



Q3

Quarterly statement for
the period from 1 January
to 30 September 2017

 **KRONES**

Contents

- 3 Highlights and key figures
- 4 Letter from the Executive Board
- 5 The KRONES share

Assets, financial position, and results of operations

- 6 Revenue
- 8 Order intake and orders on hand
- 9 Earnings
- 12 Cash flow
- 13 Employees
- 14 Assets and capital structure
- 16 Report from the segments
- 18 Report on expected developments

Interim consolidated financial statements for the period ended 30 September 2017

- 21 Consolidated statement of profit or loss
- 22 Consolidated statement of financial position
- 24 Consolidated statement of cash flows
- 25 Consolidated statement of changes in equity
- 26 Consolidated interim statement of comprehensive income
- 27 Consolidated segment reporting
- 28 Members of the Supervisory Board
and the Executive Board
- 29 Financial calendar
Publishing information
- 30 Contact us

Highlights and key figures

KRONES confirms group targets for 2017

- Order intake increased 10.0% to €2,696.8 million in the first three quarters and revenue grew 5.4% to €2,508.9 million. Adjusted for acquisitions, the increase was 5.9% and 3.1%, respectively.
- The EBT increased to €168.0 million for the first three quarters and the EBT margin was 6.7% (previous year: 6.9%).
- From July to September 2017, order intake improved 7.9%. Special items and seasonal factors affected KRONES' third-quarter results. Revenue was down 10.5% and the EBT margin declined from 6.9% to 6.4%.
- KRONES expects a strong fourth quarter and confirms its targets for 2017. The company expects 4% revenue growth and an EBT margin of 7.0%, excluding effects from acquisitions.

Key figures for Q1–Q3		1 Jan – 30 Sep 2017	1 Jan – 30 Sep 2016	Change %
Revenue	€ million	2,508.9	2,380.1	+ 5.4
Order intake	€ million	2,696.8	2,452.5	+ 10.0
Orders on hand at 30 September	€ million	1,332.6	1,167.0	+ 14.2
EBITDA	€ million	233.7	224.2	+ 4.2
EBIT	€ million	163.1	158.4	+ 3.0
EBT	€ million	168.0	163.6	+ 2.7
EBT margin	%	6.7	6.9	– 0.2 PP*
Net income	€ million	114.6	114.3	+ 0.3
Earnings per share	€	3.68	3.65	+ 0.8
Capital expenditure for PP&E and intangible assets	€ million	74.8	58.2	+€16.6 million
Free cash flow	€ million	–242.0	–197.0	–€45.0 million
Net cash and cash equivalents at 30 September**	€ million	77.9	121.8	–€43.9 million
Working capital to revenue***	%	26.5	26.3	+ 0.2 PP
ROCE	%	14.6	15.5	– 0.9 PP
Employees at 30 September				
Worldwide		15,174	14,132	+ 1,042
Germany		10,295	9,959	+ 336
Outside Germany		4,879	4,173	+ 706

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

Key figures for Q3		1 Jul – 30 Sep 2017	1 Jul – 30 Sep 2016	Change %
Revenue	€ million	733.7	819.8	– 10.5
Order intake	€ million	917.5	850.1	+ 7.9
EBITDA	€ million	69.3	77.0	– 10.0
EBIT	€ million	46.0	55.1	– 16.5
EBT	€ million	47.0	56.3	– 16.5
EBT margin	%	6.4	6.9	– 0.5 PP
Net income	€ million	32.2	39.9	– 19.3
Earnings per share	€	1.04	1.27	– 18.1

Dear shareholders and friends of **KRONES**,

The drinktec trade fair was a major force shaping the third quarter of 2017 for **KRONES**. It is the most important trade fair for the international beverage and packaging industry and takes place only once every four years. The industry came together for the event from 11 to 15 September 2017 in Munich. And I can say with great pride that drinktec 2017 was a huge success for **KRONES** thanks to the outstanding work of our entire team. Nearly all of the roughly 76,000 drinktec visitors from 170 countries, including many decision-makers from big multinational corporations as well as small and mid-sized companies, visited our booth to learn about our latest products. The visitors' response to our innovations and our customers' readiness to place orders were resoundingly positive.

However, many of the machines and systems presented will not be sales blockbusters right away since they are completely new technologies that must first prove themselves in test runs at our customers' plants. The positive feedback we have received on innovations like direct printing, our products for beverage plant digitalisation, and the Dynafill filler, which fills and crowns bottles in a single operation, have us feeling quite confident about the years ahead.

Now, it is up to us to keep the momentum from drinktec going. We will not content ourselves with what we have achieved so far. drinktec also showed us just how dynamic and challenging the competition in our market is – and will remain for the foreseeable future. For this reason, we will keep up the pace of innovation, to create solutions with real added value for our customers. We will continue to systematically implement our Value strategy programme.

Besides the milestone event that drinktec represents, we also had our usual day-to-day operations in the third quarter. Revenue and order intake for the first nine months were up 5.4% and 10.0% year-on-year, respectively. Earnings before taxes (EBT) increased 2.7% to €168.0 million. Our EBT margin was 6.7%. Our forecast for 4% revenue growth and an EBT margin of 7.0% in 2017 remains unchanged.

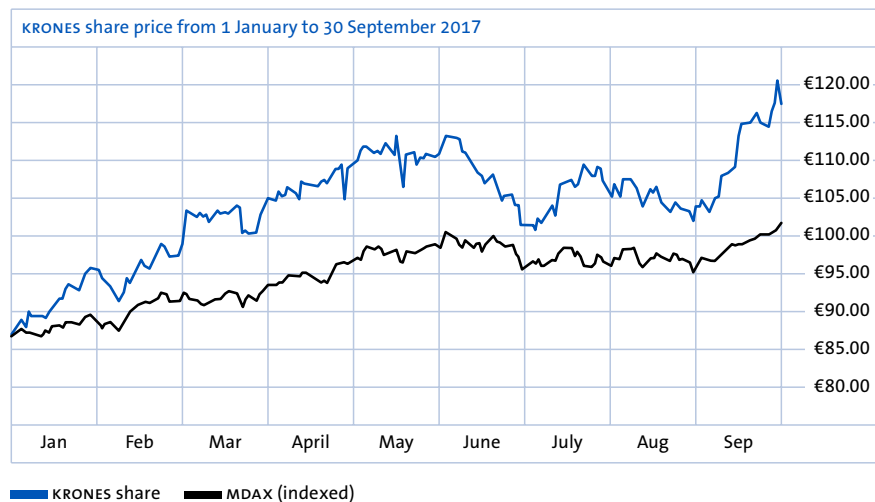


Christoph Klenk
CEO

The world's stock markets continue to rally

After a strong first half of 2017, the upwards trend on the world's equity markets continued in the third quarter. Share prices were bolstered by continued low interest rates, rising corporate profits, and a positive overall outlook for the global economy. Fears that central banks would end their expansive monetary policy impacted share prices only briefly. Germany's DAX index rose by 11.7% in all in the period from January to September 2017, to 12,829 points. The DAX hit its record high of around 12,950 points on 20 June.

