

KRONES Group

Q2

Interim report for the period
from 1 January to 30 June 2020

 **KRONES**

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1 | 4 Highlights and key figures

KRONES closes second quarter 2020 with a loss due to Covid-19 situation

- Revenue from April to June fell by 16.5% year-on-year. In the first half of 2020, revenue went down by 10.1% to €1,698.6 million.
- Extreme uncertainty due to the corona situation is affecting investment confidence among customers. Order intake decreased by 38.2% in the second quarter. In the first half year, the contract value of orders went down by 28.5% to €1,457.3 million.
- Cost reductions due to structural measures mitigate the negative earnings impact of the lower revenue. Earnings before interest, taxes, depreciation and amortisation (EBITDA) remained stable at €118.5 million compared with €116.9 million in the previous year. EBT of €31.8 million for first half year includes a second-quarter loss of €21.2 million.
- The development of the economy continues to be subject to great uncertainty in the short term. Because of this, it remains difficult to estimate the size of the adverse impacts on demand and investment confidence among our customers. The KRONES Executive Board has consequently decided once again not to provide an outlook for the 2020 financial year.

Key figures for H1 2020		1 Jan – 30 Jun 2020	1 Jan – 30 Jun 2019	Change
Revenue	€ million	1,698.6	1,889.3	-10.1%
Order intake	€ million	1,457.3	2,038.6	-28.5%
Orders on hand at 30 June	€ million	1,133.4	1,410.4	-19.6%
EBITDA	€ million	118.5	116.9	+1.4%
EBITDA margin	%	7.0	6.2	+0.8 PP*
EBIT	€ million	33.2	47.5	-30.1%
EBT	€ million	31.8	47.9	-33.6%
EBT margin	%	1.9	2.5	-0.6 PP*
Consolidated net income	€ million	21.5	33.3	-35.4%
Earnings per share	€	0.68	1.06	-35.8%
Capital expenditure for PP&E and intangible assets	€ million	55.2	91.4	-€36.2 million
Free cash flow	€ million	-64.8	-259.4	+€194.6 million
Net cash and cash equivalents at 30 June**	€ million	-77.9	-108.7	+€30.8 million
Working capital to revenue***	%	27.6	26.0	+1.6 PP*
ROCE	%	3.8	5.5	-1.7 PP*
Employees at 30 June				
Worldwide		16,906	17,128	-222
Germany		10,422	10,764	-342
Outside Germany		6,484	6,364	+120

Key figures for Q2 2020		1 Apr – 30 Jun 2020	1 Apr – 30 Jun 2019	Change
Revenue	€ million	756.6	905.8	-16.5%
Order intake	€ million	616.2	997.0	-38.2%
EBITDA	€ million	29.0	30.9	-6.1%
EBITDA margin	%	3.8	3.4	+0.4 PP*
EBIT	€ million	-20.5	-4.3	-
EBT	€ million	-21.2	-3.6	-
EBT margin	%	-2.8	-0.4	-2.4 PP*
Consolidated net income	€ million	-17.6	-3.0	-
Earnings per share	€	-0.56	-0.09	-

* PP = percentage points ** Cash and cash equivalents less debt *** Average of last 4 quarters

Letter from the **Executive Board**

Dear shareholders and friends of **KRONES**,

The coronavirus continues to dominate global developments. While we have corona more or less under control after the first wave in Germany and the rest of western Europe, the pandemic has not yet peaked worldwide. The virus continues to spread rapidly in the USA, South America, Africa and India. In parallel with a health crisis, Covid-19 has also caused a global economic crisis. Many economists expect this to be deeper and longer-lasting than the 2008/09 financial crisis. The International Monetary Fund forecasts that the global economy will contract by 4.9% this year. And Covid-19 will continue to impact the global economy for several years to come.

KRONES, too, is affected by the general uncertainty among customers. Investment is being postponed until certainty and confidence improve. As expected, the corona crisis had a massive impact on the figures for the second quarter – most of all on order intake, which was 38.2% down between April and June. Revenue fell by 16.5% year-on-year. Due to the comparatively good first quarter, the half-year figures do not show such a large decrease in order intake (down 28.5%) and revenue (down 10.1%), although there will be substantial impacts in the following quarters.

There is also positive news. The structural measures to improve profitability launched in the second half of 2019 are taking effect. Despite lower revenue, earnings before interest, taxes, depreciation and amortisation (EBITDA) improved by 1.4% between January and June to €118.5 million and the EBITDA margin from 6.2% to 7.0%. However, this was mainly due to the relatively good first quarter, which was scarcely affected by corona. KRONES recorded earnings before taxes of –€21.2 million in the second quarter of 2020.

Although the impacts of the recession will certainly continue to be with us for several more quarters, KRONES will master this difficult situation. Together, we will further strengthen KRONES' market position in the crisis. Key factors here are good service and on-time contract fulfilment, especially under the current worldwide travel restrictions due to corona. We are also increasing our focus on innovation. This will enable us to profit on a lasting basis from the medium-term recovery of our markets. And that our market will grow in the medium and long term is beyond question. Moreover, KRONES is very well positioned structurally and financially to emerge from the crisis stronger than before.



Christoph Klenk
CEO

The KRONES share

International stock markets recover powerfully in second quarter

Stock markets all over the world were dominated by the impacts of the coronavirus in the first half of 2020. After a steep fall in March due to the rapid spread of the Covid-19 pandemic and global lockdowns, the situation on the stock markets eased continuously from April onwards. The turnaround was set in motion by massive and rapid liquidity assistance from central banks and comprehensive government stimulus programmes. Decreasing corona infection figures in some regions also made for positive sentiment among equity investors. However, the powerful recovery in the second quarter was not enough to make up for the heavy losses earlier in the year, with the result that all key share indices remain down on the beginning of the year.

Germany's DAX share index fell 7.1% between January and June 2020 to close at 12,300 points. This fall in the DAX was relatively small compared to other major international share indices. The Euro Stoxx 50, made up of the 50 largest companies in the euro area, lost 13.7%. Similarly, the Dow Jones lost ground in the first half of 2020. The leading US stock index dropped 9.3%. Japan's stock market did comparatively well in the first six months of 2020 with the Nikkei index falling by just 5.8%.

KRONES share price recovers significantly after corona setback

The high volatility on the stock markets is reflected in movements in the KRONES share price, which fluctuated sharply during the first half of 2020. After a good start to the 2020 stock market year, our share price of €75.50 on 24 January marked the high point for the first half year. This represented a gain of 12% on the opening price at the beginning of the year. From the end of February, our share price was caught in the general corona-induced downward

spiral and fell to its half-year low of €41.92 on 23 March. Carried along by the global stock market recovery, KRONES shares recovered significantly in the second quarter. Between April and June 2020, the share price gained 17.1% to €57.10. Shareholders were additionally paid a dividend of €0.75 per share in May. Nevertheless, the KRONES share price remained 15.4% down on the beginning of the year. Including the dividend, the share price was down 14.3% over the first half year 2020. The SDAX, of which KRONES has been a component since 2018, fell by 7.8% in the same period.

After the disastrous first quarter, stock markets recovered in the second quarter. However, the KRONES share price did not rise quite as strongly as the SDAX between April and June 2020.

KRONES share price from 1 January to 30 June 2020



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Economic environment

Corona crisis plunges the global economy into deep recession

The Covid-19 pandemic is having a massive impact on the global economy. According to the International Monetary Fund forecast, the world economy is expected to shrink by 4.9% in 2020.

The International Monetary Fund (IMF) expects the global economy to contract sharply in 2020. This is due to the impacts of the Covid-19 pandemic. The IMF experts assume that the corona crisis will impact the global economy more severely than initially expected. In addition, the global economy is likely to recover more slowly than had been hoped. In June, the IMF consequently revised its 2020 growth forecast for the global economy to minus 4.9%. In April, the forecast had stood at 3.0%. The IMF stresses that the current estimate is subject to great uncertainty.

Economic activity is expected to slump particularly sharply in 2020 in the mature industrialised nations. In the USA, the IMF forecasts that gross domestic product (GDP) will shrink by 8.0% in 2020 relative to the previous year. The experts anticipate an even more pronounced contraction for the euro area. GDP in the single currency area is expected to fall by 10.2% in 2020. The IMF projects even larger downturns in the economy in Italy (minus 12.8%), Spain (minus 12.8%) and France (minus 12.5%). For Germany, the economic experts anticipate a 7.8% GDP decline. Japan is another major economy to slide into recession in 2020. The IMF forecasts that Japan's GDP will be down 5.8%. Overall, the IMF expects that the economy in mature industrialized countries will shrink by 8.0% in 2020 relative to the previous year.

Economic output in emerging and developing countries is expected to fall less sharply. Support comes from China, the first country affected by the pandemic. The Chinese economy is already slowly recovering and, according to IMF forecasts, is expected to grow by 1.0% this year. However, there are also regions in the emerging markets that are suffering very severely from the corona crisis. These include India and Latin America. India's GDP is expected to fall by 4.5% in 2020, and Latin America's by as much as 9.4%. In the Middle East/Central Asia region (minus 4.7%) and Russia (minus 6.6%), the oil price collapse is also dragging down the economy. Overall, according to the IMF, GDP in emerging and developing countries is expected to decline by 3.0% in 2020.

Collapse in incoming orders for German mechanical engineering sector

The impacts of the corona crisis are hitting the German machinery sector with full force. Incoming orders in the industry have been sharply down since March 2020. According to the German Mechanical Engineering Industry Association (VDMA), the sector saw incoming orders fall by 22% year-on-year in the three-month period March to May 2020. The outlook for the full year remains bleak due to the weak global economy. At the beginning of May, the VDMA consequently withdrew its previous output forecast of minus 5% for 2020. The industry association did not publish a new forecast due to the high level of economic uncertainty.

Revenue

KRONES' revenue down 10.1% in first half of 2020 due to corona

The economic impacts of the corona crisis hit KRONES particularly hard in the second quarter of 2020.

