MAKE IT

easy.

ANNUAL REPORT 2019

Key figures

in m EUR

Sales revenues by region	2019	2018	Change absolute	Change in %
Germany	99.6	95.5	+4.1	+4
Europe (excluding Germany)	376.7	352.9	+23.8	+7
North America	158.8	143.4	+15.4	+11
Latin America	46.7	44.1	+2.6	+6
Asia	119.6	105.2	+14.4	+14
Rest of the world	42.1	36.7	+5.4	+15
Sales revenues abroad (in %)	88	88	+0	–
Sales revenues by product group				
Combi-steamer	769.1	712.1	+57.0	+8
VarioCookingCenter®	74.5	65.8	+8.7	+13
Sales and earnings				
Sales revenues	843.6	777.9	+65.7	+8
Cost of sales	346.1	321.0	+25.1	+8
Gross profit	497.6	456.9	+40.7	+9
as a percentage of sales revenues	59.0	58.7	+0.3	–
Sales and service expenses	198.1	184.0	+14.1	+8
Research and development expenses	42.0	38.1	+3.9	+10
General administration expenses	37.3	33.3	+4.0	+12
Earnings before interest and taxes (EBIT)	223.4	205.0	+18.4	+9
as a percentage of sales revenues	26.5	26.4	+0.1	–
Net income	171.6	157.3	+14.3	+9
Balance sheet				
Balance sheet total	698.7	604.4	+94.3	+16
Equity	517.4	455.5	+61.9	+14
Equity ratio in %	74.0	75.4	−1.4	–
Cash flow				
Cash flow from operating activities	198.6	144.3	+54.3	+38
Cash-effective investments	40.7	46.2	−5.5	−12
Free cash flow[1]	158.0	98.2	+59.8	+61
Employees				
Number of employees as at 31 Dec	2,258	2,113	+145	+7
Number of employees (average)	2,221	2,042	+179	+9
Key figures RATIONAL shares				
Earnings per share (in EUR)	15.09	13.84	+1.25	+9
Year-end closing price[2] (in EUR)	717.00	496.00	+221.00	+45
Market capitalisation[2 3]	8,152	5,640	+2,513	+45

[1] Cash flow from operating activities less investments

[2] Xetra [3] As at balance sheet date

Make it Easy

Intelligent solutions for thermal food preparation

We are the global market and technology leaders in innovative solutions for thermal food preparation with a market share of approximately 50%. Around 140 million meals are prepared daily using our products.

Our appliances are ideal for any organisation in which at least 20 warm meals a day are prepared. 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 and service stations.

Expenditure on eating out has risen by three to four percent p.a. in recent years. Similar growth rates are also expected in the future. Consequently, the prospects for the catering industry are extremely promising. By being aligned to the basic human need to eat, the food service industry as a whole, and RATIONAL as its market leader, are less dependent on economic conditions than other sectors and companies.

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. 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. In the meantime, we maintain a presence in over 120 countries through our own sales companies and independent sales partners.

A key factor in our success is uncompromising customer orientation. Our company's overriding aim: "We offer the greatest possible benefit to the people preparing hot food in the professional kitchens of the world." By focusing on professional kitchens and on their core activity, cooking, we can offer our customers ever better solutions and continuously increase their benefit. Our products set standards for cooking intelligence, cooking quality, user-friendliness, and resource efficiency. They can perform practically all cooking processes: grilling, steaming, gratinating, baking, proofing, roasting, braising, simmering, stewing, poaching, blanching, deep frying, low-temperature cooking, 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.

Since the SelfCookingCenter® can replace not only conventional cooking technology but also standard 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 VarioCookingCenter® to be lower. However, since this type of cooking technology was only introduced in 2005, market penetration is still relatively low. We therefore consider the market potential of the VarioCookingCenter® to be very high. This huge untapped market potential will allow us to grow with both technologies as a result of further market penetration and rising demand for replacements.

In addition to powerful, high-quality products, we offer our customers a comprehensive service offering for the entire duration of the business relationship, enabling them to make the best possible use of their cooking systems at all times.

ConnectedCooking provides our customers with a free, cloud-based connectivity solution for professional kitchens that they can use to manage their assets, hygiene and recipes. 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. Additionally, the fee-based ConnectedCooking Pro was launched on the market in the spring of 2020 in Germany and Austria. The fee-based services of ConnectedCooking Pro simplify the workflows in the day-to-day kitchen routine and provide even more safety and efficiency. These services are aimed in particular at businesses that produce more than 1,000 meals a day at more than three locations.

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 say they would buy one of our products again at any time and also recommend RATIONAL to others. This is the basis for our clear market lead, which we have been able to significantly reinforce in the past few years.

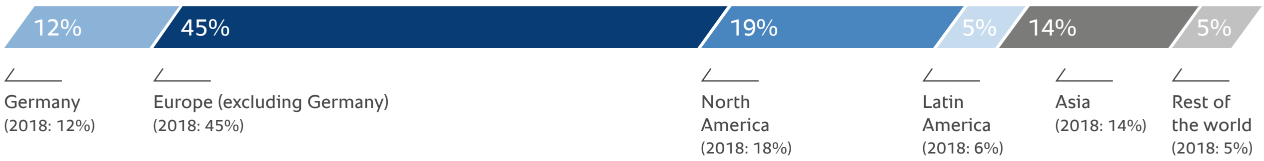
Another key success factor is the principle of the "Entrepreneur in the Company" (U.i.U.®). The U.i.U.® entrepreneurs operate as independent business people within their own area of responsibility, make the necessary decisions independently and take responsibility for them. At the end of 2019, we employed around 2,250 people, over half of whom are in Germany.

Our positive financial performance is ultimately also a result of the high level of customer and employee satisfaction. Growth rates in the high single-digit range, EBIT margins of more than 25%, an equity ratio of over 70% and a dividend that has risen continuously for the past 11 years all reflect high performance and stability.

We are confident that we will be able to continue our success story in the coming years with the growth trend of the past years and retain the same high level of profitability.

Global Presence

Sales revenues by region in 2019



Our products

Maximum customer benefit due to easy handling, best cooking quality and efficiency

Uniquely intelligent
SelfCookingCenter®

The SelfCookingCenter® is a combi-steamer with intelligent cooking processes. The heat during cooking is transferred via steam, hot air or a combination of the two. SelfCookingControl® detects the size and consistency of the food and automatically determines the optimum cooking process so that the desired result can be achieved with perfect precision every time and without any need for the cooking process to be supervised. Alongside cooking intelligence, the main unique selling points of the SelfCookingCenter® are high resource efficiency, ease and flexibility of use, as well as minimal cleaning and care effort. That leaves the cook time for the essentials: creativity and the well-being of the guests. With seven different appliance sizes, we can always offer the right product for all markets and customer groups.

Smart cooking
VarioCookingCenter®

The VarioCookingCenter® is a multifunctional cooking appliance. It cooks in liquids or in direct contact with heat and is up to four times faster than comparable products, with 40% less energy consumption. 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. From restaurant businesses to communal catering establishments, we offer the optimum solution for all markets and customer groups with the five different models in the VarioCookingCenter® range.

Motivated, solution-driven & close to the customer

We make work easier for chefs around the world. It's part of RATIONAL's DNA. That's how the company's success story began, and that's how we intend to write its next chapters.

This includes not only cutting-edge technology, but also all the things we do to increase the benefit in the kitchen. From ground-breaking catering concepts and tailored training to special trend expertise and unique solutions with which RATIONAL makes the work of chefs easier — as no other company does.

Contents

Impressive success
The global market and technology leader for thermal preparation of food in professional kitchens produces its one millionth combi-steamer.

"Every day we work towards making everyday life easier for our customers by providing a range of benefits — from ever more intuitive operation of our multifunctional appliances to carefully tailored services."

Foreword by the Supervisory Board

Dear Ladies and Gentlemen,

Those who make everyday life easier for their customers will be successful. We've been doing that for over 40 years. It began with the invention of the combi-steamer in 1976, and it continues with the enhancement of the digital connectivity solution for the professional kitchen.

Customer benefit is the only guarantee of long-term success. The fact that RATIONAL is now by far the world market leader can be ascribed to our ability time and again to positively surprise our customers with innovative products and services. By focusing our thoughts and actions on specific customer needs, we have come to be seen as a true partner in the kitchen. We are valued as a competent provider of solutions that have been thought out down to the last detail.

Every day, we ask ourselves how we can make work easier for all the people in professional kitchens around the world. That's why we listen carefully to our customers in order to understand their needs. That also means that our customer relations do not end, but really only just begin, with the sale of our multifunctional cooking appliances. Through our comprehensive services and consulting offerings, we interact with our customers in many different ways, creating a strong bond.

RATIONAL's unique overall concept has evolved in the course of the past decades and is constantly being enhanced, always guided, of course, by the changing needs of commercial food preparation. For this reason, we always consider the entire value chain of our customers — from procuring raw materials, storage and processing to plating up the finished meal. In future we will continue to do everything we can to make the working lives of our customers easier — positively, sustainably and in almost every country on our planet.

Finally, I want to give a very special thanks to all our managers and employees for vigorously driving our company forward with good ideas. It is thanks to them that we shipped the one millionth RATIONAL combi-steamer in the past fiscal year. Their tireless commitment and readiness, time and again, to come up with exactly the right solution for the people working in professional kitchens around the world are the foundation of our successful growth course.

Walter Kurtz
Chairman of the Supervisory Board
of RATIONAL AG

Letter from the Executive Board

Dear Shareholders,
Customers and Business Partners,

We reached a special milestone in our company's history in the past fiscal year, when the one millionth RATIONAL combi-steamer rolled off the production line. After a tour of the world's biggest trade fairs around the world, the appliance was finally put into service in Munich's Hofbräuhaus in October.

Like all the others, the purpose of this combi-steamer is to meet our primary corporate objective: to bring benefits to customers. But it's not just our technologically leading multifunctional appliances that help us achieve that. The right accessories and cleaning products enhance the benefit even more, as do our comprehensive after-sales services. In the meantime, the proportion of sales revenues we generate with accessories, cleaning products, service parts and consulting services has grown to 26%. The editorial part of the 2019 Annual Report is dedicated to this "non-appliance business".

Our comprehensive range of accessories enables our customers to use their appliances even more efficiently. For example, by using the chicken spike, customers can cook poultry vertically and therefore more quickly. At the same time, this accessory produces especially succulent breast meat and evenly browned skin.

With our internally developed cleaning products, our appliances are very easy to clean. This greatly simplifies the stressful day-to-day working lives of people in commercial kitchens around the world. The cleaning processes of the SelfCookingCenter® and CombiMaster® Plus clearly set RATIONAL apart from the competition in terms of resource efficiency. The VarioCookingCenter® needs virtually no cleaning, because the intelligent cooking technology and short response times of the patented heating elements mean that nothing burns or sticks.

The third key area of the non-appliance business is service parts, which are used in regular maintenance or repairs of RATIONAL appliances. Every year, we deliver over 90,000 packages to our service partners around the world.

In addition, we provide a large number of services to facilitate the use of our multifunctional appliances. At the Academy RATIONAL, as part of our training portfolio, customers cook together with our chefs and learn how to make ideal use of their appliances for even more cooking processes. To cater more exactly to special customer requirements, our Inhouse Academy has been training customers in their own kitchens since 2019.

With ConnectedCooking, we offer our customers a state-of-the-art digital connectivity solution for the professional kitchen. The platform now has around 120,000 members worldwide. Through ConnectedCooking and our social media offerings, we inspire our customers with an extensive recipe library. Alternatively, through a large number of videos, we demonstrate, for example, how to steam rice or prepare goulash in the

> “As a specialist for thermal food preparation, we know the challenges our customers face and what they want, down to the last detail. This is a prerequisite for the regular innovation through which we continuously improve the working environment of our customers.”
>
> **Dr Peter Stadelmann**
> CEO of RATIONAL AG

SelfCookingCenter®. All this is free of charge. In the past fiscal year, we added a number of chargeable software modules to enhance the functionality of ConnectedCooking.

The high service quality of our independent technical service partners is another attribute that is highly valued. We arrange further training and audits to enhance service quality and hence our customers' satisfaction with their service partners. On the West Coast of the USA, we are piloting a programme wherein in-house service engineers are deployed to perform repairs and maintenance for our chain customers.

We go the extra mile for our customers. Last year, for example, this took us to the Terri Hut, a mountain cabin on the Swiss Greina Plateau. The RATIONAL service engineers travelled there by helicopter to install and commission the new SelfCookingCenter® at an altitude of 2,170 metres. Very much in the spirit of our company's founder, Siegfried Meister, who once flew straight to Hamburg in his sports plane to help a customer with repairs.

Right from day one, RATIONAL has focused on making everyday life easier for its customers. We do so with our combi-steamers and VarioCookingCenters®, as well as our accessories, cleaning products and services. This has helped us become one of the most well-known and best-selling brands in commercial kitchens.

Close customer proximity and business success

The 2019 fiscal year was one of mixed performance in the global economy and was affected by numerous geopolitical and financial uncertainties. Nevertheless, global economic output rose again by around 3%.

Through their hard work and dedication, our employees succeeded once more in setting new sales revenue and profit records in the past fiscal year.

We achieved an 8% increase in sales revenues, setting a new record of 844 million euros. It is especially encouraging that all the regions around the world contributed to this positive performance. Growth was particularly buoyant in Asia and North America.

EBIT (earnings before interest and taxes) was up significantly on last year's very good level, at 223 million euros. The EBIT margin rose slightly, despite increases in commodity and production costs. At 26.5%, it remained at a high level (2018: 26.4%) and hence at the upper end of the defined target range of around 26%.

Dividend of 10.70 euros proposed

Our shareholders will again have an adequate share of the company's success this year. The Executive Board and Supervisory Board will therefore propose a dividend of 10.70 euros per share for the 2019 fiscal year to the General Meeting of Shareholders to be held on 6 May 2020. Based on the net profit for the year, this translates into a distribution ratio of 71%. We are thus increasing the basic dividend for the eleventh year in a row.

Investing in the future

Back in spring 2018, we significantly increased the production capacity in Landsberg am Lech. Since we believe in the future of our company, we are now building a new distribution centre at the group's headquarters in Landsberg am Lech. The groundbreaking ceremony for this project took place in autumn 2019. The expansion, covering an area of 15,000 square metres, will create additional production capacity, simplify global logistics and thus further improve the conditions for our continuing international growth.

Corporate quality through management and employee quality

To make our customers' day-to-day working lives easier and to keep on coming up with positive surprises for them, we need enthusiastic managers and staff. We are pleased to have such people in our company. Our employees think and act like entrepreneurs within the enterprise, perfectly in line with our U.i.U.® principle. They perform their duties reliably and conscientiously, take responsibility and independently take decisions in their units, always focusing on customer benefit and going the extra mile whenever necessary.

My special thanks therefore go to our qualified and committed managers and employees. They deserve credit for our continuous success, and I want to express my sincere appreciation to them.

Entering a challenging 2020 with commitment

Many megatrends, such as population growth, urbanisation and rising prosperity in the emerging markets continue unabated and are leading to an increase in the number of meals eaten outside of the home. The forecasts for eating out reflect this positive development.

What makes us particularly confident is that our customers continue to be highly satisfied with our products and services, as is demonstrated by high repeat purchase and referral rates.

Negative effects of the coronavirus on the economy and the food service sector can now also be clearly felt beyond China. Economic forecasts have been scaled back. Trade fairs have been cancelled or postponed, and public cooking events have

Peter Wiedemann
Chief Technology Officer

Born in 1959, Peter 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.//

Dr Peter Stadelmann
Chief Executive Officer

Born in 1965, Dr Peter Stadelmann has been a member of the Executive Board at RATIONAL since 2012. He has been CEO since January 2014. He previously spent over 20 years in a variety of managerial positions at the Malik Management Centre St. Gallen. Between 2006 and 2012, he held the position of CEO for the entire Malik corporate group.//

Markus Paschmann
Chief Sales Officer

Born in 1966, Markus Paschmann has been Chief Sales Officer at RATIONAL since December 2013. After graduating in industrial engineering, Markus Paschmann launched his career at Siemens AG. He then joined the Harting Technology Group to manage the Electronics Global Business Unit. From 2006 to 2013, he was on the Executive Board of Sick AG.//

been banned in some countries or have poor attendance rates due to mobility restrictions or individual precautions.

In view of these negative effects, we have reviewed the original forecast and now only expect sales volume and revenues to grow by a percentage in the low single digits compared with the previous year.

In the medium term, we anticipate that market conditions will normalise as the effects of the coronavirus tail off, and hence that sales revenue growth will resume in the high single-digit percentage range.

Due to the anticipated negative sales revenue effect of the coronavirus we expect the EBIT margin for fiscal year 2020 to range from 20% to 25%. This wide range reflects the current deep uncertainties. In the medium term, we expect our EBIT margin to be around 26%.

We thank our customers and business partners and you, our shareholders, for placing your confidence in us in the past fiscal year.

Dr Peter Stadelmann
CEO of RATIONAL AG

The recipe for success:

Make it easy.

New eating habits are breaking down ingrained habits. Ghost restaurants are conquering the market. A society on the move embraces food trucks. New demands and higher expectations are driving change in the industry faster than ever before. The upshot is that many things are changing. There's no end in sight to all the excitement. And one thing is certain: RATIONAL is the partner that gets things done — and gives chefs on all the continents of this world far more than just the exceptional quality of its appliances, making their hard work easier by providing expertise, commitment and intelligent services.

In touch *with the modern Kitchen*

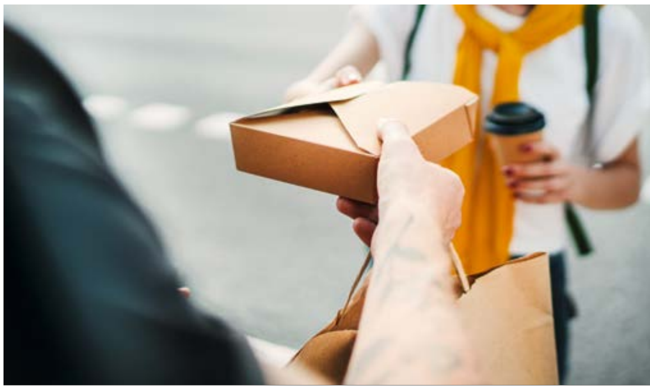
If you want to hand chefs the right tool at the right time, you have to know what motivates them — and what challenges they will face in the future.

Eating habits are changing

Breakfast, lunch, dinner: this familiar sequence of meals, which has for centuries determined the way we take in food, is becoming increasingly obsolete. Food is turning into a constant companion throughout the day. Smaller meals — often taken as a quick snack on the go — have long since been added to the mix. The reasons for this continuing trend are manifold: diverging tastes, a mobile lifestyle, changing working hours, and an increasing number of single households are all factors here. This is not about naughty treats and sweets in between — on the contrary, people are increasingly making sure that they eat healthy, wholesome food. Bye-bye pie, hello bowl? It really looks like it: "fast good — rather than fast food" is the flavour of the month.

