



KRONES Conference Call

March 19, 2020

Christoph Klenk, CEO
Norbert Broger, CFO



Recap 2019



Krones Achieves Targets for 2019

Despite difficult overall economic conditions, consolidated revenue increased in 2019 by 2.7% to €3.96 billion.

Order intake, at €4.08 billion, was up 3.2% year-on-year.

EBT margin without one-time restructuring impacts at 2.8% in line with guidance at around 3%. EBT margin including one-offs at 1.1% (prior year 5.3%).

Krones is making good progress in implementing structural measures for a sustained improvement in earnings.

Krones plans to pay a dividend based on earnings excluding one-off effects in an amount of € 0.75 per share for 2019.



Krones Highlights 2019

+3.2%

New orders

4,084m€

3,959

Revenue (+2.7%)
m€

1.1%

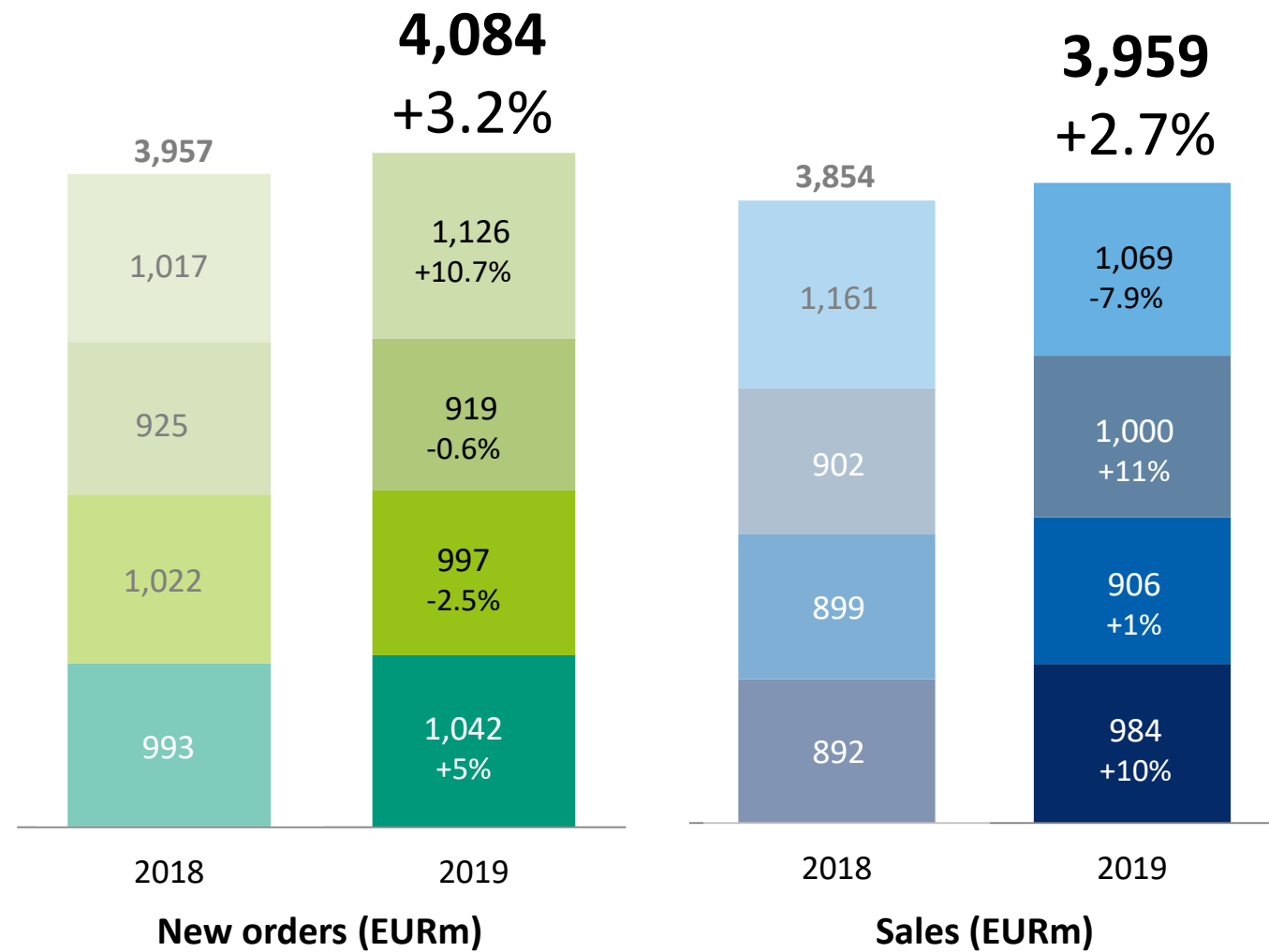
EBT margin

41.7m€

-94.4

Free cash flow
m€ (PY +120.7m€)

