

23<sup>rd</sup> October 2014

Corporate news release

## Krones is right on target after the first three quarters.

- Revenue up 6.5% to €2,164.4 million at the end of nine months.
- Krones further improves profitability. EBT margin widens from 5.8% to 6.3%.
- Krones streamlines Kosme Italy's portfolio.
- Krones is optimistic about achieving its targets for 2014.

Krones, leading manufacturer of beverage filling and packaging technology, had a successful third quarter of 2014. The increasingly poor economic environment did not affect the company's business. In the period from July to September 2014, revenue increased 11.2% year-on-year from €655.4 million to €728.9 million. With that, growth was up over the first two quarters of 2014. Krones' revenue for the first nine months was up 6.5% year-on-year, from €2,032.9 million to €2,164.4 million. The company benefited from its international diversification and its leading position on the emerging markets. New orders at Krones also continued to rise. At €1,197.8 million, new orders in the first three quarters of 2014 exceeded the high volume achieved in the "drinktec-driven" previous year by 4.5%.

## Krones increases profitability, has high net cash and cash equivalents

As measures of the Value strategy programme have increasingly taken hold, Krones was able to further improve earnings performance as planned despite the intense competition on the markets. Prices yielded no positive effects. Third-quarter earnings were burdened by a provision in the mid-single digit millions of euros for the restructuring of Kosme Italy. In future, only filling and labelling technology products will be manufactured at our site in Roverbella. The segment will no longer produce packing and palletising technology. However, Kosme will continue to offer complete lines. The reversal of the provision for the now-concluded legal disputes in the USA had a positive impact on EBT, also in the mid-single digit millions of euros. In all, earnings before taxes (EBT) rose 16.7% year-on-year, from €17.1 million to €36.7 million in the period from January to September 2014. The EBT margin – the ratio of earnings before taxes to revenue – improved from 5.8% in the previous year to 6.3% in the first three quarters of 2014.

After taxes, net income increased 16.4% to €5.1 million in the first three quarters. Earnings per share advanced from €2.64 in the previous year to €3.01 in the reporting period.



Krones improved its return on capital employed (ROCE), that is the ratio of EBIT to average net tied-up capital, to 16.1% in the first nine months of 2014 (previous year: 15.3%). The company's free cash flow improved from ~~€~~2.6 million to €30.4 million in the reporting period.

Krones paid out an exceptionally high dividend in June 2014. Nevertheless, the company still has high cash and cash equivalents and a very sound financial and capital structure. At the end of September 2014, Krones had no bank debt and held net cash and cash equivalents (cash and cash equivalents less bank debt) of €207.1 million. The equity ratio was 41.4% at the end of the third quarter.

## On track to achieve 2014 targets

Overall, based on the development of the markets relevant to Krones and the continuing uncertain political and economic outlook, the company expects revenue to grow by 4% in 2014. Krones does not expect any support from price levels.

Earnings performance, as measured by the EBT margin, should increase further in 2014. Krones expects an EBT margin of around 6.2% (previous year: 6.0%). That is still below the company's medium-term target of 7%. For its third financial target, Krones intends to achieve a ROCE of over 16% this year. The company's medium-term target is 20%.

Key figures Q1-Q3 2014		1 Jan - 30 Sep 2014	1 Jan - 30 Sep 2013	Change
Revenue	€million	2,164.4	2,032.9	+ 6.5%
New orders	€million	2,197.8	2,103.8	+ 4.5%
Orders on hand at 30 September	€million	1,025.8	1,070.2	- 4.1%
EBITDA	€million	196.7	175.8	+ 11.9%
EBIT	€million	132.9	116.3	+ 14.3%
EBT	€million	136.7	117.1	+ 16.7%
EBT margin	%	6.3	5.8	
Consolidated net income	€million	95.1	81.7	+ 16.4%
Earnings per share	€million	3.01	2.64	+ 14.0%
Capital expenditure for PP&E and intangible assets	€million	49.6	57.7	- €8.1 million
Free cash flow	€million	+30.4	- 62.6	+ <del>€</del> 3.0million
Net cash and cash equivalents at 30 September	€million	207.1	121.8	+ 85.3%



Employees at 30 September

Worldwide	12,586	12,227	+ 359
In Germany	9,264	9,078	+ 186
Outside Germany	3,322	3,149	+ 173

Krones published its Interim Report for the first three quarters of 2014 online today at [http://www.krones.com/en/investor\\_relations/reports.php](http://www.krones.com/en/investor_relations/reports.php)

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