

KRONES Group

# Q1

**Quarterly statement** for the period  
from 1 January to 31 March 2019

 **KRONES**



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# 1

## TO OUR SHAREHOLDERS

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## Highlights and key figures

### KRONES continues growth in first quarter of 2019

- Revenue increased 10.3% to €983.5 million. Adjusted for acquisitions and currency effects, the growth is 5.9%.
- Order intake improved by 5.0% to €1,041.6 million. Excluding acquisitions, the contract value of new orders increased by 4.1%.
- Earnings before taxes (EBT) went down 8.4% to €51.5 million in the first quarter of 2019. The EBT margin was 5.2% (previous year: 6.3%).
- The Executive Board has confirmed the targets for 2019. KRONES expects 3% revenue growth and an EBT margin of 6%.

		1 Jan – 31 Mar 2019	1 Jan – 31 Mar 2018	Change
Revenue	€ million	983.5	891.7	+10.3%
Order intake	€ million	1,041.6	992.4	+5.0%
Orders on hand at 31 March	€ million	1,319.2	1,340.8	-1.6%
EBITDA	€ million	86.0	78.9	+9.0%
EBITDA margin	%	8.7	8.9	-0.2 PP*
EBIT	€ million	51.8	55.5	-6.7%
EBT	€ million	51.5	56.2	-8.4%
EBT margin	%	5.2	6.3	-1.1 PP*
Consolidated net income	€ million	36.3	38.7	-6.2%
Earnings per share	€	1.15	1.23	-6.5%
Capital expenditure for PP&E and intangible assets	€ million	46.6	27.4	+€19.2 million
Free cash flow	€ million	-136.6	-14.1	-€122.5 million
Net cash and cash equivalents at 31 March**	€ million	70.9	143.8	-€72.9 million
Working capital to revenue***	%	26.4	28.2	-1.8 PP*
ROCE	%	13.2	15.3	-2.1 PP*
Employees at 31 March				
Worldwide		16,695	15,461	+1,234
Germany		10,835	10,394	+441
Outside Germany		5,860	5,067	+793

\* PP = percentage points \*\* Cash and cash equivalents less debt \*\*\* Average of last 4 quarters



## Letter from the **Executive Board**

Dear shareholders and friends of **KRONES**,

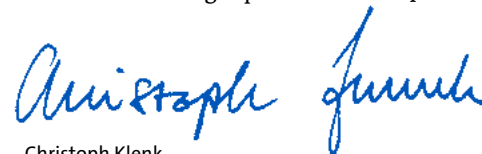
**KRONES** made a good start to into the year 2019. The demand for our machines, systems and services was stable overall, allowing us to continue our growth in the first quarter. Revenue went up by 10.3%. Adjusted for acquisitions and currency effects, the growth was 5.9%. Order intake adjusted for acquisitions increased by 4.1%. Due to the tight cost situation earnings before taxes were down 8.4% on the prior-year period.

Overall, it will not be easy to achieve our targets for 2019. The dynamics of global economic growth has slowed noticeably in recent months. International Monetary Fund (IMF) experts now expect growth of 3.3% for 2019 as a whole, down from the 3.5% forecast at the beginning of the year. The simmering trade conflicts and Brexit continue to cause uncertainty. Looking ahead, this could additionally have an impact on our customers' investment behaviour. **KRONES** also expects that the competitive environment will remain difficult this year.

Due to the many uncertainties, **KRONES'** growth target for 2019 is lower than in previous years. Satisfied customers comprise the basis for sustained profitable growth. We are therefore constantly improving the quality of our products and services. In addition, we continue to pursue our strategy and will further expand our global footprint. Cost reductions also remain an important part of

our strategy throughout this year. We place a clear focus here on material and labour costs. Alongside this, we will work hard to push through and sustain our price increases in the market. The LCS business continues to benefit from our customers' growing installed base.

**KRONES** continues to pursue ambitious medium-term targets. Given the fragile state of the economic and geopolitical environment, however, forecasts are subject to significantly greater uncertainties than in the past. For this reason, we state ranges for each of our mid-term targets. Depending on the overall economic situation and developments in our markets, we expect average annual revenue growth of 3% to 5% excluding acquisition effects, an EBT margin of 6% to 8% and working capital at 22% to 24% of revenue.



Christoph Klenk  
CEO

## The KRONES share

### International stock markets buoyant in first quarter 2019

Between January and March 2019, the major international stock markets were able to make up at least part of the losses incurred in 2018. Share prices were mainly increased by hopes of the USA and China settling their trade dispute. Stock markets were also supported by long-term interest rates, which fell in the first quarter of 2019. The biggest downside factor for the stock markets in the reporting period was the fear of a global recession. This meant that negative economic indicators temporarily led to strong price fluctuations.

*The KRONES share price performed even better than the SDAX between January and March 2019.*

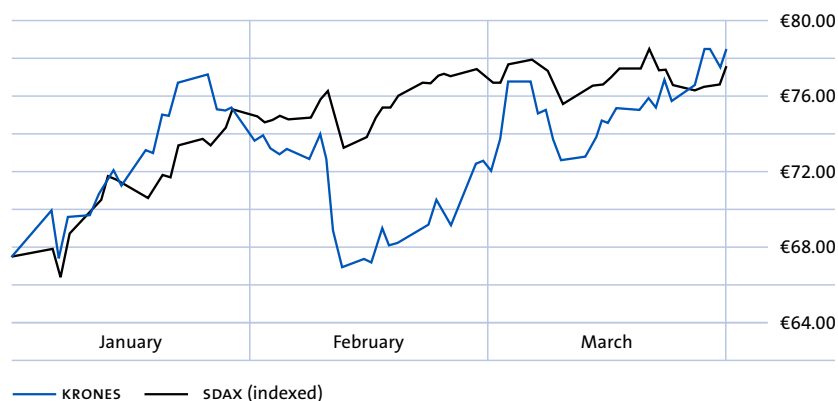
The best-known German share index, the DAX, sustained intermittent setbacks. Overall, however, the DAX rose significantly in the first quarter. At 11,526

points as of the end of March 2019, the DAX was up 9.2% on the beginning of the year. Sentiment on other European stock markets was also mostly positive. The Euro Stoxx 50, comprising the 50 largest companies in the euro area, gained 11.7%. With a rise of 11.2%, the Dow Jones index increased similarly strongly. The Japanese market showed a less pronounced upward trend in the first quarter of 2019, with the Nikkei index gaining 6.0%.

### KRONES share price up 16.4%, outperforming the SDAX

The price of KRONES shares gained rapidly in the initial weeks of 2019, rising from €67.50 to above €77. However, this recovery came to an abrupt halt at the end of January. This partly reflected the overall market. In addition, the share price was weighed down by a number of negative analyst commentaries. Following the first week in February, the KRONES share price was back at about the same level as the beginning of the year. After that, our share price commenced another powerful upward rally. Publication of the preliminary figures for 2018 on 21 February caused strong price fluctuations and briefly put the share price under pressure. Our shares fell to €63.80 in the course of the day but closed at around €70, which represented virtually no change on the day before. KRONES was able to achieve its growth target for 2018, and the figures as a whole for 2018 were in line with analysts' expectations. In March, our share price continued its upward trend with brief interruptions. Publication of the annual report and the dividend proposal for 2018 on 21 March supported the positive trend. KRONES shares reached their highest price for the first quarter of 2019 at €80.10 on 27 March. At the end of March, the KRONES share price stood at €78.55. Our shares thus gained 16.4% from January to March. The SDAX, of which KRONES has been a component since 18 June 2018, went up by 15.0% in the same period.

