RATIONAL

Fast.
Precise. Versatile.

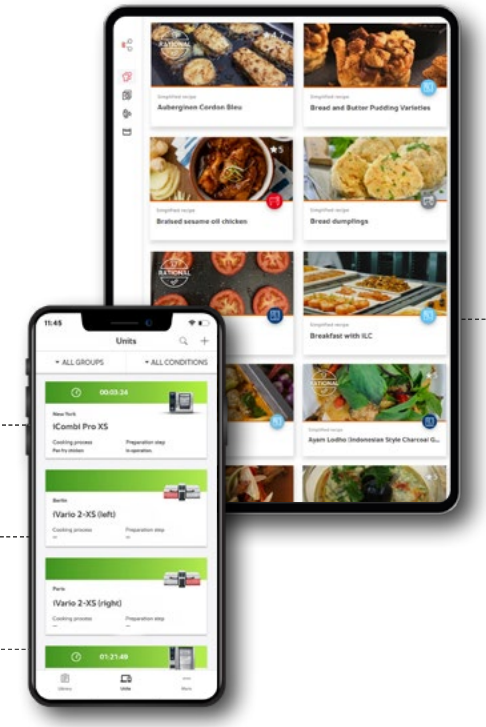
Consistently
enhanced.

Annual Report
2021

Since 2004, the SelfCookingCenter has revolutionised production processes in professional kitchens.

In 2005, the RATIONAL subsidiary FRIMA launched the VarioCookingCenter, a revolutionary complementary product.

Today the successors iCombi and iVario — together with ConnectedCooking — are the indispensable kitchen helpers for almost all cooking applications. Training and advice from professional to professional and a professional technical service complement the overall offer. In this way, our customers can use their cooking systems in the best possible way at all times.



ConnectedCooking — digital kitchen management

Recipe Management
Quality standards are implemented everywhere

Asset Management
Always up-to-date on what's happening in the kitchen

Hygiene Management
Safety is always assured

Consistently enhanced

Thermal food preparation with RATIONAL

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

The main product is the iCombi Pro — a combi-steamer with intelligent cooking paths newly launched in May 2020. Heat is transferred by steam and hot air. The software independently controls the cooking path until the desired result is achieved. It replaces conventional cooking appliances, such as grills, cookers or ovens. As a complementary product, RATIONAL offers the iVario, also newly launched in 2020. This cooks with contact heat or in liquid and can replace other traditional cooking appliances, such as deep fryers, kettles, or tilting frying pans.

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

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

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

The Corona crisis took our company and especially our customers by surprise in the fiscal year 2020. In almost all of our customer groups, this led to severe dislocation and uncertainty, resulting in a reduced willingness and ability to invest in the short term. In 2021, despite numerous ups and downs for our customers, the situation has become much more business friendly again. Nevertheless, we are seeing accelerating shifts among our customer groups (mass catering, restaurant with service, restaurant without service, retail). Today, we are well positioned because we designed our structures many years ago for business with a wide variety of customer groups; thus, we are now optimally prepared for this.

Basically, we still see the market potential as full despite the Corona crisis. The number of meals that need to be prepared every day around the world continues to grow. The places where they are prepared are changing. Many megatrends remain unchanged. Population growth, urbanisation and rising affluence in some emerging markets continue unabated. Commercial catering, the delivery business and so-called ghost kitchens are enjoying growth in this crisis.

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

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

The RATIONAL combi-steamer is now regarded as one of the most important cooking appliances in the professional kitchen. We are perceived as an innovative solution provider with high-quality, reliable products and the highest quality of service. In accordance with our philosophy, our customer satisfaction surveys enjoy a particularly high priority at RATIONAL. That is why we are proud that our annual customer satisfaction survey again delivered very good results in 2021. With a Net Promoter Score of 61, we have a level of customer satisfaction that is well above the industry and sector by comparison. This illustrates our clearly leading market position. Even after the crisis, our customers remain highly satisfied and loyal. With our latest product innovations, we have created even more benefits for our customers and given them even more reasons to replace or buy for the first time. Especially in these uncertain times, we are proud to once again have set new standards with the worldwide launch of our completely new product generation. In this way, we are once again increasing the benefits for our customers.

Another important building block of our success is the principle of the "entrepreneur in the enterprise" (U.i.U.®). The U.i.U. works like an entrepreneur in his or her field, makes the necessary decisions independently and takes responsibility for them. In doing so, the U.i.U. always focuses on the benefit to the customer. Even in the Corona crisis, our U.i.U. adapted very well to the new situation and did everything to help our customers in the best way possible. At the end of 2021, we had around 2,250 employees, more than half of them in Germany.

The negative effects of the Corona crisis on the global economy and the food service industry should be largely overcome. We expect that the measures to contain the coronavirus that have affected our customers will only be partial. We no longer expect lockdown measures, such as in spring 2020 or winter 2020/2021. We are encouraged by the fact that in some countries the complete end of the Corona measures is being discussed or has already been initiated.

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

One result of the sustained high customer and employee satisfaction is the positive financial performance. Our exceptionally healthy balance sheet and good liquidity situation help us to take good care of our customers, our business partners and our employees, all while fostering innovation, even in times of crisis. Our independence, endurance and room for manoeuvre give us a decisive competitive advantage; they are the reflection of our high level of performance and stability in the crisis. At RATIONAL, we are striving to get through the Corona crisis together with our employees so that we can be there for our customers in full strength even after the crisis. We still consider achievable a return to growth rates in the high single-digit range, with EBIT margins of around 25%, as well as an equity ratio of over 70% and a payout ratio at pre-crisis levels.

Our product portfolio

Maximum customer benefit through easy handling, best cooking quality, maximum efficiency and state-of-the-art connectivity solution

The iCombi®
The new benchmark

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

The iVario®
The new performance class

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

ConnectedCooking
The innovative networking solution

With ConnectedCooking, we offer our customers an online portal for the professional kitchen. This includes a free, cloud-based networking solution which allows our customers to network their appliances, control them remotely, update them with the latest software, and transfer cooking programs as well as manage HACCP data. With over 80,000 members, ConnectedCooking is the largest online platform for professional chefs.

In addition, since 2020 we have been offering our customers Hygiene Management Pro, an additional product for which a fee is charged. It includes extended software functionalities, the appropriate measurement technology (e.g. temperature sensors) and accompanying consulting services to simplify hygiene and quality processes in larger operations while making them more transparent and automating them across locations. Hygiene Management Pro has already been able to ensure greater food safety for the first customers in the German and Austrian markets. The services are aimed, in particular, at businesses that have several locations and are organised in a chain structure.

Key Figures

in m EUR

Sales revenues by region	2021	2020	Change absolute	Change in %
Germany	102.5	83.9	+18.6	+22
Europe (excluding Germany)	336.8	295.0	+41.8	+14
North America	140.4	112.0	+28.4	+25
Latin America	35.5	24.1	+11.4	+47
Asia	122.8	102.2	+20.6	+20
Rest of the world	41.8	32.4	+9.4	+29
Sales revenues abroad (in %)	87	87	0	–
Sales revenues by product group				
Combi-steamer	698.4	580.6	+117.8	+20
Vario	81.4	69.0	+12.4	+18
Sales and earnings				
Sales revenues	779.7	649.6	+130.1	+20
Cost of sales	350.5	289.5	+61.0	+21
Gross profit	429.3	360.1	+69.2	+19
as a percentage of sales revenues	55.1	55.4	–0.3	–
Sales and service expenses	187.6	166.9	+20.7	+12
Research and development expenses	45.1	41.7	+3.4	+8
General administration expenses	40.0	36.6	+3.4	+9
Earnings before interest and taxes (EBIT)	160.1	106.8	+53.3	+50
as a percentage of sales revenues	20.5	16.4	+4.1	–
Net income	123.7	80.1	+43.6	+54
Balance sheet				
Balance sheet total	783.8	670.7	+113.1	+17
Equity	603.3	535.1	+68.2	+13
Equity ratio (in %)	77.0	79.8	–2.8	–
Cash flow				
Cash flow from operating activities	171.7	92.7	+79.0	+85
Cash-effective investments	23.9	33.4	–7.6	–23
Free cash flow[1]	147.9	59.3	+86.6	+146
Employees				
Number of employees as at 31 Dec	2,248	2,180	+68.0	+3
Number of employees (average)	2,206	2,242	–36.0	–2
Key figures RATIONAL shares				
Earnings per share (in EUR)	10.88	7.04	+3.84	+54
Year-end closing price[2] (in EUR)	900.40	761.50	+138.90	+18
Market capitalisation[2] [3]	10,238	8,658	+1,579	+18

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

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Notes:
The editorial deadline for this report (apart from the remuneration report) was 9 March 2022.

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

"By consistently probing and improving, we inspire our customers time and again with innovative products and services. Our focus on maximum customer benefit determines each and every decision we take and thereby ensures the long-term success of our company."

Foreword by the Supervisory Board

Dear Ladies and Gentlemen,

In 2020, we saw unprecedented restrictions on our private lives and our business activities. In particular our customers in the restaurant, catering and events sector were among the hardest hit by the pandemic and the resulting protective measures. Since the spring of 2021, the prospect that the situation will normalise has improved. This is also reflected in the new orders, which reached a record high in 2021.

At RATIONAL, everything we do in our business, from start to finish, is for the benefit of our customers. We are convinced that, by offering customers greater value than our competitors, we will set in motion a positive chain reaction that will stimulate greater demand and therefore lead to larger production quantities. For more than 45 years, this has enabled us to overcome all crises together with our customers and to grow back stronger. Even in the face of these latest challenges, we give our customers the best possible support.

Our intelligent cooking systems allow kitchens to operate even in times when there are shortages of skilled staff, for example, by employing unskilled or semi-skilled staff, or simply by doing it with fewer people. With a supplementary service offering and not least the networking options provided by ConnectedCooking, we give our customers innovative options to prepare any kind of meal, whenever they choose — efficiently and with consistent high-quality results. Each of our products ensures that the kitchen in which it is used operates significantly more sustainably than with conventional cooking appliances.

Our combi-steamers have been on the market for over 45 years and are found in almost all countries of the world. The iVario was initially focused on the European market. Since 2020, the iVario has been available almost worldwide. Its prospects for the future, along with the enthusiastic feedback from customers following the launch and the faster recovery it has enjoyed after coronavirus restrictions, compared to the iCombi, have confirmed our decision to continue investing in the future of the iVario. This includes a new building in Wittenheim, France.

Both the iVario and the iCombi were affected by the global supply crisis in the last quarter of 2021. Intelligent products rely on powerful processors, and that's exactly where the most serious bottlenecks occurred. These kinds of problems call for creative solutions. RATIONAL and its "entrepreneurs within the enterprise" (U.i.U.) found those solutions and in this way helped us avoid production stoppages.

We are proud of our employees, and I want to sincerely thank them all. This success would not have been possible without them. Their commitment to easing the workload on people in commercial kitchens is the basis of our success. The high levels of motivation, endurance and responsiveness of our U.i.U.s have paid off, especially in these volatile and difficult times. It is thanks to them that we have been able to master the challenges of the past two years and will be able to emerge from the crisis stronger.

On behalf of the Supervisory Board, I want to thank all shareholders, employees, suppliers and business partners as well as all customers of RATIONAL AG for the trust and the support you have shown, especially in these times of strain.

Walter Kurtz
Chairman of the Supervisory Board
of RATIONAL AG

The RATIONAL Executive Board inspecting the construction progress in Wittenheim at the beginning of February 2022.

Peter Wiedemann
Chief Technical Officer

Born in 1959, Mr Wiedemann joined RATIONAL GmbH in 1988 as an engineer. He went on to work as a product manager, supported the development of the American subsidiary and took over the technical division as a member of the management team in January 1996. Since September 1999, he has had the same responsibility as a member of the Executive Board. //

Markus Paschmann
Chief Sales Officer

Born in 1966, Mr Paschmann has been Chief Sales Officer at RATIONAL since December 2013. After completing his studies in industrial engineering, he began his career at Siemens AG. He was then, among other things, head of the Global Business Unit Electronics at the Harting Technology Group. From 2006 to 2013 he was a member of the Executive Board of Sick AG. //

Jörg Walter
Chief Financial Officer

Born in 1970, Mr Walter joined RATIONAL AG in 2011. He was responsible for the group-wide Controlling activities until he was appointed Chief Financial Officer as of 1 March 2020. Mr Walter graduated as an industrial engineer and has held senior commercial positions at RÜTGERS AG and ROTO Frank AG. //

Dr Peter Stadelmann
Chief Executive Officer

Born in 1965, Dr Peter Stadelmann has been a member of the Executive Board at RATIONAL since 2012. He has been the CEO since January 2014. He previously spent more than 20 years in a variety of managerial functions at the Malik Management Centre St. Gallen. Starting in 2006, he spent six years as operational Managing Director of the Malik Group. //

Letter from the Executive Board

Dear Shareholders, Customers and Business Partners,

The 2021 fiscal year was again special and unique. The first two months were impacted by protective measures against the pandemic. From March onwards, a recovery began in our industry that was stronger and faster than most players had anticipated. Almost each month, new orders exceeded the previous month's record, driven by catch-up effects, government support packages and initial signs of lengthening delivery times and increasing prices. The rise in demand for our products was encouraging, proof of the competitiveness and commitment of the many entrepreneurs within the enterprise (U.i.U.s) who looked after their customers as soon as they were allowed and able to do so. And it is this dedication that enabled us to ramp up our production capacities immediately. In the summer, our orders on hand stood at 150 million euros, more than double the normal amount.

Shortages of materials have hampered deliveries since September 2021

From the outbreak of the pandemic in March 2020 until September 2021, we were able to procure all the scarce components by investing a lot of additional time. After that, RATIONAL shared the fate of most manufacturing companies — from smartphones to cars: the shortage of electronics components meant that we were unable to produce our normal delivery quantities in the last quarter. As new orders persisted at record levels, this led to another increase in orders on hand to 300 million euros, or about 35,000 iCombi and iVario appliances, by the end of the year. For our customers, this meant exceptionally long delivery times, which they had never before experienced from RATIONAL. To prepare ourselves in the best possible way for reducing the order backlog and shorten delivery times, production of the iCombi and iVario continued at full capacity. The partially completed appliances were stored at the plants or shipped ahead of time to the largest warehouses overseas. The appliances were finished as soon as the missing electronics components became available.

Higher purchase prices necessitate price adjustments

Additional demand and supply shortages led to sometimes significant, permanent cost increases for primary products, commodities and freight charges. This is why we are seeing significantly higher cost levels for the manufacture of our products. We never adjust selling prices, except in exceptional circumstances. Price rises are normally limited to specific regions in response to special situations in individual markets. This is why, for over a decade, prices have remained virtually unchanged in many markets, even though numerous innovations have continued to improve the products for customers. Since it is becoming apparent that elevated price levels are here to stay, we have increased our selling prices. The higher prices apply as from November 2021 or April 2022.

Focus on customer benefit

RATIONAL aims to offer the greatest possible benefit to customers in commercial kitchens. We achieve this with our intelligent cooking appliances and a varied range of accessories and services.

The majority of RATIONAL's customers are very satisfied and loyal, as was confirmed by the customer satisfaction survey completed in the third quarter of 2021. In collaboration with an external service provider, about 2,700 customers from all customer groups in 15 countries were surveyed online and the Net Promoter Score (NPS), a commonly used customer satisfaction index, was calculated. Our NPS score of 61 puts us among the world's best companies, clearly exceeding the food and beverage industry (NPS of 37) and the manufacturing industry as a whole (NPS of 30). The customers surveyed particularly valued the high quality, reliability and ease of using the products.

Skill shortages in the catering sector

After almost two years of the pandemic, our customers are facing new challenges. Irregular working hours, stress and working on Sundays and public holidays generally make the chef profession very demanding. On top of that, in the course of the crisis many chefs had to spend much of their time in short-time working arrangements or lost their jobs altogether. The new job insecurity prompted many employees to leave the sector for good.

According to information supplied by the German Food, Beverages and Catering Union (Gewerkschaft Nahrung-Genuss-Gaststätten), in the course of the coronavirus crisis, 275,000 employees in the catering and hotel industry in Germany

> "At our French location in Wittenheim, we are currently witnessing the completion of another milestone in the next revolution of the commercial kitchen industry. Just like the combi-steamer at its time, the iVario has the potential to bring fundamental changes to the professional kitchen."
>
> **Dr Peter Stadelmann**
> CEO of RATIONAL AG

alone have changed careers in the past 18 months. As a result, the entire sector is increasingly being affected by a skill shortage.

This situation has already led to significant consequences. The German Hotel and Restaurant Association (Deutscher Hotel- und Gaststättenverband, DEHOGA) says that about 80% of the businesses surveyed in September 2021 indicate that they face major challenges because of the skill shortage. But Germany is not the only country to complain about a lack of jobseekers. The National Restaurant Association (NRA) in the United States also reported in November 2021 that four out of five restaurants have too few staff.

After about two years of the coronavirus crisis, we believe not only that it is our duty to lighten the daily workload of our customers, but that we are now in an even better position to do so: economic pressure, personnel shortages and rising energy prices lead to our modern cooking systems being significantly more efficient than conventional appliances.

By continually enhancing our intelligent cooking systems, we try to minimise the effects of the skill shortage. Even untrained or semi-skilled staff can prepare top-quality meals with an iCombi or iVario. Cooking intelligence can pinpoint the way to the desired cooking result and produces it time and time again. Thanks to the intuitive operating concept, users are guided through all the steps with visual language and clear instructions. The iCombi offers advice and assistance, even in stressful situations. The iProductionManager indicates when best to combine the preparation of what foods, streamlining processes and saving time. In addition, both the iCombi and the iVario are setting new standards in energy efficiency and ergonomics.

Sustainability and digitalisation — customary at RATIONAL

We can contribute most to sustainability by making other companies more sustainable with our products and services. In addition to the iCombi Pro, most iCombi Classic combi-steamers have, since November 2021, also been certified under the internationally acclaimed ENERGY STAR initiative. We had already received this certification for our predecessor models. This underscores our commitment to innovation, seen throughout the entire RATIONAL product range. It also reflects the company's efforts to ensure that we make a decisive contribution to greater sustainability for all our models wherever possible.

The trend towards digitalising and networking appliances is also increasingly permeating the catering sector. We invest in the future of digital services to continue to defend our market leadership for holistic customer solutions. We now employ around 50 people to drive digitalisation in our product development.

Workforce size back at pre-crisis level

In addition to its customer satisfaction ratings, which were again among the highest worldwide in 2021, RATIONAL has other strengths: the company and its employees have looked out for each other throughout the crisis, and this will enable us to master any future challenges together, with commitment and flexibility.

As a socially responsible and sustainable company, we are proud to have successfully steered through 2021 with the help of our U.i.U.s. Special thanks go to our colleagues for working tirelessly on exceptional solutions and helping us in this way to get through the crisis in good shape.

Investing in the future

Thanks to our exceptionally healthy balance sheet and our liquidity buffer, we are ready to face any kind of challenge. Despite the temporarily difficult conditions, we are able to make long-term investments in the future of our company. From new production facilities to the digitalisation of our products, we continuously grow and develop for and with our customers.

We continue to believe in the attractiveness of our cooking systems and the benefits they offer for our customers. In order to continue to set trends in the market, we again invested in RATIONAL's future in 2021.

In the spring of 2021, we inaugurated our new logistics centre at the Landsberg am Lech location after 18 months of construction. Thanks to careful planning and the expertise of the project team, the construction project was completed on time and, with total construction costs of 19 million euros, below budget. Measuring 10,000 m² and featuring 28 loading ramps, the new building provides enough space for further growth.

At our French location in Wittenheim, where the iVario is produced, we started a new construction project in July 2021. Until the iVario was launched in 2020, we concentrated our efforts for this appliance on the European market. For more than a year, the iVario has been available worldwide. Our international market development activities will focus particularly on our largest growth markets, the United States and Asia. In order to meet growing demand, we are investing around 30 million euros in the Wittenheim location. A new production and office building, including a training centre and company restaurant, is being built on around 10,000 m² of space. It is expected to open in the spring of 2023. The expansion of our production locations gives us an opportunity not only to meet growing demand: the new buildings will also allow us to create ergonomic and environment-friendly workplaces. The high proportion of glass in combination with daylight-dependent LED lighting control will enable our U.i.U.s to work in natural light. This is not only energy-efficient, but also creates excellent working conditions. In addition, because of the buildings' efficient, slender and material-saving steel construction, they are highly insulated and therefore extra energy-efficient. Both buildings have heat pumps to provide sustainable heating and cooling. The annual primary energy usage of the Landsberg logistics centre is 81 kWh per square metre, around one quarter less than the value specified by the German Energy Saving Regulation (Energieeinsparungsverordnung).

Dividend of 7.50 euros and special dividend of 2.50 euros proposed

With its dividend policy, RATIONAL has always aimed to let shareholders have an appropriate share of the company's success. Our payout ratio of about 70% puts us in the top group of German index companies. The ordinary dividend proposed by the Supervisory Board and Executive Board is 7.50 euros. In addition, a special dividend of 2.50 euros is to be paid to compensate shareholders partially for the reduction in the dividend in fiscal year 2020. Based on the net profit for 2021, this translates into a distribution ratio of 92%.

Entering a challenging 2022 with commitment

Even if the coronavirus pandemic is brought under control in 2022, its fallout will continue to affect us and our customers. It will therefore remain important for the future to respond flexibly to changing conditions.

Due to the very encouraging business performance of the past few months, we have started the new year with a well-filled order book. By the editorial deadline for this report, the number of orders had increased even further. That gives us a certain amount of planning certainty in a market environment that is otherwise subject to many uncertainties.

The past few weeks have shown that restaurant closures due to the coronavirus are becoming less likely. In particular, we no longer expect comprehensive and long lockdown measures as in spring 2020 or winter 2020/2021 for the year 2022.

We regard it as much more probable that the tense supply chain situation will persist and could have a negative impact on the 2022 fiscal year. We will therefore try to mitigate these risks with suitable means as a way to stabilise business performance. This means we would then try to maintain production of both product groups and retrofit any missing components as soon as possible.

In addition, at the start of 2022, the conflict between Russia and Ukraine escalated. To ensure the safety of our employees and their families, we temporarily suspended business operations in Ukraine at the end of February 2022. We were able to maintain our operations in Russia. The share of sales revenues in the affected regions is around 2% to 3%. If the conflict does not spread, the business impact will be limited to this.

Outlook 2022 — sales revenues expected above pre-crisis levels

Given the broad-based normalisation of the market conditions for our customers, existing pent-up demand in kitchen projects, the positive effect of increasing our selling prices on sales revenues and not least the high level of orders on hand, we expect sales revenues to expand by between 10% and 15% in 2022. This will allow us to reach or slightly exceed the pre-crisis level of sales revenues generated in 2019. Overall, costs are not expected to increase on the same scale, so we anticipate an EBIT margin slightly above the previous year. If the risks in the supply situation materialise, we expect sales revenues to increase more slowly and the EBIT margin to come in below the previous year's level. Depending on the severity of the supply shortages, we would then reassess business performance.

Our particular thanks go to our customers and business partners for remaining loyal to us in the past year, despite the deterioration of the supply situation and despite extended delivery times. We thank you for understanding that in these difficult times we, too, were unable to meet all agreed delivery dates. We apologise to all those for whom these interruptions led to project delays or other disadvantages. Based on our philosophy of customer benefit, we promise you that we will do everything in our power to deliver your iCombi or iVario by the promised deadline in future. We also thank our shareholders for continuing to place their confidence in us in this difficult time.

Dr Peter Stadelmann
CEO of RATIONAL AG

This is how it will look

The new home of the iVario

Over **17,000 m²**
we'll have an innovative customer centre, a factory hall, numerous offices, and a modern company restaurant.

Around
30 million euros
to be invested.

The planned production capacity is around
25,000 iVario
units p.a.

The move is planned for spring
2023

100,000 m²
is the size of the plot.

How it all began

The FRIMA story

1938

84 years ago, Robert Fritsch founded his company in Mulhouse. A company name was quickly found: he simply formed FRIMA out of FRItsch MAschinen. He initially specialised in butchery equipment and sold knives, spices and casings, as well as stainless steel tables and shelves, sausage machines and meat grinders. Later, Fritsch expanded his product range and sold dish-washers, refrigerators and other kitchen appliances.

In the mid-1970s, his two sons Edgar and Norbert took over FRIMA. As a businessman and a technician respec-tively, they complemented each other perfectly. Around 1980, Edgar Fritsch met Siegfried Meister, who had founded RATIONAL in 1973. They agreed that FRIMA would take over the distribution of combi-steamers in France.

Since FRIMA was already quite well known in France, Edgar Fritsch decided to sell the combi-steamers under this name. It was only later when he visited the stand at the Equip'Hotel trade fair in Paris in the 1980s that Siegfried Meister discovered Fritsch had simply stuck a FRIMA sticker over the RATIONAL logo and replaced the nameplate with his own. But it was too late for a change, because the FRIMA brand had developed just as success-fully in France as RATIONAL had in Germany.

“It was a stroke of luck that FRIMA became part of the RATIONAL family. Thanks to our previous, long-standing cooperation, we had already established a very good relationship of trust. This and the combined strengths of both companies have enabled us to make the iVario the success it is today.”

Pascal Gluck
Product Development Wittenheim

1982

In 1982, the company had grown so much that it moved to a new plant in Wittenheim. It wasn't just the sales that took off. In parallel, following the idea of the combi-steamer, a revolutionary product was developed and presented for the first time in 1985: FRIMAX, the first multifunctional cooking appliance based on contact heat. After the Fritsch brothers decided to sell their busi-ness, RATIONAL took over the company in 1992 in order to be able to successfully continue the distribution of combi-steamers in France. The FRIMA and RATIONAL engineers subjected FRIMAX to a precise value analysis and developed a new product generation. The premiere of the ThermoJet took place in 1999. It featured a unique, albeit complex, heating technology. But the groundbreaking thing about it was that you could boil, fry and deep-fry in a single appliance — and all electroni-cally controlled.

1938
Founding of FRIMA

1976 Introduction of CombiSteam

1980 Edgar Fritsch meets Siegfried Meister

1982 Relocation to Wittenheim

1985 Invention of the FRIMAX

1992 FRIMA becomes a 100% RATIONAL subsidiary

1999 Invention of the ThermoJet

The VarioCookingCenter

A new global market emerges

2001
The idea for the VarioCookingCenter is born

2005
Market launch — the first VarioCookingCenter in the world

2006
The 1,000th VarioCookingCenter is built

In 2004, the SelfCookingCenter revolutionised production processes in professional kitchens. In 2005, the RATIONAL subsidiary FRIMA launched a new and revolutionary complementary product, the VarioCookingCenter. While the SelfCookingCenter had already replaced around 50% of conventional cooking appliances, the VarioCookingCenter was able to replace the rest. A completely new market was created.

The two people, who can be described as the "fathers" of the VarioCookingCenter, provide insights into the development process: Chief Technical Officer Peter Wiedemann and Reinhard Waßmus, CTO RATIONAL iVario Product Group.

Peter Wiedemann
Chief Technical Officer

Mr Wiedemann, can you give us some insights into the creation of the VarioCookingCenter?
At the time, we thought about what we still weren't able to cook in the best possible way in a combi-steamer. This is any food that requires contact heat, water or oil. We then came up with a design idea and an innovative heating system, and the result was the VarioCookingCenter.

Did this idea arise out of market pressure because other manufacturers were offering good pan appliances?
No. Nothing new is created when you do something that already exists in principle. You have to analyse the customer wishes and consider which technology will help them meet these needs. We quickly realised that we had to develop something completely new and say goodbye to the previous technology.

Reinhard Waßmus
Chief Technical Officer, iVario Product Group

Mr Waßmus, did you think it would be possible to repeat a success story like that of the combi-steamer with the VarioCookingCenter?
Of course we wanted to build on the success of the combi-steamer with the VarioCookingCenter. And we believed in it too. The VarioCookingCenter was to become a second mainstay for RATIONAL and help our customers just as much as the combi-steamer. At the time, All-in-2 was the name of the success strategy. The development proves us right. Together with ConnectedCooking, the iVario and iCombi form a full professional hot food kitchen. As the subsidiary in Wittenheim, we are very proud that we can make such a big contribution to this.

The VarioCookingCenter

Setting new standards

"The launch of table-top units was a real milestone for us. With its characteristic performance and ease of installation, the VarioCookingCenter has also established itself in smaller restaurant kitchens. After just two years, the VarioCookingCenter 112L even became our bestseller."

