



Q1

Quarterly statement for
the period from 1 January
to 31 March 2018

 **KRONES**

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Highlights and key figures

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

- At €891.7 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 €992.4 million. Acquisitions had no significant impact on revenue or order intake in the first quarter of 2018.
- Earnings before taxes decreased 14.8% to €56.2 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%.

		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	–€112.3 million
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

Dear shareholders and friends of KRONES,

KRONES was able to take the momentum from a successful drinktec 2017 into the new year. Customers continue to show high interest in our strong portfolio of products, services, and digitalisation solutions. The strong global economy also supported demand for our machines and lines. Experts are predicting that the world economy will grow by 3.9% in 2018 (previous year: 3.8%). However, rising trade tensions could make that uncertain.

The results for the first three months of 2018 met our expectations. Although KRONES' revenue (-0.9%) and earnings before taxes (-14.8%) were down compared with the prior-year period, it should be noted that the first quarter and last quarter of 2017 had a relatively high revenue level.

Selling prices in our markets have been flat for several years now. To ensure KRONES' continued ability to offer the highest quality, innovative products and services despite rising costs for goods and services purchased and personnel, KRONES is raising its prices on all machines for the bottling and packaging equipment and for the process technology by 4.5% on average effective 1 May 2018 and is adjusting its payment terms. That is essential to ensure that KRONES can continue to invest steadily in developing and evolving its portfolio of products and generate real added value for customers with its machines, lines, and services. We will also continue to invest in existing cost-reduction initiatives launched as part of our Value strategy programme, such as expanding our global footprint. 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. KRONES intends to maintain its market position as a provider of solutions for food and beverage production within the bottling and packaging industry.

As of the start of 2018, KRONES now operates through two segments. The operations that had previously made up our smallest segment, Machines and Lines for the Compact Class (subsidiaries KOSME and GERNEP) are now part of our core segment, Machines and Lines for Product Filling and Decoration. The Compact Class developed well in recent years and is expected to play an important role within our core segment. The new core segment and our second segment, Machines and Lines for Beverage Production/Process Technology, give the KRONES Group a lean, powerful structure that will enable us to continue to develop sustainably.

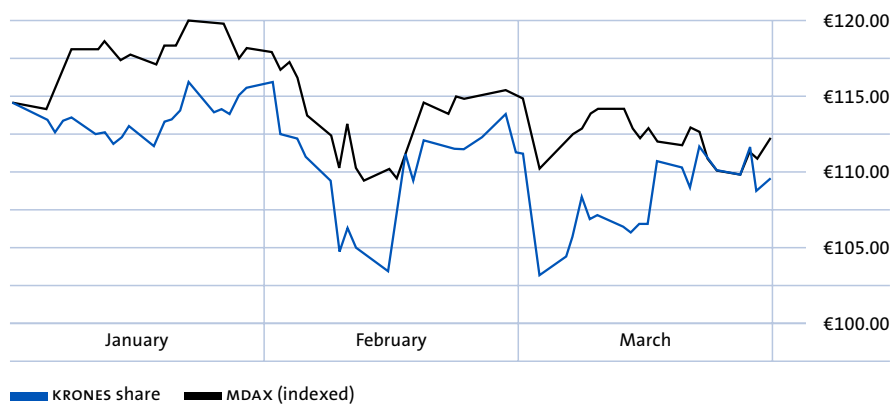


Christoph Klenk
CEO

Stock markets were down at the end of the first quarter of 2018

Prices on the world's exchanges were volatile in the period from January to March 2018. After a strong start to the year, the markets took a sharp downward turn at the end of January. Rising interest rates in the United States and fears of a global trade war made investors increasingly nervous. In all, though, losses on the world's stock markets were limited. Germany's DAX blue-chip index dropped 6.4% in the period from January to March. The Euro Stoxx 50, which contains the euro area's 50 biggest companies, closed the first quarter of 2018 down 4.1%. The Dow Jones Industrial Average developed a little better. At the end of March, the US's stock market barometer was down only 2.5% from the start of the year. Japan's Nikkei index fell 6.1%.

The KRONES share from 1 January to 31 March 2018



The KRONES share lost a bit more than the MDAX in the period from January through March 2018.

KRONES share price down 4.5%

The KRONES share developed much like the market as a whole in the first quarter. Supported by positive market sentiment at the start of the year, our share hit its high for the quarter, €116.40, on 19 January. Then, volatility set in on the markets. And KRONES' share was not spared. At 13 February, the share hit €103.10, its low for the quarter. The publication on 22 February of our preliminary figures for 2017 and our outlook for 2018 bolstered our share, pushing it up to around €114. But then, the markets weakened again and pulled the share slightly downwards again. KRONES' share closed the first quarter of 2018 at €109.40. With that, it lost 4.5% in the period from January to March. Germany's MDAX mid-cap index gave up 2.3% in the same period.

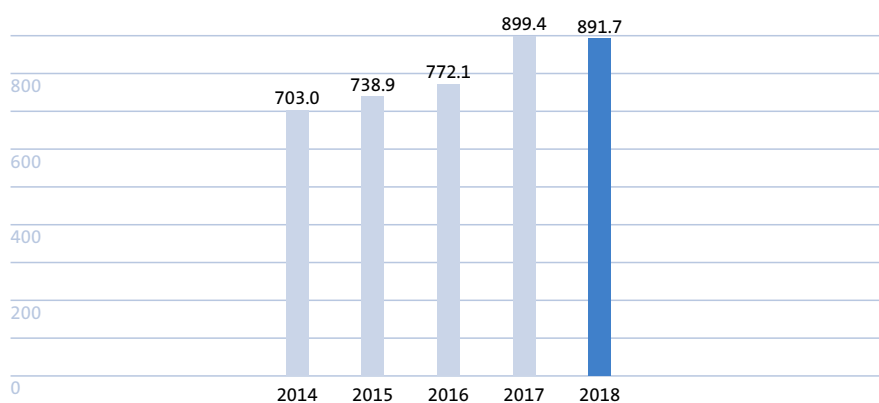
Revenue

KRONES' revenue down only slightly from high prior-year figure

KRONES' revenue 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 decreased slightly, by 0.9% year-on-year from €899.4 million to €891.7 million. However, it should be kept in mind that the prior-year figure included a positive effect of around €60 million resulting from the fact that we were able to invoice some 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. Currency effects had little influence on the company's revenue in the first quarter of 2018. Revenue from acquisitions was immaterial. In all, KRONES is on track to achieve the 6% revenue growth forecast for the year 2018.

