

A background image featuring a complex network of blue nodes and connecting lines, resembling a molecular structure or a data network, set against a dark blue gradient.

# **KRONES**

## **First Half Year 2019**

Conference Call July 25, 2019

## KRONES Highlights 1st HY 2019

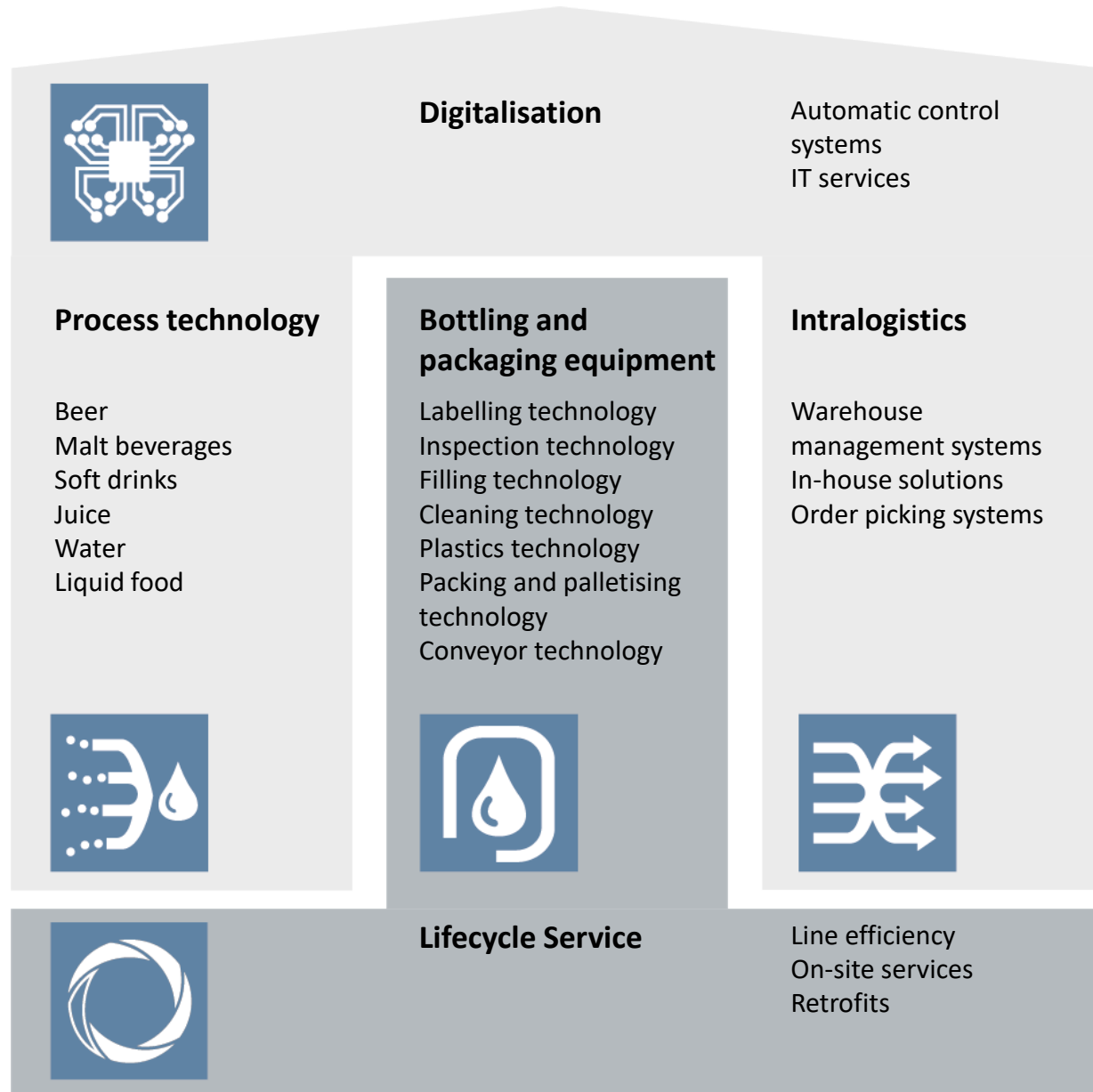
**+ 1.2%** 2,038.6 € Mio.  
New orders

**1,889.3** Revenue (+5.5%)  
€ Mio.

**2.5%** 47.9 € Mio.  
EBT margin

**-230.1** Operating free cash flow  
€ Mio. (PY -48.9 € Mio.)

# House of KRONES



■ Segment Process technology

■ Segment Product filling and decoration



# Stable long term growth

6 | KRONES Press Conference & Analyst Meeting - 29<sup>th</sup> of April 2019

## Long-Term Global Megatrends

### World Population



- Growth of global population by 80 million people per year
- Strong population growth in Africa, India and Asia/ Pacific (APAC) goes hand in hand with an increase in urbanization

### Middle Class\*



- The middle class in Asia's emerging markets will account for 60% of the global middle class in 2030
- The global industrial and economic center will shift to Asia within the next 15 years

### Urbanization



- The total population residing in urban areas is expected to grow to 2.5 billion inhabitants until 2050
- Until 2050, the number of urban dwellers is projected to grow by 416 million in India, by 255 million in China and 189 million in North America

**Growth trends for Krones remain stable!**

\*Definition OECD: Persons with a purchasing power of USD 10 to USD 100 per day

Source: UN, 2017; OECD; UN, 2018

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## Beverage consumption and market potential