Meike Stelljes
Director Strategic Product Management iVario

2005

After it was introduced in 2005, the VarioCookingCenter set new standards on the market. It was up to four times as fast, requiring up to 40% less energy and 70% less water[1]. With the ability to boil, fry and deep-fry in a single appliance, it has become an all-rounder in the kitchen. The cooking intelligence ensured that the best cooking results were achieved. The VarioCookingCenter impressed across the board right from the start, achieving an improvement with the second generation in 2011.

2014

With the introduction of the small 112T table-top unit in 2014 and the larger 112L table-top unit in 2016, we improved access to small kitchens, especially in restaurants. But larger customers were also impressed with the small space requirement, flexibility and variability of the table-top units with two pans.

[1] compared to conventional cooking technology

2012
The 10,000th VarioCookingCenter is built

2014
Market launch of VarioCookingCenter 112T

2016
Market launch of VarioCookingCenter 112L

2017
The 25,000th VarioCookingCenter is built

ConnectedCooking

2017
Introduction of ConnectedCooking

ConnectedCooking enables digital access to iVario and iCombi. For example, recipes can be distributed and cooking programs managed at the click of a mouse. Regardless of where the user is at the moment. In this way, we enable our customers to simplify work processes.

Ahead

FRIMA becomes RATIONAL

When FRIMA joined the RATIONAL family in 2018, it was the logical conclusion of many years of trusting cooperation. The aim, of course, was to continue the success stories of both companies. To this end, the two specialists in thermal food preparation were united under one umbrella brand with joint sales organisations.

The trust in the quality, reliability and service of the RATIONAL brand was to facilitate entry into new markets, thus making the VarioCookingCenter available to more customers worldwide. Above all, the merger meant that existing structures in sales could be used even more efficiently.

For both sides, this was a milestone that paid off: the latest model from Wittenheim, the iVario, was able to assert itself on the market just a few months after its launch and has been spoiled by success ever since.

“The merger of FRIMA and RATIONAL brought two worlds closer together. Something like this is never easy and must be accompanied at both the administrative as well as the human level. We each discovered a different product, learned new working methods and reinforced our common interest in customer benefits. This further strengthened the good cooperation on both sides.”

Karine Albert-Marboeuf
HR Director France

“In 13 subprojects, more than 300 colleagues from different areas participated in the ‘Ahead’ project, discussing, exchanging ideas and sometimes even arguing. But everyone had the same goal: united under one roof — RATIONAL.”

Michael Fuchs
Global Process Owner Order-to-Cash
(until 2019 CEO FRIMA International)

2019
Start of pan manufacturing in Landsberg am Lech

2019
New VarioCookingCenter live concept

iVario Pro

Unusual — in every respect

It looks like an ordinary tilting pan, but can do much more: boiling, frying, deep-frying and pressure cooking — the iVario Pro replaces tilting pans, boilers and pressure cooking appliances as well as pots, griddles, pans, pressure cookers, deep-fat fryers and bain marie. Its unique heating technology combines power with precision. Because it has the power. Because it has intelligent cooking assistants, which think, learn and support. Because it is up to 4 times as fast, requires up to 40% less energy and saves a lot of space. Or in other words: because it can. For outstanding food quality without checking or supervision.

Best working conditions
The iVario Pro makes the kitchen ergonomic, safe and efficient. Good for the working day and good for your health.

Maximum flexibility
iZoneControl can prepare different dishes in four zones at the same time. This turns the iVario into many iVario with more freedom and flexibility.

Effective energy management
iVarioBoost takes the heat energy you need to where it's needed.

Intuitive operating concept
Simple, logical and efficient. Working with the iVario Pro is effortless and fun, right from the start.

Speed
The pressure cooking function enables up to 35% shorter cooking times and makes the iVario Pro quick and convenient to use.

2020
Market launch of the iVario Pro

Thomas Hoch
Chief Product Officer
iVario Product Group

Mr Hoch, as Chief Product Officer, you play a key role in the success of the iVario. What are you most proud of?
If you look at the big picture, we make a significant contribution with the iVario to improving sustainability in professional kitchens around the world. With the new generation of cooking systems, we offer our customers the latest technology to run an efficient kitchen and create varied dishes. The basis for this is our teamwork between product management and product development, who understand the customer requirements in detail and translate them into concrete customer benefits. That is exactly what we have succeeded in doing, as you can see from the very good demand.

What did the customers particularly like about the new iVario?
We also launched the iVario in North America and Asia in 2020, so we are now getting feedback from all over the world. Customers who primarily use the iVario for production, e.g. in industry catering, are pleased with the significantly increased productivity and reduced connected load. The iVario is a real benchmark in terms of speed. Because there are fewer and fewer trained chefs, the functions that enable more ergonomic work, and thus make life in kitchens easier, are particularly appreciated. This also means that it is easier to install and clean.

For small kitchens, the iVario together with the iCombi is the heart of the hot food kitchen, e.g. in restaurant kitchens. Conventional appliances such as pots, griddles, pans, pressure cookers, deep-fat fryers and bain marie can easily be replaced. We are continuously developing the cooking systems. They are now faster, consume less energy and control the temperature even more precisely. The iVario can be used in many different ways and always guarantees excellent cooking results. Of course, this inspires the users, and is the key to the success of the iVario.

The new iVario

Enthusiastic customers

2020
The new iVario — enthusiastic customers

The Lollo restaurant in Freiburg is a real hotspot, especially for young people. Stylish, colourful, edgy, regional, trendy, cosy, modern, and personal, as owners Stefanie and Frédéric Zindler describe it on the website. For the little hunger pang, for vegetarian vittles, for take away when time is short or for a sit-down meal when there's time to linger — before work or afterwards, for breakfast or for lunch.

Customers are impressed at any time of the day and at various occasions with a wide range of high-quality dishes. When it comes to cooking, restaurateurs only have one thing in mind: the highest quality. This starts with the ingredients and extends beyond the kitchen. RATIONAL products ensure smooth processes, a high degree of efficiency and the best food quality.

Stefanie and Frédéric Zindler

Owners of "Lollo", Freiburg, Germany

"My absolute childhood dream — while everyone else wanted to become an astronaut or a pilot — was to be a restaurateur. So the Lollo, as it stands now, was actually born in Montreal. A little shop and a huge queue outside.

And there we sat and said: let's open a breakfast shop in Germany. We travelled the world for 20 months and what we definitely brought back with us was food. I love putting together very simple things from just a few ingredients and creating something to get people saying: wow, how awesome.

In the end, this only works if you have kitchen equipment you can rely on. When I describe the iVario to someone, I always say it's our right and left hand in the kitchen. In retrospect, I think I can say that without the iVario we would not have been able to grow as we did. Whether it's breakfast, lunch or dinner, this unit is everything for us. And in 7.5 years we haven't had a single failure, that has to be said."

> "With the iVario, I have a system that keeps all my options open and lets me decide every day which specialities I want to offer. In addition, the majority of the dishes can be prepared without supervision and control, leaving more time for the details."
>
> **Frédéric Zindler**
> Owner of Café Lollo, Freiburg, Germany

We're celebrating

The 50,000th Vario

A great day for RATIONAL Wittenheim: the 50,000th Vario was delivered at the end of June. A great success and proof of the great popularity of this all-rounder. On 21 June 2021, this was honoured with a celebratory reception at the Wittenheim site. The milestone unit was installed in Verdun, France, at Le Bistro d'Elo. As head chef Elodie Louvet is alone in the kitchen, she chose a combination of iVario and iCombi Pro. She knew that her work would change fundamentally.

The 50,000th unit was manufactured by a real old hand in Wittenheim. Thonlay Khounkeomanivong joined FRIMA in Wittenheim in 1992 and has been actively involved in all development steps ever since.

In this interview, we introduce the man who has been there for every milestone unit.

Thonlay Khounkeomanivong
RATIONAL Wittenheim, Assembly

What is your educational and professional background and how long have you been with RATIONAL?
I came to France in 1985 and first worked in my family's Asian grocery store. In 1992, I joined FRIMA as a polisher. At the same time, I completed an evening course in electrical engineering. After successfully completing my studies, I was able to work as an electrician in 2005.

What do you like about RATIONAL?
I love the working environment and my colleagues, who appreciate me as I am. It is also particularly important to me to be able to work independently. I am happy that I can give my best every day.

When did you find out that you built the 50,000th Vario?
Our production manager told me at the end of May. I didn't expect it at all and I'm very happy about this opportunity. I have been there for all the anniversaries. And to now have produced the 50,000th Vario is indescribable.

Two more personal questions to finish: what is your favourite food and what are your hobbies?
My favourite food is my mother's Lao specialities, such as Lao tartar and sticky rice. In my free time, I am involved in the "Alsace Laos" association, a project that is very close to my heart. We have founded schools in Laos. I like to travel with friends and family and love to play Seprak Takraw. This is a typical Asian sport. The rules are very similar to volleyball except that you may play the ball with any part of your body except your hands.

"I'm looking forward to using my new iVario for the first time and feel like I'm waiting for my Christmas present."

Elodie Louvet
Chef, Le Bistro d'Elo, Verdun

2021
The 50,000th Vario is built

New plant

RATIONAL Wittenheim on a wave of success

2023

Another big day for RATIONAL in Wittenheim: the construction of the new plant began almost simultaneously with the delivery of the 50,000th Vario.

In Wittenheim, production, offices, training centres and the company restaurant will be located in a 10,000 m² sustainable building starting in spring 2023. Production facilities within the existing property were first expanded in 2015. Now, the capacity needs to be expanded again in order to meet the growing demand.

The site expansion started in June 2019. The general planning extends until 2045. The company will invest a total of 30 million euros in the new building, creating a production capacity of 25,000 units per year. RATIONAL is taking advantage of this unique opportunity by constructing a sustainable building. For example, the efficient, slim and material-saving steel construction will be highly insulated and thus extremely energy-efficient. In addition, it will be cooled and heated by a heat pump. Intelligent, daylight-dependent LED lighting control with separate lighting zones saves energy and the high proportion of glass in the facade will ensure the best possible working conditions.

“Our customers love the iVario. I believe that it will be a success story similar to that of the combi-steamer. We are pleased that the foundations are being laid in Wittenheim to meet the high demand expected.”

Simon Lohse
Area Vice President Americas

“I first came into contact with RATIONAL in 2018 as a project manager at the architectural firm. I was quickly able to work independently, make decisions and introduce and implement my own suggestions and ideas. Developing a functional, visually appealing and energy-efficient building concept was a task that I was happy to take on. So of course when the offer for a permanent position came up, I didn't hesitate. I am pleased to be part of the larger RATIONAL family.”

Anneke Schreier
Head of Infrastructure Management Wittenheim

From left to right: Thomas Hoch, Marco Geiler (both RATIONAL Wittenheim), Jörg Walter (CFO), Markus Paschmann (CSO), Peter Wiedemann (CTO), Reinhard Waßmus (RATIONAL Wittenheim), Veith Adelmann (RATIONAL France)

RATIONAL Shares

Compared to the issue price at the time of the IPO in March 2000, RATIONAL shares have increased by a factor of 39[1]. Shareholders of the first hour, therefore, can be delighted about an average annual price appreciation of more than 18%. Taking into account paid out dividends, the average annual return is higher at more than 21%.

21%

Average annual return[1] for RATIONAL shareholders since the IPO (including dividends)

[1] Based on the 2021 year-end closing price

RATIONAL Shares

Stock exchanges had to deal with both positive and negative prospects in 2021. Uncertainty about the short- and medium-term effects of the pandemic and global supply shortages made it hard for investors.

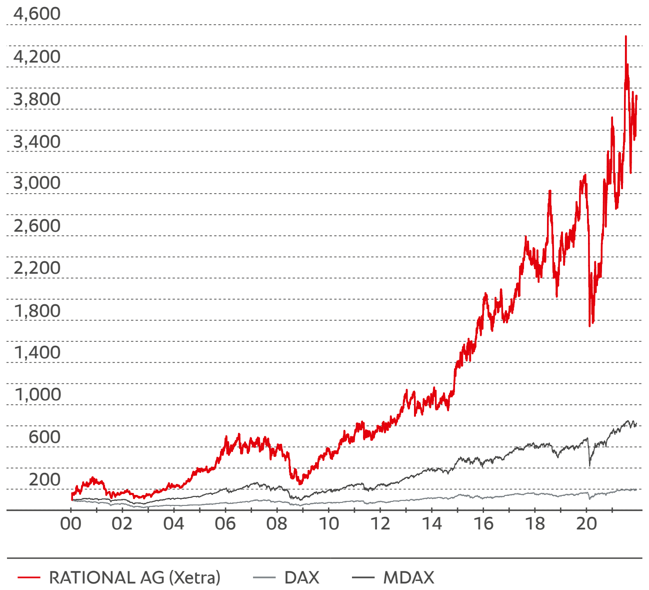
After a contraction of 3.1% in the global economy in 2020, economists had a positive outlook on the future. The International Monetary Fund expected growth of 5.9% in 2021. Helped by the rapid rollout of vaccines and government support programmes, industrialised countries in particular were able to start their recovery from the crisis as early as the first quarter.

However, the economic recovery also highlighted the downside of a rapid upswing. This was especially true for the production of primary products and components, which failed to keep pace with rising demand. During the pandemic, contact restrictions led many plants to close or significantly scale back production. In addition, ports and plants in developing countries were regularly affected by closures. As a result of these developments, there were growing complaints about shortages of materials and rising prices in many industries. What is more, inflation fears, combined with concerns about further coronavirus variants and outbreaks, fuelled worries about economic stagflation.

Despite the circumstances described above, the German benchmark indices relevant to RATIONAL had a robust performance. The euphoria of the first six months faded somewhat amid growing uncertainty as the year went on, leading to sideways moves on the DAX and MDAX. The relevant benchmark indices nevertheless recorded new all-time highs in 2021. At the end of November, the Omicron variant led to fresh uncertainty on the capital markets, which was reflected in share price developments. Because of this, the indices closed the past year down from the record highs they had reached during the year. The DAX closed 2021 up 16% at 15,885 points, while the MDAX ended the year up 14% at 35,123 points.

Performance of RATIONAL shares since the IPO in 2000

Index (issue price 23.00 EUR = 100); in %
Year-end closing price: 900.40 EUR



The performance of RATIONAL shares was significantly more volatile in 2021 than that of the benchmark indices, although they ended the year with slightly higher gains. In the first quarter of 2021, RATIONAL shares came under increasing selling pressure, responding to poor business prospects and the resulting ad-hoc disclosure; they reached their lowest price for the year, 654.50 euros, on 19 March 2021. Once the turning point for new orders had been reached and sales revenues and EBIT improved significantly in March 2021, share prices benefited in the short term and, for a time, were able to catch up to the benchmark indices. On the day the six-month report was published (5 August 2021), RATIONAL shares marked a new all-time high of 1,029.50 euros, significantly outperforming the DAX and MDAX. These gains were supported by, among other factors, an ad-hoc disclosure, which also included a forecast upgrade in July 2021.

RATIONAL shares underwent another significant price correction, when, at the end of the third quarter, clear signs of supply shortages of electronic components began to appear and the first closures of catering outlets in some countries dampened the outlook for the industry. Following volatile movements until the end of the year, the share price closed the year at 900.40 euros as at the balance sheet date (31 December 2021). Compared to the 2020 year-end closing price of 761.50 euros, the share price rose by about 18%. Taking into account the distribution of a dividend of 4.80 euros for fiscal year 2020, the return for 2021 is about 19%. As at the balance sheet date, RATIONAL AG's market capitalisation stood at around 10 billion euros.

Stable long-term share performance thanks to sustainable corporate strategy

Our shareholders' confidence is founded on our company's strategy, which is geared towards the long term and focussed on sustainability. This forms the basis for our growth and earnings power. This is evidenced by the traditionally high valuation — measured by the price-earnings (P/E) ratio — compared to the relevant reference indices. For this reason, RATIONAL AG shares are popular with investors — despite their high volatility.

Compared to the issue price at the time of the IPO in March 2000, the share price has increased by a factor of 39 (+3,815%). This corresponds to an average annual price increase of 18%. Furthermore, dividends of 107.05 euros per share have been paid out to shareholders since the time of the IPO. This means that shareholders who invested in the company right from the start are now receiving an overall return of approximately 21% per annum.

Historical development of RATIONAL shares and relevant benchmark indices on 30 December 2021

in %

	1 year	3 years	5 years	Since IPO
RATIONAL AG (share price performance)	+18	+82	+112	3,815
RATIONAL AG (incl. dividends)[1]	+19	+88	+129	6,558
DAX 30	+16	+50	+38	100
MDAX	+14	+63	+58	722

[1] Assumption: reinvestment of dividends at the opening price of the respective ex-dividend date

RATIONAL on the MDAX

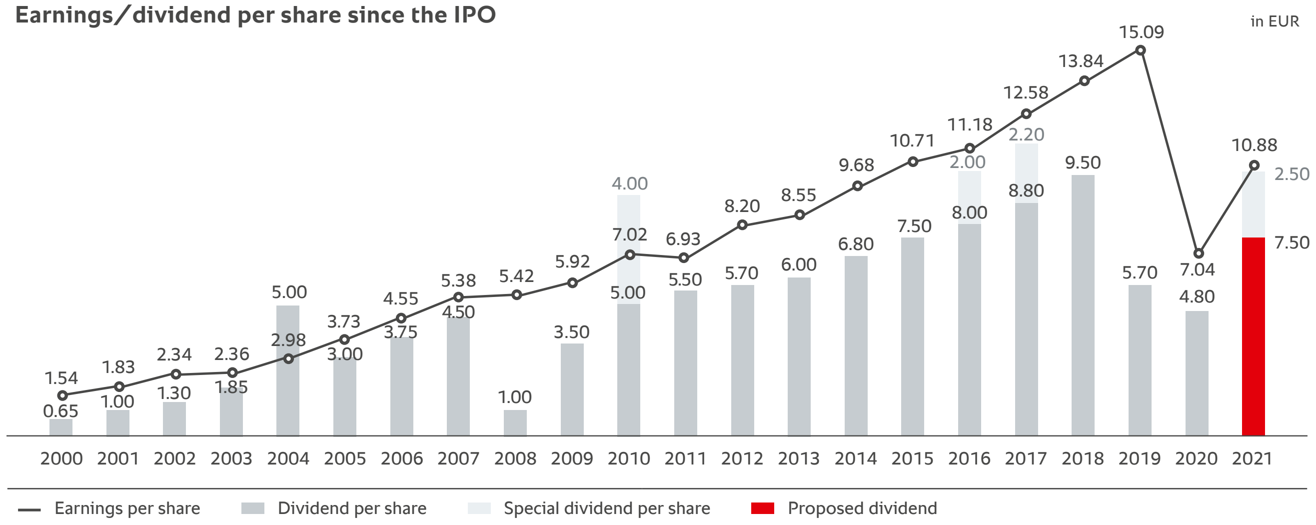
Our shares have been listed in the Prime Standard since the IPO, and are traded in all German stock exchange centres. The shares have been included in the MDAX since September 2019. Deutsche Börse resolved the reform of the DAX Selection Indices in 2021, which led to the expansion of the DAX from 30 to 40 constituents as well as stricter quality requirements and a revised inclusion process. For promotions and relegations between the DAX, MDAX and SDAX, market capitalisation will be the decisive criterion. Other important requirements include more stringent supervisory and reporting obligations, a mandatory requirement for an audit committee in the Supervisory Board, and a minimum liquidity threshold. Companies will only be eligible for inclusion in the DAX if they have shown an operating profit in the last two financial reports preceding promotion to the DAX. Given these criteria, we believe that it is probable that RATIONAL will remain in the MDAX.

The average daily Xetra trading volume of RATIONAL shares was 11,401 shares in 2021 (2020: 29,289 shares). To support the liquidity of the shares, HSBC Trinkaus & Burkhardt AG acted as the designated sponsor in the year under review. The tradability of RATIONAL shares has been upgraded through ADRs (American Depositary Receipts) for investors in the US capital market. ADRs are depositary receipts for non-US shares, which can be traded on US equity markets via a depositary bank instead of the original securities. No depositary agreement exists between RATIONAL and the Citigroup depositary bank ("unsponsored ADRs"), so the arrangement does not give rise to any follow-up obligations for RATIONAL.

Earnings per share

At 10.88 euros, earnings per share were significantly up on the crisis year of 2020 (7.04 euros). This performance was mainly driven by the sharp rise in sales revenues, combined with a lower rate of increase in operating costs. The number of shares issued remains unchanged at 11,370,000. No dilution effects occurred.

Earnings/dividend per share since the IPO



RATIONAL shares — key figures

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Number of shares[1] (in millions)	**11.37**	11.37	11.37	11.37	11.37	11.37	11.37	11.37	11.37	11.37
Year-end closing price[2] (in EUR)	**900.40**	761.50	717.00	496.00	537.20	424.00	419.90	259.75	241.10	218.00
Market capitalisation[1,2] (in m EUR)	**10,238**	8,658	8,152	5,640	6,108	4,821	4,774	2,953	2,741	2,479
Free-float market capitalisation[1,2] (in m EUR)	**4,591**	3,883	2,846	1,641	2,739	1,403	1,392	861	800	723
Average trading volume[2] (in shares)	**11,401**	29,289	8,582	6,391	6,824	6,222	5,449	6,883	6,746	6,085
Dividend per share for fiscal year[4] (in EUR)	**10.00**	4.80	5.70	9.50	11.00	10.00	7.50	6.80	6.00	5.70
Dividend yield[3] (in %)	**1.1**	0.6	0.8	1.9	2.0	2.4	1.8	2.6	2.5	2.6
Annual performance excluding dividend (in %)	**18.2**	6.2	44.6	−7.7	26.7	1.0	61.7	7.7	10.6	29.6
Annual performance including dividend (in %)	**19.0**	7.0	46.5	−5.6	29.1	2.8	64.3	10.2	13.2	32.9
Price-to-sales ratio[1,3]	**13.1**	13.3	9.7	7.3	8.7	7.9	8.5	5.9	5.9	5.7
Price-earnings ratio[1,3]	**82.8**	108.1	47.5	35.8	42.7	37.9	39.2	26.8	28.2	26.6
Price-cash flow ratio[1,3]	**59.6**	93.4	41.0	39.1	41.9	37.2	33.4	26.3	26.7	22.2

[1] As of balance sheet date [2] Xetra [3] In relation to the year-end closing price [4] Payout in the following year; 2021 dividend subject to approval by the 2022 General Meeting of Shareholders; 2016, 2017 and 2021 include a special dividend of 2.00 euros/2.20 euros/2.50 euros respectively Source: vwd, RATIONAL

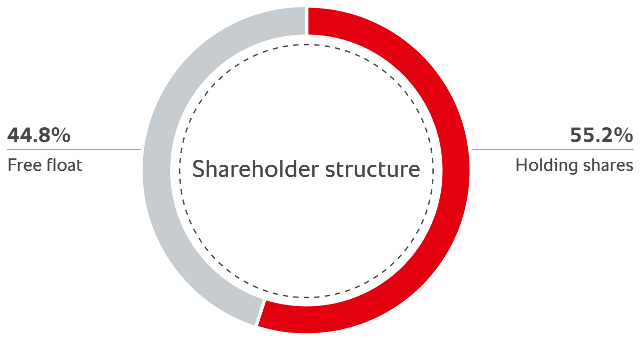
Dividend of 7.50 euros and special dividend of 2.50 euros proposed

It has become a tradition to let our shareholders have an appropriate share of the company's success. Due to existing uncertainty caused by the coronavirus crisis and lower earnings in fiscal year 2020 as a result of the crisis, the past two distributions were at a lower absolute level. Thanks to commercial prudence and a conservative dividend policy, we have retained sufficient liquidity in the company and have been able to emerge from the crisis in a stronger position.

In view of the good order situation and improved prospects for the future, the Executive Board and Supervisory Board are particularly pleased to propose to our shareholders a dividend of 7.50 euros per share. In addition, with a special dividend of 2.50 euros per share, we want to thank all shareholders for their support and confidence during this exceptional time.

A total amount of 113.7 million euros has been set aside for the distribution. Even after the dividend payment, the company will retain an adequate liquidity reserve. The dividend yield (based on the 2021 closing price) is 1.1%.

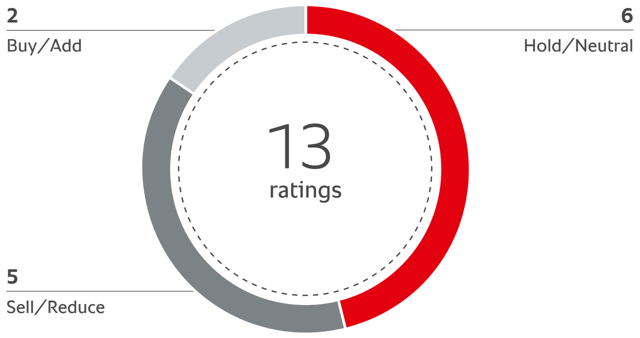
The shareholder structure



Status: 1 March 2022

As at the balance sheet date, the proportion of shares held in fixed ownership as defined by Deutsche Börse was 55.2% (2020: 55.2%) while the free float stood at 44.8% (2020: 44.8%). There are no outstanding stock option schemes or convertible bonds that could dilute the shareholding.

Current analysts' ratings



Status: 1 March 2022

At present, 13 institutes publish detailed analyses of RATIONAL AG. All equity analysts are convinced of the company's sustained exceptional earnings power and quality. Most analysts, however, recommend holding or selling the shares at the current valuation level. The mean price target is at around 740 euros. Varying assessments of short-term trends in the market situation, the effects of the supply shortages and the risk of further restrictions on our end customers were the main reasons for the divergent analyst price targets. Moreover, the share price is already close to the pre-crisis level, despite lower earnings.

Interested investors can find the latest ratings and investment recommendations under Investor Relations/Share/Analysts ratings at rational-online.com.

Comprehensive capital market communication

The capital markets' demand for information, in particular among professional and private investors, is especially high in times of stock market turbulence. Our own mission is to work together with our shareholders in a spirit of partnership at all times. We are committed to making financial information available openly and transparently as a matter of course.

In 2021, management spent 11 days at virtual roadshows and capital market conferences. All events were held online in the year under review because safety and hygiene regulations meant that physical events had to be cancelled. To accompany the publication of our annual figures, we informed the public at an annual results press conference and at analysts' conferences, all held as virtual events. In addition, the Executive Board was available to answer questions from analysts and investors after the presentation of quarterly and annual figures. The latest trends were explained and questions were answered in numerous telephone conferences.

Following the positive feedback on the first virtual Analysts' Day 2020 — and because such an event is easier to plan — the Analysts' Day in the fiscal year under review was again held online. After completion of the logistics centre in the spring of 2021, we proudly introduced analysts and investors to our Landsberg am Lech site by giving them a virtual tour of the plant, followed by a question-and-answer session.

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

RATIONAL shares — basic information

ISIN (International Security Identification Number)	DE0007010803
WKN	701 080
Market abbreviation	RAA
Stock exchange centres	Frankfurt, Munich, Stuttgart, Berlin/Bremen, Düsseldorf, Hamburg/Hanover
Market segment	Regulated market
Transparency level	Prime Standard
Membership of important indices	QIX Deutschland, MDAX, CDAX, Classic All Share, DAXglobal Sarasin Sustainability Germany Index, DAXPLUS FAMILY 30, DAXsector All Industrial, DAXsector Industrial, DAXsubsector All Industrial Products & Services, DAXsubsector Industrial Products & Services, Prime All Share (Deutsche Börse), MSCI Deutschland, DAX 50 ESG
Unsponsored ADRs (American Depositary Receipts)	Custodian: Citigroup Global Markets DR ticker: RATIY/DR ISIN: US75410B1017
End of fiscal year	31 December
Accounting principles	IFRS
Flotation	3 March 2000
Designated sponsor	HSBC Trinkaus & Burkhardt AG

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

Here follows the declaration of corporate governance pursuant to sections 289f and 315d of the HGB, in which the Executive Board's and Supervisory Boards report on corporate governance at RATIONAL in accordance with principle 22 of the German Corporate Governance Code, as amended on 16 December 2019. 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 2021 can be found under Investor Relations on RATIONAL's website (rational-online.com) and in the 2021 Annual Report. The auditors' opinion pursuant to section 162 of the AktG, the applicable remuneration system pursuant to section 87a (1) and (2) sentence 1 of the AktG and the latest remuneration resolution pursuant to section 113 (3) of the AktG are also publicly available under Investor Relations on RATIONAL's website (rational-online.com).