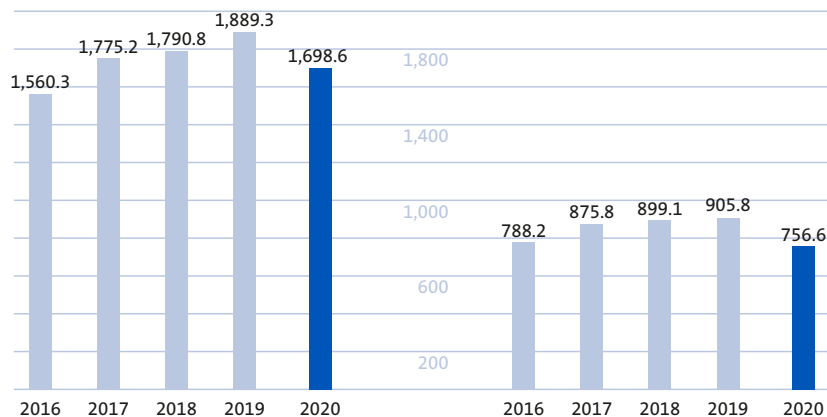
As expected, the economic consequences of the Covid-19 pandemic had a far greater impact on KRONES' revenue in the second quarter of 2020 than in the first three months of the financial year. Revenue from April to June 2020 showed a year-on-year decrease of 16.5%, from €905.8 million to €756.6 million. In the first quarter, revenue was only 4.2%

down. Revenue in the first six months of 2020 consequently fell by a total of 10.1% year-on-year, from €1,889.3 million to €1,698.6 million.

New machinery revenue was down more sharply in the first half of 2020 than service revenue. KRONES has been able to mitigate the effects of global travel restrictions thanks to its worldwide service network. However, the general economic uncertainty is also affecting the service business and its future development.

Revenue from 1 Jan to 30 Jun (€ million)

Revenue in Q2 (€ million)



Revenue by segment from 1 Jan to 30 Jun 2020

Revenue by segment from 1 Jan to 30 Jun 2019

Machines and lines for product filling and decoration
86.6%* (€1,470.3 million)

Machines and lines for beverage production/ process technology
13.4%* (€228.3 million)

* Share of consolidated revenue of €1,698.6 million

Machines and lines for product filling and decoration
83.7%* (€1,581.5 million)

Machines and lines for beverage production/ process technology
16.3%* (€307.8 million)

* Share of consolidated revenue of €1,889.3 million

Revenue by region

Quarterly revenue figures for the various regions are not very meaningful because orders and revenue can fluctuate significantly from one quarter to the next.

KRONES' domestic revenue fell in the first half of 2020 by 26.8% year-on-year to €188.9 million because of the difficult overall economic situation. The relatively high level recorded in the previous year must be kept in mind here. As a percentage of consolidated revenue in the first six months, domestic revenue decreased from 13.7% a year earlier to 11.1%.

Revenue in most of the rest of Europe (excluding Germany) was also down in the reporting period because of the corona crisis. In the large Western Europe sales region, the fall in revenue was limited in extent. Revenue there decreased 1.6% year-on-year in the first half of 2020, from €249.4 million to €245.4 million. The drop in revenue was significantly sharper in Central Europe (Austria, Switzerland and the Netherlands). Revenue there fell from €155.0 million to €105.8 million. In Eastern Europe, after a relatively stable first quarter, the decline in revenue accelerated between April and June 2020. In total, revenue in the first half year decreased by 18.1% to €92.7 million. Revenue in Russia/CIS has been at a low level for some time due to the difficult economic conditions in the region. In the first half year, revenue there went up from €34.7 million to €39.8 million. In the whole of Europe (excluding Germany), KRONES generated revenue of €483.7 million in the first half of 2020. That is 12.4% less than in the previous year (€552.3 million). The percentage of consolidated revenue in the first six months of 2020 was 28.5% (previous year: 29.2%).

KRONES' revenue increased in the Middle East/Africa region. Between January and June 2020, it improved there by 9.3% year-on-year to €239.4 million. After the corona-driven collapse in revenue (by 50%) in the first quarter, business in China stabilised in the second quarter of 2020. As of 30 June, revenue was still 37.1% below the previous year at €98.0 million. Revenue in the remainder of the Asia/Pacific region fell in the first two quarters of 2020 by 13.8% year-on-year to €199.9 million.

After strong sales growth in the first three months of 2020, the corona crisis slowed KRONES' business in North and Central America in the second quarter. There, revenue went up by a total of 5.8% to €297.3 million. Revenue in South America/Mexico was likewise down in the second quarter after a good first quarter. This was because parts of the region being severely affected by the coronavirus. Between January and June 2020, revenue there showed virtually no change year-on-year at €191.4 million.

KRONES' regional revenue split changed little overall in the first six months of 2020 relative to the previous year. The proportion of revenue generated by the company in emerging markets was 50.7% in the reporting period (previous year: 50.1%). KRONES generated 49.3% of revenue in mature industrialised countries (previous year: 49.9%).

KRONES Group revenue by region

Share of consolidated revenue	1 Jan to 30 Jun 2020		1 Jan to 30 Jun 2019		Change %
	€ million	%	€ million	%	
Germany	188.9	11.1	258.0	13.7	-26.8
Central Europe (excluding Germany)	105.8	6.2	155.0	8.2	-31.8
Western Europe	245.4	14.4	249.4	13.2	-1.6
Eastern Europe	92.7	5.5	113.2	6.0	-18.1
Russia, Central Asia (CIS)	39.8	2.3	34.7	1.8	+14.7
Middle East/Africa	239.4	14.1	219.0	11.6	+9.3
Asia-Pacific	199.9	11.8	231.9	12.3	-13.8
China	98.0	5.8	155.8	8.2	-37.1
South America/Mexico	191.4	11.3	191.2	10.1	+0.1
North and Central America	297.3	17.5	281.1	14.9	+5.8
Total	1,698.6	100.0	1,889.3	100.0	-10.1

Order intake and order backlog

Investment confidence affected by overall economic uncertainty

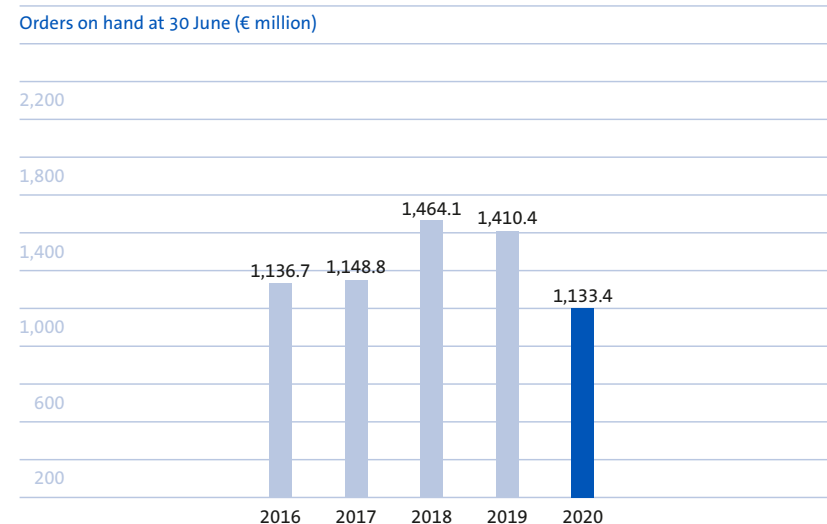
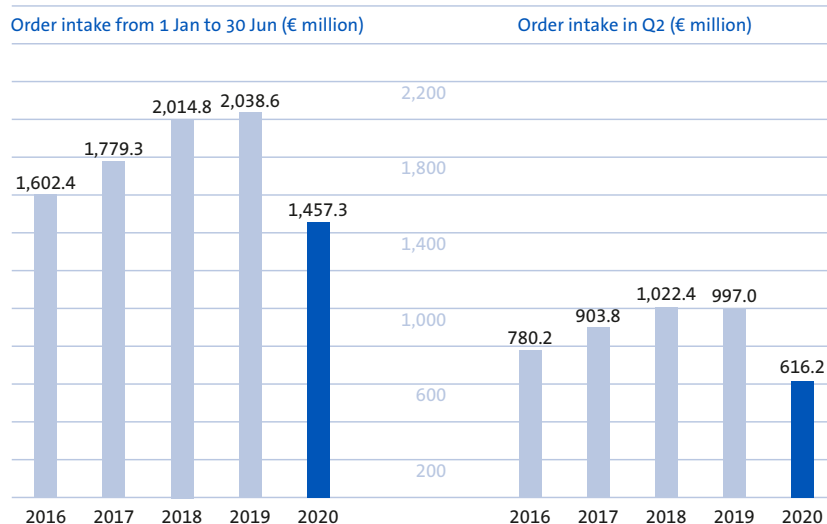
Many of KRONES' customers are cutting capital expenditure due to the impacts of the corona crisis. The contract value of orders decreased by 28.5% from January to June 2020 relative to the same period of the previous year.

The global lockdowns also had a significant impact on business for the international beverage industry in the first half of 2020. In addition, there is much general economic uncertainty as a result of the corona crisis. That is affecting investment confidence among KRONES' customers. Order intake from January to June 2020 fell by 28.5% year-on-year, from €2,038.6 million to €1,457.3 million. The contract value of orders in the second quarter was down 38.2% to €616.2 million. KRONES does not expect a turnaround in orders in the short term.

The falling order intake had a severe impact in particular on new machinery sales between January and June 2020. Orders in the service business declined noticeably at the beginning of the second quarter. In the Middle East/Africa region, orders remained relatively stable. Order intake in the Asia/Pacific region and the USA fell less sharply than in the group as a whole. Orders in KRONES' remaining sales regions fell more steeply than the group average.

KRONES' order backlog €1.13 billion at 30 June 2020

The lower order intake in the first six months of 2020 is also reflected in KRONES' order backlog. At €1,133.4 million as of 30 June 2020, this was 19.6% down on a year earlier (€1,410.4 million). It should be noted that at the request of customers, some orders will not go into production until later and will not be included in revenue in 2020.



