



KRONES Conference Call

April 29, 2020

Christoph Klenk, CEO
Norbert Broger, CFO



Krones Q1 2020

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 Corona Virus, it is currently not possible to provide reliable indications and guidance for revenue and earnings in the 2020 financial year.



Financials Q1 2020



Krones Highlights Q1 2020

-19.3%

€841m

New orders

942 Revenue (-4.2%)
€m

5.6%

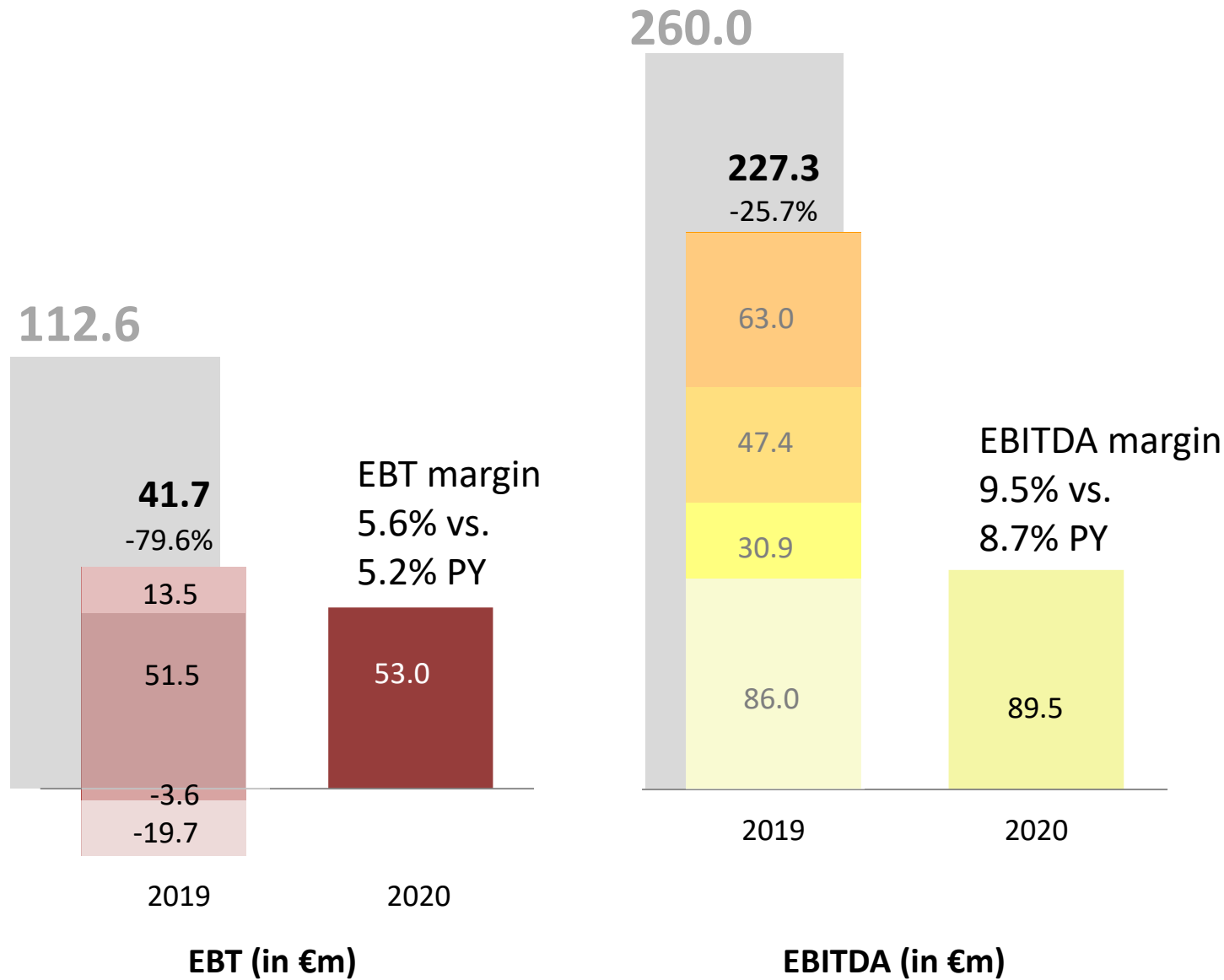
€53.0m

EBT margin

-16.0 Free cash flow
€m (PY -€136.6m)



EBT/EBITDA Similar to Q1 in Prior Year Despite Lower Sales

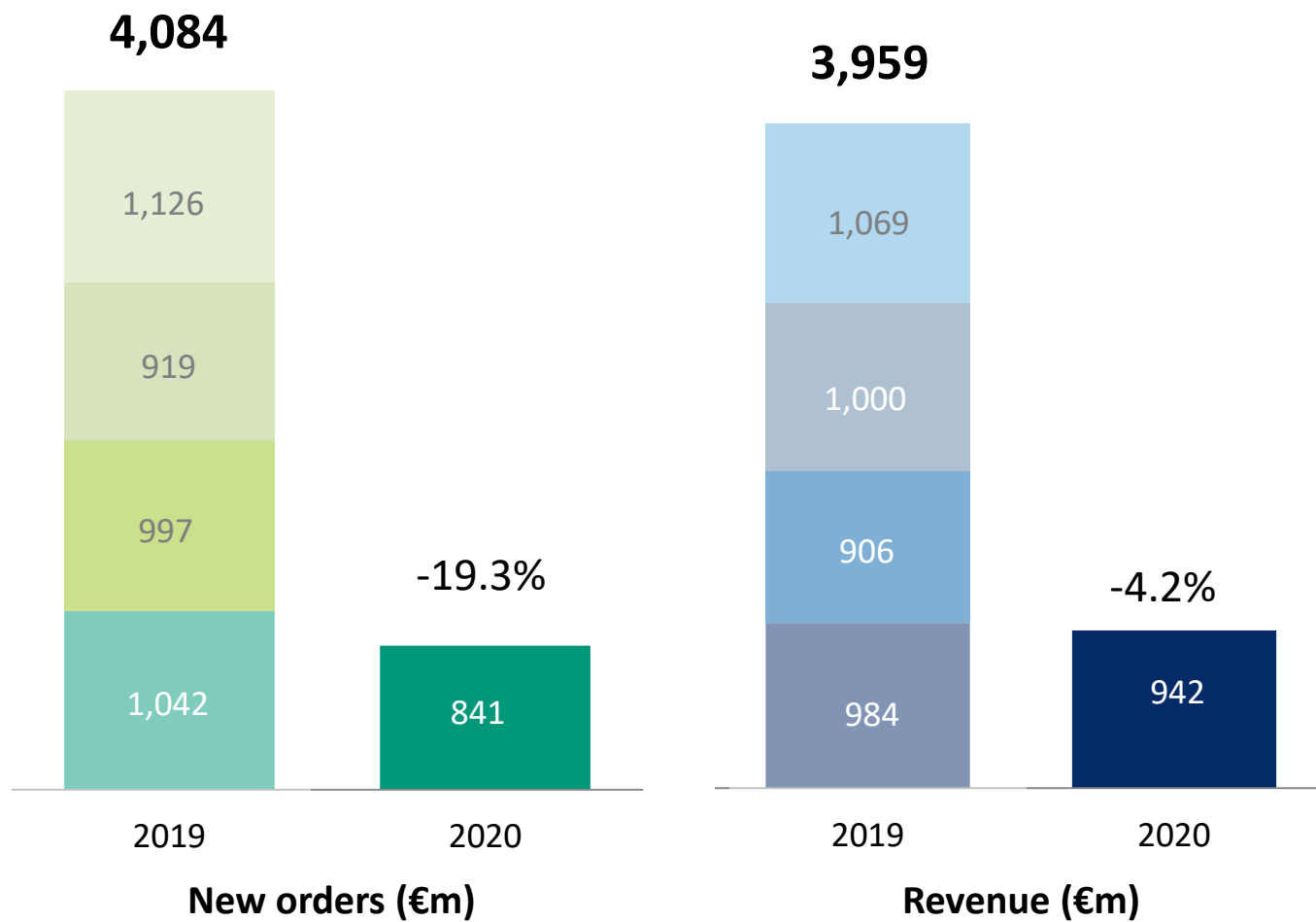


EBT/EBITDA margin improvement due to:

- Reduction in workforce in Germany
- Savings in material costs
- Reduction in purchased services
- Savings in other expenses (travel, freight, ...)
- Favourable product mix (volume decline in OEM business; service business still strong)
- Better resource management in declining volume situation compared to 2019
- Price increases from 2019

Q1 Order Intake Affected by Covid-19, Especially in March

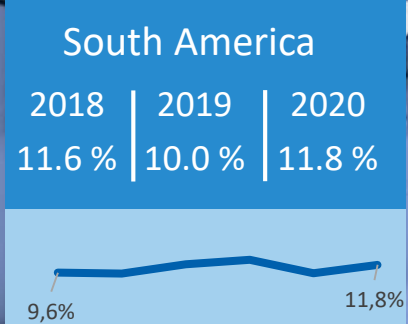
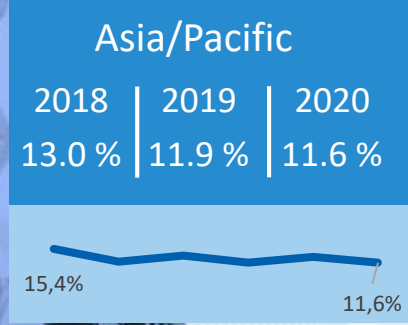
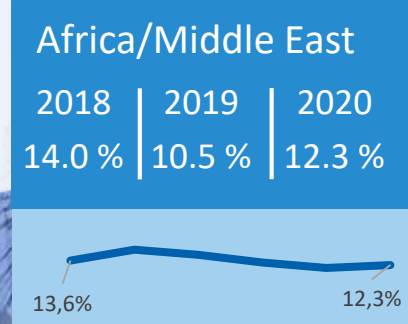
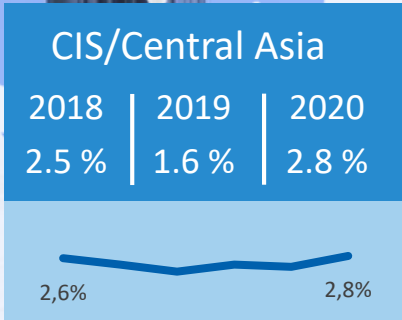
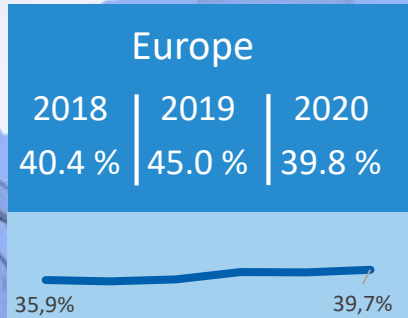
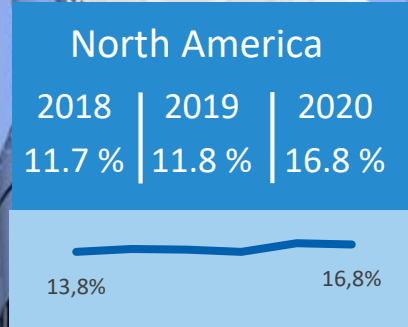
Limited Covid-19 impact on Q1 revenue due to order backlog





Krones' Q1 Revenue Split Remains well Balanced

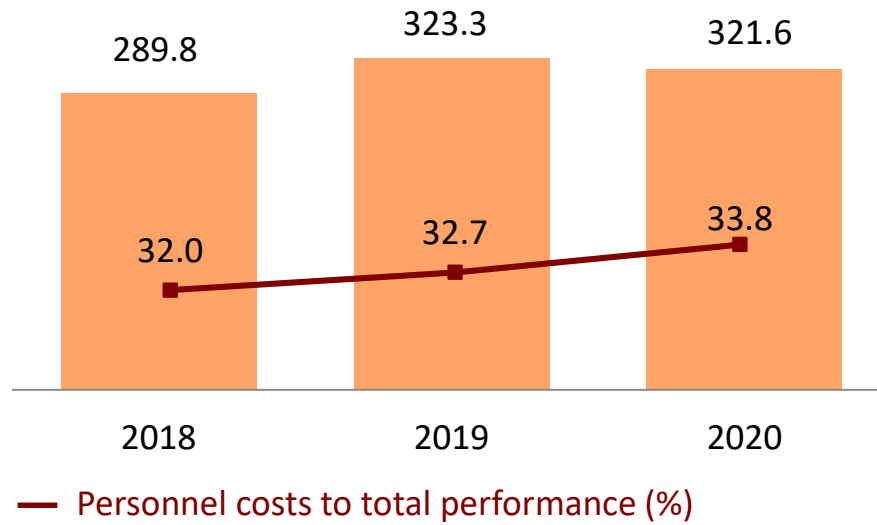
Share of revenue (Q1)



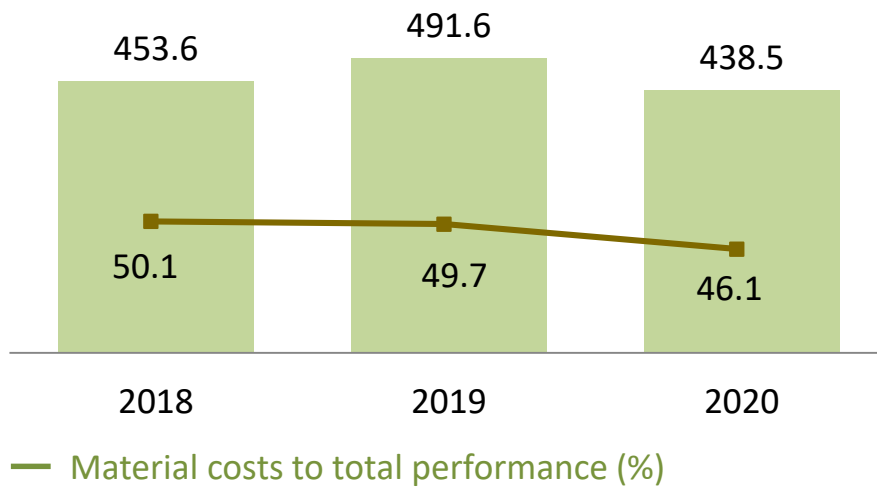
Trend over last six years

Personnel and Material Costs Q1

Personnel cost (€m) Q1



Material cost (€m) Q1





Development of Revenue and EBITDA per Segment in Q1

Segment	Revenue (€m) Q1 2020	EBITDA (€m) Q1 2020	Outlook 2020
Product filling and decoration	<p>Growth</p> <p>+4% 774</p> <p>+8% 834</p> <p>-2% 816</p>	<p>EBITDA margin</p> <p>10.5% 80.9</p> <p>11.2% 93.5</p> <p>11.9% 97.0</p>	
Beverage production/ Process technology	<p>Growth</p> <p>-23% 118</p> <p>+27% 149</p> <p>-16% 126</p>	<p>EBITDA margin</p> <p>-2.0</p> <p>-7.5</p> <p>-7.5</p>	