Ghost kitchens are becoming more & more popular

Ghost kitchens are places that produce and serve their dishes without a restaurant attached — a booming business model. Marcus Dech, RATIONAL Key Account Manager for the DACH region, explains their success: “A ghost kitchen can accommodate many different cuisines. Whether vegan, Mexican, Turkish or anything that’s served in a bowl, they can capture food trends extremely quickly and translate them into new recipes without fuss.”



92%

of 30 to 40-year-olds in the USA replace a meal with a snack at least once a week.

Food trucks, worms and artificial intelligence

The kitchen is the place to be. Casual dining. Michelin-starred food trucks that can be tracked by app. Dining in a “grocerant”, a fascinating mix of supermarket and restaurant. Worms that are increasingly becoming important as a source of high-quality protein. Algorithms that trawl through millions of recipes, menus and social media posts from all over the world to predict the latest food trends with astonishing accuracy. Whatever is driving the world of cooking, you’ll find a report on it in KTCHNrebel, RATIONAL AG’s award-winning online magazine, which lends chefs a perfect helping hand in their day-to-day challenges not only by highlighting the right technology, but also by providing expertise.

Enjoyment

Served fresh daily

A total of

5,600

hotels and around

837 thousand

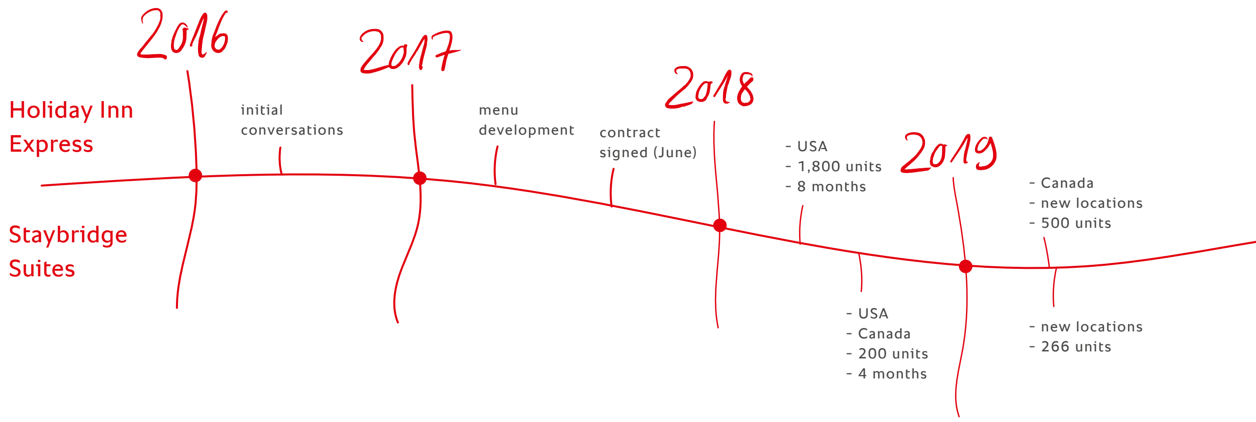
guest rooms
in over

100

countries

Competition is fierce in North America's hotel industry. Those offering travellers real added value can tap into new potential. This includes offering guests the perfect pick-me-up in the morning: a breakfast selection that sets the industry standard.

International dual-brand roll-out



An ambitious roll-out for not one, but two top hotel brands — from the initial idea in 2016 to its implementation in 2018 and ongoing partnership in 2019.

The customer

The InterContinental Hotels Group, IHG®, headquartered in Denham near London, is one of the world's leading hotel companies. In total, the Group leases, manages or owns over 5,600 hotels and around 837,000 guest rooms in over 100 countries, almost 80 % of them in North America. The Group includes Holiday Inn Express, which has around 2,700 hotels and 275,000 rooms; it is one of the most well-known hotel brands in the world.

The idea

In order to gain market share, IHG developed a new breakfast concept, which is specifically intended to boost the Holiday Inn Express and Staybridge Suites hotel brands in this competitive environment. The objectives: create a clear point of difference and increase customer loyalty by offering a higher quality breakfast — consistently delicious hot food, such as freshly made scrambled eggs, bacon and cinnamon swirls.

The challenge

Great-tasting food, flexible and user-friendly handling, consistently excellent results: it soon becomes evident that the demands are high for the perfect kitchen solution. Added to this is another challenge: IHG needs a partner with strong implementation skills, one that is able to perform a scalable roll-out across all of North America in a very short time. This is because speed is critical to maximising the benefits of the new, attractive breakfast concept.

The selection

IHG conducted a comprehensive assessment, looking at all categories of cooking appliances, including conventional ovens and combi-steamers. The IHG test kitchen rated the different providers in terms of performance, quality, cost, warranty, service, training and culinary support, and an ROI analysis was performed. The result: RATIONAL is the first choice.

1,800

RATIONAL SelfCooking-Centers® of different sizes installed in a period of less than eight months in 2018.

More than

500

further installations in 2019.

Over

90%

of Holiday Inn Express hotels in North America now use RATIONAL

The implementation

The first step was to conduct a field test with the RATIONAL SelfCookingCenter® in seven Holiday Inn Express hotels. Following the successful test, equipment was installed at 350 leading Holiday Inn Express locations. This was finally followed by the dynamic roll-out to the other locations in the USA and Canada. In order to meet the ambitious schedule, RATIONAL worked in close cooperation with a large dealer and national service firm. RATIONAL certified chefs provided training at every location.

The solution

> Roll-out of 1,800 RATIONAL combi-steamers to hotels in all US states and Canadian provinces
> Gained first-to-market advantage with fresh, hot breakfast programme
> Freshly prepared food reduces costs and improves nutrition
> Increased guest survey scores on breakfast, boosting guest satisfaction rate

The success

The Holiday Inn Express Guest Love survey shows that the efforts have more than paid off: guests have been extremely happy with the new breakfast experience, rating it significantly better. The food quality of the new offering also received a considerably more positive rating. In April 2019, Elie Maalouf, CEO of IHG's Americas Region, remarked that the new breakfast concept had helped the company gain new market share. Better breakfasts, better results — everything is achievable with solutions from RATIONAL.

A conversation with our expert in application consulting

The appliance follows the chef

– not the other way round

How can a catering business be replanned or modified? Who offers what foods, in what form, and when? How many staff are needed? What are the challenges? We talk to Wolfgang Guth, head of RATIONAL Application Consulting for the DACH region: his team develops tailored concepts and application solutions for major customers.

Mr Guth, what are the latest influential trends in your consulting activities?

"There are two sides to this. On the one hand, there are food trends and, on the other, there are general kitchen trends. As far as eating is concerned, snacking and smaller meals are becoming more and more important. This means that meal sizes are generally declining, while the range of dishes is increasing. Grab-and-go offerings, as well as a wide selection of international foods, are major topics. What's more, food preparation is increasingly shifting towards the serving counter so that restaurant patrons can watch their dish being put together."

And the trends in the kitchen?
"The number of experts in the kitchen is on the decline, while technology offers an increasing range of possibilities and preparation options. Our customers therefore see us primarily as a process optimiser. We thoroughly analyse the processes and look for the perfect way to give all kitchen employees the right access to the appliances."

What future trends have you identified for professional kitchens?

"We are only seeing the beginning of what digitalisation can offer. And more than ever customers are requesting tailor-made user solutions from us. This could involve, for example, an Asian self-service restaurant, an elegant wine bar, or even a hospital chain. What matters is that the solution fits perfectly."

The RATIONAL Application Consulting team now even has a food chemist among its members. How did that come about?

"Having our new colleague allows us to develop solutions that are even more individually tailored to our customers. Since she is also an IT specialist, she can create dedicated programs for customers. In this way, we turn general appliance functions into individualised appliance functions, which help customers to get the maximum benefit from their appliances."

Do application consultants have to have an entrepreneurial mindset?

"Absolutely. It is not without reason that RATIONAL has established the U.i.U.® principle, the principle of "Entrepreneur in the Company". Every employee operates as an entrepreneur within their own area, ready to take decisions and accept responsibility. Take, for example, one of our consultants in southern Germany who looks after the Oktoberfest hosts. He acts autonomously, because he knows the processes and individuals who run the workflows at this annual event. Expert know-how and quick decisions inspire confidence, which is the basis for shared success."

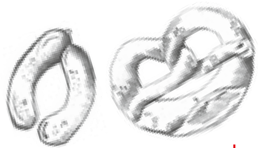
Could you give us an example of how you advise a major customer?

"We don't work according to a formula. Each customer has its own requirements. We start by conducting an in-depth analysis of the situation in the business. This can only be done in the kitchen itself. An application consultant spends at least one full day tracking the business, from the start of production to serving. In this process, they gain an understanding of how the kitchen is currently run and then develop a tailored concept for it: Where can processes be optimised? Would specific training make sense? In our consulting role, we turn into chefs in the kitchens we visit. Demand is high. In 2019 alone, we shadowed more than 300 businesses."

What particular factors do you have to take into account in this process?

"Holistic thinking is becoming increasingly important. For a chain of service stations, we analysed how the food products get into the storeroom and on to the shop floor — and what the relevant appliances and processes are, from dishwasher to grill station to hot food counter. One example of this is that chickens have to be cooked at a lower temperature inside the shop to minimise smoke development. Although this initially gives the chickens a lighter colour, they will continue to brown — and they have to remain moist and appetising even after they have been kept hot for a while. Bread rolls served as a side naturally soften in the shop's atmosphere, which means that they should be crispier to begin with. For the servers at the counter, all appliances and products must also be easy and safe to handle — it's always a combination of many such factors that have to be taken into account so that processes can be optimised for each customer."

Thank you very much, Mr Guth.



Perfecting the sausage

Travellers who venture south of the border into Bavaria must cross what locals here call the "White Sausage Equator", a humorous reference to the area's signature delicacy. And when they do they are certain to want to partake, but they will be very disappointed if the Weißwurst are served lukewarm or even cold.

Mr Reithmeier, you are the head chef in Munich's Hofbräuhaus: what is your secret to serving Weißwurst at the perfect temperature?

"Together with RATIONAL, we worked out the perfect routine: First, we put the sausages into a cold lion-head tureen where it is cooked in hot circulating air at a specific setting for exactly six minutes. After that, water is poured over it in order to continue the cooking process. Then, we let it sit one minute until the sausage is served to the customer at exactly the right temperature of 70 degrees."

So you always serve the perfect Weißwurst?

"Of course. We serve it in the traditional manner with sweet mustard and preferably before the noon bells ring."

Enjoyment without borders

Service without limits

On board the Crystal Mahler travelling from Vienna to Budapest: perfect butler services, the highest culinary standards, inspiring excursions — the shipping company Crystal Cruises received the Travel + Leisure World's Best Award for this luxurious offering. Let's take a look inside the galley — all aboard!

Day 1 — Vienna
While guests from all over the world move into their suites, the ship's galley is already a hive of activity. The ship's gourmet restaurants prepare 500 meals every day. Now the first gala dinner is approaching: gluten or lactose-free, vegan, regional or sugar-free dishes — the experienced galley crew is flexible enough to respond to all kinds of culinary requests.

Day 2 — Vienna
We leave behind the baroque beauty of the former imperial capital and royal residence to head west. The people working in the galley are unaware of the ship's movements. Things are particularly cramped on board ship. It is therefore essential that a RATIONAL combi-duo has been installed here: two SelfCookingCenters® on top of each other on less than one square metre — this means twice as much capacity and more room to move.

Day 3 — Dürnstein and Melk
While the guests remain mesmerised by the magic of the Wachau valley and the beauty of the Benedictine Melk Abbey, the choppy waves and the gusty winds are making things a little uneasy for the crew down below. But everything stays in the right place, because RATIONAL's appliances are equipped with marine fittings for use on board. Door-locking devices secure open doors, and lockable tray runners keep containers in place.

Day 4 — Linz
In the hustle and bustle of Linz, a first-rate city of culture, the ship's passengers are working up an appetite for the next gourmet meal. This gives the team time to pre-prepare and plate some of the dishes and chill them using the cook-and-chill process. Being an intelligent kitchen aid, the VarioCookingCenter® makes life for the chefs easier by performing the routine tasks for them.


Linz
Dürnstein
Melk
Krems
Vienna

Mr Sengutta, as a corporate chef you are responsible for the kitchen operation and the entire kitchen workflow at Crystal River Cruises. Catering on board is considered excellent. How do you maintain such high standards?

“For us, the personal relationship between chef and guest plays an important role. Our chefs regularly seek contact with our guests. Everyone likes to hear praise, of course — and we take criticism very seriously. What is more, we create the right environment for top-class performance. To this end, we equip our chefs with the best technology. The multifunctional appliances from RATIONAL take care of many of our work steps, allowing our chefs to focus on making sure that every plateful meets the highest standards.”

Which RATIONAL technology do you consider particularly useful?

“Standardisation is extremely important for us. In our database, I archive recipes and the associated cooking processes. I use ConnectedCooking to distribute the recipe, including a picture, to all connected RATIONAL appliances on all our ships at the click of a button. This means the teams of chefs on board our fleet already have access to the right cooking process: all they have to do is select the button for the appropriate dish on the display of their appliance.”

RATIONAL appliances are used in all the ships of the cruise line. In all honesty, has there ever been a serious problem?

“Normally everything runs smoothly. But on one occasion we did have a genuine appliance failure. One phone call was enough for a RATIONAL service partner to come on board in the next port and solve the problem. We have to rely on getting swift assistance, because there is no plan B on board.“

Thank you, Mr Sengutta — we wish you and the ships of Crystal River Cruises bon voyage.

95 %

of the members of the kitchen team rejoin the ships of Crystal River Cruises — the fact that they have the right equipment on board contributes to the good working atmosphere.

The entire galley in a single app: **Thorsten Sengutta**, corporate chef at Crystal River Cruises, can plan and adapt entire menus and distribute them to his team via ConnectedCooking.

Day 5 — Krems
The picturesque town of Krems attracts visitors into its historic centre, which is part of the Wachau Cultural Landscape, a UNESCO World Heritage Site. Here, too, the markets and local restaurants offer plenty of inspiration for ambitious chefs. Fresh regional dishes are always highly sought-after by the guests on board. It is important to make sure that every recipe also works on a large scale when the dish is subsequently prepared on board.

Day 6 — Bratislava
With Bratislava Castle looming majestically in the background, our ship docks in the capital of Slovakia. If anyone needs a little refreshment on board, room service is always on call. This means the kitchen appliances run around the clock, seven days a week. Equipment failure? No need to even give it a thought. Even under extreme conditions, such as varying levels of water hardness and pipe pressure, the systems run smoothly.

Day 7 & 8 — Budapest
We reach the world-famous city. Its countless highlights, such as St. Stephen's Basilica or the Fishermen's Bastion, are waiting to be explored. The galley is still running full steam, and soon the ship will return to Vienna. All appliances have performed perfectly. The next major check-up by the RATIONAL service partner is due only after the winter break. That's still some way off — until then a lot of water will have run under the bridges of the Danube.

THE RECIPE FOR SUCCESS

Everything turns out well *with the right ingredients*

“RATIONAL would not be what it is today without its employees. They work like independent entrepreneurs — with great commitment and lots of responsibility, focusing on the big picture and with the customer in mind.”

Dr Peter Stadelmann
Chief Executive Officer
of RATIONAL AG

Axia Best Managed Companies Award
In May 2019, RATIONAL was singled out as an excellently managed medium-size company for its innovation and sustainable management culture. It received the Axia Best Managed Companies Award from the audit and consulting firm Deloitte, Wirtschaftswoche magazine and the BDI.

Over
75 thousand
deliveries to almost
6,000
customers in
125 countries

Service parts sent all over the world

A comprehensive service network of more than
1,300
service partners in local proximity to customers ensures that our appliances are always operational.

Healthy break
"Preparing food with these appliances is a dream. Start-up and further training at Academy RATIONAL made it easy for our entire team to change cooking methods and put the intelligent programs in the appliances to good use."

Kitchen manager and master of home economics Sabine Rieß from Kaufering primary school — where a SelfCookingCenter® and two VarioCookingCenter® ensure that learners have varied and healthy meals prepared for them.

Cleaning power
Whether it's cleaning tabs, grill cleaners or rinse aids, the cleaning products developed in RATIONAL's own laboratory are tailor-made for the appliances — ensuring maximum efficiency and hygienic cleanliness.

ChefLine®
A new accessory required? A technical query? A recipe suggestion? Our ChefLine® is the quickest way for chefs to get in touch with other chefs. It's where professionals give advice to other professionals promptly and without red tape. Around the clock, every day.

Where there's a will

there's a kitchen

2° 57’ S, 60° 38’ W:
Deception Island in the South Shetland Islands archipelago, Antarctica.

In winter, the island is trapped in pack ice, and even the short summers are extremely cold. As if this wasn’t discomfort enough, the island is an active volcano, which last erupted in 1970. On the shore of the lonely Whalers Bay lies the Spanish research station and military base Gabriel de Castilla. Is this the end of the world? Maybe, but the RATIONAL SelfCookingCenter® 61 — perfectly connected via ConnectedCooking — makes sure it isn’t the end of good cuisine.

“Should problems occur unexpectedly, the after-sales service is only ever a mouse click away and will provide immediate assistance. ConnectedCooking gives us the perfect solution for every challenge.”

Víctor Manuel Rodríguez
Gabriel de Castilla Base

Around the world, 140 million meals are prepared every day using RATIONAL equipment. Víctor Manuel Rodríguez, head chef of the Spanish military base in Antarctica, contributes to this impressive figure five times a day, thus ensuring that the station's 30 employees are always well cared for — despite harsh climatic and organisational conditions. A reliable kitchen solution is indispensable in this scenario.

Things have to be easy to use and handle in the eternal ice. Resources are scarce and precious. It's all the more important to have optimal use of all appliances. In the kitchen everything is organised, from remote control via smartphone to push messages, application videos and recipe ideas down to automatic updates or immediate technical support. Being the most modern networking solution in the market, ConnectedCooking brings chefs together over any distance — and on all continents.

14,105 km

That's how far Deception Island is from Germany. Good advice is only ever a click away.

Where the centre of the world is depends on where our customer is.

RATIONAL Shares

Compared to the issue price at the time of the IPO in March 2000, RATIONAL shares have increased by a factor of more than 31 (+3,017%). Shareholders of the first hour, therefore, can be delighted about an average annual price appreciation of just under 19%. Taking into account paid out dividends, the average annual return is more than 22%.

more than 22%

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

* Based on the 2019 year-end closing price

RATIONAL shares outperform comparative indices in 2019

Many of the uncertainties that had affected the stock exchanges in 2018 persisted in 2019. Investors worried about a possible recession, Brexit and not least the US-China trade war.

The slight downturn in the economy expected for 2019 materialised. While the global economy expanded by 3.6% in 2018, the International Monetary Fund is forecasting growth of only 2.9% for 2019. Economic growth slowed both in industrialised countries and in emerging economies. In particular, weaker global trading activity had a negative impact on many national economies.

