

Q3

Quarterly statement for
the period from 1 January
to 30 September 2018

 **KRONES**

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Highlights and key figures

KRONES reduces turnover and earnings forecast for 2018

- At the end of the first nine months, EBT is down by 17.0% to €139.4 million due to rising costs of goods and labour and to a one-time expense in connection with setting up our production location in Hungary.
- Based on the results and the current forecast, KRONES is reducing its full year earnings forecast for 2018. Adjusted for one-time expenses, the EBT margin is targeted at 6.5% instead of the 7.0% projected previously.
- Turnover for the first three quarters, at €2,692.8 million, is 7.3% higher than in the previous year. The Executive Board is nonetheless revising the turnover growth target for 2018, due to large-scale projects being postponed and to negative currency effects, from 6% to 4%.
- Overall, KRONES maintains its mid-term targets. However, reaching these targets will take one or two years longer than planned.

Key figures for Q1–Q3		1 Jan – 30 Sep 2018	1 Jan – 30 Sep 2017	Change %
Revenue	€ million	2,692.8	2,508.9	+ 7.3
Order intake	€ million	2,940.0	2,696.8	+ 9.0
Orders on hand at 30 September	€ million	1,487.3	1,332.6	+ 11.6
EBITDA	€ million	206.1	233.7	– 11.8
EBITDA margin	%	7.7	9.3	– 1.6 PP*
EBIT	€ million	132.6	163.1	– 18.7
EBT	€ million	139.4	168.0	– 17.0
EBT margin	%	5.2	6.7	– 1.5 PP*
Net income	€ million	99.4	114.6	– 13.3
Earnings per share	€	3.16	3.68	– 14.1
Capital expenditure for PP&E and intangible assets	€ million	89.6	74.8	+ €14.8 million
Free cash flow	€ million	– 140.0	– 242.0	+ €102.0 million
Net cash and cash equivalents at 30 September**	€ million	– 34.1	77.9	– €112.0 million
Working capital to revenue***	%	28.8	26.5	+ 2.3 PP*
ROCE	%	12.3	14.6	– 2.3 PP*
Employees at 30 September				
Worldwide		15,949	15,174	+ 775
Germany		10,601	10,295	+ 306
Outside Germany		5,348	4,879	+ 469

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

Key figures for Q3		1 Jul – 30 Sep 2018	1 Jul – 30 Sep 2017	Change %
Revenue	€ million	902.0	733.7	+ 22.9
Order intake	€ million	925.2	917.5	+ 0.8
EBITDA	€ million	48.8	69.3	– 29.6
EBITDA margin	%	5.4	9.4	– 4.0 PP*
EBIT	€ million	22.9	46.0	– 50.2
EBT	€ million	26.7	47.0	– 43.2
EBT margin	%	3.0	6.4	– 3.4 PP*
Net income	€ million	22.5	32.2	– 30.1
Earnings per share	€	0.71	1.04	– 31.7

Dear shareholders and friends of **KRONES**,

The third quarter of 2018 developed positively for **KRONES** on the demand side. Our customers' investment confidence remained satisfactory, although the economic climate has deteriorated significantly since the beginning of the year. The company thus increased turnover by 7.3% and order intake by 9.0% year-on-year in the first nine months. Despite this, **KRONES** will remain below its forecast turnover growth in 2018 as a whole. This is due to large-scale projects being postponed and to negative currency effects. Instead of 6%, we now expect turnover growth of 4% in 2018.

KRONES cannot be satisfied with the development of its profitability. We were no longer able to compensate the strong increasing costs of goods and labour. The price increase we introduced in May to offset the cost increases will not significantly influence our order intake and turnover until next year. On top of this, there are one-time expenses in the low double-digit millions of euros, incurred mainly during the third quarter in connection with setting up our production location in Hungary. As we continue to invest heavily in our company's future – in areas such as digitalisation and expanding our global footprint – we will no longer meet the profitability target set for this year. Earnings before taxes (EBT) from January to September fell, partly because of the one-time expense, by 17% to €139 million. Instead of the 7.0% EBT margin previously targeted for the full year 2018, we are now targeting an EBT margin, adjusted for one-time expenses, of approximately 6.5%.

Overall, we are maintaining our mid-term targets of an 8% EBT margin and 22% working capital as a percentage of turnover. The measures we have implemented to enhance profitability have not yet taken full effect. However, reaching these targets will take one or two years longer than planned.

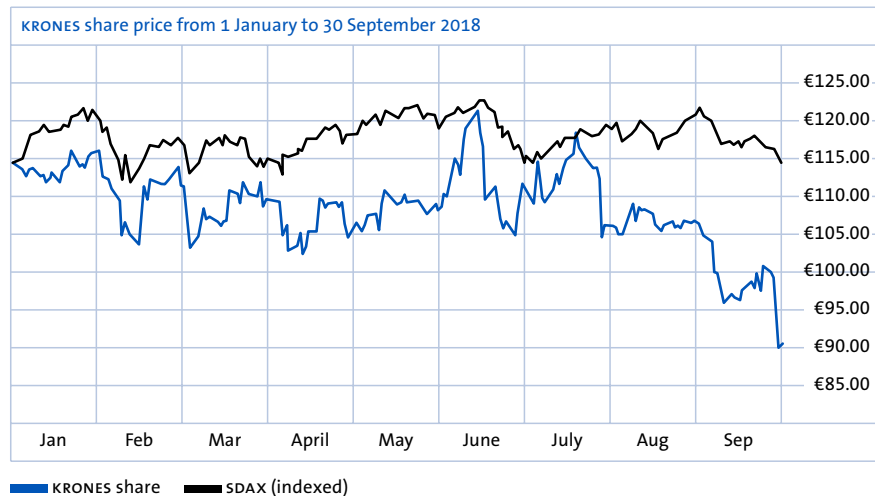
Despite the challenges, the company fundamentally maintain an optimistic outlook. Our market continues to present good growth opportunities, especially in emerging economies. Leveraging those opportunities while enhancing **KRONES**' profitability is now the task at hand. Everyone is called upon to master that task in their day-to-day work. The Executive Board is confident that together, as a team, we will meet the coming challenges and successfully shape the future of **KRONES**.



Christoph Klenk
CEO

German stock market underperforms international exchanges

Germany's best-known share index, the DAX, ended each of the last six years with price gains. This series looks set to come to an end in 2018. At the end of the first three quarters, the DAX was down 5.2%. Trade tensions between the major economic blocs comprising the USA, China and Europe dragged down German share prices. The DAX's performance from January to September 2018 was below the international average. The Euro Stoxx 50, made up of the 50 largest companies in the euro area, lost just 3.0%. Driven by good results from a number of tech firms, US share prices rose substantially in the third quarter, with a gain of 9.0%. In the first nine months of 2018, the Dow Jones gained 7.0%. The Japanese stock market was likewise buoyant. From January to September, the Nikkei index gained 5.6%.



KRONES shares did significantly less well than the overall market in the first nine months of 2018.

