.

Mr Shine, what challenges did dealers and kitchen planners like you face in the past when there were still two brands? What did customers experience?

Shine: RATIONAL is fully recognised as the market leader. It stands as much for maximum product quality and reliability as it does for outstanding customer service, training and support. Chefs were less familiar with FRIMA as the parent of the VarioCookingCenter®. Customers who didn't know the history of the brand or the product therefore tended to be more hesitant in the past. The combined strength of both brands boosts customer confidence and encourages them to take full advantage of the benefits of the VarioCookingCenter®. They now recognise that they will receive the full after-sales support they expect from RATIONAL. Merging the brands may really put this appliance on the map. My forecast: the growth will be exponential.

What are the essential benefits of the SelfCookingCenter® and the VarioCookingCenter® growing together under one roof?

Lohse: Combining these complementary appliances under one brand roof will produce a host of benefits for customers in day-to-day life. For one thing, they have the same specialised sales team they are used to. For another, there is now only one service network, one online presence and one number they have to call. All that simplifies the customer experience.

Shine: The main benefit in everyday life is their uniformity. Access to the standardised operating concept ensures easy handling while using one process methodology for everything that's being cooked — that's almost ideal in modern kitchen operations.

You are both very familiar with the needs of professional chefs. What trends do you see today that you wouldn't have seen ten years ago?

Shine: Today's chefs are acutely aware of costs. It's not just the preparation or personnel costs, but also the rising energy costs that pose a challenge. That's why efficiency and sustainability are becoming increasingly important in purchasing decisions. Connected solutions like ConnectedCooking make a difference in this regard.

The younger generation, with their affinity for technology, wants solutions that deliver performance benefits in precisely those areas in which the VarioCookingCenter® and SelfCookingCenter® are already uniquely strong.

Are there others, apart from customers and dealers, who benefit when SelfCookingCenter® and VarioCookingCenter® are combined under one roof?

Lohse: Yes, of course. The employees. They become part of a company that's even more successful and growing internationally. That gives them even more opportunities, more job diversity, and even more encounters with the world's cultures. Many of our colleagues are already experiencing new opportunities on all levels, working more closely together and sharing their experiences.

When was the first time that you personally felt how well the RATIONAL and FRIMA brands complement each other?

Shine: In 1987, so quite a while ago, in a hospital kitchen in Paris. A FRIMA appliance and a RATIONAL combi-steamer were the only equipment in use. Both appliances worked together so well. They covered the hospital's entire menu. I understood that the combination of RATIONAL and FRIMA is ideal, they're both a perfect match. Even today, when I enter a full banquet hall, in which hundreds, even thousands of plates of perfectly cooked food are being served thanks to the SelfCookingCenter® and VarioCookingCenter®, I think: 'That's amazing. It's wonderful.'

2018 FRIMA becomes RATIONAL

One finally

2017 Launch of ConnectedCooking

2005 Invention of the VarioCookingCenter®

2004 Invention of the SelfCookingCenter®

1992 Acquisition of FRIMA

1976 Invention of the combi-steamer

Here, things come together that belong together.

Breaking new ground in the canteen

Why modern canteens are restaurants these days, and how this helps them prepare for the working environment of the future.

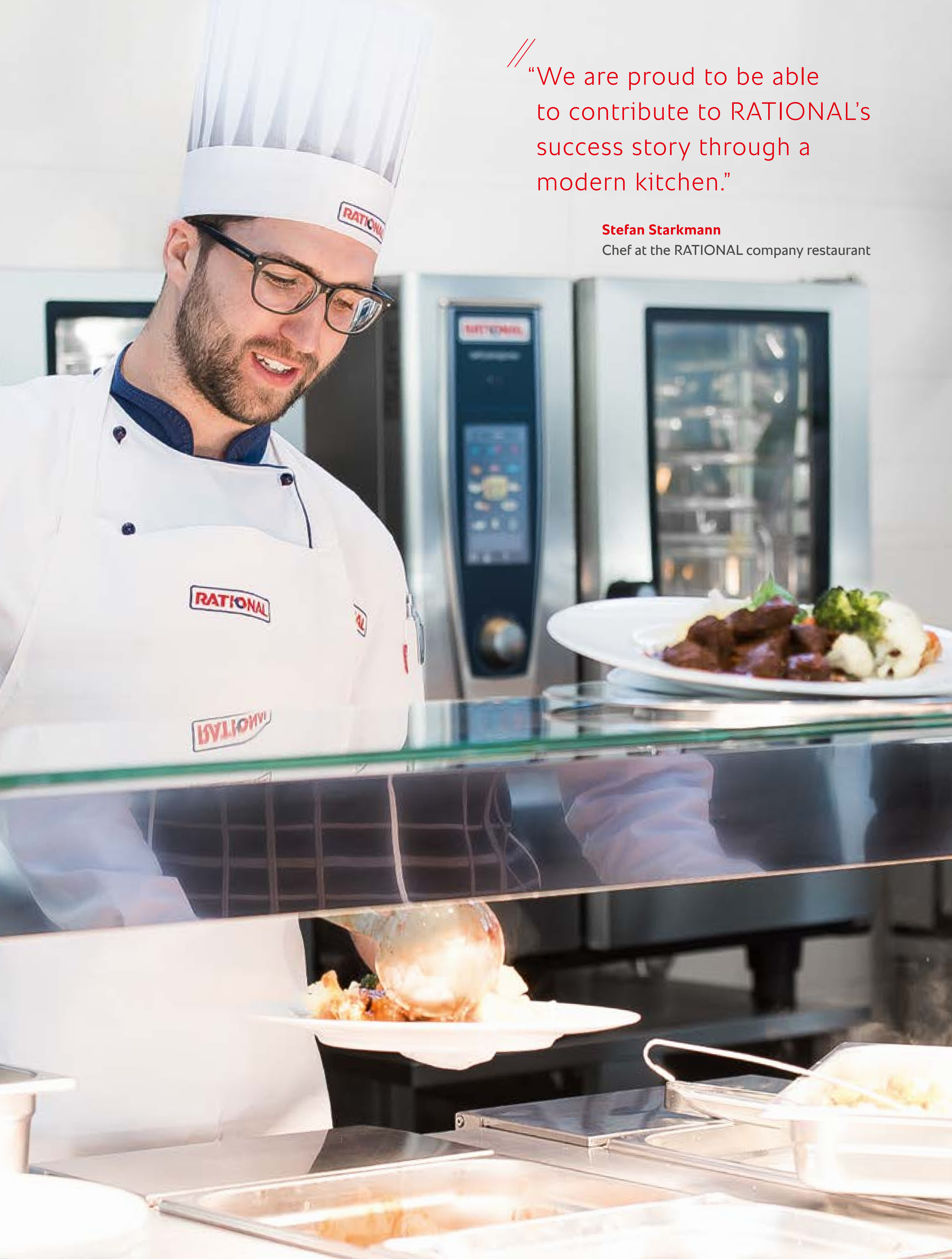
When it comes to strengthening an entire company through its canteen, Andreas Deyerler has a clear plan. As RATIONAL's Restaurant Manager, he has been providing catering at its finest since 2009. "As the global market leader for professional kitchens and as a company of chefs, our aim is to take staff catering to the next level, including in our own company."

Deyerler's staff restaurants are stylishly furnished and generously proportioned. The food is prepared in open-plan kitchens, using the latest RATIONAL appliances of course. "We want our colleagues and visitors to be able to experience every day why our SelfCookingCenter® and VarioCookingCenter® inspire professional chefs around the world", says Deyerler.

Last year, Focus magazine gave Deyerler's kitchen the award for Germany's best canteen — in the 1,500 meals-per-day category. The result of the study is something to be

“We are proud to be able to contribute to RATIONAL’s success story through a modern kitchen.”

Stefan Starkmann
Chef at the RATIONAL company restaurant



"We want our colleagues to be able to experience every day why we inspire professional chefs around the world."

Andreas Deyerler
Head of the RATIONAL company restaurant

6 million

people in Germany alone regularly visit canteens or company restaurants.

very proud of. One of the impacts of the changing working environment is that modern staff restaurants are becoming increasingly important. “Employees today routinely spend more time at work than at home. The fact that our menu is among the most visited pages on our intranet underscores the high importance of in-company catering.”

His aim is to provide varied and above all healthy choices for people of all ages, whether they are looking for a quick bite, lunch or event catering. He and his team want to turn every visit into an enjoyable experience. “Many colleagues pay more attention to healthy eating these days”, says Deyerler, “they want to know where we source our ingredients.” And that is another reason for choosing fresh produce from the region.

In addition to food quality, it is also important that patrons feel fully at home, continues Deyerler. His teammate Stefan Starkmann nods in agreement. “We see our role as hosts for our colleagues, and we want our sincere commitment and friendly atmosphere to inspire them.” This will encourage informal exchanges among patrons and boost the recreational value of the lunch break. After all, in these fast-moving times, it is very important to be able to switch off from time to time.

When employees from different areas get together over breakfast or lunch, this is the time when the unifying power of good food unfolds. They enjoy a meal together, get into conversation and come up with new ideas. This is where you meet new people from outside your own process areas all the time, says Franz Arnold, who works in component production, and it is a good way to look at the all-important bigger picture.

The meeting of different disciplines is increasingly important in a networked working environment, comments a satisfied Deyerler. “It’s only when all employees get to talk to each other and learn from each other that we can continue to provide the critical innovations in thermal food preparation in future.” Of course, as a professional chef, he finds it particularly rewarding to be able to contribute to RATIONAL’s success story by running a modern staff restaurant.

A wide variety of dishes, healthy recipes — inspired by ConnectedCooking, the state-of-the-art platform for professional kitchens.

Vision worldwide

The combined RATIONAL brand will grow even closer to the kitchens of the world — to produce an even more capable market leader.

We have been inspiring professional chefs in Australia with our combi-steamers since 1986, and with the VarioCooking-Center® since 2011.

Sydney

Inhabitants: **5.4 million**
Restaurants: **>23,000**

RATIONAL customers and kitchens that use our appliances: **>400**

We introduced our combi-steamers in Japan back in 1992, followed by the VarioCookingCenter® in 2012.

Tokyo

Inhabitants:
13.5 million
Restaurants:
>80,000

RATIONAL customers and kitchens that use our appliances:
>1,000

RATIONAL Shares

Compared to the issue price at the time of the IPO in March 2000, RATIONAL shares have increased by more than a factor of 21 (+2,057%). Shareholders of the first hour, therefore, can be delighted about an annual price appreciation of 18%. Taking into account paid out dividends, the average annual return is even higher at just under 21%.

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

* Based on the 2018 year-end closing price

21%

RATIONAL shares outperform comparative indices
The robust condition of the global economy at the beginning of the year and the continuing expansionary monetary policies of the central banks provided support for stock markets worldwide for much of the year. Towards the latter part of the trading year, the focus shifted onto a number of uncertainties, such as the Brexit negotiations, concern over Italy's budget and above all the trade dispute between China and the USA, which led to weaker market performance.

Driven by these circumstances, the DAX and SDAX — the key German indices for RATIONAL — moved sideways in the first nine months of the year. A clear downward movement started in October and continued until the end of the year. The DAX ended the year at 10,559, around 2,359 points down on the previous year. The SDAX stood at 9,509 points at the close of the year, 2,378 lower than a year earlier. For the year as a whole, both indices were significantly lower than in the previous year: the DAX was down 18% and the SDAX had lost 20%.

RATIONAL shares once again outperformed their comparative indices in 2018. In the first six months of the year, they moved sideways in line with general market trends. At the beginning of the third quarter, they gained considerable momentum, breaking through the 600-euro mark for the first time following the increase in the growth outlook announced on 9 August 2018. In the following weeks, the shares continued their surprisingly strong rally, reaching a new all-time high of 698.50 euros in intraday trading on 12 September. In the weeks after that, RATIONAL shares succumbed to the poor market environment and lost significant ground. In the fourth quarter of 2018, our share price fell further to end 2018 at 496.00 euros.

Performance of RATIONAL shares since IPO in 2000

Index (issue price 23.00 EUR = 100) in %

Following the publication of the business figures for the third quarter of 2018, our analysts revised their price targets for RATIONAL shares. They range between 560 and 570 euros on average.

Compared to the 2017 year-end closing price of 537.20 euros, this equates to a drop in the share price of 8%. Taking into account the distribution of a dividend of 11.00 euros, this results in a decline in share price performance of 6% for 2018. As at the balance sheet date, RATIONAL AG's market capitalisation stood at around 5.6 billion euros.

Stable share performance thanks to sustainable corporate strategy
Our shareholders' confidence is founded on our Company's strategy, which is geared towards the long term and focussed on sustainability. 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 more than a factor of 21 (+2,057%). This corresponds to an average annual price increase of 18%. Furthermore, dividends of 87.05 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 21% per annum.

Historical development of RATIONAL shares and relevant benchmark indices on 30 December 2018

in %

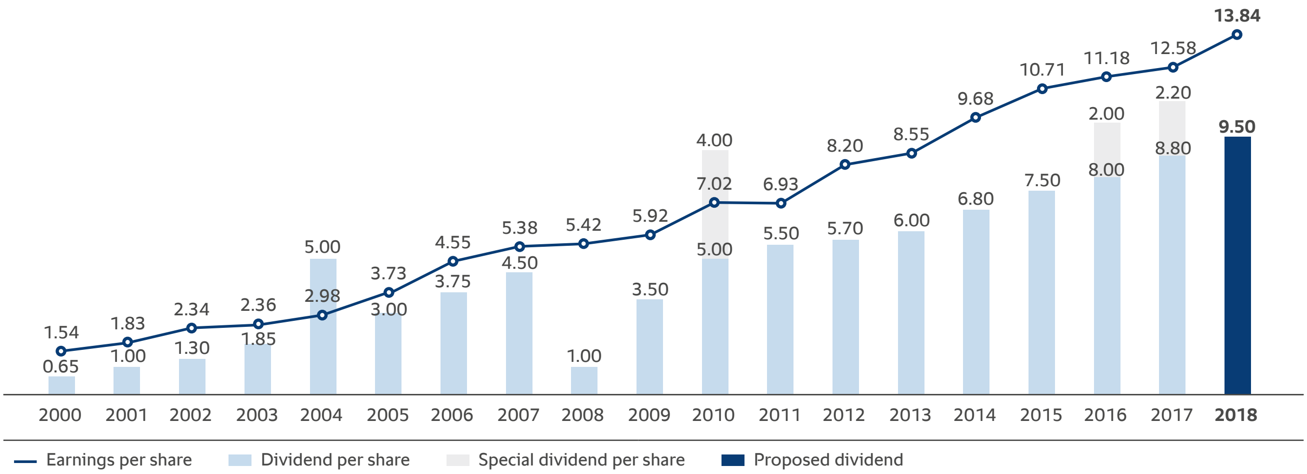
	1 year	3 years	5 years	Since IPO
RATIONAL AG (share price development)	−8	+18	+106	+2.057
RATIONAL AG (incl. dividends)*	−6	+25	+129	+3.447
DAX 30	−18	−2	+11	+33
SDAX	−20	+5	+40	+199

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

RATIONAL on the SDAX
Our shares have been listed in the "Prime Standard" since the IPO, and are traded in all German stock exchange centres. Within the "Prime Standard", RATIONAL AG has been assigned to the SDAX where, based on its order book turnover, it ranks in 115th place in Deutsche Börse's MDAX/SDAX ranking of December 2018. In terms of market capitalisation, RATIONAL ranks at number 83. Given the changes to index rules implemented by Deutsche Börse in May 2018 and on the basis of these rankings, it is realistic to assume that the shares will remain in the SDAX in the medium term.

Earnings/dividend per share since the IPO

in EUR



The average daily Xetra trading volume was 6,391 shares in 2018 (2017: 6,824 shares). To support the liquidity of the shares, HSBC Trinkaus & Burkhardt AG acts as the designated sponsor.

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

RATIONAL shares — key figures

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
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[2] (in EUR)	**496.00**	537.20	424.00	419.90	259.75	241.10	218.00	168.20	161.89	115.99
Market capitalisation[1 2] (in m EUR)	**5,639.5**	6,108.0	4,820.9	4,774.3	2,953.4	2,741.3	2,478.7	1,912.4	1,840.7	1,318.8
Free float market capitalisation[1 2] (in m EUR)	**1,641.3**	1,777.6	1,403.5	1,391.6	860.9	799.5	722.9	546.7	524.5	374.8
Average trading volume[2] (in shares)	**6,391**	6,824	6,222	5,449	6,883	6,746	6,085	9,479	7,994	10,962
Dividend per share for fiscal year[4] (in EUR)	**9.50**	11.00	10.00	7.50	6.80	6.00	5.70	5.50	9.00	3.50
Dividend yield[3] (in %)	**1.9**	2.0	2.4	1.8	2.6	2.5	2.6	3.3	5.6	3.0
Annual performance excluding dividend (in %)	**–7.7**	26.7	1.0	61.7	7.7	10.6	29.6	3.9	39.6	40.4
Annual performance including dividend (in %)	**–5.6**	29.1	2.8	64.3	10.2	13.2	32.9	9.5	42.6	41.6
Price-to-sales ratio[1]	**7.3**	8.7	7.9	8.5	5.9	5.9	5.7	4.9	5.3	4.2
Price-earnings ratio[1]	**35.8**	42.7	37.9	39.2	26.8	28.2	26.6	24.3	23.1	19.6
Price-cash flow ratio[1]	**39.1**	41.9	37.2	33.4	26.3	26.7	22.2	28.2	21.2	15.9

[1] As of balance sheet date [2] Xetra [3] In relation to the year-end closing price [4] Payout in the following year; dividend 2018 subject to approval by the 2019 General Meeting of Shareholders; 2010, 2016 and 2017 include a special dividend of 4.00 euros/2.00 euros/2.20 euros respectively Source: vwd, RATIONAL

Earnings per share

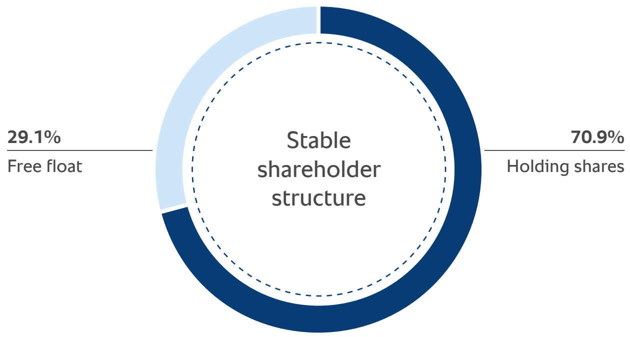
At 13.84 euros, earnings per share in 2018 exceeded the previous year's figure of 12.58 euros. This was thanks to sales revenue growth over the past fiscal year and the high earnings power of the Company. The number of shares issued remains unchanged at 11,370,000. No dilution effects occurred.

Dividend of 9.50 euros proposed

We would like to continue our course of stable and rising dividends this year and once again let our shareholders have an adequate share of our successful business performance. The Executive Board and Supervisory Board therefore propose to the General Meeting of Shareholders that a dividend of 9.50 euros per share for fiscal year 2018 be distributed (2017: 8.80 euros plus a special dividend of 2.20 euros per share). A total amount of 108.0 million euros has been set aside for the distribution. The dividend yield (based on the 2018 closing price) is 1.9%.

With a traditionally high distribution ratio of around 70% of net profits, we are thus continuing our consistent dividend policy of recent years.

Stable shareholder structure



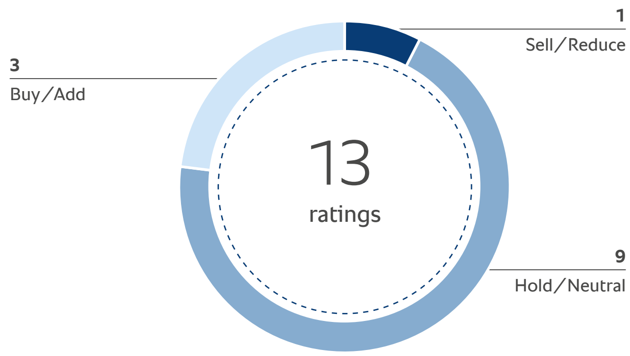
Status: 28 February 2019

Siegfried Meister was the majority shareholder of RATIONAL AG, holding 7,161,311 shares. After his death, as notified in the mandatory disclosures published on 1 August 2017 and 3 August 2017, these shares were transferred to the community of heirs of Siegfried Meister. Partial settlement of the community of heirs took place on 18 February 2019. The corresponding mandatory disclosures were published on 25 February 2019 and are available at www.rational-online.com under Investor Relations/Announcements/Voting rights notifications.

