Krones First Half Year 2021

Conference Call 03 August 2021

Christoph Klenk, CEO
Norbert Broger, CFO

KRONES

Krones 1st HY 2021

After a strong second quarter, Krones raises full-year guidance for 2021

- The upward trend in Krones' order intake continued in the second quarter. In total between January and June 2021, the volume of orders increased by 40.3% to €2,044.3 million.
- Krones increased revenue in the first half of 2021 by 1.3% to €1,720.1 million. Second-quarter revenue was up 11.7% year on year, to €845.5 million.
- The first half of 2021 saw Krones significantly improve its profitability. Earnings before interest, taxes, depreciation and amortisation (EBITDA) went up 16.2% to €137.7 million. The EBITDA margin was 8.0% in the reporting period (previous year: 7.0%).
- Based on the positive first-half trend, Krones is raising its full-year guidance for 2021. The company now expects revenue growth of 7% to 9% (previously 2.5% to 3.5%) and an EBITDA margin of 7% to 8% (previously 6.5% to 7.5%).

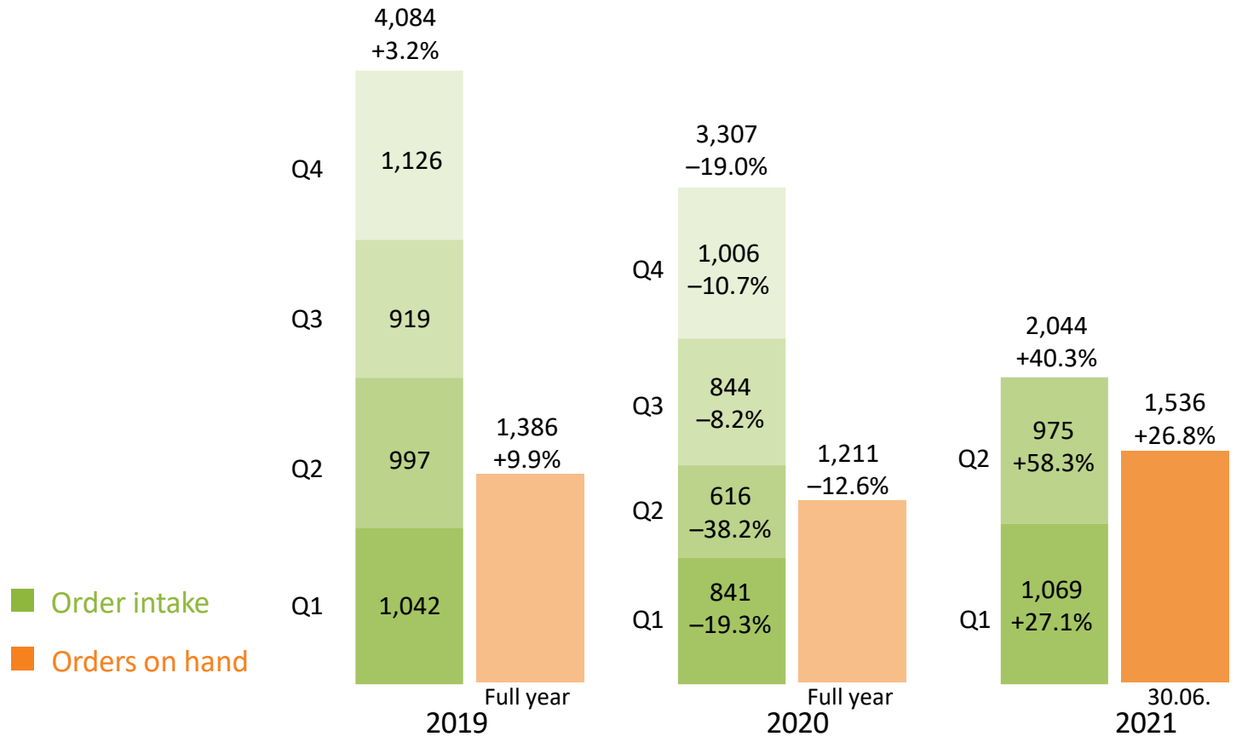
KRONES

Krones **highlights 1st HY 2021**

Order intake	Revenue	EBITDA margin	Free cash flow
+40.3%	**+1.3%**	**8.0%**	**€35 million**
€2.04 billion	€1.7 billion	(PY 7.0%)	(PY € –65 million)

KRONES

Order intake and **orders on hand 1st HY 2021** (€ million)

