

KRONES Group

# Q3

**Quarterly statement** for the period  
from 1 January to 30 September 2019

 **KRONES**



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## TO OUR SHAREHOLDERS

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## Highlights and key figures

Revenue growth of 7.3% in first three quarters of 2019 – structural measures to deliver sustained improvements in earnings launched by KRONES Executive Board

- High costs and an unfavourable product mix continue to impact profitability. EBT in the first nine months was €61.4 million (previous year: €139.4 million). The EBT margin decreased from 5.2% to 2.1%.
- Revenue for the first three quarters, at €2,889.7 million, is 7.3% higher than in the previous year. Adjusted for currency and acquisition effects, revenue growth was 2.7%. Order intake, at €2,957.9 million, was slightly above the previous year's level.
- Executive Board launches structural measures for sustained improvements in profitability.
- For the full year 2019, KRONES expects revenue growth of 3% and an EBT margin of around 3%. The guidance for the EBT margin does not include any costs of structural measures.

Key figures for Q1–Q3		1 Jan – 30 Sep 2019	1 Jan – 30 Sep 2018	Change
Revenue	€ million	2,889.7	2,692.8	+7.3%
Order intake	€ million	2,957.9	2,940.0	+0.6%
Orders on hand at 30 September	€ million	1,329.3	1,487.3	-10.6%
EBITDA	€ million	164.3	206.1	-20.3%
EBITDA margin	%	5.7	7.7	-2.0 PP*
EBIT	€ million	58.4	132.6	-56.0%
EBT	€ million	61.4	139.4	-56.0%
EBT margin	%	2.1	5.2	-3.1 PP*
Consolidated net income	€ million	40.3	99.4	-59.5%
Earnings per share	€	1.28	3.16	-
Capital expenditure for PP&E and intangible assets	€ million	138.3	89.6	+€48.7 million
Free cash flow	€ million	-294.5	-140.0	-€154.5 million
Net cash and cash equivalents at 30 September**	€ million	-153.1	-34.1	-€119.0 million
Working capital to revenue***	%	25.8	28.8	-3.0 PP*
ROCE	%	4.8	12.3	-7.5 PP*
Employees at 30 September				
Worldwide		17,405	15,949	+1,456
Germany		10,844	10,601	+243
Outside Germany		6,561	5,348	+1,213

Key figures for Q3 2019		1 Jul – 30 Sep 2019	1 Jul – 30 Sep 2018	Change
Revenue	€ million	1,000.4	902.0	+10.9%
Order intake	€ million	919.3	925.2	-0.6%
EBITDA	€ million	47.4	48.8	-2.9%
EBITDA margin	%	4.7	5.4	-0.7 PP*
EBIT	€ million	10.9	22.9	-52.4%
EBT	€ million	13.5	26.7	-49.4%
EBT margin	%	1.4	3.0	-1.6 PP*
Consolidated net income	€ million	7.0	22.5	-68.9%
Earnings per share	€	0.22	0.71	-

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

## Letter from the **Executive Board**

Dear shareholders and friends of **KRONES**,

Since we revised our guidance at the end of the first half year, general economic conditions have further deteriorated. The tough wrangling over Brexit and the trade war that has been simmering for months between China and the USA are currently having an impact on the general economic environment. As a result, the International Monetary Fund now expects the global economy to grow by just 3.0%. The forecast had stood at 3.3% in April and 3.5% in January.

Despite the political uncertainties, our orders and revenue developed positively in the third quarter. Revenue exceeded the billion euro mark in the third quarter and was up 7% year-on-year in the first nine months, at €2,890 million. Order intake was slightly higher than the previous year at €2,958 million.

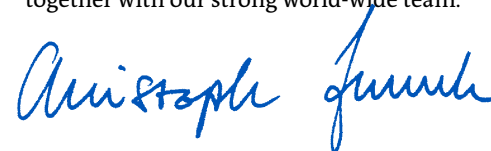
Nevertheless, 2019 is not an easy year for **KRONES**. To deliver long-term, profitable growth, we must improve cost structures, raise efficiency, review our portfolio and create new growth momentum. We have already launched short and medium-term structural measures in the past few months.

This package of measures does not yet show through in our third-quarter profitability. Overall, the earnings before taxes (EBT) of €61.4 million in the first nine months and the EBT margin of 2.1% fall short of our expectations. The main

causes are high material and labour costs and temporarily weak demand in the PET and the after-sales business. We have already developed and introduced measures in these areas. Following the second-quarter loss, the earnings situation eased slightly in the third quarter, partly because the PET business, which is important to **KRONES**, has stabilised since mid-year.

For the full year 2019, **KRONES** continues to expect revenue growth of 3% and an EBT margin of around 3%. The guidance for the EBT margin does not include any costs of structural measures.

Without any doubt, the company is currently in a challenging and, for **KRONES**, unusual situation. I am nevertheless firmly convinced that the opportunities far outweigh the risks. We are the market and technology leader in a globally growing market. The task now is to continue implementing the structural aspects together with our strong world-wide team.



Christoph Klenk  
CEO

## The KRONES share

### Equity markets spurred by central banks' low interest rate policies

Share prices increased on the main international stock markets between January and September 2019. This was mostly driven by the US Federal Reserve and the European Central Bank. Their interest rate policies pushed down long-term bond yields in the first nine months of 2019. Low interest rates encourage investment in equities. Central banks additionally indicated that they plan to continue applying expansionary monetary policy going forward. Sources of concern for investors in the reporting period were the simmering trade conflict between the USA and China and numerous companies downgrading their guidance. This led to sharp price swings on several occasions. On the bottom line, however, most equity indices made strong gains in the first nine months of 2019.

The leading German share index, the DAX, gained 17.7% between January and September 2019. There was an even stronger rise in the Euro Stoxx 50 – which tracks the 50 largest companies in the euro area – with an increase of 18.9%. The main US share index, the Dow Jones, went up by 15.4% in the reporting period. Japan's stock market showed a significantly less steep upward trend. The Nikkei index improved by 8.7% in the first three quarters of 2019.

### Revised earnings guidance impacts KRONES share price in third quarter

KRONES' profitability performance has been weaker than expected in 2019. This put our share price under pressure. Overall, the KRONES share price fluctuated sharply between January and September. KRONES shares reached their high point for the reporting period at €88.85 on 18 April. This marked a gain of 32% on the opening price at the beginning of the year. Our share price increasingly moved away from that level as the year progressed. This was partly due to a temporary general market correction. When the market subsequently recovered, however, the KRONES share price was unable to follow the market trend.

On 10 July, KRONES published an ad-hoc announcement lowering its guidance for the EBT margin in 2019. This had an impact on our share price. KRONES shares reached their lowest level during the first three quarters of 2019 at €47.46 on 15 August. At the beginning of September, investors bought numerous equities that had fallen sharply.

*The KRONES share price fell in the third quarter due to a profit warning. This was the main reason why our shares underperformed the SDAX between January and September 2019.*

The KRONES share from 1 January to 30 September 2019



This also benefited our shares, which went up from about €50 to €59 in just a few days. Our share price on 30 September was €55.45, 17.9% lower than at the beginning of the year. Including the dividend of €1.70 per share, the decrease in the share price was 16.8%. The SDAX, of which KRONES has been a component since 18 June 2018, went up by 16.0% in the same period.

