

# Q1

**Quarterly statement** for the period  
from 1 January to 31 March 2020



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## TO OUR SHAREHOLDERS

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# Highlights and key figures

## KRONES improves profitability 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. Order intake in the first quarter decreased by 19.3% compared to previous 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 currently not possible to provide reliable indications and guidance for revenue and earnings in the 2020 financial year.

		1 Jan – 31 Mar 2020	1 Jan – 31 Mar 2019	Change
Revenue	€ million	942.0	983.5	-4.2%
Order intake	€ million	841.1	1,041.6	-19.3%
Orders on hand at 31 March	€ million	1,284.8	1,319.2	-2.6%
EBITDA	€ million	89.5	86.0	+4.1%
EBITDA margin	%	9.5	8.7	+0.8 PP*
EBIT	€ million	53.7	51.8	+3.7%
EBT	€ million	53.0	51.5	+2.9%
EBT margin	%	5.6	5.2	+0.4 PP*
Consolidated net income	€ million	39.1	36.3	+7.7%
Earnings per share	€	1.24	1.15	+7.7%
Capital expenditure for PP&E and intangible assets	€ million	34.2	46.6	-€12.4 million
Free cash flow	€ million	-16.0	-136.6	+€120.6 million
Net cash and cash equivalents at 31 March**	€ million	10.8	70.9	-€60.1 million
Working capital to revenue***	%	27.1	26.4	+0.7 PP*
ROCE	%	11.9	13.2	-1.3 PP*
Employees at 31 March				
Worldwide		17,191	16,695	+496
Germany		10,589	10,835	-246
Outside Germany		6,602	5,860	+742

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

## Letter from the **Executive Board**

Dear shareholders and friends of **KRONES**,

Almost the entire globe has been in the grip of the corona pandemic since February. The rapid worldwide spread of the virus has severe consequences both in terms of health and on the economy. **KRONES** was comparatively well prepared for the coronavirus, as our subsidiaries in China and Italy were already severely affected by the pandemic before all other regions. We moved early by taking comprehensive internal precautions to protect our employees and customers from infection with the virus.

On the other hand, of course, we also have to take care of winning new orders and properly completing existing orders. This is no easy task in this environment. Uncertainty about the duration and impacts of the corona crisis is having a major impact on our customers' investment confidence, although the long-term growth drivers remain intact. Order volumes in the new machinery business have gone down sharply since March. This can already be seen from the lower order intake for the first quarter, which is 19% below the previous year's figure.

The service business is still relatively stable, as we have many of our service engineers and also spare parts on location close to our customers. As a result, the decrease in consolidated revenue between January and March is still relatively moderate at 4.2%. In the second quarter, when we will also start with short-time working in some areas, the reluctance of customers to place orders

is likely to be reflected more strongly in the figures. But there is also positive news from the first quarter. The measures to improve profitability launched in the second half of 2019 are beginning to take effect. Despite lower revenue, earnings before interest, taxes, depreciation and amortisation (EBITDA) improved by 4.1% between January and March to €89.5 million and the EBITDA margin from 8.7% to 9.5%.

Regardless the current difficult situation, the Executive Board is confident that **KRONES** will emerge from the crisis stronger than before. Firstly, **KRONES** is very well positioned structurally and financially. And secondly, our market will stabilise again and return to the growth path in the medium to long term. But the most important reason for this confidence is our workforce. Team spirit and motivation have once again risen enormously in recent weeks. The **KRONES** team is showing its full strength in the crisis. That is why I am sure we will surmount this crisis together.



Christoph Klenk  
CEO

## The KRONES share

### Stock markets record massive losses in first quarter of 2020

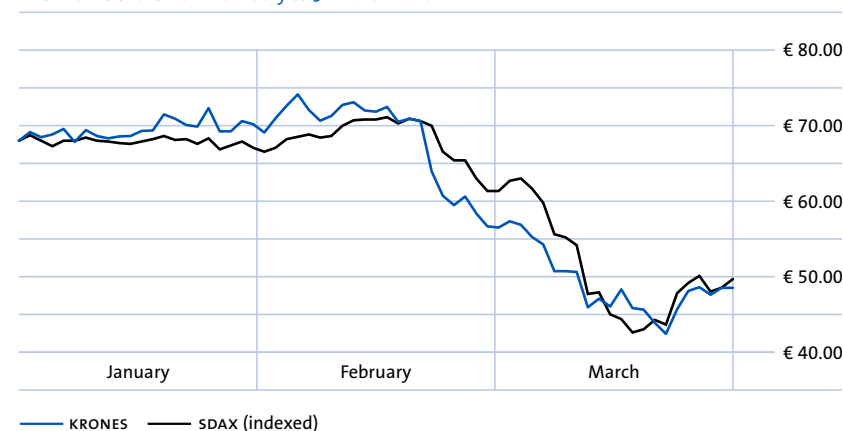
Fears of a global recession due to the coronavirus pandemic made for heavy losses on the stock markets in the first quarter of 2020. Initially, however, the 2020 stock market year got off to a positive start. Driven by the expansionary monetary policy applied by central banks, many major international stock markets continued to set new record highs up to mid-February. The rapid global spread of the coronavirus then led to panic selling. Stock indices such as the leading German share index, the DAX, lost up to 40% within three weeks. Such a steep fall in share prices in such a short time is historically unique. After central banks and governments worldwide announced trillion-scale rescue packages, stock markets stabilised towards the end of the first quarter and made up for some of the losses.

Subsequent to its mid-March low, based on the shock, the DAX also recovered slightly to the end of the quarter. The DAX thus fell from its all-time high of just under 13,800 points in mid-February to 8,256 points on 16 March before recovering to close the quarter at 9,936 points. Overall, the DAX showed a first-quarter loss of 25.0%. Almost all world stock exchanges traced a similar path from January to March. The Euro Stoxx 50, comprising the 50 largest companies in the euro area, fell by 25.6%. With a fall of 23.0%, the Dow Jones index ended the worst first quarter in its history. The decline on the Japanese market was not quite as pronounced, with the Nikkei index losing 20.0%.

### KRONES share price falls in step with overall market

KRONES shares started 2020 with price gains. The generally positive stock market environment provided a tailwind. Our share price reached its high for the first quarter at €75.50 on 24 January. Through to mid-February, KRONES shares held steady above the €70 mark. An initial setback was triggered by our preliminary figures for the full year 2019, which we published on 20 February. Thereafter, KRONES shares were caught up in the general downward spiral on the stock markets. This resulted in massive price losses. On 19 March, KRONES published its 2019 Annual Report and the proposal for a dividend of €0.75 per share. The Capital Market Day planned for that date had to be cancelled due to the corona epidemic. For this reason, we held a conference call to inform analysts about current news. The KRONES share price reached its first-quarter low at €41.92 on 23 March. Our share price was able to recover the losses slightly over the last few days of March. At the end of March, KRONES shares stood at €48.78, down 27.7% on the beginning of the year. The SDAX, of which KRONES is a component, lost 26.1% in the same period.

The KRONES share from 1 January to 31 March 2020





# 2

## ASSETS, FINANCIAL POSITION, AND RESULTS OF OPERATIONS

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## Revenue

### KRONES' revenue slightly down in first quarter of 2020

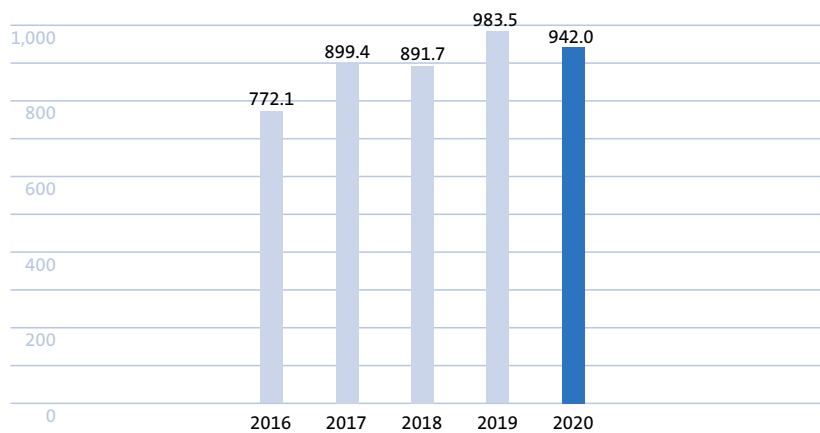
While the corona crisis mainly affected the Chinese economy at the beginning of 2020, more and more countries were hit by negative impacts of the virus as the first quarter progressed. This is also reflected in KRONES' revenue performance in the reporting period. In total, first-quarter revenue decreased by 4.2% from €983.5 million in the previous year to €942.0 million in 2020. As ex-

pected, the impact of corona on revenue remained limited in the first quarter.