Global beverage consumption by industry (in bn liter)

	2013	CAGR 13/18	2018	CAGR 18/23	2023
<b>Global Beverage consumption</b>	<b>1.070</b>	<b>+2,0%</b>	<b>1.135</b>	<b>+2,8%</b>	<b>1.346</b>
Beer	198	+0,1%	199	+1,0%	208
Wine/Spirits	49	+0,8%	51	+1,4%	55
Sensitive beverages	136	+0,8%	142	+1,5%	153
Milk/New Dairy	189	+0,7%	188	+1,9%	185
CSD	218	-0,1%	216	+1,0%	227
Bottled water	242	+6,5%	332	+5,8%	441

**Global beverage market growth remains robust**

Source: Euromonitor, Krones market potential target figures | \*CAGR: Compound Annual Growth Rate



# PET

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## PET under Scrutiny of Society and Policy Makers



The amount of plastic in the ocean is a lot worse than we thought, says a new study.

Plastic pollution

Plastic in the North Atlantic

The focus of attention is on inappropriate disposal & management. It's all about collection & recycling!

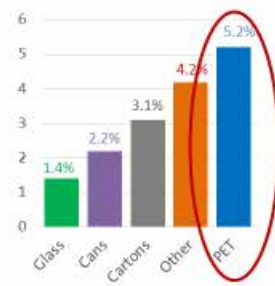
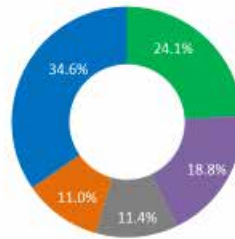
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## Beverage consumption and market potential

Global beverage market by packaging material (based on units filled)

Share of packaging types 2017

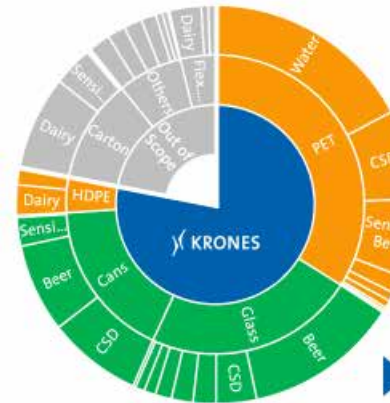
Average annual growth of packaging types 2017-2020



Despite ongoing controversies, we anticipate PET to be the strongest growing packaging format

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## PET as a Part of Krones' Success



Our technological scope covers ~80% of all beverage containers filled.

If the public debate becomes objective, PET growth persists:

- The contradiction between barrier requirements & biodegradable properties remains unsolved on a commercial scale in terms of alternative packaging material.
- With no functional alternative to PET, policy makers focus on appropriate collection, disposal & recycling. Consequently, regulatory measures aim to reduce the ecological footprint of PET, not the overall sales volume.
- We observe a shift from other plastic compounds and composite materials to PET due to superior recycling characteristics.

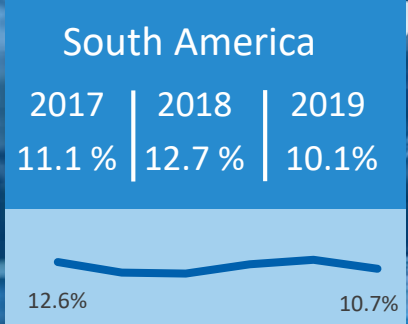
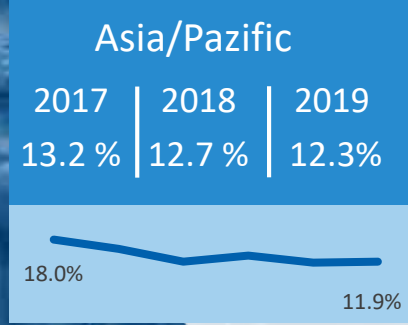
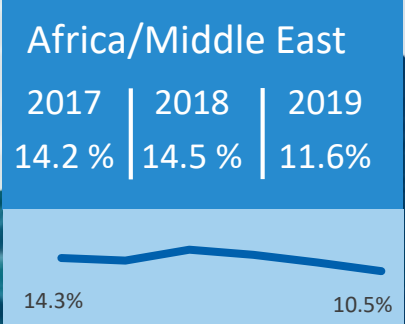
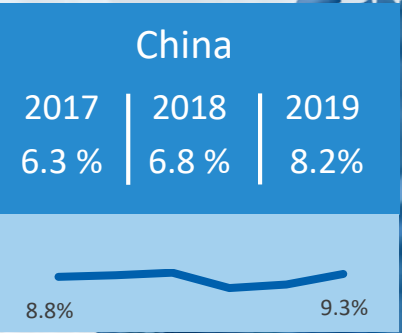
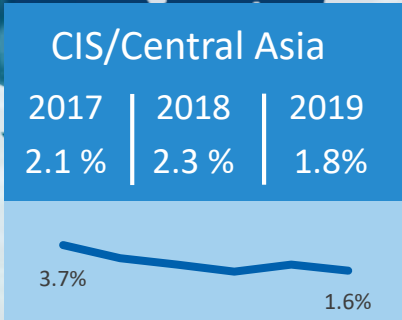
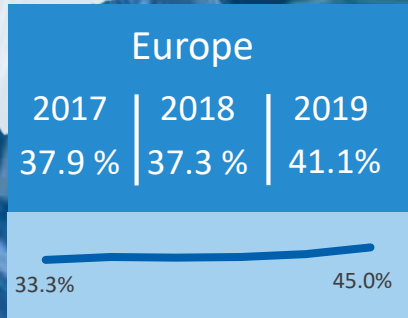
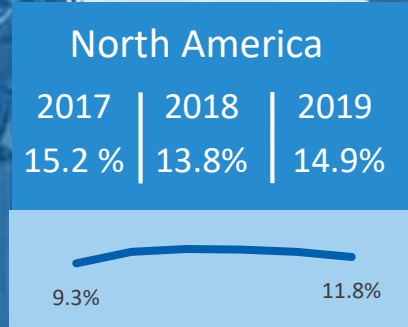
We believe in a robust PET market.