Earnings

KRONES' closes second quarter 2020 with a loss

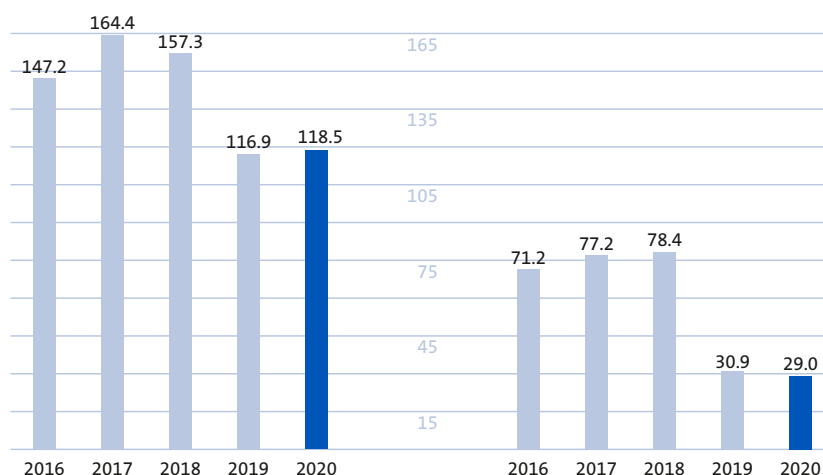
Earnings before interest, taxes, depreciation and amortisation (EBITDA) fell to €29.0 million in the second quarter of 2020, compared with €30.9 million in the second quarter of the previous year, which was a weak quarter due to one-off effects. The second-quarter figure includes an effect of €3.2 million from an increase in credit risk provisioning. The negative earnings before taxes (EBT) of –€21.2 million in the second quarter of 2020 includes €13.6 million in impairments recognised in goodwill impairment testing. Consolidated net income went down from –€3.0 million in the second quarter of the previous year to –€17.6 million in the second quarter of 2020. Earnings per share went down from –€0.09 to –€0.56.

KRONES began implementing extensive structural measures to improve profitability in the second half of 2019. These include savings in material and labour

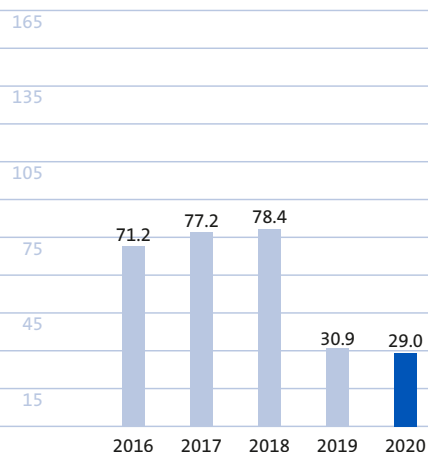
costs. The company is making some good progress with implementation. The first quarter of 2020 was also not yet significantly affected by corona. Despite substantially lower revenue, earnings before interest, taxes, depreciation and amortisation (EBITDA) consequently went up slightly by 1.4% year-on-year, from €116.9 million to €118.5 million between January and June 2020. Partly because of the goodwill impairments, earnings before taxes (EBT) therefore fell in the first half of 2020 to €31.8 million (previous year: €47.9 million). The EBT margin was 1.9% (previous year: 2.5%). Consolidated net income came to €21.5 million in the first six months of 2020 (previous year: €33.3 million). This corresponds to earnings per share of €0.68 (previous year: €1.06).

Savings in the material costs strengthened KRONES' profitability in the first half of 2020. EBITDA remained relatively stable despite the lower revenue.

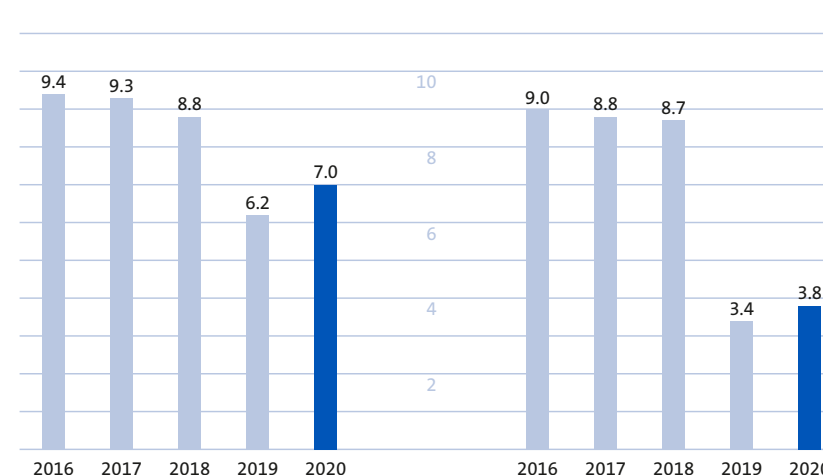
EBITDA from 1 Jan to 30 Jun (€ million)



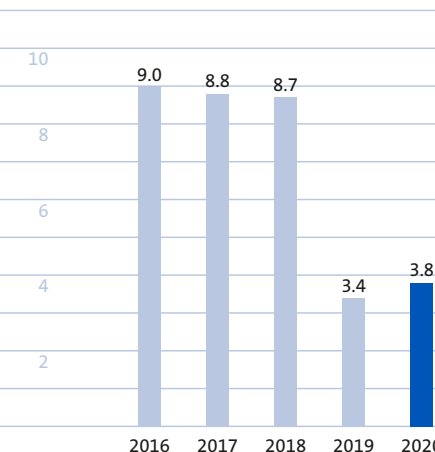
EBITDA in Q2 (€ million)



EBITDA margin from 1 Jan to 30 Jun in %



EBITDA margin in Q2 in %



KRONES Group earnings structure

€ million	2020 1 Jan–30 Jun	2019 1 Jan–30 Jun	Change %
Revenue	1,698.6	1,889.3	-10.1
Changes in inventories of finished goods and work in progress	6.7	20.0	-
Total operating performance	1,705.3	1,909.3	-10.7
Goods and services purchased	-813.4	-974.4	-16.5
Personnel expenses	-594.9	-641.7	-7.3
Other operating income/expenses and own work capitalised	-178.5	-176.3	+1.2
EBITDA	118.5	116.9	+1.4
Depreciation and amortisation on fixed assets	-85.3	-69.4	+22.9
EBIT	33.2	47.5	-30.1
Financial income/expense and profit/loss from equity-accounted associates	-1.4	0.4	-
EBT	31.8	47.9	-33.6
Income tax	-10.3	-14.6	-29.5
Consolidated net income	21.5	33.3	-35.4

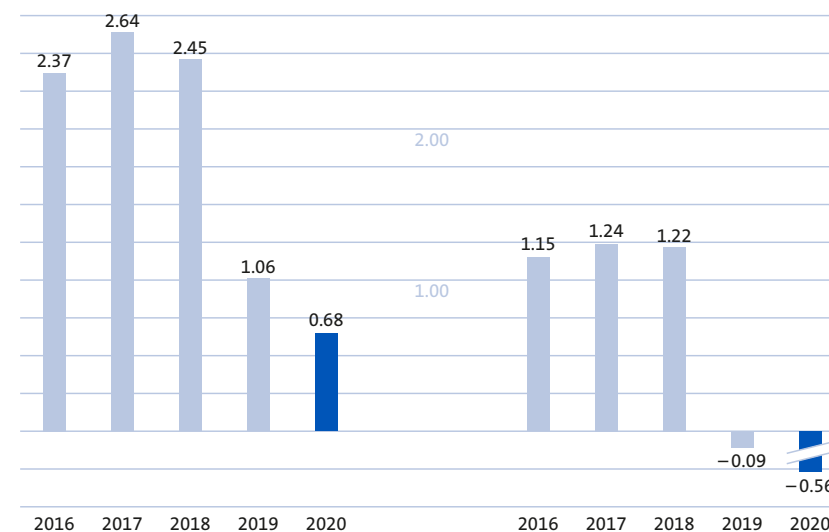
KRONES recorded significantly lower revenue and total operating performance in the first half of 2020 due to the corona pandemic. Revenue, at €1,698.6 million, was 10.1% down on the previous year. Total operating performance fell slightly more sharply, by 10.7% to €1,705.3 million. This was because KRONES increased inventories of finished goods and work in progress by only €6.7 million in the reporting period, in contrast to the previous year when these increased by €20.0 million.

Thanks to major savings in material and labour costs, KRONES was able to improve profitability in terms of EBITDA despite the fall in revenue in the first half of 2020.

Goods and services purchased went down by a greater proportion than total operating performance, falling by 16.5% to €813.4 million. The larger percentage accounted for by the service business relative to the previous year is positively reflected in goods and services purchased. A decrease in pur-

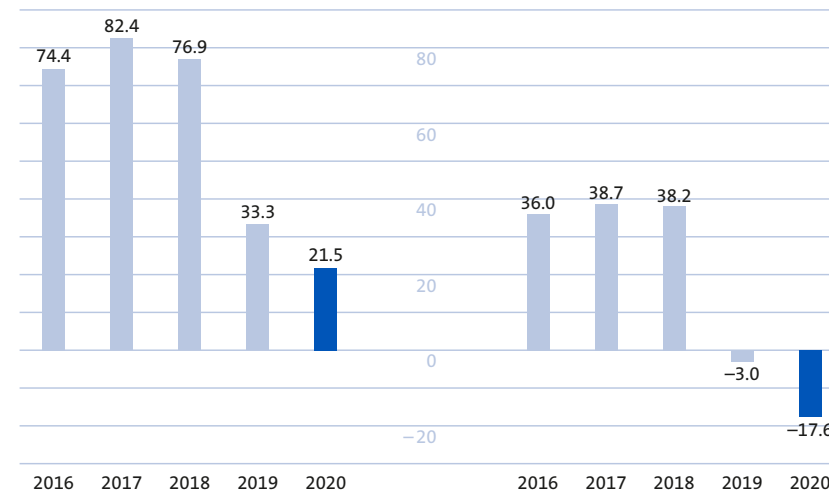
Earnings per share from 1 Jan to 30 Jun (€)

Earnings per share in Q2 (€)

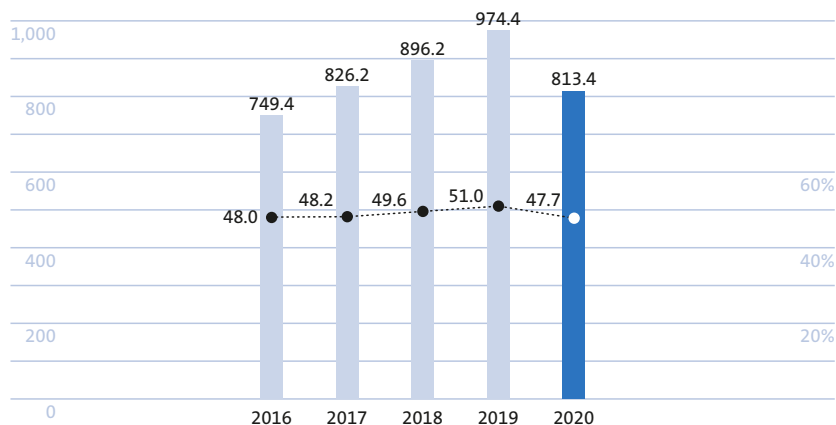


Net income from 1 Jan to 30 Jun (€ million)

Net income in Q2 (€ million)



Goods and services purchased from 1 Jan to 30 Jun (€ million, %)

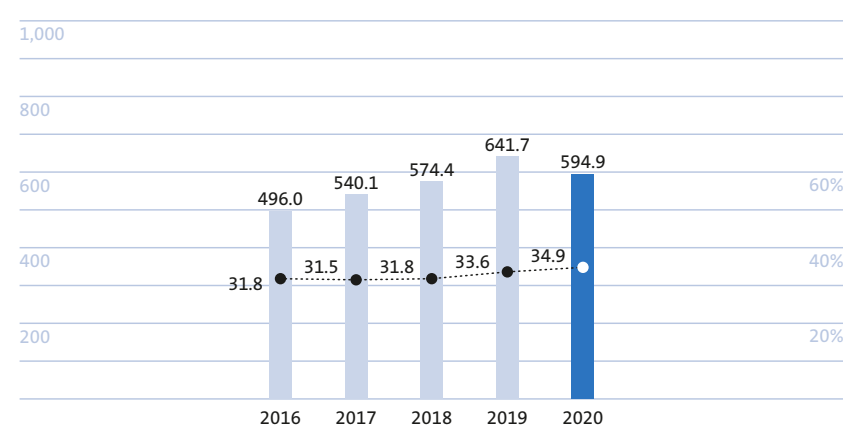


chased services due to a reduction in temporary staff also had a positive effect on goods and services purchased. The ratio of goods and services purchased to total operating performance decreased significantly from 51.0% in the previous year to 47.7% in the reporting period.

