

Krones Conference Call 1st HY 2021

Krones First Half Year 2021

Conference Call 03 August 2021

Christoph Klenk, CEO

Norbert Broger, CFO



After a strong second quarter, Krones raises full-year guidance for 2021

- The upward trend in Krones' order intake continued in the second quarter. In total between January and June 2021, the volume of orders increased by 40.3% to €2,044.3 million.
- Krones increased revenue in the first half of 2021 by 1.3% to €1,720.1 million. Second-quarter revenue was up 11.7% year on year, to €845.5 million.
- The first half of 2021 saw Krones significantly improve its profitability. Earnings before interest, taxes, depreciation and amortisation (EBITDA) went up 16.2% to €137.7 million. The EBITDA margin was 8.0% in the reporting period (previous year: 7.0%).
- Based on the positive first-half trend, Krones is raising its full-year guidance for 2021. The company now expects revenue growth of 7% to 9% (previously 2.5% to 3.5%) and an EBITDA margin of 7% to 8% (previously 6.5% to 7.5%).

Krones highlights 1st HY 2021

Order intake

+40.3%

€2.04 billion

Revenue

+1.3%

€1.7 billion

EBITDA margin

8.0%

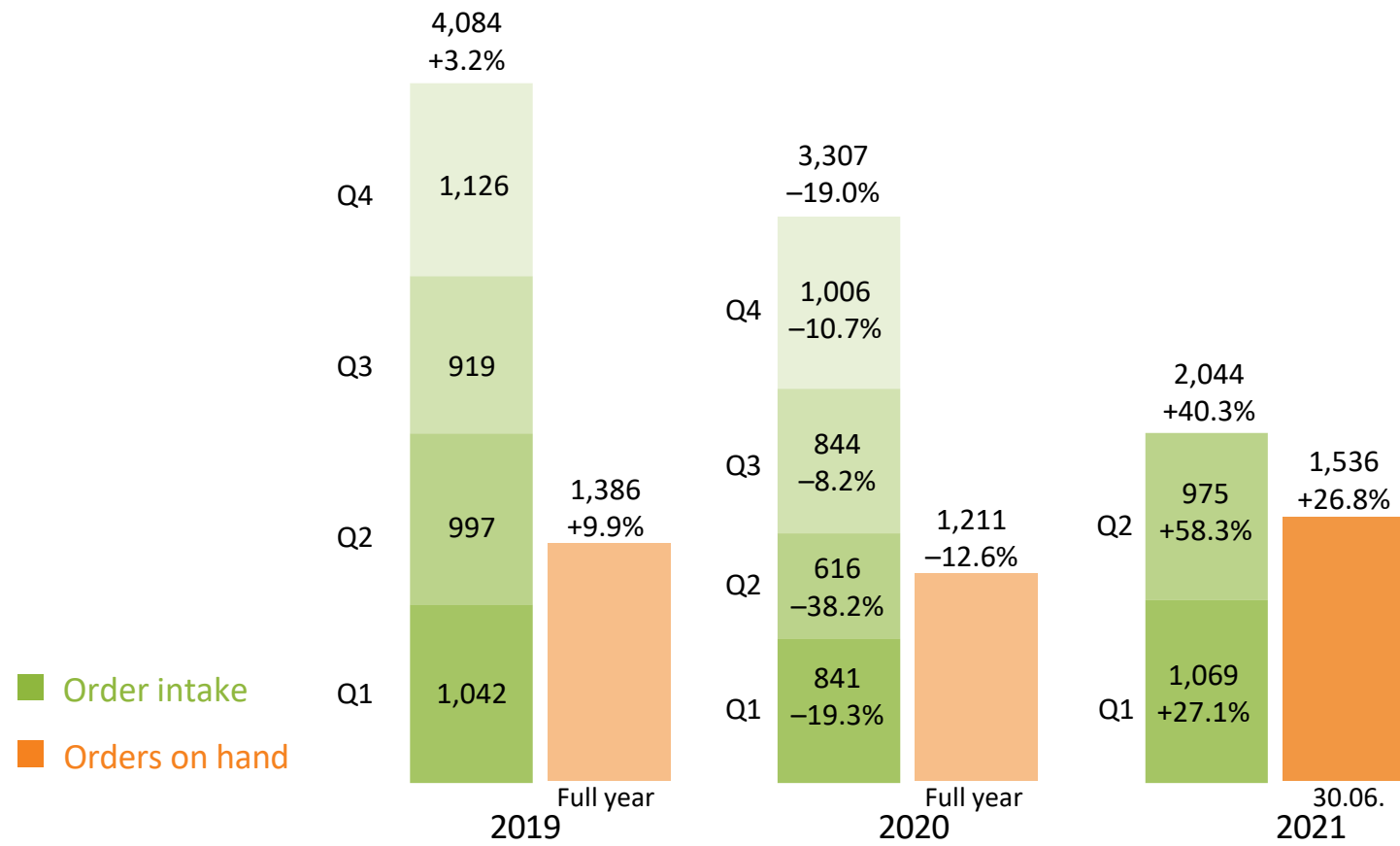
(PY 7.0%)

Free cash flow

€35 million

(PY € –65 million)

Order intake and orders on hand 1st HY 2021 (€ million)