Beside good revenue in the service business, KRONES benefited from its good order backlog in the new machinery business.

*The negative effects of corona were limited in the first quarter. KRONES' revenue was down 4.2% year-on-year to €942.0 million.*

Revenue from 1 January to 31 March (€ million)

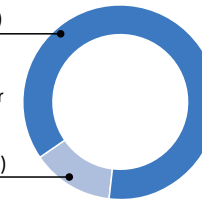


Segment revenue from 1 Jan to 31 Mar 2020

Segment revenue from 1 Jan to 31 Mar 2019

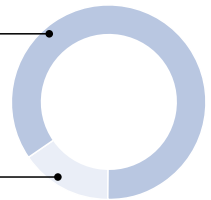
Machines and Lines for Product Filling and Decoration  
86.6%\* (€816.2 million)

Machines and Lines for Beverage Production/ Process Technology  
13.4%\* (€125.8 million)



Machines and Lines for Product Filling and Decoration  
84.8%\* (€834.4 million)

Machines and Lines for Beverage Production/ Process Technology  
15.2%\* (€149.1 million)



\* Share of consolidated revenue of €942.0 million

\* Share of consolidated revenue of €983.5 million



## Revenue by region

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

KRONES' domestic revenue fell by 20.9% year-on-year to €105.9 million in the first quarter of 2020, mainly because of the difficult overall economic situation. Domestic revenue as a percentage of consolidated revenue went down from 13.6% to 11.2%.

The economic uncertainties also affected KRONES' business between January and March 2020 in the rest of Europe (excluding Germany). In addition, coronavirus had a particularly severe impact in countries such as Italy, France and Spain. Overall, KRONES' revenue in Western Europe fell by 12.4% year-on-year to €146.4 million in the reporting period. The percentage fall in revenue was more pronounced in the smaller Central Europe sales region (Austria, Switzerland and the Netherlands). At €56.9 million, first-quarter revenue there fell short of the previous year's figure by 22.3%. By contrast, KRONES' Eastern European business remained relatively stable. Revenue decreased there by 4.7% to €65.1 million. The Russia/CIS region saw revenue increase by 66.0% to €26.6 million. However, the very low previous year's level must be taken into account here. In the whole of Europe (excluding Germany), KRONES generated revenue of €295.0 million. This left European revenue 9.1% down on the previous year (€324.7 million). The European share of first quarter consolidated revenue decreased from 33.0% in the previous year to 31.3%.

Business for KRONES in the Middle East/Africa region developed well in the period January to March 2020. Revenue increased by 12.4% year-on-year to €116.0 million. This contrasted with a sharp fall in revenue in China. Corona paralysed the economy there over the entire reporting period. KRONES' revenue dropped from €91.2 million a year earlier to €45.7 million. Revenue in the remaining Asia/Pacific region fell less steeply, decreasing by 6.1% to €109.7 million.

First-quarter revenue in the North and Central America region improved substantially, despite the high figure in the previous year, from €115.7 million to €158.3 million. Revenue was also up in South America/Mexico. Following €97.9 million in the previous year, revenue in the reporting period came to €111.5 million.

KRONES' regional revenue split changed little overall in the first quarter of 2020 and remains very well balanced. The proportion of revenue generated by the company in emerging markets was 50.4% in the first quarter of 2020 (previous year: 50.2%). KRONES generated 49.6% of revenue in mature industrialised countries (previous year: 49.8%).

### KRONES Group revenue by region

Share of consolidated revenue	1 Jan to 31 Mar 2020		1 Jan to 31 Mar 2019		Change %
	€ million	%	€ million	%	
Germany	105.9	11.3	134.0	13.6	-20.9
Central Europe (excluding Germany)	56.9	6.0	73.2	7.4	-22.3
Western Europe	146.4	15.6	167.2	17.0	-12.4
Eastern Europe	65.1	6.9	68.3	6.9	-4.7
Russia, Central Asia (cis)	26.6	2.8	16.0	1.6	+66.0
Middle East/Africa	116.0	12.3	103.2	10.5	+12.4
Asia-Pacific	109.7	11.6	116.8	11.9	-6.1
China	45.7	4.9	91.2	9.3	-49.9
South America/Mexico	111.5	11.8	97.9	10.0	+13.9
North and Central America	158.3	16.8	115.7	11.8	+36.8
<b>Total</b>	<b>942.0</b>	<b>100.0</b>	<b>983.5</b>	<b>100.0</b>	<b>-4.2</b>

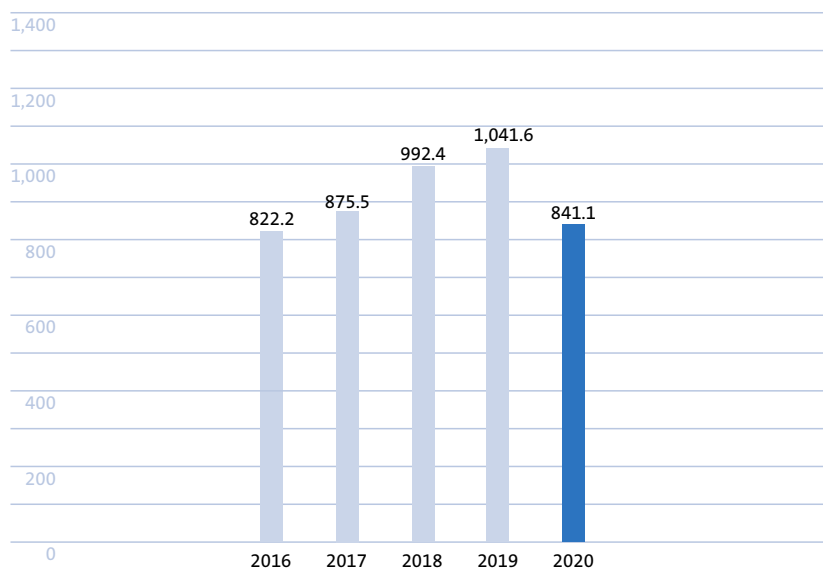
## Order intake and orders on hand

### Investment confidence hit by overall economic uncertainty

*The contract value of orders decreased by 19.3% from January to March 2020 relative to the same period of the previous year.*

Although global consumption of packaged beverages and liquid foods is expected to continue growing, 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 went down by 19.3% year-on-year, from €1,041.6 million to €841.1 million. We do 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.

Order intake from 1 January to 31 March (€ million)

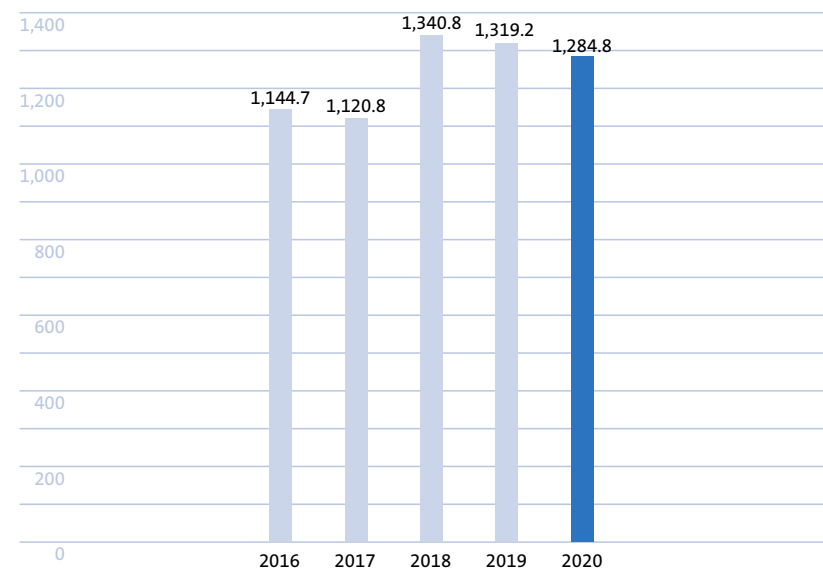


The reduced order intake mostly affected sales of new machinery in the reporting period. In regional terms, the contract value of orders decreased disproportionately rapidly in almost all regions from January to March 2020 relative to same period of the previous year. It only remained stable in the Asia/Pacific region and increased in the Middle East/Africa.

