When it tastes great, we all speak **the same language.**

Annual Report 2022

50
Years

When it tastes great, we all speak the same language – that is the motto of our company's 50-year anniversary. There are different people, cultures, traditions, religions, languages and – not least – foods, but when they taste good, everyone agrees on one thing: mmm!

This is what we work towards every day at RATIONAL. And this is why we have specialised in the preparation of hot food. For restaurants, hotels, company canteens, hospitals, schools, supermarkets and all the other places that make hot food, all of which are well cared for, thanks to our partners, dealers and service partners around the globe.

An idea has thus been turned into the universal "mmm!".


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a) Firma
b) Sitz
Kaufmann,
Gräfelfing
Einzelprokura: Reithmayr Ger-
Die Prokura Reithmayr Gerhard ist erloschen.
Karteiblatt HR B
Die Prokura Reithmayr Gerhard ist erloschen.

When it tastes great, we all speak the same language.

Thermal food preparation with RATIONAL

We are the global market and technology leader for innovative solutions for thermal food preparation in the world's professional kitchens, with a market share of around 50%. An important building block of our success is our uncompromising focus on customer benefits. Our primary corporate philosophy: "We offer the highest possible benefit to the people who thermally prepare food in the professional kitchens of the world."

The main product is the iCombi Pro, a combi-steamer with intelligent cooking paths. Heat is transferred by steam and hot air. The software independently controls the cooking path until the desired result is achieved. The iCombi Pro replaces conventional cooking appliances, such as grills, cookers, or ovens. As a complementary product, RATIONAL offers the iVario. This cooks with contact heat or in liquid and can replace other traditional cooking appliances, such as deep fryers, kettles, or tilting frying pans.

In addition to our high-performance and high-quality iCombi and iVario product groups, we offer a comprehensive range of services throughout the entire business relationship, enabling our customers to use their appliances in the best possible way at all times. With our ConnectedCooking online platform for professional chefs, we offer our customers a cloud-based networking solution. This allows them to network their appliances, monitor, control, update, and transfer cooking programs remotely. In addition, with Hygiene-Management Pro, we offer our customers further fee-based digital applications for optimising their kitchen processes. We generate around 71% of our sales from our multifunctional cooking systems, the rest from accessories, care products, spare parts, and services.

Our products are ideal for any business that prepares at least 20 hot meals per meal. Our customer base ranges from restaurants and hotels to communal catering, such as company canteens, hospitals, schools, universities, military facilities, prisons, retirement homes, and "ghost kitchens", as well as quick-service restaurants, caterers, supermarkets, bakery and snack shops, butchers, and petrol stations.

According to our estimates, the worldwide market potential is around 4.8 million customers, of which about 25% currently cook with combi-steamers. The vast majority still use traditional cooking technology. We see additional market potential because the iCombi can replace traditional cooking technology as well as original combi-steamers because of its cooking intelligence. With around 1.6 million potential customers, we currently estimate the total potential for the iVario to be comparatively lower. However, because it has only been on the market for a few years, the penetration level is still extremely low. Therefore, the potential for the iVario is similarly high in our view. The large free-market potential allows us to grow via deeper market penetration and increasing replacement demand.

The challenges of the last few years took our company and especially our customers by surprise. As a result, we are seeing accelerating shifts among our customer groups (mass catering, restaurant with service, restaurant without service, and retail). Today, we are well positioned because we designed our structures many years ago for business with a wide variety of customer groups; thus, we are now optimally prepared for these changes.

In principle, we still see the market potential as high. The number of meals that need to be prepared every day around the world continues to grow. The places where they are prepared are changing. Many megatrends remain unchanged. Population growth, urbanisation and rising affluence in some emerging markets continue unabated. Commercial catering, the delivery business and so-called ghost kitchens have been enjoying growth in the last few years.

It is part of our corporate philosophy to develop this potential organically. We often take a pioneering role in opening up new markets. This results in increasing brand awareness, which contributes to sustainably consolidating and expanding our world market leadership. We are represented in more than 120 countries through our own sales companies and partners.

An essential part of the foundation of our company's success is our focus on the professional kitchen, and in the kitchen, we focus on its chief purpose: cooking. This specialisation enables us to offer our customers ever better solutions and to continuously increase their benefits. Our products set standards in terms of cooking intelligence, cooking quality, user-friendliness, resource efficiency, and networking possibilities. They can reproduce practically all cooking paths: grilling, steaming, gratinating, baking, fermenting, roasting, braising, simmering, steaming, poaching, blanching, low-temperature cooking, deep-frying, and much more. In this way, they replace almost all traditional cooking appliances in the professional kitchen and are winning over more customers worldwide.

The RATIONAL combi-steamer is regarded as one of the most important cooking appliances in the professional kitchen. We are perceived as an innovative solution provider with high-quality, reliable products and the highest quality of service. In accordance with our philosophy, our customer satisfaction surveys are a particularly high priority at RATIONAL. That is why we are proud that our customer satisfaction survey again delivered particularly good results in 2022. With a net promoter score of 64, we have a level of customer satisfaction that is well above the industry and sector by comparison. This result once again underlines our clearly leading market position. Even after the crisis, our customers remain highly satisfied and loyal. With our latest product innovations, we have created even more benefits for our customers and given them even more reasons to replace or buy for the first time. Especially in these uncertain times, we are proud to once again set new standards with the worldwide launch of our completely new product generation. In this way, we are once again increasing the benefits for our customers.

Another important building block of our success is the principle of the "entrepreneur in the enterprise" (U.i.U.®). The U.i.U. works like an entrepreneur in his or her field, makes the necessary decisions independently and takes responsibility for them. In doing so, the U.i.U. always focuses on the benefit to the customer. Even in the difficult environment of recent years, our U.i.U.s adapted very well to the new situation and did everything to help our customers in the best way possible. At the end of 2022, we had around 2,400 employees, more than half of them in Germany.

We are taking some lessons learned from the crisis years in the recent past. We have successively converted our sales, service, and marketing processes to digital formats in order to be able to reach and inform our customers and business partners via webinars, live streams, and videos, among other things. We will continue to provide these additional digital offerings, even though we are also happy to get back in touch with our customers in person. In addition, RATIONAL's solutions are helping our customers to cope with the increasing staff shortages, the pressures to increase efficiency as well as the stricter hygiene regulations. In addition, our energy-efficient cooking systems help our customers to counter the high energy and food prices.

One result of high customer and employee satisfaction is the positive financial performance. Our exceptionally healthy balance sheet and good liquidity situation help us to take care of our customers, our business partners, and our employees all while fostering innovation, even in times of crisis. Our independence, stamina and room for manoeuvre give us a decisive competitive advantage; they are the reflection of our high level of performance. We still consider achievable a return to growth rates in the high single-digit range, with EBIT margins of around 24% to 25%, as well as an equity ratio of over 70% and a pay-out ratio at pre-crisis levels.

Our product portfolio

Maximum customer benefit through simple operation, best cooking quality, highest efficiency, and modern networking solution

The iCombi®
The new standard

In May 2020, we launched the iCombi Pro and the basic model iCombi Classic. The iCombi Pro is a combi-steamer with intelligent cooking paths. Heat is transferred during cooking by steam, hot air or a combination of the two. The software used recognises the size and consistency of the food and independently defines the optimal cooking path. This ensures that the desired result is always achieved with pinpoint accuracy. The cook can control the cooking path in terms of speed, energy-saving, or time optimisation. The iProductionManager of the iCombi takes over the optimisation of production processes of different dishes. The iCombi Pro has a 12-minute automatic cleaning function that helps to increase capacity. Other unique selling points of the iCombi are its high resource efficiency, simple operation, flexible use, and minimal cleaning and maintenance requirements. This leaves the chef time for the essentials: creativity and the well-being of his guests. With seven appliance sizes, we can offer the right product for every customer. The iCombi is produced at our headquarters in Landsberg am Lech and marketed worldwide.

The iVario®
The new performance class

The iVario is a multifunctional cooking system, it cooks in liquids or with contact heat and is significantly faster than comparable products — with less energy consumption. This means it can replace conventional cooking appliances, such as tippers, kettles, deep fryers, and pressure cookers. The cooking intelligence controls the cooking path fully automatically and adapts it optimally to the respective food. The cook is notified as soon as he has to act himself. Nothing boils over, nothing burns. When cooking with the iVario Pro, the patented iZoneControl makes it possible to divide the bottom of the pan into up to four zones in order to prepare different dishes at different temperatures at the same time. The new height adjustment function of the appliance also improves working ergonomics for kitchen staff. With the four different models of the iVario, we offer the optimal solution for all markets and customer groups, from restaurant operations to communal catering. The iVario is manufactured in Wittenheim, France, and has been marketed in practically all regions of the world since June 2020.

ConnectedCooking
The innovative connectivity solution

With ConnectedCooking, we offer our customers an online portal for the professional kitchen. This includes a free, cloud-based networking solution which allows our customers to network their appliances, control them remotely, update them with the latest software, and transfer cooking programs as well as manage HACCP data. With over 100,000 members, ConnectedCooking is the largest online platform for professional chefs. One innovation introduced in 2022 was the placement of energy consumption values in the dashboard. This gives users an overview of the energy consumption of their RATIONAL combi-steamers and enables them to identify potential savings. In addition, since 2020 we have been offering our customers Hygiene-Management Pro, an additional module for ConnectedCooking, for which a fee is charged. It includes extended software functionalities, the appropriate measurement technology (e.g. temperature sensors) and accompanying consulting services to simplify hygiene and quality processes in larger operations while making them more transparent and automating them across locations. Hygiene-Management Pro has already been able to ensure greater food safety for the first customers in the German and Austrian markets. The services are aimed, in particular, at businesses that have several locations and are organised in a chain structure.

Key Figures

in m EUR	2022	2021	Change absolute	Change in %
Sales revenues by region				
Germany	125.5	102.5	+23.0	+22
Europe (excluding Germany)	439.0	336.8	+102.2	+30
North America	221.4	140.4	+81.0	+58
Latin America	57.6	35.5	+22.1	+62
Asia	126.0	122.8	+3.2	+3
Rest of the world	52.9	41.8	+11.1	+27
Sales revenues generated abroad (in %)	88	87	+1	–
Sales revenues by product group				
iCombi	894.6	698.4	+196.2	+28
iVario	127.7	81.4	+46.3	+57
Sales revenues and earnings				
Sales revenues	1,022.3	779.7	+242.6	+31
Cost of sales	457.3	350.5	+106.8	+30
Gross profit	565.1	429.3	+135.8	+32
in % of sales revenues	55.3	55.1	+0.2	–
Sales and service expenses	236.6	187.6	+49.0	+26
Research and development expenses	44.8	45.1	-0.3	-1
General administration expenses	47.0	40.0	+7.0	+18
Earnings before financial result and taxes (EBIT)	237.5	160.1	+77.4	+48
in % of sales revenues	23.2	20.5	+2.7	–
Profit or loss after taxes	185.7	123.7	+62.0	+50
Return on capital employed (ROCE)	36.8	27.7	+9.1	–
Balance Sheet				
Total equity and liabilities	899.2	783.8	+115.4	+15
Equity	676.2	603.3	+72.9	+12
Equity ratio (in %)	75.2	77.0	-1.8	–
Cash flow				
Cash flow from operating activities	160.6	171.7	-11.1	-6
Cash-effective investments	37.2	25.8	+11.4	+44
Free cash flow [1]	123.4	145.9	-22.5	-15
Employees				
Number of employees as at 31 Dec	2,401	2,248	+153	+7
Number of employees (average)	2,351	2,206	+145	+7
Key figures for RATIONAL shares				
Earnings per share (in EUR)	16.33	10.88	+5.45	+50
Year-end closing price [2] (in EUR)	555.00	900.40	-345.40	-38
Market capitalisation [2,3]	6,310	10,238	-3,928	-38

1 Cash flow from operating activities less capital expenditures
2 Xetra
3 As of balance sheet date

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Notes:
The editorial deadline for this report was 1 March 2023.

In tables, due to rounding differences, the sum of the individual values shown may not correspond to the total sum shown.

Management Report of the RATIONAL Group for Fiscal Year 2022

Contents

The charts on pages 10 to 34 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. Alongside RATIONAL AG, the Group comprises 32 subsidiaries, of which 23 are sales companies. Through the sales companies and local trading partners, the Group markets its products in almost all regions of the world. It also has 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 in professional kitchens. Around 71% (2021: 71%) of sales revenues were generated in the past fiscal year through the sale of cooking systems.

We generate most of our sales revenues with combi steamers with intelligent cooking and, since May 2020, with the iCombi Pro model. Combi-steamer technology involves transferring the heat during cooking via steam, hot air or a combination of the two. The cooking intelligence of the iCombi Pro detects the temperature, size and consistency of the food and controls the cooking path until the desired cooking result is attained. In addition, we offer our customers a basic combi-steamer model as well as the iCombi Classic, which was launched in May 2020. All models are produced at the company's headquarters in Landsberg am Lech and distributed worldwide.

Since 2004, we have offered technology to complement that of the combi-steamer and, since June 2020, the iVario model. The iVario uses direct contact heat for boiling, frying, deep-frying and (pressure) cooking and is therefore able to replace conventional cooking appliances such as tippers, kettles, fryers and pressure cooker braisers. The iVario is manufactured in Wittenheim, France, and actively distributed in Europe as well as, since 2020, in the Americas and Asia.

We generated around 29% (2021: 29%) of sales revenues in the past fiscal year with accessories, service parts and services for our combi-steamers and the iVario, as well as with care products for combi-steamers.

ConnectedCooking is a digital kitchen management system we offer to our customers, comprising a free, cloud-based connectivity solution. Our customers can use it to connect their cooking systems, control them remotely, update their software, get inspiration from recipes, transfer cooking administration programs and manage hygiene data. Since 2020, we have also been offering our customers Hygiene Management Pro as an additional fee-based module. It comprises extended software functions, suitable measuring technology (e.g. temperature sensors) and supporting consulting services to simplify hygiene and quality assurance processes in larger businesses, thus making them more transparent and automating them across different locations. The services are aimed in particular at businesses with several locations.

Our customers can additionally benefit from a large range of free and fee-based services. These include the free-of-charge iCombi and iVario live events, the Academy RATIONAL and expert kitchens in our training centres, at trade fairs or on site at our customers. Digital formats, such as webinars, live streams and uploaded videos, have grown significantly in importance since 2020, and there was strong demand for them again in the year under review. We also provide our customers with expert tips on our ChefLine. Fee-based consulting offerings include Academy events on specific topics and in-depth process consulting as part of post-installation support at the customer.

Segments
We report the following regional segments in accordance with the RATIONAL Group's internal control system:

› DACH (Germany, Austria, Switzerland)
› EMEA (Europe, Middle East, Africa)
› North America
› Asia
› Other segments

Markets, customers and competitive situation
Our products are targeted at commercial kitchens and businesses of all kinds that prepare at least 20 hot meals per service. The customer base extends from restaurants and hotels, large-scale catering operations such as company canteens, hospitals, schools, universities, military facilities, prisons and retirement homes, "ghost kitchens" right through to quick service restaurants, caterers and delivery services, as well as supermarkets, bakeries, snack outlets, butchers' shops and service stations.

To make headway into the enormous untapped potential in the global market, 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 also addressing the growing potential presented by emerging markets.

Our core markets are DACH and EMEA. We generated a total of around 58% of our sales revenues in these segments in the past fiscal year. In 2022, the North America segment accounted for slightly more than 20% of sales revenues, while Asia contributed around 14%.

We estimate that there are around 100 manufacturers of competitor products worldwide. Our market and competitive structure and the competitive situation vary from country to country.

Legal framework

The legal framework relevant to us is described in the risk report.

Due to the sanctions imposed by the EU on Russia and Belarus, the Supervisory Board and Executive Board of RATIONAL AG decided unanimously to discontinue operations in Russia. The Russian sales company, which was economically inactive as at the end of fiscal year 2022, will be closed down in the course of fiscal year 2023.

There were no other changes to the legal framework with a material impact on our business.

Strategy and objectives

Our success story stands on four main pillars:

1. Focus on large and commercial 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 decades.

Focus on large and commercial kitchens

We focus on a clearly defined target group, namely all the people preparing hot food on a commercial basis. With our own chefs now working in these customer-oriented functions, we are the company of chefs for chefs.

Specialising in thermal food preparation

We see ourselves 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 and improve their sustainability.

Maximum customer benefit as our primary corporate aim

Always offering our customers the maximum benefit is our primary corporate aim. In addition to the sale of our products, our customers benefit from a comprehensive service offering 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 Entrepreneur in the Company (U.i.U.). The U.i.U. entrepreneurs operate as independent business people within their own area of responsibility. As a result, employee management and working methods at RATIONAL have a decentralised management structure, high levels of personal responsibility and self-organisation.

Planning and control system

Financial key performance indicators

The table below shows the financial key performance indicators (KPIs) for all the regional segments of the RATIONAL Group. Since fiscal year 2022, ROCE (return on capital employed) has been included as a long-term financial key performance indicator in the remuneration system for the Executive Board. With these indicators, we can detect inefficiencies and make the necessary adjustments at an early stage.

Financial key performance indicators

Sales volume/revenue trends	DSO (days sales outstanding)
EBIT (earnings before financial result and taxes)	Operating expenses
EBIT margin (ratio of EBIT to sales revenues)	Group equity ratio
Group gross margin	ROCE (Return on capital employed)

Non-financial key performance indicators
In view of the varied nature of the sales and customer loyalty measures, we use the global customer satisfaction as a key performance indicator to inform our management actions. In 2022, the satisfaction of our customers was measured by engaging an independent service provider and using the net promoter score (NPS), a metric known internationally. The NPS expresses the extent to which satisfied customers are prepared to recommend our products to friends or business partners. High scores of 9 or 10 are awarded by those customers – considered to be active promoters – who intend to make a positive recommendation. Customers who award scores of 7 or 8 are passives, and anyone who provides a rating of 6 or lower is referred to as a detractor. This index is shown on a scale of −100 to 100. The survey was conducted in 2022 in 17 countries around the world in all customer groups relevant to us. The NPS will in future be determined every two years, with the next one scheduled for 2024. Between survey dates, the potential areas for improvement identified by our customers surveyed are specifically addressed in dedicated projects. The aim is to consolidate and increase customer satisfaction for the long term. The aim of the subsequent survey is firstly to determine the success of these projects and secondly to establish what areas for improvement continue to exist.

Energy is a substantial cost factor for our customers, but also plays a critical role for many customers in attaining their sustainability targets. For this reason, energy efficiency is an important objective for the products and services of the RATIONAL Group. For the purpose of environmental protection, it has therefore been stipulated that, from fiscal year 2022, the current combi steamer series has to meet the criteria of the US Energy Star, which have been further tightened and therefore been made even more ambitious from January 2023 onwards. During the assessment period, this is the non-financial key performance indicator. This target was achieved in full in fiscal year 2022.

The KPI for employee satisfaction is the staff turnover rate, which is determined monthly across the Group.

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 a total of 226 employees (2021: 225 employees) in this area throughout the Group as at the balance sheet date.

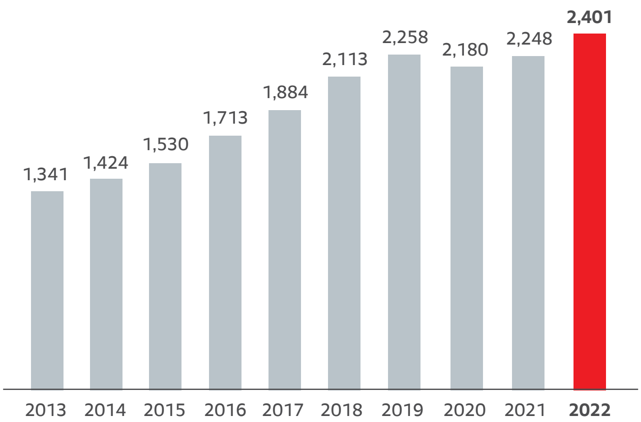
In 2022, we spent 53.1 million euros (2021: 48.2 million euros), or 5% of sales revenues (2021: 6%), on researching and developing new solutions and improving the performance of our products and services. Of this total, 44.8 million euros (2021: 45.1 million euros) were recognised as an expense in the income statement. 8.4 million euros (2021: 3.1 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 2022, amortisation charges on capitalised development costs amounted to 0.5 million euros (2021: 1.2 million euros).

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

Employees and human resources development
As a socially responsible Group, RATIONAL attaches high priority to employee satisfaction. For this reason, a Group-wide employee satisfaction survey is conducted every two years, including in 2022. 84% of our employees took part. Based on the results of this survey, workshops are held to develop improvement measures in the respective teams. The objective is to keep employee satisfaction at a high level. According to the results, 88% of those surveyed are satisfied with their jobs in our company and 87% are even proud to work for RATIONAL.

The number of employees in the Group rose by 153 in 2022 from 2,248 to 2,401 (as of 31 December 2022). Of these, 1,392 (2021: 1,285) were employed in Germany.

Number of employees



Status: 31 December of each year.

We see the focussed promotion of young, talented employees as an important building block for the company's successful development and fitness for the future. Since qualified vocational training enjoys a very high priority at RATIONAL, we currently employ 67 apprentices in the following disciplines: industrial business managers, warehouse logistics, industrial technicians, mechatronics engineers, metal technology, chefs and IT specialists. 24 employees are on dual courses of study, combining studies with practical experience in computer science, computer engineering, mechatronics, engineering, international business, lifecycle catering, food technology and business informatics. Another 31 employees were participating in a technical, business administration or sales-oriented young talent programme as at the balance sheet date.

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 8% worldwide (2021: 8%).

Remuneration and employee benefits
Wage and salary adjustments in Germany are based on or exceed the wage increases negotiated by the IG Metall union. In July 2022, we increased the salaries of our workforce by slightly more than 5% on average throughout the Group. 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. Furthermore, in November 2022, we granted a voluntary non-recurring inflation premium to all employees of the RATIONAL Group. This puts us significantly above the latest pay-scales negotiated with the IG Metall trade union.

Non-financial consolidated report in accordance with Sections 315b and 315c of the German Commercial Code (HGB)
Disclosures on environmental, employee, social and customer concerns, respect for human rights (see UK Modern Slavery Act Statement), combating corruption and bribery – over and above the information provided in this Group Management Report – can be found in the 2022 non-financial consolidated report of RATIONAL AG. This 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 by the deadline of 30 April 2023 under the "Corporate Governance" heading on the RATIONAL website under "Investor Relations".

Significant events in fiscal year 2022

Appointment of Dr Martin Hermann as CTO
The Supervisory Board of RATIONAL AG appointed Dr Martin Hermann as CTO effective 1 September 2022. Dr Hermann will gradually succeed Peter Wiedemann, who has been Chief Technology Officer (CTO) since 1999 and will step down for age-related reasons. Dr Hermann assumed responsibility for Purchasing, Product Development and Quality Management from October 2022 onwards. As COO, Peter Wiedemann will retain responsibility for Production and other technical processes.

From 2012, Dr Hermann had been Managing Director and CTO/COO at Hauni Maschinenbau GmbH in Hamburg, where he had held global responsibility for research and development, production, the supply chain and quality management. Before joining Hauni GmbH, from 2005 to 2012, Dr Hermann was Chief Technology Officer at H. Stoll GmbH & Co, a company that makes textile and flat knitting machines.

The timely appointment of a successor enables an orderly, successful hand-over.

Orderly withdrawal from the Russian market
In June 2022, the Supervisory Board and Executive Board of RATIONAL AG decided unanimously to discontinue operations in Russia and close down the sales company there. The decision is our response to the economic and political fallout from Russia's war of aggression in Ukraine. The withdrawal was conducted in an orderly manner to allow us to meet ongoing obligations to customers and employees. From a financial perspective, we believe that the loss of the Russian market will not have any material impact on business performance.

Cost situation necessitated price increases
We generally aim to avoid price increases because they do not provide additional customer benefit. We try to offset cost increases with efficiency gains. This helped us to avoid general price increases for many years. Given the drastic rise in the prices of commodities, components and logistics, we felt compelled to adjust selling prices specifically by product group. This measure does not mark a general departure from our existing business practice.

In 2022, the price increases had a positive effect, contributing about 10 percentage points to sales revenue growth.

External factors
The supply situation for electronic components, which was initially very tight, increasingly eased in the course of fiscal year 2022. Nevertheless, the procurement of certain components was still subject to uncertainties. This was attributable to delayed deliveries from upstream suppliers as well as personnel-related capacity bottlenecks at suppliers.

The operating business was additionally impacted by drastic rises in energy and commodity prices. The outbreak of the war in Ukraine in particular led to major turmoil in the commodity markets and exacerbated this trend. As a result, we experienced significant price increases for important commodities such as alloy metals and chemicals for our care products. Gas and energy prices likewise significantly exceeded normal levels.

Most of our markets were affected by high rates of inflation. In 2021, stretched supply chains had already caused prices to rise in many countries. Moreover, climbing energy and food prices fuelled rising levels of uncertainty among consumers and concerns about an economic downturn. The global rate of inflation for 2022 is expected at 8.8% which would be the highest annual inflation rate since 1996. (Source: Statista, Global inflation rate from 2000 to 2021, with forecasts until 2027, October 2022.)

Investing in the future
In Wittenheim, the production and development location for the iVario, construction of a customer centre, an administration building, and a production facility began in mid-April 2021. The total volume to be invested by the expected completion date in September 2023 will be just over 30 million euros. Of this amount, 10 million euros was incurred in 2022. Investment projects are generally funded from our own resources.

Stepping up ESG activities
Environmental and sustainability concerns have always enjoyed a very high priority at RATIONAL. In the past fiscal year, we significantly increased our efforts to align our company with sustainable objectives and thus created a corporate function responsible for these endeavours. The function will focus on spelling out our ESG strategy in more detail, meeting the legal standards and dealing with the KPIs required for this purpose. In this way, we will increase awareness of the sustainable orientation of our company in all processes.

Economic Report

Macroeconomic and sector-related framework

Economic growth slowed by geopolitical uncertainty: global economy grows by 3.4% in 2022
The International Monetary Fund (IMF) estimates growth of 3.4% for the fiscal year under review. Economic output in industrialised countries expanded by about 2.7% in 2022, while emerging countries recorded year-on-year growth of 3.9% (Source: IMF, World Economic Outlook Update, January 2023.)

Catering and food service industry facing major challenges
The prospects for the catering and food service industry were positive overall at the beginning of 2022. The coronavirus-related lockdowns seemed to have been overcome in most markets. (Source: Oxford COVID-19 Government Response Tracker, December 2022.)

Yet shortages of skilled staff are increasingly making things difficult for the industry. Data from the United States has confirmed this: around half of restaurateurs in the United States expect the recruitment and retention of staff to be their biggest challenge, followed by high food prices. (Source: National Restaurant Association, State of the Restaurant Industry 2022, January 2022.) We believe that this is similarly true for other countries.

Since the beginning of the year, additional challenges have become the focus of the restaurant and catering industry. Energy and commodity prices, which had been rising for several years, reached new unprecedented highs following the outbreak of the war in Ukraine.

According to our observations, the catering and food service industry is trying to counter these trends with measures such as price increases, menu adjustments and a scaled-back service offering. Government support measures, including for investments in future technologies, were a key factor in the efforts of many customers to weather the serious crisis.

The outlook for 2023 varies greatly from region to region. In low-income developing countries, as well as in many European countries, the risk of reduced consumer spending persists because of sharply rising energy and food costs as a consequence of the war in Ukraine. This could continue to have an effect on inflation rates. On the other hand, government relief packages, the strong labour market, large household savings in high-income countries and signs that inflation may ease sooner than expected suggest slightly more positive prospects. The growth rates for 2023 seem particularly promising in markets outside Europe. (Source: IMF World Economic Outlook Update, January 2023.)

It is, moreover, feasible that the effects seen in 2022 will raise awareness and highlight the need for more sustainability in industrial kitchens. Trends towards energy-efficient cooking, regional production, vegetarian and vegan dishes and regenerative food manufacture are conceivable outcomes in this regard. (Quelle: Zukunftsinstitut, Food Report 2023, June 2022.)

Data from the United States shows that professional kitchens still have a lot of catching up to do in the area of intelligent cooking systems. Almost 80% of annual energy costs are attributable to inefficient traditional equipment. There is also a strong need to reduce water consumption and food waste. (Quelle: ENGIE Impact, Restaurant Industry Sustainability, January 2023.)

Management's assessment of the economic situation

Despite the current uncertainty about energy and commodity prices and supplies, the Executive Board deems the RATIONAL Group's economic and market situation to be very good in the medium to long term.

We monitor economic developments in our principal markets very carefully. How and where meals are prepared and eaten is changing, but food continues to be made and consumed away from home. Our products are used by both customer groups: those that suffer from the effects of inflation as well as those benefiting from it. This could be an advantage, especially for restaurants without service and retail businesses.

The coronavirus crisis had already put the catering industry under mounting pressure. Examples include increasingly tighter hygiene regulations, greater demands for efficiency in response to cost increases and a decline in the number of qualified kitchen staff. This situation continued to worsen in some areas during the year under review. Our multifunctional cooking systems make an essential contribution to energy and resource efficiency in large kitchens. With our technologies, we want to help our customers master these particular challenges in the best possible way. Our cooking systems benefit from intuitive operation and continuous enhancements to cooking intelligence. The purpose of this intelligence is to make it easier both to prepare food and to clean the cooking systems and keep hygiene management records.
Thanks to our low debt levels, our large liquidity reserve, flexible cost planning and large market potential for an offering that is positioned close to a basic human need, our Group is well prepared for any currently conceivable macroeconomic scenario. This gives us adequate room to manoeuvre and the independence to take all necessary business decisions.

Development of the business in 2022

Earnings situation

Sales volume growth

In total. we sold 12% more cooking systems in fiscal year 2022 than in 2021. Some of the products sold in 2022 were the result of the high level of orders on hand at the end of the previous year, which were delivered in the fiscal year under review.

The iVario continued its successful growth story, with a 40% rise in the number of cooking systems sold. Especially in North America, sales figures were up significantly two years after the market launch.

