

Statement on the first 9 months of 2017



RATIONAL AG continues successful business performance

Sales revenues up **17%** on previous year – growth driven by Americas

Gross margin of 61%

EBIT margin still on the high level of **26%**

72% equity ratio

93 million euros in operating cash flow

Good development in **both segments**

131 new employees hired

Outlook details specified – record investments expected

Key Figures

in m EUR	3rd quarter 2017	3rd quarter 2016	Absolute change	Percentage change	9 months 2017	9 months 2016	Absolute change	Percentage change
Sales revenues and earnings								
Sales revenues	178.1	153.1	+ 25.0	+ 16	509.2	436.1	+ 73.1	+ 17
Sales revenues generated abroad in %	87	87	0	–	88	87	1	–
Cost of sales	70.1	59.0	+ 11.1	+ 19	198.7	166.6	+ 32.1	+ 19
Gross profit	108.0	94.0	+ 14.0	+ 15	310.5	269.5	+ 41.0	+ 15
Gross margin in %	60.6	61.4	– 0.8	–	61.0	61.8	– 0.8	–
Sales and service expenses	41.6	38.2	+ 3.4	+ 9	128.5	113.6	+ 14.9	+ 13
Research and development expenses	8.4	6.5	+ 1.9	+ 29	24.1	18.5	+ 5.6	+ 30
General administration expenses	7.6	6.5	+ 1.1	+ 18	22.0	19.2	+ 2.8	+ 14
Depreciation/amortisation	3.0	2.4	+ 0.6	+ 25	8.8	7.0	+ 1.8	+ 26
Earnings before interest and taxes (EBIT)	48.5	42.7	+ 5.8	+ 13	132.3	116.3	+ 16.0	+ 14
EBIT margin in %	27.2	27.9	– 0.7	–	26.0	26.7	– 0.7	–
Profit or loss after taxes	37.0	32.6	+ 4.4	+ 13	101.0	88.8	+ 12.2	+ 14
Balance sheet								
Total equity and liabilities					529.5	496.6	+ 32.9	+ 7
Working capital ¹					121.3	106.0	+ 15.3	+ 14
Equity					383.1	359.3	+ 23.8	+ 7
Equity ratio in %					72.4	72.3	+ 0.1	–
Cash flow								
Cash flow from operating activities					93.1	87.2	+ 5.9	+ 7
Capital expenditures					19.5	18.6	+ 0.9	+ 5
Free cash flow ²					73.6	68.6	+ 5.0	+ 7
Key figures for RATIONAL shares								
Earnings per share (in EUR)					8.88	7.81	+ 1.07	+ 14
Quarter-end closing price ³ (in EUR)					581.58	446.00	+ 135.58	+ 30
Market capitalisation					6,612.6	5,071.0	+ 1,541.6	+ 30
Employees								
Number of employees as at 30 September					1,844	1,675	+ 169	+ 10
Number of employees (average)					1,818	1,632	+ 186	+ 11
Sales revenues per employee (in kEUR)					280.1	267.2	+ 12.9	+ 5

1 Excluding liquid funds

2 Cash flow from operating activities less capital expenditures

3 XETRA

RATIONAL AG continues successful business performance

Sales revenues up 17 % on previous year – growth driven by Americas

RATIONAL continued its successful performance of the first six months also in the third quarter, generating sales revenues of 178.1 million euros (2016: 153.1 million euros). This equates to growth of 16% in the third quarter, leaving the growth rate for the nine-month period at the high level of 17%. After nine months, sales revenues amounted to 509.2 million euros (2016: 436.1 million euros).

In North America, sales revenues grew by 25% in the third quarter and by 34% in the nine-month period. Here, business with chain customers in particular was very successful, while street business also performed well.

Sales revenues in the Latin America region were also considerably higher than in the prior-year period, expanding by 27% in the third quarter and by 37% in the nine-month period. In addition to a very good performance in general, orders from major customers and the recovery of the Brazilian market had a particularly positive impact on sales revenues.

In Europe (excluding Germany), sales revenues were up by a total of 15% in the third quarter. In the nine-month period, the region grew by 12%. As in the first six months, key growth drivers were the southern European markets of Spain and Italy. Following stagnating sales revenues in the first half of the year, the UK returned to slight growth in the third quarter. Moreover, developments were positive in markets that had been weighed down by political influence in the past. For example, Russia, Greece and Turkey experienced faster-than-average growth in the nine-month period.

Following encouraging growth in the first half of the year, the Asia region expanded by 10%, and thus more slowly than the general average, in the third quarter. This resulted in cumulative revenue growth of 17%. All the region's markets recorded increases in sales revenues, and in particular the development of business with local regional customers in the Chinese market was encouraging.

