

Capital Market Day 2020

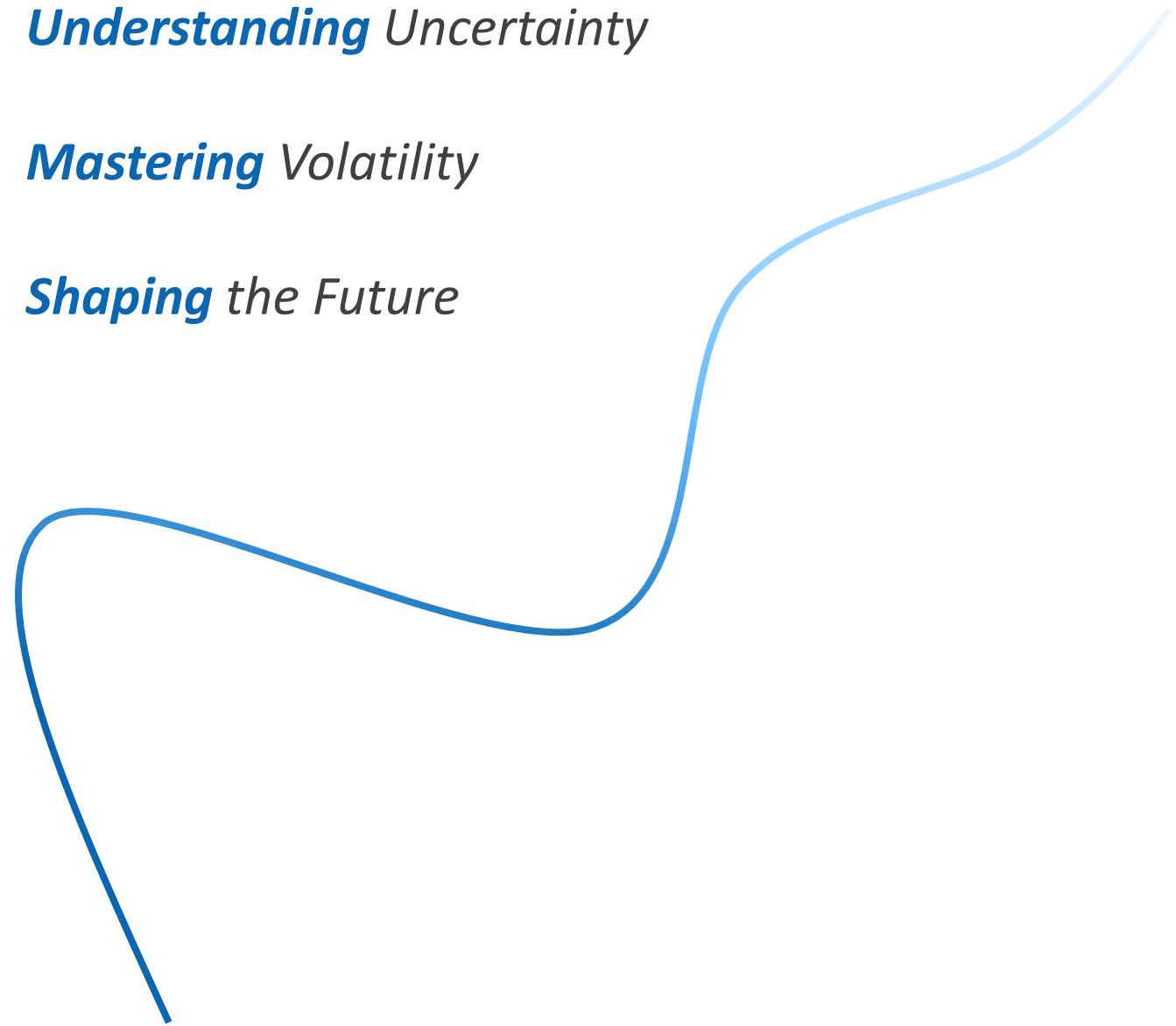
12th of November 2020



Understanding Uncertainty

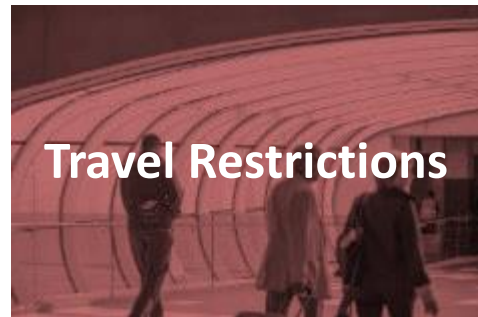
Mastering Volatility

Shaping the Future





The Global Impact of COVID-19 is severe,...



...but long-term Growth Fundamentals remain intact...



...and Krones is well positioned for the “New Normal”!





Agenda

- Review Financials Q3/2020
- Where do we stand in times of pandemic
- Feedback from our customers
- Long-term megatrends

--- Discussion/ Q&As ---

- Shaping our future
 - Securing our future: Costs & structures
 - Designing our future: Innovation & Growth
- Financial Implications
- Key Takeaways

--- Discussion/ Q&As ---



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Krones Highlights Q1 – Q3 2020

-22.2%

New orders

2,301 EURm

2,449

Sales (-15.3%)
EURm

6.0%

EBITDA margin

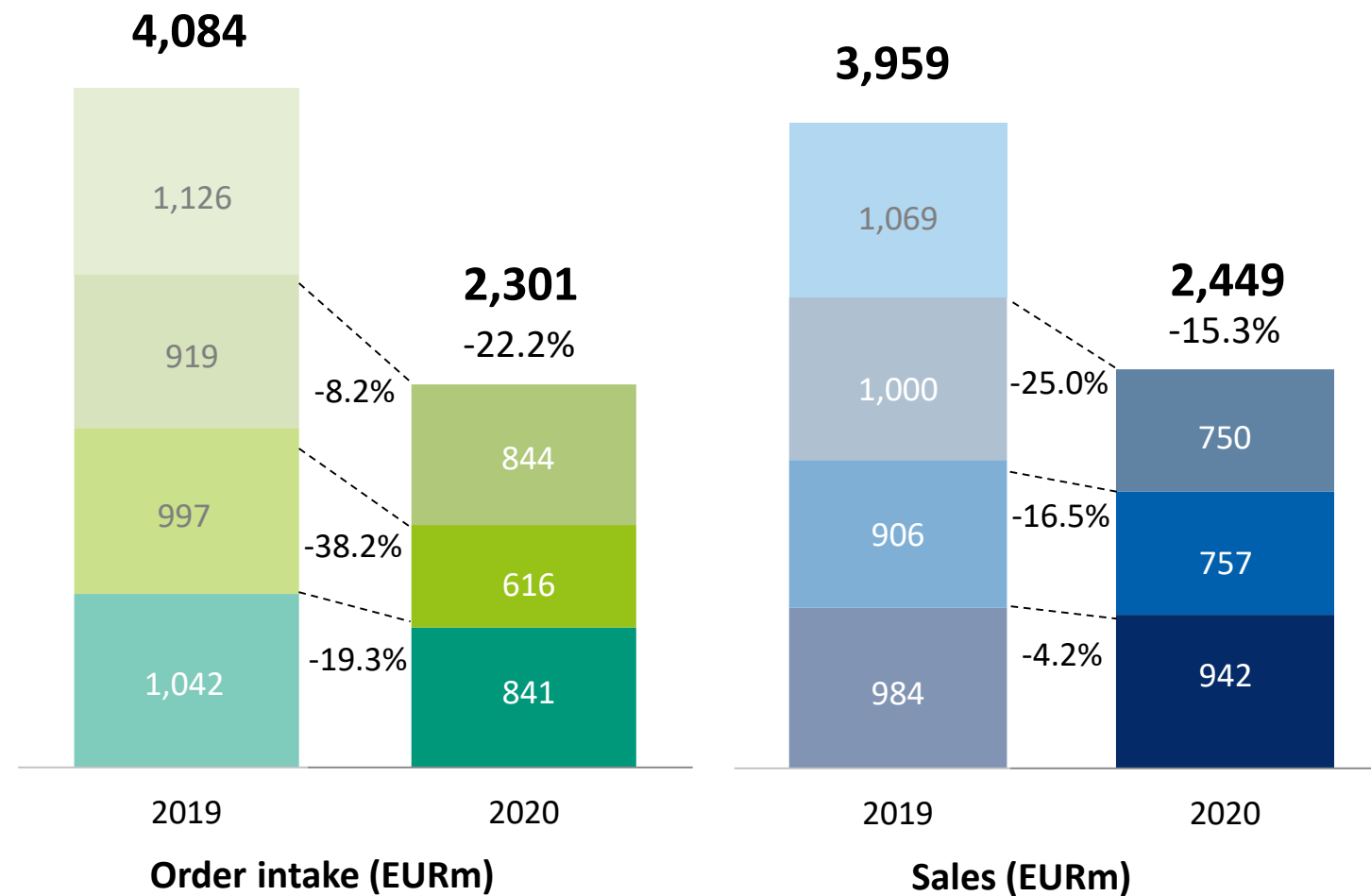
147,3 EURm
(PY 164,3 EURm; 5.7%)

-58.4

Free cash flow
EURm (PY -294.5 EURm)



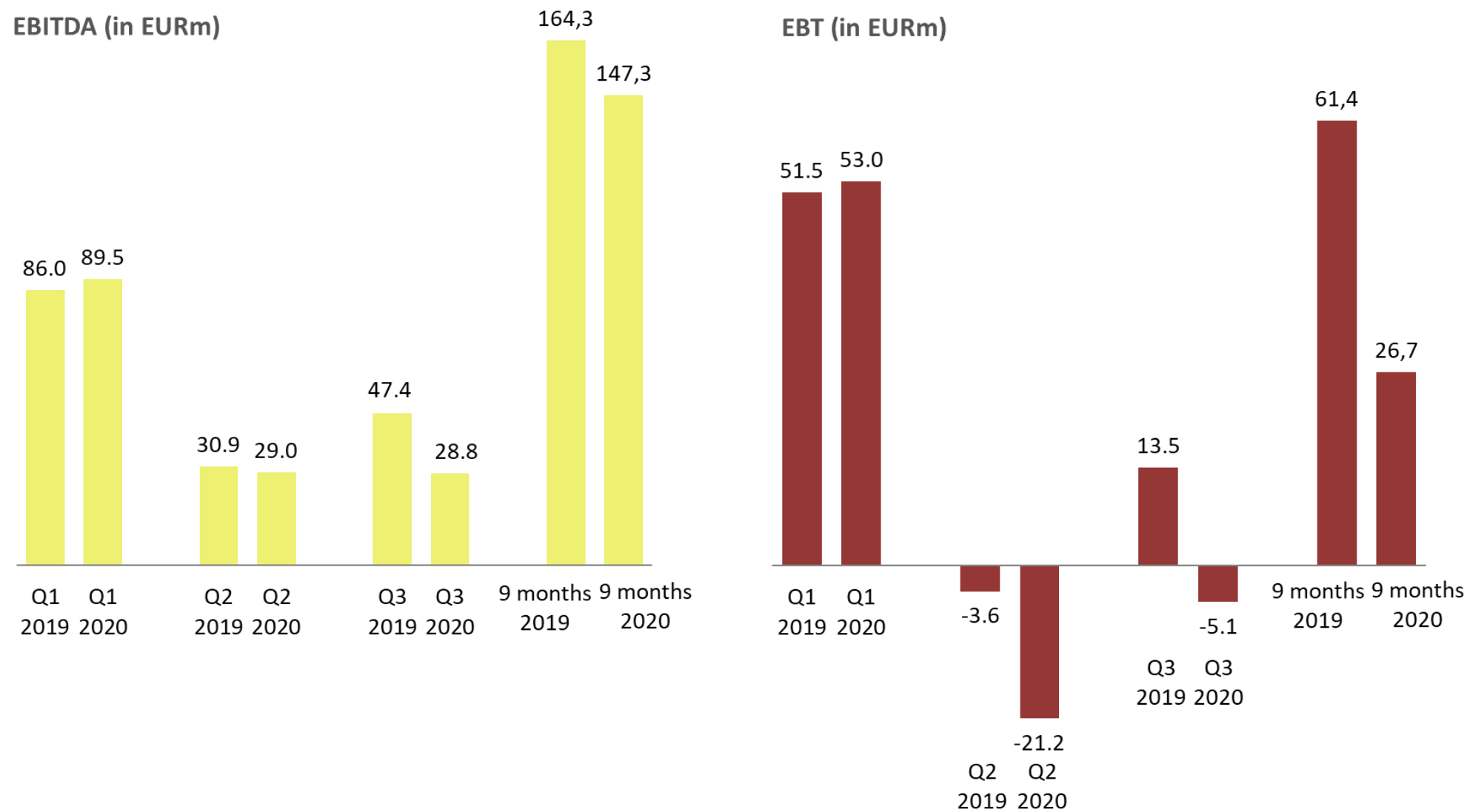
Order Intake in Q3 clearly better than Q2 – but still affected by COVID-19



- Order intake in Q3 2020 was 8% below prior year, but with a strong increase vs. Q2 2020 (+37%).
- As a result from low Q2 2020 order intake, the decrease in sales in Q3 was 25% compared to Q3 2019.



Cost Savings compensate the negative Sales Effect on the EBITDA in Q3



- Cost savings in personnel and material costs compensate most of the negative effects from the decrease in sales on the EBITDA
- EBITDA margin in Q3 with 6.0% was higher than prior year (5.7%)
- EBT affected by 13.6 EURm impairments in Q2 2020



Development of Sales and EBITDA per Segment 9 Months

Segment	Sales (EURm) 9 months			EBITDA (EURm) 9 months		
Product filling and decoration	Growth			EBITDA margin		
	+6%	+6%	-13%	8.7%	7.0%	8.3%
Beverage production/ Process technology (incl. Intralogistics)	Growth			EBITDA margin		
	+14%	+12%	-25%	1.9%	-1.1%	-7.4%
	2,271	2,418	2,094	197.9	169.7	173.4
	421	472	355	+8.2	-5.4	-26.1
	2018	2019	2020	2018	2019	2020

Product filling

- The measures to reduce personnel costs (short-term) as well as reduction of employees on one hand and the positive product mix on the other hand have had positive effects in the core segment, which was influenced by decrease in sales mainly in the third quarter.

Process technology

- This segment improved its profitability in Q3, but still with a small loss of 1 EURm in Q3 2020.
- Intralogistics as part of the segment has recovered in Q3 the shutdown of Q2 and posted a small profit of 0.5 EURm in Q3.



Free Cash Flow improved significantly by 236 EURm vs. prior Year

Q1 – Q3 (in EURm)	2020	2019
Earnings before taxes	26.7	61.4
+/- Other non-cash changes	+176.6	+187.9
+/- Changes in working capital	-85.5	-321.1
+/- Changes in other assets and liabilities	-107.9	-50.2
Cash flow from operating activities	9.9	-122.0
+/- Capex	-68.5	-138.3
+/- M&A activities	0	-34.9
+/- Other	+0.2	+0.7
Free cash flow	-58.4	-294.5
+/- Financing activities	+124.5	+248.9
Other	0	+3.8
Net change in cash	+66.1	-41.8
Cash at the end of the period	176.5	177.0

- Change in working capital favorable developed compared to last year
- Investments were reduced by 50% compared to the same period of the previous year
- No M&A activities
- **Free cash flow improves by more than 230 EURm in the first nine months**



Krones Outlook 2020

Revenue growth

~-17%

Sales

~€3.3bn

EBITDA margin

5.5-6.0%

Equivalent to EBT margin

1.0-1.6%

This outlook does not include any one-off expenses for impairments and structural measures for capacity adjustments.

If further countries and regions impose lockdowns, partial lockdowns or travel restrictions because of Covid 19, this could negatively impact the completion of orders and order intake and consequently have a negative influence on Krones' financial performance.

Krones Group KPI's

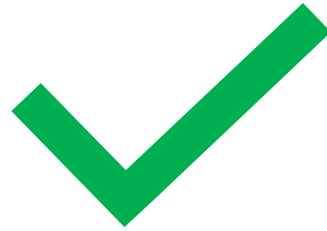
Actuals, Outlook 2020 and Base Case 2021/2022



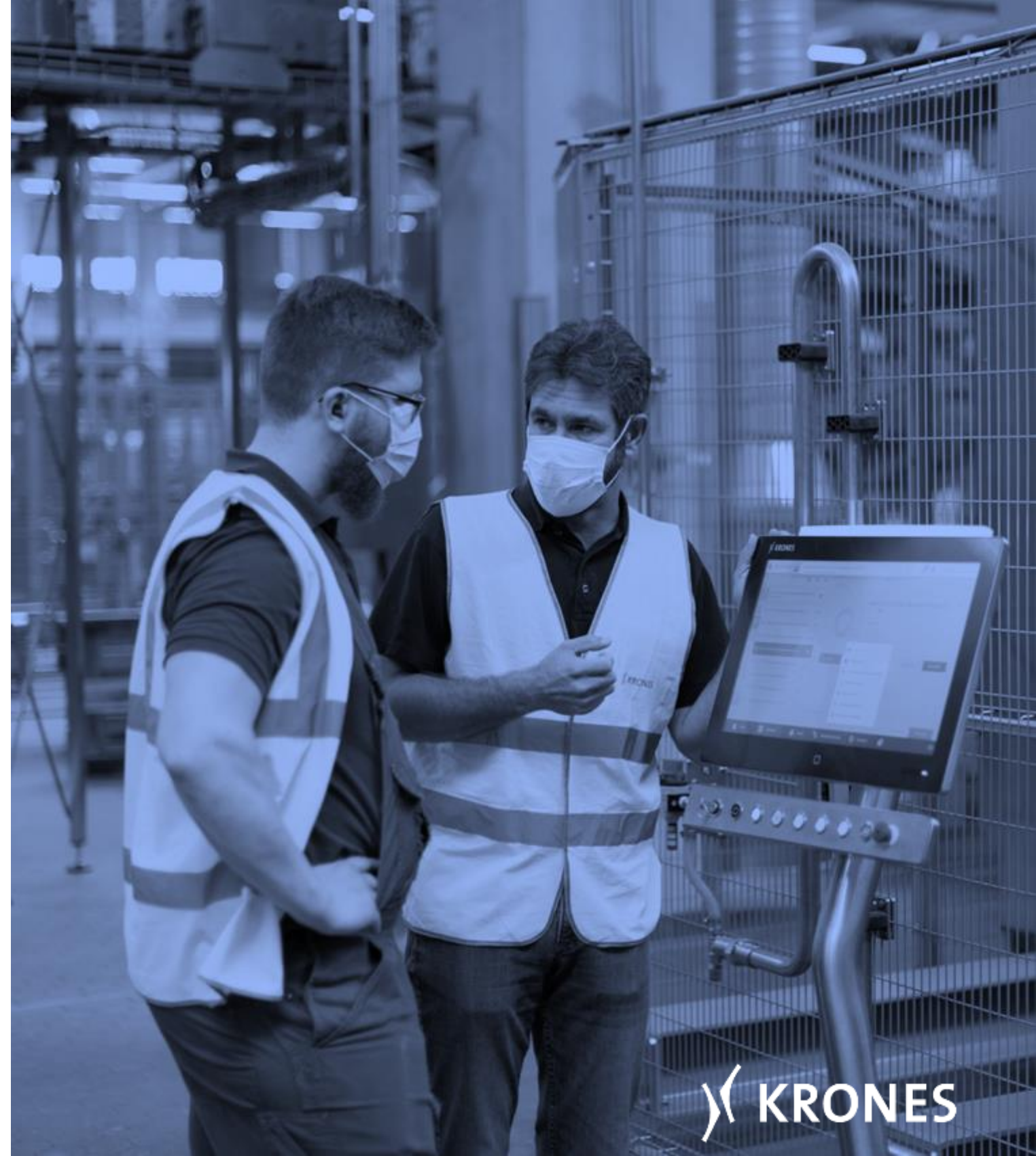
EURm	Actual 2017	Actual* 2018	Actual * 2019	Outlook* 2020	Base Case 2021	Base Case 2022
SALES	3,691	3,854	3,959	~ 3,300		
EBITDA margin	9.2%	8.7%	6.6%	5.5% - 6.0%		
EBT margin	7.0%	6.4%	2.8%	1.0% - 1.6%		
Working Capital (in % of sales)	27.3%	27.3%	26.9%	28% - 29%		

* = without one-time impacts for restructuring costs and impairments

Q3 Financials & Outlook Confirmation



Detailed Q3/2020 financial figures are published today and we confirm our FY2020 outlook





