50 years of
RATIONAL
50 years of
innovations
50 years of
customer benefit

Annual Report
2023

iHexagon.

The Beginning of a New Era.

The idea of combining hot air, steam and microwave in one appliance is nothing new. But what is new is being able to coordinate the three energy sources across all six racks in such a way that the best cooking result is achieved every time – and up to even 30% faster than with an iCombi Pro. iClimateBoost, the intelligent climate management system in the iHexagon, makes that possible. No other appliance can do that. Nor does any other have a glass door and a core temperature sensor in combination with microwave. That puts the iHexagon into a new product category of its own and, alongside the combi-steamers and the iVario, makes it one of three revolutionary innovations from RATIONAL. Made for everyone with speed in their DNA, but unwilling to compromise on food quality, whether freshly cooked for a buffet and a hot counter or warmed up for grab-and-go business. In other words, for “business in the fast lane”.


RATIONAL
iHexagon

50 years of RATIONAL
50 years of innovations
50 years of customer benefit

Thermal food preparation with RATIONAL

With a market share of around 50%, RATIONAL is the global market and technology leader when it comes to innovative solutions for thermal preparation of food in professional kitchens of the world. A key factor in our success is our uncompromising focus on customer benefit. The company's primary goal is: "We provide maximum benefit to the people preparing hot food in the professional kitchens of the world."

The main product is the iCombi Pro, a combi-steamer with intelligent cooking processes. Heat is transferred via steam and hot air. The software controls the cooking process until the desired result is achieved. The iCombi Pro replaces conventional cooking appliances like a grill, stove or oven. As a complementary product, RATIONAL offers the iVario, which cooks with contact heat or in liquid and can replace other traditional cooking appliances like deep-fat fryers, boiling pans or tilting frying pans.

Alongside our powerful, high-quality iCombi and iVario product groups, we offer a comprehensive range of services for the entire duration of the business relationship, enabling our customers to make the best possible use of their cooking systems at all times. With our ConnectedCooking online platform for professional chefs, we provide our customers with a cloud-based connectivity solution. They can use it to connect their appliances, monitor and control them remotely, update them, and transfer cooking programs. In addition, we offer our customers other fee-based digital applications to optimise kitchen processes. We generate around 70% of our sales revenues with our multifunctional cooking systems, and the rest with accessories, care products, service parts, and services.

Our products are ideal for any organisation, from those preparing at least 20 warm dishes per meal to large catering operations serving several thousand meals per day. Our customer base ranges from restaurants and hotels to large-scale catering operations, such as company canteens, hospitals, schools, universities, military facilities, prisons and retirement homes, to quick service restaurants, caterers, supermarkets, bakeries, snack outlets, butchers' shops, service stations and delivery services, including ghost kitchens, as they are known.

According to our estimates, the potential global market comprises around 4.8 million customers, of which around 25% currently use combi-steamers. The vast majority are still using conventional cooking technologies. Since, thanks to its cooking intelligence, the iCombi can replace not only conventional cooking technology but also standard combi-steamers, we see additional untapped market potential here. With around 1.6 million potential customers, we currently estimate the overall potential for the iVario to be lower. Because the product has only been on the market for a few years, its market penetration rate is still very low. We therefore consider the opportunities for the iVario to be considerable as well. However, this huge untapped market potential will allow us to grow as we further penetrate the market and as demand for replacements rises.

The challenges of the past few years have had a lasting influence on our company and especially our customers. We are seeing more rapid changes within our customer groups (large-scale catering operations, restaurants with or without service, and retail). Today we benefit from the fact that we tailored our business many years ago to a wide variety of customer groups and are now well prepared for these changes.

We believe that the potential of the market is high. The daily number of meals that have to be prepared worldwide continues to grow. And the places where they are prepared are changing. Many of the megatrends remain topical. Population growth, urbanisation and rising prosperity continue unabated in some emerging economies. In-store cafés and restaurants, the delivery business, and ghost kitchens have recorded growth in recent years.

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

One key foundation of our company's success is our focus on professional kitchens and on their core activity: cooking. Thanks to this specialisation, we can offer our customers ever better solutions and thereby continuously increase their benefit. Our products set standards for cooking intelligence, cooking quality, user-friendliness, resource efficiency and connectivity. They can perform practically all cooking processes. They can grill, steam, gratinate, bake, proof, roast, braise, simmer, stew, poach, blanch, deep-fry, cook at low temperatures, and much more. As a result, they replace virtually all conventional cooking equipment in the professional kitchen and are winning over more and more customers worldwide.

Today, the combi-steamer from RATIONAL is considered one of the most important cooking appliances in a professional kitchen. We are regarded as a provider of innovative solutions, supplying high-quality, reliable products accompanied by an outstanding level of service quality. In line with our philosophy, customer satisfaction enjoys a particularly high priority at RATIONAL. This is why we are proud that our customer satisfaction survey regularly produces excellent results. With a current net promoter score of 64, our customer satisfaction level is significantly above the industry average. This result underscores once more our clear market lead.

Our customers are highly satisfied and loyal. RATIONAL cooking systems provide support in overcoming worsening staff shortages, greater demands for efficiency, and stricter hygiene regulations. Another benefit is that, with our energy-efficient cooking systems, we help our customers to counter the high energy and food prices.

Fully in line with our philosophy of offering all our customers the best possible benefit, we continuously grow and develop as a company. For the first time, we have successfully combined – in a new product category – steam, convection and microwaves on all levels of a six-rack appliance. The iHexagon was launched in selected markets in spring 2024. From 2025 onwards, we will additionally offer a combi-steamer which we are developing specifically for price-conscious end customers in the Chinese market.

Another key success factor is the principle of the "Entrepreneur in the Company" (U.i.U.®). The U.i.U. entrepreneurs operate as independent businesspeople within their own area of responsibility, make the necessary decisions independently, and take responsibility for them, always with the focus on customer benefit. Even in challenging situations, our U.i.U. entrepreneurs have skilfully adapted to changing conditions and have done everything in their power to help our customers in the best possible way. At the end of 2023, we employed around 2,550 people, over half of whom are in Germany.

One result of the high level of customer and employee satisfaction is our positive financial performance. Our exceptionally healthy balance sheet and good liquidity position mean that even in times of crisis we can continue to foster innovation and take good care of our customers, business partners, and employees. Our independence, endurance and freedom to act give us a decisive competitive edge and reflect our high level of commitment. We believe that growth rates in the high single-digit percentage range, with EBIT margins of around 25%, an equity ratio of over 70%, and a distribution ratio of around 70% of consolidated net profit, are consistently achievable.

Our product portfolio

The entire product range must be measurable against one benchmark: does it benefit our customers?

The iCombi®

The wow effect.

The two combi-steamers, iCombi Pro and iCombi Classic, are successfully established in the market. The iCombi Pro is the intelligent combi-steamer with the greatest integrated cooking expertise on the market. Its main features are above all user-friendliness, safe kitchen processes and its reliable ability to produce the desired results, making this combi-steamer suitable for all users. The iCombi Classic on the other hand is a manual combi-steamer for trained chefs. Nevertheless, like the iCombi Pro, it stands for excellent food quality, time savings, and solid security of investment, combined with high standards of hygiene. Both combi-steamers are produced at the company's headquarters in Landsberg am Lech and distributed worldwide.

The iVario®

The game changer.

The iVario is a multifunctional cooking system that is available as a one- or two-pan appliance. In production, e.g. in large-scale catering operations, the two one-pan appliances replace tippers, kettles, and pressure cookers. Both two-pan appliances replace stoves, pots, frying pans, pressure cookers, and bain-maries in production and in service, e.g. in restaurants. The patented iVarioBoost heating system makes the iVario approximately four times as fast and uses 40% less energy compared to the previous model. This allows our customers to save on working time, space, and appliances while still offering top-quality food.

The iHexagon®

Business in the fast lane.

The iHexagon specialises in top food quality in record time. It achieves this by intelligently coordinating convection, steam, and microwave. It is the only appliance in the market that can distribute the three forms of energy evenly across all racks in the cooking chamber. Seamless monitoring and permanent support by the built-in cooking intelligence render any external intervention unnecessary. This new product category is intended for all those who have quality and speed in their DNA.

ConnectedCooking

Your kitchen can do more.

ConnectedCooking allows digital access to RATIONAL's cooking systems and services. Appliance management includes software updates, an appliance dashboard, and the MyDisplay configurator. The hygiene management system comprises HACCP documentation and shows cleaning and upkeep levels. And the recipe management system allows user to create recipes and transfer cooking programs to the cooking systems. For the professional kitchen, this means everything is under control, working processes are simplified, and time and money can be saved.

Key Figures

In m EUR	2023	2022	Change absolute	Change in %
Sales revenues by region				
Germany	122.2	125.5	-3.3	-3
Europe (excluding Germany)	460.6	439.0	+21.6	+5
North America	261.6	221.4	+40.2	+18
Latin America	68.1	57.6	+10.5	+18
Asia	156.2	126.0	+30.2	+24
Rest of the world	57.2	52.9	+4,3	+8
Sales revenues generated abroad (in %)	89	88	+1	–
Sales revenues by product group				
iCombi	1,007.7	894.6	+113.1	+13
iVario	118.1	127.7	-9.6	-8
Sales revenues and earnings				
Sales revenues	1,125.8	1,022.3	+103.5	+10
Cost of sales	487.2	457.3	+29.9	+7
Gross profit	638.6	565.1	+73.5	+13
in % of sales revenues	56.7	55.3	+1.4	–
Sales and service expenses	254.3	236.6	+17.7	+8
Research and development expenses	52.6	44.8	+7.8	+18
General administration expenses	52.0	47.0	+5.0	+11
Earnings before financial result and taxes (EBIT)	277.0	237.5	+39.5	+17
in % of sales revenues	24.6	23.2	+1.4	–
Profit or loss after taxes	215.8	185.7	+30.1	+16
Return on capital employed (ROCE)	38.9	36.8	+2.1	–
Balance Sheet				
Total equity and liabilities	966.8	899.2	+67.6	+8
Equity	738.6	676.2	+62.4	+9
Equity ratio in %	76.4	75.2	+1.2	–
Cash flow				
Cash flow from operating activities	258.3	160.6	+97.7	+61
Cash-effective investments	34.6	37.2	-2.6	-7
Free cash flow [1]	223.7	123.4	+100.3	+81
Employees				
Number of employees as at 31 Dec	2,554	2,401	+153	+6
Number of employees (average)	2,504	2,351	+153	+7
Key figures for RATIONAL shares				
Earnings per share (in EUR)	18.98	16.33	+2.65	+16
Year-end closing price[2] (in EUR)	699.50	555.00	+144.50	+26
Market capitalisation[2] [3]	7,953	6,310	+1,643	+26

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

Contents

Notes:
The editorial deadline for this report was 6 March 2024.

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 2023

Contents

The charts on pages 10 to 34 and the table on page 18 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 22 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 and development sites in Germany (Landsberg am Lech, Bavaria) and France (Wittenheim, Alsace). Another production and development site is currently being built in China (Suzhou, Greater Shanghai).

Products and services
The RATIONAL Group provides products and solutions for thermal food preparation in professional kitchens. Around 70% (2022: 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 profiles and 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 process until the cooking result specified by the user is attained. In addition, we offer our customers a basic combi-steamer model, the iCombi Classic. Both models are produced at the company's headquarters in Landsberg am Lech and distributed worldwide. Starting in 2025, a cooking system designed specifically for the Chinese market will be produced in Suzhou, China.

The technology we offer in the iVario complements that of the combi-steamer. 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 produced in Wittenheim, France, and distributed worldwide.

We generated around 30% (2022: 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 our digital kitchen management system, 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.

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. There was again strong demand for digital formats, such as webinars, live streams and uploaded videos, 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 ranges from restaurants and hotels, large-scale catering operations, such as company canteens, hospitals, schools, universities, military facilities, prisons and retirement homes, right through to ghost kitchens, 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.

We generated a total of around 54% of our sales revenues in the DACH and EMEA segments in the past fiscal year. The North America segment accounted for around 26% of sales revenues, while Asia contributed around 17% in 2023.

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.

The tighter rules under the European Union's 10th package of sanctions against Russia and Belarus, meant that – in addition to the suspension of the distribution of cooking systems in 2022 – it was no longer possible to supply spare parts to these markets, with only few exceptions, from 2023 onwards.

Other than the above, 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.

To accommodate the social trend towards greater sustainability and climate protection, we expanded our corporate strategy in 2023 by adding a sustainability strategy. We are planning to publish more information on the sustainability strategy in fiscal year 2024.

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 and 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 the sustained satisfaction of our employees has been the principle of Entrepreneur in the Company (U.i.U.). The U.i.U. entrepreneurs operate as independent businesspeople 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 following table shows the financial key performance indicators (KPIs) for all the regional segments of the RATIONAL Group. With these indicators, we can detect inefficiencies and make the necessary adjustments at an early stage.

Financial key performance indicators

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

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. Since 2021, the satisfaction of our customers has been 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 who intend to make a positive recommendation. They are considered to be active promoters. Customers who award scores of 7 or 8 are considered 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 NPS is 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 in attaining their sustainability targets. For this reason, energy efficiency is an important objective for the products and services of the RATIONAL Group. With regard to environmental impact, it has been stipulated that the current combi-steamer series has to meet the new, even more ambitious criteria of the US Energy Star as of January 2023. During the assessment period, this is the relevant non-financial key performance indicator. This target was achieved in full in fiscal year 2023.

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 therefore continue to launch 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 246 employees (2022: 226 employees) in this area throughout the Group as at the balance sheet date.

In 2023, we spent 59.5 million euros (2022: 53.1 million euros), or 5% of sales revenues (2022: 5%), on researching and developing new solutions and improving the performance and sustainability of our products and services. Of this total, 52.6 million euros (2022: 44.8 million euros) were recognised as an expense in the statement of comprehensive income. 6.9 million euros (2022: 8.4 million euros) were capitalised as intangible assets, with the requirements of IAS 38.57 for capitalisation having been met. The capitalised development costs will be amortised over their respective useful lives from the time production or service provision commences. In fiscal year 2023, amortisation charges on capitalised development costs amounted to 1.0 million euros (2022: 0.5 million euros).

In October 2023, we presented three innovations, which were the result of our development efforts. One of them is iCareSystem AutoDose, an option for storing solid care products for iCombi Pro table-top appliances. We also presented ConnectedCooking, an automated interface between our cooking systems and the enterprise resource planning systems of our customers, as well as sustainable resource management to make the operation of our cooking systems more efficient. Both products will be launched in selected markets in the first quarter of 2024. Moreover, at events for dealers to mark RATIONAL's 50-year anniversary, an all-new product category was presented, which has been available in selected markets since February 2024. The new iHexagon is a cooking system that perfectly combines the three types of energy: convection, steam, and microwave.

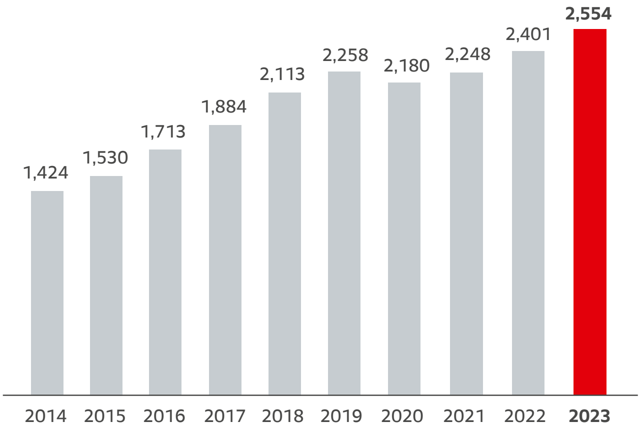
Our innovations are currently protected by more than 600 patents, patent applications and registered designs.

Employees and human resources development

As a growing company with a strong financial standing, we continually invest in our employees – or, as we refer to them, "Entrepreneurs in the Company" (U.i.U.s).