Key corporate governance practices and compliance
Responsible, sustainable, and socially aware actions have always been a basic element of the corporate culture of RATIONAL AG and a foundation of the company's success. This includes integrity in dealings with customers, employees, business partners, shareholders, and the public.

By compliance, RATIONAL understands adherence to legislation, laws and the Articles of Association, together with observance of other internal regulations. RATIONAL AG continued to develop its own corporate governance in fiscal year 2021. RATIONAL largely complied with the recommendations of the German Corporate Governance Code. Where RATIONAL AG departs from the recommendations of the Code, this is reported in the following declaration of conformity. Other voluntary commitments exist in the form of compliance agreements with a number of our chain customers. The Company has developed a comprehensive philosophy and has management principles that are set down in writing. It also has a Code of Conduct that applies throughout the Group. The corporate philosophy stresses the self-image of the Company, its executive bodies and employees. There are also recommendations on how to behave in dealings with customers, partners and colleagues. All new employees receive training on this issue.

The Compliance organisation is continuously enhanced. The starting point for compliance activities is the RATIONAL AG Code of Conduct, which has been summarised in the form of RATIONAL rules of conduct in business and communicated throughout the Company. A RATIONAL compliance team was set up and a Compliance Officer appointed for the entire RATIONAL Group.

All employees at the RATIONAL Group receive training on compliance topics. Employees with computer access must also pass a test.

On the basis of the results of compliance risk analyses carried out in different company divisions, actions were defined to counter all material compliance risks. In addition to applicable internal compliance rules, these measures also include cooperation with qualified local partners. Moreover, the local requirements for a compliance programme are continuously monitored in countries where RATIONAL has its own subsidiaries and employees and, where necessary, adapted to the existing compliance programme.

An audit of the risk management system and the design of the compliance management system in accordance with the auditing standards of the Institute of Public Auditors in Germany confirmed the functional capability of both systems.

In 2021, 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. To ensure that ESG goals are met consistently, another unit will be created to this end in 2022, and a system for ESG KPIs will be developed as the first priority. Because of the importance of this issue, the team will organisationally report to the CEO.

Management bodies of the company
RATIONAL AG is an Aktiengesellschaft (joint stock corporation) under German law. A basic principle of German corporation law is the dual system of management, comprising an executive board and a supervisory board, each of which has its own autonomous areas of responsibility.

Cooperation between Executive Board and Supervisory Board
The Executive Board and Supervisory Board of RATIONAL AG cooperate closely and on a basis of trust in the management and monitoring of the company. Full details of the cooperation between the Executive Board and the Supervisory Board are given in the Supervisory Board's report.

The Executive Board and its working methods
The members of the Executive Board bear joint responsibility for the overall management of the company. They cooperate closely with one another and exchange information about important actions and procedures taking place within their divisions. Each member of the Executive Board is responsible for the divisions assigned to them on the basis of Executive Board resolutions. The Executive Board generally reaches decisions in meetings, which are held every two weeks. In addition, every member of the Executive Board can call a meeting by announcing the item on the agenda. Likewise, every member can request that a topic be included in the agenda for a meeting. 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.

Composition of the Executive Board
The Executive Board of RATIONAL AG can consist of one or more persons. It had four members as at the balance sheet date. The assignment of division responsibility to the individual members is detailed in the executive organisation chart. 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 (Chairman and CEO), Peter Wiedemann (Chief Technical Officer), Markus Paschmann (Chief Sales Officer) and Jörg Walter (Chief Financial Officer).

The Supervisory Board appointed Mr Walter to the Executive Board for a period of three years effective 1 March 2021; he took over the role of Chief Financial Officer from Dr Stadelmann, who had performed it on an interim basis.

In addition, the Supervisory Board extended Mr Paschmann's employment contract as Chief Sales Officer by another five years as from 1 March 2021.

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.

The members of the Executive Board do not perform any Supervisory Board duties in other listed companies.

No conflicts of interest occurred among Executive Board members in the past fiscal year.

The Supervisory Board and its working methods
The Supervisory Board advises and monitors the Executive Board in the management of the company. It 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, the latest one in June 2021, by surveying its members by means of a questionnaire and a subsequent discussion in order to gauge the effectiveness of the work of the Supervisory Board and its committees and identify potential improvements.

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

Formation of Supervisory Board committees
The Supervisory Board has established professionally qualified committees to prepare meeting content for plenary meetings of the Supervisory Board. The members of the Audit Committee are Dr Hans Maerz (Committee Chairman), Mr Walter Kurtz and Mr Erich Baumgärtner. The Audit Committee mainly prepares the negotiations and resolutions of the Supervisory Board on all issues relating to the accounting, especially the annual financial statements, and resolves a recommendation for the Supervisory Board's proposal to the General Meeting of Shareholders for the election of the auditor. A Technology Committee was also established, which deals with and prepares technical topics for the full Supervisory Board. Its members are Dr Georg Sick (Committee Chairman), Mr Walter Kurtz and Dr Johannes Würbser.

The Supervisory Board does not believe that the establishment of a nomination committee is necessary. With a seven-member Supervisory Board, efficient discussions and lively exchanges of views on suitable candidates for nomination by the Supervisory Board to the General Meeting of Shareholders can also be held in the plenary session. Moreover, the fact that the Supervisory Board of RATIONAL AG is not subject to co-determination obviates the need to form a nomination committee that consists exclusively of shareholder representatives.

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

Composition of the Supervisory Board
Under the Articles of Association, as amended by resolution of the General Meeting of Shareholders on 15 May 2019, the Supervisory Board of RATIONAL AG has seven members who are elected by the shareholders.

Mr Walter Kurtz is the Chairman of the Supervisory Board and Dr Hans Maerz is his deputy. Also on the Supervisory Board are Mr Erich Baumgärtner, Dr Johannes Würbser, Dr Gerd Lintz, Mr Werner Schwind and Dr Sick, proven experts in finance, business law, sales and technology. The CVs of Supervisory Board members have been published on our website.

This body has six members (Dr Hans Maerz, Mr Erich Baumgärtner, Dr Gerd Lintz, Mr Werner Schwind, Dr Georg Sick, Dr Johannes Würbser) who are independent of the company and its Executive Board, and the Supervisory Board considers this to be a sufficient number. The Supervisory Board also considers Mr Erich Baumgärtner independent of the company and its Executive Board. Mr Baumgärtner was already elected to the Supervisory Board with effect from 1 January 2017 and therefore before the end of a two-year period after leaving the Executive Board at the end of 2015, meaning that one of the dependence indicators within the meaning of recommendation C.7 of the Code applies. However, a period of six years has now passed since Mr Baumgärtner left the Executive Board, so that sufficient time has elapsed since Mr Baumgärtner's previous engagement as a member of the Executive Board. Moreover, during his term of office as a member of the Supervisory Board, Mr Baumgärtner has sufficiently demonstrated that there is no risk of any undue influence by a former member of the Executive Board over the new Executive Board to cover up any irregularities of his own, which the recommendation of the Code seeks to prevent.

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

No conflicts of interest occurred among Supervisory Board members in the past fiscal year.

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 increasing the percentage of women in the Supervisory Board, Executive Board and on the two management levels below the Executive Board as well as to set deadlines for attaining these targets.

In fiscal year 2017, the Executive Board and Supervisory Board of RATIONAL AG set themselves the following targets for the proportion of women in executive positions, thereby meeting their legal obligations:

- For the Supervisory Board, a target of 0% has been specified for the proportion of women.
- For the Executive Board, a target of 0% has been specified for the proportion of women.
- For the first management level below the Executive Board, a target of 16.7%, or three women, in executive positions has been specified for the proportion of women.
- For the second management level below the Executive Board, a target of 30.0%, or 11 women, in executive positions has been specified for the proportion of women.
- The deadline for meeting these targets is 30 June 2022.

The targets specified for the Executive Board, the Supervisory Board and the first management level below the Executive Board were met in the reporting period.

For the second management level below the Executive Board, the absolute target of 11 women in executive positions was met. Due to restructuring, this was slightly below the relative target of 30.0% (29.3%).

Diversity concept
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, national identity and educational and professional background have not been and will not be of any consequence for these decisions. The intention is to continue to abide by this policy in future. Nevertheless, the Supervisory Board pursues the objective to continually enhance the composition, and therefore the skills and experience, of the Executive Board and Supervisory Board and to maintain an appropriate balance of continuity and renewal. The Executive Board and Supervisory Board as a whole must have the knowledge, skills and experience required to discharge their duties properly.

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

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

Accounting and auditing
In accordance with legal requirements, there was a change of audit firm in 2021. On 12 May 2021, the General Meeting of Shareholders appointed Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, as auditors of the financial statements and the consolidated financial statements for fiscal year 2021. The audit contract was awarded by the Supervisory Board.

The change of auditor was carefully prepared and reviewed by the Supervisory Board. Prior to the proposal being submitted to the General Meeting of Shareholders, the Supervisory Board obtained a declaration from the auditors on their personal and business relationships with the company. This gave no rise to any objections. The Supervisory Board agreed with the auditors that the Chairman of the Supervisory Board would be notified immediately about disqualification or reasons for bias during the audit.

The auditors are additionally required to report separately on any major weaknesses detected during the audit in the accounting-related internal control and risk management system.

The lead auditor of the 2021 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 27 January 2022 is printed below. This declaration of conformity and all previous declarations of conformity are published on our website. The recommendations of the Government Commission for a German Corporate Governance Code, as amended on 16 December 2019 and published in the official section of the Federal Gazette on 20 March 2020, were complied with in the reporting period and continue to be complied with, with the exception of the recommendations itemised below for the reasons specified there:

B. Appointments to the Management Board

Recommendation B.1 of the Code: "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 1 of the Code: "… while taking the principle of diversity into account."

Recommendation C.2 of the Code: "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 and guarantees that the Executive Board is effectively monitored and advised. The candidates for election to the Supervisory Board are selected exclusively on the basis of knowledge, skills and experience. Other attributes such as gender or national identity have not been and will not be of any consequence. No age limit has been set for members of the Supervisory Board. 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 of the Code: "The Chair of the Supervisory Board, the Chair of the Audit Committee, as well as the Chair of the committee that addresses Management Board remuneration, shall be independent from the company and the Management Board."

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

D. Supervisory Board Procedures:

I. Rules of procedure

Recommendation D.1 of the Code: "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.

II. Cooperation within the Supervisory Board and with the Management Board

2. Supervisory Board committees

Recommendation D.5 of the Code: "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 of the Code: "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 of the Code: "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. In 2021, before the new remuneration system entered into force, the Supervisory Board resolved in view of the exceptional situation of the coronavirus pandemic to depart by way of exception from the performance criteria set originally in the determination of variable remuneration for fiscal year 2020 in order to adequately reward outstanding crisis management performance undertaken to secure the company's long-term success.

Recommendation G.10 of the Code: "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 2022

RATIONAL AG

Walter Kurtz	**Dr Peter Stadelmann**
for the Supervisory Board	for the Executive Board

Report by the Supervisory Board

Dear Shareholders,

2021 was dominated by the coronavirus crisis and global supply shortages. Even more so than usual, corporate governance under these difficult conditions focussed on flexibly adapting the company to the rapidly changing market and environmental conditions. In 2021, RATIONAL's employees demonstrated once again their exceptional power and endurance. Customer satisfaction was again given top ratings. Supply shortages for electronics components were the only factor preventing an even better recovery after 2020, the first year of the pandemic.

Dialogue and communication as a basis for advice and monitoring

In fiscal year 2021, we performed the tasks incumbent upon the Supervisory Board by law and by the Articles of Association. We regularly advised the Executive Board on the management of the company and monitored its activities. The Supervisory Board was directly involved in all decisions of strategic importance to the RATIONAL Group. Cooperation between the Executive Board and the Supervisory Board was characterised by comprehensive, timely and regular communication, both written and verbal. The Executive Board also reported on major transactions outside the regular meetings. The Supervisory Board received monthly reports on the effects of the pandemic and the protection measures and on market developments, the competitive situation, and the company's marketing, sales and profit trends. In addition, the Supervisory Board and the Chairman of the Supervisory Board took steps to ensure that at all times it was informed about the current business situation, significant transactions and important decisions by the Executive Board. With this aim in mind, the Supervisory Board was in close and regular contact with all members of the Executive Board to exchange information and ideas.

Where called for by law, the Articles of Association and rules of procedure, the Supervisory Board voted, following detailed consultation and scrutiny, on the reports and draft resolutions of the Executive Board. All transactions requiring consent were carefully reviewed.

Consultations in the Supervisory Board

The Supervisory Board held twelve meetings in 2021. In 2022, one further meeting was held before the meeting of the Supervisory Board on 2 March 2022 to adopt the financial statements. The members of the Supervisory Board also consulted each other in writing, by telephone and video conference, and held twelve other internal meetings and four meetings of the Audit Committee in fiscal 2021. The Technology Committee met five times.

With the exception of Mr Erich Baumgärtner and Dr Gerd Lintz, who were each unable to attend one meeting, all members of the Supervisory Board were present at all Supervisory Board meetings. The Supervisory Board regularly meets for consultations without the Executive Board. Where applicable, the Supervisory Board also passed resolutions outside the ordinary meetings. According to a review carried out by the Supervisory Board itself, its members are, as a whole, familiar with the sector in which the company is active.

Key areas of consultation

In the past fiscal year, the consultations with the Executive Board and internal discussions within the Supervisory Board focused primarily on the coronavirus crisis and its impact on all aspects of the performance of the business. The consultations dealt with all relevant aspects of the development of the business, including financial, investment and HR planning, business trends, the economic situation of the company and of the Group, the risk situation, risk management, and last but not least the current cost and earnings position. In addition, numerous individual topics were on the agenda of the Supervisory Board meetings, and were discussed in depth. These included:

› Adapting business operations and cost measures due to the coronavirus crisis,
› Enhancement of the medium-term strategy, including the product portfolio and sales and marketing strategy,
› Business planning for fiscal year 2022,
› Further development, business model and structure of the Digital Customer Solutions business unit,
› Key points in product development,
› Product observation and product improvement, including the work results of the Technology Committee,
› Addressing technical problems with older product lines and replacing components,
› Construction and expansion projects worldwide,
› Data protection and IT security,
› The appropriation of earnings and proposed dividend,
› The remuneration system of the Executive Board and the targets and performance criteria for the variable remuneration components,
› Conducting the 2021 General Meeting of Shareholders under coronavirus conditions,
› Resolution to make a special U.i.U. payment,
› Selection and appointment of a new Chief Financial Officer,
› The organisation chart of the Executive Board,
› The establishment of a Technology Committee in January 2021 and
› The self-assessment of the Supervisory Board.

At the Supervisory Board meeting to adopt the financial statements on 2 March 2016, the principal topics included not only the audit, adoption and approval of the annual and consolidated financial statements but specifically also the draft resolutions to be proposed to the 2022 General Meeting of Shareholders.

At the recommendation of the Audit Committee, the Supervisory Board proposes Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, as auditors for the 2022 fiscal year. The Supervisory Board also adopted the remaining draft resolutions for the ordinary 2022 General Meeting of Shareholders.

To protect the health of our shareholders and to allow us to plan and conduct the 2022 General Meeting of Shareholders as smoothly as possible, the Executive Board and Supervisory Board decided at an early stage, after weighing up all the different interests, to hold it as a virtual General Meeting of Shareholders in accordance with legal requirements.

Our duties in fiscal year 2021, and in particular at the meeting held on 2 March 2022 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 or digitalisation.

Committee activities
The Audit committee, whose members are Dr Hans Maerz (Committee Chairman), Mr Walter Kurtz and Mr Erich Baumgärtner, met four times in fiscal year 2021. 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 remuneration report in accordance with the provisions of the Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie (ARUG II, German Act Implementing the Second Shareholder Rights Directive). All members of the Audit Committee attended all Audit Committee meetings. The Audit Committee reported regularly to the Supervisory Board.

The Technology Committee, which was established in January 2021 and comprises Dr Georg Sick (Committee Chairman), Mr Walter Kurtz and Dr Johannes Würbser, met five times in fiscal year 2021. At its meetings, it concerned itself with the product development process, product observation and product improvements as well as a future digitalisation strategy. It also considered individual product-specific issues in close consultation with the Executive Board. All members of the Technology Committee attended all of its meetings. The Technology 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 2021, 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 2021 reporting year in connection with consultations, draft resolutions and the audit engagement.

At its meeting on 26 January 2022, 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 on 27 January 2022. 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 on 28 January 2021, 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 2021 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 12 May 2021, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, audited the financial statements of RATIONAL AG and of the Group for fiscal year 2021. 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 and the progress of the audit.

The annual financial statements for the fiscal year from 1 January to 31 December 2021, 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 2 March 2022. In particular, the Supervisory Board concerned itself thoroughly with the findings of the audit by the auditors.

The auditors took part in the discussion of the company's annual financial statements and the consolidated financial statements. They reported on the results of the audits, in particular on the points on which it was agreed the audit would focus, and were available to the Supervisory Board for questions and supplementary information. Areas on which the auditors' explanations concentrated included the impact of materials shortages on the accounting and the assessment of the accounting-related internal control and risk management system. 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 2 March 2022 the Supervisory Board approved the annual financial statements, prepared by the Executive Board, for RATIONAL AG as of 31 December 2021, including the certified version, dated 1 March 2022, of the management report for fiscal year 2021, as well as the consolidated financial statements as of 31 December 2021 and the certified version, dated 1 March 2022, of the group management report for fiscal year 2021. The 2021 annual financial statements for RATIONAL AG, including the management report, are thereby adopted in accordance with section 172 sentence 1 of the AktG.

Appropriation of profits
After consideration of the operating environment, the situation on the global financial and capital markets, and the financial position of the company, the Supervisory Board approved the appropriation of profits proposed by the Executive Board.

From RATIONAL AG's net retained profit of 412.9 million euros for fiscal year 2021, a dividend of 7.50 euros per share and a special dividend of 2.50 euros per share, in other words, a combined 10.00 euros per share amounting to a total of 113.7 million euros, is to be distributed and the remainder carried forward to new account.

The Supervisory Board would like to thank all managers for their close and constructive cooperation, and for the trust they have placed in us. But our special thanks go to all employees. Especially in the difficult environment of the past fiscal year, they again succeeded in providing our customers with the high added value of RATIONAL's products and services, and thus in making outstanding use of the market opportunities open to us.

Landsberg am Lech, 2 March 2022

Walter Kurtz
Chairman of the Supervisory Board
of RATIONAL AG

Remuneration Report 2021 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, broken down by component, granted and paid to the individual current and former members of the Executive Board and Supervisory Board for the 2021 fiscal year.

The 2022 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 2021 fiscal year prepared and audited in accordance with section 162 of the AktG.

A. Remuneration system for Executive Board members

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

The 2021 Remuneration System for Executive Board members can be accessed on RATIONAL' website by following this link: rational-online.com/media/investor-relations/rational-ag-remuneration-system-for-executive-board-members.pdf

The 2021 Remuneration System came into effect two months after it was first approved by the General Meeting of Shareholders, in other words, on 12 July 2021, and applies to all new Executive Board contracts entered into. The new or extended Executive Board contracts entered into with Executive Board members Executive Markus Paschmann and Jörg Walter in March 2021 and the contracts with Executive Board member Peter Wiedemann and Chief Executive Officer Dr Peter Stadelmann to be extended in 2022 have been migrated to the 2021 Remuneration System with retroactive effect from 1 January 2022.

For fiscal year 2021, the existing remuneration system for the Executive Board was applied; that system had been approved by the General Meeting of Shareholders on 21 April 2010 (the "**2010 Remuneration System**").

Here follows a summary of the 2010 Remuneration System for Executive Board members, which was applicable in fiscal year 2021, and a description of the individual remuneration components in fiscal year 2021.

I. Summary of the 2010 Remuneration System

The remuneration payable to Executive Board members is set on the basis of the company's size and the global nature of its operations, its economic and financial situation and the level and structure of Executive Board remuneration at comparable companies. In addition to fixed annual remuneration (basic salary, fringe benefits), members of the Executive Board are granted variable remuneration.

In addition to short-term profitability (net profit/loss), the remuneration system focuses especially on the long-term nature of the corporate objectives, future customer requirements and the further development of the digital business as a relevant trend for the future.

2010 Remuneration System

Remuneration component	Objective	Sub-component	Type
Non-performance-related remuneration			
Basic salary	Remuneration commensurate with function, industry and company size	Fixed monthly remuneration	12 monthly instalments
Fringe benefits		Use of a company car, telephone, insurance premiums	Costs of the respective components are regularly reimbursed
Payments into pension scheme	Ensuring appropriate pension benefits	Contributions to provident fund	Payments into a defined contribution plan by RATIONAL AG
Performance-related remuneration			
One-year performance-related remuneration	Profitable growth of the Company	Net profit/loss for the fiscal year (accounts for 50% of variable target remuneration)	Setting of target net profit/loss (≤ 90% target achievement → 0% paid out; ≥110% target achievement→ 200% paid out), in between: pay-out increases proportionately by 10% for each 1%age point by which target is exceeded
	Further development of strategic digital business segments	Expansion of the digital business (accounts for 25% of variable target remuneration)	Target achievement specified by Supervisory Board, pay-out ratio between 0 and 100% according to target achievement
	Long-term alignment of the Company with future customer requirements	Further development of long-term Strategy 2025 (accounts for 25% of variable target remuneration)	

Maximum remuneration
Maximum remuneration under the 2010 Remuneration System for the Executive Board can be calculated by simply adding the fixed remuneration components and the maximum amounts of the contractually agreed performance-related remuneration component, which can be achieved if targets are met in full. For the 2021 fiscal year, maximum Executive Board remuneration therefore amounted to 6,013 thousand euros for all active Executive Board members.

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

Malus and clawback
The 2010 Remuneration System does not have any malus and clawback arrangements. No remuneration components were demanded back. The 2021 Remuneration System does contain malus and clawback clauses.

II. Individual remuneration of Executive Board members appointed in fiscal year 2021

Executive Board members in fiscal year 2021
In fiscal year 2021, the Executive Board of RATIONAL AG had the following members:

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

Remuneration granted and owed in fiscal year 2021
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 actual flow of the remuneration component”;
› 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 2021
The total remuneration paid to the Executive Board for the performance of its duties in the fiscal year 2021 was 6.0 million euros (2020: 4.4 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.

Remuneration of the Executive Board members in fiscal year 2021

in kEUR

	Dr Peter Stadelmann		Peter Wiedemann		Markus Paschmann		Jörg Walter[1]		Total[2]	
Basic salary	1,200	51%	770	54%	887	55%	350	53%	3,207	53%
Fringe benefits	57	2%	35	2%	22	1%	16	2%	131	2%
Payments into pension scheme	180	8%	116	8%	147	9%	66	10%	508	8%
Fixed remuneration	1,437	61%	921	65%	1,056	65%	432	66%	3,846	64%
Performance-related remuneration	900	39%	495	35%	570	35%	225	34%	2,190	36%
Total remuneration granted and owed	2,337	100%	1,416	100%	1,626	100%	657	100%	6,036	100%

[1] Mr Jörg Walter joined the Executive Board of RATIONAL AG as of 1 March 2021. The figures disclosed relate to the period from March to December 2021.
[2] Plus inventor remuneration of 3 thousand euros for the former Chief Executive Officer Dr Günther Blaschke.

Non-performance-related remuneration components
The non-performance-related remuneration components (fixed remuneration) totalled 3.8 million euros in 2021 (2020: 3.3 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 2010 Remuneration System specifies short-term variable remuneration. The performance-related remuneration components amounted to 2.2 million euros in the past fiscal year (2020: 1.1 million euros). They are based on the levels of target achievement defined by the Supervisory Board for the targets set for fiscal year 2021; they are shown in the table below.

Corporate objectives, target achievement and grant rate

Objectives	Weighting	Achievement in 2021	Grant rate in 2021
Net profit/loss in 2021[1]	50%	144%	200%
Expansion of the digital business	25%	100%	100%
Further development of Strategy 2025	25%	100%	100%
Total		122%	150%

[1] In the range between 90% and 110% target achievement, the grant rate increases by 10%age points for each 1%age point rise in target achievement up to a maximum of 200%.

The performance against these targets was assessed at the end of the fiscal year. Depending on the performance achieved, payments for the variable remuneration component (corporate objective) may range between 0% and 100% (digital business, Strategy 2025) or between 0% and 200% (2021 operating profit) of the target bonus. When resolved by the Supervisory Board, the resulting payment amount is deemed granted and the actual flow is deemed to have occurred. Parts of the payments to Executive Board members are made in the form of advance payments in the fiscal year concerned, and the remainder is paid once the annual financial statements have been adopted. No variable remuneration components were clawed back in fiscal year 2021.

In the previous year (2020 fiscal year), the grant rate for the performance-related remuneration components was 90% due to the effects of the coronavirus crisis.

Benefits promised in case of premature termination
In the case of premature termination of the term of office on the Executive Board, the Executive Board contract can be terminated by giving six months’ notice to the end of a month. In contractually agreed special cases, the notice period is nine months. In cases where the term of office is terminated prematurely without cause, any settlement that may be payable, including fringe benefits, amounts to no more than two annual remuneration amounts; in no case will it exceed the total amount for the remaining term of office under the service 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. 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. The service contracts do not, however, specify any right to the payment of a settlement in case of premature termination.

Benefits promised in case of regular termination
In cases of regular termination of service contracts, 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. 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. Remuneration of former Executive Board members
Former Chief Executive Officer Dr Günter Blaschke received inventor remuneration of 3 thousand euros in 2021 (2020: 13 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 the Supervisory Board members in fiscal year 2021 (in kEUR)

	Fixed	Other	Total
Walter Kurtz	250	18	268
Dr Hans Maerz	200	10	210
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**	**28**	**1,228**

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 in fiscal year 2021 and compares these figures to fiscal year 2020.

Change compared with previous year (in %)

	2021 vs 2020
Changes in Executive Board remuneration (current and former Executive Board members)	
Dr Peter Stadelmann	+18
Peter Wiedemann	+17
Markus Paschmann	+35
Dr Günter Blaschke	–77
Changes in Supervisory Board remuneration[1]	
Walter Kurtz	+5
Dr Hans Maerz	+5
Erich Baumgärtner	+5
Dr Gerd Lintz	+5
Werner Schwind	+5
Dr Georg Sick	+5
Dr Johannes Würbser	+5
Changes in employee remuneration	
Average no. of employees (FTEs)[2]	+10
Changes in profit/loss	
Net loss of RATIONAL AG[3]	–65
Consolidated net profit	+54

[1] In response to the coronavirus crisis in 2020, the Supervisory Board has opted to forego a part of its compensation.
[2] 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.
[3] 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. For this reason, RATIONAL AG's net profit was 65% down on the previous year.

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 2021, to assess whether the disclosures required under Section 162 (1) and (2) German Stock Corporation Act (AktG) have been made in the remuneration report. In accordance with Section 162 (3) AktG, we did not audit the content of the remuneration report.

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

Basis for the Audit Opinion

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

Responsibilities of the Executive Board and the Supervisory Board

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

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the disclosures required under Section 162 (1) and (2) AktG have been made in the remuneration report, in all material respects, and to express an audit opinion thereon as part of an auditor's report.

We planned and conducted our audit so as 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 did neither audit whether the contents of these disclosures are correct, nor whether the contents of individual disclosures are complete, nor whether the remuneration report has been reasonably presented.

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, 23 March 2022

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

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

RATIONAL AG Group Management Report for Fiscal Year 2021

Contents

The charts on pages 58 to 82 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 31 subsidiaries, of which 23 are sales companies. Through the sales companies and local trading partners, the Group markets its products in almost all regions of the world. It also has production plants in Germany (Landsberg am Lech) and France (Wittenheim, Alsace).

Products and services
The RATIONAL Group provides products and solutions for thermal food preparation in professional kitchens. Around 71% (2020: 72%) of sales revenues were generated in the past fiscal year through the sale of cooking appliances.

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

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

We generated around 29% (2020: 28%) 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.