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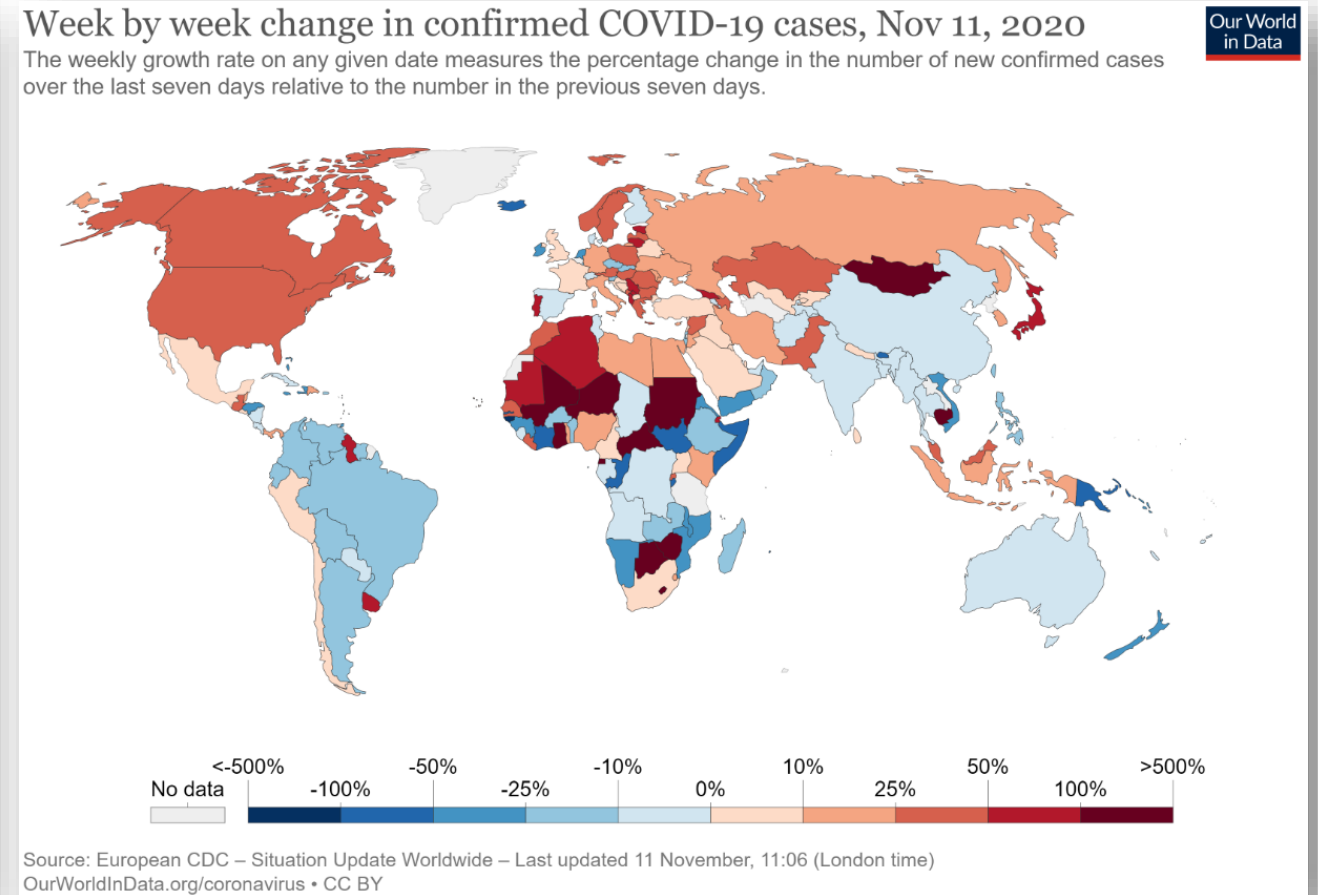
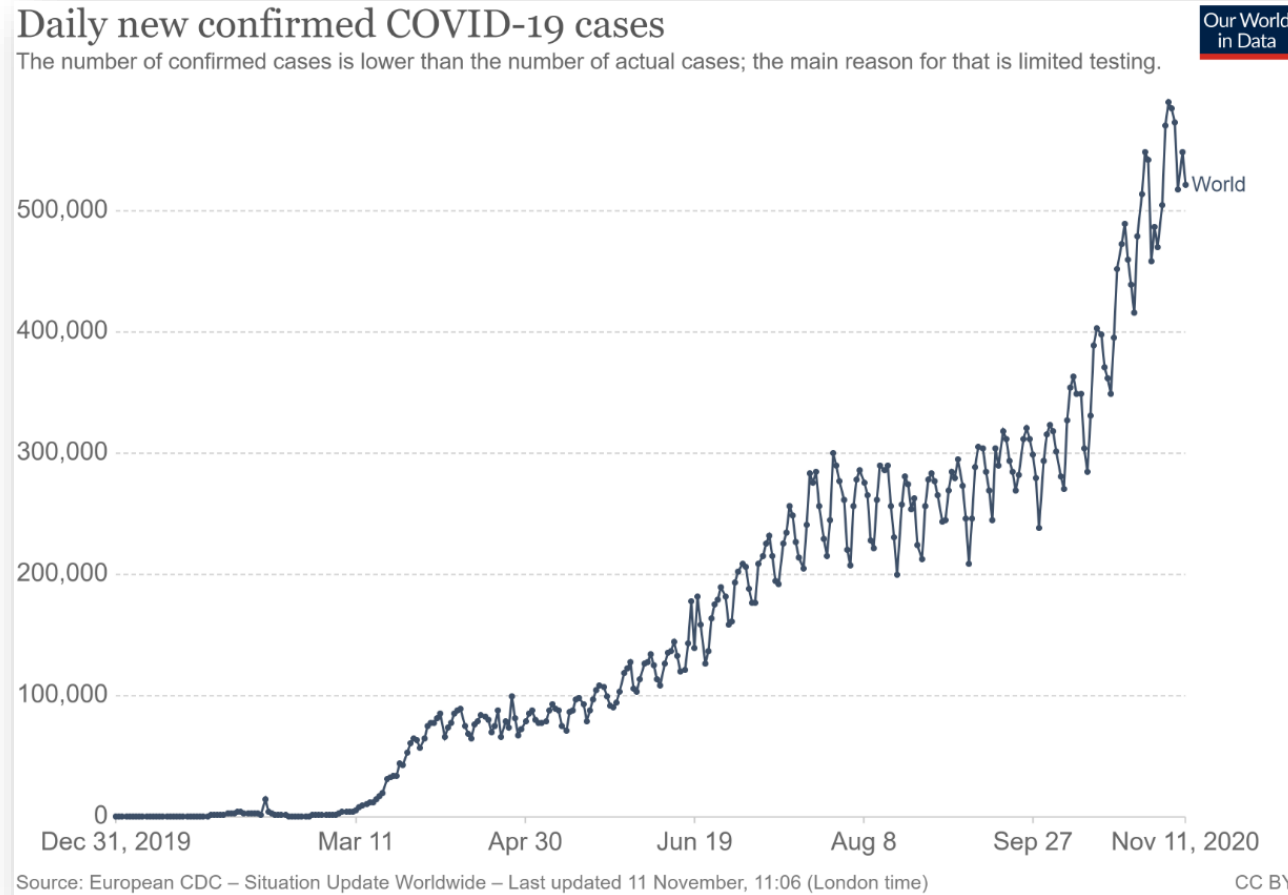
▪ Financial Implications

▪ Key Takeaways

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Number of Infections is rising globally – biggest Momentum in Northern Hemisphere



Status 11/11/2020

While a second wave of infections hits Europe in particular, daily infections have been rising steadily on a global level.



Why and for how long the Virus is likely resurging in Europe & North America



Less sun exposure → low Vitamin-D levels



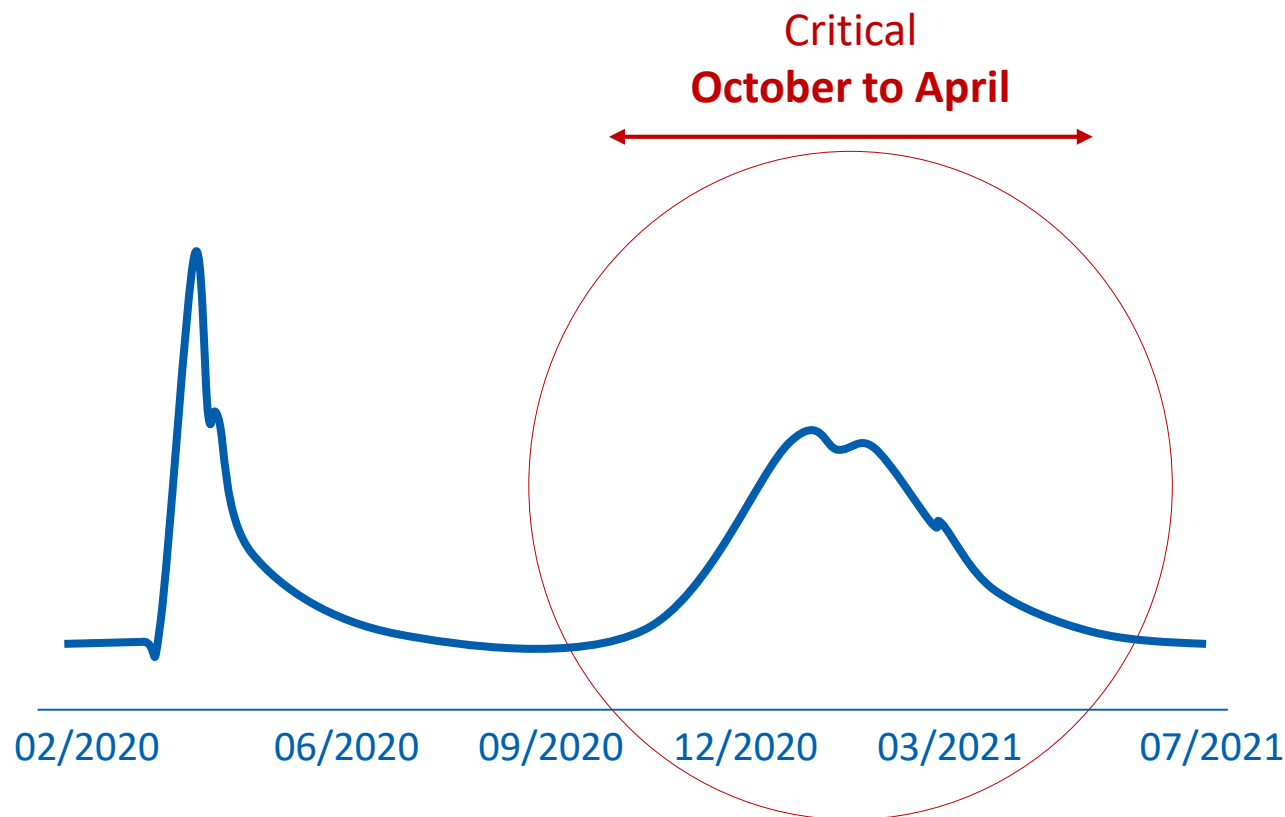
More social activities in closed spaces



Dry mucous membrane



Increased virus survival (lipid bilayer)



← Scenario for Infection Prevalence in the UK (northern hemisphere)

UK Academy of Medical Sciences / adopted illustration

Study: "Preparing for a challenging winter 2020/21" (14.7.2020)

During Spring, uncertainty prevailed. Now we know how to effectively respond to rising cases!





Krones' COVID-19 Response: Successful Adaptation of our Operational Setup



Health Management

The health & safety of our employees is paramount! We do our best, to keep ALL colleagues healthy.

- ✓ First *precautionary measures* approved by executive board & implemented as early as January 2020(!)
- ✓ Fast ramp-up of IT infrastructure creating capacity for 8000 VPN *remote workspaces* by mid-March 2020
- ✓ Comprehensive *3-stage response & containment scheme* for our premises based on local virus prevalence



Travel Management

Over 50% of our revenue is outside Europe. Travel restrictions presented an extraordinary challenge to us!

- ✓ Operational shift to remote sales & customer support in all regions using technologies like AR-glasses
- ✓ COVID-19 travel assistance in place: guidelines, travel kits, 24/7 hotline, medical advice, evacuation plans
- ✓ Over 100 service technicians from Germany provide essential assistance for customers in risk areas

Krones' operations are largely classified as “systemically relevant”.

We were permitted to carry on business even under strict lockdown rules!



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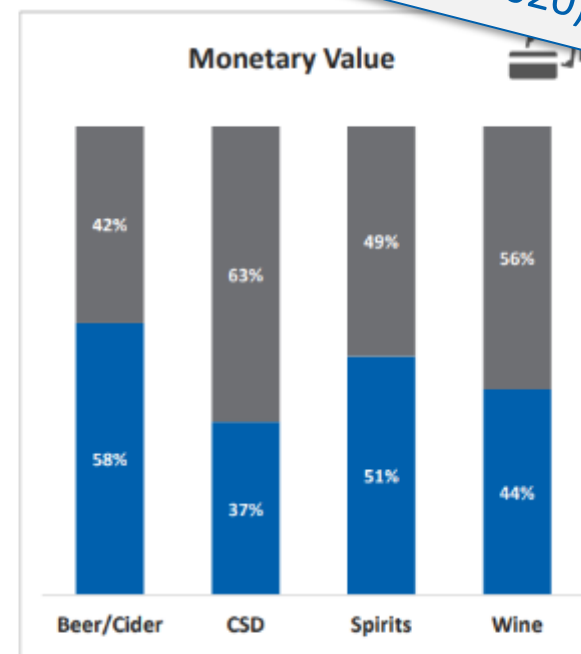
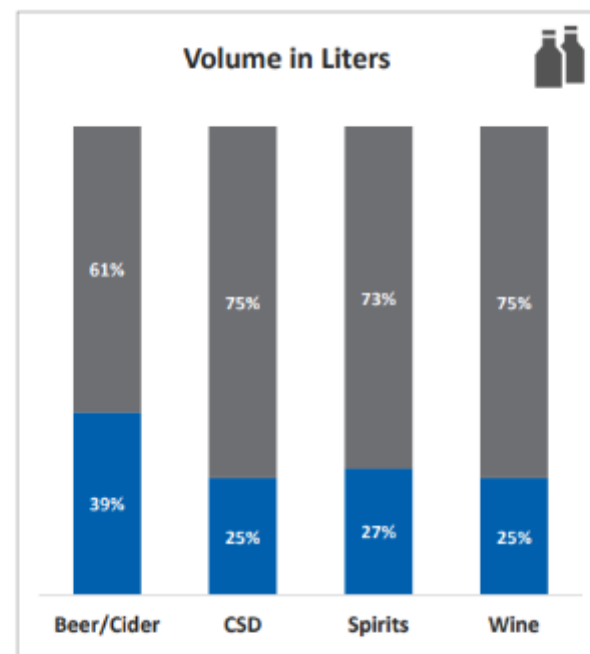
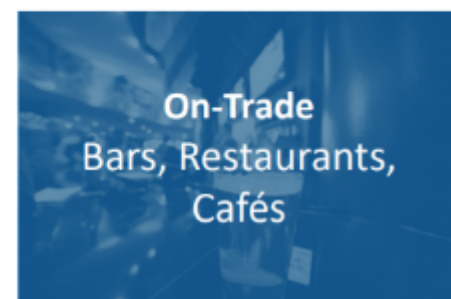
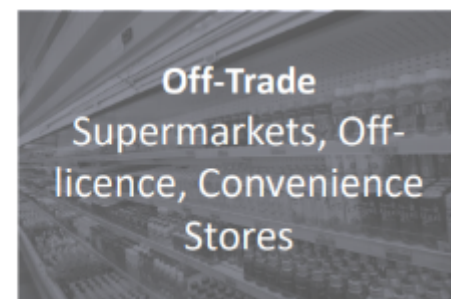
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Regional Second Wave of Infections hits **Europe** - Ramifications for the Beverage Market

21 | KRONES Conference Call April 29, 2020

Customers' Risk Exposure #1: On-Trade Sales Volumes



Source: Global Data | Year: 2018

Gains in off-trade likely cannot compensate a fall in profitable on-trade revenues.



First Wave (Q1 Results Call 2020)

Second Wave Implications



- A rebound of on-trade sales throughout summer **reverses** as restrictions return
- Volume **shifts** from on-trade to off-trade are now increasingly becoming permanent
- Businesses must **adapt**, e.g. craft breweries with taprooms need to invest in can lines

The resurgence of infections forces our European customers to adapt operations.

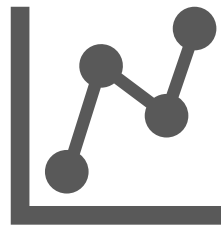




Market Insights from our Discussions with Customers on Executive Level

Current situation of our customers

- » Revenue decline by 10-15%
- » Overall profitability down 25-30%
- » Changes in product portfolio: less SKUs & higher volumes
- » Shift in distribution channels: more off-trade & eCommerce
- » Budgets and scheduled projects delayed and/ or cut



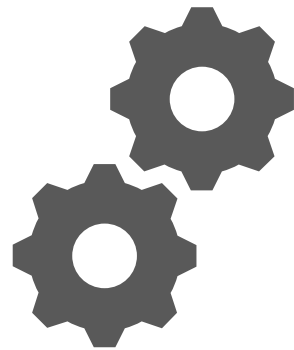
Customers' mid-term assessment of beverage market

- » Full recovery of consumption expected within appr. 2 years
- » Recovery of capex budgets in 2.5 – 3 years from now
- » Volatility leads to instable planning assumptions
- » Higher share of at-home consumptions (incl. home delivery)
- » Consumer preference shift to value segment (affordability)
- » Customer focus: productivity, efficiency, cost cutting

COVID-19 will impact our customers' business throughout the next two years.



Investment Strategy Insights from our Discussions with Customers on Executive Level



Customer investment plans

- » Limited capex in upcoming years
- » Opex in focus => Alternatives
- » Supply-chains change alongside customer behavior
- » More operator-free processes (remote/automation)
- » Revenue-mix is tilting towards can lines
- » Market volatility necessitates faster „time-to-market“

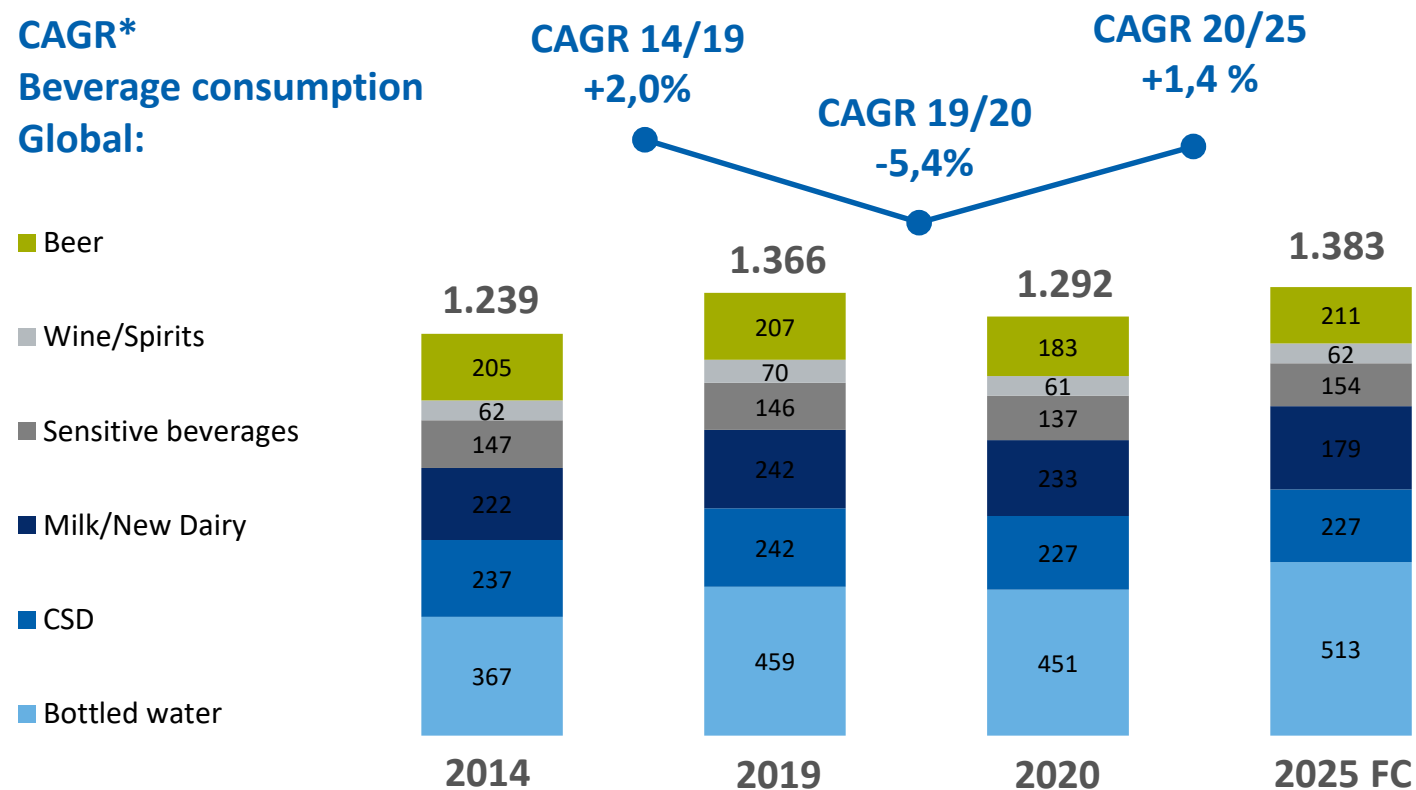
→ Impact on Krones

- » Total performance counts: costs, quality & deadlines
- » Temporary pressure on pricing
- » Opportunities for Krones: local structures, digital solutions, new maintenance & business models

Mid-term investment plans will be shaped by conclusions drawn from COVID-19.

Anticipated Changes in Beverage Consumption & Market Potential

Global beverage consumption by industry
(in bn litre)



Source: Global Data | *CAGR: Compound Annual Growth Rate

A strong rebound in volumes is projected in the years 2020 – 2025.



Krones Group KPI's

Actuals, Outlook 2020 and Base Case 2021/2022



EURm	Actual 2017	Actual* 2018	Actual * 2019	Outlook* 2020	Base Case 2021	Base Case 2022
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Working Capital (in % of sales)	27.3%	27.3%	26.9%	28% - 29%		

* = without one-time impacts for restructuring costs and impairments

Figures for 2021 and 2022 do not constitute a binding financial guidance and shall not be interpreted as such.
Ranges are subject to assumptions that depend upon external factors beyond the influence of Krones' management.