### KRONES' order backlog remains solidly above the €1 billion mark

KRONES had an order backlog of €1,284.8 million as of 31 March 2020. Orders on hand were thus a slight 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.

Orders on hand at 31 March (€ million)





## Earnings

### KRONES improves profitability

*The cost of materials was significantly down in the first quarter of 2020. This contributed to the improved profitability. The EBITDA margin increased from 8.7% in the previous year to 9.5%.*

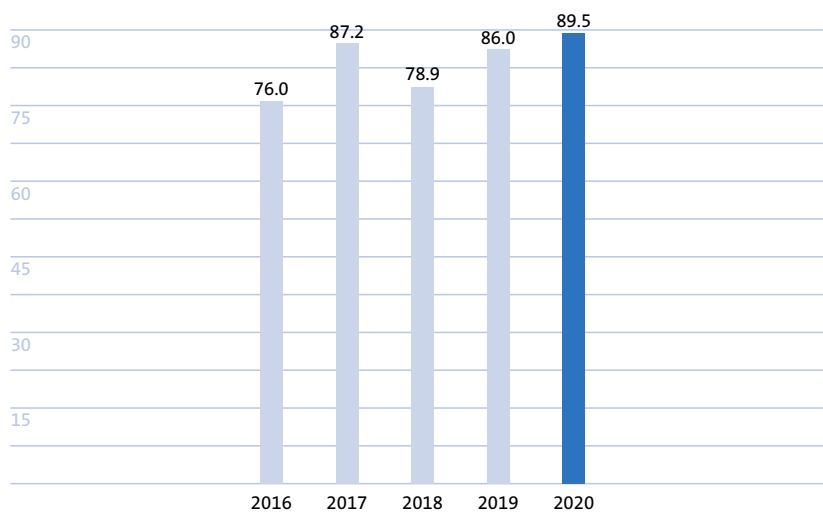
despite lower revenue. Additionally, the higher profitability also reflects the larger proportion of consolidated revenue accounted for in the first three months by the service business. In total, earnings before interest, taxes, depreciation and

KRONES already began implementing extensive structural measures to improve profitability before the onset of the corona crisis. 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 de-

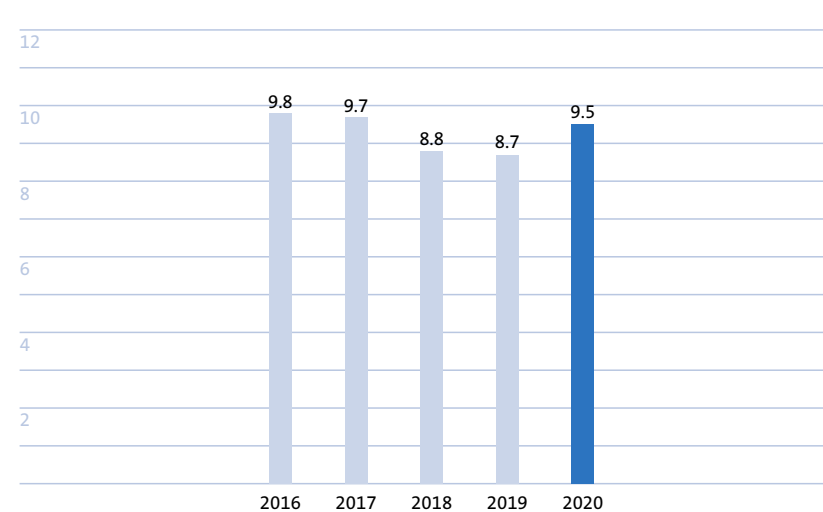
amortisation (EBTDA) went up 4.1% year-on-year, from €86.0 million to €89.5 million in the first quarter of 2020. The EBITDA margin improved to 9.5% (previous year: 8.7%).

Earnings before taxes (EBT) increased by 2.9% to €53.0 million. This corresponds to an EBT margin of 5.6% (previous year: 5.2%). KRONES' tax rate decreased from 29.5% in the previous year to 26.2% in the reporting period. As a result, consolidated net income grew more strongly than EBT, rising by 7.7% year-on-year to €39.1 million in the first quarter of 2020. Earnings per share improved from €1.15 in the previous year to €1.24.

EBITDA from 1 January to 31 March (€ million)



EBITDA margin from 1 January to 31 March (%)



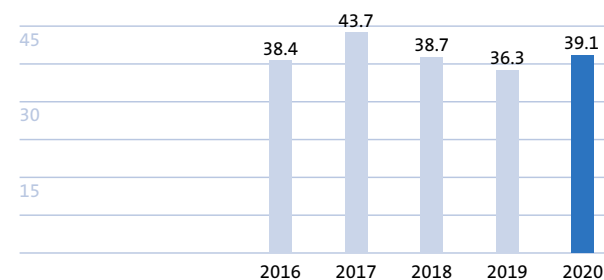
## KRONES Group earnings structure

€ million	2020 1 Jan–31 Mar	2019 1 Jan–31 Mar	Change %
<b>Revenue</b>	<b>942.0</b>	<b>983.5</b>	<b>–4.2</b>
Changes in inventories of finished goods and work in progress	9.5	5.6	–
<b>Total operating performance</b>	<b>951.5</b>	<b>989.1</b>	<b>–3.8</b>
Goods and services purchased	–438.5	–491.6	–10.8
Personnel expenses	–321.6	–323.3	–0.5
Other operating income/expenses and own work capitalised	–101.9	–88.2	+15.5
<b>EBITDA</b>	<b>89.5</b>	<b>86.0</b>	<b>+4.1</b>
Depreciation and amortisation on fixed assets	–35.8	–34.2	+4.7
<b>EBIT</b>	<b>53.7</b>	<b>51.8</b>	<b>+3.7</b>
Financial income/expense	–0.7	–0.3	–
<b>EBT</b>	<b>53.0</b>	<b>51.5</b>	<b>+2.9</b>
Income tax	–13.9	–15.2	–8.6
<b>Consolidated net income</b>	<b>39.1</b>	<b>36.3</b>	<b>+7.7</b>

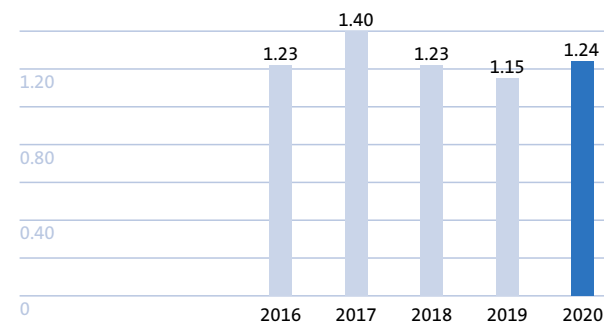
*Although revenue was down in the first-quarter of 2020, KRONES improve profitability.*

KRONES recorded slight reductions in revenue and total operating performance between January and March 2020. First-quarter revenue was thus down 4.2% year-on-year to €942.0 million, while total operating performance decreased by a slightly smaller 3.8% to €951.5 million. This is due to higher additions to finished goods and work in progress. These increased by €9.5 million in the reporting period, compared with €5.6 million in the prior-year period.