With ConnectedCooking, we offer our customers an online portal for the professional kitchen, comprising a free, cloud-based connectivity solution. Our customers can use it to connect their appliances, control them remotely, update their software and transfer cooking programs. In addition, under ConnectedCooking Pro, we offer our customers other fee-based digital applications to optimise their kitchen processes (Recipe Management, Asset Management and Hygiene Management). The first customers in the German and Austrian markets are already using ConnectedCooking Pro.

Our customers can benefit from a large range of free and fee-based services. These include the free-of-charge iCombi and iVario live events, the Academy RATIONAL and expert kitchens in our training centres, at trade fairs or on site at our customers. Digital formats such as webinars, live streams and uploaded videos, have grown significantly in importance since 2020, and there was increased demand for them again in the year under review. We also provide our customers with expert tips on our ChefLine. Fee-based consulting offerings include Academy events on specific topics and in-depth process consulting as part of the 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
› 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 a day. The customer base ranges from restaurants and hotels, large-scale catering operations, such as company canteens, hospitals, schools, universities, military facilities, prisons and retirement homes, through to quick service restaurants, caterers and delivery services, as well as supermarkets, bakeries, snack outlets, butchers' shops, and service stations.

To make headway into the untapped potential in the global market, we are expanding our global sales, marketing and service network organically, step by step. In addition to higher penetration of already well-developed markets, we are also addressing the growing potential presented by emerging markets.

Our core markets are DACH and EMEA. Overall, we generated around 60% of our sales revenues in these segments in the past fiscal year. The North America segment accounted for 19% of sales revenues, while Asia contributed 18%.

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 effects of the coronavirus pandemic on the catering and food service sector were mitigated by global support programmes. We believe that these government subsidies had a positive impact on demand for our products.

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 many decades.

Focus on large and commercial kitchens
We focus on a clearly defined target group, namely all the people preparing hot food in professional kitchens around the globe. 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.

Maximum customer benefit as our primary corporate aim
Always offering our customers the maximum benefit is our primary corporate aim. In addition to the sale of our products, our customers benefit from a comprehensive service offering during the entire business relationship.

U.i.U. (Entrepreneur in the Company) stands for success
A key factor in the high levels of motivation and satisfaction of our employees has been the principle of Entrepreneur in the Company (U.i.U.). The U.i.U. entrepreneurs operate as independent business people within their own area of responsibility. As a result, HR management at RATIONAL has a decentralised management structure, with high levels of personal responsibility and self-organisation.

Planning and control system

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

Financial key performance indicators

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

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. It was based in 2020 on the customer satisfaction index of the market research company KANTAR and covered the criteria of company performance and customer preferences in relation to the products and services on offer. The RATIONAL satisfaction index was calculated at country level and extrapolated to a global scope. In 2020, the index was calculated for 15 countries. This index is shown on a scale of −50 to 150. To ensure comparability, the RATIONAL customer satisfaction index was again determined and presented for the fiscal year under review. After the process was conducted in 2021, an aggregated value was determined across 20 countries (2017–2021). In 2021, we decided to measure the satisfaction of our customers by engaging a new service provider and using the Net Promoter Score, a metric known internationally. The Net Promoter Score expresses the extent to which satisfied customers are prepared to recommend our products to friends or business partners. High scores of 9 or 10 are awarded by those customers — considered to be active promoters — who intend to make a positive recommendation. Customers who award scores of 7 or 8 are passives, and anyone who provides a rating of 6 or lower is referred to as a detractor. This index is shown on a scale of −100 to 100. The survey was conducted in 2021 in 15 countries around the world in all customer groups relevant to us.

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

Research and development
We place a special emphasis on research and development and keep launching innovative technologies on the market at regular intervals. Alongside engineers in various disciplines, physicists work on basic research, and chefs and nutritionists work on applied research and development. We had a total of 225 employees (2020: 190 employees) in this area throughout the Group as at the balance sheet date.

In 2021, we spent 48.2 million euros (2020: 42.3 million euros), or 6% of sales revenues (2020: 7%), on researching and developing new solutions and improving the performance of our products and services. Of this total, 45.1 million euros (2020: 41.7 million euros) were recognised as an expense in the income statement. 3.1 million euros (2020: 0.6 million euros) were capitalised as intangible assets, since the requirements of IAS 38.57 for capitalisation were met. The capitalised development costs will be amortised over their respective useful lives from the time production or service provision commences. In fiscal year 2021, amortisation charges on capitalised development costs amounted to 1.2 million euros (2020: 1.3 million euros).

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

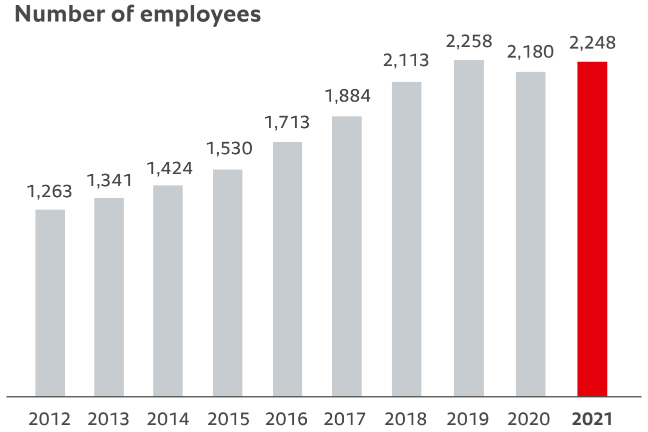
Employees and human resources development
When the coronavirus crisis began to arise in Europe in March 2020, we announced a recruitment freeze. We exercised caution in filling vacancies, did not always renew fixed-term contracts, and hired temporary staff only in exceptional circumstances.

As a socially responsible Group, RATIONAL had made only minimal adjustments to the size of its workforce during the crisis in 2020. In line with improving market prospects, the number of employees started to rise again in the second quarter of 2021 for the first time since the start of the coronavirus crisis.

As new order levels started to increase, the sustainable HR management paid off, as it allowed us to adapt our product and service offering quickly to the rise in demand where external factors permitted this.

The number of employees in the Group rose by 68 in 2021 from 2,180 to 2,248 (as of 31 December 2021). Of these, 1,285 (2020: 1,223) were employed in Germany.

Number of employees



Status: 31 December of each year

We see the focussed promotion of young, talented employees as an important building block for the company's successful development and fitness for the future. Since qualified vocational training enjoys a very high priority at RATIONAL, there was no recruitment freeze here, even during the crisis. We currently employ 68 apprentices in the following disciplines: industrial business managers, warehouse logistics, industrial technicians, chefs, mechatronics engineers, metal technology and IT specialists. 16 employees are on dual courses of study, combining studies with practical experience in computer science, computer engineering, mechatronics, engineering, international business, and lifecycle catering. Another 29 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. One upshot is the strong feeling of loyalty among our workforce. Staff turnover was just 8% worldwide (2020: 9%).

Remuneration and employee benefits
Wage and salary adjustments in Germany are based on or exceed the wage increases negotiated by the IG Metall union. We pay an additional Christmas bonus and holiday allowance and also provide a voluntary bonus and additional benefits, such as meal and travel allowances, subsidies for fitness programmes and long-service bonuses.

The coronavirus crisis meant that some members of our workforce were again unable to carry out their duties, or could do so only to a limited extent, in fiscal year 2021. For this reason, short-time working arrangements were used as a flexible tool, especially in the early part of the fiscal year. This affected Germany, Austria and Switzerland, among others. In many cases, we topped up the short-time working allowance in order to keep the salary shortfall at a low level for employees.

These measures were aimed at retaining high achievers in the company, avoiding the cost of redundancies and subsequent recruitment and having a powerful workforce available without delay to harness the future potential once the crisis is over.

Non-financial consolidated report in accordance with sections 315b and 315c in conjunction with 289c to 289e of the German Commercial Code (HGB)
Disclosures on environmental, employee, social and customer concerns, respect for human rights (see UK Modern Slavery Act Statement), combating corruption and bribery over and above the information provided in this Group management report can be found in the 2021 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 2022 under the Corporate Governance heading on the RATIONAL website under Investor Relations.

Significant events in fiscal year 2021

New CFO
After an interim period from 1 January 2020, during which the CEO Dr Peter Stadelmann was responsible for the company's finances in addition to his own Board responsibilities, the Supervisory Board appointed Mr Jörg Walter as Chief Financial Officer with effect from 1 March 2021. Mr Walter joined our company in April 2011. Since then, he has managed various business administration areas and, in particular, successfully aligned Group Controlling to the requirements of an ever larger and more international group. Prior to that, he had had similar roles in other major German companies. Dr Stadelmann will remain the Chief Executive Officer of RATIONAL AG.

External factors
The entire food service sector was among the hardest hit by the worldwide lockdown measures imposed in 2020 in connection with the coronavirus pandemic. The first two months of fiscal year 2021 continued to be impacted by the coronavirus crisis to a significant extent. Vaccination campaigns not yet or barely off the ground, continuing lockdowns in a large number of countries and the beginnings of global supply shortages weighed on the first quarter.

Encouragingly, the easing of contact restrictions meant that the situation of our customers improved substantially in many markets in the course of the year. Despite the persistent restrictions on our customers, we recorded an unexpected jump in new orders in March 2021. From that point onwards, this positive trend continued for the remainder of the year. In our view, one reason for this encouraging trend is the extensive use our customers have made of government support measures for investments, especially in modern network-capable and resource-efficient cooking appliances. Customers took advantage of these aid programmes on a very extensive scale in the first half of the year.

In addition, we anticipate that the opening up of the catering sector in most countries and the start of the tourist season will prompt customers to make investments and complete projects they had launched earlier. Not least, some of the high new order volume can be attributed to the fact that retailers ordered some appliances for stock in order to beat supply bottlenecks and price increases.

While the catering sector benefited from a large number of relaxations of coronavirus restrictions, we subsequently faced the challenge of meeting this demand. As the global economy recovered, there was uncertainty about the procurement of primary products, especially electronics components, particularly in the second half of 2021.

As a result, we saw — in some cases — significant price increases for electronics components, commodities (such as alloy metals and chemical products) as well as rising transport and logistics costs.

Investing in the future
In Wittenheim — the production and development site for the iVario — construction of a customer centre, an administration building and a production facility began in mid-April 2021. The total volume to be invested by 2023 will total just over 30 million euros.

Construction of the logistics centre at the main location in Landsberg am Lech, which started in 2019, was completed in spring 2021 after a construction period of 18 months. At about 10,000 m², the new building offers approximately 60% more logistics space. The total investment volume was 19 million euros.

The above investment projects were funded from our own resources.

Economic report

Macroeconomic and sector-related framework

Global economy grows by 5.9% in 2021
The International Monetary Fund estimates growth of 5.9% for the fiscal year under review. Economic output in industrialised countries expanded by about 5.2% in 2021, while emerging countries recorded year-on-year growth of 6.4% (source: IMF, World Economic Outlook and Fiscal Monitor, via: M.M.Warburg & CO, Capital market prospects, January 2022).

Future prospects for the catering and food service sector
The coronavirus crisis took the catering and food service sector on a roller coaster ride. From full lockdowns, which many customers counteracted by offering deliveries, through hopeful times prompted by the availability of vaccines, down to renewed uncertainty as a result of virus variants, the sector raced through a large number of highs and lows in the past two years.

The change in conditions has caused a major shift in requirements for the catering sector. In future, end customer convenience, connectivity in the catering sector and stricter hygiene standards in restaurants will become the focus of attention. For the catering and food service sector, this means that, in addition to on-premise catering, food should increasingly be made available for delivery or collection. Furthermore, end customers should be able to place orders intuitively and seamlessly using digital channels. The hygienic preparation of food plays an important role for consumers in addition to adequate distancing arrangements in restaurants, clean facilities and safety measures for employees (source: Deloitte, The Restaurant of the Future, September 2021).

Many restaurant owners are also complaining about personnel shortages. For example, restaurateurs are experiencing staff shortages not only in Germany, where about 80% of restaurateurs are worried that the skill shortage will cause problems (source: Dehoga press release of 8 October 2021), but also in the United States. While in January 2021 only 8% of restaurateurs thought they did not have enough staff, this figure had jumped to 75% by July of the same year (source: National Restaurant Association, Mid-Year Update 2021).

Management's assessment of the economic situation

Despite the current uncertainty about a return of coronavirus protection measures and other difficulties as a result of stretched supply chains, the Executive Board deems the Group's economic and market situation to be very good in the medium to long term.

We monitor economic developments in our principal markets very carefully. How and where meals are prepared and eaten is changing, but food continues to be made and consumed away from home. Our products are used by both customer groups: those that suffered from the pandemic as well as those benefiting from it. Restaurants with service in particular, which belong to our most important customer group, were major beneficiaries of the gradual relaxation and government aid in the course 2021. Looking back, we also note that the feared wave of insolvencies has, to date, not materialised, thanks in part to these government support programmes.

Even though the worst restrictions caused by the pandemic should have been overcome by now, the coronavirus crisis will have lasting consequences. Examples include increasingly tighter hygiene regulations, greater demands for efficiency and a decline in the number of qualified kitchen staff. 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 appliances and keep hygiene management records. With these technologies, we want to help our customers master these particular challenges in the best possible way.

Thanks to our low debt levels, our large liquidity reserve (including undrawn lines of credit), flexible cost planning and a large unserved market, 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.

Development of the business in 2021

Earnings situation

Sales volume and revenue trends

In fiscal year 2021, we generated sales revenues of 779.7 million euros (2020: 649.6 million euros), up 20% on the previous year. Sales volumes, too, were significantly higher than the prior-year figures, rising by 19%, but still noticeably lower than the high of 2019. Sales revenues are still around 63.9 million euros short of the previous high of 843.6 million euros achieved in 2019.

While, as expected, business performance started off on a subdued note in January and February 2021, we recorded an unexpectedly large increase in sales figures, starting in March. We have identified the following as factors in the recovery from March onwards: the growing number of customers no longer suffering or suffering significantly less from coronavirus restrictions, the rebound of investments, and the sometimes massive public-sector stimulus packages. In total, sales revenues in the first quarter of 2021 were 7% down on the previous year.

In our opinion, several special factors influenced order trends in 2021. In many regions, state aid measures were used to make investments, and projects were sometimes brought forward due to the often limited duration of these support programmes. Another reason for anticipatory effects was the tight supply situation worldwide, especially in the area of electronics components. Dealers and customers bought appliances for stock in order to avoid being caught out by potential supply shortages in the coming months. These special factors led to sustained positive new orders performance. At 211.6 million euros in the second quarter of 2021, our sales revenues exceeded the pre-crisis level of 2019.

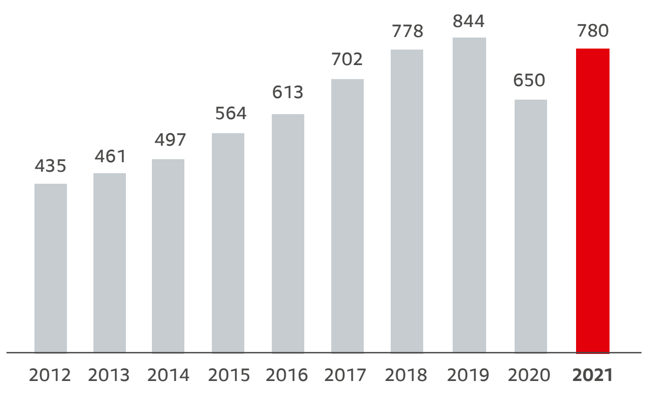
Despite new orders at record levels, it became more difficult to translate the encouraging order situation into sales revenues. While new orders in the third quarter of 2021 were almost 40% up on the pre-crisis level of 2019, sales revenues of 206.9 million euros fell slightly (3%) short of the pre-crisis figure.

Due to the lack of electronics components in particular, some of our cooking systems could not be completed. With a view to ensuring supply capability as soon as all components were available again, several thousand iCombi Pro appliances were stored partially finished in Landsberg or shipped to major warehouse locations.

Because of global increases in commodity and component prices, we felt compelled to adjust the prices of our products. Since we assume that elevated price levels are here to stay, we have raised our selling prices, starting in Asia and the Americas from November 2021, to be followed by adjustments in the European markets in the first and second quarters of 2022.

If business had taken a normal course, sales revenues would have peaked in the fourth quarter. Due to the limited availability of materials, last-quarter sales revenues came to 193.5 million euros, slightly down on the second and third quarters of 2021.

Development of sales revenues in m EUR



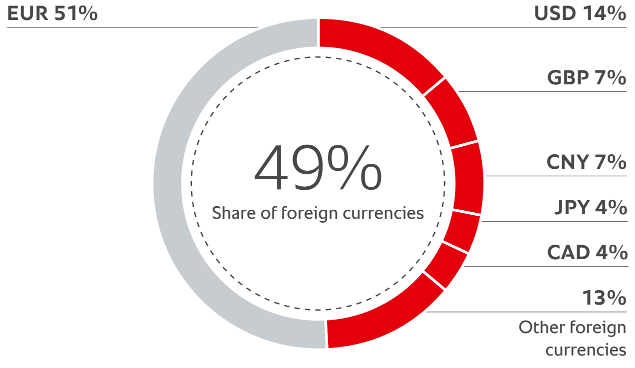
The table below shows the breakdown of sales revenues by quarter.

Sales revenues by quarter in m EUR

	2021	2020	2019	Change 2021/2020 in %	Change 2021/2019 in %
1st quarter	**167.7**	181.3	194.3	−7	−14
2nd quarter	**211.6**	116.8	205.1	+81	+3
3rd quarter	**206.9**	168.2	213.2	+23	−3
4th quarter	**193.5**	183.3	231.1	+6	−16
Full year	**779.7**	649.6	843.6	**+20**	**−8**

In the 2021 fiscal year, we generated 49% of our sales revenues in foreign currency (2020: 50%). The most important currencies other than the euro are the US dollar (14%), pound sterling (7%), the Chinese yuan (7%), the Japanese yen (4%) and the Canadian dollar (4%). Currency effects were mixed in the year under review. Positive effects came from the depreciation of the euro against pound sterling, the Canadian dollar and the Chinese yuan. The exchange rates of the US dollar and Japanese yen were negative factors. On a net basis, these trends had a slightly negative effect on sales revenue performance. Sales revenue growth after adjustment for exchange rate movements was just over 20%.

Share of foreign currencies in 2021



In the combi-steamer product group, which represents the production and distribution of the iCombi Pro and iCombi Classic, we generated sales revenues of 698.4 million euros in the past fiscal year (2020: 580.6 million euros), up 20% on the previous year.

In the iVario product group, sales revenues rose by 18% to 81.4 million euros in 2021 (2020: 69.0 million euros).

The iVario continued its successful growth story and, following a smaller-than-average decline of 7% in 2020, achieved another record in sales revenues in the 2021 fiscal year. The iCombi, whose sales revenues were down by around a quarter in 2020, took a major step towards pre-crisis levels on the back of increased sales revenues in the past fiscal year.

Growth in all regions worldwide

Sales revenues in the DACH segment rose by 16% to 134.5 million euros (2020: 116.2 million euros). Our home market of Germany delivered growth of 22%. Austria was up 9%, while Switzerland was 8% down on the previous year.

The EMEA segment generated sales revenues of 321.7 million euros (2020: 282.5 million euros), 14% more than in the previous year. The two largest individual markets, France and the UK, expanded by 20% and 25% respectively.

Sales revenues in the North America segment were 21% higher than in the previous year, at 144.9 million euros (2020: 119.8 million euros). The largest increase in sales revenues — 69% — was recorded in Mexico. Our growth in the United States was 24%.

Sales revenues in the Asia segment went up by 22% in the year under review to 141.6 million euros (2020: 115.7 million euros). The situation in the region's largest individual markets was mixed. While China saw significant expansion of 44%, Japan's growth rate was only 7%. Sales revenue growth of 179% in India, the worst-affected country in this segment in 2020, made up for much of the previous year's decline (–76%) in sales revenues.

In the other segments, sales revenues in 2021 amounted to 27.3 million euros, a 24% increase compared with the previous year (2020: 22.0 million euros). Here our growth rates ranged from 31% in Brazil to about 60% in other South American countries.

A larger part of the volume of our production has been manufactured in response to existing customer orders. Our outstanding orders on hand are normally at a low level. Before the coronavirus crisis, we had an order backlog of three to four weeks. In 2021, outstanding orders on hand rose to 300 million euros. This corresponds to an order backlog of about four to five months.

Segments in 2021 in m EUR

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

Segments in 2020 in m EUR

	DACH	EMEA	North America	Asia	Other segments	Total of segments	Reconciliation[1]	Group
Segment sales revenues	116	282	120	116	22	**656**	−7	**650**
Segment profit	28	74	25	26	1	**154**	−47	**107**
Profit margin	24%	26%	21%	22%	6%	**23%**		**16%**

[1] Reconciliation corresponds to the total of corporate departments and reconciliation. See note 25.

Group gross margin of 55%

While in 2020 work on the technical processes in Landsberg am Lech and Wittenheim was dominated above all by the roll-out of the new product generations and the crisis-induced logistical restrictions, in 2021 we benefited from improved productivity in the production process. High commodity and component costs, on the other hand, had a tangibly negative effect on gross profit.

The — in some cases — significant rise in commodity and component costs began to have a tangible impact on production costs, starting in the third quarter, causing these costs to increase faster than sales revenues.

While we generated a gross margin of 56.6% in the second quarter, the situation worsened from then onwards. The gross margin dropped to 55.3% in the third quarter, and further to 52.3% in the fourth. This resulted in a consolidated gross margin of 55.1% for fiscal year 2021 (2020: 55.4%).

21% EBIT margin

The EBIT margin for the past fiscal year benefited from the healthy sales revenue performance in combination with lower cost levels. While sales revenues rose by 20% year-on-year, operating costs were only 11% above the prior-year level. Total operating costs amounted to 272.7 million euros in the year under review (2020: 245.2 million euros).

Cost and earnings structure in m EUR

	2021	in % of sales revenues	2020	in % of sales revenues
Sales revenues	**780**		650	
Cost of sales	**350**	**45**	289	45
Sales and service	**188**	**24**	167	26
Research and development	**45**	**6**	42	6
Administration and Other[2]	**36**	**4**	45	7
EBIT	**160**	**21**	107	16

[2] Includes net currency gain or loss

Operating costs in sales and service stood at 187.6 million euros (2020: 166.9 million euros), a year-on-year increase of 12%. Due to contact and travel restrictions, the costs incurred, especially for sales events and business travel, are still low. Moreover, personnel costs rose more slowly than sales revenues.

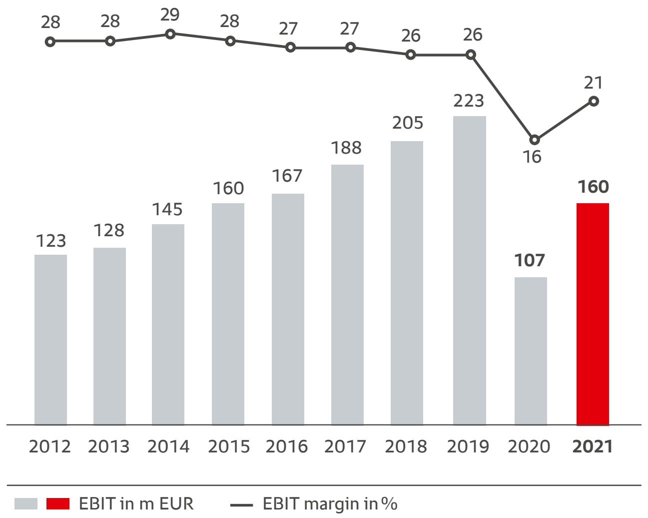
The cost of enhancing our technologies and products in research and development amounted to 45.1 million euros in the past fiscal year (2020: 41.7 million euros). This equates to an increase of 8%. In addition, we recognised development costs of 3.1 million euros (2020: 0.6 million euros) as an asset. This amount is reported under intangible assets.

General administration expenses amounted to 40.0 million euros (2020: 36.6 million euros), up 9% on the previous year.

In the year under review we generated net currency gains of 1.9 million euros. In particular the depreciation of the euro against pound sterling, the Canadian dollar and the Chinese yuan had a positive effect, mainly resulting from the measurement of receivables and cash and cash equivalents as at the reporting date.

At 160.1 million euros (2020: 106.8 million euros), EBIT was up significantly, rising 50% compared with the previous year's figure. The EBIT margin was 20.5% (2020: 16.4%). Adjusted for currency effects, the EBIT margin was just above 20%.

EBIT development and EBIT margin



Profit before tax was 158.9 million euros (2020: 102.4 million euros). The absolute tax expense was 35.2 million euros (2020: 22.3 million euros). The consolidated tax rate was 22.2% (2020: 21.8%). The reasons for the slightly higher tax rate included lower tax refunds from the previous year and a rise in non-tax-deductible expenses in fiscal year 2021. This resulted in consolidated net profit for the year of 123.7 million euros (2020: 80.1 million euros) and a net margin of 15.9% (2020: 12.3%).

Net assets and financial position

Financial strategy: putting security before return
The core objective of RATIONAL's financial strategy is financial independence and short-term capacity to react to market changes. We put security before return. The key components of financial management are the management of capital structure, financial assets and money deposits, currency risk management, receivables management, and the management of liquidity for the Group as a whole.

Because we always have sufficient liquidity, we are largely independent of lenders. This enables us to make rapid business decisions, even in uncertain economic times. We finance our growth almost exclusively from our own resources and keep liquidity in reserve at all times in case of unexpected economic developments.

When it comes to investing liquid assets, we put capital maintenance before return. We deliberately forego higher returns and avoid risky cash investments. For this reason, we invest in primarily euro-denominated fixed-term and demand deposits with short maturities at banks with an investment-grade rating.

We also ensure that our shareholders adequately participate in the success of the company. In recent years, we have on average distributed approximately 70% of our consolidated net profits as dividends. After the crisis-induced reduction in the payout ratio to about 38% for 2019, we were already able to return to this distribution policy for 2020. For 2021, we propose to distribute not only the normal payout ratio (equivalent of 7.50 euros per share), but also a special dividend of 2.50 euros per share.

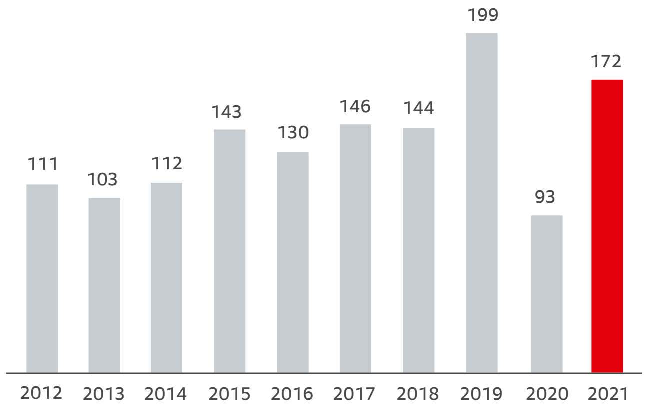
Cash flow statement
Because of the low capital intensity of our profitable business model, combined with little vertical integration and efficient receivables management, we are able to maintain our cash flows from operating activities at a consistently high level.

In fiscal year 2021, this metric reached 171.7 million euros, a year-on-year increase of 79.0 million euros (2020: 92.7 million euros). This significant rise is mainly attributable to the sharply higher profit before tax. In addition, changes in provisions and trade accounts payable had a positive effect on operating cash flow.

In fiscal year 2021, the cash flow from investing activities stood at −84.3 million euros (2020: +38.4 million euros). This includes, among other items, cash outflows for investments in property, plant and equipment and intangible assets of 25.8 million euros. They relate to extensive investments in buildings at the sites in Landsberg am Lech and Wittenheim.

We also invested in the extension and modernisation of our plant and machinery. In the year under review, we also recorded net cash outflows of 58.8 million euros for fixed deposits, compared with cash inflows of 71.3 million euros from fixed deposits and other financial assets in the previous year.

Operating cash flow in m EUR



Free cash flow is calculated by deducting the cash flow for investments in non-current assets from the cash flow from operating activities; it amounted to 145.9 million euros (2020: 59.3 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 54.6 million euros to our shareholders for the 2020 fiscal year. In addition, we made lease payments (IFRS 16) of 8.5 million euros, reduced our liabilities to banks by a total of 2.5 million euros and paid interest of 0.2 million euros. In total, the cash flow from financing activities stood at −65.9 million euros (2020: −78.9 million euros).