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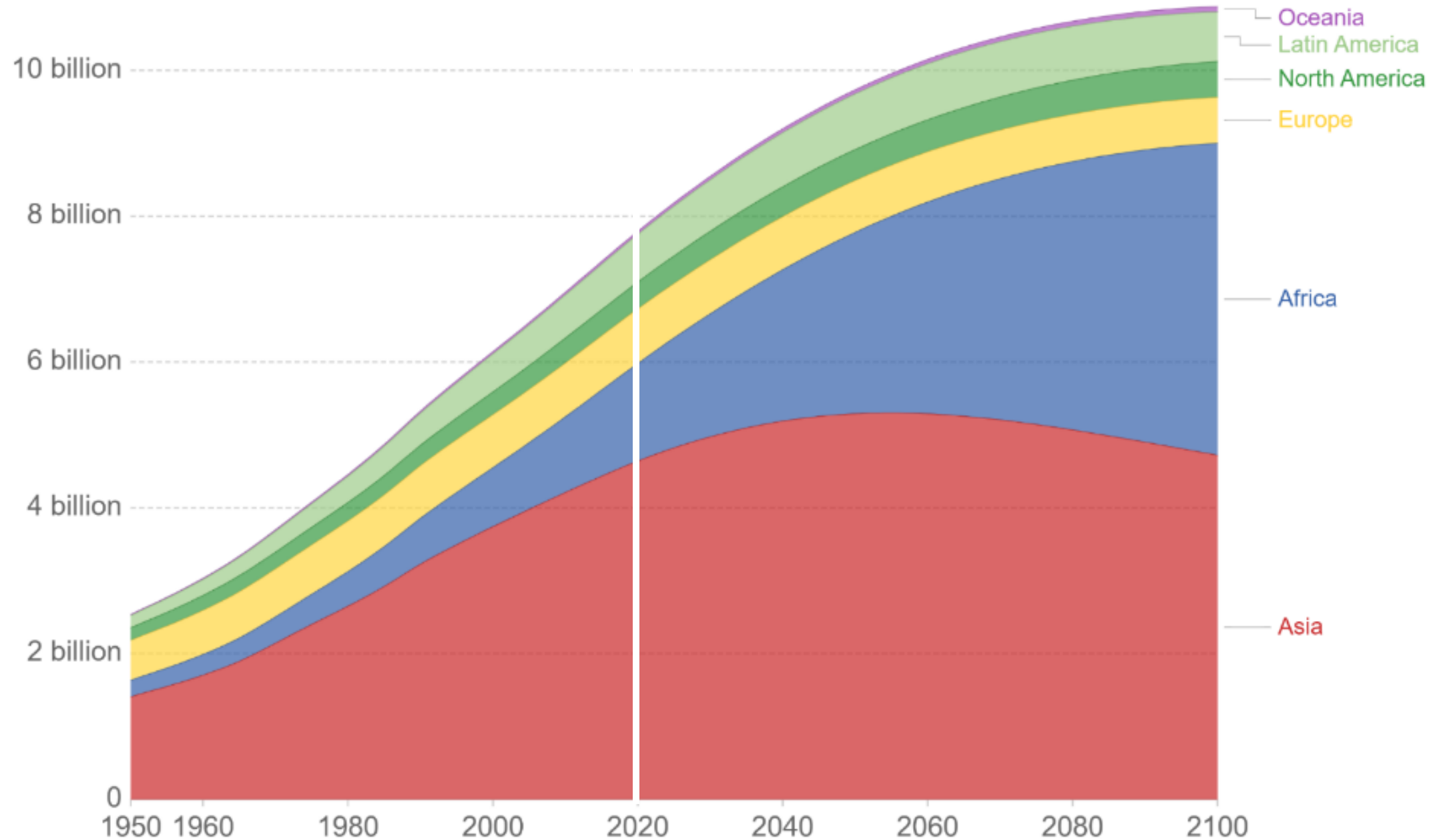
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COVID-19 will not change long-term Tendencies of **Population Growth**



The Size of Human **World Population** projection until 2100

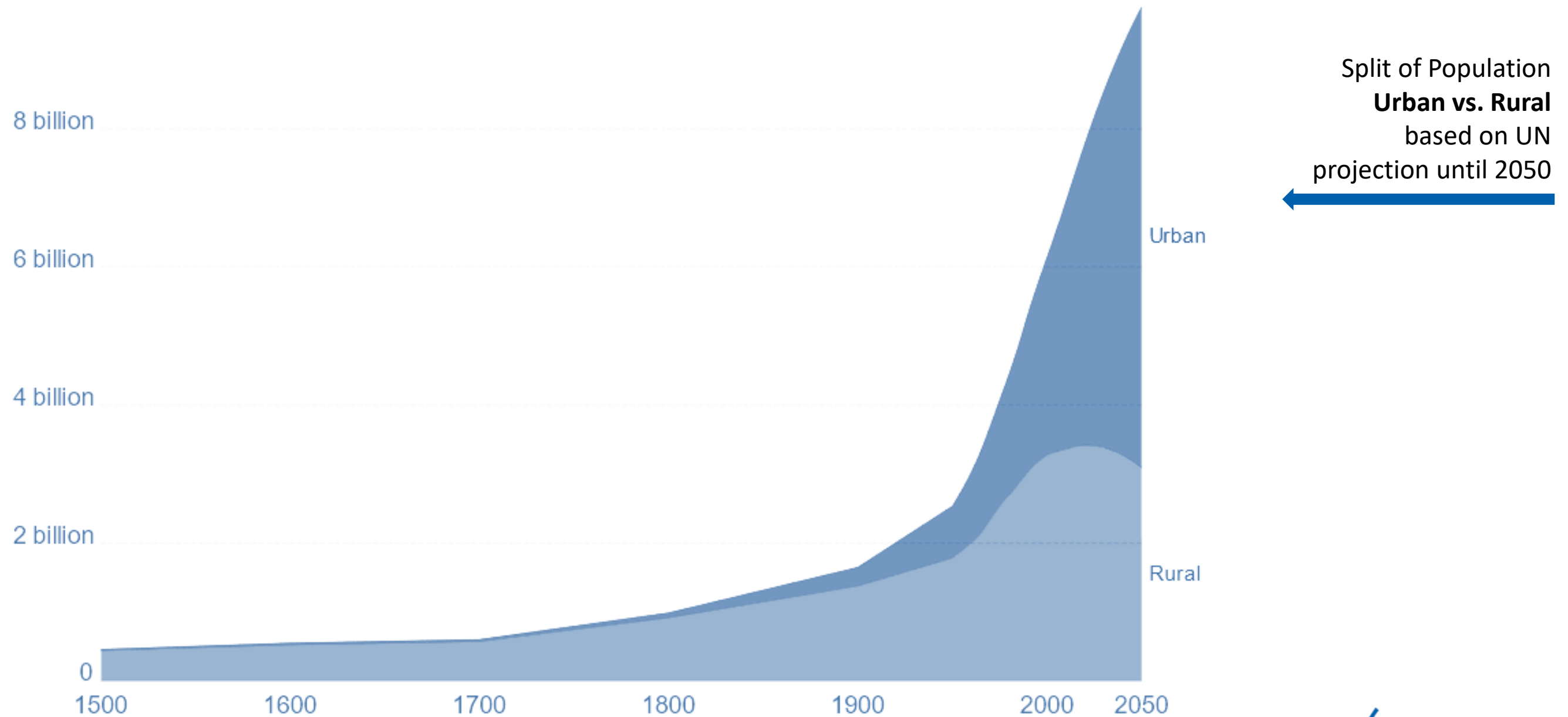


Population by country, available from 1800 to 2100 based on Gapminder data, HYDE, and UN Population Division (2019) medium variant scenario projections.

Visualization CC-BY
OurWorldInData.org/world-population-growth



Neither will COVID-19 change the long-term Trend towards **Urbanization**



Source: OWID based on UN World Urbanization Prospects 2018 and historical sources (see Sources)

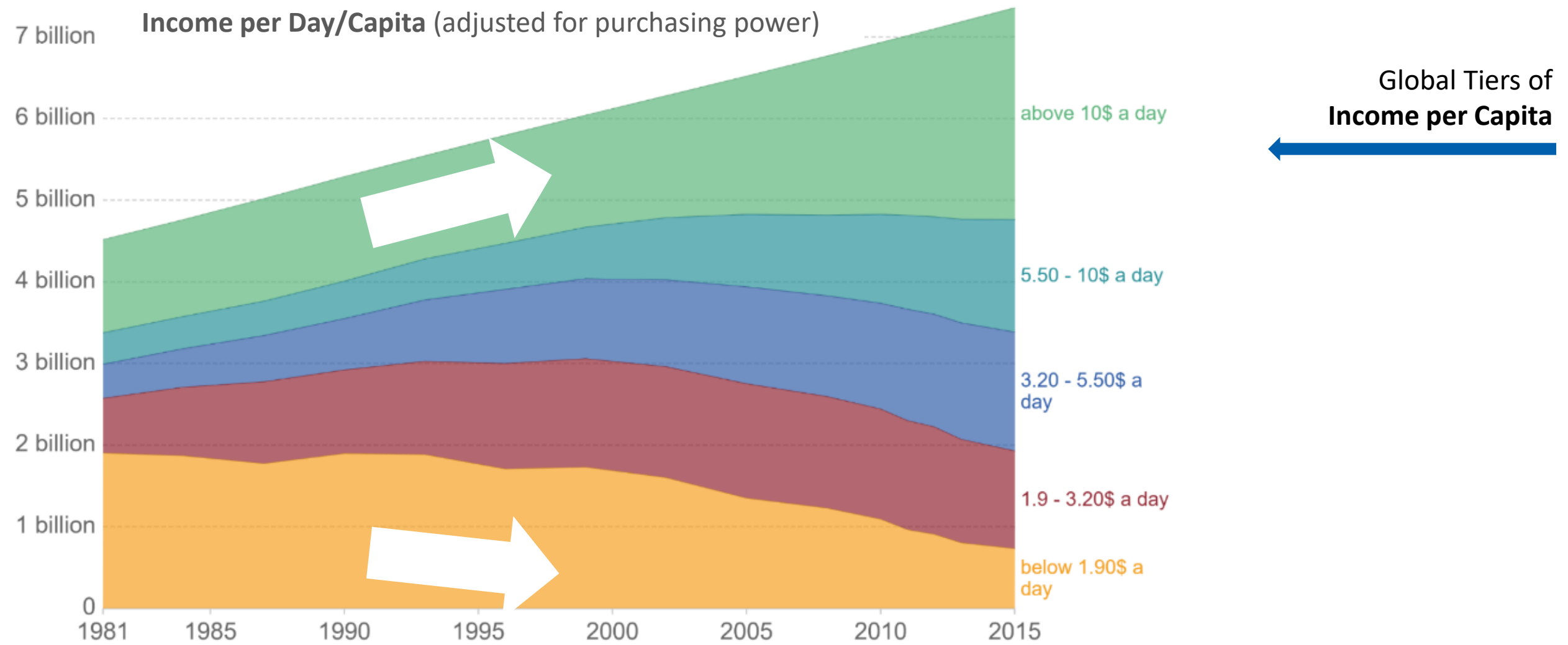
ourworldindata.org CC-BY



Rising **Middle Class**: 2020 marks a setback in Eradication of poverty – but it's temporary

Forecasted 2020 increase of extreme poverty by 70-100 Mio. individuals to a total of 700 million people globally*

* The Economist 26.9.2020



Source: World Bank, PovcalNet 2019
Note: Estimates rely on a combination of income and consumption data (see sources for details).



+ Additional Aspects of the “New Normal” post-COVID-19 World



Sustainable Packaging and Beyond

Roughly 1kg of plastic waste per person / year is leaking into the world’s oceans globally¹

→ Consumers, regulators and our customers are no longer willing to accept this situation



Action on Climate Change

If the global temperatures rise more than 1.5°C, adverse environmental effects may be irreversible²

→ The IPCC calls for a 45% reduction of emissions from 2010 levels until 2030 to thwart disaster



Decade of COVID-19 Economic Rebound

Firm monetary & fiscal response in mature markets coincides with persistent EM megatrends

→ Long-term growth fundamentals indicate a strong rebound after COVID-19 setbacks

¹Jambeck, J. R., Geyer, R., Wilcox, C., Siegler, T. R., Perryman, M., Andrady, A., ... & Law, K. L. (2015). Plastic waste inputs from land into the ocean. *Science*, 347(6223), 768-771.

²IPCC, 2018: Summary for Policymakers. In: Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty.



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Organizational Notes on Q&A Session



If you have inquiries, please make use of the “raise your hand” feature



When not talking, please mute your microphone





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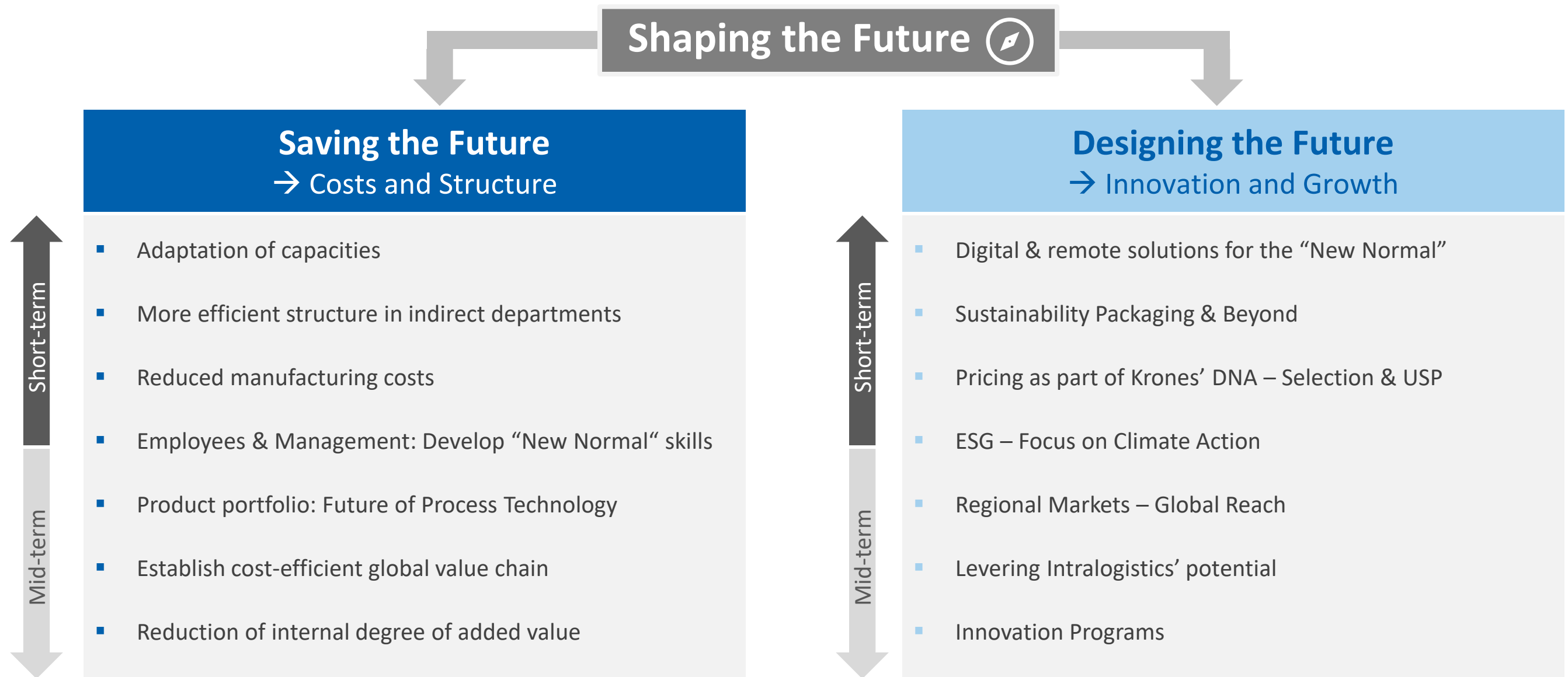
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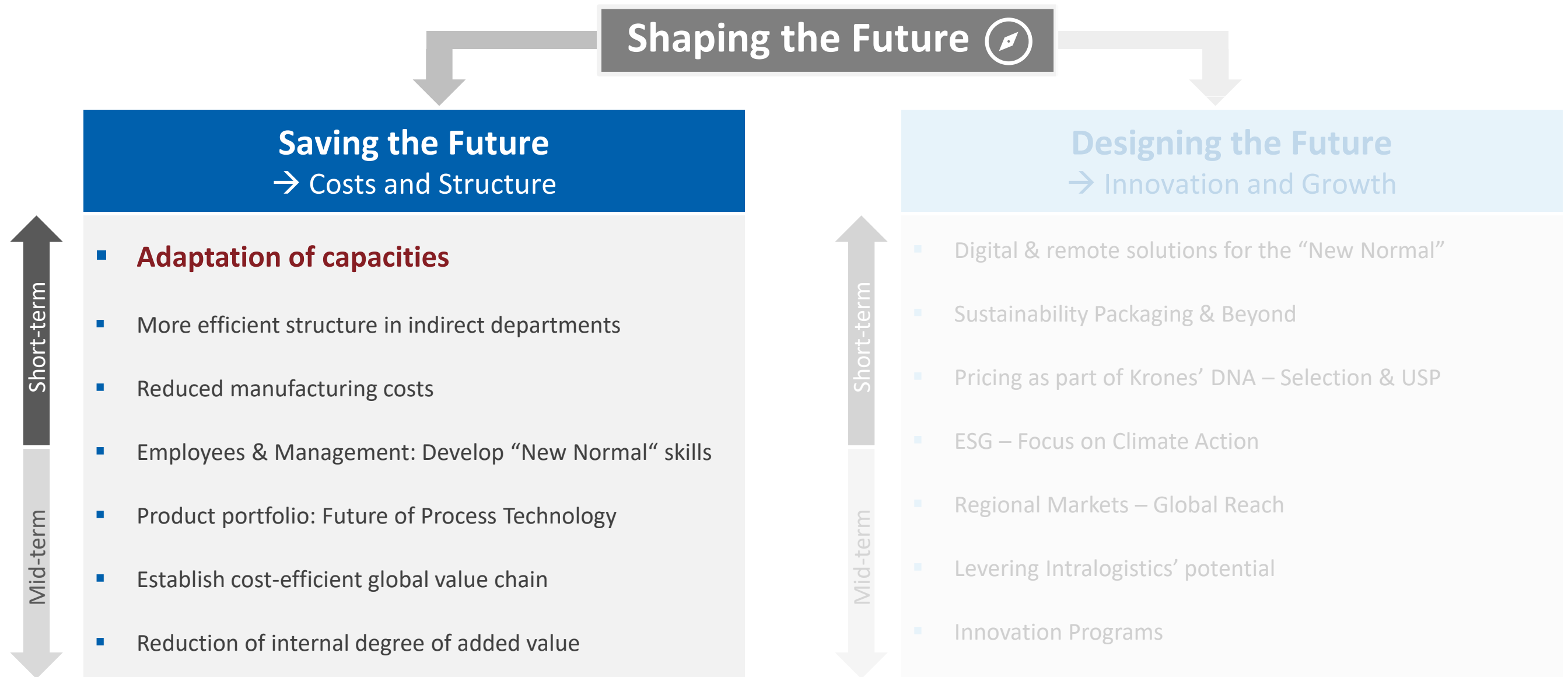


Our Strategy for Shaping Krones' Future in the New Normal





Our Strategy for Shaping Krones' Future in the New Normal





Adaptation of Capacities

Temporary



Extensive, but targeted use of government **furlough schemes** (*Kurzarbeit*) in departments with low utilization



Temporary **insourcing** of service contracts to increase internal utilization



Termination of temporary **contract workers** wherever possible

Sustainable



Voluntary leave program offering employees early retirement and severance packages

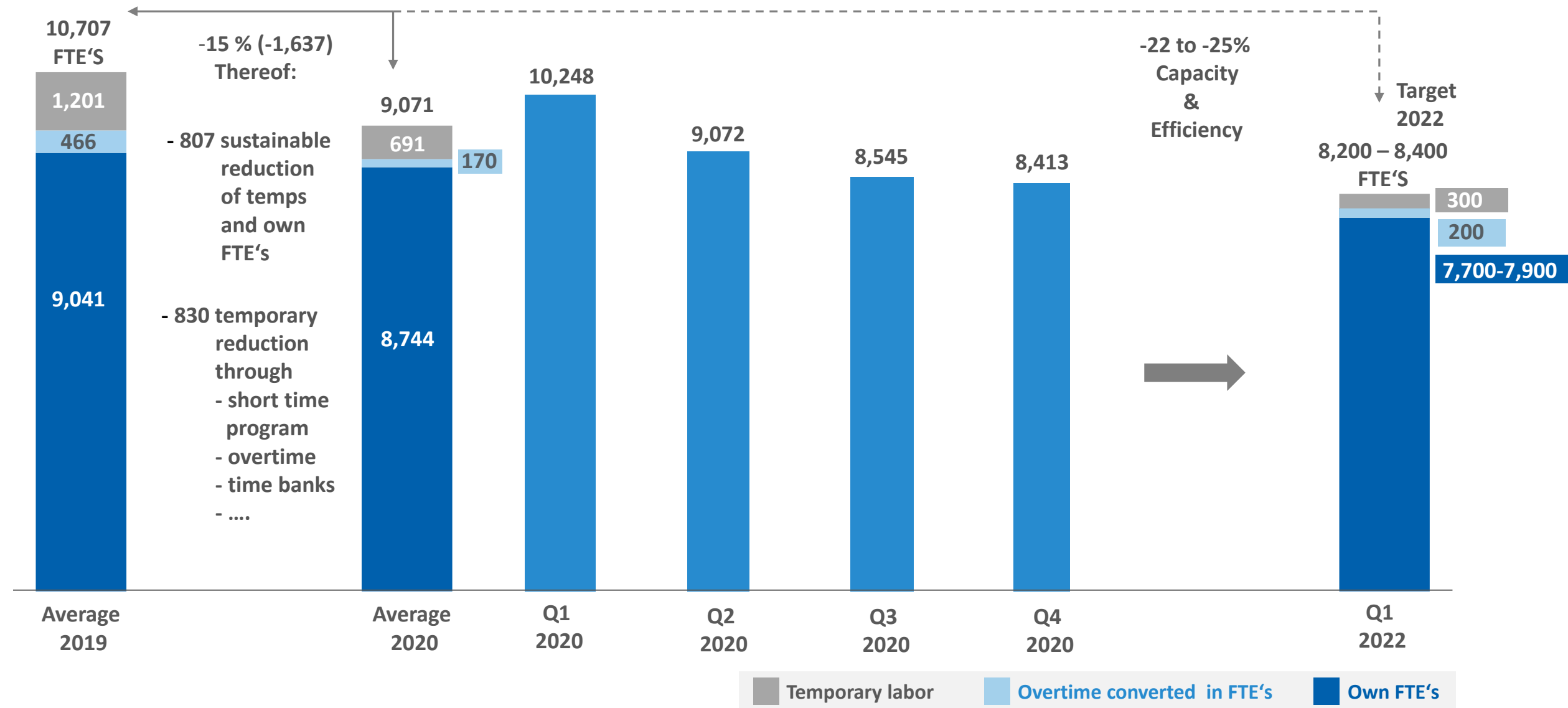


Further measures for capacity adjustment are being negotiated

We adapt resources to anticipated market volume.