If PET volumes are converted, they most likely stay within our product scope.



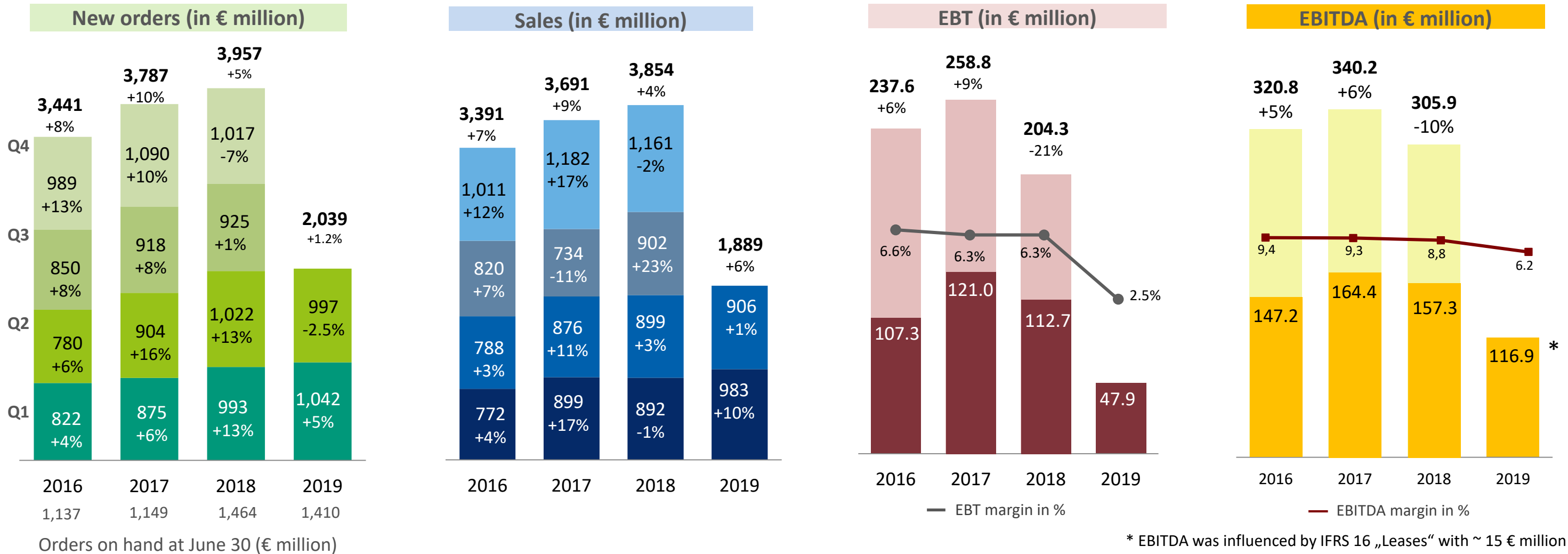
# KRONES' revenue split remains balanced

Share of revenue (1st HY)



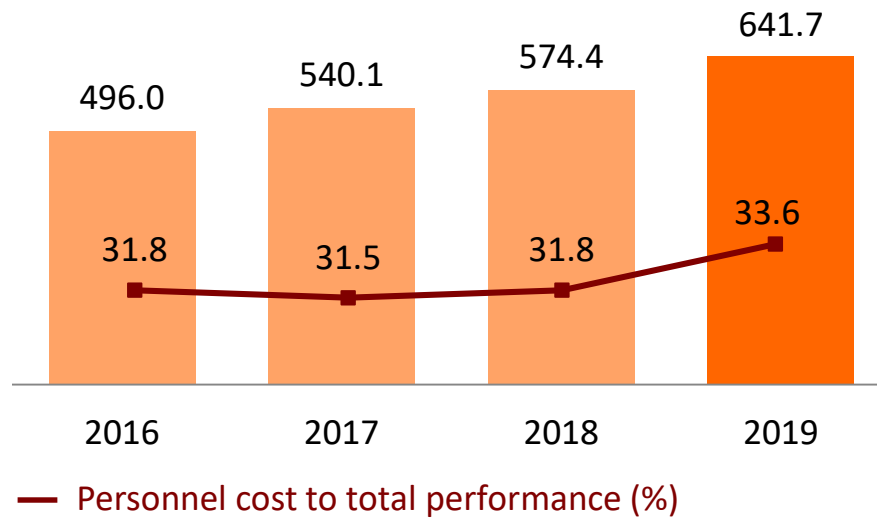
Trend covering the last six years (Full year)