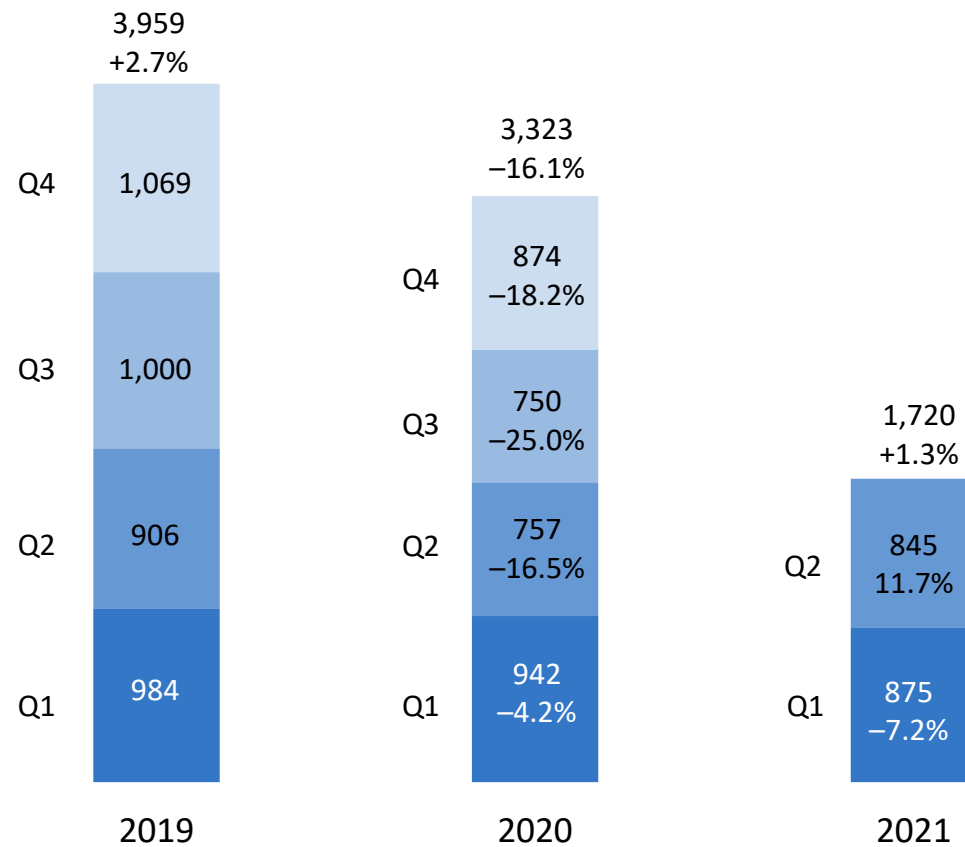


Strong and sustainable market recovery in 2021 after Covid-19 crisis 2020

- Order intake with more than €2 billion on pre Covid-19 level. For 2nd half-year order intake will be below this level – based on a more selective approach
- Very high orders on hand level (with an increase of 27% since beginning of the year) gives a full utilisation till year-end



Revenue development by quarter (€ million)

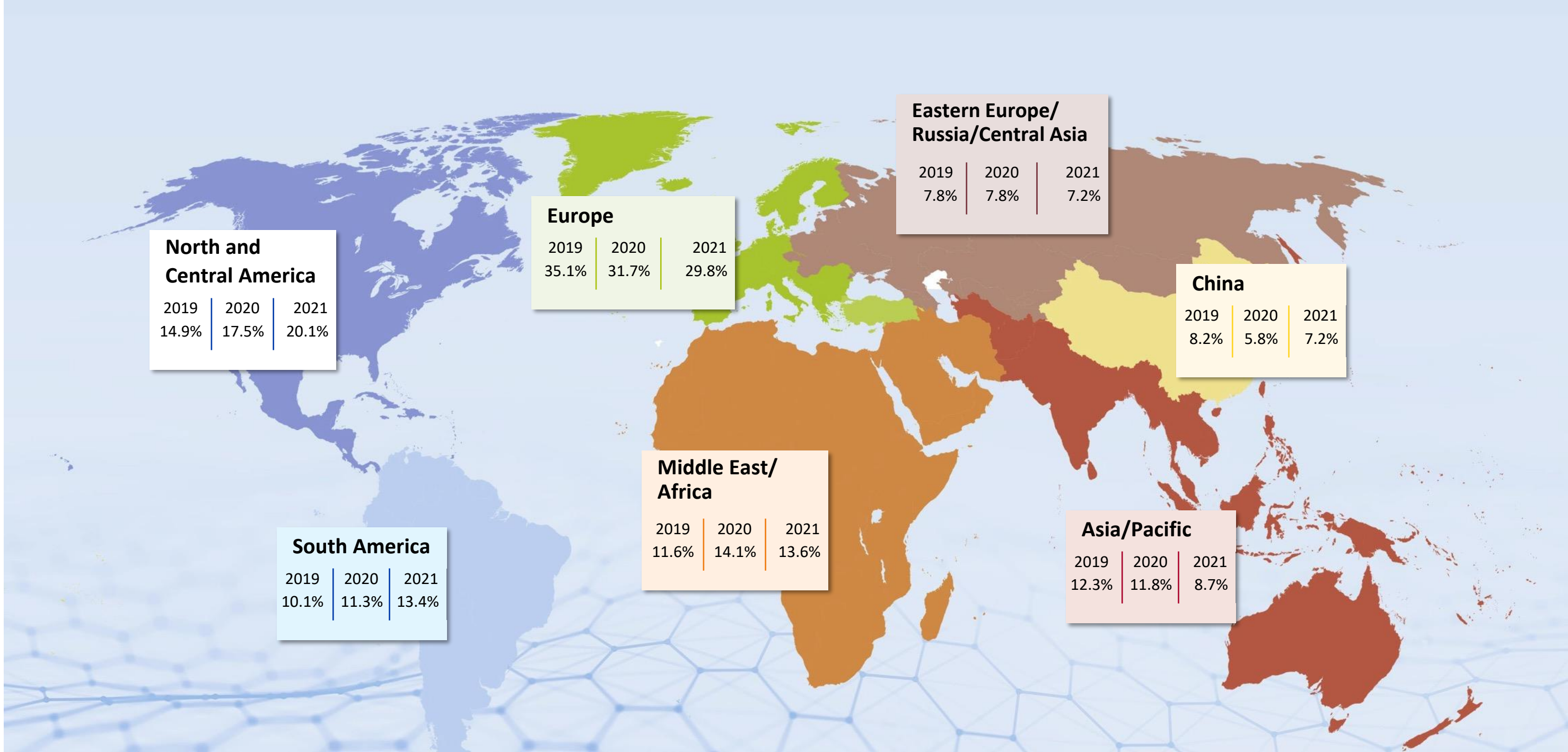


1st half-year of 2020 just partly hit by Covid-19 crisis, so increase in revenue of 1.3% in line with expectations

