

Q2

Interim report for the period
from 1 January to 30 June 2018

 **KRONES**

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Highlights and key figures

After a strong first half, KRONES confirms outlook for growth and earning targets for 2018

- At €1,790.8 million, revenue was up 0.9% from the prior-year figure, which had been quite high due to timing.
- Order intake rose 13.2% to €2,014.8 million. Acquisitions had no significant impact on revenue or order intake in the first half.
- EBT decreased 6.9% to €112.7 million due to a one-time effect within personnel expenses and rising expenditure for goods and services purchased. The EBT margin decreased from 6.8% to 6.3%. In the second quarter the EBT margin was stable at prior year level of 6.3%.
- Executive Board confirms targets for growth and earnings for 2018. KRONES expects 6% revenue growth and a reported EBT margin of 7.0%.

Key figures for H1 2018		1 Jan – 30 Jun 2018	1 Jan – 30 Jun 2017	Change
Revenue	€ million	1,790.8	1,775.2	+0.9%
Order intake	€ million	2,014.8	1,779.3	+13.2%
Orders on hand at 30 June	€ million	1,464.1	1,148.8	+27.4%
EBITDA	€ million	157.3	164.4	-4.3%
EBIT	€ million	109.7	117.1	-6.3%
EBT	€ million	112.7	121.0	-6.9%
EBT margin	%	6.3	6.8	-0.5 PP*
Net income	€ million	76.9	82.4	-6.7%
Earnings per share	€	2.45	2.64	-7.2%
Capital expenditure for PP&E and intangible assets	€ million	58.5	46.1	+€ 12.4 million
Free cash flow	€ million	-56.2	-159.5	+€ 103.3 million
Net cash and cash equivalents at 30 June**	€ million	49.7	160.4	-€ 110.7 million
Working capital to revenue***	%	28.8	26.3	+2.5 PP*
ROCE	%	15.5	16.3	-0.8 PP*
Employees at 30 June				
Worldwide		15,568	14,794	+774
Germany		10,376	10,106	+270
Outside Germany		5,192	4,688	+504

* Percentage points ** Cash and cash equivalents less debt *** Average of last 4 quarters

Key figures for Q2 2018		1 Apr – 30 Jun 2018	1 Apr – 30 Jun 2017	Change
Revenue	€ million	899.1	875.8	+2.7%
Order intake	€ million	1,022.4	903.8	+13.1%
EBITDA	€ million	78.4	77.2	+1.6%
EBIT	€ million	54.2	53.1	+2.1%
EBT	€ million	56.5	55.0	+2.7%
EBT margin	%	6.3	6.3	±0 PP
Net income	€ million	38.2	38.7	-1.3%
Earnings per share	€	1.22	1.24	-1.6%

Dear shareholders and friends of KRONES,

The second quarter was dominated by news on trade disputes and import tariffs among the world's biggest economic regions – the USA, China, and Europe. These developments have had a slight dampening effect on sentiment, which was more positive at the start of the year. The International Monetary Fund has left its projection for 2018 global economic growth unchanged at 3.9% but warns of the increasing risks to this forecast.

Investment in our industry has remained acceptable. However, we must be ready to cope with challenges such as steadily rising prices for goods and services and labour. In order to compensate the increasing costs, we have raised the prices on all machines for bottling and packaging and process technology effective May 1st 2018.

KRONES had overall a successful first half of 2018. Revenue was up slightly on the very high prior-year level to 0.9% and order intake rose 13.2% in the first six months of the year. It should be noted that the May 1st price increase did not apply to quotations that were already being negotiated at that time. The price increase will likely only begin to be reflected in order intake in the third quarter. KRONES' profitability was down in the first half due to rising prices for goods and services and personnel expenses. Overall, we are confident that we will achieve our growth and earning targets for the year.

After nearly 23 years in Germany's MDAX index, KRONES' share moved to the SDAX in mid-June. The SDAX contains many successful companies and is expected to gain in attractiveness to investors as a result of the reform of Germany's stock market indexes in September 2018. Regardless of which index the KRONES share is part of, the entire team will continue to focus on moving KRONES forward.



Christoph Klenk
CEO

Stock markets under slight pressure in the first half of 2018

Increasing trade tensions between the USA, China, and Europe influenced the world's stock markets in the first half. However, good news regarding interest rates reduced the negative impact on share-prices. The European Central Bank (ECB) is likely to keep interest rates low for a while yet and rate increases in the USA have so far been slow. Germany's DAX blue-chip index fell 4.7% in the period from January to June. The Euro Stoxx 50, which contains the euro area's 50 biggest companies, slipped 3.1%. The Dow Jones Industrial Average fared somewhat better, closing the month of June down 1.8% from the start of the year. China's Shanghai Composite index was hit especially hard, losing around 15%. Japan's Nikkei index declined 2.4%.

KRONES share price from 1 January to 30 June 2018



The KRONES share underwent considerable swings in the first half. In all, our share lost slightly more than the SDAX.

KRONES share moved to SDAX as of mid-June

The KRONES share developed much like the overall market in the first half. KRONES was not spared the effects of the stock markets' volatility. Our share hit its lowest point for the reporting period, €101.10, on 11 April. It reached its high for the period, €122.80, on 11 June. Deutsche Börse AG decided on 5 June that KRONES would move from the MDAX to the SDAX effective 18 June on the basis of the fast-entry rule. The main factor leading to the decision was our share's low trading volume. The KRONES share traded at €109.30 on the day the change took effect. At the end of June, the share price was €110.70. That was down 3.3% from the start of the year. Including the dividend of €1.70 per share, the loss came to only 1.8%. The SDAX slipped 0.5% in the reporting period.

Trade disputes threaten global economy

Concerns surrounding global economic growth increased in the first half of 2018, driven mainly by trade tensions between the USA and China and Europe. Nevertheless, experts with the International Monetary Fund (IMF) in July left their forecast unchanged of 3.9% global economic growth for 2018 from their April projection. However, they did stress that escalating tensions in global trade could slow global economic growth in the short term.

The International Monetary Fund has left its global economic growth forecast for 2018 unchanged at 3.9% despite mounting trade tensions.

The IMF lowered its 2018 growth forecasts for some of the world's advanced economies in July. These changes applied primarily to euro-zone countries, where the IMF expects political tensions to have a negative impact. The economists are now forecasting 2.2% GDP growth across the euro zone, compared with the earlier forecast of 2.4%. Germany's economy received a sharper downgrade, from 2.5% to 2.2%. The IMF is also less confident about the outlook for Japan's economy than it was in April and has lowered its growth forecast from 1.2% to 1.0%. The economists have kept their projection for US GDP growth unchanged at 2.9%. In all, the IMF expects the world's advanced economies to grow by 2.4% in 2018. In April, the forecast was for a 2.5% expansion.

The IMF's forecast for GDP growth in the emerging markets is unchanged at 4.9% over 2017. The economies of Asia are expected to continue to expand at higher rates, particularly China (+6.6%) and India (+7.3%). The IMF upgraded its forecast for the Middle East/Northern Africa region slightly from its April projection, from 3.4% to 3.5%. The experts are less optimistic about Latin America. The IMF now expects GDP growth of only 1.6% for the region (April forecast: 2.0%), due primarily to the considerably dimmer outlook for Brazil's economy.

Germany's machinery sector is growing

Order intake among German machinery and industrial equipment manufacturers was down slightly in May 2018, by 1% year-on-year. Nevertheless, the German Engineering Federation (VDMA) is optimistic about the sector's outlook for 2018. After several months of strong growth, the VDMA views the slight decline in order intake in May as the industry simply taking a breather.

In the less volatile three-month comparison of the period from March through May 2018, order intake in the German machinery sector was up 2% year-on-year. Domestic orders rose 7% while orders from abroad decreased by 1%.

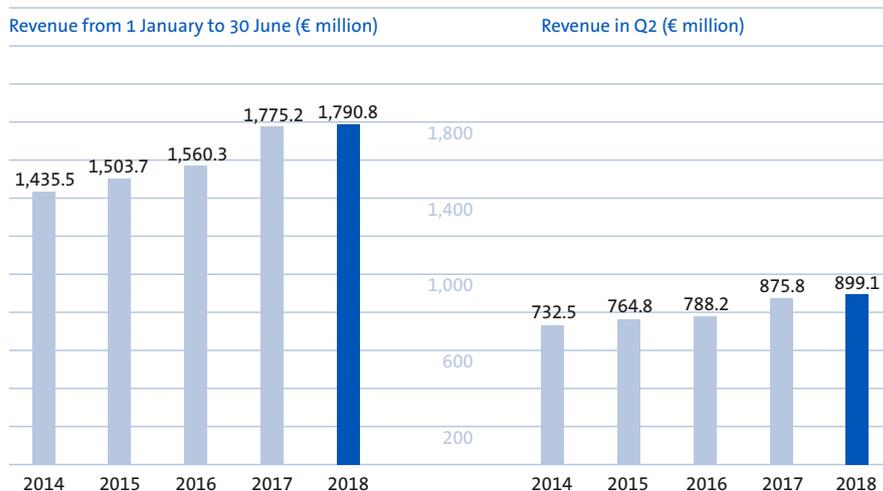
In April, the VDMA upgraded its 2018 forecast for machinery output in Germany from +3% to +5%. The May numbers did not prompt the trade association to change its forecast.

The VDMA is projecting 5% to 6% revenue growth in the food and packaging machinery subsector, which is relevant for KRONES.

KRONES' first-half 2018 revenue slightly higher year-on-year

KRONES posted solid revenue growth in the period from April to June 2018. At €899.1 million, second-quarter revenue was up 2.7% year-on-year. Acquisitions had no significant influence on revenue. KRONES benefited from a generally favourable market environment and its own broad range of products and services.

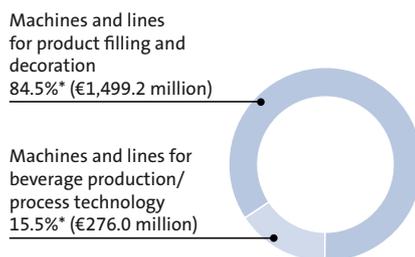
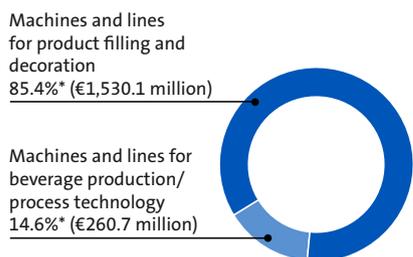
KRONES' revenue in the first half of 2018 was up 0.9% on the prior-year figure, which had been high due to timing.



A strong second quarter enabled KRONES to offset the slight decrease in revenue in the first quarter. Overall, KRONES' revenue in the first six months of 2018 was up 0.9% from the high prior-year figure, from €1,775.2 million to €1,790.8 million. Sales were negatively affected by currency translation of a mid-double-digit million euro amount. Thus, revenue is within our forecast range after the first half. Growth is likely to accelerate in the third quarter. We are confident that we will achieve our growth target of 6% for 2018.