The number of employees in the Group rose by 153 in 2023 from 2,401 to 2,554 (as of 31 December 2023). Of these, 1,465 (2022: 1,392) 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 sustained successful development and fitness for the future. Qualified vocational training is a very high priority at RATIONAL. We currently employ 71 apprentices in the following disciplines: industrial business managers, warehouse logistics, industrial technicians, mechatronics engineers, metal technology, chefs and IT specialists. 33 employees are on dual courses of study, combining studies with practical experience in computer science, computer engineering, mechatronics, mechanical engineering, international business, food technology, systems engineering, business informatics and various master's courses. Another 30 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 sign of the bond and commitment of our employees. Staff turnover was just 6% worldwide (2022: 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 2023, we increased the salaries of our workforce by around 5% on average throughout the Group. We pay an additional Christmas bonus and holiday allowance and also provide a voluntary performance-related annual bonus as well as additional benefits, such as meal and travel allowances, subsidies for fitness programmes and long-service bonuses. In the 2023 anniversary year, all U.i.U.s worldwide received an anniversary bonus of 1,973 euros as an expression of our thanks and appreciation for the exceptional performance of our employees during the last few years.

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

Disclosures regarding environmental, employee, social, and customer concerns; respect for human rights (see UK Modern Slavery Act Statement); and combating corruption and bribery – over and above the information provided in this Group Management Report – can be found in the 2023 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 2024 on the RATIONAL website in the "Investor Relations" section under "Publications".

Significant events in fiscal year 2023

50-year anniversary of the company

RATIONAL was established in 1973 and celebrated its 50th anniversary in fiscal year 2023. Numerous events were held to celebrate this anniversary with employees, customers, suppliers and other stakeholders. Together with the anniversary bonus, the total cost of anniversary-related activities and measures amounted to 8 million euros.

Supply crisis ended – component supplies back to normal

In the past fiscal year, we took an important step towards returning to normal business activities. Delivery times were reduced, orders on hand continued to decline, the supply chains began working reliably again, and the last partially finished appliances were completed and sold.

Price increases boost sales revenue growth

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, from autumn 2021 onwards, to adjust selling prices specifically by product group. The last general price increase was implemented as of 1 April 2022. As of 1 January 2023, we raised the prices of cleaning and care products. These measures do not mark a general departure from our existing business practice of maintaining stable prices.

In 2023, these price increases contributed about 8 percentage points to sales revenue growth.

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 investment volume is between 30 and 35 million euros. Of this amount, 6 million euros was incurred in 2023. Following unexpected delays, the move into the new premises is planned for 2024.

In fiscal year 2023, construction started on another production and development site in Suzhou (Greater Shanghai) in China, where we are developing a combi-steamer tailored specifically to the needs of customers in small and medium-sized Chinese cities. Production and marketing are planned to start at the end of 2025.

Innovations secure technological lead

In October 2023, we presented three new products. RATIONAL's iCareSystem AutoDose allows cleaning and care products to be stored as solids in containers inside the appliance and dosed automatically. This allows self-cleaning at the push of a button, or whenever scheduled, without staff coming into contact with the cleaning substance. This sustainable solution also means we can reduce plastic waste by 50%. iCareSystem AutoDose is available for all iCombi Pro table-top appliances.

There have also been software-based innovations. ConnectedCooking will have the capacity in future to act as an interface between enterprise resource planning systems and the two cooking systems, iCombi and iVario. This will allow cooking programs stored there to be sent to all connected RATIONAL cooking systems. Another innovation is our sustainable resource management. With automatic data analyses, it helps to use cooking systems more efficiently, extend their useful lives, and save energy and costs. These new chargeable offerings will be rolled out gradually in individual markets.

The greatest innovation was the presentation of an all-new product category. After 10 years of intensive research and development, we achieved the combination of three types of energy: convection, steam and microwave simultaneously on all racks. As was the case with the first SelfCookingCenter from 2004, and as is the case with the iCombi Pro today, the combination of the three types of energy is controlled intelligently. The iHexagon was launched in selected markets at the end of February 2024.

Expanding ESG activities

Environmental and sustainability concerns have always been a very high priority at RATIONAL. In the past fiscal year, we continued to increase our efforts to align our company with sustainable objectives. We adopted our ESG strategy and presented it internally in 2023, with external presentation planned for 2024. In addition, the RATIONAL Group's carbon footprint (Scope 1, 2 and 3) was determined and a sustainability scorecard developed, which will become part of our internal reporting system from 2024. The materiality assessment under the criteria of the Corporate Sustainability Reporting Directive (CSRD), which began in 2023, will be finalised in the first half of 2024 and used as the basis for the sustainability information in the Group Management Report for fiscal year 2024.

Economic Report

Macroeconomic and sector-related framework

Economic growth slowed by geopolitical uncertainty: global economy grows by 3.1% in 2023
The International Monetary Fund (IMF) estimates growth of 3.1% for the fiscal year under review. Economic output in industrialised countries expanded by about 1.6% in 2023, while emerging countries recorded year-on-year growth of 4.1%. (Source: IMF, World Economic Outlook Update, January 2024)

Positive outlook for the catering and food service sector
Following a successful year 2022, the prospects for the catering and food service industry were again positive overall at the beginning of 2023. We nevertheless felt regional differences between the various regions, which were also reflected in the performance of our business.

Since 2022, the restaurant and catering sector has faced further challenges. Energy and commodity costs, which have been rising for several years, remain at a high level, despite a recent recovery, and are putting businesses under cost pressure. (Sources: FAO Food Price Index (FFPI), Food and Agriculture Organization of the United Nations, January 2024; Global price of Energy index, St. Louis FED, January 2024)

Shortages of skilled staff are still making things difficult for the industry. In the United States, it is also becoming increasingly difficult to find kitchen staff. (Source: 4 restaurant industry predictions from the NRA Show, RESTAURANT DIVE, May 2023) The situation is similar in other countries. (Source: EURES Report on labour shortages and surpluses, 2023)

According to our observations, the catering sector is trying to counter these trends with price increases, shorter opening hours, menu adjustments and a scaled-back service offering.

In Germany, for example, the hospitality sector still has great catch-up potential, with price-adjusted sales revenues down 10% compared with 2019. (Source: Dehoga-Booklet Gastgewerbe 2023 – Bilanz und Ausblick [Dehoga Booklet on the Hospitality Sector 2023 – Conclusions and Outlook], September 2023) Around two thirds of businesses surveyed noted reluctance to spend among their guests. This is also reflected in the Business Climate Index for the out-of-home catering sector prepared by the ifo Institute in December 2023.

In contrast, in the United States, our largest individual market, the recovery has already progressed further, with the result that a positive assessment is being made of both the current situation and future prospects. Around three quarters of restaurateurs in the United States think that the current situation is close to normal (source: NRA – State of the Restaurant Industry 2023, February 2023). In addition, the restaurant and bar sector reported that employment had recovered from its crisis-induced halving in 2020 and at the end of 2023 was already up on pre-crisis levels. (Source: Restaurant and bar employment returns to pre-pandemic levels, WORKFORCE, October 2023)

Management's assessment of the economic situation

Despite the current economic uncertainty driven by inflation, persistently high energy prices and geopolitical conflicts, the Executive Board deems the RATIONAL Group's global 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.

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. This trend encourages customers to replace traditional kitchen equipment with sustainable, efficient and intelligent cooking technology. Our multifunctional cooking systems make an essential contribution to energy and resource efficiency in large kitchens. 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.

As a Group without financial debt, with a large liquidity reserve, flexible cost planning and large market potential for an offering that is positioned close to a basic human need, we are well prepared for any currently conceivable macroeconomic scenario. This gives us adequate room to manoeuvre and the independence to take all necessary business decisions. Our organisation continues to be lean and resilient.

Development of the business in 2023

Earnings situation

Sales and order trends

The number of cooking systems sold in 2023 was on a level with the previous year. Some of the products sold in 2023 were the result of the high level of orders on hand, which were delivered in the fiscal year under review.

The number of iCombi systems delivered in 2023 was up slightly on the previous year.

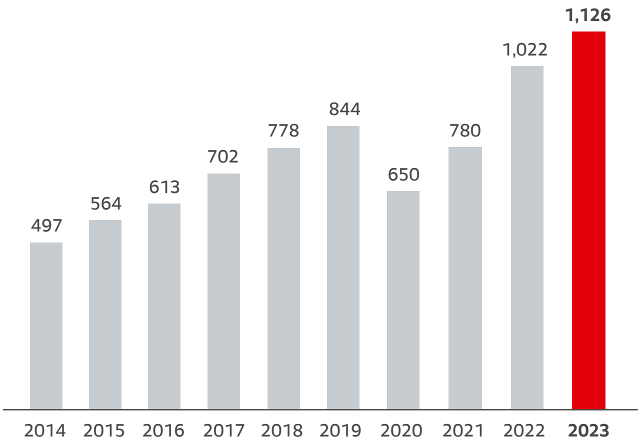
Following successful growth in previous years, the iVario did not reach the high level attained in 2022 and the number of cooking systems sold was lower than in the previous year.

At the end of 2023, orders on hand stood at 11,000 cooking systems, or around 120 million euros. This means that the order situation has normalised and the forward order book has stabilised at slightly above pre-crisis levels.

Sales revenue performance

Sales revenues exceeded the prior-year figure by 10%, growing to 1,125.8 million euros in fiscal year 2023 (2022: 1,022.3 million euros).

Sales revenue growth



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

Sales revenues by quarter

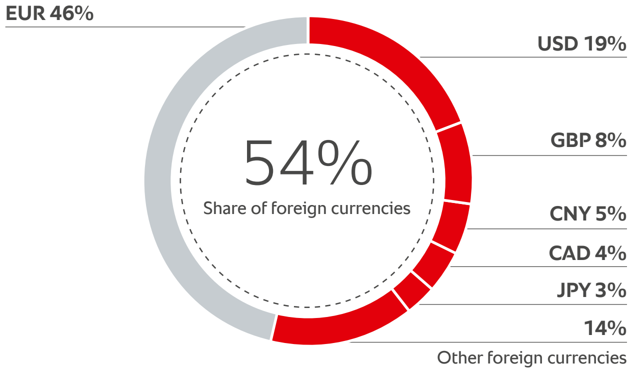
in m EUR	2023	2022	Change 2023 / 2022 in %
1st quarter	**282.4**	225.3	+25
2nd quarter	**278.3**	232.4	+20
3rd quarter	**272.3**	274.2	-1
4th quarter	**292.8**	290.4	+1
Full year	**1,125.8**	**1,022.3**	**+10**

In addition to the growth in sales volumes for the iCombi and in the after-sales business, the main contributor to sales revenue performance was the previous year's price increases, most of which took effect in the 2023 fiscal year. We have quantified this positive contribution to growth at around 8 percentage points for 2023.

The after-sales business with service parts, care products, accessories and services expanded by about 14% in 2023 and therefore made an important contribution to growth. As a proportion of total sales revenues, the after-sales business increased again, to 30% (2022: 29%).

In the 2023 fiscal year, we generated 54% of our sales revenues in foreign currency (2022: 50%). The most important currencies were the US dollar (19% of sales revenues), pound sterling (8%), the Chinese yuan (5%), the Canadian dollar (4%), and the Japanese yen (3%). In total, currency movements had an adverse effect on sales revenue growth. Negative effects stemmed from the appreciation of the euro against almost all major foreign currencies. In particular the exchange rates of the US dollar, the Chinese yuan, the Japanese yen and the Canadian dollar had a negative impact. Only pound sterling and the Mexican peso gave rise to any noticeable positive effects. Sales revenue growth after adjustments for exchange rate movements was around 12%.

Share of foreign currencies in 2023



In the iCombi product group, we generated record sales revenues of 1,007.7 million euros in 2023 (2022: 894.6 million euros), a 13% increase over the previous year. In the iVario product group, sales revenues declined by 8% to 118.1 million euros in 2023 (2022: 127.7 million euros). We have identified different reasons for the decrease in sales revenues for the iVario product group. Firstly, due to the improved supply situation of electronic components in 2022, the growth rate in that year had been exceptionally high, at 57%. Secondly, in 2023, the negative economic outlook in Europe – where 80% of our sales revenue is generated – and rising interest rates had an adverse impact on the project business for equipping new kitchens, which is so important for the iVario.

Differences between regional segments – growth driven by North America

Despite economic challenges, sales revenues in the DACH segment, which amounted to 166.3 million euros, were only 2% down on the previous year (2022: 169.1 million euros). Our home market, Germany, reported a 3% decline in sales revenues. While sales revenues also fell short of the previous year in Austria, they were slightly higher in Switzerland. The slight downturn in sales revenues in the DACH segment is attributable to the high growth rates in previous years.

The EMEA segment generated sales revenues of 445.8 million euros (2022: 420.6 million euros), 6% more than in the previous year. The two largest individual markets, the UK and France, expanded by 22% and 5% respectively. In addition, Spain (+14%) and the Middle East (+39%) contributed significantly to segment growth. Business activities in Russia were discontinued.

Sales revenues in the North America segment were 39% higher than in the previous year, at 288.6 million euros (2022: 207.9 million euros). The increase was driven by the encouraging performance in the United States and Mexico.

Sales revenues in the Asia segment were 188.0 million euros in the past fiscal year, 31% higher than in the previous year (2022: 143.6 million euros), amid encouraging demand in the region's largest individual markets. Performance was particularly positive in China and Japan, with increases of 38% and 10% respectively. Our smaller Asian markets also recorded strong growth of 24% on aggregate.

In the other segments (Latin America), sales revenues in 2023 amounted to 49.0 million euros, 17% more than in the previous year (2022: 41.9 million euros). In this segment, Brazil's growth was particularly significant, at 31%.

Segments in 2023

in m EUR	DACH	EMEA	North America	Asia	Other segments	Total of segments	Reconciliation*	Group
Segment sales revenues	**166**	**446**	**289**	**188**	**49**	**1,138**	**-12**	**1,126**
Segment profit	**40**	**113**	**76**	**42**	**10**	**282**	**-5**	**277**
Sales revenue growth	**-2%**	**6%**	**39%**	**31%**	**17%**	**16%**	**–**	**10%**
Profit margin	**24%**	**25%**	**26%**	**22%**	**21%**	**25%**	**–**	**25%**

Segments in 2022

in m EUR	DACH	EMEA	North America	Asia	Other segments	Total of segments	Reconciliation*	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%

* Reconciliation also includes the total of corporate departments (see note 25).

Consolidated gross margin of 57%

Commodity and logistics costs retreated noticeably in the course of the fiscal year, with a positive effect on the consolidated gross margin in the reporting period. Significant beneficial factors affected stainless steel, chemical and energy costs in particular. Alongside the price adjustments implemented in 2022, this led to an encouraging improvement in gross profit and the gross margin.

This development was also evident in the development from quarter to quarter. After 55.7% in the first quarter of 2023, the gross margin rose to 56.6% in the second quarter and 57.4% in the third quarter of 2023. In the fourth quarter of 2023, the gross margin stabilised at the higher level of 57.3%. This resulted in a consolidated gross margin of 56.7% for fiscal year 2023 (2022: 55.3%).

25% 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. While sales revenues climbed by 10% year-on-year, operating costs were 9% above the prior-year level. Total operating costs amounted to 358.9 million euros in the year under review (2022: 328.3 million euros).

Cost and earnings structure

in m EUR	2023	in % of sales revenues	2022	in % of sales revenues
Sales revenues	**1,126**		1,022	
Cost of sales	**487**	**43**	457	45
Sales & service	**254**	**23**	237	23
Research and development	**53**	**5**	45	4
Administration & other*	**55**	**4**	46	5
EBIT	**277**	**25**	238	23

* Includes net currency gain or loss.

Operating costs in sales and service stood at 254.3 million euros (2022: 236.6 million euros), a year-on-year increase of 8%. In particular, personnel costs for sales and sales-related functions were increased specifically. In addition, there were above-average increases in costs for sales activities such as trade fairs and customer events, as well as for business travel.

The cost of enhancing our technologies and products in research and development amounted to 52.6 million euros in the past fiscal year (2022: 44.8 million euros), an increase of 18%. Capitalised development costs of 6.9 million euros (2022: 8.4 million euros) were slightly lower than in the previous year. This amount is reported under intangible assets.

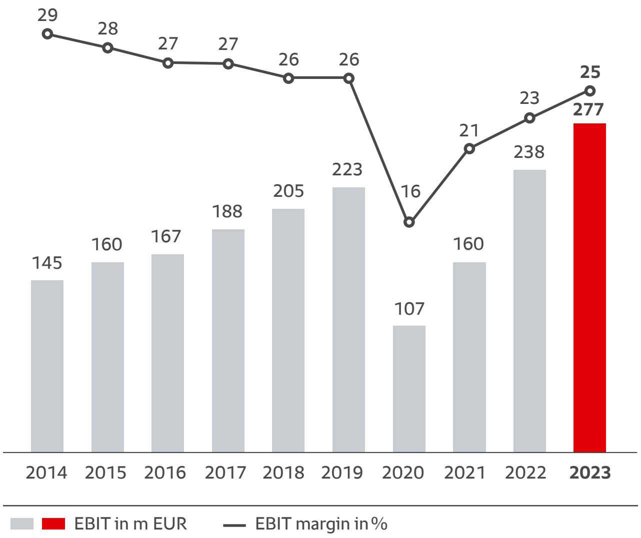
General administration expenses went up by 11% to 52.0 million euros (2022: 47.0 million euros), driven especially by higher personnel costs.