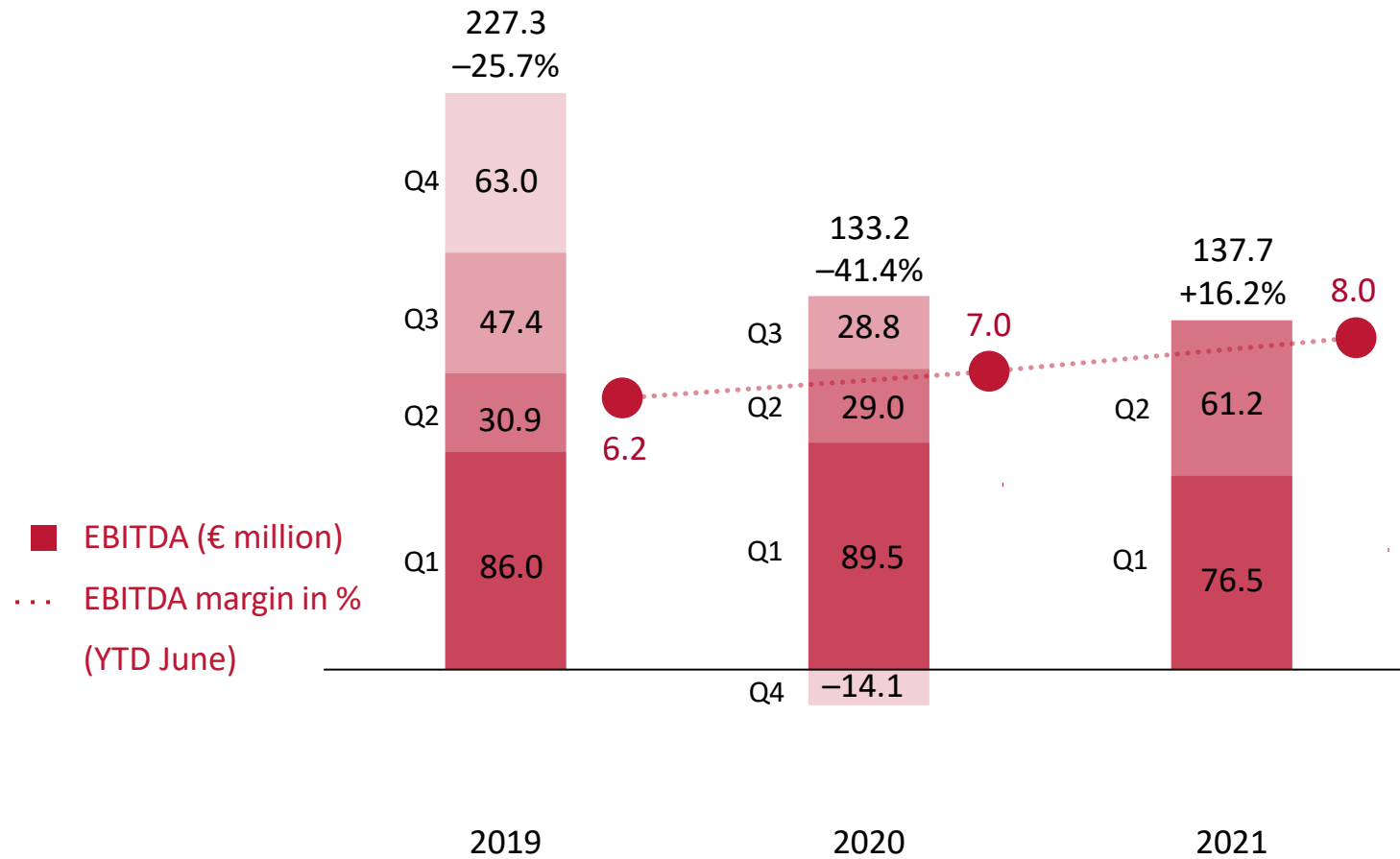
- Revenue and performance still influenced in 1st half-year by Covid-19 regulations
- Higher revenue in 2nd half-year expected. Full year growth estimated between 7%-9%, which will be still below pre Covid-19 level



Revenue developed differently in 1st HY 2021, but represents an opportunity for further growth



EBITDA and EBITDA margin by quarter (€ million and %)

