

Corporate News Release

30 July 2020

Krones closes second quarter 2020 with loss due to Covid-19 situation

- Revenue from April to June fell by 16.5% year-on-year. In the first half of 2020, revenue went down by 10.1% to €1,698.6 million.
- Extreme uncertainty due to the corona situation is affecting investment confidence among customers. Order intake decreased by 38.2% in the second quarter. In the first half year, the contract value of orders went down by 28.5% to €1,457.3 million.
- Cost reductions due to structural measures mitigated the negative earnings impact of the lower revenue. Earnings before interest, taxes, depreciation and amortisation (EBITDA) remained stable at €118.5 million in the first half of 2020, compared with €116.9 million in the previous year. EBT of €31.8 million for first half year includes a second-quarter loss of €21.2 million.
- The development of the economy continues to be subject to great uncertainty in the short term. Because of this, it remains difficult to estimate the size of the adverse impacts on demand and investment confidence among customers. The Krones Executive Board has consequently decided once again not to provide an outlook for the 2020 financial year.

As expected, the economic consequences of the Covid-19 pandemic had a significantly greater impact on Krones' business in the second quarter of 2020 than in the first three months of this year. Revenue from April to June 2020 was down 16.5% year-on-year, from €905.8 million to €756.6 million. In the first quarter, revenue was only 4.2% down. Revenue in the first six months of 2020 consequently fell by a total of 10.1% year-on-year, from €1,889.3 million to €1,698.6 million.

The many general economic uncertainties are also affecting investment confidence among Krones' customers. Order intake from January to June 2020 fell by 28.5%, from €2,038.6 million to €1,457.3 million. The second-quarter order intake was 38.2% down year-on-year. As of 30 June 2020, Krones had an order backlog of €1,133.4 million (previous year: €1,410.4 million).

Krones records second-quarter loss due to corona

Earnings before interest, taxes, depreciation and amortisation (EBITDA) fell compared with the second quarter of the previous year, which was a weak quarter due to one-off effects, from €30.9 million to €29.0 million in the second quarter of 2020. EBITDA in the second quarter of 2020 includes the effects of a €3.2 million increase in credit risk provisioning. The negative second-quarter earnings before taxes (EBT) of –€21.2 million (previous year: –€3.6 million) included €13.6 million in goodwill impairments. In total, consolidated net income after tax went down from –€3.0 million in the prior-year quarter to –€17.6 million in the second quarter of 2020. This corresponds to earnings per share of –€0.56 (previous year: –€0.09).

Cost reductions mitigate earnings impact of the lower revenue.

Krones began implementing structural measures to improve profitability in the second half of 2019. The measures include savings in material and labour costs. This had a positive effect on profitability from January to June 2020. The first quarter of 2020 was also not yet significantly affected by corona. As a result, EBITDA slightly increased in the first six months of 2020, despite the lower revenue, from €116.9 million in the previous year to €118.5 million. The EBITDA margin improved from 6.2% to 7.0%. Partly because of the goodwill impairments, EBT in the first half of 2020 fell to €31.8 million (previous year: €47.9 million). The EBT margin was 1.9% (previous year: 2.5%). In total, Krones generated consolidated net income after tax of €21.5 million from January to June 2020 (previous year: €33.3 million). Earnings per share came to €0.68 (previous year: €1.06).

Krones significantly improves free cash flow

Mainly due to the lower revenue, average working capital over the past four quarters as a percentage of revenue rose to 27.6% in the first half of 2020 (previous year: 26.0%). Between January and June 2020, Krones built up significantly less working capital than in the previous year. Partly because of this, the company improved free cash flow year-on-year by €194.6 million to –€64.8 million in the reporting period.

Still not possible to provide reliable guidance for full year 2020

The overall economic outlook deteriorated worldwide in the second quarter and further developments are subject to great uncertainty due to the Covid-19 situation. This uncertainty is also affecting order placement by Krones customers. The Executive Board expects overall that the global market for bottling and packaging equipment will shrink.

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 in the medium to long term. For the short term, it remains difficult to estimate the size of the adverse impacts on demand and investment confidence among customers. Current market



developments will have a negative impact on Krones' revenue and earnings for the whole of 2020. Due to the great uncertainty, the Executive Board has decided once again not to provide a quantified outlook for the 2020 financial year.

As the results for the first half of 2020 show, the company is making good progress with implementing the structural measures.

Krones has published the complete Interim Report for the first half of 2020 online at <https://www.krones.com/en/company/investors.php>

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