

Statement

on the first
quarter of 2019

RATIONAL AG – Successful start to fiscal year 2019

12% sales revenue growth

Good development for
both product groups

Growth drivers **Germany,**
North America and **Asia**

Gross margin **at previous year's level**

24% EBIT margin

76% equity ratio –
cash flow from operating activities up

More than 50 new employees hired

Outlook confirmed

Key Figures

	3 months 2019	3 months 2018	Change absolute	Change in %
In m EUR				
Sales revenues and earnings				
Sales revenues	194.3	173.5	+ 20.8	+ 12
Sales revenues abroad in %	87	88	- 1	-
Cost of sales	79.5	70.8	+ 8.7	+ 12
Gross profit	114.8	102.7	+ 12.1	+ 12
as a percentage of sales revenues	59.1	59.2	- 0.1	-
Sales and service expenses	50.3	44.7	+ 5.6	+ 13
Research and development expenses	10.3	9.0	+ 1.3	+ 14
General administration expenses	9.3	7.8	+ 1.5	+ 19
Earnings before financial result and taxes (EBIT)	46.7	40.8	+ 5.9	+ 14
as a percentage of sales revenues	24.0	23.5	+ 0.5	-
Profit or loss after taxes	36.6	31.2	+ 5.4	+ 17
Balance Sheet				
Balance sheet total	644.4	571.7	+ 72.7	+ 13
Equity	491.5	455.1	+ 36.4	+ 8
Equity ratio in %	76.3	79.6	- 3.3	-
Cash flow				
Cash flow from operating activities	24.2	0.0	+ 24.2	
Cash-effective investments	9.2	17.2	- 8.0	- 47
Free cash flow ¹	15.0	- 17.2	+ 32.2	
Number of employees as at 31 Mar	2,166	1,964	+ 202	+ 10
Key figures RATIONAL shares				
Earnings per share (in EUR)	3.22	2.75	+ 0.47	+ 17
Quarter-end closing price ² (in EUR)	550.00	511.00	+ 39.00	+ 8
Market capitalisation	6,253.5	5,810.1	+ 443.4	+ 8

1 Cash flow from operating activities less investments

2 XETRA

RATIONAL AG records significant growth in first quarter 2019

12% sales revenue growth

In total, RATIONAL generated sales revenues of 194.3 million euros in the first quarter of 2019. The reported 12% increase in sales revenue brings the company's expansion above its own long-term growth targets in the high single-digit range. Catch-up effects resulting from the brand merger in 2018, the announcement of a price adjustment in the home market of Germany and positive currency effects had a significant positive impact. In addition, the product mix helped to push up sales revenues.

The largest single factor was exchange rate movement: the strong depreciation 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 2019. In particular, the rise of the US dollar (+8%), pound sterling (+2%), the Canadian dollar (+4%), the Japanese yen (+6%), the Chinese yuan (+2%) and the Mexican peso (5%) had a significant positive impact on sales revenues.

Adjusted for these effects, RATIONAL sales revenues worldwide increased by 10% and is thus at the upper end of our expectations.

Good development for both product groups

The combi-steamer product group, which represents the production and sale of the SelfCookingCenter® and the CombiMaster® Plus, experienced growth in sales revenues of 12% in the first quarter of 2019 to 178.6 million euros (2018: 160.0 million euros). The VarioCookingCenter® product group experienced growth in sales revenues of 17% to 15.7 million euros (2018: 13.4 million euros).

Growth drivers Germany, North America and Asia

In our home market of Germany, RATIONAL experienced growth of just under 16% in the first three months of the current fiscal year. The reason for this strong business performance was the non-recurring anticipatory effect of an announcement that the prices of both combi-steamers and the VarioCookingCenter® would be adjusted as from April 2019, which made customers bring forward purchases. An important contribution to growth in this regard came from the VarioCookingCenter®, whose sales revenues increased by 32%.

In Europe (excluding Germany), sales revenues were up by 6%. Performance in France was positive, which was supported by very good trade fair business. Another growth driver was Italy, where the VarioCookingCenter® made an above-average contribution to sales revenue growth.

Sales revenues in North America in the first three months were 26% above the previous year. This is mainly attributable to growth in Canada, which was considerably above average, and the positive impact of the sharply higher US dollar and the higher Canadian dollar. Without currency effects, the North America region experienced growth of around 18%.

Latin America, where sales revenues increased by almost 7%, also made a positive contribution to business performance. The region's key growth driver was Mexico, where relatively moderate expansion in the previous year was followed by significant growth in the first three months of the current fiscal year.

