

# 4

## CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of profit and loss .....	127
Consolidated statement of comprehensive income .....	128
Consolidated statement of financial position – Assets .....	129
Consolidated statement of financial position – Equity and liabilities.....	130
Consolidated statement of cash flows.....	131
Consolidated statement of changes in equity .....	132

## Consolidated statement of profit and loss

		2020		2019	
€ thousand	Notes				
Revenue	19	3,322,743		3,958,875	
Changes in inventories of finished goods and work in progress	5	39,140		8,737	
Other own work capitalised	20	36,748		63,017	
Other operating income	21	120,453		99,826	
Goods and services purchased	22	-1,694,677		-2,041,788	
Expenses for materials and supplies and for goods purchased		-1,316,229		-1,525,551	
Expenses for services purchased		-378,448		-516,237	
Personnel expenses	23	-1,175,211		-1,275,518	
Wages and salaries		-983,403		-1,065,065	
Social security contributions and expenses for pension plans and for benefits	14	-191,808		-210,453	
Depreciation and amortisation of intangible assets and property, plant and equipment	1/2	-174,035		-183,315	
Other operating expenses	24	-515,972		-585,885	
<b>EBITDA</b>		<b>133,224</b>		<b>227,264</b>	
<b>EBIT</b>		<b>-40,811</b>		<b>43,949</b>	
Investment income	25	0		5,588	
Profit or loss shares attributable to associates that are accounted for using the equity method	4	-88		-686	
Income from other securities and loans classified as non-current financial assets	25	0		0	
Interest and similar income	25	11,554		7,520	
Interest and similar expenses	25	-7,252		-14,628	
<b>Financial income/expense</b>	25	<b>4,214</b>		<b>-2,206</b>	
<b>Earnings before taxes</b>		<b>-36,597</b>		<b>41,743</b>	
Income tax	8/26	-43,056		-32,501	
<b>Consolidated net income</b>		<b>-79,653</b>		<b>9,242</b>	
Profit share of non-controlling interests		52		-249	
Profit share of KRONES Group shareholders		-79,705		9,491	
Earnings per share (diluted/basic) in €	27	-2.52		0.30	

Consolidated statement of **comprehensive income**

		2020	2019
€ thousand	Notes		
<b>Consolidated net income</b>		<b>-79,653</b>	<b>9,242</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Remeasurement of defined benefit plans	12	-15,384	-26,568
		<u>-15,384</u>	<u>-26,568</u>
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences on translation		-56,708	7,868
Cash flow hedges	12	5,362	-585
		<u>-51,346</u>	<u>7,283</u>
<b>Other comprehensive expenses and income after income taxes</b>	9	<b>-66,730</b>	<b>-19,285</b>
<b>Total comprehensive income</b>	9	<b>-146,383</b>	<b>-10,043</b>
of which attributable to non-controlling interests		52	-249
of which attributable to KRONES Group shareholders		-146,435	-9,794

Consolidated statement of financial position – **Assets**

		31 Dec 2020		31 Dec 2019	
€ thousand	Notes				
Intangible assets	1	300,597		345,152	
Property, plant and equipment	2	656,142		693,185	
Non-current financial assets	3	29,841		28,127	
Investments accounted for using the equity method	4	3,380		3,369	
<b>Fixed assets</b>		<b>989,960</b>		<b>1,069,833</b>	
Deferred tax assets	8	54,434		41,617	
Trade receivables	6	36,223		28,913	
Tax receivables		236		252	
Other assets	6	11,639		13,434	
<b>Non-current assets</b>			<b>1,092,492</b>		<b>1,154,049</b>
Inventories	5	355,120		382,523	
Trade receivables	6	704,129		932,876	
Contract assets	6/19	518,756		571,261	
Tax receivables		16,819		16,360	
Other assets	6	145,204		151,985	
Cash and cash equivalents	7	216,988		110,382	
<b>Current assets</b>			<b>1,957,016</b>		<b>2,165,387</b>
<b>Total</b>			<b>3,049,508</b>		<b>3,319,436</b>

Consolidated statement of financial position – **Equity and liabilities**

		31 Dec 2020		31 Dec 2019	
€ thousand	Notes				
Subscribed capital	9	40,000		40,000	
Capital reserves	10	141,724		141,724	
Profit reserves	11	370,654		370,553	
Other reserves	12	–213,318		–146,588	
Consolidated retained earnings		861,465		964,966	
<b>Consolidated equity of the parent company</b>			<b>1,200,525</b>		<b>1,370,655</b>
Non-controlling interests	13	–577		–629	
<b>Equity</b>			<b>1,199,948</b>		<b>1,370,026</b>
Provisions for pensions	14	281,412		260,194	
Deferred tax liabilities	8	2,992		3,673	
Other provisions	15	79,419		75,192	
Tax liabilities		4,098		5,356	
Liabilities to banks	16	5,059		64	
Trade payables	16	44		14	
Other financial obligations and lease liabilities	16	78,385		104,912	
Other liabilities	16	24,116		2,600	
<b>Non-current liabilities</b>			<b>475,525</b>		<b>452,005</b>
Other provisions	15	198,024		141,048	
Liabilities to banks	16	27,005		72,178	
Contract liabilities	16/19	405,094		442,884	
Trade payables	16	370,315		463,722	
Tax liabilities		26,563		16,868	
Other financial obligations and lease liabilities	16	47,061		34,887	
Other liabilities and accruals	16	299,973		352,818	
<b>Current liabilities</b>			<b>1,374,035</b>		<b>1,497,405</b>
<b>Total</b>			<b>3,049,508</b>		<b>3,319,436</b>

## Consolidated statement of cash flows

		2020	2019
€ thousand	Notes		
Earnings before taxes		-36,597	41,743
Depreciation and amortisation and reversals	1/2	174,035	183,315
Increase in provisions and accruals	15/16	5,347	105,928
Interest and similar expenses and income	25	-4,302	7,108
Gains and losses from the disposal of non-current assets	21/24	-37	-216
Other non-cash expenses and income		11,622	13,252
Decrease in trade receivables, contract assets and other assets not attributable to investing or financing activities		236,652	114,345
Decrease (previous year: increase) in inventories	5	16,165	-59,421
Decrease in trade payables, contract liabilities and other liabilities not attributable to investing or financing activities		-31,547	-258,388
<b>Cash generated from operating activities</b>		<b>371,338</b>	<b>147,666</b>
Interest paid		-5,457	-4,354
Income tax paid and refunds received		-44,114	-49,787
<b>Cash flow from operating activities</b>		<b>321,767</b>	<b>93,525</b>
Cash payments to acquire intangible assets	1	-36,938	-61,265
Proceeds from the disposal of intangible assets	1	55	411
Cash payments to acquire property, plant and equipment	2	-56,851	-107,644
Proceeds from the disposal of property, plant and equipment	2	6,439	8,994
Cash payments to acquire non-current financial assets		-4,487	-12,692
Proceeds from the disposal of non-current financial assets		0	92
Cash payments to acquire affiliated companies		0	-27,952
Deferred purchase price payment for business acquisitions from previous periods		-11,595	0
Interest received		2,894	5,325
Dividends received		0	6,807
<b>Cash flow from investing activities</b>		<b>-100,483</b>	<b>-187,924</b>
Cash payments to owners		-23,695	-53,708
Proceeds from new borrowing		32,000	72,178
Cash payments to service debt		-72,178	-3,660
Cash payments to acquire non-controlling interests		0	-1,915
Cash payments for the repayment of lease liabilities		-35,168	-32,156
<b>Cash flow from financing activities</b>		<b>-99,041</b>	<b>-19,261</b>
<b>Net change in cash and cash equivalents</b>		<b>122,243</b>	<b>-113,660</b>
Changes in cash and cash equivalents arising from changes in exchange rates		-15,637	1,475
Changes in cash and cash equivalents arising from changes in the consolidated group		0	3,765
Cash and cash equivalents at the beginning of the period		110,382	218,802
<b>Cash and cash equivalents at the end of the period</b>	7	<b>216,988</b>	<b>110,382</b>

## Consolidated statement of changes in equity

€ thousand	Parent company						Equity	Non-controlling interests Equity	Consolidated equity
	Share capital	Capital reserves	Profit reserves	Other reserves		Group retained earnings			
				Currency differences in equity	Other remaining reserves				
Notes	9	10	11	11	12		13		
<b>At 31 December 2018</b>	<b>40,000</b>	<b>141,724</b>	<b>369,664</b>	<b>-38,143</b>	<b>-89,160</b>	<b>1,009,193</b>	<b>1,433,278</b>	<b>-72</b>	<b>1,433,206</b>
Dividend payment						-53,708	-53,708		-53,708
Consolidated net income 2019						9,491	9,491	-249	9,242
Allocation to profit reserves						0	0		0
Changes in the consolidated group			889			-10	879	-308	571
Other comprehensive expenses and income				7,868	-27,153		-19,285		-19,285
<b>At 31 December 2019</b>	<b>40,000</b>	<b>141,724</b>	<b>370,553</b>	<b>-30,275</b>	<b>-116,313</b>	<b>964,966</b>	<b>1,370,655</b>	<b>-629</b>	<b>1,370,026</b>
Dividend payment						-23,695	-23,695		-23,695
Consolidated net income 2020						-79,705	-79,705	52	-79,653
Allocation to profit reserves			101			-101	0		0
Changes in the consolidated group			0			0	0	0	0
Other comprehensive expenses and income				-56,708	-10,022		-66,730		-66,730
<b>At 31 December 2020</b>	<b>40,000</b>	<b>141,724</b>	<b>370,654</b>	<b>-86,983</b>	<b>-126,335</b>	<b>861,465</b>	<b>1,200,525</b>	<b>-577</b>	<b>1,199,948</b>

# 5

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated segment reporting .....	134
General disclosures .....	135
Notes to the consolidated statement of financial position .....	149
Notes to the consolidated statement of profit and loss .....	175
Other disclosures .....	178
Standards and interpretations .....	180
Shareholdings .....	181
Members of the Supervisory Board and the Executive Board .....	186
Proposal for the appropriation of earnings available for distribution .....	187



Consolidated **segment reporting**

€ thousand	Machines and Lines for Product Filling and Decoration		Machines and Lines for Beverage Production/ Process Technology		KRONES Group	
	2020	2019	2020	2019	2020	2019
<b>Revenue</b>	<b>2,797,319</b>	<b>3,265,417</b>	<b>525,424</b>	<b>693,458</b>	<b>3,322,743</b>	<b>3,958,875</b>
Depreciation, amortisation and impairments	134,711	155,600	39,324	27,715	174,035	183,315
of which impairments	7,408	29,201	21,629	8,931	29,037	38,132
Interest income	1,323	5,812	131	477	1,454	6,289
Interest expense	5,548	4,537	1,194	1,747	6,742	6,284
<b>EBT</b>	<b>31,417</b>	<b>56,405</b>	<b>-68,015</b>	<b>-14,662</b>	<b>-36,598</b>	<b>41,743</b>
Share of profit or loss of associates accounted for using the equity method	0	-330	-88	-356	-88	-686
<b>EBIT</b>	<b>36,818</b>	<b>62,850</b>	<b>-77,629</b>	<b>-18,901</b>	<b>-40,811</b>	<b>43,949</b>
<b>EBT margin (EBT to revenue)</b>	<b>1.1%</b>	<b>1.7%</b>	<b>-12.9%</b>	<b>-2.1%</b>	<b>-1.1%</b>	<b>1.1%</b>
<b>EBITDA</b>	<b>171,529</b>	<b>218,450</b>	<b>-38,305</b>	<b>8,814</b>	<b>133,224</b>	<b>227,264</b>
<b>EBITDA margin (EBITDA to revenue)</b>	<b>6.1%</b>	<b>6.7%</b>	<b>-7.3%</b>	<b>1.3%</b>	<b>4.0%</b>	<b>5.7%</b>

## General disclosures

### ■ Legal basis

KRONES provides machinery and systems for bottling and packaging and for beverage production. Innovative digitalisation and intralogistics solutions round out the portfolio. KRONES AG is registered in the Commercial Register of Regensburg Local Court (HRB 2344) and is headquartered in Neutraubling, Germany.

The consolidated financial statements of KRONES AG, Neutraubling (the “KRONES Group”) for the period ended 31 December 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, applicable at the reporting date, including the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), as adopted by the European Union.

The Group has not undertaken early application of IFRS standards and interpretations that have not yet entered into force.



*A list of such standards and interpretations and of standards applied for the first time is provided on page 180.* The commercial law stipulations under Section 315e (1) of the German Commercial Code (HGB) have been complied with in addition.

The Executive Board authorised the publication of the consolidated financial statements on 17 March 2021.

Non-controlling interests in consolidated equity are presented on the statement of financial position as a separate item within equity. On the statement of profit and loss, the share of profit or loss attributable to non-controlling interests is presented as a component of consolidated net income. The shares of consolidated net income attributable to the owners of the parent and to non-controlling interests are presented separately.

Non-controlling interests are additionally shown on the statement of changes in equity.

The explanatory notes provided in the following comprise disclosures and commentary that, in accordance with IFRS, must be included as notes to the interim consolidated financial statements in addition to the statement of financial position, statement of profit and loss, statement of comprehensive income, statement of changes in equity and statement of cash flows.

The statement of profit and loss was prepared using the nature of expense method.

The group currency is the euro.

Unless otherwise stated, all financial information presented in euros is rounded to the nearest thousand.

### ■ Consolidated group

Besides KRONES AG, the consolidated financial statements of KRONES AG for the period ended 31 December 2020 include all domestic and foreign subsidiaries over which KRONES AG has direct or indirect control on account of a majority of voting rights.

STEINECKER GmbH, Freising was established in the financial year and added to the scope of consolidation.

### ■ Consolidation principles

The annual financial statements of KRONES AG and of the domestic and foreign subsidiaries included in the consolidated financial statements have been prepared using uniform accounting policies, in accordance with IFRS 10.

They are all prepared as of the reporting date of the consolidated financial statements.

Acquisition accounting is performed in accordance with IFRS 3 (Business Combinations), under which all business combinations must be accounted for using the acquisition method. The acquired assets and liabilities are therefore recognised at fair value.

Goodwill that arose before 1 January 2004 continues to be accounted for as a deduction from equity.

Shares in the equity of a subsidiary that are not attributable to the parent are presented as non-controlling interests. If an acquisition includes put options granted to non-controlling interests for their interests in group companies and KRONES has identical call options, the options are accounted

for as if they had already been exercised and each is recognised as a liability at fair value instead of recognising non-controlling interests (anticipated acquisition method).

Liabilities are measured through profit or loss at fair value as of the reporting date.

Inter-company receivables, liabilities, provisions, income and expenses between consolidated companies are eliminated in consolidation. This also applies for inter-company profits or losses from deliveries made or services provided between group companies provided the inventories from these transactions are still held by the group at the reporting date.

Companies for which KRONES has the ability to exercise significant influence over their business and financial policies (generally by indirectly or directly holding between 20% and 50% of voting rights), are accounted for in the consolidated financial statements using the equity method and initially recognised at cost. Any excess of the cost of the investment over KRONES' share of the net fair value of an associate's identifiable assets and liabilities is adjusted on a fair-value basis and the remaining amount is recognised as goodwill. Goodwill relating to the acquisition of an associate is included in the carrying amount of the investment and is not amortised. Instead, it is tested for impairment as part of the entire carrying amount of the investment in the associate. KRONES' share in an associate's profit or loss subsequent to the acquisition date is recognised in the consolidated statement of profit and loss.

The carrying amount of associates is increased or decreased to recognise cumulative changes in fair value subsequent to the acquisition date. KRONES' share in associates' gains or losses resulting from transactions between KRONES and its associates is eliminated.

## ■ Currency translation

The consolidated financial statements are presented in euros, the functional currency of KRONES AG.

The financial statements of consolidated companies that are prepared in a foreign currency are translated on the basis of the functional currency approach. Because the subsidiaries primarily operate independently in the economic environment of their respective countries, the functional currency is normally the local currency for each subsidiary. In the consolidated financial statements, assets and liabilities are therefore translated at the closing rate at the reporting date, while income and expenses from the financial statements of subsidiaries are translated at average annual rates.

Any exchange differences resulting from translation using these different rates in the statement of financial position and the statement of profit and loss are recognised directly in other comprehensive income. Exchange differences resulting from the translation of equity using historical exchange rates are also recognised in other comprehensive income.

Exchange rate differences compared with the previous year arising from acquisition accounting are normally recognised outside profit or loss, in other profit reserves.

In the separate financial statements of KRONES AG and its subsidiaries, receivables and liabilities in foreign currencies are translated using the exchange rate at the time of the transaction and exchange differences are recognised in profit or loss at the closing rate at the reporting date. Non-monetary items in foreign currencies are carried at historical cost.

