



SOLUTIONS BEYOND TOMORROW



2022 highlights

- Krones grew strongly in 2022. Revenue went up by 15.8% year on year to €4,209.3 million.
- Due to very high customer demand, order intake improved by 34.0% to €5,782.8 million. The order backlog reached €3,466.4 million (up 83.1%).
- Krones further strengthened profitability. EBITDA improved by 19.4% in 2022 to €373.3 million. The EBITDA margin increased from 8.1% in the previous year (excluding one-off effects) to 8.9%.
- The company generated free cash flow of €371.0 million in the reporting year (previous year: €203.3 million). ROCE increased to 14.1% (previous year: 10.0%).
- In view of the positive business performance, Krones intends to pay a dividend for 2022 of €1.75 per share (previous year: €1.40 per share).
- For the full year 2023, the Executive Board forecasts revenue growth of 8% to 11% with an improved EBITDA margin of 9% to 10% and ROCE of 15% to 17%.

		2022	2021	Change
Revenue	€ million	4,209.3	3,634.5	+15.8%
Order intake	€ million	5,782.8	4,316.2	+34.0%
Order backlog at 31 December	€ million	3,466.4	1,893.0	+83.1%
EBITDA	€ million	373.3	312.6	+19.4%
EBITDA margin	%	8.9	8.6	+0.3 PP*
EBIT	€ million	230.4	170.9	+34.8%
EBT	€ million	242.1	177.3	+36.5%
EBT margin	%	5.8	4.9	+0.9 PP*
Consolidated net income	€ million	187.1	141.4	+32.3%
Earnings per share	€	5.92	4.47	+32.4%
Dividend per share	€	1.75**	1.40	+25.0%
Capital expenditure for PP&E and intangible assets	€ million	118.2	104.9	+€13.3 million
Free cash flow	€ million	371.0	203.3	+€167.7 million
Net cash at 31 December***	€ million	669.5	378.3	+€291.2 million
Working capital to revenue****	%	19.0	24.8	-5.8 PP*
ROCE	%	14.1	10.0	+4.1 PP*
Employees at 31 December				
Worldwide		17,164	16,303	+861
Germany		10,130	9,821	+309
Outside Germany		7,034	6,482	+552

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

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



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SOLUTIONS BEYOND TOMORROW

Krones has developed a future-driven new target picture under the slogan “Solutions beyond tomorrow”. This places the focus on three major challenges facing humanity: **combating climate change, feeding the world** and **responsible use of packaging materials**.



Krones' target picture

At the heart of the target picture are Krones' vision and mission, corporate culture and strategic focus. It provides Krones with support and orientation on the road to a successful future, and helps us to make the most of growth opportunities in our markets. Our target picture is the basis for the development of future-ready, sustainable products and services.

Our vision

Sustainable and affordable beverages, food and essentials for everyone and everywhere. We develop solutions beyond expectations for our customers, humanity and our planet.

Our corporate culture

We shape the future with passion and bold commitment.

As a diverse organisation, we are open to innovation and change, and work together in a spirit of trust and without barriers.

Our strategic focus

Sustainability

Filling and Packaging
Technology

Process Technology

Intralogistics

Service

Digitalisation

Our mission

We lead with innovative solutions to empower our customers, meeting their goals and beyond, making them successful and sustainable. We employ our creative power to preserve nature and safeguard society.

This is how we attract and inspire people to achieve the most ambitious results.

Together, we are creating a tremendous advantage and realising our vision.



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Target picture

Our vision

How should Krones evolve in the future and in what direction? What are the key economic and social roles of our business? It is these fundamental questions which we answer with our vision:

Sustainable and affordable beverages, food and essentials for everyone and everywhere.

We develop solutions beyond expectations for our customers, humanity and our planet.



“Krones needs challenging goals in order to keep evolving and be successful. This is why we deliberately made our vision ‘broad’ and all-encompassing.”

Christoph Klenk, CEO

Sustainable and affordable beverages,
food and essentials for
everyone
and everywhere.

Solutions beyond expectations
for our customers, humanity
and our planet.



Our mission

Our mission describes the purpose of our company and the contribution it makes for customers, other stakeholders and the environment:

We lead with innovative solutions to empower our customers, meeting their goals and beyond, making them successful and sustainable.

We employ our creative power to preserve nature and safeguard society.



“Krones’ extensive knowhow in the production and handling of food and beverages, in filling and packaging technology, in intralogistics and in digitalisation forms the basis for successfully implementing our mission.”

*Markus Tischer, Executive Board Member,
International Operations and Services*





Our corporate culture

We shape the future with passion and bold commitment.

As a diverse organisation, we are open to innovation and change, and work together in a spirit of trust and without barriers. This is how we attract and inspire people to achieve the most ambitious results. Together, we are creating a tremendous advantage and realising our vision.



“Krones’ greatest asset is not on any financial statement: our unique corporate DNA. This is characterised by team spirit and collaboration. Our approximately 17,000 employees worldwide work together to shape Krones’ successful future.”

