

# Focus on **strengths**

## 2020 highlights

- KRONES' consolidated revenue fell in 2020 as a result of the Covid-19 pandemic by 16.1% to €3.32 billion.
- Order intake was also significantly affected by corona and, at €3.31 billion, was 19.0% lower than in 2019. However, the fourth quarter showed first positive signs of improvement.
- KRONES' profitability was impacted by one-time expenses of around €72 million for capacity adjustments. EBITDA decreased from €227.3 million to €133.2 million. The EBITDA margin was 4.0% (previous year: 5.7%). Excluding these one-off effects, the EBITDA margin was 6.2% (previous year: 6.6%).
- KRONES generated free cash flow of €221.3 million in 2020 (previous year: –€94.4 million).
- 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.

		2020	2019	Change
Revenue	€ million	3,322.7	3,958.9	–16.1%
Order intake	€ million	3,307.0	4,083.5	–19.0%
Order backlog at 31 December	€ million	1,211.3	1,385.7	–12.6%
EBITDA	€ million	133.2	227.3	–41.4%
EBITDA margin	%	4.0	5.7	–1.7 PP*
EBIT	€ million	–40.8	43.9	–
EBT	€ million	–36.6	41.7	–
EBT margin	%	–1.1	1.1	–2.2 PP*
Consolidated net income	€ million	–79.7	9.2	–
Earnings per share	€	–2.52	0.30	–
Dividend per share	€	0.06**	0.75	–€0.69
Capital expenditure for PP&E and intangible assets	€ million	93.8	168.9	–€75.1 million
Free cash flow	€ million	221.3	–94.4	+€315.7 million
Net cash at 31 December***	€ million	184.9	38.1	+€146.8 million
Working capital to revenue****	%	28.3	26.9	+1.4 PP*
ROCE	%	–2.6	2.7	–5.3 PP*
Employees at 31 December				
Worldwide		16,736	17,353	–617
Germany		10,364	10,733	–369
Outside Germany		6,372	6,620	–248

\*Percentage points \*\*As per proposal for the appropriation of earnings available for distribution

\*\*\*Cash and cash equivalents less debt \*\*\*\*Average of last 4 quarters

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## TO OUR SHAREHOLDERS

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## Focus on **strengths**

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

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

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

## KRONES' strengths

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

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

### Global footprint

### Long-term demand growth

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

### Line expertise

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

### Finances

### Digitalisation

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

### Sustainability

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

## Long-term demand **growth**



Long-term  
demand growth

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

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

## Aseptic line for **sensitive beverages**



Long-term  
demand growth

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

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





## KRONES has considerable **line expertise**



Line expertise

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

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

## Canning line: ultra-high performance



Line expertise



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

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



## Digitalisation: already well positioned



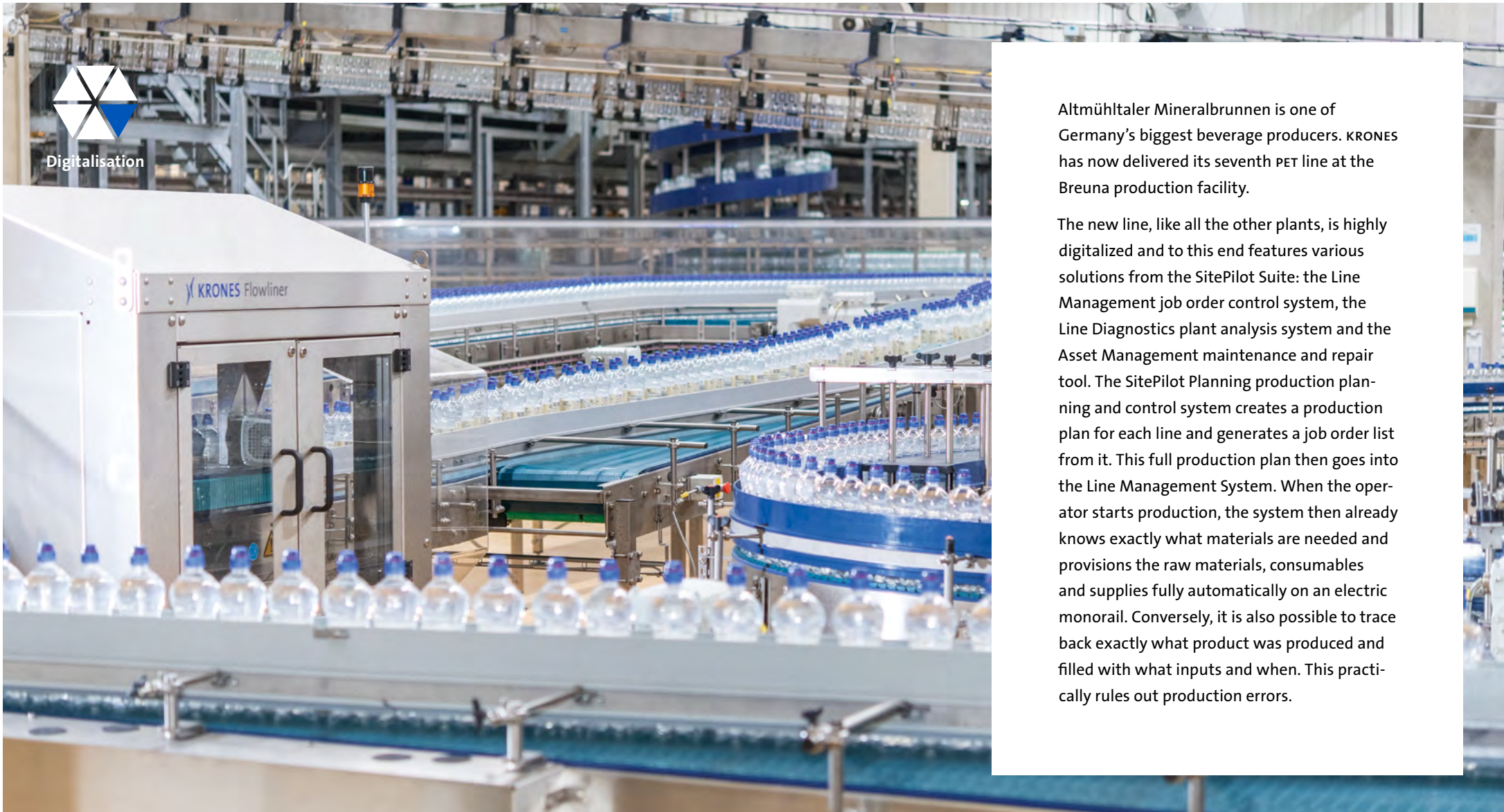
### Digitalisation

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

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

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

## Highly digitalised line



Digitalisation

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

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

## Early focus on **sustainability** pays



Sustainability

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

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

## innocent selects KRONES based on **sustainability credentials**



Sustainability



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

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



## Robust capital structure and strong liquidity



### Finances

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

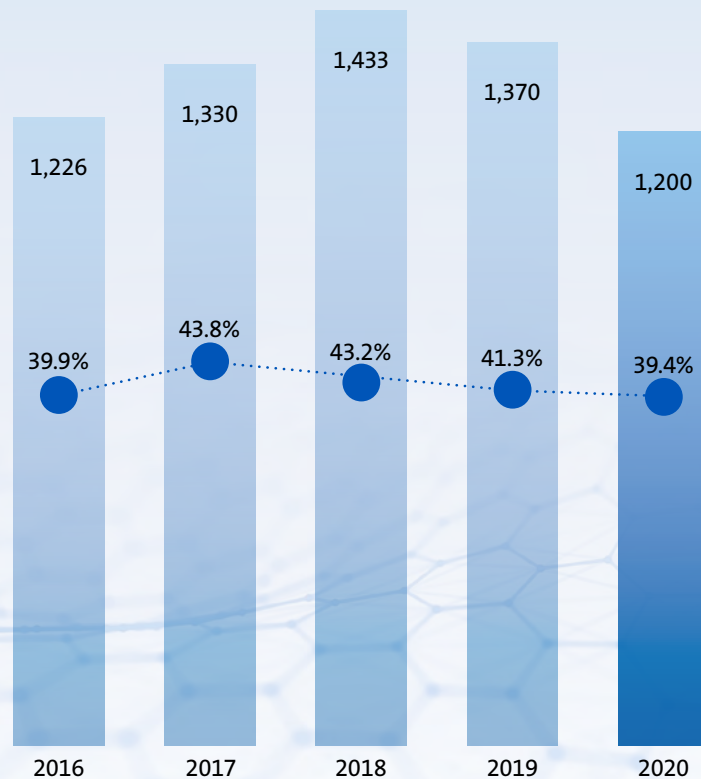
KRONES' high financial and capital strength gives the company sufficient financial scope to master short-term challenges, **invest in key technologies** and **finance future growth**.

## Solid financial and capital structure enables high levels of investment



Finances

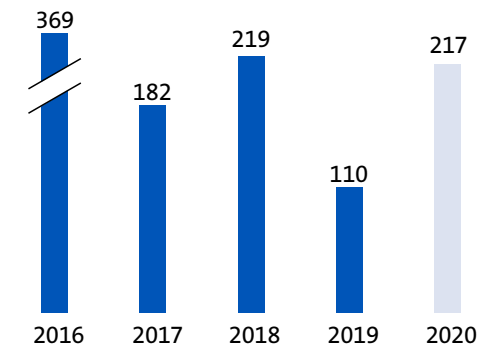
KRONES Group equity (€ million) and equity ratio (%)



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

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

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





## Strong **global footprint**



Global footprint

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

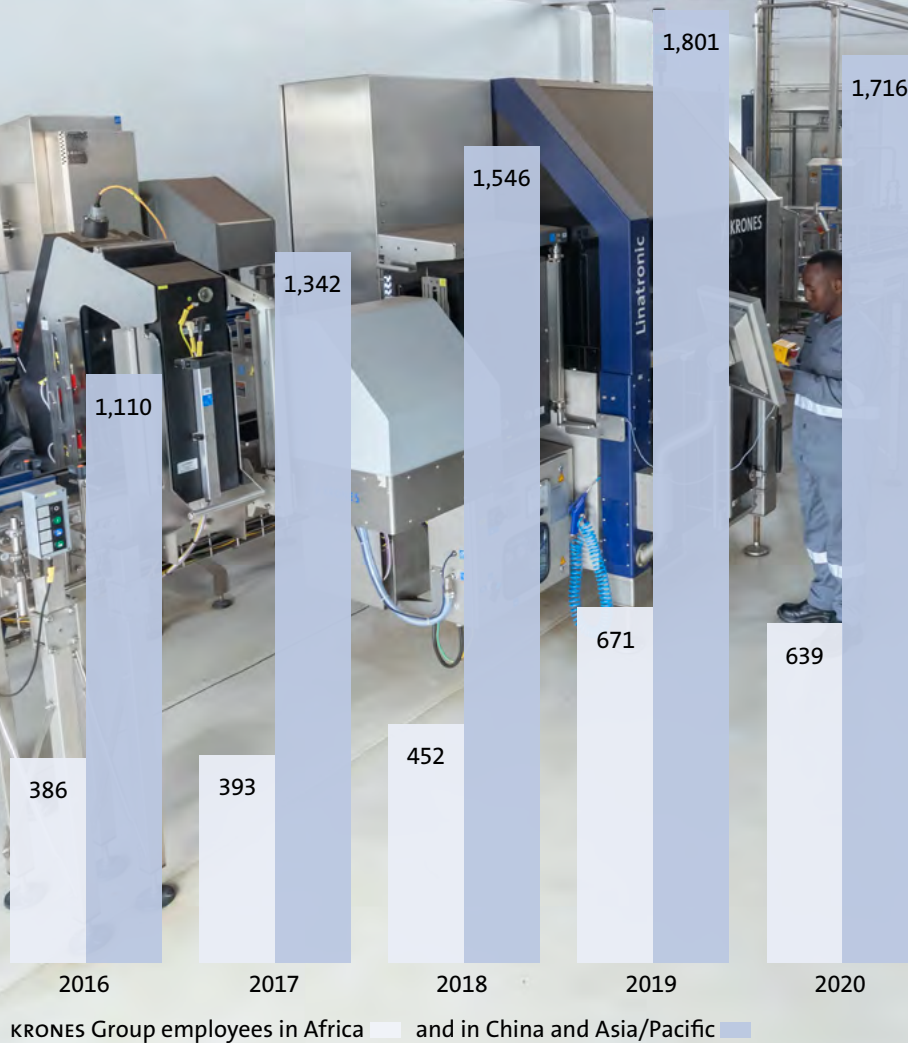
KRONES also has **global reach** in production and procurement. Among other places, we manufacture products in China for local markets. Our international facilities also produce spare parts and in some cases supply products to our German manufacturing plants. Under the direction of special regional teams,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

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

## KRONES always **close to the customer**



Global footprint



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

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



## Letter from the **Executive Board**



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

**Christoph Klenk**  
CEO

### Dear shareholders and friends of **KRONES**,

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

### **KRONES** benefits from its global footprint

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

### **KRONES** also impacted by the corona crisis

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

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

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

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

## **KRONES responding to customer trends**

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

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

## **Saving the future...**

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

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

## **...and designing the future**

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

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



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

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

Christoph Klenk  
CEO

## The Executive Board



Christoph Klenk  
CEO  
Intralogistics  
Process Technology



Norbert Broger  
CFO



Thomas Ricker  
CSO



Markus Tischer  
International Operations  
and Services  
Digitalisation



Ralf Goldbrunner  
Bottling and Packaging  
Equipment  
Compact Class

## Report of the **Supervisory Board**



*Volker Kronseder  
Chairman of the  
Supervisory Board*

**Ladies and Gentlemen,**

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

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

### **Advice and oversight**

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

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

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

### **Changes in membership of the Supervisory Board**

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

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

## No conflicts of interest

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

## Attendance at Supervisory Board meetings

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

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

## Supervisory Board meeting reports

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

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



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

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

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

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

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

### The work of the Audit and Risk Management Committee

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

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

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

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

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

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

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

### The work of the Standing Committee

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

### Supervisory Board agrees with audit results

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

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

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

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

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

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

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

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

#### Thanks to the Executive Board and the workforce

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

Neutraubling, March 2021  
The Supervisory Board



Volker Kronseder  
Chairman of the Supervisory Board

## The Supervisory Board



**Volker Kronseder**

Chairman of the Supervisory Board

\* University Hospital Regensburg

\* Economic Advisory Board, Bayerische Landesbank



**Josef Weitzer\*\***

Deputy Group Employees' Council Chairman

Deputy Composite Employees' Council Chairman

Employees' Council Chairman, Neutraubling

\* Sparkasse Regensburg



**Markus Hüttner \*\***

Deputy Group Employees' Council Chairman

Deputy Composite Employees' Council Chairman

Deputy Employees' Council Chairman, Neutraubling



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

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



**Robert Friedmann**

Spokesman for the central managing board of the Würth Group

\* zF Friedrichshafen AG



**Klaus Gerlach\*\***

Head of Central International Operations and Services



**Oliver Grober\*\***

Chairman of the Employees' Council, Rosenheim



**Thomas Hiltl\*\***

Chairman of the Employees' Council, Nittenau

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

\*\* Elected by the employees



**Norman Kronseder**

Farmer and forester

\* Bayerische Futtersaatbau GmbH



**Prof. Dr. jur. Susanne Nonnast**

Professor at Ostbayerische Technische  
Hochschule (OTH) Regensburg



**Beate Eva Maria Pöpperl\*\***

Independent Member of the Employees'  
Council



**Norbert Samhammer**

Managing Director, Samhammer Holding  
GmbH

\* Samhammer AG



**Petra Schadeberg-Herrmann**

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



**Jürgen Scholz\*\***

First authorised representative, IG Metall  
administrative office in Regensburg

\* Infineon Technologies AG



**Hans-Jürgen Thaus**

\* Maschinenfabrik Reinhausen GmbH



**Matthias Winkler**

Managing Partner,  
ww + KN Steuerberatungsgesellschaft mbH

## The KRONES share



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

*Olaf Scholz  
Head of Investor Relations*

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

### High liquidity drives international stock markets into positive territory

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

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

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

## KRONES share price has almost compensated the losses due to corona

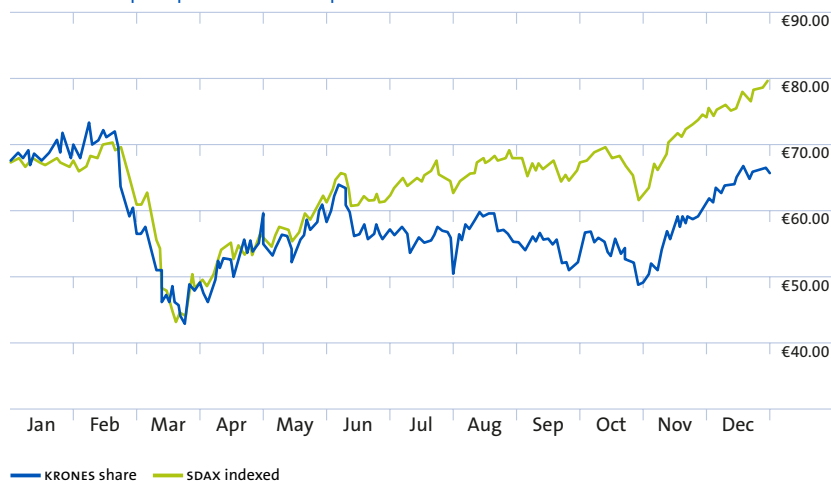
*The KRONES share price was unable to fully make up the losses caused by the corona crisis over the course of the year. Over the full year 2020, our shares underperformed the SDAX, which was driven by online retailers.*

