



KRONES

First Half Year 2020

Conference Call July 30, 2020



Krones Q2 2020

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 EURm.

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 EURm.

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 EURm in the first half of 2020, compared with 116.9 EURm in the previous year. EBT of 31.8 EURm for first half year includes a second-quarter loss of 21.2 EURm.

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.



Financials

Q2 2020



Krones Highlights 1st HY 2020

-28.5%

New orders

1,457 EURm

1,699

Sales (-10.1%)
EURm

7.0%

EBITDA margin

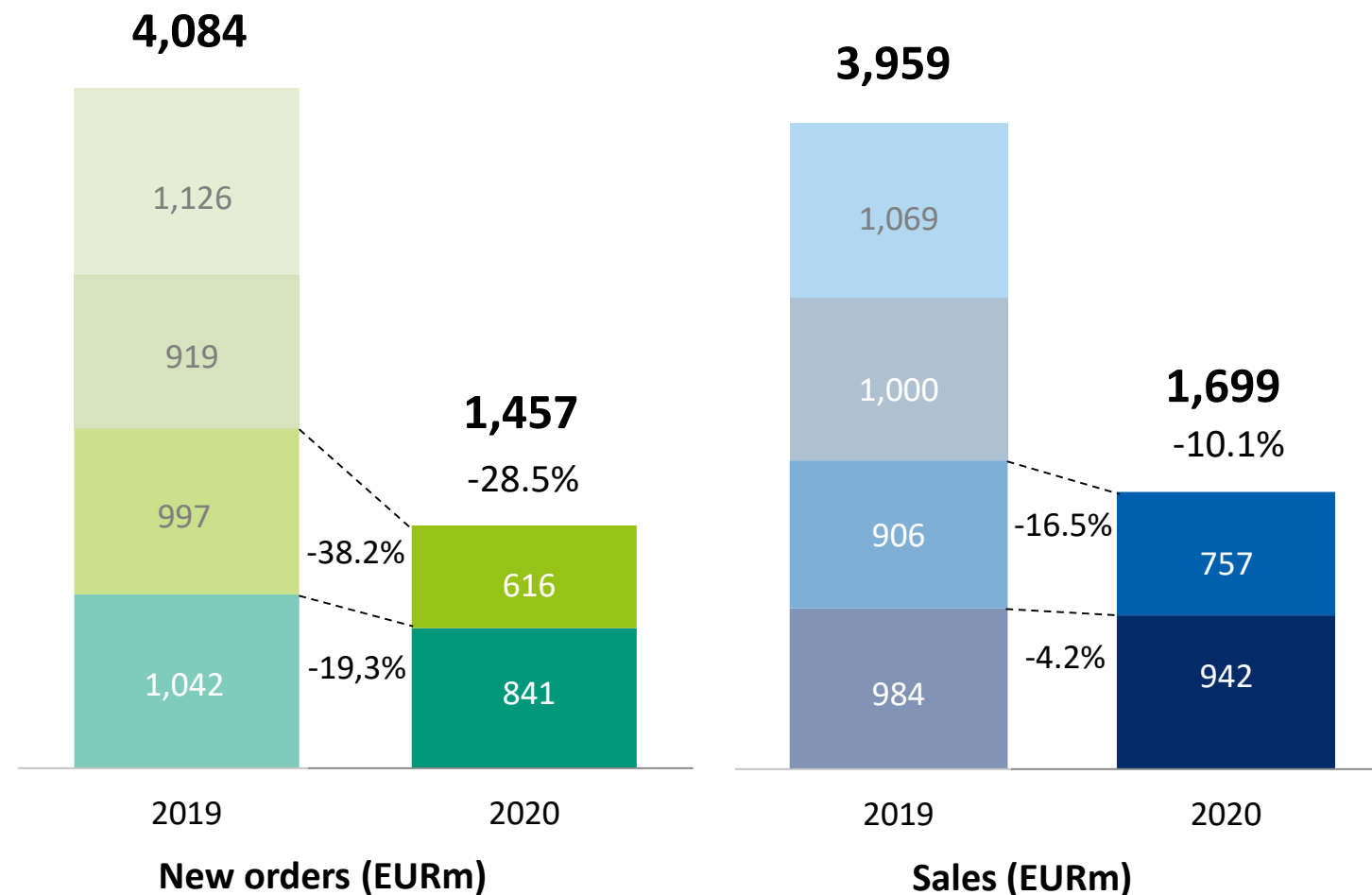
118.5 EURm
(PY 116.9 EURm; 6.2%)

-64.8

Free cash flow
EURm (PY -259.4 EURm)