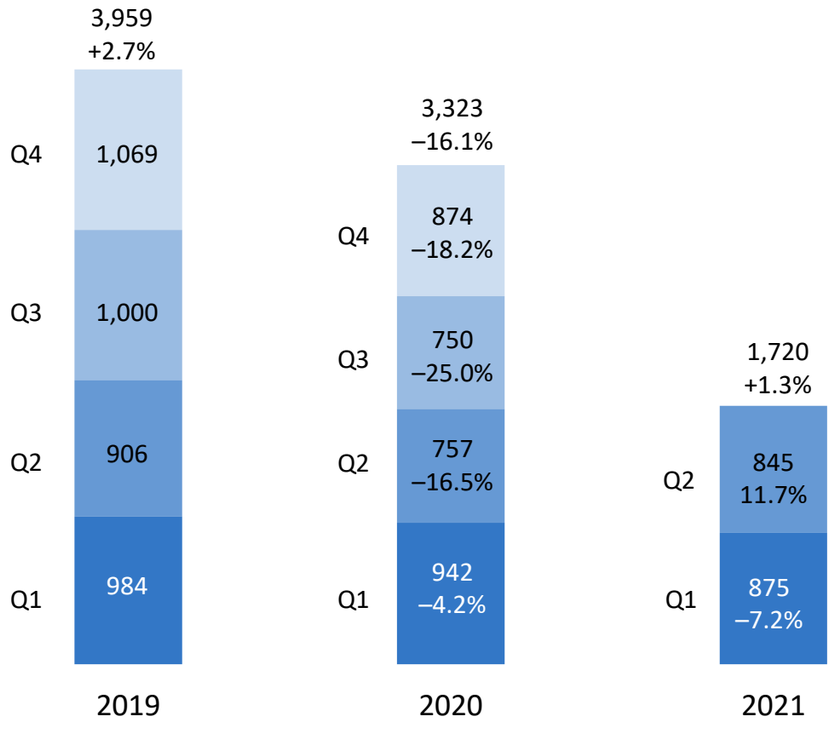


Strong and sustainable market recovery in 2021 after Covid-19 crisis 2020

- **Order intake with more than €2 billion on pre Covid-19 level. For 2nd half-year order intake will be below this level – based on a more selective approach**
- **Very high orders on hand level (with an increase of 27% since beginning of the year) gives a full utilisation till year-end**

KRONES

Revenue development by quarter (€ million)

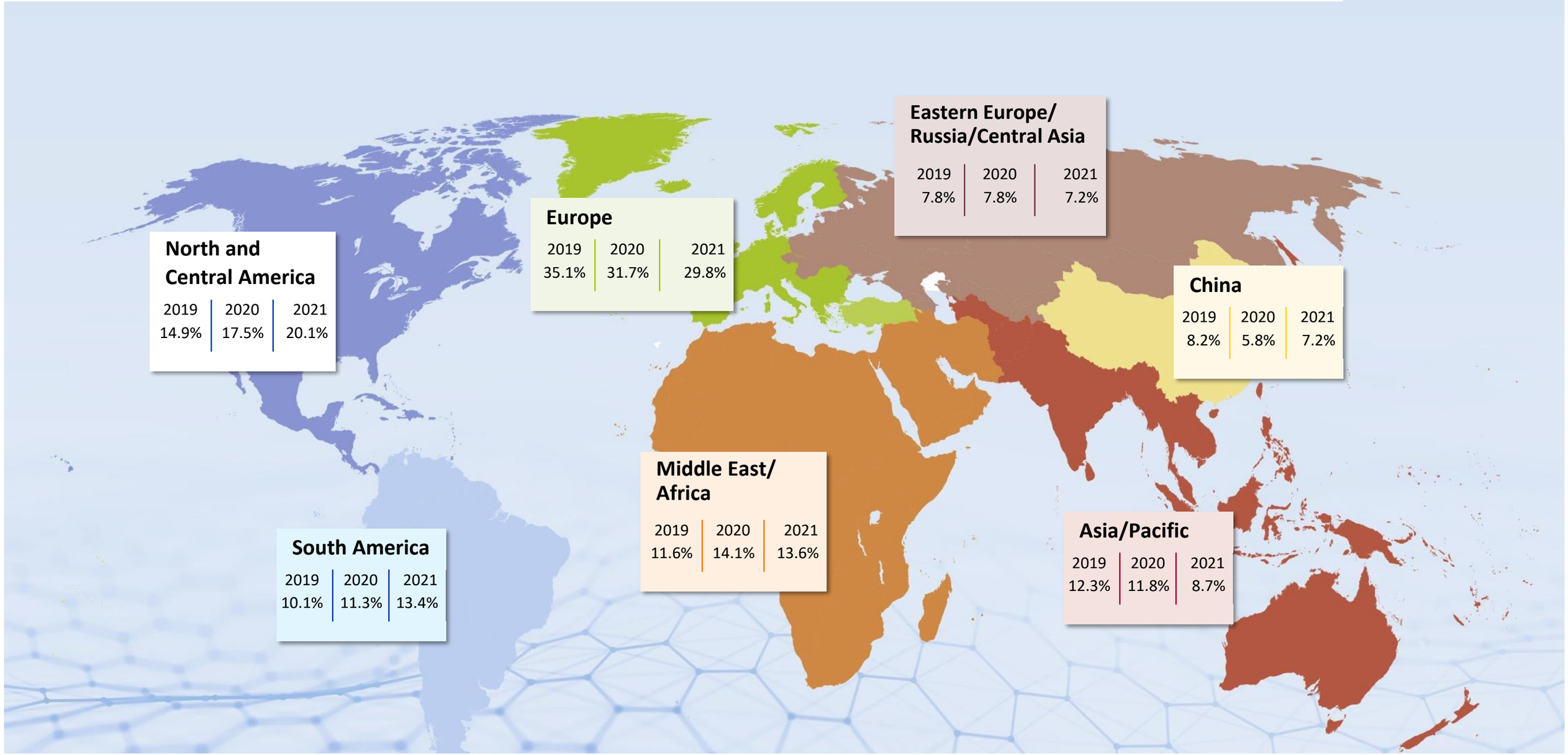


2nd half-year of 2020 just partly hit by Covid-19 crisis, so increase in revenue of 1.3% in line with expectations

- **Revenue and performance still influenced in 1st half-year by Covid-19 regulations**
- **Higher revenue in 2nd half-year expected. Full year growth estimated between 7%-9%, which will be still below pre Covid-19 level**