The KRONES share from 1 January to 31 March 2019



# 2

## ASSETS, FINANCIAL POSITION, AND RESULTS OF OPERATIONS

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## Revenue

### KRONES' revenue up 10.3% year-on-year in first quarter of 2019

KRONES recorded stable growth in the first quarter of 2019 despite the increasingly difficult overall economic environment. Revenue from January to March

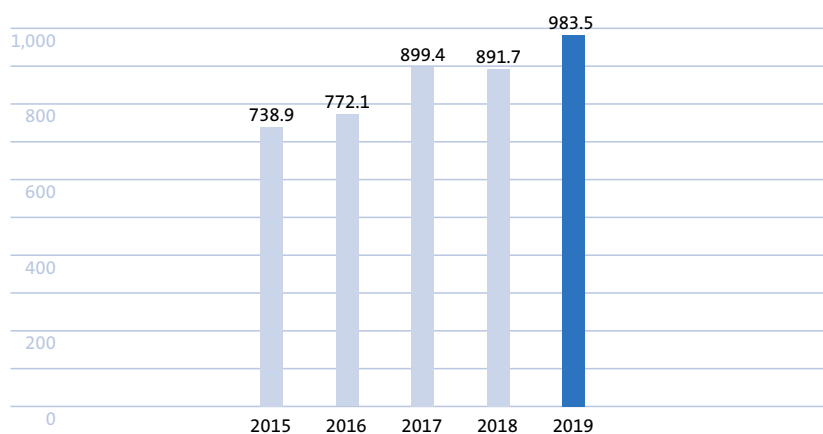
*Adjusted for acquisition and currency effects, KRONES' revenue rose by 5.9% year-on-year in the first quarter of 2019.*

2019 showed a year-on-year increase of 10.3%, from €891.7 million to €983.5 million. Adjusted for acquisitions and currency effects, the growth was 5.9%. The company benefited in the reporting period from its broad global footprint and its positioning

as a full-service provider. Revenue in the first quarter of 2019 exceeded the prior-year period in both segments. The new machinery business contributed substantially to this growth.

Because of the sometimes long lead time between quotation and sales realization, the price increases on KRONES machinery which are in effect since May 2018 did not significantly affect first quarter revenue. We expect that the actual pricing policy effect will increasingly moderate the company's growth in the quarters ahead. Overall, KRONES laid a good basis between January and March for achievement of its 3% growth target for 2019 as a whole.

Revenue from 1 January to 31 March (€ million)

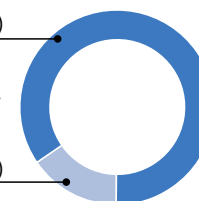


Segment revenue from 1 Jan to 31 Mar 2019

Segment revenue from 1 Jan to 31 Mar 2018

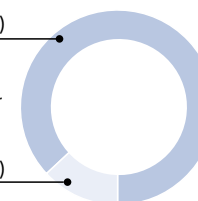
Machines and Lines for Product Filling and Decoration  
84.8%\* (€834.4 million)

Machines and Lines for Beverage Production/ Process Technology  
15.2%\* (€149.1 million)



Machines and Lines for Product Filling and Decoration  
86.6%\* (€773.8 million)

Machines and Lines for Beverage Production/ Process Technology  
13.2%\* (€117.9 million)



\* Share of consolidated revenue of €983.5 million

\* Share of consolidated revenue of €891.7 million



## Revenue by region

*Quarterly revenue figures for the various regions are generally not very telling because orders and revenue can fluctuate significantly from one quarter to the next.*

Revenue in Germany increased by a substantial 39.3% year-on-year to €134.0 million in the first quarter of 2019, partly due to acquisitions. The proportion of revenue generated by KRONES in Germany went up from 10.7% to 13.6%.

In Europe (excluding Germany), business went well for KRONES in the reporting period overall. Revenue in Western Europe improved by 3.0% from the high figure of €162.4 million in the previous year to €167.2 million. This included a disproportionately large increase in Central Europe (Austria, Switzerland and the Netherlands), where revenue rose by 30.5% year-on-year to €73.2 million. However, it must be kept in mind that this is a relatively small market. The same applies to KRONES' Eastern European business, which benefited from the general improvement in the regional economic situation. Revenue increased there by 47.2% in the first quarter of 2019 to €68.3 million. By contrast, revenue in the Russia/CIS region was weak at €16.0 million (down 30.4%). In all, KRONES generated revenue of €324.7 million in Europe (excluding Germany) from January to March 2019, which is 12.8% more than in the prior-year period (€287.9 million). As a percentage of consolidated revenue in the first three months, this represented an increase from 32.3% a year earlier to 32.9%.

Revenue in the Middle East/Africa region was down in the reporting period compared with the high prior-year level. At €103.2 million, revenue decreased by 17.0% year-on-year. In China, the stable upward trend throughout 2018 continued in the first quarter of 2019. There, revenue improved 52.8% year-on-year to €91.2 million in the period from January to March. Revenue also grew in the rest of the Asia/Pacific region. At €116.8 million, it was 1.1% higher than in the prior-year period.

In the North and Central America region, revenue picked up by 10.7% year-on-year to €115.7 million in the first quarter of 2019, partly also due to positive currency effects. KRONES' revenue in South America/Mexico did not quite reach the very high level recorded in the prior-year period. Revenue decreased there by 5.4% to €97.9 million.

## KRONES Group revenue by region

Share of consolidated revenue	1 Jan to 31 Mar 2019		1 Jan to 31 Mar 2018		Change %
	€ million	%	€ million	%	
Germany	134.0	13.6	96.2	10.7	+39.3
Central Europe (excluding Germany)	73.2	7.4	56.1	6.3	+30.5
Western Europe	167.2	17.0	162.4	18.2	+3.0
Eastern Europe	68.3	6.9	46.4	5.2	+47.2
Russia, Central Asia (CIS)	16.0	1.6	23.0	2.6	-30.4
Middle East/Africa	103.2	10.5	124.4	14.0	-17.0
Asia-Pacific	116.8	11.9	115.5	13.0	+1.1
China	91.2	9.3	59.7	6.7	+52.8
South America/Mexico	97.9	10.0	103.5	11.6	-5.4
North and Central America	115.7	11.8	104.5	11.7	+10.7
<b>Total</b>	<b>983.5</b>	<b>100.0</b>	<b>891.7</b>	<b>100.0</b>	<b>+10.3</b>

Overall, KRONES continues to have a balanced revenue spread. The proportion of revenue generated in emerging markets decreased from 53.1% in the prior-year period to 50.2% in the first quarter of 2019. KRONES generated 49.8% of revenue in mature industrialised countries (previous year: 46.9%).

## Order intake and orders on hand

### Order intake up 5.0% to €1,041.6 million

*The contract value of orders increased by 5.0% from January to March 2019.*

Demand for KRONES' products and services was satisfactory overall in the first quarter of 2019. So far the uncertain general economic situation has less impacted investment confidence within the international food and beverage industry. At €1,041.6 million, order intake from January to March 2019 exceeded the already high prior-year figure of €992.4 million by 5.0%. Adjusted for acquisitions, the increase was 4.1%. The effect of our price increases had its effects in the reporting period but with regard to the volume impact it was limited.

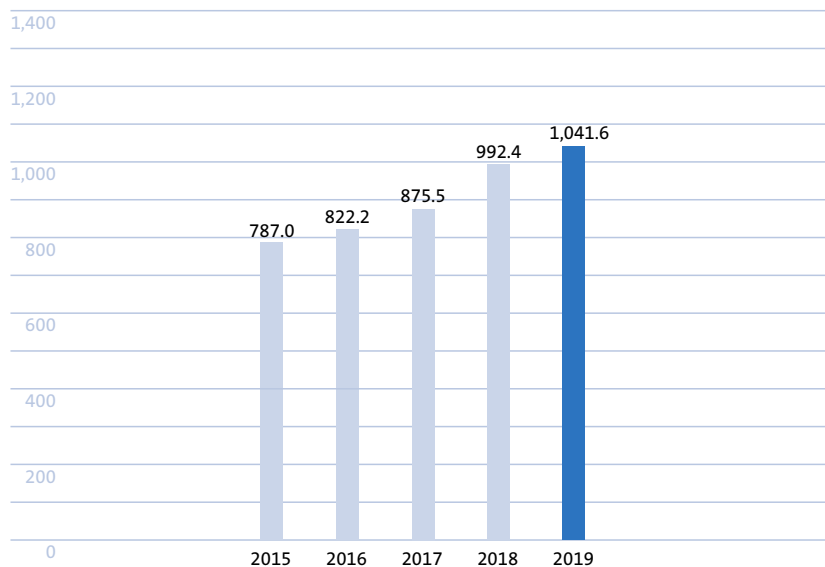
Order intake in the first quarter of 2019 was higher than the previous year in both business segments. In regional terms, the strongest year-on-year growth

in order intake was in Europe and China. Orders in North and South America and in the Middle East/Africa were stable. The reporting period brought a decrease in order intake in the Asia/Pacific region.