Exchange rates of subsidiaries' functional currencies against the euro:

		Closing rate		Average rate	
		31 Dec 2020	31 Dec 2019	2020	2019
us dollar	USD	1.228	1.123	1.142	1.120
British pound	GBP	0.900	0.850	0.890	0.878
Swiss franc	CHF	1.081	1.086	1.070	1.113
Danish krone	DKK	7.440	7.471	7.454	7.466
Canadian dollar	CAD	1.563	1.462	1.530	1.486
Japanese yen	JPY	126.500	121.930	121.820	122.061
Brazilian real	BRL	6.376	4.513	5.896	4.413
Chinese renminbi (yuan)	CNY	8.009	7.833	7.871	7.719
Mexican peso	MXN	24.409	21.239	24.532	21.566
Ukrainian hryvnia	UAH	34.781	26.610	30.868	28.934
South African rand	ZAR	18.014	15.765	18.777	16.172
Kenyan shilling	KES	134.043	113.794	121.715	114.219
Nigerian naira	NGN	484.550	408.970	435.249	405.052
Russian rouble	RUB	91.758	69.844	82.755	72.477
Thai baht	THB	36.733	33.445	35.714	34.770
Indonesian rupiah	IDR	17,246.300	15,587.100	16,595.705	15,833.329
Angolan kwanza	AOA	803.900	537.803	661.940	404.416
Turkish lira	TRY	9.107	6.680	8.051	6.357
Kazakhstan tenge	KZT	517.320	429.940	473.382	428.853
Australian dollar	AUD	1.586	1.601	1.656	1.611
New Zealand dollar	NZD	1.695	1.666	1.757	1.700
Swedish krona	SEK	10.025	10.445	10.488	10.587
Vietnamese dong	VND	28,331.000	26,018.000	26,527.952	26,006.790
Philippine peso	PHP	58.970	56.869	56.593	58.000
Bangladeshi taka	BDT	103.908	95.319	96.889	94.522
Singapore dollar	SGD	1.622	1.511	1.574	1.527
Myanmar kyat	MMK	1,630.110	1,657.230	1,567.874	1,704.062
United Arab Emirates dirham	AED	4.509	4.124	4.194	4.113
Hungarian forint	HUF	364.380	330.610	351.309	325.278
Malaysian ringgit	MYR	4.938	4.593	4.795	4.638
Pakistani rupee	PKR	196.645	173.880	184.936	168.356
Polish zloty	PLN	4.557	4.260	4.443	4.298
Norwegian krone	NOK	10.458	9.866	10.728	9.852
Indian rupee	INR	89.690	80.150	84.559	78.803
Guatemalan quetzal	GTQ	9.568	8.651	8.821	8.622
Cambodian riel	KHR	4,956.600	4,575.300	4,665.600	4,542.179
Bulgarian lev	BGN	1.956	1.956	1.956	1.956

### ■ Estimates and judgements

In preparing the consolidated financial statements, management makes judgements, estimates and assumptions that affect the reported amounts of assets and liabilities as of the reporting date, the disclosure of contingent liabilities and the reported amounts of expenses and income. The uncertainty inherent in such assumptions and estimates can, however, lead to events that result in material adjustments to the carrying amounts of affected assets and liabilities in future periods.

Major assumptions made about the future, and other sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities within the next financial year, are explained in the following. As it is still not fully possible to predict the global impacts of the Covid-19 pandemic, the estimates and judgements relating to intangible assets and liabilities in particular are subject to increased uncertainty. Available information on expected economic developments and country-specific government measures were taken in account in adopting the estimates and judgements.

Development costs are capitalised if they are associated with a future economic benefit and the remaining requirements in IAS 38.57 are met.

If there are indications that intangible assets are impaired or if annual impairment testing is required (intangible assets with an indefinite useful life, intangible assets in the development phase and goodwill), an impairment test is applied.

This is done by comparing the carrying amount of an asset (or cash-generating unit) with its recoverable amount. The first step of this comparison consists of determining value in use. If value in use is less than the carrying amount, fair value less costs of disposal is determined and compared with the carrying amount. If fair value less costs of disposal is less than the carrying amount, an impairment loss is recognised by reducing the carrying amount to the higher of value in use and fair value less costs of disposal.

Impairment testing involves making estimates and assumptions that may differ from the actual amounts in particular with regard to future cash inflows and outflows and the planning period. The actual amounts may differ from the assumptions and estimates made if the conditions referred to change contrary to expectations.

KRONES determines value in use using a present value method (the discounted cash flow method). The cash flows used in the calculation are based on long-term corporate planning prepared by management. They are discounted at market discount rates.

The cash flows used in testing goodwill are taken as a rule from the detailed planning for the next three financial years. Revenue growth at the end of the forecast period is the long-term growth rate of the respective industrial sectors and countries in which the cash-generating units do business. They are discounted at market discount rates. Cash-generating units are tested for impairment using the pre-tax weighted average cost of capital (WACC). For the main assumptions made in impairment testing of cash-generating units, sensitivity analyses are carried out in order to rule out the possibility that reasonably possible changes in the assumptions used to determine the recoverable amount would lead to an impairment.

Purchase agreements for acquisitions include options for KRONES to acquire the remaining minority interests. If the seller holds identical put options, the group assumes that the option will be exercised and therefore does not present the minority interests in the consolidated financial statements (anticipated acquisition method). Instead, a liability from the acquisition is recognised at fair value. The fair value is measured using the discounted cash flow method; the main input factors are medium-term planning and the discount rate. With regard to the exercise date, it is assumed as a rule that the probability of exercise is evenly distributed unless otherwise indicated. Impairment testing involves making estimates and assumptions about the timing. The actual amounts may differ from the assumptions and estimates made if the conditions referred to change contrary to expectations. Further details are provided in Note 18.

Accounting for deferred tax assets, which are mainly recognised for unused tax loss carryforwards, requires management to make estimates and judgements regarding the size of the future taxable profits that will be available against which the unused tax losses can be utilised. Tax planning strategies and the expected timing of events under such strategies are taken into account if they are sufficiently probable. Deferred tax assets are recognised as a rule to the extent that deductible deferred tax liabilities are expected in the same amount and with the same timing. Otherwise, deferred tax assets are only recognised if it is highly likely that sufficient future taxable profits will be available against which the deferred tax assets recognised for loss carryforwards and temporary differences can be utilised. For the purpose of this assessment, expected taxable income is taken from corporate planning prepared according to the principles described above. In the case of loss-making entities, deferred tax assets are not recognised until turnaround is imminent or future profits are highly probable. When measuring loss allowances for deferred tax assets recognised for loss carryforwards, due account is taken of rules restricting loss utilisation (minimum taxation). Further details are provided in Note 8.

The post-employment pension expense from defined benefit plans is determined on the basis of actuarial calculations. Those calculations are based on assumptions and judgements regarding discount rates on the net obligation, mortality and future pension increases. Such estimates are subject to significant uncertainties due to the long-term nature of such plans. Details of those uncertainties, together with sensitivities, are presented in Note 14.

Provisions for warranties are accounted for on the basis of expected costs from customer orders. The estimates for the warranty obligations are based on experience in recent financial years and generally relate to a warranty term of between one and two years from the acceptance date. It is therefore expected that the majority of provisions for warranties will be settled within the next two years. Further details are provided on page 164.

KRONES already cut jobs in the 2020 reporting period as part of its efficiency programme. This programme continues in 2021. The restructuring provisions recognised for this purpose were determined on the basis of estimates and are therefore subject to uncertainty.

For the purpose of accounting in accordance with IFRS 15, judgements are made regarding whether revenue is realised over time. KRONES has come to the conclusion that revenue for highly customer-specific projects is to be recognised over time rather than at a point in time, as the resulting assets have no alternative use as a rule and KRONES has a legal right to payment, including a profit margin, for performance already completed. KRONES has determined that an input method is the most suitable for determining progress as there is a direct relationship between production cost being incurred and transfer of the product or service to the customer. The percentage of completion is the ratio of contract costs incurred up to the reporting date to the total estimated cost of the projects. Changes in estimates and differences between actual costs and estimated costs affect the profit on such projects.

#### ■ Intangible assets

Acquired and internally generated intangible assets, excluding goodwill, are recognised in accordance with IAS 38 if it is sufficiently probable that the use of an asset will result in a future economic benefit and the cost of the asset can be reliably determined. The assets are recognised at cost and amortised systematically on a straight-line basis over their estimated useful lives. Amortisation of intangible assets is normally applied over a useful life of between three and five years and is presented in “*Depreciation and amortisation of intangible assets and property, plant and equipment*”. Intangible assets that are not yet available for use are tested annually for impairment.

#### ■ Research and development expenditure

Development costs in the KRONES Group are capitalised at cost if all recognition criteria in IAS 38.57 are met. In accordance with IAS 38, research expenditure cannot be capitalised and is therefore immediately recognised as an expense in profit or loss. Borrowing costs are capitalised as cost at a capitalisation rate of 0.25%.

#### ■ Goodwill

Goodwill is not amortised. Instead, it is tested annually for impairment. It is also tested for impairment if an event occurs or circumstances arise that suggest that the recoverable amount may be less than the carrying amount. Goodwill is recognised at cost less cumulative impairment losses.

Goodwill is tested for impairment at the level of the cash-generating unit or group of cash-generating units represented by a division (or corresponding unit).

The cash-generating unit or group of cash-generating units represents the lowest level at which the goodwill is monitored for internal management purposes.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to the cash-generating unit or group of cash-generating units that is expected to benefit from the synergies of the business combination. If the carrying amount of the cash-generating unit or group of cash-generating units to which the goodwill is allocated exceeds the recoverable amount, an impairment loss is recognised for the goodwill allocated to the cash-generating unit or group of cash-generating units. The recoverable amount is the fair value less costs of disposal or value in use, whichever is higher, of the cash-generating unit or group of cash-generating units. If either of these exceeds the carrying amount, it is not always necessary to determine both values. The values are normally measured on the basis of discounted cash flows. Even if the recoverable amount of the cash-generating unit or group of cash-generating units to which goodwill is allocated exceeds the carrying amount in subsequent periods, impairment losses on that goodwill are not reversed.

#### ■ Property, plant and equipment

The KRONES Group's property, plant and equipment are accounted for at cost less systematic depreciation on a straight-line basis over their estimated useful lives. The cost of self-constructed assets comprises all directly attributable costs and an allocation of overheads.

No revaluation of property, plant and equipment has been undertaken in accordance with IAS 16.

Systematic depreciation is based on the following useful lives, which are applied uniformly throughout the group:

Useful life	Years
Buildings	14 – 50
Technical equipment and machinery	5 – 18
Furniture and fixtures and office equipment	3 – 15

The useful lives take into account the different components of assets with significant differences in cost.

Government grants are only recognised if there is reasonable assurance that the conditions attaching to them will be complied with and the grants will be received.

Government grants related to assets are deducted from the cost of the assets and reversed in future periods to profit or loss in depreciation and amortisation of intangible assets and property, plant and equipment.



## ■ Leases

A lease is a contract that conveys the right to use an asset for a period of time in exchange for consideration.

In accordance with IFRS 16, KRONES normally recognises all leases and related contractual rights and obligations in the statement of financial position. KRONES recognises a right-of-use asset and a corresponding lease liability at the time the leased item is available for use by the group.

Lease liabilities include the present value of the following lease payments:

- Fixed payments less any lease incentives payable by the lessor;
- Variable lease payments that depend on an index or a rate;
- Amounts expected to be payable under residual value guarantees;
- The exercise price of a purchase option, if the option is reasonably certain to be exercised;
- Payments of penalties for terminating the lease, if the lease term reflects the exercising of an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If not, they are discounted using the incremental borrowing rate. The finance costs are recognised in profit or loss over the lease term. The carrying amount of lease liabilities is remeasured if there is a change in the lease or in the assessment of an option to purchase the underlying asset.

Right-of-use assets are measured at cost, which comprises:

- The amount of the initial measurement of the lease liability;
- Lease payments made at or before the commencement date, less any lease incentives received;
- Initial direct costs incurred;
- Dismantling obligations.

Subsequent measurement is at cost less any accumulated depreciation and any accumulated impairment losses. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life and the lease term. Right-of-use assets are likewise tested for impairment.

With regard to the practical expedients provided for in the standard, KRONES makes use of the practical expedients for low-value assets and for short-term leases (less than 12 months). The payments for short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis.

Furthermore, the rules are not applied to leases of intangible assets. In the case of contracts that contain non-lease components as well as lease components, use is made of the option not to separate non-lease components from lease components.

## ■ Financial instruments

In accordance with IFRS 9, KRONES classifies financial assets into three categories: financial instruments at amortised cost (AC), financial instruments at fair value through profit or loss (FVTPL) and financial instruments at fair value through other comprehensive income (FVOCI).

The classification of financial assets is made on the basis of KRONES' business model for managing the financial assets and their contractual cash flow characteristics.

In accordance with IFRS 9, KRONES classifies financial liabilities into three categories: financial instruments at amortised cost (AC), financial instruments at fair value through profit or loss (FVTPL) and financial instruments at fair value through other comprehensive income (FVOCI).

For the various classes of financial assets and liabilities, the carrying amounts are generally a reasonable approximation of fair value.

The fair value of financial assets and liabilities is determined on the basis of financial accounting models using inputs observable in the market at the reporting date (Level 2 within the meaning of IFRS 13.72). Level 2 assets and liabilities are primarily hedging and non-hedging derivatives.

The fair value of Level 1 financial assets and liabilities is based on unadjusted quoted prices in active markets for financial instruments. For Level 3 inputs within the meaning of IFRS 13.72, the fair values are the same as the carrying amounts. Measurement is based on estimates from forecasts of future developments.

Transactions against cash settlement are accounted for at the settlement date. Derivative financial instruments are accounted for at the trade date.

Net gains and losses include impairments and measurement changes for derivative financial instruments and are set out in the explanatory notes on the various measurement categories.

Loss allowances are therefore measured on the basis of one of the following:

- 12-month expected credit losses: Expected credit losses that result from default events that are possible within twelve months after the reporting date.
- Lifetime expected credit losses: Expected credit losses that result from all possible default events over the expected life of a financial instrument.

Loss allowances are measured on the basis of lifetime expected credit losses if the credit risk on a financial asset at the reporting date has increased significantly since initial recognition; otherwise, loss allowances are measured on the basis of 12-month expected credit losses. An entity may assume that the credit risk on a financial asset has not increased significantly if the financial asset is determined to have low credit risk at the reporting date. However, loss allowances must always be measured on the basis of lifetime expected credit losses for trade receivables and contract assets without a significant financing component; KRONES also measures loss allowances on this basis for trade receivables and contract assets with a significant financing component.

The expected credit losses on trade receivables and on contract assets are estimated on the basis of external ratings and historical credit loss experience over the last 36 months. Within each group of financial instruments, credit risks are segmented on the basis of shared credit risk characteristics.

Trade receivables and contract assets have been grouped on the basis of shared credit risk characteristics for the purpose of measuring expected credit losses. The contract assets generally have the same risk characteristics as trade receivables.

Information on risk reporting in accordance with IFRS 7 is provided in the risk report in the group management report.

#### ■ Derivative financial instruments and hedge accounting

The derivative financial instruments used in the KRONES Group are used to hedge against currency risks from operating activities. The election has been made to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9.

The main categories of currency risk at KRONES comprise transaction risk arising from exchange rates and cash flows in foreign currencies. The main such currencies are the US dollar, the Canadian dollar, the British pound, the Norwegian krone and the euro.

Within the hedging strategy, 100% of items denominated in foreign currencies are generally hedged. The instruments used for this purpose are mostly forward exchange contracts and, in isolated cases, swaps, including currency swaps.

The strategy objective is to minimise currency risk by using hedging instruments that are judged to be highly effective, thus providing planning certainty by hedging the exchange rate.

The derivative financial instruments are measured on initial recognition and in subsequent measurement at fair value as of the reporting date. Fair value is determined using Level 2 inputs within the meaning of IFRS 13.72. Gains and losses on measurement are recognised in profit or loss unless the criteria for hedge accounting are met.

The derivative financial instruments for which hedge accounting is applied comprise forward currency contracts and currency swaps whose changes in fair value are presented in profit or loss or as a component of equity. In the case of cash flow hedges of currency risks on hedged items, changes in fair value are initially recognised directly in equity and subsequently reclassified to profit or loss when the hedged item affects profit or loss.

These derivative financial instruments are measured on the basis of the forward rates provided by the commercial bank concerned. They are derecognised/reclassified when the corresponding hedged items are recognised in the statement of financial position.

#### ■ Receivables and other assets

Receivables and other assets, with the exception of derivative financial instruments, are accounted for at amortised cost. Non-interest-bearing and low-interest receivables with maturities of more than one year are discounted.