The Euro Stoxx 50, which contains the euro area's 50 biggest companies, advanced 8.2%, not quite as much as the DAX. That was due in part to the weaker performance of some oil and financial stocks. The US stock markets fared better. The Dow Jones gained a total of 13.4% in the first nine months of 2017 and reached a new all-time high. Investors expected that the FED would raise interest rates only slowly. Japan's Nikkei index posted less dramatic growth, closing 6.5% higher at the end of September than it had started the year.



KRONES' share price gained sharply, outperforming the MDAX by a considerable margin. KRONES' share performed especially well in the drinktec month of September.

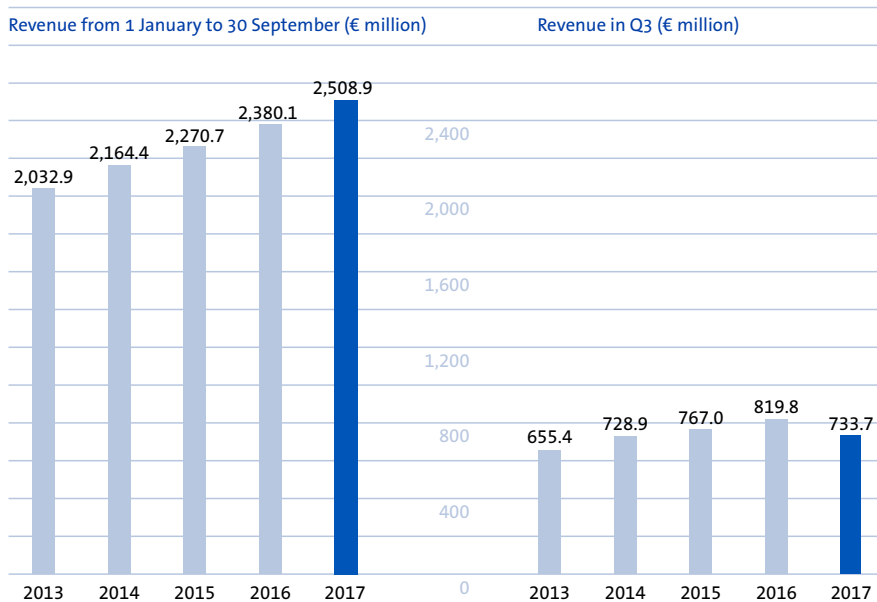
The KRONES share performed well in the third quarter

The KRONES share accelerated its rise in the third quarter of 2017. The share gained 15.9% in the period from July to September. The MDAX, Germany's mid-cap index, gained 6.3% in the same period. Apart from the generally favourable investment climate and strong half-yearly results, a successful showing at the drinktec trade fair in September helped drive the KRONES share's strong performance. Our share reached a new historic high of €120.40 on 28 September. In the period from January to September 2017, KRONES' share price advanced 35.3% from to €86.90 to €117.55. Including the dividend of €1.55 per share, the share's performance comes to 37.1%. Thus, the KRONES share outperformed the MDAX (which gained 17.1% in the same period) by a significant margin.

Revenue

KRONES' revenue grew 5.4% in the first three quarters

After a very strong first half of 2017, business at KRONES was quieter in the third quarter. In the period from July to September, revenue was down 10.5% year-on-year to €733.7 million. That was due primarily to seasonal factors, although the summer sales slump was especially pronounced this year, as expected. The decrease in revenue was also partly due to invoice timing since some projects were completed ahead of schedule, in the first half. These items will not have a lasting effect on the company's growth. An increase in revenue in the fourth quarter is already foreseeable.



Overall, KRONES' revenue in the first nine months of 2017 increased 5.4% year-on-year, from €2,380.1 million to €2,508.9 million. Adjusted for acquisitions, KRONES' first-half revenue improved 3.1% year-on-year in the period from January to September 2017. Both new machinery and services business contributed to this growth. Our forecast for revenue growth for 2017 is unchanged at 4%.

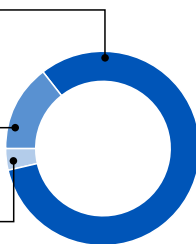
KRONES' revenue for the first nine months of 2017 was up 5.4% year-on-year despite a weaker third quarter.

Revenue by segment from 1 Jan to 30 Sep 2017	Revenue by segment from 1 Jan to 30 Sep 2016
--	--

Machines and lines for product filling and decoration
81.7%* (€2,050.3 million)

Machines and lines for beverage production/process technology
14.7%* (€369.4 million)

Machines and lines for the compact class
3.6%* (€89.2 million)

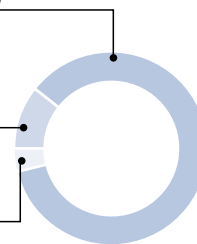


* Share of consolidated revenue of €2,508.9 million

Machines and lines for product filling and decoration
85.6%* (€2,039.1 million)

Machines and lines for beverage production/process technology
10.6%* (€251.6 million)

Machines and lines for the compact class
3.8%* (€89.4 million)



* Share of consolidated revenue of €2,380.1 million

Revenue by region

Our business in Germany gained increasing momentum in the reporting period. Revenue in the first nine months of 2017 was up 19.1% year-on-year to €289.0 million. The domestic share of revenue grew from 10.2% in the year-earlier period to 11.5%.

KRONES' business growth in Europe (excluding Germany) was stable overall in the first three quarters of 2017. Revenue growth was higher than average in the large Western Europe sales region. At €426.7 million, revenue there was up 10.4% on the previous year's €386.6 million. In Central Europe (Austria, Switzerland, and the Netherlands) revenue picked up in the third quarter. After the first nine months, revenue was €117.0 million, slightly higher than the year-earlier €115.5 million. After a very strong first half, business in Eastern Europe was quieter in the third quarter. Revenue there increased 1.3% to €79.7 million in the period from January to September. Business in the Russia/CIS sales region stabilised at a low level. In the first three quarters of 2017, revenue there decreased 8.4% to €49.2 million. In all, KRONES' revenue in Europe (excluding Germany) rose 6.0% year-on-year in the period from January to September 2017, to €672.6 million. The share of consolidated revenue coming from Europe (excluding Germany) increased to 26.9% (previous year: 26.7%).

In the Middle East/Africa sales region, the €377.6 million in revenue in the first three quarters did not quite reach the year-earlier level (€394.9 million). We are nevertheless satisfied because revenue there remained high. The same cannot be said of China, where revenue declined 39.5% to €151.2 million in the first nine months. The need for new capacity there is limited for the time being. In addition, we were able to invoice many projects in China in the third quarter of last year. However, we expect business in China to pick up again in the medium term. The current climate for capital spending is better in the rest of the Asia-Pacific region, where revenue increased 19.3% to €360.3 million in the first nine months.

Revenue in the North and Central America sales region continued to develop well. Revenue there improved 18.5% year-on-year to €376.5 million in the period from January to September 2017. Revenue growth was similarly strong in the South America/Mexico region. At €281.7 million, revenue there was up 18.1% year-on-year.

