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CONSOLIDATED MANAGEMENT REPORT

Fundamental information about the group

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KRONES at a glance

Business model, business areas and organisational structure

KRONES offers machinery and systems for bottling and packaging and for beverage production. Innovative digitalisation and intralogistics solutions round out our portfolio. KRONES' customers include breweries, beverage producers and companies from the food, chemical, pharmaceutical and cosmetic industries. Services are an important part of KRONES' business model. The company maintains service centres and offices around the world.

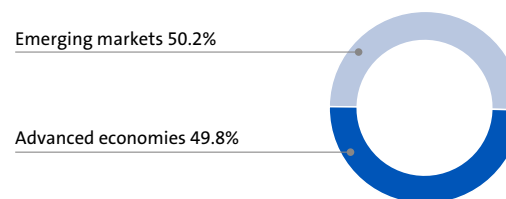
KRONES reports on two segments: **Machines and Lines for Product Filling and Decoration** and **Machines and Lines for Beverage Production/Process Technology**. The Machines and Lines for the Compact Class segment, which was reported on separately until 2017, was made part of KRONES' core segment **Machines and Lines for Product Filling and Decoration** with effect from 1 January 2018.

Major markets and competitive position

Customers in the beverage industry account for most of KRONES' revenue. The remaining revenue comes from business in non-beverage sectors (food, dairy, chemicals, pharmaceuticals and cosmetics).

KRONES is heavily export-oriented, generating almost 90% of consolidated revenue outside Germany. The regional breakdown of revenue is well balanced overall. In the reporting period, KRONES generated 49.8% of its revenue in industrialised countries and 50.2% in the rapidly growing emerging markets.

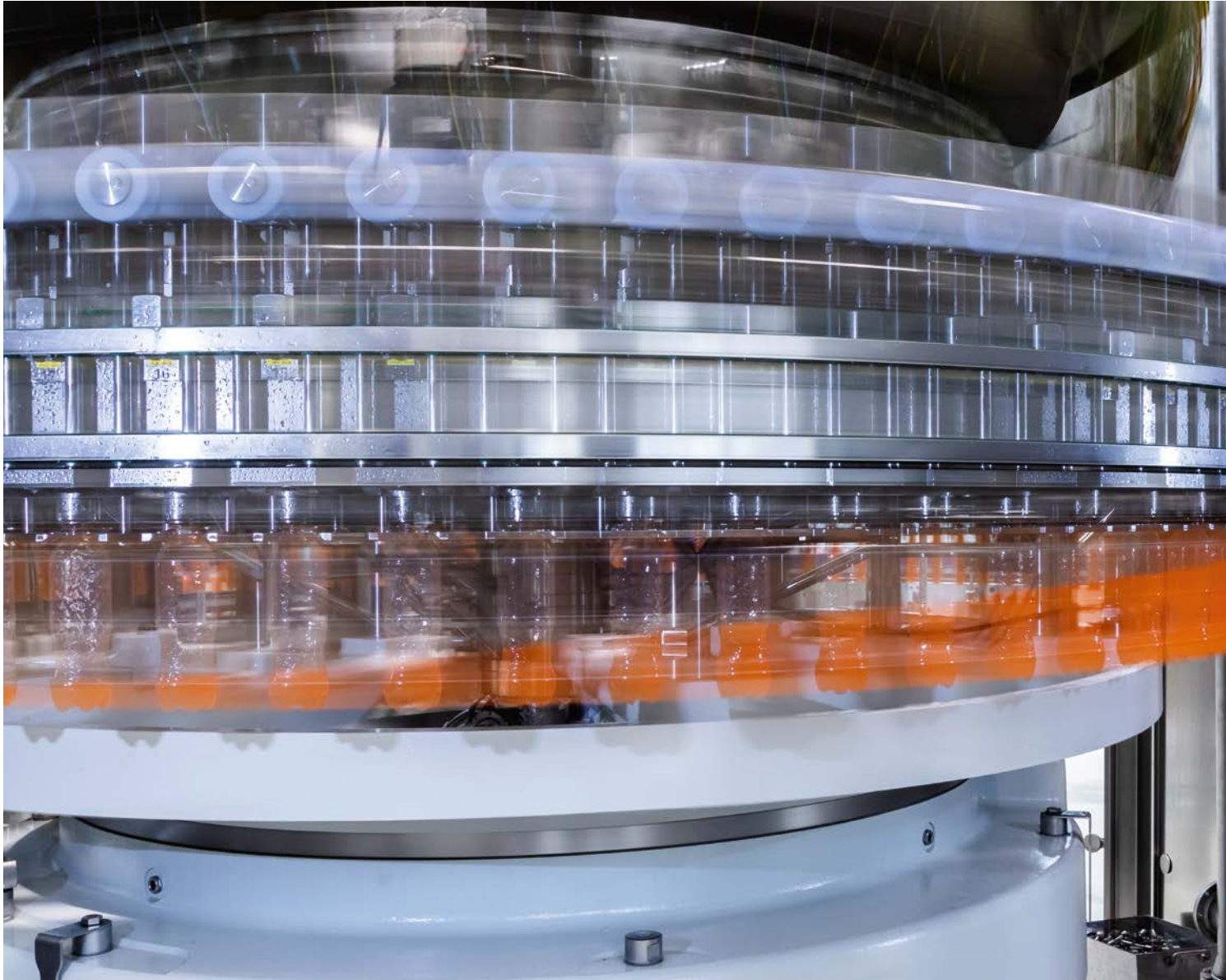
KRONES group share of consolidated revenue 2019



Apart from a few large companies that are part of a corporate group, KRONES competes with a number of companies that offer only individual bottling and packaging products. Most of our main competitors are based in the euro area. Chinese manufacturers have primarily competed against KRONES for orders on their home market.

Backed by our global service portfolio, which enables us to provide fast service to customers on-site, KRONES is well positioned in the competitive arena as a full-service provider.

Machines and Lines for Product Filling and Decoration

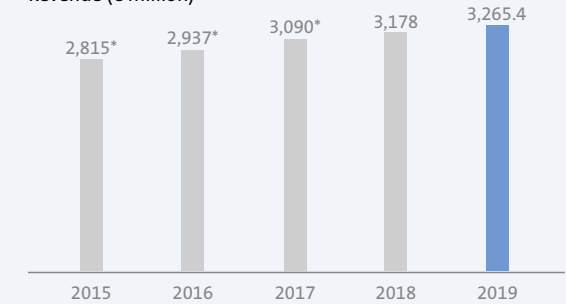


This is by far KRONES' largest segment. It offers machines, lines, and solutions for filling, labelling, packaging, and conveying products. Machines for producing PET containers and converting used plastic bottles into food-grade recycled material (PET recycling systems) are also part of this segment.

- Product treatment technology
- Systems engineering
- Labelling technology
- Inspection technology
- Filling technology
- Cleaning technology
- Plastics technology
- Packing and palletising technology
- Conveyor technology

See also Segment report, pages 85 and 137.

Revenue (€ million)



	2019	2018
EBT (€ million)	56.4	223.3
EBT margin (%)	1.7	7.0

Machines and Lines for Beverage Production/Process technology

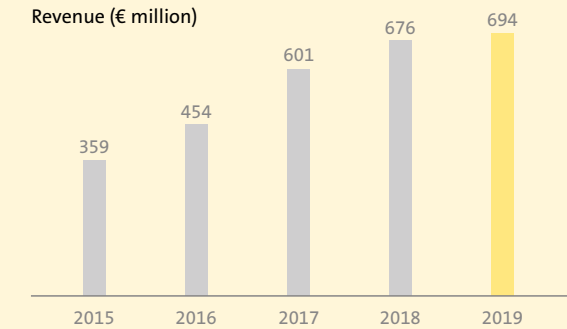


This KRONES segment supplies customers with machines, lines, and digitalisation solutions for producing and processing beer, soft drinks, fruit juices, milk, and dairy drinks. Beverage Production/Process Technology also includes intralogistics products and services offered by the subsidiaries SYSTEM LOGISTICS, SYSKRON and TRIACOS as well as EVOGUARD brand components.

- Brewhouse and filtration technology
- Digitalisation
- Information technology
- Intralogistics

📄 See also Segment report, pages 87 and 137.

Revenue (€ million)



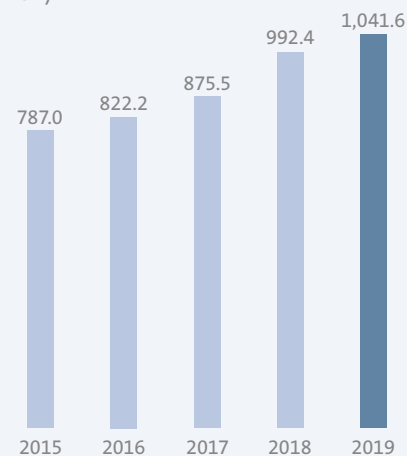
	2019	2018
EBT (€ million)	-14.7	-19.0
EBT margin (%)	-2.1	-2.8

First quarter 2019

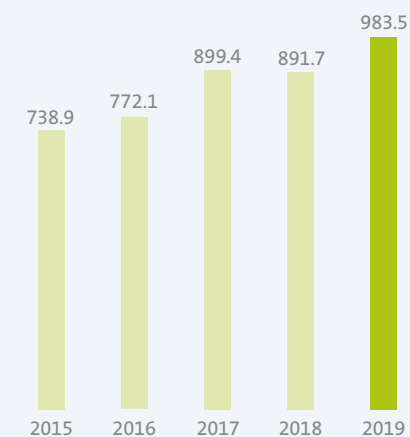
KRONES made a good start to 2019. Revenue in the period January to March increased by 10.3% year-on-year to €983.5 million. Order intake improved by 5.0% to €1,041.6 million. Due to the tight cost situation, earnings before taxes decreased – despite the higher revenue – by 8.4% to €51.5 million.

Low interest rates and hopes of an end to the trade conflict between China and the USA buoyed stock markets in the first quarter of 2019. Equity prices fluctuated strongly, however. This also affected the price of KRONES shares. The strong start to the year was followed by a sharp correction in late January. From mid-February, however, our share price gained continuously. With a price of €78.55 at the end of March, our shares were 16.4% up on the beginning of the year. Our share price thus gained more strongly in the first quarter than the SDAX, which went up by 15.0%.

Order intake **Q1**
(€ million)



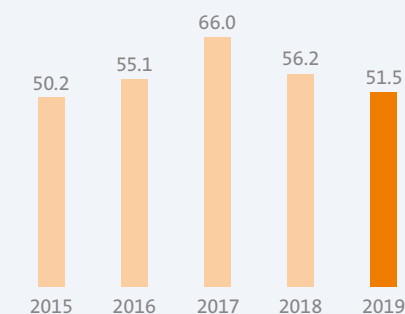
Revenue **Q1**
(€ million)



Share price **31 March**
(€)



EBT **Q1**
(€ million)



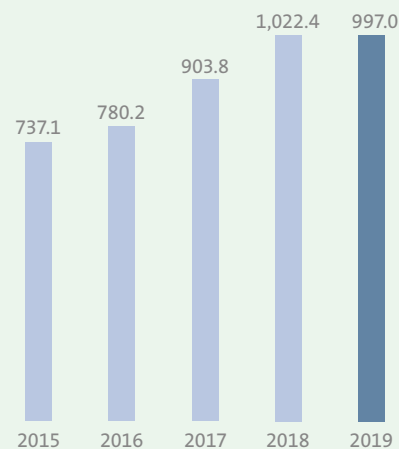
Second quarter 2019

The KRONES Annual General Meeting was held in Neutraubling on 5 June. Attendance – the proportion of the company's share capital represented at the meeting – was some 81%. Shareholders adopted all agenda items submitted for voting with a large majority. The dividend was held stable relative to 2018 at €1.70 per share.

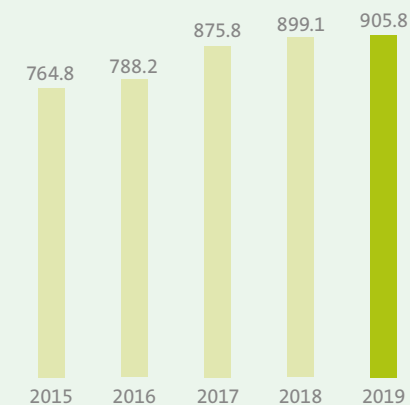
KRONES' profitability was impacted in the second quarter by high material and labour costs and by an unfavourable product mix. Revenue was lower than expected on products with a large proportion of in-house added value, such as machines and lines in plastics technology. That led to capacity underutilisation in this area. Earnings before taxes came to –€3.6 million in the second quarter. Revenue increased by 0.7% year-on-year to €905.8 million, while the €997.0 million order intake was 2.5% down on the previous year.

The KRONES share price performed worse in the second quarter than the overall market. One reason for this was the figures for the first quarter, which KRONES published at the end of April. Profitability fell short of analysts' expectations. In total, the KRONES share price went down by 9.7% between April and June and stood at €70.95 at the end of the second quarter.

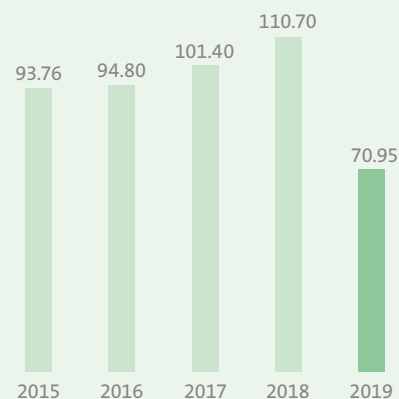
Order intake Q2
(€ million)



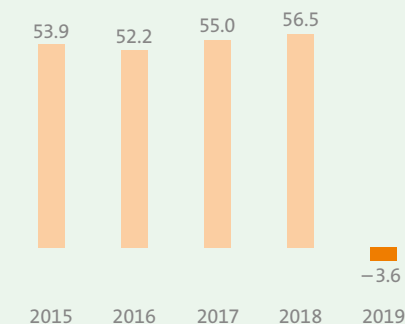
Revenue Q2
(€ million)



Share price 30 June
(€)



EBT Q2
(€ million)



Third quarter 2019

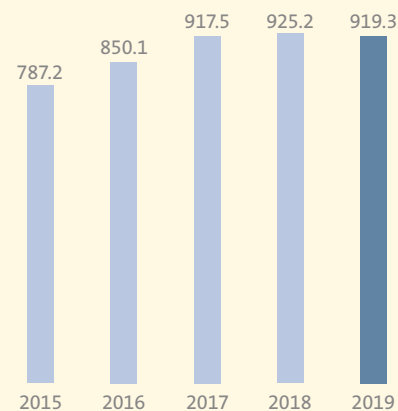
The company announced in an ad-hoc announcement on 10 July that it would not achieve its earnings target for 2019. KRONES published a new target for the EBT margin in 2019 of about 3%. The previous target had been about 6%. At the same time, the Executive Board announced structural changes for sustained improvements in profitability.

The KRONES share price came under pressure in the third quarter. This was mainly due to the adjustment to the earnings forecast. The share price marked its lowest point in mid-August at around €47.50. It then recovered substantially. At the end of September, our share price stood at €55.45.

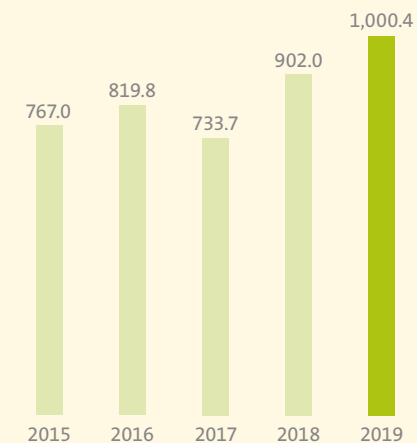
At its meeting of 25 September 2019, the Supervisory Board appointed Norbert Broger as Chief Financial Officer of KRONES AG with effect from 1 January 2020. He served KRONES from 2006 to 2012 as Head of Controlling, Risk Management and Strategic Corporate Development.

After the weak second quarter, business went better for KRONES between July and September 2019. Revenue was up 10.9% year-on-year, to €1,000.4 million. Order intake was 0.6% down. KRONES generated EBT of €13.5 million in the third quarter.

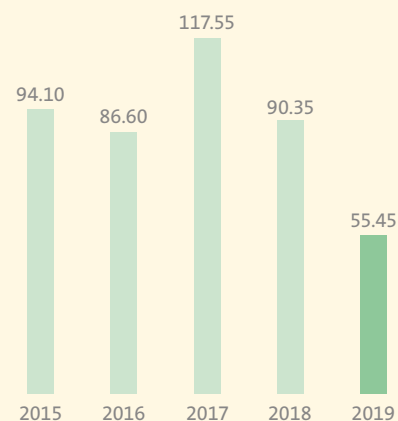
Order intake Q3
(€ million)



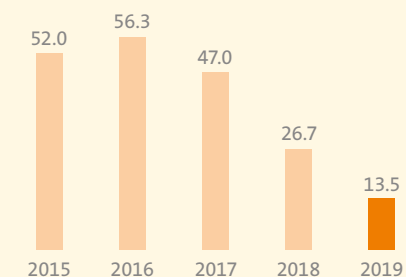
Revenue Q3
(€ million)



Share price 30 September
(€)



EBT Q3
(€ million)

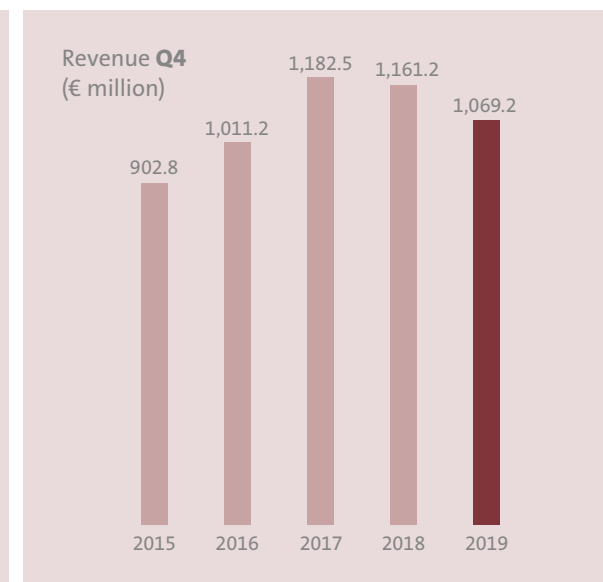


Fourth quarter 2019

KRONES took part in a number of major international trade fairs during the autumn. At K, the leading global trade fair for the plastics and rubber industry, KRONES exhibited solutions for a closed plastics cycle. The centrepiece was the MetaPure PET recycling system.

In the fourth quarter, KRONES recognised provisions for personnel-related measures and impairments in connection with portfolio streamlining. This resulted, in total, in one-off expenses of around €70 million. As a result, earnings before taxes were negative, at –€19.7 million. By contrast, the operating business developed in the final quarter according to plan.

The fourth quarter of 2019 brought a strong rise in our share price, with a gain of 22% between October and December. A contributing factor was the publication of details on structural measures to secure sustained gains in KRONES' profitability. The KRONES share price at the end of 2019, at €67.50, was exactly the same as a year earlier.



Systems and Lifecycle Service – **performance matters**

KRONES delivers turnkey plants to the beverage and liquid food industry. We use our expertise to keep our customers' investment and operating costs low. Of equal importance, we enable our customers to produce reliably and at high quality.

We deliver all of the machines and lines necessary for producing, filling and packaging beverages. We also provide complete logistics systems, supply and disposal systems and custom IT and digitalisation solutions that manage and document all production processes.

In addition, we support our customers with excellent, 24/7 after-sales service. That is crucial to ensuring that beverage plants deliver consistently high performance. KRONES' lifecycle service (LCS) experts are not just service providers – they are partners to our customers. Together, we find solutions for efficient, secure, reliable and cost-effective production. As well as providing optimum maintenance and retrofitting, our LCS team offer expert consulting as Partners for Performance.

The following model of a complete beverage plant provides a brief overview of our offerings.



Partner for
Performance

- 1 Brewhouse (malt silo, mash tun, lauter tun, wort kettle, whirlpool and wort chiller)
- 2 Fermentation tanks, conditioning tanks and filters
- 3 Conditioning and production tanks
- 4 Administration
- 5 Laboratory
- 6 Bottling hall
- 7 Packing and palletising machines
- 8 Fully automated high-bay warehouse
- 9 Semi-automated or manual warehouse
- 10 Order picking and distribution
- 11 Heat, cooling, compressed air and energy supplies
- 12 Disposal systems



State-of-the-art production: The new KRONES control cabinet production facility

Control cabinet production at KRONES has had a new home at our Neutraubling headquarters since August 2019, in a brand-new building with 6,000 m² of production space and 850 m² of office space. A key advantage is that logistics and production are now in one place. Optimized material flows and close proximity make for faster throughput and higher productivity.

The new building features state-of-the-art technology. An automated driverless transport vehicle keeps workstations supplied with parts. The previous manual warehouse has made way for a fully automated warehouse. KRONES was able to draw here on the expertise of subsidiaries SYSTEM LOGISTICS AND TRIACOS.

Not to forget the employee-friendly working conditions: The new factory building is naturally well-lit and the assembly benches are height and tilt-adjustable. All in all, the new facility provides the ideal conditions for efficient production.



Strategy and management system



“Our market continues to be attractive, but it is also challenging. That has been plain to see in the last two years. If we resolutely implement the measures we have initiated, KRONES will be set for success.”

Christoph Klenk
CEO

With its full global portfolio of products and services, KRONES is well positioned to profit from the market opportunities. The company provides customers in the liquid food industry with everything they need from a single source, from beverage production to filling to packaging. Intralogistics solutions, information technology and high-quality after-sales service round out the portfolio.

KRONES currently finds itself in an unusually challenging business situation. Except for the crisis year 2009, the company’s performance trend has mainly been one of profitable growth. We continued to deliver respectable revenue growth in 2018 and 2019. However, KRONES has recently seen a significant decline in profitability. KRONES’ strategy is therefore focused on resolutely implementing the defined measures in order to set the company for success.

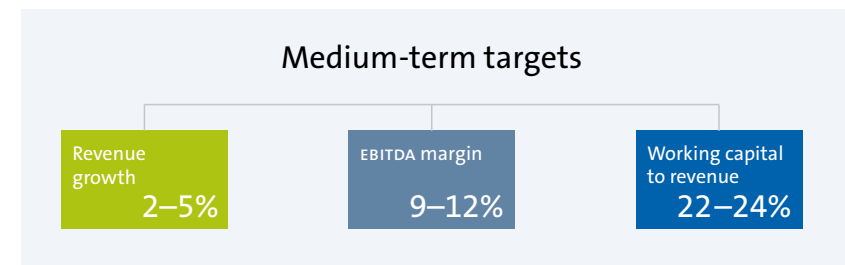
KRONES serves an attractive market. Our market is growing stably because demand for packaged beverages and foods is rising. The market benefits from megatrends such as world population growth, a growing middle class in emerging economies and increasing urbanisation. In the long term, we expect market growth to be above global GDP growth.

As the recent past has shown, the market not only offers opportunities and is not immune to current developments in the global economy. Trade conflicts, political uncertainties and economic crises in individual countries and regions, together with the sometimes highly irrational and emotionally charged plastics debate, make for uncertainty among our customers. Competition for orders will remain intense and the targeted price increases will be hard to push through. Digitalisation will also require high levels of investment.

KRONES has ambitious medium-term goals

From 2020, KRONES will use the EBITDA margin instead of the EBT margin as the target figure for profitability. This is because EBITDA (earnings before interest, taxes, depreciation and amortisation) is closer to cash flow and more comparable because it does not include depreciation and amortisation, financial income/expense and taxes. Our medium-term target of 6–8% for the EBT margin corresponds to an EBITDA margin of 9–12%. To consolidate its good market position and have sufficient headroom for capital expenditure, KRONES has set itself ambitious medium-term financial targets.

