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TO OUR SHAREHOLDERS

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Focus on **strengths**

The Covid-19 pandemic had a massive impact on the global economy in 2020. KRONES' business was also hit. We will continue to feel the impacts of the corona crisis beyond 2020, and we still face challenges in the short term. KRONES nevertheless looks with confidence to the future.

The company operates in long-term growth markets. We also have other strengths that we have built up over the past years and decades. KRONES positioned itself early to benefit from the megatrends of sustainability and digitalisation. We have unique line expertise and a strong global footprint. Despite heavy investment in the future, the company's financial and capital structure is very solid.

KRONES will **focus on its strengths** for continued success and profitable growth in the medium and long term.

KRONES' strengths

KRONES operates in **markets that are growing in the medium and long term**. The world population is increasing, with rising prosperity in emerging markets. This and increasing urbanisation are megatrends that support growth.

KRONES is well positioned **globally**. We have strong regional structures, most of all in service, but also in production and procurement. KRONES has highly qualified employees both in Germany and internationally. The international workforce accounts for some 38% of the total.

Global footprint

Long-term demand growth

Filling and packaging lines are made up of many individual machines and systems. KRONES has full mastery over interoperation between the individual components. This **line expertise** also provides the foundation for exploiting the opportunities of digitalisation.

Line expertise

KRONES has a strong **financial and capital structure**. This provides a solid basis for investing in key technologies and addressing the challenges of the future.

Finances

Digitalisation

We have considerable digital know-how and regard **digitalisation** as a great opportunity. KRONES will provide digital tools and services enabling customers to make their production more flexible and transparent and hence also to reduce their operating and labour costs.

Sustainability

Sustainability is among the most important issues of our time. KRONES recognised this trend early on with its **'enviro' sustainability programme** in 2008. enviro machines are particularly resource-efficient.

Long-term demand **growth**



Long-term
demand growth

Consumption of packaged beverages was slightly down in 2020 due to corona. But **in the medium and long term, demand is rising**. Eating and drinking are basic needs. And the population is steadily growing. In addition, two further mega-trends mean that consumers are increasingly frequently opting for **packaged beverages and foods**. Firstly, more people in emerging and developing countries are joining the **middle classes**. Consumption increases as incomes rise. Secondly, more and more people are moving from rural areas to cities, especially in Africa and Asia. This **urbanisation** drives demand for packaged foods and beverages as people align their lifestyles and consumption patterns to city living.

KRONES provides innovative and also regionally adapted machines and lines enabling food and beverage producers to **fill and package** their products **efficiently and safely**. As the leading full-service supplier of bottling and packaging equipment, we can exploit the opportunities of growth markets.

Aseptic line for **sensitive beverages**



Long-term
demand growth

Tea is very popular in Asia. It is a drink that is traditionally enjoyed at home. But urbanisation means that tea is also increasingly frequently consumed on the go – and consequently in bottled form. This drives demand for high-performance and safe filling and packaging technology.

At the end of 2019, for example, Nui Tien Pure Water, a subsidiary of the Vietnamese TH true Milk group of companies that previously focused on milk production, invested in an aseptic line made by KRONES. The line for aseptic filling of sensitive products is suitable for tea, but also for juices with particles, dairy milk and rice milk. It has a capacity of 36,000 PET containers per hour. In addition to the filling and packaging equipment, KRONES also supplied a syrup room with integrated tea extraction.



KRONES has considerable **line expertise**



Line expertise

A filling and packaging line is made up of many individual machines and systems. These include inspectors, PET bottle blowers, fillers, labellers, packers and palletisers. Each of these is a highly efficient unit on its own. Combining them into an **efficient** and **reliable production line** requires them to be perfectly coordinated. Thanks to many years of experience and profound knowledge of the entire production process in a filling and packaging line, KRONES has full mastery over **interoperation between the individual components.**

The individual machines are coordinated so that the entire **production process runs perfectly smoothly** and the filling and packaging line delivers maximum performance. KRONES is also able to use its line expertise in digitalisation. We know what communication is needed between individual line components and what parameters to monitor and control. KRONES' line expertise provides the foundation for exploiting the **opportunities of digitalisation.**

Canning line: ultra-high performance



Line expertise

Hungarian brewery Borsodi selected KRONES to provide a complete beer canning line. KRONES supplied all machines and components for the new line, from the empty can depalletiser and inspector to the flash pasteuriser (VarioFlash B), filler (Modulfill vrs-c) and full can palletiser (VarioPac).

The line meets Borsodi's demanding requirements with over 90% efficiency and a throughput of 50,000 cans per hour. As well as being highly efficient, the line stands out with short changeover times, excellent product safety and energy economy. A further upside was rapid installation. Just ten months went by from order placement to the moment the first retail-ready beer can came off the production line.



