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Krones presents mid-year report for 2009

Cyclical downtrend hits the company's business –
Sales fall by 23.3 % to 924.4 million euros, the pretax results after the
year's first half at minus 15.8 million euros

The figures at Krones, the world's market leader for beverage filling and packaging technology, were hit by the cyclical downtrend in the first half of 2009. Thanks to its eminently sound financial and balance-sheet structure, however, Krones is able to cope significantly better with the consequences of the economic crisis than many other companies.

From January to June 2009, sales fell by 23.3 % on a like-for-like comparison, from 1,204.9 to 924.4 million euros. Because the market as a whole is currently shrinking, competitive pressure has increased, with a concomitant deterioration in the pricing quality. During the period under review, however, Krones did not indulge in no-holds-barred scrapping for orders. While sales continued to rise in regions like Germany, the Middle and Near East, and in China and Africa, they shrank significantly in the rest of Europe, and in America.

In view of the economic uncertainties prevailing, clients' propensity to invest was slight. Order bookings in the January-to-June 2009 period fell by 29.7 % to 874.0 million euros (preceding year: 1,242.5 million euros). It is gratifying to note that in the second quarter order bookings were up by 11 % compared to the first three months of the ongoing business year.

Since the economy has suffered a severe slump in many countries of Eastern Europe, Krones' order bookings there decreased significantly during the year's first half. By contrast, demand for the company's products is very high in China. Since the banks are adopting a highly restrictive stance when it comes to granting loans, and companies are therefore often unable to finance their planned investments, Krones' business is being adversely affected. On 30 June 2009, the order backlog totalled 787.0 million euros (31 Dec. 2008: 837.4 million euros).

Krones made a loss in the year's first half

Due to the less-than-easy market conditions and the concomitantly severe decrease in sales, Krones' pretax result in the year's first half fell on a like-for-like basis from 91.8 to minus 15.8 million euros. The cost-cutting initiatives, part of the company's extensive "Conversion" programme, were already beginning to bite in the period under review. The programme's full effect will be felt as the year proceeds.

After taxes, Krones' loss came to 16.0 million euros. In the first half of 2008, the company had earned profits after taxes of 62.4 million euros.

The result per share after the first six months of 2009 was minus 0.53 euros (preceding year: 1.98 euros).

Krones expects a difficult second half of 2009

There are initial indications that the macro-economic situational framework is at least no longer deteriorating. But the situation is precarious, the imponderabilities are huge. This means it would be irresponsible to predict the group's consolidated result for 2009.

Krones is still proceeding on the assumption that the worldwide financial and economic crisis will continue to have a significant effect on the firm's sales and results for the rest of this year. With its extensive "Conversion" package of initiatives, the company is able to compensate for a fall in sales of more than 20 %. However, the purchasing restraint being exhibited by its customers, and the concomitant difficulty of forecasting price developments, constitute an additional burden on potential results. Overall, from today's perspective, the company expects to make a loss in the 2009 business year.

Krones is very soundly financed, and stands on solid foundations. The company is thus well able to overcome even a lengthy lean period. In the long term, Krones expects a return to a growth trajectory. The recession is not as severe in the beverage industry as in other sectors, and will probably be over more quickly too. With its products and services for the "food and drink" sector, Krones is positioned very close to the consumer interface, and benefits indirectly from global population growth and increasing affluence worldwide. The Executive Board anticipates that once the economic crisis has been overcome, the company will be very swiftly restored to its familiar strength.

The complete mid-year report for 2009 can be retrieved under:

http://www.krones.com/downloads/Q2_2009_e.pdf



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