

A sprig of fresh green herbs, likely thyme, is positioned in the upper left corner of the page.

# Statement on the First Quarter of 2018



Landsberg am Lech, 03 May 2018



## **RATIONAL AG – Successful Start to Fiscal Year 2018**

Organic growth of **9%**

Growth markets **Germany** and **Asia**

**60%** gross margin

**24%** EBIT margin – adjusted for currency effects, at previous year's level

**80%** equity ratio – high liquidity

**Good development** for both segments

**70 new employees** hired

**Outlook confirmed**

## Key Figures

	3 months 2018	3 months 2017	Absolute change	In m EUR Change in %
<b>Sales revenues and earnings</b>				
Sales revenues	173.5	165.7	+ 7.8	+ 5
Sales revenues abroad (in %)	88	88	0	–
Cost of sales	69.5	64.6	+ 4.9	+ 8
Gross profit	104.0	101.1	+ 2.9	+ 3
as a percentage of sales revenues	60.0	61.0	– 1.0	–
Sales and service expenses	46.1	43.8	+ 2.3	+ 5
Research and development expenses	9.0	7.5	+ 1.5	+ 20
General administration expenses	7.8	7.0	+ 0.8	+ 12
Earnings before financial result and taxes (EBIT)	40.8	44.1	– 3.3	– 7
as a percentage of sales revenues	23.5	26.6	– 3.1	–
Profit or loss after taxes	31.2	33.7	– 2.5	– 7
<b>Balance Sheet</b>				
Balance sheet total	571.7	550.7	+ 21.0	+ 4
Equity	455.1	430.9	+ 24.2	+ 6
Equity ratio (in %)	79.6	78.2	+ 1.4	–
<b>Cash flow</b>				
Cash flow from operating activities	0.0	11.5	– 11.5	– 100
Cash-effective investments	17.2	3.2	+ 14.0	+ 438
Free cash flow <sup>1</sup>	– 17.2	8.3	– 25.5	– 307
<b>Number of employees as at 31 March</b>				
	1,954	1,788	+ 166	+ 9
<b>Key figures RATIONAL shares</b>				
Earnings per share (in EUR)	2.75	2.96	– 0.21	– 7
Quarter-end closing price <sup>2</sup> (in EUR)	511.00	436.55	+ 74.45	+ 17
Market capitalisation	5,810.1	4,963.6	+ 846.5	+ 17

<sup>1</sup> Cash flow from operating activities less investments

<sup>2</sup> XETRA

# RATIONAL AG Continues Growth Trend in First Quarter 2018

## Organic growth of 9%

In the first quarter of 2017, RATIONAL reported exceptionally strong sales growth of 22%. Even when compared with that very successful quarter, the company succeeded in increasing sales revenue during the first three months of fiscal year 2018.

In total, RATIONAL generated sales revenues of 173.5 million euros in the first quarter of 2018. Taking into account the base effect due to the previous year's performance and negative currency effects, the recorded growth of 5% was still significant and in line with our expectations. This equates to average sales revenue growth of 13% over two years, bringing the company's growth in the high single-digit range above its own long-term growth targets.

The strong appreciation of the euro – against almost all currencies relevant to RATIONAL – compared with the same quarter of the previous year had a considerable impact on sales revenues in the first quarter of 2018. In particular, the decline of the US dollar (–15%), the Canadian dollar (–11%), the Japanese Yen (–11%), the Brazilian real (–20%), and the British pound (–3%) had a significantly negative impact on sales revenues. Adjusted for these effects, RATIONAL sales revenues worldwide increased by 9%.

In March 2018, RATIONAL also received high levels of new orders in particular in North and South America, which have not yet been shipped in keeping with the customer roll-out plan for the appliances (worth close to 10 million euros). As a result, orders on hand at the end of the quarter were at a higher level. These orders will contribute to sales revenue growth in the coming months.

## Growth markets Germany and Asia

In our home market of Germany, RATIONAL experienced growth of 13% in the first three months of the current fiscal year. This successful trend was due in particular to increased sales of combi-steamers (+15%).

In Europe (excluding Germany), sales revenues were up by 4% due to the base effect from the exceptionally high growth of 18% in the previous year. In addition, negative currency effects weighed slightly on sales revenues, while growth without currency effects was 5%.

In North America, sales revenues were at the previous year's level in the first three months, driven mainly by the base effect due to the extremely high growth of 58% in the previous year as well as increased orders on hand at the end of the quarter. The weakness of both the US dollar and Canadian dollar also had a negative impact on sales revenues. Without currency effects, the North America region experienced growth of 14%.

Sales revenue performance also took a hit in Latin America by high growth in the previous year (+53%) and negative currency effects. Overall, sales revenues were down 8% compared with the same quarter in the previous year – adjusted for negative currency effects, they were at the previous year's level. In addition, there was also a high number of orders on hand at the end of the quarter in this region.