In the year under review, we incurred net currency losses of 4.5 million euros (2022: net currency losses of 0.6 million euros). This was attributable in particular to the depreciation of the Turkish lira, the US dollar, the Japanese yen, pound sterling and the Chinese yuan against the euro.

At 277.0 million euros (2022: 237.5 million euros), EBIT was 17% up on the previous year. The EBIT margin was 24.6% (2022: 23.2%). At the previous year's exchange rates, the EBIT margin would have been 25.8%.

Profit before tax amounted to 284.0 million euros (2022: 237.7 million euros). Compared with the previous year, the main driver here was the financial result of 7.0 million euros (2022: 0.2 million euros), which benefited from higher interest on deposits.

EBIT development and EBIT margin



The absolute tax expense was 68.3 million euros (2022: 52.0 million euros). The consolidated tax rate was 24.0% (2022: 21.9%). The main reason for the significant rise in the tax rate was the good business performance in markets with high rates of income tax. This resulted in a 16% increase in consolidated net profit to 215.8 million euros for the year (2022: 185.7 million euros) and a net margin of 19.2% (2022: 18.2%).

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. It is 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 climbed to 38.9% in fiscal year 2023 (2022: 36.8%). 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 not dependent on lenders. This enables us to make rapid business decisions, even in uncertain economic times. We finance our growth exclusively from our own resources and keep liquidity in reserve at all times in case of unexpected economic risks.

When it comes to investing liquid assets, we put capital maintenance before return. We therefore 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 and 2022, the payout ratio of around 70% was supplemented by a special dividend of 2.50 euros per share to compensate for the crisis-induced lower dividend paid for 2020.

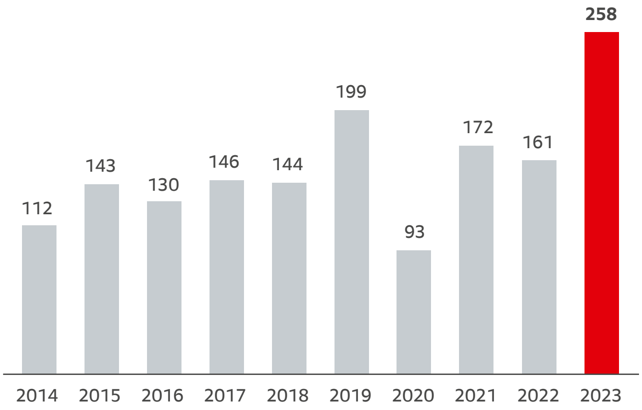
Cash Flow Statement

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 2023, the cash flow from operating activities amounted to 258.3 million euros (2022: 160.6 million euros). This significant increase is mainly attributable to the higher profit after taxes, the decline in inventories after the previous year's increase and the smaller year-on-year rise in trade accounts receivable and other assets.

In fiscal year 2023, the cash flow from investing activities stood at -161.7 million euros (2022: -81.9 million euros). This includes, among other items, cash outflows for investments in property, plant and equipment and intangible assets of 34.6 million euros (2022: 37.2 million euros). They relate mostly to the expansion and maintenance of the Landsberg and Wittenheim locations and the new production facility in China. In addition, there were new fixed-term deposits with original maturities of more than three months in a (net) amount of 133.2 million euros (2022: new deposits of 45.4 million euros).

Cash flow from operating activities in m EUR



According to our definition, 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 223.7 million euros (2022: 123.4 million euros).

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 153.5 million euros to our shareholders for the 2023 fiscal year. In addition, we made lease payments (IFRS 16) of 10.0 million (2022: 9.1 million euros) euros, reduced our liabilities to banks by a total of 0.9 million euros and recognised interest of 1.2 million euros. In total, the cash flow from financing activities stood at -165.6 million euros (2022: -124.6 million euros).

Cash flows

in m EUR	2023	2022	Change
Cash flow from operating activities	**+258**	+161	+98
Cash flow from investing activities	**-162**	-82	-80
Cash flow from financing activities	**-166**	-125	-41

High level of liquidity

At 402.7 million euros, the balance of cash, cash equivalents and deposits as at the end of the year under review was significantly higher than the prior-year figure (2022: 337.2 million euros). Cash and cash equivalents and short-term deposits represented 42% of total assets (2022: 37%). In addition, we had unused credit lines amounting to 98.0 million euros as at the balance sheet date (2022: 98.0 million euros), including credit lines of 75.0 million euros with contractual maturities.

Dividend of 13.50 euros proposed

Our shareholders will again have an adequate share of the company's success this year. The Executive Board and Supervisory Board will therefore propose a dividend of 13.50 euros per share for the 2023 financial year to the General Meeting of Shareholders to be held on 8 May 2024. This equates to a distribution ratio of 71% .

In each of the previous two fiscal years, we had distributed a special dividend of 2.50 euros per share in addition to the basic dividend of around 70% of the consolidated net profit for the respective year as a way of compensating shareholders for the reduction in the dividend due to the coronavirus in fiscal year 2020.

The resulting dividend yield for 2023 is 1.9% based on the closing price on 31 December 2023. The dividend proposed entails distributing a total of 153.5 million euros (2022: 153.5 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. All liabilities to banks were repaid as at the balance sheet date so that there are no residual liabilities from long-term financing.

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 2023, consolidated total assets were up by 8%, from 899.2 million euros to 966.8 million euros. This rise is mainly the result of the increase in fixed-term deposits, which are included in other financial assets (+133.9 million euros). Equity increased to 738.6 million euros (2022: 676.2 million euros) for two reasons: One, we enjoy a very good earnings position. Two, consolidated net profit for the year of 215.8 million euros was offset by a dividend distribution of only 153.5 million euros. The 35% increase in non-current liabilities to 42.3 million euros is primarily attributable to higher non-current lease liabilities. As at the balance sheet date, current liabilities were slightly down on the previous year, declining by 5.6 million euros to 185.9 million euros (2022: 191.6 million euros). The main driver here was a decrease in trade accounts payable and liabilities to business partners. At 76% the Group equity ratio at the balance sheet date was slightly above the previous year's level (2022: 75%).

Capital tied up in the short term

Current assets grew by 40.1 million euros in 2023, driven mainly by higher balance of cash and cash equivalents and other financial assets (see above). Current assets accounted for 73% of total assets at the balance sheet date (2022: 74%).

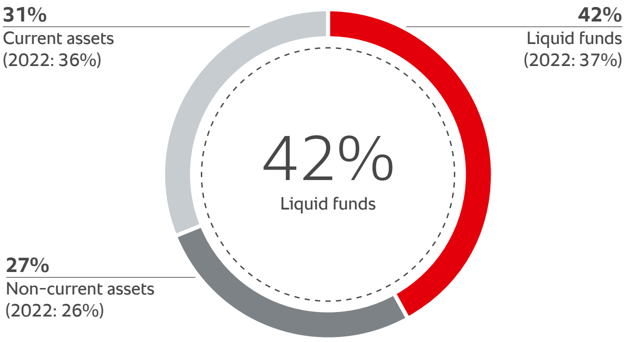
As far as possible and within reasonable bounds, we optimise the amount of capital tied up in trade receivables. We always aim to find a balance between offering the best possible support to our dealers and tying up as little capital as possible – while at the same time ensuring high process efficiency for all aspects of order processing. After granting payment terms more cautiously during the pandemic and with a higher proportion of advance payments in connection with longer delivery times in the previous fiscal year, average days sales outstanding (DSO) stood at 47 days in 2023 (2022: 44 days), back at the long-term average.

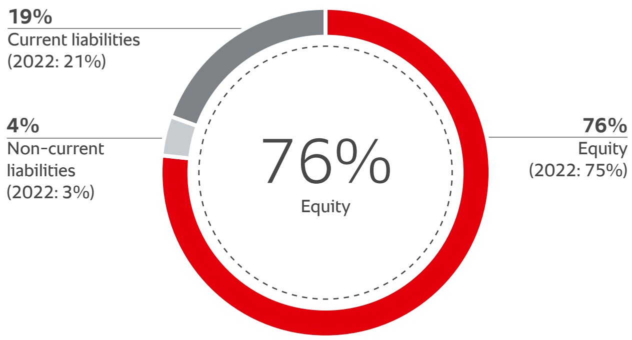
Using global trade credit insurance and confirmed, irrevocable letters of credit and bank guarantees, we achieved a receivables coverage ratio of 89% as of the balance sheet date, taking into account the trade credit insurance deductibles (2022: 87%).

Normalised component availability allowed a return to usual inventory levels. Inventories amounted to 107.1 million euros as at the balance sheet date, 9.2 million euros down on the previous year (2022: 116.3 million euros).

Property, plant and equipment went up by 15.4 million euros to 219.3 million euros in 2023 due to advance payments made for construction projects and higher real estate right-of-use assets. Intangible assets stood at 21.2 million euros as at the balance sheet date, 5.3 million euros more than at the prior-year reporting date. The main reason for the increase was the recognition of development costs as assets.

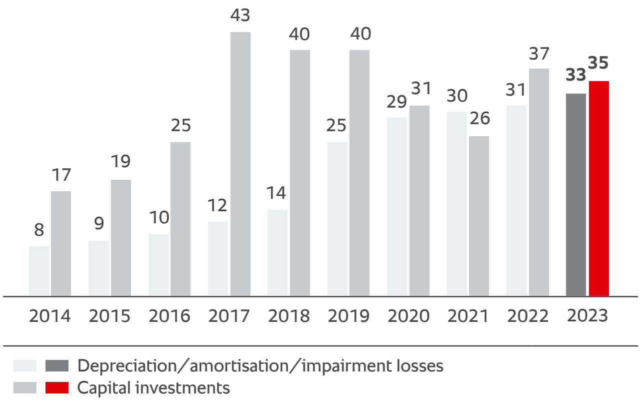
Balance sheet structure 2023





Capital investments and depreciation/amortisation

in m EUR



Includes depreciation and amortisation expense resulting from IFRS 16 of 8.6 million euros in 2022 and 9.5 million euros in 2023.

Investments

We invested 34.6 million euros (2022: 37.2 million euros) in non-current assets in the past fiscal year. This figure includes investments in real estate and technical equipment totalling 20.4 million euros (2022: 21.0 million euros) and capitalised development costs of 6.9 million euros (2022: 8.4 million euros). In the segments, investments were around the usually low levels. The investment projects were funded from our own resources.

In 2024, we expect maintenance, replacement and new investments to total around 40 million euros. The contractually agreed investments for 2024 amount to around 6.8 million euros. Beyond that, there are no significant investment commitments that are contractually fixed or contingent upon economic considerations.

Forecast/actual comparison

The table below shows our forecasts of the financial and non-financial KPIs for fiscal year 2023, which we had published in the 2022 Group management report.

Forecast/actual comparison

	Actual 2022 in %	Forecast 2023	Actual 2023 in %
Financial KPIs			
Sales volume growth	+12	Low to medium single-digit percentage range	**0**
Sales revenue growth	+31	High single-digit percentage range	**+10**
Group gross margin	55.3	At previous year's level	**56.7**
Growth in operating costs	+20	Slightly faster than sales revenues	**+9**
EBIT growth	+48	Slightly more slowly than sales revenues	**+17**
EBIT margin	23.2	Slightly below the previous year's level	**24.6**
ROCE	36.8	Around 36%	**38.9**
Group DSO	44	Slight increase	**47**
Group equity ratio	75	At previous year's level	**76**
Non-financial KPIs			
Net Promoter Score*	64	–	**–**
Staff turnover worldwide	8	At previous year's level	**6**

* The net promoter score is determined every two years, with the next one scheduled for 2024. It is therefore not possible to make an annual forecast/actual comparison.

Contrary to our expectations, the sales volume in the fiscal year under review was on a level with the previous year.

Sales revenue growth of 10% was within the range we had forecast.

Due to declining commodity costs, the gross margin exceeded the previous year and therefore also the forecast.

The rise in operating costs was approximately in line with sales revenue growth, resulting in a neutral effect on EBIT and the EBIT margin and exceeding the forecast in this regard.

Thanks to positive sales revenue performance and the improved gross margin, EBIT rose from 237.5 million euros in the previous year to 277.0 million euros, and the EBIT margin from 23.2% to 24.6%. This is significantly above the forecast made in the 2022 Annual Report.

Tracking the significant rise in EBIT, ROCE of 38.9% was significantly up on the forecast of 36%.

As expected, Group-wide days sales outstanding (DSO) for trade accounts receivable were slightly above the prior-year figure.

At 76%, the Group equity ratio was on a level with or slightly above the previous year's level and therefore within the anticipated range.

No customer satisfaction survey was conducted in 2023. The next survey will take place in 2024.

The staff turnover rate was lower than expected in the reporting period; it improved from an already low figure of 8% in the previous year to 6% in 2023.

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. Company-specific factors are customer and employee satisfaction. Furthermore, the persistent major economic and political uncertainty has been taken into account.

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

Economic prospects

Following growth of 3.1% in 2023, the IMF's economists expect the global economy again to expand by 3.1% in 2024. The reasons cited by the experts include the unexpectedly high resilience of the US economy and of several major emerging and developing countries as well as fiscal support in China. From a long-term perspective, the growth forecast for 2024 and 2025 is below the historical average (Source: IMF, World Economic Outlook Update, January 2024)

Growth of around 1.5% is forecast for the industrialised nations. The United States is expected to grow by around 2.1%, the eurozone and Japan slightly more slowly, by 0.9% in each case. A strong year is predicted for China, with an expansion of 4.6% expected. Growth of more than 4.1% is anticipated for emerging markets in 2024 (Source: IMF, World Economic Outlook Update, January 2024)

Assessment of economic prospects

The challenging supply bottlenecks and strained supply chains were overcome in the course of 2022; they played only a minor role in the fiscal year under review. There were regional differences in the economic factors affecting the year 2023, and they impacted on business performance in the respective regions in different ways. For fiscal year 2024, we anticipate that the different economic developments in the regions will essentially continue.

The European economy as well as the commercial kitchen industry are adversely impacted by high energy prices and skills shortages. This is reflected in the growth forecasts as well as in assessments by industry experts. In the overseas markets, the assessment of the overall economic situation is somewhat more positive. But in addition to the resulting adverse effects on investment decisions, we also think that this situation also holds sales opportunities. With our easy-to-use and energy-efficient cooking systems, we help our customers to tackle the above-mentioned problems.

Commodity costs retreated from their highs at the time shortly after the outbreak of the war in Ukraine. We expect costs, especially of commodities, to stabilise further in 2024.

Assessment of geopolitical prospects

The Israel-Gaza conflict escalated at the end of 2023. Our business volume in the affected regions is not material and we do not anticipate its having any impact on our supply chains.

Financial key performance indicators

Sales volume, sales revenue and profit forecast for 2024

The trends relevant to our business performance continue unchanged. We consider ourselves a solutions provider, helping our customers in the out-of-home catering market deal with the current challenges. We expect to continue our long-term growth trend in fiscal year 2024. Accordingly, we are planning to raise sales volumes year-on-year by a figure in the mid- to high single-digit percentage range. We do not anticipate that price increases will have any material effects and therefore expect sales revenues to increase by approximately the same amount.

In fiscal year 2023, commodity and logistics prices retreated from quarter to quarter and largely stabilised in the fourth quarter. Assuming that they stabilise at the current level, we therefore predict that the 2024 gross margin will be slightly better than in 2023.

In 2024, we will again consciously increase some of our operating expenses. We are again planning targeted measures, especially in sales, to win more customers and increase customer proximity. We will, moreover, forge ahead with strategic projects for the expansion of locations. 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 broadly in line with sales revenues. Accordingly, we forecast that the EBIT margin will be close to the previous year's level and that ROCE for fiscal year 2024 will be at around 37%.

Sustainably solid underlying financial position

For 2024, we expect the Group equity ratio to be broadly on a level with 2023.