*Thomas Ricker, CSO and Head of
Filling and Packaging Technology*



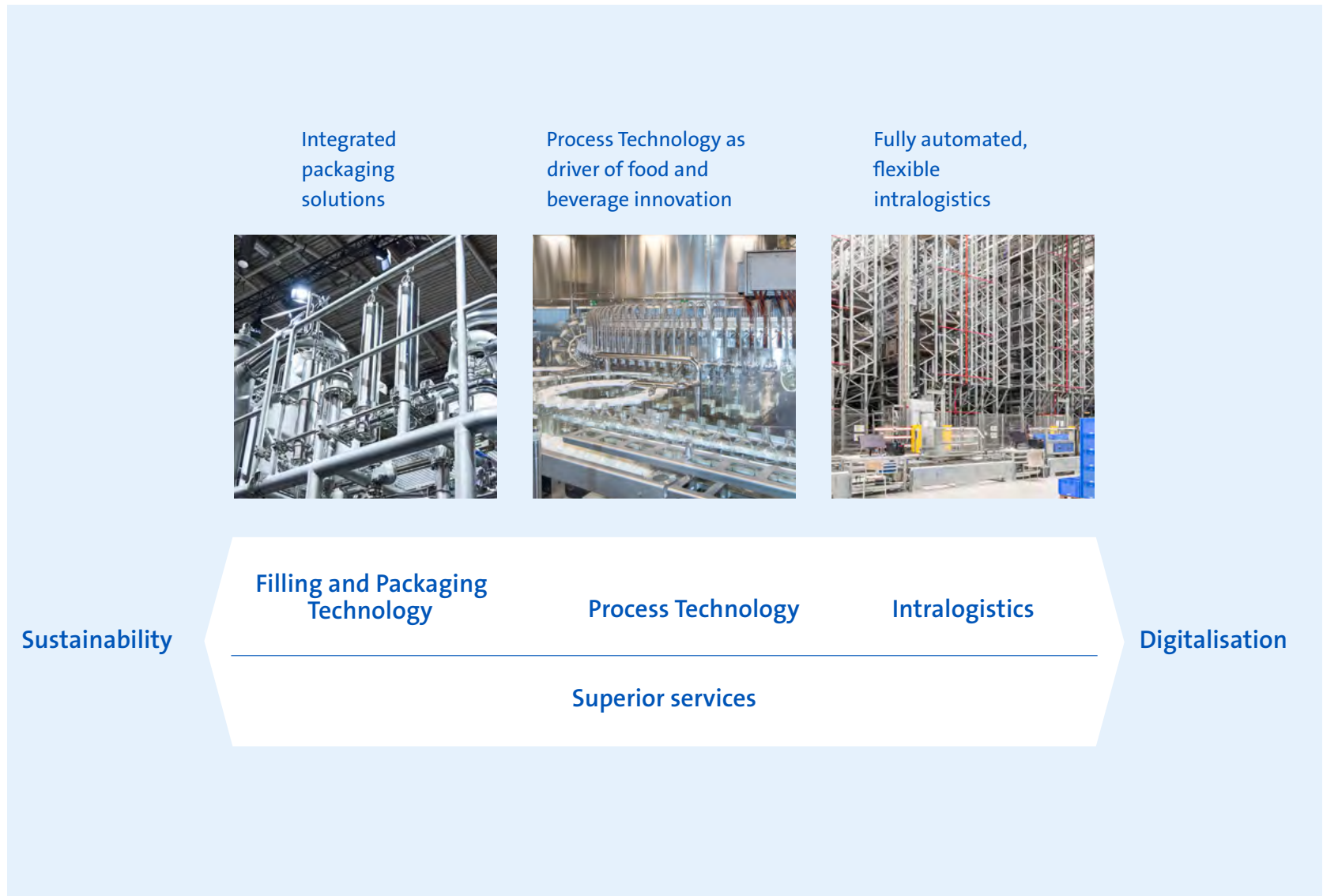


Our strategic focus

To turn the goals and visions in “Solutions beyond tomorrow” into reality, Krones has a clear strategic focus on **sustainability, service quality and digitalisation**. These three focuses also determine the strategic alignment of our business segments. In **Process Technology**, we drive food and beverage innovation. In the core segment, **Filling and Packaging Technology**, we focus on the implementation of integrated packaging solutions, resource efficiency and circularity. Key focuses in **Intralogistics** are fully automated and flexible solutions.

Sustainability is key

Sustainable products will be the biggest innovation and growth driver in the next decade. Demand from our customers for machines, systems and entire lines that save valuable resources and reduce carbon emissions has surged dramatically in recent times. Krones is ideally positioned with its enviro sustainability program (p. 13) and will consolidate and extend its lead with innovative products in all three segments.





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Target picture

Digitalisation opens up huge opportunities

Digitalisation is crucial for service quality and sustainable production. Krones has long been driving the digital transformation vigorously forward. Our digitally enabled machines and lines generate a constant stream of production data – the raw material for superior services. Using smart data analysis, we can help customers optimize their production and save valuable resources.

Superior service

Krones' goal is to operate the entire life cycle of our machines and lines as a digital full-service centre. Our software tools continuously analyze production data. Based on this, Krones experts provide data-driven customer support. We offer this data-driven production optimisation on the basis of service-level agreements (SLAs), with continuously increasing levels of automation. In the future, Krones aims to help customers improve performance with a fully digitalised factory “managed by Krones”.





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Shaping
sustainability

Krones faces up to the global challenges

Krones provides customers with the means for climate-friendly, circularity-oriented food and beverage production.

Together with our customers, we tackle urgent global challenges:

■ Climate change

Our products enable customers to save energy, water and other resources and meet their climate targets (page 13: enviro).



■ Plastic littering

Krones technologies help reduce the need for plastic in packaging and recycle the plastic used (page 16: PET recycling).



■ Feeding the world

We provide innovative solutions for hygienic beverage filling and help customers produce alternative proteins (page 19).





Climate change agenda

As part of its 2030 sustainability targets, Krones has set ambitious emission reduction targets along the entire value chain. We aim for an 80% reduction in our own climate footprint (Scope 1 and Scope 2) by 2030, relative to the 2019 baseline. In the same period of time, we will reduce our far higher emissions from the upstream and downstream value chain by 25%.

Our commitment to credibility

Our climate targets have been endorsed as science-based by the Science Based Targets initiative. We committed to developing a net zero emissions target there in the 2022 financial year. We do not currently purchase carbon offsets and have no plans to do so in the coming years.



“For Krones, it is not about obtaining a sustainability certificate, but about making a difference in the world.”

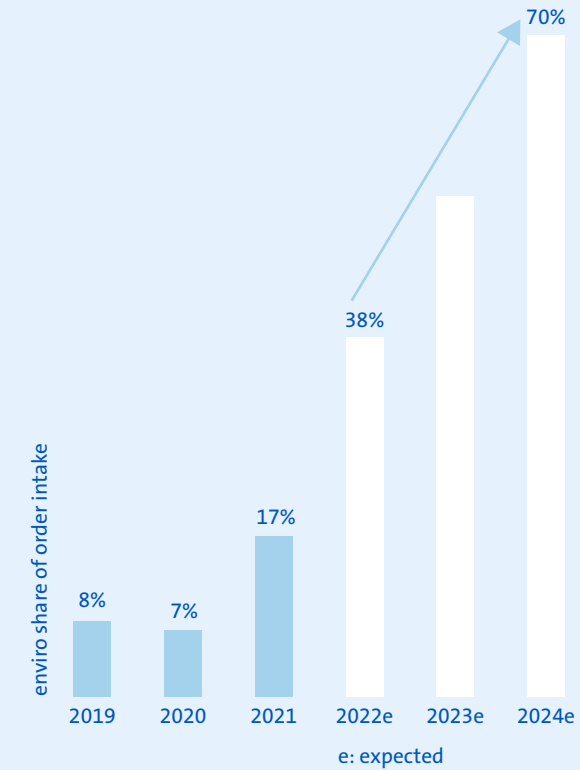
Martina Birk, Head of Sustainability

enviro solutions for sustainable customer production

Krones launched the enviro sustainability programme in 2008. We have dynamically developed enviro since then. Initially, individual machines carried the enviro label. Today, entire systems are certified. Since 2019, in order to minimise the environmental impact of beverage and food packaging, Krones has also assessed innovative packaging solutions according to enviro criteria. Demand from our customers for enviro machines, systems and lines is constantly growing. Krones expects the percentage of enviro machines in its order intake to nearly double from 38% in 2022 to around 70% in 2024.

The rising demand for enviro products is supported by:

- Savings of valuable resources, with minimum energy and media consumption
- Lower operating costs
- Our customers' ambitious carbon emission targets





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Filling and
Packaging
Technology

Saving resources and recycling plastics

Filling and Packaging Technology: key drivers

Energy savings and carbon footprint

- Strong demand for technologies to reduce energy and resource consumption

Water reduction

- Saving water is among top management priorities
- Tailor-made process and cleaning cycles for “necessary minimum” consumption

Plastic reduction

- Light-weighting of bottles and caps
- Elimination of plastics in secondary packaging

Circularity

- Functioning circular economy avoids plastic waste

PET recycling

- Prevents the loss of plastic as a valuable resource





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Filling and
Packaging
Technology

LitePac Top: simply sustainable

With LitePac Top, Krones offers a plastic-free, sustainable secondary packaging solution for non-returnable PET bottles and cans. LitePac Top uses recyclable cardboard for the secondary packaging instead of energy-intensive shrink wrapping for six-packs. This cuts carbon emissions by around 80%.

VarioPac Pro flexible packer

The LitePac Top concept is implemented on Krones' modular and highly flexible VarioPac Pro packer. An automatic gripper places a cardboard clip below the neck of bottles grouped into a pack. On cans, the clip is placed below the lid seam. The clip holds the beverage containers securely together in the pack. LitePac Top packs are stackable for ease of transportation.