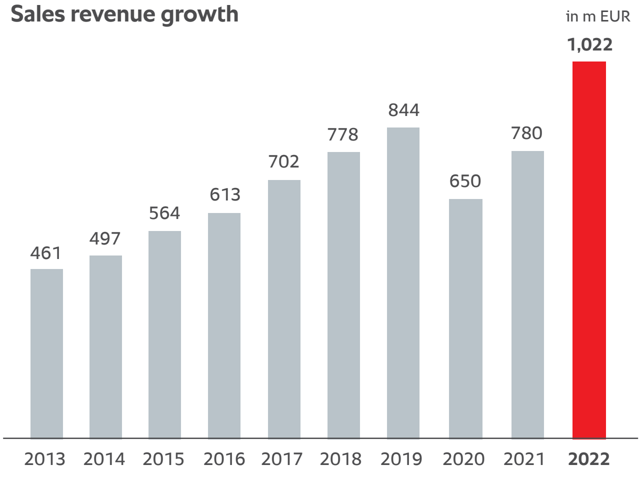
Although limited availability of electronic components for the iCombi product group meant that many orders could not be delivered, the number of iCombi cooking systems delivered rose by 10%.

At the end of 2022, orders on hand stood at around 25,000 cooking systems, more than three times the monthly sales volume.

Sales revenue performance

Sales revenues exceeded the prior-year figure by 31%, growing to 1,022.3 million euros in fiscal year 2022 (2021: 779.7 million euros).

Sales revenue growth

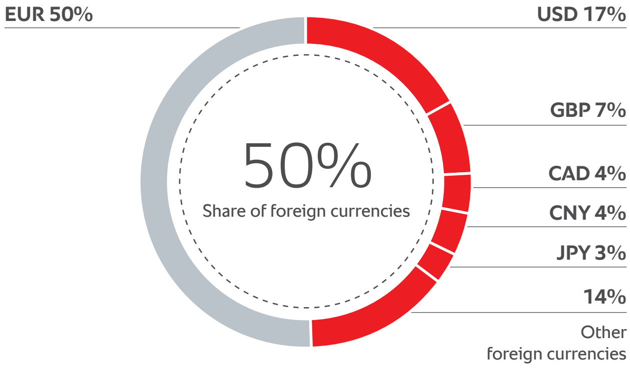


We achieved a fresh high in each of the four quarters. The table below shows the breakdown of sales revenues by quarter.

Sales revenues by quarter

in m EUR	2022	2021	Change 2022 / 2021 in %
1st quarter	**225.3**	167.7	+34
2nd quarter	**232.4**	211.6	+10
3rd quarter	**274.2**	206.9	+33
4th quarter	**290.4**	193.5	+50
Full year	**1,022.3**	**779.7**	**+31**

Share of foreign currencies in 2022



In addition to the growth in sales volumes, the successful sales revenue performance in fiscal year 2022 was driven in particular by the after-sales business, positive currency movements and price increases.

The after-sales business with service parts, care products, accessories and services expanded by about 33% in 2022 and therefore made an important contribution to growth. As a proportion of total sales revenues, the after sales business remained stable at 28.9% (2021: 28.5%). The steady increase in the installed base and the greater speed at which the price increase took effect supported this trend.

In the 2022 fiscal year, we generated 50% of our sales revenues in foreign currency (2021: 49%). The most important currencies other than the euro are the US dollar (17% of sales revenues), pound sterling (7%), the Chinese yuan (4%), the Canadian dollar (4%), and the Japanese yen (3%). In total, currency movements contributed significantly to sales revenue growth. Positive effects came for the depreciation of the euro against almost all major foreign currencies. In particular, the exchange rates of the US dollar, the Chinese yuan and the Canadian dollar had a positive impact. The Japanese yen, the Swedish krona and the Polish zloty had a slightly negative effect. Sales revenue growth after adjustments for exchange rate movements was around 27%.

In addition to currency effects, the rise in sales revenues was also driven by the price increases implemented in 2022. We have quantified this effect at around 10 percentage points for 2022.

Both product groups achieved record sales revenues. In the iCombi product group, we generated sales revenues of 894.6 million euros in the past fiscal year (2021: 698.4 million euros), a 28% increase over the previous year. In the iVario product group, sales revenues rose by 57% to 127.7 million euros in 2022 (2021: 81.4 million euros).

Differences between regional segments – growth driven by North America

Sales revenues in the DACH segment rose by 26% to 169.1 million euros (2021: 134.5 million euros). Our home market of Germany delivered growth of 22%. Austria was up 31%, while Switzerland expanded by 54% compared with the previous year.

The EMEA segment generated sales revenues of 420.6 million euros (2021: 321.7 million euros), 31% more than in the previous year. The two largest individual markets, the UK and France, expanded by 31% and 24% respectively. The performance of our southern European markets was particularly encouraging, with both Italy and Spain expanding by more than 50%. Russia and the countries in Eurasia were hard hit by the sanctions policy, which caused them to lose almost half of the prior-year sales revenues.

Sales revenues in the North America segment were 43% higher than in the previous year, at 207.9 million euros (2021: 144.9 million euros). This pleasing growth resulted from all individual markets in the region.

Sales revenues in the Asia segment were 143.6 million euros in the past fiscal year, slightly higher than in the previous year (2021: 141.6 million euros). The situation in the region's largest individual markets was mixed. India's performance was positive, recording growth of 44%. Sales revenues generated in Japan and Korea were 8% and 6% up respectively. The largest individual market in Asia, China, was 19% down on 2021 due to the difficult political situation in the fiscal year under review.

In the other segments, sales revenues in 2022 amounted to 41.9 million euros, 53% more than in the previous year (2021: 27.3 million euros). Here our growth rates ranged from 46% in Brazil to about 70% in total in the other countries of the region.

Segments in 2022

in m EUR	DACH	EMEA	North America	Asia	Other segments	Total of segments	Reconciliation[1]	Group
Segment sales revenues	169	421	208	144	42	983	39	1,022
Segment profit	41	110	41	29	10	232	6	238
Sales revenue growth	26%	31%	43%	1%	53%	28%	–	31%
Profit margin	24%	26%	20%	21%	23%	24%	–	23%

Segments in 2021

in m EUR	DACH	EMEA	North America	Asia	Other segments	Total of segments	Reconciliation[1]	Group
Segment sales revenues	135	322	145	142	27	770	10	780
Segment profit	28	68	20	25	3	145	16	160
Sales revenue growth	16%	14%	21%	22%	24%	17%	–	20%
Profit margin	21%	21%	14%	18%	10%	19%	–	21%

1 Reconciliation also includes the total of "Corporate departments" (see note 25).

Consolidated gross margin of 55%

Higher component, commodity and logistics prices had a negative influence on the consolidated gross margin in the year under review. The increases in stainless steel, chemical and energy costs were felt particularly strongly. The cost increases were offset by the price increases we implemented.

After reaching 54.5% in the first quarter of 2022, the gross margin declined to a low of 53.5% in the second quarter of 2022. After the higher prices increasingly took effect, the gross margin stabilised from the third quarter of 2022 onwards. Sales revenue-boosting exchange rate movements also had a positive effect. The third quarter's gross margin was 54.7%, improving to 57.8% in the fourth quarter due to the high sales volume and as a result of positive inventory measurement effects. This resulted in a consolidated gross margin of 55.3% for fiscal year 2022 (2021: 55.1%).

23% EBIT margin

The EBIT margin for the past fiscal year benefited from healthy sales revenue performance in combination with operating costs that rose more slowly than sales revenues and positive currency effects. While sales revenues climbed by 31% year-on-year, operating costs were 20% above the prior-year level. Total operating costs amounted to 328.3 million euros in the year under review (2021: 272.7 million euros).

Cost and earnings structure

in m EUR	2022	in % of sales revenues	2021	in % of sales revenues
Sales revenues	1,022		780	
Cost of sales	457	45	350	45
Sales & service	237	23	188	24
Research & development	45	4	45	6
Administration & other*	46	5	36	5
EBIT	238	23	160	21

* Includes net currency gain or loss.

Operating costs in sales and service stood at 236.6 million euros (2021: 187.6 million euros), a year-on-year increase of 26%. In particular international logistics costs rose, driven by greater delivery quantities and higher freight charges. There were also planned increases in costs for sales activities such as trade fairs and customer events, as well as for travel.

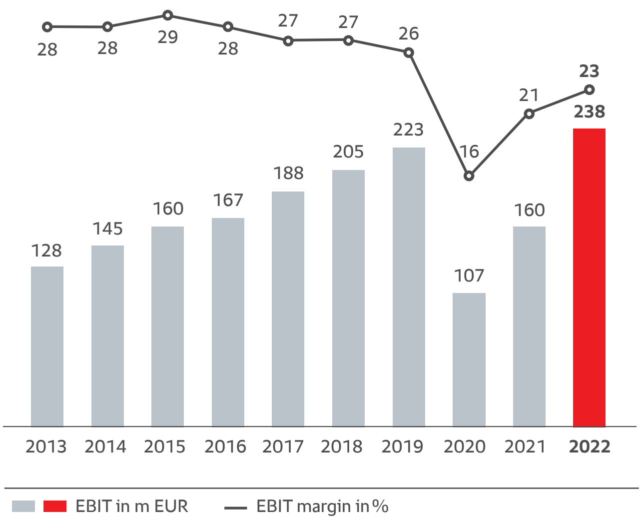
The cost of enhancing our technologies and products in research and development amounted to 44.8 million euros in the past fiscal year (2021: 45.1 million euros). This 1% decline is mainly due to the capitalisation of development costs in an amount of 8.4 million euros (2021: 3.1 million euros). This amount is reported under intangible assets.

General administration expenses went up by 18% to 47.0 million euros (2021: 40.0 million euros).

In the year under review, we incurred net currency losses of 0.6 million euros, with offsetting movements in the major exchange rates.

At 237.5 million euros (2021: 160.1 million euros), EBIT was up significantly, rising 48% compared with the previous year's figure. The EBIT margin was 23.2% (2021: 20.5%). At the previous year's exchange rates, the EBIT margin would have been 21.9%.

EBIT development and EBIT margin



Profit before tax amounted to 237.7 million euros (2021: 158.9 million euros). The absolute tax expense was 52.0 million euros (2021: 35.2 million euros). The consolidated tax rate was 21.9% (2021: 22.2%). The slightly lower tax rate was primarily attributable to healthy business performance in markets with somewhat lower tax rates and the positive effects of partially tax-free dividend distributions by subsidiaries to the parent company. This resulted in consolidated net profit of 185.7 million euros for the year (2021: 123.7 million euros) and a net margin of 18.2% (2021: 15.9%).

Return on capital employed (ROCE)

The financial criterion for managing the company's lasting profitable growth is return on capital employed (ROCE) at Group level. Since fiscal year 2022, it has also been used as a key performance indicator for the non-current component (LTI) of Executive Board remuneration (three-year target). The indicator is defined as:

$$\text{ROCE} = \frac{\text{EBIT}}{\text{Average equity + average interest-bearing borrowings + average pension provisions}}$$

ROCE reached 36.8% in fiscal year 2022 (2021: 27.7%). The positive ROCE performance was driven in particular by significantly higher EBIT.

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 largely independent of lenders. This enables us to make rapid business decisions, even 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 economic developments.

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 invest in primarily euro-denominated fixed-term and demand deposits with short maturities at banks with an investment grade rating.

We also ensure that our shareholders adequately participate in the success of the company. In recent years, we have on average distributed approximately 70% of our consolidated net profits as dividends. For 2021, the payout ratio of almost 70% was supplemented by a special dividend of 2.50 euros per share to compensate in some measure for the crisis-induced lower dividend paid for fiscal year 2019.

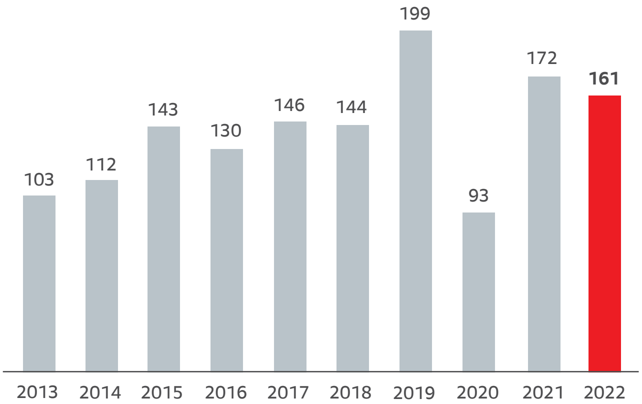
Cash flow statement

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 cash flows from operating activities at a consistently high level.

In fiscal year 2022, they amounted to 160.6 million euros (2021: 172.1 million euros[2]). While profit after taxes was up significantly on the previous year, trade accounts receivable as at the balance sheet date were substantially higher than at the previous reporting date, driven by the positive sales revenue performance in the fourth quarter. That is the main reason for the somewhat lower cash flow from operating activities.

In fiscal year 2022, the cash flow from investing activities stood at -81.9 million euros (2021: -84.3 million euros). This includes, among other items, cash outflows for investments in property, plant and equipment and intangible assets of 37.2 million euros. They relate above all to extensive investments in new production capacity at the Wittenheim location and capitalised development expenditure. We also invested in the extension and modernisation of our plant and machinery. In the year under review, we also recorded net cash outflows of 45.4 million euros from fixed deposits (2021: cash outflows of 58.8 million euros).

Cash flow from operating activities in m EUR



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 123.4 million euros (2021: 145.9 million euros[2]).

The cash flow from financing activities reflects the dividend distribution, payments from leasing agreements and the repayment of principal and interest in connection with bank loans. In the year under review, we paid dividends of 113.7 million euros to our shareholders for the 2021 fiscal year. In addition, we made lease payments (IFRS 16) of 9.1 million euros, reduced our liabilities to banks by a total of 1.2 million euros and paid interest of 0.6 million euros. In total, the cash flow from financing activities was -124.6 million euros (2021: -66.2 million euros[2]).

Cash flow

in m EUR	2022	2021	Change
Cash flow from operating activities [2]	**+161**	+172	-11
Cash flow from investing activities	**-82**	-84	+2
Cash flow from financing activities[2]	**-125**	-66	-58

2 Prior-year figures adjusted slightly in accordance with IAS 8.14. More detailed information can be found in note 21 to the cash flow statement in the notes to the consolidated financial statements.

High level of liquidity

The balance of cash, cash equivalents and deposits was virtually unchanged as at the end of the year under review, at 337.2 million euros (2021: 337.3 million euros). Cash and cash equivalents and short-term deposits represented 37% of total assets (2021: 43%). In addition, we had credit lines amounting to 98.0 million euros as of the balance sheet date (2021: 98.0 million euros), of which an amount of 75.0 million euros was contractually fixed.

Dividend of 11.00 euros and special dividend of 2.50 euros proposed

Based on normalising business performance following the coronavirus crisis and stabilising component supplies, the Supervisory Board and Executive Board will propose to the 2023 General Meeting of Shareholders the distribution of an ordinary dividend of 11.00 euros per share (2021: 7.50 euros) and of a special dividend of 2.50 euros per share (2021: 2.50 euros).

The basic dividend represents a return to the traditionally high payout ratio of around 70% of consolidated net profit. The special dividend is intended to compensate shareholders for the reduction in the dividend due to the coronavirus in fiscal year 2020. Added together, the payout ratio is 83%. The dividend is 35% higher than in the previous year. It represents a dividend yield of 2.4% (based on the closing price on 31 December 2022). The dividend proposed entails distributing a total of 153.5 million euros (2021: 113.7 million euros). Even after the dividend payment, the company will retain an adequate liquidity reserve.

Long-term financing measures

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

Residual term up to[3]

in m EUR	Remaining liabilities
2023	**0.9**

3 Maturities of financial liabilities at RATIONAL Group.

High credit rating from banks and credit insurers

Our company has been given very good credit ratings of AAA to BBB by all lending banks as well as the leading credit insurers and credit agencies. 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 2022, consolidated total assets were up by 15%, from 783.8 million euros to 899.2 million euros. This was mainly the result of higher trade accounts receivable (+65.9 million euros) and inventories (+19.0 million euros). Due to consolidated net profit for the year of 185.7 million euros, offset by a dividend distribution of only 113.7 million euros, there was an increase in equity up to 676.2 million euros (2021: 603.3 million euros). Very good business performance in the year under review resulted in an increase not only in volume-related provisions for variable remuneration components, customer bonuses and tax payments, but also in trade accounts payable and other liabilities. This took other current liabilities to 191.6 million euros as at the balance sheet date, 45.4 million euros more than in the previous year. At 75% the Group equity ratio at the balance sheet date was slightly below the previous year's level (2021: 77%).

Capital tied up in the short term

Current assets grew by 96.7 million euros in 2022, driven primarily by higher customer receivables and inventories (see above). Current assets accounted for 74% of total assets at the balance sheet date (2021: 72%).

As far as possible and within reasonable bounds, we optimise the amount of capital tied up in trade receivables. We always aim to find a balance between offering the best possible support to our dealers and tying up as little capital as possible. This means that, in light of the coronavirus, we acted with greater caution in granting payment terms.

Because of a higher proportion of advance payments in connection with longer delivery times in the first three quarters, the average days sales outstanding (DSO) was 44 days in 2022 (2021: 42 days) and therefore again significantly below the long-term average.

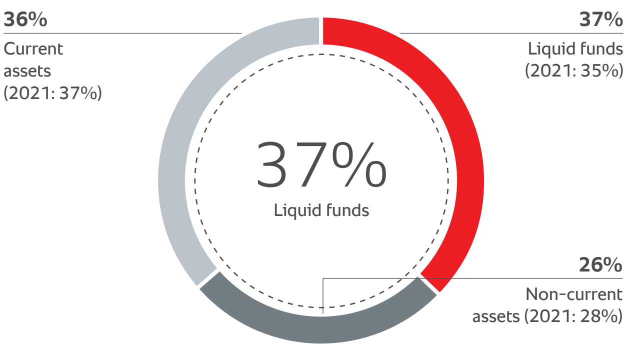
The increase in trade accounts receivable by 65.9 million euros is primarily due to the year-on-year rise in business volume, especially in the last two months of the reporting period.

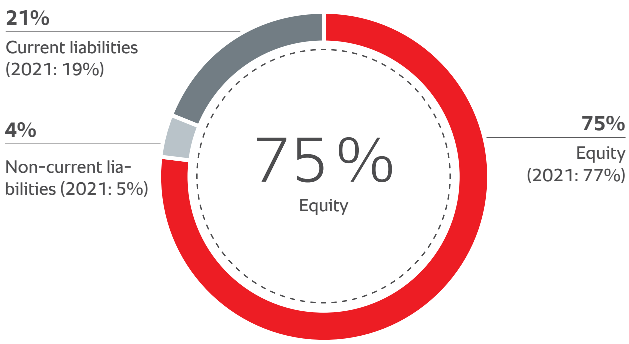
Inventories amounted to 116.3 million euros as at the balance sheet date, 19.0 million euros up on the previous year (2021: 97.3 million euros). Improvements in the availability of materials helped us to steadily reduce inventories of work in progress steadily to lower levels. Inventories of finished goods increased, driven by a higher production volume than in the previous year, which contributed to the stabilisation of delivery capacity.

Using global trade credit insurance and confirmed, irrevocable letters of credit and bank guarantees, we achieved a coverage ratio for secured receivables of 87% as at the balance sheet date, taking into account the trade credit insurance deductibles (2021: 90%). Following structured risk/opportunity assessments, supplies to customers without collateral on open payment terms increased, resulting in a lower coverage ratio as at the end of the fiscal year.

Property, plant and equipment increased slightly by 7.8 million euros in 2022 as a result of investments in technical equipment and real estate. As at the balance sheet date, intangible assets were 7.7 million euros higher than in the previous year. This was due to the capitalisation of development costs.

Balance sheet structure 2022





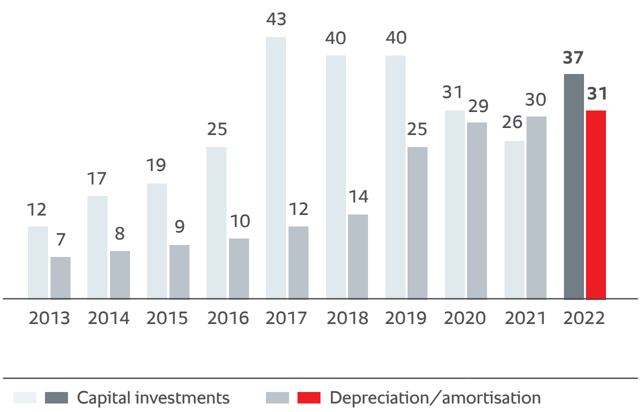
Investments

We invested 37.2 million euros (2021: 25.8 million euros) in non-current assets in the past fiscal year. This figure includes investments in real estate and technical equipment totalling 21.0 million euros (2021: 16.8 million euros) and capitalised development costs of 8.4 million euros (2021: 3.1 million euros). In the segments, investments were around the usually low levels. The investment projects are funded from our own resources.

In 2023, we expect maintenance, replacement and new investments to total around 40 million euros. In addition to the completion of the building investments in Wittenheim, this will depend to a significant extent on business performance in the course of 2023. Investments for 2023 already contractually agreed amount to around 8.6 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



Includes depreciation and amortisation expense resulting from IFRS 16 of 8.7 million euros in 2021 and 8.6 million euros in 2022.

Forecast/actual comparison

The beginning of the past fiscal year was affected by major uncertainty about the availability of electronic components. Thanks to higher supplies of processors (CPUs) by our primary supplier than in previous quarters and initial supplies by our secondary supplier, the year began with high sales revenues. Despite strict lockdowns, the measures we had taken proved effective in easing the tight supply situation. As growth in the number of cooking systems sold was encouraging, price and exchange rate effects were positive and order volumes were high, we adjusted our original forecast at the end of September 2022.

The table below shows our forecasts of the financial and non-financial KPIs for fiscal year 2022, which we had published in the 2021 Group management report and some of which we had updated in our ad-hoc disclosure of 29 September 2022.

Forecast/actual comparison

Financial KPIs	Actual 2021	Forecast 2022		Actual 2022
in %		Annual Report 2021	Adjusted in ad-hoc disclosure of 29 Sept. 2022	
Sales volume growth	+19	Low double-digit percentage range	–	**+12**
Sales revenue growth	+20	+10 to +15	**+23 to +28**	**+31**
Group gross margin	55	At previous year's level	–	**55**
Growth in operating costs	+11	slightly more slowly than sales revenue growth	–	**+20**
EBIT growth	50	Slightly faster than sales revenue growth	**+29 to +40**[4]	**+48**
EBIT margin	21	Slightly up on prior-year level	**21.5 to 22.5**	**23**
ROCE	28	Around 31	–	**37**
Group DSO	42 days	Slight increase	–	**44 days**
Group equity ratio	77	At previous year's level	–	**75**
Non-financial KPIs				
Net promoter score[5]	61	At previous year's level	–	**64**
Staff turnover worldwide	8	At previous year's level	–	**8**

4 Calculated on the basis of forecast sales revenue growth and EBIT margin (ranges).
5 The net promoter score will only be determined every two years in future so an annual forecast/actual comparison is not possible.

Sales volumes expanded by 12% in line with our forecast of an increase in the double-digit percentage range.

Sales revenues were up 31% at the end of the year, slightly above the top end of the updated forecast range.

The gross margin was, as expected, similar to the previous year, at 55.3%.

The rise in operating costs was significantly behind sales revenue growth, with a resulting noticeable positive effect on EBIT and the EBIT margin.

Thanks to positive sales revenue performance, cost increases at a slower rate than sales revenue growth, and positive exchange rate effects, our EBIT and EBIT margin went up substantially, rising from 160.1 million euros in the previous year to 237.5 million euros, and from 20.5% to 23.2% respectively. We have therefore exceeded the forecast made in the 2021 Annual Report and the adjusted outlook published in September 2022.

Tracking the substantial rise in EBIT, ROCE of 36.8% was significantly higher than the forcast of 30.7%.

The Group-wide days sales outstanding (DSO) were slightly higher than the prior-year figure, as anticipated.

The Group equity ratio is 75%, somewhat lower than forecast but still at a very high level. The reduction in the equity ratio is attributable in particular to the higher dividend payment.

In terms of customer satisfaction, we again exceeded our forecast: our net promoter score of 64 was slightly higher than the previous year's NPS of 61.

As expected, the staff turnover rate in the year under review was at the same low level as in 2021, at around 8%.

Outlook and report on opportunities and risks

Outlook

Outlook assumptions

Our outlook takes into account all factors deemed material affecting business performance at the time this report was prepared. Such factors include general market indicators as well as sector- and company-specific matters. The market-related parameters are growth of the global economy, movements in exchange rates and commodity prices, and the geopolitical situation. Sector-related matters relate to the users of our products, dealers and the competitive situation. The company-specific factors are customer and employee satisfaction. Furthermore, the persistent major uncertainty about international supply chains and shortages of materials as well as adjustments to our selling prices have been taken into account.

The outlook takes into account activities that have already been implemented and measures planned for the future.

Economic prospects

In its January 2023 forecast, the IMF predicts a broad-based downturn of the global economy. It puts the global rate of inflation for 2023 at 6.6%. Although this is a decline compared with 2022, the figure is still substantially higher than the pre-crisis level of 3.5%. The risks have gradually declined in recent months, and the IMF's experts have even identified pent-up demand as a potential boost for consumption in a large number of markets. This could specifically benefit services, for example, in tourism. The IMF continues to consider the possibility of an escalation of the war in Ukraine, the coronavirus situation in China, and tighter monetary policy adopted by the central banks to fight inflation as downside risks for the economy. (Source: IMF, World Economic Outlook Update, January 2023.)

Following growth of 3.4% in 2022, economists expect the global economy to expand by 2.9% in 2023. Growth of around 1.2% is forecast for the industrialised nations. The United States is expected to grow by around 1.4%, the eurozone slightly more slowly, by 0.7%, and Japan by 1.8%. A strong year is predicted for China, with an expansion of 5.2% expected. Growth of more than 4.0% is anticipated for emerging markets in 2023 (Source: IMF, World Economic Outlook Update, January 2023.)

Assessment of economic prospects
Supply bottleneck challenges and strained supply chains eased in the course of 2022. However, it remains hard to predict the effects on prices and availability, especially of electronics components, stemming from minor plant or port closures in response to local coronavirus outbreaks in China. For fiscal year 2023, we expect that, as a result of the measures we have taken, there will be no long-term disruptions to our supply chains.

Despite the lack of gas supplies from Russia, the European economy survived the winter well. Experts expect that this will again be the case next winter. We do not expect that selected sectors of the economy will have to shut down their operations because of energy shortages. Even though energy and commodity costs are no longer reaching the highs of just after the start of the war, we expect sustained high cost levels for 2023.

Assessment of geopolitical prospects
At the start of 2022, the conflict between Russia and Ukraine escalated. In response, the European Union and the United States imposed extensive sanctions on Russia.

As a result, our business in Ukraine and in Russia was affected by the impact of the crisis. We discontinued our business in Russia as a direct consequence of the sanctions. Following a temporary closure of our permanent establishment in Ukraine for security reasons, our colleagues on site have resumed limited operations .

Financial key performance indicators

Sales volume, sales revenue and profit forecast for 2023
In response to a significant rise in prices for commodities, components and logistics, we increased selling prices specifically by product group in 2022. The price increases, which were communicated and implemented at different times in different regions, will have a positive lag effect in fiscal year 2023. In view of the stable market environment, no significant price increases on cooking systems are planned for 2023.

Thanks to steady availability of materials and continuing customer demand, we expect sales volumes in 2023 to rise in the low to medium single-digit percentage range and sales revenues to rise in the high single-digit percentage range, compared with 2022.

We will continue with our efforts to adjust our structures and costs according to business performance. We nevertheless anticipate that the inflationary effects and price rises for energy and materials procurement will continue to affect the gross margin. Our price increases will, by contrast, have a positive effect. Overall we expect the gross margin to be at a similar level as in 2022.

For 2023, we will consciously increase some of our operating expenses. We are planning targeted measures, especially in sales, to win more customers and increase customer proximity. We also expect the high rate of inflation to drive up costs. We will, moreover, forge ahead with strategic projects for the expansion of locations in 2023. Overall we expect that the Group's operating costs will rise slightly faster than consolidated sales revenues.

On this basis, we anticipate that EBIT will rise at a slightly slower pace than sales revenues. As a result, we anticipate that the EBIT margin will be slightly below the previous year's level, with ROCE of around 36% forecast for fiscal year 2023.

Sustainably solid underlying financial position
For 2023, we expect the Group equity ratio to be broadly on a level with 2022.

In view of adjustments to standard payment terms and uncertainty about global economic trends going forward, we expect average days sales outstanding (DSO) of 50 days for 2023 and therefore above the long-term average of the last 10 years, which has been 47 days.

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 2023. We expect the global staff turnover rate to be at a similarly low level as in 2022.

The net promoter score (NPS) will not be determined in 2023, and the next survey will be conducted in 2024. We anticipate that, in the medium term, we will maintain the score at a similarly high level as in 2021 (61 points) and 2022 (64 points). We will continue to aim to belong to the “best in class” segment, which covers companies achieving an NPS of between 60 and 80.

In 2022, we met the US Energy Star criteria for all combi steamers. As of January 2023, Energy Star requirements have become even more demanding, but we will meet these more stringent targets in 2023.

Optimistic outlook for the future

Despite some isolated risks, RATIONAL AG's Executive Board continues to look ahead optimistically. The potential available market is still enormous. Customer satisfaction is at a record high. For the main challenges facing many of our customers – rising energy prices and increasing shortages of skilled staff – our products present the perfect solution, and we believe that we are in a particularly good position to help our customers. At the same time, we support them in improving their own sustainable actions.

Our financial strength allows us to maintain our entrepreneurial freedom to continue investing in the future of our Group. Together with motivated, satisfied employees, we will continue to work to provide our customers with the best possible benefit. These efforts are reflected not only in the high level of customer satisfaction, but also in our sales revenue and earnings prospects.

We anticipate that, together with our employees and customers, we will continue on our sustained growth path.

Report on opportunities and risks

The risk and opportunity policy adopted at RATIONAL aims to capture, manage and monitor potential risks systematically at an early stage, thus securing the continued existence of RATIONAL AG and the Group. 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.