Digitalisation: already well positioned



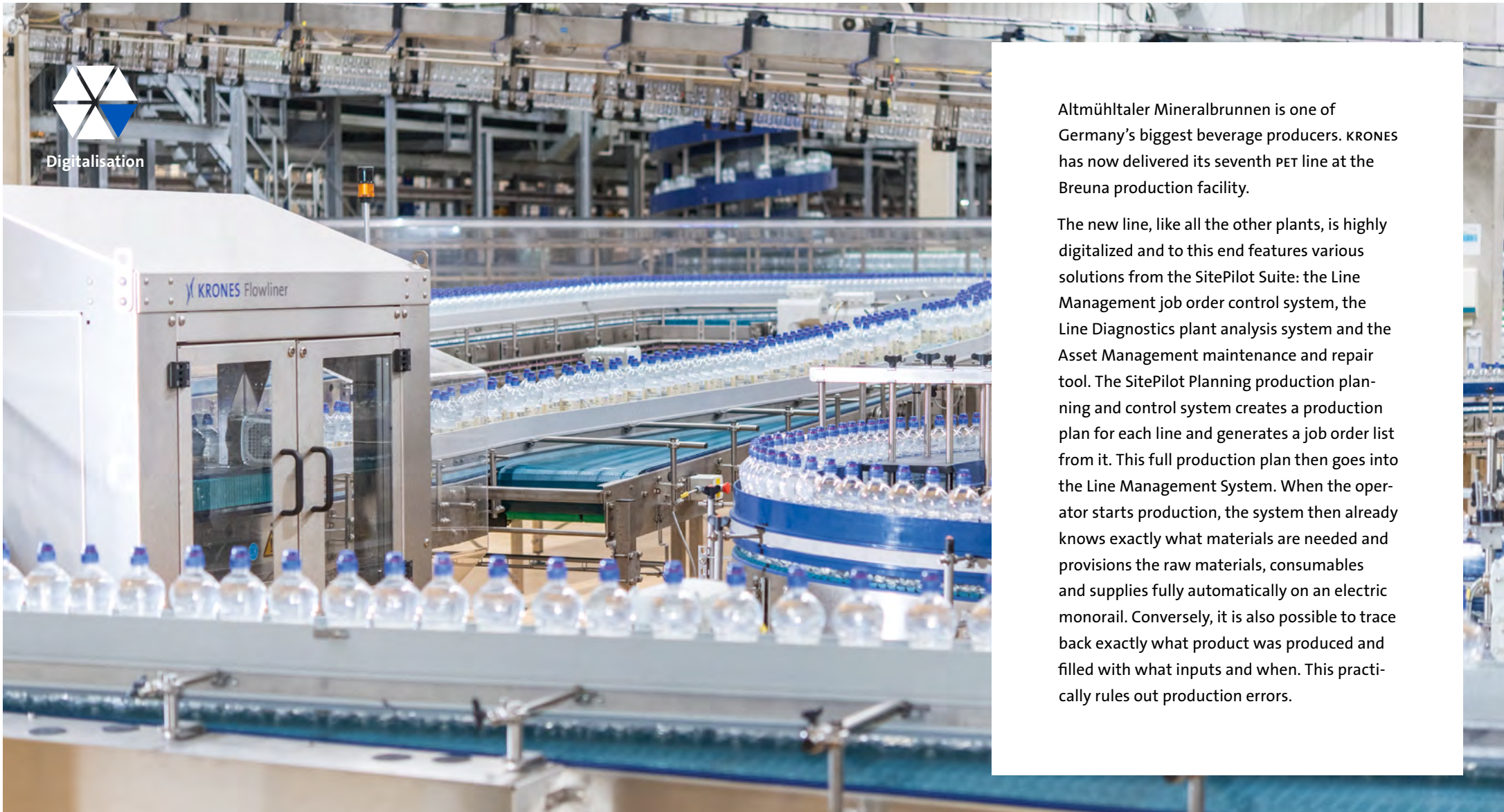
Digitalisation

The corona crisis significantly accelerated the trend towards digitalisation in the filling and packaging industry. KRONES has already been investing heavily in digitalisation for years. This incurred initial losses, but the investment is now paying off. KRONES already has considerable **digital expertise** and provides customers with digital solutions such as remote service.

Transforming our successful products and services into the digital world is extremely important for the company's future success. Over 300 software engineers and IT specialists work on digital innovations at KRONES. The focus in all of these innovations is on **added value for our customers.**

Our filling and packaging lines are becoming smarter and provide customers with valuable added benefits. For customers, alongside lower production and labour costs, it is important that they can produce flexibly, that all production steps are transparent and that problems are quickly resolved. To this end, KRONES aims to provide customers with digital tools and services on a single platform that **keeps track of the entire line.** We are well positioned to achieve this ambitious goal.

Highly digitalised line



Digitalisation

Altmühltaler Mineralbrunnen is one of Germany's biggest beverage producers. KRONES has now delivered its seventh PET line at the Breuna production facility.

The new line, like all the other plants, is highly digitalized and to this end features various solutions from the SitePilot Suite: the Line Management job order control system, the Line Diagnostics plant analysis system and the Asset Management maintenance and repair tool. The SitePilot Planning production planning and control system creates a production plan for each line and generates a job order list from it. This full production plan then goes into the Line Management System. When the operator starts production, the system then already knows exactly what materials are needed and provisions the raw materials, consumables and supplies fully automatically on an electric monorail. Conversely, it is also possible to trace back exactly what product was produced and filled with what inputs and when. This practically rules out production errors.

Early focus on **sustainability** pays



Sustainability

Operating sustainably and delivering on our corporate social responsibility have always been very important to KRONES. Sustainability has also long been a priority for KRONES customers. We introduced the **enviro sustainability program** as long ago as 2008. enviro is an externally audited management system that shines the spotlight on the eco-efficiency of the KRONES product portfolio.

The enviro programme systematically improves the **energy efficiency** of KRONES products and has already delivered substantial savings for customers. enviro has also enabled KRONES to gain a competitive edge. We are able to provide machinery and equipment that help customers achieve their ambitious sustainability goals. For this purpose, they need both high-performance and **resource-efficient production equipment**. KRONES has set itself the ambitious target of reducing the carbon footprint of produced machines and lines in the upstream and downstream value chain (Scope 3 emissions) at the customer by 25% from 2019 to 2030.

innocent selects KRONES based on **sustainability credentials**



Sustainability



Smoothie and juice producer innocent drinks is building the first bottling plant of its own in Rotterdam, called 'the blender'. Sustainability is a top priority here. For example: the factory will be completely carbon neutral and water use is to be cut to a minimum. Based on its strong sustainability credentials, KRONES secured the contract for four complete PET filling lines. Each of the four identical PET lines fills up to 32,000 bottles per hour.

The Contipure AseptBloc DA blow moulder/filler block consists of a Contiform 3 Pro stretch blow moulder and a Modulfill Asept aseptic filler. innocent made a particularly sustainable choice with the Contipure D preform sterilisation module. The module has lower consumption of hydrogen peroxide, steam and energy.



Robust capital structure and strong liquidity



Finances

Even after the high level of investment in recent years, KRONES continues to have strong finances. The **equity ratio was 39.4%** at the end of 2020. KRONES' liquidity position is also comfortable. Even in the difficult 2020 financial year, the company maintained **liquidity reserves of around €1 billion** for almost the entire year. Last year, the company generated a free cash flow of €221.3 million. At the end of 2020, KRONES had a net cash position (cash and cash equivalents less bank debt) of some €185 million.