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Filling and
Packaging
Technology

Avoiding plastic waste with recycling

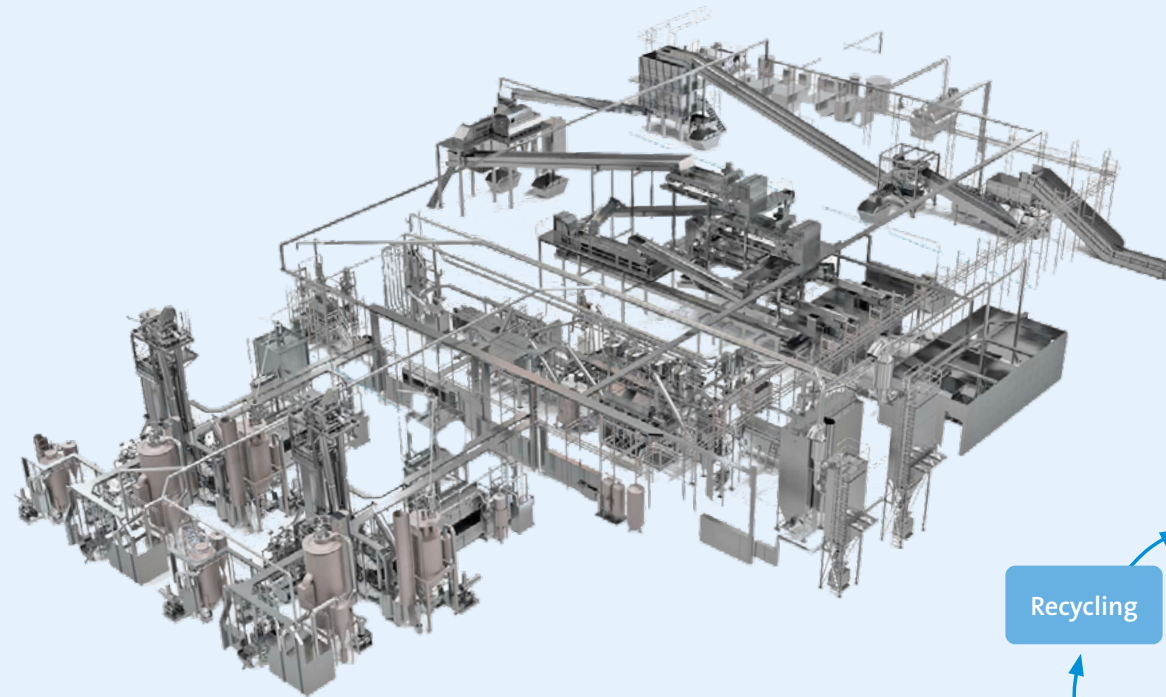
Implementing our mission to preserve nature means that we need to solve the problem of plastic littering. The key to success here lies in a functioning circular economy. Krones is committed to making this work with matching solutions. These range from material-saving packaging design to recycling used plastics.



“Krones was a very early mover in plastics recycling and has developed innovative solutions. Our persistence should pay off, because the market has huge potential.”

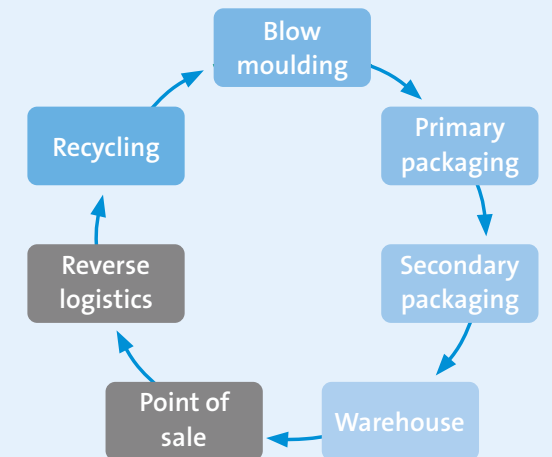
Thomas Ricker, CSO and Head of Filling and Packaging Technology

Recycling and circular economy solutions



Integrated solutions as a USP

With its unique portfolio and expertise, Krones offers packaging and recycling solutions for a range of materials including PET and a variety of other rigid and nonrigid plastics.





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Process
Technology

Shaping new technologies

Process Technology: key drivers

Alternative proteins

- Processing plant-based proteins into beverages
- Advanced fermentation for plant-based foods

Water technology

- Water treatment
- Water design

Sustainable energy solutions

- Improving energy efficiency
- Fossil fuel substitution



“We will focus on the rapid-growth key drivers in our new target picture: Alternative proteins, water, and sustainable and energy-efficient solutions.”

Bülent Bayraktar, Head of Process Technology





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Process
Technology

Complete solutions for dairy alternatives

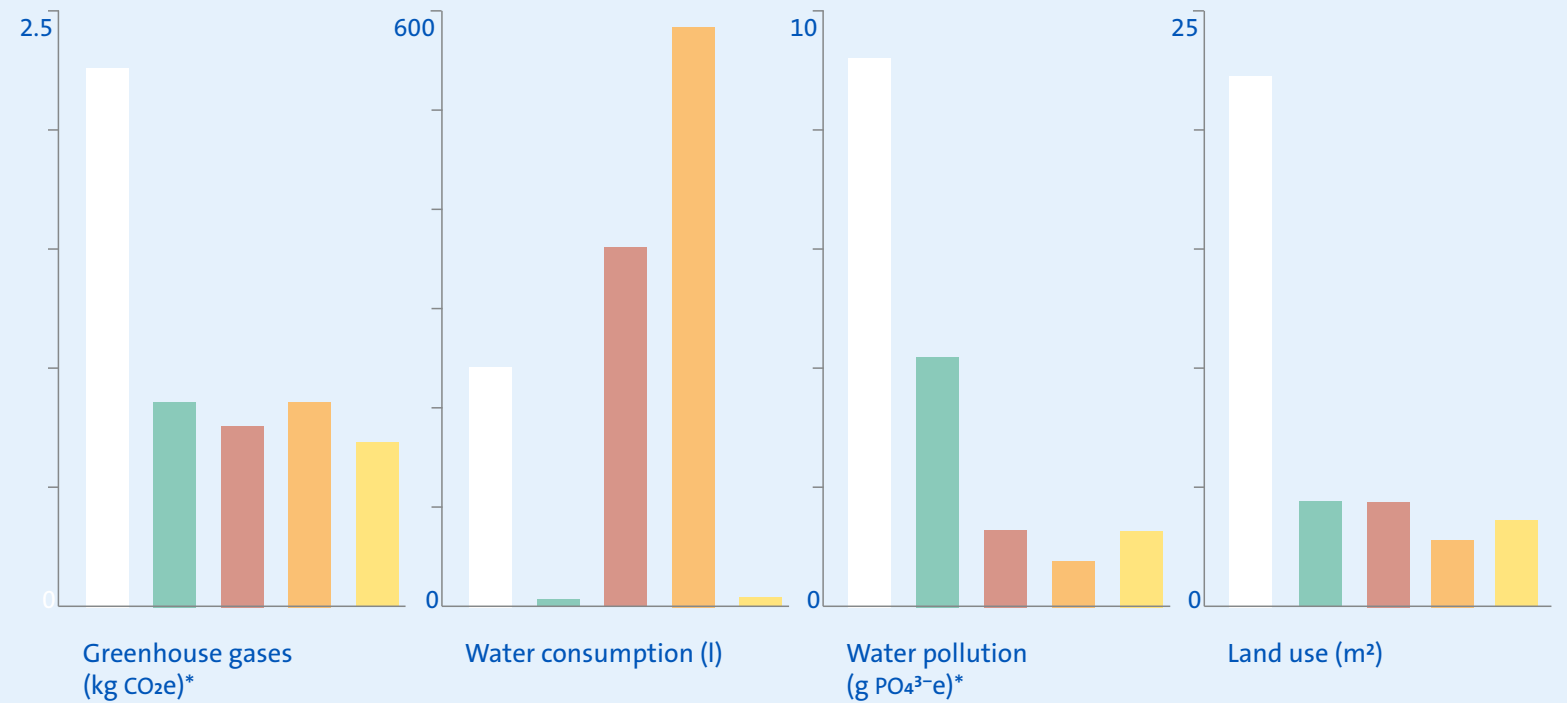
High-volume animal milk consumption has major long-term environmental impacts, including high levels of greenhouse gas emissions and severe water pollution. That is making plant-based dairy alternatives increasingly important.