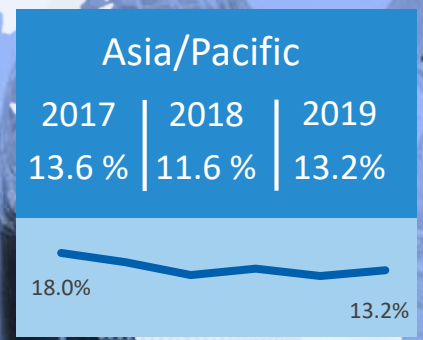
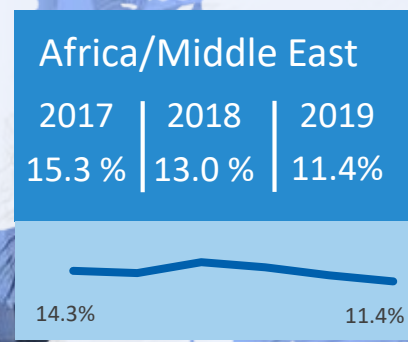
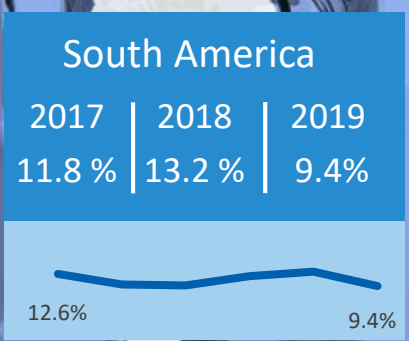
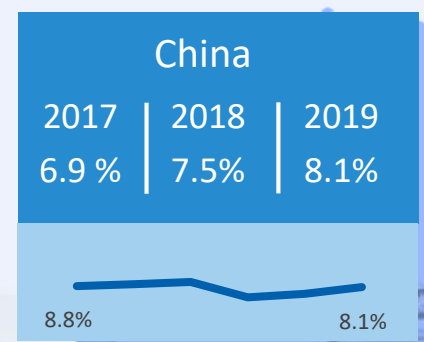
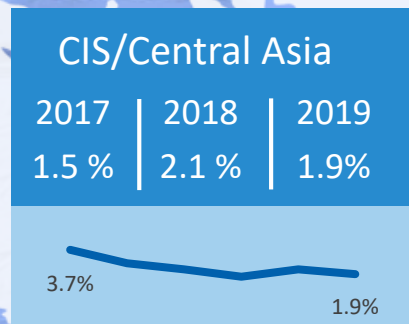
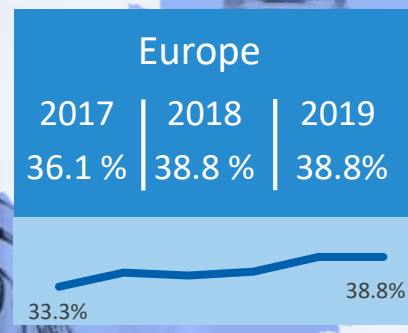
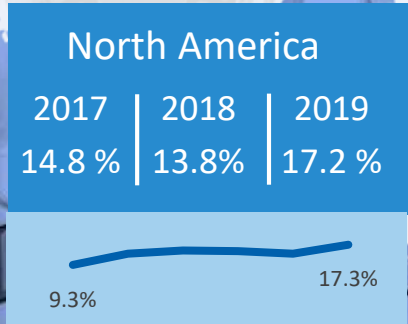
Revenue Growth Reached our Target – Strong Order Intake, Especially in Q4





