

# Statement on the First Quarter of 2017



## **RATIONAL AG – Successful Start to Fiscal Year 2017**

Group-wide sales revenues increase by **22 %**  
– growth driven by Americas

**61 %** gross margin

**27 %** EBIT margin  
– adjusted for special effects,  
at previous year's level

**78 %** equity ratio

**12 million euros** in operating cash flow

Good development for  
**both segments**

**75 new employees** hired

**Outlook confirmed**

## Key Figures

in m EUR	1st quarter 2017	1st quarter 2016	Absolute change	Change in %
<b>Sales revenues and earnings</b>				
Sales revenues	165.7	135.7	+ 30.0	+ 22
Sales revenues generated abroad in %	88	85	+ 3	–
Cost of sales	64.6	51.8	+ 12.8	+ 25
Gross profit	101.1	83.9	+ 17.2	+ 21
Gross margin in %	61.0	61.8	– 0.8	–
Sales and service expenses	43.8	36.9	+ 6.9	+ 19
Research and development expenses	7.5	5.7	+ 1.8	+ 32
General administration expenses	7.0	6.5	+ 0.5	+ 8
Depreciation/amortisation	2.8	2.4	+ 0.4	+ 18
Earnings before interest and taxes (EBIT)	44.1	32.2	+ 11.9	+ 37
EBIT margin in %	26.6	23.7	+ 2.9	–
Profit or loss after tax	33.7	24.5	+ 9.2	+ 38
<b>Balance sheet</b>				
Total assets	550.7	487.3	+ 63.4	+ 13
Working capital <sup>1</sup>	110.2	93.4	+ 16.8	+ 18
Equity	430.9	380.3	+ 50.6	+ 13
Equity ratio in %	78.2	78.0	+ 0.2	–
<b>Cash flow</b>				
Cash flow from operating activities	11.5	8.2	+ 3.3	+ 40
Capital expenditures	3.2	4.0	– 0.8	– 20
Free cash flow <sup>2</sup>	8.3	4.2	+ 4.1	+ 99
<b>Key figures for RATIONAL shares</b>				
Earnings per share (in EUR)	2.96	2.15	+ 0.81	+ 38
Quarter-end closing price <sup>3</sup> (in EUR)	436.55	469.70	– 33.15	– 7
Market capitalisation	4,963.6	5,340.5	– 376.9	– 7
<b>Employees</b>				
Number of employees as at 31 March	1,788	1,596	+ 192	+ 12
Number of employees (average)	1,764	1,574	+ 190	+ 12
Sales revenues per employee (in kEUR)	93.9	86.2	+ 7.7	+ 9

1 Excluding liquid funds

2 Cash flow from operating activities less capital expenditures

3 XETRA

# RATIONAL AG – Successful Start to Fiscal Year 2017

## Group-wide sales revenues increase by 22 % – growth driven by Americas

RATIONAL got off to a very good start in fiscal year 2017, growing sales revenues in the first quarter by 22 % to 165.7 million euros (2016: 135.7 million euros).

Sales revenues increased 58 % year on year in North America (U.S. and Canada), where business with chain customers in particular was very successful. Sales revenues in Latin America also rose sharply (+53 %), with all markets in this region making a contribution. Apart from a very good trend in general, sales revenues there were influenced by orders from larger customers. In addition, the SelfCookingCenter® was launched in Brazil in the first quarter of 2017, which also had a positive impact in this period.

In Europe (excluding Germany), sales revenues were up by a total of 18 %. As in previous years, the main growth drivers were Southern European markets; however, countries such as the UK or Turkey, which suffered from political influences last year, also contributed to this growth.

Asia also made a good start to the year, with sales revenues 23 % up on the previous year. In particular, the largest markets in the region – Japan and China – performed positively. In Japan, business with a major partner was very successful again; sales revenues from VarioCookingCenter® also increased again there.

Sales revenues in our home market of Germany were 5 % down year on year. Whereas FRIMA was able to continue its success of the previous year by growing sales revenues by 22 %, the figure for RATIONAL was 10 % lower than the year before. This was mainly attributable to the very high level of sales revenues in the same quarter of the previous year, which was due to the fact that many customers brought forward purchases when a price increase was announced in March 2016.