Krones leverages its existing dairy expertise and already provides the complete range of process technology for the production of dairy alternatives from various plant-based sources (soy, oats, nuts, etc.).

Environmental impact: milk vs. dairy alternatives

■ Cow's milk
 ■ Soy drink
 ■ Almond drink
 ■ Rice drink
 ■ Oat drink

Per kg milk/dairy alternative



Source: Poore, J. & Nemecek, T. Science, 2018; additional unpublished data relates to Europe, except for almond milk (international).
*Greenhouse gas emissions and phosphate load expressed in equivalents.



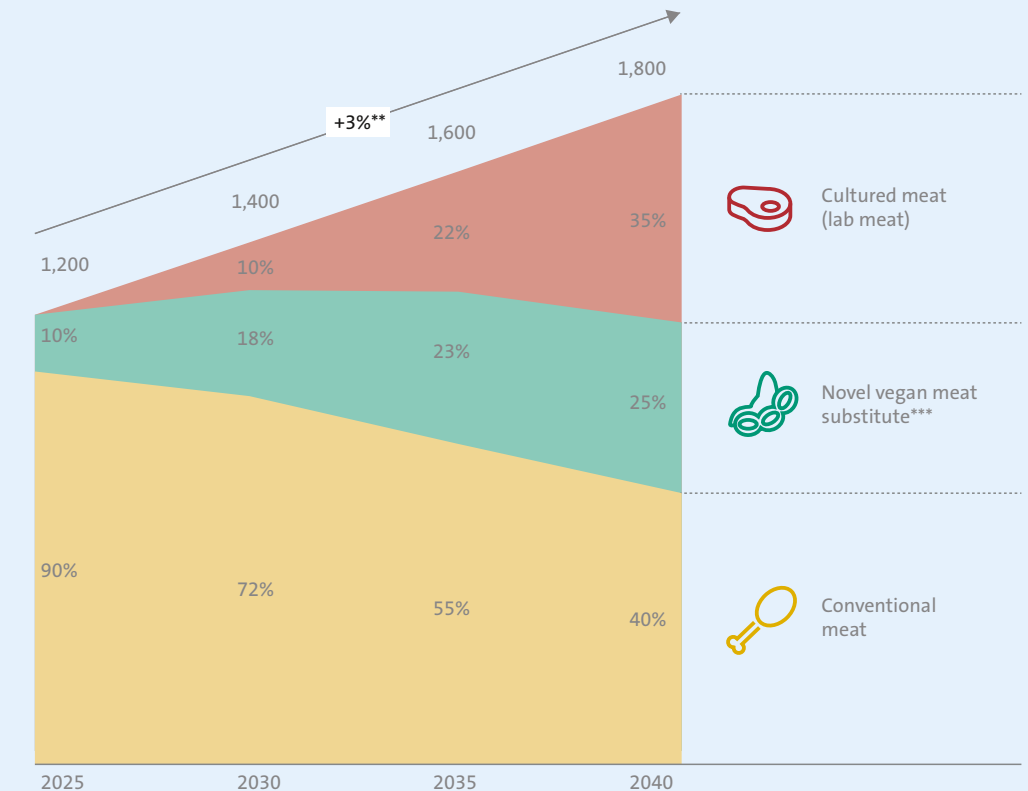
Tackling climate change with alternative proteins

With a growing world population and increasing prosperity, meat consumption has risen sharply in recent decades – with negative climate impacts. Livestock farming consumes enormous amounts of feed and water and causes extremely high carbon emissions. Offering people high-quality vegetable proteins as an alternative to animal protein therefore represents a significant contribution by Krones to combating climate change.

Krones opens up new markets with fermentation expertise

In the production of alternative proteins, the company benefits from many years of high-level expertise in beverage and beer production. Alongside general process engineering knowhow, the company is helped in particular here by its knowledge of how to control biological conversion processes such as fermentation. Purely plant-based proteins can thus be obtained by adding bacteria and yeasts.

Global meat market forecast (us\$ billion, global)*



*Figures rounded to the nearest hundred billion.

**Average annual growth rate

Sources: United Nations, World Bank, expert interviews, A.T. Kearney analysis

***Vegan meat substitute consumption is expected to grow at an average annual rate of 9% from 2025 to 2040. This growth rate is higher than for total meat consumption by a factor of 3.



Brewnomic: the energy self-sufficient and climate-neutral brewery

Brewing beer is very energy-intensive. The individual machines and lines of Krones' Brewnomic solution can significantly reduce energy consumption. The potential savings are so large that the brewery can even become energy self-sufficient by recycling residual materials from brewing.

An ingenious solution – how does it work?

By using innovative Brewnomic modules such as the Equitherm energy recovery system, the Stromboli wort boiling system, the Dynafill bottle filler and the Linaflex pasteuriser, the average thermal energy requirement is significantly reduced from 14.5 kWh per hectolitre of beer to just 5.9 kWh per hectolitre.

Brewer's grains as an energy source

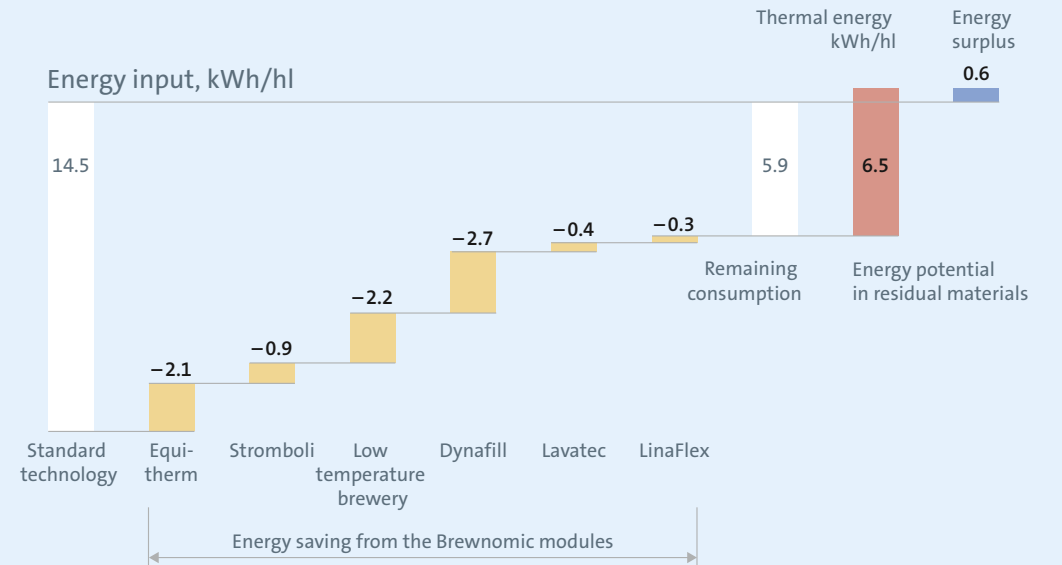
Brewer's grains, an important by-product of the brewing process, contain 6.5 kWh of energy per hl of beer, more than is needed for the entire brewing process. This energy is extracted from the brewer's grains in a biogas plant. As brewer's grains are of biological origin (cereals), a full-scale Brewnomic brewery is not only energy self-sufficient, but also carbon and climate neutral.

