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CONSOLIDATED MANAGEMENT REPORT

Fundamental information about the group

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KRONES at a glance

Business model, business areas and organisational structure

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

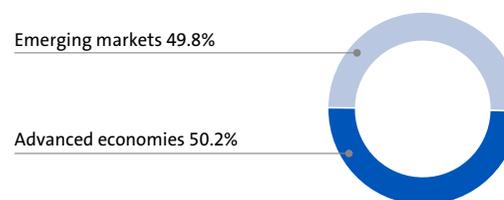
KRONES reports on two segments: **Machines and Lines for Product Filling and Decoration and Machines and Lines for Beverage Production/Process Technology**. The Machines and Lines for the Compact Class segment, which was reported on separately until 2017, was made part of KRONES' core segment **Machines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

Major markets and competitive position

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

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

KRONES group share of consolidated revenue 2020



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

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

Machines and Lines for Product Filling and Decoration



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

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

📄 See also Segment report, pages 79 and 134.

Revenue (€ million)



* incl. Machines and Lines for the Compact Class

	2020	2019
EBITDA (€ million)	171.5	218.5
EBITDA margin (%)	6.1	6.7

Machines and Lines for Beverage Production/Process technology

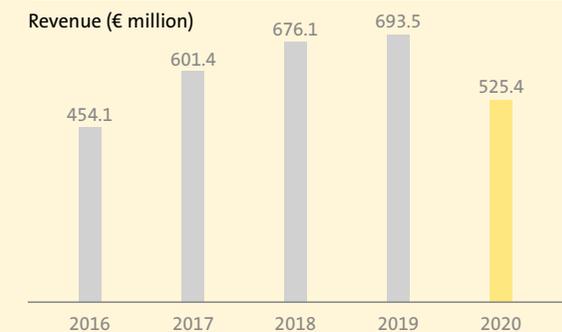


This KRONES segment supplies customers with machines and lines for producing and processing beer, soft drinks, fruit juices, milk, and dairy drinks. The segment also includes all digitalisation activities developed by KRONES for the entire beverage industry. Beverage Production/Process Technology also includes the intralogistics business under subsidiary SYSTEM LOGISTICS together with EVOGUARD brand components.

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

 See also Segment report, pages 87 and 134.

Revenue (€ million)



	2020	2019
EBITDA (€ million)	-38.3	8.8
EBITDA margin (%)	-7.3	1.3

First quarter 2020

The first quarter saw the worldwide spread of the coronavirus. KRONES took fast action to protect employees and customers. The company also assumed social responsibility. For example, KRONES produced and donated 400,000 PET bottles and had them filled with disinfectant. The bottles were then sent to various medical facilities.

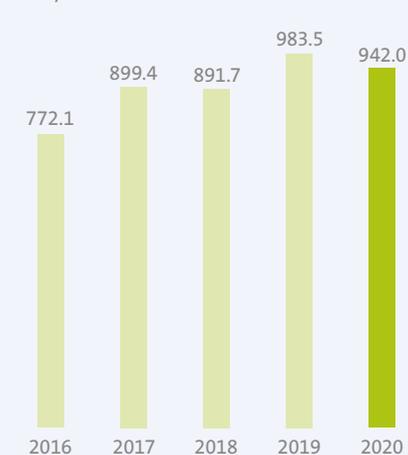
The impact of the corona crisis on revenue was still limited in the first quarter of 2020. Revenue was down 4.2% year-on-year to €942.0 million. There was a larger impact on order intake, which fell by 19.3% to €841.1 million. Partly because of initial results from structural measures adopted by KRONES, EBITDA went up, despite the revenue shortfall, by 4.1% to €89.5 million.

The corona crisis triggered a sharp fall on the equity markets during March. This also affected our share price. KRONES shares were still rising at the beginning of the year. The share price reached €75.50 on 24 January, 11.9% higher than at the start of 2020. Our shares held steady above the €70 mark through to mid-February. In March, KRONES was caught up in the general downward spiral on the stock markets. At the end of first quarter of 2020, the KRONES share price stood at €48.78. This was 27.7% down on the beginning of the year. The SDAX showed a first-quarter loss of 26.1%.

Order intake Q1
(€ million)



Revenue Q1
(€ million)



Share price 31 March
(€)



EBITDA Q1
(€ million)



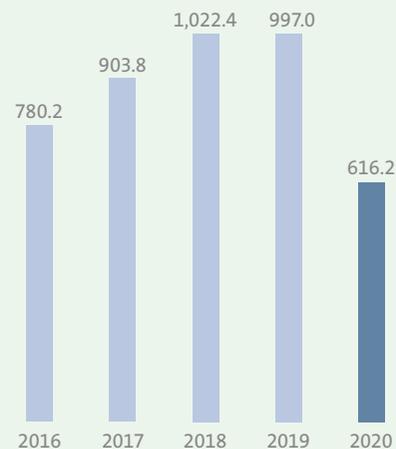
Second quarter 2020

The KRONES Annual General Meeting was held in Neutraubling on 18 May. For the first time, it took place as an entirely virtual meeting due to the Covid-19 pandemic. Attendance – the proportion of the company's share capital represented at the on-line general meeting – was around 77%. All agenda items submitted for voting were adopted by shareholders with a large majority. Shareholders were paid a dividend of €0.75 for 2019.

As expected, economic consequences of the corona crisis had a major impact on KRONES' business in the second quarter. Revenue dropped by 16.5% year-on-year to €756.6 million. The general economic uncertainties also affected investment confidence among customers. In the second quarter, order intake fell by 38.2% to €616.2 million. The structural measures adopted by KRONES in the second half of 2019 had a positive impact on profitability. EBITDA fell less steeply than revenue, from €30.9 million to €29.0 million.

The stock markets recovered their large first-quarter losses between April and June. Massive liquidity support from central banks and large government economic stimulus programmes fuelled a turnaround. The KRONES share price rose in the second quarter by 17.1% to €57.10.

Order intake Q2
(€ million)



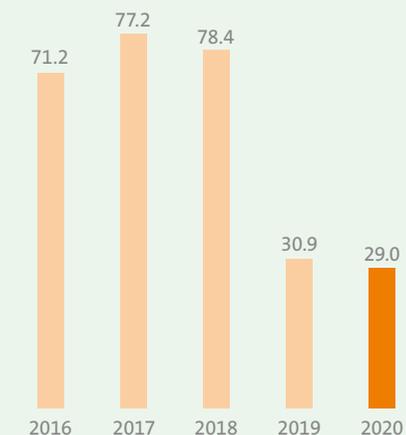
Revenue Q2
(€ million)



Share price 30 June
(€)



EBITDA Q2
(€ million)

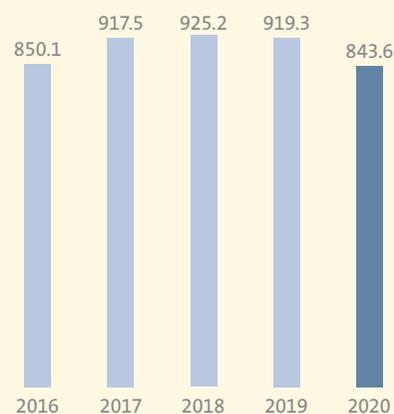


Third quarter 2020

On 25 August, KRONES and its subsidiary DEKRON won the German Packaging Award in the Sustainability category. The award was conferred for a plastic bottle made of 100% recycled PET and labelled with digital direct printing. The ink used dissolves without residue during the recycling process. The technologies for producing, labelling and recycling such bottles are already available from KRONES and DEKRON as series products.

KRONES' business stabilised in the third quarter. While revenue dropped by 25.0% year-on-year to €750.4 million, order intake recovered significantly compared with the weak second quarter. At €843.6 million, the contract value of orders was 37% higher in the third quarter than in the preceding quarter. Although EBITDA suffered from the reduced capacity utilisation due to corona, cost savings limited the fall in earnings from €47.4 million in the previous year to €28.8 million. The KRONES share price did not fluctuate as strongly in the third quarter as it had in the first half of the year. The general market also went sideways overall between July and September. At the end of the quarter, KRONES shares stood at €52.95, down 21.6% on the beginning of the year. Including the dividend, the share price was down by 20.4%.

Order intake Q3
(€ million)



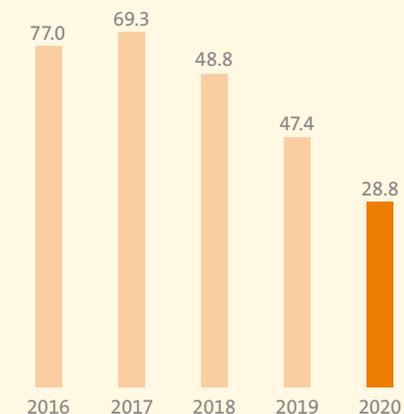
Revenue Q3
(€ million)



Share price 30 September
(€)



EBITDA Q3
(€ million)

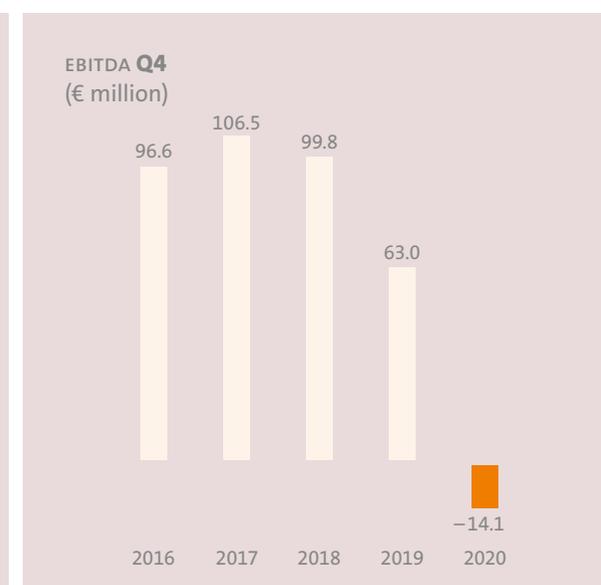
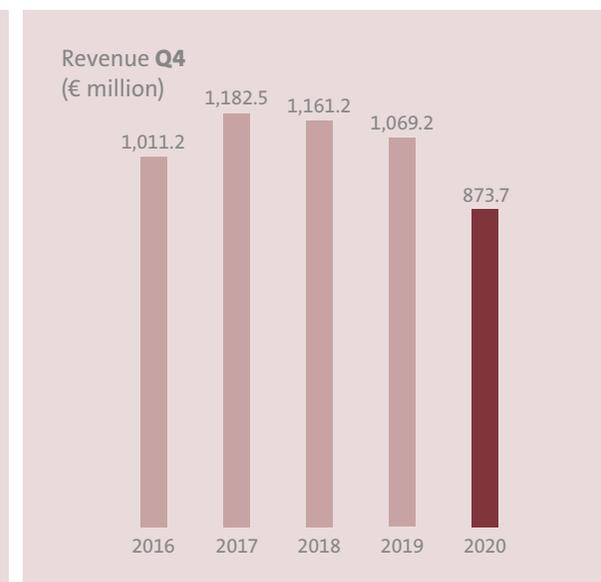
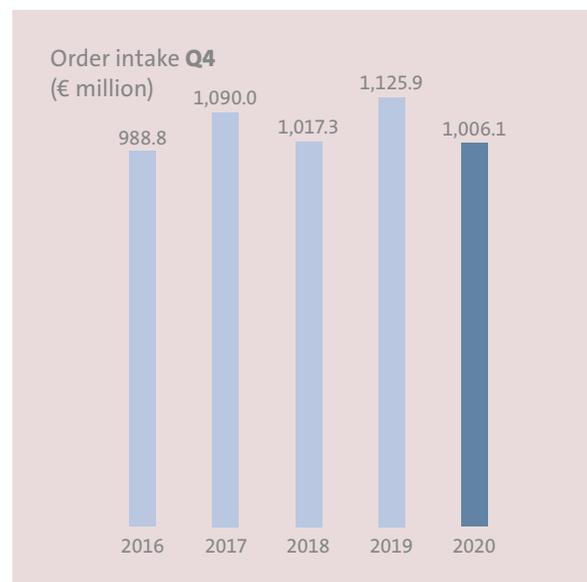


Fourth quarter 2020

Following the third-quarter recovery, KRONES' order situation further improved in the fourth quarter. Orders worth €1,006.1 million came in between October and December. Order intake was thus 10.6% down on the previous year, but 19.3% higher than in the third quarter of 2020. KRONES' revenue was €873.7 million in the fourth quarter, generating EBITDA of –€14.1 million. Excluding expenses for structural measures, EBITDA came to €58 million.

KRONES pursues ambitious climate targets. At the end of 2020, the company adopted a new climate strategy. Among other things, this includes a comprehensive package of measures to reduce Group-wide greenhouse gas emissions. KRONES aims to reduce its own operational (Scope 1 and 2) emissions by 80% between 2019 and 2030. In parallel, emissions in the upstream and downstream value chain (Scope 3) are to be reduced by 25%, with a particular focus on the carbon footprint of our machines and lines while in use by customers.

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. Overall, the share price rose by almost 25% during the fourth quarter compared with the end of September. At the end of the year, the KRONES share price stood at €66.05. This put our share price just 2.1% below the €67.50 start-of-year opening price.



Systems and Lifecycle Service – **performance matters**

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

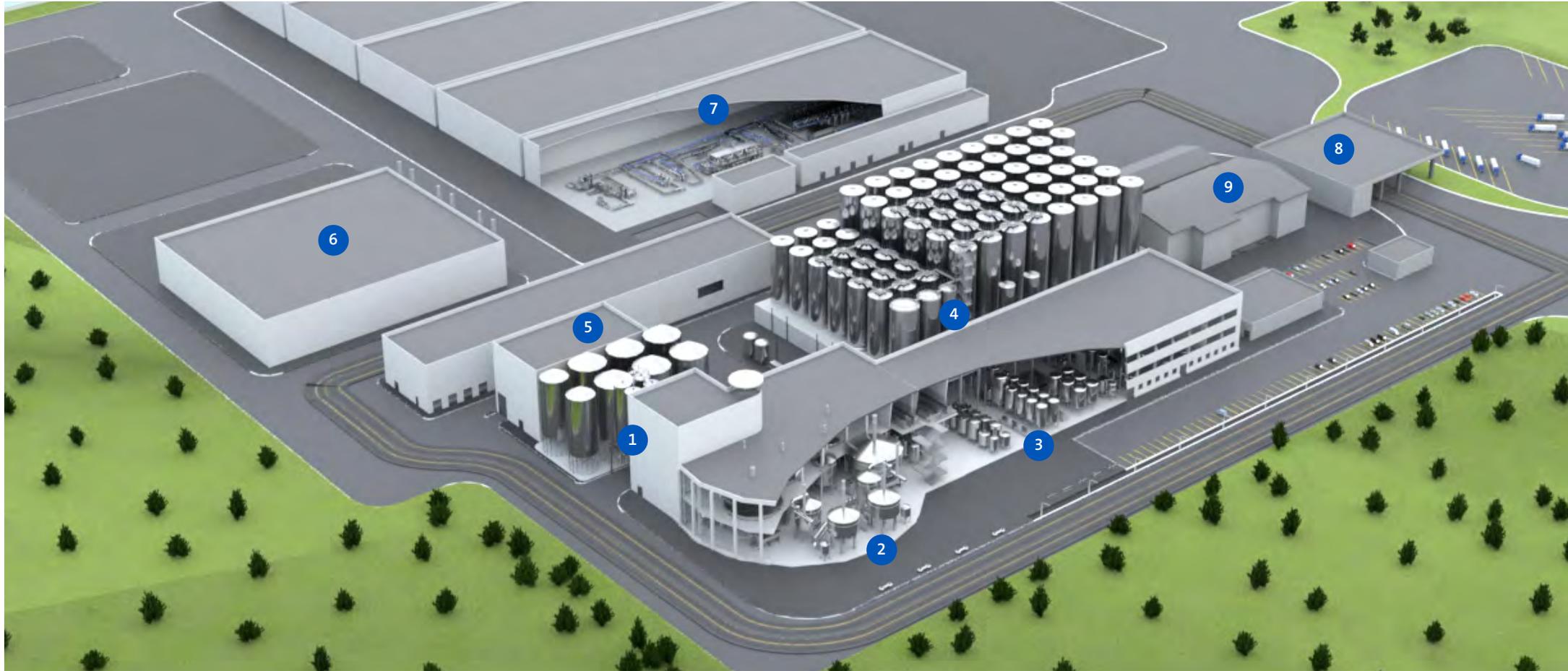
We deliver all of the machines and lines necessary for producing, filling and packaging beverages. We also provide complete logistics systems, supply and disposal systems and custom IT and digitalisation solutions that manage and document all production processes.

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

The following models of a complete beverage plant provide a brief overview of our offerings.



Partner for
Performance



1 Malt Handling

2 Brewhouse

3 Yeast-/Filter Cellar

4 Tankfarm

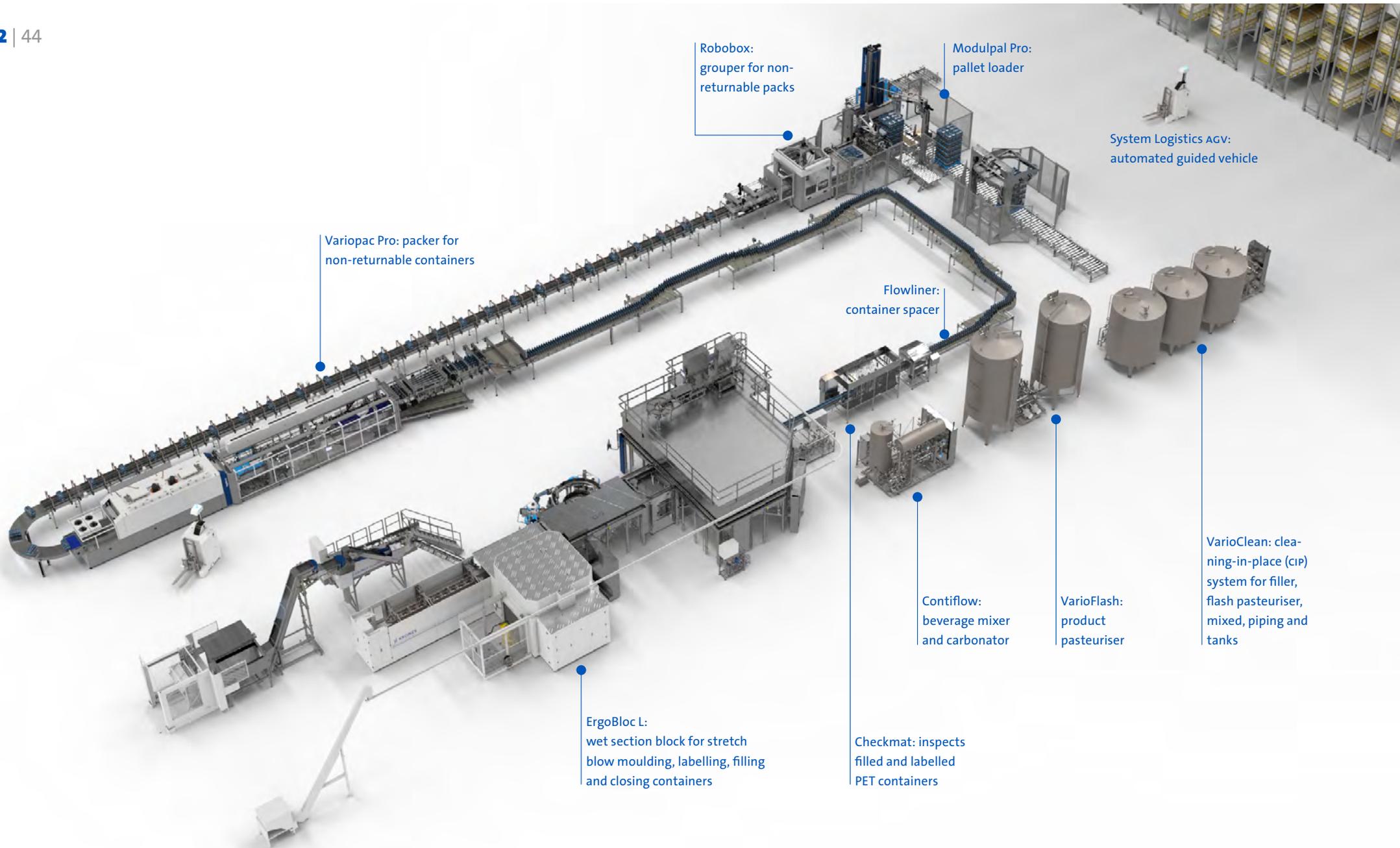
5 Utilities (Compressed Air,
Refrigeration Plant,
co₂-Recovery Plant, ...)

6 Utilities
(Boiler Plant, CHP-Plant, ...)

7 Bottling and Packaging Area

8 Main Gate

9 Administration



Strategy and management system

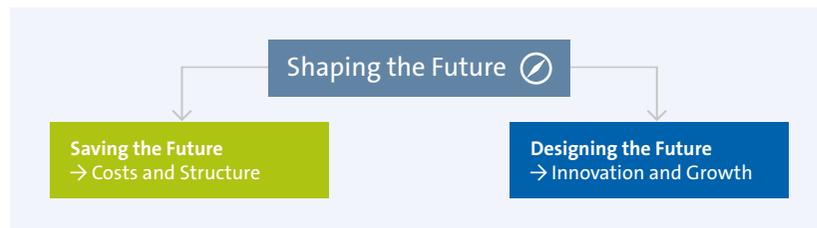


“KRONES has two key tasks to accomplish: Mastering the crisis and, and the same time, shaping the future. I am confident that the measures we have adopted will secure KRONES’ future and competitiveness.”

Christoph Klenk
CEO

The world has changed dramatically due to the Covid-19 pandemic. Not only did the many lockdowns cause a massive slump in the economy. The pandemic has also significantly changed ordering patterns among business customers and purchasing patterns among end consumers.