Business volumes in the rest of the world grew by 18 %. In particular, Australia grew above average – albeit compared with a relatively weak first quarter in 2016.

This high growth in the first quarter of 2017 was enabled by the overall good business trend and, in particular, positive special effects. These include high levels of new orders at overseas subsidiaries at the end of 2016 as a result of the launch of SelfCookingCenter® which were not shipped and invoiced until 2017. Other orders were brought forward by customers and were received earlier than expected. In particular, markets that have a higher price level also grew strongly, and the first quarter of 2017 had more working days on the calendar, and hence more invoicing days, which likewise had a positive impact on sales revenues.

The performance of the currencies of relevance to RATIONAL largely cancelled each other out year on year and led overall to a slight increase in sales revenues.

## 61 % gross margin

In the first quarter of 2017, RATIONAL generated a gross profit of 101.1 million euros (2016: 83.9 million euros). This equates to an increase of 21% compared with the previous year. At 61%, the gross margin remained at the high level of the previous year (2016: 62%). Negative effects due to the expected increase in commodity prices and the forecast above-average growth in small, lower-margin appliances – in particular the SelfCookingCenter® XS – could not be fully offset by the good business performance in markets with a higher price level.

## 27 % EBIT margin – adjusted for special effects, at previous year's level

EBIT (earnings before interest and taxes) stood at 44.1 million euros, 37% up on the previous year (2016: 32.2 million euros). An EBIT margin of 27% was achieved in the first three months (2016: 24%).

The rise in EBIT and the corresponding increase in the EBIT margin are mainly due to the very good sales trend coupled with a below-average increase in operating costs. The latter rose compared to the first quarter of 2017 by 9.2 million euros or 19% to 58.3 million euros (2016: 49.1 million euros). The increase in costs was largely attributable to sales and service, which saw a rise of 19% to 43.8 million euros (2016: 36.9 million euros). The investments were mainly directed towards strengthening the global sales and service organisation by increasing capacities and expanding central marketing and service processes.

Research and development costs incurred for the continuous improvement of products and services rose by 32% to 7.5 million euros over the previous year (2016: 5.7 million euros). Development costs of 0.1 million euros were capitalised in the first quarter of 2017 (2016: 0.8 million euros). After adjustment for this effect, 16% or 1.1 million euros more was spent on research and development in the first quarter of 2017.

After three months, general administration expenses amounted to 7.0 million euros, up 8% over the previous year (2016: 6.5 million euros).

There was a noticeable positive impact on EBIT by translation effects on foreign currency positions as at the balance sheet date. These effects account for a significant portion of other operating expenses and income and increased earnings by 1.1 million euros in the first quarter of 2017. In the prior-year period, the negative effect had a very clear impact of 2.6 million euros.

Adjusted for exchange rate influences, the EBIT margin was 26%, around the level of the previous year's margin after exchange rate adjustments.

## 78 % equity ratio

At 78% (2016: 78%) on 31 March 2017, the equity ratio was at its customary high level. Liquid funds, at 291.6 million euros (2016: 264.8 million euros), represented around 53% of total assets (2016: 54%).

## 12 million euros in operating cash flow

In the first three months of the current fiscal year, cash flow from operating activities was 11.5 million euros (2016: 8.2 million euros). The higher earnings had a positive effect. However, there were negative effects as regards receivables compared to the same quarter of the previous year.

The cash flow from investing activities includes investments in property, plant and equipment and in intangible assets. In the first quarter, this amounted to 3.2 million euros, 0.8 million euros down on the previous year (2016: 4 million euros).

The cash outflows from financing activities mainly reflect the repayments of principal and interest payments on outstanding loans up to the end of March and were 1.6 million euros in the period under review (2016: 1.4 million euros).

## Good development for both segments

The RATIONAL segment, which represents the production and sale of the SelfCookingCenter® and the CombiMaster® Plus, grew its sales revenues by 22% in the first three months of 2017, to 154.4 million euros (2016: 126.6 million euros). The segment EBIT was 43.3 million euros (2016: 31.6 million euros).