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

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

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

KRONES share price performance compared with the SDAX 2020



Key figures for the KRONES share

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

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

## KRONES shares deliver solid long-term return

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

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

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



## KRONES shares retain strong position in SDAX index

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

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

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

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

### Key data for the KRONES share

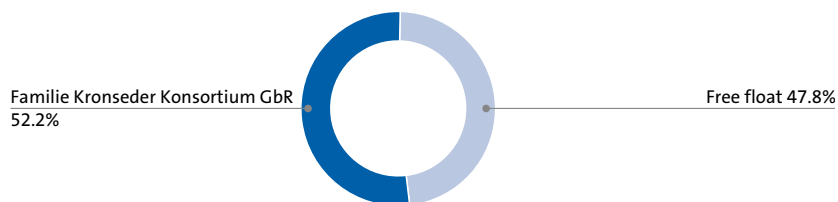
Number of shares	31,593,072
German securities identification number	633500
ISIN	DE 0006335003
XETRA ticker symbol	KRN



## Shareholder structure

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

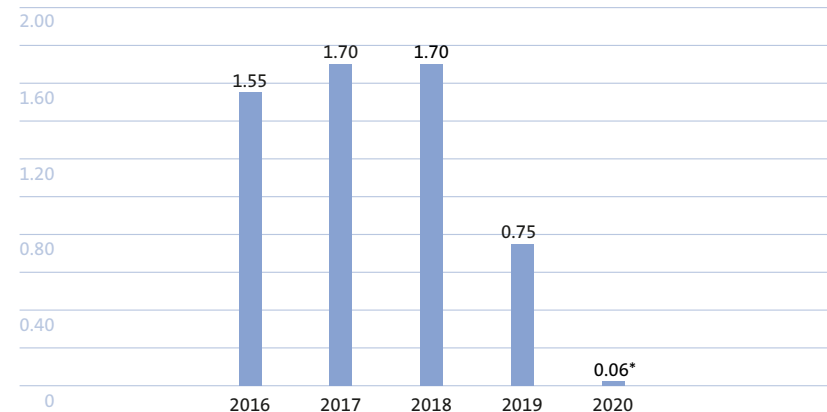
Shareholder structure as of December 2020



## KRONES to pay statutory minimum dividend for 2020

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

Dividend per share (€)



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

# 2

## 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.

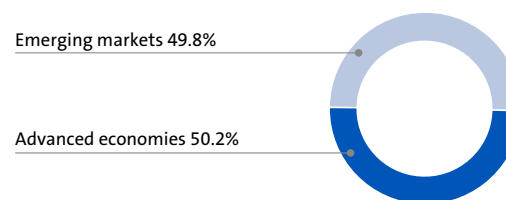
KRONES reports on two segments: **Machines and Lines for Product Filling and Decoration and Machines and Lines for Beverage Production/Process Technology**. The Machines and Lines for the Compact Class segment, which was reported on separately until 2017, was made part of KRONES' core segment **Machines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

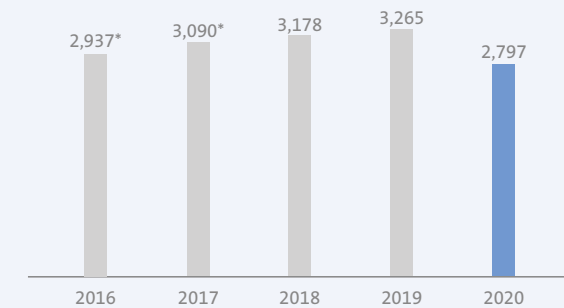


This is by far KRONES' largest segment. It offers machines and lines for filling, labelling, packaging, and conveying products. Machines and lines for producing PET containers and converting used plastic bottles into food-grade recycled material (PET recycling systems) are also part of this segment.

- 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

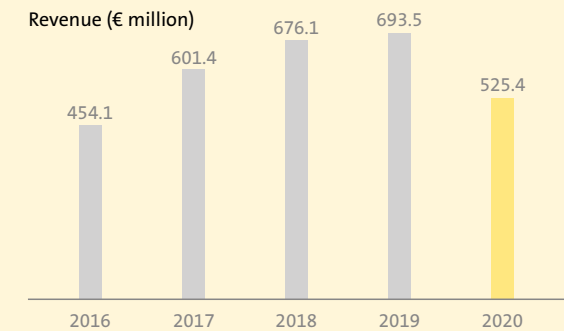


This KRONES segment supplies customers with machines and lines for producing and processing beer, soft drinks, fruit juices, milk, and dairy drinks. The segment also includes all digitalisation activities developed by KRONES for the entire beverage industry. Beverage Production/Process Technology also 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

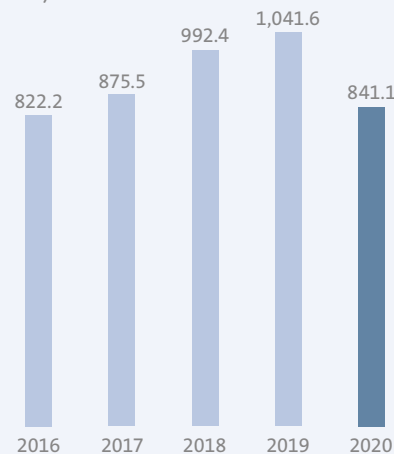
## First quarter 2020

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.

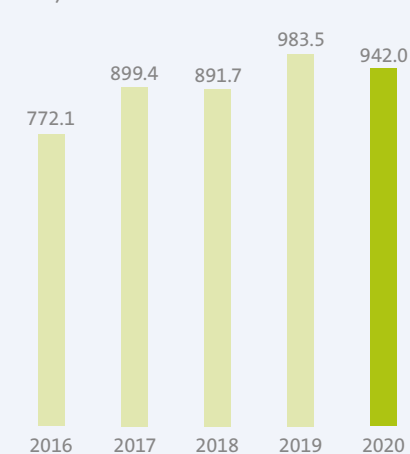
The impact of the corona crisis on revenue was still limited in the first quarter of 2020. Revenue was down 4.2% year-on-year to €942.0 million. There was a larger impact on order intake, which fell by 19.3% to €841.1 million. Partly because of initial results from structural measures adopted by KRONES,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

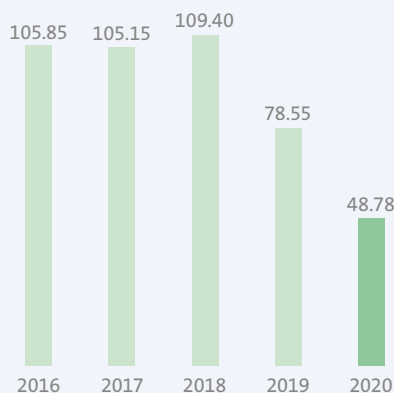
Order intake Q1  
(€ million)



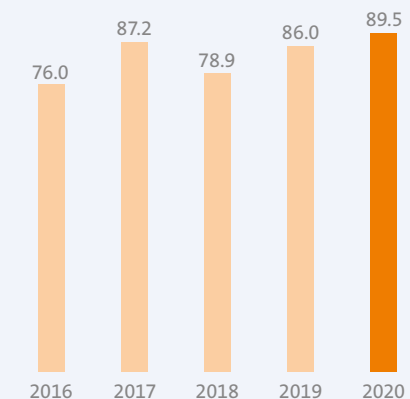
Revenue Q1  
(€ million)



Share price 31 March  
(€)



EBITDA Q1  
(€ million)



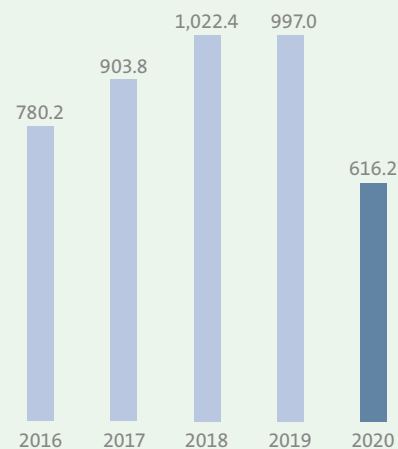
## Second quarter 2020

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.

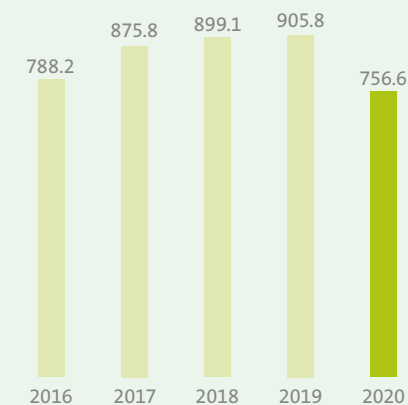
As expected, economic consequences of the corona crisis had a major impact on KRONES' business in the second quarter. Revenue dropped by 16.5% year-on-year to €756.6 million. The general economic uncertainties also affected investment confidence among customers. In the second quarter, order intake fell 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.

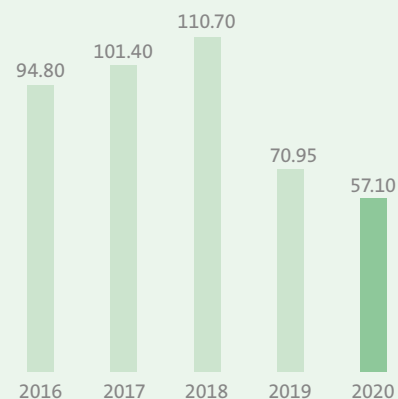
Order intake Q2  
(€ million)



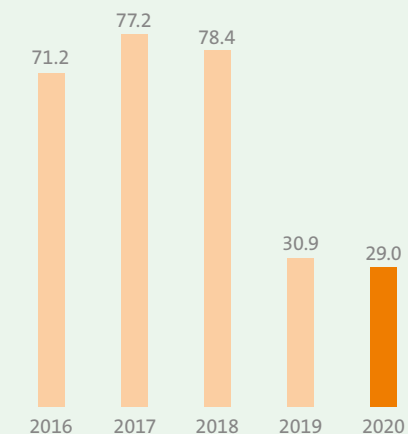
Revenue Q2  
(€ million)



Share price 30 June  
(€)



EBITDA Q2  
(€ million)

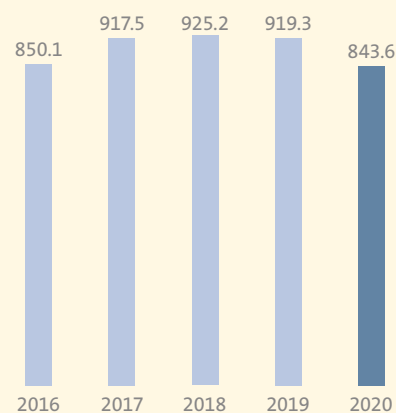


## Third quarter 2020

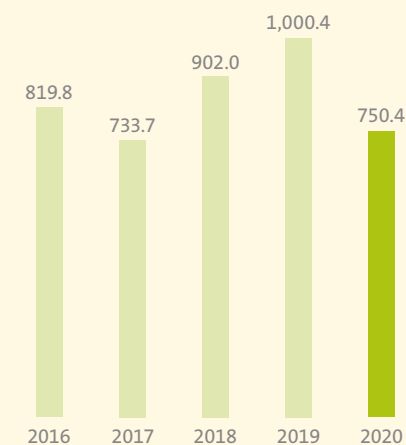
On 25 August, KRONES and its subsidiary DEKRON won the German Packaging Award in the Sustainability category. The award was conferred for a plastic bottle made of 100% recycled PET and labelled with digital direct printing. The ink used dissolves without residue during the recycling process. The technologies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

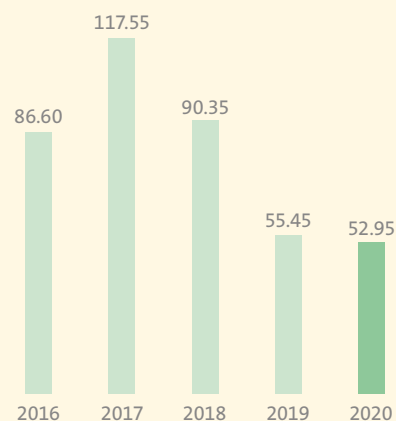
Order intake Q3  
(€ million)



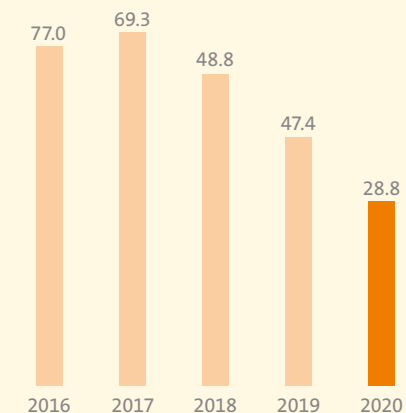
Revenue Q3  
(€ million)



Share price 30 September  
(€)



EBITDA Q3  
(€ million)



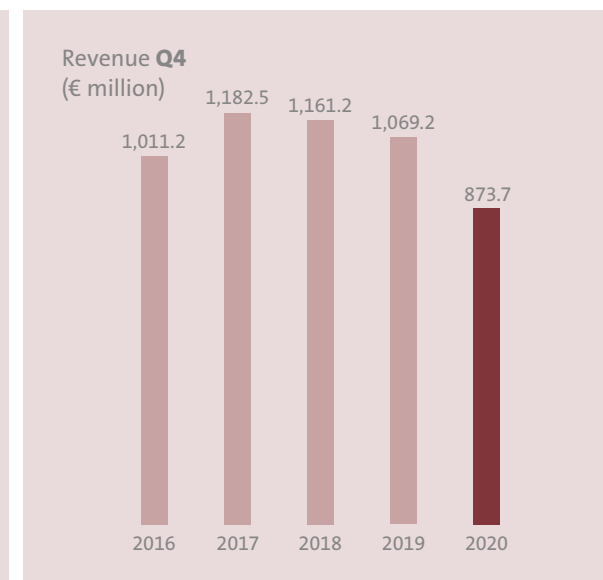


## Fourth quarter 2020

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.

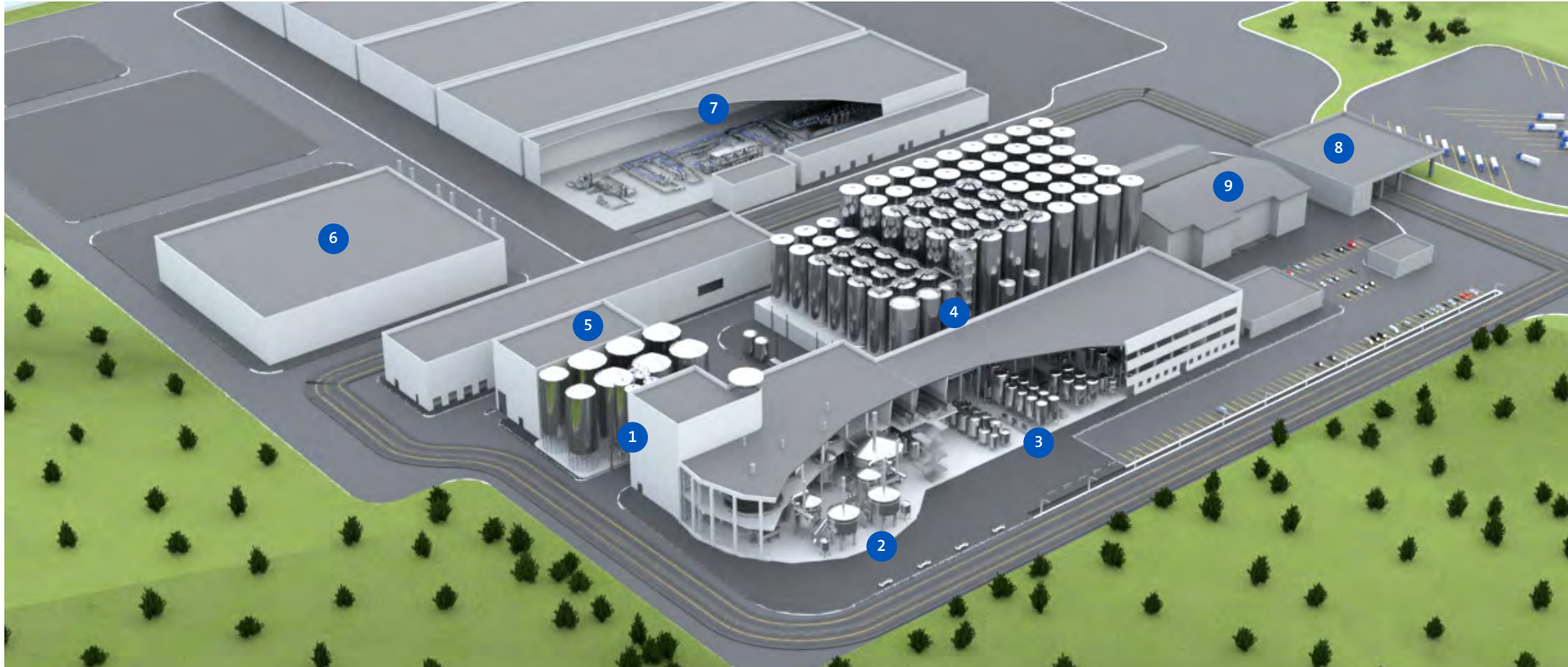
We deliver all of the machines and lines necessary for producing, filling and packaging beverages. We also provide complete logistics systems, supply and disposal systems and custom IT and digitalisation solutions that manage and document all production processes.