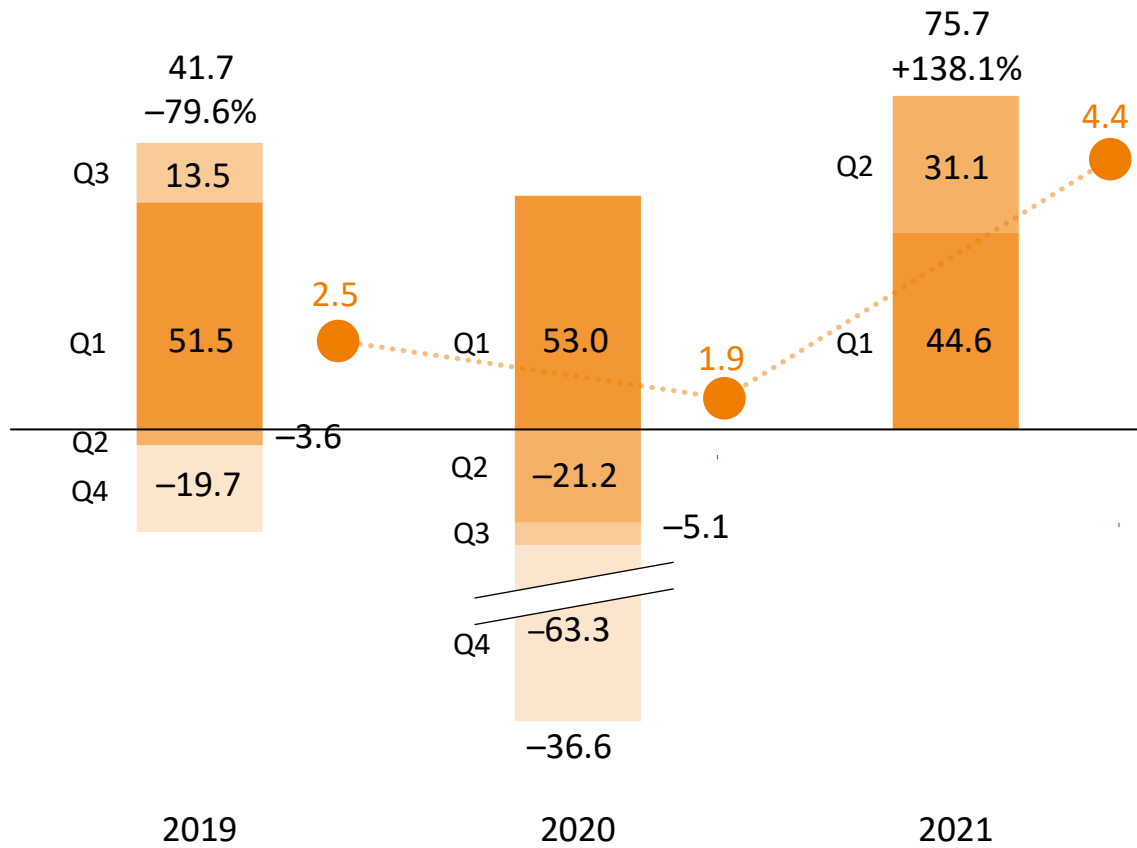


In 1st half-year EBITDA margin at 8%

- Compared with Q1 2021 (8.7%) EBITDA margin of Q2 (7.2%) was influenced by lower revenue of Q2 and one-offs for Covid-19 bonus (€5 million)

Krones on track to achieve increased EBITDA margin guidance for 2021 (7% – 8%)

EBT and EBT margin by quarter (€ million and %)



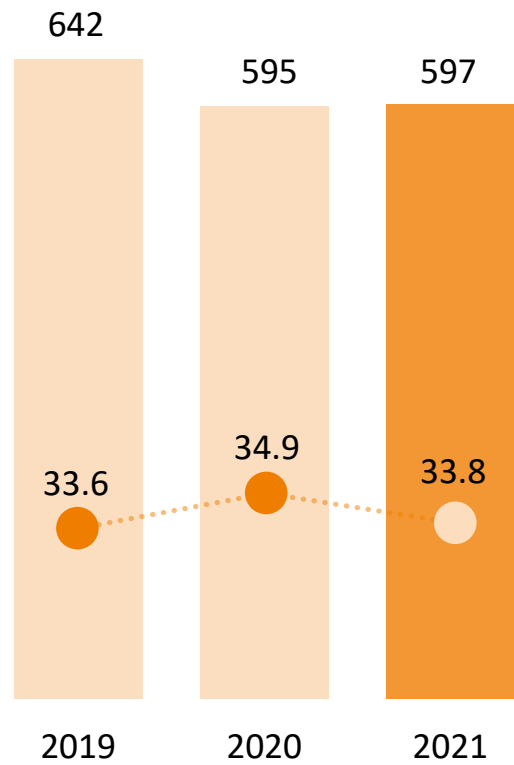
■ EBT (€ million)
 ... EBT margin in %
 (YTD June)

In 1st half-year 2021 EBT margin was at 4.4%

- Structural measures impacted positively the earnings situation. EBT margin on expected level
- Margin level in line with the new guidance

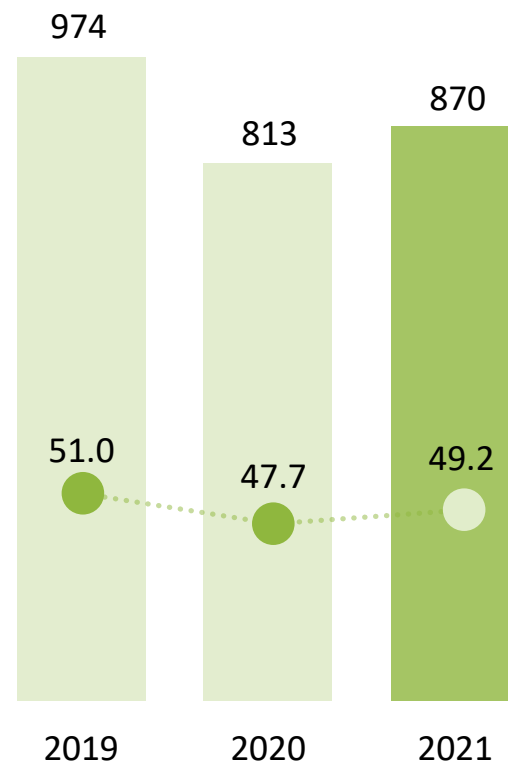
Personnel and material expenses 1st HY (€ million and %)

Personnel expenses 1st HY (€ million)



... Personnel expenses to total performance (%)

Material expenses 1st HY (€ million)