Order Intake and Sales Significantly Affected by Covid-19

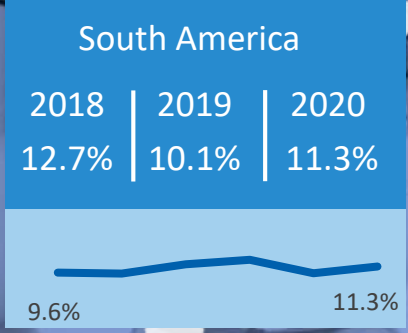
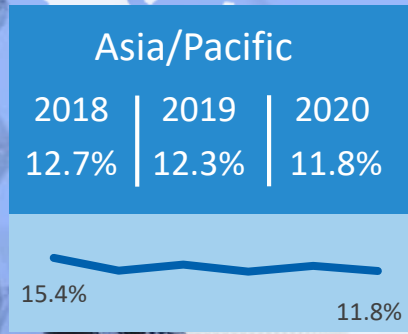
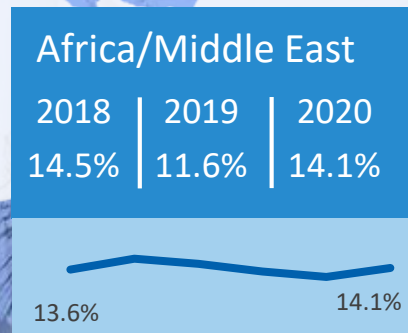
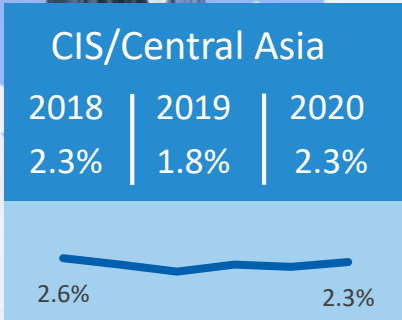
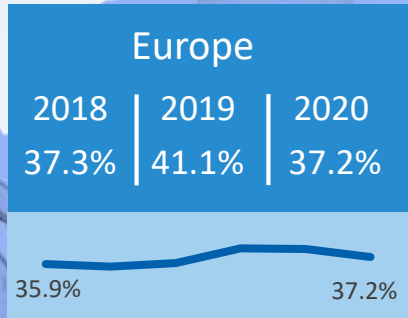
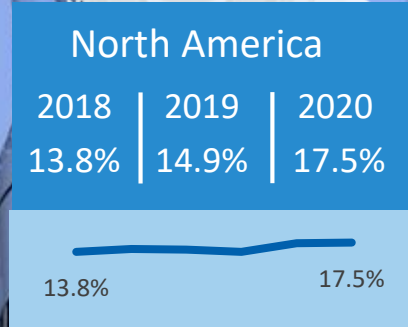


- Full Covid-19 impact in Q2 order intake worldwide after moderate negative impact in Q1
- All regions were affected by the decrease. The reduction in Africa, Asia/Pacific and North America was below group average. The other regions were affected by more than minus 30%
- Decline in sales shows time lag between order intake and sales. The Covid-19 situation with lockdowns, quarantine regulations and travel bans also affected our service business



Krones' Sales Split

Share of Sales (1st HY)

