Statement
on the first nine months of 2020

MAKE IT easy.

Landsberg am Lech, 27 October 2020

Key Figures

in m EUR	3rd quarter 2020	3rd quarter 2019	Change absolute	Change in %	9 months 2020	9 months 2019	Change absolute	Change in %
Sales revenues by region								
Germany	21.0	25.2	– 4,2	– 17	60.2	74.0	– 13.8	– 19
Europe (excluding Germany)	78.5	90.7	– 12.2	– 13	210.1	271.8	– 61,7	– 23
North America	28.0	40.7	– 12.7	– 31	83.3	116.8	– 33,5	– 29
Latin America	5.4	11.9	– 6,5	– 54	17.2	33.2	– 16.0	– 48
Asia	27.3	32.3	– 5.0	– 15	70.9	84.5	– 13.6	– 16
Rest of the world	7.9	12.5	– 4,6	– 36	24.6	32.2	– 7,6	– 24
Sales revenues generated abroad (in %)	88	88	0	–	87	88	– 1	–
Sales revenues by product group								
Combi-steamers	151.0	193.2	– 42,2	– 22	421.3	558.7	– 137.4	– 25
VarioCookingCenter/iVario	17.2	20.0	– 2,8	– 14	44.9	53.9	– 9,0	– 17
Sales revenues and earnings								
Sales revenues	168.2	213.2	– 45,0	– 21	466.3	612.6	– 146.3	– 24
Cost of sales	74.2	87.7	– 13,5	– 15	209.2	251.0	– 41,8	– 17
Gross profit	94.1	125.5	– 31,4	– 25	257.0	361.5	– 104.5	– 29
as a percentage of sales revenues	55.9	58.9	– 3,0	–	55.1	59.0	– 3,9	–
Sales and service expenses	36.7	47.2	– 10.5	– 22	126.3	146.7	– 20,4	– 14
Research and development expenses	9.0	9.5	– 0,5	– 6	30.7	30.4	+ 0.3	+ 1
General administration expenses	8.5	9.2	– 0,7	– 7	27.9	28.1	– 0.2	– 1
Earnings before financial result and taxes (EBIT)	36.8	61.3	– 24,5	– 40	64.4	159.5	– 95,1	– 60
as a percentage of sales revenues	21.9	28.8	– 6,9	–	13.8	26.0	– 12.2	–
Profit or loss after taxes	28.5	47.6	– 19,1	– 40	46.4	124.2	– 77.8	– 63
Balance Sheet								
Total equity and liabilities					645.8	652.0	– 6.2	– 1
Equity					500.7	470.5	+ 30.2	+ 6
Equity ratio in %					77.5	72.2	+ 5.3	–
Cash flow								
Cash flow from operating activities					45.7	141.1	– 95.4	– 68
Cash-effective investments					21.9	26.9	– 5.0	– 19
Free cash flow [1]					23.8	114.2	– 90.4	– 79
Number of employees as at 30 September					**2,213**	**2,229**	– 16	– 1
Key figures for RATIONAL shares								
Earnings per share (in EUR)					4.08	10.92	– 6.84	– 63
Quarter-end closing price[2] (in EUR)					669.00	658.00	+ 11.00	+ 2
Market capitalisation[2 3]					7,606.5	7,481.5	+ 125.0	+ 2

1 Cash flow from operating activities less capital expenditures
2 Xetra
3 As of balance sheet date

Letter from the Executive Board

Dear Ladies and Gentlemen,

The restrictions imposed to contain the COVID-19 pandemic continue to determine our daily lives and therefore also the day-to-day business of our customers. Great uncertainty about a possible easing or tightening of the restrictions and the unpredictability of how long they will be in force are unsettling many customers and weighing on investment confidence.

What is more, the end of the summer business season in Europe and North America means that many hospitality and hotel businesses will no longer be able to use outdoor areas to increase the available space, which has been decimated by social distancing rules. Due to the sales revenue losses suffered so far and the persistently difficult business situation, the German Hotel and Restaurant Association (Deutscher Hotel- und Gaststättenverband, DEHOGA), for example, anticipates that many businesses will end up in serious financial trouble as the crisis continues.

