RATIONAL

re-imagined

Annual Report
2020

Our new iVario and iCombi cooking systems set new standards in professional kitchens in terms of cooking quality, energy efficiency, ease of use, speed and flexibility. Both products can cover around 90% of all conventional cooking needs, in large-scale catering operations and smaller restaurant kitchens alike. They can both be remotely controlled, updated and monitored with ease via our ConnectedCooking connectivity solution, to offer even greater benefit to our customers.

re-invented

Re-imagined, re-invented

Thermal food preparation with RATIONAL

We are the global market and technology leader in innovative solutions for thermal food preparation in the professional kitchens of the world with a market share of around 50%. A key factor in our success is our strong orientation towards our customers. Our company's ethos: "We offer the greatest possible benefit to the people preparing hot food in the professional kitchens of the world."

The flagship product is the new iCombi Pro, launched in May 2020, the successor to the SelfCookingCenter, a combi-steamer with intelligent cooking processes. Heat is transferred via steam and hot air. The software controls the cooking process until the desired result is achieved. The iCombi Pro replaces conventional cooking appliances like the grill, stove or oven. As a complementary product, RATIONAL also offers the new iVario, also launched in 2020, the successor to the VarioCookingCenter. It cooks with contact heat or in liquid and can replace other traditional cooking appliances like deep-fat fryers, boiling pans or tilting frying pans.

Alongside our powerful, high-quality iCombi and iVario product groups, we offer a comprehensive range of services for the entire duration of the business relationship, enabling our customers to make the best possible use of their appliances at all times. With our ConnectedCooking online platform for professional chefs, we offer our customers a cloud-based connectivity solution. They can use it to connect their appliances, monitor and control them remotely, update them, and transfer cooking programs. In addition, with ConnectedCooking Pro, we offer our customers other fee-based digital applications to optimise their kitchen processes. We generate around 72% of our sales revenues with our multifunctional cooking appliances, and the rest with accessories, care products, service parts and services.

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

According to our estimates, the potential global market comprises more than four million customers, of which around 25% currently use combi-steamers. The vast majority are still using conventional cooking technologies. Since the iCombi can replace not only conventional cooking technology but also standard combi-steamers thanks to its cooking intelligence, we see additional untapped market potential. Whereas, with the iVario, we currently estimate the overall potential to be lower, given the relatively smaller number of two million potential customers. As the product has only been on the market for a few years, market penetration is still very low. We therefore consider the market potential of the iVario to be correspondingly low. However, this huge untapped market potential will allow us to grow as we further penetrate the market and as demand for replacements rises.

The coronavirus crisis took our company and especially our customers by surprise in the 2020 fiscal year. It led to severe disruption and uncertainty in almost all of our customer groups, temporarily reducing the willingness and ability to invest. As a result, we are seeing accelerating changes among our customer groups (large-scale catering operations, restaurants with or without service, retail). We are glad today that we aligned our structures many years ago to business with a wide variety of customer groups. As a result, we are now well prepared for these changes.

With regard to the coronavirus crisis, we believe that the market's potential basically remains intact. The daily number of meals that have to be prepared worldwide is growing. And the places where they are prepared are changing. Many of the megatrends continue: population growth, urbanisation and rising prosperity continue unabated in some emerging economies. In-store cafés and restaurants, the delivery business, and ghost kitchens are expanding during this crisis.

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

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

Today, the RATIONAL combi-steamer is considered one of the most important cooking appliances in a professional kitchen. We are regarded as a provider of innovative solutions, supplying high-quality, reliable products accompanied by an outstanding level of service quality. According to our customer satisfaction surveys, more than 90% of our customers recommend RATIONAL to others. As a result, we continue to enjoy a significant market lead. In view of this, there is a reasonable prospect that RATIONAL will emerge stronger from the crisis. Our customers continue to be highly satisfied and loyal. Our latest product innovations have given our customers even greater benefits and even more reasons to upgrade or make an initial purchase. Especially in these uncertain times, we are proud to once again be setting new benchmarks with the global launch of our completely new cooking systems and, as a result, increasing the benefit for our customers once more.

Another key success factor is the principle of the "Entrepreneur in the Company" (U.i.U.®). The U.i.U. entrepreneurs operate as independent business people within their own area of responsibility, make the necessary decisions independently and take responsibility for them, always with the focus on customer benefit. Even during the coronavirus crisis, our U.i.U. entrepreneurs have skilfully adapted to the new situation and have done everything in their power to help our customers in the best possible way. At the end of 2020, we employed just under 2,200 people, over half of whom are in Germany.

We will continue to deal with the negative effects of the coronavirus crisis on the global economy and the food service sector in 2021. We expect the existing restrictions on our customers to continue in 2021, at least in part. We are taking some of the lessons learned from the 2020 crisis year on board and have structured our processes accordingly to ensure that we can be there for our customers even when contact and travel are subject to restrictions. We have successively switched our sales, service and marketing processes to digital formats so that we can reach and inform our customers and business partners through, for example, webinars, live streams and uploaded videos. Both during and after the crisis, RATIONAL's solutions have helped overcome worsening staff shortages while satisfying greater demands for efficiency and stricter hygiene regulations.

One result of the high level of customer and employee satisfaction is our positive financial performance. Our exceptionally healthy balance sheet and good liquidity position means that even in a crisis we can continue to foster innovation and take good care of our customers, business partners, and employees. Our independence, endurance and freedom to act give us a decisive competitive edge and reflect our high level of commitment and stability in the crisis. We at RATIONAL, together with our employees, are striving to withstand the coronavirus so that we can also be at full strength for our customers after the crisis. After riding out the crisis, we believe that we will be able to return to growth rates in the high single-digit range with EBIT margins of around 25%, an equity ratio of around 80% and a payout ratio at the pre-crisis level.

Our product portfolio

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

iCombi®
The new standard

In May 2020, we launched the iCombi Pro, successor to the SelfCookingCenter®, and the iCombi Classic basic model, successor to the CombiMaster® Plus, onto the market. The iCombi Pro is a combi-steamer with intelligent cooking processes. The heat during cooking is transferred via steam, hot air or a combination of the two. The software used recognises the size and consistency of the food and independently determines the optimum cooking process, ensuring that the desired result is always achieved with the utmost precision. The chef can optimise the cooking process in terms of maximum speed, energy savings, or time. The iProductionManager of the iCombi does this by optimising the production processes for different dishes. The iCombi Pro has a 12-minute automatic cleaning program that helps boost capacity. Other unique selling points of the iCombi are its high resource efficiency, ease and flexibility of use as well as its minimal requirements for cleaning and care. That leaves the cook time for the essentials: creativity and the well-being of the guests. With seven appliance sizes, we can offer the right product for every customer. The iCombi is produced at the company's headquarters in Landsberg am Lech and distributed worldwide.

iVario®
The new performance class

The iVario, successor to the VarioCookingCenter®, is a multifunctional cooking appliance. It cooks in liquids or with contact heat and is significantly faster than comparable products, with far lower energy consumption. It can therefore replace conventional cooking appliances such as tilting frying pans, boiling pans, deep-fat fryers and pressure braising pans. The cooking intelligence controls the cooking process fully automatically and perfectly matches it to the desired results for the dishes. The chef is notified as soon as action should be taken. Nothing boils over, nothing burns. The patented iZoneControl allows the pan base to be divided into up to four zones so that different foods can be prepared simultaneously at different temperatures. Another new feature is that the appliance can be height-adjusted, which also improves the work ergonomics for the kitchen staff. From restaurant businesses to communal catering establishments, we offer the ideal solution for all markets and customer groups with the four different models in the iVario range. The iVario is manufactured in Wittenheim in France and has been marketed in almost all regions worldwide since June 2020.

ConnectedCooking
The innovative connectivity solution

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.

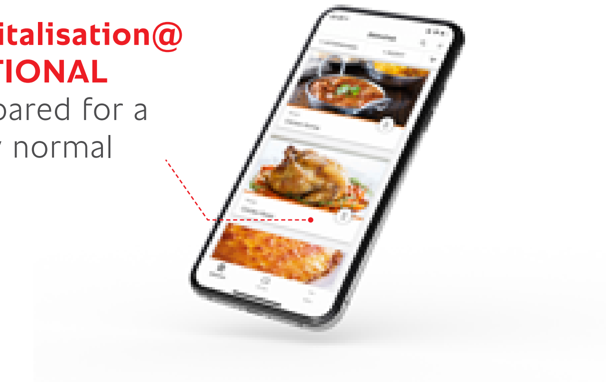
With more than 120,000 members, ConnectedCooking is the biggest online platform for professional chefs. Since 2020, we have also been offering our customers other fee-based digital applications for hygiene, recipe and asset management with ConnectedCooking Pro, aimed at further simplifying the workflows in the day-to-day kitchen routine and providing even more safety and efficiency. The first customers in the German and Austrian markets are already using ConnectedCooking Pro. The services are aimed in particular at businesses that produce more than 1,000 meals a day or at several locations.

Key Figures

in m EUR

Sales revenues by region	2020	2019	Change absolute	Change in %
Germany	83.9	99.6	−15.7	−16
Europe (excluding Germany)	295.0	376.7	−81.7	−22
North America	112.0	158.8	−46.8	−29
Latin America	24.1	46.7	−22.6	−48
Asia	102.2	119.6	−17.4	−15
Rest of the world	32.4	42.1	−9.7	−23
Sales revenues abroad (in %)	87	88	−1	–
Sales revenues by product group				
Combi-steamer	580.6	769.1	−188.5	−25
VarioCookingCenter/iVario	69.0	74.5	−5.5	−7
Sales and earnings				
Sales revenues	649.6	843.6	−194.0	−23
Cost of sales	289.5	346.1	−56.6	−16
Gross profit	360.1	497.6	−137.5	−28
as a percentage of sales revenues	55.4	59.0	−3.6	–
Sales and service expenses	166.9	198.1	−31.2	−16
Research and development expenses	41.7	42.0	−0.3	−1
General administration expenses	36.6	37.3	−0.7	−2
Earnings before interest and taxes (EBIT)	106.8	223.4	−116.6	−52
as a percentage of sales revenues	16.4	26.5	−10.1	–
Net income	80.1	171.6	−91.5	−53
Balance sheet				
Balance sheet total	670.7	698.7	−28.0	−4
Equity	535.1	517.4	+17.7	+3
Equity ratio (in %)	79.8	74.0	+5.8	–
Cash flow				
Cash flow from operating activities	92.7	198.6	−105.9	−53
Cash-effective investments	33.4	40.7	−7.3	−18
Free cash flow[1]	59.3	158.0	−98.7	−62
Employees				
Number of employees as at 31 Dec	2,180	2,258	−78	−3
Number of employees (average)	2,242	2,221	+21	+1
Key figures RATIONAL shares				
Earnings per share (in EUR)	7.04	15.09	−8.05	−53
Year-end closing price[2] (in EUR)	761.50	717.00	+44.50	+6
Market capitalisation[2] [3]	8,658	8,152	+506	+6

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



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“Qualities such as business prudence and financial stability prove their worth especially in times of crisis. Our traditional and conservative way of doing business guarantees independence from the capital market and gives us the freedom and authority to act. Our good liquidity situation and high profitability allow us, even in times of crisis, to take care of the well-being of our customers, business partners and employees and to continue investing in future innovations.”

Foreword by the Supervisory Board

Dear Ladies and Gentlemen,

In 2020, the coronavirus crisis, which resulted in an unprecedented shutdown of public life, engulfed our entire industry in previously inconceivable ways. The negative consequences affected the majority of our customers around the world.

No one could have imagined such a profound, global and persistent crisis in our time. Continuous market changes, such as changes in consumption behaviour or in the customer landscape, have accelerated exponentially. This crisis has been described as the black swan of the commercial kitchen industry, one that poses unfathomable challenges for the entire industry.

But innovative and customer-centric companies stand out, especially in times of crisis. They refuse to withdraw and make do with what has already been achieved. They do not wait around until the previous status quo has been re-established. They continue to look ahead and remain flexible, adapting quickly to changed circumstances and taking advantage of the opportunities arising from a crisis. Always focussed on the perfect solution for customer challenges. For more than 40 years, this is what we at RATIONAL have stood for.

Customer benefit has been the company's top priority since its foundation. For us, this means supporting customers as best we can as they deal with their challenges. And that is how the combi-steamer came into being in 1976, which significantly simplifies work in professional kitchens and continues to add more benefits as it is developed.

In 2020, we completely revamped the two product families, the combi-steamer and the iVario. Despite the many restrictions imposed as a result of the coronavirus crisis, we mastered the biggest product changeover in our history. Adding a large number of new functions, the roll-out of the iCombi and iVario generations has brought tremendous increases in efficiency and process improvements to our customers.

The crisis has put even more pressure on our customers to prepare meals efficiently and sustainably while maintaining strict hygiene standards. By offering the new iCombi and iVario, we provide even better support to our customers in dealing with these challenges.

A full product changeover is a Herculean task just on its own, but mastering it under coronavirus conditions is not something many companies would be able to achieve. The contact restrictions have forced us to find new ways of being there for our customers in this difficult time. As a result, the market launch of the new cooking systems as well as our distribution and marketing processes had to be done in digital and virtual formats.

Our customer relations do not end, but really only begin, with the sale. That's why we listen carefully to our customers in order to understand their needs over the entire lifespan of the appliance. We adapt our comprehensive service and consulting offering to these needs, creating a strong bond of loyalty as a result. This close bond ensures lasting success and is the reason why we are the global market leader by a considerable margin.

At the same time, we are also well positioned to offer our customers solutions that have been thought through down to the last detail, even for the changing needs in the coronavirus crisis. To this end, we will stay in close contact with our customers and consistently work on innovative products and services.

Our traditional and conservative ways of managing the company help us in this process. Our good liquidity position, the exceptionally healthy balance sheet and high profitability make us independent of capital markets and give us the necessary entrepreneurial freedom, especially in these difficult times. We will stick to this corporate orientation and emerge from the crisis stronger.

The Supervisory Board has appointed Mr Jörg Walter as Chief Financial Officer effective 1 March 2021. I am delighted that in Mr Walter we were able to enlist a qualified financial expert from our own ranks, and I thank Dr Stadelmann for assuming the position in the interim. I wish them both every success in their future tasks.

I want to thank in particular all our employees for their tireless and exceptional commitment in these difficult times. It is only through their good ideas, extraordinary customer centricity, business acumen and great business prudence that we managed successfully to get through this year of crisis.

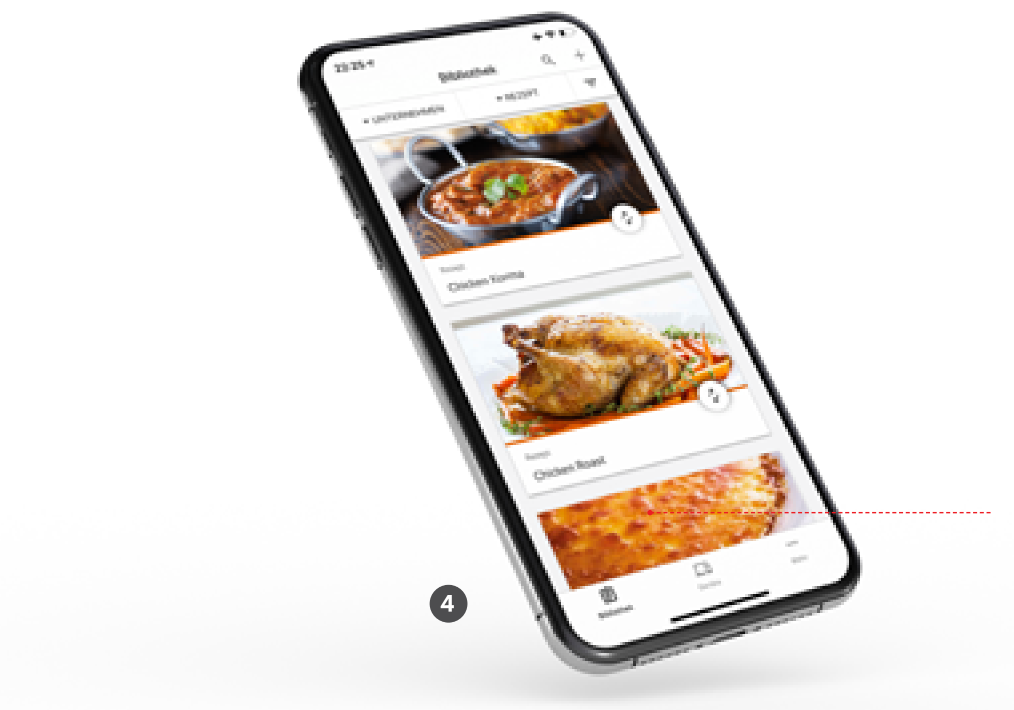
Walter Kurtz
Chairman of the Supervisory Board
of RATIONAL AG

Digitalisation@ RATIONAL

Prepared for a new normal

Blended learning.

The corona crisis has turned our plans for 2020 upside down. Within a very short time, we have managed to switch our planned product launches for the iVario and the iCombi from face-to-face events to digital formats. In addition, with the help of state-of-the-art conferencing software we have expanded our training programme for customers and dealers by adding digital formats. These include, for example, the iCombi live Online, iVario live Online and the Academy RATIONAL Online. This enables us, even in times of contact restrictions, to maintain close ties with our customers, partners and investors.



❶ Our expert Wolfgang Guth in action during the recording of an online training for our customers.

❷ We originally wanted to show off our products at face-to-face events worldwide as part of our "More Tour 2020", but in the end, due to the corona crisis we switched to an online market launch.

❸ Digital kitchen management with ConnectedCooking, our cloud-based networking solution for asset, hygiene and recipe management, available on a laptop, tablet or cell phone.

❹ It couldn't be easier with the recipe manager in our ConnectedCooking app: develop ideas, then implement and distribute them to RATIONAL cooking systems with only a click. Always cook with the same quality, regardless of location and personnel.

Dr Peter Stadelmann

Chief Executive Officer
Chief Financial 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. //

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. //

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. //

Letter from the Executive Board

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

Restrictions imposed to control the spread of coronavirus continue to dominate our customers' day-to-day business. The severe disruptions to business suffered by many of our customer groups have led to major uncertainty and confusion and have in some cases significantly reduced our customers' readiness and ability to invest.

Starting in March 2020, there were sharp declines in sales revenues, especially in China and Italy. The full force of the coronavirus crisis hit our company in the second quarter, and sales revenues in all markets worldwide suffered heavily under the drastic restrictions imposed on public life. The third quarter brought stability, but at a reduced level. A relaxation of coronavirus restrictions in many markets and the launch of the new iCombi and iVario product generation meant that sales revenues increased again significantly. In the fourth quarter, the lockdown measures reimposed in many markets which did not lead to another slump in sales revenues, which were fortunately on a level above the third quarter.

The coronavirus crisis has engulfed our entire industry, resulting in staggering economic dislocation and uncertainty about future development that has persisted to this day. That is why we started to take cost-cutting measures as early as the first quarter. A global hiring freeze has been in force since March 2000, and vacant posts are not being refilled where feasible. In response to the decline in the volume of work caused by the imposed contact restrictions and the sharp fall in appliance sales, we used short-time working or similar tools at our production locations and in a number of distribution companies.

Our employees have been exemplary in their support of our effort and are making their own contribution to safeguarding the company. As a socially responsible company, RATIONAL is striving to withstand the coronavirus crisis together, where possible retaining all employees, so that afterwards we can take care of our customers and their needs at full strength. We are therefore continuing to make every effort to prevent massive job cuts that would otherwise result from the fall in sales revenues.

Our exceptionally healthy balance sheet and good liquidity position help us do that. Elements of our strategy have often been ridiculed and condemned as too conservative over the past successful years, but are now proving to be crucial advantages in this crisis: independence, endurance and a freedom of action that many competitors may not have. In the Handelsblatt dated 20 March 2020, we are presented as the industrial company with the highest capital base among Germany's 100 largest listed companies. This financial strength enables us to look after our customers, business partners and employees and introduce innovations, even in this time of crisis. We hold the reins and can decide ourselves what suitable measures to take instead of being pushed by external forces.

Whereas some very pessimistic assessments of the future prospects of the catering and hotel industry have been made, we are also getting positive signals from some major chain customers, indicating that they are accelerating investment projects during the time of crisis in order to gain market share. In-store cafés and restaurants are performing well, and the long-standing trend towards more takeaway business, smaller meals and a greater variety of food outlets has accelerated. Delivery business is booming and, as a result, the concept of ghost or cloud kitchens is becoming increasingly popular. Ghost kitchens prepare meals exclusively for delivery services without having any dining areas attached. Our products are represented in all customer groups, both those that are suffering from the coronavirus crisis and those benefiting from it.

Focus on maximum customer benefit

We took action years ago to prepare for business with different customer groups by creating the relevant structures. This will allow a flexible response to changing market requirements, depending on developments during and after the crisis. As long as most people don't decide to prepare more meals at home or to eat cold food, we are in a position to support our customers with their respective requirements, whatever the market situation.

Our highest priority is, as always, to provide maximum benefits to our customers. We always forge ahead with new ideas to further strengthen and expand our technology and market leadership. The crisis will bring about an even greater pressure to rationalise business practices, even stricter hygiene regulations and an even bigger shortage of skilled staff in commercial kitchens. The growing pressure to achieve more cost-effective and standardised production increases the benefit that customers will obtain from our products and services. We are confident, therefore, that our customers will appreciate the advantages of our intelligent appliances and of the services we provide.

We are proud, especially in these uncertain times, to be setting new benchmarks in terms of cooking intelligence and performance through the launch of both of our completely new cooking systems — the most intelligent and most sustainable in the world. This achievement in 2020 marks the completion of RATIONAL's most ambitious product changeover in its history. On 5 May 2020, we launched the iCombi Pro, which succeeds the SelfCookingCenter, and the iCombi Classic, which follows the CombiMaster Plus. The iVario then followed on 16 June 2020, replacing the VarioCookingCenter.