The group makes use of the possibility as a rule of selling export receivables that are covered by credit insurance and/or documentary letters of credit. Receivables sold as of the reporting date were derecognised in full. In the case of receivables covered by credit insurance, the risk relating to the exporter's deductible is generally retained. The group assumes in such cases that substantially all the risks and rewards of the receivables transfer to the purchaser of the receivables if the deductible does not exceed 10% of the value of each individual receivable. The fair value of the expected recourse obligation under the retained deductibles was recognised as an expense.

The sale of receivables from the spare parts business as of the reporting date was carried out under an established master factoring agreement. Subject to the legal validity of the receivables, the factor bears the credit risk on the receivables it has purchased.

#### ■ Inventories

Inventories are carried at the lower of cost and net realisable value. Cost includes costs that are directly related to the units of production and an allocation of fixed and variable production overheads.

The allocation of overheads is based on normal capacity.

Selling costs and general and administrative costs are not capitalised. Inventory risks arising from increased storage periods or reduced usability are accounted for with write-downs.

The FIFO and weighted-average cost methods are applied as simplified measurement methods for raw materials, consumables and supplies.

#### ■ Income tax

The tax expense comprises current and deferred taxes. Current taxes and deferred taxes are recognised in profit or loss except to the extent that they relate to a business combination or to an item recognised directly in equity or in other comprehensive income.

Current taxes are the amounts of taxes expected to be paid or recovered in respect of the taxable profit or tax loss for the financial year on the basis of the tax rates that apply at the reporting date or will apply in the near future together with all adjustments recognised for current tax of prior periods.

Deferred tax assets and deferred tax liabilities are accounted for using the liability method and are recognised for all temporary differences between the tax base and the carrying amounts in accordance with IFRS and for consolidation adjustments recognised in profit or loss. Deferred tax assets are only recognised to the extent that it is probable that the related tax benefits can be realised.

Deferred taxes are measured on the basis of the income tax rates that apply in the various countries at the time of realisation. Changes in the tax rates are taken into account if it is sufficiently certain that they will occur. Where legally permissible, deferred tax assets and liabilities have been offset.

Tax liabilities are recognised in the event that amounts in tax returns will probably not be realised (uncertain tax items). The amount is the best estimate of the expected tax payment (the expected amount or most likely amount of the uncertain tax item). Tax receivables from uncertain tax items are recognised if it is probable that they can be realised. Only if there is a tax loss carryforward or unused tax credit is no tax liability or tax receivable recognised for an uncertain tax item; the deferred tax asset for the unused tax loss carryforwards and tax credits is then adjusted instead.

#### ■ Provisions for pensions

Provisions for pensions are measured using the projected unit credit method in accordance with IAS 19. This method takes into account known vested benefits at the reporting date together with expected future increases in state pensions and salaries based on a prudent assessment of relevant variables. The provisions are calculated on the basis of actuarial appraisals that take into account biometric factors.

Actuarial gains and losses have a direct impact on the consolidated statement of financial position, resulting in an increase or decrease in provisions for pensions and similar obligations and a reduction or increase in other reserves in equity. The consolidated statement of profit and loss is not affected by actuarial gains and losses as they are required to be recognised in other comprehensive income. Net interest on the net defined benefit obligation is determined by multiplying the net defined benefit obligation by the discount rate used to measure the defined benefit obligation. Because the net defined benefit obligation is reduced by any plan assets, the same discount rate is used to calculate return on plan assets. Current and past service costs and net interest are recognised in profit or loss.

#### ■ Partial retirement benefit obligations

According to the definition of post-employment benefits in IAS 19, top-up payments under partial retirement agreements come under other long-term employee benefits. Such top-up payments are therefore not recognised in full as liabilities at their net present value. Instead, they are accrued on a prorated basis across the relevant years of active service of the employees taking partial retirement.

#### ■ Other provisions

Other provisions are recognised when the group has an obligation to a third party as a result of a past event, an outflow is probable and the amount of the obligation can be reliably estimated. The provisions are measured at fully attributable costs or on the basis of the most probable settlement amount.

Restructuring provisions are recognised in connection with measures that materially change the scope of the business undertaken by a segment or business unit or the manner in which that business is conducted. Most such measures involve the termination of employment relationships. Restructuring provisions are recognised when implementation of a detailed formal plan has started or such a plan has been announced.

Provisions with a residual term of more than one year are recognised at the settlement amount discounted to the reporting date. The discount rate reflects the risks specific to the liability. The increase in the provision due to the passage of time is recognised as an interest expense.

## ■ Revenue

The basic criterion for revenue recognition under IFRS 15 is transfer of control. A distinction is made between transfer of control at a point in time and transfer of control over time:

KRONES provides machinery and systems for bottling and packaging and for beverage production. KRONES recognises revenue for highly customer-specific projects over time rather than at a point in time, as the resulting assets have no alternative use as a rule and KRONES has a legal right to payment, including a profit margin, for performance already completed. Progress is measured using an input method. The percentage of completion is the ratio of contract costs incurred up to the reporting date to the total estimated cost of the project.

A further important part of KRONES' business model consists of services. The company maintains service centres and offices around the world. KRONES provides a comprehensive range of products and services for customers under the heading of lifecycle service (LCS). KRONES recognises revenue from sales of spare parts at a point in time, on delivery of the goods (transfer of control). Revenue for services that come under LCS is mostly recognised over time as the customer simultaneously receives and consumes the benefits provided by the group's performance as the group performs. Accordingly, revenue is mostly recognised over time using an input method on the basis of the costs incurred. Revenue is only recognised on a straight-line basis in the case of longer-term maintenance services.

A provision is recognised in accordance with IAS 37 for anticipated losses relating to customer orders.

Costs to obtain contracts where the amortisation period of the costs would be one year or less are immediately recognised as expense.

KRONES receives payments from customers on the basis of a payment plan that is part of the contracts. The payment terms vary among business units and countries. Contract assets relate to our conditional right to consideration for contractual performance obligations satisfied to date. Trade receivables are recognised when the right to receive the consideration becomes unconditional.

Contract liabilities relate to payments received in advance, meaning before contractual performance obligations have been satisfied. Contract liabilities are recognised as revenue when we satisfy the contractual performance obligations. If performance exceeds advance payments, the resulting positive balance is presented in contract assets and receivables.

Financing components are not included in the amount of revenue to be recognised if it is expected at inception of the contract that the period between the transfer of the promised good or promised service and payment for that good or service will be one year or less.

Revenue is presented net of reductions.

## ■ Segment reporting

KRONES reports on two operating segments, which are the strategic business units. The two segments are organised by product divisions and services and managed separately due to the different technologies they cover. The Executive Board, as the chief operating decision maker, manages the company as a whole on the basis of monthly reports from the segments. Segment 1 comprises machines and lines for product filling and decoration. Segment 2 comprises machines and lines for beverage production and process technology. The accounting policies used are the same as those described under “General disclosures” above.

Segment performance is measured on the basis of internal reporting to the Executive Board, primarily segment revenue and segment EBITDA.

The table below shows revenue generated through business with third parties in each country (based on the location of customer headquarters):

€ thousand	2020	2019
Germany	328,742	468,354
North America	644,344	683,459
Rest of the world	2,349,657	2,807,062
	<b>3,322,743</b>	<b>3,958,875</b>

The table below shows non-current assets in each country:

€ thousand	2020	2019
Germany	651,440	747,465
North America	35,777	54,618
Rest of the world	317,620	278,852
	<b>1,004,837</b>	<b>1,080,935</b>

## Notes to the consolidated statement of financial position

### 1 Intangible assets

The carrying amount of intangible assets changed as follows:

€ thousand	Industrial property rights and similar rights and assets as well as licenses	Goodwill	Capitalised development expenditure	Advance payments made	Total
<b>31 December 2018</b>					
Cost	208,411	103,260	416,100	162	727,933
Accumulated depreciation	143,590	0	256,160	0	399,750
<b>Net carrying amount</b>	<b>64,821</b>	<b>103,260</b>	<b>159,940</b>	<b>162</b>	<b>328,183</b>
<b>Changes in 2019</b>					
<b>Cost</b>					
Consolidated additions	6,124	37,289	0	0	43,413
Additions	25,376	0	32,516	36	57,928
Disposals	7,489	0	155	0	7,644
Transfers	165	0	0	-170	-5
Exchange differences	218	514	0	0	732
<b>Amortisation</b>					
Additions	25,837	17,545	41,155	0	84,537
Disposals	7,208	0	25	0	7,233
Transfers	-32	0	0	0	-32
Exchange differences	208	-25	0	0	183
<b>Net carrying amount at 31 December 2019</b>	<b>70,410</b>	<b>123,543</b>	<b>151,171</b>	<b>28</b>	<b>345,152</b>
<b>31 December 2019</b>					
Cost	232,805	141,063	448,461	28	822,357
Accumulated depreciation	162,395	17,520	297,290	0	477,205
<b>Net carrying amount</b>	<b>70,410</b>	<b>123,543</b>	<b>151,171</b>	<b>28</b>	<b>345,152</b>

Table continued on next page



€ thousand	Industrial property rights and similar rights and assets as well as licenses	Goodwill	Capitalised development expenditure	Advance payments made	Total
<b>Changes in 2020</b>					
<b>Cost</b>					
Consolidated additions	0	0	0	0	0
Additions	12,869	0	23,675	4	36,548
Disposals	2,285	0	0	6	2,291
Transfers	38	0	-30	-14	-6
Exchange differences	-1,365	-5,345	0	0	-6,710
<b>Amortisation</b>					
Additions	21,759	17,904	36,736	0	76,399
Disposals	2,236	0	0	0	2,236
Transfers	0	0	0	0	0
Exchange differences	-599	-1,468	0	0	-2,067
<b>Net carrying amount at 31 December 2020</b>	<b>60,743</b>	<b>101,762</b>	<b>138,080</b>	<b>12</b>	<b>300,597</b>
<b>31 December 2020</b>					
Cost	242,062	135,718	472,106	12	849,898
Accumulated depreciation	181,319	33,956	334,026	0	549,301
<b>Net carrying amount</b>	<b>60,743</b>	<b>101,762</b>	<b>138,080</b>	<b>12</b>	<b>300,597</b>

The additions to industrial property rights and licenses mainly relate to licenses for IT software. Customer bases amounting to €6,724 thousand (previous year: €8,716 thousand) are included in the carrying amount as of the reporting date.

All goodwill underwent regular impairment testing in accordance with IAS 36, as in the previous year. Impairment testing is performed on the basis of value in use at the level of the smallest cash-generating unit (CGU) or group

of cash-generating units. The cash flow projections underlying impairment tests are based on the approved financial forecasts within the forecast period. These forecasts are based in part on external sources of information. They also take into account price agreements based on past experience and expected efficiency gains as well as assumptions about revenue growth based on strategy.

The table below provides an overview of the tested goodwill and the assumptions used for the respective impairment tests, each of which was performed at the level of the smallest cash-generating unit (CGU):

CGU		Carrying amount of goodwill in € thousand	Forecast period in years	Annual revenue growth at end of forecast period	Discount rate before taxes
IPS	2020	31,404 <sup>2)</sup>	3	1.0%	5.3%
	2019	34,408	3	1.0%	6.2%
SPRINKMAN	2020	–	3	2.0%	11.2%
	2019	3,107	3	2.0%	10.9%
MHT	2020	20,180	3	1.0%	7.0%
	2019	20,180	5	1.0%	8.2%
S.P.S	2020	1,188	3	1.0%	7.6%
	2019	4,307	3	1.0%	9.0%
JAVLYN	2020	4,197 <sup>2)</sup>	3	1.5%	13.3%
	2019	4,589	3	1.5%	12.9%
TRANS-MARKET	2020	–	3	2.0%	11.2%
	2019	7,219	3	2.5%	10.9%
SYSTEM LOGISTICS	2020	30,906	3	1.0%	7.0%
	2019	30,906	3	1.0%	8.3%
HST	2020	4,258	3	1.0%	6.9%
	2019	4,258	3	1.0%	9.2%
TRIACOS	2020	–	3	1.0%	6.1%
	2019	4,631	3	1.0%	8.3%
Other <sup>1) 2)</sup>	2020	9,630	3 – 4	1.0% – 2.0%	7.1% – 13.4%
	2019	9,938	3 – 4	1.0% – 2.0%	7.2% – 13.4%

<sup>1)</sup> Goodwill with a carrying amount of less than €4 million in each case

<sup>2)</sup> Change due to currency translation

The pre-tax discount rates are based on risk-free interest rates, which are determined on the basis of long-term government bond yields. The discount rate is adjusted for a risk premium that reflects the general risk associated with equity investments and the specific risk of the CGU. Revenue growth at the end of the forecast period is the long-term average growth rate of the respective industrial sectors and countries in which the CGUs do business.

The impairment test resulted in the recognition of goodwill impairments in the amount of €17,904 thousand (previous year: €17,545 thousand). These mainly relate to reduced earnings prospects and are included in amortisation of intangible assets.

For the remaining CGUs that include goodwill, KRONES AG is of the opinion that no reasonably foreseeable change to any of the material basic assumptions used to determine the value in use of cash-generating units to which goodwill has been allocated could result in the carrying amount being higher than its recoverable amount.

The capitalised development expenditure relates to new machinery projects at KRONES AG. Development expenditure capitalised in the reporting period amounts to €23,675 thousand (previous year: €32,516 thousand).

As in the previous year, this includes borrowing costs in a non-material amount. Including capitalised development expenditure, a total of €167,503 thousand was spent on research and development in 2020 (previous year: €194,502 thousand). Impairment losses on capitalised development expenditure were recognised in amortisation in the reporting year in the amount of €11,135 thousand (previous year: €20,587 thousand). The charges were in-

curred in both segments (previous year: in the Machines and Lines for Product Filling and Decoration segment only) and related in the reporting period to technologies that will not be further pursued.

In the reporting period, because there were no business combinations, there were no additions to net carrying amounts for intangible assets (previous year: €43,413 thousand); the figure for the previous year includes €37,289 thousand in goodwill.

## 2 Tangible fixed assets

In 2020, as in the previous year, the depreciation figure for property, plant and equipment did not include any impairments in accordance with IAS 36. Additions to land and buildings and to construction in progress primarily related to construction of the new headquarters of SYSTEM LOGISTICS S.P.A. in Italy, establishment of the production location in Hungary and expansion at the Neutraubling location (extension of the filler centre and of control cabinet production). The €37,145 thousand in capital expenditure on technical equipment and machinery and on other equipment, furniture and fixtures and office equipment primarily relates to capacity expansion and modernisation at existing production locations.

In 2020, the carrying amounts for property, plant and equipment included government grants of €15,052 thousand (previous year: €10.802 thousand). Government grants in the amount of €332 thousand (previous year: €145 thousand) were reversed to profit or loss in 2020. As in the previous year, the depreciation figure in 2020 does not include any impairment reversals.

The reported property, plant and equipment is not subject to any restrictions of title or disposal.

In the reporting period, business combinations did not result in any addition to the net carrying amounts for property, plant and equipment (previous year: €2,242 thousand).

Property, plant and equipment, including right-of-use assets, changed as follows:

€ thousand	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures and office equipment	Construction in progress	Advance payments made	Total
<b>31 December 2018</b>						
Cost	548,595	339,635	263,139	51,472	12,660	1,215,501
Accumulated depreciation	220,256	241,958	182,467	0	0	644,681
<b>Net carrying amount</b>	<b>328,339</b>	<b>97,677</b>	<b>80,672</b>	<b>51,472</b>	<b>12,660</b>	<b>570,820</b>
<b>Changes in 2019</b>						
<b>Cost</b>						
Restatement due to IFRS 16*	63,814	573	24,094	0	0	88,481
<b>At 1 January 2019, restated</b>	<b>612,409</b>	<b>340,208</b>	<b>287,233</b>	<b>51,472</b>	<b>12,660</b>	<b>1,303,982</b>
Consolidated additions	1,264	0	978	0	0	2,242
Additions	56,314	28,363	38,054	15,542	223	138,496
Disposals	1,629	9,243	26,270	6,694	0	43,836
Transfers	37,120	4,624	3,012	-43,713	-1,030	13
Exchange differences	861	579	888	-320	-152	1,856
<b>Depreciation</b>						
Additions	35,644	21,150	41,632	0	0	98,426
Disposals	1,306	8,512	25,240	0	0	35,058
Transfers	0	-305	344	0	0	39
Exchange differences	357	333	790	0	0	1,480
<b>Net carrying amount at 31 Dec 2019</b>	<b>451,387</b>	<b>109,907</b>	<b>103,902</b>	<b>16,287</b>	<b>11,701</b>	<b>693,185</b>
<b>31 December 2019</b>						
Cost	706,339	364,531	303,895	16,287	11,701	1,402,753
Accumulated depreciation	254,951	254,624	199,993	0	0	709,568
<b>Net carrying amount</b>	<b>451,387</b>	<b>109,907</b>	<b>103,902</b>	<b>16,287</b>	<b>11,701</b>	<b>693,185</b>

Table continued on next page

€ thousand	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures and office equipment	Construction in progress	Advance payments made	Total
<b>Changes in 2020</b>						
<b>Cost</b>						
Consolidated additions	0	0	0	0	0	0
Additions	33,803	9,954	26,755	5,522	4,602	80,636
Disposals	13,418	6,470	19,645	529	0	40,062
Transfers	6,319	13,456	1,044	-8,946	-11,867	6
Exchange differences	-11,631	-5,749	-4,854	-250	-123	-22,607
<b>Depreciation</b>						
Additions	36,444	22,117	39,077	0	0	97,638
Disposals	10,168	5,132	18,796	0	0	34,095
Transfers	0	0	0	0	0	0
Exchange differences	-2,651	-3,200	-2,675	0	0	-8,526
<b>Net carrying amount at 31 Dec 2020</b>	<b>442,836</b>	<b>107,313</b>	<b>89,596</b>	<b>12,084</b>	<b>4,313</b>	<b>656,142</b>
<b>31 December 2020</b>						
Cost	721,412	375,722	307,195	12,084	4,313	1,420,726
Accumulated depreciation	278,576	268,409	217,559	0	0	764,584
<b>Net carrying amount</b>	<b>442,836</b>	<b>107,313</b>	<b>89,596</b>	<b>12,084</b>	<b>4,313</b>	<b>656,142</b>

The table below shows the recognised right-of-use assets for leased assets accounted for in property, plant and equipment:

€ thousand	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures and office equipment	Total
31 Dec 2020				
Net carrying amount	73,281	5,149	21,054	99,484
Additions	33,751	3,290	10,095	47,136
Depreciation	18,594	994	11,683	31,271

€ thousand	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures and office equipment	Total
31 Dec 2019				
Net carrying amount	61,409	2,900	23,324	87,633
Additions	17,520	3,097	12,106	32,723
Depreciation	19,919	772	12,923	33,614



Information on the corresponding lease liabilities is provided on page 172.