Valuable proteins as a "waste" product

But that's not all: brewer's grains also contain valuable proteins, which can be extracted using Krones technology prior to energy recovery. The proteins extracted from the brewer's grains are used as an input for producing foods such as vegan meat substitutes.

Brewnomic: the sustainable brewing solution from Krones

Thermal energy consumption
(example figures, depending on implemented solution)



By using the Brewnomic modules, the thermal energy input can be significantly reduced from 14.5 kWh/hl to 5.9 kWh/hl. If the residual materials are recycled (a gain of 6.5 kWh/hl), Brewnomic even generates an energy surplus of 0.6 kWh/hl.



Efficient and flexible solutions provide added value for customers

Intralogistics segment: key drivers

Energy efficiency improvements

- Up to 40% energy saving

Enhanced occupational safety and health

- Automation means up to 50% fewer workplace accidents

Smart logistics solutions

- Up to 20% saving on logistics costs

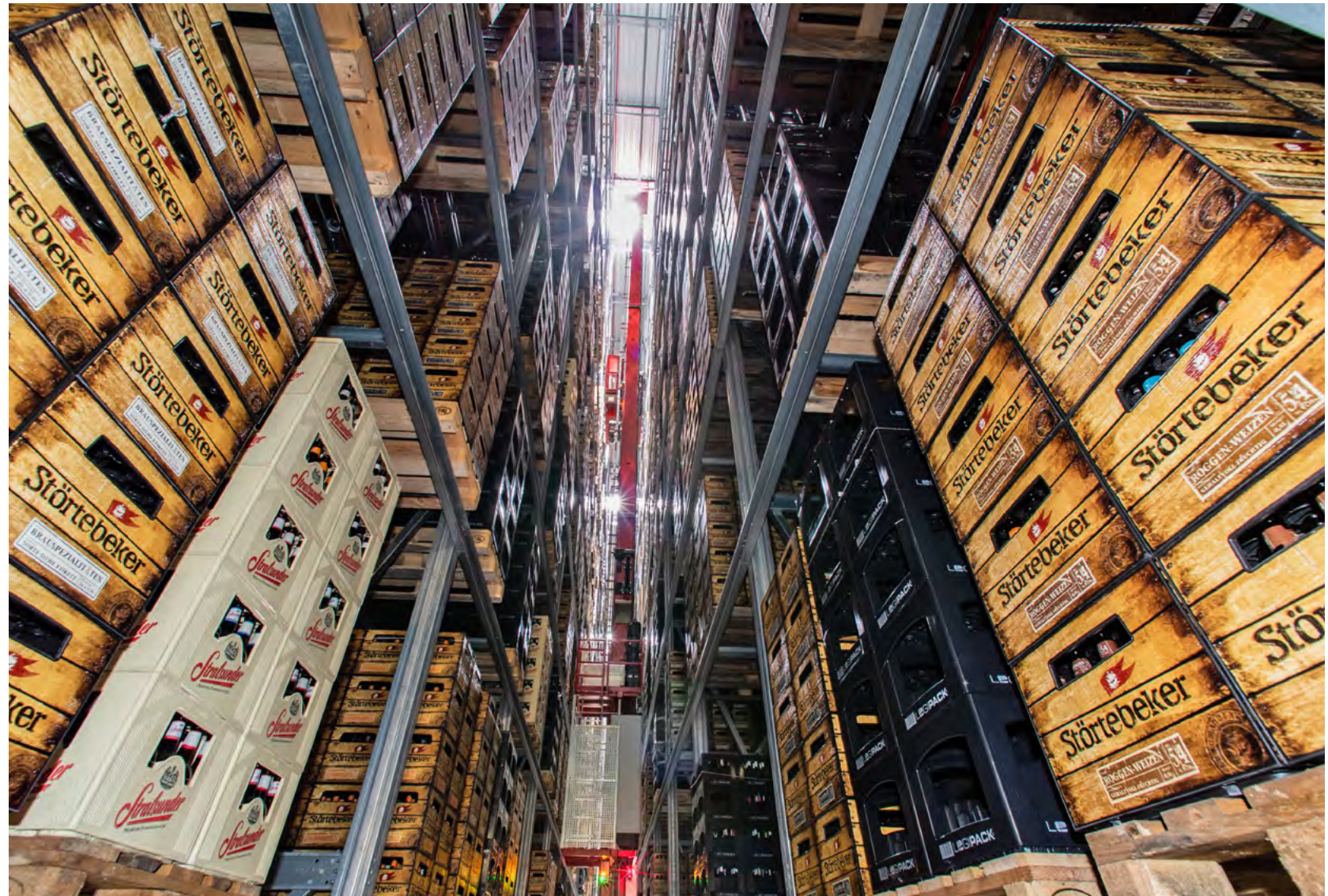
Handling increased complexity

- Rapid increase in number of different product types and forms of packaging



“Our intralogistics and automation solutions enable customers to manage and streamline even the most complex material flows.”

Luigi Panzetti, CEO System Logistics





Digitalisation for superior service

Service and digitalisation are a key part of Krones' strategic focus across all three segments.

Digitalisation enables even more efficient service and better performance

Digital services depend on digital line data. This is why all new Krones lines have been supplied as Connected Lines as a standard feature since 2020. This means that data generated by the machine can be accessed



“Combining our capabilities in digitalisation, machine engineering and lifecycle service enables us to develop unique solutions for customers.”

Markus Tischer, Executive Board Member, International Operations and Services

online and shared with us. Over 30% of our customers already make use of this, on a steeply rising trend.

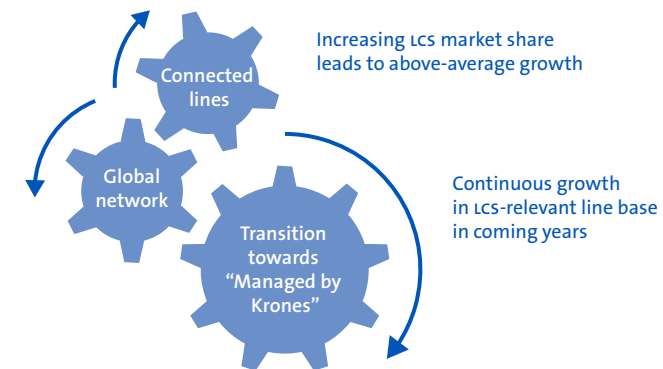
Data analysis for targeted customer support

In the future, we will be connected to our lines 24/7, enabling us to provide even more efficient service. We continuously monitor and analyse production data. This allows Krones experts to identify weak spots and blockages at an early stage, for example, and to provide the customer with specific support. Customers can then operate their lines even more efficiently and sustainably.

Service-based business models

Krones' goal is to evolve from a machine and line manufacturer to a manager of beverage plants – from “Built by Krones” to “Managed by Krones”. This more service-based business model will be implemented by means of service level agreements (SLAs). Under an SLA, Krones

guarantees the customer a specific service level. At the highest level, we guarantee the customer an agreed performance level for the line, provided that our support recommendations are followed. In return, the customer pays Krones a regular service fee based on the service level.





Global network for customer proximity

The travel restrictions during the Covid pandemic demonstrated the importance of our dense global network of production and service units. We were thus able to help our customers on the spot with service engineers and spare parts, even during this difficult time.