- 2% to 5% average organic revenue growth per year
- 9 to 12% EBITDA margin
- 22% to 24% working capital to revenue ratio

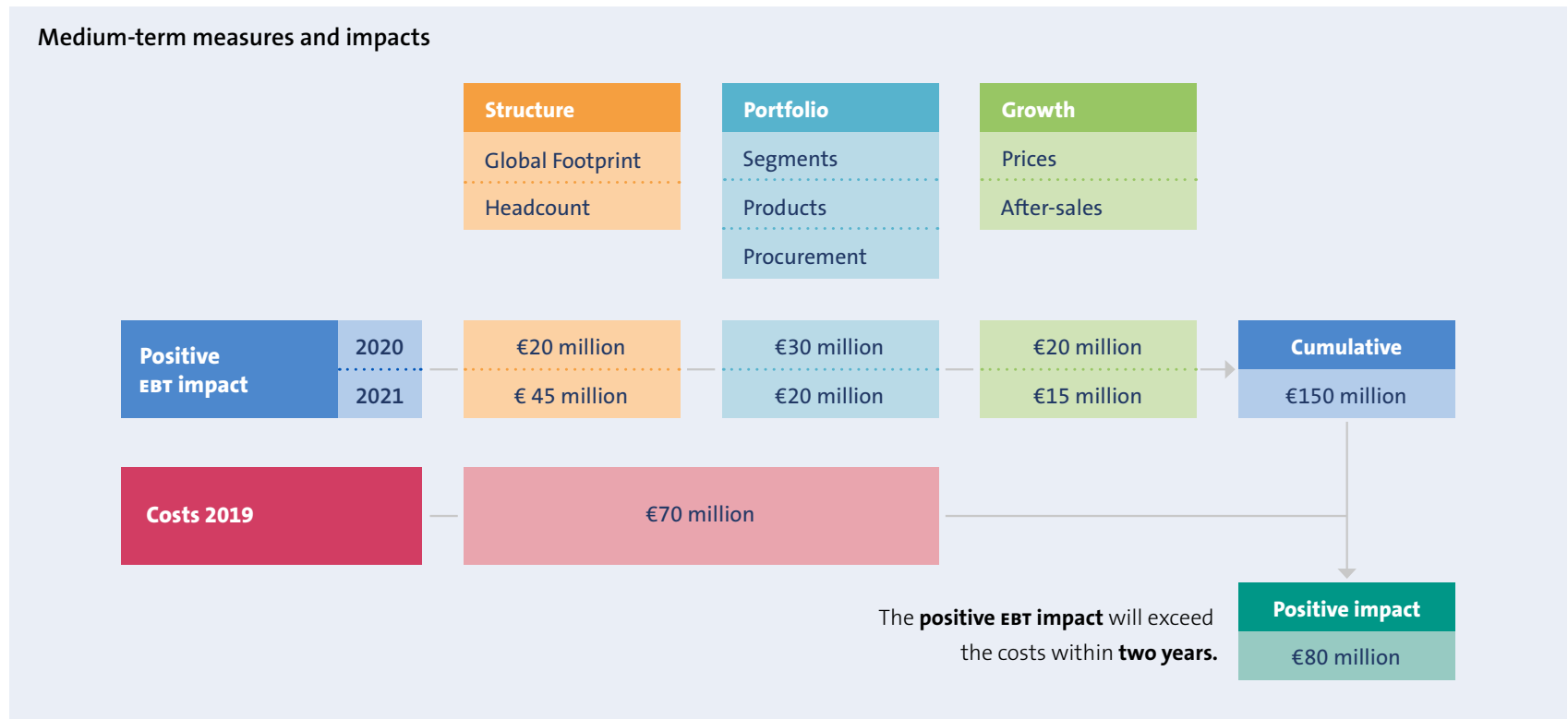


KRONES aims to attain the medium-term targets as quickly as possible and regards a period of three to four years as realistic.

Various challenges – such as rising material and labour costs, the plastics debate, and also general economic uncertainty – meant that we did not reach our original targets for 2018 and 2019. Despite increased market volatility, KRONES sets ambitious medium-term targets. However, KRONES will take longer to attain those targets. The company regards a period of three to four years as realistic. During the reporting period, we launched many measures with which we want to set the KRONES team for success. Now it is a matter of resolutely implementing them.

Profitability improvement: measures in progress

To remain competitive for the long term, KRONES must generate sustained and sufficient earnings. With an EBT margin of 2.8% in 2019 (excluding expenses for provisions to reduce labour costs and impairments for portfolio streamlining in a total amount of about €70 million), we are still short of our target. In the second half of 2019, the company therefore initiated medium-term alongside short-term measures to improve earnings. The measures are divided into three pillars.



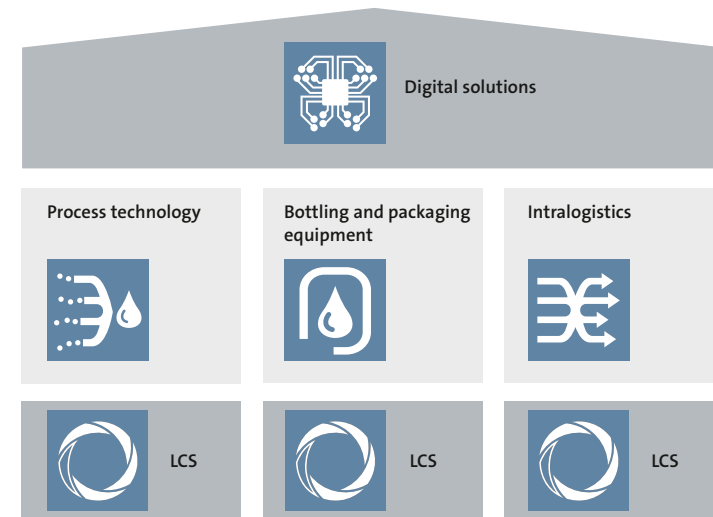
Structural measures make up the largest share of the action package. Most of all, they include expansion of KRONES' global footprint. We currently generate only a small share of added value outside of Germany even though almost 90% of revenue comes from abroad. In the short and medium term, therefore, we plan to relocate parts of the value chain to best-cost countries. The most important project here is our new factory in Hungary. This is scheduled to go into full operation with 500 employees in the second half of 2020. Production has also been expanded in China. In total, about 600,000 hours of production time are to be implemented in Hungary and China by the end of 2020. Added to this are 200,000 design and planning hours in future in the Czech Republic, India, Hungary and China.

In addition, group processes and resources are to be further optimised and organisational units streamlined. In Germany, the structural measures result in a reduction of 500 jobs: 200 in the reporting period and 300 in 2020. About 200 jobs will be reduced internationally by the end of 2020. The new process technology locations established in the USA, China and India as a result of acquisitions in recent years will also contribute positively to earnings.

KRONES is also expanding its global footprint to counteract the rise in material costs. Best-cost country (BCC) sourcing secures significant reductions in procurement costs. KRONES has already successfully implemented this in Taicang, China. Furthermore, we have established a supplier network in India, Taiwan, Thailand and Turkey. We will rigorously continue with the international procurement measures we have implemented so far.

Optimising the House of KRONES portfolio

With the "House of KRONES", KRONES has tailored its business model to customer needs and to the state-of-the-art beverage plant. This approach will not change. We will, however, continue to make individual adjustments and optimise the portfolio. In the **Process Technology** pillar, we will begin by making the beverage production business a legally independent unit. We can then better assess how this business is developing on a standalone basis, specifically with regard to the different types of beverages. Currently, we do not plan any acquisitions in process technology. We are concentrating on integrating the acquisitions made in recent years in the USA and China.



The **core bottling and packaging equipment** segment is affected by the critical plastics debate. In our opinion, PET has a wrongly bad reputation. PET plastic has a major advantage over other types of packaging such as glass: It is significantly lighter than other materials and PET bottles have a correspondingly smaller ecological footprint in long-distance transportation. This is a key reason why PET continues to be the fastest growing packaging material worldwide.

It is often overlooked that plastic packaging can in fact be sustainable. This requires packaging materials to be produced in a resource-efficient manner and kept in a closed cycle. KRONES' technologies and products meet both of these criteria. We provide material-saving container design, low-energy production and used plastics recycling. With our high-quality PET recycling systems that turn used PET bottles into raw material for new ones, we support a sustainable material cycle.

Extending the company's good position in glass and cans

In its core segment, KRONES will continue to strengthen the glass and cans product portfolio. As the megatrend towards packaged beverages continues, weak demand for PET packaging would mean greater demand for other types of packaging such as glass and cans. KRONES has always been well positioned here with a broad product range for both packaging types. The company added a key innovation to the glass portfolio during the reporting year with the Craftmate G glass bottle filler.

As well as expanding the broad-based bottling and packaging segment with further attractive products, we are also going to strip the portfolio of less profitable activities and technologies in order to focus our capital on the most attractive investments.

The third pillar of the House of KRONES, **intralogistics**, continues to see good demand for our products and services. Intralogistics is a major element of the digital beverage plant. It is an important area for our customers because it allows them to optimise material flow management. The priority in this area is on managing the rapid rate of growth and pushing ahead with internationalisation. For this purpose, we have pooled all intralogistics activities in **SYSTEM LOGISTICS** and made this a legally independent unit. This enables us to react quickly and flexibly to market requirements.

Price increases important for sustained business performance

Price increases are necessary in order to partially offset rising labour and material costs. We will implement our goals here by means of increased price discipline. For 2020, we consider an earnings contribution of €10–20 million to be realistic from higher prices.

Digitalisation offers huge opportunities in the medium to long term

In **digitalisation**, KRONES has the major advantage as a full-service supplier of being able to capture all material and data flows around the clock throughout the entire beverage plant production process. Combining the captured data with the knowhow of our workforce, some of whom have decades of experience, we develop new products and services – primarily for the life cycle services (LCS) subsegment – that significantly improve plant efficiency. In this way we create lasting added value for customers. The aim is to develop digital business models and establish them as quickly as possible in the food and beverage industry.

Overall, investment in digitalisation will continue to impact profitability in the next few years. KRONES sees good market opportunities here in the medium to long term.

High-growth service business strengthens profitability

KRONES will continue to invest in its operations at home and in its global footprint, although at a lower level than in preceding years.

Our service business is important to the profitability of KRONES. The key success factor for the LCS business is and remains availability, meaning how quickly the service team can solve a customer's problems on the spot. That means both technicians and spare parts must be as close to the customer as possible. To ensure this, we will further reinforce our global network of service and sales offices. Alongside availability, another major growth driver for the service business takes the form of innovative products and services supported by innovation in digitalisation.

The service market has considerable further growth potential for KRONES in the medium to long term. A major asset for KRONES is the large installed base of about 40,000 machines in customers' factories. Our LCS team so far serve about 60% of our installed base. We are going to raise this figure in the years ahead by convincing customers of the benefits of our services, which enable them to significantly increase productivity.

Capital expenditure returning to normal levels

To remain competitive for the long term, KRONES must invest – both in its German locations and in its global footprint. In contrast to the strong growth investment of the preceding years, capital expenditure will be scaled back to normal levels in the short to medium term. Most capital expenditure in Germany is to be on IT infrastructure. Germany remains KRONES' central location for the development of innovative machines, lines and services.

Elsewhere, KRONES will invest in the organisation and in integrating the acquisitions made in recent years. We will also further expand our IT internationally.

Innovations: key investment for the future

Innovations secure our company's future and are the basis for sustained growth. For this reason, even in economically more challenging times, KRONES will maintain its comparatively high spending on research and development.

New products and services must provide added value for customers in order to be a market success. Close contact with our customers gives us important input for innovations and improvements. Based on customer needs, we work together to develop ideas for new products and services. We also generate ideas of our own by thinking out of the box. Close contact and good working relationships with universities, research institutions and startups also help us in this regard.

Alongside digital innovations, solutions at KRONES focus on environmentally compatible, cost-cutting, flexible and operator-friendly machines and products (see R&D p. 58).

Security from solid financial and capital structure

With insufficient cash flow from operating activities in 2019, free cash flow and net cash and cash equivalents also decreased significantly due to the high level of capital expenditure. The equity ratio was a comparatively satisfactory 41.3%. KRONES therefore retains a robust financial and capital structure. The company has sufficient financial headroom to finance growth investment and potential acquisitions and to accord shareholders their due share of the company's success in the form of dividends. KRONES' dividend strategy is to pay out 25% to 30% of consolidated net income to shareholders.

Ongoing strong focus on free cash flow

KRONES continues to focus on free cash flow. This fell significantly in 2019 because of the decline in the operating business, above-average capital expenditure and a rise in working capital. We will work hard on all three of those

parameters in the coming years. First of all, as described earlier, we will regain our former profitability. After several years of strong growth investment, we will return capital expenditure to normal levels. A clear focus in future capital expenditure will be on whether business units are generating sufficient cash. This criterion will also be a deciding factor in portfolio streamlining. We are holding back on acquisitions. No major acquisitions are planned for the short or medium term. However, we have the capacity to act on attractive acquisition opportunities at any time.

The greatest potential for improving free cash flow consists of reducing working capital. KRONES is not satisfied with working capital as a percentage of revenue, which is our third target. This came to 26.9% in 2019, which is well short of our 22–24% medium-term target. The lower our working capital, the more capital we have available for other uses. For each percentage point by which we improve this ratio, our free cash flow and therefore our available resources grow by around €40 million.

The main burden on working capital is the high level of customer receivables and contract assets. KRONES will shorten the timespan from delivery to invoicing. First of all, on-site assembly and acceptance are to be completed sooner. Secondly, contracts with customers need to be drafted in such a way that performance rendered can still be invoiced in the event of delays for which we are not responsible. Overall, it is planned for trade receivables to grow below average in the next few years relative to revenue. There is also room for improvement in trade payables, but not on the same scale as in receivables.

Workforce the foundation of lasting success

The workforce is pivotal to KRONES' success – especially at times when conditions become more challenging and there is a break in the continuous upward trend. Our customers buy from KRONES because they trust in the company and its workforce. It is the workforce who are responsible for customers' satisfaction with our products and services. And customer satisfaction is a highly decisive factor when competing for orders.

We had to take various measures due to negative developments during the reporting period – including major job cuts affecting several hundred employees in Germany and elsewhere.

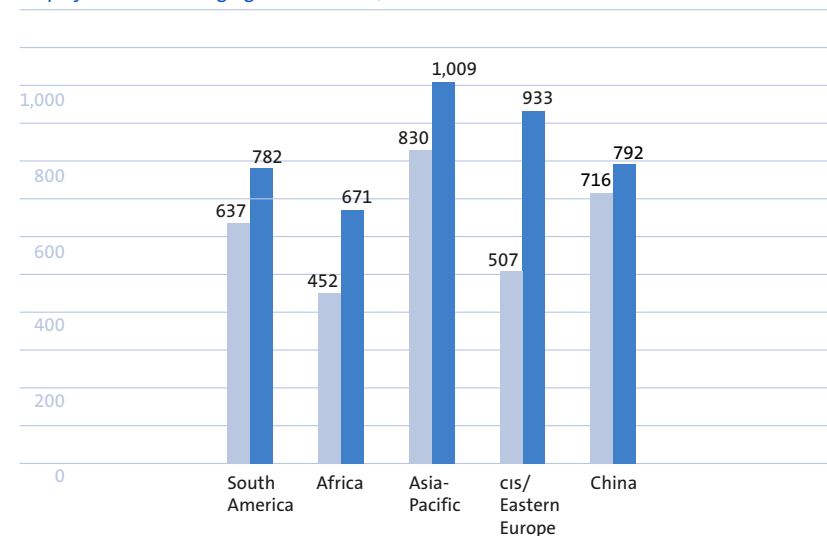
The company will continue to invest heavily in employee training and development in order to maintain workforce knowhow at the same very high level.

KRONES will further expand the workforce in the years ahead where this contributes to profitability. To take advantage of market growth opportunities in emerging economies, we need more employees in the regions where customers are located. We currently employ about 24% of the workforce in emerging markets. Given corresponding market growth, we will further increase that percentage.

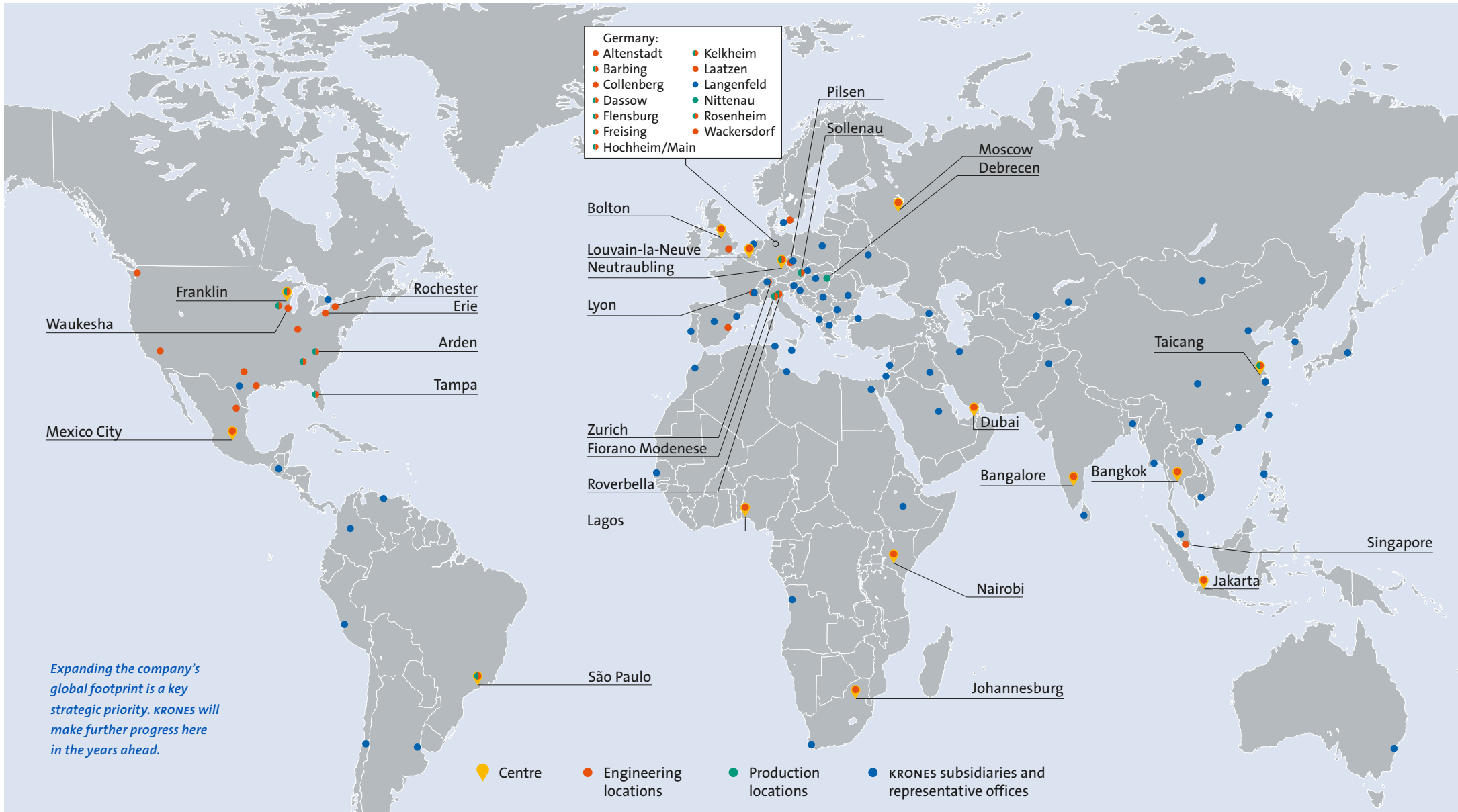
Employees in the emerging markets 2014–2019

Year	South America	Africa	Asia-Pacific	cis/Eastern Europe	China	Total
2014	501	363	453	136	385	1,838
2015	519	376	502	147	451	1,995
2016	549	386	602	155	508	2,200
2017	581	393	734	398	608	2,714
2018	637	452	830	507	716	3,142
2019	782	671	1,009	933	792	4,187

Employees in the emerging markets 2018/2019



KRONES' global footprint



Expanding the company's global footprint is a key strategic priority. KRONES will make further progress here in the years ahead.

KRONES' management system

KRONES' management primarily uses the following financial performance indicators to steer the group and its two segments:

- Revenue
- EBT margin (earnings before taxes as a percentage of revenue)
- Working capital as a percentage of revenue

In order to strengthen our market position and utilise economies of scale, we aim for above market average **revenue growth**.

Earnings before taxes (EBT) are an important earnings indicator. It is out of EBT that the group pays taxes and dividends and makes investments and capital expenditures. Profitability, measured as the **EBT margin**, is among our key targets and parameters. The EBT margin indicates the company's profitability in relation to revenue. For the group, we set the target margin as the weighted average of the two segments. From 2020, we are replacing the EBT margin with the **EBITDA margin** (earnings before interest, taxes, depreciation and amortisation as a percentage of revenue). The EBITDA margin indicates the company's profitability in relation to revenue, irrespective of the tax rate, financial income/expense and depreciation and amortisation.

Our third major performance indicator is **working capital to revenue**, which is calculated at group level. Working capital is calculated as follows: (inventories + trade receivables + contract assets) – (trade payables + contract liabilities). This figure indicates how much working capital is needed to finance revenue generation. The lower the number, the less capital is tied up in operations and the more financial leeway the company has to use its cash and cash and cash equivalents for other purposes.

Other financial key performance figures

In addition to the above, a further important performance indicator for KRONES is free cash flow (cash flow from operating activities less cash flow from investing activities). We take further guidance from the development of **EBT** (earnings before taxes) and **ROCE** (return on capital employed, the ratio of **EBIT** to average capital employed).

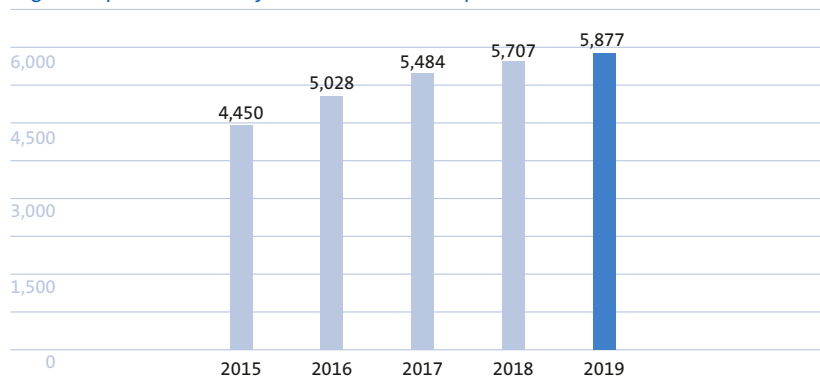
Research and development (R&D)

- 4.9% of revenue invested in R&D
- PET debate: KRONES has solutions
- Expansion of glass and cans product portfolio
- Continued focus on customer benefit in innovation

Some 2,300 highly qualified people at KRONES keep the pipeline filled with new and evolving machines, systems and services. Innovations are the basis of our future business success. New products and services must create added value for customers. That is key to KRONES in consolidating and extending its market position. The increase in the portfolio of registered patents and utility models from 5,707 in the previous year to 5,877 at the end of 2019 confirms the KRONES team's innovative capacity. A total of €195 million (previous year: €179 million) was invested in research and development in the reporting period. That corresponds to 4.9% of consolidated revenue. Of this total, €32.5 million was capitalised as development costs in 2019 (previous year: €38.5 million).

KRONES invested approximately 4.9% of consolidated revenue in research and development in 2019.

Registered patents and utility models – KRONES Group



Innovation: leading with boldness and expertise

Products development at KRONES is primarily driven by market requirements. Thanks to the frequent contact between our sales and service staff and customers, we know very well what customers' requirements are and how we can create added value for them. The House of KRONES additionally provides us with a 360-degree view of customer needs.

What our customers require most from our machines and systems are safety, affordability, versatility and environmental performance. Machinery should also offer maximum ease of use and take up minimum space.

These needs combined with the extensive knowledge of our workforce result in ideas for new products. Such ideas lead in turn to development projects that our mechanical, electronics, pneumatics and automation experts implement as quickly as possible. In projects that are successful, the innovation process generates products that do well in the market, as shown by the examples on the pages that follow.

Alongside this, we will also break out of the status quo by applying bold forward thinking. Close collaboration with universities and research institutions additionally brings in valuable ideas from outside. By having the courage to think outside the box, we will create innovations that astonish our customers – as with our bottling-on-demand concept study for maximum flexibility in filling. We must do this in order to maintain our technology leadership in the industry.

Another focus of our R&D strategy is transformation – from analogue to digital. This mainly entails further evolving the technologies and methods behind our existing success.

Digitalisation needs the analogue skills of our workforce

Thanks to technical advances, it is now possible to digitally simulate the entire value creation process in a beverage plant. KRONES subsidiary SYSKRON, which pools our digitalisation activities, is tasked with developing new digital business models for our industry. This is done using data collected from our systems and equipment. Combining the analogue expertise and experience of our workforce with technologies such as cloud computing and big data, KRONES develops new products and solutions for customers.

KRONES is already among the leaders in digital services. Broadband communication, for example, enables us to significantly improve quality in remote support and reduce downtime. A case in point is Argos, a headset with camera and miniature display. The machine operator wearing the headset can be provided with troubleshooting support by a KRONES service technician as if they were together in the same room.

In the KRONES.shop, the company has successfully operated a digital platform for more than five years where customers can quickly and conveniently order spare parts, upgrades, components, training courses and other services.

PET debate: KRONES has solutions

Public debate around plastic waste and plastic packaging has risen significantly during the reporting period and has spread uncertainty, especially among our European customers. Their hesitance in placing orders has naturally also

affected KRONES, as we generate a large proportion of revenue with machines and lines for filling and packaging plastic containers made of PET. It is often overlooked in the debate that PET remains the world's most popular packaging option and that plastic packaging can be far more sustainable than is thought. This requires the packaging materials to be produced in a resource-efficient manner and kept in a closed cycle.

KRONES' technology and products meet both these criteria. We provide material-saving container design, low-energy production and used plastics recycling. Most of all with our high-quality PET recycling systems that turn used bottles into raw material for new ones, we support a sustainable material cycle. The problem is not the PET bottles themselves but the fact that they are thrown away and not recycled. With our PET recycling systems, we contribute significantly to reducing the global waste problem.

Continuous expansion of the glass and cans product portfolio

KRONES' great advantage is that it is not restricted to a single packaging type. As the megatrend towards packaged beverages continues, weak demand for PET packaging would mean greater demand for other types of packaging such as glass and cans. KRONES has always been well positioned here with a broad product range for both packaging types. The company has added various innovations to the glass and cans portfolio during the reporting year, including the Craftmate G glass bottle filler, and will continue to provide for both of these types of packaging.