Revenue by segment from 1 Jan to 30 Jun 2018

Revenue by segment from 1 Jan to 30 Jun 2017



* Share of consolidated revenue of €1,790.8 million

* Share of consolidated revenue of €1,775.2 million

Revenue by region

In Germany, KRONES generated relatively low revenue in the second quarter due to project timing. In all, domestic revenue in the period from January to June 2018 was down 24.2% year-on-year to €156.4 million. Business in Germany accounted for 8.7% of consolidated revenue, down from 11.6% the previous year.

After a flat first quarter, business in Europe (excluding Germany) increased in the period from April to June 2018. That is also true for the large Western Europe sales region, where revenue for the period from January to June 2018 was up 5.6% year-on-year to €323.1 million. In Central Europe (Austria, Switzerland, and the Netherlands), revenue grew 16.0% to €104.2 million. KRONES' business in Eastern Europe picked up considerably. At €83.6 million, first-half revenue there was up 19.6% year-on-year. Revenue in the Russia/CIS sales region is improving slowly. In the first half of 2018, revenue there was up 9.9% from the relatively low baseline from the previous year. In all, KRONES' revenue in Europe (excluding Germany) for the period from January to June 2018 was up 9.7% year-on-year from €503.3 million to €552.1 million. The share of consolidated revenue coming from Europe (excluding Germany) increased to 30.8% (previous year: 28.4%).

In the Middle East/Africa region, which remains a very important growth region for KRONES in the medium and long terms, first-half revenue increased slightly year-on-year. Revenue there was up 2.8% to €259.4 million. After a slow start to the year, business in China stabilised in the first half-year on prior year level. Revenue there improved 8.8% year-on-year to €121.8 million in the period from January to June 2018. Revenue in the rest of the Asia-Pacific region also developed considerably better in the second quarter than it had in the first. The figure for the first half of 2018 was down only slightly, 3.4% year-on-year, to €226.7 million.

KRONES posted strong growth in the South America/Mexico sales region in the reporting period. At €227.4 million, revenue exceeded the prior-year figure by 15.7%. Business in the North and Central America region was considerably better in the second quarter than it had been in the first. However, at €247.0 million, first-half revenue was still down 8.5% from the high prior-year figure.

KRONES Group revenue by region

Share of consolidated revenue	1 Jan to 30 June 2018		1 Jan to 30 June 2017		Change
	€ million	%	€ million	%	
Germany	156.4	8.7	206.4	11.6	-24.2
Central Europe (excluding Germany)	104.2	5.8	89.8	5.1	+16.0
Western Europe	323.1	18.0	306.1	17.3	+5.6
Eastern Europe	83.6	4.7	69.9	3.9	+19.6
Russia, Central Asia (CIS)	41.2	2.3	37.5	2.1	+9.9
Middle East/Africa	259.4	14.5	252.3	14.2	+2.8
Asia-Pacific	226.7	12.7	234.7	13.2	-3.4
China	121.8	6.8	112.0	6.3	+8.8
South America/Mexico	227.4	12.7	196.6	11.1	+15.7
North and Central America	247.0	13.8	269.9	15.2	-8.5
Total	1,790.8	100.0	1,775.2	100.0	+0.9

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

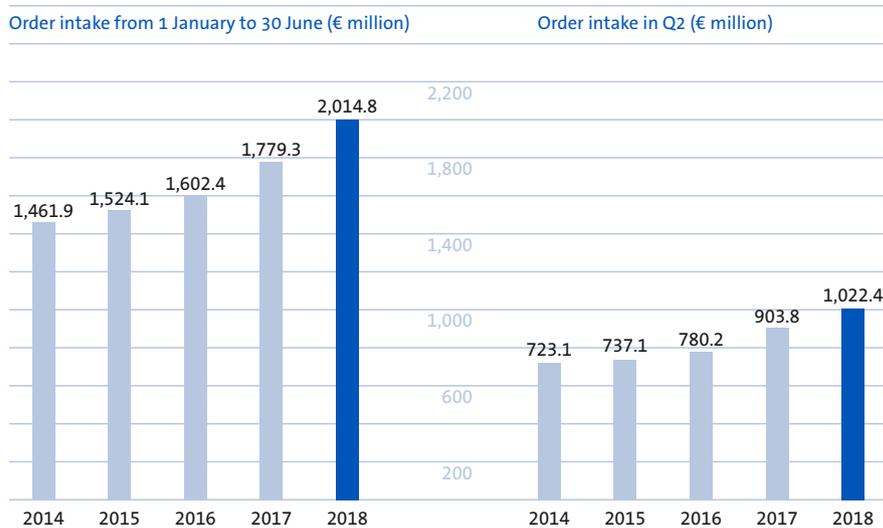
KRONES' revenue remains well balanced internationally in both the established and emerging markets. The company generated 53.6% of consolidated revenue in the emerging markets in the first half of 2018 (previous year: 50.8%) and 46.4% in the advanced economies (previous year: 49.2%).

Order intake picked up considerably

Demand for KRONES' products and services was high in the second quarter of 2018. Order intake for the quarter was up 13.1% year-on-year to €1,022.4 million. With that, we continued the upwards trend from the first quarter. It should be noted that the May 1st price increase did not apply to quotations that were already being negotiated at that time. Thus, the price increase did not have a significant impact on orders in the second quarter. Order intake in the first half of 2018 was up 13.2% year-on-year to €2,014.8 million. Acquisitions did not have a noticeable effect on order intake.

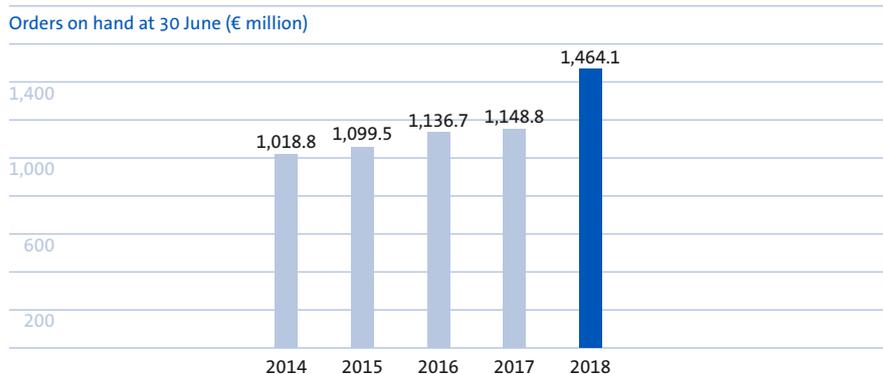
Order intake was up 13.2% year-on-year in the period from January to June 2018.

The largest increase in orders at KRONES in the first six months of 2018 came in Europe, South America, and China. Order intake was stable in North America and the Africa/Middle East region and slightly lower in the other sales regions.



KRONES has a large orders backlog

At €1,464.1 million, orders on hand at KRONES were up 27.4% at the end of June 2018 over the prior-year period (€1,148.8 million). The comfortable orders backlog enables us to compensate potential changes in order intake that might result from our price increases in the months ahead without jeopardising balanced capacity utilisation.



First-half profitability was lower year-on-year

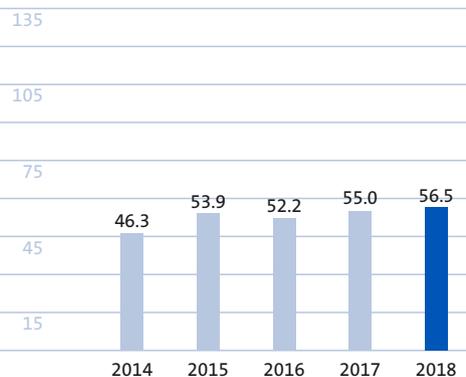
KRONES was not able to turn the slight increase in revenue into earnings growth in the first half of 2018. The main factor here was the continuing rise in costs for goods and services and for personnel. The price increases we have made effective May 1st will help to compensate the declining profitability. In the period from January to June, earnings before taxes (EBT) were down 6.9% year-on-year to €112.7 million. The EBT was negatively affected by currency translation of a mid-single-digit million euro amount. The EBT margin narrowed from 6.8% in the previous year to 6.3% in the first six months of 2018. We still expect to achieve an EBT margin of 7.0% for the year. After taxes, consolidated net income was down 6.7% to €76.9 million in the reporting period. Earnings per share for the period decreased from €2.64 in the previous year to €2.45.

In the second quarter of 2018, KRONES increased earnings slightly and stabilised profitability. In the period from April to June 2017, the company generated €56.5 million in earnings before taxes (EBT), which is up 2.7% year-on-year. As a result, the EBT margin was unchanged at 6.3%. A higher tax rate of the second quarter compared with the previous year resulted in slightly lower net income for the second quarter of 2018 (by 1.3% to €38.2 million). Earnings per share for the period decreased from €1.24 in the previous year to €1.22.

Earnings before taxes (EBT) from 1 January to 30 June
(€ million)

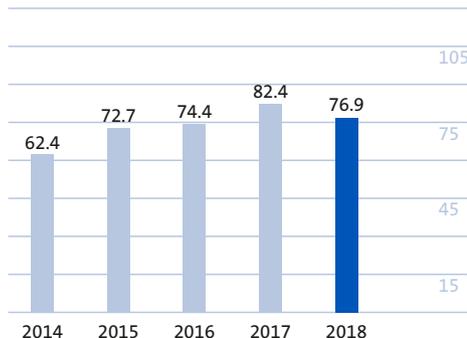


Earnings before taxes (EBT) in Q2
(€ million)



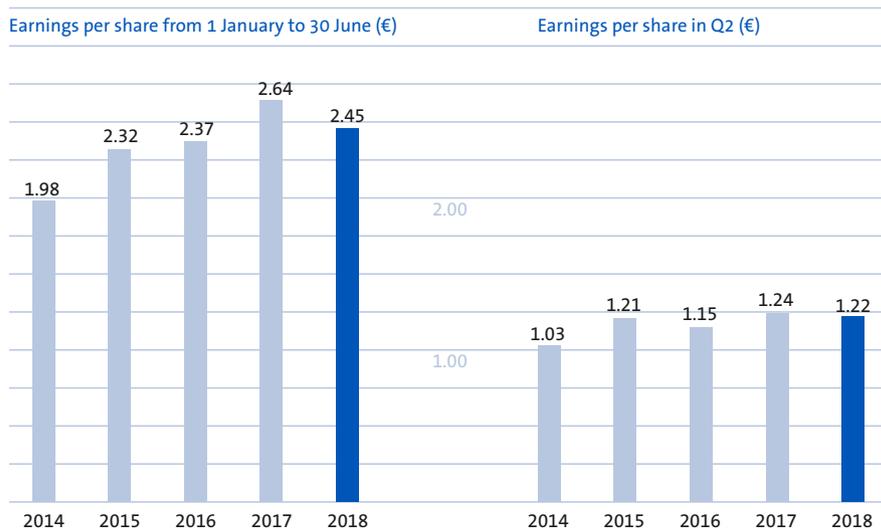
KRONES' EBT margin for the first half was 6.3%. The forecast for 2018 is unchanged at 7.0%.