However, apart from this stressful situation for many of our customers, we are also seeing a number of positive signs. Chain customers are planning to increase their presence and are looking for new locations. In-store cafés and restaurants are booming right now, and the long-standing trend towards more take-away business, small snacks between meals and a greater variety of food outlets has accelerated. Moreover, the delivery business is going from strength to strength and, as a result, the concept of ghost kitchens is becoming increasingly popular. Ghost kitchens prepare meals centrally and exclusively for delivery services without being attached to a restaurant. The how and where of food consumption is changing, but meals are still eaten and prepared away from home. Our products are in use among all these customer groups, both those that are suffering from the effects of the current situation and those benefiting from them.

In view of these facts, the conditions are right for RATIONAL AG to emerge stronger from the crisis. Our customers' high levels of satisfaction and loyalty are undiminished. Our latest product innovations have created even greater customer benefits and provided even more reasons to upgrade or make an initial purchase. The effects of the crisis will also include tighter hygiene regulations, greater demands for efficiency and an increasing decline in the number of qualified kitchen staff. Our technologies can support our customers in the best possible way in mastering the resulting challenges.

Our business performance is currently stabilising at a reduced level. Our sales revenues went down by 24% in the first nine months. Despite that, we succeeded in realising an EBIT margin of 14%, generating a positive operating cash flow, and maintaining our solid liquidity situation and high equity ratio.

The significant rise in uncertainty in recent weeks makes it impossible in our view to give a reliable forecast for the remainder of 2020, and hence also for full-year 2020. However, we assume that, unlike in normal years, the fourth quarter will not be significantly stronger than the others.

I want to thank all our customers and partners who have remained loyal to us in the past months, despite the difficult business situation, despite restrictions on contact and despite concerns about their own future. All of us at RATIONAL hope that they will soon be better off again economically and that we can help them be successful again or become even more successful.

Likewise I want to thank all employees for their extraordinary commitment in these difficult times.

I wish you, dear readers, all the best and, most of all, that you stay healthy!

Dr Peter Stadelmann
CEO of RATIONAL AG

Sales revenues stabilise at lower level in the third quarter – reliable forecast not possible for 2020

Sales revenues of 168 million euros in the third quarter of 2020 – 21% down on last year

RATIONAL AG generated sales revenues of 168.2 million euros in the third quarter of 2020, 21% less than in the prior-year quarter (213.2 million euros). Sales revenues increased significantly when compared with the second quarter of the current fiscal year (116.8 million euros, 43% down on the prior-year quarter). The reasons are a relaxation of coronavirus restrictions in many markets, the positive trend of the summer business among many of our customers and not least the launch of the new product generations, iVario and iCombi.

In the first nine months, this translated into sales revenues totalling 466.3 million euros (2019: 612.6 million euros), a year-on-year decline of 24%.

All regions worldwide affected

None of our major markets was able to escape the crisis. Large projects helped us to exceed the previous year's performance only in a small number of markets, such as Korea. The other markets were down on the previous year, some of them significantly so.

The Americas were the hardest hit by the coronavirus restrictions. In Latin America, sales revenues contracted by 48% in the first nine months, in North America there was a 29% decline. The best outcome after nine months, relatively speaking, was achieved in Asia, where sales revenues were 16% down on the previous year. Europe was 23% lower than in the previous year, while our home market of Germany contracted by 19%. In the rest of the world, there was a 24% decline compared with the previous year.

Declines in both product groups – iVario impacted to a lesser extent

At the beginning of May 2020, we started our roll-out of the new iCombi, initially in Europe and subsequently also in our overseas markets; since the middle of June, we have done the same for the new iVario. With the exception of some Latin American markets and India, where the predecessor generations continue to be sold, both product groups are now available to our customers worldwide.

In the combi-steamer product group, which represents the production and sale of the iCombi, sales revenues in the first nine months were 25% lower than in the previous year, at 421.3 million euros (2019: 558.7 million euros).

Sales revenue performance was somewhat better in the iVario product group following the market launch of the new product generation. Here, sales revenues were 17% down on the previous year in the first nine months of 2020, at 44.9 million euros (2019: 53.9 million euros).