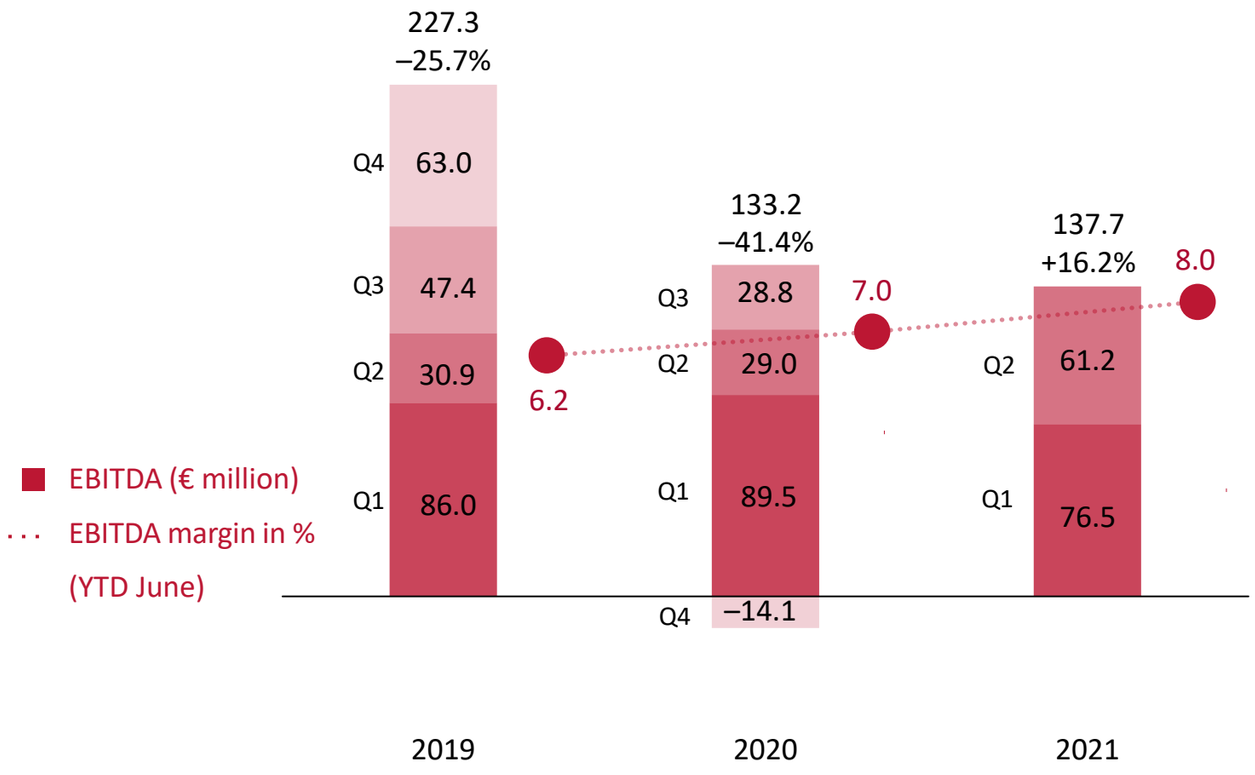
KRONES

Revenue developed differently in 1st HY 2021, but represents an opportunity for further growth



KRONES

EBITDA and **EBITDA margin** by quarter (€ million and %)



