

**Corporate News Release**

19 March 2020

## **Krones plans to pay a dividend of €0.75 per share for 2019**

- Krones publishes 2019 Annual Report and confirms preliminary figures.
- Consolidated revenue up 2.7% in 2019 to €3.96 billion. Order intake, at €4.08 billion, up 3.2% year-on-year.
- EBT margin is 1.1% (previous year: 5.3%). EBT margin of 2.8% without one-time effects in line with guidance of around 3%.
- Krones plans to pay dividend based on earnings excluding one-time effects. Shareholders to receive dividend of €0.75 per share for 2019.
- Based on the effects of the coronavirus with information as of early March, Krones expects stable revenue and an EBITDA margin of around 6.7% to 7.2% (2019: 5.7%).
- Due to global developments surrounding the coronavirus in recent days, it is currently not possible to give reliable predictions for revenue and earnings in 2020.

Krones, the world's leading manufacturer of filling and packaging technology, today published its 2019 Annual Report. The company looks back on a challenging year overall in 2019.

Despite the difficult general economic conditions, Krones achieved its 3% growth target. Revenue increased by 2.7% year-on-year, from €3,854.0 million to €3,958.9 million. Krones' consolidated revenue was affected in 2019 by the plastic packaging debate. In plastics technology, where the company provides machines and lines for filling and packaging in PET, revenue was down – above all in the first half of 2019 – primarily due to the public debate surrounding plastic. Krones was able to make up for this with growth in other areas.

Order intake improved by 3.2%, from €3,957.3 million in the previous year to €4,083.5 million in 2019. Krones had orders on hand totalling €1,385.7 million at the end of 2019. This exceeded the already high prior-year order backlog of €1,261.1 million by 9.9%.

### **Key structural measures launched**

Krones' profitability in 2019 fell short of the original expectations. This was mainly due to high labour costs, expenses for restructuring and impairments for portfolio streamlining. The product mix also had a negative impact on profitability. Consolidated earnings before taxes (EBT) decreased from €204.3 million in the previous year to €41.7 million in 2019. The EBT margin dropped from 5.3% to 1.1%. It should be noted in this connection that Krones recognised provisions and impairments totalling around €70 million in the fourth quarter of

2019. About €30 million of this relates to expenses and provisions for the job cuts in 2020. Impairment losses of around €20 million were recognised for certain direct printing technologies that Krones is not pursuing further. There were also around €20 million in goodwill impairments. Excluding these expenses for structural measures, the EBT margin in 2019 was 2.8%. Krones thus achieved the margin target of around 3% following the July 2019 target adjustment.

The structural measures launched in the second half year relating to expansion of the global setup, reduction of the workforce in Germany due to the changed conditions and savings in material costs already showed first positive effects in the final quarter.

Mainly because of the new IFRS 16 accounting standard and the impairment losses, Krones' depreciation and amortisation rose substantially in 2019 to €183.3 million (previous year: €102.7 million). EBITDA, which is unaffected by this, decreased less sharply than EBT in 2019, falling from €305.9 million to €227.3 million. The EBITDA margin was 5.7% (previous year: 7.9%). Krones consequently generated consolidated net income of €9.2 million in 2019 (previous year: €150.6 million). This corresponds to earnings per share of €0.30 (previous year: €4.78).

### **Sharp drop in earnings in Krones' core segment**

Krones' core segment Machines and Lines for Product Filling and Decoration, which contributed 82.5% of consolidated revenue, generated EBT of €56.4 million in 2019 (previous year: €223.3 million). The EBT margin therefore dropped from 7.0% to 1.7%. It should be noted that the most of the expenditure for the structural measures – some €60 million – was incurred in the core segment.

In the segment Machines and Lines for Beverage Production/Process Technology, EBT improved from minus €19 million in the previous year to minus €14.7 million. Impairment losses and expenses for restructuring impacted EBT in this segment by around €11 million.

### **High working capital reduces free cash flow**

Free cash flow went down in the full year 2019 to a negative €94.4 million (previous year: positive €120.7 million). The fall in free cash flow was mainly due to higher working capital as of the reporting date. Net cash and cash equivalents, meaning cash and cash equivalents less bank debt, came to €38.1 million at the end of the reporting period (previous year: €215.1 million). The equity ratio was 41.3% (previous year: 43.2%). Overall, Krones continues to possess a very robust financial and capital structure.

With the above figures, Krones has confirmed the preliminary figures published on 20 February 2020. No significant changes arose in the course of the auditing activities.

## **Shareholders to receive dividend of €0.75 per share**

The expenses for impairments and restructuring have no effect on the dividend for the 2019 financial year. The proposed dividend is based on earnings excluding those one-time expenses. Krones' policy is to pay out 25% to 30% of consolidated net income in the form of dividends. At the Annual General Meeting on 18 May 2020, the Executive Board and Supervisory Board will be proposing a dividend of €0.75 per share for the 2019 financial year (previous year: €1.70 per share).

## **Outlook**

2020 will be marked by political and economic uncertainties. In particular, it is not yet possible to predict the negative impacts of the recently emerged coronavirus on the global economy. Nevertheless, the medium and long-term outlooks remain positive. This is because consumer demand for packaged beverages and liquid foods will continue to grow worldwide.

Based on the general economic outlook and the effects of the coronavirus with information as of early March, Krones expects stable consolidated revenue in 2020 with an EBITDA margin of around 6.7% to 7.2%. This corresponds to an EBT margin of around 3.2% to 3.7%. Due to global developments surrounding the coronavirus in recent days, it is currently not possible to give reliable predictions for revenue and earnings in 2020.

Krones is making good progress with implementing the initiated structural measures. The Executive Board is confident that the measures will continue to have a positive impact on earnings in 2020.

From 2020, Krones manages profitability using the EBITDA margin instead of the EBT margin. This is because EBITDA (earnings before interest, taxes, depreciation and amortisation) is closer to cash flow and more comparable because it does not include depreciation and amortisation, financial income/expense and taxes.

For its third performance target, working capital to revenue, Krones expects a figure of 26% in the 2020 financial year, compared with 26.9% in 2019.

Krones has published the Annual Report 2019 online at

<https://www.krones.com/en/company/investor-relations/krones-group-annual-report-2019.php>

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