No significant currency effects on sales revenues

In the course of the corona crisis, emerging market currencies in particular lost value, in some cases significantly. The currencies of the industrialised nations were largely stable compared to the previous year's exchange rates. Overall, this had a slightly negative, not material effect on sales revenue performance.

Gross margin of 56% in the third quarter of 2020

In recent months, work in the technical processes in Landsberg and Wittenheim was largely dominated by the launch of the new product generation and efforts to deal with the logistical restrictions brought on by the crisis. The main reasons for the year-on-year drop in the margin are: lower manufacturing productivity and higher discounts on appliances because of the product changeover, higher depreciation charges caused by the investments in new, more efficient production systems, additional costs incurred in logistics because of the corona crisis and a higher proportion of fixed costs resulting from the decline in sales revenues.

These factors had an appreciable effect on cost of sales, which could not be reduced in proportion to the decrease in sales revenues. This resulted in a significant reduction in the gross margin, which was under considerable pressure, especially in the second quarter, when it reached 52.6%. In the third quarter, the gross margin recovered significantly compared with the previous quarter, to 55.9% (2019: 58.9%). For the nine-month period, it stands at 55.1% (2019: 59.0%).

EBIT margin of 22% in the third quarter – 14% after nine months

EBIT (earnings before financial result and taxes) amounted to 36.8 million euros in the third quarter (2019: 61.3 million euros). Driven by the significant improvement in sales revenues in the third quarter, a better gross margin and rigorous cuts in operating costs, our EBIT margin improved to 21.9%, a significant increase compared with the first six months and slightly ahead of expectations.

EBIT in the first nine months of the current fiscal year was 64.4 million euros, 60% below the figure for the previous year (2019: 159.5 million euros). The EBIT margin was 13.8% (2019: 26.0%). Adjusted for currency effects, the EBIT margin after nine months was 15.7%.

The main reasons for this sharp fall compared with the first nine months of the previous year were the lower gross margin and the fact that the 10% year-on-year reduction in operating expenses, which amounted to 184.9 million euros (2019: 205.1 million euros), was outpaced by the fall in sales revenues. Moreover the significant currency loss of 8.2 million euros, which is set against a gain of 2.5 million euros in the previous year had a negative impact. The currency result came under significant pressure due to the sharp depreciation of many emerging market currencies as well as of the US dollar and pound sterling.

Due to substantial savings on trade fairs, travel expenses, personnel costs as well as transport and logistics costs, operating costs in sales and service were 22% down on the prior-year figure, at to 36.7 million euros (2019: 47.2 million euros). After nine months, sales and service expenses totalled 126.3 million euros, representing savings of 14% compared with the previous year (2019: 146.7 million euros).

Research and development expenses amounted to 9.0 million euros in the third quarter (2019: 9.5 million euros), a slight year-on-year decline of 6%. For the nine-month period, development expenses of 30.7 million euros were slightly up on the prior-year period (2019: 30.4 million euros).

Administration expenses decreased by 7% in the third quarter, to 8.5 million euros (2019: 9.2 million euros). After nine months, they stood at 27.9 million euros, almost exactly on a level with the previous year (2019: 28.1 million euros).

Positive cash flow from operating activities

In the first three months of the current fiscal year, there was a cash inflow from operating activities of 45.7 million euros (2019: +141.1 million euros). This significant decline was mainly attributable to the lower profit before taxes. The other input factors largely offset each other.

The cash flow from investing activities includes investments in property, plant and equipment and in intangible assets. In the first nine months of the current fiscal year, these investments amounted to 21.9 million euros (2019: 26.9 million euros). This is mainly due to investments in construction of the new logistics centre, which was commenced last autumn, and in modernising the machinery installed at the Landsberg am Lech location. The figure also includes returns from financial investments and fixed-term deposits totalling 74.0 million euros in net. In total, there was a cash inflow from investing activities of 52.1 million euros (2019: −12.9 million euros).

The net cash used in financing activities of 76.5 million euros mainly reflects the dividend payment (64.8 million euros), payments of principal and interest on bank loans (2.2 million euros), the settlement of liabilities on bills of exchange (2.7 million euros) and payments as part of lease liabilities in accordance with IFRS 16 (6.9 million euros).