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

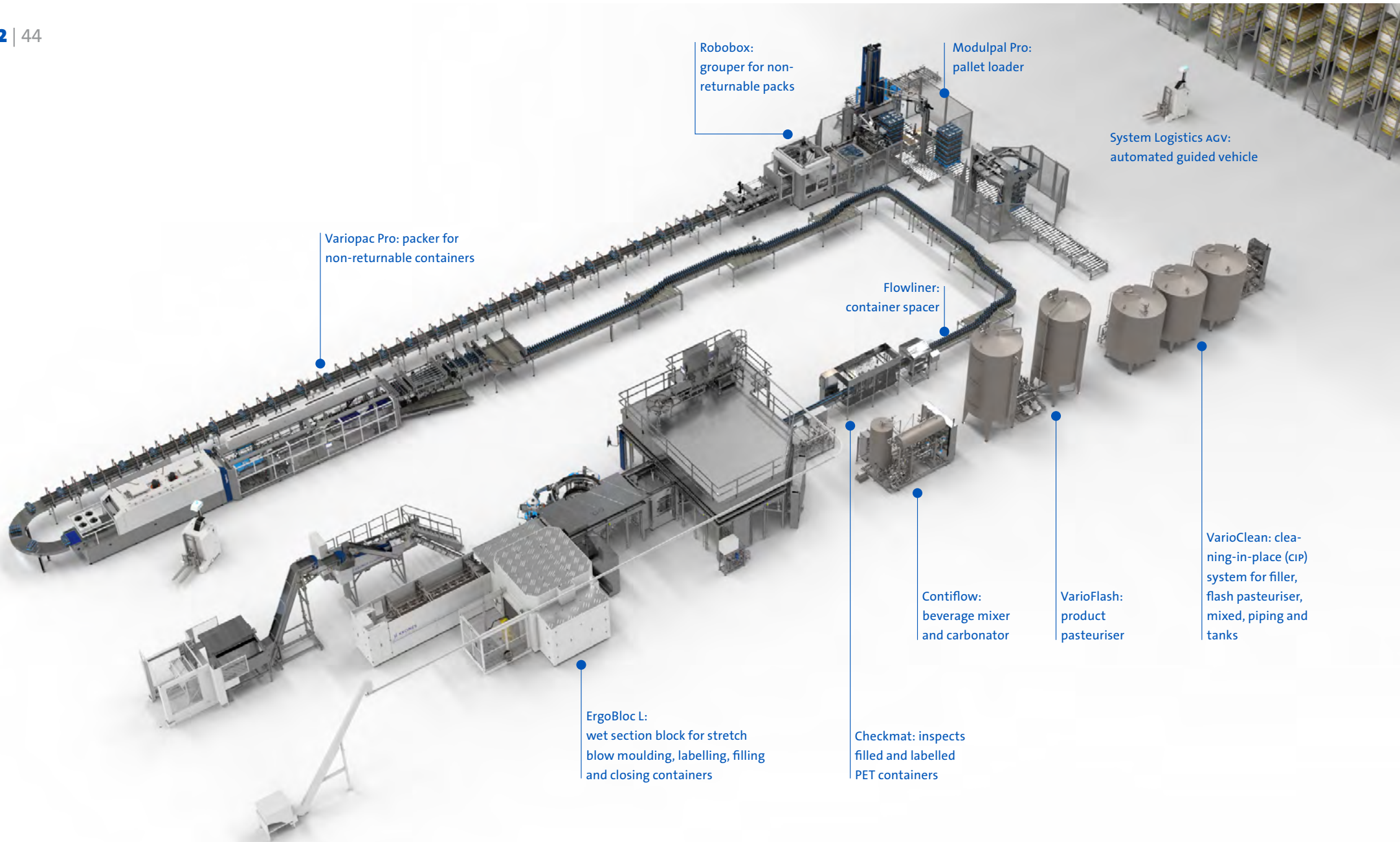
5 Utilities (Compressed Air,  
Refrigeration Plant,  
co<sub>2</sub>-Recovery Plant, ...)

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

7 Bottling and Packaging Area

8 Main Gate

9 Administration



## Strategy and management system

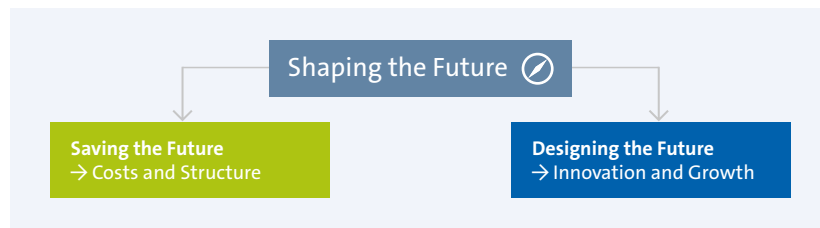


*“KRONES has two key tasks to accomplish: Mastering the crisis and, and the same time, shaping the future. I am confident that the measures we have adopted will secure KRONES’ future and competitiveness.”*

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.

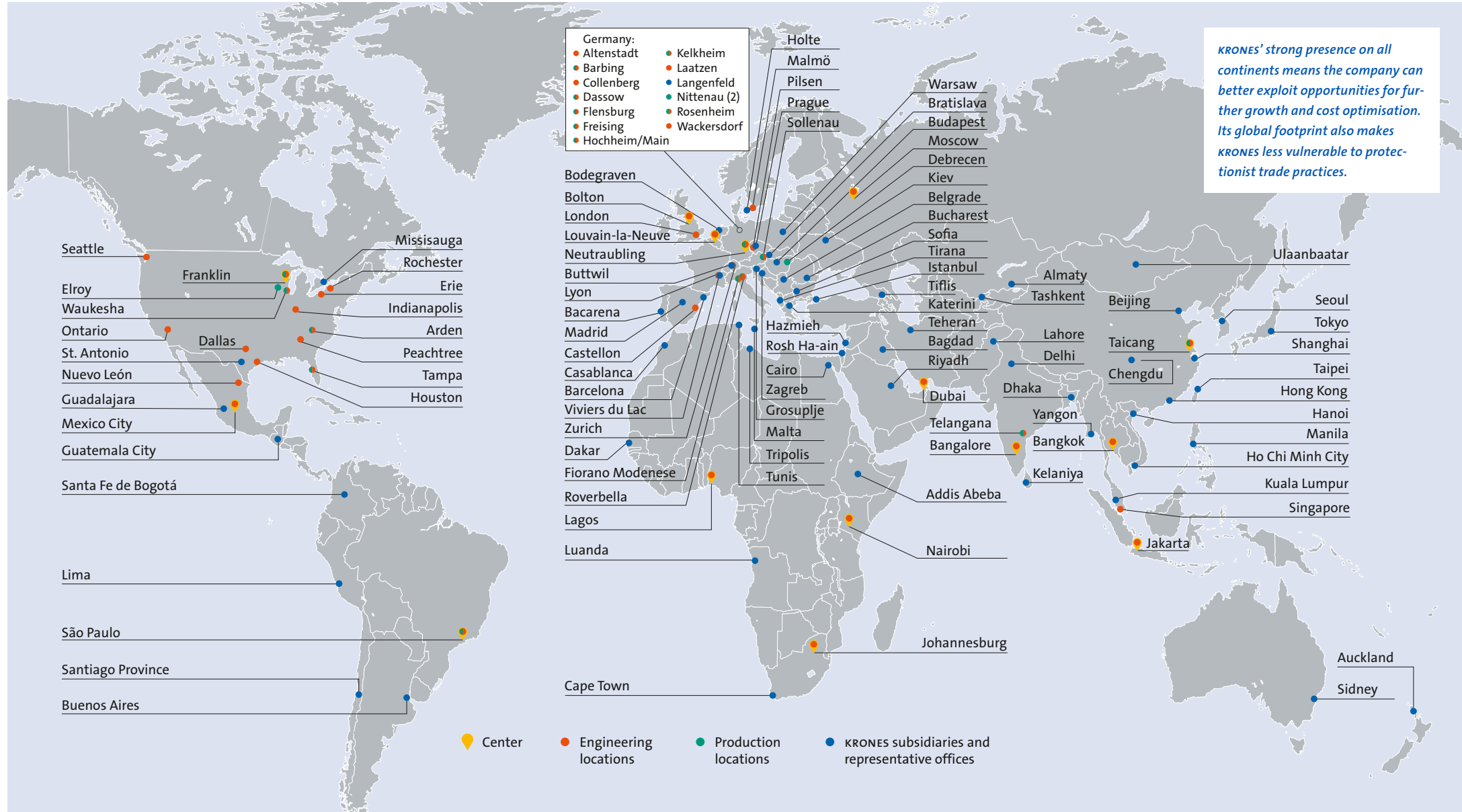
### Cost-cutting measures are working – and have to continue

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.

### KRONES Global Footprint



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

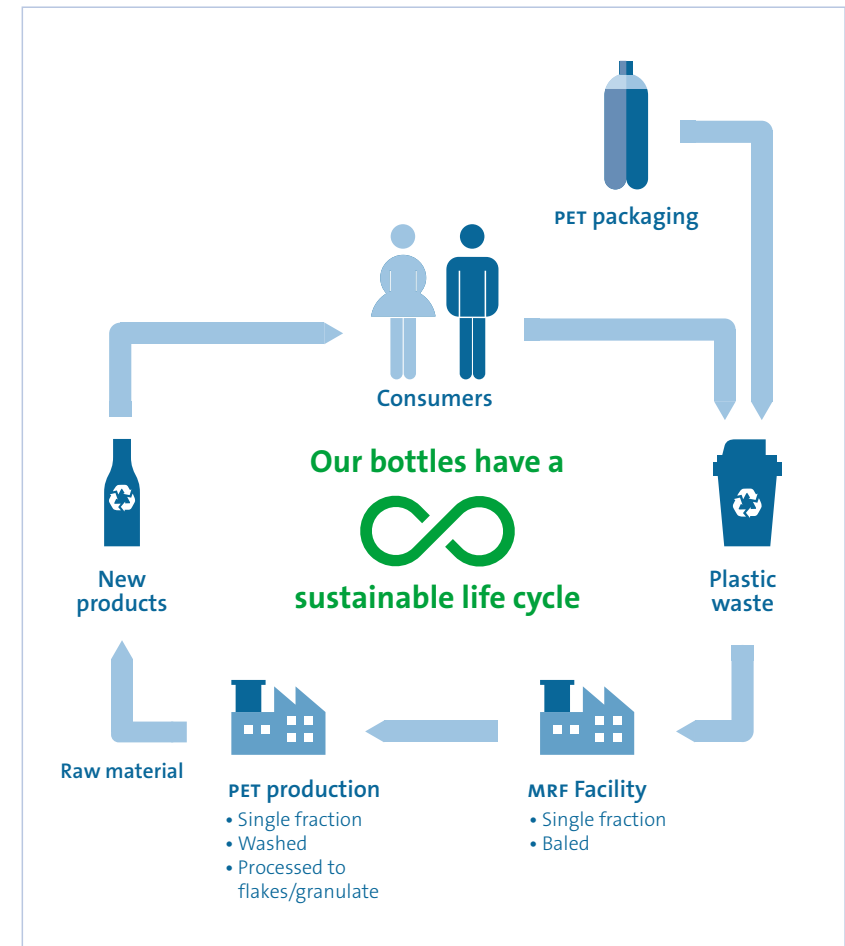
One important pillar in the KRONES portfolio is intralogistics. This will accelerate digitalisation in beverage plants by ensuring an optimum flow of materials and data. Intralogistics itself will also benefit from market changes highlighted by Covid-19. These include faster delivery, greater automation 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.





## CO<sub>2</sub> reduction a clear goal of KRONES customers

A further important concern for our customers alongside resource-conserving PET recycling is reducing CO<sub>2</sub>. 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) CO<sub>2</sub> 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.

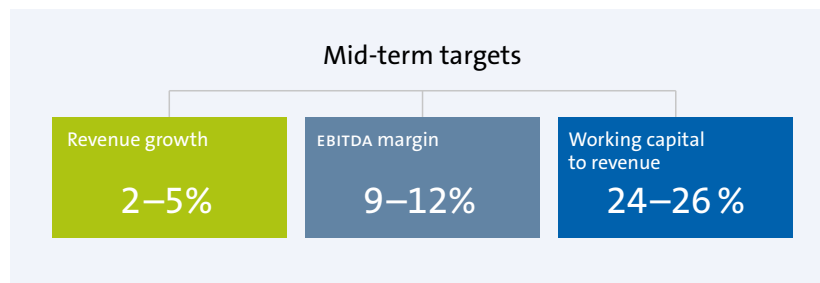
## Capital expenditure to settle at a lower level

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).

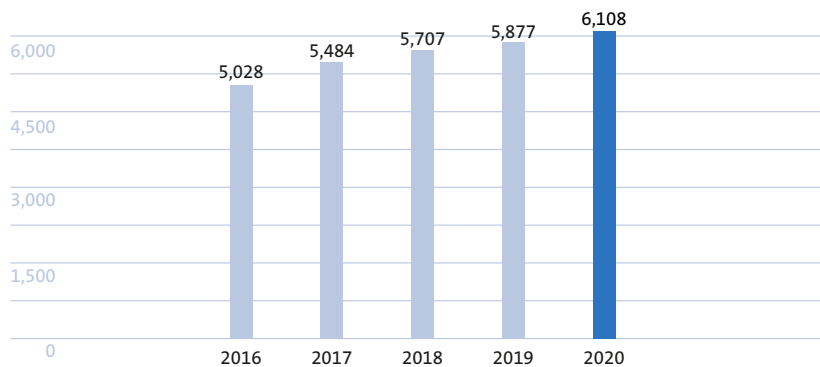
## Research and development (R&D)

- 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

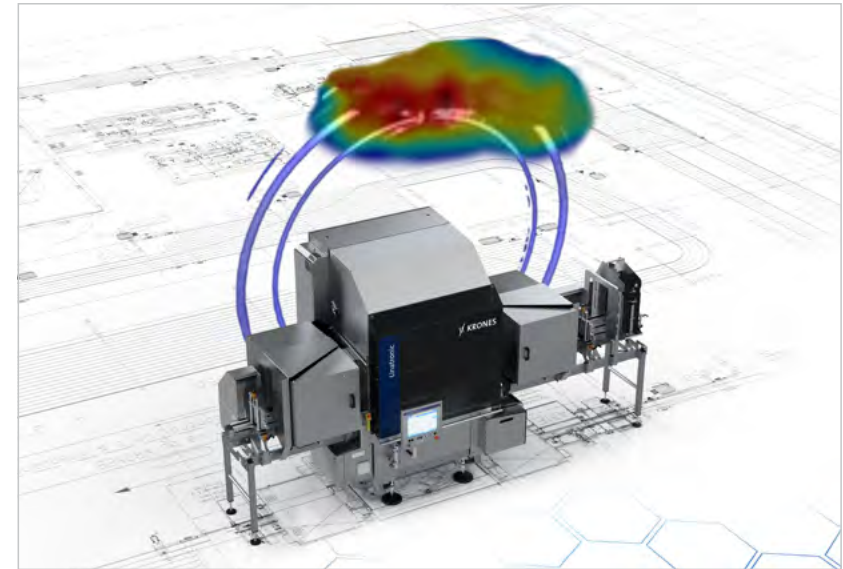
### LitePac Top: a sustainable solution for cans



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.

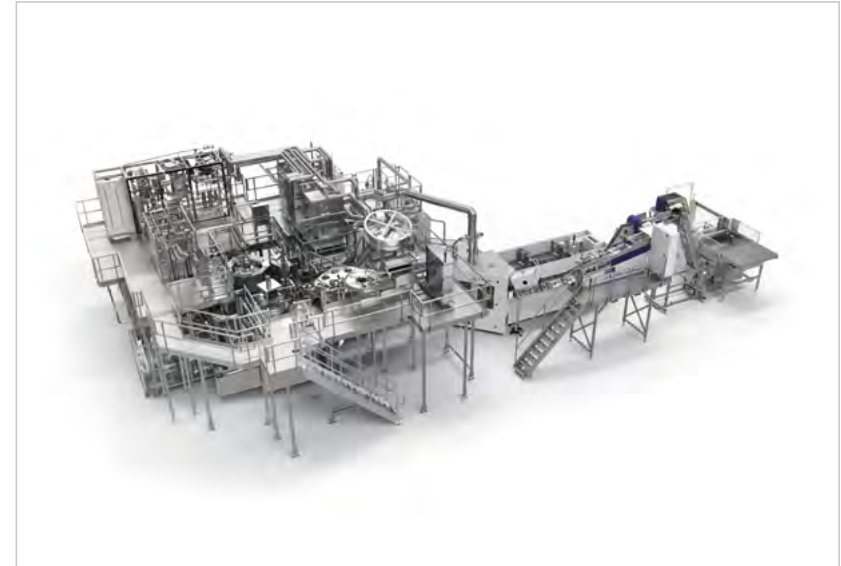
The machine and its software were trained with thousands of sample images until it was able to detect and interpret all relevant image characteristics. This enables Linatronic AI to tell water droplets apart from other anomalies on a bottle with a reliability of more than 99.9%, thus significantly reducing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

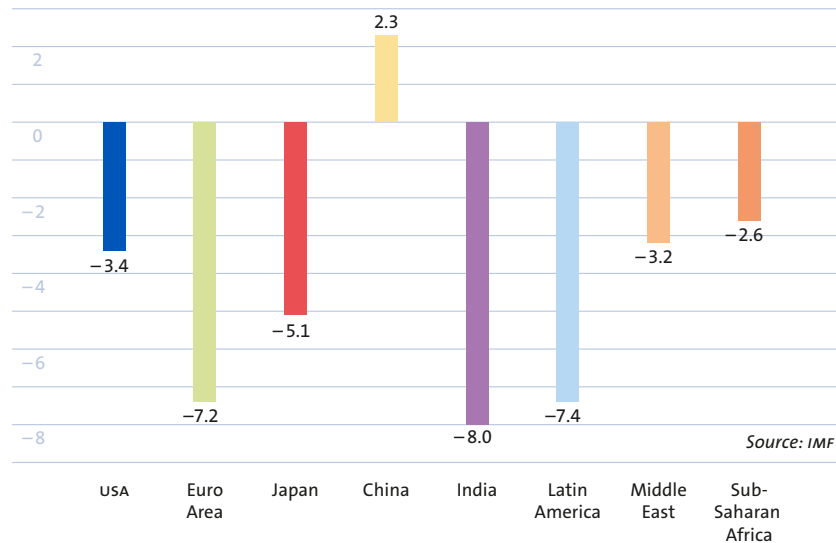
The global economy was heavily impacted in 2020 by the corona pandemic. Particularly in the first half of the year, strict lockdowns led to a massive slump in economic activity worldwide. According to January 2021 data from the International Monetary Fund (IMF), global gross domestic product (GDP) fell 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 (%)