RATIONAL got off to a good start to the year in Asia with sales growth of 12% compared with the previous year. China was the main driver of this growth during the past quarter. All currencies relevant to the company in Asia also declined in value against the euro. Without currency effects, sales revenues in the region were up 18% on the previous year.

## 60% gross margin

In the first quarter of 2018, RATIONAL generated a gross profit of 104.0 million euros (2017: 101.1 million euros). This equates to an increase of 3% compared with the previous year. At 60.0%, the gross margin remained at the average level of the previous 10 years (2017: 61.0%).

The year-on-year decline by 1.0 percentage point is attributable to the negative currency effects on sales revenues. Without currency effects, gross margin was slightly above the previous year at 61.3%.

## 24% EBIT margin – adjusted for currency effects, at previous year's level

Earnings before financial result and income taxes (EBIT) amounted to 40.8 million euros, 7% down on the previous year (2017: 44.1 million euros). The EBIT margin (ratio of EBIT to sales revenues) reached 23.5% (2017: 26.6%). The decline in EBIT and lower EBIT margin were mainly due to negative currency effects and translation effects on foreign currency positions as at the balance sheet date.

Operating costs rose compared to the first quarter 2017 by 4.6 million euros to 62.9 million euros (2017: 58.3 million euros). The increase in costs was largely attributable to sales and service, which saw a rise of 2.3 million euros to 46.1 million euros (2017: 43.8 million euros). Research and development costs rose by 1.5 million euros to 9.0 million euros compared with the previous year (2017: 7.5 million euros). Development costs of 0.2 million euros were capitalised in the first quarter of 2018 (2017: 0.1 million euros). After three months, general administration expenses amounted to 7.8 million euros, up 0.8 million euros over the previous year (2017: 7.0 million euros).

EBIT was negatively impacted by translation effects on foreign currency positions as at the reporting date. These effects are included in other operating expenses and income, negatively impacting EBIT by 0.8 million euros during the reporting period, whereas they had a positive impact of 1.1 million euros in the first quarter 2017.

Adjusted for these exchange rate effects, the EBIT margin was 25.5%, almost at the level of the previous year's margin also after exchange rate adjustments.

## 80% equity ratio – high liquidity

On 31 March 2018, the equity ratio was high at 80% (2017: 78%). This will decrease again with the planned dividend distribution in May (total proposed dividend of 11 euros per share, which equates to 125.1 million euros).

In the first three months of the current fiscal year, cash flow from operating activities was 14 thousand euros (2017: 11.5 million euros). The decline is due in particular to the markedly stronger increase in receivables and inventories than in the same period last year and due to slightly lower earnings.

The cash flow from investing activities includes investments in property, plant and equipment and in intangible assets. In the first quarter, these investments amounted to 17.2 million euros (2017: 3.2 million euros), an increase of 14.0 million euros on the previous year. For the first time, around 20 million euros was invested in a special fund for financial investment and hedging purposes.

Cash flow from financing activities reflects payments of principal and interest on loans up to the end of March and amounted to –0.7 million euros (2017: –1.6 million euros). The significant decline is due to the reduced loan amount. In 2017, loans of 9.5 million euros were redeemed ahead of schedule.

On 31 March 2018, in addition to cash and cash equivalents of 178.7 million euros (2017: 110.0 million euros) RATIONAL held financial assets in fixed-term deposits and a special fund amounting to 72.6 million euros (2017: 182.2 million euros). Thus, liquidity remains at a high level. The slight decline compared with the previous year is attributable to high investments made during the previous year and the past quarter as well as unscheduled loan repayments in the last fiscal year.

## Positive performance for both segments

The RATIONAL segment, which represents the production and sale of the SelfCookingCenter® and the CombiMaster® Plus, experienced growth in sales revenues of 4% in the first quarter of 2018 to 160.0 million euros (2017: 154.4 million euros). Segment EBIT was 39.6 million euros (2017: 43.3 million euros). The year-on-year decline is mainly due to negative currency effects.

The FRIMA segment produces and markets the VarioCooking Center®. FRIMA continued its successful growth trend of the previous year with an increase of 14% in sales revenues in the first quarter of 2018. In total, FRIMA generated 13.4 million euros in sales revenues (2017: 11.8 million euros). Segment earnings amounted to 1.3 million euros in the first quarter of 2018 (2017: 0.8 million euros) and thus confirms the expectation of continuous improvement through economies of scale.

## 70 new employees hired

There was continued focus in 2018 on further expansion of the global sales and service organisation. 70 new employees were added in the first quarter of 2018, almost half of them in Germany. Most of the new jobs are in sales, sales-related functions and technical service, with the remainder in supporting functions. As at 31 March 2018, the RATIONAL Group employed 1,954 people.