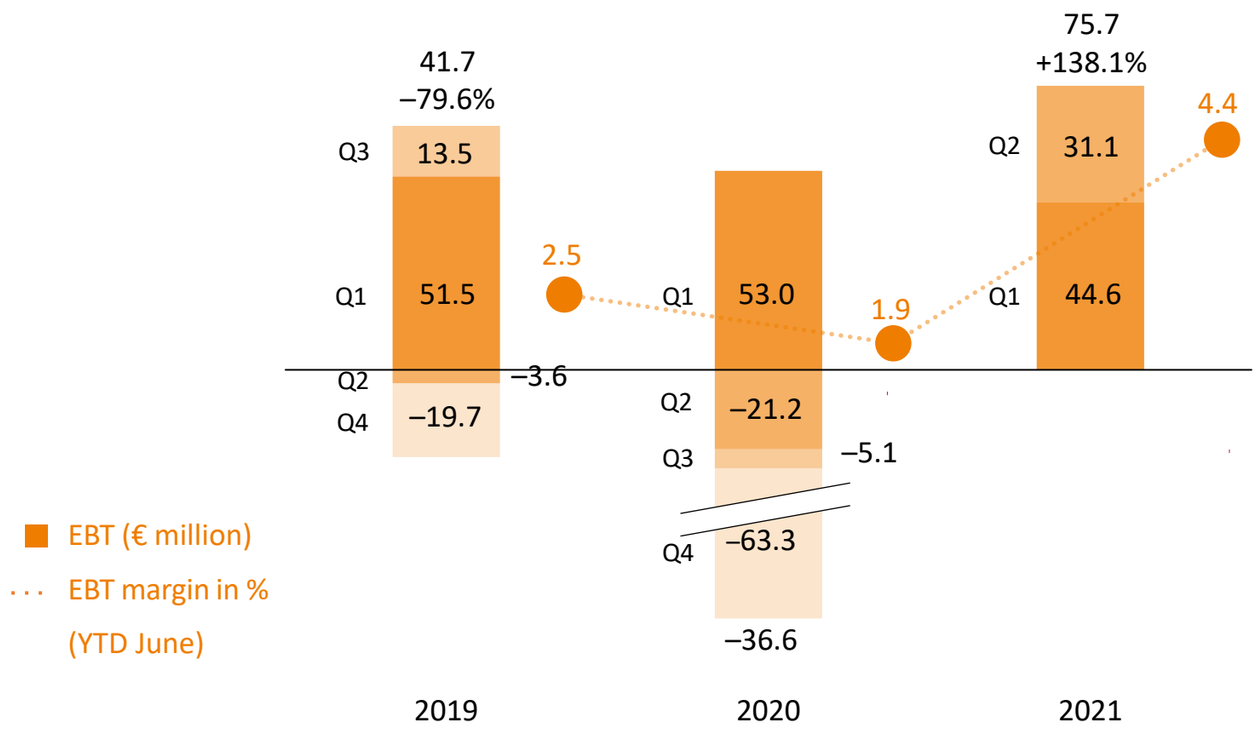
In 1st half-year EBITDA margin at 8%

- **Compared with Q1 2021 (8.7%) EBITDA margin of Q2 (7.2%) was influenced by lower revenue of Q2 and one-offs for Covid-19 bonus (€5 million)**

Krones on track to achieve increased EBITDA margin guidance for 2021 (7% – 8%)

KRONES

EBT and **EBT margin** by quarter (€ million and %)



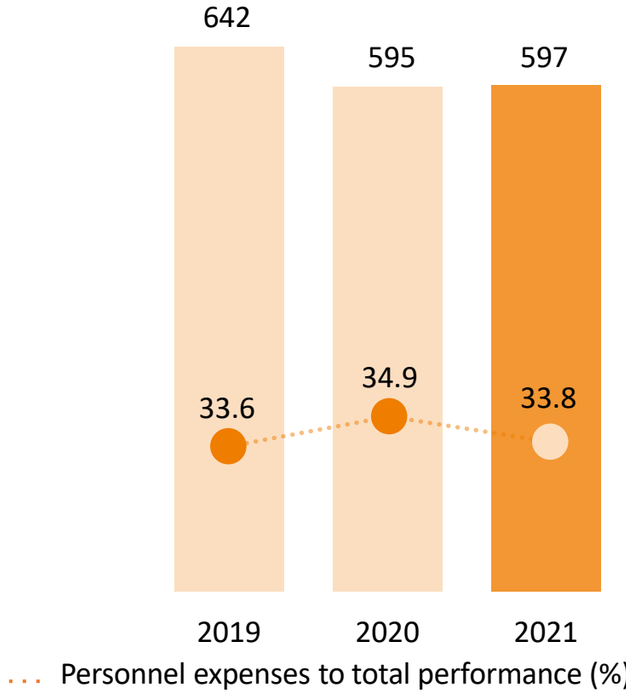
In 1st half-year 2021 EBT margin was at 4.4%

- **Structural measures impacted positively the earnings situation. EBT margin on expected level**
- **Margin level in line with the new guidance**

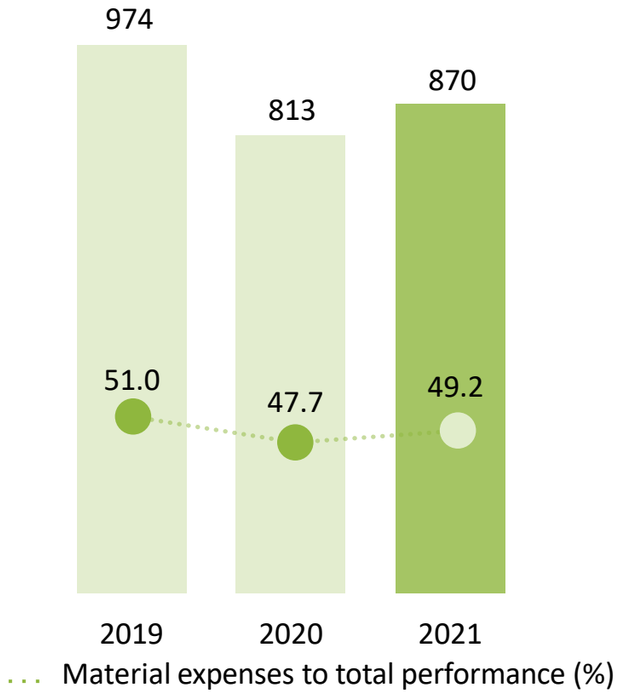
KRONES

Personnel and **material expenses 1st HY** (€ million and %)

Personnel expenses 1st HY (€ million)