Net income from 1 January to 30 June (€ million)



Net income in Q2 (€ million)





KRONES Group earnings structure

€ million	2018 1 Jan–30 Jun	2017 1 Jan–30 Jun	Change %
Revenue	1,790.8	1,775.2	+0.9
Changes in inventories of finished goods and work in progress	14.7	-59.3	
Total operating performance	1,805.5	1,715.9	+5.2
Other own work capitalised	19.7	21.8	-9.6
Other operating income	35.0	46.5	-24.7
Goods and services purchased	-896.2	-826.2	+8.5
Personnel expenses	-574.4	-540.1	+6.4
Other operating expenses	-232.3	-253.5	-8.4
Depreciation and amortisation on fixed assets	-47.6	-47.3	+0.6
EBIT	109.7	117.1	-6.3
Financial income	3.3	+4.3	
Income from equity-method investments	-0.3	-0.4	
EBT	112.7	121.0	-6.9
Income tax	-35.8	-38.6	-7.3
Consolidated net income	76.9	82.4	-6.7

Sharp increases in the cost of goods and services purchased and personnel reduced KRONES' profitability in the first half of 2018.

In the period from January to June 2018, KRONES' total operating performance increased 5.2% year-on-year to €1,805.5 million, more sharply than revenue, which increased 0.9% to €1,790.8 million. That is because KRONES increased its inventories of finished goods and work in progress by €14.7 million in the reporting period while it had reduced these inventories by €59.3 million in the previous year. Revenue and

total operating performance exceeded the prior-year figure, which was exceptionally high due to timing. At €19.7 million (previous year: €21.8 million), other own work capitalised was almost unchanged from the prior-year period.

Expenditure for goods and services purchased increased more than total operating performance in the first half of 2018. This figure was up 8.5% to €896.2 million. Higher prices and cost on goods and services purchased in nearly every area were the reason for the disproportionate increase. As a result, the ratio of expenses for goods and services purchased to total operating performance rose year-on-year from 48.2% to 49.6% in the reporting period.

Personnel expenses also grew more than total operating performance in the first half of 2018. At €574.4 million, they were 6.4% higher than in the prior-year period. The increase reflects pay increases that also resulted in a one-time increase in provisions in the first quarter of 2018. The higher personnel expenses also reflect our efforts to considerably grow our workforce in the regions. Nevertheless, the ratio of personnel expenses to total operating performance increased only slightly, from 31.5% in the previous year to 31.8%.

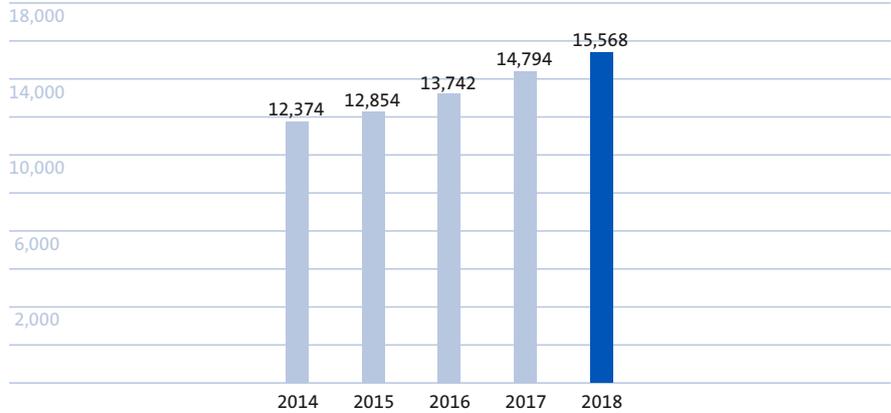
To ensure KRONES' continued ability to offer the highest quality, innovative products and services despite steadily rising costs for goods and services purchased and personnel, KRONES raised its prices on all machines for bottling and packaging equipment and for process technology by 4.5% on average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

KRONES was able to reduce other operating expenses by achieving savings in major cost areas. Other operating expenses decreased from €253.5 million in the previous year to €232.3 million. The ratio of other operating expenses to total operating performance was down considerably year-on-year, from 14.8% to 12.9%. Other operating income was down from €46.5 million in the previous year to €35.0 million in the reporting period. This results in a slightly change of the net of other operating income and expenses and own work capitalised from –€185.2 million to –€177.6 million. At €47.6 million, depreciation and amortisation of fixed assets was up slightly from the prior-year figure of €47.3 million.

KRONES was able to reduce other operating expenses by implementing various measures under the Value strategy programme.

Earnings before interest and taxes (EBIT) decreased 6.3% to €109.7 million (previous year: €117.1 million), due primarily to the higher costs for goods and services purchased and personnel. Because financial income was lower (€3.3 million versus €4.3 million in the previous year), earnings before taxes (EBT) were down 6.9% in the first half of 2018 to €112.7 million (previous year: €121.0 million). The resulting EBT margin is 6.3%, after 6.8% in the previous year. The tax rate improved slightly year-on-year, from 31.9% to 31.8%. Consolidated net income for the reporting period came to €76.9 million (previous year: €82.4 million).

KRONES employees worldwide at 30 June



KRONES employs 15,568 people worldwide

At 30 June, KRONES had grown its workforce by 774 people or 5.2% to 15,568. The number of people employed in Germany rose by 270 to 10,376. The largest part of workforce growth took place outside Germany. We expanded our workforce outside Germany by 504 or 10.8% to 5,192. That reflects KRONES’ strategy of expanding its global presence. KRONES increased the number of employees in the emerging markets by 325 to 2,632. Our workforce in China grew from 520 in the previous year to 632. In the Asia-Pacific region, KRONES brought the number of employees up from 673 to 782.

KRONES is expanding its global presence in order to be as close and responsive as possible to customers worldwide. To that end, we have been recruiting qualified employees for our sites abroad.

KRONES Group cash flow

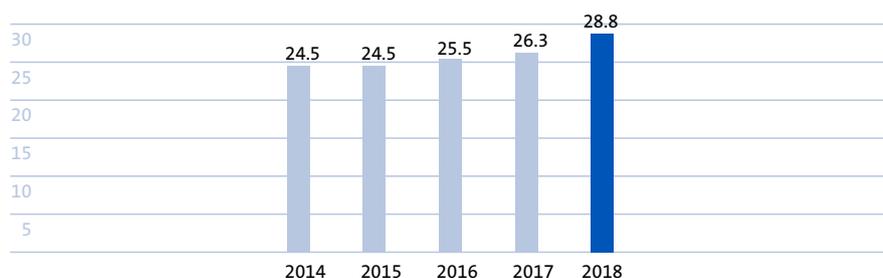
€ million	2018	2017
	1 Jan – 30 June	1 Jan – 30 June
Earnings before taxes	112.7	121.0
Other non-cash changes	+ 82.0	+ 22.8
Changes in working capital	– 79.1	– 151.9
Changes in other assets and liabilities	– 109.5	– 76.8
Cash flow from operating activities	6.1	– 84.9
Capital expenditure for PP&E and intangible assets	– 58.5	– 46.1
M&A activities	– 7.3	– 32.8
Other	+ 3.5	+ 4.3
Free cash flow	– 56.2	– 159.5
Cash flow from financing activities	+ 56.7	– 19.0
Other	+ 2.2	0.0
Net change in cash and cash equivalents	2.7	– 178.5
Cash and cash equivalents at the end of the period	184.7	190.4

KRONES improved cash flow from operating activities by €91.0 million in the first half of 2018, from –€84.9 million in the previous year to €6.1 million. The main reason for that improvement was that the increase in working capital, by € 79.1 million, which was considerably less strong than in the previous year (€151.9 million) and thus helped improve cash flow from operating activities.

The ratio of working capital to revenue increased to 28.8%

The ratio of average working capital for the past four quarters to revenue increased to 28.8% in the reporting period, from 26.3% in the prior-year period.

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



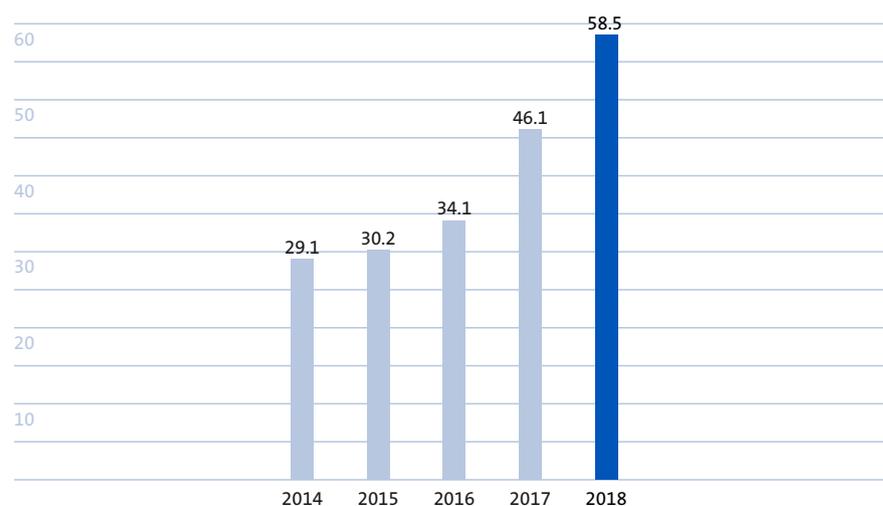
The ratio of average working capital for the past four quarters to sales revenue was up in the first half of 2018, from 26.3% to 28.8%.

KRONES invested €58.5 million in intangible assets and property, plant and equipment in the reporting period (previous year: €46.1 million). KRONES' free cash flow (net cash generated from operating activities) improved by €103.3 million to –€56.2 million in the period from January to June 2018. Adjusted for acquisitions, operating free cash flow came to –€48.9 million after –€126.7 million in the prior-year period. In our business, it is not unusual for free cash flow to be negative in the first two quarters due to seasonal factors.

KRONES improved cash flow from operating activities and free cash flow considerably in the first half of 2018.

Cash flow from financing activities came to €56.7 million (previous year: –€19.0 million). This item includes the dividend payout of €53.7 million (previous year: €49.0 million) as well as €110.4 million in proceeds from new borrowing (previous year: €30.0 million). As a result, KRONES had cash and cash equivalents totalling €184.7 million at 30 June 2018 (previous year: €190.4 million).