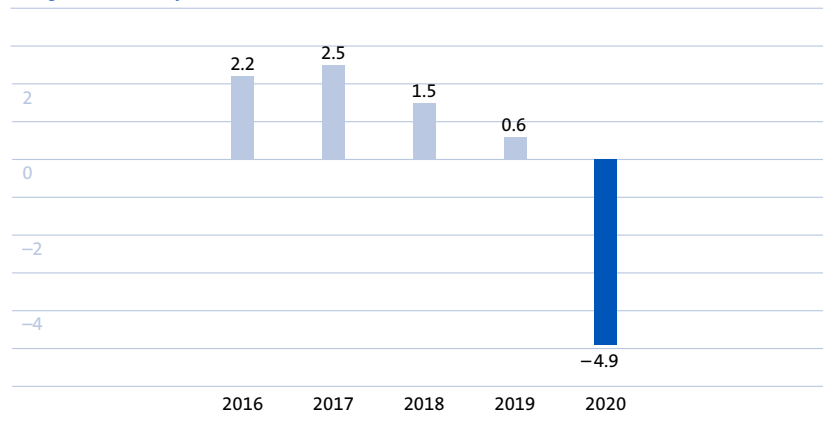


### German economy contracts by 4.9% in 2020

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.*

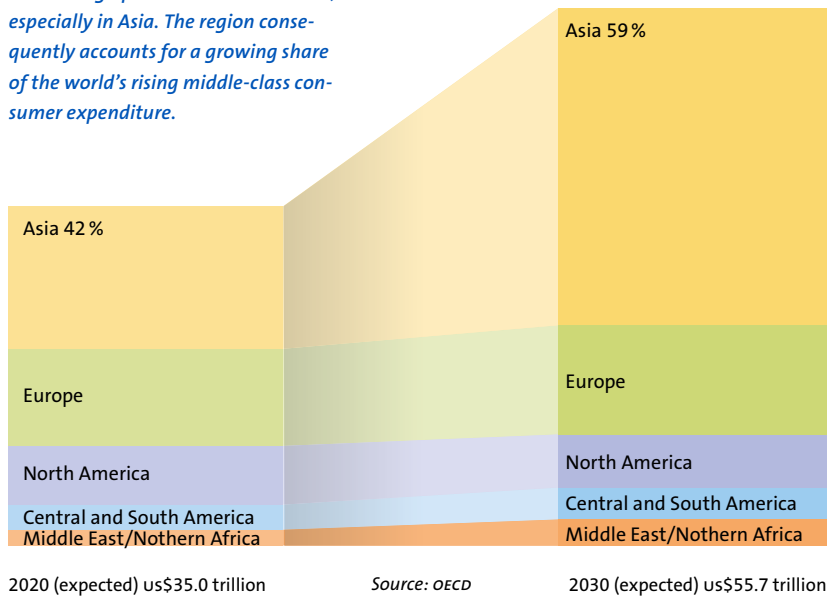
The overarching megatrend is global population growth. At the end of 2020, some 7.8 billion people inhabited the earth. According to United Nations forecasts, that number is increasing at a rate of more than 70 million each year. Population growth is especially strong in Africa and Asia. The world's 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

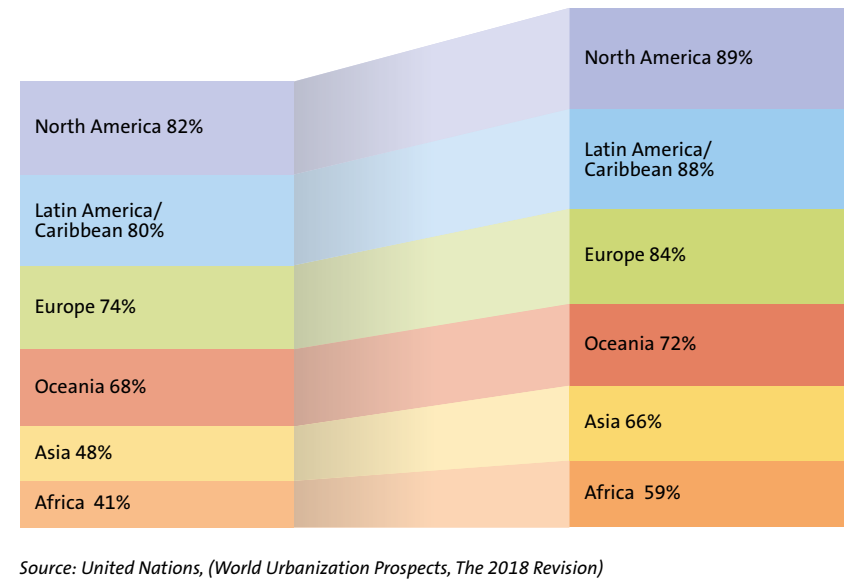
*Rapidly increasing numbers of people are moving up into the middle classes, especially in Asia. The region consequently accounts for a growing share of the world's rising middle-class consumer expenditure.*



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**

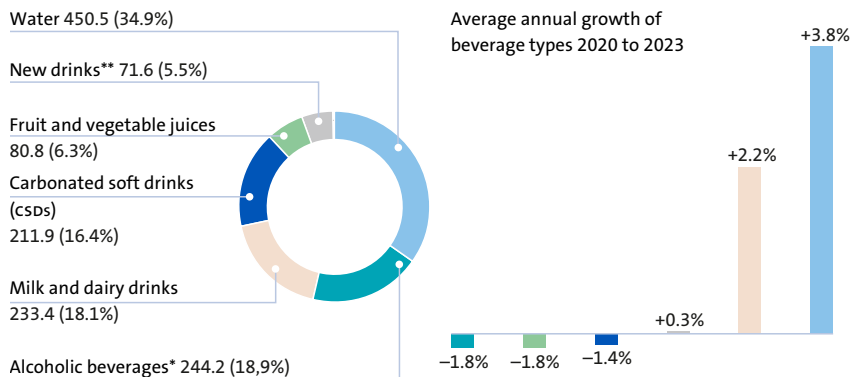
Increasing urbanisation, the migration of people from rural areas to cities, also promotes demand for packaged food and beverages. That is because city-dwellers generally consume more packaged products than people who live in the countryside.

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\*

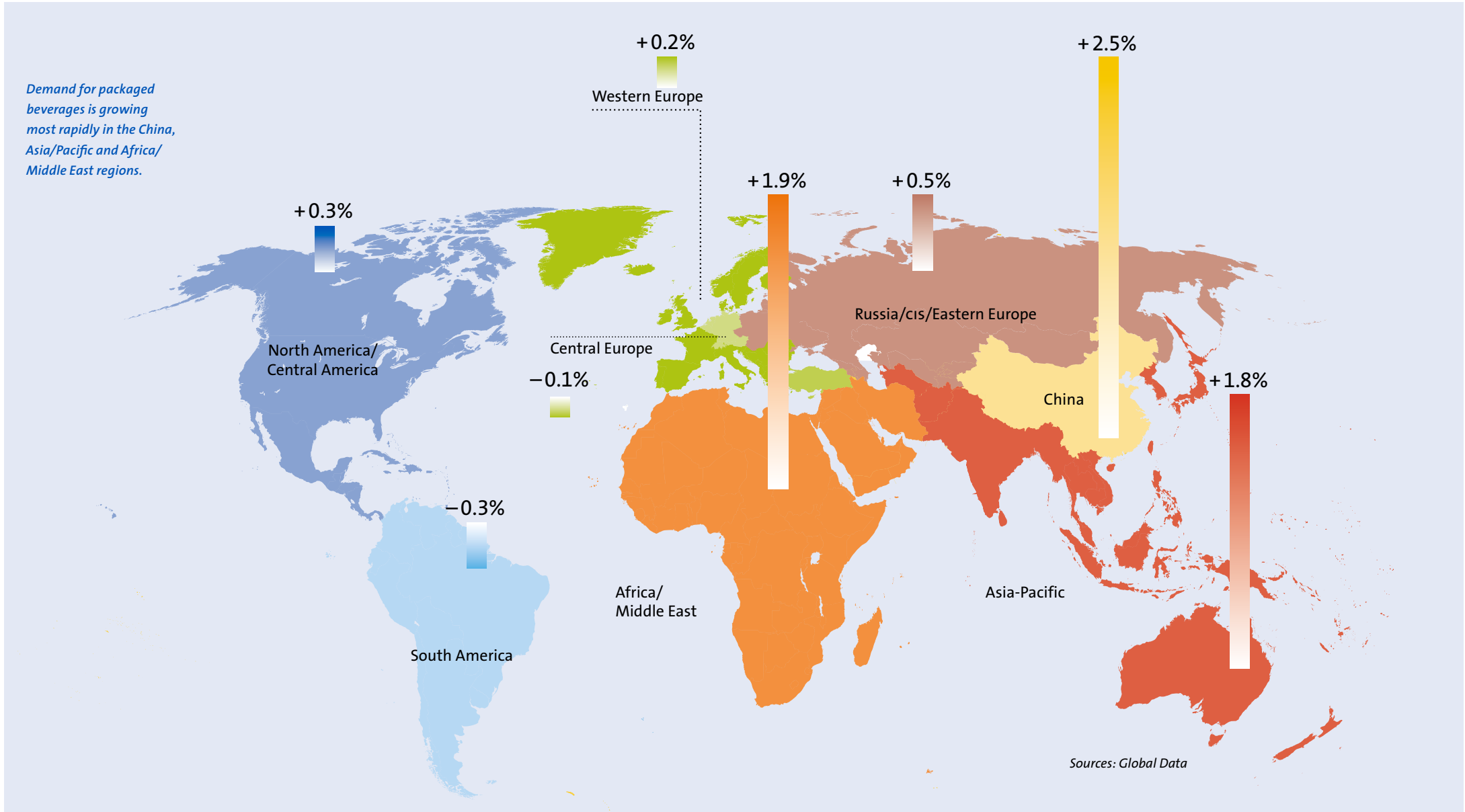
	2020 (e)		2023 (e)		Average annual growth (%) 2020–2023
	Billion litres	%**	Billion litres	%**	
Asia-Pacific	283.3	21.9	298.9	22.4	1.8
China	241.5	18.7	260.2	19.5	2.5
North America/Central America	183.7	14.2	185.6	13.9	0.3
South America	172.0	13.3	170.4	12.8	-0.3
Western Europe	137.2	10.6	137.9	10.3	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
<b>Worldwide</b>	<b>1,292.4</b>	<b>100.0</b>	<b>1,336.4</b>	<b>100.0</b>	<b>1.1</b>

\*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.*

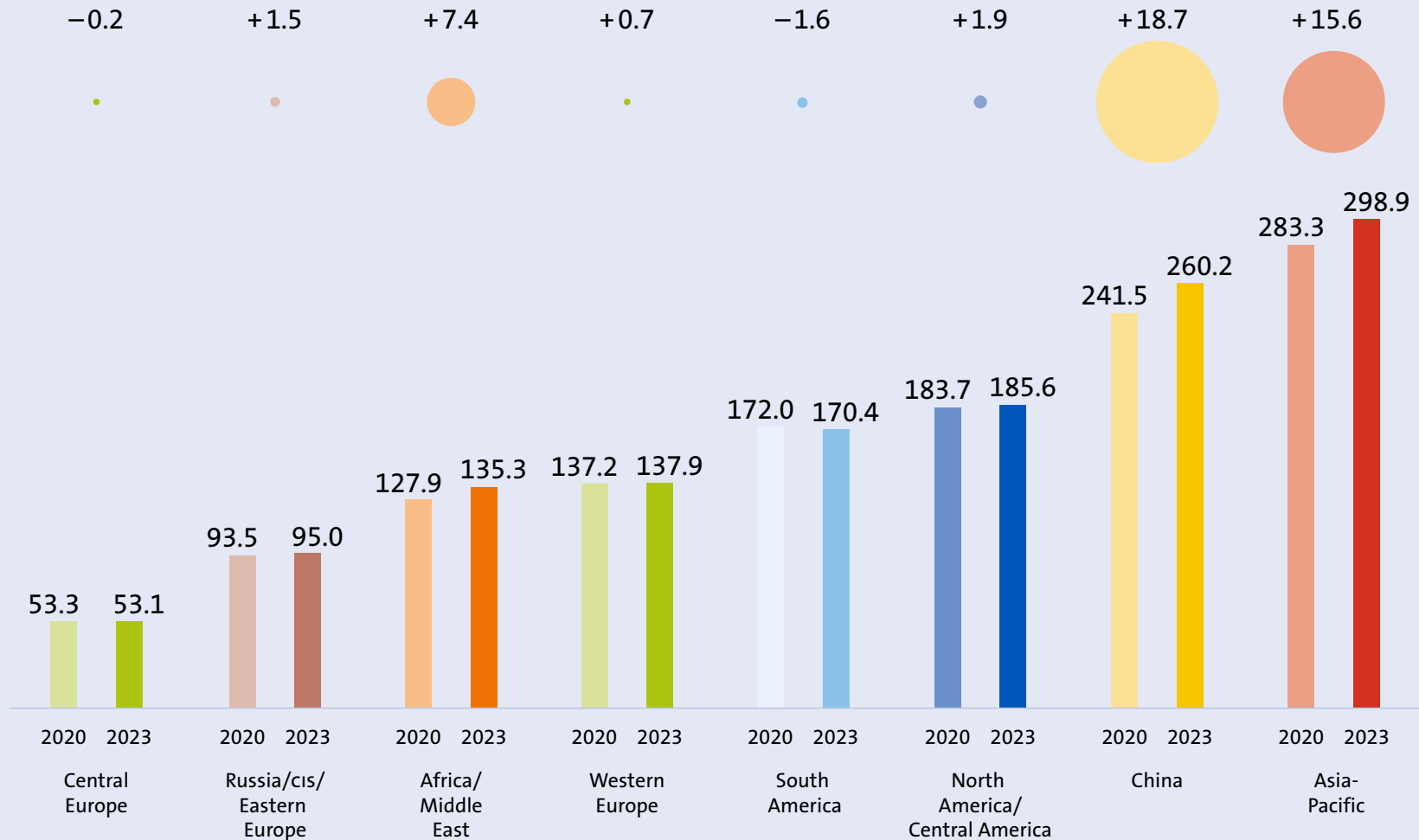


Sources: Global Data

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

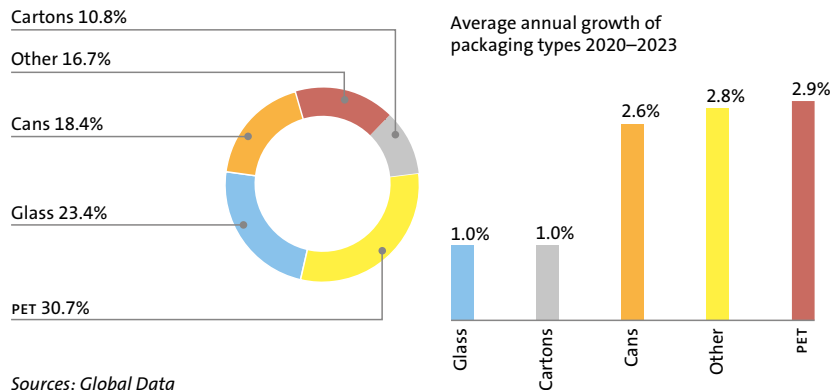


## PET remains the leading material for beverage containers

*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.

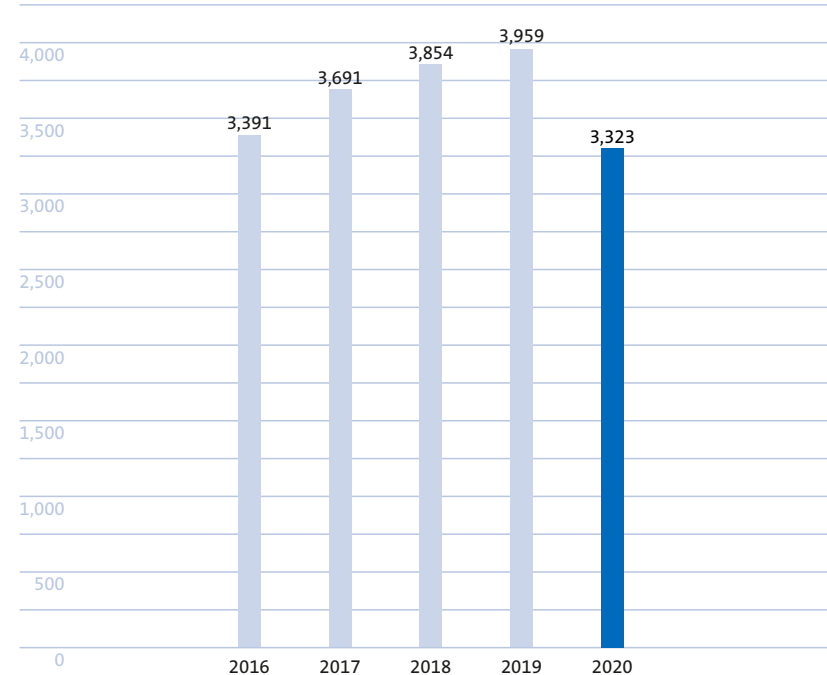
Global travel restrictions also made it more difficult to

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)