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## ASSETS, FINANCIAL POSITION, AND RESULTS OF OPERATIONS

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## Revenue

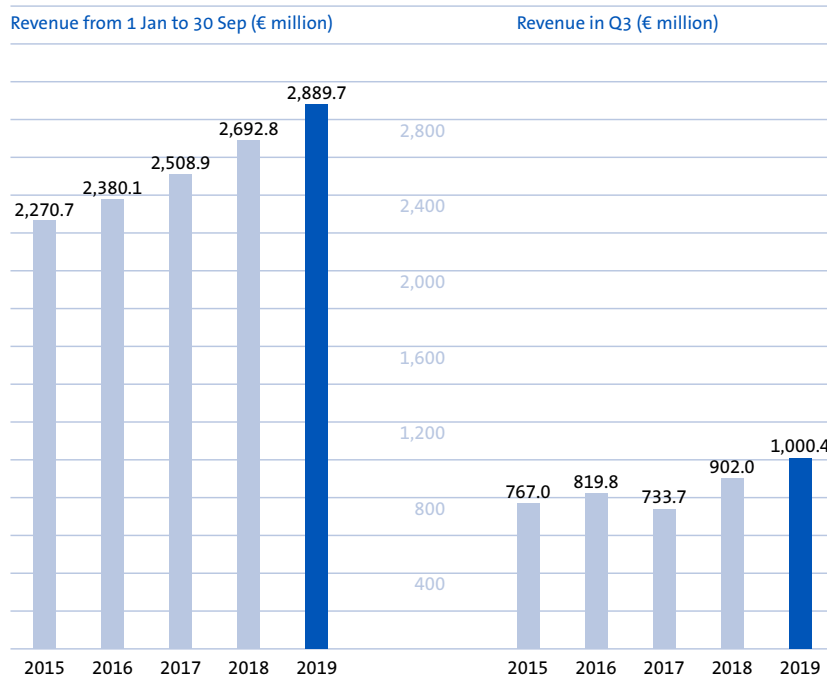
### KRONES' revenue up 7.3% in first three quarters of 2019

*Growth at KRONES accelerated in the third quarter. From January to September 2019, revenue climbed by 7.3% year-on-year.*

KRONES' revenue picked up significantly in the third quarter of 2019 despite the difficult general economic conditions. From July to September, revenue was up 10.9% year-on-year to €1,000.4 million. As in the first two quarters of 2019, the revenue increase

mainly related to the strong new and bought-in machinery business. The after-sales business picked up slightly between July and September compared with the first half of 2019.

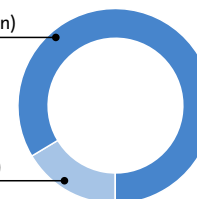
In the first three quarters of 2019, KRONES' revenue rose by 7.3% year-on-year, from €2,692.8 million to €2,889.7 million. Adjusted for acquisitions and currency effects, growth in the first nine months of 2019 was 2.7%. For the full year 2019, KRONES continues to expect revenue to increase by 3% compared with 2018.



Revenue by segment from 1 Jan to 30 Sep 2019      Revenue by segment from 1 Jan to 30 Sep 2018

Machines and lines for product filling and decoration  
83.7%\* (€2,147.5 million)

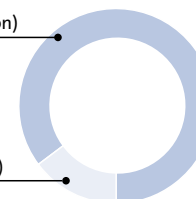
Machines and lines for beverage production/  
process technology  
16.3%\* (€472.2 million)



\* Share of consolidated revenue of €2,889.7 million

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 region

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

Between January and September 2019, the company's revenue in Germany improved by 56.3% year-on-year to €362.2 million. Besides a base effect, this growth partly relates to acquisitions. The percentage of consolidated revenue generated in Germany by KRONES in the first three quarters went up from 8.6% a year earlier to 12.5%.

In Europe (excluding Germany), revenue performance was stable overall for KRONES in the first three quarters of 2019 but varied from region to region. Following the weaker first half year, business in the large Western Europe sales region picked up in the third quarter. At €444.0 million, revenue in the first nine months was only 8.9% lower than in the previous year. Revenue increased slightly in Central Europe (Austria, Switzerland and the Netherlands). At €155.0 million, revenue there exceeded the prior-year figure by 2.2%. KRONES recorded significant growth in Eastern Europe. Revenue in this region was up 50.0% year-on-year to €169.5 million in the reporting period. In the Russia/CIS region, on the other hand, revenue was down due to the ongoing difficult general economic situation. At €49.5 million, revenue there was down 19.8% year-on-year. In total, KRONES generated revenue of €818.0 million in Europe (excluding Germany) in the first nine months of 2019. Revenues thus increased slightly compared with the previous year (€813.7 million). The share of consolidated revenue accounted for by the Europe business (excluding Germany) decreased from 30.3% in the previous year to 28.3% in the first nine months of 2019.

In past years, KRONES recorded in part strong growth in the Middle East/Africa region. Business there has calmed in the current financial year. From January to September 2019, revenue in the region went down by 18.7% to €324.9 million. In China, business is picking up again after a temporary weak phase. Revenue in

China rose 34.8% in the first three quarters of 2019 to €247.4 million. In the remainder of the Asia/Pacific region, revenue improved in the reporting period by 11.6% to €363.9 million.

## KRONES Group revenue by region

Share of consolidated revenue	1 Jan to 30 Sep 2019		1 Jan to 30 Sep 2018		Change %
	€ million	%	€ million	%	
Germany	362.2	12.5	231.7	8.6	+56.3
Central Europe (excluding Germany)	155.0	5.4	151.6	5.6	+2.2
Western Europe	444.0	15.4	487.4	18.2	-8.9
Eastern Europe	169.5	5.9	113.0	4.2	+50.0
Russia, Central Asia (CIS)	49.5	1.7	61.7	2.3	-19.8
Middle East/Africa	324.9	11.2	399.8	14.8	-18.7
Asia-Pacific	363.9	12.6	326.1	12.1	+11.6
China	247.4	8.6	183.5	6.8	+34.8
South America/Mexico	266.5	9.2	344.7	12.8	-22.7
North and Central America	506.8	17.5	393.3	14.6	+28.9
<b>Total</b>	<b>2,889.7</b>	<b>100.0</b>	<b>2,692.8</b>	<b>100.0</b>	<b>+7.3</b>

The healthy upward trend also continued in the North and Central America region. Revenue in the first nine months of 2019 climbed 28.9% year-on-year to €506.8 million. This growth is partly due to positive currency effects. Due to economic problems in parts of the South America/Mexico region, revenue in the period January to September was down 22.7% year-on-year to €266.5 million. This must be seen in context of the relatively high prior-year figure, however.

KRONES retained its balanced revenue spread overall in the first three quarters of 2019. The proportion of revenue generated in emerging markets decreased from 53.0% in the prior-year period to 49.2%. KRONES generated 50.8% of revenue in mature industrialised countries (previous year: 47.0%).

## Order intake and order backlog

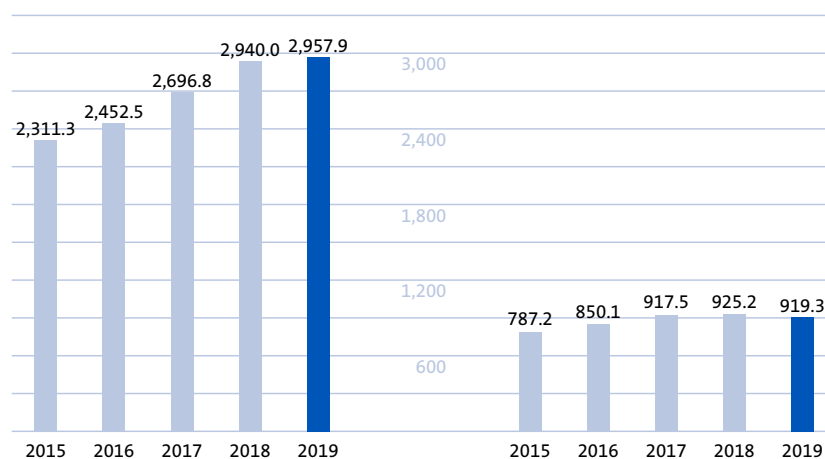
### Order intake at KRONES stable overall

*Order intake in the first three quarters of 2019 increased by 0.6% year-on-year and, at €2,957.9 million, was slightly higher than revenue in the first nine months.*

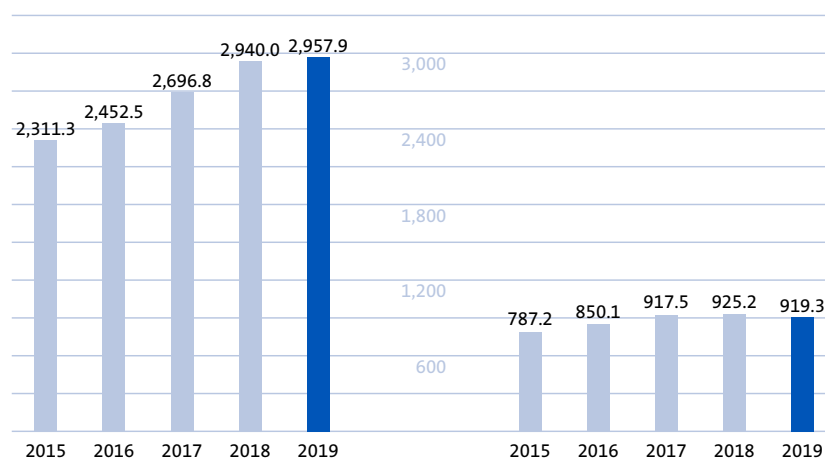
The economic slowdown and the many general economic uncertainties are also affecting investment confidence among KRONES' customers. Overall, however, our market is relatively stable. The contract value of orders decreased slightly by 0.6% year-on-year from July to September 2019, to €919.3 million.