After the first quarter, KRONES is on track to achieve its growth target of 6% for the year 2018.

Revenue from 1 January to 31 March (€ million)

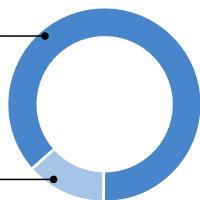


The highest percentage increase in revenue in the first quarter of 2018 was in South America/Mexico and Middle East/Africa. Revenue in the North and Central America, Asia-Pacific, and China sales regions was down year-on-year.

Segment revenue from 1 Jan to 31 Mar 2018

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)

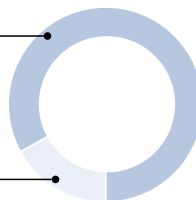


* Share of consolidated revenue of €891.7 million

Segment revenue from 1 Jan to 31 Mar 2017

Machines and Lines for Product Filling and Decoration
82.9%* (€745.7 million)

Machines and Lines for Beverage Production/ Process Technology
17.1%* (€153.7 million)



* Share of consolidated revenue of €899.4 million

Revenue by region

Revenue in Germany was very stable in the period from January to March 2018, increasing 2.8% to €96.2 million. The share of revenue generated in Germany grew from 10.4% to 10.7%.

KRONES' first-quarter revenue in Europe (excluding Germany) was virtually unchanged year-on-year. Revenue in Western Europe was down slightly (4.9%) from the high prior-year figure of €170.8 million to €162.4 million. By contrast, revenue in Central Europe (Austria, Switzerland, and the Netherlands) rose 7.7% to €56.1 million. KRONES' business in Eastern Europe also developed well in the reporting period. Revenue there was up 4.3% to €46.4 million. In Russia/CIS, revenue rose from a low baseline. At €23.0 million, it exceeded the prior-year figure by 14.4%. In all, KRONES generated €287.9 million in revenue in Europe (excluding Germany) in the period from January to March 2018. In the previous year, that figure was €287.5 million. The region's contribution to consolidated revenue in the first three months rose from 32.0% in the previous year to 32.3%.

Compared with a slightly weaker first quarter of 2017, revenue in the Middle East/Africa sales region was up sharply in the reporting period. At €124.4 million, it exceeded the prior-year figure by 15.5%. In China, ordering activity among companies in the beverage and food industry remains relatively low. Revenue there decreased 10.6% year-on-year in the period from January to March 2018 to €59.7 million. Sales in the rest of the Asia-Pacific region were down 15.4% to €115.5 million. However, it should be kept in mind that KRONES had generated very high revenue in the region in the first quarter of the previous year.

The same is true of the revenue trend in North and Central America. Revenue for the period was down 23.2% year-on-year to €104.5 million. By contrast, the strong upwards trend in the South America/Mexico sales region continued in the first quarter of 2018. Revenue there improved 45.2% year-on-year to €103.5 million.

KRONES Group revenue by region

Share of consolidated revenue	1 Jan to 31 Mar 2018		1 Jan to 31 Mar 2017		Change
	€ million	%	€ million	%	
Germany	96.2	10.7	93.6	10.4	+2.8
Central Europe (excluding Germany)	56.1	6.3	52.1	5.8	+7.7
Western Europe	162.4	18.2	170.8	19.1	-4.9
Eastern Europe	46.4	5.2	44.5	4.9	+4.3
Russia, Central Asia (CIS)	23.0	2.6	20.1	2.2	+14.4
Middle East/Africa	124.4	14.0	107.7	12.0	+15.5
Asia-Pacific	115.5	13.0	136.5	15.2	-15.4
China	59.7	6.7	66.8	7.4	-10.6
South America/Mexico	103.5	11.6	71.3	7.9	+45.2
North and Central America	104.5	11.7	136.0	15.1	-23.2
Total	891.7	100.0	899.4	100.00	-0.9

Quarterly revenue figures for the various regions are generally not very telling because ordering activity and revenue can fluctuate considerably from one quarter to the next.

KRONES' revenue remained well balanced overall. The share of revenue that the company generated in the emerging markets increased in the first quarter of 2018, from 49.6% in the preceding year to 53.1%. In the advanced economies, KRONES' revenue increased 46.9% (previous year: 50.4%).

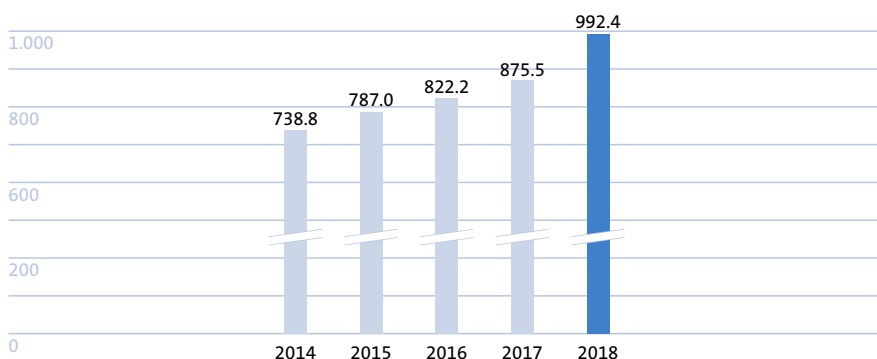
Order intake up 13.4%.

Demand for KRONES' innovative products and services was very satisfactory in the first quarter of 2018. Order intake increased 13.4% year-on-year, from €875.5 million to €992.4 million. That is a very high first-quarter figure. Our customers' ordering activity picked up across large segments of our portfolio of products and services. Order intake from acquisitions was immaterial.

Order intake was up 13.4% year-on-year in the period from January to March 2018.

Because our business is well-balanced internationally, we were able to offset temporary shifts in demand in individual regions. Europe (including Eastern Europe), South America, and China produced the biggest year-on-year increases in order intake in the period from January to March 2018. Orders were flat in the North America, Middle East/Africa, and Asia-Pacific sales regions.