## Net income from 1 January to 31 March (€ million)

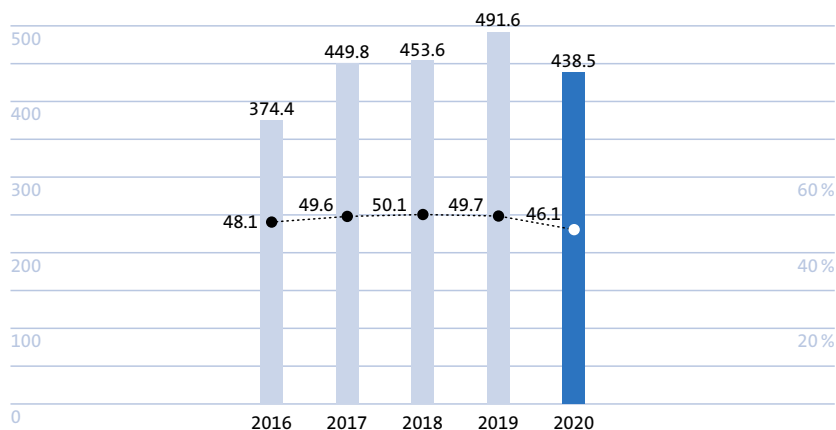


## Earnings per share from 1 January to 31 March (€)





Goods and services purchased from 1 January to 31 March (€ million, %)

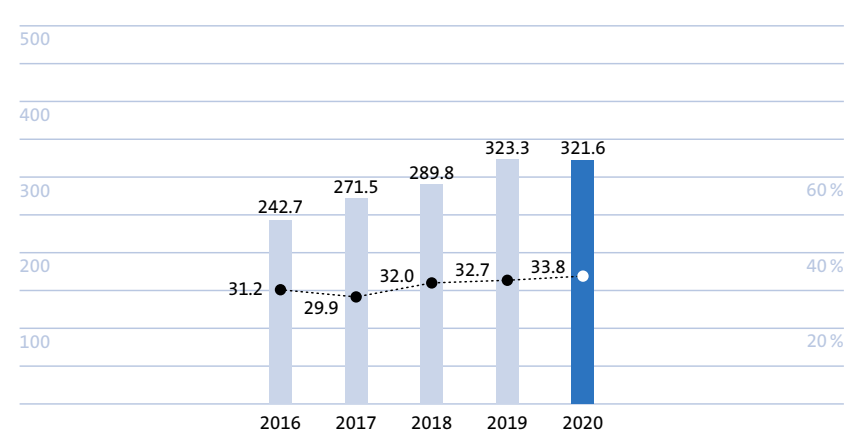


Goods and services purchased fell more rapidly than total operating performance in the first quarter of 2020, decreasing by 10.8% to €438.5 million. This shows that the measures initiated in the second half of 2019 are taking effect. In addition, the stronger service business relative to the previous year is also positively reflected in goods and services purchased. The ratio of goods and services purchased to total operating performance decreased significantly in the reporting period from 49.7% to 46.1%.

Personnel expenses also reflected the initial success of the measures that have been introduced. Despite past collectively agreed pay rises and expansion of the international workforce, the personnel expenses of €321.6 million were 0.5% down on the previous year. The ratio of personnel expenses to total operating performance nevertheless went up from 32.7% to 33.8% in the first quarter of 2020.

At €150.1 million, other operating expenses were higher in the reporting period than the €124.6 million recorded in the previous year. Other operating income also increased from €23.8 million to €36.6 million, while own work

Personnel expenses from 1 January to 31 March (€ million, %)

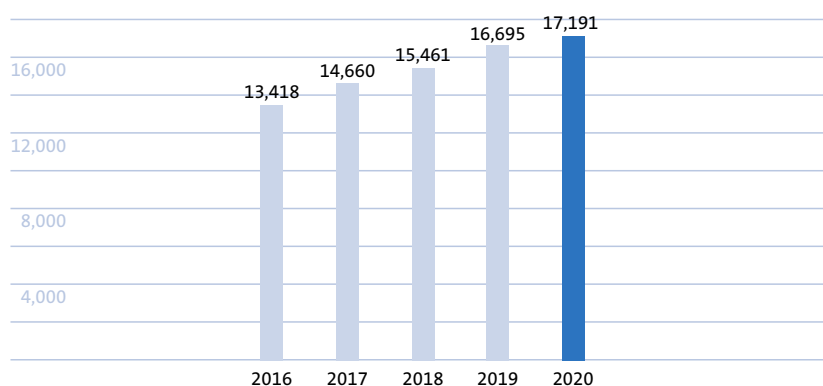


capitalised went down slightly to €11.6 million (previous year: €12.6 million). The net balance of other operating income and expenses and own work capitalised changed from –€88.2 million in the prior-year period to –€101.9 million. As a percentage of total operating performance, this represented an increase from 8.9% to 10.7%.

In total, KRONES improved EBITDA (earnings before interest, taxes, depreciation and amortisation) in the reporting period from €86.0 million to €89.5 million. The EBITDA margin rose from 8.7% to 9.5%. Despite a slight increase in depreciation and amortisation of fixed assets to €35.8 million (previous year: €34.2 million), earnings before interest and taxes (EBIT) went up in the first quarter of 2020 by 3.7% to €53.7 million. Financial income/expense, at –€0.7 million, was slightly down on the previous year (–€0.3 million). Earnings before taxes (EBT) consequently increased by 2.9% to €53.0 million in the first quarter of 2020 (previous year: €51.5 million). This results in an EBT margin of 5.6%, compared with 5.2% in the previous year. Due to an improvement in the company's tax rate from 29.5% to 26.2% in the first quarter, consolidated net income rose by 7.7% to €39.1 million.

## Employees

Workforce at 31 March



### KRONES employs 17,191 people worldwide

*The expansion of the global footprint and hence of the international workforce at KRONES has been temporarily slowed by the effects of the coronavirus.*

KRONES' workforce decreased by 162 relative to 31 December 2019 (17,353), to 17,191 as of 31 March 2020. The number of employees in Germany went down during the period by 144 to 10,589 (December 31, 2019: 10,733), mainly due to structural adjustments. There was also a slight reduction in the international workforce during the first quarter to 6,602 (December 31, 2019: 6,620). To ensure a sufficient pool of qualified employees for the long term, we continue to invest heavily in training and employee development. As of 31 March 2020, the KRONES Group had 513 young people in training.



## Consolidated cash flow

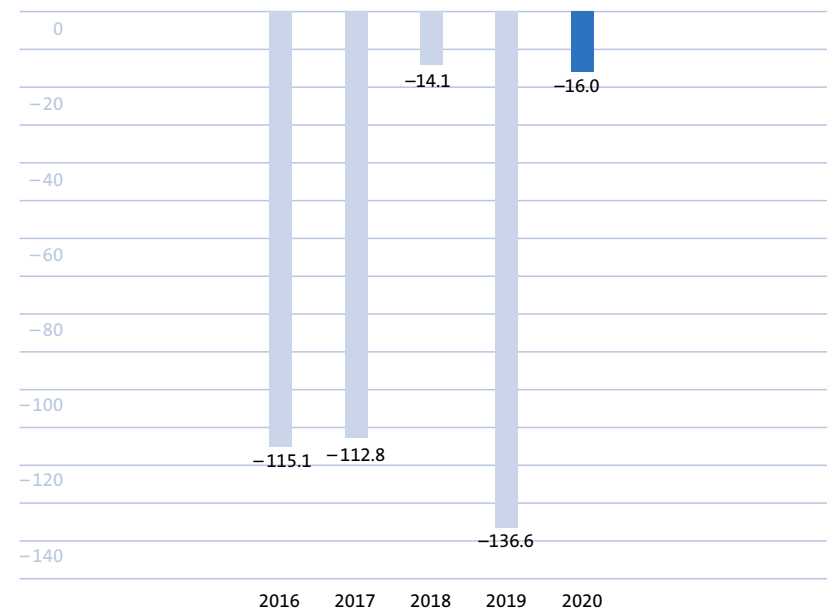
### KRONES Group cash flow

€ million	2020 1 Jan – 31 Mar	2019 1 Jan – 31 Mar
<b>Earnings before taxes</b>	<b>53.0</b>	<b>51.5</b>
Other non-cash changes	+66.9	+108.3
Changes in working capital	-27.3	-200.1
Changes in other assets and liabilities	-76.4	-49.9
<b>Cash flow from operating activities</b>	<b>+16.2</b>	<b>-90.2</b>
Capital expenditure for PP&E and intangible assets	-34.2	-46.6
M&A activities	0.0	-1.9
Other	+2.0	+2.1
<b>Free cash flow</b>	<b>-16.0</b>	<b>-136.6</b>
Cash flow from financing activities	+251.5	+75.2
Other	0.0	0.0
<b>Net change in cash and cash equivalents</b>	<b>+235.5</b>	<b>-61.4</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>345.9</b>	<b>157.4</b>