The FRIMA segment produces and markets the VarioCooking Center®. FRIMA continued its successful growth of the previous year in the first quarter of 2017, posting an above-average increase in sales revenues of 25% compared with the Group. FRIMA generated total sales revenues of 11.8 million euros (2016: 9.5 million euros). Segment earnings stood at 0.8 million euros in the first quarter (2016: 0.5 million euros).

## 75 new employees hired

Around 190 new posts are to be created worldwide in fiscal year 2017. The focus is in particular on further expanding the global sales and service organisation. 75 new employees had been added as at the end of March 2017, around half of them in Germany. Most of the new jobs are in sales, sales-related functions and technical service.

## Outlook confirmed

The vast majority of RATIONAL and FRIMA customers are so satisfied with the products and services that they would buy them again at any time and also recommend them to friends and colleagues. This rating was confirmed in relation to the market launch of the new products. Given the very 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.

Sales revenues and EBIT in the first quarter of 2017 were far better than expected. This good performance was due to the positive effects described earlier. These effects are not anticipated in this form in the remainder of the year or, in some cases, will probably have the effect of slowing down our performance in the subsequent quarters.

In view of this, the Executive Board of RATIONAL AG confirms the forecast for fiscal year 2017 given in the Annual Report, i.e. continuation of the moderate growth trend for sales volume and revenues, an above-average increase in costs, a slightly higher EBIT than the year before and an EBIT margin between 26% and 27%.

# Statement of Comprehensive Income

## RATIONAL Group

in kEUR	1st quarter 2017	1st quarter 2016
Sales revenues	165,717	135,655
Cost of sales	- 64,572	- 51,758
<b>Gross profit</b>	<b>101,145</b>	<b>83,897</b>
Sales and service expenses	- 43,813	- 36,880
Research and development expenses	- 7,515	- 5,712
General administration expenses	- 7,004	- 6,479
Other operating income	2,149	2,356
Other operating expenses	- 828	- 5,013
<b>Earnings before interest and taxes (EBIT)</b>	<b>44,134</b>	<b>32,169</b>
Interest and similar income	84	126
Interest and similar expenses	- 205	- 218
<b>Earnings before taxes (EBT)</b>	<b>44,013</b>	<b>32,077</b>
Income taxes	- 10,343	- 7,598
<b>Profit or loss after taxes</b>	<b>33,670</b>	<b>24,479</b>
Items that may be reclassified to profit and loss in the future: Differences from currency translation	226	- 305
<b>Other comprehensive income</b>	<b>226</b>	<b>- 305</b>
<b>Total comprehensive income</b>	<b>33,896</b>	<b>24,174</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>2.96</b>	<b>2.15</b>

# Balance Sheet

## RATIONAL Group

### Assets

in kEUR	31 March 2017	31 March 2016	31 December 2016
<b>Non-current assets</b>	<b>106,646</b>	<b>94,458</b>	<b>112,276</b>
Intangible assets	8,410	6,611	8,803
Property, plant and equipment	85,856	74,235	85,067
Financial assets	1,500	5,000	8,000
Deferred tax assets	8,554	6,561	8,273
Other non-current assets	2,326	2,051	2,133
<b>Current assets</b>	<b>444,071</b>	<b>392,801</b>	<b>427,525</b>
Inventories	39,324	32,471	39,214
Trade receivables	101,078	81,074	100,180
Other current assets	12,025	14,460	9,979
Deposits with maturities of more than 3 months	180,700	132,551	175,700
Cash and cash equivalents	110,944	132,245	102,452
<b>Total assets</b>	<b>550,717</b>	<b>487,259</b>	<b>539,801</b>