Order intake in the first three quarters of 2019 rose by 0.6% year-on-year to €2,957.9 million (previous year: €2,940.0 million). Due to its broad range of products and services KRONES was able to compensate the temporarily weak demand in parts of the portfolio.

Order intake from 1 Jan to 30 Sep (€ million)



Order intake in Q3 (€ million)

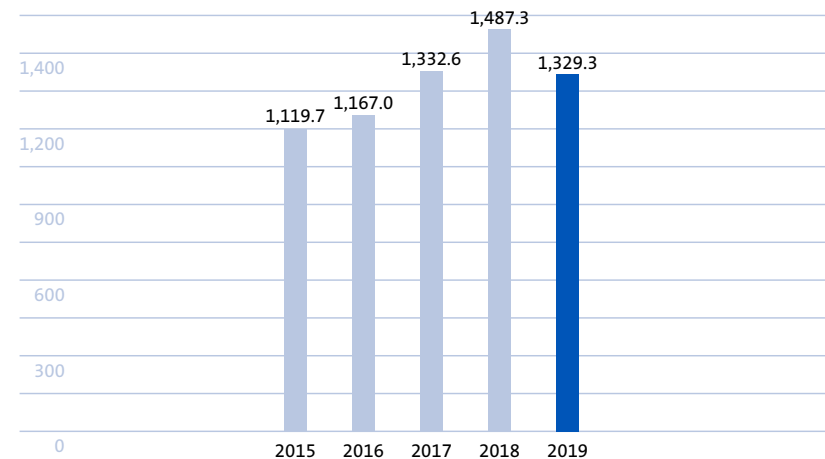


KRONES recorded above-average growth in order intake during the first three quarters in North and South America, China and Eastern Europe. Orders in the rest of Europe and in Africa were down. In Asia-Pacific, orders essentially remained stable.

### Order backlog remains at comfortable level

At €1,329.3 million as of 30 September 2019, orders on hand at KRONES were down 10.6% on the previous year (€1,487.3 million). Despite the decrease, we continue to regard this as a comfortable order backlog. We also expect order intake to pick up in the fourth quarter. All in all, this represents a solid basis for attaining our growth target for 2019.

Orders on hand at 30 September (€ million)



## Earnings

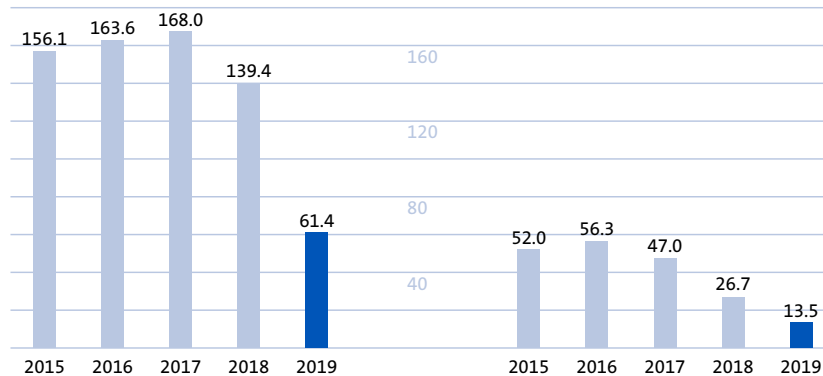
### KRONES' profitability under pressure due to high costs

*KRONES generated an EBT margin of 2.1% in the first three quarters of 2019 (previous year: 5.2%). Earnings per share decreased from €3.16 to €1.28.*

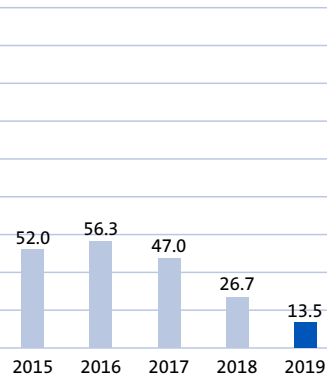
Following the loss in the second quarter of 2019, the earnings situation eased slightly in the third quarter. Overall, however, KRONES still has a lot to do in order to regain satisfactory profitability. From January to September 2019 KRONES generated earnings before taxes (EBT) of €13.5 million (previous year: €26.7 million). The EBT margin went down from 3.0% to 1.4%. Consolidated net income came to €7.0 million (previous year: €22.5 million). This corresponds to earnings per share of €0.22 (previous year: €0.71).

KRONES generated EBT of €61.4 million in the first nine months of 2019 (previous year: €139.4 million). The EBT margin fell from 5.2% to 2.1%. Profitability was impacted by high costs, mainly of materials and labour. Due to temporarily reduced demand for machinery and lines in plastic technology, production capacity for such products was underutilised, most of all in the second quarter. The EBT margin was also negatively affected by the fact that revenue from the profitable after-sales business in the first three quarters of 2019, although higher than in the previous year, was below budget overall. KRONES generated consolidated net income of €40.3 million in the first nine months of 2019 (previous year: €99.4 million). Earnings per share decreased from €3.16 to €1.28.

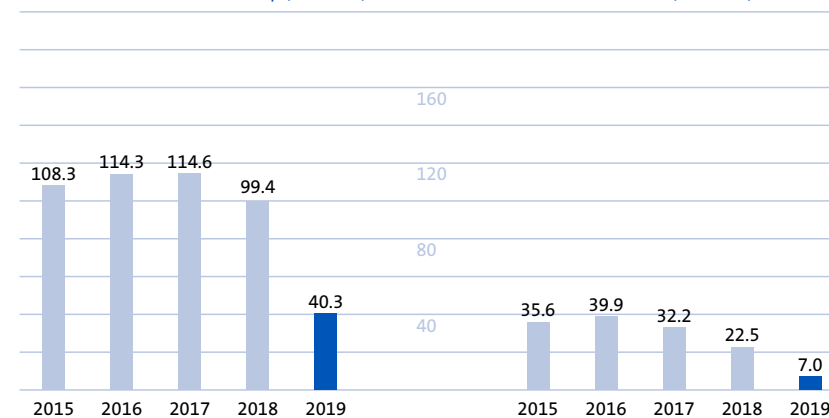
Earnings before taxes (EBT) from 1 Jan to 30 Sep  
(€ million)



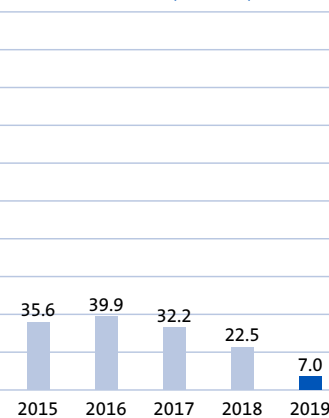
Earnings before taxes (EBT) in Q3  
(€ million)



Net income from 1 Jan to 30 Sep (€ million)



Net income in Q3 (€ million)