Personnel expenses also reflected the initial success of the measures taken, falling in the first half of 2020 by 7.3% from €641.7 million to €594.9 million. This reflects both the reduction in the workforce in Germany and internationally and the measures to improve personnel capacity utilisation such as short-time working and the reduction of overtime. The ratio of personnel expenses to total operating performance nevertheless went up slightly from 33.6% in the previous year to 34.9%.

Other operating expenses increased by 2.7% to €254.1 million between January and June 2020. Other operating income also increased from €46.2 million to €55.4 million, while own work capitalised went down from €25.0 million to €20.2 million. In total, the net balance of other operating income and expenses and own work capitalised changed slightly from –€176.3 million in the prior-

Personnel expenses from 1 Jan to 30 Jun (€ million, %)



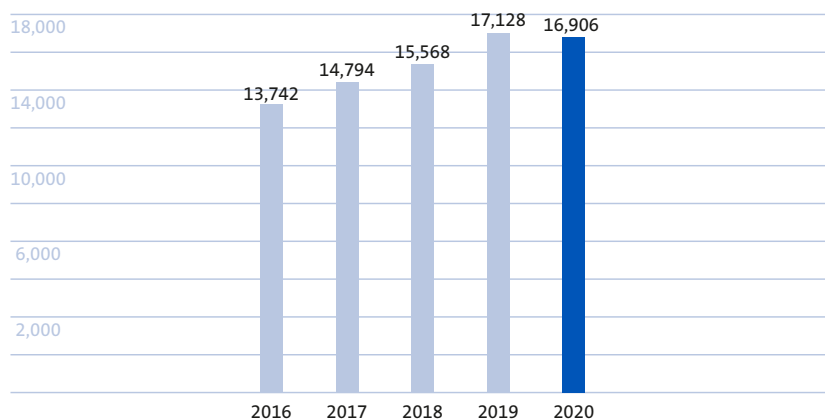
year period to –€178.5 million in the reporting period. As a percentage of total operating performance, this represented an increase from 9.2% to 10.5%.

Despite the lower revenue, KRONES increased EBITDA (earnings before interest, taxes, depreciation and amortisation) in the reporting period from €116.9 million to €118.5 million, thus improving the EBITDA margin from 6.2% to 7.0%. At €85.3 million, depreciation and amortisation of fixed assets was substantially higher than the prior-year figure of €69.4 million. This was mainly due to goodwill impairments in the amount of €13.6 million in the second quarter. Due to the higher depreciation and amortisation, earnings before interest and taxes (EBIT) decreased in the first half of 2020 from €47.5 million to €33.2 million.

Financial income/expense and profit/loss from equity-accounted associates came to –€1.4 million, compared with €0.4 million in the previous year. Earnings before taxes (EBT) consequently fell in the first half of 2020 from €47.9 million to €31.8 million. This results in an EBT margin of 1.9% (previous year: 2.5%). The tax rate increased year-on-year from 30.5% to 32.4%. Consolidated net income for the reporting period was €21.5 million (previous year: €33.3 million).

Employees

KRONES employees worldwide at 30 June



KRONES employs 16,906 people worldwide as of 30 June 2020

Due to structural adjustments in Germany, the decrease in the workforce at KRONES in the first half of 2020 was most pronounced at German locations.

KRONES' workforce was 16,906 at the end of the reporting period, a decrease of 447 relative to 31 December 2019 (17,353). The number of employees in Germany went down by 311 to 10,422 (31 December 2019: 10,733). The expansion of the global footprint and hence of the international workforce has

been temporarily slowed by the coronavirus. The number of employees abroad consequently fell slightly to 6,484 (31 December 2019: 6,620). 567 young people were in training in the KRONES Group as of 30 June.

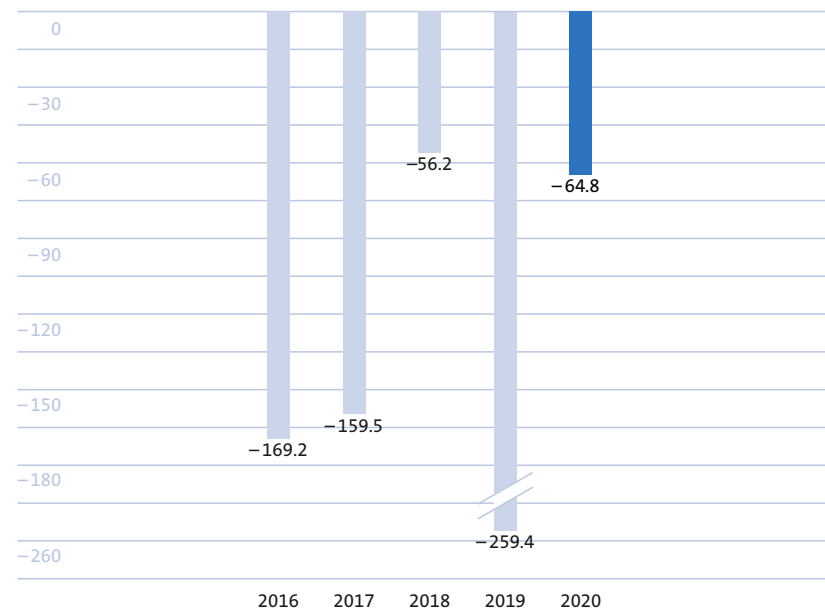
Consolidated cash flow

KRONES Group cash flow

€ million	2020 1 Jan – 30 Jun	2019 1 Jan – 30 Jun
Earnings before taxes	31.8	47.9
Other non-cash changes	+95.7	+102.0
Changes in working capital	–84.1	–270.3
Changes in other assets and liabilities	–56.4	–17.2
Cash flow from operating activities	–13.0	–137.6
Capital expenditure for PP&E and intangible assets	–55.2	–91.4
M&A activities	0.0	–29.3
Other	+3.4	–1.1
Free cash flow	–64.8	–259.4
Cash flow from financing activities	+151.6	+181.1
Other	+0.0	+3.8
Net change in cash and cash equivalents	+86.8	–74.5
Cash and cash equivalents at the end of the period	197.2	144.3

KRONES improved cash flow from operating activities in the first half of 2020 by €124.6 million to –€13.0 million (previous year: –€137.6 million). The main contributing factor was the much smaller increase in working capital by €84.1 million (previous year: €270.3 million). Alongside the increase in provisions, the non-cash changes primarily comprise depreciation and amortisation in the amount of €85.3 million. Conversely, the increase in other assets and liabilities had a €56.4 million negative impact on cash flow in the reporting period, compared with €17.2 million in the prior-year period.

Free cash flow from 1 January to 30 June (€ million)



Ratio of working capital to revenue increased to 27.6%

Average working capital over the past four quarters increased as a percentage of revenue to 27.6% in the reporting period, compared with 26.0% in the prior-year period. The working capital to revenue ratio was 29.3% as of the reporting date (previous year: 27.5%). The increase in this figure is mainly due to the lower revenue.

Average working capital over the past four quarters increased in the first half year from 26.0% to 27.6%.

KRONES improved cash flow from operating activities by €124.6 million and free cash flow by no less than €194.6 million year-on-year in the first half of 2020.

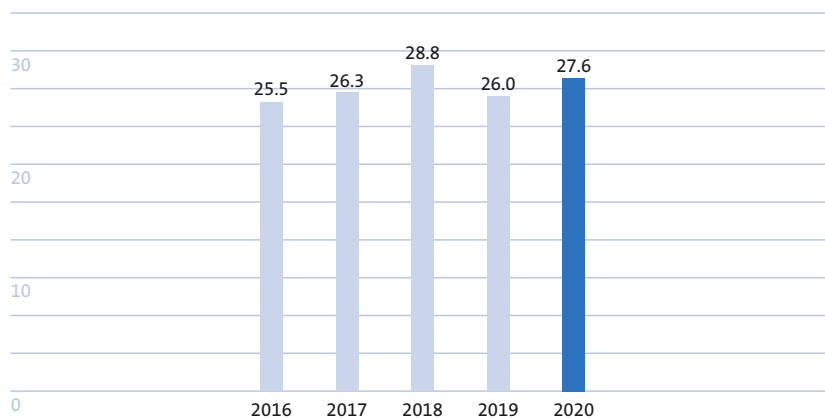
KRONES improved free cash flow (net cash generated from operating activities) by €194.6 million year-on-year to –€64.8 million from January to June 2020.