As of the balance sheet date, 70.9% of the share capital was held in fixed ownership and 29.1% was in free float.

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

Current analysts' ratings



Status: 28 February 2019

At present, 13 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.

Comprehensive capital market communication

The capital markets' demand for information, 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 trust and partnership at all times. We are committed to making financial information available openly and transparently as a matter of course.

In 2018, management spent 28 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 an annual results press conference. In addition, an analyst day was held at our corporate headquarters in Landsberg am Lech, where the combi-steamer is produced. At this event, capital market and media representatives had the opportunity to familiarise themselves with RATIONAL through direct dialogue and an informative programme.

Our Investor Relations specialists, as well as members of the Executive Board, are available at all times to answer questions from professional and private investors and all interested parties.

RATIONAL shares — key figures

ISIN (International Security Identification Number)	DE0007010803
Security identification code	701 080
Market abbreviation	RAA
Stock exchange centres	Frankfurt, Munich, Stuttgart, Berlin/Bremen, Düsseldorf, Hamburg/Hanover
Market segment	Regulated Market
Transparency level	Prime Standard
Membership of indices	SDAX, CDAX, Classic All Share, DAX International Mid 100, DAXglobal Sarasin Sustainability Germany Index, DAXplus Export Strategy, DAXPLUS FAMILY 30, DAXPLUS FAMILY, DAXsector All Industrial, DAXsector Industrial, DAXsubsector All Industrial Products & Services, DAXsubsector Industrial Products & Services, MIDCAP MKT, Prime All Share (Deutsche Börse), BayX30 (Munich Stock Exchange)
Unsponsored 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 sections 289f and 315d 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 and Supervisory Boards' report on corporate governance at RATIONAL in accordance with our corporate governance principles, number 3.10 of the German Corporate Governance Code and sections 289f and 315d of the Handelsgesetzbuch (HGB, German Commercial Code). The report is supplemented by the remuneration report, which is part of the Company's management report.

Key corporate governance practices and compliance
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 2018, which largely complies with the rules of the Code as amended and published in the Federal Gazette on 24 April 2017. Other voluntary commitments exist in the form of compliance agreements with a number of our chain customers. 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.

To ensure compliance throughout the Group with the requirements of the law and with the Company's internal guidelines, RATIONAL AG began setting 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 subsidiaries and employees and, where necessary, adapted to the existing compliance programme.

In 2015, RATIONAL AG commissioned an independent auditing company to audit the risk management system and 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). This confirmed the functional capability of both systems. The compliance management system and the risk management system were strategically continued in fiscal year 2018 on the basis of the existing concepts.

In fiscal year 2016, the RATIONAL Group also implemented an e-learning tool for compliance topics specifically developed for its requirements. In the following year, all employees at the RATIONAL Group with computer access successfully completed a training course, including a test. Employees with no computer access received classroom-based training on compliance topics. In fiscal year 2018, all new employees successfully completed compliance training, including a test.

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 650 shareholders, representatives of the press, and guests attended the General Meeting of Shareholders in Augsburg on 9 May 2018. An imputed 92% of the share capital was represented. All resolutions on the agenda were approved by the General Meeting of Shareholders with a large majority.

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.

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

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.

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, Human Resources and Legal), Peter Wiedemann (Chief Technical Officer), Dr Axel Kaufmann (Chief Financial Officer) and Markus Paschmann (Chief Sales Officer).

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.

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.

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 Erich Baumgärtner. 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.

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.”

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 Walter Kurtz is the Chairman of the Supervisory Board and Dr Hans Maerz is his deputy. Also on the Supervisory Board are Mr Erich Baumgärtner, Dr Gerd Lintz and Mr Werner Schwind, proven experts in finance, business law, sales and technology. As a proven technical expert, Dr Georg Sick rounds off the skills profile of the Supervisory Board of RATIONAL AG.

This body has five independent members (Dr Hans Maerz, Mr Erich Baumgärtner, Dr Gerd Lintz, Mr Werner Schwind and Dr Georg Sick) who have no material business or personal relationship with the Company or its Executive Board, and the Supervisory Board considers this to be a sufficient number. 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.

No conflicts of interest occurred in the past fiscal year.

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 new 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 16.7% 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 these targets is 30 June 2022.

Accounting and auditing

On 9 May 2018, the General Meeting of Shareholders appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, as auditors of the financial statements and the consolidated financial statements for fiscal year 2018. 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 2018 annual financial statements was Mr Jürgen Schumann.

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 February 2018, the recommendations of the Government Commission for a German Corporate Governance Code (as amended and published in the Federal Gazette on 24 April 2017) have been and are being complied with, with the following exceptions:

Number 4.2.3 (2) sentence 3 of the Code:
Number 4.2.3: "Variable remuneration components generally have a multiple-year assessment basis that shall have essentially forward-looking characteristics."

The variable components of Executive Board remuneration as agreed in the existing employment contracts with members of the Executive Board comprise various elements of the Company's long-term success, but do not specifically stipulate a multi-year assessment basis. The Supervisory Board of RATIONAL AG regards sustainable company development as a matter of course. In a continuous process, a medium-term plan is prepared on the basis of the corporate strategy, and the annual benchmarks for determining the variable remuneration components of the members of the Executive Board are derived from this plan.

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, the remuneration report shall present the following information for every Management Board member:

- 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."

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.

Number 5.1.2 (1) sentence 2 and (2) sentence 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.

Number 5.4.1 (2) sentences 1 and 2 and (4) sentences 1 and 2 of the Code:
Number 5.4.1 (2) sentence 1: "The Supervisory Board shall determine concrete objectives regarding its composition, and shall prepare a profile of skills and expertise for the entire Board."

Number 5.4.1 (2) sentence 2: "Within the company-specific situation the composition of the Supervisory Board shall reflect appropriately the international activities of the company, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of number 5.4.2, an age limit and a regular limit to Supervisory Board members' term of office, both to be specified, as well as diversity."

Number 5.4.1 (4) sentence 1: "Proposals by the Supervisory Board to the General Meeting shall take these targets into account, while simultaneously aiming at fulfilling the overall profile of required skills and expertise of the Supervisory Board."

Number 5.4.1 (4) sentence 2: "The implementation status 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, February 2019

RATIONAL AG

Walter Kurtz P. Stadelmann

Walter Kurtz
for the Supervisory Board

Dr Peter Stadelmann
for the Executive Board

Report by the Supervisory Board

Dear Shareholders,

As it has already in the past few years, RATIONAL AG continued on its successful growth path in the 2018 fiscal year. The focus in the year under review remained on the stability of the Company as a whole as well as the sustained improvement of the quality of the business.

Dialogue and communication as a basis for advice and monitoring

In fiscal year 2018, we performed the tasks incumbent upon 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 2018 and in 2019 to date, this related in particular 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 and Wittenheim locations.

Consultations in the Supervisory Board

The Supervisory Board held twelve meetings in 2018. In 2019, one further meeting was held before the meeting of the Supervisory Board on 27 February 2019 to adopt the financial statements. The members of the Supervisory Board also consulted each other in writing and by telephone, and held eleven other internal meetings and five meetings of the Audit Committee in fiscal 2018. 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 2019
> Further development in international markets
> The definition of a target quota for women on the Supervisory Board
> Key points in product development
> The construction and expansion projects at the Landsberg and Wittenheim locations
> Enhancement of the medium-term strategy, including the product portfolio, the sales and marketing strategy and long-term objectives
> Resolution to make a special U.i.U.® payment
> The first worldwide employee satisfaction survey
> Further networking and the future corporate merger of the sales activities for combi-steamers and the VarioCookingCenter®

At the Supervisory Board meeting to adopt the financial statements on 27 February 2019, 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 2019 General Meeting of Shareholders.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, will be proposed as auditors for the 2019 fiscal year. We also adopted the remaining draft resolutions for the ordinary General Meeting of Shareholders.

Our duties in 2018, and, in particular, at the meeting held on 27 February 2019 to adopt the financial statements included 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 has an Audit Committee. The Chairman of the Audit Committee is Dr Hans Maerz. The other members are Mr Walter Kurtz and Mr Erich Baumgärtner. The Audit Committee met five times in the 2018 fiscal year. At its meetings, it dealt in particular with the Half-Year Report and the annual and consolidated financial statements; the monitoring of accounting, the accounting processes, and segment reporting; the effectiveness of the internal control system, the risk management system, and the internal audit system; as well as the selection and independence of the auditors. The Audit Committee reported regularly to the Supervisory Board.

Corporate governance
In fiscal year 2018, 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 2018 reporting year in connection with consultations, draft resolutions or the audit mandate.

On 9 March 2017, the German government passed the implementing act that transposes the European CSR Directive (2014/95/EU) into national law. The act takes retrospective effect as of 1 January 2017. As a result, non-financial reporting in accordance with sections 289b and 315d of the Handelsgesetzbuch (HGB, German Commercial Code) has been mandatory since the 2017 fiscal year. RATIONAL AG will publish the 2018 sustainability report, including the disclosures required in this regard, in time for the deadline of 30 April 2019.

The last amendment to the German Corporate Governance Code entered into force on 24 April 2017. Together with the Executive Board, an account was provided for the fiscal year 2018 in the Corporate Governance Report and Declaration of Corporate Governance pursuant to sections 289f and 315d 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 February 2019. This was resolved at the meeting of the Supervisory Board on 30 January 2019 pursuant to section 161 of the Aktiengesetz (AktG, German Stock Corporation Act) and published in the 2018 Annual Report. The declarations of conformity of recent years 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 9 May 2018, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, audited the financial statements of RATIONAL AG and of the Group for fiscal year 2018. 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. There were no apparent reasons to doubt the independence of the auditors. The auditors were additionally obliged to immediately provide information about any circumstances which could result in a lack of impartiality on their part and, where appropriate, to notify us of services which they have performed in addition to the audit. 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 prior to and during the audit, the Supervisory Board and the Audit Committee ensured, in discussions with the auditors, that they were informed about the latter's approach to the audit as well as the progress of the audit.

The annual financial statements for the fiscal year from 1 January to 31 December 2018, 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 27 February 2019. 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. Areas on which the auditors' explanations concentrated were key accounting aspects and the assessment of the accounts-related internal control and risk management system. Both the Executive Board and the auditors answered all our questions comprehensively and to our satisfaction.

The Supervisory Board raises no further objections 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 27 February 2019 the Supervisory Board approved the annual financial statements, prepared by the Executive Board, for RATIONAL AG as of 31 December 2018, including the certified version, dated 26 February 2019, of the management report for fiscal year 2018, as well as the consolidated financial statements as of 31 December 2018 and the certified version, dated 26 February 2019, of the group management report for fiscal year 2018. The 2018 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 made 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 or 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 profit of 315.3 million euros, a dividend of 9.50 euros per share or a total of 108.0 million euros should be distributed and the remainder carried forward to new account.

The Supervisory Board would like to thank all managers for their close and constructive cooperation, and for the trust they have placed in us. But our very special thanks go to all employees. Once again in 2018, 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, 28 February 2019

Walter Kurtz
Chairman of the Supervisory
Board of RATIONAL AG

RATIONAL AG: Group Management Report for Fiscal Year 2018

Contents

The charts on pages 44 to 64 are not part of the audited Group Management Report of RATIONAL AG.

Group Management Report

Fundamental information about the Group

The Group's business model

The Group's organisational structure and sites
The Group's parent company is RATIONAL Aktiengesellschaft (RATIONAL AG), whose registered office is located in Landsberg am Lech, Germany. Through 33 subsidiaries, of which 26 are sales companies, and local trading partners, the Company markets its products in all regions of the world. In addition, we have production plants in Germany (Landsberg am Lech) and France (Wittenheim, Alsace).

Products and services
The RATIONAL Group provides products and solutions for thermal food preparation to large and industrial kitchens worldwide. Around 74% of sales revenues are generated through the sale of cooking appliances.

We generate most of our sales revenues with the SelfCookingCenter®, 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. 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. In addition, we offer our customers a basic model of the combi-steamer called CombiMaster® Plus. All models are produced at the Company's headquarters in Landsberg am Lech and distributed worldwide.

We also offer the VarioCookingCenter®, a product that complements the combi-steamer technology. This product cooks with direct contact heat or in liquid. It mostly targets the same customer groups and can replace even more traditional cooking appliances, such as deep-fat fryers, boiling pans or tilting frying pans. The products are manufactured in Wittenheim, France, and still primarily distributed in Europe. Through selected partners, we also already have activities in some overseas markets, such as Japan or Australia.

Around 26% of sales revenues are generated with accessories, service parts and services for our combi-steamers and the VarioCookingCenter®, as well as with care products for combi-steamers.

Our customers can benefit from a large range of free and chargeable services.

For example, we provide free training in the use of our appliances at live SelfCookingCenter® and VarioCookingCenter® seminars, at the Academy RATIONAL and in kitchens staffed by experts. Tips and tricks from experts are also available on our ChefLine® portal.

Chargeable consulting offerings include Academy events on specific topics and in-depth process consulting as part of post-installation support at the customer.

ConnectedCooking provides our customers with an online portal for professional kitchens and a cloud-based networking solution offered free of charge. Our customers can use it to network their appliances, control them remotely, update their software and transfer cooking programs.

Segments
Until the end of the 2018 fiscal year, the RATIONAL Group was divided into two operating segments: RATIONAL and FRIMA.

RATIONAL marketed the combi-steamers, and FRIMA the VarioCookingCenter®. Both segments also sold the appropriate accessories, service parts and services to their customers. In addition, RATIONAL sold care products for the combi-steamers.

We already collaborated closely in the past across segments in order to make the very best use of the strengths and potential of both segments throughout the Group. Since 2017, we have made increasing use of the established RATIONAL sales infrastructure to make the market entry of the VarioCookingCenter® efficient and successful. We stepped up these activities in 2018, and as from January 2019 we are selling the VarioCookingCenter® exclusively under the RATIONAL brand through our RATIONAL sales companies.

Against this backdrop, we are reorganising our segment structure from fiscal year 2019 onwards. In accordance with the RATIONAL Group's internal control system, we will establish and report on regional segments pursuant to IFRS 8.

As from fiscal year 2019, the following segments will be reported:

- DACH (Germany, Austria, Switzerland)
- EMEA (Europe, Middle East, Africa)
- Americas (North and Latin America)
- Asia

Markets, customers and competitive situation

Our products are targeted at businesses that prepare at least 20 hot meals a day. 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 quick service restaurants and caterers, as well as supermarkets, bakeries, snack outlets, butchers' shops and service stations.

To make headway in this as yet untapped global market potential, we are 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.

Our core market is Europe, where we generated around 58% of our sales revenues in the past fiscal year. New markets in the Americas and Asia — such as the United States, Canada, Brazil, China and India are growing in importance for us.

We estimate that there are around 100 manufacturers of competitor products worldwide. We regard our market and competitive structure and the competitive situation as very different from country to country.

Strategy and objectives

Our success story stands on four main pillars:

1. Focusing on professional kitchens
2. Specialising in thermal food preparation
3. Maximum customer benefit as our primary corporate aim
4. U.i.U.® (Entrepreneur in the Company) stands for success

These sources of success have been firmly entrenched in our corporate philosophy for many decades.

Focusing on professional kitchens

We focus on a clearly defined target group, namely all the people preparing hot food in professional kitchens around the globe. With more than 400 chefs now working in these customer-oriented functions, we are the company of chefs and for chefs.

Specialising in thermal food preparation

We see our role in this primarily as a solution provider rather than an appliance manufacturer. Our aim is to provide innovative products and services that lighten the daily workload of our customers.

Maximum customer benefit as our primary corporate aim

To offer our customers the maximum benefit during the entire business relationship is our primary corporate aim. In addition to powerful high-quality products, we offer our customers comprehensive service during the entire business relationship.

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.

Planning and control system

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 (earnings before interest and taxes)/EBIT margin (ratio of EBIT to sales revenues)
Group gross margin	Receivables management (Group DSO)
Operating costs	Group equity ratio

Non-financial key performance indicators

Until fiscal year 2018, the key performance indicator for our customers' interest in our products and their satisfaction was the number of participants in our CookingLive seminars (SelfCookingCenter® and VarioCookingCenter® live).

We will change this key performance indicator as from fiscal year 2019: we will expand the seminars by adding RATIONAL cooking with experts and the RATIONAL Academy and will consider the participating companies.

The number of companies enrolling in these seminars is an important early indicator of future business performance for us.

The KPI for employee satisfaction is the staff turnover rate, which is determined monthly. In 2018, we also engaged Kantar TNS to conduct our first worldwide employee survey.

Research and development

We place a special focus on research and development and keep launching innovative technologies on the market at regular intervals. Alongside engineers in various disciplines, physicists work on basic research and chefs and nutritionists work on applied research and development. We had more than 160 employees in this area as at the balance sheet date.

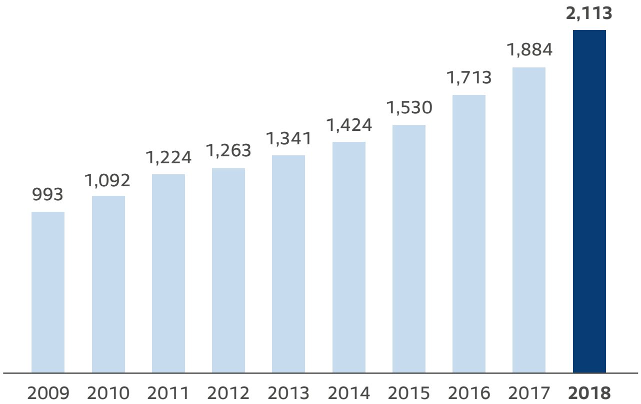
In 2018, we spent 38.8 million euros (2017: 33.8 million euros), or 5% of sales revenues (2017: 5%) on researching developing new solutions and improving the performance of our products and services. Of this total, 38.1 million euros (2017: 33.2 million euros) were recognised as an expense in the income statement. 0.7 million euros (2017: 0.6 million euros) were capitalised as intangible assets, since the requirements of IAS 38.57 for capitalisation were met. The capitalised development costs will be amortised over their respective useful lives from the time production or service provision commences. In fiscal year 2018, amortisation charges on capitalised development costs was 0.9 million euros.

Our innovations are protected by more than 600 patents, patent applications and registered designs.

Employees and human resources development

The total number of employees in the Group rose in 2018 by 229, from 1,884 to 2,113 (as of 31 December 2018). Of these, 1,144 (2017: 1,031) were employed in Germany.

Number of employees



Status: 31 December of each year

The focussed, sustained promotion of young, talented employees is 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. We currently employ 63 apprentices in the following disciplines: industrial business managers, warehouse logistics, industrial technicians, mechatronics engineers, metal technology and IT specialists. 13 employees are on dual courses of study, combining studies with practical experience in mechatronics, engineering, international business and hotel and lifecycle catering. In addition, as at the balance sheet date, a total of 30 junior employees were involved in various programmes.

Staff loyalty and satisfaction are at a high level, a result that reflects the strong feeling of loyalty among our workforce. Staff turnover was just 7% worldwide (2017: 8%).

In 2018, we conducted our first Group-wide employee satisfaction survey in cooperation with Kantar TNS. In particular two scores from this U.i.U.® (Entrepreneur in the Company) compass indicate that satisfaction is high among our employees: 89% of our employees are proud to work at RATIONAL. The engagement index stands at 83% (top 25% companies that took part in surveys conducted by Kantar TNS: 85%).

