

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

Statement on the first 9 months of 2018



Landsberg am Lech, 30 October 2018



RATIONAL AG on a successful path again in the third quarter of 2018

10% growth in sales revenues
in the first 9 months of 2018

Worldwide growth

EBIT margin of 25% –
currency-adjusted: 26%

106 million euros in operating cash flow

Positive performance
for both segments

Some 200 new employees

Growth and earnings outlook confirmed

Key Figures

	3rd quarter 2018	3rd quarter 2017	Absolute change	Percentage change	9 months 2018	9 months 2017	Change change	Change in %
in m EUR								
Sales revenues and earnings								
Sales revenues	194.9	178.1	+16.8	+9	562.2	509.2	+53.0	+10
Sales revenues generated abroad in %	87	87	0	–	88	88	0	–
Cost of sales	78.8	70.1	+8.7	+12	227.6	198.7	+28.9	+15
Gross profit	116.0	108.0	+8.0	+7	334.5	310.5	+24.0	+8
as a percentage of sales revenues	59.5	60.6	– 1.1	–	59.5	61.0	– 1.5	–
Sales and service expenses	47.9	41.6	+6.3	+15	141.6	128.5	+13.1	+10
Research and development expenses	8.9	8.4	+0.5	+5	27.5	24.1	+3.4	+14
General administration expenses	8.6	7.6	+1.0	+12	24.4	22.0	+2.4	+11
Earnings before financial result and taxes (EBIT)	51.1	48.5	+2.6	+5	142.0	132.3	+9.7	+7
as a percentage of sales revenues	26.2	27.2	– 1.0	–	25.3	26.0	– 0.7	–
Profit or loss after taxes	39.1	37.0	+2.1	+6	108.5	101.0	+7.5	+7
Balance Sheet								
Total equity and liabilities					556.1	529.5	+26.6	+5
Equity					406.5	383.1	+23.4	+6
Equity ratio in %					73.1	72.4	+0.7	–
Cash flow								
Cash flow from operating activities					106.2	93.1	+13.1	+14
Cash-effective investments					37.7	16.9	+20.8	+123
Free cash flow ¹					68.5	76.2	– 7.7	– 10
Number of employees as at 30 September					2,069	1,844	+225	+12
Key figures for RATIONAL shares								
Earnings per share (in EUR)					9.54	8.88	+0.66	+7
Quarter-end closing price ² (in EUR)					624.00	581.58	+42.42	+7
Market capitalisation					7,094.9	6,612.6	+482.3	+7

¹ Cash flow from operating activities less capital expenditures

² XETRA

RATIONAL AG on a successful path again in the third quarter of 2018

10% growth in sales revenues in the first 9 months of 2018

The successful business performance of RATIONAL AG in the first six months carried over to the third quarter, with the company posting 9% growth in sales revenues. In total, sales revenues amounted to 562.2 million euros in the first nine months of 2018 (2017: 509.2 million euros), which is an increase of 10% compared to the previous year.

Sales revenue development was negatively impacted by the weakness of foreign currencies relevant for RATIONAL, including particularly the US dollar, Brazilian real, Canadian dollar, Swedish krona and Japanese yen. On a currency-neutral basis, sales revenue growth after nine months stood at 13%.

Worldwide growth

After encouraging growth in the first six months (+12%), third-quarter sales revenues in Germany came in only slightly above the level of the prior-year quarter (+2%). In the rest of Europe (excluding Germany), sales revenues in the third quarter also moved forward only slightly (+2%) after having exceeded the prior-year performance by 11% in the first six months. Growth in both the home market of Germany and the rest of Europe was 8% in the first nine months. After adjusting for negative currency effects, growth in Europe was up by 9% year on year.

A major order by a chain customer in the United States, most of which had been delivered in the first six months, was completed in the third quarter. Business with small and medium-sized customers in North America was extremely successful, with sales revenues there increasing by 32% in the third quarter. With growth of 22%, the region was the main growth market in the first nine months of this year. Sales revenues here advanced by an even more substantial 29% on a currency-neutral basis.

