



# Capital Market Day

16 November 2021

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Christoph Klenk, CEO

Norbert Broger, CFO

Markus Tischer, Member of the Executive Board

# Agenda



- **Welcome**
- Sustainability @ Krones
- Digitalization @ Krones
- Segment I: Business Unit Filling and Decoration
- Segment II: Process Technology
- Segment II: Intralogistics
- Financials
- New financial targets 2025
- Discussion/Q&As

# Speakers



**Christoph Klenk**  
**CEO**

CEO since 2016  
Member of the Board since 2003

**Responsibilities:**

Business Segments  
Corporate Development  
Information Technology  
Human Resources  
Communication



**Markus Tischer**  
**Board member IOS**

Member of the Board since 2014  
28 years of Krones experience

**Responsibilities:**

International Operations and Services  
Digitalization and Automation  
Central Research and Development



**Norbert Broger**  
**CFO**

CFO Krones since 2020  
30+ years of experience

**Responsibilities:**

Finance and Controlling  
M&A  
Legal, Compliance, Governance  
Strategic Purchasing



## Krones emerges stronger from recent challenges



Despite fast-changing trends and dynamic competition:  
**Krones remains #1 in beverage technologies worldwide.**



Despite global economic disruptions:  
**Krones' top line is resilient and rebounds quickly from crisis.**



Despite volatile prices and grown structures:  
**Krones did its' homework and profitability is on track.**

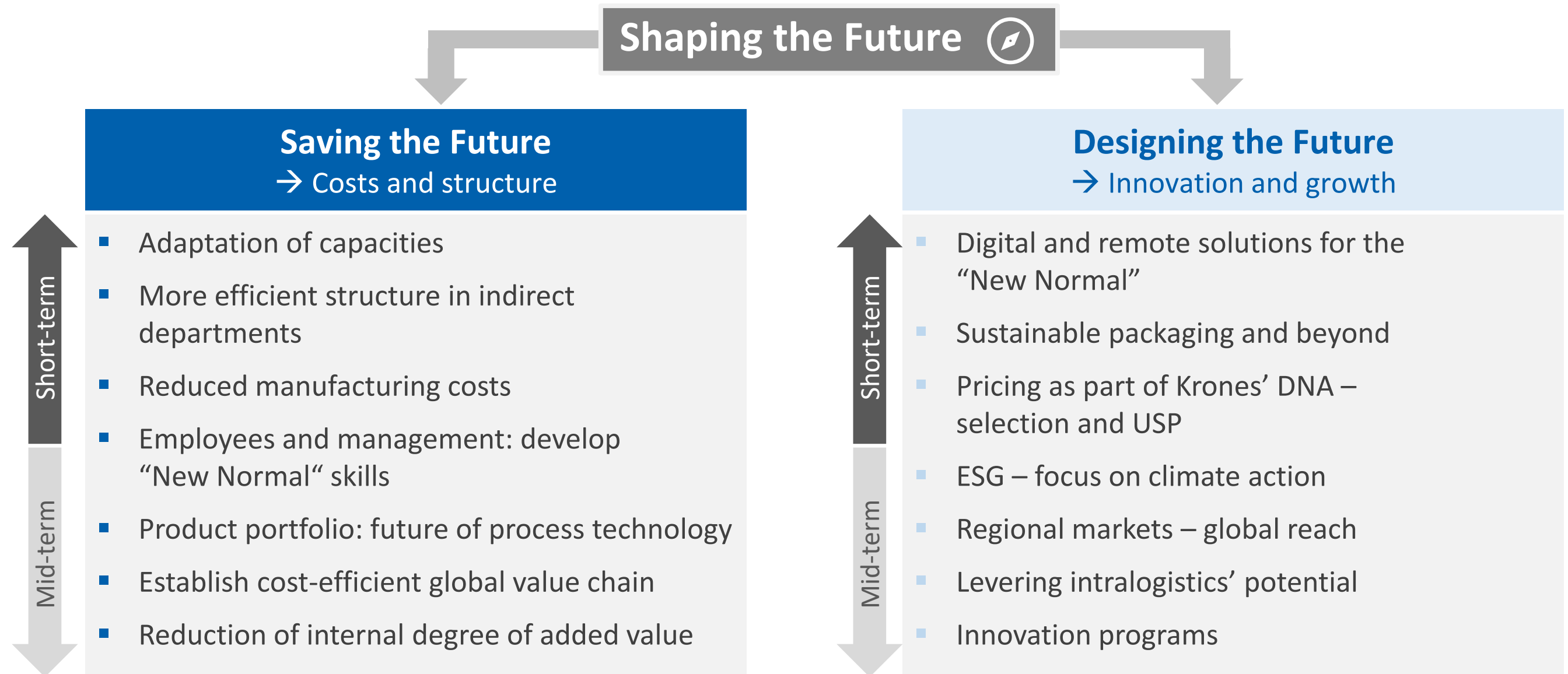


Despite 70 years of heritage:  
**Krones leads the way from old economy to a modern tech company.**





## Our strategy for shaping Krones' future → Recap of CMD November 2020

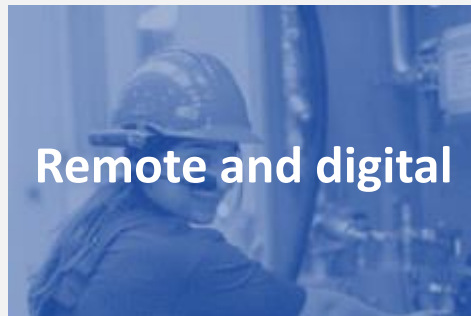






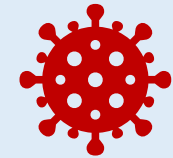
# Welcome to Krones in the New Normal → Recap of CMD November 2020

## Observations in November 2020



## Reassessment in November 2021

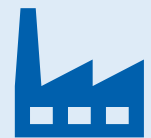
COVID-19 repercussions are still relevant, especially with regards to tense **supply chains!**



Long-term growth fundamentals have a new dimension: **Decarbonization**



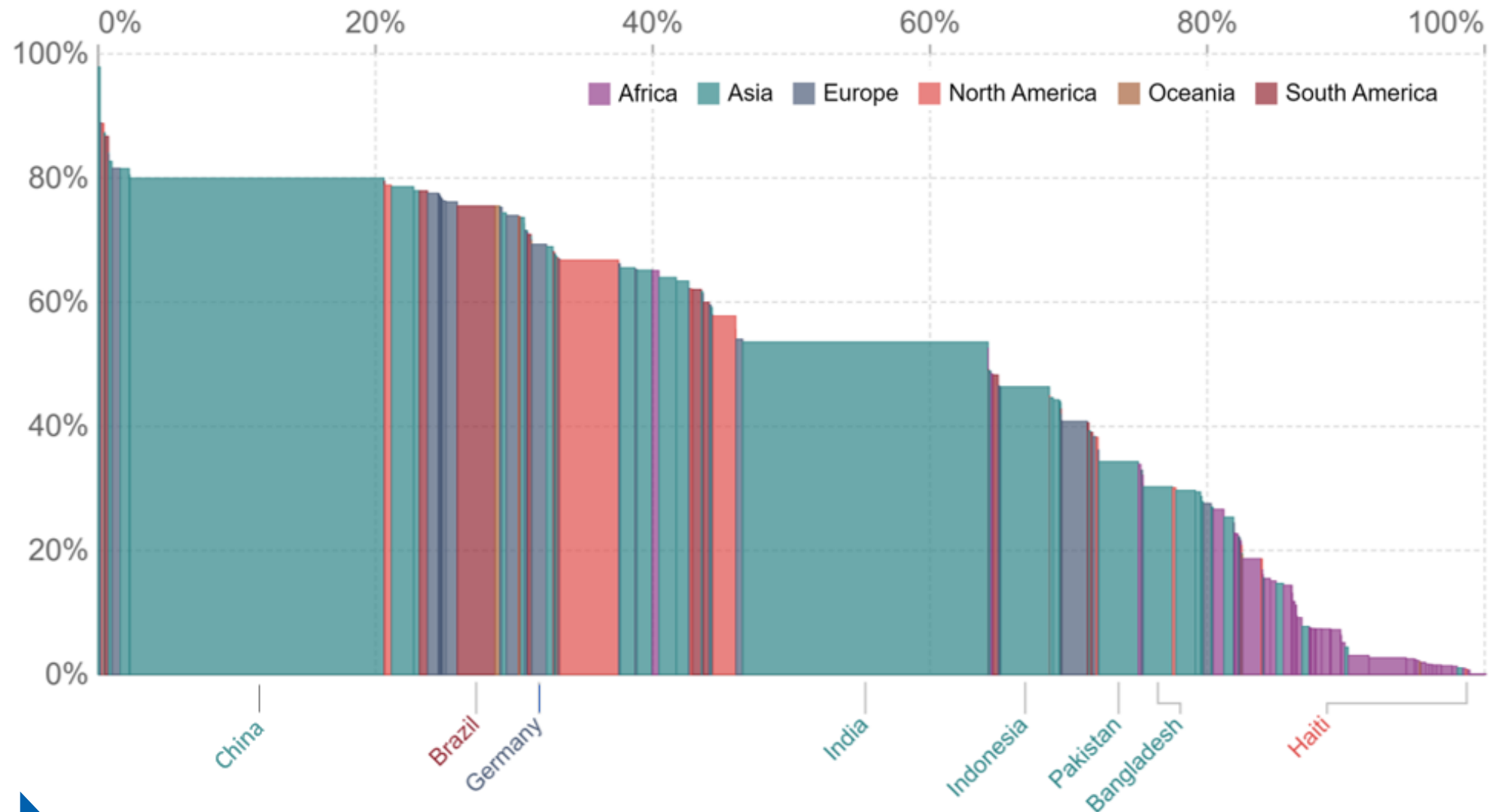
Krones setup for **“New Normal”** is strong and we will strengthen it further





# From a global perspective, COVID-19 is not over yet

## Percentage of population with at least one vaccine jab



CC-BY ourworldindata.org | 11/11/2021



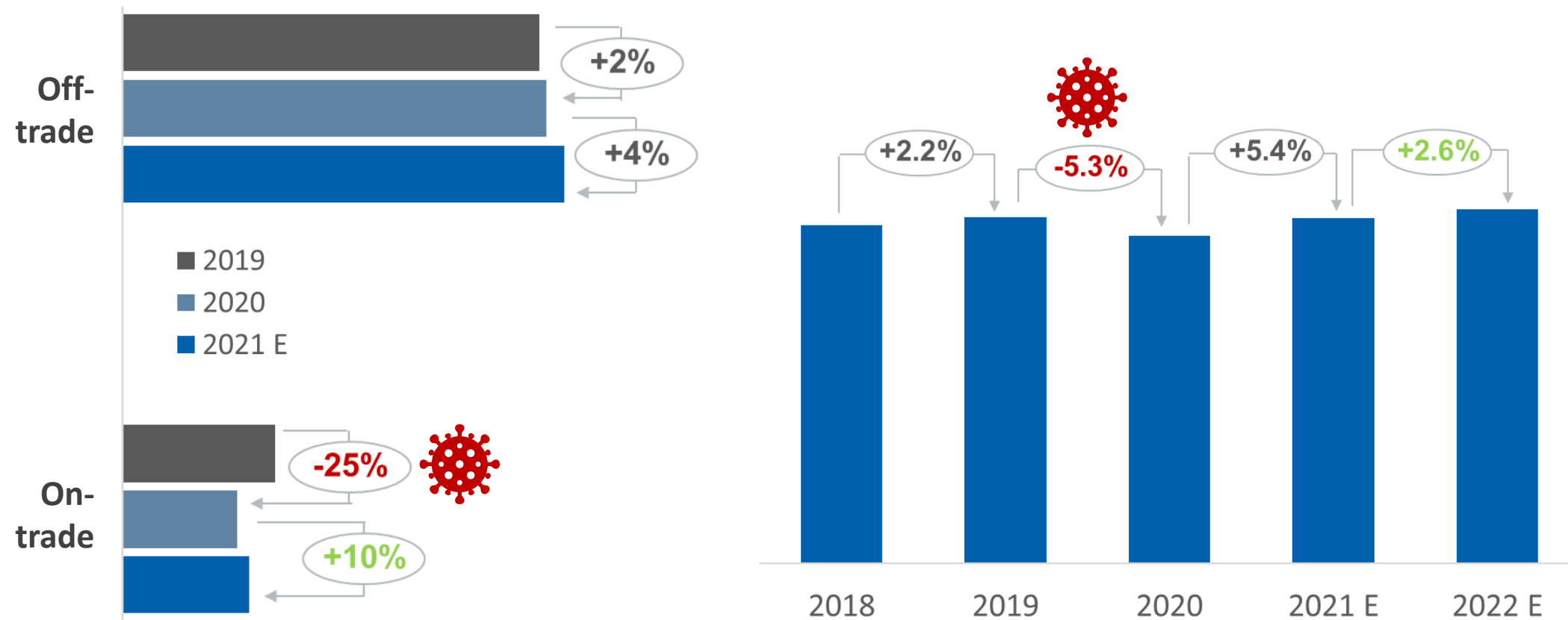
So far, about 50% of global population received at least one COVID-19 jab.





# 2021: growth in beverage consumption despite lasting pandemic

## Consumption volume in litres



Off-trade sales remain strong, while on-trade is recovering.

Projections suggest, that in 2022 beverage consumption will overtake 2019 levels.







# The beverage industry is recovering, but it won't be the same

## Sales channels



### Reopening of on-trade

Driving OOH consumption while at-home volumes remain robust



### Acceleration of e-commerce

Strong performance of D2C business and delivery platforms

## New products and pack formats



### Beer from keg to can

In-home drinking led to beer being canned instead of supplied in kegs



### Secure legal framework PET

The pandemic is bringing back the advantages of plastic packaging



### Hard seltzer & alcoholic RTDs

New at-home occasions for healthier indulgence



### Focus on health & natural topics

Accelerating demand for healthy and sustainable products



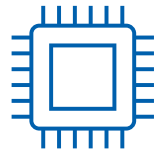


# Supply chain shortages jeopardize economic rebound



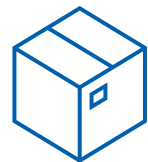
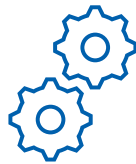
**Chip shortage expected to cost auto industry  
\$110 billion in revenue in 2021**

CNBC, 14<sup>th</sup> May 2021



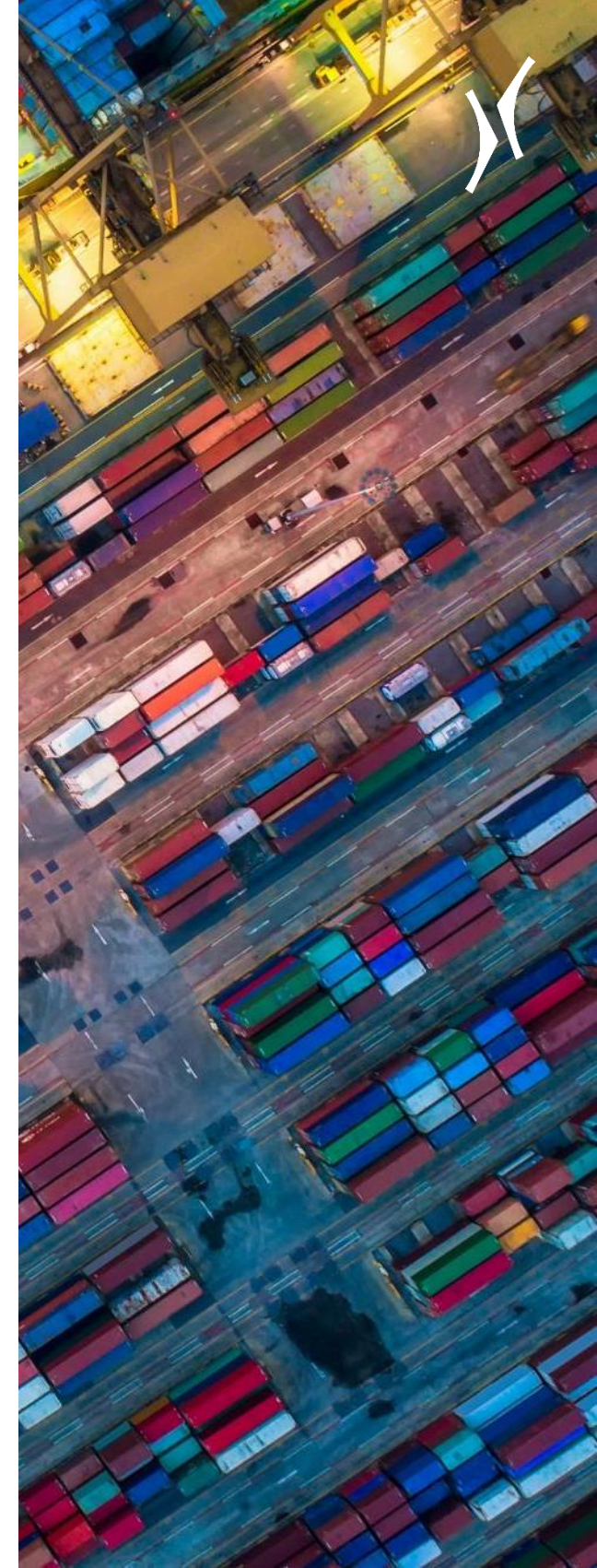
**The World Economy's Supply Chain  
Problem Keeps Getting Worse**

Bloomberg, 25<sup>th</sup> August 2021



**Eurozone business activity stutters as  
supply chain woes intensify**

Financial Times, 22<sup>nd</sup> October 2021



# Digitalization is now fundamental for every business



According to McKinsey, the adaptation of digital customer interaction was **accelerated by 3 years** globally through the COVID-19 pandemic.



Krones ensured uninterrupted operations despite lockdowns by commissioning **over 30% of projects remotely** to mitigate travel restrictions.



NYSE FANG+ stocks comprising companies such as Alphabet, Amazon and Netflix saw an **increase in market cap by 130%** since the beginning of 2020.

## Sources

<https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/how-covid-19-has-pushed-companies-over-the-technology-tipping-point-and-transformed-business-forever>

[https://www.marketwatch.com/investing/index/nyfang/charts?countrycode=xx&mod=mw\\_quote\\_advanced](https://www.marketwatch.com/investing/index/nyfang/charts?countrycode=xx&mod=mw_quote_advanced)

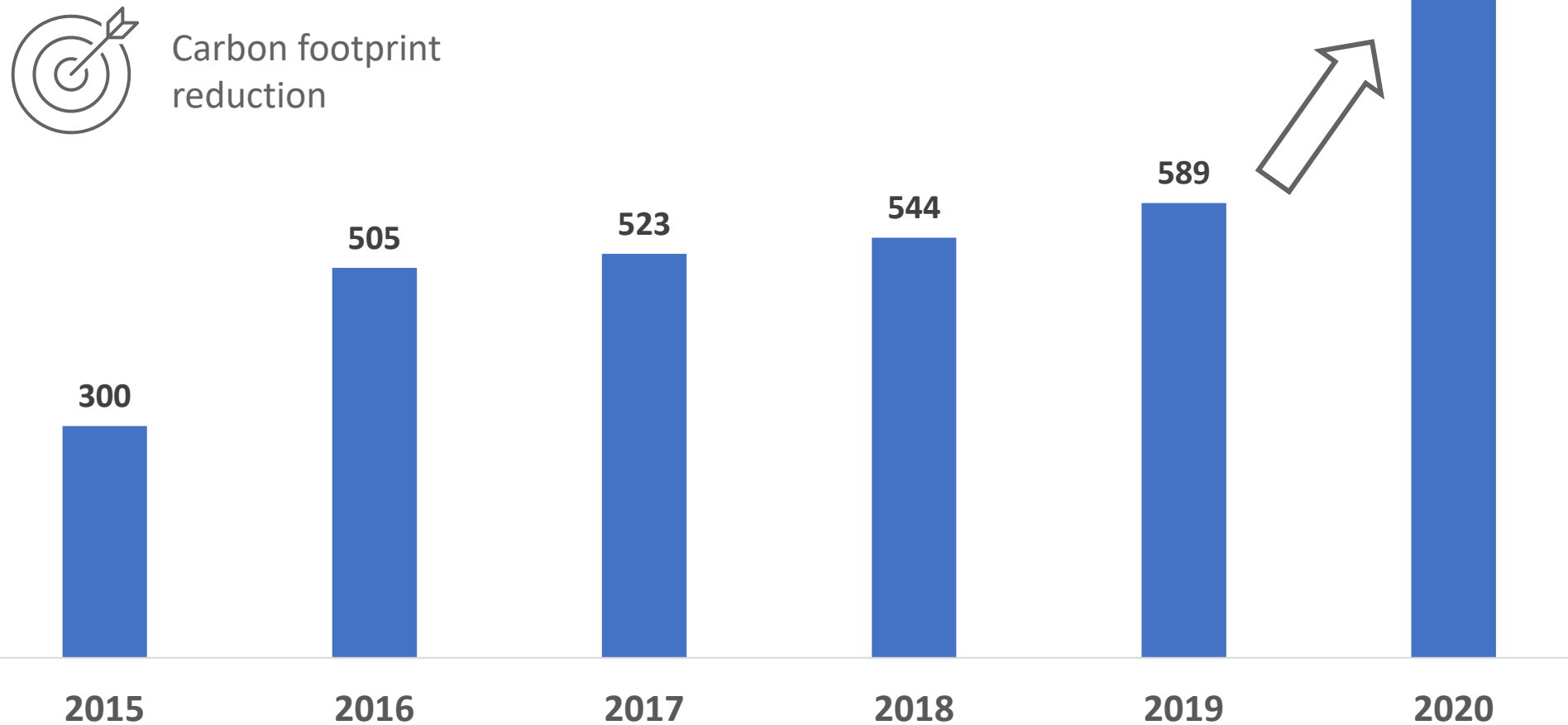






# Corporate consensus about urgency of climate change

## Decarbonization targets of publicly listed companies

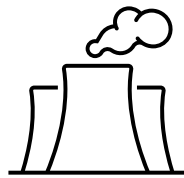


Number of MSCI ACWI constituents that had official carbon reduction targets by Jan 5<sup>th</sup>, 2021  
(Total number of constituents: 2,979)

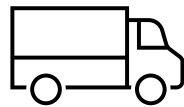




# How priorities of our customers and Krones have changed



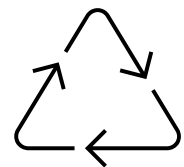
Agenda on climate change



Supply chain objective



Digital operating and business models



Circular packaging solutions

## Pre-pandemic

“can have”

just-in-time

desirable

committed

## New Normal

“must have”

in stock

essential

delivered



# Agenda



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- New financial targets 2025
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## Krones contributes to solving three major Challenges for Humanity



- Reduce CO<sub>2</sub> in operations
- Energy-efficient enviro solutions
- Reduce food waste




- Reduce food waste (again)
- Reduce process losses
- Alternative protein solutions



- Enable recyclable packaging
- Provide recycling solutions
- Embrace circular economy




## Krones contributes to solving three major Challenges for Humanity



### Climate change

- Reduce CO<sub>2</sub> in operations
- Energy-efficient enviro solutions
- Reduce food waste



### Feeding the world

- Reduce food waste (again)
- Reduce process losses
- Alternative protein solutions



### Plastic littering

- Enable recyclable packaging
- Provide recycling solutions
- Embrace circular economy





# Climate Action is inevitable to avoid irreversible Damage

Annual global greenhouse gas emissions  
in gigatonnes of carbon dioxide-equivalents

150 Gt

100 Gt

50 Gt

Greenhouse gas emissions  
up to the present

0

1990 2000 2010 2020 2030 2040 2050 2060 2070 2080 2090 2100

**No climate policies**

4.1 – 4.8 °C

→ expected emissions in a baseline scenario if countries had not implemented climate reduction policies.

**Current policies**

2.7 – 3.1 °C

→ emissions with current climate policies in place result in warming of 2.7 to 3.1°C by 2100.

**Pledges & targets (2.4 °C)**

→ emissions if all countries delivered on reduction pledges result in warming of 2.4°C by 2100.

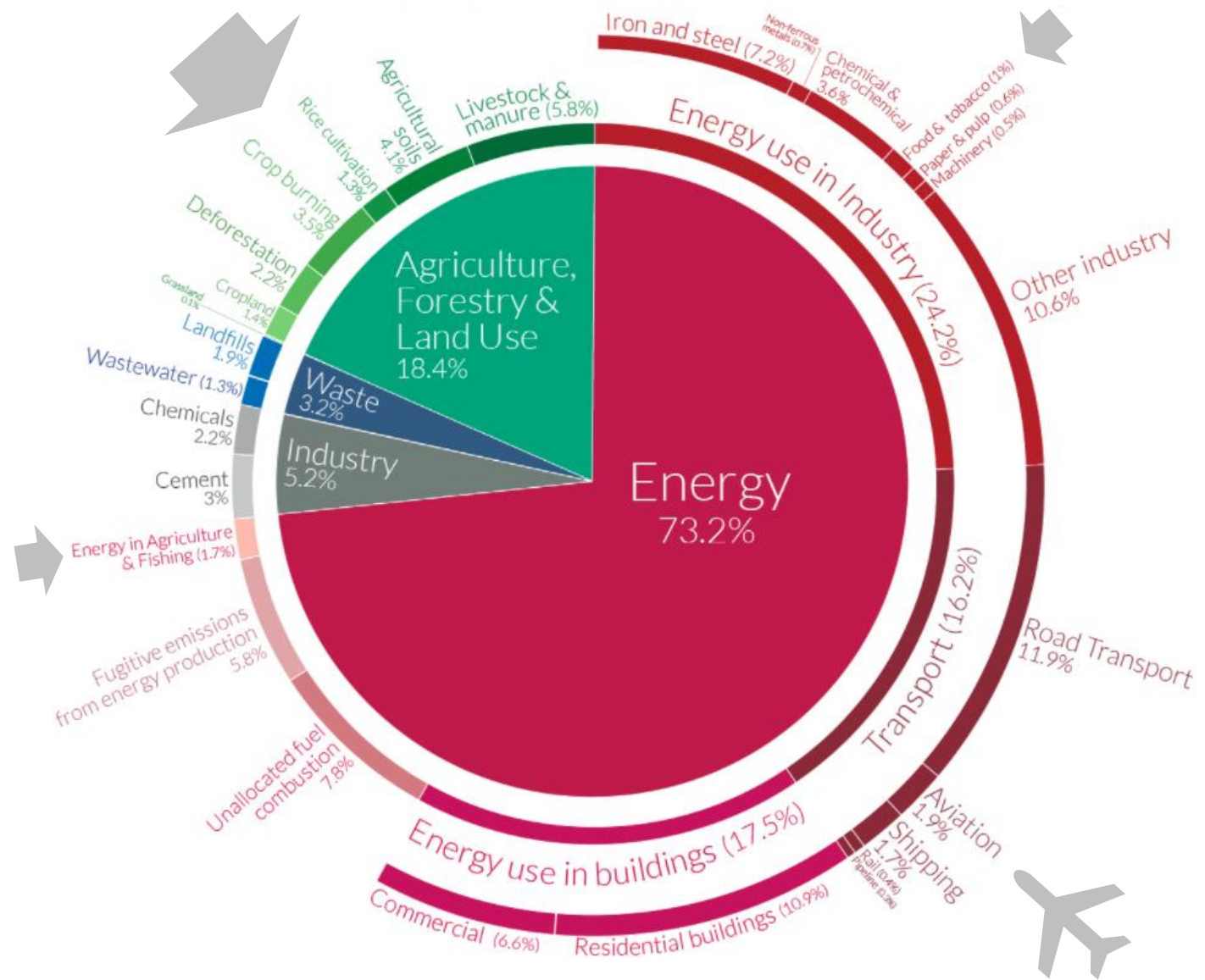
**2°C pathways**

**1.5°C pathways**





# Food and beverage production accounts for >20% of all emissions



CC-BY ourworldindata.org Hannah Ritchie  
Data: World Resource Institute 2021

CC-BY ourworldindata.org Hannah Ritchie  
Data: Crippa et. al. 2021







# Customer Perspective: Coca-Cola Europacific Partners Case Study

## THE AMBITION

# NET ZERO BY 2040

## AND SCIENCE

**IS SHOWING US THE WAY**

Science tells us that it is possible to limit global temperature increase to 1.5°C if we take action NOW.

We'll do this by setting a science-based target\* to further reduce our GHG emissions and reach a Net Zero future by 2040.

\*Coca-Cola European Partners is working with the Science Based Targets initiative, a leading scientific partnership that's helping businesses to set GHG emission reduction targets.

## THE PLAN

# WE NEED ACTION ON CLIMATE NOW

IN THE LAST DECADE WE'VE CUT GHG EMISSIONS BY 30.5% AND WANT TO CUT GHG EMISSIONS BY A FURTHER 30% BY 2030



ON THE PATH TO ZERO WE BELIEVE WE MUST

# REDUCE FIRST

WE WON'T OFFSET OUR WAY TO ZERO.

We could get there by offsetting, but we have chosen to focus first on reducing our own emissions. From the ingredients we source and packaging we use, to the drinks we sell.

Once we can't reduce any further, we'll invest in certified mechanisms that remove GHG emissions from the atmosphere.

## WE MUST UNITE WITH OUR SUPPLIERS



Because 90% of our emissions are created by our suppliers, we are asking them to:

1. Set science-based targets.
2. Use 100% renewable electricity.

## THE ACTIONS



### MORE RECYCLED PLASTIC

We will continue to increase the amount of rPET in our packaging.

This will deliver a 17% reduction in our PET carbon footprint over the next three years.



### MORE LIGHTWEIGHT PACKAGING

We'll continue to reduce the weight of our aluminum cans. The lighter packaging results in a lower carbon footprint and makes the transportation system more efficient.



### MORE EFFICIENT COOLERS

We will continue to ensure that newly purchased coolers remain HFC free, and replace less efficient coolers with more efficient models.