## Outlook confirmed

The large majority of our customers are so satisfied with the products and services that they would be happy to purchase them again at any time and also recommend them to friends and colleagues. This assessment was confirmed again in the latest customer satisfaction survey. Given the high market potential and the solid forecasts for the global economy, the Executive Board of RATIONAL AG believes the company is well placed to keep on growing successfully.

Despite the extraordinarily strong quarter last year, company expectations were met in the first quarter of 2018 with organic sales revenue growth of 9% and EBIT margin adjusted for currency effects at the previous year's level. In addition, on the back of a high number of new orders at the end of the quarter, the company had an increased orders on hand.

Given this, the RATIONAL AG Executive Board confirms the outlook provided for fiscal year 2018, in other words, sales revenue growth in the high single-digit range and EBIT margin between 26% and 27%.

# Statement of Comprehensive Income

## RATIONAL Group

	in kEUR	
	3 months 2018	3 months 2017
Sales revenues	173,481	165,717
Cost of sales	-69,471	-64,572
<b>Gross profit</b>	<b>104,010</b>	<b>101,145</b>
Sales and service expenses	-46,072	-43,813
Research and development expenses	-9,002	-7,515
General administration expenses	-7,847	-7,004
Other operating income	1,907	2,149
Other operating expenses	-2,153	-828
<b>Earnings before financial result and taxes (EBIT)</b>	<b>40,843</b>	<b>44,134</b>
Interest income	70	84
Interest expenses	-70	-205
Other financial result	-43	0
<b>Earnings before taxes (EBT)</b>	<b>40,800</b>	<b>44,013</b>
Income taxes	-9,588	-10,343
<b>Profit or loss after taxes</b>	<b>31,212</b>	<b>33,670</b>
Items that may be reclassified to profit and loss in the future:		
Differences from currency translation	-431	226
<b>Other comprehensive income</b>	<b>-431</b>	<b>226</b>
<b>Total comprehensive income</b>	<b>30,781</b>	<b>33,896</b>
Average number of shares (undiluted/diluted)	11,370,000	11,370,000
<b>Earnings per share (undiluted/diluted) in euros, based on profit or loss after taxes and the number of shares</b>	<b>2.75</b>	<b>2.96</b>

# Balance Sheet

## RATIONAL Group

### Assets

	in kEUR		
	31 March 2018	31 March 2017	31 December 2017
<b>Non-current assets</b>	<b>142,763</b>	<b>106,646</b>	<b>137,353</b>
Intangible assets	8,276	8,410	8,525
Property, plant and equipment	123,234	85,856	116,413
Other financial assets	2,000	2,193	3,239
Deferred tax assets	7,395	8,554	7,475
Other assets	1,858	1,633	1,701
<b>Current assets</b>	<b>428,901</b>	<b>444,071</b>	<b>433,346</b>
Inventories	48,451	39,324	45,682
Trade accounts receivable	113,886	101,078	109,657
Other financial assets	72,507	181,301	72,019
Income tax receivables	862	544	416
Other assets	14,472	10,880	9,358
Cash and cash equivalents	178,723	110,944	196,214
<b>Total assets</b>	<b>571,664</b>	<b>550,717</b>	<b>570,699</b>

### Equity and liabilities

	in kEUR		
	31 March 2018	31 March 2017	31 December 2017
<b>Equity</b>	<b>455,053</b>	<b>430,854</b>	<b>424,527</b>
Subscribed capital	11,370	11,370	11,370
Capital reserves	28,058	28,058	28,058
Retained earnings	420,400	393,812	389,443
Other components of equity	-4,775	-2,386	-4,344
<b>Non-current liabilities</b>	<b>28,378</b>	<b>33,988</b>	<b>28,350</b>
Provisions for pensions	3,042	3,265	3,000
Other provisions	11,029	9,506	10,905
Financial debt	8,279	19,583	8,937
Other financial liabilities	3,214	59	3,214
Deferred tax liabilities	584	425	663
Income tax liabilities	1,593	1,150	1,489
Other liabilities	637	0	142
<b>Current liabilities</b>	<b>88,233</b>	<b>85,875</b>	<b>117,822</b>
Other provisions	36,025	30,615	44,414
Financial debt	5,221	6,809	5,310
Trade accounts payable	20,019	19,623	31,314
Other financial liabilities	3,307	4,545	10,032
Income tax liabilities	3,434	6,826	7,996
Other liabilities	20,227	17,457	18,756
<b>Liabilities</b>	<b>116,611</b>	<b>119,863</b>	<b>146,172</b>
<b>Total equity and liabilities</b>	<b>571,664</b>	<b>550,717</b>	<b>570,699</b>