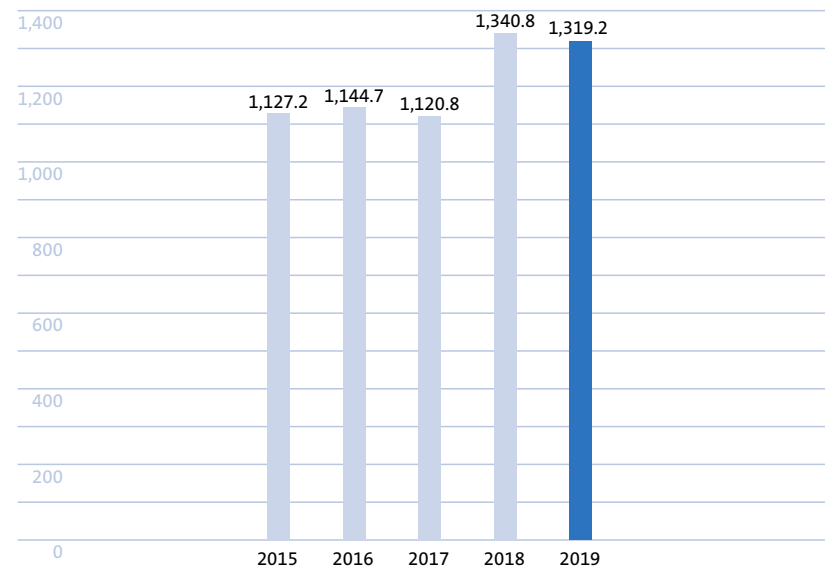
### KRONES orders backlog €1.32 billion at the end of March 2019

KRONES had orders on hand totalling €1,319.2 million at the end of the first quarter of 2019 (previous year: €1,340.8 million). The orders backlog was thus a slight 1.6% down on the previous year. This mainly reflects the high level of revenue in the reporting period. The orders backlog remains very solid overall. It provides KRONES with a high degree of planning certainty for the months ahead and a good basis for further sales growth.

Order intake from 1 January to 31 March (€ million)



Orders on hand at 31 March (€ million)





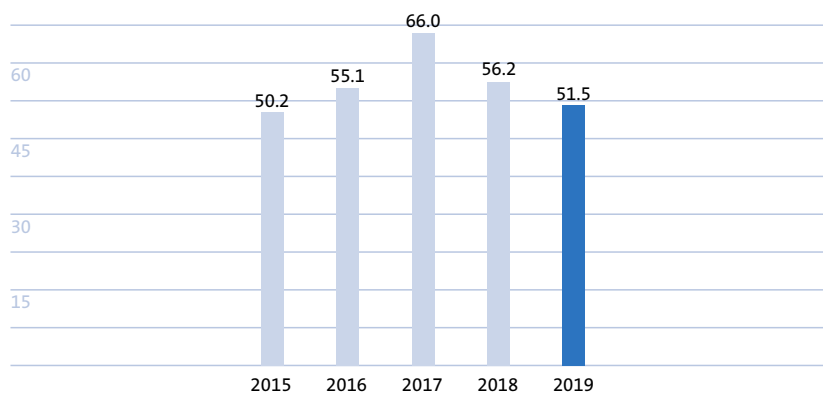
## Earnings

### Profitability affected by high costs

*Earnings before taxes were down 8.4% in the first quarter of 2019, mainly due to higher personnel expenses. The EBT margin was 5.2% (previous year: 6.3%).*

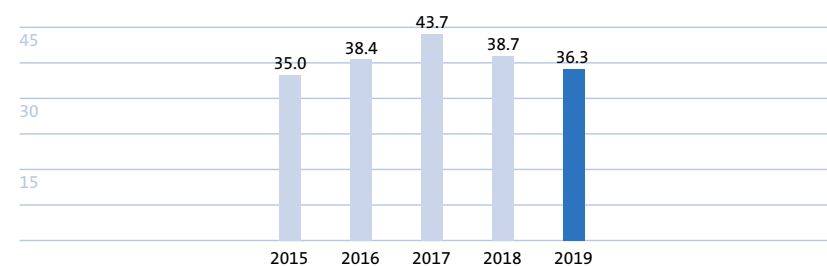
Despite increasing revenue and total operating performance, KRONES' profitability decreased in the first quarter of 2019 compared with the previous year. This reflects the ongoing high costs. Besides the increase in workforce and the increasing salary levels another factor in the disproportionately large increase in personnel expenses is the establishment of the plant in Hungary. Material costs continue to be at a high level. As expected, the price increases for KRONES products did not have a significant impact on earnings in the first quarter. In total, earnings before taxes (EBT) were down 8.4% year-on-year, from €56.2 million to €51.5 million in the first quarter of 2019. This corresponds to an EBT margin of 5.2% (previous year: 6.3%). KRONES' target for the EBT margin in 2019 as a whole remains unchanged at 6%.

Earnings before taxes (EBT) from 1 January to 31 March (€ million)

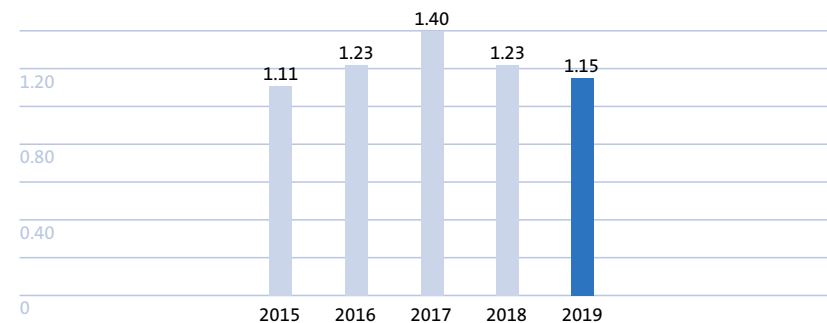


The company's tax rate normalized from the high prior-year figure (31.4%) to 29.5% in the reporting period. Because of this, consolidated net income decreased less sharply than EBT in first quarter of 2019 relative to the previous year, falling by 6.2% to €36.3 million (previous year: €38.7 million). Earnings per share came to €1.15 in the first quarter of 2019 (previous year: €1.23).

Net income from 1 January to 31 March (€ million)



Earnings per share from 1 January to 31 March (€)



## KRONES Group earnings structure

€ million	2019 1 Jan–31 Mar	2018 1 Jan–31 Mar	Change %
<b>Revenue</b>	<b>983.5</b>	<b>891.7</b>	<b>+10.3</b>
Changes in inventories of finished goods and work in progress	5.6	14.5	-61.4
<b>Total operating performance</b>	<b>989.1</b>	<b>906.2</b>	<b>+9.1</b>
Goods and services purchased	-491.6	-453.6	+8.4
Personnel expenses	-323.3	-289.8	+11.6
Other operating income/expenses and own work capitalised	-88.2	-83.9	+5.1
EBITDA	86.0	78.9	+9.0
Depreciation and amortisation on fixed assets	-34.2	-23.4	+46.2
<b>EBIT</b>	<b>51.8</b>	<b>55.5</b>	<b>-6.7</b>
Financial income/expense	-0.3	0.7	-
<b>EBT</b>	<b>51.5</b>	<b>56.2</b>	<b>-8.4</b>
Income tax	-15.2	-17.5	-13.1
<b>Consolidated net income</b>	<b>36.3</b>	<b>38.7</b>	<b>-6.2</b>

*While KRONES had good revenue performance in the first quarter of 2019, profitability still continues to lag slightly behind.*

performance increased slightly less strongly, by 9.1% to €989.1 million. This is due to lower additions to finished goods and work in progress. These increased by €5.6 million in the reporting period, compared with €14.5 million in the prior-year period.