New cooking systems with even greater customer benefit

We have turned new ideas into new value: the new cooking systems were launched featuring a large number of new functions and improvements. With its enhanced performance, the iCombi Pro has up to 50% more capacity, requires up to 10% less cooking time and saves 10% energy compared with its predecessor. What is more, the new ultra-fast intermediate cleaning function delivers considerable customer benefit within only twelve minutes. Like its predecessor, the iVario has fundamentally revolutionised the cooking process with contact heat. An important new feature of the iVario Pro is the patented iZoneControl, which allows the pan base to be divided into up to four zones so that different foods can be prepared simultaneously at different temperatures. Another new feature is that the cooking system can be height-adjusted, which improves the work ergonomics for the operating personnel.

In February 2020, we rolled out our revised digital platform ConnectedCooking worldwide, which offers even more benefits and greater ease of use in its free basic version. What is more, ConnectedCooking Pro provides additional modules at a fee for managing hygiene, recipes and kitchen equipment. Since the coronavirus outbreak, digitalisation has taken on a whole new significance in the industrial kitchen. Whereas previously only a small number of innovative customers used software to optimise their operating procedures, we now expect demand for such solutions to rise as the financial damage from the coronavirus crisis increases the pressure for efficiency improvements.

Good customer proximity despite the crisis

The 2020 fiscal year was dominated by the negative effects of coronavirus around the world. Global economic performance was severely impacted by the measures intended to contain the virus as well as by a number of geopolitical and financial uncertainties. This led to a decline of about 3.5% in global economic output in 2020.

> “The coronavirus crisis will lead to significantly greater demands for efficiency, an even bigger shortage of professional kitchen staff and even stricter hygiene regulations in the food service sector. Our latest cooking systems and our networking solution will put us in an excellent position to help our customers master these particular challenges.”
>
> **Dr Peter Stadelmann**
> CEO of RATIONAL AG

Our primary corporate objective is to help people who prepare food in industrial kitchens do their work. Despite the many negative consequences, our employees have found new ways of being there for our customers in this difficult time. We responded promptly by developing takeaway or delivery concepts that allow them to secure at least a portion of their sales revenues. In hospitals, which had to work around the clock under extreme pressure during the first wave, we rapidly trained additional kitchen staff. When face coverings were in short supply, we provided recommendations on how to clean and sterilise face masks in our combi-steamers. Furthermore, we issued guidance and advice on how to restart our appliances after an extended idle period. We also helped our dealers survive their difficult situation by granting, among other assistance, longer payment terms and higher credit limits where justifiable.

We are prepared to respond to the rapidly changing needs of our customers in this crisis, because we listen to them and address their challenges. For example, because of the ban on live events, we held the market launch of the new cooking systems completely online. We have switched our distribution, service and marketing processes to digital formats so that we can reach and inform our customers and partners through, for example, webinars, live streams and uploaded videos.

Through the continuous, tireless and exceptional commitment of our employees, we have successfully minimised the declines in sales revenues. We generated sales revenues of 650 million euros, 23% down on the previous year. All markets worldwide are affected by the coronavirus restrictions, with North and South America being the hardest hit.

EBIT amounted to 107 million euros in 2020. The EBIT margin fell significantly because, despite massive cost cuts, the reductions in operating expenses could not keep step with the decline in sales revenues. At 16%, it was significantly below the defined target range of 20 to 25%.

> "Customer benefit is our primary corporate aim. This is why we have acted promptly to develop takeaway or delivery concepts with many customers to allow them to secure at least a portion of their sales revenues."

Dr Peter Stadelmann
CEO of RATIONAL AG

The health of our employees and partners has top priority. For this reason, we took numerous measures at the two manufacturing locations, in the distribution companies and at the company's headquarters to minimise the risk of infection.

Especially in times of crisis, it is important to us to keep long-standing achievers in the company so that we can call on an effective workforce to capitalise on the future potential of the industry once the crisis has been overcome. My special thanks therefore go to our qualified and committed U.i.U. entrepreneurs. We will only be able to master this difficult period with the help of their extraordinary commitment.

Dividend of 4.80 euros proposed

Our shareholders will again have a share of the company's success this year. Due to the ongoing coronavirus crisis, securing liquidity as a way of safeguarding entrepreneurial independence has top priority. These targets were achieved in 2020 by reducing the originally planned dividend. The Supervisory Board and Executive Board will therefore propose a dividend of 4.80 euros per share for fiscal year 2020 to the General Meeting of Shareholders to be held on 12 May 2021. We will thus once again achieve a payout ratio of around 70%, as before the corona crisis.

Corporate quality through management and employee quality

Our employees think and act like entrepreneurs within the enterprise, true to the spirit of our U.i.U. principle. They perform their duties reliably and conscientiously, take responsibility and independently make decisions in their units, while focussing on customer benefit. Even during the coronavirus crisis, our U.i.U. entrepreneurs have quickly and skilfully adapted to the new situation and done everything in their power to support our customers.

Entering a challenging 2021 with commitment

The negative impact of coronavirus on the global economy and the food service sector will continue to affect us in 2021. We have already taken in some lessons learned and structured our processes accordingly to ensure that we can be there for our customers even when contact and travel are subject to restrictions.

We believe that the market's potential basically remains intact. The daily number of meals prepared worldwide is growing. The places where they are prepared are changing. Many of the megatrends continue: population growth, urbanisation and rising prosperity continue unabated in some emerging economies. In-store cafés and restaurants, the delivery business and ghost kitchens are expanding during this crisis.

The effects of the crisis will include tighter hygiene regulations, greater demands for efficiency and a decline in the number of qualified kitchen staff. In view of these facts, there is a fair prospect that RATIONAL will emerge from the coronavirus crisis in a stronger position, because our technologies provide the best possible support for the food service sector to master the challenges.

What makes us particularly confident is that our customers continue to be highly satisfied with our products and services, loyalty to the RATIONAL brand has not diminished. Our latest product innovations have given our customers even greater benefits and even more reasons to upgrade or make an initial purchase.

In view of the current situation, we assume that the existing restrictions on our customers will continue in 2021, at least in part, but we do not expect them to be tightened any further. Moreover, progress in the development of vaccines and the inoculation of high-risk groups already taking place make us confident that a broad-based return to normality will be possible in the second half of 2021. Against this background, we expect for the next fiscal year that sales revenues and EBIT will increase slightly compared with 2020, and the EBIT margin will be on a level with 2020.

In times of crisis such as these, we are there for our customers, and we will still be there once the crisis has ended. Even in the current tough times, our highly motivated U.i.U. entrepreneurs all over the world will do their utmost to serve our customers. At RATIONAL, we are doing all we can to strengthen our customers' loyalty even more. And that is why RATIONAL is doing all it can to retain its employees. They deserve our deepest gratitude and sincere recognition for their commitment.

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.

I am delighted that Mr Jörg Walter will be taking over as Chief Financial Officer from March 2021. He has many years of experience in finance and has known RATIONAL for 10 years. We look forward to working with him on the Executive Board.

We thank our customers and business partners for remaining loyal to us in the past year, despite the difficult business situation, despite restrictions on contact and despite concerns about their own future. All of us at RATIONAL hope that they will soon be better off again economically and that we can help them be successful again or even become more successful. We also thank our shareholders for continuing to place their confidence in us in this difficult time.

Dr Peter Stadelmann
CEO of RATIONAL AG

iCombi Pro

The new standard

"With RATIONAL I have always had good experiences. So it was clear that they would also be in use at Hobenköök."

Thomas Sampl, Chef Hobenköök/
Oberhafen, Hamburg, Germany

To think what no one has thought before.

If you want to set new standards, you need to create new ways of thinking. Baking, frying, grilling, steaming, poaching — all achieved more intelligently, simply, and efficiently. RATIONAL is using more than 45 years of cooking research to think outside the box and has undertaken significant research in skills shortages, food trends and kitchen management. Heading in a new direction, always with the same goal: getting one step closer to perfection.

The result

The iCombi Pro. Intelligent, flexible, productive. The new standard.

iCombi Pro.
This is me.

I'm new. I am experienced, think, learn, forget nothing, watch and adapt. I know the desired result, so I adapt the humidity, air speed and temperature automatically. Thanks to my intelligence, I will dynamically respond to your requirements. Has the cooking cabinet door been open too long? Is the steak thicker than usual? Are there more chips than the last time? I will automatically adjust the settings and deliver your desired result, time and time again with great efficiency. After all, that's what my intelligence is for.

What do you get out of it?
All kinds of freedom, and the certainty of reaching your goals. Exactly as you imagine.

rational-online.com/en_gb/icombi-pro/

Efficient food production
The iProductionManager plans production processes and indicates which foods are best cooked together. Streamlining processes, saving time and energy.

Ultra-fast cleaning
A clean unit in approx.12 minutes, this can only be done by the iCombi Pro. Even the standard cleaning saves 50%* in time and cleaner. Staying clean, minimising downtime, and increasing productive time.

Carefully designed
More fan wheels, optimised cooking cabinet shape, and increased dehumidification performance all mean up to 50%* larger loads and even better food quality. For even higher productivity.

Intuitive operating concept
The new operating concept is explained throughout the production process with clear, interactive instructions. So that everyone can work error-free from the start.

Cooking intelligence
The iCookingSuite knows the way to your desired cooking result and produces it time and time again. Excellent operation, excellent quality. You can also intervene at any time during the cooking process or switch from a single to a mixed load. This is freedom, this is flexibility.

Integrated WiFi
The integrated WiFi interfaces allow the iCombi Pro to connect easily both to the internet and to your smartphone in order to connect with ConnectedCooking. For more convenience, security and inspiration.

ENERGY STAR® Partner
The key value is energy efficiency. This is why the iCombi Pro has been tested by the strictest certification programme.

* Compared to the previous model.

RATIONAL Shares

Compared to the issue price at the time of the IPO in March 2000, RATIONAL shares have increased by a factor of around 33 (+3,211%). 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 even higher at just under 21%.

21%

Average annual return* for RATIONAL shareholders since the IPO (including dividends)

* Based on the 2020 year-end closing price

RATIONAL shares on a level with comparable indices in 2020

Many uncertainties affected the stock exchanges in the year under review. Investors were kept on their toes by the sudden outbreak of the global coronavirus crisis and in particular the resulting protection measures imposed around the world. The US elections and uncertainty about their outcome also had a major impact on stock exchange activities.

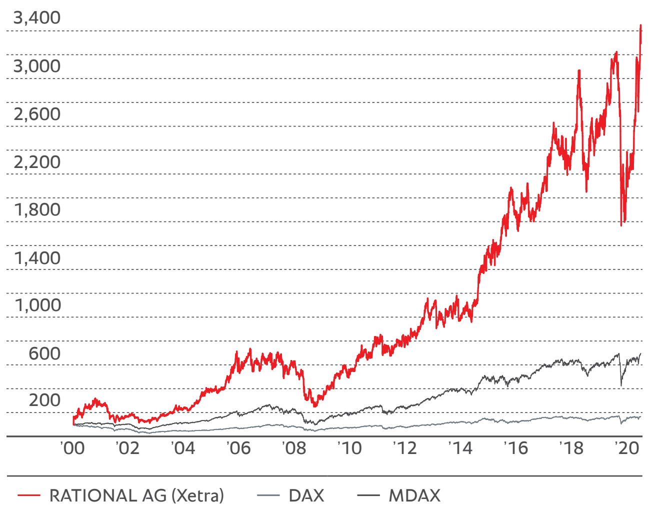
The slight economic downturn predicted for 2020 at the beginning of the year was overshadowed by the coronavirus crisis. While the global economy grew by 2.8% in 2019, the International Monetary Fund is forecasting a contraction of 3.5% for 2020. Economic activity declined, especially in industrialised countries, but also in some emerging economies. The decrease in global trade due to country-specific protection measures aimed at containing the coronavirus was one of the main factors that had a significant negative impact on many economies.

The global spread of coronavirus led to a sharp contraction in the stock market between February and April. After this significant decline, stock exchanges benefited from monetary stimulus measures, such as emergency asset purchase programmes by the central banks or country-specific aid packages, without which the crisis would probably have had more serious financial consequences. Accelerated expansionary monetary policies of the central banks quickly helped stock exchanges out of their corona-induced slumps. Despite persistent political, economic and societal uncertainty, especially in relation to the ongoing coronavirus crisis, declining economic activity and disappointing corporate profits, the stock exchanges were moderately up on their prior-year values.

Performance of RATIONAL shares since IPO in 2000

Index (issue price 23.00 EUR = 100); in %

Year-end closing price: 761.50 EUR



In light of these circumstances, the German benchmark indices relevant to RATIONAL came under particular pressure in the first quarter. In the second quarter, stock exchanges worldwide recovered from these losses, and in the course of the second half of the year both indices stabilised around pre-crisis levels. The DAX closed the year 2020 at 13,719 points (2019: 13,249), while the MDAX ended at 30,796 points (2019: 28,313). The DAX closed the year under review on a stable note, up slightly, by 3.5%, compared with the previous year, and the MDAX increased by about 8.8% year-on-year.

The performance of RATIONAL shares was on a level with their comparable indices in 2020. In the first quarter, they tracked the general market trend, falling sharply as a result of the global coronavirus outbreak and the protection measures resolved to contain it; it reached its lowest price for the year, 377.20 euros, on 18 March 2020. In the course of the second quarter, RATIONAL shares were under greater pressure than the comparable indices, especially in the months of April and May. The price recovered significantly in the third quarter and increased to values slightly below pre-crisis levels. In the fourth quarter, the share price continued its upward trend, breaking through the 700.00-euro mark before reaching a new all-time high of 792.50 euros in the course of 30 November 2020. The share price ended the year at 761.50 euros. The recovery in the share price in the course of the year was driven by a return to increasingly positive long-term expectations by investors about RATIONAL's business performance based on its good market positioning and solid financial situation.

Compared to the 2019 year-end closing price of 717.00 euros, the share price rose by about 6%. Taking into account the distribution of a dividend of 5.70 euros for fiscal year 2019, this results in a return of about 7% for 2020. As at the balance sheet date, RATIONAL AG's market capitalisation stood at around 8.7 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.

Compared to the issue price at the time of the IPO in March 2000, the share price has increased by a factor of around 33 (+3,211%). This corresponds to an average annual price increase of 18%. Furthermore, dividends of 102.25 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 2020

in %

	1 year	3 years	5 years	Since IPO
RATIONAL AG (share price performance)	+6	+42	+81	3,211
RATIONAL AG (incl. dividends)*	+7	+49	+98	5,496
DAX 30	+4	+6	+28	72
MDAX	+9	+18	+48	621

* Assumption: reinvestment of dividends at the opening price of the respective ex-dividend date

RATIONAL on the MDAX

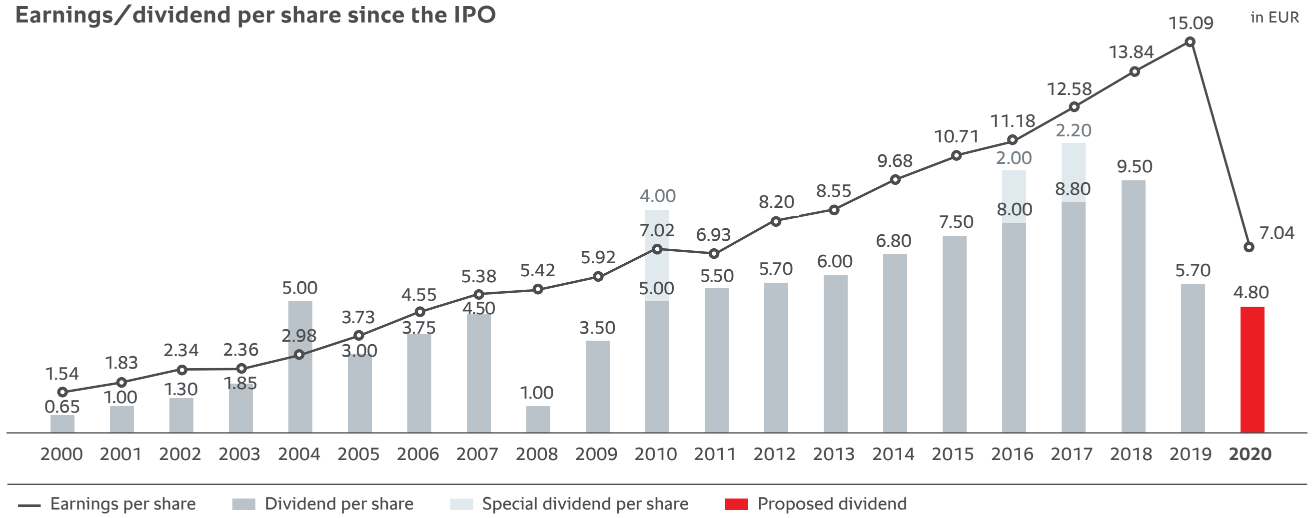
Our shares have been listed in the Prime Standard since the IPO, and are traded in all German stock exchange centres. The shares have been included in the MDAX since September 2019. Deutsche Börse has resolved a reform of the DAX Selection Indices, which will be implemented in 2021. The planned measures include 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 changes include more stringent supervisory and reporting requirements, 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 29,289 shares in 2020 (2019: 8,582 shares). This resulted in particular from the increase in free float. To support the liquidity of the shares, HSBC Trinkaus & Burkhardt AG acts as the designated sponsor. Since September 2013, the tradability of RATIONAL shares has been upgraded in the form of 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

Earnings per share of 7.04 euros in the crisis year 2020 fell significantly short of the prior-year figure (2019: 15.09 euros). The reason is the sharp drop in sales revenues as a result of the coronavirus crisis, especially in the second quarter of 2020. 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

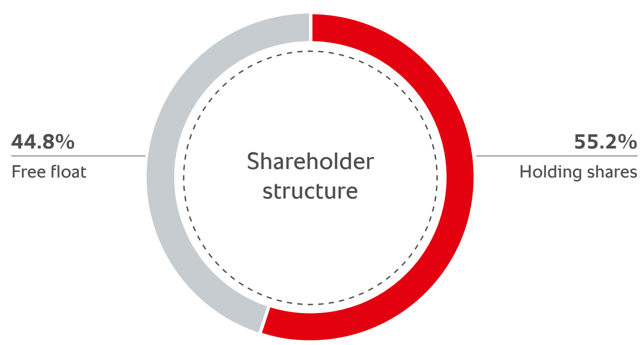
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Number of shares[1] (in millions)	**11.37**	11.37	11.37	11.37	11.37	11.37	11.37	11.37	11.37	11.37	11.37
Year-end closing price[2] (in EUR)	**761.50**	717.00	496.00	537.20	424.00	419.90	259.75	241.10	218.00	168.20	161.89
Market capitalisation[1 2] (in m EUR)	**8,658**	8,152	5,640	6,108	4,821	4,774	2,953	2,741	2,479	1,912	1,841
Free float market capitalisation[1 2] (in m EUR)	**3,883**	2,846	1,641	2,739	1,403	1,392	861	800	723	547	525
Average trading volume[2] (in shares)	**29,289**	8,582	6,391	6,824	6,222	5,449	6,883	6,746	6,085	9,479	7,994
Dividend per share for fiscal year[4] (in EUR)	**4.80**	5.70	9.50	11.00	10.00	7.50	6.80	6.00	5.70	5.50	9.00
Dividend yield[3] (in %)	**0.6**	0.8	1.9	2.0	2.4	1.8	2.6	2.5	2.6	3.3	5.6
Annual performance excluding dividend (in %)	**6.2**	44.6	−7.7	26.7	1.0	61.7	7.7	10.6	29.6	3.9	39.6
Annual performance including dividend (in %)	**7.0**	46.5	−5.6	29.1	2.8	64.3	10.2	13.2	32.9	9.5	42.6
Price-to-sales ratio[1]	**13.3**	9.7	7.3	8.7	7.9	8.5	5.9	5.9	5.7	4.9	5.3
Price-earnings ratio[1]	**108.1**	47.5	35.8	42.7	37.9	39.2	26.8	28.2	26.6	24.3	23.1
Price-cash flow ratio[1]	**93.4**	41.0	39.1	41.9	37.2	33.4	26.3	26.7	22.2	28.2	21.2

[1] As of balance sheet date [2] Xetra [3] In relation to the year-end closing price [4] Payout in the following year; dividend 2020 subject to approval by the 2021 General Meeting of Shareholders; 2010, 2016 and 2017 include a special dividend of 4.00 euros/2.00 euros/2.20 euros respectively Source: vwd. RATIONAL

Dividend of 4.80 euros proposed

This year, too, we want our shareholders to benefit appropriately from our business performance. Due to the lower earnings resulting from the crisis, the dividend will be smaller. Other reasons for this are to safeguard liquidity and thus remain independent from capital markets and bank loans, as well as to ensure entrepreneurial freedom. The Executive Board and Supervisory Board will therefore propose to the 2021 General Meeting of Shareholders the distribution of a dividend of 4.80 euros per share for the 2020 fiscal year. We are thus returning to our traditionally high payout ratio of around 70% of net income, thus continuing our sustainable dividend policy. A total amount of 54.6 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 2020 closing price) is 0.6%.

The shareholder structure

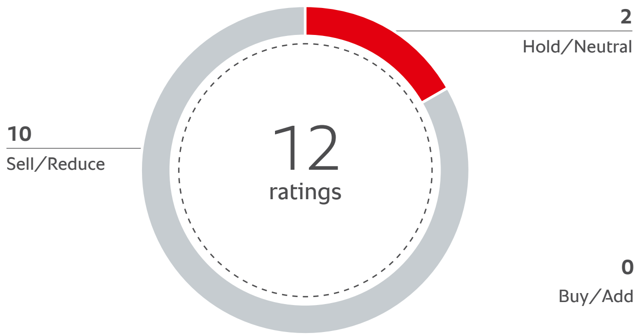


Status: 2 March 2021

According to the voting rights notification of 28 May 2020, one family representative fell below the threshold of 3% of the voting rights. As a result, the proportion of shares held in fixed ownership as defined by Deutsche Börse decreased to 55.2% (2019: 65.1%); the free float increased by a corresponding number of percentage points to 44.8% (2019: 34.9%).

There are no outstanding stock option schemes or convertible bonds that could dilute the shareholding.