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



KRONES Group asset and capital structure

€ million	30 Jun 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015
Non-current assets	898	882	799	697
of which fixed assets	814	797	726	646
Current assets	2,208	2,158	2,272	2,010
of which cash and equivalents	185	182	369	365
Equity	1,355	1,330	1,226	1,111
Total debt	1,751	1,710	1,845	1,596
Non-current liabilities	331	314	308	278
Current liabilities	1,420	1,396	1,537	1,318
Total	3,106	3,040	3,071	2,707

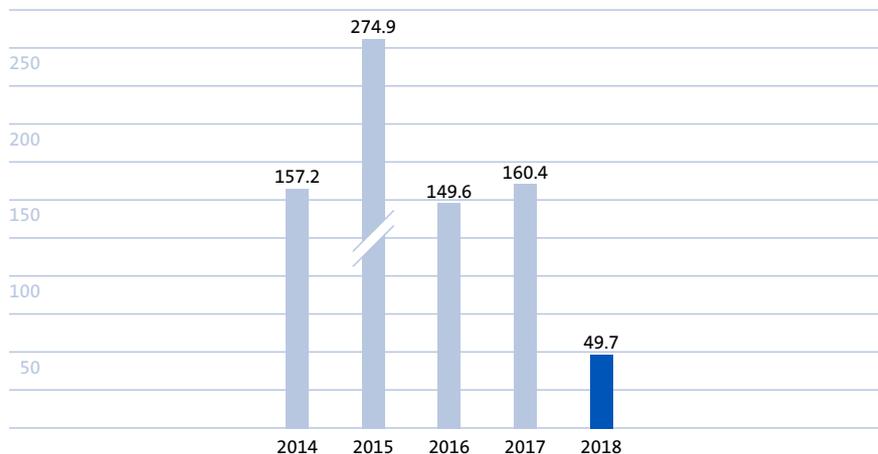
With business volume considerably higher, KRONES' total assets were up 2.2% at 30 June 2018 compared with 31 December 2017, from €3,039.8 million to €3,106.1 million.

Current assets were the main factor driving the increase. They totalled €2,208.2 million at the end of the reporting period, €50.6 million more than at 31 December 2017. At the end of June, KRONES' inventories were down considerably to €326.7 million (31 December 2017: €611.8 million) and trade receivables had decreased to €962.5 million (31 December 2017: €1,225.3 million). A large part of the decrease can be attributed to the new financial reporting standard IFRS 15. As of 2018, some parts of trade receivables are now posted under a new line item on the statement of financial position, "contract assets". At 30 June 2018, these totalled €572.8 million. Cash and cash equivalents increased slightly, by €2.7 million to €184.7 million in the reporting period.

Non-current assets increased by €15.7 million to €897.9 million in the first half (31 December 2017: €882.2 million). The increase in fixed assets to €813.6 million (31 December 2017: €796.6 million) resulted primarily from a €14.1 million increase in intangible assets to €277.7 million, which consist primarily of development costs that must be capitalised. While property, plant and equipment decreased slightly to €498.7 million (31 December 2017: €501.6 million), non-current financial assets were up slightly to €8.0 million at 30 June (31 December 2017: €6.2 million).

KRONES' non-current liabilities, consisting largely of provisions for pensions and other personnel provisions, increased to €330.8 million at 30 June 2018 (31 December 2017: €314.0 million). The company had no non-current bank debt at 30 June 2018.

Net cash and cash equivalents at 30 June (€ million)



Whereas the cash position was nearly stable, there was an increase in the bank liabilities from €30 million to €135 million in the period under review, which results in a declining net cash position of €49.7 million versus €160.4 million.

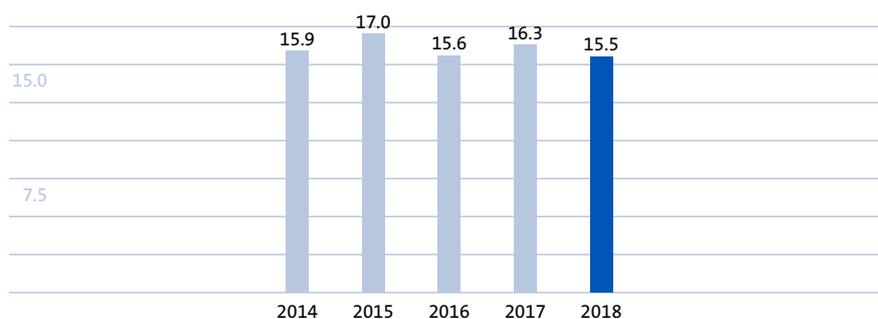
Current liabilities were also higher compared with the end of the year 2017. They were up €24.1 million to €1,419.8 million. Whereas KRONES reduced its trade payables to €283.2 million (31 December 2017: €376.5 million), current bank debt increased to €135.0 million (31 December 2017: €24.6 million). The new line item “contract liabilities”, which largely consist of advances received, totalled €527.5 million at the end of the reporting period.

Equity ratio and ROCE decreased

Although equity improved from €1,330.1 million at the end of 2017 to €1,355.5 million, the higher total assets figure resulted in a slightly lower equity ratio of 43.6% at 30 June (31 December 2017: 43.8%). With net cash and cash equivalents (cash and cash equivalents less bank debt) of €49.7 million, KRONES still has a robust financial and capital structure.

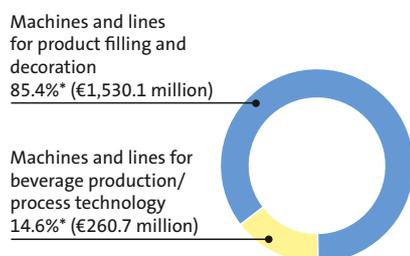
KRONES’ return on capital employed (ROCE), that is the ratio of EBIT to average net capital employed, dropped to 15.5% in the first half of 2018 as a result of lower earnings (previous year: 16.3%).

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



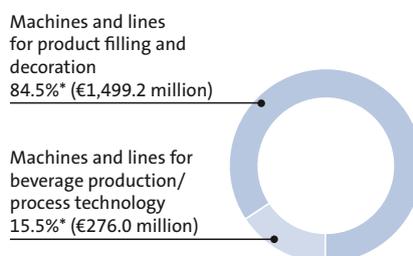
Affected by earnings, ROCE was 15.5% in the first half of 2018.

Revenue by segment from 1 Jan to 30 Jun 2018



* Share of consolidated revenue of €1,790.8 million

Revenue by segment from 1 Jan to 30 Jun 2017



* Share of consolidated revenue of €1,775.2 million

Segment revenue

As of 1 January 2018, our core segment Machines and Lines for Product Filling and Decoration now also includes the business of our subsidiaries KOSME and GERNEP, which had made up the Machines and Lines for the Compact Class segment until 2017. In the first half of 2018, revenue in the newly configured core segment was up 2.1% on the comparable prior-year figure, from €1,499.2 million to €1,530.1 million. It should be noted that revenue had been exceptionally high in the prior-year period due to timing. KRONES' growth forecast for the core segment is unchanged at 4% for the year 2018. The segment increased its share of consolidated revenue from 84.5% in the previous year to 85.4% in the first half.

First-half revenue in our Machines and Lines for Beverage Production/Process Technology segment was also influenced by timing effects last year. For that reason, KRONES had forecasted lower segment revenue for the first half of 2018. At €260.7 million, segment revenue for the first two quarters of 2018 was down only 5.5% on the prior-year period's €276.0 million. In the first quarter, revenue was down 23.3% year-on-year. KRONES is keeping its growth forecast for the year 2018 unchanged at 15%. Intralogistics will likely contribute a large part of the segment's growth. The segment contributed 14.6% of consolidated revenue in the first half of 2018 (previous year: 15.5%).

At the end of the first half, both segments are on track to achieve their growth targets for the year 2018.

Segment earnings

Earnings development in the core segment, Machines and Lines for Product Filling and Decoration, reflects the rising costs for goods and services purchased and for personnel. In the period from January to June 2018, earnings before taxes (EBT) were down slightly, by 3.8% year-on-year to €116.5 million. The EBT margin was down from 8.1% in the previous year to 7.6%. Beside the increasing personnel provision of the first quarter, the actual new pay agreement also influenced the earnings. The segment's profitability is expected to improve considerably in the second half. We still expect the core segment to achieve a reported EBT margin of 8.3% for the financial year 2018.

The core segment's profitability is expected to improve considerably in the second half of 2018. We intend to generate a profit in the Beverage Production/Process Technology segment in 2018.

The Machines and Lines for Beverage Production/Process Technology segment was in the black in the second quarter of 2018 (EBT: €1.3 million). However EBT for the first half is negative, at –€3.8 million (previous year: –€0.1 million). The resulting EBT margin is –1.5%. We are not satisfied with the segment's profitability and are already implementing measures aimed at improving earnings.

Product filling and decoration		2018	2017
		1 Jan–30 Jun	1 Jan–30 Jun
EBT	€ million	116.5	121.1
EBT margin	%	7.6	8.1

Beverage production/process technology		2018	2017
		1 Jan–30 Jun	1 Jan–30 Jun
EBT	€ million	–3.8	–0.1
EBT margin	%	–1.5	0.0

KRONES' risk management system

We continuously monitor all significant business processes to identify risks early and to actively manage and limit them. Within our corporate strategy, we also identify, analyse, and unlock opportunities. However, unlike risks, business opportunities are not documented within our risk management system. Our risk management system consists of the following modules: risk analysis, risk monitoring, and risk planning and management.

Risk analysis

In order to identify risks early, we continuously monitor all business activities. Material project-related risks are reduced or avoided before an order is accepted. For orders that exceed a specified volume, we conduct a multi-dimensional risk analysis. Apart from profitability, we also individually record and evaluate financing risks, technological risks, and scheduling and other contractual risks before accepting an order.

We conduct a comprehensive risk inventory once each year for KRONES AG and all significant group companies. The results of the risk inventory and mitigating actions are used in our annual planning and forecasting.

Risk monitoring

We use a variety of interlinked controlling processes to monitor risks within the KRONES Group. Regular comprehensive reports from the individual business units keep the Executive Board and other decision-makers apprised of all possible risks and deviations from company planning and of the status of mitigating actions in a timely manner.

Risk planning and control

We use the following tools to plan our business activities and control risk within our internal control system:

- Annual planning
- Medium-term planning
- Strategic planning
- Rolling forecasts
- Monthly and quarterly reports
- Capital expenditure planning
- Production planning
- Capacity planning
- Project controlling
- Accounts receivable management
- Exchange rate hedges
- Insurance policies

Threats

Viewed from today's perspective, KRONES is not exposed to any risks that threaten the company's continued existence. A detailed discussion of the risks faced by the company and a detailed description of our risk management can be found in the consolidated management report on pages 84 through 96 of our 2017 Annual Report. In the period from 1 January to 30 June 2018, there were no material changes with respect to the statements made in the annual report regarding the company's key risks.

Events after the reporting period

No events occurred after the end of the first half that would have impacted our statement of financial position.