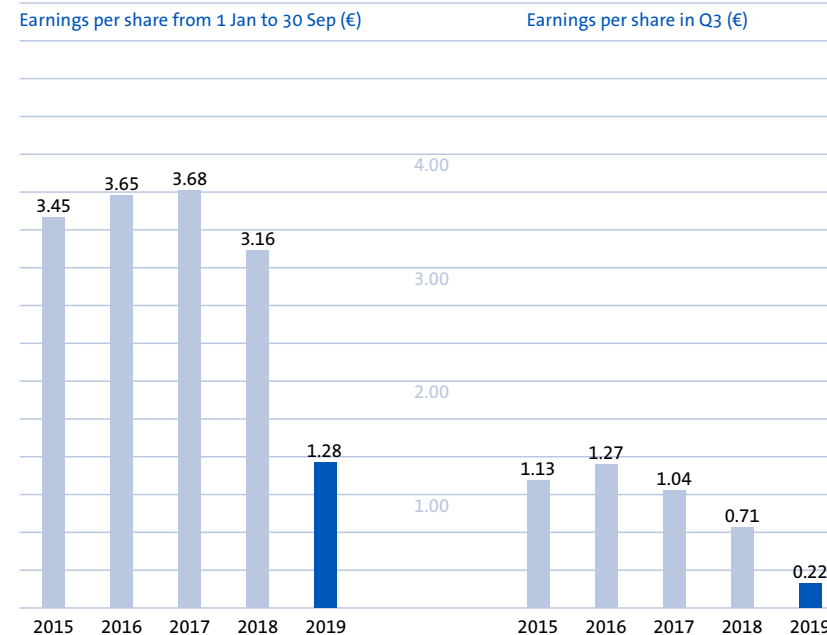


## KRONES Group earnings structure

€ million	2019 1 Jan – 30 Sep	2018 1 Jan – 30 Sep	Change %
<b>Revenue</b>	<b>2,889.7</b>	<b>2,692.8</b>	<b>+7.3</b>
Changes in inventories of finished goods and work in progress	9.1	22.7	
<b>Total operating performance</b>	<b>2,898.8</b>	<b>2,715.5</b>	<b>+6.8</b>
Goods and services purchased	-1,488.3	-1,384.2	+7.5
Personnel expenses	-945.1	-848.3	+11.4
Other operating income/expenses and own work capitalised	-301.1	-276.9	+8.7
<b>EBITDA</b>	<b>164.3</b>	<b>206.1</b>	<b>-20.3</b>
Depreciation and amortisation on fixed assets	-105.9	-73.5	+44.1
<b>EBIT</b>	<b>58.4</b>	<b>132.6</b>	<b>-56.0</b>
Financial income/expense and profit/loss from equity-accounted associates	3.0	6.8	
<b>EBT</b>	<b>61.4</b>	<b>139.4</b>	<b>-56.0</b>
Income tax	-21.1	-40.0	-47.3
<b>Consolidated net income</b>	<b>40.3</b>	<b>99.4</b>	<b>-59.5</b>

KRONES improved total operating performance in the first three quarters of 2019 by 6.8% year-on-year to €2,898.8 million. This was not quite as strong as the growth in revenue, which was up 7.3% to €2,889.7 million, because KRONES increased its inventories of finished goods and work in progress by a smaller amount in the reporting period (€9.1 million) than in the previous year (€22.7 million).

While total operating performance and revenue were satisfactory in the first nine months, KRONES' profitability continues to be affected by high material and labour costs and by an unfavourable product mix. This is reflected in goods and services purchased, which climbed 7.5% to €1,488.3 million from January to September 2019. The ratio of goods and services purchased to total operating performance increased from 51.0% in the first nine months of the previous year



*An unfavourable product mix and large increases in material and labour costs put pressure on KRONES' profitability in the first three quarters of 2019.*

to 51.3%. The additional measures taken to reduce material costs had an initial, slight impact in the third quarter. At 51.9% in this period, the ratio of goods and services purchased to total operating performance was down on the previous year (53.6%).

Personnel expenses rose significantly more strongly between January and September 2019 than total operating performance, climbing by 11.4% to €945.1 million. This is due to pay rises under collective agreements, the expansion of the international workforce, notably in Hungary, and acquisitions. The ratio of personnel expenses to total operating performance went up from 31.2% in the previous year to 32.6%.

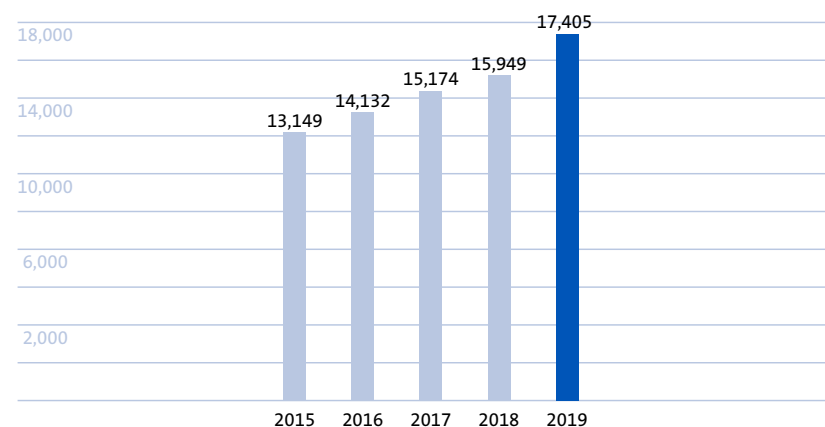


The net balance of other operating income and expenses and own work capitalised changed from –€276.9 million in the prior-year period to –€301.1 million in the reporting period. As a percentage of total operating performance, this represented an increase from 10.2% to 10.4%. EBITDA (earnings before interest, taxes, depreciation and amortisation) went down by 20.3% from €206.1 million to €164.3 million. At €105.9 million, depreciation and amortisation of fixed assets was significantly higher than the prior-year figure of €73.5 million. As well as high capital expenditure in the preceding years, this is partly due to application of the new IFRS 16 Leases, which led to €24.7 million higher depreciation.

Due to the higher depreciation and amortisation, earnings before interest and taxes (EBIT) decreased significantly more sharply in the reporting period than EBITDA. The reduction was by 56.0% to €58.4 million. Earnings before taxes (EBT) likewise went down by 56.0%, from €139.4 million a year earlier to €61.4 million. This results in an EBT margin of 2.1% (previous year: 5.2%). As the tax rate climbed in the reporting period from 28.7% to 34.4%, consolidated net income decreased by 59.5% to €40.3 million.

## Employees

KRONES employees worldwide at 30 September



### KRONES employs 17,405 people worldwide

*To strengthen its global footprint, KRONES continues to expand the international workforce. In Germany, the number of employees as of 30 September was slightly down on the end of 2018.*

The workforce expanded by 1,456 or 9.1% year-on-year to 17,405 as of 30 September 2019. Most of the increase in the headcount relates to the international workforce. This grew by 1,213 or 22.7% to 6,561. Alongside the effect of acquisitions adding 540 employees, this notably reflects the expansion of KRONES' global footprint and the establishment of the plant in Hungary with over 400 employees. The number of employees in Germany was 10,844, compared with 10,601 a year earlier. This also includes the effect of acquisitions. Compared with the end of 2018, the number of employees in Germany showed a slight decrease (minus 43). KRONES nevertheless continues to invest heavily in training young skilled workers. As of 30 September, 567 young people were in training at KRONES.

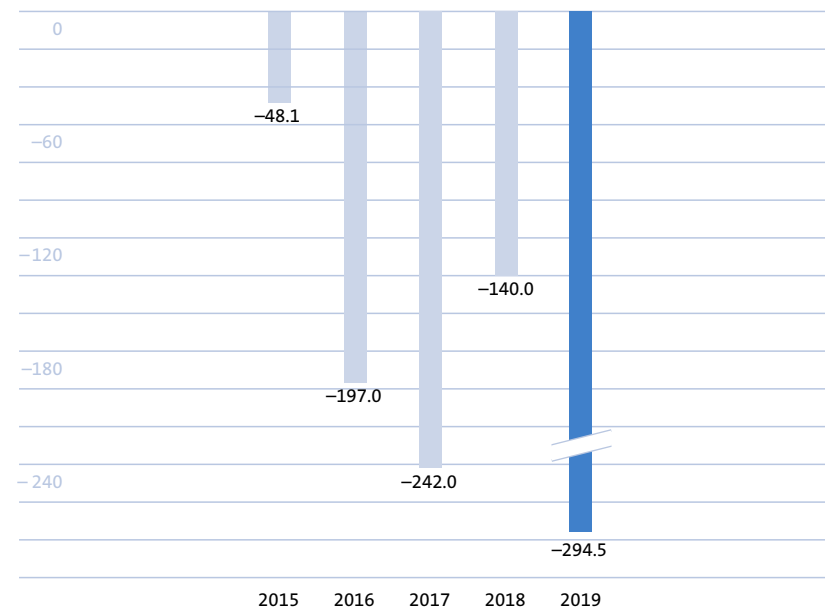
## Cash flow

### KRONES Group cash flow

€ million	2019 1 Jan – 30 Sep	2018 1 Jan – 30 Sep
<b>Earnings before taxes</b>	<b>61.4</b>	<b>139.4</b>
Other non-cash changes	+102.0	+49.3
Changes in working capital	–321.1	–141.0
Changes in other assets and liabilities	+35.7	–97.9
<b>Cash flow from operating activities</b>	<b>–122.0</b>	<b>–50.2</b>
Capital expenditure for PP&E and intangible assets	–138.3	–89.6
M&A activities	–34.9	–9.5
Other	+0.7	+9.3
<b>Free cash flow</b>	<b>–294.5</b>	<b>–140.0</b>
Cash flow from financing activities	+248.9	+168.7
Other	+3.8	+2.2
<b>Net change in cash and cash equivalents</b>	<b>–41.8</b>	<b>30.9</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>177.0</b>	<b>212.9</b>

KRONES' cash flow from operating activities was –€122.0 million in the first three quarters of 2019. This is significantly below the –€50.2 million prior-year figure. The lower figure was partly due to the lower earnings before taxes. These went down from €139.4 million to €61.4 million. Cash flow was also affected by the increase in working capital. At €321.1 million, this increase was considerably larger than the €141.0 million in the previous year. Alongside the fact that working capital began from a very low base at the 2018 year-end, this was primarily due to the decrease in liabilities. The lower other assets and liabilities had a positive impact on cash flow of €35.7 million (previous year: negative impact of €97.9 million).

