

Corporate news release

26 October 2016

Krones confirms its targets for 2016

- Revenue increased 4.8% in the first three quarters of 2016 to €2.38 billion.
- New orders rose 6.1% to €2.45 billion.
- The EBT margin was stable at 6.9% after nine months.
- Krones confirms its revenue and earnings forecast for 2016 as a whole and has set medium-term targets of 7/8/20 for 2020.

Krones, the world's leading manufacturer of filling and packaging technology, continued its stable growth in the first three quarters of 2016. Despite economic uncertainties and intense competition, revenue improved 4.8% year-on-year from €2,270.7 million to €2,380.1 million. From a regional perspective, revenue developed best in China, the Middle East/Africa, and Central and Eastern Europe in the first three quarters of 2016.

New orders at Krones rose 6.1% year-on-year to €2,452.5 million in the first nine months of 2016. At €1,167.0 million, Krones' orders backlog at 30 September 2016 was up 4.2% on the previous year.

EBT margin stable at 6.9% after the first three quarters

Krones improved earnings before taxes (EBT) by 4.8% to €163.6 million in the reporting period. Prices continued to provide no support. The increase in earnings can be attributed to positive effects from the Value strategy programme as well as additional short-term cost savings. At 6.9%, the EBT margin was stable year-on-year in the first three quarters. Because the tax rate was somewhat lower, consolidated net income improved 5.5% to €14.3 million, a bit more than EBT. Earnings per share advanced from €3.45 in the previous year to €3.65 in the first nine months of 2016. The return on capital employed (ROCE) declined to 15.5% (previous year: 17.0%).

Krones confirms its forecast for 2016 as a whole

Krones is confident that consolidated revenue growth of 3% and an EBT margin of 7.0% for the year 2016 will be achieved as forecast despite the many economic and political uncertainties. All three segments will contribute by achieving their own growth and earnings targets. The company continues to aim for an ROCE of 18%.

New medium-term target through 2020: 7/8/20

To keep moving the company forward for the long term, Krones has set a new medium-term target of 7/8/20. By 2020, Krones intends to increase revenue by 7% on average each year, improve the EBT margin to 8%, and bring ROCE (return on capital employed) up to 20%. To grow by 7% each year, Krones intends to pick up market shares in regions where beverage consumption is growing faster than average. The rapidly growing diversity of products and packaging is another growth driver.

Acquisitions and the expansion of the company's own product range will also contribute a large part to the forecast growth.

Because no support can be expected from prices, even in the medium term, Krones will have to work hard to achieve its EBT margin target of 8%. Growing Krones' global footprint will be an important factor. To this end, the company plans to shift a large part of procurement and engineering as well as parts of production to the regions in which its customers operate their plants. In addition, Krones will continue to advance the modularisation of its machines and lines and expand its highly profitable service business. To achieve the ROCE target of 20%, Krones will sharpen its focus on working capital.

The concrete measures and programmes with which Krones intends to achieve our targets can be found in the Q3 presentation, which is available on Krones' website at http://www.krones.com/en/investor_relations/presentation-2016.php.

Krones has published the complete quarterly statement for the third quarter of 2016 online at http://www.krones.com/en/investor_relations/reports.php.

Contact:

Olaf Scholz

Head of Investor Relations, Krones AG

Phone: +49 9401 70-1169

E-mail: olaf.scholz@krones.com

Key figures Q1 – Q3		1 Jan – 30 Sept 2016	1 Jan – 30 Sept 2015	Change
Revenue	€million	2,380.1	2,270.7	+4.8%
New orders	€million	2,452.5	2,311.3	+6.1%
Orders on hand at 30 September	€million	1,167.0	1,119.7	+4.2%
EBITDA	€million	224.2	218.2	+2.7%
EBIT	€million	158.4	152.6	+3.8%
EBT	€million	163.6	156.1	+4.8%
EBT margin	%	6.9	6.9	–
Consolidated net income	€million	114.3	108.3	+5.5%
Earnings per share	€	3.65	3.45	+5.8%
Capital expenditure for PP&E and intangible assets	€million	58.2	55.4	+€2.8 million
Free cash flow	€million	–197.0	–48.1	–€148.9 million
Net cash and equivalents at 30 Sept*	€million	121.8	253.7	–€131.9 million
ROCE (liabilities side)	%	15.5	17.0	–
ROCE (assets side)	%	14.0	14.9	–
Employees at 30 September				
Worldwide		14,132	13,149	+983
Germany		9,959	9,655	+304
Outside Germany		4,173	3,494	+679

* Cash and cash equivalents less debt

Key figures Q3		1 July –30 Sept 2016	1 July –30 Sept 2015	Change
Revenue	€million	819.8	767.0	+6.9%
New orders	€million	850.1	787.2	+8.0%
EBITDA	€million	77.0	74.1	+3.9%
EBIT	€million	55.1	51.4	+7.2%
EBT	€million	56.3	52.0	+8.3%
EBT margin	%	6.9	6.8	–
Consolidated net income	€million	39.9	35.6	+12.1%
Earnings per share	€	1.27	1.13	+12.4%