KRONES significantly improved revenue and total operating performance from January to March 2019. First quarter revenue climbed by 10.3% year-on-year to €983.5 million, partly due to currency and exchange rate effects. Total operating perfor-

The ratio of goods and services purchased to total operating performance decreased from 50.1% to 49.7%. However, goods and services purchased increased by 8.4% to €491.6 million. KRONES continues to work hard to contain the rise in this key earnings factor.

Personnel expenses increased more rapidly than total operating performance in the first quarter of 2019. At €323.3 million, the figure showed an 11.6% increase on the €289.8 million recorded a year earlier. This reflects pay rises under collective agreements and the expansion of the international workforce, notably in Hungary. The ratio of personnel expenses to total operating performance went up in the first quarter from 32.0% in the previous year to 32.7% in 2019.

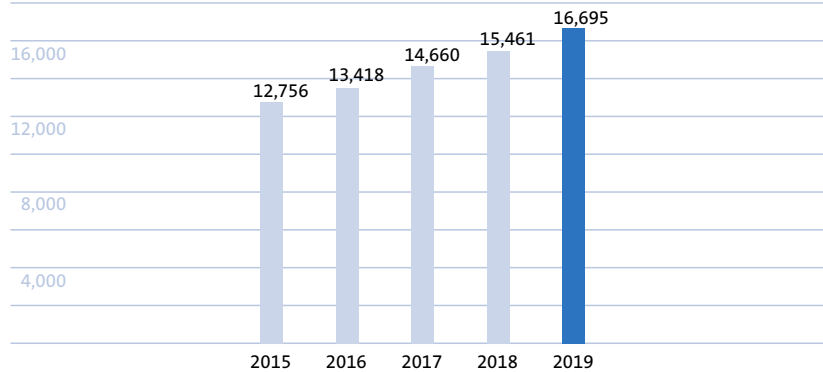
The net balance of other operating income and expenses and own work capitalised changed from -€83.9 million in the prior-year period to -€88.2 million. As a percentage of total operating performance, this represented a decrease from 9.3% to 8.9%. At €34.2 million, depreciation and amortisation of fixed assets was significantly higher in the first quarter of 2019 than the prior-year figure of €23.4 million. As well as higher capital expenditure in the preceding years, this is partly due to the first-time application of the new IFRS 16 "Leases".

Earnings before interest and taxes (EBIT) decreased by 6.7% to €51.8 million, due primarily to the higher personnel expenses and higher depreciation and amortisation. Conversely, earnings before interest, taxes, depreciation and amortisation (EBITDA) went up from €78.9 million to €86.0 million. Because financial income/expense was lower (-€0.3 million versus a positive €0.7 million in the previous year), earnings before taxes (EBT) were down 8.4% in the first quarter of 2019 to €51.5 million (previous year: €56.2 million). Due to an improvement in the company's tax rate in the first quarter from 31.1% to 29.5%, consolidated net income decreased by a slightly smaller 6.2% to €36.3 million.



## Employees

Workforce at 31 March



### KRONES employs 16,695 people worldwide

*The expansion of KRONES' global footprint is also reflected in above-average growth in the international workforce.*

KRONES' workforce increased by 1,234 year-on-year to 16,695 as of 31 March 2019. More than 300 of the new employees joined the KRONES team as a result of acquisitions. A large share of the growth in the headcount relates to the international workforce.

The number of KRONES employees outside of Germany was 5,860 at the end of March 2019 – 793 more than a year earlier. The number of people employed in Germany rose by 441 to 10,835. To ensure a sufficient pool of qualified employees for the long term, we invest heavily in training and employee development. As of 31 March 2019, KRONES had 476 young people in training in Germany.

## Cash flow

### KRONES Group cash flow

€ million	2019 1 Jan – 31 Mar	2018 1 Jan – 31 Mar
<b>Earnings before taxes</b>	<b>51.5</b>	<b>56.2</b>
Other non-cash changes	+106.2	+92.2
Changes in working capital	–200.1	–93.2
Changes in other assets and liabilities	–47.8	–39.4
<b>Cash flow from operating activities</b>	<b>–90.2</b>	<b>15.8</b>
Capital expenditure for PP&E and intangible assets	–46.6	–27.4
M&A activities	–1.9	–3.2
Other	+2.1	+0.7
<b>Free cash flow</b>	<b>–136.6</b>	<b>–14.1</b>
Cash flow from financing activities	+75.2	+50.4
Other	0.0	+0.5
<b>Net change in cash and cash equivalents</b>	<b>–61.4</b>	<b>+36.8</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>157.4</b>	<b>218.8</b>

*KRONES generated significantly reduced operating cash flow and free cash flow in the first quarter of 2019 relative to the prior-year period.*

KRONES' cash flow from operating activities was –€90.2 million in the first quarter of 2019. This is €106.0 million down on the €15.8 million positive prior-year figure. The main negative factor was the €200.1 million increase in working capital. This was mainly due to higher receivables and lower payables. In the previous year, the corresponding in-

Free cash flow from 1 January to 31 March (€ million)



crease was significantly smaller at €93.2 million. It must be kept in mind, however, that working capital started from a very low base at the 2018 year-end. A more pronounced rise in other assets and liabilities also contributed to the weaker outcome. This had a €47.8 million impact on cash flow in the reporting period, compared with €39.4 million in the prior-year period. Non-cash changes had a positive effect on cash flow of €106.2 million (previous year: €92.2 million).



## Significant improvement in working capital to revenue ratio

*KRONES improved working capital relative to revenue in the first quarter of 2019, with a decrease from 28.2% to 26.4%.*

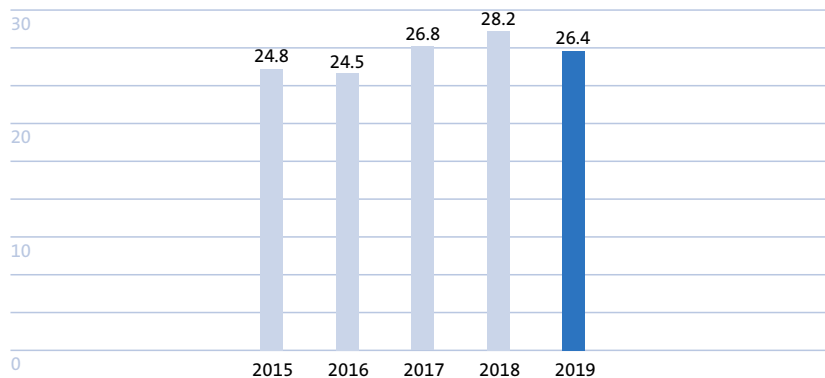
KRONES reduced average working capital over the past four quarters as a percentage of revenue to 26.4% in the first quarter, compared with 28.2% in the prior-year period. The working capital to revenue ratio was 25.8% as of the reporting date (previous year: 29.6%).

KRONES invested €46.6 million in intangible assets and property, plant and equipment in the reporting period (previous year: €27.4 million). Most of this capital expenditure was incurred in Hungary and at the company's locations in Germany. An additional €1.9 million was spent in the first quarter (previous

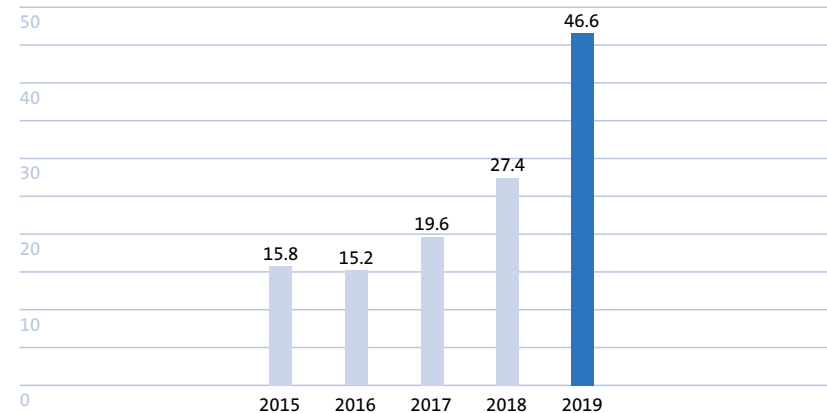
year: €3.2 million) on business acquisitions. Free cash flow (net cash generated from operating activities) went down from –€14.1 million to –€136.6 million. Adjusted for acquisitions, operating free cash flow came to –€134.7 million (previous year: –€10.9 million). KRONES having a negative free cash flow at the beginning of the year is a seasonal effect and is nothing out of the ordinary for our business.