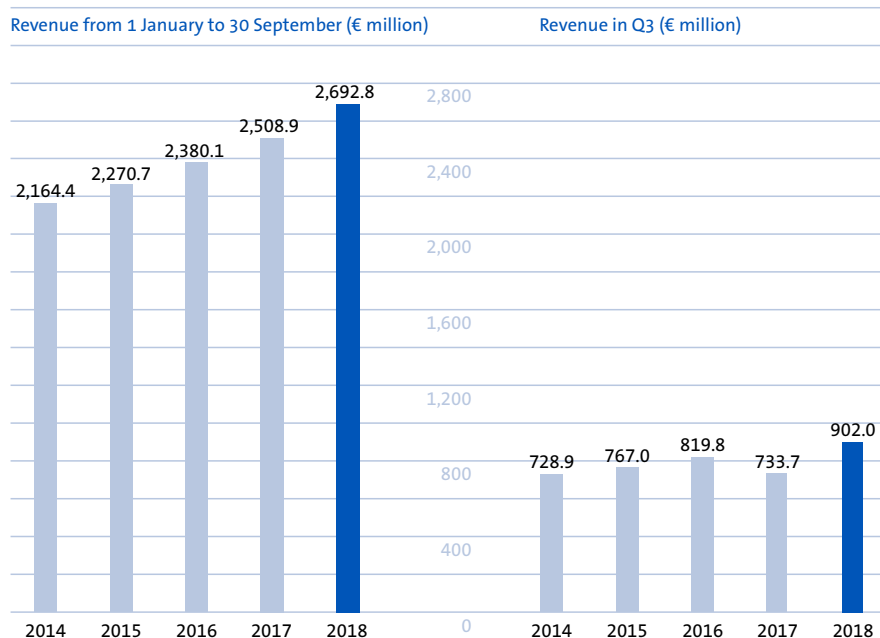
KRONES share price very weak in third quarter

After continuing to perform similarly to the market with slight losses in the first half of 2018, the KRONES share price fell sharply in the third quarter. One reason was the results for the first half of 2018, which a number of analysts considered unsatisfactory. Except for some brief recoveries, this made for constant pressure on the share price through the third quarter. Our share price dropped 18.4% from July to September to close the third quarter at €90.35. In total, KRONES shares consequently lost 21.1% in the first nine months of 2018. Adding back the dividend of €1.70 per share, the share price loss was 19.6%. The SDAX, of which KRONES has been a component since 18 June 2018, lost 0.7% in the same period. On 18 September, we held a Capital Market Day at our STEINECKER plant in Freising. At the event, we provided analysts with information about new developments in process engineering and about KRONES' digitalisation strategy.

Revenue

KRONES further increases revenue

Growth at KRONES accelerated as expected. Revenue from July to September 2018 was up 22.9% year-on-year, to €902.0 million in the third quarter. The high growth rate partly reflects the low level of the prior-year figure due to timing. However, also compared to the first two quarters the revenue for Q3, which mainly was generated from sales of new machines, was good. KRONES benefited from a favourable general market environment and its broad product range.

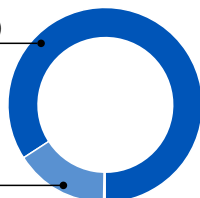


Revenue in the first nine months of 2018 increased by 7.3% year-on-year, from €2,508.9 million to €2,692.8 million. Acquisitions had no material impact on revenue in the first three quarters of 2018. Sales were negatively affected by currency translation in a mid-double-digit million euro amount. Overall, revenue in the first nine months is within the projected range.

Revenue by segment from 1 Jan to 30 Sep 2018

Machines and lines for product filling and decoration
84.4%* (€2,271.4 million)

Machines and lines for beverage production/process technology
15.6%* (€421.4 million)

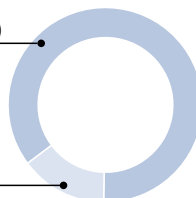


* Share of consolidated revenue of €2,692.8 million

Revenue by segment from 1 Jan to 30 Sep 2017

Machines and lines for product filling and decoration
85.3%* (€2,139.5 million)

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



* Share of consolidated revenue of €2,508.9 million

Revenue by region

Revenue in Germany was down in the first three quarters, mainly due to project timing. In total, domestic revenue in the period January to September 2018 decreased by 19.8% year-on-year to €231.7 million. Business in Germany accounted for 8.6% of consolidated revenue, down from 11.5% in the previous year.

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

KRONES' European business (excluding Germany) showed good overall growth in the reporting period. In the large Western Europe sales region, revenue in the first nine months of 2018 was up 14.2% year-on-year to €487.4 million. Central Europe (Austria, Switzerland and the Netherlands) saw a disproportionately strong increase in revenue by 29.6% to €151.6 million. Prior-year revenue was also low in Eastern Europe. There, KRONES increased revenue by 41.8% in the first three quarters of 2018. The Russia/CIS region likewise picked up after a cyclical downturn. Revenue there improved by 25.4% in the first three quarters of 2018. In all, KRONES' revenue in Europe (excluding Germany) for the period January to September 2018 was up 21.0% year-on-year from €672.6 million to €813.7 million. The share of consolidated revenue in the reporting period accounted for by Europe (excluding Germany) increased to 30.3% (previous year: 26.9%).

Revenue in KRONES' key growth region of the Middle East/Africa held a stable upward trend through the first three quarters of 2018. At €399.8 million, revenue was up 5.9% year-on-year. The growth rate in China was significantly higher. Business there has increased from quarter to quarter since the beginning of 2018. From January to September, revenue climbed by 21.4% year-on-year to €183.6 million. The relatively low prior-year level must however be taken into account here. In the remainder of the Asia/Pacific region, revenue in the first three quarters was down 9.5% to €326.1 million. Business there was at a high level in the previous year, however.

Revenue in the South America/Mexico region continued to grow well in the reporting period. At €344.7 million, revenue exceeded the already high prior-year figure by 22.4%. After a quiet start to the year, our business in the North and Central America region increasingly gained momentum. Revenue in the first nine months was up 4.5% year-on-year to €393.3 million.