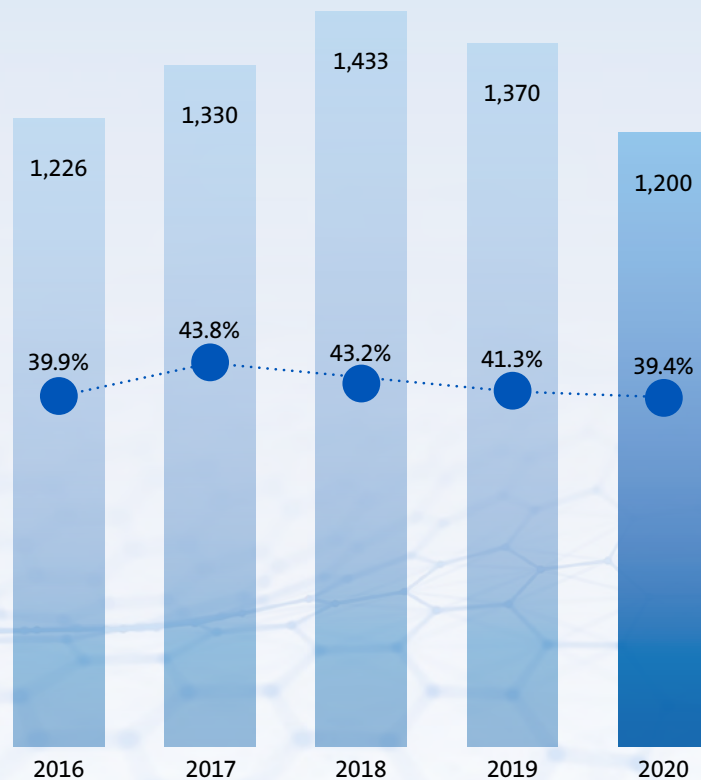
KRONES' high financial and capital strength gives the company sufficient financial scope to master short-term challenges, **invest in key technologies** and **finance future growth**.

Solid financial and capital structure enables high levels of investment



Finances

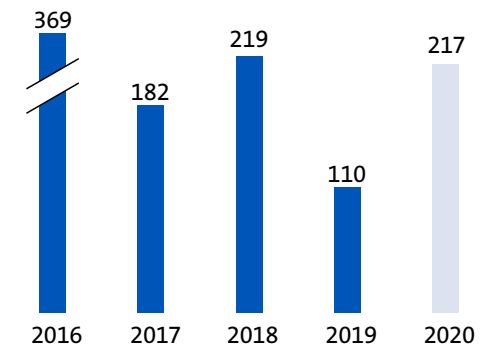
KRONES Group equity (€ million) and equity ratio (%)



KRONES has invested heavily in expanding its international service and production locations and in digitalisation in recent years. As the company was mostly able to finance this investment out of its own resources, the Group's equity ratio remains a very solid 39.4%.

KRONES also managed well in the 2020 pandemic year and generated a large free cash flow. The company's liquidity cushion has grown to €217 million, creating sufficient scope for action.

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



Strong **global footprint**



Global footprint

International food and beverage companies produce worldwide. **Customer proximity** is the key to responding quickly to customers' needs. This is a decisive **competitive advantage**, especially in the service business. KRONES operates service centres and branches at over 100 global locations. Spare parts and qualified staff who speak the customer's language are quickly on site anywhere in the world.

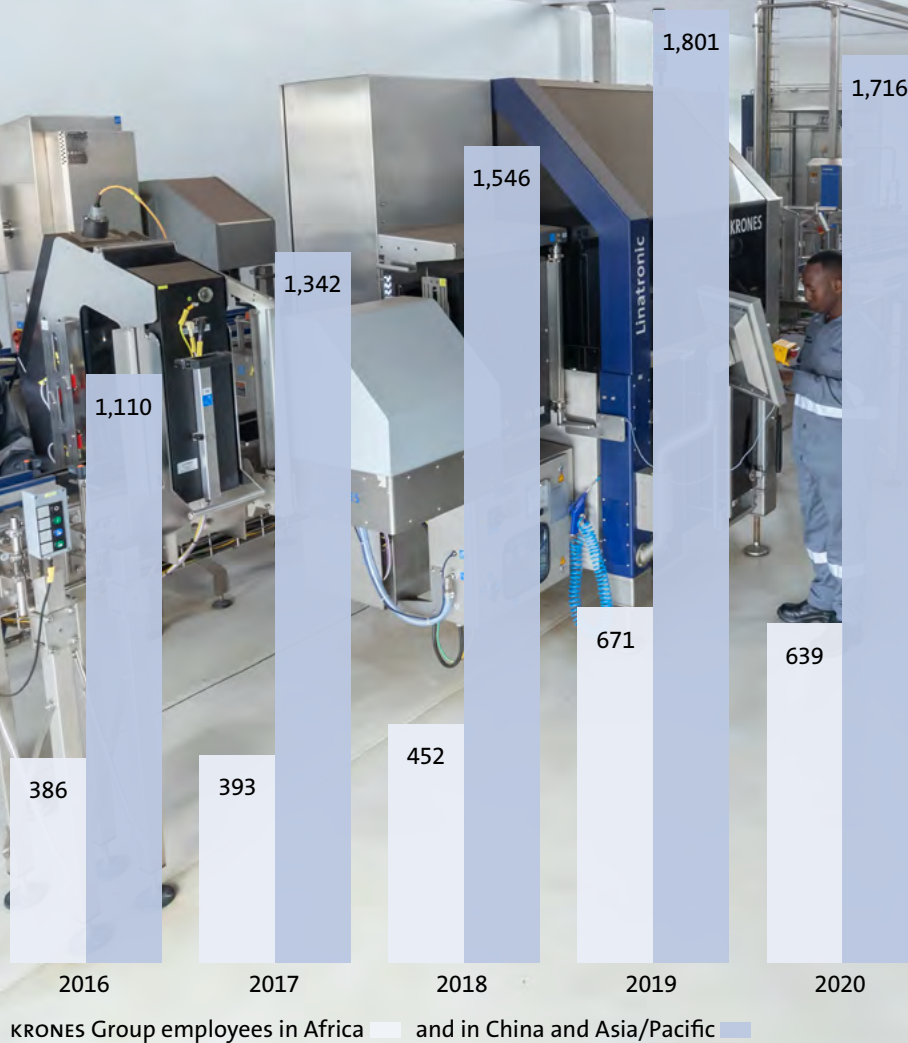
KRONES also has **global reach** in production and procurement. Among other places, we manufacture products in China for local markets. Our international facilities also produce spare parts and in some cases supply products to our German manufacturing plants. Under the direction of special regional teams, KRONES sources an ever-increasing volume of materials on international procurement markets.