Free Cash Flow Improved in Q1 Mainly by Lower Working Capital Increase

Q1 (€m)	2020	2019
Earnings before taxes	53.0	51.5
+/- 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
Cash flow from operating activities	16.2	-90.2
+/- Capex	-34.2	-46.6
+/- M&A activities	0.0	-1.9
+/- Other	+2.0	+2.1
Free cash flow	-16.0	-136.6
+/- Financing activities	+251.5	+75.2
Net change in cash	235.5	-61.4
Cash at the end of the period	345.9	157.4

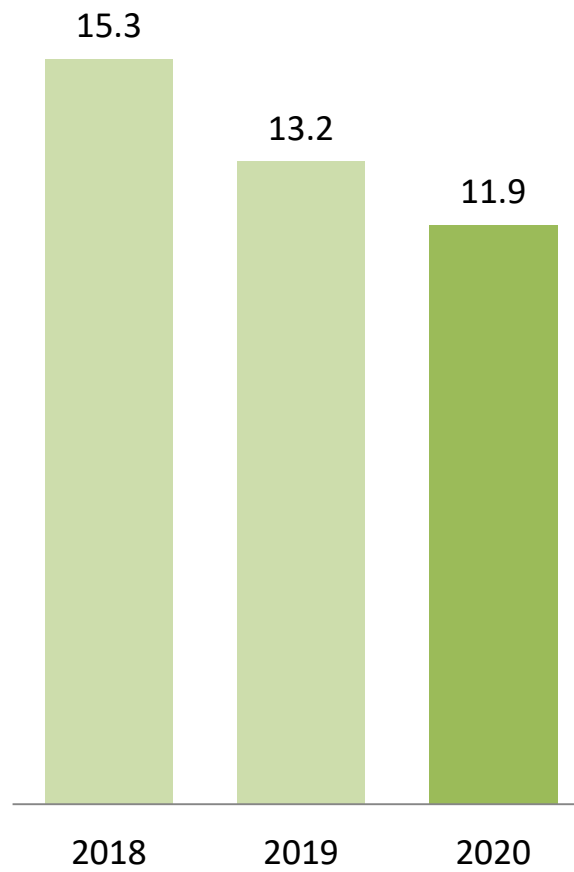


Working Capital and ROCE Q1

Working capital* in %
of revenue (Q1)



ROCE* in % (Q1)



*LTM (Last twelve months)

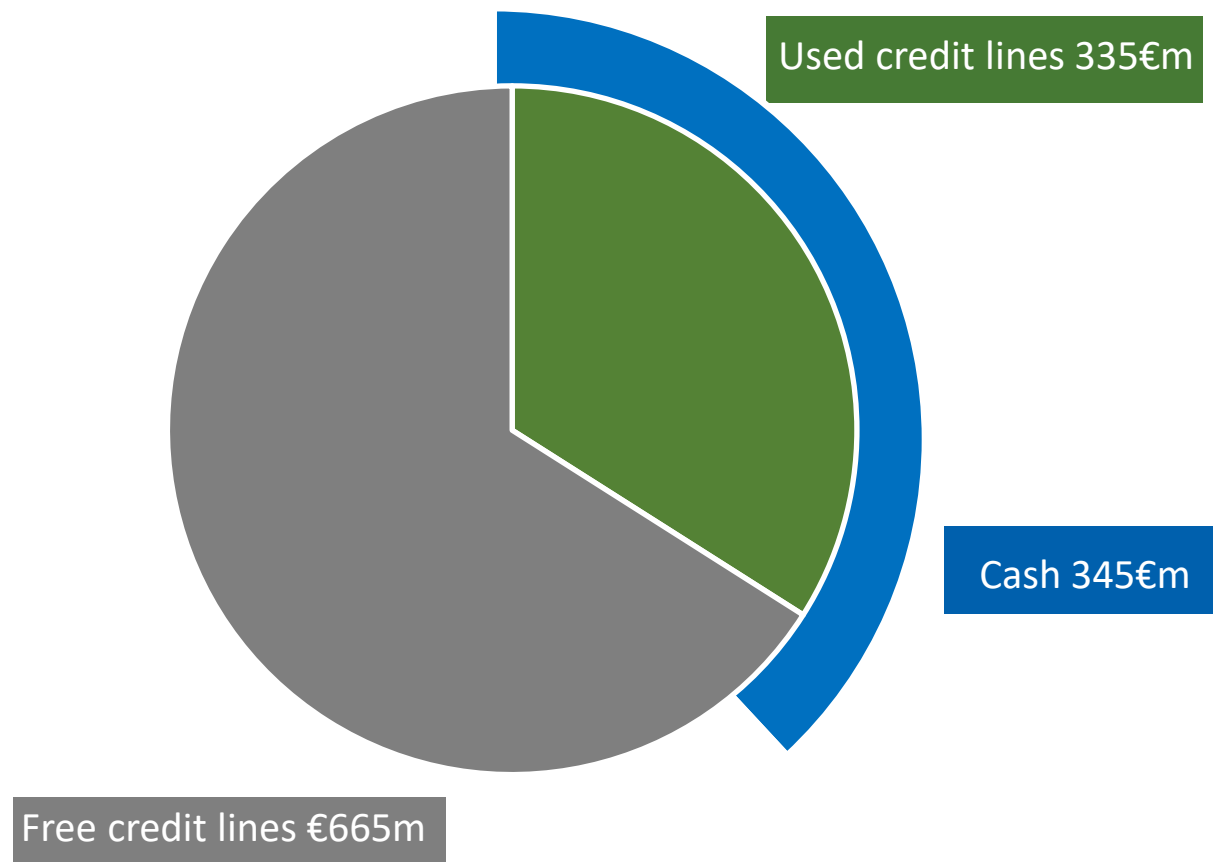


Krones is Very Well Positioned Financially

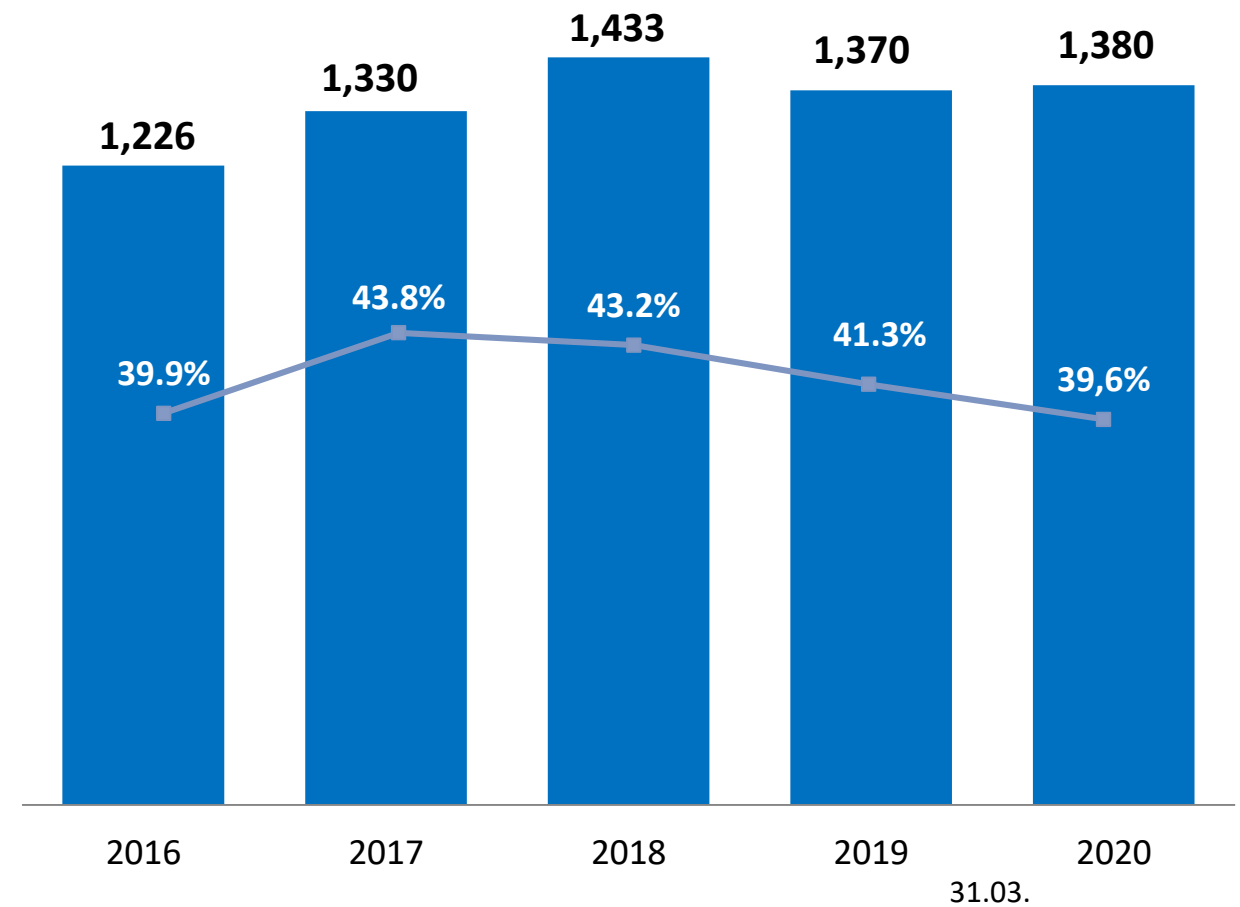
Net cash, free credit lines and high equity ratio in Q1



