

Statement

on the first nine
months of 2021

re-imagined
re-invented



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Key Figures

in m EUR	3rd quarter 2021	3rd quarter 2020	Change absolute	Change in %	9 months 2021	9 months 2020	Change absolute	Change in %
Sales revenues by region								
German	28.7	21.0	+7.7	+37	76.8	60.2	+16.6	27
Europe (excluding Germany)	90.2	78.5	+11.7	+15	259.2	210.1	+49.1	+23
North America	35.6	28.0	+7.6	+27	103.0	83.3	+19.7	+24
Latin America	9.0	5.4	+3.6	+65	23.8	17.2	+6.6	+38
Asia	32.2	27.3	+4.9	+18	91.9	70.9	+21.0	+30
Rest of the world	11.3	7.9	3.4	42	31.6	24.6	+7.0	+29
Sales revenues generated abroad (in %)	86	88	-2	-	87	87	0	-
Sales revenues by product group								
iCombi	188.6	151.0	+37.6	+25	526.3	421.3	+105.0	+25
iVario	18.3	17.2	+1.1	+6	60.0	44.9	+15.1	+34
Sales revenues and earnings								
Sales revenues	206.9	168.2	+38.7	+23	586.3	466.3	+120.0	+26
Cost of sales	92.5	74.2	+18.3	+25	258.1	209.2	+48.9	+23
Gross profit	114.5	94.1	+20.4	+22	328.2	257.0	+71.2	+28
in % of sales revenues	55.3	55.9	-0.6	-	56.0	55.1	+0.9	-
Sales and service expenses	46.3	36.7	+9.6	+26	134.9	126.3	+8.6	+7
Research and development expenses	10.3	9.0	+1.3	+15	33.4	30.7	+2.7	+9
General administration expenses	9.9	8.5	+1.4	+16	29.3	27.9	+1.4	+5
Earnings before financial result and taxes (EBIT)	49.7	36.8	+12.9	+35	134.1	64.4	+69.7	+108
in % of sales revenues	24.0	21.9	+2.1	-	22.9	13.8	+9.1	-
Profit or loss after taxes	37.8	28.5	+9.3	+33	102.0	46.4	+55.6	+120
Balance Sheet								
Total equity and liabilities					760.9	645.8	+115.1	+18
Equity					581.3	500.7	+80.6	+16
Equity ratio (in %)					76.4	77.5	-1.1	-
Cash flow								
Cash flow from operating activities					145.1	45.7	+99.4	+217
Cash-effective investments					16.4	21.9	-5.5	-25
Free cash flow ¹					128.7	23.8	+104.9	441
Number of employees as at 30 September								
					2,216	2,213	+3	+0
Key figures for RATIONAL shares								
Earnings per share (in EUR)					8.97	4.08	+4.89	+120
Quarter-end closing price ² (in EUR)					814.60	669.00	+145.60	+22
Market capitalisation ^{2,3}					9,262.0	7,606.5	1,656	22

1 Cash flow from operating activities less capital expenditures

2 Xetra

3 As of balance sheet date

Letter from the Executive Board

Dear Shareholders, Customers and Business Partners,

Since March 2021, the catering sector has staged a very vigorous recovery worldwide. Our new orders reached new record highs, first in the second and then also in the third quarter. In addition to the general market recovery and the sector's growing confidence, this was driven by catch-up effects related to the completion of delayed projects, the use of a large number of state aid measures by our end customers, and purchases brought forward in anticipation of supply shortages. We attribute this particularly encouraging trend not only to the general factors just mentioned, but also to the extreme reliability and innovation leadership of our products. The two new product generations we introduced in 2020 are a further addition to the customer benefits we provide. In times of increased economic pressure or acute personnel shortages at our customers, advantages such as cooking intelligence, which has been exclusive to RATIONAL since 2004, or yet another reduction in the consumption of energy, detergents or water are key reasons for customers to acquire a sustainable RATIONAL iCombi or iVario. In addition, our customers have for years received numerous services free of charge, which other competitors cannot or will not provide.