KRONES, too, is affected by this ‘post-corona’ world and will consequently adapt its strategy to the new circumstances in the years to come. To achieve this, the company must manage two key tasks. First of all, KRONES must master the currently still difficult economic situation to the best possible effect. This will secure our future. In parallel, we will think ahead to be prepared for the forthcoming recovery in our markets. With innovations and investments in growth, we are laying the basis for a successful future.



One of the most important findings of our autumn 2020 customer survey conducted by the Executive Board was this: After a phase of holding back on investment, the food and beverage industry will return to growth. In the medium and long term, many megatrends point to sustained growth in the filling and packaging market. Global population growth will persist, the middle class in emerging economies will keep on growing and urbanisation will continue.

Cost-cutting measures are working – and have to continue

But first of all, suitable measures are needed to mitigate the corona-related drop in demand. Customers clearly indicated that their investment will not yet regain 2019 levels in 2021 and 2022. We are therefore adjusting capacity to the lower business volume in the short and medium term.

The reduction in the workforce decided on in autumn 2020 is just one of many necessary measures. On the positive side, the cost-cutting measures outlined here last year are taking effect. We will continue to implement these. They include simplifying structures and processes, optimising production costs, reducing material costs and adjustments to our product portfolio. During the reporting period, we made good progress with the spin-off of the brewery activities (STEINECKER) and will now take various measures in the current year to improve profitability in this business.

We also continue to place strong focus on expanding our global value chain. This allows us to make better use of regional resources and makes us less vulnerable to protectionist trade restrictions.

With a few months' delay due to corona, production started in 2020 at our new site in Debrecen, Hungary. The plant will be fully operational by mid-2021 – provided that the further course of the corona pandemic allows – and will lead to cost savings this year. From 2022, the annual cost savings will be around €20 million.

To better manage demand fluctuations in the medium term, the company will **adjust the degree of value added in-house**. This enables KRONES to make its costs more flexible, and to focus internal resources on its core competencies.

All of these measures serve to secure KRONES' international competitiveness. The cost savings are necessary so that we have sufficient latitude for future investment and further growth.

Post-Covid era offers opportunities for growth – clear focus on core competencies

The global economic impact and changes caused by the coronavirus are enormous. But the worst is presumably behind us, and life and the economy will 'normalise' again after the pandemic.

Many experts expect our market to recover strongly till 2025. It will benefit from the ongoing, intact megatrends in emerging markets, and also from massive stimulus programmes in industrialised economies. In order to make the best possible use of the opportunities in our market following the corona pandemic, we will focus in future even more strongly on our core competencies of **sales, engineering, final assembly, life cycle service and digitalisation**. We also plan to use these core competencies to open up new markets.

Digitalisation to accelerate

KRONES sees major opportunities above all in the field of digitalisation, where it employs over 300 software engineers and IT specialists. The focus in all digital innovations is on adding value to our products.

Over 300 employees work exclusively on the digitalisation of our filling and packaging lines.

Customers increasingly expect our machines and lines to reduce their operating and labour costs. The digitalisation of the beverage plant plays a key role here. This means making our filling and packaging lines smarter. In this way, we can further enhance system availability and increase automation. Predictive maintenance and rapid troubleshooting are a further element. Our aim is to provide customers with digital tools and services on a single platform that enables integrated control of the entire line from process technology to instrumentation and control systems, including all production data, and all the way through to software solutions. To achieve this goal, we will continue to increase investment in the digitalisation of our machines and lines.

Intralogistics a key part of the KRONES portfolio

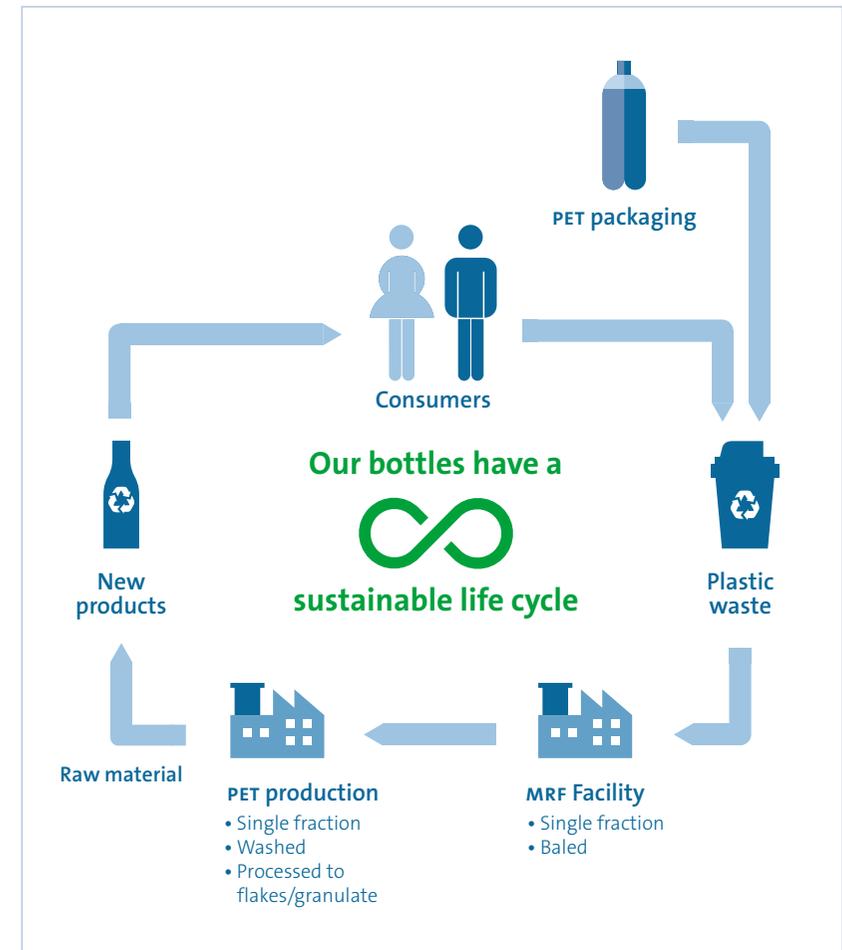
One important pillar in the KRONES portfolio is intralogistics. This will accelerate digitalisation in beverage plants by ensuring an optimum flow of materials and data. Intralogistics itself will also benefit from market changes highlighted by Covid-19. These include faster delivery, greater automation and increased online ordering. With SYSTEM LOGISTICS, KRONES is ideally equipped to meet changing customer requirements. We will expand intralogistics – which is delivering above-average growth – as a strategically important pillar in the **House of KRONES**, and further improve profitability.

Sustainable PET solutions are major growth drivers

Another key finding from the customer survey was that the beverage industry wants to actively address the plastic waste problem. A core component of this is the recycling of plastics, and most of all PET. Going beyond official targets – in the EU, recycled PET (rPET) is to account for at least 25% of the market by 2025 – many customers have adopted even more ambitious targets of their own. In some cases they aim for a 50% rPET share by 2025. KRONES expects that by 2030, on average, rPET will account for 50% of PET packaging worldwide. That creates opportunities that we will make use of.

With its various Metapure lines, KRONES has already provided high-quality recycling solutions for true bottle-to-bottle recycling for many years. KRONES plans to expand this still relatively small business within the group in the years ahead, in order to tap into the rising demand for recycling lines. This will not produce a significant jump in revenue over the short to medium term, however, because of the long project lead times.

Although rPET is chemically identical to virgin PET, there are differences in processing. KRONES possesses comprehensive expertise in all facets of manufacturing and processing rPET containers. It will support customers in refitting their production lines for the circular economy of the future. In addition, by 2025, all new KRONES PET filling lines will be able to process up to 100% rPET.



CO₂ reduction a clear goal of KRONES customers

A further important concern for our customers alongside resource-conserving PET recycling is reducing CO₂. KRONES has set itself the ambitious target for the ecoefficiency of the machines and lines it produces to reduce the carbon footprint in the upstream and downstream value chain at the customer (Scope 3 emissions) by 25% from 2019 to 2030. We are ideally placed to achieve this goal. As long ago as 2008, KRONES launched the enviro sustainability programme with the focus on conserving resources and increasing the energy efficiency of our machines and lines. KRONES was ahead of its time with enviro and is now in a very good position. Further information on our sustainability efforts can be found in the R&D section on p. 54 and 55. In addition, we have set ourselves the target of an 80% reduction in our own (Scope 1 and 2) CO₂ emissions by 2030.



Internationalisation increases customer satisfaction and reduces risks

The travel restrictions during the corona pandemic show the importance of local presence for KRONES in the world's regions. Growing trade conflicts, too, underpin our efforts to expand our global production, sales and above all **service network**. The rapidly growing African and Asian markets are particularly important here. KRONES will continue to expand its workforce and local presence in these emerging markets. The closer KRONES is to customers with its team, the faster it can meet their requirements and increase customer satisfaction.

Selling prices to recover in the medium term

The corona crisis and the resulting weakness in demand put pressure on selling prices in the reporting period. KRONES focused on maintaining a good balance between capacity utilisation and price quality. This year, the company expects prices to remain stable compared to 2020 due to a projected slight increase in demand. In subsequent years, more rapid market growth should be reflected in rising prices.

Innovation secures the company's future growth

For the long term, price quality will also be supported by innovations. These must provide customers with clear and measurable added value in terms of **costs, versatility, environmental compatibility, and product and production safety and reliability**. An example is equipment that enhances the sustainability of packaging. The greater the benefit for customers, the more willing they will be to accept higher prices. Digitalisation especially harbours major potential for adding value. We showcase a selection of our innovations from the reporting period on pages 56 and 57.



The workforce is the decisive factor in the company's success

The decision to cut several hundred jobs was not easy for either the Executive Board or the Supervisory Board. Most of all because of the many years and decades of outstanding work delivered by our employees. We nevertheless had to adjust workforce capacity so as not to put the future of the company at risk. These measures in no way diminish our appreciation of the workforce. The Executive Board knows the huge importance of the employees for the company's success. It is they who ensure that customers are satisfied with KRONES products and services.

KRONES adjusted workforce capacity to the significantly lower demand in the reporting period.

Employees in the emerging markets 2016–2020

Year	South America	Africa	Asia-Pacific	cis/Eastern Europe	China	Total
2016	549	386	602	155	508	2,200
2017	581	393	734	398	608	2,714
2018	637	452	830	507	716	3,142
2019	782	671	1,009	933	792	4,187
2020	778	639	974	922	742	4,055

Looking to the future, we continue to need motivated and dedicated employees. KRONES will continue to invest above-average in training and employee development. These remain the basis for our future expertise and KRONES' long-term viability.

Stable financial and capital structure

In a crisis, it is of paramount importance to have sufficient liquidity. KRONES continued to do so throughout the difficult 2020 financial year. The company maintained liquidity reserves of around €1 billion for almost the entire year. This meant that the group retained its capacity for action at all times and had enough reserves to survive a prolonged downturn. At the end of 2020, KRONES even had a net cash position of some €185 million. Combined with a very solid equity ratio of 39.4%, this adds up to a stable financial and capital structure. This gives the company sufficient financial headroom both to invest in growth and the future and to accord shareholders their due share of the company's success in the form of dividends. KRONES' dividend strategy is to pay out 25% to 30% of consolidated net income to shareholders.

Strong focus on working capital and free cash flow

KRONES generated a positive free cash flow of €221.3 million in the reporting period. That is a good outcome considering the difficult year in 2020. Going forward, we will further improve free cash flow in order to strengthen our capital base and internal financing capability.

The most important parameter here is lower working capital. In 2020, average working capital over the past four quarters as a percentage of revenue stood at 28.3% which is some way from our medium-term target of 24% to 26%. Less capital tied up in the operating business means more capital for other purposes. For each percentage point by which we lower this ratio, our free cash flow and therefore our available resources grow by around €35 million.

KRONES aims to significantly reduce the working capital to revenue ratio in the years ahead and so improve free cash flow.

The main burden on working capital is the high level of customer receivables. Among measures to reduce these, KRONES will shorten the timespan from delivery to invoicing. To this end, on-site assembly and acceptance are to be completed sooner. Using a variety of other measures, it is planned for trade receivables to grow below average in the next few years relative to revenue. Centralising inventory management and the supplier financing programme launched in the final quarter of 2020 will have further positive impacts on working capital.

Capital expenditure to settle at a lower level

A further important factor in free cash flow is capital expenditure on property, plant and equipment. KRONES invested heavily in expanding its global footprint in 2018 (3.2% of revenue) and 2019 (2.7%). For the reporting period, this figure was a very low 1.7% of revenue. In the years ahead, capital expenditure will settle in a band between 2% and 3% of revenue. No acquisitions are currently planned. However, we always retain the capability to act on attractive acquisition opportunities should they arise.

Medium-term targets to be attained by 2023

Despite the corona crisis, KRONES has not lost sight of its ambitious medium-term financial targets and continues to adhere to them. In order to exploit the opportunities available in our market and to maintain sufficient headroom for investment, we aim to deliver the following:

- 2% to 5% average organic revenue growth per year
- 9% to 12% EBITDA margin (corresponding to an EBT margin of 6% to 8%)
- 24% to 26% working capital to revenue ratio



KRONES has made a slight upward adjustment to the third target. Previously, the target for the working capital to revenue ratio was 22% to 24%.

The timeframe for target attainment has been pushed back by the Covid-19 pandemic. Provided there are no new economic, health or political crises, KRONES aims to attain the targets by 2023.

KRONES' management system

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

- Revenue growth
- EBITDA margin (earnings before interest, taxes, depreciation and amortisation as a percentage of revenue)
- Working capital as a percentage of revenue

In order to strengthen our market position and utilise economies of scale, we aim in the medium-term to achieve further revenue growth.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) is a key earnings performance indicator. Profitability, measured as the EBITDA margin (EBITDA as a percentage of revenue) is among our key targets and parameters. The EBITDA margin indicates the company's profitability in relation to revenue, irrespective of the tax rate, financial income/expense and depreciation and amortisation. For the group, we set the target margin as the weighted average of the two segments.

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

Other financial key performance figures

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

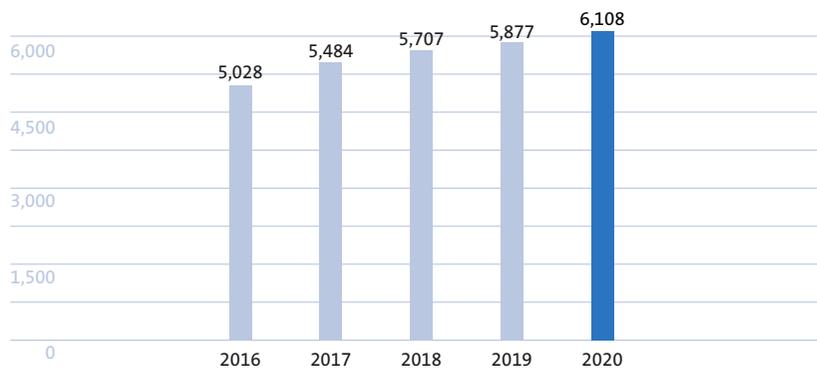
Research and development (R&D)

- 5.0% of revenue invested in R&D despite the corona crisis
- Customer survey confirms KRONES R&D strategy
- Increased focus on sustainability and the climate
- Huge opportunities in the digital beverage plant

In economically difficult times, cutting costs is usually high on the agenda – and KRONES is no exception. At KRONES, however, we see research and development expenditure less as a cost category and more as an investment in our company's future. That is best demonstrated by the fact that even in 2020, an extremely challenging year, we invested €168 million (previous year: €195 million) or 5.0% of consolidated revenue (previous year: 4.9%) in research and development. €23.7 million of this was capitalised as development costs in the reporting period (previous year: €32.5 million).

KRONES invested 5.0% of consolidated revenue in research and development in 2020.

Registered patents and utility models – KRONES Group



KRONES' innovativeness is also reflected in the number of patents and utility models granted, which rose to 6,108 at the end of 2020 (previous year: 5,877). Some 2,300 highly qualified people at KRONES in the reporting year worked to keep the pipeline filled with new and evolving machines, systems and services. All innovations focus squarely on customer benefit. New products and services must create added value for customers and deliver incentives to invest. The higher the savings to customers, the better the prices obtainable for KRONES.

Customers' basic needs unaltered after Covid-19

A wide-ranging customer survey conducted by the KRONES Executive Board in the autumn of 2020 confirmed KRONES' R&D strategy. The beverage industry continues to focus on costs, flexibility, digitalisation and sustainability. In terms of costs, after companies temporarily paused major new investment due to the economic uncertainties in the wake of the corona crisis, attention is now increasingly returning to operating costs. The Covid pandemic has also increased the need for automation in beverage plants.

Digitalisation a major source of opportunities for KRONES

The Covid-19 pandemic has significantly accelerated the trend to digitalisation in almost all areas of life, including in the food and beverage industry. This was confirmed by our customer survey. Greater automation and thus a smaller workforce in beverage plants are a key goal for our customers. KRONES will therefore continue to invest heavily in digitisation.

Our software engineers and IT specialists work on digital solutions that create measurable added value for customers. These include our Connected Line, which enables us to completely digitalise filling machines and lines, ranging from smart commissioning to remote support by online link to the service centre.

KRONES' prime focus in digitalisation is on filling and packaging lines. Our aim here is to offer our customers maximum scope for optimisation and cost savings in production.

In a first step, in the KRONES Ecosystem, we are creating the basis for integrating all machines in a line and collecting and analysing machine data. Inferences are drawn from the data using artificial intelligence. This in turn enables us to develop new digital services that we make available to operators of KRONES lines on Share2Act, our proprietary industrial Internet of Things (IIoT). Line operators will have access in future to custom-tailored software packages under service level agreements.

End-to-end data tracking and analysis not only benefit our customers in production. These functions also help KRONES right from the installation stage. They accelerate and simplify installation, thus reducing the time and human resources needed on site for commissioning. Because the lines are digitally connected, KRONES can also service them remotely. The digital functionality also has a positive impact on service, maintenance and troubleshooting. Production downtime is largely avoided.

In a second step, once customers' lines are integrated into the KRONES Ecosystem, they can be controlled and tracked directly via the IIoT platform.

But digitalisation is not only about connectedness. KRONES is also improving the performance of existing systems with the aid of artificial intelligence (AI). The new Linatronic AI empty-bottle inspector, for example, incorporates an AI-based deep algorithm that substantially reduces the number of falsely rejected bottles (see p. 56).

Value drivers in the KRONES R&D strategy

Based on numerous discussions with customers, we have identified four areas where KRONES can create sustained added value with innovative products and services in the food and beverage industry. The four value drivers in KRONES' R&D strategy are

- Product and production safety
- Cost-efficiency
- Flexibility
- Sustainability

Increasing importance of sustainability and climate action

Our customer survey has also shown that customers continue to pursue a clear, medium-to-long-term plan under which protecting the climate and the environment have gained significantly in importance. Many major customers have adopted ambitious climate targets for the next five to ten years. But they also want to retain the advantages of PET packaging (weight, stability, flexibility and cost), and this places their focus on increasing the use of recycled PET. KRONES has been advancing the development of sustainable packaging solutions and recycling for many years.

Properly separated into grades, PET is almost infinitely recyclable. With its various Metapure lines, KRONES offers high-quality recycling solutions for true bottle-to-bottle recycling. KRONES will continue to invest heavily in recycling technology, both for PET and for other plastics, in order to provide customers with sustainable and commercially attractive packaging solutions.

enviro reduces customers' resource use



A further core element of the sustainability-oriented R&D strategy is enviro, a sustainability programme launched as long ago as 2008. The objective of enviro is to reduce energy and media consumption on our machines and lines. It is an integral part of the product development process at KRONES. As a result, all new KRONES machines and systems are above average in efficiency and environmental performance.

The enviro programme has systematically improved the energy efficiency of KRONES products for many years and has already led to substantial savings for customers. KRONES has nevertheless set itself the ambitious goal of reducing customers' energy consumption by a further 25% between 2020 and 2030 as a result of the eco-efficiency of its machines and lines.

The internally recognised CSR platform EcoVadis awarded KRONES a gold medal in 2020 for ranking among the best two percent of its sector worldwide.

KRONES products stand out for flexibility and quality

New products must also deliver a high degree of flexibility for customers. They must be able to switch quickly and easily between beverages and between different types and shapes of packaging. Customers can then better respond to rapidly changing customer needs and profitably produce small batch sizes. In the Bottling on Demand concept study, KRONES showed that the pilot plant could even theoretically produce a batch size of one. KRONES innovations must also be designed for easy upgrading and expansion, including with third-party products.

KRONES stands for quality in product and production safety. This is particularly evident in products for sensitive aseptic filling, which demands the highest standards of both hygiene and reliability. An example is Contipure AseptBloc DN (see page 57), a completely aseptic filling line for highly sensitive beverages. With this product, KRONES even meets the strict requirements of the U.S. Food and Drug Administration (FDA). KRONES plans to further extend its technology leadership in aseptic products for PET.

Expansion of the glass and cans portfolio

In anticipation of the long-term decline in demand for PET packaging, KRONES is both carrying out research into new types of packaging materials and innovating to expand its glass and cans portfolio. One example is an upgrade of the Modulfill Bloc FS-c can filler with a special hygiene concept (see page 57) that builds on KRONES' experience in aseptic filling of PET bottles. KRONES will continue to expand and reinforce its glass and cans portfolio with innovations.