With regard to average days sales outstanding (DSO), our expectation for 2024 is a figure of 50 to 51 days, which is above the prior-year level and the long-term average. This is because, to increase efficiency in order processing, we are prepared to a greater extent to grant simplified – and therefore sometimes longer – payment terms.

Non-financial key performance indicators

We want to continue to keep employee satisfaction, which is already at a high level, at the current level by initiating targeted activities and support measures in 2024. In 2023, the staff turnover rate was exceptionally low, at 6% (2022: 8%). For 2024, we believe that it will be at a similarly low level as in the two previous years.

There was no survey to determine the net promoter score (NPS) in 2023. We anticipate that, in the next survey in 2024, 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.

Although Energy Star requirements have become even more demanding as from January 2023, we were able to meet the required standards in 2023 and expect to meet them again in 2024.

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 huge. 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 constantly 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 detect, 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 are addressing similar customer groups in all segments. Moreover, the same products are sold in each of these segments. 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 as superior to those of our competitors. Today, we achieve good standing above all through 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 our prospects and to expect to continue 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 continues to watch 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 stemmed from supplier price increases. Despite the noticeable decline in commodity and energy prices from their highs in 2022, they were still significantly above pre-war levels in 2023. We do not anticipate that the conflict in the Middle East will expose our business to any significant risks.

The assessment of risks arising from RATIONAL's business activities vis-à-vis 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, or on customer concerns now or in the future.

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 potential available 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 correspondingly still low. We therefore consider the opportunities for the iVario to be considerable 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.

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 catering and hotel industry and will, in our opinion, further exacerbate the shortage of professionals. In addition, we are seeing trends of chefs changing careers permanently, forcing restaurants to keep running by employing more unskilled or semi-skilled staff.

Future-proof, sustainable technology
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, which affect the cost of food, energy, water, salaries and rents. Inflationary effects were felt in fiscal year 2023 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. In the development of our cooking systems, we paid attention to ergonomic details, minimising harmful activities such as lifting heavy loads or accident risks arising from open fire and burns, for example. In this way, we support the health of users of our appliances and in turn also of kitchen operators by reducing absences due to sickness or accidents.

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 bring 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.

Urbanisation and lack of space
The United Nations predicts that almost 70% of the world's population will live in cities by 2050. (Source: World Cities Report 2022, United Nations Human Settlements Programme, 2022) Moreover, there are complaints of high rents and a lack of space in most cities around the world. As a result of these two factors, 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.

Risk report

The RATIONAL risk management system

In order to meet targets and assure the company's success, it is essential to detect, 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 by impacting on the attainment 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. Its clear and simple business model builds on organic growth and lean structures. 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

The risk strategy, which has been derived from the corporate strategy, defines key points for analysing the company's risk-bearing capacity and risk tolerance. 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 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 owners responsible from the different functional areas are involved in the risk identification and assessment process. The assessment of the risks and any changes compared with the previous year 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. The extent to which the interaction of several risks that are not existential when considered separately could lead to developments that threaten the continued existence of the business is considered analytically. 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 recorded risks 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 implemented into account.

The classifications presented in the following table are used for this purpose.

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	Severe negative impact on the net assets, financial position and profit or loss	> 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, 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 risk-mitigating 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 consider 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

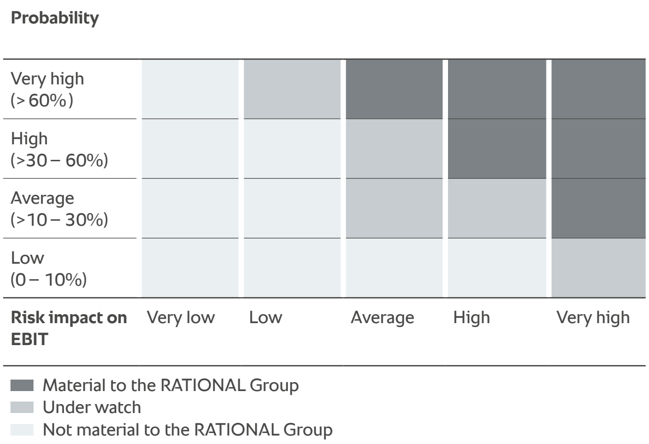
The RATIONAL Group has a set communication structure for both continuous and ad-hoc reporting on the risk situation in the defined risk areas. The Risk Manager collects the information communicated and reports to the Executive Board on a monthly basis.

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 identification, analysis and assessment" above.

The materiality assessment was conducted by assessing risk impact and probability. Risk-mitigating measures already implemented were taken into account in the net risk assessment. 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.

Risk	Probability		Risk impact	
Market and competitive risks				
Risks from competition and substitution	High	→	Low	↓
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	→
Risks to the health of employees	Low	→	High	→
Political and legal risks				
Geopolitical risks	Very high	→	Very low	→
Patent risks	Low	→	High	→
Legal risks from local laws and regulations	Average	↓	High	→
Investment risk	Average	→	Average	↓
Financial and capital market risks in accordance with section 315 (2) no. 1 (b) of the HGB				
Currency risks	High	→	Average	↓
Price risks	Low	→	Very low	→
Credit risks	Low	→	Average	↑
Liquidity risks	Low	→	Very low	→
Interest rate risks	Low	→	Very low	→

Change in assessment of probability and risk impact compared to previous year: ↑ higher, ↓ lower, → unchanged.

There were changes in the following risk items. For risks from competition and substitution, we expect the risk impact to be low (2022: high). The change is the result of insights gathered during the coronavirus and logistics crisis of recent years. Our customers remained loyal even during very difficult periods with long delivery times. According to our market analysis, we were able to keep our market share stable and even increase it in some markets. In addition, by presenting innovations, we further consolidated our position as market and innovation leader. The probability of legal risks (medium, 2022: very high) was reduced by professionalising the compliance organisation and continually training employees about legal risks. As for politically induced investment risks, we consider the expected amount of loss to be lower (medium, 2022: high) if the risk were to materialise. The reason is an investment guarantee of up to 25 million US dollars by the German government for the investment project in China. We believe that the effects of currency risks will be only medium (2022: high). We consider selling price adjustments to be a risk-mitigating measure in the case of currency depreciation. This had not been taken into consideration in past assessments of this risk. The higher impact of credit risk (medium, 2022: very low) is attributable in particular to the reduction in protection for bank deposits to 50 million euros per customer and bank.

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; included in this is a view to the increased relevance of sustainability requirements.

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, we specifically drive innovation, and we grow organically.

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 3% of sales revenues.

Impact of the economy on our customers' propensity to invest

Purchasing 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.

However, the diversification in our customer landscape and in different regions 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.

The situation in the procurement markets eased significantly in fiscal year 2023. We were able to abandon the concept of producing partially assembled systems and normalise the production process. During the pandemic, secondary suppliers were developed for key components.

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 still in the process of adjusting capacity in strategic purchasing to our needs and are driving the consistent implementation of our second source strategy where this is expedient and feasible.

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 is going to plan. It has helped us to reduce the risk impact from cooking systems associated with quality problems. The provisions for warranties recognised to this end in 2021 have been used in line with the progress of the exchange campaign.

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 state-of-the-art methods, which we shall refrain from explaining in any more detail as a precaution. 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 in such a case 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 or 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. If sustainability requirements are underestimated or inadequately met, this may lead to a loss of reputation and ultimately of sales revenues and market share. It could lead to increased expenses for waste disposal and recycling or risks resulting from new or more stringent requirements, for example on processing certain materials. Extreme weather events could damage our, as well as our suppliers', buildings or other assets.

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 loss or damage resulting from extreme weather events to our production to be low.

Risks to the health of employees

If hazardous and poisonous substances are handled improperly or 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 performed as part of the RATIONAL Safety Initiative. Employees are in this way made aware of and taught about general safety rules and accident prevention measures. Since the end of 2018, we have been providing financial support for the sporting activities of employees in Germany.

Political and legal risks

Geopolitical risks

The developments of the past two years point to a considerable probability of geopolitical tensions and military conflicts, including in markets in which we have a presence. Alongside the threat to the welfare of our employees at the subsidiaries, there is also the risk that these conflicts could impede or make impossible the sale of our products. Depending on which markets are affected, there may be a negative impact on sales revenues and profit.

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, 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 the reporting year, the design and effectiveness of a part of the compliance management system was reviewed to determine compliance with export controls in connection with sanctions. In addition, awareness and training campaigns on these topics continued for all employees in 2023.

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. At present, a plant for the manufacture of a local product is being built in China. For this project, we received an investment guarantee of up to 25 million US dollars from the German government in 2023. As with any kind of investment, such projects are exposed to the risk of incurring losses. With production expansions being planned or started, we observe this risk very closely.

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

Currency risks

One of the factors giving rise to currency risks 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.

Secondly, there are currency risks from financial instruments denominated in foreign currency because of possible future exchange rate fluctuations (transaction risk). Where necessary, any identified transaction risks are hedged by means of derivative financial instruments. Such hedges relate to recognised and anticipated transactions.

Continuous observation of market and sale volume trends allows us to respond quickly with price adjustments so that any adverse effects on earnings can be minimised.

Around half of the sales revenues are generated in foreign currencies. If the euro had been an average of 10% weaker (stronger) in 2023, consolidated sales revenues would have been around 6% (5% lower). EBIT would have been around 18% higher (16% 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. Concerning the basic price of steel, RATIONAL has fixed contracts with suppliers, under which the purchase price is set about one year in advance. The basic price of steel or that of alloy metals is not hedged with derivative financial instruments. Given the very volatile situation in the procurement markets 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 risks concerning deposits, financial investments and derivative financial instruments exist. They stem 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 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 wherever possible.

There are no interest rate risks from outstanding loans because the last outstanding bank loans were repaid in fiscal year 2023.

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 where possible. This ensures a high level of quality throughout the Group when recording and processing 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 while observing 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 2023 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 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 “Investor Relations” heading on the RATIONAL website under “Corporate Governance”.

Landsberg am Lech, 5 March 2024

RATIONAL Aktiengesellschaft
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 1 January to 31 December

in thousands of euros	Notes	2023	2022
Sales revenues	1	1,125,838	1,022,345
Cost of sales	2	-487,217	-457,279
Gross profit		**638,621**	**565,066**
Sales and service expenses	2	-254,348	-236,579
Research and development expenses	2	-52,594	-44,750
General administration expenses	2	-51,972	-47,018
Other operating income	3	22,061	29,304
Other operating expenses	3	-24,767	-28,513
Earnings before financial result and taxes (EBIT)		**277,001**	**237,510**
Interest income	4	8,056	783
Interest expenses	4	-1,304	-519
Other financial result	4	-155	-438
Gain or loss on the net monetary position in accordance with IAS 29	4, 29	438	407
Earnings before taxes (EBT)		**284,036**	**237,743**
Income taxes	5	-68,274	-52,021
Profit or loss after taxes		**215,762**	**185,722**
Items that may be reclassified to profit and loss in the future:			
Differences from currency translation	15	514	-648
Differences from currency translation, reclassified to profit or loss		773	-
Differences from IAS 29 Hyperinflation	29	-371	-243
Items that will not be reclassified to profit and loss:			
Actuarial gains and losses from defined benefit obligations	5, 15, 16	-818	1,779
Other comprehensive income		**98**	**888**
Total comprehensive income		**215,860**	**186,610**
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	**18.98**	**16.33**

Balance Sheet
RATIONAL Group

Assets

in thousands of euros	Notes	31 Dec 2023	31 Dec 2022
Non-current assets		**264,843**	**237,293**
Intangible assets	8	21,229	15,978
Property, plant and equipment	9, 23	219,307	203,917
Other financial assets	12	1,680	1,158
Deferred tax assets	5	19,638	14,040
Other assets	13	2,989	2,200
Current assets		**702,004**	**661,929**
Inventories	10	107,111	116,297
Trade accounts receivable	11	171,659	174,663
Other financial assets	12	267,634	133,757
Income tax receivables		1,784	1,004
Other assets	13	15,854	28,307
Cash and cash equivalents	14	137,962	207,901
Total equity and liabilities		**966,847**	**899,222**

Equity and liabilities

in thousands of euros	Notes	31 Dec 2023	31 Dec 2022
Equity		**738,605**	**676,240**
Subscribed capital	15	11,370	11,370
Capital reserves	15	28,058	28,058
Retained earnings	15	703,666	641,399
Other components of equity	15	-4,489	-4,587
Non-current liabilities		**42,297**	**31,430**
Pension and similar obligations	16	5,100	4,025
Other provisions	17	12,213	10,600
Other financial liabilities	19	19,581	11,423
Deferred tax liabilities	5	4,675	3,704
Income tax liabilities		–	820
Other liabilities	20	728	858
Current liabilities		**185,945**	**191,552**
Other provisions	17	77,081	79,050
Financial debt	18	–	944
Trade accounts payable	19	33,063	36,352
Other financial liabilities	19	17,980	21,971
Income tax liabilities		26,198	21,821
Other liabilities	20	31,623	31,414
Liabilities		**228,242**	**222,982**
Total equity and liabilities		**966,847**	**899,222**

Cash Flow Statement
RATIONAL Group

for the period 1 January to 31 December

in thousands of euros	Notes	2023	2022
Earnings before taxes (EBT)		284,036	237,743
Depreciation and amortisation	8, 9, 23	32,619	30,918
Other		1,551	-3,634
Net interest		-6,752	-264
Changes in			
Inventories		12,106	-19,009
Trade accounts receivable and other assets		-5,207	-90,406
Provisions		-395	16,282
Trade accounts payable and other liabilities		10,356	23,635
Income taxes paid		-69,969	-34,647
Cash flow from operating activities	**21**	**258,345**	**160,618**
Capital expenditures in intangible assets and property, plant and equipment	8, 9	-34,632	-37,184
Proceeds from asset disposals		561	241
Change in fixed deposits	12	-133,203	-45,410
Interest received		5,560	488
Cash flow from investing activities	**21**	**-161,714**	**-81,865**
Dividends paid	7	-153,495	-113,700
Repayment of liabilities to banks	18	-944	-1,181
Payments for lease liabilities		-9,954	-9,078
Interest paid		-1,163	-647
Cash flow from financing activities	**21**	**-165,556**	**-124,606**
Effects of exchange rate fluctuations in cash and cash equivalents		-1,014	59
Change in cash and cash equivalents		**-69,939**	**-45,794**
Cash and cash equivalents as at 1 January	**14**	**207,901**	**253,695**
Cash and cash equivalents as at 31 December	**14**	**137,962**	**207,901**

Statement of Changes in Equity
RATIONAL Group

in thousands of euros	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 2022	**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**
Dividend	–	–	-153,495	–	–	–	-153,495
Profit or loss after taxes	–	–	215,762	–	–	–	215,762
Other comprehensive income	–	–	–	1,287	-818	-371	98
Balance as at 31 Dec 2023	**11,370**	**28,058**	**703,666**	**-3,991**	**116**	**-614**	**738,605**

Notes

Fundamentals

Description and explanation of business activities

RATIONAL Aktiengesellschaft (abbreviated to "RATIONAL AG" in the following text) is an Aktiengesellschaft (stock corporation) under German law with its registered offices at 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 systems 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 always 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 2023, 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 5 March 2024.

Basis of preparation

The consolidated financial statements for fiscal year 2023 (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 2023 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 2023:

		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	IAS 12 "International Tax Reform – Pillar Two Model Rules"	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 revised standards and the new standard (IFRS 17), which were applied on a mandatory basis for the first time for fiscal year 2023 and not previously applied voluntarily, have not had any material effects on these consolidated financial statements of RATIONAL, 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 amendments did not yet apply on a mandatory basis in fiscal year 2023 and were not applied early:

		Entry into force
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 are not expected to have any material effect on RATIONAL's consolidated financial statements.

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

		Entry into force in accordance with standard
Amendment	IAS 7 and IFRS 7 “Supplier Finance Arrangements”	1 January 2024
Amendment	IAS 21 “The Effects of Changes in Foreign Exchange Rates”	1 January 2025

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 (2022: eight) and 24 foreign subsidiaries (2022: 24) in addition to the parent company were included in the consolidated financial statements.

The scope of consolidation changed as a result of the establishment in January 2023 of the production and development company RATIONAL Technology (Suzhou) Ltd. and the liquidation in December 2023 of the Russian subsidiary RATIONAL RUS OOO (Moscow), which had been closed down in 2022.

As at 31 December 2023 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 mbH	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 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 Technology (Suzhou) Ltd.	Suzhou	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, RATIONAL F & E GmbH and RATIONAL Ausbildungsgesellschaft mbH have exercised all available exemption options provided in section 264 (3) of the HGB (Handelsgesetzbuch, German Commercial Code) for fiscal year 2023.