KRONES Group revenue by region

Share of consolidated revenue	1 Jan to 30 Sep 2018		1 Jan to 30 Sep 2017		Change
	€ million	%	€ million	%	
Germany	231.7	8.6	289.0	11.5	-19.8
Central Europe (excluding Germany)	151.6	5.6	117.0	4.7	+29.6
Western Europe	487.4	18.2	426.7	17.0	+14.2
Eastern Europe	113.0	4.2	79.7	3.2	+41.8
Russia, Central Asia (CIS)	61.7	2.3	49.2	2.0	+25.4
Middle East/Africa	399.8	14.8	377.6	15.1	+5.9
Asia-Pacific	326.1	12.1	360.3	14.3	-9.5
China	183.5	6.8	151.2	6.0	+21.4
South America/Mexico	344.7	12.8	281.7	11.2	+22.4
North and Central America	393.3	14.6	376.5	15.0	+4.5
Total	2,692.8	100.0	2,508.9	100.0	+7.3

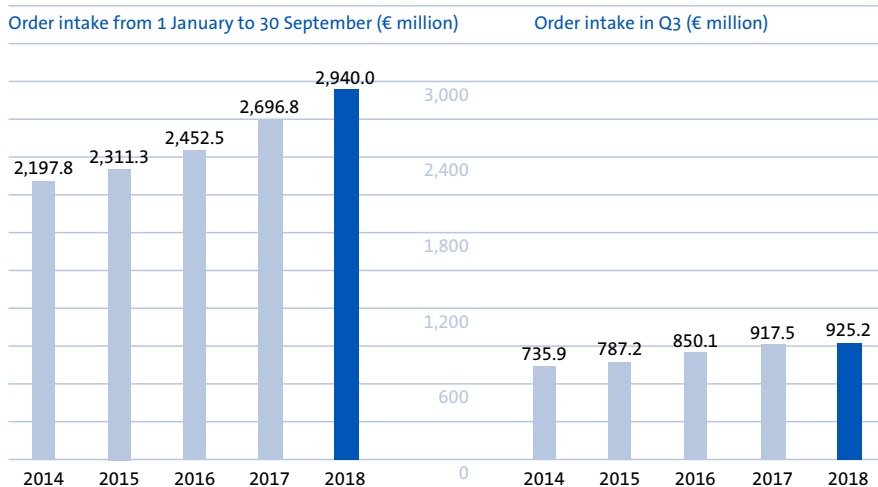
KRONES' revenue remains well balanced internationally in established and emerging markets. In total, the company generated 53.0% (previous year: 51.8%) of consolidated revenue in emerging markets during the first three quarters of 2018. Mature industrialised economies accounted for 47.0% (previous year: 48.2%) of KRONES' revenue.

Order intake in first nine months up 9.0% year-on-year

KRONES is satisfied with demand for its products and services overall. Order intake in the first three quarters of 2018 was up 9.0% year-on-year to €2,940.0 million. From July to September 2018, orders showed 0.8% year-on-year growth to €925.2 million. This must be seen in the context of the very large order intake in the third quarter of 2017. The price increase as of 1 May 2018 had just little impact on the volume of customer orders. Acquisitions had no noticeable effect on order intake.

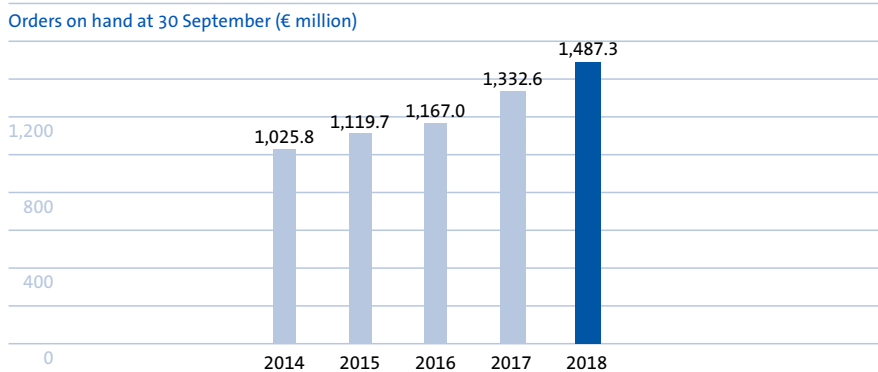
KRONES recorded the strongest growth in order intake during the first nine months of 2018 in Europe, China and Eastern Europe. Order intake in the Middle East/Africa region, North America and South America was stable. There was a decrease in order intake in the Asia/Pacific region.

Demand for KRONES' products and services has further increased. Order intake from January to September 2018 was up 9.0% year-on-year.



Large orders backlog increases planning certainty

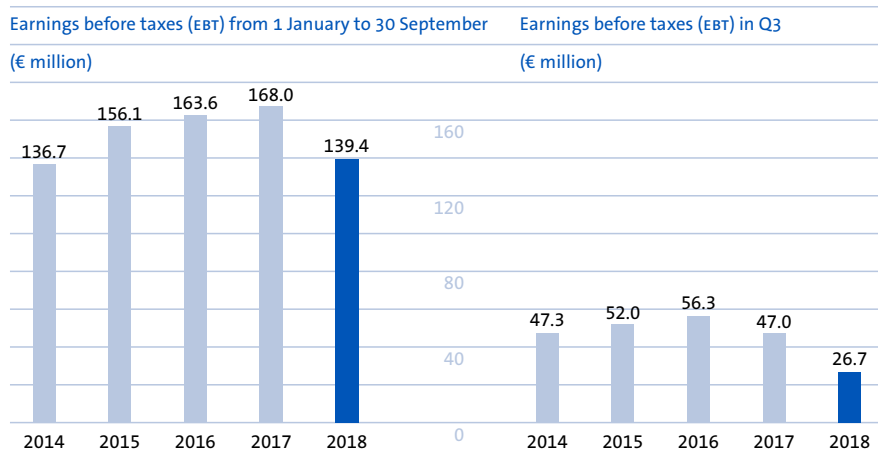
At €1,487.3 million as of 30 September 2018, orders on hand at KRONES were up 11.6% on the previous year (€1,332.6 million). The comfortable orders backlog provides a sound basis for balanced utilisation of production capacity in the months ahead and provides KRONES with enhanced planning certainty overall.



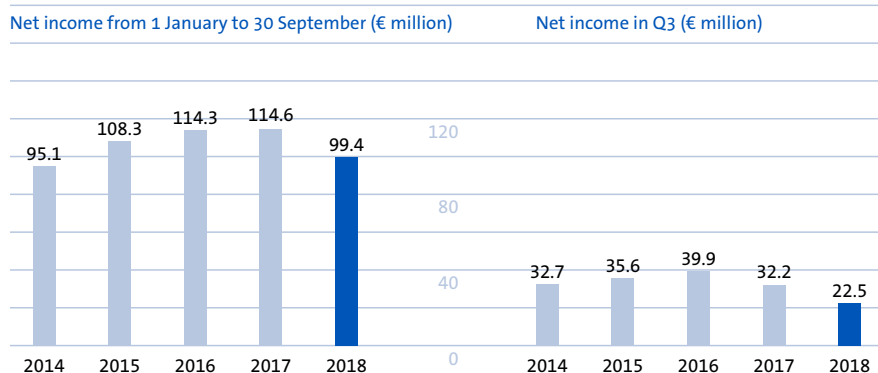
Extraordinary expenses impact profitability at KRONES