A selection of our innovations

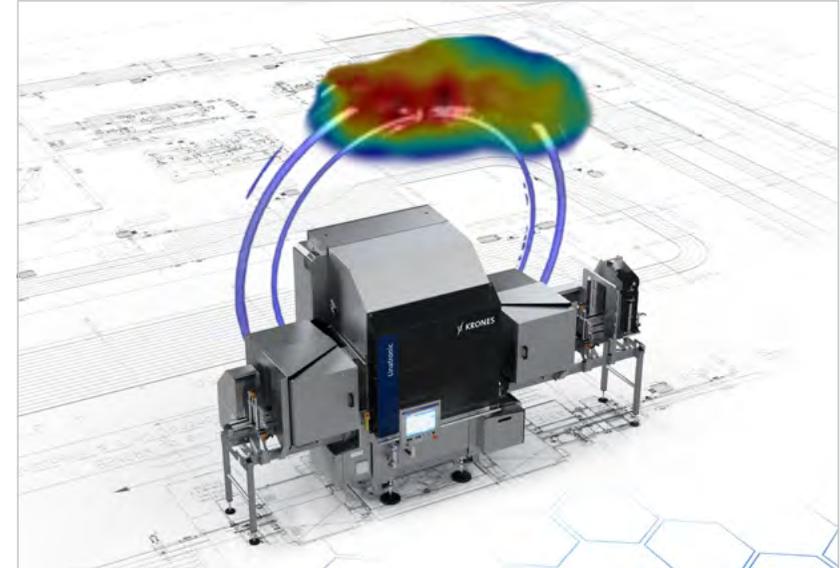
LitePac Top: a sustainable solution for cans



Packs of cans are often held together with plastic rings or shrink-wrap. KRONES offers an eco-friendly and sustainable alternative with LitePac Top. This adhesive-free cardboard packaging is made from regenerative resources and can be easily recycled after use. LitePac Top is simple and effective. It fits underneath the can seam, thus keeping the pack stable. Conveniently placed holes in the cardboard make the pack easy to pick up and carry.

A can is removed by simply sliding it up and out. There is no need to tear the cardboard. KRONES provides a matching Varioline packaging machine for packing cans with LitePac Top. The sustainable packaging concept can also be used with disposable PET bottles.

Linatronic AI: using artificial intelligence to cut down on waste material



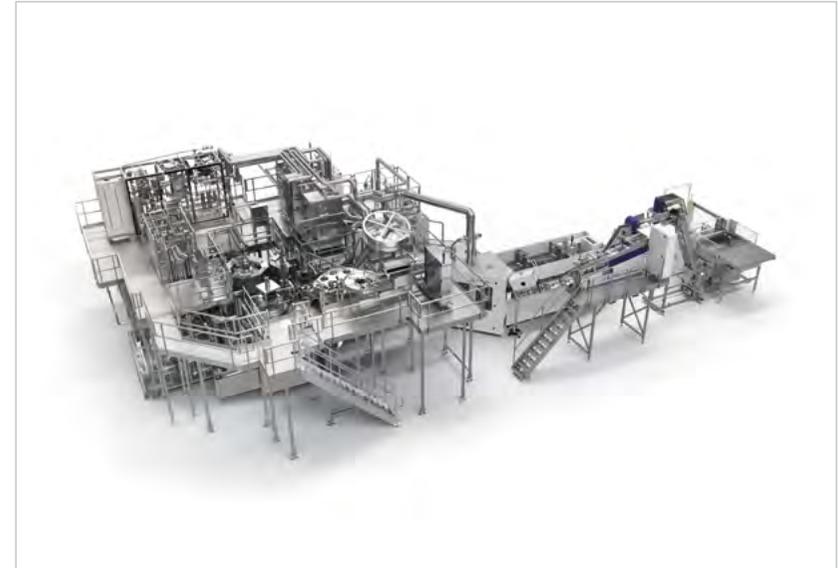
Empty-bottle inspection machines are already relatively accurate. Nevertheless, they often err on the side of caution and falsely reject a bottle that is undamaged and uncontaminated. This is usually only a matter of water droplets or a bit of foam still clinging to the bottle. To make the Linatronic inspector even better at its task, KRONES makes use of artificial intelligence.

The machine and its software were trained with thousands of sample images until it was able to detect and interpret all relevant image characteristics. This enables Linatronic AI to tell water droplets apart from other anomalies on a bottle with a reliability of more than 99.9%, thus significantly reducing the amount of material wasted.

Modulfill Bloc FS-c: new hygiene standard for cans

KRONES has long held a leading position in lines for the aseptic filling of sensitive beverages such as teas and juices in PET containers. To meet growing customer demand for aseptic can fillers, KRONES has developed a custom hygiene concept for Modulfill Bloc FS-c. Positive pressure inside the filler prevents ambient air from introducing germs into the filler itself and coming into contact with the product.

The new hygiene concept also shrinks the floor footprint of the can block by 35% compared with systems that have a freestanding machine guard. Keeping the closed filling and sealing area as small as possible also reduces cleaning times and the required quantities of air, cleaning agent and filters.

Contipure AseptBloc DN: beating the industry standard

Contipure AseptBloc DN, comprising a preform sterilisation module and an aseptic blow moulder, filler and capper, fills sensitive beverages such as fruit juices and milk with microbiological safety.

Contipure AseptBloc DN is certified by both the U.S. FDA and the independent 3-A Sanitary Standard institute. 3-A certification is extremely important for the North American market in order to be able to fill dairy products within the cold chain.

Economic environment

- Global economy slumped by 3.5% in 2020 due to corona pandemic
- Extremely difficult conditions for German mechanical engineering
- Slight fall in global demand for packaged beverages

Global economy hit by corona – but not as hard as expected

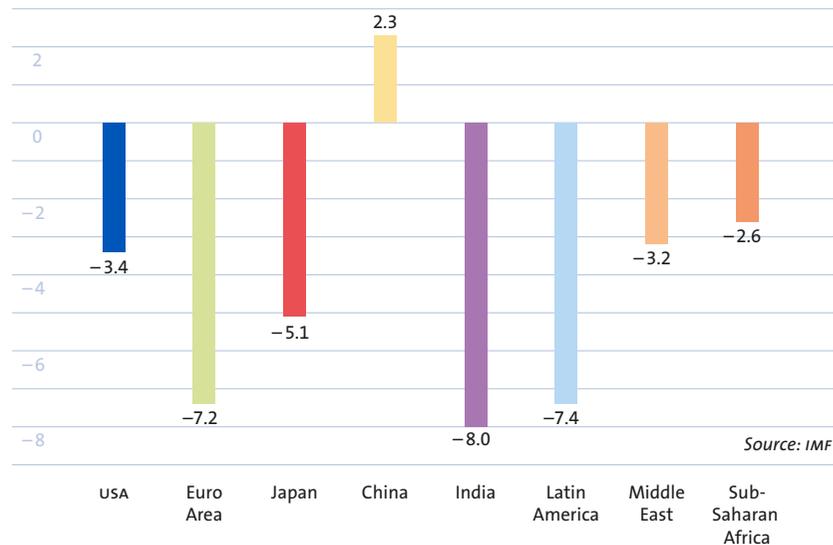
The global economy was heavily impacted in 2020 by the corona pandemic. Particularly in the first half of the year, strict lockdowns led to a massive slump in economic activity worldwide. According to January 2021 data from the International Monetary Fund (IMF), global gross domestic product (GDP) fell by 3.5% in 2020 (2019: +2.8%). Mid-year, the IMF forecast had stood at -4.9%. A dynamic recovery in the second half reduced the year-on-year shortfall.

The economic slowdown in mature industrialised nations was sharper than the global average. Economic output there contracted by 4.9% overall (previous

year: +1.6%). The economy within the euro area was hit particularly hard by the Covid-19 pandemic. GDP in the common currency area fell by 7.2% in 2020, compared to a 1.3% increase in the previous year. The world's largest economy, the USA, came through the crisis relatively well. GDP there 'only' dropped by 3.4% in the reporting period (previous year: +2.2%). Japan's economy was 5.1% down in 2020 (previous year: +0.3%).

Economic output in emerging and developing countries dropped less sharply over the reporting period. GDP there fell by 2.4% in 2020 (2019: +3.6%). According to IMF experts, this is mainly due to the positive trend in China. As the year progressed, the Chinese economy had the strongest recovery from the first and second-quarter downturn. China is thus the only major economy to record growth in 2020, with an increase of 2.3% (previous year: 6.0%). The main reason is that the world's most populous country quickly came to grips with the pandemic. This was not the case in India. The economy there consequently suffered badly from the corona crisis, with an 8.0% plunge in GDP (previous year: +4.2%). Latin American countries were also hit hard by the Covid-19 pandemic. Economic output in this region fell by 7.4% (previous year: +0.2%). The GDP decrease in the Middle East/Central Asia region was 3.2% in the reporting year (previous year: +1.4%). Economic activity in the Sub-Saharan Africa region also declined. GDP there decreased by 2.6% in 2020 (previous year: +3.2%).

GDP growth rate by region (%)

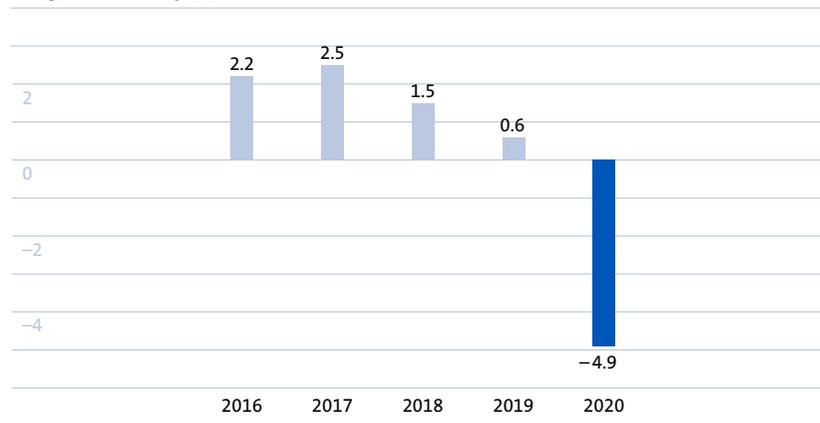


German economy contracts by 4.9% in 2020

Compared to the rest of Europe (euro area: minus 7.2%), the German economy more or less held its own in the year under review. According to preliminary figures from Germany's Federal Statistical Office, German GDP fell by 4.9% relative to the previous year. After a ten-year period of growth, the 2020 crisis year saw the German economy slide into a recession similar to that experienced during the financial and economic crisis of 2008/2009 (GDP 2009: -5.7%).

The corona pandemic left its mark on nearly every sector in 2020. While industry was hit by a partial disruption of supply chains in the first half year, many service sectors suffered in the lockdowns. The construction industry held up well during the crisis. The great beneficiary of the governments' corona measures was online retail.

GDP growth Germany (%)



Source: Germany's Federal Statistical Office

Machinery sector sharply down in 2020

Companies in the German machinery sector closed the crisis year in 2020 with substantial negative figures. These were not as large as had been expected in the interim, however. On preliminary data, the German Mechanical Engineering Industry Association (VDMA) expects machinery and industrial equipment output to have decreased in value by 14% in 2020 relative to the previous year. The VDMA's original start-of-year forecast was for a 2% decline. The main reason for the sharp downturn was the corona pandemic with its negative impact on the global economy. In addition, the sector was adversely affected by increased protectionism and by structural change in the automotive industry, which is a

major source of demand. On a positive note, the machinery sector showed a relatively stable recovery trend in the third and fourth quarters of 2020, leaving the second-quarter low-point behind it.

Megatrends support stable market growth

The Covid-19 pandemic is also affecting demand for bottling and packaging equipment. However, this does not alter the good long-term growth prospects for KRONES' markets. This is because the megatrends driving above-average medium and long-term demand for food and beverage packaging machinery remain intact.

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

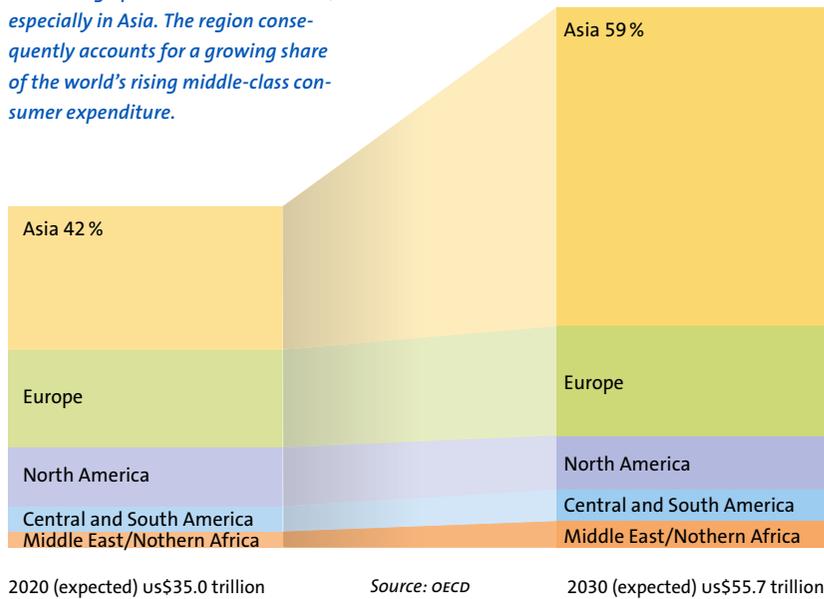
The overarching megatrend is global population growth. At the end of 2020, some 7.8 billion people inhabited the earth. According to United Nations forecasts, that number is increasing at a rate of more than 70 million each year. Population growth is especially strong in Africa and Asia. The world's population is expected to reach about 8.5 billion by 2030. All those people need to eat and drink. And, increasingly, they are opting for packaged beverages and foods. This is supported by two other megatrends, which are the growing middle class and increasing urbanisation.

Growing middle class increases consumer spending

According to data from the United Nations, the Covid-19 pandemic is causing global poverty to increase for the first time in decades. However, this is only likely to briefly interrupt the long-term trend of more and more people in emerging and developing economies escaping poverty and rising into the middle class. According to forecasts by the OECD, the middle class worldwide will grow from 3.2 billion people to 4.9 billion in the period from 2020 to 2030.

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

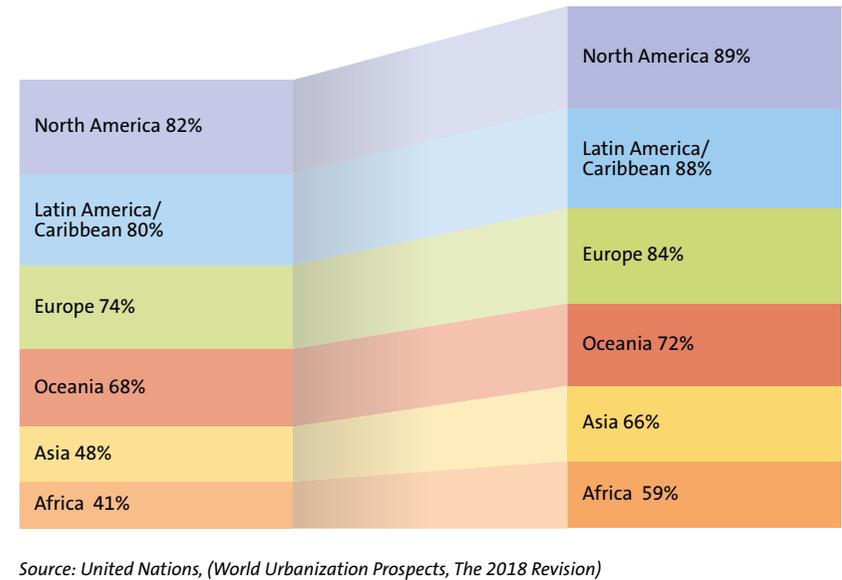
Rapidly increasing numbers of people are moving up into the middle classes, especially in Asia. The region consequently accounts for a growing share of the world's rising middle-class consumer expenditure.



As incomes rise, so too does consumer spending – and that includes spending for packaged beverages and foods. Asia accounts for a large share of the growth of the middle class and the corresponding increase in buying power worldwide. The OECD predicts that Asia's share of total middle class consumer spending worldwide will be 42% by 2020. By 2030, that figure is expected to rise to 59%. Total consumer spending by the global middle class is likely to increase from us\$35 trillion to us\$55.7 trillion in that time.

Urban population in 2015 and 2050 (% of total)

The trend towards urbanisation is strongest in Africa and Asia.



Urbanisation is driving growth

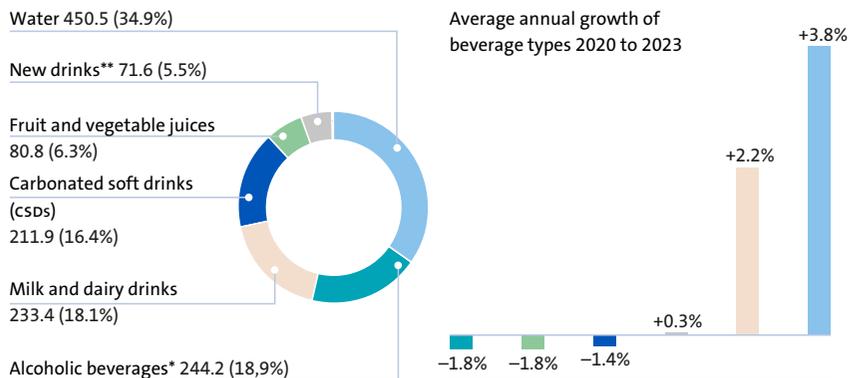
Increasing urbanisation, the migration of people from rural areas to cities, also promotes demand for packaged food and beverages. That is because city-dwellers generally consume more packaged products than people who live in the countryside.

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

Corona crisis slows global beverage consumption

In contrast to previous years, when global consumption of packaged beverages followed a steady upward trend, 2020 saw a decrease in consumption. This is due to the Covid-19 pandemic. The lockdowns and restrictions on the catering sector had a severe impact on beverage consumption in bars and restaurants. Global beer consumption thus fell by around 11% year-on-year (source: Global Data). According to preliminary figures from market research institute Global Data, global consumption of packaged beverages, at a total of 1,292 billion litres in 2020, was 5.4% down on the 1,366 billion litres a year earlier. Driven by the various megatrends, global beverage consumption is set to rise again in the medium and long term following the dip due to corona. For the period 2020 to 2023, however, Global Data's market researchers expect average annual growth of just 1.1%. The expected growth rates differ considerably between the individual types of beverage.

Global consumption of packaged beverages in 2020 (billion litres)



2020: 1,292.4 billion litres (e)

*Beer, wine, and spirits

** Energy drinks, sports drinks, and ready-to-drink tea and coffee

Sources: Global Data

Due to the megatrends, demand for packaged beverages is likely to rise again after the dip due to corona. Market researchers expect above-average growth rates for bottled water and for milk and dairy drinks.

Consumption of **bottled water** is expected to increase significantly more rapidly than the overall market. By far the largest segment of the global beverage market, this is benefiting from growing demand for clean bottled drinking water in emerging markets and from the health trend in industrialised countries. The Global Data experts expect consumption of bottled water to grow by an average of 3.8% a year from 2020 to 2023. Global consumption in 2020 was 450.5 billion litres (2019: 458.8 billion litres). Water accounts for 34.9% of all packaged beverage consumption.

Global Data forecasts that consumption of packaged **alcoholic beverages**, which are the second-largest market segment with an 18.9% share in 2020, will shrink in the years ahead. A key reason for this is that beer demand is saturated in many industrialised countries. According to Global Data, the consumption of packaged alcoholic beverages is expected to decline by an average of 1.8% a year between 2020 and 2023.

Prospects are better for the **milk and dairy drinks** segment (share of global beverage consumption in 2020: 18.1%). This is mainly due to high-growth products such as yoghurt smoothies (expected average growth rate 2020–2023: 4.5%) and flavoured milk (+4.0%). Demand for plain milk, which accounts for around 70% of the market segment, is expected to grow on average by just 1.7% in the period 2020 to 2023. For the entire milk and dairy drinks segment, Global Data projects average annual growth rates of 2.2% from 2020 to 2023.

Demand for **carbonated soft drinks (csds)** is expected to grow at a lower rate than the overall market over the next few years. People around the world consumed 211.9 billion litres of packaged CSDs in 2020 (previous year: 225.9 billion litres; share of total beverage consumption in 2020: 16.4%). Global Data expects consumption to shrink by an average of 1.4% per year through to 2023. This is mainly because of increasing health awareness among consumers, who increasingly quench their thirst with water instead of frequently sugar-containing CSDs.

The two smaller segments of the beverage market, **fruit and vegetable juices** (share of total beverage consumption in 2020: 6.3%) and **new drinks** (5.5%) are following opposite trends. New drinks include ready-to-drink tea and coffee together with sports and energy drinks. Global Data's market researchers project average annual growth rates of 0.3% for new drinks from 2020 to 2023. Demand for fruit and vegetable juices is expected to fall by an average of 1.3% per year during the same period.

Growing demand for packaged beverages in emerging markets

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

The strongest growth in global demand for packaged beverages comes from emerging and developing economies. This is because it is in emerging and developing economies that the megatrends mainly play out – global population growth, a burgeoning middle class and urbanisation.

Global Data expects the strongest growth in China. Consumption of packaged beverages is anticipated to rise there by an annual average of 2.5% between 2020 and 2023. For the Africa/Middle East region, the experts forecast an average annual growth rate of 1.9%. Beverage demand is also expected to grow at a similar rate in the Asia/Pacific region (+1.8%). Demand in mature markets such as Western Europe (+0.2%) and North and Central America (+0.3%) is expected to grow at a lower rate than the overall market (+1.1%). These are regions with low population growth. KRONES' growth opportunities in such markets therefore relate not to rising beverage consumption, but to increasing diversity of beverages and packaging.