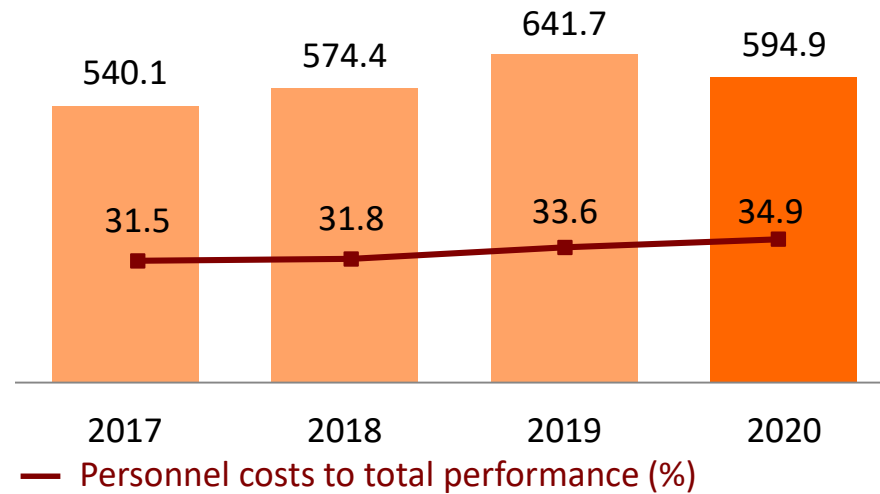


Trend over last six years

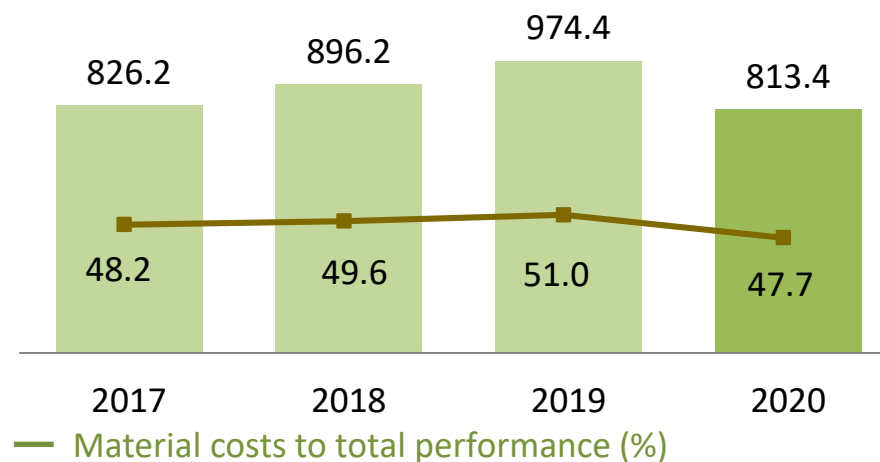


Personnel and Material Costs Significantly Reduced

Personnel cost (EURm) 1st HY



Material cost (EURm) 1st HY

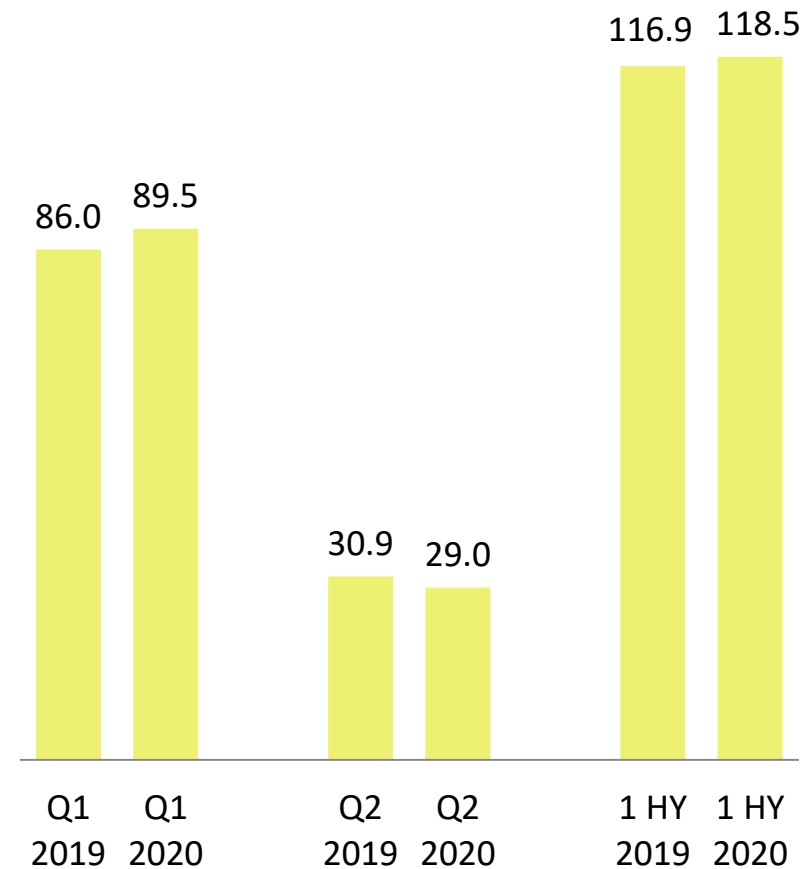


- Besides first positive effects from the structural measures, with a decrease on employees (first 6 months of around 450 FTE less), additional measures relating to underutilization of resources (short-time working, reduction of overhours, ...) resulted in reduced personnel costs by nearly 50 EURm in the first 6 months
- Material costs were positively influenced by product mix (new machine vs. after sales) and a strong reduction in purchased services (temporary workers), as well as material savings in direct materials

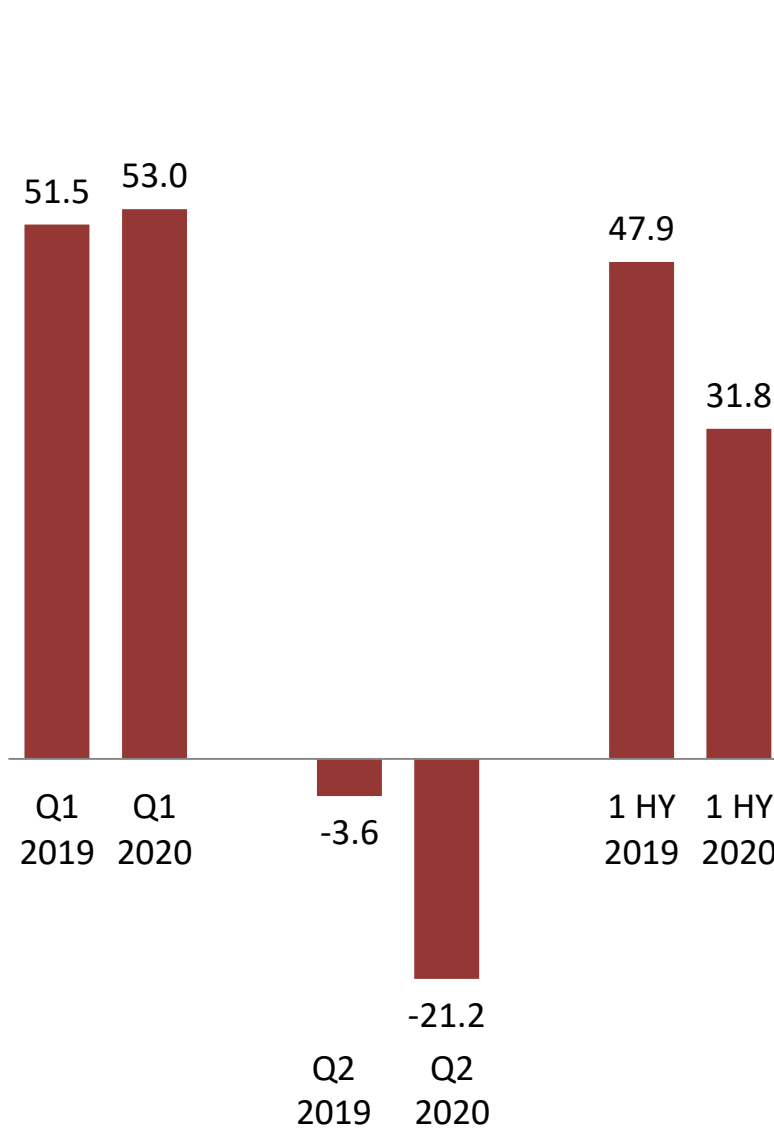


EBITDA Stable at June 30, 2020 due to High Cost Flexibility of Krones

EBITDA (in EURm)