*KRONES improved cash flow from operating activities by €106.4 million and free cash flow by €120.6 million in the first quarter of 2020*

KRONES increased cash flow from operating activities by €106.4 million in the first quarter of 2020 to €16.2 million (previous year: -€90.2 million). The main positive factor was the much smaller increase in working capital by €27.3 million (previous year:

Free cash flow from 1 January to 31 March (€ million)



€200.1 million). The increase in other assets and liabilities had a €76.4 million impact on cash flow in the reporting period, compared with €49.9 million in the prior-year period. Non-cash changes had a €66.9 million (previous year: €108.3 million) positive effect on cash flow from operating activities.

## Slight increase in working capital as a percentage of revenue

*Working capital increased slightly relative to revenue in the first quarter of 2020, rising from 26.4% to 27.1%*

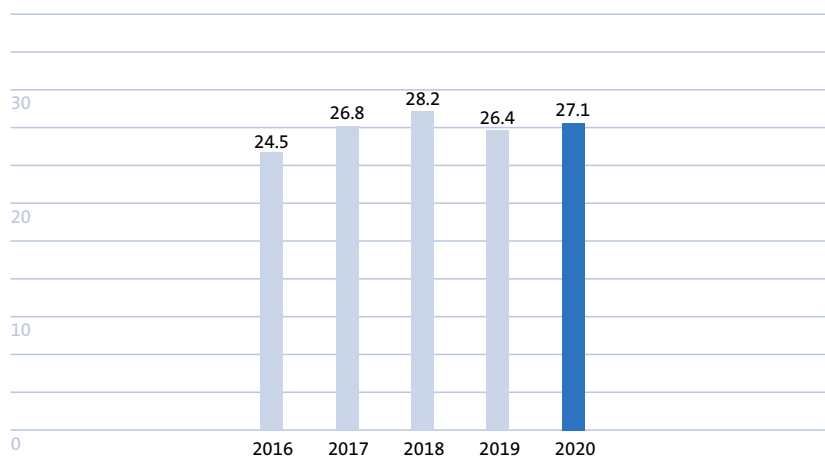
Average working capital over the past four quarters as a percentage of revenue increased from 26.4% in the previous year to 27.1% in the first quarter of 2020. The working capital to revenue ratio was 26.8% as of the reporting date (previous year: 25.8%).

KRONES invested €34.2 million in property, plant and equipment and intangible assets in the reporting period, a planned decrease relative to the high figure

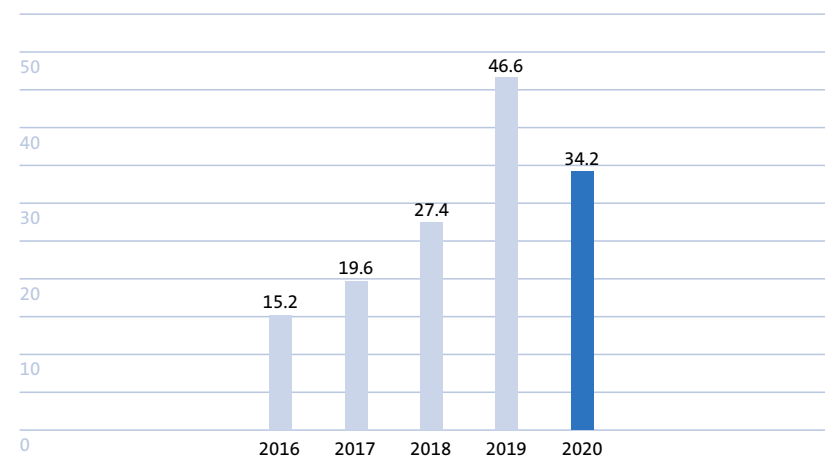
of €46.6 million in the previous year. There was no cash outflow for business acquisitions in the first quarter of 2020 (previous year: €1.9 million). Free cash flow (net cash generated from operating activities) improved by €120.6 million to –€16.0 million.

As a result of the increase in short-term bank debt in the first quarter, cash flow from financing activities was €251.5 million (previous year: €75.2 million). KRONES had cash and cash equivalents totalling €345.9 million at 31 March 2020 (previous year: €157.4 million).

KRONES Group working capital to revenue at 31 March (% , average over 4 quarters)



Capital expenditure for PP&E and intangible assets from 1 January to 31 March (€ million)



## Assets and capital structure

### KRONES Group asset and capital structure

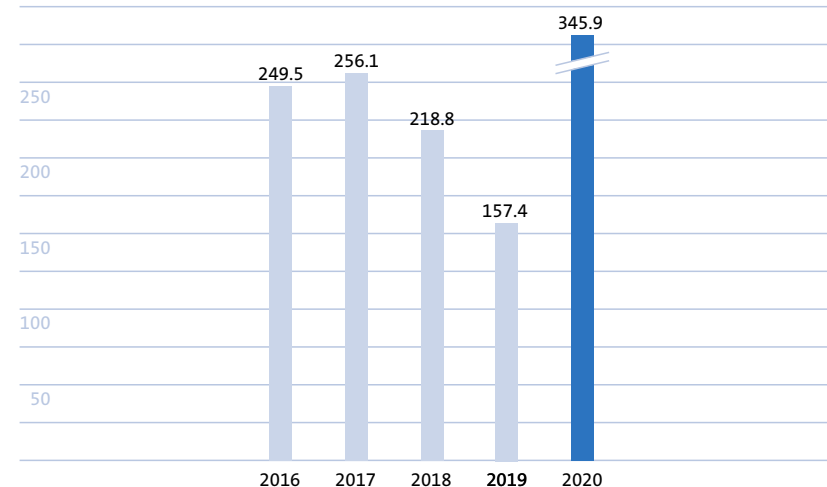
€ million	31 Mar 2020	31 Dec 2019	31 Mar 2019	31 Dec 2018
Non-current assets	1,137	1,154	1,102	1,010
of which fixed assets	1,050	1,070	1,031	936
Current assets	2,352	2,165	2,347	2,312
of which cash and equivalents	346	110	157	219
Equity	1,380	1,370	1,478	1,433
Total debt	2,109	1,949	1,971	1,888
Non-current liabilities	446	452	420	359
Current liabilities	1,663	1,497	1,551	1,529
<b>Total</b>	<b>3,489</b>	<b>3,319</b>	<b>3,449</b>	<b>3,321</b>

*KRONES' total assets grew by 5.1% in the first quarter despite lower total operating performance.*

KRONES' total assets grew by 5.1% in the first quarter despite a 3.8% decrease in total operating performance. This was mainly due to an increase in cash and cash equivalents. Total assets stood at €3.49 billion as of 31 March 2020 (31 December 2019: €3.32 billion).

Non-current assets went down by 1.4% in the first quarter to €1,137.6 million. Fixed assets came to €1,050.3 million at 31 March 2020 (31 December 2019: €1,069.8 million). The decrease in fixed assets mostly related to property, plant and equipment and right-of-use assets. These dropped from €693.2 million at the end of 2019 to €671.9 million. Intangible assets showed virtually no change and amounted to €344.6 million at the end of the first quarter (31 December 2019: €345.2 million).