Current analysts' ratings



Status: 2 March 2021

At present, 12 institutes publish detailed analyses on RATIONAL AG. All equity analysts are convinced of the company's sustained exceptional earnings power and quality. In the first half of 2020, analysts reduced their price targets in response to the coronavirus crisis. Following the publication of the business financials for the third quarter, they increased their price targets again, reflecting the general easing of the coronavirus crisis felt over the summer. Analysts' price targets range between 540 and 550 euros on average. At present, analysts recommend holding or selling the shares. The reasons are the continuing coronavirus crisis and the resulting uncertain future prospects for the commercial kitchen sector as well as the assessment that the current share price, which is already back at pre-crisis levels, is deemed to be very high.

Interested investors can find the latest ratings and investment recommendations under Investor Relations/Share/Analysts ratings at www.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 2020, management spent 19 days at roadshows and capital market conferences. The coronavirus crisis has changed everything: a large number of events were held digitally in the year under review because safety and hygiene regulations meant that physical events had to be cancelled. After the release of our annual figures, we informed the public about them at an annual results press conference and an analysts' conference, both of which were 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.

Our Analysts' Day was held online for the first time in the past fiscal year. The event was also used to present our new cooking systems, iCombi and iVario, in action. At the same time, capital market representatives and the press had the opportunity to get insights into the digital transformation of our marketing and distribution processes.

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 — key figures

ISIN (International Security Identification Number)	DE0007010803
Security identification code	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

iVario Pro

The new performance class

Expectations of today's kitchen.

Frying, boiling, blanching, deep-frying, pressure cooking — done overnight and to perfection and all at the same time. Industry catering has never been so challenging. So fast and demanding. So international and regional. So varied and flexible. Time for an intelligent cooking system, which not only meets the requirements of this modern kitchen, but also gets the best out of it. One which reflects 45 years of research, experience and innovation in a new dimension. One which shows its strengths in every kitchen. One which prepares dishes easily and always as required. Whether for 300 or 3,000 guests, it takes on the work which can be automated and it can easily be operated by untrained staff.

"In retrospect, I feel like I used to cook over an open fire."

Jörg Hemmecke-Köpke,
owner Köpke eat + drink

More than you think

A cooking system that can go way beyond what a tilting pan, boiling pan or deep-fat fryer can achieve.

iVario Pro.
Unusual. In every respect.

Looks like a tilting pan, but it can do so much more: boiling, frying, deep-frying and pressure cooking — the iVario Pro replaces virtually all conventional cooking appliances because it has the power. Its unique heating technology combines power with precision by making use of intelligent cooking assistants, which think, learn and support. It is up to 4 times as fast, requires up to 40% less energy and boasts huge space gain compared to conventional cooking appliances. For outstanding food quality without checking or supervision.

Effective energy management
The iVarioBoost heating system combines power, speed and precision. The reserve capacity and precise heat distribution over the entire surface ensure that the cooking process for searing meat and delicate foods runs perfectly.

Higher flexibility
The patented iZoneControl turns one pan into multiple iVario units. For different foods. For more freedom. For more creativity.

Speed
With the optional pressure cooking function, it can achieve up to 35% shorter cooking times. Automatic pressure build-up and decompression makes the iVario Pro fast and convenient.

Best working conditions
The iVario Pro makes the kitchen ergonomic, labour-saving, safe and efficient. Good for staff well-being and improved working methods.

Desired result without supervision
Thanks to the built-in cooking intelligence iCookingSuite, it can do it all. Nothing sticks and nothing boils over. The iVario Pro will only alert you when you are really needed. For cooking results exactly as you require.

Intuitive operating concept
Simple, logical and efficient. This makes working with the iVario Pro not only effortless, but also fun. From the very start.

This is how you benefit

One of the most modern cooking systems for enormous productivity, flexibility and simplicity.

rational-online.com/en_gb/ivario-pro/

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

Responsible corporate governance that is geared to sustained value creation and preservation is the benchmark of all actions of the Executive Board and Supervisory Board of RATIONAL AG and the cornerstone of the company's success. The following is the Executive Board's and Supervisory Boards' report on corporate governance at RATIONAL in accordance with our corporate governance principles, principle 22 of the German Corporate Governance Code, as amended on 16 December 2019, and sections 289f and 315d of the German Commercial Code (Handelsgesetzbuch, HGB). The report is supplemented by the remuneration report, which is part of the company's management report.

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. 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 2020. RATIONAL has largely complied with the recommendations of the Code in the respective periods of validity of the corresponding versions. The latest version of the Corporate Governance Code, which entered into force on publication in the German Federal Gazette on 20 March 2020, includes some new recommendations on how to arrange corporate governance. Based on the new recommendations, RATIONAL AG adapted some areas of its corporate governance in fiscal year 2020. Where RATIONAL AG nevertheless 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.

Since 2012, the Compliance organisation has been continuously further developed. 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.

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.

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

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 2020, both the compliance management system and the risk management system were strategically continued on the basis of the existing concepts.

Shareholders and General Meeting of Shareholders
The General Meeting of Shareholders is chaired by the Chairman of the Supervisory Board or another member of the Supervisory Board appointed by the Chairman.

Because of the contact restrictions imposed to manage the coronavirus crisis, the 2020 General Meeting of Shareholders was postponed and held virtually for the first time in accordance with legal requirements. Around 150 shareholders or their proxies attended the virtual General Meeting of Shareholders on 24 June 2020. Despite the special circumstances, the calculated attendance rate was just under 83% of the share capital as specified in the Articles of Association. All resolutions on the agenda were approved by the General Meeting of Shareholders with a large majority.

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.

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 three 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, on 13 November 2020, the Supervisory Board specified an age limit of 65 years for members of the Executive Board. As at the balance sheet date, the members of the Executive Board were Dr Peter Stadelmann (Chief Executive Officer and Chief Financial Officer), Peter Wiedemann (Chief Technical Officer) and Markus Paschmann (Chief Sales Officer). Dr Axel Kaufmann resigned from the RATIONAL AG Executive Board effective 31 December 2019. From 1 January 2020, Dr Stadelmann assumed the duties of the Chief Financial Officer alongside his other responsibilities. He remains the Chief Executive Officer.

To ensure long-term succession planning together with the Executive Board, the Supervisory Board 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 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 give the Supervisory Board a right to veto. 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.

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's latest self-assessment was conducted in December 2020 using a questionnaire and subsequent discussion.

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 formed an Audit Committee in 2015. Its members are Dr Hans Maerz (Committee Chairman), Mr Walter Kurtz and Mr Erich Baumgärtner. In January 2021, the Supervisory Board established a Technology Committee, 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 and Mr Werner Schwind, proven experts in finance, business law, sales and technology. As a proven technical expert, Dr Georg Sick rounds off the skills profile of the Supervisory Board of RATIONAL AG.

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 five 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 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.

Supervisory Board members are proposed for election exclusively on the basis of their special skills and qualifications. Other attributes, such as gender, age, nationality or length of membership of the Supervisory Board of RATIONAL AG, have not been and will not be of any consequence for this decision. The intention is to continue to abide by this policy in future in order to retain experience and skills for the benefit of the company. For these reasons, and justified by the profile of skills and expertise of the members of the Supervisory Board, the Supervisory Board considers the implementation of a competent supervisory body to have been achieved. The Supervisory Board of RATIONAL AG has set itself a target concerning the proportion of women in the Supervisory Board within the meaning of the German Act on Equal Participation of Women and Men in Executive Positions in the Private and the Public Sector (Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst) and has published this target in this declaration (see below).

No conflicts of interest occurred in the past fiscal year.

Definition relating to the 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 on Equal Participation of Women and Men 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.

The executive Board and Supervisory Board of RATIONAL AG have set themselves the following new 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% has been specified for the proportion of women.
› For the second management level below the Executive Board, a target of 30.0% has been specified for the proportion of women.
› The deadline for meeting these targets is 30 June 2022.

Accounting and auditing
On 24 June 2020, the General Meeting of Shareholders appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, as auditors of the financial statements and the consolidated financial statements for fiscal year 2020. The audit contract was awarded 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 2020 annual financial statements was Mr Jürgen Schumann.

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. Since a new version of the Code was published in the Federal Gazette on 20 March 2020, this year's declaration of conformity will explain departures from both the old Code as amended on 24 April 2017 and from the new version of the Code, which entered into force on 20 March 2020.

The Code, as published in the official section of the Federal Gazette on 24 April 2017, which applied until 20 March 2020, was complied with in the period from the last declaration of conformity dated 29 January 2020 until the revised Code, as amended on 19 December 2019, entered into force on 20 March 2020, with the exception of the numbers itemised below for the reasons and in the periods specified there:

Number 4.2.3 (2) sentence 3 of the Code:
Number 4.2.3: "Variable remuneration components generally have a multiple-year assessment basis that shall have essentially forward-looking characteristics."

The variable components of Executive Board remuneration as agreed in the existing employment contracts with members of the Executive Board comprise various elements of the company's long-term success, but do not specifically stipulate a multi-year assessment basis. The Supervisory Board of RATIONAL AG regards sustainable company development as a matter of course. In a continuous process, milestones for the annual variable remuneration components of the members of the Executive Board are derived from the corporate strategy.

Numbers 4.2.4 and 4.2.5 of the Code:
Number 4.2.4: "The total compensation of each one of the members of the Management Board is to be disclosed by name, divided into fixed and variable compensation components. The same applies to promises of benefits that are granted to a Management Board member in case of premature or statutory termination of the function of a Management Board member or that have been changed during the financial year. Disclosure is dispensed with if the General Meeting has passed a resolution to this effect by three-quarters majority."

Number 4.2.5: "Disclosure shall be made in the Notes or the Management Report. A compensation report as part of the Management Report outlines the compensation system for Management Board members. The outline shall be presented in a generally understandable way.

The compensation report shall also include information on the nature of the fringe benefits provided by the company.

In addition, the remuneration report shall present the following information for every Management Board member:

› the benefits granted for the year under review including the fringe benefits, and including the maximum and minimum achievable compensation for variable compensation components;
› the allocation of fixed compensation, short-term variable compensation and long-term variable compensation for the year under review, broken down into the relevant reference years;
› for pension provisions and other benefits, the service cost in/for the year under review.

The model tables provided in the appendix shall be used to present this information."

On 4 May 2016, the General Meeting of Shareholders of RATIONAL AG resolved to dispense with the publication of individualised figures for Executive Board remuneration in accordance with section 286 (5) of the Handelsgesetzbuch (HGB, German Commercial Code). This resolution of the General Meeting will be in effect for five years. Disclosure of the variable remuneration broken down by short-term and long-term components will not be made.

Number 5.1.2 of the Code:
Number 5.1.2 (1) sentence 2: "When appointing the Management Board, the Supervisory Board shall also respect diversity."

Number 5.1.2 (2) sentence 3: "An age limit for members of the Management Board shall be specified."

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.

On 13 November 2020, the Supervisory Board specified an age limit of 65 years for members of the Executive Board.

Number 5.3.3 of the Code (Formation of committees):
"The Supervisory Board shall form a nomination committee composed exclusively of shareholder representatives which recommends suitable Supervisory Board candidates for the proposals of the Supervisory Board to the General Meeting."

The Supervisory Board formed an Audit Committee in 2015. 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.

Number 5.4.2 (2) sentence 2 and (4) of the Code:
Number 5.4.1 (2) sentence 2: "Within the company-specific situation the composition of the Supervisory Board shall reflect appropriately the international activities of the company, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of number 5.4.2, an age limit and a regular limit to Supervisory Board members' term of office, both to be specified, as well as diversity."

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 specified for Supervisory Board members, nor has a regular limit of length of membership of the Supervisory Board.

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, have been complied with since this version of the Code entered into force, with the exception of the recommendations itemised below for the reasons and in the periods 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.

Recommendation B.5 of the Code: "An age limit shall be specified for members of the Management Board and disclosed in the Corporate Governance Statement."

On 13 November 2020, the Supervisory Board specified an age limit of 65 years for members of the Executive Board.

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 specified for Supervisory Board members, nor has a regular limit of length of membership 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. We do 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

Recommendation G.1 to G.4, G.6, G.8, G.10 to G.12, G.13, sentence 1 of the Code

Unlike the previous version, the Code, as in force since 20 March 2020, contains a number of recommendations on the remuneration of members of the Executive Board. The remuneration of the members of the Executive Board of RATIONAL AG is based on the remuneration system approved by the ordinary General Meeting of Shareholders held on 21 April 2010.

Due to the impact of the coronavirus crisis, which could not have been foreseen at the beginning of 2020, and the exceptional performance of the Executive Board in achieving a very good result of the company in the face of the particular challenges, a portion of the variable, performance-related remuneration for fiscal year 2020 will be paid to the members of the Executive Board, even though the targets set at the beginning of 2020 were not met. The Supervisory Board believes that this is in the interest of the company's long-term prosperity.

As part of the implementation of the German Act Implementing the Second Shareholder Rights Directive (Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie, ARUG II), the Supervisory Board will meet its obligation and submit for approval a new revised remuneration system to the General Meeting of Shareholders to be held on 12 May 2021; the new system incorporates most of the recommendations of the Code.

Landsberg am Lech, 28 January 2021

RATIONAL AG

Walter Kurtz
for the Supervisory Board

Dr Peter Stadelmann
for the Executive Board

ConnectedCooking

Everything at a glance, everything under control.

Everyone's talking about networking. The iCombi Pro does it. You can connect the iCombi Pro with ConnectedCooking, RATIONAL's secure internet platform, using the WiFi interface fitted as standard. Was the turkey breast recipe a hit? Simply send it off to all the cooking systems on the network, wherever they may be. Which cooking system is being used and how? Check on your smartphone. Looking for inspiration? Right there in the recipe database. Software update? The cooking systems are easily updated at the push of a button. Retrieving HACCP data? Completed with just a click. And if you wish, the iCombi Pro will call its RATIONAL service partner for servicing automatically.

ConnectedCooking
Powerful networking by RATIONAL. Always keeps everything under control.

rational-online.com/en_gb/connectedcooking/

Report by the Supervisory Board

Dear Shareholders,

The year 2020 was dominated by the coronavirus crisis and the successful launch of our new product generations, iCombi and iVario, despite the crisis. Even more so than usual, corporate governance under these difficult conditions focussed on the stability and future viability of the company as a whole as well as on the sustained improvement of corporate quality. Despite the considerable negative impact of the pandemic and the protection measures on our customers' business, the resulting sharp decline in sales revenues and the costs of the market launch initiative and of adapting it to the changed circumstances, RATIONAL secured its liquidity and high equity ratio while keeping profitability at a high level.

Dialogue and communication as a basis for advice and monitoring

In fiscal year 2020, 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 approved. In fiscal 2020 and in 2021 to date, this related in particular to decisions concerning product development, expansion and optimisation of the sales and marketing organisation, further development of the management structure, global HR development, risk management, and planning and approval of investments and construction work at the Landsberg am Lech and Wittenheim locations.

Consultations in the Supervisory Board

The Supervisory Board had 11 meetings in 2020. In 2021, one further meeting was held before the meeting of the Supervisory Board on 3 March 2021 to adopt the financial statements. The members of the Supervisory Board also consulted each other in writing, by telephone and video conference, and held fourteen other internal meetings and five meetings of the Audit Committee in fiscal 2020. All members of the Supervisory Board attended all meetings of the Supervisory Board. Likewise, all members of the Audit Committee attended all meetings of the Audit Committee. 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, all consultations with the Executive Board and internal discussions within the Supervisory Board were dominated by the coronavirus crisis and its effects 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,
- Business planning for fiscal year 2021 and adjustments to the 2021 planning method to reflect the coronavirus crisis,
- Further development, business model and structure of the Digital Customer Solutions business unit worldwide,
- Key points in product development,
- Development strategy for new iVario markets,
- Enhancement of the medium-term strategy, including the product portfolio and sales and marketing strategy,
- Conducting the 2020 General Meeting of Shareholders under coronavirus conditions,
- The appropriation of earnings and proposed dividend,
- Resolution to make a special U.i.U. payment,
- Launch of the new product lines,
- Changes resulting from ARUG II,
- Audit tender process,
- Rules of procedure for the Management Board,
- Results of the 2020 employee satisfaction survey,
- Liquidation of the special fund and
- Selection and appointment of a new Chief Financial Officer.

At the Supervisory Board meeting to adopt the financial statements on 3 March 2021, the principal topics included not only the audit and adoption or approval of the annual and consolidated financial statements but also, in particular, the draft resolutions to be proposed to the 2021 General Meeting of Shareholders.

Following the tender of the audit of the annual financial statements, which is mandatory at regular intervals, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Munich, will be proposed as auditors for the 2021 fiscal year. The Supervisory Board also adopted the remaining draft resolutions for the ordinary 2021 General Meeting of Shareholders. To protect the health of our shareholders and to allow us to plan and conduct the 2021 General Meeting of Shareholders as smoothly as possible, we decided at an early stage to hold it as a virtual General Meeting of Shareholders in accordance with legal requirements.

Our duties in 2020, and, in particular, at the meeting held on 3 March 2021 to adopt the financial statements included not only the audit plus the entire accounting process in RATIONAL AG and the 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.

Committee activities

The Audit Committee, comprising Mr Walter Kurtz, Dr Hans Maerz and Mr Erich Baumgärtner, met five times in the 2020 fiscal year. At its meetings, it dealt in particular with the audit tender process and 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. The Audit Committee reported regularly to the Supervisory Board.

In January 2021, the Supervisory Board established a Technology Committee, 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.

Corporate governance

The Supervisory Board of RATIONAL AG has seven members and is not subject to co-determination. In fiscal year 2020, 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 2020 reporting year in connection with consultations, draft resolutions and the audit engagement.

On 20 March 2020, a new version of the German Corporate Governance Code entered into force upon publication in the Federal Gazette. At its meeting on 27 January 2021, the Supervisory Board resolved on the declaration of conformity with the Code. Together with the Executive Board, the Supervisory Board then issued the declaration of conformity on 28 January 2021. The declarations of conformity of recent years can also be found under Investor Relations on the RATIONAL website (www.rational-online.com). Since the last declaration of conformity was submitted on 29 January 2020, 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 2020 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 24 June 2020, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, audited the financial statements of RATIONAL AG and of the Group for fiscal year 2020. 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 2020, prepared by the Executive Board in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, HGB), and the company's management report, which also refers to the Declaration of Corporate Governance on the company's website, were audited by the auditors and given an unqualified audit opinion. The Executive Board prepared consolidated financial statements for the Group in accordance with the International Financial Reporting Standards (IFRSs), supplemented by the commercial law provisions applicable under section 315a (1) of the HGB. In addition, a Group management report was prepared. The auditors audited the consolidated financial statements and the Group management report and issued an unqualified audit opinion.

The annual financial statements, the consolidated financial statements, the management reports, the auditors' reports, and the Executive Board's proposal on the appropriation of unappropriated profits were forwarded in good time to the Audit Committee and all Supervisory Board members for examination. They were the subject of intensive deliberations at the meeting of the Supervisory Board held on 3 March 2021. 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 the coronavirus pandemic on the accounting and the assessment of the accounts-related internal control and risk management system. Both the Executive Board and the auditors answered all our questions comprehensively and to our 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 3 March 2021, the Supervisory Board approved the annual financial statements, prepared by the Executive Board, for RATIONAL AG as of 31 December 2020, including the certified version, dated 2 March 2021, of the management report for fiscal year 2020, as well as the consolidated financial statements as of 31 December 2020 and the certified version, dated 2 March 2021, of the Group management report for fiscal year 2020. The 2020 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

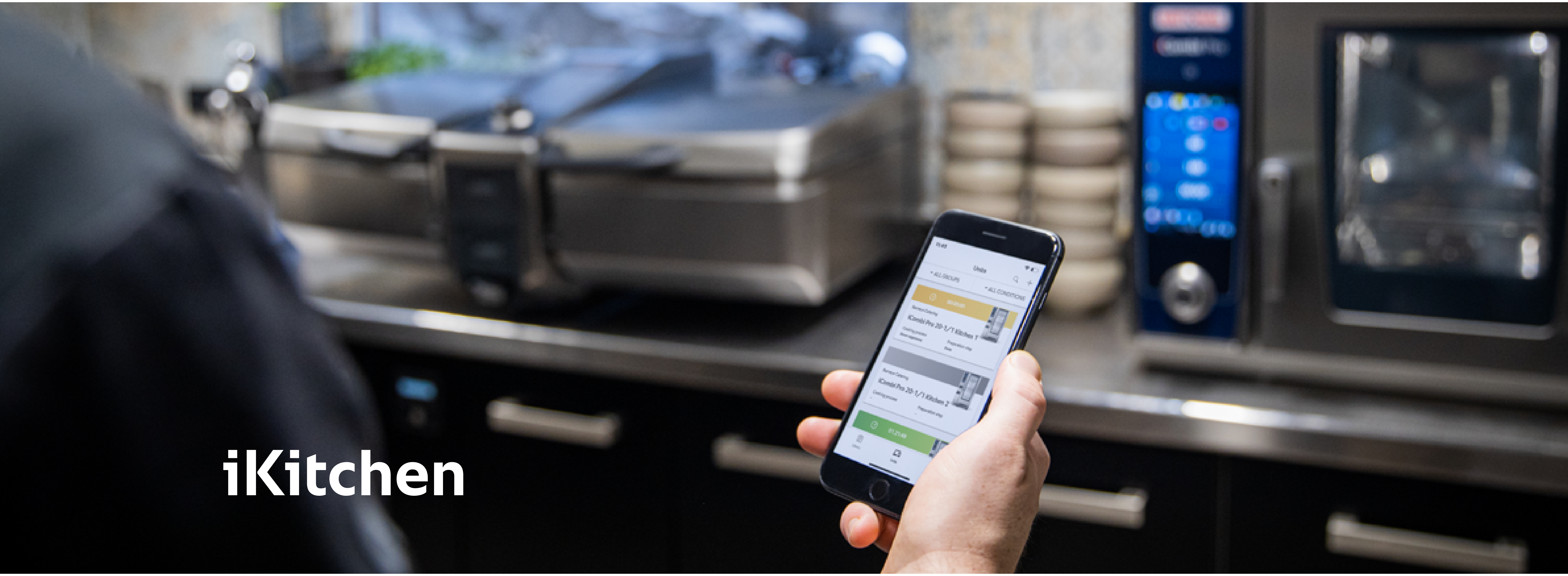
After consideration of the operating environment, the situation on the global financial and capital markets, and the financial position of the company, the Supervisory Board approved the appropriation of profits proposed by the Executive Board.