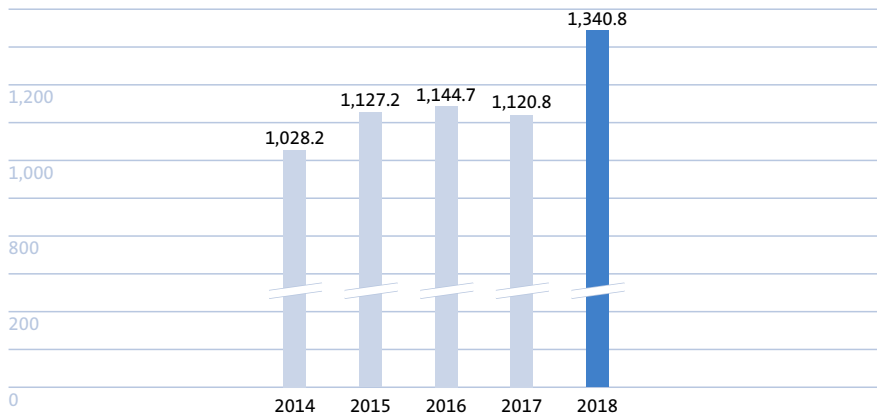
Order intake from 1 January to 31 March (€ million)



Orders on hand total €1,340.8 at the end of March 2018

At the end of the first quarter of 2018, KRONES had an orders backlog of €1,340.8 million (previous year: €1,120.8 million). That is up 19.6% year-on-year. Overall, the comfortable orders backlog gives the company a high level of planning security and provides a solid basis for further revenue growth.

Orders on hand at 31 March (€ million)

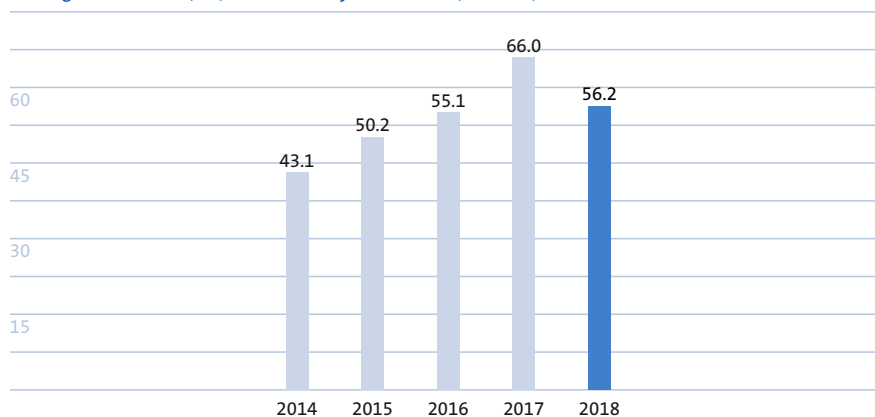


Profitability was down temporarily

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 KRONES had to recognise higher personnel provisions for the entire year 2018 due to a pay agreement made in the reporting period. Earnings before taxes (EBT) decreased 14.8% to €56.2 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. Because the increased personnel provisions caused only a one-off reduction in profitability, KRONES is standing by its EBT margin target of 7.0% for the year 2018 as a whole.

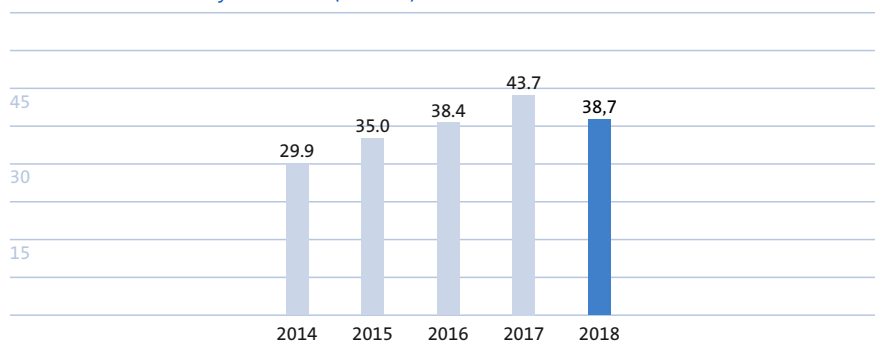
After the first quarter, KRONES is on track to achieve its 7.0% EBT margin target for 2018 as a whole.

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

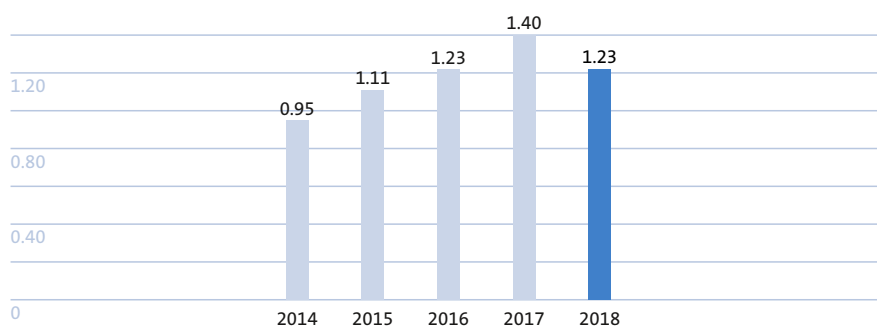


The company's tax rate was down from 33.8% in the previous year to 31.1% in the first quarter 2018 due to regional effects. As a result, consolidated net income was down 11.4% year-on-year in the period from January to March 2018 to €38.7 million. That is less than the decrease in EBT.

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



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



Earnings per share came to €1.23 in the first quarter of 2018 (previous year: €1.40).

KRONES Group earnings structure

€ million	2018 1 Jan – 31 Mar	2017 1 Jan – 31 Mar	Change %
Revenue	891.7	899.4	-0.9
Changes in inventories of finished goods and work in progress	14.5	8.4	
Total operating performance	906.2	907.8	-0.2
Goods and services purchased	-453.6	-449.8	+0.8
Personnel expenses	-289.8	-271.5	+6.7
Other operating income/expenses and own work capitalised	-83.9	-99.3	-15.5
EBITDA	78.9	87.2	-9.5
Depreciation and amortisation on fixed assets	-23.4	-23.2	+0.9
EBIT	55.5	64.0	-13.3
Financial income/expense	0.7	2.0	
EBT	56.2	66.0	-14.8
Income tax	-17.5	-22.3	-21.5
Consolidated net income	38.7	43.7	-11.4

Revenue and total operating performance decreased slightly in the period from January to March 2018. That is because timing had resulted in exceptionally high prior-year figures. Revenue was down 0.9% year-on-year in the first quarter to €891.7 million while total operating performance declined 0.2% to €906.2 million.