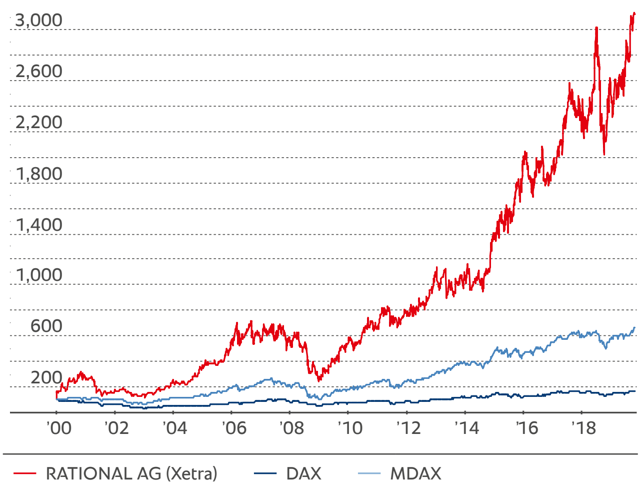
By contrast, the performance of the stock market was largely unaffected by the factors described above. In 2019, stock exchanges benefited from the fact that, amid signs of a weakening economy, central banks continued to ramp up their expansionary monetary policies. Despite continuing political uncertainty, weak economic data, and disappointing corporate results, the stock exchanges made up the previous year's losses and, in some cases, reached new all-time highs.

The DAX and MDAX — the key German indices for RATIONAL — were on a distinct upward trajectory in the first six months of the year. From July to September they moved sideways, before resuming their buoyant climb in the last quarter of the year. The DAX ended the year at 13,249 points, around 2,690 points up on the previous year. The MDAX stood at 28,313 points at the close of the year, 6,725 points higher than at the close of 2018. For the year as a whole, both indices were significantly higher than in the previous year: the DAX was up 25% and the MDAX rose by 31%.

Performance of RATIONAL shares since IPO in 2000

Index (issue price 23.00 EUR = 100) in %

Year-end closing price: 717.00 EUR



RATIONAL shares once again outperformed their comparative indices in 2019. While they tracked the benchmark indices during the first seven months of the year, share prices moved sharply higher after the publication of the six-month report on 8 August. After the figures for the first nine months of 2019 were released on 31 October, the price of RATIONAL shares broke through the 700-euro mark for the first time.

In the following two months, the shares continued their upward trend, reaching a new all-time high of 726.00 euros in intraday trading on 23 December. At the end of 2019, they traded at 717.00 euros. Following the publication of the provisional figures for fiscal year 2019 on 6 February 2020, many analysts revised their price targets for RATIONAL shares. They range between 640 and 650 euros on average.

Compared to the 2018 year-end closing price of 496.00 euros, the share price rose by 45%. Taking into account the distribution of a dividend of 9.50 euros for fiscal year 2018, this results in an appreciation of 46% for 2019. As at the balance sheet date, RATIONAL AG's market capitalisation stood at around 8.2 billion euros.

Stable share performance thanks to sustainable corporate strategy

Our shareholders' trust is founded on our company's strategy, which is geared to providing long-term, sustainable customer benefit. This is also the foundation for our growth and profitability. 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 more than 31 (+3,017%). This corresponds to an average annual price increase of 19%. Furthermore, dividends of 96.55 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 more than 22% per annum.

Historical development of RATIONAL shares and relevant benchmark indices as of 30 December 2019

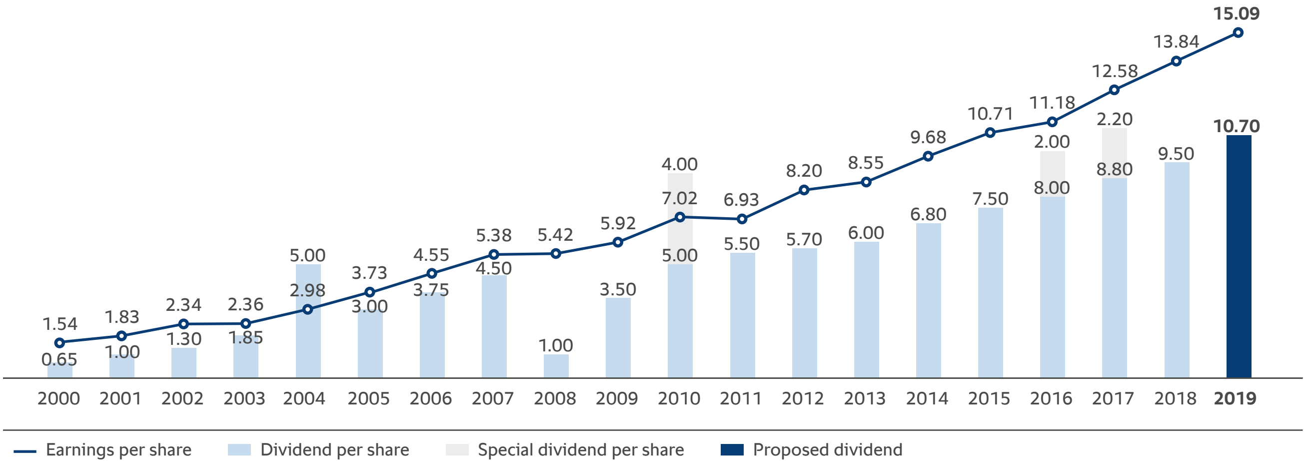
in %

	1 year	3 years	5 years	Since IPO
RATIONAL AG (share price development)	+45	+69	+176	+3,017
RATIONAL AG (incl. dividends)*	+46	+79	+204	+5,110
DAX 30	+25	+15	+35	+66
MDAX	+31	+28	+67	+563

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

Earnings/dividend per share since the IPO

in EUR



RATIONAL back on the MDAX

Our shares have been listed in the Prime Standard since the IPO, and are traded in all German stock exchange centres. After two years in the SDAX, RATIONAL AG shares were reclassified to the MDAX in September 2019. In Deutsche Börse's index ranking of December 2019, RATIONAL AG is in 92nd place based on order book turnover. In terms of market capitalisation, RATIONAL ranks at number 74. Given this ranking, it can realistically be assumed that RATIONAL AG will remain in the MDAX in the medium term.

RATIONAL shares — key figures

	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
Year-end closing price[2] (in EUR)	**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)	**8,152**	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)	**2,438**	1,641	2,132	1,403	1,392	861	800	723	547	525
Average trading volume[2] (in shares)	**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)	**10.70**	9.50	11.00	10.00	7.50	6.80	6.00	5.70	5.50	9.00
Dividend yield[3] (in %)	**1.5**	1.9	2.0	2.4	1.8	2.6	2.5	2.6	3.3	5.6
Annual performance excluding dividend (in %)	**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 %)	**46.4**	−5.6	29.1	2.8	64.3	10.2	13.2	32.9	9.5	42.6
Price-to-sales ratio[1]	**9.7**	7.3	8.7	7.9	8.5	5.9	5.9	5.7	4.9	5.3
Price-earnings ratio[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]	**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] Payout in the following year; 2019 dividend subject to approval by the 2020 General Meeting of Shareholders; 2010, 2016 and 2017 include a special dividend of 4.00 euros/2.00 euros/2.20 euros respectively [4] In relation to the year-end closing price Source: vwd, RATIONAL

The average daily Xetra trading volume was 8,582 shares in 2019 (2018: 6,391 shares). To support the liquidity of the shares, HSBC Trinkaus & Burkhardt AG acts as the designated sponsor.

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

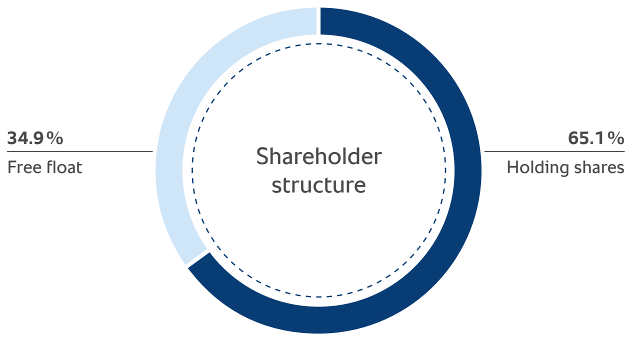
At 15.09 euros, earnings per share in 2019 exceeded the previous year's figure of 13.84 euros. This was thanks to sales revenue growth over the past fiscal year and the high earnings power of the company. The number of shares issued remains unchanged at 11,370,000. No dilution effects occurred.

Dividend of 10.70 euros proposed

We would like to continue our course of stable and rising dividends this year and once again let our shareholders have an adequate share of our successful business performance. The Executive Board and Supervisory Board therefore propose to the General Meeting of Shareholders in 2020 the distribution of a dividend of 10.70 euros per share for fiscal year 2019 (2018: 9.50 euros per share). A total amount of 122 million euros has been set aside for the distribution. The dividend yield (based on the 2019 closing price) is 1.5%.

With a traditionally high average distribution ratio of around 70% of net profits, we are thus continuing our consistent dividend policy of recent years.

The shareholder structure

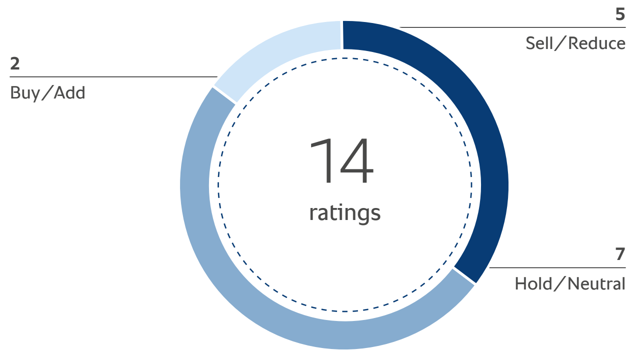


Status: 9 March 2020

As at the end of February 2020, 65.1% of the share capital was held in fixed ownership and 34.9% was in free float.

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

Current analysts' comments as published on the RATIONAL corporate website



Status: 9 March 2020

At present, 14 institutes publish detailed analyses on RATIONAL AG. All equity analysts are convinced of the company's exceptional earnings power and quality. Most analysts recommend holding or buying the shares at the current valuation level.

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 market players' 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 trust and partnership at all times. We are committed to making financial information openly and transparently available as a matter of course.

In 2019, management spent 28 days at roadshows and capital market conferences, both in Germany and abroad. The annual figures were presented to the public at an annual results press conference. 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 answered in telephone conferences.

In addition, an analyst day was held at Munich's Hofbräuhaus in the past fiscal year. At this event, capital market and media representatives had the opportunity to familiarise themselves with RATIONAL through direct dialogue and an informative programme, which included a guided tour of the kitchens.

Our Investor Relations specialists, as well as members of the Executive Board, are happy to answer questions from professional and private investors and any other 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
Index membership	QIX Germany, MDAX, CDAX, Classic All Share, DAX International Mid 100, DAXglobal Sarasin Sustainability Germany Index, DAXplus Export Strategy, DAXPLUS FAMILY 30, DAXPLUS FAMILY, DAXsector All Industrial, DAXsector Industrial, DAXsubsector All Industrial Products & Services, DAXsubsector Industrial Products & Services, MIDCAP MKT, Prime All Share (Deutsche Börse), BayX30 (Munich Stock Exchange)
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

Corporate Governance Report and 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, number 3.10 of the German Corporate Governance Code and sections 289f and 315d of the Handelsgesetzbuch (HGB, German Commercial Code). 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 also includes integrity in dealings with customers, employees, business partners, shareholders, and the public.

By compliance, RATIONAL understands the meaning to be adherence to legislation, laws and the Articles of Association, together with observance of other internal regulations. In addition, RATIONAL AG continued to develop its own corporate governance in fiscal year 2019, which largely complies with the rules of the Code as amended and published in the Federal Gazette on 24 April 2017. 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.

Based on the results of compliance risk analyses, 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 no 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 2019, 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.

Around 750 shareholders, representatives of the press and guests attended the General Meeting of Shareholders in Augsburg on 15 May 2019. Just under an imputed 91% of the share capital was represented. 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 three 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 four members as at the balance sheet date. The assignment of division responsibility to the individual members is detailed in the executive organisation chart. The members of the Executive Board at the balance sheet date were Dr Peter Stadelmann (Chief Executive Officer, Human Resources, Legal and the Digital Customer Solutions business unit), Peter Wiedemann (Chief Technical Officer), Dr Axel Kaufmann (Chief Financial Officer) and Markus Paschmann (Chief Sales Officer). Dr Axel Kaufmann resigned from the RATIONAL AG Executive Board effective 31 December 2019. No external appointment for the position of Chief Financial Officer took place. From 1 January 2020, Dr Stadelmann assumed the duties of the Chief Financial Officer alongside his other responsibilities. He remains the Chief Executive Officer.

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 Supervisory Board may exercise its right to veto stipulated in the rules of procedure for the Executive Board. The Chairman of the Supervisory Board coordinates the work in the Supervisory Board, chairs its meetings and looks after the interests of the Board in its external dealings.

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.

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. 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 five independent members (Dr Hans Maerz, Mr Erich Baumgärtner, Dr Gerd Lintz, Mr Werner Schwind and Dr Georg Sick) who have no material business or personal relationship with the Company or its Executive Board, and the Supervisory Board considers this to be a sufficient number. The current term of office of all incumbent Supervisory Board members 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 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 report (see below). Beyond that, the Supervisory Board of RATIONAL AG will not set any concrete objectives for its composition in accordance with number 5.4.1 (2) of the German Corporate Governance Code and will not report on this in the Declaration of Corporate Governance in accordance with number 5.4.1 (3) of the Code.

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 it 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 15 May 2019, the General Meeting of Shareholders appointed PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, as auditors of the financial statements and the consolidated financial statements for fiscal year 2019. 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 2019 annual financial statements was Mr Jürgen Schumann.

Dependent company report
The Executive Board issued a dependent company report pursuant to section 312 of the Aktiengesetz (AktG, German Stock Corporation Act). The auditors raised no objections to the dependent company report following the audit. Likewise, the Supervisory Board stated after examining the dependent company report that there are no objections to the declaration by the Executive Board at the end of the dependent company report.

Declaration in accordance with section 161 of the AktG and declaration of conformity with the German Corporate Governance Code

The Executive Board and the Supervisory Board of RATIONAL AG, Landsberg am Lech, hereby declare in accordance with section 161 of the AktG that, since the last declaration of conformity was submitted in February 2019, the recommendations of the Government Commission for a German Corporate Governance Code (as amended and published in the Federal Gazette on 24 April 2017) have been and are being complied with, with the following exceptions:

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 (1) sentence 2 and (2) sentence 3 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.

No age limit has been specified for members of the Executive Board, and the Supervisory Board believes that this would not be in the interest of the Company. Executive Board members are appointed solely on the basis of their ability to run the Company successfully. Just because someone reaches a specific age does not generally mean that he or she loses this ability. Moreover, a rigid age limit could be discriminatory.

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 5.4.1 (2) sentences 1 and 2 and (4) sentences 1 and 2 of the Code:
Number 5.4.1 (2) sentence 1: "The Supervisory Board shall determine concrete objectives regarding its composition, and shall prepare a profile of skills and expertise for the entire Board."

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."

Number 5.4.1 (4) sentence 1: "Proposals by the Supervisory Board to the General Meeting shall take these targets into account, while simultaneously aiming at fulfilling the overall profile of required skills and expertise of the Supervisory Board."

Number 5.4.1 (4) sentence 2: "The implementation status shall be published in the Corporate Governance Report."

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. 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.

Landsberg am Lech, 29 January 2020

RATIONAL AG

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

Report by the Supervisory Board

Dear Shareholders,

As it has in the past few years, RATIONAL AG successfully continued on its growth path in the 2019 fiscal year. The focus in the year under review remained on the stability of the Company as a whole as well as the sustained improvement of the quality of the business.

Dialogue and communication as a basis for advice and monitoring

In fiscal year 2019, 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 and quarterly reports 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 operations requiring consent were approved. In fiscal 2019 and in 2020 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 held twelve meetings in 2019. In 2020, one further meeting was held before the meeting of the Supervisory Board on 26 February 2020 to adopt the financial statements. The members of the Supervisory Board also consulted each other in writing and by telephone, and held eleven other internal meetings and four meetings of the Audit Committee in fiscal 2019. All the members of the Supervisory Board and the Audit Committee took part in these meetings. Where applicable, the Supervisory Board also passed resolutions outside the ordinary meetings. During the past fiscal year, the Supervisory Board regularly examined and further improved the efficiency of its activities, in particular the procedures and the timely provision of sufficient information. 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

The consultations with the Executive Board and the internal discussions in the Supervisory Board 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 consolidated 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:

- Business planning for fiscal year 2020
- Further networking of the sales activities for combi-steamers and the VarioCookingCenter®
- Further development, business model and structure of service worldwide
- Key points in product development
- The construction and expansion projects at the Landsberg

and Wittenheim locations
> The development strategy for new markets
> The definition of a target quota for women on the Supervisory Board
> Enhancement of the medium-term strategy, including the product portfolio and sales and marketing strategy
> The selection of candidates for enlarging the Supervisory Board
> The election of the Chairman of the Supervisory Board and his deputy
> The appropriation of earnings and proposed dividend
> The departure of the previous CFO Dr Axel Kaufmann at the end of 2019
> Resolution to make a special U.i.U.® payment

At the Supervisory Board meeting to adopt the financial statements on 26 February 2020, 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 2020 General Meeting of Shareholders.

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, will be proposed as auditors for the 2020 fiscal year. We also adopted the remaining draft resolutions for the ordinary General Meeting of Shareholders.

Our duties in 2019, and, in particular, at the meeting held on 26 February 2020 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 effectiveness of the internal audit and the risk management system.

Committee activities

The Audit Committee, comprising Mr Walter Kurtz, Dr Hans Maerz and Mr Erich Baumgärtner, met four times in the 2019 fiscal year. At its meetings, it dealt in particular with the Half-year Report and the annual and consolidated financial statements, as well as the monitoring of accounting, the accounting processes, the effectiveness of the internal control system, of the risk management system and the internal audit system, and the selection and independence of the auditors. The Audit Committee reported regularly to the Supervisory Board.

Changes in the Executive Board

Dr Axel Kaufmann resigned from his Executive Board position by mutual agreement as at 31 December 2019. The Supervisory Board would like to thank Dr Kaufmann for his successful work during the last four years. Dr Peter Stadelmann assumed responsibility for the area of finance as of January 2020.

Corporate governance

During fiscal year 2019, the Supervisory Board of RATIONAL AG was enlarged from three to seven members. In fiscal year 2019, 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 2019 reporting year in connection with consultations, draft resolutions and the audit engagement.

On 9 March 2017, the German government passed the implementing act that transposes the European CSR Directive (2014/95/EU) into national law. The act takes retrospective effect as of 1 January 2017. As a result, non-financial reporting in accordance with sections 289b and 315d of the Handelsgesetzbuch (HGB, German Commercial Code) has been mandatory since the 2017 fiscal year. RATIONAL AG will publish the 2019 sustainability report, including the disclosures required in this regard, in time for the deadline of the end of April 2020.

The last amendment to the German Corporate Governance Code entered into force on 24 April 2017. Together with the Executive Board, an account was provided for the fiscal year 2019 in the Corporate Governance Report and Declaration of Corporate Governance pursuant to sections 289f and 315d of the HGB. RATIONAL AG largely complies with the recommendations and suggestions set out in the German Corporate Governance Code. This resulted in the submission of the declaration of conformity of February 2020. This was resolved at the meeting of the Supervisory Board on 29 January 2020 pursuant to section 161 of the Aktiengesetz (AktG, German Stock Corporation Act) and published in the 2019 Annual Report. The declarations of conformity of recent years can also be found under "Investor Relations" on the RATIONAL website (www.rational-online.com).