Interest expenses include €2,485 thousand (previous year: €3,297 thousand) in interest expense on leases. Other operating expenses include €1,936 thousand (previous year: €3,698 thousand) in expenses from short-term leases, €805 thousand (previous year: €689 thousand) in expenses from leases of low-value assets and €645 thousand (previous year: €716 thousand) in expenses for variable lease payments. Total cash outflows for leases amount to €36,851 thousand (previous year: €37,173 thousand).

### 3 Long-term financial assets

The non-current financial assets consist primarily of lendings to and investments in nonconsolidated companies.

### 4 Investments accounted for using the equity method

One associated company was accounted for using the equity method as of the reporting date (previous year: two companies).

The table below lists the associates accounted for using the equity method:

Name	Place of business	Ownership interest
		%
Associates		
TECHNOLOGISCHES INSTITUT FÜR ANGEWANDTE KÜNSTLICHE INTELLIGENZ GMBH	Weiden, Germany	44

The table below summarises the aggregated earnings data an aggregated carrying amounts of associates accounted for using the equity method:

€ thousand	2020	2019
Profit or loss for the period	– 201	– 809
Other comprehensive income	0	0
Total comprehensive income	– 201	– 809
<b>Share of profit or loss</b>	<b>– 88</b>	<b>– 356</b>
<b>Carrying amount at 31 Dec</b>	<b>3,380</b>	<b>3,369</b>

On 1 April 2019, KRONES acquired the remaining 60% ownership interest in INTEGRATED PACKAGING SYSTEMS (IPS) FZCO, Dubai. From that date onwards, the company has been fully consolidated. Until 31 March 2019, the investment was included in the consolidated financial statements as an associate accounted for using the equity method.

In financial year 2019, the share in profit or loss of INTEGRATED PACKAGING SYSTEMS (IPS) FZCO, Dubai, was –€330 thousand. The carrying amount as of the reporting date was €0 thousand.

## 5 Inventories

The inventories of the KRONES Group are composed as follows:

€ thousand	31 Dec 2020	31 Dec 2019
Raw materials, consumables and supplies	231,541	242,033
Work in progress	57,148	64,452
Finished goods	36,936	44,164
Goods purchased for sale	24,964	26,572
Other	4,531	5,302
<b>Total</b>	<b>355,120</b>	<b>382,523</b>

Inventories are recognised at the lower of cost and fair value less selling expenses.

Write-downs of €835 thousand on inventories were recognised as expense in 2020 (previous year: €1,585 thousand) and are substantially based on customary net realisable values and obsolescence allowances.

## 6 Receivables and other assets

€ thousand	31 Dec 2020	31 Dec 2019
Trade receivables	740,352	961,789
Contract assets	518,756	571,261
Other assets	156,843	165,419

The group measures expected credit losses using the simplified approach under IFRS 9; accordingly, all trade receivables and contract assets are accounted for with lifetime expected credit losses.

The loss allowance for expected credit losses on trade receivables and contract assets changed as follows:

€ thousand	2020	2019
At 1 Jan	40,569	35,572
Change due to currency effects	–473	131
Additions	10,141	5,671
Reversals	–2,647	–805
<b>At 31 Dec</b>	<b>47,590</b>	<b>40,569</b>

The loss allowances include €7,796 thousand (previous year: €5,964 thousand) in impairments of contract assets. Other assets mainly comprise advance payments made (€30,493 thousand; previous year: €19,006 thousand), current tax assets (€45,166 thousand; previous year: €61,722 thousand), prepaid expenses (€8,360 thousand; previous year: €13,887 thousand) and other financial assets (€47,364 thousand; previous year: €41,706 thousand).

The derivative financial instruments measured at fair value that were entered into for future payment receipts and meet the conditions for hedge accounting or that were entered into as stand-alone hedge transactions totalled €7,873 thousand at the reporting date (previous year: €903 thousand).

## 7 | Cash and cash equivalents

Apart from cash on hand totalling €3,209 thousand (previous year: €2,030 thousand), the cash and cash equivalents of €216,988 thousand (previous year: €110,382 thousand) consist primarily of demand deposits.



*Changes in cash and cash equivalents in accordance with IAS 7 Statement of Cash Flows are presented in the statement of cash flows on page 131.*

## 8 | Income tax

Income tax receivables and liabilities relate exclusively to income tax in accordance with IAS 12.

The income tax breaks down as follows:

€ thousand	31 Dec 2020	31 Dec 2019
Deferred tax expense/income (–)	–11,995	–17,614
Current tax	55,051	50,115
<b>Total</b>	<b>43,056</b>	<b>32,501</b>

Deferred taxes are measured on the basis of the tax rates that, based on the current legal situation, apply or are expected to apply in the various countries at the time of realisation. In Germany, the tax rates that apply are, as in the previous year, a corporate income tax rate of 15.0% plus a solidarity surcharge of 5.5% and a local trade tax multiplier (Gewerbesteuerhebesatz) for KRONES AG averaging 336%. The total income tax rate for the companies in Germany is consequently 27.6%. Tax rates abroad range as in the previous year between 9% and 35%.

The deferred tax assets and liabilities at 31 December 2020 break down by items on the statement of financial position as follows:

€ thousand	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Intangible assets	2,607	1,102	41,487	45,718
Property, plant and equipment	190	0	10,352	12,564
Non-current financial assets	347	187	443	175
Other non-current assets	3,363	1,616	320	118
Inventories	12,215	14,450	2,142	1,033
Other current assets	5,906	3,228	32,172	32,967
Tax loss carryforwards	9,369	29,155	0	0
Provisions, non-current	19,065	12,479	585	264
Other non-current liabilities	3,284	2,134	190	62
Provisions, current	13,450	13,483	333	6,121
Other current liabilities	21,517	15,502	174	374
Deferred tax items recognised in other comprehensive income	49,523	44,003	1,196	0
<b>Subtotal</b>	<b>140,836</b>	<b>137,339</b>	<b>89,394</b>	<b>99,396</b>
<b>Offsetting (–)</b>	<b>–86,402</b>	<b>–95,722</b>	<b>–86,402</b>	<b>–95,722</b>
<b>Total</b>	<b>54,434</b>	<b>41,617</b>	<b>2,992</b>	<b>3,674</b>

The deferred tax assets and liabilities recognised in other comprehensive income amounted to €49,523 thousand (previous year: €44,003 thousand) and €1,196 thousand (previous year: €0 thousand). The deferred tax assets include €49,196 thousand (previous year: €43,400 thousand) for actuarial gains and losses recognised in other comprehensive income in accordance with IAS 19. An amount of €306 thousand (previous year: €0 thousand) related to assets held for sale and an amount of €21 thousand (previous year: €603 thousand) to hedging activities. The deferred tax liabilities include €1,196 thousand (previous year: €0 thousand) for gains on hedges.



Deferred taxes on tax loss carryforwards in the amount of €163,654 thousand (previous year: €46,992 thousand) were not recognised because it is not sufficiently certain that the tax assets will be realised in the foreseeable future. These loss carryforwards can essentially be carried forward indefinitely.

Entities that made losses in the year under review and whose deferred tax assets are not covered by deferred tax liabilities have recognised deferred tax assets in the amount of €21,584 thousand. There is convincing evidence that these tax assets will be realised on the basis of management assumptions and judgements about the development of the business deriving from past experience and taking into account one-off effects in the financial year under review.

The temporary differences relating to equity interests in subsidiaries (outside basis differences) for which no deferred tax liabilities were recognised at the reporting date totalled €327,487 thousand (previous year: €300,876 thousand).

The tax expense of €43,056 thousand reported in 2020 is €53,157 thousand less than the expected tax expense that would theoretically result from application of the domestic tax rate of 27.6% at the group level. The difference can be attributed to the following:

€ thousand	2020	2019
Earnings before taxes	-36,597	41,743
Tax rate for the parent company KRONES AG	27.60%	27.60%
(Theoretical) tax income (-) / tax expense (+)	-10,101	11,521
Adjustment due to difference between local tax rate and tax rate of KRONES AG	-5,902	-656
Reductions in tax due to tax-exempt income	-1,746	-4,668
Current tax losses for which no deferred taxes recognised	23,012	7,581
Increases in tax expense due to non-deductible expenses	14,071	18,786
Tax effect of impairment of deferred taxes from loss carryforwards (+) / tax effect of as-yet unrealised deferred taxes on loss carryforwards (-)	21,232	-247
Tax income (-) / tax expense (+) for previous years	6,258	-2,814
Tax effect of as-yet unrealised deductible temporary differences	-5,072	662
Other	1,304	2,336
<b>Taxes on income</b>	<b>43,056</b>	<b>32,501</b>

## 9 Equity

KRONES AG's share capital amounted to €40,000,000.00 at 31 December 2020, as in the previous year. It is divided into 31,593,072 ordinary bearer shares, each with a theoretical par value of €1.27 per share. 31,593,072 shares were in circulation at the reporting date (previous year: 31,593,072). At 31 December 2020, as in the previous year, the company held no treasury shares.

The company is authorised in accordance with Section 71 (1) No. 8 of the German Stock Corporation Act (AktG) to buy treasury shares totalling up to 10% of the current share capital in compliance with the provisions of the law and of the authorising resolution.

The authorisation can be exercised by the company, by its consolidated companies or by a third party acting on its or their behalf, either in whole or in part, once or multiple times, in pursuit of one or multiple purposes.

The authorisation became effective upon resolution by the annual general meeting on 13 June 2018 and applies until midnight on 12 June 2023.

By resolution of the annual general meeting on 15 June 2016, the Executive Board is authorised to increase the company's share capital, with the approval of the Supervisory Board, by up to €10 million (authorised capital) through the issuance on one or more occasions of new ordinary bearer shares against cash contributions up to and including 15 June 2021. Shareholders must be granted subscription rights to these shares. The Executive Board is authorised to exclude the subscription rights of shareholders, with the approval of the Supervisory Board, for any fractional amounts that may arise. Moreover, the Executive Board is authorised to determine the further details of the capital increase and its implementation, in both cases with the approval of the Supervisory Board. The Supervisory Board is authorised to amend the articles of association in accordance with any utilisation of the authorised capital and upon expiration of the term of the authorisation.

The changes in equity that are recognised in other comprehensive income (excluding dividends) totalled –€66,730 thousand in the reporting period (previous year: –€19,285 thousand) and consist of changes in exchange differences and cash flow hedges as well as the recognition of actuarial gains and losses on pensions under other reserves. In addition, the allocation of profit or loss to non-controlling interests resulted in a change in equity of €52 thousand (previous year: –€249 thousand). The sum of changes in equity that are recognised in other comprehensive income and those that are recognised in profit or loss was –€146,383 thousand (previous year: –€10,043 thousand).

A dividend of €0.75 per share was approved for the 2019 financial year and paid out by KRONES AG in 2020 (previous year: €1.70 per share). The total dividend payout came to €23,695 thousand (previous year: €53,708 thousand).

#### Disclosures about capital management

A strong equity position is an important prerequisite for ensuring KRONES' long-term survival. To achieve this, KRONES regularly monitors and manages its capital on the basis of the equity ratio. In order to share the company's success with shareholders, KRONES' policy is to pay out 25% to 30% of consolidated profit in the form of dividends.

#### 10 Capital reserves

The capital reserves total €141,724 thousand (previous year: €141,724 thousand). The capital reserves include amounts transferred under Section 272 (2) No. 4 of the German Commercial Code (HGB) and amounts transferred under Section 272 (2) No. 1 HGB totalling €37,848 thousand.

#### 11 Profit reserves

The legal reserve remains unchanged from the previous year at €51 thousand.

The other profit reserves include deductions for negative goodwill from acquisition accounting for subsidiaries consolidated before 1 January 2004 and adjustments made directly in equity at 1 January 2004 on the first-time application of IFRS. They also include the adjustments made directly in equity on the first-time application of IFRS 9 and IFRS 15 as of 1 January 2018.

In the previous year, profit reserves included exchange differences containing the currency translations of financial statements of foreign subsidiaries that are recognised in other comprehensive income. In the 2020 financial

statements, these exchange differences are presented under other reserves. The –€30,275 thousand in reserves for exchange differences reported at 31 December 2019 have consequently been reclassified to other reserves. The profit reserves carried forward therefore changed from €340,278 thousand to €370,553 thousand, and the other reserves carried forward from –€116,313 thousand to –€146,588 thousand. The reclassification has no effect on financial performance or the financial position.

## 12 Other reserves

Exchange differences recognised under other reserves contain the currency translations of financial statements of foreign subsidiaries that are recognised in other comprehensive income. Changes in other reserves are shown in the consolidated statement of changes in equity.

Other reserves changed as follows in financial year 2020:

€ thousand	Reserve for post-employment benefits	Reserve for cash flow hedges	Reserve for exchange differences	Other	Total
<b>At 31 Dec 2018</b>	<b>–87,109</b>	<b>–1,247</b>	<b>–38,143</b>	<b>–804</b>	<b>–127,303</b>
Measurement change	–37,149	–805	7,868	0	–30,086
Tax on items taken directly to or transferred from equity	10,581	220	0	0	10,801
<b>At 31 Dec 2019</b>	<b>–113,677</b>	<b>–1,832</b>	<b>–30,275</b>	<b>–804</b>	<b>–146,588</b>
Measurement change	–21,437	7,266	–56,708	0	–70,879
Tax on items taken directly to or transferred from equity	5,938	–1,789	0	0	4,149
<b>At 31 Dec 2020</b>	<b>–129,176</b>	<b>3,645</b>	<b>–86,983</b>	<b>–804</b>	<b>–213,318</b>

The measurement changes for cash flow hedges include additions of €3,645 thousand and amounts reclassified to profit or loss totalling –€1,832 thousand after taxes.

## 13 Non-controlling interests

In the 2020 financial year, non-controlling interests totalled –€577 thousand (previous year: –€629 thousand).

*A detailed overview of the composition of and changes to the individual equity components for the KRONES Group in 2020 and the previous year is presented in the statement of changes in equity on page 132.*



## 14 Provisions for pensions

Provisions for pensions are recognised for obligations relating to vested benefits and current benefit payments for eligible active and former employees of KRONES Group companies and their surviving dependants. Various forms of retirement provision exist depending on the legal, economic and tax circumstances of the relevant country and are generally based on employees' remuneration and years of service.

Company pension plans are generally either defined contribution plans or defined benefit plans.

In defined contribution plans, the company does not assume any obligations beyond establishing contribution payments to special-purpose funds. Contributions are recognised as personnel expense in the year in which they are paid.

In defined benefit plans, the company undertakes an obligation to render the benefits promised to active and former employees, where a distinction is made between systems financed by provisions and systems financed through pension funds. The amount of the pension obligations (the defined benefit obligation) was computed in accordance with actuarial methods.