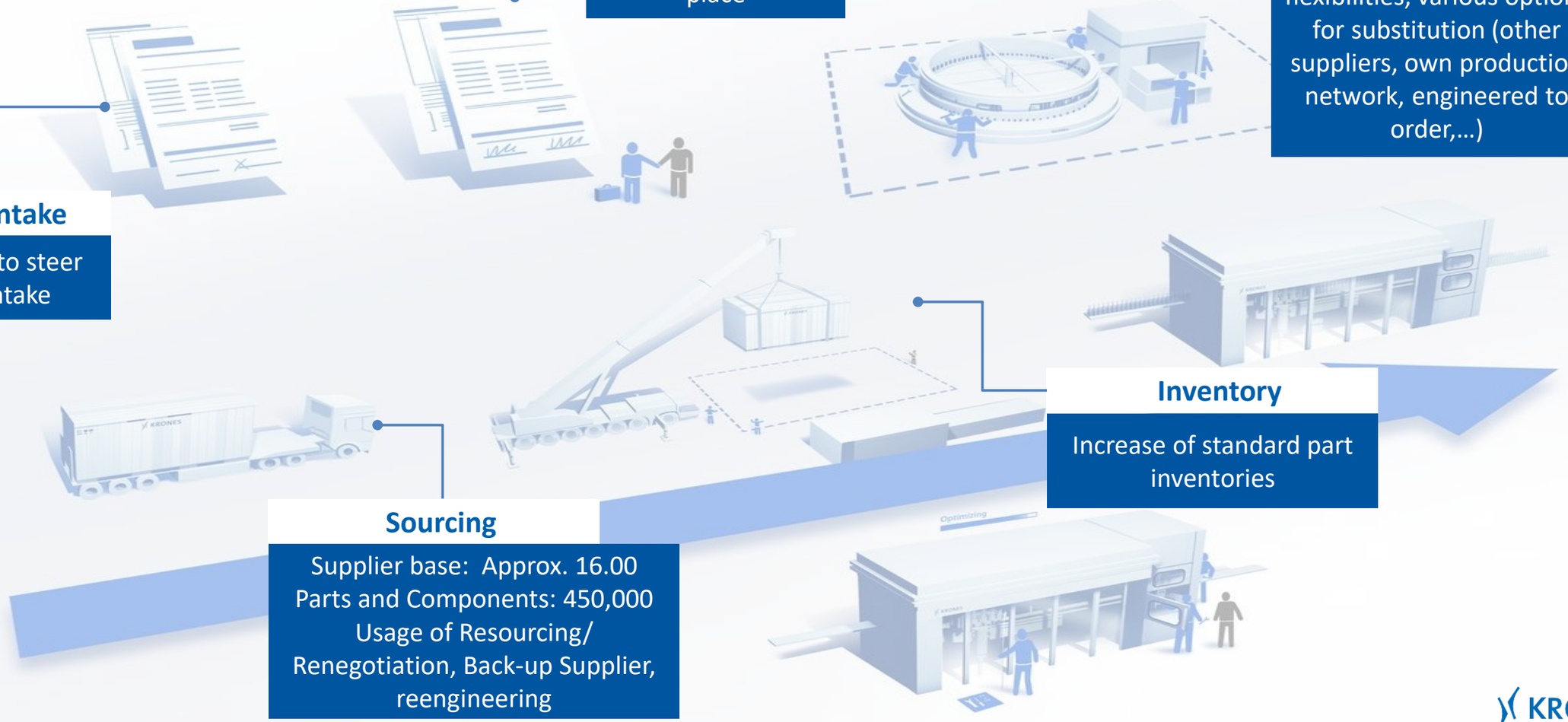
Material expenses 1st HY (€ million)



- **Structural measures of 2020 have further positive impact on personnel cost ratio. One-offs for Covid-19 bonus in Q2 2021 included**
- **Increase in material cost ratio reflects raw material price situation. More temporary labour on board to handle further growth**

KRONES

Krones can leverage various Flexibility Elements within a Customer Project



Scheduling

Flexibility in time & place

Value Chain

Long lead times, high flexibilities, various options for substitution (other suppliers, own production network, engineered to order,…)

Order Intake

Possibility to steer Order Intake

Inventory

Increase of standard part inventories

Sourcing

Supplier base: Approx. 16.00
Parts and Components: 450,000
Usage of Resourcing/ Renegotiation, Back-up Supplier, reengineering

KRONES

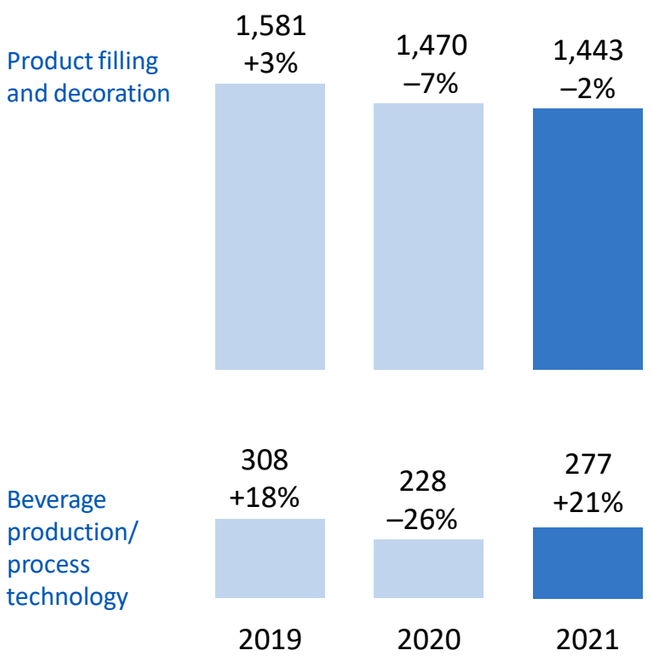
Krones‘ Value Chain remains resilient despite global Supply Shortages

	KRONES Engineered to order	Resilience	Serial mass production and discrete mass assembly	Resilience
Order Intake	Quoting and order intake process enables forecasting; long project lead-times ***Mitigation***: Order Intake can be steered		More market driven, higher volumes, very short lead-times ***Mitigation***: Limited to sales strategy	
Scheduling	Flexible scheduling with our multi-purpose facilities ***Mitigation***: Shifting of workload in time & place		Dedicated facilities, fixed production schedules ***Mitigation***: Very limited & at high cost	
Value Chain	High internal value generation (~50% of P&L sourced); engineered to order flexibility ***Mitigation***: Internal substitution of suppliers		Lower internal value generation; fixed/standardized products, high dependency on suppliers ***Mitigation***: Very hard due to high standardization	
Sourcing	High share of project-specific purchasing ***Mitigation***: Rescheduling & -negotiation		Purchasing in high volumes w/ on-demand delivery ***Mitigation***: Dual-sourcing (if feasible)	
Inventory	Inventory levels cover most universal standard parts ***Mitigation***: Increase of standard part inventories		Much just-in-time delivery, inventory “on the road” ***Mitigation***: Limited due to storage requirements	