Krones' Revenue Split Remains Well Balanced

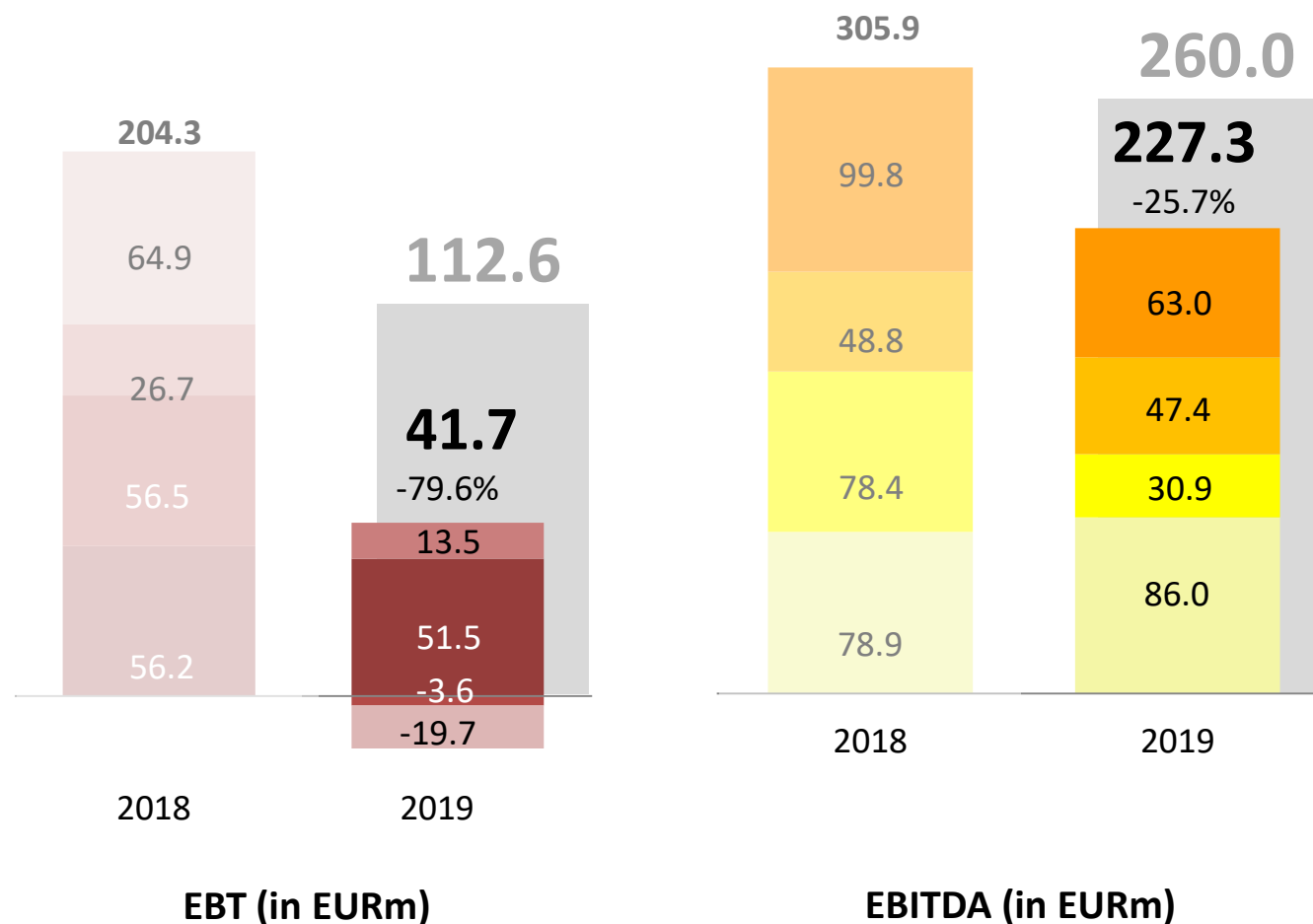
Share of revenue (Q1 – Q4)



Trend covering the last six years (full year)