After declining slightly in the first six months, sales revenues in Latin America grew by 12% again in the third quarter. Nevertheless, sales revenues grew only moderately year on year in the first nine months, advancing by 3%. The main factors here were the very strong growth (9M 2017: +37%) in the prior-year reference period and the depreciation of the Brazilian real (-21%) and the Mexican peso (-7%). After adjustment for these currency effects, sales revenues in the first nine months of the year were 11% higher than in the previous year.

Asia increased sales revenues by 18% in the third quarter and thus by 14% in the first nine months. China was once again the largest growth driver. On a currency-neutral basis, sales revenue growth after nine months stood at 17%. Sales revenues in Asia were diminished particularly by the depreciation of the Japanese yen (-4%).

Sales revenues in the "Rest of the World" region declined slightly (-1%) year on year in the third quarter of 2018 and came in up 4% against the prior-year figure in the first nine months.

EBIT margin of 25% – currency-adjusted: 26%

In the first nine months of 2018, RATIONAL achieved gross profit of 334.5 (2017: 310.5) million euros, an increase of 8% compared to the previous year.

The gross margin was 59.5%, a significant decrease against the previous year (2017: 61.0%). About half of the decline in the gross margin was attributable to the negative currency effects on sales revenues. On a currency-neutral basis, the gross margin was 60.3% after nine months. In addition, moderately rising procurement and raw material prices and persistently above-average growth for smaller appliance sizes (product mix) reduced the gross margin.

Operating costs grew slightly faster (+11%) than sales revenues in the first nine months of 2018, to 193.5 million euros (2017: 174.6 million euros). Costs for sales and service increased by 10% to 141.6 million euros (2017: 128.5 million euros). Further investments were made in expanding the global sales and service organisation, especially in the overseas growth markets. Research and development costs rose by 14% in the nine-month period, to 27.5 million euros (2017: 24.1 million euros). Administration expenses rose by 11% and were 24.4 million euros after nine months (previous year: 22.0 million euros).

The aforementioned effects also negatively impacted EBIT (earnings before interest and taxes) and the EBIT margin (ratio of EBIT to sales revenues). RATIONAL achieved an EBIT of 142.0 million euros in the first nine months. This equates to growth of 7% compared to the previous year (2017: 132.3 million euros). An EBIT margin of 25.3% was achieved after nine months (2017: 26.0%). After adjusting for currency effects, the EBIT margin after nine months was around 26%.

106 million euros in operating cash flow

In the first nine months of the current fiscal year, cash flow from operating activities was 106.2 million euros, well up on the previous year (2017: 93.1 million euros). This increase was mainly the result of increased earnings and higher depreciation and amortisation than in the previous year.

The cash flow from investing activities includes investments in property, plant and equipment and in intangible assets. In the first nine months, these investments amounted to 37.7 million euros (2017: 16.9 million euros). This is mainly attributable to new construction work and renovations to increase production capacity at the Landsberg location.

The cash flow from financing activities (–127.6 million euros) essentially reflects the dividend of 125.1 million euros distributed in May (2017: 113.7 million euros).

Positive performance for both segments

The RATIONAL segment, which represents the production and sale of the SelfCookingCenter® and the CombiMaster® Plus, grew its sales revenues in the first nine months by 10% to 516.3 million euros (2017: 470.7 million euros). Segment earnings amounted to 133.7 million euros, 6% up on the previous year (126.3 million euros).

FRIMA produces the VarioCookingCenter®. Segment sales in the first nine months were 45.9 million euros, 15% up on the previous year (39.8 million euros). Segment earnings, which amounted to 8.3 million euros, were 40% up on the previous year (2017: 5.9 million euros).

Some 200 new employees

Some 200 new employees were added in the first nine months of 2018, almost half of them in Germany. Most of the new positions are in sales and sales-related functions.