### Equity and liabilities

in kEUR	31 March 2017	31 March 2016	31 December 2016
<b>Equity</b>	<b>430,854</b>	<b>380,281</b>	<b>396,958</b>
Subscribed capital	11,370	11,370	11,370
Capital reserves	28,058	28,058	28,058
Retained earnings	393,812	342,789	360,142
Other components of equity	- 2,386	- 1,936	- 2,612
<b>Non-current liabilities</b>	<b>33,988</b>	<b>31,718</b>	<b>34,888</b>
Provisions for pensions	3,265	2,579	3,223
Other non-current provisions	9,506	6,804	9,203
Non-current liabilities to banks	19,583	20,643	20,747
Deferred tax liabilities	425	850	578
Other non-current liabilities	1,209	842	1,137
<b>Current liabilities</b>	<b>85,875</b>	<b>75,260</b>	<b>107,955</b>
Current income tax liabilities	6,826	6,672	8,340
Current provisions	30,615	27,852	38,518
Current liabilities to banks	6,809	6,655	7,046
Trade accounts payable	19,623	14,188	25,000
Other current liabilities	22,002	19,893	29,051
<b>Liabilities</b>	<b>119,863</b>	<b>106,978</b>	<b>142,843</b>
<b>Total equity and liabilities</b>	<b>550,717</b>	<b>487,259</b>	<b>539,801</b>



# Cash Flow Statement

## RATIONAL Group

in kEUR	1st quarter 2017	1st quarter 2016
Earnings before taxes (EBT)	44,013	32,077
<b>Cash flow from operating activities</b>	<b>11,537</b>	<b>8,245</b>
Change in fixed deposits with maturities of more than 3 months	1,500	- 26,651
Cash flow from other investing activities	- 3,091	- 3,863
<b>Cash flow from investing activities</b>	<b>- 1,591</b>	<b>- 30,514</b>
<b>Cash flow from financing activities</b>	<b>- 1,597</b>	<b>- 1,354</b>
Effects of exchange rate fluctuations in cash and cash equivalents	143	- 254
<b>Change in cash and cash equivalents</b>	<b>8,492</b>	<b>- 23,877</b>
<b>Cash and cash equivalents as at 1 January</b>	<b>102,452</b>	<b>156,122</b>
<b>Cash and cash equivalents as at 31 March</b>	<b>110,944</b>	<b>132,245</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	-	-	-	-	-	-
Total comprehensive income	-	-	33,670	226	0	33,896
<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 1 January 2016</b>	<b>11,370</b>	<b>28,058</b>	<b>318,310</b>	<b>- 1,211</b>	<b>- 420</b>	<b>356,107</b>
Dividend	-	-	-	-	-	-
Total comprehensive income	-	-	24,479	- 305	0	24,174
<b>Balance as at 31 March 2016</b>	<b>11,370</b>	<b>28,058</b>	<b>342,789</b>	<b>- 1,516</b>	<b>- 420</b>	<b>380,281</b>

# Sales Revenues by Region

## RATIONAL Group

in kEUR	1st quarter 2017	% of total	1st quarter 2016	% of total
Germany	19,365	12	20,488	15
Europe (excluding Germany)	79,692	48	67,481	50
North America	28,968	17	18,341	13
Latin America	9,752	6	6,384	5
Asia	20,294	12	16,469	12
Rest of the world	7,646	5	6,492	5
<b>Total</b>	<b>165,717</b>	<b>100</b>	<b>135,655</b>	<b>100</b>

# Operating segments

## RATIONAL Group

### 1st quarter 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>

### 1st quarter 2016

in kEUR	RATIONAL	FRIMA	Total of segments	Reconciliation	Group
External sales revenues	126,192	9,463	135,655	0	135,655
Intercompany sales revenues	412	0	412	- 412	-
Segment sales revenues	126,604	9,463	136,067	- 412	135,655
<b>Segment profit or loss</b>	<b>31,640</b>	<b>523</b>	<b>32,163</b>	<b>6</b>	<b>32,169</b>
Financial result	-	-	-	-	- 92
<b>Earnings before taxes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,077</b>

**Publisher and contact**

RATIONAL Aktiengesellschaft  
Iglinger Strasse 62  
86899 Landsberg am Lech

**Dr Axel Kaufmann**

Chief Financial Officer  
Tel. +49 8191 237-209  
Fax +49 8181 327-272  
E-mail [ir@rational-online.com](mailto:ir@rational-online.com)

**Stefan Arnold**

Head of Investor Relations  
Tel. +49 8191 237-2209  
Fax +49 8181 327-722209  
E-mail [ir@rational-online.com](mailto:ir@rational-online.com)

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