All of this requires **qualified international** personnel. KRONES has substantially expanded its foreign workforce in recent years and will continue to do so for the medium term. At the end of 2020, KRONES employed a total of 6,372 people internationally, 4,055 of them in emerging markets.

KRONES always close to the customer



Global footprint



KRONES has been expanding its global network for many years in order to strengthen the service side and use the benefits of international procurement and production locations. The new plant in Debrecen, Hungary, which is set to go into full operation in mid-2021, enables KRONES to strengthen its international competitiveness and reduce production costs from 2022 by some €20 million a year.

In the fast-growing Asia and Africa regions, KRONES not only operates a production plant in Taicang, China, but also has well-established service centres close to its customers. KRONES scores well with customers thanks to its highly qualified service force in each region. This is also reflected in heavy investment in international training centres, such as in Kenya and China.



Letter from the Executive Board



“KRONES is a strong company and looks with confidence to the future.”

*Christoph Klenk
CEO*

Dear shareholders and friends of KRONES,

Our everyday life in 2020 was heavily affected by the Covid-19 pandemic. The corona crisis presented KRONES with major challenges. From the beginning, our top priority was to protect people. As the virus spread, we responded very quickly and took all necessary precautions to avoid endangering the health of our employees and customers. We were helped in this by experience gained at our site in China, where the pandemic originated.

KRONES benefits from its global footprint

Besides concern for the health of people in contact with KRONES, the focus was on providing the best possible support for customers. Tough government measures, such as travel restrictions, made contacts more difficult. During this phase, KRONES' decentralised structure was a major advantage. We have locations and employees in over 70 countries around the world. This meant we were able to provide customers with the products and services they needed to keep their production going. In addition, we made use of digital products and solutions. This was especially helpful in service. It enabled us to provide customers with professional support in troubleshooting without always having to be on site ourselves.

KRONES also impacted by the corona crisis

KRONES managed well through the 2020 pandemic overall. The company's stable foundations provided solid support throughout the crisis. KRONES had sufficient financial resources at all times and had no need for government

assistance. The corona crisis nevertheless impacted our business, and had a significant effect on the figures for 2020. Consolidated revenue was down 16% year-on-year to €3.3 billion in 2020, while the order intake decreased by 19% to €3.3 billion. On a positive note, after a weak first half year, the contract value of orders picked up significantly in the third and especially the fourth quarter.

KRONES already launched extensive cost-cutting measures in 2019. This enabled us to contain the impact of the revenue shortfall on earnings. Earnings before interest, taxes, depreciation and amortisation (EBITDA) went down from €227.3 million in the previous year to €133.2 million. It should be noted, however, that KRONES incurred just under €72 million in expenditure during 2020 for structural measures to adjust capacity. Excluding that expenditure, the EBITDA margin of 6.2% (previous year: 5.7%) was slightly above the most recent guidance range of 5.5% to 6.0%. In total, KRONES incurred a consolidated loss of €79.7 million in the 2020 pandemic year (previous year: consolidated net income of €9.2 million). Free cash flow developed positively in the reporting year, increasing by €315.7 million to €221.3 million (previous year: –€94.4 million). Overall, considering the challenging circumstances, KRONES delivered respectable results in 2020.

KRONES' long-term dividend policy is to pay out 25% to 30% of consolidated net income to shareholders. Due to the negative net income, the Executive Board and Supervisory Board will propose to the Annual General Meeting on 17 May 2021 that only the statutory minimum dividend, which is €0.06 per share, be distributed for the 2020 financial year and that the remaining earnings available for distribution from the 2020 financial year be carried forward.

KRONES responding to customer trends

Provided that there are no new sweeping economic impacts, the company expects revenue to grow again from 2021. That does not mean, however, that KRONES is expecting revenue to quickly regain pre-crisis levels. This is the most important insight from the customer surveys we conducted in the third quarter of 2020. Many of our customers were very guarded about planned capital expenditure over the next two years due to the Covid-19 pandemic. The already successful cost-cutting measures taken in 2019 are not enough to prepare the company for this situation. So that KRONES stays competitive and successful in the long term, we have to adjust capacity to the business volume we expect in the short and medium term. Regrettably, this also requires us to reduce our workforce. That was an extremely difficult decision for the Executive Board, but it was unavoidable.

In addition to the reduction in force by 600 positions across the Group in the course of 2020, approximately 400 additional employees accepted individual and voluntary offers to terminate their contracts by the end of November 2020. The Executive Board made a further decision in December 2020 to reduce the workforce at German locations by a further 350 positions in the most socially responsible manner possible.

Saving the future...

KRONES has already significantly enhanced its flexibility with a large variety of measures. We are taking advantage of international procurement markets and further expanding our global service and production network. This includes our plant in Hungary, which is fully operational from 2021. An additional important step is that we are splitting out the brewery business and bringing it under a separate legal entity. The new structure enables this business to operate more efficiently.

In 2021, the Covid-19 pandemic will continue to affect us worldwide and weigh on the investment climate. Nevertheless, we expect revenue to pick up slightly, and as a result of the structural measures we expect better profitability than in 2020. With a 2.5% to 3.5% revenue growth, we expect an EBITDA margin of around 6.5% to 7.5%. The target for the working capital to revenue ratio is 26% to 27%.

...and designing the future

To stay competitive, we will continue to work hard at the cost side. But focusing exclusively on cost-cutting measures would be short-sighted. Because in the long term, the market in which KRONES operates is growing. When the corona crisis is over, the market will once again offer attractive opportunities. Accordingly, the company is pushing ahead with innovative products and services and, above all, digitalisation. We have invested heavily in this area in recent years, and that puts us in a good position. KRONES will exploit this strength and take advantage of the great opportunities presented by digitalisation.