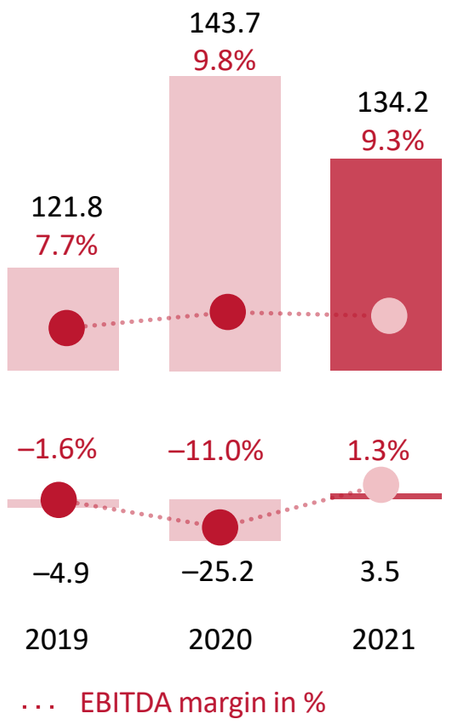
Krones has comparably lower exposure to supply chain disruptions due to scheduling flexibility, product and process flexibility, deep internal value chains and appropriate inventory levels.

Revenue and EBITDA per segment in 1st HY

Revenue development 1st HY (€ million)



Segment EBITDA (€ million) and EBITDA margin (%) in 1st HY



Product filling and decoration

- **Revenue increased in Q2 2021 by 9% but still influenced by Covid-19 regulations**
- **Q2 2021 margin level with 8.3% in line with expectations**

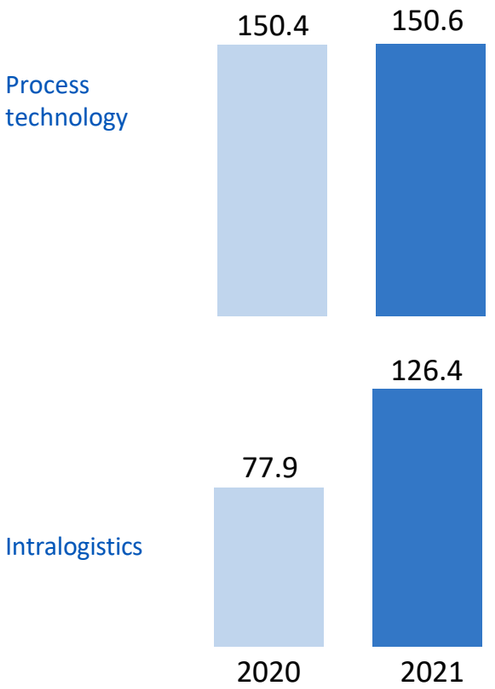
Beverage production/process technology

- **Strong increase in revenue just in the intralogistics part of the segment**
- **EBITDA margin of 1.3% results from first positive effects also from the carve-out of the beer part and better performance of System Logistics group in Italy**

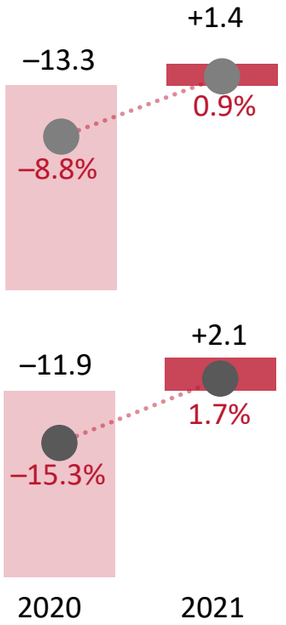
KRONES

Split of segment II

Revenue 1st HY (€ million)



EBITDA (€ million) and EBITDA margin (%)



. . . EBITDA margin in %

Process technology

- **Revenue nearly similar to prior year; strong improvement in EBITDA based on structural measures**
- **Strongest lossmaking part in beer in 2020, first positive effects after the carve-out (April 2021) but still negative result in the beer part in first half-year 2021**

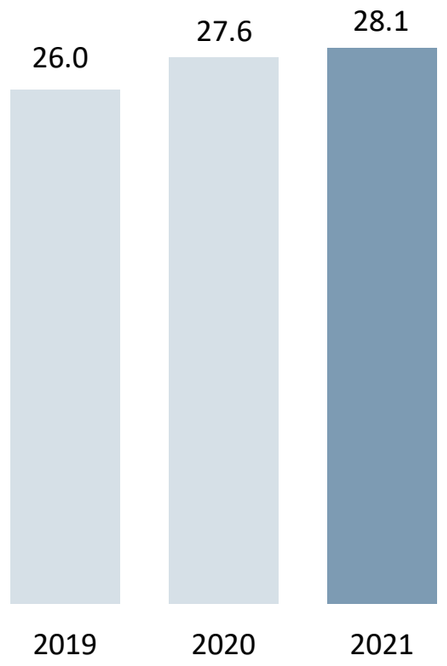
Intralogistics

- **Strong increase in revenue after Covid-19 crisis in Italy in 2020**
- **Positive result reflects operative performance**