KRONES remains optimistic about the financial year 2018

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

As of the start of this year, our core segment Machines and Lines for Product Filling and Decoration now also includes our machines and lines for the compact class, that is subsidiaries KOSME and GERNEP. KRONES expects core-segment revenue to increase by 4%, slightly more than the market as a whole, in 2018 on strong order intake and an attractive product range. KRONES expects the reported EBT margin to be 8.3% in 2018 despite high capital expenditure.

We intend to significantly improve profitability in the Machines and Lines for Beverage Production/Process Technology segment in the future. We are confident that we will be able to leverage revenue and earnings potential by further expanding our global footprint and fully integrating acquisitions. In the area of intralogistics, which is part of our Process Technology segment, we will further develop our subsidiaries SYSTEM LOGISTICS and SYSKRON, both regionally and in terms of product technology. In all, we are forecasting 15% revenue growth and a reported EBT margin of 1.0% for the Machines and Lines for Beverage Production/Process Technology segment for 2018.

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

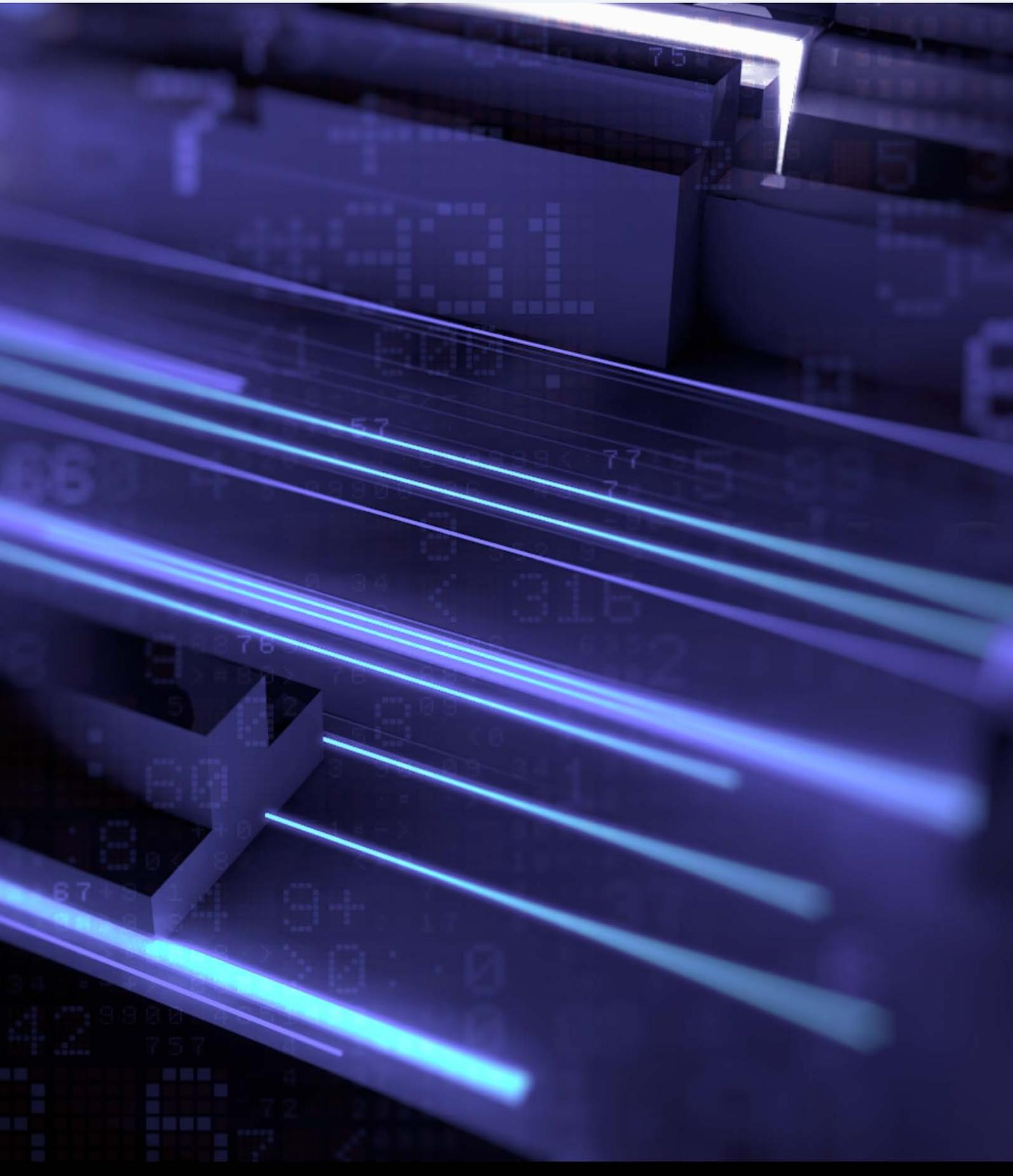
Growth and earning targets for 2018 confirmed

Because of the strong results achieved in the first half and continued high demand for our products and services, KRONES' forecast for the growth and earning targets for the year 2018 remains unchanged. To ensure KRONES' continued ability to offer the highest quality, innovative products and services despite rising costs for goods and services purchased and personnel, KRONES raised its prices on all machines for bottling and packaging equipment and for process technology by 4.5% on average effective 1 May 2018. Because the price adjustments are aimed at offsetting current cost increases, KRONES is keeping its revenue and earnings targets for 2018 and for the medium term unchanged. KRONES intends to maintain its market position.

Based on the current macroeconomic prospects and expected development of the markets relevant to KRONES, we are targeting consolidated revenue growth of 6% in 2018. KRONES intends to keep profitability stable despite heavy investment in digitalisation and start-up costs associated with our global footprint, particularly the new site in Hungary. The company expects to post an EBT margin of 7.0% in 2018. Our third financial performance target, working capital to revenue, will be slightly improved in the second half-year. The target of 26% for the full year 2018 cannot be achieved. The new target is 28%.

KRONES intends to increase revenue 6% year-on-year and keep the reported EBT margin stable in 2018.

	Forecast for 2018	Actual value H1 2018
Revenue growth	+6%	+0.9%
EBT margin	7.0%	6.3%
Working capital to revenue	28%	28,8%



€ million	2018 1 January – 30 June	2017 1 January – 30 June ¹⁾	Change %
Revenue	1,790.8	1,775.2	+0.9
Changes in inventories of finished goods and work in progress	14.7	–59.3	
Total operating performance	1,805.5	1,715.9	+5.2
Other own work capitalised	19.7	21.8	–9.6
Other operating income	35.0	46.5	–24.7
Goods and services purchased	–896.2	–826.2	+8.5
Personnel expenses	–574.4	–540.1	+6.4
Other operating expenses	–232.3	–253.5	–8.4
Depreciation and amortisation on fixed assets	–47.6	–47.3	+0.6
EBIT	109.7	117.1	–6.3
Financial income/expense	3.3	4.3	
Income from equity-method investments	–0.3	–0.4	
Earnings before taxes	112.7	121.0	–6.9
Income tax	–35.8	–38.6	–7.3
Consolidated net income	76.9	82.4	–6.7
Profit attributable to non-controlling interests	–0.7	–0.9	
Profit attributable to KRONES Group shareholders	77.6	83.3	
Earnings per share (diluted/basic) in €	2.45	2.64	

€ million	2018 1 April – 30 June	2017 1 April – 30 June ¹⁾	Change %
Revenue	899.1	875.8	+2.7
Changes in inventories of finished goods and work in progress	0.2	–67.7	
Total operating performance	899.3	808.1	+11.3
Other own work capitalised	9.7	10.8	–10.2
Other operating income	13.8	28.8	–52.1
Goods and services purchased	–442.6	–376.4	+17.6
Personnel expenses	–284.6	–268.6	+6.0
Other operating expenses	–117.2	–125.5	–6.6
Depreciation and amortisation on fixed assets	–24.2	–24.1	+0.4
EBIT	54.2	53.1	+2.1
Financial income/expense	2.6	2.3	
Income from equity-method investments	–0.3	–0.4	
Earnings before taxes	56.5	55.0	+2.7
Income tax	–18.3	–16.3	+12.3
Consolidated net income	38.2	38.7	–1.3
Profit attributable to non-controlling interests	–0.2	–0.5	
Profit attributable to KRONES Group shareholders	38.4	39.2	
Earnings per share (diluted/basic) in €	1.22	1.24	

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 June 2018	31 December 2017 ¹⁾
Intangible assets	277.7	263.6
Property, plant and equipment	498.7	501.6
Non-current financial assets	8.0	6.2
Investment accounted for using the equity method	29.2	25.2
Fixed assets	813.6	796.6
Deferred tax assets	29.2	29.2
Trade receivables	52.0	52.1
Income tax receivables	0.0	1.0
Other assets	3.1	3.3
Non-current assets	897.9	882.2
Inventories	326.7	611.8
Trade receivables	962.5	1,225.3
Contract assets	572.8	0.0
Tax receivables	7.3	10.2
Other assets	154.2	128.3
Cash and cash equivalents	184.7	182.0
Current assets	2,208.2	2,157.6
Total	3,106.1	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 June 2018	31 December 2017 ¹⁾
Equity	1,355.5	1,330.1
Provisions for pensions	221.9	220.2
Deferred tax liabilities	26.4	12.9
Other provisions	46.1	47.2
Provisions for taxes	3.9	4.5
Liabilities to banks	0.0	0.0
Other financial obligations	30.3	27.0
Other liabilities	2.2	2.2
Non-current liabilities	330.8	314.0
Other provisions	137.8	149.6
Provisions for taxes	9.2	30.9
Liabilities to banks	135.0	24.6
Advances received	0.0	508.9
Contract liabilities	527.5	0.0
Trade payables	283.2	376.5
Current tax liabilities	3.0	4.2
Other financial obligations	5.4	6.9
Other liabilities and accruals	318.7	294.1
Current liabilities	1,419.8	1,395.7
Total	3,106.1	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 1 January– 30 June	2017 1 January– 30 June ¹⁾
Earnings before taxes	112.7	121.0
Depreciation and amortisation (reversals)	47.6	47.3
Increase (previous year: decrease) in provisions and accruals	48.5	–19.1
Deferred tax item changes recognised in profit or loss	–14.5	–3.5
Interest expenses and interest income	–0.2	–2.4
Gains and losses from the disposal of fixed assets	0.1	–0.1
Other non-cash expenses and income	0.5	0.6
Increase in inventories, trade receivables, and other assets not attributable to investing or financing activities	–18.8	–24.0
Decrease in trade payables and other liabilities not attributable to investing or financing activities	–124.0	–182.3
Cash generated from operating activities	51.9	–62.5
Interest paid	–0.2	–0.2
Income tax paid and refunds received	–45.6	–22.2
Cash flow from operating activities	6.1	–84.9
Cash payments to acquire intangible assets	–21.5	–23.4
Cash payments to acquire property, plant and equipment	–37.0	–22.7
Proceeds from the disposal of property, plant and equipment	1.2	0.8
Cash payments to acquire non-current financial assets	–5.5	–24.7
Proceeds from the disposal of non-current financial assets	0.1	0.1
Cash payments to acquire subsidiaries and equity interests	–3.8	–8.1
Interest received	1.2	1.5
Dividends received	3.0	1.9
Cash flow from investing activities	–62.3	–74.6
Cash payments to company owners	–53.7	–49.0
Proceeds from new borrowing	110.4	30.0
Cash flow from financing activities	56.7	–19.0
Net change in cash and cash equivalents	0.5	–178.5
Change in cash and cash equivalents arising from exchange rates	0.0	0.0
Changes 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	184.7	190.4