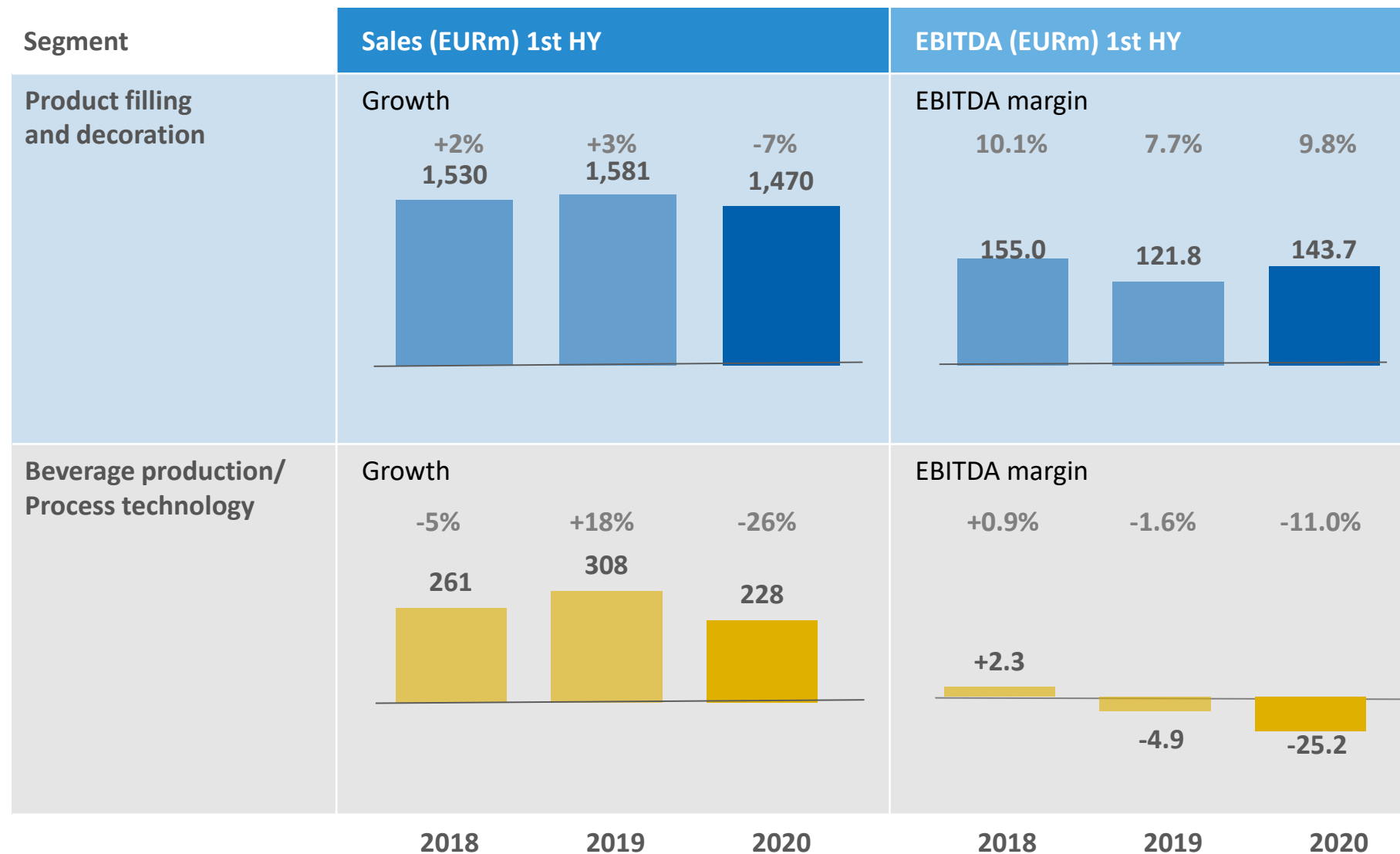
EBT (in EURm)



- Due to cost reduction impacts and product mix change, EBITDA in Q2 and HY1 2020 nearly on same level as last year
- After a strong Q1 2020, EBT in the second quarter 2020 results in a loss
- In Q2 2020 EBT value adjustments for Goodwill (13.6 EURm) and customer credit risk (3.2 EURm) are included



Development of Sales and EBITDA per Segment in 1st HY

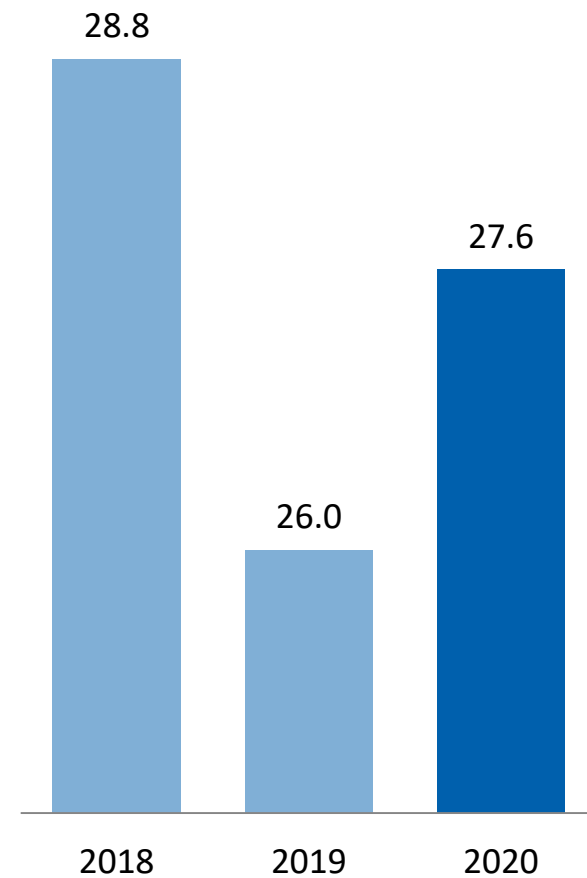


- Due to weak market conditions sales in the core business decreased compared to previous year by minus 7%
- EBITDA margin increased from 7.7% to 9.8% due to favourable product mix and cost reduction measures
- Sales reduction in the beer business worldwide impact primarily due to covid-19
- EBITDA margin decreased sharply from minus 1.6% to minus 11.0% results from:
 - Strong decrease in demand from projects in the beer industry
 - The lockdown in Italy in the second quarter had a strong negative impact on the Intralogistics business
- In addition, EBT Q2 2020 is influenced by goodwill impairment in an amount of 10.5 EURm