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 15 May 2019, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, audited the financial statements of RATIONAL AG and of the Group for fiscal year 2019. 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. There were no apparent reasons 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 us 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 2019, prepared by the Executive Board in accordance with the provisions of the Handelsgesetzbuch (HGB, German Commercial Code), 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 26 February 2020. In particular, the Supervisory Board concerned itself directly with, and thoroughly examined, the findings of the audit by the auditors.

The auditors took part in the discussion of the Company's annual financial statements and the consolidated financial statements. They reported on the results of the audits, in particular on the points on which it was agreed the audit would focus, and were available to the Supervisory Board for questions and supplementary information. One area on which the auditors' explanations concentrated was the 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 26 February 2020, the Supervisory Board approved the annual financial statements, prepared by the Executive Board, for RATIONAL AG as of 31 December 2019, including the certified version, dated 25 February 2020, of the management report for fiscal year 2019, as well as the consolidated financial statements as of 31 December 2019 and the certified version, dated 25 February 2020, of the Group management report for fiscal year 2019.

After 26 February 2020, the Executive Board of RATIONAL AG decided to review the forecast for fiscal year 2020 due to the worldwide spread of the coronavirus and the increasingly noticeable negative effects on the food service sector. At the start of March, the sharp deterioration in the economic outlook led to an amendment of the sales revenue and profit forecast in the management report and the Group management report of RATIONAL AG for fiscal year 2019. Accordingly, the information on events after the balance sheet date in the notes for the annual financial statements had to be updated.

The auditor issued the audit opinion for the amended annual financial statements and management report as well as the consolidated financial statements and Group management report on 10 March 2020 after completing the supplementary audit relating to the amendment to the forecast reporting and the notes.

The Supervisory Board examined the amended annual financial statements and consolidated financial statements as well as the amended management report and the Group management report. In its resolution of 13 March 2020, the Supervisory Board annulled the resolutions on the annual financial statements and consolidated financial statements of 25 February 2020 and approved the respective audited versions of the annual financial statements and consolidated financial statements dated 10 March 2020. After a review, the Supervisory Board also approved the amendments in the forecast report for the management report and the Group management report.

The 2019 annual financial statements for RATIONAL AG, including the management report, are thereby adopted in accordance with section 172 sentence 1 of the AktG.

Dependent company report
The dependent company report, prepared by the Executive Board pursuant to section 312 of the AktG, on RATIONAL AG's relations with affiliated and associated companies was examined by the auditors. The auditors issued the following audit opinion:

"Based on our statutory audit and our judgement, we confirm that the actual information in the report is correct and the consideration the Company paid for the legal transactions listed in the report was not inappropriately high."

The auditors' report on the dependent company report was made available to all members of the Supervisory Board in good time before the meeting to approve the financial statements and was examined by the Supervisory Board and discussed in detail with the auditors present. Following its own examination, the Supervisory Board concluded that there were no objections either to the report on relations with affiliated and associated companies or to the final statement by the Executive Board contained therein.

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, we approved the appropriation of profits proposed by the Executive Board.

From RATIONAL AG's net retained profits of 377.9 million euros, a dividend of 10.70 euros per share or a total of 121.7 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. Once again in 2019, they succeeded in convincing our customers of 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, 13 March 2020

Walter Kurtz
Chairman of the Supervisory
Board of RATIONAL AG

RATIONAL AG: Group Management Report for Fiscal Year 2019

Contents

The charts on pages 42 to 64 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 25 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 74% of sales revenues are generated through the sale of cooking appliances.

We generate most of our sales revenues with the SelfCookingCenter®, a combi-steamer 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 SelfCookingCenter® 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 model of the combi-steamer called the CombiMaster® Plus. All models are produced at the Company's headquarters in Landsberg am Lech and distributed worldwide.

We also offer the VarioCookingCenter®, a product that complements the combi-steamer technology. This product cooks with direct contact heat or in liquid. It mostly targets the same customer groups and can replace even more traditional cooking appliances, such as deep-fat fryers, boiling pans or tilting frying pans. The products are manufactured in Wittenheim, France, and are still primarily distributed in Europe. Through selected partners, we also already have activities in some overseas markets, such as Japan or Australia.

Around 26% of sales revenues are generated with accessories, service parts and services for our combi-steamers and the VarioCookingCenter®, 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. Additional digital applications to optimise kitchen processes will also be available to our customers at a fee. They are currently at an early stage of testing with pilot customers in the German and Austrian markets.

Our customers can benefit from a large range of free and chargeable services, such as the free live SelfCookingCenter® and VarioCookingCenter® seminars, the Academy RATIONAL, and expert kitchens. We also provide our customers with expert tips on our ChefLine®. Chargeable consulting offerings include Academy events on specific topics and in-depth process consulting as part of post-installation support at the customer.

Segments
Since January 2019, the VarioCookingCenter® has been sold exclusively under the RATIONAL brand through our RATIONAL sales companies. At the same time, our segment reporting was switched from a product-based analysis to a regional breakdown. Since the 2019 fiscal year, 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 (Europe, Middle East, Africa)
- Americas (North and Latin America)
- Asia (North and South 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 right through to quick service restaurants and caterers, as well as supermarkets, bakeries, snack outlets, butchers' shops and service stations.

To make headway in 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 are growing in importance for us.

We estimate that there are around 100 manufacturers of competitor products worldwide. We regard our market and competitive structure and the competitive situation as very different from country to country.

Strategy and objectives

We believe that our success story stands on four main pillars:

1. Focus on large and commercial kitchens
2. Specialisation 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.

Specialisation in thermal food preparation
We see our role in this 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
Offering our customers the maximum benefit during the entire business relationship 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 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

Until fiscal year 2019, the key performance indicator for our customers' interest in our products and their satisfaction was the number of companies participating in our live seminars in the RATIONAL expert kitchen or at the Academy RATIONAL. In the past, the number of companies enrolling in these seminars was an important early indicator of future business performance for us.

In established markets, especially in Europe, live seminars now carry less weight than in markets where there is a lower level of awareness of the technology. Accordingly, many countries also focus on other sales and customer retention strategies in this regard and, in the meantime, less so on live seminars. Training and post-installation support given at the customer's premises in particular are gaining in importance here.

To reflect the varied nature of the sales and customer retention strategies, we are changing the indicator for customer satisfaction as from fiscal year 2020. In future we will use the global RATIONAL customer satisfaction index as an indicator for management purposes. This index, which is based on the TRIM index of the opinion research institute KANTAR TNS, covers criteria such as company performance and customer preferences. This index value is shown on a scale from −50 to +150.

The key performance indicator for employee satisfaction is the staff turnover rate, which is determined monthly.

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 170 employees in this area as at the balance sheet date.

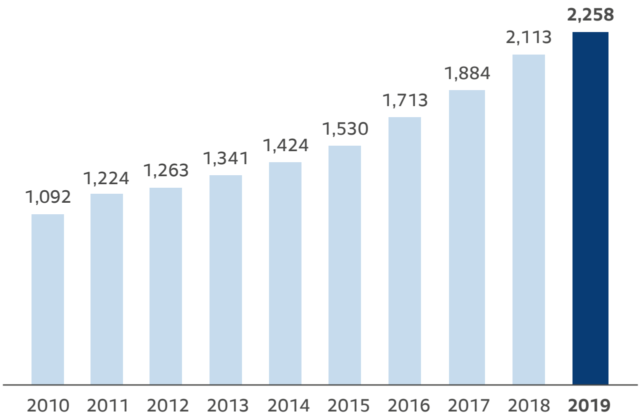
In 2019, we spent 42.7 million euros (2018: 38.8 million euros), or 5% of sales revenues (2018: 5%) on researching and developing new solutions and improving the performance of our products and services. Of this total, 42.0 million euros (2018: 38.1 million euros) were recognised as an expense in the income statement. 0.7 million euros (2018: 0.7 million euros) were capitalised as intangible assets, since the requirements of IAS 38.57 for capitalisation were met. The capitalised development costs will be amortised over their respective useful lives from the time production or service provision commences. In fiscal year 2019, amortisation charges on capitalised development costs were 0.9 million euros.

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

Employees and human resources development

The total number of employees in the Group rose in 2019 by 145, from 2,113 to 2,258 (as of 31 December 2019). Of these, 1,232 (2018: 1,144) 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. Qualified vocational training therefore enjoys a very high priority at RATIONAL. We currently employ 65 apprentices in the following disciplines: industrial business managers, warehouse logistics, industrial technicians, mechatronics engineers, metal technology and IT specialists. 19 employees are on dual courses of study, combining studies with practical experience in mechatronics, engineering, international business and hotel and lifecycle catering. In addition, as at the balance sheet date, a total of 31 junior employees were involved in various programmes.

Staff loyalty and satisfaction are at a high level, a result that reflects the strong feeling of loyalty among our workforce. Staff turnover was just 8% worldwide (2018: 7%).

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. 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.

Equality as the norm

All employees are equally valued, are given the same respect and have comparable opportunities. By signing their contract of employment, all employees have committed themselves in writing to refrain from and act against any kind of discrimination, sexual harassment or other personal attacks against individuals. Six confidential contact persons 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 2019 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.

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), combatting corruption and bribery over and above the information provided in this management report can be found in the 2019 Sustainability Report of RATIONAL AG. The non-financial consolidated 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 https://www.rational-online.com/en_gb/company/about_rational/sustainability by 30 April 2020, as specified.

Significant events in fiscal year 2019

Enlargement of the Supervisory Board
The Supervisory Board was enlarged to seven members by way of an amendment to the Articles of Association. The General Meeting held on 15 May 2019 elected Dr Johannes Würbser to the Supervisory Board from the community of heirs of Siegfried Meister. His election will ensure continuity on the part of the shareholders. At the same time, the enlargement of the Supervisory Board meant that all the skills and experience of the existing members were retained in the Supervisory Board. This will make the Supervisory Board viable for the future so it can continue to meet all its supervisory and control responsibilities.

New CFO
After four years as Chief Financial Officer of RATIONAL AG, Dr Axel Kaufmann resigned from his position as at 31 December 2019. Dr Kaufmann left the Company at his own request in order to pursue new professional opportunities. Since 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.

International expansion
2019 was another year of international growth for us. In addition to expanding the sales activities in all regions worldwide, we laid the foundation for further penetrating the local markets by establishing subsidiaries in Chile and the Czech Republic.

Completion of the brand merger of RATIONAL and FRIMA
Since January 2019, we have been selling the VarioCooking-Center® exclusively under the RATIONAL brand through our RATIONAL sales companies. The affected companies were merged and renamed in January and February 2019.

Partial settlement of the community of heirs
Partial settlement of the community of heirs of Siegfried Meister took place in February 2019. The corresponding mandatory disclosures were published on 25 February 2019 and are available on the RATIONAL AG homepage.

Economic report

Macroeconomic and sector-related framework

Global economy grew by 2.9% in 2019
The International Monetary Fund estimates growth of 2.9% for the fiscal year under review. Emerging economies are expected to expand by 4.2%, while growth of just 1.6% is forecast for industrialised countries. (Source: Warburg Research, February 2020)

Good prospects for the future of the catering and food service sector
Important trends in the catering and food service sector continue undiminished. They include the growing average prosperity of 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 future years. (Source: McKinsey, March 2018)

In Germany's hospitality industry, business expectations were also rated positive on the whole. Around 78% of the hospitality and hotel businesses surveyed in Germany reported that their investments had increased or had at least matched the prior-year level in 2019. (Source: DEHOGA industry report, spring 2019)

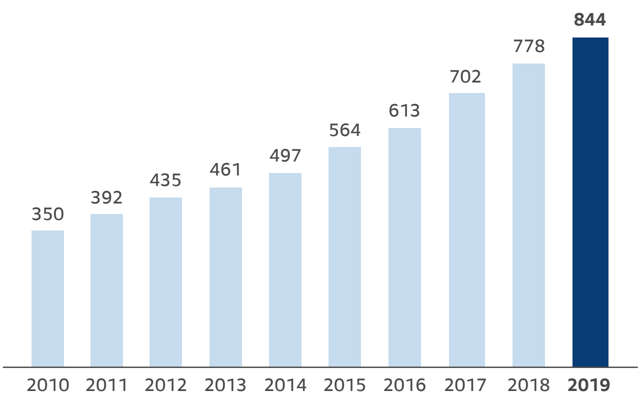
The suppliers of commercial kitchen equipment in the various areas also benefited from the good business of their end customers and trading partners. The combi-steamer segment performed well, continuing the previous year's development. According to the industry's main trade association, Industrieverband Haus-, Heiz- und Küchentechnik e. V. (HKI), manufacturers of industrial kitchen equipment once again sold significantly more appliances during 2019 than in the prior-year period. (Source: HKI statistics, October 2019)

Business in 2019 — the Executive Board's assessment of the economic situation

Operating conditions for the business remain good in terms of the state of the market, the performance of our products and our general financial position. In addition to the generally solid business situation, RATIONAL AG benefited in particular from positive currency effects in the fiscal year under review.

Sales revenues increased to a new record high of 843.6 million euros (2018: 777.9 million euros), expanding by 8%. This increase is primarily attributable to the rise in unit sales volume compared with the previous year (+4%), positive currency effects, the favourable product mix, and disproportionately rapid growth in the after-sales area.

Development of sales revenues in m EUR



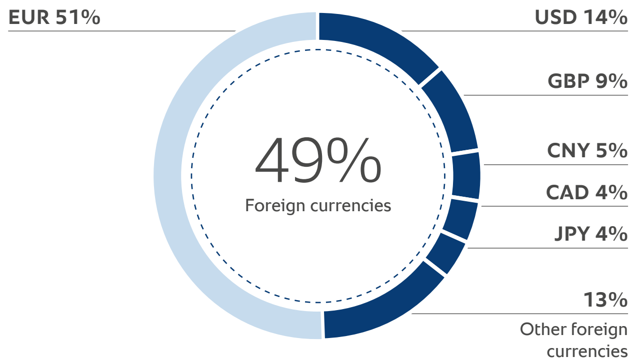
The table below shows the breakdown of sales revenues by quarter.

Sales revenues by quarter in m EUR

	2019	2018	Growth in %
1st quarter	**194.3**	173.5	+12
2nd quarter	**205.1**	193.8	+6
3rd quarter	**213.2**	194.9	+9
4th quarter	**231.1**	215.7	+7
Fiscal year	**843.6**	**777.9**	**+8**

The growth in sales revenues was positively impacted by currency effects. In the 2019 fiscal year, we generated 49% of our sales revenues in foreign currency. The most important currencies other than the euro are the US dollar (14%), pound sterling (9%), the Chinese yuan (5%), the Canadian dollar (4%) and the Japanese yen (4%). On average, the euro was significantly weaker year on year against the currencies relevant to us. This resulted in an increase in revenues. Sales revenue growth after adjustment for exchange rate movements was just under 7%.

Share of foreign currencies in 2019



In the combi-steamer product group, which represents the production and sale of the SelfCookingCenter® and the CombiMaster® Plus, we grew our sales revenues in the past fiscal year by 8% to 769.1 million euros (2018: 712.1 million euros).

In the VarioCookingCenter® product group, sales revenues in 2019 rose by 13% to 74.5 million euros (2018: 65.8 million euros).

Earnings situation

Worldwide growth

The DACH segment grew by 5% to 134.7 million euros. Our home market of Germany delivered growth of 4%. The fastest-growing market in this segment was Switzerland.

Sales revenues in the EMEA segment grew by just under 8% to 358.6 million euros. Key growth drivers were the markets in France, the UK, Spain, Italy, and the Middle East.

Sales revenues in the Americas segment rose by just under 6% year on year to 195.3 million euros. In the largest individual market, the USA, business with small and medium-sized customers did well in particular, while the high basis for comparison in business with major customers could not be reached. The biggest growth market within the segment was Canada.

Sales revenues in the Asia segment grew by almost 11% to 136.0 million euros in the fiscal year under review. All the major regions' markets recorded increases in sales revenues, and, in particular, business with local chain customers in the Chinese market developed well. In addition to China, sales revenues in India and South Korea were also significantly higher than in the previous year.

Segments 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
Sales revenue growth	5%	8%	6%	11%	7%		8%
Profit margin	25%	28%	20%	25%	25%		26%

Segments 2018 in m EUR

	DACH	EMEA	AMERICAS	ASIA	Total of Segments	Reconciliation	Group
Segment sales revenues	128	334	185	123	770	8	778
Segment profit or loss	31	90	37	31	190	15	205
Profit margin	24%	27%	20%	25%	25%		26%

Group gross margin of 59%

Gross profit on sales increased slightly faster than sales revenues, rising by 9% to 497.6 million euros (2018: 456.9 million euros). The Group gross margin of 59.0% (2018: 58.7%) was around 30 basis points above the previous year's level. This increase is mainly attributable to the positive currency effects on sales revenues. Faster growth in larger, higher-margin appliances also had a positive impact. Increases in commodity and production costs had a negative effect.

EBIT margin at previous year's level

In 2019, the percentage rise in operating expenses (sales and service, research and development, and general administration) was in line with revenues.

The cost increases were largely attributable to sales and service. Expenses increased in this area by 8% to 198.1 million euros (2018: 184.0 million euros). In particular, the global sales and service organisations received a boost from increases in capacity and support provided by the extension of central marketing and service processes.

The cost of enhancing our technologies and products in research and development amounted to 42.0 million euros in the past fiscal year (2018: 38.1 million euros). This represents a cost increase of 10%. In addition, we recognised development costs of 0.7 million euros (2018: 0.7 million euros) as an asset. This amount is reported under intangible assets.

General administration expenses rose by 12%, from 33.3 million euros to 37.3 million euros. The rise in expenses was primarily the result of the modernisation and further development of the IT landscapes and the setup of decentralised administrative positions as part of increasing internationalisation.

Cost and earnings structure in m EUR

	2019	in % of sales revenues	2018	in % of sales revenues
Sales revenues	844		778	
Cost of sales	346	41	321	41
Sales and service	198	23	184	24
Research and development	42	5	38	5
Administration and other[1]	34	4	30	4
EBIT	223	26	205	26

[1] Including currency result

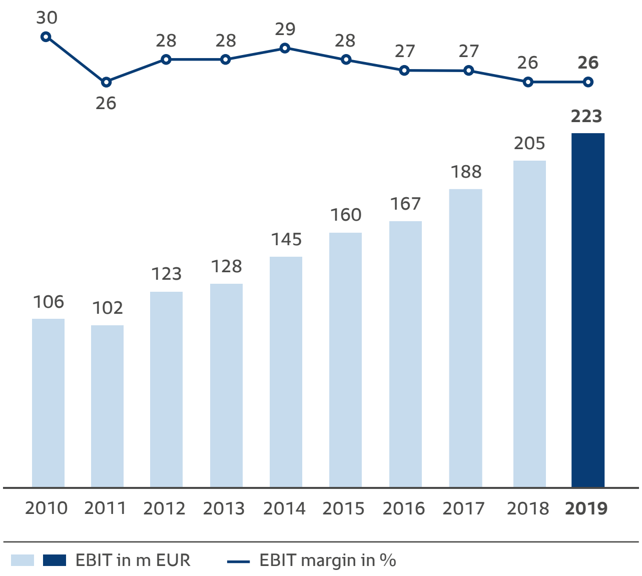
Total operating expenses of 277.4 million euros were incurred, an increase of 9% (2018: 255.4 million euros).