KRONES Group revenue by region

Share of consolidated revenue	1 Jan to 30 Sep 2017		1 Jan to 30 Sep 2016		Change
	€ million	%	€ million	%	
Germany	289.0	11.5	242.6	10.2	+19.1
Central Europe (excluding Germany)	117.0	4.7	115.5	4.9	+1.3
Western Europe	426.7	17.0	386.6	16.2	+10.4
Eastern Europe	79.7	3.2	78.7	3.3	+1.3
Russia, Central Asia (CIS)	49.2	2.0	53.7	2.3	-8.4
Middle East/Africa	377.6	15.1	394.9	16.6	-4.4
Asia-Pacific	360.3	14.3	302.1	12.7	+19.3
China	151.2	6.0	249.9	10.5	-39.5
South America/Mexico	281.7	11.2	238.5	10.0	+18.1
North and Central America	376.5	15.0	317.6	13.3	+18.5
Total	2,508.9	100.00	2,380.1	100.0	+5.4

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.

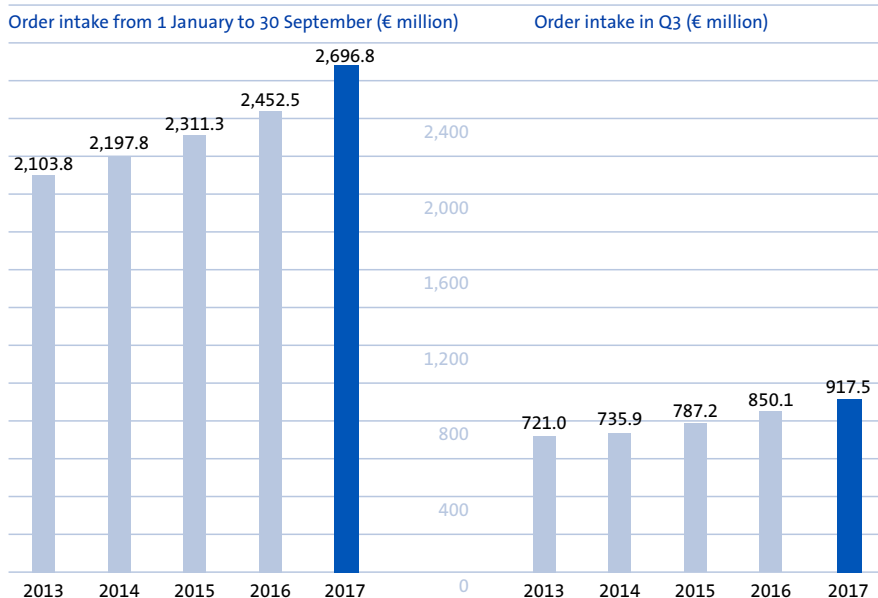
KRONES' revenue remains well balanced internationally in both the established and emerging markets. All told, the company generated 51.8% of consolidated revenue in the emerging markets in the first three quarters of 2017 (previous year: 55.4%).

KRONES' order intake increased sharply

Demand for KRONES' products and services remained strong in the third quarter of 2017. In the period from July to September, order intake was up 7.9% year-on-year to €917.5 million. Acquisitions did not affect growth during this period. Order intake in the first nine months of 2017 increased 10.0% year-on-year, from €2,452.5 million to €2,696.8 million. Excluding effects from acquisitions, order intake in the first three quarters of 2017 rose 5.9% year-on-year.

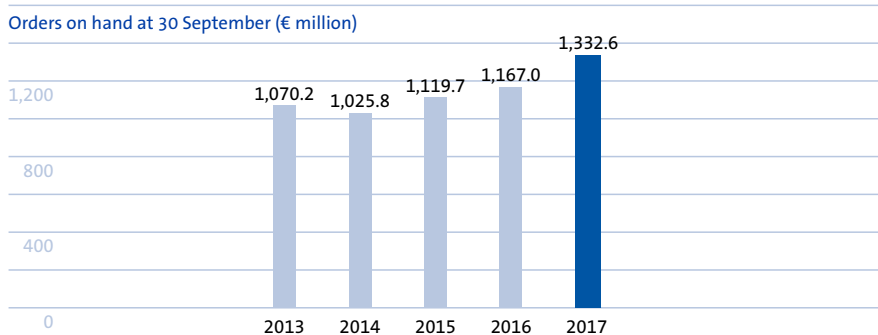
Order intake was up 10.0% year-on-year in the first three quarters of 2017.

KRONES' broad international diversification enabled the company to offset temporary declines in ordering volumes in China and North America. The contract value of new orders in Western Europe increased more than proportionately in the first nine months of 2017. Order intake was stable year-on-year in the Middle East/Africa and Asia-Pacific regions.



Orders on hand provide a solid basis for future growth

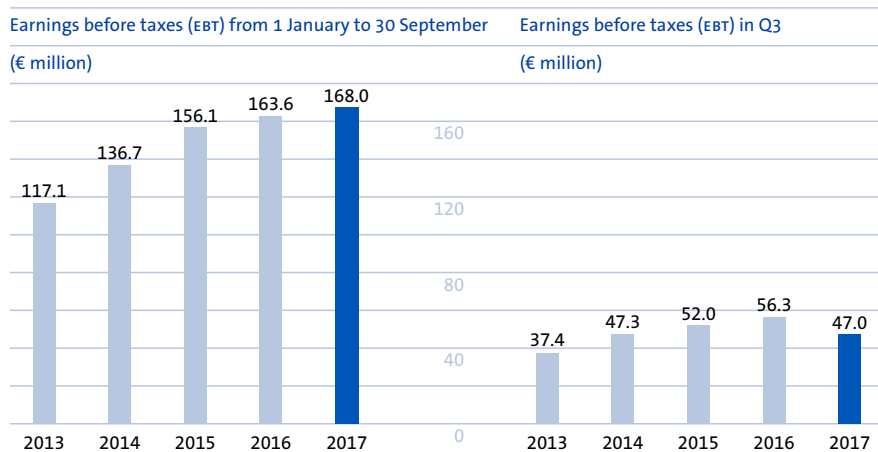
KRONES' order books continued to fill in the third quarter of 2017. At €1,332.6 million, orders on hand at KRONES were up 14.2% at the end of September 2017 over the year-earlier period (€1,167.0 million). The comfortable orders backlog serves as a solid basis for balancing capacity utilisation in the months ahead and achieving the revenue growth forecast for 2017.