A further promising growth driver is sustainability. Our customers have adopted ambitious environmental and climate targets. To achieve them, they need resource-efficient production systems. KRONES has many innovative machines and lines on offer in this regard. This strength has not come about by chance. The company introduced the enviro sustainability program as long ago as 2008. This externally audited management system placed an early focus on eco-efficiency in our product portfolio. With enviro, KRONES was ahead of its time in terms of sustainability.



KRONES has further strengths, which we present to you in more detail under “Focus on strengths” on pages 5 to 18 of this report. We will systematically focus on these competitive advantages and take advantage of the long-term growth opportunities in our markets.

KRONES' greatest strength is intangible and cannot be measured in numbers: Our corporate DNA. This is characterised by team spirit and collaboration. The reduction in the workforce in 2020 left our DNA intact. For us, this is the most important and most positive insight from an extremely difficult year. On behalf of the entire Management Board, I would like to thank all employees for their commitment in 2020. The highly qualified KRONES team will continue to go from strength to strength.

Christoph Klenk
CEO

The 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

Report of the **Supervisory Board**



*Volker Kronseder
Chairman of the
Supervisory Board*

Ladies and Gentlemen,

The Covid-19 pandemic presented KRONES with exceptional challenges in 2020. Our primary concern was to protect employees, customers and everyone in contact with KRONES. The economic situation was a further focus of attention. Revenue and earnings were down sharply in 2020 due to corona, and it will be some years before business volume for KRONES regains its 'pre-crisis' level. The situation created an ongoing need to act in order to secure the company's future and competitiveness. In close coordination with the Supervisory Board, the

Executive Board worked to ensure implementation of the steps to improve profitability already decided in 2019. Further capacity adjustments were also decided upon in 2020. The decision to reduce the workforce was very difficult for KRONES. The Supervisory Board endorses the structural measures and will constantly monitor their implementation and the status quo.

Advice and oversight

The Supervisory Board of KRONES AG continuously monitored and advised the Executive Board during the 2020 financial year, as prescribed by the German Stock Corporation Act and the company's articles of association, and discharged its responsibilities with due care. Provisions of the German Stock Corporation Act and the German Corporate Governance Code concerning the Executive Board's reporting obligations to the Supervisory Board were complied with at all times. The Executive Board regularly informed the Supervisory Board about the company's business and financial situation and risk manage-

ment in written and oral reports both during and outside of Supervisory Board meetings. With regard to decisions of particular significance to KRONES AG and the Group, the Supervisory Board was informed and involved by the Executive Board at an early stage. The Chairman of the Supervisory Board and the Chief Executive Officer in particular maintained regular contact between meetings. In that connection, they jointly discussed matters of corporate strategy, current business performance, the risk situation, risk management and compliance.

A focus of the Supervisory Board's work in 2020 was the impact of the Covid-19 pandemic on KRONES' revenue and earnings performance, as well as cost-cutting measures. Structural measures focused among other things on adjusting workforce capacity to the decreased business volume. The Supervisory Board also coordinated in-depth on corporate strategy.

Changes in membership of the Supervisory Board

There was a change in the membership of the Supervisory Board in 2020 on the employee side. Deputy Chairman of the Supervisory Board Werner Schrödl entered the non-working phase of partial retirement and consequently stepped down from the Supervisory Board with effect from 1 July 2020. The workforce elected Markus Hüttner to succeed Mr. Schrödl on the Supervisory Board. Josef Weitzer was elected by the Supervisory Board as the new Deputy Chairman of the Supervisory Board.

KRONES supports Supervisory Board members on their appointment and during training and professional development measures. In financial year 2020, the members of the Supervisory Board were briefed with comprehensive information on the new German Corporate Governance Code and on the Act Implementing the Second Shareholder Rights Directive (SRD II).

No conflicts of interest

According to recommendation E.1 of the German Corporate Governance Code, each member of the Supervisory Board is required to disclose conflicts of interest to the Chairman of the Supervisory Board without delay. No conflicts of interest were disclosed in the reporting period.

Attendance at Supervisory Board meetings

In total, six regular Supervisory Board meetings were held in 2020. At some meetings, the Executive Board attended in a guest capacity. As a rule, however, the Supervisory Board met without the Executive Board. In accordance with Recommendation D.8 of the German Corporate Governance Code, we provide the following information on meeting attendance by individual members of the Supervisory Board:

Supervisory Board member	Number of meetings	Meetings attended
Volker Kronseder	6	6
Werner Schrödl (until 30 June 2020)	2	2
Dr. phil. Verena Di Pasquale	6	6
Robert Friedmann	6	6
Klaus Gerlach	6	6
Oliver Grober	6	6
Thomas Hiltl	6	6
Markus Hüttner (from 1 July 2020)	4	4
Norman Kronseder	6	6
Prof. Dr. jur. Susanne Nonnast	6	6
Beate Eva Maria Pöpperl	6	6
Norbert Samhammer	6	6
Petra Schadeberg-Herrmann	6	5
Jürgen Scholz	6	6
Hans-Jürgen Thaus	6	6
Josef Weitzer	6	6
Matthias Winkler	6	6

Supervisory Board meeting reports

The first meeting of the Supervisory Board took place on March 18. A representative of KRONES' auditors attended for a portion of the meeting as a guest. Chief Finance Officer Norbert Broger provided the Supervisory Board with a presentation of the highlights and how key figures developed in the 2019 financial year. The auditor then gave the Supervisory Board a detailed explanation of the audit engagement together with the focal points of the audit of the 2019 annual financial statements and provided a detailed overview of the audit. Questions from the Supervisory Board were answered by the auditor in full. The Supervisory Board then ratified the annual financial statements and management report of KRONES AG and approved the consolidated financial statements and consolidated management report. Further topics of the first Supervisory Board meeting included the new German Corporate Governance Code and the government's draft act for implementing the second Shareholder Rights Directive (SRD II). In addition, the Chairman of the Supervisory Board presented the agenda for the 2020 Annual General Meeting to the Supervisory Board. The Supervisory Board then adopted the agenda. In the report on business performance, the Executive Board informed the Supervisory Board about the current business environment and KRONES' business development. He also went over the key corona measures.

