

Corporate news release

26 April 2018

Krones had a good start to 2018 with a strong first quarter

- At €91.7 million, revenue was down 0.9% from the prior-year figure, which had been quite high due to timing.
- Order intake rose 13.4% to €92.4 million. Acquisitions had no significant impact on revenue or order intake in the first quarter of 2018.
- Earnings before taxes decreased 14.8% to €6.2 million partly due to a one-time effect within personnel expenses. The EBT margin decreased from 7.3% to 6.3%.
- Executive Board confirms targets for 2018. Krones expects 6% revenue growth and a reported EBT margin of 7.0%.

Business at Krones, the world's leading manufacturer of filling and packaging technology, developed well in the first quarter of 2018. The company benefited from its broad international diversification and its entire portfolio of products and services as well as a generally favourable macroeconomic environment. In the period from January to March 2018, revenue was down slightly, by 0.9%, year-on-year from €99.4 million to €91.7 million. However, it should be kept in mind that the prior-year figure included a positive effect from timing. Krones was able to invoice around €60 million in projects in the first quarter of 2017 that had not been expected to generate revenue until the second quarter. Furthermore it should be noted that the last quarter of 2017 had a relatively high revenue level too. In all, Krones is on track to achieve the 6% revenue growth forecast for the year 2018. Order intake supports this assertion as it was up 13.4% year-on-year in the first quarter of 2018 to €92.4 million. At the end of March 2018, Krones had orders on hand totalling €1,340.8 million. That is up 19.6% year-on-year. Acquisitions had no significant impact on revenue or order intake in the first quarter of 2018.

Profitability was down temporarily

Despite successful measures to increase efficiency within the company, Krones' earnings were down year-on-year in the first quarter of 2018. One factor causing the decrease was a temporary increase in personnel expenses. That increase resulted because the company had to recognise higher provisions for the entire year 2018 due to a pay agreement made in the reporting period. Earnings before taxes (EBT) decreased 14.8% to €6.2 million. The EBT margin was down from 7.3% in the previous year to 6.3% in the first quarter of 2018. The high prior-year figure had been influenced positively by the

high revenue in the first quarter of 2017. At €38.7 million, consolidated net income was down 11.4% year-on-year in the reporting period. Earnings per share came to €1.23 in the first quarter of 2018 (previous year: €1.40).

Krones' free cash flow improved considerably, from –€12.8 million in the prior year to –€4.1 million in the first three months of 2018. The ratio of average working capital for the past four quarters to revenue increased to 28.2% (previous year: 26.8%). Krones' return on capital employed (ROCE), the ratio of EBIT to average net capital employed, decreased from 17.8% in the previous year to 15.3%, mostly due to lower earnings.

Krones announces price increases and confirms forecast for 2018

Selling prices in Krones' markets have been flat for several years now. Krones is raising its prices on all machines for bottling and packaging equipment and for process technology by 4.5% on average effective 1 May 2018 and is adjusting its payment terms.

The company invests continually in developing and evolving its portfolio of products to generate real added value for customers with its machines, lines, and services. To ensure Krones' continued ability to offer the highest quality, innovative products and services despite rising costs for goods and services purchased and personnel, the company must raise its own prices. Krones will also continue to invest in existing cost-reduction initiatives launched as part of its Value strategy programme, such as expanding its global footprint. Krones intends to maintain its market position as a provider of solutions for food and beverage production within the bottling and packaging industry.

Because the price adjustments are aimed at offsetting current cost increases, Krones is keeping its revenue and earnings forecast for 2018 and for the medium term unchanged. Based on the current macroeconomic prospects and expected development of the markets relevant to Krones, the company is targeting consolidated revenue growth of 6% in 2018. Krones intends to keep profitability stable despite heavy investment in digitalisation and start-up costs associated with its global footprint, particularly the new site in Hungary. The company expects to post an EBT margin of 7.0% in 2018. Krones intends to improve its third financial performance target, working capital to revenue, to 26%.

Krones has published the complete Quarterly Statement online at <https://www.krones.com/en/company/investors.php>

Key figures Q1 2018		1 Jan – 31 Mar 2018	1 Jan – 31 Mar 2017	Change
Revenue	€million	891.7	899.4	-0.9%
Order intake	€million	992.4	875.5	+13.4%
Orders on hand at 31 March	€million	1,340.8	1,120.8	+19.6%
EBITDA	€million	78.9	87.2	-9.5%
EBIT	€million	55.5	64.0	-13.3%
EBT	€million	56.2	66.0	-14.8%
EBT margin	%	6.3	7.3	-1.0 PP*
Consolidated net income	€million	38.7	43.7	-11.4%
Earnings per share	€	1.23	1.40	-12.1%
Capital expenditure for PP&E and intangible assets	€million	27.4	19.6	+€7.8 million
Free cash flow	€million	-14.1	-112.8	+€98.7 million
Net cash and cash equivalents at 31 March**	€million	143.8	256.1	-€112.3million
Working capital to revenue***	%	28.2	26.8	+1.4 PP*
ROCE	%	15.3	17.8	-2.5 PP*
Employees at 31 March				
Worldwide		15,461	14,660	+801
Germany		10,394	10,124	+270
Outside Germany		5,067	4,536	+531
* PP = percentage points				
** Cash and cash equivalents less debt				
*** Average of last 4 quarters				

Contact:

Olaf Scholz

Head of Investor Relations, Krones AG

Phone: +49 9401 70-1169

E-mail: olaf.scholz@krones.com