## KRONES key figures – EBT 1st HY 2019 burdened by cost increases

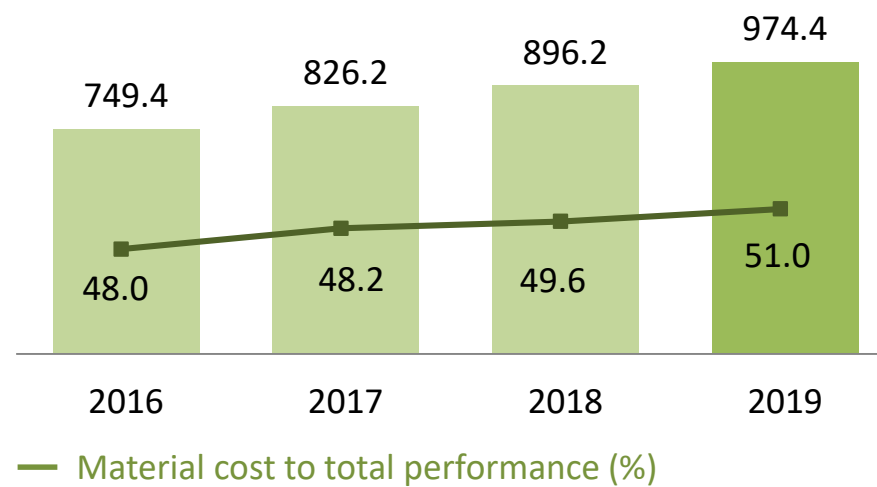


## Personnel and material cost

Personnel cost (€ million) 1st HY



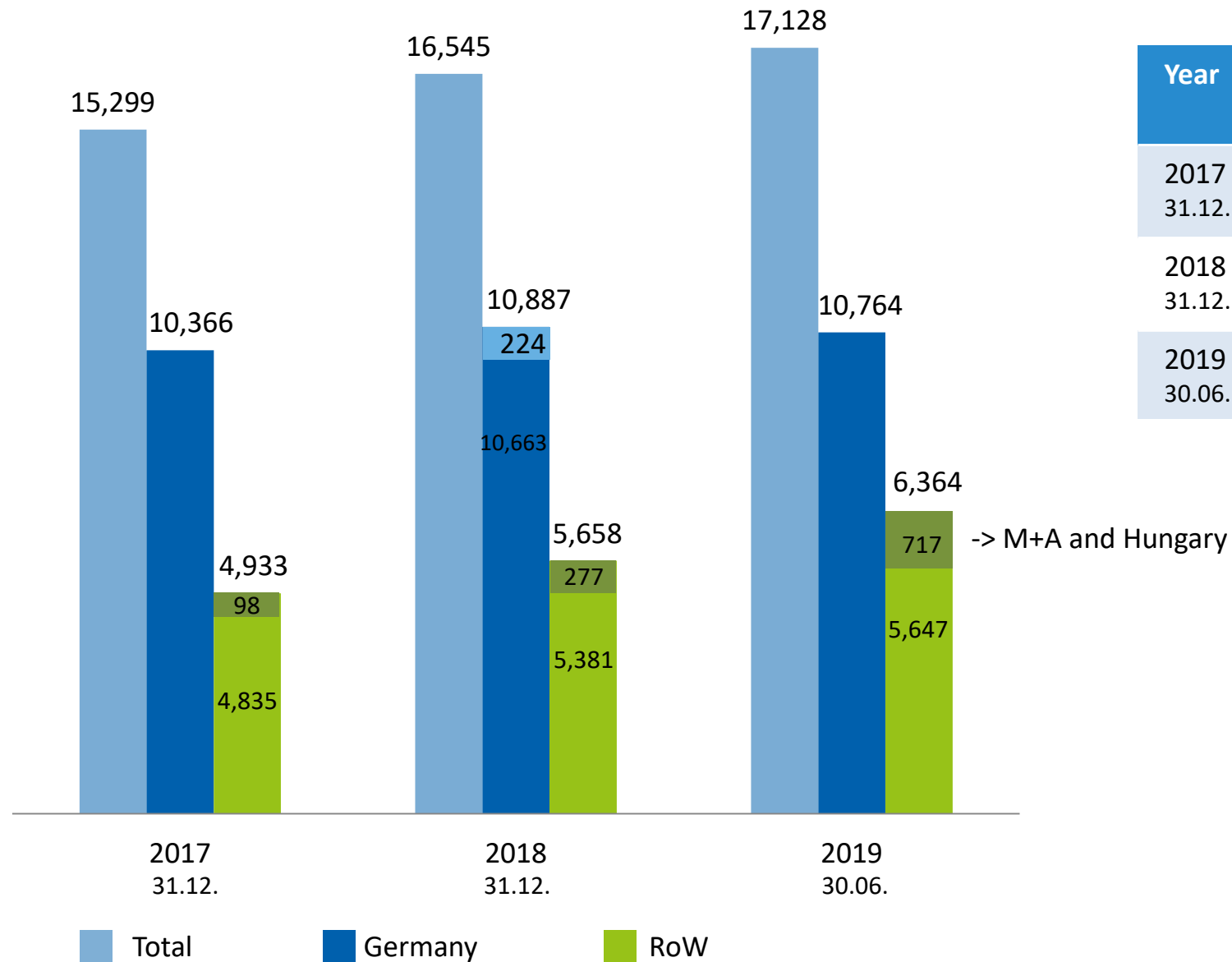
Material cost (€ million) 1st HY





## KRONES continues to grow its workforce in Emerging Markets

KRONES employee worldwide



KRONES employee development in the Emerging Markets

Year	South America	Africa	Asia	CIS/East Europe	China	Total
2017 31.12.	581	393	734	172	608	2,488
2018 31.12.	637	452	830	213	716	2,848
2019 30.06.	632	441	862	502	761	3,198