### MORE PACKAGE-LESS TECH

We are working to invest and innovate in refillable and dispensed delivery models, which will help us eliminate packaging waste and lower our carbon footprint.



### FUTURE FOSSIL FREE FACTORIES

Continue to reduce our energy use in our factories, and shift to renewable energy sources.

Six manufacturing sites to become carbon neutral by end 2023.



### MORE ELECTRIC VEHICLES

We will shift to electric vehicles (EVs) / hybrids for our company cars and vans.

Electric vehicles can also be charged using 100% renewable electricity.

## MAKING IT HAPPEN

### WE HAVE A 3 YEAR ACTION PLAN AND WE MEAN BUSINESS

A serious issue backed by serious intent. We've got a concrete three-year plan, supported by a €250m investment and a long-term incentive plan spurring our leaders forward. We will voice our support for our planet, advocating for a low carbon future.



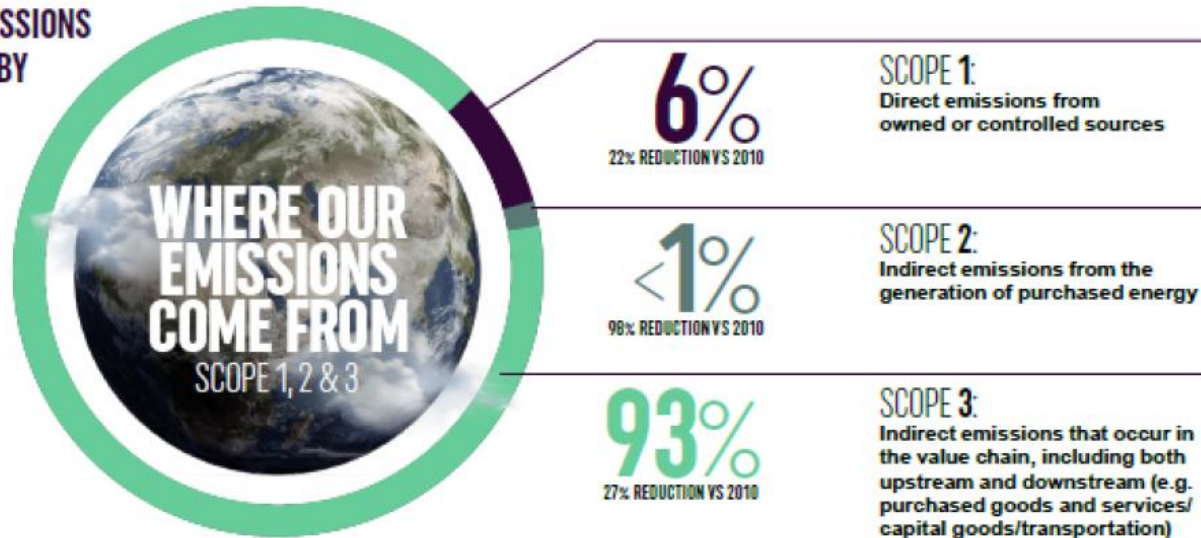




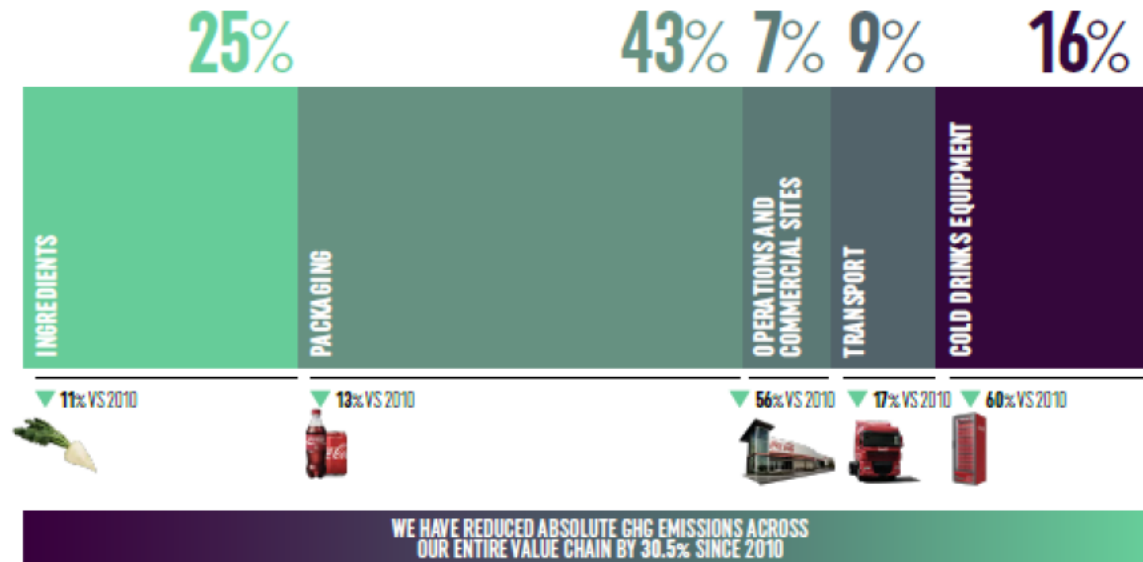
# Customer Perspective: Coca-Cola Europacific Partners Case Study

## OUR 2019 GHG EMISSIONS

2019 GHG EMISSIONS  
BREAKDOWN BY  
SCOPE



2019 GHG EMISSIONS  
BREAKDOWN –  
VALUE CHAIN



## REDUCE EMISSIONS BY 30% BY 2030

We'll reduce absolute scope 1, 2 and 3 GHG emissions by 30% by 2030 (vs 2019)\*. This target has been approved by the [Science Based Targets Initiative \(SBTi\)](#) as being in line with a 1.5°C pathway.

Our focus will be to reduce GHG emissions across our entire value chain: ingredients, packaging, operations and commercial sites, transport and cold drinks equipment.

This means we will reduce our scope 1 and 2 emissions as far as possible and do all we can to reduce our scope 3 emissions by working in partnership with our suppliers.

## MOBILISE OUR SUPPLIERS ON CLIMATE ACTION

We'll aim for 100% of our strategic\*\* suppliers to set science-based targets and use 100% renewable electricity by 2023.

We know that over 90% of our GHG emissions are scope 3 emissions, so to achieve our net zero ambition, we need our suppliers to take bold action by:

- Setting science-based GHG emissions reduction targets by 2023
- Using 100% renewable electricity across their operations by 2023
- Sharing their carbon footprint data with us

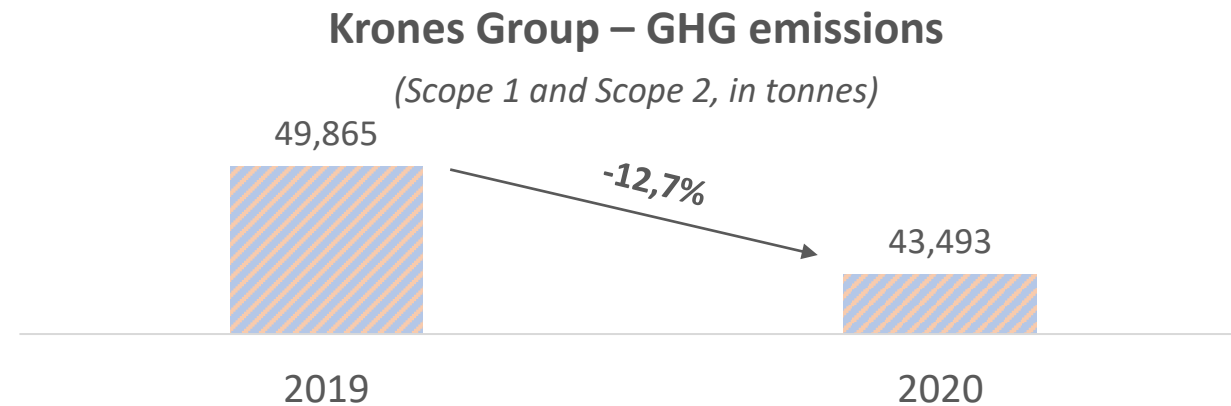
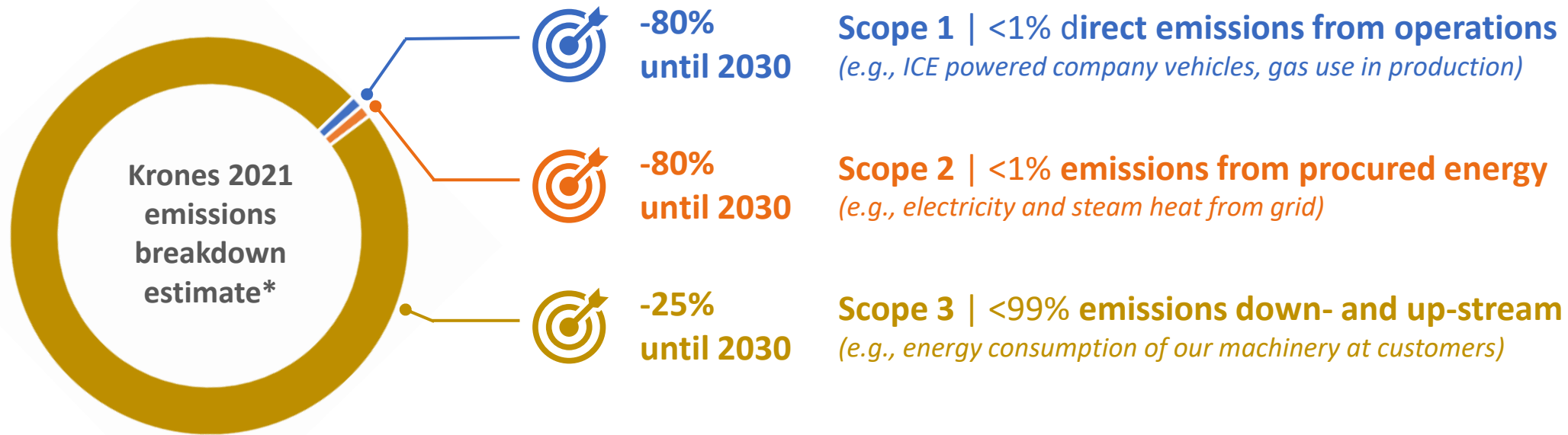
Around 100 of our suppliers create over 90% of our scope 3 emissions. Now, more than ever, we must work together.







# Krones carbon footprint targets reflect our customers' ambitions



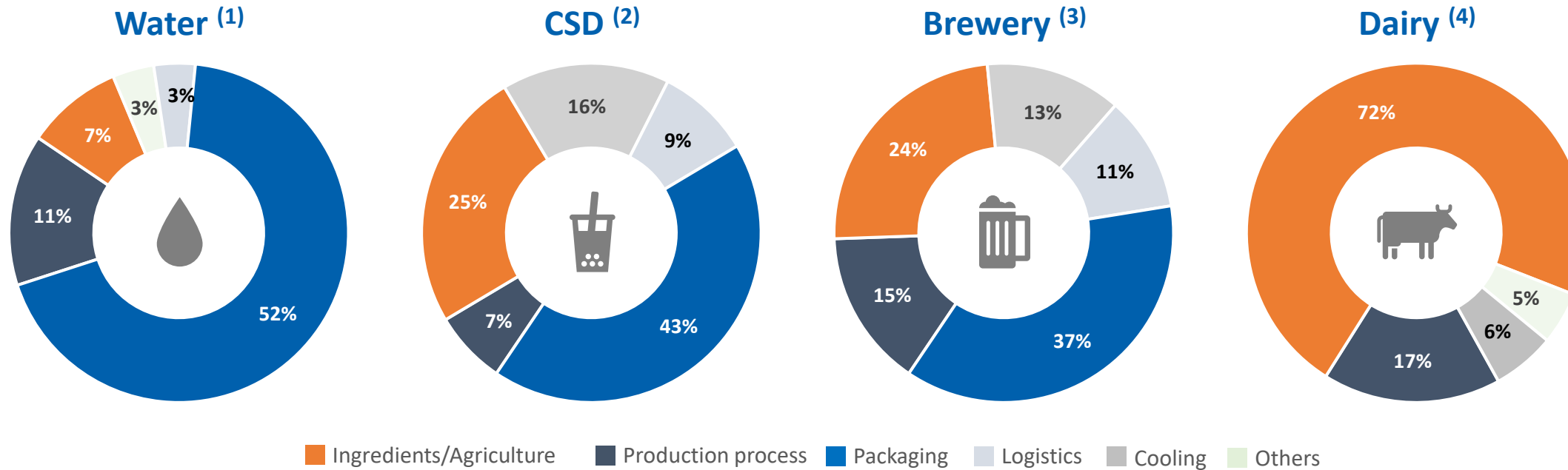
**We continuously reduce our carbon footprint. Improving our solutions lowers Scope 3 emissions, as machines typically remain in operation for more than a decade after commissioning.**

\*calculation based on Quantis Suite Scope 3 Evaluator





# CO<sub>2</sub> footprint breakdown by beverage category



**Ingredients**

- Better Solutions → **Less process losses**
- Better Packaging → **Less food waste**
- Better Proteins → **Less animal farming**

**Energy and media**

- Better equipment efficiency
- **Lower energy and media consumption**

**Packaging**

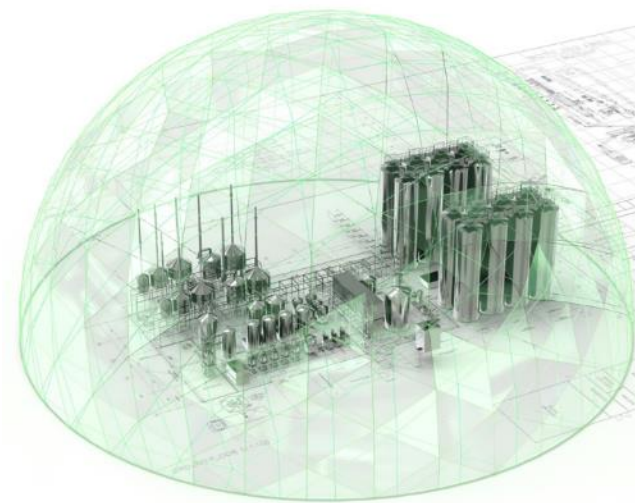
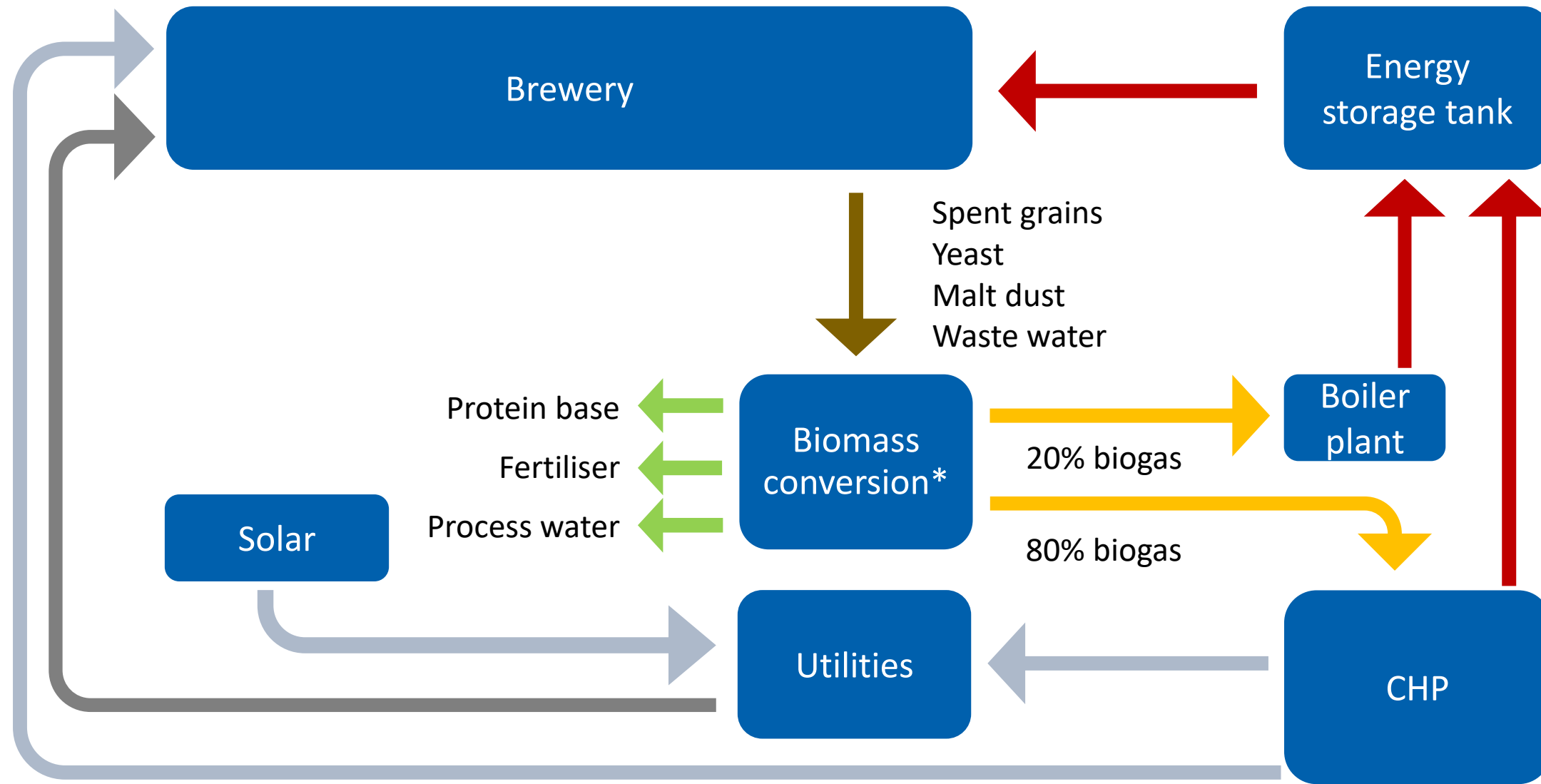
- Solutions for returnables → **Reuse**
- Lightweighting & innovation → **Reduce**
- Solutions for closed loop → **Recycle**

(1) Gerolsteiner Brunnen GmbH & Co. KG (2) Coca-Cola Europacific Partners; (3) Own illustration from CSR Reports Breweries; (4) THOMA, G., et al 2013;





# Energy self-sufficient brewing: Steinecker Brewnomic targets zero carbon



■ Heat   ■ Electricity   ■ Media

\* Innovative concept in the test phase



## Krones contributes to solving three major Challenges for Humanity



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- Reduce food waste (again)
- Reduce process losses
- Alternative protein solutions

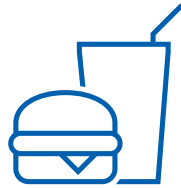


- Enable recyclable packaging
- Provide recycling solutions
- Embrace circular economy





# One third of all food is wasted globally



Global average food waste per capita and day: **527 calories**<sup>1</sup>

527 calories represent ~25% of the recommended energy intake per day<sup>2</sup>



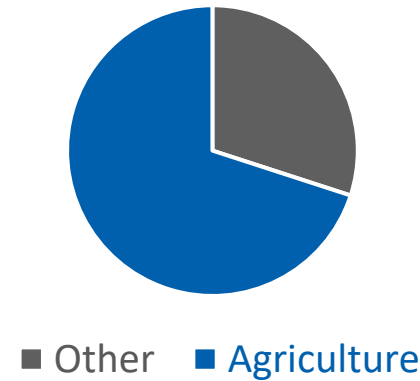
**6.7% of global GHG-emissions** are attributable to food waste

6.7% represents approximately 3 gigatons of CO<sub>2</sub> equivalent<sup>3</sup>



Preventable excess use of **water, soil, fertilizer and energy**

Agriculture accounts for ~70% of the globally freshwater resource usage<sup>4</sup>



Sources

<sup>1</sup> Bloomberg. (2020). Food Waste Is Worse Than We Thought and the Rich May Be to Blame.

<sup>2</sup> Deutsche Gesellschaft für Ernährung e.V. (2020). / Value for an average adult male/female.

<sup>3</sup> FAO – Food and Agriculture Organization of the United Nations. (2013).

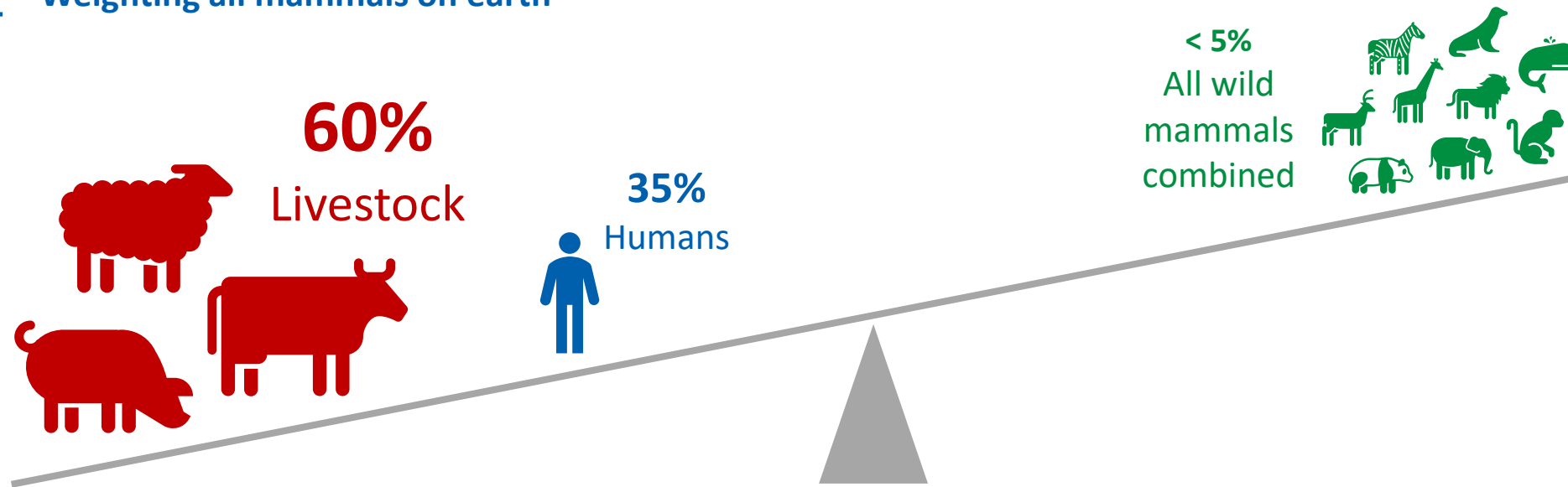
<sup>4</sup> Citibank. (2017). Solutions for the global Water Crisis.





# More animals are being fed than humans – can we afford this?

 **Weighting all mammals on earth**



 **Counting the planet**



**Animal husbandry has shaped our planet more than any other anthropogenic technology.**  
**Rapid technological progress in alternative proteins may change this forever!**

**Quellen**

<https://www.weforum.org/agenda/2019/02/chart-of-the-day-this-is-how-many-animals-we-eat-each-year>

<https://www.theguardian.com/environment/2018/may/21/human-race-just-001-of-all-life-but-has-destroyed-over-80-of-wild-mammals-study>







# Case study alternative proteins: oat yogurt for Russian market

## Sady Predonia Nemoloko Oat Yogurt

Spoonable, dairy-free yogurt products in several flavors with consistent taste and mouthfeel



Our solution: a turnkey processing line by  MILKRON



Initial hydrolyzation of starch



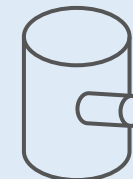
Preparation and mixing of ingredients



Controlled yogurt fermentation



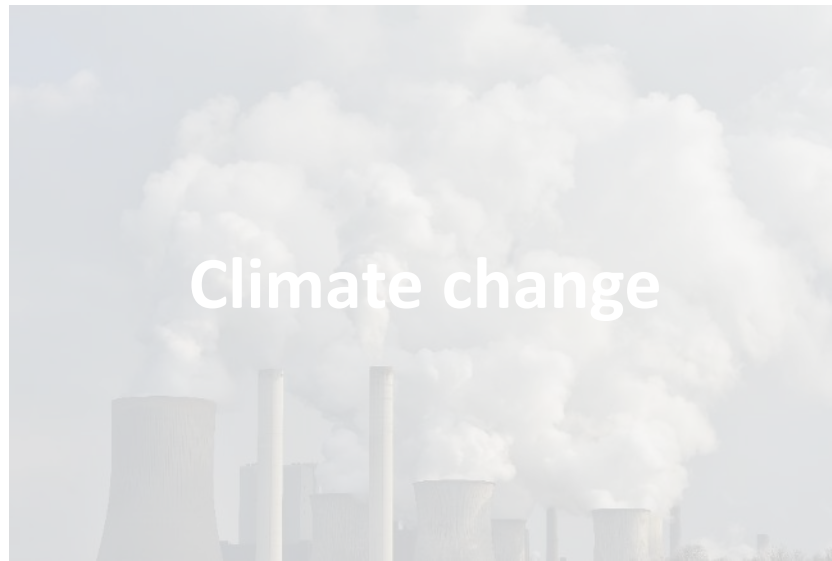
Optimized heat treatment



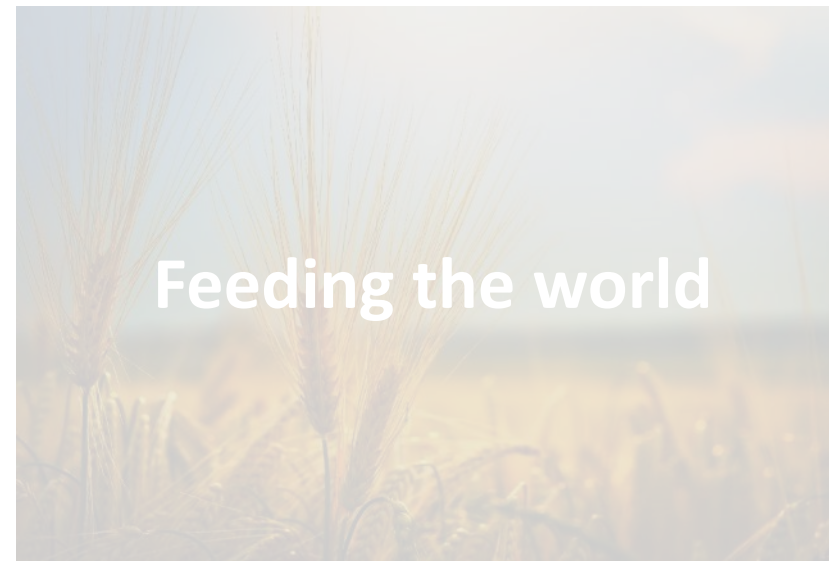
Storage, piping, and automation



## Krones contributes to solving three major Challenges for Humanity



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- Enable recyclable packaging
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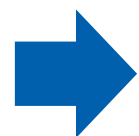
## Why global action on unmanaged plastic littering is essential



**8 million tons of plastic waste end up unmanaged as marine litter every year<sup>1</sup>**



**That's about 1 kg for every person worldwide!**

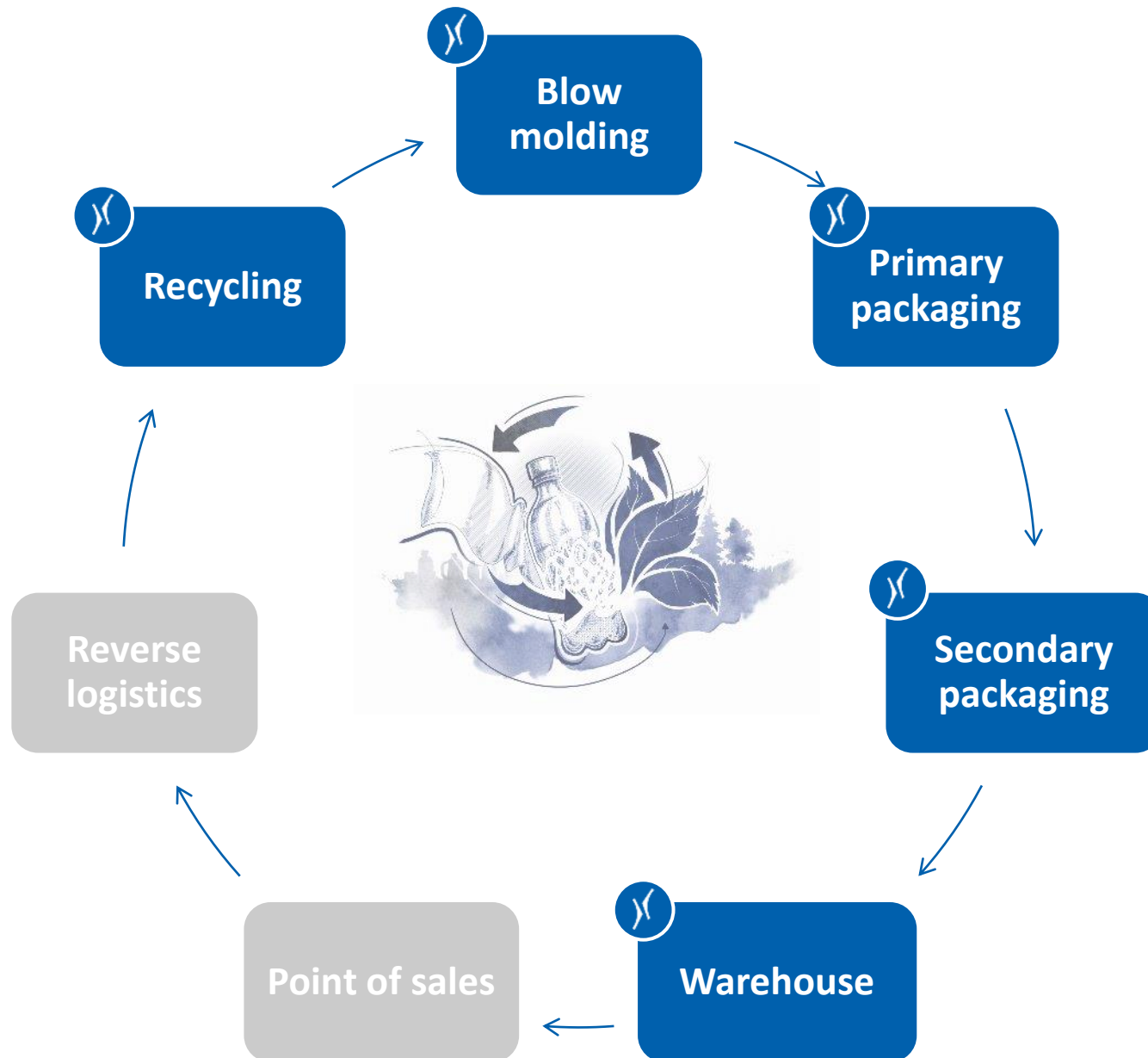


**Our customers and Krones understand the challenge and are working hard to solve it!**

1) Source: Jambeck et. al. 2015



# Krones enables true Bottle-to-Bottle Circular Packaging



Krones is the only company with full bottle-to-bottle scope of solutions!