Translation effects on items denominated in foreign currency had a positive impact on EBIT. These effects are included in other operating income/expenses in an amount of 1.9 million euros. In the previous year, this led to an increase of 0.2 million euros in earnings.

At 223.4 million euros (2018: 205.0 million euros), EBIT was up 9% on the previous year's figure. The EBIT margin was 26.5% (2018: 26.4%). Adjusted for currency effects, the EBIT margin was just below 26%.

The initial application of IFRS 16 (Leases) did not have a material effect on EBIT or the EBIT margin.

EBIT margin and EBIT development



Profit before tax was 225.1 million euros (2018: 204.2 million euros). The absolute tax expense was 53.5 million euros (2018: 46.9 million euros). The consolidated tax rate was 23.8% (2018: 22.9%). This resulted in consolidated net profit for the year of 171.6 million euros (2018: 157.3 million euros) and a net margin of 20.3% (2018: 20.2%).

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, including 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 developments in the global economy.

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. In addition, we invest around 50 million euros in a special fund, which may include investment-grade bonds and high-quality stocks according to our specifications. The fund has been issued as a value guarantee mandate and is primarily aimed at maintaining capital.

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.

High level of operating cash flow

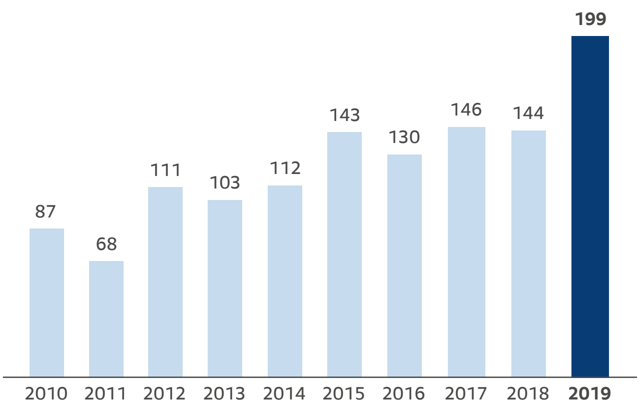
Because of the low level of capital intensity of our profitable business model, combined with little vertical integration and efficient receivables management, we are able to maintain our operating cash flow at a consistently high level.

In fiscal year 2019, this reached 198.6 million euros, a year-on-year increase of 54.3 million euros (2018: 144.3 million euros). Most of this increase stems from the rise in earnings. A slight year-on-year rise in receivables and higher depreciation and amortisation expenses, especially on right-of-use assets, had an increasing effect. An increase of 8.6 million euros to the operating cash flow was attributable to the initial application of the new lease accounting rules (IFRS 16).

In fiscal year 2019, the cash flow from investing activities stood at −55.4 million euros (2018: −55.9 million euros). This includes, among other items, cash outflows for investments in property, plant and equipment and intangible assets of 40.7 million euros. They mainly related to the extension and modernisation of our plant and machinery. In addition, we made extensive investments in real estate.

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 158.0 million euros (2018: 98.2 million euros).

In the year under review, we also recorded net cash inflows of 15.5 million euros from financial investments (2018: cash outflows of 10.3 million euros).

The cash flow from financing activities reflects the dividend distribution, payments from leasing agreements, and the repayment of principal and interest in connection with bank loans. In the year under review, we paid dividends of 108.0 million euros to our shareholders for the 2018 fiscal year. The initial application of the new lease accounting rules (IFRS 16) resulted in a reduction in cash flows from financing activities by 8.6 million euros for payments for right-of-use assets. Furthermore, we reduced our liabilities to banks by a total of 2.4 million euros and paid interest amounting to 0.3 million euros. In total, the cash flow from financing activities stood at −119.3 million euros (2018: −127.6 million euros).

Cash flow 2019

in m EUR

	2019	**2018**	**Change**
Cash flow from operating activities	**+199**	+144	+54
Cash flow from investing activities	**−55**	−56	0
Cash flow from financing activities	**−119**	−128	+8

High level of liquidity

The balance of cash, cash equivalents and deposits rose by 38.6 million euros during the year under review to 231.0 million euros (2018: 192.4 million euros). Cash and cash equivalents and short-term deposits represented 33% of total assets (2018: 32%). In addition, we had unused credit lines amounting to 91.3 million euros as of the balance sheet date (2018: 29.8 million euros).

Dividend of 10.70 euros proposed

In view of the good business performance and good liquidity situation, the Supervisory Board and Executive Board will propose the distribution of a dividend of 10.70 euros per share to the General Meeting of Shareholders in 2020 (2018: 9.50 euros per share). This equates to an increase of 13% in the basic dividend compared with the previous year and marks the eleventh consecutive year of rises in dividends. This represents a dividend yield of 1.5% based on the closing price on 30 December 2019. The dividend proposed entails distributing a total of 121.7 million euros (2018: 108.0 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 long-term bank loans, although that tends to be the exception. The table below shows the financing structure:

Residual terms up to

in m EUR	Remaining liabilities
2020	4.3
2021	0.3
2022	1.2
2023	3.8

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 2019, total assets rose by 16%, from 604.4 million euros to 698.7 million euros. The principal reason behind this increase was the dividend distribution of 108.0 million euros out of consolidated net profit of 171.6 million euros. As a result, equity increased by 14% to 517.4 million euros (2018: 455.5 million euros). At 74% the Group equity ratio at the balance sheet date was slightly below the previous year's level (2018: 75%). The negative effect of the initial application of IFRS 16 on the Group equity ratio was around 2 percentage points.

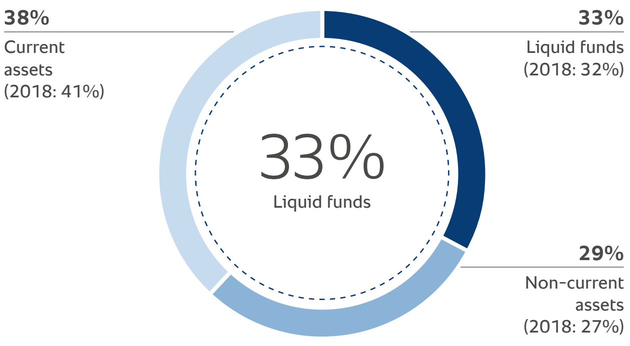
Capital tied up in the short term
Current assets grew by 52.9 million euros in 2019, driven primarily by an increase in inventories, deposits and liquid assets. Current assets accounted for 71% of total assets at the balance sheet date (2018: 73%).

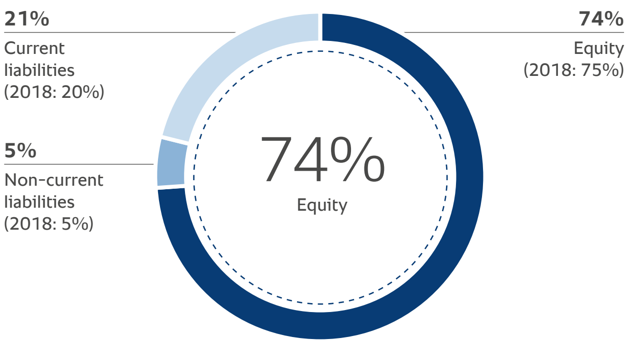
We continuously optimise the amount of capital tied up in trade receivables. We pay attention to finding a balance between the best possible support for our dealers and as little capital tie-up as possible. Against our expectations, we once again held the average days sales outstanding (DSO) at 46 days 2019, the same as in the previous year (46 days).

Using global trade credit insurance and confirmed, irrevocable letters of credit and bank guarantees, we achieved a receivables coverage ratio of 90% as at the balance sheet date, taking into account the trade credit insurance deductibles (2018: 89%).

Property, plant and equipment increased by 40.6 million euros in 2019, especially as a result of investments in technical equipment and real estate. This includes the capitalisation of usage rights to leased objects (initial application of IFRS 16) amounting to 17.0 million euros. As at the balance sheet date, intangible assets were slightly lower than in the previous year.

Balance sheet structure 2019





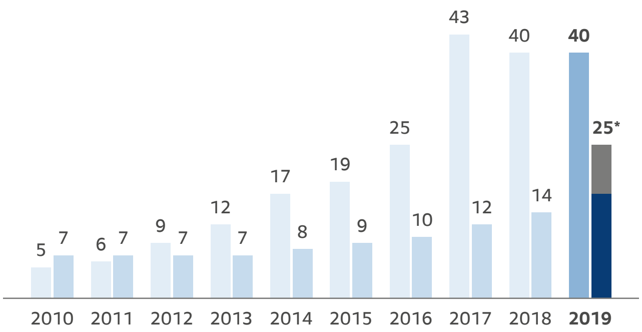
Investments

We invested 39.5 million euros (2018: 39.9 million euros) in non-current assets in the past fiscal year. This figure includes investments in technical equipment and real estate amounting to 31.3 million euros, and capitalised development costs of 0.7 million euros. In addition to capitalised development costs, expenses of 0.3 million euros were also capitalised for internally created assets.

In 2020, we expect maintenance, replacement and new investments to total around 50 million euros. The contractually agreed investments for 2020 amount to around 20.5 million euros. Beyond that, there are no significant investment commitments that are contractually fixed or contingent upon economic considerations.

Capital investments and depreciation/amortisation

in m EUR



Capital investments   Depreciation/amortisation

* including depreciation resulting from IFRS 16 in the amount of 8.2 million euros

Forecast/actual comparison

In the 2018 Annual Report we forecast a rise in sales volume and sales revenues by a single-digit percentage in 2019. As described in the section on “Business in 2019”, the 4% increase in sales volume was lower than forecast. Driven by positive currency effects, a positive product mix and disproportionately rapid growth in the after-sales area, the 8% increase in sales revenues means that we met our growth target. As a result of the positive currency effects on sales revenues, gross profit rose slightly faster than sales revenues, taking the gross margin to just above the prior-year level. As expected, operating expenses rose by almost 9% — in line with sales revenues. EBIT grew by 9% year on year to 223.4 million euros. The EBIT margin was 26.5%, which means both indicators were in line with expectations. At 74%, the Group equity ratio was within the forecast of around 75%. The Group’s DSO stood at 46 days, likewise in line with expectations of around 47 days.

In the year under review, employee satisfaction remained at the expected high level. Staff turnover was 8% worldwide (2018: 7%).

We were also able to keep customer satisfaction at a high level. In the past fiscal year, a large number of existing and potential customers were able to find out about the advantages of our products by watching live demonstrations and trying them out for themselves. However, a 1% decline in the number of companies participating in our live seminars means that we fell well short of the expected rise. In established markets, especially in Europe, live seminars carry less weight than in markets where there is a lower level of awareness of the technology. Accordingly, many countries also focus on other sales and customer retention strategies in this regard and, in the meantime, less so on live seminars. Training and post-installation support given at the customer’s premises in particular are gaining in importance here. What is more, vacant sales positions could not be filled as quickly as expected in some markets.

Outlook / actual comparison

	Actual 2018 in %	Forecast 2019	Actual 2019 in %
Financial KPIs			
Sales volume growth	+11	High single-digit growth	**+4**
Sales revenue growth	+11	High single-digit growth	**+8**
Group gross margin	59	At previous year's level	**59**
Growth in operating costs	+12	In line with sales revenue growth	**+9**
EBIT growth	+9	In line with sales revenue growth	**+9**
EBIT margin	26	Around 26	**26**
Group DSO (days)	46	Around 47 days	**46**
Group equity ratio	75	Around 75	**74**
Non-financial KPIs			
Change in no. of CookingLive participants	+3	+13%	**–1**
Staff turnover worldwide	7	At previous year's level	**8**

The DACH segment performed as forecast in the 2018 Annual Report.

In the EMEA segment, the sales volume grew faster than that of the Group as a whole. Since segment analysis does not take the effects of foreign currencies into account, sales revenue growth in the EMEA segment was lower than at Group level. In view of the disproportionately slower increase in sales revenues, operating expenses were reduced as a precaution, which in turn led to disproportionately faster EBIT growth. In established markets, especially in Europe, live seminars carry less weight. Alternative sales measures are increasingly carried out here. For this reason, the number of people attending seminars expanded disproportionately more slowly.

Compared to the high prior-year figure, business with chain customers in the Americas segment was weaker than expected. As a result, sales volume and revenues increased more slowly than for the Group as a whole, and operating expenses were consequently managed more rigorously. EBIT expanded in line with sales revenues, which means that it rose more slowly than EBIT at Group level. In the overall context of the above-average successful street business, the number of people attending seminars increased faster than the Group figure.

In the Asia segment, EBIT grew in line with sales revenues and therefore faster than at the Group level. The EBIT margin, however, continued to lag behind the Group level.

in %	DACH		EMEA		Americas		Asia	
	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast	Actual
Sales growth	↓	↓	→	↑	→	↓	↑	↑
Sales revenue growth	↓	↓	→	↓	↑	↓	↑	↑
Growth in operating expenses	↓	↓	→	↓	↑	↓	↑	↑
EBIT growth	↓	↓	→	↑	↑	↓	→	↑
EBIT margin	↓	↓	↑	↑	↓	↓	→	↓
Changes in the number of seminar participants	↓	↓	→	↓	→	↑	↑	↑

↓ Slightly slower / lower than Group forecast
→ On a level with Group forecast
↑ Slightly faster / higher than Group forecast

Legal framework

In the year under review, there were no changes in the legal framework with any 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 of preparing this report. 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. This includes fee-based ConnectedCooking modules starting from the first quarter of 2020 and information on the impact of the spread of the coronavirus known as at the reporting date.

Global economy in the grip of the coronavirus

The Organisation for Economic Co-operation and Development (OECD) issued a publication on 2 March 2020 on the negative effects of the worldwide spread of the coronavirus on the development of the global economy. In the best-case scenario, it assumes global economic growth of just 2.4% in 2020 in the event of early containment of the spread. In the event of a more prolonged and more intensive outbreak of the disease in Asia, Europe and America, the experts even expect global growth to fall to as low as 1.5%. This is a significant reduction in the previous growth estimate of 2.9%. (Source: OECD, March 2020)

Financial key performance indicators

Sales volume, sales revenue and profit forecast for 2020

The trends relevant to our business performance continue unchanged. Given that expenditure in the eating out market is expected to increase in future years, we also expect demand for innovative thermal food preparation products to continue to rise. Our survey shows that most of our customers are so satisfied that they would buy one of our products again and also recommend them to colleagues.

Exchange rates have become increasingly volatile in recent years. For 2020, we expect that changes in exchange rates will have no significant effect on our sales and earnings performance.

The sales volume, sales revenue and profit forecast prior to incorporating the now clearly noticeable effects of the spread of the coronavirus anticipated growth in the high single-digit range with an EBIT margin at the customary high level.

Since, however, the negative effects of the coronavirus in the food service sector can now be clearly felt beyond China, we have reviewed and adjusted this forecast. Trade fairs have already been cancelled or postponed. Public cooking events have either already been banned in individual countries or a possible ban is already being discussed in many countries. Many of our sales activities can no longer be carried out as planned by us and our partners due to restricted mobility and precautionary measures. Due to these developments, the first negative effects can already be observed in China in our sales volume and revenue figures.

Overall, due to these negative effects we expect a rise in sales volumes and sales revenues in the lower single-digit percentage range in 2020. In the medium to long term, we nevertheless anticipate that the growth trend will continue in the high single-digit percentage range.

We expect Group-wide cost of sales to increase faster than sales revenues. Even if our hedging transactions are taken into account, we expect a slight increase in commodity costs. For purchased parts and production costs, we anticipate costs to remain steady or rise slightly. In total, we expect gross profit to increase slightly more slowly than sales revenues, resulting in a gross margin that is down slightly on fiscal year 2019.

We are very confident that we will continue to grow successfully in the medium and long term. For this reason, we plan to also make extensive expansion investments, boost the number of employees and carry out marketing and sales measures in 2020. In connection with the anticipated negative sales effect of the coronavirus, we therefore expect the rise in operating expenses to outpace sales revenues.

We expect this to result in a drop in EBIT in the high single-digit to low double-digit percentage range. As a result, we expect the EBIT margin for fiscal year 2020 to range from 20% to 25% due to the special effects of the coronavirus. This wide range reflects the current uncertainties. In the medium term, we assume that our EBIT margin will be around 26%.

Sustainably solid underlying financial position

Throughout 2020, we expect a Group equity ratio of around 75%.

As for average days sales outstanding (DSO), we expect a moderate rise to 47 – 48 days at most in 2020, because we assume that we will be able to more than offset more generous payment terms granted in emerging countries and new markets and to key accounts by systematically managing payment terms on a broad basis.

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 2020. We expect the global staff turnover rate to be at a similarly low level as in 2019.

We expect the global RATIONAL customer satisfaction index for 2020 to be at a similarly high level as in the previous year. It stood at 97 in 2019.

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 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 RATIONAL AG'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 these 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.

Growing prosperity in emerging countries

As prosperity increases, the restaurant and catering sector grows in significance. Per capita income in the emerging markets is rising and, therefore, the buying power of the growing population is increasing tangibly, 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 already cooking with combi-steamer technology. The vast majority are still using conventional cooking technologies. The SelfCookingCenter® can replace not only conventional cooking technology but, thanks to its cooking intelligence, also standard combi-steamers. Therefore we see additional untapped market potential.

With more than two million potential customers, we currently estimate overall potential for the VarioCookingCenter® to be lower. However, since the product has only been on the market for a few years, market penetration is still relatively low. We therefore consider the market potential of the VarioCookingCenter® also to be very high.

Trend towards healthier eating and greater variety of food

The importance of healthy, balanced eating has been recognised by both individuals and hot food providers, particularly in the developed industrialised nations. This has given rise to initiatives for healthier food to be offered in public facilities, such as schools and universities. A trend towards healthier and more varied dishes is also apparent in the hospitality sector. When our products 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.

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.

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 to refer to any transactions internal and external to the Company that may have a negative impact on the achievement of business targets during a defined observation period or negatively affect areas outside the Company as a result of our own business activities.

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 business units are responsible for identifying and measuring risks and for formulating and implementing risk management measures.

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 2019. 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. Risk management may be aimed at avoiding, transferring and mitigating risk, or at consciously accepting it. 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
Market and competitive risks	Low	Low
Production and product risks	Low	Low
Operational risks	Low	Low
Political and legal risks	Low	High
Financial and capital market risks	Average	Very high

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

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 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 for them.

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.

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.

The outbreak and spread of the coronavirus represent a negative influence on global economic growth in the current situation. Uncertainty about the further development of the virus and the economic impact this entails may inhibit the propensity of our customers to invest. As such, the coronavirus poses some planning uncertainty for RATIONAL.

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. Possible supply shortages could occur during economic upturns.

Special factors, such as the outbreak and spread of the virus, 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, however, in China. There is hence a risk that the further spread of the coronavirus and the measures this entails may lead to bottlenecks in the supply chain for RATIONAL AG.