From RATIONAL AG's net retained profit of 427.3 million euros, a dividend of 4.80 euros per share or a total of 54.6 million euros should be distributed and the remainder carried forward to new account.

The Supervisory Board would like to thank all managers for their close and constructive cooperation, and for the trust they have placed in us. But our very special thanks go to all employees. In 2020, a year made particularly difficult by the crisis, 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, 15 March 2021

Walter Kurtz
Chairman of the Supervisory Board of RATIONAL AG



Productive and flexible. Like never before.

The challenge: less staff, increased cost pressures and increased demands for quality. In addition, the menu must not be limited. It has to be creative, fresh, balanced and innovative whilst meeting individual needs. This is a real challenge for the conventional large kitchen, with its equipment and work processes.

The solution: a smaller kitchen. This may seem to be a contradiction at first glance, but it makes sense when using an intelligent system, one that thinks, is experienced, learns, and forgets nothing. One which covers 90% of all conventional cooking applications with two units and one which is connected. The iKitchen, a combination of the iCombi Pro, iVario Pro and ConnectedCooking. There is also a comprehensive consultation service if you require it. For more productivity, more flexibility.

So easy:
With RATIONAL cooking systems that are coordinated, that work together and which complement each other.

rational-online.com/en_gb/ikitchen/

Impressive. How intelligent a kitchen can be.

Intuitive operating concept
The new operating concept is applied throughout the production process using visual imagery, logical work steps and clear, interactive instructions. This way everyone can work error-free from the start.

Cooking intelligence
The iCookingSuite knows the way to your desired cooking result and produces it time and time again. Excellent operation, excellent quality. You can also intervene at any time during the cooking process or switch from a single to a mixed load. This is freedom, this is flexibility.

Efficient food production
The iProductionManager plans production processes and indicates which foods are best cooked together. Streamlining processes, saving time and energy.

Carefully designed
More fan wheels, optimised cooking cabinet shape, higher dehumidification performance all mean up to 50%* bigger loads. With even better food quality. For even higher productivity.

Ultra-fast cleaning
From dirty to clean in approx. 12 minutes. Even the standard cleaning saves 50%* in time and cleaner. Staying clean, minimising downtime, and increasing productive time.

What do you get out of it?
All kinds of freedom, and the certainty of reaching your goals. Exactly as you imagine.

Intuitive operating concept
Simple, logical and efficient. This makes working with the iVario Pro not only effortless, but also fun. From the very start.

Desired result without supervision
Thanks to the built-in cooking intelligence iCookingSuite, it can do it all. Nothing sticks, nothing boils over. The iVario Pro will only alert the chef when really needed. For a cooking result exactly as the chef wants it.

Speed
With the optional pressure cooking function, it can achieve up to 35%* shorter cooking times. Automatic pressure build-up and decompression make the iVario Pro fast and convenient.

Maximum flexibility
iZoneControl turns one pan into multiple iVario units. For different foods. For more freedom. For more creativity.

Effective energy management
The iVarioBoost heating system combines power, speed and precision. The reserve capacity and precise heat distribution over the entire surface ensure that the cooking process runs perfectly.

* Compared to the previous model.

RATIONAL AG
Group Management Report for Fiscal Year 2020

Contents

The charts on pages 52 to 74 are not part of the audited Group Management Report of RATIONAL AG.

Group Management Report

Fundamental information about the Group

The Group's business model

The Group's organisational structure and sites
The Group's parent company is RATIONAL Aktiengesellschaft (RATIONAL AG), whose registered office is located in Landsberg am Lech, Germany. Alongside RATIONAL AG, the Group comprises 32 subsidiaries, of which 24 are sales companies. Through the sales companies and local trading partners, the company markets its products in almost all regions of the world. In addition, the company 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 to large and industrial kitchens worldwide. Around 72% (2019: 74%) of sales revenues were generated in the past fiscal year through the sale of cooking appliances.

We generate most of our sales revenues with the iCombi Pro, which has been available since May 2020, and its predecessor, the SelfCookingCenter. These are combi-steamers with intelligent cooking processes. 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 process 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, and its predecessor, the CombiMaster Plus. All models are produced at the company's headquarters in Landsberg am Lech and distributed worldwide.

As a complementary product to the combi-steamer technology, we have been offering the iVario, the successor to the VarioCookingCenter, since June 2020. 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 distributed in Europe as well as, since 2020, in North America and Asia. The VarioCookingCenter had previously been on offer mainly in Europe.

We generated around 28% (2019: 26%) 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, appliance 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, grew significantly in importance in 2020. We also provide our customers with expert tips on our ChefLine®. Fee-based consulting offerings include Academy events on specific topics and in-depth process consulting as part of post-installation support at the customer.

Segments
In fiscal year 2019, our segment reporting was switched from a product-based analysis to a regional breakdown. Since then, we have reported the following regional segments in accordance with the RATIONAL Group's internal control system and IFRS 8:

› DACH (Germany, Austria, Switzerland)
› EMEA
› Americas
› Asia

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 exploit this as yet untapped global market potential, 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 increasingly addressing the growing potential presented by emerging markets.

Our core markets are DACH and EMEA. We generated around 60% of our sales revenues in these segments in the past fiscal year. The segments Americas and Asia have grown in importance in the past years.

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

External factors
The coronavirus crisis shaped the 2020 fiscal year and had a strong impact on our day-to-day business activities and those of our customers. Alongside sales, our production and purchasing were especially affected by the coronavirus countermeasures.

The great uncertainty about whether restrictions would be relaxed or tightened and how long they would last unsettled many customers, especially in the hospitality, hotel and mass catering segments, and thus reduced their propensity to invest. But aside from this situation, which weighed on many of our customers, we also saw positive signs in other customer segments, such as in-store cafés and restaurants, the takeaway business and delivery services.

We cannot predict the future course of the coronavirus crisis. We look ahead to the future with extreme caution and considerable foresight and are already working on projects to apply the lessons learned from the coronavirus crisis, to further improve our ability to assess trends and risks and to increase the efficiency of our processes. We are convinced that our traditional way of doing and managing business guarantees us the freedom and independence to act in times of crisis.

Strategy and objectives

We believe that 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
In our view, a key factor in the high levels of motivation and satisfaction of our employees has been the principle of the Entrepreneur in the Company (U.i.U.). The U.i.U. entrepreneurs operate as independent business people within their own area of responsibility.

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. With these indicators, we can identify inefficiencies and make the necessary adjustments at an early stage.

Financial key performance indicators

Sales volume/revenue trends	EBIT (earnings before interest and taxes)/EBIT margin (ratio of EBIT to sales revenues)
Group gross margin	Receivables management (Group DSO)
Operating costs	Group equity ratio

Non-financial key performance indicators

In view of the varied nature of the sales and customer loyalty measures, we use the global RATIONAL customer satisfaction index 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. This index score is managed by statistically analysing the customer ratings in four main categories with multiple subcategories and using them to formulate recommendations for action. The categories are:

1. Contacts and ways of getting in touch
2. Purchase/order process, including commissioning
3. Appliance features, including ease of use
4. Additional services

The RATIONAL satisfaction index is 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.

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

Research and development

We place a special focus on research and development and keep launching innovative technologies on the market at regular intervals. Alongside engineers in various disciplines, physicists work on basic research and chefs and nutritionists work on applied research and development. We had more than 190 employees (2019: 170 employees) in this area as at the balance sheet date.

In 2020, we spent 42.3 million euros (2019: 42.7 million euros), or 7% of sales revenues (2019: 5%), on researching and developing new solutions and improving the performance of our products and services. Of this total, 41.7 million euros (2019: 42.0 million euros) were recognised as an expense in the income statement. 0.6 million euros (2019: 0.7 million euros) were capitalised as intangible assets, since the requirements of IA9 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 2020, amortisation charges on capitalised development costs were 1.3 million euros (2019: 0.9 million euros).

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

Employees and human resources development

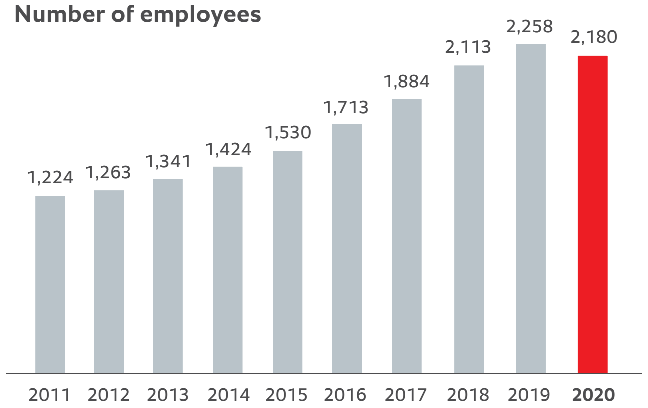
When the coronavirus crisis began, we announced a recruitment freeze. We exercised caution in filling vacancies, did not always renew fixed-term contracts and hired temporary staff only in exceptional circumstances.

Our aim is to retain high achievers. In a number of units in Germany and abroad, we therefore used short-time working or similar instruments and are planning to continue to do so where necessary and possible. However, particularly in weak markets, we had no option but to adapt the structures and number of employees to the changed market situation.

As a socially responsible company, RATIONAL is striving to withstand the coronavirus crisis together, where possible retaining all employees, so that afterwards we can take care of our customers and their needs at full strength. We are therefore continuing to strive to prevent the massive job cuts that would normally be associated with the fall in sales revenues.

The total number of employees in the Group therefore fell in 2020 by 78, from 2,258 to 2,180 (as of 31 December 2020). Of these, 1,223 (2019: 1,232) 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. This is why the recruitment freeze does not apply to this area. Qualified vocational training enjoys a very high priority at RATIONAL. We currently employ 67 apprentices in the following disciplines: industrial business managers, warehouse logistics, industrial technicians, mechatronics engineers, metal technology and IT specialists. 16 employees are on dual courses of study, combining studies with practical experience in computer science, mechatronics, engineering, international business, lifecycle catering and product development. In addition, as at the balance sheet date, a total of 28 junior employees were involved in various programmes.

Staff loyalty and satisfaction are at a high level. One upshot is the strong feeling of loyalty among our workforce. Staff turnover was just 9% worldwide (2019: 8%).

To prevent accidents at work and promote the health of employees, safety instruction and training are carried out at regular intervals, and the company doctor is available for regular check-ups.

Remuneration and employee benefits

Wage and salary adjustments are based on or exceed the wage increases negotiated by the IG Metall union. Due to the crisis, wages and salaries were not increased in fiscal year 2020. 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.

In fiscal year 2020, the restrictions imposed as part of the coronavirus measures meant that, at times, our sales employees could not visit customers or conduct product demonstrations. Because of the significant decline in appliance sales, the production volume also dropped below the prior-year level. Once the high balances on overtime accounts had been reduced, we used short-time working instruments at the two sites, Landsberg am Lech and Wittenheim, as well as in many sales companies to respond to the decreased work volume. This affected Germany, Austria, Switzerland and France, among others. Where possible, we topped up the short-time working allowance in order to keep the salary shortfall at a manageable level for employees. In some sales subsidiaries, where short-time working is not possible, employees took unpaid leave.

These measures are aimed at retaining long-term high achievers in the company, avoiding the cost of redundancies and subsequent recruitment and having a powerful workforce available to harness the future potential once the crisis is over.

Equality as the norm

All employees are equally valued, are given the same respect and have the same opportunities. By signing their contract of employment, all employees have committed themselves to refraining from and acting against any kind of discrimination, sexual harassment or other personal attacks. Seven confidential advisors are available to employees in the Group at all times. Any problems can be voiced and solved anonymously. Skills, qualifications and experience are the only factors in deciding appointments, promotions and remuneration levels.

Information on the targets for the percentage of women in the Supervisory Board and Executive Board of RATIONAL AG and on the two management levels below the Executive Board in accordance with sections 76 (4) and 111 (5) of the Aktiengesetz (AktG, German Stock Corporation Act) as well as on deadlines for attaining these targets is provided in the Corporate Governance Report and the Declaration of Corporate Governance pursuant to sections 289f and 315d of the Handelsgesetzbuch (HGB, German Commercial Code) in the 2020 Annual Report and on the RATIONAL website in the Corporate Governance section.

Active environmental protection

As a sustainability-focussed, international company, we include ecological aspects in all business decisions. We also maintain an environmental management system certified according to ISO 14001 and an energy management system certified according to ISO 50001. Moreover, since 2020, RATIONAL has been certified in accordance with the IEC 63000 standard with respect to the restriction of hazardous substances.

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 management report can be found in the 2020 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 on the RATIONAL website at www.rational-online.com/en_gb/company/about-us/sustainability/ by 30 April 2021, as specified.

Significant events in fiscal year 2020

New CFO
After four years as Chief Financial Officer of RATIONAL AG, Dr Axel Kaufmann resigned from his position on 31 December 2019. Since 1 January 2020, the CEO of RATIONAL AG, Dr Peter Stadelmann, has been responsible for the company's finances in addition to his existing Board responsibilities.

Coronavirus crisis
The consequences of the coronavirus crisis and especially of the protection measures imposed by governments have severely affected our customers and our company. The unprecedented restrictions have weighed on society and the economy and will continue to do so for some time. The inability to predict whether restrictions will be relaxed or tightened and uncertainty about how long they will last have unsettled many customers and reduced the propensity and ability to invest throughout almost the whole world.

New product generation launched
An innovation journey lasting several weeks began in Europe on 5 May 2020. We launched the iCombi Pro as the successor to the SelfCookingCenter, and the iCombi Classic as the successor to the CombiMaster Plus. The iVario then followed on 16 June 2020, replacing the VarioCookingCenter.

Among the features of the iCombi Pro is the iProductionManager, which performs the planning of production processes and indicates when best to combine the preparation of what foods, thus contributing significantly to an increase in capacity. Another advantage is that the iCombi Pro can be cleaned automatically in only 12 minutes.

With the new patented iZoneControl, the pan base of the iVario can be divided into zones in which different foods can be prepared simultaneously at different temperatures. Another new feature is that the appliance can be height-adjusted, which improves the work ergonomics for the operating personnel.

Economic report

Macroeconomic and sector-related framework

Global economy shrank by 3.5% in 2020
The International Monetary Fund estimates growth of −3.5% for the fiscal year under review. While economic output in emerging countries increased by around 2.4% in 2020, the economy contracted by 4.9% in industrialised countries. (Source: M.M.Warburg capital market prospects, February 2021.)

Future prospects for the catering and food service sector
Important long-term trends in the catering and food service sector continue undiminished. They include the growing average prosperity of many emerging markets, rising overall demand for prepared food, and more exacting consumer demands in terms of food quality and variety, international foods and food presentation. For this reason, expenditure on eating out is expected to continue its upward trend in the medium term. (Source: McKinsey.)

In the short term, however, the coronavirus crisis is hitting customers in the hotel and hospitality segment particularly hard. After an extended period of growth years, the hospitality industry suffered sharp declines in sales revenues in 2020.

In the first half of 2020, sales revenues in Germany's hospitality sector fell by around 39% in total, with a 48% decline in the accommodation segment and a 33% contraction in the restaurant and catering segment. Unemployment in the hospitality sector jumped by around 72% in the months from April to July 2020. Around 62% of businesses taking part in a survey by the German hotel and restaurant association (DEHOGA) in September 2020 see the coronavirus crisis as a threat to their existence. (Source: DEHOGA conference, 8 September 2020.) Our assessment of the situation in markets outside Germany is broadly similar.

In the USA, around 17% of restaurants, especially small and independent businesses, had to close in 2020. Major restaurant chains often take over the properties vacated as a result. Around 83% of people surveyed by the National Restaurant Association (NRA) would like to go out to eat more frequently. Before the coronavirus crisis, this figure had stood at 45%. There seems to be a lot of pent-up demand waiting to be met once fear and risks have been reduced and the lockdowns ended. (Source: Forbes, What Does The Restaurant Industry Look Like In 2021 And Beyond?)

Aside from this situation, which weighs on many of our customers, we are also seeing some positive signs. Some of our chain customers are planning to expand their footprint and are looking for new locations. In-store cafés and restaurants are currently booming, and the long-standing trend towards more takeaway business, small snacks and a greater variety of food outlets has accelerated. What is more, the delivery business is growing rapidly and, as a result, the concept of ghost kitchens is becoming increasingly popular. Ghost kitchens without an accompanying restaurant prepare meals exclusively for delivery services.

Management's assessment of the economic situation

Despite the current crisis situation, the Executive Board believes that the economic and market situation of the company is good in the medium to long term.

We monitor economic developments in our principal markets very carefully. How and where meals are eaten is changing, but food continues to be prepared and consumed away from home. Our products are used by both customer groups: those that are currently suffering from the crisis situation as well as those benefiting from it. Reports on progress with vaccination coverage make us confident that public life will normalise in the course of 2021. This, as well as government subsidies, will give the restaurant and catering sector an above-average boost.

In view of this, there is a fair prospect that RATIONAL will emerge stronger from the crisis. Our customers continue to be highly satisfied and loyal. Our latest product innovations have given even greater customer benefit and even more reasons to upgrade or make an initial purchase. The effects of the crisis will also include tighter hygiene regulations, greater demands for efficiency and a decline in the number of qualified kitchen staff. Our technologies can support our customers in the best possible way in mastering the resulting challenges.

Thanks to our low debt levels, our large liquidity reserve and flexible cost planning, 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 2020

In fiscal year 2020, we generated sales revenues of 649.6 million euros (2019: 843.6 million euros), down 23% compared with the previous year. Most of this decrease stems from protection measures introduced in response to the coronavirus pandemic.

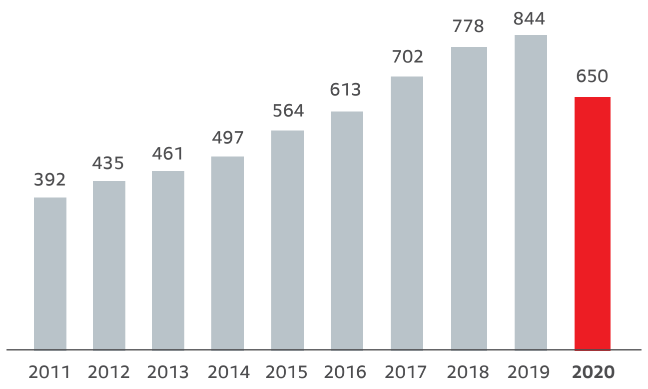
Until the end of February 2020, the RATIONAL Group's new orders were slightly up on the previous year and essentially in line with our own expectations. Only in China and Italy were there emerging signs of the first consequences of the coronavirus lockdown. From the beginning of March onwards, the coronavirus crisis had a tangible impact in a growing number of markets. All our customer groups were hit by it to a greater or lesser extent. This led to a year-on-year decline of 7% in sales revenues in the first quarter.

Due to tighter measures and lockdowns imposed by governments to contain the virus and the resulting inability to conduct business for many of our customers, our sales revenues fell by 43% year-on-year in the second quarter, with all markets performing significantly below prior-year levels.

In the third quarter, sales revenues increased significantly compared with the second quarter and were 21% down on the prior-year quarter. The reasons for the slight easing were the relaxation of coronavirus-related restrictions in many markets in the summer, the positive trend in the summer business among many of our customers, and not least the roll-out of the new product generations, iVario and iCombi.

Despite a return to tighter restrictions on public life and even some regional lockdowns, the fourth quarter stabilised around a similar level to the third quarter. Sales revenues declined by 21% compared with the prior-year quarter.

Development of sales revenues in m EUR



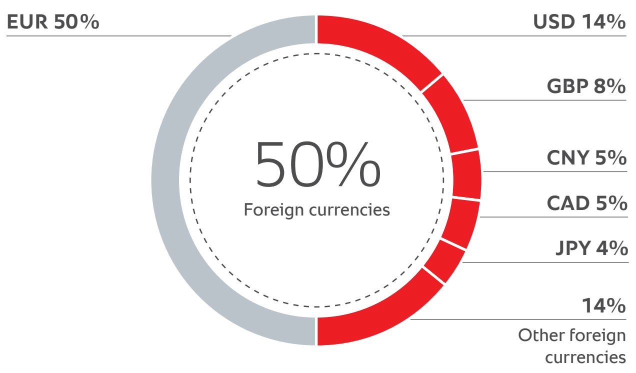
The table below shows the breakdown of sales revenues by quarter.

Sales revenues in 2020 by quarter (in m EUR)

	2020	2019	Growth in %
1st quarter	**181.3**	194.3	−7
2nd quarter	**116.8**	205.1	−43
3rd quarter	**168.3**	213.2	−21
4th quarter	**183.3**	231.1	−21
Fiscal year	**649.6**	**843.6**	**−23**

In the 2020 fiscal year, we generated 50% of our sales revenues in foreign currency (2019: 49%). The most important currencies other than the euro are the US dollar (14%), pound sterling (8%), the Chinese yuan (5%), the Japanese yen (5%) and the Canadian dollar (4%). In the course of the coronavirus crisis, some currencies depreciated very considerably, especially those of emerging markets. The currencies of industrialised nations lost ground slightly against the euro. Overall these trends had a slightly negative effect on sales revenue performance. The currency-adjusted decline in sales revenues was just under 22%.

Share of foreign currencies in 2020



In the combi-steamer product group, which represents the production and distribution of the SelfCookingCenter and CombiMaster Plus as well as of their successors, iCombi Pro and iCombi Classic, which were launched in May 2020, we generated sales revenues of 580.6 million euros in the past fiscal year (2019: 769.1 million euros), down 25% on the previous year.

The VarioCookingCenter/iVario product group comprises the iVario, which was introduced in June 2020, and its predecessor, the VarioCookingCenter. Sales revenues declined in this area by 7% to 69.0 million euros (2019: 74.5 million euros).