In principle, the opportunities and risks presented affect the DACH, EMEA, North America, Asia and Other segments in the same way, since we have created similar distribution channels and address similar customer groups in all segments. Moreover, the same products are sold. The nature of risk impact and probability can vary slightly 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

The company's overriding aim is to offer the greatest possible benefit to the people preparing hot food in commercial kitchens. The net promoter score attained in our customer satisfaction survey proves that customers rate our products and services superior to those of our competitors. Today, we achieve this above all with the multifunctionality of our products, which provides opportunities for future success: the innovation-induced need to replace existing equipment in well developed sales regions, the penetration of younger markets, the winning of new customer groups, and growing prosperity in emerging countries. In the context of global efforts to limit climate change, we also expect strong demand for energy-efficient cooking technology. This great potential in the market and our high-quality products are reasons for the Executive Board to take a positive view of the prospects of continuing our history of success.

In addition to the above-mentioned opportunities, there are risks that may have a negative impact on the achievement of business targets or negatively affect areas outside the Group as a result of our own business activities. Apart from insurable risks, these include in particular economic turmoil, political and legal developments, changes in the competitive environment, changes in the financial and capital markets, supply, production and product risks, as well as risks arising from climate change, including the resulting transformation of society and the economy.

Overall, the Executive Board believes that these risks can be controlled. In other words, these types of risks do not currently constitute a threat to the existence of the parent company or Group 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.

RATIONAL watches the latest developments very closely in relation to the economic effects of the war in Ukraine. The most likely negative economic consequences for the RATIONAL Group are expected to stem from supplier price increases. Despite the noticeable decline in commodity and energy prices in the course of 2022, they were still significantly above pre-war levels in the first few months of 2023.

Furthermore, we believe that the fact that China has abandoned its zero-covid strategy is a positive development in the medium term. In the short term, high sickness rates may have a negative impact on materials procurement. We do not expect that there will be a repeat of the tight supply situation we saw in the first half of 2022.

The assessment of risks arising from RATIONAL's business activities to the environment has not identified any material risks that are very likely to have a serious negative impact on environmental issues, employee interests, social issues, respect for human rights, combating corruption and bribery and on customer concerns now or in the future. It is nevertheless necessary and critically important to deal extensively with the consequences of climate change in order to remain competitive in the long term. In the past fiscal year, we therefore increased our efforts to align our company with sustainable objectives and will continue to do so with growing intensity.

Opportunities report

RATIONAL opportunities management

Opportunities encompass, in particular, external factors and trends that have a positive influence on the Group's future prospects. To ensure sustainable and profitable growth, it is necessary to identify those 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.

Huge available potential in the global market

According to our estimates, only around 25% of the around 4.8 million end customers that we can address are currently cooking with combi-steamer technology. The vast majority are still using conventional cooking technologies. Since the iCombi Pro can replace not only conventional cooking technology but also older combi-steamers thanks to its cooking intelligence, we see enormous additional market potential.

With around 1.6 million potential customers, we currently estimate the overall potential for the iVario to be lower. As this technology has only been on the market for a few years, market penetration is accordingly still low. We therefore consider the opportunities for the iVario to be very high as well.

Close association with the basic human need for food

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

Large variety of venues

The variety of places where thermally prepared food is consumed is steadily increasing. In addition to existing restaurants, these meals are increasingly prepared in "ghost kitchens" and then taken to centrally located venues, where they are consumed. There is also rising demand for delivery services that take prepared food to all kinds of destinations. This in turn has a positive impact on demand for our products.

Trend towards healthier eating and greater variety of food

The importance of a healthy, balanced diet is increasing, especially in developed industrialised nations. Public institutions, such as schools or universities, have also recognised this trend and are offering healthier foods. The hospitality sector, too, provides a healthier, more varied range of foods. When our cooking systems are used to prepare food, both vitamins are conserved and fat is reduced, thus promoting this trend.

Shortage of professionals

The number of people training to become chefs is falling. 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 allow the same high cooking quality even when operated by untrained staff. The coronavirus crisis has led to a significant deterioration of the labour market situation for the culinary profession in the hospitality and hotel industry and will, in our opinion, further exacerbate the shortage of professionals. In addition, we are seeing a trend of chefs changing careers permanently, forcing restaurants to keep running by employing more unskilled or semi-skilled staff.

Rising factor costs

We expect the cost of resources used in the businesses of our customers to increase in the long term. This trend has been observed for decades in all modern economies and is being accelerated further by sustainability efforts, such as food, energy, water, salaries and rents, to rise in the long term. The inflationary effects of the energy crisis were felt in fiscal year 2022 in the catering and food service industry, especially in Europe. With resource-efficient, space-saving and labour-saving technology, we help our customers to counter this trend. Especially in times of crisis, the importance of efficiency gains and cost savings increases significantly. What is more, we regard stricter hygiene requirements and greater efficiency pressure resulting from the coronavirus crisis as drivers of investments in innovative systems, such as the iCombi and iVario.

Urbanisation and lack of space

The United Nations predict that almost 70% of the world's population will live in cities by 2050. (Source: World Urbanization Prospects, the 2018 Revision, UN DESA, May 2018.) Moreover, there are complaints of high rents and a lack of space in most cities around the world. As a result of these two effects, kitchens in major cities have to be fitted into as little space as possible. By using advanced equipment such as the iCombi and iVario as intelligent cooking systems, we expect that investing in our cooking systems will provide significant space savings for our customers.

Growing prosperity in emerging countries

As prosperity increases, the restaurant and catering sector grows in significance, including in emerging countries. Per capita income is rising in many emerging markets and, therefore, the buying power of the growing population has increased tangibly in recent years, leading to the emergence of a new middle class with a corresponding standard of living. This in turn has an indirect positive impact on demand for our products in these markets and leads to a rise in untapped market potential.

Orders on hand at high level at the start of 2023

Delays in supplies meant that we were again unable to process and ship all our orders in the usual way in 2022. As a result, we are also starting the year 2023 with a full order book of around 245 million euros. This good starting position makes us confident for the new fiscal year.

Risk report

The RATIONAL risk management system

In order to meet targets and assure the company's success, it is essential to capture, manage and monitor potential risks systematically at an early stage. Risk is understood as referring to all factors internal and external to the company that may have an adverse effect on the parent company or the Group as well as on areas outside RATIONAL AG or the Group (environment, society, customers, employees, suppliers etc.) as a result of their own business activities and may therefore also negatively affect the achievement of business targets in a defined assessment period.

Risk management is a core task of the entire Executive Board, which has delegated this process to the Risk Manager. The Risk Manager is authorised to specify methods and set guidelines, and coordinates risk reporting in the RATIONAL Group. The process managers and executives are responsible for identifying and measuring risks and for formulating and implementing risk management measures. To this end, they are equipped with guidelines that give them direction in the identification, analysis, assessment and monitoring of risk.

Risk culture

The RATIONAL Group's internal financing power and equity ratio are both high. Business decisions are taken with the aim of maintaining these strengths. It is important to us in this context to act cautiously at all times and take a conservative approach to risk.

Risk strategy

A risk strategy was compiled in 2022 to improve internal documentation and communication, and a corporate strategy was subsequently formulated on this basis. In this context, key points for analysing the company's risk-bearing capacity and risk tolerance were also defined. When determining free risk-bearing capacity, the total of all expected losses for all individual risks identified are compared to defined balance sheet items. The loss expected for a risk is calculated by multiplying the average probability by the average potential amount of loss, based on the ranges for probability and amount of loss. Risk-bearing capacity was determined in 2022 for the first time.

Risk identification, analysis and assessment

As a company with a long-term focus, we set store by a holistic assessment of risk, which means a balanced assessment of non-financial and the resulting financial risks, as well as primary financial risks.

The risk identification process was refined further in fiscal year 2022 by increasingly involving the owners responsible from the different functional areas in assessing the risks. This has resulted in some adjustments to the allocation of individual risks to risk categories compared with the previous year. In addition, the assessment of these risks has changed. These changes are explained below.

As part of the six-monthly risk analysis (risk inventory), risks that appear relevant for the RATIONAL Group's tasks and objectives are captured for a period of 36 months in terms of their short- and/or medium-term relevance and assessed by the Executive Board. In addition, the Executive Board regularly discusses strategic risks and their impact on the company's performance.

Both the company-specific risk tolerance and risk-bearing capacity have been derived from the risk strategy laid down in the past fiscal year. We analytically consider the extent to which the interaction of several risks, which are not existential when considered separately, could lead to developments that threaten the continued existence of the business. Existing risks assessments of the functional areas are consulted to this end and discussed with the help of the risk manager. One outcome of these discussions is to group the individual risks in a sensible manner. Quantitative and stochastic risk aggregation methods were not used. Based on many years of experience and the simplicity and clear focus of our business model, this approach seems more helpful to us than quantitative or stochastic assessment. 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.

The risks captured are examined during risk analysis to establish cause-and-effect relationships. They are then assessed in terms of probability and their potential impact on the company's net assets and results of operations. This initially involves assessing the risk on a gross basis, i.e. an estimate before any risk-mitigating measures are implemented. This is followed by an assessment on a net basis, taking the risks-mitigating measures instituted into account. The classifications presented in the table below are used for this purpose. The descriptions of the categories for probability have been adjusted compared with the previous year:

Risk assessment

Probability	Description
≤ 10%	Low
> 10% to 30%	Average
> 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	Highly negative impact on the net assets, financial position and results of operations	> 20%

In addition to assessing their effect on EBIT, risks are also assessed on the basis of qualitative risk equivalents, such as the possible extent of reputational damage, liability risks or risks to health, life and limb.

Risk management and monitoring

The risks identified are managed as specified in the RATIONAL risk strategy. Their management may be aimed at avoiding, controlling or reducing risk by taking suitable countermeasures (net risk), transferring risk, or consciously accepting risk. We have implemented measures suitable for managing the risks identified. These are described in more detail below.

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 if necessary.

Compliance with the measures agreed is assessed by the Risk Manager and regularly reported to the Executive Board.

The Group's risk management system is continuously reviewed and improved to allow a prompt response to changes in general conditions. Through risk monitoring, we measure changes in risks and their impact over time. This may result in adjustments to the way in which the risks are assessed and managed.

Risk reporting

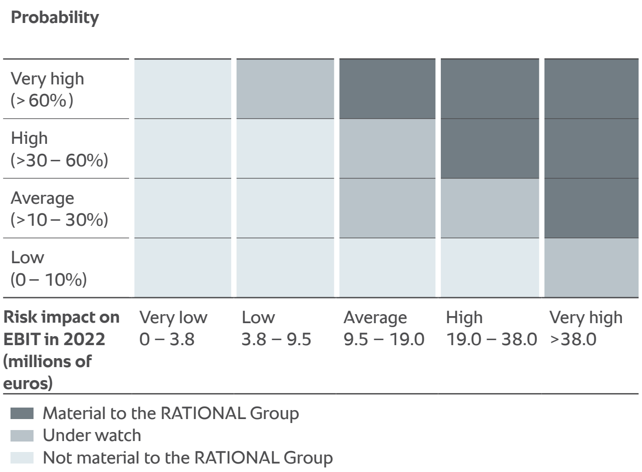
The RATIONAL Group has a set communication structure for both continuous and ad-hoc reporting on the risk situation in the defined risk areas. The Risk Manager collects the information communicated and reports to the Executive Board on a monthly basis.

Risks

In the section below, the risks classified as relevant for RATIONAL by the Executive Board are categorised in accordance with the definitions provided under "Risk analysis and assessment" above.

The materiality assessment was conducted by assessing risk impact and probability. Risk-mitigating measures already implemented (net assessment) were taken into account. The diagram illustrates when a net risk is classified as material, under watch or immaterial for the RATIONAL Group.

Risk impact/probability



The summary below lists the risks classified as “material” or “under watch” in the net assessment, adopting a short- to medium-term view, taking account of the progress of implementing the risk-mitigating measures. In addition, we consider certain standard risks, irrespective of their current materiality assessment. These risks are defined in interdisciplinary discussions together with the Executive Board and likewise monitored on a permanent basis. The following sections describe the risks and deal with countermeasures or indicate where the relevant details are presented in the consolidated financial statements.

Business risks

	Risk impact		Probability	
Market and competitive risks				
Risks from competition and substitution	High	↑	High	→
Dependence on major customers	Low	↓	Average	→
Impact of the economy on our customers' propensity to invest	Average	→	Average	→
Production and product risks				
Production disruption risk	Average	↓	Average	↓
Product quality	Average	↑	Low	↓
Operational risks				
IT risks	Average	→	High	↓
Shortages of skilled staff/ human resources risks	High	↑	Average	↓
Other non-financial and sustainability risks				
Environmental and climate risks	Low	↓	Very low	↓
Health risks for employees	Low	↓	High	↓
Political and legal risks				
Geopolitical risks	Very high	→	Very low	↓
Patent risks	Low	↓	High	→
Legal risks from local laws and regulations	Very high	↑	High	→
Investment risk	Average		High	
Financial and capital market risks in accordance with section 315 (2) no. 1 (b) of the HGB				
Currency risk	High		High	
Price risks	Low		Very low	
Credit risks	Low		Very low	
Liquidity risk	Low		Very low	
Interest rate risk	Low		Very low	

Change in assessment of probability and risk impact compared to previous year: ↑ higher, ↓ lower, → unchanged.
Risks without this information were not separately assessed in the previous year.

Due to measures introduced to lower the probabilities and risk impact, we were able to keep most of the listed risks stable or reduce them. We have identified higher probabilities driven by external developments for competitive risks, product quality, shortages of skilled staff and legal risks.

Given the high attractiveness and size of our market segments – especially in emerging markets such as China – we believe that there are incentives to market entry for competitors. The probability that the quality risk will materialise is slightly raised because of the tight supply situation and the resulting production of partially finished appliances, including subsequent final assembly. Furthermore, we are ourselves affected by the risk of shortages of skilled staff in a number of corporate divisions. We believe that legal risks from local laws and regulations pose increasingly serious challenges. The requirements of the regulatory environment in both technical and organisational terms have risen substantially. We are working on countermeasures, which are expected to reduce the probability of these risks again in the near future.

Currency, price, credit, liquidity, and interest rate risks have been identified as relevant financial and capital market risks for the RATIONAL Group. In the previous year, these risks were aggregated and their probability assessed as “very high” with a “medium” risk impact. In the year under review, we opted not to have an aggregated presentation in order to highlight more clearly the differences in the respective individual risks.

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. This could result in RATIONAL losing some of its innovation leadership, and this would have negative consequences for our market share and sales revenues. In addition, new competitors may enter the market, and therefore increase the intensity of competition and have a negative impact on our market position and, consequently, financial 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. Furthermore, we pursue an efficient and interdisciplinary development process to continue to meet market requirements with our products and holistic solutions, taking into consideration a view to the increased relevance of sustainability requirements.

There was further consolidation among competitors in 2022. We do not expect this to have much impact on our business in the medium term. The competitors' business model differs from ours in that we focus exclusively on intelligent cooking systems for the thermal preparation of food and we specifically drive innovation.

Dependence on major customers

There is generally a risk of being dependent on a small number of major customers or dealers. If these customers switch to competitors or we are unable to meet delivery obligations, this may have an adverse financial effect.

We do not consider the business risk of dependence on major customers material since a large number of our customers worldwide each account for a small proportion of sales revenues. Our largest end customer is currently the source of around 2% of sales revenues.

Impact of the economy on our customers' propensity to invest

The purchase of our cooking systems 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.

The coronavirus crisis and the war in Ukraine had significant effects on the global economy. Both posed a planning risk for RATIONAL and our customers. However, the diversification of our customer landscape limits this risk significantly. RATIONAL is not only strong in the traditional hospitality industry, but also has considerable market and sales revenue shares in retail and in-store cafés and restaurants as well as in the takeaway business. The customer structure in the catering industry is also very diverse – ranging from hospitals all the way to the care and education sectors. Experience has shown that economic downturns never affect all segments with the same severity. It is likewise unlikely that all markets will enter a recession simultaneously.

But we monitor economic developments in our principal markets very carefully. Weakness in the economy, regardless of the causes, could have a negative impact on our business in the short term. Thanks to our needs-driven cost planning and our large liquidity reserve, we are, however, well prepared for any macroeconomic scenario currently conceivable. This gives us adequate room to manoeuvre in response to economic developments as well as the flexibility and independence to take all necessary business decisions.

Production and product risks

Risk of disrupted production arising from problems in the supply chain

Our procurement strategy involves working in long term partnerships with key component and module suppliers. This leads to continuous quality and product improvements, but also produces a certain degree of co-dependency. The complete loss of a major supplier, supply problems at indirect suppliers or disruptions to transport routes could lead to interruptions in production.

If this risk were to materialise, it could prevent us from meeting demand from our customers. This could have a negative impact on sales revenues and profits as well as the reputation of the RATIONAL Group and customer satisfaction. There is also a risk that customers will migrate to the products of our competitors, if they are available.

RATIONAL responded to the tense situation in the procurement markets, which persisted for virtually all of fiscal year 2022, with a high level of flexibility. We were able to prevent a production stoppage by producing partially assembled systems and subsequently installing the critical components as soon as they became available again. Moreover, our development department contributed by quickly adapting the module design.

The procurement situation eased in the third quarter of 2022. Nevertheless, we keep a careful eye on business development at our suppliers, including their upstream suppliers, and the production processes relevant to us. These include regular risk assessments of our key suppliers and a system for auditing upstream suppliers. Accordingly, we are expanding capacity in strategic purchasing and are driving the consistent implementation of our second source strategy where this is expedient and feasible. Following the end of China's zero-covid policy as well as the countermeasures we have taken, we consider the risk of disrupted production less likely and the risk of loss smaller than was the case in the previous year.

Product quality

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

In order to counter quality risk, we impose strictest quality requirements on our suppliers and test all our cooking systems before they leave our premises. In addition to comprehensive tests on every single appliance, cooking systems undergo additional detailed inspections on a random sample basis. 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 quickly 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.

During ongoing product observation in fiscal year 2021, damage claims in connection with a component subject to high thermal load were tracked among a small proportion of gas-operated combi steamers from older product lines that are no longer distributed. The Executive Board made appropriate investigations and risk assessments, including with input from external specialists. To prevent unforeseen disruptions to production at our end customers, we began in 2021 to exchange this component proactively and free of charge for a newly developed, more resilient component in as many cooking systems as possible. This exchange campaign, which is ongoing, helped us to reduce further the risk impact from cooking systems associated with quality problems. Some of the provisions for warranties recognized to this end in 2021 were used in 2022.

Operational risks

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, stolen 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. In regular mandatory information security training, employees are continually made aware of risks to ensure the company's data is protected. As far as possible, the economic consequences of cyber risks are transferred by taking out appropriate insurance cover.

Shortages of skilled staff/human resources risks

Skilled and motivated employees and managers are the cornerstone of the company's success, and it is essential for a seamless production process that we are able both to attract new competent personnel and to retain existing high achievers over the long term. If qualified employees were to be unavailable for complex business processes, this could lead to disrupted production and would therefore have a long-term negative effect on business performance.

A modern, young employer brand has been developed in order to win suitable employees. Under this umbrella, 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 them to be loyal and stay for the long term.

Other non-financial and sustainability risks

Environmental and climate 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. Breaches of obligations could have legal consequences, such as administrative fines and claims for damages. Alongside the effects of our production on the environment, the consequences of climate change may have an adverse impact on our business. Extreme weather events could damage our, as well as our suppliers', buildings. Moreover, they could have adverse effects on our customer events and sales measures.

As a socially responsible company, we are aware of our responsibility for environmental and climate protection and therefore raise awareness of environmental and climate risks among our employees. To ensure that our environment is not harmed, we take appropriate safety measures and organise safety training and regular audits. Since our production buildings are not located close to major rivers, lakes or mountains, we consider the risk of extreme weather events to our production to be immaterial.

Risks to the health of employees

If hazardous and poisonous substances are handled improperly and legal safety requirements are not complied with, there is a risk of injury to people.

We counter these risks by taking a large number of measures at the main location in Landsberg am Lech. In order to avoid work accidents and high sickness rates, regular check-ups and preventive measures are conducted by the company doctor. Annual instructions on health and safety at work are given 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.

Political and legal risks

Geopolitical risks

There is a risk of geopolitical tension and military clashes in our business regions. Alongside the threat to the welfare of our employees at the subsidiaries, there is also a risk that the sale of our products in the affected regios will be impeded or become impossible. Depending on which markets are affected, there may be a significant negative impact on sales revenues and profit.

At the start of 2022, the conflict between Russia and Ukraine escalated to an extent not thought possible. The European Union and the United States have already imposed sanctions in response to this.

The operating business of our subsidiary in Russia was systematically scaled back in 2022 and the process of liquidating the company started. The liquidation process is to be completed in the course of 2023.

Sales revenues in Russia and Ukraine in 2022 accounted for around 1% of the sales revenues for the Group as a whole. If the conflict does not spread to other regions, we regard the economic consequences for our business as low.

Patent risks

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 pursue patent infringements by our competitors at an early stage. By strengthening competence in the relevant functions, we are countering this risk with even greater determination.

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 licensing and sales of our products.
- Customs or import/export regulations that place restrictions on product imports and/or exports.
- Business arrangements that infringe local competition or antitrust law.
- Business arrangements that constitute corruption and bribery or human rights violations.
- Financial regulations that apply worldwide and are subject to constant change, as well as non-financial regulations (EU Taxonomy Regulation, CSRD, ESRS etc.), which may lead to high penalties or damages if infringed.
- Compliance risks, or in other words, possible infringements by employees of local legislation and applicable corporate guidelines; this also includes the EU General Data Protection Regulation (GDPR), which has been in force since May 2018.
- Non-compliance with standards for licensing in the respective markets.

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. We counteract violations by specifying internal rules of conduct (compliance management system, Code of Conduct, AMMPL Code of Conduct, anti-corruption policy and sanctions list search). 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. In addition, awareness and training campaigns on these topics continued for all employees in 2022.

Investment risks

We are an international company with sales branches in all regions of the world. Based on market-specific local price and performance requirements for our products, we will make long-term investments in international production capacities. As with any kind of investment, such projects are exposed to the risk of incurring losses. As a result of production expansions being planned or started, we observe this risk very closely and assume that the risk to the RATIONAL Group is immaterial.

Financial and capital market risks in accordance with section 315 (2) no. 1 (b) of the HGB

Currency risk

One of the factors giving rise to currency risk is exchange rate fluctuations as at the balance sheet date and consequently possible changes in the fair values 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.

Around half of the sales revenues are generated in foreign currencies. If the euro had been an average of 10% weaker (stronger) in 2022, consolidated sales revenues would have been around 6% (6% lower). EBIT would have been around 28% higher (21% lower) if the euro had depreciated (appreciated) on average by 10%.

Price risks

Price risk may arise primarily in relation to the purchase of components and raw materials for the manufacture of products. The basic price of steel or that of alloy metals is not hedged with 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. Given the substantial rises and increasingly volatile procurement costs for components, it is not currently possible to estimate their future development.

Due to our market position and the fact that this is a global risk affecting the entire industry, we believe that we can limit the effects by making price adjustments.

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 subjected 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 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 are distributed across several banks.

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 control 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.

Interest rate risks

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.

Since interest rate risk is influenced by a large number of other inputs and the extent of its impact is immaterial, no sensitivity analysis is conducted.

Internal control and risk management system in relation to the (Group-) 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 (Group) 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 as well as through a centrally maintained chart of accounts.
- The functions of the main units (Finance and Accounting, Group 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 when 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 and Consolidation units. Appropriate security and authorisation concepts are deployed to protect these systems against unauthorised access. Consolidation-related transactions are captured and reconciled with the help of appropriate systems.
- 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 (Group) accounting are subject to the universal principle that transactions must be double-checked by a second person.
- The consolidated financial statements are analysed and discussed monthly by the units involved in the preparation process.
- All of the Group processes relevant to accounting are regularly checked by Group Audit at three- to six-year intervals as part of the audit process for subsidiaries. The processes involved at the Landsberg site are also regularly checked.
- The annual and consolidated financial statements and the management report and Group management report of RATIONAL AG are prepared, reviewed and approved by Accounting and Investor Relations in consultation with those with technical responsibility and the Executive Board in accordance with the dual-control principle.

The internal control and risk management system, the main features of which are described above, ensures that the (Group) 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.

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.

Takeover-related disclosures

Pursuant to section 315a (1) of the German Commercial Code (HGB), listed stock corporations must provide and explain information relating to takeovers.

RATIONAL AG's share capital as at 31 December 2022 was unchanged at 11.37 million euros, divided into 11,370,000 no-par-value bearer shares, each with a notional share of the capital 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.

According to the mandatory disclosure of 25 February 2019, Ms Gabriella Meister and Ms Franziska Würbser hold a total of 3,581,578 shares, most of them under a pooling agreement. According to a corresponding disclosure of 25 February 2019, Ms Ulrike Meister holds 1,803,464 shares. Each of the individuals named therefore exceeds the threshold of 10% of the voting rights.

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

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.

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

Combined corporate governance statement

The Declaration of Conformity to the German Corporate Governance Code in accordance with section 161 of the AktG and the combined Declaration of Corporate Governance in accordance with sections 289f and 315d of the HGB, which includes the declaration in accordance with section 161 of the AktG, are publicly accessible under the Corporate Governance heading on the RATIONAL website under Investor Relations.

Landsberg am Lech, 28 February 2023

RATIONAL AG
The Executive Board

Dr Peter Stadelmann
CEO

Dr Martin Hermann
CTO

Markus Paschmann
CSMO

Jörg Walter
CFO

Peter Wiedemann
COO

Consolidated Financial Statements

Contents

Statement of Comprehensive Income
RATIONAL Group

for the period of 1 January – 31 December

in kEUR	Notes	2022	2021
Sales revenues	1	1,022,345	779,734
Cost of sales	2	-457,279	-350,460
Gross profit		**565,066**	**429,274**
Sales and service expenses	2	-236,579	-187,590
Research and development expenses	2	-44,750	-45,119
General administration expenses	2	-47,018	-39,961
Other operating income	3	29,304	13,885
Other operating expenses	3	-28,513	-10,355
Earnings before financial result and taxes (EBIT)		**237,510**	**160,134**
Interest income	4	783	267
Interest expenses	4	-519	-646
Other financial result	4	-438	-895
Gain or loss on the net monetary position in accordance with IAS 29	4, 29	407	-
Earnings before taxes (EBT)		**237,743**	**158,860**
Income taxes	5	-52,021	-35,197
Profit or loss after taxes		**185,722**	**123,663**
Items that may be reclassified to profit and loss in the future:			
Differences from currency translation	15	-648	-1,552
Differences from IAS 29 Hyperinflation	29	-243	-
Items that will not be reclassified to profit and loss:			
Actuarial gains and losses from defined benefit obligations	15, 16	1,779	704
Other comprehensive income		**888**	**-848**
Total comprehensive income		**186,610**	**122,815**
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	6	16.33	10.88

Balance Sheet
RATIONAL Group

Assets

in kEUR	Notes	31 Dec 2022	31 Dec 2021
Non-current assets		**237,293**	**218,569**
Intangible assets	8	15,978	8,303
Property, plant and equipment	9	203,917	196,078
Other financial assets	12	1,158	1,040
Deferred tax assets	5	14,040	9,973
Other assets	13	2,200	3,175
Current assets		**661,929**	**565,269**
Inventories	10	116,297	97,288
Trade accounts receivable	11	174,663	108,787
Other financial assets	12	133,757	84,877
Income tax receivables		1,004	7,691
Other assets	13	28,307	12,931
Cash and cash equivalents	14	207,901	253,695
Total equity and liabilities		**899,222**	**783,838**

Equity and liabilities

in kEUR	Notes	31 Dec 2022	31 Dec 2021
Equity		**676,240**	**603,330**
Subscribed capital	15	11,370	11,370
Capital reserves	15	28,058	28,058
Retained earnings	15	641,399	569,377
Other components of equity	15	-4,587	-5,475
Non-current liabilities		**31,430**	**34,345**
Pension and similar obligations	16	4,025	5,785
Other provisions	17	10,600	10,780
Financial debt	18	-	944
Other financial liabilities	19	11,423	13,963
Deferred tax liabilities	5	3,704	677
Income tax liabilities		820	1,532
Other liabilities	20	858	664
Current liabilities		**191,552**	**146,163**
Other provisions	17	79,050	63,041
Financial debt	18	944	1,181
Trade accounts payable	19	36,352	28,440
Other financial liabilities	19	21,971	15,923
Income tax liabilities		21,821	9,077
Other liabilities	20	31,414	28,501
Liabilities		**222,982**	**180,508**
Total equity and liabilities		**899,222**	**783,838**

Cash flow statement
RATIONAL Group

for the period of 1 January – 31 December

in kEUR	Notes	2022	2021[1]
Earnings before taxes (EBT)		237,743	158,860
Depreciation and amortisation	8, 9, 23	30,918	30,314
Other		-3,634	706
Net interest		-264	379
Changes in			
Inventories		-19,009	-20,965
Trade accounts receivable and other assets		-90,406	-20,971
Provisions		16,282	24,555
Trade accounts payable and other liabilities		23,635	28,015
Income taxes paid		-34,647	-28,792
Cash flow from operating activities	**21**	**160,618**	**172,101**
Capital expenditures in intangible assets and property, plant and equipment	8, 9	-37,184	-25,820
Proceeds from asset disposals		241	68
Change in fixed deposits	12	-45,410	-58,806
Interest received		488	264
Cash flow from investing activities	**21**	**-81,865**	**-84,294**
Dividends paid	7	-113,700	-54,576
Repayment of liabilities to banks	18	-1,181	-1,551
Change in other liabilities to banks	18	-	-964
Payments for lease liabilities		-9,078	-8,533
Interest paid		-647	-618
Cash flow from financing activities	**21**	**-124,606**	**-66,242**
Effects of exchange rate fluctuations in cash and cash equivalents		59	1,002
Change in cash and cash equivalents		**-45,794**	**22,567**
Cash and cash equivalents as at 1 January	**14**	**253,695**	**231,128**
Cash and cash equivalents as at 31 December	**14**	**207,901**	**253,695**

1 Prior-year figures adjusted in accordance with IAS 8.14.
For further details, please refer to note 21 to the consolidated financial statements.