KRONES expands enviro sustainability programme

A key objective of all KRONES innovations is to reduce energy and media consumption on our machines and lines. For this purpose, KRONES introduced the enviro sustainability programme, a TÜV-certified management system back in 2008. enviro is an integral part of the product development process at KRONES. As a result, all new KRONES machines and systems are above average in efficiency and environmental performance.

From 2019, in addition to machines and systems, packaging innovations are likewise assessed and certified against objective sustainability criteria in enviro Design. KRONES again teams up with TÜV here as the provider of objective assessment. The aim of enviro Design is to minimise the environmental impact of packaging. Several environment-friendly packaging solutions were in the process of assessment at the end of the reporting period. In 2020, it is planned for the first packaging innovations that meet the strict criteria to be awarded the enviro design seal.

A selection of our innovations

Modulfill NWJ: flexible filling system for high-viscosity products

KRONES has further developed its existing filling technology for safe, clean and hygienic handling of viscous products. Modulfill NWJ covers a wide range, from low-viscosity products such as olive oil and salad dressings to high-viscosity products such as mayonnaise and mustard. It also handles products with particle sizes up to 10 mm, such as barbecue sauces and grainy mustard. Modulfill NWJ can be used both with glass and with PET containers.

A key advantage of the newly developed Modulfill NWJ is its high filling accuracy. Using a novel measuring and valve system, the filler responds to variations in viscosity during the filling process by adjusting flow rates. A newly developed valve geometry ensures a clean fill without smearing or dripping.

Modulfill NWJ can fill up to 48,000 containers per hour and features fully automated cleaning. That saves both time and labour.



New size for can filler series: Modulfill vfs-c

KRONES has the ideal solution for the lower output range (6,000-20,000 containers per hour) with the Craftmate can filler specially designed for craft breweries, while the Modulfill vfs-c unveiled at drinktec 2017 operates at higher speeds (up to 135,000 containers per hour). Now, KRONES has an attractive option for small and medium-sized breweries with a smaller version of Modulfill vfs-c (26,000 containers per hour).

The latest version of Modulfill is similar in appearance to the Craftmate. Technologically speaking it has all the advantages of the more powerful machine series of the same name. An inductive flow meter ensures precise liquid quantity control. Pneumatic valve operation also makes for cleaner production as no lubrication is required.



Argos: real-time service with smart glasses

Digitalisation brings many advantages for KRONES and our customers, especially with regard to service. One digital service product provided by KRONES is Argos. Smart glasses enable quick and easy troubleshooting.

In the event of a fault or error message, the line operator contacts KRONES Support as normal. To troubleshoot the problem, the machine operator puts on the Argos headset, which has a camera and a miniature display. Real-time video and audio enables the KRONES service technician to see exactly what is happening and give precise instructions as if the operator and the technician were in the same room. For the customer, this significantly reduces downtime and increases line productivity.



Digital printing for recycled PET containers

In the view of many experts, direct printing and PET recycling have so far been incompatible. KRONES has proved that wrong. As a result, the benefits of direct printing – such as the ability to do without labels and great versatility – are now also available for recycled PET containers. The interaction between material, ink type and ink adhesion plays a key role here. With the DecoType direct printing machine, KRONES can print bottles made of 100% recycled PET.

An important requirement is for the directly printed PET bottles to be recyclable as well. This means it must be possible to remove the ink from the plastic without any residue. Our solution meets this requirement, as the US Association of Plastic Recyclers (APR) confirmed for KRONES in 2018.



PET-Asept D: dry sterilisation for small batches

KRONES has developed a compact version of the PET-Asept D specifically for the low output range. The newly developed system provides microbiologically safe filling of acidic beverages. It covers the 12,000-16,000 containers per hour output range.

PET-Asept D performs completely dry sterilisation. The sterilisation medium, hydrogen peroxide, is applied to the containers in warm gaseous form. This disinfects them quickly and efficiently without unwanted condensation. Due to its high versatility and small footprint, the system is particularly well suited to small batch production. Following complete cleaning and sterilisation, it is fully ready for use again after just 150 minutes.



Craftmate G: compact glass bottle filler for beers and cSDs

Craftmate G is the latest addition to the KRONES filler family. As the G suggests, it fills glass bottles. Craftmate C, the can filler, has been on the market since 2015. The company first presented the compact glass bottle filler for beers and carbonated soft drinks (cSDs) at BrauBeviale in 2019.

In technological terms, Craftmate G is similarly equipped to its big brothers in the ModulFill range. It has the added advantages of requiring little space and being able to combine with up to two cappers. This gives brewers the versatility to fill cSDs as well as beers. Its output of up to 24,000 bottles per hour and compact form factor mean it is particularly well suited to small and medium-sized breweries.

**VarioFlash B: flash pasteurisation for beer**

The VarioFlash B flash pasteuriser ensures microbiologically safe beer filling. Spanning an output range of 18 to 600 hectolitres per hour, the system can be combined with bottle or can fillers. VarioFlash B is technologically optimised to minimise water and energy consumption without compromise on microbiological safety.

The small version of the VarioFlash B was primarily developed for craft brewers and small batch breweries. It is ideally suited to the 18 to 45 hectolitres per hour output range. Customers benefit from rapid installation and commissioning, low product losses and media consumption and also low maintenance costs.



Economic environment

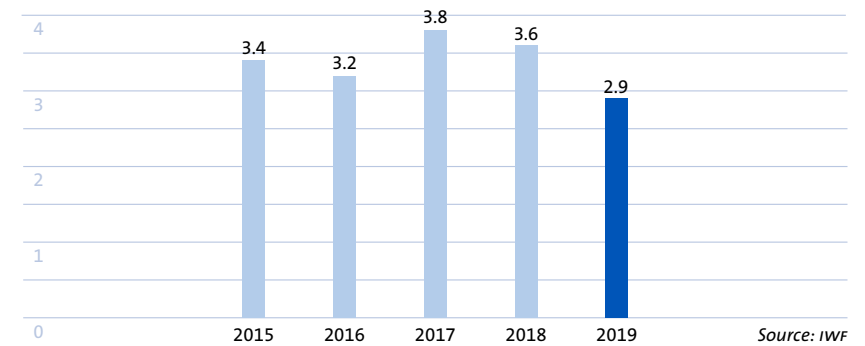
- Global economic growth slowed in 2019
- Difficult conditions for German mechanical engineering
- Rising global demand for packaged beverages

Global economy affected by trade conflicts

The global economy was weaker than expected in 2019. This is due to various sources of uncertainty, including the US trade disputes with China and Europe. The long-unresolved Brexit also weighed down on the economy. International Monetary Fund (IMF) experts had to revise their growth forecast downwards several times in 2019. According to the January 2020 data, global gross domestic product (GDP) grew by 2.9% in 2019 (2018: plus 3.6%). The IMF growth forecast at the beginning of 2019 had been 3.5%.

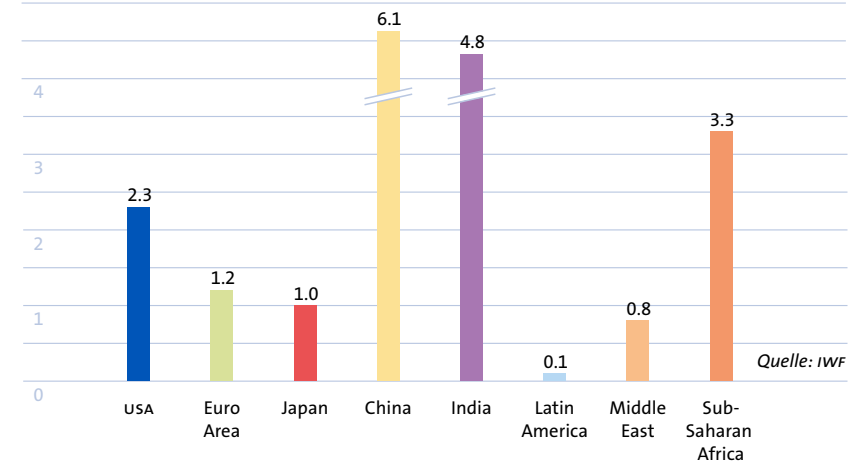
Growth in emerging and developing economies slowed down unexpectedly sharply during the reporting period. GDP there increased by only 3.7% in 2019 (2018: plus 4.5%). According to the IMF experts, that was partly due to developments in India, where political unrest severely curtailed economic growth. After GDP growth of 6.8% in the previous year, India's economy grew by just 4.8% in 2019. Growth likewise slowed in China. Chinese GDP climbed by 6.1% in 2019 (previous year: plus 6.6%). The Latin America region recorded minimal GDP growth of 0.1% in 2019 (previous year: plus 1.1%). This was mainly due to Mexico's stagnating economy. Growth in the Middle East/Central Asia region was 0.8% in the reporting year (previous year: plus 1.9%). There was a slight improvement in economic growth in the Sub-Saharan Africa region. GDP growth there was 3.3% in the reporting period (previous year: plus 3.2%).

GDP growth worldwide (%)



Economic growth in mature industrialised economies slowed significantly overall to 1.7% in 2019 (previous year: plus 2.2%). Growth in the euro area declined even more sharply. GDP there went up by 1.2% in 2019, compared to a 1.9% increase in the previous year. The world's biggest economy, the USA, grew by 2.3% in the reporting period (previous year: plus 2.9%). GDP growth in Japan accelerated to 1.0% in 2019 (previous year: plus 0.3%).

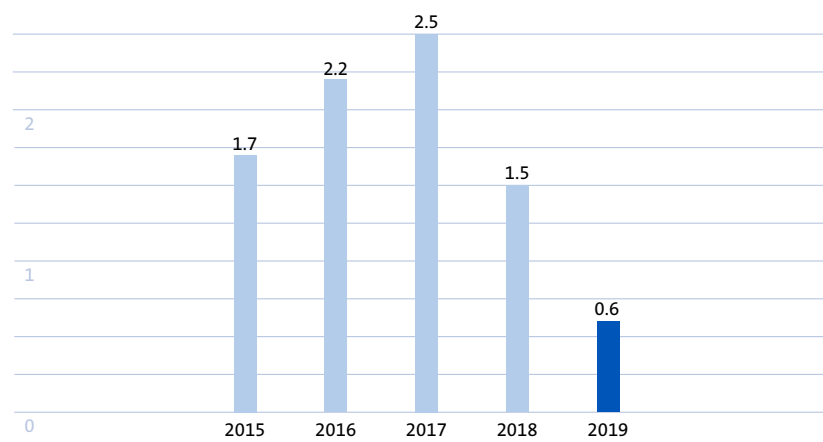
GDP growth rate by region (%)



German GDP growth of 0.6% in 2019

As a strongly export-oriented economy, Germany was hit particularly hard by the trade disputes. According to preliminary figures from Germany's Federal Statistical Office, German GDP grew by 0.6% in 2019 relative to the previous year. Growth was supported by private and public consumption. The German economy grew much less dynamically overall in 2019 than in 2018. GDP growth in the previous year was 1.5%.

GDP growth Germany (%)



Source: Germany's Federal Statistical Office

Slowdown for German mechanical engineering in 2019

The German mechanical engineering industry faced difficult business conditions in 2019. According to the Mechanical Engineering Industry Association (VDMA), the industry was held back by the gloomy macroeconomic environment, threats and sanctions in the global trade disputes and radical structural

change in the automotive industry. Output in the reporting period consequently developed worse than expected. On preliminary figures, the VDMA expects machinery and industrial equipment output to have decreased in value by 2% in 2019 relative to the previous year. The VDMA's original forecast for 2019 had been plus 2%.

Megatrends ensure stable market growth

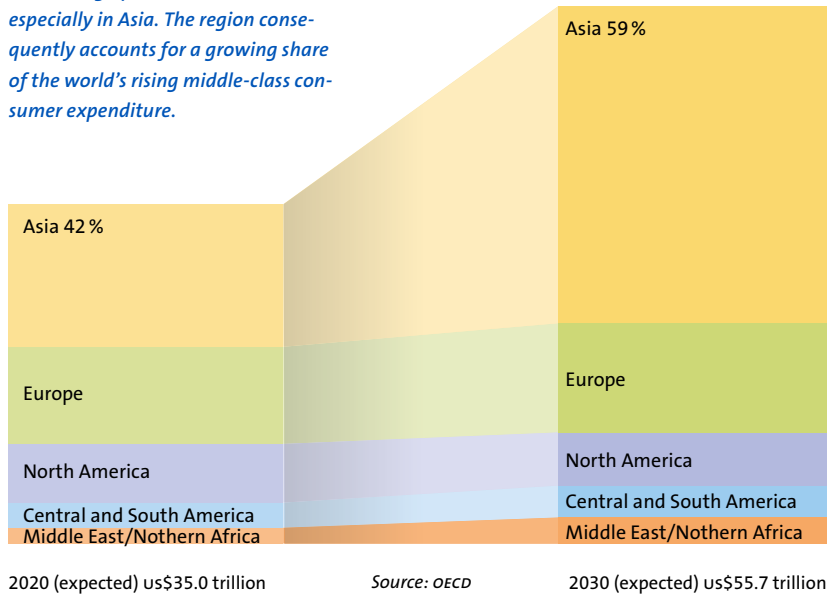
KRONES operates in a market exhibiting stable long-term growth. The average annual growth rate is higher than that of the world economy as a whole. Several megatrends are driving this stronger demand for food and beverage packaging machinery.

The rising global population, growth of the middle class and urbanisation are megatrends that support the growth of KRONES' markets.

The overarching megatrend is global population growth. At the end of 2019, some 7.75 billion people inhabited the earth. According to United Nations forecasts, that number is growing at a rate of more than 70 million each year. Population growth is especially strong in Africa and Asia. The world's population is expected to reach about 8.5 billion by 2030. All those people will need to eat and drink. And, increasingly, they are opting for packaged beverages and foods.

Asia's share of global middle class consumption is growing rapidly

Rapidly increasing numbers of people are moving up into the middle classes, especially in Asia. The region consequently accounts for a growing share of the world's rising middle-class consumer expenditure.

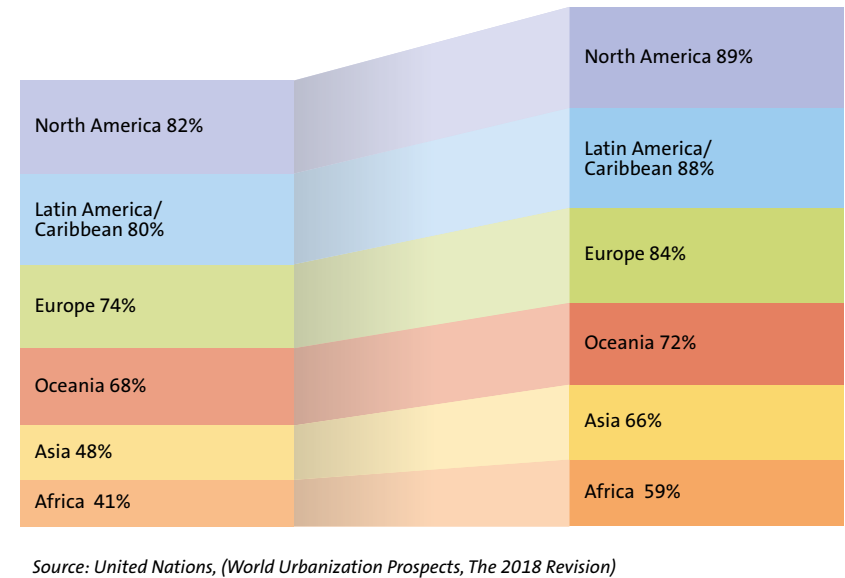


Growing middle class increases consumer spending

More and more people in emerging and developing economies are escaping poverty and rising into the middle class. According to forecasts by the OECD, the middle class worldwide will grow from 3.2 billion people to 4.9 billion in the period from 2020 to 2030. As incomes rise, so too does consumer spending – and that includes spending for packaged beverages and foods. Asia accounts for a large share of the growth of the middle class and the corresponding increase in buying power worldwide. The OECD predicts that Asia's share of total middle class consumer spending worldwide will be 42% by 2020. By 2030, that figure is expected to rise to 59%. The total of consumer spending by the global middle class is likely to increase from US\$35 trillion to US\$55.7 trillion in that time.

Urban population in 2015 and 2050 (% of total)

The trend towards urbanisation is strongest in Africa and Asia.



Urbanisation is driving growth

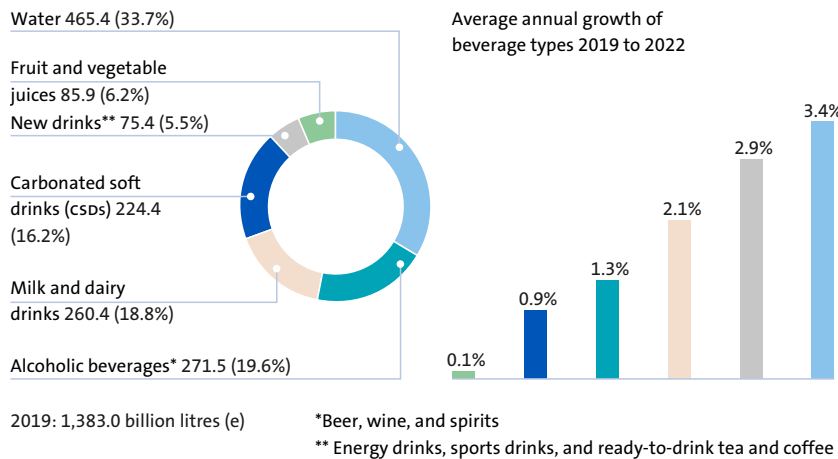
Increasing urbanisation, the migration of people from rural areas to cities, also promotes demand for packaged food and beverages. That is because city-dwellers generally consume more packaged products than people who live in the countryside.

The United Nations forecasts that two out of three of the earth's inhabitants will live in cities by 2050. At present, only about half of the world's population lives in cities. The strongest influx of people into cities is in the developing and emerging market countries of Africa and Asia.

Global consumption of packaged beverages growing continuously

Driven by megatrends, global consumption of packaged beverages is steadily increasing. According to preliminary figures from market research institute Global Data, the world population consumed 1,380 billion litres of packaged beverages in 2019. That was 2.2% more than in the previous year. Global Data projects stable growth in global packaged beverage consumption for the years ahead. For the period 2019 to 2022, the experts expect average annual growth of 2.1%. The growth rates vary between the different types of beverage.

Global consumption of packaged beverages in 2019 (billion litres)



From 2019, KRONES obtains data on the global beverage and packaging market from Global Data. This data came in previous years from Euro-monitor. The two providers differ in matters such as the countries covered and methodological approach. There is therefore only limited comparability between the Euro-monitor and Global Data figures.

Consumption of bottled water is expected to increase significantly more rapidly than the overall market. With global consumption of some 465 billion litres in 2019, bottled water is by far the largest segment of the global beverage market. It accounts for about one third of all packaged beverage consumption. The Global Data experts expect consumption of bottled water to grow by an average of 3.4% a year from 2019 to 2022. Key growth drivers are rising demand for clean bottled drinking water in emerging and developing countries and the trend to healthy nutrition in industrialised countries.

Demand for **alcoholic beverages**, the second largest segment accounting for 19.6% of the market, is expected to grow less rapidly than the overall market. This is because beer consumption is rising only slowly overall. While beer consumption is growing strongly in some emerging markets, in many industrialised countries demand is saturated. Demand for wine and spirits is growing more strongly. However, these have only minor significance in the alcoholic beverages segment. Overall, Global Data expects that the consumption of packaged alcoholic beverages will grow at an average annual rate of 1.3% between 2019 and 2022.

Within the **milk and dairy drinks** segment (share of global beverage consumption in 2019: 18.8%), rapid increases are expected in the consumption of niche products such as yoghurt smoothies (average growth rate 2019–2022: 9.5%) and flavoured milk (+3.1%). Demand for plain milk, which accounts for around three-quarters of the market segment, is expected to grow on average by just 1.2%. Overall, the milk and dairy drinks segment is expected to grow in step with the overall market from 2018 to 2021 (average annual growth rate: 2.1%).

Another large market is **carbonated soft drinks (CSDs)**. People around the world consumed some 224 billion litres of packaged CSDs in 2019 (share of total beverage consumption: 16.2%). CSDs such as cola and lemonades often contain sugar. Due to increasing consumer health awareness, demand for CSDs is growing at a lesser rate than the overall market. Global Data projects average annual growth rates of 0.9% for the period 2019 to 2022.

Fruit and vegetable juices (share of total beverage consumption in 2019: 6.2%) and new drinks (5.5%) are the two smaller beverage segments. New drinks include ready-to-drink tea and coffee together with sports and energy drinks. From 2019 to 2022, new drinks are expected to show significantly higher average growth rates (+2.9%) than fruit and vegetable juices (+0.1%).

Booming demand for packaged beverages in emerging markets

In emerging and developing economies, KRONES is benefiting from population growth and a growing middle class. The growing diversity of beverages and packaging stimulate demand in mature industrial countries.

The megatrends – global population growth, a burgeoning middle class and urbanisation – mainly play out in emerging and developing countries.

These are consequently the strongest source of growth in demand for packaged beverages.

The market researchers expect that the highest growth rate will be in the Africa/Middle East region.

Demand for packaged beverages is anticipated to rise there by an annual average of 4.2% between 2019 and 2022. Consumption in Asia/Pacific is also expected to grow at an above-average rate. For this region, the experts forecast an average annual growth rate of 3.2%. Growth in beverage consumption likewise continues at a rapid pace in China, with an average growth rate of 2.9%.

Demand for packaged beverages is growing at high rates in the Africa/Middle East and Asia/Pacific regions.

Demand in mature markets such as Europe and North and Central America is expected to grow at a lower rate than the overall market. These are regions with low population growth. KRONES' growth opportunities in such markets therefore relate not to rising beverage consumption, but to the increasing diversity of beverages and packaging.