Free cash flow from 1 January to 30 September (€ million)



### Ratio of working capital to revenue improved to 25.8%

KRONES reduced average working capital over the past four quarters as a percentage of revenue to 25.8% in the reporting period, compared with 28.8% in the prior-year period. The working capital to revenue ratio was 28.4% as of the reporting date (previous year: 29.4%).

*Average working capital over the past four quarters improved from 28.8% to 25.8%.*

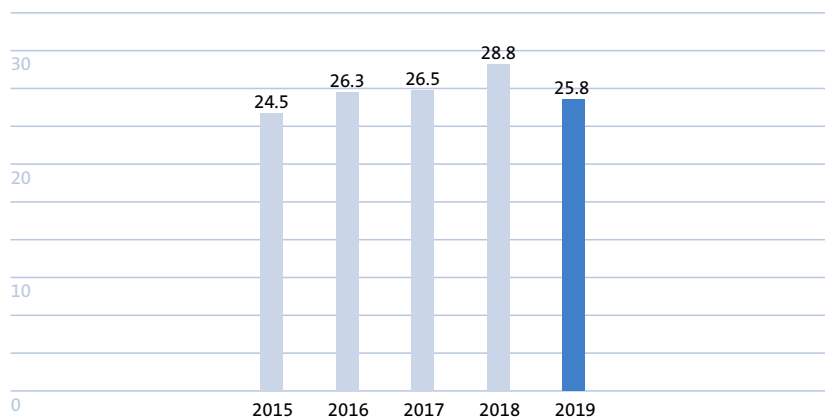
*KRONES' cash flow from operating activities and free cash flow deteriorated sharply from January to September 2019.*

KRONES invested €138.3 million in property, plant and equipment and intangible assets in the reporting period (previous year: €89.6 million). Most of the capital expenditure was incurred at locations in Germany and in Hungary. An additional €34.9 million was spent on business acquisitions between January and September 2019. Free cash flow (net cash generated from operating activities) went down in the first three quarters of 2019 by €154.5 million to –€294.5 million. Adjusted for

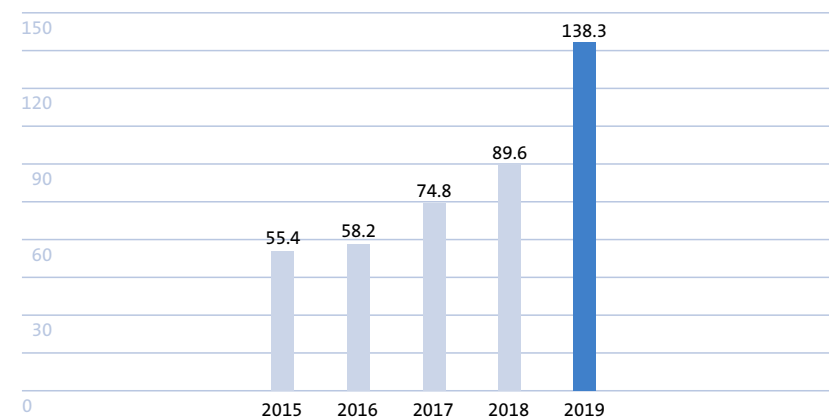
acquisitions, operating free cash flow came to –€259.6 million, compared with –€130.5 million in the previous year.

Cash flow from financing activities was €248.9 million (previous year: €168.7 million). In the reporting period, this item includes the dividend payout of €53.7 million (previous year: €53.7 million) as well as €329.4 million in proceeds from new borrowing (previous year: €222.4 million) and the repayment of lease liabilities in the amount of €26.8 million. As a result, KRONES had cash and cash equivalents totalling €177.0 million at 30 September 2019 (previous year: €212.9 million).

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



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



## Assets and capital structure

### KRONES Group asset and capital structure

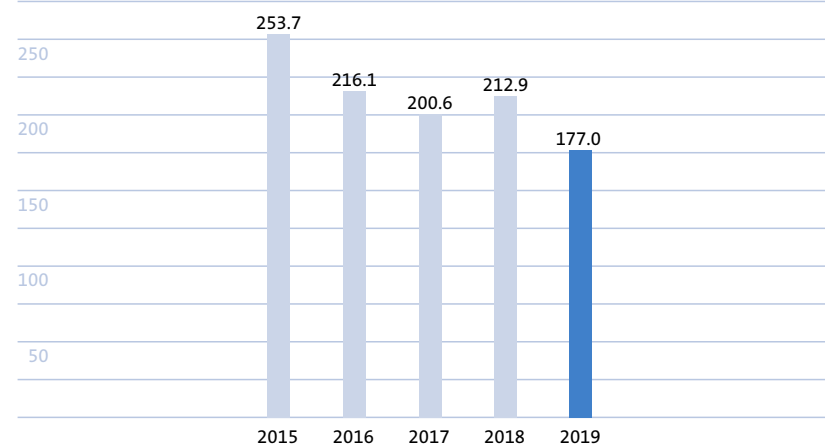
€ million	30 Sep 2019	31 Dec 2018	30 Sep 2018	31 Dec 2017
Non-current assets	1,175	1,010	931	882
of which fixed assets	1,092	936	830	797
Current assets	2,327	2,311	2,359	2,158
of which cash and equivalents	177	219	213	182
Equity	1,429	1,433	1,373	1,330
Total debt	2,074	1,888	1,917	1,710
Non-current liabilities	405	359	343	314
Current liabilities	1,669	1,529	1,574	1,396
<b>Total</b>	<b>3,503</b>	<b>3,321</b>	<b>3,290</b>	<b>3,040</b>

*At 5.5%, the increase in KRONES' total assets was smaller than the rise in total operating performance (6.8%)*

At 5.5%, the increase in KRONES' total assets between January and September 2019 was smaller than the rise in total operating performance (6.8%). Total assets stood at €3.50 billion as of 30 September 2019 (31 December 2018: €3.32 billion).

Current assets remained virtually unchanged, totalling €2,327.4 million at the end of the reporting period (31 December 2018: €2,311.6 million). Within this, there was a significant decrease in cash and cash equivalents. Mainly due to the dividend payment and the negative free cash flow, cash and cash equivalents went down in the first three quarters of 2019 from €218.8 million to €177.0 million. There was also a decrease in contract assets. These went down

Cash and cash equivalents at 30 September (€ million)



from €647.1 million to €625.8 million. Conversely, trade receivables increased by €28.6 million to €984.0 million and inventories by €64.9 million to €385.6 million.

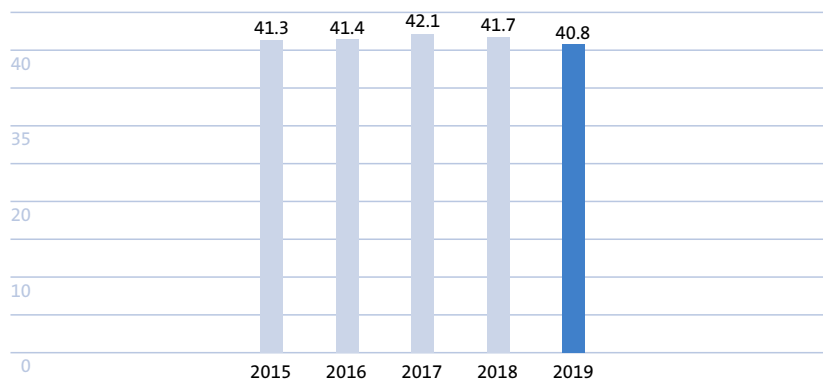
Non-current assets grew by 16.4% in the first nine months of 2019 to €1,175.4 million (31 December 2018: €1,009.8 million). This mainly reflects the rise in fixed assets to €1,091.6 million (31 December 2018: €936.4 million). That increase was mainly due to higher property, plant and equipment and right-of-use assets, which, mostly because of the first-time application of the new IFRS 16 lease accounting standard, climbed €116.2 million to €687.0 million. The company's intangible assets increased, partly due to acquisitions, to €381.0 million as of 30 September 2019 (31 December 2018: €328.2 million).