KRONES invested €55.2 million in property, plant and equipment and intangible assets in the reporting period. As planned, this amount is significantly below the prior-year figure of €91.4 million, which was exceptionally high because of investment in

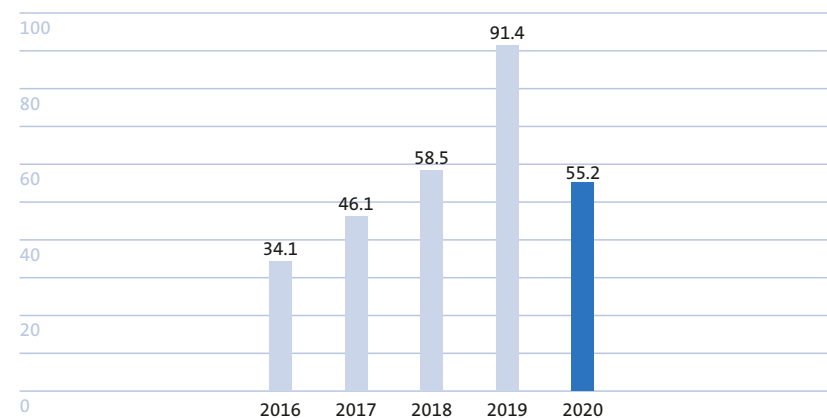
the plant in Hungary. KRONES

invested €55.2 million in property, plant and equipment and intangible assets in the reporting period. As planned, this amount is significantly below the prior-year figure of €91.4 million, which was exceptionally high because of investment in the plant in Hungary. KRONES improved free cash flow (net cash generated from operating activities) by €194.6 million year-on-year to –€64.8 million from January to June 2020. Cash flow from financing activities was €151.6 million (previous year: €181.1 million). In the reporting period, this item essentially includes the dividend payout of €23.7 million (previous year: €53.7 million) as well as €202.9 million in proceeds from new borrowing (previous year: €249.3 million). As a result, KRONES had cash and cash equivalents totalling €197.2 million at 30 June 2020 (previous year: €144.3 million).

KRONES Group working capital to revenue from 1 January to 30 June (%) (LTM)



Capital expenditure for PP&E and intangible assets from 1 Jan to 30 Jun (€ million)



Assets and capital structure

KRONES Group asset and capital structure

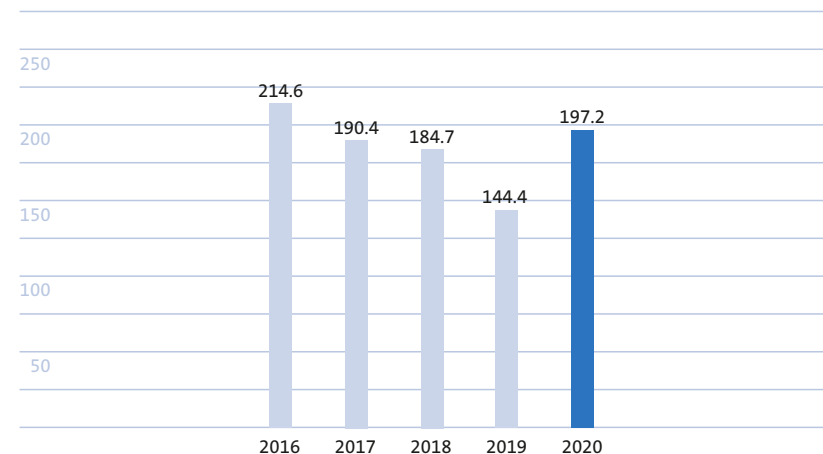
€ million	30 Jun 2020	31 Dec 2019	30 Jun 2019	31 Dec 2018
Non-current assets	1,125	1,154	1,144	1,010
of which fixed assets	1,016	1,070	1,059	936
Current assets	2,119	2,165	2,266	2,312
of which cash and equivalents	197	110	144	219
Equity	1,335	1,370	1,423	1,433
Total debt	1,909	1,949	1,987	1,888
Non-current liabilities	438	452	417	359
Current liabilities	1,471	1,497	1,570	1,529
Total	3,244	3,319	3,410	3,321

At 2.3%, the decrease in KRONES' total assets was smaller than the fall in total operating performance (10.7%).

KRONES' total assets went down by 2.3% in the first half of 2020 due to the lower business volume, although the decrease was smaller than the fall in total operating performance (10.7%). Total assets stood at €3.24 billion as of 30 June 2020 (31 December 2019: €3.32 billion).

Non-current assets went down by 2.5% in the first half year, almost exactly in line with total assets, and amounted to €1,124.8 million (31 December 2019: €1,154.0 million). The reduction in fixed assets to €1,015.7 million (31 December 2019: €1,069.8 million) mainly results from lower intangible assets. These fell to €328.6 million (31 December 2019: €345.2 million), mainly due to impairments of

Cash and cash equivalents at 30 June (€ million)



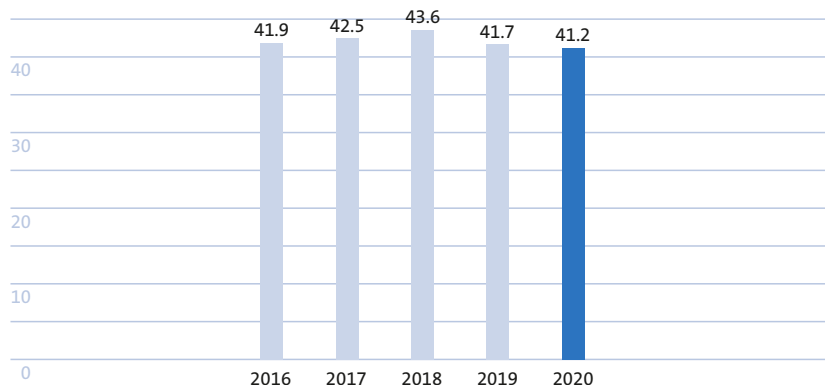
goodwill in the amount of €13.6 million. Property, plant and equipment were also down due to the lower capital expenditure, at €653.3 million (31 December 2019: €693.2 million).

There was likewise a decrease in current assets. These totalled €2,118.8 million at the end of the reporting period, down €46.6 million from the figure as of 31 December 2019. The decrease mainly related to the sharp decrease in trade receivables. KRONES reduced these in the first half of 2020 by €182.0 million to €750.9 million. Inventories increased to €402.0 million (31 December 2019: €382.5 million) and contract assets to €590.5 million (31 December 2019: €571.3 million). Cash and cash equivalents went up from €110.4 million to €197.2 million, mainly due to partial drawings on existing credit facilities.

On the equity and liabilities side, current liabilities went down slightly relative to the 2019 year-end, falling by 1.7% to €1,471.2 million. KRONES reduced trade payables in the reporting period by €198.5 million to €265.2 million. In addition, contract liabilities decreased to €403.1 million (31 December 2019: €442.9 million). Conversely, the company increased short-term bank debt. This came to €275.0 million as of 30 June 2020 (31 December 2019: €72.2 million).

KRONES' non-current liabilities went down to €437.4 million as of 30 June 2020 (31 December 2019: €452.0 million). This was mainly due to the lower other financial liabilities and liabilities from leases, which fell from €104.9 million to €87.2 million. The Company had €0.1 million in non-current bank debt as of 30 June 2020 (31 December 2019: €0.0 million).

Equity ratio KRONES Group at 30 June (%)

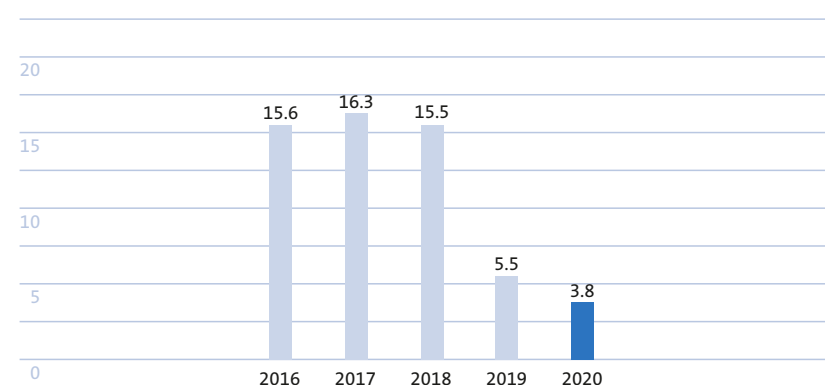


Decrease in equity ratio and ROCE

At €1,335.0 million, equity was slightly on the 2019 reporting date (€1,370.0 million). At 41.2%, the equity ratio was at almost exactly the same level as on 31 December 2019 (41.3%). Net cash and cash equivalents (cash and cash equivalents less bank debt) came to –€77.9 million as of 30 June 2020 (31 December 2019: €38.1 million). KRONES had €250.3 million in undrawn credit facilities as of 30 June 2020 together with a back-up facility for €500 million.

Return on capital employed (ROCE) – the ratio of EBIT to average net capital employed – decreased to 3.8% in the first half of 2020 as a result of the lower earnings (previous year: 5.5%).

KRONES Group ROCE from 1 Jan to 30 Jun (%)



Report from the segments

Machines and Lines for Product Filling and Decoration

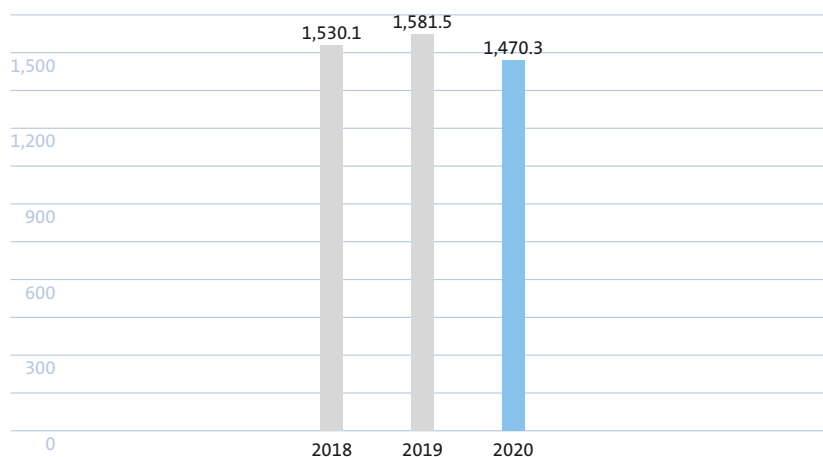
Segment revenue

The corona crisis had a strong impact on revenues in KRONES' core segment in the second quarter. Segment revenue fell by 7.0% year-on-year to €1,470.3 million in the first six months of 2020.

Revenue in the core segment, Machines and Lines for Product Filling and Decoration, was down 7.0% year-on-year, from €1,581.5 million to €1,470.3 million in the period January to June 2020. The consequences of the corona crisis slowed business in the segment primarily in the second quarter. Revenue decreased by 12.4% between April and June 2020

relative to the same period of the previous year. New machinery revenue fell more sharply in the first six months than service revenue. The core segment's share of consolidated revenue was 86.6% in the first half of 2020 (previous year: 83.7%).