Capacity Adjustment Krones AG Entity / Germany

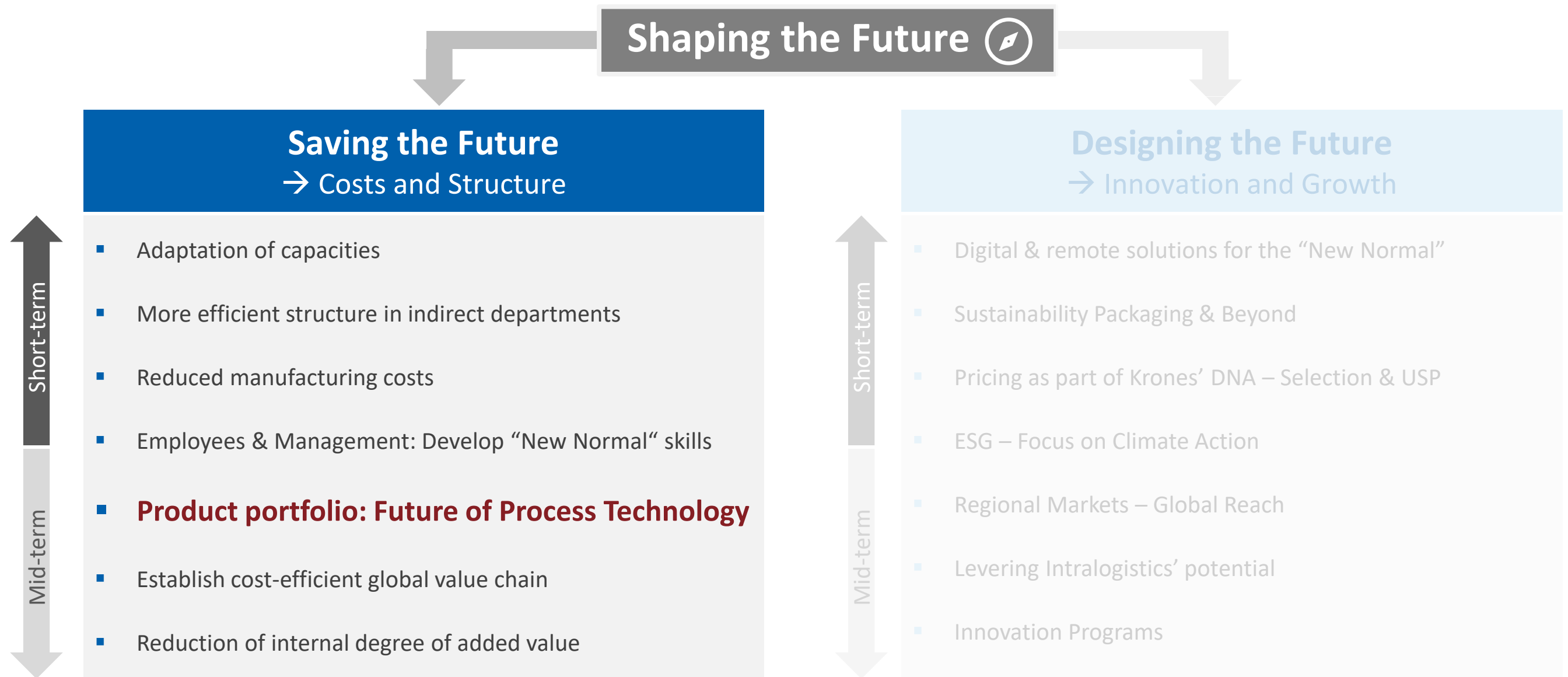


Decisive adjustment of capacities at German sites will be pursued throughout 2021.



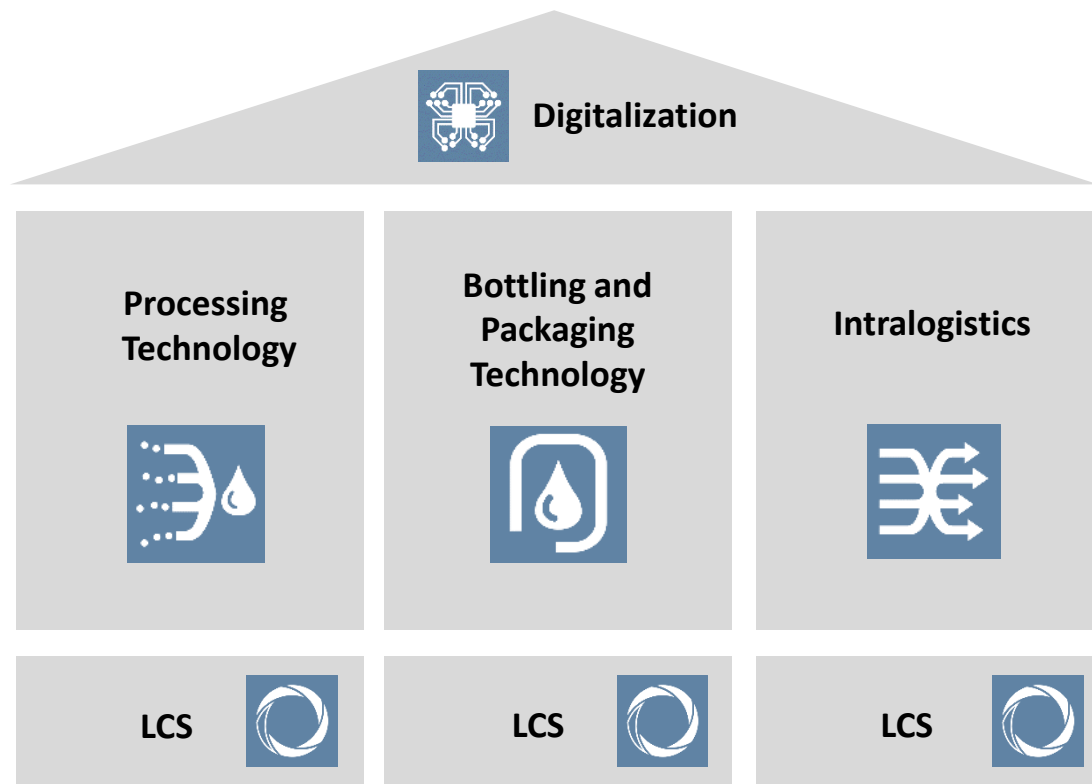


Our Strategy for Shaping Kronos' Future in the New Normal





Portfolio optimization in Kronos House



CMD 2019

Processing Technology: Review ongoing

- Initiated: unbundling and stand-alone ability
- Priority: brewery activities
- Halt on acquisitions: utilize current footprint, leverage China and India
- **Update on CMD 2020**

Bottling and Packaging Technology: Optimize portfolio

- Innovate Glass and Can product portfolio
- Push sustainable plastic packaging
- Divest low potential technologies

Intralogistics: Manage high growth

- Stand-alone legal structure established

Lifecycle Service: Maintain growth

- Digitalize after sales business and establish next level business models

Digitalization: Invest

- Implement digital solutions in core business activities
- Develop and commercialize stand-alone products



Why we carve out Steinecker Breweries Unit: Differing Business Models



Equipment for Filling & Packaging



Equipment for Breweries

Machinery		Plants/ Systems
Short investment cycles (~10 years)		Long investment cycles (>30 years)
Single Machines & Lines		Integrated, unique projects
Configuration for base machines		Project-specific engineering
Recurring after-sales business		Sporadic after-sales business
High innovation pressure		Moderate innovation pressure

- Different operational requirements**
- Systems
 - Processes
 - Organization
 - Manufacturing
 - Logistics
 - Installation

As an integral part of Krones AG entity, Steinecker was lacking the necessary latitude to adopt the business setup to industry-specific needs.



Update Current Status of Carve-Out Breweries/ Steinecker (Freising Plant)



Deliverables as of 12th of November 2020

- Successful **appointment of Managing Director & Head of Finance/ Admin** for brewery unit
- **IT separation** effort in advanced stage
- New **organizational chart** suitable for stand-alone setup fully implemented
- Internal **communication** of carve-out plans & alignment with labor representatives
- Headcount **capacity adjustments** in final negotiation stage

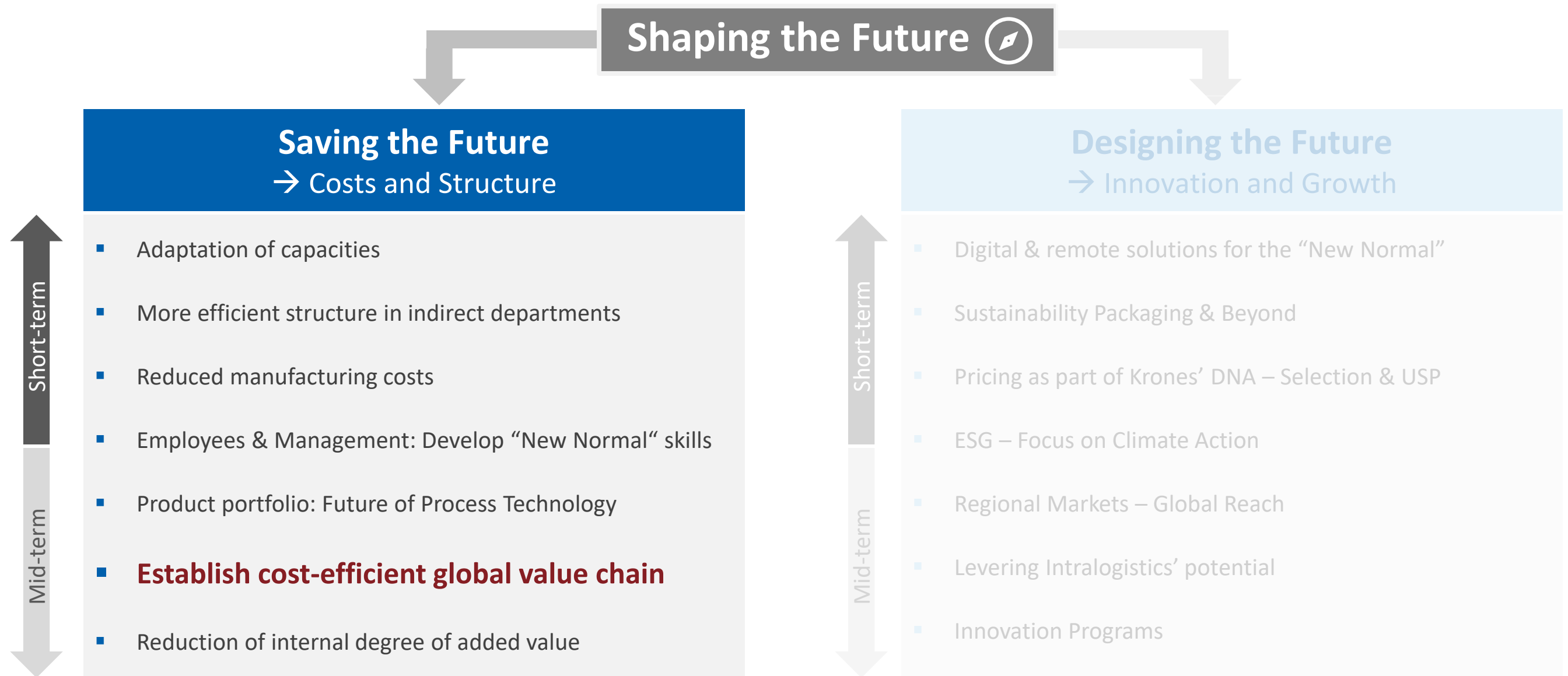
Milestones for 2021

- **Business development** with focus on life cycle services and sustainability
- Legal completion of carve-out with **new entity** operating under well-established Steinecker brand
- Implementation of **profitability** improvement strategy in new entity

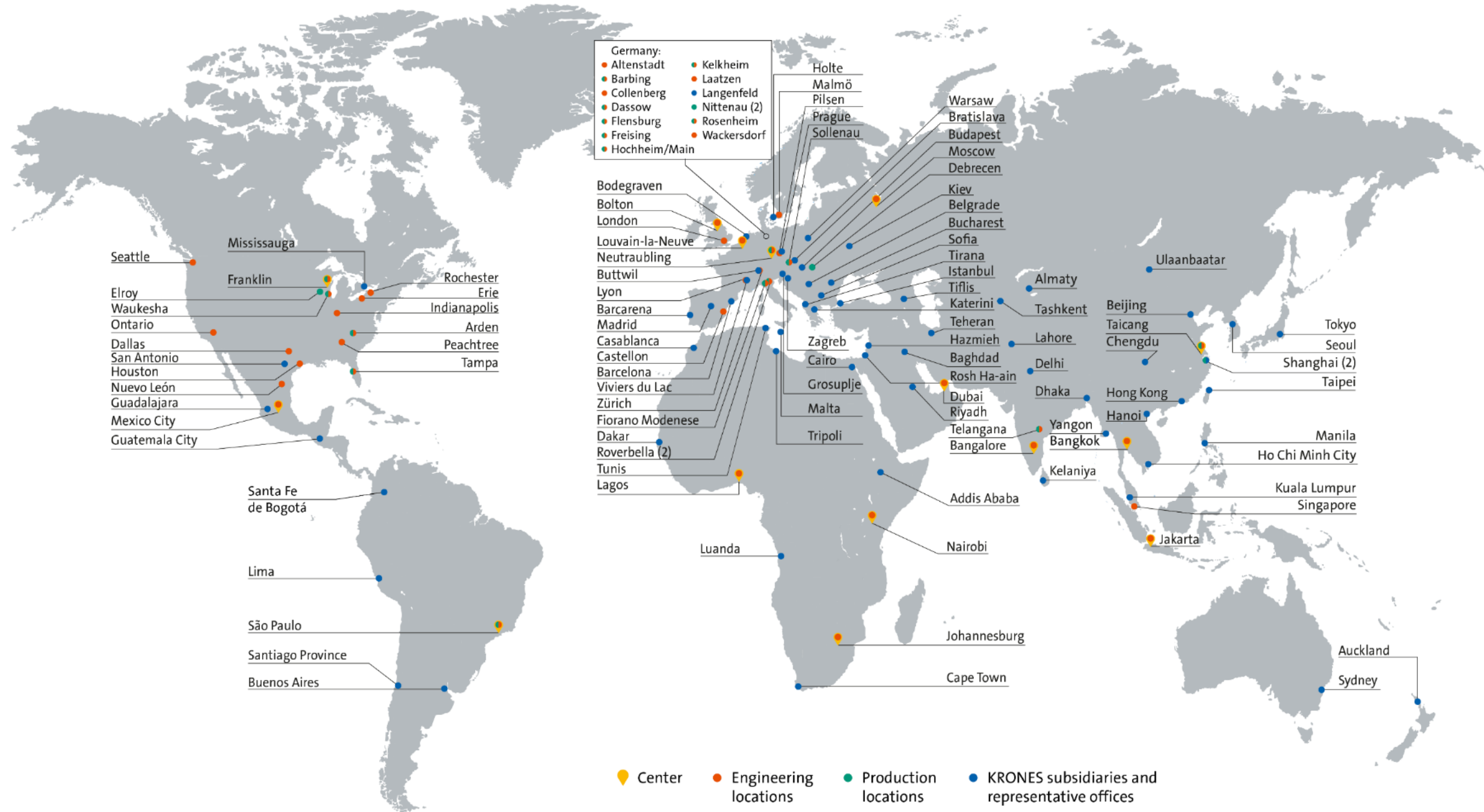
Implementation of carve-out plan is on track despite pandemic-induced hurdles.



Our Strategy for Shaping Kronos' Future in the New Normal



A strong presence on all continents allows us capture growth & saving potentials worldwide...



...and lowers our exposure to protectionist trade policies.





Ramp-Up of Kronos Debrecen / Hungary Facility



19 | KRONES Conference Call July 30, 2020

Development of Plant Hungary 2019 – 2020

KRONES Conference Call October 30, 2019

STRUCTURE – Hungary plant in full operation by end of Q2 2020, shows positive effects already

- In full operation by end of Q2 2020
- Capacity of 36,000 hours per month (current utilization of 8,000 hours per month)
- 450 employees hired, another 50 will be hired until Q2 2020
- Steady state savings of 20 EURm p.a. (run rate/steady state)
- Impact 2020: 8 – 10 EURm

Update:

- Plant Hungary in full operation in Q1 2021
- Four-months delay in the final manufacturing relocation (Corona) and also in the subsequent assemblies (due to parts logistics)
- Five-month stop training due to Covid-19 situation
- Capacity reduced to 30,000 hours per month (currently 9,000 hours)

Plant Hungary will deliver significant profit contribution in 2021

KRONES

Conference Call 30th of July 2020

Update November 2020

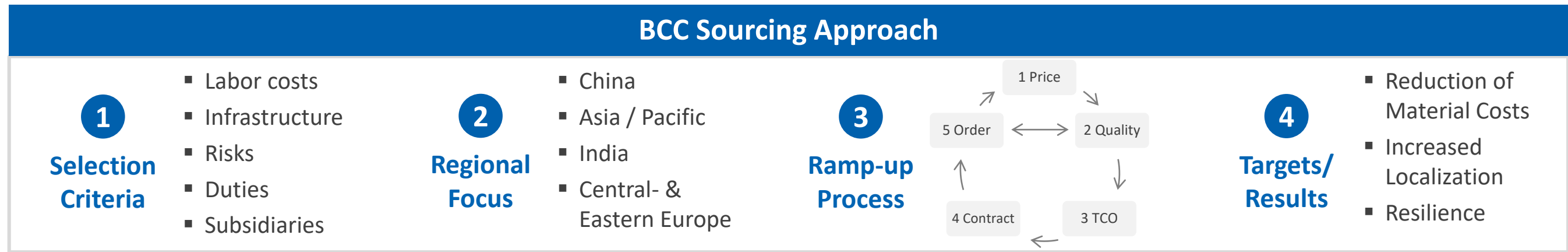
- ✓ Over **15.000h of utilization** in October 2020 production
- ✓ **Manufacturing** fully operational
- ✓ First **pre-assemblies** successfully completed

We confirm our July 2020 timeline and expect full operation by Q1/2021.





Best Cost Country Sourcing and further Procurement Levers



Annual Report 2019

	Use of known cost levers	Medium-term measures		Advanced tools
		Category management	BCC and make-or-buy	
<i>Current status</i>	<p>Ongoing optimisation of current expense structure</p>	<p>Main categories assessed</p>	<p>Concrete outcomes attained</p>	<p>To be published</p>
<i>Krones action</i>	Maintenance of negotiating practices	Systematic assessment covering 80% of total expenses Optimised procurement strategy	Planning and use of all options	Combined requirements and consolidated supplier base Product structure optimised for out-sourcing
<i>Cumulative savings in next 3 years</i>	€20–30 million	€20–30 million	€30–40 million	

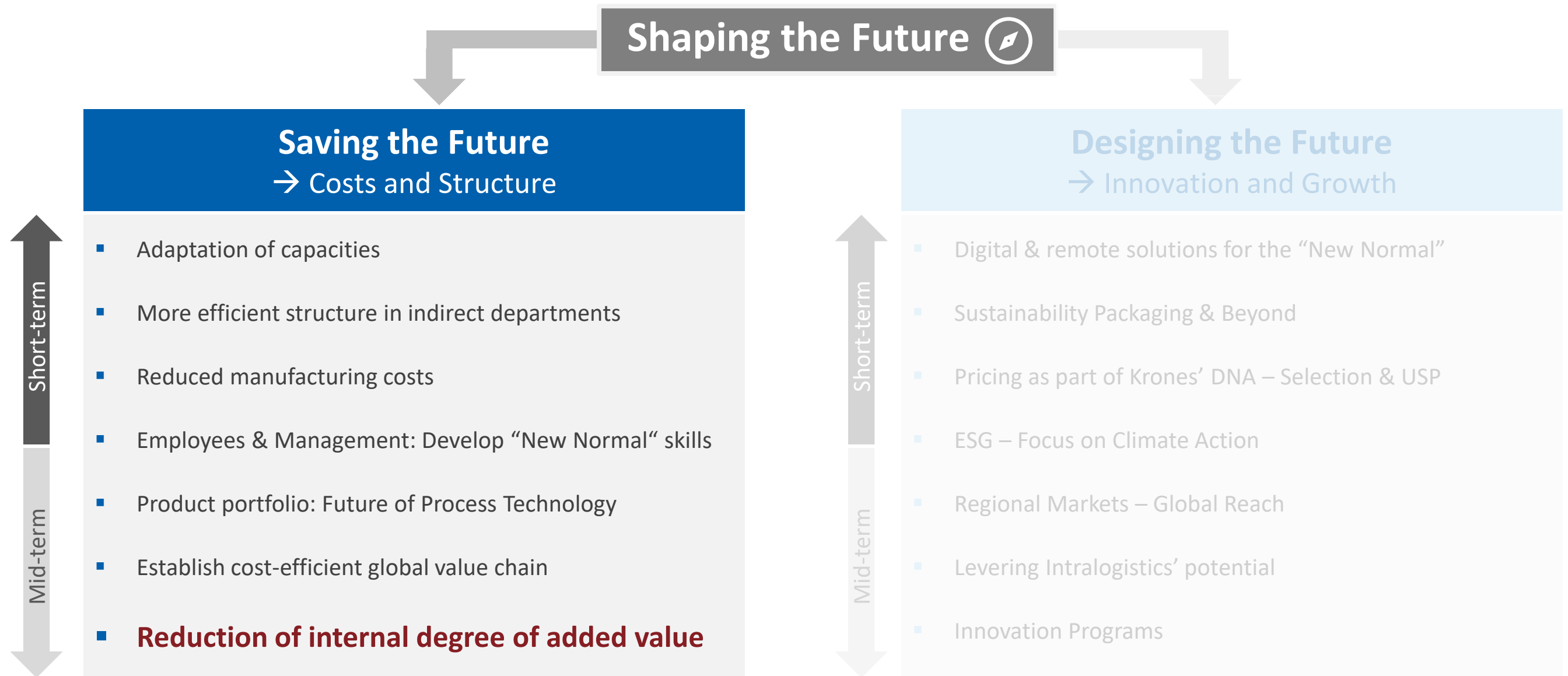
Targets confirmed

In the “New Normal”, we further strengthen our effort to built resilient & competitive supply chains.