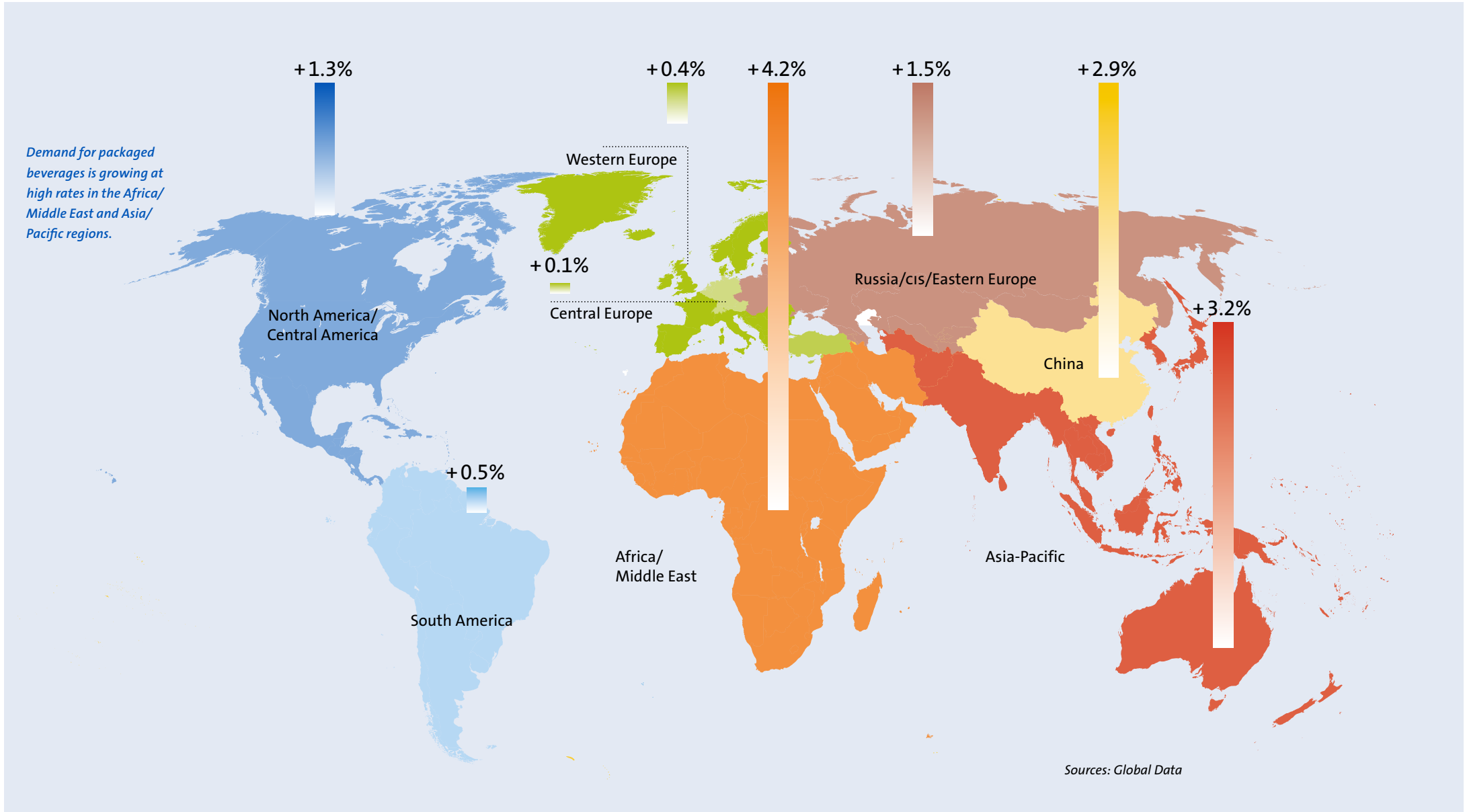
Worldwide consumption of packaged beverages

	2019 (e)		2022 (e)		Average annual growth (%) 2019–2022
	Billion litres	%*	Billion litres	%*	
Asia-Pacific	321.8	23.5	354.2	24.3	3.2
China	249.2	18.2	271.7	18.6	2.9
North America/Central America	203.6	14.9	211.6	14.5	1.3
South America	184.1	13.4	186.7	12.8	0.5
Western Europe	138.3	10.1	139.9	9.6	0.4
Africa/Middle East	122.5	8.9	138.6	9.5	4.2
Russia/CIS/Eastern Europe	94.7	6.9	99.0	6.8	1.5
Central Europe	56.1	4.1	56.3	3.9	0.1
Worldwide	1,370.3	100.0	1,457.9	100.0	2.1

*Share of global consumption

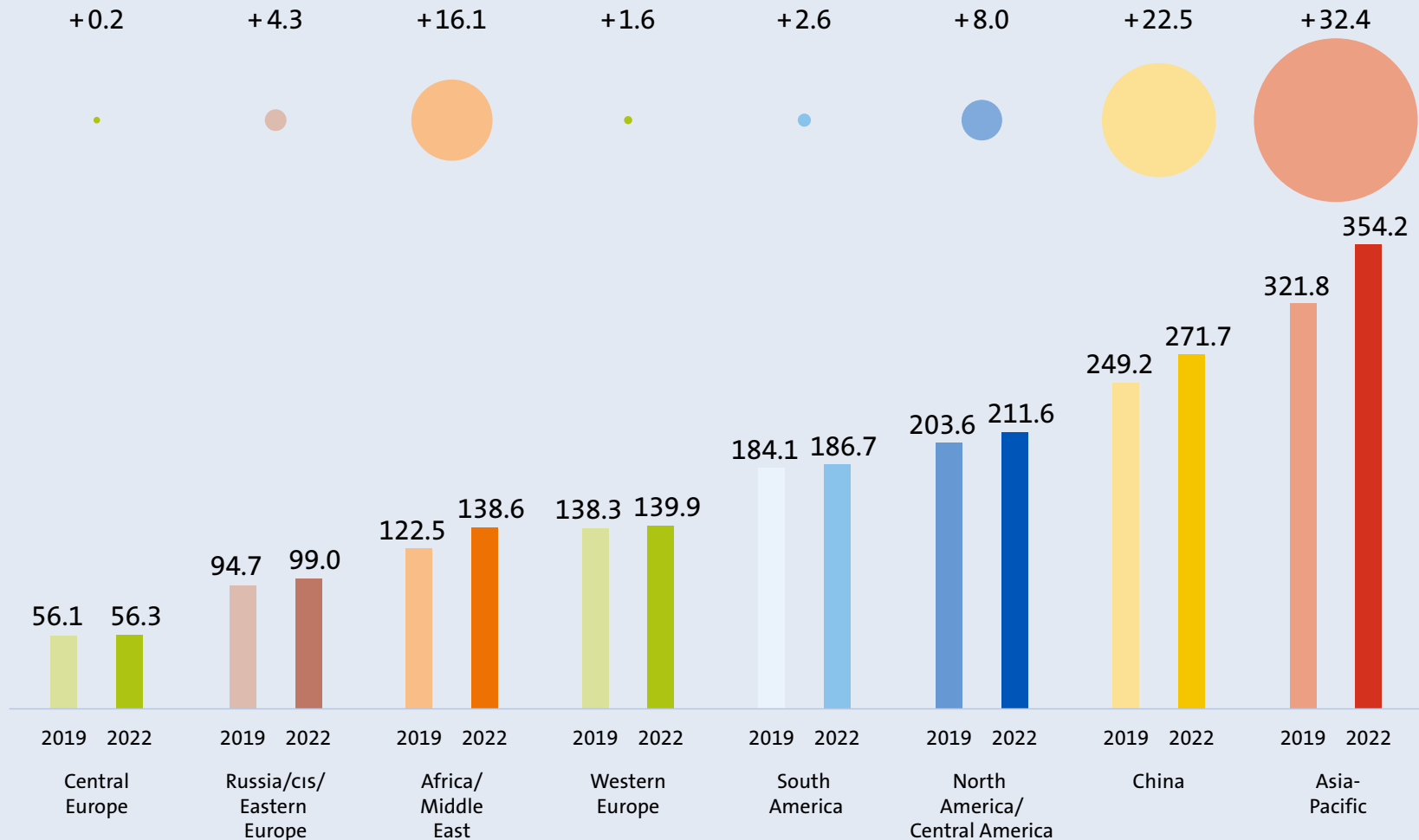
Sources: Global Data

Global consumption of packaged beverages by region: annual growth 2019–2022



Global consumption of packaged beverages by region: billion litres*

In the Asia/Pacific region, it is expected that 354.2 billion litres of packaged beverages will be consumed in 2022. That is 32.4 billion litres more than in 2019. Consumption in China is expected to increase by 22.5 billion litres over the same period. The combined growth in the two regions roughly equals total consumption in Central Europe today.



*Forecast

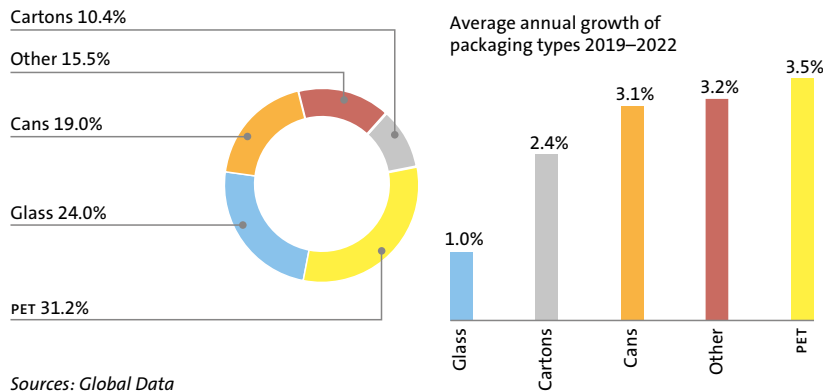
● = Growth between 2019 and 2022 (billion litres)

Sources: Global Data

PET plastic the preferred packaging material for beverages

According to preliminary figures from Global Data, some 1,690 billion containers will have been filled with beverages worldwide in 2019. That quantity is growing steadily with rising beverage consumption and is expected to increase by 2.7% per year on average to 1,827 billion by 2022. Most beverages are sold in plastic bottles, glass bottles, metal cans and paper-based cartons.

Global beverage market by packaging material in 2019 (based on units filled)



Sources: Global Data

The strongest growth is in demand for PET beverage packaging.

By far the most frequent packaging material for beverages is **polyethylene terephthalate (PET)**. This is primarily because water – globally the most widely consumed beverage – is mainly sold in PET bottles. According to figures from Global Data, some 525 billion or over a third of all beverage containers were made of PET in 2019. The quantity of PET beverage containers is expected to increase by an average of 3.5% per year through to 2022, which is faster than the overall beverage packaging market.

The second most frequent packaging material for beverages is **glass**. Glass accounted for 24.0% of all beverage containers in 2019. Glass bottles are primarily used for beer and other alcoholic beverages – that is, beverages for which demand is growing disproportionately slowly relative to the overall market. Accordingly, the number of beverage containers made of glass is expected to see annual average growth of just 1.0% from 2019 to 2022.

Significantly faster growth is expected for metal beverage packaging. 19.0% of beverage containers last year were **metal cans**. These are frequently used for beer and carbonated soft drinks (CSDs). The number of cans used for beverage packaging is likely to gain by an average of 3.1% per year through to 2022.

A further significant packaging material comprises **paper-based cartons**. Cartons are mainly used to package milk, dairy drinks and fruit and vegetable juices. The number of paper-based cartons (share of beverage packaging in 2019: 10.4%) is expected to grow by an average of 2.4% per year through to 2022.

As one of the leading providers of machines and lines for the production, filling, and packaging of PET containers, KRONES benefits from the continued growth in PET packaging. The company also has a strong market position in lines for filling and packaging beverages in glass bottles and cans. KRONES does not provide solutions for carton packaging.

KRONES in figures

- KRONES' consolidated revenue rose 2.7% in 2019 to €3.96 billion.
- Profitability has been hit by excessive labour costs and expenses for restructuring and impairments.
- KRONES plans to pay a dividend based on earnings excluding one-off effects. Shareholders are to receive a dividend of €0.75 per share for 2019.

	Forecast 2019	Actual 2019
Revenue growth	3%	2.7%
EBT margin	about 6%	1.1%*
Working capital/revenue	26%	26.9%

*Including expenses for structural measures

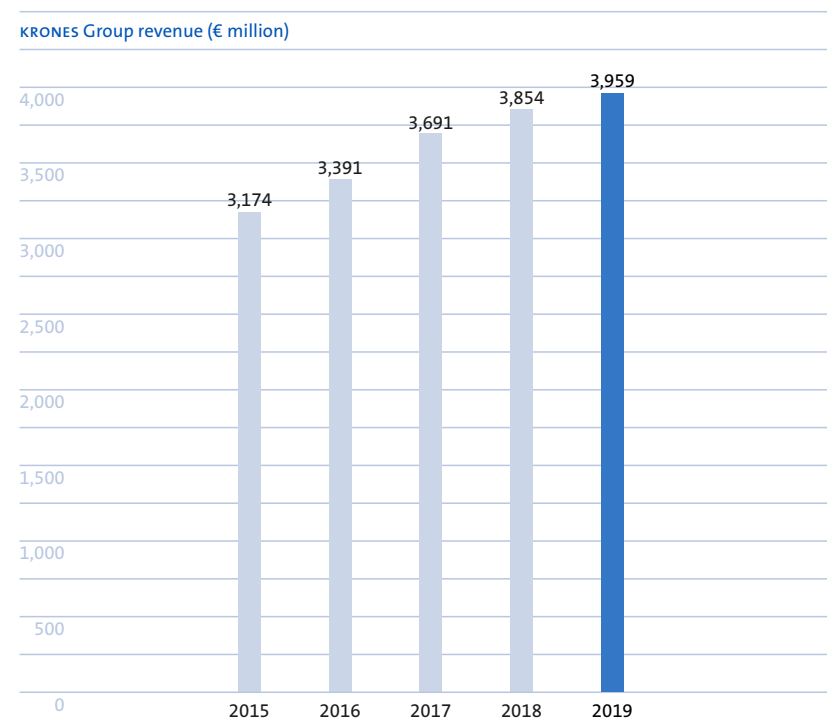
KRONES revenue up 2.7% to €3.96 billion

KRONES' revenue continued to grow and almost hit the €4 billion mark in 2019.

Despite the difficult general economic conditions, KRONES' markets were relatively stable in 2019.

We were able to take advantage of this as a leading provider with a broad global footprint. Our full service range also benefited us. Revenue grew by 2.7% year-on-year in 2019, from €3,854.0 million to €3,958.9 million.

Revenue performance in the financial year was partly affected by the PET debate. In plastics technology, comprising machines and lines for filling and packaging in PET, revenue was down in 2019. KRONES was able to make up for this with growth in other areas. In total, KRONES attained its 3% growth target for consolidated revenue in 2019.

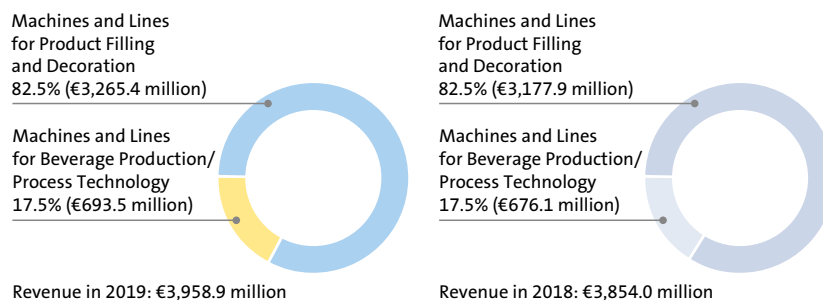


Revenue by Segment

KRONES generated revenue growth in both segments in 2019. The percentage increase was slightly greater in the core segment (+2.8%) than in process technology (+2.6%).

Revenue in the core segment, Machines and Lines for Product Filling and Decoration, rose by 2.8%, from €3,177.9 million in the previous year to €3,265.4 million in 2019. The segment's share of consolidated revenue was 82.5%, as in the previous year.

Share of consolidated revenue



Revenue in the Machines and Lines for Beverage Production/Process Technology segment went up by 2.6%, from €676.1 million in the previous year to €693.5 million in 2019. The segment contributed 17.5% of consolidated revenue (previous year: 17.5%).

Further information can be found under "Report from the segments" beginning on page 85 and under "Segment reporting" in the notes to the consolidated financial statements on page 137.



Revenue by region

KRONES' revenue in Germany increased in 2019 by 29.3% year-on-year, from €362.3 million to €468.4 million. The German share of revenue was 11.8% in the reporting period (previous year: 9.4%). The base effect must also be taken into account here. In 2018, the share of revenue accounted for by Germany decreased from 10.5% to 9.4%.

KRONES is strongly export-oriented. The company generated just under 90% of revenue internationally in 2019.

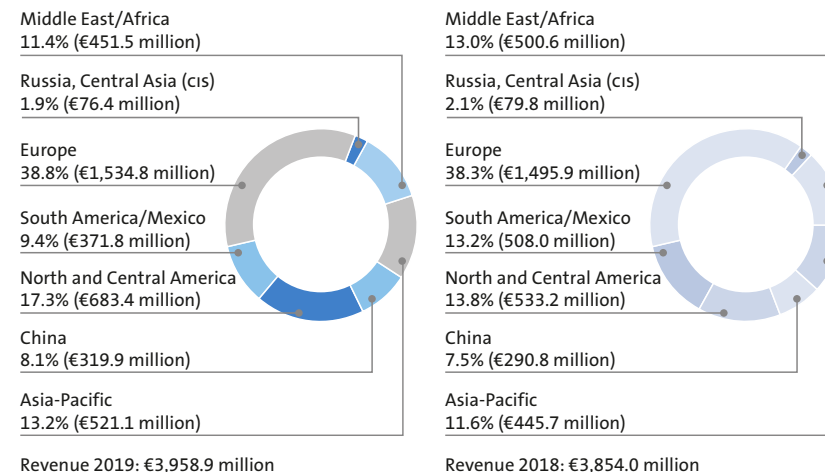
KRONES' revenue in Europe (excluding Germany) was slightly down, decreasing by 5.8% from €1,213.4 million in the previous year to €1,142.8 million in the reporting period. A major reason for this was lower revenue in the large Western Europe sales region, which was affected by the PET debate. Revenue there went down by 14.1% to €620.1 million. It should be noted, however, that business in Western Europe has grown strongly in recent years and the comparative figure is consequently very high. In Central Europe (Austria, Switzerland and the Netherlands), revenue decreased in 2019 by 10.5% to €200.9 million. Revenue in Eastern Europe climbed 31.0% in the reporting period to €245.4 million. Business in 2019 was relatively stable for KRONES in the Russia/CIS region. There, revenue was down by a slight 4.3% to €76.4 million.

Share of consolidated revenue	2019		2018		Change
	€ million	%	€ million	%	%
Germany	468.4	11.8	362.3	9.4	+29.3
Central Europe (excluding Germany)	200.9	5.1	224.6	5.8	-10.5
Western Europe	620.1	15.7	721.6	18.7	-14.1
Eastern Europe	245.4	6.2	187.4	4.9	+31.0
Russia, Central Asia (cis)	76.4	1.9	79.8	2.1	-4.3
Middle East/Africa	451.5	11.4	500.6	13.0	-9.8
Asia-Pacific	521.1	13.2	445.7	11.6	+16.9
China	319.9	8.1	290.8	7.5	+10.0
North and Central America	683.4	17.3	533.2	13.8	+28.2
South America/Mexico	371.8	9.4	508.0	13.2	-26.8
Total	3,958.9	100.0	3,854.0	100.0	+2.7

In total, the share of consolidated revenue in the reporting period accounted for by Europe (excluding Germany) decreased from 31.5% in the previous year to 28.9% in 2019.

In past years, KRONES recorded in part strong growth in the Middle East/Africa region. Business there has most recently consolidated at a high level. In 2019, revenue in the region fell 9.8% year-on-year to €451.5 million. KRONES' business in China, on the other hand, continued its upward trend in 2019. Revenue there improved by 10.0% to €319.9 million. The core bottling and packaging equipment segment recorded growth above this rate. In the remainder of the Asia/Pacific region, revenue grew in 2019 by 16.9% to €521.1 million.

Share of consolidated revenue

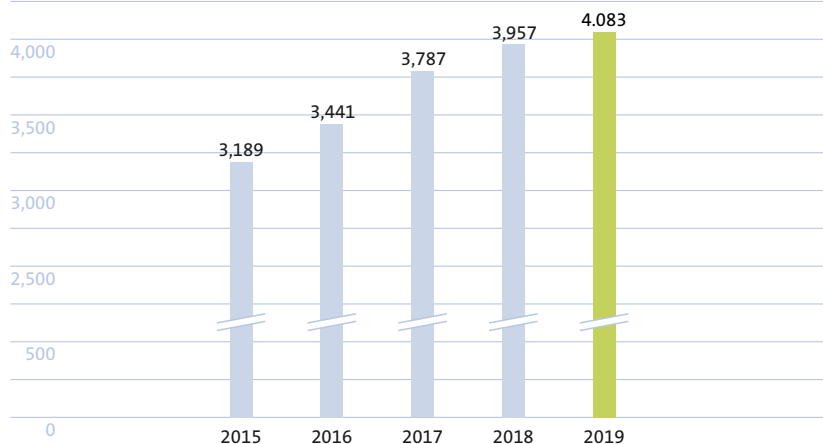


Business in North and Central America showed healthy growth during the reporting period due to the stronger general economic situation. Overall, revenue in the region was up 28.2% year-on-year to €683.4 million. KRONES' revenue was down in the South America/Mexico region. At €371.8 million, revenue there decreased in 2019 by 26.8% year-on-year. One reason for the decline consisted of the general economic situation in parts of South America.

Overall, KRONES' revenue remains well balanced internationally in established and emerging markets. The company generated a total of 50.2% of consolidated revenue in emerging markets in 2019 (previous year: 52.2%). Mature industrialised economies accounted for 49.8% (previous year: 47.8%) of KRONES' revenue.

Order intake and order backlog

KRONES Group order intake (€ million)

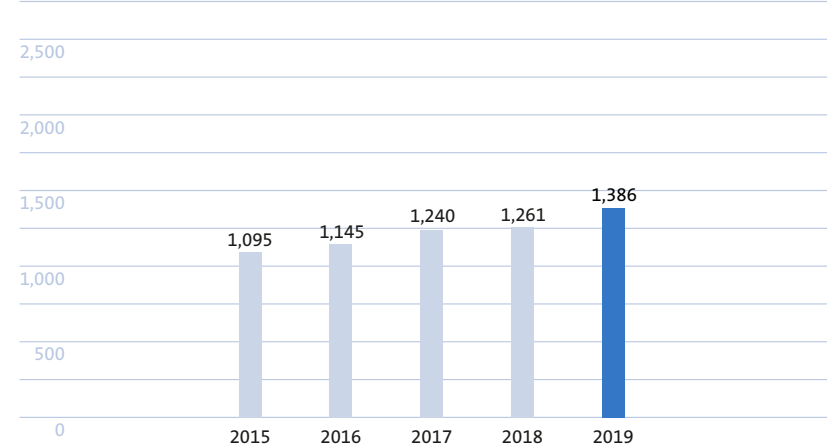


Growth in demand for KRONES products and services in 2019

The contract value of orders increased by 3.2% year-on-year in 2019.

The many economic uncertainties hit investment confidence among our customers in 2019. This mainly affected the second quarter. Overall, we are satisfied with the demand trend in the reporting period. This is partly due to very strong sales at the end of the year. Orders rose sharply from October to December 2019, and the contract value of orders in the fourth quarter exceeded the previous year's figure by 10.6%. In the full year 2019, KRONES' order intake rose by 3.2% year-on-year, from €3,957.3 million to €4,083.5 million. KRONES was able to offset the lower demand in plastics technology thanks to its broad product and service range.

KRONES Group orders on hand at 31 December (€ million)



Contrary to what was planned, order intake went up by more than the average in 2019 in North America and Eastern Europe. In the regions of China, Asia-Pacific and South America, demand remained stable overall as planned. The contract value of orders was down in Europe in 2019.

Further increase in order backlog

KRONES had orders on hand totalling €1,385.7 million at the end of 2019. This represents growth of 9.9% compared with a year earlier (€1,261.1 million). At customers' request, however, some of these orders will not go into production until the end of the 2020 financial year.

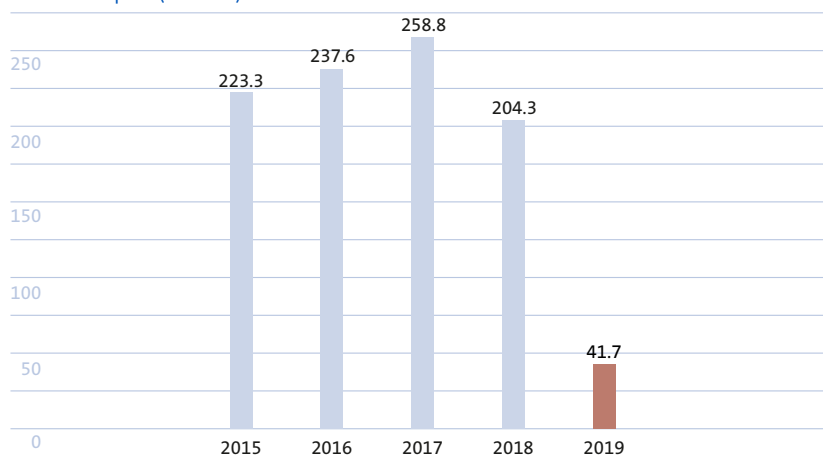
KRONES Group earnings

KRONES' profitability hit by excessively high costs

Partly due to expenditure for structural measures, the EBT margin went down from 5.3% in the previous year to 1.1% in 2019.