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. To this end, 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 Chinese upstream suppliers, we are examining our supply chain very closely for potential risks, assessing these risks on an ongoing basis and working on procurement alternatives.

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.

Redundant systems are in place for production machines that are important for the existence of the Company. 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 appliance, a random sample of appliances undergoes 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. The harm resulting from low employee commitment and significant staff turnover would adversely affect business performance in the long term.

RATIONAL is an attractive employer, both in the region and internationally. 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 employees 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 employee 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.

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 as a result of external factors, and system failures can cause work to be delayed. Inadequate security systems could allow unauthorised outsiders to access critical information.

We counter information technology risks by investing continuously in hardware and software, using virus scanners, encrypting e-mail and data transfers, installing firewall systems and admission and access controls as well as by housing our systems in a specially protected data centre. Many of our systems have redundant backup facilities to counteract failures quickly. In regular 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 9% 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, exchange rates, changes in interest, prices and the share price have been identified as relevant financial and capital market risks for RATIONAL AG.

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 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). 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.

49% of sales revenues are generated in foreign currencies. If the euro had been an average of 10% weaker (stronger) in 2019, consolidated sales revenues would have been around 5% (5% lower). EBIT would have been around 16% higher (14% lower) if the euro had depreciated (appreciated) on average by 10%.

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.

If the interest rate increased by 1 percentage point, earnings after taxes and equity would be 0.8 million euros lower. If the interest rate decreased by 1 percentage point, earnings after taxes and equity would be 0.8 million euros higher.

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.

Share price risk
In 2019, RATIONAL invested in equities, equity funds and equity derivatives through a special fund and is exposed to share price risk as a result. The share price risk is contained by specifying a value guarantee mandate for the special fund, supported by the use of appropriate instruments.

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 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.
- The functions of the main units (Finance, Accounting and Controlling) involved in the accounting process are clearly demarcated in respect of the preparation of the financial statements, and responsibilities are unambiguously assigned.
- The actual bookkeeping process is handled centrally in Landsberg where possible. This ensures a high level of quality throughout the Group in relation to the recording and processing of data relevant to accounting.
- Standard software is employed wherever possible for the financial systems used in the Accounting unit. Appropriate security and authorisation concepts are deployed to protect these systems against unauthorised access.
- 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 accounting are subject to the universal principle that transactions must be double-checked by a second person.
- 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 site are also regularly checked.

The internal control and risk management system, the main features of which are described above, ensures that the 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 2019 was 5.2 million euros (2018: 5.6 million euros). This amount included performance-related pay components of 1.7 million euros (2018: 2.1 million euros) and payments of 12 thousand euros to former Executive Board members (2018: 11 thousand euros). In addition, payments totalling 0.6 million euros were made into the pension scheme for Executive Board members (2018: 0.5 million euros).

The level of the variable remuneration components was determined both on the basis of business performance and primarily also on the basis of employee satisfaction, the efficiency of the organisation and the extent to which the Company has extended its technological leadership and improved its quality.

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 must pay tax on them.

No stock options were issued in 2019.

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 2019 amounted to 1.2 million euros (2018: 1.1 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 2019 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.

Partial settlement of the community of heirs of Siegfried Meister took place in February 2019. The corresponding mandatory disclosures were published on 25 February 2019 and are available on the RATIONAL AG homepage. The disclosures reveal that Ms Gabriella Meister and Ms Franziska Würbser hold 3,581,578 shares under a pooling agreement. According to the 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 fell below the threshold of 10% of the voting rights on 5 February 2020.

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

In accordance with his right of delegation under the Articles of Association, Mr Walter Kurtz appointed himself with effect from 15 May 2019 until the next Supervisory Board elections by the General Meeting of Shareholders in 2024.

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.

According to article 11 (2) of the Articles of Association of RATIONAL AG, the Supervisory Board is entitled to make amendments and additions to the Articles of Association provided these are to the wording only. All other amendments to the Articles of Association are to be made by resolution of the General Meeting of Shareholders passed with a simple majority of the votes unless a greater majority is required by law. Sections 179 et seqq. of the AktG apply accordingly. By resolution of the General Meeting of Shareholders on 15 May 2019, article 8 (1) of the Articles of Association of RATIONAL AG was amended. The wording of the resolution is as follows: "The Supervisory Board of the Company comprises seven members."

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, 10 March 2020

RATIONAL AG
The Executive Board

Dr Peter Stadelmann
Chief Executive Officer

Peter Wiedemann
Chief Technical Officer

Markus Paschmann
Chief Sales Officer

Consolidated Financial Statements

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Statement of Comprehensive Income RATIONAL Group

for the period 1 January – 31 December

in kEUR

	Note	2019	2018
Sales revenues	1	**843,633**	777,859
Cost of sales		**–346,077**	–320,983
Gross profit		**497,556**	**456,876**
Sales and service expenses		**–198,099**	–183,991
Research and development expenses		**–42,017**	–38,097
General administration expenses		**–37,295**	–33,289
Other operating income	2	**12,310**	13,211
Other operating expenses	2	**–9,080**	–9,698
Earnings before financial result and taxes (EBIT)		**223,375**	**205,012**
Interest income		**674**	427
Interest expenses		**–838**	–331
Other financial result		**1,898**	–946
Earnings before taxes (EBT)		**225,109**	**204,162**
Income taxes	3	**–53,519**	–46,852
Profit or loss after taxes		**171,590**	**157,310**
Items that may be reclassified to profit and loss in the future:			
Differences from currency translation	13	**–827**	–1,306
Items that will not be reclassified to profit and loss:			
Actuarial gains and losses from defined benefit obligations	13, 14	**-894**	308
Other comprehensive income		**–1,721**	**–998**
Total comprehensive income		**169,869**	**156,312**
Average number of shares (undiluted/diluted)		**11,370,000**	11,370,000
Earnings per share (undiluted/diluted) in euros, based on profit or loss after taxes and the number of shares	4	**15.09**	13.84

Balance Sheet
RATIONAL Group

Assets

in kEUR

	Note	31 Dec 2019	31 Dec 2018
Non-current assets		**203,606**	**162,264**
Intangible assets	6	**7,284**	8,081
Property, plant and equipment	7	**183,308**	142,671
Other financial assets	10	**1,330**	993
Deferred tax assets	3	**11,145**	8,943
Other assets	11	**539**	1,576
Current assets		**495,084**	**442,176**
Inventories	8	**66,022**	57,440
Trade accounts receivable	9	**125,344**	124,440
Other financial assets	10	**100,955**	86,278
Income tax receivables		**483**	749
Other assets	11	**20,890**	16,503
Cash and cash equivalents	12	**181,390**	156,766
Total assets		**698,690**	**604,440**

Equity and liabilities

in kEUR

	Note	31 Dec 2019	31 Dec 2018
Equity		**517,368**	**455,514**
Subscribed capital	13	**11,370**	11,370
Capital reserves	13	**28,058**	28,058
Retained earnings	13	**485,003**	421,428
Other components of equity	13	**–7,063**	–5,342
Non-current liabilities		**34,556**	**26,358**
Pension plans and similar obligations	14	**6,188**	4,706
Other provisions	15	**8,613**	8,501
Financial debt	16	**3,676**	6,306
Other financial liabilities	17	**13,768**	3,214
Deferred tax liabilities	3	**432**	201
Income tax liabilities		**–**	1,263
Other liabilities	18	**1,879**	2,167
Current liabilities		**146,766**	**122,568**
Other provisions	15	**50,133**	49,383
Financial debt	16	**5,908**	5,612
Trade accounts payable	17	**24,977**	26,409
Other financial liabilities	17	**16,306**	6,686
Income tax liabilities		**23,388**	11,533
Other liabilities	18	**26,054**	22,945
Liabilities		**181,322**	**148,926**
Total equity and liabilities		**698,690**	**604,440**

Cash Flow Statement RATIONAL Group

for the period 1 January – 31 December

	Note	2019	in kEUR 2018
Earnings before taxes (EBT)		**225,109**	204,162
Depreciation and amortisation	6, 7, 21	**24,983**	13,977
Other non-cash income and expenses		**–2,861**	141
Net interest		**164**	–96
Changes in			
Inventories		**–8,582**	–11,758
Trade accounts receivable and other assets		**–2,279**	–24,542
Provisions		**1,132**	4,687
Trade accounts payable and other liabilities		**5,403**	3,463
Income taxes paid		**–44,431**	–45,708
Cash flow from operating activities	19	**198,638**	**144,326**
Capital expenditures in intangible assets and property, plant and equipment	6, 7	**–40,674**	–46,166
Proceeds from asset disposals		**96**	172
Change in fixed deposits	10	**–13,873**	37,407
Change from other financial investments	10	**–1,578**	–47,681
Interest received		**611**	389
Cash flow from investing activities	19	**–55,418**	**–55,879**
Dividends paid	5	**–108,015**	–125,070
Repayment of liabilities to banks	16	**–2,630**	–3,033
Change in other liabilities to banks	16	**198**	743
Payments for lease liabilities	19	**–8,580**	-
Interest paid		**–273**	–239
Cash flow from financing activities	19	**–119,300**	**–127,599**
Effects of exchange rate fluctuations in cash and cash equivalents		**704**	–296
Change in cash and cash equivalents		**24,624**	**–39,448**
Cash and cash equivalents as at 1 January	12	**156,766**	**196,214**
Cash and cash equivalents as at 31 December	12	**181,390**	**156,766**

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	13	13	5, 13	13	3, 13, 14	
Balance as at 1 January 2018	**11,370**	**28,058**	**389,188**	**–3,341**	**–1,003**	**424,272**
Dividend	–	–	–125,070	–	–	–125,070
Profit or loss after taxes	–	–	157,310	–	–	157,310
Other comprehensive income	–	–	–	–1,306	308	–998
Balance as at 31 December 2018	**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**

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 Siegfried-Meister-Strasse 1, Landsberg am Lech, Germany, entered in the Augsburg Commercial Register under number HRB 2001.

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 December 31, 2019 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 originally approved by the Executive Board of RATIONAL AG on 25 February 2020. Due to development in connection with the coronavirus, note 28 on Significant events after the balance sheet date has been amended. The amended version of the consolidated financial statements was approved by the Executive Board of RATIONAL AG on 10 March 2020.

Basis of preparation

The consolidated financial statements for fiscal year 2019 (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 2019 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 new or revised standards were applied on a mandatory basis for the first time for the fiscal year 2019:

		Effective date
New	IFRS 16 "Leases"	1 January 2019
Amendment	IFRS 9 "Prepayment Features with Negative Compensation"	1 January 2019
New	IFRIC 23 "Uncertainty over Income Tax Treatments"	1 January 2019
Amendment	IAS 28 "Long-term Interests in Associates and Joint Ventures"	1 January 2019
Amendment	Annual Improvement to IFRS 2015–2017	1 January 2019
Amendment	IAS 19 "Plan Amendment, Curtailment or Settlement"	1 January 2019

First-time application of the new standard IFRS 16 "Leases" entailed changes in the Group's accounting policies. RATIONAL has chosen the modified retrospective approach in accordance with IFRS 16 C5 b) as part of first-time application, without adjusting the comparative information. There was no effect on equity as of the initial application date of IFRS 16.

Lease liabilities for lease agreements that were previously classified under IAS 17 as an operating lease are recognised at the present value of the outstanding lease payments when IFRS 16 is applied for the first time. Lease liabilities are measured on the basis of the lessee's incremental borrowing rate as at 1 January 2019. RATIONAL makes use of the option of applying a single discount rate to a portfolio of similarly structured leasing agreements (leasing arrangements with a similar remaining term in a similar economic environment). The lessee's weighted average incremental borrowing rate applied to the lease liabilities as at 1 January 2019 is 2%.

Reconciliation in accordance with IFRS 16 C12 b):

	in kEUR
Liabilities from operating leasing arrangements as at 31 December 2018	**16,016**
Discounted at the incremental borrowing rate of interest at the time of the first application of IFRS 16	15,359
Leasing arrangements for low-value assets recognised as expenses using the straight-line method	–587
Adjustments based on different assessments of extension and cancellation options	170
Liabilities from leasing agreements in which the leased object was not yet available for use on 1 January 2019	–179
Other	–34
Lease liabilities recognised as at 1 January 2019	**14,729**
Of which short-term lease liabilities	6,290
Of which long-term lease liabilities	8,439

The related usage rights were set at the level of the associated lease liabilities. At the time of the first application of IFRS 16, there were no leasing arrangement liabilities, so a value adjustment of the usage rights was not necessary.

Other new or revised standards that were applied on a mandatory basis for the first time in fiscal year 2019 and not applied voluntarily in previous years have no material effect on these consolidated financial statements of RATIONAL.

The following new or revised standards did not yet apply on a mandatory basis in fiscal year 2019 and were also not applied early:

		Effective date
Amendment	IAS 39, IFRS 7, IFRS 9 “Amendments regarding pre-replacement issues in the context of the IBOR reform”	1 January 2020
Amendment	Amendment to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendment	IAS 1 and IAS 8 “Definition of Material”	1 January 2020

The new or amended standards 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:

		Effective date
Amendment	IFRS 3 “Business Combinations”	1 January 2020
New	IFRS 17 “Insurance Contracts”	1 January 2021
Amendment	IAS 1 “Presentation of Financial Statements: Classification of Liabilities as Current or Non-current”	1 January 2022

RATIONAL AG will apply this change 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

In addition to the parent company, seven domestic (2018: eight) and 25 foreign subsidiaries (2018: 25), as well a special fund were included in the consolidated financial statements.

In fiscal year 2019, FRIMA Deutschland GmbH was merged with RATIONAL Großküchentechnik GmbH, FRIMA International AG with RATIONAL International AG, and FRIMA France S.A.S. with RATIONAL France S.A.S. In addition, RATIONAL Großküchentechnik was renamed RATIONAL Deutschland GmbH and FRIMA - T S.A.S. was renamed RATIONAL Wittenheim S.A.S. The subsidiaries RATIONAL Chile SpA and RATIONAL Czech Republic s.r.o. were newly established in 2019.

As at 31 December 2019 the consolidated companies were as shown in the adjacent table.

Name and registered office			% share of capital/ % share 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 Dienst-leistungsgesellschaft 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
LBBW AM-RAT*	Landsberg am Lech	Germany	0.0
Europe			
RATIONAL UK Ltd.	Luton	United Kingdom	100.0
FRIMA UK Ltd. (in Liquidation)	London	United Kingdom	100.0
RATIONAL France S.A.S.	Wittenheim	France	100.0
RATIONAL Wittenheim S.A.S.	Wittenheim	France	100.0
RATIONAL Italia s.r.l.	Mestre	Italy	100.0
RATIONAL Ibérica Cooking Systems S.L.	Barcelona	Spain	100.0
RATIONAL Austria GmbH	Salzburg	Austria	100.0
RATIONAL International AG	Balgach	Switzerland	100.0
RATIONAL Schweiz AG	Balgach	Switzerland	100.0
RATIONAL Sp. z o.o.	Warsaw	Poland	100.0
RATIONAL Czech Republic s.r.o.	Prague	Czech Republic	100.0
RATIONAL Scandinavia AB	Malmö	Sweden	100.0
RATIONAL RUS OOO	Moscow	Russia	100.0
RATIONAL Endüstriyel Mutfak Ekipmanları Ticaret Limited Sirketi	Istanbul	Turkey	100.0
Americas			
RATIONAL Cooking Systems, Inc.	Rolling Meadows	USA	100.0
RATIONAL Canada Inc.	Mississauga	Canada	100.0
RATIONAL México, S.A. DE C.V.	Mexico City	Mexico	100.0
RATIONAL Brasil Comércio E Distribuição de Sistemas De Cocção Ltda.	São Paulo	Brazil	99.9
RATIONAL Colombia - America Central SAS	Bogotá	Colombia	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

* Included as a structured entity

TOPINOX S.A.R.L., Nantes, France, an operationally inactive subsidiary of RATIONAL Wittenheim S.A.S., is not included in the consolidation. This is of minor importance in providing a true and fair view of the Group's net assets, financial position and profit or loss. As in the previous year, the investment is reported with a carrying amount of 0 thousand euros. This corresponds to the fair value.

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 2019.

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 =	**2019**	**2018**	**2019**	**2018**
CAD = Canadian dollar	**1.4832**	1.5341	**1.4620**	1.5599
CNY = Chinese yuan	**7.7175**	7.8167	**7.8328**	7.8600
GBP = Pound sterling	**0.8757**	0.8862	**0.8501**	0.8971
JPY = Japanese yen	**121.98**	130.00	**121.93**	125.96
USD = US dollar	**1.1197**	1.1792	**1.1228**	1.1453

Significant accounting policies

Intangible assets and property, plant and equipment

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

Development costs are recognised as internally generated intangible assets if the requirements of IAS 38.57 are met. Development activities eligible for capitalisation are activities in connection with the specific development of new technology. Capitalised development costs include all attributable direct costs and a proportion of indirect costs. The assets are amortised over their useful lives using the straight-line method (usually five years), starting when they are available for commercial use. Amortisation charges on capitalised development costs are reported under cost of sales in the statement of comprehensive income. 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 20.

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 losses are applied to trade accounts receivable in the form of specific valuation allowances and portfolio allowances.

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.

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 and taking any bad debt allowances already recognised into account. 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. Listed bonds have a low risk of default if they have an investment grade rating. If there is no investment grade rating, the lifetime expected credit losses are recognised over the entire remaining maturity. 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. 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% (2018: 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 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.

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.

Use of estimates and assumptions and significant use of management judgement

In preparing the consolidated financial statements, company management must make certain estimates and assumptions which may influence the amounts reported for assets, liabilities and financial obligations as at the balance sheet date, as well as income and expenses for the year under review. The carrying amounts of the items in question are disclosed individually in the relevant notes.

The assumptions and estimates the 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 regional breakdown of sales revenues by customer location was as follows:

in kEUR

	2019	% of total	2018	% of total
Germany	**99,627**	**12**	95,536	12
Europe (excluding Germany)	**376,731**	**45**	352,857	45
North America	**158,810**	**19**	143,422	18
Latin America	**46,730**	**5**	44,081	6
Asia	**119,600**	**14**	105,233	14
Rest of the world*	**42,135**	**5**	36,730	5
Total	**843,633**	**100**	**777,859**	**100**

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

A significant share of consolidated sales revenues was generated in the USA — 121,396 thousand euros (2018: 111,811 thousand euros). As in the previous year, no more than 10% of sales revenues were generated with any one customer.

The combi-steamer product group achieved sales revenues of 769,126 thousand euros (2018: 712,069 thousand euros) in the period under review, and the VarioCookingCenter® product group achieved sales revenues of 74,507 thousand euros (2018: 65,790 thousand euros). 74% (2018: 74%) of the sales revenues was attributable to appliance sales. The remaining 26% (2018: 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 2,177 thousand euros (2018: 1,464 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 423 thousand euros (2018: 208 thousand euros).