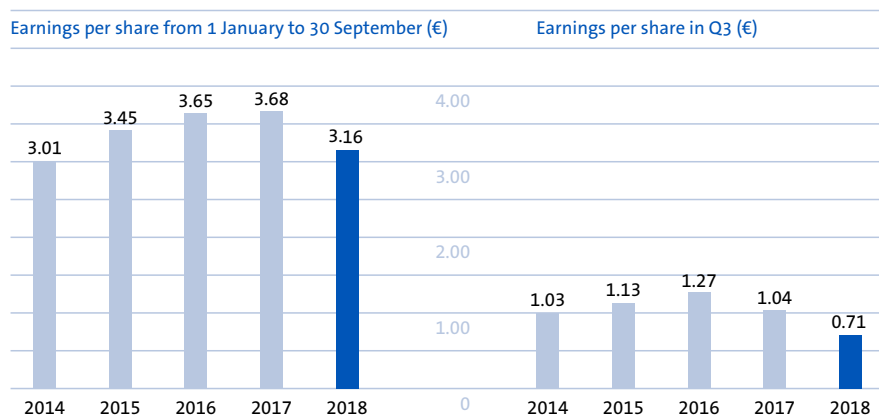
Despite higher revenue, the key earnings figures for the first nine months of 2018 are down year on a year. This is mainly due to higher costs of goods and services and of labour combined with an adverse product mix. In addition, third quarter earnings are affected by expenses in the low double-digit million euro range for setting up the production location in Hungary. In the period from January to September 2018, earnings before taxes (EBT) were down 17.0% year-on-year to €139.4 million. The EBT margin dropped from 6.7% in the previous year to 5.2%. Adjusted for the one-time costs, KRONES' EBT margin in the first nine months was almost 6%. After taxes, consolidated net income was down by 13.3% on the prior-year figure to €99.4 million in the reporting period. Earnings per share for the period fell from €3.68 in the previous year to €3.16. Excluding the one-time costs, consolidated net income and earnings per share would be at level with the previous year.

Adjusted for extraordinary expenses, KRONES' EBT margin was almost 6% in the first three quarters of 2018 (previous year: 6.7%).



Extraordinary expenses for the plant in Hungary had a major impact on the statement of profit or loss for the third quarter of 2018. Earnings before taxes (EBT) were down 43.2% year-on-year to €26.7 million. The EBT margin consequently dropped from 6.4% in the previous year to 3.0%. Adjusted for the one-time expenses, the EBT margin is just over 5%. A lower tax rate than in the prior year meant that the decrease in consolidated net income, by 30.1% to €22.5 million, was not quite as steep as the decrease in EBT. Earnings per share went down from €1.04 in the previous year to €0.71. Excluding the one-time costs, consolidated net income and earnings before taxes would show a slight increase.





KRONES' temporarily lower profitability is also reflected in earnings per share.

KRONES Group earnings structure

€ million	2018 1 Jan–30 Sep	2017 1 Jan–30 Sep	Change %
Revenue	2,692.8	2,508.9	+7.3
Changes in inventories of finished goods and work in progress	22.7	–18.3	
Total operating performance	2,715.5	2,490.6	+9.0
Goods and services purchased	–1,384.2	–1,199.5	+15.4
Personnel expenses	–848.3	–786.5	+7.9
Other operating income (expenses) and own work capitalised	–276.9	–270.9	+2.2
EBITDA	206.1	233.7	–11.8
Depreciation and amortisation on fixed assets	–73.5	–70.6	+4.1
EBIT	132.6	163.1	–18.7
Financial income	8.6	5.8	
Income from equity-accounted associates	–1.8	–0.9	
EBT	139.4	168.0	–17.0
Income tax	–40.0	–53.4	–25.1
Consolidated net income	99.4	114.6	–13.3

KRONES improved total operating performance in the first three quarters of 2018 by 9.0% to €2,715.5 million. This was greater than the growth in revenue (which was up 7.3%) because the company increased inventories of finished goods and work in progress by €22.7 million in the reporting period, in contrast to the previous year when these decreased by €18.3 million.

KRONES' profitability in the reporting period was down on a year earlier. Alongside one-time expenses for the Hungarian location, this mainly related to the substantial increase in goods and services purchased. The latter rose by 15.4% year-on-year to €1,384.2 million in the first nine months of 2018. The ratio of goods and services purchased to total operating performance went up from 48.2% in the previous year to 51.0% in the reporting period. In addition to higher procurement prices, contributing factors here included disproportionately high sales growth in process technology –

One-time restructuring expenses and a sharp increase in goods and services purchased affected KRONES' profitability in the reporting period

where costs of goods and services purchased account for a larger share – and strong new machinery sales in our core segment.

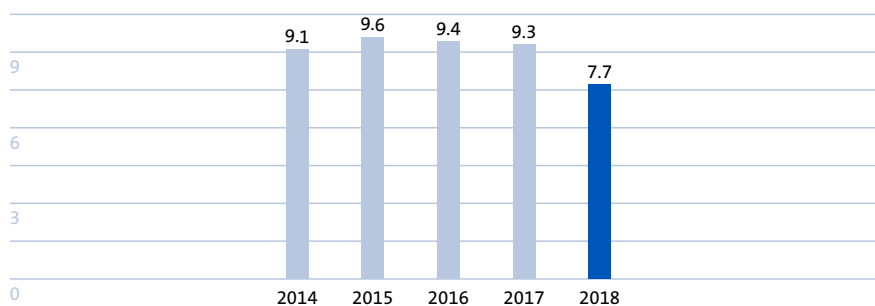
The ratio of personnel expenses to total operating performance developed positively. Despite pay increases and growth in the workforce, KRONES reduced this ratio with further optimisation of internal resources from 31.6% a year earlier to 31.2% in the first nine months of 2018. From January to September 2018, personnel expenses went up by 7.9% to €848.3 million.

To continue delivering innovative products and services at top quality despite steadily increasing material and labour costs, KRONES raised the prices for all bottling and packaging machinery and for process technology by an average of 4.5% and adjusted its payment terms effective 1 May 2018.

KRONES was able to cut other operating expenses in the first nine months of 2018 by achieving savings in all major cost areas. Other operating expenses decreased from €369.2 million in the previous year to €363.9 million. The ratio of other operating expenses to total operating performance was down year-on-year from 14.8% to 13.4%. Other operating income decreased from €64.0 million to €56.6 million. At €30.4 million, other own work capitalised was also down on the prior-year figure (€34.3 million). The net balance of other operating income and expenses and own work capitalised decreased just slightly from –€270.9 million to –€276.9 million and expressed as a percentage of total operating performance remained broadly stable at 10.2% compared with 10.8% in the previous year. At €73.5 million in the first nine months of 2018, depreciation and amortisation of fixed assets was 4.1% higher than the €70.6 million recorded in the prior-year period.

In total, earnings before interest and taxes (EBIT) decreased in the first three quarters by 18.7% to €132.6 million. Due to the improved financial income (€8.6 million versus €5.8 million a year earlier), the decrease in earnings before taxes (EBT) – by 17.0% to €139.4 million – was not as large as the decrease in EBIT. The EBT margin was 5.2%, significantly lower than the 6.7% prior-year figure. Excluding the one-time restructuring expenses, the EBT margin for the first three quarters would be close to 6%. KRONES' tax rate improved in the reporting period from 31.8% in the previous year to 28.7%. Consolidated net income for the period January to September 2018 came to €99.4 million (previous year: €114.6 million).