The downside of the encouraging new order levels is that they exacerbate the supply situation for the iCombi Pro. Our production system is highly flexible and would be capable of scaling up production to satisfy even these increased volumes. However, that is of little use if direct and indirect suppliers reduce quantities or fail to deliver what they have promised at short notice. We have known since the middle of August that there will be a shortage of processors in the fourth quarter and at the beginning of 2022. For this reason, an additional processor supplier is currently being qualified, which is expected to help ease the tight situation from January 2022 onwards.

In September 2021, we informed our retail partners and customers that we will only be able to accept new orders for the iCombi Pro, which normally accounts for around 80% of our combi steamer sales, for delivery in the first quarter of

2022. The iCombi Classic is available, but with longer delivery lead times. Here we had increased our capacities immediately. The iVario is not affected by the processor shortages, although other unavailable components are causing extended delivery times even here. Our competitors are facing a similarly tight supply situation. For example, in a survey conducted on 21 September, 96% of the members of the North American Association of Food Equipment Manufacturers (NAFEM) reported shortages and logistics problems.

Even in this exceptionally difficult situation, we will be true to our philosophy of doing everything in our power to help all customers. For customers that urgently require an appliance due to an emergency, we will find creative solutions. In order to counteract a bottleneck at some customers while other customers or dealers increase stock levels, we prioritise orders where a specific customer requirement can be documented. For existing customers, it is particularly important that restrictions on service parts are kept to a minimum and items essential for repairs and maintenance are available.

Creative solutions are one of RATIONAL's fundamental strengths. With a view to ramping up supply capability as soon as all components are available again, we will get several thousand iCombi Pro appliances ready, apart from the missing component, and store them in Landsberg or ship them to major warehouse locations. When supplies of the missing parts are available, we will complete the appliances in Landsberg or on site. In the subsidiaries, these tasks will be performed by our service personnel or certified RATIONAL service partners so that the quality will be as high as in an iCombi Pro manufactured fully in one process. We expect that this will allow us to reduce delays in supplies to our customers to a minimum.

The supply shortages are causing in some cases significant price increases for primary products and commodities. The cost of some electronics components has multiplied in the course of this year. An important element of our stainless

steel costs is the alloy surcharge, which has gone up by around 30% since the beginning of the year. Overall, we expect significantly higher cost levels for the manufacture of our products for the remainder of the year as well as for subsequent years.

Anyone familiar with RATIONAL will know that we only ever increase prices in exceptional circumstances. Price rises are normally limited to specific regions, for example in response to adverse changes in exchange rates in individual markets. This is why, for over a decade, prices have remained virtually unchanged in many markets, even though numerous innovations have continually improved the products for customers. Even in the current situation, we have stayed true to our corporate philosophy and held back a long time – unlike some of our competitors who adjusted their prices early on. Since it is becoming apparent that elevated price levels are here to stay, we will increase our selling prices by an average of 6%, starting in Asia and the Americas from November 2021 and in the European markets by April 2022.

The majority of RATIONAL's customers are very satisfied and loyal, as was confirmed again by our latest customer satisfaction survey completed in the third quarter of 2021. In this process, in cooperation with an external service provider, we conducted an online survey of around 2,700 customers from all customer groups in 15 countries. For the first time, we determined customer satisfaction and identified potential for improvement using the Net Promoter Score (NPS), which is commonly used and widely recognised in market research. Our NPS score of 61 puts us in the best-of-class range, clearly exceeding comparative scores for the food and beverage industry (NPS of 37) and for the manufacturing industry as a whole (NPS of 30). The customers surveyed particularly valued the high quality, reliability and ease of using the products.

In addition to a customer satisfaction score that is again among the highest worldwide in 2021, RATIONAL has other strengths: during the crisis, we stood by our U.i.U.s® (entre-

preneurs within the enterprise) – now they are standing by the company, helping us master the difficult supply situation with the greatest commitment and utmost flexibility. Thanks to its financial strength, the company has a lot of room to manoeuvre, which has allowed – and still allows – it to continue to invest in the future at the same level, even in turbulent times. The coronavirus crisis has changed the markets for our goods and services in some respects, but has in no way diminished them. We are confident therefore that the positive trend we have seen again since March 2021 will continue into 2022 and enable us to resume the successful growth path from before the crisis. 75% of all commercial kitchens that can afford and use a RATIONAL combi steamer do not yet have a combi steamer. That is the major task to which we have devoted all our strength with great perseverance for decades!