Earnings situation

All regions worldwide affected
The DACH segment fell by 14% to 116.2 million euros (2019: 134.7 million euros). Our home market of Germany recorded a decline in sales revenues of 16%. The segment reported smaller reductions of 10% each in Austria and Switzerland.

The EMEA segment generated sales revenues of 282.5 million euros (2019: 358.6 million euros), 21% less than in the previous year. Sales revenues dropped the most in the UK, Spain and Eastern Europe, while Sweden, the Czech Republic and the Middle East were among the countries least affected by the coronavirus crisis.

Sales revenues in the Americas segment were 27% lower than in the previous year, at 141.8 million euros (2019: 195.3 million euros). Mexico was the individual market that suffered the sharpest decline, while the USA was the least affected country.

Sales revenues in the Asia segment went down by 15% in the year under review to 115.7 million euros (2019: 136.0 million euros). The region's largest individual markets, China (−16%) and Japan (−10%), recovered from the crisis relatively quickly and were back at the previous year's level in the fourth quarter. The worst affected country in this segment is India, with a fall in sales revenues of 76%. Sales revenues in Korea even increased significantly compared with the previous year (+53%).

Segments in 2020 (in m EUR)

	DACH	EMEA	AMERICAS	ASIA	Total of Segments	Reconciliation	Group
Segment sales revenues	**116**	**282**	**142**	**116**	**656**	**−7**	**650**
Segment profit or loss	**28**	**74**	**27**	**26**	**154**	**−47**	**107**
Sales revenue growth	**−14%**	**−21%**	**−27%**	**−15%**	**−20%**		**−23%**
Profit margin	**24%**	**26%**	**19%**	**22%**	**23%**		**16%**

Segments in 2019 (in m EUR)

	DACH	EMEA	AMERICAS	ASIA	Total of Segments	Reconciliation	Group
Segment sales revenues	135	359	195	136	**825**	19	**844**
Segment profit or loss	34	100	40	34	**208**	15	**223**
Profit margin	25%	28%	20%	25%	**25%**		**26%**

Group gross margin of 55%
In the year under review, work on the technical processes in Landsberg am Lech and Wittenheim was dominated above all by the roll-out of the new iCombi and iVario product generation and dealing with the crisis-induced logistical restrictions.

The reasons for the year-on-year decline in the margin include in particular lower productivity in manufacturing and larger discounts on appliances because of the product changeover, higher depreciation charges as a result of investments in more efficient manufacturing facilities, additional costs in logistics because of the coronavirus crisis and the higher proportion of fixed costs due to the sharp decrease in sales revenues.

These effects had a tangible impact on cost of sales, which could not be reduced by the same magnitude as the decline in sales revenues. This resulted in a significant decrease in the gross margin, which — at 52.6% — came under considerable pressure especially in the second quarter. In the third and fourth quarters, the gross margin improved again significantly compared with the previous quarter, reaching 55.9% and 56.2% respectively. This resulted in a consolidated gross margin of 55.4% for fiscal year 2020 (2019: 59.0%).

16% EBIT margin
Despite significant cost cuts, the reductions in operating expenses could not keep step with the decline in sales revenues in 2020. In total, operating expenses were by 32.3 million euros, or 12%, lower than in the previous year. A total of 245.2 million euros (2019: 277.4 million euros) was spent on sales, service, research and development, and administration.

Cost and earnings structure (in m EUR)

	2020	in % of sales revenues	2019	in % of sales revenues
Sales revenues	**650**		844	
Cost of sales	**289**	**45**	346	41
Sales & service	**167**	**26**	198	23
Research and development	**42**	**6**	42	5
Administration & other*	**45**	**7**	34	4
EBIT	**107**	**16**	223	26

* Includes net currency gain or loss

The cost reductions were largely attributable to sales and service, where expenses decreased by 16% to 166.9 million euros (2019: 198.1 million euros). The main factors driving this were a reduction in expenses on trade fairs and travel brought on by the coronavirus crisis as well as a significant decline in personnel costs following structural adjustments, job cuts, the reductions of holiday and overtime balances and lower variable salary components. Other factors contributing to the cost reductions were lower transport and logistics costs as a result of reduced sales.

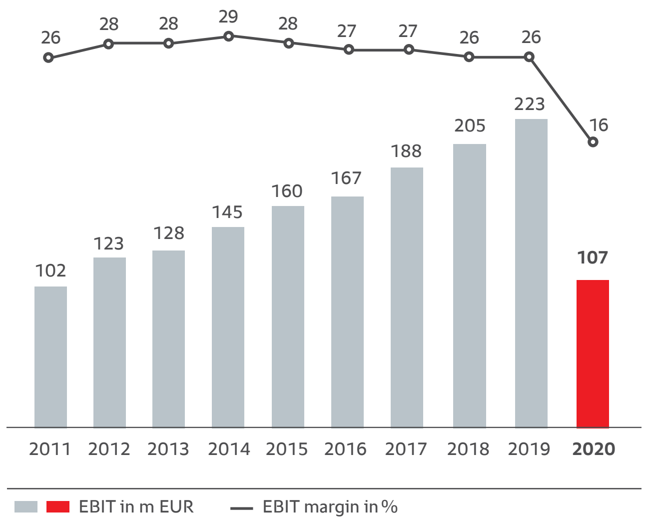
The cost of enhancing our technologies and products in research and development amounted to 41.7 million euros in the past fiscal year (2019: 42.0 million euros). This corresponds to a slight decline of 1%. In addition, we recognised development costs of 0.6 million euros (2019: 0.7 million euros) as an asset. This amount is reported under intangible assets.

General administration expenses, which decreased slightly, by 2%, to 36.6 million euros (2019: 37.3 million euros), were almost on a level with the previous year.

Because of the substantial devaluation of many emerging market currencies as well as the US dollar and pound sterling, the currency result was under significant pressure. Translation effects on items denominated in foreign currency had a significant negative impact on EBIT. These effects are included in other operating income/expenses in an amount of −9.4 million euros. In the previous year, this led to an increase of 1.9 million euros in earnings.

At 106.8 million euros (2019: 223.4 million euros), EBIT was 52% down on the previous year's figure. The EBIT margin was 16.4% (2019: 26.5%). Adjusted for currency effects, the EBIT margin was just above 18%.

EBIT development and EBIT margin



Profit before tax was 102.4 million euros (2019: 225.1 million euros). The absolute tax expense was 22.3 million euros (2019: 53.5 million euros). The consolidated tax rate was 21.8% (2019: 23.8%). The significant drop in the tax rate was attributable to tax refunds relating to the previous year and the tax effects of measures taken within the Group. This resulted in consolidated net profit for the year of 80.1 million euros (2019: 171.6 million euros) and a net margin of 12.3% (2019: 20.3%).

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 not dependent on 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. The coronavirus crisis sparked major turbulence on the capital markets in March. That had an impact on the performance of our special fund, in which around 60 million euros were invested at the time. The other financial result relates primarily to the loss of 3.8 million euros on the special fund, which has since been liquidated.

We also ensure that our shareholders adequately participate in the success of the company. In recent years, we have, on average, distributed more than 70% of our net profits as dividends. Due to the crisis, the dividend distribution for 2019 was reduced to 38%. This is to safeguard liquidity and the resultant independence from capital markets and bank loans, and to preserve entrepreneurial freedom. That is a top priority in order to ensure our company's long-term existence and success, especially in times of crisis.

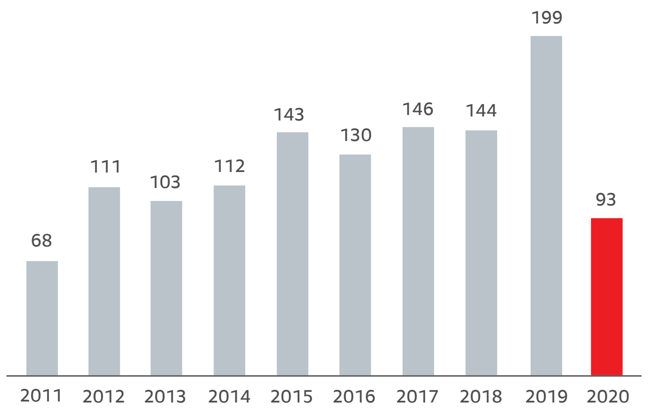
Operating cash flow

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

In fiscal year 2020, this reached 92.7 million euros, a year-on-year decrease of 105.9 million euros (2019: 198.6 million euros). This significant decline was primarily attributable to the sharp fall in profit after taxes.

In fiscal year 2020, the cash flow from investing activities stood at +38.4 million euros (2019: −55.4 million euros). This includes, among other items, cash outflows for investments in property, plant and equipment and intangible assets of 33.4 million euros. They mainly related to the extension and modernisation of our plant and machinery. In addition, we made extensive investments in real estate. In the year under review, we also recorded net cash inflows of 71.3 million euros from financial assets, compared with cash outflows of 15.5 million euros 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 59.3 million euros (2019: 158.0 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 64.8 million euros to our shareholders for the 2019 fiscal year. Lease accounting (IFRS 16) resulted in a reduction in cash flows from financing activities by 9.1 million euros for payments for right-of-use assets under leases. Furthermore, we reduced our liabilities to banks by a total of 4.8 million euros and paid interest amounting to 0.2 million euros. In total, the cash flow from financing activities stood at −78.9 million euros (2019: −119.3 million euros).

Cash flow in m EUR

	2020	2019	Change in %
Cash flow from operating activities	**+93**	+199	−53
Cash flow from investment activities	**+38**	−55	+169
Cash flow from financing activities	**−79**	−119	+34

High level of liquidity

The balance of cash, cash equivalents and deposits rose by 25.0 million euros during the year under review to 256.0 million euros (2019: 231.0 million euros). Cash and cash equivalents and short-term deposits represented 38% of total assets (2019: 33%). In addition, we had unused credit lines amounting to 98.0 million euros as of the balance sheet date (2019: 91.3 million euros), including 75 million euros in longer-term fixed deposits.

Dividend of 4.80 euros proposed

Due to the negative impact on business performance by the coronavirus crisis, a liquidity reserve was created in the previous year by reducing the dividend to secure a stable liquidity situation. However, the Supervisory Board and Executive Board will propose to the 2021 General Meeting of Shareholders the distribution of a dividend of 4.80 euros per share (2019: 5.70 euros). This represents a return to the traditionally high distribution ratio of around 70% of net profits. Compared with the previous year, however, the dividend is around 16% lower. It represents a dividend yield of 0.6% (based on the closing price on 31 December 2020). The dividend proposed entails distributing a total of 54.6 million euros (2019: 64.8 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
2021	**1.1**
2022	**0.7**
2023	**2.8**

Maturities of financial liabilities at RATIONAL Group

High credit rating from banks and credit insurer

Our company has been given a very good credit rating of A− to AAA 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 2020, total assets fell by 4%, from 698.7 million euros to 670.7 million euros. This resulted mainly from lower trade accounts receivable and a decline in current liabilities. Due to consolidated net profit for the year of 80.1 million euros, offset by a dividend distribution of only 64.8 million euros, equity increased to 535.1 million euros (2019: 517.4 million euros). As a result, the Group equity ratio was 80% at the balance sheet date, up on the previous year's level (2019: 74%).

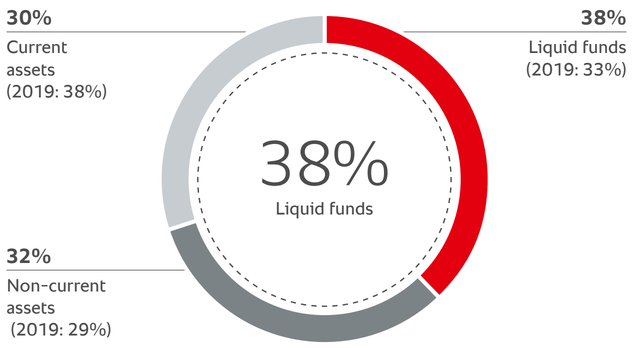
Capital tied up in the short term

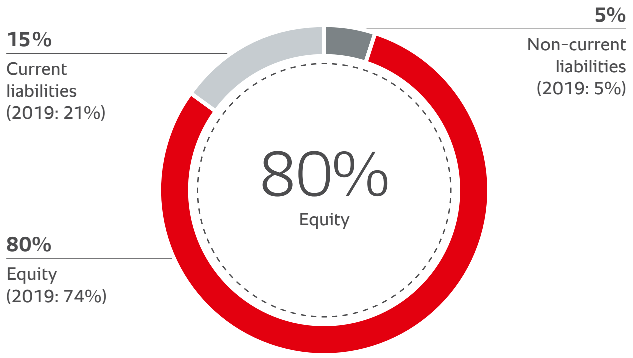
Current assets decreased by 41.3 million euros in 2020, driven mainly by the sale of the special fund and the reduction in trade accounts receivable. Current assets accounted for 68% of total assets at the balance sheet date (2019: 71%).

We continuously 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. The coronavirus crisis forced us to provide support to our partners virtually across the board in the year under review — and especially during the spring and summer months — by extending payment terms, agreeing instalment plans and granting longer payment periods. At the peak, this led to days sales outstanding (DSO) of almost 60 days. Towards the autumn, we had reduced this ratio again considerably, so that the average DSO was 49 days for 2020 as a whole (2019: 46 days).

Using global trade credit insurance and confirmed, irrevocable letters of credit and bank guarantees, we achieved a receivables coverage ratio of 89% as at the balance sheet date, taking into account the trade credit insurance deductibles (2019: 90%).

Balance sheet structure 2020





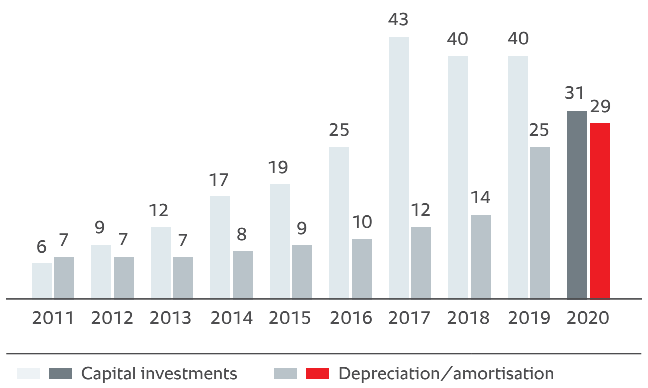
Property, plant and equipment increased by 11.7 million euros in 2020, especially as a result of investments in technical equipment and real estate. As at the balance sheet date, intangible assets were slightly lower than in the previous year.

Investments

We invested 31.4 million euros (2019: 39.5 million euros) in non-current assets in the past fiscal year. This figure includes investments in technical equipment and real estate amounting to a total of 23.2 million euros (2019: 31.3 million euros) and capitalised development costs of 0.6 million euros (2019: 0.7 million euros).

In 2021, we expect maintenance, replacement and new investments to total 30 to 40 million euros. This will depend to a significant extent on business performance in the course of 2021 and will be adjusted accordingly. The contractually agreed investments for 2021 amount to around 6.0 million euros. Beyond that, there are no significant investment commitments that are contractually fixed or contingent upon economic considerations.

Capital investments and depreciation/amortisation



Including depreciation resulting from IFRS 16 in the amount of 8.2 million euros in 2019 and 8.7 million euros in 2020

Forecast/actual comparison

The table below shows our forecasts of the financial and non-financial KPIs for fiscal year 2020, which we had published in the 2019 Annual Report. Given the impossibility of forecasting business performance in the coronavirus crisis, we withdrew these forecasts in the ad-hoc disclosure and the statement on the first quarter of 2020 of 6 May.

Forecast/actual comparison

	Actual 2019 in %	Forecast 2020	Actual 2020 in %
Financial KPIs			
Sales volume growth	+4	Low single-digit growth	**−22**
Sales revenue growth	+8	Low single-digit growth	**−23**
Group gross margin	59	Slightly below previous year's level	**55**
Growth in operating costs	+9	In line with sales revenues growth	**−12**
EBIT growth	+9	Negative development — high single- to low double-digit to previous year's level	**−52**
EBIT margin	26	20–25	**16**
Group DSO (days)	46	47–48	**49**
Group equity ratio	74	Around 75	**80**
Non-financial KPIs			
RATIONAL satisfaction index	97	At previous year's level	**98**
Staff turnover worldwide	8	At previous year's level	**9**

In view of the 22% fall in sales and the 23% drop in sales revenues, we clearly fell short of our forecast, which had initially been published in March 2020 and withdrawn shortly afterwards. Because of the planned product changeover and the emerging coronavirus crisis, we were already expecting cost of sales and operating expenses to rise faster than sales revenues and consequently a decline in EBIT and a lower EBIT margin.

The effects of the coronavirus crisis were significantly more far-reaching than had been assumed at the time this forecast was made, and this meant that the targets set could not be achieved. Since longer payment terms were granted as a result of the crisis, Group DSO of 49 days was slightly up on the expected 47 to 48 days. At 80%, the Group equity ratio was higher than the forecast of around 75%.

In the year under review, employee satisfaction remained at the expected high level. Staff turnover was 9% worldwide (2019: 8%). The global RATIONAL customer satisfaction index stood at 98, and therefore within the predicted range and at a similarly high level as in the year before (2019: 97).

Legal framework

Most of the protection measures to contain coronavirus resolved in the year under review had a considerable impact on our business. The country-specific measures with the greatest impact on our activities included contact restrictions, travel restrictions and bans, the closure of restaurants and catering outlets, accommodation bans and regional lockdowns.

Other than the above, there were no changes to the legal framework with a material impact on our business.

Outlook and report on opportunities and risks

Outlook

Outlook assumptions

Our outlook takes into account all factors 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.

The outlook takes into account activities that have already been implemented and measures planned for the future. It also includes in its scope persistent major uncertainty about the development and duration of the restrictions in response to the coronavirus crisis, even in 2021.

Economic prospects

Economists expect global economic growth of around 5.5% for 2021. The economic gap left by the coronavirus crisis in 2020 is expected to be closed again as early as in 2021. The global economic recovery will in all likelihood be led by China, and this will also benefit other Asian countries. Growth of around 4% is forecast for the industrialised nations. The eurozone is anticipated to expand at around the global average, the USA by as much as around 5% while Japan will grow by only around 3%. Growth of more than 6% is anticipated for emerging markets in 2021. (Source: Warburg capital market prospects, February 2021.)

Financial key performance indicators

Sales volume, sales revenue and profit forecast for 2021

The coronavirus crisis and the protection measures imposed by governments had a very negative impact worldwide on the food service sector and many of our customer groups in 2020. The measures included a ban on major events, travel bans and the temporary closure of restaurants and educational establishments. These measures had a major negative impact on our sales and sales revenue figures.

We expect the current restrictions on our customers to continue for the remainder of 2021, at least in part. We do not, however, expect a repeat of the drastic fall in sales revenues that we experienced in spring 2020. Most customers are better prepared for this situation than in the previous year as a result of expanding delivery and takeaway options, for example. Since the third quarter, sales revenues have stabilised at a reduced level. The extension of protection measures against the spread of coronavirus in February 2021 and the inability to predict whether restrictions will be relaxed or tightened are unsettling our customers, especially in the hospitality and hotel segment. Reports on progress with vaccination coverage make us confident that public life will normalise in the course of 2021. This, as well as government subsidies, will give the restaurant and catering sector a boost. If this trend continues, we therefore expect a slight increase in sales and sales revenues in 2021 compared with 2020.

We will adjust our structures and costs flexibly according to business performance. In spring 2020, the dynamic political and economic developments made an immediate response impossible. Moreover, in 2021 we will not incur the additional costs resulting from the product changeover. On the other hand, as the overall situation normalises, it will not be possible to realise the significant cost reductions achieved in 2020 as a result of cancelled sales activities and a reduction in bonuses. Overall, we anticipate an increase in cost of sales and operating expenses in line with sales revenues, a slight rise in gross profit and EBIT, while the gross margin and EBIT margin will be at the prior-year level.

Sustainably solid underlying financial position

We expect the Group equity ratio in the course of 2021 to be broadly at the same level as that of 2020.

For average days sales outstanding (DSO), we expect a slight increase in 2021 — depending on the further course of the coronavirus crisis and the resulting effects on our target sectors.

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 2021. We expect the global staff turnover rate to be at a similarly low level as in 2020.

We expect the global RATIONAL customer satisfaction index for 2021 to be at a similarly high level as in the previous year. It stood at 98 in 2020.

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. 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.

The presented opportunities and risks relate equally to the DACH, EMEA, Americas and Asia segments. The nature of risk impact and probability can vary 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 the future success of our company include the innovation-induced need to replace existing equipment, the winning of new customer groups in established markets, and the 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 company 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 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 business 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.

The risk analysis also revealed that no material risks arise from the RATIONAL Group's business activities that are very likely to have a serious negative impact on non-financial aspects 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 encompass, in particular, external factors and trends that have a positive influence on the company'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. Established in 2018, the company is already helping more than 150 restaurants to position themselves for the age of delivery.

Growing prosperity in emerging countries

As prosperity increases, the restaurant and catering sector grows in significance. 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 and a higher standard of living. This in turn has a positive impact on demand for our products in these markets.

Huge available potential in the global market
According to our estimates, only around 25% of the more than four 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 more than two 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
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 appliances 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 processes can help chefs to work around these bottlenecks, because they also guarantee the same high cooking quality even when operated by untrained staff. As a result of the coronavirus crisis, an increased number of insolvencies in the hospitality and hotel industry has led to a significant deterioration of the labour market situation for the culinary profession and will, in our opinion, further exacerbate the shortage of professionals.

Rising resource costs
We expect the cost of the resources used in professional kitchens, such as food, energy, water, salaries and rents, to rise in the long term. 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 the iCombi and iVario.

Risk report

The RATIONAL risk management system
In order to meet these 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 areas outside the company (environment, society, customers, employees, suppliers, etc.) as a result of its 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.

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. The RATIONAL risk management system is structured so as to ensure that key risks are systematically identified, measured, managed, monitored and reported to the respective decision-maker. If the company identifies risks that, if they were to materialise, could impact the achievement of corporate objectives, suitable corrective action is taken.