## Development sales and EBT per segment Q2

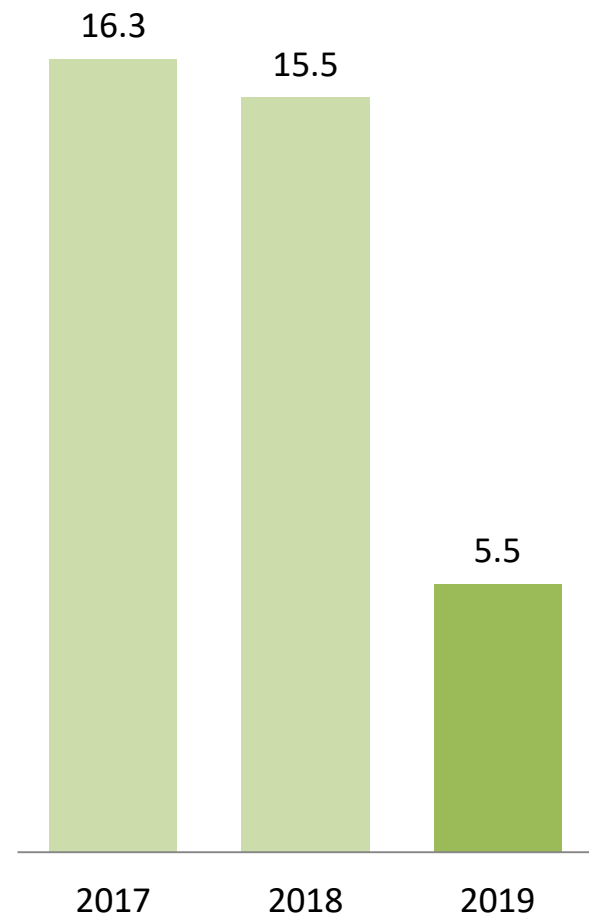
Segments	Sales (€ million) 1st HY	EBT (€ million) 1st HY	Targets 2019
Product filling and decoration *	<p>Growth</p> <p>+7%      +2%      +3 %</p> <p>1,499    1,530    1,581</p>	<p>EBT margin</p> <p>8.1%    7.6%    3.6%</p> <p>121.1    116.5    57.0</p>	<p>Growth ~ 3 %</p> <p>EBT margin ~ 3 %</p>
	<p>Growth</p> <p>+74%    -5%    +18%</p> <p>276      261    308</p>	<p>EBT margin</p> <p>0.0%    -1.5%    -3.0%</p> <p>-0.1    -3.8    -9.1</p>	<p>Growth ~ 5 %</p> <p>EBT margin ~ 1 %</p>
	2017      2018      2019	2017      2018      2019	

## Working capital ratio improved

Working capital\* in % of revenue (1<sup>st</sup> HY)



ROCE\* in % (1<sup>st</sup> HY)



\*LTM (Last Twelve Months)

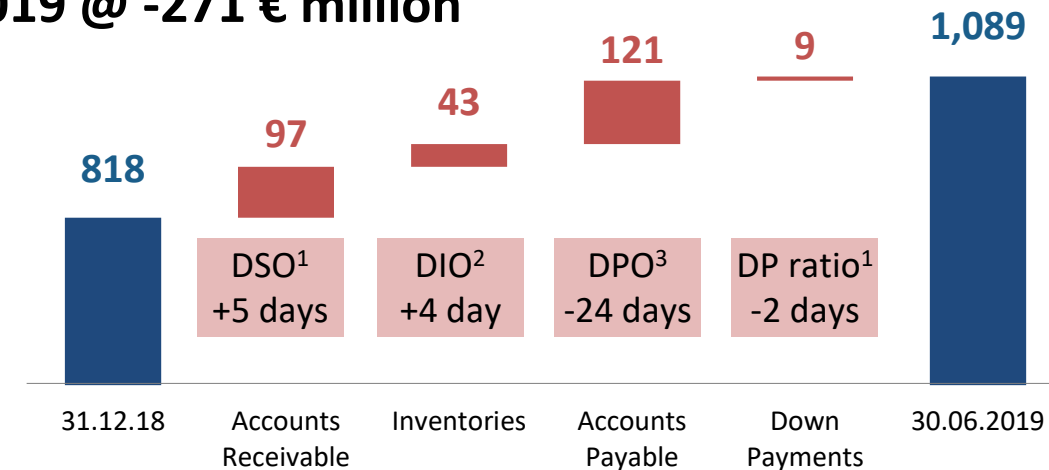


## Higher working capital and investments caused lower free cash flow

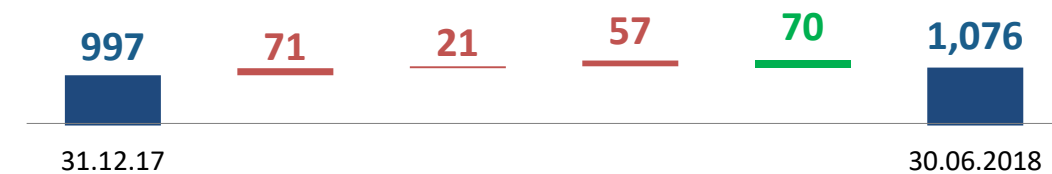
1st HY (€ million)	2019	2018
Earnings before taxes	47.9	112.7
+/- Other non-cash changes	+102.0	+82.0
+/- Changes in Working Capital	-270.3	-79.1
+/- Changes in other assets and liabilities	-17.2	-109.5
<b>Cash flow from operating activities</b>	<b>-137.6</b>	<b>+6.1</b>
+/- Capex	-91.4	-58.5
+/- M&A activities	-29.3	-7.3
+/- Other	-1.1	+3.5
<b>Free cash flow</b>	<b>-259.4</b>	<b>-56.2</b>
+/- Financing activities	+181.1	+56.7
+/- Others	3.8	+2.2
Net change in cash	-74.5	+2.7
<b>Cash at the end of the period</b>	<b>144.3</b>	<b>184.7</b>

