

Letter from the Executive Board on the first half year 2022



“The lasting success of the iVario is very encouraging. We have already sold around 40% more cooking systems this year than in the first half of last year. The positive feedback from highly satisfied customers and the good start in the Americas, in particular, make us confident that the success story of the iVario will continue.”

Dr Peter Stadelmann
CEO of RATIONAL AG

**Dear Shareholders,
Customers and Business Partners,**

The first half year of 2022 provided plenty of material for the history books. After two years of coronavirus emergency, we seemed to be returning to normality. Unfortunately, however, the coronavirus crisis was followed seamlessly by other challenges.

From March 2022 onwards, the fragile global supply chains were destabilised further by hard lockdown measures in China, exacerbating the shortage of primary products for industry in their wake. The skills shortage worsened further, and the war in Ukraine has brought untold suffering to the people of that country and caused global shortages of basic foods and commodities. Things that many people took for granted can no longer be relied on. Peace in Europe has been broken, the supply of energy, food and services to the population seems uncertain, and inflation has risen to levels last seen during the first oil crisis. All these factors combined are threatening our prosperity.

In the past two and a half years, RATIONAL has responded flexibly to volatile environmental conditions. Extended payment terms for customers, virtual sales and marketing solutions, the qualification of new suppliers, the redesign of components and the assembly of partially finished appliances were among the most prominent.

Customer benefit also takes top priority for RATIONAL in dealing with and solving the current challenges. One of them is supply capability, which right now depends above all on the availability of processors (CPUs). Since our suppliers rely on primary products from Asia, they, too, are experiencing shortages of materials as a result of lockdowns in China.

Shortages of electronics components and the sharp rise in new orders have caused the order book to expand and led to long delivery times. For about nine months, we have been unable to ship our appliances as promptly as usual. In addition to unusually long delivery times, we regret in particular that we cannot guarantee exact delivery dates and that promised delivery dates were postponed. We want to apologise for this to our dealers and customers and assure them that we are doing everything in our power to improve this situation.

We have noticed that the situation is easing significantly for the iVario, which is encouraging news. Component shortages are less severe, orders on hand have been steadily reduced in the past few months, and delivery times are gradually approaching normal levels. Combined with positive customer feedback and the good launch of the iVario in the Americas, this makes us confident that the iVario's success story will continue.

One chapter in the history of this year that has shocked us all is the war in Ukraine and its consequences. In view of the economic and political situation, the Executive Board and Supervisory Board have resolved to close the Russian sales subsidiary to complete an orderly withdrawal from the Russian market. RATIONAL responded as early as at the beginning of March by halting appliance deliveries to Russia. The adoption of the fifth package of sanctions finally prohibited exports from April onwards. The cooperation with our customers, partners and employees was based on trust in every respect. For this reason, the withdrawal will be conducted in an orderly, respectful manner by the end of 2022. We want to ensure that the appliances installed in Russia can continue to operate by cooperating with partners, while complying with existing sanctions.

In addition to the direct consequences for our employees and partners on the ground, we are also feeling the indirect effects of the Ukraine conflict. Rising energy costs are posing challenges for the hospitality industry. A survey conducted by the German Hotel and Restaurant Association (Deutscher Hotel- und Gaststättenverband, DEHOGA) recently came to the conclusion that about 85% of the companies surveyed were negatively impacted by the rising energy costs and food prices. And two thirds of those surveyed were also concerned about personnel costs, which are linked to the inflation trend. In addition to increasing costs for employees, most respondents also complain about a glaring shortage of skilled personnel.

All these challenges are hampering efforts to restart the hospitality industry after two years of coronavirus. With our intelligent, energy-efficient and easy-to-use appliances, combined with our numerous service offerings, we want to give our customers the best possible support in mastering the challenges they face.

How this could look in practice can be seen in Rankweil in Vorarlberg (Austria). Ranging from conferences, meetings and overnight stays to an in-house bakery and à-la-carte restaurant, the "Firmament" offers everything under one roof. See for yourself [in this video](#) how Mathias Enzenhofer, head of catering at Firmament, organises the interaction of iCombi, iVario and ConnectedCooking. Ernst Seidl, founder and owner of Firmament puts it in a nutshell: "You can work efficiently".

Success stories such as this one remind us time and again of the purpose for which Siegfried Meister established RATIONAL. For almost 50 years, we have offered customers in the commercial kitchens of this world the most beneficial solutions. Positive feedback from our customers encourages us time and again to follow this path consistently.

But the rise in energy and food prices is also affecting private households, and therefore our employees. As a socially responsible company, the well-being of our workforce is a matter of great importance for us. To contain the effects the price increases have on them, we responded in Germany by implementing higher-than-planned wage and salary increases of just over 5%, which came into effect on 1 July 2022. We will of course keep an eye on future developments.

Through their commitment, support and work results, our entrepreneurs within the enterprise (U.i.U.s) have navigated us through every crisis. This sustained cooperation is the cornerstone of our success. Our U.i.U.s ensured that we could reduce the negative effects to a minimum. The advantages of decentralised management and the transfer of comprehensive responsibilities manifest themselves especially in times of crisis. Our U.i.U.s repay the trust we place in them with loyalty and dedication. We will again overcome the challenges ahead together with our U.i.U.s.

This was also one of the reasons that we repeatedly received the Best Managed Companies Award. This makes us the proud three-time winner of this accolade, which is presented by Deloitte Private, Credit Suisse, FAZ and the Federal Association of German Industries. According to Markus Seiz, Best Managed Company Program Manager and Director at Deloitte Private, we excelled not only in terms of impressive corporate governance. As the award winner, RATIONAL is a benchmark for the SME sector and also stands for strong and considered management in turbulent times. Also for this reason, we have decided to move forward sooner on arranging the successor for Peter Wiedemann as Chief Technology Officer. From September 2022, as already announced last week, there will be a gradual and orderly handover of the technical division to our new colleague Dr Martin Hermann. From 2012, Dr Hermann was Managing Director and CTO/COO at Hauni Maschinenbau GmbH in Hamburg, where he had global responsibility for research and development, production, the supply chain and quality management. We are pleased to welcome Mr Hermann to our company and wish him every success at RATIONAL.

Another important criterion for the jury was the purpose of the business. My colleague on the Executive Board, Markus Paschmann, emphasised it again at the award ceremony: "RATIONAL has always had a purpose: we provide the greatest possible benefit to people who prepare hot food in large-scale and commercial kitchens."

For us, maximum customer benefit goes hand in hand with the high level of efficiency and long service life of our cooking systems, helping us to save resources and protect the environment. Sustainability has thus been an integral part of our business model ever since our company was founded. We are therefore especially pleased to have occupied a top spot with our 32nd place from among around 4,000 participants in the competition for "Germany's most sustainable SME 2022" held by the financial magazine WirtschaftsWoche.

That is what drives us, and we will retain it in the future. For this reason, I want to assure you once again that at RATIONAL all U.i.U.s are again doing their best to stand side by side with our partners in the current challenges. I thank you for your interest and trust.

With best regards



Dr Peter Stadelmann
CEO of RATIONAL AG