Worldwide consumption of packaged beverages*

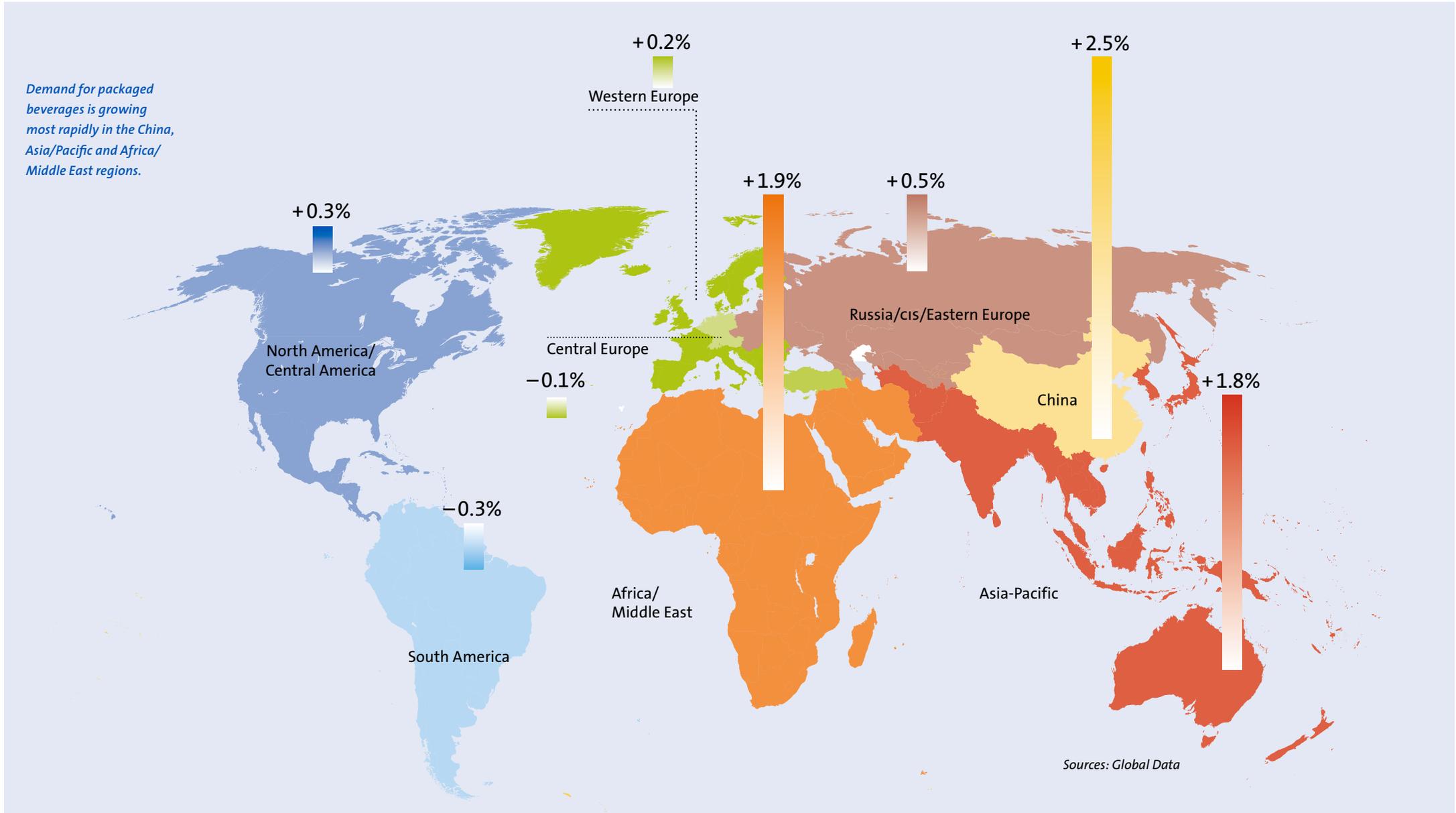
	2020 (e)		2023 (e)		Average annual growth (%) 2020–2023
	Billion litres	%**	Billion litres	%**	
Asia-Pacific	283.3	21.9	298.9	22.4	1.8
China	241.5	18.7	260.2	19.5	2.5
North America/Central America	183.7	14.2	185.6	13.9	0.3
South America	172.0	13.3	170.4	12.8	-0.3
Western Europe	137.2	10.6	137.9	10.3	0.2
Africa/Middle East	127.9	9.9	135.3	10.1	1.9
Russia/CIS/Eastern Europe	93.5	7.2	95.0	7.1	0.5
Central Europe	53.3	4.1	53.1	4.0	-0.1
Worldwide	1,292.4	100.0	1,336.4	100.0	1.1

*Rounding differences possible **Share of global consumption | (e) = expected

Sources: Global Data

Global consumption of packaged beverages by region: annual growth 2020–2023

Demand for packaged beverages is growing most rapidly in the China, Asia/Pacific and Africa/Middle East regions.

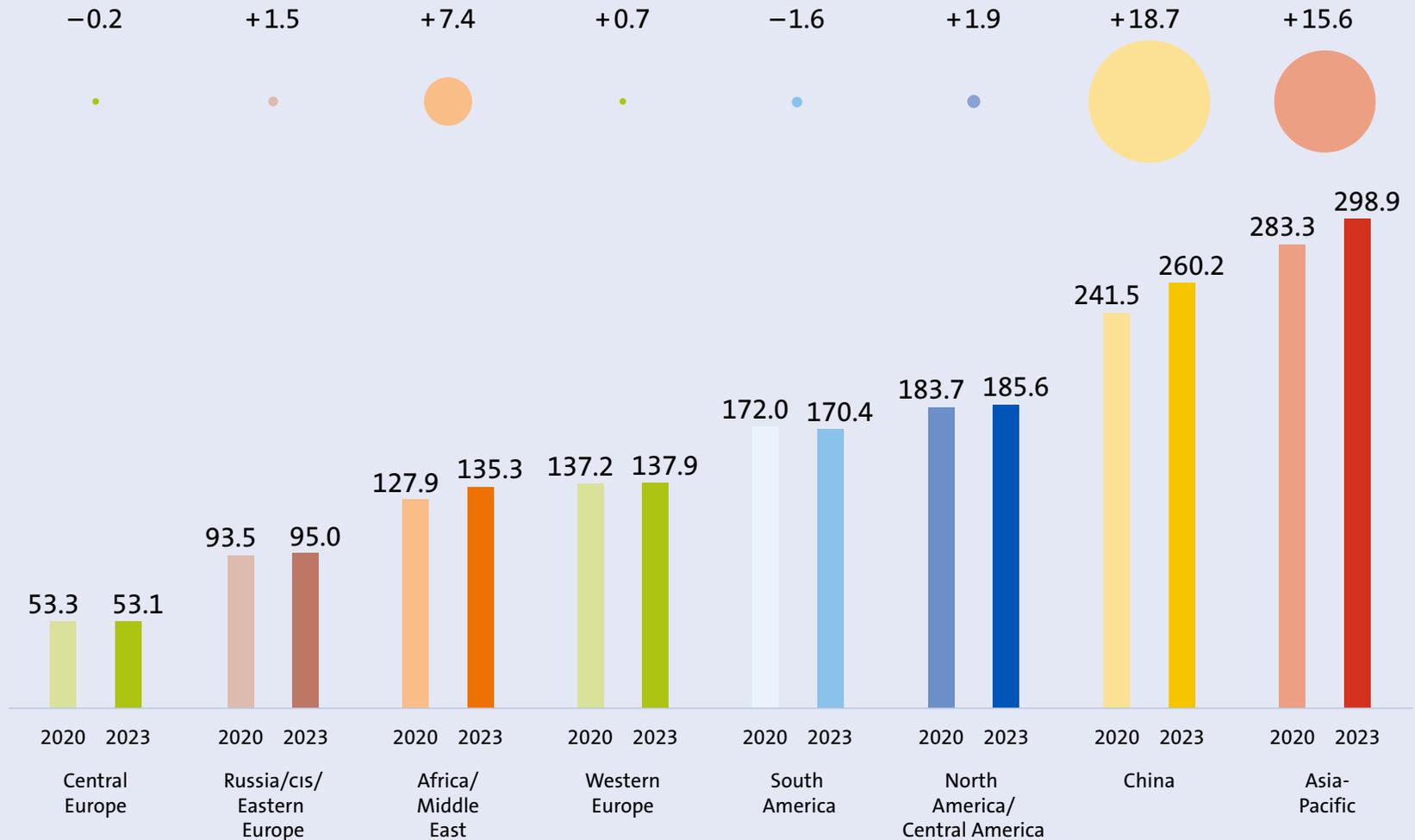


Sources: Global Data

Global consumption of packaged beverages by region: billion litres*

Continued medium-term growth in the high-volume Chinese and Asia/Pacific markets.

China consumed 241.5 billion litres of packaged beverages in 2020. This is expected to be 18.7 billion litres more by 2023. Consumption in the Asia/Pacific region is projected to increase by 15.6 billion litres.



*Forecast

● = Growth between 2020 and 2023 (billion litres)

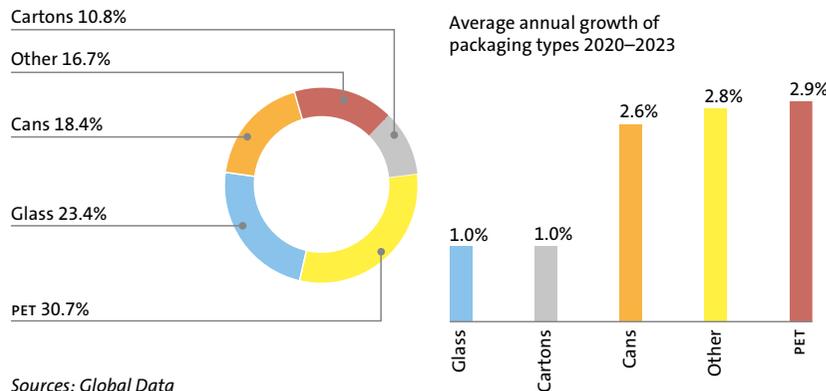
Sources: Global Data

PET remains the leading material for beverage containers

Almost one-third of the world's beverage containers are made of PET. The demand for PET containers continues to grow more rapidly than the overall market.

An important statistic for a provider of bottling and packaging equipment is the number of units filled. According to preliminary figures from Global Data, 1,738 billion containers were filled with beverages worldwide in 2020, which is 2.6% more than in 2019. The market researchers expect the number of units to increase by 2.1% per year on average to 1,852 billion by 2023. Most beverages are sold in plastic bottles, glass bottles, metal cans and paper-based cartons.

Global beverage market by packaging material in 2020 (based on units filled)



Polyethylene terephthalate (PET) plastic is by far the most frequently used packaging material for beverages. According to figures from Global Data, some 534 billion or over a third of all beverage containers were made of PET in 2020. This container type also continues to show the fastest growth. This is primarily be-

cause water – globally the most widely consumed beverage – is mainly sold in PET bottles. As water consumption rises, so does the number of PET containers filled. This is expected to grow by an average of 2.8% per year through to 2023.

The second most frequent packaging material for beverages is **glass**. Glass accounted for 23.4% of all beverage containers in 2020. Glass bottles are primarily used for beer and other alcoholic beverages – that is, beverages for which demand is largely saturated. In total, the number of beverage containers made of glass, with annual average growth of 1.0% from 2020 to 2023, is expected to grow less rapidly than the overall market.

According to Global Data, 18.4% of beverage containers in 2020 were **metal cans**. These are frequently used for beer, carbonated soft drinks and energy drinks. The number of cans is expected to gain by an average of 2.6% per year through to 2023. A major reason for the above-average growth is that beer is increasingly filled in cans.

Paper-based cartons are a further significant packaging material for beverages. Cartons are mainly used to package milk, dairy drinks and fruit and vegetable juices. Global Data expects that the number of paper-based cartons (share of beverage packaging in 2020: 10.8%) will grow by an average of 1.0% per year through to 2023, which is less than the overall market.

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

KRONES in figures

- KRONES' consolidated revenue fell in 2020 as a result of the Covid-19 pandemic by 16.1% to €3.32 billion.
- Profitability at KRONES was affected by expenses for capacity adjustments. Excluding these one-off effects, the EBITDA margin was 6.2% (previous year: 6.6%).
- Due to the negative consolidated net income, KRONES will pay out only the statutory minimum dividend for 2020. This corresponds to €0.06 per share.

	Forecast 2020* March 2020	Updated forecast 2020 from November 2020	Actual 2020
Revenue growth	0%	ca. -17%	-16.1%
EBITDA margin	around 6.7 – 7.2%	5.5 to 6.0%**	6.2%**
Working capital/revenue***	26%	28 to 29%	28.3%

* From the report on expected developments in the 2019 management report. Due to the corona crisis, this guidance was withdrawn prior to publication of the management report on March 19, 2020.

** Excluding expenses for structural measures *** Average of last 4 quarters

KRONES' revenue down in 2020 due to Covid-19 pandemic

The economic impacts of the corona crisis also hit KRONES in 2020. Revenue was down 16.1% year-on-year to €3,322.7 million.

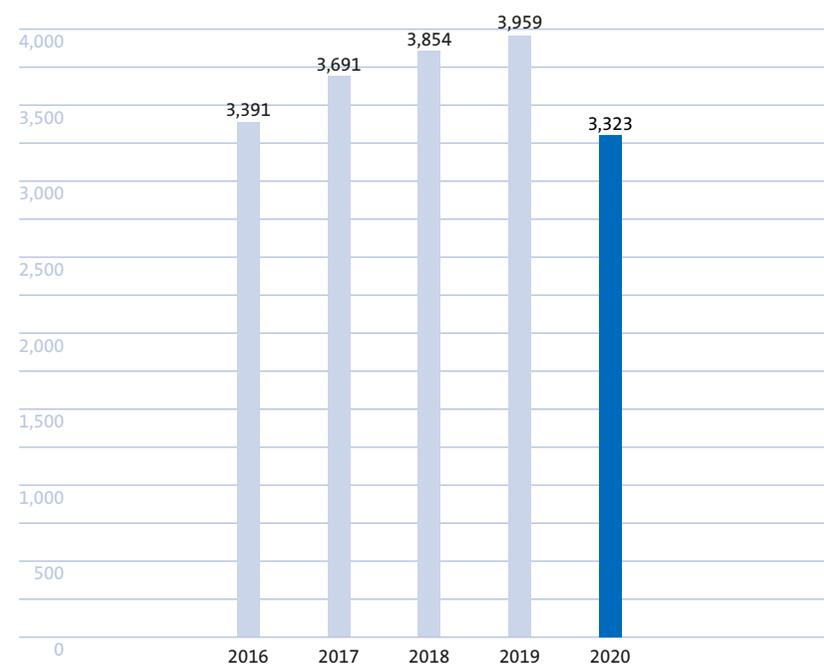
The corona crisis had a severe impact on the global economy in 2020. This also affected KRONES. Due to the overall economic uncertainties, our customers were reluctant to invest, especially in the first half of the year.

Global travel restrictions also made it more difficult to install new machinery and lines and to provide services. In total, revenue decreased in 2020 by 16.1% year-on-year, from €3,958.9 million to €3,322.7 million. The revenue shortfall is slightly smaller than the 17% decrease forecast in early November 2020.

New machinery revenue fell more steeply in 2020 than total revenue.

After-sales business was likewise down as a result of the general economic uncertainty, but not by as much as the new machinery business. KRONES was able to mitigate the effects of the global travel restrictions thanks to its local service presence. We also support customers with digital services, including remote service.

KRONES Group revenue (€ million)

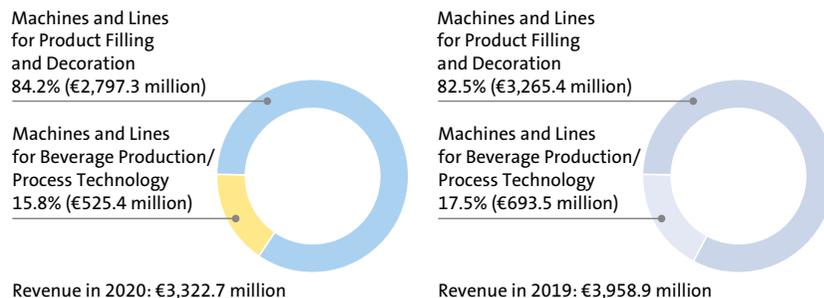


Revenue by segment

The Covid-19 pandemic impacted business in both segments in 2020. Process technology was hit the hardest.

Revenue in the core segment, Machines and Lines for Product Filling and Decoration, fell due to corona by 14.3%, from €3,265.4 million in the previous year to €2,797.3 million in 2020. The segment's share of consolidated revenue increased to 84.2%.

Share of consolidated revenue



The corona crisis had a more severe impact on the Machines and Lines for Beverage Production/Process Technology segment than on the core segment. Revenue decreased by 24.2% from €693.5 million in the previous year to €525.4 million in 2020. The segment contributed 15.8% of consolidated revenue (previous year: 17.5%).



Further information can be found under "Report from the segments" beginning on page 79 and under "Segment reporting" in the notes to the consolidated financial statements on page 134.

Revenue by region

KRONES' revenue in Germany decreased in 2020 by 29.8% year-on-year to €328.7 million. This was mainly due to the weak domestic economy in Germany because of the Covid-19 pandemic. Domestic revenue was also relatively high in the previous year. The German share of consolidated revenue was 9.9% in 2020 (previous year: 11.8%).

KRONES is strongly export-oriented. Some 90% of revenue was generated internationally in 2020.

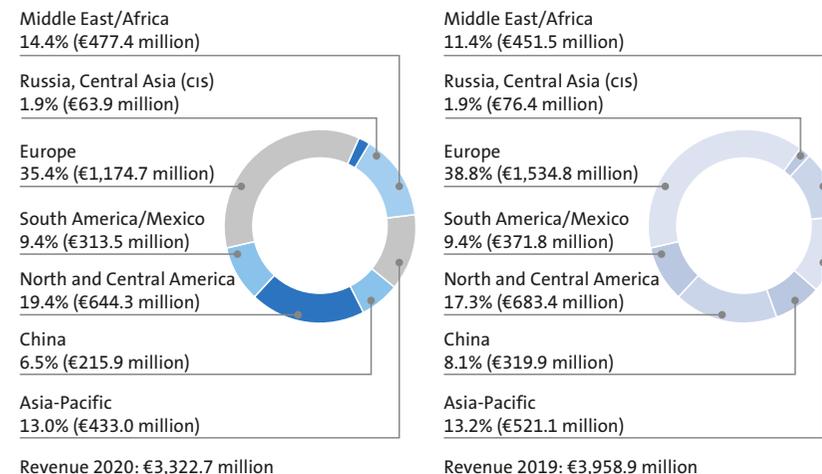
The Covid-19 pandemic also had a negative impact in 2020 on KRONES' revenue in the rest of Europe (excluding Germany). Western Europe was severely affected. Revenue there decreased 24.7% year-on-year to €467.0 million in the reporting period. The smaller Eastern Europe sales region saw revenue fall 37.3% to €153.8 million. In Central Europe (Austria, Switzerland and the Netherlands), revenue increased due to a strong fourth quarter in 2020 by 12.1% to €225.2 million. Revenue in Russia/CIS decreased by 16.4% to €63.9 million. Overall, KRONES' revenue in Europe (excluding Germany) fell in 2020 by 20.4% year-on-year from €1,142.9 million to €909.9 million, which is close to but slightly more than the decrease in total consolidated revenue. The share of consolidated revenue was 27.4% in 2020 (previous year: 28.9%).

Share of consolidated revenue	2020		2019		Change
	€ million	%*	€ million	%*	
Germany	328.7	9.9	468.4	11.8	-29.8
Central Europe (excluding Germany)	225.2	6.8	200.9	5.1	+12.1
Western Europe	467.0	14.1	620.1	15.7	-24.7
Eastern Europe	153.8	4.6	245.4	6.2	-37.3
Russia, Central Asia (cis)	63.9	1.9	76.4	1.9	-16.4
Middle East/Africa	477.4	14.4	451.5	11.4	+5.7
Asia-Pacific	433.0	13.0	521.1	13.2	-16.9
China	215.9	6.5	319.9	8.1	-32.5
North and Central America	644.3	19.4	683.4	17.3	-5.7
South America/Mexico	313.5	9.4	371.8	9.4	-15.7
Total	3,322.7	100.0	3,958.9	100.0	-16.1

* Share of total revenue

Business in the Middle East/Africa sales region, which is an important and large sales region for KRONES, developed well in 2020 despite corona. Revenue went up by 5.7% to €477.4 million. Our revenue in China was hit hard by the Covid-19 pandemic, especially in the first quarter of 2020 (when the decrease was 50%). Business stabilised in the following quarters. In total, revenue was down by a substantial 32.5% in 2020 to €215.9 million. In the rest of the Asia/Pacific region, revenue decreased by 16.9% year-on-year to €433.0 million.

Share of consolidated revenue

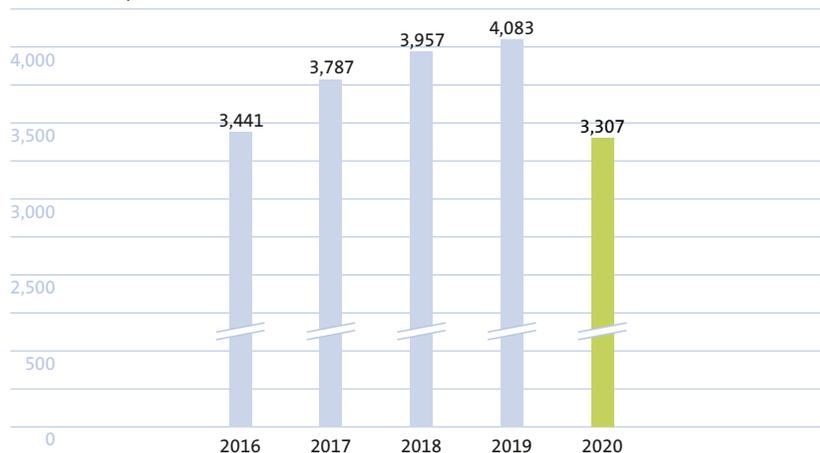


Business in North and Central America was relatively stable in 2020. Revenue decreased slightly by 5.7% to €644.3 million. Parts of the South America/Mexico region were more severely affected by corona. This resulted in a sharper fall in revenue. At €313.5 million, revenue there fell 15.7% short of the previous year.