Cash and cash equivalents at 31 March (€ million)



KRONES' current assets showed a marked increase. These totalled €2,351.8 million at the end of the reporting period, a rise of 8.6% on the figure as of 31 December 2019. While trade receivables decreased from €932.9 million to €907.3 million and contract assets by €57.0 million to €514.3 million, inventories rose slightly in the first quarter of 2020 by €16.3 million to €398.8 million. Cash and cash equivalents went up in the reporting period from €110.4 million to €345.9 million, mainly due to partial drawings on existing credit facilities.

Current liabilities also increased substantially between January and March 2020, climbing 11.0% to €1,662.5 million. This was mainly due to the significant, €262.8 million increase in bank debt. Bank debt stood at €335.0 million at the end of the first quarter of 2020 (31 December 2019: €72.2 million).

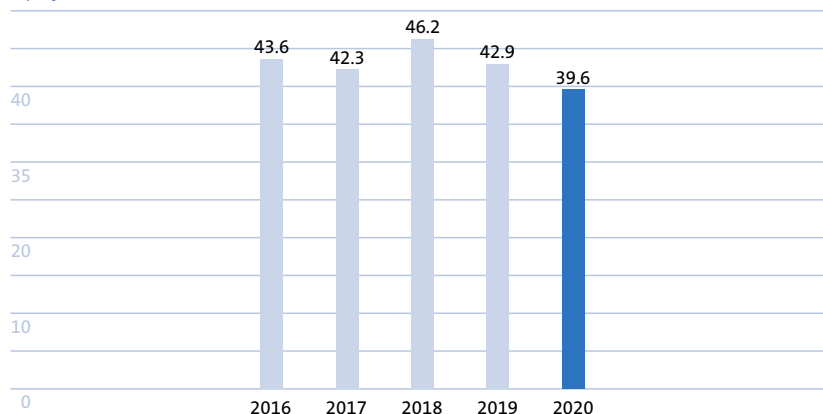


Conversely, KRONES reduced trade payables in the reporting period by €110.3 million to €353.4 million. Contract liabilities were virtually unchanged at €439.0 million (31 December 2019: €442.9 million).

*The solid 39.6% equity ratio, a positive €11 million in net cash and cash equivalents and an adequate liquidity position give KRONES the stability needed in the current difficult economic environment.*

Non-current liabilities decreased slightly to €446.5 million as of 31 March 2020 (31 December 2019: €452.0 million). This was mainly due to lower other financial liabilities and liabilities from leases. These fell by €5.6 million to €99.3 million. Provisions for pensions showed virtually no change at €261.7 million (31 December 2019: €260.2 million). The Company had €0.1 million in non-current bank debt at the end of the quarter (31 December 2019: €0.0 million).

Equity ratio at 31 March (%)

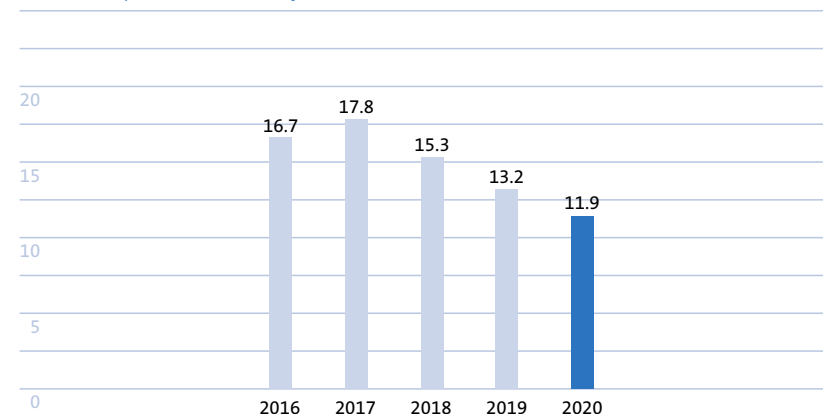


### Increase in equity, slight decrease in ROCE

Equity increased relative to the 2019 reporting date to €1380.4 million (31 December 2019: €1,370.0 million). The equity ratio decreased due to the larger increase in total assets and was 39.6% as of 31 March 2020 (31 December 2019: 41.3%). With net cash and cash equivalents (cash and cash equivalents less bank debt) of €10.8 million at the end of the reporting period, KRONES continues to have a stable and solid financial and capital structure. KRONES also has undrawn credit lines and, in particular, a €500m back-up facility.

Return on capital employed (ROCE) – the ratio of EBIT to average net capital employed – decreased over the reporting period to 11.9% as a result of the higher capital employed (previous year: 13.2%).

KRONES Group ROCE from 1 January to 31 March (%) (annualized)



## Report from the segments

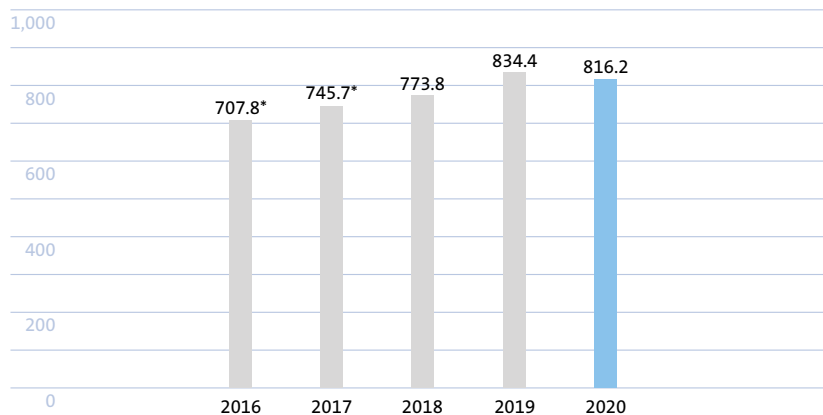
### Machines and Lines for Product Filling and Decoration

#### Segment revenue

*The stable service business supported core segment revenue in the first quarter of 2020. Segment revenue went down by 2.2% year-on-year to €816.2 million.*

In the core segment, Machines and Lines for Product Filling and Decoration, revenue went down slightly in the first quarter of 2020, declining 2.2% year-on-year from €834.4 million to €816.2 million. The service business contributed significantly to this relatively stable performance. In addition, the impacts of coronavirus only began to affect revenue towards the end of the reporting period. For the full year 2020, we expect a larger decrease in revenue for the core segment than in the first quarter. The segment's share of consolidated revenue in the first three months increased from 84.8% a year earlier to 86.6%.

Segment revenue (€ million)



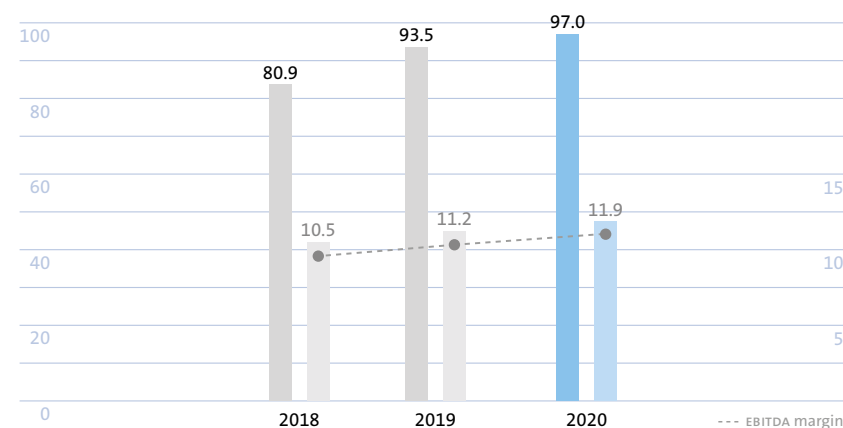
\* incl. Machines and lines for the Compact Class segment

#### Segment earnings

Despite the lower revenue, profitability in the core segment increased in the first quarter of 2020 compared with the previous year. A major reason for this is the favourable product mix between the more profitable service business and the new machine business. Another positive effect came from the structural measures for sustained improvements in profitability. Earnings before interest, taxes, depreciation and amortisation (EBITDA) went up from €93.5 million in the previous year to €97.0 million. The EBITDA margin consequently improved from 11.2% to 11.9%. This corresponds to an EBT margin of 8.1% (previous year: 7.6%).