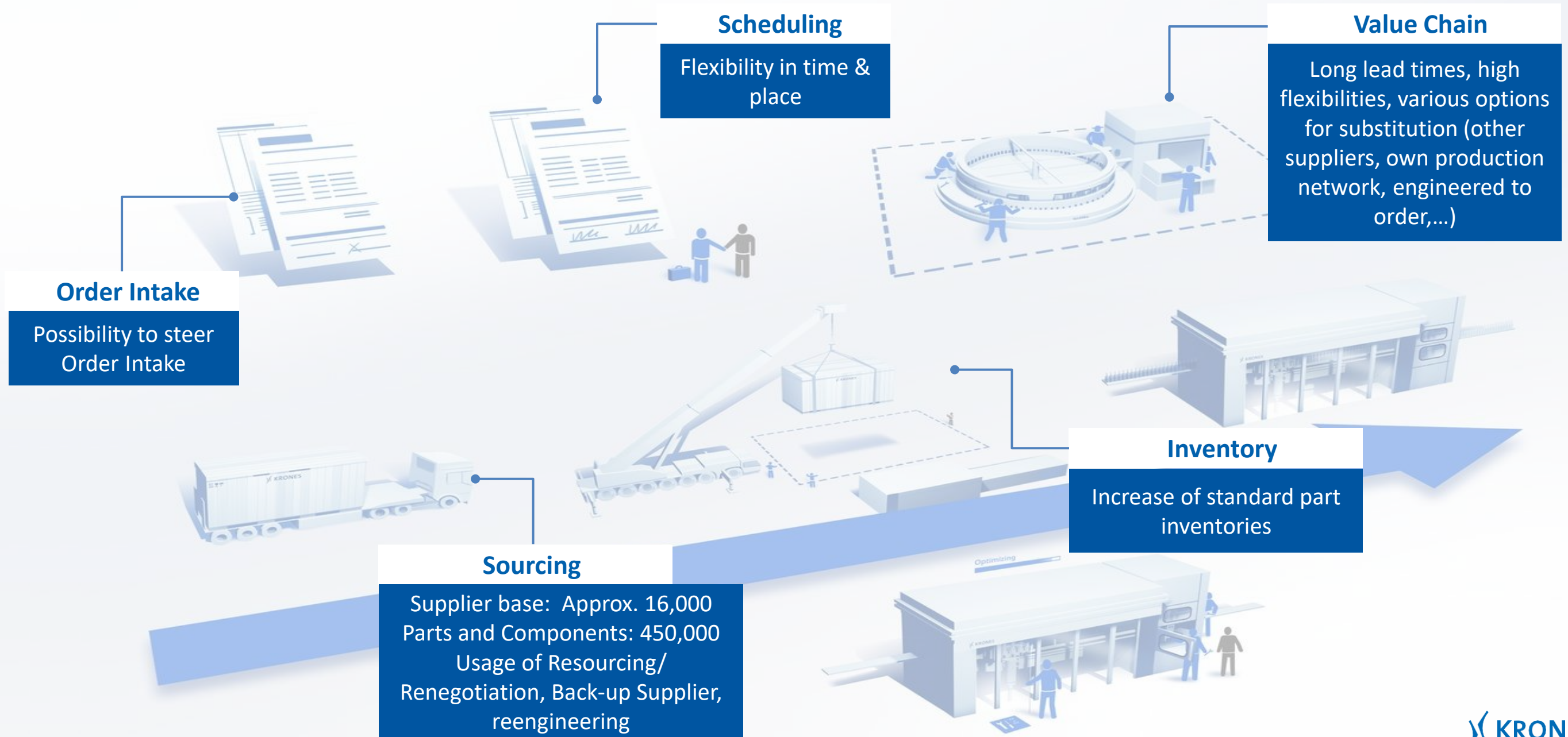


... Material expenses to total performance (%)

- Structural measures of 2020 have further positive impact on personnel cost ratio. One-offs for Covid-19 bonus in Q2 2021 included
- Increase in material cost ratio reflects raw material price situation. More temporary labour on board to handle further growth



Krones can leverage various Flexibility Elements within a Customer Project



Krones' Value Chain remains resilient despite global Supply Shortages





KRONES
Engineered to order

Resilience



Serial mass production and discrete mass assembly

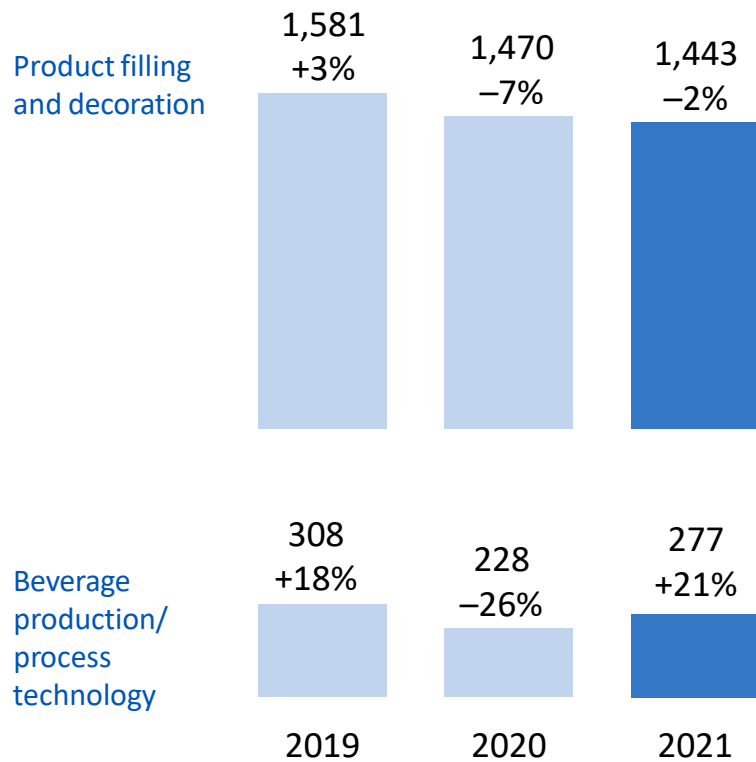
Resilience

	Order Intake	Scheduling	Value Chain	Sourcing	Inventory	
	 <p>Quoting and order intake process enables forecasting; long project lead-times Mitigation: Order Intake can be steered</p>	 <p>Flexible scheduling with our multi-purpose facilities Mitigation: Shifting of workload in time & place</p>	 <p>High internal value generation (~50% of P&L sourced); engineered to order flexibility Mitigation: Internal substitution of suppliers</p>	 <p>High share of project-specific purchasing Mitigation: Rescheduling & -negotiation</p>	 <p>Inventory levels cover most universal standard parts Mitigation: Increase of standard part inventories</p>	<p>More market driven, higher volumes, very short lead-times Mitigation: Limited to sales strategy</p> <p>Dedicated facilities, fixed production schedules Mitigation: Very limited & at high cost</p> <p>Lower internal value generation; fixed/standardized products, high dependency on suppliers Mitigation: Very hard due to high standardization</p> <p>Purchasing in high volumes w/ on-demand delivery Mitigation: Dual-sourcing (if feasible)</p> <p>Much just-in-time delivery, inventory "on the road" Mitigation: Limited due to storage requirements</p>