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. 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 statement of comprehensive income.

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 accumulated exchange rate differences in other components of equity are derecognised through profit or loss when subsidiaries are deconsolidated and the loss (gain) is recognised in other operating expenses (income).

The following table shows the most important exchange rates in relation to the euro used in the consolidated financial statements:

1 euro =			Annual average exchange rate 2023	2022	Exchange rate on 31 Dec 2023	2022
CAD	=	Canadian dollar	**1.4590**	1.3707	**1.4567**	1.4460
CNY	=	Chinese yuan	**7.6694**	7.0874	**7.8451**	7.3631
GBP	=	Pound sterling	**0.8679**	0.8548	**0.8667**	0.8873
JPY	=	Japanese yen	**153.09**	138.23	**155.80**	140.83
USD	=	US dollar	**1.0828**	1.0514	**1.1047**	1.0672

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 includes all directly attributable costs and appropriate portions of production-related overheads. Depreciation is calculated on the basis of the useful lives of the assets. Administration and production buildings are usually depreciated over a period of between 10 and 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 normally used. Depreciation is charged pro rata in the year the asset is purchased.

As at each balance sheet date, the Group has to assess whether there are any indications that the carrying amount of an 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 8 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 (chiefly 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 on a straight-line basis.

With regard to accounting as a lessor, RATIONAL classifies existing lease agreements as operating leases if the significant risks and rewards incidental to ownership of the leased asset remain with RATIONAL. In this case, the leased assets are measured at amortised cost. Leased assets are depreciated in accordance with the rules for property, plant and equipment. Lease payments are recognised in profit or loss on a linear basis over the term of the lease.

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. A financial liability that is settled via an electronic payment system is derecognised already before the settlement date, if the payment order has been triggered and all of the following conditions are met: (1) RATIONAL is unable to withdraw, stop or cancel the payment instructions, (2) RATIONAL has no practical way to access the cash used in the payment, (3) the processing risk associated with the electronic payment system is insignificant. 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 allowance 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 and cash in banks (including fixed-term deposits with an original maturity of no more than three months); 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 assets and liabilities are calculated at the tax rates expected to be effective in the period in which the asset is realised or the liability is settled. The tax rate used to calculate deferred taxes for RATIONAL AG is 27.73% (2022: 27.73%). 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 obligations 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 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 as to 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 comprise 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.

Revenue recognition

RATIONAL generates sales revenues primarily from selling goods to dealers and partners. Order lead times are generally short. 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, taken into account 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 always 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.

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, if 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 that 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
RATIONAL observes potential financial risks arising from climate change and the associated ecological sustainability issues with both short- and long-term effects. One focus area is increased expenses due to direct and indirect consequences of climate change. For example, this could relate to increased expenses for waste disposal and recycling or risks resulting from new or more stringent regulatory sustainability requirements that prohibit the processing of certain materials, for example. Furthermore, if sustainability requirements were underestimated or inadequately met, this would lead to a loss of reputation and ultimately of sales revenues and market share. Potential risks also concern company locations in regions affected by climate change, which are therefore exposed to a higher probability of natural disasters.

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 were examined. This was done in particular with regard to the recoverability and useful lives of assets, expected credit losses, future obligations 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 dealers and about their payment behaviour.

Actual developments may, under certain circumstances, differ from the estimates and assumptions made. The principle of the "true and fair view" is applied unreservedly when using estimates.

Other than to form estimates and assumptions, there was no significant use of Executive Board judgement in the application of accounting policies.

Notes to the consolidated statement of comprehensive income

1. Sales revenues

The rise in sales revenues by 103,493 thousand euros, or 10%, compared with the previous year is mainly attributable to the reduction of the high orders on hand from the previous year because of improved availability of components, the price increases that entered into force, and the expanding non-appliance business. Sales revenues in the fourth quarter were approximately on a level with the previous year. In the prior-year quarter, sales revenues had benefited from improved component availability, while the year-end business in the year under review was influenced in particular by a major chain customer from Asia.

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

Sales revenues by region

in thousands of euros	2023	% of total	2022	% of total
Germany	**122,217**	**11**	125,467	12
Europe (excl. Germany)	**460,584**	**41**	438,975	43
North America	**261,567**	**23**	221,421	22
Latin America	**68,067**	**6**	57,640	6
Asia	**156,173**	**14**	125,964	12
Rest of the world*	**57,230**	**5**	52,878	5
Total	**1,125,838**	**100**	**1,022,345**	**100**

* Australia, New Zealand, Middle East, Africa

A significant share of consolidated sales revenues was generated in two countries, including 217,842 thousand euros (2022: 178,240 thousand euros) in the USA and 122,217 thousand euros (2022: 125,467 thousand euros) in Germany. 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 1,007,699 thousand euros in the period under review (2022: 894,607 thousand euros), and the iVario product group had sales revenues of 118,139 thousand euros (2022: 127,738 thousand euros). 70% (2022: 71%) of sales revenues was attributable to appliance sales. The remaining 30% (2022: 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 6,527 thousand euros (2022: 9,052 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 1,645 thousand euros (2022: 1,021 thousand euros).

The contract liabilities recognised (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 below one year. In accordance with IFRSs, no other information is therefore provided on current performance obligations.

Sales revenues include an amount of 12 thousand euros (2022: 0 thousand euros) in income from leasing land and buildings.

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 increased by 7% and therefore more slowly than sales revenues. This was because purchase prices on the procurement market, especially for stainless steel and care products, largely returned to normal, compared to the high rates of inflation of the previous year. Production costs also rose more slowly than sales revenues. The rise in sales and service expenses was slightly slower than sales revenue growth, and this was due in particular to lower freight charges. The year-on-year decrease in capitalised development costs led to a rise in research and development expenses. Adjusted for this factor, growth amounted to 12%, driven by higher costs for non-capitalised development projects.

In 2023, RATIONAL recognised government grants in the form of personnel and rental cost subsidies of 34 thousand euros (2022: 55 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.

3. Other operating income and expenses

in thousands of euros	2023	2022
Exchange gains	**18,442**	26,034
Other income	**3,619**	3,270
Other operating income	**22,061**	**29,304**
Exchange losses	**-22,917**	-26,589
Other expenses	**-1,850**	-1,924
Other operating expenses	**-24,767**	**-28,513**

Exchange gains and losses were primarily generated by fluctuations in the exchange rate between origination and payment dates, and by measuring balance sheet items at the spot rate.

Income from government grants amounting to 1,728 thousand euros (2022: 1,841 thousand euros) is reported under other income and includes grants for research and development services. The claim arose in the reporting period.

The liquidation of the Russian subsidiary resulted in a deconsolidation loss of 700 thousand euros (2022: 0 thousand euros), which is presented in other expenses. In addition, 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 and interest expenses in connection with leases. The sharp year-on-year increase in interest income is mainly attributable to higher market interest rates for fixed-term and demand deposits. 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 438 thousand euros in the fiscal year under review (2022: 407 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% (2022: 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 thousands of euros	2023	2022
Earnings before taxes (EBT)	**284,036**	237,743
Expected tax rate in %	**27.73**	27.73
Expected income tax expense	**78,763**	**65,926**
Variations in local tax rates in the subsidiaries	**-14,208**	-14,974
Tax revenue from previous years	**-152**	-30
Tax expenses relating to previous years	**884**	221
Non-tax-deductible expenses and other amounts	**2,987**	878
Reported income tax expense	**68,274**	**52,021**

The deferred tax income in the income statement attributable to 2023 was 4,472 thousand euros (2022: 1,347 thousand euros). The current income tax expense, excluding deferred taxes, thus amounted to 72,746 thousand euros (2022: 53,368 thousand euros).

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

in thousands of euros	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Intangible assets	**13**	44	**-5,131**	-3,501
Inventories	**17,865**	12,336	**–**	–
Provisions	**4,320**	3,175	**-35**	-127
Right-of-use assets and lease liabilities	**7,064**	4,269	**-6,884**	-4,183
Other	**773**	635	**-3,022**	-2,312
Total deferred tax assets/liabilities	**30,035**	**20,459**	**-15,072**	**-10,123**
Tax offset	**-10,397**	-6,419	**10,397**	6,419
Total recognised under asset/liabilities	**19,638**	**14,040**	**-4,675**	**-3,704**

Deferred taxes in provisions include deferred tax assets of 142 thousand euros (2022: deferred tax liabilities of 13 thousand euros) recognised on actuarial gains and losses and taken directly to equity.

Of the total deferred tax assets, 23,118 thousand euros (2022: 16,524 thousand euros) is current and 6,917 thousand euros (2022: 3,935 thousand euros) non-current. Of the total deferred tax liabilities, 4,788 thousand euros (2022: 4,085 thousand euros) is current and 10,284 thousand euros (2022: 6,038 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 2023, there were temporary differences of 6,297 thousand euros (2022: 9,273 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 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 was transposed into national law in Germany in 2023 for application in fiscal years beginning after 31 December 2023. RATIONAL applies the temporary exemption from accounting for deferred taxes, which arise from the introduction of global minimum taxation and is mandatory under IAS 12. The impact of Pillar Two is currently being analysed on the basis of the published framework. Current expectations are that no Pillar Two top-up tax will be payable at the level of the parent company, RATIONAL AG. This will depend on the implementation and the application date of any local top-up taxes in the countries where the subsidiaries are based, which are currently being planned. As far as has been ascertained, they are expected to lead to a small number of companies reporting a higher income tax rate than previously in future, and this is expected to result in a small increase in the income tax rate at Group level. Due to the remaining legal uncertainty in individual countries where subsidiaries are based, it is not possible at this time to reliably quantify the effects of the minimum taxation at Group level.

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 (2022: 11,370,000 shares) and profit after tax of 215,762 thousand euros (2022: 185,722 thousand euros), basic and diluted earnings per share for fiscal year 2023 were 18.98 euros (2022: 16.33 euros).

7. Dividend per share

For fiscal year 2022, the dividend of 13.50 euros per share (11.00 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 10 May 2023. Total dividends of 153,495 thousand euros (2022: 113,700 thousand euros) were paid in May 2023.

The Executive Board and Supervisory Board will propose to the General Meeting of Shareholders on 8 May 2024 a dividend of 13.50 euros per share for fiscal year 2023, the total distribution in this case being 153,495 thousand euros.

Notes to the consolidated balance sheet – assets

8. Intangible assets

in thousands of euros	Industrial and similar rights	Goodwill	Capitalised development costs	Intangible assets under development and advance payments	Total
Cost					
Balance as at 1 Jan 2023	**17,966**	**424**	**7,336**	**11,446**	**37,172**
Exchange rate differences	**3**	**–**	**–**	**–**	**3**
Additions	**654**	**–**	**–**	**6,878**	**7,532**
Reclassifications	**–**	**–**	**5,453**	**-5,453**	**–**
Disposals	**-2,074**	**–**	**–**	**–**	**-2,074**
Balance as at 31 Dec 2023	**16,549**	**424**	**12,789**	**12,871**	**42,633**
Depreciation					
Balance as at 1 Jan 2023	**15,037**	**–**	**6,157**	**–**	**21,194**
Exchange rate differences	**2**	**–**	**–**	**–**	**2**
Additions	**1,252**	**–**	**978**	**–**	**2,230**
Reclassifications	**–**	**–**	**–**	**–**	**–**
Disposals	**-2,022**	**–**	**–**	**–**	**-2,022**
Balance as at 31 Dec 2023	**14,269**	**–**	**7,135**	**–**	**21,404**
Carrying amounts					
Balance as at 31 Dec 2023	**2,280**	**424**	**5,654**	**12,871**	**21,229**
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**

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 59,449 thousand euros in fiscal year 2023 (2022: 53,108 thousand euros).

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 2023, obligations to purchase intangible assets amounted to 127 thousand euros (2022: 106 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 191,872 thousand euros (2022: 186,217 thousand euros) and right-of-use assets within the meaning of IFRS 16 in an amount of 27,435 thousand euros (2022: 17,700 thousand euros).

In fiscal year 2023, 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 thousands of euros	Land and buildings*	Technical equipment and machinery	Operating and office equipment	Advance payments and assets under construction	Total
Cost					
Balance as at 1 Jan 2023	**151,506**	**105,249**	**54,904**	**25,547**	**337,206**
Exchange rate differences	**-121**	**-1**	**-38**	**-3**	**-163**
Additions	**2,109**	**2,908**	**6,703**	**15,380**	**27,100**
Reclassifications	**1,777**	**1,930**	**930**	**-4,637**	**–**
Disposals	**-515**	**-3,748**	**-3,771**	**-144**	**-8,178**
Balance as at 31 Dec 2023	**154,756**	**106,338**	**58,728**	**36,143**	**355,965**
Depreciation					
Balance as at 1 Jan 2023	**54,591**	**59,350**	**37,048**	**–**	**150,989**
Exchange rate differences	**-82**	**-1**	**-59**	**–**	**-142**
Additions	**4,523**	**10,296**	**6,074**	**–**	**20,893**
Reclassifications	**–**	**–**	**–**	**–**	**–**
Disposals	**-513**	**-3,486**	**-3,648**	**–**	**-7,647**
Balance as at 31 Dec 2023	**58,519**	**66,159**	**39,415**	**–**	**164,093**
Carrying amounts					
Balance as at 31 Dec 2023	**96,237**	**40,179**	**19,313**	**36,143**	**191,872**
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**

* incl. right-of-use assets from leased assets, see note 23 “Leasing”.

A land charge of 33,500 thousand euros (2022: 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 2023, obligations to purchase property, plant and equipment amounted to 6,657 thousand euros (2022: 8,464 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 thousands of euros	31 Dec 2023	31 Dec 2022
Raw materials, consumables and supplies	**30,559**	32,445
Work in progress	**4,200**	6,155
Finished goods and goods for resale	**72,352**	77,697
Total	**107,111**	**116,297**

The decrease in inventories is primarily due to higher sales because of improved availability of components than in the prior-year period. For the same reason, the inventories of partially finished appliances remaining as at the end of 2022 were reduced to zero in the course of the first quarter of 2023, resulting in a decline in work in progress. In addition, raw materials, consumables and supplies procured in the previous year to allow the company to compensate for supply fluctuations caused by the tense supply situation around the world were reduced to some extent.

In fiscal year 2023, write-downs on inventories of 2,029 thousand euros (2022: 2,779 thousand euros) were expensed as cost of sales.

In total, inventories of 452,536 thousand euros (2022: 423,451 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 thousands of euros	31 Dec 2023	31 Dec 2022
Gross trade accounts receivable (specific bad debt allowance)	**952**	333
Gross trade accounts receivable (portfolio bad debt allowance)	**171,473**	175,115
Total	**172,425**	175,448
Specific bad debt allowance	**-735**	-179
Portfolio bad debt allowance	**-31**	-606
Trade accounts receivable	**171,659**	**174,663**

The decrease in trade accounts receivable compared with 31 December 2022 is primarily due to the slight year-on-year decline in sales revenues in the last month of the reporting period.

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 2023 are new receivables.

The 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 thousands of euros	As at 1 Jan	Currency effects	Use	Reversal	Additions	As at 31 Dec
2023	**179**	**-4**	**-36**	**-21**	**617**	**735**
2022	**238**	-7	-101	-31	80	**179**

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 0.81% (2022: 0.00% to 0.97%) 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 211 thousand euros in fiscal year 2023 (2022: 187 thousand euros). This figure does not include any claims settled by or payments expected from the credit insurer, which amounted to 135 thousand euros (2022: 101 thousand euros).

Impairment losses and the reversal of impairment losses on trade accounts receivable gave rise to income of 72 thousand euros in fiscal year 2023 (2022: expense of 416 thousand euros). This is reported under other operating income or other operating expenses.

12. Other financial assets

in thousands of euros	Current		Non-current	
	31 Dec 2023	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
Deposits incl. interest receivable	**264,707**	129,291	**–**	–
Derivatives not designated as hedges	**1,953**	3,352	**–**	–
Other	**974**	1,114	**1,680**	1,158
Total	**267,634**	**133,757**	**1,680**	**1,158**

The increase in other financial assets compared to 31 December 2022 essentially results from more investments in short-term fixed deposits that are not cash equivalents because their original term is more than three months.

The other financial assets include currency items with controls on capital movement totalling 435 thousand euros (2022: 0 thousand euros).