EBITDA margin from 1 January to 30 September (%)



Earnings before interest, taxes, depreciation and amortisation (EBITDA) decreased by 11.8% in the first three quarters of 2018. The EBITDA margin dropped from 9.3% to 7.7%. Excluding the one-time restructuring expenses, the EBITDA margin would be over 8%.

KRONES Group cash flow

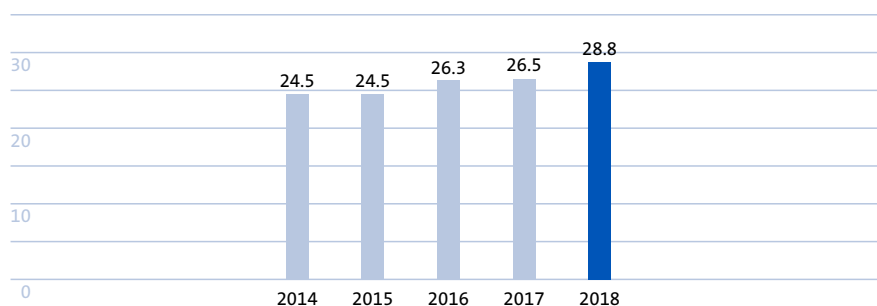
€ million	2018 1 Jan – 30 Sep	2017 1 Jan – 30 Sep
Earnings before taxes	139.4	168.0
Other non-cash changes	+49.3	+35.1
Changes in working capital	–141.0	–228.6
Changes in other assets and liabilities	–97.9	–114.8
Cash flow from operating activities	–50.2	–140.3
Capital expenditure for PP&E and intangible assets	–89.6	–74.8
M&A activities	–9.5	–32.9
Other	+9.3	+6.0
Free cash flow	–140.0	–242.0
Cash flow from financing activities	+168.7	+73.7
Other	+2.2	0.0
Net change in cash and cash equivalents	30.9	–168.3
Cash and cash equivalents at the end of the period	212.9	200.6

From January to September 2018, KRONES improved cash flow from operating activities by €90.1 million year-on-year, from –€140.3 million to –€50.2 million. This was mainly due to the fact that the increase in working capital, at €141.0 million in the reporting period, was significantly smaller than in the previous year (€228.6 million), thus making a major contribution to the positive trend in cash flow from operating activities.

Ratio of working capital to revenue increased to 28.8%

The ratio of average working capital over the past four quarters to revenue increased relative to the previous year from 26.5% to 28.8%. Comparing to 30 June 2018, the development was stable.

KRONES Group working capital to revenue as of 30 September (%) (LTM)



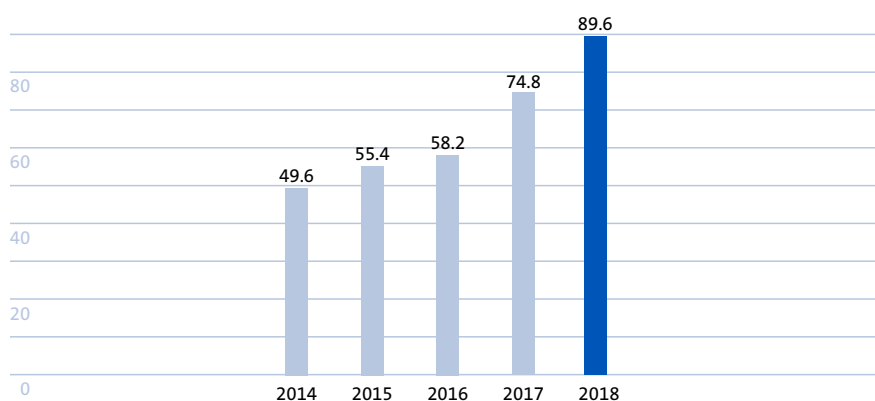
The ratio of average working capital over the past four quarters to revenue increased to 28.8% in the reporting period.

KRONES increased capital expenditure on property, plant and equipment and intangible assets to €89.6 million in the first nine months (previous year: €74.8 million). Capital expenditure thus developed as planned. Free cash flow (net cash from operating activities) improved year-on-year by €102.0 million to –€140.0 million in the first three quarters of 2018. Adjusted for acquisitions, operating free cash flow came to –€130.5 million, compared with –€209.1 million in the previous year.

Cash flow from financing activities was €168.7 million in the first nine months of 2018, compared with €73.7 million in the previous year. In the reporting period, this item includes the dividend payout of €53.7 million (previous year: €49.0 million) as well as €222.4 million in proceeds from new borrowing (previous year: €122.7 million). As a result, KRONES cash and cash equivalents position was totalling to €212.9 million at 30 September 2018 (previous year: €200.6 million).

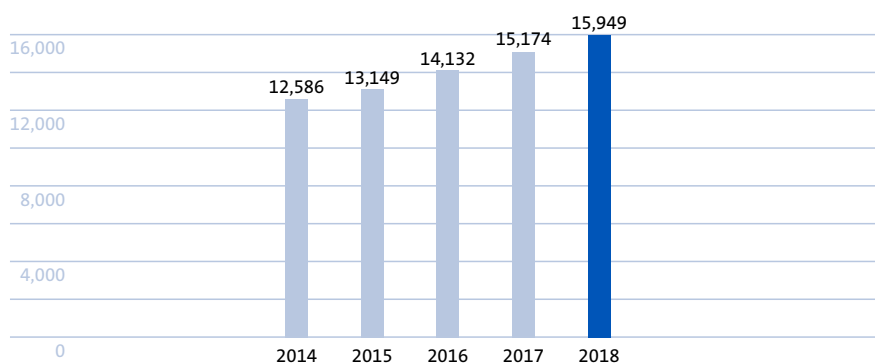
KRONES significantly improved cash flow from operating activities and free cash flow between January and September.

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



Employees

KRONES employees worldwide at 30 September



Growth in KRONES' international workforce

KRONES expanded its workforce by 775 or 5.1% year-on-year to 15,949 as of 30 September 2018. In Germany, increased up by 306 to 10,601. The majority of the workforce growth took place outside Germany. The international workforce grew by 469 or 9.6% to 5,348. This reflects the corporate strategy of expanding the company's global footprint. KRONES increased the number of employees in the fast-growing emerging markets by 308 or 12.6% year-on-year to 2,756.

KRONES is expanding its global footprint to be as close as possible to customers worldwide. This drives the recruitment of qualified staff for the company's international operations.