In RATIONAL's home market of Germany, sales revenues for the quarter were up 16% year-on-year, and growth of 9% was recorded for the nine-month period. The combi steamer segment has already more than recovered from its first-quarter backlog. VarioCooking Center® business continued to be extremely successful in Germany, expanding by 23% in the first nine months.

Business volumes in the rest of the world grew by 15% in the quarter just ended. In the nine-month period, the region was up 13%. It benefited in particular from a significant increase in business with a partner in Australia.

As in the first half of the year, the currencies of relevance to RATIONAL fell significantly year-on-year in the third quarter. As a result, sales revenue performance in the year to date has been negatively impacted by exchange rate fluctuations. This development was mainly attributable to the weakness of the pound sterling. Adjusted for these factors, sales revenues increased by 18% in the nine-month period.

Gross margin of 61 %

In the first nine months of 2017, RATIONAL achieved gross profit of 310.5 million euros (2016: 269.5 million euros). This equates to an increase of 15% compared with the previous year. At 61%, the gross margin was slightly below the high level of the previous year (2016: 62%). This decline is mainly attributable to an increase in commodity costs, which had been expected.

EBIT margin still on the high level of 26 % 72 % equity ratio

EBIT (earnings before interest and taxes) stood at 132.3 million euros, 14% up on the previous year (2016: 116.3 million euros).

While, as expected, manufacturing costs rose faster than sales revenues, the increase in operating costs was slightly below average. Operating costs rose by 15%, compared with the first nine months of 2016, to 174.6 million euros (2016: 151.3 million euros).

The increase in costs was largely attributable to sales and service, which saw a rise of 13% to 128.5 million euros (2016: 113.6 million euros). By increasing capacities, the investments were mainly directed towards strengthening the global sales and service organisation and expanding central marketing and service processes.

Research and development costs incurred for the continuous improvement of products and services rose by 30% to 24.1 million euros over the previous year (2016: 18.5 million euros). Development costs of 0.4 million euros were capitalised in the first nine months of 2017 (2016: 1.8 million euros). Adjusted for this effect, research and development expenses increased by 20%.

After nine months, general administration expenses amounted to 22.0 million euros, up 14% on the prior-year period (19.2 million euros).

There was a noticeable negative impact on EBIT from translation effects on foreign currency positions as at the balance sheet date. These effects account for a significant portion of other operating expenses and income, reducing nine-month earnings by 4.1 million euros. In the prior-year period, the negative effect had amounted to 2.1 million euros.

An EBIT margin of 26% was achieved after nine months (2016: 27%). Adjusted for negative currency effects, the EBIT margin of 27% is the same as in the previous year.

At 72% (2016: 72%) on 30 September 2017, the equity ratio was at its usual high level. Liquid funds, at 239.2 million euros (2016: 240.9 million euros), represented around 45% of total assets (2016: 49%).

93 million euros in operating cash flow

In the first nine months of the current fiscal year, the cash flow from operating activities was 93.1 million euros (2016: 87.2 million euros). The higher earnings had a positive effect. This was partially offset by a larger decrease in amounts payable to suppliers than in the prior-year period.

The cash flow from investing activities includes investments in property, plant and equipment and in intangible assets. After nine months, these investments amounted to 19.5 million euros (2016: 18.6 million euros). They related primarily to new construction work and renovations to increase production capacities at the Landsberg location.

The cash flow from financing activities essentially reflects the dividend of 113.7 million euros distributed in May (2016: 85.3 million euros).

Good development in both segments

The RATIONAL segment, which represents the production and sale of the SelfCookingCenter® and the CombiMaster® Plus, grew its segment sales revenues by 16% in the first nine months to 470.7 million euros (2016: 404.3 million euros). The segment EBIT was 126.3 million euros (2016: 112.3 million euros).

The FRIMA segment produces and markets the VarioCooking Center®. FRIMA continued its successful growth of the previous year in the nine-month period, posting an above-average increase in sales revenues of 21% compared with the Group. FRIMA generated total sales revenues of 39.8 million euros (2016: 33.0 million euros). Segment earnings stood at 5.9 million euros in the period under review (2016: 4.0 million euros).

131 new employees hired

Around 190 new posts are to be created worldwide in fiscal year 2017. The focus is in particular on further expanding the global sales and service organisation. 131 new employees had been added as at the end of September 2017, just under half of them in Germany. A large proportion of the new jobs have been created in sales and sales-related functions. Capacity was also added in technical service and manufacturing.