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 thousands of euros	Current		Non-current	
	31 Dec 2023	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
Deposits before risk allowances	**264,950**	129,378	**–**	–
Risk allowance	**-243**	-89	**–**	–
Deposits after risk allowances	**264,707**	**129,289**	**–**	**–**

In the fiscal year under review, an increase in the risk allowance of 154 thousand euros for deposits was recognised as an expense in the other financial result (2022: 25 thousand euros).

The fixed-term deposits at the end of the year are mostly 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 thousands of euros	Current		Non-current	
	31 Dec 2023	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
Value added tax refund claims	**7,586**	21,646	**–**	–
Advance payments	**5,925**	4,718	**1,788**	1,151
Government grants	**1,184**	1,112	**1,201**	1,049
Other	**1,159**	831	**–**	–
Total	**15,854**	**28,307**	**2,989**	**2,200**

Other assets mainly consist of advances to employees in an amount of 601 thousand euros (2022: 618 thousand euros).

14. Cash and cash equivalents

in thousands of euros	Currency	31 Dec 2023	31 Dec 2022
Deposits	EUR	**91,767**	137,989
Deposits	USD	**9,964**	21,880
Deposits	CNY	**9,254**	5,151
Deposits	CAD	**4,699**	4,437
Deposits	GBP	**4,651**	6,170
Deposits	CHF	**3,700**	10,756
Deposits	JPY	**2,752**	5,107
Deposits	SGD	**2,074**	1,432
Deposits	BRL	**1,802**	940
Deposits	MXN	**1,741**	1,735
Deposits	SEK	**1,359**	2,689
Deposits	CZK	**1,047**	1,950
Deposits in other currencies and cash in hand	various	**3,152**	7,665
Total		**137,962**	**207,901**

The previous year's balance in other currencies and cash in hand included a balance of Indian rupees (INR) worth 3,096 thousand euros and a balance of Polish zloty (PLN) worth 2,072 thousand euros. The reporting-year figure includes Indian rupees worth 740 thousand euros and Polish zloty worth 831 thousand euros.

Cash 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 in a total amount of 12,365 thousand euros (2022: 6,679 thousand euros). The rise in currency items with controls on capital movement is primarily attributable to the establishment of the new production company in China. More information on currency restrictions can be found in the section on financial risks in note 22.

Fixed-term deposits that are not cash equivalents, as their original term is more than three months, are reported as "other financial assets"; see note 12.

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 2023 was unchanged at 11,370 thousand euros, divided into 11,370,000 no-par-value bearer shares, each with a pro rata amount of the share 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. 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 inflation 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 contractual agreements or 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 2023 was 76% (2022: 75%).

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 2024 (2022: 53 thousand euros). Both pension obligations have an average maturity of 12 years (2022: 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 62 (2022: 56) 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 500 thousand euros in 2024 (2022: 488 thousand euros). The pension obligations have an average maturity of 18 years (2022: 17 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 2024 amount to 222 thousand euros (2022: 224 thousand euros).

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

in thousands of euros	Defined benefit obligation (DBO)		Fair value of plan assets		Provisions	
	2023	2022	2023	2022	2023	2022
Value as at 1 Jan	**8,191**	**10,471**	**4,166**	**4,686**	**4,025**	**5,785**
Currency difference	**301**	370	**258**	231	**43**	139
Interest expense	**209**	50	**–**	–	**209**	50
Interest income	**–**	–	**94**	8	**-94**	-8
Service cost	**1,118**	1,261	**–**	–	**1,118**	1,261
Past service cost	**-91**	49	**–**	–	**-91**	49
Actuarial losses/gains due to changes to financial assumptions	**592**	-2,375	**–**	–	**592**	-2,375
Actuarial losses/gains due to changes in demographic assumptions	**–**	2	**–**	–	**–**	2
Actuarial losses/gains due to experience	**175**	-44	**–**	–	**175**	-44
Return on plan assets excluding amounts included in interest income	**–**	–	**-205**	-337	**205**	337
Employer contributions	**–**	–	**491**	479	**-491**	-479
Employee contributions	**–**	–	**380**	361	**-380**	-361
Benefits received/paid	**-331**	-1,593	**-120**	-1,262	**-211**	-331
Value as at 31 Dec	**10,164**	**8,191**	**5,064**	**4,166**	**5,100**	**4,025**
thereof Germany (GER)	**628**	579	**–**	–	**628**	579
thereof Switzerland (CH)	**6,772**	5,132	**5,064**	4,166	**1,708**	966
thereof Italy (IT)	**1,121**	1,067	**–**	–	**1,121**	1,067
thereof France (FR)	**1,180**	1,037	**–**	–	**1,180**	1,037
thereof other	**463**	376	**–**	–	**463**	376

The calculations were based on the following weighted actuarial assumptions:

in %		GER	CH	IT	FR	Other
Discount rate	**2023**	**3.20**	**1.40**	**3.38**	**3.50**	**6.45**
	2022	3.60	2.00	3.04	3.15	6.08
Salary progression rate	**2023**	**–**	**1.75**	**1.00**	**3.50**	**4.82**
	2022	–	1.75	1.00	3.50	4.98
Pension progression rate	**2023**	**2.20**	**0.00**	**–**	**–**	**–**
	2022	2.20	0.00	–	–	–

As in the previous year, the biometric calculations for Germany were based on Prof Dr 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 thousands of euros	**2023**	**2022**
Discount rate -0.5%	**+778**	+578
Discount rate +0.5%	**-681**	-510
Salary progression rate -0.5%	**-184**	-152
Salary progression rate +0.5%	**+195**	+156
Pension progression rate -0.5%	**-20**	-19
Pension progression rate +0.5%	**+297**	+224
Life expectancy +1 year	**+105**	+79

17. Other provisions and contingent liabilities

2023

in thousands of euros	Balance as at 1 Jan 2023	Exchange rate differences	Use	Reversal	Additions	Interest rate effects	Balance as at 31 Dec 2023	Of which non-current
Personnel	**30,393**	**-270**	**-23,835**	**-620**	**25,417**	**40**	**31,125**	**6,528**
Trade bonuses	**25,318**	**-367**	**-23,115**	**-1,836**	**24,664**	**–**	**24,664**	**–**
Warranty	**23,579**	**-50**	**-15,832**	**-223**	**15,588**	**-139**	**22,923**	**5,014**
Other	**10,360**	**-235**	**-8,357**	**-671**	**9,484**	**1**	**10,582**	**671**
Total	**89,650**	**-922**	**-71,139**	**-3,350**	**75,153**	**-98**	**89,294**	**12,213**

2022

in thousands of euros	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 bonuses	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 2021 in connection with a component in gas-operated combi-steamers from older product lines that are no longer distributed. Most of the provisions for warranties recognised to this end have been used. Further 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.

As at 31 December 2023, there were contingent liabilities to the Brazilian tax authorities for tax expenses of 1,226 thousand euros, including interest and penalties (2022: 1,039 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.

18. Financial debt

2023

in thousands of euros	Carrying amount 1 Jan 2023	Cash changes	Non-cash changes (currency effects and others)	Carrying amount 31 Dec 2023	Of which non-current
Liabilities to banks	**944**	**-944**	**–**	**–**	**–**

2022

in thousands of euros	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	–

The loan amount outstanding as at 31 December 2022 was repaid in full in the fiscal year just ended. No payments of interest or principal are due in subsequent periods under the expired loan agreement (2022: 956 thousand euros in payments as of 31 December 2022 for 2023).

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

19. Financial liabilities

in thousands of euros	Current		Non-current	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Trade accounts payable	**33,063**	**36,352**	**–**	**–**
Lease liabilities	**8,497**	6,630	**19,581**	11,423
Liabilities to business partners	**7,179**	10,674	**–**	–
Derivatives not designated as hedges	**1,633**	895	**–**	–
Other	**671**	552	**–**	–
Liabilities from purchase of property	**–**	3,220	**–**	–
Other financial liabilities	**17,980**	**21,971**	**19,581**	**11,423**

Most current other financial liabilities and trade accounts payable are settled within a few months of the balance sheet date. The maturity analysis for lease liabilities can be found in note 23.

20. Other liabilities

in thousands of euros	Current		Non-current	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Value added tax	**12,444**	12,141	**–**	–
Wage taxes and social security liabilities	**7,004**	6,737	**–**	–
Holiday claims	**6,421**	5,509	**–**	–
Contractual obligations	**5,158**	6,664	**728**	858
Other	**596**	363	**–**	–
Total	**31,623**	**31,414**	**728**	**858**

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 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 increase in cash flows from operating activities is mainly due to higher profit before tax. Moreover, the changes in inventories as well as in trade accounts payable and other liabilities had a positive effect on cash flows from operating activities. The change in cash flows from investing activities is attributable in particular to the year-on-year increase in fixed-term deposits with original maturities of more than three months. The change in cash flows from financing activities compared with fiscal year 2022 is primarily attributable to higher dividend payments of 153,495 thousand euros (2022: 113,700 thousand euros).

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 thousands of euros	Fair value hierarchy	Carrying amount 31 Dec 2023	Fair value 31 Dec 2023	Carrying amount 31 Dec 2022	Fair value 31 Dec 2022
Financial assets measured at amortised cost		**576,982**	**–**	**514,127**	**–**
Other financial assets (non-current)	Level 2	**1,680**	**1,659**	1,158	1,154
Trade accounts receivable		**171,659**	**–**	174,663	–
Other financial assets (current)		**265,681**	**–**	130,405	–
Cash and cash equivalents		**137,962**	**–**	207,901	–
Financial assets measured at fair value through profit or loss		**1,953**	**–**	**3,352**	–
Derivatives not in a hedging relationship[1]	Level 2	**1,953**	**1,953**	3,352	3,352
Financial liabilities measured at amortised cost		**68,991**	**–**	**69,795**	–
Lease liabilities (non-current)[2]		**19,581**	**–**	11,423	–
Financial debt (current)	Level 2	**–**	**–**	944	933
Trade accounts payable		**33,063**	**–**	36,352	–
Lease liabilities (current)[3]		**8,497**	**–**	6,630	–
Other financial liabilities (current)		**7,850**	**–**	14,446	–
Financial liabilities measured at fair value through profit or loss		**1,633**	**–**	**895**	–
Derivatives not in a hedging relationship[3]	Level 2	**1,633**	**1,633**	895	895

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 above 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 debt for the previous year was determined using the discounted cash flow method. To this end, the cash flows of the annuity loans at the different interest and repayment dates have been discounted using the relevant maturity-matched discount rates, taking own credit risk into account.

Net gain or loss on financial instruments

The table below shows the net gain or loss on financial instruments for each measurement category. Net interest income/expense and custody fees on deposits are not included in this amount.

Net gains or net losses excl. interest

in thousands of euros	2023	2022
Financial assets measured at amortised cost	**-3,706**	+1,980
Financial assets/liabilities measured at fair value through profit or loss	**-1,141**	-1,086
Financial liabilities measured at amortised cost	**+465**	-178

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. The increase in interest income is mainly attributable to higher market interest rates for fixed-term and demand deposits.

Total interest income and total interest expense from financial instruments measured at amortised cost

in thousands of euros	2023	2022
Total interest income	**8,056**	748
Total interest expense	**976**	911

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 2023

in thousands of euros	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	**176,674**	**5,015**	**171,659**	**–**	**171,659**
Deposits, cash and cash equivalents	**402,797**	**–**	**402,797**	**–**	**402,797**
Derivatives	**1,953**	**–**	**1,953**	**1,434**	**519**
Other financial assets	**2,526**	**–**	**2,526**	**–**	**2,526**
Total	**583,950**	**5,015**	**578,935**	**1,434**	**577,501**
Financial liabilities					
Trade accounts payable	**–**	**33,063**	**33,063**	**–**	**33,063**
Liabilities to business partners	**5,015**	**12,194**	**7,179**	**–**	**7,179**
Derivatives	**–**	**1,633**	**1,633**	**1,434**	**199**
Other financial liabilities	**–**	**28,749**	**28,749**	**–**	**28,749**
Total	**5,015**	**75,639**	**70,624**	**1,434**	**69,190**

31 Dec 2022

in thousands of euros	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	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	–	895	895	798	97
Other financial liabilities	–	21,825	21,825	–	21,825
Total	**4,347**	**75,037**	**70,690**	**1,742**	**68,948**

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 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 liquidity 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. RATIONAL's 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% (2022: 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 thousands of euros	31 Dec 2023	31 Dec 2022
Trade accounts receivable	**171,659**	174,663
of which refundable value-added tax*	**13,401**	13,503
of which potential refund by credit insurance	**138,422**	137,193
of which receivables secured by letters of credit/bank guarantees	**366**	1,684
of which receivables from public-sector entities*	**0**	2
Unsecured credit risk	**19,470**	**22,281**
Risk coverage ratio	**89%**	**87%**

* 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 2023

in thousands of euros	Carrying amount after risk allowance	Protected by deposit protection fund	Unsecured credit risk
Deposits	264,707	264,265	442
Cash and cash equivalents	137,962	81,819	56,143
Total	**402,669**	**346,084**	**56,585**

31 Dec 2022

in thousands of euros	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**

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 RATIONAL may not be in a position to meet its payment obligations in full by the relevant due dates.

Group Treasury assigns top priority to the monitoring and provision of liquidity. It does so by implementing daily liquidity 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 (including all fixed-term deposits recognised under other financial assets) amounts to a total of 400,242 thousand euros (2022: 336,977 thousand euros). Like last year, 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 liabilities is presented in notes 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 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 (2022: 98,000 thousand euros). After taking into account assignments for subsidiaries and sureties, this leaves unused credit lines amounting to 94,870 thousand euros (previous year: 95,087 thousand euros).

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 in the financial statements underlying the consolidated financial statements denominated in foreign currencies (translation risk). On the other hand, there are currency risks from financial instruments in foreign currencies due to possible future exchange rate fluctuations (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). Information on the volume affected by these restrictions can be found in notes 12 and 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 2023

in thousands of euros	Value of euro 10% higher	Value of euro 10% lower
EUR/USD	**3,455**	**-2,169**
EUR/GBP	**1,649**	**-2,721**
EUR/CNY	**77**	**367**
EUR/JPY	**-584**	**1,072**
EUR/SEK	**241**	**-1,299**
Other	**-537**	**-430**
Total	**4,301**	**-5,180**

Hypothetical impact on profit and equity in 2022

in thousands of euros	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**

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 compared to the previous year, mainly due to a higher hedged amount in foreign currency, the type of hedges used 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. Changes in market interest rates of primary fixed-income financial instruments only affect earnings if they are measured at fair value. Since RATIONAL almost exclusively has financial instruments measured at amortised cost (lease liabilities), they are not subject to any interest rate risk within the meaning of IFRS 7.

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 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 2023, profit after taxes and equity would have declined (increased) by approximately 611 thousand euros (2022: 803 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 and leased assets are recognised in property, plant and equipment. Lease liabilities are included in other financial liabilities, which are explained in note 19. Received lease payments are shown under sales revenues (see note 1).