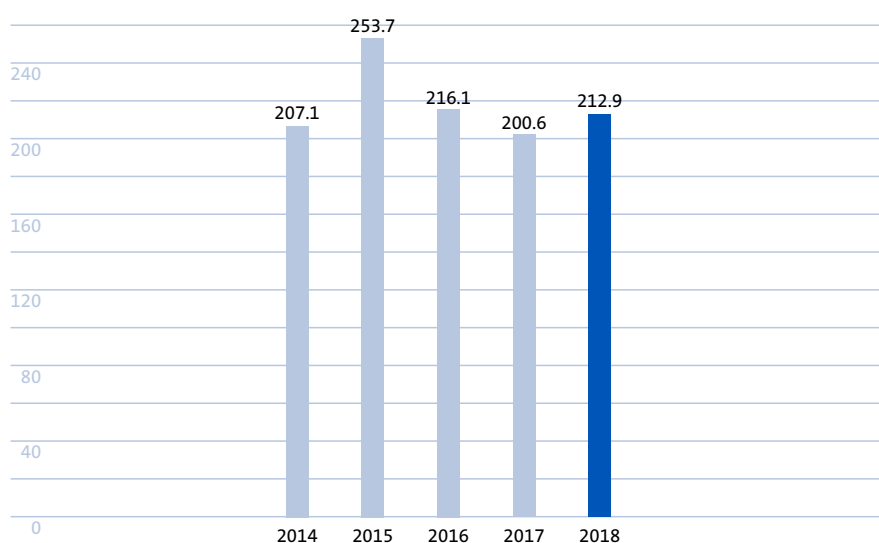
KRONES Group asset and capital structure

€ million	30 Sep 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015
Non-current assets	931	882	799	697
of which fixed assets	830	797	725	646
Current assets	2,359	2,158	2,272	2,010
of which cash and equivalents	213	182	369	365
Equity	1,373	1,330	1,225	1,111
Total debt	1,917	1,710	1,845	1,596
Non-current liabilities	343	314	308	278
Current liabilities	1,574	1,396	1,537	1,318
Total	3,290	3,040	3,071	2,707

Due to the significantly larger volume of business, KRONES' total assets increased compared to the 2017 year-end by 8.2% to €3,290.3 million as of 30 September 2018.

This was primarily due to changes in current assets. These totalled €2,359.5 million at the end of the reporting period, an increase of 9.4% on the figure as of 31 December 2017 (€2,157.6 million). At the end of September, KRONES' inventories were substantially down, at €355.5 million (31 December 2017: €611.8 million), while trade receivables had decreased to €1,000.8 million (31 December 2017: €1,225.3 million). A large part of the decrease in this balance sheet item can be attributed to the new financial reporting standard IFRS 15. In addition to trade receivables, contingent claims against customers are accounted for under contract assets. These totalled €604.9 million at 30 September 2018. Cash and cash equivalents increased by €30.9 million to €212.9 million in the reporting period.

Cash and cash equivalents at 30 September (€ million)



KRONES had cash and cash equivalents totalling €212.9 million as of 30 September (previous year: €182.0 million). As bank debt rose in the same period from €24.6 million to €247.0 million, KRONES reports net cash and cash equivalents of –€34.1 million as of the reporting date.

The company's non-current assets totalled €930.8 million at the end of the first nine months (31 December 2017: €882.2 million), of which €829.8 million (31 December 2017: €796.6 million) related to fixed assets. The rise in fixed assets mainly consisted of a €22.8 million increase in intangible assets to €286.4 million, primarily relating to development costs that must be capitalised. Property, plant and equipment increased as of 30 September to €507.1 million (31 December 2017: €501.6 million) and non-current financial assets to €8.6 million (31 December 2017: €6.2 million).

On the equity and liabilities side, KRONES' non-current liabilities, largely consisting of provisions for pensions and other personnel provisions, increased during the reporting period to €342.8 million (31 December 2017: €314.0 million). KRONES does not account for any non-current bank debt at 30 September.

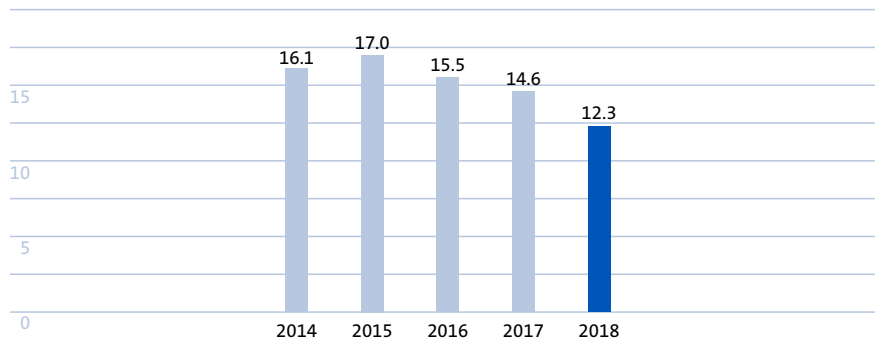
Current liabilities went up substantially relative to the 2017 year-end. The increase was by €178.6 million to €1,574.3 million. While KRONES reduced trade payables to €308.5 million (31 December 2017: €376.5 million), current bank debt rose to €247.0 million (31 December 2017: €24.6 million). The new "contract liabilities" line item, mainly comprising advances received, accounted for €539.3 million at 30 September.

Equity ratio and ROCE decreased

While equity improved from €1,330.1 million at the 2017 reporting date to €1,373.2 million at the end of the first nine months of 2018, the increase in total assets made for a slightly lower equity ratio of 41.7% at 30 September (31 December 2017: 43.8%). KRONES had negative net cash and cash equivalents (cash and cash equivalents less bank debt) of €34.1 million at the reporting date. KRONES still has a robust financial and capital structure.

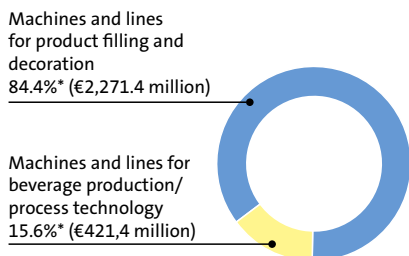
Return on capital employed (ROCE) – the ratio of EBIT to average net capital employed – decreased to 12.3% in the first three quarters of 2018 as a result of the lower earnings (previous year: 14.6%).

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



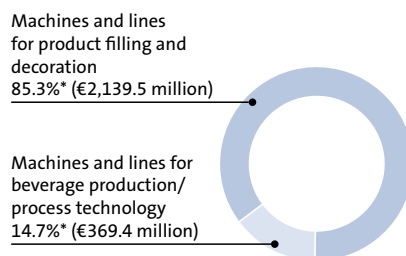
ROCE decreased from 14.6% to 12.3% due to the lower earnings.

Revenue by segment from 1 Jan to 30 Sep 2018



* Share of consolidated revenue of €2,692.8 million

Revenue by segment from 1 Jan to 30 Sep 2017



* Share of consolidated revenue of €2,508.9 million

Segment revenue

From 1 January 2018, the core segment – Machines and Lines for Product Filling and Decoration – additionally includes the activities of GERNEP and KOSME. Until the end of 2017, these consisted of the Machines and Lines for the Compact Class segment. Third quarter revenue in the reconfigured core segment grew sharply (by 15.8%), partly due to the base effect. Revenue from January to September increased by a total of 6.2% year-on-year, from €2,139.5 million to €2,271.4 million. Within this, sales of new machinery grew disproportionately strongly. The share of consolidated revenue accounted for by the core segment declined slightly from 85.3% in the previous year to 84.4% in the first three quarters.

Sales of new machinery grew strong.