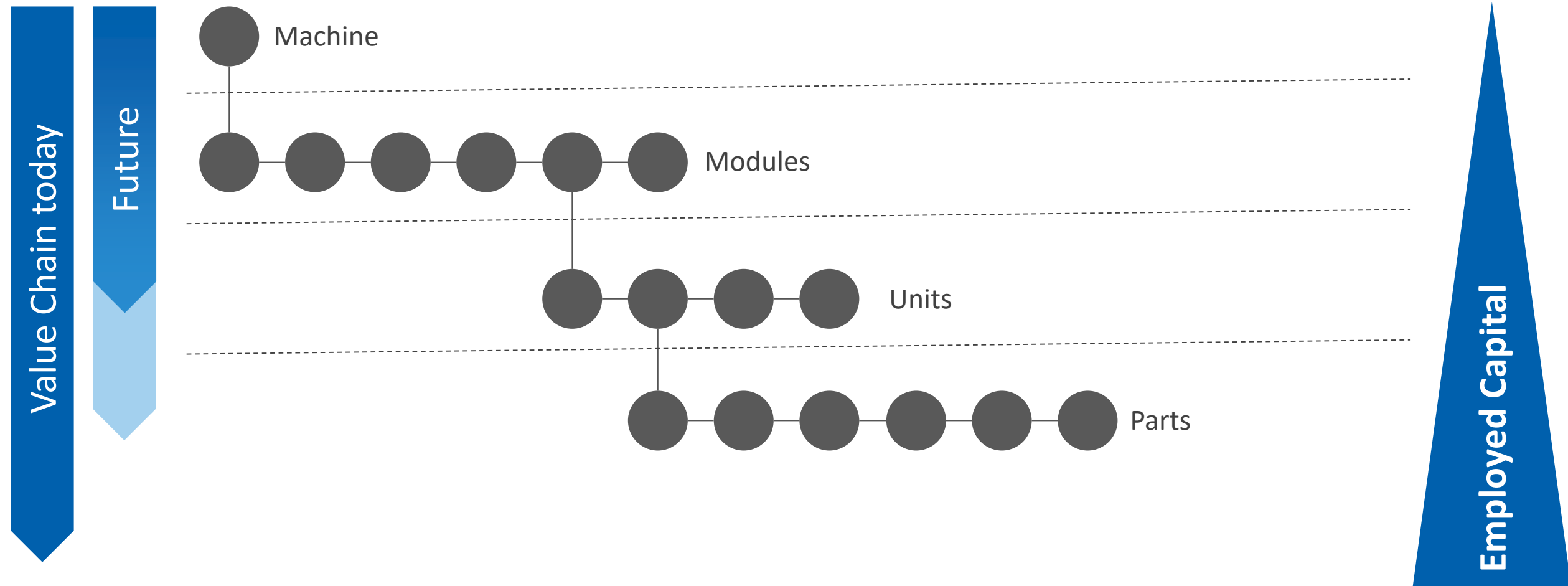


Our Strategy for Shaping Kronos' Future in the New Normal





Depth & Flexibilization of Value Chain – Continuous Improvement Process



We assess and optimize the depth of our value chain to strengthen profitability & flexibility.



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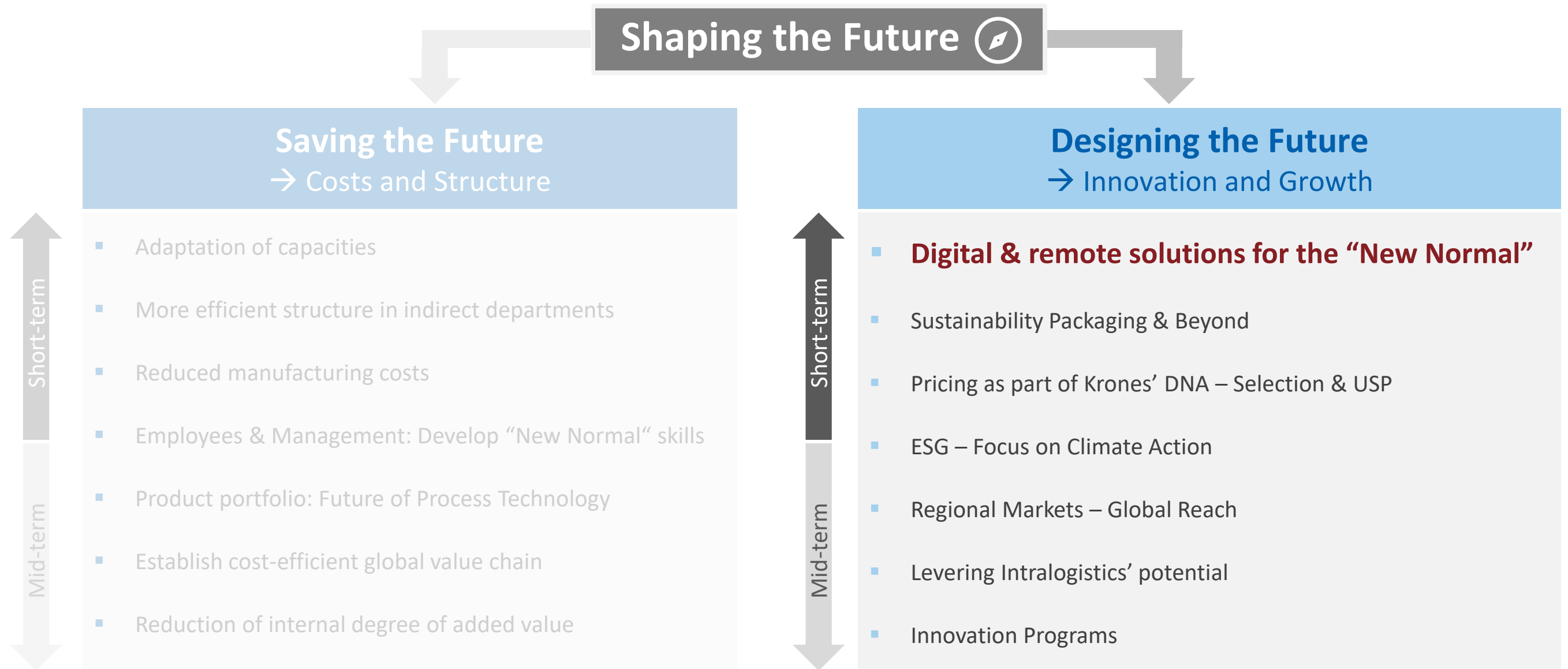
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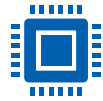
Our Strategy for Shaping Kronos' Future in the New Normal





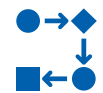
Krones Digital Solutions – Securing our Market Position and enabling Growth

Digital Customer Solution



Digital machine option

Extension/enhancement of stand-alone hardware with digital add-ons, e.g. to achieve an increase in productivity in the customer's production



Digital systems

Digital systems are combined with hardware and sensors, software and service to create a system that gives the customer added value in his production



Software platform

Multi tenant platforms manage production processes and devices, connect users and companies and provide business applications



Process optimization software

Cloud-based or on-premise software solutions are used in production processes



Digitally-enhanced Services

Extension of existing services with digital components



Digital consulting

Advising customers on questions of digital transformation and supporting the customer during the introduction of digital solutions in the customer company

Krones as provider

of the leading digital platform for beverage industry



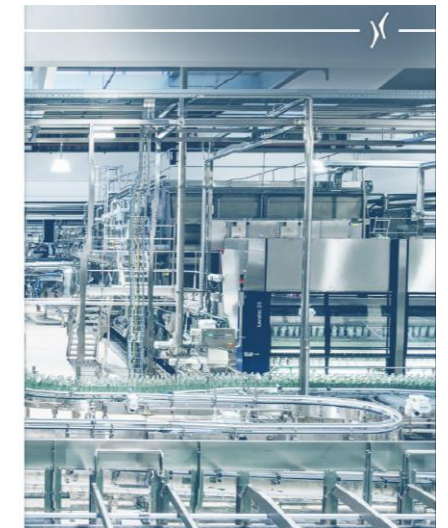
Welcome

Your platform for all digital Krones Services.

E-Mailadresse

next

Register



Krones eBusiness

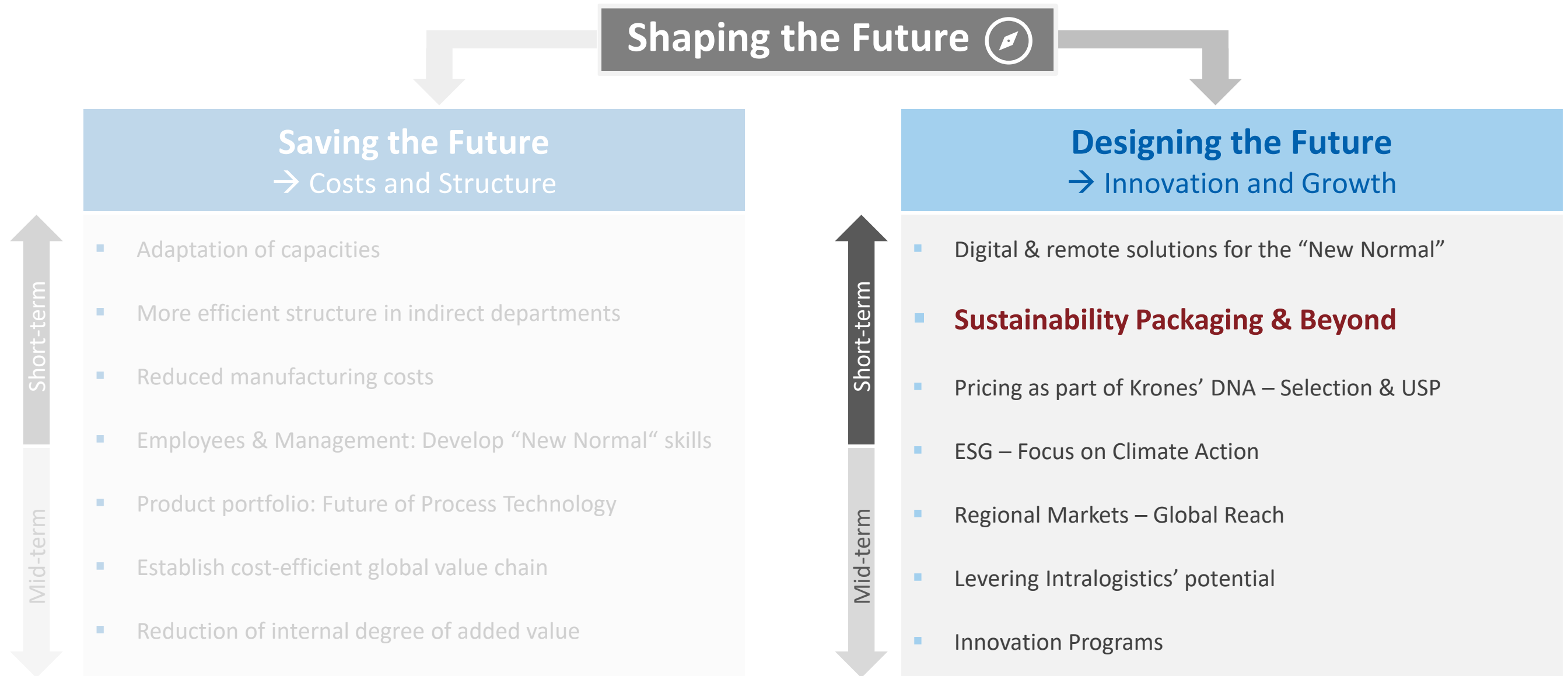
as commercial platform

Over 300 employees are dedicated to the development & improvement of our digital solutions.



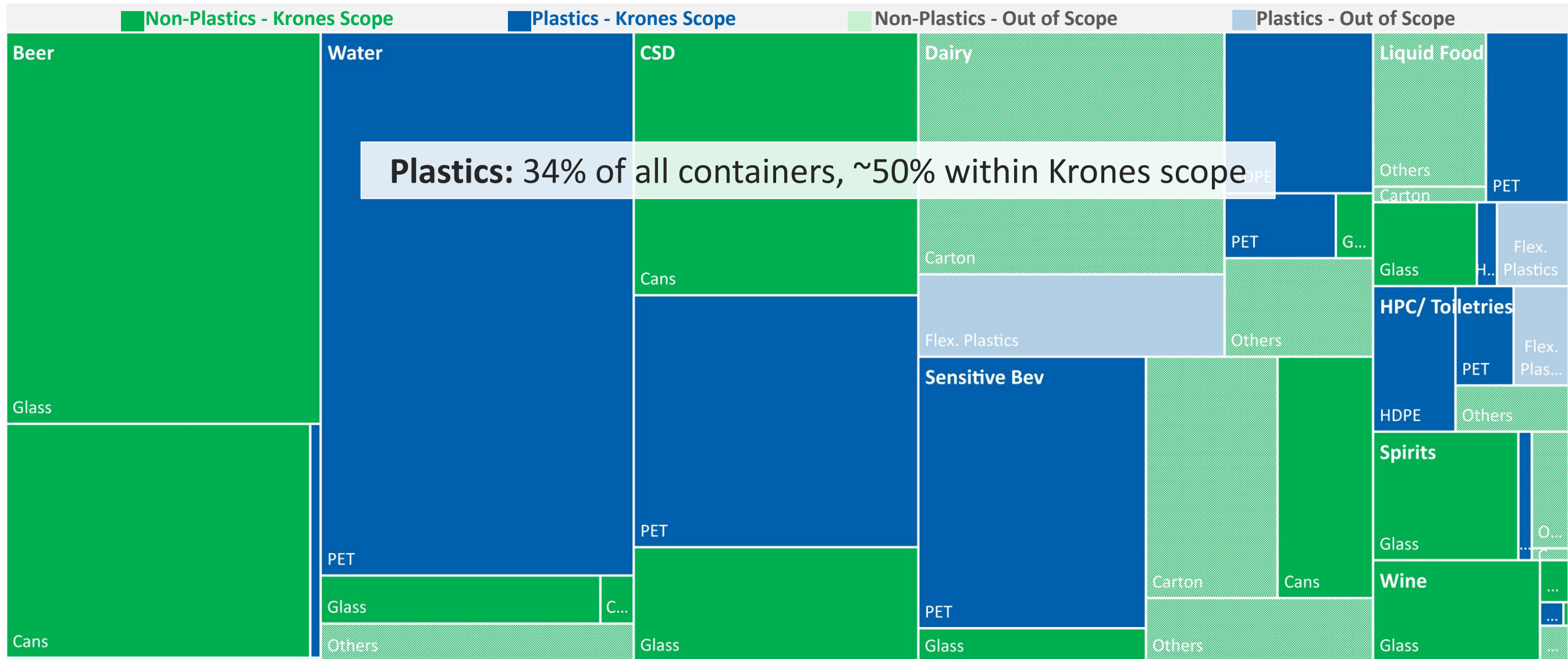


Our Strategy for Shaping Kronos' Future in the New Normal





Approximately 50% of Krones' current addressable Market is Plastic-based



We are well aware of our exposure to plastics and took decisive action mitigate risks by focusing on improved packaging sustainability & recycling solutions.





Our Key Accounts are looking towards **Recycling** to address issues concerning Plastic Waste



Key Accounts pledge to increase their recycling effort – a vast opportunity for Kronos!





European Circular Economy
Stakeholder Platform

KRONES is a proud member and made the following voluntary commitments¹



rPET Compatibility

By 2025, all new PET bottling lines will be suitable for processing high-quality rPET contents of up to 100% without compromising output quality, efficiency or effectiveness.



Plastic-free secondary Packaging

By 2022, alternative secondary packaging solutions free of disposable plastics will be available for every well-established **multipack** SKU format.



Advisory for recycling-friendly Packaging Design

We will leverage our technological expertise to help customers design packaging that specifically facilitates post-consumer recycling.



Upgrading from Linear to Circular Economy

We will assist our customers to adapt existing lines in order to achieve the best possible outcomes when using recycled or renewable input materials.



Tethered Caps

With immediate effect, we make capping equipment available, that allows for the application of **tethered caps**.



Sustainable Labelling

We enable fitting detachable labels to enhance recyclability. Our ultimate objective is making labels jointly recyclable with containers or eliminating the necessity for separate labelling altogether.



Investing in Recycling Solutions

We will continue to allocate substantial R&D resources to our recycling technology division in order to facilitate **physical recycling** of post-consumer plastics (rigid/flexible, PET, Polyolefins & PS).

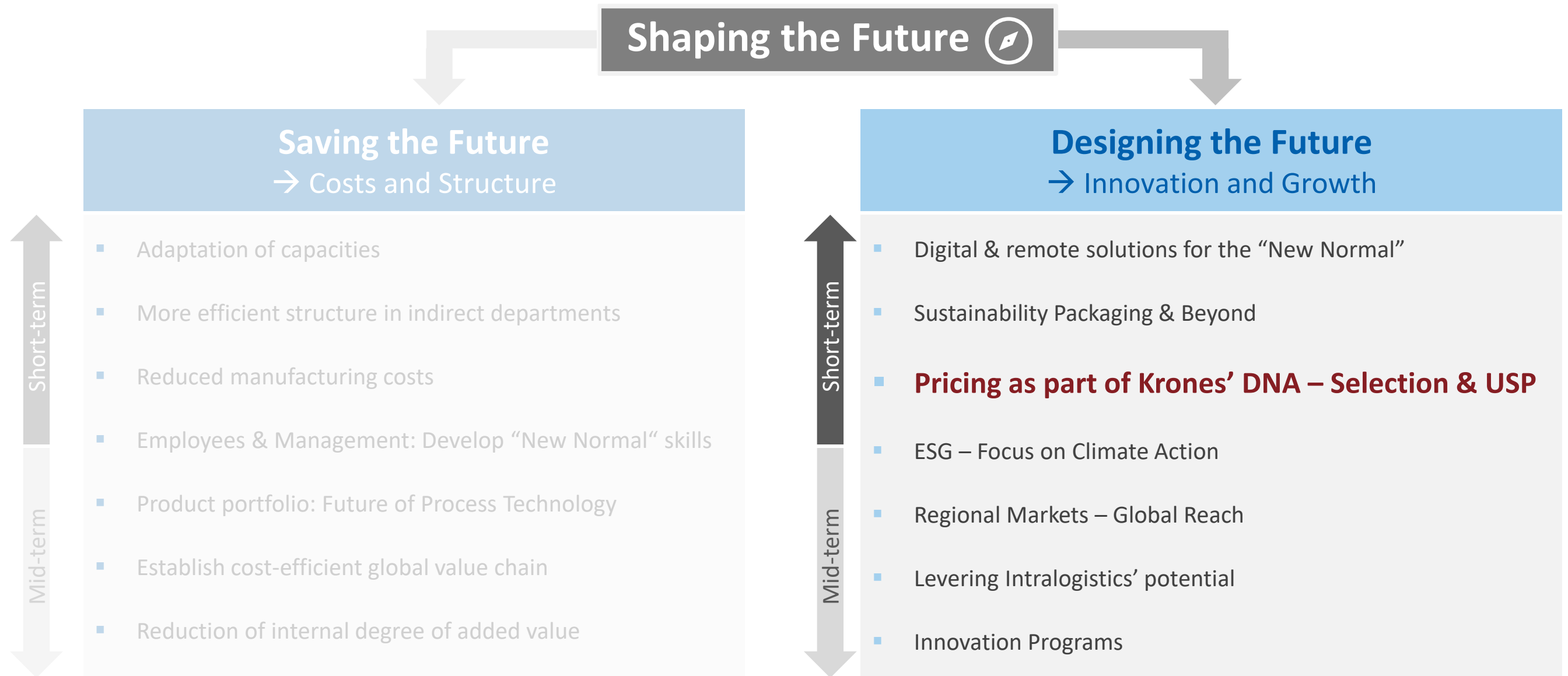


Beyond PET Packaging

We will actively explore disruptive new technologies for delivering beverages to consumers beyond conventional PET packaging (e.g. pulp bottle, no-packaging solutions).