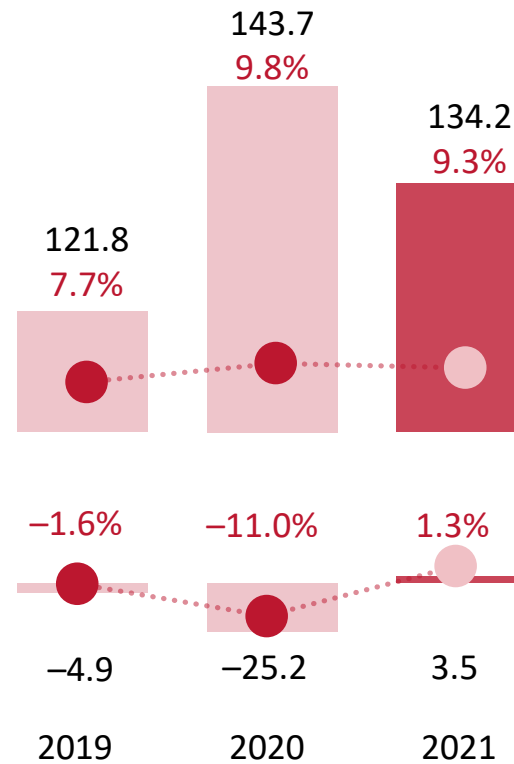
Krones has comparably lower exposure to supply chain disruptions due to scheduling flexibility, product and process flexibility, deep internal value chains and appropriate inventory levels.

Revenue and EBITDA per segment in 1st HY

Revenue development 1st HY (€ million)



Segment EBITDA (€ million) and EBITDA margin (%) in 1st HY



... EBITDA margin in %

Product filling and decoration

- Revenue increased in Q2 2021 by 9% but still influenced by Covid-19 regulations
- Q2 2021 margin level with 8.3% in line with expectations

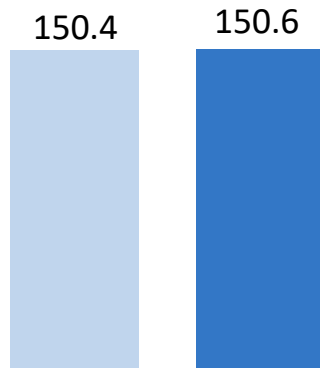
Beverage production/process technology

- Strong increase in revenue just in the intralogistics part of the segment
- EBITDA margin of 1.3% results from first positive effects also from the carve-out of the beer part and better performance of System Logistics group in Italy

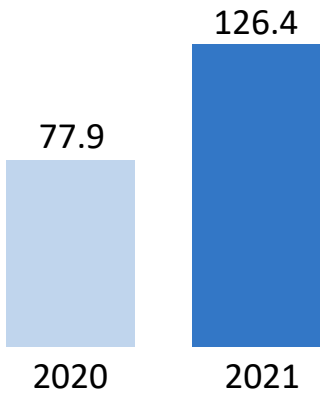
Split of segment II

Revenue 1st HY (€ million)

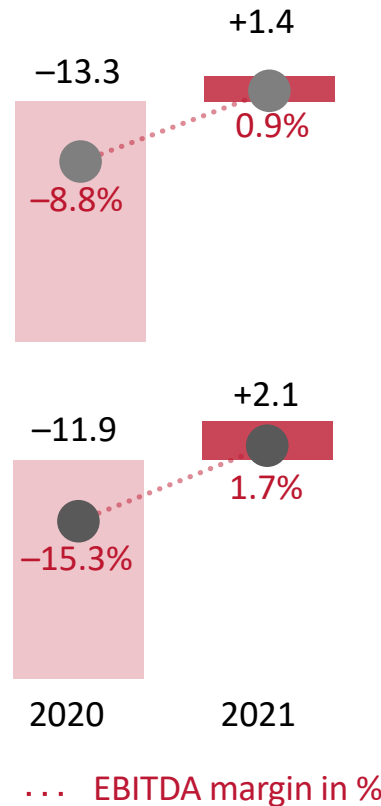
Process technology



Intralogistics



EBITDA (€ million) and EBITDA margin (%)



Process technology

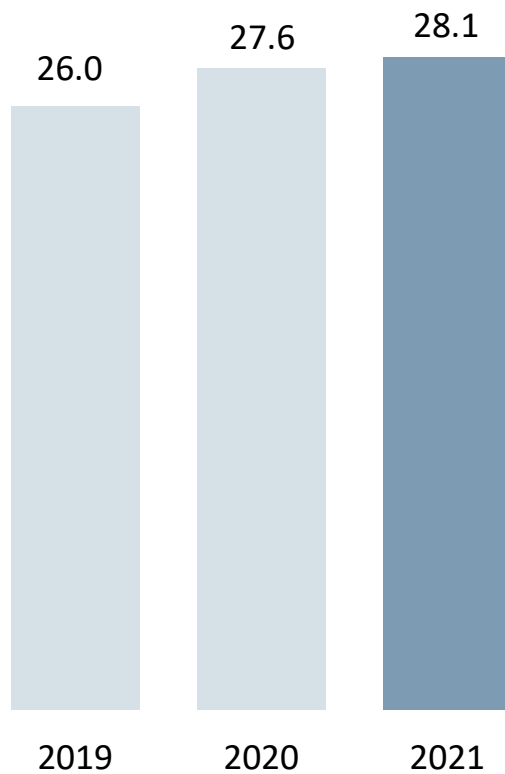
- Revenue nearly similar to prior year; strong improvement in EBITDA based on structural measures
- Strongest lossmaking part in beer in 2020, first positive effects after the carve-out (April 2021) but still negative result in the beer part in first half-year 2021

