

Corporate News Release

29 April 2020

Krones improves profitability in first quarter of 2020 despite slightly lower revenue

- Revenue decreased due to the initial effects of the COVID-19 situation by 4.2% year-on-year to €942.0 million between January and March 2020.
- Overall economic uncertainties have significantly impacted customers' investment confidence regarding new projects, especially since March 2020. First-quarter order intake fell by 19.3% year-on-year.
- Structural measures are beginning to take effect. Earnings before interest, taxes, depreciation and amortisation (EBITDA) went up, despite the lower revenue, to €89.5 million. The EBITDA margin improved to 9.5% (previous year: 8.7%).
- Due to the global uncertainties in connection with the coronavirus, it is not currently possible to provide reliable indications and guidance for revenue and earnings in the 2020 financial year.

Krones' business was affected in the first quarter of 2020 by the initial impacts of the COVID-19 situation. As expected, the impact of corona on revenue remained limited. Revenue from January to March 2020 decreased by 4.2% year-on-year, from €983.5 million to €942.0 million. As well as good revenue in the service business, Krones benefited from a large order backlog for new machinery.

Krones' customers have cut capital expenditure sharply since March 2020. The low investment confidence is due to the many general economic uncertainties resulting from the coronavirus. In the first quarter of 2020, Krones' order intake fell by 19.3% year-on-year, from €1,041.6 million to €841.1 million. Krones does not expect the trend in orders to turn around in the short term. In the medium and long term, however, the market for bottling and packaging equipment is expected to show stable growth. Krones had an order backlog of €1,284.8 million as of 31 March 2020. Orders on hand were thus 2.6% down on the previous year (€1,319.2 billion). The order backlog remains relatively satisfactory, however. At the request of customers, some orders will not go into production until later.

Krones strengthens profitability

Krones already began implementing extensive structural measures to improve profitability in the second half of 2019. These include savings in material and labour costs. The measures are beginning to take effect and have contributed to earnings being higher in the first quarter of 2020 despite lower revenue. With regard to implementing the structural measures, the

company is making good progress. The Executive Board is confident that the measures will have a positive impact on earnings in 2020 and 2021.

Additionally, the higher profitability also reflects the larger proportion of consolidated revenue accounted for in the first three months by the service business. In total, earnings before interest, taxes, depreciation and amortisation (EBITDA) rose 4.1% year-on-year, from €86.0 million to €89.5 million in the first quarter of 2020. The EBITDA margin improved to 9.5% (previous year: 8.7%).

Earnings before taxes (EBT) went up by 2.9% to €53.0 million. This corresponds to an EBT margin of 5.6% (previous year: 5.2%). Consolidated net income grew by 7.7% year-on-year to €39.1 million in the first quarter of 2020. This made for earnings per share of €1.24 (previous year: €1.15).

Krones improves free cash flow and is financially well positioned

Average working capital over the past four quarters as a percentage of revenue increased slightly, from 26.4% in the previous year to 27.1% in the first three months of 2020. Krones improved free cash flow year-on-year by €120.6 million to –€16.0 million in the first quarter. At the end of March 2020, Krones had access to agreed liquidity facilities totalling around €1 billion, meaning that it is very well positioned financially – even in times of crisis.

Extreme levels of uncertainty; reliable guidance for 2020 not currently possible

Macroeconomic forecasts for 2020 have deteriorated significantly worldwide since March. The spread of coronavirus and the resulting lockdowns are having massive negative impacts on the global economy. It is not yet possible to predict the duration of the crisis and of its consequences. These uncertainties are also affecting order placement by Krones customers.

Krones expects overall that the global market for bottling and packaging equipment will shrink in the short term. Nevertheless, the medium and long-term outlooks remain positive. Consumer demand for packaged beverages and liquid foods will continue to grow worldwide in the medium to long term.

Due to the global uncertainties surrounding the coronavirus, it is not currently possible to provide reliable indications and guidance for Krones' revenue and earnings in the 2020 financial year.

Krones has published the complete quarterly statement online at

<https://www.krones.com/en/company/investors.php>

Contact:

Olaf Scholz

Head of Investor Relations, Krones AG

Tel.: +49 9401 70-1169

E-mail: olaf.scholz@krones.com