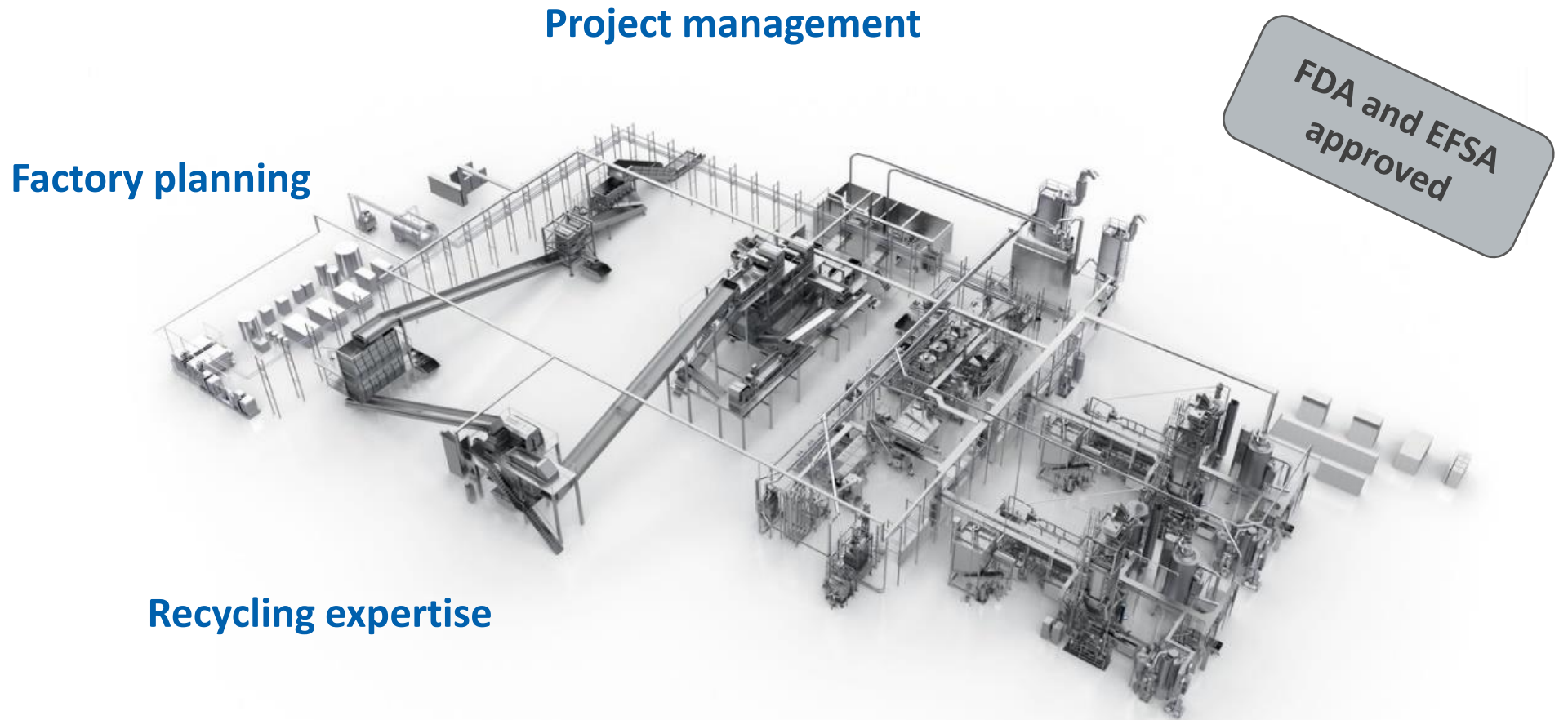



# Video Clip rPlanet Earth





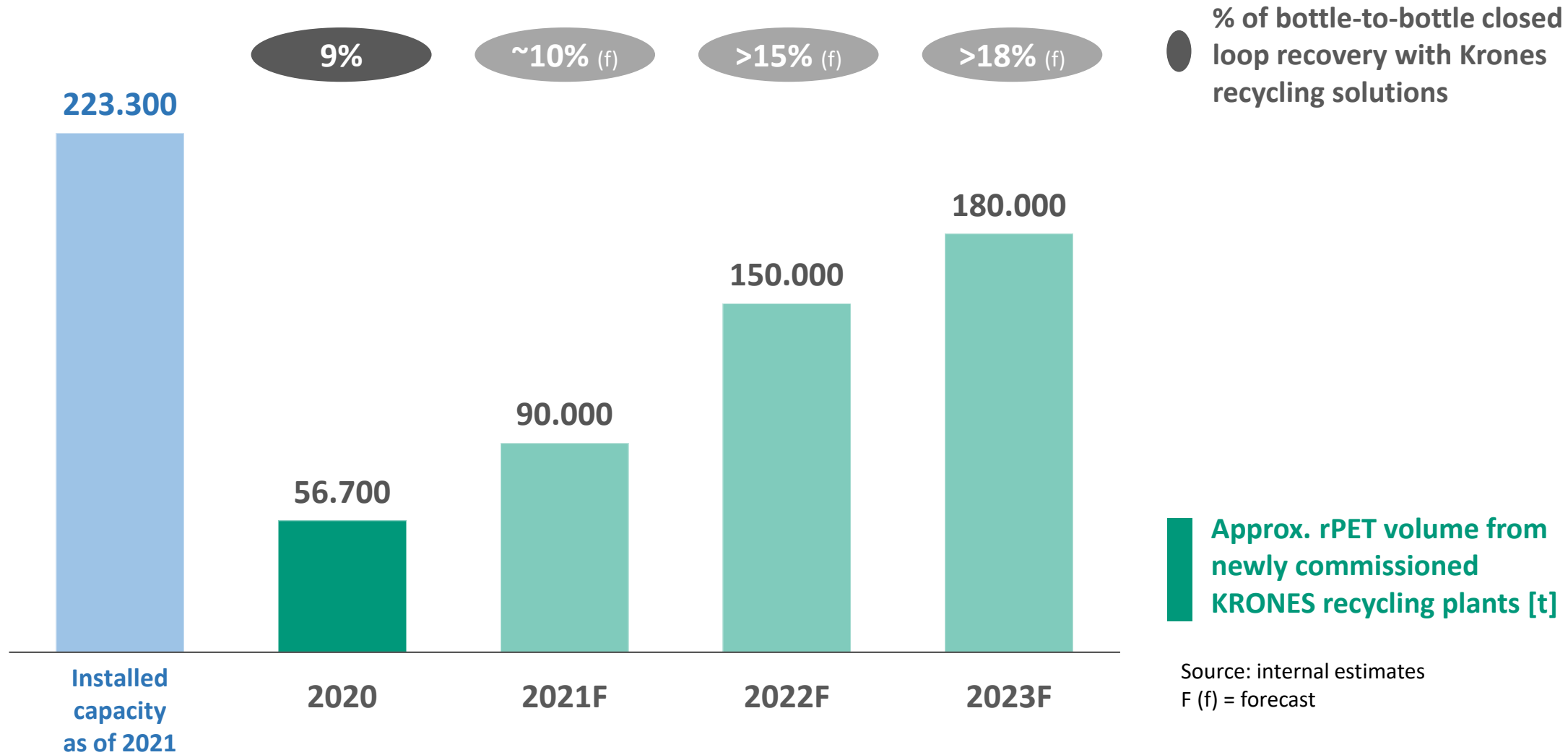
# Krones One-Stop-Shop Solution for Plastic Recycling Plants



 Krones provides food-grade PET recycling solutions for bottle-to-bottle loops.



# What if we recycled every PET bottle leaving our new lines ...?



If our recycling solutions recover ~18% of all PET produced by new Krones lines in 2023, we can reasonably assume ~33% CAGR (2020 – 2023) for our recycling solutions!





Sustainability @ Krones

**Our commitment at a glance**







# Krones' goals for sustainable development through 2030

## Ethics

- Pursue a **zero-tolerance policy** with respect to compliance and human rights violations.
- Increase the **material efficiency** and sustainability of our raw materials.
- Evaluate 100% of our **critical suppliers** against sustainability criteria.

## Employees

- Motivate our employees to do their best work by offering an **attractive working environment** with plenty of opportunity for personal development.
- Step up our efforts to **promote diversity** in our workforce.
- Reduce the number of **work-related accidents** and resulting lost days by 30%.

## Market

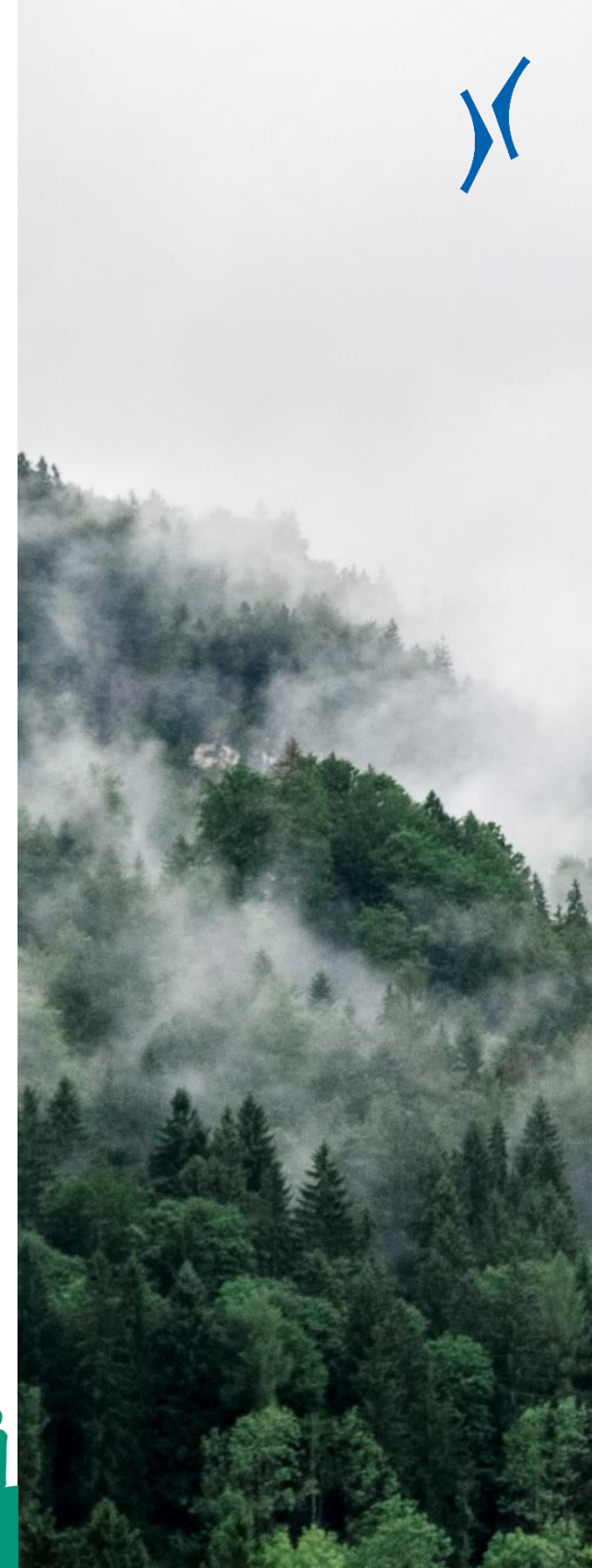
- Bring our products' **energy and media consumption** to the lowest possible level.
- Enable our customers to achieve **zero waste** production.
- Contribute to a **sustainable packaging** economy.

## Environment

- Reduce our **corporate carbon footprint** (scope 1 and scope 2) by 80% (baseline: 2019).
- Reduce our **product carbon footprint** (scope 3) by 25% (baseline: 2019).
- Reduce both hazardous **waste generation** and drinking water consumption by 10%.

## Society

- Give 0.01% to 0.02% of our prior-year revenue back to stakeholders in the form of charitable **donations and sponsoring**.
- Ensure the **confidentiality, availability, and integrity** of our employees' and business partners' data.
- Establish a state-of-the-art **IT security** architecture for all Krones products.





# Krones Commitments to society and stakeholders

## UN sustainable development goals

*committed to UN Global Compact since 2012*



### SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION  
*committed to binding targets in 2020*

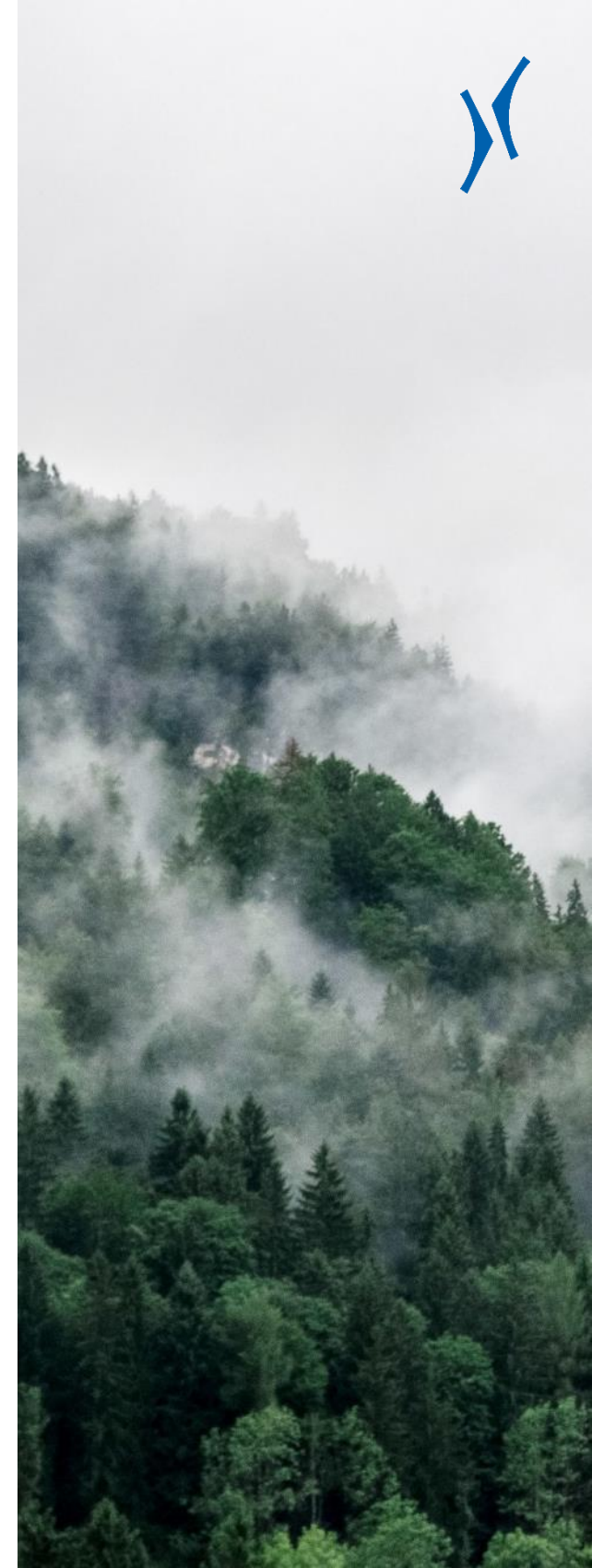


*committed to race to zero in 2021*



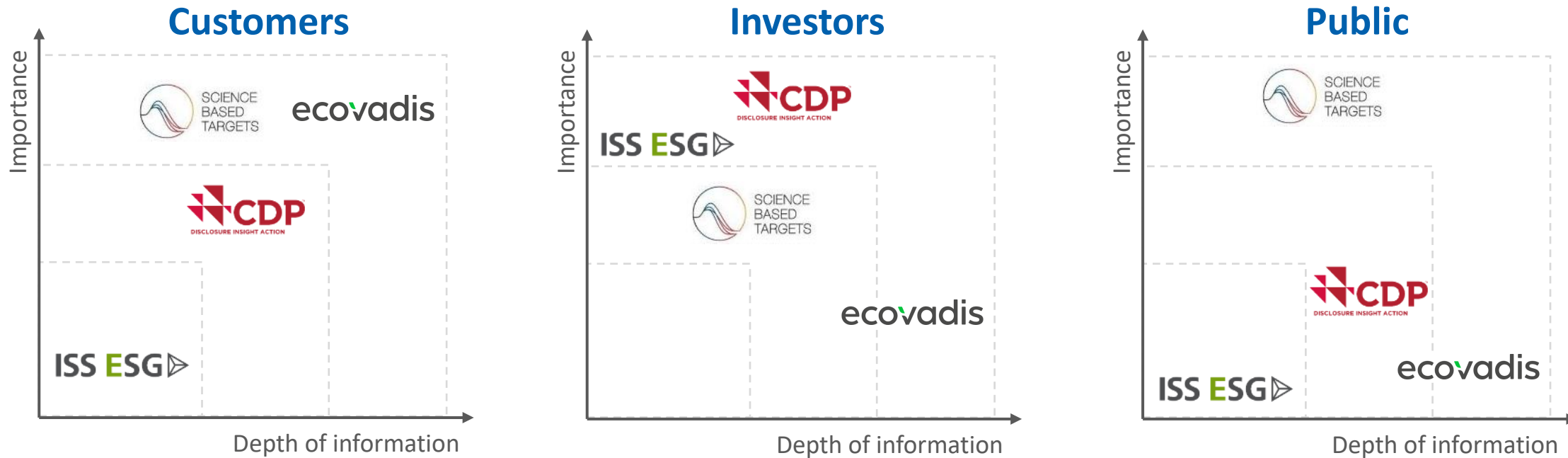
### European Circular Economy Stakeholder Platform

*committed to take action in 2020*





# Acknowledgement and certification of our sustainability efforts

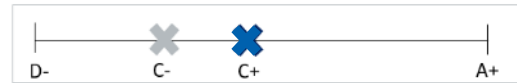


ecovadis

CDP  
DISCLOSURE INSIGHT ACTION

ISS ESG

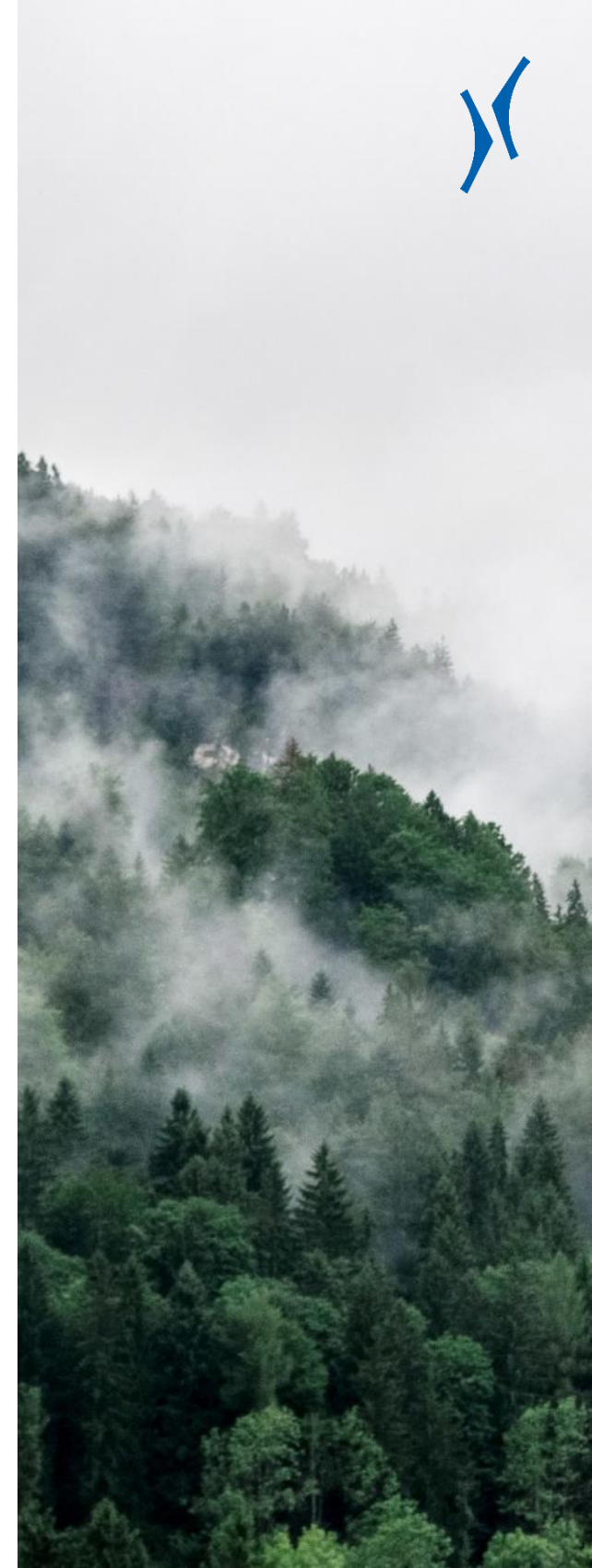
SCIENCE BASED TARGETS



One of 983 companies worldwide with officially validated Science Based Targets

**X** KRONES    **X** Industry

**➔** Krones is ranked higher than peers by most metrics; CDP is expected to improve shortly.





# Agenda



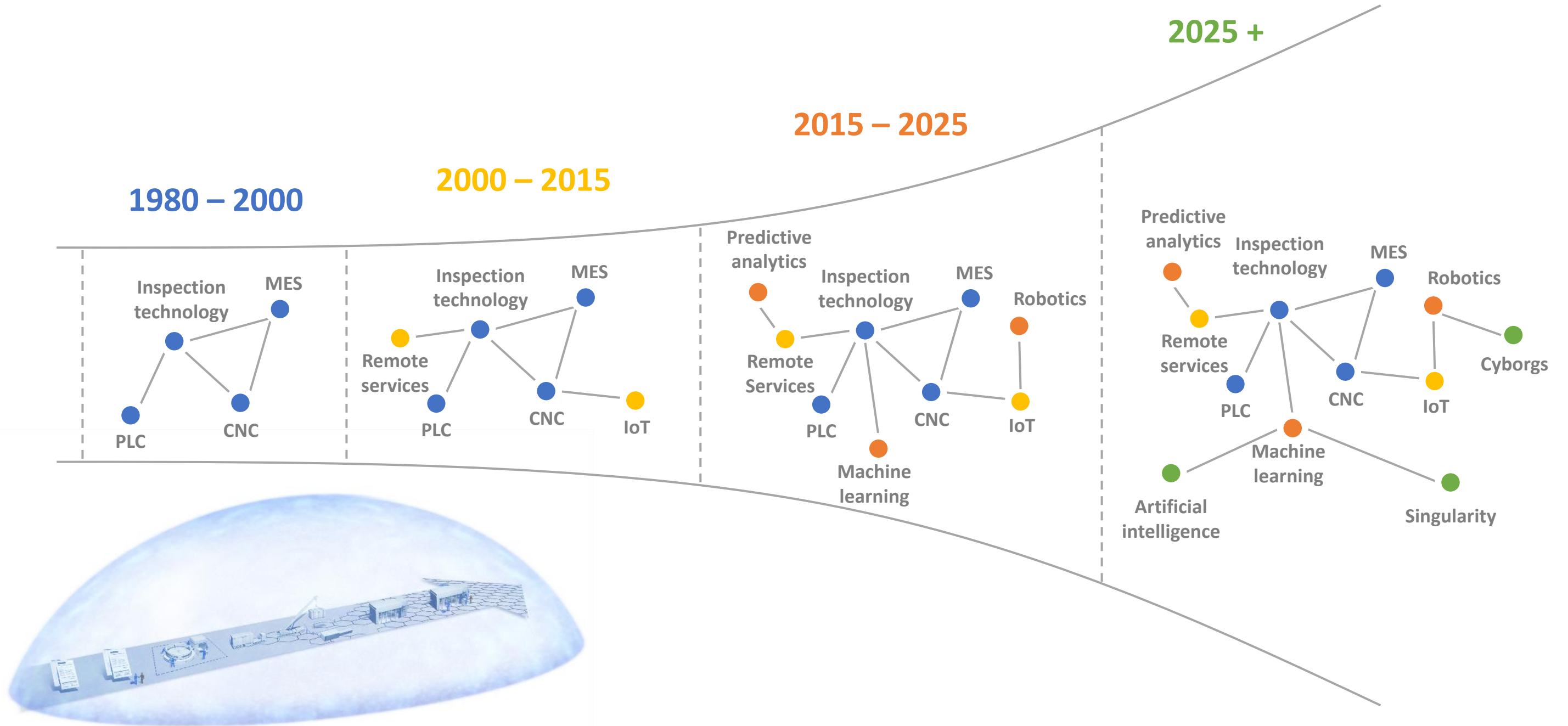
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# Video Clip Digitalization












# Landscape of applicable Technologies is evolving constantly

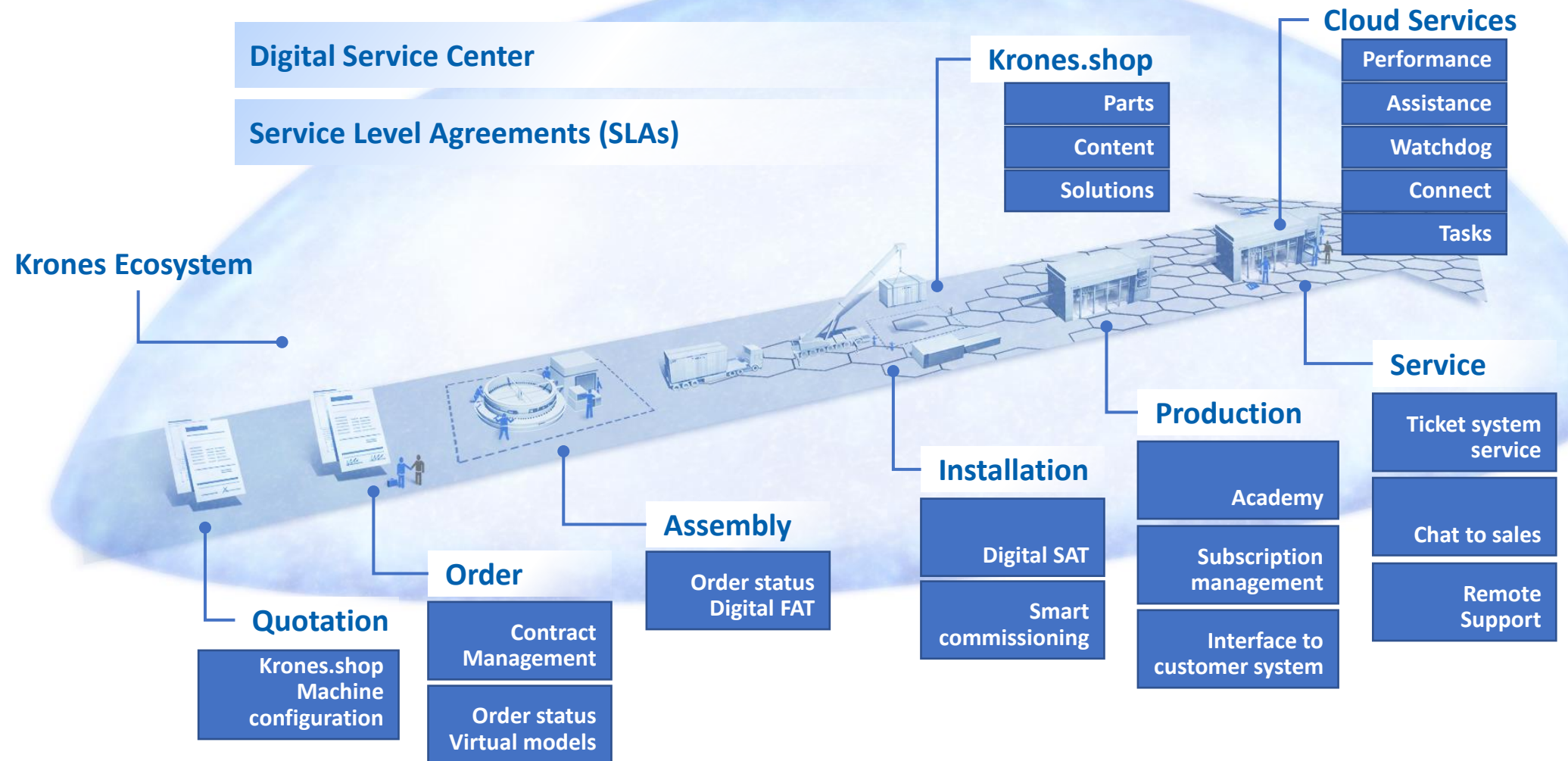













# Krones is making it simple: All digital customer services along the supply chain in one platform

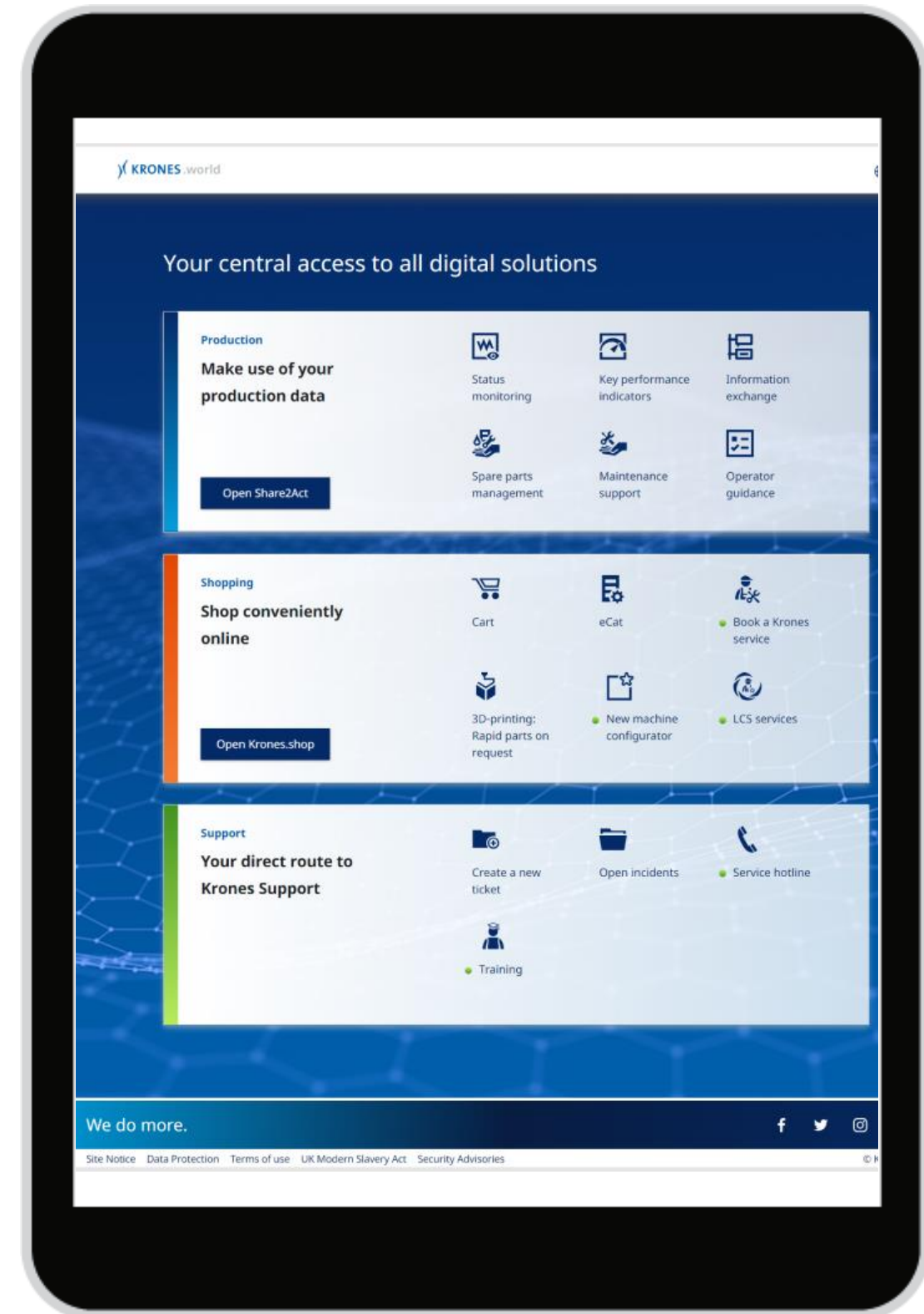
-  Personalized
-  Efficient transactions
-  Remote
-  Scalable
-  On demand
-  Artificial intelligence
-  Efficient operations