Growth and earnings forecast 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 in 2018. Given the high market potential and the expansion activities undertaken in sales and service, the Executive Board of RATIONAL AG believes the company is well placed to keep on growing successfully.

Despite substantial negative currency effects, the company increased sales revenues by just over 10% in the first nine months of 2018. Apart from the generally positive business trend, that is also due to a number of large orders, especially from North America. The Executive Board of RATIONAL AG also assesses the prospects for the final quarter of the year as positive. The growth forecast for sales revenue in 2018 is therefore confirmed at between 10 and 12%. Management believes the EBIT margin will lie within the forecast range of 26 to 27%. Further exchange rate trends in particular will be a crucial factor here. RATIONAL still assumes that sales revenues will grow in the high single-digit range in the coming years.

Statement of Comprehensive Income

RATIONAL Group

	in kEUR			
	3rd quarter 2018	3rd quarter 2017	9 months 2018	9 months 2017
Sales revenues	194,859	178,106	562,170	509,187
Cost of sales	- 78,836	- 70,107	- 227,648	- 198,661
Gross profit	116,023	107,999	334,522	310,526
Sales and service expenses	- 47,878	- 41,574	- 141,566	- 128,540
Research and development expenses	- 8,866	- 8,425	- 27,472	- 24,075
General administration expenses	- 8,559	- 7,636	- 24,422	- 21,988
Other operating income	3,098	1,970	9,000	5,735
Other operating expenses	- 2,677	- 3,856	- 8,033	- 9,332
Earnings before financial result and taxes (EBIT)	51,141	48,478	142,029	132,326
Interest income	117	94	269	255
Interest expenses	- 62	- 193	- 215	- 602
Other financial result	- 38	0	- 255	0
Earnings before taxes (EBT)	51,158	48,379	141,828	131,979
Income taxes	- 12,023	- 11,369	- 33,329	- 31,015
Profit or loss after taxes	39,135	37,010	108,499	100,964
Items that may be reclassified to profit and loss in the future:				
Differences from currency translation	- 512	- 570	- 1,174	- 1,121
Other comprehensive income	- 512	- 570	- 1,174	- 1,121
Total comprehensive income	38,623	36,440	107,325	99,843
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	3.44	3.26	9.54	8.88

Balance Sheet

RATIONAL Group

Assets

	in kEUR		
	30 Sep 2018	30 Sep 2017	31 Dec 2017
Non-current assets	154,112	121,059	137,353
Intangible assets	8,103	8,447	8,525
Property, plant and equipment	135,631	95,804	116,413
Other financial assets	982	5,937	3,239
Deferred tax assets	8,357	8,966	7,475
Other assets	1,039	1,905	1,701
Current assets	401,983	408,421	433,346
Inventories	55,573	44,586	45,682
Trade accounts receivable	119,551	108,728	109,657
Other financial assets	74,337	76,022	72,019
Income tax receivables	670	461	416
Other assets	15,042	13,889	9,358
Cash and cash equivalents	136,810	164,735	196,214
Total assets	556,095	529,480	570,699

Equity and liabilities

	in kEUR		
	30 Sep 2018	30 Sep 2017	31 Dec 2017
Equity	406,527	383,101	424,527
Subscribed capital	11,370	11,370	11,370
Capital reserves	28,058	28,058	28,058
Retained earnings	372,617	347,406	389,443
Other components of equity	- 5,518	- 3,733	- 4,344
Non-current liabilities	27,189	36,637	28,350
Provisions for pensions	3,158	3,295	3,000
Other provisions	10,660	10,150	10,905
Financial debt	6,964	17,922	8,937
Other financial liabilities	3,214	3,214	3,214
Deferred tax liabilities	445	531	663
Income tax liabilities	869	1,466	1,489
Other liabilities	1,879	59	142
Current liabilities	122,379	109,742	117,822
Other provisions	59,331	52,701	44,414
Financial debt	4,858	6,854	5,310
Trade accounts payable	28,181	19,417	31,314
Other financial liabilities	3,498	6,108	10,032
Income tax liabilities	7,139	6,979	7,996
Other liabilities	19,372	17,683	18,756
Liabilities	149,568	146,379	146,172
Total equity and liabilities	556,095	529,480	570,699