Apart from the assumptions regarding life expectancy based on the 2018G Heubeck actuarial tables, the following average values for the group were also taken into account in the actuarial calculations:

The basis for calculating provisions for pensions in Germany is the company's pension scheme from 31 December 1982, which is closed to new entrants. The scheme entitles all covered employees to post-employment, permanent disability, and widow(er)'s pensions. The age limits are 63 for men and 60 for women. The post-employment pension amounts to 1% (0.5% beginning 1 January 1983) of the eligible earned income for each eligible year of employment, not to exceed 25%. It should also be noted that a safeguard for workers' benefits was put into place at the time the new scheme was established on 31 December 2014.

The basis for measurement of the permanent disability and widow(er)'s pensions (50% of post-employment pension) is the post-employment pension that can be earned by the time the employee reaches the age limit, although for the permanent disability benefit only that portion is granted which corresponds to the years of service actually reached. The measurement date for eligible years of service is 31 December 1982. A fixed table applies to new entries after this date. The individual provisions are based on individual contractual agreements.

There are further non-material pension plans in Germany and other countries. These therefore do not need to be described in detail.

Both the defined benefit obligations and plan assets are subject to fluctuations over time. This can have a positive or negative effect on funding status. Fluctuations in the defined benefit obligation within the KRONES Group result primarily from changes in financial assumptions such as discount rates and increases in the cost of living as well as changes in demographic assumptions such as changed life expectancy.

%	Average for the group	
	2020	2019
Discount rate	0.8	1.2
Projected increases in wages and salaries	0.0	0.0
Projected increases in state pensions	2.0	2.0

The rates recommended for measuring pension liabilities at the end of the business year as published by Heubeck AG, Mercer Deutschland GmbH, TowersWatson and AON Hewitt are used to determine the relevant discount rates. These values, which in turn are determined on the basis of market yields on senior fixed-coupon corporate bonds, are used to obtain an interest rate that reflects the anticipated benefit payments.

The following amounts are expected to be contributed to the defined benefit obligation in the coming years.

€ thousand	2020
Within the next 12 months	6,677
Between 2 and 5 years	28,833
Between 5 and 10 years	42,743

The average weighted residual term of post-employment benefit obligations is 20 years (previous year: 20 years).

The projected increases in wages and salaries comprise expected future pay increases, which are estimated each year on the basis of inflation and employees' years of service with the company. Since the pension commitments at our companies in Germany are independent of future pay increases, the projected increase in wages and salaries was not taken into account when determining the corresponding pension provisions.

Increases or decreases in either the net present value of defined benefit obligations or the fair value of fund assets can result in actuarial gains or losses due to factors such as changes in parameters, changes in estimates relating to the risks associated with the pension commitments and differences between the actual and expected return on plan assets. The net value of the pension provisions breaks down as follows:

€ thousand	31 Dec 2020	31 Dec 2019	31 Dec 2018
Present value of benefit commitments financed by provisions	252,965	234,644	199,099
Present value of benefit commitments financed through pension funds	54,406	53,134	49,534
Present value of benefit commitments (gross)	307,371	287,778	248,633
Fair value of plan assets	-25,958	-27,584	-28,083
<b>Carrying amount at 31 December (net defined benefit obligation)</b>	<b>281,412</b>	<b>260,194</b>	<b>220,550</b>

The pension provisions, which amounted to €268,794 thousand at the reporting date (previous year: €248,672 thousand), are primarily attributable to KRONES AG. The actuarial gains or losses resulting from changes in financial assumptions totalled €21,507 thousand (previous year: €37.802 thousand). Experience adjustments total -€333 thousand (previous year: -€653 thousand); adjustments due to changes in demographic assumptions total €0 thousand (previous year: €0 thousand).

The costs arising from pension obligations amounted to €3,778 thousand (previous year: €5,889 thousand) and break down as follows:

€ thousand	31 Dec 2020	31 Dec 2019	31 Dec 2018
Current service cost	692	1,213	727
Interest expense	3,521	5,010	4,562
Expected return on plan assets	-435	-553	-508
Past service cost and plan curtailments	0	218	491
<b>Costs arising from pension obligations</b>	<b>3,778</b>	<b>5,889</b>	<b>5,272</b>

The present value of defined benefit obligations, which amounted to €307,371 thousand (previous year: €287,778 thousand), the fair value of the plan assets, which amounted to €25,958 thousand (previous year: €27,584 thousand), and the net amount of the two items reconcile as follows:

€ thousand	Present value of benefit commitments	Fair value of plan assets	Total
<b>At 1 January 2019</b>	<b>248,633</b>	<b>-28,083</b>	<b>220,550</b>
Consolidated additions	0	0	0
Current service cost	1,213	0	1,213
Interest expense (+)/interest income (-)	5,010	-553	4,457
Actuarial gains/losses	38,819	-1,670	37,149
Employer contributions	0	-477	-477
Benefits paid	-6,518	3,205	-3,313
Recognised past service cost	929	0	929
Exchange differences	-308	-7	-315
<b>At 31 December 2019</b>	<b>287,778</b>	<b>-27,584</b>	<b>260,194</b>

€ thousand	Present value of benefit commitments	Fair value of plan assets	Total
<b>At 1 January 2020</b>	<b>287,778</b>	<b>-27,584</b>	<b>260,194</b>
Consolidated additions	0	0	0
Current service cost	692	0	692
Interest expense (+)/interest income (-)	3,521	-435	3,086
Actuarial gains/losses	21,814	-259	21,555
Employer contributions	0	-421	-421
Benefits paid	-6,872	2,736	-4,136
Recognised past service cost	944	0	944
Exchange differences	-507	5	-502
<b>At 31 December 2020</b>	<b>307,371</b>	<b>-25,958</b>	<b>281,412</b>

The actuarial gains or losses mainly relate to changes in financial assumptions. KRONES Unterstutzungs-Fonds e.V., an occupational pension scheme, is responsible for administrating and managing a portion of the plan assets. KRONES AG is the scheme's sponsoring company. Allianz Global Investor is responsible for administrating and managing another portion of the plan assets as pension liability insurer.

The fair value of plan assets was €26.0 million as of 31 December 2020 (previous year: €27.6 million). Of that, €23.4 million consist of pension liability insurance policies (previous year: €23.5 million). The rest of the plan assets are attributable to KRONES Unterstutzungs-Fonds e.V., headquartered in Neutraubling. The fund assets are invested in a special-purpose fund that is administered and actively managed by Allianz GI (AGI). The eligible instruments are specified in the investment guidelines.

A defensive investment strategy is used. At 31 December 2020, the AGI fund consisted of 39.7% government bonds, 6.9% Pfandbriefe (covered bonds governed by the German Pfandbrief Act), and 18.2% investment-grade corpo-

rate bonds. The amount held as cash in hand came to 0.5%. The remainder was primarily equity funds. Interest rate risk is actively managed using interest rate futures. The duration of the investment volume is 2.37 years. Management of currency risk: No direct currency investments are made. The overall rating of the fund assets is A+. KRONES AG's plan assets are secured as follows: 90% through the pension liability insurance policies from Allianz and 10% through KRONES Unterstutzungs-Fonds e.V.

The expected contributions to plan assets in 2021 are €401 thousand.

The expected pension benefit payments to be paid out of plan assets in 2021 amount to €2,656 thousand.

In 2020, a total of €59,948 thousand (previous year: €56,742 thousand) was spent on the employer contribution to defined contribution plans (contributions to pension insurance).

The sensitivity of the total pension commitments to changes in the weighted assumptions is as follows:

	Change in assumption	Effect on the obligation	
		Assumption increases	Assumption decreases
Discount rate	0.50%	9.2% decrease	10.6% increase
Change in state pensions	0.50%	7.5% increase	6.9% decrease
Life expectancy	1 year	4.2% increase	3.7% decrease

The above sensitivity analysis is based on a change in one assumption, with all other factors held constant. It is unlikely that this would be the case in reality and changes in several assumptions may be correlated. The same method was used to calculate the sensitivity of the defined benefit obligation to actuarial assumptions as was used to calculate the provisions for pensions in the statement of financial position.

## 15 Other provisions

€ thousand	1 Jan 2020	Consolidated additions	Utilisation	Reversal	Unwinding of discount/ change in discount rate	Additions	Exchange differences	31 Dec 2020	Due within 1 year
Personnel obligations	82,455	0	31,721	450	729	43,721	-969	93,765	38,349
Provisions for anticipated losses	18,895	0	8,980	3,385	0	28,452	-510	34,472	34,269
Provisions for warranties	58,580	0	6,644	2,506	35	23,804	-363	72,906	58,395
Other remaining provisions	56,310	0	15,209	8,206	10	45,719	-2,324	76,300	67,011
<b>Total</b>	<b>216,240</b>	<b>0</b>	<b>62,554</b>	<b>14,547</b>	<b>774</b>	<b>141,696</b>	<b>-4,166</b>	<b>277,443</b>	<b>198,024</b>

The provisions for personnel obligations primarily comprise, alongside provisions for severance payments, provisions for non-current obligations relating to partial retirement. The provisions for severance payments were recognised in the amount of €32,376 thousand (previous year: €26,528 thousand) in connection with restructuring and relate to a planned reduction in the workforce by 350 employees in Germany. The personnel obligations include €729 thousand for the effects of the time value of money (previous year: €964 thousand).

Provisions for anticipated losses relate to anticipate losses arising from customer contracts. As soon as an anticipated loss is identified, a provision is immediately recognised for it at the expected amount.

The provisions for warranties relate to project business and represent the expected costs from customer orders. The estimates for liabilities relating to project business are based on experience in recent years and mostly have a contractual term of between one and two years from acceptance. KRONES therefore expects that the majority of provisions for warranties will be settled within the next two years.

The other remaining provisions primarily include provisions for damages and legal fees. The non-current provisions have been discounted using rates between 0.5% and 1.4%.

## 16 Liabilities

€ thousand	Residual term of up to 1 year	Residual term of 1 to 5 years	Residual term of over 5 years	Total at 31 Dec 2020
Liabilities to banks	27,005	5,059	0	32,064
Contract liabilities	405,094	0	0	405,094
Trade payables	370,315	44	0	370,359
Other financial obligations	19,003	11,226	0	30,229
Liabilities from leases	28,058	50,851	16,308	95,217
Other liabilities*	299,973	24,116	0	324,089
<b>Total</b>	<b>1,149,448</b>	<b>91,296</b>	<b>16,308</b>	<b>1,257,052</b>

\* The other liabilities include €78,111 thousand in financial liabilities.



€ thousand	Residual term of up to 1 year	Residual term of 1 to 5 years	Residual term of over 5 years	Total at 31 Dec 2019
Liabilities to banks	72,178	64	0	72,242
Contract liabilities	442,884	0	0	442,884
Trade payables	463,722	14	0	463,736
Other financial obligations	5,085	45,666	0	50,751
Liabilities from leases	29,802	56,034	3,212	89,048
Other liabilities*	325,818	2,600	0	328,418
<b>Total</b>	<b>1,339,489</b>	<b>104,378</b>	<b>3,212</b>	<b>1,447,079</b>

\* The other liabilities include €98,654 thousand in financial liabilities.

Liabilities to banks (drawings on carried current credit lines, unsecured) carried interest at an average rate of 0.25% in the financial year.

#### Reconciliation of movements in liabilities to cash flow from financing activities

The table below shows changes in liabilities to banks and lease liabilities as a result of cash and non-cash changes.

€ thousand	31 Dec 2019	Other changes	Cash changes	Non-cash change due to acquisitions	31 Dec 2020
Liabilities to banks	72,242		-40,178		32,064
Liabilities from leases	89,048	41,337	-35,168		95,217
<b>Total</b>	<b>161,290</b>	<b>41,337</b>	<b>-73,346</b>		<b>127,281</b>

€ thousand	31 Dec 2018	Non-cash change due to first-time application of IFRS 16	Other changes	Cash changes	Non-cash change due to acquisitions	31 Dec 2019
Liabilities to banks	3,724			68,518	0	72,242
Liabilities from leases	295	88,186	31,537	-32,156	1,186	89,048
<b>Total</b>	<b>4,019</b>	<b>88,186</b>	<b>31,537</b>	<b>36,362</b>	<b>1,186</b>	<b>161,290</b>

The other changes mainly comprise additions from new leases.

The other financial liabilities are obligations on bills, put/call options and earn-out obligations. Under IFRS 9, the obligations on bills represent possible liabilities from bills sold and are also recognised as trade receivables amounting to €168 thousand (previous year: €0 thousand).

The other liabilities break down as follows:

€ thousand	Residual term of up to 1 year	Residual term of 1 to 5 years	Residual term of over 5 years	Total at 31 Dec 2020
Tax liabilities	35,102	47	0	35,149
Social security liabilities	5,773	0	0	5,773
Payroll liabilities	19,442	815	0	20,257
Accruals	157,603	0	0	157,603
Other	82,053	23,254	0	105,307
<b>Total</b>	<b>299,973</b>	<b>24,116</b>	<b>0</b>	<b>324,089</b>



The 'other' item includes €68,288 thousand in liabilities for severance payments.

Accruals, which amounted to €157,603 thousand (previous year: €221,998 thousand), have greater certainty with respect to their amount and timing than is the case with provisions. The primary items they include are outstanding supplier invoices, obligations relating to flexible working hours, accrued vacation, and performance bonuses.

€ thousand	Residual term of up to 1 year	Residual term of 1 to 5 years	Residual term of over 5 years	Total at 31 Dec 2019
Tax liabilities	36,382	74	0	36,456
Social security liabilities	8,959	0	0	8,959
Payroll liabilities	23,802	928	0	24,730
Accruals	221,998	0	0	221,998
Other	34,677	1,598	0	36,275
<b>Total</b>	<b>325,818</b>	<b>2,600</b>	<b>0</b>	<b>328,418</b>

## 17 Contingent liabilities

There were no contingent liabilities in the reporting period or in the previous year.

## 18 Other disclosures relating to financial instruments

The derivative financial instruments of the KRONES Group substantially cover the currency risks relating to the US dollar, the Canadian dollar, the Norwegian krone, the Japanese yen and the euro. The nominal and fair values of the derivative financial instruments are as follows at the reporting date:

€ thousand	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	Nominal value	Nominal value	Fair value	Fair value
<b>Financial assets</b>				
<b>Currency hedging</b>				
Forward exchange contracts	222,835	85,689	7,873	903
of which hedge accounting	27,689	76,953	4,798	872
<b>Financial liabilities</b>				
<b>Currency hedging</b>				
Forward exchange contracts	173,698	197,511	777	3,392
of which hedge accounting	6,258	97,853	115	2,479

The fair value includes the difference between the forward rate received from the relevant commercial bank and the rate at the reporting date together with appropriate premiums or discounts under accepted appraisal methodologies. These financial instruments are generally accounted for at the trade date.

Default risk relating to derivative financial instruments in the event of counterparty default is limited to the balance of the positive fair values. The cash flow hedges presented are judged to be effective.

The net loss from derivatives was –€4,074 thousand in the reporting period (previous year: –€5,037 thousand). The German master agreements and ISDA agreements do not meet the criteria to require offsetting in the consolidated statement of financial position. That is because the company currently does not have a legally enforceable right to offset the recognised amounts. The right to offset these amounts is only enforceable if future events occur such as insolvency of a party to the contract. Hedging transactions entered into directly by subsidiaries of the KRONES Group also cannot be offset.

The table below presents the carrying amounts of the financial assets and liabilities underlying these agreements:

€ thousand	31 Dec 2020	31 Dec 2019
<b>Financial assets</b>		
Gross amounts of recognised financial assets	1,527,197	1,688,445
Amounts that are netted in accordance with IAS 32.42	0	0
Net amounts of recognised financial assets	1,527,157	1,688,445
Amounts subject to master netting agreement		
Derivatives	-7,873	-3,392
Net amount of financial assets	1,519,324	1,685,053
<b>Financial liabilities</b>		
Gross amounts of recognised financial liabilities	605,980	774,431
Amounts that are netted in accordance with IAS 32.42	0	0
Net amounts of recognised financial liabilities	605,980	774,431
Amounts subject to master netting agreement	0	0
Derivatives	-784	-903
Net amount of financial liabilities	605,196	773,528

The following table presents the financial instruments by their measurement categories and classes and also shows how the financial instruments that are measured at fair value fit within the fair value hierarchy.