RATIONAL likewise got off to a very good start to the year in Asia with sales growth of just under 17% compared with the previous year. China was once again the main driver of this growth. Business development in India and the Asean Business Development region was also very healthy. Without currency effects, the region experienced growth of around 14%.

Sales revenues in the Rest of the world region were 3% higher than the previous year.

Gross margin at previous year's level

In the first quarter of 2019, RATIONAL generated a gross profit of 114.8 million euros (2018: 102.7 million euros). This equates to an increase of 12% compared with the previous year. At 59.1%, the gross margin remained at the previous year's level (2011: 59.2%¹).

24% EBIT margin

Earnings before financial result and income taxes (EBIT) amounted to 46.7 million euros, 14% up on the previous year (2018: 40.8 million euros). The EBIT margin (ratio of EBIT to sales revenues) reached 24.0% (2018: 23.5%). The increase in EBIT and higher EBIT margin were mainly due to the positive currency effects described and translation effects on foreign currency positions as at the balance sheet date. The EBIT margin after adjustment for exchange rate movements was 22.2%.

Operating costs rose compared to the first quarter of 2018 by 14% to 70.0 million euros (2018: 61.6 million euros). The increase in costs was largely attributable to sales and service, which saw a rise of 5.6 million euros to 50.3 million euros (2018: 44.7 million euros). Research and development costs rose by 14% to 10.3 million euros compared with the previous year (2018: 9.0 million euros). After three months, general administration expenses amounted to 9.3 million euros, up 19% over the previous year (2018: 7.8 million euros).

76% equity ratio – cash flow from operating activities up

On 31 March 2019, the equity ratio was at the usual high level of 76% (2018: 80 %). The year-on-year decline is largely attributable to lease accounting under IFRS 16. The equity ratio will noticeably decrease again with the planned dividend distribution in May (proposed dividend of 9.5 euros per share, which equates to 108.0 million euros).

In the first three months of the current fiscal year, cash flow from operating activities was 24.2 million euros (2018: 14 thousand euros). The rise was mainly driven by higher 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 9.2 million euros (2018: 17.2 million euros), a decrease of 8.0 million euros on the previous year.

The cash flow from financing activities reflects repayments of principal and interest on loans. There was an outflow of 3.4 million euros (2018: 0.7 million euros). The change is primarily the result of payments of principal and interest on lease liabilities.

On 31 March 2019, in addition to cash and cash equivalents of 169.5 million euros (2018: 178.7 million euros), RATIONAL held financial assets in fixed-term deposits and a special fund amounting to 74.3 million euros (2018: 72.6 million euros). The lower liquidity compared with the previous year is mainly attributable to high investments made during the previous year and the past quarter.

¹ Reporting of costs incurred in connection with the installation and set-up of appliances under cost of sales, 2018 has been adjusted accordingly

More than 50 new employees hired

There was continued focus in 2019 on further expansion of the global sales and service organisation. 53 new employees were added in the first quarter of 2019, almost half of them in Germany. Most of the new jobs were in sales and sales-related areas, with the remainder mostly in supporting functions. As at 31 March 2019, the RATIONAL Group employed 2,166 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 close association with the basic human need for food, the Executive Board of RATIONAL AG believes the company is well placed to keep on growing successfully.

As a result of the special effect described above, which led to sales revenue growth of 12% and a higher EBIT margin than in the previous year, performance in the first quarter of 2019 was above the Company's expectations. Given the high base effect of strong growth of 17% in the second quarter of 2018 and the above-mentioned anticipatory effects in the quarter under review, the Company does not expect any significant expansion in the next quarter. Given the current customer structure and business model, we strongly believe that business performance guided purely by short-term quarterly results is not in line with our Company's management approach.

Given this, the RATIONAL AG Executive Board confirms the outlook provided for fiscal year 2019, in other words, sales revenue growth in the high single-digit range and an EBIT margin of around 26%.

Statement of Comprehensive Income

RATIONAL Group

	in kEUR	
	3 months 2019	3 months 2018
Sales revenues	194,259	173,481
Cost of sales	- 79,504	- 70,820
Gross profit	114,755	102,661
Sales and service expenses	- 50,345	- 44,723
Research and development expenses	- 10,298	- 9,002
General administration expenses	- 9,347	- 7,847
Other operating income	3,116	1,907
Other operating expenses	- 1,192	- 2,153
Earnings before financial result and taxes (EBIT)	46,689	40,843
Interest income	189	70
Interest expense	- 168	- 70
Other financial result	845	- 43
Earnings before taxes (EBT)	47,555	40,800
Income taxes	- 10,942	- 9,588
Profit or loss after taxes	36,613	31,212
Items that may be reclassified to profit and loss in the future:		
Differences from currency translation	- 594	- 431
Other comprehensive income	- 594	- 431
Total comprehensive income	36,019	30,781
Average number of shares (undiluted/diluted)	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	3.22	2.75