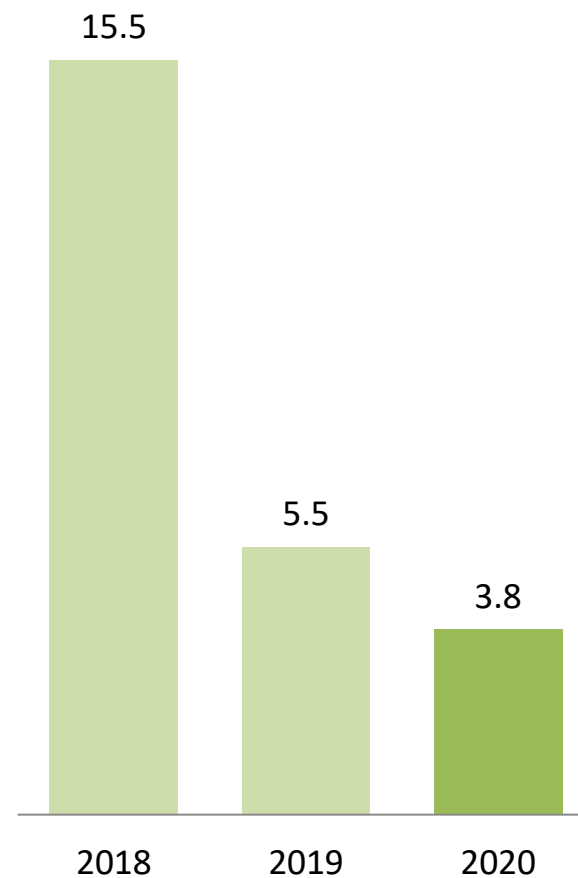


Working Capital Ratio Mainly Influenced by Sales Decrease

Working capital* in %
of revenue (1st HY)



ROCE* in % (1st HY)



- Working Capital in euros was quite stable at 30.6. compared to prior year Q2
- The Increase in the working Capital to Sales ratio was influenced by the Sales decrease
- Inventory was increased by security stock of parts
- ROCE mainly influenced by the negative earnings situation in Q2

*LTM (Last twelve months)



Free Cash Flow Improved Significantly by 195m vs. Prior Year

1st HY (EURm)	2020	2019
Earnings before taxes	31.8	47.9
+/- Other non-cash changes	+95.7	+102.0
+/- Changes in working capital	-84.1	-270.3
+/- Changes in other assets and liabilities	-56.4	-17.2
Cash flow from operating activities	-13.0	-137.6
+/- Capex	-55.2	-91.4
+/- M&A activities	0.0	-29.3
+/- Other	+3.4	-1.1
Free cash flow	-64.8	-259.4
+/- Financing activities	+151.6	+181.1
Other	0.0	3.8
Net change in cash	86.8	-74.5
Cash at the end of the period	197.2	144.3

- Lower increase in working capital compared to 2019 and reduced capex result in a better free cash flow than prior year and a cash position of +197 EURm
- The net cash position as of June 30, 2020 was -78 EURm (prior year: -109 EURm)
- Kronos currently has used credit lines of 275 EURm and unused credit lines of 750 EURm