Right of use assets from lease contracts and leased assets within the meaning of IFRS 16 break down as follows:

	Lessee			Lessor
in thousands of euros	Land and buildings	Operating and office equipment	Total	Land and buildings
Cost				
Balance as at 1 Jan 2023	**21,668**	**16,094**	**37,762**	**–**
Exchange rate differences	**-282**	**46**	**-236**	**–**
Additions	**11,781**	**7,841**	**19,622**	**375**
Disposals	**-1,441**	**-5,669**	**-7,110**	**–**
Balance as at 31 Dec 2023	**31,726**	**18,312**	**50,038**	**375**
Depreciation				
Balance as at 1 Jan 2023	**10,614**	**9,448**	**20,062**	**–**
Exchange rate differences	**-149**	**43**	**-106**	**–**
Additions	**4,510**	**4,984**	**9,494**	**5**
Disposals	**-1,199**	**-5,648**	**-6,847**	**–**
Balance as at 31 Dec 2023	**13,776**	**8,827**	**22,603**	**5**
Carrying amounts				
Balance as at 31 Dec 2023	**17,950**	**9,485**	**27,435**	**370**
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**	**–**

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

Maturity analysis Leasing

in thousands of euros	2024	2025 – 2028	from 2029 onwards
Payments as of 31 Dec 2023	**9,469**	**18,293**	**2,862**
	2023	**2024 – 2027**	**from 2028 onwards**
Payments as of 31 Dec 2022	7,197	10,250	2,317

In the subsequent periods, RATIONAL expects payments under existing leases amounting to:

in thousands of euros	2024	2025	2026	2027
Payments as of 31 Dec 2023	**38**	**39**	**40**	**12**

Further disclosures on leases:

in thousands of euros	2023	2022
Interest expenses for lease liabilities	**960**	460
Expenses for low-value lease assets	**246**	143
Cash outflows for leases	**10,200**	9,221

24. Employees and personnel costs

Average number of employees

	2023	2022
Production and delivery process	**555**	520
Sales and marketing	**993**	943
After-sales service	**277**	262
Research and development	**235**	224
Administration	**444**	402
Total	**2,504**	**2,351**
thereof abroad	**1,064**	995

Personnel costs comprise the following items:

in thousands of euros	2023	2022
Remuneration	**197,576**	185,024
Social security	**39,619**	36,789
of which expenses for defined contribution plans	**15,577**	18,986
Total	**237,195**	**221,813**

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 (Europe, Middle East, Africa), 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 appliances, 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 2023

in thousands of euros	DACH	EMEA	North America	Asia	Other segments	Total of Segments	Corporate departments	Reconciliation	Group
Segment sales revenues	**166,330**	**445,761**	**288,643**	**187,954**	**49,028**	**1,137,716**	**3,076**	**-14,954**	**1,125,838**
Segment costs	**26,371**	**54,196**	**40,424**	**27,565**	**7,711**	**156,267**	**293,443**	**-16,054**	**433,656**
Segment profit or loss/EBIT	**39,659**	**113,211**	**76,357**	**41,883**	**10,420**	**281,530**	**–**	**-4,529**	**277,001**
Financial result	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,035**
Earnings before taxes	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**284,036**
Segment investments	**16**	**539**	**1,121**	**166**	**137**	**1,979**	**23,926**	**8,727**	**34,632**
Segment depreciation	**173**	**368**	**302**	**349**	**159**	**1,351**	**21,940**	**-168**	**23,123**
Segment assets	**11,652**	**94,974**	**93,162**	**71,906**	**21,158**	**292,852**	**43,051**	**-57,133**	**278,770**

Operating Segments in 2022

in thousands of euros	DACH	EMEA	North America	Asia	Other segments	Total of Segments	Corporate departments	Reconciliation	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

The reconciliation results primarily from currency translation, consolidation effects and items that are not 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 122,217 thousand euros included in sales revenues (2022: 125,467 thousand euros) was generated in Germany, while the remaining sales revenues of 1,003,621 thousand euros (2022: 896,878 thousand euros) are attributable to third countries. Of the property, plant and equipment, intangible assets and other non-current assets, 173,341 thousand euros (2022: 171,281 thousand euros) are reported in Germany and 39,865 thousand euros (2022: 32,305 thousand euros) in France, while 30,319 thousand euros (2022: 18,509 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 2,905 thousand euros in 2023 (2022: 2,577 thousand euros). As at 31 December 2023, outstanding trade accounts payable to these companies amounted to 59 thousand euros (2022: 46 thousand euros).

In the year under review, a dividend of 48,341 thousand euros (2022: 35,808 thousand euros) relating to fiscal year 2022 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 11,986 thousand euros (2022: 8,878 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

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 2023, including company car expenses, amounted to 1,236 thousand euros (2022: 1,235 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
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 and the subsidiaries in fiscal year 2023 was 7,608 thousand euros (2022: 6,895 thousand euros). This amount includes performance-related components of 2,350 thousand euros (2022: 2,481 thousand euros), of which 1,271 thousand euros (2022: 1,366 thousand euros) represent non-current benefits. Also included are payments into the pension scheme totalling 667 thousand euros (2022: 558 thousand euros).

In addition, one former Executive Board member received post-employment benefits of 1 thousand euros (2022: 0 thousand euros).

Managers in key positions (Supervisory Board and Executive Board) were paid remuneration totalling 8,845 thousand euros (2022: 8,130 thousand euros). This is made up of current benefits in an amount of 7,574 thousand euros (2022: 6,764 thousand euros) and non-current benefits in an amount of 1,271 thousand euros (2022: 1,366 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 2023, so at the balance sheet date (31 December 2023) 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 recognised 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 rose sharply in the course of 2023 to 1,859.38 as at 31 December 2023 (31 December 2022: 1,128.45).

As at 31 December 2023, the net effect of inflation adjustments on non-monetary items amounted to 238 thousand euros (2022: 171 thousand euros); it comprises effects of 3 thousand euros (2022: 7 thousand euros) recognised in intangible assets, of 188 thousand euros (2022: 137 thousand euros) in property, plant and equipment, and of 47 thousand euros (2022: 27 thousand) in inventories. Effects from adjusting the statement of comprehensive income to the CPI consumer price index are presented in “Gain or loss on the net monetary position in accordance with IAS 29”. This amounted to 438 thousand euros in fiscal year 2023 (2022: 407 thousand euros). The residual of these adjustments for inflation is recognised in other comprehensive income.

30. Declaration of Corporate Governance

The Executive Board and the Supervisory Board of RATIONAL AG issued a declaration in January 2024 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 28 April 2022. The declaration has been made permanently available on RATIONAL AG's website at www.rational-online.com.

31. Significant events after the balance sheet date

No events have occurred since 31 December 2023 that would significantly alter the assessment of RATIONAL AG's and the Group's net assets, financial position and profit or loss.

32. Auditor's fee

By resolution of the General Meeting of Shareholders held on 10 May 2023, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, was appointed as auditor of the annual and consolidated financial statements for fiscal year 2023.

The auditor's fee including reimbursement of expenses amounted to a total of 539 thousand euros (2022: 438 thousand euros) and relates to auditing services for the annual and consolidated financial statements of RATIONAL AG and its affiliated companies in the amount of 473 thousand euros (2022: 383 thousand euros). In addition, other assurance services amounting to 66 thousand euros (2022: 55 thousand euros) including expenses were provided in fiscal year 2023 as part of a voluntary audit of non-financial reporting.

Landsberg am Lech, 5 March 2024

RATIONAL Aktiengesellschaft
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, 5 March 2024

RATIONAL Aktiengesellschaft
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 2023, 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 2023, 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 2023. 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 2023 and of its financial performance for the financial year from 1 January to 31 December 2023, 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 2023. 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. Provisions for warranties

a) In the consolidated financial statements, mEUR 22.9 in non-current and current provisions for warranties are reported under the "other provisions" balance sheet item as at 31 December 2023. 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 "Consolidation methods and material accounting policies – Provisions", "Use of estimates and assumptions and significant use of management judgement" and "Notes to the 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 and had the executive board explain them to us. 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 appropriateness.

2. Capitalisation of development costs

a) In the consolidated financial statements, a total of mEUR 5.7 in "capitalised development costs" from completed projects and a total of mEUR 12.9 in "intangible assets under development" from ongoing projects are reported under the "intangible assets" balance sheet item as at 31 December 2023. Thereof, mEUR 6.9 are attributable to costs newly capitalised in 2023. Total research and development expenses including the amounts capitalised amounted to mEUR 59.5 in the financial year 2023. 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 "Consolidation methods and material accounting policies – Intangible assets", "Use of estimates and assumptions and significant use of management judgement" and "Notes to the 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 5961644666634d51 5f6808b32f108dc6a4a9ed0c4a537c5c123f348d0eb0aba0, 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 2023 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 requirements of the IDW Quality Management Standards.

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 10 May 2023. We were engaged by the supervisory board on 1 August 2023. 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, 5 March 2024

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 23 of the current version of the German Corporate Governance Code 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 2023 can be found on RATIONAL's website at rat.ag/publications and in the 2023 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 on RATIONAL's website at rat.ag/investors.

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 2023. 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 and is published on RATIONAL's website at rat.ag/CG. 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 summarised 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. Since 2022, RATIONAL AG has been working in project teams on implementing the requirements of the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG). The due diligence obligations are met in full in accordance with the applicable legal framework as from fiscal year 2024.

An audit of the risk management system and the design of the entire 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 addition, there was another audit in fiscal year 2023 of the functional capability of the compliance management component "Compliance with export regulations".

In 2023, 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 was communicated internally within the company in 2023 and will be published in 2024.

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 and a system for ESG indicators developed. Because of the importance of this issue, this unit organisationally reports 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), Markus Paschmann (CSMO), Dr Martin Hermann (CTO), Jörg Walter (CFO) and Peter Wiedemann (COO).

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 as shareholder representatives.

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 five members (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 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 in the past was five years. The current term of office of all incumbent Supervisory Board members will expire at the ordinary General Meeting of Shareholders in 2024. Fresh elections to the Supervisory Board will be held at the ordinary General Meeting of Shareholders in 2024. The Supervisory Board intends to propose to the General Meeting of Shareholders in 2024 that each Supervisory Board member be elected for a term of office of three years to ensure greater flexibility in the composition of the Supervisory Board.

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 June 2023. The members of the Supervisory Board are surveyed on the basis of a questionnaire, which was completed in writing by all Supervisory Board members. The results are then discussed in the Supervisory Board to identify potential improvements. No significant shortcomings in the work of the Supervisory Board 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 an Audit Committee to prepare meeting content for 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 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 Supervisory Board does not consider it necessary to establish a nomination committee or other committees. 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. The table below shows the targets for women in executive positions and the respective deadlines:

Women in executive positions at RATIONAL AG

	Absolute target	Absolute actual	Target (%)	Actual (%)	Deadline
The Supervisory Board	0	0	0	0	30.06.2024
Executive Board	0	0	0	0	30.06.2024
1st level	4	3	22	15	30.06.2027
2nd level	17	14	35	32	30.06.2027

In this context, we refer to our guidance on the RATIONAL Group's diversity concept provided below.

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. Just over 40% of our employees work in one of our international subsidiaries. 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 three quarters 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 a 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 development 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. As far as possible, we aim to fill executive positions with internal candidates; they have the advantage of knowing the company, its direction and its culture.

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. The Supervisory Board will take decisions on the composition of the Executive Board against this background.

Accounting and auditing

On 10 May 2023, the General Meeting of Shareholders appointed Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, as auditors of the financial statements and the consolidated financial statements for fiscal year 2023. The audit contract was awarded by the Supervisory Board.

The election of the auditor was carefully prepared 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. No disqualification or reasons for bias were identified during the audit of the annual and consolidated financial statements for fiscal year 2023.

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 2023 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 2024 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 28 April 2022 and published in the official section of the Federal Gazette on 27 June 2022 (2022 Code), were complied within 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 basic 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 2: "... 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.

Dr Maerz has been a member of the company's Supervisory Board since September 2011 hand has chaired the Audit Committee since October 2015. He is therefore not considered independent because he has been a member for longer than the twelve years specified in recommendation C.7 of the German Corporate Governance Code. Due to his many years of service in the company, Dr Maerz has extensive experience. In addition, after decades of working as an auditor and of chairing audit committees, he has accounting and auditing expertise.

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, 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 2024

RATIONAL AG

Walter Kurtz
for the Supervisory Board

Dr Peter Stadelmann
for the Executive Board

Report by the Supervisory Board

Dear Shareholders,

2023 was a special year for us in many respects. Despite continuing challenges, we are satisfied with the results of the past fiscal year. In particular, 2023 was a year of normalisation for us. The availability of components for our cooking systems improved. As a result, we were able to reduce the continuing high orders on hand to a normal level in the course of the year. Delivery times have also fallen back to their short normal levels and we are able at any time to fulfil orders placed at very short notice. After three fiscal years overshadowed by exceptional situations, we are now back in calmer waters.

Despite this normalisation trend, the market situation remained challenging. Especially in Europe, skills shortages and economic performance led to uncertainty in the catering and food service sector. Thanks to our global business activities, we successfully offset weaker market performance in Europe with positive trends in the overseas markets.

2023 demonstrated once more that we can be successful as a very focused company in a demanding economic environment. For 50 years, flexible structures and decision processes have helped us to adapt successfully to any market and environmental trend.

After growth of 10%, our sales revenues increased to 1,126 million euros in fiscal year 2023, slightly ahead of our expectations. A key reason for this was an order from a chain customer in Asia in the fourth quarter. In combination with price increases that have now taken effect and falling raw material and logistics costs, earnings before financial result and taxes (EBIT) and the EBIT margin were significantly higher than expected.

Through innovations launched in the past fiscal year, we consolidated the foundations for our future economic success. For the first time, we successfully combined – in a new product category – steam, convection and microwaves on all levels of a six-rack appliance. This new appliance was launched in selected markets in spring 2024. From 2025 onwards, we will additionally offer a combi steamer, which we are developing specifically for price-sensitive end customers in the Chinese market. Fully in line with our philosophy, we continue to work towards offering all our customers the best possible benefits.

Dialogue and communication as a basis for advice and monitoring

In fiscal year 2023, 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 changes in component availability, market trends, 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 rules for the Executive Board's information and communication obligations to the Supervisory Board. 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.

	Attendance at Supervisory Board meetings (with Executive Board)		Attendance at internal Supervisory Board meetings (without Executive Board)		Attendance at Audit Committee meetings	
	Physical	**Via video link**	**Physical**	**Via video link**	**Physical**	**Via video link**
Walter Kurtz	10	1	10	1	3	0
Dr Hans März	10	0	11	0	3	0
Erich Baumgärtner	11	0	11	0	3	0
Dr Gerd Lintz	11	0	10	0	–	–
Werner Schwind	10	0	10	0	–	–
Dr Georg Sick	10	0	10	0	–	–
Dr Johannes Würbser	10	0	11	0	–	–

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 a total of twenty-two meetings in fiscal year 2023. The Executive Board attended eleven of these meetings. They were held as physical meetings, although one Supervisory Board member attended one of the meetings via video link. At the remaining eleven meetings, the members of the Supervisory Board met without the participation of the Executive Board. These were also held as physical meetings, although one member attended one of the meetings via video link. In addition, the members of the Supervisory Board also consulted each other in writing, by telephone and in video conferences. In fiscal year 2024, one further physical meeting was held before the meeting of the Supervisory Board on 6 March 2024 to adopt the financial statements.

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.

The table above shows details of attendance at the respective meetings by the individual members of the Supervisory Board.

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 geopolitical situation and its impact on business performance. 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 geopolitical situation, especially the war in Ukraine and unrest in Israel,
› Enhancement of the medium-term strategy, including the product portfolio, sales and marketing strategy, and price policy,
› Business planning for fiscal year 2024,
› 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 2022 and setting of targets for 2023 on the basis of the current remuneration system,
› Conducting the 2023 General Meeting of Shareholders as a physical meeting, for the first time since the coronavirus crisis,
› Resolution to make a special U.i.U. payment and an employee bonus to mark the company's 50th anniversary,
› Extension of the contract of the Chief Financial Officer (CFO),
› Salary adjustment for the Chief Technology Officer (CTO),
› Rules of procedure for the Management Board,
› Amendments to the rules of procedure for the Supervisory Board,
› Additions to the corporate philosophy,
› Self-assessment of the Supervisory Board and
› The company's sustainability, digital and financing strategies.

At the Supervisory Board meeting to adopt the financial statements on 6 March 2024, 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 2024 General Meeting of Shareholders.

At the recommendation of the Audit Committee, the Supervisory Board proposes Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, as auditors for the 2024 fiscal year. The Supervisory Board also adopted the remaining draft resolutions for the ordinary 2024 General Meeting of Shareholders.

There are plans to hold the 2024 ordinary General Meeting of Shareholders again as a physical meeting at the Messe Augsburg exhibition centre.

Our duties in fiscal year 2023, and in particular at the meeting held on 6 March 2024 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.

An internal further training course was presented by the head of Application Consulting in 2023. The aim was to provide practical product training to give an in-depth, detailed picture of current appliances and how they work, particularly with a view to the discussions on future product strategy, which followed later in the year. This training measure was attended by all members of the Supervisory Board.

Committee activities

The company currently has an Audit Committee. The Audit Committee, whose members are Dr Hans Maerz (Committee Chairman), Mr Walter Kurtz and Mr Erich Baumgärtner, held three physical meetings in fiscal year 2023. 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 2023 remuneration report in accordance with German Act Implementing the Second Shareholder Rights Directive (Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie, ARUG II). In addition, the Audit Committee learnt about new trends in auditing the non-financial consolidated report, especially with regard to taxonomy eligibility. All members of the Audit Committee attended all Audit Committee meetings. The Audit Committee reported regularly to the Supervisory Board.