Special item affected third-quarter earnings

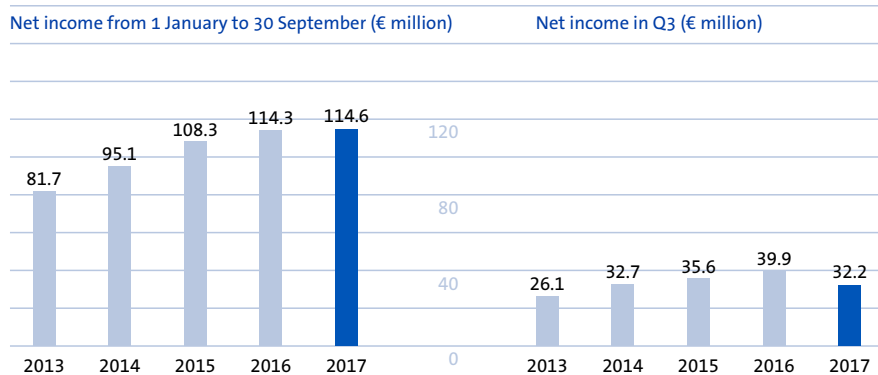
In the period from July to September 2017, earnings before taxes (EBT) were down 16.5% year-on-year, from €56.3 million to €47.0 million. The relatively low revenue figure was one reason for the decrease. Another factor was the drinktec trade fair, the world's largest trade fair for the international beverage and packaging industry, which took place in September. The costs associated with the fair resulted in a charge to EBT in the third quarter in the mid-single-digit millions of euros. That also brought our EBT margin down from 6.9% in the previous year to 6.4%. Consolidated net income was down year-on-year, to €32.2 million, in the third quarter (previous year: €39.9 million).

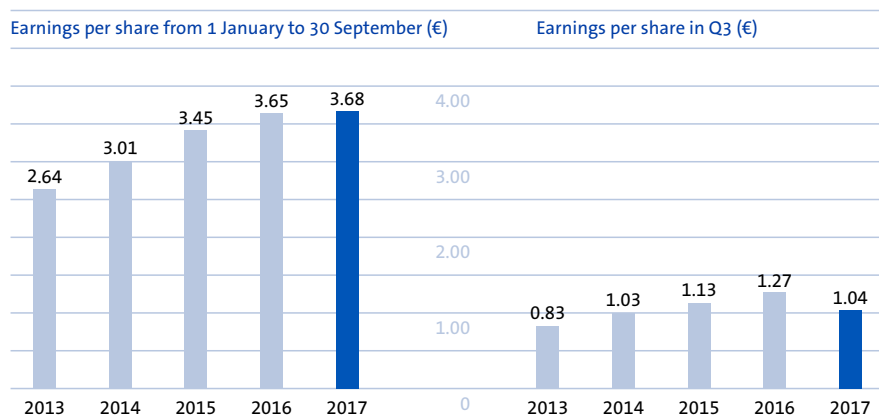
The fourth quarter of 2017 is expected to yield high earnings. Therefore, we still expect to achieve an EBT margin of 7.0% for the year 2017 as a whole.



Earnings before taxes (EBT) improved slightly year-on-year in the first nine months of 2017, by 2.7% from €163.6 million to €168.0 million. As expected, the company received no support from market prices. The EBT margin for the first three quarters declined from 6.9% in the previous year to 6.7%. Because the fourth quarter of 2017 is expected to deliver a high EBT figure, we still anticipate achieving an EBT margin of 7.0% for the year as a whole. Consolidated net income for the first nine months of 2017 was €114.6 million (previous year: €114.3 million).

Aquisitions had only a small effect on earnings in the first nine months of 2017.





Earnings per share were down in the third quarter of 2017, from €1.27 in the previous year to €1.04. For the period from January to September, earnings per share come to €3.68 (previous year: €3.65).

KRONES Group earnings structure

€ million	2017 1 Jan–30 Sep	2016 1 Jan–30 Sep	Change %
Revenue	2,508.9	2,380.1	+ 5.4
Changes in inventories of finished goods and work in progress	-18.3	-72.8	-
Total operating performance	2,490.6	2,307.3	+ 7.9
Goods and services purchased	-1,199.5	-1,109.9	+ 8.1
Personnel expenses	-786.5	-727.2	+ 8.2
Other operating income (expenses) and own work capitalised	-270.9	-246.0	+ 10.1
EBITDA	233.7	224.2	+ 4.2
Depreciation and amortisation on fixed assets	-70.6	-65.8	+ 7.3
EBIT	163.1	158.4	+ 3.0
Financial income	5.8	5.2	-
Income from equity-accounted associates	-0.9	0	-
EBT	168.0	163.6	+ 2.7
Income tax	-53.4	-49.3	+ 8.3
Consolidated net income	114.6	114.3	+ 0.3

In the first three quarters of 2017, total operating performance improved 7.9% to €2,490.6 million. It increased more sharply than revenue (5.4%) because inventories of finished goods and work in progress decreased less in the reporting period than they had in the previous year (€18.3 million decrease vs. a €72.8 million decrease in the previous year).

The two biggest expense items, goods and services purchased and personnel expenses, rose only insignificantly more than total operating performance despite increases in primary costs. For example, goods and services purchased increased 8.1% year-on-year to €1,199.5 million in the first nine months of 2017. The ratio of goods and services purchased to total operating performance increased marginally, from 48.1% in the previous year to 48.2% in the reporting period.

The ratio of personnel expenses to total operating performance also increased only insignificantly in the first nine months of 2017, from 31.5% to 31.6%. Personnel expenses rose 8.2% to €786.5 million in the period from January to September 2017 due to new hiring and pay increases resulting from collective bargaining.

The negative balance of other operating income and expenses and own work capitalised changed from €246.0 million to €270.9 million. The ratio of this figure to total operating performance increased slightly from 10.7% to 10.9%. Expenses relating to the drinktec trade fair, which takes place only once every four years, were one of the main factors here, particularly in the third quarter. At €70.6 million, depreciation and amortisation of non-current assets in the first nine months of 2017 were up 7.3% year-on-year (previous year: €65.8 million).

Expenses relating to the drinktec trade fair resulted in higher other operating expenses. They were the main reason for the slight decrease in profitability in the first nine months.

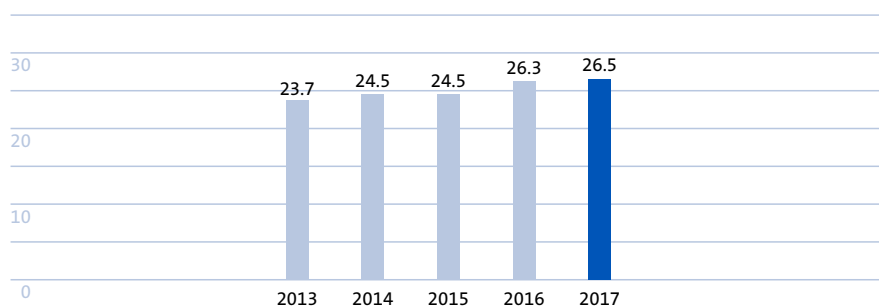
Earnings before interest and taxes (EBIT) improved by 3.0% overall, to €163.1 million in the first three quarters. Earnings before taxes (EBT) climbed 2.7% to €168.0 million. At 6.7%, the EBT margin (the ratio of earnings before taxes to revenue) was down slightly year-on-year (previous year: 6.9%). Because KRONES' tax rate increased from 30.1% in the previous year to 31.8% in the reporting period, consolidated net income for the first nine months of 2017 increased by only 0.3% to €114.6 million.