Mainly as a result of the increase in short-term bank debt in the first quarter, cash flow from financing activities was €75.2 million (previous year: €50.4 million). KRONES had cash and cash equivalents totalling €157.4 million at 31 March 2019 (previous year: €218.8 million).

KRONES Group working capital to revenue at 31 March (% , average over 4 quarters)



Capital expenditure for PP&E and intangible assets from 1 January to 31 March (€ million)



## Assets and capital structure

### KRONES Group asset and capital structure

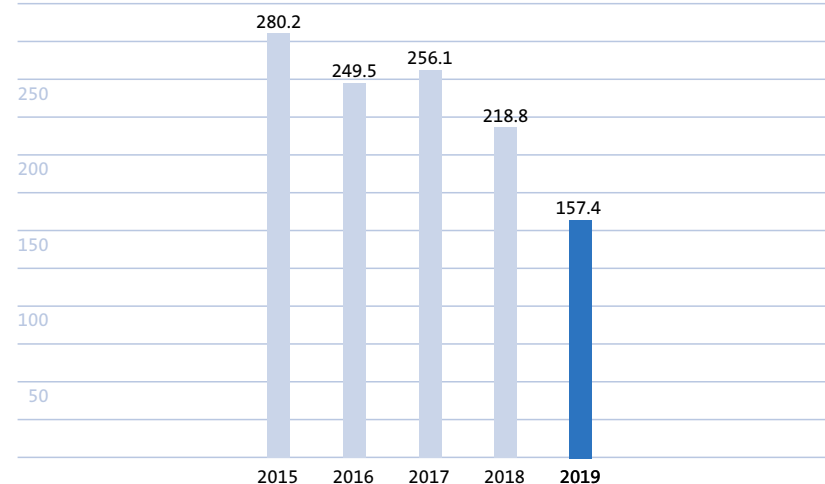
€ million	31 Mar 2019	31 Dec 2018	31 March 2018	31 Dec 2017
Non-current assets	1,102	1,010	879	882
of which fixed assets	1,031	936	789	797
Current assets	2,347	2,312	2,087	2,158
of which cash and equivalents	157	219	219	182
Equity	1,478	1,433	1,371	1,330
Total debt	1,971	1,888	1,595	1,710
Non-current liabilities	420	359	318	314
Current liabilities	1,551	1,529	1,277	1,396
<b>Total</b>	<b>3,449</b>	<b>3,321</b>	<b>2,966</b>	<b>3,040</b>

*At 3.8%, the increase in KRONES' total assets was smaller than the rise in total operating performance (9.1%).*

At 3.8%, the increase in total assets in the first quarter was smaller than the rise in total operating performance (9.1%). This was mainly due to the small size of the increase in current assets and liabilities. Total assets stood at €3.45 billion as of 31 March 2019 (31 December 2018: €3.32 billion).

Non-current assets went up by 9.1% in the first quarter to €1,101.6 million. Fixed assets came to €1,030.8 million at 31 March 2019 (31 December 2018: €936.4 million). Almost all of the increase in fixed assets related to property, plant and equipment and right-of-use assets. These rose from €570.8 million at the end of 2018 to €662.5 million. Much of the increase in this balance sheet item relates

Cash and cash equivalents at 31 March (€ million)



to the first-time application of the IFRS 16 financial reporting standard. Intangible assets, primarily consisting of capitalised development expenditure, amounted to €329.4 million at the end of the first quarter (31 December 2018: €328.2 million).

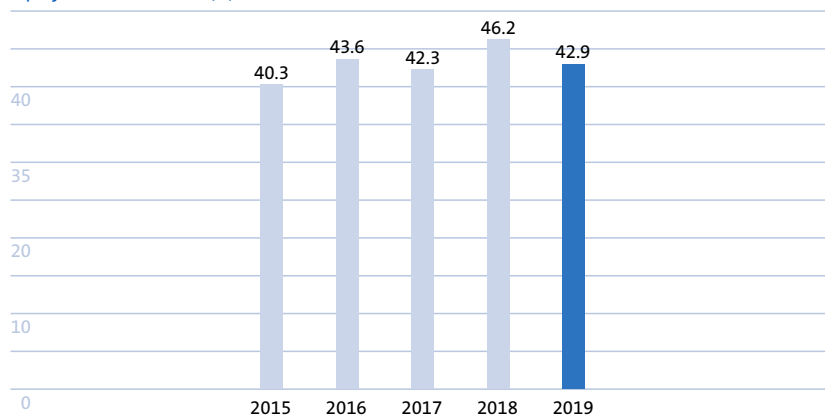
At €2,347.3 million at the end of the reporting period, KRONES' current assets showed an increase of 1.5% on the figure as of 31 December 2018. Whereas trade receivables increased from €955.4 million to €1,114.6 million and inventories by €20.7 million to €341.4 million, contract assets went down in the first quarter of 2019 by €99.2 million to €547.9 million. Cash and cash equivalents decreased in the reporting period due to the negative free cash flow, from €218.8 million to €157.4 million.



Current liabilities increased only slightly between January and March 2019 to €1,550.6 million (31 December 2018: €1,529.4 million). KRONES reduced trade payables in the reporting period by €119.1 million to €372.5 million. Contract liabilities likewise decreased, from €547.2 million to €534.1 million. KRONES has increased its short-term bank debt. This came to €83.4 million at the end of the first quarter of 2019 (31 December 2018: €0.6 million).

Non-current liabilities rose to €420.0 million as of 31 March 2019 (31 December 2018: €358.7 million). This was mainly due to the significantly higher other financial liabilities and liabilities from leases. These were up €59.4 million to €100.7 million. Much of the increase in this balance sheet item stems from the first-time application of the IFRS 16 financial reporting standard. The Company had €3.1 million in non-current bank debt at the end of the quarter (31 December 2018: €3.2 million).

Equity ratio at 31 March (%)



### Equity ratio virtually unchanged; decrease in ROCE

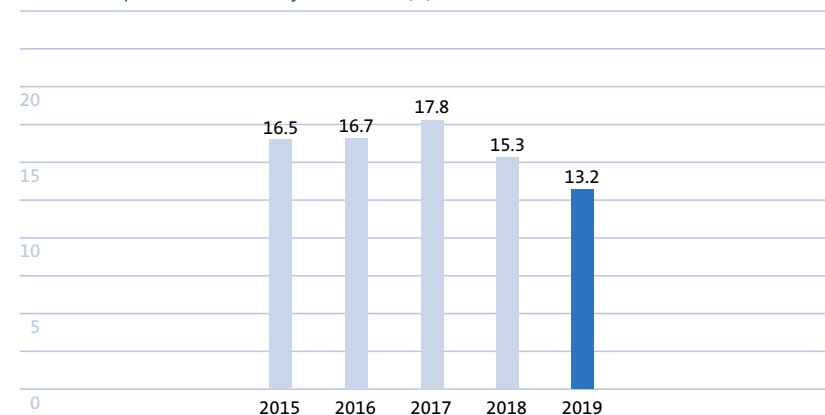
Due to the positive consolidated net income for the quarter, equity increased relative to the 2018 reporting date by €45.0 million to €1,478.3 million. The equity ratio decreased slightly due to the somewhat larger increase in total assets and was a very solid 42.9% as of 31 March 2019 (31 December 2018:

*A very solid 42.9% equity ratio and net cash and cash equivalents of €71 million assure KRONES the necessary financial headroom for further growth.*

43.2%). With net cash and cash equivalents (cash and cash equivalents less bank debt) of €70.9 million at the end of the reporting period, KRONES continues to have an exceptionally stable and solid financial and capital structure.

Return on capital employed (ROCE) – the ratio of EBIT to average net capital employed – decreased over the reporting period to 13.2% as a result of the lower earnings (previous year: 15.3%).