31 Dec 2020		Measurement under IFRS 9					Measurement hierarchy		
€ thousand	Carrying amount at 31 Dec 2020	Of which subject to IFRS 7	At amortised cost (Ac)	At fair value through profit or loss (FVTPL)	At fair value through other comprehensive income (FVOCI)	Measurement under IFRS 16	Level 1	Level 2	Level 3
<b>Assets</b>									
Non-current financial assets	29,841	3,737	3,737						
Trade receivables	740,352	740,352	740,352						
Contract assets	518,756	518,756	518,756						
Other assets	156,843	47,364	39,491	3,075	4,798			7,873	
of which derivatives	7,873	7,873		3,075	4,798			7,873	
Cash and cash equivalents	216,988	216,988	216,988						
<b>Liabilities</b>									
Liabilities to banks	32,064	32,064	32,064						
Trade payables	370,359	370,359	370,359						
Other financial liabilities and lease liabilities	125,446	125,446	741	29,488		95,217			29,488
Other liabilities and provisions	324,089	78,111	77,327	669	115			784	
of which derivatives	784	784		669	115			784	

31 Dec 2019		Measurement under IFRS 9					Measurement hierarchy		
€ thousand	Carrying amount at 31 Dec 2019	Of which subject to IFRS 7	At amortised cost (Ac)	At fair value through profit or loss (FVTPL)	At fair value through other comprehensive income (FVOCI)	Measurement under IFRS 16	Level 1	Level 2	Level 3
<b>Assets</b>									
Non-current financial assets	28,127	3,307	3,307						
Trade receivables	961,789	961,789	961,789						
Contract assets	571,261	571,261	571,261						
Other assets	165,419	41,706	40,803	31	872			903	
of which derivatives	903	903		31	872			903	
Cash and cash equivalents	110,382	110,382	110,382						
<b>Liabilities</b>									
Liabilities to banks	72,242	72,242	72,242						
Trade payables	463,736	463,736	463,736						
Other financial liabilities and lease liabilities	139,799	139,799		50,751		89,048			50,751
Other liabilities and provisions	328,418	98,654	95,262	913	2,479			3,392	
of which derivatives	3,392	3,392		913	2,479			3,392	

Financial instruments categorised as Level 3 inputs and measured at fair value developed as follows:

€ thousand	2020	2019
Net carrying amount at 1 January	50,751	41,083
Additions resulting from acquisitions	0	0
Changes	-21,263	9,668
(of which currency effects)	-79	172
(of which payouts)	-11,595	0
Net carrying amount at 31 December	29,488	50,751

There were no other changes. The financial liabilities, which are based on individual measurement parameters and recognised at fair value, comprise contingent consideration and combined put/call options relating to acquisi-

tions. These items are recognised under other financial liabilities and have been measured on the basis of recognised accounting models, taking into account contractual agreements as well as market and company data available at the reporting date.

The fair value of the put/call option for SYSTEM LOGISTICS was measured using the discounted cash flow method. The main input factors are medium-term planning and the discount rate. The estimated range of the undiscounted exercise prices, as a result of a renegotiation, is between €22,000 thousand and €24,000 thousand at the reporting date. On this basis, the fair value at the reporting date was €21,160 thousand. The fair value of the put option for IPS PLASTICS was €150 thousand at the reporting date.

There were no transfers between levels of the hierarchy.

The age structure of trade receivables and other receivables is as follows at 31 December 2020:

€ 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 2020	Trade receivables and contract assets	1,259,108	1,130,227	82,798	26,194	17,698	2,191
31 Dec 2019	Trade receivables and contract assets	1,533,050	1,368,344	115,204	21,677	19,501	8,324

The default risk to which the Group is exposed in trade receivables and contract assets primarily depends on customer creditworthiness.

KRONES' management has implemented a process in which each customer is assessed in terms of creditworthiness on the basis of external data such as ratings or internal data such as payment history and past-due status of receivables.

The final assessment is made on the basis of customer groups and a classification of customers into one of five risk categories, A to E, according to past-due status.

An expected credit loss rate is computed for each risk category on the basis of meaningful data.

The table below shows the gross carrying amounts and expected credit losses on trade receivables and contract assets:

Rating-based at 31 Dec 2020	Gross carrying amount in € thousand	Average loss rate	Loss allowance in € thousand
Key accounts	438,262	0.32%	1,210
Major customers	531,096	1.85%	8,319
<b>Total</b>	<b>969,358</b>		<b>9,529</b>

Rating-based at 31 Dec 2019	Gross carrying amount in € thousand	Average loss rate	Loss allowance in € thousand
Key accounts	536,860	0.11%	501
Major customers	706,849	1.81%	7,224
<b>Total</b>	<b>1,243,709</b>		<b>7,725</b>

Indicators that trade receivables and contract assets may be impaired include significant financial difficulties on the part of the customer.

	Category					Total
31 Dec 2020	A	B	C	D	E	
Average loss rate (%)	0.80%	0.74%	6.03%	14.23%	26.05%	
Gross carrying amount in € thousand	266,941	31,732	10,684	11,019	16,965	<b>337,341</b>
Loss allowance in € thousand	2,133	234	645	1,568	4,419	<b>8,999</b>

	Category					Total
31 Dec 2019	A	B	C	D	E	
Average loss rate (%)	0.56%	0.50%	1.45%	4.20%	11.21%	
Gross carrying amount in € thousand	252,763	42,674	15,182	7,001	12,291	<b>329,911</b>
Loss allowance in € thousand	1,417	212	220	294	1,378	<b>3,521</b>

In addition, specific valuation allowances were recognised in the amount of €29,063 thousand (previous year: €24,874 thousand) for uncollectible receivables.

The following overview of maturities shows how the undiscounted cash flows relating to liabilities as of 31 December 2020 influence the company's liquidity situation.

€ thousand	Carrying amount at 31 Dec 2020	Cash flow 2021		Cash flow 2022–2025		Cash flow beyond 2025	
		Interest	Repayment	Interest	Repayment	Interest	Repayment
Derivative financial instruments	784	0	735	0	49	0	0
Liabilities to banks	32,064	43	27,005	158	3,809	7	1,250
Trade payables	370,359	0	370,315	0	44	0	0
Liabilities from leases	95,217	713	28,058	2,494	50,851	1,315	16,308
Other financial liabilities	107,556	0	95,369	0	12,187	0	0
	<b>605,980</b>	<b>756</b>	<b>521,482</b>	<b>2,652</b>	<b>66,940</b>	<b>1,322</b>	<b>17,558</b>

€ thousand	Carrying amount at 31 Dec 2019	Cash flow 2020		Cash flow 2021–2024		Cash flow beyond 2024	
		Interest	Repayment	Interest	Repayment	Interest	Repayment
Derivative financial instruments	3,392	0	2,828	0	564	0	0
Liabilities to banks	72,242	0	72,178	3	64	0	0
Trade payables	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
	<b>774,431</b>	<b>2,082</b>	<b>668,877</b>	<b>5,128</b>	<b>103,892</b>	<b>611</b>	<b>3,212</b>

**Material items denominated in foreign currencies in accordance  
with IFRS 7 classes:**

31 Dec 2020 € thousand	Currency USD	Currency NOK	Currency CAD	Currency CNY	Currency GBP
Cash and cash equivalents	3,213	0	350	0	0
Trade receivables		957	0	0	12
Other financial receivables	0	0	0	0	0
Derivatives at positive market values	7,372	20	17	141	27
<b>Total assets</b>	<b>10,585</b>	<b>977</b>	<b>367</b>	<b>141</b>	<b>39</b>
<b>Liabilities</b>					
Trade payables	6,542	9	1,229	0	637
Liabilities to banks	0	0	0	0	0
Other liabilities	0	0	0	0	0
Derivatives at negative market values	367	4	211	115	13
<b>Total liabilities</b>	<b>6,909</b>	<b>13</b>	<b>1,440</b>	<b>115</b>	<b>650</b>
<b>Balance of assets and liabilities</b>	<b>3,676</b>	<b>964</b>	<b>-1,073</b>	<b>26</b>	<b>-611</b>
<b>Net exposure at 31 Dec 2020</b>	<b>3,676</b>	<b>964</b>	<b>-1,073</b>	<b>26</b>	<b>-611</b>

A change in reporting date closing rate by +10% in relation to the foreign currency against the euro (indirect quotation) would have the following effect on consolidated net income and other equity components:

€ thousand	Currency USD	Currency NOK	Currency CAD	Currency CNY	Currency GBP
Consolidated statement of profit and loss	-4,321	162	621	1,847	-138
Consolidated equity	12,762	0	251	0	-111



31 Dec 2019 € thousand	Currency USD	Currency NOK	Currency CAD	Currency CNY	Currency GBP
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
<b>Total assets</b>	<b>705</b>	<b>1.920</b>	<b>450</b>	<b>1</b>	<b>474</b>
<b>Liabilities</b>					
Trade payables	2,044	18	8,117	317	-3,129
Liabilities 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
<b>Total liabilities</b>	<b>3,655</b>	<b>42</b>	<b>9,315</b>	<b>862</b>	<b>-3,137</b>
<b>Balance of assets and liabilities</b>	<b>-2,950</b>	<b>1,878</b>	<b>-8,865</b>	<b>-861</b>	<b>-2,663</b>
<b>Net exposure at 31 Dec 2019</b>	<b>-2,950</b>	<b>1,878</b>	<b>-8,865</b>	<b>-861</b>	<b>-2,663</b>

A change in reporting date closing rate by +10% in relation to the foreign currency against the euro (indirect quotation) would have the following effect on consolidated net income and other equity components:

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

## Notes to the consolidated statement of profit and loss

### 19 Revenue

The KRONES Group's revenue of €3,322,743 thousand (previous year: €3,958,875 thousand) is recognised revenue from contracts with customers. Revenue from contracts with customers breaks down by segment and in-voice recipients in geographical regions as follows.

€ thousand	2020		2019	
	Machines and Lines for Product Filling and Decoration	Machines and Lines for Beverage Production/ Process Technology	Machines and Lines for Product Filling and Decoration	Machines and Lines for Beverage Production/ Process Technology
Germany	258,730	70,012	394,327	74,027
Central Europe (excluding Germany)	208,333	16,894	187,141	13,832
Western Europe	356,510	110,509	448,784	171,362
Middle East/Africa	410,057	67,353	385,806	65,640
Eastern Europe	134,715	19,093	201,245	44,152
Russia, Central Asia (CIS)	60,758	3,126	69,992	6,365
Asia-Pacific	378,392	54,534	449,856	71,182
China	263,910	49,600	361,781	10,039
North and Central America	519,355	124,989	536,520	146,939
South America/Mexico	206,558	9,314	229,965	89,920
<b>Total</b>	<b>2,797,318</b>	<b>525,424</b>	<b>3,265,417</b>	<b>693,458</b>

As a result of the ongoing Covid-19 pandemic, KRONES Group revenue was significantly lower in 2020 than in the previous year. The group's contract assets and contract liabilities changed as follows in the financial year:

€ thousand	31 Dec 2020	31 Dec 2019
Contract assets	518,756	571,261
Contract liabilities	405,094	442,884

The amount of revenue recognised in 2020 that was included in the contract liability balance at the beginning of the reporting period was €442,884 thousand (previous year: €547,222 thousand).

The reduction in contract assets is mainly due to a lower volume of work in progress. The reduction in contract liabilities is mainly due to lower prepayments from customers.

The amount of the transaction price allocated to performance obligations unsatisfied (or partially unsatisfied) at the end of the reporting period was €40,962 thousand (previous year: €32,057 thousand). KRONES will recognise most of this as revenue in the next 36 months. No disclosures under IFRS 15.120 are made for performance obligations with an original expected duration of one year or less.

Most revenue in the Machines and Lines for Product Filling and Decoration segment and almost all revenue in the Machines and Lines for Beverage Production/Process Technology segment is recognised over time.

### 20 Other own work capitalised

Other own work capitalised consists primarily of capitalised development expenditure and capitalised cost of self-constructed property, plant and equipment at the Hungary and Neutraubling production locations.

With respect to development expenditure capitalised in accordance with IAS 38, please refer to the notes on intangible assets.

## 21 Other operating income

Apart from prior-period income from reversal of provisions and accruals (€5,026 thousand; previous year: €16,062 thousand), gains from disposals of non-current assets (€905 thousand; previous year: €846 thousand) and the reversal of loss allowances (€4,274 thousand; previous year: €2,032 thousand), the other operating income, which amounts to €120,453 thousand (previous year: €99,826 thousand), consists substantially of currency translation gains of €82,710 thousand (previous year: €35,505 thousand). This compares with additions to loss allowances of €15,808 thousand (previous year: €14,598 thousand) and currency translation losses of €75,236 thousand (previous year: €45,888 thousand) under other operating expenses.

## 22 Goods and services purchased

The expenses for goods and services purchased comprises expenses for materials and supplies and for goods purchased amounting to €1,316,229 thousand (previous year: €1,525,551 thousand) and expenses for services purchased amounting to €378,448 thousand (previous year: €516,237 thousand).

## 23 Personnel expenses

Within the KRONES Group, 16,561 people (previous year: 16,589) including trainees (578; previous year: 591) were employed on average over the year. The workforce of the KRONES Group is composed as follows (average for the year):

	2020	2019
White-collar employees exempt from collective agreements	2,814	2,907
Employees covered by collective agreements	13,747	13,682
<b>Total</b>	<b>16,561</b>	<b>16,589</b>

Expenses for the employer share of social insurance contributions in the amount of €4,385 thousand were reimbursed in 2020 by the German Federal Employment Agency. The reimbursement amounts were offset against personnel expenses.

## 24 Other operating expenses

Apart from the €867 thousand in prior-period losses from disposals of non-current assets (previous year: €630 thousand), the other operating expenses include additions to loss allowances on receivables (€15,808 thousand; previous year: €14,598 thousand), other taxes (€6,248 thousand; previous year: €6,152 thousand), freight costs (€106,863 thousand; previous year: €121,034 thousand), travel costs (€71,099 thousand; previous year: €115,479), currency translation losses (€75,236; previous year: €45,888 thousand), rent and cleaning costs (€7,864 thousand; previous year: €6,719 thousand), and maintenance costs (€34,064 thousand; previous year: €38,985 thousand).

## 25 Financial income/expense

The financial income/expense of €4,214 thousand (previous year: –€2,206 thousand) breaks down as follows:

€ thousand	2020	2019
Income from other securities and long-term loans	0	0
Interest and similar income	11,554	7,520
Interest and similar expenses	–7,252	–14,628
Interest income/expense	4,302	–7,108
Investment income	0	5,588
Profit or loss shares attributable to associates that are accounted for using the equity method	–88	–686
<b>Net financial income/expense</b>	<b>4,214</b>	<b>–2,206</b>

Financial income/expense includes interest and similar income of €11,554 thousand (previous year: €7,520 thousand) and interest and similar expenses of €7,252 thousand (previous year: €14,628 thousand). No income from long-term equity investments in non-consolidated entities is included in the financial year (previous year: €5,588 thousand). The interest and similar income includes €10.100 thousand (previous year: €1.231 thousand) for reductions in put options and earn-out obligations. Interest and similar expenses include €2,485 thousand (previous year: €3,297 thousand) for interest on lease liabilities and €510 thousand for an increase in earn-out obligations. In the previous year, it included €4,725 thousand for impairment of the equity-accounted shares in INTEGRATED PACKAGING SYSTEMS (IPS) FZCO, Dubai and €3,615 thousand for an increase in put options and earn-out obligations. Further information on investments accounted for using the equity method is provided in Note 4.

## 26 Income tax

Income tax amounted to –€43,056 thousand in 2020 (previous year: –€32,501 thousand). *Further information is presented under Note 8, “Income tax” (pages 157 to 158).*



## 27 Earnings per share

Under IAS 33 “Earnings per share”, basic earnings per share are calculated by dividing consolidated net income – less profit or loss shares of non-controlling interests – by the weighted average number of ordinary shares in circulation, as follows:

	2020	2019
Consolidated net income less profit or loss shares of non-controlling interests (€ thousand)	–79,705	9,491
Weighted average number of ordinary shares in circulation (shares)	31,593,072	31,593,072
<b>Earnings per share (€)</b>	<b>–2.52</b>	<b>0.30</b>

As in the previous year, diluted earnings per share are equal to basic earnings per share.

## Other disclosures

### Audit and consulting fees

The total fee invoiced by the auditor of the financial statements was as follows:

€ thousand	2020
Audit services	602
Other assurance services	64

### Disclosures in accordance with the EU Audit Regulation

The audit services include services in connection with enforcement proceedings (non-audit services) in the amount of €98 thousand.

Other assurance services include statutory audits of corporate governance and supervision systems and functions (non-audit services required by national law) and non-statutory assurance services relating to non-financial information (non-audit services).

### Events after the reporting period

There were no material events after the reporting period.

### Related party disclosures

Within the meaning of IAS 24 Related Party Disclosures, the members of the Supervisory Board and of the Executive Board of KRONES AG and the companies of the KRONES Group, including unconsolidated subsidiaries, are deemed related parties.

The ultimate controlling party of KRONES AG is Familie Kronseder Konsortium GbR. Purchases and sales between the related companies are transacted at prices customary on the market ("at arm's length"). Sales to subsidiaries that are not consolidated amounted to €20,574 thousand in 2020 (previous year: €31,534 thousand). Commissions received from such subsidiaries amounted to €4,210 thousand in 2020 (previous year: €5,262 thousand). Trade and other payment transactions resulted in assets of €9,278 thousand (previous year: assets of €11,972 thousand). Repayment is normally within twelve months. Loss allowances were recognised on receivables in the amount of €930 thousand in the financial year (previous year: €2,959 thousand). No income is included from long-term equity investments in non-consolidated entities (previous year: €5,588 thousand).