Liquidity reserves €1bn



Equity in €m and equity ratio in %





Mid-Term Outlook



Krones Mid-Term Targets

Revenue growth

2-5%

EBITDA margin

9-12%

Working capital to
revenue

22-24%

Equivalent to EBT margin

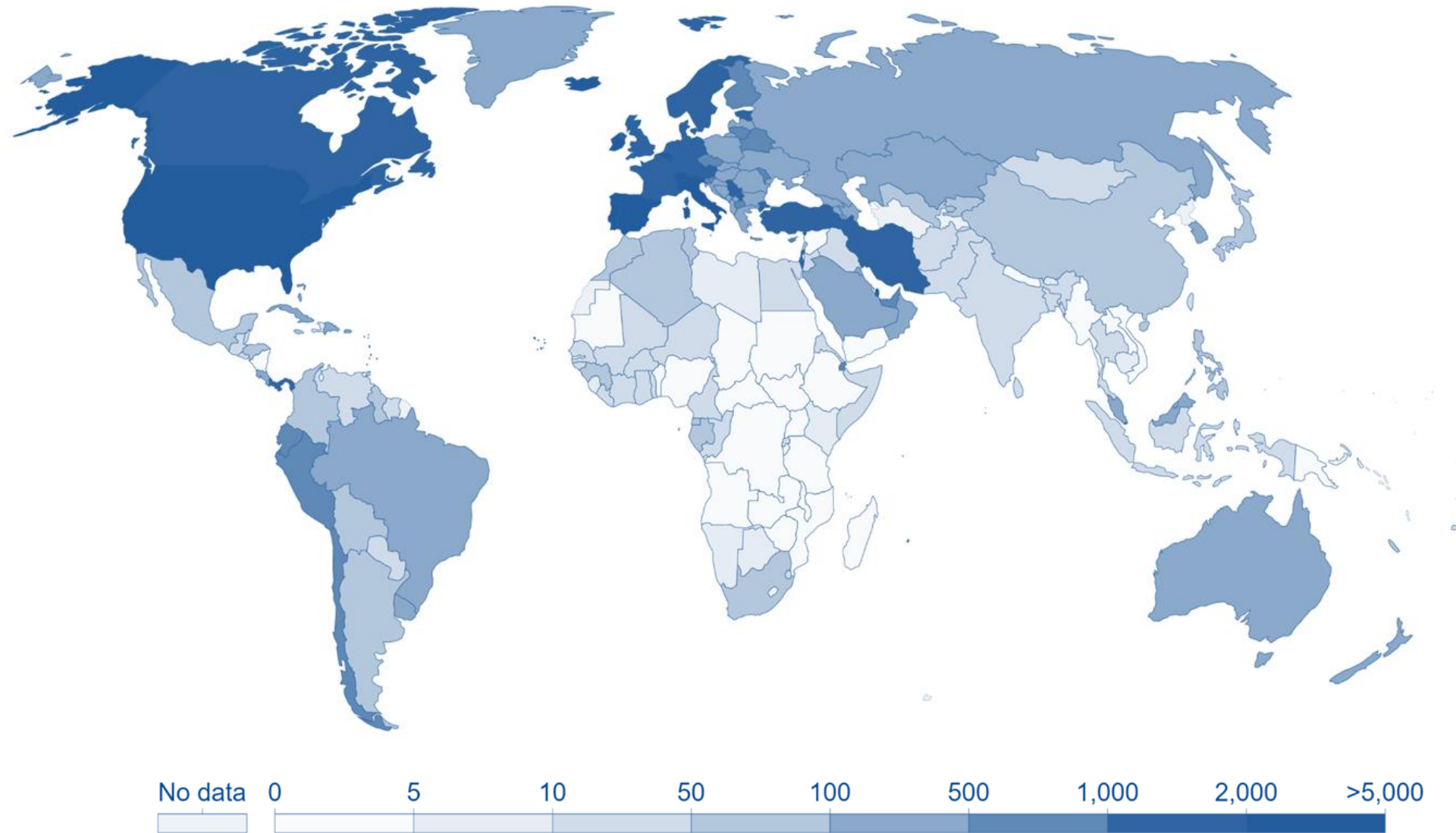
6-8%



Corona Update



Current Spread of COVID-19: Confirmed Infections per One Million Citizens



As of April 23, 2020

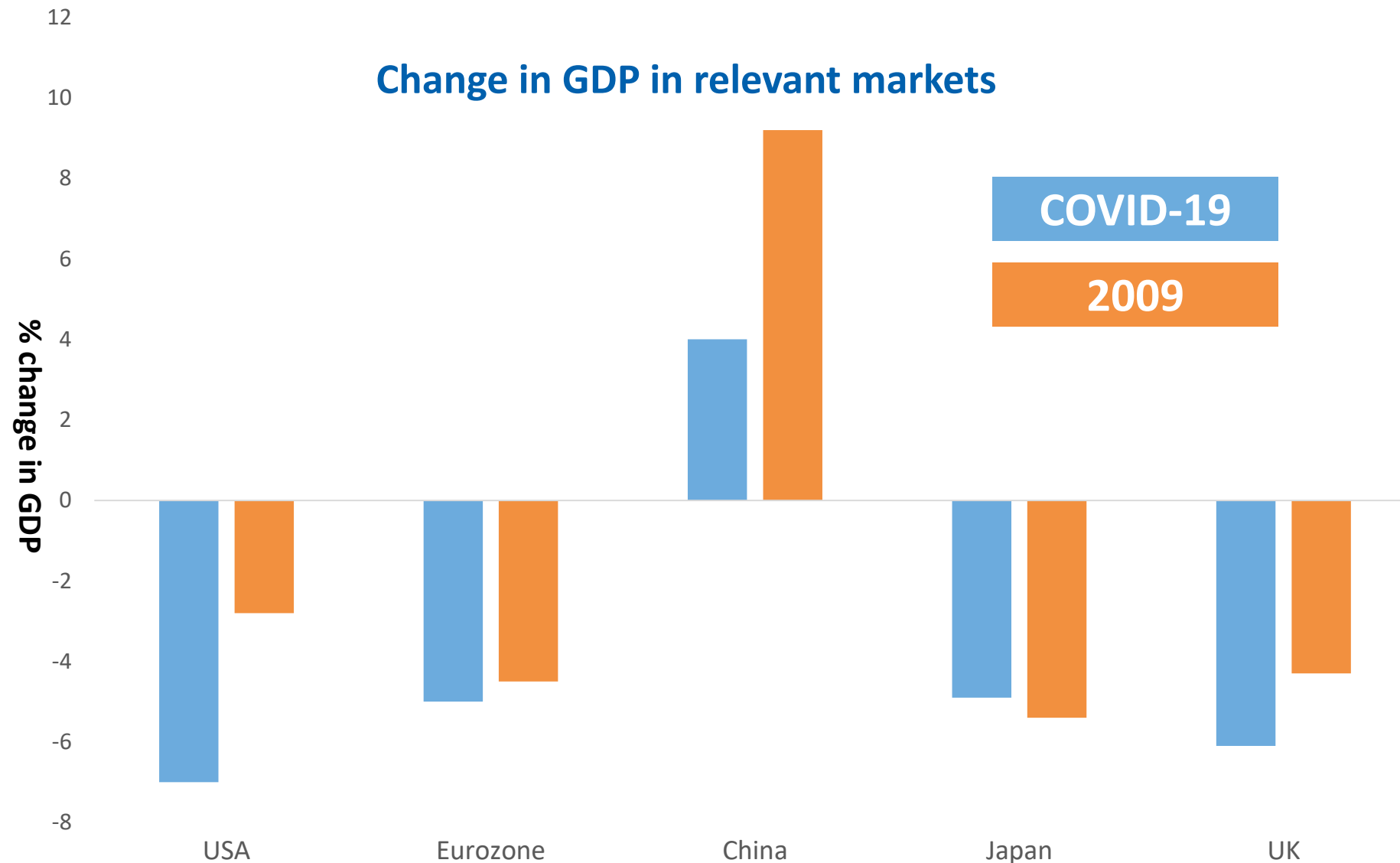
Source:
European CDC
OurWorldInData.org / CC-BY

Real infection estimated to be significantly higher because only confirmed/tested infections included in statistics

Infection rate in Europe & North America high; growing infection rates in developing countries



2008/09 Financial Crisis vs. COVID-19: Impact on GDP



Source:
COVID-19 forecast based on
base-case scenario from ING
Research
As of 2 April 2020

Data 2009 based on
International Monetary Fund
(IMF): World Economic Outlook
(WEO), 10/2017

COVID-19 will most likely lead to deepest recession since 2008/2009 financial crisis; many institutions expect even stronger negative impacts



Beverage Industry: No Shutdown for our Customers

Demand



Purchase decisions for consumer staples cannot be postponed indefinitely (*unlike discretionary items*)

However: Gastronomy & duty free distribution channels hit by restrictions



Anxious consumers show tendencies to **stockpile** food and beverages leading to significant spikes in demand

However: Lower demand due to later consumption of household stockpiles

Supply



Many F&B industry **supply chains** are regional (*transport costs*) and supplies typically come from multiple sources (*e.g. agricultural commodities, packaging*)



Food supply is critical infrastructure, therefore **exemptions** are granted even amid the most severe shutdowns (*e.g. China, Italy, Spain*)

