

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