Due to strong third quarter growth (72.1%), the Machines and Lines for Beverage Production/Process Technology segment more than made up for the slight revenue shortfall in the first half year. Both the fall in sale revenue in the first two quarters of 2018 and the strong growth in the third quarter are largely due to the base effect. Overall, revenue in the first nine months of 2018 is within the projected range. Revenue from January to September showed a year-on-year increase of 14.1%, from €369.4 million to €421.4 million. The proportion of consolidated revenue accounted for by the segment increased to 15.6% in the first nine months of 2018 (previous year: 14.7%).

Segment earnings

The extraordinary expenses in the low double-digit million euro range recognised by KRONES for the production location in Hungary during the third quarter is accounted for in the core segment, Machines and Lines for Product Filling and Decoration. This and cost increases resulted in lower segment earnings. The new machinery business also grew disproportionately strongly in the third quarter, while service business increased only slightly. In total, earnings before taxes (EBT) in the first nine months of 2018 showed a 19.4% year-on-year decrease to €140.9 million. The EBT margin fell from 8.2% in the previous year to 6.2%. Excluding the one-time provision, the EBT margin for the reporting period is upwards of 7%.

Core segment profitability was impacted by an extraordinary expense.

Following the slight positive outcome in the second quarter (EBT: €1.3 million), the Machines and Lines for Beverage Production/Process Technology segment was once again in positive territory in the third quarter of 2018 (EBT: €2.3 million). However, we continue to be dissatisfied with the segment's profitability and are already taking action for a sustained improvement in earnings. The focus here is on expanding local structures. Segment EBT in the first three quarters of 2018 was –€1.5 million (previous year: –€6.8 million). This corresponds to an EBT margin of –0.4%.

Product filling and decoration		2018	2017
		1 Jan–30 Sep	1 Jan–30 Sep
EBT	€ million	140.9	174.8
EBT margin	%	6.2	8.2

Beverage production/process technology		2018	2017
		1 Jan–30 Sep	1 Jan–30 Sep
EBT	€ million	–1.5	–6.8
EBT margin	%	–0.4	–1.8

KRONES revises forecast for 2018

Based on the results for the first nine months of 2018 and the forecast for the fourth quarter, the company is reducing its turnover and earnings forecast. Due to rising costs of goods and labour, investment in digitalisation, start-up costs for expansion of the company's global footprint and one-time expenses in connection with setting up the new production location in Hungary, KRONES' EBT margin will be below the 7.0% projected for 2018. Adjusted for one-time expenses, KRONES now expects an operating EBT margin of approximately 6.5% for the full year 2018.

KRONES now expects a 4% increase in turnover compared to the previous turnover target of 6%. This is due to currency effects and large-scale projects postponed into 2019. With respect to its third performance target – working capital as a percentage of turnover – KRONES expects to reach the communicated target of 28%.

Both segments below target

From the start of this year, the core segment – Machines and Lines for Product Filling and Decoration – additionally includes Machines and Lines for the Compact Class, comprising the subsidiaries KOSME and GERNEP. Based on strong order intake and an attractive product range, KRONES expects core segment turnover to increase by just under 3% in 2018. Due to rising costs of goods and labour and to one-time expenses in connection with setting up the production location in Hungary, the EBT margin will not reach the 8.3% previously aimed for. Adjusted for one-time expenses, the operative EBT margin is targeted at approximately 8%.

We intend to improve operating profitability in the Machines and Lines for Beverage Production/Process Technology segment – which also includes intralogistics – by the end of 2018. We are confident that we will be able to leverage turnover and earnings potential by further expanding our global footprint and fully integrating acquisitions. In all, for the Process Technology segment in 2018, we are forecasting 10% turnover growth with operating EBT close to breakeven.

We aim to improve operating earnings in the Process Technology segment in 2018.

Medium-term goals to be reached later

To compensate for cost increases and to enhance profitability, KRONES is implementing extensive measures under its Value strategy program. Additionally, KRONES raised the prices for all bottling and packaging equipment and for process technology by an average of 4.5% effective 1 May 2018. The strategic measures implemented by KRONES have not yet taken full effect.

Overall, KRONES is maintaining its mid-term targets of an 8% EBT margin and 22% working capital as a percentage of turnover. However, reaching these targets will take one or two years longer than planned.

For 2018, KRONES intends to increase turnover 4% year-on-year and targets an operating EBT margin of approximately 6.5%.



€ million	2018	2017	Change %
	1 Jan–30 Sep	1 Jan–30 Sep ¹⁾	
Revenue	2,692.8	2,508.9	+7.3
Changes in inventories of finished goods and work in progress	22.7	–18.3	
Total operating performance	2,715.5	2,490.6	+9.0
Other own work capitalised	30.4	34.3	–11.4
Other operating income	56.6	64.0	–11.6
Goods and services purchased	–1,384.2	–1,199.5	+15.4
Personnel expenses	–848.3	–786.5	+7.9
Other operating expenses	–363.9	–369.2	–1.4
Depreciation and amortisation on fixed assets	–73.5	–70.6	+4.1
EBIT	132.6	163.1	–18.7
Financial income/expense	8.6	5.8	
Profit or loss shares attributable to associates that are accounted for using the equity method	–1.8	–0.9	
Earnings before taxes	139.4	168.0	–17.0
Income tax	–40.0	–53.4	–25.1
Consolidated net income	99.4	114.6	–13.3
Profit attributable to non-controlling interests	–0.3	–1.6	
Profit attributable to KRONES Group shareholders	99.7	116.2	
Earnings per share (diluted/basic) in €	3.16	3.68	

€ million	2018	2017	Change %
	1 Jul–30 Sep	1 Jul–30 Sep ¹⁾	
Revenue	902.0	733.7	+22.9
Changes in inventories of finished goods and work in progress	8.0	41.0	
Total operating performance	910.0	774.7	+17.5
Other own work capitalised	10.7	12.5	–14.4
Other operating income	21.6	17.5	+23.4
Goods and services purchased	–488.0	–373.3	+30.7
Personnel expenses	–273.9	–246.4	+11.2
Other operating expenses	–131.6	–115.7	+13.7
Depreciation and amortisation on fixed assets	–25.9	–23.3	+11.2
EBIT	22.9	46.0	–50.2
Financial income/expense	5.3	1.5	
Profit or loss shares attributable to associates that are accounted for using the equity method	–1.5	–0.5	
Earnings before taxes	26.7	47.0	–43.2
Income tax	–4.2	–14.8	–71.6
Consolidated net income	22.5	32.2	–30.1
Profit attributable to non-controlling interests	0.2	–0.7	
Profit attributable to KRONES Group shareholders	22.3	32.9	
Earnings per share (diluted/basic) in €	0.71	1.04	

¹⁾ KRONES is applying the new standards IFRS 9 and IFRS 15 for the first time effective 1 January 2018. For the transition to the new rules, we have elected to use the modified retrospective method, under which the cumulative effects are recognised and prior-year figures are not restated.