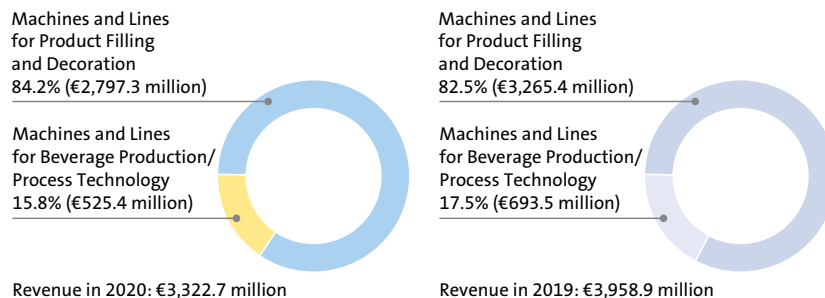


## Revenue by segment

*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.*

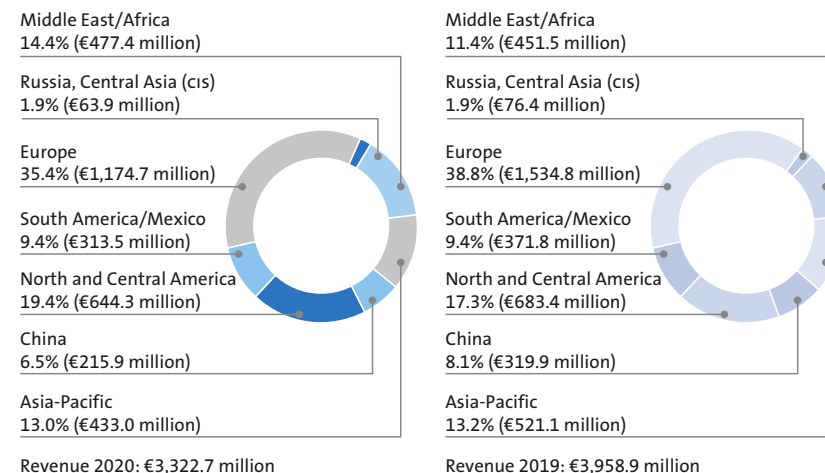
The Covid-19 pandemic also had a negative impact in 2020 on KRONES' revenue in the rest of Europe (excluding Germany). Western Europe was severely affected. Revenue there decreased 24.7% year-on-year to €467.0 million in the reporting period. The smaller Eastern Europe sales region saw revenue fall 37.3% 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
<b>Total</b>	<b>3,322.7</b>	<b>100.0</b>	<b>3,958.9</b>	<b>100.0</b>	<b>-16.1</b>

\* 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

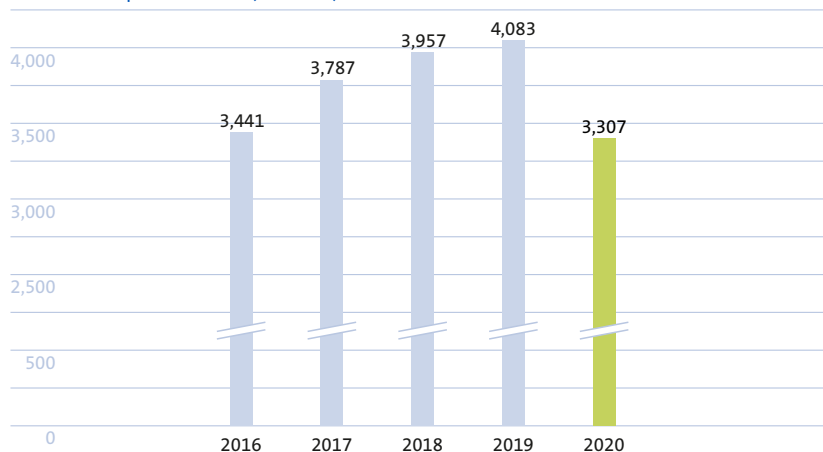


Business in North and Central America was relatively stable in 2020. Revenue decreased slightly by 5.7% to €644.3 million. Parts of the South America/Mexico region were more severely affected by corona. This resulted in a sharper fall in revenue. At €313.5 million, revenue there fell 15.7% short of the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

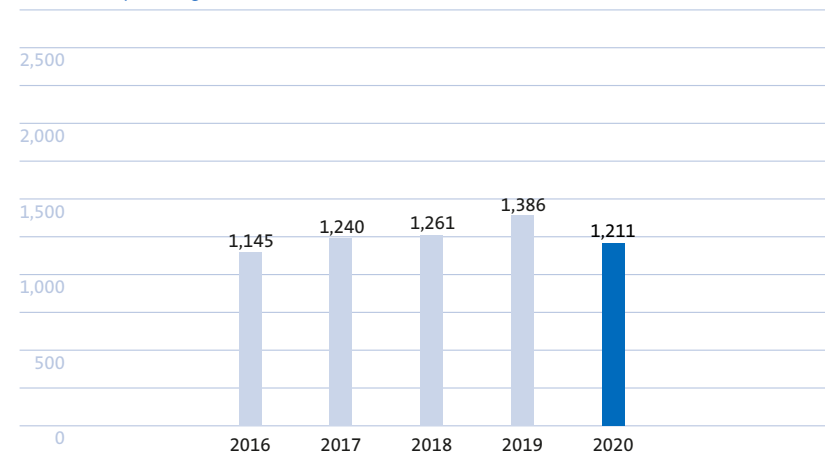


### Order intake picked up significantly in the second half of 2020

*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)



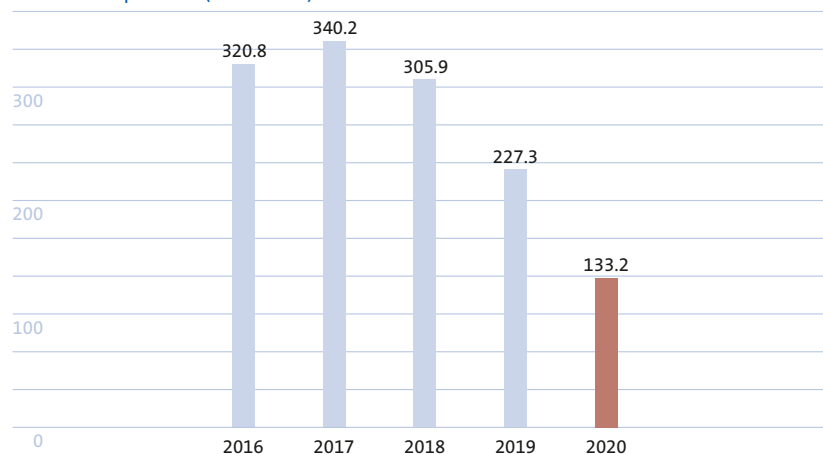
In North America, KRONES' order intake rose in 2020 despite the Corona crisis. Orders in all other regions were down in the reporting period. However, order intake in Africa/Middle East and Western Europe fell less sharply than the Group total. In Asia, China and South America, the contract value of 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

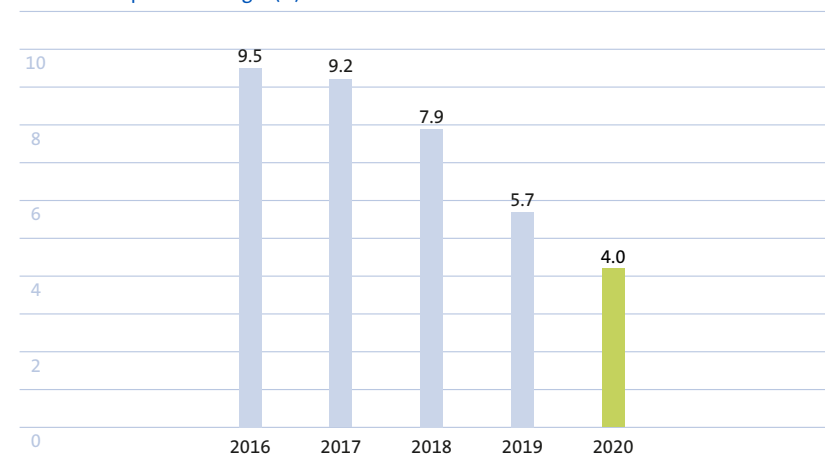
At €1,211.3 million as of 31 December 2020, KRONES' order backlog down 12.6% on the previous year (€1,385.7 million). This is because the order intake decreased more sharply in the reporting period than revenue. However, the order backlog ensures relatively good capacity utilisation for the first few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

## KRONES Group earnings

KRONES Group EBITDA (in € million)



KRONES Group EBITDA margin (%)



### KRONES achieves earnings target in difficult environment

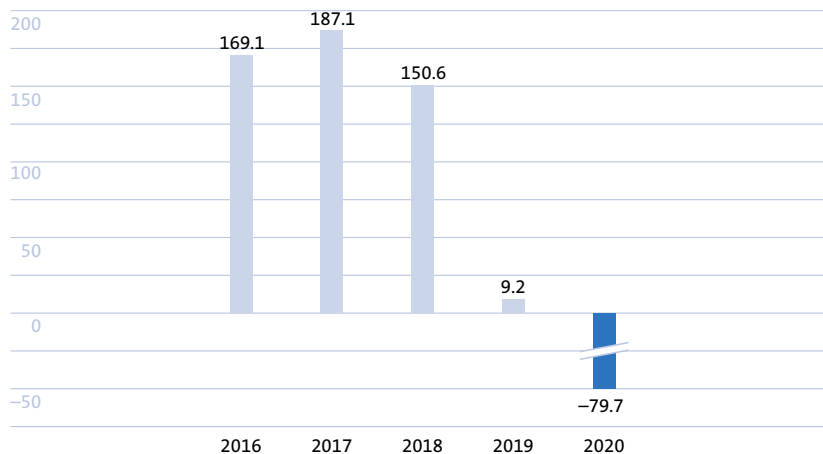
*KRONES took further structural measures to adjust capacity in 2020. This incurred expenses of around €72 million. KRONES achieved its margin target for 2020.*

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.

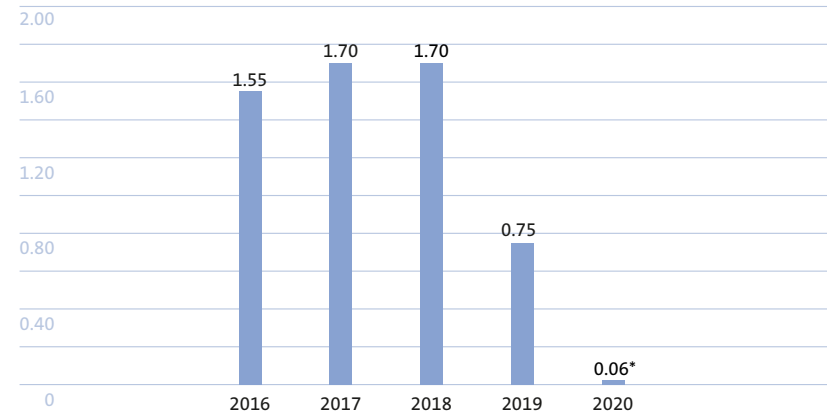
In total, earnings before interest, taxes, depreciation and amortisation (EBITDA) went down from €227.3 million in the previous year to €133.2 million in 2020. The EBITDA margin was 4.0% (previous year: 5.7%). Excluding the expense of the personnel-related measures, this corresponds an EBITDA margin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

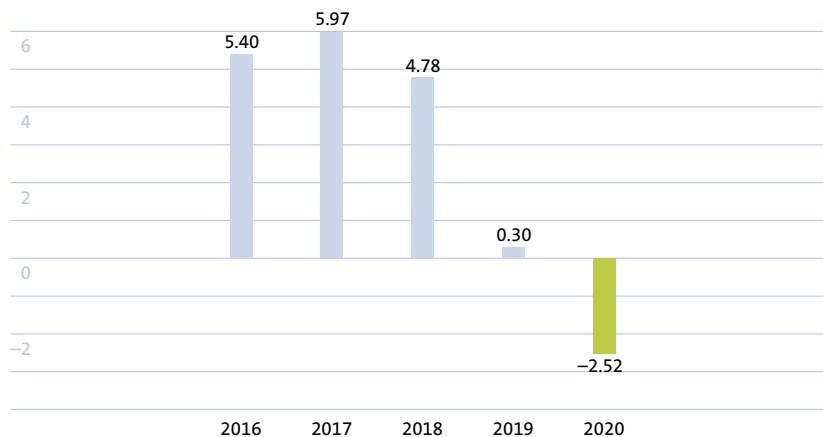


Dividend per share (€)



\* 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.

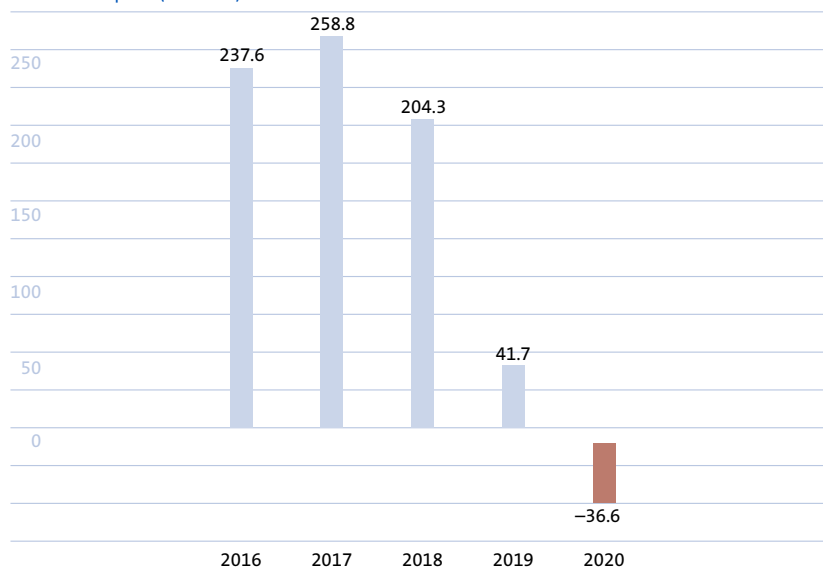
Other operating expenses were down 11.9% in the reporting period to €516.0 million. While other operating income increased from €99.8 million to €120.5 million, other own work capitalised decreased in the financial year from €63.0 million to €36.7 million. The net balance of other operating income and 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%).

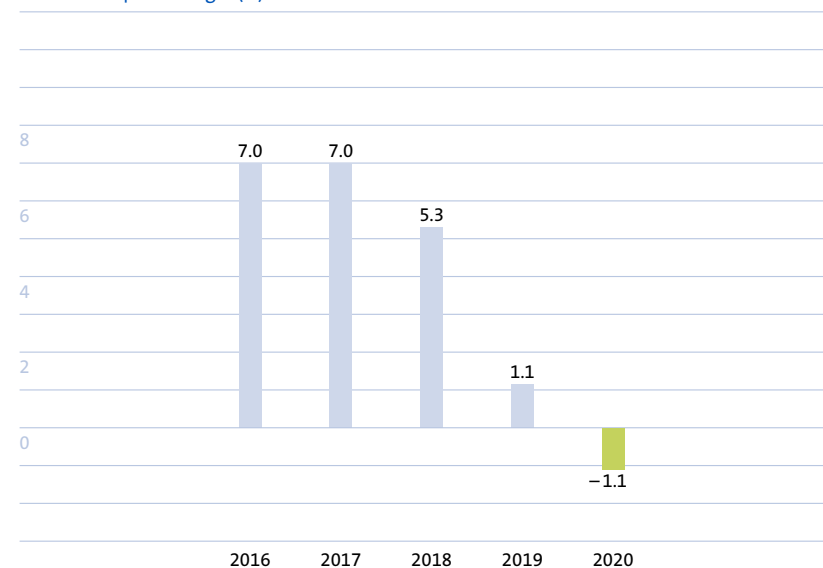
Depreciation and amortisation of fixed assets was slightly lower than in the previous year, decreasing from €183.3 million in the previous year to €174.0 million. This includes around €18 million (previous year: around €40 million) in impair-



KRONES Group EBT (€ million)



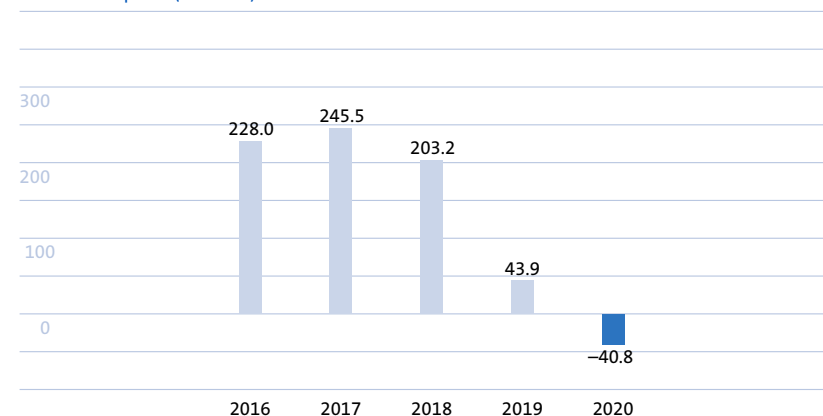
KRONES Group EBT margin (%)



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
<b>Earnings before taxes</b>	<b>-36.6</b>	<b>41.7</b>
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
<b>Cash flow from operating activities</b>	<b>321.8</b>	<b>93.5</b>
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
<b>Free cash flow</b>	<b>221.3</b>	<b>-94.4</b>
Cash flow from financing activities	-99.0	-19.3
Other	-15.7	+5.3
<b>Net change in cash and cash equivalents</b>	<b>106.6</b>	<b>-108.4</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>217.0</b>	<b>110.4</b>

## 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)



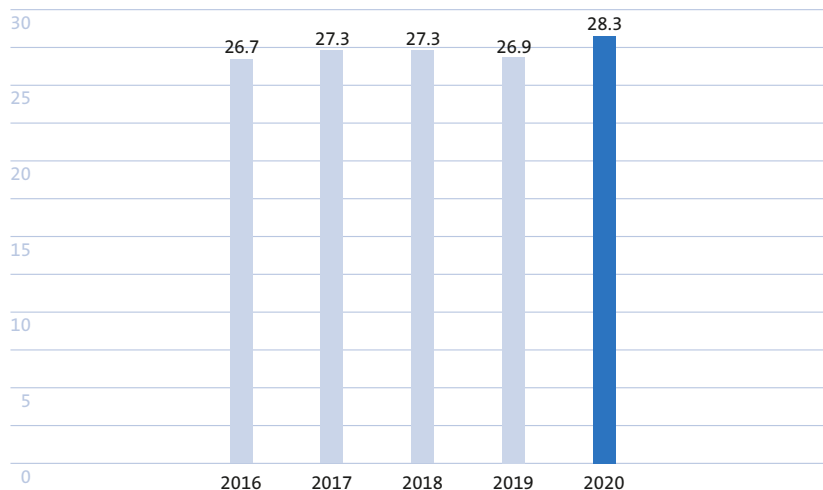
trade receivables and contract assets contributed to the reduction in working capital.

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.