We regret the delays affecting our customers to our ability to ship some of our record new orders. Due to unprecedented procurement shortages and strained supply chains, we have not been able to guarantee the customary prompt delivery of our appliances. On the other hand, they will lead our company to a very encouraging level of orders on hand at the beginning of 2022.

We can largely confirm the forecast for fiscal year 2021. You can find more detailed information on the outlook in the quarterly statement for the first nine months of 2021.

I wish you all the best, good health and every success. On behalf of all customers, I want to thank our RATIONAL U.i.U.s for their commitment and unwavering efforts to provide better support to their customers than anybody else.



Dr Peter Stadelmann
CEO of RATIONAL AG

RATIONAL AG generates record new orders in the first nine months – supply bottleneck has adverse effect on deliveries

- › **New orders at record high**
- › **Third-quarter sales revenues up 23% on the previous year – +26% after nine months**
- › **EBIT margin of 24% in the third quarter – 23% after nine months**

New orders at record high – 17% up on 2019

The order situation has continued to improve since March 2021. In the third quarter of 2021, RATIONAL achieved an increase in orders of 70% compared with 2020 and of 40% compared with the pre-crisis year of 2019. In the nine-month period, the rise in new orders was just above 50% as against 2020; compared with 2019, new orders were up by around 17%.

All regions contributed to this excellent performance. Especially Asia and the German-speaking region were very successful, with growth rates of more than 20% on 2019.

Sales revenues of 207 million euros in the third quarter of 2021 – year-on-year growth of 23%

Due to the current supply difficulties, RATIONAL was unable to fulfil its high level of orders on hand. Despite these restrictions, the company generated sales revenues of 206.9 million euros in the third quarter of 2021, therefore almost matching sales revenue levels seen in the third quarter of 2019 (2019: 213.2 million euros). When compared to the prior-year quarter, which had still been affected by coronavirus-related reductions, RATIONAL recorded growth in sales revenue of 23% (2020: 168.2 million euros).

After nine months, this resulted in sales revenues expanding by 26% to 586.3 million euros. Regional growth rates compared with the crisis year of 2020 ranged from about 20% in Europe to about 30% in Asia.

Sales revenues slightly influenced by currency effects

Movements in the most important currencies have been favourable in the past few months. This had a slightly positive effect on the sales revenue trend and the EBIT margin in the third quarter. However, slightly negative effects remain on aggregate for the nine-month period. The main factor was the significant depreciation of the Brazilian real, but a weaker US dollar, Chinese yuan, Canadian dollar und Mexican peso also had an adverse impact. In the nine-month period of the current fiscal year, changes in exchange rates slowed sales revenue growth by about one percentage point.

iCombi and iVario – the new standards in cooking technology

In May 2020 and June 2020, RATIONAL launched two new appliance generations, the iCombi and the iVario, which have since set new standards in the market. In the iCombi product group, sales revenues were up 25% year-on-year in the first nine months of 2021, at 526.3 million euros (2020: 421.3 million euros). In the iVario product group, sales revenues rose by as much as 34% to 60.0 million euros (2020: 44.9 million euros).

56% gross margin in the first nine months of 2021 – 55% in the third quarter

Cost of sales increased slightly more slowly than sales revenues in the first nine months, by around 23%, to 258.1 million euros (2020: 209.2 million euros). As a result, the gross margin improved to 56.0% in this period of 2021 (2020: 55.1%). In the current year, the production process benefited from a major improvement in productivity about one year after the production launch of the new appliance generation.

The – in some cases – significant rise in commodity and component costs began to have a tangible impact on production costs in the third quarter, causing these costs to increase slightly faster than sales revenues. For this reason, the gross margin for this period was half a percentage point down on the prior-year quarter, or one percentage point when adjusted for changes in exchange rates. Compared with the second quarter of 2021, the resulting decline was slightly higher than one percentage point.

23% EBIT margin after nine months

EBIT (earnings before financial result and taxes) in the first nine months of the current fiscal year was 134.1 million euros, up threefold on the first nine months of 2020 (2020: 64.4 million euros). The EBIT margin was 22.9 % (2020: 13.8%).