Securing liquidity has top priority

A high level of liquidity, the resultant independence from capital markets and bank loans, and preserving entrepreneurial freedom have always been vital for RATIONAL. In times of crisis, that is even more important in order to ensure our company's long-term existence and success. Our equity ratio at the end of September 2020 was 78% and we had more than 200 million euros in net financial assets. In addition, we contractually agreed credit lines of 75 million euros with our banks in January 2019, but have not touched them to date.

Number of employees at last year's level – recruitment freeze in force

Even before the coronavirus outbreak, existing economic uncertainty had prompted us to be cautious in recruiting new employees. We have only added jobs in strategic areas of the future and will continue to do so in the coming months.

Our aim is to keep achievers in the company. In a number of units in Germany and abroad, we have therefore used the short-time working instrument and are planning to use it again if necessary. In particularly weak markets, however, we had no choice but to adapt the structures and number of employees to the changed market situation. The RATIONAL Group had 2,213 employees worldwide as at the end of September 2020, compared with 2,258 at the end of 2019.

Uncertainty on the rise – reliable forecast not possible for 2020

After nine months, sales revenues were 24% down on the previous year. The 21% decline in sales revenues in the third quarter was a significant improvement on the second quarter (down 43% year on year); order intakes in September and early October were also at this level.

In a normal economic environment, we would expect sales revenues to be higher in the fourth quarter. This is driven by the incentive systems for our dealers and sales employees as well as the fact that many customers use budgets saved up in the course of the year for capital expenditure before the end of the year. We do not expect these positive factors in the current year.

The time frame and impact of the pandemic and, of even more serious consequence, those of the countermeasures are unknown. This means that predictions of future development are subject to great uncertainty. In the autumn and winter season in Europe and North America, the outdoor business will be discontinued or significantly scaled back. Given the continuing restrictions on venue occupancy and extensive hygiene measures, as well as the threat of tighter restrictions, which have been announced or already introduced in many countries, these are significant uncertainty factors for the fourth quarter of 2020.

The Executive Board therefore remains committed to the withdrawal, made on 6 May 2020, of the forecasts provided in the 2019 management report. In our view, it is not possible at this point to give a reliable forecast of our key financial indicators for fiscal year 2020.

The large majority of our customers continue to be 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 in spring of this year and also applies in the current crisis situation. The coronavirus crisis is having a temporary impact on RATIONAL's business model, but is not calling it into question. We still see great untapped market potential. The lessons learned from the pandemic will speed up the switch to state-of-the-art cooking technology and so open up big opportunities for us. We will do all in our power to support our customers as usual and where possible during the crisis and afterwards. As a result, we will strengthen our customers' loyalty and emerge stronger from the crisis. A longer-term look at growth rates and earnings for the coming years is, however, not possible from the current perspective.

Statement of Comprehensive Income
RATIONAL Group

for the period 1 January – 30 September

in kEUR	3rd quarter 2020	3rd quarter 2019	9 months 2020	9 months 2019
Sales revenues	168,242	213,182	466,272	612,574
Cost of sales	– 74,156	– 87,703	– 209,244	– 251,028
Gross profit	**94,086**	**125,479**	**257,028**	**361,546**
Sales and service expenses	– 36,719	– 47,195	– 126,252	– 146,663
Research and development expenses	– 8,973	– 9,502	– 30,730	– 30,404
General administration expenses	– 8,511	– 9,181	– 27,908	– 28,070
Other operating income	2,996	3,617	9,690	8,637
Other operating expenses	– 6,040	– 1,900	– 17,429	– 5,520
Earnings before financial result and taxes (EBIT)	**36,839**	**61,318**	**64,399**	**159,526**
Interest income	61	155	341	498
Interest expenses	– 169	– 171	– 551	– 523
Other financial result	– 63	460	– 4,014	1,778
Earnings before taxes (EBT)	**36,668**	**61,762**	**60,175**	**161,279**
Income taxes	– 8,188	– 14,187	– 13,803	– 37,088
Profit or loss after taxes	**28,480**	**47,575**	**46,372**	**124,191**
Items that may be reclassified to profit and loss in the future:				
Differences from currency translation	728	– 1,117	1,745	– 1,161
Other comprehensive income	**728**	**–1,117**	**1,745**	**–1,161**
Total comprehensive income	**29,208**	**46,458**	**48,117**	**123,030**
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	2.50	4.18	4.08	10.92