KRONES Group ROCE from 1 January to 31 March (%)



## Report from the segments

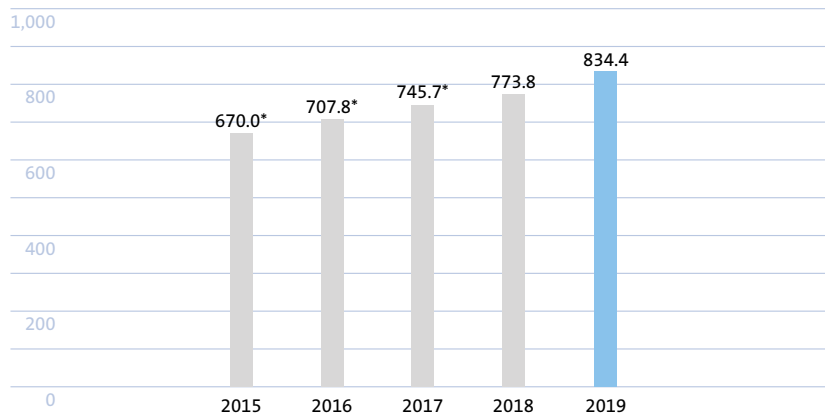
### Machines and Lines for Product Filling and Decoration

#### Segment revenue

*Revenue in KRONES' core segment climbed by 7.8% year-on-year to €834.4 million in the first quarter of 2019.*

The core segment, Machines and Lines for Product Filling and Decoration, kept up its stable growth in the first quarter of 2019. Revenue from January to March 2019 increased by 7.8% year-on-year, from €773.8 million to €834.4 million. A key growth driver was the new machinery business. KRONES' full-year growth target for the core segment is approximately 3% in 2019. The segment's share of first quarter consolidated revenue decreased from 86.8% in the previous year to 84.8%.

Segment revenue (€ million)



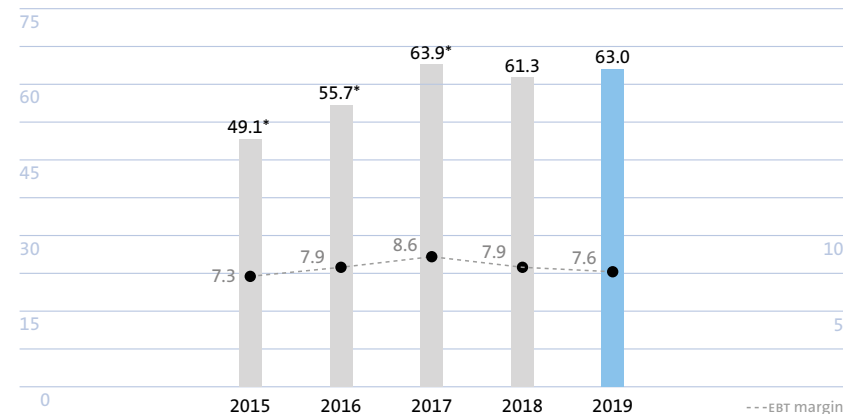
\* incl. Machines and lines for the Compact Class segment

#### Segment earnings

The main adverse impact on core segment profitability in the first quarter of 2019 consisted of higher personnel expenses. These partly related to establishment of the plant in Hungary. Earnings before taxes (EBT) increased less sharply than revenue, gaining 2.8% from €61.3 million a year earlier to €63.0 million. This made for a slight decrease in the EBT margin from 7.9% to 7.6%. Overall, the first quarter margin was in line with expectations. Our target for the core segment's EBT margin in 2019 as a whole remains unchanged at 7%.

*The core segment generated earnings before taxes of €63.0 million between January and March 2019, slightly more than in the previous year.*

Segment EBT (€ million) and EBT margin (%)



\* incl. Machines and lines for the Compact Class segment

## Machines and Lines for Beverage Production/Process Technology

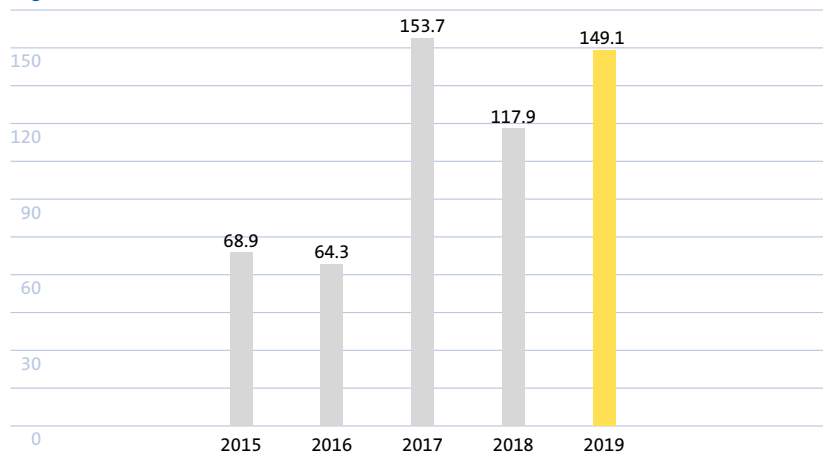
### Segment revenue

*The Machines and Lines for Beverage Production/Process Technology segment increased revenue as a result of projects and acquisitions by 26.5% in the first quarter of 2019.*

The Machines and Lines for Beverage Production/Process Technology segment delivered positive revenue performance between January and March 2019. KRONES increased segment revenue by 26.5% to €149.1 million. Growth was also supported by acquisitions. Adjusted for acquisitions the growth was around 19 %. The Machines and Lines for Beverage Production/Process Technology segment contributed 15.2% of consolidated revenue in the first quarter of 2019 (previous year: 13.2%). KRONES is keeping its growth target for the full year 2019 unchanged at 5%.

The Machines and Lines for Beverage Production/Process Technology segment delivered positive revenue performance between January and March 2019. KRONES increased segment revenue by 26.5% to €149.1 million. Growth was also supported by acquisitions. Adjusted for acquisitions

Segment revenue (€ million)



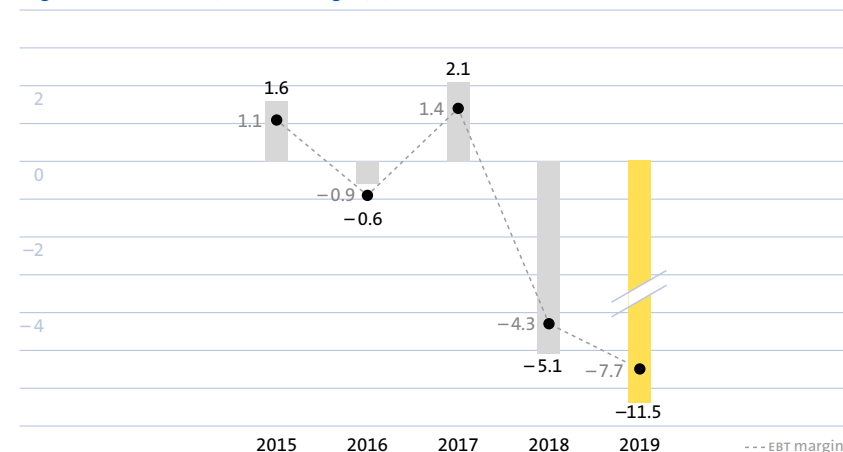
### Segment earnings

First quarter earnings before taxes (EBT) in the Machines and Lines for Beverage Production/Process Technology segment, at –€11.5 million, were substantially below the prior-year figure of –€5.1 million. This corresponds to an EBT margin of –7.7% (previous year: –4.3%). Earnings were impacted by an unfavourable product mix. The segment earnings also reflect initial losses from global footprint and digitalisation activities, which are not yet profitable. We continue to expect an EBT margin of approximately 1% for the segment in 2019 as a whole.

*Profitability of the Machines and Lines for Beverage Production/Process Technology segment was down in the first quarter of 2019.*

*Earnings before taxes came to –€11.5 million (previous year: –€5.1 million).*

Segment EBT (€ million) and EBT margin (%)





## Report on **expected developments**

### **KRONES remains moderately optimistic for 2019 as a whole**

With the year's economic forecasts still positive overall, KRONES is moderately optimistic for the 2019 financial year despite political and economic uncertainties. The packaging machinery market is growing at a relatively stable pace because demand for packaged beverages and foods is rising on the back of multiple megatrends. Despite the positive environment, our market remains challenging. Competition for orders is intense, and customers are tending to gain in purchasing power due to mergers and acquisitions. Pressure on material and labour costs is expected to continue in 2019.