As in the previous year, there are no contingent liabilities relating to guarantees. Trade and other payment transactions with associates totalled € – thousand in 2020 (previous year: €6,946 thousand). As in the previous year, this did not result in any outstanding balance.

#### ■ Executive Board remuneration and benefits paid to former members of the Executive Board

Total Executive Board remuneration recognised as expense, plus expenses for the long-term incentive provision amounted to €4.520 thousand for the 2020 financial year (previous year: €6,897 thousand).

This includes short-term benefits in the amount of €2,756 thousand (previous year: €2,258 thousand), other long-term benefits in the amount of €568 thousand (previous year: €686 thousand) and early termination benefits in the amount of €0 thousand (previous year: €2.781 thousand). In addition, €1,196 thousand (previous year: €1,172 thousand) was paid into the contribution-based post-employment benefits plan in 2020. Information on the individual remuneration of members of the Executive Board in accordance with the provisions of the German Commercial Code (HGB) is provided in the remuneration report.

Benefits granted to former members of the Executive Board and their surviving dependants amounted to €1,679 thousand (previous year: €1,842 thousand). The benefits for the 2020 financial year consist entirely of pension benefits. IFRS pension provisions have been recognised in the amount of €13,732 thousand (previous year: €12,069 thousand).

#### ■ Supervisory Board remuneration

The total remuneration paid to members of the Supervisory Board for the 2020 financial year amounted to €833 thousand (previous year: €812 thousand). Information on the individual remuneration of members of the Supervisory Board is provided in the remuneration report.

#### ■ Corporate Governance

Shareholders can view the declaration of the Executive Board and the Supervisory Board from January 2021 pursuant to Section 161 of the German Stock Corporation Act [AktG] concerning the Corporate Governance Code as amended on 16 December 2019 at KRONES AG's website. The exceptions are also listed there.

#### ■ Risk report

*The risk report is part of the management report and is on pages 86 to 96.*



## Standards/interpretations

The accounting policies used in these consolidated financial statements correspond to the standards and interpretations whose application is mandatory as of 31 December 2020. The following new or amended standards and interpretations applied for the 2020 financial year.

Standard or interpretation	Endorsement	Application mandatory for annual periods beginning	
Conceptual Framework	Amendments to: Conceptual Framework for Financial Reporting and Amendments to References to the Conceptual Framework in IFRS Standards	completed	1 January 2020
IFRS 3	Amendments: Definition of a Business	completed	1 January 2020
IAS 1 AND IAS 8	Amendments: Definition of Material	completed	1 January 2020
IFRS 9, IAS 29 and IFRS 7	Amendments: Interest Rate Benchmark Reform – Phase 1	completed	1 January 2020

Various new or amended standards in the above table entered into force in the reporting period. These new or amended standards have no material relevance for KRONES AG.

The following standards and interpretations have been issued by the IASB but their application is not mandatory until after 31 December 2020.

Standard or interpretation	Endorsement	Application mandatory for annual periods beginning	
IFRS 4	Amendments: Deferral of IFRS 9	completed	1 January 2021
IAS 1	Amendments: Classification of Liabilities as Current or Non-Current	open	1 January 2023
IAS 16	Amendments: Proceeds before Intended Use	open	1 January 2022
IFRS 3	Amendments: Reference to the Conceptual Framework	open	1 January 2022
IAS 37	Amendments: Onerous Contracts – Cost of Fulfilling a Contract	open	1 January 2022
	Annual Improvements to IFRS – 2018–2020 Cycle	open	1 January 2022
IFRS 9, IAS 39, IFRS 4 and IFRS 7	Amendments: Interest Rate Benchmark Reform – Phase 2	completed	1 January 2021
IAS 8	Amendments: Definition of Accounting Estimates	completed	1 January 2023
IFRS 14	Regulatory Deferral Accounts	open	1 January 2016
IFRS 17	Amendments: Deferral of Effective Date	open	1 January 2023
IFRS 17	Insurance Contracts	open	1 January 2023
IFRS 16	Amendments: Covid-19-Related Rent Concessions (exempting lessees from determining whether Covid-19-related rent concessions are lease modifications)	completed	1 June 2020
IAS 1	Amendments: Disclosure of Accounting Policies	completed	1 January 2023

These standards and interpretations are not expected to have a material impact on the consolidated financial statements of KRONES AG in the reporting period to which they are applied for the first time.

## Shareholdings

Name and location of the company	Share in capital held by KRONES AG (%*)
DEKRON GMBH, Kelkheim, Germany	100.00
ECOMAC GEBRAUCHTMASCHINEN GMBH, Neutraubling, Germany	100.00
EVOGUARD GMBH, Nittenau, Germany	100.00
GERNEP GMBH ETIKETTIERTECHNIK, Barbing, Germany	100.00
HST MASCHINENBAU GMBH, Dassow, Germany	100.00
KIC KRONES INTERNATIONALE COOPERATIONS-GESELLSCHAFT MBH, Neutraubling, Germany	100.00
KRONES BETEILIGUNGSGESELLSCHAFT MBH, Neutraubling, Germany	100.00
KRONES SERVICE EUROPE GMBH, Neutraubling, Germany	100.00
MABE GMBH, München, Germany	100.00
MHT HOLDING AG, Hochheim am Main, Germany	100.00
MHT MOLD & HOTRUNNER TECHNOLOGY AG, Hochheim am Main, Germany	100.00
MILKRON GMBH, Laatzen, Germany	100.00
PMR GMBH, Wackersdorf, Germany	100.00
STEINECKER GMBH, Freising, Germany	100.00
SYSKRON GMBH, Wackersdorf, Germany	100.00
SYSKRON HOLDING GMBH, Wackersdorf, Germany	100.00
SYSKRON X GMBH, Wackersdorf, Germany	100.00
SYSTEM LOGISTICS GMBH, Wackersdorf, Germany	100.00
TECHNOLOGISCHES INSTITUT FÜR ANGEWANDTE KÜNSTLICHE INTELLIGENZ GMBH, Weiden i. d. Opf., Germany	44.00
TRIACOS CONSULTING & ENGINEERING GMBH, Altenstadt an der Waldnaab, Germany	100.00
KOSME FBA SA, Charleroi, Belgium	100.00
S.A. KRONES N.V., Louvain-la-Neuve, Belgium	100.00
KRONES SERVICE EUROPE EOOD, Sofia, Bulgaria	100.00
KRONES NORDIC APS, Holte, Denmark	100.00
KRONES S.A.R.L., Viviers-du-Lac, France	100.00

\*Direct and indirect shareholdings



Name and location of the company	Share in capital held by KRONES AG (%*)
KOSME FBA SAS, Lyon, France	100,00
KRONES UK LTD., Bolton, U.K.	100,00
SYSTEM LTD., London, U.K.	60,00
KOSME S.R.L., Roverbella (MN), Italy	100,00
KRONES S.R.L., Garda (VR), Italy	100,00
SYSTEM LOGISTICS S.P.A., Fiorano Modenese (MD), Italy	60,00
KRONES KAZAKHSTAN TOO, Almaty, Kazakhstan	100,00
IPS INTEGRATED PACKAGING SYSTEMS MALTA LTD., Naxxar, Malta	100,00
KRONES NEDERLAND B.V., Bodegraven, Netherlands	100,00
KOSME GESELLSCHAFT MBH, Sollenau, Austria	100,00
KRONES SPÓLKA Z.O.O., Warsaw, Poland	100,00
KRONES PORTUGAL EQUIPAMENTOS INDUSTRIAIS LDA., Barcarena, Portugal	100,00
KRONES ROMANIA PROD. S.R.L., Bucharest, Romania	100,00
KRONES SERVICE EUROPE SRL, Bucharest, Romania	100,00
KRONES O.O.O., Moscow, Russia	100,00
SYSTEM NORTHERN EUROPE AB, Malmö, Sweden	60,00
INTEGRATED PLASTICS SYSTEMS AG, Baar, Switzerland	70,00
KRONES AG, Buttwil, Switzerland	100,00
KRONES IBERICA, S.A.U., Barcelona, Spain	100,00
SYSTEM LOGISTICS SPAIN SL, Castellon, Spain	60,00
KONPLAN S.R.O., Pilsen, Czech Republic	100,00
KRONES S.R.O., Prague, Czech Republic	100,00
KRONES MAKINA SANAYI VE TIKARET LTD. SIRKETI, Istanbul, Turkey	100,00
KRONES UKRAINE LLC, Kiev, Ukraine	100,00
KRONES HUNGARY KFT., Debrecen, Hungary	100,00
KRONES SERVICE EUROPE KFT. (vormals MAINTEC SERVICE KFT.), Budapest, Hungary	100,00
INTEGRATED PACKAGING SYSTEMS – IPS, Cairo, Egypt	100,00
KRONES ANGOLA – REPRESENTACOES, COMERCIO E INDUSTRIA, LDA., Luanda, Angola	100,00

\*Direct and indirect shareholdings

Name and location of the company	Share in capital held by KRONES AG (%*)
KRONES SURLATINA S.A., Buenos Aires, Argentina	100,00
KRONES PACIFIC PTY LIMITED, Sydney, Australia	100,00
KRONES BANGLADESH LIMITED, Dhaka, Bangladesh	100,00
KRONES DO BRAZIL LTDA., São Paulo, Brazil	100,00
KRONES S.A., São Paulo, Brazil	100,00
KRONES CHILE SPA., Santiago de Chile, Chile	100,00
KRONES ASIA LTD., Hong Kong, China	100,00
KRONES MACHINERY (TAICANG) CO. LTD., Taicang, China	100,00
KRONES PROCESSING (SHANGHAI) CO. LTD., Shanghai, China	100,00
KRONES SALES (BEIJING) CO. LTD., Beijing, China	100,00
AUTOMATA S.A., Guatemala-Stadt, Guatemala	100,00
KRONES INDIA PVT. LTD., Bangalore, India	100,00
UNICORN INDUSTRIES LTD., Secunderabad, India	60,00
PT. KRONES MACHINERY INDONESIA, Jakarta, Indonesia	100,00
IPS JAPAN CO. LTD., Tokyo, Japan	100,00
KRONES JAPAN CO. LTD., Tokyo, Japan	100,00
KRONES (CAMBODIA) CO. LTD., Phnom Penh, Cambodia	100,00
KRONES MACHINERY CO. LTD., Mississauga, Ontario, Canada	100,00
KRONES LCS CENTER EAST AFRICA LIMITED, Nairobi, Kenya	100,00
KRONES ANDINA LTDA., Bogotá, Columbia	100,00
KRONES KOREA LTD., Seoul, Korea	100,00
KRONES MACHINERY MALAYSIA SDN. BHD., Kuala Lumpur, Malaysia	100,00
KRONES MEX S.A. DE C.V., Mexiko-Stadt, Mexico	100,00
SYSTEMLOG DE MEXICO S.A. DE C.V., Santa Caterina, Nuevo Leon, Mexico	60,00
KRONES MYANMAR LTD., Sanchaung Township, Myanmar	100,00
KRONES NEW ZEALAND LIMITED, Auckland, New Zealand	100,00
KRONES LCS CENTER WEST AFRICA LIMITED, Lagos, Nigeria	100,00

\*Direct and indirect shareholdings

Name and location of the company	Share in capital held by KRONES AG (%*)
KRONES PAKISTAN (PRIVATE) LIMITED, Lahore, Pakistan	100,00
KRONES FILIPINAS INC., Taguig City, Philippinen	100,00
KRONES-IZUMI PROCESSING PTE LTD., Singapore, Singapore	73,00
KRONES SINGAPORE LTD., Singapore	100,00
INTEGRATED PACKAGING SYSTEMS SOUTH AFRICA (PTY) LIMITED, Cape Town, South Africa	100,00
KRONES SOUTHERN AFRICA (PROP.) LTD., Johannesburg, South Africa	100,00
KRONES (THAILAND) CO. LTD., Bangkok, Thailand	100,00
SYSTEM LOGISTICS ASIA CO. LTD., Bangkok, Thailand	60,00
INTEGRATED PACKAGING SYSTEMS – IPS TUNISIA, Tunis, Tunisia	100,00
JAVLYN PROCESS SYSTEMS LLC, Rochester, New York, USA	100,00
KRONES INC., Franklin, Wisconsin, USA	100,00
MHT USA LLC., Peachtree City, Georgia, USA	100,00
PROCESS AND DATA AUTOMATION LLC, Erie, Pennsylvania, USA	100,00
SYSTEM LOGISTICS CORPORATION, Arden, North Carolina, USA	60,00
TRANS-MARKET LLC, Tampa, Florida, USA	100,00
W.M. SPRINKMAN LLC, Waukesha, Wisconsin, USA	100,00
MAQUINARIAS KRONES DE VENEZUELA S.A., Caracas, Venezuela	100,00
INTEGRATED PACKAGING SYSTEMS (IPS) FZCO, Dubai, United Arab Emirates	100,00
KRONES MIDDLE EAST AFRICA FZCO, DUBAI, United Arab Emirates	100,00
KRONES VIETNAM CO. LTD., Ho-Chi-Minh-City, Vietnam	100,00

\*Direct and indirect shareholdings

## Use of exemptions

The following fully consolidated German group companies made use of the exemption in Section 264 (3) HGB in the 2020 financial year.

---

### Name and location of the company

---

KRONES BETEILIGUNGSGESELLSCHAFT MBH, Neutraubling, Germany

---

DEKRON GMBH, Kelkheim, Germany

---

ECOMAC GEBRAUCHTMASCHINEN GMBH, Neutraubling, Germany

---

EVOGUARD GMBH, Nittenau, Germany

---

GERNEP GMBH ETIKETTIERTECHNIK, Barbing, Germany

---

HST MASCHINENBAU GMBH, Dassow, Germany

---

KIC KRONES INTERNATIONALE COOPERATIONS-GESELLSCHAFT MBH, Neutraubling, Germany

---

KRONES SERVICE EUROPE GMBH, Neutraubling, Germany

---

MILKRON GMBH, Laatzen, Germany

---

SYSTEMS LOGISTICS GMBH, Wackersdorf, Germany

---

The companies are directly and/or indirectly affiliated with KRONES AG by a profit transfer agreement.

## Members of the Supervisory Board and the Executive Board

Pursuant to Section 8 (1) of the articles of association, eight members of the Supervisory Board are elected by the shareholders in accordance with the German Stock Corporation Act (Sections 96 (1) and 101). Eight members are elected by the employees pursuant to Section 1 (1) and Section 7 (1) Sentence 1 Number 1 of the Codetermination Act.

### Supervisory Board

#### Volker Kronseder

Chairman of the Supervisory Board

\* UNIVERSITÄTSKLINIKUM  
REGENSBURG

\* WIRTSCHAFTSBEIRAT  
BAYERISCHE LANDESBANK

#### Josef Weitzer\*\*

Deputy Chairman of the  
Supervisory Board, Chairman of  
Group Central Works Council  
(since 1 July 2020)

Chairman of the Works Council  
Neutraubling

\* SPARKASSE REGENSBURG  
(until 30 September 2020)

#### Werner Schrödl\*\*

Deputy Chairman  
of the Supervisory Board  
Chairman of the Group  
Employees' Council  
Chairman of the Composite  
Employees' Council  
(until 30 June 2020)

\* Executive Board member of  
the Bavarian Company Health  
Insurance Funds Confederation

#### Markus Hüttner\*\*

Deputy Chairman of the  
Central Works Council  
Deputy Chairman of the  
Works Council  
Neutraubling  
(since 1 July 2020)

#### Dr. Verena Di Pasquale\*\*

Deputy Chairperson of DGB BAYERN  
(the German Trade Union  
Confederation in Bavaria)

#### Robert Friedmann

Spokesman for the central  
managing board of the  
WÜRTH GROUP

\* ZF FRIEDRICHSHAFEN AG

#### Klaus Gerlach\*\*

Head of Central International  
Operations and Services

#### Oliver Grober\*\*

Chairman of the Employees'  
Council, Rosenheim

#### Thomas Hiltl\*\*

Chairman of the Employees'  
Council, Nittenau

#### Norman Kronseder

Farmer and forester

\* BAYERISCHE FUTTERSaatBAU  
GMBH

#### Professor Dr. jur. Susanne Nonnast

Professor at Ostbayerische  
Technische Hochschule (OTH)  
Regensburg

#### Beate Eva Maria Pöpperl\*\*

Independent Member of the  
Employees' Council

#### Norbert Samhammer

Chief executive of  
SAMHAMMER HOLDING GMBH  
\*SAMHAMMER AG

#### Petra Schadeberg-Herrmann

Managing partner

KROMBACHER BRAUEREI

BERNHARD SCHADEBERG GMBH & CO. KG,  
KROMBACHER FINANCE GMBH,  
SCHAWEL GMBH,  
DIVERSUM HOLDING GMBH & CO. KG

#### Jürgen Scholz\*\*

First authorised representative  
IG METALL administrative office,  
Regensburg

\* INFINEON TECHNOLOGIES AG

#### Hans-Jürgen Thaus

\* MASCHINENFABRIK REINHAUSEN  
GMBH

#### Matthias Winkler

Managing partner at  
WW+ KN STEUERBERATUNGS-  
GESELLSCHAFT MBH

### Executive Board

#### Christoph Klenk

CEO

Intralogistics  
Process Technology

#### Norbert Broger

CFO

#### Thomas Ricker

CSO

#### Markus Tischer

International Operations  
and Services  
Digitalisation

#### Ralf Goldbrunner

Bottling and Packaging  
Equipment  
Compact Class

\* Other Supervisory Board seats held, pursuant to Section 125 (1) Sentence 5 of the German Stock Corporation Act \*\* Elected by the employees  
In addition, each of the group companies is the responsibility of two members of the Executive Board.

