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Krones' profits up again in the 2008 business year

Global recession hits performance in 2009's first quarter – Krones proposes 0.60 euros-per-share dividend for 2008

Krones AG, the world's market leader for beverage filling and packaging technology, had another highly successful year in 2008. At 2,381.4 million euros, consolidated sales were 10.5 % up on the preceding year's figure. Order bookings climbed by 1.1 %, from 2,300.2 million euros to 2,326.5 million euros. As a full-service vendor, Krones was particularly well placed to benefit during the first half of 2008 from the high demand worldwide for complete job packages. In Asia and Africa, especially, international beverage conglomerates invested in new and expanded beverage factories. The company's growth was also boosted by the continuingly high proportion of beverages sold in plastic (PET) bottles, since Krones is the leading vendor in this segment.

A significant improvement in Krones' cash flow

Krones' earnings before taxes rose by 1.6 % in 2008, from 153.6 to 156.1 million euros. The EBT margin, meaning earnings before taxes in relation to sales, dropped from 7.1 % to 6.6 %, a fall attributable primarily to human resources and restructuring costs entailed by the action package Krones launched in the fourth quarter of 2008 to prepare for the challenges awaiting it in the 2009 business year. Profits after tax rose in 2008 by 4.6 % from 101.8 million euros to 106.5 million euros, earnings per share from 3.25 to 3.39 euros. The company's cash flow improved substantially during the 2008 business year. Thanks to improved working capital management, the cash flow from ongoing business operations increased from 104.3 million euros in 2008 to 183.8 million euros. The free cash flow, i.e. the cash flow from ongoing business operations minus investments, rose from 16.1 to 78.4 million euros.

The Executive and Supervisory Boards will propose to the AGM that a dividend of 0.60 euros per share be paid out for the 2008 business year. Krones sees this dividend, reduced by 0.10 from the preceding year, as an appropriate response to the difficult macro-economic environment.

Krones finishes 2009's first quarter with a loss

Due to the global economic crisis, Krones' clients are currently reluctant to invest. In the first quarter of 2009, sales fell by 19.0 % on a like-for-like basis, from 595.2 to 482.3 million euros. Order bookings, at 414.5 million euros, dropped by 31.7 % in the period January to March 2009. On 31 March 2009, the company's order backlog was 769.6 million euros (preceding year: 903.0 million euros).

Due to the sizeable fall in sales, Krones' earnings before taxes during the quarter under review on a like-for-like comparison dropped from 45.6 to minus 4 million euros. The high level of fixed costs, predominantly personnel expenditure, hit earnings hard in the year's first quarter. Since Krones is fully confident that in the long term the markets will resume their growth trajectory, the company intends to retain its permanent staff even in this business-hostile macro-economic environment. The cost-cutting initiatives that the company embarked upon back in the fourth quarter of 2008 will only take full effect as the year proceeds.

Outlook

The totally unprecedented macro-economic imponderabilities preclude any meaningful prognoses for consolidated earnings in 2009. The company has to proceed on the assumption that the worldwide financial and economic crisis will over the course of 2009 significantly affect its sales and earnings. In the event that clients' reluctance to invest persists for a lengthy period to its present degree, with a resultantly sizeable fall in sales, the possibility of a negative consolidated result for 2009 can no longer be entirely ruled out. Krones expects the markets to recover in 2010.

Back in the 4th quarter of 2008, the Executive Board began an extensive action programme, implemented throughout the group under the name "Conversion", and designed to counteract the fall in earnings anticipated due to the economic crisis. Krones intends to emerge from the recession faster and in better shape than its competitors, and to further upgrade its role as market leader. The group's exceptionally sound asset and financial situation is a crucially reassuring factor against the backdrop of the global crisis. The Executive Board is confident that once the economic crisis has been overcome the company will very quickly be restored to its familiar strength.



For details of the company's performance in 2008 and in the first quarter of 2009, please consult the annual report and the quarterly report, both of which can be found under www.krones.com.

Your contact person:

Hermann Count of Castell-Rüdenhausen

Head of Corporate Communications Krones AG

Tel.: +49 9401 703258

Mobile: +49 170 6305916

Email: Hermann.Castell-Ruedenhausen@krones.com