KRONES' revenue remains well balanced internationally in established and emerging markets. The company generated a total of 49.8% of consolidated revenue in emerging markets in 2020 (previous year: 50.2%). Mature industrialised economies accounted for 50.2% (previous year: 49.8%) of the company's revenue.

Order intake and order backlog

KRONES Group order intake (€ million)

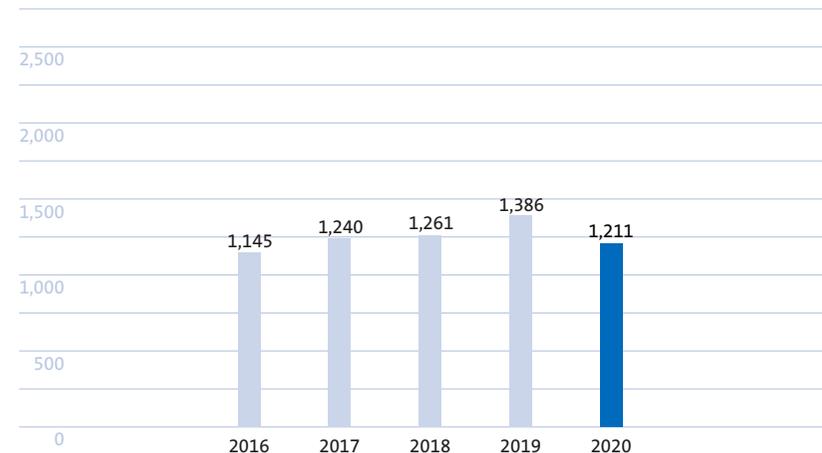


Order intake picked up significantly in the second half of 2020

Especially in the first half of 2020, KRONES' order intake suffered from customers' reluctance to invest as a result of the corona crisis. In total, the contract value of orders decreased by 19.0% in the reporting period.

The international beverage industry was heavily impacted in 2020 by the corona pandemic. Revenue in bars and restaurants, for example, fell steeply due to lockdowns. The uncertain general economic environment affected customer investment confidence. This is reflected in KRONES' order intake. Orders were sharply down, particularly in the first two quarters. As of 30 June 2020, the order intake at KRONES was down 28.5% on the previous year. Customer orders picked up again in the third quarter. This continued at an accelerated pace in the fourth quarter with an order intake of around €1 billion. In total, order intake decreased in 2020 by 19.0% on the previous year, from €4,083.5 million to €3,307.0 million. New machinery business was hit harder by the fall in orders than the after-sales business.

KRONES Group backlog at 31 December (€ million)



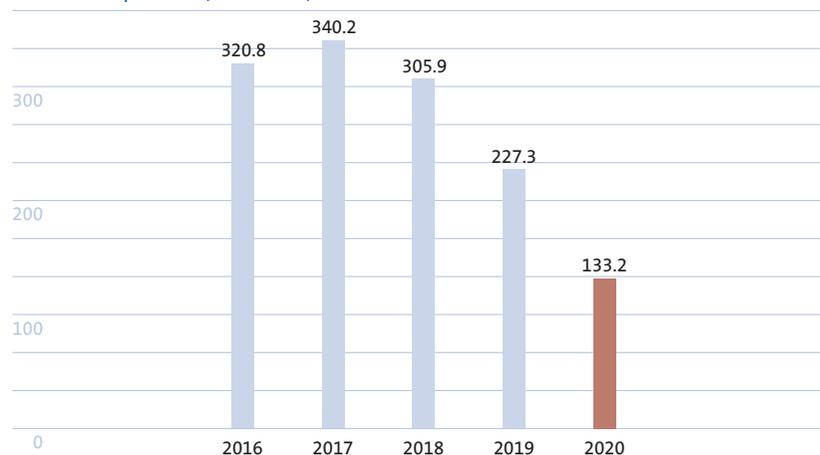
In North America, KRONES' order intake rose in 2020 despite the Corona crisis. Orders in all other regions were down in the reporting period. However, order intake in Africa/Middle East and Western Europe fell less sharply than the Group total. In Asia, China and South America, the contract value of orders of orders declined at a similar rate as for the company overall. We recorded steeper declines in Central and Eastern Europe.

KRONES closed 2020 with an order backlog of €1.21 billion

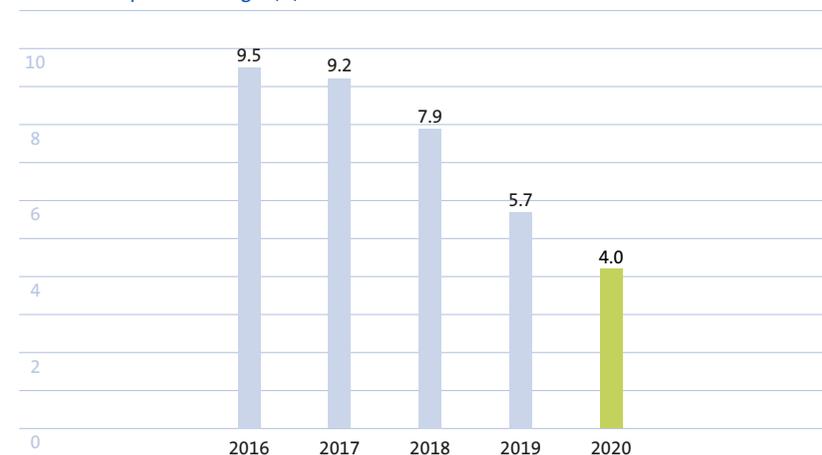
At €1,211.3 million as of 31 December 2020, KRONES' order backlog down 12.6% on the previous year (€1,385.7 million). This is because the order intake decreased more sharply in the reporting period than revenue. However, the order backlog ensures relatively good capacity utilisation for the first few months of financial year 2021.

KRONES Group earnings

KRONES Group EBITDA (in € million)



KRONES Group EBITDA margin (%)



KRONES achieves earnings target in difficult environment

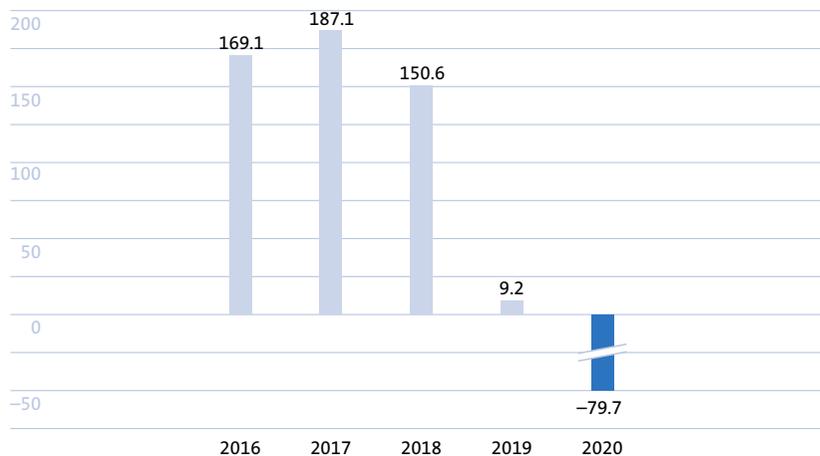
KRONES took further structural measures to adjust capacity in 2020. This incurred expenses of around €72 million. KRONES achieved its margin target for 2020.

Due to the lower order intake, capacity utilisation at KRONES was less than optimal in 2020. This affected profitability. A positive impact came from the structural measures, which led to significant cost savings. Cost of materials was cut by a greater amount than revenue and output. Personnel expenses were not reduced at the same rate. This is largely because KRONES incurred expenses of around €72 million in the reporting period for reductions in the workforce to adjust capacity.

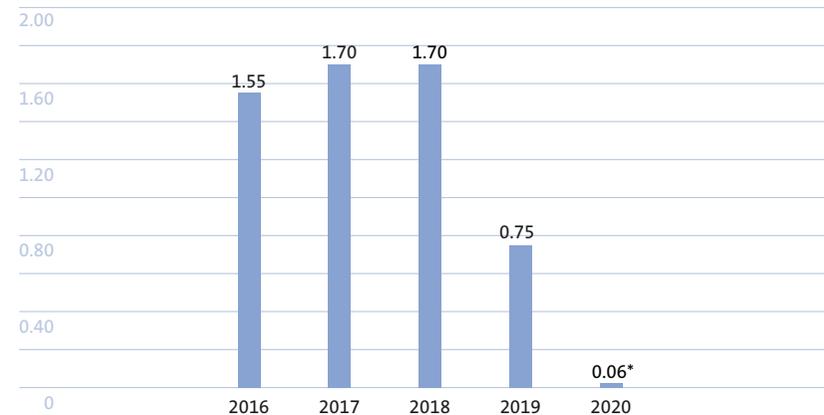
In total, earnings before interest, taxes, depreciation and amortisation (EBITDA) went down from €227.3 million in the previous year to €133.2 million in 2020. The EBITDA margin was 4.0% (previous year: 5.7%). Excluding the expense of the personnel-related measures, this corresponds an EBITDA margin of 6.2% (previous year: 6.6%). The Executive Board's guidance was 5.5% to 6.0%.

Earnings before taxes (EBT) fell from €41.7 million in the previous year to –€36.6 million in 2020. KRONES recognized a total of about €18 million in goodwill impairments following impairment testing in 2020. This impacted EBT. Conversely, the remeasurement of purchase price obligations from past acquisitions had a positive effect on EBT in the amount of about €10 million. These effects and the expenses for capacity adjustment thus came to around €80 million. Excluding these one-off expenses, the EBT margin is 1.3%.

KRONES Group net income (€ million)

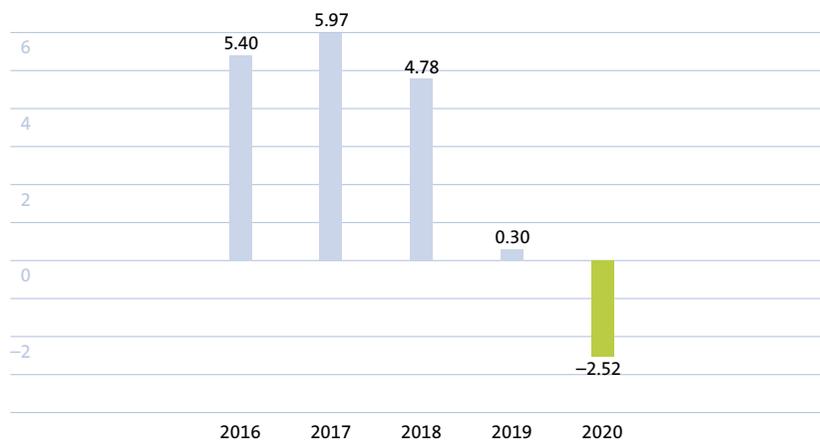


Dividend per share (€)



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

KRONES Group earnings per share (€)



KRONES' consolidated net income came to -€79.7 million in 2020 (previous year: +€9.2 million). This corresponds to earnings per share of -€2.52 (previous year: +€0.30).

KRONES to pay statutory minimum dividend for 2020

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 €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 Group earnings structure

€ million	2020	2019	Change
Revenue	3,322.7	3,958.9	-16.1%
Changes in inventories of finished goods and work in progress	+39.1	+8.7	-
Total operating performance	3,361.8	3,967.6	-15.3%
Other own work capitalised	+36.7	+63.0	-41.7%
Other operating income	+120.5	+99.8	+20.7%
Goods and services purchased	-1,694.7	-2,041.8	-17.0%
Personnel expenses	-1,175.2	-1,275.5	-7.9%
Other operating expenses	-516.0	-585.9	-11.9%
EBITDA	133.2	227.3	-41.4%
Depreciation and amortisation on fixed assets	-174.0	-183.3	-5.1%
EBIT	-40.8	43.9	-
Financial income/expense	+4.2	-2.2	-
EBT	-36.6	41.7	-
Income tax	-43.1	-32.5	+32.5%
Consolidated net income	-79.7	9.2	-



Further information can be found under “Consolidated statement of profit and loss” on page 127.

KRONES recorded significant decreases in sales and total operating performance in the 2020 financial year due to the corona crisis. Total operating performance thus fell by 15.3% to €3,361.9 million. This was not quite as severe as the fall in revenue (which was down 16.1%) because inventories of finished goods and work in progress increased in the reporting period by €39.1 million, compared with €8.7 million in the previous year.

Personnel expenses were down by 7.9% year-on-year to €1,175.2 million in 2020. Alongside cuts in the workforce both in Germany and internationally, reduced working hours and reduced overtime also contributed to the savings. The main reason why personnel expenses decreased by less than total operating perfor-

mance related to restructuring expenses for the reduction in the workforce. These amounted to around €72 million in the reporting year. The ratio of personnel expenses to total operating performance went up from 32.2% in the previous year to 35.0% in 2020. Excluding these expenses for restructuring, the personnel expense ratio in financial year 2020 was 32.8%.

Around €80 million in expenses for structural measures and remeasurements reduced KRONES' profitability in 2020.

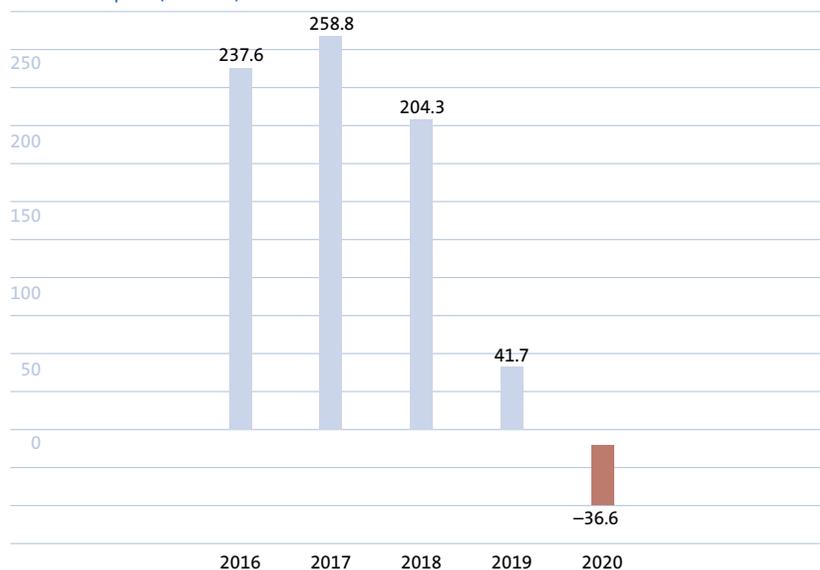
Goods and services purchased showed a positive trend. These fell more steeply than total operating performance in the reporting period, decreasing by 17.0% to €1,694.7 million. The ratio of goods and services purchased to total operating performance went down from 51.5% to 50.4%. This is due both to a decrease in purchased services from reducing the number of temporary employees and to a year-on-year increase in the proportion accounted for by the service business. Our structural measures to reduce material costs also had a positive effect.

Other operating expenses were down 11.9% in the reporting period to €516.0 million. While other operating income increased from €99.8 million to €120.5 million, other own work capitalised decreased in the financial year from €63.0 million to €36.7 million. The net balance of other operating income and expenses and own work capitalised decreased from -€423.1 million to -€358.8 million. This represented a 15.2% decrease, which is almost in line with total operating performance. As a percentage of total operating performance, the figure remained stable at 10.7%.

Overall, EBITDA (earnings before interest, taxes, depreciation and amortisation) went down by 41.4% in the reporting period, from €227.3 million to €133.2 million. The EBITDA margin consequently dropped from 5.7% to 4.0%. Adjusted for the approximately €72 million in restructuring measures for the reduction in the workforce in the reporting period, the EBITDA margin was 6.2% (previous year: 6.6%).

Depreciation and amortisation of fixed assets was slightly lower than in the previous year, decreasing from €183.3 million in the previous year to €174.0 million. This includes around €18 million (previous year: around €40 million) in impair-

KRONES Group EBT (€ million)



KRONES Group EBT margin (%)



ment losses on intangible assets. Due to the lower depreciation and amortisation, earnings before interest and taxes (EBIT) decreased less sharply than EBITDA, falling by €84.7 million to –€40.8 million. Net financial income/expense improved from –€2.2 million to €4.2 million. The main factor here is a decrease in interest and similar expenses from €14.6 million to €7.3 million and remeasurement gains in the amount of €10 million included in other income. KRONES did not record any investment income in 2020 (previous year: €5.6 million).

Earnings before taxes (EBT) fell from €41.7 million in the previous year to –€36.6 million. This results in an EBT margin of –1.1% (previous year: 1.1%). Adjusted for the restructuring expenses and remeasurements in the amount of around €80 million in the reporting period, the EBT margin was 1.3%. At €43.1 million, income taxes were higher in the reporting period than the previous year's €32.5 million. This figure was heavily affected in financial year 2020 by non-taxable expenses resulting from restructuring and remeasurements. Consolidated net income went down in 2020 relative to the previous year from €9.2 million to –€79.7 million.

KRONES Group EBIT (€ million)



Consolidated cash flow

€ million	2020	2019
Earnings before taxes	-36.6	41.7
Other non-cash changes	+186.7	+309.4
Changes in working capital	+166.0	-202.3
Changes in other assets and liabilities	+5.7	-55.3
Cash flow from operating activities	321.8	93.5
Capital expenditure for intangible assets and property, plant and equipment	-93.8	-168.9
M&A activities	±0.0	-28.0
Other	+6.7	+9.0
Free cash flow	221.3	-94.4
Cash flow from financing activities	-99.0	-19.3
Other	-15.7	+5.3
Net change in cash and cash equivalents	106.6	-108.4
Cash and cash equivalents at the end of the period	217.0	110.4

Free cash flow significantly increased in 2020 to €221.3 million

KRONES improved cash flow from operating activities in 2020 by €228.3 million to €321.8 million. This was mainly due to significantly lower working capital.

compared with the previous year. Working capital decreased by €166.0 million in the reporting period; this contrasts with the previous year, when it increased by €202.3 million and had the effect of reducing cash flow. Lower inventories,

KRONES' cash flow developed very positively in 2020 despite the difficult conditions. The company thus improved cash flow from operating activities, despite the shortfall in earnings, by €228.3 million to €321.8 million. This strong growth was mainly due to a significant reduction in working capital

KRONES Group cash flow from operating activities (€ million)



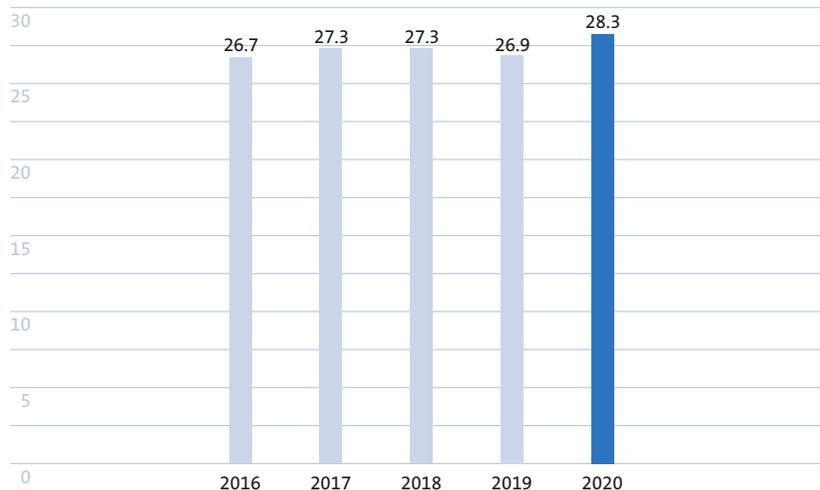
trade receivables and contract assets contributed to the reduction in working capital.

In addition, the lower working capital reflects a significantly smaller reduction in KRONES' trade payables and contract liabilities in 2020 than in the previous year. Non-cash changes – alongside the change in provisions, mainly depreciation and amortisation – had an additional €186.7 million positive impact on cash flow (previous year: €309.4 million). Changes in other assets and liabilities likewise show a positive figure of €5.7 million on the cash flow statement (previous year: -€55.3 million).

For further information, please see the full statement of cash flows on page 131.



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

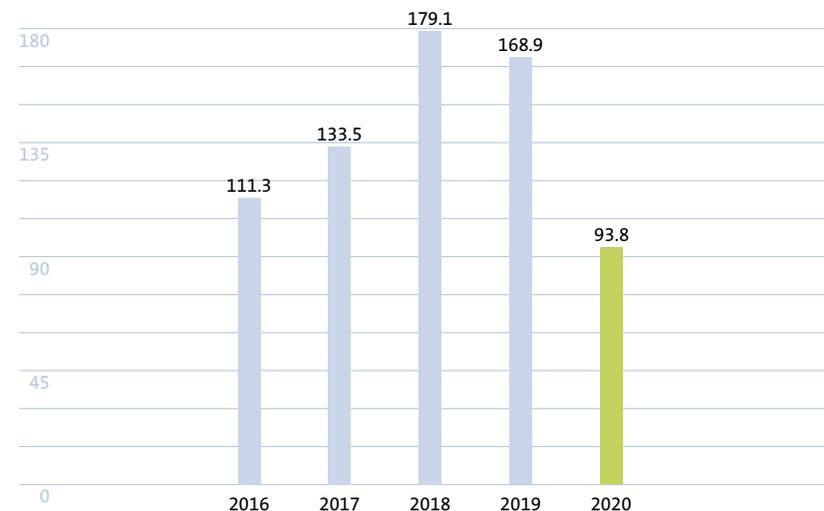


Ratio of working capital to revenue increased to 28.3%

Average working capital over the past four quarters as a percentage of revenue increased due to the significantly lower revenue from 26.9% to 28.3%.