### **Revenue and profitability to increase in both segments in 2019**

The key to profitable growth for KRONES lies in expanding our global footprint. Establishing a cost-optimised supplier network in the various regions plays a major part here. In addition, launching new products and services and further reducing costs remain important factors in order to grow further and improve profitability in both segments in 2019. In addition, our price increases should help to improve profitability slightly.

In the core segment, Machines and Lines for Product Filling and Decoration, KRONES will further expand its global footprint in 2019. An important step here is the start of production at our new plant in Hungary in the second half of 2019. Innovation will also contribute to growth. To further offset the rising cost of material, we will continue to press ahead with modularisation. That enables us to secure better procurement terms and increase efficiency within the company.

For the core segment, KRONES expects sales growth of around 3% in 2019, which is temporarily below the market growth rate due to the price increases. The EBT margin is expected to be around 7%.

*The Process Technology segment is expected to continue growing in 2019.*

In the Machines and Lines for Beverage Production/Process Technology segment, the focus is likewise on expanding our global footprint. By establishing additional international hubs, we aim to fulfil orders from within the various regions faster and more cost-efficiently. We plan to increase order quality and hence profitability in the high-revenue brewery business. Rapid integration of the 2018 acquisitions in this segment will enable us to unlock additional revenue and earnings potential going forward.

The intralogistics business, which is part of the Process Technology segment, is once again expected to use the good market growth opportunities and make a positive contribution to earnings this year. Intralogistics is becoming ever more important to our customers as it helps them properly manage and distribute the increasing diversity of packaging types and forms. It is also a major element of the digital beverage plant.

For the Process Technology segment in 2019, we are targeting revenue growth by 5% and an EBT margin of approximately 1%.

Based on the prevailing macroeconomic outlook and the current expected development of the markets relevant to KRONES, the company expects consolidated revenue growth of 3% in 2019.

*KRONES aims to increase revenue and the EBT margin in 2019.*

In order to achieve its medium-term corporate targets, KRONES will continue in 2019 to work towards a future-ready global structure. The company expects a further increase in material procurement prices in 2019; the same applies to labour costs. KRONES' price increases on all bottling and packaging equipment and for process technology with effect from 1 May 2018 are likely to have a slight positive effect on earnings in the 2019 financial year. Overall, KRONES expects an EBT margin of around 6% for 2019.

Above all due to the focus on increases in the price level, in the current economic and geopolitical climate, KRONES sees the management of its targets for 2019 subject to greater uncertainties than in the past.

For its third performance target, working capital to revenue, KRONES expects a figure of 26% in 2019.

	Target 2019	Actual Q1 2019
Revenue growth	3%	10.3%
EBT margin	6%	5.2%
Working capital to revenue	26%	26.4%

# 3

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

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## Condensed consolidated statement of profit or loss

€ million	2019 1 January– 31 March	2018 <sup>1)</sup> 1 January– 31 March	Change %
<b>Revenue</b>	<b>983.5</b>	<b>891.7</b>	<b>+10.3</b>
Changes in inventories of finished goods and work in progress	5.6	14.5	
<b>Total operating performance</b>	<b>989.1</b>	<b>906.2</b>	<b>+9.1</b>
Other own work capitalised	12.6	10.0	+26.0
Other operating income	23.8	21.2	+12.3
Goods and services purchased	–491.6	–453.6	+8.4
Personnel expenses	–323.3	–289.8	+11.6
Other operating expenses	–124.6	–115.1	+8.3
Depreciation and amortisation on fixed assets	–34.2	–23.4	+46.2
<b>EBIT</b>	<b>51.8</b>	<b>55.5</b>	<b>–6.7</b>
Financial income/expense	–0.3	0.7	
<b>Earnings before taxes</b>	<b>51.5</b>	<b>56.2</b>	<b>–8.4</b>
Income tax	–15.2	–17.5	–13.1
<b>Consolidated net income</b>	<b>36.3</b>	<b>38.7</b>	<b>–6.2</b>
Profit attributable to non-controlling interests	–0.1	–0.3	
Profit attributable to KRONES Group shareholders	36.4	39.0	
Earnings per share (diluted/basic) in €	1.15	1.23	

1) KRONES has applied the new IFRS 16 standard for the first time as from 1 January 2019, using the modified retrospective approach under which prior-year figures are not restated.



## Condensed consolidated statement of financial position – Assets

€ million	31 March 2019	31 December 2018 <sup>1)</sup>
Intangible assets	329.4	328.2
Property, plant and equipment	662.5	570.8
Non-current financial assets	10.2	8.7
Investment accounted for using the equity method	28.7	28.7
<b>Fixed assets</b>	<b>1,030.8</b>	<b>936.4</b>
Deferred tax assets	33.0	32.5
Trade receivables	28.7	32.6
Income tax receivables	0.0	0.0
Other assets	9.1	8.3
<b>Non-current assets</b>	<b>1,101.6</b>	<b>1,009.8</b>
Inventories	341.4	320.7
Trade receivables	1,114.6	955.4
Contract assets	547.9	647.1
Income tax receivables	7.9	11.7
Other assets	178.1	157.9
Cash and cash equivalents	157.4	218.8
<b>Current assets</b>	<b>2,347.3</b>	<b>2,311.6</b>
<b>Total</b>	<b>3,448.9</b>	<b>3,321.4</b>

1) KRONES has applied the new IFRS 16 standard for the first time as from 1 January 2019, using the modified retrospective approach under which prior-year figures are not restated.

## Condensed consolidated statement of financial position – Equity and liabilities

€ million	31 March 2019	31 December 2018 <sup>1)</sup>
<b>Equity</b>	<b>1,478.3</b>	<b>1,433.3</b>
Provisions for pensions	220.2	220.6
Deferred tax liabilities	25.4	23.2
Other provisions	64.7	63.7
Provisions for taxes	4.5	4.4
Liabilities to banks	3.1	3.2
Trade payables	0.0	0.0
Other financial obligations from leasing	100.7	41.3
Other liabilities	1.4	2.3
<b>Non-current liabilities</b>	<b>420.0</b>	<b>358.7</b>
Other provisions	103.5	107.2
Provisions for taxes	11.5	9.0
Liabilities to banks	83.4	0.6
Contract liabilities	534.1	547.2
Trade payables	372.5	491.6
Tax liabilities	5.4	5.5
Other financial obligations from leasing	102.2	106.7
Other liabilities and accruals	338.0	261.6
<b>Current liabilities</b>	<b>1,550.6</b>	<b>1,529.4</b>
<b>Total</b>	<b>3,448.9</b>	<b>3,321.4</b>

1) KRONES has applied the new IFRS 16 standard for the first time as from 1 January 2019, using the modified retrospective approach under which prior-year figures are not restated.