¹⁾ ΚΡΟΝΕΣ 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	Parent company							Non-controlling interests	Group equity
	Share capital	Capital reserves	Profit reserves	Currency differences in equity	Other reserves	Group retained earnings	Equity	Equity	
At 1 January 2017 ¹⁾	40.0	141.7	365.0	2.8	-95.8	773.9	1,227.6	-2.1	1,225.5
Dividend payment (€1.55 per share)						-49.0	-49.0		-49.0
Consolidated net income H1 2017						83.3	83.3	-0.9	82.4
Currency differences				-24.0			-24.0		-24.0
Remeasurement of defined benefit plans					0.2		0.2		0.2
Hedge accounting incl. AfS					5.7		5.7		5.7
At 30 June 2017 ¹⁾	40.0	141.7	365.0	-21.2	-89.9	808.2	1,243.8	-3.0	1,240.8
Dividend payment						-0.2	-0.2		-0.2
Consolidated net income H2 2017						105.5	105.5	-0.7	104.8
Allocation to profit reserves			0.7			-0.7	0.0		0.0
Currency differences				-14.7			-14.7		-14.7
Changes in the consolidated group							0.0	0.6	0.6
Remeasurement of defined benefit plans					-0.5		-0.5		-0.5
Hedge accounting incl. AfS					-0.7		-0.7		-0.7
At 31 December 2017 ¹⁾	40.0	141.7	365.7	-35.9	-91.1	912.8	1,333.2	-3.1	1,330.1
Restatement under IFRS 9 and IFRS 15			11.7				11.7		11.7
Restated value at 1 January 2018	40.0	141.7	377.4	-35.9	-91.1	912.8	1,344.9	-3.1	1,341.8
Dividend payment (€1.70 per share)						-53.7	-53.7		-53.7
Consolidated net income H1 2018						77.4	77.4	-0.5	76.9
Allocation to profit reserves			0.8			-0.8	0.0		0.0
Currency differences				-3.3			-3.3		-3.3
Changes in the consolidated group			-4.6				-4.6	3.3	-1.3
Remeasurement of defined benefit plans					0.1		0.1		0.1
Hedge accounting incl. AfS					-5.0		-5.0		-5.0
At 30 June 2018	40.0	141.7	373.6	-39.2	-96.0	935.7	1,355.8	-0.3	1,355.5

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 comprehensive income

€ million	2018 1 January – 30 June	2017 1 January – 30 June ¹⁾
Consolidated net income	76.9	82.4
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains and losses on pensions and similar obligations	0.1	0.2
	0.1	0.2
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation	-3.3	-24.0
Derivative financial instruments	-5.0	5.7
	-8.3	-18.3
Other comprehensive income	-8.2	-18.1
Total comprehensive income	68.7	64.3
of which attributable to non-controlling interests	-0.5	-0.9
of which attributable to KRONES Group shareholders	69.2	65.2

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 segment reporting

Part of the notes to the consolidated interim financial statements

€ million	Machines and lines for product filling and decoration		Machines and lines for beverage production/ process technology		KRONES Group	
	2018 1 Jan – 30 Jun	2017** 1 Jan – 30 Jun ¹⁾	2018 1 Jan – 30 Jun	2017 1 Jan – 30 Jun ¹⁾	2018 1 Jan – 30 June	2017 1 Jan – 30 Jun ¹⁾
Revenue	1,530.1	1,499.2	260.7	276.0	1,790.8	1,775.2
EBT	116.5	121.1	-3.8	-0.1	112.7	121.0
EBT margin	7.6%	8.1%	-1.5%	0.0%	6.3%	6.8%
Employees at 30 June*	13,290	12,725	1,710	1,553	15,000	14,278

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 configured regarding the change in core segment



■ Legal basis

The consolidated interim financial statements of KRONES AG (“KRONES Group”) for the period ended 30 June 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB), London, applicable at the end of the reporting period, including the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) as adopted by the European Union. The consolidated interim financial statements have been prepared in accordance with IAS 34 and are condensed. As of 1 January 2018, application of the following new standards issued by the IASB is mandatory within the EU:

- IFRS 15 Revenue from contracts with customers
- IFRS 9 Financial instruments
- Amendments to IFRS 2 Share-based payment
- Annual improvements to IFRSs (2014–2016)
- IFRIC 22 Foreign currency transactions and advance consideration

No early application was made of IFRSs that had not yet entered into force or their interpretations. The consolidated interim financial statements for the period ended 30 June 2018 are unaudited.

Non-controlling interests in group equity, if applicable, are presented on the statement of financial position as a special item within equity. Profit or loss shares attributable to non-controlling interests, if applicable, are recognised on the statement of profit or loss and the statement of comprehensive income as part of consolidated net income. If applicable, the shares of consolidated net income attributed to the owners of the parent company and to non-controlling interests are presented separately.

Where applicable, non-controlling interests have been added to the statement of changes in equity. The following explanatory notes comprise disclosures and remarks that, under IFRSs, must be included as notes to the consolidated financial statements in addition to the consolidated statement of financial position, the consolidated statement of profit or loss and consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows.

The “nature of expense” method has been used for the consolidated statement of profit and loss. The group’s reporting currency is the euro.

■ Consolidated group

Besides KRONES AG, the consolidated interim financial statements for the period ended 30 June 2018 include all material domestic and foreign subsidiaries over which KRONES AG has direct or indirect control.

In the financial year 2018, 50% direct and indirect stakes were acquired in S.P.S. – SOLUTIONS FOR PACKAGING SERVICES S.A., Charleroi, Belgium, and S.P.S. – SOLUTIONS FOR PACKAGING AND SERVICES S.A.S, Lyon, France, and also 70% of INTEGRATED PLASTICS SYSTEMS AG, Baar, Switzerland. In addition, 44% of the company TECHNOLOGISCHES INSTITUT FÜR ANGEWANDTE KÜNSTLICHE INTELLIGENZ GMBH, Weiden, Germany, was acquired. The company is accounted for using the equity method. KRONES also acquired the remaining 49.03% of TILL GMBH, Kelkheim, Germany, and now owns 100% of this company. The companies SYSKRON X GMBH, Wackersdorf, Germany, SYSKRON PMR GMBH, Wackersdorf, Germany; KRONES MACHINERY MALAYSIA SDN. BHD., Kuala Lumpur, Malaysia, and KRONES PAKISTAN (PRIVATE) LIMITED, Lahore, Pakistan, were established in the reporting period and acquisition accounting was done to include them, as well as KRONES SPÓLKA Z.O.O., Warsaw, Poland, in the consolidated group.

Initial accounting was done as of the date of acquisition or establishment. The effects of accounting for these companies on the consolidated interim financial statements for the period ended 30 June 2018 are not significant.

■ Consolidation principles

The separate financial statements of the companies included in the consolidated interim financial statements are prepared in accordance with uniform accounting policies and were all prepared as of the end of the reporting period of the consolidated interim financial statements.

Capital consolidation is performed in accordance with IFRS 3 (“Business combinations”), under which all business combinations must be accounted for using the acquisition method of accounting. Under this method, the acquired assets and liabilities are to be recognised at fair value.

Goodwill that arose before 1 January 2004 is still recognised in reserves.

Shares in the equity of subsidiaries that are not held by the parent company are reported as non-controlling interests.

Companies over which KRONES has the ability to exercise significant influence, that is, to participate in operating and financial policy decisions (generally by indirectly or directly holding between 20% and 50% of the voting shares), are accounted for using the equity method and initially recognised at cost. Any excess of the cost of the investment over KRONES’ share of the net fair value of the associate’s identifiable assets and liabilities is adjusted on a fair-value basis and the remaining amount is recognised as goodwill. Goodwill relating to the acquisition of the associate is included in the carrying amount of the investment and is not amortised. Instead, it is tested for impairment as part of the entire carrying amount of the investment in the associate. KRONES’ share in the associate’s profit or loss post-acquisition is recognised in consolidated profit or loss. The carrying amount of the associate is increased or decreased to recognise the cumulative changes in value after the date of acquisition. KRONES’ share in the associate’s gains or losses resulting from transactions between KRONES and its associates is eliminated.

Inter-company receivables, liabilities, provisions, revenues, and expenses between consolidated companies are eliminated in the consolidation accounting.

This also applies for inter-company profits from deliveries made or services rendered between group companies provided the inventories from these transactions are still held by the group at the end of the reporting period.

■ Currency translation

The functional currency for KRONES AG is the euro.

The financial statements of the consolidated companies that are denominated in a foreign currency are translated on the basis of the functional currency concept under IAS 21 using a modified closing rate method. Because the subsidiaries primarily operate independently in the economic environment of their respective countries, the functional currency is always the relevant local currency for each subsidiary. In the consolidated interim financial statements, assets and liabilities are therefore translated at the closing rate as at the end of the reporting period, while income and expenses from the financial statements of subsidiaries are translated at average annual rates.

Any exchange differences resulting from translation using these different rates in the statement of financial position and the statement of profit and loss are recognised directly in other comprehensive income. Exchange differences resulting from the translation of equity using historical exchange rates are also recognised in other comprehensive income.

In the separate financial statements of KRONES AG and its subsidiaries, receivables and liabilities in foreign currencies are translated using the exchange rate at the time of the transaction and exchange differences are recognised in profit or loss at the closing rate at the end of the reporting period. Non-monetary items in foreign currencies are stated at historical cost.

Exchange rate differences compared with the previous year arising from capital consolidation are recognised outside profit and loss (in other comprehensive income), in other profit reserves.