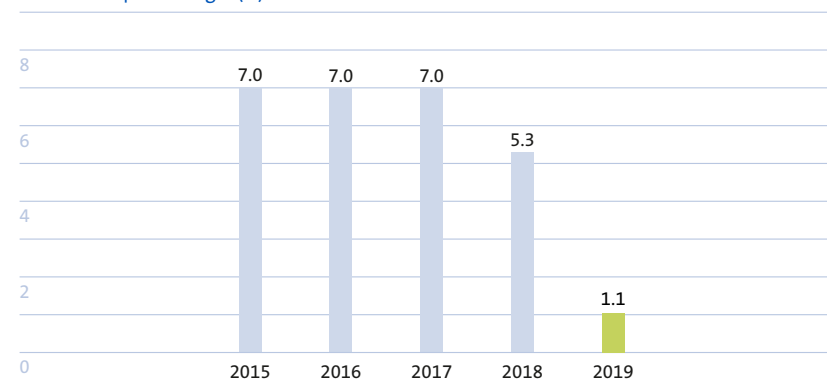
KRONES' earnings were hit in 2019 by high cost increases, especially for labour. The product mix also had a negative impact on profitability. In the first half year, for example, we had poor production capacity utilisation in plastics technology due to temporarily weak demand. The earnings performance also reflects service revenues being slightly below target in parts of the service business. In total, earnings before taxes (EBT) fell from €204.3 million in the previous year to €41.7 million in 2019. The EBT margin decreased from 5.3% to 1.1%. It should be noted

KRONES Group EBT (€ million)

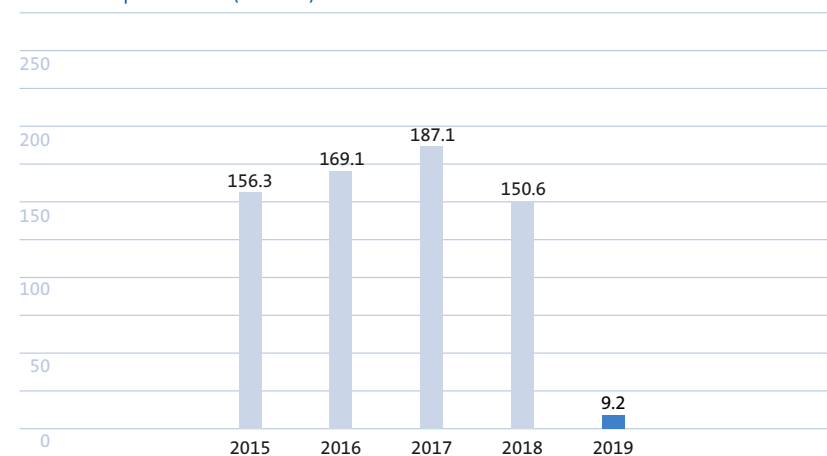


in this connection that KRONES recognised provisions and impairments totalling around €70 million in 2019 for measures to cut personnel expenses and streamline the portfolio. Had there been no expenses for structural measures

KRONES Group EBT margin (%)

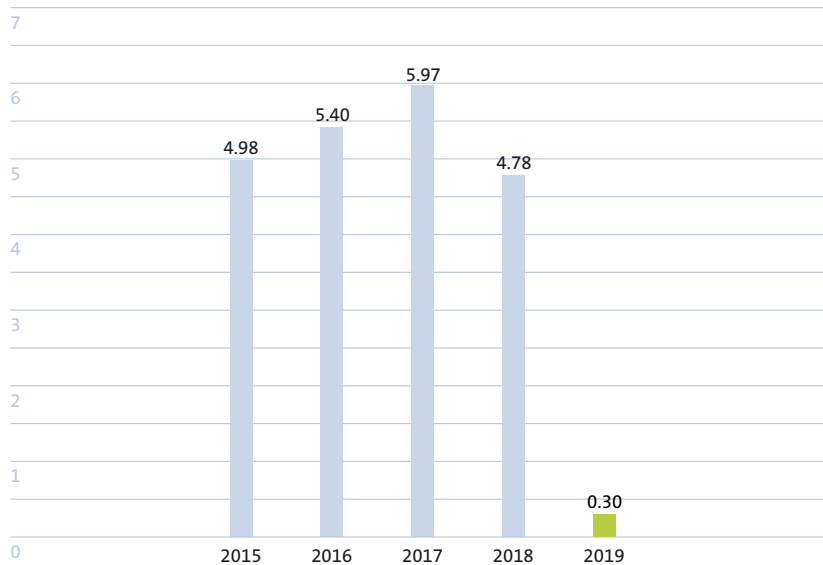


KRONES Group net income (€ million)



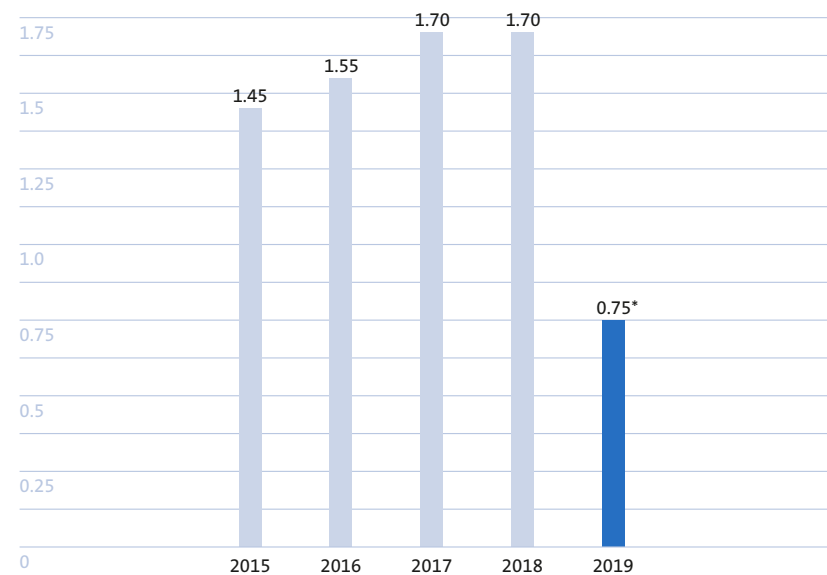
in 2019, the EBT margin would have been 2.8%. This would have been in line with the July 2019 downward revision of our margin target to around 3%. The original guidance for 2019 was for an EBT margin of around 6%.

KRONES Group earnings per share (€)



KRONES' tax rate increased substantially from 26.3% in the previous year to 77.9% in 2019. This is because of higher, non-offsettable income taxes incurred alongside tax-neutral effects as a result of the one-off expenses. Consolidated net income consequently decreased more sharply in the reporting period than EBT, from €150.6 million to €9.2 million. Earnings per share went down from €4.78 to €0.30.

KRONES Group Dividend per share (€)



* As per proposal for the appropriation of retained earnings available for distribution

KRONES plans to pay a dividend of €0.75 per share for 2019

The impairments and provisions recognised by KRONES in connection with the structural measures in the reporting period have no effect on the dividend for the 2019 financial year. The proposed dividend is based on earnings excluding those one-off expenses. KRONES' policy is to pay out 25% to 30% of consolidated net income in the form of dividends. At the Annual General Meeting on 18 May 2020, the Executive Board and Supervisory Board will be proposing a dividend of €0.75 per share for the 2019 financial year (previous year: €1.70 per share).

KRONES Group earnings structure

€ million	2019	2018	Change
Revenue	3,958.9	3,854.0	+2.7%
Changes in inventories of finished goods and work in progress	+8.7	+1.1	–
Total operating performance	3,967.6	3,855.1	+2.9%
Other own work capitalised	+63.0	+49.6	+27.0%
Other operating income	+99.8	+114.5	–12.8%
Goods and services purchased	–2,041.8	–2,032.0	+0.5%
Personnel expenses	–1,275.5	–1,137.3	+12.2%
Other operating expenses	–585.9	–544.0	+7.7%
EBITDA	227.3	305.9	–25.7%
Depreciation and amortisation on fixed assets	–183.3	–102.7	+78.4%
EBIT	43.9	203.2	–78.4%
Financial income/expense	–2.2	+1.1	–
EBT	41.7	204.3	–79.6%
Income tax	–32.5	–53.7	–39.4%
Consolidated net income	9.2	150.6	–93.9%



For further information, please see the full statement of profit and loss on p. 130.

KRONES improved total operating performance in the full year 2019 by 2.9% to €3,967.6 million. This was slightly greater than the growth in revenue (which was up 2.7%) because inventories of finished goods and work in progress increased in the reporting period by €8.7 million, compared with €1.1 million in the previous year.

Personnel expenses increased more strongly than total operating performance in 2019, gaining 12.2% to €1,275.5 million. The substantial increase was due to pay rises under collective agreements, expansion of the workforce at international locations – primarily in Hungary – and acquisitions. Personnel expenses

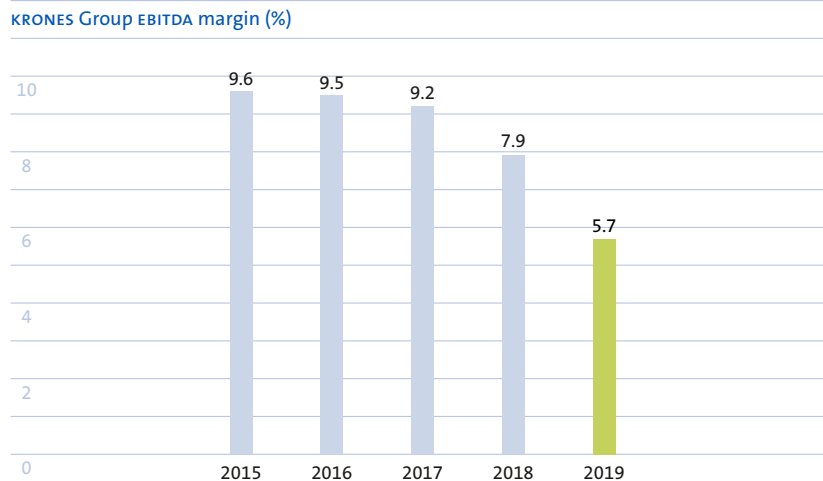
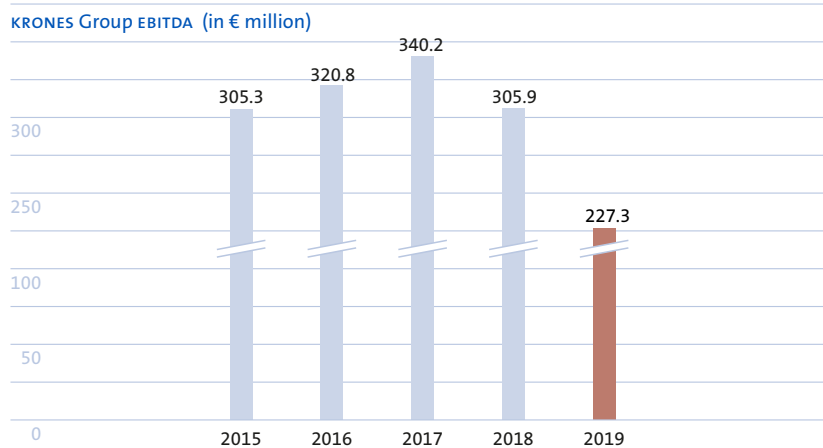
were also affected by around €30 million in provisions for cuts in the workforce. The ratio of personnel expenses to total operating performance went up from 29.5% in the previous year to 32.2% in 2019.

Around €70 million in provisions and impairments for structural measures reduced KRONES' profitability in 2019.

Goods and services purchased were slightly positive relative to the previous year, rising by 0.5% in the reporting period to €2,041.8 million. The ratio of goods and services purchased to total operating performance decreased from 52.7% to 51.5%. The additional measures taken to reduce material costs began to take effect in the second half of the year. Goods and services purchased as a percentage of total operating performance dropped in this period from 55.4% in the previous year to 51.9%. Despite the slight positive signals, the general trend to rising material purchase prices must be countered on a lasting basis with the measures taken.

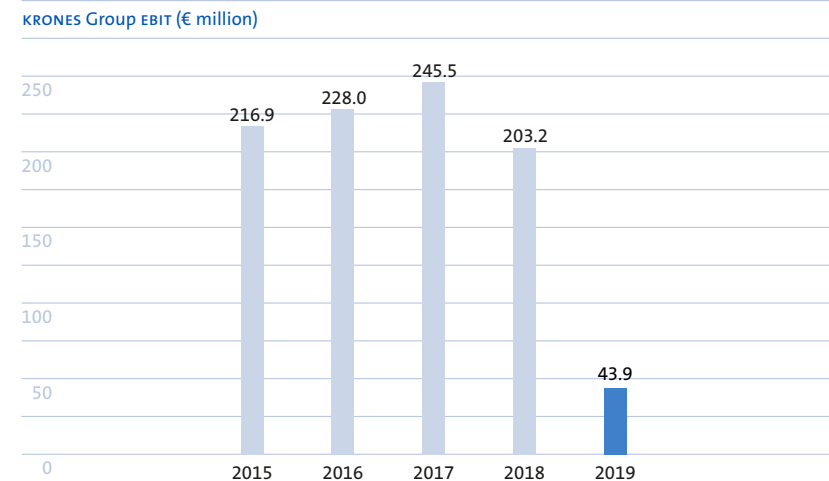
Other operating expenses went up by more than total operating performance in the reporting period, increasing by 7.7% to €585.9 million. While other operating income fell from €114.5 million to €99.8 million, other own work capitalised increased in the financial year from €49.6 million to €63.0 million. The net balance of other operating income and expenses and own work capitalised changed by 11.4% from –€379.9 million to –€423.0 million. As a percentage of total operating performance, this represented an increase from 9.9% to 10.7%.

Overall, EBITDA (earnings before interest, taxes, depreciation and amortisation) went down by 25.7% in the reporting period, from €305.9 million to €227.3 million. The EBITDA margin consequently dropped from 7.9% to 5.7%. Depreciation and amortisation of fixed assets was significantly higher than in the previous year, increasing from €102.7 million in the previous year to €183.3 million. This includes approximately €40 million in impairment losses on intangible assets as a result of the portfolio streamlining in 2019. The increase also reflected the high level of capital expenditure in the preceding years and the application of the new IFRS 16 Leases, which led to €33.6 million higher depreciation in the reporting period.



Due to the higher depreciation and amortisation, earnings before interest and taxes (EBIT) decreased more sharply than EBITDA, falling from €203.2 million to €43.9 million. Net financial income/expense went down from €1.1 million to –€2.2 million. This was mainly due to the reduction in investment income relating to non-consolidated companies from €8.7 million to €5.6 million.

Earnings before taxes (EBT) fell from €204.3 million to €41.7 million. This results in an EBT margin of 1.1% (previous year: 5.3%). Adjusted for the provisions and impairments totalling around €70 million as a result of the structural measures in the reporting period, the EBT margin was 2.8%. KRONES' tax rate was extremely high in 2019, at 77.9% (previous year: 26.2%). Consolidated net income went down in 2019 relative to the previous year by €141.4 million to €9.2 million.



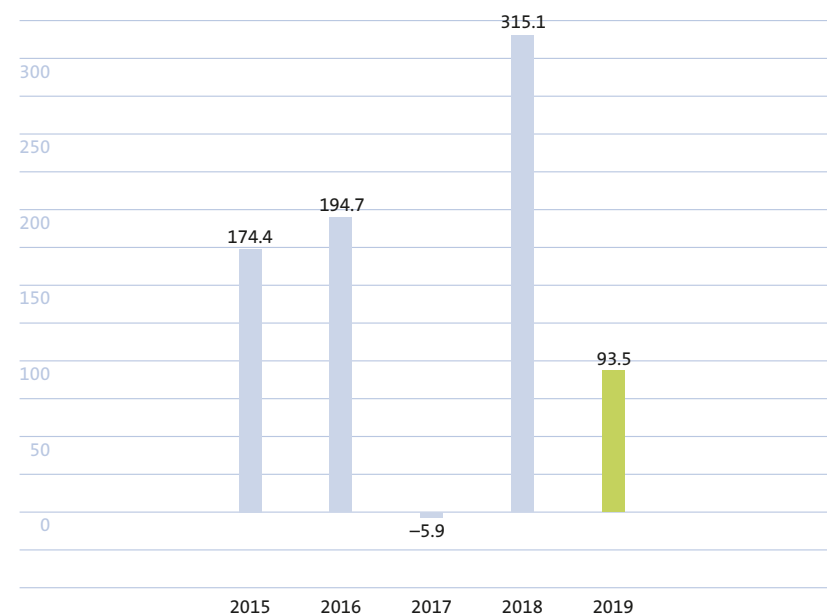
Consolidated cash flow

€ million	2019	2018
Earnings before taxes	41.7	204.3
Other non-cash changes	+309.4	+19.3
Changes in working capital	-202.3	+178.9
Changes in other assets and liabilities	-55.3	-87.4
Cash flow from operating activities	93.5	315.1
Capital expenditure for intangible assets and property, plant and equipment	-168.9	-179.1
M&A activities	-28.0	-28.3
Other	+9.0	+13.0
Free cash flow	-94.4	120.7
Cash flow from financing activities	-19.3	-77.9
Other	+5.3	-6.0
Net change in cash and cash equivalents	-108.4	36.8
Cash and cash equivalents at the end of the period	110.4	218.8

KRONES' cash flow from operating activities decreased to €93.5 million in 2019 (previous year: €315.1 million). This was mainly due to a substantial increase in working capital relative to the low prior-year figure.

After a strong prior year, KRONES' cash flow was significantly lower in 2019. Cash flow from operating activities was thus down €221.6 million to €93.5 million. Alongside the lower earnings before taxes, the decrease was mainly due to a substantial rise in working capital. KRONES increased working capital by €202.3 million in the reporting period after

KRONES Group cash flow from operating activities (€ million)

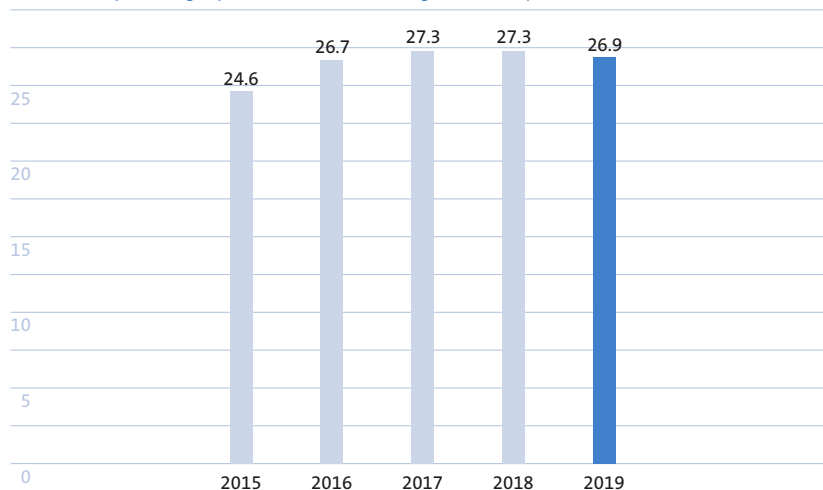


having reduced it by €178.9 million in the previous year to a very low level. The non-cash changes in the amount of €309.4 million (previous year: €19.3 million) include the increase in provisions and primarily depreciation and amortisation in the amount of €183.3 million. Changes in other assets and liabilities amount to -€55.3 million on the cash flow statement (previous year: -€87.4 million)

For further information, please see the statement of cash flows on p. 134.



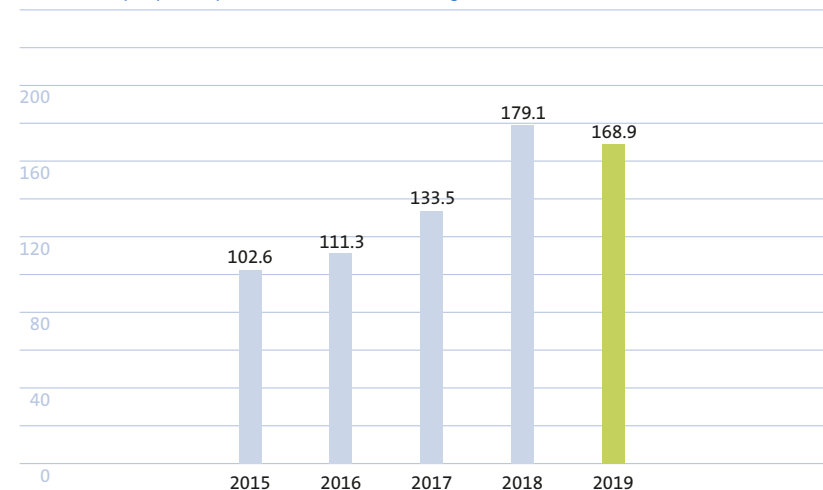
KRONES Group working capital to revenue (% , average over four quarters)



Working capital as a percentage of revenue down to 26.9%

KRONES was able to reduce average working capital over the past four quarters as a percentage of revenue from 27.3% to 26.9% in the reporting period. Despite the slight improvement, we did not meet our full-year target of 26% in 2019. While there was a decrease in trade receivables and contract assets, higher inventories and in particular lower trade payables and contract liabilities negatively impacted working capital as of the reporting date.

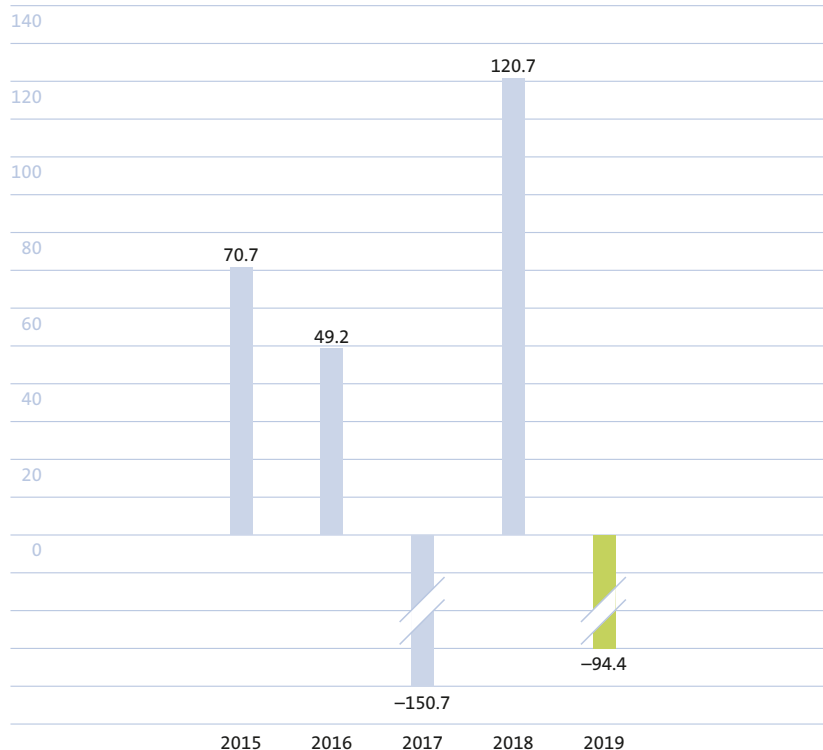
KRONES Group capital expenditure for PP&E and intangible assets (€ million)



KRONES invested a total of €168.9 million in property, plant and equipment and intangible assets in the reporting period. As planned, this was below the very high prior-year figure of €179.1 million. Most of the capital expenditure was incurred at locations in Germany and in Hungary. Due to the exceptionally high depreciation and amortisation in the reporting period, the ratio of capital expenditure to depreciation and amortisation fell from 1.74 in the previous year to 0.92 in 2019.

KRONES reduced capital expenditure on property, plant and equipment and intangible assets by €10.2 million in 2019, from €179.1 million to €168.9 million.

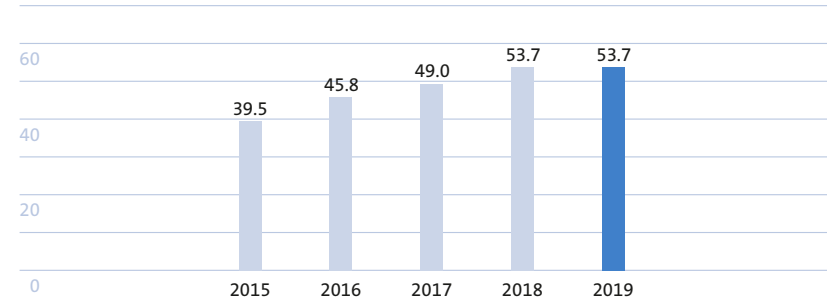
KRONES Group free cash flow (€ million)



KRONES' free cash flow went down in 2019 by €215.1 million to -€94.4 million.

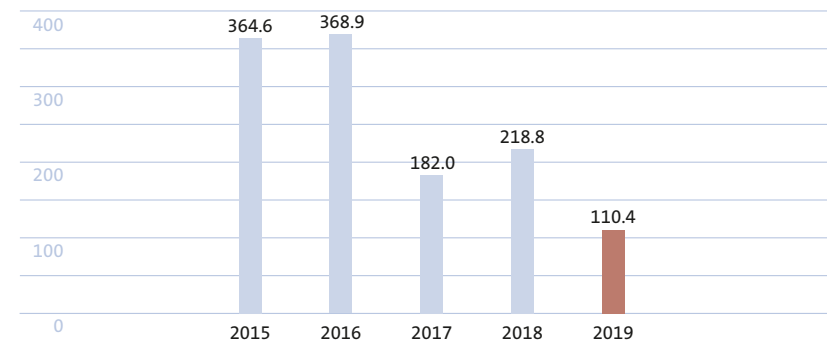
KRONES' free cash flow (net cash generated from operating activities) went down in the reporting period to a -€94.4 million (previous year: positive €120.7 million). Operating free cash flow, which is adjusted for acquisitions, came to a negative €66.4 million, likewise substantially below the previous year's positive €149.0 million.

KRONES Group dividend payout (€ million)



At €19.3 million in 2019, the cash outflow from financing activities was €58.6 million down on the previous year's €77.9 million. This was mainly due to short-term bank borrowings of €72.2 million (previous year: €0.6 million). In the opposite direction, there was a cash outflow from the repayment of lease liabilities in the amount of €32.1 million as a result of IFRS 16. As in the previous year, KRONES distributed €53.7 million to shareholders during the reporting period. Changes in exchange rates and the consolidated group increased liquidity by €5.3 million (previous year: €6.0 million). In total, cash and cash equivalents decreased in 2019 by €108.4 million to €110.4 million.

KRONES Group cash and cash equivalents at 31 December (€ million)



Assets and capital structure

€ million at 31 December	2019	2018	2017
Non-current assets	1,154	1,010	882
of which fixed assets	1,070	936	797
Current assets	2,165	2,312	2,158
of which cash and equivalents	110	219	182
Equity	1,370	1,433	1,330
Total debt	1,949	1,888	1,710
Non-current liabilities	452	359	314
Current liabilities	1,497	1,529	1,396
Total	3,319	3,321	3,040



For further information, please see the full balance sheet on p. 132 to 133.

After a substantial (9.3%) increase in the previous year, KRONES' total assets, at €3,319.4 million as of 31 December 2019, were virtually unchanged relative to the end of 2018.

The company's non-current assets totalled €1,154.0 million at the end of 2019, up 14.3% on the previous year (€1,009.8 million). This was primarily due to a €1,069.8 million increase in fixed assets (previous year: €936.4 million). Much of that increase related to property, plant and equipment and right-of-use assets due to the first-time application of the new IFRS 16 lease accounting standard. The carrying amount as of the reporting date was €87.6 million. Property, plant and equipment went up in total by €122.4 million to €693.2 million. Intangible assets climbed – despite about €38 million in impairments – to €345.2 million (previous year: €328.2 million). Alongside additions to goodwill due to acquisitions in the reporting period, most of the increase related to the capitalization of development costs.

KRONES' current assets decreased. At the end of the 2019 financial year, the company had current assets totalling €2,165.4 million. That is a reduction of 6.3% or €146.2 million relative to the 2018 year-end. A contributing factor was a fall in cash and cash equivalents. Mostly due to the negative free cash flow and dividend payments, these dropped in the reporting period from €218.8 million to €110.4 million. Contract assets also decreased significantly. These went down from €647.1 million to €571.3 million. Trade receivables were also lower, at €932.9 million (previous year: €955.4 million). By contrast, KRONES reported significantly higher inventories, at €382.5 million as of the end of 2019 (31 December 2018: €320.7 million).