Despite improvements in working capital, average working capital over the past four quarters increased as a percentage of revenue due to the significantly lower revenue from 26.9% in the previous year to 28.3% in the reporting period. KRONES thus achieved its target for the year of 28% to 29%. The working capital to revenue ratio was 25.7% as of the reporting date (previous year: 25.8%).

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



KRONES invested €93.8 million in property, plant and equipment and intangible assets in the reporting period. As planned, capital expenditure was thus well below the €168.9 million recorded in the previous year, which was higher because of establishing the location in Hungary. The ratio of capital expenditure to depreciation and amortisation decreased to 0.54 in the reporting year due to exceptionally low capital expenditure (previous year: 0.92).

KRONES Group free cash flow (€ million)



KRONES generated free cash flow of €221.3 million in 2020 (previous year: €-94.4 million).

Due to lower capital expenditure, the company's free cash flow – the net inflow of cash and cash equivalents – improved even more significantly than operating cash flow. KRONES improved free cash flow by €315.7 million in 2020 to €221.3 million (previous year: –€94.4 million).

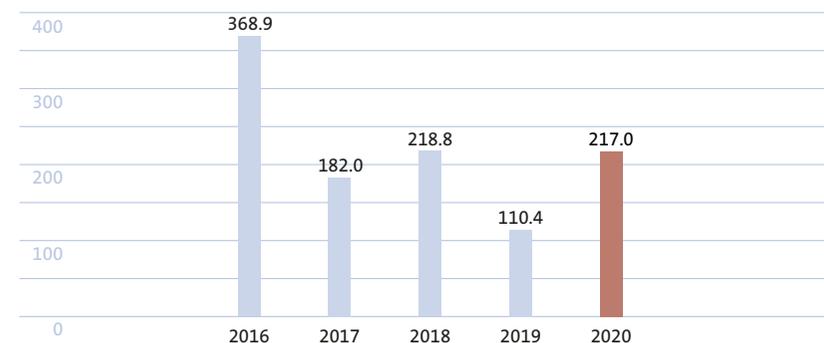
The cash outflow from financing activities was €99.0 million (previous year: €19.3 million). For the reporting period, this item mainly includes the cash outflow from the dividend payout of €23.7 million (previous year: €53.7 million),

KRONES Group dividend payout (€ million)



the cash outflow from the reduction of bank loans amounting to €40.2 million and the cash outflow from the repayment of lease liabilities amounting to €35.2 million (previous year: €32.1 million). Changes in exchange rates and the consolidated group decreased liquidity by €15.6 million (previous year: increase of €5.3 million). In total, KRONES increased cash and cash equivalents in the reporting period by €106.6 million to €217.0 million. Net cash and cash equivalents (cash and cash equivalents less bank debt) went up from €38.1 million in the previous year to €184.9 million.

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



Assets and capital structure

€ million at 31 December	2020	2019	2018
Non-current assets	1,093	1,154	1,010
of which fixed assets	990	1,070	936
Current assets	1,957	2,165	2,312
of which cash and equivalents	217	110	219
Equity	1,200	1,370	1,433
Total debt	1,850	1,949	1,888
Non-current liabilities	476	452	359
Current liabilities	1,374	1,497	1,529
Total	3,050	3,319	3,321



For further information, please see the full balance sheet on page 129 and 130.

Due to the significantly lower volume of business, total assets were down 8.0% to €3.05 billion as of 31 December 2020 (31 December 2019: €3.32 billion), although this was a smaller decrease than in KRONES' total operating performance (which was down 15.3%).

The company's non-current assets totalled €1,092.5 million at the end of 2020, down 5.3% on the previous year (€1,154.0 million). This was primarily due to a €79.9 million decrease in fixed assets to €989.9 million (previous year: €1,069.8 million). That decrease mainly relates to a reduction property, plant and equipment and right-of-use assets, which fell to €656.1 million (31 December 2019: €693.2 million) because of the lower capital expenditure. The Company's intangible assets were down as of 31 December, falling partly as a result of €17.9 million in goodwill impairments to €300.6 million (31 December 2019: €345.2 million).

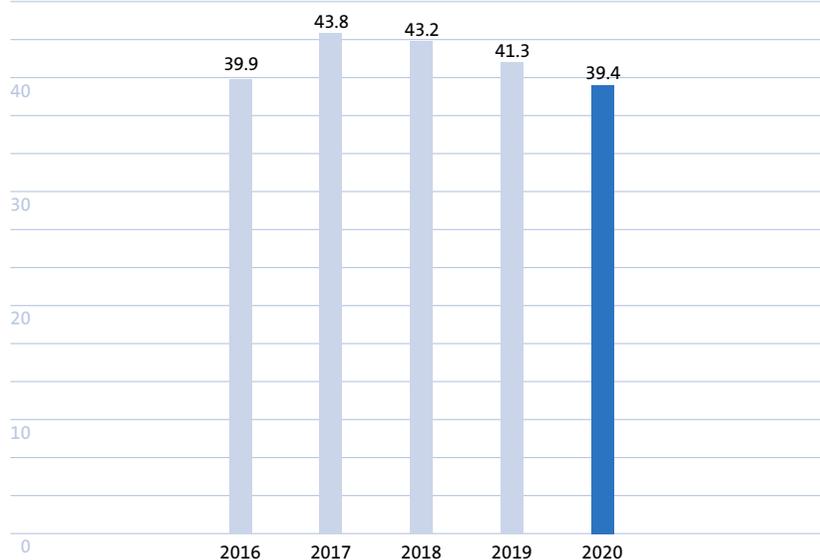
KRONES' current assets decreased by a greater proportion than total assets. Current assets amounted to €1,957.0 million at the end of the reporting period, a decrease of 9.6% on the previous year's figure of €2,165.4 million. The main reason for the decline was a significant reduction in trade receivables. KRONES reduced trade payables in the reporting period by €228.7 million to €704.1 million. Contract assets were also down, falling from €571.3 million to €518.8 million. Inventories were likewise reduced, to €355.1 million (31 December 2019: €382.5 million). Cash and cash equivalents increased, mainly due to the positive free cash flow generated in reporting period, rising by €106.6 million to €217.0 million at the end of 2020.

At 8.1%, the reduction in total assets at KRONES was smaller than the decrease in total operating performance (15.3%).

On the equity and liabilities side, KRONES' non-current liabilities increased in the reporting period to €475.5 million (31 December 2019: €452.0 million). This was mainly due to higher provisions for pensions. These increased, mostly due to a reduction in the discount factor and mostly not recognized through profit or loss, to €281.4 million (previous year: €260.2 million). KRONES had non-current bank debt totalling €5.1 million at the end of 2020 (previous year: €0.1 million).

Current liabilities decreased significantly. These fell relative to the 2019 year-end by 8.2% to €1,374.0 million as of 31 December 2020. This mainly related to trade payables, which KRONES reduced in the reporting period by €93.4 million to €370.3 million. In addition, contract liabilities, which mostly consist of trade obligations, went down by €37.8 million to €405.1 million. The company also reduced short-term bank debt. This stood at €27.0 million as of the reporting date (31 December 2019: €72.2 million).

KRONES Group equity ratio (%)



Other liabilities and provisions likewise decreased, also due to the decrease in the provision for outstanding invoices. They amounted to €300.0 million at the end of 2020 (previous year: €325.8 million).

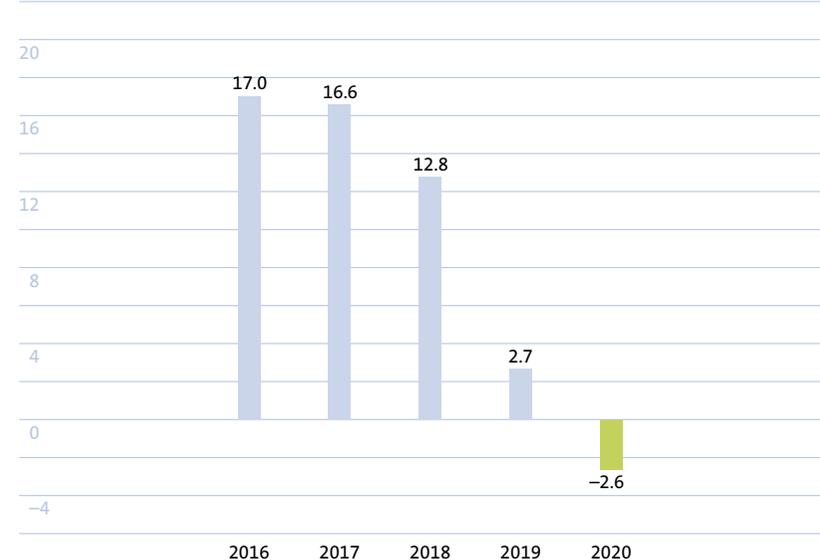
KRONES continues to have strong finances and capital with an equity ratio of 39.4%, net cash and cash equivalents of €184.9 million and a total of €1 billion in free lines of credit.

KRONES had significantly improved net cash and cash equivalents (cash and cash equivalents less bank debt) of €184.9 million at the 2020 reporting date (previous year: €38.1 million). In addition, the group has €500.1 million in unused lines of credit.

A backup facility of €500 million is also available.

Even in the corona crisis, KRONES thus further advanced its primary financial management objective, which is to secure the company's strong financial resources and independence.

KRONES Group ROCE (%)



Decrease in equity ratio and ROCE

The lower consolidated net income of –€79.7 million (previous year: +€9.2 million), a €66.7 million decrease in other reserves and the €23.7 million dividend payout meant that equity decreased by 12.4% in 2020, from €1,370.0 million to €1,200.0 million. The equity ratio consequently went down from 41.3% to 39.4%. Overall, however, KRONES continues to possess an exceptionally robust financial and capital structure.

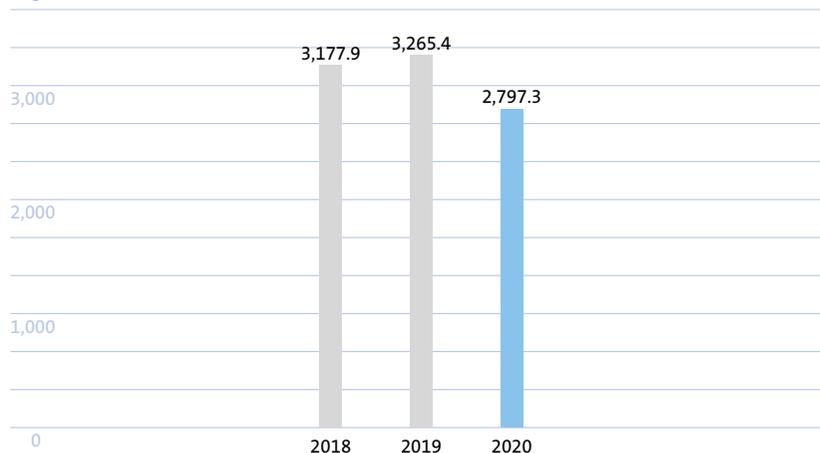
As a result of the negative consolidated net income, equity decreased by 12.4% in 2020. KRONES' equity ratio consequently went down in the reporting period from 41.3% to 39.4%.

Return on capital employed (ROCE) – the ratio of EBIT to average net capital employed – went down from 2.7% in the previous year to –2.6% in the reporting period. This was due to the negative EBIT, which fell significantly as a result of expenses for the workforce reduction and impairments on intangible assets.

Report from the segments

Machines and Lines for Product Filling and Decoration

Segment revenue (€ million)

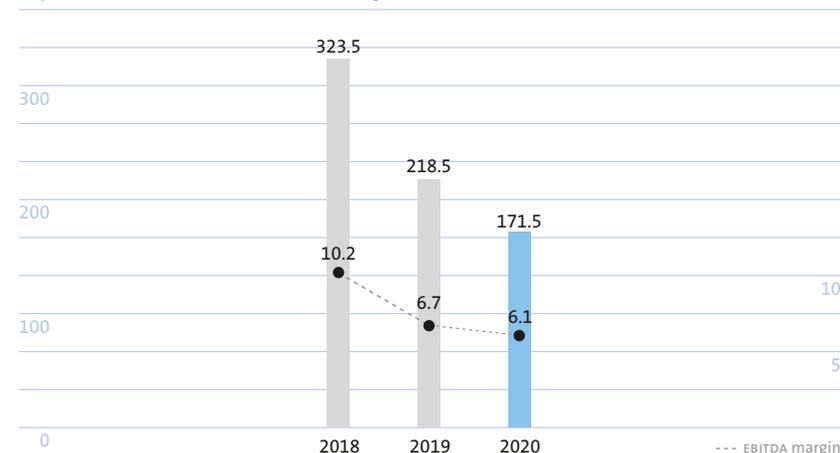


Segment revenue

Revenue in KRONES' core segment fell by 14.3% to €2,797.3 million in 2020 as a result of corona.

Revenue in the core segment, Machines and Lines for Product Filling and Decoration, fell by 14.3%, from €3,265.4 million in the previous year to €2,797.3 million in 2020. The fall in revenue reflects the economic impact of the Covid-19 pandemic. Due to low investment confidence among customers, revenue in the new machinery business fell more steeply than total revenue. In the after-sales business, KRONES benefited from its strong regional presence, which limited the negative impact of travel restrictions. Nevertheless, service revenue was also lower in 2020 than in the previous year. The core segment contributed 84.2% of consolidated revenue in the reporting period (2019: 82.5%).

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



Segment earnings

Despite lower revenue, KRONES was able to keep the core segment's operating profitability stable in 2020. The structural cost-cutting measures adopted by the company in the second half of 2019 had a positive effect on earnings in the reporting period. Earnings before interest, taxes, depreciation and amortisation (EBITDA) were down from €218.5 million in the previous year to €171.5 million. This corresponds to an EBITDA margin of 6.1% (previous year: 6.7%). However, it should be noted that the core segment accounted for a large proportion – just under €66 million – of the expenses for personnel-related measures totalling around €72 million, and this impacted the segment's EBITDA and EBITDA margin.

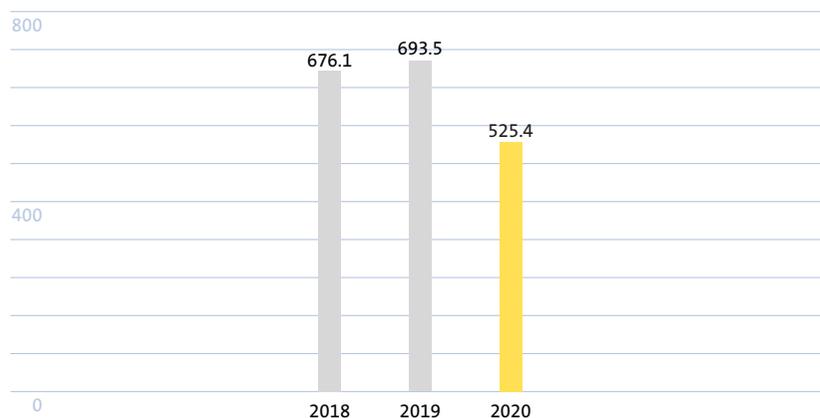
Excluding the expenses for the personnel-related measures, the EBITDA margin in the core segment was stable in 2020 relative to the previous year.

Machines and Lines for Product Filling and Decoration



Machines and Lines for Beverage Production/Process Technology

Segment revenue (€ million)

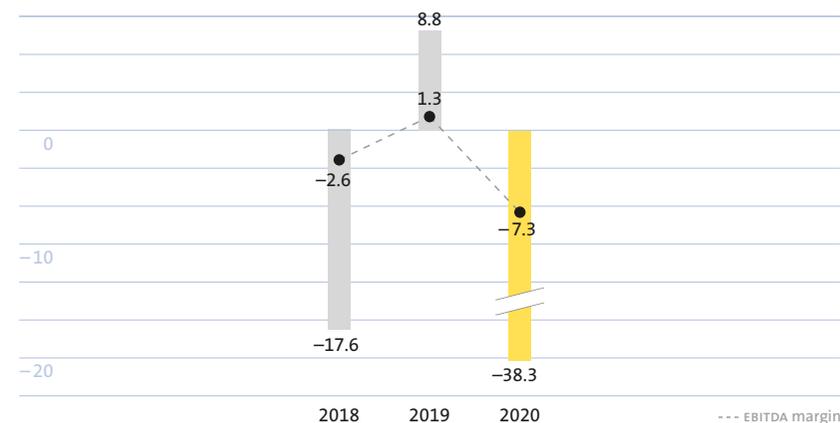


Segment revenue

The corona crisis had a particularly heavy impact on the Machines and Lines for Beverage Production/Process Technology segment in 2020. Revenue fell by 24.2%.

Business in the Machines and Lines for Beverage Production/Process Technology segment was hit even harder by the corona crisis in 2020 than the core segment. This is due to the difficult situation faced by international breweries, which suffered from the lockdowns due to corona. Segment revenue decreased by 24.2% year-on-year from €693.5 million to €525.4 million. The intralogistics business, which is part of the segment, saw a smaller decrease in revenue. As a proportion of consolidated revenue in 2020, the segment overall contributed 15.8% (previous year: 17.5%).

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



Segment earnings

After a very weak first half of 2020, operating earnings in the Machines and Lines for Beverage Production/Process Technology segment improved slightly in the second half of the financial year. In total, earnings before interest, taxes, depreciation and amortisation (EBITDA) went down from €8.8 million in the previous year to -€38.3 million. This primarily reflects the poor situation faced by breweries. In addition, expenses for personnel-related measures impacted the segment's EBITDA by around €6 million in the fourth quarter. In intralogistics, our subsidiary SYSTEM LOGISTICS was hit hard by the lockdown in Italy, particularly in the first half of the year. Profits were generated again in the second half of the year but these were not able to fully compensate for the losses incurred in the first half. Segment earnings also reflected initial losses from digitalisation activities.

EBITDA in the Machines and Lines for Beverage Production/Process Technology segment was -€38.3 million in 2020 (previous year: €8.8 million). This includes around €6 million in expenses for restructuring.

Machines and Lines for Beverage Production/Process Technology



Overall assessment of **economic position**

The reporting year at KRONES was marked above all by the challenges brought by the coronavirus. The Covid-19 pandemic had a major impact on our customers' investment confidence and hence also on KRONES' financial position, financial performance and cash flows.

Despite the difficult economic environment, KRONES succeeded in meeting or slightly exceeding its revised guidance for business performance in the reporting year. The main factor here was the systematic implementation of structural measures to adjust capacity, including the personnel-related measures.

In the corona-dominated 2020 financial year, KRONES saw revenue fall by 16.1% to €3,322.7 million. This is a slightly smaller revenue shortfall than the 17% decrease forecast in early November 2020. Order intake fell 19.0% to €3,307.0 million. However, it showed significant signs of recovering in the third and particularly in the fourth quarter.

Due to the lower overall order intake, capacity utilisation at KRONES was less than optimal in 2020. This affected profitability. A positive impact came from the structural measures, which led to significant cost savings. In total, earnings before interest, taxes, depreciation and amortisation (EBITDA) went down from €227.3 million in the previous year to €133.2 million in 2020. The EBITDA margin was 4.0% (previous year: 5.7%). Excluding the €72 million expense of the workforce reduction for capacity adjustment, this corresponds to an EBITDA margin of 6.2% (previous year: 6.6%). The Executive Board's guidance was 5.5% to 6.0%.

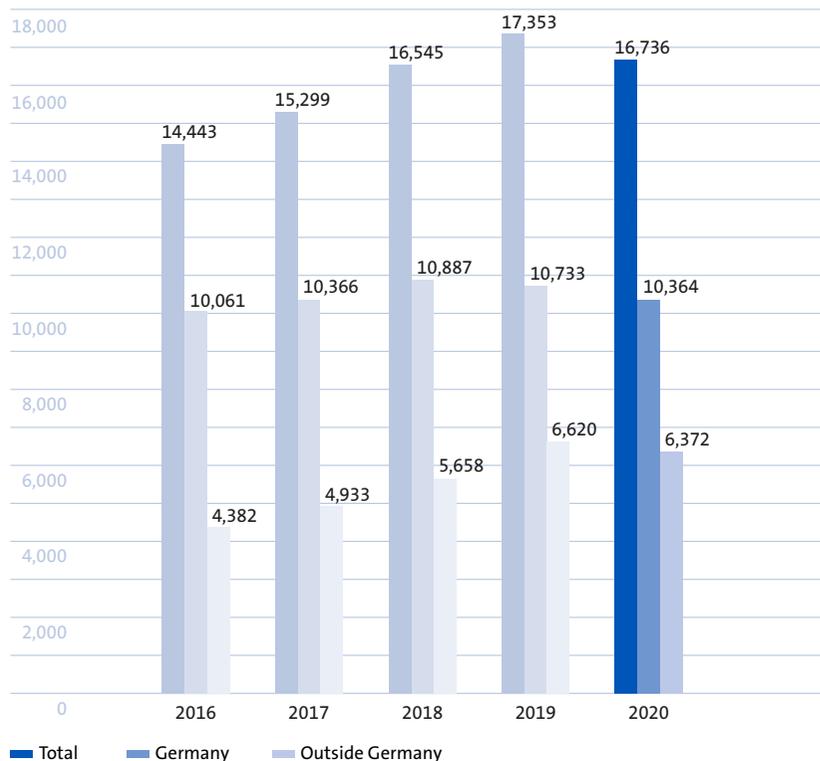
Working capital as a percentage of revenue – KRONES' third performance target – improved from 26.9% in the previous year to 28.3%. KRONES thus achieved its target for the year of 28% to 29%.

Due to the strong improvement in free cash flow – which went up substantially in 2020 to €221.3 million (previous year: –€94.4 million) – KRONES had substantially higher net cash and cash equivalents (cash and cash equivalents less bank debt) of €184.9 million (previous year: €38.1 million). In addition, the group has around €500 million in unused lines of credit together with an additional €500 million back-up facility. Even in the corona crisis, KRONES thus further advanced its primary financial management objective, which is to secure the company's strong financial resources and independence.