Balance Sheet

RATIONAL Group

Assets

in kEUR	30 September 2020	30 September 2019	31 December 2019
Non-current assets	**211,885**	**198,301**	**203,606**
Intangible assets	6,486	7,191	7,284
Property, plant and equipment	190,314	174,900	183,308
Other financial assets	1,181	1,190	1,330
Deferred tax assets	12,562	12,048	11,145
Other assets	1,342	2,972	539
Current assets	**433,956**	**453,697**	**495,084**
Inventories	78,524	65,851	66,022
Trade accounts receivable	101,163	123,972	125,344
Other financial assets	23,809	72,532	100,955
Income tax receivables	11,623	2,062	483
Other assets	18,319	20,880	20,890
Cash and cash equivalents	200,518	168,400	181,390
Total assets	**645,841**	**651,998**	**698,690**

Equity and liabilities

in kEUR	30 September 2020	30 September 2019	31 December 2019
Equity	**500,676**	**470,529**	**517,368**
Subscribed capital	11,370	11,370	11,370
Capital reserves	28,058	28,058	28,058
Retained earnings	466,566	437,604	485,003
Other components of equity	−5,318	−6,503	−7,063
Non-current liabilities	**33,168**	**37,478**	**34,556**
Pension and similar obligations	6,439	4,997	6,188
Other provisions	8,721	8,360	8,613
Financial debt	2,480	4,334	3,676
Other financial liabilities	14,020	14,576	13,768
Deferred tax liabilities	329	50	432
Income tax liabilities	–	2,766	–
Other liabilities	1,179	2,395	1,879
Current liabilities	**111,997**	**143,991**	**146,766**
Other provisions	49,773	64,056	50,133
Financial debt	2,421	5,002	5,908
Trade accounts payable	20,252	22,433	24,977
Other financial liabilities	10,747	9,131	16,306
Income tax liabilities	9,451	18,778	23,388
Other liabilities	19,353	24,591	26,054
Liabilities	**145,165**	**181,469**	**181,322**
Total equity and liabilities	**645,841**	**651,998**	**698,690**

Cash Flow Statement
RATIONAL Group

for the period 1 January – 30 September

in kEUR	9 months 2020	9 months 2019
Earnings before taxes (EBT)	60,175	161,279
Cash flow from operating activities	**45,713**	**141,085**
Capital expenditures in intangible assets and property, plant and equipment including proceeds from asset disposals	– 21,869	– 26,875
Cash flow from financial investments	74,014	13,936
Cash flow from investing activities	**52,145**	**– 12,939**
Cash flow from financing activities	**– 76,519**	**– 117,295**
Effects of exchange rate fluctuations in cash and cash equivalents	– 2,211	783
Change in cash and cash equivalents	**19,128**	**11,634**
Cash and cash equivalents as at 1 January	**181,390**	**156,766**
Cash and cash equivalents as at 30 September	**200,518**	**168,400**

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 2019	**11,370**	**28,058**	**421,428**	**– 4,647**	**– 695**	**455,514**
Dividend	–	–	– 108,015	–	–	– 108,015
Profit or loss after taxes	–	–	124,191	–	–	124,191
Other comprehensive income	–	–	–	– 1,161	–	-1,161
Balance as at 30 September 2019	**11,370**	**28,058**	**437,604**	**– 5,808**	**– 695**	**470,529**
Balance as at 1 January 2020	**11,370**	**28,058**	**485,003**	**– 5,474**	**– 1,589**	**517,368**
Dividend	–	–	– 64,809	–	–	– 64,809
Profit or loss after taxes	–	–	46,372	–	–	46,372
Other comprehensive income	–	–	–	1,745	–	1,745
Balance as at 30 September 2020	**11,370**	**28,058**	**466,566**	**– 3,729**	**– 1,589**	**500,676**

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Disclaimer
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For the sake of readability, the generic masculine language is used in this report. We point out that the exclusive use of the masculine form should be understood regardless of gender.