Cash flow in m EUR

	2021	2020	Change
Cash flow from operating activities	**+172**	+93	+79
Cash flow from investment activities	**−84**	+38	−122
Cash flow from financing activities	**−66**	−79	+13

High level of liquidity
The balance of cash, cash equivalents and deposits rose by 81.3 million euros during the year under review to 337.3 million euros (2020: 256.0 million euros). Cash and cash equivalents and short-term deposits represented 43% of total assets (2020: 38%). In addition, we had credit lines amounting to 98.0 million euros as of the balance sheet date (2020: 98.0 million euros), of which an amount of 75 million euros was contractually fixed.

Dividend of 7.50 euros and special dividend of 2.50 euros proposed
In light of the normalising business performance following the coronavirus crisis and the strong order situation for fiscal year 2022, the Supervisory Board and Executive Board will propose to the 2022 General Meeting of Shareholders the distribution of a dividend of 7.50 euros per share (2020: 4.80 euros) and of a special dividend of 2.50 euros per share. The basic dividend represents a return to the traditionally high payout ratio of around 70% of net profits. In addition, the special dividend is intended to compensate shareholders partially for the reduction in the dividend in fiscal year 2020. Added together, the payout ratio is 94%. The dividend is 108% higher than in the previous year. It represents a dividend yield of 1.1% (based on the 2021 year-end closing price). The dividend proposed entails distributing a total of 113.7 million euros (2020: 54.6 million euros). Even after the dividend payment, the company will retain an adequate liquidity reserve.

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

Residual term up to in m EUR

	Remaining liabilities
2022	**0.2**
2023	**1.9**

Maturities of financial liabilities at RATIONAL Group

High credit rating from banks and credit insurers
Our company has been given very good credit ratings of AAA to BBB+ by all lending banks as well as the leading credit insurers and credit agencies. We have not raised any borrowings on the capital market, so we do not have any external rating from a ratings agency.

High Group equity ratio

As of 31 December 2021, total consolidated assets rose by 17%, from 670.7 million euros to 783.8 million euros, driven mainly by the increase in cash and cash equivalents and the increased value of other financial assets from short-term fixed deposits. Due to consolidated net profit for the year of 123.7 million euros, offset by a dividend distribution of only 54.6 million euros, equity increased to 603.3 million euros (2020: 535.1 million euros). Good business performance in the year under review resulted in a rise in volume-related provisions for variable remuneration components and customer bonuses. Provisions for warranties also increased due to a proactive exchange campaign for a component in older product lines that are no longer distributed. Other provisions stood at 73.8 million euros as at the balance sheet date, 24.7 million euros more than in the previous year. At 77%, the Group equity ratio at the balance sheet date was below the previous year's level (2020: 80%).

Capital tied up in the short term

Current assets grew by 111.5 million euros in 2021, mainly because of greater amounts of cash in bank accounts. Current assets accounted for 72% of total assets at the balance sheet date (2020: 68%).

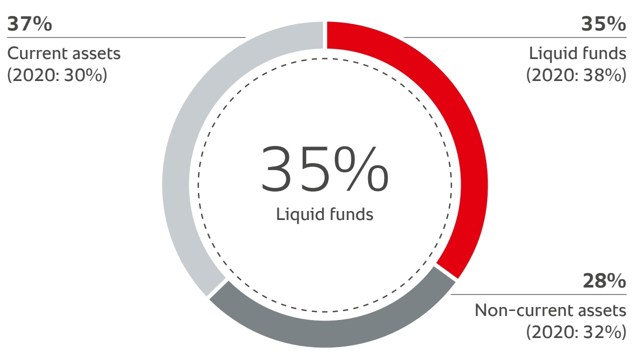
As far as possible and within reasonable bounds, we optimise the amount of capital tied up in trade receivables. We always aim to find a balance between offering the best possible support to our dealers and tying up as little capital as possible. This means that, firstly, because of the pandemic we acted with greater caution in granting payment terms and, secondly, the proportion of advance payments from customers increased in connection with longer delivery times. As a result, we reduced the average days sales outstanding (DSO) to 42 days in 2021 (2020: 49 days), down from the previous year, as part of an overall long-term downward trend. This significant reduction was achieved by taking suitable measures, especially in those markets that had made a major contribution to the increase in average days sales outstanding in the previous year. The rise in trade accounts receivable by 10 million euros was primarily driven by the higher business volume.

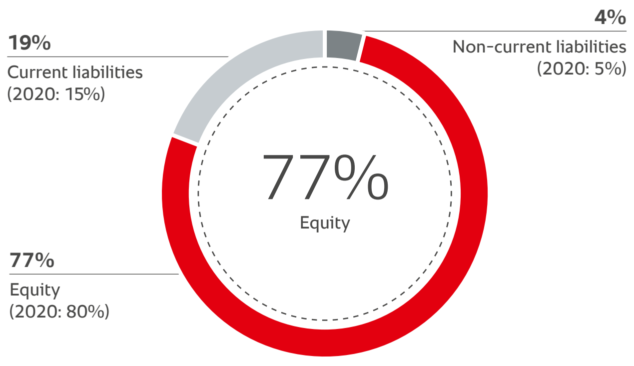
The amount of capital tied up in inventories was up because of shortages of materials in the second half of the year. Our production normally has low inventory levels. Inventories amounted to 97.3 million euros as at the balance sheet date, significantly up on the previous year (2020: 79.3 million euros). The main reason is the increase in inventories of work in progress. Inventories of finished goods were lower than in the previous year because delivery bottlenecks prompted a reduction in inventories.

Using global trade credit insurance and confirmed, irrevocable letters of credit and bank guarantees, we achieved a coverage ratio for secured receivables of 90% as at the balance sheet date, taking into account the trade credit insurance deductibles (2020: 89%).

Property, plant and equipment increased slightly by 1.1 million euros in 2021 as a result of investments in technical equipment and real estate. As at the balance sheet date, intangible assets were 1.8 million euros higher than in the previous year.

Balance sheet structure 2021



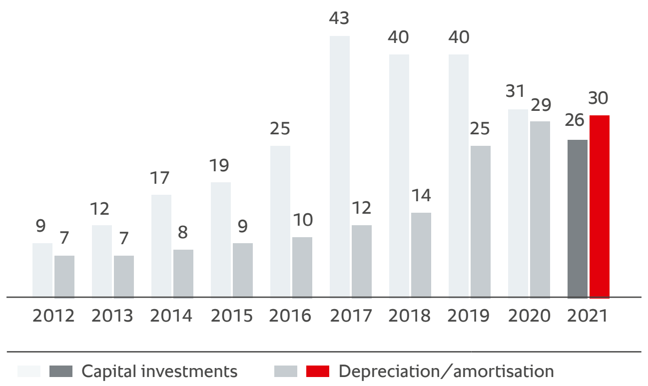


Investments

We invested 25.8 million euros (2020: 31.4 million euros) in non-current assets in the past fiscal year. This figure includes investments in real estate and technical equipment amounting to a total of 16.8 million euros (2020: 23.2 million euros) and capitalised development costs of 3.1 million euros (2020: 0.6 million euros). In the segments, investments were around the usual low levels.

In 2022, we expect maintenance, replacement and new investments to total 40 to 50 million euros. In addition to the completion of the building investments in Wittenheim and Landsberg, this will depend to a significant extent on business performance in the course of 2021. The contractually agreed investments for 2022 amount to around 7.9 million euros. Beyond that, there are no significant investment commitments that are contractually fixed or contingent upon economic considerations.

Capital investments and depreciation/amortisation in m EUR



Includes depreciation and amortisation expense resulting from IFRS 16 of 8.7 million euros in 2020 and 8.3 million euros in 2021.

Forecast/actual comparison

The table below shows our forecasts of the financial and non-financial KPIs for fiscal year 2021, which we had published in the 2020 Group management report.

Forecast/actual comparison

	Actual 2020 in %	Forecast 2021	Actual 2021 in %
Financial KPIs			
Sales volume growth	−22	Slight increase in sales volume	+19
Sales revenue growth	−23	Slight increase in sales revenues	+20
Group gross margin	55	At previous year's level	55
Growth in operating costs	−12	In line with sales revenue growth	+11
EBIT growth	−52	In line with sales revenue growth	+50
EBIT margin	16	At previous year's level	21
Group DSO (days)	49	Slight increase	42
Group equity ratio	80	At previous year's level	77
Non-financial KPIs			
RATIONAL satisfaction index	98	At previous year's level	93
Staff turnover worldwide	9	At previous year's level	8

The beginning of the past fiscal year was affected by major uncertainty about possible coronavirus measures in a number of countries. For this reason, we issued an ad-hoc disclosure on 23 February 2021 in which we communicated a cautious forecast to the markets. In March 2021, there were initial signs of an easing trend in the market situation in an environment that remained volatile. This positive trend subsequently stabilised. This was confirmed by the survey of market expectations conducted among our sales companies in July 2021 and the resulting improvement in expectations for the full year. Based on the improved outlook, we adjusted the original forecast upwards in an ad-hoc disclosure on 22 July 2021.

Our 20% growth in sales revenues and 19% increase in the sales volume therefore significantly exceeded the low single-digit growth figure forecast in February 2021 and was within the range of the updated forecast of July 2021. We have identified three special factors as the cause of the significant rise in sales revenues. They are the return to investing activities by our customers after the easing of restrictions on the catering sector, the support our customers got through state aid measures, and the stretched supply chain situation around the world that prompted customers to bring purchases forward.

At 55.1%, the consolidated gross margin was at the previous year's level, as anticipated.

The fact that operating costs rose more slowly than sales revenues had a positive impact on EBIT. We had initially anticipated that operating costs would rise at the same rate.

Thanks to positive sales revenue performance, we substantially exceeded the previous year's EBIT and EBIT margin, rising from 106.8 million euros to 160.1 million euros, and from 16.4% to 20.5% respectively. This is significantly above the original forecast made in the 2020 Annual Report and in line with the prediction updated in July 2021.

The Group-wide number of days sales outstanding (DSO) was significantly lower than forecast. The reason, we believe, is a marked change in the payment behaviour of our customers as a result of the stretched supply situation.

The Group equity ratio is 77%, somewhat lower than forecast but still at a very high level. The strong equity allows us to act with financial independence.

In terms of customer satisfaction, we have analysed the RATIONAL customer satisfaction index up to and including the one conducted last year. The aggregated RATIONAL customer satisfaction index, which covered 20 countries, stood at 93 points in 2021 (2020 for 15 countries: 98). The slight year-on-year decline in the index is attributable to a number of factors. The food service industry was severely affected by the pandemic and therefore poses major challenges for our customers as well as RATIONAL. The coronavirus restrictions meant that customers could not be supported in the usual ways. Moreover, the portfolio was changed during a difficult phase of the global economic situation. Another factor was that, in that year, the survey method was switched from telephone to online interviews, and this may cause slight fluctuations in the index.

As expected, the staff turnover rate in the year under review was at a similarly low level as in 2020.

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 and movements in exchange rates and commodity prices. Sector-related matters relate to the users of our products, dealers and the competitive situation. Company-specific factors are customer and employee satisfaction. Furthermore, the persistent major uncertainty about international supply chains and shortages of materials as well as adjustments to our selling prices have been taken into account.

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

Economic prospects

Economists expect global economic growth of around 4.9% for 2022. The economic recovery has lost some of its momentum, but is still intact according to the International Monetary Fund. Risks identified by the IMF include further virus mutations and a reassessment of monetary policy conditions (source: IMF, World Economic Outlook and Fiscal Monitor, via: M.M. Warburg & CO, Capital market prospects, January 2022).

Growth of around 4.5% is forecast for the industrialised nations. The United States is expected to grow by the global average of around 5.2%, the eurozone slightly more slowly, by 4.3%, and Japan, in contrast, by only 3.2%. Another strong year is predicted for China, with an expansion of 5.6% expected. Growth of more than 5.1% is anticipated for emerging markets in 2022 (source: IMF, World Economic Outlook and Fiscal Monitor, via: M.M.Warburg & CO, Capital market prospects, January 2022).

Assessment of economic prospects

In December of the fiscal year under review, when the protection measures taken by governments seemed to have run their course, the world was taken by surprise by the spread of the Omicron coronavirus variant. This led to a rapid rise in coronavirus infections and the resulting fear that restrictions might be reimposed.

Despite higher case numbers in many markets, high vaccination rates meant that restaurants could stay open and events were allowed to take place. We anticipate that some measures to contain the coronavirus will still be imposed at times.

But we do not expect a repeat of the lockdown measures we saw in the spring of 2020 or in the winter of 2020/2021. The fact that some countries are discussing an end to coronavirus measures or have already started to end them is making us confident about the future.

Supply bottlenecks and stretched supply chains increasingly became a problem in the course of the year under review. We expect this trend to continue. According to Goldman Sachs, even minor plant or port closures in response to local coronavirus outbreaks in China could have a global impact on prices and availability, especially of electronics components. The bank does not expect this situation to improve before the second half of 2022 (source: Goldman Sachs, Macro Outlook 2022: The Long Road to Higher Rates).

Assessment of geopolitical outlook

At the start of 2022, the conflict between Russia and Ukraine escalated to an extent not thought possible. In response to this, the European Union and the United States threatened or imposed extensive sanctions.

As a result, our business in both countries has been significantly affected by the impact of the crisis. We see risks with regard to currency stability, logistics and the propensity of customers to invest in these regions.

Financial key performance indicators

Sales volume, sales revenue and profit forecast for 2022

In response to a significant rise in prices for commodities, components and logistics, we increased selling prices specifically by product group. The price increases were communicated and implemented at different times in different regions.

The high level of orders on hand with which we are starting the new 2022 fiscal year makes us confident about the future. If this trend continues, we therefore expect sales volumes to rise by a low double-digit percentage and sales revenues by 10% to 15% in 2022 compared with 2021.

We will continue with our efforts to adjust our structures and costs according to business performance. We nevertheless anticipate that the higher prices of commodities and primary products will continue to feed through to our gross margin. Overall, we expect the gross margin to be at a level similar to that of 2021.

In 2021, we benefited from operating costs that rose more slowly than sales revenues. In 2022, we will consciously increase some of our expenses. More opportunities started to present themselves towards the end of 2021, especially for sales events such as customer visits and trade fairs. Attendance at these kinds of events is again planned for the coming year. Overall, we expect that the Group's operating costs will rise slightly more slowly than consolidated sales revenues.

On this basis, we anticipate that EBIT will rise slightly faster than sales revenues. Accordingly, we expect the EBIT margin slightly to exceed the figure of 2021, with ROCE of around 31% forecast for fiscal year 2022.

Supply bottlenecks and stretched supply chains may, however, have an adverse effect on fiscal year 2022. If the risks in the supply situation materialise, we expect sales revenues to increase more slowly and the EBIT margin to come in below the level recorded in 2021. Depending on the severity of the supply shortages, we would then reassess business performance.

Sustainably solid underlying financial position

For 2022, we expect the Group equity ratio to be broadly at the same level as that of 2021.

We anticipate that days sales outstanding (DSO) will rise in 2022 — depending on the further course of the coronavirus crisis and the resulting effects on our target sectors — to a level between the figure for 2021 and the long-term average.

Non-financial key performance indicators

We want to continue to improve employee satisfaction, which is already at a high level, by initiating targeted activities and support measures in 2022. We expect the global staff turnover rate to be at low level, similar to the one in 2021.

We forecast that in 2022 the Net Promoter Score (NPS), which will replace the global RATIONAL customer satisfaction index from 2022 onwards, will be at a level similar to the one achieved in 2021. We will continue to aim to belong to the "best in class" segment, which covers companies achieving an NPS of between 60 and 80. RATIONAL's score was 61 in 2021.

Optimistic outlook for the future

Despite a number of risks, RATIONAL AG's Executive Board continues to look ahead optimistically. 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 resume our pre-crisis growth path. We expect the 2022 sales revenues to exceed those of 2019, while EBIT is likely to return to the 2019 pre-crisis levels in 2023.

Report on opportunities and risks

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

Opportunities for future success include the need to replace existing equipment due to innovation, the winning of new customer groups, and growing prosperity in emerging countries. Given the great potential in the market and our high-quality products, the Executive Board believes that the opportunities for maintaining our history of success are positive.

In addition to the above-mentioned opportunities, there are risks that may 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 relate in particular to economic turmoil, political and legal developments, changes in the competitive environment, changes in the financial and capital markets, as well as supply, production and product risks, other operational risks and non-financial risks.

Overall, the Executive Board believes that these risks can be controlled. In other words, these risks do not constitute a threat to the existence of the company or Group as a going concern. Nevertheless, should any one or a combination of these risk factors materialise, the company may fail to achieve its corporate objectives.

RATIONAL watches the latest developments very closely in relation to the economic impact of the coronavirus pandemic, which has still not been definitively overcome. Based on this, we have put in place suitable measures to protect employees as well as measures to minimise the economic impact on the RATIONAL Group. In particular the stretched supply situation led to a greater need for action and planning in the past fiscal year. Based on information currently available, this situation will persist in 2022.

The risk analysis also revealed that the RATIONAL Group's business activities will not involve material risks that are very likely to have a serious negative impact on non-financial considerations, such as environmental issues, employee interests, social issues, respect for human rights, combating corruption and bribery and on customer concerns now or in the future.

Opportunities report

RATIONAL opportunities management

Opportunities include, 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.

Large variety of venues

We focus on a basic human need, namely eating away from home. This provides us with security, even in times of crisis. The variety of places where thermally prepared food is consumed is steadily increasing. In addition to existing restaurants, these meals are increasingly prepared in "ghost kitchens" and then taken to centrally located venues, where they are consumed. There is also rising demand for delivery services that take prepared food to all kinds of destinations. This in turn has a positive impact on demand for our products. In Dubai, for example, we are cooperating with a globally leading provider of cloud-based kitchen platforms.

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.

Huge untapped potential in the global market

According to our estimates, only about 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 additional untapped market potential.

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

Trend towards healthier eating and greater variety of food

Recognition of 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, so the resulting dishes are very healthy.

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 paths can help chefs to work around these bottlenecks, because they also allow the same high cooking quality even when operated by untrained staff. The coronavirus crisis has led to a significant deterioration of the labour market situation for the culinary profession in the hospitality and hotel industry and will, in our opinion, further exacerbate the shortage of professionals. In addition, we are seeing trends of chefs changing careers permanently because of the pandemic, forcing restaurants to keep running by employing more unskilled or semi-skilled staff.

Rising factor costs

We expect the cost of the resources used in professional kitchens 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, affecting food, energy, water, salaries, and rents. 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 closed systems, such as iCombi and iVario.

Urbanisation and lack of space

The United Nations project that almost 70% of the world's population will live in cities by 2050 (source: World Urbanization Prospects, the 2018 Revision, UN DESA, May 2018). In addition, most cities around the world suffer from high rents and little space. These two effects mean that kitchens in big cities need to be organised in order to save as much space as possible. By using advanced equipment such as the iCombi and iVario as smart cooking systems, we expect that the investment in our cooking systems will provide significant space savings for our customers.

Orders on hand at exceptionally high level for 2022

Delays in supplies meant that we were unable to process and ship all our orders in the usual way in 2021. As a result, we are starting the year 2022 with a full order book of around 300 million euros. This good order situation makes us confident for the new fiscal year, as it will help us to balance any slowdowns in new orders that may occur.

Risk report

The RATIONAL risk management system

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

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

Risk culture

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

Risk identification

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.

As part of opportunity and risk analysis, risks deemed relevant to the tasks and objectives of the RATIONAL Group are captured and assessed over a horizon of 36 months. The results of the previous year's risk inventory were reviewed in 2021. 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 senior managers responsible for the areas of risk identified by the Executive Board provide their monthly reports to the Risk Manager, who analyses them for any risks that could threaten the continued existence of the business as a going concern and reports on this to the Executive Board. The company's specific risk-bearing capacity and defined risk tolerance are taken into account in this process. In addition, the risk is assessed to determine to what extent the interaction of several risks that are not existential when considered separately could lead to developments that threaten the continued existence of the business. Quantitative and stochastic risk aggregation methods are not used. The assessment is made at annual workshops attended by those responsible for the risk areas. The findings are reported to and discussed with the Executive Board.

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

Risk analysis and assessment

The risks captured during the risk inventory 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. We use the following classifications:

Risk assessment

Probability	Description
≤10%	Very low
> 10% to 30%	Low
> 30% to 60%	High
> 60%	Very high

Risk impact	Description	EBIT risk
Very low	Limited negative impact on the net assets, financial position and results of operations	≤ 2%
Low	Low negative impact on the net assets, financial position and results of operations	> 2% to 5%
Average	Some negative impact on the net assets, financial position and results of operations	> 5% to 10%
High	Considerable negative impact on the net assets, financial position and results of operations	> 10% to 20%
Very high	Highly negative impact on the net assets, financial position and results of operations	> 20%

In addition to being assessed as to 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 company's risk strategy. Their management may be aimed at avoiding, controlling or reducing risk by taking suitable countermeasures (net risk), transferring risk, or consciously accepting risk. We have implemented measures suitable for managing the risks identified. These are described in more detail below.

If it makes strategic and financial sense, the main insurable business risks are covered by a global insurance strategy drawn up in concert with external insurance brokers. The associated Group insurance policies transfer the risk to the insurer. An insurance deductible may still apply in each case, depending on the provisions agreed. Changing risk situations for the Group are examined regularly and insurance cover is adjusted if necessary.

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

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

Risk reporting

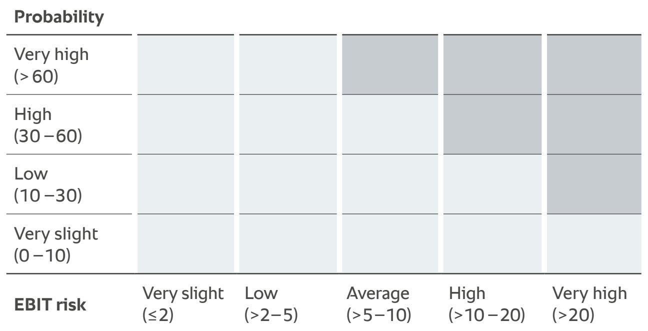
The RATIONAL Group has a set communication structure for both continuous and ad-hoc reporting on the risk situation in the defined risk areas. The Risk Manager collects the information communicated and reports to the Executive Board on a monthly basis.

Risks

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

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

Risk impact/probability in %



Material to the RATIONAL Group
Not material to the RATIONAL Group

The overview of the individual risks is followed by descriptions of non-financial risks. Information is also provided on countermeasures, with an indication of where the details are presented in the consolidated financial statements.

In addition, the Executive Board regularly discusses strategic risks and their impact on the company's success.

Business risks

	Risk impact	Probability
Market and competitive risks		
Risks from competition and substitution	High	Low
Lack of acceptance of new products and of our technologies	High	Low
Dependence on major customers	Average	Low
Impact of the pandemic and the economy on our customers' propensity to invest	Average	Low
Production and product risks		
Production disruption risk	Very high	High
Shortage of professionals	High	Low
Product quality	High	Very low
Operational risks		
IT risks	Very high	Low
Other non-financial and sustainability risks		
Environmental risks	High	Low
Risks to the health of employees	Very high	Low
Political and legal risks		
Geopolitical risks	Average	Very high
Patent risks	High	Low
Legal risks from local laws and regulations	High	Low
Financial and capital market risks in accordance with section 315 (2) no. 1 (b) of the HGB	Average	Very high

Market and competitive risks were generally affected by the coronavirus pandemic in the past year, and for this reason we assumed a very high risk impact and a high probability. Having gathered experience in crisis management, we expect going forward that pandemic-related effects on our customers' willingness to invest do not pose a material risk.

Unlike in the previous year, we consider the risk of disrupted production to be material because of the very high risk impact and the high probability that it will materialise. We believe that this risk will affect both market and competitive risks and production and product risks.

In terms of other non-financial and sustainability risks, we consider the threat to the health of our employees as a result of the coronavirus pandemic a material risk.

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 lead when it comes to innovation, 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. Additionally, it would have an adverse effect on our innovative strength if innovative employees were unavailable or left the company.

We constantly monitor developments and trends in the sector as well as the market strategies of our competitors, 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.

We pursue preventive measures to counteract the unavailability or exit of innovative employees. Further details can be found where we discuss the risk of disrupted production and risks to the health of employees.

There was consolidation among competitors in 2021. We do not expect this to have any impact on our business in the medium term. The competitors' business model differs from ours in that we focus exclusively on intelligent cooking systems for the thermal preparation of food and we specifically drive innovation. The newly established group was formed by the merger of two providers with a broad range of kitchen products. Combi-steamers form only a relatively small part of their product portfolio.

Lack of acceptance of new products and of our technologies

There is a general risk of our products or services not achieving the level of market acceptance that we expect. In addition, there is a risk that new technology will entail special requirements for service, which may result in liability risks.

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

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 risk of dependence on major customers material since our largest end customer currently accounts for around only 3% of sales revenues.

Impact of the pandemic and 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.

The extensive restrictions in response to the coronavirus crisis had a strong negative impact on global economic activity. Increased uncertainty about the future development of the crisis and the economic impact this entails, as observed in the first few months of the year under review, inhibited the propensity of our customers to invest. Nevertheless, we were able to observe during the coronavirus crisis that government measures, such as interim aid or investment incentives, limited the financial impact on our customers. There were, however, major regional differences in state aid. It is impossible to predict whether the same kinds of generous state subsidy or transfer programmes will be launched in similar economic downturns. For this reason, pandemics pose a certain planning risk for RATIONAL and our customers.

We monitor economic developments in our principal markets very carefully. General or pandemic-induced weakness in the economy would have a negative impact on our business in the short term, putting sales revenues and Group earnings under significant pressure.

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

Production disruption risk

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

The coronavirus crisis has shown that the loss of production and delivery capability can result from a pandemic. Restrictions or outbreaks of infections at suppliers or carriers can lead to substantial constraints on the supply chain. Moreover, there is a risk that our employees will be unavailable because they are unable to work or have to quarantine, and this would have further negative consequences for 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.

We closely observe the stretched situation in international supply chains. There are signs of increasing backlogs in ports around the world, which will lead to significantly longer delivery times that are difficult to plan.

All of our key suppliers are based in Europe, most of them in Germany. A number of upstream suppliers in the supply chain are based in China and other Asian countries. There is also a risk that the tense situation may again lead to further bottlenecks in the supply chain of the RATIONAL Group in 2022. Delivery dates for electronics components as well as for commodities were extended significantly in the year under review. In some cases, deliveries of critical parts were cancelled altogether. Partial assembly and subsequent installation of the critical components helped us prevent a production stoppage.

We keep a particularly sharp eye on business developments at our suppliers and on the production processes of relevance to our own operations. These include regular risk assessments of our key suppliers and a system for auditing upstream suppliers. Accordingly, we are expanding capacity in strategic purchasing and driving the consistent implementation of our second source strategy where this is expedient and feasible.

In particular, in connection with dependency on upstream suppliers in regions that are at risk, we are examining our supply chains very closely for potential risks, assessing these risks on an ongoing basis and working on procurement alternatives. In addition, if bottlenecks persist, product development works on redesigning electronics components in order to circumvent the bottleneck or enable alternative procurement options.

The health and quarantine measures taken to protect our employees are described with the other non-financial and sustainability risks.

Despite all the preventive and countermeasures, we were unable in 2021 to prevent the tense procurement situation from having an adverse impact on the company's success.

Shortage of professionals

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

A modern, young employer brand has been developed in order to win suitable employees. Under this umbrella, the company undertakes various activities, such as scouting at university campuses or visiting vocational training fairs. To motivate and retain employees in the long term, RATIONAL offers appropriate levels of pay as well as targeted measures to develop and promote its employees. In addition, our U.i.U. philosophy fosters a special corporate culture that encourages them to be loyal and stay for the long term.

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 the course of ongoing product observation during the past fiscal year, 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 are exchanging this component proactively and free of charge for a newly developed, more resilient component in as many appliances as possible. To this end, a provision of around 12 million euros was recognised.

To mitigate quality risks, we subject all appliances to testing before they leave our factory. In addition to comprehensive tests on every single item of equipment, random samples of equipment undergo additional detailed inspections. In this way, we ensure the reliability of our products and can also identify any possible sources of defects at an early stage. If complaints are, nevertheless, received from customers — or from internal sources — the problems are analysed and immediate solutions sought as part of our urgent quality improvement system. Damage to property or injury to persons occurring on customer premises are adequately covered by the existing product liability insurance. We go to extreme lengths to avoid potential harm to our image, overcompensating for any defect and resulting damage.