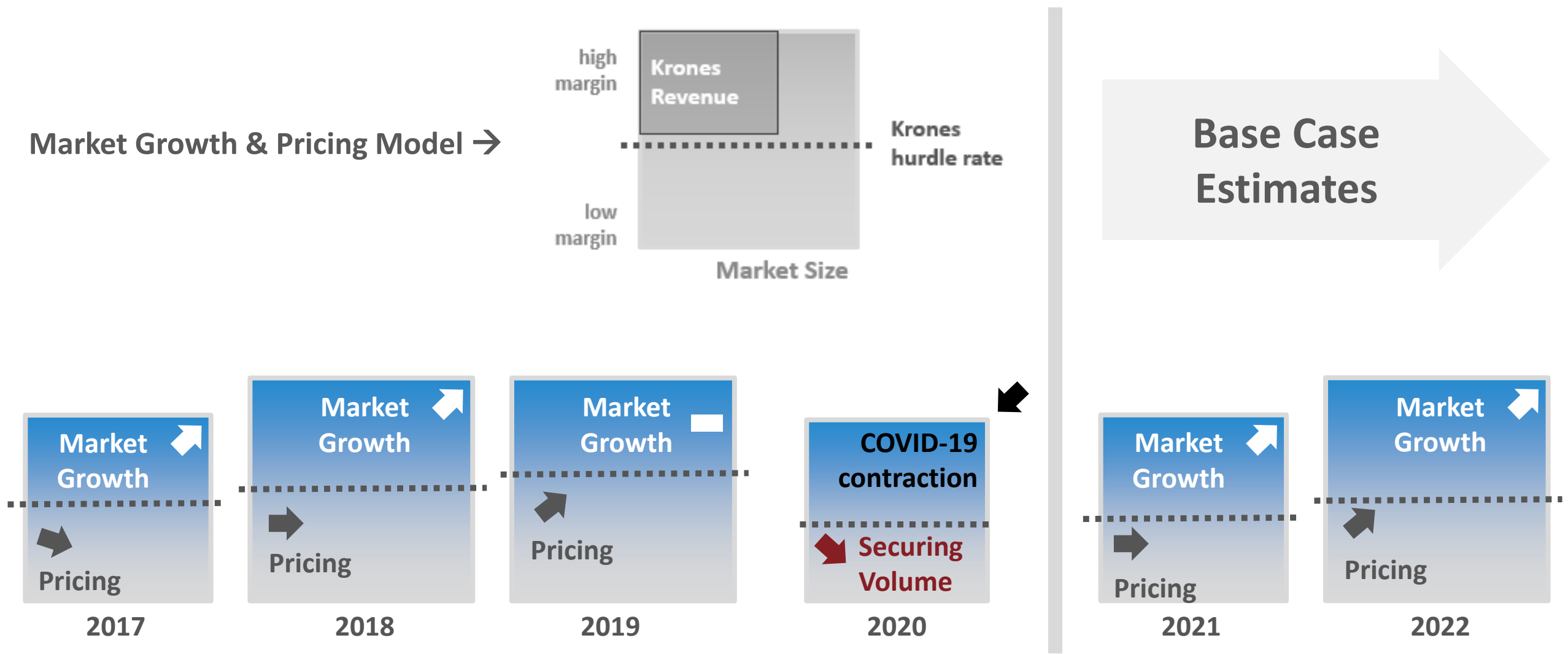


Our Strategy for Shaping Kronos' Future in the New Normal





Krones' Pricing and Project Selection Tactics during the COVID-19 Crisis



We expect improved pricing leverage as market volumes recover after the crisis.





Increased Pricing Power through value-adding Technology: LineXpress PET Line

Case Study

- CSD customer in North America
- Output: ~160m bottles p.a.
- Over 50 different SKUs



Technical Obsolescence → PET lines after approximately 14 – 20 years (wear & tear)



Economic Obsolescence → Premature replacement viable through OPEX savings

Setup

Old Filling Lines



2 x 30k bottle per hour, low flexibility

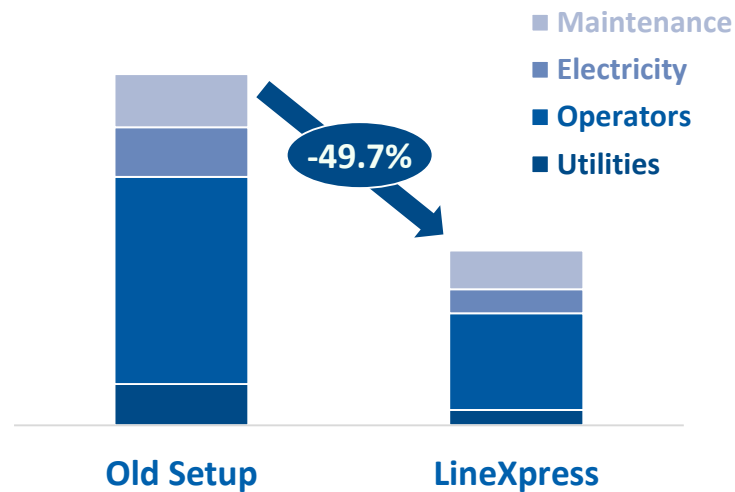
New Filling Line with LineXpress



1 x 48k bottle per hour, high flexibility
automized and guided changeovers

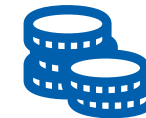
OPEX Savings

Variable production costs
w/o raw & packaging material, depreciation



→ Annual OPEX savings of **1.8m €**

Return on Invest



CAPEX / Investment
~ **9 million €**



OPEX Savings p.a.
~ **1.8 million €**



ROI (w/o discounting)
~ **5 years**

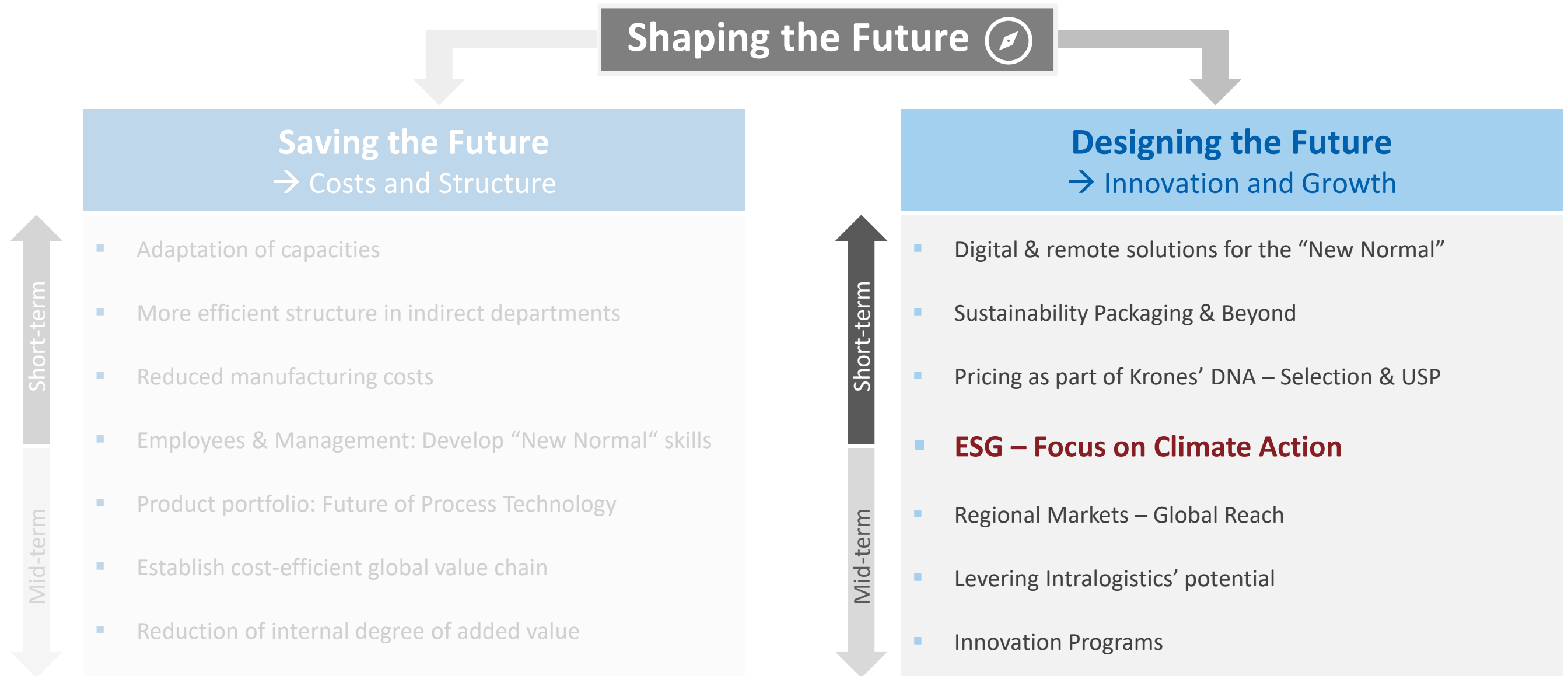
Substantial OPEX savings for our customers increase new machinery pricing latitude for us.



All figures are based on internal estimates, assumptions & calculations. The case study is an simulation. Information on this page do not constitute an offer, guarantee or binding description of product properties.



Our Strategy for Shaping Kronos' Future in the New Normal





Krones Climate Strategy 2030: Our new Climate Targets by 2030

Climate Target 1:

Reducing the absolute **Corporate Carbon Footprint** (Scope 1 + Scope 2) of the KRONES Group by 80% by the year 2030 (base year: 2019) and operational climate neutrality by the year 2040

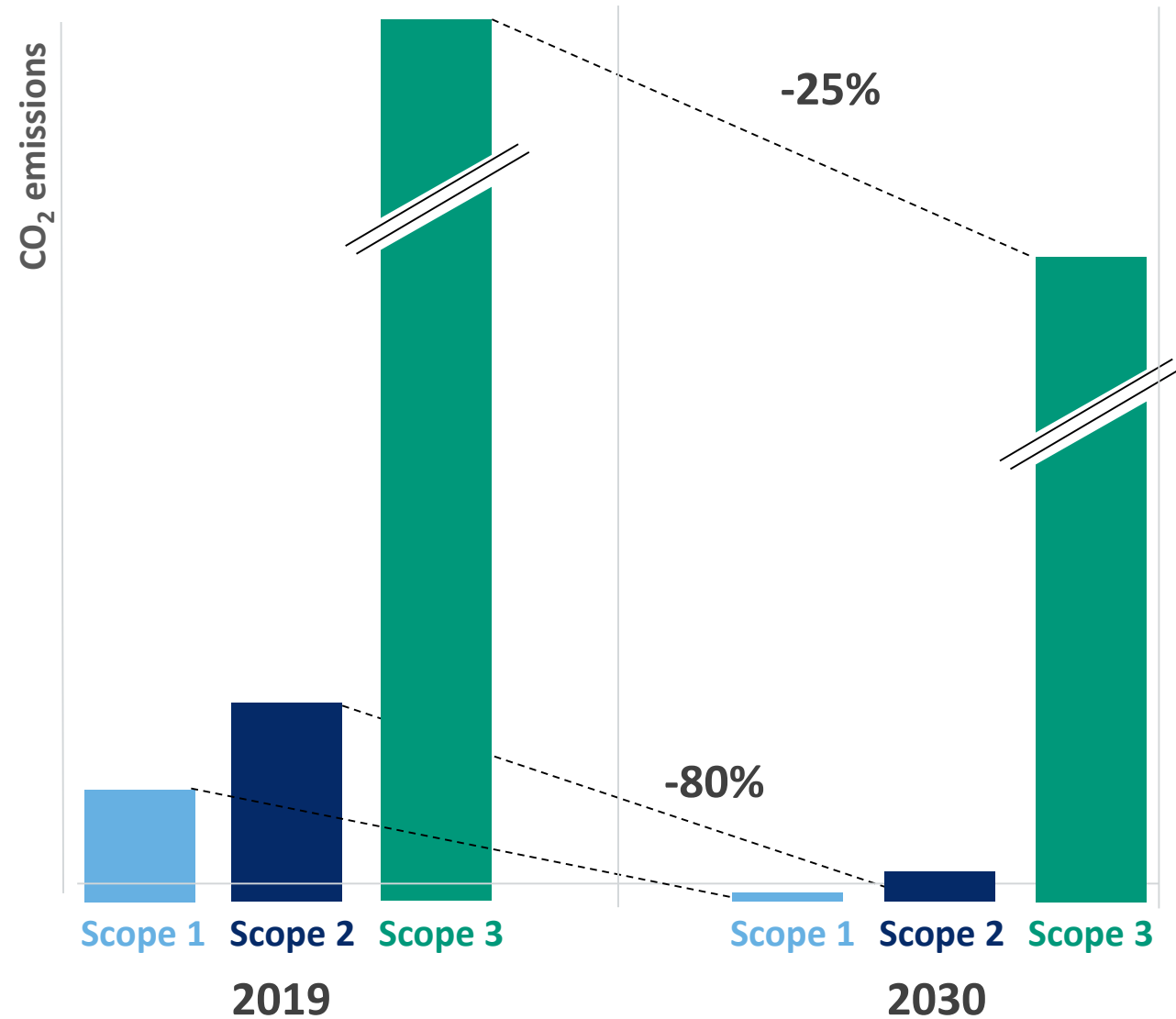
Climate Target 2:

Reducing the absolute **Product Carbon Footprint** (Scope 3) of the KRONES Group by 25% until 2030 (base year: 2019)

Scope 1 – Direct internal emissions

Scope 2 – Procured indirect emissions

Scope 3 – Indirect emissions by products/ services



Krones is committed to mitigating climate change by leveraging our internal & external potential.

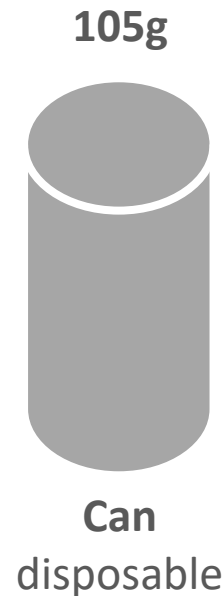
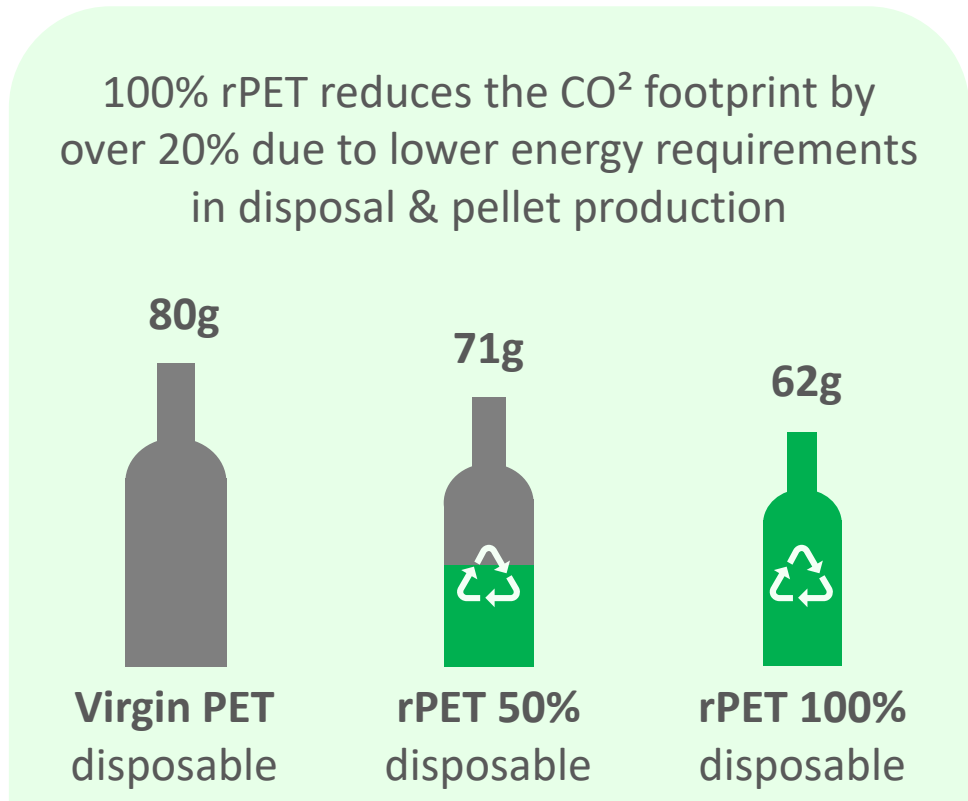




Lifecycle Comparison of Beverage Packaging Carbon Footprint

500ml Carbonized Softdrink Beverage Packaging¹

Carbon Footprint in g CO²-equivalent²



¹Source: Fehringer, R. (2019) Ökobilanz für Gebinde aus PET und anderen Materialien [for ALPLA Werke]
²Scope: Production, Filling, Transport, Distribution, Disposal | Calculation Basis: Austrian Market
Transport Distance Filling Plant to Supermarket: 300km (for Carton: 200km)

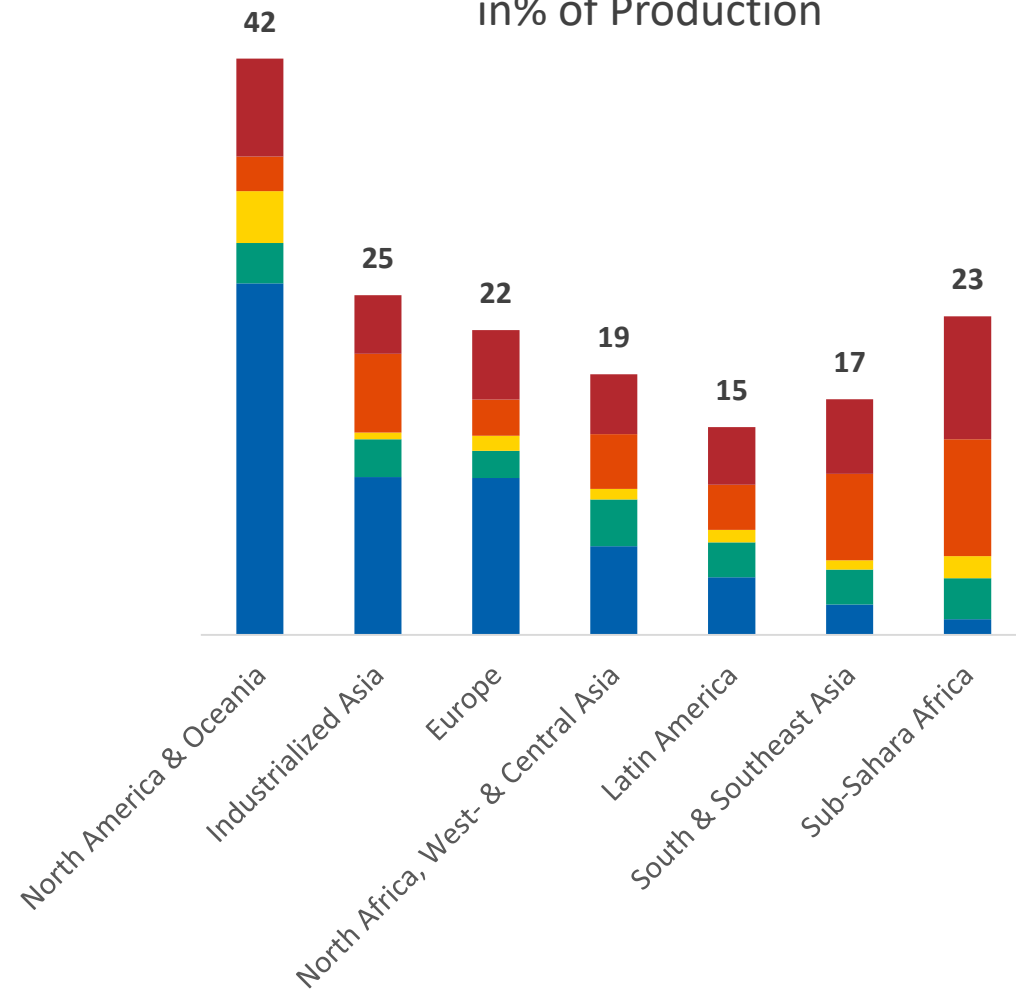
Recycling & reuse may be equally beneficial to mitigate the carbon footprint of beverages.





Food Waste accounts for >6% of global Carbon Emissions – we save Food!

Total Food Waste
in% of Production



- Production
- Handling/ Storage
- Processing
- Distribution
- Consumption

Higher tolerance for input raw materials, lower production losses & better preservation/ shelf life
Processing
Filling & Packaging



Efficient Supply Chain Management to lower excess production/ inventories
Digital solutions
Intralogistics



Source: WRI analysis based on FAO. 2011. Global Food Losses and Food Waste – Extent, Causes, and Prevention. & FAO – Food and Agriculture Organization of the United Nations. (2013).

Krones can lower food waste throughout the entire value chain of the F&B industry.



Krones' Position on Climate Change: Doing well by doing good!



	External Product Range	Internal Value Chain	Packaging Solutions
Approach	Our enviro program: development for sustainability excellence	Taking energy consumption in consideration for internal investment decisions	Offering closed-loop solutions and dedicated sustainable packaging design
Achievements	<p>Average energy saving kwh per 1000 bottles</p>	<p>CO₂ Emissions / Revenue¹</p>	<p>Global rPET use 2020 - 2025²</p>
Financial Impact	<p>Lower utility consumption → faster ROI for customers → more Capex for machinery = Revenue Growth</p>	<p>Energy savings → OPEX savings = Working Capital & Profit Improvement</p>	<p>End-consumer awareness → Demand for sustainable packaging → Customer investment = Revenue Growth</p>

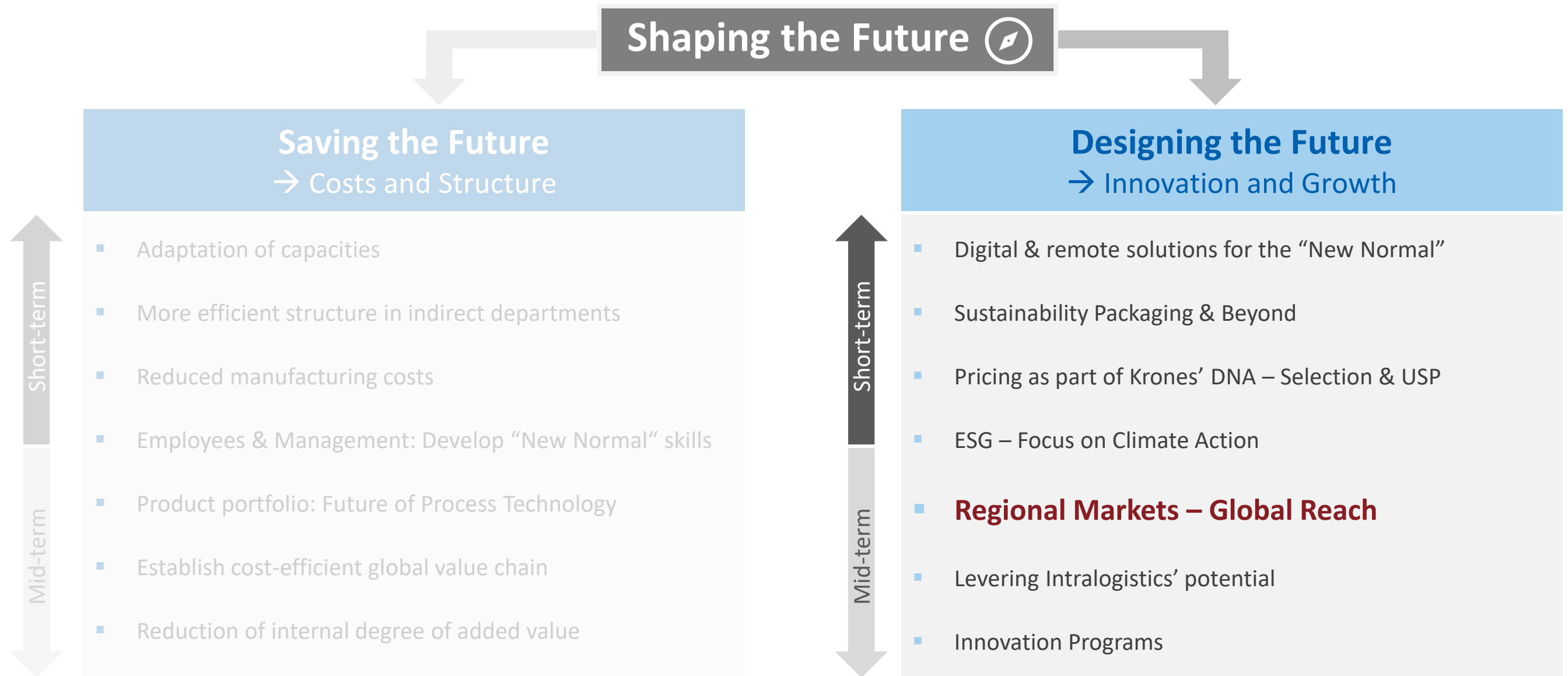
¹ Direct and indirect energy-related CO₂ emission (metric tons per €1 million in consolidated revenue)
² Study PCI Wood Mackenzie

At Krones, environmental and financial objectives are complementary.