Outlook details specified – record investments expected

The vast majority of RATIONAL and FRIMA customers are so satisfied with the products and services that they would buy them again at any time and also recommend them to friends and colleagues. This rating was confirmed in relation to the market launch of the new products. Given the very high market potential and the solid forecasts for the global economy, the Executive Board of RATIONAL AG believes that, as before, the company is well placed to keep on growing successfully.

Performance in the third quarter was again very positive, and the outlook for the rest of the year is good. For this reason, the Executive Board of RATIONAL AG has now provided a more specific sales revenue growth forecast of around 13% for fiscal year 2017.

RATIONAL's Executive Board expects the negative impact of exchange rate movements to continue in the fourth quarter. Given the combined effect of the record investments planned in production capacities at the Landsberg location and costs calculated for the rest of the fiscal year, management therefore assumes an EBIT margin at the lower end of the range between 26% and 27% for 2017.

Statement of Comprehensive Income

RATIONAL Group

in kEUR	3rd quarter 2017	3rd quarter 2016	9 months 2017	9 months 2016
Sales revenues	178,106	153,061	509,187	436,121
Cost of sales	- 70,107	- 59,023	- 198,661	- 166,594
Gross profit	107,999	94,038	310,526	269,527
Sales and service expenses	- 41,574	- 38,204	- 128,540	- 113,576
Research and development expenses	- 8,425	- 6,530	- 24,075	- 18,498
General administration expenses	- 7,636	- 6,474	- 21,988	- 19,249
Other operating income	1,970	2,205	5,735	8,030
Other operating expenses	- 3,856	- 2,296	- 9,332	- 9,893
Earnings before interest and taxes (EBIT)	48,478	42,739	132,326	116,341
Interest and similar income	94	72	255	313
Interest and similar expenses	- 193	- 210	- 602	- 638
Earnings before taxes (EBT)	48,379	42,601	131,979	116,016
Income taxes	- 11,369	- 9,988	- 31,015	- 27,264
Profit or loss after taxes	37,010	32,613	100,964	88,752
Items that may be reclassified to profit and loss in the future:				
Differences from currency translation	- 570	- 258	- 1,121	- 334
Other comprehensive income	- 570	- 258	- 1,121	- 334
Total comprehensive income	36,440	32,355	99,843	88,418
Average number of shares (undiluted/diluted)	11,370,000	11,370,000	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	3.26	2.87	8.88	7.81

Balance Sheet

RATIONAL Group

Assets

in kEUR	30 September 2017	30 September 2016	31 December 2016
Non-current assets	121,059	109,799	112,276
Intangible assets	8,447	8,684	8,803
Property, plant and equipment	95,804	82,112	85,067
Financial assets	5,250	9,500	8,000
Deferred tax assets	8,966	7,718	8,273
Other non-current assets	2,592	1,785	2,133
Current assets	408,421	386,814	427,525
Inventories	44,586	36,426	39,214
Trade receivables	108,728	92,342	100,180
Other current assets	15,872	17,104	9,979
Deposits with maturities of more than 3 months	74,500	96,000	175,700
Cash and cash equivalents	164,735	144,942	102,452
Total equity and liabilities	529,480	496,613	539,801

Equity and liabilities

in kEUR	30 September 2017	30 September 2016	31 December 2016
Equity	383,101	359,250	396,958
Subscribed capital	11,370	11,370	11,370
Capital reserves	28,058	28,058	28,058
Retained earnings	347,406	321,787	360,142
Other components of equity	- 3,733	- 1,965	- 2,612
Non-current liabilities	36,637	33,471	34,888
Provisions for pensions	3,295	2,558	3,223
Other non-current provisions	10,150	7,434	9,203
Non-current liabilities to banks	17,922	21,907	20,747
Deferred tax liabilities	531	1,009	578
Other non-current liabilities	4,739	563	1,137
Current liabilities	109,742	103,892	107,955
Current income tax liabilities	6,979	10,870	8,340
Current provisions	52,701	46,212	38,518
Current liabilities to banks	6,854	6,845	7,046
Trade accounts payable	19,417	20,314	25,000
Other current liabilities	23,791	19,651	29,051
Liabilities	146,379	137,363	142,843
Total equity and liabilities	529,480	496,613	539,801

Cash Flow Statement

RATIONAL Group

in kEUR	9 months 2017	9 months 2016
Earnings before taxes (EBT)	131,979	116,016
Cash flow from operating activities	93,131	87,247
Change in fixed deposits with maturities of more than 3 months	103,950	5,400
Cash flow from other investing activities	- 16,638	- 18,205
Cash flow from investing activities	87,312	- 12,805
Cash flow from financing activities	- 117,290	- 85,596
Effects of exchange rate fluctuations in cash and cash equivalents	- 870	- 26
Change in cash and cash equivalents	62,283	- 11,180
Cash and cash equivalents as at 1 January	102,452	156,122
Cash and cash equivalents as at 30 September	164,735	144,942