*Core segment profitability was better in the first quarter of 2020 than a year earlier. The EBITDA margin increased from 11.2% to 11.9%.*

Segment EBITDA (€ million) and EBITDA margin (%)



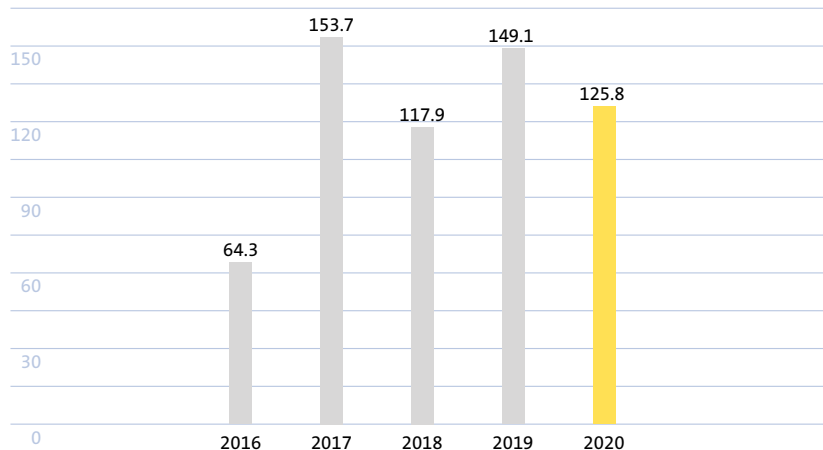
## Machines and Lines for Beverage Production/Process Technology

## Segment revenue

*Revenue in the Machines and Lines for Beverage Production/Process Technology segment decreased 15.6% year-on-year in the first quarter of 2020.*

Revenue in the Machines and Lines for Beverage Production/Process Technology segment fell more steeply than total revenue in the first quarter of 2020. Segment revenue decreased by 15.6% from €149.1 million in the previous year to €125.8 million. This reflects the initial effects of the corona crisis, particularly on the project business. The segment contributed 13.4% of first-quarter consolidated revenue (previous year: 15.2%). In total, the segment contributed 13.4% of first-quarter consolidated revenue (previous year: 15.2%).

Segment revenue (€ million)

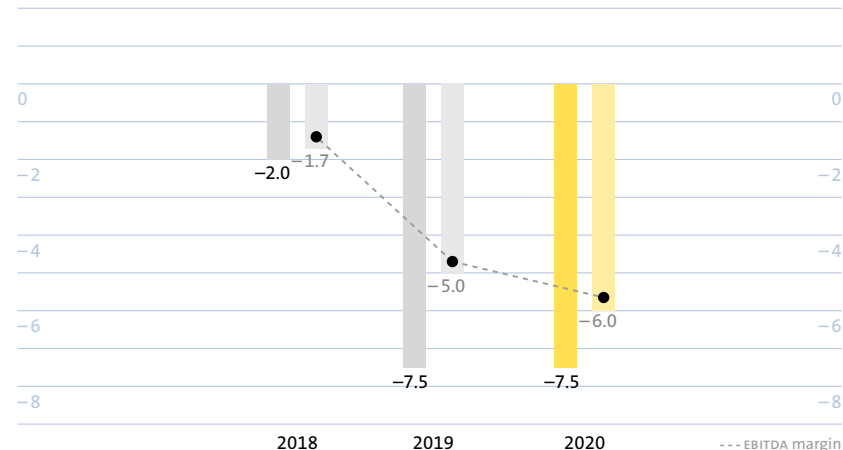


## Segment earnings

As expected, the Machines and Lines for Beverage Production/Process Technology segment made a loss in the first quarter of 2020. Despite significantly lower revenue, however, earnings before interest, taxes, depreciation and amortisation (EBITDA) remained stable at the previous year's level with an EBITDA loss of €7.5 million. It is important to note here that KRONES continues to invest in digitalisation despite the current uncertain overall economic situation. These initial losses together with the losses from the project business bring down segment earnings. The segment EBITDA margin was -6.0% in the first quarter of 2020 (previous year: -5.0%). Earnings before taxes came to -€13.0 million (previous year: -€11.5 million).

*EBITDA in the Machines and Lines for Beverage Production/Process Technology segment was -€7.5 million in the first quarter of 2020, as in the previous year.*

Segment EBITDA (€ million) and EBITDA margin (%)





## Report on **expected developments**

### **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 revenue and earnings in the 2020 financial year. The indications given by the Executive Board for the current year in the report on expected developments as part of the 2019 Annual Report (based on information as of the beginning of March 2020) no longer apply due to the subsequent dynamic negative impact of corona.

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.

# 3

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020

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Condensed consolidated **statement of profit or loss**

€ million	2020 1 January – 31 March	2019 1 January – 31 March	Change %
<b>Revenue</b>	<b>942.0</b>	<b>983.5</b>	<b>–4.2</b>
Changes in inventories of finished goods and work in progress	9.5	5.6	
<b>Total operating performance</b>	<b>951.5</b>	<b>989.1</b>	<b>–3.8</b>
Other own work capitalised	11.6	12.6	–7.9
Other operating income	36.6	23.8	+53.8
Goods and services purchased	–438.5	–491.6	–10.8
Personnel expenses	–321.6	–323.3	–0.5
Other operating expenses	–150.1	–124.6	+20.5
<b>EBITDA</b>	<b>89.5</b>	<b>86.0</b>	<b>+4.1</b>
Depreciation and amortisation on fixed assets	–35.8	–34.2	+4.7
<b>EBIT</b>	<b>53.7</b>	<b>51.8</b>	<b>+3.7</b>
Financial income/expense	–0.7	–0.3	
Profit or loss shares attributable to associates that are accounted for using the equity method	0.0	–0.4	
<b>Earnings before taxes</b>	<b>53.0</b>	<b>51.5</b>	<b>+2.9</b>
Income tax	–13.9	–15.2	–8.6
<b>Consolidated net income</b>	<b>39.1</b>	<b>36.3</b>	<b>+7.7</b>
Profit attributable to non-controlling interests	–0.1	–0.1	
Profit attributable to KRONES Group shareholders	39.2	36.4	
Earnings per share (diluted/basic) in €	1,24	1.15	



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

€ million	31 March 2020		31 December 2019	
Intangible assets	344.6		345.2	
Property, plant and equipment	671.9		693.2	
Non-current financial assets	30.4		28.1	
Investment accounted for using the equity method	3.4		3.3	
<b>Fixed assets</b>	<b>1,050.3</b>		<b>1,069.8</b>	
Deferred tax assets	42.3		41.6	
Trade receivables	26.4		28.9	
Income tax receivables	4.5		0.3	
Other assets	14.1		13.4	
<b>Non-current assets</b>		<b>1,137.6</b>		<b>1,154.0</b>
Inventories	398.8		382.5	
Trade receivables	907.3		932.9	
Contract assets	514.3		571.3	
Income tax receivables	15.5		16.4	
Other assets	170.0		151.9	
Cash and cash equivalents	345.9		110.4	
<b>Current assets</b>		<b>2,351.8</b>		<b>2,165.4</b>
<b>Total</b>		<b>3,489.4</b>		<b>3,319.4</b>

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

€ million	31 March 2020		31 December 2019	
<b>Equity</b>		<b>1,380.4</b>		<b>1,370.0</b>
Provisions for pensions	261.7		260.2	
Deferred tax liabilities	3.2		3.7	
Other provisions	75.8		75.2	
Provisions for taxes	4.3		5.4	
Liabilities to banks	0.1		0.0	
Trade payables	0.0		0.0	
Other financial obligations from leasing	99.3		104.9	
Other liabilities	2.1		2.6	
<b>Non-current liabilities</b>		<b>446.5</b>		<b>452.0</b>
Other provisions	153.6		141.0	
Liabilities to banks	335.0		72.2	
Contract liabilities	439.0		442.9	
Trade payables	353.4		463.7	
Tax liabilities	27.3		16.9	
Other financial obligations from leasing	29.2		34.9	
Other liabilities and accruals	325.0		325.8	
<b>Current liabilities</b>		<b>1,662.5</b>		<b>1,497.4</b>
<b>Total</b>		<b>3,489.4</b>		<b>3,319.4</b>