On the equity and liabilities side, current liabilities went up relative to the 2018 year-end, increasing by €139.0 million to €1,668.4 million. The company increased short-term bank debt. This stood at €330.0 million as of 30 September 2019 (31 December 2018: €0.6 million). By contrast, KRONES reduced trade payables in the reporting period by €124.4 million to €367.2 million. In addition, contract liabilities decreased by €40.2 million to €507.0 million.

KRONES' non-current liabilities rose to €405.0 million as of 30 September 2019 (31 December 2018: €358.7 million). This was mainly due to the significantly higher financial liabilities and liabilities from leases, which went up from €41.3 million to €91.3 million. Most of the increase in this balance sheet item relates to the application of the new IFRS 16. The Company had €0.1 million in non-current bank debt as of 30 September 2019 (31 December 2018: €3.2 million).

Equity ratio KRONES Group at 30 September (%)

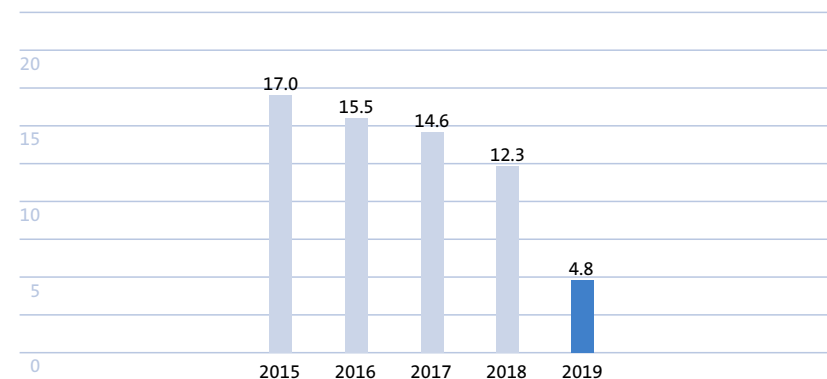


### Decrease in equity ratio and ROCE

At €1,429.4 million, equity was slightly down compared to 2018 reporting date (€1,433.3 million). Due to the increase in total assets, the equity ratio decreased to 40.8% as of 30 September 2019 (31 December 2018: 43.2%). Net cash and cash equivalents (cash and cash equivalents less bank debt) likewise went down. These stood at –€153.1 million as of 30 September 2019, mostly due to the negative free cash flow (previous year: –€34.1 million).

Return on capital employed (ROCE) – the ratio of EBIT to average net capital employed – decreased to 4.8% in the first three quarters of 2019 as a result of the significantly lower earnings (previous year: 12.3%).

KRONES Group ROCE from 1 Jan to 30 Sep (%)



## Report from the segments

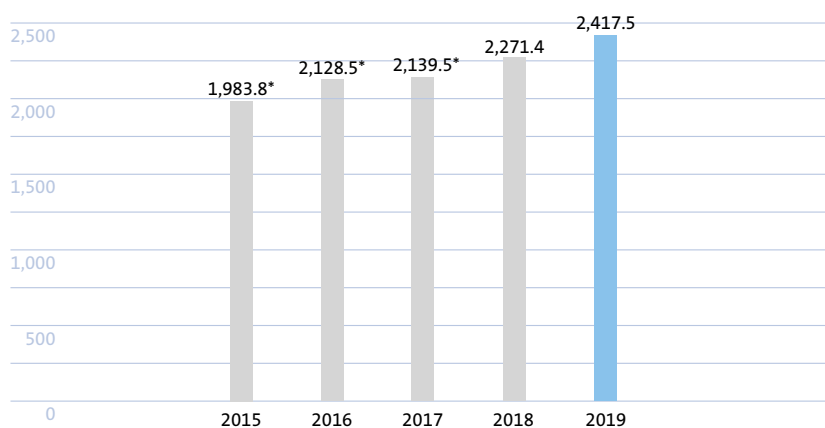
### Machines and Lines for Product Filling and Decoration

#### Segment revenue

*Revenue in KRONES' core segment grew by 6.4% year-on-year in the first three quarters of 2019.*

After a weak second quarter, business in the core segment – Machines and Lines for Product Filling and Decoration – increased significantly between July and September. Revenue in the first nine months of 2019 increased by 6.4% year-on-year, from €2,271.4 million to €2,417.5 million. Adjusted for acquisitions, revenue grew 4.0%. New machinery business contributed substantially to this growth. The share of consolidated revenue accounted for by the core segment decreased slightly from 84.4% in the previous year to 83.7% in the first three quarters.

Segment revenue (€ million) at Sep, 30



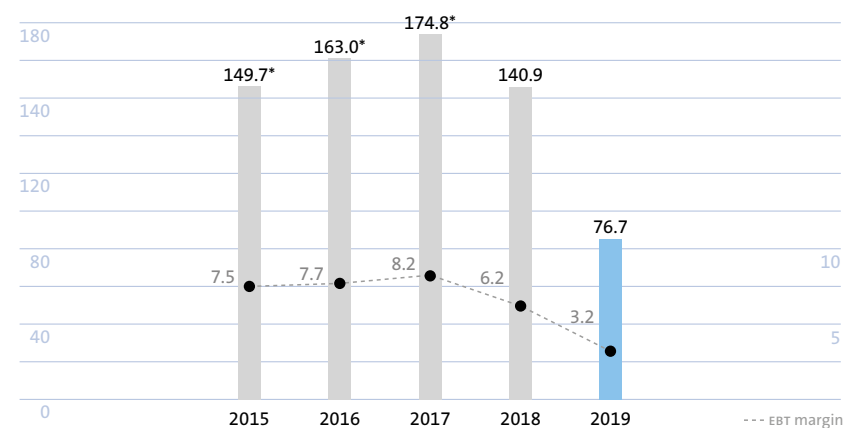
\* incl. Machines and lines for the Compact Class segment

#### Segment earnings

The core segment's profitability improved in the third quarter relative to the preceding quarter. Overall, however, the first nine months of 2019 showed a significant decrease in earnings. Earnings before taxes (EBT) went down from €140.9 million in the previous year to €76.7 million. High personnel expenses – primarily due to establishing the plant in Hungary – temporarily low production capacity utilisation in plastic technology and rising material costs impacted the core segment's profitability in the first nine months. The EBT margin dropped from 6.2% in the previous year to 3.2%.

*The profitability of the core segment was down in the first three quarters due to high costs.*

Segment EBT (€ million) and EBT margin (%) at Sep, 30



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

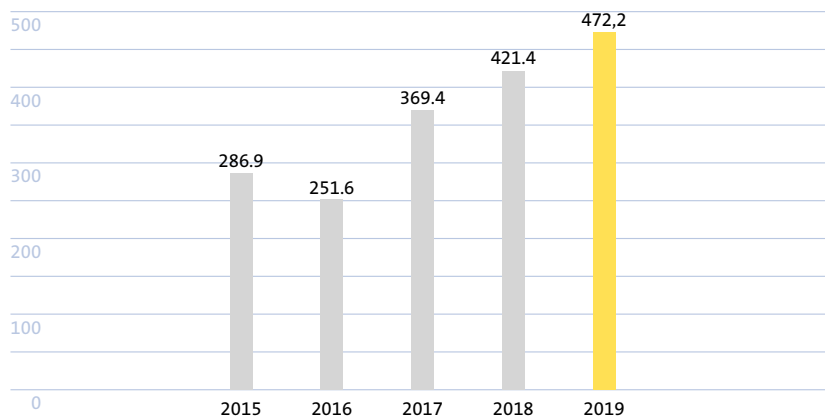
## Machines and Lines for Beverage Production/Process Technology

## Segment revenue

*Segment revenue went up by 12.1% year-on-year between January and September.*

Revenue in the Machines and Lines for Beverage Production/Process Technology segment rose 12.1% year-on-year in the first three quarters of 2019 to €472.2 million. Part of this growth relates to acquisitions. Adjusted for acquisitions, revenue went up by 4.2%. The share of consolidated revenue accounted for by the segment rose from 15.6% in the previous year to 16.3% in the first three quarters. For this segment we will see an overproportional growth in the full year 2019. The intralogistics business is expected to make a significant contribution to growth in the segment.