The Supervisory Board convened for its second, constitutive meeting after the virtual Annual General Meeting on 18 May. Supervisory Board Chairman Volker Kronseder bade farewell to long-term member Werner Schrödl, who entered the non-working phase of partial retirement with effect from 1 July 2020 and consequently stepped down from the Supervisory Board. Volker Kronseder thanked Werner Schrödl for a good and successful working relationship over many years. Mr. Schrödl had been on the Supervisory Board as an employee representative since 2005 and Deputy Chairman of the Supervisory Board since 2007. The Supervisory Board unanimously elected Josef Weitzer as the new Deputy Chairman of the Supervisory Board with effect from 1 July 2020. Markus Hüttner was elected by the workforce to the Supervisory

Board as a new member to succeed Werner Schrödl. As part of the Executive Board's report, the Executive Board informed the Supervisory Board about the impact of the corona crisis on the global economy and KRONES' customers. He also outlined current business developments and the key figures for the first quarter of 2020.

The third meeting of the Supervisory Board in the 2020 financial year took place on 22 July. Under the "Supervisory Board and Executive Board Matters" agenda item, the Supervisory Board adopted amendments to the rules of procedure of the Supervisory Board and Executive Board. Chief Executive Officer Christoph Klenk reported at the meeting on implementation of the measures to improve earnings adopted in 2019 and went into the challenges of the Covid-19 pandemic. As part of the business report, the members of the Executive Board in charge of the various units informed the Supervisory Board about the effects of corona and the current situation. A further major topic at the meeting comprised the impacts of the pandemic on the global economy and KRONES' customers, together with possible scenarios and their implications for the company. In the same connection, the Supervisory Board also consulted on any necessary capacity adjustments.

On 27 October, the Supervisory Board held its fourth meeting of 2020. An outside expert explained to the Supervisory Board the requirements for reviewing the system of Executive Board remuneration in accordance with the Act Implementing the Second Shareholder Rights Directive (SRD II). She also presented the individual components of the new remuneration system. Chief Executive Officer Christoph Klenk presented the "Saving the Future", "Designing the Future" programme to the Supervisory Board, together with the action areas within the programme. In addition, the members of the Executive Board each informed the Supervisory Board about the operating environment, the current situation, the results of the customer survey and strategic measures in their respective executive portfolios. A further topic related to target setting and the timescale for the voluntary workforce reduction programme.

The fifth meeting of the Supervisory Board in 2020 took place on 8 December. Strategy was the main item on the agenda. The Executive Board provided the Supervisory Board with an explanation of future customer needs and the resulting product innovations and business models. In addition, the Executive Board outlined potential adjustments to structures and processes.

At the sixth meeting of the Supervisory Board on 9 December, the Supervisory Board addressed the Declaration of Compliance pursuant to section 161 of the German Stock Corporation Act. A further agenda item was the remuneration system for the Executive Board in accordance with the second Shareholder Rights Directive (SRD II). In this connection, an outside expert informed the Supervisory Board about details of revisions to the current remuneration system. Another item on the agenda was the report of the Audit and Risk Management Committee addressing the topics of risk management, internal auditing and compliance. Committee Chairman Hans-Jürgen Thaus explained the subject matter of the committee meeting of 18 November 2020. The Executive Board then presented the economic report to the Supervisory Board, together with the annual and capital expenditure budget for 2021.

The work of the Audit and Risk Management Committee

The Audit and Risk Management Committee consists of Supervisory Board Chairman Volker Kronseder, Werner Schrödl (until 30 June 2020), Norman Kronseder, Hans-Jürgen Thaus, Josef Weitzer, Jürgen Scholz and Markus Hüttner (from 1 July 2020). Its Chairman is Hans-Jürgen Thaus. The Audit and Risk Management Committee oversees the company's accounting and financial reporting, the audit of the financial statements and other reporting, and prepares related proposals for Supervisory Board resolutions. In addition, the committee prepares the Supervisory Board's review of the annual financial statements, the management report and the auditor's report for the separate and consolidated financial statements, and makes recommendations.

Furthermore, the Audit and Risk Management Committee monitors the effectiveness of the internal control system, the risk management system and the compliance system.

The Audit and Risk Management Committee held three meetings in 2020. In accordance with Recommendation D.8 of the German Corporate Governance Code, we provide the following information on meeting attendance by individual members of the Audit and Risk Management Committee:

Committee member	Number of meetings	Meetings attended
Volker Kronseder	3	3
Werner Schrödl (until 30 June 2020)	2	2
Markus Hüttner (from 1 July 2020)	1	1
Norman Kronseder	3	3
Jürgen Scholz	3	3
Hans-Jürgen Thaus	3	3
Josef Weitzer	3	3

In its first meeting on 12 March, the committee primarily prepared the Supervisory Board meeting held to ratify the financial statements. Chief Finance Officer Norbert Broger explained the key figures for 2019, both for the KRONES Group and for KRONES AG. A representative of KRONES' auditors then informed the committee in detail about the scope, content and focal points of the audit. The members of the Audit and Risk Management Committee unanimously agreed to recommend that the Supervisory Board ratify the annual financial statements and management report of KRONES AG for the 2019 financial year and approve the consolidated financial statements and consolidated management report for 2019. Also at its first meeting, the committee consulted on the non-financial report. The committee members passed a resolution recommending that the Supervisory Board ratify the report.

On May 18, the Audit and Risk Management Committee met to elect the committee's deputy chairperson. The previous deputy chairman, Werner Schrödl, entered the non-working phase of partial retirement and consequently stepped down from the committee on 1 July 2020. The committee members unanimously elected Josef Weitzer as the new deputy chairman with effect from 1 July 2020. Likewise with effect from 1 July 2020, Markus Hüttner joined as a new member of the Audit and Risk Management Committee.

The third meeting of the Audit and Risk Management Committee took place on 18 November. At that meeting, the heads of Controlling, Internal Audit and Compliance informed the members of the committee in detail about the current risk situation, internal audit and compliance management.

The work of the Standing Committee

The Standing Committee consists of Werner Schrödl (until 30 June 2020), Josef Weitzer, Markus Hüttner (from 1 July 2020), Norman Kronseder and Volker Kronseder. It is chaired by Volker Kronseder. The committee generally deals with all other topics that are outside the remit of the Audit and Risk Management Committee. These include, for example, human resources strategy and Executive Board and Supervisory Board remuneration. The Standing Committee did not meet in 2020.