# Welcome to the KRONES.world

-  Access with Krones ID
-  The entire Krones Ecosystem in one platform
-  Bundling all existing Digital Services for customers
-  Krones IIoT system Share2Act inside
-  Krones.shop inside
-  Krones customer support inside
-  Continuously growing





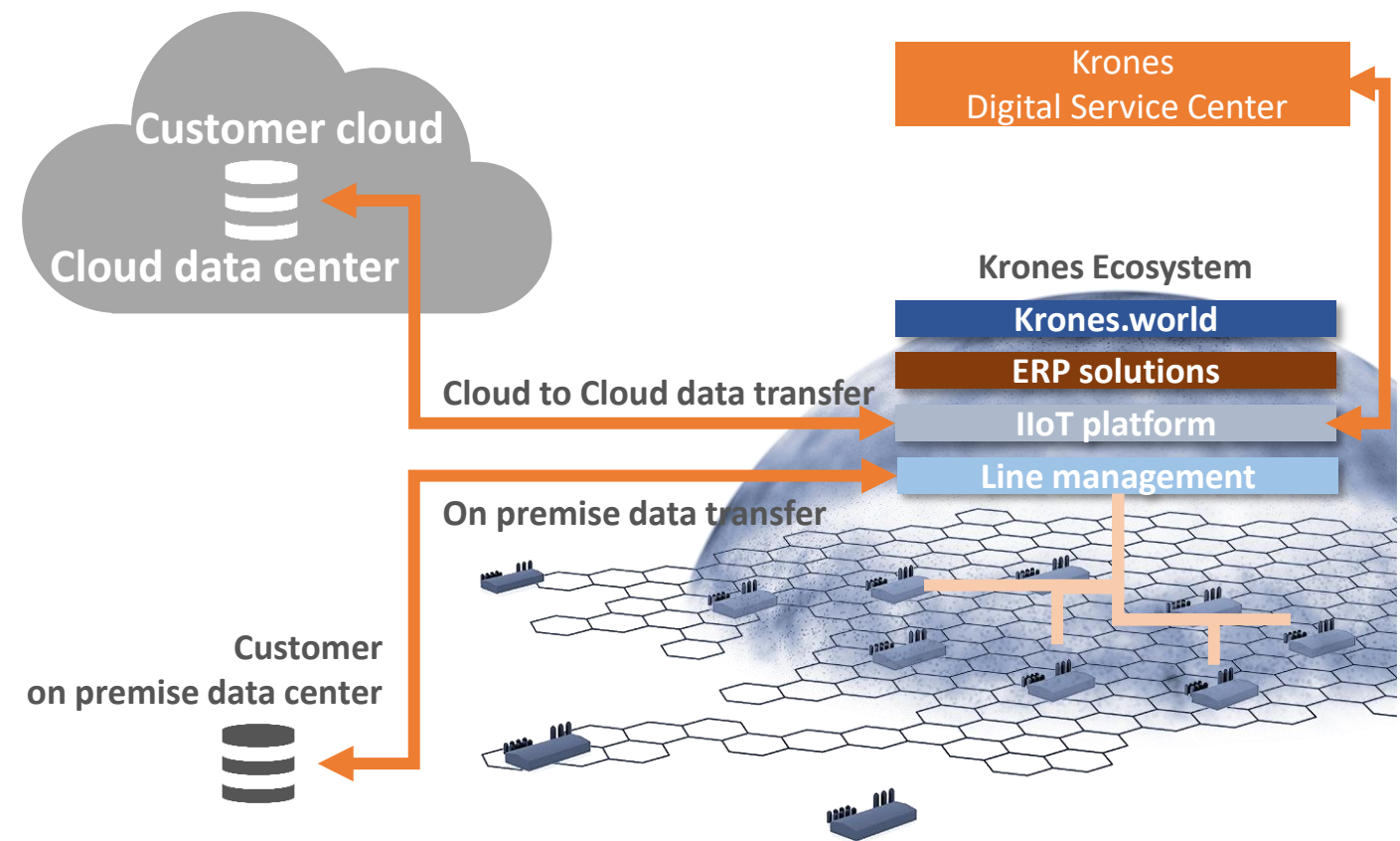
# Data Access is the key to leverage the benefits of **KRONES.world**

- All Krones lines equipped with **edge device** ReadyKit
- Connection to **customer cloud** and ERP systems
- Full range of services available if **connected with Krones**
- **30%** of new lines **connected** – increasing trend

Connected lines are creating big-data.

Big-data is creating scalable business intelligence.

Business intelligence is enabling profitable services.



Improve OEE and TCO  
up to 30%

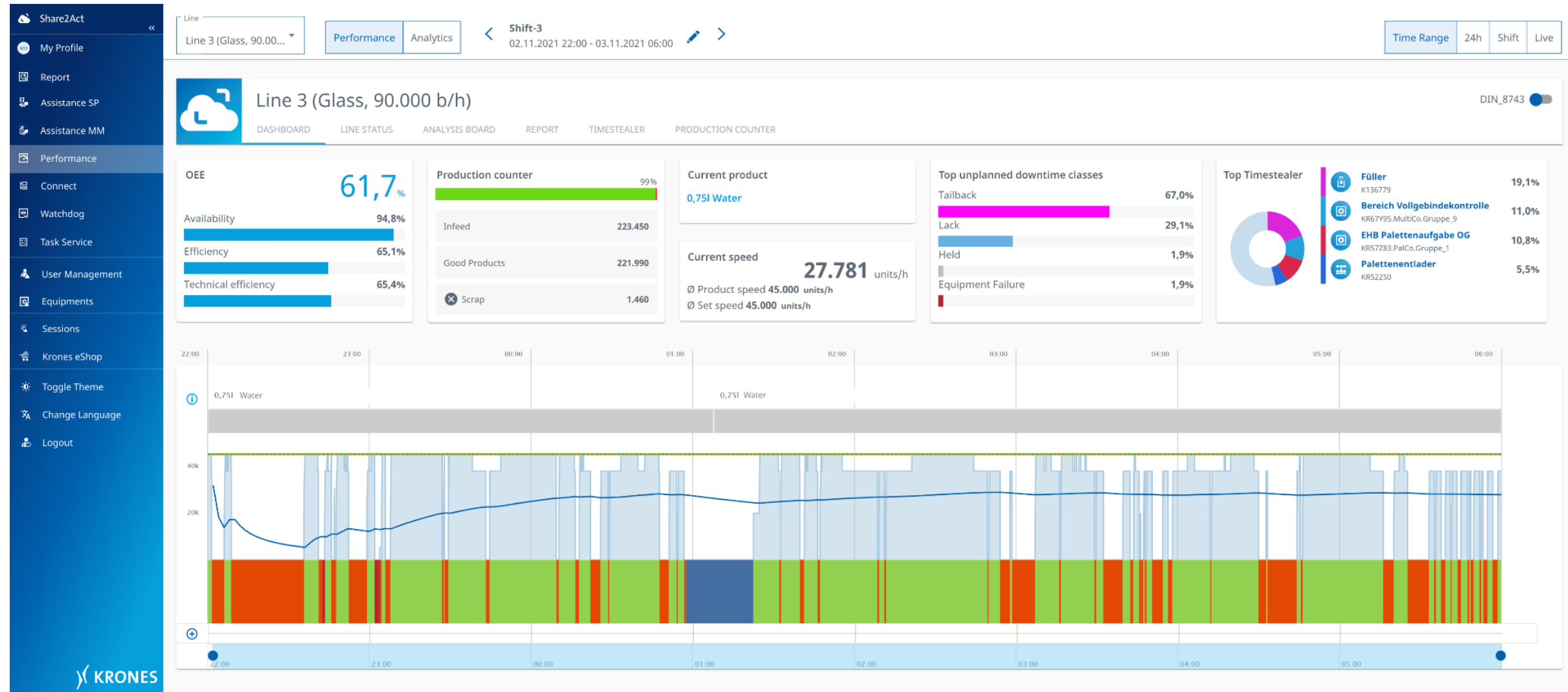
Improve Service Delivery

Live Feedback for R&D





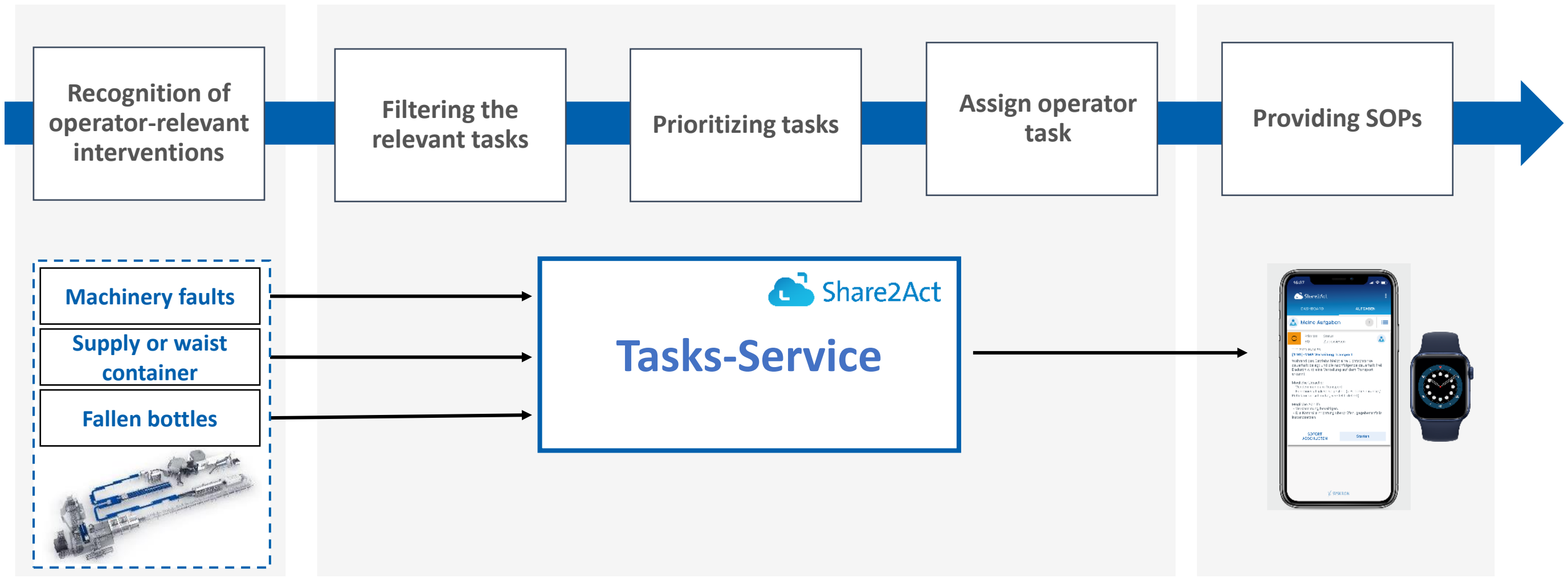
# Krones IIoT system: Share2Act



More than 50 running IIoT Subscriptions today and growing every day



# Task Service at HassiaGruppe – real time operator guidance



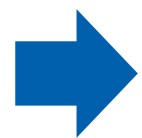
 Provide the operator with the right information at the right place, at the right time, to prevent or shorten downtimes – major lever to increase OEE



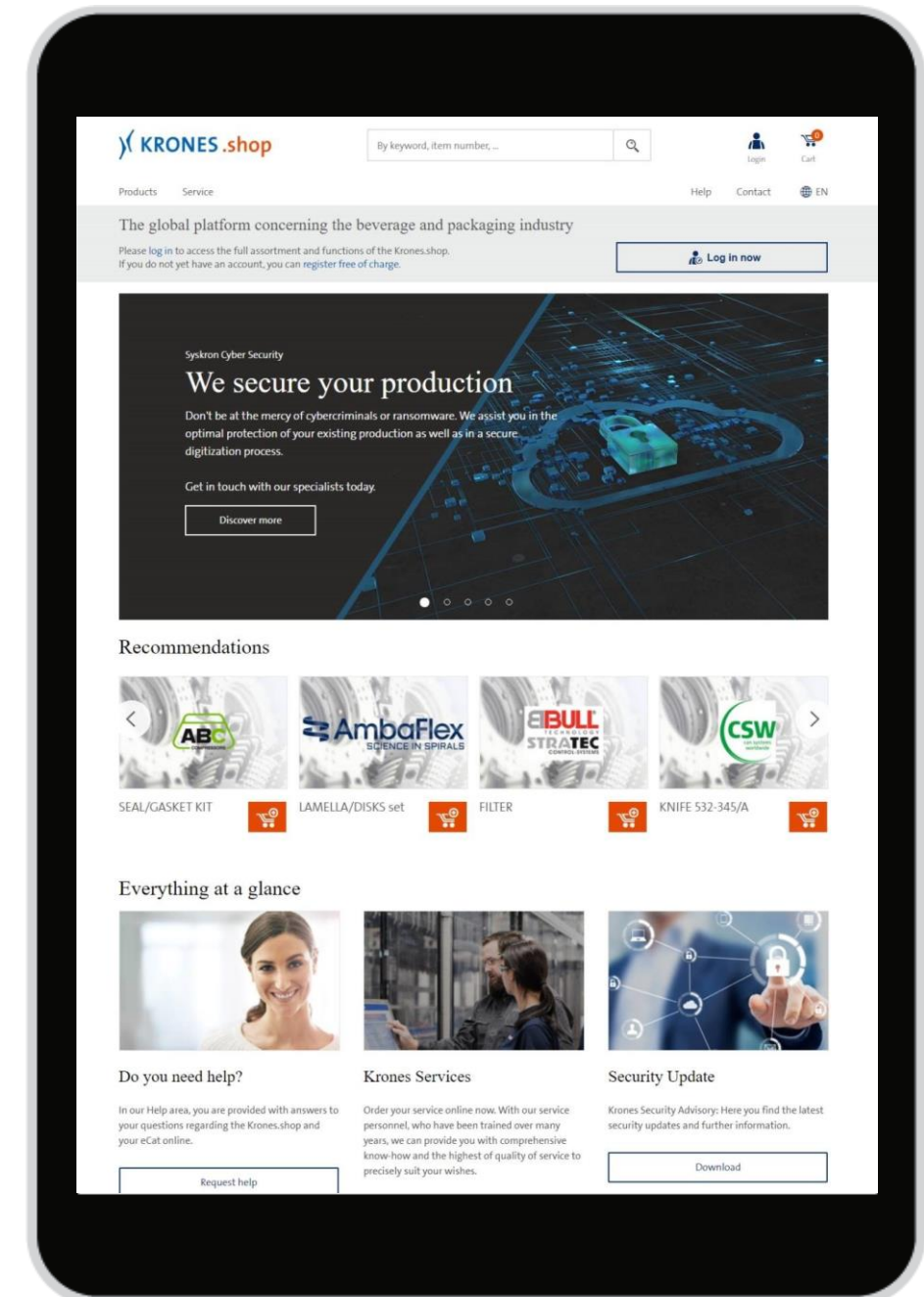
# KRONES .shop – the leading online shop in the industry!



- **Products:** more than 6m products
- **RPOD service:** download 3D print spare parts
- **New machine configurator**
- **Lifecycle Services:** upgrades, warehouse packages, trainings, videos, etc.
- **User:** > 25,000 registered customers
- **Countries:** in 181 countries available (more than Amazon)
- **Visits:** more than 30,000 visits per month
- Already >15% of LCS business via shop



**Increasing trend to B2B EDI connections = added value efficient transactions + customer loyalty**







## Krones build up essential digital competencies early on

- More than 2,000 experts in digitalization and automation globally
- Worldwide competence center
- Own SAP partner company for food industry: **Triacos**
- Main shareholder in AI company: **Tiki**
- Krones digital start-up: **Syskron**
- Huge digital competence in **System Logistics**



Krones was awarded as “Champion of the Digital Transformation” among the Germany machinery companies 2021 by CAPITAL and Infront

# Capital

WIRTSCHAFT IST GESELLSCHAFT

**infront**  
INSTANT  
TRANSFORMATION

# How our digital business models drive top- and bottom-line growth



## Legacy business model

New machine + parts and services



## Digital business model

New machine + SLAs + digital services



Growth and scalability

Growth **constrained** by manufacturing capacity

Growth based on **scalable** infrastructure



Costs and Profitability

**High variable cost** of additional revenue

**Low variable cost** of additional revenue



Volatility and resilience

Customer CAPEX is **cyclical**, OPEX tends to be seasonal

**Recurring revenue** streams are mostly recession-proof



# Agenda



- Welcome
- Sustainability @ Krones
- Digitalization @ Krones
- **Business Unit Filling and Decoration**
- Segment II: Process Technology
- Segment II: Intralogistics
- Financials
- New financial targets 2025
- Discussion/Q&As





## Measures at a glance: segment filling and decoration

<b>2021 expectation</b>	
Revenue	~ € 3.0 bn
EBITDA	~9.0%



<b>2024 target</b>	
Revenue	~ €3.6 bn
EBITDA	12% – 14%

Programs to improve growth and efficiency				
Program	Structure and process	Global footprint	Portfolio	Growth
Topics	<ul style="list-style-type: none"> <li>Product cost reduction</li> <li>Reduce own added value in production</li> <li>Accelerate project through put time</li> </ul>	<ul style="list-style-type: none"> <li>Expand production in Hungary and China</li> <li>Localize supply chains</li> <li>Localize and digitalize service</li> </ul>	<ul style="list-style-type: none"> <li>Reshape product portfolio in filling and packaging</li> <li>New products and innovations to increase efficiency and sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Market growth, especially Asia/Pacific and Africa</li> <li>Pricing</li> <li>Digital and remote business models</li> </ul>
Rev			€200 – 300m	€400 – 600m
EBITDA	0.5% – 1.0%	1.0% – 1.5%	1.0% – 1.5%	0.5% – 1.0%



# What our customers expect from Krones solutions: value drivers



Safe and secure



Affordable



Flexible



Environmentally friendly

Product safety

Maximum OEE

Maximum number of SKUs

Sustainable packaging

Product quality

Smart systems

Future adaptability of equipment

Zero-waste production

Production security

Robustness

Inventory-optimized Production

Low energy + media consumption

Enabled by digitalization





# What our customers expect from Krones solutions: value drivers



Safe and secure



Affordable



Flexible



Environmentally friendly

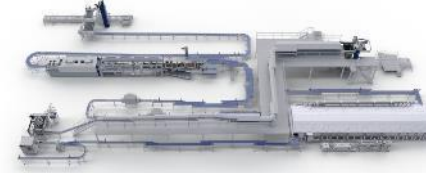
## PET lines



## Glass lines



## Can lines



## Aseptic lines



Focus industries

Water

CSD



CSD

Beer



CSD

Beer



Sensitives

Dairy



Solutions highlights

High-speed PET line

Flexible filling system

AI inspection

Hygienic filling

Sustainable sec. packaging

New filler generation

Dairy alternatives

Enlarge performance range

**#1 market position globally**

**#1 market position globally**

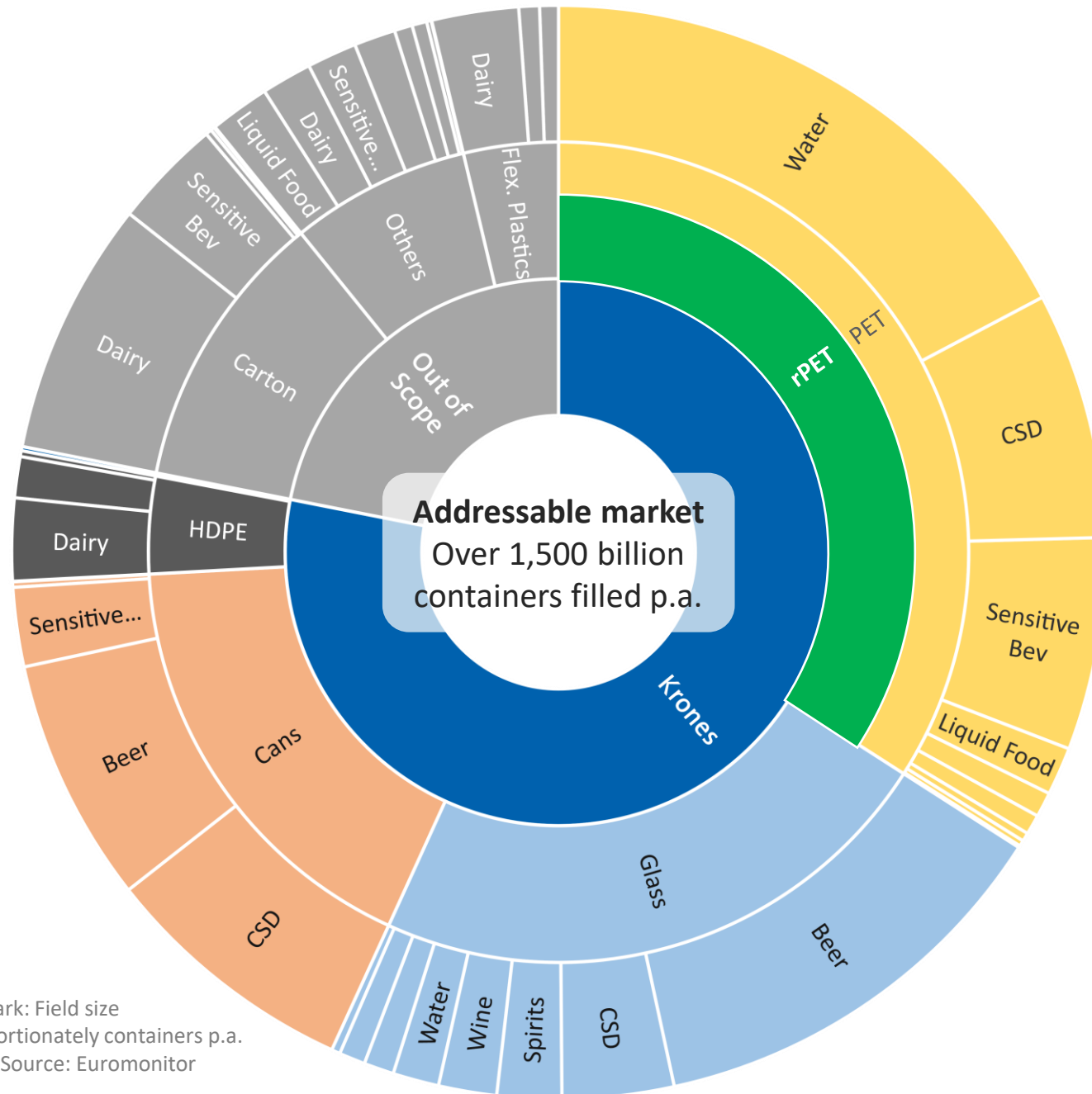
**#1 or #2 market position depending on region**

**#1 or #2 market position depending on region**





# Why Krones is addressing all three major beverage container types



Remark: Field size proportionately containers p.a.  
Data Source: Euromonitor

## PET/HDPE and rPET bottle



- Excellent weight-to-product ratio
- Aseptic filling capability
- Flexible and cost-efficient production
- Outstanding recyclability/low energy loss
- **But:** plastic waste and critical perception!

## Glass bottle



- Premium consumer perception
- Best suitable for refillable usage
- Acceptance across product categories
- Infinitely recyclable material

## Beverage can



- Long shelf-life; great light and air barrier
- Quick heat transfer for efficient cooling
- Excellent weight and packing efficiency
- Infinitely recyclable material



## Best-in-class TCO: high-speed PET bottling line

PET/HDPE and rPET 



### Output

Highest output in the market for still water PET lines with a potential of 100,000 bph!

### Savings

Highest effectiveness and efficiency in the market for the complete ErgoBloc L line including conveyors and dry part.

### rPET compatibility

Our high-speed PET lines are designed with rPET compatibility in mind to enable bottle-to-bottle recycling.

 The highspeed PET line is pushing the technological boundaries for best-in-class TCO and quality.



## Smart system for glass bottle inspection: Linatronic AI

Glass bottle



### Artificial intelligence technology

Empty-container inspector with deep learning technology for improved hazard recognition

### One for all

Suitable for glass and PET containers

### Advantages over conventional inspectors

- Detection of water drops
- Reduction of false rejections by approx. 50%
- More precise inspection results
- Significantly reduced commissioning time



The Linatronic AI ushers in a new era of the empty-container inspection technology for maximum precision and minimum waste.





## More sustainable secondary packaging for beverage cans

Beverage can



### Savings

Strapping vs. shrink packs:

- Up to 75% less material
- Up to 90% less energy consumption (production)

### Stability

Comparable to shrink packaging commonly used today



### Recycling

Cardboard and plastic strapping can be made of recycled material and are again recyclable.