Expenditure for goods and services purchased was up slightly year-on-year. It increased 0.8% to €453.6 million in the first quarter of 2018. The ratio of goods and services purchased to total operating performance rose from 49.6% to 50.1%. While the ratio had been affected by changes to the product mix in the previous year, rising prices for goods and services were the main factor in the first quarter of 2018.

Personnel expenses grew more than total operating performance in the first quarter of 2018. At €289.8 million, this line item was up 6.7% from the prior-year figure of €271.5 million. That reflects partly the pay increases that also resulted in a one-time increase in provisions in the first quarter.

Compared with the first quarter of 2017, which had been very strong due to timing, KRONES' revenue and profitability in the first three months of 2018 were slightly lower, as expected.

The higher personnel expenses also reflect our efforts to considerably grow our workforce in the regions and expand our global footprint. The ratio of personnel expenses to total operating performance increased from 29.9% in the previous year to 32.0% in the first quarter of 2018.

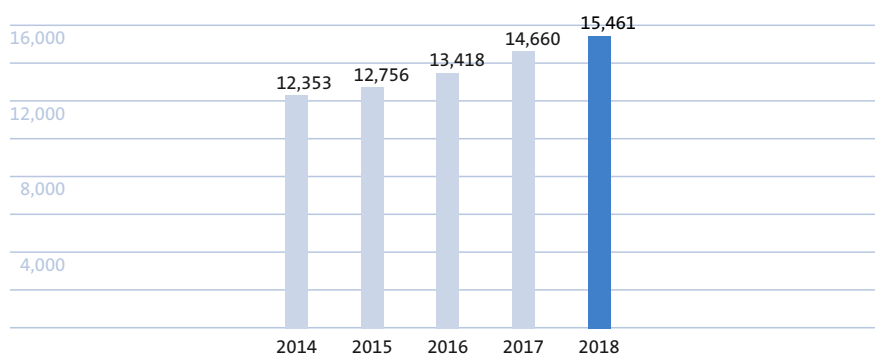
To ensure KRONES' continued ability to offer the highest quality, innovative products and services despite increased costs for goods and services purchased and personnel, KRONES is raising its prices on all machines for the bottling and packaging equipment and for the process technology by 4.5% on average effective 1 May 2018 and is adjusting its payment terms.

The net of other operating income and expenses and own work capitalised changed from –€99.3 million in the previous year to –€83.9 million. The ratio of this figure to total operating performance decreased from 10.9% to 9.3%. At €23.4 million (previous year: €23.2 million), depreciation and amortisation on fixed assets were more or less unchanged year-on-year in the first quarter of 2018.

Earnings before interest and taxes (EBIT) decreased 13.3% to €55.5 million. Because financial income was also lower (at €0.7 million versus €2.0 million in the previous year), earnings before taxes (EBT) were down 14.8% in the first quarter of 2018 to €56.2 million (previous year: €66.0 million). The company's tax rate improved year-on-year, from 33.8% to 31.1%. In all, consolidated net income (€38.7 million) was down 11.4% compared with the very strong first quarter of 2017.

Employees

Workforce at 31 March



KRONES employs 15,461 people worldwide

At 31 March 2018, KRONES' team had grown by 801 year-on-year to 15,461. A large part of this increase was in our international workforce. At the end of March 2018, the number of people employed by KRONES outside Germany totalled 5,067, which is 531 more than a year earlier. The company's workforce in Germany grew by 270 to 10,394. KRONES invests significantly in training and continuing education. At 31 March 2018, KRONES was training 458 young people.

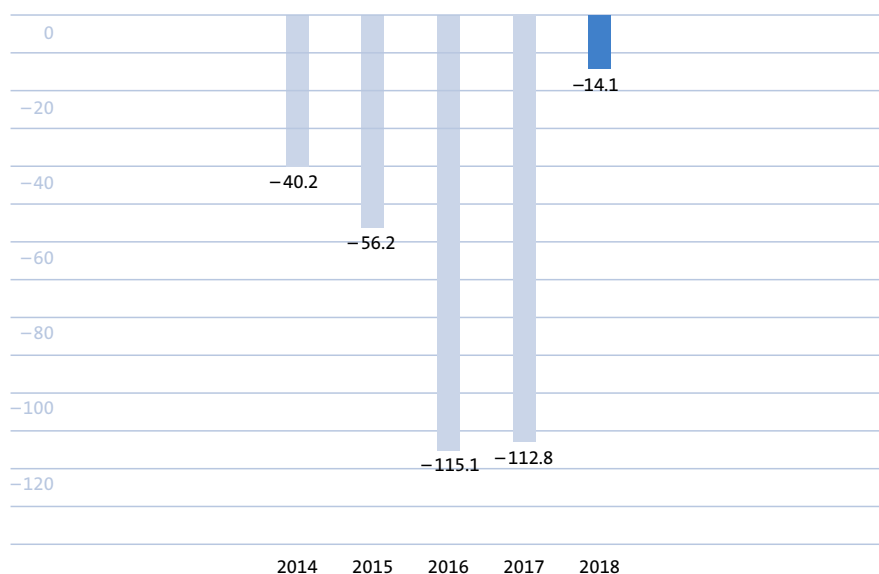
We are continuing to grow our workforce abroad in order to move even closer to our customers worldwide.