The contract liabilities recognised 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 kEUR

Contractual obligations	31 Dec 2019	31 Dec 2018
non-current	**1,879**	2,167
current	**4,074**	2,236

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. Other operating income and expenses

	2019	2018
		in kEUR
Exchange gains	**8,870**	8,579
Further income	**3,440**	4,632
Other operating income	**12,310**	**13,211**
Exchange losses	**–6,960**	–8,369
Further expenses	**–2,120**	–1,329
Other operating expenses	**–9,080**	**–9,698**

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 1,293 thousand euros (2018: 916 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 9 “Trade receivables”.

3. 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% (2018: 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.

	2019	2018
		in kEUR
Earnings before taxes (EBT)	**225,109**	204,162
Expected tax rate in %	**27.73**	27.73
Expected income tax expense	**62,423**	**56,614**
Variations in local tax rates in the subsidiaries	**–11,260**	–11,106
Tax revenue from previous years	**–146**	–170
Tax expenses relating to previous years	**378**	54
Non-tax-deductible expenses and other amounts	**2,124**	1,460
Reported income tax expense	**53,519**	**46,852**

The deferred tax income in the income statement attributable to 2019 was 1,770 thousand euros (2018: 1,843 thousand euros). The current income tax expense, excluding deferred taxes, thus amounted to 55,289 thousand euros (2018: 48,695 thousand euros).

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

in kEUR

	Deferred tax asset		Deferred tax liability	
	31 Dec 2019	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**
Intangible assets	**50**	83	**–1,002**	–1,088
Inventories	**9,121**	7,624	**–40**	–
Provisions	**3,363**	3,061	**–21**	–10
Right of use assets and lease liabilities	**4,086**	–	**–4,072**	–
Other	**1,145**	786	**–1,917**	–1,714
Total of deferred tax assets / liabilities	**17,765**	**11,554**	**–7,052**	**–2,812**
Tax offset	**–6,620**	–2,611	**6,620**	2,611
Total recognized under assets / liabilities	**11,145**	**8,943**	**–432**	**–201**

This includes deferred tax assets of 389 thousand euros (2018: 188 thousand euros) recognised on actuarial gains and losses and taken directly to equity.

10,338 thousand euros (2018: 8,712 thousand euros) of the total amount of deferred tax assets and liabilities is classified as current. Of the reported amounts, 375 thousand euros (2018: 30 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 2019, there were temporary differences of 1,821 thousand euros (2018: 1,507 thousand euros) in connection with shares in subsidiaries for which no deferred taxes were recognised, because there is no intention to distribute these profits.

In addition, there are unused tax losses of 1,054 thousand euros (2018: 644 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.

4. 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 (2018: 11,370,000 shares) and profit after tax of 171,590 thousand euros (2018: 157,310 thousand euros), basic and diluted earnings per share for fiscal year 2019 were 15.09 euros (2018: 13.84 euros).

5. Dividend per share

For fiscal year 2018, the dividend of 9.50 euros per share proposed by the Executive Board and Supervisory Board of RATIONAL AG was approved by a majority at the General Meeting of Shareholders on 15 May 2019. Total dividends of 108,015 thousand euros were paid in May 2019.

The Executive Board and Supervisory Board will propose to the General Meeting of Shareholders on 6 May 2020 that a dividend of 10.70 euros per share be paid for fiscal year 2019, the total distribution in this case being 121,659 thousand euros.

Notes to the consolidated balance sheet – assets

6. Intangible assets

in kEUR	Industrial and similar rights	Goodwill	Capitalised deve-lopment expenditure	Total
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**
Cost				
Balance on 1 Jan 2018	13,004	424	5,316	**18,744**
Exchange rate differences	–11	–	–	**–11**
Additions	1,755	–	720	**2,475**
Disposals	–87	–	–	**–87**
Balance on 31 Dec 2018	**14,661**	**424**	**6,036**	**21,121**
Amortisation				
Balance on 1 Jan 2018	8,962	–	1,257	**10,219**
Exchange rate differences	–9	–	–	**–9**
Additions	1,967	–	943	**2,910**
Disposals	–80	–	–	**–80**
Balance on 31 Dec 2018	**10,840**	–	**2,200**	**13,040**
Carrying amounts				
Balance on 31 Dec 2018	**3,821**	**424**	**3,836**	**8,081**

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

In fiscal year 2019, 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 at 31 December 2019, there were no obligations to purchase intangible assets (2018: 885 thousand euros).

7. Property, plant and equipment

This balance sheet item covers property, plant and equipment within the meaning of IAS 16 in an amount of 166,270 thousand euros (2018: 142,671 thousand euros) and right-of-use assets within the meaning of IFRS 16 in an amount of 17,038 thousand euros.

Property, plant and equipment within the meaning of IAS 16 breaks down in the adjacent table.

in kEUR

	Land and buildings	Technical equipment, machinery	Operating and office equipment	Advanced payments and assets under construction	Total
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**
Cost					
Balance on 1 Jan 2018	95,527	41,761	29,881	28,517	**195,686**
Exchange rate differences	68	1	−25	–	**44**
Additions	11,739	6,804	6,171	12,709	**37,423**
Reclassifications	16,264	3,856	290	−20,410	**0**
Disposals	−1	−52	−974	–	**−1,027**
Balance on 31 Dec 2018	**123,597**	**52,370**	**35,343**	**20,816**	**232,126**
Depreciation					
Balance on 1 Jan 2018	33,212	26,970	19,091	–	**79,273**
Exchange rate differences	45	−1	−7	–	**37**
Additions	3,676	3,725	3,666	–	**11,067**
Disposals	−1	−46	−875	–	**−922**
Balance on 31 Dec 2018	**36,932**	**30,648**	**21,875**	**–**	**89,455**
Carrying amounts					
Balance on 31 Dec 2018	**86,665**	**21,722**	**13,468**	**20,816**	**142,671**

As in the previous year, no impairment losses were recognised in fiscal year 2019. A land charge of 33,500 thousand euros (2018: 33,500 thousand euros) is registered for land and buildings in Landsberg. There are no other restrictions on disposal. Exchange rate differences can occur when foreign-currency-denominated carrying amounts for property, plant and equipment held by the subsidiaries are translated into the functional currency.

As at 31 December 2019, obligations to purchase property, plant and equipment amounted to 20,483 thousand euros (2018: 23,648 thousand euros). This item includes primarily the expansion of locations in Germany as well as investments in technical equipment and machinery.

Further details of right-of-use assets arising from leases can be found in note 21 “Leasing”.

8. Inventories

in kEUR

	31 Dec 2019	31 Dec 2018
Raw materials, consumables and supplies	**16,654**	16,063
Work in progress	**1,502**	991
Finished goods and goods for resale	**47,866**	40,386
Total	**66,022**	**57,440**

The year-on-year increase in inventories is primarily due to a rise in business volume in particular in overseas markets.

In fiscal year 2019, write-downs on inventories of 1,688 thousand euros (2018: 1,307 thousand euros) were expensed as cost of sales.

In total, inventories of 322,756 thousand euros (2018: 296,816 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.

9. Trade accounts receivable

Trade receivables break down as follows:

in kEUR

	31 Dec 2019	31 Dec 2018
Gross trade accounts receivable (specific bad debt allowance)	1,043	1,299
Gross trade accounts receivable (portfolio bad debt allowance)	124,868	123,790
Total	**125,911**	**125,089**
Specific bad debt allowance	−519	−591
Portfolio bad debt allowance	−48	−58
Trade accounts receivable	**125,344**	**124,440**

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 20.

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

Specific bad debt allowance of trade accounts receivable

in kEUR

	Balance on 1 Jan	Currency effects	Use	Reversal	Additions	Balance on 31 Dec
2019	**591**	**0**	**–164**	**–159**	**251**	**519**
2018	**565**	–15	–51	–143	235	**591**

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 0.41% (2018: 0.00% to 0.88%) 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 565 thousand euros in fiscal year 2019 (2018: 235 thousand euros). This figure does not include any claims settled by or payments expected from the credit insurer, which amounted to 371 thousand euros (2018: 207 thousand euros). Impairment losses and the reversal of impairment losses on trade accounts receivable gave rise to income of 84 thousand euros in fiscal year 2019 (2018: 59 thousand euros). These are reported under other operating expenses or other operating income.

10. Other financial assets

in kEUR

	current		non-current	
Other financial assets	**31 Dec 2019**	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**
Bonds, shares and fund units	**50,290**	46,862	**–**	–
Deposits incl. interest claims	**49,596**	35,660	**–**	–
Derivatives without a hedge relationship	**327**	644	**–**	–
Other	**742**	3,112	**1,330**	993
Total	**100,955**	**86,278**	**1,330**	**993**

Bonds, equities and fund units as well as derivatives to which hedge accounting is not applied are subsequently measured at fair value. All remaining items under other financial assets are measured at amortised cost.

For bonds, equities and certificates, there are no restrictions on daily redemption.

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 2019**	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**
Deposits before risk allowance	**49,661**	35,770	**–**	–
Risk allowance	**–65**	–110	**–**	–
Deposits after risk allowance	**49,596**	**35,660**	**–**	**–**

In the fiscal year under review, the reversal of the risk allowance of 45 thousand euros for deposits (2018: 33 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 20). None of these deposits has been pledged as collateral.

11. Other assets

in kEUR

	current		non-current	
Other financial assets	**31 Dec 2019**	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**
Value added tax refund claims	**13,695**	11,512	**–**	–
Advance payments	**4,462**	3,297	**539**	253
Government grants	**1,442**	562	**–**	1,305
Other	**1,291**	1,132	**–**	18
Total	**20,890**	**16,503**	**539**	**1,576**

The main items recognised under other assets are advances to employees of 673 thousand euros (2018: 557 thousand euros) and other taxes receivable of 466 thousand euros (2018: 258 thousand euros).

12. Cash and cash equivalents

in kEUR

	Currency	31 Dec 2019	31 Dec 2018
Deposits incl. demand deposits	EUR	**140,479**	119,267
Deposits incl. demand deposits	USD	**12,485**	7,409
Deposits	CHF	**6,290**	4,818
Deposits	JPY	**4,146**	3,566
Deposits incl. demand deposits	GBP	**3,684**	4,983
Deposits	SEK	**3,115**	1,968
Deposits incl. demand deposits	CAD	**2,445**	3,772
Deposits	SGD	**1,421**	769
Deposits	RUB	**1,097**	2,374
Deposits in other currencies and cash in hand	various	**6,228**	7,840
Total		**181,390**	**156,766**

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 20.

Cash and cash equivalents include restricted items relating to a total amount of 3,917 thousand euros (2018: 4,091 thousand euros). More information on currency restrictions can be found in the section on financial risks in note 20.

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

Notes to the balance sheet — equity and liabilities

13. Equity

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

Subscribed capital

RATIONAL AG's share capital as at 31 December 2019 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 26, "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. Capital reserves also include income and expenses taken directly to equity; they resulted primarily from the entitlements of members of the Executive Board under the stock option plan dated 3 February 2000 and were settled in cash.

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 3).

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 prevailing economic situation is the key determining factor in its management. The equity ratio indicates the ratio of equity shown on the balance sheet to the company's total capital. RATIONAL's equity ratio as of 31 December 2019 was 74% (2018: 75%).

To ensure adequate shareholder participation, the Group adjusts the dividend payments to shareholders in line with the profit situation.

14. 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 2020 (2019: 51 thousand euros). Both pension obligations have an average maturity of 15 years (2018: 16 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 57 (2018: 61) 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 years, 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 384 thousand euros in 2020 (2018: 304 thousand euros). The pension obligation has an average maturity of 22 years (2018: 21 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 2020 amount to 156 thousand euros (2018: 155 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	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Value as at 1 Jan	**7,920**	**7,123**	**3,214**	**2,581**	**4,706**	**4,542**
Currency differences	**189**	180	**114**	98	**75**	82
Interest expense	**94**	65	**–**	–	**94**	65
Interest income	**–**	–	**33**	22	**–33**	–22
Service cost	**1,127**	1,048	**–**	–	**1,127**	1,048
Actuarial losses/gains due to changes in financial assumptions	**1,312**	–140	**–**	–	**1,312**	–140
Actuarial losses/gains due to changes in demographic assumptions	**–72**	–204	**–**	–	**–72**	–204
Actuarial losses/gains due to experience	**–285**	–33	**–**	–	**–285**	– 33
Return on plan assets excluding amounts included in interest income	**–**	–	**–140**	–61	**140**	61
Employer contributions	**–**	–	**378**	322	**–378**	–322
Employee contributions	**–**	–	**357**	322	**–357**	–322
Benefits received/paid	**–681**	–119	**–540**	–70	**–141**	–49
Value as at 31 Dec	**9,604**	**7,920**	**3,416**	**3,214**	**6,188**	**4,706**
thereof Germany (GER)	**813**	782	**–**	–	**813**	782
thereof Switzerland (CH)	**6,461**	5,164	**3,416**	3,214	**3,045**	1,950
thereof Italy (IT)	**985**	813	**–**	–	**985**	813
thereof France (FR)	**864**	700	**–**	–	**864**	700
thereof others	**481**	461	**–**	–	**481**	461

The calculations were based on the following weighted actuarial assumptions:

in %

		GER	CH	IT	FR	Others
Discount rate	**2019**	**0.60**	**0.10**	**0.30**	**0.70**	**3.97**
	2018	1.50	1.00	1.13	1.60	1.72
Salary progression rate	**2019**	**–**	**1.60**	**1.00**	**3.00**	**4.60**
	2018	–	1.60	1.00	3.00	1.96
Pension progression rate	**2019**	**1.75**	**0.00**	**–**	**–**	**–**
	2018	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 2019	2018
Discount rate −0,5%	**+937**	+676
Discount rate +0,5%	**−820**	−584
Salary progression rate −0,5%	**−102**	−94
Salary progression rate +0,5%	**+98**	+87
Pension progression rate −0,5%	**−35**	−33
Pension progression rate +0,5%	**+399**	+295
Life expectancy +1 year	**+144**	+100

15. Other provisions

2019	Balance on 1 Jan	Currency differences	Use	Reversal	Additions	Interest rate effects	Balance on 31 Dec	in kEUR of which non-current
Personnel	20,032	220	−15,326	−1,207	17,702	52	21,473	4,263
Trade bonuses	14,827	279	−14,659	−444	15,795	–	15,798	–
Warranty	14,933	14	−10,186	−967	9,966	–	13,760	3,756
Others	8,092	75	−6,574	−1,063	7,185	–	7,715	594
Total	57,884	588	−46,745	−3,681	50,648	52	58,746	8,613

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.

16. Financial debt

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

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

2018					in kEUR
	Carrying amounts 1 Jan 2018	**Cash changes**	**Non-cash changes (currency effects and others)**	**Carrying amounts 31 Dez 2018**	**of which non-current**
Liabilities to banks	14,247	−2,290	−39	11,918	6,306

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
	2020	**2021–2024**
Payments as of 31 Dec 2019	**2,720**	**3,776**

		in kEUR
	2019	**2020–2023**
Payments as of 31 Dec 2018	2,757	6,497

In addition, there are other current financial liabilities of 3,278 thousand euros (2018: 2,982 thousand euros).

17. Financial liabilities

in kEUR

	current		non-current	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Trade accounts payable	**24,977**	**26,409**	**–**	**–**
Lease liabilities	**6,550**	–	**10,554**	–
Liabilities to business partners	**5,857**	5,250	**–**	–
Liabilities from purchase of property	**1,969**	–	**3,214**	3,214
Fair value of derivative financial instruments	**729**	505	**–**	–
Other	**1,201**	931	**–**	–
Other financial liabilities	**16,306**	**6,686**	**13,768**	**3,214**

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 21.

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

18. Other liabilities

Other liabilities

in kEUR

	current		non-current	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Value added tax	**10,105**	9,046	**–**	–
Wage taxes and social security liabilities	**5,996**	5,583	**–**	–
Holiday claims	**5,594**	5,929	**–**	–
Contractual obligations	**4,074**	2,236	**1,879**	2,167
Other	**285**	151	**–**	–
Total	**26,054**	**22,945**	**1,879**	**2,167**

Notes to the cash flow statement

19. 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. In the year under review, total cash provided by operating activities exceeded the prior-year value. In addition to higher earnings, this was mainly attributable to lower funds tied up in operating assets and liabilities.

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.

Cash flows from financing activities are also determined on the basis of actual cash inflows or outflows. They mainly include dividend payments to shareholders and the repayment of bank loans (for a reconciliation to the balance sheet item "Financial debt", see note 16). As from 2019, this item also includes payments of principal and interest on lease liabilities. Until 2018, lease payments were recognised under cash flows from operating activities. Information on right-of-use assets and lease liabilities can be found in note 21.

Other notes to the consolidated financial statements

20. 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 2019	Fair value 31 Dec 2019	Carrying amount 31 Dec 2018	Fair value 31 Dec 2018
Financial assets measured at amortised cost		**358,402**		**320,971**	
Other financial assets (non-current)	Level 2	**1,330**	**1,330**	993	993
Trade accounts receivable		**125,344**		124,440	
Other financial assets (current)		**50,338**		38,772	
Cash and cash equivalents		**181,390**		156,766	
Financial assets measured at fair value through profit or loss		**50,617**		**47,506**	
Derivatives not in a hedging relationship[1]	Level 1	**91**	**91**	105	105
Derivatives not in a hedging relationship[1]	Level 2	**236**	**236**	539	539
Other financial assets (current)	Level 1	**49,172**	**49,172**	46,162	46,162
Other financial assets (current)	Level 2	**1,118**	**1,118**	700	700
Financial liabilities measured at amortised cost		**63,906**		**47,722**	
Financial debt (non-current)	Level 2	**3,676**	**3,830**	6,306	6,555
Lease liabilities (non-current)[2]		**10,554**		–	
Other financial liabilities (non-current)	Level 2	**3,214**	**3,214**	3,214	3,214
Financial debt (current)	Level 2	**5,908**	**5,931**	5,612	5,635
Trade accounts payable		**24,977**		26,409	
Lease liabilities (current)[3]		**6,550**		–	
Other financial liabilities (current)		**9,027**		6,181	
Financial liabilities measured at fair value through profit or loss		**729**		**505**	
Derivatives not in a hedging relationship[3]	Level 1	**–**	**–**	53	53
Derivatives not in a hedging relationship[3]	Level 2	**729**	**729**	452	452

[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 is not included in this amount.

Net gains or net losses excl. interest

in kEUR	2019	2018
Financial assets measured at amortised cost	**+2,404**	+17
Financial assets ⁄ liabilities measured at fair value through profit or loss	**+939**	−1,489
Financial liabilities measured at amortised cost	**−426**	+129

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:

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

in kEUR	2019	2018
Total interest income	**434**	273
Total interest expense	**613**	211

Offsetting of financial instruments

The following financial assets and liabilities are either offset against each other in the balance sheet or are subject to a legally enforceable global netting agreement or similar agreements; this means that offsetting is only possible in the event of insolvency of one of the parties.

31 Dec 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

31 Dec 2018

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	126,758	2,318	124,440	–	124,440
Deposits, Cash and cash equivalents	192,426	–	192,426	6,769	185,657
Bonds, shares and fund units	46,862	–	46,862	–	46,862
Derivatives without a hedge relationship	644	–	644	530	114
Other financial assets	4,105	–	4,105	53	4,052
Total	**370,795**	**2,318**	**368,477**	**7,352**	**361,125**
Financial liabilities					
Financial debt	–	11,918	11,918	6,769	5,149
Trade accounts payable	–	26,409	26,409	–	26,409
Liabilities to business partners	2,318	7,568	5,250	–	5,250
Derivatives without a hedge relationship	–	505	505	478	27
Other financial liabilities	–	4,145	4,145	105	4,040
Total	**2,318**	**50,545**	**48,227**	**7,352**	**40,875**

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 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.
> 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. Default risk can arise as a result of customers not fulfilling their payment obligations.