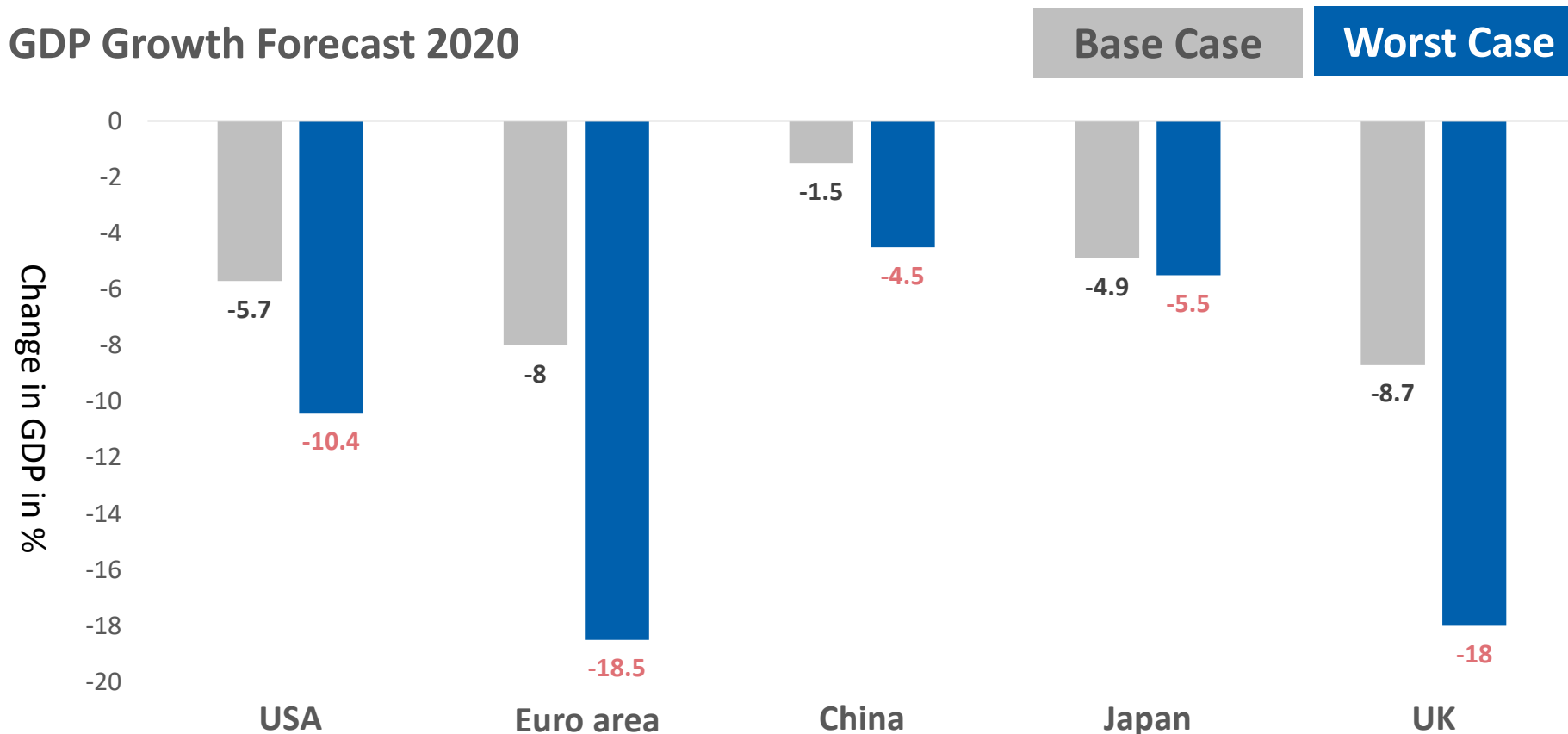


Impact on Beverage Industry by Covid-19



ING Research July 2020: World Economic Outlook for 2020/2021

GDP Growth Forecast 2020



Scenario	USA	Euro area	China	Japan	UK
Base Case					
2021	+4.0%	+4.5%	+4.3%	+1.0%	+5.4%
Rebound					

Base Case Scenario

- No more lockdowns
- Social Distancing: 6-12 months
- Vaccine: Q4/2020 – Q1/2021
- Restrictions on travel
- Sustainable job losses

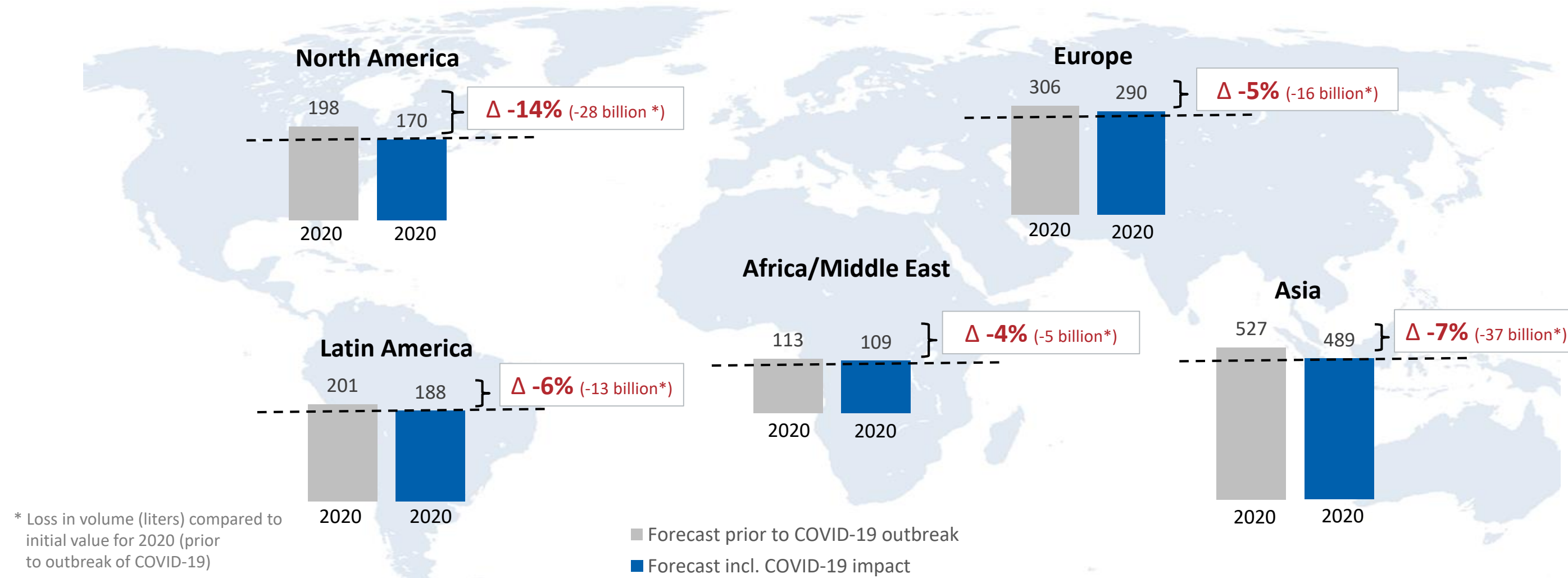
Worst Case Scenario

- More tightened lockdowns
- Social Distancing: 12-18 months
- Vaccine: Q3/2021 – Q4/2021