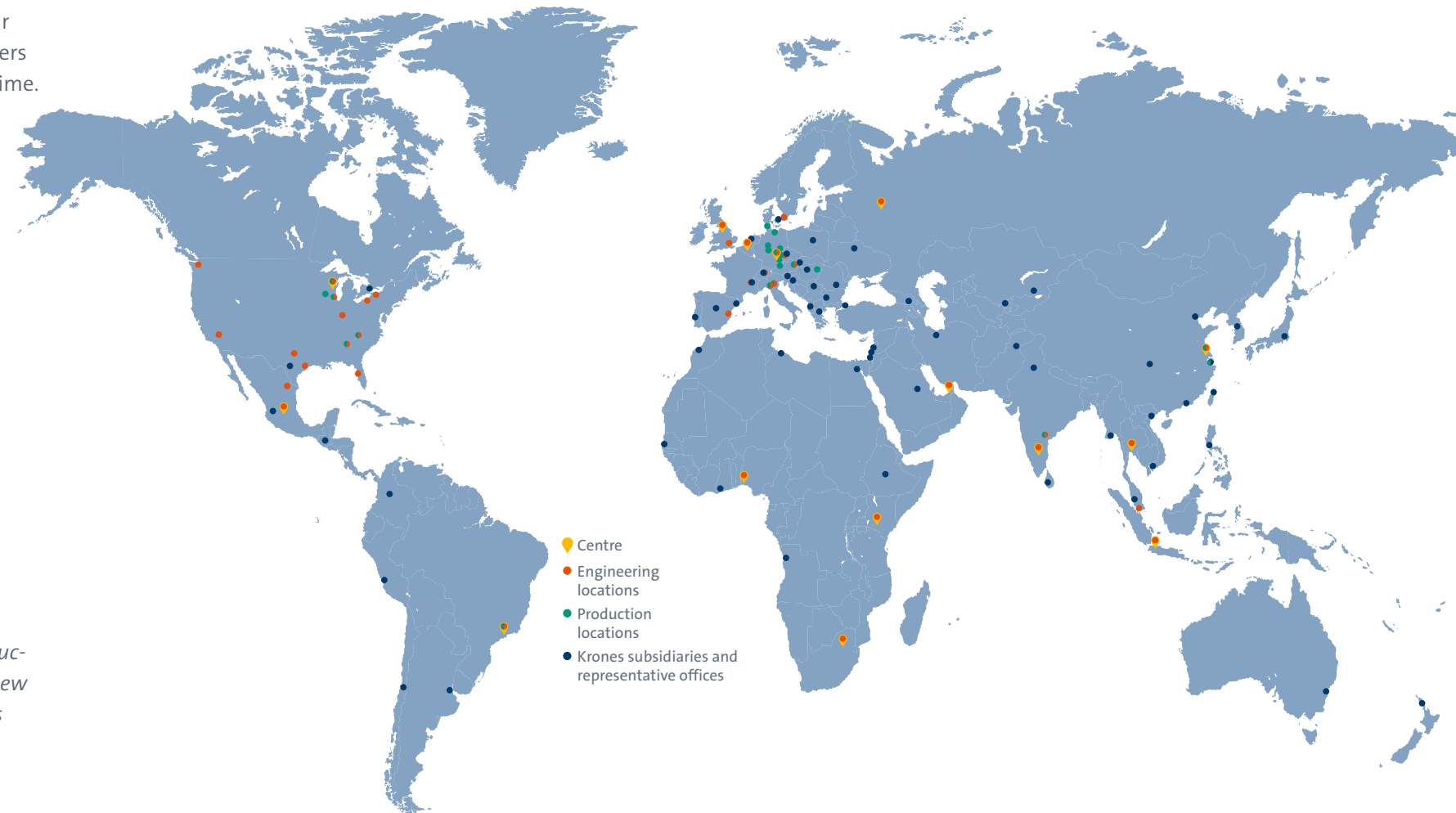
The Krones network ensures customer proximity around the globe

- 24 international production sites
- ~ 3,000 service engineers globally
- > 100 subsidiaries and locations across the globe
- Global spare parts availability
- Digitalised support solutions



“Krones has a broad global footprint in production as well as in service. We manufacture new machines and spare parts for our customers at 24 international sites.”

*Ralf Goldbrunner, Executive Board Member,
Operations*





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Profitable
growth

Leveraging the target picture for long-term profitable growth

Under the slogan “Solutions beyond tomorrow”, Krones has deliberately set itself ambitious goals. To implement the vision outlined in our target picture, Krones must have the financial resources to make the necessary investment. This is why profitable growth continues to be a core element of our corporate strategy. A company can only invest heavily in the future if it generates sufficient profits and cash flow.