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

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, subsidies for fitness programmes 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. Six confidential contact persons are available to employees in the Group 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 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 Aktiengesetz (AktG, German Stock Corporation Act) as well as on deadlines for attaining these targets is provided in the Corporate Governance Report and the Declaration of Corporate Governance pursuant to sections 289f and 315d of the Handelsgesetzbuch (HGB, German Commercial Code) in the 2018 Annual Report and on the RATIONAL website in the Corporate Governance section.

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 environmentally certified production facilities.

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

As a sustainability-focussed, 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.

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 hazardous matter that we generate is disposed of by a specialist company in compliance with ISO 14001. An audit is carried out each year to verify our compliance with standards.

Non-financial consolidated report in accordance with Sections 315b and 315c in conjunction with 289c to 289e of the German Commercial Code (HGB)

Disclosures on environmental, employee, social and customer concerns, respect for human rights, combatting corruption and bribery over and above the information provided in this management report can be found in the 2018 Sustainability Report of RATIONAL AG. The non-financial consolidated report is subjected to a voluntary assurance engagement with limited assurance by an independent auditor in accordance with ISAE 3000 (Revised). It will be published on the RATIONAL website at https://www.rational-online.com/en_gb/company/about_rational/sustainability_3/sustainability_2.php by 30 April 2019, as specified. The report is based on the standards of the Global Reporting Initiative (GRI).

Significant events in fiscal year 2018

Enlargement of production capacity at the Company's headquarters in Landsberg

In March 2018, RATIONAL AG completed the expansion of Factory 3 at Frauenwald in Landsberg am Lech. The production capacity was increased significantly by adding space of 16,000 square metres, thus creating the conditions for the expected future growth of the company.

Brand merger of RATIONAL and FRIMA

Since 2017, we have launched the VarioCookingCenter® in new markets under the RATIONAL brand and sold it through the local RATIONAL sales subsidiaries right from the start. We believe that the use of the established RATIONAL infrastructure and a successful market entry of the VarioCookingCenter® under the internationally recognised and valued RATIONAL brand will yield efficiency benefits.

We stepped up these activities in 2018, and as from January 2019 we are selling the VarioCookingCenter® exclusively under the RATIONAL brand through our RATIONAL sales companies.

Investment in a special fund

We invest most liquid funds in euro-denominated fixed-term and demand deposits with short maturities at banks with an investment-grade rating. In addition, we invested 50 million euros in a special fund in 2018. Issued according to our specifications, this special fund invests in investment-grade bonds and high-quality stocks. The fund has been issued as a value guarantee mandate and is primarily aimed at maintaining capital.

Economic report

Macroeconomic and sector-related framework

Global economy grew by 3.7% in 2018

The global economy was on a growth trajectory in 2018, with the International Monetary Fund estimating growth of 3.7% for the fiscal year under review. Emerging economies are expected to expand by 4.7%, while growth of 2.4% is forecast for industrialised countries. (Source: Warburg, January 2019)

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

The mood in the German catering and food service sector was again positive in the past year. In a survey at the leading international trade fair, Internorga, 59% (2017: 59%) of the mass catering businesses surveyed rated the investment climate in the industry as good, i.e. there continues to be a strong appetite to plan and implement investment projects. (Source: Internorga GV Barometer 2018)

In the hospitality industry, business expectations were also rated positive on the whole. Around 75% of the hospitality and hotel businesses surveyed in Germany reported that their investments had increased or had at least matched the prior-year level in 2018. (Source: DEHOGA industry report, spring 2018)

Important trends contributing to this development continue undiminished. They include the growing average prosperity of the world's population, the rising number of single 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 upwards 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, Industrieverband Haus-, Heiz- und Küchentechnik e.V. (HKI), manufacturers of industrial kitchen equipment once again sold significantly more appliances during 2018 than in the prior-year period. (Source: HKI statistics, October 2018)

Business in 2018 — the Executive Board's assessment of the economic situation

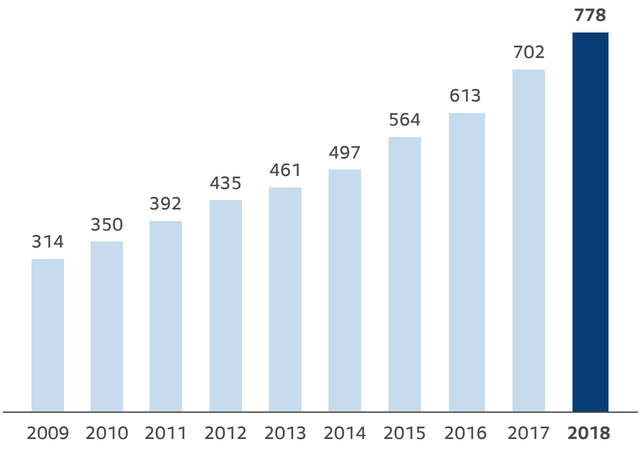
Operating conditions for the business remain good in terms of the state of the market, the performance of our products and our general financial position. In the past fiscal year, RATIONAL AG benefited from the generally favourable business situation as well as from orders placed by major customers, especially in North America.

In autumn 2016, we launched our first compact appliance, the SelfCookingCenter® XS. This was followed in spring 2017 by the small basic model, the CombiMaster® Plus XS. By winning new customer groups, both types of appliances made a significant contribution to the positive sales performance in the year under review.

Against this background, the Executive Board classes the Company's business performance in 2018 as exceptionally good.

In the year under review, sales revenues increased to a new record high of 777.9 million euros (2017: 702.1 million euros), expanding by 11%, and thus faster than originally expected. This increase is primarily attributable to the rise in unit sales volume compared with the previous year (+11%).

Development of sales revenues in m EUR



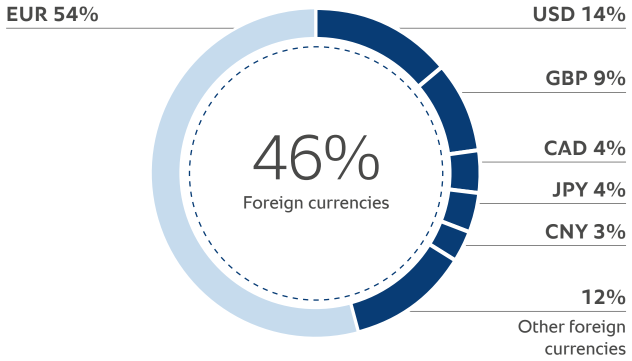
The table below shows the breakdown of sales revenues by quarter.

Sales revenues by quarter in m EUR

	2018	2017	Growth in %
1st quarter	**173.5**	165.7	+5
2nd quarter	**193.8**	165.4	+17
3rd quarter	**194.9**	178.1	+9
4th quarter	**215.7**	192.9	+12
Fiscal year	**777.9**	**702.1**	**+11**

The growth in sales revenues was, however, negatively impacted by currency effects. In the 2018 fiscal year, we generated 46% of our sales revenues in foreign currency. The most important currencies other than the euro are the US dollar (14%), pound sterling (9%), the Japanese yen (4%),

Share of foreign currencies in 2018



the Canadian dollar (4%), and the Chinese yuan (3%). 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 the negative currency effects, sales revenues expanded by just under 13%.

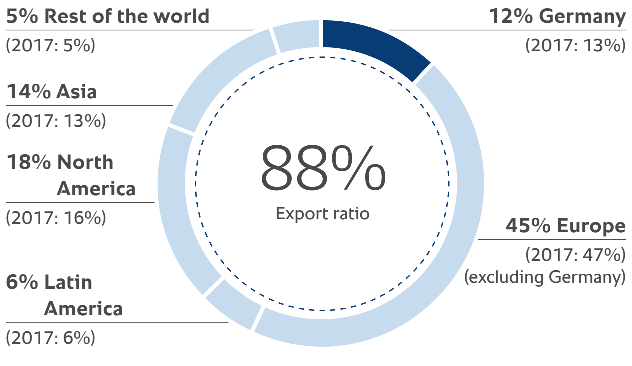
Earnings situation

Worldwide growth — driven by North America

Below, we present regional sales performance by customer headquarters.

Sales revenues increased 26% year on year in North America. Here, business with chain customers in particular was very successful, while street business also performed well. Adjusted for exchange rate movements, sales revenues in the region grew by 31%.

Sales revenues by region in 2018



Despite significantly negative exchange rate movements in Brazil and Mexico, sales revenues in the Latin America region were up 6% on the prior-year period. Sales revenue growth was very encouraging in Brazil, Columbia and Chile. Adjusted for the negative currency effects, sales revenues in the Latin America region increased by 14%.

In Europe (excluding Germany), sales revenues were up by a total of 7%. The main growth drivers were the markets in France, the UK, Italy, the Netherlands, Austria and Finland. Moreover, developments were positive in markets that had been weighed down by political influence in recent years. For example, sales revenues in Greece and Turkey increased substantially.

Following a strong first half, our home market of Germany delivered growth of 8% in the full year. Combi-steamer business continued to be extremely successful in Germany, expanding by 9%.

Sales revenues in the Asia region increased by 15%. All the region's markets recorded increases in sales revenues, and, in particular, business with local chain customers in the Chinese market developed well. After exchange rate adjustments, sales revenues in Asia rose by 17%.

Sales revenues in the rest of the world were up slightly compared with the previous year, rising by 1%.

Group gross margin of 59%

Due to rising demand for services provided by RATIONAL AG and to facilitate the implementation of IFRS 15, we decided to present costs incurred in connection with the installation and set-up of appliances under cost of sales from fiscal year 2018 onwards.

These costs had been reported under sales and service expenses up until fiscal year 2017. They amounted to 7.6 million euros in the past fiscal year (2017: 5.6 million euros). For the purpose of these financial statements, they were reclassified to cost of sales in the presentation of the comparative 2017 period. Although they reduce the Group's gross profit and gross margin, they have no effect on EBIT or the EBIT margin.

The information provided below reflects the restatement.

Compared to sales revenue growth, gross profit improved slightly more slowly, increasing by 9% to 456.9 million euros (2017: 420.8 million euros). The Group gross margin of 58.7% (2017: 59.9%) was around one percentage point lower than the previous year's level. It was weighed down by lower revenues due to currency effects, the above-average growth in business with lower-margin smaller appliances — especially the SelfCookingCenter® XS — and the negative effects of higher component prices and commodity costs.

EBIT margin over 26%

The above-mentioned reclassification of costs in connection with the installation and set-up of appliances to cost of sales led to a reduction in sales and service costs in 2017.

In 2018, operating expenses (sales and service, research and development and general administration) rose slightly faster than sales revenues.

The cost increases were largely attributable to sales and service. Expenses increased in this area by 11% to 184.0 million euros (2017: 165.9 million euros). In particular, the global sales and service organisations received a 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 38.1 million euros in the past fiscal year (2017: 33.2 million euros). This represents a cost increase of 15%. In addition, we recognised development costs of 0.7 million euros (2017: 0.6 million euros) as an asset. This amount is reported under intangible assets.

General administration expenses rose by 12% from 29.8 million euros to 33.3 million euros.

Cost and earnings structure

in m EUR

	2018	in % of sales revenues	2017	in % of sales revenues
Sales revenues	**778**		702	
Cost of sales	**321**	**41**	281	40
Sales and service	**184**	**24**	166	23
Research and development	**38**	**5**	33	5
Administration and others[1]	**30**	**4**	34	5
EBIT	**205**	**26**	188	27

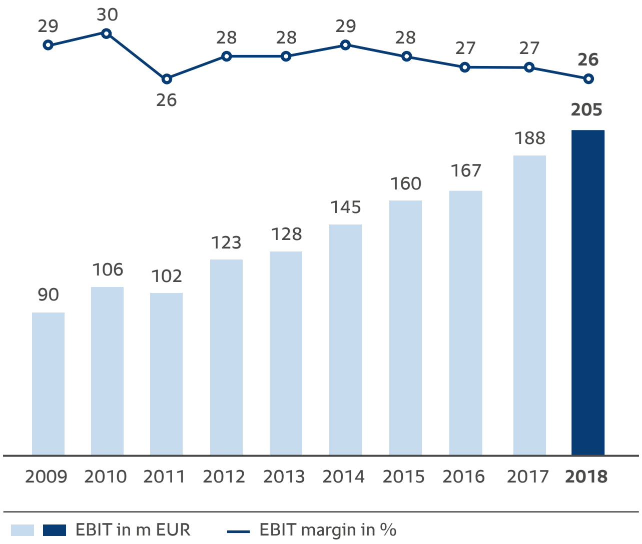
[1] Including currency result

We incurred total operating expenses of 255.4 million euros, an increase of 12% (2017: 228.9 million euros).

Translation effects on items denominated in foreign currency had a slightly positive impact on EBIT. These effects are included in other operating income/expenses in an amount of 0.2 million euros. In the previous year, this led to a decrease of 5.1 million euros in earnings.

At 205.0 million euros (2017: 187.6 million euros), EBIT was 9% up on the previous year's figure. The EBIT margin was 26.4% (2017: 26.7%). Adjusted for currency effects, the EBIT margin was just below 27%.

EBIT margin and EBIT development



Profit before tax was 204.2 million euros (2017: 187.0 million euros). The absolute tax expense was 46.9 million euros (2017: 44.0 million euros). The consolidated tax rate was 22.9% (2017: 23.5%). This resulted in consolidated net profit for the year of 157.3 million euros (2017: 143.0 million euros) and a net margin of 20.2% (2017: 20.4%).

RATIONAL segment

In the year under review, the RATIONAL segment increased its sales revenues by 10% to 711.8 million euros (2017: 646.3 million euros). EBIT amounted to 190.9 million euros (2017: 178.4 million euros), up 7% on the previous year. This equates to an EBIT margin of 26.8% (2017: 27.6%). The factors driving these developments are largely the same as those described for the Group.

FRIMA segment

In 2018, the FRIMA segment increased its sales revenues by 14% to 65.8 million euros (2017: 57.6 million euros), in particular because of the good business performance in individual European markets.

EBIT increased by 48% to 13.8 million euros (2017: 9.3 million euros). The above-average rise in EBIT is mainly attributable to lower revenue reductions due to amendments to dealer contracts, economies of scale and the reversal of warranty provisions in the FRIMA segment. The EBIT margin was 20.9% (2017: 16.1%).

Operating segments 2018 in m EUR

	RATIONAL	FRIMA
Segment sales revenues	**712**	**66**
Segment result	**191**	**14**
Sales revenue growth	**+10%**	**+14%**
EBIT margin	**27%**	**21%**

Operating segments 2017 in m EUR

	RATIONAL	FRIMA
Segment sales revenues	646	58
Segment result	178	9
Sales revenue growth	+14%	+22%
EBIT margin	28%	16%

Net assets and financial position

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.

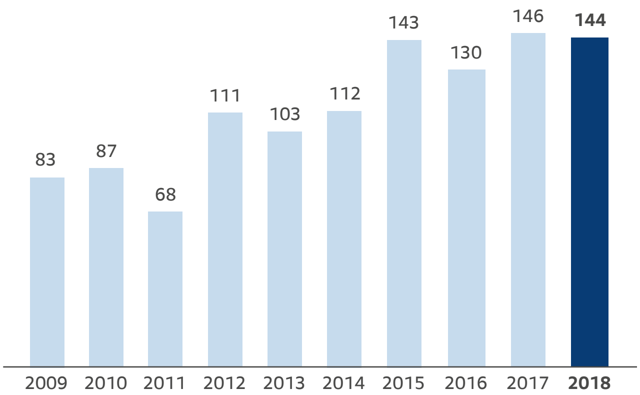
When it comes to investing liquid assets, we put capital maintenance before return. We deliberately forego higher returns and avoid risky cash investments. For this reason, we primarily invest in euro-denominated fixed-term and demand deposits with short maturities at banks with an investment-grade rating. In addition, we invested 50 million euros in a special fund in 2018, which may invest in investment-grade bonds and high-quality stocks according to our specifications. The special fund has been issued as a value guarantee mandate and is primarily aimed at maintaining capital.

We also ensure that our shareholders adequately participate in the success of the Company. In recent years, we have, on average, distributed more than 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 2018, this reached 144.3 million euros, a year-on-year decrease of 1.6 million euros (2017: 145.9 million euros). A year-on-year increase in inventories and receivables offset the rise in earnings.

Operating cash flow in m EUR



Cash flow from investing activities amounting to –55.9 million euros (2017: 76.9 million euros) includes investments in property, plant and equipment and intangible assets. These achieved a value of 39.9 million euros in 2018 (2017: 43.4 million euros). They are investments in real estate, the extension and modernisation of our machinery, purchased software and software licences, and capitalised development costs. Under cash flow from investing activities, an amount of around 9 million euros relates to investments made in fiscal year 2017 that only led to cash outflows in January 2018. Around 3 million euros of investments made in fiscal year 2018 have not yet led to cash outflows.

Free cash flow is calculated by deducting the cash flow for investments in non-current assets from the cash flow from operating activities; it amounted to 98.1 million euros (2017: 111.7 million euros).

In the year under review, we also recorded net cash outflows of 10.3 million euros for deposits (2017: cash inflows of 110.5 million euros).

The cash flow from financing activities reflects the dividend distribution and the repayment of principal and interest in connection with bank loans. In the year under review, we paid dividends of 125.1 million euros to our shareholders for the 2017 fiscal year. Furthermore, we reduced our liabilities to banks by a total of 2.3 million euros and paid interest amounting to 0.2 million euros. In total, the cash flow from financing activities stood at –127.6 million euros (2017: –127.8 million euros).

Cash flow 2018 (in m EUR)

	2018	2017	Change
Cash flow from operating activities	**+144**	+146	−2
Cash flow from investing activities	**−56**	+77	−133
Cash flow from financing activities	**−128**	−128	0

High level of liquidity

The balance of cash, cash equivalents and deposits fell by 74.5 million euros during the year under review to 192.4 million euros (2017: 266.9 million euros). Cash and cash equivalents and short-term deposits represented 32% of total assets (2017: 47%). In addition, we had unused credit lines amounting to 29.8 million euros as of the balance sheet date (2017: 29.7 million euros).

Dividend of 9.50 euros proposed

In view of the good business performance and good liquidity situation, the Supervisory Board and Executive Board will propose the distribution of a dividend of 9.50 euros per share to the General Meeting of Shareholders in 2019 (2017: 8.80 euros plus a special dividend of 2.20 euros). This equates to an increase of 8% in the basic dividend compared with the previous year and marks the tenth consecutive year of rises in dividends. This represents a dividend yield of 1.9% based on the closing price on 31 December 2018. The dividend proposed entails distributing a total of 108.0 million euros (2017: 125.1 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 15.2 million euros (2017: 14.3 million euros). Off-balance-sheet financing had no material impact on the net assets.

Long-term financing measures

We normally use our own resources to finance investments in property, plant and equipment, as well as long-term bank loans, although that tends to be the exception. The table below shows the financing structure:

Residual terms up to (in m EUR)

	Remaining liabilities
2019	**3.0**
2020	**2.0**
2021	**0.6**
2022	**1.7**
2023	**4.7**

Maturities of financial liabilities at RATIONAL Group

High credit rating from banks and 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.

High Group equity ratio

As of 31 December 2018, total assets rose by 6%, from 570.7 million euros to 604.4 million euros. The principal reason behind this increase was the dividend distribution of 125.1 million euros out of consolidated net profit of 157.3 million euros. As a result, equity increased by 7% to 455.5 million euros (2017: 424.5 million euros). At 75%, the Group equity ratio at the balance sheet date remained at the previous year's level (2017: 74%).

Capital tied up in the short term

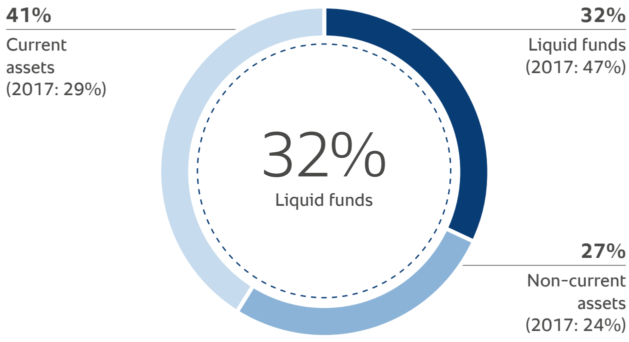
Current assets grew in 2018 by 8.8 million euros. Higher receivables and inventories were set against a decline in liquid funds. Current assets accounted for 73% of total assets at the balance sheet date (2017: 76%).