## Condensed consolidated statement of cash flows

€ million	2019 1 January– 31 March	2018 <sup>1)</sup> 1 January– 31 March
Earnings before taxes	51.5	56.2
Depreciation and amortisation (reversals)	34.2	23.4
Increase in provisions and accruals	74.7	73.7
Deferred tax item changes recognised in profit or loss	-2.1	-5.2
Interest expenses and interest income	0.9	-0.7
Gains and losses from the disposal of fixed assets	-0.9	-0.1
Other non-cash expenses and income	-0.6	1.1
Increase (previous year: decrease) in inventories, trade receivables, contract assets, and other assets not attributable to investing or financing activities	-89.8	124.3
Decrease in trade payables, contract liabilities and other liabilities not attributable to investing or financing activities	-150.7	-233.4
<b>Cash generated from operating activities</b>	<b>-82.8</b>	<b>39.3</b>
Interest paid	-1.1	-0.1
Income tax paid and refunds received	-6.3	-23.4
<b>Cash flow from operating activities</b>	<b>-90.2</b>	<b>15.8</b>
Cash payments to acquire intangible assets	-13.1	-10.1
Proceeds from the disposal of intangible assets	0.0	0.0
Cash payments to acquire property, plant and equipment	-33.5	-17.3
Proceeds from the disposal of property, plant and equipment	2.1	0.3
Cash payments to acquire non-current financial assets	-1.7	-0.1
Proceeds from the disposal of non-current financial assets	0.2	0.1
Cash payments to acquire subsidiaries and equity interests	-1.9	-3.2
Interest received	0.5	0.4
Dividends received	1.0	0.0
<b>Cash flow from investing activities</b>	<b>-46.4</b>	<b>-29.9</b>
Proceeds from new borrowing	82.8	50.4
Cash payments to pay lease liabilities	-7.6	0.0
<b>Cash flow from financing activities</b>	<b>75.2</b>	<b>50.4</b>
<b>Net change in cash and cash equivalents</b>	<b>-61.4</b>	<b>36.3</b>
Change in cash and cash equivalents arising from changes in the consolidated group	0.0	0.5
Cash and cash equivalents at the beginning of the period	218.8	182.0
<b>Cash and cash equivalents at the end of the period</b>	<b>157.4</b>	<b>218.8</b>

<sup>1)</sup> KRONES has applied the new IFRS 16 standard for the first time as from 1 January 2019, using the modified retrospective approach under which prior-year figures are not restated.

## Consolidated segment reporting

€ million	Machines and Lines for Product Filling and Decoration		Machines and Lines for Beverage Production/ Process Technology		KRONES Group	
	2019 1 Jan–31 Mar	2018 <sup>1)</sup> 1 Jan–31 Mar	2019 1 Jan–31 Mar	2018 <sup>1)</sup> 1 Jan–31 Mar	2019 1 Jan–31 Mar	2018 <sup>1)</sup> 1 Jan–31 Mar
Revenue	834.4	773.8	149.1	117.9	983.5	891.7
EBT	63.0	61.3	–11.5	–5.1	51.5	56.2
EBT margin	7.6%	7.9%	–7.7%	–4.3%	5.2%	6.3%
Employees at 31 March*	14,199	13,250	2,048	1,672	16,247	14,922

\* Consolidated group

<sup>1)</sup> KRONES has applied the new IFRS 16 standard for the first time as from 1 January 2019, using the modified retrospective approach under which prior-year figures are not restated.



# 4

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## Members of the **Supervisory Board** and the **Executive Board**

Pursuant to Section 8 (1) of the articles of association, eight members of the Supervisory Board are elected by the shareholders in accordance with the German Stock Corporation Act (Sections 96 (1) and 101). Eight members are elected by the employees pursuant to Section 1 (1) and Section 7 (1) Sentence 1 Number 1 of the Codetermination Act.

### Supervisory Board

#### **Volker Kronseder**

Chairman of the Supervisory Board  
\* UNIVERSITÄTSKLINIKUM  
REGENSBURG

\* ECONOMIC ADVISORY BOARD  
BAYERISCHE LANDESBANK

#### **Werner Schrödl\*\***

Chairman of the Group Works Council  
Chairman of the Central Works Council  
Deputy Chairman of the Supervisory  
Board

\* Verwaltungsrat der BAYERISCHEN  
BETRIBSKRANKENKASSEN

#### **Robert Friedmann**

Spokesman for the central  
managing board of the  
WÜRTH GROUP

\* ZF FRIEDRICHSHAFEN AG

#### **Klaus Gerlach\*\***

Head of Central International  
Operations and Services

#### **Oliver Grober\*\***

Chairman of the Employees'  
Council, Rosenheim

#### **Thomas Hiltl\*\***

Chairman of the Employees'  
Council, Nittenau

#### **Norman Kronseder**

Farmer and forester  
\* BAYERISCHE FUTTERSAATBAU  
GMBH

#### **Professor Dr. jur. Susanne Nonnast**

Professor at Ostbayerische  
Technische Hochschule (OTH)  
Regensburg

#### **Dr. Verena Di Pasquale\*\***

Deputy Chairperson of DGB Bayern  
(the German Trade Union  
Confederation in Bavaria)

#### **Beate Eva Maria Pöpperl\*\***

Independent Member of the  
Employees' Council

#### **Norbert Samhammer**

Chief executive of  
SAMHAMMER HOLDING GMBH  
\*SAMHAMMER AG

#### **Petra Schadeberg-Herrmann**

Managing partner KROMBACHER  
BRAUEREI  
BERNHARD SCHADEBERG GMBH & CO. KG,  
KROMBACHER FINANCE GMBH,  
SCHAWEL GMBH,  
DIVERSUM HOLDING GMBH & CO. KG

#### **Jürgen Scholz\*\***

First authorised representative  
IG Metall administrative office  
in Regensburg  
\* INFINEON TECHNOLOGIES AG

#### **Hans-Jürgen Thaus**

\* HAWE HYDRAULIK SE  
\* MASCHINENFABRIK REINHAUSEN  
GMBH

#### **Josef Weitzer\*\***

Deputy Group Employees'  
Council Chairman  
Deputy Composite Employees'  
Council Chairman,  
Employees' Council Chairman,  
Neutraubling

\* SPARKASSE REGENSBURG

#### **Matthias Winkler**

Managing partner at  
ww+ KN Steuerberatungs-  
gesellschaft mbH

### Executive Board

#### **Christoph Klenk**

CEO  
Human Resources, Intralogistics,  
Digitalisation, Communication,  
Quality, Information Management

#### **Michael Andersen**

CFO  
Finance, Controlling,  
Process Technology,  
Strategic Purchasing

#### **Thomas Ricker**

Sales and Marketing

#### **Markus Tischer**

International Operations  
and Services

#### **Ralf Goldbrunner**

Bottling and Packaging  
Equipment

\* Other Supervisory Board seats held, pursuant to Section 125 (1) Sentence 5 of the German Stock Corporation Act

\*\* Elected by the employees

In addition, each of the group companies is the responsibility of two members of the Executive Board.

## Commercial glossary

<b>Cash flow</b>	All inflows and outflows of cash and cash equivalents during a period.	<b>IFRS</b>	International Financial Reporting Standards. Accounting standards issued by the International Accounting Standards Board (IASB) that are harmonised and applied internationally.
<b>Depreciation and amortisation</b>	Non-cash expenses that represent the cost of current and non-current assets being used over time.	<b>Net cash and equivalents</b>	Cash and highly liquid securities under current assets less liabilities to banks.
<b>EBIT</b>	Earnings before interest and taxes.	<b>Return on equity before taxes</b>	Ratio of earnings before taxes to average equity.
<b>EBITDA</b>	Earnings before interest, taxes, depreciation and amortisation.	<b>ROCE</b>	Ratio of EBIT to average capital employed (total assets less interest-free liabilities and interest-free other provisions).
<b>EBITDA margin</b>	Ratio of earnings before interest, taxes, depreciation and amortisation to revenue	<b>Total debt</b>	Combined term for the provisions, liabilities, and deferred income stated on the liabilities side of the balance sheet.
<b>EBT</b>	Earnings before taxes.	<b>Working capital</b>	Working capital is calculated as follows: (inventories + trade receivables + prepayments) – (trade payables + advances received).
<b>EBT margin</b>	Ratio of earnings before taxes to revenue.	<b>Working capital to revenue</b>	The ratio of working capital to revenue indicates how much capital is needed to finance revenue generation.
<b>Equity</b>	Funds made available to the company by the owners by way of contribution and/or investment, plus retained earnings.		
<b>Free cash flow</b>	Measure of financial performance calculated as the cash flow from operating activities minus cash flow from investing activities. It is the cash available to pay dividends, reduce debt, or to be retained.		

## Publishing information

### Note

This English language report is a translation of the original German KRONES Quarterly statement for the period from 1 January to 31 March 2019 (Quartalsmitteilung für den Zeitraum vom 1. Januar bis 31. März 2019). In case of discrepancies the German text shall prevail.

You can also find the Quarterly statement in the Investor Relations section at [krones.com](http://krones.com).

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## Financial calendar

5 June 2019	Annual general meeting
25 July 2019	Interim report for the period ended 30 June 2019
24 October 2019	Quarterly statement for the period ended 30 September 2019





## Contact

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 **KRONES**