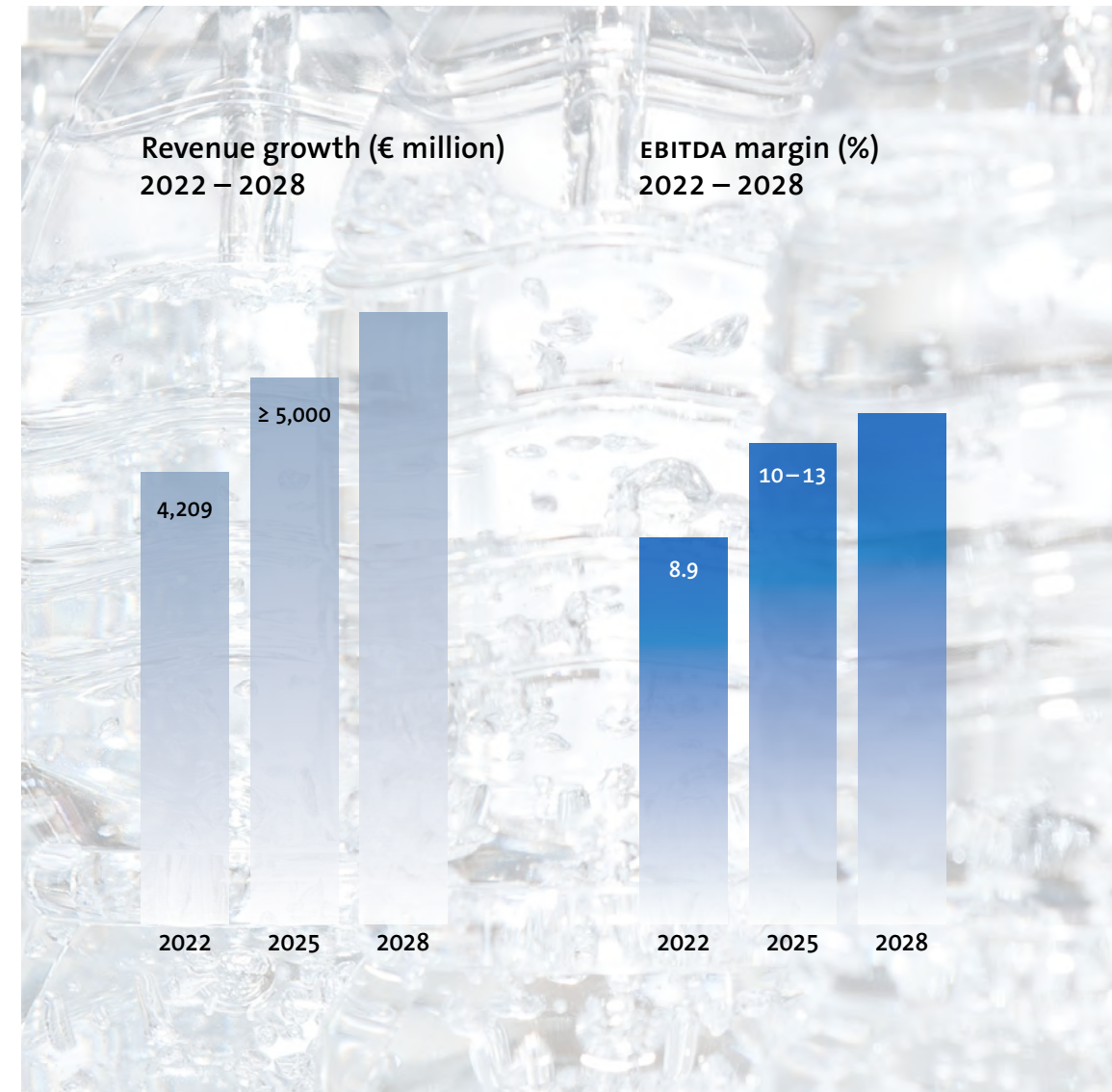


“With our new target picture, we have set the course for long-term profitable growth.”

Uta Anders, CFO

Sound finances and a strong equity ratio also give us the resilience to keep on implementing our strategy in times of crisis. A robust financial and capital structure also secures Krones’ independence.

Krones consequently aims for above-average, profitable growth with innovative and future-ready products and services in our robust, growing markets. This will not only benefit our motivated employees, but also our shareholders in the form of commensurate dividends.





drinktec 2022

Successful trade fair for Krones

The drinktec trade fair took place in Munich from 12 to 16 September 2022. Normally held every four years, the show is the global business summit for the beverage and liquid food industry. Nearly 50,000 trade visitors from 169 countries came to drinktec to discover the latest trends.

Krones presents innovative technologies for today and tomorrow

On an area of 11,000 square metres, Krones exhibited innovative products for beverage production and handling, efficient intralogistics and digitalisation solutions, as well as state-of-the-art filling and packaging technologies. In addition to our existing solutions for today's customer needs, we also presented our vision for the beverage factory of the future.

The slogans "Future starts in our heads" and "Change starts in our hearts" welcomed guests at the entrance to the Krones booth.





Climate change mitigation

Krones faces up to the challenges of the future. With our solutions, we want to help combat climate change. So that the world remains livable for future generations.





Shaping the future together with customers

On the Vision Stage in the center of the booth, Krones presented concepts for the filling and packaging lines of the future. Thoughts and ideas emerging from our conversations with customers were sketched out on hexagonal columns by a team of artists in real time.





Aseptics: sophisticated technology with rapid growth

Aseptic product filling continues to hold huge growth potential for Krones. We presented our latest customer solutions in this segment at drinktec.

VarioAsept D made its debut at the trade fair. The module ensures extremely fast and gentle heating of heat-sensitive products such as milk and plant-based beverages during their production process.





PET: ongoing strong demand

Global demand for PET filling and packaging lines is growing rapidly. PET is popular due to its low weight, high ductility and strength, as well as its good environmental credentials. At drinktec Krones underscored its leading position in this market segment. We provide innovative and efficient technologies and services for the design, production, filling, packaging and also recycling of PET bottles.





Sustainable substitute for plastic

Krones' fully automated Variopac Pro packer is a highly versatile all-rounder. It can handle numerous different types of packaging. The Variopac Pro on show at drinktec featured the LitePac Top module for sustainable and plastic-free secondary packaging. This uses recyclable cardboard instead of shrink-wrap, cutting carbon emissions by some 80%.





Digitalisation: unstoppable efficiency gains

Krones' digital products and services were a major focus at the trade fair booth. Among other things, visitors were able to take a virtual tour of the Varioline packaging line with the aid of an augmented reality headset.





A chance to meet up in person, or online

The main focus of any trade fair is the opportunity to meet up with customers. Numerous interesting discussions resulted in positive feedback for Krones on the products and services on show. Our team also gained many take-aways from customers as inspiration for future innovations.

For customers from China, who were unable to travel to Munich because of Covid, the Krones sales staff for the region came up with something special: They showed their Chinese customers all the exhibits with the aid of selfie sticks and answered their questions in a livestream.





Krones: the perfect host

Friendly and knowledgeable Krones staff made for an upbeat ambience at the Krones booth. The Krones Alm also contributed to good spirits among our many international guests, with traditional Bavarian music and tastings.





Letter from the **Executive Board**



“The Krones team ended the 2022 financial year successfully despite all the challenges. With our new target picture, ‘Solutions beyond tomorrow’, we have set ourselves ambitious targets for the future.”

*Christoph Klenk
CEO*

Dear shareholders and friends of Krones,

The entire Krones team can look back with pride on a very successful 2022 financial year. We mastered the challenges well, including the economic consequences of the Russia-Ukraine conflict, resource shortages, sharply rising material and energy prices and the continuing negative impact of the Covid pandemic. For the first time in the company’s history, Krones generated revenue of over €4 billion in 2022. All other financial key performance indicators also improved significantly.

Very positive figures in 2022 financial year

Demand for our products and services remained very strong, despite the economic uncertainties and our price increases. Krones benefited from our innovative strength and our very good standing with customers. We have improved this standing even further since the pandemic by continuing to keep our promises to customers even in these difficult times.

Order intake reached the highest level in our corporate history at €5.78 billion (up 34%), as did the order backlog at €3.47 billion (up 83%). As we maintained relatively good production capacity utilisation by successfully managing the resource constraints, we were able to increase revenue in 2022 by 15.8% to €4.21 billion. This increase also exceeded our upgraded October 2022 guidance of 10% to 12% revenue growth.

We also improved profitability, despite rising costs. This shows that the strategic measures we have initiated in recent years to reduce costs and increase efficiency are taking effect. Krones improved profitability, as measured by the EBITDA margin, to 8.9% in the reporting period (previous year adjusted: 8.1%). Our third financial target, return on capital employed (ROCE), went up from 10.0% to 14.1%.

Free cash flow also developed positively in 2022. Influenced significantly by the high order intake and the resulting advance payments from customers, this was exceptionally high at €371 million (2021: €203 million) and contributed to the significant increase in net cash to €670 million at the end of 2022.

Shareholders to benefit from the company’s success with dividend of €1.75 per share

Our shareholders will also benefit from the good results of the reporting period. In line with its dividend policy, Krones will therefore pay out a significantly higher dividend of €1.75 per share to shareholders for the 2022 financial year, an increase of 25% over the previous year’s €1.40 per share.



drinktec global trade fair a great success

The corporate highlight of the year was drinktec, the world's leading trade fair for the beverage and liquid food industry, which was held in September 2022.



For Krones, drinktec 2022 was a complete success (pages 25 to 33). We received great positive feedback from customers. Just as important to us, however, was the input we received in direct communication with our customers.

Shaping the future with the new target picture, “Solutions beyond tomorrow”

Also at drinktec 2022, we presented our new target picture, “Solutions beyond tomorrow”. Especially in times of constant change, it is important to have a clear, shared and ambitious goal. Only then can the company continue to develop and remain successful.

Our new target picture, “Solutions beyond tomorrow”, reflects this ambition. With the new slogan, we show what goals the company is pursuing in the long term. Krones will be making a contribution to overcoming three major challenges facing humanity: combating climate change, feeding the world and responsible use of packaging materials.

This slogan, which is also the title of our 2022 Annual Report, provides Krones with support and orientation on the road to a successful future. In all three business segments, our strategic focus is on sustainability, service quality, and digitalisation. You can find detailed information on “Solutions beyond tomorrow”



on pages 5 to 24 of this Annual Report.