Balance Sheet

RATIONAL Group

Assets

	in kEUR		
	31 Mar 2019	31 Mar 2018	31 Dec 2018
Non-current assets	184,744	142,763	162,264
Intangible assets	7,768	8,276	8,081
Property, plant and equipment	162,040	123,234	142,671
Other financial assets	1,068	2,000	993
Deferred tax assets	11,490	7,395	8,943
Other assets	2,378	1,858	1,576
Current assets	459,643	428,901	442,176
Inventories	62,957	48,451	57,440
Trade accounts receivable	124,953	113,886	124,440
Other financial assets	85,759	72,507	86,278
Income tax receivables	885	862	749
Other assets	15,600	14,472	16,503
Cash and cash equivalents	169,489	178,723	156,766
Total assets	644,387	571,664	604,440

Equity and liabilities

	in kEUR		
	31 Mar 2019	31 Mar 2018	31 Dec 2018
Equity	491,533	455,053	455,514
Subscribed capital	11,370	11,370	11,370
Capital reserves	28,058	28,058	28,058
Retained earnings	458,041	420,400	421,428
Other components of equity	- 5,936	- 4,775	- 5,342
Non-current liabilities	35,082	28,378	26,358
Pension plans and similar commitments	4,829	4,634	4,706
Other provisions	8,232	9,437	8,501
Financial debt	5,649	8,279	6,306
Other financial liabilities	11,956	3,214	3,214
Deferred tax liabilities	50	584	201
Income tax liabilities	2,130	1,593	1,263
Other liabilities	2,236	637	2,167
Current liabilities	117,772	88,233	122,568
Other provisions	39,970	36,025	49,383
Financial debt	4,976	5,221	5,612
Trade accounts payable	27,041	20,019	26,409
Other financial liabilities	9,909	3,307	6,686
Income tax liabilities	11,015	3,434	11,533
Other liabilities	24,861	20,227	22,945
Liabilities	152,854	116,611	148,926
Total equity and liabilities	644,387	571,664	604,440

Cash Flow Statement

RATIONAL Group

	in kEUR	
	3 months 2019	3 months 2018
Earnings before taxes (EBT)	47,555	40,800
Cash flow from operating activities	24,192	14
Capital expenditures in intangible assets and property, plant and equipment including proceeds from asset disposals	- 9,177	- 17,184
Cash flow from financial investments	530	639
Cash flow from investing activities	- 8,647	- 16,545
Cash flow from financing activities	- 3,365	- 678
Effects of exchange rate fluctuations in cash and cash equivalents	543	- 282
Change in cash and cash equivalents	12,723	- 17,491
Cash and cash equivalents as at 1 January	156,766	196,214
Cash and cash equivalents as at 31 March	169,489	178,723

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 2018	11,370	28,058	389,188	- 3,341	- 1,003	424,272
Dividend	-	-	-	-	-	-
Profit or loss after taxes	-	-	31,212	-	-	31,212
Other comprehensive income	-	-	-	- 431	-	- 431
Balance as at 31 March 2018	11,370	28,058	420,400	- 3,772	- 1,003	455,053
Balance as at 1 January 2019	11,370	28,058	421,428	- 4,647	- 695	455,514
Dividend	-	-	-	-	-	-
Profit or loss after taxes	-	-	36,613	-	-	36,613
Other comprehensive income	-	-	-	- 594	-	- 594
Balance as at 31 March 2019	11,370	28,058	458,041	- 5,241	- 695	491,533

Sales revenues by region

RATIONAL Group

in kEUR

	3 months 2019	% of total	3 months 2018	% of total
Germany	25,242	13	21,815	12
Europe (excluding Germany)	88,029	45	82,783	48
North America	36,335	19	28,873	17
Latin America	9,510	5	8,930	5
Asia	26,634	14	22,805	13
Rest of the world	8,509	4	8,275	5
Total	194,259	100	173,481	100

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Supplementary information on the business data

Fiscal year 2019 is the first year of applying the new lease accounting rules (IFRS 16), which will have an effect on the balance sheet in particular. As at 31 March 2019, right-of-use assets included in property, plant and equipment and lease liabilities included in other financial liabilities each amounted to 14.9 million euros. Prior-year figures have not been restated. The cash flow from financing activities reflected lease payments of 2.0 million euros in the first quarter of 2019.

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.