Favourable impact

HPC

Liquid Food

Fresh Dairy

Wine

Beer

UHT Dairy

Water

Softdrinks

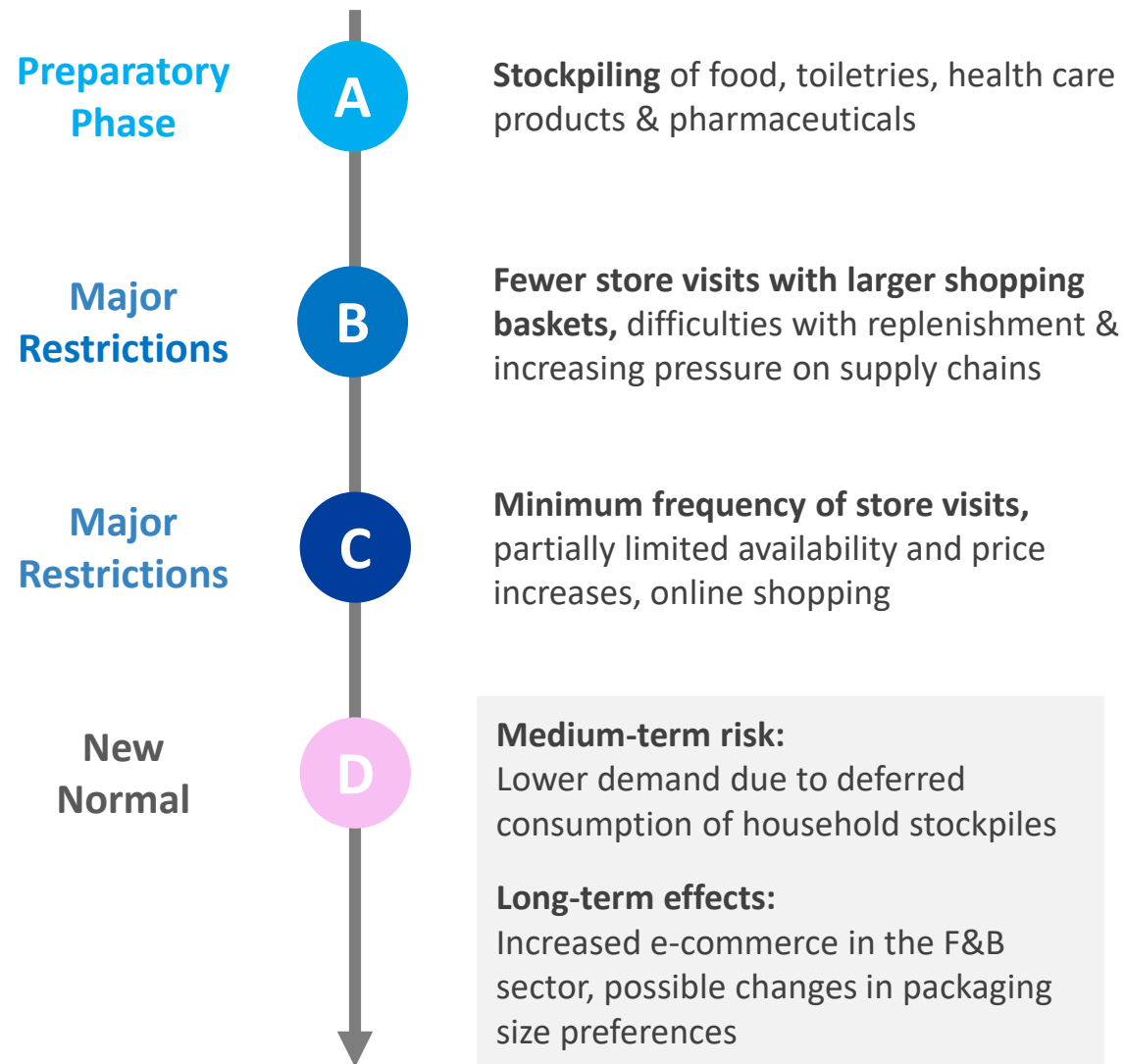
Spirits

Adverse impact

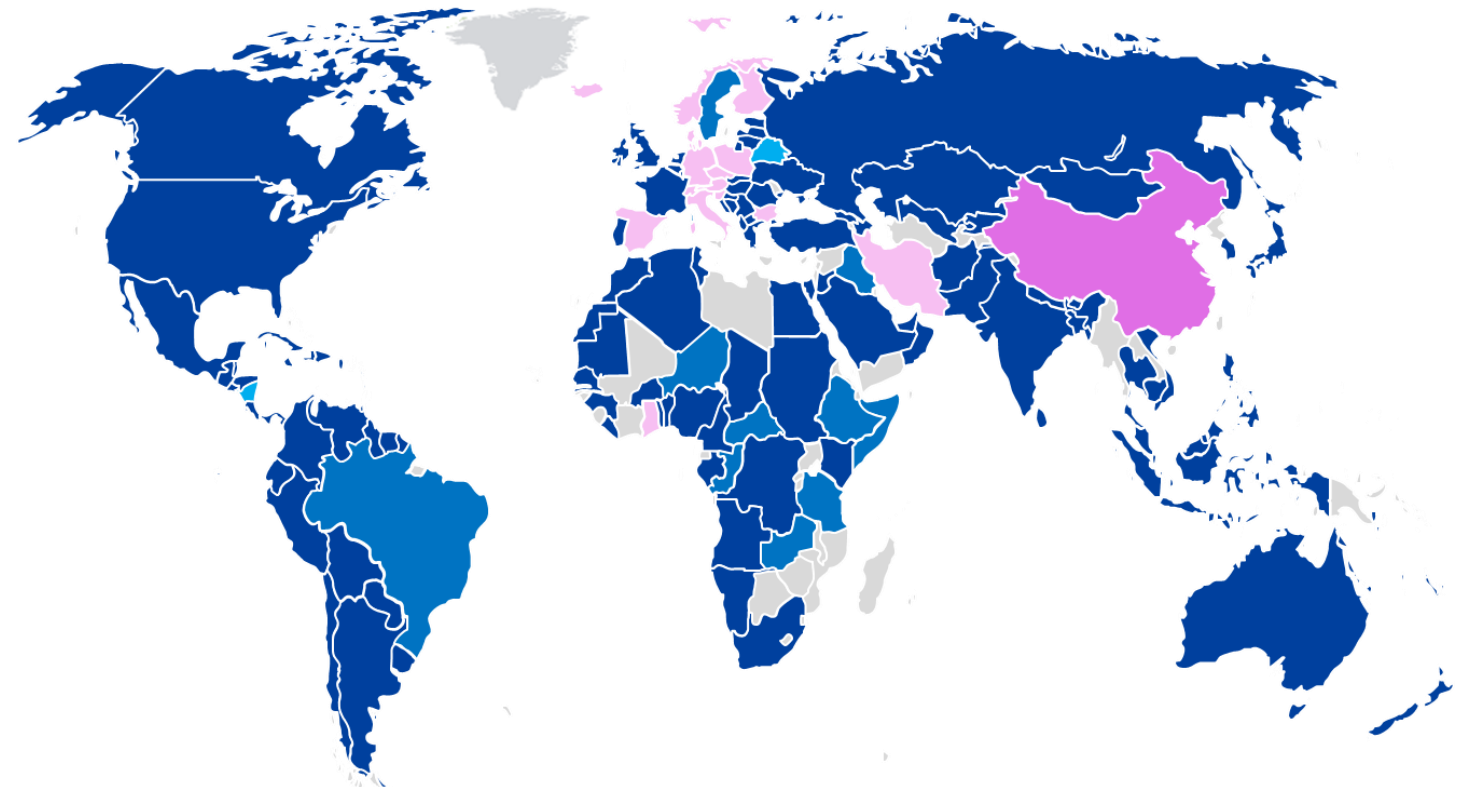
“People always eat and drink”, however there are major shifts among categories.