Segment revenue (€ million), at Sep, 30

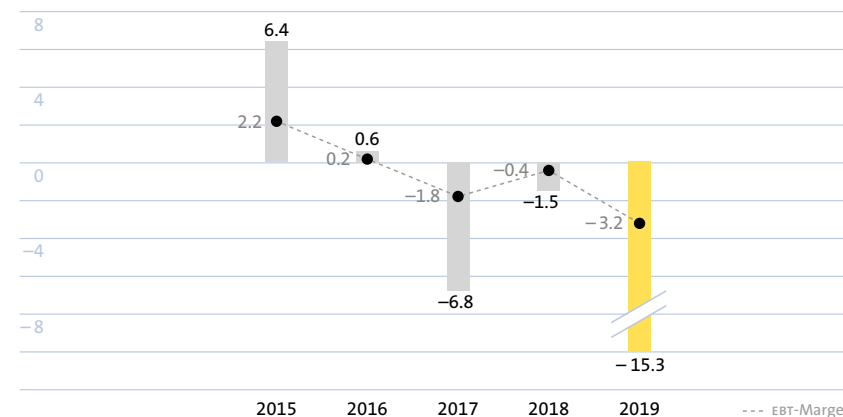


## Segment earnings

Profitability of the Machines and Lines for Beverage Production/Process Technology segment was significantly down in the first three quarters of 2019. EBT deteriorated from –€1.5 million in the previous year to –€15.3 million. One reason for this is that parts of the Process Technology business have structural weaknesses that need to be eliminated. In addition, costs of expanding the global footprint and start-up losses for the digitalisation activities, which are not yet profitable, are also affecting profitability. The EBT margin was –3.2% in the reporting period (previous year: –0.4%).

*KRONES is not satisfied with the segment's profitability performance. EBT in the first nine months of 2019 was –€15.3 million.*

Segment EBT (€ million) and EBT margin (%), at Sep, 30



## Report on **expected developments**

### Long-term growth trend in KRONES' market remains

*KRONES has a very good position in a growth market.* KRONES has a very good market position and is a healthy and strong company. We operate in a market with stable medium and long-term growth. More than seven billion people need to be supplied with food and above all beverage products. The market for KRONES' products and services is expected to continue growing faster on average than the global economy.

KRONES' customers nevertheless display a degree of uncertainty at present because, like others, they take current economic developments into account in their decision processes. The global economic slowdown and the many sources of geopolitical and economic uncertainty are causing investment decisions to be delayed. Together with continued high material and labour costs, this currently presents KRONES with major challenges.

### KRONES expects significantly better earnings in the fourth quarter

The Executive Board has taken further action to counter the negative impacts on earnings. In addition to short-term measures such as a hiring freeze and savings in budgets, KRONES will significantly cut capital expenditure for the next one to two years. Acquisitions will likewise be suspended for the time being.

KRONES expects good production capacity utilisation in the fourth quarter. That will have a positive impact on profitability. We are therefore sticking to our earnings guidance for the full year 2019 and continue to expect an EBT margin of approximately 3%. Attaining this target is challenging, however. The guidance for the EBT margin does not include any costs of structural measures. The company continues to expect revenue to increase by 3% in the full year 2019.

For its third performance target, working capital to revenue, KRONES continues to predict a figure of 26%.

	Target 2019	Actual 9m 2019
Revenue growth	3%	7.3
EBT margin	around 3%	2.1
Working capital to revenue	26%	25.8



**KRONES launches structural measures**

KRONES works on consistently competitive cost structures in order to maintain and ideally expand its market share. The strategic measures launched so far, such as the price rises and the expansion of our global footprint to date, are not enough for the medium-term earnings targets to be attained. There will therefore also be structural adjustments. All processes, organisational structures and resources are to be optimised. Portfolio streamlining will also contribute to improving the company's efficiency. Overall, it can not be avoided that 300 to 500 jobs, mainly at the German locations, will be eliminated.

# 3

## CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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Condensed consolidated **statement of profit or loss** from 1 January to 30 September 2019

€ million	2019 1 Jan – 30 Sep	2018 1 Jan – 30 Sep <sup>1)</sup>	Change %
<b>Revenue</b>	<b>2,889.7</b>	<b>2,692.8</b>	<b>+7.3</b>
Changes in inventories of finished goods and work in progress	9.1	22.7	
<b>Total operating performance</b>	<b>2,898.8</b>	<b>2,715.5</b>	<b>+6.8</b>
Other own work capitalised	44.3	30.4	+45.7
Other operating income	60.7	56.6	+7.2
Goods and services purchased	-1,488.3	-1,384.2	+7.5
Personnel expenses	-945.1	-848.3	+11.4
Other operating expenses	-406.1	-363.9	+11.6
Depreciation and amortisation on fixed assets	-105.9	-73.5	+44.1
<b>EBIT</b>	<b>58.4</b>	<b>132.6</b>	<b>-56.0</b>
Financial income/expense	3.6	8.6	
Income from equity-method investments	-0.6	-1.8	
<b>Earnings before taxes</b>	<b>61.4</b>	<b>139.4</b>	<b>-56.0</b>
Income tax	-21.1	-40.0	-47.3
<b>Consolidated net income</b>	<b>40.3</b>	<b>99.4</b>	<b>-59.5</b>
Profit attributable to non-controlling interests	-0.2	-0.3	
Profit attributable to KRONES Group shareholders	40.5	99.7	
Earnings per share (diluted/basic) in €	1.28	3.16	

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

Condensed consolidated **statement of profit or loss** from 1 July to 30 September 2019

€ million	2019 1 Jul – 30 Sep	2018 1 Jul – 30 Sep <sup>1)</sup>	Change %
<b>Revenue</b>	<b>1,000.4</b>	<b>902.0</b>	<b>+10.9</b>
Changes in inventories of finished goods and work in progress	-10.9	8.0	
<b>Total operating performance</b>	<b>989.5</b>	<b>910.0</b>	<b>+8.7</b>
Other own work capitalised	19.3	10.7	+80.4
Other operating income	14.5	21.6	-32.9
Goods and services purchased	-513.9	-488.0	+5.3
Personnel expenses	-303.4	-273.9	+10.8
Other operating expenses	-158.6	-131.6	+20.5
Depreciation and amortisation on fixed assets	-36.5	-25.9	+40.9
<b>EBIT</b>	<b>10.9</b>	<b>22.9</b>	<b>-52.4</b>
Financial income/expense	2.6	5.3	
Income from equity-method investments	0.0	-1.5	
<b>Earnings before taxes</b>	<b>13.5</b>	<b>26.7</b>	<b>-49.4</b>
Income tax	-6.5	-4.2	+54.8
<b>Consolidated net income</b>	<b>7.0</b>	<b>22.5</b>	<b>-68.9</b>
Profit attributable to non-controlling interests	0.0	0.2	
Profit attributable to KRONES Group shareholders	7.0	22.3	
Earnings per share (diluted/basic) in €	0.22	0.71	

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

Condensed consolidated statement of financial position – **Assets**

€ million	30 September 2019		31 December 2018 <sup>1)</sup>	
Intangible assets	381.0		328.2	
Property, plant and equipment and right of use assets	687.0		570.8	
Non-current financial assets	20.5		8.7	
Investment accounted for using the equity method	3.1		28.7	
<b>Fixed assets</b>	<b>1,091.6</b>		<b>936.4</b>	
Deferred tax assets	32.9		32.5	
Trade receivables	39.6		32.6	
Income tax receivables	1.2		0.0	
Other assets	10.1		8.3	
<b>Non-current assets</b>		<b>1,175.4</b>		<b>1,009.8</b>
Inventories	385.6		320.7	
Trade receivables	984.0		955.4	
Contract assets	625.8		647.1	
Income tax receivables	16.2		11.7	
Other assets	138.8		157.9	
Cash and cash equivalents	177.0		218.8	
<b>Current assets</b>		<b>2,327.4</b>		<b>2,311.6</b>
<b>Total</b>		<b>3,502.8</b>		<b>3,321.4</b>