KRONES' total assets were virtually constant as of the reporting date. Non-current assets and liabilities increased while current assets and liabilities were down.

On the equity and liabilities side, KRONES' non-current liabilities increased significantly in the reporting period to €452.0 million (31 December 2018: €358.8 million). This was partly due to higher financial and lease liabilities, which climbed from €41.3 million to €104.9 million. Most of the increase in this balance sheet item – an amount of €58.8 million – relates to the application of the new IFRS 16 lease accounting standard. A rise in provisions for pensions to €260.2 million (previous year: €220.6 million) – mostly due to a reduction in the discount factor and mostly not recognized through profit or loss – also contributed to the increase in non-current liabilities. KRONES had non-current bank debt totalling €0.1 million at the end of 2019 (previous year: €3.2 million).

Current liabilities totalled €1,497.4 million at the end of 2019 (previous year: €1,529.4 million). KRONES reduced trade payables in the reporting period to €463.7 million (31 December 2018: €491.6 million). There was also a decrease in contract liabilities, which are mostly trade-related. These went down from €547.2 million to €442.9 million. Conversely, KRONES increased short-term

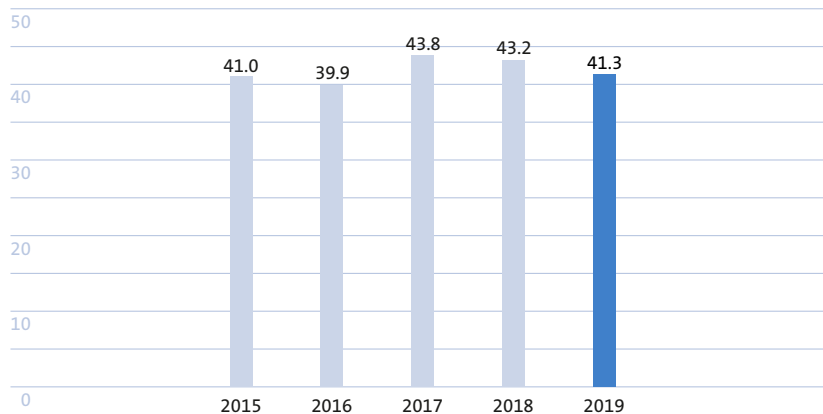
bank debt. This came to €72.2 million as of the reporting date (31 December 2018: €0.6 million). Other liabilities and provisions likewise increased, mainly due to the increase in the provision for outstanding invoices. These amounted to €325.8 million (previous year: €261.7 million).

KRONES continues to have strong finances with an equity ratio of 41.3%, net cash and cash equivalents of €38.1 million and some €719 million in lines of credit.

KRONES had net cash and cash equivalents (cash and cash equivalents less bank debt) of €38.1 million at the 2019 reporting date (previous year: €215.1 million). In addition, the group has approximately €219 million in unused lines of credit. A backup facility of €500 million is also available. KRONES

thus further advanced its primary financial management objective, which is to safeguard the company's strong financial resources and independence.

KRONES Group equity ratio (%)



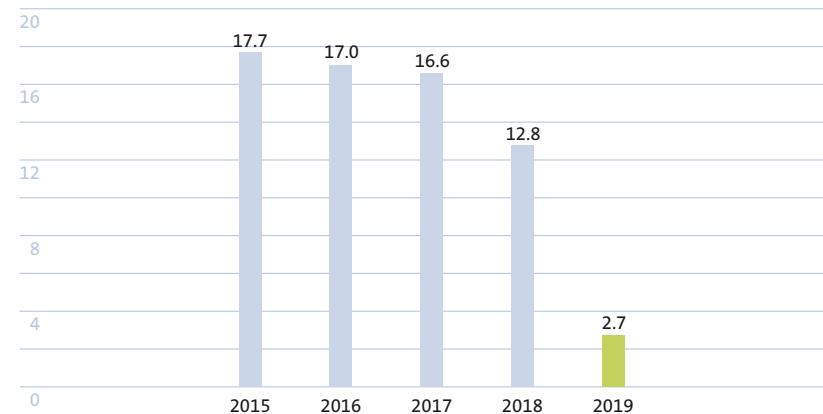
The low consolidated net income of €9.2 million, a €27.2 million decrease in other reserves and the €53.7 million dividend payout meant that equity decreased by 4.4% in 2019, from €1,433.2 million to €1,370.7 million. The equity ratio consequently went down from 43.2% to 41.3%. Overall, however, KRONES continues to possess an exceptionally robust financial and capital structure.

Return on capital employed (ROCE) down from 12.8% to 2.7%

Return on capital employed (ROCE) – the ratio of EBIT to average net capital employed – decreased from 12.8% in the previous year to 2.7% in the reporting period. This was mainly due to the lower EBIT, which was down significantly due to the one-off expenses.

Due to the lower EBIT, KRONES' ROCE went down from 12.8% to 2.7% in 2019.

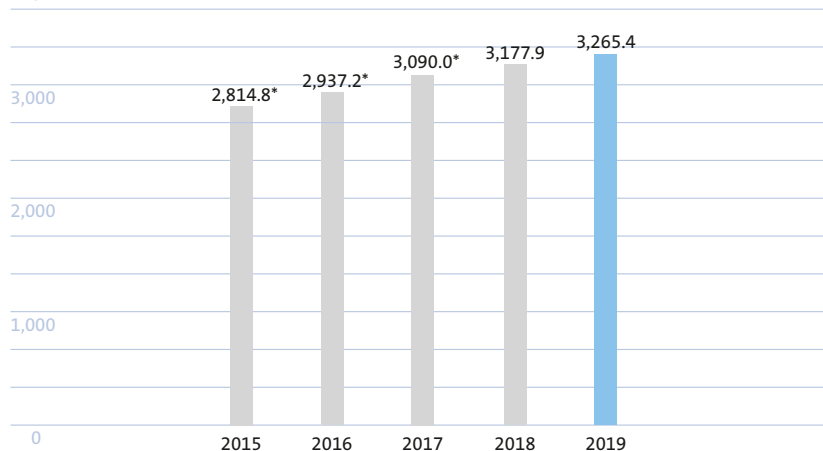
KRONES Group ROCE (%)



Report from the segments

Machines and Lines for Product Filling and Decoration

Segment revenue (€ million)



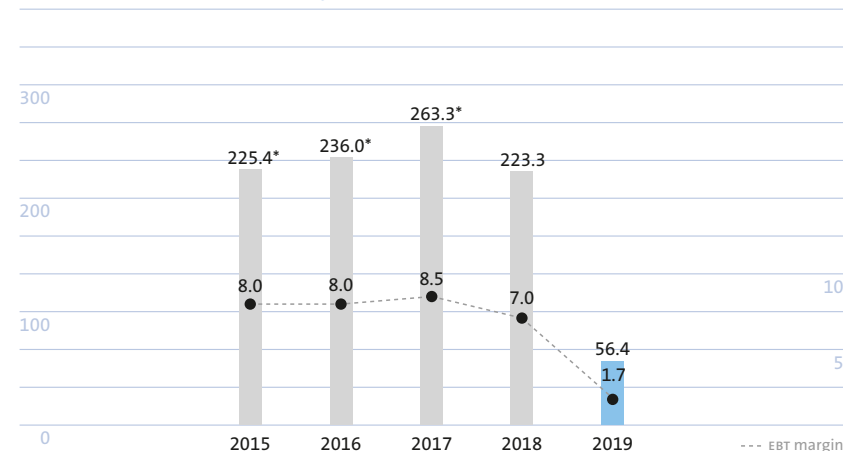
* incl. Machines and lines for the Compact Class segment

Segment revenue

KRONES' core segment met the growth target of around 3% for 2019

Revenue in the core segment, Machines and Lines for Product Filling and Decoration, grew overall in line with expectations in 2019. Despite a temporary weakness in demand in plastics technology, segment revenue increased by 2.8% year-on-year, from €3,177.9 million to €3,265.4 million. The core segment's share of consolidated revenue remained stable year-on-year at 82.5% in 2019.

Segment EBT (€ million) and EBT margin (%)



* incl. Machines and lines for the Compact Class segment

Segment earnings

Core segment profitability was mainly impacted in 2019 by high personnel expenses and temporarily low production capacity utilisation in plastics technology. Personnel expenses went up disproportionately, partly because of KRONES establishing the new plant in Hungary and recognising around €30 million in provisions in the fourth quarter of 2019 for job cuts. Impairments also reduced segment earnings by just under €30 million. In total, earnings before taxes (EBT) fell from €223.3 million in the previous year to €56.4 million. The EBT margin decreased from 7.0% to 1.7%.

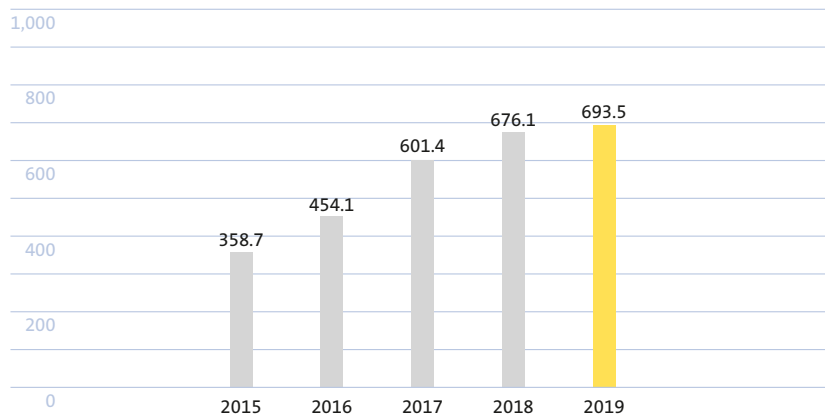
Due to high costs, an unfavourable product mix and additional expenses for structural measures, core segment earnings were significantly down in 2019.

Machines and Lines for Product Filling and Decoration



Machines and Lines for Beverage Production/Process Technology

Segment revenue (€ million)

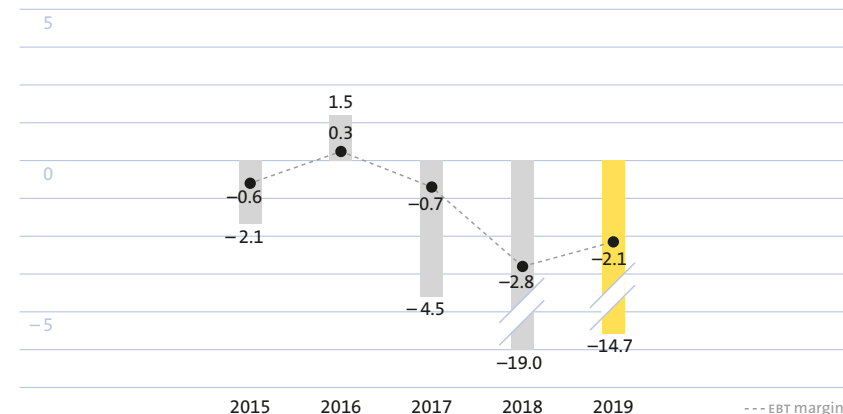


Segment revenue

At €693.5 million, total segment revenue was slightly below expectations in 2019.

Revenue in the Machines and Lines for Beverage Production/Process Technology segment went up 2.6%, from €676.1 million in the previous year to €693.5 million in the period January to December 2019. Due to a weak fourth quarter, segment earnings thus did not grow faster than consolidated revenue as had been forecast. The segment's share of consolidated revenue was 17.5% in 2019, the same as in the previous year.

Segment EBT (€ million) and EBT margin (%)



Segment earnings

Segment earnings before taxes (EBT) improved from –€19.0 million in the previous year to –€14.7 million in the reporting period. It should be noted that impairment losses and expenses for restructuring impacted EBT in 2019 by around €11 million. Even without this effect, however, segment earnings were still below expectations. This was mainly because of structural profitability problems in parts of the process technology business and start-up losses for the digitalisation activities, which are not yet profitable. The segment EBT margin was –2.1% in the reporting period (previous year: –2.8%).

KRONES was able to improve segment earnings in 2019 relative to the previous year but remains unsatisfied with profitability. Structural measures are intended to deliver sustained improvements in segment profitability.

Machines and Lines for Beverage Production/Process Technology



Overall assessment of **economic position**

In the opinion of the Executive Board, KRONES faces a challenging situation overall at the time of publication of this annual report. This is mainly due to the general economic situation, which is marked by numerous uncertainties. For example, it is hard to predict the impact of the coronavirus on the global economy. Overall, the Executive Board expects that due to the uncertainties, the market for packaging technology machinery and systems will not grow in the short term. KRONES has launched extensive structural measures to ensure that its profitability improves despite the flat revenue performance expected for 2020. On the whole, KRONES is in stable financial shape.

The company grew as planned in 2019. KRONES benefited in this from its broad global footprint and its full range of products and services. Revenue at KRONES rose by 2.7% year-on-year to €3,958.9 million in 2019. The company consequently attained its 3% growth target. In percentage terms, revenue in each of the two segments increased by about the same rate.

On the other hand, profitability fell short of the original expectations. This was mainly due to high labour costs and expenses for restructuring and impairments. Earnings before taxes (EBT) were down from €204.3 million in the previous year to €41.7 million in 2019. The EBT margin was 1.1% (previous year: 5.3%). It should be noted in this connection that KRONES recognised provisions and impairments totalling around €70 million in 2019 for measures to cut personnel expenses and streamline the portfolio. Had there been no expenses

for structural measures, the EBT margin would have been 2.8%. With that, KRONES would have been in line with the July 2019 downward revision of the margin target to around 3%. The original guidance for 2019, published in the 2018 management report, was for an EBT margin of around 6%.

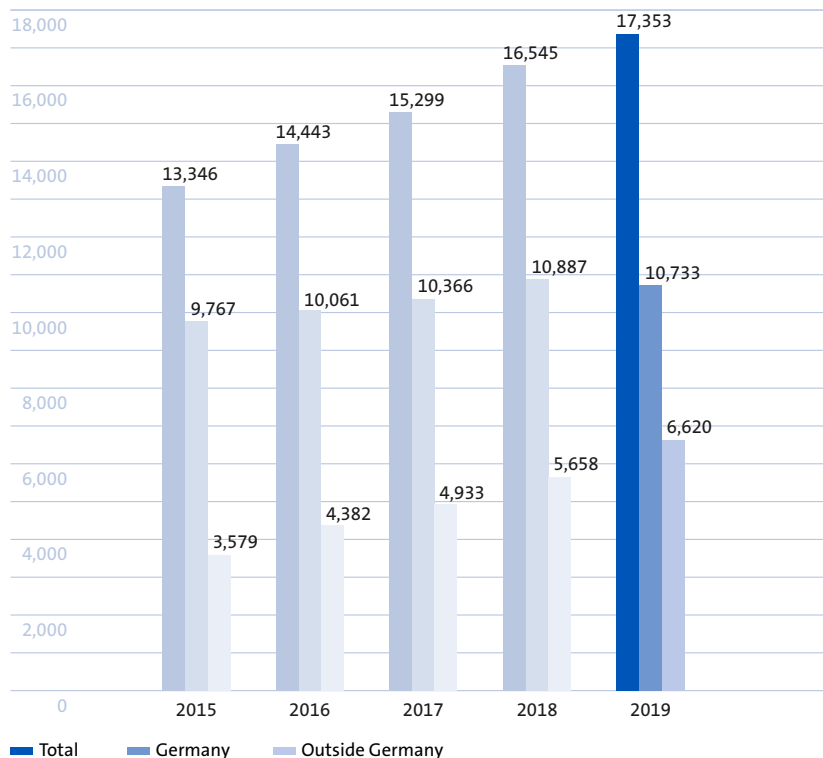
While EBT in the Machines and Lines for Beverage Production/Process Technology segment improved from –€19.0 million in the previous year to –€14.7 million in 2019, profitability deteriorated sharply in the core Machines and Lines for Product Filling and Decoration segment. The bulk of the expenditure for the structural measures – some €60 million – was incurred in the core segment. Partly for this reason, the segmental EBT margin dropped from 7.0% to 1.7%.

Working capital as a percentage of revenue – KRONES' third performance target – improved in 2019 from 27.3% to 26.9%. KRONES did not attain the forecast figure of 26%, however.

The company's financial and capital structure remains solid. At the end of 2019, it had cash and cash equivalents of €110.4 million. Net cash and cash equivalents (cash and cash equivalents less bank debt) came to €38.1 million. The equity ratio is comfortable at 41.3%. At the end of 2019, KRONES had undrawn credit lines totalling around €220 million and a reserve line of €500 million. KRONES thus further advanced its primary financial management objective, which is to safeguard the company's strong financial resources and independence.

Employees

Employees by region



Number of employees up 4.9% to 17,353 worldwide; slight decrease in Germany

While KRONES further added to its international workforce in 2019, the number of employees in Germany decreased. This reflected the strategic expansion of KRONES' global footprint, which is essential for such a strongly export-oriented company. In total, the company employed 17,353 people worldwide at the end of 2019, 4.9% more than in the previous year. The number employed in Germany fell by 154 to 10,733. The workforce outside Germany expanded by 962 to 6,620 people. The share of employees outside Germany rose from 34.2% to 38.1% at the end of 2019.

KRONES significantly increased its international workforce in 2019 while reducing the number of jobs in Germany. The share of employees outside Germany rose from 34.2% to 38.1%.

Strong growth in emerging markets workforce

Significantly more than half of the workforce outside of Germany is now employed in emerging markets. KRONES increased the number of employees in emerging market regions during the reporting period by 33.3% to 4,187. The bulk of the increase is due to acquisitions and to expansion of the Eastern European workforce for the new plant in Hungary.

Employees in the emerging markets 2015 – 2019

Year	South America	Africa	Asia-Pacific	cis/Eastern Europe	China	Total
2015	519	376	502	147	451	1,995
2016	549	386	602	155	508	2,200
2017	581	393	734	398	608	2,714
2018	637	452	830	507	716	3,142
2019	782	671	1,009	933	792	4,187

KRONES increased its workforce in the emerging markets by 33.3% in 2019 to 4,187.

The company plans to continue its rapid growth in emerging markets, where KRONES has for years generated more than 50% of consolidated revenue.

With our training centres in Africa, China and South America, we already have a good basis in this regard. The more people we recruit for our international locations from local regions, the closer we are to our customers and markets. In the medium term, given corresponding market growth, we will further increase the proportion of the workforce in emerging markets.

In order to exploit the opportunities offered by our attractive market, KRONES needs a qualified and motivate workforce. The company consequently continues to invest heavily in training and employee development in Germany and internationally.



More information on our labour practices can be found in our Non-financial Report. This is available online at <https://www.krones.com/en/company/responsibility/downloads.php>.

Sustainability at KRONES

In the context of its sustainability management activities, the KRONES Group contributes to sustainable development. In order to identify potential risks at an early stage, reduce our environmental footprint and continuously enhance our positive impact on the community, sustainability is incorporated in all major decisions. We are aware of our responsibility in the KRONES Group, not only for our business performance, but also for the effects of our business activities on the environment, employees, society and future generations.

Non-financial report for 2019

Under the CSR Directive Implementation Act, which entered into force in Germany in 2017, we disclose the policies we followed in the last financial year with respect to the non-financial aspects that are material to KRONES. The non-financial report for 2019, which is not part of the group management report, is simultaneously the combined separate consolidated non-financial report for the KRONES Group and KRONES AG for the 2019 financial year, within the meaning of Sections 315b and 315c read in conjunction with Sections 289c to 289e of the German Commercial Code (HGB).

The Non-financial Report is published online at <https://www.krones.com/en/company/responsibility/downloads.php>.



Risk and opportunity report

- Risks identified on an ongoing basis
- Efficient control and management tools limit risks

KRONES' risk management system

KRONES actively addresses potential risks. All key business processes are constantly subject to an internal control and management system.

KRONES is exposed to a variety of risks that are inextricably linked with doing business globally. We continuously monitor all significant business processes to identify risks early and to actively manage and limit them. Within our corporate strategy, we also identify, analyse and unlock op-

portunities. Unlike risks, business opportunities are not documented within our risk management system.

In essence, risks are defined as potential negative deviations from our earnings forecast for the 2020 financial year. Opportunities are potential positive deviations from our earnings forecast for the 2020 financial year. Because they share the same sales and procurement markets, the same risks and opportunities essentially also apply to both of the KRONES Group's operating segments.

KRONES' risk management system consists of an internal control system with which we record, analyse and assess all relevant risks. We monitor all material risks and any countermeasures already taken in a detailed, ongoing process that entails planning, information and control.

We assess risks on the basis of the likelihood of an event and its potential financial impact. Earnings before interest and taxes (EBIT) serve as the measure for potential financial impact. Starting with gross risk, we determine the net risk, which takes into account any mitigating actions taken.

KRONES presents risks using a three-column approach, which covers the maximum loss associated with a risk, the likelihood of an event and the financial impact – the latter being the product of the first two factors. Each factor is categorised as low, medium, or high.

The categories are defined as follows:

Maximum loss* (€ million)		Likelihood of an event (%)		Potential financial impact* (€ million)	
low	1.0 to 10.0	low	0 to 20	low	1.0 to 10.0
medium	10.1 to 50.0	medium	21 to 49	medium	10.1 to 50.0
high	> 50.0	high	50 to 100	high	> 50.0

*Based on EBIT

Multi-stage risk management system

We are continually improving our risk management system on the basis of practical experience. The system consists of the following modules: risk analysis, risk monitoring, and risk planning and control.

Risk analysis

In order to identify risks early, we continuously monitor all business activities. Material project-related risks are reduced or avoided before an order is accepted. We conduct a profitability analysis of all quotes prior to order acceptance. For orders that exceed a specified volume, we also conduct a multidimensional risk analysis. Apart from profitability, we also individually record and evaluate financing risks, technological risks and tax risks as well as scheduling and other contractual risks before accepting an order.

To manage risks that arise from changes in the market and competitive situation, we create detailed market and competition analyses for all segments and business areas on a regular basis.

In addition, we conduct a comprehensive risk inventory annually for KRONES AG and all significant group companies. The results of the risk inventory and mitigating actions are used in our annual planning and forecasting. The basic principles and the process are documented in our risk policy. The risk management system serves not only the purpose mandated by law – early detection of going concern risks – but also covers all risks that may have a significant negative impact on earnings.

Risk monitoring

We use a variety of interlinked controlling processes to monitor risks within the KRONES Group. Regular comprehensive reports from the individual business units keep the Executive Board and other decision-makers apprised in a timely manner of all possible risks and deviations from company planning and of the status of mitigating actions. For projects with a high contract value, potential risks are examined and evaluated in regular meetings. Employees who identify risks pass their information on without delay through the company's internal reporting system.

Risk planning and control

We primarily use the following tools to plan our business activities and control risk within our internal control system:

- Annual planning
- Medium-term planning
- Strategic planning
- Rolling forecasts
- Monthly and quarterly reports
- Capital expenditure planning
- Production planning
- Capacity planning
- Project controlling
- Accounts receivable management
- Exchange rate hedges
- Insurance policies

Risk management organisation

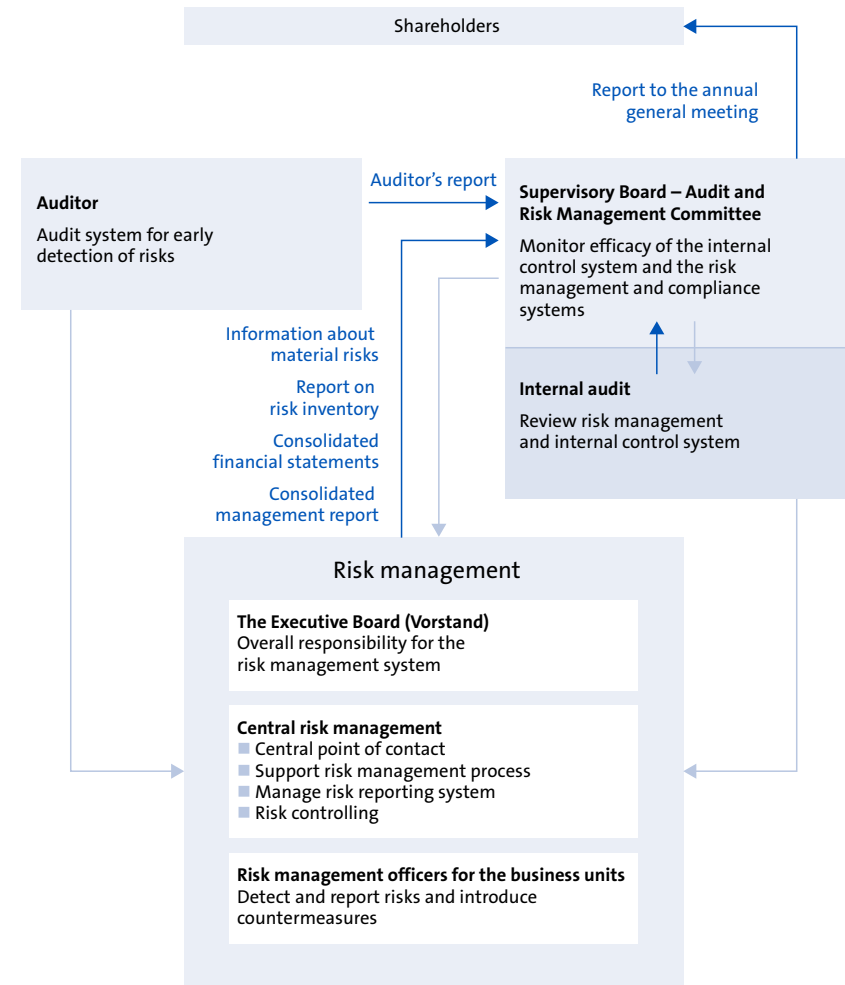
KRONES' risk management system is continuously monitored and reviewed. This is governed by clear areas of responsibility and accountability.