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	Other changes (e.g. acc. to IAS 29)	
Notes	**15**	**15**	**7, 15**	**15**	**5, 15, 16**	**29**	
Balance as at 1 Jan 2021	**11,370**	**28,058**	**500,290**	**-3,078**	**-1,549**	**-**	**535,091**
Dividend	-	-	-54,576	-	-	-	-54,576
Profit or loss after taxes	-	-	123,663	-	-	-	123,663
Other comprehensive income	-	-	-	-1,552	704	-	-848
Balance as at 31 Dec 2021	**11,370**	**28,058**	**569,377**	**-4,630**	**-845**	**-**	**603,330**
Dividend	-	-	-113,700	-	-	-	-113,700
Profit or loss after taxes	-	-	185,722	-	-	-	185,722
Other comprehensive income	-	-	-	-648	1,779	-243	888
Balance as at 31 Dec 2022	**11,370**	**28,058**	**641,399**	**-5,278**	**934**	**-243**	**676,240**

Notes

Fundamentals

Description and explanation of business activities

RATIONAL Aktiengesellschaft (abbreviated to "RATIONAL AG" in the following text) is a stock corporation under German law with its registered offices at Landsberg am Lech, Germany. RATIONAL AG is entered in the Commercial Register in Augsburg, Germany under number HRB 2001 with the address Siegfried-Meister-Strasse 1, Landsberg am Lech, Germany.

The RATIONAL Group (referred to as "RATIONAL" or "Group" in the following text) provides products and solutions worldwide 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 appliances are produced in Germany and France.

Presentation of financial statements

The consolidated financial statements cover RATIONAL AG and its subsidiaries. The functional currency and the currency used in the consolidated financial statements is the euro. For the sake of clarity, figures are in principle shown in thousands of euros. The balance sheet and statement of comprehensive income comply with the IAS 1 guidance on classification and format. The presentation for the balance sheet date, 31 December 2022, and for the previous year is classified in the balance sheet into maturities of "12 months or less" (current) and "more than 12 months" (non-current). RATIONAL prepares the statement of comprehensive income in the cost-of-sales format.

The consolidated financial statements were approved by the Executive Board of RATIONAL AG on 28 February 2023.

Basis of preparation

The consolidated financial statements for fiscal year 2022 (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 European Union, and in accordance with the supplementary rules applicable under section 315e (1) of the German Commercial Code (HGB).

All the standards as well as SIC and IFRS IC interpretations effective and mandatory for fiscal year 2022 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 revised standards were applied on a mandatory basis for the first time for fiscal year 2022:

		Entry into force
Amendment	IFRS 3 "Reference to the Conceptual Framework"	1 January 2022
Amendment	IAS 16 "Proceeds before Intended Use of Property, Plant and Equipment"	1 January 2022
Amendment	IAS 37 "Onerous Contracts — Cost of Fulfilling a Contract"	1 January 2022
Amendment	Annual Improvements to IFRSs — 2018–2020 cycle	1 January 2022

The revised standards that were applied on a mandatory basis for the first time in fiscal year 2022 and not applied voluntarily in previous years have no material effect on these consolidated financial statements of RATIONAL.

The following amendments did not yet apply on a mandatory basis in fiscal year 2022 and were not applied early:

		Entry into force
Amendment	IAS 1 and Practice Statement 2 “Disclosure of Accounting Policies”	1 January 2023
Amendment	IAS 8 “Definition of Accounting Estimates”	1 January 2023
Amendment	IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	1 January 2023
Amendment	IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	1 January 2023
New	IFRS 17 “Insurance Contracts” (incl. amendments to IFRS 17)	1 January 2023

The amendments and the new standard IFRS 17 is not expected to have any material effects on RATIONAL's consolidated financial statements, in particular since, for its warranty and maintenance agreements, RATIONAL applies the option provided by IFRS 17.8 to continue to account for fixed-fee service contracts in accordance with IFRS 15.

The following amended standards have been published by the IASB but not yet adopted by the European Union, and are also not applied to the consolidated financial statements:

		Entry into force in accordance with standard
Amendment	IAS 1“Presentation of Financial Statements– Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants”	1 January 2024
Amendment	IFRS 16 “Lease Liabilities in a Sale-and-Leaseback Transaction”	1 January 2024

These amendments will be applied 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.

Scope of consolidation

Eight domestic (2021: seven) and 24 foreign subsidiaries (2021: 24) in addition to the parent company were included in the consolidated financial statements.

The change in the scope of consolidation is due to the establishment of RATIONAL Ausbildungsgesellschaft mbH.

As at 31 December 2022 the consolidated companies were as follows:

Group structure

Company name and registered office			% of capital/ % of voting rights
Germany			
RATIONAL AG	Landsberg am Lech	Germany	100.0
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 Dienstleistungs-gesellschaft mbH	Landsberg am Lech	Germany	100.0
RATIONAL Montage GmbH	Landsberg am Lech	Germany	100.0
RATIONAL Deutschland GmbH	Landsberg am Lech	Germany	100.0
RATIONAL F & E GmbH	Landsberg am Lech	Germany	100.0
RATIONAL Ausbildungs-gesellschaft GmbH	Landsberg am Lech	Germany	100.0
Europe			
RATIONAL UK Ltd.	Luton	UK	100.0
RATIONAL France S.A.S.	Wittenheim	France	100.0
RATIONAL Wittenheim S.A.S.	Wittenheim	France	100.0
TOPINOX S.A.R.L.	Nantes	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
RATIONAL Sp. z o.o.	Warsaw	Poland	100.0
RATIONAL Czech Republic s.r.o.	Prague	Czech Republic	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
America			
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	Columbia	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

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 Deutschland 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 2022.

Consolidation methods and material accounting policies

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 and intercompany profits 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.

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. The local currency in each country is the functional currency for the entities based in the country concerned. RATIONAL International AG, based in Switzerland, and 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. 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 annual financial statements of the foreign subsidiaries are translated into euros, the functional currency used in the consolidated financial statements. 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 most important exchange rates in relation to the euro used in the consolidated financial statements:

			Annual average exchange rate		Exchange rate on 31 Dec	
1 euro =			**2022**	**2021**	**2022**	**2021**
CAD	=	Canadian dollar	**1.3707**	1.4788	**1.4460**	1.4361
CNY	=	Chinese yuan	**7.0874**	7.5975	**7.3631**	7.2284
GBP	=	Pound sterling	**0.8548**	0.8582	**0.8873**	0.8396
JPY	=	Japanese yen	**138.23**	130.27	**140.83**	130.95
USD	=	US dollar	**1.0514**	1.1802	**1.0672**	1.1372

Intangible assets
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. 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.

Acquired intangible assets and capitalised development costs for development projects that have not yet been completed are tested annually for impairment. 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 of disposal or the value in use of an asset, whichever is higher.

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 costs of disposal 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
Property, plant and equipment is measured at cost less depreciation. Cost include all directly attributable costs and appropriate portions of production-related overheads. Depreciation is calculated on the basis of the useful lives of the assets. Administration and production buildings are usually depreciated over a period of between 10 and 33 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 3 and 15 years. The straight-line method is usually 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 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 of disposal or the value in use of an asset, whichever is higher.

Leasing
Under IFRS 16, the lessee accounts for leases by recognising right-of-use assets and the corresponding lease liabilities from the date on which the lease asset is available for use by the Group. They are recognised at the present value of the lease payments at the date of initial recognition; the lease payments are discounted using the lessee's incremental borrowing rate. The incremental borrowing rate is determined at RATIONAL using a benchmark interest rate and a financing margin. The right-of-use asset is depreciated on a straight-line basis over the lease term.

At RATIONAL, eligible right-of-use assets are real estate (especially office and warehouse buildings), vehicles and other operating and office equipment in accordance with IFRS 16. Leases are normally entered into for fixed periods of up to 7 years, but may contain termination and renewal options in order to maintain a maximum of operating flexibility in relation to the lease portfolio. The leases are normally negotiated individually and contain a large variety of different terms and conditions.

For low-value leased objects (mainly computer equipment), RATIONAL makes use of the exemption provided by IFRS 16.5 b). Payments for low-value assets are recognised in profit or loss using the straight-line method.

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. They include all costs directly attributable to the production process, as well as appropriate portions of production-related overheads.

Financial instruments

In the course of normal operating activities, companies can enter into a large number of contractual agreements that lead to the creation of financial assets for one company and, at the same time, financial liabilities for another. These relate to financial instruments.

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.

Financial assets and liabilities are initially recognised at fair value plus or less directly attributable transactions costs, if they are measured at amortised cost. Under IFRS 9, all financial assets and liabilities are 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 or liabilities:

› Financial assets are allocated to the category of subsequent measurement at amortised cost, if they are held within a business model whose objective is exclusively to hold assets in order to collect contractual cash flows ("hold" business model) and the contractual cash flows are solely payments of principal and interest.
› Financial assets and financial liabilities are allocated to the category of subsequent measurement at fair value, if they are held exclusively for trading and not in order to collect contractual cash flows, or are not held for both collecting contractual cash flows and selling financial assets ("other" business model), or if their contractual cash flows are not solely payments of principal and interest.

All financial liabilities are subsequently measured at amortised cost, unless they have to be allocated to the subsequent measurement category at fair value.

RATIONAL does not use hedge accounting. For financial instruments measured at amortised cost, changes in fair value between reporting dates are recognised under other operating income or expenses or in the financial result in the consolidated statement of comprehensive income. Net gains and losses on financial instruments measured at fair value are presented in other operating income and expenses.

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 22.

A financial asset is derecognised if the contractual right to cash flows from the financial asset has expired or if the financial asset has been transferred and RATIONAL has transferred or received substantially all risks and rewards associated with 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.

The impairment loss on financial assets recognised in the context of subsequent measurement at amortised cost takes account not only of losses already incurred, but also an estimate of expected credit losses (expected credit loss model). IFRS 9 distinguishes between a general impairment model (three-stage approach) and a simplified approach. The general impairment model is used in all cases for determining impairment losses. 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. To be able to assess whether the credit risk of fixed-term deposits has increased significantly, the ratings of banks with which there was an active contractual relationship during the reporting period are reviewed as at each reporting date. Deposits have a low risk of default if the issuer has an investment grade rating. The valuation allowances to be recognised are calculated on the basis of corresponding credit default swaps.

A significant deterioration in a contracting party's rating (e.g. worse than BBB- or no longer investment grade) would constitute a significant rise in credit risk, which would trigger the transfer of the relevant fixed-term deposit contracts to stage 2. As a consequence, the risk provision would then correspond to the lifetime expected credit losses of the financial instrument.

RATIONAL applies the simplified approach under IFRS 9 to measure the expected credit losses for trade accounts receivable. The short-term nature of the receivables means that the expected 12-month credit losses correspond to the credit losses expected over their remaining lives. Transfers between stage 1 and stage 2 are therefore unnecessary, so trade accounts receivable are always allocated to stage 2. If there is objective evidence of impairment, the financial instrument in question must be transferred to stage 3.

The following model is used to measure credit losses to be expected on trade accounts receivable in stage 2: receivables not requiring individual impairment losses to be recognised are classified 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. Existing credit insurance cover is taken into account when determining the allowances.

Stage 3 specific valuation allowances must be recognised for receivables to be classified as doubtful on the basis of objective criteria and for which no information is available that justifies a different assessment. Objective evidence exists in particular if the customer is in substantial financial difficulties (and the receivable has been transferred to an external collection specialist), the receivables are more than 90 days overdue, insolvency proceedings have been filed for or commenced, or receivables are disputed in court.

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. Positive current account balances are subject to the requirements of the general impairment model. However, since current account contracts can always be terminated at short notice, no risk provision is recognised for credit balances in current accounts.

Current income tax receivables and income tax liabilities
Current income tax receivables and income tax liabilities for 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, as well as for tax loss carry-forwards. Deferred tax claims 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 rate used to calculate deferred taxes for RATIONAL AG is 28% (2021: 28%). For foreign subsidiaries, deferred taxes are calculated on the basis of tax rates applicable or enacted as at the balance sheet date. 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 only 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 the deferred tax asset and any unused tax loss can be used.

Pension and similar obligations
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
Other provisions are recognised if there is a legal or constructive 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 by applying market interest rates.

Contingent liabilities

Compared to provisions, contingent liabilities are subject to substantially greater uncertainty, since they represent either a potential obligation or a present obligation that is unlikely to be settled or whose amount cannot be estimated with sufficient reliability. The assessment of the financial effects arising from contingent liabilities for such risks (e.g. from litigation) that do not meet the criteria for recognising provisions is uncertain about the probability and the amount of outflow of resources and is subject to estimates and assumptions.

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. These grants are normally deducted from the corresponding expenses. Grants for research and development not eligible for capitalisation are reported under other operating income.

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 costs of basic and application research and development costs not eligible for capitalisation. General administration expenses are made up of business administration costs, such as finance, IT, accounting and controlling as well as costs for human resources, central services and a proportion of executive management costs. Amortisation and depreciation charges are allocated to cost of sales as well as functional costs according to cost drivers.

Sales revenue recognition

RATIONAL generates sales revenues primarily from selling goods to dealers and partners. Order lead times are generally short-term. Sales revenues are recognised when the underlying performance obligation has been satisfied by transferring control to the customer. In most cases, this occurs on delivery of the goods. 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 or extended warranty services. The installation or extended warranty 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.

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 of uncertain amount arising from trade bonuses still to be granted are reported under other provisions. If the amount of the trade bonuses to be granted is known, they are reported under other financial liabilities. The payment terms are determined on the basis of local circumstances and are in principle shorter than one year. There are no significant financing elements.

Expense recognition

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 allocated to the acquisition, construction or manufacture of a qualifying asset.

Other financial result

Due to the European Central Bank's interest rate policy, a large number of banks charged negative interest on accounts in credit in the previous year. RATIONAL reports this interest in the other financial result.

Hyperinflation
In order to reflect changes in purchasing power in hyperinflationary countries as at the balance sheet date, the carrying amounts of non-monetary assets and liabilities, of equity and the statement of comprehensive income of subsidiaries in hyperinflationary countries as well as prior-period comparative figures are translated into the measuring unit current at the balance sheet date. This is done on the basis of a general price index in accordance with IAS 29. Prior-year figures in the consolidated financial statements are not restated, as they are presented in a stable currency. In contrast, translation of monetary assets and liabilities is not required. They represent existing funds to be received or paid, which are already presented in the measuring unit current at the balance sheet date.

Effects from inflation-based adjustments to non-monetary assets and liabilities are included in the respective balance sheet item. Effects from adjusting the statement of comprehensive income to the general price index are presented in the "Gain or loss on the net monetary position in accordance with IAS 29" item. The residual of adjustments for inflation is recognised in other comprehensive income.

Effects of climate change
In the course of preparing the consolidated financial statements for the fiscal year under review, the effects of global climate change on the measurement of assets and liabilities was also examined. This was done in particular with regard to the recoverability and useful lives of assets, expected credit losses and other factors influencing business performance, such as regulatory requirements, changes in production conditions or a change in customer demand behaviour. This had no material direct financial effects from climate-related factors on the net assets, financial position and profit or loss.

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 which 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.

The assumptions and estimates the Executive Board made to the best of their knowledge could have been made differently for equally plausible reasons. The assumptions made may alter over time and hence have a material effect on the net assets, financial position and profit or loss. The Executive Board is confident that the assumptions and estimates made are appropriate.

The following items in particular are subject to assumptions and estimates made by corporate management.

For intangible assets and property, plant and equipment, the assumptions and estimates relate in particular to the useful life, whether there are indications of impairment, and the recoverable amount of an impaired asset. Additional assumptions are made in relation to the discount rate for right-of-use assets. Capitalised development costs require estimates of the technical and financial feasibility of the projects.

When goodwill and capitalised development costs for uncompleted development projects are subjected to the annual impairment test, assumptions must be made about future profit or loss levels and the resulting cash flows to be expected in the underlying cash-generating units or group of cash-generating units in order to determine the recoverable amount. Uncompleted development projects additionally require assumptions about costs still to be incurred and the period to completion.

Discretionary decisions are taken by the Executive Board 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. The Executive Board applies discretionary 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.

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.

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 arising from 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.

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 of IAS 37 are met. The recognition and amount of the provisions are subject to Executive Board 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. The Executive Board regularly assesses their status, sometimes with the involvement of external lawyers, in order to estimate the provisions reliably.

When assessing contingent liabilities, management estimates and assumptions are used to determine the amount and probability of incurring a potential obligation.

The assessment of the effects of climate change on the measurement of assets and liabilities is subject to management assumptions and estimates of the future influence of climate and sustainability-related factors on business performance and of regulatory requirements.

In recognising sales revenues, it is normally assumed that the customer obtains control of the goods upon delivery. To a 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 trade partners 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 Executive Board judgement in the application of accounting policies.

Notes to the statement of comprehensive income

1. Sales revenues

The increase in sales revenues by 242,611 thousand euros or 31% compared with the previous year is mainly due to the improved availability of components, the price increases that have taken effect and positive exchange rate effects. This led to faster growth in the fourth quarter of the reporting period compared with sales revenue growth for the first nine months.

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

Sales revenues by region

in kEUR	2022	% of total	2021	% of total
Germany	**125,467**	**12**	102,528	13
Europe (excluding Germany)	**438,975**	**43**	336,757	43
North America	**221,421**	**22**	140,415	18
Latin America	**57,640**	**6**	35,452	5
Asia	**125,964**	**12**	122,777	16
Rest of the world[1]	**52,878**	**5**	41,805	5
Total	**1,022,345**	**100**	**779,734**	**100**

1 Australia, New Zealand, Middle East, Africa

A significant share of consolidated sales revenues was generated in the USA with 178,240 thousand euros (2021: 110,189 thousand euros) and in Germany with 125,467 thousand euros (2021: 102,528 thousand euros). As in the previous year, no more than 10% of sales revenues were generated with any one customer.

The iCombi product group achieved sales revenues of 894,607 thousand euros in the period under review (2021: 698,383 thousand euros), and the iVario product group had sales revenues of 127,738 thousand euros (2021: 81,351 thousand euros). 71% (2021: 71%) of sales revenues was attributable to appliance sales. The remaining 29% (2021: 29%) 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 9,052 thousand euros (2021: 3,505 thousand euros) were recognised, which had been recognised under contract liabilities at the end of the previous year. The final settlement of prior-year trade bonuses led to an increase in sales revenues of 1,021 thousand euros (2021: 488 thousand euros).

The recognised contract liabilities (see note 20 "Other liabilities") arise from payments we received before the contractual performance obligations were satisfied. The contract liabilities are recognised as sales revenues as soon as the respective performance obligation has been satisfied.

The term of most remaining performance obligations is normally below one year. In accordance with IFRS, no other information is therefore provided on current performance obligations.

Further information on sales revenues appears in the section on segment reporting (see note 25).

2. Cost of sales and functional costs

Cost of sales was up by 30%, and therefore expanded at virtually the same pace as sales revenues. The sharp rise in material costs as a result of worldwide price increases because of the strained situation in the global procurement market put upward pressure on costs. This was set against production costs that rose more slowly than sales revenues. Sales and service expenses went up by 26% – more slowly than sales revenues, but significantly higher than in the previous year. This is mainly attributable to rises in logistics costs and an increase in staff numbers in sales-related areas. The year-on-year increase in capitalised development costs led to a decline in research and development expenses. After adjusting for this effect, research and development expenses went up by 10%.

In 2022, RATIONAL recognised government grants in the form of personnel and rental cost subsidies of 55 thousand euros (2021: 1,055 thousand euros). The corresponding claims arose in the reporting period. The conditions attached to these grants were satisfied in full, and there are no uncertainties. In addition, RATIONAL received government assistance in the form of reduced social security contributions.

3. Other operating income and expenses

in kEUR	2022	2021
Exchange rate gains	**26,034**	10,962
Other income	**3,270**	2,923
Other operating income	**29,304**	**13,885**
Exchange rate losses	**-26,589**	-9,073
Other expenses	**-1,924**	-1,282
Other operating expenses	**-28,513**	**-10,355**

Exchange rate 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 1,841 thousand euros (2021: 1,447 thousand euros) is reported under other income and includes grants for research and development services. The claim arose in the reporting period.

Other expenses include expenses relating to impairment losses and the derecognition of receivables. They are explained in note 11 "Trade receivables".

4. Financial result

The largest items in the financial result are interest income, interest expenses in connection with leases and custody fees. Furthermore, it includes the gain or loss on the net monetary position from adjusting the statement of comprehensive income in hyperinflationary countries to the consumer price index (see note 29). This amounted to 407 thousand euros in fiscal year 2022 (previous year: 0 thousand euros).

5. 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% (2021: 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	2022	2021
Earnings before taxes (EBT)	**237,743**	158,860
Expected tax rate in %	**27.73**	27.73
Expected income tax expense	**65,926**	**44,052**
Variations in local tax rates in the subsidiaries	**-14,974**	-10,236
Tax revenue from previous years	**-30**	-123
Tax expenses relating to previous years	**221**	838
Non-tax-deductible expenses and other amounts	**878**	666
Report income tax expense	**52,021**	**35,197**

The deferred tax income in the income statement attributable to 2022 was 1,347 thousand euros (2021: tax expense of 2,720 thousand euros). The current income tax expense, excluding deferred taxes, thus amounted to 53,368 thousand euros (2021: 32,477 thousand euros).

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

in kEUR	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Intangible assets	**44**	44	**-3,501**	-1,329
Inventories	**12,336**	7,436	**-**	-105
Provisions	**3,175**	3,568	**-127**	-57
Right-of-use assets and lease liabilities	**4,269**	4,147	**-4,183**	-4,048
Other	**635**	698	**-2,312**	-1,058
Total deferred tax assets/liabilities	**20,459**	**15,893**	**-10,123**	**-6,597**
Tax offset	**-6,419**	-5,920	**6,419**	5,920
Total recognised under asset/liabilities	**14,040**	**9,973**	**-3,704**	**-677**

Deferred taxes in provisions include deferred tax liabilities of 13 thousand euros (2021: deferred tax assets of 293 thousand euros) recognised on actuarial gains and losses and taken directly to equity.

Of the total deferred tax assets, 16,524 thousand euros (2021: 11,453 thousand euros) is current and 3,935 thousand euros (2021: 4,440 thousand euros) non-current. Of the total deferred tax liabilities, 4,085 thousand euros (2021: 2,716 thousand euros) is current and 6,038 thousand euros (2021: 3,881 thousand euros) 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 intangible assets, property, plant and equipment, pension provisions, right-of-use assets and lease liabilities.

On 31 December 2022, there were temporary differences of 9,273 thousand euros (2021: 6,047 thousand euros) in connection with shares in subsidiaries for which no deferred tax liabilities were recognised, because there is no intention to distribute these profits.

In addition, there are unused tax losses of 412 thousand euros (2021: 856 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.

6. 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 (2021: 11,370,000 shares) and profit after tax of 185,722 thousand euros (2021: 123,663 thousand euros), basic and diluted earnings per share for fiscal year 2022 were 16.33 euros (2021: 10.88 euros).

7. Dividend per share

For fiscal year 2021, the dividend of 10.00 euros per share (7.50 euros per share plus a special dividend of 2.50 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 4 May 2022. Total dividends of 113.700 thousand euros (2020: 54,576 thousand euros) were paid in May 2022.

The Executive Board and Supervisory Board will propose to the General Meeting of Shareholders on 10 May 2023 a dividend of 13.50 euros per share (11.00 euros per share plus a special dividend of 2.50 euros per share) for fiscal year 2022, the total distribution in this case being 153,495 thousand euros.

Notes to the balance sheet – assets

8. Intangible assets

in kEUR	Industrial and similar rights	Goodwill	Capitalised development costs	Intangible assets under development and advance payments	Total
Cost					
Balance as at 1 Jan 2022	**16,464**	**424**	**10,424**	**413**	**27,725**
Exchange rate differences	**29**	**-**	**-**	**-**	**29**
Additions	**1,256**	**-**	**-**	**8,358**	**9,614**
Reclassifications	**225**	**-**	**-3.088**	**2,863**	**-**
Disposals	**-8**	**-**	**-**	**-188**	**-196**
Balance as at 31 Dec 2022	**17,966**	**424**	**7,336**	**11,446**	**37,172**
Depreciation					
Balance as at 1 Jan 2022	**13,789**	**-**	**5,633**	**-**	**19,422**
Exchange rate differences	**7**	**-**	**-**	**-**	**7**
Additions	**1,248**	**-**	**524**	**-**	**1,772**
Reclassifications	**-**	**-**	**-**	**-**	**-**
Disposals	**-7**	**-**	**-**	**-**	**-7**
Balance as at 31 Dec 2022	**15,037**	**-**	**6,157**	**-**	**21,194**
Carrying amounts					
Balance as at 31 Dec 2022	**2,929**	**424**	**1,179**	**11,446**	**15,978**
Cost					
Balance as at 1 Jan 2021	15,330	424	7,336	**454**	**23,544**
Exchange rate differences	1	-	-	**-**	**1**
Additions	703	-	3,088	**424**	**4,215**
Reclassifications	465	-	-	**-465**	**-**
Disposals	-35	-	-	**-**	**-35**
Balance as at 31 Dec 2021	**16,464**	**424**	**10,424**	**413**	**27,725**
Depreciation					
Balance as at 1 Jan 2021	12,557	-	4,479	**-**	**17,036**
Exchange rate differences	-	-	-	**-**	**-**
Additions	1,267	-	1,154	**-**	**2,421**
Reclassifications	-	-	-	**-**	**-**
Disposals	-35	-	-	**-**	**-35**
Balance as at 31 Dec 2021	13,789	-	5,633	**-**	**19,422**
Carrying amounts					
Balance as at 31 Dec 2021	**2,675**	**424**	**4,791**	**413**	**8,303**

In the 2022 reporting period, reclassifications between the asset classes were made and included in the statement of changes in non-current assets for the first time. This means that capitalised costs of 3,088 thousand euros for ongoing development projects are now presented in the “Intangible assets under development and advance payments” category. The previous year’s statement was adjusted accordingly. In the previous year’s report, the reclassifications were presented in the “Industrial and similar rights” category.

The reported goodwill arose from the acquisition of RATIONAL Wittenheim S.A.S. in 1993; it is allocated to the EMEA segment. The annual impairment test did not give rise to any requirement to recognise an impairment loss because the recoverable amount exceeded the carrying amount.

Capitalised development costs relate to the development of new solutions and improvements in the performance of our products and services. Total research and development costs (including capitalised development costs) amounted to 53,108 thousand euros in fiscal year 2022 (2021: 48,207 thousand euros).

In fiscal year 2022, as in the previous year, there were no indications of impairment. There are no pledges or restrictions on disposal. Exchange rate differences can occur when foreign-currency-denominated intangible assets recognised by the subsidiaries are translated into the Group’s functional currency, the euro.

As at 31 December 2022, obligations to purchase intangible assets amounted to 106 thousand euros (2021: 374 thousand euros).

9. Property, plant and equipment

This balance sheet item covers property, plant and equipment within the meaning of IAS 16 in an amount of 186,217 thousand euros (2021: 178,964 thousand euros) and right-of-use assets within the meaning of IFRS 16 in an amount of 17.700 thousand euros (2021:17,114 thousand euros).

In fiscal year 2022, as in the previous year, there were no indications of impairment.

Property, plant and equipment within the meaning of IAS 16 breaks down as follows:

in kEUR	Land and buildings	Technical equipment and machinery	Operating and office equipment	Advance payments and assets under construction	Total
Cost					
Balance as at 1 Jan 2022	**150,375**	**102,470**	**48,855**	**9,635**	**311,335**
Exchange rate differences	**57**	**1**	**227**	**0**	**285**
Additions	**752**	**3,358**	**6,763**	**16,884**	**27,757**
Reclassifications	**349**	**477**	**146**	**-972**	**-**
Disposals	**-27**	**-1,057**	**-1,087**	**-**	**-2,171**
Balance as at 31 Dec 2022	**151,506**	**105,249**	**54,904**	**25,547**	**337,206**
Depreciation					
Balance as at 1 Jan 2022	**49,980**	**50,324**	**32,067**	**-**	**132,371**
Exchange rate differences	**67**	**1**	**61**	**-**	**129**
Additions	**4,571**	**10,036**	**5,956**	**-**	**20,563**
Reclassifications	**-**	**-**	**-**	**-**	**-**
Disposals	**-27**	**-1,011**	**-1,036**	**-**	**-2,074**
Balance as at 31 Dec 2022	**54,591**	**59,350**	**37,048**	**-**	**150,989**
Carrying amounts					
Balance as at 31 Dec 2022	**96,915**	**45,899**	**17,856**	**25,547**	**186,217**
Cost					
Balance as at 1 Jan 2021	131,437	93,479	44,971	21,049	**290,936**
Exchange rate differences	225	1	208	-	**434**
Additions	5,466	3,265	4,798	8,076	**21,605**
Reclassifications	13,405	5,831	234	-19,470	**-**
Disposals	-158	-106	-1,356	-20	**-1,640**
Balance as at 31 Dec 2021	**150,375**	**102,470**	**48,855**	**9,635**	**311,335**
Depreciation					
Balance as at 1 Jan 2021	45,395	40,880	27,641	-	**113,916**
Exchange rate differences	156	1	170	-	**327**
Additions	4,584	9,518	5,488	-	**19,590**
Reclassifications	-	-	-	-	**-**
Disposals	-155	-75	-1,232	-	**-1,462**
Balance as at 31 Dec 2021	**49,980**	**50,324**	**32,067**	**-**	**132,371**
Carrying amounts					
Balance as at 31 Dec 2021	**100,395**	**52,146**	**16,788**	**9,635**	**178,964**

A land charge of 33,500 thousand euros (2021: 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 property, plant and equipment recognised by the subsidiaries is translated into the Group's functional currency, the euro.

As at 31 December 2022, obligations to purchase property, plant and equipment amounted to 8,464 thousand euros (2021: 7,500 thousand euros).

Further details of right-of-use assets arising from leases, which are also presented under property, plant and equipment in the balance sheet, can be found in note 23 “Leasing”.

10. Inventories

in kEUR	31 Dec 2022	31 Dec 2021
Raw materials, consumables and supplies	**32,445**	25,850
Work in progress	**6,155**	32,559
Finished goods and goods for resale	**77,697**	38,879
Total	**116,297**	**97,288**

The increase in inventories is primarily due to better availability of components than in the prior-year period. This meant that more appliances could be produced, which in turn led to an increase in finished goods inventories. For the same reason, the preproduction of partially finished appliances could be discontinued at the end of the fiscal year and the inventory of work in progress reduced significantly. Another factor was that, in response to the tense supply situation around the world, higher volumes of raw materials, consumables and supplies were procured to better balance supply fluctuations.

In fiscal year 2022, write-downs on inventories of 2,779 thousand euros (2021: 3,615 thousand euros) were expensed as cost of sales.

In total, inventories of 423,451 thousand euros (2021: 319,678 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.