EBT affected by 71 m€ for One-Time Costs and Structural Measures

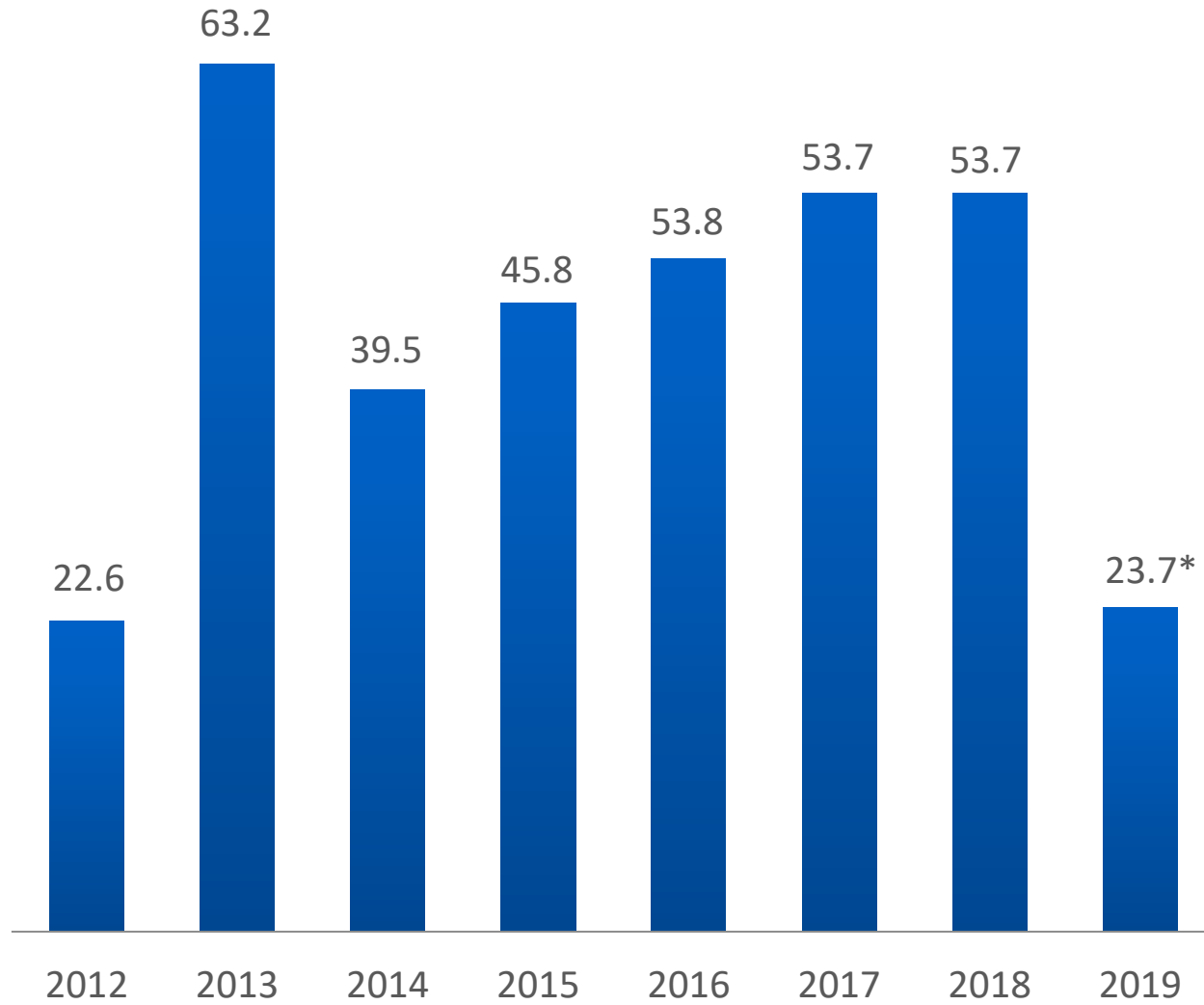


- EBT 2019 affected by high personnel expenses, negative product mix impact in the first half year and 71m€ one-time costs for restructuring and portfolio optimization.
- The 71m € is split in 33m € for staff reduction in Germany, 20m€ impairment losses for certain technologies and 17m € for goodwill impairments.
- On EBITDA level only the costs for staff reduction apply.