Risk management at KRONES is part of Controlling. The risk management system is reviewed by Internal Audit.

All relevant information is collated in Controlling, where it is processed and made available in a man-

agement tool for the Executive Board. In addition, the various segments and business units also have risk management officers who are responsible for risk management. This includes identifying and reporting risks as well as introducing and implementing measures to actively control them.

Risk management organisation at KRONES



Key features of the internal control system and the risk management system as relates to accounting and financial reporting

KRONES has an internal control and risk management system for accounting and financial reporting processes to ensure that all business transactions are always correctly recorded, processed, recognised and included in financial reporting. KRONES' internal control and risk management system comprises all principles, methods and measures to ensure that the company's accounting and financial reporting are effective, efficient and proper and in compliance with all relevant regulations and standards.

The aim of the internal control and risk management system is to ensure that all business transactions are correctly recorded, processed, recognised and included in financial reporting.

The key features of KRONES' internal control and risk management system relating to (group) accounting and financial reporting can be described as follows:

The KRONES Group has a clear management and corporate structure. Cross-cutting key functions are centrally managed.

- The duties of the units that are materially involved in accounting and financial reporting processes are explicitly segregated and responsibilities clearly assigned.
- Regular reviews and audits are conducted within the various units, primarily by Controlling.
- Commercial off-the-shelf software is used for accounting and financial reporting as far as possible.
- Special security precautions protect the software and IT systems used for accounting and financial reporting against unauthorised access.
- Sufficient binding policies (e.g. for payments and travel expenses) are in place and updated on an ongoing basis.
- All of the departments involved in the accounting and financial reporting process work constantly to assure the quality of their work.
- Regular spot checks are used to continuously verify the completeness and accuracy of our accounting data.
- The software used in accounting performs programmed plausibility checks.
- We use dual verification for all accounting-related processes.

Overview and description of material risks

Risk categories	Maximum loss	Likelihood of event	Potential financial impact
General business environment and industry-specific risks			
■ General economic risks	high	medium	medium
■ Industry-specific risks	high	low	medium
Financial risks			
■ Default risks	high	low	medium
■ Liquidity risk	low	low	low
■ Interest rate risk	low	low	low
■ Currency risk	medium	medium	low
Operational risks			
■ Price risk	high	medium	medium
■ Procurement risks	low	low	low
■ Cost risk	high	low	high
■ Personnel risk	low	low	low
Legal risks	high	medium	medium
Environmental and safety risks	high	low	low
IT risks	medium	low	low



KRONES classifies the maximum loss, the likelihood of an event and the potential financial impact of material risks into the three risk categories low, medium and high. Definitions are provided below on page 92.

General business environment and industry-specific risks

General economic risks

As a provider of products and services for the food and beverage industries, KRONES is less dependent on economic cycles than other machinery manufacturers. However, the company cannot escape the influence of the general economic situation entirely. Our direct impact from international trade conflicts is minor. If, however, global economic growth were to be considerably weaker than expected, for example due to sustained trade conflicts, this would have a negative impact on KRONES' revenue and earnings. The coronavirus outbreak at the beginning of 2020 significantly impacted the Chinese economy. KRONES manufactures a small share of its products in China. We also generate a substantial portion of consolidated revenue there. If economic growth in China were to be severely hit by the effects of the coronavirus, this could have a negative impact on revenue and earnings. However, it is not currently possible to predict the impacts on the global economy.

A global financial crisis could likewise have a negative impact on investment in machines and lines from KRONES because financing options would worsen in general. The company's broad international base puts KRONES in a position to at least attenuate any decline in business in individual regions.

Impact of general economic risks: We rate the maximum loss as high, the likelihood of an event as medium and the financial impact as medium.

Industry-specific risks

KRONES is exposed to industry-specific risks primarily through the development of the global packaging market and the actions of competitors. The competitive environment could intensify if KRONES' competitors resort to price dumping in an effort to win orders and thus more fully utilise their production

capacities. We are addressing the risk of loss of market share by further expanding our technology leadership. KRONES' strong focus on service also sets the company apart from the competition.

A debate on plastic and PET packaging flared up temporarily in 2019, mainly in Europe. This resulted in our customers delaying investment decisions for machines and lines for filling and packaging beverages in PET bottles. KRONES generates a large proportion of revenue with such products. It cannot be ruled out that the PET debate will intensify and spread regionally in the long term. This could have a negative impact on our customers' willingness to invest in plastics technology and hence on consolidated revenue and earnings.

Impact of industry-specific risks: We rate the maximum loss as high, the likelihood of an event as low and the financial impact as medium.

Financial risks

The financial risks to which KRONES is exposed are default risks, liquidity risks, interest rate risks and currency risks. Our description of these risks and suitable actions below is in keeping with the disclosure requirements under IFRS 7 on the reporting of risks relating to financial instruments. Because of regional and customer-related diversification, there is no material concentration of risk.

1. Default risks

Default risk is the maximum potential risk arising from each individual exposure at the reporting date. Any counter-exposures are not taken into account.

1.1 Trade receivables

Credit risk in trade receivables is the risk of economic loss arising from a customer's failure to fulfil contractual payment obligations.

KRONES manages credit risk on trade receivables on the basis of internal policies. Most trade receivables are backed by various, sometimes country-specific, forms of security. These include retentions of title, guarantees and documentary credits. In order to prevent credit risk, we also run external credit checks on customers. In addition, there are processes in place for continually monitoring receivables that may be at risk of default. Write-downs on bad debt (non-recoverable trade receivables) are taken on an individual basis. The very low volume of actual defaults, as measured against the total volume of receivables, attests to the effectiveness of the measures taken.

The theoretical maximum credit risk from trade receivables corresponds to the carrying amount.

€ thousand	Carrying amount	Of which not overdue at the reporting date	Of which overdue by the following number of days at the reporting date			
			up to 90 days	between 90 and 180 days	between 180 and 360 days	more than 360 days
31 Dec 2019						
Trade receivables and contract assets	1,533,050	1,368,344	115,204	21,677	19,501	8,324
31 Dec 2018						
Trade receivables and contract assets	1,635,059	1,460,726	116,017	21,212	24,337	12,767

1.2 Derivative financial instruments

KRONES uses derivative financial instruments on the basis of individual contracts solely for risk management purposes. Not using derivative financial instruments would expose the company to greater financial risks. These instruments essentially cover the risks arising from changes in exchange rates between the euro and the us dollar, the Canadian dollar, the Norwegian krone and the Japanese yen. The material contractual details (amount and term) of the underlying and hedge transactions are largely identical. Default risk relating to derivative financial instruments in the event of counterparty default is limited to the balance of the positive fair values. More on this topic is in the notes to the consolidated financial statements.

1.3 Other financial assets

The maximum credit risk position arising from other financial assets corresponds to the carrying amount of the instruments. KRONES is not exposed to any material default risk arising from its other assets, all of which are current assets.

Impact of default risks: We rate the maximum loss as high, the likelihood of an event as low and the financial impact as medium.

2. Liquidity risk

Liquidity risk is the risk of a company being unable to sufficiently fulfil its financial obligations.

KRONES generates most of its cash and cash equivalents through operating activities. These funds primarily serve to finance working capital and capital expenditures. KRONES manages its liquidity by reserving sufficient cash and cash equivalents and credit lines with banks in addition to the regular inflow of payments from operating activities. The company's liquidity management for operations consists of a cash management system that is based

in part on rolling monthly liquidity planning with a planning horizon of one year. This enables KRONES to be proactive about any possible liquidity bottlenecks. Apart from cash on hand, KRONES' cash and cash equivalents consist primarily of demand deposits. The following overview of maturities shows how the undiscounted cash flows relating to liabilities as of 31 December 2019 influence the company's liquidity situation.

€ thousand	Carrying amount at 31 Dec 2019	Cash flow for 2020		Cash flow for 2021–2024		Cash flow for 2024 or later	
		Interest	Repay- ment	Interest	Repay- ment	Interest	Repay- ment
Derivative financial instruments	3,392	0	2,828	0	564	0	0
Liabilities to banks	72,242	0	72,178	3	64	0	0
Liabilities from trade receivables	463,736	0	463,722	0	14	0	0
Liabilities from leases	89,048	2,082	29,802	5,125	56,034	611	3,212
Other financial liabilities	146,013	0	100,347	0	47,216	0	0
	774,431	2,082	668,877	5,128	103,892	611	3,212

€ thousand	Carrying amount at 31 Dec 2018	Cash flow for 2019		Cash flow for 2020–2023		Cash flow for 2023 or later	
		Interest	Repay- ment	Interest	Repay- ment	Interest	Repay- ment
Derivative financial instruments	1,982	0	1,980	0	2	0	0
Liabilities to banks	3,724	0	555	680	3,169	0	0
Liabilities from trade receivables	491,586	0	491,585	0	1	0	0
Liabilities from leases	295	6	118	15	177	0	0
Discounted trade bills	106,670	0	106,670	0	0	0	0
Other financial liabilities	111,201	0	69,899	44	41,302	0	0
	715,458	6	670,807	739	44,651	0	0

Impact of liquidity risk: We rate the maximum loss as low, the likelihood of an event as low and the financial impact as low.

3. Interest rate risk

KRONES is exposed to risk arising from possible fluctuations in market interest rates. As of the 2019 reporting date, KRONES made comparatively minor use of bank borrowings relative to its business volume.

Impact of interest rate risk: We rate the maximum loss as low, the likelihood of an event as low and the financial impact as low.

4. Currency risk

Because exports to countries outside the eurozone make up a significant portion of total revenue, we are exposed in principle to currency risk. We use exchange rate hedges to counter such risk as far as possible. In addition, we make most purchasing and sales transactions in euros or the relevant functional currency.

Material items denominated in foreign currencies in accordance by IFRS 7 classes:

31 Dec 2019 € thousand	Currency USD	Currency NOK	Currency CAD	Currency CNY	Currency JPY
Cash and cash equivalents	310	0	450	0	0
Trade receivables	0	1,920	0	0	0
Other financial receivables	0	0	0	0	0
Derivatives at positive market values	395	0	0	1	474
Total assets	705	1,920	450	1	474
Liabilities					
Trade payables	2,044	18	8,117	317	-3,129
Due to banks	0	0	0	0	0
Other liabilities	0	0	0	0	0
Derivatives at negative market values	1,611	24	1,198	545	-8
Total liabilities	3,655	42	9,315	862	-3,137
Balance of assets and liabilities	-2,950	1,878	-8,865	-861	-2,663
Net exposure at 31 Dec 2019	-2,950	1,878	-8,865	-861	-2,663

A 10% change in the closing rate at the reporting date would have the following effects on consolidated net income:

€ thousand	Currency USD	Currency NOK	Currency CAD	Currency CNY	Currency JPY
Consolidated statement of profit and loss	-2,958	-12	536	-2,512	206
Consolidated equity	5,590	0	1,654	1,953	1,478

Impact of currency risk: We rate the maximum loss as medium, the likelihood of an event as medium and the financial impact as low.

Operational risks

1. Price risk

KRONES operates in a highly competitive market in which some orders are generated by way of prices that do not cover costs. Fixed-price contracts with customers also entail price risks as KRONES must bear any additional costs that arise. KRONES has introduced a multidimensional order analysis process to minimise this risk. Any enquiry or order equal to or greater than a specific amount is assessed on the basis of financial, technical/technological, tax, legal and regional risks.

Impact of price risk: We rate the maximum loss as high, the likelihood of an event as medium and the financial impact as medium.

2. Procurement risks

KRONES is exposed to market price risk relating to its procurement of parts and raw materials for operations. Geopolitical and macroeconomic developments are the primary factors influencing raw materials prices. Essentially, the risk is that raw material prices will develop to our disadvantage. The company mitigates this risk through targeted procurement management and long-term supply contracts to reduce material commodity price risks. With respect to suppliers, we also face risks relating to products, deadlines and quality. A specially designed process for supplier selection, monitoring and management helps minimise these risks.

Impact of procurement risks: We rate the maximum loss as low, the likelihood of an event as low and the financial impact as low.

3. Cost risk

Our earnings forecast is based on us reducing costs as a result of structural measures. Examples include our new plant in Hungary and increasing material procurement in best-cost countries. We seek to optimise cost structures along the entire value chain. KRONES is exposed to the risk that these cost savings will be less than expected. We mitigate this risk by continually monitoring the projects underway across the company.

Impact of cost risk: We rate the maximum loss as high, the likelihood of an event as low and the financial impact as high.

4. Personnel risk

KRONES intends to step up growth, in particular on the services and digital side. For that purpose we need highly qualified employees in Germany and abroad. There is a risk that the company will not find enough suitable employees. We will ensure early access to qualified employees through ongoing cooperation with colleges and universities. We regularly employ students pursuing their bachelor's and master's degrees. We also use professional HR consultants.

Impact of personnel risk: We rate the maximum loss as low, the likelihood of an event as low and the financial impact as low.

Legal risks

KRONES is exposed to risks arising from operating activities in connection with possible legal disputes. KRONES addresses legal risks with its rules of conduct, codes and an internal compliance structure. In addition, the company has taken out insurance policies that are customary for our sector.

Impact of legal risks: We rate the maximum loss as high, the likelihood of an event as medium and the financial impact as medium.

Environmental and safety risks

As a manufacturing company, KRONES is exposed to risks relating to the environment and safety that could lead to possible harm to individuals, goods or the company's reputation. Any harm caused by technical or human error in production can have a direct impact on our financial position. Such an event and any resulting fines, claims for damages or harm to our reputation can also have an indirect financial impact. KRONES mitigates environmental and safety risks with high technical standards in production, training, rules of conduct and insurance policies customary in our industry.

Impact of environmental and safety risks: We rate the maximum loss as high, the likelihood of an event as low and the financial impact as low.

IT risks

All of KRONES' material business processes are based on functioning IT systems. The risks here are failure or malfunction of or unauthorised access to critical systems. Such events could result in the loss of important confidential data. KRONES uses internationally recognised IT security measures to protect against these risks. We have redundant IT systems in place for critical business processes.

Impact of IT risks: We rate the maximum loss as medium, the likelihood of an event as low and the financial impact as low.

Overview and description of material opportunities

Material opportunities

KRONES does not record business opportunities within the risk management system. For this reason, we do not report in the following on likelihood of event or possible financial impact. We describe opportunities in general below.

General economic opportunities

General economic opportunities arise for KRONES as a result of the company's good international positioning. We stand to benefit if the economy develops better than predicted in individual world regions. In particular, KRONES has considerably strengthened its market position in the emerging markets in the Asia-Pacific region and in Africa and the Middle East in recent years. Additional opportunities would therefore arise for us if the overall economy in emerging markets grows faster than expected. International Monetary Fund experts expect that economic growth in the euro area and the USA will slow down in 2020. If this forecast does not prove accurate and GDP grows more strongly than expected in these regions, this could result in earnings above our guidance.

Industry-specific opportunities

Beverage and food producers are increasingly focused on conserving energy and other resources. There is a chance of this trend intensifying and customers being more willing to accept higher prices. That would open additional selling and revenue opportunities for KRONES due to the company's competitive advantages in this area. With enviro, our certified management system, we have established the basis for ensuring that KRONES machines and lines feature especially low energy and media consumption. The company has also developed a competitive advantage here.

Opportunities arising from acquisitions

KRONES' focus in 2020 is on integrating past acquisitions. No major acquisitions are planned for 2020. However, the company's sound financial position and capital structure enable KRONES to seize any favourable opportunities for external growth that may arise. Acquisitions are not included in our earnings forecasts. External growth could open up opportunities for KRONES.

Operational opportunities

1. Selling prices

KRONES aims to achieve its target for earnings improvement by way of a better cost base. In addition, we are making sustained efforts to uphold the price increases we announced in May 2018 for all bottling and packaging equipment and process technology. If market prices should develop better than expected, this would yield opportunities for the company.

2. Procurement prices

The company increasingly buys standardised parts and complete assemblies from suppliers. In addition, KRONES increasingly procures materials locally at the company's locations worldwide and in best-cost countries. The opportunity exists that, overall, we might save more in this way than forecast. Additional opportunities arise if commodity prices are generally lower than expected.

3. Costs

KRONES has launched a range of short-term and structural measures to optimise the company's cost structure. Opportunities arise for KRONES if specific measures have greater or more rapid effect than planned.

Summary of risks and opportunities

Viewed from today's perspective, KRONES is not exposed to any going concern risks. Compared with the previous year, our assessment of the risks and opportunities has not materially changed. The main risks remain in the general business environment and in industry-specific and financial risks.

Events after the reporting period

The outbreak and rapid spread of the coronavirus (COVID-19) since the beginning of 2020 has affected business and economic activity not only in China, but also worldwide. The financial effect of this event on KRONES could not be estimated at the time of publication of the annual report because it was not possible to estimate the extent of the spread and the consequences for KRONES' business.

Report on **expected developments**

- Global economic outlook stable at a low level but subject to many uncertainties
- KRONES focusing in 2020 on increasing profitability
- From 2020, the EBITDA margin is KRONES' key performance indicator for profitability

Global economy expected to grow 3.3% in 2020

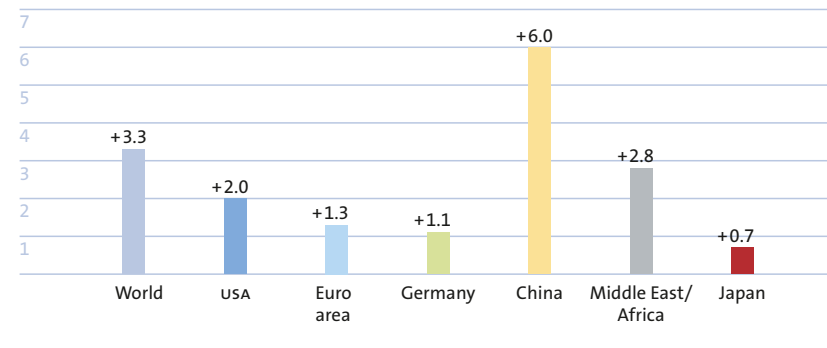
In January 2020, the International Monetary Fund (IMF) slightly lowered its forecast for global economic growth in the full year 2020 from 3.4% to 3.3% (previous year: 2.9%). This was mainly due to a slowdown in some emerging markets – especially India – and to social unrest in a number of regions. According to the IMF, positive effects on the global economy will come in 2020 as the trade dispute eases between China and the USA and the main central banks continue to apply very loose monetary policy. The experts see further downside risks most of all in a worsening of the political conflict between the USA and Iran and in further tariff disputes between the USA and its trading partners.

The IMF's January forecast of 3.3% for global growth in 2020 does not include any potential impact of the coronavirus.

Growth in emerging and developing economies is likely to pick up again compared with the weak prior year, at 4.4% in 2020 (previous year: 3.7%). In October 2019, however, the IMF experts had still expected growth of 4.6%. The slight markdown mainly related to India. India's gross domestic product (GDP) is now expected to increase by only 5.8% in 2020 (previous year: 4.8%), compared with the October 2019 forecast of 7.0%. While the IMF expects the Chinese economy to see a slight

decline in GDP growth to 6.0% in 2020 (previous year: 6.1%), its forecast for the Middle East/Central Asia region is for a significant increase to 2.8% (previous year: 0.8%). The growth rate in Latin America is likewise expected to accelerate, with GDP growth of 1.6% relative to 2019 (previous year: +0.1%).

Percentage GDP growth in 2020 (forecast)



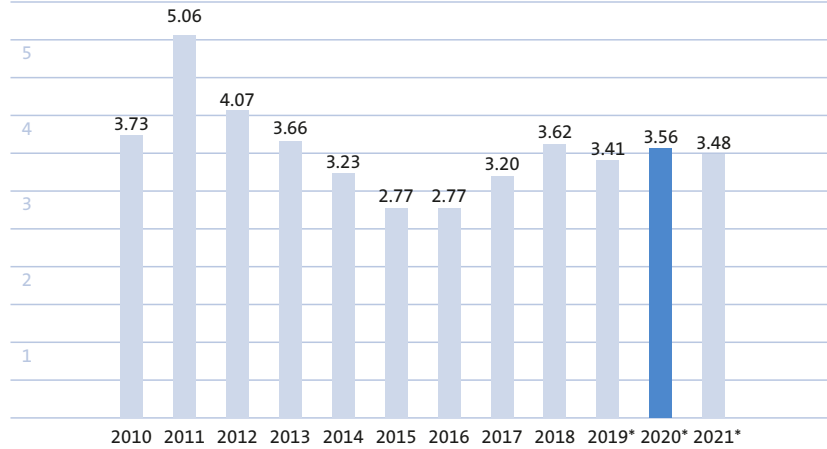
Source: IMF, without Corona

decline in GDP growth to 6.0% in 2020 (previous year: 6.1%), its forecast for the Middle East/Central Asia region is for a significant increase to 2.8% (previous year: 0.8%). The growth rate in Latin America is likewise expected to accelerate, with GDP growth of 1.6% relative to 2019 (previous year: +0.1%).

For industrialised economies, the IMF forecasts 1.6% GDP growth in 2020 (previous year: 1.7%). The experts expect growth to accelerate in Germany especially, where they forecast a 1.1% GDP increase in 2020 after only 0.5% in the previous year. For the euro area, the IMF forecasts 1.3% growth (previous year: 1.2%). As the effects of the fiscal incentives in the USA taper off, the world's largest economy is expected to increase GDP by only 2.0% in 2020 (previous year: 2.3%). For Japan, the IMF is forecasting 0.7% growth (previous year: 1.0%).

Strong employment and moderate inflation rates support consumer spending

Global inflation rate 2010 to 2018 and forecast to 2021, in %



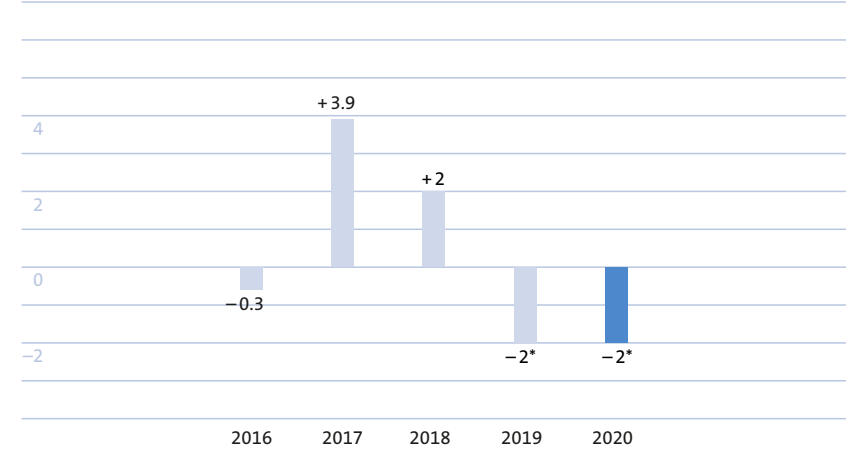
* Forecast

Source: Statista 2020

In the medium and long term, the propensity to consume and therefore demand for packaged beverages depends on purchasing power. Low unemployment and inflation rates have a positive effect on consumer's buying power. This supports demand for packaged food and beverages and indirectly influences demand for KRONES' products and services. If more beverages and liquid foods have to be packaged, beverage and food producers need suitable and efficient technology for the purpose. We do not expect the unemployment rate and inflation to have any negative effect on KRONES' business overall in 2020. However, due to the many overall economic uncertainties, KRONES' customers are postponing investment decisions despite rising end consumer demand.

Further downturn expected in German machinery and industrial equipment output

Year-on-year change in German mechanical engineering output, in %



* Forecast

Source: Germany's Federal Statistical Office, VDMA

The German Mechanical Engineering Industry Association (VDMA) once again does not expect a significant improvement in the situation in 2020, with machinery and equipment output decreasing 2% in value as in the previous year. Factors affecting the industry this year continue to be the relatively weak global economy, simmering trade conflicts and the radical structural change in the automotive industry. Potential impacts of the coronavirus are not yet taken into account here.

The German Mechanical Engineering Industry Association (VDMA) expects another difficult year for the industry in 2020, forecasting a further 2% decrease in output.

KRONES expecting no growth for 2020

After a difficult year in 2019, KRONES is making a moderate start to the 2020 financial year with a view to the short-term demand trend. There are sufficient reasons for exercising a degree of caution. While the economic forecasts for this year are still positive overall, 2020 will once again be marked by political and economic uncertainties. In particular, it is not yet possible to predict the negative impacts of the coronavirus on the global economy. These uncertainties are also affecting order placement by KRONES customers. Although consumer demand for packaged beverages is expected to continue rising in 2020, companies in the international beverage industry are temporarily holding back on investment due to the unstable overall economic situation. We therefore expect no short-term growth in the global market for bottling and packaging equipment for the full year 2020. For the same reason, both competition in our markets and cost pressure will remain strong this financial year.