11. Trade accounts receivable

Trade receivables break down as follows:

in kEUR	31 Dec 2022	31 Dec 2021
Gross trade accounts receivable (specific bad debt allowance)	**333**	311
Gross trade accounts receivable (portfolio bad debt allowance)	**175,115**	108,871
Total	**175,448**	109,182
Specific bad debt allowance	**-179**	-238
Portfolio bad debt allowance	**-606**	-157
Trade accounts receivable	**174,663**	**108,787**

The increase in trade accounts receivable compared with 31 December 2021 is primarily due to the year-on-year rise in sales revenues in the last two months of the reporting period and a reduction in the level of advance and prepayments received.

The trade accounts receivable outstanding at the beginning of the fiscal year were largely settled in the period under review. This means that the vast majority of trade accounts receivable as at 31 December 2022 are new receivables.

All trade receivables are due within one year.

Allowances for expected credit losses 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 22.

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

Specific valuation allowances on trade accounts receivable

in kEUR	As at 1 Jan	Currency effects	Use	Reversal	Additions	As at 31 Dec
2022	**238**	**-7**	**-101**	**-31**	**80**	**179**
2021	**535**	10	-192	-151	36	**238**

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 0.97% (2021: 0.00% to 4.33%) 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 187 thousand euros in fiscal year 2022 (2021: 592 thousand euros). This figure does not include any claims settled by or payments expected from the credit insurer, which amounted to 101 thousand euros (2021: 375 thousand euros).

Impairment losses and the reversal of impairment losses on trade gently over receivable gave rise to income of 416 thousand euros in fiscal year 2022 (2021: income of 186 thousand euros). This is reported under other operating income or other operating expenses.

12. Other financial assets

in kEUR	Current		Non-current	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Deposits incl. interest receivable	**129,291**	83,611	**-**	-
Derivatives not designated as hedges	**3,352**	595	**-**	-
Other	**1,114**	671	**1,158**	1,040
Total	**133,757**	**84,877**	**1,158**	**1,040**

The increase in other financial assets compared to 31 December 2021 essentially results from more investments in short-term fixed deposits.

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 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Deposits before risk allowances	**129,378**	83,675	**-**	-
Risk allowance	**-89**	-64	**-**	-
Deposits after risk allowances	**129,289**	**83,611**	**-**	**-**

In the fiscal year under review, an increase in the risk allowance of 25 thousand euros for deposits was recognised as an expense in the other financial result (2021: expense of 50 thousand euros).

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 22). None of these deposits has been pledged as collateral.

13. Other assets

in kEUR	Current		Non-current	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Value added tax refund claims	**21,646**	7,601	**-**	-
Advance payments	**4,718**	4,378	**1,151**	1,278
Government grants	**1,112**	-	**1,049**	1,897
Other	**831**	952	**-**	-
Total	**28,307**	**12,931**	**2,200**	**3,175**

Other assets mainly consist of advances to employees in an amount of 618 thousand euros (2021: 640 thousand euros).

14. Cash and cash equivalents

in kEUR	Currency	31 Dec 2022	31 Dec 2021
Deposits	EUR	**137,989**	197,000
Deposits	USD	**21,880**	9,945
Deposits	CHF	**10,756**	5,533
Deposits	GBP	**6,170**	6,561
Deposits	CNY	**5,151**	5,257
Deposits	JPY	**5,107**	7,485
Deposits	CAD	**4,437**	3,737
Deposits	INR	**3,096**	2,927
Deposits	SEK	**2,689**	1,976
Deposits	PLN	**2,072**	2,649
Deposits	CZK	**1,950**	2,267
Deposits	MXN	**1,735**	1,855
Deposits	SGD	**1,432**	1,522
Deposits	TRY	**1,178**	1,420
Deposits in other currencies and cash in hand	various	**2,259**	3,561
Total		**207,901**	**253,695**

The previous year's balance in other currencies and cash held included a balance of Russian rubles (RUB) worth 1,967 thousand euros. The balance in the reporting period includes rubles worth the equivalent of 401 thousand euros.

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 22.

Cash and cash equivalents include currency items with controls on capital movement relating to a total amount of 6,679 thousand euros (2021: 7,981 thousand euros). More information on currency restrictions can be found in the section on financial risks in note 22.

Notes to the balance sheet – equity and liabilities

15. Equity

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

Subscribed capital

RATIONAL AG's share capital as at 31 December 2022 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 28 “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.

Retained earnings

Retained earnings mainly 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 5) and the residual of adjustments for hyperinflation in accordance with IAS 29 (see note 29).

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 Group's total capital. The RATIONAL Group's equity ratio as of 31 December 2022 is 75% (2021: 77%).

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

16. 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.

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 53 thousand euros in 2023 (2021: 51 thousand euros). Both pension obligations have an average maturity of 13 (2021: 13 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 56 (2021: 54) 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 488 thousand euros in 2023 (2021: 341 thousand euros). The pension obligations have an average maturity of 17 (2021: 19 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 2023 amount to 224 thousand euros (2021: 164 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	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Value as at 1 Jan	**10,471**	**10,961**	**4,686**	**4,453**	**5,785**	**6,508**
Currency difference	**370**	348	**231**	198	**139**	150
Interest expense	**50**	20	**-**	-	**50**	20
Interest income	**-**	-	**8**	2	**-8**	-2
Service cost	**1,261**	1,190	**-**	-	**1,261**	1,190
Past service cost	**49**	-311	**-**	-	**49**	-311
Actuarial losses/gains due to changes to financial assumptions	**-2.375**	-408	**-**	-	**-2.375**	-408
Actuarial losses/gains due to changes in demographic assumptions	**2**	-525	**-**	-	**2**	-525
Actuarial losses/gains due to experience	**-44**	-215	**-**	-	**-44**	-215
Return on plan assets excluding amounts included in interest income	**-**	-	**-337**	-180	**337**	180
Employer contributions	**-**	-	**479**	353	**-479**	-353
Employee contributions	**-**	-	**361**	325	**-361**	-325
Benefits received/paid	**-1,593**	-589	**-1,262**	-465	**-331**	-124
Value as at 31 Dec	**8,191**	**10,471**	**4,166**	**4,686**	**4,025**	**5,785**
thereof Germany (DE)	**579**	712	**-**	-	**579**	712
thereof Switzerland (CH)	**5,132**	7,123	**4,166**	4,686	**966**	2,437
thereof Italy (IT)	**1,067**	1,197	**-**	-	**1,067**	1,197
thereof France (FR)	**1,037**	939	**-**	-	**1,037**	939
thereof other	**376**	500	**-**	-	**376**	500

The calculations were based on the following weighted actuarial assumptions:

in %		GER	CH	IT	FR	Other
	2022	**3.60**	**2.00**	**3.04**	**3.15**	**6.08**
Discount rate	**2021**	0.80	0.15	0.35	0.80	3.54
	2022	**-**	**1.75**	**1.00**	**3.50**	**4.98**
Salary progression rate	**2021**	-	1.40	1.00	3.00	4.28
	2022	**2.20**	**0.00**	**-**	**-**	**-**
Pension progression rate	**2021**	1.75	0.00	-	-	-

As in the previous year, the biometric calculations for Germany were based on Prof K. Heubeck's mortality tables (2018 G version), while the BVG-2020 generational tables were used for Switzerland.

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	2022	2021
Discount rate -0.5%	578	+898
Discount rate +0.5%	-510	-782
Salary progression rate -0.5%	-152	-182
Salary progression rate +0.5%	+156	+184
Pension progression rate -0.5%	-19	-28
Pension progression rate +0.5%	+224	+428
Life expectancy +1 year	+79	+164

17. Other provisions and contingent liabilities

2022

in kEUR	Balance as at 1 Jan 2022	Exchange rate differences	Use	Reversal	Additions	Interest rate effects	Balance as at 31 Dec 2022	Of which non-current
Personnel	28,411	110	-22.414	-1,662	25,910	38	**30,393**	5,541
Trade bonus	14,323	554	-13,975	-902	25,318	-	**25,318**	-
Warranty	23,420	-10	-12,524	-1,394	14,256	-169	**23,579**	4,323
Other	7,667	116	-6.283	-658	9,517	1	**10,360**	736
Total	**73,821**	**770**	**-55,196**	**-4,616**	**75,001**	**-130**	**89,650**	**10,600**

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. There is an ongoing exchange campaign, which was launched in the previous year in connection with a component in gas-operated combi steamers from older product lines that are no longer distributed. Some of the provisions for warranties recognized to this end have been used. The remaining amounts are expected to be used in the subsequent year.

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 year-on-year rise in provisions is mainly attributable to the positive business performance, which drove up provisions for trade bonuses.

As at 31 December 2022, there were contingent liabilities to the Brazilian tax authorities for tax expenses of 1,039 thousand euros, including interest and penalties (2021: 0 thousand euros). The uncertainty here relates to the probability and the amount of a potential payment. On the basis of, among other things, external opinions, RATIONAL believes that it has a high chance of winning this dispute and has therefore not recognised a provision for this matter. In addition, there are contingent liabilities to the tax authorities in Singapore in the amount of 430 thousand euros (2021: 0 thousand euros). The reason is the outstanding final assessment regarding the ability to recognize tax depreciation.

18. Financial debt

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

2022

in kEUR	Carrying amount 1 Jan 2022	Cash changes	Non-cash changes (currency effects and others)	Carrying amount 31 Dec 2022	Of which non-current
Liabilities to banks	**2,125**	**-1,181**	**-**	**944**	**-**

2021

in kEUR	Carrying amount 1 Jan 2021	Cash changes	Non-cash changes (currency effects and others)	Carrying amount 31 Dec 2021	Of which non-current
Liabilities to banks	4,676	-2.515	-36	2,125	944

Financial debt includes a loan agreement for real estate financing that is secured by land charges. A fixed interest rate applies to the entire term of this agreement. The assignment of rights to third parties has been contractually restricted.

In relation to the loan agreement, the following interest payments and repayments of principal will become due in subsequent periods:

in kEUR	2023	from 2024 onwards
Payments as of 31 Dec 2022	**956**	-

in kEUR	2022	2023 – 2024
Payments as of 31 Dec 2021	1,213	956

As in the previous year, there were no other current financial debt.

19. Financial liabilities

in kEUR	Current		Non-current	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Trade accounts payable	**36,352**	**28,440**	**-**	**-**
Liabilities to business partners	**10,674**	7,285	**-**	-
Lease liabilities	**6,630**	6,719	**11,423**	10,749
Liabilities from purchase of property	**3,220**	-	**-**	3,214
Derivatives not designated as hedges	**895**	965	**-**	-
Other	**552**	954	**-**	-
Other financial liabilities	**21,971**	**15,923**	**11,423**	**13,963**

Most current other financial liabilities and trade accounts payable are settled within a few months of the balance sheet date. Information on right-of-use assets and lease liabilities can be found in note 23.

20. Other liabilities

in kEUR	Current		Non-current	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Value added tax	**12,141**	9,460	**-**	-
Wage taxes and social security liabilities	**6,737**	5,856	**-**	-
Contractual obligations	**6,664**	8,851	**858**	664
Holiday claims	**5,509**	4,032	**-**	-
Other	**363**	302	**-**	-
Total	**31,414**	**28,501**	**858**	**664**

Notes to the cash flow statement

21. Cash flow statement

In compliance with IAS 7, the statement of cash flows reports the cash flows classified by operating, investing and financing activities. Payments of income taxes and custody fees are allocated to cash flows from operating activities. Payments of interest and dividends are presented in cash flows from financing activities, while interest payments received are classified as cash flows from investing 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 investments in intangible assets and property, plant and equipment as well as purchases of and reductions in financial assets. Cash flows from financing activities are also determined on the basis of actual cash inflows or outflows. The main items they include are dividend payments to shareholders as well as the repayment of bank loans (for a reconciliation to the "Financial debt" balance sheet item, see note 18) and payments of interest and principal relating to lease liabilities. Information on right-of-use assets and lease liabilities can be found in note 23.

The year-on-year decline in cash flows from operating activities despite higher profit before tax is mainly due to higher trade accounts receivable. Moreover, the changes in provisions, trade accounts payable and other liabilities, and income taxes paid had a negative effect on cash flows from operating activities. Cash flows from investing activities are similar to the previous year. In this item, higher capital expenditures for intangible assets and property, plant and equipment are almost completely offset by a smaller increase in fixed-term deposits. The change in cash flows from financing activities compared with fiscal year 2021 is primarily attributable to higher dividend payments of 113,700 thousand euros (2021: 54,576 thousand euros).

An internal review of the way in which the cash flow statement is presented has identified a need to make reclassifications in the cash flows from operating activities and in the financing cash flows. The aim was to give users of the financial statements more reliable and more relevant information. This was achieved by making adjustments in accordance with IAS 8.14, recognising effects from leases in accordance with IFRS 16 on the basis of the change in right-of-use assets or lease liabilities in the cash flow statement rather than the previous practice of presenting the effects in the statement of comprehensive income.

The effects of the changes on the consolidated cash flow statement for the prior-year period are summarised in the table below (for the sake of clarity, only the items affected by the adjustment and the total rows are shown):

in kEUR	**2021 before adjustment**	**Adjustment under IAS 8.14**	**2021 after adjustment**
Earnings before taxes (EBT)	158,860	-	158,860
Other	933	-227	706
Changes in			
trade accounts receivable and other assets	-13,728	-7,243	-20,971
Trade accounts payable and other liabilities	20,154	7,861	28,015
Cash flow from operating activities	**171,710**	**391**	**172,101**
Cash flow from investing activities	**-84.294**	**-**	**-84,294**
Interest paid	-227	-391	-618
Cash flow from financing activities	**-65,851**	**-391**	**-66,242**
Change in cash and cash equivalents	**22,567**	**-**	**22,567**

Other notes to the consolidated financial statements

22. Financial instruments

Based on the classification categories, financial assets and liabilities are in general recognised subsequently at amortised cost in the balance sheet. Exceptions to that are derivative financial instruments, 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. For lease liabilities, no fair value is specified in accordance with IFRS 7.29 d).

Categories of financial assets and liabilities in accordance with IFRS 9

in kEUR	Fair value hierarchy	Carrying amount 31 Dec 2022	Fair value 31 Dec 2022	Carrying amount 31 Dec 2021	Fair value 31 Dec 2021
Financial assets measured at amortised cost		**514,127**		**447,804**	
Other financial assets (non-current)	Level 2	**1,158**	**1,154**	1,040	1,036
Trade accounts receivable		**174,663**		108,787	
Other financial assets (current)		**130,405**		84,282	
Cash and cash equivalents		**207,901**		253,695	
Financial assets measured at fair value through profit or loss		**3,352**		**595**	
Derivatives not in a hedging relationship[1]	Level 2	**3,352**	**3,352**	595	595
Financial liabilities measured at amortised cost		**69,795**		**59,486**	
Financial debt (non-current)	Level 2			944	972
Lease liabilities (non-current)[2]		**11,423**		10,749	
Other financial liabilities (non-current)	Level 2			3,214	3,202
Financial debt (current)	Level 2	**944**	**933**	1,181	1,193
Trade accounts payable		**36,352**		28,440	
Lease liabilities (current)[3]		**6,630**		6,719	
Other financial liabilities (current)		**14,446**		8,239	
Financial liabilities measured at fair value through profit or loss		**895**		**965**	
Derivatives not in a hedging relationship[3]	Level 2	**895**	**895**	965	965

1 Included in balance sheet item “Other financial assets” (current)
2 Included in balance sheet item “Other financial liabilities” (non-current)
3 Included in balance sheet item “Other financial liabilities” (current)

The table on the left 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 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.

Derivative financial instruments

The derivative financial instruments recognised at the balance sheet date are forward exchange contracts, currency options and, where applicable, other derivatives. The calculation of fair value is based on the measurement as at the measurement date, as supplied by the treasury management system in use, with zero impact on the credit rating. The system measures on the basis of the market data valid for the respective measurement data using recognised mathematical processes such as the Garman-Kohlhagen or the discounted cash flow model. Any offsetting effects from underlying transactions are disregarded when determining the measurement with zero impact on the credit rating. In addition to measurements with zero impact on the credit rating, the risk of non-performance is also taken into account in measuring fair value.

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. Net interest income/expense and custody fees on deposits are not included in this amount.

Net gains or net losses excl. interest

in kEUR	2022	2021
Financial assets measured at amortised cost	**+1,980**	+3,900
Financial assets/liabilities measured at fair value through profit or loss	**-1,086**	-2,217
Financial liabilities measured at amortised cost	**-178**	+280

The net gains and losses include amounts from currency translation.

In addition, net gains or losses on financial assets measured at amortised cost include expenses relating to impairment losses and the derecognition of trade receivables as well as expenses 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 instruments measured at amortised cost; the items are carried in the financial result.

Total interest income and total interest expense from financial instruments measured at fair value

in kEUR	2022	2021
Total interest income	**748**	247
Total interest expense	**911**	451

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 2022

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	**179,010**	**4,347**	**174,663**	**-**	**174,663**
Deposits, cash and cash equivalents	**337,192**	**-**	**337,192**	**944**	**336,248**
Derivatives without a hedge relationship	**3,352**	**-**	**3,352**	**798**	**2,554**
Other financial assets	**2,272**	**-**	**2,272**	**-**	**2,272**
Total	**521,826**	**4,347**	**517,479**	**1,742**	**515,737**
Financial liabilities					
Financial debt	**-**	**944**	**944**	**944**	**-**
Trade accounts payable	**-**	**36,352**	**36,352**	**-**	**36,352**
Liabilities to business partners	**4,347**	**15,021**	**10,674**	**-**	**10,674**
Derivatives without a hedge relationship	**-**	**895**	**895**	**798**	**97**
Other financial liabilities	**-**	**21,825**	**21,825**	**-**	**21,825**
Total	**4,347**	**75,037**	**70,690**	**1,742**	**68,948**

31 Dec 2021

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	114,645	5,858	108,787	-	108,787
Deposits, cash and cash equivalents	337,306	-	337,306	2,125	335,181
Derivatives without a hedge relationship	595	-	595	311	284
Other financial assets	1,711	-	1,711	-	1,711
Total	**454,257**	**5,858**	**448,399**	**2,436**	**445,963**
Financial liabilities					
Financial debt	-	2,125	2,125	2,125	-
Trade accounts payable	-	28,440	28,440	-	28,440
Liabilities to business partners	5,858	7,441	1,582	-	1,582
Derivatives without a hedge relationship	-	965	965	311	654
Other financial liabilities	-	27,339	27,339	-	27,339
Total	**5,858**	**66,310**	**60,451**	**2,436**	**58,015**

Financial risks

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

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

› The integrated planning process 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 allows corrective action to be taken quickly and flexibly if things start to go wrong.
› To minimise the risk arising in connection with receivables, RATIONAL collaborates worldwide with credit insurers.
› All business processes and internal control systems are clearly defined. Quality and compliance are assured through regular training and checks.
› The Internal Audit independently and objectively records and assesses any variances from targets. Undesirable developments can be 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 specific risks at the RATIONAL Group are explained in the following:

Credit risks

Trade accounts receivable

RATIONAL supplies customers 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 mostly due from specialised retailers. Credit risk can arise as a result of customers not fulfilling their payment obligations.

In order to avoid or reduce credit risk, customers are subjected to credit checks and permanent credit monitoring performed by the credit insurance providers Coface and Atradius and their local partner companies. The RATIONAL customer portfolio is rated as “low-risk” by them.

As far as possible, customer receivables are insured on the basis of this credit check. Under the existing arrangements, the 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% (2021: 95%) of the credit loss on insured receivables is usually met by the credit insurer.

As an alternative to 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 2022	31 Dec 2021
Trade accounts receivable	**174,663**	108,787
of which refundable value-added tax*	**13,503**	8,184
of which potential refund by credit insurance	**137,193**	87,829
of which receivables secured by letters of credit/bank guarantees	**1,684**	906
of which receivables from public sector entities*	**2**	1,072
Unsecured credit risk	**22,281**	**10,796**
Risk coverage ratio	**87%**	**90%**

* if country rating meets requirements

The unsecured credit risk that remains after taking all the collateral presented into account includes trade accounts receivable from a large number of business partners that are not legally affiliated with each other and have their registered offices in all sales regions. This does not give rise to any cluster risks in the area of trade accounts receivable. Unsecured credit risks in the area of trade accounts receivable in the A customer segment are a direct focus of management based on internal competency arrangements and are only entered into on the basis of individual approvals or internal lines of credit in accordance with clearly defined rules.

Financial assets at banks

RATIONAL only makes deposits and financial investments with investment-grade banks, i.e. with a long-term rating of at least BBB- from Standard & Poor's/Fitch Ratings. 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 2022

in kEUR	Carrying amount after risk allowance	Protected by deposit protection fund	Unsecured credit risk
Deposits	**129,289**	**129,378**	**-**
Cash and cash equivalents	**207,901**	**151,478**	**56,423**
Total	**337,190**	**280,856**	**56,423**

31 Dec 2021

in kEUR	Carrying amount after risk allowance	Protected by deposit protection fund	Unsecured credit risk
Deposits	83,611	33,675	49,936
Cash and cash equivalents	253,695	198,477	55,218
Total	**337,306**	**232,152**	**105,154**

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 336,977 thousand euros (2021: 337,361 thousand euros). As at the balance sheet date, there were no fixed-term deposits with a remaining maturity of more than 12 months.

The maturity analysis of financial debt and financial liabilities is presented in notes 18, 19 and 23.

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 ratings from Standard & Poor's/Fitch 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 provided any collateral to the banks in connection with the existing credit line agreements; instead, negative covenants or undertakings to treat banks equally have been agreed. Under this clause, RATIONAL undertakes to treat all banks equally in relation to the provision of any collateral for comparable loans. In addition, two of the contracts specify subsequent collateralisation rights in case of material changes in the shareholder structure of RATIONAL AG. The lines of credit totalled 98,000 thousand euros at the reporting date (2021: 98,000 thousand euros). After taking into account assignments for subsidiaries and sureties, this leaves unused credit lines amounting to 95,087 thousand euros (2021: 94,909 thousand euros).

In addition, there is collateral for a loan agreed for real estate financing, which are described in note 9.

Market risk

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

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). 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).

On the basis of defined currency hedging strategies, currency risks are hedged on a rolling basis, for a period of up to 12 months, using common hedging instruments. Both forward exchange transactions and currency options are used for this purpose. Contractual partners in derivative financial instrument transactions are always investment-grade banks with a rating of BBB+ from Standard & Poor's/Fitch Ratings as a minimum.

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 14. Because of the low volume and the comparatively high costs, foreign currency transactions are currently only hedged in selected 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 impact on profit after tax and equity (the exchange rates with the greatest absolute impact are shown):

Hypothetical impact on profit and equity in 2022

in kEUR	Value of euro 10% higher	Value of euro 10% lower
EUR/USD	**318**	**2,532**
EUR/GBP	**1,976**	**-177**
EUR/CNY	**-686**	**1,134**
EUR/JPY	**-704**	**1,109**
EUR/SEK	**663**	**-84**
Other	**-471**	**1,204**
Total	**1,096**	**5,718**

Hypothetical impact on profit and equity in 2021

in kEUR	Value of euro 10% higher	Value of euro 10% lower
EUR/USD	-93	1,066
EUR/JPY	-347	674
EUR/SEK	561	-260
EUR/CNY	350	-632
EUR/GBP	600	-469
Other	-1,005	972
Total	**66**	**1,351**

The sensitivity analysis is based on the assumption that all other factors impacting on value remain constant and the portfolio on the balance sheet date is representative of the full fiscal year.

The hypothetical impact on profit increased when compared to the previous year, mainly due to a greater exposure as well as a higher hedged amount in foreign currency and the hedging rates as at the balance sheet date.

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. Since interest rates have been fixed for entire term of the outstanding loans, RATIONAL is not exposed to any interest rate risk in this regard.

Price risks

In its production processes, RATIONAL uses several thousand tonnes of high-quality stainless steel a year. The risk arising from changes in the price of stainless steel is governed both by the basic price of steel itself and by the fluctuations in the price of alloys on metals markets, which are reflected in what is known as the “alloy surcharge”. Price risk may arise primarily in relation to the purchase of raw materials for the manufacture of products. In addition, there are price risks due to rising and increasingly volatile procurement costs for components. Neither the basic price of steel or alloy metals nor that of components is hedged by the using 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 2022, profit after taxes and equity would have declined (increased) by approximately 803 thousand euros in 2022 (2021: 481 thousand euros). This exposure is not hedged with derivative financial instruments either. This sensitivity analysis is based on the assumption that all other factors impacting on value remain constant.

23. Leasing

The “Leasing” subsection in “Consolidation methods and material accounting policies” provides fundamental information on lease accounting and RATIONAL’s lease activities.

Right-of-use assets arising from leases are recognised in property, plant and equipment. Lease liabilities are included in other financial liabilities, which are explained in note 19.

Right of use assets within the meaning of IFRS 16 break down as follows:

in kEUR	Land and buildings	Operating and office equipment	Total
Cost			
Balance as at 1 Jan 2022	**17,904**	**15,136**	**33,040**
Exchange rate differences	**67**	**-56**	**11**
Additions	**4,891**	**4,677**	**9,568**
Disposals	**-1,194**	**-3,663**	**-4,857**
Balance as at 31 Dec 2022	**21,668**	**16,094**	**37,762**
Depreciation			
Balance as at 1 Jan 2022	**7,644**	**8,282**	**15,926**
Exchange rate differences	**71**	**-72**	**-1**
Additions	**3,853**	**4,730**	**8,583**
Disposals	**-954**	**-3,492**	**-4,446**
Balance as at 31 Dec 2022	**10,614**	**9,448**	**20,062**
Carrying amounts			
Balance as at 31 Dec 2022	**11,054**	**6,646**	**17,700**
Cost			
Balance as at 1 Jan 2021	16,474	13,911	30,385
Exchange rate differences	549	48	597
Additions	2,788	4,454	7,242
Disposals	-1,907	-3,277	-5,184
Balance as at 31 Dec 2021	**17,904**	**15,136**	**33,040**
Depreciation			
Balance as at 1 Jan 2021	5,638	6,790	12,428
Exchange rate differences	224	46	270
Additions	3,689	4,614	8,303
Disposals	-1,907	-3,168	-5,075
Balance as at 31 Dec 2021	**7,644**	**8,282**	**15,926**
Carrying amounts			
Balance as at 31 Dec 2021	**10,260**	**6,854**	**17,114**

From existing lease liabilities, the following payments will become due in subsequent periods:

Maturity analysis for leases

in kEUR	2023	2024 – 2027	from 2028 onwards
Payments as of 31 Dec 2022	**7,197**	**10,250**	**2,317**

Maturity analysis for leases

in kEUR	2022	2023 – 2026	from 2027 onwards
Payments as of 31 Dec 2021	7,125	9,751	1,459

Further disclosures on leases:

in kEUR	2022	2021
Interest expenses for lease liabilities	**460**	389
Expenses for low-value lease assets	**143**	163
Cash outflows for leases	**9,221**	8,697

24. Employees and personnel costs

Average number of employees

	2022	2021
Production and delivery	**520**	543
Sales and marketing	**943**	887
Technical service	**262**	236
Research and development	**224**	212
Administration	**402**	328
Total	**2,351**	**2,206**
thereof abroad	**995**	955

Personnel costs comprise the following items:

in kEUR	2022	2021
Remuneration	**185,024**	158,935
Social security	**36,789**	32,219
of which expenses for defined contribution plans	**18,986**	12,828
Total	**221,813**	**191,154**

25. Operating Segments

Internal control and reporting to the Executive Board, which has been identified as the chief operating decision maker, is based on the geographical regions. In addition to the DACH (Germany, Austria, Switzerland) segment, the EMEA, North America and Asia segments as well as Other segments are reported.

A regional segment reflects the Group's sales activities in a region; it is not tied to the registered office of individual Group companies. The accounting policies of the segments correspond to those of the Group in all respects. Differences essentially result from exchange rate movements and the approach to imputing financial performance. All segments generate sales revenues from the sale of equipment, accessories, spare parts and care products and from the provision of services. There are no sales revenues between the segments. Segment costs include directly attributable expenses, such as personnel, marketing or travel expenses and overheads allocated for central functions. Segment earnings comprise segment sales revenues, directly attributable income and expenses as well as an allocation of the notional net costs or income of central functions, but do not include the financial result or income tax expense. Segment investments comprise additions to intangible assets and property, plant and equipment in the respective regions. They relate above all to investments in office buildings and operating and office equipment. Segment amortisation and depreciation relates to intangible assets and property, plant and equipment. Segment assets consist of trade accounts receivable and inventories. These are the only assets that are regularly reported to the Executive Board. Unlike net costs or income, central function assets are not allocated to the segments. Liabilities are not reported at segment level.

Operating Segments in 2022

in kEUR	DACH	EMEA	North America	Asia	Other segments	Total of Segments	Corporate departments	Reconcilia-tion	Group
Segment sales revenues	**169,145**	**420,577**	**207,882**	**143,623**	**41,873**	**983,100**	**3,338**	**35,907**	**1,022,345**
Segment costs	**24,361**	**52,968**	**31,888**	**24,324**	**6,115**	**139,656**	**264,514**	**-6,661**	**397,509**
Segment profit or loss/EBIT	**41,248**	**110,288**	**41,184**	**29,482**	**9,642**	**231,844**		**5,666**	**237,510**
Financial result									**233**
Earnings before taxes									**237,743**
Segment investments	**16**	**328**	**152**	**423**	**100**	**1,019**	**27,064**	**9,100**	**37,183**
Segment depreciation	**115**	**372**	**289**	**362**	**150**	**1,288**	**21,705**	**-658**	**22,335**
Segment assets	**12,038**	**92,108**	**87,923**	**67,019**	**17,576**	**276,664**	**51,610**	**-37,314**	**290,960**

Operating Segments in 2021

in kEUR	DACH	EMEA	North America	Asia	Other segments	Total of Segments	Corporate departments	Reconcilia-tion	Group
Segment sales revenues	134,539	321,693	144,920	141,553	27,329	770,034	2,193	7,507	779,734
Segment costs	20,100	45,364	26,769	22,706	5,274	120,213	221,767	-8,757	333,223
Segment profit or loss/EBIT	28,199	68,075	20,077	25,334	2,843	144,528		15,606	160,134
Financial result									-1,274
Earnings before taxes									158,860
Segment investments	60	367	245	159	113	944	21,985	2,891	25,820
Segment depreciation	124	455	343	391	149	1,462	20,602	-53	22,011
Segment assets	10,226	58,269	40,833	37,568	11,256	158,152	65,284	-17,361	206,075

The reconciliation results primarily from currency translation, consolidation effects and items that are not allocated to the segments. Because of the growth in sales revenues, the reconciliation in the segment profit or loss in fiscal year 2022 relates in particular to disproportionately higher overheads allocated to the segments.