KRONES Group cash flow

€ million	2018	2017
	1 Jan–31 Mar	1 Jan–31 Mar
Earnings before taxes	56.2	66.0
Other non-cash changes	+92.2	+43.4
Changes in working capital	−93.2	−113.2
Changes in other assets and liabilities	−39.4	−58.2
Cash flow from operating activities	15.8	−62.0
Capital expenditure for PP&E and intangible assets	−27.4	−19.6
M&A activities	−3.2	−32.7
Other	+0.7	+1.5
Free cash flow	−14.1	−112.8
Cash flow from financing activities	+50.4	+0.0
Other	+0.5	+0.0
Net change in cash and cash equivalents	36.8	−112.8
Cash and cash equivalents at the end of the period	218.8	256.1

KRONES improved cash flow from operating activities considerably, from −€62.0 million in the previous year to +€15.8 million in the first quarter of 2018. In particular, cash earnings were higher year-on-year, at €148.4 million (previous year: €109.4 million). In addition, the smaller increase in other assets and liabilities was the main reason for the improved performance. That increase impacted cash flow by only €39.4 million in the reporting period as opposed to €58.2 million in the previous year. At €93.2 million, the increase in working capital was also slightly less than in the previous year (€113.2 million) and therefore contributed to the positive development.

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

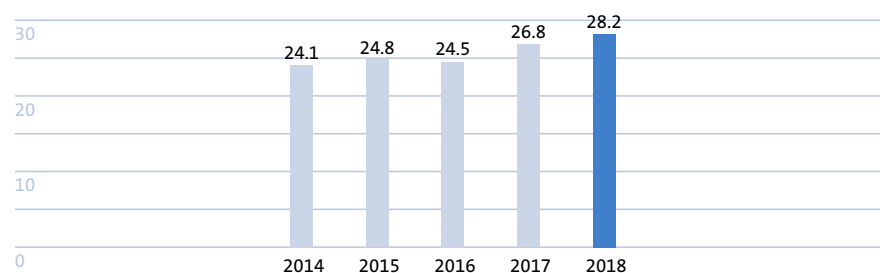


KRONES significantly improved cash flow from operating activities and free cash flow year-on-year in the first quarter of 2018.

The ratio of working capital to revenue increased to 28.2%

The ratio of average working capital for the past four quarters to revenue increased to 28.2% in the first quarter, from 26.8% in the prior-year period. The ratio of working capital to revenue at the end of the reporting period was 29.6% (previous year: 26.2%).

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

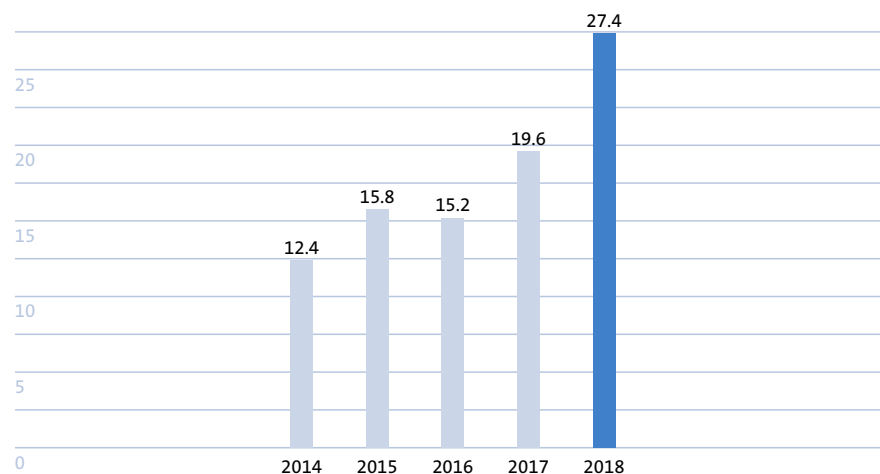


The ratio of average working capital for the past four quarters to sales revenue was up in the first quarter of 2018, from 26.8% in the previous year to 28.2%.

KRONES invested €27.4 million in intangible assets and property, plant and equipment in the reporting period (previous year: €19.6 million). In addition, €3.2 million (previous year: €32.7 million) of our cash and cash equivalents went towards obtaining control of subsidiaries or other businesses in the reporting period. KRONES' free cash flow (net cash generated from operating activities) improved, from –€112.8 million in the previous year to –€14.1 million. Adjusted for acquisitions, free cash flow came to –€10.9 million (previous year: –€80.1 million). The negative free cash flow figure at the start of the year is due to seasonal factors and is not unusual in our business.

Because the company took on short-term bank debt in the first quarter, cash flow from financing activities came to €50.4 million. At 31 March 2018, KRONES had cash and cash equivalents totalling €218.8 million (previous year: €256.1 million).

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



KRONES Group asset and capital structure

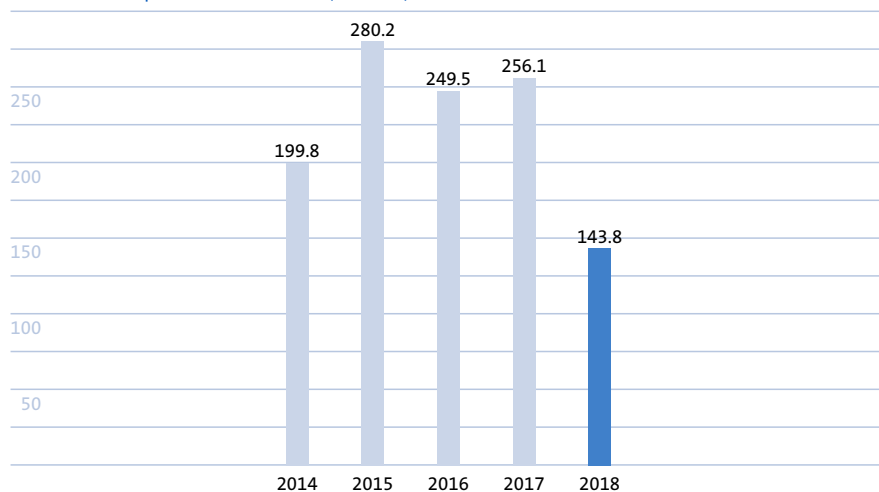
€ million	31 Mar 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015
Non-current assets	879	882	799	697
of which fixed assets	789	797	725	646
Current assets	2,087	2,157	2,272	2,010
of which cash and equivalents	219	182	369	365
Equity	1,371	1,330	1,226	1,111
Total debt	1,595	1,710	1,845	1,596
Non-current liabilities	318	314	308	278
Current liabilities	1,277	1,396	1,537	1,318
Total	2,966	3,040	3,071	2,707

While total operating performance was almost unchanged year-on-year in the first quarter (-0.2%), KRONES' total assets at 31 March 2018 were down 2.4% compared with the end of 2017, to €2.97 billion.