Operational risks

IT risks
IT risks can arise as a result of the ever-increasing integration of IT systems. Networks can go down, data can be corrupted, stolen or destroyed by operating or program errors or as a result of external factors, and system failures can cause work to be delayed. Inadequate security systems could allow unauthorised outsiders to access critical information.

We counter information technology risks by investing continuously in hardware and software, using virus scanners, encrypting e-mail and data transfers, installing firewall systems and admission and access controls as well as by housing our systems in a specially protected data centre. Many of our systems have redundant backup facilities to counteract failures quickly. In regular mandatory information security training, employees are made aware of risks to ensure the company's data is protected.

Other non-financial and sustainability risks

Environmental risks
Manufacturing companies like ours are always subject to the risk that accidents involving oil, chemicals or other hazardous substances used during the production process damage the environment. Breaches of obligations could have legal consequences, such as administrative fines and claims for damages. We counter this risk by taking appropriate safety measures and conducting training and regular audits.

Risks to the health of employees
If hazardous and poisonous substances are handled improperly and legal safety requirements are not complied with, there is a risk of injury to people. Moreover, during a pandemic when a potentially deadly disease is spreading rapidly, the health of employees at work or on their way to work is potentially at risk. If there is an infection, significant negative effects on the health of the individual affected may have to be expected.

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.

At the start of the coronavirus pandemic, crisis teams were set up at all production sites and all administrative and sales offices. These crisis teams are aimed at minimising the number of infections through close cooperation and consultation with the authorities and strict implementation of occupational health and safety measures. Regular newsletters provided transparent information to employees about the measures and requirements in force at their sites.

Unless there were operational reasons for not doing so, we gave our employees the opportunity to work from home. In addition, jointly with the vaccination centre in Penzing near Landsberg am Lech, we facilitated vaccinations and booster shots for our employees. These measures helped us prevent major outbreaks of infections and the resulting adverse impact on the health of our employees.

Political and legal risks

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

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

As a result, our business in both countries has been significantly affected by the impact of the crisis. We see risks with regard to currency stability, logistics and the propensity of customers to invest in these regions.

Sales revenues in Russia and Ukraine in 2021 accounted for around 2% to 3% of the sales revenues for the Group as a whole. If the conflict does not spread to other regions, we regard the economic consequences for our business to be limited.

Patent risks
Both active and passive infringements of patents can give rise to costs for litigation and damages. In addition, there is a possibility that insufficient protection of intellectual property will enable competitors to make use of technologies developed by us to their own advantage and thereby benefit from them.

A team of patent specialists meticulously monitors new products of our competitors and cooperates closely with our product development. Checks against international patent databases thus help to avoid patent infringements by our own company and allow us to identify and pursue patent infringements by our competitors at an early stage. Additionally, the ongoing reconciliation process provides early insight into intellectual property that may be worth protecting.

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.
› Business arrangements that violate local competition or antitrust law.
› Business arrangements that constitute corruption and bribery or human rights violations.
› 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.

Financial and capital market risks in accordance with section 315 (2) no. 1 (b) of the HGB
Risks arising from defaults, liquidity, prices and changes in interest and exchange rates have been identified as relevant financial and capital market risks for the RATIONAL Group.

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

Credit risk exists in relation to deposits, financial investments and derivative financial instruments from the possible failure of the contract partner to fulfil their obligations.

For this reason, only investment-grade banks qualify for deposits and financial investments at RATIONAL. To diversify the risk, the financial assets are distributed across several banks.

Liquidity risks
Liquidity risk refers to the possibility that at some point in time RATIONAL may not be in a position to meet its payment obligations in full by the relevant due dates. Corporate Treasury assigns top priority to the monitoring and control of liquidity. It does so by implementing daily cash management and rolling liquidity planning, including the continuous monitoring and control of the Group's incoming and outgoing payments.

Currency risk
One of the factors giving rise to currency risk is exchange rate fluctuations at the balance sheet date and consequently the possible change in the fair value of existing balance sheet items denominated in foreign currencies (translation risk). At RATIONAL, these risks are not minimised by the use of hedges.

Another factor giving rise to currency risk is that the future cash flows resulting from a financial instrument in a foreign currency may differ significantly from the recoverable values as at the balance sheet date owing to changes in exchange rates (transaction risk). Where necessary, any identified transaction risks are hedged by means of derivative financial instruments. Such hedges relate to recognised and anticipated transactions.

Around half of the sales revenues are generated in foreign currencies. If the euro had been an average of 10% weaker (stronger) in 2021, consolidated sales revenues would have been around 6% higher (5% lower). EBIT would have been around 27% higher (23% lower) if the euro had depreciated (appreciated) on average by 10%.

Interest rate risks

Interest rate risk is the risk of a possible change in fair values or future payments of financial instruments resulting from changes in market interest rates. RATIONAL counteracts the risk of changing interest rates for future payments relating to financial liabilities by agreeing fixed interest rates. Interest rates have been fixed for the entire term of the outstanding loans. In addition, interest rate risk arises from increasing custody fees charged for bank balances above a certain threshold.

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.

Price risks

Price risk may arise primarily in relation to the purchase of components and raw materials for the manufacture of products. Neither the basic price of steel nor that of alloy metals is hedged by the use of derivative financial instruments. Concerning the basic price of steel, however, RATIONAL does have fixed contracts with suppliers, under which the purchase price is set about one year in advance. Given the substantial rises and increasingly volatile procurement costs for components, it is not currently possible to estimate their future development. What is more, no instruments are available at present to minimise this risk.

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.

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 in relation to the recording and processing of data relevant to accounting.
- Standard software is employed wherever possible for the financial systems used in the Accounting and Consolidation units. Appropriate security and authorisation concepts are deployed to protect these systems against unauthorised access. Consolidation-related transactions are captured and reconciled with the help of appropriate systems.
- The units involved in the accounting process are properly equipped to meet requirements. The staff involved have the necessary skills and qualifications and receive further training on a continuous basis. The parties involved closely coordinate their activities at regular meetings of representatives from across the Group.
- Accounting-related data is subject to regular random sample checks to ensure the data is complete and accurate.
- All key processes relevant to (Group) accounting are subject to the universal principle that transactions must be double-checked by a second person.
- The consolidated financial statements are analysed and discussed monthly by the units involved in the preparation process.
- The annual financial statements of all companies relevant to the consolidated financial statements are audited by an auditor or reviewed by the Group auditor in order to ensure that accounting practice is consistent and complies with the law.
- All of the Group processes relevant to accounting are regularly checked by 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 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.

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 2021 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 the provisions of the Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie (ARUG II, German Act Implementing the Second Shareholders' Rights Directive), Article 13 of the Articles of Association was amended by adding paragraphs (3) and (4) by way of a resolution of the General Meeting of Shareholders. The following paragraphs were added:

“3. Shareholders wishing to attend the Shareholders' Meeting or to exercise the right to vote must register for the Shareholders' Meeting on time. The registration must be received by the company by being sent in text form to the address notified for this purpose in the invitation, or by being transmitted by intermediaries subject to the requirements specified in § 67c of the Aktiengesetz (AktG, German Stock Corporation Act) in conjunction with Article 6 of Commission Implementing Regulation (EU) 2018/1212, by at least six days before the Shareholders' Meeting (deadline for registration). The Executive Board shall be entitled, in the invitation to the Shareholders' Meeting, to determine a deadline for registration which is reduced to up to three days before the Shareholders' Meeting. The same applies to the Supervisory Board, if the Shareholders' Meeting is convened by the Supervisory Board. The day of receipt of the evidence and the day of the Shareholders' Meeting shall not be counted in calculating this deadline.”

“4. Shareholders must also provide evidence of their entitlement to attend the Shareholders' Meeting and exercise their right to vote. Evidence of their share ownership issued in text form by the custodial institution or evidence in accordance with § 123 Para. 4 Sentence 1 and § 67c Para. 3 of the Stock Corporation Act (Aktiengesetz) in conjunction with Article 5 of Commission Implementing Regulation (EU) 2018/1212 is sufficient for that purpose. The evidence must relate to the beginning of the 21st day before the Shareholders' Meeting. It must be received by the company by being sent in text form to the address notified for this purpose in the invitation, or by being transmitted by intermediaries subject to the requirements specified in § 67c Para. 3 of the AktG in conjunction with Article 5 of Commission Implementing Regulation (EU) 2018/1212, by at least six days before the Shareholders' Meeting. The Executive Board shall be entitled, in the invitation to the Shareholders' Meeting, to determine a deadline which is reduced to up to three days before the Shareholders' Meeting. The same applies to the Supervisory Board, if the Shareholders' Meeting is convened by the Supervisory Board. The day of receipt of the evidence and the day of the Shareholders' Meeting shall not be counted in calculating this deadline.”

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. It does not currently have authorisation from the General Meeting of Shareholders to repurchase its own shares or to issue new shares.

RATIONAL AG has not entered into any material agreements that are subject to the condition of a change of control following a takeover bid.

No agreements have been entered into with members of the Executive Board or other employees of the company that provide for any particular compensation or additional remuneration in the event of a change of control.

Combined corporate governance statement

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

Landsberg am Lech, 1 March 2022

RATIONAL AG
The Executive Board

Dr Peter Stadelmann
Chief Executive Officer

Peter Wiedemann
Chief Technical Officer

Markus Paschmann
Chief Sales Officer

Jörg Walter
Chief Financial Officer

Consolidated Financial Statement

Contents

Statement of Comprehensive Income RATIONAL Group

for the period 1 January – 31 December

	Note	2021	in kEUR 2020
Sales revenues	1	779,734	649,587
Cost of sales	2	−350,460	−289,468
Gross profit		429,274	360,119
Sales and service expenses	2	−187,590	−166,888
Research and development expenses		−45,119	−41,671
General administration expenses		−39,961	−36,596
Other operating income	3	13,885	12,740
Other operating expenses	3	−10,355	−20,898
Earnings before financial result and taxes (EBIT)		160,134	106,806
Interest income	4	267	401
Interest expenses	4	−646	−739
Other financial result	4	−895	−4,091
Earnings before taxes (EBT)		158,860	102,377
Income taxes	5	−35,197	−22,281
Profit or loss after taxes		123,663	80,096
Items that may be reclassified to profit and loss in the future:			
Differences from currency translation	15	−1,552	2,396
Items that will not be reclassified to profit and loss:			
Actuarial gains and losses from defined benefit obligations	15, 16	704	40
Other comprehensive income		−848	2,436
Total comprehensive income		122,815	82,532
Average number of shares (basic/diluted)		11,370,000	11,370,000
Earnings per share (basic/diluted) in euros, based on profit or loss after taxes and the number of shares	6	10.88	7.04

Balance Sheet RATIONAL Group

Assets	Note	31 Dec 2021	in kEUR 31 Dec 2020
Non-current assets		218,569	217,003
Intangible assets	8	8,303	6,508
Property, plant and equipment	9	196,078	194,977
Other financial assets	12	1,040	1,145
Deferred tax assets	5	9,973	12,514
Other assets	13	3,175	1,859
Current assets		565,269	453,743
Inventories	10	97,288	79,285
Trade accounts receivable	11	108,787	98,750
Other financial assets	12	84,877	25,928
Income tax receivables		7,691	8,279
Other assets	13	12,931	10,373
Cash and cash equivalents	14	253,695	231,128
Total assets		783,838	670,746

Equity and liabilities	Note	31 Dec 2021	in kEUR 31 Dec 2020
Equity		603,330	535,091
Subscribed capital	15	11,370	11,370
Capital reserves	15	28,058	28,058
Retained earnings	15	569,377	500,290
Other components of equity	15	−5,475	−4,627
Non-current liabilities		34,345	34,456
Pension and similar obligations	16	5,785	6,508
Other provisions	17	10,780	9,056
Financial debt	18	944	2,126
Other financial liabilities	19	13,963	14,524
Deferred tax liabilities	5	677	406
Income tax liabilities		1,532	497
Other liabilities	20	664	1,339
Current liabilities		146,163	101,199
Other provisions	17	63,041	40,044
Financial debt	18	1,181	2,550
Trade accounts payable	19	28,440	21,154
Other financial liabilities	19	15,923	12,236
Income tax liabilities		9,077	7,013
Other liabilities	20	28,501	18,202
Liabilities		180,508	135,655
Total equity and liabilities		783,838	670,746

Cash Flow Statement RATIONAL Group

for the period 1 January – 31 December

	Note	2021	in kEUR 2020
Earnings before taxes (EBT)		**158,860**	102,377
Depreciation and amortisation	8, 9, 23	**30,314**	29,278
Other		**933**	3,255
Net interest		**379**	338
Changes in			
Inventories		**−20,965**	−7,854
Trade accounts receivable and other assets		**−13,728**	36,045
Provisions		**24,555**	−9,340
Trade accounts payable and other liabilities		**20,154**	−13,982
Income taxes paid		**−28,792**	−47,427
Cash flow from operating activities	21	**171,710**	**92,690**
Capital expenditures in intangible assets and property, plant and equipment	8, 9	**−25,820**	−33,397
Proceeds from asset disposals		**68**	89
Change in fixed deposits	12	**−58,806**	24,772
Change from other financial investments	12	**0**	46,527
Interest received		**264**	401
Cash flow from investing activities	21	**−84,294**	**38,392**
Dividends paid	7	**−54,576**	−64,809
Repayment of liabilities to banks	18	**−1,551**	−2,631
Change in other liabilities to banks	18	**−964**	−2,164
Payments for lease liabilities		**−8,533**	−9,082
Interest paid		**−227**	−243
Cash flow from financing activities	21	**−65,851**	**−78,929**
Effects of exchange rate fluctuations in cash and cash equivalents		**1,002**	−2,415
Change in cash and cash equivalents		**22,567**	**49,738**
Cash and cash equivalents as at 1 January	14	**231,128**	**181,390**
Cash and cash equivalents as at 31 December	14	**253,695**	**231,128**

Statement of Changes in Equity RATIONAL Group

in kEUR

	Subscribed capital	Capital reserves	Retained earnings	Other components of equity		Total
				Differences from currency translation	Actuarial gains and losses	
Note	15	15	7, 15	15	5, 15, 16	
Balance as at 1 January 2020	**11,370**	**28,058**	**485,003**	**−5,474**	**−1,589**	**517,368**
Dividend	–	–	−64,809	–	–	−64,809
Profit or loss after taxes	–	–	80,096	–	–	80,096
Other comprehensive income	–	–	–	2,396	40	2,436
Balance as at 31 December 2020	**11,370**	**28,058**	**500,290**	**−3,078**	**−1,549**	**535,091**
Dividend	**–**	**–**	**−54,576**	**–**	**–**	**−54,576**
Profit or loss after taxes	**–**	**–**	**123,663**	**–**	**–**	**123,663**
Other comprehensive income	**–**	**–**	**–**	**−1,552**	**704**	**−848**
Balance as at 31 December 2021	**11,370**	**28,058**	**569,377**	**−4,630**	**−845**	**603,330**

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 appliances for industrial kitchens. RATIONAL sells its products worldwide through its own subsidiaries and through independent distribution partners. The appliances are produced in Germany and France.

Presentation of financial statements

The consolidated financial statements cover RATIONAL AG and its subsidiaries. The functional currency and the currency used in the consolidated financial statements is the euro. For the sake of clarity, figures are 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 fiscal year ending December 31, 2021 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 1 March 2022.

Basis of preparation

The consolidated financial statements for fiscal year 2021 (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 2021 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 2021:

		Entry into force
Amendment	IFRS 9, IAS 39, IFRS 7, 4 IFRS 16 "Interest Rate Benchmark Reform" — Phase 2	1 January 2021
Amendment	IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	1 January 2021
Amendment	IFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021"	1 April 2021

The revised standards that were applied on a mandatory basis for the first time in fiscal year 2021 and not applied voluntarily in previous years have no material effect on these consolidated financial statements of RATIONAL.

The following amendments did not yet apply on a mandatory basis in fiscal year 2021 and were not applied early:

		Entry into force
Amendment	IFRS 3 "Reference to the Conceptual Framework"	1 January 2022
Amendment	IAS 16 "Proceeds before Intended Use of Property, Plant and Equipment"	1 January 2022
Amendment	IAS 37 "Onerous Contracts — Cost of Fulfilling a Contract"	1 January 2022
Amendment	Annual Improvements to IFRSs — 2018–2020 cycle	1 January 2022
New	IFRS 17 "Insurance Contracts"	1 January 2023

These amendments are not expected to have any material effect on RATIONAL's consolidated financial statements.

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

		Entry into force in accordance with standard
Amendment	IAS 1 "Presentation of Financial Statements: Classification of Liabilities as Current or Non-current"	1 January 2023
Amendment	IAS 1 and Practice Statement 2 "Disclosure of Accounting Policies"	1 January 2023
Amendment	IAS 8 "Definition of Accounting Estimates"	1 January 2023
Amendment	IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	1 January 2023
Amendment	IFRS 17 "Initial Application of IFRS 17 and IFRS 9 – Comparative Information"	1 January 2023

RATIONAL AG will apply these changes and the new IFRS 17 standard once they have been adopted as mandatory by the European Union. They with IFRS 17 are not expected to have any material effect on RATIONAL's future consolidated financial statements.

Consolidation methods

In addition to RATIONAL AG as the ultimate parent company, all material domestic and foreign subsidiaries under the direct or indirect control of RATIONAL AG have been included in the consolidated financial statements of RATIONAL. The consolidation of an investee begins on the day on which RATIONAL AG gains control over the entity and ends when it no longer has control over the investee.

Initial consolidation of the investment account is performed using the acquisition method in accordance with IFRS 3. Any remaining positive differences are capitalised as goodwill.

The effects of intercompany transactions are eliminated. Balances between consolidated companies 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.

Scope of consolidation

Seven domestic (2020: seven) and 24 foreign subsidiaries (2020: 25) in addition to the parent company were included in the consolidated financial statements.

The change in the scope of consolidation compared with the previous year is due to the liquidation of the subsidiary RATIONAL Chile SpA, which had no operational activities. Its liquidation does not have any material effect on the presentation of a true and fair view of the Group's net assets, financial position and profit or loss.

As at 31 December 2021 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 Dienstleistungsgesellschaft 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
Europe			
RATIONAL UK Ltd.	Luton	UK	100.0
RATIONAL France S.A.S.	Wittenheim	France	100.0
RATIONAL Wittenheim S.A.S.	Wittenheim	France	100.0
TOPINOX S.A.R.L.	Nantes	France	100.0
RATIONAL Italia s.r.l.	Mestre	Italy	100.0
RATIONAL Ibérica Cooking Systems S.L.	Barcelona	Spain	100.0
RATIONAL Austria GmbH	Salzburg	Austria	100.0
RATIONAL International AG	Balgach	Switzerland	100.0
RATIONAL Schweiz AG	Balgach	Switzerland	100.0
RATIONAL Sp. z o.o.	Warsaw	Poland	100.0
RATIONAL Czech Republic s.r.o.	Prague	Czech Republic	100.0
RATIONAL Scandinavia AB	Malmö	Sweden	100.0
RATIONAL RUS OOO	Moscow	Russia	100.0
RATIONAL Endüstriyel Mutfak Ekipmanları Ticaret Limited Sirketi	Istanbul	Turkey	100.0
Americas			
RATIONAL Cooking Systems, Inc.	Rolling Meadows	USA	100.0
RATIONAL Canada Inc.	Mississauga	Canada	100.0
RATIONAL México, S.A. DE C.V.	Mexico City	Mexico	100.0
RATIONAL Brasil Comércio E Distribuição de Sistemas De Cocção Ltda.	São Paulo	Brazil	99.9
RATIONAL Colombia — America Central SAS	Bogotá	Columbia	100.0
Asia			
RATIONAL Japan Co., Ltd.	Tokyo	Japan	100.0
RATIONAL Trading (Shanghai) Co., Ltd.	Shanghai	China	100.0
RATIONAL International India Private Ltd.	Gurgaon	India	100.0
RATIONAL Cooking Systems PTE. LTD.	Singapore	Singapore	100.0
RATIONAL Kitchen and Catering Equipment Trading FZCO	Dubai	United Arab Emirates	100.0

The fiscal year of RATIONAL AG and its subsidiaries, with the exception of RATIONAL International India Private Ltd., corresponds to the calendar year. In accordance with local legal requirements, the Indian subsidiary has a fiscal year from 1 April to 31 March, but for consolidation purposes the figures are prepared on a calendar-year basis. The balance sheet date of the consolidated financial statements is the balance sheet date of the parent company.

The domestic subsidiaries LechMetall GmbH, RATIONAL Deutschland GmbH, RATIONAL Technical Services GmbH, RATIONAL Dienstleistungsgesellschaft mbH, RATIONAL Montage GmbH, RATIONAL Komponenten GmbH and RATIONAL F & E GmbH have exercised all available exemption options provided in section 264 (3) of the HGB (Handelsgesetzbuch, German Commercial Code) for fiscal year 2021.

Foreign currency translation

In the separate financial statements of the subsidiaries, foreign currency transactions are translated into the functional currency at the exchange rate prevailing at the time of the transaction. The local currency in each country is the functional currency for the entities based in the country concerned. RATIONAL International AG, based in Switzerland, and RATIONAL Kitchen and Catering Equipment Trading FZCO, which has its registered office in the United Arab Emirates, are exceptions to this rule and use the euro as their functional currency, because most sales revenues are generated in euros. Profits and losses resulting from the settlement of such transactions and from the translation at the spot rate of monetary foreign currency assets and liabilities are recognised in the income statement.

For the consolidated financial statements, the annual financial statements of the foreign subsidiaries are translated into euros, the functional currency used in the consolidated financial statements. Assets and liabilities are translated at the spot rate as at the balance sheet date and the items in the income statement at the annual average rate. The portions of equity to be included in the consolidation of the investment account and the accumulated profit or loss brought forward are translated at historical rates. If this gives rise to differences as a result of changes in rates, the differences are recognised under "Differences from currency translation" in the statement of comprehensive income.

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

	Annual average exchange rate		Exchange rate on 31 Dec	
1 euro =	2021	2020	2021	2020
CAD = Canadian dollar	**1.4788**	1.5376	**1.4361**	1.5588
CNY = Chinese yuan	**7.5975**	7.8967	**7.2284**	7.9876
GBP = Pound sterling	**0.8582**	0.8890	**0.8396**	0.8952
JPY = Japanese yen	**130.27**	121.81	**130.95**	126.33
USD = US dollar	**1.1802**	1.1452	**1.1372**	1.2238

Significant accounting policies

Intangible assets and property, plant and equipment
Purchased intangible assets are recognised at cost and usually amortised over three to five years using the straight-line method.

Development costs are recognised as internally generated intangible assets if the requirements of IAS 38.57 are met. 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. Capitalised development costs for development projects that have not yet been completed are tested annually for impairment.

Goodwill arising from the consolidation of the investment account and other company acquisitions is tested at least annually for impairment in compliance with IAS 36. If the fair value less disposal costs or the value in use is below the carrying amount of the cash-generating unit or the group of cash-generating units, an impairment loss is recognised in the income statement.

Property, plant and equipment is measured at cost less depreciation. Cost includes all directly attributable costs and appropriate portions of production-related overheads. Depreciation is calculated on the basis of the useful lives of the assets. Administration and production buildings are usually depreciated over a period of between 10 and 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 2 and 15 years. The straight-line method is normally used. Depreciation is charged pro rata in the year the asset is purchased.

As at each balance sheet date, the Group has to assess whether there are any indications that the carrying amount of an intangible asset or item of property, plant and equipment may be impaired. If impairment is identified in excess of depreciation, the asset is written down to its recoverable amount. The recoverable amount is either the fair value less costs to sell or the value in use of an asset, whichever is higher.

Leasing
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 6 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 using the straight-line method.

Inventories
Inventories are measured either at cost or at the net realisable value, whichever is lower. Raw materials, consumables, supplies and merchandise are measured at cost using the moving weighted average cost method. Price reductions, such as volume and cash discounts and other comparable amounts, are taken into account when measuring cost. Work in progress and finished goods are measured at production costs. They include all costs directly attributable to the production process, as well as appropriate portions of production-related overheads.

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

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

Financial assets and liabilities are initially recognised at fair value plus or less directly attributable transactions costs, if they are measured at amortised cost. Under IFRS 9, all financial assets and liabilities are classified as being subsequently measured at amortised cost or at fair value. The classification depends on the group's business model for controlling financial assets and on the contractual cash flow characteristics of the financial assets or liabilities

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

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

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

The assignment of the respective financial instruments within the balance sheet items to IFRS 9 categories is summarised in "Other notes to the consolidated financial statements" under note 22.

A financial asset is derecognised if the contractual right to cash flows from the financial asset has expired or if the financial asset has been transferred and RATIONAL has transferred or received substantially all risks and rewards associated with ownership. A receivable will also be derecognised if there is no realistic prospect of recovering an impaired receivable (normally defined as insolvency of the debtor or an external collection specialist's inability to realise the receivable). A financial liability is derecognised if the corresponding obligation has been settled or rescinded, or has lapsed. The gains and losses arising from the derecognition of financial assets and financial liabilities are recognised in the income statement for the period.

The impairment loss on financial assets recognised in the context of subsequent measurement at amortised cost takes account not only of losses already incurred, but also an estimate of expected credit losses (expected credit loss model). IFRS 9 distinguishes between a general impairment model (three-stage approach) and a simplified approach. The general impairment model is used in all cases for determining impairment losses. Risk allowances are recognised for expected credit losses on deposits. For deposits with a low credit risk, the risk allowance is limited to the expected 12-month credit losses. To be able to assess whether the credit risk of fixed-term deposits has increased significantly, the ratings of banks with which there was an active contractual relationship during the reporting period are reviewed as at each reporting date. Deposits have a low risk of default if the issuer has an investment grade rating. The valuation allowances to be recognised are calculated on the basis of corresponding credit default swaps.

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

RATIONAL applies the simplified approach under IFRS 9 to measure the expected credit losses for trade accounts receivable. The short-term nature of the receivables means that the expected 12-month credit losses correspond to the credit losses expected over their remaining lives. Transfers between Stage 1 and Stage 2 are therefore redundant, 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, the receivables are more than 90 days overdue, insolvency proceedings have been filed for or commenced, or receivables are disputed in court.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, cash in banks as well as short-term deposits; they are measured at nominal value. Cash in foreign currency is translated at the spot rate as at the balance sheet date. Positive current account balances are subject to the requirements of the general impairment model. However, since current account contracts can always be terminated at short notice, no risk provision is recognised for credit balances in current accounts.

Current income tax receivables and income tax liabilities
Current income tax receivables and income tax liabilities for current as well as prior periods are measured at the amount of the expected refund from or payment to the tax authorities. The amount is calculated on the basis of the tax rates and tax legislation enacted at the balance sheet date.

Deferred taxes
Deferred tax assets are recognised in accordance with IAS 12, using the liability method, for temporary differences between the value of an asset or liability as shown on the balance sheet and the tax base, as well as for tax loss carry-forwards. Deferred tax assets and liabilities are calculated at the tax rates expected to be effective in the period in which the asset is realised or liability settled. The tax rate used to calculate deferred taxes for RATIONAL AG is 28% (2020: 28%). For foreign subsidiaries, deferred taxes are calculated on the basis of tax rates applicable or enacted as at the balance sheet date. Deferred taxes recognised at Group level have been measured on the basis of each country-specific income tax rate.

Deferred tax assets and deferred tax liabilities are only reported on a net basis if there is an enforceable legal right to offset them and if the deferred tax assets and deferred tax liabilities relate to taxes on income that are levied on the same taxable entity and by the same tax authority.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced by the amount by which it is no longer probable that sufficient taxable income will be available against which the deferred tax asset and any unused tax loss can be used.

Provisions
The measurement of defined benefit provisions for pensions is based on the projected unit credit method stipulated in IAS 19. The actuarial gains and losses are directly recognised in other comprehensive income. The interest paid is recognised in the income statement under "Interest expenses".

Other provisions are recognised if there is 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.

Government grants
Government grants are recognised at fair value if there is reasonable assurance that RATIONAL will comply with any conditions attached to the grant and the grant will be received.

Government grants paid as compensation for expenses already incurred are recognised in profit or loss in the period in which the claim arises. These grants are normally deducted from the corresponding expenses. Grants for research and development not eligible for capitalisation are reported under other operating income.

Government grants for assets reduce the carrying amounts of the corresponding assets reported in the balance sheet. The income is recognised in profit or loss by way of reduced depreciation or amortisation charges over the useful life of the asset.