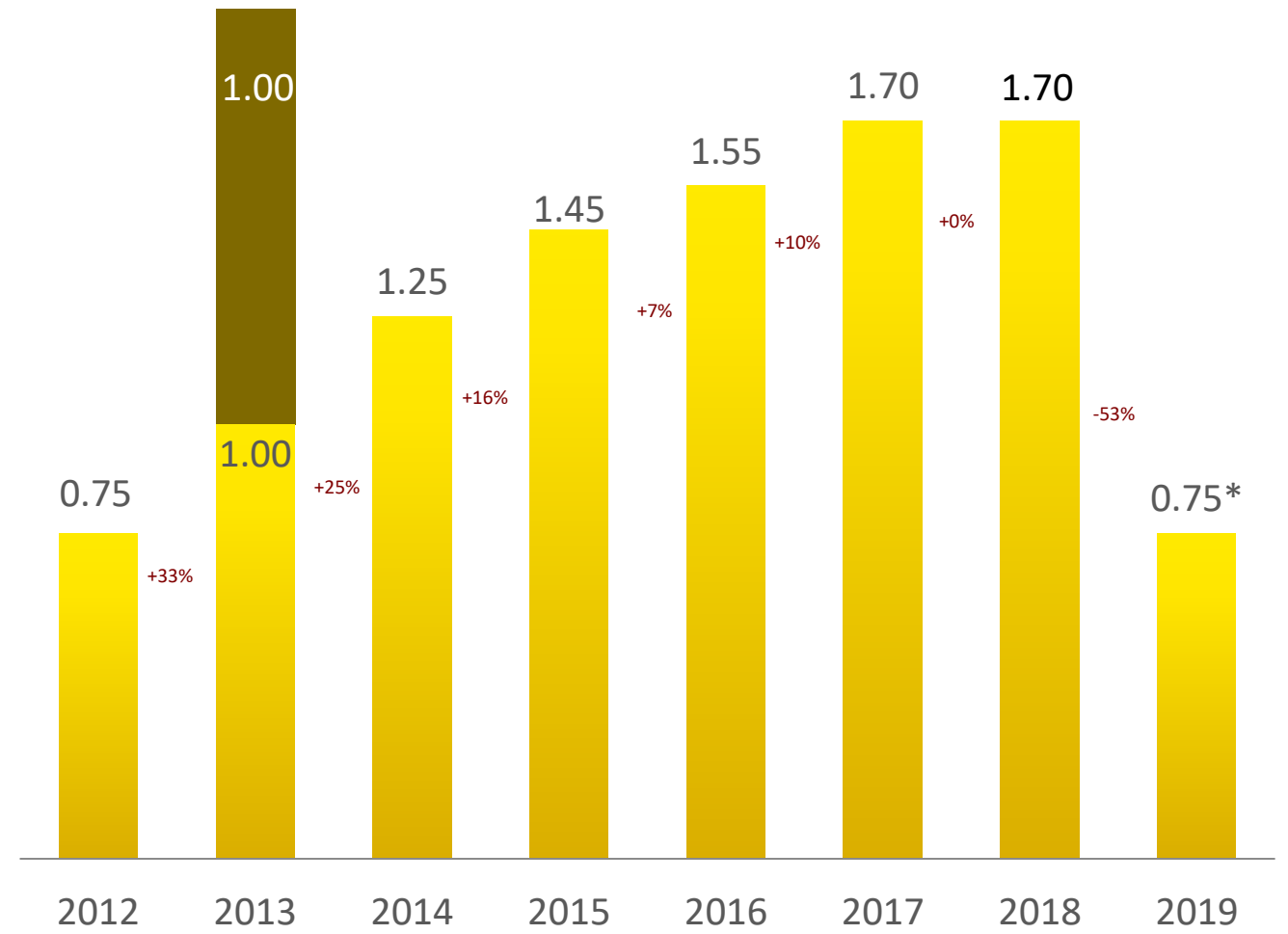
Dividend payment



Payment (in m€) for Fiscal Year



Dividend per Share (in €) for Fiscal Year



* As per proposal for the appropriation of retained earnings



Actual Situation and Outlook 2020



Krones Targets 2020

Revenue growth

0%

EBITDA margin

~ 6.7-7.2%

Working capital

26%



Comparable to EBT margin

~ 3.2-3.7%

Figures based on the effects of the Corona-virus with information as of early March. Due to global developments surrounding the Corona-virus in recent days, it is currently not possible to give reliable predictions for revenue and earnings in 2020.



Development Sales and EBT per Segment

| Segment | Sales (EURm) FY 2019 | | | EBT (EURm) FY 2019 | | | Targets 2020 *** | | |
|---|--|------|------|---|------|------|--|-----------------------|-------------|
| | 2017 | 2018 | 2019 | 2017 | 2018 | 2019 | | | |
| Product filling and decoration | Growth +5% 3,090 +3% 3,178 +2.8% 3,265 | | | EBT margin 8.5% 7.0% 1.7% 263.3 223.3 56.4* | | |  | Growth | 0 % |
| | | | | | | | | EBITDA margin | ~7.5 – 8.0% |
| Beverage production/ Process technology | Growth +32% 601 +12% 676 +2.6% 694 | | | EBT margin -0.7% -2.8% -2.1% -4.5 -19.0 -14.7** | | |  | Growth | 0 % |
| | | | | | | | | EBITDA margin | ~2.5 -3.5 % |
| | 2017 | 2018 | 2019 | 2017 | 2018 | 2019 | (EBT margin ~ 4.0 – 4.5%) | (EBT margin ~ 0 – 1%) | |

* Including 60m€ one-time expenses

** Including 11m€ one-time expenses

*** As of early March 2020



The Corona Crisis and its Impact on Krones' 2020 Revenue and Earnings Forecast

Corona unknown

December 2019

3% growth
7.5% EBITDA margin
(4.0% EBT margin)

Further growth based on intact markets

Corona in China and first other countries

January - Early March 2020

0% growth
6.7% to 7.2% EBITDA margin
3.2% to 3.7% EBT margin

No growth as usual for Krones (Statement in Annual Report 2020)

Corona Global Pandemic Today

????

Negative impact on orders, revenue and margin depending on further development. No assessment at this point of time due to high dynamics day by day.



Actual "Corona Situation" at Krones

CHINA



- Operations back at 80%
- Travel activities of the service technicians limited
- Order Intake clearly behind plan

ITALY



- System Logistics in closed zone, Operations 90 %
- Kosme Italy in closed zone, Operations at 80 %
- No travel activities for Italian employees

WORLDWIDE



- Due to latest country restrictions nearly no travel activities for sales and service

GERMANY



- Operations still good
- Supply chain with first challenges, but overall still stable
- White collar in home office (50% this week, 90% next week)
- Travel restrictions for service engineers, biggest limitation as of today

We currently expect the corona virus to continue to have a negative impact worldwide, with considerable consequences on

ORDER INTAKE, SALES AND PROFIT

Banking Crisis 2008 versus Corona Situation 2020: Different Impacts for Krones



Banking Crisis 2008

- Dramatic slow down of order intake for new machine business (>20%)
- Employees, especially sales and service could travel
- Existing orders could be processed (in house and on site)
- Supply chain and Logistics was working
- Reduced work due to reduced orders but never a risk of shut downs
- Fiscal measures and structural measures initiated by governments helped to get out of the situation rather fast

Corona Crisis 2020

- Similar expectation for uncertain period of time (3 months up to?)
- Due to travel limitations we have never seen before, sales and service ability is very restricted
- In comparison to competition, Krones has a higher degree of qualified service technicians around the world („local for local“) to fulfill daily field service tasks
- Execution of existing new machine orders at risk – first on site projects interrupted / postponed
- Supply chain and logistics will be affected
- Shut down of plants in Germany might become a possible scenario
- Fiscal and structural measures of governments can only help after spread of virus is declining significantly