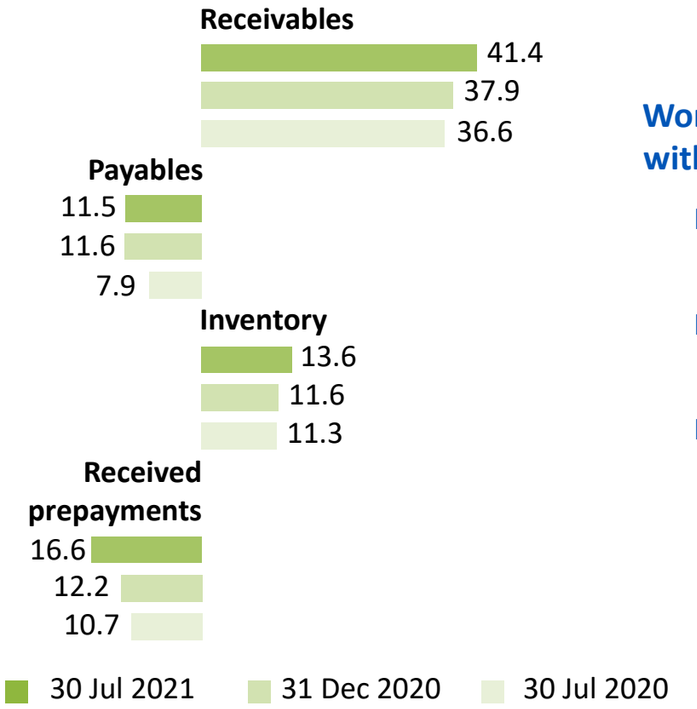
KRONES

Working capital 1st HY (in %)

Working capital in % of revenue (1st HY)
(%, average over four quarters)



Part of working capital in % of revenue (last 12 months)

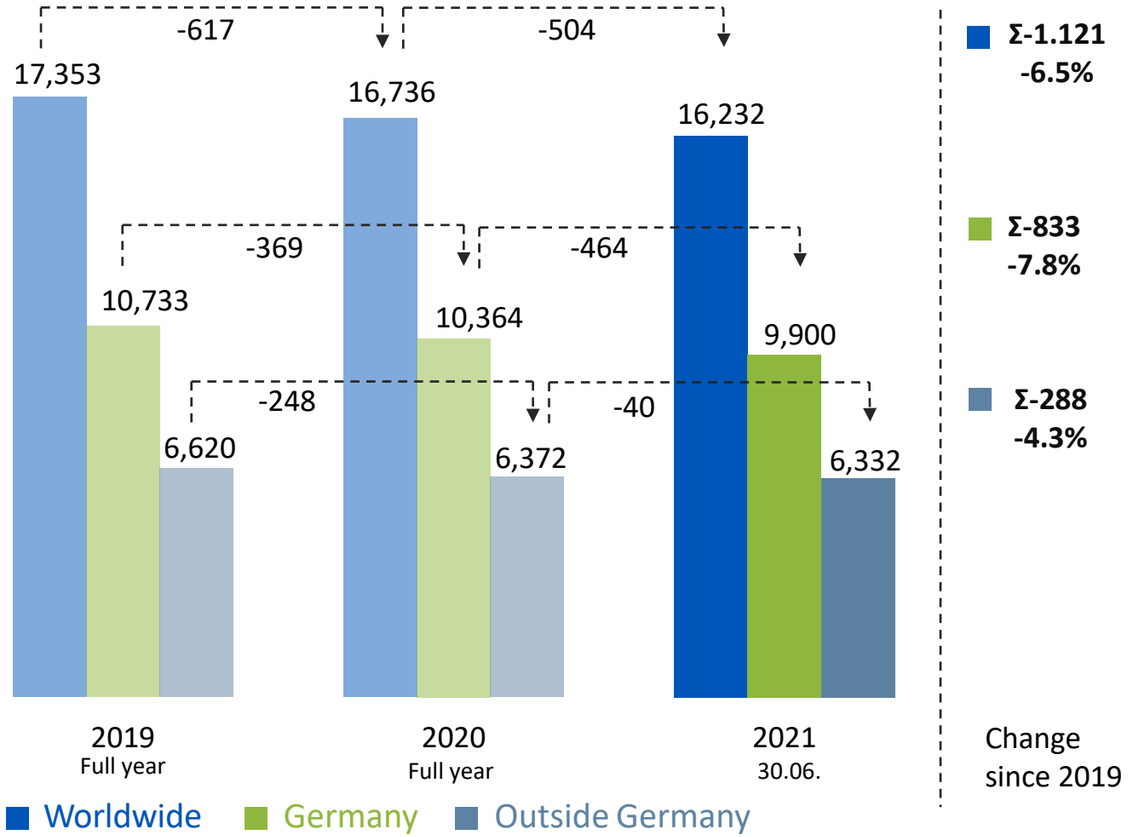


Working Capital in % of revenues (average) with 28.1% higher than prior year

- **Increase in receivables results from revenue growth of Q2 2021 (+11.7%)**
- **Higher inventory ratio also based on increasing security stock**
- **Strong increase in prepayments from order intake growth and stable liability ratio could not compensate asset growth**