The Executive Board is cautiously optimistic for financial year 2021, with guidance of 2.5% to 3.5% revenue growth. Based on the slight recovery in revenue and the savings from the structural measures, the Executive Board expects profitability to be better than in 2020. KRONES anticipates an EBITDA margin of 6.5% to 7.5% in 2021. The third target, the working capital to revenue ratio, is expected to improve to between 26% and 27%. The guidance for 2021 is subject to the assumption, however, that there will be no severe impacts from the Covid-19 pandemic. This would hit the economy and hence also KRONES harder than currently expected and could lead to negative revenue and earnings effects.

Employees

Employees by region



Number of employees down 3.6% worldwide to 16,736

Due to structural adjustments in line with the short to medium-term fall in demand, KRONES reduced its workforce in 2020 by 617 to 16,736 employees. The reduction in the workforce, which for the most part was already initiated in 2019, reduced the number of employees at German locations by 369 to 10,364 in the reporting period.

KRONES reduced the workforce by 617 positions worldwide in 2020. Locations in Germany were the main focus of the structural adjustments. The share of employees outside Germany remained at 38.1%, as in the previous year.

As the Covid-19 pandemic also temporarily slowed the expansion of KRONES' global footprint, the number of employees abroad was also down, falling by 248 to 6,372. The share of employees outside Germany was consequently 38.1%, as in the previous year.

Emerging markets workforce also slightly reduced

The number of employees in emerging market regions also decreased slightly in the reporting period, by 3.2% to 4,055. After the sharp increase (by 33.3%) in the previous year, the number of employees in emerging markets thus consolidated at a high level as a result of the crisis. As a percentage of the total workforce, however, foreign employees in emerging markets – where KRONES has generated around 50% of consolidated revenue for many years – went up slightly from 24.1% in the previous year to 24.2%.

KRONES reduces workforce with voluntary programme

In September and November 2020, KRONES made individual and voluntary offers to a portion of the workforce in Germany to terminate their employment contracts. Around 400 employees accepted the offers. However, this was not

enough to adjust capacity to future market conditions. The Executive Board therefore decided at the end of 2020 on a further reduction by 350 positions at locations of KRONES AG in Germany. This reduction in the workforce will be implemented in as socially responsible a manner as possible.

Employees in the emerging markets 2016–2020

Year	South America	Africa	Asia-Pacific	cis/Eastern Europe	China	Total
2016	549	386	602	155	508	2,200
2017	581	393	734	398	608	2,714
2018	637	452	830	507	716	3,142
2019	782	671	1,009	933	792	4,187
2020	778	639	974	922	742	4,055

After the sharp increase in the previous year (by 33.3%), KRONES reduced its emerging markets workforce slightly in 2020 by 3.2% to 4,055.

The company plans to continue its above-average growth in emerging markets. Accordingly, we have substantially expanded the workforce there in the past few years. The more people KRONES recruits from local regions for our international locations,

the closer we are to our customers and markets. In the medium term, given corresponding market growth, we will further increase the proportion of the workforce in emerging markets.

KRONES needs a qualified and motivated workforce. They are the basis for KRONES' long-term success. It is they who enable the company to leverage market opportunities and build on KRONES' strengths. This is why, despite the corona crisis, we continue to invest heavily in training and employee development for our global workforce.



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

Sustainability at KRONES

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

Non-financial report for 2020

Under the CSR Directive Implementation Act, which entered into force in Germany in 2017, we disclose the policies we followed in the last financial year with respect to the non-financial aspects that are material to KRONES.

The non-financial report for 2020, which is not part of the group management report, is simultaneously the combined separate consolidated non-financial report for the KRONES Group and KRONES AG for the 2020 financial year, within the meaning of Sections 315b and 315c read in conjunction with Sections 289c to 289e of the German Commercial Code (HGB).

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



Risk and opportunity report

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

KRONES' risk management system

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

KRONES is exposed to a variety of risks that are inextricably linked with doing business globally. We continuously monitor all significant business processes to identify risks early and to actively manage and limit them. Within our corporate strategy, we also identify, analyse and unlock opportunities. Unlike risks, business opportunities are not documented within our risk management system.

In essence, risks are defined as potential negative deviations from our earnings forecast for the 2021 financial year. Opportunities are potential positive deviations from our earnings forecast for the 2021 financial year. Because they share the same sales and procurement markets, the same risks and opportunities essentially also apply to both of the KRONES Group's operating segments.

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

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

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

The categories are defined as follows:

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

*Based on EBIT

Multi-stage risk management system

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

Risk analysis

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

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

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

Risk monitoring

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

Risikoplanung und -steuerung

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

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

Risk management organisation

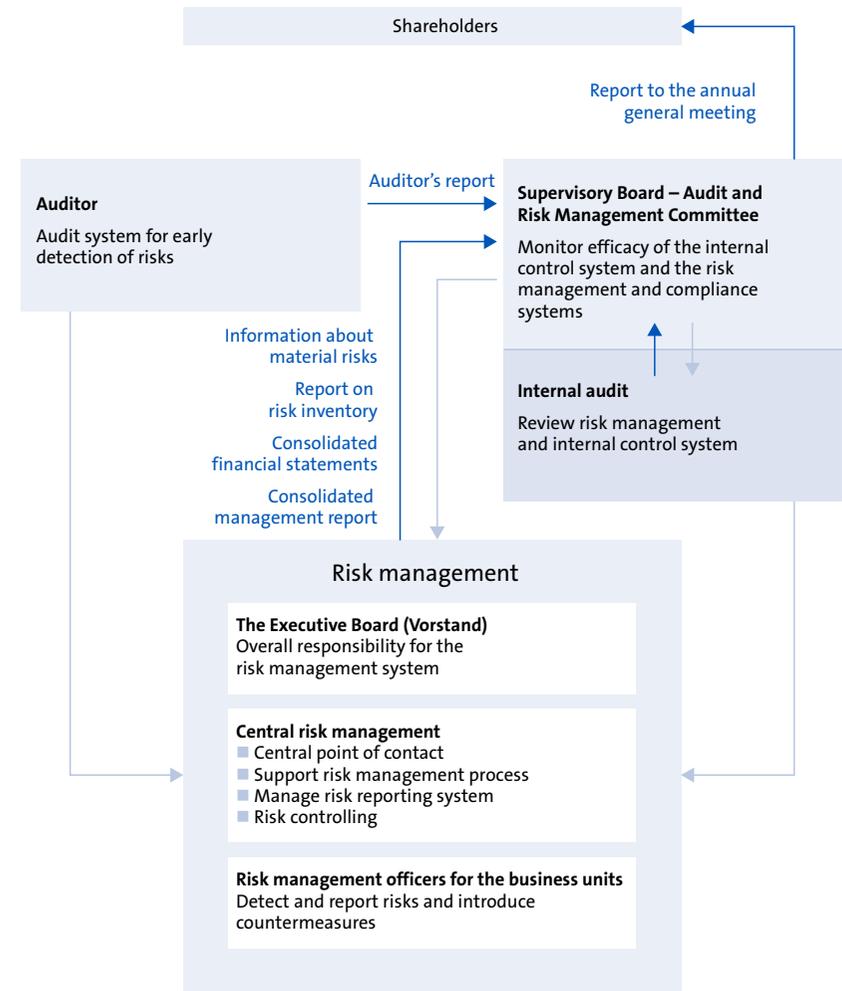
KRONES' risk management system is continuously monitored and reviewed. This is governed by clear areas of responsibility and accountability.

Risk management at KRONES is part of Controlling. The risk management system is reviewed by Internal Audit. All relevant information is collated in Controlling, where it is processed and made available in a management tool for the Executive Board. In addition, the various segments and business units also have risk management officers who are responsible for risk management. This includes identifying and reporting risks as well as introducing and implementing measures to actively control them.

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

All relevant information is collated in Controlling, where it is processed and made available in a management tool for the Executive Board.

Risk management organisation at KRONES



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

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

KRONES' internal control and risk management system comprises all principles, methods and measures to ensure that the company's accounting and financial reporting are effective, efficient and proper and in compliance with all relevant regulations and standards.

KRONES has an internal control and risk management system for accounting and financial reporting processes to ensure that all business transactions are always correctly recorded, processed, recognised and included in financial reporting.

KRONES' internal control and risk management system

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

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

Overview and description of material risks

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



KRONES classifies the maximum loss, the likelihood of an event and the potential financial impact of material risks into the three risk categories low, medium and high. Definitions are provided below on page 86.

General business environment and industry-specific risks

General economic risks

As a provider of products and services for the food and beverage industries, KRONES is less dependent on economic cycles than other machinery manufacturers. However, the company cannot escape the influence of the general economic situation entirely, as the corona crisis in 2020 has shown.

It continues to be difficult to predict the full impacts of the coronavirus on the global economy. Should the Covid-19 pandemic prove harder to contain than expected this year, for example because of dangerous mutations or vaccination difficulties, this would adversely affect economic growth and investment confidence among customers. That could also have a negative impact on KRONES' revenue and earnings.

Our potential direct impact from international trade conflicts is minor. If, however, global economic growth were to be considerably weaker than expected, for example due to sustained trade conflicts, this would have a negative impact on KRONES' revenue and earnings.

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

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

Industry-specific risks

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

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

Plastic and PET packaging has increasingly become a subject of debate in recent years, primarily in Europe. KRONES generates a large proportion of revenue with such products. It cannot be ruled out that the PET debate will intensify and spread regionally in the long term. This could reduce our customers' willingness to invest in plastics technology and hence have a negative impact on revenue and earnings.

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

Financial risks

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

1. Default risk

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

1.1 Trade receivables

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

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

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

€ thousand	Carrying amount	of which not overdue at the reporting date	of which overdue by the following number of days at the reporting date			
			up to 90 days	between 90 and 180 days	between 180 and 360 days	more than 360 days
31 Dec 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

1.2 Derivative financial instruments

KRONES uses derivative financial instruments on the basis of individual contracts solely for risk management purposes. Not using derivative financial instruments would expose the company to greater financial risks.

These instruments essentially cover the risks arising from changes in exchange rates between the euro and the US dollar, the Canadian dollar, the Norwegian krone and the Japanese yen. The material contractual details (amount and term) of the underlying and hedge transactions are largely identical. Default risk relating to derivative financial instruments in the event of counterparty default is limited to the balance of the positive fair values. More on this topic is in the notes to the consolidated financial statements.

1.3 Other financial assets

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

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

2. Liquidity risk

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

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

in part on rolling monthly liquidity planning with a planning horizon of one year. This enables KRONES to be proactive about any possible liquidity bottlenecks. Apart from cash on hand, KRONES' cash and cash equivalents consist primarily of demand deposits. The following overview of maturities shows how the undiscounted cash flows relating to liabilities as of 31 December 2020 influence the company's liquidity situation.

€ thousand	Carrying amount at 31 Dec 2020	Cash flow for 2021		Cash flow for 2022–2025		Cash flow for 2025 or later	
		Interest	Repay- ment	Interest	Repay- ment	Interest	Repay- ment
Derivative financial instruments	784	0	735	0	49	0	0
Liabilities to banks	32,064	43	27,005	158	3,809	7	1,250
Liabilities from trade receivables	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
	605,980	756	521,482	2,652	66,940	1,322	17,558

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

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

3. Interest rate risk

KRONES is exposed to risk arising from possible fluctuations in market interest rates. As of the 2020 reporting date, KRONES made comparatively minor use of bank borrowings relative to its business volume.

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

4. Currency risk

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

Material items denominated in foreign currencies in accordance 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
Total assets	10,585	977	367	141	39
Liabilities					
Trade payables	6,542	9	1,229	0	637
Due to banks	0	0	0	0	0
Other liabilities	0	0	0	0	0
Derivatives at negative market values	367	4	211	115	13
Total liabilities	6,909	13	1,440	115	650
Balance of assets and liabilities	3,676	964	-1,073	26	-611
Net exposure at 31 Dec 2020	3,676	964	-1,073	26	-611

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

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

Operational risks

1. Price risk

KRONES operates in a highly competitive market in which some orders are generated by way of prices that do not cover costs. Fixed-price contracts with customers also entail price risks.

KRONES must bear any additional costs that arise. To minimise this risk, KRONES has introduced a multidimensional order analysis process. Any enquiry or order equal to or greater than a specific amount is assessed on the basis of financial, technical/technological, tax, legal and regional risks.

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

2. Procurement risks

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

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

3. Cost risk

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

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

4. Personnel risk

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

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

Legal risks

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

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

Environmental and safety risks

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

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

IT risks

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

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

Overview and description of material opportunities

Material opportunities

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

General economic opportunities

General economic opportunities arise for KRONES as a result of the company's good international positioning. We stand to benefit if the economy in individual world regions develops better than experts have predicted. In particular, KRONES has considerably strengthened its market position in the emerging markets in the Asia-Pacific region and in Africa and the Middle East in recent years. Additional opportunities would therefore arise for us if the economy in emerging markets grows faster than expected. International Monetary Fund experts likewise expect a slight recovery in economic growth for 2021 in the euro area and the USA. If the growth momentum is stronger than expected in these regions, this could result in revenue and earnings above our guidance.

Industry-specific opportunities

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

Digitalisation also presents considerable additional sales and revenue opportunities for KRONES. Customers expect KRONES' smart machines and lines to

reduce their operating and labour costs. KRONES already has a number of products and services in the “digital beverage plant” portfolio and intends to further extend its position in the growth field of digitalisation.

Opportunities arising from acquisitions

KRONES' focus in 2021 is on integrating past acquisitions. No major acquisitions are planned for 2021. If potential acquisitions present themselves, however, its solid financial position and capital structure enable KRONES to seize opportunities for external growth. Acquisitions are not included in our earnings forecasts. External growth could open up opportunities for KRONES.

Operational opportunities

1. Selling prices

KRONES aims to achieve its target for earnings improvement by way of a better cost base. In addition, after the crisis year in 2020, we are once again making sustained efforts to uphold the price increases for all bottling and packaging equipment and process technology. If market prices should develop better than expected, this would yield opportunities for the company.

2. Procurement prices

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

3. Costs

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

Summary of risks and opportunities

Viewed from today's perspective, KRONES is not exposed to any going concern risks.

Compared with the previous year, our assessment of the risks and opportunities has not materially changed. The main risks remain in the general business environment and in industry-specific and financial risks.

Events after the reporting period

There were no material events after the reporting period.

Report on **expected developments**

- Positive global economic outlook for 2021
- KRONES expects slight upturn in business this year
- Adjustment measures strengthen KRONES' profitability in 2021

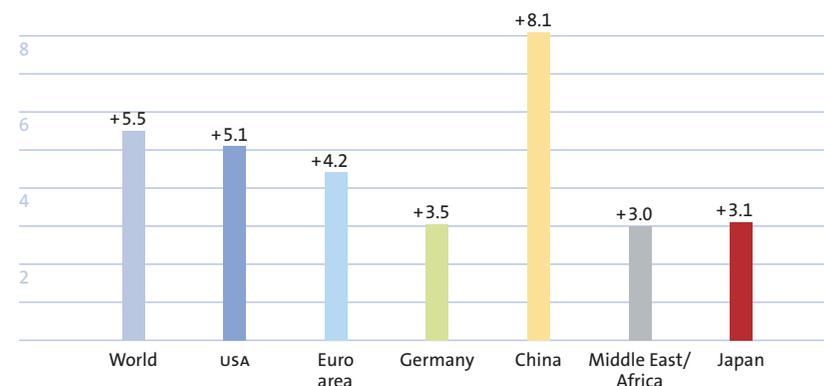
Global economy expected to grow in 2021 by 5.5%

In January 2021, the International Monetary Fund (IMF) forecast global economic growth for 2021 of 5.5%. This year is therefore likely to make up for the 3.5% contraction of the economy in 2020. The positive outlook is based on hopes of the Covid-19 pandemic subsiding as a result of vaccinations. In addition, economic stimulus is likely to come from large investment programs announced by various governments, particularly in the USA and Japan. Finally, central banks will support the recovery with their continued loose monetary policy. The experts expect that after a somewhat slow start, growth will accelerate from the second quarter of 2021 onwards. According to the IMF economists, risks of downward corrections mainly relate to the further path of the pandemic. If more contagious mutations make the coronavirus harder to contain and vaccinating populations takes longer than expected, growth is likely to be lower than projected.

The International Monetary Fund forecasts that the global economy will grow by 5.5% in 2021.

Growth in emerging and developing economies is likely to pick up significantly compared with the weak prior year, at 6.3% in 2021. As in the previous year, the growth driver is China. The IMF forecasts 8.1% growth in gross domestic product (GDP) for the Chinese economy in 2021. Following the sharp contraction in 2020, economic output in India is expected

Percentage GDP growth in 2021 (forecast)



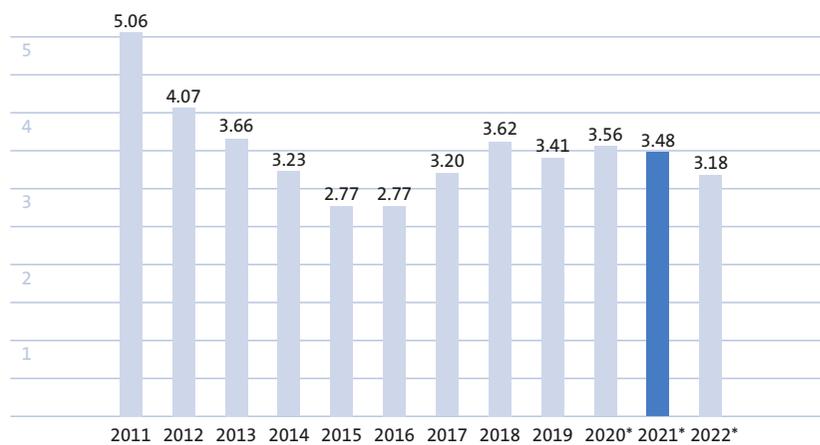
Source: IMF

to increase in 2021 by as much as 11.5%. The IMF expects less dynamic growth for the Middle East/Central Asia region. There, the experts forecast GDP growth of 3.0%. In Latin America, the economy is expected to grow in 2021 by 4.1%.

With regard to the industrialised economies, the IMF expects GDP growth of 4.3% in 2021 due to more rapid vaccination of the population and ongoing low interest rates. For the euro area, the IMF forecasts 4.2% growth. The experts expect a less rapid growth recovery in Germany, where they forecast a 3.5% GDP increase in 2021. Due to the large fiscal incentives in the USA, GDP in the world's largest economy is expected to grow in 2021 by 5.1%. Japan should also benefit from government support programmes. The IMF is forecasting growth there of 3.1%.

Low inflation rates and solid employment figures support consumption

Global inflation rate 2011 to 2019 and forecast to 2022, in %



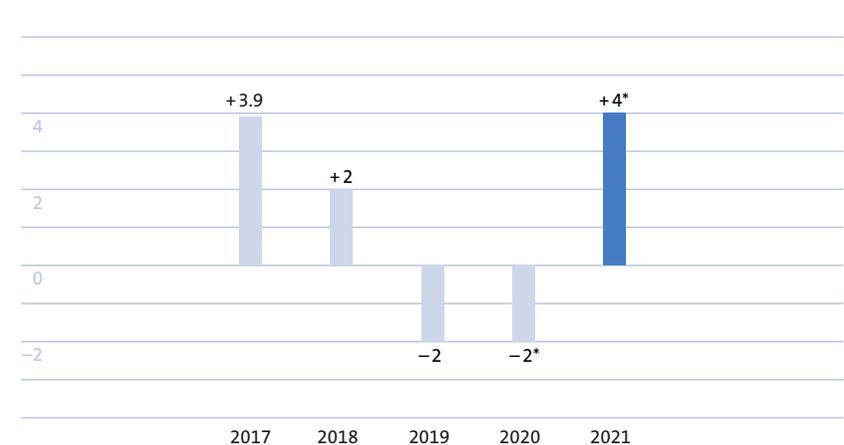
* Forecast

Source: Statista 2021

Consumer spending is a key factor determining the propensity of KRONES' customers to commit to capital expenditure and, consequently, the level of demand for beverage filling and packaging equipment. Low unemployment and inflation rates have a positive effect on consumer's buying power. They therefore support demand for packaged food and beverages and indirectly influence demand for KRONES' products and services. For 2021, we expect that a slightly higher unemployment rate and ongoing low inflation will not have an overall negative effect on KRONES' business.

Machinery sector expecting rise in output

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



* Forecast

Source: Germany's Federal Statistical Office, vDMA

Germany's Mechanical Engineering Industry Association (VDMA) expects that the slight upswing in the economy will also have a positive impact on the industry in 2021. The VDMA expects machinery and industrial equipment output to rise 4% year-on-year. This forecast is subject to a high degree of uncertainty, however. For one thing, economic growth remains fragile. For another, there are concerns of increasing protectionism because German mechanical engineering has an export share of around 80%. The recovery could also leave machinery manufacturers facing tight liquidity as they have to make advance payments.

The German Mechanical Engineering Industry Association (VDMA) expects a sectoral recovery in 2021. It forecasts 4% output growth compared with the crisis year in 2020.

KRONES cautiously optimistic going into 2021

After a difficult year in 2020, KRONES is cautiously optimistic at the beginning of the 2021 financial year. However, there are still sufficient reasons for some caution. While the economic forecasts for this year are positive overall, 2021 will once again be marked by political and economic uncertainties. In particular, it is not yet possible to predict the further impacts of the coronavirus on the global economy. The same uncertainties are also affecting order placement by KRONES customers. Although consumer demand for packaged beverages is expected to continue rising in 2021, companies in the international beverage industry are holding back on investment due to the unstable overall economic situation. Overall, we therefore expect the global market for bottling and packaging equipment, along with selling prices, to stabilise at a relatively low level in 2021. Competition in our markets and cost pressure will again remain strong this year.