## Proposal for the appropriation of **KRONES AG's** earnings available for distribution

KRONES AG had earnings available for distribution as of 31 December 2020 of € 132,649,435.06.

We propose to the annual general meeting on 17 May 2021 that this amount be used as follows:

Proposal for the appropriation of earnings available for distribution	€
Dividend of €0.06 per share (for 31,593,072 shares)	1,895,584.32
Amount brought forward to new account	130,753,850.74

Neutraubling, 17 March 2021

KRONES AG

The Executive Board



Christoph Klenk  
CEO



Norbert Broger  
CFO



Thomas Ricker  
CSO



Markus Tischer



Ralf Goldbrunner

# 6

## OTHER INFORMATION

Responsibility statement .....	189
Auditor's report .....	190
Commercial glossary .....	198
Technical glossary .....	199
Key figures for the KRONES Group .....	200
Publishing information .....	201
Financial calendar .....	201
Contact.....	202

## 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, 17 March 2021

KRONES AG

The Executive Board



Christoph Klenk  
CEO



Norbert Broger



Thomas Ricker



Markus Tischer



Ralf Goldbrunner



## Independent auditor's report

*The following copy of the auditor's report also includes a "Report on the assurance in accordance with Sec. 317 (3b) HGB on the electronic reproduction of the consolidated financial statements and the group management report prepared for publication purposes" ("separate report on ESEF compliance"). The subject matter underlying the separate report on ESEF compliance (ESEF documents subject to assurance) is not attached. The ESEF documents that have been subject to assurance can be viewed in and obtained from the Bundesanzeiger [German Federal Gazette].*

To KRONES Aktiengesellschaft

### Report on the audit of the consolidated financial statements and of the group management report

#### Opinions

We have audited the consolidated financial statements of KRONES Aktiengesellschaft, Neutraubling, and its subsidiaries (the Group), which comprise the consolidated statement of profit and loss and the consolidated statement of comprehensive income for the fiscal year from 1 January 2020 to 31 December 2020, the consolidated statement of financial position as of 31 December 2020, the consolidated statement of cash flows for the fiscal year from 1 January 2020 to 31 December 2020, the consolidated statement of changes in equity for the fiscal year from 1 January 2020 to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of KRONES Aktiengesellschaft for the fiscal year from 1 January 2020 to 31 December 2020. In accordance with the German legal requirements, we have not audited the

content of the Group's Corporate Governance Statement, which was published on the Company's website and referred to in the "Dependency report" section of the group management report. We have not audited the following information not typical of management reports, which is part of other information:

- Section "Fundamental information about the group", sub-section "Our innovations – a selection"

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as of 31 December 2020 and of its financial performance for the fiscal year from 1 January 2020 to 31 December 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the Group's Corporate Governance Statement or the information not typical of management reports.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

## Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements and of the group management report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

## Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

## 1. Revenue recognition for customer-specific construction contracts

### Reasons why the matter was determined to be a key audit matter

The major part of group revenue is generated from customer projects involving machinery and lines for product filling and beverage production. The performance comprising the design and manufacture of machinery and its installation and commissioning on site is considered as a single performance obligation. As contracts for this machinery and lines are customer-specific, the Group’s performance creates an asset that does not have an alternative use to the Group. The Group has a legal right to payment for the performance completed to date, including an appropriate margin. In accordance with IFRS 15, revenue is therefore recognized over time on the basis of the percentage of completion method. The percentage of completion is calculated on the basis of the costs incurred as of the reporting date in relation to the expected total costs of the respective project. There is a particular risk of error when estimating total costs. The significance of revenue for the consolidated financial statements, the judgment involved in estimating total costs and the fact that revenue is one of the financial performance indicators for the group in terms of corporate management and forecasts meant that the recognition of revenue as of the reporting date was a key audit matter.

### Auditor’s response

During the reporting period, we performed tests to assess the design and operating effectiveness of the significant controls implemented by the executive directors in the area of reporting of costs accrued and the estimate of total contract costs. In this context, we tested both transaction-level controls and entity-level controls, such as regular review meetings.

For a sample of projects, we obtained an overview of the content of the contracts and the status of the respective fulfillment of contracts and analyzed the actual costs incurred and the total costs over the period of the project's progress. We also reviewed the analysis of planning variance of total costs of projects over time performed by the Executive Board in terms of mathematical accuracy and obtained explanations for deviations on a sample basis. Furthermore, we compared the transaction prices used with their applicable contractual bases.

Our audit procedures did not lead to any reservations relating to the recognition of revenue allocated to the period for customer-specific construction contracts.

#### Reference to related disclosures

The disclosures on the principles of revenue recognition are contained in section "General disclosures/Revenue" of the notes to the consolidated financial statements.

## 2. Impairment testing of goodwill

#### Reasons why the matter was determined to be a key audit matter

The executive directors perform an impairment test to test impairment of goodwill at least once each year. A complex calculation model is used for the test, which particularly involves a number of assumptions subject to judgment and values derived therefrom. This also includes the expected development of business and earnings, the assumed long-term growth rates and the discount rates applied.

Against the background of the underlying complexity of impairment tests as well as the judgment exercised during valuation and the associated high risk

for accounting misstatement, impairment testing of goodwill, which is a significant item of the statement of financial position in the consolidated financial statements, was a key audit matter.

#### Auditor's response

During the audit of the impairment testing of goodwill, we used a substantive audit approach.

We involved internal valuation specialists to verify the DCF models applied in terms of clerical accuracy and methods used and investigated whether these were calculated using the relevant financial reporting standards in accordance with IAS 36. We assessed the derivation of the weighted average cost of capital (WACC) by evaluating the beta factor used for the benchmark companies involved and comparing the interest rates for equity and liabilities with available market data.

We also analyzed the corporate planning applied for impairment testing of goodwill by comparing the actual earnings recorded in the past with current developments in the business figures. For the appraisal of the underlying corporate planning, we also obtained explanations related to the estimates and assumptions on growth and business development, also taking into account potential knock-on effects of the COVID-19 pandemic.

Our audit procedures did not lead to any reservations regarding the recoverability of goodwill.

#### Reference to related disclosures

For more information on the impairment tests performed and underlying assumptions, please refer to the disclosures in section "Notes to the consolidated statement of financial position/1 Intangible assets" of the notes to the consolidated financial statements.

## Other information

The Supervisory Board is responsible for the Report of the Supervisory Board. The executive directors and the Supervisory Board are responsible for the Corporate Governance Report and the Group's Corporate Governance Statement. In all other respects, the executive directors are responsible for the other information.

Other information comprises the Group's Corporate Governance Statement mentioned above, the information not typical of management reports in the group management report, the combined, separate group non-financial report published online and also other components designated for the annual report, of which we received a version prior to issuing this auditor's report, particularly

- Section "Highlights 2020"
- Chapter 1 "To our shareholders"
- Chapter 3 "Corporate Governance Statement"
- Chapter 6 "Other information"

but not the consolidated financial statements, not the disclosures in the group management report included in the audit of content and not our auditor's report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the con-

solidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

#### **Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users

taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

### Other legal and regulatory requirements

**Report on the assurance in accordance with Sec. 317 (3b) HGB on the electronic reproduction of the consolidated financial statements and the group management report prepared for publication purposes**

### Opinion

We have performed assurance work in accordance with Sec. 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file "Krones\_AG\_KA+KLB\_ESEF-2020-12-31.zip" and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements,



this assurance only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor to any other information contained in the abovementioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the abovementioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the abovementioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from 1 January 2020 to 31 December 2020 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above.

### Basis for the opinion

We conducted our assurance work on the reproduction of the consolidated financial statements and the group management report contained in the abovementioned attached electronic file in accordance with Sec. 317 (3b) HGB and Exposure Draft of IDW Assurance Standard: Assurance in Accordance with Sec. 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibilities under that standard are further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applied the standards for the quality assurance system set forth in IDW Standard on Quality Control: "Requirements for Quality Control in Audit Firms" (IDW QS 1).

### Responsibilities of the executive directors and the Supervisory Board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and the audited group management report as well as other documents to be published to the operator of the Bundesanzeiger [German Federal Gazette].

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

### Group auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of Sec. 328 (1) HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, in the version valid as of the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

#### Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 18 May 2020. We were engaged by the Supervisory Board on 23 September 2020. We have been the group auditor of KRONES Aktiengesellschaft since fiscal year 2019.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

#### German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Udo Schubert.

Nuremberg, 17 March 2021

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Schubert  
Wirtschaftsprüfer  
[German Public Auditor]

Schütz  
Wirtschaftsprüfer  
[German Public Auditor]



## Financial glossary

<a href="#">Cash flow</a>	All inflows and outflows of cash and cash equivalents during a period.	<a href="#">IFRS</a>	International Financial Reporting Standards. Accounting standards issued by the International Accounting Standards Board (IASB) that are harmonised and applied internationally.
<a href="#">Corporate governance</a>	Framework for responsible corporate management and supervision that is oriented toward sustainability.	<a href="#">Net cash and equivalents</a>	Cash and highly liquid securities under current assets less liabilities to banks.
<a href="#">Depreciation and amortisation</a>	Non-cash expenses that represent the cost of current and non-current assets being used over time.	<a href="#">Return on equity before taxes</a>	Ratio of earnings before taxes to average equity.
<a href="#">EBIT</a>	Earnings before interest and taxes.	<a href="#">ROCE</a>	Ratio of EBIT to average capital employed (total assets less interest-free liabilities and interest-free other provisions).
<a href="#">EBITDA</a>	Earnings before interest, taxes, depreciation and amortisation.	<a href="#">Total debt</a>	Combined term for the provisions, liabilities, and deferred income stated on the liabilities side of the balance sheet.
<a href="#">EBITDA margin</a>	Ratio of earnings before interest, taxes, depreciation and amortisation to revenue	<a href="#">Working capital</a>	Working capital is calculated as follows: (inventories + trade receivables + contract assets) – (trade payables + contract liabilities).
<a href="#">EBT</a>	Earnings before taxes.	<a href="#">Working capital to revenue</a>	The ratio of working capital to revenue indicates how much capital is needed to finance revenue generation.
<a href="#">EBT margin</a>	Ratio of earnings before taxes to revenue.		
<a href="#">Equity</a>	Funds made available to the company by the owners by way of contribution and/or investment, plus retained earnings.		
<a href="#">Free cash flow</a>	Measure of financial performance calculated as the cash flow from operating activities minus cash flow from investing activities. It is the cash available to pay dividends, reduce debt, or to be retained.		

## Technical glossary

<a href="#">Artificial intelligence (AI)</a>	Artificial intelligence (AI) is a branch of computer science that deals with the automation of intelligent behaviour and machine learning. It involves programming machines to emulate human decision-making structures.	<a href="#">enviro</a>	KRONES' sustainability programme. enviro was certified by TÜV SÜD in 2009. This independent certification enables KRONES to award the enviro seal for efficient use of energy and media and environmental friendliness for its machines and lines. All new developments at KRONES are aligned with the criteria of our enviro sustainability programme.
<a href="#">Aseptic beverage filling</a>	Germ-free filling of beverages at ambient temperature.		
<a href="#">Brewhouse</a>	In the brewhouse, the raw materials malt, hops, and water are processed in several stages to produce beer.	<a href="#">IIOT</a>	IIOT (Industrial Internet of Things) refers to industrial applications of the Internet of Things. The Internet of Things aims to interconnect objects so that they work together using information and communication technology.
<a href="#">Digital printing</a>	Printing process in which data are transferred directly from a computer onto an object, without a print template first being generated. Digital printing is far more flexible and significantly more cost-effective on smaller print runs (batches) than conventional printing and labelling processes.	<a href="#">Intralogistics</a>	The internal flow of materials and goods within a company, including warehouse, order-picking, and conveyance systems.
<a href="#">Digitalisation</a>	Digitalisation in general is the conversion of analogue information into digital form. Digital data can be processed and exchanged faster and more easily than analogue information. Many new technologies, such as cloud computing, artificial intelligence and the Internet of Things (IIOT), are based on the rapid exchange and processing of digital data.	<a href="#">PET</a>	Polyethylene terephthalate, a thermoplastic material from the polyester family used for producing beverage bottles.
		<a href="#">Recyclate</a>	Product obtained in a recycling process.
		<a href="#">Soft drinks</a>	Non-alcoholic beverages, usually carbonated.
<a href="#">Energy drink</a>	A beverage that acts as a stimulant. The main ingredients are sugar and caffeine.	<a href="#">Stretch blow-moulding</a>	Process for the manufacture of hollow plastic products such as PET bottles.

## Key figures for the KRONES Group 2016 – 2020

		2020	2019	2018	2017	2016
<b>Revenue</b>						
Revenue	€ million	3,323	3,959	3,854	3,691	3,391
Germany	€ million	329	468	362	388	354
Outside Germany	€ million	2,994	3,491	3,492	3,303	3,037
Export share	%	90	88	91	89	90
<b>Earnings</b>						
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million	133	227	306	340	321
Earnings before taxes (EBT)	€ million	-36.6	42	204	259	238
Consolidated net income	€ million	-79.7	9	151	187	169
Earnings per share	€	-2.52	0.30	4.78	5.97	5.40
<b>Assets and capital structure</b>						
Non-current assets	€ million	1,093	1,154	1,010	882	799
of which fixed assets	€ million	990	1,070	936	797	725
Current assets	€ million	1,957	2,165	2,312	2,158	2,272
of which cash and equivalents	€ million	217	110	219	182	369
Equity	€ million	1,200	1,370	1,433	1,330	1,226
Total debt	€ million	1,850	1,949	1,888	1,710	1,845
Non-current liabilities	€ million	476	452	359	314	308
Current liabilities	€ million	1,374	1,497	1,529	1,396	1,537
Total assets	€ million	3,050	3,319	3,321	3,040	3,071
<b>Cash flow/capital expenditure</b>						
Free cash flow	€ million	221	-94	121	-151	49
Capital expenditure for PP&E and intangible assets	€ million	94	169	179	134	111
Depreciation, amortisation and impairments	€ million	174	183	103	95	93
Net cash position (cash and cash equivalents less debt)	€ million	185	38	215	157	369
<b>Profitability ratios</b>						
EBITDA margin	%	4.0	5.7	7.9	9.2	9.5
EBT margin	%	-1.1	1.1	5.3	7.0	7.0
Working capital to revenue*	%	28.3	26.9	27.3	27.3	26.7
ROCE (liability side)	%	-2.6	2.7	12.8	16.6	17.0
ROCE (assets side)	%	-2.0	2.1	10.9	14.1	14.7
<b>Employees (at 31 December)</b>						
Germany		10,364	10,733	10,887	10,366	10,061
Outside Germany		6,372	6,620	5,658	4,933	4,382
<b>Dividend</b>						
Dividend per share	€	0.06**	0.75	1.70	1.70	1.55

\* Average over 4 quarters \*\* As per proposal for appropriation of earnings available for distribution

## Publishing information

Published by KRONES AG  
Böhmerwaldstrasse 5  
93073 Neutraubling  
Germany

Project lead Olaf Scholz,  
Head of Investor Relations,  
Treasury and M&A

Design Büro Benseler

Text KRONES AG  
InvestorPress GmbH

Photography KRONES AG

This English language report is a translation of the original German KRONES Konzern Geschäftsbericht 2020. In case of discrepancies the German text shall prevail.

We would be happy to mail you a copy of the original German version of this Annual Report on request. You can also find it in the Investor Relations section at [krones.com](http://krones.com).

## Financial calendar

7 May 2021 Quarterly statement for the period ended 31 March 2021

17 May 2021 Annual general meeting

3 August 2021 Interim report for the period ended 30 June 2021

5 November 2021 Quarterly statement for the period ended 30 September 2021

## Contact

KRONES AG  
Investor Relations  
Olaf Scholz  
Phone +49 9401 70-1169  
E-mail [olaf.scholz@krones.com](mailto:olaf.scholz@krones.com)  
Böhmerwaldstrasse 5  
93073 Neutraubling  
Germany