This year's EBIT margin in the first nine months benefited from the healthy sales revenue performance in combination with continuing lower cost levels. While sales revenues rose by 26% year-on-year, operating costs were only 7% above the prior-year level. Total operating costs amounted to 197.6 million euros in the first nine months of 2021 (2020: 184.9 million euros).

Operating costs in sales and service in the first half of the year stood at 134.9 million euros in the first nine months (2020: 126.3 million euros), a year-on-year increase of 7%. Due to contact and travel restrictions, the costs incurred, especially for sales events and business travel, are still low. Research and development expenses amounted to 33.4 million euros in the same period six months of 2021, 9% higher than in the previous year (2020: 30.7 million euros). General administration expenses rose slightly to 29.3 million euros, up 5% over the previous year (2020: 27.9 million euros).

There were net currency gains of 2.2 million euros. This compares to a significant net currency loss of 8.2 million euros in the first nine months of 2020.

Adjusted for all currency effects, the EBIT margin after nine months in 2021 was 22.7 %.

145 million euros in operating cash flow

In the first nine months of the current fiscal year, the cash flow from operating activities was 145.1 million euros (2020: 45.7 million euros). This significant rise was largely attributable to the higher profit before taxes. Another significant effect arose from changes in provisions. Last year, a significant decline in the business volume prompted reductions in provisions, especially for taxes as well as for variable remuneration and dealer bonuses. In 2021, provisions for many of these items were increased again, in some cases significantly so, due to the good sales revenue and earnings performance.

Cash flow from investing activities includes investments in property, plant and equipment and in intangible assets. In the first nine months of 2021, these investments amounted to 16.4 million euros (2020: 21.9 million euros). This is mainly due to investments in the construction of the new logistics centre, which was completed in spring this year, in expanding the Wittenheim location, where work started in spring, and in modernising the machinery installed at the Landsberg am Lech location.

The cash flow from financing activities of –62.4 million euros mainly reflects the dividend payment (–54.6 million euros), the repayment of bank loans (–1.2 million euros) and the repayment of and payments for lease liabilities in accordance with IFRS 16 (–6.4 million euros).

Employees

As a socially responsible company, RATIONAL had made only minimal adjustments to the size of its workforce during the crisis. In line with the improving market prospects, the number of employees has increased again since the second quarter for the first time since the start of the coronavirus crisis. At the end of September 2021, the RATIONAL Group employed 2,216 people worldwide. Of these, 1,257 were employed in Germany.

Outlook 2021

In view of the encouraging recovery of industrial kitchen markets, the lifting of coronavirus restrictions in a growing number of countries and, above all, the high level of customer satisfaction, the Executive Board of RATIONAL AG assumes that the current positive trend will continue in the medium term.

The coming fourth quarter will be characterised by uncertainty about the global supply shortages and logistics constraints. We described these factors as a possible risk scenario in our July forecast. These factors have intensified in recent weeks, in some cases significantly.

Due to the countermeasures initiated, RATIONAL currently sees itself well positioned to master these challenges. In the more optimistic forecast scenario, we consider sales revenue growth of 15% to 20% and an EBIT margin of around 20% to be realistic.

Since trends change daily, short-term consequences are hard to predict. If the already tight situation exacerbates as a result of additional bottlenecks in materials procurement, longer delays or supply chain disruptions, the Executive Board expects a corresponding negative effect on sales revenues and earnings.

In that case, sales revenues would expand by a percentage in the high single-digit range and the EBIT margin could be slightly lower than the forecast 20%.