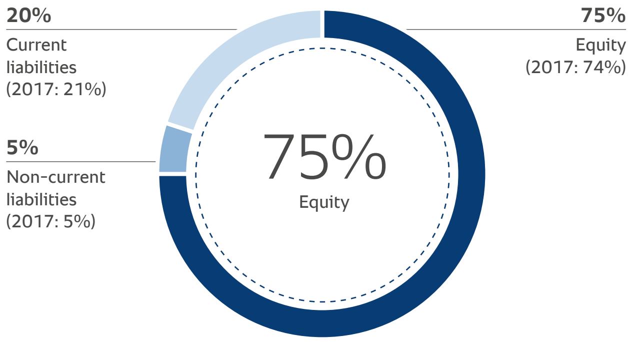
We strategically optimised the amount of capital tied up in trade receivables. We pay attention to finding a balance between the best possible support for our dealers and as little capital tie-up as possible. Against our expectations, we held the average Group-wide days sales outstanding (Group DSO) at 46 days in 2018, the same as in the previous year. This was achieved in particular by agreeing very strict payment terms (sometimes with a proportion of advance payments) in the Asia and Middle East markets and to some extent in Southeast Europe.

Using global trade credit insurance and confirmed, irrevocable letters of credit and bank guarantees, we achieved a receivables coverage ratio of 89% as at the balance sheet date, taking into account the trade credit insurance deductibles (2017: 85%). The increase is primarily attributable to the reduction in trade credit insurance deductibles.

Property, plant and equipment increased by around 26.3 million euros in 2018, especially as a result of new investments in real estate and machinery. As at the balance sheet date, intangible assets were slightly lower than in the previous year.

Balance sheet structure 2018





Investments

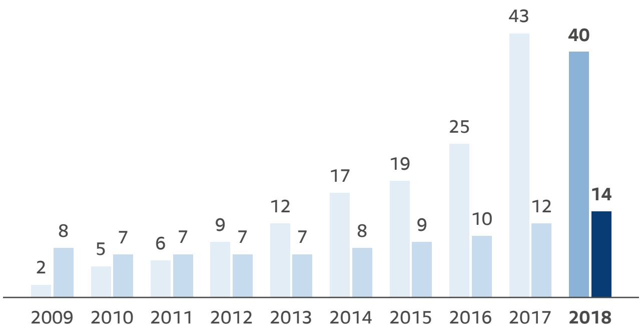
We invested 39.9 million euros (2017: 43.4 million euros) in non-current assets in the past fiscal year. This figure includes investments in real estate as well as in technical equipment amounting to 26.2 million euros, and capitalised development costs of 0.7 million euros. In addition to capitalised development costs, expenses of 0.7 million euros were also capitalised for internally created assets.

37.5 million euros related to the RATIONAL segment, and 2.4 million euros to the FRIMA segment.

In 2019, we expect maintenance, replacement and new investments to total around 50 million euros. The contractually agreed investments for 2019 amount to around 24.5 million euros. Beyond that, there are no significant investment commitments that are contractually fixed or contingent upon economic considerations.

Capital investments and depreciation/amortisation

in m EUR



Capital investments   Depreciation/amortisation

Forecast/actual comparison

In the 2017 Annual Report we forecast high single-digit growth for sales volume and sales revenues in 2018. Based on the very good business performance in the first half of the year 2018, we lifted our growth forecast for sales revenues to 10 to 12% when we presented the six-month financial statements. As described in the section on “Business in 2018”, the 11% increase in both sales volume and sales revenues means that we met the higher growth target. In line with expectations, operating costs rose by 12% — slightly faster than sales revenues. EBIT rose by 9% year-on-year to 205.0 million euros and was thus slightly below our expectations. The EBIT margin was 26.4% and hence within the forecast range of 26% to 27%. The Group’s DSO stood at 46 days, slightly lower than expected. At 75%, the Group equity ratio was above the conservative forecast.

In the year under review, employee satisfaction remained at the expected high level. Staff turnover was 7% worldwide (2017: 8%).

We were also able to keep customer satisfaction at a high level. 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. However, a 3% increase in the number of participants in our CookingLive seminars means that we fell short of the expected rise. One reason is the integration of the FRIMA companies and the VarioCooking-Center® sales structures into the RATIONAL organisations. In established markets, especially in Europe, live seminars carry less weight than in markets where there is a lower level of awareness of the technology. Accordingly, many countries also focus on other sales and customer retention strategies in this regard. Especially the RATIONAL Academy, as well as training and post-installation support given at the customer’s premises, are gaining in importance here.

The very high level of overall customer satisfaction has also been underscored by RATIONAL’s score of 93 in the Global Customer Satisfaction Index determined by Kantar TNS (global top ten at > 94) and a high recommendation rate of 96%.

Outlook/actual comparison

	Actual 2017 in %	Forecast 2018	Actual 2018 in %
Financial KPIs			
Sales volume growth	+14	High single-digit growth	**+11**
Sales revenue growth	+15	High single-digit growth[1]	**+11**
Group gross margin	61	Slightly above 60	**59**
Growth in operating costs	+11	Outlook to rise faster than sales revenues	**+12**
EBIT growth	+13	In line with sales revenue growth	**+9**
EBIT margin	27	26–27	**26**
Group DSO (days)	46	Around 48 days	**46**
Group equity ratio	74	Around 70	**75**
Non-financial KPIs			
Change in no. of CookingLive participants	+7	+10	**+3**
Staff turnover worldwide	8	At previous year's level	**7**

[1] Increased to 10 to 12% when the six-month financial statements were presented

Legal framework

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

Outlook and report on opportunities and risks

Outlook

Outlook assumptions

Our outlook takes into account all factors affecting business performance at the time of preparing this report. Such factors include general market indicators as well as sector- 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 relate to the users of our products, dealers and the competitive situation. Company-specific factors are customer and employee satisfaction. The outlook takes into account activities that have already been implemented and measures planned for the future.

Global economy on growth trajectory

Economists expect global economic growth of 3.7% for 2019. In most emerging markets, the economic recovery is continuing at a slow pace, with growth of 4.7% expected here for 2019, driven in particular by the major economies in Asia. India has overtaken China as the country with the fastest economic expansion. Despite some problems, the Chinese economy is growing robustly.

Economic growth is forecast to slow down slightly to 2.1% in the industrialised countries. There has been a deterioration in economic indicators since the beginning of the year, especially in Europe. In addition to trade conflicts, political uncertainty in connection with Brexit and the budget proposals of the new Italian government are important factors in this regard. (Source: Warburg, January 2019)

Financial key performance indicators

Sales volume, sales revenue and profit forecast for 2019

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 innovative thermal food preparation products to continue to rise. Our survey shows that 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 2019, we expect that changes in exchange rates will have a slightly positive effect on our sales and earnings performance.

Overall, we expect sales volumes and sales revenues to rise by a high single-digit percentage in 2019. For the medium to long term, too, we believe that the growth trend will continue in this range.

We expect Group-wide cost of sales to increase roughly in proportion to sales revenues. Moreover, thanks to our hedging measures, commodity costs will remain largely stable and will not have a material impact on earnings. For this reason, we expect gross profit to increase in line with sales revenues, resulting in a gross margin on a par with fiscal year 2018.

Operating expenses are expected to increase roughly in line with the increase in sales revenues.

We expect this to result in an increase in EBIT similar to the rise in sales revenues, with an EBIT margin of around 26% expected in fiscal year 2019. For the medium, we assume that our EBIT margin will range from 26% to 27%.

Sustainably solid underlying financial position

Throughout 2019, we are planning a Group equity ratio of around 75%.

For the Group's average DSO, we expect a slight increase to around 47 days in 2019, primarily because we expect to grant more generous payment terms in some cases to support our partners in emerging countries and new markets, where banks are again becoming increasingly reluctant to grant loans. The growing trend towards business with key accounts in established markets will likewise reinforce the trend towards longer payment terms. In the medium term, rising interest rates in the established markets will continue to add to the importance of supplier credit — with a corresponding effect on days sales outstanding.

Non-financial key performance indicators

We want to continue to improve employee satisfaction, which is already at a high level, by initiating targeted activities and support measures in 2019. We expect the global staff turnover rate to be at a similarly low level as in 2018.

The number of companies participating in RATIONAL seminars is expected to be around 13% higher in 2019 than in the previous year.

Segment outlook

As a result of the brand merger of RATIONAL and FRIMA and the resulting distribution of the VarioCookingCenter® through RATIONAL sales companies, we will change our segment reporting from a product view to a regional view, starting in fiscal year 2019.

The following table shows the reported segments and the financial and non-financial key performance indicators relevant for the segments. It presents for each segment the relevant financial and non-financial key performance indicators set against the above Group forecast.

Key performance indicators that are relevant at Group level (Group gross margin, Group DSO, Group equity ratio and global staff turnover rate) are not relevant from a segment perspective.

Segment outlook in %

	DACH	EMEA	Americas	Asia
Sales volume growth	–	o	o	+
Sales revenue growth	–	o	+	+
Growth in operating costs	–	o	+	+
EBIT growth	–	o	+	o
EBIT margin	–	+	–	o
Changes in the number of seminar participants	–	o	o	+

– Slightly slower/lower than Group forecast
o On a level with Group forecast
+ Slightly faster/higher than Group forecast

Report on opportunities and risks

The risk and opportunity policy adopted at RATIONAL aims to detect and minimise potential risks at an early stage, thus securing the continued existence of the Company. Identifying new opportunities at an early stage also ensures that the Company can continue to develop in a sustainably profitable way and meet financial and strategic objectives.

The presented opportunities and risks relate to the DACH, EMEA, Americas and Asia segments. The nature of risk impact and probability can vary from segment to segment, but in terms of overall risk exposure it corresponds to the Group level presented below.

Overall assessment of opportunities and risks by the Executive Board

Opportunities for the future success of our Company include the innovation-induced need to replace existing equipment, the winning of new customer groups in established markets, and the growing prosperity in emerging countries. Given the great potential in the market and our high-quality products, 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 forecast. In addition to insurable risks, there are risks such as economic turmoil, political developments, 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.

Opportunities report

RATIONAL opportunities management

Opportunities encompass in particular external factors and trends that have a positive influence on the Company's future prospects. To ensure sustainable and profitable growth, it is necessary to identify these opportunities at an early stage and consistently exploit them, while at the same time avoiding unnecessary risks. Since we do not believe that the opportunities shown below are quantifiable, they are presented here according to their significance to the future development of the Company.

Eating out as a basic human need

We focus on a basic human need, namely eating away from home. This provides us with 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. This in turn has a positive impact on demand for our products in these markets.

Huge available potential in the global market

According to our estimates, less than 30% of the around four million end customers that we can address are currently already cooking with combi-steamer technology. The vast majority are still using conventional cooking technologies. Because the SelfCookingCenter® can replace not only conventional cooking technology but, thanks to its cooking intelligence, also standard combi-steamers, we see additional untapped market potential.

With around two million potential customers, we currently estimate overall potential for the VarioCookingCenter® to be lower. As the product has only been on the market for a few years, market penetration is accordingly still relatively low. We therefore consider the market potential of the VarioCookingCenter® to be similarly high.

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, both vitamins are conserved and fat is reduced, so the resulting dishes are very healthy.

Shortage of professionals

Cooking as a profession is increasingly losing its appeal. As a result, kitchens are finding it more and more difficult to find qualified staff. Intelligent cooking processes can help chefs to work around these bottlenecks, because they also guarantee the same high cooking quality even when operated by untrained staff.

Rising resource costs

We expect the cost of the resources used in professional kitchens, such as food, energy, water, salaries and rents, to rise in the long term. With resource-efficient, space-saving and labour-saving technology, we help our customers to counter this trend.

Risk report

Business risk can be defined as the danger of not meeting strategic, operational or financial targets. In order to meet these 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.

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 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. To maintain the effectiveness of the risk management system at a sustainable high level, there are uniform standards that apply throughout the Group.

The internal and external opportunities and risks of all business units in the Company are recorded and assessed over a horizon of three years. The results of the previous year's risk inventory were updated in 2018. This exercise did not identify any risks, either individually or in combination, that could represent a threat to the continued existence of the business as a going concern. If the Company identifies risks that, if they were to materialise, could impact the achievement of corporate objectives, suitable corrective action is taken.

The RATIONAL risk early detection system allows senior management to identify material risks at an early stage, take corrective action and monitor implementation of this action. The risk management system is regularly updated by the internal audit process area. 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 IDW AuS 980 in fiscal year 2015. The system was further enhanced in the following fiscal years in accordance with legal requirements.

Risk assessment and mitigation

To classify the existing risks, we assess them according to their probability of occurrence and their impact on the Company's earnings and asset situation. 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	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 net assets, financial position and results of operations	≦ 2%
Low	Low negative impact on the net assets, financial position and results of operations	> 2% to 5%
Average	Some negative impact on the net assets, financial position and results of operations	> 5% to 10%
High	Considerable negative impact on the net assets, financial position and results of operations	> 10% to 20%
Very high	Very negative impact on the net assets, financial position and results of operations	> 20%

Risks

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

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

Business risks

	Risk impact	Probability
Market and competitive risks	Low	Low
Production and product risks	Low	Low
Operational risks	Low	Low
Political and legal risks	Low	High
Financial and capital market risks	Average	Very high

Market and competitive risks

Risks from competition and substitution

There is a risk that new, larger competitors with high innovation and sales capacities could emerge as a result of mergers and the acquisition of major 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

There is a general risk of our products or services not achieving the level of market acceptance that we expect.

In view of our clear focus on customer benefit and with more than 400 chefs working in sales and application research, development and consulting, we focus closely on the needs and wishes of our customers and strive to develop and offer the best possible solutions for them.

Impact of the economy on our customers' propensity to invest

The purchase of our appliances represents a significant investment for customers. A weak economy or 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. Thanks to our needs-driven cost planning and our large liquidity reserve, we are well prepared for currently conceivable macroeconomic scenarios. This gives us adequate room to manoeuvre and the flexibility and independence to take all necessary business decisions.

Production and product risks

Procurement risks

Our procurement strategy involves working in partnership with key component and module suppliers. This leads to continuous quality and product improvements, but also produces a certain degree of co-dependency, which means that the complete loss of a supplier could lead to short-term interruptions in production. Possible supply shortages attributable to the economic upturn in many markets are another factor. 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 a system for auditing upstream suppliers. To this end, we are expanding capacity in strategic purchasing and are driving the consistent implementation of a second source strategy.

Production disruption risk

Alongside procurement risks, there is the risk that force majeure may cause production machinery to fail. The financial risk that would arise as a result of disrupted production is adequately covered by business disruption insurance. Redundant systems are in place for production machines that are important for the existence of the Company. They can be commissioned at short notice if necessary.

Product quality

There is a risk of quality problems in the products we supply. Possible consequences include damage to property and injury to persons as well as harm to our image.

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. Since the end of 2018, we have been providing financial support for the sporting activities of employees in Germany.

IT risks

IT risks can arise as a result of the ever-increasing integration of IT systems. Networks can go down, data can be corrupted or destroyed by operating or program errors or as a result of external factors, and system failures can cause work to be delayed. 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. Regular information security training is carried out to ensure the Company's data is protected.

Environmental risks

Manufacturing companies like ours are always subject to the risk that accidents involving oil, chemicals or other hazardous substances used during the production process damage the environment. We counter this risk by taking appropriate safety measures and conducting training and regular audits.

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. Possible consequences could be, for example, a reluctance to invest or import restrictions.

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.

Brexit poses some planning uncertainty for RATIONAL. Accounting for around 10% of our sales revenues, the UK is one of our largest individual markets. Possible risks we have identified for RATIONAL include restrictions on or delays in deliveries to the UK due to longer customs clearance procedures, and higher logistics costs because forwarders are expected to factor their risk and additional bureaucratic burden into their prices. We will counter this risk by increasing local warehouse capacity in order to avoid supply shortages in the country.

Infringement of intellectual property rights

Both active and passive infringements of patents can give rise to costs for litigation and damages.

A team of patent specialists meticulously monitors new products of our competitors and cooperates closely with our product development. Checks against international patent databases thus help to avoid patent infringements by our own company and allow us to identify and pursue patent infringements by our competitors at an early stage.

Legal risks from local laws and regulations

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 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. This also includes the EU General Data Protection Regulation (GDPR), which has been in force since May 2018.

To minimise such risks, we work — where necessary — with experts on the respective local legal requirements in all markets that are of importance to us.

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

Credit risks
Credit risk can arise as a result of customers not fulfilling their payment obligations. In order to avoid or reduce credit risk, which could lead to potential liquidity risk and a risk to RATIONAL's credit rating, customers will be subject to credit checks and permanent credit monitoring performed by the credit insurance provider and its local partner companies.

Credit risk exists in relation to deposits, financial investments and derivative financial instruments with a positive fair value from the possible failure of the contract partner to fulfil its obligations. For this reason, only investment-grade banks qualify for deposits and financial investments at RATIONAL. To diversify the risk, the financial assets were distributed across several banks at the end of the year.

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.

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). At RATIONAL, these risks are 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). Where necessary, any identified transaction risks are hedged by means of derivative financial instruments. Such hedges relate to recognised and anticipated transactions.

46% of sales revenues are generated in foreign currencies. If the euro had been an average of 10% weaker (stronger) in 2018, consolidated sales revenues would have been around 5% higher (4% lower). EBIT would have been around 15% higher (14% lower) if the euro had depreciated (appreciated) on average by 10%.

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 changing interest rates for future payments relating to financial liabilities by agreeing fixed interest rates. Interest rates have been fixed for the entire term of the outstanding loans. Interest rate risk for financial assets held in the special fund is contained with appropriate instruments.

If the interest rate increased by 1 percentage point, the earnings and equity would be 0.4 million euros lower. If the interest rate decreased by 1 percentage point, the earnings and equity would be 0.5 million euros higher.

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

Share price risk
In 2018, RATIONAL invested in equities, equity funds and equity derivatives through a special fund and is exposed to share price risk as a result. The share price risk is contained by specifying a value guarantee mandate for the special fund, supported by the use of appropriate 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 bookkeeping process is handled centrally in Landsberg where possible. 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 principle that transactions must be double-checked by a second person.
- The annual financial statements of all companies relevant to the consolidated financial statements are audited by an auditor or reviewed by the Group auditor in order to ensure that accounting practice is consistent and complies with the law.
- All of the Group processes relevant to accounting are regularly checked by the Internal Audit function as part of the audit process for subsidiaries. The processes involved at the Landsberg site are also regularly checked.

The internal control and risk management system, the main features of which are described above, ensures that the accounting process is efficient. The controls in place largely eliminate errors and make certain that 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 315a (2) of the German Commercial Code (HGB) requires public companies listed on a stock exchange to disclose information on the main features of their remuneration system.

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

The total compensation paid to the Executive Board for the performance of its duties within the parent company and its subsidiaries in fiscal year 2018 was 6.2 million euros (2017: 5.1 million euros). This amount included performance-related pay components of 2.7 million euros (2017: 2.1 million euros) and payments of 11 thousand euros to former Executive Board members (2017: 10 thousand euros). In addition, payments totalling 0.5 million euros were made into the pension scheme for Executive Board members (2017: 0.4 million euros).

The level of the variable remuneration components was 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 2018.

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

The total remuneration paid to the Supervisory Board for 2018 amounted to 1.1 million euros (2017: 1.1 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 315a (1) of the German Commercial Code (HGB), companies must provide and explain information relating to takeovers.

RATIONAL AG's share capital as at 31 December 2018 was unchanged at 11.37 million 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.

As at 31 December 2018, the community of heirs of Siegfried Meister (who died on 28 July 2017) held 7,161,308 shares of RATIONAL AG, thus exceeding the threshold of 10% of the voting rights.