How will the Pandemic affect the Beverage Industry throughout the World?



Based on Nielsen Report 21 April 2020 (modified)



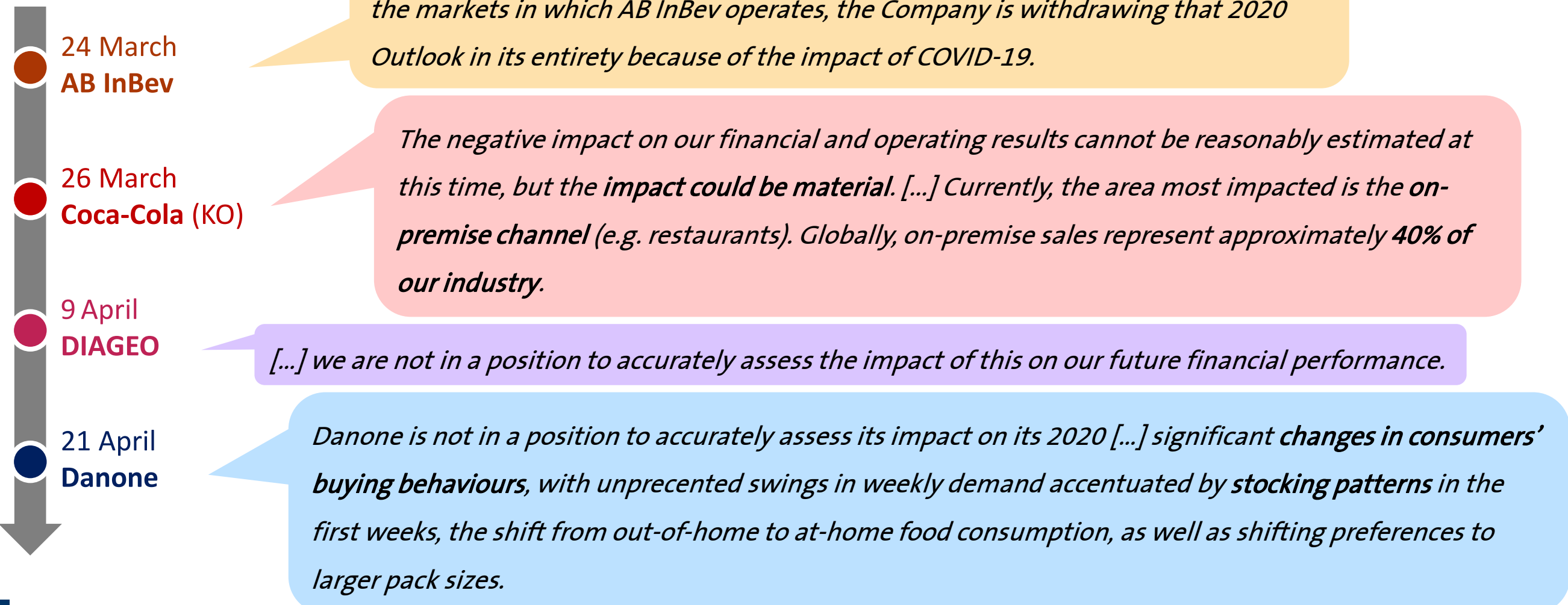
Consumer patterns are changing in phases of adaptation as the pandemic unfolds.