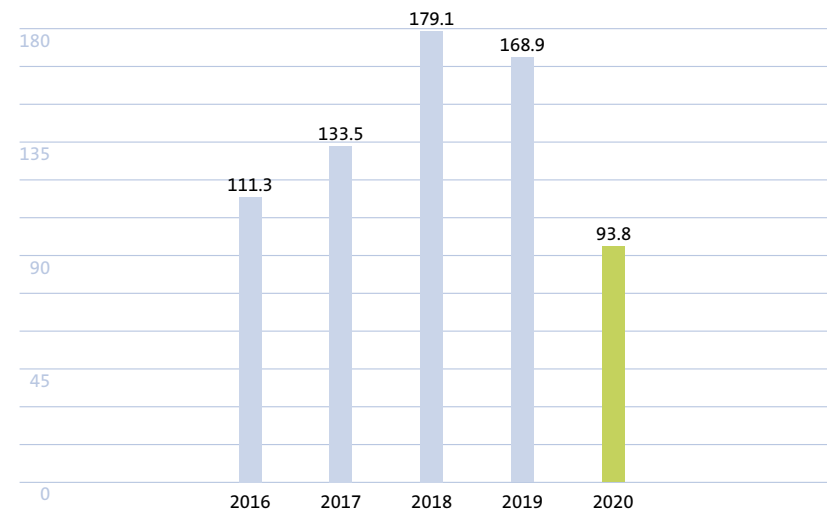
KRONES Group working capital to revenue (% , average over four quarters)

**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%.*

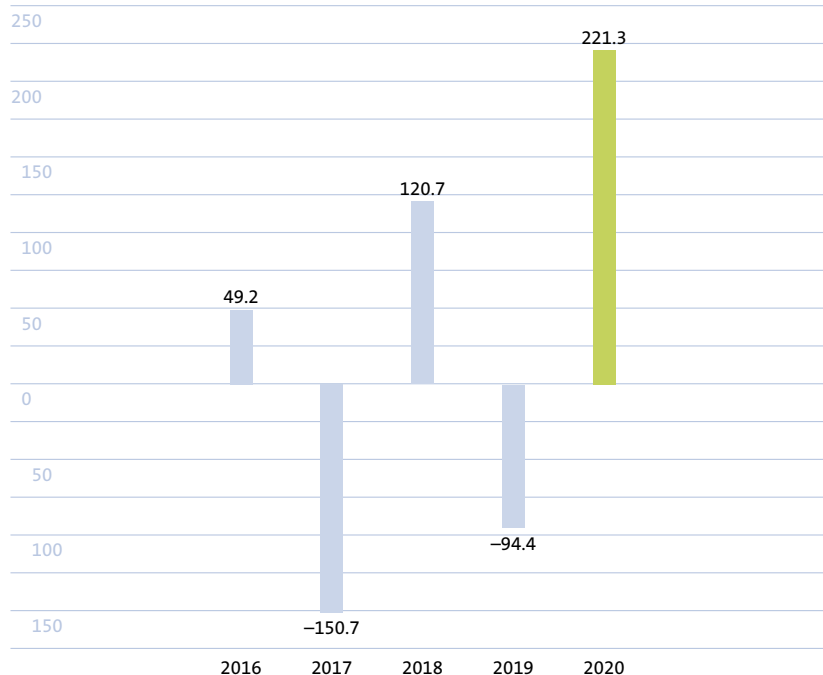
Despite improvements in working capital, average working capital over the past four quarters increased as a percentage of revenue due to the significantly lower revenue from 26.9% in the previous year to 28.3% in the reporting period. KRONES thus achieved its target for the year of 28% to 29%. The working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

KRONES Group capital expenditure for PP&amp;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)

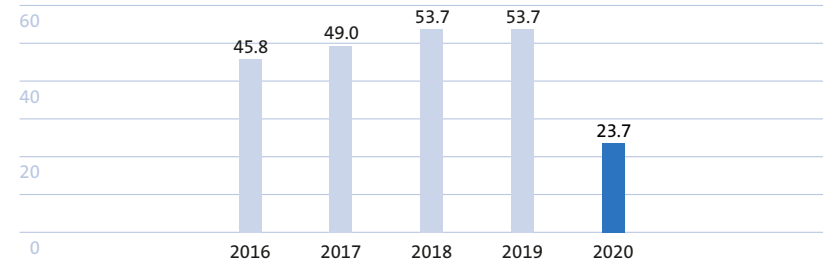


*KRONES generated free cash flow of €221.3 million in 2020 (previous year: €-94.4 million).*

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).

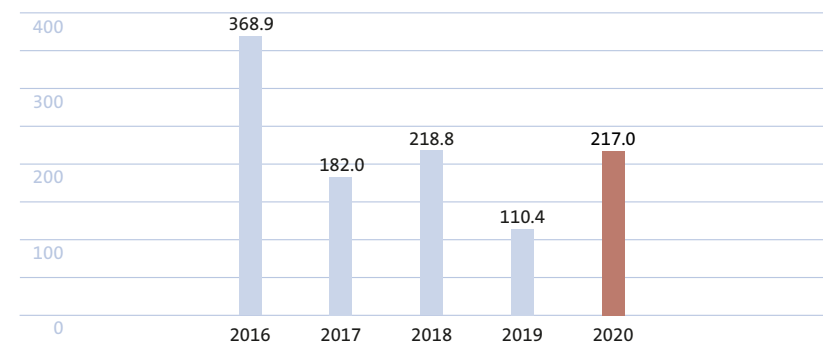
The cash outflow from financing activities was €99.0 million (previous year: €19.3 million). For the reporting period, this item mainly includes the cash outflow from the dividend payout of €23.7 million (previous year: €53.7 million),

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
<b>Total</b>	<b>3,050</b>	<b>3,319</b>	<b>3,321</b>



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).

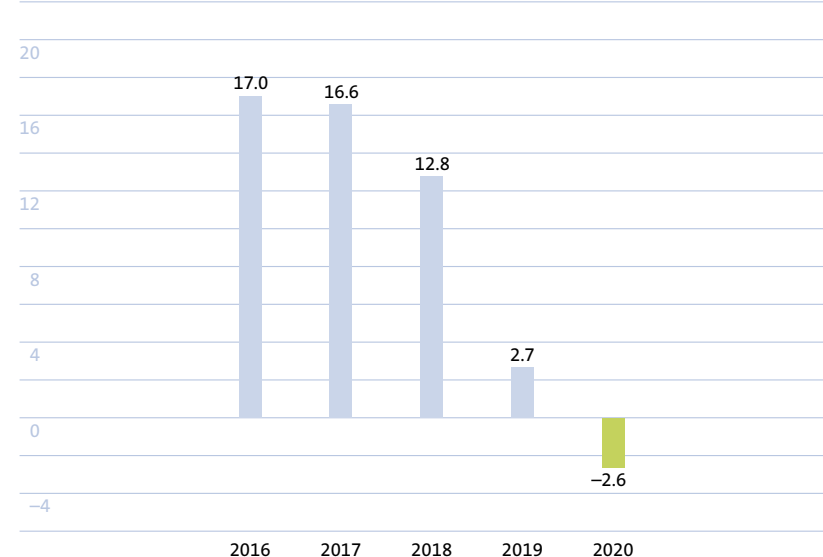
*KRONES continues to have strong finances and capital with an equity ratio of 39.4%, net cash and cash equivalents of €184.9 million and a total of €1 billion in free lines of credit.*

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.

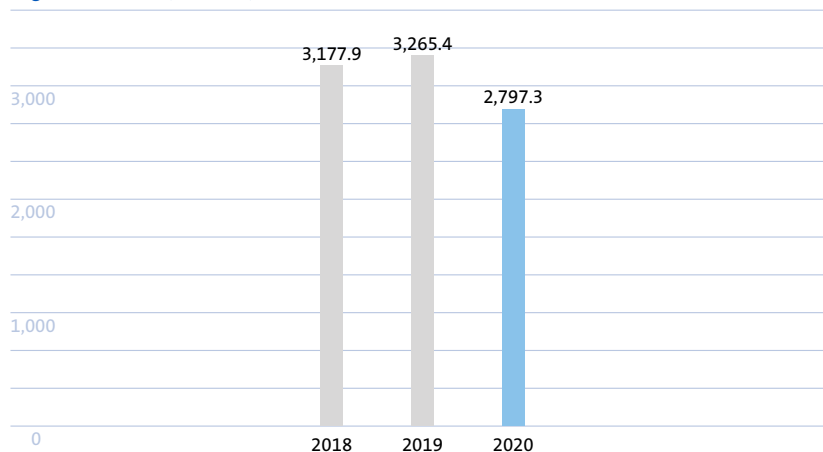
*As a result of the negative consolidated net income, equity decreased by 12.4% in 2020. KRONES' equity ratio consequently went down in the reporting period from 41.3% to 39.4%.*

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)

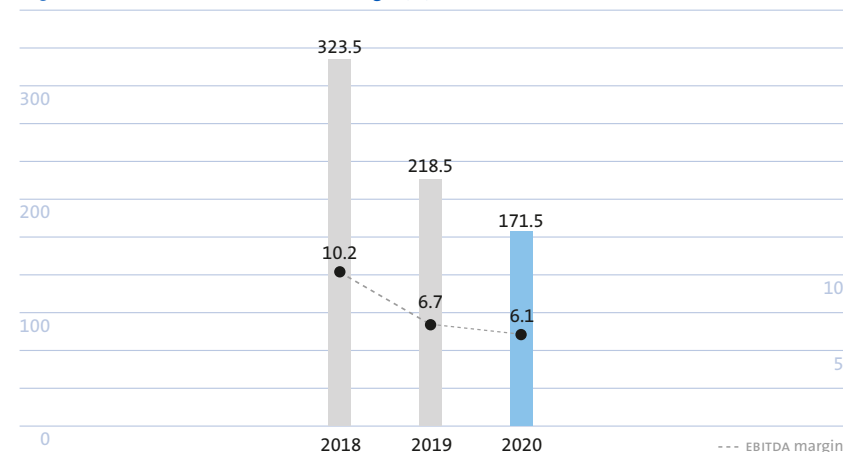


#### Segment revenue

*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.*

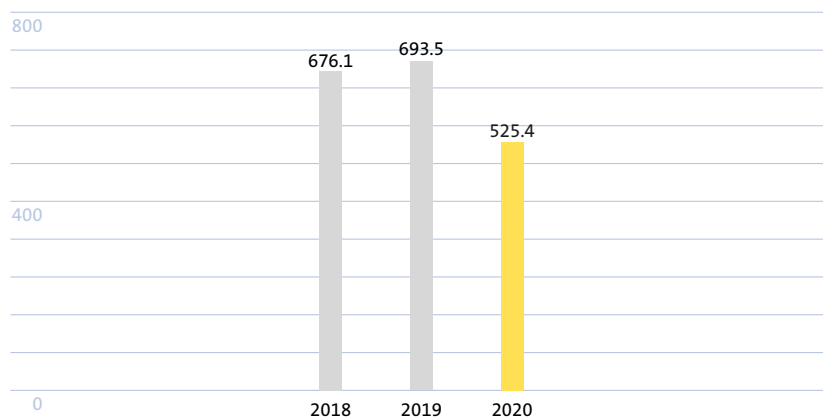
## Machines and Lines for Product Filling and Decoration





## Machines and Lines for Beverage Production/Process Technology

Segment revenue (€ million)

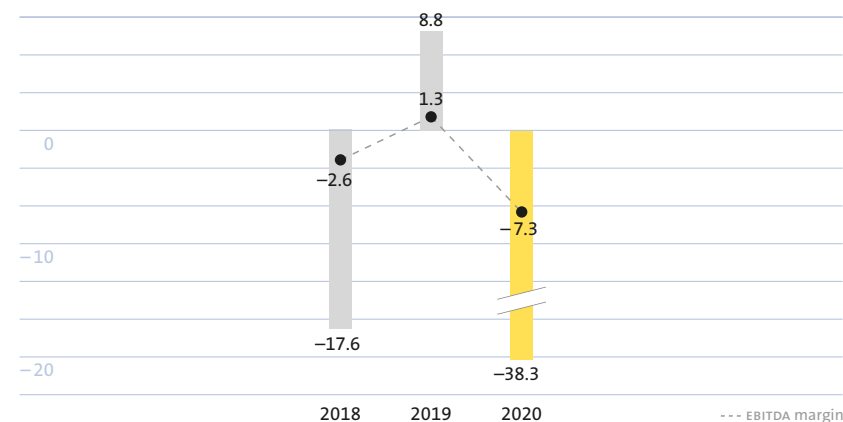


### Segment revenue

*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%.

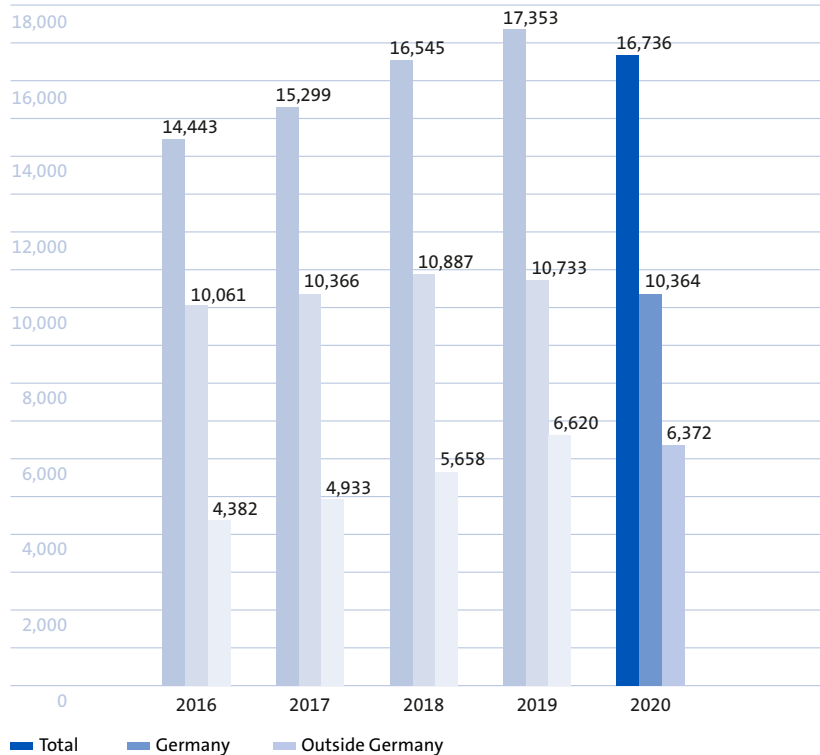
Working capital as a percentage of revenue – KRONES' third performance target – improved from 26.9% in the previous year to 28.3%. KRONES thus achieved its target for the year of 28% to 29%.

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	<b>2,200</b>
2017	581	393	734	398	608	<b>2,714</b>
2018	637	452	830	507	716	<b>3,142</b>
2019	782	671	1,009	933	792	<b>4,187</b>
2020	778	639	974	922	742	<b>4,055</b>

*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

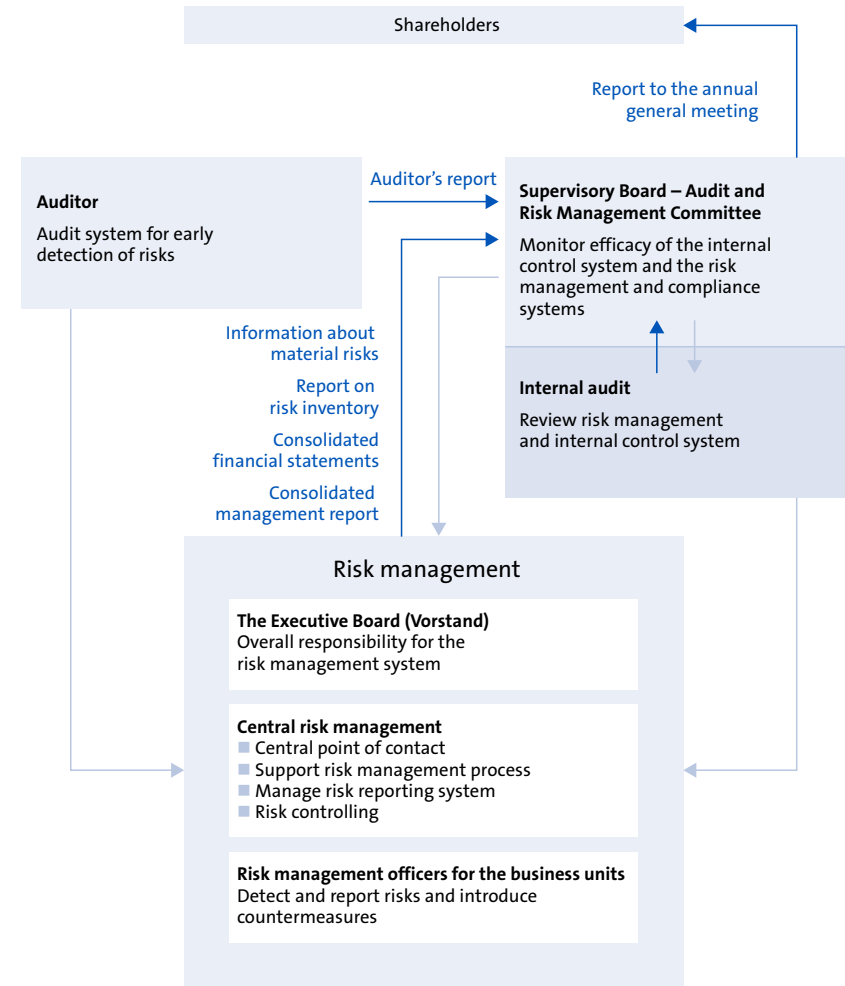
*KRONES' risk management system is continuously monitored and reviewed. This is governed by clear areas of responsibility and accountability.*

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
<b>General business environment and industry-specific risks</b>			
■ General economic risks	high	medium	medium
■ Industry-specific risks	high	low	medium
<b>Financial risks</b>			
■ Default risks	high	low	high
■ Liquidity risk	low	low	low
■ Interest rate risk	low	low	low
■ Currency risk	medium	medium	low
<b>Operational risks</b>			
■ Price risk	high	medium	high
■ Procurement risks	medium	medium	medium
■ Cost risk	high	medium	high
■ Personnel risk	low	low	low
<b>Legal risks</b>	high	medium	medium
<b>Environmental and safety risks</b>	high	low	low
<b>IT risks</b>	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
	<b>605,980</b>	<b>756</b>	<b>521,482</b>	<b>2,652</b>	<b>66,940</b>	<b>1,322</b>	<b>17,558</b>