By resolution of the General Meeting of Shareholders on 29 April 2015, article 8 (6) sentence 1 of the Articles of Association of RATIONAL AG was amended. The wording of the resolution is as follows: "For as long as Mr Siegfried Meister and Mr Walter Kurtz are shareholders of the company, they shall have the joint right to appoint up to two members of the Supervisory Board. If one of the two holders of the right to appoint ceases to be a shareholder of the company, the remaining shareholder shall have the sole right to appoint. The right to appoint shall be exercised by submitting a written declaration to the Executive Board of the company."

The right to appoint was not exercised in the fiscal year 2018.

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 apply accordingly. The Supervisory Board made no amendments to the Articles of Association in 2018.

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 sections 289f and 315d of the German Commercial Code (HGB) are presented under Corporate Governance in the Investor Relations section of the RATIONAL website.

Landsberg am Lech, 26 February 2019

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

in kEUR

	Note	2018	2017
Sales revenues	1	**777,859**	702,100
Cost of sales	2	**–320,983**	–281,283
Gross profit		**456,876**	**420,817**
Sales and service expenses	2	**–183,991**	–165,927
Research and development expenses		**–38,097**	–33,200
General administration expenses		**–33,289**	–29,813
Other operating income	3	**13,211**	8,386
Other operating expenses	3	**–9,698**	–12,695
Earnings before financial result and taxes (EBIT)		**205,012**	**187,568**
Interest income		**427**	353
Interest expenses		**–331**	–873
Other financial result		**–946**	–
Earnings before taxes (EBT)		**204,162**	**187,048**
Income taxes	4	**–46,852**	–44,047
Profit or loss after taxes		**157,310**	**143,001**
Items that may be reclassified to profit and loss in the future:			
Differences from currency translation	14	**–1,306**	–1,757
Items that will not be reclassified to profit and loss:			
Actuarial gains and losses from defined benefit obligations	14, 15	**308**	25
Other comprehensive income		**–998**	**–1,732**
Total comprehensive income		**156,312**	**141,269**
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	5	**13.84**	12.58

Balance Sheet
RATIONAL Group

Assets

in kEUR

	Note	31 Dec 2018	31 Dec 2017
Non-current assets		**162,264**	**137,353**
Intangible assets	7	**8,081**	8,525
Property, plant and equipment	8	**142,671**	116,413
Other financial assets	11	**993**	3,239
Deferred tax assets	4	**8,943**	7,475
Other assets	12	**1,576**	1,701
Current assets		**442,176**	**433,346**
Inventories	9	**57,440**	45,682
Trade accounts receivable	10	**124,440**	109,657
Other financial assets	11	**86,278**	72,019
Income tax receivables		**749**	416
Other assets	12	**16,503**	9,358
Cash and cash equivalents	13	**156,766**	196,214
Total assets		**604,440**	**570,699**

Equity and liabilities

in kEUR

	Note	31 Dec 2018	31 Dec 2017
Equity		**455,514**	**424,527**
Subscribed capital	14	**11,370**	11,370
Capital reserves	14	**28,058**	28,058
Retained earnings	14	**421,428**	389,443
Other components of equity	14	**–5,342**	–4,344
Non-current liabilities		**26,358**	**28,350**
Pension plans and similar commitments	15	**4,706**	4,542
Other provisions	16	**8,501**	9,363
Financial debt	17	**6,306**	8,937
Other financial liabilities	18	**3,214**	3,214
Deferred tax liabilities	4	**201**	663
Income tax liabilities		**1,263**	1,489
Other liabilities	19	**2,167**	142
Current liabilities		**122,568**	**117,822**
Other provisions	16	**49,383**	44,414
Financial debt	17	**5,612**	5,310
Trade accounts payable	18	**26,409**	31,314
Other financial liabilities	18	**6,686**	10,032
Income tax liabilities		**11,533**	7,996
Other liabilities	19	**22,945**	18,756
Liabilities		**148,926**	**146,172**
Total equity and liabilities		**604,440**	**570,699**

Cash Flow Statement RATIONAL Group

for the period 1 January – 31 December

	Note	2018	in kEUR 2017
Earnings before taxes (EBT)		**204,162**	187,048
Depreciation and amortisation	7, 8	**13,977**	11,827
Other non-cash income and expenses		**141**	–1,558
Net interest		**–96**	520
Changes in			
Inventories		**–11,758**	–6,469
Trade accounts receivable and other assets		**–24,542**	–10.877
Provisions		**4,687**	7,316
Trade accounts payable and other liabilities		**3,463**	926
Income taxes paid		**–45,708**	–42,797
Cash flow from operating activities	20	**144,326**	**145,936**
Capital expenditures in intangible assets and property, plant and equipment	7, 8	**–46,166**	–34,224
Proceeds from asset disposals		**172**	217
Change in fixed deposits	11	**37,407**	110,532
Change from other financial investments	11	**–47,681**	–
Interest received		**389**	348
Cash flow from investing activities	20	**–55,879**	**76,873**
Dividends paid	6	**–125,070**	–113,700
Proceeds from liabilities to banks	17	**–**	1,060
Repayment of liabilities to banks	17	**–3,033**	–14,674
Change in other liabilities to banks	17	**743**	238
Interest paid		**–239**	–765
Cash flow from financing activities	20	**–127,599**	**–127,841**
Effects of exchange rate fluctuations in cash and cash equivalents		**–296**	–1,206
Change in cash and cash equivalents		**–39,448**	**93,762**
Cash and cash equivalents as at 1 January	13	**196,214**	**102,452**
Cash and cash equivalents as at 31 December	13	**156,766**	**196,214**

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	14	14	6, 14	14	4, 14, 15	
Balance as at 1 January 2017	**11,370**	**28,058**	**360,142**	**−1,584**	**−1,028**	**396,958**
Dividend	–	–	−113,700	–	–	−113,700
Profit or loss after taxes	–	–	143,001	–	–	143,001
Other comprehensive income	–	–	–	−1,757	25	−1,732
Balance as at 31 December 2017	**11,370**	**28,058**	**389,443**	**−3,341**	**−1,003**	**424,527**
First-time adoption of IFRS 9 and IFRS 15			−255			−255
Balance as at 1 January 2018	**11,370**	**28,058**	**389,188**	**−3,341**	**−1,003**	**424,272**
Dividend	–	–	−125,070	–	–	−125,070
Profit or loss after taxes	–	–	157,310	–	–	157,310
Other comprehensive income	–	–	–	−1,306	308	−998
Balance as at 31 December 2018	**11,370**	**28,058**	**421,428**	**−4,647**	**−695**	**455,514**

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 Siegfried-Meister-Strasse 1, 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. After a period in the MDAX, low trading volumes led to RATIONAL's return to the SDAX selection index on 18 September 2017.

Presentation of financial statements

The functional currency and the currency used in the consolidated financial statements is the euro. For the sake of clarity, figures are shown in thousands of euros (kEUR). The structure of the balance sheet complies with the IAS 1 guidance regarding classification and format. The presentation for the fiscal year ending December 31, 2018 and for the previous year is classified into maturities of "12 months or less" (current) and "more than 12 months" (non-current). Starting in fiscal year 2018, other assets and liabilities are also classified into financial and non-financial items in the balance sheet. The previous year's figures have been adjusted accordingly in the current report. The table below shows the balance sheet items of the 2017 consolidated financial statements which make up the new balance sheet items:

Balance sheet position	up to financial year 2017		as of financial year 2018
Non-current assets	Financial assets, Other non-current assets	>	Other financial assets, Other assets
Current assets	Deposits, Other current assets	>	Other financial assets, Other assets
Non-current liabilities	Other non-current liabilities	>	Other financial liabilities, Other liabilities
Current liabilities	Other current liabilities	>	Other financial liabilities, Other liabilities

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". A description of financial instruments and 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 26 February 2019. The publication date is 14 March 2019.

Basis of preparation

The consolidated financial statements for fiscal year 2018 (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 315e (1) of the German Commercial Code (HGB).

All the effective and mandatory standards for fiscal year 2018 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 for the fiscal year 2018.

		Effective date
New	IFRS 9 "Financial Instruments"	1 January 2018
New	IFRS 15 "Revenue from Contracts with Customers"	1 January 2018
Amendment	Clarifications to IFRS 15 "Revenue from Contracts with Customers"	1 January 2018
Amendment	IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	1 January 2018
Amendment	Annual Improvement to IFRS 2014–2016 (Amendments to IAS 28 and IFRS 1)	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

First-time application of the new standard IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" entailed changes in the Group's accounting policies. The conversion effects from the first-time application of the new standards were recognised directly in equity as of 1 January 2018 and are shown in the following table. Comparative periods have not been restated.

in kEUR

	Closing balance sheet as at 31 December 2017	Opening balance sheet as at 1 January 2018	Difference due to first-time adoption of IFRS 9	Difference due to first-time adoption of IFRS 15	Change in retained earnings
Other financial assets	75,258	**75,181**	–77		–77
Trade accounts receivable	109,657	**109,517**	–140		–140
Other provisions	53,777	**53,585**		–192	+192
Other liabilities	18,898	**19,225**		+327	–327
Deferred tax assets	7,475	**7,572**	+60	+37	+97

Due to the first-time application of IFRS 9, RATIONAL reassessed all the company's financial assets at the time the standard was applied for the first time, i.e. 1 January 2018. The table below shows a reconciliation of IAS 39 to IFRS 9 measurement categories. There was no change in subsequent recognition for any of the financial instruments as a result of that.

Categories of financial instruments until FY 2017 (in accordance with IAS 39)	Categories of financial instruments as from FY 2018 (in accordance with IFRS 9)	Subsequent measurement in accordance with IAS 39 and IFRS 9
Loans and receivables	Financial assets measured at amortised cost	At amortised cost
Financial assets at fair value through profit or loss (held for trading)	Financial assets measured at fair value through profit or loss	At fair value through profit or loss
Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	At amortised cost
Financial liabilities at fair value through profit or loss (held for trading)	Financial liabilities measured at fair value through profit or loss	At fair value through profit or loss

Other new or revised standards that were applied on a mandatory basis for the first time in fiscal year 2018 and not applied voluntarily in previous years have no material effect on these consolidated financial statements of RATIONAL.

The following new or revised standards did not yet apply on a mandatory basis in fiscal year 2018 and were also not applied early:

		Effective date
New	IFRS 16 "Leases"	1 January 2019
Amendment	IFRS 9 "Prepayment Features with Negative Compensation"	1 January 2019
New	IFRIC 23 "Uncertainty over Income Tax Treatments"	1 January 2019
Amendment	IAS 28 "Long-term Interests in Associates and Joint Ventures"	1 January 2019

IFRS 16 will have to be applied for the first time to fiscal years beginning on or after 1 January 2019; it replaces the existing IAS 17 and the related interpretations. Early application of IFRS 16 did not take place. RATIONAL will choose the modified retrospective approach as part of first-time application, without adjusting the comparative information. At RATIONAL, eligible leased assets are in particular real estate, vehicles and other operating and office equipment. In addition, RATIONAL will apply the exemption for low-value leased assets (mostly IT equipment). Lease liabilities for lease agreements that have been classified to date as an operating lease (see note 23) are measured at the present value of the outstanding lease payments when IFRS 16 is applied for the first time. As from 1 January 2019, the right-of-use asset is likewise measured at the present value of the lease liability. In total, this will lead to an increase in both property, plant and equipment and other financial liabilities by 15 million euros as at 1 January 2019. There is no effect on equity as of the initial application date of IFRS 16. Effects on the income statement will, from 2019 onwards, mainly take the form of a shift of compound interest on lease liabilities from operating costs to the financial result. Compound interest for fiscal year 2019 arising from leases in the portfolio as at 1 January 2019 will amount to approximately 0.3 million euros. There are small timing differences for the recognition of expenses, although these differences will cancel each other out over the term of the lease. There will also be an increase in the cash flow from operating activities and a decrease in the cash flow from financing activities, because payments of the principal and interest portions of lease liabilities will be allocated to the cash flow from financing activities from 1 January 2019. As things stand at present, payments of the principal and interest portion of lease liabilities for fiscal year 2019 arising from leases in the portfolio as at 1 January 2019 will amount to approximately 7 million euros.

The other new or amended standards are not expected to have any material effect on RATIONAL's consolidated financial statements.

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

		Effective date in accordance to Standard
Amendment	Annual Improvement to IFRS 2015–2017	1 January 2019
Amendment	IAS 19 "Plan Amendment, Curtailment or Settlement"	1 January 2019
Amendment	Amendment to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendment	IFRS 3 "Business Combinations"	1 January 2020
Amendment	IAS 1 and IAS 8 "Definition of Material"	1 January 2020
New	IFRS 17 "Insurance Contracts"	1 January 2021

RATIONAL AG will apply these changes and this new standard once they have been adopted as mandatory by the European Union. They are not expected to have any material effect on RATIONAL's future consolidated financial statements.

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.

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

Eight domestic (2017: eight) and 25 foreign subsidiaries (2017: 25) in addition to the parent company were included in the consolidated financial statements. In addition, RATIONAL AG has invested in the special fund "LBBW AM-RAT" since February 2018. RATIONAL holds all the shares in the fund and the separate assets are included in the consolidated financial statements as a structured company.

As at 31 December 2018 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.

The domestic subsidiaries LechMetall GmbH, RATIONAL Großküchentechnik GmbH, RATIONAL Technical Services GmbH, RATIONAL Dienstleistungsgesellschaft mbH, RATIONAL Montage GmbH, RATIONAL Komponenten GmbH and RATIONAL F & E GmbH have exercised all available exemption options provided in section 264 (3) of the HGB (Handelsgesetzbuch, German Commercial Code) for fiscal year 2018.

Name and registered office			% 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 Dienst-leistungsgesellschaft mbH	Landsberg am Lech	Germany	100.0
RATIONAL Montage GmbH	Landsberg am Lech	Germany	100.0
RATIONAL Großküchen-technik 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
LBBW AM-RAT*	Landsberg am Lech	Germany	0.0
Europe			
RATIONAL UK Ltd.	Luton	United Kingdom	100.0
FRIMA UK Ltd. (in Liquidation)	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 SAS	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

* Included as a structured entity

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, as well as RATIONAL Kitchen and Catering Equipment Trading FZCO, which has its registered office in the United Arab Emirates, 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:

			Annual average exchange rate		Exchange rate on 31 Dec	
1 euro =			**2018**	**2017**	**2018**	**2017**
BRL	=	Brazilian real	**4.3244**	3.6406	**4.4449**	3.9707
CAD	=	Canadian dollar	**1.5341**	1.4719	**1.5599**	1.5024
CHF	=	Swiss franc	**1.1515**	1.1161	**1.1266**	1.1693
CNY	=	Chinese yuan	**7.8167**	7.6614	**7.8600**	7.8327
COP	=	Colombian peso	**3,508.8**	3,366.9	**3,719.2**	3,577.6
GBP	=	Pound sterling	**0.8862**	0.8765	**0.8971**	0.8874
INR	=	Indian rupee	**80.640**	73.818	**79.909**	76.560
JPY	=	Japanese yen	**130.00**	127.34	**125.96**	134.88
MXN	=	Mexican peso	**22.630**	21.414	**22.520**	23.607
PLN	=	Polish zloty	**4.2679**	4.2439	**4.2981**	4.1752
RUB	=	Russian rouble	**74.248**	66.116	**80.026**	69.325
SEK	=	Swedish krona	**10.296**	9.6432	**10.251**	9.8300
SGD	=	Singapore dollar	**1.5901**	1.5612	**1.5595**	1.6012
TRY	=	Turkish lira	**5.6834**	4.1391	**6.0557**	4.5343
USD	=	US dollar	**1.1792**	1.1371	**1.1453**	1.1988

Significant accounting policies

Intangible assets and property, plant and equipment
Purchased intangible assets are recognised at cost and usually 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. Development activities eligible for capitalisation are activities in connection with the specific development of new technology. 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 five 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 usually depreciated over a period of between 10 and 36 years, while items of technical equipment and machinery as well as operating and office equipment are depreciated over their useful lives, which usually 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.

Financial assets and liabilities measured at amortised cost are recognised as at the settlement date. The settlement date is the date on which an asset is delivered to or by the company. Financial instruments measured at fair value are recognised as at the trading date.

First-time application of IFRS 9 means there are new classification and measurement requirements for financial assets defining subsequent measurement of a financial instrument. IFRS 9 requires all financial assets to be classified as being subsequently measured at amortised cost or at fair value. The classification depends on the group's business model for controlling financial assets and on the contractual cash flow characteristics of the financial assets.

RATIONAL does not use hedge accounting. Derivative financial instruments are therefore subsequently measured at fair value. Changes in fair value between reporting dates are recognised under other operating income or expenses or the financial result in the consolidated statement of comprehensive income.

The assignment of the respective financial instruments within the balance sheet items to IFRS 9 categories is summarised in "Other notes to the consolidated financial statements" under note 21.

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 will also be derecognised if there is no realistic prospect of recovering an impaired receivable (normally defined as insolvency of the debtor or an external collection specialist's inability to realise the receivable). 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.

RATIONAL applies the simplified approach under IFRS 9 to measure the expected credit losses for trade accounts receivable. Accordingly, the lifetime expected credit losses losses are applied to trade accounts receivable in the form of specific valuation allowances and portfolio allowances.

Specific valuation 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, if the receivables are more than 90 days past due, or if the receivable is being disputed in court, and there are no indications that would justify an alternative assessment).

Portfolio allowances are calculated using the following model: receivables that do not require individual valuation allowances are broken down into regional sub-portfolios. These sub-portfolios are rated regularly on the basis of changes in the country rating (external factor) and changes in the weighted portfolio risk score (internal factor). In this process, the external and internal factors are combined with each other and applied to the historical default experience of the respective regional sub-portfolios, after eliminating receivables on which specific valuation allowances had been recognised and taking any bad debt allowances already recognised into account. Existing credit insurance cover is taken into account when determining the allowances.

Risk allowances are recognised for expected credit losses on deposits. For deposits with a low credit risk, the risk allowance is limited to the expected 12-month credit losses. Listed bonds have a low risk of default if they have an investment grade rating. If there is no investment grade rating, the life-time expected credit losses are recognised over the entire remaining maturity. The valuation allowances to be recognised are calculated on the basis of corresponding credit default swaps.

All allowances are held in allowance accounts.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, cash in banks as well as short-term deposits; they are measured at nominal value. Cash in foreign currency is translated at the spot rate as at the balance sheet date.

Current income tax receivables and income tax liabilities
Current income tax receivables and income 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 9% and 34% (2017: 8% and 34%). The tax rate used to calculate deferred taxes for RATIONAL AG is 28% (2017: 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 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 recognised in the income statement under “Interest expenses”.

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.

Cost of sales and other functional costs

Cost of sales comprises the manufacturing costs of the products sold, the cost of merchandise sold, warranty expenses, allowances on inventories and the cost of providing services sold. Sales and service expenses include sales organisation costs for office-based and field sales, shipping costs, costs for marketing, application consultancy and after-sales service. Research and development expenses comprise the cost of basic and application research and development costs not eligible for capitalisation. General administration expenses are made up of business administration costs, such as human resources, finance, IT, accounting and controlling as well as a certain proportion of executive management costs. Amortisation and depreciation charges are allocated to cost of sales as well as functional costs according to cost drivers.

Recognition of income and expense

RATIONAL generates sales revenues primarily from selling goods to dealers and partners. Order lead times are generally short. Sales revenues are primarily recognised at the time of delivery, i.e. when ownership and risk are transferred to the customer. RATIONAL generates a small proportion of its sales revenues by providing services, which are recognised in the period in which the services are rendered. Some contracts contain multiple performance elements, such as the sale of appliances and the related installation of the appliances in the kitchen. The installation is accounted for as a separate performance obligation, and the transaction price is allocated to all performance obligations on the basis of the relative stand-alone selling prices.