Cash Flow Statement

RATIONAL Group

	in kEUR	
	9 months 2018	9 months 2017
Earnings before taxes (EBT)	141,828	131,979
Cash flow from operating activities	106,242	93,131
Capital expenditures in intangible assets and property, plant and equipment including proceeds from asset disposals	– 37,713	– 16,882
Cash flow from financial investments	77	104,194
Cash flow from investing activities	– 37,636	87,312
Cash flow from financing activities	– 127,550	– 117,290
Effects of exchange rate fluctuations in cash and cash equivalents	– 460	– 870
Change in cash and cash equivalents	– 59,404	62,283
Cash and cash equivalents as at 1 January	196,214	102,452
Cash and cash equivalents as at 30 September	136,810	164,735

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
Profit or loss after taxes	-	-	100,964	-	-	100,964
Other comprehensive income	-	-	-	- 1,121	0	- 1,121
Balance as at 30 September 2017	11,370	28,058	347,406	- 2,705	- 1,028	383,101
Balance as at 31 December 2017	11,370	28,058	389,443	- 3,341	- 1,003	424,527
First-time adoption of IFRS 9 and IFRS 15	-	-	- 255	-	-	- 255
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	-	-	108,499	-	-	108,499
Other comprehensive income	-	-	-	- 1,174	0	- 1,174
Balance as at 30 September 2018	11,370	28,058	372,617	- 4,515	- 1,003	406,527

Sales revenues by region

RATIONAL Group

	3rd quarter 2018		3rd quarter 2017		in kEUR
		% of total		% of total	
Germany	24,592	13	24,206	13	
Europe (excluding Germany)	83,754	43	81,834	46	
North America	36,955	19	27,972	16	
Latin America	11,710	6	10,437	6	
Asia	27,737	14	23,420	13	
Rest of the world	10,111	5	10,237	6	
Total	194,859	100	178,106	100	

	9 months 2018		9 months 2017		in kEUR
		% of total		% of total	
Germany	69,213	12	64,092	12	
Europe (excluding Germany)	256,373	46	238,012	47	
North America	104,429	19	85,900	17	
Latin America	30,285	5	29,464	6	
Asia	74,383	13	65,235	13	
Rest of the world	27,487	5	26,484	5	
Total	562,170	100	509,187	100	

Operating Segments

RATIONAL Group

3rd quarter 2018

in kEUR

	RATIONAL	FRIMA	Total of segments	Reconciliation	Group
External sales revenues	177,390	17,469	194,859	0	194,859
Intercompany sales revenues	12	0	12	- 12	-
Segment sales revenues	177,402	17,469	194,871	- 12	194,859
Segment profit or loss	46,855	4,286	51,141	0	51,141
Financial result	-	-	-	-	17
Earnings before taxes	-	-	-	-	51,158

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

9 months 2018

in kEUR

	RATIONAL	FRIMA	Total of segments	Reconciliation	Group
External sales revenues	516,242	45,928	562,170	0	562,170
Intercompany sales revenues	24	0	24	- 24	-
Segment sales revenues	516,266	45,928	562,194	- 24	562,170
Segment profit or loss	133,721	8,306	142,027	2	142,029
Financial result	-	-	-	-	- 201
Earnings before taxes	-	-	-	-	141,828

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

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Supplementary information on the business data

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 recognised directly in equity as of 1 January 2018; the previous year's figures have therefore not been adjusted.

In 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 in 2018. Other assets and liabilities are classified as financial and non-financial items in accordance with IAS 1. The previous year's 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.