**LitePac Top is a resource-friendly and cost-effective alternative in secondary packaging.**



## Best hygiene & TCO with 2022 Contipure AseptBloc DN

### Flexibility

Ready for autonomous bottle type changeover via MouldXpress robot

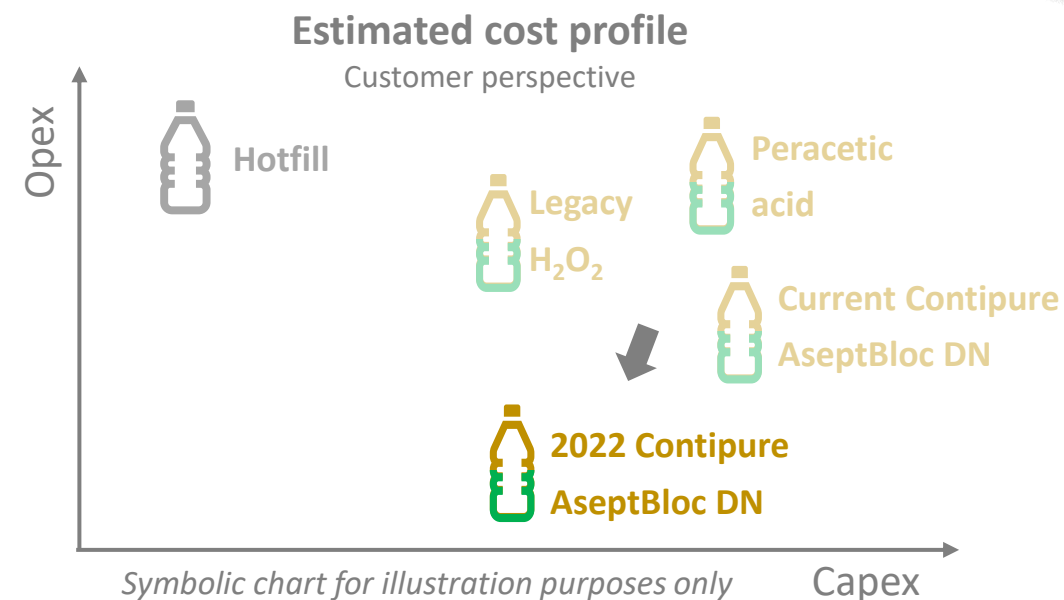
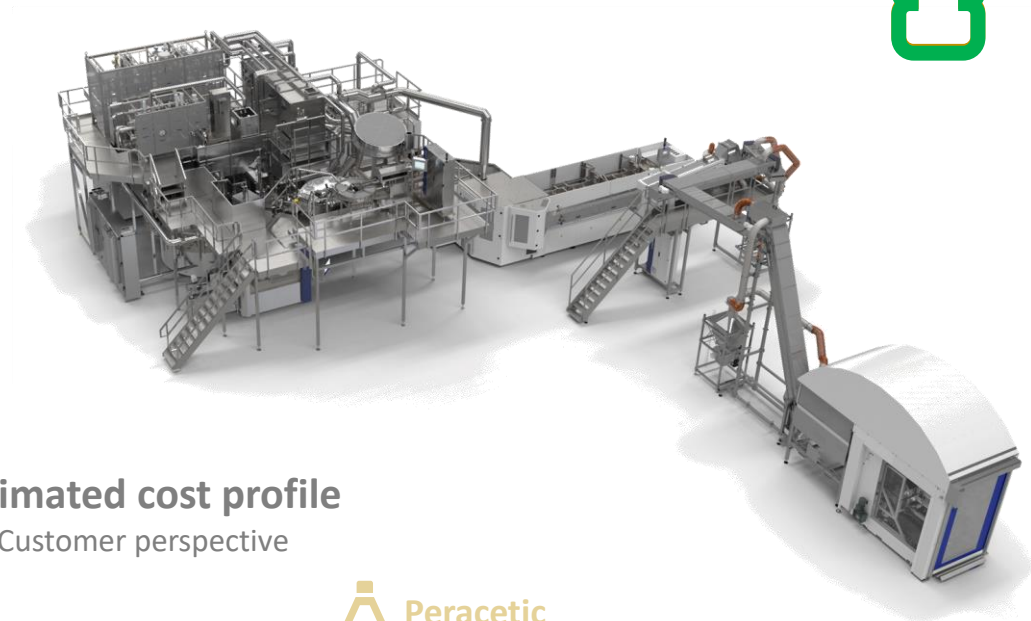
### Industry leading speed

New Contiform Asept Speed blow-moulding machine allows speed of up to 72,500 bph

### Secure and safe production

- Suitable for sensitive products like dairy and alternative proteins
- Current DN range fully FDA certified and Japan compliant

Aseptic PET/rPET



**Krones continues to set the industry benchmark for aseptic solutions.**



# What our customers expect from Krones services: value drivers



Safe and secure



Affordable



Flexible



Environmentally friendly

## Upgrades

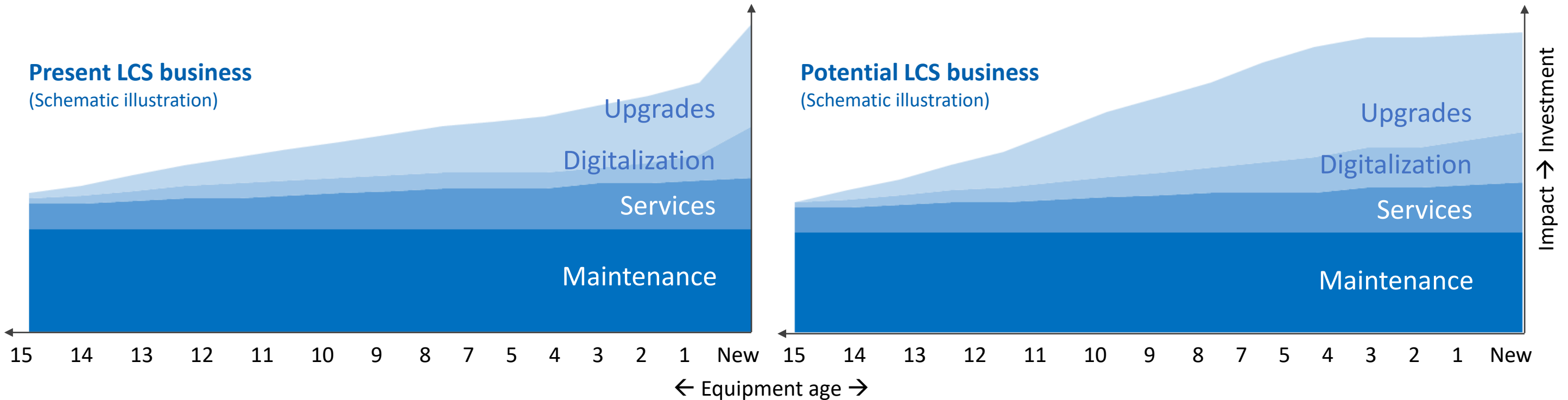
## Digitalization

## Maintenance

## Services

**Present LCS business**  
(Schematic illustration)

**Potential LCS business**  
(Schematic illustration)



**Full leverage of value drivers only if applied on existing machine base as well  
= additional Krones LCS business potential**





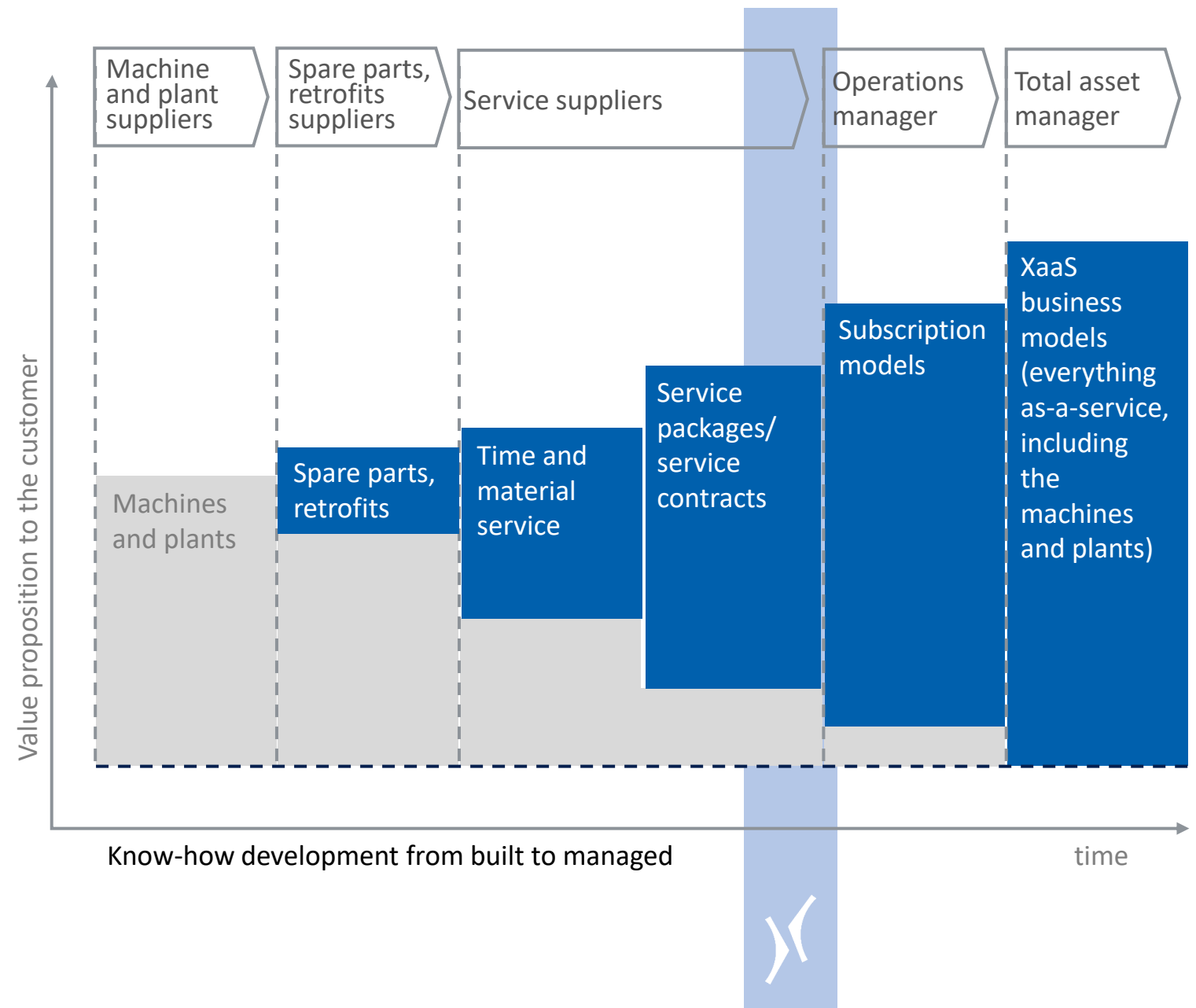
## Krones drives the transformation of the service business model...

### Changes

- Change of market access  
“Sales > service”
- Change of technology know-hows  
“Engineering > digital/data”
- Change of organization  
“Set-up service excellence, connectivity, big data, digital operations”

### Advantages

- Higher market share and customer retention – log in effect
- Recurring revenue stream
- Standardized and scalable solutions





# ...from “built by Krones” to “managed by Krones”

**Built  
by Krones**

“Purchase of a  
Krones  
machine”

**Supported  
by Krones**

“Additional  
support by  
Krones”

**Managed  
by Krones**

“Performance  
commitments  
by Krones”

Additional support and  
performance commitments  
for Krones customers in the  
Krones Ecosystem

**The Krones.world  
as a basis**

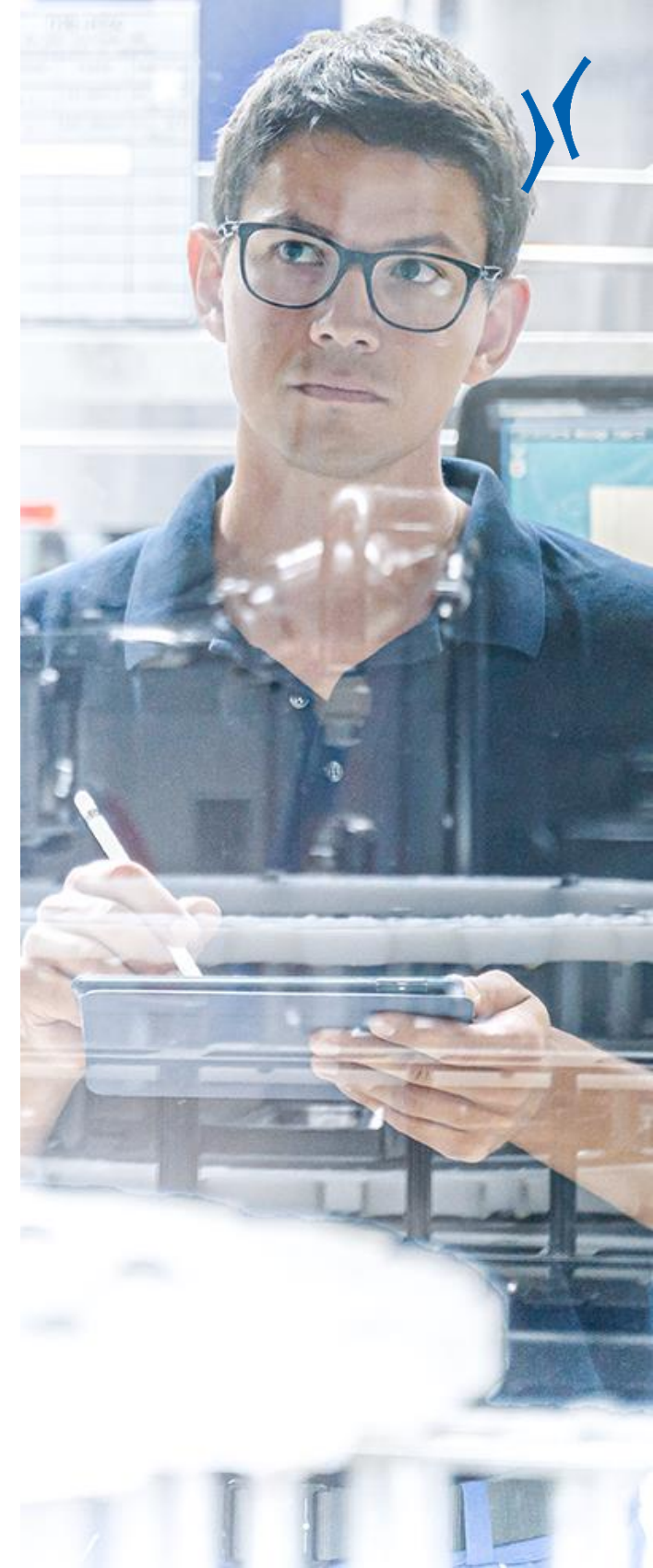
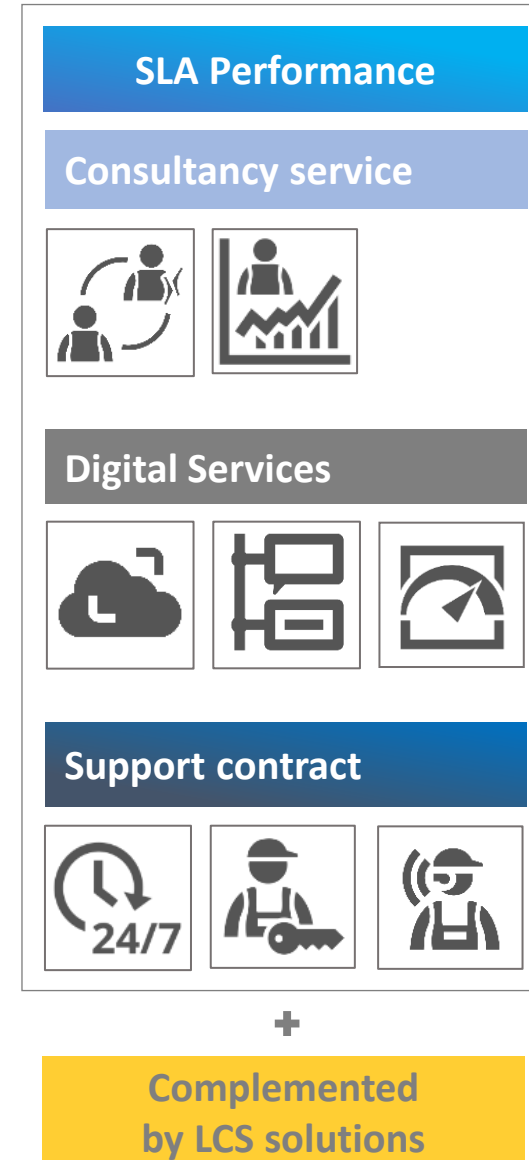
# Managed by Krones – realized by Service Level Agreements



## Advantages

- Modular contracts – depending on the customer demand (OEE, OPEX, quality, ...)
- Plannable cost + clear responsibilities
- Recurring and plannable business
- Insight in equipment operation

Example







## Taking advantage of the best service network in the industry

Over the last decades Krones invested heavily in the global **service network**.

+

**Digitalization** is complementing the local service competence with the global Krones domain expertise.

=

In combination of both, Krones can offer a **unique service package** that is essential for our customers.

### Facts:

- >100 subsidiaries and locations in more than 70 countries
- ~3,000 service engineers globally
- Investment last 10 years: > €200m



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## Measures at a glance: segment process technology

<b>2021 expectation</b>	
Revenue	~ €300m
EBITDA	~2,5%



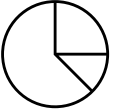
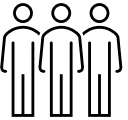
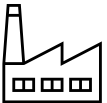

<b>2024 target</b>	
Revenue	~ €400m
EBITDA	6% – 9%

Programs to improve growth and efficiency				
Program	Structure and process	Global footprint	Portfolio	Growth
Topics	<ul style="list-style-type: none"> <li>Bottom line synergies across entities (PMI)</li> <li>Best cost country sourcing</li> <li>Reorganization US entities</li> </ul>	<ul style="list-style-type: none"> <li>Increase collaboration across regions</li> <li>Leverage cost competitive manufacturing hubs</li> <li>Africa focus</li> </ul>	<ul style="list-style-type: none"> <li>Increased focus on after-sales</li> <li>Hybrid systems enable synergies (BPE and PT)</li> <li>Energy self-sufficient brewing systems</li> </ul>	<ul style="list-style-type: none"> <li>Market growth</li> <li>Extended scope: home/personal care and liquid food</li> <li>Alternative proteins</li> <li>Water initiative</li> </ul>
Rev			€30 – 40m	€70 – 100m
EBITDA	1.5% – 2.0%	0.5% – 1.5%	1.0% – 2.0%	0.5% – 1.0%





## PT Journey from monolithic Business Unit to Solutions Network

	Yesterday 2016	Today 2021	Tomorrow 2024
	80% of revenue within Krones AG	~20% of revenue within Krones AG	~20% of revenue within Krones AG
	90% of FTE within Krones AG	~10% of FTE within Krones AG	~10% of FTE within Krones AG
	3 stand-alone entities	9 stand-alone entities	Flexible, regional setup
	Brewery Soft drinks/spirits <i>(water treatment)</i>	Brewery Soft drinks/Spirits <b>+Dairy</b> <b>+Water treatment</b> <b>+Liquid food</b>	Brewery Soft drinks/spirits Dairy Water treatment Liquid food <b>+HPC</b> <b>+Alternative proteins</b>





# How process technology is driving Krones' future growth and resilience

## #1: process technology is packaging-agnostic



Regardless if or which beverage packaging will be required in future, categories like beer or juice will always require process technology.

## #2: water technologies are key for the 21<sup>st</sup> century



Climate change is expected to exacerbate water stress throughout the world, thus making water treatment more important than ever.

## #3: alternative proteins need process knowledge



Alternatives to animal proteins (plant-based, fermentation) are projected to grow with a CAGR of 14% until 2035 (BCG, 2021) and require process expertise.



# How Krones process technology is generating value for customers every day

## ShakesBeer

Mash tun



... efficient use of raw materials

Improved mashing process using targeted turbulences

Increased extraction yield enables lower malt input quantity

## Hydronomic

Water treatment



... providing safe and reliable water

Sanitation using heat minimizes the use of chemical cleaning

Removal of unwanted particles ensures water purity

## HST

Homogenizers



... defining sensory properties

Materials and design for maximized durability and hygiene

Persistent dairy quality by precise definition of texture

## VarioSpin

Deaerator



... preservation and persistent quality

Fine dispersion of liquid induced by rotary movement

Shelf-life of oxygen-sensitive products largely extended

Value Generation for Customers by ...



Krones USP



Tangible benefits







# Case study alternative proteins: oat yogurt for Russian market

## Sady Predonia Nemoloko Oat Yogurt

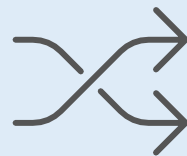
Spoonable, dairy-free yogurt products in several flavors with consistent taste and mouthfeel



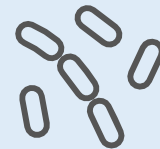
Our solution: a turnkey processing line by **MILKRON**



Initial hydrolyzation of starch



Preparation and mixing of ingredients



Controlled yogurt fermentation



Optimized heat treatment

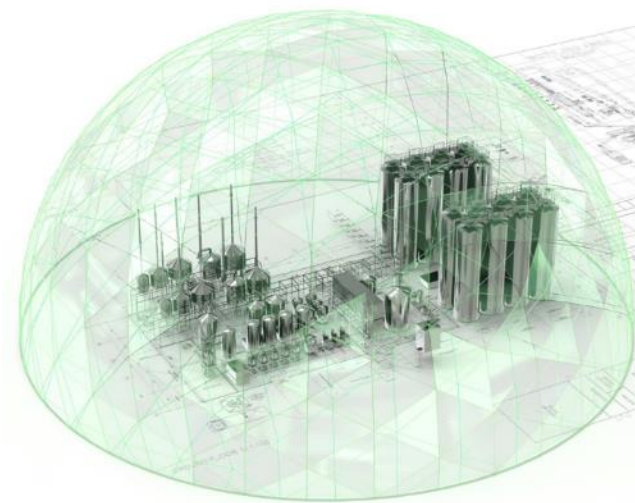
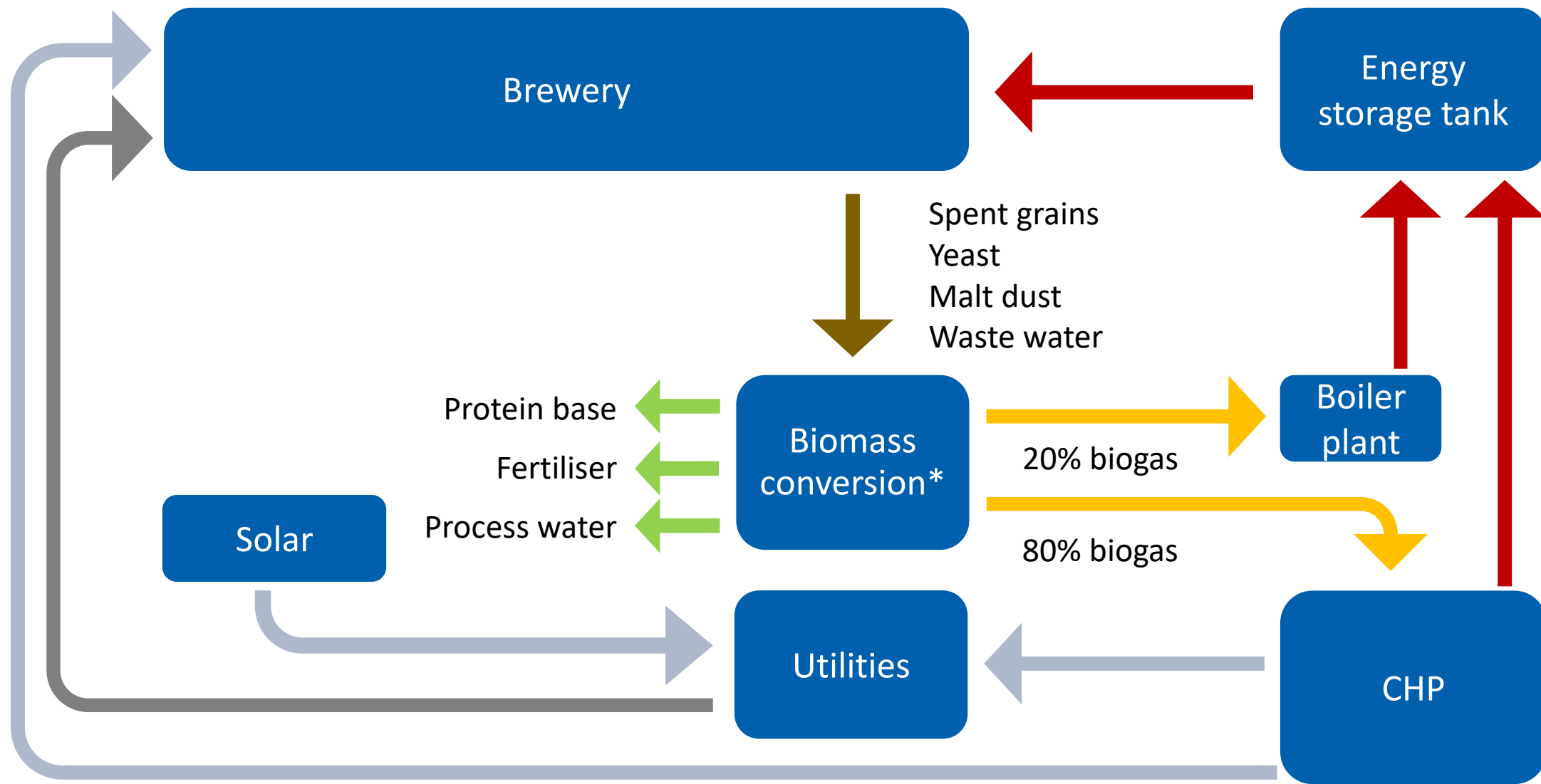


Storage, piping and automation





# Energy self-sufficient brewing: Steinecker Brewnomic targets zero carbon



\* Innovative concept in the test phase





# Steinecker Brewnomic is designed as a modular and scalable set of solutions

High-gravity  
brewing process



Wort boiling system  
Steinecker Stromboli



Continuous  
batch process



Steinecker EquiTherm



Innovative  
energy storage unit



Low-temperature  
brewery



Krones Dynafill



Krones Lavatec



Krones LinaFlex



Energy-saving  
coolant supply



Solar power



Solar heat



Biomass  
conversion



Ice-water  
production



Combined heat and  
power unit (CHP)

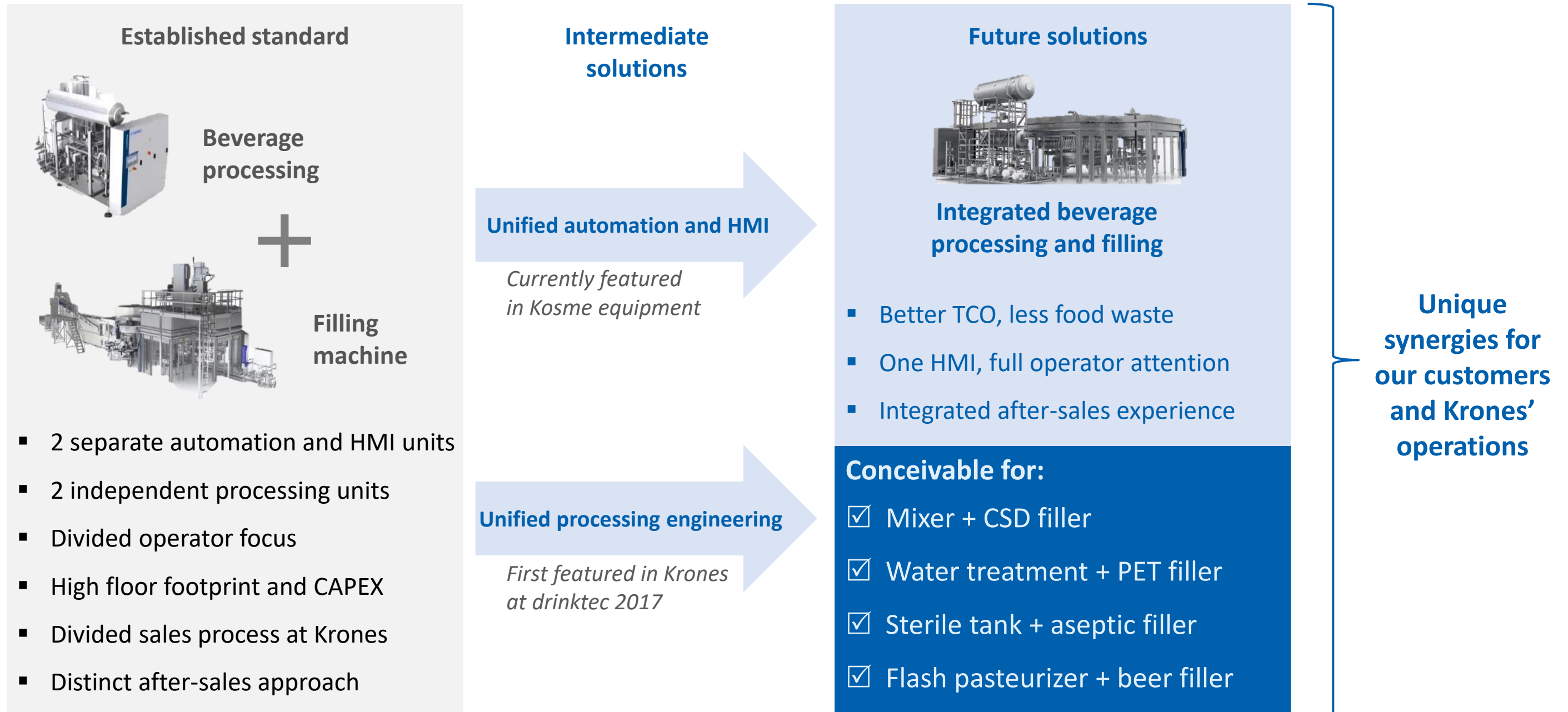


Brewnomic modules allow existing breweries a gradual transition towards energy self-sufficiency.  
From 2022 all new brewhouses will be EquiTherm ready, enabling increased heat recovery.