€ thousand	Carrying amount at 31 Dec 2019	Cash flow 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
	<b>774,431</b>	<b>2,082</b>	<b>668,877</b>	<b>5,128</b>	<b>103,892</b>	<b>611</b>	<b>3,212</b>

*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
<b>Total assets</b>	<b>10,585</b>	<b>977</b>	<b>367</b>	<b>141</b>	<b>39</b>
<b>Liabilities</b>					
Trade payables	6,542	9	1,229	0	637
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
<b>Total liabilities</b>	<b>6,909</b>	<b>13</b>	<b>1,440</b>	<b>115</b>	<b>650</b>
<b>Balance of assets and liabilities</b>	<b>3,676</b>	<b>964</b>	<b>-1,073</b>	<b>26</b>	<b>-611</b>
<b>Net exposure at 31 Dec 2020</b>	<b>3,676</b>	<b>964</b>	<b>-1,073</b>	<b>26</b>	<b>-611</b>

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

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

*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

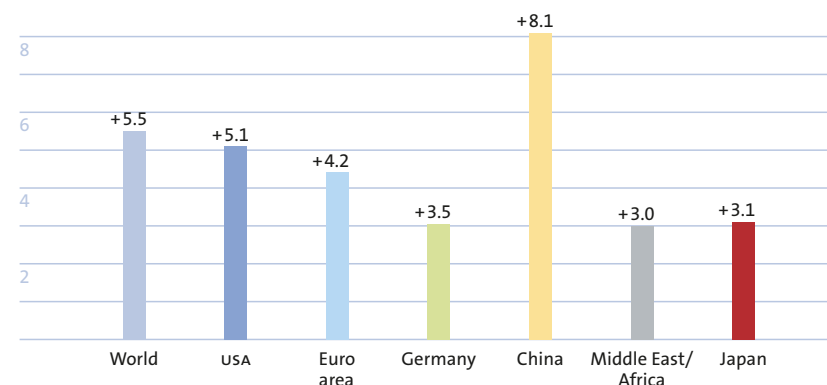
### Global economy expected to grow in 2021 by 5.5%

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)



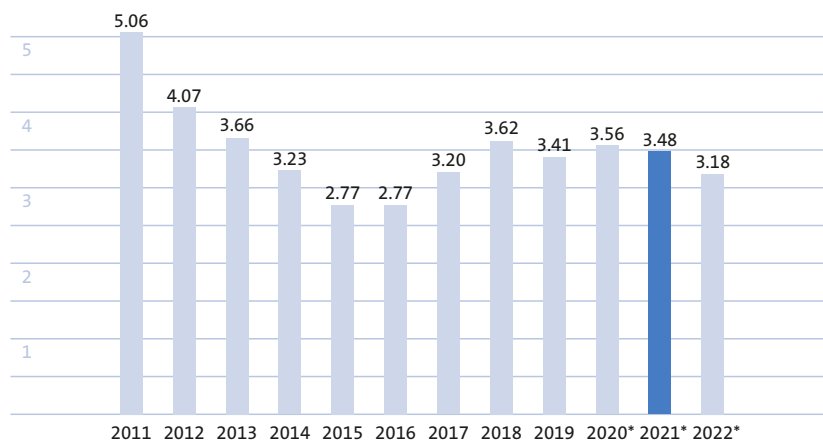
Source: IMF

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 %



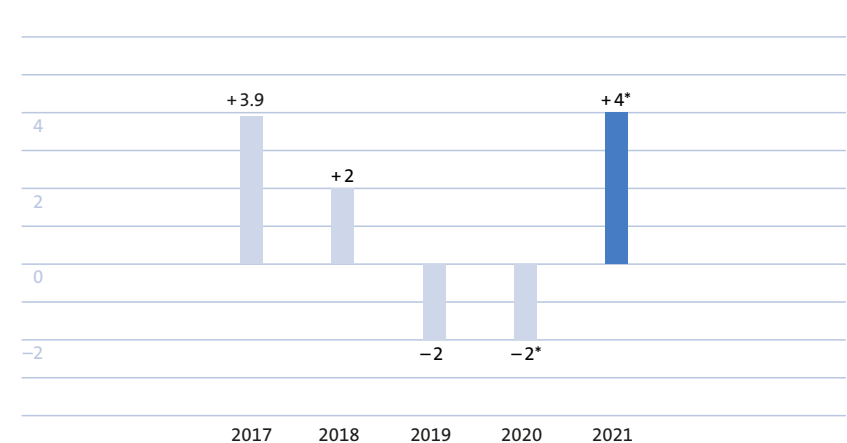
\* Forecast

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 <sup>*,**</sup>	Deputy Chairman of the Supervisory Board until 30 June 2020	26.3	3.5	4.5	34.3
Josef Weitzer <sup>*,**</sup>	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 <sup>*</sup>	Regular member	35.0		9.0	44.0
Oliver Grober <sup>*,**</sup>	Regular member	35.0		9.0	44.0
Thomas Hiltl <sup>*,**</sup>	Regular member	35.0		9.0	44.0
Markus Hüttner <sup>*,**</sup>	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 <sup>*,**</sup>	Regular member	35.0		9.0	44.0
Beate Eva Maria Pöpperl <sup>*,**</sup>	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 <sup>*,**</sup>	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

# 3

## CORPORATE GOVERNANCE

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## Statement on **corporate governance**

### **KRONES recognises its responsibilities**

Corporate governance relates to the framework of responsible and sustainably oriented corporate management and control. KRONES takes the principles and rules of corporate governance into account in all business activities. In the Corporate Governance Statement, the KRONES Executive Board and Supervisory Board report on the company's corporate governance in accordance with Sections 289f and 315d of the German Commercial Code (HGB) and Principle 22 of the German Corporate Governance Code, both in the version dated 7 February 2017 and in the version dated 16 December 2019.

An integral part of corporate governance is the German Corporate Governance Code. The Code contains principles, recommendations and suggestions for the Executive Board and Supervisory Board that are intended to help ensure that the company is managed in its best interests.

### Declaration of the Executive Board and Supervisory Board of KRONES Aktiengesellschaft on the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG)

The Executive Board and Supervisory Board of KRONES Aktiengesellschaft declare pursuant to Section 161 AktG:

1. The last Declaration of Compliance was made on 22 January 2020. KRONES Aktiengesellschaft has since complied with the recommendations of the Government Commission on the German Corporate Governance Code established by the German federal government regarding the management and supervision of German listed companies as amended on 7 February 2017, in accordance with the German Corporate Governance Code published on the Internet (hereinafter the Code), with the following exceptions:

- A deductible is not included in the D&O policy for the Supervisory Board (Item 3.8 of the Code).

*No specific deductible has been agreed for the policy because the Supervisory Board duly performs its duties at all times irrespective of any deductible.*

- The remuneration report shall present certain information about Executive Board remuneration in prescribed model tables (Item 4.2.5 Sentences 5 and 6 of the Code).

*Some points of interpretation are unclear and, moreover, it is doubtful that the additional use of the model tables would serve to make the remuneration report more clear and generally understandable, as the company aims to do in its compliance with financial reporting requirements (see Section 4.2.5 Sentence 3 of the Code).*

- There is currently no nominating committee at KRONES Aktiengesellschaft (Item 5.3.3 of the Code).

*Committees are primarily useful for larger bodies if they make the body's work more efficient. There are eight shareholder representatives on the Supervisory Board of KRONES Aktiengesellschaft, who suggest nominees for election to the Supervisory Board at the general meeting. Given the established, efficient work of the shareholder representatives on the Supervisory Board, we do not therefore consider it necessary to create a separate nominating committee.*

- In its election recommendations to the annual general meeting, the Supervisory Board does not currently disclose every candidate's personal and business relationships with the enterprise, the company's governing bodies and any shareholders with a material interest in the company (Item 5.4.1 paragraphs 5 and 6 of the Code).

*The Supervisory Board deems the requirements of paragraphs 5 and 6 to be unclear and vague in the details and to potentially violate the privacy of those affected.*

- No special consideration is given to chairmanship of Supervisory Board committees in terms of remuneration (Item 5.4.6 of the Code).

*The Supervisory Board is of the opinion that, given the size of the committees, the current additional remuneration paid to members of Supervisory Board committees is also appropriate for the committee chairs.*

2. On 16 December 2019, the Government Commission on the German Corporate Governance Code presented a new version of the German Corporate Governance Code, which entered into force on 20 March 2020 on publication by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette. The Executive Board and Supervisory Board of KRONES Aktiengesellschaft declare that KRONES Aktiengesellschaft complies with the recommendations and will continue to do so in the future, with the following exceptions:

- Recommendation D.5 is not complied with. This calls for the formation of a Nomination Committee, composed exclusively of shareholder representatives, which names suitable candidates to the Supervisory Board for its proposals to the general meeting.

*Committees are primarily useful for larger bodies if they make the body's work more efficient. There are eight shareholder representatives on the Supervisory Board of KRONES Aktiengesellschaft, who suggest nominees for election to the Supervisory Board at the general meeting. Given the established, efficient work of the shareholder representatives on the Supervisory Board, we do not therefore consider it necessary to create a separate nominating committee.*

- Recommendation G.10 is not complied with. This calls for Executive Board members' variable remuneration, taking their respective tax burden into consideration, to be predominantly invested in company shares or to be granted predominantly as share-based remuneration. Granted long-term variable remuneration components are to be accessible to Executive Board members only after a period of four years.

*The variable compensation amounts granted to members of the Executive Board are not share-based and Executive Board members are not required to invest them predominantly in shares in KRONES Aktiengesellschaft. The Supervisory Board considers that the share price alone is not sufficient as an indicator to reflect the Executive Board's performance in the interests of the company. The structure of variable remuneration is intended to take this into account. Variable remuneration amounts are accessible to Executive Board members after three years.*

- Recommendation G.17, under which appropriate account is to be taken of the larger time commitment of the chairs of Supervisory Board committees, is not complied with.

*The Supervisory Board is of the opinion that, given the size of the committees, the current additional remuneration paid to members of committees is also appropriate for the committee chairs.*

Neutraubling, January 2021

For the Executive Board:

For the Supervisory Board:

  
Christoph Klenk  
CEO

  
Volker Kronseder  
Chairman

### Objectives of the Supervisory Board

Pursuant to Recommendation C.1 of the German Corporate Governance Code, the Supervisory Board must specify concrete objectives relating to its composition and develop a profile of skills and expertise for the board as a whole. While doing so, the Supervisory Board must take the principle of diversity into account.

In keeping with Recommendation C.1 of the Code, the Supervisory Board of KRONES has specified the following objectives:

#### a) Composition based on suitable knowledge, skills and experience (profile of skills and expertise)

The Supervisory Board of KRONES AG shall be composed in such a way that its members possess the knowledge, skills and professional experience required to properly complete the tasks of a member of the Supervisory Board of an international corporation and to preserve KRONES AG's public reputation.

KRONES AG operates internationally and has subsidiaries and offices in many countries around the globe. Therefore, international experience must be taken into consideration when selecting members of the Supervisory Board. International experience relates not only to foreign language skills but also to employment in other international companies.

Motivation, integrity, character, professionalism and independence should also be taken into account when considering candidates for election.

#### b) Diversity

The Supervisory Board of KRONES AG takes diversity into account in the selection of its members. Under Germany's Act on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors,

which entered into force on 1 May 2015, at least 30 percent of Supervisory Board seats at KRONES must be held by women and men, respectively. Employee and shareholder representatives on the Supervisory Board of KRONES AG have both decided to each meet the gender quota separately. In accordance with the law and the articles of association, the Supervisory Board of KRONES AG comprises eight shareholder representatives and eight employee representatives. Thus, the Supervisory Board should have at least two female employee representatives and two female shareholder representatives. Petra Schadeberg-Herrmann and Prof. Dr. Susanne Nonnast represent shareholders on the Supervisory Board. The Supervisory Board also has two female employee representatives, Dr. Verena Di Pasquale and Beate Eva Maria Pöpperl.

#### c) Independence of members

The independence of the members of the Supervisory Board shall be ensured in order to prevent conflicts of interest. Potential candidates shall not serve as advisors or board members to major competitors of KRONES AG and shall not hold management positions at companies that are customers, suppliers or KRONES AG group companies. The Supervisory Board shall contain no more than two former members of the Executive Board.

Each member of the Supervisory Board shall agree to submit a declaration to the Chairman of the Supervisory Board if there is any conflict of interest. If a conflict of interest persists over an extended period or is material, the Supervisory Board member in question must resign.

In accordance with Recommendation C.6 of the Code, the Supervisory Board must include what it considers to be a suitable number of independent members among the shareholder representatives. A Supervisory Board member is considered independent within the meaning of that recommendation if they are independent of the company and its Executive Board and independent of any controlling shareholder.



In accordance with Recommendation C.7 of the Code, more than half of the shareholder representatives are to be independent of the company and the Executive Board. In the reporting period, that was the case for Prof. Dr. Susanne Nonnast, Petra Schadeberg-Herrmann, Hans-Jürgen Thaus, Robert Friedmann, Norbert Samhammer and Matthias Winkler.

In accordance with Recommendation C.9 of the Code, if the Supervisory Board has more than six members, at least two shareholder representatives are to be independent of any controlling shareholder. In reporting period, all members except Volker Kronseder and Norman Kronseder were independent of the controlling shareholder in accordance with this recommendation.

In accordance with Recommendation C.10 of the Code, the Chair of the Supervisory Board, the Chair of the Audit Committee and the Chair of the committee that addresses Executive Board remuneration are to be independent of the company and the Executive Board. KRONES Aktiengesellschaft fully complies with this recommendation.

#### d) Age limit

The age limit for members of the Supervisory Board is 70 years. A member's term in office ends at the conclusion of the annual general meeting that follows his or her 70<sup>th</sup> birthday. Reasons must be given for any departure from this rule.

Supervisory Board member Hans-Jürgen Thaus has already reached the age of 70. His term of office did not end at the end of general meeting following his 70<sup>th</sup> birthday. Reasons: From his many years as Chief Finance Officer and Deputy Chairman of the Executive Board of KRONES AG, Mr. Thaus has outstanding knowledge of the market and the company. With his expertise and

experience, he makes a valuable contribution to the efficient supervision of the Executive Board and to KRONES' success. There are also no personal grounds relating to

Mr. Thaus, such as availability, that speak against making a departure from the age limit. The Supervisory Board had no objections to the departure from the rules of procedure.

#### Status of implementation of the Supervisory Board's objectives

The Supervisory Board of KRONES implemented all of the objectives a) to d) in financial year 2020.

#### Information on the length of service of Supervisory Board members

The Supervisory Board has not set a limit (cap) on the duration of Supervisory Board membership. We believe that such a cap does not make sense because the expertise of experienced Supervisory Board members should remain available to the company. The Supervisory Board of KRONES will continue to examine the suitability of Supervisory Board members on an individual basis, regardless of how long members have already been on the board. We provide the following information on the length of service of the current members of the Supervisory Board:

Volker Kronseder	Member of the Supervisory Board since 15 June 2016
Josef Weitzer	Member of the Supervisory Board since 20 June 2007
Dr. Verena Di Pasquale	Member of the Supervisory Board since 25 June 2014
Robert Friedmann	Member of the Supervisory Board since 13 June 2018
Klaus Gerlach	Member of the Supervisory Board since 13 June 2012
Oliver Grober	Member of the Supervisory Board since 13 June 2018
Thomas Hiltl	Member of the Supervisory Board since 13 June 2018
Markus Hüttner	Member of the Supervisory Board since 1 July 2020

Norman Kronseder	Member of the Supervisory Board since 25 July 1991
Professor Dr. jur. Susanne Nonnast	Member of the Supervisory Board since 15 June 2016
Beate Eva Maria Pöpperl	Member of the Supervisory Board since 20 June 2017
Petra Schadeberg-Herrmann	Member of the Supervisory Board since 15 June 2011
Norbert Samhammer	Member of the Supervisory Board since 13 June 2018
Jürgen Scholz	Member of the Supervisory Board since 20 June 2007
Hans-Jürgen Thaus	Member of the Supervisory Board since 25 June 2014
Matthias Winkler	Member of the Supervisory Board since 13 June 2018

### Information on corporate governance practices

Corporate governance at KRONES is based on fairness and transparency. This principle applies both to cooperation between the Executive Board and the Supervisory Board and to our interaction with employees, customers, suppliers and the general public.

Compliance at KRONES is an overarching concept denoting conduct consistent with the rules, where the rules to be observed within the company far exceed statutory requirements. They also include internal guidelines and regulations, and embody the moral values and standards that correspond to KRONES' ethical principles. KRONES has established a compliance management system over the years covering the areas of prevention, detection and response. There is also close coordination with other elements of corporate governance, notably sustainability, governance itself and the internal control and risk management system.

In order to strengthen compliance, KRONES introduced a compliance whistleblower portal in 2018. This reporting system on the KRONES website allows company employees and outsiders to anonymously bring attention to potential infringements of the law or rules and regulations. The whistleblower portal can be accessed from [www.krones.com/en/company/responsibility/krones-integrity.php](http://www.krones.com/en/company/responsibility/krones-integrity.php).



KRONES revised its Code of Conduct in 2019. The Code of Conduct contains the detailed principles and basic rules for our activities, including our conduct towards business partners and the public. Subjects covered in the Code of Conduct include corporate values, acting in accordance with the law and ethics, social responsibility and handling information and knowledge. Concrete examples on each topic help employees implement and adhere to the rules set out in the Code of Conduct in their daily work. The Code of Conduct applies for the entire KRONES Group and is available in various languages. It can be accessed from <https://www.krones.com/en/company/responsibility/compliance.php>.



We review all strategic decisions for their long-term probability of success. Our aim is to optimise profits and cash flow in a sustainable manner. To secure the company's long-term survival, we review all of our activities with respect to sustainability, factoring in not only our social and economic responsibilities but also the ecological impact of the manufacture and use of our products. KRONES maintains eco-friendly production operations and not only complies with statutory regulations but makes every effort to remain as far as possible below prescribed limits.