Our Strategy for Shaping Kronos' Future in the New Normal





We will take you on a Journey to Kronos' Future Markets across the World

Rising Africa



The world's growth story for the next three decades ahead.

Aspiring Asia



Lasting economic growth with no end in sight any time soon.

Resilient North America



Who says developed market cannot grow persistently?



We will take you on a Journey to Krones' Markets across the World

Rising Africa



The world's growth story for the next three decades ahead.

Aspiring Asia



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Resilient North America



Who says developed market cannot grow persistently?

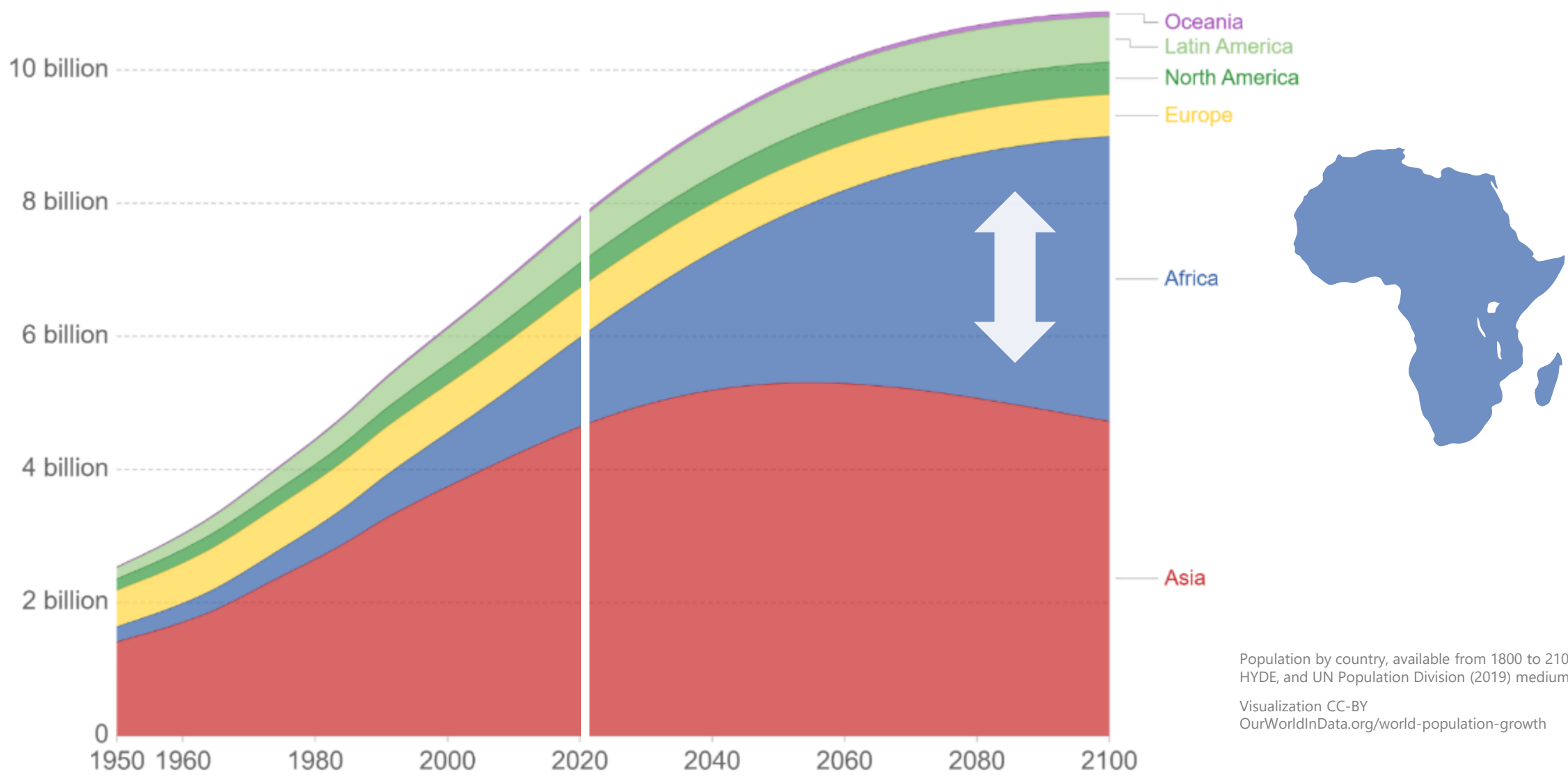
Africa is much bigger than you think – quite literally...

Due to the ubiquitous **Mercator cartographic projection**, areas near the equator appear much smaller than they are...





UN Projections foresee Africa overtaking Europe & Americas combined by 2035



Population by country, available from 1800 to 2100 based on Gapminder data, HYDE, and UN Population Division (2019) medium variant scenario projections.
Visualization CC-BY
OurWorldInData.org/world-population-growth

By 2040, Africa will likely have ~700 Mio. inhabitants more than today; that is roughly the entire size of Europe's current population.





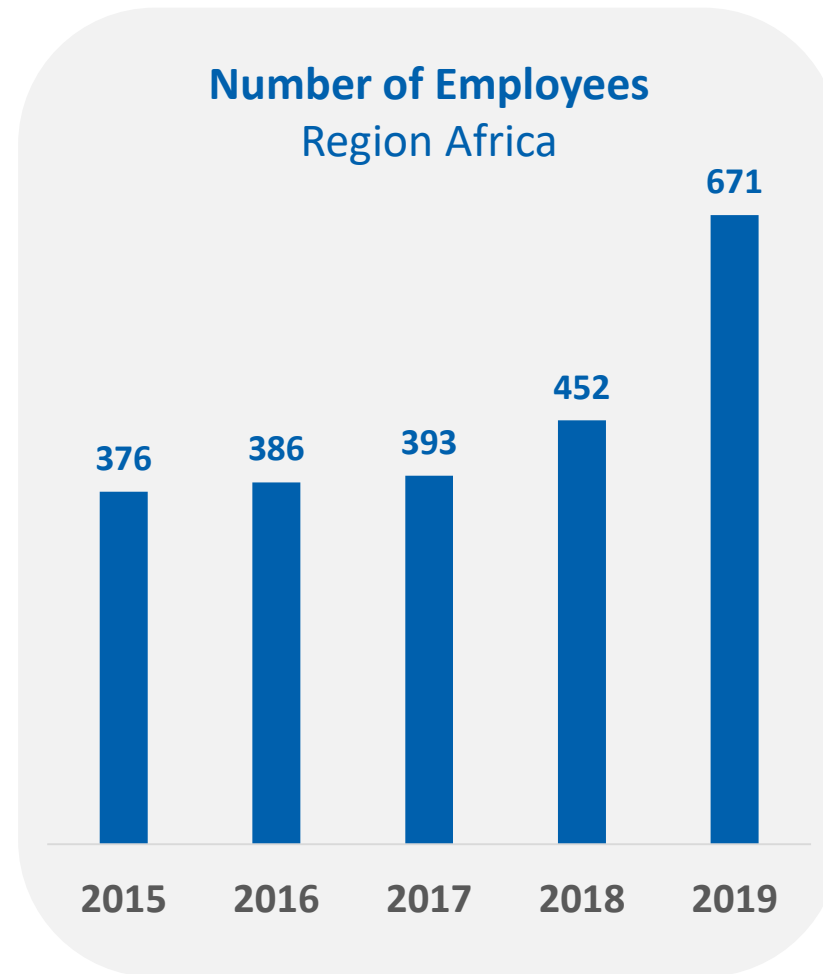
We are investing in the size and skills of our employee base across MEA



LCS Center East Africa **Kenia**



Krones Center East Africa **Ethiopia**



LCS Center West Afrika **Nigeria**



Krones Southern Africa **South Africa**



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Who says developed market cannot grow persistently?



Asia Market Outlook & Potential

You think the **Beverage Market in Asia** is running **out of steam?** Think twice...

Our Customer **Nongfu Spring's IPO** amid the 2020 pandemic briefly made Zhong Shanshan the **richest Man in China**, ahead of Alibaba's Jack Ma!¹



As of October 2020 the company has a **43.9 b € Market Cap** and is valued at a **P/E of 66.9x!**²



Supermarket in Bangladesh



Customer Line in Cambodia



Krones China / Taicang Facility



Taicang Office

Our Asian foothold remains strong thanks to years of experience in multiple markets & industries.



¹Forbes Magazine (Forbes.com) 7.9.2020
²Bloomberg Quotation 9633:HK & EURHKD:CUR, 29.10.2020, 9:45 AM CET



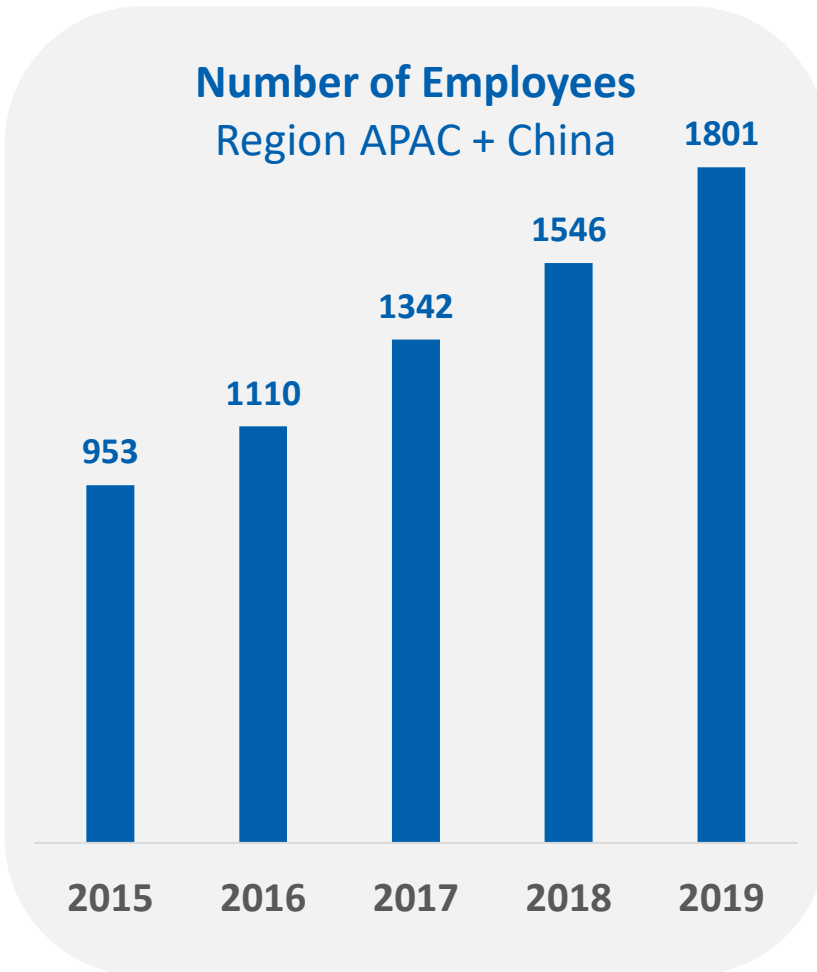
Asia – Focus on Building our local Engineering, Manufacturing and Service Setup



Krones **China** (Taicang)



Krones **Thailand**



Krones-Izumi **Singapur**



Krones **South Korea**

We mitigate our risk exposure to trade conflicts by strengthening our decentralized value chain.





We will take you on a Journey to Kronos' Markets across the World

Rising Africa



The world's growth story for the next three decades ahead.

Aspiring Asia



Lasting economic growth with no end in sight any time soon.

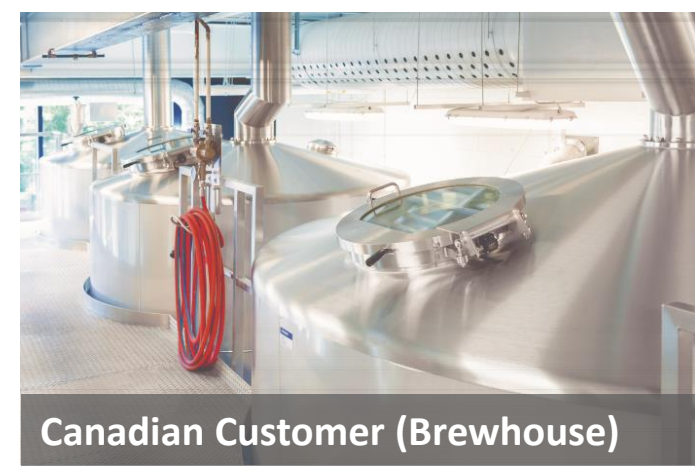
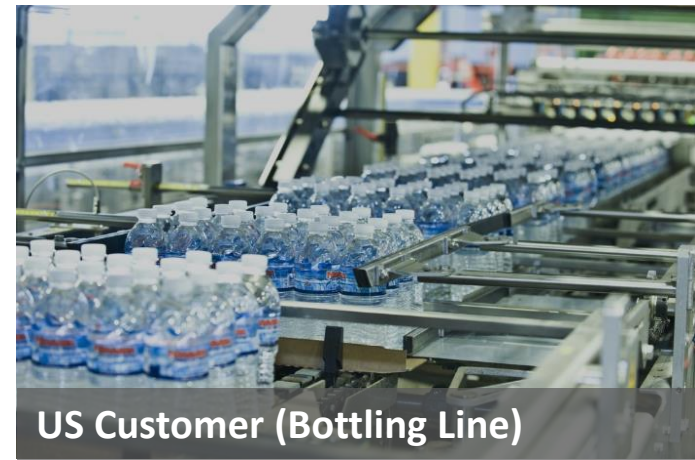
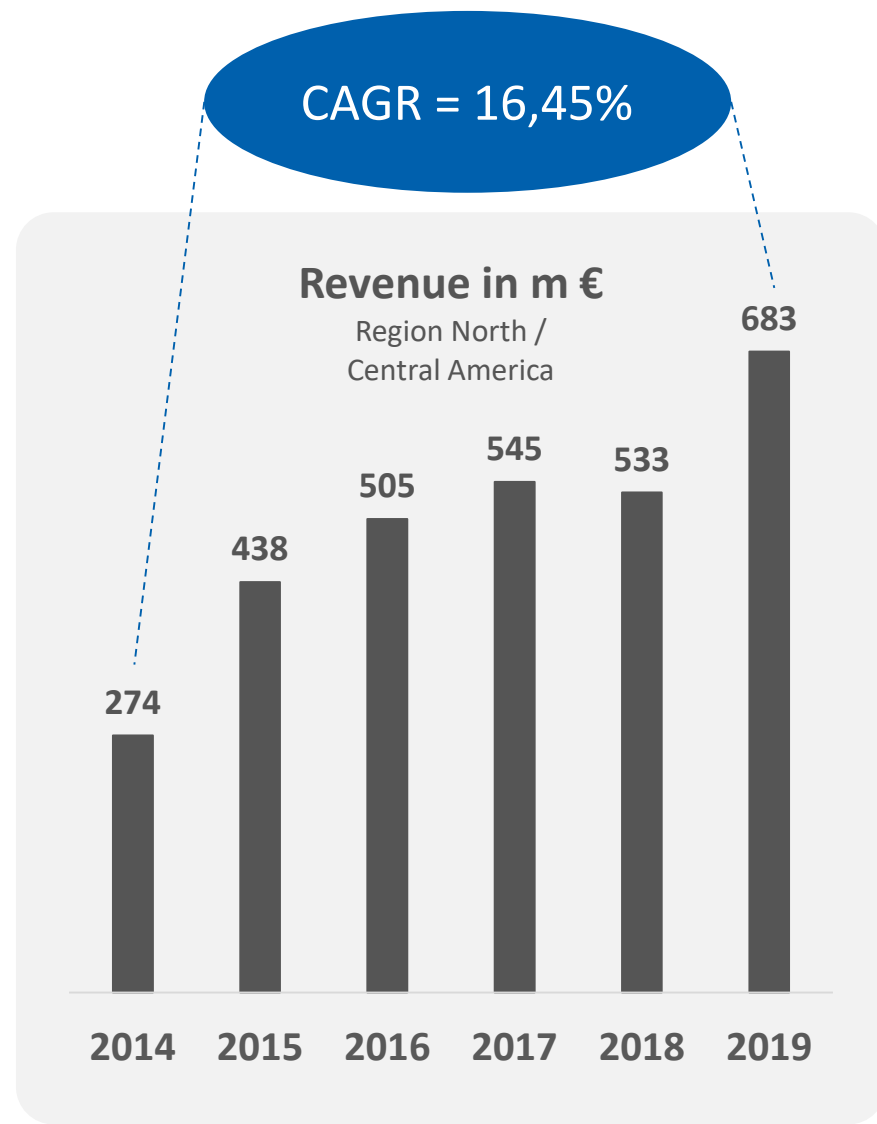
Resilient North America



Who says developed market cannot grow persistently?



Developed Markets – Krones Persistent Strength in North America

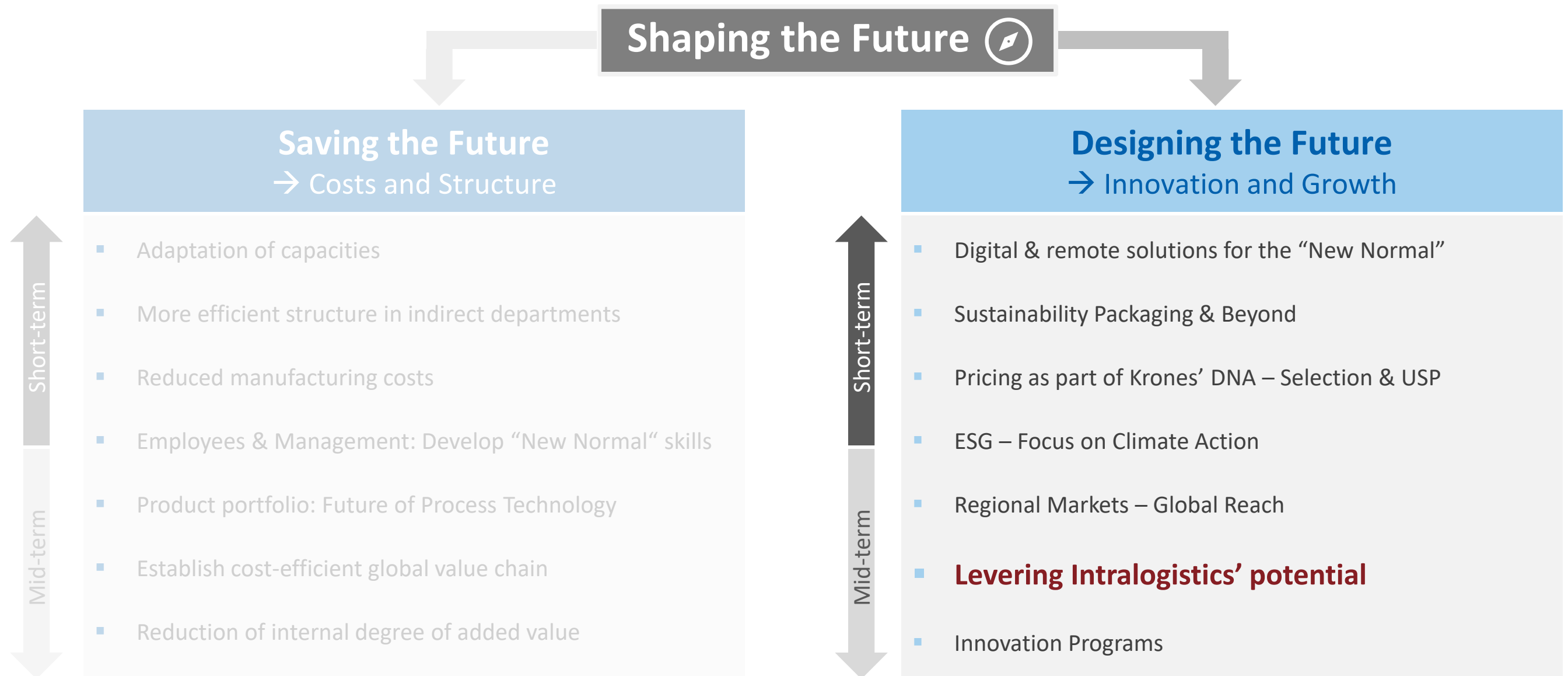


Developed markets drive Krones' organic growth alongside emerging economies.