KRONES' total assets were down 2.4% while total operating performance was virtually unchanged.

Non-current assets were down 0.4% in the first quarter, totalling €878.8 million at 31 March 2018 (31 December 2017: €882.2 million). Property, plant and equipment, intangible assets, and non-current financial assets (referred to collectively as "fixed assets" here) decreased to €789.3 million (31 December 2017: €796.6 million). Of this, €495.0 million was attributable to property, plant and equipment (31 December 2017: €501.6 million). Intangible assets, which are primarily development costs that must be capitalised, totalled €263.9 million at the end of the first quarter (31 December 2017: €263.6 million).

Cash and cash equivalents at 31 March (€ million)



At the end of the reporting period, current assets totalled €2.09 billion, which is 3.3% less than at 31 December 2017. At the end of March 2018, KRONES' inventories were down considerably to €315.0 million (31 December 2017: €611.8 million) and trade receivables had decreased to €1,030.3 million (31 December 2017: €1,225.3 million). The new financial reporting standard on revenue recognition, IFRS 15, is responsible for a

large part of the decrease. As of 2018, some parts of “trade receivables” are now recognised under a new line item on the statement of financial position, “contract assets”. These assets totalled €370.0 million at the end of the first quarter of 2018. KRONES’ cash and cash equivalents increased by €36.8 million to €218.8 million in the reporting period.

Current liabilities were down considerably in the period from January to March 2018. KRONES reduced these by 8.5% compared with the end of 2017 to €1,277.2 million. Lower trade payables contributed as they were down €103.8 million to €272.7 million. Advances received, which under IFRS 15 are now recognised under the new line item “contract liabilities” on the statement of financial position as of 2018, also decreased considerably, by €139.7 million to €369.2 million. KRONES increased its current bank debt, which totalled €75.0 million at the end of the first quarter of 2018 (31 December 2017: €24.6 million).

KRONES’ non-current liabilities, consisting largely of provisions for pensions, were up slightly to €317.9 million at 31 March 2018 (31 December 2017: €314.0 million). The company had no non-current bank debt at the end of the quarter.

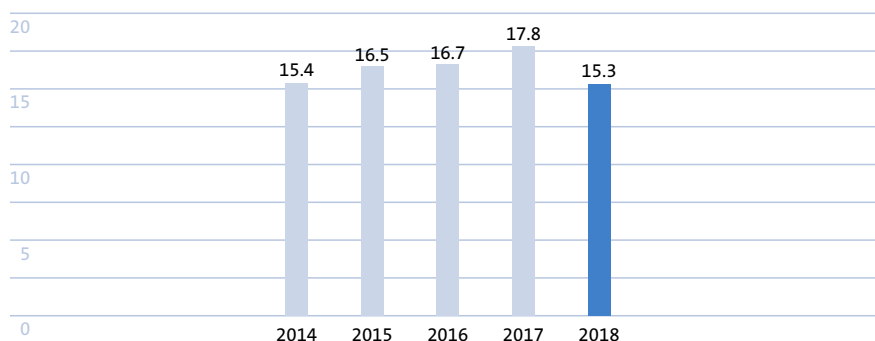
Equity ratio increased, ROCE decreased

Due to the positive quarterly earnings figure, equity was up by €40.7 million from the end of 2017 to €1,370.8 million. Our equity ratio rose considerably and was 46.2% at 31 March 2018 (31 December 2017: 43.8%). With net cash (cash and cash equivalents less bank debt) of €143.8 million at the end of the reporting period, KRONES still has an extremely robust and sound financial and capital structure.

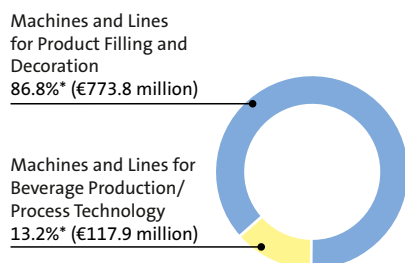
The high equity ratio of 46.2% and net cash and cash equivalents of €144 million give KRONES the necessary financial leeway to achieve continued growth.

KRONES’ return on capital employed (ROCE), that is the ratio of EBIT to average net capital employed, fell to 15.3% in the reporting period (previous year: 17.8%) mostly because earnings were lower.

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

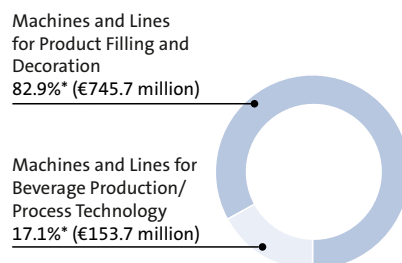


Segment revenue from 1 Jan to 31 Mar 2018



* Share of consolidated revenue of €891.7 million

Segment revenue from 1 Jan to 31 Mar 2017



* Share of consolidated revenue of €899.4 million

Segment revenue

As of 1 January 2018, our core segment Machines and Lines for Product Filling and Decoration now also includes the business of our subsidiaries KOSME and GERNEP, which had made up the Machines and Lines for the Compact Class segment until 2017. In the first three months of 2018, revenue in the newly configured core segment was up 3.8% on the comparable prior-year figure, from €745.7 million to €773.8 million. Thus, the segment posted stable growth in the first quarter even though the previous year's revenue figure was relatively high. Revenue grew across large parts of our new machinery business. After-sales service revenue was also up year-on-year in the first quarter of 2018. KRONES' growth forecast for the core segment is unchanged at 4% for the year 2018. The segment increased its share of consolidated revenue from 82.9% in the previous year to 86.8% in the first quarter.

As expected, revenue in the Machines and Lines for Beverage Production/Process Technology segment in the period from January to March 2018 did not match the very high figure from the first quarter of 2017. In the previous year, several projects had been completed earlier than expected and therefore yielded revenue in the first quarter instead of the second as initially forecasted. Largely because of this effect, revenue for the reporting period was down 23.3% to €117.9 million (previous year: €153.7 million). KRONES is keeping its growth forecast for the year 2018 unchanged at 15%. The segment contributed 13.2% of consolidated revenue in the first quarter of 2018 (previous year: 17.1%).

Revenue in both segments developed more or less as expected in the first quarter of 2018.