The medium- and long-term outlook remains positive. This is because consumer demand for packaged beverages and liquid foods is steadily growing due to a number of megatrends such as the growing world population.

Both segments should stabilise in 2021 and recover over the course of the year

KRONES' focus this year will be on continuing to implement the adopted structural measures in order to quickly adjust cost structures to the lower level of revenue. In addition, we aim to use growth opportunities throughout the Group with innovations and future-ready products and services. No major acquisitions are planned in either segment for 2021. The goal is to increase profitability in both segments this year.

In the core segment, **Machines and Lines for Product Filling and Decoration**, KRONES is placing increased focus – alongside cost reductions – on the core competencies of sales, engineering, final assembly and lifecycle service. The company additionally intends to use these core competencies to enter new markets. KRONES will also continue to focus on its strengths in order to consolidate and extend its market position. For example, KRONES intends to use its extensive line expertise to win more customers for efficient and reliable filling and packaging lines. Its leading position in terms of sustainability is also expected to support growth for KRONES. Customers want to, and have to, save resources. KRONES is ideally positioned here with its resource-saving enviro products and sustainable PET solutions.

For the core segment in 2021, KRONES expects 2% to 3% revenue growth. The EBITDA margin is expected to be around 8.0% to 9.0%.

In 2021, the Process Technology segment is expected to increase revenue by between 5% and 7% year-on-year and earn an EBITDA margin of 0% to 1.0%.

Continuing to implement the structural measures is the focus in the **Machines and Lines for Beverage Production/Process Technology** segment. The final spin-off of the brewery activities is the main priority here. Under the STEINECKER brand, the new company will develop the brewery business independently and improve its profitability. We expect ongoing strong demand for our products and services in the intralogistics business. This business is benefiting both from increasing digitalisation and from the market changes brought about by Covid-19, such as shorter delivery times, growing automation and more online ordering. In 2021, KRONES will continue to deliver above-average growth in intralogistics and further improve profitability.

Overall, we forecast revenue growth of 5% to 7% for the Process Technology segment – which also includes intralogistics – with an EBITDA margin of around 0% to 1.0% in 2021.

Continuing to implement the structural measures is the focus in the **Machines and Lines for Beverage Production/Process Technology** segment. The final spin-off of the brewery activities is the main priority here. Under the STEINECKER brand, the new

KRONES targets improvements in revenue and the EBITDA margin in 2021

On the basis of the current general economic outlook, we expect the markets relevant to KRONES to stabilise in 2021 and to show signs of recovery especially in the second half of the year. Based on this, the company expects revenue growth of 2.5% to 3.5% for the Group in 2021.

KRONES aims to increase revenue and the EBITDA margin in 2021.

Thanks to slightly increasing revenue and the adopted structural measures, KRONES aims to improve its profitability this year compared with 2020. For 2021, the company forecasts an EBITDA margin of 6.5% to 7.5% for the Group. That is equivalent to an EBT margin of 3.0% to 4.0%.

For its third performance target, working capital to revenue, KRONES expects a figure of 26%–27% in 2021. The company intends to improve this performance indicator through more intensive management of working capital parameters, notably receivables.

The guidance for 2021 is subject to the assumption that there will be no severe impacts from the Covid-19 pandemic such as harmful virus mutations or vaccination difficulties. This would hit the economy and hence also KRONES harder than currently expected and could lead to negative revenue and earnings effects.

	Forecast 2021	Actual 2020
Revenue growth	2.5%–3.5%	–16.1%
EBITDA margin	6.5%–7.5%	4.0%
Working capital to revenue	26%–27%	28.3%

Takeover-related disclosures (report pursuant to Sections 315a and 289a of the German Commercial Code (HGB))

Pursuant to Section 4 (1) of the articles of association, the subscribed capital (share capital) of KRONES Aktiengesellschaft as of 31 December 2020 amounted to €40,000,000.00 and was divided into 31,593,072 ordinary bearer shares each representing a notional €1.27 of share capital. With the exception of treasury shares, from which the Company has no rights, all shares carry the same rights and obligations. KRONES held no treasury shares as of 31 December 2020. Shareholders' rights and obligations arising from shares follow from statutory provisions of the Stock Corporation Act (AktG), primarily Sections 12, 53a et seq., 118 et seq., 133 et seq. and 186 AktG.

Under Section 20 (1) of the articles of association, each share entitles its holder to one vote in the annual general meeting. The Company has no voting rights from treasury shares.

Pursuant to Section 18 (1) of the articles of association, only those shareholders who register with the company in writing in German or English and provide proof of their shareholding prior to the annual general meeting are entitled to participate and vote in the annual general meeting. Under Section 67c (3) AktG, proof of the shareholder's shareholding in text form provided by the last intermediary is sufficient as proof and may also be communicated to the company directly by the last intermediary. The proof of shareholding must relate to the start of the twenty-first calendar day prior to the annual general meeting.

Restrictions on the voting rights attached to shares may also result from provisions of the Stock Corporation Act, such as under Section 136 AktG. Infringements of notification obligations within the meaning of sections 33 (1), 38 (1) and 39 (1) of the German Securities Trading Act (WpHG) may lead to a situation where, under section 44 WpHG, rights attached to shares, including voting rights, are at least temporarily suspended.

To the knowledge of the Executive Board, the following agreement exists, or existed in the 2020 financial year, that may be considered a restriction within the meaning of Section 289a sentence 1 no. 2 and Section 315a sentence 1 no. 2 HGB: Mr. Harald Kronseder, Mr. Gunther Kronseder, Harald Kronseder Holding GmbH, Neutraubling, Beteiligungsgesellschaft Kronseder mbH, Neutraubling, VMAX Familienstiftung, Neutraubling, Ms. Nora Diepold (née Kronseder) and Mr. Leopold Kronseder are parties to a pool agreement. The members of the pool agreement have established a civil-law partnership ("Familie Kronseder Konsortium"), the purpose of which is to ensure, by means of uniform decision-making by the shareholders and uniform exercise of voting rights in general meetings of KRONES Aktiengesellschaft and by restricting the ability for the shares in KRONES Aktiengesellschaft bound in the pool agreement to be sold at will, (a) the influence of the shareholders (and in particular the influence of the Kronseder family) and their legal successors, (b) the continuation of KRONES Aktiengesellschaft in a scope comparable to the overall business situation at the time of signing the pool agreement (comparable revenue, comparable order volume, comparable operating assets, comparable size of workforce) and (c) that the company retains the character of a family-owned company.

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

The company is aware of the following direct and indirect shareholdings in the company's capital that exceed 10% of the voting rights: Leopold Kronseder (indirect), Nora Diepold (née Kronseder) (indirect), Gunther Kronseder (indirect), VMAX Familienstiftung, Neutraubling (direct and indirect), Harald Kronseder (direct and indirect), Harald Kronseder Holding GmbH, Neutraubling (indirect), Beteiligungsgesellschaft Kronseder mbH, Neutraubling (indirect), Dr. Volker Kronseder (indirect).

To the company's knowledge, the members of Familie Kronseder Konsortium jointly hold the following interest in the share capital:

	Total share of voting rights
Familie Kronseder Konsortium	52.18

Changes to the shareholdings listed above that are not required to be reported to the company may have occurred since the specified date (1 March 2021). Because the company's shares are bearer shares, the company is generally only aware of changes in shareholdings if the changes are subject to reporting requirements.

The company has not issued any shares with special rights conferring powers of control. There is no employee share scheme where the control rights are not exercised directly by the employees.

The appointment and dismissal of Executive Board members is governed by Sections 84 and 85 AktG and by Section 31 of the Codetermination Act (MitbestG). Pursuant to Section 6 (1) of the articles of association, the Executive Board consists of at least two members. Pursuant to Section 6 (2) of the articles of association, determination of the number of Executive Board members, the appointment of regular and deputy members of the Executive Board, the execution of their employment contracts and revocation of appointments are the responsibility of the Supervisory Board.

Such amendments are to be adopted by resolution of the annual general meeting (Section 119 (1) No. 5 and Section 179 (1) of the German Stock Corporation Act). Unless mandatory provisions of law stipulate otherwise, resolutions of the annual general meeting are made with a simple majority of votes cast or, in cases in which the law prescribes a majority of shares in addition to a majority of votes, with a simple majority of the share capital represented in the vote. Accordingly, in derogation from Section 179 (2) sentence 1 AktG, resolutions of

the annual general meeting amending the articles of association also require, in addition to a simple majority of votes, a majority of the share capital represented in the vote, unless a larger majority is prescribed by law. The Supervisory Board is authorised to make amendments that affect only the wording of the articles of association (Section 179 (1) sentence 2 AktG in conjunction with Section 13 of the articles of association). In addition, the Supervisory Board is authorised by resolution of the annual general meeting of 15 June 2016, to amend the articles of association in accordance with any utilisation of the authorised capital and upon expiry of the term of the authorisation.

By resolution of the annual general meeting of 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 normally be granted subscription rights to these shares. The Executive Board is authorised to exclude shareholders' subscription rights, 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 Executive Board is authorised to repurchase treasury shares and to sell repurchased shares in the cases stipulated on by law in Section 71 of the German Stock Corporation Act (AktG). By resolution of the annual general meeting of 13 June 2018, the Executive Board is authorised, with the approval of the Supervisory Board, up to and including 12 June 2023, subject to compliance with the principle of equal treatment (Section 53a AktG), to buy treasury shares totalling up to 10% of the company's share capital at the time that the resolution was adopted or, if smaller, at the time that the authorisation is exercised. The amount of shares purchased under this authorisation, together with other treasury shares that the company has already acquired or still holds or shares that are attributable to the company under Sections 71d and 71e of the German Stock

Corporation Act, may at no time exceed 10% of the company's share capital at the time. The authorisation may be exercised once or multiple times, either in whole or in part, in pursuit of one or multiple purposes, by the company, by Group companies or by a third party acting on the company's behalf or on behalf of Group companies. The authorisation may not be used for the purpose of trading in the company's shares.

The purchase of treasury shares may be carried out, at the discretion of the Executive Board, through a stock exchange or through a public tender offer addressed to all of the company's shareholders or through a public request to the shareholders to tender shares for sale.

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

- 1) The shares may be cancelled and the share capital reduced by the proportion of the share capital accounted for by the cancelled shares, without the cancellation or its execution requiring a further resolution by the annual general meeting.
- 2) They may be offered and transferred to third parties in return for non-cash contributions.
- 3) They may be sold to third parties against cash payment if the price at which the shares in the company are sold is not significantly lower, within the meaning of sections 71 (1) no. 8 sentence 5 and 186 (3) sentence 4 of the Stock Corporation Act, than the stock exchange price of a company share at the time of sale.

- 4) They may be used to service obligations or rights to purchase shares in the company arising from and in connection with convertible bonds or bonds with warrants, or profit-sharing rights with conversion rights or warrants, issued by the company or any of its group companies.

The authorisations for the Executive Board to sell and otherwise use purchased shares may be exercised once or multiple times, individually or in combination, on the whole volume or on partial volumes of the acquired shares. The above authorisations may also be exercised by dependent companies or companies that are majority-owned by the company or by third parties on behalf of the company or its dependent or majority-owned companies.

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

Further details may be found in the authorising resolution, the full wording of which is reproduced in agenda item 9 in the notice convening the annual general meeting of KRONES Aktiengesellschaft on 13 June 2018 published in the Federal Gazette on 19 April 2018.

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

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

Dependency report

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

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

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



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

Remuneration report

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

Executive Board remuneration

Basic principles of Executive Board remuneration

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

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

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

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

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

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

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

Remuneration components

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

- Fixed components (basic salary and fringe benefits)
- Variable components which are payable annually and based on business performance (short-term incentives) and which contain risk elements
- Variable components that serve as mid-term incentives containing risk elements, with a measurement period of three years (until 2019)
- Variable components that serve as long-term incentives containing risk elements, with a measurement period of three years
- Post-employment benefits

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

Fixed components (basic salary and fringe benefits)

The fixed amount is the base salary stipulated in members' contracts and is paid out in equal monthly amounts. It is reviewed on a regular basis. For the 2020 financial year, the base salaries of the five members of the Executive Board who were active in 2020 totalled €2,840.5 thousand (previous year: €2,668 thousand), with the members of the Executive Board voluntarily waiving 20% of their base salaries from October 2020 in solidarity with employees who lost earnings due to short-time working.

In addition, the members receive fringe benefits which are essentially the cost or non-cash benefit of customary insurance premiums and the use of a company car. For the 2020 financial year, the members of the Executive Board received fringe benefits totalling €117 thousand (previous year: €182 thousand).

Variable components

The variable remuneration contains risk elements and is thus not guaranteed.

The incentive package for the Executive Board has consisted of the following since 2017:

- Short-term incentive (STI, measurement period: 1 year)
 - Awarded annually
 - Target bonus: Three months' salary per annum (at 100% target attainment)
 - Reference figures: EBT margin (primary), order intake, consolidated revenue and net working capital
 - Capped at 200% (max. six months' salary)
 - No payment if EBT is negative

The STI payment for the financial year 2020 amounts to €172.5 thousand in 2021 (previous year: €27.6 thousand). The remuneration is based on an individual agreement for newly appointed Executive Board member Norbert Broger in his first financial year.

Total Executive Board remuneration for the 2020 financial year amounted to €3,130 thousand (previous year: €3,131 thousand, without early termination benefits).

In addition, €1,196 thousand (previous year: €1,172 thousand) was paid into the contribution-based post-employment benefits plan in 2020.

- Long-term incentive (LTI, measurement period: 3 years)
 - Awarded annually (on a revolving basis) (from 2018)
 - Target bonus: 5.4 months' salary per annum (at 100% target attainment)
 - Reference figures: Enterprise value on three-year average (EBT times nine, EBITDA times seven, revenue times one) for start and end value plus net cash and less pension provisions
 - Up to 2018: capped at 200% (max 10.8 months' salary); from 2019: capped at 250% (max. 13.5 months' salary)
 - No payment if EBT is negative on average (up to 2018); from 2019: paid out if the calculated enterprise value is at least 100% of the starting level

The long-term incentive provision decreased from €1,342.7 thousand to €895.5 thousand mainly due to changes within the existing measurement parameters and a payment of €155.9 thousand for a former member of the Executive Board. €291.3 thousand of the decrease is attributable to the 2020 financial year.

In view of the difficult economic situation, the Executive Board and the Supervisory Board of KRONES AG resolved that the portion of the long-term incentive payments that would have been due in 2021 should be postponed to a date in 2022. The amount paid out depends on specified thresholds for the EBT margin in 2021.

In addition to the overall remuneration arrangements, the Supervisory Board can, at its equitable discretion, award a special bonus if extraordinary events or exceptional performance warrant it. No special bonuses were paid out for the 2020 financial year. A sign-on bonus of €500 thousand was agreed for new Executive Board member Norbert Broger and will be paid in 2022. This compensates for earnings from his previous employer lost as a result of the move to KRONES AG.

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

Post-employment benefits

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

For Executive Board members who joined the board in 2012 or later, the post-employment benefits are contribution-based. Annual contributions in the amount of 40% of the respective member's annual base salary are paid into an external pension liability insurance policy in which the benefits are pledged to the beneficiary. There they accrue annual interest until the benefits fall due, at the rate guaranteed when the policy was established plus any annual investment returns. Post-employment pension benefits are granted when a member reaches the age of 62 and only after the member leaves the Executive Board. Executive Board members can choose to receive a lump-sum payout of the post-employment benefits instead of annuity-based payments. The entitlements of Executive Board members to post-employment benefits based on contributions from KRONES AG become vested immediately. Executive Board members may elect to receive supplemental monthly benefits for permanent disability and/or a monthly widow(er)'s pension.

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

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

IFRS pension provisions of €3,018 thousand (previous year: €2,735 thousand) were recognised for active members of the Executive Board. At the end of the 2020 financial year, following changes in the actuarial discount rate, the corresponding defined benefit obligation (DBO) was as follows: for Mr Klenk €5,216 thousand, for Mr Ricker €59 thousand, for Mr Tischer €65 thousand, and for Mr Goldbrunner €45 thousand.

In addition, €1,196 thousand (previous year: €1,172 thousand) was paid into the contribution-based post-employment benefits plan in 2020. Contributions into the post-employment benefits plan (bAV) were as follows in the 2020 financial year: for Mr Klenk €320 thousand, for Mr Broger €276 thousand, for Mr Ricker €216 thousand, for Mr Tischer €192 thousand, and for Mr Goldbrunner €192 thousand.

Additional benefits in the event of termination of employment

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

Advances and loans

No loans or advances were provided to members of the Executive Board in the 2020 financial year.

Benefits paid to former members of the Executive Board

Benefits granted to former members of the Executive Board and their surviving dependants amounted to €1,679 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).

Total remuneration paid to members of the Executive Board in 2019 and 2020

Total remuneration in 2020 excluding post-employment benefits (HGB-basis, € thousand)

Name	Position		Base salary	Fringe benefits	Total	Short-term incentive	Long-term incentive	Total remuneration
Christoph Klenk	CEO Chief executive officer	since 2003	760	24	784	0	0	784
Norbert Broger	CFO Chief financial officer	since 2020	655.5	22	677,5	172,5	0	850
Thomas Ricker	Sales and Marketing	since 2012	513	21	534	0	0	534
Markus Tischer	International Operations and Services	since 2014	456	18	474	0	0	474
Ralf Goldbrunner	Bottling and Packaging Equipment	since 2014	456	32	488	0	0	488

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

Total remuneration in 2019 excluding post-employment benefits and excluding early termination benefits (HGB-basis, € thousand)

Name	Position		Base salary	Fringe benefits	Total	Short-term incentive	Medium-term incentive	Long-term incentive	Total remuneration
Christoph Klenk	CEO Chief executive officer	since 2003	800	29	829	0	0	0	829
Michael Andersen	CFO Chief financial officer	until 2019	368	83	450	27	99	155	732
Thomas Ricker	Sales and Marketing	since 2012	540	22	562	0	0	0	562
Markus Tischer	International Operations and Services	since 2014	480	17	497	0	0	0	497
Ralf Goldbrunner	Bottling and Packaging Equipment	since 2014	480	31	511	0	0	0	511

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

Early termination benefits amounted to €2,781 thousand for Mr Michael Andersen in the previous year.

Supervisory Board remuneration

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

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

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

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

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

The total remuneration paid to members of the Supervisory Board for the financial year 2020 amounted to €833 thousand (previous year: €812 thousand) and is shown in the table below with individualised disclosure:

Total remuneration paid to members of the Supervisory Board in 2020 and 2019

Remuneration 2020 pursuant to GAS 17 (€ thousand)

Name	Position	Base compensation	Additional compensation for committee work	Meeting attendance fee	Total remuneration in 2020
Volker Kronseder	Chairman of the Supervisory Board	87.5	7.0	12.0	106.5
Werner Schrödl ^{*,**}	Deputy Chairman of the Supervisory Board until 30 June 2020	26.3	3.5	4.5	34.3
Josef Weitzer ^{*,**}	Deputy Chairman of the Supervisory Board since 1 July 2020	43.8	7.0	12.0	62.8
Robert Friedmann	Regular member	35.0		9.0	44.0
Klaus Gerlach [*]	Regular member	35.0		9.0	44.0
Oliver Grober ^{*,**}	Regular member	35.0		9.0	44.0
Thomas Hiltl ^{*,***}	Regular member	35.0		9.0	44.0
Markus Hüttner ^{*,**}	Regular member since 1 July 2020	17.5	3.5	7.5	28.5
Norman Kronseder	Regular member	35.0	7.0	12.0	54.0
Prof. Dr. jur. Susanne Nonnast	Regular member	35.0		9.0	44.0
Dr. phil. Verena Di Pasquale ^{*,**}	Regular member	35.0		9.0	44.0
Beate Eva Maria Pöpperl ^{*,**}	Regular member	35.0		9.0	44.0
Norbert Samhammer	Regular member	35.0		9.0	44.0
Petra Schadeberg-Herrmann	Regular member	35.0		7.5	42.5
Jürgen Scholz ^{*,**}	Regular member	35.0	7.0	12.0	54.0
Hans-Jürgen Thaus	Regular member	35.0	7.0	12.0	54.0
Matthias Winkler	Regular member	35.0		9.0	44.0

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

Remuneration 2019 pursuant to GAS 17 (€ thousand)

Name	Position	Base compensation	Additional compensation for committee work	Meeting attendance fee	Total remuneration in 2019
Volker Kronseder	Chairman of the Supervisory Board	87.5	7.0	15.0	109.5
Werner Schrödl**	Deputy Chairman of the Supervisory Board	52.5	7.0	15.0	74.5
Robert Friedmann	Regular member	35.0		4.5	39.5
Klaus Gerlach*	Regular member	35.0		6.0	41.0
Oliver Grober**	Regular member	35.0		6.0	41.0
Thomas Hiltl***	Regular member	35.0		6.0	41.0
Norman Kronseder	Regular member	35.0	7.0	15.0	57.0
Prof. Dr. jur. Susanne Nonnast	Regular member	35.0		6.0	41.0
Dr. phil. Verena Di Pasquale**	Regular member	35.0		6.0	41.0
Beate Eva Maria Pöpperl**	Regular member	35.0		6.0	41.0
Norbert Samhammer	Regular member	35.0		6.0	41.0
Petra Schadeberg-Herrmann	Regular member	35.0		6.0	41.0
Jürgen Scholz**	Regular member	35.0	7.0	9.0	51.0
Hans-Jürgen Thaus	Regular member	35.0	7.0	12.0	54.0
Josef Weitzer**	Regular member	35.0	7.0	15.0	57.0
Matthias Winkler	Regular member	35.0		6.0	41.0

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

Neutraubling, 17 March 2021

KRONES AG

The Executive Board



Christoph Klenk
CEO



Norbert Broger
CFO



Thomas Ricker
CSO



Markus Tischer



Ralf Goldbrunner