Cost of sales and other functional costs
Cost of sales comprises the manufacturing costs of the products sold, the cost of merchandise sold, warranty expenses, allowances on inventories and the cost of providing services sold. Sales and service expenses include sales organisation costs for office-based and field sales, shipping costs, costs for marketing, application consultancy and after-sales service. Research and development expenses comprise the cost of basic and application research and development costs not eligible for capitalisation. General administration expenses are made up of business administration costs, such as 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.

Recognition of income and expense
RATIONAL generates sales revenues primarily from selling goods to dealers and partners. Order lead times are generally short. Sales revenues are 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 standalone selling prices.

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

Operating expenses are recognised in the income statement when the goods or services are utilised or on the date the expenses are incurred. Provisions for warranties are recognised on an individual basis or when the corresponding sales revenues are recognised. Interest income and expenses are recognised in the period in which they accrue or are incurred. Research expenses and development costs not eligible for capitalisation are expensed as incurred. Finance costs are expensed in the period in which they are incurred, unless they can be allocated to the acquisition, construction or manufacture of a qualifying asset.

Other financial result
Due to the European Central Bank's current interest rate policy, a large number of banks are charging custody fees for accounts in credit. RATIONAL reports this interest expense in the other financial result.

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.

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.

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

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

Other than to form estimates and assumptions, there was no significant use of 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 130,147 thousand euros, or 20%, compared with fiscal year 2020 is mainly due to the global recovery of economic performance following the coronavirus crisis in the previous year and the resulting increase in demand. The tense supply situation around the world led to slower growth in the fourth quarter of the reporting period compared with sales revenue growth for the first nine months.

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

Sales revenues by region in kEUR

	2021	% of total	2020	% of total
Germany	**102,528**	**13**	83,889	13
Europe (excluding Germany)	**336,757**	**43**	295,031	45
North America	**140,415**	**18**	111,977	17
Latin America	**35,452**	**5**	24,083	4
Asia	**122,777**	**16**	102,210	16
Rest of the world[1]	**41,805**	**5**	32,397	5
Total	**779,734**	**100**	**649,587**	**100**

[1] Australia, New Zealand, Near/Middle East, Africa

A significant share of consolidated sales revenues was generated in these countries, including 110,189 thousand euros (2020: 88,564 thousand euros) in the USA and 102,528 thousand euros (2020: 83,889 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 698,383 thousand euros in the period under review (2020: 580,603 thousand euros), and the iVario product group had sales revenues of 81,351 thousand euros (2020: 68,984 thousand euros). 71% (2020: 72%) of sales revenues was attributable to appliance sales. The remaining 29% (2020: 28%) 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 3,505 thousand euros (2020: 3,969 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 488 thousand euros (2020: 135 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 remaining performance obligations is normally below one year, including for orders on hand, which rose towards the end of the year because of the tense supply situation worldwide. In accordance with IFRSs, no other information is therefore provided on current performance obligations.

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

2. Cost of sales and functional costs

Cost of sales was up by 21%, and therefore expanded at virtually the same pace as sales revenues. In addition to higher sales revenues, improved productivity compared with the previous year, which had seen the launch of the new appliance generation, as well as savings in personnel costs in production had a beneficial effect on the gross margin. Moreover, the previous year had included higher expenses for the launch of the new product generation. This is set against higher purchase prices, which rose last year, especially in the fourth quarter of the reporting period, because of the tense supply situation around the world, as well as an increase in warranty provisions. Sales and service expenses rose by 12% and therefore more slowly than sales revenues; this was attributable to the fact that costs for sales events and business trips were still low, as well as personnel costs that also increased at a slower rate than sales revenues.

In 2021, RATIONAL recognised government grants in the form of personnel and rental cost subsidies of 1,055 thousand euros (2020: 2,188 thousand euros). The corresponding claims arose in the reporting period. The conditions attached to these grants were satisfied in full, and there are no uncertainties. In addition, RATIONAL received government assistance in the form of reduced social security contributions.

3. Other operating income and expenses

in kEUR

	2021	2020
Exchange gains	**10,962**	9,037
Further income	**2,923**	3,703
Other operating income	**13,885**	**12,740**
Exchange losses	**−9,073**	−18,395
Further expenses	**−1,282**	−2,503
Other operating expenses	**−10,355**	**−20,898**

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 1,447 thousand euros (2020: 1,386 thousand euros) is reported under other income and includes grants for research and development services. The claim arose in the reporting period.

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

4. Financial results

The largest items in the financial result are custody fees and interest expenses in connection with leases. The high other financial result in the previous year arose primarily from the financial commitment relating to a special fund, which was liquidated in fiscal year 2020.

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% (2020: 27.73%) was applied to profit before tax to calculate expected tax expense. This tax rate is composed of a corporate income tax rate of 15.0% and a solidarity surcharge of 5.5% levied on corporate income tax, as well as a municipal trade tax multiplier of 340%, which is applied to the parent company.

in kEUR

	2021	2020
Earnings before taxes (EBT)	**158,860**	102,377
Expected tax rate in %	**27.73**	27.73
Expected income tax expense	**44,052**	**28,389**
Variations in local tax rates in the subsidiaries	**−10.236**	−4,223
Tax revenue from previous years	**−123**	−1,217
Tax expenses relating to previous years	**838**	439
Non-tax-deductible expenses and other amounts	**666**	−1,107
Reported income tax expense	**35,197**	**22,281**

The deferred tax expense attributable to 2021 in the income statement was 2,720 thousand euros (2020: 1,399 thousand euros). The current income tax expense, excluding deferred taxes, thus amounted to 32,477 thousand euros (2020: 23,680 thousand euros).

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

in kEUR

	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Intangible assets	**44**	27	**−1,329**	−977
Inventories	**7,436**	9,685	**−105**	−78
Provisions	**3,568**	3,347	**−57**	−50
Right-of-use assets and lease liabilities	**4,147**	4,301	**−4,048**	−4,256
Other	**698**	862	**−1,058**	−753
Total deferred tax assets/liabilities	**15,893**	**18,222**	**−6,597**	**−6,114**
Tax offset	**−5,920**	−5,708	**5,920**	5,708
Total recognised under assets/liabilities	**9,973**	**12,514**	**−677**	**−406**

Deferred taxes in provisions include deferred tax assets of 293 thousand euros (2020: 385 thousand euros) recognised on actuarial gains and losses and taken directly to equity.

8,737 thousand euros (2020: 11,085 thousand euros) of the total amount of deferred tax assets and liabilities is classified as current. Of the reported amounts, 559 thousand euros (2020: 1,023 thousand euros), are non-current. Current deferred taxes result from various temporary differences between the IFRS values and the tax base as well as from consolidation measures, while non-current deferred taxes are based on measurement differences for intangible assets, property, plant and equipment, pension provisions, right-of-use assets and lease liabilities.

On 31 December 2021, there were temporary differences of 6,047 thousand euros (2020: 3,355 thousand euros) in connection with shares in subsidiaries for which no deferred tax liabilities were recognised, because there is no intention to distribute these profits.

In addition, there are unused tax losses of 856 thousand euros (2020: 1,265 thousand euros). No deferred tax assets were recognised for this amount, because it is not reasonably certain that taxable income will be available in the future against which the Group could use the deferred tax assets.

6. Earnings per share

Earnings per share are calculated as stipulated by IAS 33 by dividing profit or loss after tax by the weighted average number of shares outstanding during the fiscal year.

Calculated on the basis of 11,370,000 shares (2020: 11,370,000 shares) and profit after tax of 123,663 thousand euros (2020: 80,096 thousand euros), basic and diluted earnings per share for fiscal year 2021 were 10.88 euros (2020: 7.04 euros).

7. Dividend per share

For fiscal year 2020 the dividend of 4.80 euros per share proposed by the Executive Board and Supervisory Board of RATIONAL AG was approved by a majority at the General Meeting of Shareholders on 12 May 2021. Total dividends of 54.576 thousand euros (2020: 64,809 thousand euros) were paid in May 2021.

The Executive Board and Supervisory Board will propose to the General Meeting of Shareholders on 4 May 2022 that a dividend of 10.00 euros per share (7.50 euros plus a special dividend of 2.50 euros per share) be paid for fiscal year 2021, the total distribution in this case being 113,700 thousand euros.

Notes to the consolidated balance sheet — assets

8. Intangible assets

in kEUR

	Industrial and similar rights	Goodwill	Capitalised development costs	Total
Cost				
Balance on 1 Jan 2021	15,784	424	7,336	23,544
Exchange rate differences	1	–	–	1
Additions	1,127	–	3,088	4,215
Disposals	–35	–	–	–35
Balance on 31 Dec 2021	16,877	424	10,424	27,725
Depreciation				
Balance on 1 Jan 2021	12,557	–	4,479	17,036
Exchange rate differences	–	–	–	–
Additions	1,267	–	1,154	2,421
Disposals	–35	–	–	–35
Balance on 31 Dec 2021	13,789	–	5,633	19,422
Carrying amounts				
Balance on 31 Dec 2021	3,088	424	4,791	8,303
Cost				
Balance on 1 Jan 2020	16,041	424	6,756	23,221
Exchange rate differences	–39	–	–	–39
Additions	1,447	–	580	2,027
Disposals	–1,665	–	–	–1,665
Balance on 31 Dec 2020	15,784	424	7,336	23,544
Depreciation				
Balance on 1 Jan 2020	12,794	–	3,143	15,937
Exchange rate differences	–36	–	–	–36
Additions	1,462	–	1,336	2,798
Disposals	–1,663	–	–	–1,663
Balance on 31 Dec 2020	12,557	–	4,479	17,036
Carrying amounts				
Balance on 31 Dec 2020	3,227	424	2,857	6,508

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 48,207 thousand euros in fiscal year 2021.

In fiscal year 2021, 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 2021, obligations to purchase intangible assets amounted to 374 thousand euros (2020: 0 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 178,964 thousand euros (2020: 177,020 thousand euros) and right-of-use assets within the meaning of IFRS 16 in an amount of 17.114 thousand euros (2020:17,957 thousand euros).

In fiscal year 2021, as in the previous year, there were no indications of impairment.

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

in kEUR

	Land and buildings	Technical equipment and machinery	Operating and office equipment	Advance payments and assets under construction	Total
Cost					
Balance on 1 Jan 2021	131,437	93,479	44,971	21,049	290,936
Exchange rate differences	225	1	208	–	434
Additions	5,466	3,265	4,798	8,076	21,605
Reclassifications	13,405	5,831	234	–19,470	–
Disposals	–158	–106	–1,356	–20	–1,640
Balance on 31 Dec 2021	150,375	102,470	48,855	9,635	311,335
Depreciation					
Balance on 1 Jan 2021	45,395	40,880	27,641	–	113,916
Exchange rate differences	156	1	170	–	327
Reclassifications	4,584	9,518	5,488	–	19,590
Additions	–	–	–	–	–
Disposals	–155	–75	–1,232	–	–1,462
Balance on 31 Dec 2021	49,980	50,324	32,067	–	132,371
Carrying amounts					
Balance on 31 Dec 2021	100,395	52,146	16,788	9,635	178,964
Cost					
Balance on 1 Jan 2020	130,173	79,256	41,892	17,748	269,069
Exchange rate differences	–354	–1	–525	–2	–882
Additions	1,195	5,981	6,215	16,010	29,401
Reclassifications	899	11,932	–124	–12,707	–
Disposals	–476	–3,689	–2,487	–	–6,652
Balance on 31 Dec 2020	131,437	93,479	44,971	21,049	290,936
Depreciation					
Balance on 1 Jan 2020	41,139	35,990	25,670	–	102,799
Exchange rate differences	–206	–1	–351	–	–558
Reclassifications	4,677	8,299	4,763	–	17,739
Additions	112	–	–112	–	–
Disposals	–327	–3,408	–2,329	–	–6,064
Balance on 31 Dec 2020	45,395	40,880	27,641	–	113,916
Carrying amounts					
Balance on 31 Dec 2020	86,042	52,599	17,330	21,049	177,020

A land charge of 33,500 thousand euros (2020: 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 2021, obligations to purchase property, plant and equipment amounted to 7,500 thousand euros (2020: 6,020 thousand euros).

Further details of right-of-use assets arising from leases can be found in note 23 "Leasing".

10. Inventories

in kEUR

	31 Dec 2021	31 Dec 2020
Raw materials, consumables and supplies	25,850	23,785
Work in progress	32,559	2,599
Finished goods and goods for resale	38,879	52,901
Total	97,288	79,285

The significant rise in inventories is attributable to the reduced sales volume in the fourth quarter of the reporting period. The main reason for this was lower availability of materials due to the tense supply situation around the world. Since this meant that an increasing number of appliances could only be partially finished, inventories of work in progress rose significantly towards the end of the year, while inventories of finished goods declined.

In fiscal year 2021, write-downs on inventories of 3,615 thousand euros (2020: 5,376 thousand euros) were expensed as cost of sales.

In total, inventories of 319,678 thousand euros (2020: 271,803 thousand euros) were recognised as expenses in the period under review.

As in the previous year, the inventories were not subject to any restrictions on disposal or pledges as at the balance sheet date.

11. Trade accounts receivable

Trade receivables break down as follows:

in kEUR

	31 Dec 2021	31 Dec 2020
Gross trade accounts receivable (specific valuation allowance)	311	917
Gross trade accounts receivable (portfolio valuation allowance)	108,871	98,430
Total	109,182	99,347
Specific valuation allowance	–238	–535
Portfolio valuation allowance	–157	–62
Trade accounts receivable	108,787	98,750

The increase in trade accounts receivable compared with 31 December 2020 is primarily due to the year-on-year rise in sales revenues in the last two months 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 majority of trade accounts receivable as at 31 December 2021 are new receivables.

All trade receivables are due within one year.

Allowances for expected credit losses are recognised for credit risk on receivables. Information on the credit risk on trade receivables can be found in the section on financial risks in note 22.

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

Specific valuation allowances on trade accounts receivable

in kEUR

	As at 1 Jan	Currency effects	Use	Reversal	Additions	Balance on 31 Dec
2021	535	10	–192	–151	36	238
2020	519	–41	–102	–56	215	535

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 4.33% (2020: 0.00% to 0.63%) 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 592 thousand euros in fiscal year 2021 (2020: 837 thousand euros). This figure does not include any claims settled by or payments expected from the credit insurer, which amounted to 375 thousand euros (2020: 669 thousand euros). Impairment losses and the reversal of impairment losses on trade accounts receivable gave rise to income of 186 thousand euros in fiscal year 2021 (2020: expense of 77 thousand euros). This is reported under other operating income or other operating expenses.

12. Other financial assets

in kEUR

	Current		Non-current	
Other financial assets	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Deposits incl. interest receivable	83,611	24,851	–	–
Derivatives without hedging relationship	595	329	–	–
Other	671	748	1,040	1,145
Total	84,877	25,928	1,040	1,145

The increase in other financial assets compared to 31 December 2020 essentially results from investments in short-term fixed deposits.

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

in kEUR

	Current		Non-current	
Deposits including interest receivables	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**
Deposits before risk allowances	**83,675**	24,865	**–**	–
Risk allowance	**–64**	–14	**–**	–
Deposits after risk allowances	**83,611**	**24,851**	**–**	**–**

In the fiscal year under review, an increase in the risk allowance of 50 thousand euros for deposits (2020: 51 thousand euros) was recognised under the other financial result.

Some of the fixed-term deposits at the end of the year are protected by deposit protection funds (for details, see the section on financial risks in note 22). None of these deposits has been pledged as collateral.

13. Other assets

in kEUR

	Current		Non-current	
Other assets	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**
Value added tax refund claims	**7,601**	6,069	**–**	–
Advance payments	**4,378**	3,143	**1,278**	810
Government grants	**–**	–	**1,897**	1,049
Other	**952**	1,161	**–**	–
Total	**12,931**	**10,373**	**3,175**	**1,859**

Other assets mainly consist of advances to employees in an amount of 640 thousand euros (2020: 590 thousand euros).

14. Cash and cash equivalents

in kEUR

	Currency	31 Dec 2021	31 Dec 2020
Deposits	EUR	**197,000**	177,614
Deposits	USD	**9,945**	10,523
Deposits	JPY	**7,485**	3,886
Deposits	GBP	**6,561**	9,118
Deposits	CHF	**5,533**	7,238
Deposits	CNY	**5,257**	4,790
Deposits	CAD	**3,737**	4,282
Deposits	INR	**2,927**	931
Deposits	PLN	**2,649**	603
Deposits	CZK	**2,267**	794
Deposits	SEK	**1,976**	3,397
Deposits	RUB	**1,967**	1,649
Deposits	MXN	**1,855**	713
Deposits	SGD	**1,522**	2,510
Deposits	TRY	**1,420**	1,339
Deposits in other currencies and cash in hand	various	**1,594**	1,741
Total		**253,695**	**231,128**

Deposits in foreign currencies are measured at the rate applicable on the balance sheet date. Information on credit risks can be found in the section on financial risks in note 22.

Cash and cash equivalents include currency items with controls on capital movement relating to a total amount of 7,981 thousand euros (2020: 5,270 thousand euros). More information on currency restrictions can be found in the section on financial risks in note 22.

Notes to the balance sheet — equity and liabilities

15. Equity

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

Subscribed capital

RATIONAL AG's share capital as at 31 December 2021 was unchanged at 11,370 thousand euros, divided into 11,370,000 no-par-value bearer shares, each with a notional value of 1.00 euro. Each share carries one vote and is necessary for calculating the share of the profits. There are currently no restrictions affecting voting rights or the transfer of shares. The subscribed capital is fully paid in.

Conditional capital amounts to 200 thousand euros and relates to option rights for members of the Executive Board to purchase up to 200,000 shares. The stock option plan is described in note 28, “Share-based payment”.

Capital reserves

Capital reserves consist mainly of the premium from the initial public offering less the costs associated with the initial public offering.

Retained earnings

Retained earnings 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).

Capital management disclosures

RATIONAL's capital management is aimed at ensuring the company's continued existence on a sustainable basis and maintaining its capital structure with a high equity base. In addition, RATIONAL wants to let its shareholders have an adequate share of the company's success. In this context, RATIONAL is not bound by any capital requirements under its articles of association.

The capital structure is monitored through the company's reporting process with a particular focus on the equity ratio, and the 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. RATIONAL's equity ratio as of 31 December 2021 was 77% (2020: 80%).

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 51 thousand euros in 2022 (2020: 51 thousand euros). Both pension obligations have an average maturity of 13 (2020: 14 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 54 (2020: 53) 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 341 thousand euros in 2022 (2020: 360 thousand euros). The pension obligations have an average maturity of 19 years (2020: 22 years).

Italy and France

By law, employees in Italy are entitled to a severance payment, irrespective of the reason for terminating the employment contract. In France, every employee has the right to a basic pension paid from the social insurance system as well as an additional pension from a defined contribution plan. In addition, the law requires employers to make one-time payments when employees retire. The remuneration to be paid to French salaried employees is defined in the collective bargaining agreement of the wholesale and metal industries. Defined benefit obligations are funded through provisions. The payments forecast for 2022 amount to 164 thousand euros (2020: 149 thousand euros).

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

in kEUR

	Defined benefit obligation (DBO)		Fair value of plan assets		Provisions	
	2021	2020	2021	2020	2021	2020
Value as at 1 Jan	**10,961**	**9,604**	**4,453**	**3,416**	**6,508**	**6,188**
Currency difference	**348**	–32	**198**	11	**150**	–43
Interest expense	**20**	31	**–**	–	**20**	31
Interest income	**–**	–	**2**	4	**–2**	–4
Service cost	**1,190**	1,300	**–**	–	**1,190**	1,300
Past service cost	**–311**	–	**–**	–	**–311**	–
Actuarial losses/gains due to changes to financial assumptions	**–408**	104	**–**	–	**–408**	104
Actuarial losses/gains due to changes in demographic assumptions	**–525**	–	**–**	–	**–525**	–
Actuarial losses/gains due to experience	**–215**	640	**–**	–	**–215**	640
Return on plan assets excluding amounts included in interest income	**–**	–	**–180**	789	**180**	–789
Employer contributions	**–**	–	**353**	355	**–353**	–355
Employee contributions	**–**	–	**325**	332	**–325**	–332
Benefits received/paid	**–589**	–686	**–465**	–454	**–124**	–232
Value as at 31 Dec.	**10,471**	**10,961**	**4,686**	**4,453**	**5,785**	**6,508**
thereof Germany (DE)	**712**	773	**–**	–	**712**	773
thereof Switzerland (CH)	**7,123**	7,591	**4,686**	4,453	**2,437**	3,138
thereof Italy (IT)	**1,197**	1,094	**–**	–	**1,197**	1,094
thereof France (FR)	**939**	1,048	**–**	–	**939**	1,048
thereof other	**500**	455	**–**	–	**500**	455

The calculations were based on the following weighted actuarial assumptions:

in %

		GER	CH	IT	FR	Other
Discount rate	**2021**	**0.80**	**0.15**	**0.35**	**0.80**	**3.54**
	2020	0.30	0.05	–0.03	0.40	2.80
Salary progression rate	**2021**	**–**	**1.40**	**1.00**	**3.00**	**4.28**
	2020	–	1.40	1.00	3.00	4.39
Pension progression rate	**2021**	**1.75**	**0.00**	**–**	**–**	**–**
	2020	1.50	0.00	–	–	–

For Germany, the biometric calculations were based on Prof K. Heubeck's mortality tables (2018 G version), while the BVG-2020 generational tables (2020: BVG-2015 generational tables) were used for Switzerland.

The sensitivity analysis presented below shows how possible changes in the relevant assumptions would impact on the defined benefit obligation as at the balance sheet date. The sensitivity analysis does not take into account the fact that dependencies exist between the actuarial assumptions. Only one factor is changed, while the others remain the same for the purpose of the analysis. The sensitivity analysis is therefore not expected to represent the actual change in the defined benefit obligation.

in kEUR

	2021	2020
Discount rate −0.5%	+898	+1,071
Discount rate +0.5%	−782	−940
Salary progression rate −0.5%	−182	−208
Salary progression rate +0.5%	+184	+211
Pension progression rate −0.5%	−28	−32
Pension progression rate +0.5%	+428	+507
Life expectancy +1 year	+164	+178

17. Other provisions

2021 — in kEUR

	Balance on 1 Jan 2021	Currency differences	Use	Reversal	Additions	Interest rate effects	Balance on 31 Dec 2021	Of which non-current
Personnel	19,599	175	−12,978	−1,549	23,149	15	28,411	5,189
Trade bonuses	10,408	501	−10,391	−518	14,323	–	14,323	–
Warranty	12,551	23	−7,699	−426	18,971	–	23,420	4,887
Other	6,542	204	−5,403	−634	6,958	–	7,667	704
Total	49,100	903	−36,471	−3,127	63,401	15	73,821	10,780

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. In fiscal year 2021, provisions for warranties were recognised in an amount of 11.8 million euros in connection with repeatedly observed damage to a component in gas-operated combi-steamers from older product lines that are no longer distributed. The campaign to exchange these components proactively and on a goodwill basis, which was launched in 2021, aims to cover as many appliances as possible.

The “Other” item includes provisions for a number of items, each of which is measured at an amount below the materiality threshold. The majority of provisions will lead to cash flows within 12 months of the balance sheet date. The rise in provisions is attributable to the year-on-year improvement in business performance, which drove up provisions for dealer bonuses and variable employee remuneration, as well as to the above-mentioned increase in provisions for warranties based on ongoing product observation.

18. Financial debt

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

2021 — in kEUR

	Carrying amount 1 Jan 2021	Cash changes	Non-cash changes (currency effects and others)	Carrying amount 31.12.2021	Of which non-current
Liabilities to banks	4,676	−2,515	−36	2,125	944

2020 — in kEUR

	Carrying amount 1 Jan 2020	Cash changes	Non-cash changes (currency effects and others)	Carrying amount 31 Dec 2020	Of which non-current
Liabilities to banks	9,584	−4,795	−113	4,676	2,126

Financial debt includes loan agreements for real estate financing that is secured by land charges. Fixed interest rates apply to the entire term of all of these agreements. The assignment of rights to third parties has been contractually restricted.

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

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

		in kEUR
	2021	2022–2023
Payments as of 31 Dec 2020	1,608	2,168

There were no other current financial liabilities as at the end of the fiscal year (2020: 999 thousand euros).

19. Financial liabilities

				in kEUR
	Current		Non-current	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Trade accounts payable	**28,440**	**21,154**	**–**	**–**
Liabilities to business partners	7,285	4,743	–	–
Lease liabilities	6,719	6,766	10,749	11,310
Liabilities from purchase of property	–	–	3,214	3,214
Derivatives without hedging relationship	965	266	–	–
Other	954	461	–	–
Other financial liabilities	**15,923**	**12,236**	**13,963**	**14,524**

Most current other financial liabilities and trade accounts payable are settled within a few months of the balance sheet date. The settlement of the non-current liability arising from a property purchase is expected to fall due in 2023. Information on right-of-use assets and lease liabilities can be found in note 23.

20. Other liabilities

Other liabilities				in kEUR
	Current		Non-current	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Value added tax	9,460	6,403	–	–
Contractual obligations	8,851	3,523	664	1,339
Wage taxes and social security liabilities	5,856	4,539	–	–
Holiday claims	4,032	3,423	–	–
Other	302	314	–	–
Total	**28,501**	**18,202**	**664**	**1,339**

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 dividend distributions are reported under cash flows from financing activities, and 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. The rise in cash flows from operating activities as compared with the previous year is primarily attributable to higher profit before tax. In addition, changes in provisions and trade accounts payable had a positive effect on operating cash flow.

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. The change in cash flows from investing activities compared with fiscal year 2020 is due in particular to higher fixed-term deposits and the liquidation of the special fund in the previous year.

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 of 54,576 thousand euros (2020: 64,809 thousand euros), as well as the repayment of bank loans (for a reconciliation to the "Financial debt" balance sheet item, see note 18) and payments of interest and principal relating to lease liabilities. The change in cash flows from financing activities compared with fiscal year 2020 is primarily attributable to the lower dividend paid. Information on right-of-use assets and lease liabilities can be found in note 23.

Other notes to the consolidated financial statements

22. Financial instruments

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

The following table shows the carrying amounts and the fair values that have to be disclosed additionally under IFRS 7 for financial instruments. If no fair value is stated in the table for a financial instrument, the specified carrying amount of the financial instrument is a reasonable approximation of its fair value. For lease liabilities, no fair value is specified in accordance with IFRS 7.29 d).

Categories of financial assets and liabilities in accordance with IFRS 9

in kEUR

	Fair value hierarchy	Carrying amount 31 Dec 2021	Fair value 31 Dec 2021	Carrying amount 31 Dec 2020	Fair value 31 Dec 2020
Financial assets measured at amortised cost		**447,804**		**356,622**	
Other financial assets (non-current)	Level 2	**1,040**	**1,036**	1,145	1,138
Trade accounts receivable		**108,787**		98,750	
Other financial assets (current)		**84,282**		25,599	
Cash and cash equivalents		**253,695**		231,128	
Financial assets measured at fair value through profit or loss		**595**		**329**	
Derivatives without hedging relationship[1]	Level 2	**595**	**595**	329	329
Financial liabilities measured at amortised cost		**59,486**		**52,324**	
Financial debt (non-current)	Level 2	**944**	**972**	2,126	2,194
Lease liabilities (non-current)[2]		**10,749**		11,310	
Other financial liabilities (non-current)	Level 2	**3,214**	**3,202**	3,214	3,169
Financial debt (current)	Level 2	**1,181**	**1,193**	2,550	2,565
Trade accounts payable		**28,440**		21,154	
Lease liabilities (current)[3]		**6,719**		6,766	
Other financial liabilities (current)		**8,239**		5,204	
Financial liabilities measured at fair value through profit or loss		**965**		**266**	
Derivatives without hedging relationship[3]	Level 2	**965**	**965**	266	266

[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 above table contains the fair value hierarchy levels in accordance with IFRS 13 used to determine the fair value of financial instruments. During the reporting period there were no reclassifications between the fair value hierarchy levels. If circumstances occur which necessitate a different classification, the financial instruments will be reclassified at the end of the reporting period.

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

Other financial assets measured at amortised cost

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

Derivative financial instruments

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

Financial debt

The fair value of financial liabilities is determined using the discounted cash flow method. To this end, the cash flows of the annuity loans at the different interest and repayment dates have been discounted using the relevant maturity-matched discount rates, taking own credit risk into account.