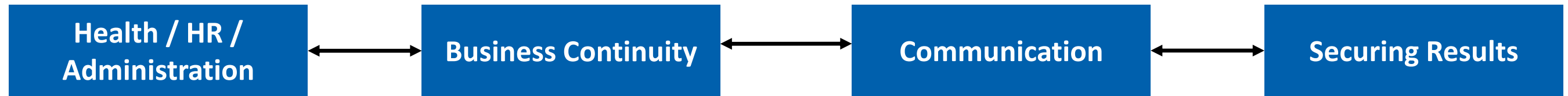
Latest* update Corona Crisis at Krones and Measures taken

- 1. Measures to minimize the risk of infection for employees, suppliers, service providers, customers and visitors**
- 2. Maintaining the business operations of Krones AG worldwide (business continuity), taking into account the respective local conditions**
- 3. Measures to secure Krones' medium- and long-term liquidity**

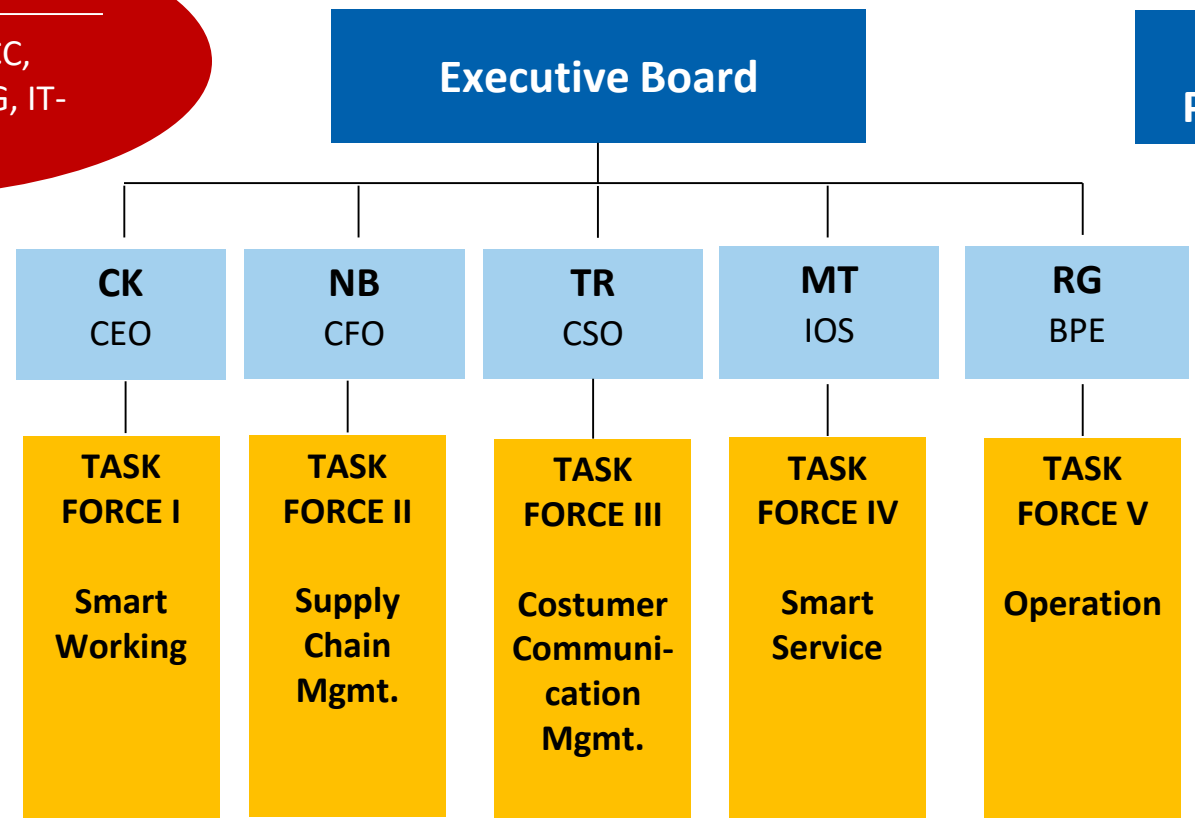
* Given the highly dynamic nature of the crisis, the following document can only be a snapshot



Overview on Krones Crisis Plan „Corona“



Crisis Mgmt. Team*
 CEO, HR, Safety, CC,
 Company Doctor, CG, IT-
 Infrastructure