The risk management system is regularly updated by the risk manager. In addition, the risk management system is reviewed by the independent auditors to ensure that it is capable of identifying and eliminating any developments that could constitute a threat to the continued existence of the company as a going concern. To maintain the effectiveness of the risk management system at a sustainable high level, there are uniform standards that apply throughout the Group.

Risk identification
As part of opportunity and risk analysis, all risks that are 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 2020. 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.

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%

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

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

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 of the respective business units. The Risk Manager collects the information communicated and forwards it to the full Executive Board if necessary.

Risks
In the table below, the risk fields classified as relevant for RATIONAL by the Executive Board are categorised with regard to their impact and probability in accordance with the definitions provided under "Risk analysis and assessment" above. They are presented in ascending order by risk impact and probability.

The presentation of the probability and impact of the risk already incorporates the measures that have been implemented to mitigate the risk (net assessment).

Business risks

	Risk impact	Probability
Production and product risks	Low	Low
Operational risks	Low	Low
Political and legal risks	Low	High
Financial and capital market risks	Average	Very high
Market and competitive risks	Very high	High

The following sections describe the respective non-financial risks and the appropriate countermeasures or indicate where the relevant details are presented in the consolidated financial statements.

We have increased our assessment of the risk impact and probability that the market and competitive risks will materialise, since we consider the risk arising from the global pandemic due to the coronavirus crisis to be high (previously: low) and the impact to be very high (previously: low).

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. 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, RATIONAL's earnings power. Besides that, there is a risk that a competitor may be able to catch up in terms of technology or develop a new superior technology and launch it onto the market.

We monitor developments and trends in the sector and the market strategies of our competitors constantly and factor them into our corporate planning.

Non-acceptance of our technologies

There is a general risk of our products or services not achieving the level of market acceptance that we expect.

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.

Impact of the economy on our customers' propensity to invest

The purchase of our appliances 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 are having a strong negative impact on global economic activity. Increased uncertainty about the future development of the crisis and the economic impact this entails may inhibit the propensity of our customers to invest. This means that pandemics pose major planning uncertainty for RATIONAL.

We monitor economic developments in our principal markets very carefully. Thanks to our needs-driven cost planning and our large liquidity reserve, we are well prepared for currently conceivable macroeconomic scenarios. This gives us adequate room to manoeuvre and the flexibility and independence to take all necessary business decisions.

Production and product risks

Procurement risks

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, which means that the complete loss of a supplier could lead to short-term interruptions in production. In periods of economic upturn, a rise in demand for certain electrical components could lead to possible supply shortages at a small number of suppliers.

Special factors, such as the outbreak and spread of the coronavirus, may also cause bottlenecks. 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. There is also a risk that measures related to the coronavirus may lead to bottlenecks in the supply chain of the RATIONAL Group.

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 are driving the consistent implementation of our second source strategy.

In particular, in connection with dependencies 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. Despite regional lockdowns, we successfully avoided supply stoppages in 2020 by increasing inventories, adding second-source suppliers and working on alternative procurement options.

Production disruption risk

Alongside procurement risks, there is the risk that force majeure may cause production machinery to fail. The financial risk that would arise as a result of disrupted production is adequately covered by business disruption insurance.

The non-financial risk of a forced production stoppage is mitigated by the fact that we have backup systems for existentially important production machinery. They can be commissioned at short notice if necessary.

Product quality

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

To mitigate these 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

Human resources risks

Skilled and motivated employees and managers are the cornerstone of the company's success, and it is extremely important that we are able both to attract new competent personnel and to retain existing high achievers over the long term. Low employee commitment and significant staff turnover would adversely affect business performance in the long term.

To recruit suitable employees, 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.

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.

We have implemented a large number of measures to counter the risk of coronavirus infection for our partners and employees at the production sites and sales subsidiaries. A crisis team is steering these actions.

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 or destroyed by operating or program errors or by 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 information security training, employees are made aware of risks to ensure the company's data is protected.

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. We counter this risk by taking appropriate safety measures and conducting training and regular audits.

Political and legal risks

Political instability or crises

The impact of political uncertainty or crises can put product sales in the affected countries at risk. Possible consequences could be, for example, a reluctance to invest or import restrictions.

However, the international reach of RATIONAL's operations and the fact that we sell our products in many regions of the world allow us to compensate for regional downturns through growth in other markets.

Brexit poses some planning uncertainty for RATIONAL. Accounting for around 8% of our sales revenues, the UK is one of our largest individual markets. Possible risks we have identified for RATIONAL include restrictions on or delays in deliveries to the UK due to longer customs clearance procedures, and higher logistics costs because forwarders are expected to factor their risk and additional bureaucratic burden into their prices. We have countered this risk by increasing local warehouse capacity in order to avoid supply shortages in the country.

Infringement of intellectual property rights

Both active and passive infringements of patents can give rise to costs for litigation and damages.

A team of patent specialists meticulously monitors new products of our competitors and cooperates closely with our product development. Checks against international patent databases thus help to avoid patent infringements by our own company and allow us to identify and pursue patent infringements by our competitors at an early stage.

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 sales of our products.
› Customs or import/export regulations that place restrictions on product imports.
› Different tax systems, tax obstacles affecting business transactions, and changing tax systems or tax rates with a negative impact on the results of operations.
› Business arrangements that infringe local competition or antitrust law.
› Business arrangements that constitute corruption and bribery or human rights violations.
› Compliance risks, in other words, possible infringements of local legislation by employees. This also includes the EU General Data Protection Regulation (GDPR), which has been in force since May 2018.

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

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 with a positive fair value from the possible failure of the contract partner to fulfil its obligations.

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

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 risks

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). 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 2020, consolidated sales revenues would have been around 4% higher (3% lower). EBIT would have been around 13% higher (12% 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. Interest rate risk for financial assets held in the special fund is contained with appropriate instruments. In addition, interest rate risk arises from increasing custody fees charged for bank balances above a certain threshold.

Since this matter is influenced by a large number of other inputs and the extent of its impact is immaterial, no detailed sensitivity analysis is conducted.

Price risks

Price risk may arise primarily in relation to the purchase of 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.

Internal control and risk management system in relation to the 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 am Lech 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 as part of the audit process for subsidiaries. The processes involved at the Landsberg am Lech site are also regularly checked.

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.

Remuneration report

Section 315a (2) of the German Commercial Code (HGB) requires public companies listed on a stock exchange to disclose information on the main features of their remuneration system.

Executive Board remuneration at RATIONAL AG is the responsibility of the Supervisory Board, which sets the remuneration payable to Executive Board members 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. The Executive Board remuneration system was approved by the General Meeting of Shareholders on 21 April 2010.

The total compensation paid to the Executive Board for the performance of its duties within the parent company and its subsidiaries in fiscal year 2020 was 4.0 million euros (2019: 5.2 million euros). This amount included performance-related pay components of 1.1 million euros (2019: 1.7 million euros) and payments of 13 thousand euros to former Executive Board members (2019: 12 thousand euros). In addition, payments totalling 0.4 million euros were also made into the pension scheme for Executive Board members (2019: 0.6 million euros).

The level of the variable remuneration components was determined on the basis of the profitability of business performance and the extent to which the company had extended its technological leadership, its service and its digital business.

In addition, Executive Board members receive incidental 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.

No stock options were issued in 2020.

The General Meeting of Shareholders held on 4 May 2016 decided not to publish an individual breakdown of Executive Board remuneration.

The total remuneration paid to the Supervisory Board for 2020 amounted to 1.2 million euros (2019: 1.2 million euros). Pursuant to a resolution of the 2015 General Meeting of Shareholders, a fixed remuneration system was implemented for the Supervisory Board as from fiscal year 2015.

Takeover-related disclosures

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

RATIONAL AG's share capital as at 31 December 2020 was unchanged at 11.37 million 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.

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

According to the voting rights notification of 10 February 2020, Mr Wolfgang Meister's shareholding fell below the disclosure threshold of 10% of the voting rights on 5 February 2020 and according to the voting rights notification of 28 May 2020 below the 3% threshold.

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."

By resolution of the General Meeting of Shareholders on 24 June 2020, article 13 of the Articles of Association of RATIONAL AG was expanded by adding paragraphs 7 to 9. The following paragraphs were added:

"7. The Executive Board is authorised to allow the General Meeting of Shareholders to be transmitted in part or in full via electronic and other audio-visual media.

8. The Executive Board can allow shareholders to attend the General Meeting of Shareholders, even without being present at the physical venue and without a proxy, and exercise all or some of their rights in full or in part by means of electronic communications, and shall determine the details if necessary.

9. The Executive Board can allow shareholders to cast their votes, even without attending the General Meeting of Shareholders, in writing or by means of electronic communications, and shall determine the details if necessary."

In accordance with both statutory regulations and the company's Articles of Association, all employees of RATIONAL AG may directly exercise the rights of control they possess as shareholders in the same way as other shareholders.

Section 84 of the AktG (Aktiengesetz, German Stock Corporation Act) stipulates that the Supervisory Board is responsible for the appointment and removal of members of the Executive Board. In relation to these powers, article 6 (2) of the Articles of Association of RATIONAL AG states in more detail that the Supervisory Board appoints the members of the Executive Board, determines their number and allocates their duties. The Executive Board manages the company and represents it vis-à-vis third parties.

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

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

No agreements have been entered into with members of the Executive Board or other employees of the company that provide for any particular compensation or additional remuneration in the event of a change of control, that is to say the assumption of the majority of voting rights in the company by either an individual shareholder or by shareholders acting jointly.

Declaration of Corporate Governance

The Corporate Governance Report and the Declaration of Corporate Governance pursuant to sections 289f and 315d of the German Commercial Code (HGB) are presented under "Corporate Governance" in the Investor Relations section of the RATIONAL website.

Landsberg am Lech, 2 March 2021

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

in kEUR

	Note	2020	2019
Sales revenues	1	**649,587**	843,633
Cost of sales	2	**–289,468**	–346,077
Gross profit		**360,119**	**497,556**
Sales and service expenses	2	**–166,888**	–198,099
Research and development expenses		**–41,671**	–42,017
General administration expenses		**–36,596**	–37,295
Other operating income	3	**12,740**	12,310
Other operating expenses	3	**–20,898**	–9,080
Earnings before financial result and taxes (EBIT)		**106,806**	**223,375**
Interest income		**401**	674
Interest expenses	4	**–739**	–838
Other financial result	4	**–4,091**	1,898
Earnings before taxes (EBT)		**102,377**	**225,109**
Income taxes	5	**–22,281**	–53,519
Profit or loss after taxes		**80,096**	**171,590**
Items that may be reclassified to profit and loss in the future:			
Differences from currency translation	15	**2,396**	–827
Items that will not be reclassified to profit and loss:			
Actuarial gains and losses from defined benefit obligations	15, 16	**40**	-894
Other comprehensive income		**2,436**	**–1,721**
Total comprehensive income		**82,532**	**169,869**
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	**7.04**	15.09

Balance Sheet RATIONAL Group

Assets

in kEUR

	Note	31 Dec 2020	31 Dec 019
Non-current assets		**217,003**	**203,606**
Intangible assets	8	**6,508**	7,284
Property, plant and equipment	9	**194,977**	183,308
Other financial assets	12	**1,145**	1,330
Deferred tax assets	5	**12,514**	11,145
Other assets	13	**1,859**	539
Current assets		**453,743**	**495,084**
Inventories	10	**79,285**	66,022
Trade accounts receivable	11	**98,750**	**125,344**
Other financial assets	12	**25,928**	100,955
Income tax receivables		**8,279**	483
Other assets	13	**10,373**	**20,890**
Cash and cash equivalents	14	**231,128**	181,390
Total assets		**670,746**	**698,690**

Equity and liabilities

in kEUR

	Note	31 Dec 2020	31 Dec 2019
Equity		**535,091**	**517,368**
Subscribed capital	15	**11,370**	11,370
Capital reserves	15	**28,058**	28,058
Retained earnings	15	**500,290**	485,003
Other components of equity	15	**–4,627**	–7,063
Non-current liabilities		**34,456**	**34,556**
Pension and similar obligations	16	**6,508**	6,188
Other provisions	17	**9,056**	8,613
Financial debt	18	**2,126**	3,676
Other financial liabilities	19	**14,524**	13,768
Deferred tax liabilities	5	**406**	432
Income tax liabilities		**497**	–
Other liabilities	20	**1,339**	1,879
Current liabilities		**101,199**	**146,766**
Other provisions	17	**40,044**	50,133
Financial debt	18	**2,550**	5,908
Trade accounts payable	19	**21,154**	24,977
Other financial liabilities	19	**12,236**	16,306
Income tax liabilities		**7,013**	23,388
Other liabilities	20	**18,202**	26,054
Liabilities		**135,655**	**181,322**
Total equity and liabilities		**670,746**	**698,690**

Cash Flow Statement RATIONAL Group

for the period 1 January – 31 December

in kEUR

	Note	2020	2019
Earnings before taxes (EBT)		**102,377**	225,109
Depreciation and amortisation		**29,278**	24,983
Other adjustments of the cash flow from operating activities		**3,255**	–2,861
Net interest		**338**	164
Changes in			
Inventories		**–7,854**	–8,582
Trade accounts receivable and other assets		**36,045**	–2,279
Provisions		**–9,340**	1,132
Trade accounts payable and other liabilities		**–13,982**	5,403
Income taxes paid		**–47,427**	–44,431
Cash flow from operating activities		**92,690**	**198,638**
Capital expenditures in intangible assets and property, plant and equipment		**–33,397**	–40,674
Proceeds from asset disposals		**89**	96
Change in fixed deposits		**24,772**	–13,873
Change from other financial investments		**46,527**	–1,578
Interest received		**401**	611
Cash flow from investing activities		**38,392**	**–55,418**
Dividends paid		**–64,809**	–108,015
Repayment of liabilities to banks		**–2,631**	–2,630
Change in other liabilities to banks		**–2,164**	198
Payments for lease liabilities		**–9,082**	–8,580
Interest paid		**–243**	–273
Cash flow from financing activities		**–78,929**	**–119,300**
Effects of exchange rate fluctuations in cash and cash equivalents		**–2,415**	704
Change in cash and cash equivalents		**49,738**	**24,624**
Cash and cash equivalents as at 1 January		**181,390**	**156,766**
Cash and cash equivalents as at 31 December		**231,128**	**181,390**

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 2019	**11,370**	**28,058**	**421,428**	**–4,647**	**–695**	**455,514**
Dividend	–	–	–108,015	–	–	–108,015
Profit or loss after taxes	–	–	171,590	–	–	171,590
Other comprehensive income	–	–	–	–827	–894	–1,721
Balance as at 31 December 2019	**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**

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) is a worldwide market and technology leader 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 shown in thousands of euros (kEUR). The structure of the balance sheet complies with the IAS 1 guidance regarding classification and format. The presentation for the fiscal year ending 31 December 2020 and for the previous year is classified into maturities of "12 months or less" (current) and "more than 12 months" (non-current).

The consolidated financial statements were approved by the Executive Board of RATIONAL AG on 2 March 2021.

Basis of preparation
The consolidated financial statements for fiscal year 2020 (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 effective and mandatory standards for fiscal year 2020 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 2020:

		Entry into force
Amendment	IAS 39, IFRS 7, IFRS 9 "Interest Rate Benchmark Reform" — Phase 1	1 January 2020
Amendment	Changes to references to the Conceptual Framework in IFRS standards	1 January 2020
Amendment	IAS 1 and IAS 8 "Definition of material"	1 January 2020
Amendment	IFRS 3 "Definition of a business"	1 January 2020
Amendment	Amendment to IFRS 16 — COVID-19-related Rent Concessions	1 June 2020

The revised standards that were applied on a mandatory basis for the first time in fiscal year 2020 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 2020 and were not applied early:

		Entry into force
Amendment	IFRS 9, IAS 39, IFRS 7, 4 IFRS 16 "Interest Rate Benchmark Reform" — Phase 2	1 January 2021

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	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
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

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

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 are eliminated, intercompany profits on inventories 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 (2019: seven) and 25 foreign subsidiaries (2019: 25) in addition to the parent company were included in the consolidated financial statements.

The changes in the scope of consolidation compared with the previous year are due to the liquidation of the subsidiary FRIMA UK Ltd., which had not had any operational activities for several years, and the liquidation of the special fund, which had been included in the consolidated financial statements as a structured entity. In addition, TOPINOX S.A.R.L., Nantes, France, a subsidiary of RATIONAL Wittenheim S.A.S., was included in the scope of consolidation for the first time in 2020 as a result of a capital increase. Its consolidation 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 2020 the consolidated companies were as follows:

Group structure

Name and registered office			% of capital / % of voting rights
Germany			
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 Ekipmanlan 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
RATIONAL Chile SpA	Santiago de Chile	Chile	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 2020.

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. 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 financial statements of the foreign subsidiaries are translated into euros in accordance with the concept of functional currency. 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. 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 =	2020	2019	2020	2019
CAD = Canadian dollar	**1.5376**	1.4832	**1.5588**	1.4620
CNY = Chinese yuan	**7.8967**	7.7175	**7.9876**	7.8328
GBP = Pound sterling	**0.8890**	0.8757	**0.8952**	0.8501
JPY = Japanese yen	**121.81**	121.98	**126.33**	121.93
USD = US dollar	**1.1452**	1.1197	**1.2238**	1.1228

Significant accounting policies

The global coronavirus crisis had a negative effect on the Group's net assets, financial position and profit or loss in 2020. Government support programmes could offset this effect only to a small extent. For further disclosures on the effects on the Group's net assets, financial position and profit or loss, please refer to the information in the notes and the Group Management Report.

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. Development projects that have been capitalised but not yet completed are reviewed annually.

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 36 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.

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.

Under IFRS 9, all financial assets 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.

RATIONAL does not use hedge accounting. Derivative financial instruments are therefore subsequently measured at fair value. Changes in fair value between reporting dates are recognised under other operating income or expenses or the financial result in the consolidated statement of comprehensive income.

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 payments from the financial asset has lapsed or if the financial asset has been transferred and RATIONAL has for the most part relinquished all risks and rewards associated with its 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.

RATIONAL applies the simplified approach under IFRS 9 to measure the expected credit losses for trade accounts receivable. Accordingly, the lifetime expected credit losses are applied to trade accounts receivable in the form of specific valuation allowances and portfolio allowances.

In view of the current circumstances, the appropriateness of the models used to determine expected credit losses and the assumptions they make were critically reviewed and adjusted.

Specific valuation allowances must be recognised for receivables that are to be classified as doubtful on the basis of objective criteria and for which no information is available that justifies a different assessment. In assessing the effects of the corona crisis on possible defaults on receivables, additional facts (including non-availability of the customer, massive deterioration in payment behaviour, insolvency or suspension of payments by factoring clients) were taken into account. Receivables with a justified assumption of possible existential or liquidity problems were categorised as doubtful and an allowance was recognised. Direct government payment guarantees (e.g. by expanding the scope of flat-rate export guarantees in Germany) were not used. The indirect effects of government support packages that some countries have implemented for the private credit insurance sector are reflected by taking account of potential compensation payments when calculating specific valuation allowances.

Portfolio allowances are calculated using the following model: receivables that do not require individual valuation allowances are broken down 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.

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. 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.

All allowances are held in allowance accounts.

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.

Current income tax receivables and income tax liabilities
Current income tax receivables and income tax liabilities for the 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% (2019: 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 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 at least part of 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 an 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.

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 Research and development grants 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 human resources, finance, IT, accounting and controlling as well as a certain 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 primarily recognised at the time of delivery, i.e. when ownership and risk are transferred to the customer. RATIONAL generates a small proportion of its sales revenues by providing services, which are recognised in the period in which the services are rendered. Some contracts contain multiple performance elements, such as the sale of appliances and the related installation of the appliances in the kitchen or extended warranty services. The installation or extended warranty is accounted for as a separate performance obligation, and the transaction price is allocated to all performance obligations on the basis of the relative stand-alone selling prices.

Sales revenues are recognised when it is sufficiently likely that economic benefits will flow to the Group and the amount of the sales revenues can be reliably determined. 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 arising from trade bonuses still to be granted are reported under other provisions. 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 negative interest on accounts in credit. RATIONAL reports this interest 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 future effects of the COVID-19 pandemic are subject to uncertainty, which may influence these amounts and cannot be reliably estimated at present. The assumptions and estimates the management 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. Management 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 made by management 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 uncompleted development projects are subjected to the annual impairment test, assumptions must be made about future profit or loss levels and the resulting cash flow to be expected in the underlying cash-generating units or group of cash-generating units in order to determine the recoverable amount. Projects still under development additionally require assumptions about costs still to be incurred and the period to completion.

Discretionary decisions are taken by management 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. Management uses 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 that we may incur as a result of 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 are met. The recognition and amount of the provisions are subject to management 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. Management regularly assesses their current 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 management judgement in the application of accounting policies.

Notes to the consolidated statement of comprehensive income

1. Sales revenues

The decline in sales revenues by 194,046 thousand euros, or 23%, compared with fiscal year 2019, is attributable to the global slump in demand caused by the corona crisis.

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

Sales revenues by region (in kEUR)

	2020	% of total	2019	% of total
Germany	**83,889**	13	99,627	12
Europe (excluding Germany)	**295,031**	45	376,731	45
North America	**111,977**	17	158,810	19
Latin America	**24,083**	4	46,730	5
Asia	**102,210**	16	119,600	14
Rest of the world*	**32,397**	5	42,135	5
Total	**649,587**	**100**	**843,633**	**100**

* Australia, New Zealand, Near/Middle East, Africa

A significant share of consolidated sales revenues was generated in the USA — 88,564 thousand euros (2019: 121,396 thousand euros). As in the previous year, no more than 10% of sales revenues were generated with any one customer,

The combi Product groups product group achieved sales revenues of 580,603 thousand euros (2019: 769,126 thousand euros) in the period under review, and the VarioCooking-Center/iVario product group achieved sales revenues of 68,984 thousand euros (2019: 74,507 thousand euros). 72% (2019: 74%) of sales revenues was attributable to appliance sales. The remaining 28% (2019: 26%) 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 3,969 thousand euros (2019: 2,177 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 135 thousand euros (2019: 423 thousand euros).