The further pandemic plays a crucial role in the extent of the recession



Forecast Beverage Consumption 2020 – By Regions



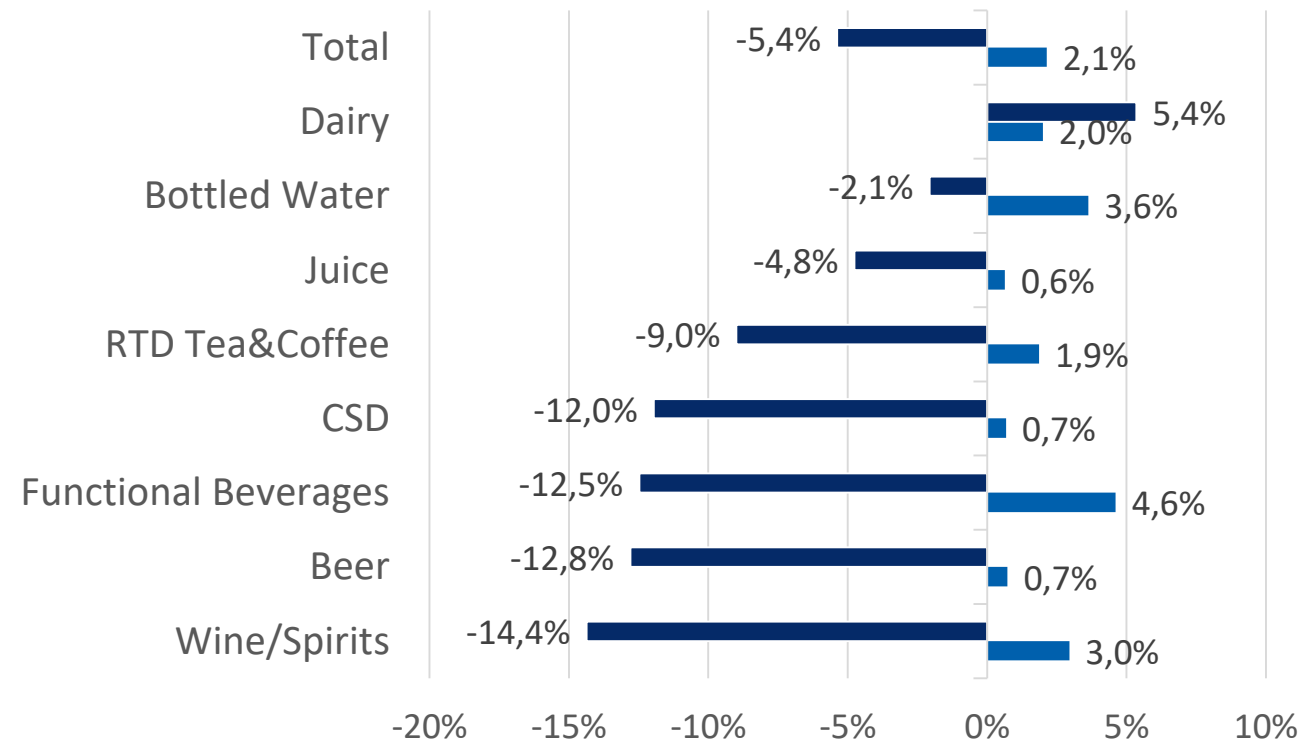
The pandemic leads to a projected reduction in beverage consumption by 100 billion liters in 2020. North America suffers the most losses at -14% (loss of system gastronomy and lower purchasing power)



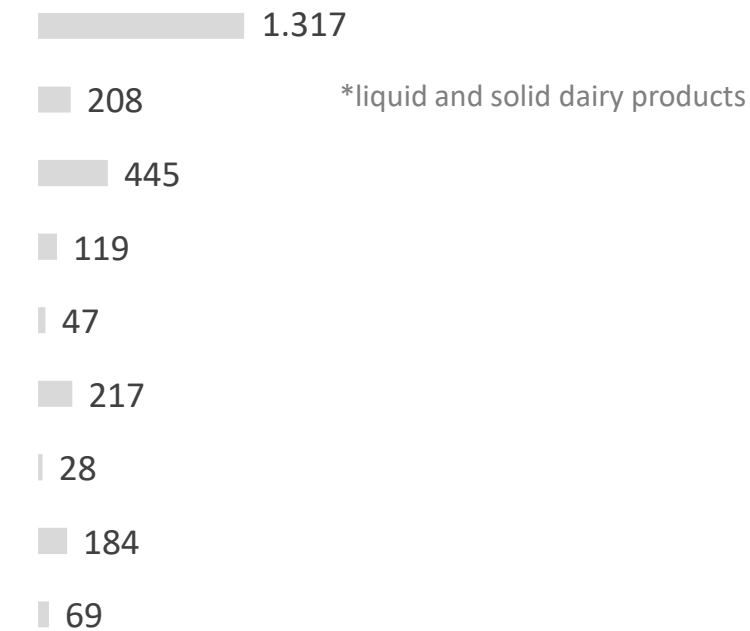
Forecast Beverage Consumption 2020 – By Categories

Winners and losers of the crises

Global change in consumption in % compared to the previous year



Volume in Billion liters (2019)