KRONES Group cash flow

€ million	2017	2016
	1 Jan – 30 Sep	1 Jan – 30 Sep
Earnings before taxes	168.0	163.6
Other non-cash expenses and income	+ 35.1	+ 120.0
Changes in working capital	– 228.6	– 229.7
Changes in other assets and liabilities	– 114.8	– 163.3
Cash flow from operating activities	– 140.3	– 109.4
Capital expenditure for PP&E and intangible assets	– 74.8	– 58.2
M&A activities	– 32.9	– 32.3
Other	+ 6.0	+ 2.9
Free cash flow	– 242.0	– 197.0
Cash flow from financing activities	+ 73.7	+ 48.5
Net change in cash and cash equivalents	– 168.3	– 148.5
Cash and cash equivalents at the end of the period	200.6	216.1

In the period from January to September 2017, KRONES' cash flow from operating activities decreased from –€109.4 million in the year-earlier period to –€140.3 million. The main reason for the decrease was that non-cash expenses and income contributed only €35.1 million in positive cash flow, compared with €120.0 million in the previous year. At €228.6 million, working capital in the reporting period was almost the same as in the previous year (€229.7 million). The ratio of average working capital for the past four quarters to revenue increased year-on-year to 26.5% (previous year: 26.3%).

KRONES Group working capital to revenue from 1 January to 30 September (%) (LTM)



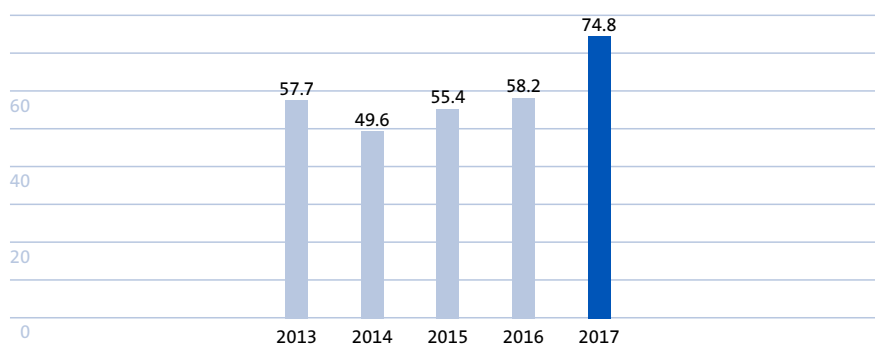
The ratio of average working capital for the past four quarters to revenue was up slightly to 26.5%. Nevertheless, we are confident that we will achieve our target of 27% for the year.

KRONES increased capital expenditure for intangible assets and property, plant and equipment to €74.8 million in the first nine months (previous year: €58.2 million). That was in keeping with our capital expenditure forecast. KRONES' free cash flow (net cash generated from operating activities) came to –€242.0 million for the first three quarters of 2017 after –€197.0 million in the previous year. Adjusted for acquisitions,

operating free cash flow decreased from –€164.7 million a year earlier to –€209.1 million. However, in our business, it is not unusual for free cash flow to be negative at various points throughout the year.

Free cash flow was down after nine months. However, it will be in strong positive territory in the fourth quarter.

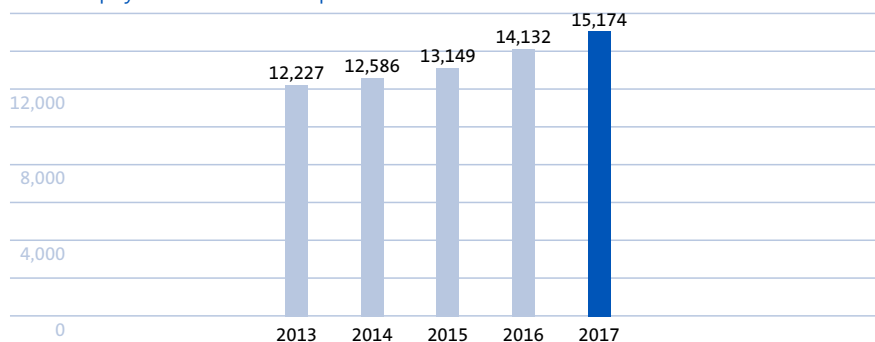
Capital expenditure for PP&E and intangible assets from 1 January to 30 September (€ million)



Cash flow from financing activities improved to €73.7 million in the first nine months of 2017, from €48.5 million in the year-earlier period. This item includes the dividend payout of €49.0 million as well as €122.7 million in proceeds from new borrowing (previous year: €94.3 million). All told, KRONES had cash and cash equivalents of €200.6 million at 30 September 2017 (previous year: €216.1 million).

Employees

KRONES employees worldwide at 30 September



KRONES employs 15,174 people worldwide

At the end of September 2017, KRONES employed 15,174 people, which is 1,042 or 7.4% more than in the previous year. The largest share of new hiring took place outside Germany, resulting in a 706 increase in workers abroad to 4,879. That reflects our strategy of increasing our local presence in the regions and growing our global footprint. But we also increased our workforce in Germany, adding 336 new employees to bring the total number to 10,295.

KRONES' workforce grew by 1,042 people in the first three quarters.

KRONES Group asset and capital structure

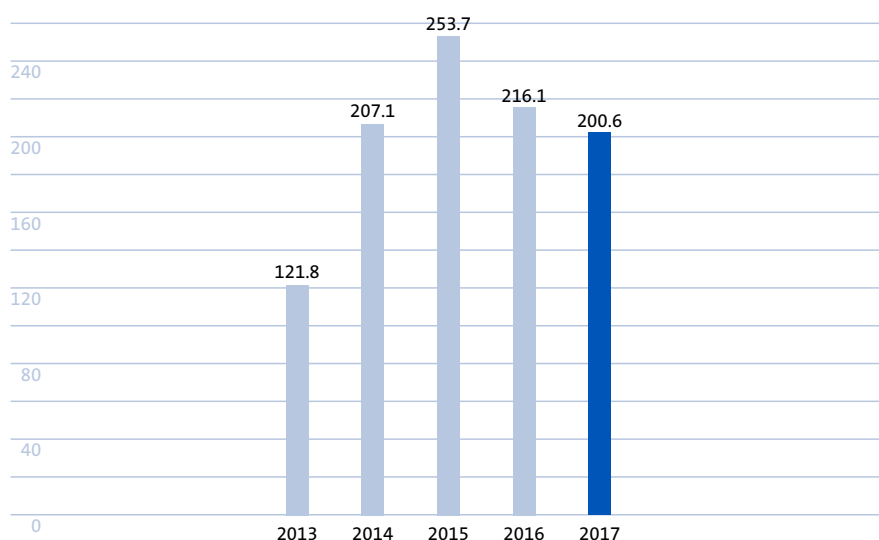
€ million	30 Sep 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014
Non-current assets	840	799	697	672
of which fixed assets	760	725	646	624
Current assets	2,171	2,272	2,010	1,756
of which cash and equivalents	201	369	365	336
Equity	1,267	1,225	1,111	989
Total debt	1,744	1,845	1,596	1,439
Non-current liabilities	314	308	278	275
Current liabilities	1,430	1,537	1,318	1,164
Total	3,011	3,071	2,707	2,428

Despite the higher business volume, total assets at 30 September 2017 were down 1.9% compared with the end of 2016, to €3,011.1 million.