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	
Balance as at 1 January 2017	11,370	28,058	360,142	- 1,584	- 1,028	396,958
Dividend	-	-	- 113,700	-	-	- 113,700
Total comprehensive income	-	-	100,964	- 1,121	0	99,843
Balance as at 30 September 2017	11,370	28,058	347,406	- 2,705	- 1,028	383,101
Balance as at 1 January 2016	11,370	28,058	318,310	- 1,211	- 420	356,107
Dividend	-	-	- 85,275	-	-	- 85,275
Total comprehensive income	-	-	88,752	- 334	0	88,418
Balance as at 30 September 2016	11,370	28,058	321,787	- 1,545	- 420	359,250

Sales Revenues by Region

RATIONAL Group

in kEUR	3rd quarter 2017	% of total	3rd quarter 2016	% of total
Germany	24,206	13	20,838	13
Europe (excluding Germany)	81,834	46	71,450	47
North America	27,972	16	22,429	15
Latin America	10,437	6	8,218	5
Asia	23,420	13	21,232	14
Rest of the world	10,237	6	8,894	6
Total	178,106	100	153,061	100

in kEUR	9 months 2017	% of total	9 months 2016	% of total
Germany	64,092	12	58,669	13
Europe (excluding Germany)	238,012	47	212,733	49
North America	85,900	17	63,928	15
Latin America	29,464	6	21,540	5
Asia	65,235	13	55,723	13
Rest of the world	26,484	5	23,528	5
Total	509,187	100	436,121	100

Operating Segments

RATIONAL Group

3rd quarter 2017

in kEUR	RATIONAL	FRIMA	Total of segments	Reconciliation	Group
External sales revenues	162,972	15,134	178,106	0	178,106
Intercompany sales revenues	459	0	459	- 459	-
Segment sales revenues	163,431	15,134	178,565	- 459	178,106
Segment profit or loss	45,152	3,296	48,448	30	48,478
Financial result	-	-	-	-	- 99
Earnings before taxes	-	-	-	-	48,379

3rd quarter 2016

in kEUR	RATIONAL	FRIMA	Total of segments	Reconciliation	Group
External sales revenues	140,521	12,540	153,061	0	153,061
Intercompany sales revenues	350	0	350	- 350	-
Segment sales revenues	140,871	12,540	153,411	- 350	153,061
Segment profit or loss	40,380	2,342	42,722	17	42,739
Financial result	-	-	-	-	- 138
Earnings before taxes	-	-	-	-	42,601

9 months 2017

in kEUR	RATIONAL	FRIMA	Total of segments	Reconciliation	Group
External sales revenues	469,342	39,845	509,187	0	509,187
Intercompany sales revenues	1,337	0	1,337	- 1,337	-
Segment sales revenues	470,679	39,845	510,524	- 1,337	509,187
Segment profit or loss	126,335	5,945	132,280	46	132,326
Financial result	-	-	-	-	- 347
Earnings before taxes	-	-	-	-	131,979

9 months 2016

in kEUR	RATIONAL	FRIMA	Total of segments	Reconciliation	Group
External sales revenues	403,108	33,013	436,121	0	436,121
Intercompany sales revenues	1,152	0	1,152	- 1,152	-
Segment sales revenues	404,260	33,013	437,273	- 1,152	436,121
Segment profit or loss	112,290	4,001	116,291	50	116,341
Financial result	-	-	-	-	- 325
Earnings before taxes	-	-	-	-	116,016

Publisher and contact

RATIONAL Aktiengesellschaft
Iglinger Strasse 62
86899 Landsberg am Lech

Dr Axel Kaufmann

Chief Financial Officer
Tel. +49 8191 237-209
Fax +49 8181 327-272
E-mail ir@rational-online.com

Stefan Arnold

Head of Investor Relations
Tel. +49 8191 237-2209
Fax +49 8181 327-722209
E-mail ir@rational-online.com

Disclaimer

This quarterly statement contains forward-looking statements that are based on assumptions and expectations at the time the statement is published. They are subject to risks and uncertainties and the actual results may differ significantly from those in the forward-looking statements. Many of these risks and uncertainties are determined by factors that are outside the influence of RATIONAL AG and cannot be assessed reliably at present. They include future market conditions and economic trends, the actions of other market players, and legal and political decisions. RATIONAL AG is also not obligated to publish revisions to these forward-looking statements in order to reflect events or circumstances that have occurred after they were published.