To communicate its commitment to ethical business issues to the outside world, KRONES joined the United Nation (UN) Global Compact in 2012. The UN Global Compact lays down and requires companies to comply with globally applicable principles relating to human rights, labour, the environment and anti-corruption. The text of the UN Global Compact and related information are available at [www.unglobalcompact.org](http://www.unglobalcompact.org).



Our governance principles ensure that the welfare of the very people who contribute to our success is never subordinated to economic interests. In order to prevent accidents at the workplace and work-related illness, KRONES creates a safe environment that is conducive to the good health of our employees. All of our workflows are designed with employee safety and health in mind, and we ensure that the workplace is ergonomic.

When choosing our suppliers, we look at their performance with respect to sustainable, socially responsible business practices. For this purpose, KRONES has developed a Supplier Code, which was revised in 2020. It now covers the subjects of acting in accordance with the law and ethical principles, handling knowledge and information, social responsibility, and commitment and monitoring. The previous topics of safety and health, the environment, working conditions and compliance are included under these headings. In addition, selected suppliers are regularly audited to verify that KRONES suppliers meet the required standards. The Supplier Code is available at <https://www.krones.com/en/company/responsibility/compliance.php>.



Information on corporate governance practices is also contained in KRONES' Non-financial Report, which can be accessed from <https://www.krones.com/en/company/responsibility/downloads.php>.



### Diversity policy and succession planning for the Executive Board

The Executive Board, the Supervisory Board and the Standing Committee are responsible for succession planning and for monitoring diversity. For the appointment of members of the Executive Board, preference is given to candidates whose accomplishments and knowledge make them best qualified to safeguard the interests of the company and its stakeholders for the long term. The company's diversity policy is also taken into account in such appointment processes. When filling a position on the Executive Board, the Supervisory Board considers diversity with respect to candidates' professional and educational backgrounds, age, gender and international management qualifications. The policy consists of the following aspects in detail:

- The Supervisory Board has set a standard age limit for members of the Executive Board. The standard age limit is 62 years (62<sup>nd</sup> birthday). The Supervisory Board also gives due consideration to ensuring a balanced age structure.

- At least two members of the Executive Board are required to have a technical/engineering background. At least two members are required to have international management experience. The Executive Board as a whole is required to represent the best possible composition for the KRONES Group, its core business and all stakeholders.
- With the current all-male composition of the Executive Board, the percentage of women on the Executive Board is 0%. The reason for the current all-male composition of the Executive Board is that the Supervisory Board, despite the existence of suitable female candidates, has been unable to recruit any of those candidates for a position on the Executive Board. Pursuant to Section 111 (5) of the German Stock Corporation Act, the Supervisory Board of KRONES AG has accordingly established a target of 0% participation of women on the Executive Board. This quota applies for as long as the Executive Board remains in its current composition on the basis of the agreed lengths of contract, including any extensions. However, under the company's diversity policy, women will be given priority consideration for filling any openings on the Executive Board.
- The Supervisory Board has set the contract term for first-time appointees to Executive Board positions at three years.

### Duties and activities of the Executive Board and the Supervisory Board

The Executive Board of KRONES AG consisted of five members in the 2020 financial year. Members of the Executive Board are each responsible for their respective Executive Board portfolio (see pages 22 and 186). The Executive Board manages the company and its affairs. The members of the Executive Board hold daily Executive Board meetings. At these meetings, the Executive Board discusses current and strategic topics and makes decisions. For strategically im-



portant decisions, the Executive Board involves the Supervisory Board in the decision-making process in a timely manner. The work of the Executive Board, in matters such as the majority required for resolutions and transactions that require Supervisory Board approval, is governed by rules of procedure for the Executive Board issued by the Supervisory Board.

The Supervisory Board oversees the Executive Board. In accordance with the articles of association, the Supervisory Board has 16 members. The Executive Board and the Supervisory Board communicate on a regular basis. The Executive Board informs the Supervisory Board in a timely manner about business development, the company's financial situation, risk management, business forecasts and strategy. In addition to regular oral reports, the members of the Supervisory Board receive written reports on the company's earnings and financial situation from the Executive Board each month.



The Chairman of the Supervisory Board coordinates the work of the Supervisory Board (see pages 28, 29 and 186 for a listing of the members). The Chairman or Deputy Chairman presides over the Supervisory Board's meetings.

The Supervisory Board adopts resolutions either in its meetings or in exceptional cases by circulation. Members of the Executive Board participate in meetings of the Supervisory Board at the invitation of the Chairman or Deputy Chairman of the Supervisory Board. The Executive Board members give oral or written reports on the agenda items and respond to questions from Supervisory Board members.

Each year, the Chairman of the Supervisory Board describes the Board's activities in his report to shareholders in the annual report and at the annual general meeting.

The Supervisory Board has adopted rules of procedure of its own, governing matters such as responsibilities and rules for the passage of resolutions.

In order to perform its work in the most efficient manner possible, the Supervisory Board has formed an Audit and Risk Management Committee and a Standing Committee.

### Composition, duties and activities of the Audit and Risk Management Committee

The Audit and Risk Management Committee consists of Supervisory Board Chairman Volker Kronseder, his deputy Josef Weitzer and Supervisory Board members Norman Kronseder, Hans-Jürgen Thaus, Markus Hüttner and Jürgen Scholz. Its Chairman is Hans-Jürgen Thaus.

The Audit and Risk Management Committee meets regularly and oversees the accounting and financial reporting process and the audit of the financial statements and prepares corresponding proposals for resolutions for the Supervisory Board. The Committee also prepares the Supervisory Board's review of the annual financial statements, the management report and the auditor's report for the separate and consolidated financial statements and makes recommendations. In addition, the Audit and Risk Management Committee monitors the effectiveness of the internal control system, the risk management system and the compliance system.

### Composition, duties and activities of the Standing Committee

The Standing Committee consists of Volker Kronseder, Josef Weitzer, Norman Kronseder and Markus Hüttner. Volker Kronseder chairs the committee. The Standing Committee meets regularly and deals with all other topics that do not fall within the scope of the Audit and Risk Management Committee.

These include corporate strategy, human resources strategy, Supervisory Board remuneration and Executive Board remuneration.

### Self-assessment of the work of Supervisory Board

The Supervisory Board provides the following information pursuant to Recommendation D.13 of the German Corporate Governance Code: A self-assessment of the effectiveness of the work of the Supervisory Board as a whole and of its committees was carried out in the 2020 financial year. Among the criteria were the topics of organisation, information and communication within the Supervisory Board and the committees. Questionnaires were also used as part of the self-assessment. No recourse was made to outside support.

### Determinations pursuant to Sections 76 (4) and 111 (5) of the German Stock Corporation Act

Under Section 76 (4) of the German Stock Corporation Act, the Executive Board is required to determine targets for the participation of women in the two levels of management below the Executive Board. It must also set a deadline for compliance with the targets. As of 31 December 2017, the percentage of women in each of these two levels of management came to 10.9%. The Executive Board of KRONES AG set itself the goal of at least holding this figure stable through to 30 June 2020. The percentage at that date was 9.4%.

The target was consequently not met. This is primarily because, despite intensive efforts, the extremely engineering-oriented context at KRONES has meant that only a small number of vacant management positions have so far been filled with women possessing comparable qualifications.

We will further step up our efforts and give women priority consideration for filling any openings for management positions. At the end of the 2020 financial year, the percentage of women in each of the two levels of management below the Executive Board stood at 10.7%. The Executive Board set a new target of 15%. This target is to be attained by 31 December 2024.

### Percentage of women on the Executive Board

So far, despite intensive efforts, the Supervisory Board has not been able to recruit suitable women candidates for the Executive Board. Because the lengths of current contracts mean that no changes can be expected on the Executive Board in the medium term, the Supervisory Board has set a target of 0% for the percentage of women on the Executive Board of KRONES AG and thus complies with the requirements under Section 111 (5) of the German Stock Corporation Act. There is therefore no need to set a deadline for compliance.

# 4

## CONSOLIDATED FINANCIAL STATEMENTS

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## Consolidated statement of profit and loss

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

Consolidated statement of **comprehensive income**

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



Consolidated statement of financial position – **Assets**

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

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

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

## Consolidated statement of cash flows

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

## Consolidated statement of changes in equity

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

# 5

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated **segment reporting**

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

## General disclosures

### ■ Legal basis

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

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

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



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

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

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

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

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

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

The group currency is the euro.

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

### ■ Consolidated group

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

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

### ■ Consolidation principles

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

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

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

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

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

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

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

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

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

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



## ■ Currency translation

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

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

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

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

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

Exchange rates of subsidiaries' functional currencies against the euro:

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

### ■ Estimates and judgements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### ■ Intangible assets

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

#### ■ Research and development expenditure

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

#### ■ Goodwill

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

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

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

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

#### ■ Property, plant and equipment

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

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

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

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

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

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

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

## ■ Leases

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

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

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

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

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

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

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

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

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

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

## ■ Financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### ■ Derivative financial instruments and hedge accounting

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

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

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

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

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

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

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

#### ■ Receivables and other assets

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



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

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

#### ■ Inventories

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

The allocation of overheads is based on normal capacity.

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

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

#### ■ Income tax

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

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

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

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

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

#### ■ Provisions for pensions

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

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

#### ■ Partial retirement benefit obligations

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

#### ■ Other provisions

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

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

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

## ■ Revenue

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

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

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

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

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

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

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

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

Revenue is presented net of reductions.

## ■ Segment reporting

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

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

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

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

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

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

## Notes to the consolidated statement of financial position

### 1 Intangible assets

The carrying amount of intangible assets changed as follows:

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

Table continued on next page

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 2 Tangible fixed assets

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

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

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

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



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

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

Table continued on next page

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

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

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

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



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

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

### 3 Long-term financial assets

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

### 4 Investments accounted for using the equity method

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

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

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

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

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

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

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

## 5 Inventories

The inventories of the KRONES Group are composed as follows:

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

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

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

## 6 Receivables and other assets

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

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

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

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

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

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

## 7 Cash and cash equivalents

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



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

## 8 Income tax

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

The income tax breaks down as follows:

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

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

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

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

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

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

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

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

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

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

## 9 Equity

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

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

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

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

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

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

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

#### Disclosures about capital management

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

#### 10 Capital reserves

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

#### 11 Profit reserves

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

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

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

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

## 12 Other reserves

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

Other reserves changed as follows in financial year 2020:

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

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

## 13 Non-controlling interests

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

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



## 14 Provisions for pensions

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 15 Other provisions

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

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

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

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

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

## 16 Liabilities

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

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

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

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

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

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

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

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

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

The other changes mainly comprise additions from new leases.

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

The other liabilities break down as follows:

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

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

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

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

## 17 Contingent liabilities

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

## 18 Other disclosures relating to financial instruments

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

There were no transfers between levels of the hierarchy.

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

€ thousand		Carrying amount	Of which not overdue at the reporting date	Of which overdue by the following number of days at the reporting date			
				Up to 90 days	Between 90 and 180 days	Between 180 and 360 days	More than 360 days
31 Dec 2020	Trade receivables and contract assets	1,259,108	1,130,227	82,798	26,194	17,698	2,191
31 Dec 2019	Trade receivables and contract assets	1,533,050	1,368,344	115,204	21,677	19,501	8,324

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31 Dec 2019 € thousand	Currency USD	Currency NOK	Currency CAD	Currency CNY	Currency GBP
Cash and cash equivalents	310	0	450	0	0
Trade receivables	0	1.920	0	0	0
Other financial receivables	0	0	0	0	0
Derivatives at positive market values	395	0	0	1	474
<b>Total assets</b>	<b>705</b>	<b>1.920</b>	<b>450</b>	<b>1</b>	<b>474</b>
<b>Liabilities</b>					
Trade payables	2,044	18	8,117	317	-3,129
Liabilities to banks	0	0	0	0	0
Other liabilities	0	0	0	0	0
Derivatives at negative market values	1,611	24	1,198	545	-8
<b>Total liabilities</b>	<b>3,655</b>	<b>42</b>	<b>9,315</b>	<b>862</b>	<b>-3,137</b>
<b>Balance of assets and liabilities</b>	<b>-2,950</b>	<b>1,878</b>	<b>-8,865</b>	<b>-861</b>	<b>-2,663</b>
<b>Net exposure at 31 Dec 2019</b>	<b>-2,950</b>	<b>1,878</b>	<b>-8,865</b>	<b>-861</b>	<b>-2,663</b>

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

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

## Notes to the consolidated statement of profit and loss

### 19 Revenue

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

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

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

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

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

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

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

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

### 20 Other own work capitalised

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

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

## 21 Other operating income

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

## 22 Goods and services purchased

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

## 23 Personnel expenses

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

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

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

## 24 Other operating expenses

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

## 25 Financial income/expense

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

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



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

## 26 Income tax

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



## 27 Earnings per share

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

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

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

## Other disclosures

### Audit and consulting fees

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

€ thousand	2020
Audit services	602
Other assurance services	64

### Disclosures in accordance with the EU Audit Regulation

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

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

### Events after the reporting period

There were no material events after the reporting period.

### Related party disclosures

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

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

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

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

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

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

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

#### ■ Supervisory Board remuneration

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

#### ■ Corporate Governance

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

#### ■ Risk report

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



## Standards/interpretations

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

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

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

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

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

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

## Shareholdings

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

\*Direct and indirect shareholdings

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

\*Direct and indirect shareholdings

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

\*Direct and indirect shareholdings

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

\*Direct and indirect shareholdings



## Use of exemptions

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

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### Name and location of the company

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KRONES BETEILIGUNGSGESELLSCHAFT MBH, Neutraubling, Germany

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DEKRON GMBH, Kelkheim, Germany

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ECOMAC GEBRAUCHTMASCHINEN GMBH, Neutraubling, Germany

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EVOGUARD GMBH, Nittenau, Germany

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GERNEP GMBH ETIKETTIERTECHNIK, Barbing, Germany

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HST MASCHINENBAU GMBH, Dassow, Germany

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KIC KRONES INTERNATIONALE COOPERATIONS-GESELLSCHAFT MBH, Neutraubling, Germany

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KRONES SERVICE EUROPE GMBH, Neutraubling, Germany

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MILKRON GMBH, Laatzen, Germany

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SYSTEMS LOGISTICS GMBH, Wackersdorf, Germany

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

## Members of the Supervisory Board and the Executive Board

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

### Supervisory Board

#### Volker Kronseder

Chairman of the Supervisory Board

\* UNIVERSITÄTSKLINIKUM  
REGENSBURG

\* WIRTSCHAFTSBEIRAT  
BAYERISCHE LANDESBANK

#### Josef Weitzer\*\*

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

Chairman of the Works Council  
Neutraubling

\* SPARKASSE REGENSBURG  
(until 30 September 2020)

#### Werner Schrödl\*\*

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

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

#### Markus Hüttner\*\*

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

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

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

#### Robert Friedmann

Spokesman for the central  
managing board of the  
WÜRTH GROUP

\* ZF FRIEDRICHSHAFEN AG

#### Klaus Gerlach\*\*

Head of Central International  
Operations and Services

#### Oliver Grober\*\*

Chairman of the Employees'  
Council, Rosenheim

#### Thomas Hiltl\*\*

Chairman of the Employees'  
Council, Nittenau

#### Norman Kronseder

Farmer and forester

\* BAYERISCHE FUTTERSaatBAU  
GMBH

#### Professor Dr. jur. Susanne Nonnast

Professor at Ostbayerische  
Technische Hochschule (OTH)  
Regensburg

#### Beate Eva Maria Pöpperl\*\*

Independent Member of the  
Employees' Council

#### Norbert Samhammer

Chief executive of  
SAMHAMMER HOLDING GMBH  
\*SAMHAMMER AG

#### Petra Schadeberg-Herrmann

Managing partner

KROMBACHER BRAUEREI

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

#### Jürgen Scholz\*\*

First authorised representative  
IG METALL administrative office,  
Regensburg

\* INFINEON TECHNOLOGIES AG

#### Hans-Jürgen Thaus

\* MASCHINENFABRIK REINHAUSEN  
GMBH

#### Matthias Winkler

Managing partner at  
WW+ KN STEUERBERATUNGS-  
GESELLSCHAFT MBH

### Executive Board

#### Christoph Klenk

CEO

Intralogistics  
Process Technology

#### Norbert Broger

CFO

#### Thomas Ricker

CSO

#### Markus Tischer

International Operations  
and Services  
Digitalisation

#### Ralf Goldbrunner

Bottling and Packaging  
Equipment  
Compact Class

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

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

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

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

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

Neutraubling, 17 March 2021

KRONES AG

The Executive Board



Christoph Klenk  
CEO



Norbert Broger  
CFO



Thomas Ricker  
CSO



Markus Tischer



Ralf Goldbrunner

# 6

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## Responsibility statement

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

Neutraubling, 17 March 2021

KRONES AG

The Executive Board



Christoph Klenk  
CEO



Norbert Broger



Thomas Ricker



Markus Tischer



Ralf Goldbrunner

## Independent auditor's report

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

To KRONES Aktiengesellschaft

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

#### Opinions

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

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

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

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

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

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

## Basis for the opinions

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

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

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

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

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

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

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

### Auditor’s response

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

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

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

#### Reference to related disclosures

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

## 2. Impairment testing of goodwill

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

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

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

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

#### Auditor's response

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

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

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

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

#### Reference to related disclosures

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



## Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Other legal and regulatory requirements

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

### Opinion

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

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

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

### Basis for the opinion

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

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

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

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

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

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

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

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

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

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

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

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

#### German Public Auditor responsible for the engagement

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

Nuremberg, 17 March 2021

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Schubert  
Wirtschaftsprüfer  
[German Public Auditor]

Schütz  
Wirtschaftsprüfer  
[German Public Auditor]

## Financial glossary

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

## Technical glossary

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

## Key figures for the KRONES Group 2016 – 2020

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

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



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

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

## Financial calendar

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

17 May 2021 Annual general meeting

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

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

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