### Working capital development (€ million)

#### 2019 @ -271 € million



#### 2018 @ -79 € million

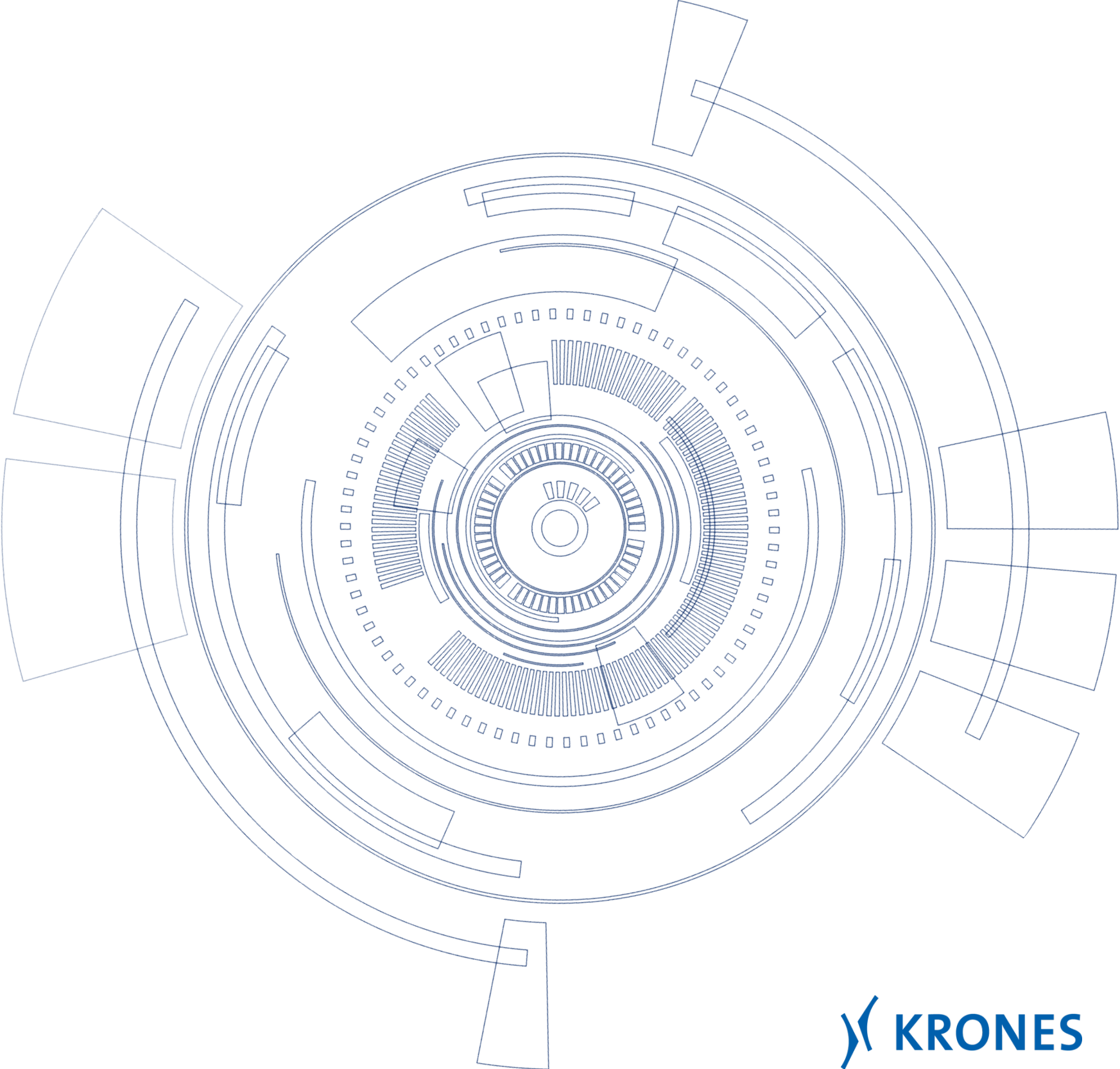


1 Based on revenue

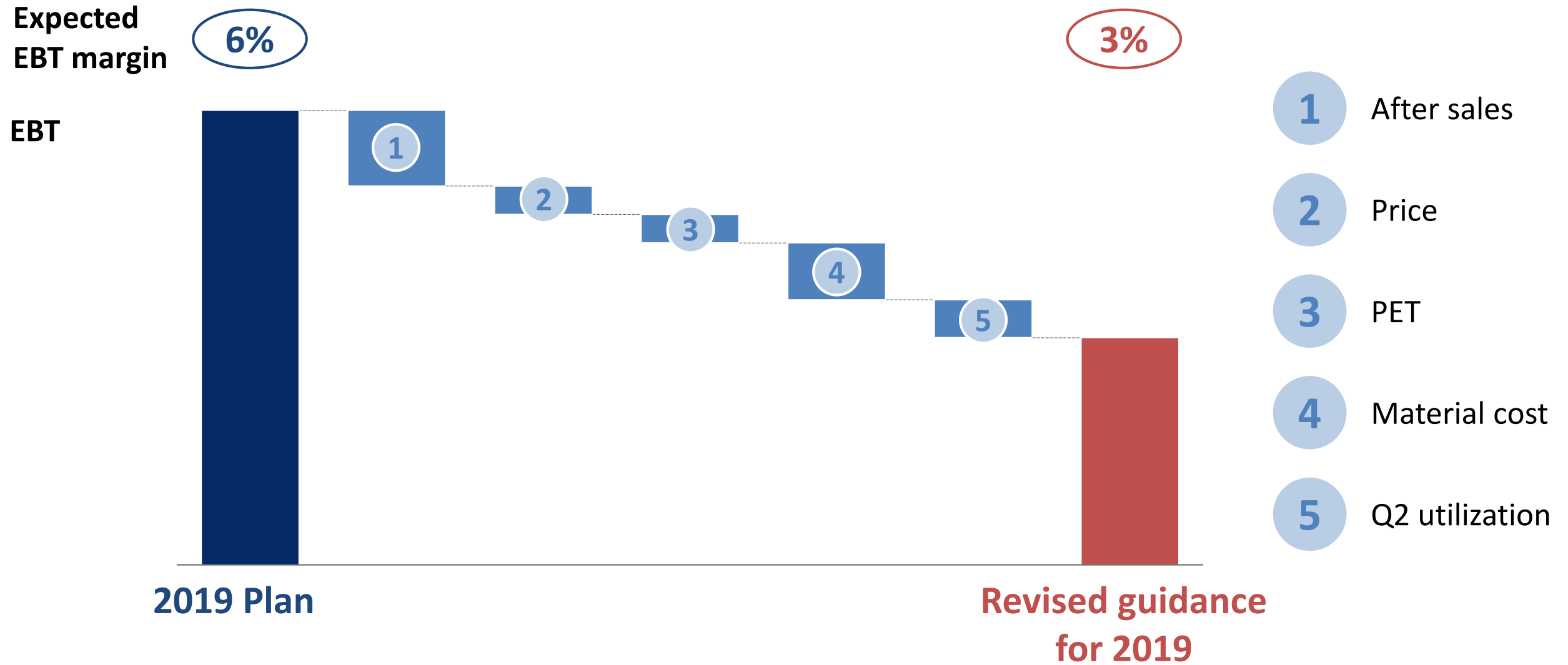
2 Based on COGS

3 Based on Goods and Services purchased

# Outlook 2019



## Major drivers for revised guidance



## KRONES targets 2019

Revenue growth

3%

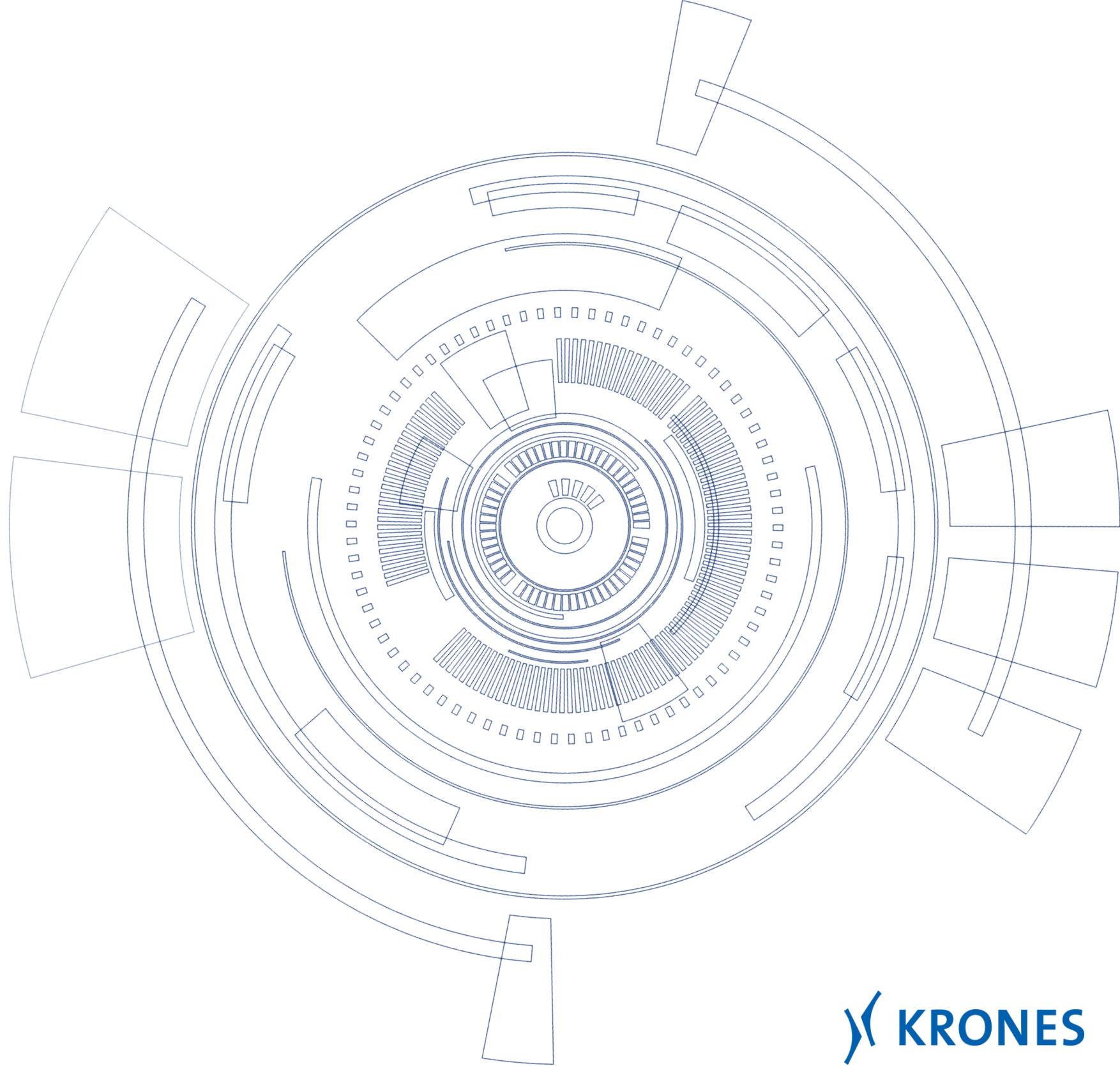
EBT margin

~ 3%

Working capital  
to revenue

26%

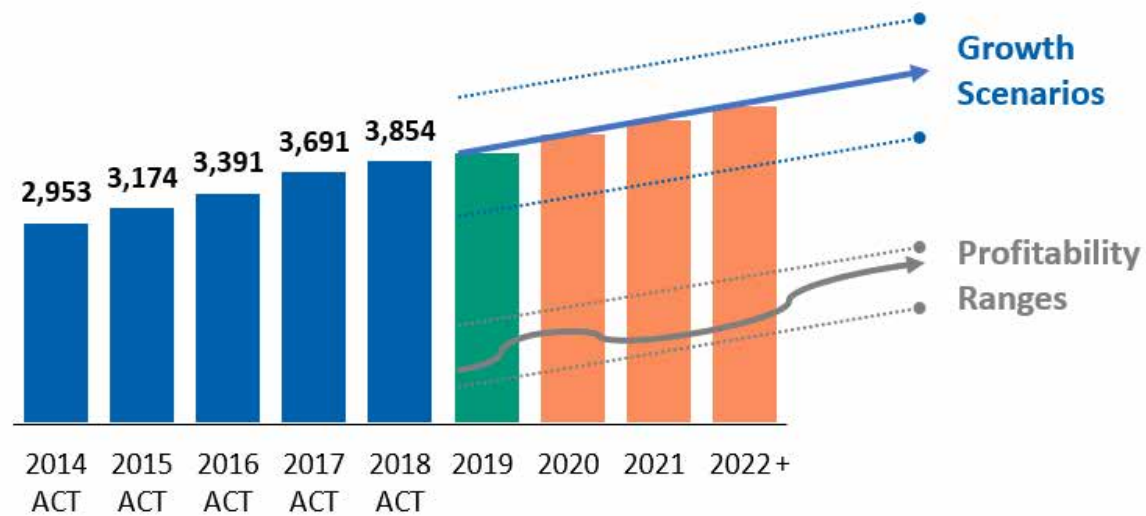