Differences between the regional presentation of sales revenues by customer location (see note 1) and their presentation by business segment result mainly from the combination of geographical regions into business segments and from exchange rate differences.

An amount of 125,467 thousand euros included in sales revenues (2021: 102,528 thousand euros) was generated in Germany, while the remaining sales revenues of 896,878 thousand euros (2021: 677,206 thousand euros) are attributable to third countries. Of the property, plant and equipment, intangible assets and other non-current assets, 171,281 thousand euros (2021: 166,400 thousand euros) are reported in Germany, while 50,814 thousand euros (2021: 41,156 thousand euros) are attributable to third countries.

Further sales revenue breakdowns can be found in note 1.

26. Related parties

Related parties of RATIONAL AG include the subsidiaries, shareholders with a significant influence, 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.

One member of the Supervisory Board holds shares in companies from which the company purchases or to which it supplies goods or services. The expense for these goods and services of sales amounted to 2,577 thousand euros in 2022 (2021: 2,019 thousand euros). As of 31 December 2022, outstanding trade accounts payable to these companies amounted to 46 thousand euros (2021: 63 thousand euros).

In the year under review, a dividend of 35,808 thousand euros (2021: 17,188 thousand euros) relating to fiscal year 2021 was paid to shareholders with a significant influence. In addition, members of the Supervisory Board and Executive Board of RATIONAL AG received dividends for the shares they held totalling 8,878 thousand euros (2021: 4,262 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.

27. Supervisory Board and Executive Board

The members of the Supervisory Board are:

Walter Kurtz, Chairman
Businessman

Dr Hans Maerz, Deputy Chairman
Wirtschaftsprüfer (German Public Auditor)

Erich Baumgärtner,
Businessman

Dr Gerd Lintz,
Retired notary, independent lawyer

Werner Schwind,
Businessman

Dr Georg Sick,
Businessman

Dr Johannes Würbser,
Businessman

Members of the Supervisory Board receive fixed remuneration for exercising their mandate. In addition, a company vehicle is made available to the Chairman of the Supervisory Board and his deputy. Total remuneration for 2022, including company car expenses, amounted to 1,235 thousand euros (2021: 1,228 thousand euros).

Fixed remuneration is included in current liabilities as at the balance sheet date.

At the time of preparation of the consolidated financial statements, the Executive Board had the following members:

Dr Peter Stadelmann , CEO
Dipl.-Volkswirt (Economics Graduate)

Dr Martin Hermann, CTO (since September 2022)
Dipl.-Ingenieur (Engineering Graduate)

Markus Paschmann, CSMO
Dipl.-Wirtschaftsingenieur (Industrial Engineering Graduate)

Jörg Walter, CFO
Dipl.-Wirtschaftsingenieur (Industrial Engineering Graduate)

Peter Wiedemann, COO
Dipl.-Ingenieur (Engineering Graduate)

In addition to his work on the Executive Board of RATIONAL AG, Mr Wiedemann is a member of the Supervisory Board of WashTec AG, a listed company whose registered office is in Augsburg.

The total remuneration paid to the Executive Board for the performance of its duties within the parent company in fiscal year 2022 was 6,895 thousand euros (2021: 6,016 thousand euros). This amount includes performance-related components of 2,481 thousand euros (2021: 2,190 thousand euros), of which 1,366 thousand euros (2021: 0 thousand euros) represent non-current benefits. Likewise, it includes payments into the pension scheme in an amount of 558 thousand euros (2021: 486 thousand euros) and post-employment benefits in an amount of 0 thousand euros (2021: 3 thousand euros).

Managers in key positions were paid remuneration totalling 8,130 thousand euros (2021: 7,244 thousand euros). This is made up of current benefits in an amount of 6,764 thousand euros (2021: 7,241 thousand euros) and non-current benefits in an amount of 1,366 thousand euros. In the previous year, the item had also included post-employment benefits of 3 thousand euros.

28. 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 2022, so at the balance sheet date (31 December 2022) option rights to a maximum of 131,000 shares of RATIONAL AG remain in the stock option plan.

29. Hyperinflation

In 2022, the International Monetary Fund (IMF) classified Turkey as a hyperinflationary country. As a result, IAS 29 requires a retrospective inflation adjustment to be recognized on non-monetary balance sheet items, equity and the statement of comprehensive income of the Turkish subsidiary on the basis of historical cost. The inflation adjustment is made on the basis of the TÜIK consumer price index (CPI), which amounted to 1,128.45 as at 31 December 2022 (31 December 2021: 686.95) and had risen sharply since the fourth quarter of the previous year.

As at 31 December 2022, the net effect of inflation adjustments on non-monetary items amounted to the 171 thousand euros; it comprises effects of 7 thousand euros recognised in intangible assets, of 137 thousand euros in property, plant and equipment, and of 27 thousand in inventories. Effects of adjusting the statement of comprehensive income to the CPI are recognised in the financial result under "Gain or loss on the net monetary position in accordance with IAS 29". They amounted to 407 thousand euros in 2022. The residual of these adjustments for inflation is recognised in other comprehensive income.

Prior-year figures in the consolidated financial statements have not been restated, as they are presented in a stable currency.

30. Effects of the Russia/Ukraine conflict

In the second quarter of 2022, RATIONAL decided for economic and political reasons to discontinue its operations in Russia and to close down the local subsidiary.

The subsidiary, which has been operationally inactive since the last quarter of the period under review, generated sales revenues of 7,645 thousand euros after consolidation (2021: 15,348 thousand euros) in the fiscal year under review. Due to increased expenses in connection with ceasing its operations, the Russian subsidiary generated a loss before tax of 2,201 thousand euros in the fiscal year under review (2021: profit of 314 thousand euros). Cash flow from operating activities amounted to -578 thousand euros in the reporting period (2021: 1,043 thousand euros). There were no material financing or investing activities in the year under review. The sales revenues generated in Russia accounted for less than one percent of consolidated sales revenues, which is why these results do not have any material impact on the net assets, financial position and profit or loss.

As part of the review of further effects of the Russia/Ukraine conflict, assets were tested for impairment. No need to recognise impairment losses to any material extent was identified. Furthermore, the Russia/Ukraine conflict did not have material negative effects on the procurement side.

31. Declaration of Corporate Governance

The Executive Board and the Supervisory Board of RATIONAL AG issued a declaration in January 2023 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 16 December 2019 and the German Corporate Governance Code as amended on 28 April 2022. The declaration has been made permanently available on RATIONAL AG's website at www.rational-online.com.

32. Significant events after the balance sheet date

In December 2022, the European Union adopted the regulations for a new global minimum tax framework (Pillar Two) issued by the OECD in 2021 into an EU directive, which EU member states have to transpose into national law in 2023 and apply to fiscal years beginning on or after 1 January 2024. RATIONAL is currently analysing the potential impact on the basis of the published framework. Due to the uncertainty because the directive has not yet been transposed into local law, the final impact of Pillar Two cannot be fully assessed at present.

In January 2023, RATIONAL established a subsidiary in Suzhou, China. At the present time, the company does not yet have active economic operations.

Other than the matters described above, no events have occurred since 31 December 2022 that would significantly alter the assessment of RATIONAL AG's and the Group's net assets, financial position and profit or loss.

33. Auditor's fee

By resolution of the General Meeting of Shareholders held on 4 May 2022, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, was appointed as auditor of the annual and consolidated financial statements for fiscal year 2022.

The auditor's fee, including reimbursement of expenses, amounted to a total of 383 thousand euros (2021: 394 thousand euros) and comprises the audit of annual and consolidated financial statements. In addition, in fiscal year 2022, the voluntary review of the sustainability report resulted in the provision of other assurance services in an amount of 55 thousand euros (2021: 23 thousand euros) including expenses. As in the previous year, no other services were provided by the auditor.

Landsberg am Lech, 28 February 2023

RATIONAL AG
The Executive Board

Dr Peter Stadelmann
CEO

Dr Martin Hermann
CTO

Markus Paschmann
CSMO

Jörg Walter
CFO

Peter Wiedemann
COO

Statement of Responsibility

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Landsberg am Lech, 28 February 2023

RATIONAL AG
The Executive Board

Dr Peter Stadelmann
CEO

Dr Martin Hermann
CTO

Markus Paschmann
CSMO

Jörg Walter
CFO

Peter Wiedemann
COO

Independent Auditor's Report

To RATIONAL Aktiengesellschaft, Landsberg am Lech/Germany

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 Aktiengesellschaft, Landsberg am Lech/Germany, and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 December 2022, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2022, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of RATIONAL Aktiengesellschaft, Landsberg am Lech/Germany, for the financial year from 1 January to 31 December 2022. In accordance with the German legal requirements, we have not audited the content of the combined corporate governance statement pursuant to Section 289f and Section 315d German Commercial Code (HGB), to which reference is made in section 6 of the group management report, and the content of the separate consolidated non-financial report pursuant to Section 315b and Section 315c HGB, to which reference is made in section 1 of the group management 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 IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB 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 2022 and of its financial performance for the financial year from 1 January to 31 December 2022, 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 contents of the above-mentioned combined corporate governance statement and of the above-mentioned separate consolidated non-financial report.

Pursuant to Section 322 (3) 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 Section 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 (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 judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2022. 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 the following we present the key audit matters we have determined in the course of our audit:

1. **Provisions for warranties**
2. **Capitalisation of development cost**

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

a) description (including reference to corresponding information in the consolidated financial statements)
b) auditor's response

1. Recognition of provisions for warranties

a) In the consolidated financial statements, mEUR 21.7 in non-current and current provisions for warranties are reported under the "other provisions" balance sheet item as at 31 December 2022. The Group sets aside provisions for expected claims arising from its legal obligation to ensure the functionality of the products sold ("warranty"). These provisions take into account the legal warranty term of two years and, on a case-by-case basis, additionally agreed warranty terms going beyond the legal term. In addition, provisions are made for replacement campaigns the costs of which are assumed by the group companies without there being any legal obligation to do so, provided that expectations have been aroused among customers through external communications leading to a de facto obligation of the Group and a probable outflow of resources.

In this connection, the executive directors of the Parent make assumptions about future warranty claims and/or the future need for ex gratia services, setting up corresponding provisions based on past experience (defect history, costs incurred) and units sold in the financial year and/or on a case-by-case basis. In this process, cost increases are generally taken into account.

From our point of view, this matter was of particular importance since in measuring provisions for warranties the executive directors are subject to estimation uncertainties and generally, especially in connection with ex gratia services, if any, to judgements on recognition.

The disclosures of the executive directors concerning provisions for warranties are included in chapters "Significant consolidation and accounting policies – Provisions", "Use of estimates and assumptions and significant use of management judgement" and "Notes to the consolidated balance sheet – Equity and liabilities" (note 17 in this chapter) of the notes to the consolidated financial statements.

b) As part of our audit of provisions for warranties, we firstly obtained an understanding of the process for determining provisions. For the purpose of risk assessment, we obtained a view of business development in the reporting year and evaluated as to whether and to what extent setting up the provisions was influenced by subjectivity, complexity and other inherent risk factors. Furthermore, we examined whether the provisions for warranties were made based on the applicable legal rules and contractual bases as well as in conformity with IAS 37. With respect to ex gratia services in particular, we inspected corresponding communications to customers and related documentation. We examined the calculation bases presented to us by consulting contracts, documented decisions in specific cases as well as cost estimates for, mostly, selected elements. Determined historical values for sales figures and warranty cases or cases of ex gratia services were inspected by us using the accounting and controlling data provided to us. Moreover, we reconstructed and assessed the calculation scheme for measuring provisions overall. Finally, we examined the disclosures of the executive directors in the notes to the consolidated financial statements on provisions for warranties for completeness and correctness.

2. Capitalisation of development costs

a) In the consolidated financial statements, a total of mEUR 1.2 in "capitalised development costs" from completed projects and a total of mEUR 11.4 in "intangible assets in development" from ongoing projects are reported under the "intangible assets" balance sheet item as at 31 December 2022. Thereof, mEUR 8.4 are attributable to costs newly capitalised in 2022. Total research and development expenses including the amounts capitalised amounted to mEUR 53.1 in the financial year 2022. Development costs for new products are capitalised as internally generated intangible assets if the requirements of IAS 38.57 are met. Directly attributable direct cost and variable overhead is included in the costs of capitalised development services. Subsequent measurement is at cost less amortisation and impairment, if any. Amortisation over the asset's estimated useful life begins when the respective asset is available for use.

From our point of view, this matter was of particular significance for our audit since capitalisation of development costs is based, to a large extent, on the judgement and assumptions of the executive directors regarding technical and economic feasibility, costs still to be incurred and the period up to the end of the development phase, and is therefore subject to corresponding uncertainties.

The disclosures of the executive directors concerning capitalised development costs are included in chapters "Significant consolidation and accounting policies – Intangible assets" and "Notes to the consolidated balance sheet – Assets" (note 8 in this chapter) of the notes to the consolidated financial statements.

b) Firstly, we obtained an understanding of the capitalisation process for development costs and of the individual research and development projects, and performed a risk-related evaluation as to whether and to what extent the recognition of development costs was influenced by subjectivity, complexity and other inherent risk factors, taking into account the development activities of the reporting year. As part of our audit, we evaluated whether the recognition criteria set out in IAS 38.57 are met for capitalised development costs. In the process, we assessed the executive directors' assumptions concerning the fulfilment of recognition criteria for the selected projects by consulting the project documents and other internal records of the development department. In addition, we scrutinised the documented progress of the respective projects based on interviews with project managers and by consulting project documentation.

In doing so, we also assessed the methodology used to determine the costs eligible for capitalisation, relied on project cost overviews and records of hours worked to examine the amount of capitalised development costs and examined the recoverability of capitalised costs based on budget calculations presented to us and further evidence. We evaluated plan adherence for completed projects. Budget calculations were reviewed for plausibility and recalculated. Finally, we examined the disclosures of the executive directors in the notes to the consolidated financial statements on capitalisation of development costs for completeness and appropriateness.

Other Information

The executive directors and/or the supervisory board are responsible for the other information. The other information comprises

- the report of the supervisory board,
- the remuneration report pursuant to Section 162 AktG,
- the separate consolidated non-financial report pursuant to Section 315b and Section 315c HGB, to which reference is made in the group management report in section 1 and which is expected to be presented to us after the date of this auditor's report,
- the combined corporate governance statement pursuant to Section 289f and Section 315d HGB, to which reference is made in the group management report in section 6,
- the executive directors' confirmation regarding the consolidated financial statements and the group management report pursuant to Section 297 (2) sentence 4 and Section 315 (1) sentence 5 HGB, and
- all other parts of the annual report, which is expected to be published after this auditor's report has been issued,
- but not the consolidated financial statements, not the audited content of the group management report and not our auditor's report thereon.

The supervisory board is responsible for the report of the supervisory board. The executive directors and the supervisory board are responsible for the remuneration report and the statement according to Section 161 German Stock Corporation Act (AktG) concerning the German Corporate Governance Code, which is part of the combined corporate governance statement included in section 6 of the group management report. Otherwise the executive directors are responsible for the other information.

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 identified above and, in doing so, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the audited content of 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 IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (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 (i.e., fraudulent financial reporting and misappropriation of assets) 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 Section 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 judgement 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 the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
› obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures 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 IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (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 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 actions taken or safeguards applied to eliminate independence threats.

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 for the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal And Regulatory Requirements

Report on the Audit of the Electronic Reproductions of the Consolidated Financial Statements and of the Group Management Report Prepared for Publication Pursuant to Section 317 (3a) HGB

Audit Opinion

We have performed an audit in accordance with Section 317 (3a) HGB to obtain reasonable assurance whether the electronic reproductions of the consolidated financial statements and of the group management report (hereinafter referred to as "ESEF documents") prepared for publication, contained in the file, which has the SHA-256 value 8d67583e36f62ff8e 148e3accb83b7248c2b4cfbd499158925b87a69e1c2aac7, meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB ("ESEF format"). In accordance with the German legal requirements, this audit only covers the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format, and therefore covers neither the information contained in these electronic reproductions nor any other information contained in the file identified above.

In our opinion, the electronic reproductions of the consolidated financial statements and of the group management report prepared for publication contained in the file identified above meet, in all material respects, the requirements for the electronic reporting format pursuant to Section 328 (1) HGB. Beyond this audit opinion and our audit opinions on the accompanying consolidated financial statements and on the accompanying group management report for the financial year from 1 January to 31 December 2022 contained in the "Report on the Audit of the Consolidated Financial Statements and of the Group Management Report" above, we do not express any assurance opinion on the information contained within these electronic reproductions or on any other information contained in the file identified above.

Basis for the Audit Opinion

We conducted our audit of the electronic reproductions of the consolidated financial statements and of the group management report contained in the file identified above in accordance with Section 317 (3a) HGB and on the basis of the IDW Auditing Standard: Audit of the Electronic Reproductions of Financial Statements and Management Reports Prepared for Publication Purposes Pursuant to Section 317 (3a) HGB (IDW AuS 410 (06.2022)). Our responsibilities in this context are further described in the “Group Auditor’s Responsibilities for the Audit of the ESEF Documents” section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the parent are responsible for the preparation of the ESEF documents based on the electronic files of the consolidated financial statements and of the group management report according to Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements according to Section 328 (1) sentence 4 no. 2 HGB.

In addition, the executive directors of the parent are responsible for such internal controls that they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements for the electronic reporting format pursuant to Section 328 (1) HGB.

The supervisory board is responsible for overseeing the process for preparing the ESEF documents as part of the financial reporting process.

Group Auditor’s Responsibilities for the Audit of the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

› identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, 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 opinion.
› obtain an understanding of internal control relevant to the audit on the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
› evaluate the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, on the technical specification for this electronic file.
› evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
› evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the balance sheet date, enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as Group auditor by the general meeting on 4 May 2022. We were engaged by the supervisory board on 5 August 2022. We have been the Group auditor of RATIONAL Aktiengesellschaft, Landsberg am Lech/Germany, since the financial year 2021.

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).

Other Matter – Use Of The Auditor’s Report

Our auditor’s report must always be read together with the audited consolidated financial statements and the audited group management report as well as with the audited ESEF documents. The consolidated financial statements and the group management report converted into the ESEF format – including the versions to be submitted for inclusion in the Company Register – are merely electronic reproductions of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our audit opinion contained therein are to be used solely together with the audited ESEF documents made available in electronic form.

German Public Auditor Responsible For The Engagement

The German Public Auditor responsible for the engagement is Dirk Bäßler.

Munich/Germany, 1 March 2023

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Dirk Bäßler	**Johanna Pickl**
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

To the Shareholders

Contents

Declaration of Corporate Governance pursuant to sections 289f and 315d of the HGB

In the Declaration of Corporate Governance pursuant to sections 289f and 315d of the HGB, the Executive Board and Supervisory Board report on corporate governance at RATIONAL in accordance with principle 22 of the German Corporate Governance Code as amended on 16 December 2019 (2019 Code) and in accordance with principle 23 of the current version dated 28 April 2022 (2022 Code). The report is supplemented by the remuneration report, The declaration of corporate governance is part of the management report of RATIONAL AG and the group management report in accordance with sections 289f and 315d of the HGB.

Remuneration report and remuneration system

The remuneration report pursuant to section 162 of the AktG for fiscal year 2022 can be found under Investor Relations on RATIONAL's website (rational-online.com) and in the 2022 Annual Report. The auditors' opinion pursuant to section 162 of the AktG, the applicable remuneration system pursuant to section 87a (1) and (2) sentence 1 of the AktG and the latest remuneration resolution pursuant to section 113 (3) of the AktG are also publicly available under Investor Relations on RATIONAL's website (rational-online.com).

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 and a foundation of the company's success. This 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. RATIONAL AG continued to develop its own corporate governance in fiscal year 2022. RATIONAL largely complied with the recommendations of the German Corporate Governance Code. Where RATIONAL AG departs from the recommendations of the Code, this is reported in the following declaration of conformity. 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. There are also recommendations on how to behave in dealings with customers, partners and colleagues. All new employees receive training on this issue when they join the company. Follow-up training is held every two years.

The Compliance organisation is continuously enhanced. The starting point for compliance activities is the RATIONAL AG Code of Conduct, The Code of Conduct is based on the relevant legal requirements, UN Principles and OECD pronouncements, which have been summarized in the form of RATIONAL rules of conduct in business and communicated throughout the company. A RATIONAL compliance team was set up and a Compliance Officer appointed for the entire RATIONAL Group. All employees at the RATIONAL Group receive training on compliance topics. Employees with computer access must also pass a test.

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.

An audit of 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 confirmed the functional capability of both systems.

In 2022, both the compliance management system and the risk management system were strategically continued on the basis of the existing concepts.

ESG organisation and strategy
RATIONAL AG has worked increasingly systematically towards attaining the ESG goals in recent years, with measures focusing on protecting the environment and natural resources. To expand the activities and add further social and corporate governance measures, a sustainability strategy was developed with an external consultant at the end of 2021. The sustainability strategy, which was adopted by the Executive Board in 2022, is aimed at making RATIONAL AG viable for the future through sustainable business practices.

The sustainability strategy resolved by the Executive Board covers in particular the quality of products and nutrition. Focused on customer benefit, RATIONAL products allow flexible, efficient, reliable and responsible food preparation while conserving valuable nutrients. In addition, sustainable design and innovative concepts ensure that resources are preserved within a circular economy.

Resource preservation is a key component of RATIONAL's sustainability efforts. Moreover, in product development and cooperation with our suppliers, material and energy efficiency are important objectives. By implementing sustainable location concepts, RATIONAL makes an active contribution to environmental and climate protection.

We also strongly advocate respectful interaction with people in all their diversity. Mutual respect, personal responsibility, health and safety form the basis for the individual development of all employees and therefore the future viability of RATIONAL.

These values also guide RATIONAL in its behaviour towards customers and suppliers. Accordingly, these objectives apply not only to our own locations, but enjoy a high priority across the entire value chain.

To ensure that ESG goals are met consistently, another unit was created to this end in 2022, and a system for ESG indicators developed as the first priority. Because of the importance of this issue, the team will organisationally report to the CEO
.

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.

Composition of the Executive Board
The Executive Board of RATIONAL AG can consist of one or more persons. It had five members as at the balance sheet date. The assignment of division responsibility to the individual members is detailed in the executive organisation chart. In addition, the Supervisory Board specified an age limit of 65 years for members of the Executive Board. As at the balance sheet date, the Executive Board had the following members: Dr Peter Stadelmann (CEO), Dr Martin Hermann (CTO), Markus Paschmann (CSMO), Jörg Walter (CFO) and Peter Wiedemann (COO).

The Supervisory Board appointed Dr Hermann to the Executive Board for a period of three years effective 1 September 2022. He will gradually succeed Peter Wiedemann, who was Chief Technology Officer (CTO) from 1999 and is stepping down for age-related reasons. Mr Wiedemann has been appointed as an Executive Board member until 31 December 2024; as COO, he is now responsible for the operating business.

Additionally, the service contract of Dr Stadelmann as CEO was extended for another five years to November 2027.

To ensure long-term succession planning together with the Executive Board, the Supervisory Board advises on the requirements profile for members of the Executive Board and observes the suitability of potential internal succession candidates in the company on the basis of their progress against performance criteria. The Supervisory Board also communicates with the Executive Board on upcoming vacancies and potentially suitable candidates.

In addition to his position of COO of RATIONAL AG, Peter Wiedemann was appointed to the Supervisory Board of WashTec AG, Augsburg, in May 2022. The other members of the Executive Board do not perform any Supervisory Board duties in other listed companies.

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. Decisions by the Executive Board are always reached by a simple majority of votes cast by all of its members. If there is a tie, the Chairman of the Executive Board has the casting vote.

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. RATIONAL's risk management and internal control systems are described in more detail in the "Report on risks and opportunities" section of the management report.

Composition of the Supervisory Board
Under Article 8 (1) of the Articles of Association, the Supervisory Board of RATIONAL AG has seven 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 Johannes Würbser, Dr Gerd Lintz, Mr Werner Schwind and Dr Georg Sick, proven experts in finance, business law, sales and technology. The CVs of Supervisory Board members have been published on our website.
This body has six members (Dr Hans Maerz, Mr Erich Baumgärtner, Dr Gerd Lintz, Mr Werner Schwind, Dr Georg Sick, Dr Johannes Würbser) who are independent of the company and its Executive Board in accordance with recommendation C.7 of the Code, and the Supervisory Board considers this to be a sufficient number.

Since RATIONAL does not have a controlling shareholder within the meaning of recommendation C.9 of the Code, all members of the Supervisory Board are independent under this criterion.

The current composition of the Supervisory Board fully covers the required skills profile. The members of the Supervisory Board complement each other in terms of age, educational and professional backgrounds, experience and knowledge, with the result that the Board as a whole can access a wealth of experience and a broad range of skills. The Supervisory Board is, as a whole, familiar with the sector in which the company is active. No age limit has been set for members of the Supervisory Board.

The qualification matrix provides an up-to-date summary of the progress made in completing the skills profile:

Skills profile for Supervisory Board

	Walter Kurtz	Dr Hans Maerz	Werner Schwind	Dr Gerd Lintz	Erich Baumgärtner	Dr Georg Sick	Dr Johannes Würbser
Supervisory Board member since	1998	2011	2015	2015	2017	2017	2019
Finance/auditing	X	X			X		
Legal/compliance/ governance		X		X			
ESG/sustainability			X			X	X
Technology	X					X	X
Sales	X		X		X		

The term of office of the Supervisory Board members is five years. The current term of office will expire at the ordinary General Meeting of Shareholders in 2024.

No conflicts of interest occurred among Supervisory Board members 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 appoints the members of the Executive Board and can remove them for good cause. The Supervisory Board is involved in strategy and planning as well as in all matters of fundamental importance for the company. For significant business transactions – such as the annual planning and major investments – the rules of procedure for the Executive Board stipulate a veto right in favour of the Supervisory Board. The Chairman of the Supervisory Board coordinates the work in the Supervisory Board, chairs its meetings and looks after the interests of the Board in its external dealings. The Supervisory Board reaches decisions in meetings by a simple majority of votes cast, unless the law specifies otherwise. If there is a tie, the Chairman of the Supervisory Board has the casting vote.

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.

The Supervisory Board conducts regular self-assessments and efficiency audits, the latest one in September 2022. The members of the Supervisory Board are surveyed on the basis of a questionnaire, which was completed by all Supervisory Board members. The results are then discussed in the Supervisory Board to identify potential improvements. No significant shortcomings were identified in this process.

Details of the focus of the Supervisory Board's activities and advice in the year under review and of meeting attendance by the individual Supervisory Board members are given in the Report by the Supervisory Board.

Formation of Supervisory Board committees
The Supervisory Board has established professionally qualified committees to prepare meeting content for plenary meetings of the Supervisory Board. The members of the Audit Committee are Dr Hans Maerz (Committee Chairman), Mr Walter Kurtz and Mr Erich Baumgärtner.

The Audit Committee monitors the accounting process and discusses and reviews the annual and consolidated financial statements as well as the half-yearly and quarterly financial statements prepared by the Executive Board. On the basis of the auditor's report, the Audit Committee prepares specifically for the debates and resolutions of the Supervisory Board for the approval of the annual and consolidated financial statements and resolves a recommendation for the Supervisory Board's proposal to the General Meeting of Shareholders for the election of the auditor. The Audit Committee issues the audit engagement for the annual and consolidated financial statements and for any reviews of interim financial reports to the auditor elected by the General Meeting of Shareholders, defines the key audit areas together with the auditor and monitors the independence of the auditor. The Audit Committee also prepares the Supervisory Board's resolution on the non-financial consolidated report and on the audit of the non-financial consolidated report and remuneration report; any audit engagements are issued by the Audit Committee. In addition, the Audit Committee is responsible for monitoring the company's risk management process, internal audit and compliance system. To this end, it also covers the reports by internal audit and the annual reports of those responsible for compliance, risk management and internal audit.

The Chairman of the Audit Committee, Dr Hans Maerz, regularly discusses the progress of the audit with the auditor and reports on this to the Audit Committee. After decades of working as an auditor and of chairing audit committees, he has accounting and auditing expertise. Dr Maerz is qualified as a finance expert within the meaning of section 100 (5) of the AktG and recommendation D.3 of the 2022 Code. Moreover, after many years of consulting on and involvement in the audit of the non-financial consolidated report of RATIONAL AG, he has built extensive expertise in sustainability reporting. This expertise was expanded with selected further training in this area provided to the Supervisory Board by the consulting firm Baker Tilly.

As a member of the Audit Committee and former CFO of RATIONAL AG, Erich Baumgärtner also has expertise in the field of accounting and special knowledge and experience in the application of accounting principles and internal control and risk management systems.

The Technology Committee, which was established in January 2021, was dissolved in May 2022. Given the increasing importance of technical topics such as energy efficiency (US Energy Star), cooking intelligence and connectivity, the Supervisory Board agreed to discuss this topic in full Supervisory Board meetings again. It was therefore no longer considered appropriate to have a separate Technology Committee.

The Supervisory Board does not believe that the establishment of a nomination committee is necessary. With a seven-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
Under Article 8 (6) sentence 1 of the Articles of Association of RATIONAL AG, Walter Kurtz has the right to appoint up to two members of the Supervisory Board for as long as he is a shareholder of the company.

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.

Definition relating to the equal 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 Supplementing and Amending the Rules for Equal Participation of Women 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 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.

In fiscal year 2019, the Supervisory Board set a target of 0% for the percentage of women in the Executive Board and Supervisory Board of RATIONAL AG. These targets were set for the period to 30 June 2024. During the year under review, the percentage of women was 0% in both the Executive Board and Supervisory Board. The Executive Board and Supervisory Board will set new targets by 2024 at the latest.