Customers' FY2020 Financial Outlook: Uncertainty amid COVID-19 Pandemic

Timeline COVID-19

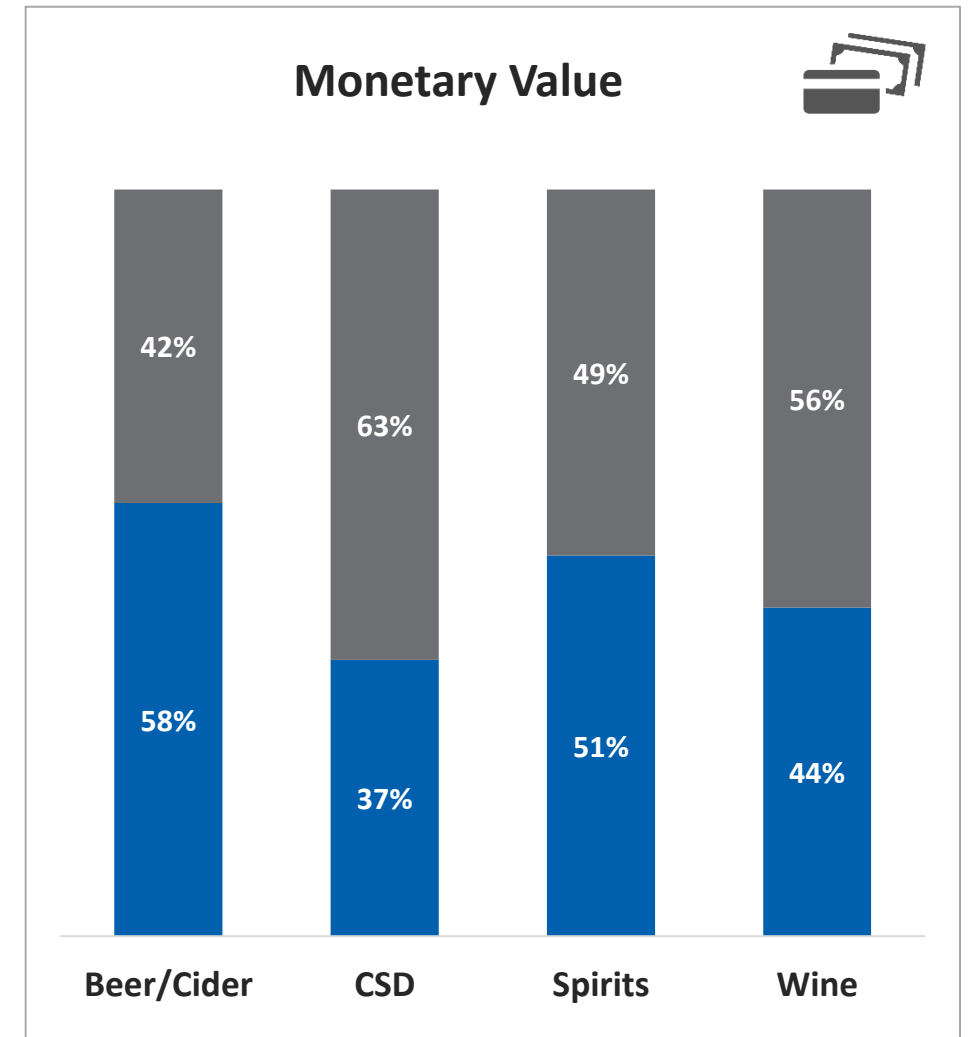
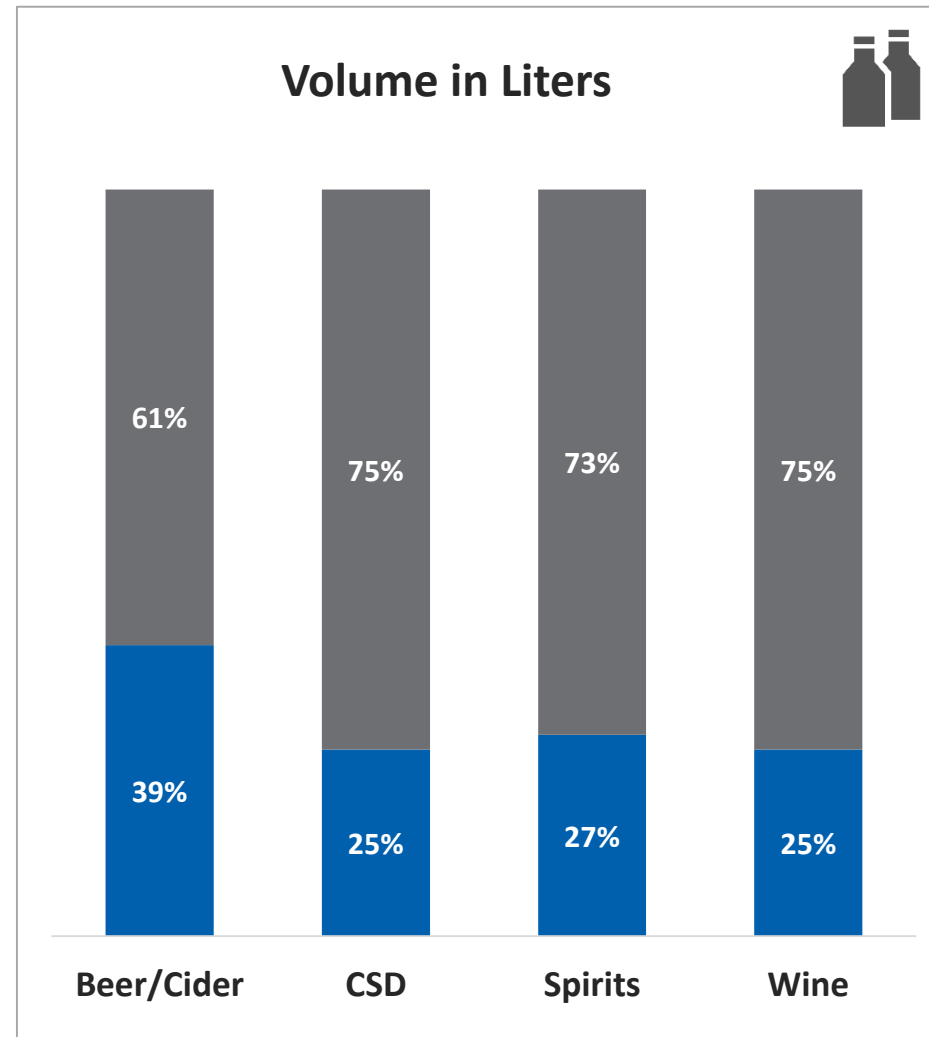
Major IR Releases



Despite prevailing uncertainty, there are no signs of overwhelming pessimism or panic.



Customers' Risk Exposure #1: On-Trade Sales Volumes



Source: Global Data | Year: 2018

Gains in off-trade likely cannot compensate a fall in profitable on-trade revenues.



Customers' Risk Exposure #2: Financial Leverage

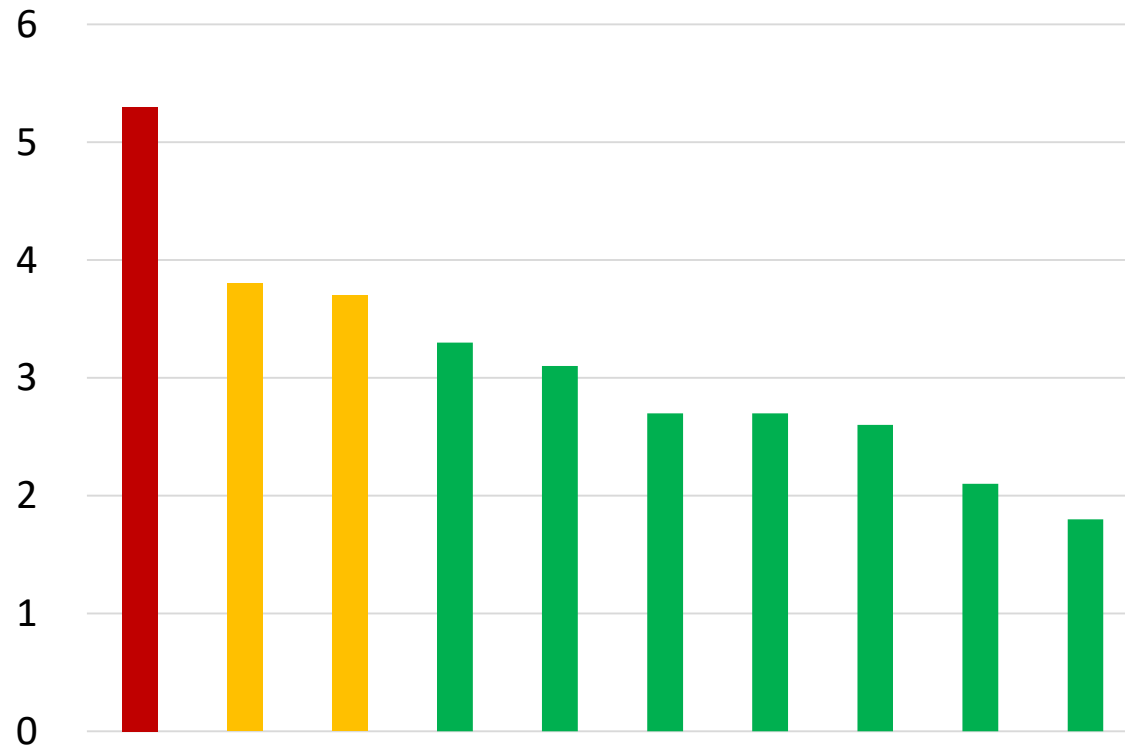
Sample of 10 listed Customers from Brewing, CSD & Spirits Industry