Supervisory Board agrees with audit results

The annual financial statements of KRONES Aktiengesellschaft prepared by the Executive Board, the consolidated financial statements, the management report of KRONES AG and the group management report for the period ended 31 December 2020 were examined by the auditors elected by the annual general meeting, ERNST & YOUNG GMBH Wirtschaftsprüfungsgesellschaft, and each issued with an unqualified audit report. The audited annual financial statements

and consolidated financial statements, the management report of KRONES AG and the consolidated management report for the period ended 31 December 2020 were duly submitted to all members of the Supervisory Board for review. The audited financial statements and management reports were the subject of the Supervisory Board meeting held to ratify the financial statements on 24 March 2021. Representatives of the auditing firm also participated in the meeting and informed the Supervisory Board of their audit results and the focal points of their audit.

The Supervisory Board noted and approved the audit results. No objections were raised following the final review by the Supervisory Board, which covered in particular the matters described in the auditor's audit report including the audit procedures. The Supervisory Board has ratified the annual financial statements of KRONES AG and approved the consolidated financial statements as well as the Executive Board's proposal for the appropriation of earnings available for distribution. The 2020 annual financial statements of KRONES AG are thus ratified.

The auditors included in their audit the Executive Board's report, in accordance with section 312 of the German Stock Corporation Act, on KRONES AG's relations to affiliated companies and submitted their audit report to the Supervisory Board. The audit by the auditors did not give rise to any objections. The auditor issued the following unqualified audit opinion on the dependency report:

"Based on our due audit and assessment, we confirm that

1. the statements as to fact made in the report are accurate,
2. the consideration given by the company in respect of the legal transactions referred to in the report was not unreasonably high."

The audit of the report in accordance with section 312 of the German Stock Corporation Act on KRONES AG's relations to affiliated companies did not give rise to any objections. The Supervisory Board therefore agreed with the results of the audit by the auditors. Following the final outcome of its own review, the Supervisory Board did not raise any objections to the Executive Board's concluding declaration on relations with affiliated companies.

In addition to the statutory audit, ERNST & YOUNG GMBH Wirtschaftsprüfungsgesellschaft also performed a limited assurance review of the separate combined non-financial report of KRONES AG and the Group for the period from 1 January to 31 December 2020. On the basis of that review, the auditor did not raise any objections to the non-financial report and fulfilment of the statutory requirements relating to it.

Thanks to the Executive Board and the workforce

The Covid-19 pandemic made 2020 a very challenging financial year for the entire KRONES team. The members of the Supervisory Board would like to thank the Executive Board and all of the company's employees for their dedicated work under sometimes difficult conditions.

Neutraubling, March 2021

The Supervisory Board



Volker Kronseder
Chairman of the Supervisory Board

The Supervisory Board



Volker Kronseder

Chairman of the Supervisory Board

* University Hospital Regensburg

* Economic Advisory Board, Bayerische Landesbank



Josef Weitzer**

Deputy Group Employees' Council Chairman

Deputy Composite Employees' Council Chairman

Employees' Council Chairman, Neutraubling

* Sparkasse Regensburg



Markus Hüttner **

Deputy Group Employees' Council Chairman

Deputy Composite Employees' Council Chairman

Deputy Employees' Council Chairman, Neutraubling



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

* Other Supervisory Board seats held, pursuant to Section 125 (1) sentence 5 of the German Stock Corporation Act

** Elected by the employees



Norman Kronseder

Farmer and forester

* Bayerische Futtersaatbau GmbH



Prof. Dr. jur. Susanne Nonnast

Professor at Ostbayerische Technische Hochschule (OTH) Regensburg



Beate Eva Maria Pöpperl**

Independent Member of the Employees' Council



Norbert Samhammer

Managing Director, Samhammer Holding GmbH

* Samhammer AG



Petra Schadeberg-Herrmann

Managing Partner, Krombacher Brauerei Bernhard Schadeberg GmbH & Co. KG, Krombacher Finance GmbH, Schawei GmbH, Diversum Holding GmbH & Co. KG



Jürgen Scholz**

First authorised representative, IG Metall administrative office in Regensburg

* Infineon Technologies AG



Hans-Jürgen Thaus

* Maschinenfabrik Reinhausen GmbH



Matthias Winkler

Managing Partner, ww + kn Steuerberatungsgesellschaft mbH

The KRONES share



“The corona pandemic negatively impacted investment confidence among KRONES customers. This also affected our share price.”

*Olaf Scholz
Head of Investor Relations*

- Most equity markets close 2020 positively despite corona slump
- KRONES share price shows slight decrease of 2.1%

High liquidity drives international stock markets into positive territory

The 2020 stock market year was almost entirely dominated by the corona pandemic. Nevertheless, the year got off to a promising start. Share prices continued to rise after the successful stock market year in 2019. But from mid-February onwards, the corona pandemic took command of the capital markets. Fears of a collapse of the global economy sent share prices spiralling downwards without exception through to the end of March. The DAX lost almost 40% in a single month. But equity markets recovered as quickly as they had fallen. Investors speculated on a rapid economic upswing to be brought about by massive support measures from governments and central banks.

After spending much of the third quarter moving sideways, equity markets put in a final spurt in the fourth quarter. This was driven by good prospects for fast-track approval of corona vaccines and ongoing high levels of liquidity provided by central banks. Even new lockdowns towards the end of 2020 were unable to dampen the positive mood on the markets, with the result that many stock markets ended the difficult 2020 stock market year in positive territory.

The leading German share index, the DAX, improved by 3.5% to close the reporting year at 13,719 points. As a result, the DAX ended the year only slightly below its all-time, February 2020 high of close to 13,800 points. The Euro Stoxx 50 did not perform quite as positively. Representing the 50 largest companies in the euro area, the index lost 5.1% in the reporting period. Conversely, 2020 saw the Dow Jones index reach new record levels. The leading US stock market index climbed 7.2%. An even more dynamic upward trend was seen on the Japanese stock market. The Nikkei index rose by 16.0% in the reporting year.

KRONES share price has almost compensated the losses due to corona

The KRONES share price was unable to fully make up the losses caused by the corona crisis over the course of the year. Over the full year 2020, our shares underperformed the SDAX, which was driven by online retailers.