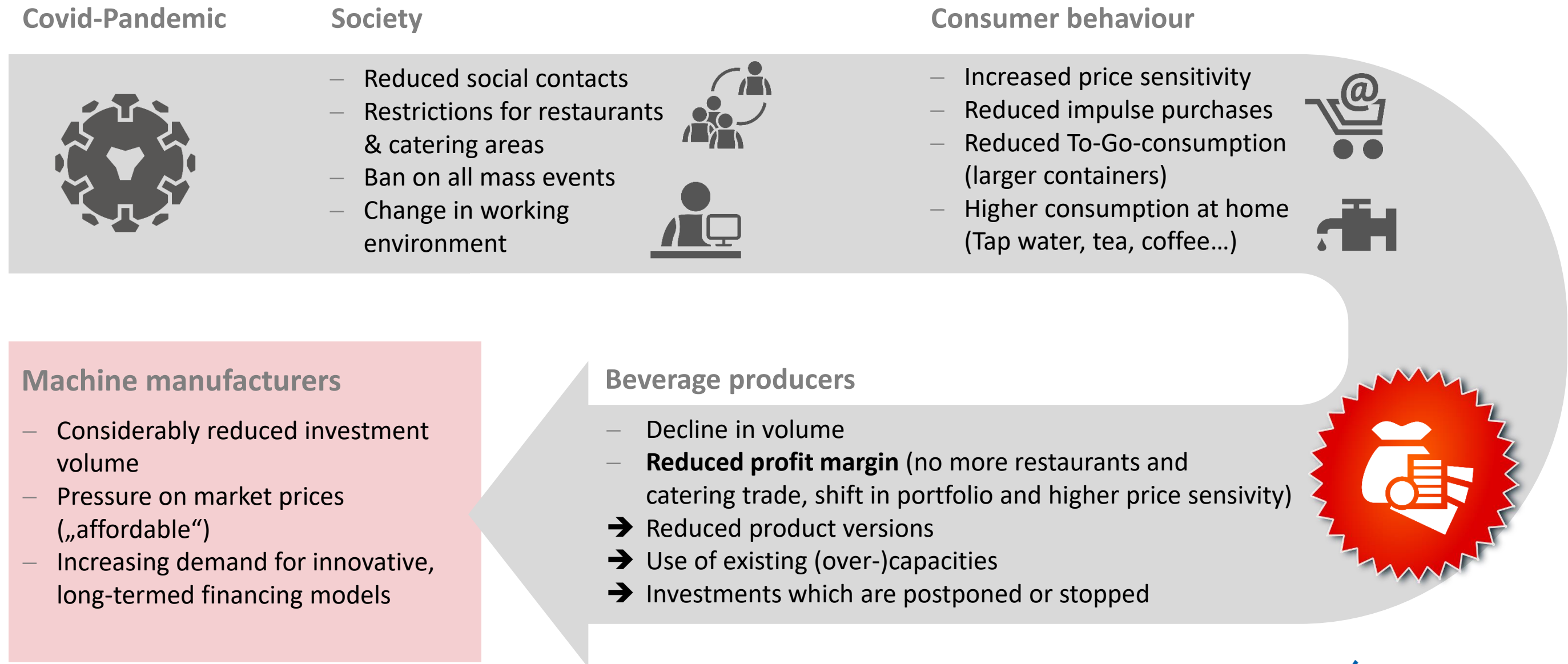


- Slowdown in volume growth (including influence of COVID-19)
- Initial value of volume growth (before the outbreak of COVID-19)

According to current forecasts the global beverage consumption in 2020 will drop by 5.4% compared to the previous year. Growth is only expected for dairy products. Largest decline in the sectors CSC, functional and alcoholic beverages.

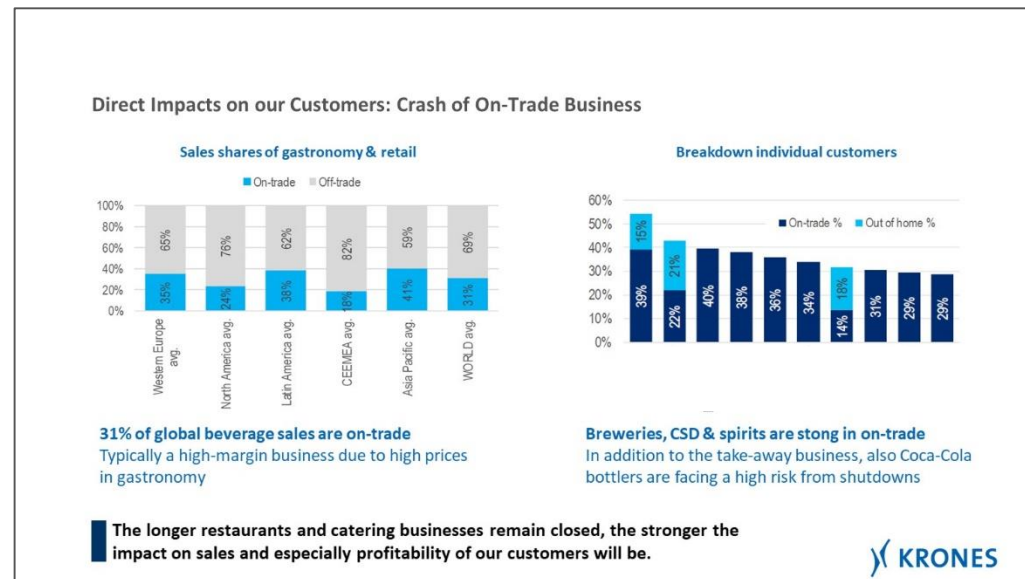


Impact of the Covid19-Pandemic





What are the Impacts of Covid-19 on the Krones' Customers?























- Our customers are strongly affected by Covid-19 as well!
- Our customers have an average share in sales through bars, restaurants and „on-the-go“ business of about 15-30%
- Shutdowns of restaurants and bars have caused a significant decline in sales and increased pressure on profitability of our customers
- The beer industry has been especially affected
- With declining consumer purchasing power, premium and branded products are expected to get under more pressure in the mid term

All this will lead our customers to make significant cuts in CAPEX (investments) and in OPEX (services and spare parts)

A Short View on our Regions (at present)



	EU 	NA 	SA 	MENA 	APAC 	CHINA 
∅ Share of Sales	~ 38 %	~ 16 %	~ 12 %	~ 14 %	~ 12 %	~ 7 %
Order activities CAPEX				 		
Order activities OPEX (After Sales)				 		

Challenges	EU	NA	SA	MENA	APAC	CHINA
Customer contact	✓	✓	—	✓ —	✓	✓
Service technicians local	✓	✓	—	✓ —	✓	✓
Service technicians international	✓	—	—	— —	—	—

- Currently approx. 450 of 2,100 technicians are not onsite because of Covid-19 - mainly in the central service pool in Germany
- 40% of all projects considerably affected
- In the 1st half of the year approx. 25% of installations and about 50% of acceptance tests postponed



Development of Plant Hungary 2019 – 2020

**KRONES Conference
Call October 30, 2019**

9 | KRONES Conference Call October 30, 2019

STRUCTURE – Hungary plant in full operation by end of Q2 2020, shows positive effects already

- In full operation by end of Q2 2020
- Capacity of 36,000 hours per month
(current utilization of 8,000 hours per month)
- 450 employees hired, another 50 will be hired until Q2 2020
- Steady state savings of 20 EURm p.a. (run rate/steady state)
- Impact 2020: 8 – 10 EURm



Update:

- **Plant Hungary in full operation in Q1 2021**
- **Four-months delay in the final manufacturing relocation (Corona) and also in the subsequent assemblies (due to parts logistics)**
- **Five-month stop training due to Covid-19 situation**
- **Capacity reduced to 30,000 hours per month (currently 9,000 hours)**

Plant Hungary will deliver significant profit contribution in 2021





Krones Targets 2020

Reliable Outlook on Sales and Earnings not possible due to Covid-19 Situation





Questions and Answers



Thank you
for your attention!



Financial Calendar 2020

- November 12, 2020 Conference Call Group Q3 2020 and Quarterly Statement as per September 30
- November 12, 2020 Capital Markets Day



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