The main reason was the development of current assets, which totalled €2,171.0 million at the end of the reporting period. That is 4.5% less than at 31 December 2016 (previous year: €2,272.3 million). The biggest factor here was cash and cash equivalents, which decreased from €368.9 million to €200.6 million in the reporting period due to the negative free cash flow. Trade receivables also decreased slightly, from €1,036.9 million to €1,031.3 million. By contrast, inventories increased from €728.4 million to €788.8 million in the reporting period because we were not yet able to complete a number of orders in the third quarter.

Despite higher business volume, KRONES reduced trade receivables slightly in the reporting period.

Cash and cash equivalents at 30 September (€ million)



A continued comfortable liquidity cushion and a sound equity position give KRONES the necessary financial stability and flexibility.

After the first nine months, the company had non-current assets totalling €840.1 million (31 December 2016: €798.5 million). The increase in fixed assets to €760.0 million (31 December 2016: €725.5 million) resulted primarily from the fact that KRONES reported “Investment accounted for using the equity method” for the first time in the reporting period (€28.0 million). While property, plant and equipment decreased slightly to €471.6 million (31 December 2016: €481.3 million), intangible assets, consisting primarily of development costs that must be capitalised, were up to €254.6 million at 30 September (31 December 2016: €238.3 million).

KRONES’ non-current liabilities, consisting largely of provisions for pensions, increased slightly to €314.0 million at 30 September 2017 (31 December 2016: €308.0 million). The company had no non-current bank debt at 30 September.

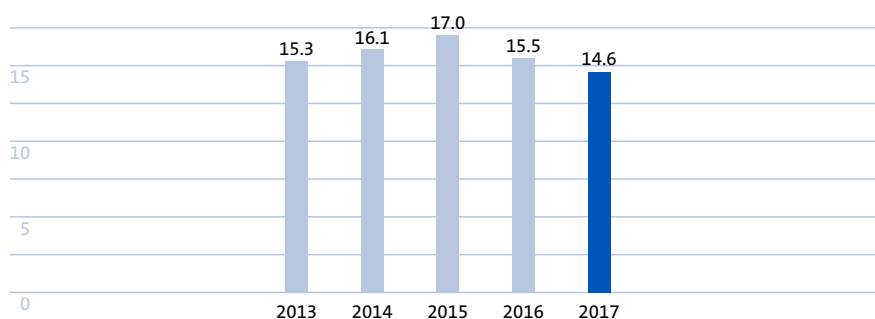
Current liabilities were down 6.9% from the end of the year 2016, to €1,430.5 million. That was due primarily to the reduction in trade payables and lower advances received. Because the company took on €122.7 million in short-term bank debt, net cash and cash equivalents (cash and cash equivalents less bank debt) amounted to €77.9 million at the end of September 2017.

Due to the positive consolidated earnings, equity increased from €1,225.5 million to €1,266.6 million in the reporting period. The equity ratio thus rose to 42.1% at 30 September 2017 (31 December 2016: 39.9%). All in all, our balance sheet shows that KRONES still has an extremely robust financial and capital structure.

Return on capital employed (ROCE) comes to 14.6% after nine months

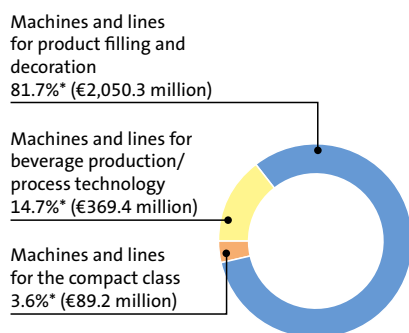
KRONES’ return on capital employed (ROCE), the ratio of EBIT to average net capital employed, decreased to 14.6% in the reporting period (previous year: 15.5%). That was due to a higher amount of capital employed.

KRONES Group ROCE from 1 January to 30 September (%)



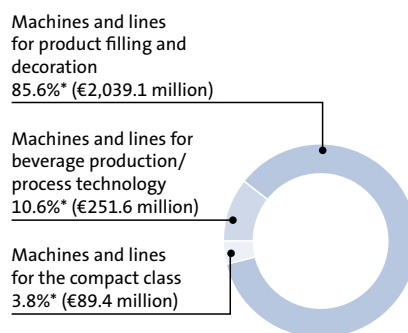
At 14.6%, ROCE for the nine-month period is lower than in the previous year.

Revenue by segment from 1 Jan to 30 Sep 2017



* Share of consolidated revenue of €2,508.9 million

Revenue by segment from 1 Jan to 30 Sep 2016



* Share of consolidated revenue of €2,380.1 million

Segment revenue

Revenue in our core segment, machines and lines for product filling and decoration, was down the third quarter of 2017 due to seasonal factors. The summer revenue slump was more pronounced than usual this year. Due to the strong first half, segment revenue for the first three quarters of 2017 was up slightly year-on-year, by 0.5% to €2,050.3 million (€2,039.1 million). This change reflects the fact that fewer projects were completed in the third quarter. However, after-sales business (LCS) contributed positively. We expect revenue to increase significantly in the fourth quarter. The core segment's share of consolidated revenue decreased year-on-year, from 85.6% to 81.7% in the reporting period.

Revenue in the machines and lines for beverage production/process technology segment rose 46.8% from €251.6 million in the previous year to €369.4 million in the period from January to September 2017. Revenue from the acquisitions SYSTEM LOGISTICS and TRANS-MARKET contributed to the high growth rate. Adjusted for the acquisitions, growth comes to 25%. Project deferments prevented an even larger revenue increase. The segment contributed 14.7% of consolidated revenue in the first three quarters (previous year: 10.6%).

A strong third quarter (18.0% increase in revenue) enabled our smallest segment, machines and lines for the compact class, to recoup almost entirely a 6.7% decline in revenue from the first half. In the period from January to September, the segment generated revenue totalling €89.2 million, almost exactly the same amount as in the previous year (€89.4 million). However, we will have to continue to work very hard to achieve our growth target of around 5% for the year 2017 as a whole. The segment's share of consolidated revenue decreased year-on-year, from 3.8% to 3.6%.

Revenue in KRONES' core segment grew only slightly in the first three quarters. Project postponements curbed growth in the process technology segment. A strong third quarter brought revenue in the compact class segment even with the year-earlier level.

Segment earnings

Despite the relatively low revenue figure, earnings were good in the machines and lines for product filling and decoration segment in the third quarter. That is due in large part to the successes of the Value strategy programme, our increasingly selective approach to low-margin orders, and positive contributions from our after-sales business. In the period from January to September 2017, earnings before taxes (EBT) improved 7.3% year-on-year, from €158.4 million to €169.9 million. The segment's EBT margin increased from 7.8% a year earlier to 8.3%. We expect the margin for 2017 as a whole to be more or less unchanged from 2016, at around 8%.

Earnings improved in our core and compact class segments in the reporting period. Process technology was in the red.

In the machines and lines for beverage production/process technology segment, project postponements and additional costs had a negative effect on earnings in the third quarter. In addition, the product mix had a negative effect on earnings. After the first nine months of 2017, segment earnings before taxes (EBT) came to –€6.8 million (previous year: +€0.6 million). We now expect the segment to more or less break even in 2017 (previous forecast: EBT margin of 2% to 3%).