Segment revenue (€ million)

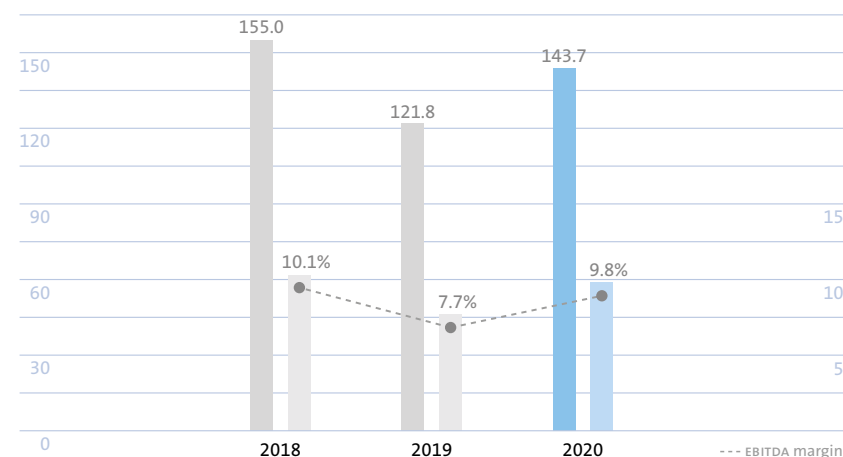


Segment earnings

Core segment profitability improved in the first half of 2020 despite the fall in revenue. Earnings before interest, taxes, depreciation and amortisation (EBITDA) went up from €121.8 million in the previous year to €143.7 million. The EBITDA margin consequently improved from 7.7% to 9.8%. Earnings before taxes (EBT) climbed to €76.8 million (previous year: €57.0 million). The increase in earnings in the core segment reflects the initial benefits of the structural measures to increase profitability. It should also be noted, however, that segment earnings in the first half of 2019 were heavily impacted by a temporary capacity underutilisation in plastics technology.

Cost savings enabled KRONES to compensate for the negative impacts of lower volume on core segment earnings in the first half of 2020.

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



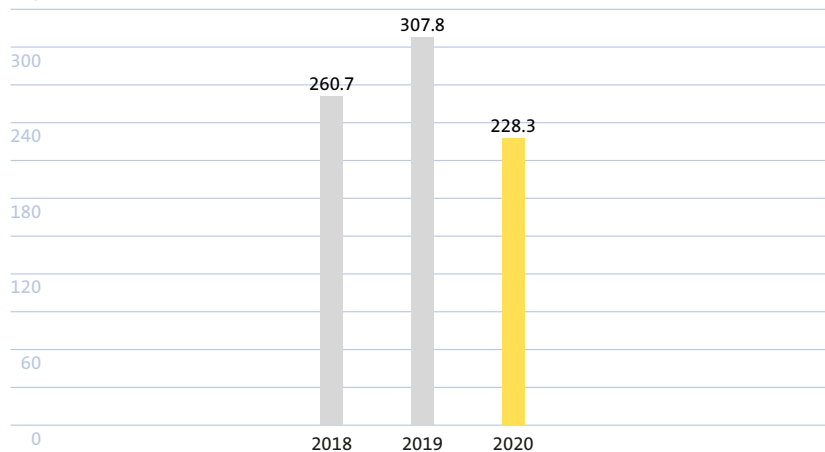
Machines and Lines for Beverage Production/Process Technology

Segment revenue

The corona crisis had a major impact on the Machines and Lines for Beverage Production/Process Technology segment. Revenue in the first half of 2020 fell by 25.8% year-on-year.

The Machines and Lines for Beverage Production/Process Technology segment was more severely affected by the corona crisis than the core segment in the first half of 2020. This is largely due to the difficult situation faced by international breweries. Segment revenue from January to June 2020 showed a year-on-year increase of 25.8%, from €307.8 million to €228.3 million. Revenue in the intralogistics business, which is part of the segment, fell less sharply than in the beverage production business. The segment contributed 13.4% of first-half consolidated revenue (previous year: 16.3%).

Segment revenue (€ million)



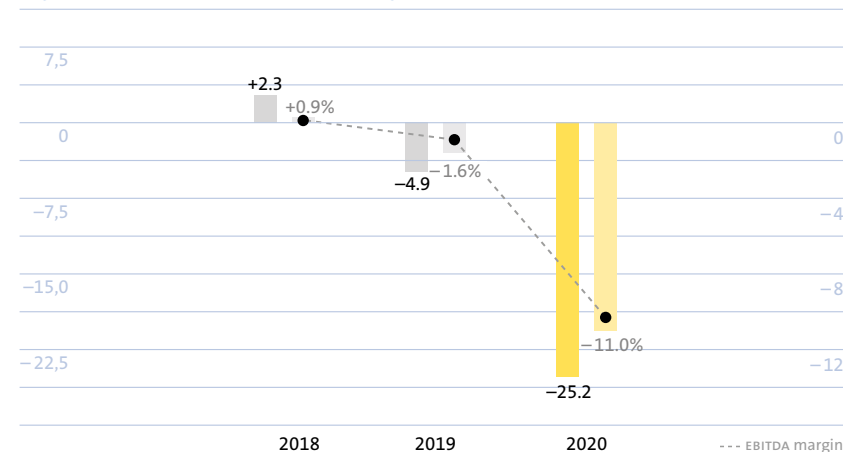
Segment earnings

The significantly lower revenue affected earnings in the Machines and Lines for Beverage Production/Process Technology segment. Earnings before interest, taxes, depreciation and amortisation (EBITDA) went down from –€4.9 million in the previous year to –€25.2 million in the first six months of 2020.

Process technology was hit hard by the difficult situation faced by breweries due to corona. In intralogistics, the lockdown in Italy had a negative impact on earnings at our subsidiary SYSTEM LOGISTICS. Segment earnings also reflect initial losses from the digitalisation business. The segment EBITDA margin was –11.0% in the first half of 2020 (previous year: –1.6%). The segment also incurred €10.5 million in goodwill impairments in the second quarter. Earnings before taxes went down to –€45.0 million (previous year: –€9.1 million).

The Machines and Lines for Beverage Production/Process Technology segment made a loss in the first half of 2020. EBITDA came to –€25.2 million (previous year: –€4.9 million).

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



Risk and opportunity report | Events after the reporting period

KRONES' risk management system

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. However, unlike risks, business opportunities are not documented within our risk management system. Our risk management system consists of the following modules: risk analysis, risk monitoring, and risk planning and management.

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. For orders that exceed a specified volume, we conduct a multi-dimensional risk analysis. Apart from profitability, we also individually record and evaluate financing risks, technological risks, and scheduling and other contractual risks before accepting an order.

We conduct a comprehensive risk inventory once each year 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.

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 of all possible risks and deviations from company planning and of the status of mitigating actions in a timely manner.

Risk planning and control

We 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

Risks

Viewed from today's perspective, KRONES is not exposed to any going concern risks. A detailed presentation of the company's risks and an in-depth description of our risk management system can be found in the management report on pages 92 to 102 of the Annual Report 2019.

Since the publication of the 2019 management report, the assessment of risks and opportunities for the 2020 financial year has changed, notably in light of the Covid-19 pandemic:

General economic risks

There are risks relating to the corona crisis potentially taking an even more serious course, in particular in the event of a massive second global infection wave that would lead to renewed widespread lockdowns. This would result in an even deeper world economic recession than indicated in the report on expected developments. In that event, the impact on order placement by KRONES' customers

would be even more severe than currently assumed. Lockdowns in specific countries also mean that work on installing machinery and equipment has to cease. Global travel restrictions have additionally had a negative impact on the service business. Conversely, a significantly earlier end to the corona crisis and a more rapid and more vigorous economic recovery would present opportunities for KRONES.

Industry-specific and financial risks

Under the described conditions, which for the time being are largely determined by the Covid-19 pandemic, the future development of KRONES' business continues to be subject to extreme levels of uncertainty. It is currently not possible to predict the further course of the Covid-19 pandemic in our main selling and procurement markets. Similarly, it is not possible at the present time to reliably estimate the related financial market volatility, as a result of which we currently assume that there is a higher level of financial risk.

Events after the reporting period

No events occurred after the end of the first half that would have impacted our statement of financial position.

Report on **expected developments**

Extreme levels of uncertainty due to corona; as before, reliable guidance for 2020 not possible

The overall economic outlook continued to deteriorate worldwide in the second quarter of 2020. In June, the International Monetary Fund (IMF) predicted that the corona crisis would slow down the global economy by more than expected and that the recovery would take longer than previously hoped. For 2020, the IMF expects a sharp, 4.9% contraction of the global economy. The further outlook is subject to great uncertainty due to the Covid-19 pandemic. This uncertainty regarding the general economy is also affecting order placement by KRONES customers.

KRONES expects overall that the global market for bottling and packaging equipment will shrink. Nevertheless, the medium and long-term outlooks remain positive. This is because consumer demand for packaged beverages and liquid foods will continue to grow worldwide in the medium to long term.

For the short term, it remains difficult to estimate the size of the adverse impacts on demand and investment confidence among our customers. Current market developments will have a negative impact on KRONES' sales and earnings for the whole of 2020. However, due to the great uncertainty, the KRONES Executive Board has consequently decided once again not to provide a quantified outlook for the 2020 financial year. The indications given by the Executive Board for the current year in the report on expected developments as part of the 2019 Annual Report (based on information as of the beginning of March 2020) no longer apply due to the subsequent dynamic negative impact of corona.

As the results for the first half of 2020 show, the company is making good progress with implementing the structural measures.