However, KRONES only expects the market to stay flat for the short term. The medium and long-term outlooks remain positive. This is because consumer demand for packaged beverages and liquid foods is steadily growing due to a number of megatrends such as the growing world population. Food and beverage providers need suitable technology to meet the increasing demand. For this reason, the market for packaging machinery is growing at a relatively stable rate in the medium and long term.

Focus in 2020 on improving profitability in both segments

Due to the adopted structural measures, KRONES will initiate a sustained turnaround in profitability in 2020. The clear-cut goal is to increase profitability in both segments. A major contribution to this will come from further expansion of the global footprint and from cost reductions. No major acquisitions are planned in either segment for 2020. Efforts are focused on integrating the acquisitions made in the group in previous years.

The focus in the core **Machines and Lines for Product Filling and Decoration segment** in 2020 is on the start of production at the new plant in Hungary. The new plant will go into full operation at the end of 2020. The new production facility is expected to save KRONES about €5–10 million in 2020. Annual cost savings of €20 million are expected when it is fully established. We will expand the core segment with further attractive products and rid the portfolio of less profitable activities and technologies. A continued focus is also on countering the rising cost of material.

For the core segment in 2020, KRONES does not expect any increase in revenue, especially considering the short-term uncertainty among our clients. It is not currently possible to predict the full impacts of the coronavirus on the global economy. This could have a further substantial effect on the targets for 2020. The EBITDA margin is expected to be around 7.5% to 8.0% (equivalent to an EBT margin of around 4.0–4.5%).

The Process Technology Segment is expected to be in profit in 2020.

Implementing the structural measures is likewise the focus in the **Machines and Lines for Beverage Production/Process Technology segment**. The carve-out of the beverage production business has priority here. We are going to make this a legally independent unit. This enables us to better assess how the individual businesses, specifically with regard to the different types of beverages, are developing on a standalone basis. KRONES will leverage additional revenue and earnings potential from the full integration and positive business development of, the acquisitions made in the preceding years. Intralogistics continues to see good demand for our products and services. We will push ahead with the further internationalisation of our business in 2020. For this purpose, we have pooled all intralogistics activities in SYSTEM LOGISTICS and made this a legally independent unit.

In all, for the Process Technology segment in 2020, we plan stable revenue with an EBITDA margin of around 2.5% to 3.5% (equivalent to an EBT margin of around 0% to 1%). It is not currently possible to predict the full impacts of the coronavirus on the global economy. This could have a further substantial effect on the targets for 2020.

KRONES aims to keep revenue stable and increase the EBITDA margin in 2020.

Based on the prevailing macroeconomic outlook and the current expected development of the markets relevant to KRONES, which is affected in the short term by reluctance by customers to invest, the company expects that consolidated revenue in 2020 will match the previous year's level. We only expect the market to stay flat temporarily. The medium and long-term growth trend re-

mains intact. Our customers' short-term reluctance to invest due to the many uncertainties will mainly be noticeable in the first half of 2020. It is not currently possible to predict the full impacts of the coronavirus on the global economy. This could have a further substantial effect on the targets for 2020.

EBITDA replaces EBT as key performance indicator for profitability – EBITDA margin of around 6.7% to 7.2% targeted for 2020

KRONES is now positioned in such a way that the expected zero revenue growth will not fully affect profitability. We plan to improve profitability this year as a result of the measures taken. From 2020, KRONES manages profitability using the EBITDA margin instead of the EBT margin. This is because EBITDA (earnings before interest, taxes, depreciation and amortisation) is closer to cash flow and more comparable because it does not include depreciation and amortisation, financial income/expense and taxes.

For the group in 2020, KRONES expects an EBITDA margin of around 6.7% to 7.2%. That is equivalent to an EBT margin of around 3.2% to 3.7%.

For its third performance target, working capital to revenue, KRONES expects a figure of 26%. We intend to improve on this target this year by means of more intensive receivables management.

	Forecast 2020	Actual 2019
Revenue growth	0%	2.7%
EBITDA margin	around 6.7% to 7.2%	5.7%
Working capital to revenue	26%	26.9%

Disclosures required under Sections 315 a (1) and 289 a (1) of the German Commercial Code (HGB)

Pursuant to Section 4 (1) of the articles of association, the share capital of KRONES Aktiengesellschaft amounts to €40,000,000.00 and is divided into 31,593,072 ordinary bearer shares.

Under Section 20 (1) of the articles of association, each share entitles its holder to one vote in the annual general meeting. Unless mandatory provisions of law stipulate otherwise, resolutions of the annual general meeting are made with a simple majority of votes cast or, in cases in which the law prescribes a majority of shares in addition to a majority of votes, with a simple majority of the share capital represented in the vote.

Pursuant to Section 18 (1) of the articles of association, only those shareholders who register with the company in writing in German or English and provide proof of their shareholding prior to the annual general meeting are entitled to participate and vote in the annual general meeting. Special verification of the shareholding in text form, issued in German or English by the institution with which the custody account is held, shall constitute sufficient evidence of the shareholding. The evidence of shareholding must relate to the start of the twenty-first day prior to the annual general meeting.

Pursuant to Section 18 (2) of the articles of association, voting rights can be exercised by proxy. Granting, revocation, and evidence of proxy authorisation must be submitted to the company in text form. The notice convening the annual general meeting may specify a relaxation of this requirement without prejudice to Section 135 of the German Stock Corporation Act (AktG).

In the annual general meeting, the chair of the meeting can set appropriate time limits for shareholders' questions and comments (Section 19 (3) of the articles of association).

The Executive Board of the company is not aware of any other restrictions relating to voting rights or the transfer of shares.

The company is aware of the following direct and indirect shareholdings in the company's capital that exceed 10% of the voting rights:

Name of shareholder	Total share of voting rights	Of which: indirect voting rights attributable pursuant to Section 34 (2) of the Securities Trading Act
Familie Kronseder Konsortium GbR, Neutraubling, Germany	52.24%	52.24%

Changes to the shareholdings listed above that are not required to be reported to the company may have occurred since the specified date (December 2019). Because the company's shares are bearer shares, the company is generally only aware of changes in shareholdings if the changes are subject to reporting requirements.

The appointment and dismissal of Executive Board members is governed by Sections 84 and 85 of the German Stock Corporation Act (AktG). Pursuant to Section 6 (1) of the articles of association, the Executive Board consists of at least two members. Pursuant to Section 6 (2) of the articles of association, determination of the number of Executive Board members, the appointment of regular and deputy members of the Executive Board, the execution of their employment contracts and revocation of appointments are the responsibility of the Supervisory Board.

Amendments to the articles of association are subject to the provisions of Sections 179 et seq. of the German Stock Corporation Act. Such amendments are to be adopted by resolution of the annual general meeting (Section 119 (1) No. 5 and Section 179 (1) of the German Stock Corporation Act). The Supervisory Board is authorised to make amendments that affect only the wording of the articles of association (Section 13 of the articles of association).

Pursuant to Section 4 (4) of the articles of association, the Executive Board may, with the approval of the Supervisory Board, increase the share capital by a total of up to €10 million (authorised capital) by issuing ordinary bearer shares against cash contributions on one or more occasions up to and including 15 June 2021. Shareholders must normally be granted subscription rights to such shares. The Executive Board may exclude shareholders' subscription rights, with the approval of the Supervisory Board, for any fractional amounts that may arise.

By resolution of the annual general meeting of 13 June 2018, the Executive Board is authorised, up to and including 12 June 2023, with the approval of the Supervisory Board, to buy treasury shares totalling up to 10% of the company's share capital at the time that the resolution was adopted or, if smaller, at the time that the authorisation is exercised.

By resolution of the annual general meeting of 13 June 2018, the Executive Board is authorised to use any treasury shares bought pursuant to the aforementioned authorisation in accordance with Section 71 (1) No. 8 of the Stock Corporation Act, besides for sale on the stock exchange or by offer to all shareholders, for any permissible purpose, and in particular as follows:

- 1) The shares may be cancelled, without the cancellation or its execution requiring a further resolution by the annual general meeting.
- 2) The shares may be offered and transferred to third parties in return for non-cash contributions, in particular in connection with business combinations or on the acquisition of companies, businesses, parts of companies or equity interests. In addition, the shares may also be used for the termination or settlement of shareholder actions at affiliates of the company.

- 3) The shares may be sold to third parties against cash payment if the price at which the shares in the company are sold is not significantly lower, within the meaning of sections 71 (1) no. 8 sentence 5 and 186 (3) sentence 4 of the Stock Corporation Act, than the stock exchange price of a company share at the time of sale.
- 4) The shares may be used to service obligations or rights to purchase shares in the company arising from and in connection with convertible bonds or bonds with warrants, or profit-sharing rights with conversion rights or warrants, issued by the company or any of its group companies.

Shareholders' statutory subscription rights to such shares are excluded to the extent that the shares are used in exercise of the authorisations set out above under 2) to 4) inclusive or, in the case of sales of treasury shares to all shareholders, to the extent necessary to avoid fractional amounts.

KRONES AG has not made any material agreements containing special provisions relating to a change or acquisition of control following a takeover offer.

The company has not made any agreements with members of the Executive Board or company employees relating to compensation in the event of a takeover offer.

Dependency report

Pursuant to Section 17 of the German Stock Corporation Act (AktG), Familie Kronseder Konsortium GbR, Neutraubling, has a controlling influence over KRONES AG. Thus, in keeping with Section 312 AktG, the Executive Board has prepared a report which contains the following final declaration:

KRONES AG did not carry out any legal transactions with third parties at the instigation or in the interests of the shareholders of Familien-GbR or their affiliates. Measures requiring reporting within the meaning of Section 312 AktG were neither taken nor omitted.

For every transaction made between KRONES AG and the owners of Familie Kronseder Konsortium GbR and affiliated companies in the reporting period, KRONES AG made arrangements for appropriate consideration within the meaning of Section 312 AktG and – to the extent that it was to be fulfilled in the reporting period – also received said consideration.



*The statement on corporate governance is also available online
at <https://www.krones.com/en/company/investor-relations/corporate-governance-statement.php>*

Remuneration report

The remuneration report presents the basic features, structure and amounts of Executive Board and Supervisory Board remuneration at KRONES AG. In the interest of clarity and transparency, the disclosures on individual remuneration and the description of the basic features of the remuneration system have been combined in the following remuneration report, which forms part of the consolidated management report. As such, it covers the disclosures required under Section 314 (1) No. 6a of the German Commercial Code (HGB).

Executive Board remuneration

Basic principles of Executive Board remuneration

Determining the total remuneration of the individual Executive Board members is the responsibility of the Supervisory Board's plenary meetings. The Standing Committee prepares the Supervisory Board resolutions relating to remuneration and makes recommendations.

The criteria for determining the appropriateness of the remuneration include but are not limited to the tasks, responsibilities, personal performance and experience of each member of the Executive Board and the economic position, performance and expected development of the enterprise, taking into account its peer companies.

The Supervisory Board reviews the appropriateness of the system on a regular basis using external benchmarks and comparisons with senior management and the entire workforce.

The current remuneration system for the Executive Board was last revised in 2017.

In this connection, the previous five-year long-term incentive (LTI) was replaced by a new three-year long-term incentive arrangement awarded on a revolving basis.

A transitional phase beginning 1 January 2018 was agreed to ensure neutrality in allocation.

The new arrangement was adopted by resolution of the Supervisory Board on 29 November 2017 and approved by the Annual General Meeting on 13 June 2018.

Remuneration components

The remuneration system for the Executive Board consists of the following remuneration components:

- Fixed components (basic salary and fringe benefits)
- Variable components which are payable annually and based on business performance (short-term incentives) and which contain risk elements
- Variable components that serve as long-term incentives containing risk elements, with a measurement period of three years
- Post-employment benefits

All in all, the remuneration structure breaks down as follows: 59% fixed remuneration and 41% variable remuneration. In sum, the remuneration system is designed to provide an incentive for successful long-term management. The long-term components of variable remuneration thus account for 64% of total variable remuneration. Moreover, variable remuneration is subject to caps and to requirements that must be met for payment to occur.

Fixed components (basic salary and fringe benefits)

The fixed amount is the base salary stipulated in members' contracts and is paid out in equal monthly amounts. It is reviewed on a regular basis. For the 2019 financial year, the base salaries of the five members of the Executive Board who were active in 2019 totalled €2,668 thousand (previous year: €2,930 thousand).

In addition, the members receive fringe benefits which are essentially the cost or non-cash benefit of customary insurance premiums, housing expenses, school fees and the use of a company car. For the 2019 financial year, the members of the Executive Board received fringe benefits totalling €182 thousand (previous year: €280 thousand).

Variable components

The variable remuneration contains risk elements and is thus not guaranteed. The incentive package for the Executive Board has consisted of the following since 2017:

- Short-term incentive (STI, measurement period: one year)
 - Awarded annually
 - Target bonus: Three months' salary per annum (at 100% target attainment)
 - Reference figures: EBT margin (primary), order intake, consolidated revenue and net working capital
 - Capped at 200% (max. six months' salary)
 - No payment if EBT is negative

The STI payment for the financial year 2019 amounts to €27.6 thousand in 2020 (previous year: €220 thousand). In addition, the Supervisory Board can, at its equitable discretion, pay out a special bonus if extraordinary events or exceptional performance warrant it. No special bonuses were paid out for the 2019 financial year.

- Mid-term incentive (MTI, measurement period: three years)
 - Replaced by three-year LTI and therefore last awarded in 2017
 - Target bonus: Three months' salary per annum (at 100% performance target attainment)
 - Reference figures: Net working capital, revenue, EBT margin and quality costs
 - Capped at 200% (max. six months' salary)
 - No payment if EBT is negative on average

The provision for the medium-term incentive amounted at the end of the financial year to €99.0 thousand (previous year: €807 thousand), of which €17.6 thousand relates to remuneration for 2019 (prior year: €398 thousand).

- Long-term incentive (LTI, measurement period: three years)
 - Awarded annually (on a revolving basis) (from 2018)
 - Target bonus: 5.4 months' salary per annum (at 100% target attainment)
 - Reference figures: Enterprise value on three-year average (EBT times nine, EBITDA times seven, revenue times one) for start and end value plus net cash and less pension provisions
 - Up to 2018: capped at 200% (max 10.8 months' salary); from 2019: capped at 250% (max. 13.5 months' salary)
 - No payment if EBT is negative on average (up to 2018); from 2019: paid out if the calculated enterprise value is at least 100% of the starting level

The provision for the long-term incentive amounted at the end of the financial year to €1,342.7 thousand (previous year: €238 thousand), of which €793.4 thousand relates to remuneration for the 2019 financial year.

The transitional LTI pays out at the end of the 2020 financial year provided that the reference figures have been attained or exceeded. If an Executive Board member leaves before the end of the measurement period, payment is pro-rated.

Total Executive Board remuneration amounted to €3,131 thousand (previous year: €6,479 thousand).

The change in remuneration partly relates to the four active members of the Executive Board waiving the payment due for the STI 2019 and for the MTI 2017–2019 and to Mr Andersen's paid notice leave and early contract termination (base salary and fringe benefits €322 thousand). The termination agreement between KRONES AG and Mr Andersen includes a severance payment of €2,350 thousand and a pro-rata payment of €109 thousand in variable remuneration, consisting of €19.7 thousand STI, €12.5 thousand MTI and €76.6 thousand LTI.

There are and have been no stock-option plans or comparable share-based long-term incentive components of remuneration for Executive Board members at KRONES AG.

Post-employment benefits

The company has made post-employment benefit commitments to the members of the Executive Board.

For Executive Board members who joined the board in 2012 or later, the post-employment benefits are contribution-based. Annual contributions in the amount of 40% of the respective member's annual base salary are paid into an external pension liability insurance policy in which the benefits are pledged to the beneficiary. There they accrue annual interest until the benefits fall due, at the rate guaranteed when the policy was established plus any annual invest-

ment returns. Post-employment pension benefits are granted when a member reaches the age of 62 and only after the member leaves the Executive Board. Executive Board members can choose to receive a lump-sum payout of the post-employment benefits instead of annuity-based payments. Executive Board members' entitlements to post-employment benefits based on contributions from KRONES AG become vested immediately. Executive Board members may elect to receive supplemental monthly benefits for permanent disability and/or a monthly widow(er)'s pension.

Members of the Executive Board who entered the board before 2012 received benefit commitments under a defined benefit plan. The benefit commitment equals 30% of the last base salary received (average of the last 12 months of employment). The commitments include post-employment, permanent disability and surviving dependant benefits. Here, too, post-employment benefits are granted after a member reaches the age of 62 and leaves the Executive Board. If a member of the Executive Board leaves the company before reaching the age of 62 for reasons of permanent disability or because the employment contract is terminated or not renewed, the amount of the pension entitlement in relation to the company is reduced by a certain percentage for each calendar year up to age 62; the percentage is determined in the individual's contract. If an Executive Board member dies, the member's spouse receives the full amount of the annuity that would have been owed to the Executive Board member for the first six months following the member's death. Thereafter, the widow(er)'s annuity is reduced to 70% of that benefit amount. Vesting of benefits is determined based on the provisions of the laws applicable at the inception of each contract.

In the case of both contribution-based plans and defined benefit plans, the individual employment contracts contain provisions that govern discontinuation, reduction or cancellation of benefits (including widow(er)'s benefits in the event of particularly substantial changes in accordance with the provisions of the German Stock Corporation Act.

IFRS pension provisions of €2,735 thousand (previous year: €2,087 thousand) were recognised for active members of the Executive Board. At the end of 2019, following changes in the actuarial discount rate, the corresponding defined benefit obligation (DBO) amounted to the following: for Mr Klenk €4,715 thousand, for Mr Ricker €52 thousand, for Mr Tischer €58 thousand, and for Mr Goldbrunner €40 thousand.

In addition, €1,172 thousand (previous year: €1,172 thousand) was paid into the contribution-based post-employment benefits plan in 2019. Such contributions amounted to the following in 2019: for Mr Klenk €320 thousand, for Mr Anderson €252 thousand, for Mr Ricker €216 thousand, for Mr Tischer €192 thousand, and for Mr Goldbrunner €192 thousand.

Additional benefits in the event of termination of employment

The members' employment contracts contain a non-compete clause that includes suitable compensation to be paid for the non-compete period. Further benefits in the event of termination have not been agreed.

Advances and loans

No loans or advances were provided to members of the Executive Board in 2019.

Benefits paid to former members of the Executive Board

Benefits granted to former members of the Executive Board and their surviving dependants amounted to €1,842 thousand (previous year: €1,688 thousand).

This mainly consists of pension benefits. IFRS pension provisions were recognised in the amount of €12,069 thousand (previous year: €8,761 thousand). The increase relates to changes in the actuarial discount rate.

Total remuneration paid to members of the Executive Board in 2018/2019

Remuneration 2019 pursuant to GAS 17 (€ thousand)

Name	Position		Base salary	Fringe benefits	Total	Short-term incentive	Medium-term incentive	Long-term incentive	Total remuneration
Christoph Klenk	CEO Human Resources, Intralogistics, Digitalisation, Communication, Quality, Information Management	since 2003	800	29	829	0	0	0	829
Michael Andersen	CFO Finance, Controlling, Process Technology, Strategic Purchasing	since 2016	368	83	450	27	99	155	732
Thomas Ricker	Sales and Marketing	since 2012	540	22	562	0	0	0	562
Markus Tischer	International Operations and Services	since 2014	480	17	497	0	0	0	497
Ralf Goldbrunner	Bottling and Packaging Equipment	since 2014	480	31	511	0	0	0	511

The incentive amounts are amounts that will be paid out in the subsequent year.

Remuneration 2018 pursuant to GAS 17 (€ thousand)

Name	Position		Base salary	Fringe benefits	Total	Short-term incentive	Medium-term incentive	Long-term incentive	Total remuneration
Christoph Klenk	CEO Human Resources, Intralogistics, Digitalisation, Communication, Quality, Information Management	since 2003	800	28	828	60	133	920	1,942
Michael Andersen	cfo Finance, Controlling, Process Technology, Strategic Purchasing	since 2016	630	182	812	47	85	0	945
Thomas Ricker	Sales and Marketing	since 2012	540	21	561	41	67	669	1,337
Markus Tischer	International Operations and Services	since 2014	480	18	498	36	57	569	1,160
Ralf Goldbrunner	Bottling and Packaging Equipment	since 2014	480	31	511	36	57	493	1,096

The incentive amounts are amounts that will be paid out in the subsequent year.

Supervisory Board remuneration

Remuneration of the members of the Supervisory Board is governed by Section 15 of the articles of association and resolved by the annual general meeting. For the 2019 financial year, the articles of association as amended by the annual general meeting on 13 June 2018 apply.

The members of the Supervisory Board receive remuneration that is commensurate with their responsibilities and the company's position. In keeping with the recommendations of the German Corporate Governance Code, the Chairperson and Deputy Chairperson of the Supervisory Board as well as the chairpersons and members of committees receive additional compensation.

The Supervisory Board's remuneration consists of an annual fixed remuneration of €35,000. The Chairperson of the Supervisory Board receives two-and-a-half times the amount of the fixed remuneration and the Deputy Chairperson of the Supervisory Board receives one-and-a-half times the fixed remuneration amount. Moreover, the members of the Supervisory Board receive a flat €1,500 fee per meeting as reimbursement for their expenses unless they submit proof of having incurred higher expenses.

Members of the Supervisory Board who belong to special committees within the Supervisory Board receive additional remuneration of €7,000 annually as well as a €1,500 flat-rate reimbursement for expenses per meeting.

Members of the Supervisory Board who belonged to the board for only a portion of the financial year receive pro-rated remuneration.

The total remuneration paid to members of the Supervisory Board for the financial year 2019 amounted to €812 thousand (previous year: €712 thousand) and is shown in the table below with individualised disclosure:

Total remuneration paid to members of the Supervisory Board in 2018/2019

Remuneration 2019 pursuant to GAS 17 (€ thousand)

Name	Position	Base compensation	Additional compensation for committee work	Meeting attendance fee	Total remuneration in 2018
Volker Kronseder	Chairman of the Supervisory Board	87.5	7.0	15.0	109.5
Werner Schrödl**	Deputy Chairman of the Supervisory Board	52.5	7.0	15.0	74.5
Robert Friedmann	Regular member	35.0		4.5	39.5
Klaus Gerlach*	Regular member	35.0		6.0	41.0
Oliver Grober**	Regular member	35.0		6.0	41.0
Thomas Hiltl***	Regular member	35.0		6.0	41.0
Norman Kronseder	Regular member	35.0	7.0	15.0	57.0
Prof. Dr. jur. Susanne Nonnast	Regular member	35.0		6.0	41.0
Dr. phil. Verena Di Pasquale**	Regular member	35.0		6.0	41.0
Beate Eva Maria Pöpperl**	Regular member	35.0		6.0	41.0
Norbert Samhammer	Regular member	35.0		6.0	41.0
Petra Schadeberg-Herrmann	Regular member	35.0		6.0	41.0
Jürgen Scholz**	Regular member	35.0	7.0	9.0	51.0
Hans-Jürgen Thaus	Regular member	35.0	7.0	12.0	54.0
Josef Weitzer**	Regular member	35.0	7.0	15.0	57.0
Matthias Winkler	Regular member	35.0		6.0	41.0

* Employee representative ** A share of remuneration is donated in accordance with the current rules of the Hans-Böckler-Stiftung

Remuneration 2018 pursuant to GAS 17 (€ thousand)

Name	Position	Base compensation	Additional compensation for committee work	Meeting attendance fee	Total remuneration in 2018
Volker Kronseder	Chairman of the Supervisory Board	87.5	7.0	15.0	109.5
Werner Schrödl**	Deputy Chairman of the Supervisory Board	52.5	7.0	13.5	73.0
Robert Friedmann	Regular member	17.5		4.5	22.0
Klaus Gerlach*	Regular member	35.0		6.0	41.0
Oliver Grober**	Regular member	17.5		4.5	22.0
Thomas Hiltl***	Regular member	17.5		4.5	22.0
Norman Kronseder	Regular member	35.0	7.0	15.0	57.0
Prof. Dr. jur. Susanne Nonnast	Regular member	35.0		4.5	39.5
Dr. phil. Verena Di Pasquale**	Regular member	35.0		6.0	41.0
Beate Eva Maria Pöpperl**	Regular member	35.0		4.5	39.5
Norbert Samhammer	Regular member	17.5		4.5	22.0
Petra Schadeberg-Herrmann	Regular member	35.0		4.5	39.5
Jürgen Scholz**	Regular member	35.0	7.0	10.5	52.5
Hans-Jürgen Thaus	Regular member	35.0	7.0	10.5	52.5
Josef Weitzer**	Regular member	35.0	7.0	15.0	57.0
Matthias Winkler	Regular member	17.5		4.5	22.0

* Employee representative ** A share of remuneration is donated in accordance with the current rules of the Hans-Böckler-Stiftung

Responsibility statement

“To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the group, and the consolidated management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.”

Neutraubling, 12 March 2020

KRONES AG

The Executive Board



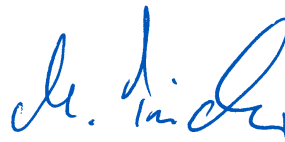
Christoph Klenk
CEO



Norbert Broger



Thomas Ricker



Markus Tischer



Ralf Goldbrunner