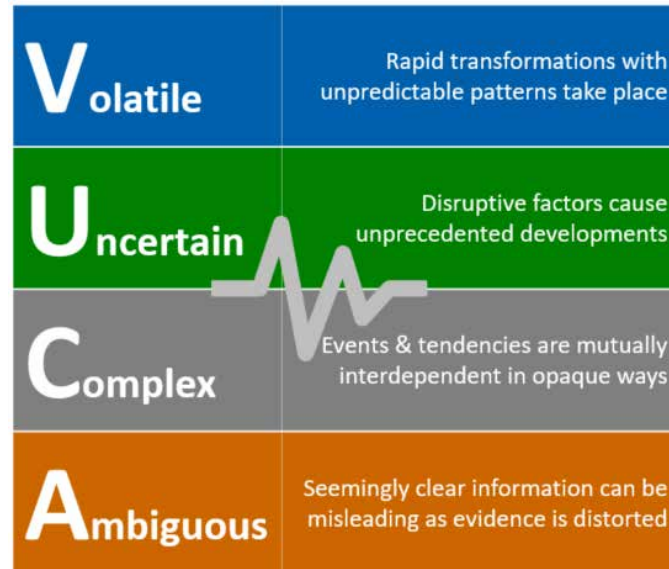
# Mid-Term Targets





## Mid-term plan

In the VUCA world our outlook has to be build on scenarios



Mid-term targets

- Annual revenue growth \*  
**3-5%**
- EBT margin  
**6-8%**
- Working capital / revenue  
**22-24%**

### Key factors influencing our achievement of targets

- Markets: Given the macro-economical uncertainty, we assume a highly volatile business environment.
- Price: Fast adaptation of price increases to a certain extent depends on market & competition.
- Footprint: Implementation of significant structural measures requires a favorable global setting.
- Overheads: Stringent management of overhead may be challenged by externally driven complexity.
- ...

\* Without M&A Effects

# Questions and answers



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Thank you  
for your attention!

## Financial calendar 2019

October 30, 2019

Conference Call Group Q3 2019 and  
Quarterly Statement as per September 30



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