Sales revenues are recognised when it is sufficiently likely that economic benefits will flow to the Group and the amount of the sales revenues can be reliably determined. The revenues include the consideration received or receivable, not including cash discounts, discounts and trade bonuses. Trade bonuses are normally based on total sales revenues generated in a year and are granted retrospectively. Variable consideration is determined on the basis of the most probable amount. Sales revenues are only recognised in the amount that is highly probable of not being reversed to any significant extent. Obligations arising from trade bonuses still to be granted are reported under other provisions. The payment terms are determined on the basis of local circumstances and are always shorter than one year. There are no significant financing elements.

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, property, plant and equipment, deferred tax assets, financial assets, provisions and sales revenues. 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 company's net assets, financial position and profit or loss.

Discretionary decisions are taken by management in reviewing the business model for classifying and measuring financial assets. The impairment losses on financial assets are based on assumptions about the risk of default and expected loss rates. Management uses judgement in making these assumptions and selecting the inputs for calculating the impairment loss, based on past experience, existing market conditions and forward-looking estimates as at the end of each reporting period. 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. A standard warranty period of two years is taken into account. 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, the determination of provisions for legal proceedings, as well as the risk of losing legal cases and the risk of liability to pay damages is subject to 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.

The recognition of sales revenues requires management judgement. It is normally assumed that the customer obtains control of the goods upon delivery. To a relatively small extent, the performance obligations under a contract are satisfied in different periods. In these cases, the transaction price has to be allocated to the separate performance obligations. Trade bonuses and cash discounts are determined on the basis of assumptions about the total volume to be purchased by dealers and about their payment behaviour.

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:

in kEUR

	2018	% of total	2017	% of total
Germany	**95,536**	**12**	88,262	13
Europe (excluding Germany)	**352,857**	**45**	330,590	47
North America	**143,422**	**18**	113,881	16
Latin America	**44,081**	**6**	41,455	6
Asia	**105,233**	**14**	91,632	13
Rest of the world*	**36,730**	**5**	36,280	5
Total	**777,859**	**100**	**702,100**	**100**

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

With sales revenues of 111,811 thousand euros (2017: 86,385 thousand euros), a significant share of sales revenues was generated in the USA. As in the previous year, no more than 10% of sales revenues were generated with any one customer.

74% (2017: 75%) of the sales revenues was attributable to appliance sales. The remaining 26% (2017: 25%) was generated from the sale of accessories, spare parts and care products and from the provision of services.

In the reporting period, sales revenues of 1,464 thousand euros were recognised, which had been recognised under contract liabilities as at 1 January 2018. Additionally, sales revenues of 208 thousand euros were recognised in the reporting period, for which the relating performance obligations had been satisfied in prior periods.

The contract liabilities recognised arise from payments we received before our contractual performance obligations were satisfied. The contract liabilities are recognised as sales revenues as soon as we satisfy the performance obligation. The year-on-year increase in the non-current contract liability is due to performance obligations to a major customer.

in kEUR

Contractual obligations	31. Dec 2018	01. Jan 2018	first-time adoption of IFRS 15*	31. Dec 2017
non-current	**2,167**	**142**	–	142
current	**2,236**	**1,488**	327	1,161

*recognised directly in equity as at 1 January 2018

In accordance with IFRSs, no information is provided on other current performance obligations.

Further information on sales revenues appears in the section on segment reporting.

2. Cost of sales and other functional costs

Due to rising demand for services provided by RATIONAL and to facilitate the implementation of IFRS 15, it was decided to present costs incurred in connection with the installation and set-up of appliances under cost of sales. In the previous year, these costs had been reported under sales and service expenses.

The presentation of fiscal year 2017 has been adjusted as follows:

in kEUR

	reclassified	recalssi-fication	as reported
Cost of sales	281,283	5,571	275,712
Sales and service expenses	165,927	–5,571	171,498

3. Other operating income and expenses

in kEUR

	2018	2017
Exchange gains	**8,579**	5,967
Further income	**4,632**	2,419
Other operating income	**13,211**	**8,386**
Exchange losses	**–8,369**	–11,089
Further expenses	**–1,329**	–1,606
Other operating expenses	**–9,698**	**–12,695**

Exchange gains and 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.

Income from government grants amounting to 916 thousand euros (2017: 738 thousand euros) is reported under other income and includes grants for research and development services. The claim arose in the reporting period.

Other income and expenses include income and expenses relating to impairment losses and the derecognition of receivables. They are explained in note 10 “Trade receivables”.

4. Income taxes

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% (2017: 27.73%) was applied to profit before tax to calculate expected tax expense. 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

	2018	2017
Earnings before taxes (EBT)	**204,162**	187,048
Expected tax rate in %	**27.73**	27.73
Expected income tax expense	**56,614**	**51,868**
Variations in local tax rates in the subsidiaries	**–11,106**	–9,279
Tax revenue from previous years	**–170**	–13
Tax expenses relating to previous years	**54**	280
Non-tax-deductible expenses and other amounts	**1,460**	1,191
Reported income tax expense	**46,852**	**44,047**

In the previous year, non-deductible expenses and other amounts had included an amount of 1,015 thousand euros that was attributable to the change in the deferred tax rate in the USA (due to the tax reform).

The deferred tax income in the income statement attributable to 2018 was 1,843 thousand euros (2017: tax expense of 859 thousand euros). The current income tax expense, excluding deferred taxes, thus amounted to 48,695 thousand euros (2017: 43,188 thousand euros).

The deferred taxes are attributable to the following balance sheet items:

in kEUR

	Deferred tax asset		Deferred tax liability	
	2018	2017	**2018**	2017
Intangible assets	**83**	13	**−1,088**	−1,126
Inventories	**7,624**	6,503	**–**	–
Provisions	**3,061**	2,390	**−10**	–
Trade receivables	**204**	32	**–**	−1
Other	**582**	277	**−1,714**	−1,276
Total of deferred tax assets/liabilities	**11,554**	**9,215**	**−2,812**	**−2,403**
Tax offset	**−2,611**	−1,740	**2,611**	1,740
Total recognized under assets/liabilities	**8,943**	**7,475**	**−201**	**−663**

This includes deferred tax assets of 188 thousand euros (2017: 198 thousand euros) recognised on actuarial gains and losses and taken directly to equity.

8,712 thousand euros (2017: 6,927 thousand euros) of the total amount of deferred tax assets and liabilities is classified as current. Of the reported amounts, 30 thousand euros (2017: −115 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, intangible assets and property, plant and equipment.

On 31 December 2018, there were temporary differences of 1,507 thousand euros (2017: 1,640 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 644 thousand euros (2017: 1,074 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.

5. 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 (2017: 11,370,000 shares) and profit after tax of 157,310 thousand euros (2017: 143,001 thousand euros), basic and diluted earnings per share for fiscal year 2018 were 13.84 euros (2017: 12.58 euros).

6. Dividend per share

For fiscal year 2017, the dividend of 11.00 euros per share (8.80 euros plus a special dividend of 2.20 euros per share) proposed by the Executive Board and Supervisory Board of RATIONAL AG were approved by a majority at the General Meeting of Shareholders on 09 May 2018. Total dividends of 125,070 thousand euros were paid in May 2018.

The Executive Board and Supervisory Board will propose to the General Meeting of Shareholders on 15 May 2019 that a dividend of 9.50 euros per share be paid for fiscal year 2018, the total distribution in this case being 108,015 thousand euros.

Notes to the consolidated balance sheet — assets

7. Intangible assets

in kEUR

	Industrial and similar rights	Goodwill	Capitalised deve-lopment expenditure	Total
Cost				
Balance on 1 Jan 2018	**13,004**	**424**	**5,316**	**18,744**
Exchange rate differences	**–11**	**–**	**–**	**–11**
Additions	**1.755**	**–**	**720**	**2,475**
Disposals	**–87**	**–**	**–**	**–87**
Balance on 31 Dec 2018	**14,661**	**424**	**6,036**	**21,121**
Amortisation				
Balance on 1 Jan 2018	**8,962**	**–**	**1,257**	**10,219**
Exchange rate differences	**–9**	**–**	**–**	**–9**
Additions	**1,967**	**–**	**943**	**2,910**
Disposals	**–80**	**–**	**–**	**–80**
Balance on 31 Dec 2018	**10,840**	**–**	**2,200**	**13,040**
Carrying amounts				
Balance on 31 Dec 2018	**3,821**	**424**	**3,836**	**8,081**
Cost				
Balance on 1 Jan 2017	11,865	424	4,716	**17,005**
Exchange rate differences	–20	–	–	**–20**
Additions	1,834	–	600	**2,434**
Disposals	–675	–	–	**–675**
Balance on 31 Dec 2017	**13,004**	**424**	**5,316**	**18,744**
Amortisation				
Balance on 1 Jan 2017	7,888	–	314	**8,202**
Exchange rate differences	–13	–	–	**–13**
Additions	1,762	–	943	**2,705**
Disposals	–675	–	–	**–675**
Balance on 31 Dec 2017	**8,962**	**–**	**1,257**	**10,219**
Carrying amounts				
Balance on 31 Dec 2017	**4,042**	**424**	**4,059**	**8,525**

The reported goodwill arose from the acquisition of FRIMA - T SAS, Wittenheim, in 1993; it is allocated to the FRIMA segment. At the end of 2018, 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.

In fiscal year 2018, 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 expenses are allocated to the costs of the functional areas.

8. Property, plant and equipment

in kEUR

	Land and buildings	Technical equipment and machinery	Operating and office equipment	Advanced payments and assets under construction	Total
Cost					
Balance on 1 Jan 2018	**95,527**	**41,761**	**29,881**	**28,517**	**195,686**
Exchange rate differences	**68**	**1**	**−25**	**–**	**44**
Additions	**11,739**	**6,804**	**6,171**	**12,709**	**37,423**
Reclassifications	**16,264**	**3,856**	**290**	**−20,410**	**0**
Disposals	**−1**	**−52**	**−974**	**–**	**−1,027**
Balance on 31 Dec 2018	**123,597**	**52,370**	**35,343**	**20,816**	**232,126**
Depreciation					
Balance on 1 Jan 2018	**33,212**	**26,970**	**19,091**	**–**	**79,273**
Exchange rate differences	**45**	**−1**	**−7**	**–**	**37**
Additions	**3,676**	**3,725**	**3,666**	**–**	**11,067**
Disposals	**−1**	**−46**	**−875**	**–**	**−922**
Balance on 31 Dec 2018	**36,932**	**30,648**	**21,875**	**–**	**89,455**
Carrying amounts					
Balance on 31 Dec 2018	**86,665**	**21,722**	**13,468**	**20,816**	**142,671**
Cost					
Balance on 1 Jan 2017	90,442	40,687	28,491	432	**160,052**
Exchange rate differences	−258	−5	−281	–	**−544**
Additions	6,015	1,774	4,712	28,493	**40,994**
Additions	117	236	55	−408	**0**
Disposals	−789	−931	−3,096	–	**−4,816**
Balance on 31 Dec 2017	**95,527**	**41,761**	**29,881**	**28,517**	**195,686**
Depreciation					
Balance on 1 Jan 2017	31,107	24,785	19,093	–	**74,985**
Exchange rate differences	−111	−5	−182	–	**−298**
Additions	2,943	3,059	3,120	–	**9,122**
Disposals	−727	−869	−2,940	–	**−4,536**
Balance on 31 Dec 2017	**33,212**	**26,970**	**19,091**	**–**	**79,273**
Carrying amounts					
Balance on 31 Dec 2017	**62,315**	**14,791**	**10,790**	**28,517**	**116,413**

As in the previous year, no impairment losses were recognised in fiscal year 2018. A land charge of 33,500 thousand euros (2017: 33,500 thousand euros) is registered for land and buildings in Landsberg. There are no other 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 expenses are allocated to the costs of the functional areas.

9. Inventories

in kEUR

	31 Dec 2018	31 Dec 2017
Raw materials, consumables and supplies	**16,063**	14,255
Work in progress	**991**	763
Finished goods and goods for resale	**40,386**	30,664
Total	**57,440**	**45,682**

The year-on-year increase in inventories is primarily due to a rise in business volume in particular in overseas markets.

In fiscal year 2018, write-downs on inventories of 1,307 thousand euros (2017: 1,404 thousand euros) were expensed as cost of sales.

In total, inventories of 296,816 thousand euros (2017: 258,155 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.

10. Trade accounts receivable

Trade receivables break down as follows:

in kEUR

	31 Dec 2018	1 Jan 2018	first-time adoption of IFRS 9*	31 Dec 2017
Gross trade accounts receivable (not impaired)	**–**	**–**	–109,519	109,519
Gross trade accounts receivable (specific bad debt allowance)	**1,299**	**786**	66	720
Gross trade accounts receivable (portfolio bad debt allowance)	**123,790**	**109,453**	109,453	–
Total	**125,089**	**110,239**	**0**	**110,239**
Specific bad debt allowance	**–591**	**–565**	17	–582
Portfolio bad debt allowance	**–58**	**–157**	–157	–
Trade accounts receivable	**124,440**	**109,517**	**–140**	**109,657**

* recognised directly in equity as at 1 January 2018

All trade receivables are due within one year. The year-on-year increase in inventories is mainly due to sales revenue growth.

Specific valuation allowances and portfolio allowances are recognised for credit risk on receivables. Information on the credit risk on trade receivables can be found in the section on financial risks in note 21.

The following table shows the changes in specific valuation allowances on trade receivables:

Specific bad debt allowance of trade accounts receivable

in kEUR

	Balance on 1 Jan	Currency effects	Use	Reversal	Additions	Balance on 31 Dec
2018	**565**	**–15**	**–51**	**–143**	**235**	**591**
2017	**394**	–15	–115	–116	434	**582**

Portfolio valuation allowances are recognised in accordance with IFRS 9 on all trade receivables, unless specific allowances have already been recognised. In this context, a portfolio ratio of 0.00% to 0.88% was applied to each credit risk rating category as at the reporting date.

Gains and losses on the derecognition of receivables resulted in an expense of 235 thousand euros in fiscal year 2018 (2017: 385 thousand euros). This figure does not include any claims settled by or payments expected from the credit insurer, which amounted to 207 thousand euros (2017: 242 thousand euros). Impairment losses and the reversal of impairment losses on trade accounts receivable gave rise to income of 59 thousand euros in fiscal year 2018 (2017: expense of 210 thousand euros). These are reported under other operating expenses or other operating income.

11. Other financial assets

in kEUR

	current		non-current	
Other financial assets	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Bonds, shares and fund units	**46,862**	–	**–**	–
Deposits incl. interest claims	**35,660**	70,734	**–**	2,500
Derivatives without a hedge relationship	**644**	377	**–**	–
Other	**3,112**	908	**993**	739
Total	**86,278**	**72,019**	**993**	**3,239**

Bonds, equities and fund units as well as derivatives to which hedge accounting is not applied are subsequently measured at fair value. All remaining items under other financial assets are measured at amortised cost.

For bonds, equities and fund units, there are no restrictions on daily redemption.

In accordance with IFRS 9, a risk allowance has been recognised for deposits following the method described under “Financial instruments” in the section on accounting policies. The risk allowance is limited to the expected 12-month credit losses.

in kEUR

	current				non-current			
	31 Dec 2018	1 Jan 2018	first-time adoption of IFRS 9*	31 Dec 2017	31 Dec 2018	1 Jan 2018	first-time adoption of IFRS 9*	31 Dec 2017
Deposits before risk allowance	**35,770**	**70,734**	–	70,734	**–**	**2,500**	–	2,500
Risk allowance acc. to IFRS 9	**–110**	**–70**	–70	–	**–**	**–7**	–7	–
Deposits after risk allowance	**35,660**	**70,664**	**–70**	**70,734**	**–**	**2,493**	**–7**	**2,500**

* recognised directly in equity as at 1 January 2018

In the fiscal year under review, impairment losses of 33 thousand euros on deposits (2017: 0 thousand euros) were recognised under other financial result.

Some of the fixed-term deposits at the end of the year are protected by deposit protection funds (for details, see the section on financial risks in note 21). None of these deposits has been pledged as collateral.

12. Other assets

in kEUR

	current		non-current	
Other assets	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Value added tax refund claims	**11,512**	5,895	**–**	–
Deferred items and advance payments	**3,297**	2,094	**253**	–
Government grants	**562**	571	**1,305**	1,685
Other	**1,132**	798	**18**	16
Total	**16,503**	**9,358**	**1,576**	**1,701**

13. Cash and cash equivalents

in kEUR

	Currency	31 Dec 2018	31 Dec 2017
Deposits incl. demand deposits	EUR	**119,267**	153,621
Deposits incl. demand deposits	USD	**7,409**	7,059
Deposits incl. demand deposits	GBP	**4,983**	6,376
Deposits	CHF	**4,818**	4,729
Deposits incl. demand deposits	CAD	**3,772**	3,222
Deposits	JPY	**3,566**	4,782
Deposits	RUB	**2,374**	3,108
Deposits	SEK	**1,968**	4,524
Deposits	CNY	**1,841**	2,606
Deposits incl. demand deposits	MXN	**1,805**	1,020
Deposits	PLN	**1,107**	1,016
Deposits	BRL	**1,089**	1,756
Deposits incl. demand deposits	TRY	**687**	1,254
Deposits in other currencies and cash in hand	Versch.	**2,080**	1,141
Total		**156,766**	**196,214**

Deposits in foreign currencies are measured at the rate applicable on the balance sheet date. Information on credit risks can be found in the section on financial risks in note 21.

Cash and cash equivalents include restricted items relating to a total amount of 4,091 thousand euros (2017: 4,815 thousand euros). More information on currency restrictions can be found in the section on financial risks in note 21.

Notes to the balance sheet — equity and liabilities

14. Equity

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

Subscribed capital

RATIONAL AG's share capital as at 31 December 2018 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 27, "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

Retained earnings include profits after tax generated in the past by companies included in the consolidated financial statements, 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 4).

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 2018 was 75% (2017: 74%).

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

15. Pension and similar obligations

The pension provisions for employees of the RATIONAL Group comprise benefit entitlements of active and former employees in Germany and Switzerland. In addition, statutory requirements give rise to post-employment benefit obligations in a number of subsidiaries, primarily in Italy and France. In the previous year's financial statements, these obligations were reported as part of other non-current provisions. In these financial statements, they are reported under pension and similar obligations.

The amount of the obligation 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 payments, which are expected to amount to 51 thousand euros in 2019 (2017: 51 thousand euros). Both pension obligations have an average maturity of 16 years (2017: 16 years).

In addition, there are individual commitments and commitments for members of the Executive Board and selected employees, 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, for the most part, fully reinsured with matching cover under pledged reinsurance policies. As a result, these commitments are accounted for as a DC-like DB plan, where obligations are equal to plan assets, resulting in a provision of zero.

Switzerland

The old age pension plan arrangements in Switzerland cover a total of 61 (2017: 60) 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 (Gesetz über die berufliche Vorsorge, Swiss Occupational Pensions Act), 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. Employer contributions into the pension plans are expected to amount to 304 thousand euros in 2019 (2018: 333 thousand euros). The pension obligation has an average maturity of 21 years (2017: 22 years).

Italy and France

By law, employees in Italy are entitled to a severance payment, irrespective of the reason for terminating the employment contract. In France, every employee has the right to a basic pension paid from the social insurance system as well as an additional pension from a defined contribution plan. In addition, the law requires employers to make one-time payments when employees retire. The remuneration to be paid to French salaried employees is defined in the collective bargaining agreement of the wholesale and metal industries. Defined benefit obligations are funded through provisions. The payments forecast for 2019 amount to 155 thousand euros (2018: 114 thousand euros).