Citi Research Estimates (2020)



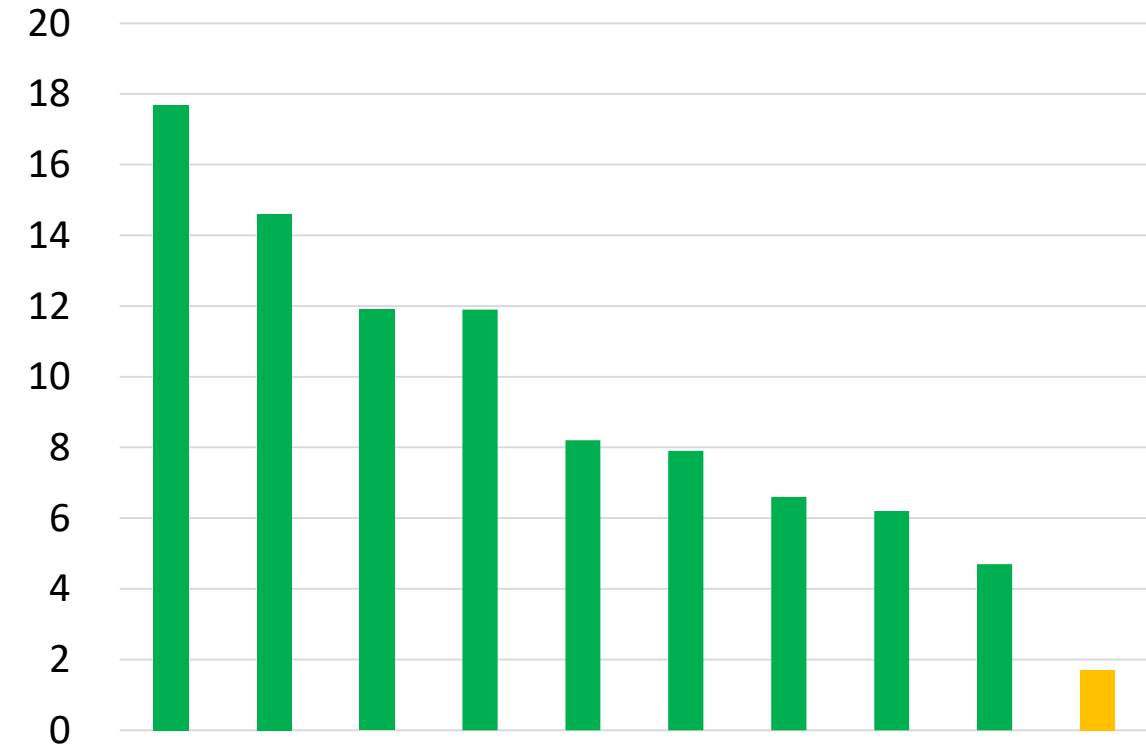
Balance Sheet Leverage

Forecast 2020: Net Debt/EBITDA



Debt Service Coverage

Forecast 2020: Interest/OCF



Despite leveraged balance sheets, short-term liquidity needs are secure amid pandemic woes.



China: Regional Impact on Kronos

Consumer Sentiment



- **Restaurants & services** are back in operation, safety measure like body temperature checks remain
- **Transport & travel** restrictions have been lifted, though some limits are still in place (esp. Beijing)
- **E-commerce** for consumer staples rapidly gained popularity
- **Consumers** are now encouraged to resume consumption, some local governments granted holiday

Beverage Industry



- **Strong Q2 rebound expected**, potential compensation of Q1 slump in certain beverage markets
- **2020 industry outlook cautiously optimistic**; some categories may see volumes comparable to 2019
- **Cans gain importance** as they are suitable for e-commerce w/ favourable weight & shelf life
- **Focus on domestic market** helps, low industry exposure to export

Kronos Operations



- **Tenders on track**; no major investment projects cancelled, only occasional minor delays
- **Preparation for season (Q2/Q3)** favours investment in filling line availability & performance (IOS)
- **No lack of liquidity among big customers** (>80% of revenue), SMEs are more exposed overall
- **Internal supply chain** challenges were quickly overcome

In Q1, the economy was under significant strain - but Q2 appears to be back on track.



USA: Regional Impact on Kronos

Consumer Sentiment



- **Restrictions vary locally** throughout North America both across borders & domestically
- **Consumer sentiment impaired** by uncertain situation & outlook
- **Stockpiling of consumer staples** was significant, especially in the early phase of epidemic
- **Online shopping** gained popularity and is likely to stay for long-term
- **Up to 50% restaurants** might not re-open after restrictions are lifted

Beverage Industry



- **On-trade/catering business down**
Beer & CSD post-mix syrup volumes particularly hit
- **Trend to larger packaging sizes**, less demand for single serve SKUs
- **Private label products benefit** as purchasing power is suppressed
- **Supply chain risk:** Delayed consumption of stockpiles at home may lead to lower demand at a later point in time

Kronos Operations



- **Kronos operations up & running**, transportation & staff deployment challenges were managed so far
- **Customers' capex uncertain**, new machinery projects under review and/or postponed
- **LCS business on track**, yet some overhauls delayed to Q3/Q4 due to currently high utilization
- **Long-term compensation** of lost revenues not be taken for granted

Time and magnitude of a potential rebound are not yet on the horizon.



Krones Focus

- 1. Extensive programme to minimise risk of infections for employees, customers, suppliers, service partners, visitors and other parties and stakeholders related to Krones.**
- 2. Worldwide coordinated business continuity taskforces and action plans in place to secure customer service and customer projects – following individual legal requirements and Krones guidelines as stated in 1**
- 3. Additional activities to secure short and midterm liquidity for all Krones entities worldwide. €1 billion committed loans plus further options (German ‘KFW’ programme not included).**
- 4. Development of different business scenarios and action plans for 3, 6 and 12 months.**
- 5. Work on midterm targets and actions to make Krones stronger coming out of this crisis.**

Given the highly dynamic nature of the crisis, the following document can only be a snapshot



Questions and Answers



Thank you
for your attention!



Financial Calendar 2020

May 18, 2020	Annual General Meeting (virtual)
July 30, 2020	Conference Call Group Q2 2020 and Interim Report as per June 30
October 29, 2020	Conference Call Group Q3 2020 and Quarterly Statement as per September 30



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