Intralogistics

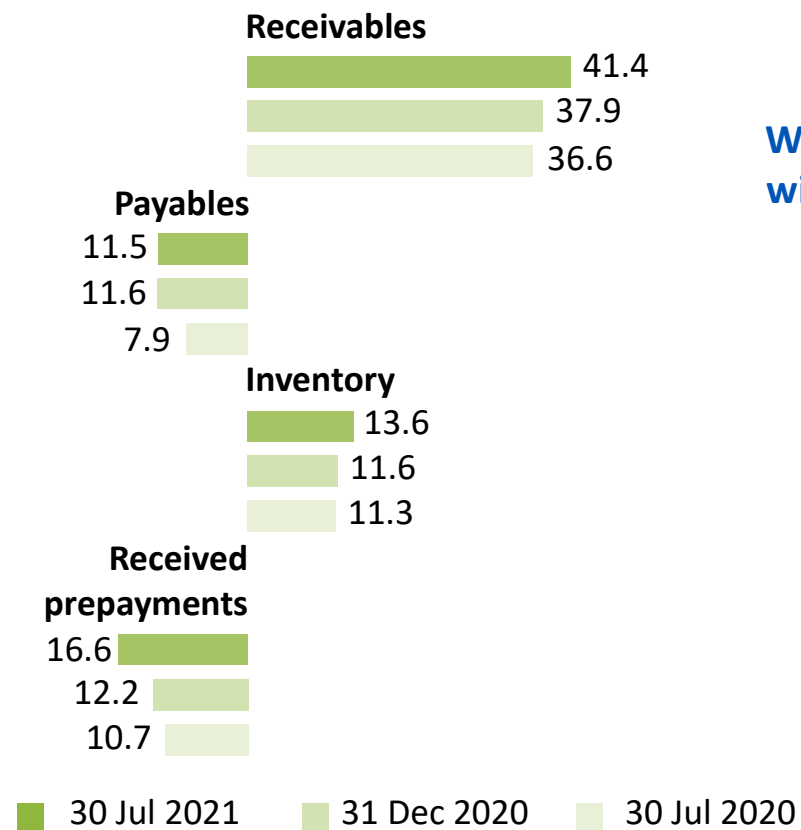
- Strong increase in revenue after Covid-19 crisis in Italy in 2020
- Positive result reflects operative performance

Working capital 1st HY (in %)

Working capital in % of revenue (1st HY)
(%, average over four quarters)



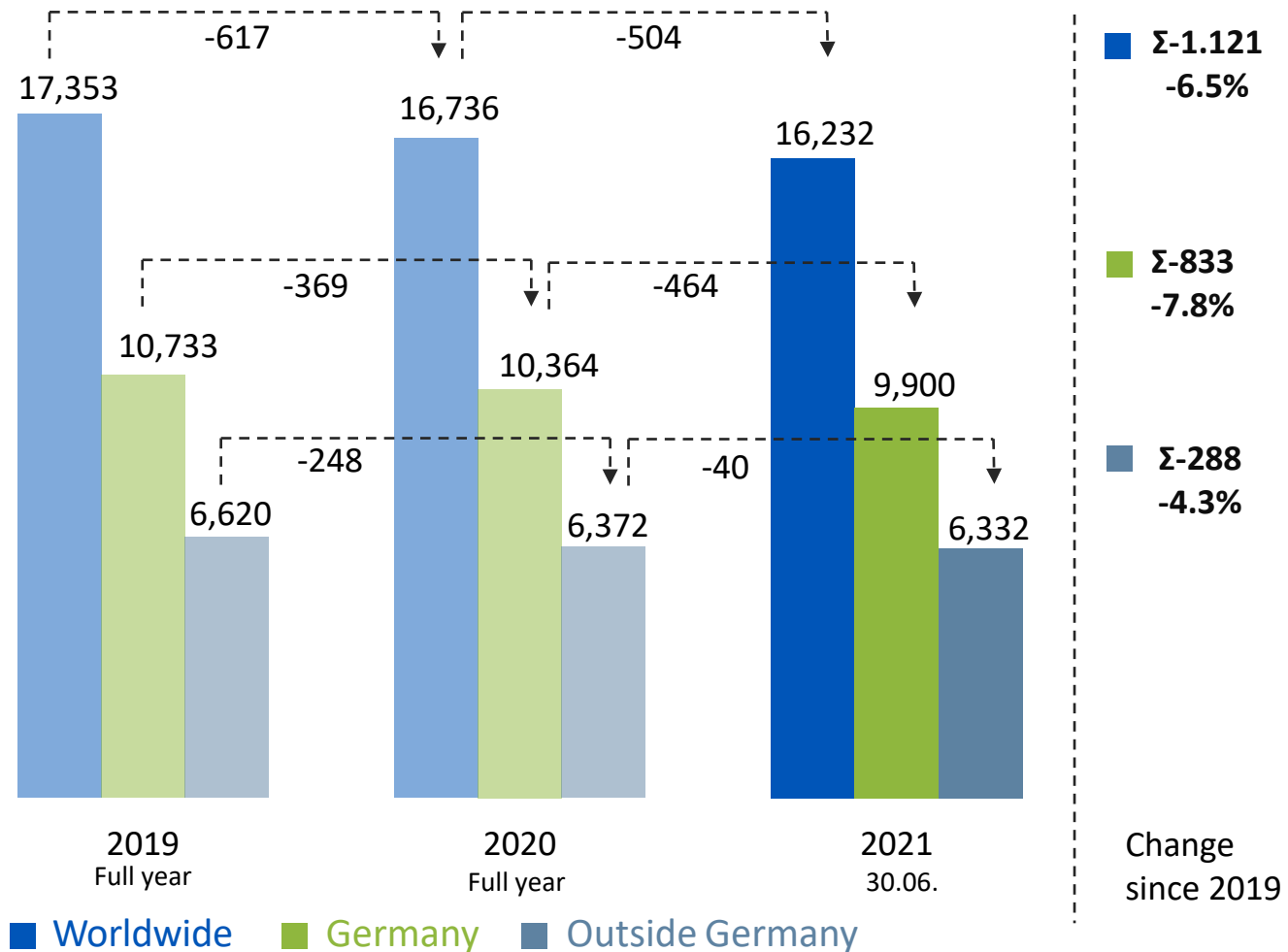
Part of working capital in % of revenue (last 12 months)