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

in kEUR

	Defined benefit obligation (DBO)		Fair value of plan assets		Provisions	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Value as at 1 Jan	**7,123**	**7,106**	**2,581**	**2,629**	**4,542**	**4,477**
Currency differences	**180**	–419	**98**	–212	**82**	–207
Interest expense	**65**	56	**–**	–	**65**	56
Interest income	**–**	–	**22**	15	**–22**	–15
Service cost	**1,048**	789	**–**	–	**1,048**	789
Actuarial losses/gains due to changes in financial assumptions	**–140**	–226	**–**	–	**–140**	–226
Actuarial losses/gains due to changes in demographic assumptions	**–204**	–	**–**	–	**–204**	–
Actuarial losses/gains due to experience	**–33**	119	**–**	–	**–33**	119
Return on plan assets excluding amounts included in interest income	**–**	–	**–61**	–58	**61**	58
Employer contributions	**–**	–	**322**	228	**–322**	–228
Employee contributions	**–**	–	**322**	228	**–322**	–228
Benefits received/paid	**–119**	–302	**–70**	–249	**–49**	–53
Value as at 31 Dec	**7,920**	**7,123**	**3,214**	**2,581**	**4,706**	**4,542**
thereof Germany (GER)	**782**	814	**–**	–	**782**	814
thereof Switzerland (CH)	**5,164**	4,767	**3,214**	2,581	**1,950**	2,186
thereof Italy (IT)	**813**	706	**–**	–	**813**	706
thereof France (FR)	**700**	566	**–**	–	**700**	566
thereof others	**461**	270	**–**	–	**461**	270

The calculations were based on the following weighted actuarial assumptions:

in %

		GER	CH	IT	FR	Others
Discount rate	**2018**	**1.50**	**1.00**	**1.13**	**1.60**	**1.72**
	2017	1.30	0.75	0.88	1.30	2.76
Salary progression rate	**2018**	**–**	**1.60**	**1.00**	**3.00**	**1.96**
	2017	–	1.50	1.00	2.00	2.64
Pension progression rate	**2018**	**1.75**	**0.00**	**–**	**–**	**–**
	2017	1.75	0.00	–	–	–

For Germany, the biometric calculations were based on Prof K. Heubeck's mortality tables (2018 G version — 2005 G in the previous year), while the BVG-2015 generational tables were used for Switzerland, as in the previous year.

The sensitivity analysis presented below shows how possible changes in the relevant assumptions would impact on the defined benefit obligation as at the balance sheet date. 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 sensitivity analysis is therefore not expected to represent the actual change in the defined benefit obligation.

in kEUR	2018	2017
Discount rate −0.5%	**+676**	+678
Discount rate +0.5%	**−584**	−584
Salary progression rate −0.5%	**−94**	−53
Salary progression rate +0.5%	**+87**	+47
Pension progression rate −0.5%	**−33**	−37
Pension progression rate +0.5%	**+295**	+299
Life expectancy +1 year	**+100**	+98

16. Other provisions

2018 (in kEUR)	Balance on 1 Jan	Currency differences	Use	Additions	Interest rate effects	Balance on 31 Dec	of which non-current
Personnel	**19,580**	**−32**	**−15,946**	**16,386**	**44**	**20,032**	**3,774**
Trade bonuses	**11,635**	**196**	**−11,661**	**14,657**	**–**	**14,827**	**–**
Warranty	**17,106**	**−43**	**−12,244**	**10,106**	**8**	**14,933**	**4,218**
Others	**5,264**	**50**	**−4,928**	**7,706**	**–**	**8,092**	**509**
Total	**53,585**	**171**	**−44,779**	**48,855**	**52**	**57,884**	**8,501**

2017 (in kEUR)	Balance on 1 Jan	Currency differences	Use	Additions	Interest rate effects	Balance on 31 Dec	of which non-current
Personnel	17,622	−433	−13,687	16,035	43	19,580	3,497
Trade bonuses	12,002	−807	−11,195	11,635	–	11,635	–
Warranty	12,171	−54	−7,168	12,135	22	17,106	5,403
Others	4,672	−244	−3,848	4,876	–	5,456	463
Total	**46,467**	**−1,538**	**−35,898**	**44,681**	**65**	**53,777**	**9,363**

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. The majority of provisions will lead to cash flows within 12 months of the balance sheet date.

The initial application of IFRS 15 results in a reduction of 192 thousand euros in other provisions as at 1 January 2018 compared with 31 December 2017.

17. Financial debt

The following table shows the breakdown of financial liabilities into a cash and a non-cash portion:

2018 — in kEUR

	Carrying amounts 1 Jan 2018	Cash changes	Non-chash changes (currency effects and others)	Carrying amounts 31 Dec 2018	of which non-current
Liabilities to banks	**14,247**	**–2,290**	**–39**	**11,918**	**6,306**

2017 — in kEUR

	Carrying amounts 1 Jan 2017	Cash changes	Non-chash changes (currency effects and others)	Carrying amounts 31 Dec 2017	of which non-current
Liabilities to banks	27,793	–13,376	–170	14,247	8,937

Financial debt includes loan agreements for real estate financing that is secured by land charges. Fixed interest rates as at 31 December 2018 apply to the entire term of all of these agreements. 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:

in kEUR

	2019	2020–2023	ab 2024
Payments as of 31 Dec 2018	**2,757**	**6,497**	**–**

in kEUR

	2018	2019–2022	ab 2023
Payments as of 31 Dec 2017	3,386	8,298	956

In addition, there are other current financial liabilities of 2,982 thousand euros (2017: 2,091 thousand euros).

18. Financial liabilities

in kEUR

	current		non-current	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Trade accounts payable	**26,409**	**31,314**	**–**	**–**
Liabilities to business partners	**5,250**	6,318	**–**	–
Liabilities from purchase of property	**–**	2,771	**3,214**	3,214
Fair value of derivative financial instruments	**505**	157	**–**	–
Other	**931**	786	**–**	–
Other financial liabilities	**6,686**	**10,032**	**3,214**	**3,214**

Most current other financial liabilities and trade accounts payable are settled within a few months of the balance sheet date.

Derivatives to which hedge accounting is not applied are subsequently measured at fair value. All other financial liabilities are measured at amortised cost.

19. Other liabilities

Other liabilities in kEUR

	current		non-current	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Value added tax	**9,046**	6,376	**–**	–
Holiday claims	**5,929**	5,436	**–**	–
Wage taxes and social security liabilities	**5,583**	5,599	**–**	–
Contractual obligations	**2,236**	1,161	**2,167**	142
Other	**151**	184	**–**	–
Total	**22,945**	**18,756**	**2,167**	**142**

Notes to the cash flow statement

20. 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 flows from operating activities are determined using the indirect method. To this end, profit before tax (or earnings before tax, EBT) is adjusted for non-cash items (such as depreciation and amortisation charges, changes in inventories, receivables, provisions and liabilities) as well as net interest income/expense, and income tax payments are deducted.

Cash flows from investing activities are determined on the basis of actual cash inflows or outflows. They are driven primarily by payments to acquire intangible assets and property, plant and equipment as well as the acquisition or disposal of financial assets.

Cash flows from financing activities are also determined on the basis of actual cash inflows or outflows. They mainly include dividend payments to shareholders and the drawdown and repayment of bank loans (for a reconciliation to the balance sheet item "Financial debt", see note 17).

Cash and cash equivalents declined from 196,214 thousand euros at the start of the fiscal year to 156,766 thousand euros as at 31 December 2018.

Other notes to the consolidated financial statements

21. Financial instruments

Based on the classification categories, financial assets and iabilities are in general recognised subsequently at amortised cost in the balance sheet. Exceptions to that are derivative financial instruments and bonds, equities and fund units, which are recognised at fair value in the balance sheet.

The following table shows the carrying amounts and the fair values that have to be disclosed additionally under IFRS 7 for financial instruments. If no fair value is stated in the table for a financial instrument, the specified carrying amount of the financial instrument is a reasonable approximation of its fair value. That is the case in particular with current financial instruments measured at amortised cost.

Categories of financial assets and liabilities in accordance with IFRS 9 (2017: IAS 39)

in kEUR

	Fair value hierarchy	Carrying amount 31 Dec 2018	Fair value 31 Dec 2018	Carrying amount 31 Dec 2017	Fair value 31 Dec 2017
Financial assets measured at amortised cost (2017: Loans and receivables)		**320,971**		**380,752**	
Other financial assets (non-current)	Level 2	**993**	**993**	3,239	3,243
Trade accounts receivable		**124,440**		109,657	
Other financial assets (current)		**38,772**		71,642	70,749
Cash and cash equivalents		**156,766**		196,214	
Financial assets measured at fair value through profit or loss (2017: Financial assets at fair value through profit or loss (held for trading))		**47,506**		**377**	
Derivatives not in a hedging relationship[1]	Level 1	**105**	**105**	–	–
Derivatives not in a hedging relationship[1]	Level 2	**539**	**539**	377	377
Other financial assets (current)	Level 1	**46,162**	**46,162**	–	–
Other financial assets (current)	Level 2	**700**	**700**	–	–
Financial liabilities measured at amortised cost (2017: Financial liabilities measured at amortised cost)		**47,722**		**58,650**	
Financial debt (non-current)	Level 2	**6,306**	**6,555**	8,937	9,340
Other financial liabilities (non-current)	Level 2	**3,214**	**3,214**	3,214	3,088
Financial debt (current)	Level 2	**5,612**	**5,635**	5,310	5,341
Trade accounts payable		**26,409**		31,314	
Other financial liabilities (current)		**6,181**		9,875	
Financial liabilities measured at fair value through profit or loss (2017: Financial liabilities at fair value through profit or loss (held for trading))		**505**		**157**	
Derivatives not in a hedging relationship[2]	Level 1	**53**	**53**	–	–
Derivatives not in a hedging relationship[2]	Level 2	**452**	**452**	157	157

[1] Included in balance sheet item "Other financial assets" (current)
[2] Included in balance sheet item "Other financial liabilities" (current)

The above table contains the fair value hierarchy levels in accordance with IFRS 13 used to determine the fair value of financial instruments. 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.

The fair values of financial instruments allocated to Level 1 of the fair value hierarchy correspond to the prices quoted in active markets for identical assets and liabilities.

The fair values of financial instruments allocated to Level 2 of the fair value hierarchy are measured using the following techniques:

Other financial assets measured at amortised cost

The fair value is calculated using the discounted cash flow method by discounting the outstanding amounts matching the relevant maturity. If material, the credit risk of the contracting party is also taken into account.

Other financial assets measured at fair value

This category includes financial instruments whose fair values cannot be derived directly from prices quoted on accessible markets. The inputs relevant to measurement can, however, be observed on the market directly or indirectly in relation to the asset or liability concerned. The fair values are normally determined by obtaining and comparing different price quotations from established brokers.

Derivative financial instruments

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

Financial debt

The fair value of financial liabilities 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.

Other financial liabilities measured at amortised cost

The fair value is calculated using the discounted cash flow method by discounting the outstanding amount, applying the relevant maturity and taking the company's 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)

	2018	2017
Financial assets masured at amortised cost	**+17**	–8,642
Financial assets/liabilities measured at fair value through profit or loss	**–1,489**	+1,972
Financial liabilities measured at amortised cost	**+129**	+166

The net gains and losses include amounts from currency translation.

In addition, net gains or losses on financial assets measured at amortised cost include income and expenses relating to impairment losses on and the derecognition of trade receivables and expenses and income relating to impairment losses on deposits.

Net gains or losses on financial assets and financial liabilities measured at fair value through profit or loss include expenses and income from the sale and measurement of financial assets and liabilities.

Total interest income and expense

The following total interest income and expense resulted from financial assets and financial liabilities; the items are carried in the financial result:

Total interest income and total interest expense from financial instruments measured at amortised cost (in kEUR)

	2018	2017
Total interest income	**273**	327
Total interest expense	**211**	738

Total interest income and total interest expense from financial instruments measured at fair value (in kEUR)

	2018	2017
Total interest income	**141**	–
Total interest expense	**–**	–

Offsetting of financial instruments

The following financial assets and liabilities are either offset against each other in the balance sheet or are subject to a legally enforceable global netting agreement or similar agreements; this means that offsetting is only possible in the event of insolvency of one of the parties.

31 Dec 2018

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 assets					
Trade accounts receivable	126,758	2,318	124,440	–	124,440
Deposits, Cash and cash equivalents	192,426	–	192,426	6,769	185,657
Bonds, shares and fund units	46,862	–	46,862	–	46,862
Derivatives without a hedge relationship	644	–	644	530	114
Other financial assets	4,105	–	4,105	53	4,052
Total	370,795	2,318	368,477	7,352	361,125
Financial liabilities					
Financial debt	–	11,918	11,918	6,769	5,149
Trade accounts payable	–	26,409	26,409	–	26,409
Liabilities to business partners	2,318	7,568	5,250	–	5,250
Derivatives without a hedge relationship	–	505	505	478	27
Other financial liabilities	–	4,145	4,145	105	4,040
Total	2,318	50,545	48,227	7,352	40,875

31 Dec 2017

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 assets					
Derivatives	377	–	377	151	226
Deposits, Cash and cash equivalents	269,448	–	269,448	5,613	263,835
Trade accounts receivable	112,910	3,253	109,657	–	109,657
Total	382,735	3,253	379,482	5,764	373,718
Financial liabilities					
Derivatives	–	157	157	151	6
Financial debt	–	14,247	14,247	5,613	8,634
Liabilities to business partners	3,253	9,571	6,318	–	6,318
Total	3,253	23,975	20,722	5,764	14,958

Financial risks

The financial instruments include specific risks, such as credit risk, liquidity risk and market risk, which consists of currency risk, interest rate risk, price risk and share 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 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. This guarantees that corrective action can be taken quickly and flexibly if things start to go wrong.
> Benchmarks and thresholds in the area of finance 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 receivables, RATIONAL collaborates 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.
> 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.

The RATIONAL Group met all applicable legal requirements arising from the EMIR Regulation by the respective deadlines. The special audit required for 2017 in accordance with section 20 (1) of the Wertpapierhandelsgesetz (WpHG, German Securities Trading Act) was concluded without any objections being raised. RATIONAL AG will also have to be audited for the year 2018. The audit will be conducted as legally required in 2019.

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

Credit 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 credit risk, which could lead to potential liquidity risk and a risk to RATIONAL’s credit rating, customers will be subjected 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, 95% (2017: 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 in clearly defined exceptional cases.

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 shows how the credit risk on trade receivables not covered by the securities is calculated:

in kEUR	31 Dec 2018	31 Dec 2017
Trade accounts receivable	**124,440**	109,657
of which refundable value-added tax*	**9,949**	9,287
of which potential refund by credit insurance	**97,453**	79,851
of which receivables secured by letters of credit/bank guarantees	**3,544**	3,797
of which receivables from public-sector entities*	**113**	302
Unsecured credit risk	**13,381**	**16,420**
Risk coverage ratio	**89%**	**85%**

* if country rating meets requirements

The residual credit risk not covered by the securities shown includes concentration risk amounting to 1,877 thousand euros (2017: 550 thousand euros), distributed over five (2017: two) customers. Unsecured receivables with a nominal value of more than 200 thousand euros (2017: 200 thousand euros) per individual customer are considered when assessing concentration risk. Annual sales revenues well into 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.

Financial assets at banks

RATIONAL only makes deposits and financial investments with investment-grade banks that have a Standard & Poor's long-term rating of at least BBB+. To diversify the risk, the financial assets were distributed across several banks at the end of the year.

Credit risk exists in relation to deposits, financial investments and derivative financial instruments with a positive fair value from the possible failure of the contract partner to fulfil its obligations.

The following table shows the collateralisation of deposits with banks and the unsecured credit risk:

31 Dec 2018 (in kEUR)	Carrying amount after risk allowance	Protected by deposit protection fund	Unsecure credit risk
Deposits	**35,660**	**5,867**	**29,793**
Cash and cash equivalents	**156,766**	**129,759**	**27,007**
Total	**192,426**	**135,626**	**56,800**

31 Dec 2017 (in kEUR)	Carrying amount	Protected by deposit protection fund	Unsecure credit risk
Deposits	73,234	43,331	29,903
Cash and cash equivalents	196,214	170,737	25,477
Total	**269,448**	**214,068**	**55,380**

Other financial assets

The maximum credit 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 192,526 thousand euros (2017: 266,882 thousand euros). As at the balance sheet date, there were no fixed-term deposits with a remaining maturity of more than 12 months (2017: 2,500 thousand euros).

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. 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 (2017: 35,000 thousand euros). After taking into account assignments for subsidiaries and sureties, this leaves unused credit lines amounting to 29,832 thousand euros (2017: 29,661 thousand euros).

In addition, there is collateral for loans agreed for real estate financing, which are described in note 8.

Market risk

Because of RATIONAL's international orientation, the fair values or future cash flows from financial instruments, taking the form of different asset and liability positions, may be exposed to market risk arising from changes in exchange rates, interest rates, commodity prices as well as share and bond prices.

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

In the special fund, which was issued with a value guarantee mandate, appropriate instruments are also used to counter market risk (especially interest rate and share price risk). The contractually agreed guidelines of the special fund govern the treatment of investment risk and the permissible asset classes and financial standing requirements.

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 financial assets", "Cash and cash equivalents" as well as "Trade accounts payable" and "Other financial 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, Mexico and Japan. RATIONAL uses currency options and forward exchange contracts to hedge foreign currency transactions in freely convertible currencies.

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 and Russia). Information on the volume affected by these restrictions can be found in note 13. 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 and the comparatively high costs, no hedging of foreign currency transactions currently takes place in currencies that are not freely convertible or are convertible only to a limited extent.

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

In connection with financial instruments, changes in the exchange rate would have the following hypothetical effects on earnings and equity:

Hypothetical impact on profit 2018

in kEUR

	Value of euro 10% higher	Value of euro 10% lower
EUR/USD	-968	346
EUR/JPY	-794	878
EUR/CHF	-549	671
EUR/BRL	-482	589
EUR/CAD	-480	459
EUR/MXN	-452	526
Others	-2,078	1,425
Total	**-5,802**	**4,895**

Hypothetical impact on profit 2017

in kEUR

	Value of euro 10% higher	Value of euro 10% lower
EUR/USD	-1,440	1,536
EUR/GBP	-849	-814
EUR/SEK	-775	946
EUR/JPY	-603	755
EUR/BRL	-467	571
EUR/CHF	-464	567
Others	-1,972	2,319
Total	**-6,570**	**5,880**

There is a limit on investments denominated in foreign currency for the special fund. In addition, the currency risk is hedged with appropriate instruments. The special fund is not invested in any securities denominated in foreign currency at present.

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 changing interest rates for future payments relating to financial liabilities by agreeing fixed interest rates. Interest rates have been fixed for the entire term of the outstanding loans.

Interest rate risk for financial assets held in the special fund is contained with appropriate instruments. If the interest rate increased by 1 percentage point, earnings and equity would be 439 thousand euros lower. If the interest rate decreased by 1 percentage point, earnings and equity would be 478 million euros higher.

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”.

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.

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 2018, earnings and equity in 2018 would have declined (increased) by approximately 1,286 thousand euros (2017: 732 thousand euros).

Share price risk

In 2018, RATIONAL invested in shares, investment funds and equity derivatives through a special fund and is exposed to share price risk as a result. As at 31 December 2018, the carrying amount for these financial instruments is 8,215 thousand euros. The share price risk is contained by specifying a value guarantee mandate for the special fund, supported by the use of appropriate instruments.

If share prices had been 10 percentage points higher (lower) as at 31 December 2018, earnings and equity would have been 209 thousand euros higher (lower).

22. Employees and personnel costs

	2018	% of total	2017	% of total
Production and Dispatch	**478**	**23**	431	23
Sales and Marketing	**901**	**44**	814	44
Technical Service	**210**	**10**	195	11
Research and Development	**156**	**8**	141	8
Administration	**297**	**15**	255	14
Total	**2,042**	**100**	**1,836**	**100**
of which outside Germany	**935**	**46**	825	45

Personnel costs comprise the following items:

in kEUR

	2018	2017
Salaries and wages	**137,821**	124,889
Social security	**26,371**	23,571
of which expenses for defined contribution plans	**10,844**	9,897
Total	**164,192**	**148,460**

23. Contingent liabilities and other financial obligations

Operating leases are entered into primarily for business premises, production facilities, vehicles and other operating and office equipment. Some of the leases have fixed terms, others are for an indefinite period. They include the following future minimum lease payments:

in kEUR

	31 Dec 2018	31 Dec 2017
Up to 1 year	**6,941**	6,283
1–5 years	**8,273**	7,984
> 5 years	**802**	–
Total	**16,016**	**14,267**
Fair Value	**15,359**	**13,949**

There are no restrictions included in any of the lease agreements. The lease and leasing expenses recognised in the income statement for fiscal year 2018 amount to 7,706 thousand euros (2017: 7,278 thousand euros).