Condensed consolidated statement of financial position

Assets € million	30 September 2018	31 December 2017 ¹⁾
Intangible assets	286.4	263.6
Property, plant and equipment	507.1	501.6
Non-current financial assets	8.6	6.2
Investment accounted for using the equity method	27.7	25.2
Fixed assets	829.8	796.6
Deferred tax assets	30.1	29.2
Trade receivables	67.8	52.1
Income tax receivables	0.0	1.0
Other assets	3.1	3.3
Non-current assets	930.8	882.2
Inventories	355.5	611.8
Trade receivables	1,000.8	1,225.3
Contract assets	604.9	0.0
Current income tax receivables	21.2	10.2
Other assets	164.2	128.3
Cash and cash equivalents	212.9	182.0
Current assets	2,359.5	2,157.6
Total	3,290.3	3,039.8

¹⁾ KRONES is applying the new standards IFRS 9 and IFRS 15 for the first time effective 1 January 2018. For the transition to the new rules, we have elected to use the modified retrospective method, under which the cumulative effects are recognised and prior-year figures are not restated.

Equity and liabilities € million	30 September 2018	31 December 2017 ¹⁾
Equity	1,373.2	1,330.1
Provisions for pensions	226.6	220.2
Deferred tax liabilities	28.8	12.9
Other provisions	47.3	47.2
Provisions for taxes	6.0	4.5
Liabilities to banks	0.0	0.0
Trade payables	1.7	0.0
Other financial obligations	25.0	27.0
Other liabilities	7.4	2.2
Non-current liabilities	342.8	314.0
Other provisions	108.1	149.6
Provisions for taxes	10.3	30.9
Liabilities to banks	247.0	24.6
Advances received	0.0	508.9
Contract liabilities	539.3	0.0
Trade payables	308.5	376.5
Current tax liabilities	2.1	4.2
Other financial obligations	4.8	6.9
Other liabilities and accruals	354.2	294.1
Current liabilities	1,574.3	1,395.7
Total	3,290.3	3,039.8

¹⁾ KRONES is applying the new standards IFRS 9 and IFRS 15 for the first time effective 1 January 2018. For the transition to the new rules, we have elected to use the modified retrospective method, under which the cumulative effects are recognised and prior-year figures are not restated.

Condensed consolidated statement of cash flows

€ million	2018	2017 ¹⁾
	1 Jan – 30 Sep	1 Jan – 30 Sep
Earnings before taxes	139.4	168.0
Depreciation and amortisation (reversals)	73.5	70.6
Increase (previous year: decrease) in provisions and accruals	0.3	–29.4
Deferred tax item changes recognised in profit or loss	–17.1	–4.3
Interest expenses and interest income	–0.8	–3.0
Gains and losses from the disposal of fixed assets	–0.1	0.1
Other non-cash expenses and income	–6.5	1.1
Increase in inventories, trade receivables, and other assets not attributable to investing or financing activities	–138.1	–73.2
Decrease in trade payables and other liabilities not attributable to investing or financing activities	–38.3	–224.1
Cash generated from operating activities	12.3	–94.2
Interest paid	–0.4	–0.1
Income tax paid and refunds received	–62.1	–46.0
Cash flow from operating activities	–50.2	–140.3
Cash payments to acquire intangible assets	–35.9	–36.7
Cash payments to acquire property, plant and equipment	–53.7	–38.1
Proceeds from the disposal of property, plant and equipment	0.7	1.2
Cash payments to acquire non-current financial assets	–3.6	–24.9
Proceeds from the disposal of non-current financial assets	0.1	0.1
Cash payments to acquire subsidiaries and equity interests	–6.0	–8.0
Interest received	1.8	1.9
Dividends received	6.8	2.8
Cash flow from investing activities	–89.8	–101.7
Cash payments to company owners	–53.7	–49.0
Proceeds from new borrowing	222.4	122.7
Cash flow from financing activities	168.7	73.7
Net change in cash and cash equivalents	28.7	–168.3
Change in cash and cash equivalents arising from exchange rates	0.0	0.0
Change in cash and cash equivalents arising from the consolidated group	2.2	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	212.9	200.6

¹⁾ KRONES is applying the new standards IFRS 9 and IFRS 15 for the first time effective 1 January 2018. For the transition to the new rules, we have elected to use the modified retrospective method, under which the cumulative effects are recognised and prior-year figures are not restated.

€ million	Machines and lines for product filling and decoration		Machines and lines for beverage production/ process technology		KRONES Group	
	2018 1 Jan – 30 Sep	2017 ¹⁾ 1 Jan – 30 Sep	2018 1 Jan – 30 Sep	2017 ¹⁾ 1 Jan – 30 Sep	2018 1 Jan – 30 Sep	2017 ¹⁾ 1 Jan – 30 Sep
Revenue	2,271.4	2,139.5	421.4	369.4	2,692.8	2,508.9
EBT	140.9	174.8	–1.5	–6.8	139.4	168.0
EBT margin	6.2%	8.2%	–0.4%	–1.8%	5.2%	6.7%
Employees at 30 September*	13,581	13,149	1,768	1,516	15,349	14,665

¹⁾ KRONES is applying the new standards IFRS 9 and IFRS 15 for the first time effective 1 January 2018. For the transition to the new rules, we have elected to use the modified retrospective method, under which the cumulative effects are recognised and prior-year figures are not restated.

* Consolidated group ** Prior year figures restated due to change in core segment composition

Members of the Supervisory Board and the Executive Board

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

Robert Friedmann

Spokesman for the central manag-
ing board of the WÜRTH GROUP

* ZF FRIEDRICHSHAFEN AG
Since 13 June 2018

Klaus Gerlach**

Head of Central International
Operations and Services

Oliver Grober**

Chairman of the Works Council
KRONES AG, Rosenheim plant

* KRONES BKK

* LAG MÜNCHEN

* IG METALL BRANCH OFFICE
ROSENHEIM

Since 13 June 2018

Thomas Hiltl**

Chairman of the Works Council
KRONES AG, Nittenau plant

* KRONES BKK

* HERMANN KRONSEDER
UNTERSTÜTZUNGSKASSE E. V.

* LAG NÜRNBERG

Since 13 June 2018

Norman Kronseder

Farmer and forester

* BAYERISCHE FUTTERSAAATBAU
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

Norbert Samhammer

CEO of Samhammer AG, Weiden
Since 13 June 2018

Petra Schadeberg-Herrmann

Managing partner at

KROMBACHER FINANCE GMBH,
SCHAWEL 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 REINHAUSEN
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

Matthias Winkler

Managing partner at WW + KN
Steuerberatungsgesellschaft mbH
Since 13 June 2018

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

21 March 2019	Annual Report 2018
30 April 2019	Quarterly statement for the period ended 31 March 2019
25 July 2019	Interim report for the period ended 30 June 2019
24 October 2019	Quarterly statement for the period ended 30 September 2019

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Note

This English language report is a translation of the original German KRONES Quartalsmitteilung über den Zeitraum vom 1. Januar bis 30. September 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 Interim report on request.

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



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 **KRONES**