**Working Capital in % of revenues (average)
with 28.1% higher than prior year**

- Increase in receivables results from revenue growth of Q2 2021 (+11.7%)
- Higher inventory ratio also based on increasing security stock
- Strong increase in prepayments from order intake growth and stable liability ratio could not compensate asset growth

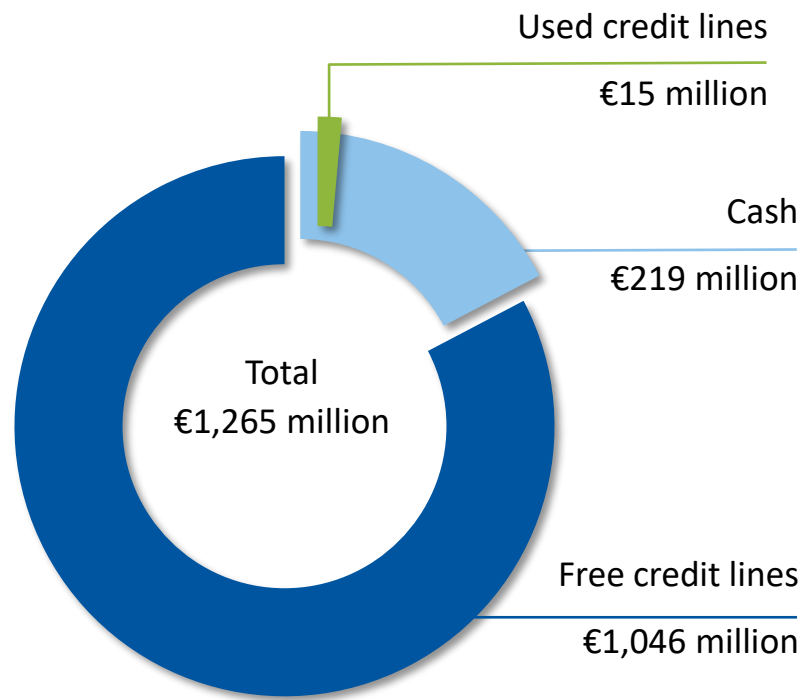
Krones employees worldwide



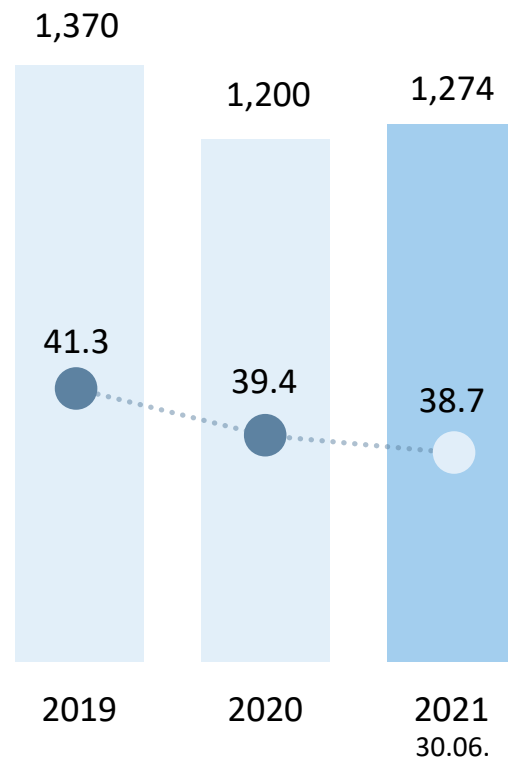
- Reduction of employees worldwide by more than 600 in 2020
- Further reduction in 1st half year 2021 by 504 employees mainly from the voluntary program (fall 2020) and just a few from restructuring program (December 2020)
- Execution of the restructuring program postponed, due to strong increase in the market demand
- In emerging markets nearly no workforce reduction in first 6 months 2021 in emerging markets

Krones Liquidity, equity (€ million) and equity ratio (in %)

Liquidity reserves 1st HY 2021 > €1.2 billion



Equity (€ million) and equity ratio (in %)



- High liquidity reserves of > €1.2 billion for financing the strong increasing business activities
- No government loans (KfW)
- Still very solid equity level

Free cash flow 1st HY

1st HY (€ million)	2021	2020
Earnings before taxes (EBT)	75.7	31.8
+/- Other non-cash changes	+156.0	+95.7
+/- Change in Working Capital	-43.6	-84.1
+/- Other assets and liabilities	-116.1	-56.4
Cash flow from operating activities	+72.0	-13.0
+/- Capex	-45.1	-55.2
+/- M&A-Activities	0.0	0.0
+/- Other	+8.5	+3.4
Free cash flow	+35.4	-64.8
+/- Financing activities	-33.9	+151.6
Net change in cash	+1.5	+86.8
Cash at the end of period	218.5	197.2

Free cash flow ~€100 million higher compared to Q2 2020

Main reasons for positive development:

- Stronger non-cash changes result mainly from higher accrued liabilities and lower depreciations
- Capex reduction from €55.2 million to €45.1 million in line with expectation

Negative effect from working capital decreased compared to prior year

Krones raised guidance for 2021

Revenue Growth

7% – 9%

Previous Targets

2.5% – 3.5%

EBITDA margin

7% – 8%

Previous Targets

6.5% – 7.5%

Working capital

26% – 27%

Previous Targets

26% – 27%

Questions and answers



**Thank you
for your attention!**

5 November 2021

Conference Call Group
Quarterly statement for the period
from 1 January to 30 September 2021



Olaf Scholz

Head of Investor Relations, Treasury and M&A

Krones AG

Böhmerwaldstrasse 5

93073 Neutraubling/Germany

Phone +49 9401 70-1169

E-Mail olaf.scholz@krones.com

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