Women in executive positions at RATIONAL AG

	Absolute target	Absolute actual	Target (%)	Actual (%)	Deadline	New absolute target	New target (%)	Deadline
Executive Board	0	0	0	0	30.06.2024	–	–	–
The Supervisory Board	0	0	0	0	30.06.2024	–	–	–
1st level	3	3	17	17	30.06.2022	4	22	30.06.2027
2nd level	11	13	30	30	30.06.2022	17	35	30.06.2027

For the first management level below the Executive Board, a target of 17%, or three women, in executive positions has been specified for the proportion of women. The deadline set for meeting these targets was 30 June 2022. The target of three women on the first management level was met in the year under review.

For the second management level below the Executive Board, a target of 30%, or 11 women, in executive positions was specified for the proportion of women. The deadline set for meeting these targets was 30 June 2022. The relative target of 30% was met and the absolute target of 11 women on the second management level was exceeded, with 13 women in such positions.

In fiscal year 2022, the Executive Board set the following targets for the percentage of women in executive positions:

- For the first management level below the Executive Board, the target for the proportion of women is 22% or four women.
- For the second management level below the Executive Board, the target for the proportion of women is 35% or 17 women.
- The deadline for meeting these targets is 30 June 2027.

Group-wide diversity – managers hired locally and internationally

As a company with global operations, we benefit from the different experiences, skills and opinions associated with the many cultural backgrounds of our employees. About 40% of our employees work in one of our 24 international subsidiaries, 10 of which are located outside Europe. This regional diversification is an important building block for RATIONAL's success. When appointing people to key positions in our subsidiaries, we attach great importance to locally recruited managers. About 80% of the managing directors of our international subsidiaries have been recruited from international or local candidates.

Diversity concept for the Executive Board and Supervisory Board

The Supervisory Board has not resolved a diversity concept for the composition of the Executive Board and the Supervisory Board. Appointments of Executive Board members and proposals of Supervisory Board members for election are made on the basis of their special skills and qualifications exclusively in accordance with the skills profile of the Supervisory Board and the requirements for Executive Board members. Other attributes such as gender, age, origin and national identity have not been and will not be of any consequence for this decision. The intention is to continue to abide by this policy in future. Nevertheless, the Supervisory Board pursues the objective to continually enhance the composition, and therefore the skills and experience, of the Executive Board and Supervisory Board and to maintain an appropriate balance of continuity and renewal. The Executive Board and Supervisory Board as a whole must have the knowledge, skills and experience required to discharge their duties properly.

The aim of HR management at RATIONAL is to encourage achievers and keep them in the company for the long term as a way of ensuring sustainable business success. All vacancies at RATIONAL are filled by appointing people with the best qualifications and skills for the job in question. Other attributes such as gender or national identity have not been and will not be of any consequence for this decision.

These principles also apply when appointing members of the Executive Board. Management consists of selected experts from different departments. Corporate management is shaped by continuity, trust and consistent focus on maximum customer benefit, as envisaged by our company's founder, as well as the corporate philosophy and will take decisions on the composition of the Executive Board against this background.

Accounting and auditing

On 4 May 2022, the General Meeting of Shareholders appointed Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, as auditors of the financial statements and the consolidated financial statements for fiscal year 2022. The audit contract was awarded by the Supervisory Board.

The election of the auditor was carefully prepared and reviewed 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 2022 annual financial statements was Mr Dirk Bäßler.

Declaration in accordance with section 161 of the AktG and declaration of conformity with the German Corporate Governance Code

Pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz, AktG), the Executive Board and the Supervisory Board of RATIONAL AG, Landsberg am Lech, annually explain any departures from the recommendations of the Government Commission for a German Corporate Governance Code, as published in the official section of the Federal Gazette and applicable at the time of preparation of this declaration. The declaration of conformity of the Executive Board and Supervisory Board of January 2023 is printed below. This declaration of conformity and all previous declarations of conformity are published on our website.

The recommendations of the Government Commission for a German Corporate Governance Code, as amended on 16 December 2019 and published in the official section of the Federal Gazette on 20 March 2020, and the recommendations of the Government Commission for a German Corporate Governance Code, as amended on 28 April 2022 and published in the official section of the Federal Gazette on 27 June 2022 (2022 Code), were complied with in the reporting period and continue to be complied with, with the exception of the recommendations itemised below for the reasons specified there:

A. Management and supervision
Recommendation A.3 of the 2022 Code: "The internal control system and the risk management system shall also cover sustainability-related objectives, unless required by law anyway. This shall include processes and systems for collecting and processing sustainability-related data."

RATIONAL is aware of the importance of sustainability criteria in corporate governance. As a sustainable company with a long-term focus, we set great store by a holistic assessment of risk, which means a balanced assessment of non-financial and the resulting financial risks, as well as primary financial risks. A comprehensive ESG strategy was developed in fiscal year 2021 and approved by the Executive Board in fiscal year 2022. The inclusion of sustainability-related objectives in the internal control system, including the underlying indicators, is a gradual process, which continued in the year under review.

Recommendation A.5 of the 2022 Code: "The management report shall describe the main characteristics of the entire internal control system and risk management system, and provide comment upon the appropriateness and effectiveness of these systems."

The reporting in the RATIONAL Group's management report is guided by the legal requirements of sections 289 (4), 315 (4) of the HGB and contains detailed disclosures on internal control systems and the risk management system. Recommendation A.5 goes well beyond what is legally required. It is therefore not clear what disclosures on the appropriateness and effectiveness of these systems are required by the 2022 Code in addition to the legal reporting requirements. RATIONAL therefore declares a precautionary departure from recommendation A.5 of the 2022 Code.

B. Appointments to the Management Board
Recommendation B.1: "When appointing Management Board members, the Supervisory Board shall take diversity into account."

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.

C. Composition of the Supervisory Board

I. General requirements

Recommendation C.1 second half of sentence: "... while taking the principle of diversity into account."

Recommendation C.2: "An age limit shall be specified for members of the Supervisory Board and disclosed in the Corporate Governance Statement."

The composition of the Supervisory Board of RATIONAL AG is guided by the company's interests. The main aim is therefore to appoint Supervisory Board members in a way that ensures that it can best meet its legal duties and those imposed by its Articles of Association and ensure effective supervision of and advice to the Executive Board. 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 set for members of the Supervisory Board. RATIONAL believes that an individual's suitability to be a Supervisory Board member should not depend on age. In compliance with the profile of skills and expertise, 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.

II. Independence of Supervisory Board members

Recommendation C.10: "The Chair of the Supervisory Board, the Chair of the Audit Committee, as well as the Chair of the committee that addresses Management Board remuneration, shall be independent from the company and the Management Board."

Walter Kurtz has been a member of the Supervisory Board since 1998 and is therefore not considered independent of the company. Mr Kurtz has been Chairman of the Supervisory Board since 11 August 2017. Due to his many years of service in the company, which he managed with the company's founder Siegfried Meister for many years, Mr Walter Kurtz not only has invaluable experience, but also upholds the continued management of the company as its founder had intended.

D. Supervisory Board Procedures:

I. Rules of procedure

Recommendation D.1: "The Supervisory Board shall adopt its own rules of procedure and shall publish these on the company's website."

For its work, the Supervisory Board has set itself rules of procedure. However, the Supervisory Board opts not to publish the rules of procedure on the company's website. The main rules of conduct for the Supervisory Board are laid down in law and in the Articles of Association and publicly accessible. It does not believe that the additional publication of the rules of procedure would add any value.

2. Supervisory Board committees

Recommendation D.4 of the Code 2022: "The Supervisory Board shall form a Nomination Committee, composed exclusively of shareholder representatives, which names suitable candidates to the Supervisory Board for its proposals to the General Meeting."

The Supervisory Board does not believe that the establishment of a nomination committee is necessary. With a seven-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.

G. Remuneration of Management Board and Supervisory Board

2. Determining specific total remuneration

Recommendation G.3: "In order to assess whether the specific total remuneration of Management Board members is in line with usual levels compared to other enterprises, the Supervisory Board shall determine an appropriate peer group of other third-party entities, and shall disclose the composition of that group. The peer-group comparison shall be applied with a sense of perspective, in order to prevent an automatic upward trend."

The Supervisory Board regularly reviews Executive Board remuneration. In assessing the appropriateness of Executive Board remuneration, information on board remuneration at other companies is also taken into account. There is no direct comparison with a defined peer group. The Supervisory Board believes that, due to the high degree of specialisation of RATIONAL AG and the different economic situation and profitability of other mechanical engineering companies, such a comparison is not very meaningful.

3. Determining the total amount of variable remuneration components

Recommendation G.8: "Subsequent changes to the target values or comparison parameters shall be excluded."

The remuneration system for the Executive Board approved by the General Meeting of Shareholders specifies that subsequent changes to the financial performance criterion of short-term variable remuneration and subsequent changes to the performance criteria of long-term variable remuneration are not allowed. However, the Supervisory Board is entitled, should any extraordinary events or developments occur, measures, e.g. the acquisition or sale of part of the company, to temporarily adjust the terms of the respective plan appropriately at its reasonable discretion.

Recommendation G.10: "Taking the respective tax burden into consideration, Management Board members' variable remuneration shall be predominantly invested in company shares by the respective Management Board member or shall be granted predominantly as share-based remuneration. Granted long-term variable remuneration components shall be accessible to Management Board members only after a period of four years."

Executive Board remuneration is based on the remuneration system approved by the ordinary General Meeting of Shareholders held on 12 May 2021. This system does not specify any share-based payment and therefore does not require members of the Executive Board to hold shares. In view of the good experience made in the past, the Supervisory Board accepts as given that management acts in the interests of the company's long-term success even without granting share-based payment to the Executive Board.

What is more, the long-term variable remuneration of Executive Board members is measured over a three-year performance period. Since the performance assessment is based on internal medium-term planning over the same period, the Supervisory Board deems this length of time appropriate.

Landsberg am Lech, January 2023

RATIONAL AG

Walter Kurtz
for the Supervisory Board

Dr Peter Stadelmann
for the Executive Board

Report by the Supervisory Board

Dear Shareholders,

Despite a few challenges, the year 2022 ended on an encouraging note, as sales revenues reached the one-billion euro mark for the very first time. At the beginning of the year, we saw the last lockdown measures of the coronavirus crisis, which were overshadowed by the war in Ukraine from February 2022 onwards. In addition to reduced energy supplies because of the sanctions imposed on Russia, its consequences included specifically increases in energy prices and a further acceleration of inflation, primarily in Europe. Moreover, the global supply shortages, above all as a result of China's strict zero-Covid policy, weighed heavily on supply chains. Since the late summer of 2022, the situation in our supply chains has eased. Buoyed by price increases and positive currency effects, this helped us conclude the 2022 fiscal year with record sales revenues and a record profit.

The year 2022 demonstrated once again how important it is to have flexible structures and decision-making processes to adapt the company to the rapidly changing market and environmental conditions under these difficult conditions. RATIONAL's employees proved once again in 2022 with how much motivation, endurance and efficiency they can overcome such crises.

As a result, we again achieved top ratings for customer satisfaction and won several awards for our innovative strength, our employer brand, and the quality of our production processes.

Dialogue and communication as a basis for advice and monitoring

In fiscal year 2022, 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 reports on the effects of the coronavirus crisis measures and 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 transactions requiring consent were carefully reviewed.

Information requirements for the Executive Board

Article 8 (Information provided to the Supervisory Board) of the rules of procedure for the Executive Board of RATIONAL AG provides clear rules for the Executive Board's information and communication obligations to the Supervisory Board of RATIONAL AG. The rules of procedure specify that the Executive Board has to inform the Supervisory Board regularly, promptly and comprehensively about the company's strategic orientation and other fundamental issues of corporate planning. This should normally be done in writing, unless verbal reports are advised when matters are urgent. The Executive Board agrees the company's strategic orientation with the Supervisory Board, regularly discusses with it progress in implementing the strategy, deals with any instances where business performance deviates from the formulated plans and targets, and provides reasons for such deviation.

The Executive Board has to inform the Supervisory Board immediately of any events that may be of special significance to the company. In all other respects, section 90 of the German Corporation Act (Aktiengesetz, AktG), which governs reports to the Supervisory Board, applies. The reports are the responsibility of the full Executive Board, under the lead of the CEO.

Consultations in the Supervisory Board

The Supervisory Board held twelve meetings in fiscal year 2022 (all held as physical meetings; in exceptional cases, individual Supervisory Board members attended via video link). In fiscal year 2023, one further physical meeting was held before the meeting of the Supervisory Board on 1 March 2023 to adopt the financial statements. The members of the Supervisory Board also consulted each other in writing, by telephone and video conference, and held eleven other internal meetings in fiscal year 2022 that were not attended by the Executive Board (all as physical meetings; in exceptional cases, individual Supervisory Board members attended via video link). The Audit Committee held four physical meetings. The topics assigned to the Technology Committee, which was dissolved as at 31 May 2022, were all dealt with in plenary sessions.

With the exception of Mr Erich Baumgärtner (unable to attend three meetings), Dr Gerd Lintz (unable to attend seven meetings), Dr Maerz (unable to attend one meeting) and Dr Georg Sick (unable to attend one meeting), all members of the Supervisory Board attended all its meetings. The Supervisory Board regularly meets for consultations without the Executive Board. Where applicable, the Supervisory Board also passed resolutions outside the ordinary meetings. 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

In the past fiscal year, the consultations with the Executive Board and internal discussions within the Supervisory Board focused primarily on the coronavirus crisis, the geopolitical situation and their impact on all aspects of the performance of the business. The consultations 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 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 in particular:

› Adapting business operations and cost measures due to the coronavirus crisis and the geopolitical situation, especially the war in Ukraine,
› Enhancement of the medium-term strategy, including the product portfolio, sales and marketing strategy, and price policy,
› Business planning for fiscal year 2023,
› Key points in product development,
› Worldwide product observation and product improvement,
› Attention to technical problems of older product lines and exchanging components,
› Construction and expansion projects worldwide,
› Appropriation of earnings and proposed dividend,
› Target attainment by the Executive Board in 2021 and setting of targets for 2022 on the basis of the current remuneration system,
› Conducting the 2022 General Meeting of Shareholders under coronavirus conditions,
› Resolution to make a special U.i.U. payment,
› Succession planning in the Executive Board and selection and appointment of a new Chief Technology Officer (CTO) to the Executive Board,
› Extension of the contracts of the CEO and the existing CTO, as well as his appointment as Chief Operating Officer (COO),
› Organisation chart and rules of procedure for the Management Board,
› Dissolution of the Technology Committee,
› Self-assessment of the Supervisory Board,
› Results of the 2022 employee survey and
› The company's sustainability strategy.

At the Supervisory Board meeting to adopt the financial statements on 1 March 2023, the principal topics included not only the audit and adoption and approval of the annual and consolidated financial statements but also, in particular, approval of the remuneration report and the draft resolutions to be proposed to the 2023 General Meeting of Shareholders.

At the recommendation of the Audit Committee, the Supervisory Board proposes Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, as auditors for the 2023 fiscal year. The Supervisory Board also adopted the remaining draft resolutions for the ordinary 2023 General Meeting of Shareholders.

There are plans to hold the 2023 ordinary General Meeting of Shareholders again as a physical meeting at the Messe Augsburg exhibition centre in accordance with legal requirements.

Our duties in fiscal year 2022, and in particular at the meeting held on 1 March 2023 to adopt the financial statements, included not only the audit plus the entire accounting process at RATIONAL AG and in the RATIONAL Group but also the monitoring of the internal control system and the risk management system.

Training and development of the members of the Supervisory Board

The Supervisory Board regularly attends joint training and development measures, which feature topical issues such as changes in the legal framework, digitalisation and sustainability.

A further training event on ESG was held in 2022 by an expert from the audit and consulting firm Baker Tilly. The content of the further training event included, among other topics, basic information on sustainability drivers. In addition, there was an introduction to current and future regulatory requirements, and information on the EU Taxonomy were presented in detail. This training measure was attended by all members of the Supervisory Board.

Committee activities

The Audit committee, whose members are Dr Hans Maerz (Committee Chairman), Mr Walter Kurtz and Mr Erich Baumgärtner, met four times in fiscal year 2022. At its meetings, it dealt in particular with the annual and consolidated financial statements, as well as with reviewing the accounting, monitoring the financial reporting process, the effectiveness of the internal control system, the risk management system, the internal audit system, compliance, and the selection and independence of the auditors and the additional services provided by the auditors as well as the amendments to the 2022 remuneration report in accordance with German Act Implementing the Second Shareholder Rights Directive (Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie, ARUG II). All members of the Audit Committee attended all Audit Committee meetings. The Audit Committee reported regularly to the Supervisory Board.

The Technology Committee, which was established in January 2021 and comprised Dr Georg Sick (Committee Chairman), Mr Walter Kurtz and Dr Johannes Würbser, was dissolved with effect from 31 May 2022. The Technology Committee did not convene any further meetings in 2022. Given the increasing importance of technical topics such as energy efficiency (US EnergyStar), cooking intelligence and connectivity, the Supervisory Board agreed to discuss this topic in full Supervisory Board meetings again. It was therefore no longer considered necessary to have a separate Technology Committee.

Corporate governance

The Supervisory Board of RATIONAL AG has seven members and is not subject to co-determination. In fiscal year 2022, 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 reporting year in connection with consultations, draft resolutions and the audit mandate.

At its meeting on 25 January 2023, the Supervisory Board resolved on the declaration of conformity with the German Corporate Governance Code. Together with the Executive Board, the Supervisory Board then issued the declaration of conformity as at January 2023. The declarations of conformity of recent years can also be found under Investor Relations on the RATIONAL website (www.rational-online.com). Since the last declaration of conformity was submitted in January 2022, RATIONAL AG has complied with most of the recommendations of the Code, as amended, in the relevant period. Finally, together with the Executive Board, the Supervisory Board provided an account for fiscal year 2022 in the Declaration of Corporate Governance pursuant to sections 289f and 315d of the HGB.

Audit of the annual financial statements and consolidated financial statements

As proposed by the Supervisory Board and elected by the General Meeting of Shareholders on 4 May 2022, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, audited the financial statements of RATIONAL AG and of the Group for fiscal year 2022. The audit contract was awarded by the Supervisory Board. Prior to the proposal for election, the Supervisory Board obtained a declaration of independence from the auditors. No apparent reasons were identified 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 the Supervisory Board 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. The Supervisory Board and the Audit Committee reported prior to and during the audit in discussions with the auditor on the latter's approach to the audit, the key audit areas and the progress of the audit. In addition, the Chairman of the Supervisory Board and the Chairman of the Audit Committee have regular meetings with the auditors, including in the course of the year, to consult on topics relevant to the financial statements and the audit.

The annual financial statements for the fiscal year from 1 January to 31 December 2022, prepared by the Executive Board in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, HGB), and the company's management report, which also refers to the Declaration of Corporate Governance on the company's website, were audited by the auditors and given an unqualified audit opinion. The Executive Board prepared consolidated financial statements for the Group in accordance with the International Financial Reporting Standards (IFRSs), supplemented by the commercial law provisions applicable under section 315a (1) of the HGB. In addition, a Group management report was prepared. The auditors audited the consolidated financial statements and the Group management report and issued an unqualified audit opinion.

The annual financial statements, the consolidated financial statements, the management reports, the auditors' reports, and the Executive Board's proposal on the appropriation of unappropriated profits were forwarded in good time to the Audit Committee and all Supervisory Board members for examination. They were the subject of intensive deliberations at the meeting of the Supervisory Board held on 1 March 2023. 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 included the impact of materials shortages on the accounting and the assessment of the accounting-related internal control and risk management system. Based on the findings of the audit, no material weaknesses of the internal control and risk management system were reported in relation to the accounting process. Both the Executive Board and the auditors answered all the Supervisory Board's questions comprehensively and to its 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 1 March 2023, the Supervisory Board approved the annual financial statements, prepared by the Executive Board, for RATIONAL AG as of 31 December 2022, including the certified version, dated 1 March 2023, of the management report for fiscal year 2022, as well as the consolidated financial statements as of 31 December 2022 and the certified version, dated 1 March 2023, of the Group management report for fiscal year 2022. The 2022 annual financial statements for RATIONAL AG, including the management report, are thereby adopted in accordance with section 172 sentence 1 of the AktG.

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, the Supervisory Board approved the appropriation of profits proposed by the Executive Board.

From RATIONAL AG's net retained profit of 376.4 million euros for fiscal year 2022, a dividend of 11.00 euros per share and a special dividend of 2.50 euros per share, i.e. a combined 13.50 euros per share, amounting to a total of 153.5 million euros, is to 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 special thanks go to all employees. Especially in the difficult environment of the past fiscal year, they again succeeded in providing our customers with 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, 1 March 2023

Walter Kurtz
Chairman of the Supervisory Board
of RATIONAL AG

2022 Remuneration Report of RATIONAL AG

Section 162 of the Aktiengesetz (AktG, German Stock Corporation Act) requires the executive and supervisory boards of listed companies to prepare a clear, understandable annual report on the remuneration granted and owed to each individual current or former member of the executive and supervisory boards of the company and of companies of the same group in the previous fiscal year.

This remuneration report starts by presenting the basic principles and main features of the remuneration system for the Executive Board and Supervisory Board of RATIONAL AG. It also explains in particular the individualised remuneration granted and owed, broken down by component, to current and former members of the Executive Board and Supervisory Board for the 2022 fiscal year.

The 2023 ordinary General Meeting of Shareholders of RATIONAL AG will, in accordance with section 120a of the AktG, resolve on the approval of the remuneration report for the 2022 fiscal year prepared and audited in accordance with section 162 of the AktG. The remuneration report for the 2021 fiscal year was approved by the 2022 ordinary General Meeting of Shareholders of RATIONAL AG with a majority of 94.32% of the votes cast.

Executive Board remuneration at RATIONAL AG is the responsibility of the Supervisory Board, At its meeting on 26 January 2021, the Supervisory Board of RATIONAL AG resolved a clear and understandable system for the remuneration of members of the Executive Board in accordance with the provisions of the Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie (ARUG II, Act Implementing the Second Shareholders' Rights Directive) (the "2021 Remuneration System"). On 12 May 2021, the virtual ordinary General Meeting of Shareholders approved the 2021 Remuneration System with a majority of 82.25% of the votes cast.

The 2021 Remuneration System for Executive Board members can be accessed in the Investor Relations section on RATIONAL's website by following this link:
https://rat.ag/remuneration-system-board

The 2021 Remuneration System was applied to all members of the Executive Board for the first time in fiscal year 2022.

Here follows a summary of the 2021 Remuneration System for Executive Board members, which was applicable in fiscal year 2022, and a description of the individual remuneration components in fiscal year 2022.

A. Remuneration system for Executive Board members

I. Main features of the remuneration system for Executive Board members at RATIONAL AG

The remuneration system for members of the Executive Board makes an important contribution to promoting and implementing RATIONAL AG's corporate strategy and to the company's ongoing development. The Supervisory Board and Executive Board of RATIONAL AG pursue a long-term strategy that is sustainably geared to customer benefit as the basis for growth and profitability. Customer benefit is achieved particularly through the quality, superior technology, and reliability of the company's products and services. The Supervisory Board is convinced that long-term corporate responsibility and sustainability rely only to a limited extent on complex variable remuneration components. The remuneration system is geared towards clarity and transparency.

The remuneration system for members of the Executive Board sets incentives that are consistent with and support the corporate strategy:

The main component of remuneration is the fixed salary as the basis for the company's long-term success.

The short-term one-year variable remuneration is based on the financial performance criterion of earnings after taxes as reported in the consolidated financial statements of RATIONAL AG. This encourages the Executive Board to focus its activities on continuous growth with high earnings power.

To align the remuneration of Executive Board members towards the company's sustainable, long-term success, total remuneration includes a multi-year variable remuneration component. The multi-year variable remuneration is based on a three-year performance period. The majority of the multi-year variable remuneration depends on the return on capital employed (ROCE) of RATIONAL AG.

A smaller portion of the long-term variable remuneration is linked to non-financial performance criteria, which are generally set for the whole Executive Board but in some cases also as individual targets of individual Executive Board members. The setting of non-financial performance criteria particularly incorporates social, customer- and employee-focussed as well as ecological goals (ESG goals). This supports the company's sustainable strategic development.

The two components of long-term variable remuneration take account of shareholders' interests in the profitability of RATIONAL AG and promote the achievement of central strategic objectives set within the company.

The Remuneration System for Executive Board members meets the requirements of the German Stock Corporation Act (Aktiengesetz, AktG) as amended by the Act Implementing the Second Shareholders' Rights Directive of 12 December 2019 (Federal Law Gazette Part I 2019, No. 50 of 19 December 2019) and takes account of the recommendations of the German Corporate Governance Code in the old version, which entered into force on 20 March 2020, and, from 27 June 2022, of the new version, which entered into force on that date.

II. Components of remuneration

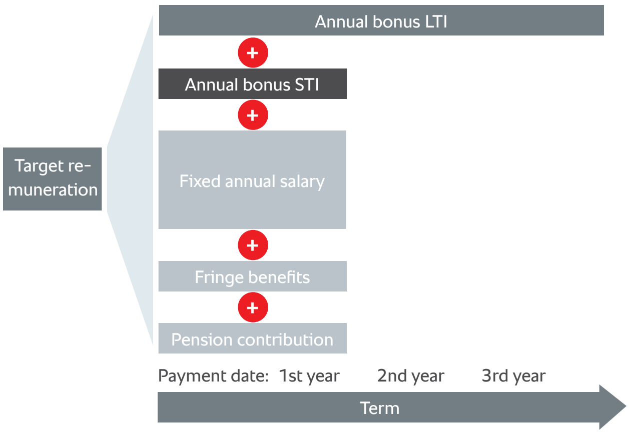
The remuneration of Executive Board members comprises fixed and variable components. The fixed components of Executive Board members' remuneration are the fixed annual salary, fringe benefits, and pension contributions. The variable components are the one-year variable remuneration (Short Term Incentive, "STI") and the multi-year variable remuneration (Long Term Incentive, "LTI"). The Remuneration System does not specify share-based or option-based remuneration and does not contain any requirements for Executive Board members to hold shares.

Components of remuneration

	Assessment basis/parameters	
Fixed remuneration components		
Fixed annual salary	In 12 equal monthly instalments at the end of each calendar month	
Fringe benefits	In particular: › Private use of company car › Accident insurance	
Pension contributions	Plan type: Defined contribution plan for annual payments	
	Contribution: 15% of fixed annual salary each year	
Variable remuneration components		
STI	**Type**	**Target bonus**
	Cap:	200% of the target amount
	Performance criteria:	Earnings after taxes as reported in the consolidated financial statements
	Assessment period:	Next year
	Payment date:	In the month following adoption of the consolidated financial statements
LTI	**Plan type**	**Performance cash plan**
	Cap:	› Financial LTI Component: 200% of the target amount › Non-financial LTI Component: 100% of the target amount
	Performance criteria:	› Return on capital employed (75%) › Non-financial targets (25%)
	Performance period:	Next three years
	Payment date:	In the month following adoption of the consolidated financial statements for the last fiscal year of the performance period, or no later than the following month

Based on the remuneration system, the Supervisory Board sets a specific target total remuneration for each Executive Board member. This is commensurate with the tasks and performance of the Executive Board member and the company's situation and may not exceed customary remuneration without specific reason. Target total remuneration comprises the sum of all remuneration components relevant for total remuneration. For the STI and LTI, target total remuneration is based on the target amount for 100% target achievement.

Target total remuneration



The share of long-term variable remuneration in the target total remuneration exceeds the share of short-term variable remuneration in the target total remuneration. The relative shares of the fixed and variable remuneration components are shown below in relation to target total remuneration.

Fixed remuneration	Variable remuneration	
Fixed annual salary + Fringe benefits + Contribution to the company pension scheme	STI	LTI
Approx. 70%	**Approx. 10%**	**Approx. 20%**

For all Executive Board members, the share of fixed remuneration (fixed annual salary, fringe benefits and contributions to the company pension scheme) makes up approximately 70% of target total remuneration, while variable remuneration makes up approximately 30% of target total remuneration. The share of the STI (target amount for 100% target achievement) in target total remuneration is approximately 10%, and the share of the LTI (target amount for 100% target achievement) in target total remuneration is approximately 20%.

The above shares may differ slightly for future fiscal years due to changes in the costs of contractually agreed fringe benefits and for any new appointments. Any payments granted on the occasion of a new member taking office may also result in a deviation from the above shares.

Fixed remuneration components

The members of the Executive Board receive a fixed annual salary in twelve monthly instalments.

The Executive Board members are also awarded fringe benefits: in particular, each member of the Executive Board is provided with a company car which may also be used privately. RATIONAL AG takes out accident insurance (death and disability) for the Executive Board members.

Defined contribution pension plans are in place for the individual members of the Executive Board. RATIONAL AG pays annual contributions to these plans for the Executive Board members. These annual contributions to the external provident fund are capped at 15% of fixed annual salary.

In individual cases, on the occasion of a new Executive Board member taking office, the Supervisory Board may award a payment in the first or second year of the new member's appointment. A payment of this kind may, for example, serve to compensate an Executive Board member for the loss of variable remuneration from a former employer incurred as a result of moving to RATIONAL AG.

Dr Martin Hermann was appointed as CTO (Chief Technical Officer) of RATIONAL AG in fiscal year 2022. Non one-time payment was made on the occasion of his taking office.

Variable remuneration components

The following section describes the variable remuneration components. It explains the link between achievement of the performance criteria and the amount of variable remuneration paid out. It also sets out when and in what form Executive Board members have access to the variable remuneration components they have been granted.

One-year variable remuneration (STI)

The STI is a performance-based bonus with a one-year assessment period. The STI depends exclusively on a financial performance criterion: earnings after taxes as reported in the consolidated financial statements. This performance criterion incorporates all the key success factors for the company. It therefore sets incentives to continuously improve profitability, and also recognises the collective performance of the Executive Board. The Supervisory Board sets the target for this financial performance criterion at the beginning of the fiscal year.

For each fiscal year, the Supervisory Board sets the level of earnings after taxes that will represent 100% target achievement and a target amount for the STI to be paid out for 100% target achievement. This target amount for the STI represents 10% of gross annual salary. Following presentation and adoption of the audited consolidated financial statements for the fiscal year, the level of target achievement is determined by comparing the actual figure in the audited consolidated financial statements with the targets for the respective fiscal year. The STI is then calculated.