# Cash Flow Statement

## RATIONAL Group

	in kEUR	
	3 months 2018	3 months 2017
Earnings before taxes (EBT)	40,800	44,013
<b>Cash flow from operating activities</b>	<b>14</b>	<b>11,537</b>
Changes in financial investments	524	1,500
Cash flow from other investing activities	-17,069	-3,091
<b>Cash flow from investing activities</b>	<b>-16,545</b>	<b>-1,591</b>
<b>Cash flow from financing activities</b>	<b>-678</b>	<b>-1,597</b>
Effects of exchange rate fluctuations in cash and cash equivalents	-282	143
<b>Change in cash and cash equivalents</b>	<b>-17,491</b>	<b>8,492</b>
<b>Cash and cash equivalents as at 1 January</b>	<b>196,214</b>	<b>102,452</b>
<b>Cash and cash equivalents as at 31 March</b>	<b>178,723</b>	<b>110,944</b>

# 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	
<b>Balance as at 1 January 2017</b>	<b>11,370</b>	<b>28,058</b>	<b>360,142</b>	<b>-1,584</b>	<b>-1,028</b>	<b>396,958</b>
Dividend	-	-	-	-	-	-
Profit or loss after taxes	-	-	33,670	-	-	33,670
Other comprehensive income	-	-	-	226	0	226
<b>Balance as at 31 March 2017</b>	<b>11,370</b>	<b>28,058</b>	<b>393,812</b>	<b>-1,358</b>	<b>-1,028</b>	<b>430,854</b>
<b>Balance as at 31 December 2017</b>	<b>11,370</b>	<b>28,058</b>	<b>389,443</b>	<b>-3,341</b>	<b>-1,003</b>	<b>424,527</b>
First-time adoption of IFRS 9 and IFRS 15	-	-	-255	-	-	-255
<b>Balance as at 1 January 2018</b>	<b>11,370</b>	<b>28,058</b>	<b>389,188</b>	<b>-3,341</b>	<b>-1,003</b>	<b>424,272</b>
Dividend	-	-	-	-	-	-
Profit or loss after taxes	-	-	31,212	-	-	31,212
Other comprehensive income	-	-	-	-431	0	-431
<b>Balance as at 31 March 2018</b>	<b>11,370</b>	<b>28,058</b>	<b>420,400</b>	<b>-3,772</b>	<b>-1,003</b>	<b>455,053</b>

# Sales revenues by region

## RATIONAL Group

in kEUR	3 months 2018		3 months 2017	
	in kEUR	% of total	in kEUR	% of total
Germany	21,815	12	19,365	12
Europe (excluding Germany)	82,783	48	79,692	48
North America	28,873	17	28,968	17
Latin America	8,930	5	9,752	6
Asia	22,805	13	20,294	12
Rest of the world	8,275	5	7,646	5
<b>Total</b>	<b>173,481</b>	<b>100</b>	<b>165,717</b>	<b>100</b>



# Operating Segments

## RATIONAL Group

### 3 months 2018

in kEUR

	RATIONAL	FRIMA	Total of segments	Reconciliation	Group
External sales revenues	160,048	13,433	173,481	0	173,481
Intercompany sales revenues	0	0	0	0	-
Segment sales revenues	160,048	13,433	173,481	0	173,481
<b>Segment profit or loss</b>	<b>39,584</b>	<b>1,260</b>	<b>40,844</b>	<b>-1</b>	<b>40,843</b>
Financial result	-	-	-	-	-43
<b>Earnings before taxes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,800</b>

### 3 months 2017

in kEUR

	RATIONAL	FRIMA	Total of segments	Reconciliation	Group
External sales revenues	153,894	11,823	165,717	0	165,717
Intercompany sales revenues	495	0	495	-495	-
Segment sales revenues	154,389	11,823	166,212	-495	165,717
<b>Segment profit or loss</b>	<b>43,311</b>	<b>847</b>	<b>44,158</b>	<b>-24</b>	<b>44,134</b>
Financial result	-	-	-	-	-121
<b>Earnings before taxes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,013</b>

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**Explanatory information to the financial figures**

In fiscal year 2018, the new standards on revenue recognition and accounting for financial instruments (IFRS 15 and IFRS 9) are being applied for the first time. The conversion effects from the first-time application of the new standards were recognized directly in equity as of 1 January 2018; the previous year's figures have therefore not been adjusted.

In the first quarter of 2018, RATIONAL AG invested in a special fund for the first time. The special fund is included in the consolidated financial statements on a full consolidation basis. The new item "Other financial result" in the Statement of Comprehensive Income includes, among other things, the valuation and disposal gains or losses from the special fund.

The presentation in the Balance Sheet was also changed at the beginning of the first quarter of 2018. Other assets and liabilities are classified as financial and non-financial items in accordance with IAS 1. The 2017 figures were adjusted accordingly.

**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.