

Corporate news release

26 July 2018

After a strong first half, Krones confirms growth and earnings targets for 2018

- At €1,790.8 million, revenue was up 0.9% from the prior-year figure, which had been quite high due to timing.
- Order intake rose 13.2% to €2,014.8 million. Acquisitions had no significant impact on revenue or order intake in the first half.
- EBT decreased 6.9% to €12.7 million due to a one-time effect within personnel expenses and rising expenditure for goods and services purchased. The EBT margin decreased from 6.8% to 6.3%. In the second quarter of 2018, the EBT margin was unchanged year-on-year at 6.3%.
- Executive Board confirms revenue and earnings targets for 2018. Krones expects 6% revenue growth and a reported EBT margin of 7.0%.

Krones, the world's leading manufacturer of filling and packaging technology, was able to offset the slight first-quarter decrease in revenue in the second quarter of 2018. Krones' revenue in the first six months of 2018 was up 0.9% from the high prior-year figure, from €1,775.2 million to €1,790.8 million. Sales were negatively affected by currency translation of a mid-double-digit million euro amount. Acquisitions had no significant influence on revenue. Overall, revenue is within our forecast range after the first six months of 2018. Growth is likely to accelerate in the third quarter. Krones' management is confident that the company will achieve its growth target of 6% for 2018. The company's high order intake and orders backlog provide a solid basis for that.

Order intake was up 13.2% year-on-year to €2,014.8 million in the period from January to June 2018. It should be noted that the May 1st price increase did not apply to quotations that were already being negotiated at that time. Thus, the price increase did not have a significant impact on orders in the reporting period. Acquisitions did not have a noticeable effect on order intake. At €1,464.1 million, orders on hand were up 27.4% at the end of June 2018 over the prior-year period (€1,148.8 million). The comfortable orders backlog enables Krones to compensate potential changes in order intake that might result from the price increases in the months ahead without jeopardising balanced capacity utilisation.

Rising costs on goods and services purchased and personnel impacted profitability

Krones was not able to turn the slight improvement in revenue into earnings growth in the first half of 2018. The main factor here was the continuing rise in costs for goods and services and for personnel. The increase in personnel expenses reflects pay increases that also resulted in a one-time increase in provisions in the first quarter of 2018.

In the period from January to June, earnings before taxes (EBT) were down 6.9% year-on-year to €12.7 million. The EBT was negatively affected by currency translation of a mid-single-digit million euro amount. The EBT margin narrowed from 6.8% in the previous year to 6.3% in the first six months of 2018. In the second quarter of 2018, the EBT margin was unchanged year-on-year at 6.3%. Krones still expects to achieve an EBT margin of 7.0% for the year. After taxes, consolidated net income was down 6.7% to €76.9 million in the reporting period. Earnings per share for the period decreased from €2.64 in the previous year to €2.45.

Krones' free cash flow improved by €103.3 million to –€56.2 million in the first six months of 2018. The ratio of average working capital for the past four quarters to revenue increased to 28.8% (previous year: 26.3%). As a result of lower earnings, Krones' return on capital employed (ROCE) dropped to 15.5% in the first half of 2018 (previous year: 16.3%).

Krones confirms growth and earnings targets for 2018

Because of the strong results achieved in the first half and continued high demand for the company's products and services, Krones' forecast for growth and earnings for the year 2018 remains unchanged. Krones is targeting consolidated revenue growth of 6% in 2018. Krones intends to keep profitability stable despite investment in digitalisation and start-up costs associated with our global footprint, particularly the new site in Hungary. The company expects to post an EBT margin of 7.0% in 2018. Krones expects its third financial performance target, working capital to revenue, to improve slightly in the second half of 2018 compared with the first half. However, Krones will not meet the 26% forecast for the whole year 2018. The company's new target is 28%.

Krones has published the complete Interim Report for the first half of 2018 online at <https://www.krones.com/en/company/investors.php>

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Key figures for H1 2018		1 Jan – 30 Jun 2018	1 Jan – 30 Jun 2017	Change
Revenue	€ million	1,790.8	1,775.2	+ 0.9%
Order intake	€ million	2,014.8	1,779.3	+13.2%
Orders on hand at 30 June	€ million	1,464.1	1,148.8	+ 27.4%
EBITDA	€ million	157.3	164.4	- 4.3%
EBIT	€ million	109.7	117.1	- 6.3%
EBT	€ million	112.7	121.0	- 6.9%
EBT margin	%	6.3	6.8	- 0.5 PP*
Net income	€ million	76.9	82.4	- 6.7%
Earnings per share	€	2.45	2.64	- 7.2%
Capital expenditure for PP&E and intangible assets	€ million	58.5	46.1	+ €12.4 million
Free cash flow	€ million	- 56.2	- 159.5	+ € 103.3 million
Net cash and cash equivalents at 30 June**	€ million	49.7	160.4	- € 110.7 million
Working capital to revenue ***	%	28.8	26.3	+ 2.5 PP*
ROCE	%	15.5	16.3	- 0.8 PP*
Employees at 30 June				
Worldwide		15,568	14,794	+ 774
Germany		10,376	10,106	+ 270
Outside Germany		5,192	4,688	+ 504

* Percentage points ** Cash and cash equivalents less debt *** Average of last 4 quarters

Key figures for Q2 2018		1 Apr – 30 Jun 2018	1 Apr – 30 Jun 2017	Change
Revenue	€ million	899.1	875.8	+ 2.7%
Order intake	€ million	1,022.4	903.8	+ 13.1%
EBITDA	€ million	78.4	77.2	+ 1.6%
EBIT	€ million	54.2	53.1	+ 2.1%
EBT	€ million	56.5	55.0	+ 2.7%
EBT margin	%	6.3	6.3	± 0 PP
Net income	€ million	38.2	38.7	- 1.3%
Earnings per share	€	1.22	1.24	- 1.6%