Segment earnings

Despite the higher revenue, the Machines and Lines for Product Filling and Decoration segment's profitability was down slightly year-on-year in the first quarter of 2018. Higher personnel expenses were the primary reason for the decrease. Earnings before taxes (EBT) decreased 4.1% year-on-year, from €63.9 million to €61.3 million. The EBT margin, which had also benefited from high revenue in the previous year, decreased from 8.6% to 7.9%. We still expect the core segment to achieve a reported EBT margin of 8.3% for the financial year 2018.

Profitability in the core segment decreased temporarily on higher personnel expenses. The significant decrease in Process Technology revenue is also reflected in the segment's earnings.

Earnings in the Machines and Lines for Beverage Production/Process Technology segment had benefited from exceptionally high revenue in the first quarter of last year. However, the segment was loss making in the period from January to March 2018. Earnings before taxes (EBT) decreased from €2.1 million in the first quarter of 2017 to -€5.1 million. The resulting EBT margin is -4.3% (previous year: +1.4%). We still expect the Process Technology segment to achieve a reported EBT margin of 1.0% for the financial year 2018.

Product Filling and Decoration		2018	2017
		1 Jan–31 Mar	1 Jan–31 Mar
Revenue	€ million	773.8	745.7
EBT	€ million	61,3	63.9
EBT margin	%	7.9	8.6

Beverage Production/Process Technology		2018	2017
		1 Jan–31 Mar	1 Jan–31 Mar
Revenue	€ million	117.9	153.7
EBT	€ million	-5.1	2.1
EBT margin	%	-4.3	1.4

KRONES remains optimistic about the financial year 2018

With economic forecasts for the current year positive overall, KRONES remains optimistic about 2018 despite several political and economic uncertainties. The packaging machinery market is growing at a relatively stable pace because demand for packaged beverages and foods is rising.

Revenue and earnings expected to increase further in 2018

KRONES has taken the momentum from a successful drinktec 2017 into the current year. Launching new products and services and further reducing costs under our Value strategy remain important factors in our effort to grow further and increase group earnings in 2018. Moreover, KRONES will increase its presence worldwide and move even closer to customers. Parts of procurement, engineering, and production will take place in the regions in which our customers operate their plants. That will enable us to deliver regionally-adapted products faster and at more competitive prices.

KRONES intends to bring Process Technology into the black in 2018.

As of the start of this year, our core segment Machines and Lines for Product Filling and Decoration now also includes our machines and lines for the compact class, that is the subsidiaries KOSME and GERNEP. Innovations and the continued expansion of international service centres will contribute to the newly structured core segment's growth in 2018. We intend to improve our position in the emerging markets by offering less-complex systems that deliver high performance. In addition, KRONES will continue to press ahead with the modularisation of our products in our core segment and expand our global footprint. That will enable us to achieve better procurement terms and increase efficiency within the company.

KRONES expects core-segment revenue to increase by 4%, slightly more than the market as a whole, in 2018 on strong order intake and an attractive product range. KRONES expects the reported EBT margin to be 8.3% in 2018 despite high capital expenditure.

We intend to significantly improve profitability in the Machines and Lines for Beverage Production/Process Technology segment in 2018. Measures implemented have not yet taken their full effect. However, we are confident that we will be able to leverage revenue and earnings potential this year by further expanding our global footprint and fully integrating the acquisitions in this segment.

Intralogistics, which is part of the Process Technology segment, is also expected to utilise the market's high potential for growth this year. To accomplish that, we will further develop our subsidiaries SYSTEM LOGISTICS and SYSKRON, both regionally and in terms of product technology.

In all, we are forecasting 15% revenue growth and an EBT margin of 1.0% for the Process Technology segment for 2018.

Strong first quarter and price increases support outlook for 2018

We have got the year off to a positive start and demand for our products and services remains high. Therefore, we are confident that we will achieve our targets for 2018. To ensure KRONES' continued ability to offer innovative products and services despite rising costs for goods and services purchased and personnel, we have to raise our prices. For that reason, the company will be raising the prices on all machines for the bottling and packaging equipment and for the process technology by 4.5% on average effective 1 May 2018. 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. KRONES intends to maintain its market position as a provider of solutions for food and beverage production within the bottling and packaging industry.

KRONES intends to increase revenue and keep the reported EBT margin stable in 2018.

Based on the current macroeconomic prospects and expected development of the markets relevant to KRONES, we are targeting consolidated revenue growth of 6% in 2018. The regional distribution of revenue in 2018 is likely to be little changed from the previous year.

KRONES intends to keep profitability stable despite heavy 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. We intend to improve our third financial performance target, working capital to revenue, to 26%.

	Forecast for 2018*	Actual value Q1 2018
Revenue growth	+ 6%	-0.9%
EBT margin	7.0%	6.3%
Working capital to revenue (%) (LTM)	26%	28.2%

*Excluding acquisitions



€ million	2018 1 January– 31 March	2017 1 January– 31 March	Change %
Revenue	891.7	899.4	-0.9
Changes in inventories of finished goods and work in progress	14.5	8.4	
Total operating performance	906.2	907.8	-0.2
Goods and services purchased	-453.6	-449.8	+0.8
Personnel expenses	-289.8	-271.5	+6.7
Other operating income/expenses and own work capitalised	-83.9	-99.3	-15.5
Depreciation and amortisation on fixed assets	-23.4	-23.2	+0.9
EBIT	55.5	64.0	-13.3
Financial income/expense	0.7	2.0	
Profit or loss shares attributable to associates that are accounted for using the equity method	0.0	0.0	
Earnings before taxes	56.2	66.0	-14.8
Income tax	-17.5	-22.3	-21.5
Consolidated net income	38.7	43.7	-11.4
Profit attributable to non-controlling interests	-0.3	-0.4	
Profit attributable to KRONES Group shareholders	39.0	44.1	
Earnings per share (diluted/basic) in €	1.23	1.40	