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

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

€ million	30 September 2019		31 December 2018 <sup>1)</sup>	
<b>Equity</b>		<b>1,429.4</b>		<b>1,433.3</b>
Provisions for pensions	221.2		220.6	
Deferred tax liabilities	7.5		23.2	
Other provisions	71.9		63.7	
Provisions for taxes	8.4		4.4	
Liabilities to banks	0.1		3.2	
Trade payables	0.0		0.0	
Other financial obligations and lease liabilities	91.3		41.3	
Other liabilities	4.6		2.3	
<b>Non-current liabilities</b>		<b>405.0</b>		<b>358.7</b>
Other provisions	114.9		107.2	
Provisions for taxes	10.1		9.0	
Liabilities to banks	330.0		0.6	
Contract liabilities	507.0		547.2	
Trade payables	367.2		491.6	
Tax liabilities	7.9		5.5	
Other financial obligations and lease liabilities	30.5		106.7	
Other liabilities and accruals	300.8		261.6	
<b>Current liabilities</b>		<b>1,668.4</b>		<b>1,529.4</b>
<b>Total</b>		<b>3,502.8</b>		<b>3,321.4</b>

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



Condensed consolidated **statement of cash flows**

€ million	2019	2018
	1 Jan – 30 Sep	1 Jan – 30 Sep <sup>1)</sup>
Earnings before taxes	61.4	139.4
Depreciation and amortisation (reversals)	105.9	73.5
Increase in provisions and accruals	79.9	0.3
Deferred tax item changes recognised in profit or loss	14.7	-17.1
Interest expenses and interest income	2.3	-0.8
Gains and losses from the disposal of fixed assets	0.2	-0.1
Other non-cash expenses and income	-0.4	-6.5
Increase in inventories, trade receivables, contract assets and other assets not attributable to investing or financing activities	-49.3	-138.1
Decrease in trade payables, contract liabilities and other liabilities not attributable to investing or financing activities	-299.8	-38.3
<b>Cash generated from operating activities</b>	<b>-85.1</b>	<b>12.3</b>
Interest paid	-4.1	-0.4
Income tax paid and refunds received	-32.8	-62.1
<b>Cash flow from operating activities</b>	<b>-122.0</b>	<b>-50.2</b>
Cash payments to acquire intangible assets	-45.6	-35.9
Cash payments to acquire property, plant and equipment	-92.7	-53.7
Proceeds from the disposal of property, plant and equipment	3.3	0.7
Cash payments to acquire non-current financial assets	-7.1	-3.6
Proceeds from the disposal of non-current financial assets	0.1	0.1
Cash payments to acquire subsidiaries and equity interests	-34.9	-6.0
Interest received	1.6	1.8
Dividends received	2.8	6.8
<b>Cash flow from investing activities</b>	<b>-172.5</b>	<b>-89.8</b>
Cash payments to company owners	-53.7	-53.7
Proceeds from new borrowing	329.4	222.4
Cash payments from the repayment of received financial and leasing liabilities	-26.8	0.0
<b>Cash flow from financing activities</b>	<b>248.9</b>	<b>168.7</b>
<b>Cash change in cash and cash equivalents</b>	<b>-45.6</b>	<b>28.7</b>
Change in cash and cash equivalents arising from changes in the consolidated group	3.8	2.2
Cash and cash equivalents at the beginning of the period	218.8	182.0
<b>Cash and cash equivalents at the end of the period</b>	<b>177.0</b>	<b>212.9</b>

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

Consolidated **segment reporting**

Q1–Q3	Machines and Lines for Product Filling and Decoration		Machines and Lines for Beverage Production/ Process Technology		KRONES Group	
	2019 1 Jan–30 Sep	2018 1 Jan–30 Sep <sup>1)</sup>	2019 1 Jan–30 Sep	2018 1 Jan–30 Sep <sup>1)</sup>	2019 1 Jan–30 Sep	2018 1 Jan–30 Sep <sup>1)</sup>
€ million						
Revenue	2,417.5	2,271.4	472.2	421.4	2,889.7	2,692.8
EBT	76.7	140.9	–15.3	–1.5	61.4	139.4
EBT margin	3.2%	6.2%	–3.2%	–0.4%	2.1%	5.2%
Employees at 30 September*	14,896	13,581	2,056	1,768	16,952	15,349

\* Consolidated group

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

Q3 2019	Machines and Lines for Product Filling and Decoration		Machines and Lines for Beverage Production/ Process Technology		KRONES Group	
	2019 1 Jul–30 Sep	2018 1 Jul–30 Sep <sup>1)</sup>	2019 1 Jul–30 Sep	2018 1 Jul–30 Sep <sup>1)</sup>	2019 1 Jul–30 Sep	2018 1 Jul–30 Sep <sup>1)</sup>
€ million						
Revenue	835.8	741.3	164.6	160.7	1,000.4	902.0
EBT	19.7	24.4	–6.2	2.3	13.5	26.7
EBT margin	2.4%	3.3%	–3.8%	1.4%	1.3%	3.0%
Employee access in the quarter*	296	291	–25	58	271	349

\* Consolidated group

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

# 4

## OTHER INFORMATION

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

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

### Supervisory Board

#### Volker Kronseder

Chairman of the Supervisory Board

\* UNIVERSITÄTSKLINIKUM  
REGENSBURG

\* ECONOMIC ADVISORY BOARD  
BAYERISCHE LANDESBANK

#### Werner Schrödl\*\*

Chairman of the Group Works

Council

Chairman of the Central Works  
Council

Deputy Chairman of the  
Supervisory Board

\* Verwaltungsrat der BAYERISCHEN  
BETRIEBSKRANKENKASSEN

#### Robert Friedmann

Spokesman for the central  
managing board of the  
WÜRTH GROUP

\* ZF FRIEDRICHSHAFEN AG

#### Klaus Gerlach\*\*

Head of Central International  
Operations and Services

#### Oliver Grober\*\*

Chairman of the Employees'  
Council, Rosenheim

#### Thomas Hiltl\*\*

Chairman of the Employees'  
Council, Nittenau

#### Norman Kronseder

Farmer and forester

\* BAYERISCHE FUTTERSAAU  
GMBH

#### Professor Dr. jur. Susanne Nonnast

Professor at Ostbayerische  
Technische Hochschule (OTH)  
Regensburg

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

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

#### Beate Eva Maria Pöpperl\*\*

Independent Member of the  
Employees' Council

#### Norbert Samhammer

Chief executive of  
SAMHAMMER HOLDING GMBH  
\*SAMHAMMER AG

#### Petra Schadeberg-Herrmann

Managing partner KROMBACHER  
BRAUEREI

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

#### Jürgen Scholz\*\*

First authorised representative  
IG Metall administrative office  
in Regensburg

\* INFINEON TECHNOLOGIES AG

#### Hans-Jürgen Thaus

\* MASCHINENFABRIK REINHAUSEN  
GMBH

#### Josef Weitzer\*\*

Deputy Group Employees'  
Council Chairman

Deputy Composite Employees'  
Council Chairman

Employees' Council Chairman,  
Neutraubling

\* SPARKASSE REGENSBURG

#### Matthias Winkler

Managing partner at  
WW+ KN Steuerberatungs-  
gesellschaft mbH

### Executive Board

#### Christoph Klenk

CEO

cFO (since 24 July 2019)

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

#### Michael Andersen

cFO

Finance, Controlling,  
Process Technology,  
Strategic Purchasing  
(until 24 July 2019)

#### 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.

## Publishing information

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## Note

This English language report is a translation of the original German KRONES Quarterly statement for the period from 1 January to 30 September 2019 (KRONES Quartalsmitteilung für den Zeitraum vom 1. Januar bis 30. September 2019). In case of discrepancies the German text shall prevail.

You can also find the Quarterly statement for the period from 1 January to 30 September 2019 in the Investor Relations section at [www.krones.com/en/company/investor-relations/reports.php](http://www.krones.com/en/company/investor-relations/reports.php)

## Financial calendar

19 March 2020	Annual Report 2019
29 April 2020	Quarterly statement for the period ended 31 March 2020
18 May 2020	Annual general meeting
30 July 2020	Interim report for the period ended 30 June 2020
29 October 2020	Quarterly statement for the period ended 30 September 2020

## Contact

KRONES AG  
Investor Relations  
Olaf Scholz  
Phone +49 9401 70-1169  
E-mail [olaf.scholz@krones.com](mailto:olaf.scholz@krones.com)  
Böhmerwaldstrasse 5  
93073 Neutraubling  
Germany