Statement of Comprehensive Income

RATIONAL Group

for the period 1 January – 30 September

in kEUR	3rd quarter 2021	3rd quarter 2020	9 months 2021	9 months 2020
Sales revenues	206,940	168,242	586,277	466,272
Cost of sales	-92,459	-74,156	-258,102	-209,244
Gross profit	114,481	94,086	328,175	257,028
Sales and service expenses	-46,287	-36,719	-134,904	-126,252
Research and development expenses	-10,275	-8,973	-33,376	-30,730
General administration expenses	-9,880	-8,511	-29,302	-27,908
Other operating income	3,256	2,996	9,368	9,690
Other operating expenses	-1,573	-6,040	-5,836	-17,429
Earnings before financial result and taxes (EBIT)	49,722	36,839	134,125	64,399
Interest income	71	61	198	341
Interest expenses	-146	-169	-493	-551
Other financial result	-200	-63	-494	-4,014
Earnings before taxes (EBT)	49,447	36,668	133,336	60,175
Income taxes	-11,620	-8,188	-31,334	-13,803
Profit or loss after taxes	37,827	28,480	102,002	46,372
Items that may be reclassified to profit and loss in the future:				
Differences from currency translation	-382	728	-1,261	1,745
Other comprehensive income	-382	728	-1,261	1,745
Total comprehensive income	37,445	29,208	100,741	48,117
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	3.33	2.50	8.97	4.08

Balance Sheet

RATIONAL Group

Assets

in kEUR	30 September 2021	30 September 2020	31 December 2020
Non-current assets	215,801	211,885	217,003
Intangible assets	6,653	6,486	6,508
Property, plant and equipment	194,588	190,314	194,977
Other financial assets	1,122	1,181	1,145
Deferred tax assets	11,536	12,562	12,514
Other assets	1,902	1,342	1,859
Current assets	545,114	433,956	453,743
Inventories	77,057	78,524	79,285
Trade accounts receivable	116,610	101,163	98,750
Other financial assets	17,011	23,809	25,928
Income tax receivables	8,504	11,623	8,279
Other assets	18,710	18,319	10,373
Cash and cash equivalents	307,222	200,518	231,128
Total equity and liabilities	760,915	645,841	670,746

Equity and liabilities

in kEUR	30 September 2021	30 September 2020	31 December 2020
Equity	581,256	500,676	535,091
Subscribed capital	11,370	11,370	11,370
Capital reserves	28,058	28,058	28,058
Retained earnings	547,716	466,566	500,290
Other components of equity	-5,888	-5,318	-4,627
Non-current liabilities	35,125	33,168	34,456
Pension and similar obligations	6,873	6,439	6,508
Other provisions	11,454	8,721	9,056
Financial debt	1,181	2,480	2,126
Other financial liabilities	14,379	14,020	14,524
Deferred tax liabilities	34	329	406
Income tax liabilities	820	-	497
Other liabilities	384	1,179	1,339
Current liabilities	144,534	111,997	101,199
Other provisions	66,563	49,773	40,044
Financial debt	2,184	2,421	2,550
Trade accounts payable	24,748	20,252	21,154
Other financial liabilities	9,136	10,747	12,236
Income tax liabilities	9,838	9,451	7,013
Other liabilities	32,065	19,353	18,202
Liabilities	179,659	145,165	135,655
Total equity and liabilities	760,915	645,841	670,746

Cash Flow Statement

RATIONAL Group

for the period 1 January – 30 September

in kEUR	9 months 2021	9 months 2020
Earnings before taxes (EBT)	133,336	60,175
Cash flow from operating activities	145,060	45,713
Capital expenditures in intangible assets and property, plant and equipment including proceeds from asset disposals	-16,356	-21,869
Cash flow from financial investments	8,895	74,014
Cash flow from investing activities	-7,461	52,145
Cash flow from financing activities	-62,387	-76,519
Effects of exchange rate fluctuations in cash and cash equivalents	882	-2,211
Change in cash and cash equivalents	76,094	19,128
Cash and cash equivalents as at 1 January	231,128	181,390
Cash and cash equivalents as at 30 September	307,222	200,518

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 October 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
Balance as at 1 January 2021	11,370	28,058	500,290	-3,078	-1,549	535,091
Dividend	-	-	-54,576	-	-	-54,576
Profit or loss after taxes	-	-	102,002	-	-	102,002
Other comprehensive income	-	-	-	-1,261	-	-1,261
Balance as at 30 September 2021	11,370	28,058	547,716	-4,339	-1,549	581,256

Key Figures	Letter from the Executive Board	RATIONAL AG generates record new orders	Statement of Comprehensive Income	Balance Sheet	Cash Flow Statement	Statement of Changes in Equity	Legal Notice/ Disclaimer
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Disclaimer

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