Other financial liabilities measured at amortised cost

The fair value is calculated using the discounted cash flow method by discounting the outstanding amount, applying the relevant maturity and taking the company's own credit risk into account.

Net gain or loss on financial instruments

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

Net gains or net losses excl. interest

in kEUR

	2021	2020
Financial assets measured at amortised cost	**+3,900**	−12,545
Financial assets/liabilities measured at fair value through profit or loss	**−2,217**	−2,499
Financial liabilities measured at amortised cost	**+280**	−835

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, the derecognition of trade receivables and expenses relating to impairment losses on deposits.

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

Total interest income and expense

The following total interest income and expense resulted from financial instruments measured at amortised cost; the items are carried in the financial result.

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

in kEUR

	2021	2020
Total interest income	**247**	326
Total interest expense	**451**	793

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 December 2021 — in kEUR

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities	Net amounts presented in the balance sheet	Related amounts not set off in the balance sheet	Net amounts
Financial assets					
Trade accounts receivable	114,645	5,858	108,787	–	108,787
Deposits, cash and cash equivalents	337,306	–	337,306	2,125	335,181
Derivatives	595	–	595	311	284
Other financial assets	1,711	–	1,711	–	1,711
Total	454,257	5,858	448,399	2,436	445,963
Financial liabilities					
Financial debt	–	2,125	2,125	2,125	0
Trade accounts payable	–	28,440	28,440	–	28,440
Liabilities to business partners	5,858	7,441	1,582	–	1,582
Derivatives	–	965	965	311	654
Other financial liabilities	–	27,339	27,339	–	27,339
Total	5,858	66,310	60,451	2,436	58,015

31 December 2020 — in kEUR

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities	Net amounts presented in the balance sheet	Related amounts not set off in the balance sheet	Net amounts
Financial assets					
Trade accounts receivable	102,355	3,605	98,750	–	98,750
Deposits, cash and cash equivalents	255,979	–	255,979	3,676	252,303
Derivatives	329	–	329	189	140
Other financial assets	1,893	–	1,893	–	1,893
Total	360,556	3,605	356,951	3,865	353,086
Financial liabilities					
Financial debt	–	4,676	4,676	3,676	1,000
Trade accounts payable	–	21,154	21,154	–	21,154
Liabilities to business partners	3,605	8,348	4,743	–	4,743
Derivatives	–	266	266	189	77
Other financial liabilities	–	21,751	21,751	–	21,751
Total	3,605	56,195	52,590	3,865	48,725

Financial risks

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

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

› The integrated planning process defines specific sales and financial targets, as well as detailed measures to ensure those targets are met.
› The reporting process ensures that the degree to which targets are achieved in all corporate divisions is reliably and continuously measured, analysed and commented on. This enables corrective action to be taken quickly and flexibly if things start to go wrong.
› To minimise the risk arising in connection with receivables, RATIONAL collaborates worldwide with credit insurers.
› All business processes and internal control systems are clearly defined. Quality and compliance are assured through regular training and checks.
› The Internal Audit independently and objectively records and assesses any variances from targets. Undesirable developments can be identified at an early stage.
› A globally integrated treasury management system is implemented to provide quality cash management worldwide.
› The comprehensive insurance strategy is reviewed annually and adapted to the new risk environment.

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

Credit risks

Trade accounts receivable

RATIONAL supplies customers in almost all regions of the world. Products are marketed through specialised retailers. The end customers mainly come from the hospitality, hotel and mass catering segments. The trade accounts receivable are mostly due from specialised retailers. Credit risk can arise as a result of customers not fulfilling their payment obligations.

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

As far as possible, customer receivables are insured on the basis of this credit check. Under the existing arrangements, the 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% (2020: 95%) of the credit loss on insured receivables is usually met by the credit insurer.

As an alternative to credit insurance cover, other collateral (such as confirmed, irrevocable letters of credit, bank guarantees and other customary bank collateral) or advance payments are requested, depending on the type and value of the goods or services to be provided. The supply of goods or services to a customer on the basis of open payment terms without adequate collateral is only considered in clearly defined exceptional cases.

Trade receivables from public-sector customers are not subject to credit checks or collateralisation, provided that the respective country rating is sufficiently high.

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

in kEUR	31 Dec 2021	31 Dec 2020
Trade accounts receivable	108,787	98,750
of which refundable value-added tax[1]	8,184	8,781
of which potential refund by credit insurance	87,829	77,978
of which receivables secured by letters of credit/bank guarantees	906	1,360
of which receivables from public-sector entities[1]	1,072	0
Unsecured credit risk	**10,796**	**10,631**
Risk coverage ratio	**90%**	**89%**

[1] if country rating meets requirements

The residual credit risk not covered by the securities shown includes concentration risk amounting to 2,354 thousand euros (2020: 887 thousand euros), distributed over six (2020: three) customers. Unsecured receivables with a nominal value of more than 200 thousand euros (2020: 200 thousand euros) per individual customer are considered when assessing concentration risk. Annual sales well into the seven-digit euro range can be assumed for customers from whom accounts receivable of more than 200 thousand euros are regularly due. These customers can therefore be classified as A customers and are a direct focus of management based on internal competency arrangements, among others.

Financial assets at banks

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

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

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

31 Dec 2021 (in kEUR)	Carrying amount after risk allowance	Protected by deposit protection fund	Unsecured credit risk
Deposits	83,611	33,675	49,936
Cash and cash equivalents	253,695	198,477	55,218
Total	**337,306**	**232,152**	**105,154**

31 Dec 2020 (in kEUR)	Carrying amount after risk allowance	Protected by deposit protection fund	Unsecured credit risk
Deposits	24,851	19,863	4,988
Cash and cash equivalents	231,128	180,726	50,402
Total	**255,979**	**200,589**	**55,390**

Other financial assets

The maximum credit risk for other financial assets corresponds to the values recognised in the balance sheet.

Liquidity risks

Liquidity risk refers to the possibility that at some point in time RATIONAL may not be in a position to meet its payment obligations in full by the relevant due dates.

Corporate Treasury assigns top priority to the monitoring and provision of liquidity. It does so by implementing daily cash management and rolling liquidity planning, including the continuous monitoring and control of the Group's incoming and outgoing payments. The liquidity reserve also enables the Group to respond flexibly to considerable fluctuations in cash flow or any demand peaks that may occur, thereby ensuring that the Group meets all its payment obligations on time.

As of the balance sheet date, the liquidity reserve from own resources (including all existing fixed-term deposits) amount to a total of 337,361 thousand euros (2020: 255,988 thousand euros). As at the balance sheet date, there were no fixed-term deposits with a remaining maturity of more than 12 months.

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

RATIONAL attaches great importance to internal financing; most of the global growth in sales revenues over recent years has been funded in this way. In the event that RATIONAL should have additional need for external financing, contractually agreed, confirmed credit lines are available from several banks (with long-term Standard & Poor's ratings ranging from BBB+ to A+).

Banks have given RATIONAL an investment-grade rating. The existing credit lines are not subject to any covenants that could require the credit lines to be renegotiated in the event of non-compliance. The Group has not 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 (2020: 98,000 thousand euros). After taking into account assignments for subsidiaries and sureties, this leaves unused credit lines amounting to 94,909 thousand euros (2020: 95,373 thousand euros).

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

Market risk

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

Currency risk

One of the factors giving rise to currency risk is exchange rate fluctuations at the balance sheet and consequently the possible change in the fair value of existing balance sheet items denominated in foreign currencies (translation risk). Another factor giving rise to currency risk is that the future cash flows resulting from a financial instrument in a foreign currency may differ significantly from the recoverable values as at the balance sheet date owing to changes in exchange rates (transaction risk).

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

The local currencies of companies that are subject to tight currency restrictions are either not freely convertible (e.g. Brazil and India) or are available only for verified commercial transactions (e.g. China and Russia). Information on the volume affected by these restrictions can be found in note 14. Because of the low volume and the comparatively high costs, foreign currency transactions are currently only hedged in selected currencies that are not freely convertible or are convertible only to a limited extent.

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

In connection with financial instruments, changes in the exchange rate would have the following hypothetical impact on profit after tax and equity (the exchange rates with the greatest absolute impact are shown):

Hypothetical impact on earnings and equity in 2021

in kEUR

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

Hypothetical impact on earnings and equity in 2020

in kEUR

	Value of euro 10% higher	Value of euro 10% lower
EUR/USD	–1,781	2,466
EUR/GBP	–1,213	1,311
EUR/SEK	–1,078	1,318
EUR/JPY	–883	1,100
EUR/CNY	–602	97
Other	–1,147	990
Total	**–6,704**	**7,282**

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 declined when compared to the previous year, mainly due to the higher volume and longer maturities of the derivatives used to hedge changes in exchange rates.

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. In addition, interest rate risk arises from increasing custody fees charged for bank balances above a certain threshold.

RATIONAL counteracts the risk of changing interest rates for future payments relating to financial liabilities by agreeing fixed interest rates. Since interest rates have been fixed for the entire term of the outstanding loans, RATIONAL is not exposed to any interest rate risk in this regard.

Price risks

In its production processes, RATIONAL uses several thousand tonnes of high-quality stainless steel a year. The risk arising from changes in the price of stainless steel is governed both by the basic price of steel itself and by the fluctuations in the price of alloys on metals markets, which are reflected in what is known as the "alloy surcharge". Price risk may arise primarily in relation to the purchase of raw materials for the manufacture of products. In addition, there are price risks due to rising and increasingly volatile procurement costs for components. Neither the basic price of steel or alloy metals nor that of components is hedged by the using derivative financial instruments. Concerning the basic price of steel, however, RATIONAL does have fixed contracts with suppliers, under which the purchase price is set about one year in advance.

Fluctuations in the alloy surcharge have a direct impact on the cost of sales and so on total earnings. If the alloy surcharge had been an average of 10% higher (lower) in 2021, profit and equity in 2021 would have declined (increased) by approximately 481 thousand euros (2020: 292 thousand euros). This exposure is not hedged with derivative financial instruments either.

23. Leasing

The "Leasing" subsection in "Significant accounting policies" provides fundamental information on lease accounting and RATIONAL's lease activities.

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

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

in kEUR

	Land and buildings	Operating and office equipment	Total
Cost			
Balance on 1 Jan 2021	16,474	13,911	30,385
Exchange rate differences	549	48	597
Additions	2,788	4,454	7,242
Disposals	–1.907	–3,277	–5,184
Balance on 31 Dec 2021	**17,904**	**15,136**	**33,040**
Depreciation			
Balance on 1 Jan 2021	5,638	6,790	12,428
Exchange rate differences	224	46	270
Additions	3,689	4,614	8,303
Disposals	–1,907	–3,168	–5,075
Balance on 31 Dec 2021	**7,644**	**8,282**	**15,926**
Carrying amounts			
Balance on 31 Dec 2021	**10,260**	**6,854**	**17,114**
Cost			
Balance on 1 Jan 2020	12,944	11,550	24,494
Exchange rate differences	–743	–315	–1,058
Additions	5,582	5,036	10,618
Disposals	–1,309	–2,360	–3,669
Balance on 31 Dec 2020	**16,474**	**13,911**	**30,385**
Depreciation			
Balance on 1 Jan 2020	3,344	4,112	7,456
Exchange rate differences	–324	–136	–460
Additions	3,876	4,864	8,740
Disposals	–1,258	–2,050	–3,308
Balance on 31 Dec 2020	**5,638**	**6,790**	**12,428**
Carrying amounts			
Balance on 31 Dec 2020	**10,836**	**7,121**	**17,957**

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

Maturity analysis for leases (in kEUR)

	2022	2023–2026	From 2027 onwards
Payments as of 31 Dec. 2021	7,125	9,751	1,459

Maturity analysis for leases (in kEUR)

	2021	2022–2025	From 2026 onwards
Payments as of 31 Dec. 2020	7,247	10,284	1,827

Further disclosures on leases:

in kEUR

	2021	2020
Interest expenses for lease liabilities	389	437
Expenses for low-value lease assets	163	282
Cash outflows for leases	8,697	9,364

24. Employees and personnel costs

Average number of employees

	2021	2020
Production and delivery process	543	529
Sales and marketing	887	952
Technical service	236	241
Research and development	212	184
Administration	328	336
Total	**2,206**	**2,242**
thereof abroad	955	1,004

Personnel costs comprise the following items:

in kEUR

	2021	2020
Remuneration	158,935	143,079
Social security	32,219	29,491
of which expenses for defined contribution plans	12,828	12,573
Total	**191,154**	**172,570**

25. Operating Segments

Internal control and reporting to the Executive Board, which has been identified as the chief operating decision maker, is based on the geographical regions. In addition to the DACH (Germany, Austria, Switzerland) segment, the EMEA, North America and Asia segments as well as Other segments are reported. As from the fiscal year under review, the South America segment is no longer reported under the combined Americas segment but grouped under Other segments.

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

Operating Segments in 2021 (in kEUR)

	DACH	EMEA	North America	Asia	Other segments	Total of Segments	Corporate depart-ments	Recon-ciliation	Group
Segment sales revenues	**134,539**	**321,693**	**144,920**	**141,553**	**27,329**	**770,034**	**2,193**	**7,507**	**779,734**
Segment costs	20,100	45,364	26,769	22,706	5,274	120,213	221,767	–8,757	333,223
Segment profit or loss/EBIT	28,199	68,075	20,077	25,334	2,843	144,528		15,606	160,134
Financial result									–1,274
Earnings before taxes									158,860
Segment investments	60	367	245	159	113	944	21,985	2.891	25.820
Segment depreciation	**124**	**455**	**343**	**391**	**149**	**1,462**	**20,602**	**–53**	**22.011**
Segment assets	**10,226**	**58,269**	**40,833**	**37,568**	**11,256**	**158,152**	**65,284**	**–17,361**	**206,075**

Operating Segments in 2020 (in kEUR)

	DACH	EMEA	North America	Asia	Other segments	Total of Segments	Corporate depart-ments	Recon-ciliation	Group
Segment sales revenues	**116,151**	**282,496**	**119,830**	**115,675**	**21,980**	**656,132**	**1,393**	**–7,938**	**649,587**
Segment costs	20,312	41,160	24,103	20,792	7,389	113,756	191,149	–7,809	297,096
Segment profit or loss/EBIT	27,882	73,747	25,322	25,703	1,274	153,928		–47,122	106,806
Financial result									–4,429
Earnings before taxes									102,377
Segment investments	459	192	189	537	94	1,471	29,967	–10	31.428
Segment depreciation	**136**	**655**	**733**	**432**	**91**	**2,047**	**20,584**	**–2,094**	**20,537**
Segment assets	**9,195**	**61,363**	**45,383**	**51,190**	**8,629**	**175,760**	**32,254**	**–29,979**	**178,035**

For segment sales revenues and segment profit or loss, the reconciliation results from currency translation and items that are not allocated to the segments. Because of the growth in sales revenues, in fiscal year 2021, this column relates in particular to disproportionately higher overheads allocated to the segments. In the prior-year period, the reconciliation of segment profits or losses to consolidated profit had produced a negative result, caused by the decline in sales revenues in that period and the consequent fact that overheads were not allocated to the segments. For the other indicators, the reconciliation column includes primarily consolidation effects.

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.

Of the property, plant and equipment, intangible assets and other non-current assets, 166,400 thousand euros (2020: 168,318 thousand euros) are reported in Germany, while 41,156 thousand euros (2020: 35,026 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 amounted to 2,019 thousand euros in 2021 (2020: 1,802 thousand euros). As of 31 December 2021, outstanding trade accounts payable to these companies amounted to 63 thousand euros (2020: 45 thousand euros).

In the year under review, a dividend of 17,188 thousand euros (2020: 20,411 thousand euros) relating to fiscal year 2020 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 4,262 thousand euros (2020: 5,061 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 as follows:

Walter Kurtz, Chairman
Businessman

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

Erich Baumgärtner,
Businessman

Dr Gerd Lintz,
Retired notary, independent lawyer

Werner Schwind,
Businessman

Dr Georg Sick,
Businessman

Dr Johannes Würbser,
Businessman

Members of the Supervisory Board receive fixed remuneration for exercising their mandate. In addition, a company vehicle is made available to the Chairman of the Supervisory Board and his deputy. Total remuneration for 2021, including company car expenses, amounted to 1,228 thousand euros (2020: 1,171 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, Chief Executive Officer
Dipl.-Volkswirt (Economics Graduate)

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

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

Jörg Walter, Chief Financial Officer (since 1 March 2021)
Dipl.-Wirtschaftsingenieur (Industrial Engineering Graduate)

The total remuneration paid to the Executive Board for the performance of its duties within the parent company in fiscal year 2021 was 6,016 thousand euros (2020: 3,976 thousand euros). This amount includes performance-related components of 2,190 thousand euros (2020: 1,134 thousand euros), which are classified as current liabilities. In addition, it includes payments into the pension scheme in an amount of 486 thousand euros (2020: 388 thousand euros) and remuneration for former Executive Board members in an amount of 3 thousand euros (2020: 13 thousand euros).

Managers in key positions were paid remuneration totalling 7,244 thousand euros (2020: 5,147 thousand euros). This is made up of short-term benefits in an amount of 7,241 thousand euros (2020: 5,134 thousand euros) and post-employment benefits in an amount of 3 thousand euros (2020: 13 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 2021, so at the balance sheet date (31 December 2021) option rights to a maximum of 131,000 shares of RATIONAL AG remain in the stock option plan.

29. Declaration of corporate governance

The Executive Board and the Supervisory Board of RATIONAL AG have issued a declaration in accordance with section 161 of the AktG (Aktiengesetz, German Stock Corporation Act) detailing which recommendations of the "Government Commission for a German Corporate Governance Code" were and are being complied with. This declaration was based on the German Corporate Governance Code as amended on 16 December 2019. The declaration is permanently available on RATIONAL AG's website: rational-online.com.

30. Significant events after the balance sheet date

At the start of 2022, the conflict between Russia and Ukraine escalated to an extent not thought possible. In response to this, the European Union and the United States threatened and imposed sanctions. Sales revenues in Russia and Ukraine in fiscal year 2021 accounted for around 2% to 3% of the sales revenues for the Group as a whole. If the conflict does not spread to other regions, we do not expect any resulting material impact on the net assets, financial position or profit/loss of RATIONAL AG and the Group.

31. Auditor's fee

By resolution of the General Meeting of Shareholders held on 12 May 2021, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, was appointed as auditor of the annual and consolidated financial statements for fiscal year 2021.

The auditor's fee, including reimbursement of expenses, amounted to a total of 394 thousand euros (2020: 456 thousand euros) and comprises the audit of annual and consolidated financial statements. In addition, in fiscal year 2021, the voluntary review of the sustainability report resulted in the provision of other assurance services in an amount of 23 thousand euros (2020: 27 thousand euros) including expenses. The auditor did not provide any tax advice services in fiscal year 2021 (2020: 70 thousand euros). An amount of 0 thousand euros was spent on other services, as in the previous year.

Landsberg am Lech, 1 March 2022

RATIONAL AG
The Executive Board

Dr Peter Stadelmann
Chief Executive Officer

Peter Wiedemann
Chief Technical Officer

Markus Paschmann
Chief Sales Officer

Jörg Walter
Chief Financial Officer

Statement of Responsibility

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statemen s 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, 1 March 2022

RATIONAL AG
The Executive Board

Dr Peter Stadelmann
Chief Executive Officer

Peter Wiedemann
Chief Technical Officer

Markus Paschmann
Chief Sales Officer

Jörg Walter
Chief Financial Officer

Independent Auditor's Report

To RATIONAL Aktiengesellschaft, Landsberg am Lech

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

Audit Opinions

We have audited the consolidated financial statements of RATIONAL Aktiengesellschaft, Landsberg am Lech/Germany, and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 December 2021, 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 2021, and the notes to the consolidated financial statements, including the presentation of the recognition and measurement 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 2021. 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 2021 and of its financial performance for the financial year from 1 January to 31 December 2021, 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 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In the following we present the key audit matters we have determined in the course of our audit:

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

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

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

1. Recognition of provisions for warranties

a) description

In the consolidated financial statements, mEUR 23.4 in non-current and current provisions for warranties are reported under the "Other provisions" balance sheet item as at 31 December 2021. 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 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 disclosure of the executive directors concerning provisions for warranties are included in chapters "Significant accounting policies — Provisions", "Use of estimates and assumptions and significant use of management judgement" and "Other notes to the consolidated financial statements" (note 17 in this chapter) of the notes to the consolidated financial statements.

b) auditor's response

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

2. Capitalisation of development costs

a) description

In the consolidated financial statements, "capitalised development costs" in a total amount of mEUR 4.8 are recognised in the "Intangible assets" balance sheet item as at 31 December 2021. Thereof, mEUR 3.1 are attributable to costs newly capitalised in 2021. Total research and development expenses including the amounts capitalised amounted to mEUR 48.2 in the financial year 2021.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 assets 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 therefore is subject to corresponding uncertainties.

The disclosures of the executive directors concerning capitalised development costs are included in chapters "Significant accounting policies — Intangible assets and property, plant and equipment" and "Other notes to the consolidated financial statements" (note 8 in this chapter) of the notes to the consolidated financial statements.

b) auditor's response

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 correctness.

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 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 supervisory board are responsible for 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 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 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 for one 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 related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements 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 provided file, which has the SHA-256 value 80D8C0F0A88EA69E78ADB20D3BF5EFC9019BF6D7D96-E5DD8B81090CBC995D632, 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 provided 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 2021 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 provided 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 (10.2021)). Our responsibilities in this context are further described in the "Group Auditor's Responsibilities for the Audit of the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

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

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

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

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

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

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

- identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- obtain an understanding of internal control relevant to the audit on the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- evaluate the technical validity of the ESEF documents, i.e. whether the provided 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 12 May 2021. We were engaged by the supervisory board on 13 August 2021. 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 published in the Federal Gazette — 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, 1 March 2022

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

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

Legal Notice

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Global presence

Sales revenues by region in 2021

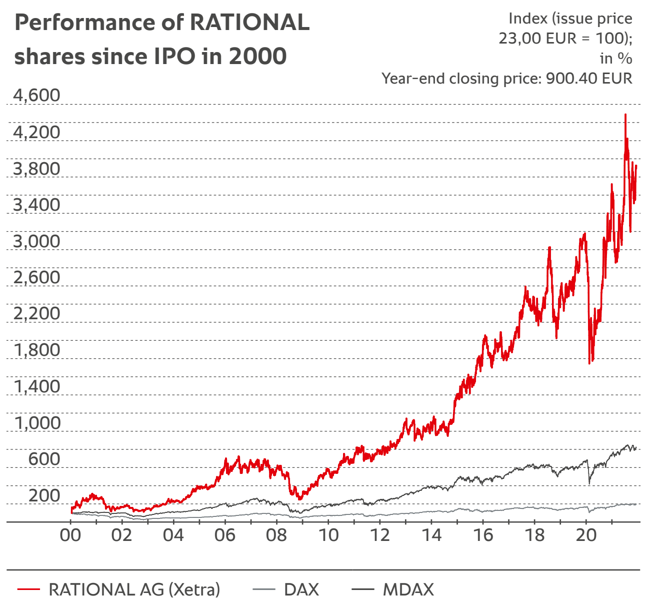
Key figures for RATIONAL shares

Key figures

		2021	2020
Maximum price last 12 months[2]	EUR	**1,029.50**	792.50
Minimum price last 12 months[2]	EUR	**654.50**	377.20
Year-end closing price[2]	EUR	**900.40**	761.50
Market capitalisation[1,2]	Mio. EUR	**10,238**	8,658
Dividend yield[3]	%	**1.1**	0.6
Beta factor (one year) as of 30 Dec[4]		**1.34**	0.95
Sales revenues per share	EUR	**68.58**	57.13
Price-to-sales ratio[1,3]		**13.1**	13.3
Earnings per share	EUR	**10.88**	7.04
Price-earnings ratio[1,3]		**82.8**	108.1
Cash flow per share	EUR	**15.10**	8.15
Price-cash flow ratio[1,3]		**59.6**	93.4

[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



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] Status: 1 March 2022

Financial Calendar 2022

Financial Figures Fiscal Year 2021	Virtual	24 Mar '22
General Shareholders' Meeting 2022	Virtual	4 May '22
Financial Figures Q1 2022	Virtual	11 May '22
Financial Figures Half Year 2022	Virtual	4 Aug '22
Financial Figures 9 Months 2022	Virtual	3 Nov '22
RATIONAL Analysts' Day 2022	TBD	TBD

The Executive Board

Dr Peter Stadelmann, CEO

Peter Wiedemann, CTO

Markus Paschmann, CSO

Jörg Walter, CFO

The Supervisory Board

Walter Kurtz, Chairman

Dr Hans Maerz, Deputy Chairman

Dr Gerd Lintz

Werner Schwind

Erich Baumgärtner

Dr Georg Sick

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10-year overview

Key figures

Earnings situation		2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Sales revenues	m EUR	**780**	650	844	778	702	613	564	497	461	435
Sales revenues abroad	%	**87**	87	88	88	87	87	87	87	87	86
Sales revenues combi-steamer	m EUR	**698**	581	769	712	646	567	529	467	436	413
Sales revenues Vario	m EUR	**81**	69	75	66	58	47	39	33	28	26
Gross profit[1]	m EUR	**429**	360	498	457	421	379	349	304	281	262
as a percentage of sales revenues		**55**	55	59	59	60	62	62	61	61	60
EBITDA	m EUR	**190**	136	248	219	199	176	169	154	136	130
as a percentage of sales revenues		**24**	21	29	28	28	29	30	31	30	30
EBIT	m EUR	**160**	107	223	205	188	167	160	145	128	123
as a percentage of sales revenues		**21**	16	26	26	27	27	28	29	28	28
Profit or loss after taxes	m EUR	**124**	80	172	157	143	127	122	110	97	93
as a percentage of sales revenues		**16**	12	20	20	20	21	22	22	21	21
Earnings per share (basic)	EUR	**10.88**	7.04	15.09	13.84	12.58	11.18	10.71	9.68	8.55	8.20
Return on equity (after taxes)[2]	%	**22**	15	35	36	35	34	37	38	38	42
Return on invested capital (ROIC)[3]	%	**21**	15	34	34	33	31	34	34	35	38
Asset situation											
Total assets	m EUR	**784**	671	699	604	571	540	483	423	377	326
Equity	m EUR	**603**	535	517	456	425	397	356	311	269	237
Equity ratio	%	**77**	80	74	75	74	74	74	73	71	73
Liabilities to banks	m EUR	**2**	5	10	12	14	28	28	33	34	25
Cash and cash equivalents (including fixed deposits)	m EUR	**254**	256	231	192	267	278	267	225	200	166
Net financial position[4]	m EUR	**252**	251	222	180	253	250	239	193	166	141
Fixed assets	m EUR	**208**	203	191	152	127	102	79	69	61	56
Investments	m EUR	**26**	31	40	40	43	25	19	17	12	9
Working capital (excluding liquid funds)[5]	m EUR	**170**	152	161	150	118	108	99	93	84	75
as a percentage of sales revenues		**22**	23	19	19	17	18	17	19	18	17
Cash flow/investments											
Cash flow from operating activities	m EUR	**172**	93	199	144	146	130	143	113	103	111
Cash flow from investing activities	m EUR	**–84**	38	–55	–56	77	–97	–11	–39	–28	–38
Cash flow from financing activities	m EUR	**–66**	–79	–119	–128	–128	–87	–83	–71	–57	–57
Employees											
Number of employees as at year-end		**2,248**	2,180	2,258	2,113	1,884	1,713	1,530	1,424	1,341	1,263
RATIONAL shares											
Year-end closing price[6]	EUR	**900.40**	761.50	717.00	496.00	537.20	424.00	419.90	259.75	241.10	218.00
Year-end market capitalisation	m EUR	**10,238**	8,658	8,152	5,640	6,108	4,821	4,774	2,953	2,741	2,479
Payout[7]	m EUR	**114**	55	65	108	125	114	85	77	68	65
Dividend per share[7]	EUR	**7.50**	4.80	5.70	9.50	8.80	8.00	7.50	6.80	6.00	5.70
Special dividend per share[7]	EUR	**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] Profit after tax less finance costs divided by the invested capital (equity + interest-bearing borrowings)
[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 2021 subject to approval by the General Meeting of Shareholders 2022

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