Our Strategy for Shaping Kronos' Future in the New Normal





The “New Normal” will drive further Growth in Intralogistics



COVID-19 induced changes that are here to stay in the “New Normal”

REDUCING TIME INCREASING CUSTOMER DEMAND ↓ SHORTER DELIVERY TIMES	LIMIT RISK CHANGE IN VOLUMES AND FINANCIAL IMPACT ↓ LIMITED INVESTMENTS AND DIVERSIFICATION ON CAPEX VS. OPEX
DIGITALIZATION CHANGE IN BUYING TRENDS ↓ DIGITALIZATION	INCREASE AUTOMATION HEAVY REDUCTION IN RELIANCE ON MANUAL LABOUR ↓ AUTOMATION



Intralogistics: Strategic Rationale within Krones Group



Opening the Door to new Market Segments

System Logistics has long-standing customer relations beyond beverage industry – a unique opportunity to build upon for venturing into new markets

Delivering Growth & Risk Diversification

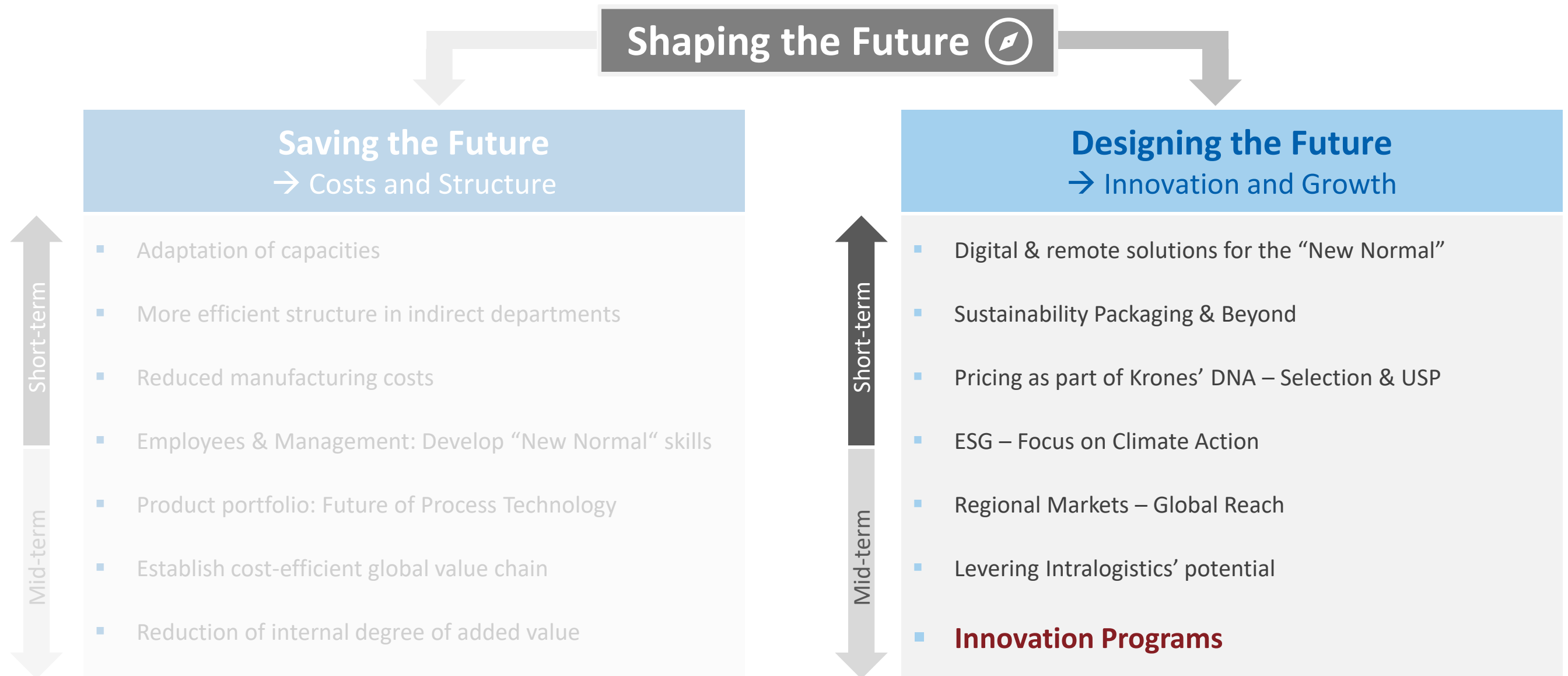
Within Krones Group, System Logistics has delivered above average revenue growth and provides a hedge against volatility of other units within the group

Enabling holistic Digitalization of Supply Chain

By extending our scope of solutions to in- & outbound logistics, we provide customers with integrated digital solutions from raw materials reception to shipping



Our Strategy for Shaping Kronos' Future in the New Normal






Krones R&D Programs: Industries & Packaging



**Sustainable
Plastic Packaging**




**High Performance
Flexibility Plant**



**Lean Glass
System**



**Advanced
Aseptic**



**Hygienics@
Flexible Can Line**



**Digital
Ecosystem**



All

CSD & Water

CSD & Beer

Sensitives & Dairy

CSD & Beer

Beverage Industry

Each R&D Program contains multiple industries requirements and thus allows us to realize significant development synergies.





Agenda

- Review Financials Q3/2020
- Where do we stand in times of pandemic
- Feedback from our customers
- Long-term megatrends

--- Discussion/ Q&As ---

- Shaping our future
 - Securing our future: Costs & structures
 - Designing our future: Innovation & Growth

- **Financial Implications**

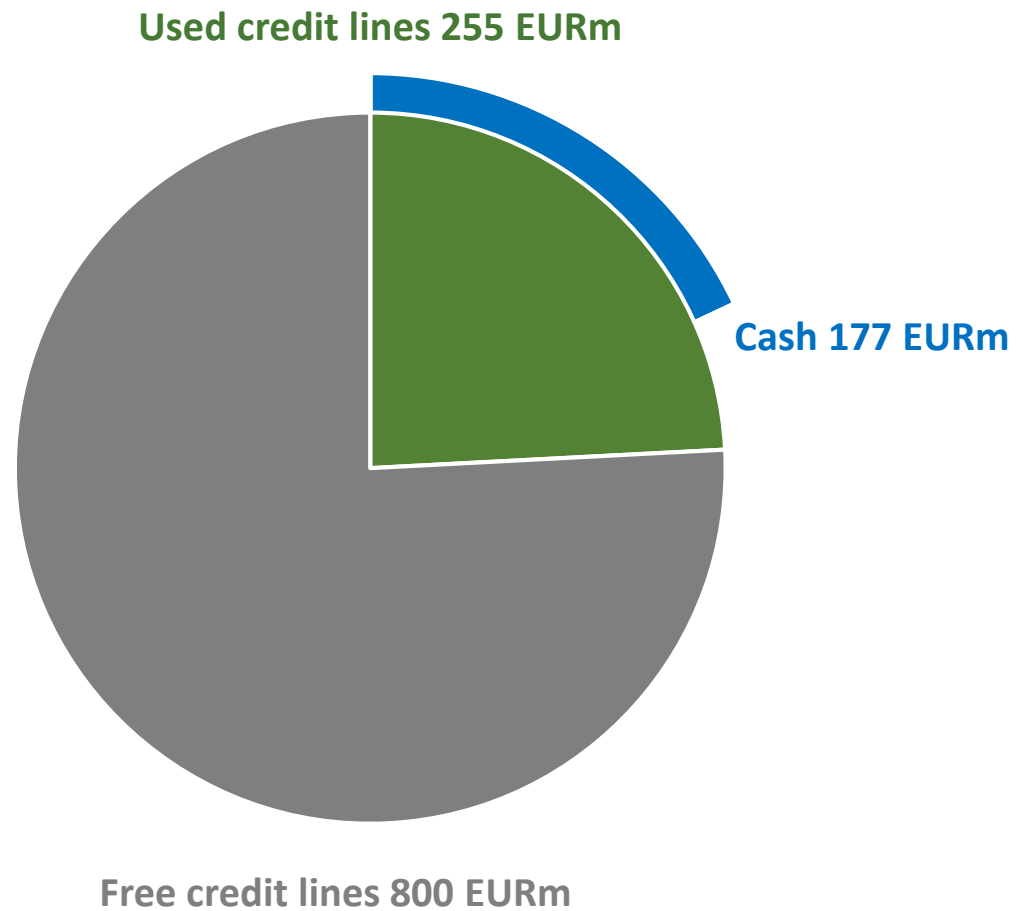
- Key Takeaways

--- Discussion/ Q&As ---

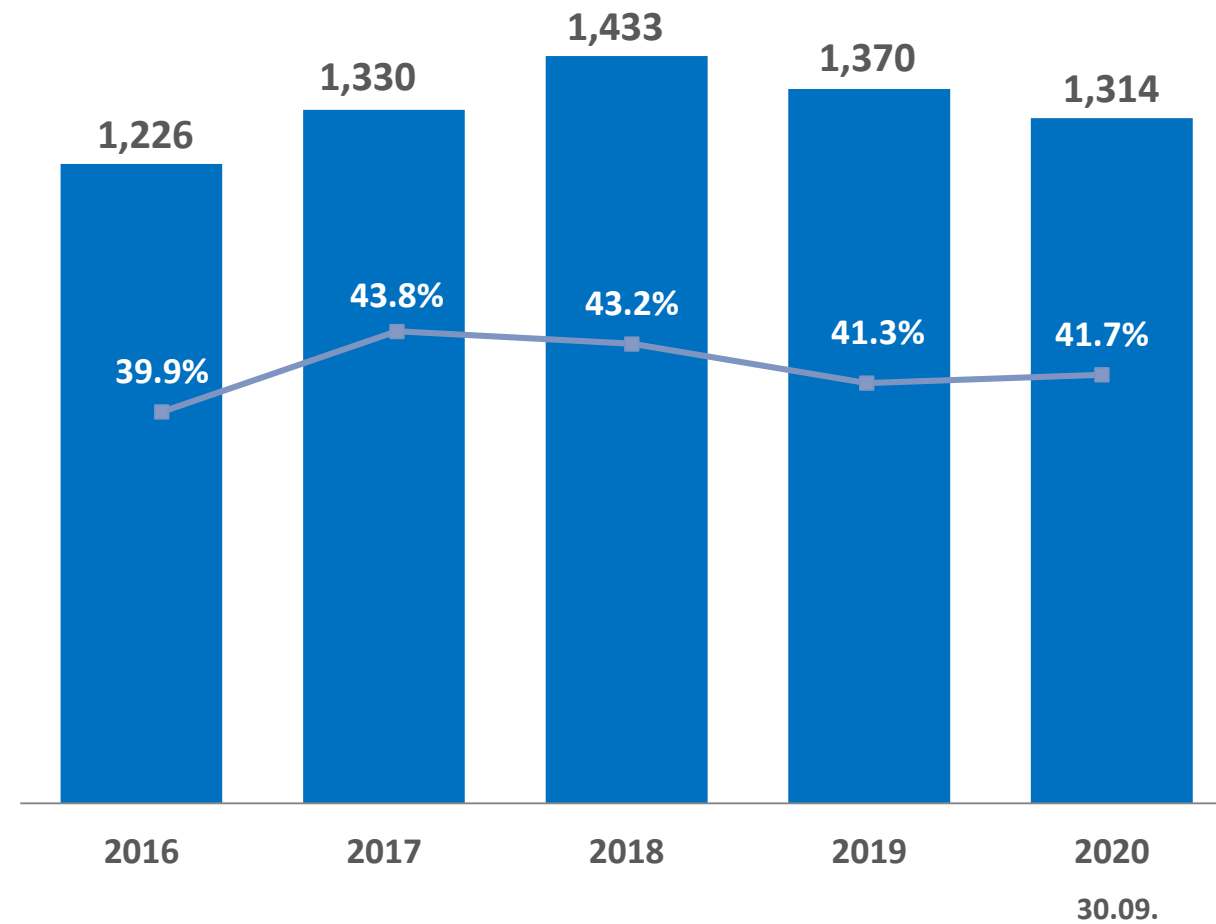


Net Cash, free Credit Lines and high Equity Ratio in Q3

Liquidity reserves > €1bn



Equity in EURm and equity ratio in %

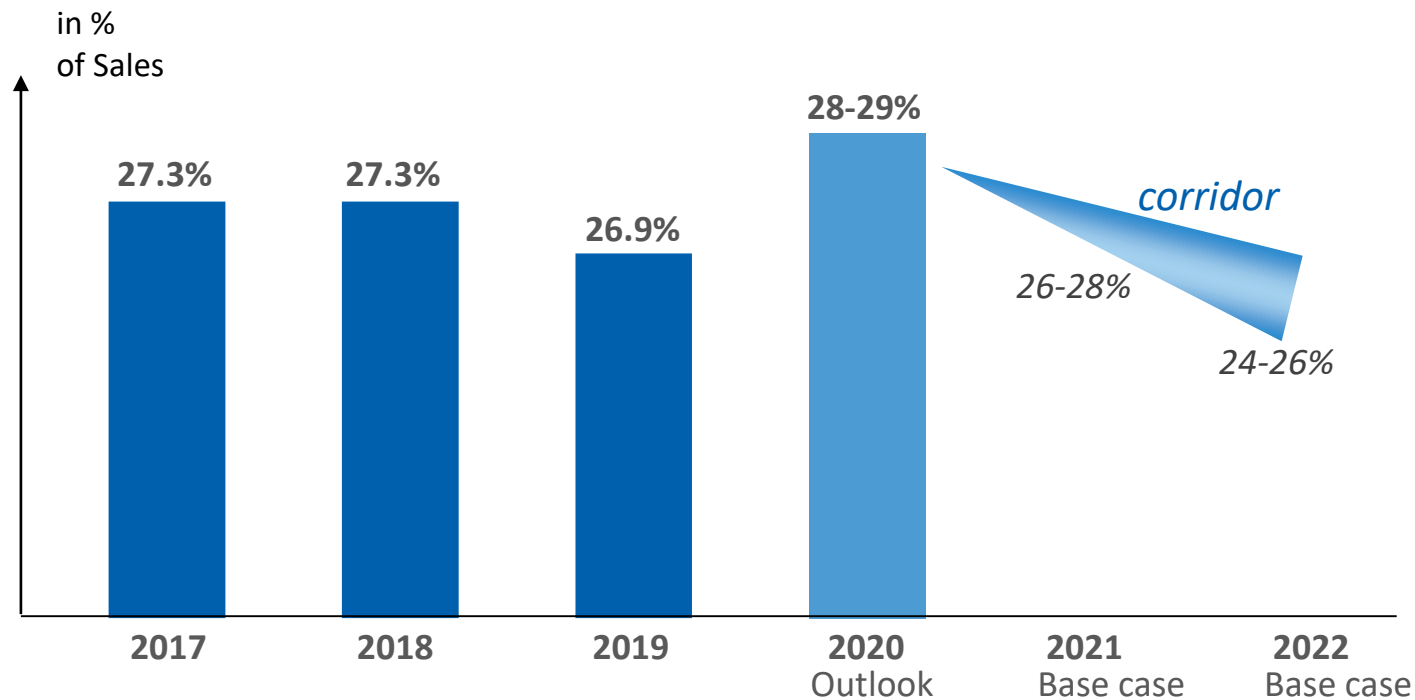


Financially, Krones is very well positioned.



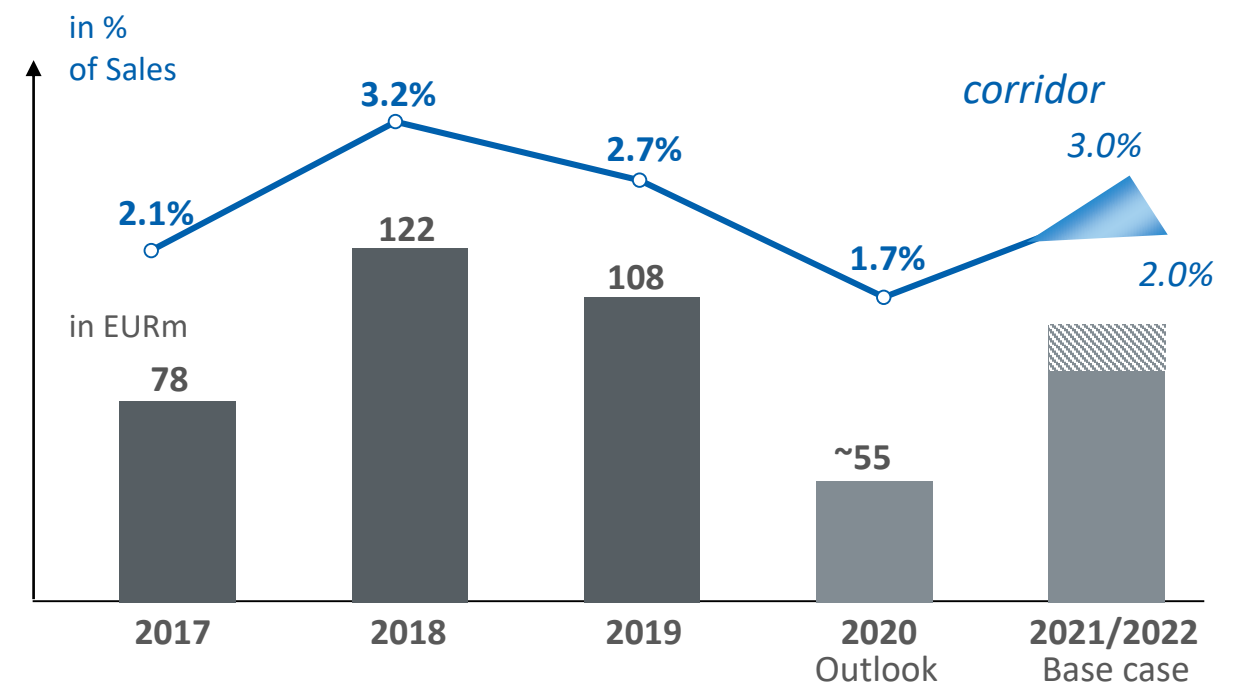
Focus on Cash, Net Working Capital and Capex

Net Working Capital development



- Program to speed up **project execution**
- **Supplier financing program** with Deutsche Bank in implementation phase
- Decentralized **inventory management** to be centralized
- Analysis of **order to cash process** completed and changes in execution

Capex development



- High **investments in manufacturing** in the past (Hungary, China, Germany)
- Decision to **reduce own added value** in manufacturing will reduce Capex needs
- Focus on **Digitalization & ERP** (S4 HANA)



Roadmap to increase Profitability

2020	Programs to improve efficiencies					2023
	Program	Structure & Process	Global Footprint	Portfolio	Growth	
Sales ~ 3,300 EURm	Topics	<ul style="list-style-type: none"> Adjust capacities Product cost reduction Reduce own added value in manufacturing Accelerate project throughput time 	<ul style="list-style-type: none"> Plant Hungary Plant China Localize supply chains and increase BCC sources Localize service 	<ul style="list-style-type: none"> Reshape product portfolio Address future of Brewery Business Increase profitability of Intralogistics 	<ul style="list-style-type: none"> Pricing Innovations in sustainable filling & packaging Digital and remote service eco system Localize sales activities 	Sales 3,700 EURm to 4,000 EURm
EBITDA*	Impact	1.5% - 2.0%	1.0% - 1.5%	0.5% - 1.0%	0.5% - 1.5%	EBITDA 9.0% - 12.0%

*w/o one-time expenses 30 – 60 EURm (structural adjustments)

Figures for 2023 do not constitute a binding financial guidance and shall not be interpreted as such.
Ranges are subject to assumptions that depend upon external factors beyond the influence of Krones' management.

Krones Group KPI's

Actuals, Outlook 2020 and Base Case 2021/2022



EURm	Actual 2017	Actual* 2018	Actual * 2019	Outlook* 2020	Base Case 2021	Base Case 2022
SALES	3,691	3,854	3,959	~ 3,300	3,300 – 3,400	3,500 – 3,600
EBITDA margin	9.2%	8.7%	6.6%	5.5% - 6.0%	6.5% - 7.5%	8.0% - 9.0%
EBT margin	7.0%	6.4%	2.8%	1.0% - 1.6%	2.5% - 4.0%	4.5% - 6.0%
Working Capital (in % of sales)	27.3%	27.3%	26.9%	28% - 29%	26% - 27%	24% - 26%

* = without one-time impacts for restructuring costs and impairments

Figures for 2021 and 2022 do not constitute a binding financial guidance and shall not be interpreted as such. Ranges are subject to assumptions that depend upon external factors beyond the influence of Krones' management.



Our Midterm Targets remain unchanged...



Growth

2% - 5%

(organic growth)



EBITDA margin

9% - 12%

(EBT margin 6% - 8%)



Working Capital

24% - 26%

...and they are achievable in 2023



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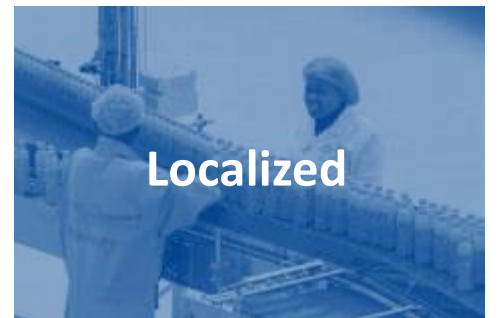
The Global Impact of COVID-19 is severe,...



...but long-term Growth Fundamentals remain intact...



...and Krones is well positioned for the “New Normal”!





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- Financial Implications
- Key Takeaways

--- Discussion/ Q&As ---



Organizational Notes on Q&A Session



If you have inquiries, please make use of the “raise your hand” feature



When not talking, please mute your microphone





Disclaimer

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The forward-looking statements of this presentation are by their very nature subject to various known and unknown risks, uncertainties and other factors, the non-occurrence or occurrence of which could cause material differences in future results of operations, financial situation, development or performance of KRONES AG. Factors that could cause such differences include but are not limited to changes in political, business, economic and competitive environment, effects of future legal and legislative issues, fiscal, and other regulatory measures, foreign exchange rate fluctuations, interest rates, the availability of financing, developments in raw material and personnel costs, launches of competing products or services, poor acceptance of new products or services, and changes in business strategy.

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Digitalisation



Process
technology



Bottling and
packaging equipment



Intralogistics



Lifecycle
Service

We do more.

 **KRONES**