In our smallest segment, machines and lines for the compact class, earnings benefited from increasing capacity utilisation in the first three quarters of 2017. Earnings before taxes (EBT) rose from €4.6 million in the previous year to €4.9 million. The EBT margin improved from 5.1% in the previous year to 5.5%. Thus, we are on track to achieve our EBT margin target of at least 5% for the year 2017.

Product filling and decoration		2017	2016
		1 Jan–30 Sep	1 Jan–30 Sep
EBT	€ million	169.9	158.4
EBT margin	%	8.3	7.8

Beverage production/process technology		2017	2016
		1 Jan–30 Sep	1 Jan–30 Sep
EBT	€ million	–6.8	0.6
EBT margin	%	–1.8	0.2

Compact class		2017	2016
		1 Jan–30 Sep	1 Jan–30 Sep
EBT	€ million	4.9	4.6
EBT margin	%	5.5	5.1

Executive Board affirms targets for 2017 as a whole

Despite many political and economic uncertainties, KRONES remains optimistic about the 2017 financial year. The packaging machinery market is growing at a relatively stable pace. Driving this growth are megatrends such as the steady growth of the middle class and increasing urbanisation in the emerging economies. Moreover, food and beverage producers increasingly must rely on innovative packaging solutions to distinguish themselves from the competition.

KRONES is expecting a strong Q4 2017.

Targets for the three segments

Given the competitive nature of our markets, KRONES does not expect prices to improve this year. Launching new products and services and further reducing costs remain important factors in our effort to grow further and increase earnings before taxes within the group in 2017. Moreover, KRONES intends to considerably increase its presence worldwide and move even closer to customers.

In our core segment, machines and lines for product filling and decoration, KRONES will press ahead with the modularisation of our products. We will expand our international service structures and LCS Centres in the interest of further growth. We are also strengthening our mid-range business – that is, less complex lines with high performance. There is high demand for these lines in the emerging markets. KRONES is projecting slightly lower-than-average revenue growth of 3% in 2017 for our core segment because we are intentionally forgoing low-margin orders. The EBT margin should be around 8%, as in the previous year.

In our process technology segment, we will continue to implement the measures developed in 2015 and complete implementation of several parts in 2017. This year, we intend to seize upon the considerable growth opportunities in intralogistics, which are also part of the process technology segment. Based on the results for the first nine months, we expect to achieve revenue growth of at least 10% and break-even earnings (previous forecast: EBT margin of 2% to 3%).

We expect the machines and lines for the compact class segment to achieve revenue growth of around 5% and an EBT margin of at least 5% in 2017.

Forecast for 2017 as a whole unchanged

Despite the somewhat weaker third quarter, KRONES' forecast for the year 2017 as a whole remains unchanged because we expect the fourth quarter to be strong. Based on the current macroeconomic prospects and development of the markets relevant to KRONES, we are targeting consolidated revenue growth of 4% in 2017. The company's EBT margin should be stable at 7.0% this year. Our forecast for our third financial performance target, working capital to revenue, is 27% for the current financial year. Acquisitions are not included in these forecasts.

	Forecast for 2017*	Actual value 9 months 2017
Revenue growth	+4%	+5.4%
EBT margin	7.0%	6.7%
Working capital to revenue (%) (LTM)	27%	26.5%

* Excluding acquisitions



€ million	2017 1 January– 30 September	2016 1 January– 30 September	Change %
Revenue	2,508.9	2,380.1	+5.4
Changes in inventories of finished goods and work in progress	–18.3	–72.8	
Total operating performance	2,490.6	2,307.3	+7.9
Goods and services purchased	–1,199.5	–1,109.9	+8.1
Personnel expenses	–786.5	–727.2	+8.2
Other operating income/expenses and own work capitalised	–270.9	–246.0	+10.1
Depreciation and amortisation on fixed assets	–70.6	–65.8	+7.3
EBIT	163.1	158.4	+3.0
Financial income/expense	5.8	5.2	
Profit or loss shares attributable to associates that are accounted for using the equity method	–0.9	–	
Earnings before taxes	168.0	163.6	+2.7
Income tax	–53.4	–49.3	+8.3
Consolidated net income	114.6	114.3	+0.3
Profit attributable to non-controlling interests	–1.6	–0.9	
Profit attributable to KRONES Group shareholders	116.2	115.2	
Earnings per share (diluted/basic) in €	3.68	3.65	

€ million	2017 1 July– 30 September	2016 1 July– 30 September	Change %
Revenue	733.7	819.8	–10.5
Changes in inventories of finished goods and work in progress	41.0	–73.3	
Total operating performance	774.7	746.5	+3.8
Goods and services purchased	–373.3	–360.5	+3.6
Personnel expenses	–246.4	–231.2	+6.6
Other operating income/expenses and own work capitalised	–85.7	–77.8	+10.2
Depreciation and amortisation on fixed assets	–23.3	–21.9	+6.4
EBIT	46.0	55.1	–16.5
Financial income/expense	1.5	1.2	
Profit or loss shares attributable to associates that are accounted for using the equity method	–0.5	–	
Earnings before taxes	47.0	56.3	–16.5
Income tax	–14.8	–16.4	–9.8
Consolidated net income	32.2	39.9	–19.3
Profit attributable to non-controlling interests	–0.7	–0.3	
Profit attributable to KRONES Group shareholders	32.9	40.2	
Earnings per share (diluted/basic) in €	1.04	1.27	

Condensed consolidated statement of financial position

Assets € million	30 September 2017	31 December 2016
Intangible assets	254.6	238.3
Property, plant and equipment	471.6	481.3
Non-current financial assets	5.8	5.9
Investment accounted for using the equity method	28.0	0.0
Fixed assets	760.0	725.5
Deferred tax assets	20.8	24.7
Trade receivables	55.8	44.1
Income tax receivables	0.5	1.1
Other assets	3.0	3.1
Non-current assets	840.1	798.5
Inventories	788.8	728.4
Trade receivables	1,031.3	1,036.9
Current income tax receivables	7.1	3.8
Other assets	143.2	134.3
Cash and cash equivalents	200.6	368.9
Current assets	2,171.0	2,272.3
Total	3,011.1	3,070.8

Equity and liabilities € million	30 September 2017	31 December 2016
Equity	1,266.6	1,225.5
Provisions for pensions	219.1	219.1
Deferred tax liabilities	8.7	2.9
Other provisions	49.9	51.7
Provisions for taxes	5.2	5.3
Liabilities to banks	0.0	0.0
Other financial obligations	21.5	26.1
Other liabilities	9.6	2.9
Non-current liabilities	314.0	308.0
Other provisions	136.6	157.8
Provisions for taxes	27.4	21.2
Liabilities to banks	122.7	0.0
Advances received	567.7	615.2
Trade payables	236.4	323.8
Current tax liabilities	1.8	5.3
Other financial obligations	6.8	56.0
Other liabilities and accruals	331.1	358.0
Current liabilities	1,430.5	1,537.3
Total	3,011.1	3,070.8