Corporate governance

The Supervisory Board of RATIONAL AG has seven members and is not subject to co-determination. In fiscal year 2023, 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 24 January 2024, 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 2024. The declarations of conformity of recent years can also be found under Investor Relations on the RATIONAL website (rational-online.com). Since the last declaration of conformity was submitted in January 2023, 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 2023 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 10 May 2023, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, audited the financial statements of RATIONAL AG and of the Group for fiscal year 2023. 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 2023, 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 (IFRS), 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 6 March 2024. In particular, the Supervisory Board concerned itself thoroughly with the findings of the audit by the auditors.

The auditors took part in the discussion of the company's annual financial statements and the consolidated financial statements. They reported on the results of the audits, in particular on the points on which it was agreed the audit would focus, and were available to the Supervisory Board for questions and supplementary information. One area on which the auditors' explanations concentrated was the impact the changeover of the ERP system had on accounting as well as the assessment and audit of capitalised development costs and other provisions. 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 6 March 2024 the Supervisory Board approved the annual financial statements, prepared by the Executive Board, for RATIONAL AG as of 31 December 2023, including the certified version, dated 5 March 2024, of the management report for fiscal year 2023, as well as the consolidated financial statements as of 31 December 2023 and the certified version, dated 5 March 2024, of the group management report for fiscal year 2023. The 2023 annual financial statements for RATIONAL AG, including the management report, are thereby adopted in accordance with section 172 sentence 1 of the AktG.

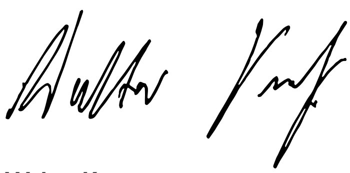
Appropriation of profits

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 for fiscal year 2023 of 434.8 million euros, a dividend of 13.50 euros per share and a total of 153.5 million euros should be distributed and the remainder carried forward to new account.

The Supervisory Board would like to thank all managers for their close and constructive cooperation, and for the trust they have placed in us. But our special thanks go to all employees. Even in the especially difficult environment of the past fiscal year, they once again succeeded in providing our customers with maximum benefit through 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, 6 March 2024



Walter Kurtz
Chairman of the Supervisory Board
of RATIONAL AG

2023 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 2023 fiscal year.

The 2024 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 2023 fiscal year prepared and audited in accordance with section 162 of the AktG. The remuneration report for the 2022 fiscal year was approved by the 2023 ordinary General Meeting of Shareholders of RATIONAL AG with a majority of 95.00% 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 2021 virtual ordinary General Meeting of Shareholders approved the 2021 Remuneration System with a majority of 82.50% 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:
rat.ag/remuneration-system-board

The 2021 Remuneration System has been applied to all members of the Executive Board since fiscal year 2022.

Here follows a summary of the 2021 Remuneration System for Executive Board members, which was applicable in fiscal year 2023, and a description of the individual remuneration components in fiscal year 2023.

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

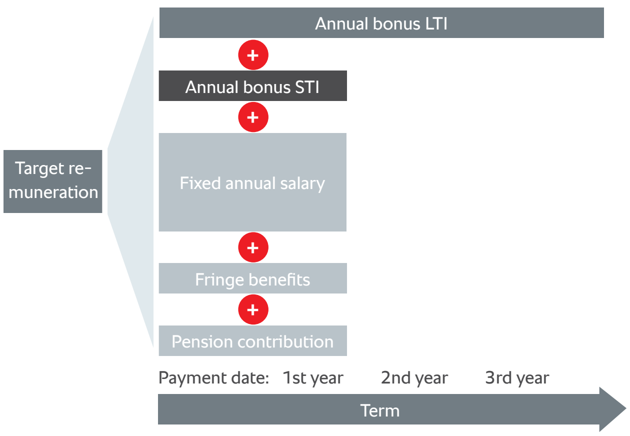
The remuneration of Executive Board members comprises fixed and variable components. The fixed components of Executive Board members' remuneration are the fixed annual salary, fringe benefits, and pension contributions. The variable components are the one-year variable remuneration (Short Term Incentive, "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.

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.

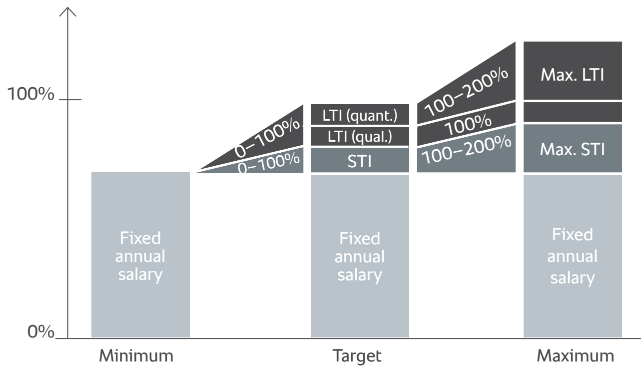
At the beginning of a performance period, the Supervisory Board decides, based on the multi-year planning, how high average ROCE should be at the end of the three-year performance period ("Target ROCE"). The Supervisory Board also sets a target amount for the Financial LTI Component. This figure, which 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 2023 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 2023

Executive Board members in fiscal year 2023

In fiscal year 2023, the Executive Board of RATIONAL AG had the following members:

- Dr Peter Stadelmann, Executive Board member since December 2012, Chief Executive Officer since January 2014
- 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 2023

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 2023

The total remuneration paid to the Executive Board for the performance of its duties in the fiscal year 2023 was 7.6 million euros (2022: 6.6 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 2023

In thousands of euros

	Dr Peter Stadelmann		Dr Martin Hermann		Markus Paschmann		Jörg Walter		Peter Wiedemann		Total	
Basic salary	1,330	58%	618	59%	968	59%	560	59%	968	58%	4,444	58%
Fringe benefits	55	2%	16	2%	23	1%	16	2%	37	2%	147	2%
Payments into pension scheme	200	9%	93	9%	145	9%	84	9%	145	9%	667	9%
Fixed remuneration	**1,585**	**69%**	**727**	**69%**	**1,136**	**69%**	**660**	**69%**	**1,150**	**69%**	**5,258**	**69%**
STI 2023	323	14%	150	14%	235	14%	136	14%	235	14%	1,079	14%
LTI 2023–2025	380	17%	177	17%	277	17%	160	17%	277	17%	1,271	17%
Total performance-related remuneration	**703**	**31%**	**327**	**31%**	**512**	**31%**	**296**	**31%**	**512**	**31%**	**2,350**	**31%**
Total remuneration granted and owed	**2,288**		**1,054**		**1,648**		**956**		**1,662**		**7,608**	

Fixed remuneration components

The fixed remuneration components of the Executive Board (fixed remuneration) totalled 5.3 million euros in 2023 (2022: 4.4 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 2023)

STI 2023 is a performance-related bonus with a one-year assessment period; it is calculated in relation to profit after tax as reported in the 2023 consolidated financial statements. It accounts for 10% of total target remuneration of the Executive Board.

STI 2023

Objectives	Actual 2023	Achievement in 2023	Grant rate in 2023
Net profit/loss in 2023[1]	215.8 million euros	115%	170%

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

Profit after taxes for fiscal year 2023 amounted to 215.8 million euros. According to the calculation method described in the Remuneration System, this resulted in a grant rate of 170% for the 2023 reporting year. The payment of 1.1 million euros (2022: 1.1 million euros) was made in the first quarter of 2024.

Long-term performance-related remuneration (LTI 2023–2025)

LTI 2023–2025 is a performance-related remuneration component for fiscal year 2023 with a three-year assessment period from 2023 to 2025. The LTI component accounts for 20% of total target remuneration of the Executive Board.

The LTI 2023–2025 component reported for fiscal year 2023 is 1.3 million euros (2022: LTI 2022–2024: 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 2023 will be finally determined on the basis of the criteria and thresholds defined by the Supervisory Board at the time the 2025 consolidated 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 2023–2025

Objectives	LTI weighting
Long-term financial performance criterion: ROCE Ø 2023–2025 [1]	75.0%
Environment-related sustainability target: high energy efficiency of our cooking systems (US Energy Star [2])	12.5%
Sustainability target Sustainability strategy: Complete implementation of the sustainability strategy by fiscal year 2025	12.5%

1 For a variance from target ROCE in the range between −10 and +10 percentage points, the grant rate decreases/increases by 10 percentage points for each full 1 percentage point down/up to 0%/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.

IV. Remuneration of former Executive Board members

Former Chief Executive Officer Dr Günter Blaschke received inventor remuneration of 1 thousand euros in 2023 (2022: 0 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 2023 In thousands of euros

	Fixed	Other	Total
Walter Kurtz	250	25	275
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**	**36**	**1,236**

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	2023 vs 2022
Changes in Executive Board remuneration (current and former Executive Board members)					
Dr Peter Stadelmann	+4	–3	+18	-4	+2
Dr Martin Hermann [1]	–	–	–	–	+1
Markus Paschmann	+5	-2	+35	-2	+4
Jörg Walter [2]	–	–	–	+9	+11
Peter Wiedemann	+7	-2	+17	+13	+4
Changes in Supervisory Board remuneration[3]					
Walter Kurtz	0	-4	+5	+2	0
Dr Hans Maerz	0	-6	+5	0	0
Erich Baumgärtner	0	-5	+5	0	0
Dr Gerd Lintz	0	-5	+5	0	0
Werner Schwind	0	-5	+5	0	0
Dr Georg Sick	0	-5	+5	0	0
Dr Johannes Würbser	0	-5	+5	0	0
Changes in employee remuneration					
Average no. of employees (FTEs) [4]	+1	-7	+10	+11	+3
Changes in profit/loss					
Net loss of RATIONAL AG [5]	+19	-33	-65	+92	+174
Consolidated net profit	+9	-53	+54	+50	+16

1 Dr Martin Hermann was appointed to the Executive Board with effect from 1 September 2022. To make figures easier to compare, the 2022 remuneration has been extrapolated to a 12-month period to compensate for the difference in length compared to 2023.
2 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 compared to 2022.
3 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.
4 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.
5 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 2023, to assess whether the disclosures re-quired 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 have not audited 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 re-spects, in the accompanying remuneration report. Our audit opinion does not cover the content of the remunera-tion 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 (09.2023)). Our responsibilities under those requirements and this standard are further described in the "Auditor's Responsibilities" section of our report. Our audit firm has applied the requirements of the IDW Quality Management Standards. 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, in-cluding the related disclosures, that complies with the requirements of Section 162 AktG. In addition, they are re-sponsible 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 misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) 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 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 cor-rectness 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, 5 March 2024

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

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

Legal Notice

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Global presence

Sales revenues by region in 2023

Key figures for RATIONAL shares

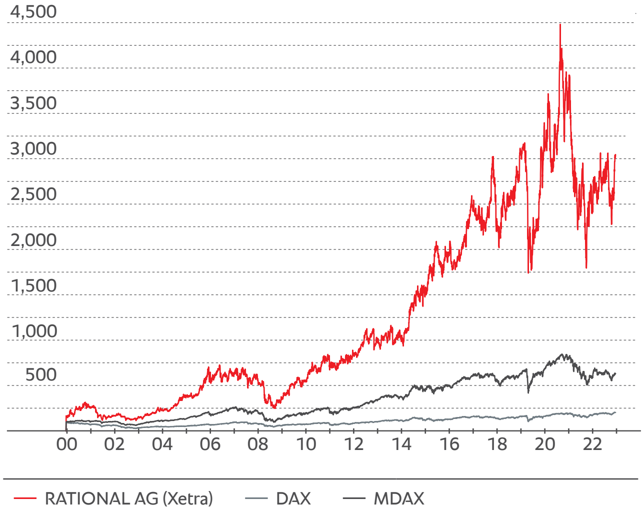
Key figures

		2023	2022
Maximum price last 12 months[2]	EUR	**704.00**	896.00
Minimum price last 12 months[2]	EUR	**523.00**	412.40
Year-end closing price[2]	EUR	**699.50**	555.00
Market capitalisation[1,2]	m EUR	**7,953**	6,310
Dividend yield[3]	%	**1.9**	2.4
Beta factor (one year) as of 30 Dec[4]		**0.8**	0.9
Sales revenues per share	EUR	**99.02**	89.92
Price-to-sales ratio[1,3]		**7.1**	6.2
Earnings per share	EUR	**18.98**	16.33
Price-earnings ratio[1,3]		**36.9**	34.0
Cash flow per share	EUR	**22.72**	14.13
Price-cash flow ratio[1,3]		**30.8**	39.3

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: 699.50 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: 6 March 2024

Financial calendar 2024

Financial Figures Fiscal Year 2023 and Balance Sheet Press Conference Fiscal Year 2023	Munich	27.03.24
Financial Figures Q1 2024	Virtual	02.05.24
General Shareholders' Meeting 2024	Augsburg	08.05.24
Financial Figures Half Year 2024	Virtual	06.08.24
Financial Figures 9 Months 2024	Virtual	07.11.24
RATIONAL Capital Markets Day 2024	Landsberg am Lech	28.11.24

Executive Board

Dr Peter Stadelmann, CEO

Dr Martin Hermann, CTO

Markus Paschmann, CSMO

Jörg Walter, CFO

Peter Wiedemann, COO

The Supervisory Board

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10-Year Overview

Key figures

Earnings situation		2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Sales revenues	m EUR	**1,126**	1,022	780	650	844	778	702	613	564	497
Sales revenues abroad	%	**89**	88	87	87	88	88	87	87	87	87
Sales revenues combi-steamer	m EUR	**1,008**	895	698	581	769	712	646	567	529	467
Sales revenues Vario	m EUR	**118**	128	81	69	75	66	58	47	39	33
Gross profit[1]	m EUR	**639**	565	429	360	498	457	421	379	349	304
in % of sales revenues		**57**	55	55	55	59	59	60	62	62	61
EBITDA	m EUR	**310**	268	190	136	248	219	199	176	169	154
in % of sales revenues		**28**	26	24	21	29	28	28	29	30	31
Earnings before financial result and taxes (EBIT)	m EUR	**277**	238	160	107	223	205	188	167	160	145
in % of sales revenues		**25**	23	21	16	26	26	27	27	28	29
Profit or loss after taxes	m EUR	**216**	186	124	80	172	157	143	127	122	110
in % of sales revenues		**19**	18	16	12	20	20	20	21	22	22
Earnings per share (basic)	EUR	**18.98**	16.33	10.88	7.04	15.09	13.84	12.58	11.18	10.71	9.68
Return on equity (after taxes)[2]	%	**30**	29	22	15	35	36	35	34	37	38
Return on capital employed (ROCE)[3]	%	**39**	37	28	20	44	45	43	41	44	45

Net assets											
Total equity and liabilities	m EUR	**967**	899	784	671	699	604	571	540	483	423
Equity	m EUR	**739**	676	603	535	517	456	425	397	356	311
Equity ratio	%	**76**	75	77	80	74	75	74	74	74	73
Liabilities to banks	m EUR	**0**	1	2	5	10	12	14	28	28	33
Cash and cash equivalents (including fixed deposits)	m EUR	**138**	208	254	256	231	192	267	278	267	225
Net financial position[4]	m EUR	**138**	207	252	251	222	180	253	250	239	193
Fixed assets	m EUR	**244**	222	208	203	191	152	127	102	79	69
Investments	m EUR	**35**	37	26	31	40	40	43	25	19	17
Working capital[5]	m EUR	**243**	241	170	152	161	150	118	108	99	93
in % of sales revenues		**22**	24	22	23	19	19	17	18	17	19

Cash flow / investments											
Cash flow from operating activities	m EUR	**258**	161	172	93	199	144	146	130	143	112
Cash flow from investing activities	m EUR	**-162**	-82	-84	38	-55	-56	77	-97	-11	-39
Cash flow from financing activities	m EUR	**-166**	-125	-66	-79	-119	-128	-128	-87	-83	-71

Employees											
Number of employees as at year-end		**2,554**	2,401	2,248	2,180	2,258	2,113	1,884	1,713	1,530	1,424

RATIONAL shares											
Year-end closing price[6]	EUR	**699.50**	555.00	900.40	761.50	717.00	496.00	537.20	424.00	419.90	259.75
Year-end market capitalisation	m EUR	**7,953**	6,310	10,238	8,658	8,152	5,640	6,108	4,821	4,774	2,953
Payout[7]	m EUR	**153**	153	114	55	65	108	125	114	85	77
Dividend per share[7]	EUR	**13.50**	11.00	7.50	4.80	5.70	9.50	8.80	8.00	7.50	6.80
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 2023 subject to approval by the General Meeting of Shareholders 2024

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