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

In accordance with IFRS, no other information is provided on current performance obligations.

Further information on sales revenues appears in the section on segment reporting.

2. Cost of sales and functional costs

Cost of sales was down 16%, and thus decreased more slowly than sales revenues. In addition to the drop in sales revenues and the resulting higher proportion of fixed costs, higher depreciation on new production machinery and the effects of introducing the new generation of appliances as well as additional costs attributable to the coronavirus crisis had a negative impact on the gross margin. Sales and service expenses were 31,211 thousand euros, or 16%, lower than in 2019; this was mainly due to a significant decrease in sales activities and a reduction in shipping costs. There was also a significant reduction in personnel costs.

As a response to the corona crisis, government assistance was granted in some countries. In 2020, RATIONAL recognised government grants in the form of personnel and rental cost subsidies of 2,188 thousand euros (2019: 0 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	2020	2019
Exchange gains	9,037	8,870
Further income	3,703	3,440
Other operating income	**12,740**	**12,310**
Exchange losses	−18,395	−6,960
Further expenses	−2,503	−2,120
Other operating expenses	**−20,898**	**−9,080**

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 1,386 thousand euros (2019: 1,293 thousand euros) is reported under other income and includes grants for research and development services. The claim arose in the reporting period.

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

4. Financial result

The largest item under interest expenses is lease interest. The other financial result arises 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% (2019: 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	2020	2019
Earnings before taxes (EBT)	102,377	225,109
Expected tax rate in %	27.73	27.73
Expected income tax expense	**28,389**	**62,423**
Variations in local tax rates in the subsidiaries	−4,223	−11,260
Tax revenue from previous years	−1,217	−146
Tax expenses relating to previous years	439	378
Non-tax-deductible expenses and other amounts	−1,107	2,124
Report income tax expense	**22,281**	**53,519**

The deferred tax income in the income statement attributable to 2020 was 1,399 thousand euros (2019: 1,770 thousand euros). The current income tax expense, excluding deferred taxes, thus amounted to 23,680 thousand euros (2019: 55,289 thousand euros).

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

in kEUR	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Intangible assets	27	50	−977	−1,002
Inventories	9,685	9,121	−78	−40
Provisions	3,347	3,363	−50	−21
Right-of-use assets and lease liabilities	4,301	4,086	−4,256	−4,072
Other	862	1,145	−753	−1,917
Total deferred tax assets/liabilities	**18,222**	**17,765**	**−6,114**	**−7,052**
Tax offset	−5,708	−6,620	5,708	6,620
Total recognised under asset/liabilities	**12,514**	**11,145**	**−406**	**−432**

This includes deferred tax assets of 385 thousand euros (2019: 389 thousand euros) recognised on actuarial gains and losses and taken directly to equity.

11,085 thousand euros (2019: 10,338 thousand euros) of the total amount of deferred tax assets and liabilities is classified as current. Of the reported amounts, 1,023 thousand euros (2019: 375 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 2020, there were temporary differences of 3,355 thousand euros (2019: 1,821 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 1,265 thousand euros (2019: 1,054 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 (2019: 11,370,000 shares) and profit after tax of 80,096 thousand euros (2019: 171,590 thousand euros), basic and diluted earnings per share for fiscal year 2020 were 7.04 euros (2019: 15.09 euros).

7. Dividend per share

The dividend of 5.70 euros per share (2019: 9.50 euros per share) proposed by the Executive Board and Supervisory Board of RATIONAL AG for fiscal year 2019, which was reduced compared with the information provided in the 2019 consolidated financial statements (dividend of 10.70 euros per share, total of 121,659 thousand euros) due to the coronavirus crisis, was resolved by the majority of shareholders at the General Meeting of Shareholders on 24 June 2020. Total dividends of 64,809 thousand euros (2019: 108,015 thousand euros) were paid in June 2020.

The Executive Board and Supervisory Board will propose to the General Meeting of Shareholders on 12 May 2021 that a dividend of 4.80 euros per share be paid for fiscal year 2020, the total distribution in this case being 54,576 thousand euros.

Notes to the consolidated balance sheet – assets

8. Intangible assets

in kEUR

	Industrial and similar rights	Goodwill	Capitalised development expenditure	Total
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**
Amortisation				
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**
Cost				
Balance on 1 Jan 2019	14,661	424	6,036	**21,121**
Exchange rate differences	1	–	–	**1**
Additions	1,426	–	720	**2,146**
Disposals	−47	–	–	**−47**
Balance on 31 Dec 2019	**16,041**	**424**	**6,756**	**23,221**
Amortisation				
Balance on 1 Jan 2019	10,840	–	2,200	**13,040**
Exchange rate differences	0	–	–	**0**
Additions	1,994	–	943	**2,937**
Disposals	−40	–	–	**−40**
Balance on 31 Dec 2019	**12,794**	**–**	**3,143**	**15,937**
Carrying amounts				
Balance on 31 Dec 2019	**3,247**	**424**	**3,613**	**7,284**

The reported goodwill arose from the acquisition of RATIONAL Wittenheim S.A.S. in 1993; it is allocated to the Europe segment.

The negative effects of the corona crisis were identified as indications of possible impairment of non-financial assets. As at the end of the year, RATIONAL allocated the main non-current assets to the cash-generating units and subjected these units to impairment testing.

RATIONAL based the impairment tests on the latest forecasts that had been prepared separately for each of the cash-generating units. To account for the degree of uncertainty arising from the corona crisis, RATIONAL used different cash flow scenarios for future periods, which were weighted according to probability and included in the measurement of the value in use of the cash-generating unit in question. The values in use are derived from the expected future cash flows on an after-tax basis. The forecast calculations cover a period of four years. The cash flows expected after this period are extrapolated assuming a growth rate 1.0%. No impairment losses had to be recognised on any of the cash-generating units. The recoverable amounts of the cash-generating units examined were significantly above their carrying amounts.

In the calculation of the value in use of the cash-generating unit, the greatest uncertainty relates to the growth rates on which the forecast future cash flows within and outside of the forecast period are based. The management believes that there is no change in the assumptions made that is reasonably possible in principle that could lead to the carrying amounts of the cash-generating units significantly exceeding their recoverable amounts.

At Group level, the planning outlook is in line with current analyst assessments. The market capitalisation far exceeds the carrying amount of net assets.

In fiscal year 2020, as in the previous year, no impairment losses were recognised on intangible assets. There are no pledges or restrictions on disposal. Exchange rate differences can occur when foreign-currency-denominated intangible assets held by the subsidiaries are translated into the functional currency.

As in the previous year, there were no obligations to purchase intangible assets as at 31 December 2020.

9. Property, plant and equipment

This balance sheet item covers property, plant and equipment within the meaning of IAS 16 in an amount of 177,020 thousand euros (2019: 166,270 thousand euros) and right-of-use assets within the meaning of IFRS 16 in an amount of 17,957 thousand euros (2019: 17,038 thousand euros).

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 on1 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**	**0**
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**	**–**	**0**
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**
Cost					
Balance on 1 Jan 2019	123,597	52,370	35,343	20,816	**232,126**
Exchange rate differences	100	0	161	2	**263**
Additions	6,315	14,530	6,053	10,477	**37,375**
Reclassifications	161	12,366	1,020	−13,547	**0**
Disposals	0	−10	−685	–	**−695**
Balance on 31 Dec 2019	**130,173**	**79,256**	**41,892**	**17,748**	**269,069**
Depreciation					
Balance on 1 Jan 2019	36,932	30,648	21,875	–	**89,455**
Exchange rate differences	48	1	90	–	**139**
Additions	4,159	5,351	4,339	–	**13,849**
Disposals	0	−10	−634	–	**−644**
Balance on 31 Dec 2019	**41,139**	**35,990**	**25,670**	**–**	**102,799**
Carrying amounts					
Balance on 31 Dec 2019	**89,034**	**43,266**	**16,222**	**17,748**	**166,270**

As in the previous year, no impairment losses were recognised in fiscal year 2020. Detailed information on the impairment tests conducted can be found in note 8 "Intangible assets".

A land charge of 33,500 thousand euros (2019: 33,500 thousand euros) is registered for land and buildings in Landsberg am Lech. There are no other restrictions on disposal. Exchange rate differences can occur when foreign-currency-denominated carrying amounts for property, plant and equipment held by the subsidiaries are translated into the functional currency.

As at 31 December 2020, obligations to purchase property, plant and equipment amounted to 6,020 thousand euros (2019: 20,483 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 2020	31 Dec 2019
Raw materials, consumables and supplies	23,785	16,654
Work in progress	2,599	1,502
Finished goods and goods for resale	52,901	47,866
Total	**79,285**	**66,022**

The rise in inventories is attributable to the changeover of ranges in the second quarter, higher levels of raw materials to ensure supply capabilities as well as the decrease in unit sales.

In fiscal year 2020, write-downs on inventories of 5,376 thousand euros (2019: 1,688 thousand euros) were expensed as cost of sales.

In total, inventories of 271,803 thousand euros (2019: 322,756 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 2020	31 Dec 2019
Gross trade accounts receivable (specific bad debt allowance)	917	1,043
Gross trade accounts receivable (portfolio bad debt allowance)	98,430	124,868
Total	**99,347**	**125,911**
Specific bad debt allowance	−535	−519
Portfolio bad debt allowance	−62	−48
Trade accounts receivable	**98,750**	**125,344**

The decline in trade accounts receivable compared with 31 December 2019 is due to the year-on-year drop in sales revenues.

All trade receivables are due within one year.

Specific valuation allowances and portfolio allowances 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	Balance on 1 Jan	Currency effects	Use	Reversal	Additions	Balance on 31 Dec
2020	**519**	**−41**	**−102**	**−56**	**215**	**535**
2019	591	0	−164	−159	251	519

Portfolio valuation allowances are recognised in accordance with IFRS 9 on all trade receivables, unless specific allowances have already been recognised. In this context, a portfolio ratio of 0.00% to 0.63% (2019: 0.00% to 0.41%) 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 837 thousand euros in fiscal year 2020 (2019: 565 thousand euros). This figure does not include any claims settled by or payments expected from the credit insurer, which amounted to 669 thousand euros (2019: 371 thousand euros). Impairment losses and the reversal of impairment losses on trade accounts receivable gave rise to an expense of 77 thousand euros in fiscal year 2020 (2019: income of 84 thousand euros). This is reported under other operating expenses or other operating income.

12. Other financial assets

in kEUR	Current		Non-current	
Other financial assets	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
Deposits incl. interest receivable	**24,851**	49,596	**–**	–
Derivatives without a hedge relationship	**329**	327	**–**	–
Bonds, shares and fund units	**–**	50,290	**–**	–
Other	**748**	742	**1,145**	1,330
Total	**25,928**	**100,955**	**1,145**	**1,330**

The decrease in other financial assets compared with 31 December 2019 is mainly the result of the sale of bonds, equities and fund units in connection with the liquidation of the special fund and the reduction in short-term 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	
Other financial assets	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
Deposits before risk allowances	**24,865**	49,661	**–**	–
Risk allowance	**–14**	–65	**–**	–
Deposits after risk allowances	**24,851**	**49,596**	**–**	**–**

In the fiscal year under review, a reversal of the risk allowance of 51 thousand euros for deposits (2019: 45 thousand euros) was recognised under 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 financial assets	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
Value added tax refund claims	**6,069**	13,695	**–**	–
Advance payments	**3,143**	4,462	**810**	539
Government grants	**–**	1,442	**1,049**	–
Other	**1,162**	1,291	**–**	–
Total	**10,374**	**20,890**	**1,859**	**539**

Other assets mainly consist of advances to employees in an amount of 590 thousand euros (2019: 673 thousand euros).

14. Cash and cash equivalents

in kEUR

	Currency	31 Dec 2020	31 Dec 2019
Deposits	EUR	**177,614**	140,479
Deposits	USD	**10,523**	12,485
Deposits	GBP	**9,118**	3,684
Deposits	CHF	**7,238**	6,290
Deposits	CNY	**4,790**	783
Deposits	CAD	**4,282**	2,445
Deposits	JPY	**3,886**	4,146
Deposits	SEK	**3,397**	3,115
Deposits	SGD	**2,510**	1,421
Deposits	RUB	**1,649**	1,097
Deposits	TRY	**1,339**	727
Deposits	BRL	**1,088**	872
Deposits in other currencies and cash in hand	various	**3,694**	3,846
Total		**231,128**	**181,390**

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 restricted items relating to a total amount of 5,270 thousand euros (2019: 3,917 thousand euros). More information on currency restrictions can be found in the section on financial risks in note 22.

The changes in cash and cash equivalents are presented in the cash flow statement.

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 2020 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 company's total capital. RATIONAL's equity ratio as of 31 December 2020 was 80% (2019: 74%).

To ensure adequate shareholder participation, the Group 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 2021 (2019: 51 thousand euros). Both pension obligations have an average maturity of 14 (2019: 15 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 53 (2019: 57) 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 360 thousand euros in 2021 (2020: 384 thousand euros). The pension obligation has an average maturity of 22 (2019: 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 2021 amount to 149 thousand euros (2019: 156 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	
	2020	2019	**2020**	2019	**2020**	2019
Value as at 1 Jan	**9,604**	**7,920**	**3,416**	**3,214**	**6,188**	**4,706**
Currency difference	**−32**	189	**11**	114	**−43**	75
Interest expense	**31**	94	**–**	–	**31**	94
Interest income	**–**	–	**4**	33	**−4**	−33
Service cost	**1,300**	1,127	**–**	–	**1,300**	1,127
Actuarial losses/gains due to changes to financial assumptions	**104**	1,312	**–**	–	**104**	1,312
Actuarial losses/gains due to changes in demographic assumptions	**0**	−72	**–**	–	**0**	−72
Actuarial losses/gains due to experience	**640**	−285	**–**	–	**640**	−285
Return on plan assets excluding amounts included in interest income	**–**	–	**789**	−140	**-789**	140
Employer contributions	**–**	–	**355**	378	**−355**	−378
Employee contributions	**–**	–	**332**	357	**−332**	−357
Benefits received/paid	**−686**	−681	**−454**	−540	**−232**	−141
Value as at 31 Dec.	**10,961**	**9,604**	**4,453**	**3,416**	**6,508**	**6,188**
thereof Germany (DE)	**773**	813	**–**	–	**773**	813
thereof Switzerland (CH)	**7,591**	6,461	**4,453**	3,416	**3,138**	3,045
thereof Italy (IT)	**1,094**	985	**–**	–	**1,094**	985
thereof France (FR)	**1,048**	864	**–**	–	**1,048**	864
thereof other	**455**	481	**–**	–	**455**	481

The calculations were based on the following weighted actuarial assumptions:

in %

		GER	CH	IT	FR	Others
	2020	**0.30**	**0.05**	**−0.03**	**0.40**	**2.80**
Discount rate	**2019**	0.60	0.10	0.30	0.70	3.97
	2020	**–**	**1.40**	**1.00**	**3.00**	**4.39**
Salary progression rate	**2019**	–	1.60	1.00	3.00	4.60
	2020	**1.50**	**0.00**	**–**	**–**	**–**
Pension progression rate	**2019**	1.75	0.00	–	–	–

For Germany, the biometric calculations were based on Prof K. Heubeck's mortality tables (2018 G version), while the 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

	2020	2019
Discount rate −0.5%	+1071	+937
Discount rate +0.5%	−940	−820
Salary progression rate −0.5%	−208	−102
Salary progression rate +0.5%	+211	+98
Pension progression rate −0.5%	−32	−35
Pension progression rate +0.5%	+507	+399
Life expectancy +1 year	+178	+144

17. Other provisions

2020 — in kEUR

	Balance on 1 Jan 2020	Currency differences	Use	Reversal	Additions	Interest rate effects	Balance on 31 Dec 2020	of which non-current
Personnel	21,473	−511	−15,927	−633	15,166	31	19,599	4,849
Trade bonuses	15,798	−813	−14,764	−221	10,408	–	10,408	–
Warranty	13,760	−139	−8,397	−454	7,781	–	12,551	3,513
Other	7,715	−322	−5,983	−824	5,955	1	6,542	694
Total	58,746	−1.785	−45,071	−2,132	39,310	32	49,100	9,056

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. 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.

18. Financial debt

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

2020 — in kEUR

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

2019 — in kEUR

	Carrying amount 1 Jan 2019	Cash changes	Non-cash changes (currency effects and others)	Carrying amounts 31 Dec 2019	of which non-current
Liabilities to banks	11,918	−2,432	+98	9,584	3,676

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

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

in kEUR

	2020	2021–2023
Payments as of 31 Dec 2019	2,720	3,776

In addition, there are other current financial liabilities of 999 thousand euros (2019: 3,278 thousand euros).

19. Financial liabilities

in kEUR

	current		non-current	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Trade accounts payable	**21,154**	**24,977**	**–**	**–**
Lease liabilities	**6,766**	6,550	**11,310**	10,554
Liabilities to business partners	**4,743**	5,857	**–**	–
Liabilities from purchase of property	**–**	1,969	**3,214**	3,214
Fair value of derivative financial instruments	**266**	729	**–**	–
Other	**461**	1,201	**–**	–
Other financial liabilities	**12,236**	**16,306**	**14,524**	**13,768**

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. A maturity analysis of lease liabilities is presented in note 23.

Derivatives to which hedge accounting is not applied are subsequently measured at fair value. All other financial liabilities are measured at amortised cost.

20. Other liabilities

Other liabilities

in kEUR

	current		non-current	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Value added tax	**6,403**	10,105	**–**	–
Wage taxes and social security liabilities	**4,539**	5,996	**–**	–
Holiday claims	**3,423**	5,594	**–**	–
Contractual obligations	**3,523**	4,074	**1,339**	1,879
Other	**314**	285	**–**	–
Total	**18,202**	**26,054**	**1,339**	**1,879**

Notes to the cash flow statement

21. Cash Flow Statement

The cash flow statement shows the changes in RATIONAL's cash and cash equivalents during the year under review. 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 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 lower cash flows from operating activities as compared with the previous year is primarily attributable to the reduced profit before tax.

Cash flows from investing activities are determined on the basis of actual cash inflows or outflows. They are driven primarily by payments to acquire intangible assets and property, plant and equipment as well as the acquisition or disposal of financial assets. The year-on-year increase in the cash flow from investing activities is primarily attributable to the liquidation of the special fund.

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 64,809 thousand euros (2019: 108,015 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. 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 and bonds, equities and fund units, 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 2020	Fair value 31 Dec 2020	Carrying amount 31 Dec 2019	Fair value 31 Dec 2019
Financial assets measured at amortised cost		**356,622**		**358,402**	
Other financial assets (non-current)	Level 2	**1,145**	**1,138**	1,330	1,330
Trade accounts receivable		**98,750**		125,344	
Other financial assets (current)		**25,599**		50,338	
Cash and cash equivalents		**231,128**		181,390	
Financial assets measured at fair value through profit or loss		**329**		**50,617**	
Derivatives not in a hedging relationship[1]	Level 1	**–**	**–**	91	91
Derivatives not in a hedging relationship[1]	Level 2	**329**	**329**	236	236
Other financial assets (current)	Level 1	**–**	**–**	49,172	49,172
Other financial assets (current)	Level 2	**–**	**–**	1,118	1,118
Financial liabilities measured at amortised cost		**52,324**		**63,906**	
Financial debt (non-current)	Level 2	**2,126**	**2,194**	3,676	3,830
Lease liabilities (non-current)[2]		**11,310**		10,554	
Other financial liabilities (non-current)	Level 2	**3,214**	**3,169**	3,214	3,214
Financial debt (current)	Level 2	**2,550**	**2,565**	5,908	5,931
Trade accounts payable		**21,154**		24,977	
Lease liabilities (current)[3]		**6,766**		6,550	
Other financial liabilities (current)		**5,204**		9,027	
Financial liabilities measured at fair value through profit or loss		**266**		729	
Derivatives not in a hedging relationship[3]	Level 2	**266**	**266**	729	729

[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 1 of the fair value hierarchy correspond to the prices quoted in active markets for identical assets and liabilities.

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.

Other financial assets measured at fair value

This category includes financial instruments whose fair values cannot be derived directly from prices quoted on accessible markets. The inputs relevant to measurement can, however, be observed on the market directly or indirectly in relation to the asset or liability concerned. The fair values are normally determined by obtaining and comparing different price quotations from established brokers.

Derivative financial instruments

The derivative financial instruments recognised at the balance sheet date are forward exchange contracts, currency options and other derivatives. The calculation of fair value is based on the measurement supplied by the relevant counterparty bank for the measurement date in question, with zero impact on credit-rating. The banks measure on the basis of the market data applicable to the respective reporting date using recognised mathematical processes. 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. The interest income/expense and negative interest on deposits are not included in this amount.

Net gains or net losses excl. interest

in kEUR

	2020	2019
Financial assets measured at amortised cost	−12,545	+2,404
Financial assets/liabilities measured at fair value through profit or loss	−2,499	+939
Financial liabilities measured at amortised cost	−835	−426

The net gains and losses include amounts from currency translation.

In addition, net gains or losses on financial assets measured at amortised cost include income and expenses relating to impairment losses on and the derecognition of trade receivables and expenses and income relating to impairment losses on deposits.

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

Total interest income and expense

The following total interest income and expense resulted from financial instruments measured at amortised cost; the items are carried in the financial result. The amounts specified below include negative interest on deposits.