**CEO / Head of
Public Relations**

**Head of FI /
Head of CO**

* or designated alternate in the absence of the member of the Crisis Mgmt. Team



Mid-Term Perspectives



Krones Mid-Term Targets

Revenue growth

2-5%

EBTIDA margin

9-12%

Working capital

22-24%

Comparable to EBT margin

6-8%

Continued Growth in Beverage Consumption

Main factors: per capita consumption and/or population growth



| Litres per capita 2019 | Ø-Population growth in % | | | Beverage consumption 2019 in million litres | Ø-Consumption growth in % | | Growth per capita consumption until 2024 |
|---|--------------------------|-------|--------------------|---|---------------------------|-------|--|
| | 14/19 | 19/24 | | | 14/19 | 19/24 | |
| 459 | +0.8 | +0.7 | North America | 203.483 | +1.3 | +1.7 | ↗ |
| 363 | +0.6 | +0.5 | Europe | 204.394 | +0.6 | +0.3 | ↘ |
| 333 | +0.8 | +0.7 | Latin America | 184.757 | -0.2 | +1.0 | ↗ |
| 239 | +0.2 | +0.2 | Eastern World | 97.067 | +1.0 | +1.7 | ↗ |
| 182 | +0.5 | +0.2 | China | 256.216 | +2.8 | +1.9 | ↘ |
| <hr style="border-top: 1px dashed red;"/> | | | | | | | |
| 111 | +1.2 | +1.2 | Asia/Pacific | 297.545 | +3.8 | +3.4 | ↘ |
| 83 | +2.4 | +2.3 | Africa/Middle East | 123.959 | +4.2 | +3.9 | ↘ |

Ø global 181 litres



The growth in beverage consumption provides a solid basis for a positive market development.



Customer Requirements: Krones Value Drivers

Solutions that focus on **generating value** for our customers make Krones **the SAFE choice** among F&B machinery suppliers

Safe & Secure

- Product safety
- Product quality
- Production security

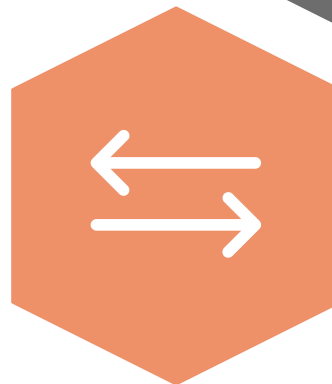


Affordable

- Maximum OEE
- Smart system
- Robustness

Flexible

- Maximum number of SKUs
- Future adaptability of equipment
- Just-in-time production



Environmentally friendly

- Sustainable Packaging
- Zero-waste production
- Lowest energy & media consumption

Our customers' operational priorities are the core of all R&D activities.



Customer CAPEX Rationale

— Top 5 Investment Motives

1

Organic Growth of Beverage Sales

Higher output requirements necessitate additional or faster equipment



2

Venture Investments

Customers decide to enter an entirely untapped market or product segment



3

Packaging Trends

Product categories change due to a shift in consumer preferences or regulation



4

Economic Obsolescence

New equipment has a reasonable ROI due to lower OPEX or higher efficiency



5

Technical Obsolescence

Due to wear & tear, equipment became unreliable and needs to be replaced



— Decision Making Criteria

CAPEX

Up-Front Investment for Machinery

OPEX

Utility consumption, labor costs etc.

Efficiency & Flexibility

Reliability, changeover times etc.

Global Footprint

Proximity to customer plants worldwide

Project Execution

Excellent & reliable business conduct



Climate Change: Challenges create Opportunities

World Economic Forum 2020

Top 10 Global Risks

- 1) **Climate action failure**
- 2) *Weapons of mass destruction*
- 3) **Biodiversity loss**
- 4) **Extreme weather**
- 5) **Water crisis**
- 6) *Information infrastructure breakdown*
- 7) *Natural disasters*
- 8) *Cyberattacks*
- 9) **Human-made environmental disasters**
- 10) *Infectious diseases*

Long-term, ranked by anticipated impact

Source: World Economic Forum Global Risks Report 2020

Customer commitments to reduce greenhouse gas emissions



Key Account A
Absolute reduction
2015 → 2030



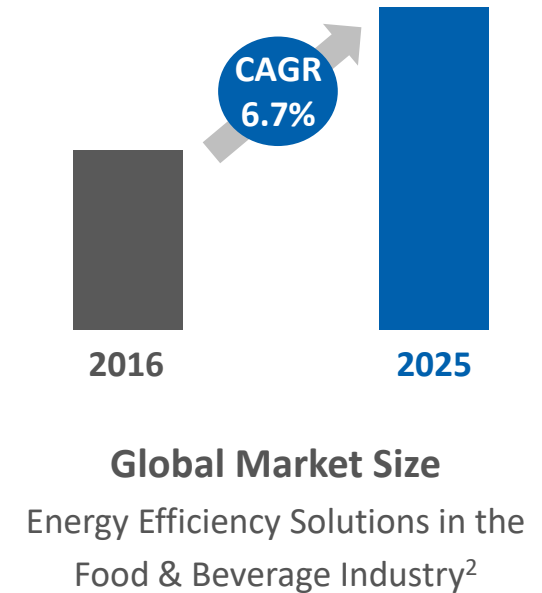
Key Account B
Reduction per beverage
2017 → 2025