# Outlook: unified process and filling technology solutions in Krones AG



# Agenda



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# Video clip System Logistics







## Measures at a glance: business unit intralogistics

2021 expectation	
Revenue	€300m
EBITDA	~3,0%

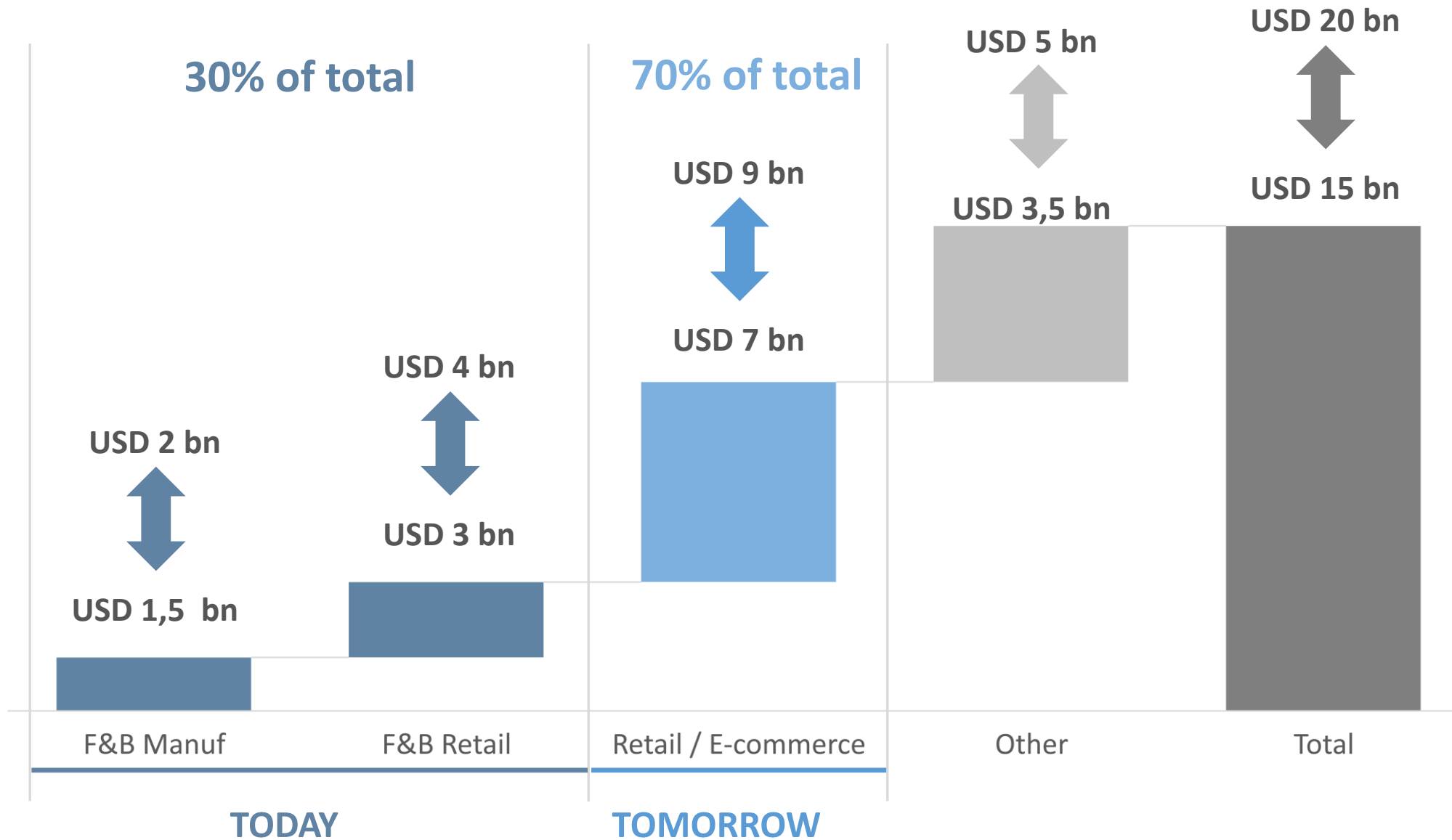


2024 target	
Revenue	€450m
EBITDA	6% – 8%

Programs to improve growth and efficiency				
Program	Structure and process	Global footprint	Portfolio	Growth
Topics	<ul style="list-style-type: none"> <li>Improve project execution</li> <li>Extend software and project management skills and capacity</li> </ul>	<ul style="list-style-type: none"> <li>Leverage Mexican hub for US business</li> <li>Extend Asia Pacific set up</li> <li>Extend Indian set up</li> </ul>	<ul style="list-style-type: none"> <li>Mix change to more smaller projects (AGVs/LGVs)</li> <li>More robot solutions for order picking</li> </ul>	<ul style="list-style-type: none"> <li>Dynamic market growth in logistics and e-commerce</li> <li>Increase service business</li> <li>Opportunities in groceries</li> <li>Pricing</li> </ul>
Rev			€50 – 80m	€100 – 200m
EBITDA	1.0% – 1.5%	0.5% – 1.0%	1.0% – 1.5%	0.5% – 1.0%



# Intralogistics addressable global market potentials – definition of the relevant markets for System Logistics



**Today's IL market focus:**

- Food and beverage producers and distributors
- Food and beverage retail and grocery

The two categories represent almost 30% of the total intralogistics market

**System Logistics estimated CAGR > 10%**



## A wide range of intralogistics in-house technologies



500+ installed

Automated material handling solutions

**12 – 24 months**



1,600+ installed

AGV – automated guided vehicles

**6 – 12 months**



100+ installed

Picking solutions

**6 – 24 months**

**Typical project duration**





# OUR FOCUS



Food



Beverage



Cold and frozen



Grocery



## Solutions and technologies



**Automated storage and buffering**

- Stacker cranes
- Miniloads
- Case and totes
- Pallet shuttles
- Material handling



**Case picking systems**

- Miniloads
- Shuttles
- AGV
- Robots
- Conveyors



**Material handling**

- Monorails
- AGV
- Pallet/case conveyors

Services

Software



## System Logistics – preferred supplier of the food and beverage industry

**WE ARE MORE  
THAN AN  
ENGINEERING  
COMPANY**



### Key technologies in-house know how

Technologies used in our solutions are mainly designed, engineered, manufactured and installed by System Logistics



### Solutions provider

Storage  
Picking  
Material Handling



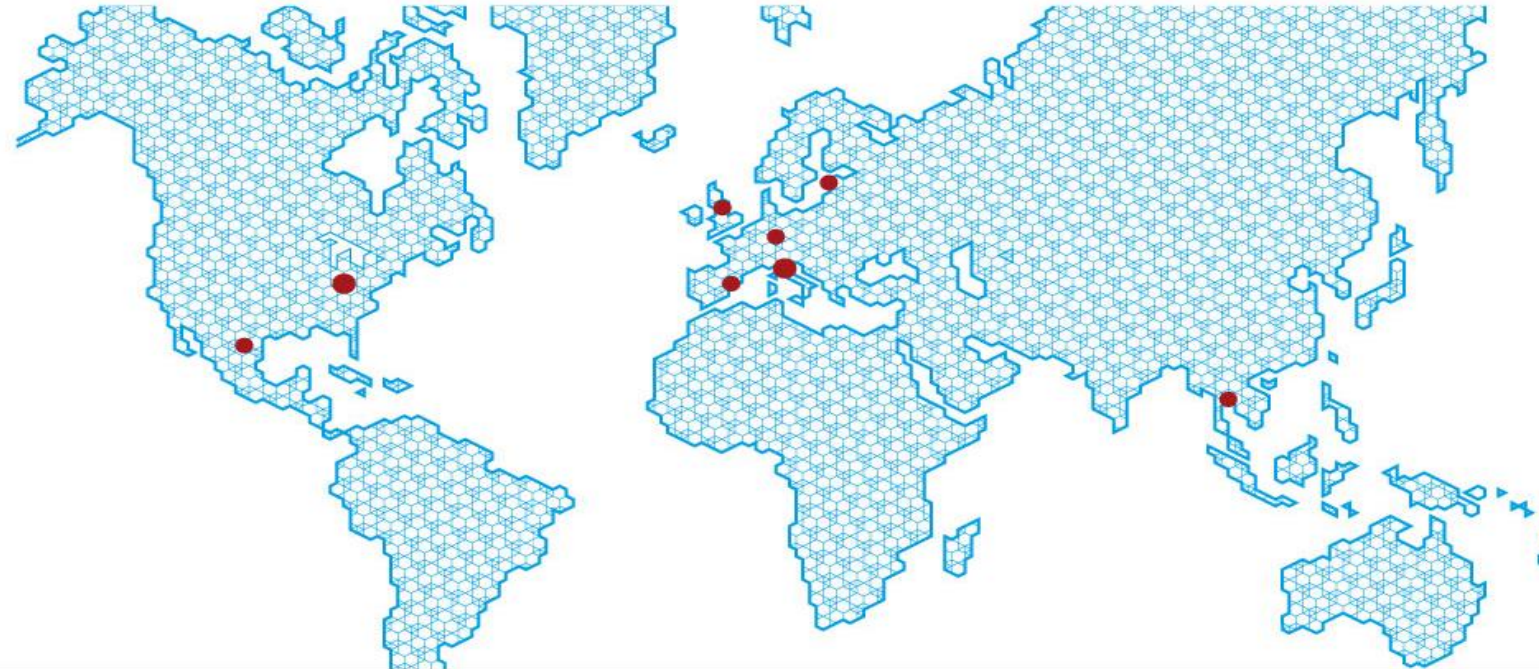
### Food and beverage leader

Highly focused on this sector with a wide range of state-of-the-art technologies and solutions





# System Logistic worldwide network



## Headquarters

System Logistics Spa  
Italy

## Branch with production

System Logistics Corporation  
United States and Canada

## European branches

System Logistics GmbH:  
DACH, Netherlands, Czech Republic  
System Logistics Spain: Spain and Portugal  
System Logistics Northern Europe: Scandinavia  
System Logistics Ltd: United Kingdom and Ireland

## Asian branch

System Logistics Asia: Asia, Pacific and Middle East  
System Logistics India

## Latin American branch

System Log de Mexico: Latin America

**4,000,000+** total pallet locations



# Drivers for speed, growth and profitability



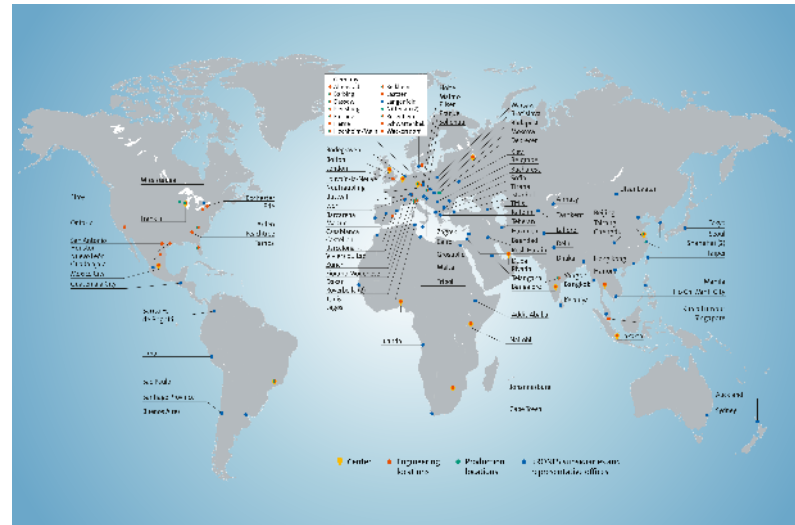
**Standardized**  
order fulfillment  
solutions for  
picking solutions



Leveraging on  
**Krones network**



Leveraging on **local**  
project management



Internal pre-sales  
process: **engineering,**  
**data analysis,**  
**simulations**





## Consulting and engineering

### Intralogistics solutions

Designed, engineered, fabricated and installed entirely by System Logistics

### Consulting service

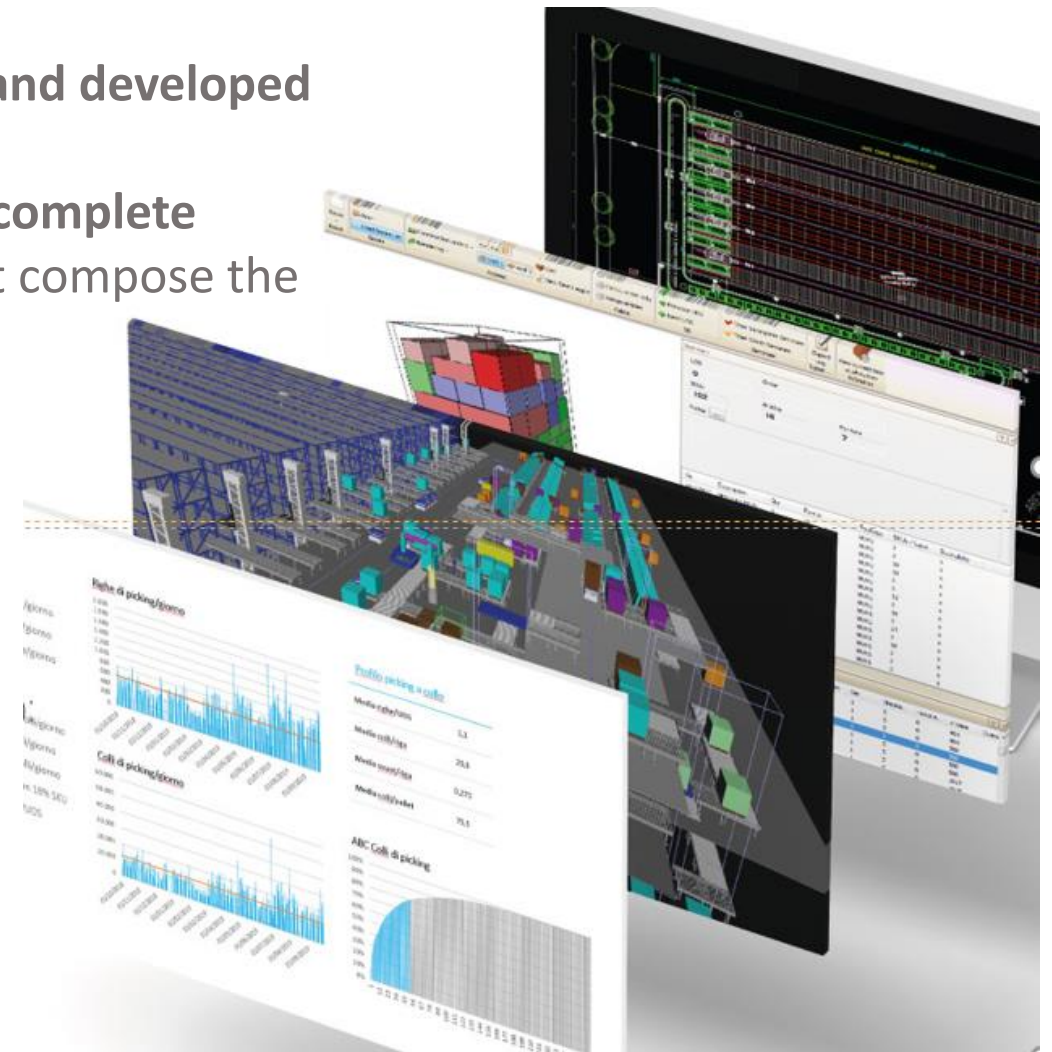
Comprehensive consulting service, ranging from data analysis, simulation feasibility study, to full detail project planning

### Simulation software

Used to accurately preview the real throughputs, validate system design and what-if scenarios, evaluate impact on alternative scenarios

**WMS System** is fully designed and developed internally by System Logistics.

The single product ensures the **complete control of the technologies** that compose the intralogistics solution.



**Solutions driven by 200 software engineers and 140 commissioning engineers**



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## Krones highlights

Q1 – Q3 2021

Order intake

**+38.8%**

€3.19bn

Revenue

**+7.9%**

€2.6bn

EBITDA margin

**8.0%**

(PY 6.0%)

Free cash flow

**+€108m**

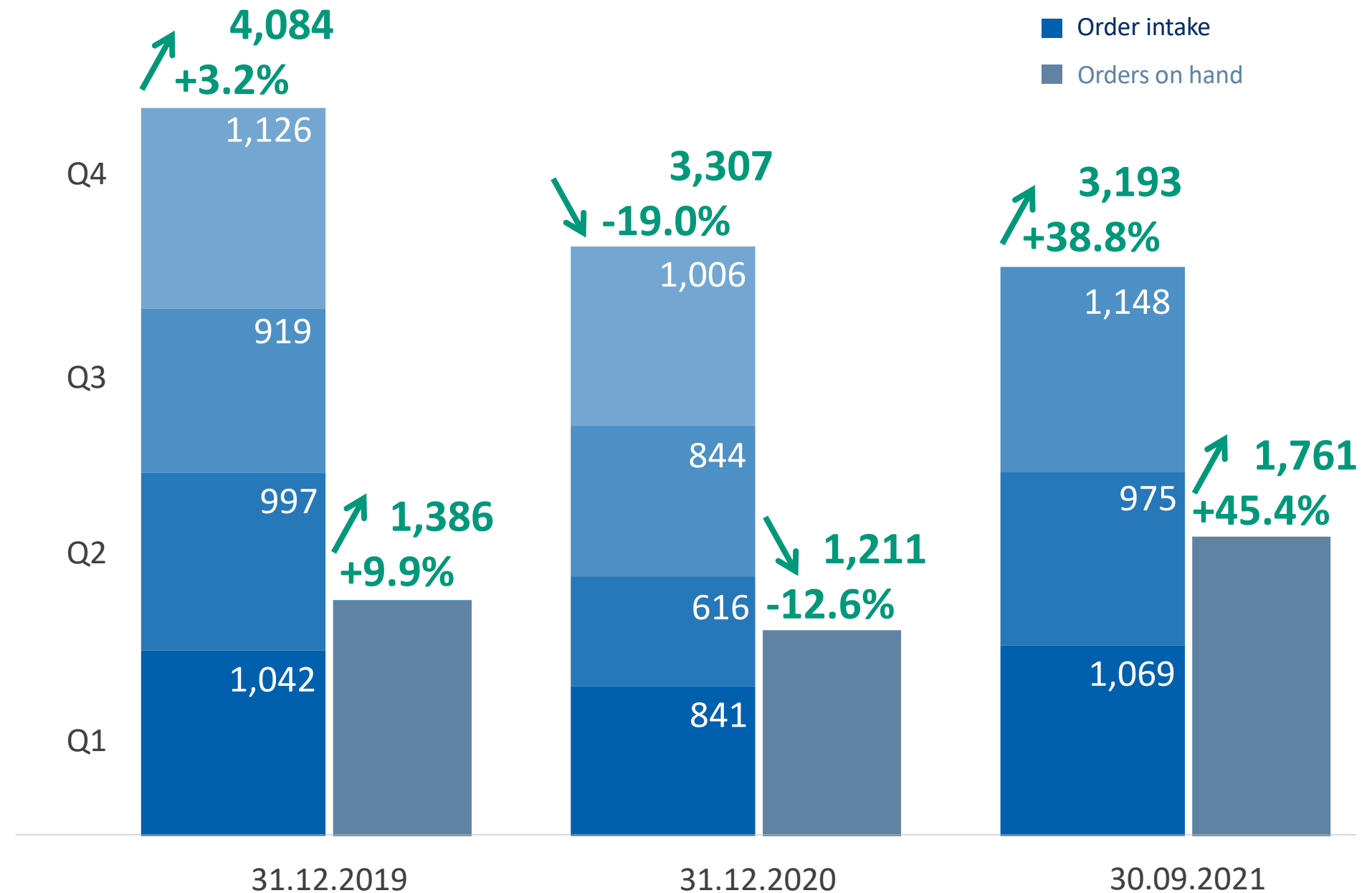
(PY €-58m)



## Order intake and orders on hand (€m)

### Sustainable growth in 3<sup>rd</sup> quarter 2021

- Compared to Q3 2020, order intake in Q3 2021 had an increase of 36.1%. Highest order intake in a 3rd quarter ever.
- Orders on hand at 30.09.2021 was 57.7% above prior year. Compared to the beginning of 2021 the increase was at 45%.





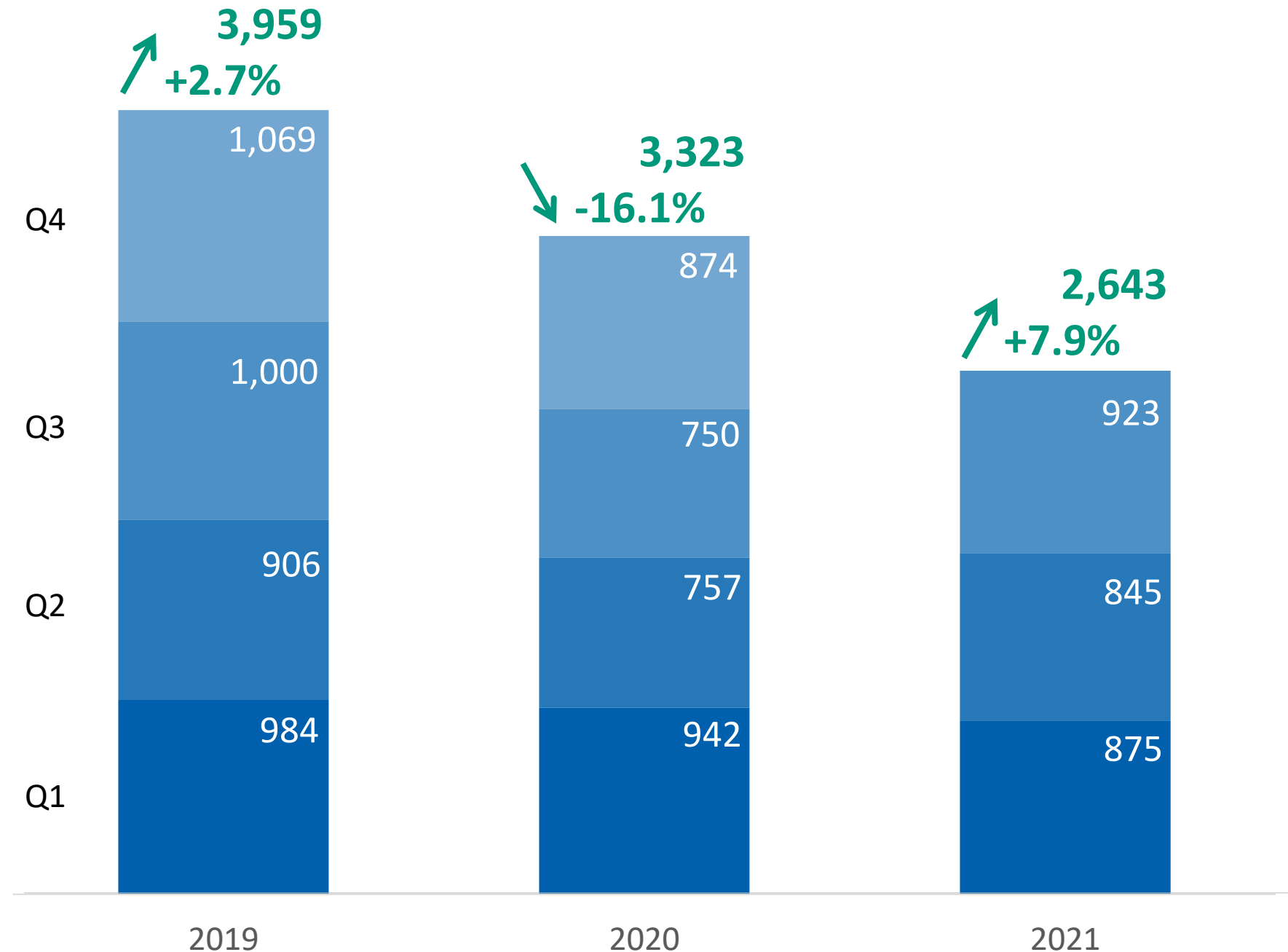


## Revenue development by quarter (€m)

### Revenue growth at Krones accelerated in 3<sup>rd</sup> quarter 2021

- Revenue was increased in Q3 2021 by 23%, compared to prior year
- Revenue in Q3 higher than previous quarters, but still below pre Covid-19 level of 2019

Further growing revenues expected till end of this year. Upper part of revenue target range is achievable.



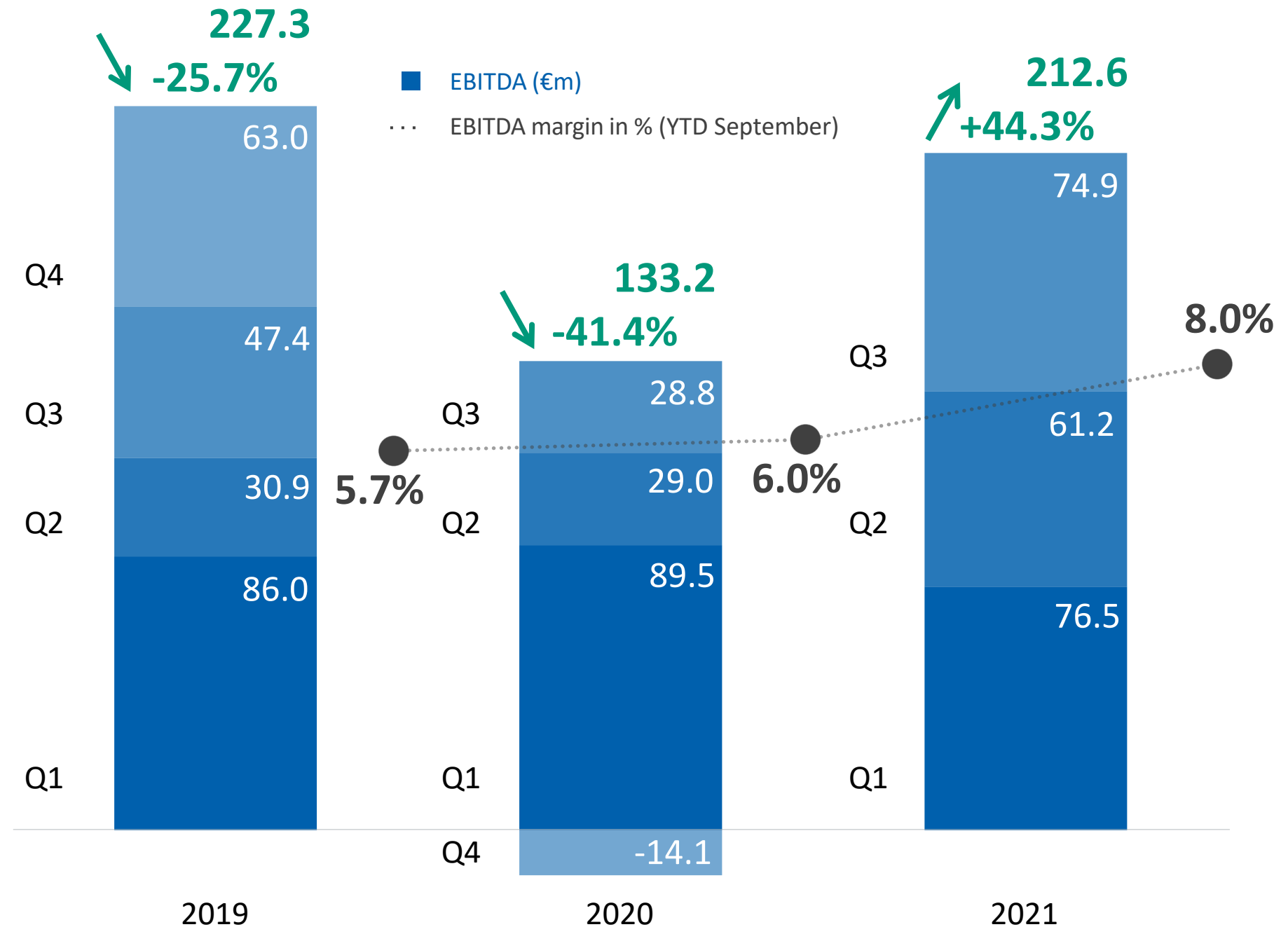


## EBITDA and EBITDA margin by quarter (€m and %)

### EBITDA margin at 8.0%

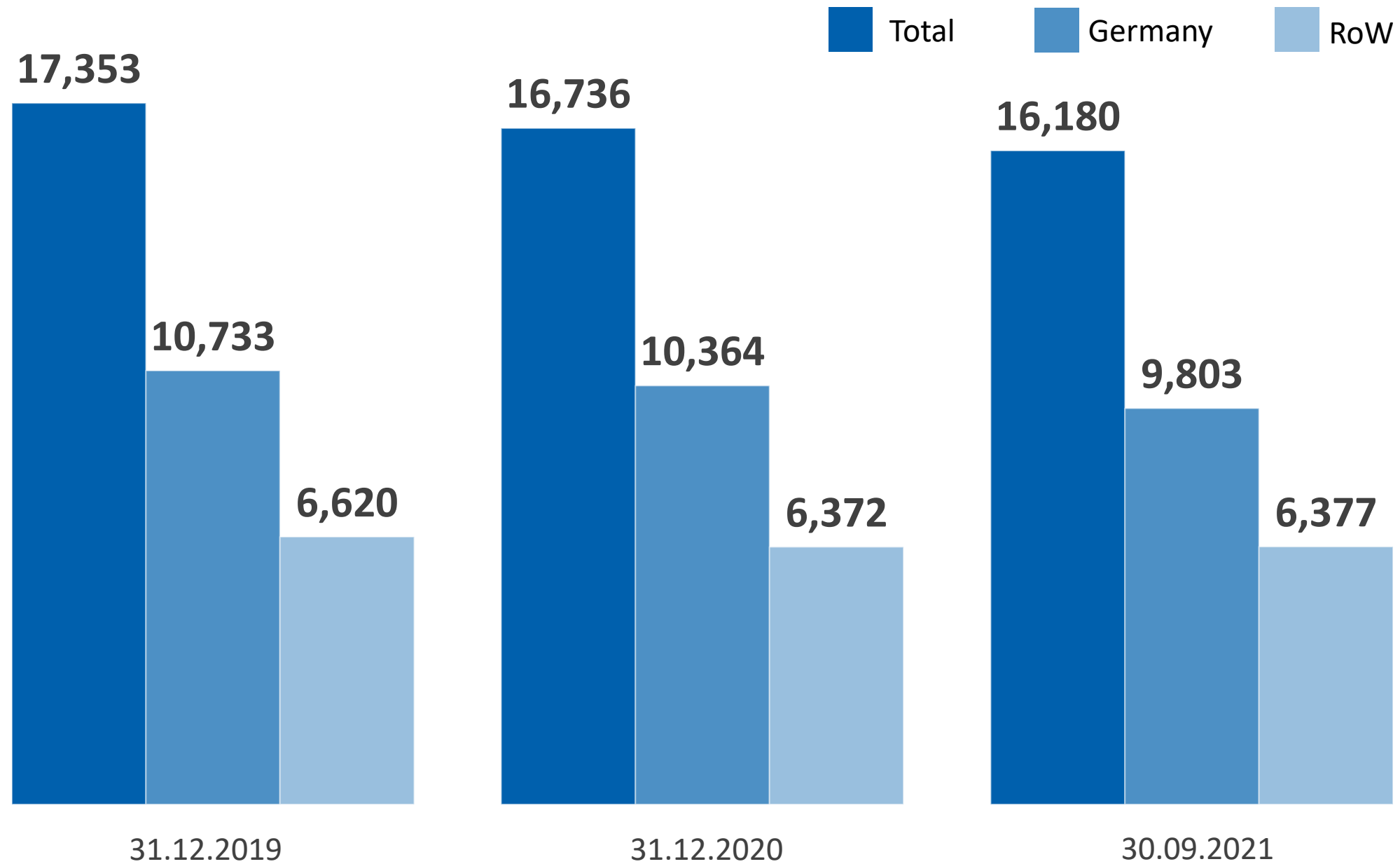
- Significantly improved profitability impacted by structural measures and strong market development
- EBITDA margin with 8% above pre Covid-19 level of 2019 (FY 6.6% without one-offs)

Krones full on track for EBITDA margin outlook for 2021 (7% – 8%).