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

in kEUR

	2020	2019
Total interest income	326	434
Total interest expense	793	613

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 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 without a hedge relationship	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 trading partners	3,605	8,348	4,743	–	4,743
Derivatives without a hedge relationship	–	266	266	189	77
Other financial liabilities	–	21,751	21,751		21,751
Total	3,605	56,195	52,590	3,865	48,725

31 December 2019

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	132,169	6,825	125,344	–	125,344
Deposits, cash and cash equivalents	230,986	–	230,986	6,306	224,680
Bonds, shares and fund units	50,290	–	50,290	–	50,290
Derivatives without a hedge relationship	327	–	327	219	108
Other financial assets	2,072	–	2,072	–	2,072
Total	415,844	6,825	409,019	6,525	402,494
Financial liabilities					
Financial debt	–	9,584	9,584	6,306	3,278
Trade accounts payable	–	24,977	24,977	–	24,977
Liabilities to business partners	6,825	12,682	5,857	–	5,857
Derivatives without a hedge relationship	–	729	729	128	601
Other financial liabilities	–	23,488	23,488	91	23,397
Total	6,825	71,460	64,635	6,525	58,110

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, price risk and share 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 regular risk review also covers the potential impact of the corona crisis. In this context, measures were taken to reduce the above risks. 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 guarantees that corrective action can 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 are 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 usually due from specialised retailers. RATIONAL's customers and business partners have been severely affected by the measures taken to contain the corona crisis. Credit risk can arise as a result of customers not fulfilling their payment obligations.

In order to avoid or reduce credit risk, customers are subjected to credit checks and permanent credit monitoring performed by the credit insurance providers Coface and Atradius and their local partner companies. The RATIONAL customer portfolio is rated as "low risk" by 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% (2019: 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.

To maintain the company's ability to operate given declining sums assured by credit insurers and increasing risk aversion among banks in issuing guarantees and letters of credit since the coronavirus crisis, supplies of goods or services that are only partially collateralised and based on open payment terms or part payments in advance are considered more frequently than in the past.

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 2020	31 Dec 2019
Trade accounts receivable	**98,750**	125,344
of which refundable value-added tax*	**8,781**	10,463
of which potential refund by credit insurance	**77,978**	99,947
of which receivables secured by letters of credit/bank guarantees	**1,360**	2,683
of which receivables from public-sector entities*	**–**	–
Unsecured credit risk	**10,631**	**12,251**
Risk coverage ratio	**89%**	**90%**

*if country rating meets requirements

The residual credit risk not covered by the securities shown includes concentration risk amounting to 887 thousand euros (2019: 1,594 thousand euros), distributed over three (2019: five) customers. Unsecured receivables with a nominal value of more than 200 thousand euros (2019: 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 thus 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 that have 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 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**

31 Dec 2019 — in kEUR

	Carrying amount after risk allowance	Protected by deposit protection fund	Unsecured credit risk
Deposits	49,596	19,655	29,941
Cash and cash equivalents	181,390	121,826	59,564
Total	**230,986**	**141,481**	**89,505**

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 255,988 thousand euros (2019: 231,023 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 assigned any collateral to the banks in connection with the existing credit line agreements; instead, a negative covenant or a banks' "pari passu" clause has 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 (2019: 96,000 thousand euros). After taking into account assignments for subsidiaries and sureties, this leaves unused credit lines amounting to 95,373 thousand euros (2019 91,274 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.

The coronavirus crisis affected RATIONAL's business and economic environment in 2020. As a response to developments in the capital markets, the special fund was liquidated in order to counter the risk of further share price losses. Following the liquidation of the special fund and the resulting sale of all investments in equities, RATIONAL is no longer exposed to share price risk.

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). This affected the "Trade accounts receivable", "Other financial assets", "Cash and cash equivalents", "Financial debt" as well as "Trade accounts payable" and "Other financial liabilities" items at the balance sheet date. At RATIONAL, translation risk is 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). Transaction risk has an impact on both liquidity and the income statement.

The global transaction risk faced by the Group is determined, centrally pooled and managed monthly with a rolling six-month horizon. Where necessary, any identified transaction risks are hedged by means of derivative financial instruments. Such hedges relate to recognised and anticipated transactions. This applies especially to transactions in the freely convertible currencies of our companies. RATIONAL uses currency options and forward exchange contracts to hedge foreign currency transactions in freely convertible currencies. 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. To settle receivables that cannot be settled in the local currency under the restrictions, the local currency must be exchanged for euros. Because of the low volume and the comparatively high costs, no hedging of foreign currency transactions currently takes place in 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 effects on profit after tax and equity:

Hypothetical impact on profit and equity 2020 — in kEUR

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

Hypothetical impact on profit and equity 2019 — in kEUR

	Value of euro 10% higher	Value of euro 10% lower
EUR/USD	–1,589	2,051
EUR/GBP	–1,063	589
EUR/SEK	–658	805
EUR/JPY	–550	631
EUR/CNY	–405	498
Other	–1,230	1,337
Total	**–5,495**	**5,911**

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

Interest rate risk

Interest rate risk is the risk of a possible change in fair values or future payments of financial instruments resulting from changes in market interest rates.

RATIONAL counteracts the risk of changing interest rates for future payments relating to financial liabilities by agreeing fixed interest rates. Interest rates have been fixed for the entire term of the outstanding loans. Interest rate risk for financial assets held in the special fund is contained with appropriate instruments.

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. Neither the basic price of steel nor that of alloy metals is hedged by the use of derivative financial instruments.

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. Information on impairment tests conducted can be found in note 8 "Intangible assets". Lease liabilities are included in other financial liabilities, which are explained in note 19.

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

Maturity analyses leasing (in kEUR)

	2021	2022-2025	as of 2026
Payments as of 31 Dec 2020	7,247	10,284	1,827

Maturity analyses leasing (in kEUR)

	2020	2021-2024	as of 2025
Payments as of 31 Dec 2019	7,007	9,905	1,772

Further disclosures on leases:

in kEUR

	2020	2019
Depreciation of right-of-use assets	8,740	8,197
thereof real estate	3,876	3,446
thereof operating and office equipment	4,864	4,751
Interest expenses for lease liabilities	437	448
Expenses for low-value lease assets	282	347
Cash outflows for leases	9,364	8,927
Additions to right-of-use assets	10,618	10,445
Carrying amounts of right-of-use assets as at 31 Dec	17,957	17,038
thereof real estate	10,836	9,600
thereof operating and office equipment	7,121	7,438

24. Employees and personnel costs

Average number of employees

	2020	2019
Production and Dispatch	529	524
Sales and marketing	952	973
Technical service	241	229
Research and Development	184	175
Administration	336	320
Total	2,242	2,221
of which outside Germany	1,004	1,020

Personnel costs comprise the following items:

in kEUR

	2020	2019
Salaries and wages	143,079	152,717
Social security	29,491	29,855
of which expenses for defined contribution plans	12,573	12,593
Total	172,570	182,572

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, Americas and Asia segments are reported, which are amalgamated segments. The amalgamated segment EMEA consists of the business segments in Europe, the Middle East and Africa. Americas consists of the business segments North America and Latin America, and Asia consists of the business segments Asia North and Asia South. The amalgamated business segments are comparable in terms of the products and services sold, customer groups and sales method, achieve comparable margins and are expected to have comparable sales revenue growth in future.

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 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. The 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. Segment amortisation and depreciation relates to intangible assets and property, plant and equipment.

Operating Segments in 2020 (in kEUR)

	DACH	EMEA	AMERICAS	ASIA	Total of segments	Reconciliation	Group
Segment sales revenues	116,151	282,496	141,810	115,675	656,132	−6,545	649,587
Segment profit or loss	27,882	73,747	26,596	25,703	153,928	−47,122	106,806
Financial result							−4,429
Earnings before taxes							102,377
Segment depreciation	5,331	14,101	5,085	4,915	29,432	−154	29,278
Segment assets	9,195	61,363	54,012	51,190	175,760	2,275	178,035

Operating Segments in 2019 (in kEUR)

	DACH	EMEA	AMERICAS	ASIA	Total of segments	Reconciliation	Group
Segment sales revenues	134,705	358,611	195,302	135,954	824,572	19,061	843,633
Segment profit or loss	34,085	100,249	39,611	34,325	208,270	15,105	223,375
Financial result							1,734
Earnings before taxes							225,109
Segment depreciation	3,841	11,586	5,162	4,175	24,764	219	24,983
Segment assets	4,810	72,932	69,582	48,199	195,523	−4,157	191,366

For sales revenues and net costs or income, the reconciliation results mainly from currency translation and items that are not allocated to the segments. Because of the decline in sales revenues, this item related in particular to overheads not allocated to the segments in 2020. In the case of assets, the column essentially contains assets that are not allocated to business segments as well as consolidation effects.

Of the property, plant and equipment, intangible assets and other non-current assets, 168,318 thousand euros (2019: 158,770 thousand euros) are reported in Germany, while 35,026 thousand euros (2019: 32,361 thousand euros) are attributable to third countries.

For a further breakdown of sales revenues, see the sales revenues disclosures.

26. Related parties

Related parties of RATIONAL AG include the subsidiaries, major shareholders, 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 1,802 thousand euros in 2020 (2019: 3,129 thousand euros). As of 31 December 2020, outstanding trade accounts payable to these companies amounted to 45 thousand euros (2019: 87 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
Auditor

Erich Baumgärtner,
Businessman

Dr Gerd Lintz,
Retired notary, independent lawyer

Werner Schwind,
Businessman

Dr Georg Sick,
Businessman

Dr Johannes Würbser,
Businessman

The remuneration of Supervisory Board members breaks down as follows:

2020 (in kEUR)

	Fixed	Other	Total
Walter Kurtz	238	18	256
Dr Hans Maerz	190	10	200
Erich Baumgärtner	143	–	143
Dr Gerd Lintz	143	–	143
Werner Schwind	143	–	143
Dr Georg Sick	143	–	143
Dr Johannes Würbser	143	–	143
Total	**1,143**	**28**	**1,171**

2019 (in kEUR)

	Fixed	Other	Total
Walter Kurtz	250	18	268
Dr Hans Maerz	200	12	212
Erich Baumgärtner	150	–	150
Dr Gerd Lintz	150	–	150
Werner Schwind	150	–	150
Dr Georg Sick	150	–	150
Dr Johannes Würbser	93	–	93
Total	**1,143**	**30**	**1,173**

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

The Executive Board had the following members at the date on which the audit opinion was issued:

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 General Meeting of Shareholders held on 4 May 2016 resolved in accordance with section 314 (3) sentence 1 of the HGB not to disclose separately the compensation paid to individual members of the Executive Board.

The total compensation paid to the Executive Board for the performance of its duties within the parent company and its subsidiaries in fiscal year 2020 was 3,976 thousand euros (2019: 5,211 thousand euros). This amount includes performance-related components of 1,134 thousand euros (2019: 1,660 thousand euros), which are classified as current liabilities. The above compensation also includes payments of 13 thousand euros to former Executive Board members (2019: 12 thousand euros). Payments into the pension scheme totalling 388 thousand euros (2019: 583 thousand euros) were also made.

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 2020, so at the balance sheet date (31 December 2020) option rights to a maximum of 131,000 shares of RATIONAL AG remain in the stock option plan.

29. Declaration of compliance with the German Corporate Governance Code

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: www.rational-online.com.

30. Significant events after the balance sheet date

The Supervisory Board of RATIONAL AG appointed Jörg Walter as the new Chief Financial Officer as at 1 March 2021. Mr Walter has been an employee of the RATIONAL Group since April 2011 and has managed different business administration units in this period.

The dynamic of the COVID-19 pandemic continually results in new developments. No events have occurred, however, since 31 December 2020 that would significantly alter the assessment of RATIONAL AG's and the Group's net assets, financial position and profit or loss.

31. Auditor's fee

By resolution of the General Meeting of Shareholders held on 24 June 2020, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, was appointed as auditor for fiscal year 2020.

The auditor's fee, including reimbursement of expenses, amounted to a total of 456 thousand euros (2019: 467 thousand euros) and comprises the auditing of separate and consolidated financial statements. In fiscal year 2020, the voluntary review of the sustainability report resulted in the provision of other certification services in an amount of 27 thousand euros (2019: 27 thousand euros) including expenses. For the preparation of a declarative statement in accordance with section 13b (10) of the German Inheritance Tax Act (Erbschaftssteuergesetz, ErbStG), tax advice services in an amount of 70 thousand euros were provided (2019: 0 thousand euros). An amount of 0 thousand euros was spent on other services, as in the previous year.

Landsberg am Lech, 2 March 2021

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

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, 2 March 2021

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

Presentation of the auditor's report

The auditor's report presented below includes a "report on the audit of the electronic renderings of the financial statements and the management report prepared for the purpose of disclosure pursuant to section 317 (3b) of the HGB" ("ESEF opinion"). The audit matter (ESEF documents to be audited) underlying the ESEF opinion is not attached. The audited ESEF documents can be viewed in, or downloaded from, the Federal Gazette.

To RATIONAL AG, 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 AG, Landsberg am Lech, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of RATIONAL AG for the financial year from 1 January to 31 December 2020. We have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's 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 IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] 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 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, 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 content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [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 § 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 [Institute of Public Auditors in Germany] (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 judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2020. 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 our view, the matters of most significance in our audit were as follows:

1. Capitalisation of development costs
2. Provisions for warranties

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

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matters:

1. Capitalisation of development costs

1.1. Matter and issue

In the consolidated financial statements of the Company, EUR 2.9 million in internally generated intangible assets resulting from development activities are reported under the "Intangible assets" balance sheet item as of 31 December 2020. Of this amount, EUR 0.6 million are attributable to development costs newly capitalised in 2020. Total development costs (including capitalised development costs) amounted to EUR 42.3 million in fiscal year 2020. Development costs for new product innovations are recognised as internally generated intangible assets if the requirements of IAS 38.57 are met. In addition to the technical feasibility of completing the intangible asset, these include the generation of probable future economic benefits from the intangible asset, the availability of technical and financial resources to complete the development and to use or sell the intangible asset, and the ability to measure reliably the expenditure attributable to development. The capitalised development costs include direct costs and shared overhead expenditure. After initial recognition, the asset is measured using the cost model. Once the asset is available for use, it is amortised over five years. In our view, this matter was of particular importance for our audit since the capitalisation of development costs is based to a large extent on the Executive Board's estimates and assumptions with respect to recognition, and is therefore subject to corresponding uncertainties.

1.2. Audit approach and findings

As part of our audit, we evaluated, among other things, whether the recognition criteria set out in IAS 38.57 are met. In doing so, we assessed management's assumptions with respect to fulfillment of the recognition criteria by inspecting project manuals and the development department's internal records. In addition, we assessed the methodology used to determine the costs eligible for capitalization, and used appropriate evidence such as project cost overviews and budget figures to assess the amount of the capitalised development costs, their planned useful lives and recoverability. We also assessed the progress of the respective projects based on interviews with project managers and by inspecting project documentation. In our view, the methodology applied by the Company to capitalise development costs is appropriate and the percentage of completion and capitalised development costs have been sufficiently documented.

1.3. Reference to further information

The Company's disclosures on capitalization of development costs are contained in note 7 to the consolidated financial statements.

2. Provisions for warranties

2.1. Matter and issue

In the consolidated financial statements of the Company EUR 12.6 million in provisions for warranties are reported under the "Current provisions" and "Other non-current provisions" balance sheet items as of 31 December 2020. The Company recognises provisions for expected claims under liability for defects in the products sold. In this context, the Executive Board makes assumptions about future claims. The provisions are recognised and measured based on historical data and unit sales in the fiscal year. Due to the associated estimation uncertainty and given the amounts reported under these material items, we consider these matters to be of particular importance.

2.2. Audit approach and findings

With the knowledge that estimated values result in an increased risk of accounting misstatements and that the measurement decisions made by management have a direct and significant effect on consolidated net profit/loss, we assessed the appropriateness of the carrying amounts, including by means of the measurement bases presented to us. With respect to the recognition and measurement of provisions, among other things we assessed the current agreements, cost estimates and the calculated historical data on unit sales and warranty claims. In addition, we assessed the measurement model for provisions and the expected timing for utilisation of the provisions. In doing so, we were able to satisfy ourselves that the estimates applied and the assumptions made by management were sufficiently documented and supported to justify the recognition and measurement of the material provisions for warranties.

2.3. Reference to further information

The Company's disclosures relating to these provisions are contained in note 17 to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report, which we obtained prior of the date of our auditor's report:

› the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in the group management report

The separate non-financial report pursuant to § 289b Abs. 3 HGB and § 315b Abs. 3 HGB and the remaining parts of the annual report are expected to be made available to us after the date of the auditor's report.

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

› is materially inconsistent with the consolidated financial statements, with 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 IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 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 § 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 judgment 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 control.
› Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) 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 IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 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 also 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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file RATIONAL AG_KA+KLB_ESEF_2020-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the abovementioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from [Datum] to [Datum] contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the "Group Auditor's Responsibilities for the Assurance Engagement on 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 Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

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

Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional scepticism throughout the

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enables 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) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Other legal and regulatory requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 24 June 2020. We were engaged by the supervisory board on 29 July 2020. We have been the group auditor of the RATIONAL AG, Landsberg am Lech, without interruption since the financial year 2011.

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).

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Jürgen Schumann."

Munich, 2 March 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Jürgen Schumann	**ppa. Patrick Konhäuser**
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Legal Notice

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Concept and design
RATIONAL Media Design & Services
Regine Hemmrich Grafikdesign, Landsberg am Lech

Printing
F & W Druck- und Mediencenter GmbH, Kienberg

This report was published on 24 March 2021.

Global presence

Sales revenues by region in 2020

Key figures for RATIONAL shares

Key figures

		2020	2019
Maximum price last 12 months[2]	EUR	**792.50**	726.00
Minimum price last 12 months[2]	EUR	**377.20**	487.00
Year-end closing price[2]	EUR	**761.50**	717.00
Market capitalisation[1,2]	m EUR	**8,658**	8,152
Dividend yield[3]	%	**0.6**	0.8
Beta factor (one year) as of 28 Dec[4]	%	**0.95**	0.78
Sales revenues per share	EUR	**57.13**	74.20
Price-to-sales ratio[1]		**13.3**	9.7
Earnings per share	EUR	**7.04**	15.09
Price-earnings ratio[1]		**108.1**	47.5
Cash flow per share	EUR	**8.15**	17.47
Price-cash flow ratio[1]		**93.4**	41.0

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

Performance of RATIONAL shares since IPO in 2000

Index (issue price 23.00 EUR = 100); in %

Year-end closing price: 761.50 EUR

RATIONAL shares — basic information

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

Status: 2 March 2021

Financial calendar 2021

Financial Figures Fiscal Year 2020 and Balance Sheet Press Conference Fiscal Year 2020	Virtual	24 Mar '21
RATIONAL Analysts' Day 2021	TBD	TBD
Financial Figures Q1 2021	Virtual	6 May '21
General Shareholders' Meeting 2021	Virtual	12 May '21
Financial Figures Half Year 2021	Virtual	05 Aug '21
Financial Figures 9 Months 2021	Virtual	03 Nov '21

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		2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Sales revenues	m EUR	**650**	844	778	702	613	564	497	461	435	392
Sales revenues abroad	%	**87**	88	88	87	87	87	87	87	86	85
Sales revenues combi-steamer	m EUR	**581**	769	712	646	567	529	467	436	413	372
Sales revenues VarioCookingCenter/iVario	m EUR	**69**	75	66	58	47	39	33	28	26	23
Gross profit[1]	m EUR	**360**	498	457	421	379	349	304	281	262	234
as a percentage of sales revenues		**55**	59	59	60	62	62	61	61	60	60
EBITDA	m EUR	**136**	248	219	199	176	169	154	136	130	109
as a percentage of sales revenues		**21**	29	28	28	29	30	31	30	30	28
EBIT	m EUR	**107**	223	205	188	167	160	145	128	123	102
as a percentage of sales revenues		**16**	26	26	27	27	28	29	28	28	26
Profit or loss after taxes	m EUR	**80**	172	157	143	127	122	110	97	93	79
as a percentage of sales revenues		**12**	20	20	20	21	22	22	21	21	20
Earnings per share (basic)	EUR	**7.04**	15.09	13.84	12.58	11.18	10.71	9.68	8.55	8.20	6.93
Return on equity (after taxes)[2]	%	**15**	35	36	35	34	37	38	38	42	35
Return on invested capital (ROIC)[3]	%	**15**	34	34	33	31	34	34	35	38	33
Asset situation											
Total assets	m EUR	**671**	699	604	571	540	483	423	377	326	283
Equity	m EUR	**535**	517	456	425	397	356	311	269	237	207
Equity ratio	%	**80**	74	75	74	74	74	73	71	73	73
Liabilities to banks	m EUR	**5**	10	12	14	28	28	33	34	25	19
Cash and cash equivalents (including fixed deposits)	m EUR	**256**	231	192	267	278	267	225	200	166	121
Net financial position[4]	m EUR	**251**	222	180	253	250	239	193	166	141	102
Fixed assets	m EUR	**203**	191	152	127	102	79	69	61	56	54
Investments	m EUR	**31**	40	40	43	25	19	17	12	9	6
Working capital (excluding liquid funds)[5]	m EUR	**152**	161	150	118	108	99	93	84	75	79
as a percentage of sales revenues		**23**	19	19	17	18	17	19	18	17	20
Cash flow/investments											
Cash flow from operating activities	m EUR	**93**	199	144	146	130	143	113	103	111	68
Cash flow from investing activities	m EUR	**38**	−55	−56	77	−97	−11	−39	−28	−38	61
Cash flow from financing activities	m EUR	**−79**	−119	−128	−128	−87	−83	−71	−57	−57	−106
Employees											
Number of employees as at year-end		**2,180**	2,258	2,113	1,884	1,713	1,530	1,424	1,341	1,263	1,224
RATIONAL shares											
Year-end closing price[6]	EUR	**761.50**	717.00	496.00	537.20	424.00	419.90	259.75	241.10	218.00	168.20
Year-end market capitalisation	m EUR	**8,658**	8,152	5,640	6,108	4,821	4,774	2,953	2,741	2,479	1,912
Payout[7]	m EUR	**55**	65	108	125	114	85	77	68	65	63
Dividend per share[7]	EUR	**4.80**	5.70	9.50	8.80	8.00	7.50	6.80	6.00	5.70	5.50
Special dividend per share[7]	EUR	**–**	–	–	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 banks
[5] Total inventories and trade receivables less trade accounts payable and advance payments received
[6] Xetra
[7] Payout in the following year, dividend for 2020 subject to approval by the 2021 General Meeting of Shareholders

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