Condensed consolidated statement of financial position

Assets € million	31 March 2018	31 December 2017
Intangible assets	263.9	263.6
Property, plant and equipment	495.0	501.6
Non-current financial assets	6.0	6.2
Investment accounted for using the equity method	24.4	25.2
Fixed assets	789.3	796.6
Deferred tax assets	28.5	29.2
Trade receivables	57.6	52.0
Income tax receivables	0.0	0.9
Other assets	3.4	3.3
Non-current assets	878.8	882.2
Inventories	315.0	611.8
Trade receivables	1,030.3	1,225.3
Contract assets	370.0	0.0
Income tax receivables	8.1	10.2
Other assets	144.7	128.3
Cash and cash equivalents	218.8	182.0
Current assets	2,086.9	2,157.6
Total	2,965.7	3,039.8

Equity and liabilities € million	31 March 2018		31 December 2017	
Equity		1,370.8		1,330.1
Provisions for pensions	220.5		220.2	
Deferred tax liabilities	17.9		12.9	
Other provisions	46.7		47.2	
Provisions for taxes	4.2		4.5	
Liabilities to banks	0.0		0.0	
Other financial obligations	26.3		27.0	
Other liabilities	2.3		2.2	
Non-current liabilities		317.9		314.0
Other provisions	161.8		149.5	
Provisions for taxes	19.4		30.9	
Liabilities to banks	75.0		24.6	
Advances received	0.0		508.9	
Contract liabilities	369.2		0.0	
Trade payables	272.7		376.5	
Tax liabilities	5.1		4.2	
Other financial obligations	5.7		7.0	
Other liabilities and accruals	368.1		294.1	
Current liabilities		1,277.0		1,395.7
Total		2,965.7		3,039.8

Condensed consolidated statement of cash flows

€ million	2018 1 January– 31 March	2017 1 January– 31 March
Earnings before taxes	56.2	66.0
Depreciation and amortisation (reversals)	23.4	23.2
Increase in provisions and accruals	73.7	22.8
Deferred tax item changes recognised in profit or loss	-5.2	-1.0
Interest expenses and interest income	-0.7	-1.5
Gains and losses from the disposal of fixed assets	-0.1	-0.3
Other non-cash expenses and income	1.1	0.2
Decrease (previous year: increase) in inventories, trade receivables, and other assets not attributable to investing or financing activities	124.3	-35.9
Decrease in trade payables and other liabilities not attributable to investing or financing activities	-233.4	-123.9
Cash generated from operating activities	39.3	-50.4
Interest paid	-0.1	-0.1
Income tax paid and refunds received	-23.4	-11.5
Cash flow from operating activities	15.8	-62.0
Cash payments to acquire intangible assets	-10.1	-12.1
Proceeds from the disposal of intangible assets	0.0	0.1
Cash payments to acquire property, plant and equipment	-17.3	-7.5
Proceeds from the disposal of property, plant and equipment	0.3	0.1
Cash payments to acquire non-current financial assets	-0.1	-24.6
Proceeds from the disposal of non-current financial assets	0.1	0.1
Cash payments to acquire subsidiaries and equity interests	-3.2	-8.1
Interest received	0.4	0.7
Dividends received	0.0	0.5
Cash flow from investing activities	-29.9	-50.8
Proceeds from new borrowing	50.4	0.0
Cash flow from financing activities	50.4	0.0
Net change in cash and cash equivalents	36.3	-112.8
Change in cash and cash equivalents arising from changes in the consolidated group	0.5	0.0
Cash and cash equivalents at the beginning of the period	182.0	368.9
Cash and cash equivalents at the end of the period	218.8	256.1

€ million	Machines and Lines for Product Filling and Decoration		Machines and Lines for Beverage Production/ Process Technology		KRONES Group	
	2018 1 Jan–31 Mar	2017 1 Jan–31 Mar	2018 1 Jan–31 Mar	2017 1 Jan–31 Mar	2018 1 Jan–31 Mar	2017 1 Jan–31 Mar
Revenue	773.8	745.7	117.9	153.7	891.7	899.4
EBT	61.3	63.9	–5.1	2.1	56.2	66.0
EBT margin	7.9%	8.6%	–4.3%	1.4%	6.3%	7.3%
Employees at 31 March*	13,250	12,675	1,672	1,484	14,922	14,159

* Consolidated group

Pursuant to Section 8 (1) of the articles of association, six members of the Supervisory Board are elected by the shareholders in accordance with the German Stock Corporation Act (Sections 96 (1) and 101). Six 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

* UNIVERSITY CLINIC
REGENSBURG

* BAYERNLB ECONOMIC
ADVISORY COUNCIL

Werner Schrödl**

Chairman of the Group Works Council

Chairman of the Central Works Council

Deputy Chairman of the Supervisory Board

* ADVISORY BOARD OF BAYERISCHE
BETRIEBSKRANKENKASSEN

Klaus Gerlach**

Head of Central International
Operations and Services

Norman Kronseder

Farmer and forester

* BAYERISCHE FUTTERSAATBAU
GMBH

Professor Dr. jur. Susanne Nonnast

Professor at Regensburg University
of Applied Sciences

Dr. Verena Di Pasquale**

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

Beate Eva Maria Pöpperl**

Member of the Works Council

Petra Schadeberg-Herrmann

Managing partner at

KROMBACHER FINANCE GMBH,
SCHAWEI GMBH,
DIVERSUM HOLDING GMBH & CO. KG

Jürgen Scholz**

1st authorised representative of the

IG METALL office in Regensburg

* INFINEON TECHNOLOGIES AG

Hans-Jürgen Thaus

* HAWE HYDRAULIK SE

* MASCHINENFABRIK RHEINHAUSEN
GMBH

* KURTZ HOLDING GMBH &
BETEILIGUNGS KG

Josef Weitzer**

Deputy Chairman of the

Group Works Council

Deputy Chairman of the

Central Works Council

Chairman of the Works

Council in Neutraubling

* SPARKASSE REGENSBURG

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.

Financial calendar

13 June 2018	Annual general meeting
26 July 2018	Interim report for the period ended 30 June 2018
25 October 2018	Quarterly statement for the period ended 30 September 2018

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Note

This English language report is a translation of the original German KRONES Quarterly statement for the period from 1 January to 31 March 2018 (Quartalsmitteilung für den Zeitraum vom 1. Januar bis 31. März 2018). In case of discrepancies the German text shall prevail.

We would be happy to mail you a copy of the original German version of this Annual Report on request.

You can also find it in the Investor Relations section at krones.com.

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 **KRONES**