KRONES shares started 2020 with price gains. The generally positive stock market environment provided a tailwind. Our share price reached its high for 2020 at €75.50 on 24 January. Through to mid-February, KRONES shares held steady above the €70 mark. Thereafter, our shares were caught up in the general downward spiral on the stock markets triggered by the global Covid-19 pandemic. The KRONES share price reached its low for the reporting year at €41.92 on 23 March – 37.9% down on the beginning of the year. Between April and June, the shares then climbed back rapidly towards the €60 mark, before

coming under pressure due to the second wave of the corona pandemic in the third quarter and moving thereafter between €50 and €60.

The KRONES share price rose sharply again following publication of the nine-month figures at the beginning of November and the Capital Market Day on 12 November. In the last two months of the year, the share price rose from just under €50 to a year-end price of €66.05, which was only 2.1% below the year's opening price of €67.50. Including the €0.75 per share dividend, the annual performance of the KRONES share price in 2020 was minus 0.9%. The SDAX, of which KRONES has been a component since 2018, was once again the top performer in the DAX index family with a gain of 18.0% in 2020. This strong increase was mainly driven by online retailers such as Home24, Global Fashion Group and zooplus, which in some cases gained several hundred percent.

KRONES share price performance compared with the SDAX 2020



Key figures for the KRONES share

	2020	2019	2018
at 31 December			
Earnings per share	€ -2.52	0.30	4.78
Equity per share	€ 37.98	43.36	45.36
Free cash flow per share	€ 7.00	-2.99	3.82
Price/earning (P/E) ratio based on closing price for the year	-	225.0	14.1
Dividend per share	€ 0.06*	0.75	1.70
High	€ 75.50	88.85	122.80
Low	€ 41.92	47.46	66.10
Year's closing price	€ 66.05	67.50	67.50

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

KRONES shares deliver solid long-term return

The KRONES share price has risen by an average of 3.5% a year over the last ten years. Including dividends, the annual value growth is 5.1%.

The past ten years from 2011 to 2020 have seen our share price increase by 41%. KRONES' average annual share price gain over the ten-year period comes to 3.5%. That is less than the SDAX price index (+8.7%), meaning the SDAX excluding dividends. Including dividends, and assuming these are reinvested in KRONES shares, the average annual return since 2011 comes to 5.1%. The comparable SDAX performance index gained 11.0% annually.

Performance of KRONES shares compared with the SDAX price index, 2011 – 2020



KRONES shares retain strong position in SDAX index

KRONES shares have been listed and available for trading on all German stock exchanges since 29 October 1984. Our shares are no par value ordinary bearer shares. Each share carries one vote in the annual general meeting. The total number of KRONES shares is 31,593,072.

KRONES shares remained one of the larger and highest-revenue SDAX components in the reporting year.

Our share has been a component of the SDAX since mid-2018. The SDAX is the German stock exchange index containing the 70 companies that succeed those listed in the MDAX in market capitalisation and revenue. During the reporting period, as in the previous year, KRONES occupied 25th place among the companies in the SDAX in terms of market capitalisation. In terms of trading volume, on the other hand, the KRONES share was unable to maintain the high level of the previous year, holding 29th place at the end of 2020 (previous year: 11th place).

Total daily trading volume in XETRA and on Frankfurt Stock Exchange averaged around 48,000 KRONES shares in 2020 (previous year: 71,000 shares). 2020 likewise saw fewer KRONES shares change hands on alternative trading platforms, which primarily handle orders from institutional investors. Average daily trading volume there came to around 65,000 shares (previous year: around 108,000).

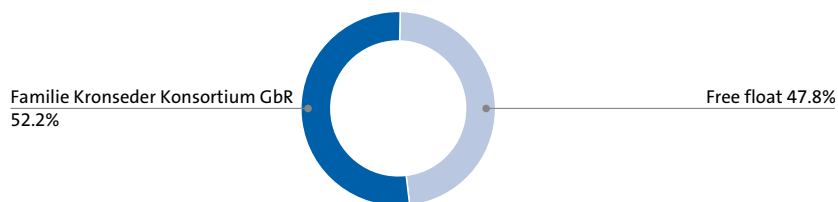
Key data for the KRONES share

Number of shares	31,593,072
German securities identification number	633500
ISIN	DE 0006335003
XETRA ticker symbol	KRN

Shareholder structure

KRONES' shareholder structure remained virtually unchanged in the reporting period. At 31 December 2020, Familie Kronseder Konsortium GbR held the majority of KRONES AG's shares, with 52.2%. The family intends to remain a stable majority shareholder of KRONES AG. The free float came to 47.8% at the end of 2020.

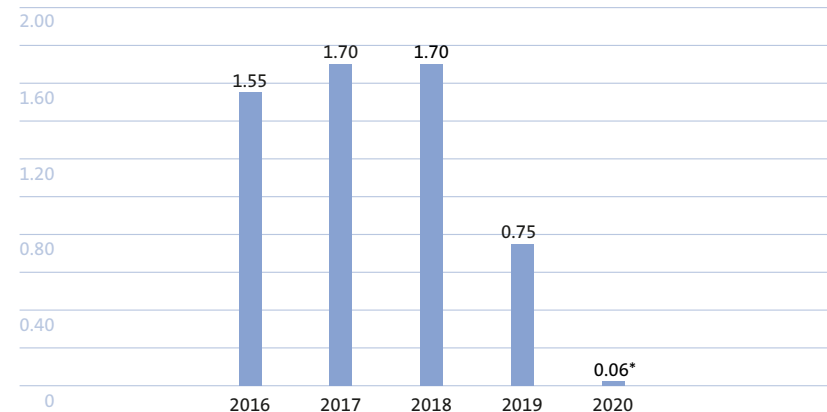
Shareholder structure as of December 2020



KRONES to pay statutory minimum dividend for 2020

KRONES' long-term dividend policy is to pay out 25% to 30% of consolidated net income to shareholders. Due to the negative net income, the Executive Board and Supervisory Board will propose to the Annual General Meeting on 17 May 2021 that only the statutory minimum dividend of 4% of the share capital, and thus a total of €1.9 million or 6 Cent per share, be distributed for the 2020 financial year and that the remaining earnings available for distribution from the 2020 financial year be carried forward.

Dividend per share (€)



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