3

INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

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Condensed consolidated **statement of profit or loss** from 1 January to 30 June 2020

€ million	2020 1 January – 30 June	2019 1 January – 30 June	Change %
Revenue	1,698.6	1,889.3	-10.1
Changes in inventories of finished goods and work in progress	6.7	20.0	
Total operating performance	1,705.3	1,909.3	-10.7
Other own work capitalised	20.2	25.0	-19.2
Other operating income	55.4	46.2	+19.9
Goods and services purchased	-813.4	-974.4	-16.5
Personnel expenses	-594.9	-641.7	-7.3
Other operating expenses	-254.1	-247.5	+2.7
EBITDA	118.5	116.9	+1.4
Depreciation and amortisation of intangible assets and property, plant and equipment	-85.3	-69.4	+22.9
EBIT	33.2	47.5	-30.1
Financial income/expense	-1.4	1.0	
Income from equity-method investments	0.0	-0.6	
Earnings before taxes	31.8	47.9	-33.6
Income tax	-10.3	-14.6	-29.5
Consolidated net income	21.5	33.3	-35.4
Profit share of non-controlling interests	0.1	-0.2	
Profit share of KRONES Group shareholders	21.4	33.5	
Earnings per share (diluted/basic) in €	0.68	1.06	

Condensed consolidated **statement of profit or loss** from 1 April to 30 June 2019

€ million	2020 1 April – 30 June	2019 1 April – 30 June	Change %
Revenue	756.6	905.8	-16.5
Changes in inventories of finished goods and work in progress	-2.8	14.4	
Total operating performance	753.8	920.2	-18.1
Other own work capitalised	8.6	12.4	-30.6
Other operating income	18.8	22.4	-16.1
Goods and services purchased	-374.9	-482.8	-22.3
Personnel expenses	-273.3	-318.4	-14.2
Other operating expenses	-104.0	-122.9	-15.4
EBITDA	29.0	30.9	-6.1
Depreciation and amortisation of intangible assets and property, plant and equipment	-49.5	-35.2	+40.6
EBIT	-20.5	-4.3	-
Financial income/expense	-0.7	0.9	
Income from equity-method investments	0.0	-0.2	
Earnings before taxes	-21.2	-3.6	-
Income tax	3.6	0.6	-
Consolidated net income	-17.6	-3.0	-
Profit share of non-controlling interests	0.2	-0.1	
Profit share of KRONES Group shareholders	-17.8	-2.9	
Earnings per share (diluted/basic) in €	-0,56	-0,09	

Condensed consolidated statement of financial position – **Assets**

€ million	30 June 2020		31 December 2019	
Intangible assets	328.6		345.2	
Property, plant and equipment	653.3		693.2	
Non-current financial assets	30.3		28.1	
Investment accounted for using the equity method	3.5		3.3	
Fixed assets	1,015.7		1,069.8	
Deferred tax assets	51.2		41.6	
Trade receivables	37.8		28.9	
Tax receivables	4.5		0.3	
Other assets	15.6		13.4	
Non-current assets		1,124.8		1,154.0
Inventories	402.0		382.5	
Trade receivables	750.9		932.9	
Contract assets	590.5		571.3	
Tax receivables	18.3		16.4	
Other assets	159.9		151.9	
Cash and cash equivalents	197.2		110.4	
Current assets		2,118.8		2,165.4
Total		3,243.6		3,319.4

Condensed consolidated statement of financial position – **Equity and liabilities**

€ million	30 June 2020	31 December 2019
Equity	1,335.0	1,370.0
Provisions for pensions	261.1	260.2
Deferred tax liabilities	3.5	3.7
Other provisions	78.6	75.2
Tax liabilities	4.6	5.4
Liabilities to banks	0.1	0.0
Trade payables	0.1	0.0
Other financial obligations and lease liabilities	87.2	104.9
Other liabilities	2.2	2.6
Non-current liabilities	437.4	452.0
Other provisions	158.7	141.0
Liabilities to banks	275.0	72.2
Contract liabilities	403.1	442.9
Trade payables	265.2	463.7
Tax liabilities	26.7	16.9
Other financial obligations and lease liabilities	30.0	34.9
Other liabilities and accruals	312.5	325.8
Current liabilities	1,471.2	1,497.4
Total	3,243.6	3,319.4

Condensed consolidated **statement of cash flows**

€ million	2020	2019
	1 Jan – 30 Jun	1 Jan – 30 Jun
Earnings before taxes	31.8	47.9
Depreciation and amortisation (reversals)	85.3	69.4
Increase in provisions and accruals	5.6	30.8
Interest expenses and interest income	1.4	0.6
Gains and losses from the disposal of fixed assets	-0.6	-1.0
Other non-cash expenses and income	4.0	0.9
Decrease (PY: increase) in inventories, trade receivables, contract assets and other liabilities not attributable to investing or financing activities	112.3	-35.3
Decrease in trade payables, contract liabilities and other liabilities not attributable to investing or financing activities	-232.8	-233.0
Cash generated from operating activities	7.0	-119.7
Interest paid	-3.7	-3.2
Income tax paid and refunds received	-16.3	-14.7
Cash flow from operating activities	-13.0	-137.6
Cash payments to acquire intangible assets	-20.9	-26.2
Proceeds from the disposal of intangible assets	0.0	0.2
Cash payments to acquire property, plant and equipment	-34.3	-65.2
Proceeds from the disposal of property, plant and equipment	3.4	1.9
Cash payments to acquire non-current financial assets	-2.8	-5.1
Proceeds from the disposal of non-current financial assets	1.2	0.0
Cash payments to acquire subsidiaries and equity interests	0.0	-29.3
Interest received	1.6	0.6
Dividends received	0.0	1.3
Cash flow from investing activities	-51.8	-121.8
Cash payments to company owners	-23.7	-53.7
Proceeds from new borrowing	202.9	249.3
Cash payments from the repayment of financial and leasing liabilities	-27.6	-14.5
Cash flow from financing activities	151.6	181.1
Cash change in cash and cash equivalents	86.8	-78.3
Change in cash and cash equivalents arising from changes in the consolidated group	0.0	3.8
Cash and cash equivalents at the beginning of the period	110.4	218.8
Cash and cash equivalents at the end of the period	197.2	144.3

Condensed consolidated statement of changes in equity

€ million	Parent company						Non-controlling interests	Group equity	
	Share capital	Capital reserves	Profit reserves	Other reserves		Group retained earnings	Equity	Equity	
				Currency differences in equity	Other reserves sundry				
At 31 December 2018	40.0	141.7	369.7	-38.1	-89.2	1,009.2	1,433.3	-0.1	1,433.2
Dividend payment (€1.70 per share)						-53.7	-53.7		-53.7
Consolidated net income H1 2019						33.5	33.5	-0.2	33.3
Allocation to profit reserves						0.0	0.0		0.0
Changes in the consolidated group			1.8			-0.8	1.0	-0.2	0.8
Other comprehensive income				7.8	1.3		9.1		9.1
At 30 June 2019	40.0	141.7	371.5	-30.3	-87.9	988.2	1,423.2	-0.5	1,422.7
Dividend payment (€1.70 per share)						0.0	0.0		0.0
Consolidated net income H2 2019						-24.0	-24.0	-0.1	-24.1
Allocation to profit reserves						0.0	0.0		0.0
Changes in the consolidated group			-0.9			0.8	-0.1	-0.1	-0.2
Other comprehensive income				0.0	-28.4		-28.4		-28.4
At 31 December 2019	40.0	141.7	370.6	-30.3	-116.3	965.0	1,370.7	-0.7	1,370.0
Dividend payment (€0.75 per share)						-23.7	-23.7		-23.7
Consolidated net income H1 2020						21.4	21.4	0.1	21.5
Allocation to profit reserves							0.0		0.0
Changes in the consolidated group							0.0	0.0	0.0
Other comprehensive income				-34.7	1.9		-32.8		-32.8
At 30 June 2020	40.0	141.7	370.6	-65.0	-114.4	962.7	1,335.6	-0.6	1,335.0

Consolidated statement of **comprehensive income**

€ million	2020	2019
	1 Jan – 30 Jun	1 Jan – 30 Jun
Consolidated net income	21.5	33.3
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit plans	–0.5	1.1
	–0.5	1.1
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation	–34.7	7.7
Cash flow hedges	2.4	0.2
	–32.3	7.9
Other comprehensive income after income taxes	–32.8	9.0
Total comprehensive income	–11.3	42.3
of which attributable to non-controlling interests	–0.1	–0.2
of which attributable to KRONES Group shareholders	–11.2	42.5

Consolidated **segment reporting***

1 January to 30 June 2020	Machines and Lines for Product Filling and Decoration		Machines and Lines for Beverage Production/ Process Technology		KRONES Group	
€ million	2020 1 Jan–30 Jun	2019 1 Jan–30 Jun	2020 1 Jan–30 Jun	2019 1 Jan–30 Jun	2020 1 Jan–30 Jun	2019 1 Jan–30 Jun
Revenue	1,470.3	1,581.5	228.3	307.8	1,698.6	1,889.3
EBITDA	143.7	121.8	–25.2	–4.9	118.5	116.9
EBITDA margin	9.8%	7.7%	–11.0%	–1.6%	7.0%	6.2%

* (Part of the Notes to the consolidated interim financial statements)

1 April to 30 June 2020	Machines and Lines for Product Filling and Decoration		Machines and Lines for Beverage Production/ Process Technology		KRONES Group	
€ million	2020 1 Apr–30 Jun	2019 1 Apr–30 Jun	2020 1 Apr–30 Jun	2019 1 Apr–30 Jun	2020 1 Apr–30 Jun	2019 1 Apr–30 Jun
Revenue	654.1	747.1	102.5	158.7	756.6	905.8
EBITDA	46.7	28.3	–17.7	2.6	29.0	30.9
EBITDA margin	7.1%	3.8%	–17.2%	1.6%	3.8%	3.4%

* (Part of the Notes to the consolidated interim financial statements)

General disclosures

■ Legal basis

The interim consolidated financial statements of KRONES AG (the “KRONES Group”) for the period ended 30 June 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 interim consolidated financial statements have been prepared in accordance with IAS 34 and are condensed relative to the consolidated financial statements. The following new amendments to existing standards newly issued by the IASB are mandatory in the EU and are applied by KRONES beginning on 1 January 2020 for the first time; they have no significant impact on the financial statements:

- Amendments to: Conceptual Framework for Financial Reporting and Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8: Definition of Material

IFRS standards and interpretations that have not yet entered into force have not been applied early and the interim consolidated financial statements for the period ended 30 June 2020 have not been reviewed by an auditor.

Non-controlling interests in group equity are presented on the statement of financial position where applicable 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 where applicable 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 where applicable.

Non-controlling interests are additionally shown where applicable 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 consolidated statement of financial position, consolidated statement of profit and loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows.

The consolidated statement of profit and loss was prepared using the nature of expense method. The group currency is the euro.

■ Consolidated group

Besides KRONES AG, the interim consolidated financial statements of KRONES AG for the period ended 30 June 2020 include all material domestic and foreign subsidiaries over which KRONES AG has direct or indirect control.