The exchange rates of those currencies that have a material impact on the group's financial statements have moved against the euro as follows:

		Closing rate		Average rate	
		30 June 2018	31 Dec 2017	2018	2017
us Dollar	USD	1.164	1.199	1.211	1.130
British Pound	GBP	0.886	0.887	0.880	0.876
Swiss franc	CHF	1.157	1.169	1.170	1.112
Danish krone	DKK	7.453	7.445	7.448	7.439
Canadian dollar	CAD	1.542	1.502	1.546	1.465
Japanese yen	JPY	128.760	134.880	131.618	126.671
Brazilian real	BRL	4.496	3.971	4.137	3.607
Chinese renminbi (yuan)	CNY	7.702	7.833	7.708	7.629
Mexican peso	MXN	22.966	23.607	23.060	21.331
Ukrainian hryvnia	UAH	30.626	33.750	32.466	30.041
South African rand	ZAR	16.071	14.750	14.870	15.040
Kenyan shilling	KES	117.450	123.705	122.620	116.799
Nigerian naira	NGN	419.050	430.940	436.096	378.595
Russian ruble	RUB	73.106	69.325	71.867	65.892
Thai baht	THB	38.547	39.041	38.412	38.295
Indonesian rupiah	IDR	16,680.500	16,263.600	16,662.010	15,116.839
Angolan kwanza	AOA	290.145	198.718	262.198	187.423
Turkish lira	TRY	5.339	4.534	4.946	4.118
Kazakhstan tenge	KZT	397.350	398.940	395.381	368.845
Australian dollar	AUD	1.579	1.533	1.569	1.473
New Zealand dollar	NZD	1.723	1.683	1.691	1.590
Swedish krona	SEK	10.444	9.830	10.151	9.637
Vietnamese Dong	VND	26,724.000	27,222.000	27,567.543	25,650.854
Philippine peso	PHP	62.157	59.712	62.903	56.947
Bangladeshi taka	BDT	97.481	99.260	101.165	91.735
Singapore dollar	SGD	1.588	1.601	1.606	1.559
Myanmar kyat	MMK	1,644.190	1,623.040	1,626.038	1,537.981
United Arab Emirates dirham	AED	4.276	4.403	4.447	4.149
Hungarian forint	HUF	329.450	309.960	313.920	309.253

■ Revenue

The new standard for revenue recognition, IFRS 15 Revenue from contracts with customers, combines the existing rules for revenue recognition and provides a single, comprehensive framework for recognising revenue. It replaces the rules under IAS 11 and IAS 18 for revenue recognition and has been applied for the first time to the period beginning on 1 January 2018.

KRONES is applying the modified retrospective method, under which the cumulative effects of first-time application are recognised as restatements of the opening balance of profit reserves. Prior-year figures within the statement of financial position are not restated. Moreover, IFRS 15 is only applied to contracts that were not yet fully completed at 1 January. A more detailed description of the application of IFRS 15 can be found on pages 181 and 182 of our 2017 Annual Report.

KRONES offers machinery and systems for bottling and packaging and for beverage production. KRONES will continue to recognise revenue for projects that are largely customer-specific as performance obligations satisfied over time – not at a point in time – since the assets created generally have no alternative use and KRONES has an enforceable right to payment for performance completed to date. Beginning with the financial year 2018, progress is measured using an input method.

In addition, IFRS 15 requires that contract assets and contract liabilities be recognised on the statement of financial position for the first time.

The tables below provide an overview of the effects of IFRS 15 on the consolidated interim financial statements for the period ended 30 June 2018:

IFRS 15 – Effects on consolidated statement of financial position

€ million	30 June 2018	Effects of IFRS 15	30 June 2018 without applying IFRS 15
Assets			
Non-current assets	897.9	+0.0	897.9
Inventories	326.7	+428.1	754.8
Trade receivables and contract assets	1,535.2	–391.8	1,143.4
Other current assets	346.3	± 0.0	346.3
Total assets	3,106.1	+ 36.3	3,142.4
Equity and liabilities			
Equity	1,355.5	–23.8	1,331.7
Deferred tax liabilities	26.4	–9.2	17.2
Other non-current liabilities	304.4	± 0.0	304.4
Other provisions	137.8	–27.9	109.9
Contract liabilities	527.5	–527.5	0.0
Advances received	0.0	+624.7	624.7
Other current liabilities	754.5	± 0.0	754.5
Total equity and liabilities	3,106.1	+ 36.3	3,142.4

IFRS 15 – Effects on consolidated statement of profit or loss

€ million	30 June 2018	Effects of IFRS 15	1 Jan – 30 June 2018 without applying IFRS 15
Revenue	1,790.8	– 102.0	1,688.8
Changes in inventories of finished goods and work in progress	14.7	+ 68.5	83.2
Total operating performance	1,805.5	– 33.5	1,772.0
Goods and services purchased	– 896.2	+ 22.8	– 873.4
Personnel expenses	– 574.4	+ 4.1	– 570.3
Net of other operating income (expenses), depreciation and amortisation, and own work capitalised	– 225.2	+ 1.3	– 223.9
EBIT	109.7	– 5.3	104.4
EBT	112.7	– 5.3	107.4
Income tax	– 35.8	+ 1.6	– 34.2
Consolidated net income	76.9	– 3.8	73.1

■ Financial instruments

IFRS 9 Financial instruments replaces the existing rules under IAS 39 Financial instruments: recognition and measurement. IFRS 9 introduces new rules for classifying and measuring financial assets and as well as new rules for impairment of financial instruments.

The “losses incurred” model under IAS 39 has now been replaced with a more future-oriented model of accounting for expected credit losses. External ratings and actual credit loss experience now serve as the basis for calculating the estimates of expected credit losses. Credit risks for different customer segments are assessed on the basis of shared characteristics relating to risk of default. In all, application of the new impairment model results in earlier recognition of expected losses and thus, higher loss allowances at KRONES. A more detailed description of the new impairment model can be found on pages 179 and 180 of our Annual Report.

In its first-time application of IFRS 9, KRONES has chosen to continue to apply the rules under IAS 39 for hedges instead of the rules under IFRS 9.

The table below shows the reconciliation of the carrying amounts of the financial instruments by class and by category according to IFRS 9 at 1 January 2018 to the categories previously used under IAS 39.

31 December 2017					Measurement
€ million	Carrying amount 31 Dec 2017	of which subject to IFRS 7	Loans and receivables	Financial assets and liabilities measured at fair value through profit or loss	
Assets					
Non-current financial assets*)	6.2	6.2	2.7		
Trade receivables	1,277.4	1,277.4	1,277.4		
Other assets	131.6	27.8	25.8	0.4	
of which derivatives	2.0	2.0	0.0	0.4	
Cash and cash equivalents	182.0	182.0	182.0		
Liabilities					
Liabilities to banks	24.6	24.6			
Trade payables	376.5	376.5			
Other financial obligations	34.0	34.0		27.0	
Other liabilities and accruals	296.3	78.6		0.5	
of which derivatives	0.5	0.5		0.5	

*) Equity investments measured at cost

1 January 2018					Measurement
€ million	Carrying amount 1 Jan 2018	of which subject to IFRS 7	Amortised cost (Ac)	At fair value through profit or loss (FVTPL)	
Assets					
Non-current financial assets*)	6.2	6.2	2.7		
Trade receivables	1,265.8	1,265.8	1,265.8		
Other assets	131.6	27.8	25.8	0.4	
of which derivatives	2.0	2.0	0.0	0.4	
Cash and cash equivalents	182.0	182.0	182.0		
Liabilities					
Liabilities to banks	24.6	24.6			
Trade payables	376.5	376.5			
Other financial obligations	34.0	34.0		27.0	
Other liabilities and accruals	296.3	78.6		0.5	
of which derivatives	0.5	0.5		0.5	

*) Equity investments measured at cost in accordance with IAS 39.46c

under IAS 39			Measurement under IAS 17	Fair value hierarchy		
Financial assets and liabilities measured at fair value through other comprehensive income	Available- for-sale financial assets	Financial liabilities at amortised cost		Level 1	Level 2	Level 3
	3.6			1.0		
1.6					2.0	
1.6					2.0	
		24.6				
		376.5				
		7.0			27.0	
		78.0	0.1		0.5	
					0.5	

under IFRS 9			Measurement under IAS 17	Fair value hierarchy		
At fair value through other comprehensive income (FVOCI)	At fair value through other comprehensive income (FVOCI)	At amortised cost (AC)		Level 1	Level 2	Level 3
	3.6			1.0		
1.6					2.0	
1.6					2.0	
		24.6				
		376.5				
		7.0			27.0	
		78.0	0.1		0.5	
					43.1	
					0.5	

The table below shows the financial instruments structured according to the IFRS 9 categories and classes as of 30 June 2018 as well as the fair value hierarchy levels of the financial instruments.

30 June 2018		Measurement under IFRS 9			Measurement under IAS 17	Fair value hierarchy		
€ million	Carrying amount 30 June 2018	of which subject to IFRS 7	At amortised cost (AC)	At fair value through profit or loss (FVTPL)	At fair value through other comprehensive income (FVOCI)	Level 1	Level 2	Level 3
Assets								
Non-current financial assets*)	8.0	8.0	4.1		3.9	0.9		
Trade receivables	1,014.5	1,014.5	1,014.5					
Contract assets	572.8	572.8	572.8					
Other assets	157.3	24.4	24.2		0.2		0.2	
of which derivatives	0.2	0.2			0.2		0.2	
Cash and cash equivalents	184.7	184.7	184.7					
Schulden								
Liabilities								
Liabilities to banks	283.2	283.2	283.2					
Trade payables	527.5	527.5	527.5					
Other financial obligations	35.7	35.7	5.5	30.3				30.3
Other liabilities and accruals	320.8	100.6	95.5	1.3	3.7	0.0	5.0	
of which derivatives	5.0	5.0		1.3	3.7		5.0	

*) Equity investments measured at cost

■ Accounting policies

The separate financial statements of KRONES AG and its domestic and foreign subsidiaries have been prepared using uniform accounting policies, in accordance with IFRS 10. The accounting policies used in these consolidated interim financial statements are the same as those used for the financial statements prepared for the period ended 31 December 2017 with the exception of IFRS 9 and IFRS 15.

Some discretion has been used in preparing the consolidated interim financial statements, particularly in terms of measurement of non-current assets, inventories, receivables, pension provisions, and provisions, whose preparation requires some critical estimates and forecasts.

■ Segment reporting

KRONES reports on two operating segments, which are the strategic business units. They are organised by product divisions and services and managed separately due to the different technologies they cover. The Executive Board, as the chief operating decision maker, manages the company as a whole on the basis of monthly reports from the segments.

Segment 1 comprises machines and lines for product filling and decoration. Segment 2 comprises machines and lines for beverage production and process technology.

Segment performance is measured on the basis of internal reports made to the Executive Board, in particular, segment revenues and segment EBT.

Intrasegment transfers are conducted under the same conditions as transfers among third parties. Intersegment revenues are negligible.

■ Transactions with related parties

Transactions with related parties have no material impact on the earnings, cash flows, assets and liabilities in these consolidated interim financial statements.

■ Events after the reporting period

No events of significance to KRONES occurred after the end of the reporting period, 30 June 2018.

“To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the group, and the interim consolidated management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group over the remainder of the financial year.”