Calculation of the annual STI is as follows:

› For every full 2 percentage points by which earnings after taxes as reported in the consolidated financial statements fall short of the target figure, the STI is reduced by 10 percentage points of the target amount, down to a target achievement of 80%. If earnings after taxes as reported in the consolidated financial statements are below 80% of the target figure, no STI is paid out.
› For every full 2 percentage points by which earnings after taxes as reported in the consolidated financial statements exceed the target figure, the STI is increased by 10 percentage points of the target amount, up to a target achievement of 120%. If earnings after taxes in the consolidated financial statements are above 120% of the target figure, the STI is capped at 200% of the target amount.

Payment of the annual STI is due in the month following adoption of the consolidated financial statements of RATIONAL AG for the fiscal year to which the STI relates.

The financial performance criterion may not be changed retrospectively. However, the Supervisory Board is entitled, should any extraordinary events or developments occur, e.g. the acquisition or sale of part of the company, to temporarily adjust the terms of the STI plan appropriately at its reasonable discretion.

If an appointment begins or ends in the course of a fiscal year, the target amount of the STI is reduced pro rata temporis based on the date on which the member's employment begins or ends. The same applies to periods for which an existing Executive Board member is not entitled to remuneration (e.g. because employment is suspended or the member is unable to work and not entitled to continued remuneration). The payment due date and parameters for calculating the STI are not affected by the Executive Board member beginning or ending their appointment in the course of a fiscal year.

Multi-year variable remuneration (LTI)

The LTI is structured as a performance cash plan. It consists of two components, one of which is linked to a financial performance criterion ("Financial LTI Component") and the other to non-financial performance criteria ("Non-Financial LTI Component"). Based on a target achievement of 100% for each component ("LTI Full Target Achievement"), the Financial LTI Component is given a 75% weighting and the Non-Financial LTI Component a 25% weighting. The LTI is awarded on a rolling basis in annual tranches. Each tranche of the performance cash plan has a three-year term ("performance period"). Each performance period begins on 1 January of the first fiscal year of the performance period ("Fiscal Year of Award") and ends on 31 December of the third fiscal year of the performance period.

After the end of the performance period, the target achievement for the LTI is calculated and the amount of the payment for each member of the Executive Board is determined based on the level of target achievement. Payment is due in the month following adoption of RATIONAL AG's consolidated financial statements for the last fiscal year of the performance period, or no later than the following month.

The relevant financial performance criterion for the Financial LTI Component is the return on capital employed (ROCE) at Group level. The performance indicator ROCE is defined as EBIT / (equity + interest-bearing borrowings + pension provisions). ROCE is a key performance indicator that measures how efficiently the capital tied up in the company is being used. Linking the LTI to ROCE sets a long-term incentive to generate lasting profitable growth.

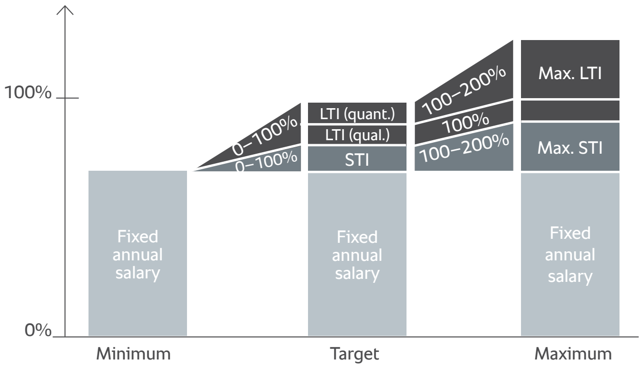
At the beginning of a performance period, the Supervisory Board decides, based on the multi-year planning, how high average ROCE should be at the end of the three-year performance period ("Target ROCE"). The Supervisory Board also sets a target amount for the Financial LTI Component. This figure, which is set for the Fiscal Year of Award, equates to 75% of the LTI in the event of LTI Full Target Achievement. To calculate target achievement for the Financial LTI Component, the arithmetic average of the ROCEs actually achieved in the three years of the performance period is calculated at the end of the performance period and compared to the Target ROCE. The following applies to the Financial LTI Component:

› For every full 1 percentage point by which ROCE falls short of the target figure, the Financial LTI Component is reduced by 10 percentage points of the target amount, down to a target achievement of 90% of Target ROCE. If target achievement is below 90% of Target ROCE, no Financial LTI Component is paid out.
› For every full 1 percentage point by which ROCE exceeds the target figure, the Financial LTI Component is increased by 10 percentage points of the target amount, up to a target achievement of 110% of Target ROCE. If target achievement is above 110% of Target ROCE, the Financial LTI Component is capped at 200% of the target amount.

The relevant non-financial performance criteria for the Non-Financial LTI Component are established by the Supervisory Board, predominantly through the setting of social, customer- and employee-oriented, and environmental goals. This supports the company's sustainable development. The non-financial performance criteria are generally set for the Executive Board as a whole but may also be set as individual targets in some cases. Based on long-term planning of a strategic or operational nature, the Supervisory Board sets one or more long-term targets for the three-year performance period. It also sets a target amount for the Non-Financial LTI - Component, which equates to 25% of the LTI in the event of LTI Full Target Achievement.

At the end of the performance period, the level of target achievement in relation to the non-financial performance criteria is determined by the Supervisory Board, which, at its own discretion and exercising all due care and diligence, compares the actual outcome to the target outcome. The target amount set is not increased in the event that the targets for the non-financial performance criteria are outperformed.

Composition of Executive Board remuneration



Payment of the LTI depends on the target achievement for both performance criteria. In the event of LTI Full Target Achievement, the LTI equates to 100% of the target amount. The amount of the LTI to be paid out is calculated after the end of the performance period. However, at the end of the first two fiscal years of a performance period, the Executive Board members receive a prepayment of 25% of the LTI payment amount for the relevant performance period, assuming an overall target achievement of 100%. If the overall target achievement calculated at the end of the performance period is so far below 100% that the prepayments already received by Executive Board members exceed the LTI payment to which the members are entitled for that performance period, RATIONAL AG is entitled to reimbursement of the excess amount paid and may deduct the corresponding amount from any remuneration components due to be paid out.

The performance criteria may not be changed retrospectively. However, the Supervisory Board is entitled, should any extraordinary events or developments occur, e.g. the acquisition or sale of part of the company, to temporarily adjust the terms of the LTI plan appropriately at its reasonable discretion.

If the term of office of an Executive Board member begins or ends in the course of a Fiscal Year of Award, the target amount is reduced pro rata temporis based on the date on which the member's term of office begins or ends. The same applies to periods for which an existing Executive Board member is not entitled to remuneration (e.g. because employment is suspended or the member is unable to work and not entitled to continued remuneration). The payment due date and parameters for calculating the LTI are not affected by the Executive Board member beginning or ending their appointment in the course of a fiscal year.

All claims in relation to a current performance period are forfeited without replacement or compensation if RATIONAL AG terminates the employment contract before the end of the performance period for cause on grounds for which the Executive Board member is responsible, if the Executive Board member's appointment is revoked due to a gross breach of duty, or if the Executive Board member resigns from office without cause and without the consent of RATIONAL AG.

Maximum remuneration

The 2021 Remuneration System specifies individual maximum remuneration separately for each member of the Executive Board within the meaning of section 87a of the AktG.

The total remuneration to be awarded to the Executive Board members for a fiscal year (the sum of all of the remuneration amounts paid for a fiscal year, including fixed annual salary, variable remuneration components, pension contributions and fringe benefits) – irrespective of whether they are paid out in that fiscal year or at a later point in time – is subject to a cap (“maximum remuneration”).

The maximum remuneration is

› 2,750,000 euros for the Chief Executive Officer and
› 2,000,000 euros each for the ordinary members of the Executive Board.

On the occasion of a new Executive Board member taking office, maximum remuneration may differ in the first or second year of the new member’s appointment from the set maximum remuneration if, in exceptional cases, the Supervisory Board awards payments to the newly appointed member as compensation for the loss of remuneration from the member’s former employer. In such cases, the maximum remuneration for this one fiscal year is increased by up to 50% for the Chief Executive Officer and by up to 25% for ordinary members of the Executive Board.

If remuneration exceeds the maximum remuneration, the LTI payment amount is reduced for the relevant fiscal year. If, after this reduction, remuneration still exceeds the maximum remuneration, the Supervisory Board may reduce other remuneration components at its own discretion, exercising all due care and diligence.

Irrespective of the maximum remuneration set, the payment amounts for the individual variable remuneration components are also capped. The payment amount for the STI is capped at 200% of the STI target amount. The payment amount for the Financial LTI Component is capped at 200% and the payment amount for the Non-Financial LTI Component at 100% of the respective target amount.

Malus and clawback provision for variable remuneration components

The Supervisory Board may, at its own discretion and exercising all due care and diligence, reduce by up to 100% the payment amount calculated for the variable remuneration components in the event of misconduct by the Executive Board member (“Grounds for Malus”) during the assessment period (for the STI during the relevant one-year assessment period and for the LTI during the relevant three-year assessment period).

Grounds for Malus will be deemed to exist particularly in the event of significant breaches of the duty of care within the meaning of section 93 of the AktG on the part of the Executive Board member during the assessment period. The basis for the Supervisory Board’s decision as to whether and to what extent there are Grounds for Malus will include, in particular, the degree to which the Executive Board member was at fault, the significance of the breach of duty, the weight of the member’s own contribution to the incident in question, the degree of any damage, the record or otherwise of any individual misconduct or organisational negligence in the last three fiscal years preceding the assessment period, and any official sanctions.

In the event of Grounds for Malus in a fiscal year that is part of the assessment period for multiple variable remuneration components, the malus may be applied to each of these variable remuneration components, i.e. multiple variable remuneration components with multi-year assessment periods may be subject to a malus on identical grounds.

RATIONAL AG is entitled to receive (pro rata) reimbursement from the Executive Board member of an STI and/or LTI payment if it has emerged, after the payment, that published consolidated financial statements relating to the assessment period for the STI and/or LTI were objectively incorrect and therefore in need of subsequent correction under the relevant accounting standards and that the STI and/or LTI payment would have been lower or non-existent had it been calculated based on the corrected consolidated financial statements.

The Supervisory Board may exercise this entitlement to reimbursement at its own discretion, with all due care and diligence. The entitlement to reimbursement equates to the difference between the actual payments made and the payments that would have been due to the Executive Board member under the rules of the STI and LTI based on the corrected consolidated financial statements. As a general rule, the Executive Board member must reimburse the gross amount in the event of such a claim.

There were no grounds requiring the application of a malus or clawback for the 2022 fiscal year.

Benefits promised in case of premature termination

In case of early termination of an Executive Board member's office without cause, the amount of any severance payment is limited to the equivalent of two years' remuneration ("Settlement Cap"). Under no circumstances will severance payments exceed the remuneration due for the remaining term of the employment contract. Calculation of the Settlement Cap is based on total remuneration in the preceding fiscal year and, if appropriate, expected total remuneration for the current fiscal year. Executive Board members are generally subject to a post-contractual non-competition clause for a period of two years after the end of their employment contract.

For the duration of the post-contractual non-competition clause, Executive Board members receive a compensation payment for each year they are subject to non-competition. The payment is equivalent to 50% of the total remuneration last paid to the member in question. Current payments from pension commitments and any transitional allowances or settlements are set off against this compensation.

Benefits awarded for the early termination of an Executive Board member's term of office due to a change of control will not exceed 150% of the settlement cap.

Benefits promised in case of regular termination

In cases of regular termination of their term of office, Executive Board members do not receive any benefits from the company. Once they are eligible, they receive benefits from the provident fund, into which contributions were paid by the company during the term of the service contract. These contributions are already reported as remuneration granted in the respective year in which the contribution is paid. In addition, after regular termination of their term of office, Executive Board members receive payments from the multi-year variable remuneration components, providing this is not prevented by any grounds for applying a malus or clawback. Executive Board members do not receive any other company benefits from the company after termination of their contract, unless they have been promised such benefits on termination in individual circumstances.

III. Individual remuneration of Executive Board members appointed in fiscal year 2022

Executive Board members in fiscal year 2022

In fiscal year 2022, the Executive Board of RATIONAL AG had the following members:

- Dr Peter Stadelmann, Chief Executive Officer since January 2014, Executive Board member since 2012
- Peter Wiedemann, Executive Board member since September 1999
- Markus Paschmann, Executive Board member since December 2013
- Jörg Walter, Executive Board member since March 2021
- Dr Martin Hermann, Executive Board member since September 2022

Remuneration granted and owed in fiscal year 2022

In accordance with section 162 (1) sentence 1 of the AktG, the remuneration report must disclose the remuneration granted and owed to each individual Executive Board member in the past fiscal year. The terms are defined as follows:

- The term "granted" relates to the remuneration "for the fiscal year in which the (one- or multi-year) activity on which the remuneration is based was provided in full";
- The term "owed" relates to "all legally existing liabilities for remuneration components that are due but have not yet been settled".

Total Executive Board remuneration in fiscal year 2022

The total remuneration paid to the Executive Board for the performance of its duties in the fiscal year 2022 was 6.6 million euros (2021: 6.0 million euros). Individualised Executive Board remuneration is presented in the tables below, showing all fixed and variable remuneration components and their relative share of total remuneration; it is explained in the sections that follow.

Remuneration of Executive Board members in fiscal year 2022

In thousands of euros

	Dr Peter Stadelmann		Dr Martin Hermann[1]		Markus Paschmann		Jörg Walter		Peter Wiedemann		Total	
Basic salary	1,211	54%	198	57%	910	57%	490	57%	910	57%	3,719	56%
Fringe benefits	57	3%	6	2%	22	1%	17	2%	35	2%	137	2%
Payments into pension scheme	182	8%	30	9%	137	9%	74	9%	137	9%	558	8%
Fixed remuneration	**1,450**	**65%**	**234**	**67%**	**1,069**	**67%**	**580**	**67%**	**1,082**	**68%**	**4,413**	**66%**
STI 2022	398	18%	57	16%	260	16%	140	16%	260	16%	1,115	17%
LTI 2022–2024	398	18%	57	16%	260	16%	140	16%	260	16%	1,115	17%
Total performance-related remuneration	**797**	**35%**	**113**	**33%**	**520**	**33%**	**280**	**33%**	**520**	**32%**	**2,230**	**34%**
Total remuneration granted and owed	**2,246**		**347**		**1,589**		**860**		**1,602**		**6,644**	

1 Dr Martin Hermann was appointed to the Executive Board of RATIONAL AG with effect from 1 September 2022. The disclosures on Dr Hermann relate to the period from September 2022 to December 2022.

Fixed remuneration components

The fixed remuneration components of the Executive Board (fixed remuneration) totalled 4.4 million euros in 2022 (2021: 3.8 million euros); they comprised the basic salary, payments into the pension scheme and fringe 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.

Performance-related remuneration components

The 2021 Remuneration System specifies short-term variable remuneration (STI) and multi-year variable remuneration components with an assessment period of three years. The respective performance-related remuneration components are presented below.

Short-term performance-related remuneration (STI 2022)

STI 2022 is a performance-related bonus with a one-year assessment period; it is calculated in relation to profit after tax as reported in the 2022 consolidated financial statements. It accounts for 10% of total target remuneration of the Executive Board.

STI 2022

Objectives	Actual 2022	Achievement in 2022	Grant rate in 2022
Net profit/loss in 2022[1]	185.7 million euros	>120%	200%

1 In the range between 80% and 120% target achievement, the grant rate increases by 10 percentage points for each full 2 percentage point rise in target achievement up to a maximum of 200%.

Profit after taxes for fiscal year 2022 amounted to 185.7 million euros. According to the calculation method described in the Remuneration System, this resulted in a grant rate of 200% for the 2022 reporting year. The payment was made in the first quarter of 2023.

Long-term performance-related remuneration (LTI 2022–2024)

LTI 2022–2024 is a performance-related remuneration component for fiscal year 2022 with a three-year assessment period from 2022 to 2024. The LTI component accounts for 20% of total target remuneration of the Executive Board.

The LTI 2022–2024 component reported for fiscal year 2022 is 1.1 million euros, which is equivalent to the target LTI for target achievement of 100%. Target achievement for the underlying three-year period and the amount of variable remuneration for fiscal year 2022 will be finally determined on the basis of the criteria and thresholds defined by the Supervisory Board at the time the 2024 annual financial statements are prepared. The LTI component will be paid out to the Executive Board members on the basis of total target achievement at the end of the performance period and the resulting grant rate. At the end of the first two fiscal years of a performance period, the Executive Board members receive a prepayment of 25% of the LTI payment amount for the relevant performance period, assuming an overall target achievement of 100%. The prepayment will be deducted from the remuneration payable at the end of the respective period.

The targets presented below apply equally to all Executive Board members.

LTI 2022–2024

Objectives	LTI weighting
Long-term financial performance criterion: ROCE Ø 2022–2024 [1]	75.0%
Environment-related sustainability target: high energy efficiency of our cooking systems (US Energy Star [2])	12.5%
Customer satisfaction sustainability target: Net Promotor Score (NPS) [3]	12.5%

1 For a variance from target ROCE in the range between −10 and +10 percentage points, the grant rate increases by 10 percentage points for each full 1 percentage point rise in target achievement up to a maximum of 200%.
2 US Energy Star is a US environmental label for energy-saving appliances, building materials, public/commercial buildings or residential buildings. Energy Star certifies that e.g. electrical appliances meet the power-saving criteria of the US Environmental Protection Agency (EPA) and the US Department of Energy.
3 The Net Promoter Score (NPS) expresses the extent to which satisfied customers are prepared to recommend our products to friends or business partners.

IV. Remuneration of former Executive Board members

Former Chief Executive Officer Dr Günter Blaschke received inventor remuneration of 0 thousand euros in 2022 (2021: 3 thousand euros).

B. Remuneration system for Supervisory Board members

Supervisory Board remuneration is specified in the Articles of Association of RATIONAL AG. The Supervisory Board receives fixed remuneration based on market conditions and oriented to suggestion G.18 of the German Corporate Governance Code (the Code). In accordance with recommendation G.17 of the Code, the Chairman of the Supervisory Board and his deputy receive higher compensation to reflect the larger time commitment. In addition, a company vehicle is made available to the Chairman of the Supervisory Board and his deputy, including for private use (other).

Remuneration of Supervisory Board members in fiscal year 2022 In thousands of euros

	Fixed	Other	Total
Walter Kurtz	250	24	274
Dr Hans Maerz	200	11	211
Erich Baumgärtner	150	–	150
Dr Gerd Lintz	150	–	150
Werner Schwind	150	–	150
Dr Georg Sick	150	–	150
Dr Johannes Würbser	150	–	150
Total	**1,200**	**35**	**1,235**

C. Comparative presentation of changes in Executive Board remuneration, Supervisory Board remuneration, employee remuneration and profits/losses

The presentation below sets the annual change in the remuneration of members of the Executive Board and Supervisory Board against the average remuneration of employees and the Company's profit or loss for the last five fiscal years.

Change compared with previous year in %

	2019 vs 2018	2020 vs 2019	2021 vs 2020	2022 vs 2021
Changes in Executive Board remuneration (current and former Executive Board members)				
Dr Peter Stadelmann	+4	−3	+18	−4
Peter Wiedemann	+7	−2	+17	+13
Markus Paschmann	+5	−2	+35	−2
Jörg Walter[1]	–	–	–	+9
Changes in Supervisory Board remuneration[2]				
Walter Kurtz	0	−4	+5	+2
Dr Hans Maerz	0	−6	+5	0
Erich Baumgärtner	0	−5	+5	0
Dr Gerd Lintz	0	−5	+5	0
Werner Schwind	0	−5	+5	0
Dr Georg Sick	0	−5	+5	0
Dr Johannes Würbser	0	−5	+5	0
Changes in employee remuneration				
Average no. of employees (FTEs)[3]	+1	−7	+10	+11
Changes in profit/loss				
Net loss of RATIONAL AG[4]	+19	−33	−65	+92
Consolidated net profit	+9	−53	+54	+50

1 Mr Jörg Walter was appointed to the Executive Board with effect from 1 March 2021. To make figures easier to compare, the 2021 remuneration has been extrapolated to a 12-month period to compensate for the difference in length.
2 In response to the coronavirus crisis and its effects on RATIONAL AG's business, the Supervisory Board opted to forego part of its remuneration in 2020.
3 Employee remuneration is determined by dividing total remuneration (incl. social security expenses) reported in the notes to the consolidated financial statements less Executive Board remuneration by the average number of full-time equivalents (FTEs) in the fiscal year concerned.
4 As a precaution and to preserve liquidity at our sales subsidiaries, profit distributions by the subsidiaries were reduced significantly in fiscal years 2020 and 2021.

D. Report of the independent auditor on the audit of the remuneration report in accordance with section 162 (3) AktG

To RATIONAL Aktiengesellschaft, Landsberg am Lech

Audit Opinion
We conducted a formal audit of the remuneration report of RATIONAL Aktiengesellschaft, Landsberg am Lech/Germany, for the financial year from 1 January to 31 December 2022, to assess whether the disclosures required under Section 162 (1) and (2) German Stock Corporation Act (AktG) have been made in the remuneration report. In accordance with Section 162 (3) AktG, we did not audit the content of the remuneration report.

In our opinion, the disclosures required under Section 162 (1) and (2) AktG have been made, in all material respects, in the accompanying remuneration report. Our audit opinion does not cover the content of the remuneration report.

Basis for the Audit Opinion
We conducted our audit of the remuneration report in accordance with Section 162 (3) AktG and in compliance with the IDW Auditing Standard: Audit of the Remuneration Report pursuant to Section 162 (3) AktG (IDW AuS 870 (08.2021)). Our responsibilities under those requirements and this standard are further described in the "Auditor's Responsibilities" section of our auditor's report. Our audit firm has applied the requirements of the IDW Quality Assurance Standard: Quality Assurance Requirements in Audit Practices (IDW QS 1). We have fulfilled our professional responsibilities in accordance with the German Public Auditor Act (WPO) and the Professional Charter for German Public Auditors and German Sworn Auditors (BS WP/vBP) including the requirements on independence.

Responsibilities of the Executive Board and the Supervisory Board
The executive board and the supervisory board are responsible for the preparation of the remuneration report, including the related disclosures, that complies with the requirements of Section 162 AktG. In addition, they are responsible for such internal control as they consider necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatements, whether due to fraud or error.

Auditor's Responsibilities
Our objective is to obtain reasonable assurance about whether the disclosures required under Section 162 (1) and (2) AktG have been made ,in all material respects, in the remuneration report, and to express an audit opinion on this in a report.

We planned and conducted our audit in such a way to be able to determine whether the remuneration report is formally complete by comparing the disclosures made in the remuneration report with the disclosures required under Section 162 (1) and (2) AktG. In accordance with Section 162 (3) AktG, we have neither audited the correctness of the content of the disclosures, nor the completeness of the content of the individual disclosures, nor the adequate presentation of the remuneration report.

Handling of possible misrepresentations
In connection with our audit, our responsibility is to read the remuneration report taking into account our knowledge obtained in the financial statement audit while remaining attentive to any signs of misrepresentations in the remuneration report regarding the correctness of the disclosures' contents, the completeness of individual disclosures' contents or the reasonable presentation of the remuneration report.

If, based on the work we have performed, we conclude that there is such a misrepresentation, we are required to report that fact. We have nothing to report in this regard.

Munich, 1 March 2023

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Dirk Bäßler
Wirtschaftsprüfer
(German Public Auditor)

Johanna Pickl
Wirtschaftsprüferin
(German Public Auditor)

Legal Notice

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Global presence

Sales revenues by region in 2022

Key figures for RATIONAL shares

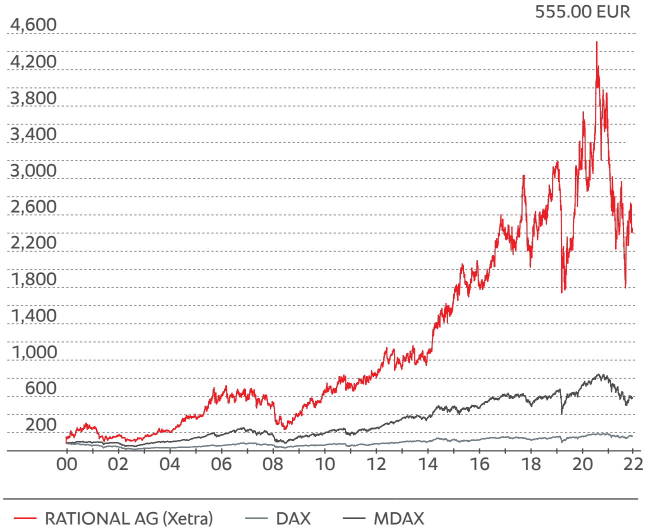
Key figures

		2022	2021
Maximum price last 12 months[2]	EUR	**896.00**	1,029.50
Minimum price last 12 months[2]	EUR	**412.40**	654.50
Year-end closing price[2]	EUR	**555.00**	900.40
Market capitalisation[1 2]	m EUR	**6,310**	10,238
Dividend yield[3]	%	**2.4**	1.1
Beta factor (one year) as of 30 Dec[4]		**0.9**	1.3
Sales revenues per share	EUR	**89.92**	68.58
Price-to-sales ratio[1 3]		**6.2**	13.1
Earnings per share	EUR	**16.33**	10.88
Price-earnings ratio[1 3]		**34.0**	82.8
Cash flow per share	EUR	**14.13**	15.14
Price-cash flow ratio[1 3]		**39.3**	59.5

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

Performance of RATIONAL shares since IPO in 2000

Index (issue price 23.00 EUR = 100); in %
Year-end closing price: 555.00 EUR



RATIONAL shares – basic information

Number of outstanding shares[5]	11,370,000
Shareholder structure	Holding shares 55.2%, free float 44.8%
ISIN	DE0007010803
WKN	701 080
Market abbreviation	RAA

5 As at: 1 March 2023

Financial calendar 2023

Financial figures and balance sheet press conference fiscal year 2022	Munich	28.03.23
Financial Figures Q1 2023	Virtual	04.05.23
General Shareholders' Meeting 2023	Augsburg	10.05.23
Financial figures Half Year 2023	Virtual	03.08.23
Financial Figures 9M 2023	Virtual	07.11.23
RATIONAL Capital Markets Day 2023	Wittenheim (France)	30.11.23

Executive Board

Dr Peter Stadelmann, CEO

Dr Martin Hermann, CTO

Markus Paschmann, CSMO

Jörg Walter, CFO

Peter Wiedemann, COO

The Supervisory Board

Walter Kurtz, Chairman

Dr Hans Maerz, Deputy Chairman

Dr Gerd Lintz

Werner Schwind

Erich Baumgärtner

Dr Georg Sick

Dr Johannes Würbser

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10-Year Overview

Key figures

Earnings situation		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Sales revenues	m EUR	**1,022**	**780**	650	844	778	702	613	564	497	461
Sales revenues abroad	%	**88**	**87**	87	88	88	87	87	87	87	87
Sales revenues combi-steamer	m EUR	**895**	**698**	581	769	712	646	567	529	467	436
Sales revenues Vario	m EUR	**128**	**81**	69	75	66	58	47	39	33	28
Gross profit[1]	m EUR	**565**	**429**	360	498	457	421	379	349	304	281
in % of sales revenues		**55**	**55**	55	59	59	60	62	62	61	61
EBITDA	m EUR	**268**	**190**	136	248	219	199	176	169	154	136
in % of sales revenues		**26**	**24**	21	29	28	28	29	30	31	30
Earnings before financial result and taxes (EBIT)	m EUR	**238**	**160**	107	223	205	188	167	160	145	128
in % of sales revenues		**23**	**21**	16	26	26	27	27	28	29	28
Profit or loss after taxes	m EUR	**186**	**124**	80	172	157	143	127	122	110	97
in % of sales revenues		**18**	**16**	12	20	20	20	21	22	22	21
Earnings per share (basic)	EUR	**16.33**	**10.88**	7.04	15.09	13.84	12.58	11.18	10.71	9.68	8.55
Return on equity (after taxes)[2]	%	**29**	**22**	15	35	36	35	34	37	38	38
Return on Capital Employed (ROCE)[3]	%	**37**	**28**	20	44	45	43	41	44	45	45

Net assets											
Total equity and liabilities	m EUR	**899**	**784**	671	699	604	571	540	483	423	377
Equity	m EUR	**676**	**603**	535	517	456	425	397	356	311	269
Equity ratio	%	**75**	**77**	80	74	75	74	74	74	73	71
Liabilities to banks	m EUR	**1**	**2**	5	10	12	14	28	28	33	34
Cash and cash equivalents (including fixed deposits)	m EUR	**208**	**254**	256	231	192	267	278	267	225	200
Net financial position[4]	m EUR	**207**	**252**	251	222	180	253	250	239	193	166
Fixed assets	m EUR	**222**	**208**	203	191	152	127	102	79	69	61
Investments	m EUR	**37**	**26**	31	40	40	43	25	19	17	12
Working capital[5]	m EUR	**251**	**170**	152	161	150	118	108	99	93	84
in % of sales revenues		**25**	**22**	23	19	19	17	18	17	19	18

Cash flow/investments											
Cash flow from operating activities	m EUR	**161**	**172**	93	199	144	146	130	143	113	103
Cash flow from investing activities	m EUR	**–82**	**–84**	38	–55	–56	77	–97	–11	–39	–28
Cash flow from financing activities	m EUR	**-125**	**–66**	–79	–119	–128	–128	–87	–83	–71	–57

Employees											
Number of employees as at year-end		**2,401**	**2,248**	2,180	2,258	2,113	1,884	1,713	1,530	1,424	1,341

RATIONAL shares											
Year-end closing price[6]	EUR	**555.00**	**900.40**	761.50	717.00	496.00	537.20	424.00	419.90	259.75	241.10
Year-end market capitalisation	m EUR	**6,310**	**10,238**	8,658	8,152	5,640	6,108	4,821	4,774	2,953	2,741
Payout[7]	m EUR	**153**	**114**	55	65	108	125	114	85	77	68
Dividend per share[7]	EUR	**11.00**	**7.50**	4.80	5.70	9.50	8.80	8.00	7.50	6.80	6.00
Special dividend per share[7]	EUR	**2.50**	**2.50**	–	–	–	2.20	2.00	–	–	–

1 Since 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
2 Earnings after tax in relation to average equity for the respective fiscal year
3 ROCE = EBIT / (average equity + average interest-bearing borrowings + average pension provisions)
4 Liquid funds less liabilities to financial institutions
5 Total inventories and trade receivables less trade accounts payable and advance payments received
6 Xetra
7 Payout in the following year, dividend for 2022 subject to approval by the General Meeting of Shareholders 2023

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