■ Consolidation principles

The separate financial statements of the companies included in the interim consolidated financial statements are prepared as a fundamental rule in accordance with uniform accounting policies and were all prepared as of the reporting date of the interim 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.

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 interim 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 the associate 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.

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.

■ Currency translation

The interim 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 under IAS 21 using a modified closing rate method. 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 interim 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 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	
		30 Jun 2020	31 Dec 2019	H1 2020	H1 2019
us Dollar	USD	1.121	1.123	1.102	1.130
British Pound	GBP	0.914	0.850	0.874	0.873
Swiss franc	CHF	1.066	1.086	1.064	1.130
Danish krone	DKK	7.453	7.471	7.465	7.465
Canadian dollar	CAD	1.534	1.462	1.503	1.507
Japanese yen	JPY	120.760	121.930	119.223	124.350
Brazilian real	BRL	6.057	4.513	5.399	4.340
Chinese renminbi (yuan)	CNY	7.936	7.833	7.738	7.657
Mexican peso	MXN	25.959	21.239	23.831	21.666
Ukrainian hryvnia	UAH	29.905	26.610	28.635	30.427
South African rand	ZAR	19.441	15.765	18.305	16.041
Kenyan shilling	KES	119.459	113.794	114.746	114.134
Nigerian naira	NGN	433.050	408.970	414.019	408.175
Russian ruble	RUB	79.565	69.844	76.665	73.780
Thai baht	THB	34.643	33.445	34.825	35.728
Indonesian rupiah	IDR	15,979.100	15,587.100	16,036.427	16,036.420
Angolan kwanza	AOA	649.488	537.803	585.090	360.817
Turkish lira	TRY	7.683	6.680	7.141	6.351
Kazakhstan tenge	KZT	455.050	429.940	446.275	428.627
Australian dollar	AUD	1.637	1.601	1.679	1.600
New Zealand dollar	NZD	1.750	1.666	1.760	1.681
Swedish krona	SEK	10.502	10.445	10.666	10.515

		Closing rate		Average rate	
		30 Jun 2020	31 Dec 2019	H1 2020	H1 2019
Vietnamese dong	VND	26,012.000	26,018.000	25,667.336	26,273.828
Philippine peso	PHP	55.931	56.869	55.807	59.002
Bangladeshi taka	BDT	95.163	95.319	93.534	95.148
Singapore dollar	SGD	1.566	1.511	1.541	1.536
Myanmar kyat	MMK	1,536.820	1,657.230	1,566.990	1,724.880
United Arab Emirates dirham	AED	4.117	4.124	4.046	4.151
Hungarian forint	HUF	356.280	330.610	345.337	320.419
Malaysian ringgit	MYR	4.804	4.593	4.681	4.655
Pakistani rupee	PKR	187.870	173.880	175.870	161.971
Polish zloty	PLN	4.462	4.260	4.412	4.293
Norwegian krone	NOK	10.912	9.866	10.737	9.732
Indian rupee	INR	84.721	80.150	81.590	79.107
Guatemalan quetzal	GTQ	8.631	8.651	8.471	8.699
Cambodian riel	KHR	4,618.300	4,575.300	4,499.031	4,559.215
Bulgarian lev	BGN	1.956	1.956	1.956	1.956

■ Accounting policies

The separate financial statements of KRONES AG and its domestic and foreign subsidiaries have been prepared using uniform accounting policies, in accordance with IFRS 10. As a fundamental rule, the accounting policies used in the interim consolidated financial statements are the standards and interpretations applied as of 31 December 2019.

■ Estimates and judgements in relation to the COVID-19 pandemic

In preparing the interim 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. Due to the currently unforeseeable global consequences of the COVID-19 pandemic, these judgements, estimates and assumptions are subject to increased uncertainty. The actual amounts may differ from the judgements, estimates and assumptions; changes may have a material impact on the group's interim financial statements.

When updating the judgements, estimates and assumptions, all available information on expected economic developments and government measures was taken into account.

This information was included in the analysis of the recoverability and collectability of financial assets especially of trade receivables and contract assets. In this connection, a €3.2 million increase in credit risk provisioning was recognised in profit or loss.

With regard to the recoverability of intangible assets – in particular goodwill – the previous year's impairment tests were reviewed as of 30 June 2020 in light of the COVID-19 pandemic. In this review, the recoverability of the goodwill allocated to the cash-generating units SPRINKMAN, S.P.S. and TRANSMARKET was identified as critical due to material differences as a result of reduced earnings prospects and a second impairment test was therefore carried out for these CGUs in a second step as of 30 June 2020. The impairment test resulted in the recognition of goodwill impairments in the amount of €13.6 million accounted for in amortisation of intangible assets.

■ Other disclosures relating to financial instruments

The following tables present the financial instruments by their measurement categories and classes and also show how the financial instruments that are measured at fair value fit within the fair value hierarchy.

30 Jun 2020		Measurement under IFRS 9				Measurement under IFRS 16	Measurement hierarchy		
€ million	Carrying amount 30 Jun 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)		Level 1	Level 2	Level 3
Assets									
Non-current financial assets	30.3	4.0	4.0						
Trade receivables	788.7	788.7	788.7						
Contract assets	590.5	590.5	590.5						
Other assets	175.5	49.3	47.7	0.1	1.5			1.6	
of which derivatives	1.6	1.6		0.1	1.5			1.6	
Cash and cash equivalents	197.2	197.2	197.2						
Liabilities									
Liabilities to banks	275.1	275.1	275.1						
Trade payables	265.3	265.3	265.3						
Other financial liabilities and lease liabilities	117.2	117.2	0.0	42.0		75.2			42.0
Other liabilities and provisions	314.7	81.2	80.4	0.0	0.8			0.8	
of which derivatives	0.8	0.8		0.0	0.8			0.8	

31 Dec 2019									
€ million	Carrying amount 31 Dec 2019	Of which subject to IFRS 7	Measurement under IFRS 9			Measurement under IFRS 16	Measurement hierarchy		
			At amortised cost (Ac)	At fair value through profit or loss (FVTPL)	At fair value through other comprehensive income (FVOCI)		Level 1	Level 2	Level 3
Assets									
Non-current financial assets	28.1	3.3	3.3						
Trade receivables	961.8	961.8	961.8						
Contract assets	571.3	571.3	571.3						
Other assets	165.4	41.7	40.8	0.0	0.9			0.9	
of which derivatives	0.9	0.9		0.0	0.9			0.9	
Cash and cash equivalents	110.4	110.4	110.4						
Liabilities									
Liabilities to banks	72.2	72.2	72.2						
Trade payables	463.7	463.7	463.7						
Other financial liabilities and lease liabilities	139.8	139.8		50.8		89.0			50.8
Other liabilities and provisions	328.4	98.7	95.3	0.9	2.5			3.4	
of which derivatives	3.4	3.4		0.9	2.5			3.4	

■ Segment reporting

KRONES reports on two operating segments, which are the strategic business units. These 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.

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

Intra-segment transfers are made on arm's length terms. There is no material inter-segment revenue.

■ Related party transactions

Related party transactions have no material impact on the profit or loss or financial position in the interim consolidated financial statements.

■ Events after the reporting period

There were no material events for KRONES after the end of the reporting period on 30 June 2020.

Responsibility statement

“To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the group, and the interim 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 over the remainder of the financial year.”

Neutraubling, July 2020



Christoph Klenk
CEO



Norbert Broger
CFO



Thomas Ricker
CSO



Markus Tischer



Ralf Goldbrunner

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

Werner Schrödl**

Deputy Chairman of the Supervisory Board

Chairman of the Group

Employees' Council

Chairman of the Composite

Employees' Council

(until 30 June 2020)

* Verwaltungsrat der BAYERISCHEN
BETRIEBSKRANKENKASSEN

Josef Weitzer**

Deputy Chairman of the Supervisory Board, Chairman of Group Central Works Council, Chairman of the Works Council Neutraubling

* SPARKASSE REGENSBURG

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

Markus Hüttner**

Deputy Chairman of the Central Works Council

Deputy Chairman of the Works Council

Neutraubling

(since 1 July 2020)

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,
SCHAWEI 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

(since 1 January 2020)

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.

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, Collenberg/Main, 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
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
TRACOS 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
MAINTEC SERVICE EUROPE EOOD, Sofia, Bulgaria	100.00
KRONES NORDIC APS, Holte, Denmark	100.00
KOSME FBA SAS, Lyon, France	100.00
KRONES S.A.R.L., Viviers-du-Lac, France	100.00
KRONES UK LTD., Bolton, U.K.	100.00

Name and location of the company	Share in capital held by KRONES AG (%*)
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., Bukarest, Romania	100.00
KRONES SERVICE EUROPE SRL, Bukarest, 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., Budapest, Hungary	100.00
INTEGRATED PACKAGING SYSTEMS – IPS, Cairo, Egypt	100.00
KRONES ANGOLA – REPRESENTACOES, COMERCIO E INDUSTRIA, LDA., Luanda, Angola	100.00

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 TRADING (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-City, 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
INTEGRATED PACKAGING SYSTEMS INC., Montréal, Québec, Canada	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, Colombia	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., Mexico-City, Mexico	100.00
SYSTEMLOG DE MEXICO S.A. DE C.V., Santa Caterina, Nuevo Leon, Mexico	60.00
KRONES MYANMAR LTD., Sanchaung Township, Republik der Union Myanmar	100.00

Name and location of the company	Share in capital held by KRONES AG (%*)
KRONES NEW ZEALAND LIMITED, Auckland, New Zealand	100.00
KRONES LCS CENTER WEST AFRICA LIMITED, Lagos, Nigeria	100.00
KRONES PAKISTAN (PRIVATE) LIMITED, Lahore, Pakistan	100.00
KRONES FILIPINAS INC., Taguig City, Philippines	100.00
KRONES-IZUMI PROCESSING PTE LTD., Singapore, Singapore	73.00
KRONES SINGAPORE LTD., Singapore, 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

KRONES AG, Neutraubling, Germany is the parent company and is recorded in Commercial Register B of the Regensburg Local Court under HRB 2344.

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OTHER INFORMATION

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Publishing information

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Note

This English language report is a translation of the original German KRONES Interim report for the period from 1 January to 30 June 2020 (KRONES Bericht über den Zeitraum vom 1. Januar bis 30. Juni 2020). In case of discrepancies the German text shall prevail.

You can also find the Interim report in the Investor Relations section at www.krones.com/en/company/investor-relations/reports.php

Financial calendar

12 November 2020
Quarterly statement for the period ended 30 September 2020

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