Neutraubling, July 2018



Christoph Klenk
CEO



Michael Andersen
CFO



Thomas Ricker



Markus Tischer



Ralf Goldbrunner

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

Supervisory Board

Volker Kronseder

Chairman of the Supervisory Board

* UNIVERSITY CLINIC
REGENSBURG

* BAYERNLB ECONOMIC
ADVISORY COUNCIL

Werner Schrödl**

Chairman of the Group Works
Council

Chairman of the Central Works
Council

Deputy Chairman of the
Supervisory Board

* ADVISORY BOARD OF BAYERISCHE
BETRIEBSKRANKENKASSEN

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 Supervisory Board
KRONES AG, Rosenheim plant

* KRONES BKK

* LAG MÜNCHEN

* IG METALL BRANCH OFFICE
ROSENHEIM

Since 13 June 2018

Thomas Hiltl**

Chairman of the Supervisory Board

KRONES AG, Nittenau plant

* KRONES BKK

* HERMANN KRONSEDER
UNTERSTÜTZUNGSKASSE E. V.

* LAG NÜRNBERG

Since 13 June 2018

Norman Kronseder

Farmer and forester

* BAYERISCHE FUTTERSAATBAU
GMBH

Professor Dr. jur. Susanne Nonnast

Professor at Regensburg University
of Applied Sciences

Dr. Verena Di Pasquale**

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

Beate Eva Maria Pöpperl**

Member of the Works Council

Norbert Samhammer

CEO of Samhammer AG, Weiden

Since 13 June 2018

Petra Schadeberg-Herrmann

Managing partner at

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

Jürgen Scholz**

1st authorised representative of the
IG METALL office in Regensburg

* INFINEON TECHNOLOGIES AG

Hans-Jürgen Thaus

* HAWE HYDRAULIK SE

* MASCHINENFABRIK 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.

Name and location of the company	Share in capital held by KRONES AG (%*)
neusped NEUTRAUBLINGER SPEDITIONS-GMBH, Neutraubling, Germany	100.00
KIC KRONES INTERNATIONALE COOPERATIONS-GESELLSCHAFT MBH, Neutraubling, Germany	100.00
ecomac GEBRAUCHTMASCHINEN GMBH, Neutraubling, Germany	100.00
EVOGUARD GMBH, Nittenau, Germany	100.00
MAINTEC SERVICE GMBH, Collenberg/Main, Germany	100.00
KLUG GMBH INTEGRIERTE SYSTEME, Teunz, Germany	26.00
SYSKRON HOLDING GMBH, Wackersdorf, Germany	100.00
SYSKRON GMBH, Wackersdorf, Germany	100.00
SYSKRON X GMBH, Wackersdorf, Germany	100.00
SYSKRON PMR GMBH, Wackersdorf, Germany	100.00
TECHNOLOGISCHES INSTITUT FÜR ANGEWANDTE KÜNSTLICHE INTELLIGENZ GMBH, Weiden i. d. Opf., Germany	44.00
TRIACOS CONSULTING & ENGINEERING GMBH, Altenstadt a. d. Waldnaab, Germany	100.00
HST MASCHINENBAU GMBH, Dassow, Germany	100.00
DEKRON GMBH (former TILL GMBH), Kelkheim, Germany	100.00
GERNEP GMBH ETIKETTIERTECHNIK, Barbing, Germany	100.00
MILKRON GMBH, Laatzen, Germany	100.00
KRONES BETEILIGUNGSGESELLSCHAFT MBH, Neutraubling, Germany	100.00
S.A. KRONES N.V., Louvain-la-Neuve, Belgium	100.00
S.P.S. – SOLUTIONS FOR PACKAGING SERVICES S.A., Charleroi, Belgium	50.00
MAINTEC SERVICE EOOD, Sofia, Bulgaria	100.00
KRONES NORDIC APS, Holte, Denmark	100.00
KRONES S.A.R.L., Viviers-du-Lac, France	100.00
S.P.S. – SOLUTIONS FOR PACKAGING AND SERVICES S.A.S, Lyon, France	50.00
KRONES UK LTD., Bolton, UK	100.00
SYSTEM LTD., London, UK	60.00
KRONES S.R.L., Roverbella (MN), Italy	100.00
KOSME S.R.L., Roverbella (MN), Italy	100.00
SYSTEM LOGISTICS, Fiorano (MD), Italy	60.00
KRONES KAZAKHSTAN TOO, Almaty, Kazakhstan	100.00
KRONES NEDERLAND B.V., Bodegraven, Netherlands	100.00
KOSME GESELLSCHAFT MBH, Sollenau, Austria	100.00
KRONES SPÓLKA Z.O.O., Warsaw, Poland	100.00
KRONES PORTUGAL EQUIPAMENTOS INDUSTRIAIS LDA., Barcarena, Portugal	100.00
KRONES O.O.O., Moscow, Russian Federation	100.00
KRONES ROMANIA PROD. S.R.L., Bucharest, Romania	100.00
SYSTEM NORTHERN EUROPE AB, Malmö, Sweden	60.00
INTEGRATED PLASTICS SYSTEMS AG, Baar, Switzerland	70.00
KRONES AG, Buttwil, Switzerland	100.00
KRONES IBERICA, S.A.U., Barcelona, Spain	100.00
SYSTEM LOGISTICS SPAIN SL, Castellon, Spain	100.00
KRONES S.R.O., Prague, Czech Republic	100.00
KONPLAN IMMOBILIENGESELLSCHAFT S.R.O., Pilsen, Czech Republic	100.00
KONPLAN S.R.O., Pilsen, Czech Republic	100.00
KRONES MAKINA SANAYI VE TIKARET LTD. SIRKETI, Istanbul, Turkey	100.00

Name and location of the company	Share in capital held by KRONES AG (%*)
KRONES UKRAINE LLC, Kiev, Ukraine	100.00
KRONES HUNGARY KFT, Debrecen, Hungary	100.00
KRONES ANGOLA – REPRESENTACOES, COMERCIO E INDUSTRIA, LDA., Luanda, Angola	100.00
KRONES SURLATINA S. A., Buenos Aires, Argentina	100.00
KRONES PACIFIC PTY LIMITED, Sydney, Australia	100.00
KRONES BANGLADESH LIMITED, Dhaka, Bangladesh	100.00
KRONES DO BRAZIL LTDA., São Paulo, Brazil	100.00
KRONES S. A., São Paulo, Brazil	100.00
KRONES CHILE SPA., Santiago de Chile, Chile	100.00
KRONES SALES (BEIJING) CO. LTD., Beijing, China	100.00
KRONES MACHINERY (TAICANG) CO. LTD., Taicang, China	100.00
KRONES TRADING (TAICANG) CO. LTD., Taicang, China	100.00
KRONES ASIA LTD., Hongkong, China	100.00
KRONES INDIA PVT. LTD., Bangalore, India	100.00
PT. KRONES MACHINERY INDONESIA, Jakarta, Indonesia	100.00
KRONES JAPAN CO. LTD., Tokyo, Japan	100.00
KRONES CAMBODIA CO. LTD., Phnom Phen, Cambodia	100.00
KRONES MACHINERY CO. LTD., Mississauga, Ontario, Canada	100.00
KRONES LCS CENTER EAST AFRICA LTD., Nairobi, Kenya	100.00
KRONES ANDINA LTDA., Bogotá, Colombia	100.00
KRONES KOREA LTD., Seoul, Korea	100.00
KRONES MACHINERY MALAYSIA SDN. BHD., Kuala Lumpur, Malaysia	100.00
KRONES MEX S. A. DE C. V., Mexico D. F., Mexico	100.00
SYSTEMLOG DE MEXICO S.A. DE C.V., Nuevo Leon, Mexico	60.00
KRONES MYANMAR LTD., Sanchaung Township, Myanmar	100.00
KRONES NEW ZEALAND LIMITED, Auckland, New Zealand	100.00
KRONES LCS CENTER WEST AFRICA LTD., Lagos, Nigeria	100.00
KRONES PAKISTAN (PRIVATE) LIMITED, Lahore, Pakistan	100.00
KRONES FILIPINAS INC., Taguig City, the Philippines	100.00
KRONES SINGAPORE PTE. LTD., Singapore, Singapore (former ASIA FOOD AND BEVERAGE CONSULTING GROUP PTE LTD.)	100.00
KRONES-IZUMI PROCESSING PTE. LTD., Singapore, Singapore	51.00
KRONES SOUTHERN AFRICA (PROP.) LTD., Johannesburg, South Africa	100.00
KRONES (THAILAND) CO. LTD., Bangkok, Thailand	100.00
SYSTEM LOGISTICS ASIA CO. LTD., Bangkok, Thailand	60.00
KRONES INC., Franklin, Wisconsin, USA	100.00
SYSTEM LOGISTICS CORPORATION, Arden, Delaware, USA	60.00
TRANS-MARKET LLC, Tampa, Florida, USA	80.00
PROCESS AND DATA AUTOMATION, LLC, Erie, Pennsylvania, USA	100.00
JAVLYN PROCESS SYSTEMS LLC, Rochester, New York, USA	100.00
MAQUINARIAS KRONES DE VENEZUELA S. A., Caracas, Venezuela	100.00
INTEGRATED PACKAGING SYSTEMS (IPS) FZCO, Dubai, United Arab Emirates	40.00
KRONES VIETNAM CO. LTD., Ho Chi Minh City, Vietnam	100.00

*Direct and indirect shareholding

Cash flow	All inflows and outflows of cash and cash equivalents during a period.
DAX	Deutscher Aktienindex (DAX). Index containing the 30 biggest German companies (based on market capitalisation and trading volume).
EBIT	Earnings before interest and taxes.
EBITDA	Earnings before interest, taxes, depreciation and amortisation.
EBT	Earnings before taxes.
EBT margin	Ratio of earnings before taxes to sales. (Return on sales).
Equity	Funds made available to the company by the owners by way of contribution and/or investment plus retained earnings.
Fixed assets	Subset of non-current assets. In the context of this report, fixed assets include property, plant and equipment, intangible assets, and non-current financial assets.
Free cash flow	Measure of financial performance calculated as the cash flow from operating activities minus cash flow from investing activities. It is the cash available to pay dividends, reduce debt, or to be retained.
IFRSs	International Financial Reporting Standards. Accounting standards issued by the International Accounting Standards Board (IASB) that are harmonised and applied internationally.
Net cash and equivalents	Cash and highly liquid securities under current assets less liabilities to banks.
ROCE	Ratio of EBIT to average capital employed (total assets less interest-free liabilities and interest-free other provisions).
SDAX	Index that contains the 50 biggest German and non-German companies (based on market capitalisation and trading volume) in the traditional sectors after those included in the MDAX.
Statement of cash flows	Statement of inflows and outflows of cash that shows the sources and uses of funds within the financial year.
Total debt	Combined term for the provisions, liabilities, and deferred income stated on the liabilities side of the balance sheet.
Working capital	Calculated as follows: (trade receivables + inventories + prepayments) – (trade payables + advances received)

Financial calendar

25 October 2018 Quarterly statement for the period
ended 30 September 2018

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Note

This English language report is a translation of the original German KRONES Interim report for the period from 1 January to 30 June 2018 (Bericht über den Zeitraum vom 1. Januar bis 30. Juni 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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