KRONES

Krones **employees worldwide**



Σ-1.121
-6.5%

Σ-833
-7.8%

Σ-288
-4.3%

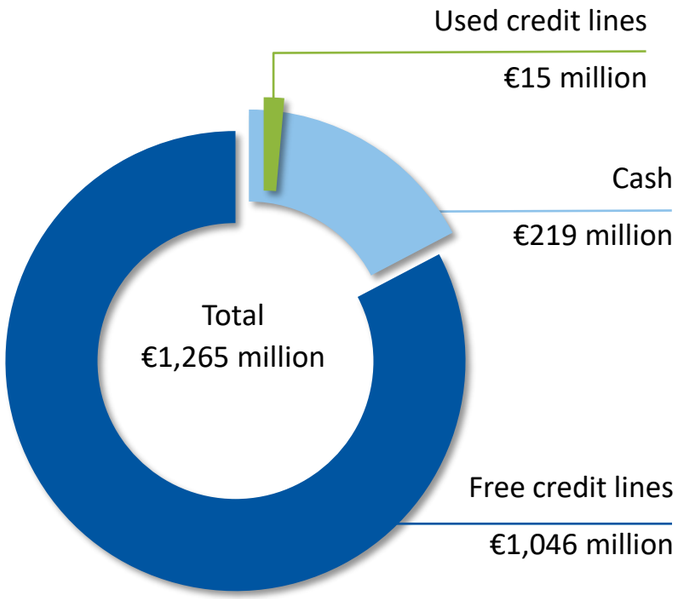
Change since 2019

- **Reduction of employees worldwide by more than 600 in 2020**
- **Further reduction in 1st half year 2021 by 504 employees mainly from the voluntary program (fall 2020) and just a few from restructuring program (December 2020)**
- **Execution of the restructuring program postponed, due to strong increase in the market demand**
- **In emerging markets nearly no workforce reduction in first 6 months 2021 in emerging markets**

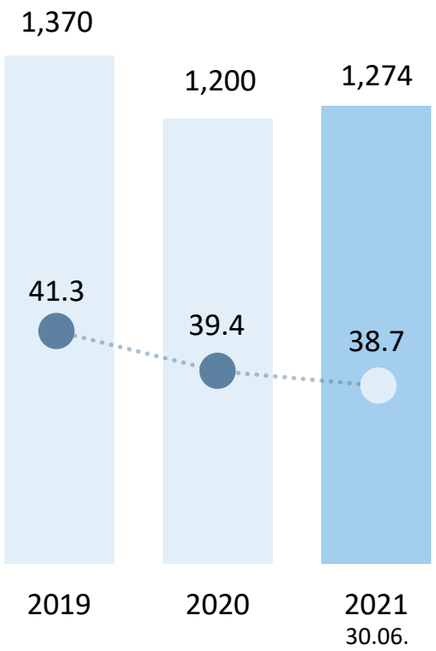
KRONES

Krones **Liquidity, equity** (€ million) and **equity ratio** (in %)

Liquidity reserves 1st HY 2021 > €1.2 billion



Equity (€ million) and equity ratio (in %)



- **High liquidity reserves of > €1.2 billion for financing the strong increasing business activities**
- **No government loans (KFW)**
- **Still very solid equity level**

KRONES

Free cash flow 1st HY

1st HY (€ million)	2021	2020
Earnings before taxes (EBT)	**75.7**	**31.8**
+/– Other non-cash changes	+156.0	+95.7
+/– Change in Working Capital	–43.6	–84.1
+/– Other assets and liabilities	–116.1	–56.4
Cash flow from operating activities	**+72.0**	**–13.0**
+/– Capex	–45.1	–55.2
+/– M&A-Activities	0.0	0.0
+/– Other	+8.5	+3.4
Free cash flow	**+35.4**	**–64.8**
+/– Financing activities	–33.9	+151.6
Net change in cash	+1.5	+86.8
Cash at the end of period	**218.5**	**197.2**

Free cash flow ~€100 million higher compared to Q2 2020

Main reasons for positive development:

- **Stronger non-cash changes result mainly from higher accrued liabilities and lower depreciations**
- **Capex reduction from €55.2 million to €45.1 million in line with expectation**

Negative effect from working capital decreased compared to prior year

KRONES

Krones **raised guidance for 2021**

Revenue Growth	EBITDA margin	Working capital
7% – 9%	**7% – 8%**	**26% – 27%**
Previous Targets	Previous Targets	Previous Targets
2.5% – 3.5%	6.5% – 7.5%	26% – 27%

KRONES

Questions and answers

KRONES

Thank you
for your attention!

KRONES

Financial calendar 2021

5 November 2021

Conference Call Group
Quarterly statement for the period
from 1 January to 30 September 2021

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

Krones AG
Böhmerwaldstrasse 5
93073 Neutraubling/Germany

Phone +49 9401 70-1169
E-Mail olaf.scholz@krones.com

KRONES

Disclaimer

This investor presentation contains forward-looking statements that are based on current estimates, forecasts and assumptions made by Krones AG management to the best of its knowledge and other information currently available to Krones AG.

The forward-looking statements of this presentation are by their very nature subject to various known and unknown risks, uncertainties and other factors, the non-occurrence or occurrence of which could cause material differences in future results of operations, financial situation, development or performance of Krones AG. Factors that could cause such differences include but are not limited to changes in political, business, economic and competitive environment, effects of future legal and legislative issues, fiscal, and other regulatory measures, foreign exchange rate fluctuations, interest rates, the availability of financing, developments in raw material and personnel costs, launches of competing products or services, poor acceptance of new products or services, and changes in business strategy.

Krones AG does not intend and does not assume any liability whatsoever to publicly update or revise any forward-looking statements or other information contained in this presentation as a result of new information, future events or otherwise. Norepresentation or warranty, express or implied, is made by Krones AG and/or its management with respect to the fairness, completeness, correctness, reasonableness, or accuracy of any information, facts, expectations or opinions contained herein. Neither Krones AG nor any of its affiliates, representatives or advisors shall have any liability whatsoever (in negligence or otherwise) for any losses or damages arising from any use of this presentation or its content or otherwise arising in connection with the statements given herein.

KRONES