# Krones employees worldwide – capacity adjustment program successfully completed







## Review Capital Market Day November 12, 2020

2020	Programs to improve efficiencies – actual status				2023	
	Program	Structure and Process	Global footprint	Portfolio	Growth	
Sales €3.3bn	Topics	<ul style="list-style-type: none"> <li>Adjust capacities ✓</li> <li>Product cost reduction (✓)</li> <li>Reduce own added value in manufacturing —</li> <li>Accelerate project through put time —</li> </ul>	<ul style="list-style-type: none"> <li>Plant Hungary (✓)</li> <li>Plant China (✓)</li> <li>Localize supply chains and increase BCC (✓)</li> <li>Localize service (✓)</li> </ul>	<ul style="list-style-type: none"> <li>Reshape product portfolio —</li> <li>Address future of brewery business (✓)</li> <li>Increase profitability of intralogistics (✓)</li> </ul>	<ul style="list-style-type: none"> <li>Pricing (✓)</li> <li>Innovations in sustainable filling and packaging (✓)</li> <li>Digital and remote service Ecosystem (✓)</li> <li>Localize sales activities (✓)</li> </ul>	Sales €3.7bn to €4.0bn
EBITDA*		Impact	1.5 – 2.0%	1.0 – 1.5%	0.5 – 1.0%	0.5 – 1.5%

Status Nov 2021: ✓ Finished    (✓) Ongoing with good progress    — As of today: behind set targets

\* w/o one-time expenses (structural adjustments) ~ €72m



## Sales and EBITDA margin improving faster than expected

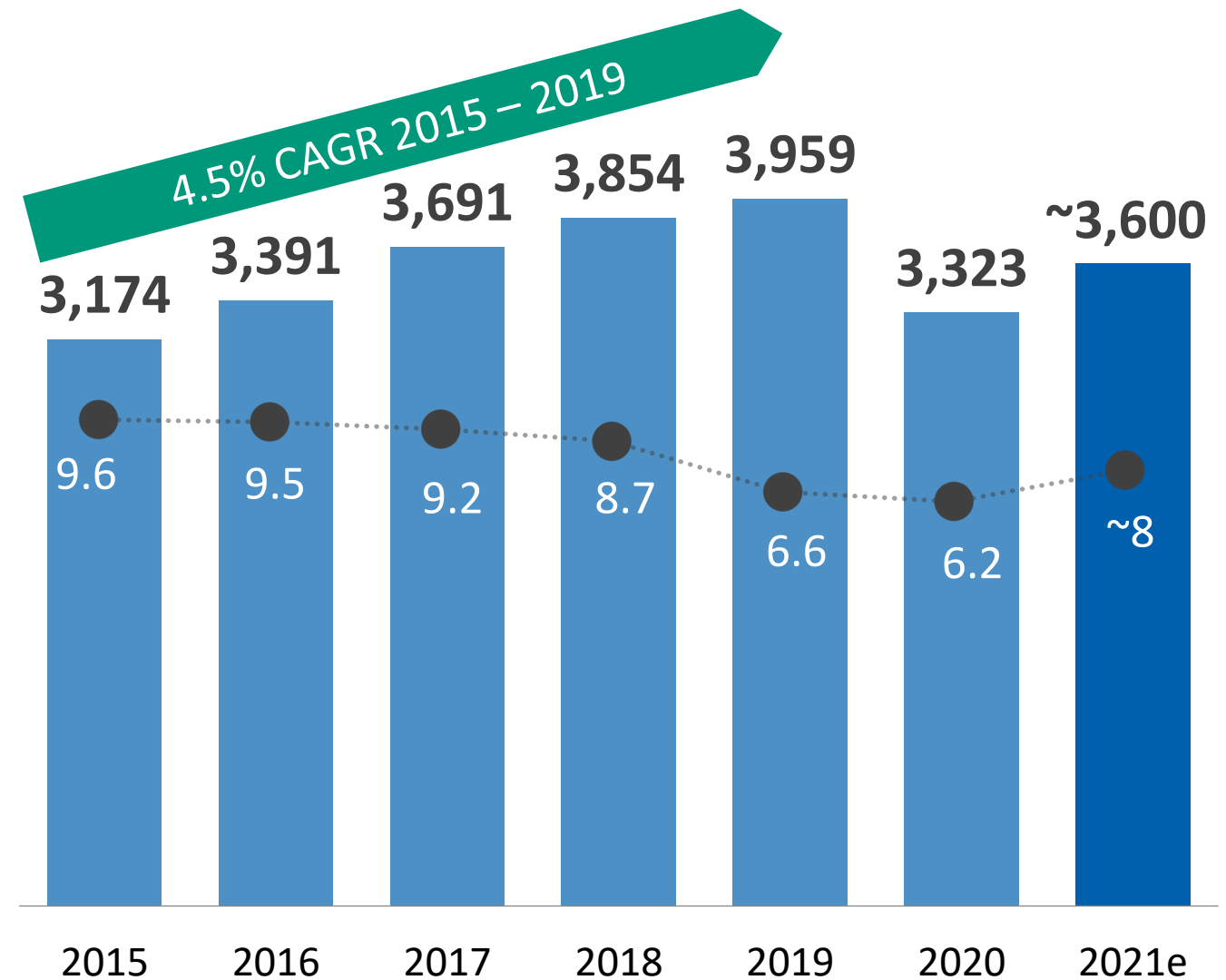
### Recap Capital Market Day November 2020

	Base Case 2021	Base Case 2022	Base Case 2023
Sales in €m	3.3 - 3.4	3.5 - 3.6	3.7 - 4.0
EBITDA in %	6.5 - 7.5	8.0 - 9.0	9.0 - 12.0

### Promised targets to be achieved one year earlier

- Programs to improve efficiency show results
- Markets recovering faster than expected

Sales (in €m) and EBITDA\* margin (in %)



\* EBITDA margin before one-offs

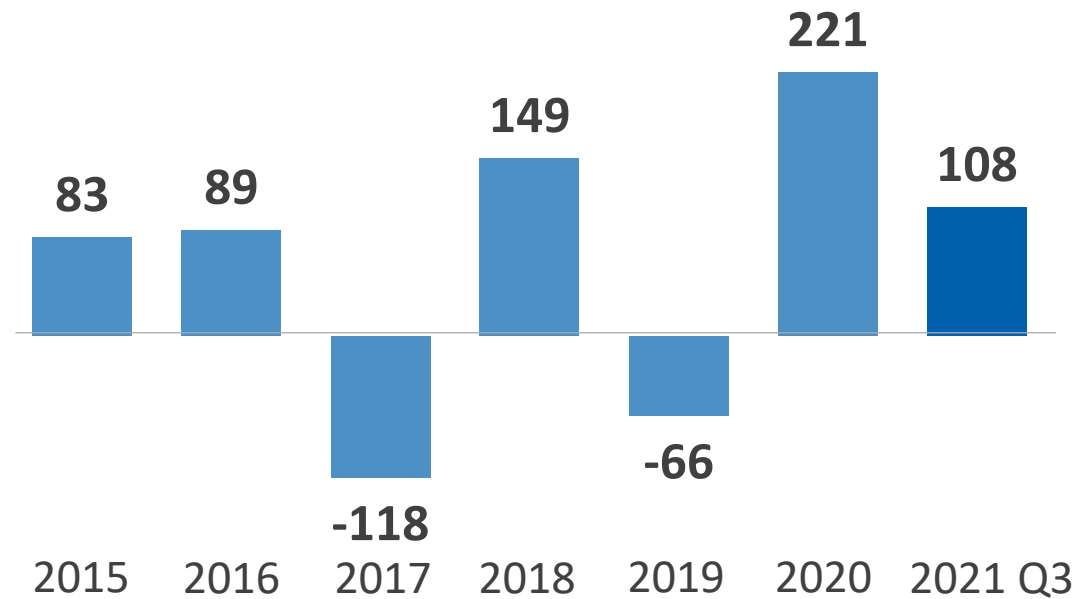


## Cashflow and cash conversion rate

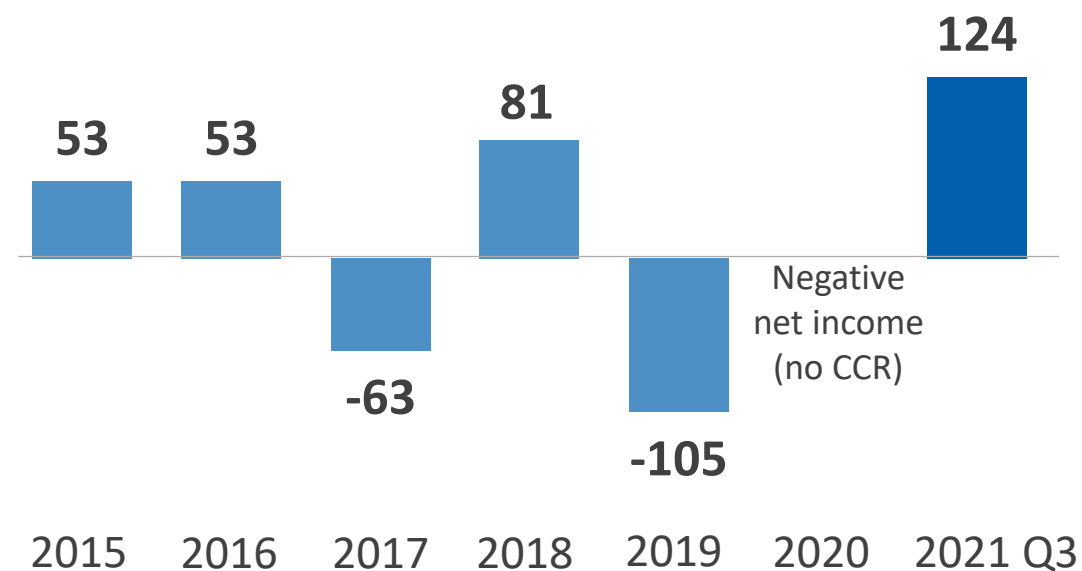
### Free cashflow and cash conversion rate significantly improving

- Stronger internal focus on free cashflow
- Higher discipline in investments
- Cash improvement ytd also due to high down payments

Free cashflow (without M&A) in €m



Cash conversion rate (FCF/net income in %)



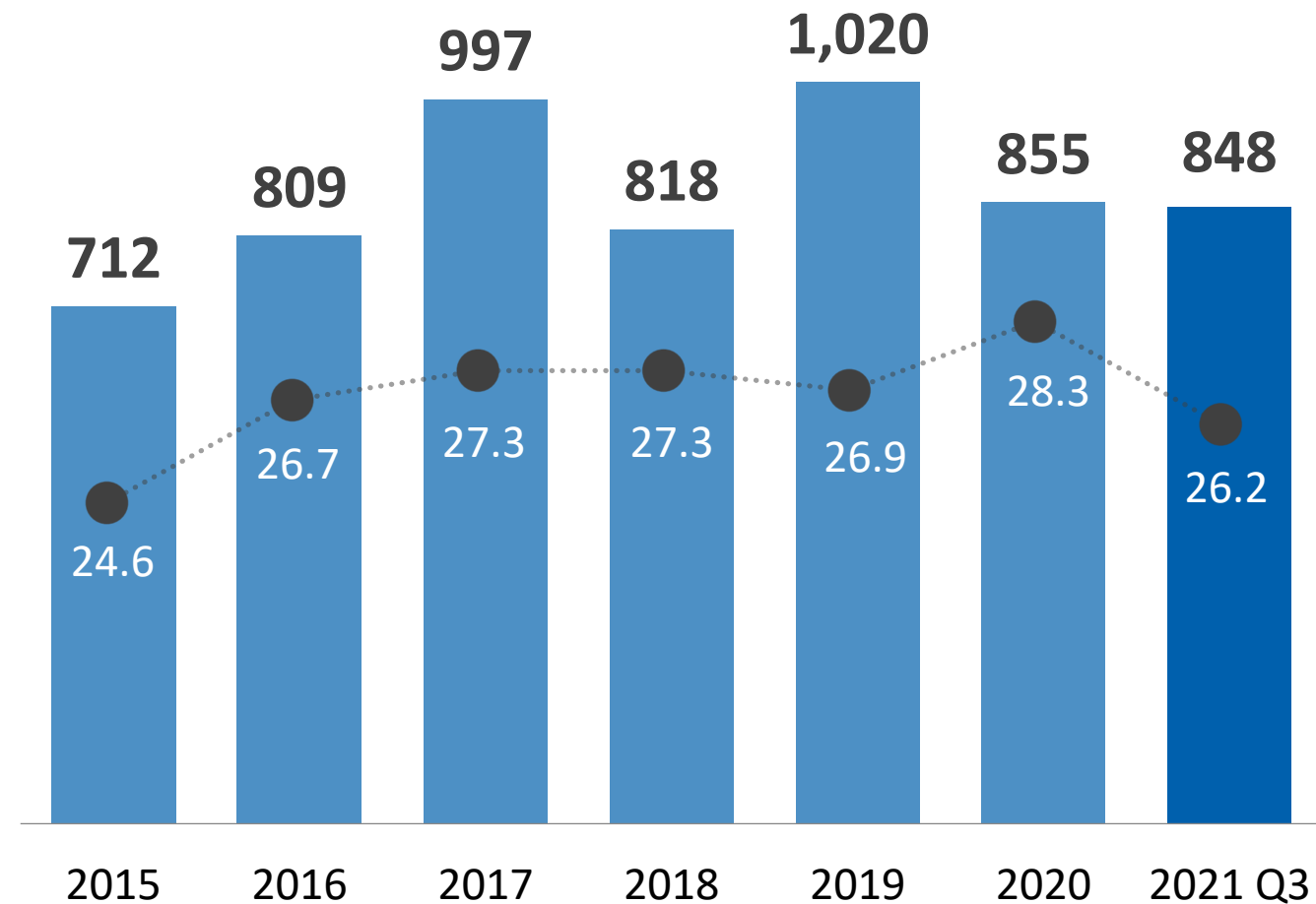


## Working capital

**Net working capital remains a challenge due to specific payment terms in the industry and global supply chain challenges**

- Actual working capital on pre-Covid-19 level and influenced mainly by strong increase in prepayments
- Working capital will be influenced by the development of the supply chain situation for the next 12 months (longer project lead times)

Working capital in €m and in % of revenue (average of 4 quarters)



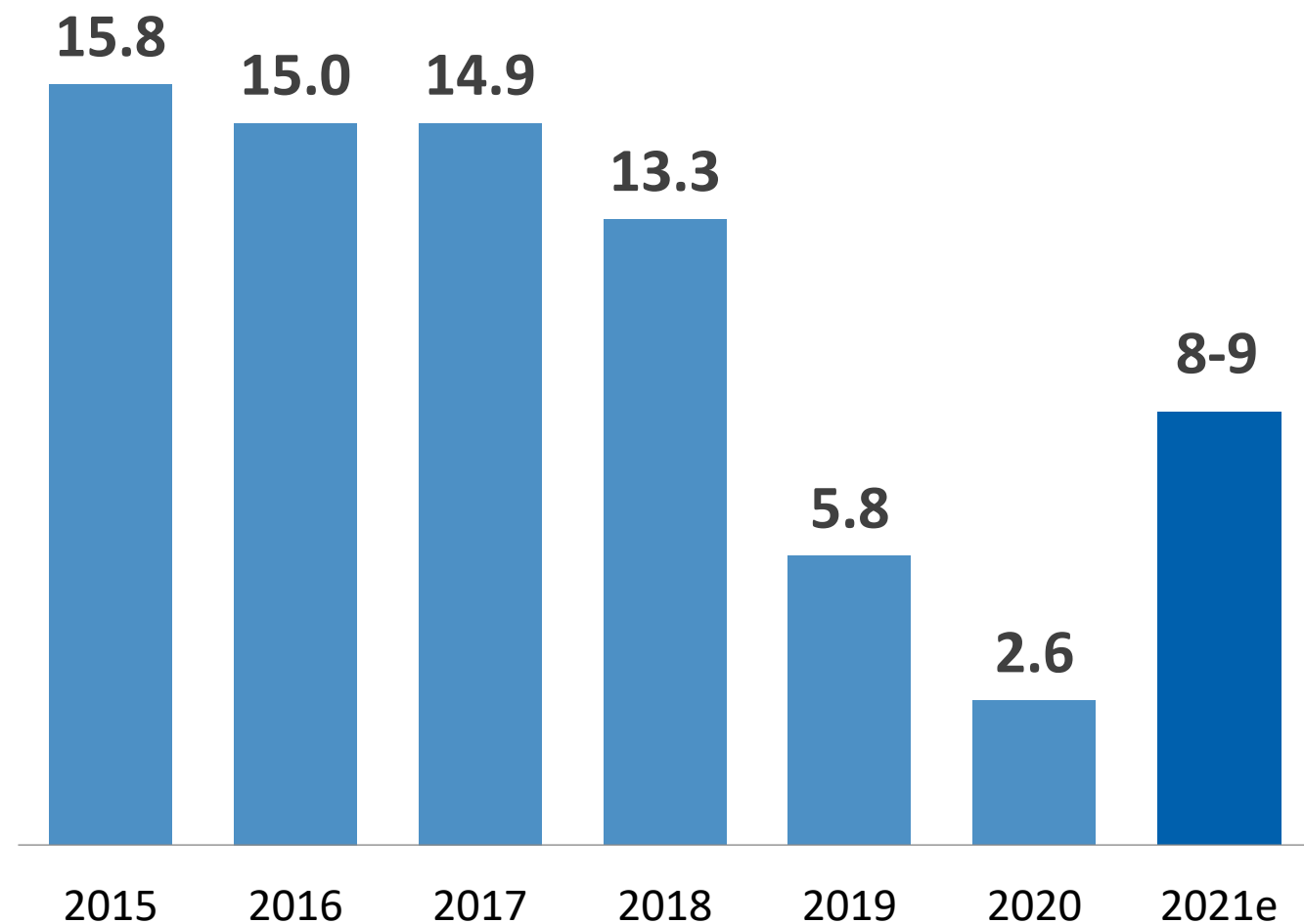




## ROCE

- Stable development of return on capital employed (ROCE) before 2019, influenced by increased earnings vs. growing capital employed
- Strong increase in earnings and a moderate reduction in capital employed result in growing ROCE 2021

ROCE 2015 – 2021\* in %

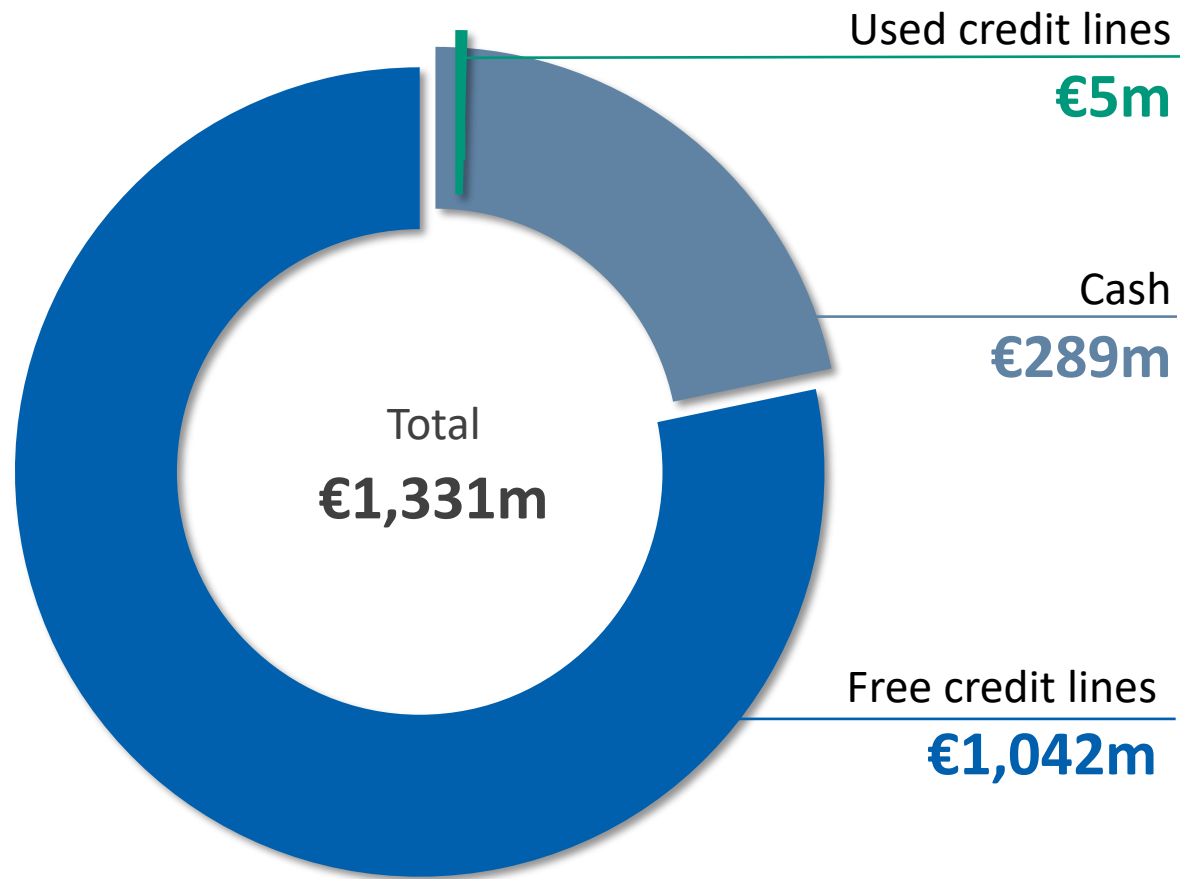


\* ROCE without one-offs and goodwill

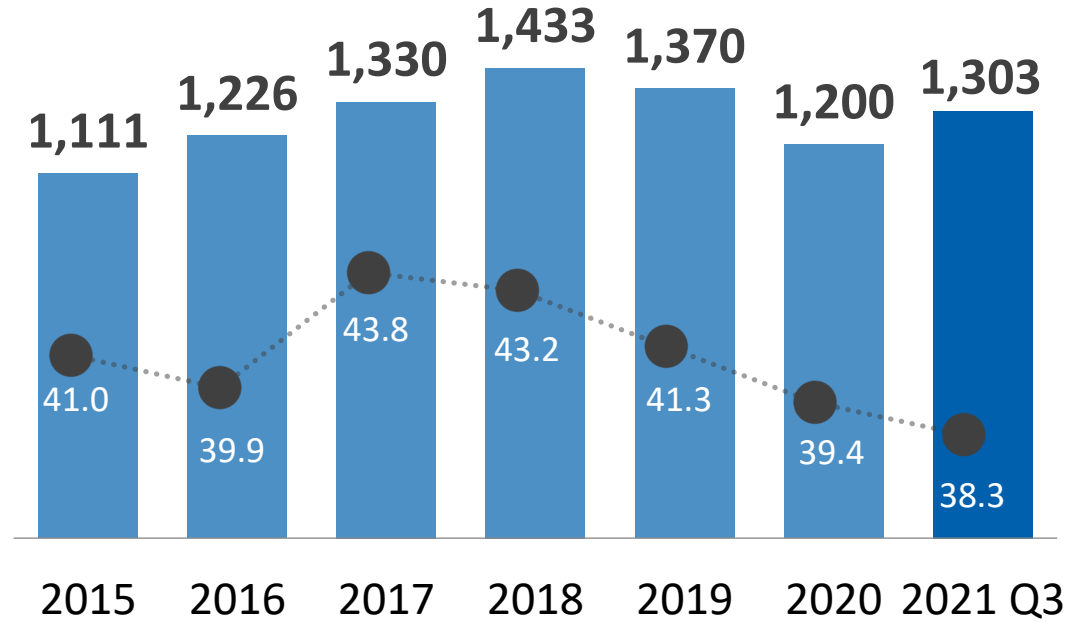


# Krones financial stability

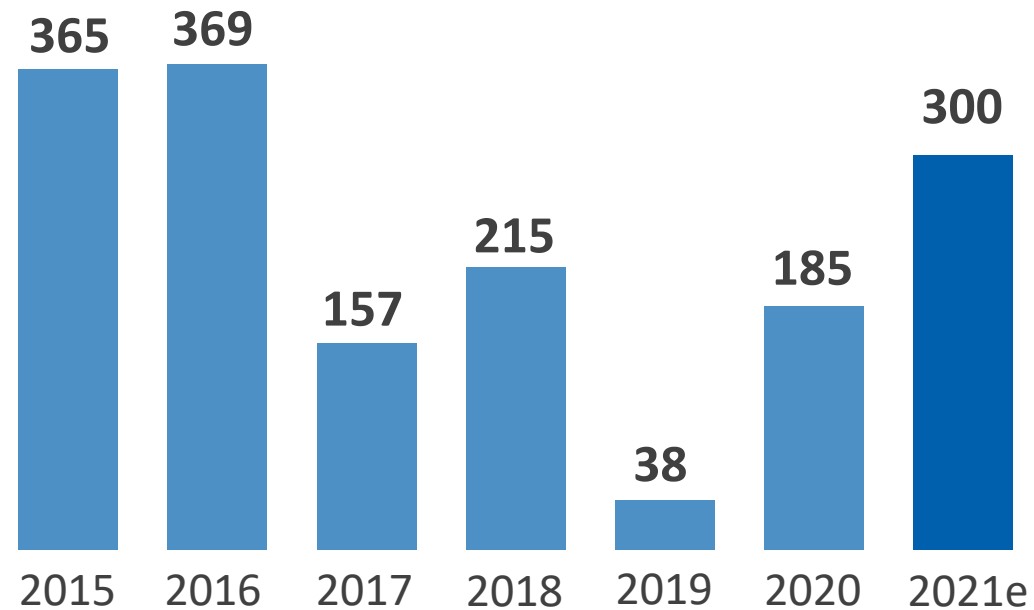
Liquidity reserves Q1 – Q3 2021 > €1.3bn



Equity (€m) and equity ratio (in %)



Net cash (€m)



... leaves room for investment decisions to grow the company



## Investor perspective

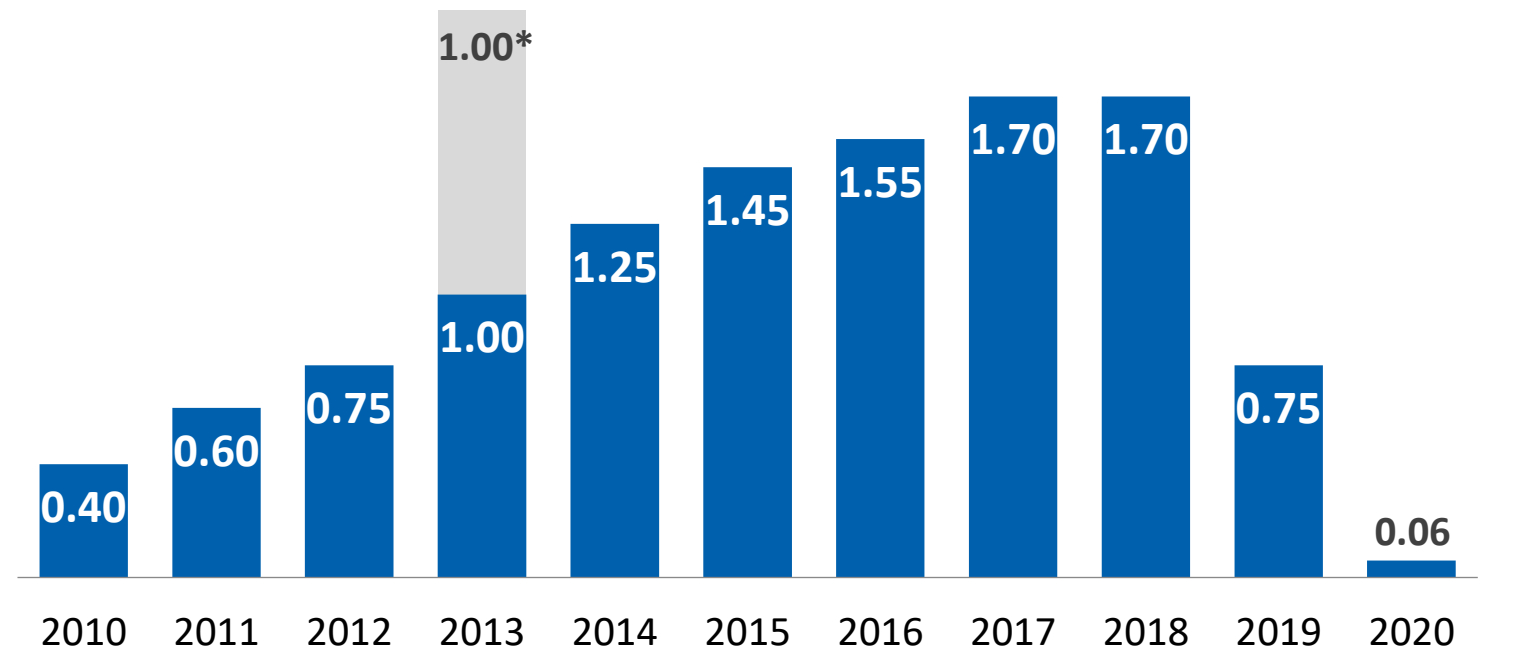
### Dividend payouts:

- Continuous growth in dividend payments until 2019 reflecting the profitable growth path of Krones

### Our dividend policy:

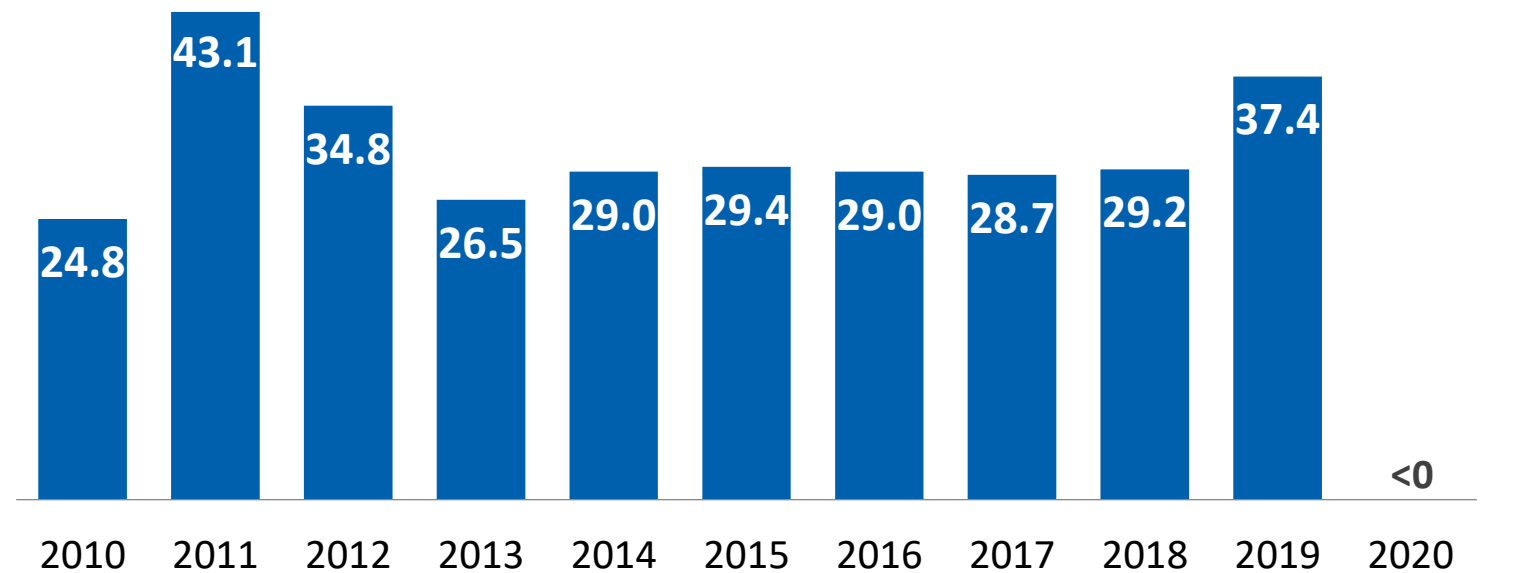
- Actual payout ratio: 25 – 30% of net income
- Payout ratio usually at the upper end of the range
- Dividend ratio allows Krones to make debt-free investments for growth, including mid-size M&A

Dividend payouts in €



\* Special dividend

Payout ratio in %

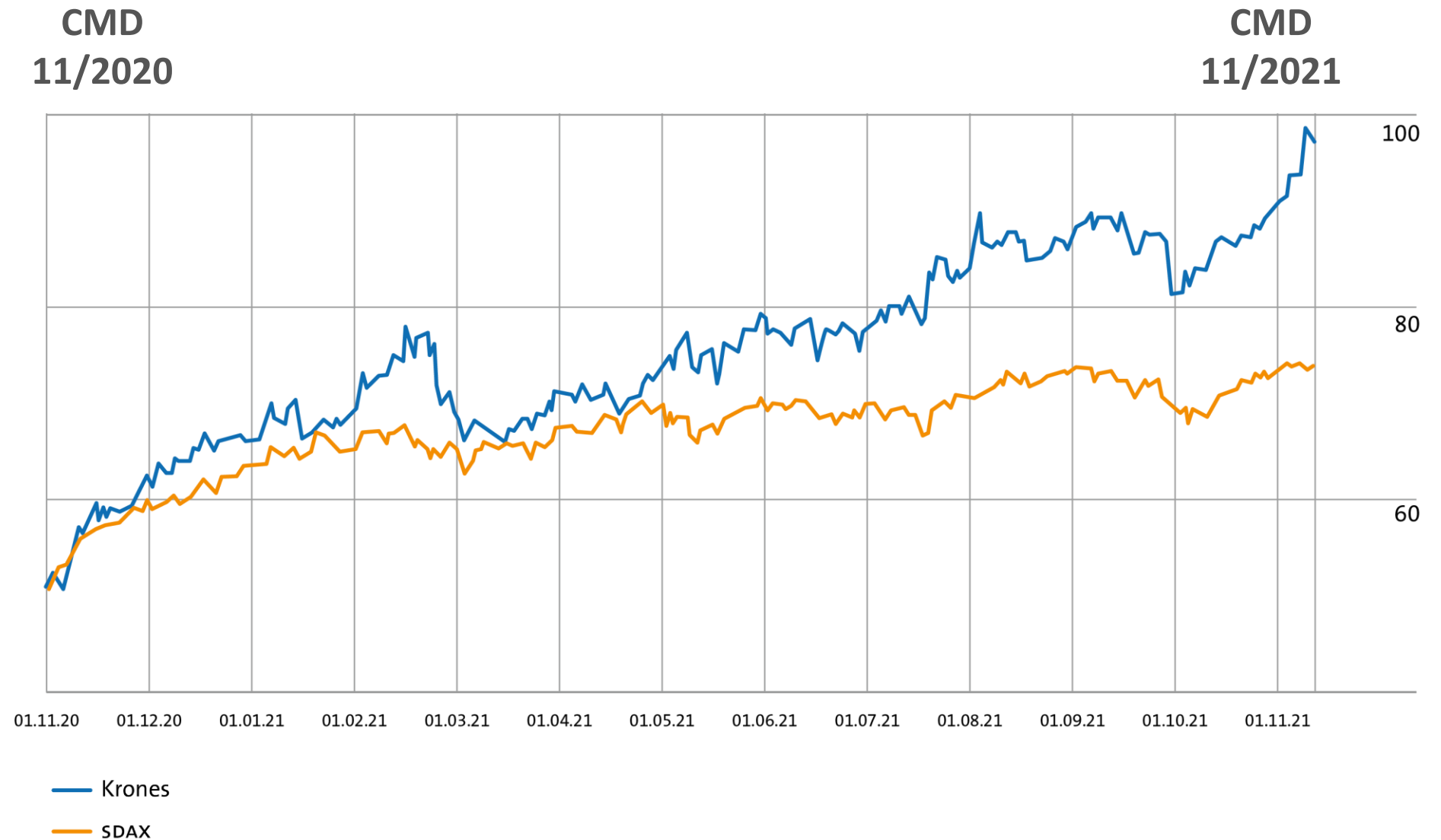




## Investor perspective

### Share price development since last CMD

- Share price development of Krones over the last 12 months above SDAX development
- Despite the market corrections within the last 12 months, Krones share price increased by 73%; SDAX increased by 35%







## We confirm our midterm targets

### Our current midterm targets

**Growth**

**2% – 5%**

(organic growth)

**EBITDA margin**

**9% – 12%**

**Working capital**

**24% – 26%**

to be achieved in 2023 (... most likely one year earlier)

# Agenda



- Welcome
- Sustainability @ Krones
- Digitalization @ Krones
- Business Unit Filling and Decoration
- Segment II: Process Technology
- Segment II: Intralogistics
- Financials
- **New Financial Targets 2025**
- Discussion/Q&As

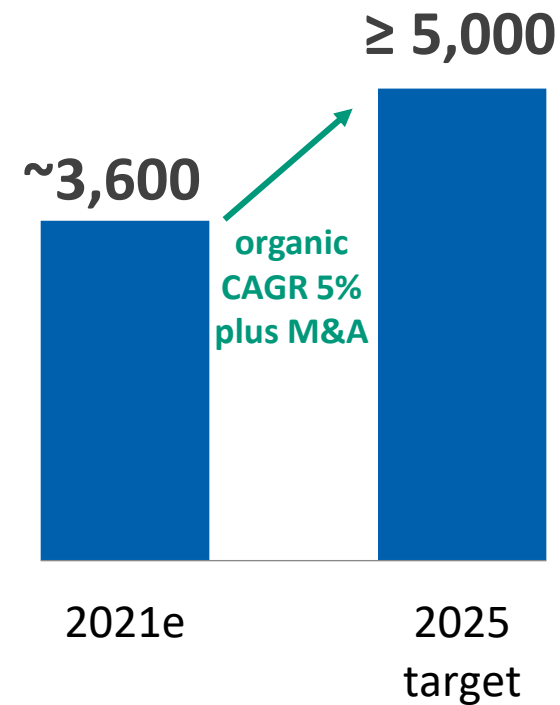


## Financial targets for 2025

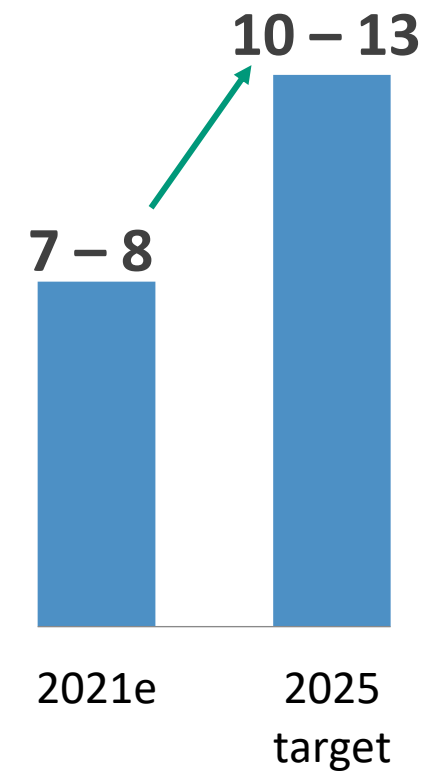
**We have set ourselves challenging but realistic financial targets for 2025:**

- **Sales**  $\geq$  €5bn, including minimum €4.5bn due to organic growth
- **EBITDA** 10% – 13%
- **ROCE**  $\geq$  20%  
ROCE will replace "net working capital" as third leading financial target starting 2022

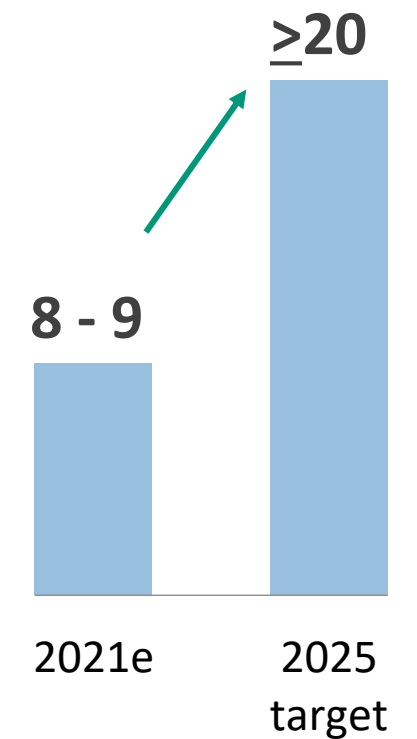
Sales (€m)



EBITDA margin (%)



ROCE (%)





## Sales targets 2025 by segments

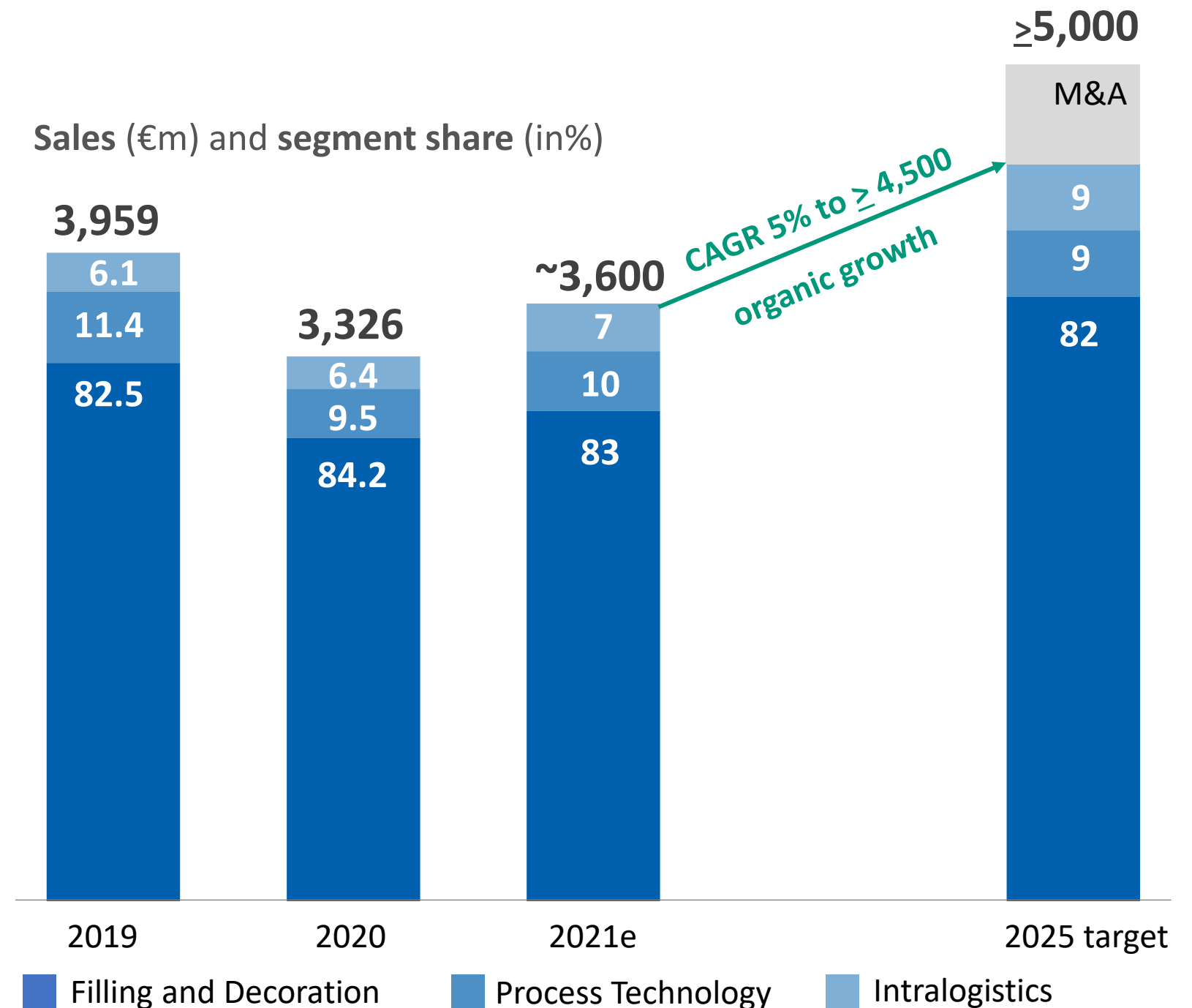
### Growth:

- 2.5% Global Beverage Market
- + Sustainability centered solutions
- + Digital and service solutions
- + Increased packaging scope
- + Innovation

### M&A Focus:

- Existing segments (portfolio, technology, digital solutions, service coverage)
- Beyond beverage (solid food, health and personal care, recycling)

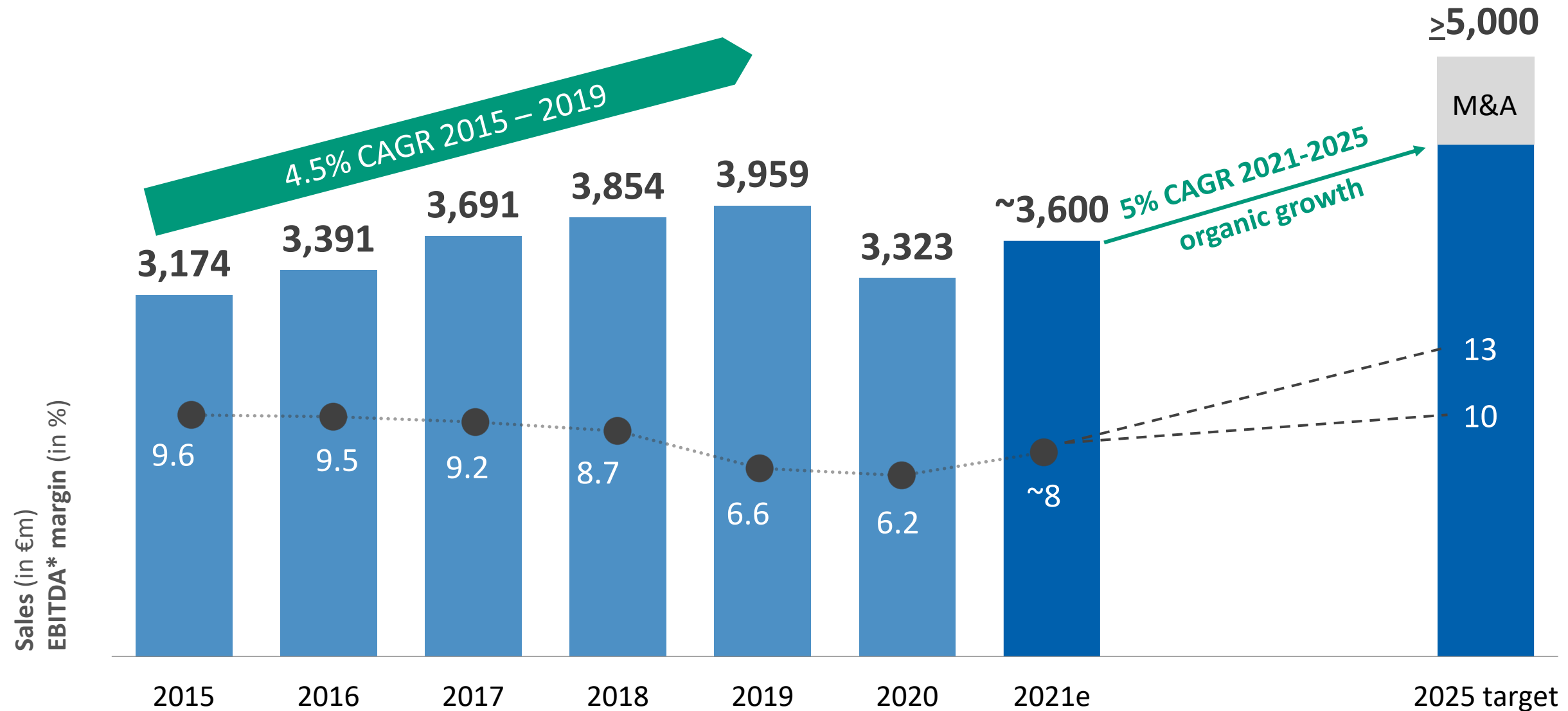
Sales (€m) and segment share (in%)







# Profitable growth path will continue



\* EBITDA margin before one-offs



## EBITDA\* targets 2025 by segments

### Product Filling and Decoration:

**Actual ~9% to target 12 – 14%**

- Increase global production footprint
- Reshape product portfolio
- Innovation in sustainable filling & packaging
- Digital products and services

### Process Technology:

**Actual ~4% to target 7 – 9%**

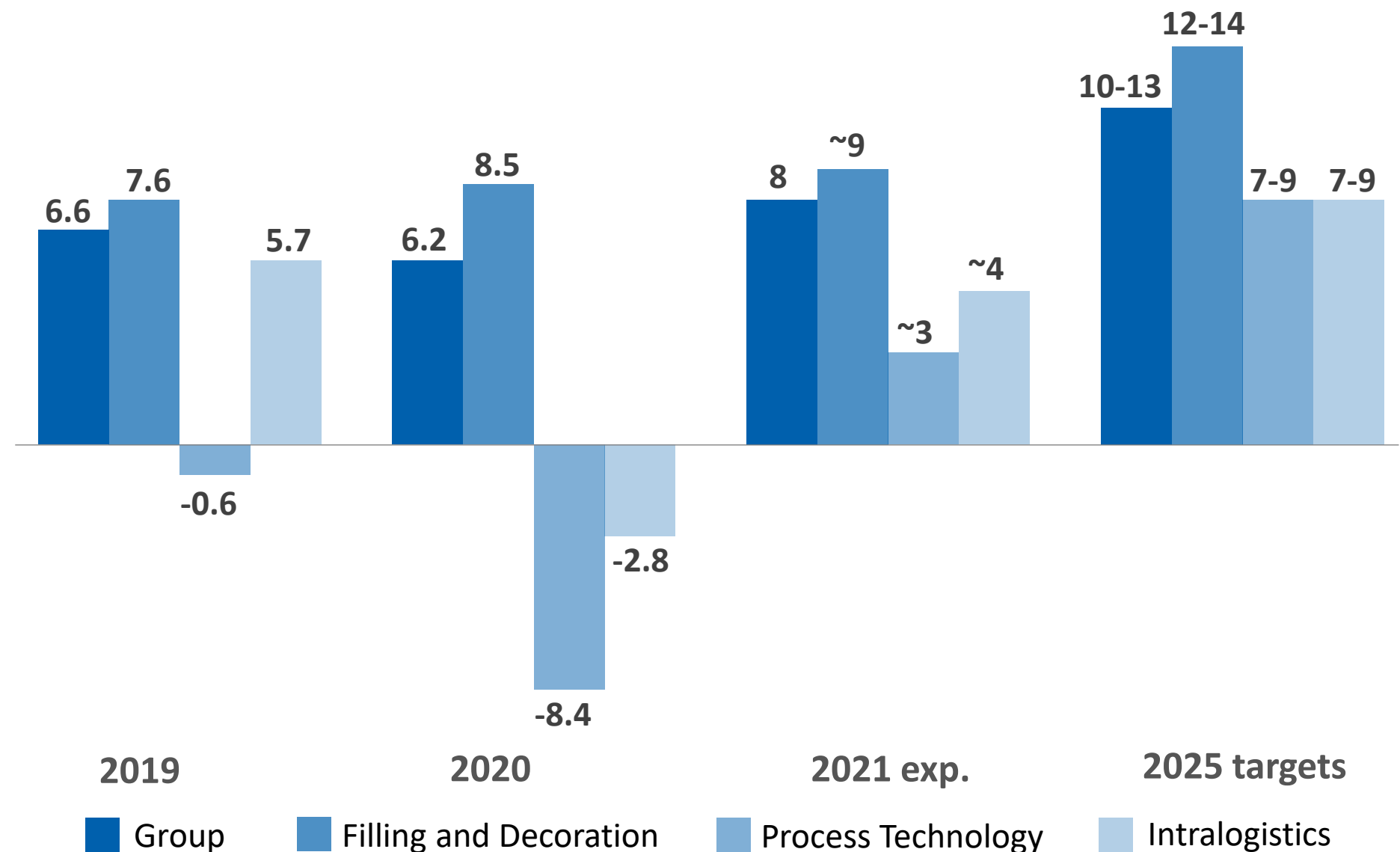
- Increase share of service business
- Less high volume – high risk projects
- Change portfolio to more “non beer” products (dairy, liquid food, alternative protein products, water treatment)

### Intralogistics:

**Actual ~4% to target 7 – 9%**

- Increase share of AGV's/LGV's
- Innovations in software and robot solutions for order picking systems
- Improve project execution
- Increase share of service business

EBITDA (in %)



\* EBITDA w/o one-offs

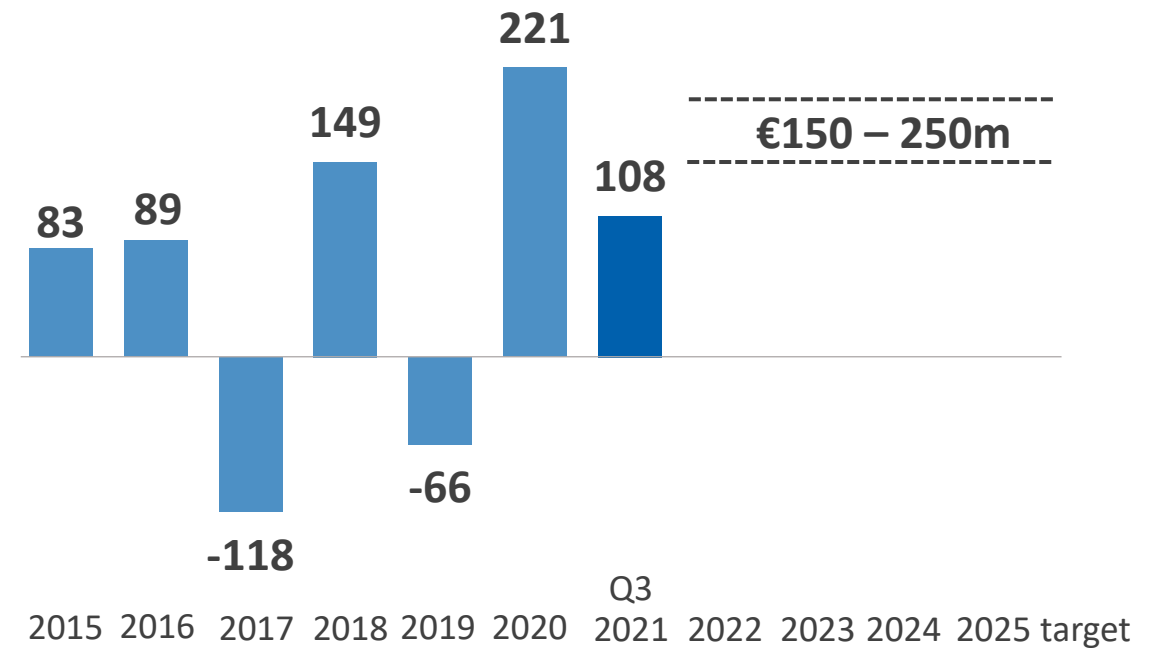


## We will keep our focus on cash

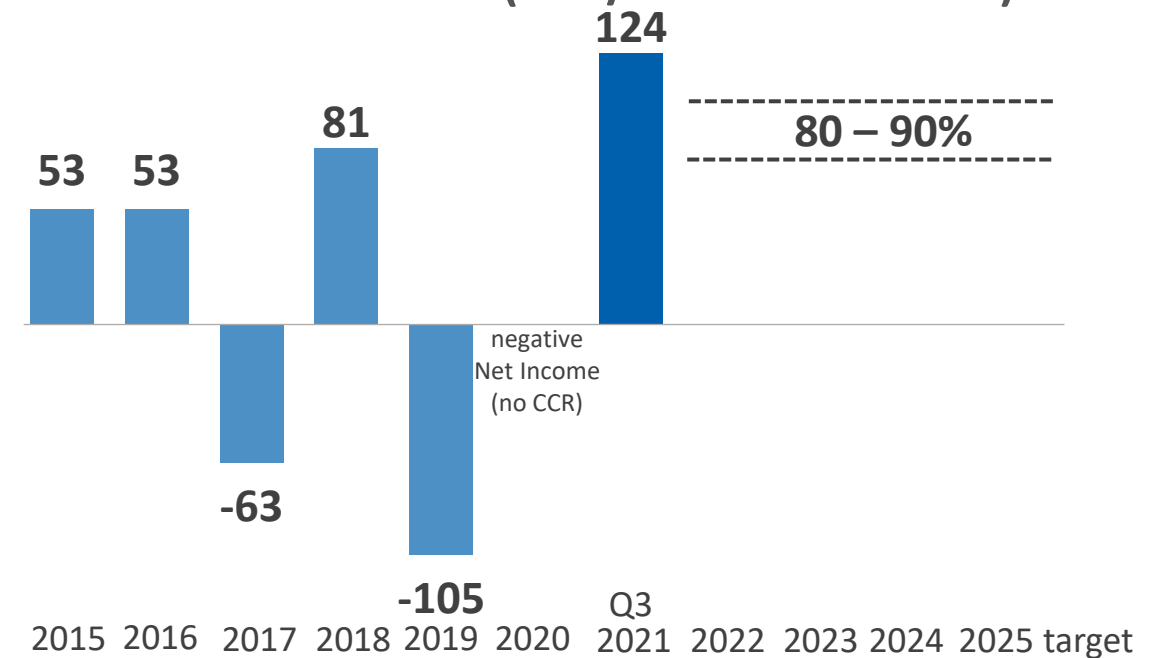
- With increasing earnings and strong improvement in ROCE sustainable positive development in Free Cashflow planned
- Higher Free Cashflow can be used for internal investments, M&A and dividends
- Target for cash conversion rate 80 - 90%

\* Cash Conversion rate without one-offs

Free Cashflow (without M&A) in €m



Cash Conversion Rate (FCF / Net income in %)





## Krones – an attractive investment

- ✓ Leading position in attractive and growing beverage and food market
- ✓ Digitalization, technology & innovation leader in filling and packaging
- ✓ Strong ESG commitment & sustainability enabler for global industry players
- ✓ Clear growth path and profitability improvement plan
- ✓ Financial stability and strong cash generation



# Agenda



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- New Financial Targets 2025
- **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





# Q&A Session





**Thank you**  
for your attention!





## Financial calendar 2022

**February 24, 2022** Conference Call Group  
Preliminary figures for the period  
from 1 January to December 31, 2021

**May 6, 2022** Conference Call Group  
Quarterly statement for the period  
from 1 January to March 31, 2022

**August 2, 2022** Conference Call Group  
Quarterly statement for the period  
from 1 January to June 30, 2022

**November 4, 2022** Conference Call Group  
Quarterly statement for the period  
from 1 January to September 30, 2022



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