Condensed consolidated statement of cash flows

€ million	2017 1 January– 30 September	2016 1 January– 30 September
Earnings before taxes	168.0	163.6
Depreciation and amortisation (reversals)	70.6	65.8
Decrease (previous year: Increase) in provisions	–29.4	49.4
Deferred tax item changes recognised in profit or loss	–4.3	9.1
Interest expenses and interest income	–3.0	–3.3
Gains and losses from the disposal of fixed assets	0.1	–0.1
Other non-cash expenses and income	1.1	–0.9
Increase in inventories, trade receivables, and other assets not attributable to investing or financing activities	–73.2	–162.3
Decrease in trade payables and other liabilities not attributable to investing or financing activities	–224.1	–177.9
Cash generated from operating activities	–94.2	–56.6
Interest paid	–0.1	–0.7
Income tax paid and refunds received	–46.0	–52.1
Cash flow from operating activities	–140.3	–109.4
Cash payments to acquire intangible assets	–36.7	–31.5
Cash payments to acquire property, plant and equipment	–38.1	–26.7
Proceeds from the disposal of property, plant and equipment	1.2	1.4
Cash payments to acquire non-current financial assets	–24.9	–3.3
Proceeds from the disposal of non-current financial assets	0.1	0.2
Cash payments to acquire subsidiaries and equity interests	–8.0	–32.3
Interest received	1.9	2.8
Dividends received	2.8	1.8
Cash flow from investing activities	–101.7	–87.6
Cash payments to company owners	–49.0	–45.8
Proceeds from new borrowing	122.7	94.3
Cash flow from financing activities	73.7	48.5
Net change in cash and cash equivalents	–168.3	–148.5
Change in cash and cash equivalents arising from exchange rates	0.0	0.0
Cash and cash equivalents at the beginning of the period	368.9	364.6
Cash and cash equivalents at the end of the period	200.6	216.1

€ million	Parent company							Non-controlling interests	Group equity
	Share capital	Capital reserves	Profit reserves	Currency differences in equity	Other reserves	Group retained earnings	Equity	Equity	
At 31 December 2015	40.0	141.7	364.5	-7.1	-77.4	649.4	1,111.1	-0.4	1,110.7
Dividend payment (€1.45 per share)						-45.8	-45.8		-45.8
Consolidated net income 9 months 2016						115.2	115.2	-0.9	114.3
Currency differences				-12.9			-12.9		-12.9
Changes in the consolidated group							0.0	0.9	0.9
Remeasurement of defined benefit plans					-0.6		-0.6		-0.6
Hedge accounting incl. Afs					1.5		1.5		1.5
At 30 September 2016	40.0	141.7	364.5	-20.0	-76.5	718.8	1,168.5	-0.4	1,168.1
Consolidated net income Q4 2016						55.6	55.6	-0.8	54.8
Allocation to profit reserves			0.5			-0.5	0.0		0.0
Currency differences				22.8			22.8		22.8
Changes in the consolidated group							0.0	-0.9	-0.9
Remeasurement of defined benefit plans					-14.9		-14.9		-14.9
Puttable instruments					-0.8		-0.8		-0.8
Hedge accounting incl. Afs					-3.6		-3.6		-3.6
At 31 December 2016	40.0	141.7	365.0	2.8	-95.8	773.9	1,227.6	-2.1	1,225.5
Dividend payment (€1.55 per share)						-49.0	-49.0		-49.0
Consolidated net income 9 months 2017						116.2	116.2	-1.6	114.6
Currency differences				-31.2			-31.2		-31.2
Changes in the consolidated group							0.0	0.7	0.7
Remeasurement of defined benefit plans					0.0		0.0		0.0
Hedge accounting incl. Afs					6.0		6.0		6.0
At 30 September 2017	40.0	141.7	365.0	-28.4	-89.8	841.1	1,269.6	-3.0	1,266.6

Condensed consolidated interim statement of comprehensive income

€ million	2017 1 January – 30 September	2016 1 January – 30 September
Consolidated net income	114.6	114.3
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains and losses on pensions and similar obligations	0.0	–0.6
	0.0	–0.6
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation	–31.2	–12.9
Derivative financial instruments	6.0	1.5
	–25.2	–11.4
Other comprehensive income	–25.2	–12.0
Total comprehensive income	89.4	102.3
of which attributable to non-controlling interests	–1.6	–0.9
of which attributable to KRONES Group shareholders	91.0	103.2

€ million	Machines and lines for product filling and decoration		Machines and lines for beverage production/ process technology		Machines and lines for the compact class		KRONES Group	
	2017 1 Jan – 30 Sep	2016 1 Jan – 30 Sep	2017 1 Jan – 30 Sep	2016 1 Jan – 30 Sep	2017 1 Jan – 30 Sep	2016 1 Jan – 30 Sep	2017 1 Jan – 30 Sep	2016 1 Jan – 30 Sep
Revenue	2,050.3	2,039.1	369.4	251.6	89.2	89.4	2,508.9	2,380.1
EBT	169.9	158.4	-6.8	0.6	4.9	4.6	168.0	163.6
EBT margin	8.3%	7.8%	-1.8%	0.2%	5.5%	5.1%	6.7%	6.9%
Employees at 30 September*	12,611	11,944	1,516	1,321	538	517	14,665	13,782

* Consolidated group

Pursuant to Section 8 (1) of the articles of association, six members 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 Sections 1 (1) and 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

Philipp Graf

von und zu Lerchenfeld

Member of the German Bundestag,
Dipl.-Ing. agr., auditor and tax
consultant

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
since 20 June 2017

Johann Robold**

Member of the Works Council
until 20 June 2017

Petra Schadeberg-Herrmann

Managing partner at KROMBACHER
FINANCE GMBH, SCHAWEL GMBH,
DIVERSUM HOLDING GMBH & CO. KG

* CHOCOLADEFABRIKEN LINDT &
SPRÜNGLI AG

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,
Communication, Quality,
Information Management

Michael Andersen

CFO

Finance, Controlling,
Strategic Purchasing

Rainulf Diepold

Sales and Marketing

Thomas Ricker

Bottling and Packaging
Equipment

Markus Tischer

International Operations
and Services

Ralf Goldbrunner

Plants and Components

* 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

15 March 2018	Annual Report 2017
26 April 2018	Quarterly statement for the period ended 31 March 2018
13 June 2018	Annual General Meeting 2018
26 July 2018	Interim report for the period ended 30 June 2018
25 October 2018	Quarterly statement for the period ended 30 September 2018

Publication Information

Published by	KRONES AG Böhmerwaldstrasse 5 93073 Neutraubling Germany
Project lead	Roland Pokorny, Leiter Corporate Communications
Design	Büro Benseler
Text	KRONES AG, InvestorPress GmbH
Photography	KRONES AG
Printing	Druckerei Herrmann

This English language report is a translation of the original German “Quartalsmitteilung über den Zeitraum vom 1. Januar bis 30. September 2017”. In case of discrepancies the German text shall prevail.



KRONES AG
Investor Relations
Olaf Scholz
Phone +49 9401 70-1169
Fax +49 9401 70-911169
E-mail investor-relations@krones.com
Internet www.krones.com
Böhmerwaldstrasse 5
93073 Neutraubling
Germany

 **KRONES**