Key Account C
Reduction per ton product
2015 → 2030

Source: Science Based Targets Database

Massive Investment in Energy Efficiency Technology¹



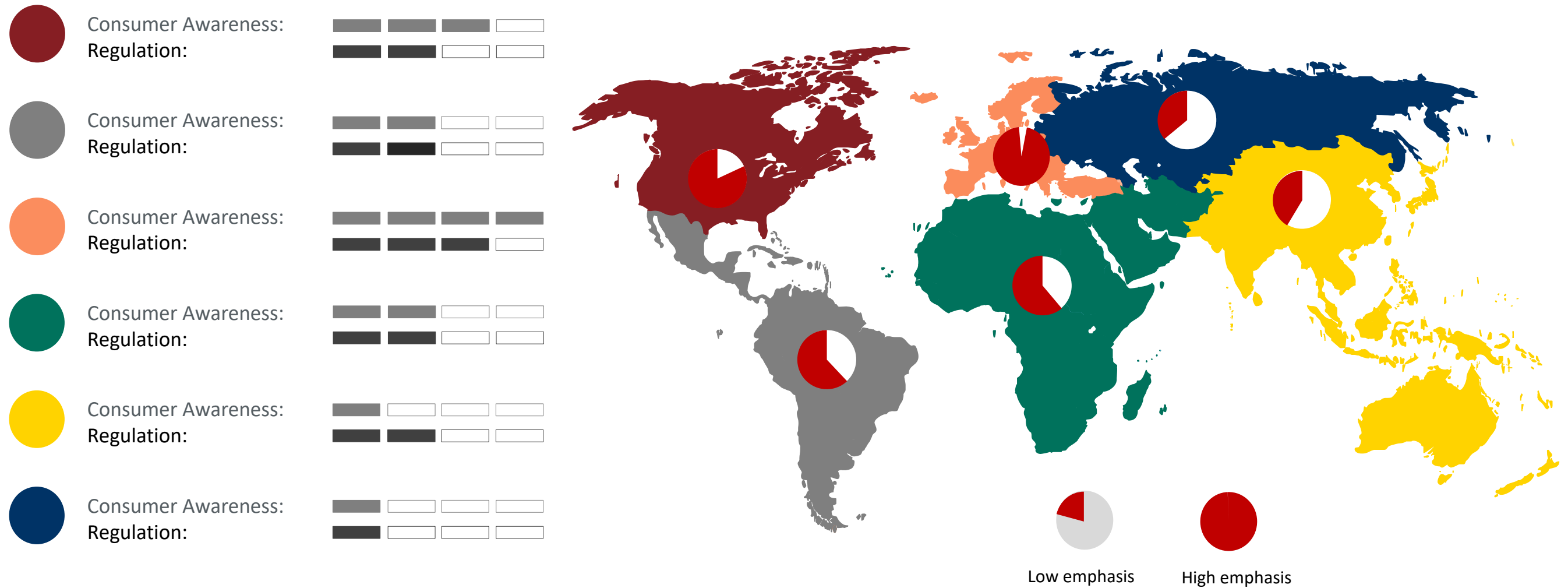
¹Source: Bundesministerium für Umwelt/ Roland Berger, GreenTech made in Germany, Berlin (2018)
²Calculation: Food & Beverage constitute 16% of total segment "Industrial Energy Efficiency Solutions"

As global leaders take action to combat climate change, vast business opportunities are created.





Emphasis on Sustainable Packaging by Region



Europe is characterized by the highest awareness for sustainability issues, environmental concerns in other regions are less prominent, yet rising.



Realizing Mid Term Targets

When?

How?



- 2022/2023
(under regular market conditions; no crisis situation like „Corona“ 2020)
- Successful execution of 2019 published measures in 2019 (✓) and 2020
- Additional profit improvement initiatives to stabilize and increase profit margin further
 - Profitable or discontinued „Process Technology“, especially brewery business
 - Further expansion of our best cost country hubs in China, India, Hungary, Czech republic, for production, engineering and purchasing
 - Focus German manufacturing footprint on core competences and processes; outsource non core activities; reduce capacities and Capex for manufacturing in Germany
 - Better project execution to reduce project lead times will have positive impact on costs, working capital and customer satisfaction
 - Grow with the market and improve price quality with innovation in glass and can lines and digital services



Krones Mid-Term Targets

Revenue growth

2-5%

EBTIDA margin

9-12%

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22-24%

Comparable to EBT margin

6-8%



Questions and Answers



Thank you
for your attention!



Financial Calendar 2020

| | |
|------------------|--|
| March 19, 2020 | Annual Report 2019 |
| May 28, 2020 | Capital Markets Day (postponed from March 2020) |
| April 29, 2020 | Conference Call Group Q1 2020 and Quarterly Statement as per March 31 |
| May 18, 2020 | Annual General Meeting |
| July 30, 2020 | Conference Call Group Q2 2020 and Interim Report as per June 30 |
| October 29, 2020 | Conference Call Group Q3 2020 and Quarterly Statement as per September 30 |



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