Condensed consolidated **statement of cash flows**

€ million	2020 1 January– 31 March	2019 1 January– 31 March
Earnings before taxes	53.0	51.5
Depreciation and amortisation (reversals)	35.8	34.2
Increase in provisions and accruals	27.9	74.7
Interest expenses and interest income	0.7	0.9
Gains and losses from the disposal of fixed assets	–0.5	–0.9
Other non-cash expenses and income	3.0	–0.6
Decrease (previous year: increase) in inventories, trade receivables, contract assets, and other assets not attributable to investing or financing activities	41.7	–89.8
Decrease in trade payables, contract liabilities and other liabilities not attributable to investing or financing activities	–136.6	–152.8
<b>Cash generated from operating activities</b>	<b>25.0</b>	<b>–82.8</b>
Interest paid	–0.9	–1.1
Income tax paid and refunds received	–7.9	–6.3
<b>Cash flow from operating activities</b>	<b>16.2</b>	<b>–90.2</b>
Cash payments to acquire intangible assets	–11.8	–13.1
Proceeds from the disposal of intangible assets	0.0	0.0
Cash payments to acquire property, plant and equipment	–22.4	–33.5
Proceeds from the disposal of property, plant and equipment	3.2	2.1
Cash payments to acquire non-current financial assets	–2.7	–1.7
Proceeds from the disposal of non-current financial assets	0.8	0.2
Cash payments to acquire subsidiaries and equity interests	0.0	–1.9
Interest received	0.7	0.5
Dividends received	0.0	1.0
<b>Cash flow from investing activities</b>	<b>–32.2</b>	<b>–46.4</b>
Proceeds from new borrowing	262.9	82.8
Cash payments to pay lease liabilities	–11.4	–7.6
<b>Cash flow from financing activities</b>	<b>251.5</b>	<b>75.2</b>
<b>Net change in cash and cash equivalents</b>	<b>235.5</b>	<b>–61.4</b>
Cash and cash equivalents at the beginning of the period	110.4	218.8
<b>Cash and cash equivalents at the end of the period</b>	<b>345.9</b>	<b>157.4</b>

Consolidated **segment reporting**

€ million	Machines and Lines for Product Filling and Decoration		Machines and Lines for Beverage Production/ Process Technology		KRONES Group	
	2020 1 Jan–31 Mar	2019 1 Jan–31 Mar	2020 1 Jan–31 Mar	2019 1 Jan–31 Mar	2020 1 Jan–31 Mar	2019 1 Jan–31 Mar
Revenue	816.2	834.4	125.8	149.1	942.0	983.5
EBITDA	97.0	93.5	–7.5	–7.5	89.5	86.0
EBITDA margin	11.9%	11.2%	–6.0%	–5.0%	9.5%	8.7%
Employees at 31 March*	14,581	14,199	2,070	2,048	16,651	16,247

\* Consolidated group



# 4

## OTHER INFORMATION

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

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

### Supervisory Board

#### Volker Kronseder

Chairman of the Supervisory Board

\* UNIVERSITÄTSKLINIKUM  
REGENSBURG

\* WIRTSCHAFTSBEIRAT  
BAYERISCHE LANDESBANK

#### Werner Schrödl\*\*

Deputy Chairman  
of the Supervisory Board

Chairman of the Group  
Employees' Council

Chairman of the Composite  
Employees' Council

\* Verwaltungsrat der BAYERISCHEN  
BETRIEBSKRANKENKASSEN

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

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

#### Robert Friedmann

Spokesman for the central  
managing board of the

WÜRTH GROUP

\* ZF FRIEDRICHSHAFEN AG

#### Klaus Gerlach\*\*

Head of Central International  
Operations and Services

#### Oliver Grober\*\*

Chairman of the Employees'  
Council, Rosenheim

#### Thomas Hiltl\*\*

Chairman of the Employees'  
Council, Nittenau

#### Norman Kronseder

Farmer and forester

\* BAYERISCHE FUTTERSAAU  
GMBH

#### Professor Dr. jur. Susanne Nonnast

Professor at Ostbayerische  
Technische Hochschule (OTH)  
Regensburg

#### Beate Eva Maria Pöpperl\*\*

Independent Member of the  
Employees' Council

#### Norbert Samhammer

Chief executive of

SAMHAMMER HOLDING GMBH

\* SAMHAMMER AG

#### Petra Schadeberg-Herrmann

Managing partner

KROMBACHER BRAUEREI  
BERNHARD SCHADEBERG GMBH & CO. KG,

KROMBACHER FINANCE GMBH,

SCHAWEI GMBH,

DIVERSUM HOLDING GMBH & CO. KG

#### Jürgen Scholz\*\*

First authorised representative  
IG METALL administrative office,  
Regensburg

\* INFINEON TECHNOLOGIES AG

#### Hans-Jürgen Thaus

\* MASCHINENFABRIK REINHAUSEN  
GMBH

#### Josef Weitzer\*\*

Deputy Group Employees'  
Council Chairman

Deputy Composite Employees'  
Council Chairman

Chairman of the Employees',  
Neutraubling

\* SPARKASSE REGENSBURG

#### Matthias Winkler

Managing partner at  
WW+ KN STEUERBERATUNGS-  
GESELLSCHAFT MBH

### Executive Board

#### Christoph Klenk

CEO  
Intralogistics  
Process Technology

#### Norbert Broger

CFO

#### Thomas Ricker

CSO

#### Markus Tischer

International Operations  
and Services  
Digitalisation

#### Ralf Goldbrunner

Bottling and Packaging  
Equipment  
Compact Class

\* 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.

## Commercial glossary

Cash flow	All inflows and outflows of cash and cash equivalents during a period.	IFRS	International Financial Reporting Standards. Accounting standards issued by the International Accounting Standards Board (IASB) that are harmonised and applied internationally.
Depreciation and amortisation	Non-cash expenses that represent the cost of current and non-current assets being used over time.	Net cash and equivalents	Cash and highly liquid securities under current assets less liabilities to banks.
EBIT	Earnings before interest and taxes.	Return on equity before taxes	Ratio of earnings before taxes to average equity.
EBITDA	Earnings before interest, taxes, depreciation and amortisation.	ROCE	Ratio of EBIT to average capital employed (total assets less interest-free liabilities and interest-free other provisions).
EBITDA margin	Ratio of earnings before interest, taxes, depreciation and amortisation to revenue	Total debt	Combined term for the provisions, liabilities, and deferred income stated on the liabilities side of the balance sheet.
EBT	Earnings before taxes.	Working capital	Working capital is calculated as follows: (inventories + trade receivables + prepayments) – (trade payables + advances received).
EBT margin	Ratio of earnings before taxes to revenue.	Working capital to revenue	The ratio of working capital to revenue indicates how much capital is needed to finance revenue generation.
Equity	Funds made available to the company by the owners by way of contribution and/or investment, plus retained earnings.		
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.		

## Publishing information

### Note

This English language report is a translation of the original German KRONES Quarterly statement for the period from 1 January to 31 March 2020 (Quartalsmitteilung für den Zeitraum vom 1. Januar bis 31. März 2020).

In case of discrepancies the German text shall prevail.

You can also find the Quarterly statement in the Investor Relations section at [krones.com](https://www.krones.com).

Published by	KRONES AG Böhmerwaldstrasse 5 93073 Neutraubling Germany
Project lead	Roland Pokorny, Head of Corporate Communications
Design	Büro Benseler
Text	KRONES AG InvestorPress GmbH
Photography	KRONES AG

## Financial calendar

18 May 2020	Annual general meeting
30 July 2020	Interim report for the period ended 30 June 2020
29 October 2020	Quarterly statement for the period ended 30 September 2020



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