In order to avoid or reduce credit risk in receivables from customers, customers will be subject 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% (2018: 95%) of the credit loss on insured receivables is usually met by the credit insurer.

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

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

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

in kEUR	31 Dec 2019	31 Dec 2018
Trade accounts receivable	**125,344**	124,440
of which refundable value-added tax*	**10,463**	9,949
of which potential refund by credit insurance	**99,947**	97,453
of which receivables secured by letters of credit / bank guarantees	**2,683**	3,544
of which receivables from public-sector entities*	**–**	113
Unsecured credit risk	**12,251**	**13.381**
Risk coverage ratio	**90%**	**89%**

* if country rating meets requirements

The residual credit risk not covered by the securities shown includes concentration risk amounting to 1,594 thousand euros (2018: 1,877 thousand euros), distributed over five (2018: five) customers. Unsecured receivables with a nominal value of more than 200 thousand euros (2018: 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 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**

31 Dec 2018 (in kEUR)

	Carrying amount after risk allowance	Protected by deposit protection fund	Unsecured credit risk
Deposits	35,660	5,867	29,793
Cash and cash equivalents	156,766	129,759	27,007
Total	**192,426**	**135,626**	**56,800**

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 231,023 thousand euros (2018: 192,526 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 16, 17 and 21.

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. As of the balance sheet date, the total amount of the contractually agreed credit lines was 96,000 thousand euros (2018: 35,000 thousand euros). After taking into account assignments for subsidiaries and sureties, this leaves unused credit lines amounting to 91,274 thousand euros (2018: 29,832 thousand euros).

In addition, there is collateral for loans agreed for real estate financing, which are described in note 7.

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, commodity prices as well as share and bond prices.

Currency risk

One of the factors giving rise to currency risk is exchange rate fluctuations at the balance sheet and consequently the possible change in the fair value of existing balance sheet items denominated in foreign currencies (translation risk). This affects the "Trade accounts receivable", "Other financial assets", "Cash and cash equivalents" 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 12. 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 2019

in kEUR

	Value of euro 10% higher	Value of euro 10% lower
EUR/USD	–4,446	4,909
EUR/GBP	–2,890	2,416
EUR/SEK	–912	773
EUR/JPY	–746	826
EUR/CNY	–658	805
EUR/CAD	–486	455
Others	–2,246	2,618
Total	**–12,384**	**12,802**

Hypothetical impact on profit and equity 2018

in kEUR

	Value of euro 10% higher	Value of euro 10% lower
EUR/USD	–968	346
EUR/JPY	–794	878
EUR/CHF	–549	671
EUR/BRL	–482	589
EUR/CAD	–480	459
EUR/MXN	–452	526
Others	–2,078	1,425
Total	**–5,802**	**4,895**

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.

There is a limit on investments denominated in foreign currency for the special fund. In addition, the currency risk is hedged with appropriate instruments.

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.

Interest rate risk for financial assets held in the special fund is contained with appropriate instruments. If the interest rate increased by 1 percentage point, earnings after taxes and equity would be 750 thousand euros (2018: 439 thousand euros) lower. If the interest rate decreased by 1 percentage point, earnings after taxes and equity would be 808 thousand euros (2018: 478 thousand euros) higher.

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.

Share price risk

RATIONAL invests in shares, investment funds and equity derivatives through a special fund and is exposed to share price risk as a result. As at 31 December 2019, the carrying amount for these financial instruments is 9,523 thousand euros (2018: 8,215 thousand euros). The share price risk is contained by specifying a value guarantee mandate for the special fund, supported by the use of appropriate instruments. Contractually agreed guidelines for the special fund govern the treatment of investment risk and the permissible asset classes and financial standing requirements.

If share prices had been 10 percentage points higher as at 31 December 2019, earnings after taxes and equity would have been 485 thousand euros (2018: 209 thousand euros) higher. If share prices had been by 10 percentage points lower as at 31 December 2019, earnings after taxes and equity would have been 502 thousand euros (2018: 209 thousand euros) lower.

21. Leasing

Disclosures on the initial application of IFRS 16 are described in the “Basis of preparation” section. The “Leasing” subsection in “Significant accounting policies” provides fundamental information on lease accounting and RATIONAL’s lease activities.

Right-of-use assets arising from leases are recognised in property, plant and equipment. Lease liabilities are included in other financial liabilities, which are explained in note 17.

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

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:

2019

	in kEUR
Depreciation of right-of-use assets	**8,197**
thereof real estate	**3,446**
thereof operating and office equipment	**4,751**
Interest expenses for lease liabilities	**448**
Expenses for low-value lease assets	**347**
Cash outflows for leases	**8,927**
Additions to right-of-use assets	**10,445**
Carrying amounts of right-of-use assets as at 31 Dec.	**17,038**
thereof real estate	**9,600**
thereof operating and office equipment	**7,438**

22. Employees and personnel costs

Average number of employees

	2019	% of total	2018	% of total
Production and Dispatch	**524**	**24**	478	23
Sales and Marketing	**973**	**44**	901	44
Technical Service	**229**	**10**	210	10
Research and Development	**175**	**8**	156	8
Administration	**320**	**14**	297	15
Total	**2,221**	**100**	**2,042**	**100**
of which outside Germany	**1,020**	**46**	935	46

Personnel costs comprise the following items:

in kEUR	2019	2018
Salaries and wages	**152,717**	137,821
Social security	**29,855**	26,371
of which expenses for defined contribution plans	**12,593**	10,844
Total	**182,572**	**164,192**

23. Operating Segments

Internal control and reporting to the Executive Board were based primarily on the product groups until 2018. At the start of fiscal year 2019, internal control and reporting to the Executive Board, which was identified as the main decision-making body, were switched to geographical regions. The current reporting on the business segments reflects this switch in the business segments DACH (Germany, Austria and Switzerland), EMEA (Europe, Middle East, Africa), America (North and Latin America) and Asia. The figures for the previous year are shown in this structure to allow comparison.

The business segments EMEA, Americas and Asia are each 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 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**

Operating Segments 2018

in kEUR

	DACH	EMEA	AMERICAS	ASIA	Total of segments	Reconciliation	Group
Segment sales revenues	**127,995**	**333,518**	**184,979**	**123,029**	**769,521**	**8,338**	**777,859**
Segment profit or loss	31,354	90,102	37,291	31,097	189,844	15,168	205,012
Financial result	–	–	–	–	–	–	–850
Earnings before taxes	–	–	–	–	–	–	204,162
Segment depreciation	**2,123**	**6,349**	**3,151**	**2,333**	**13,956**	**21**	**13,977**
Segment assets	**5,969**	**65,735**	**64,555**	**44,499**	**180,758**	**1,122**	**181,880**

For sales revenues and net costs or income, the reconciliation results mainly from currency translation and items that are not allocated to the segments. In the case of assets, the column essentially contains assets that are not allocated to business segments and are thus consolidation effects.

Of the property, plant and equipment, intangible assets and other non-current assets, 158,770 thousand euros (2018: 138,348 thousand euros) are reported in Germany, while

32,361 thousand euros (2018: 13,980 thousand euros) are attributable to third countries.

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

24. 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.

Members of the Supervisory Board hold shares in companies from which the company purchases goods or services. The expense for these goods and services amounted to 3,129 thousand euros in 2019 (2018: 3,219 thousand euros). As of 31 December 2019, outstanding trade accounts payable to these companies amounted to 87 thousand euros (2018: 62 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.

25. Supervisory Board and Executive Board

Pursuant to a resolution of the General Meeting of Shareholders on 15 May 2019, the number of members of the Supervisory Board of RATIONAL AG was increased to seven. 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:

2019 (in kEUR)

	Fixed	Others	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**

2018 (in kEUR)

	Fixed	Others	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
Total	**1,050**	**30**	**1,080**

As of the balance sheet date, Supervisory Board compensation of 1,143 thousand euros (2018: 1,050 thousand euros) was included in current liabilities.

The Executive Board had the following members at the balance sheet date (31 December 2019):

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)

Dr Axel Kaufmann, Chief Financial Officer
Dipl.-Kaufmann (Business Administration Graduate)
(until 31 December 2019)

The General Meeting of Shareholders held on 4 May 2016 resolved in accordance with section 314 (3) sentence 1 of the HGB (Handelsgesetzbuch, German Commercial Code) not to disclose separately the remuneration 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 2019 was 5,211 thousand euros (2018: 5,569 thousand euros). This amount includes performance-related components of 1,660 thousand euros (2018: 2,121 thousand euros), which are classified as current liabilities. The above compensation also includes payments of 12 thousand euros to former Executive Board members (2018: 11 thousand euros). Payments into the pension scheme totalling 583 thousand euros (2018: 474 thousand euros) were also made.

26. 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 2019, so at the balance sheet date (31 December 2019) option rights to a maximum of 131,000 shares of RATIONAL AG remain in the stock option plan.

27. 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 7 February 2017. The declaration is permanently available on RATIONAL AG's website: www.rational-online.com.

28. Significant events after the balance sheet date

The spread of the coronavirus is having a negative impact on RATIONAL's business activities. Although it is not possible to predict the specific effects on the net assets, financial position and profit or loss at this time, we nevertheless expect reduced growth in sales volume and sales revenues in the lower single-digit percentage range and a drop in earnings in the high to low double-digit percentage range for 2020.

29. Auditor's fee

By resolution of the General Meeting of Shareholders held on 15 May 2019, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Munich, was appointed as auditor for fiscal year 2019.

The auditor's fee, including reimbursement of expenses, amounted to a total of 467 thousand euros (2018: 428 thousand euros) and comprises the auditing of separate and consolidated financial statements. In fiscal year 2019, the voluntary review of the sustainability report resulted in the provision of other certification services in an amount of 27 thousand euros (2018: 34 thousand euros) including expenses. An amount of 0 thousand euros (2018: 1 thousand euros) was spent on other services.

Landsberg am Lech, 10 March 2020

RATIONAL AG
The Executive Board

Dr Peter Stadelmann
Chief Executive Officer

Peter Wiedemann
Chief Technical Officer

Markus Paschmann
Chief Sales Officer

Statement of Responsibility

Statement of Responsibility
To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Landsberg am Lech, 10 March 2020

RATIONAL AG
The Executive Board

Dr Peter Stadelmann
Chief Executive Officer

Peter Wiedemann
Chief Technical Officer

Markus Paschmann
Chief Sales Officer

Auditor's Report

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 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2019, 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 2019. 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 2019, and of its financial performance for the financial year from 1 January to 31 December 2019, 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 2019. 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, 3.6 million euros in internally generated intangible assets resulting from development activities are reported under the "Intangible assets" balance sheet item as of 31 December 2019. Of this amount, 0.7 million euros are attributable to development costs newly capitalised in 2019. Total development costs (including capitalised development costs) amounted to 42.7 million euros in fiscal year 2019. 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 capitalisation, 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 capitalisation of development costs are contained in note 6 and in the "Significant accounting policies" of the consolidated financial statements.

2. Provisions for warranties

2.1. Matter and issue

In the consolidated financial statements of the Company 13.8 million euros in provisions for warranties are reported under the "Current provisions" and "Other non-current provisions" balance sheet items as of 31 December 2019. 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 15 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 corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code

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

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 15 May 2019. We were engaged by the supervisory board on 24 July 2019. 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).

Note on supplementary audit

We are issuing this audit opinion on the amended consolidated financial statements and amended Group management report based on our statutory audit completed on 25 February 2020 and our supplementary audit completed on 10 March 2020, which related to the amended information in the notes to the consolidated financial statements and the Group management report due to an updated forecast taking account of new findings on the effects of the coronavirus. Reference to the changes is made by the legal representatives in the amended notes to the consolidated financial statements in the section "Significant events after the balance sheet date" and in the amended Group management report in the section "Outlook and report on opportunities and risks".

German public auditor responsible for the engagement

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

Munich, 10 March 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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

Legal Notice

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Key Figures regarding RATIONAL Shares

Key figures

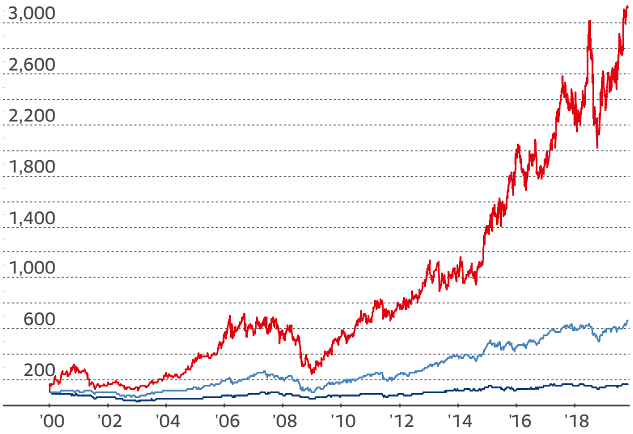
		2019	2018
Maximum price last 12 months[2]	EUR	**726.00**	698.50
Minimum price last 12 months[2]	EUR	**487.00**	459.80
Year-end closing price[2]	EUR	**717.00**	496.00
Market capitalisation[1 2]	m EUR	**8,152.0**	5,639.5
Dividend yield[3]	%	**1.5**	1.9
Beta factor (one year) as of 30 Dec[4]	%	**0.78**	1.02
Sales revenues per share	EUR	**74.20**	68.41
Price-to-sales ratio[1]		**9.7**	7.3
Earnings per share	EUR	**15.09**	13.84
Price-earnings ratio[1]		**47.5**	35.8
Cash flow per share	EUR	**17.47**	12.69
Price-cash flow ratio[1]		**41.0**	39.1

[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: 717.00 EUR



RATIONAL shares — basic information

Number of outstanding shares[1]	11,370,000
Shareholder structure	Holding shares 65.1%, free float 34.9%
ISIN	DE0007010803
WKN	701 080
Market abbreviation	RAA

[1] Status: 9 March 2020

Financial calendar 2020

Financial Figures Fiscal Year 2019	Landsberg	24 Mar '20
Balance Sheet Press Conference Fiscal Year 2019	Landsberg	24 Mar '20
Telephone Conference Fiscal Year 2019	Landsberg	24 Mar '20
Financial Figures Q1 2020	Landsberg	6 May '20
General Shareholders' Meeting 2020	Augsburg	6 May '20
Financial Figures Half Year 2020	Landsberg	30 Jul '20
Financial Figures 9 Months 2020	Landsberg	27 Oct '20

22% Average annual return for RATIONAL shareholders since the IPO (including dividends)

The Executive Board

Dr Peter Stadelmann, CEO & CFO

Peter Wiedemann, CTO

Markus Paschmann, CSO

The Supervisory Board

Walter Kurtz, Chairman

Dr Hans Maerz, Deputy Chairman

Dr Gerd Lintz

Werner Schwind

Erich Baumgärtner

Dr Georg Sick

Dr Johannes Würbser

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10-Year Overview

Key figures

Earnings situation		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Sales revenues	m EUR	**844**	778	702	613	564	497	461	435	392	350
Sales revenues abroad	%	**88**	88	87	87	87	87	87	86	85	84
Sales revenues combi-steamer	m EUR	**769**	712	646	567	529	467	436	413	372	–
Sales revenues VarioCookingCenter®	m EUR	**75**	66	58	47	39	33	28	26	23	–
Gross profit[1]	m EUR	**498**	457	421	379	349	304	281	262	234	217
as a percentage of sales revenues		**59**	59	60	62	62	61	61	60	60	62
EBITDA	m EUR	**248**	219	199	176	169	154	136	130	109	113
as a percentage of sales revenues		**29**	28	28	29	30	31	30	30	28	32
EBIT	m EUR	**223**	205	188	167	160	145	128	123	102	106
as a percentage of sales revenues		**26**	26	27	27	28	29	28	28	26	30
Profit or loss after taxes	m EUR	**172**	157	143	127	122	110	97	93	79	80
as a percentage of sales revenues		**20**	20	20	21	22	22	21	21	20	23
Earnings per share (undiluted)	EUR	**15.09**	13.84	12.58	11.18	10.71	9.68	8.55	8.20	6.93	7.02
Return on equity (after taxes)[2]	%	**35**	36	35	34	37	38	38	42	35	38
Return on invested capital (ROIC)[3]	%	**34**	34	33	31	34	34	35	38	33	34

Asset situation											
Total assets	m EUR	**699**	604	571	540	483	423	377	326	283	306
Equity	m EUR	**517**	456	425	397	356	311	269	237	207	230
Equity ratio	%	**74**	75	74	74	74	73	71	73	73	75
Liabilities to banks	m EUR	**10**	12	14	28	28	33	34	25	19	21
Cash and cash equivalents (including fixed deposits)	m EUR	**231**	192	267	278	267	225	200	166	121	163
Net financial position[4]	m EUR	**222**	180	253	250	239	193	166	141	102	142
Fixed assets	m EUR	**191**	152	127	102	79	69	61	56	54	55
Investments	m EUR	**40**	40	43	25	19	17	12	9	6	5
Working capital (excluding liquid funds)[5]	m EUR	**161**	150	118	108	99	93	84	75	79	65
as a percentage of sales revenues		**19**	19	17	18	17	19	18	17	20	19

Cash flow/investments											
Cash flow from operating activities	m EUR	**199**	144	146	130	143	113	103	111	68	87
Cash flow from investing activities	m EUR	**–55**	–56	77	–97	–11	–39	–28	–38	61	–23
Cash flow from financing activities	m EUR	**–119**	–128	–128	–87	–83	–71	–57	–57	–106	–52

Employees											
Number of employees as at year end		**2,258**	2,113	1,884	1,713	1,530	1,424	1,341	1,263	1,224	1,092

RATIONAL shares											
Year-end closing price[6]	EUR	**717.00**	496.00	537.20	424.00	419.90	259.75	241.10	218.00	168.20	161.89
Year-end market capitalisation	m EUR	**8,152**	5,640	6,108	4,821	4,774	2,953	2,741	2,479	1,912	1,841
Payout[7]	m EUR	**122**	108	125	114	85	77	68	65	63	102
Dividend per share[7]	EUR	**10.70**	9.50	8.80	8.00	7.50	6.80	6.00	5.70	5.50	5.00
Special dividend per share[7]	EUR	**–**	–	2.20	2.00	–	–	–	–	–	4.00

[1] Since 2018 reporting of costs incurred in connection with the installation and set-up of appliances under cost of sales, 2017 had been adjusted accordingly, under sales and service expenses up until 2016
[2] Earnings after tax in relation to average equity for the respective fiscal year
[3] Profit after tax less finance costs divided by the invested capital (equity + interest-bearing borrowings)
[4] Liquid funds less liabilities to financial institutions
[5] Total inventories and trade receivables less trade accounts payable and advance payments received
[6] Xetra
[7] Payout in the following year, dividend for 2019 subject to approval by the General Meeting of Shareholders 2020

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