The obligations to purchase property, plant and equipment amount to 23,648 thousand euros (2017: 27,143 thousand euros) and those to purchase intangible assets amount to 885 thousand euros (2017: 168 thousand euros). This item includes primarily the expansion of locations in Germany and France as well as investments in technical equipment and machinery.

There were no material contingent liabilities in fiscal years 2018 and 2017.

24. Operating Segments

The Group is divided into two segments, RATIONAL and FRIMA. Internal control and reporting to the Executive Board are based on these segments and reflect the Group's organisational structure. Earnings before interest and taxes are used as a measure of success. The accounting policies of the segments correspond to those of the Group in all respects.

The RATIONAL segment 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 VarioCookingCenter®.

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 sales revenues 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 investments, amortisation and depreciation relate to intangible assets and property, plant and equipment. No material non-cash expenses reportable under IFRS 8.23 were incurred in either 2018 or the previous year. Assets and liabilities are not reported at segment level.

The reconciliation column shows differences between internal management reporting figures and the externally reported figures, as well as consolidation effects.

Operating Segments 2018

in kEUR

	RATIONAL	FRIMA	Total of segments	Reconciliation	Group
External sales revenues	**711,766**	**65,790**	**777,556**	**+303**	**777,859**
Intercompany sales revenues	**26**	**–**	**26**	**–26**	**–**
Segment sales revenues	**711,792**	**65,790**	**777,582**	**+277**	**777,859**
Segment profit or loss	**190,894**	**13,768**	**204,662**	**+350**	**205,012**
Financial result	**–**	**–**	**–**	**–**	**–850**
Earnings before taxes	**–**	**–**	**–**	**–**	**204,162**
Segment investments	**37,536**	**2,362**	**39,898**	**–**	**39,898**
Segment depreciation	**13,280**	**697**	**13,977**	**–**	**13,977**

Operating Segments 2017

in kEUR

	RATIONAL	FRIMA	Total of segments	Reconciliation	Group
External sales revenues	644,466	57,634	702,100	–	702,100
Intercompany sales revenues	1,869	–	1,869	–1,869	–
Segment sales revenues	646,335	57,634	703,969	–1,869	702,100
Segment profit or loss	**178,384**	**9,307**	**187,691**	**–123**	**187,568**
Financial result	–	–	–	–	–520
Earnings before taxes	**–**	**–**	**–**	**–**	**187,048**
Segment investments	41,787	1,642	43,429	–	43,429
Segment depreciation	11,213	614	11,827	–	11,827

Of the property, plant and equipment and intangible assets, 138,095 thousand euros (2017: 114,480 thousand euros) are reported in Germany, while 12,657 thousand euros (2017: 10,458 thousand euros) are attributable to third countries.

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

25. Related parties

Related parties of RATIONAL AG include the subsidiaries, major shareholders, 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.

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 3,219 thousand euros in 2018 (2017: 2,395 thousand euros). As of 31 December 2018, outstanding trade accounts payable to these companies amounted to 62 thousand euros (2017: 44 thousand euros).

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

26. Supervisory Board and Executive Board

The members of the Supervisory Board are as follows:

Walter Kurtz, Chairman
Businessman

Dr Hans Maerz, Deputy Chairman
Auditor

Dr Gerd Lintz,
Retired notary, independent lawyer

Werner Schwind,
Businessman

Erich Baumgärtner,
Businessman

Dr Georg Sick,
Businessman

The remuneration of Supervisory Board members breaks down as follows:

2018 (in kEUR)

	Fixed	Others	Total
Walter Kurtz	250	18	268
Dr Hans Maerz	200	12	212
Dr Gerd Lintz	150	–	150
Werner Schwind	150	–	150
Erich Baumgärtner	150	–	150
Dr Georg Sick	150	–	150
Total	**1,050**	**30**	**1,080**

2017 (in kEUR)

	Fixed	Others	Total
Siegfried Meister	144	13	157
Walter Kurtz	219	18	237
Dr Hans Maerz	200	12	212
Dr Gerd Lintz	150	–	150
Werner Schwind	150	–	150
Erich Baumgärtnern	150	–	150
Dr Georg Sick	31	–	31
Total	**1,044**	**43**	**1,087**

As of the balance sheet date, Supervisory Board compensation of 1,050 thousand euros (2017: 994 thousand euros) was included in current liabilities.

The Executive Board had the following members at the balance sheet date (31 December 2018):

Dr Peter Stadelmann, Chief Executive Officer
Dipl.-Volkswirt (Economics Graduate)

Peter Wiedemann, Chief Technical Officer
Dipl.-Ingenieur (Engineering Graduate)

Markus Paschmann, Chief Sales Officer
Dipl.-Wirtschaftsingenieur (Industrial Engineering Graduate)

Dr Axel Kaufmann, Chief Financial Officer
Dipl.-Kaufmann (Business Administration Graduate)

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 2018 was 6,162 thousand euros (2017: 5,140 thousand euros). This amount includes performance-related components of 2,715 thousand euros (2017: 2,124 thousand euros), which are classified as current liabilities. The above compensation also includes payments of 11 thousand euros to former Executive Board members (2017: 10 thousand euros). Payments into the pension scheme totalling 474 thousand euros (2017: 432 thousand euros) were also made.

27. 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 2018, so at the balance sheet date (31 December 2018) option rights to a maximum of 131,000 shares of RATIONAL AG remain in the stock option plan.

28. 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 7 February 2017. The declaration is permanently available on RATIONAL AG's website: www.rational-online.com.

29. Significant events after the balance sheet date

In January and February 2019, FRIMA Deutschland GmbH was merged with RATIONAL Großküchentechnik GmbH, FRIMA International AG with RATIONAL International AG, and FRIMA France S.A.S. with RATIONAL France S.A.S. with retrospective effect from 1 January 2019. In addition, RATIONAL Großküchentechnik was renamed RATIONAL Deutschland GmbH and FRIMA-T S.A.S. was renamed RATIONAL Wittenheim S.A.S. The brand merger of RATIONAL and FRIMA and the resulting distribution of the VarioCookingCenter® through RATIONAL sales companies led to adjustments to the internal management structure. In accordance with IFRS 8, segment reporting will be changed from a product view to a regional view, starting in fiscal year 2019. More information on the segments can be found in the management report.

In order to have greater flexibility and room to manoeuvre for financing the future growth of the group of companies and to take advantage of the currently favourable market conditions, RATIONAL AG entered into new agreements for operating lines of credit with several banks in January and February 2019. The agreements relate to firmly committed bilateral lines of credit with a total volume of 75,000 thousand euros and terms of five and seven years. These facilities will give us planning certainty and also replace existing lines of 15,000 thousand euros, which had only been granted until further notice. The new agreements do not specify compliance with any financial covenants and no collateral was pledged to obtain them.

Partial settlement of the community of heirs of Siegfried Meister took place on 18 February 2019. The corresponding mandatory disclosures were published on 25 February 2019 and are available on the RATIONAL AG homepage.

In addition, no events have occurred since the close of fiscal year 2018 that are of particular significance for the assessment of RATIONAL AG's and the Group's net assets, financial position and profit or loss.

30. Auditor's fee

By resolution of the General Meeting of Shareholders held on 9 May 2018, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, was appointed as auditor for fiscal year 2018.

The auditor's fee, including reimbursement of expenses, amounted to a total of 428 thousand euros (2017: 365 thousand euros) and comprises the auditing of separate and consolidated financial statements. In fiscal year 2018, other services provided, including expenses, amounted to 35 thousand euros (2017: 11 thousand euros).

Landsberg am Lech, den 26 February 2019

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, 26 February 2019

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

To RATIONAL AG, Landsberg am Lech

Report on the audit of the consolidated financial statements and of the group management report

Audit Opinions

We have audited the consolidated financial statements of RATIONAL AG, Landsberg am Lech, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of RATIONAL AG for the financial year from 1 January to 31 December 2018. We have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

> the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2018, and of its financial performance for the financial year from 1 January to 31 December 2018, and
> the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to §322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with §317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Capitalisation of development costs
2. Provisions for warranties

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matters:

1. Capitalisation of development costs

1.1. Matter and issue

In the consolidated financial statements of the Company, 3.8 million euros in internally generated intangible assets resulting from development activities are reported under the “Intangible assets” balance sheet item as of 31 December 2018. Of this amount, 0.7 million euros are attributable to development costs newly capitalised in 2018. Total development costs (including capitalised development costs) amounted to 38.8 million euros in fiscal year 2018. Development costs for new product innovations are recognised as internally generated intangible assets if the requirements of IAS 38.57 are met. In addition to the technical feasibility of completing the intangible asset, these include the generation of probable future economic benefits from the intangible asset, the availability of technical and financial resources to complete the development and to use or sell the intangible asset, and the ability to measure reliably the expenditure attributable to development. The capitalised development costs include direct costs and shared overhead expenditure. After initial recognition, the asset is measured using the cost model. Once the asset is available for use, it is amortised over five years. In our view, this matter was of particular importance for our audit since the capitalisation of development costs is based to a large extent on the Executive Board's estimates and assumptions with respect to recognition, and is therefore subject to corresponding uncertainties.

1.2. Audit approach and findings

As part of our audit, we evaluated, among other things, whether the recognition criteria set out in IAS 38.57 are met. In doing so, we assessed management's assumptions with respect to fulfillment of the recognition criteria by inspecting project manuals and the development department's internal records. In addition, we assessed the methodology used to determine the costs eligible for capitalisation, and used appropriate evidence such as project cost overviews and budget figures to assess the amount of the capitalised development costs, their planned useful lives and recoverability. We also assessed the progress of the respective projects based on interviews with project managers and by inspecting project documentation. In our view, the methodology applied by the Company to capitalise development costs is appropriate and the percentage of completion and capitalised development costs have been sufficiently documented.

1.3. Reference to further information

The Company's disclosures on capitalisation of development costs are contained in note 7 and in the “Significant accounting policies” of the consolidated financial statements.

2. Provisions for warranties

2.1. Matter and issue

In the consolidated financial statements of the Company 14.9 million euros in provisions for warranties are reported under the "Current provisions" and "Other non-current provisions" balance sheet items as of 31 December 2018. The Company recognises provisions for expected claims under liability for defects in the products sold. In this context, the Executive Board makes assumptions about future claims. The provisions are recognised and measured based on historical data and unit sales in the fiscal year. Due to the associated estimation uncertainty and given the amounts reported under these material items, we consider these matters to be of particular importance.

2.2. Audit approach and findings

With the knowledge that estimated values result in an increased risk of accounting misstatements and that the measurement decisions made by management have a direct and significant effect on consolidated net profit/loss, we assessed the appropriateness of the carrying amounts, including by means of the measurement bases presented to us. With respect to the recognition and measurement of provisions, among other things we assessed the current agreements, cost estimates and the calculated historical data on unit sales and warranty claims. In addition, we assessed the measurement model for provisions and the expected timing for utilisation of the provisions. In doing so, we were able to satisfy ourselves that the estimates applied and the assumptions made by management were sufficiently documented and supported to justify the recognition and measurement of the material provisions for warranties.

2.3. Reference to further information

The Company's disclosures relating to these provisions are contained in note 16 and in the "Significant accounting policies" of the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report, which we obtained prior of the date of our auditor's report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in the group management report
- the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code

The separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB and the remaining parts of the annual report are expected to be made available to us after the date of the auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. We also:

> Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
> Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
> Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 9 May 2018. We were engaged by the supervisory board on 2 October 2018. We have been the group auditor of the RATIONAL AG, Landsberg am Lech, without interruption since the financial year 2011.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Jürgen Schumann.

Munich, 26 February 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Jürgen Schumann
Wirtschaftsprüfer
(German Public Auditor)

ppa. Patrick Konhäuser
Wirtschaftsprüfer
(German Public Auditor)

Legal notice

Editor
RATIONAL AG
Siegfried-Meister-Straße 1
86899 Landsberg am Lech
Germany

Phone +49 8191 3270
E-mail info@rational-online.com

Concept and design
wirDesign Berlin Braunschweig

Printing
F&W Druck- und Mediencenter GmbH, Kienberg

This report was published on 14 March 2019.

Key figures regarding RATIONAL shares

Key figures

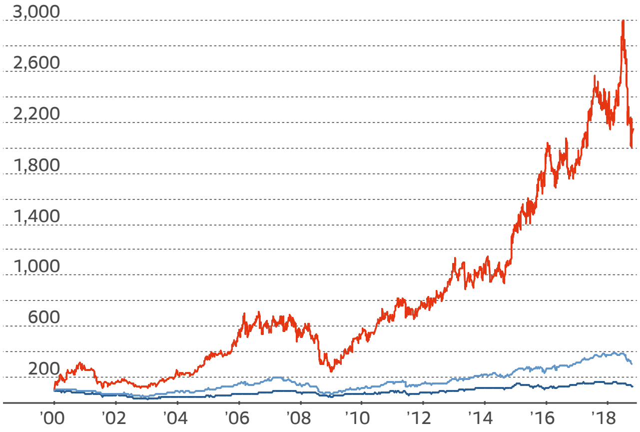
		2018	2017
Maximum price last 12 months[2]	EUR	**698.50**	596.35
Minimum price last 12 months[2]	EUR	**459.80**	405.35
Year-end closing price[2]	EUR	**496.00**	537.20
Market capitalisation[1 2]	m EUR	**5,639.5**	6,108.0
Dividend yield[3]	%	**1.9**	2.0
Beta factor (one year) as of 28 Dec[4]	%	**1.06**	0.79
Sales revenues per share	EUR	**68.41**	61.75
Price-to-sales ratio[1]		**7.3**	8.7
Earnings per share	EUR	**13.84**	12.58
Price-earnings ratio[1]		**35.8**	42.7
Cash flow per share	EUR	**12.69**	12.84
Price-cash flow ratio[1]		**39.1**	41.9

[1] As at balance sheet date [2] Xetra [3] In relation to the year-end closing price
[4] In relation to the SDAX

Performance of RATIONAL shares since the IPO in 2000

Index (issue price 23.00 EUR = 100) in %

Year-end closing price: 496.00 EUR



RATIONAL AG (Xetra) DAX SDAX

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 2019

Financial calendar 2019

Financial Figures Fiscal Year 2018	Landsberg	14 Mar '19
Balance Sheet Press Conference Fiscal Year 2018	Munich	14 Mar '19
Telephone Conference Fiscal Year 2018	Landsberg	14 Mar '19
Financial Figures Q1 2019	Landsberg	7 May '19
General Shareholders' Meeting 2019	Augsburg	15 May '19
RATIONAL Analysts' Day 2019	Munich	22 May '19
Financial Figures Half Year 2019	Landsberg	8 Aug '19
Financial Figures 9 Months 2019	Landsberg	31 Oct '19

21% Average annual return for RATIONAL shareholders since the IPO (including dividends)

The Executive Board

Dr Peter Stadelmann, CEO

Dr Axel Kaufmann, CFO

Peter Wiedemann, CTO

Markus Paschmann, CSO

The Supervisory Board

Walter Kurtz, Chairman

Dr Hans Maerz, Deputy Chairman

Dr Gerd Lintz

Werner Schwind

Erich Baumgärtner

Dr Georg Sick

Contact

Dr Axel Kaufmann
Chief Financial Officer
Phone +49 8191 327 209
ir@rational-online.com

Stefan Arnold
Head of Investor Relations
Phone +49 8191 327 2209
ir@rational-online.com

10-year overview

Key figures

Earnings situation		2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Sales revenues	m EUR	**778**	702	613	564	497	461	435	392	350	314
Sales revenues abroad	%	**88**	87	87	87	87	87	86	85	84	83
Sales revenues RATIONAL segment[1 2]	m EUR	**712**	646	567	529	467	436	413	372	–	–
Sales revenues FRIMA segment[1 2]	m EUR	**66**	58	47	39	33	28	26	23	–	–
Gross profit[3]	m EUR	**457**	421	379	349	304	281	262	234	217	192
as a percentage of sales revenues		**59**	60	62	62	61	61	60	60	62	61
EBITDA	m EUR	**219**	199	176	169	154	136	130	109	113	98
as a percentage of sales revenues		**28**	28	29	30	31	30	30	28	32	31
EBIT	m EUR	**205**	188	167	160	145	128	123	102	106	91
as a percentage of sales revenues		**26**	27	27	28	29	28	28	26	30	29
Profit or loss after taxes	m EUR	**157**	143	127	122	110	97	93	79	80	67
as a percentage of sales revenues		**20**	20	21	22	22	21	21	20	23	21
Earnings per share (undiluted)	EUR	**13.84**	12.58	11.18	10.71	9.68	8.55	8.20	6.93	7.02	5.92
Return on equity (after taxes)[4]	%	**36**	35	34	37	38	38	42	35	38	42
Return on invested capital (ROIC)[5]	%	**34**	33	31	34	34	35	38	33	34	35
Asset situation											
Total assets	m EUR	**604**	571	540	483	423	377	326	283	306	266
Equity	m EUR	**456**	425	397	356	311	269	237	207	230	190
Equity ratio	%	**75**	74	74	74	73	71	73	73	75	71
Liabilities to banks	m EUR	**12**	14	28	28	33	34	25	19	21	32
Cash and cash equivalents (including fixed deposits)	m EUR	**192**	267	278	267	225	200	166	121	163	132
Net financial position[6]	m EUR	**180**	253	250	239	193	166	141	102	142	100
Fixed assets	m EUR	**152**	127	102	79	69	61	56	54	55	58
Investments	m EUR	**40**	43	25	19	17	12	9	6	5	2
Working capital (excluding liquid funds)[7]	m EUR	**150**	118	108	99	93	84	75	79	65	59
as a percentage of sales revenues		**19**	17	18	17	19	18	17	20	19	19
Cash flow / investments											
Cash flow from operating activities	m EUR	**144**	146	130	143	113	103	111	68	87	83
Cash flow from investing activities	m EUR	**–56**	77	–97	–11	–39	–28	–38	61	–23	–72
Cash flow from financing activities	m EUR	**–128**	–128	–87	–83	–71	–57	–57	–106	–52	–8
Employees											
Number of employees as at year-end		**2,113**	1,884	1,713	1,530	1,424	1,341	1,263	1,224	1,092	993
RATIONAL shares											
Year-end closing price[8]	EUR	**496.00**	537.20	424.00	419.90	259.75	241.10	218.00	168.20	161.89	115.99
Year-end market capitalisation	m EUR	**5,640**	6,108	4,821	4,774	2,953	2,741	2,479	1,912	1,841	1,319
Payout[9]	m EUR	**108**	125	114	85	77	68	65	63	102	40
Dividend per share[9]	EUR	**9.50**	8.80	8.00	7.50	6.80	6.00	5.70	5.50	5.00	3.50
Special dividend per share[9]	EUR	**–**	2.20	2.00	–	–	–	–	–	4.00	–

[1] Introduction of the RATIONAL / FRIMA segment structure in 2011
[2] Includes sales revenues between the segments, segment sales revenue total does not correspond to consolidated sales revenues
[3] 2018 reporting of costs incurred in connection with the installation and set-up of appliances under cost of sales, 2017 had been adjusted accordingly, under sales and service expenses up until 2016
[4] Earnings after tax in relation to average equity for the respective fiscal year
[5] Profit after tax less finance costs divided by the invested capital (equity + interest-bearing borrowings)
[6] Liquid funds less liabilities to financial institutions
[7] Total inventories and trade receivables less trade accounts payable and advance payments received
[8] Xetra
[9] Payout in the following year, dividend for 2018 subject to approval by the General Meeting of Shareholders 2019

RATIONAL AG
Siegfried-Meister-Straße 1
86899 Landsberg am Lech
Germany

Phone +49 8191 3270
Fax +49 8191 327 272
www.rational-online.com