Many challenges remain in 2023

The positive business results for 2022 do not mean that we can ignore the continuing very strong political and economic uncertainties. Already, the Russia-Ukraine conflict and the higher interest rates due to high inflation have led to a cooling of the global economy. The experts at the International Monetary Fund now expect growth of only 2.9% for the current year (previous year: 3.4%). This is well below the long-term average of 3.8%.

At the same time, the situation remains tight in global supply chains and procurement markets. A major challenge in 2023 will continue to be the timely procurement of sufficient materials and supplier parts to maintain good production capacity utilisation. The ongoing path of the Covid-19 pandemic also remains a source of uncertainty.

Executive Board forecasts higher revenue and increasing profitability for 2023

Despite major challenges, there are good reasons to be optimistic for the 2023 financial year and beyond. We started the year with a very high order backlog and demand for our products and services is also at a high level. In addition, we expect that the situation on the procurement markets relevant to Krones may ease slightly in the second half of the year. Based on the positive market trend and Krones' strong position, the Executive Board expects consolidated revenue in 2023 to be between 8% and 11% higher than last year.



Krones is aiming for a further improvement in profitability this year compared to 2022. In addition to revenue growth, the ongoing implementation of the cost optimisation measures will also contribute here. Thanks to the company's innovative solutions and good project work with customers, Krones succeeded in implementing price increases in 2022. The higher prices will enable the company to offset future cost increases. Stable capacity utilisation, ensured by our flexible production and intelligent procurement management, will also improve profitability. At group level, we forecast an EBITDA margin of 9% to 10% for 2023. For the third performance target, ROCE, Krones expects an increase this year to between 15% and 17%.

Krones well on the way to achieving its targets by 2025

Krones continues to aim for profitable growth in the medium term. By 2025, we want to achieve revenue of at least €5 billion. In addition to organic growth of 5% per year, this will also include growth through acquisitions. We expanded our capabilities in the growing pharmaceutical market in 2022 with the acquisition of R+D Custom Automation in the US. Acquisitions of medium-sized, profitable companies continue to be part of our growth strategy.

The medium-term target for the EBITDA margin is between 10% and 13%. For ROCE, we are aiming for at least 20% by 2025. Following the positive business performance in 2022, and despite all the challenges, Krones currently sees more opportunities than risks for achieving our medium-term targets.

Uta Anders CFO at Krones since beginning of year

Uta Anders has been a member of the Executive Board and Chief Financial Officer (CFO) since 1 January 2023. She thus succeeds Norbert Broger, who stepped down from the Executive Board of Krones at his own request when his contract ended on 31 December 2022. The transition was smooth and harmonious as the changeover had already been decided at the end of March 2022 and Uta Anders has been working at Krones in a senior position since 2020. On behalf of the full Executive Board, I would like to thank Norbert Broger for his good, committed and successful work.

Flexible, creative and motivated team the basis for sustained success

The key to our good customer relationships is timely and high-quality project delivery. This is and remains possible only thanks to the great flexibility of our company and the enormous creativity and motivation of our employees.

On behalf of the entire Executive Board, I would like to take this opportunity to thank all employees for their outstanding commitment in the 2022 financial year. They, too, live and breathe our new, ambitious target picture, "Solutions beyond tomorrow" every day, so that we can realise our shared vision and achieve our long-term corporate targets.

Christoph Klenk
CEO



The Executive Board



Thomas Ricker
CSO

Ralf Goldbrunner
Operations

Uta Anders
CFO
(from 1 Jan 2023)

Christoph Klenk
CEO

Norbert Broger
CFO
(until 31 Dec 2022)

Markus Tischer
International Operations
and Services



Report of the **Supervisory Board**



*Volker Kronseder
Chairman of the
Supervisory Board*

Ladies and Gentlemen,

2022 was a very challenging year for Krones. The Covid pandemic, even though it was receding, continued to impact our business during the reporting period. Krones additionally had to deal with general material shortages and rising prices. The knock-on effects of the Russia-Ukraine conflict also slowed the global economy. Thanks to the outstanding work of the entire Krones team, we can nevertheless look back on a successful business year. The company achieved its ambitious financial targets in a difficult environment.

The beginning of 2023 saw a change on the Krones Executive Board. On 1 January 2023, Uta Anders became the first woman to join the Executive Board. Uta Anders succeeded Norbert Broger as the Chief Finance Officer (CFO) of Krones AG. Mr. Broger left the Executive Board at his own request upon expiry of his contract on 31 December 2022. On behalf of the entire Supervisory Board, I would like to thank Norbert Broger for his dedicated service and outstanding work for Krones. I wish Ms. Anders every success in her duties on our company's Executive Board.

With its new target picture, "Solutions beyond tomorrow", Krones has charted out the path to a successful future. The Supervisory Board will continue to work closely and constructively with the Executive Board and support it in implementing the targets and visions in "Solutions beyond tomorrow".

Advice and oversight

As prescribed by the German Stock Corporation Act and the company's articles of association, the Supervisory Board of Krones AG continuously oversaw and advised the Executive Board during the 2022 financial year and discharged its responsibilities with due care.

Provisions of the German Stock Corporation Act and the German Corporate Governance Code concerning the Executive Board's reporting obligations to the Supervisory Board were complied with at all times. The Executive Board regularly informed the Supervisory Board about the company's business and financial situation and risk management in written and oral reports both during and outside of Supervisory Board meetings. With regard to decisions of particular significance to Krones AG and the group, the Supervisory Board was informed and involved by the Executive Board at an early stage. The Chairman of the Supervisory Board and the Chief Executive Officer in particular maintained regular contact between meetings. In that connection, they jointly discussed matters of corporate strategy, current business performance, the risk situation, risk management and compliance.

Focal topics addressed by the Supervisory Board in the 2022 financial year included the tight situation on procurement markets, rising material prices, Krones' new target picture, energy supplies and the company's acquisition strategy.

Changes in membership of the Supervisory Board

Stefan Raith joined the Krones AG Supervisory Board as an employee representative on 1 January 2022. He succeeded Klaus Gerlach, whose term of office ended on 31 December 2021. I would like to express my sincere thanks to Klaus Gerlach, who had been a member of the Supervisory Board of Krones AG since 2012, for his good and successful contribution.

No conflicts of interest

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



Attendance at Supervisory Board meetings

In total, six ordinary Supervisory Board meetings and one extraordinary Supervisory Board meeting were held in 2022. The Executive Board attended several meetings in a guest capacity. As a rule, however, the Supervisory Board met without the Executive Board. All Supervisory Board meetings in the 2022 financial year were held in person, although it was possible for individual Supervisory Board members to take part in meetings by video conference or telephone if required.

In accordance with Recommendation D.8 of the German Corporate Governance Code, we provide the following information on meeting attendance by individual members of the Supervisory Board:

Supervisory Board member	Number of meetings	Meetings attended
Volker Kronseder	7	7
Josef Weitzer	7	7
Nora Diepold	7	7
Robert Friedmann	7	4
Oliver Grober	7	7
Thomas Hiltl	7	7
Markus Hüttner	7	7
Prof. Dr. jur. Susanne Nonnast	7	7
Dr. phil. Verena Di Pasquale	7	7
Beate Eva Maria Pöpperl	7	7
Stefan Raith	7	7
Norbert Samhammer	7	7
Petra Schadeberg-Herrmann	7	7
Jürgen Scholz	7	7
Hans-Jürgen Thaus	7	7
Matthias Winkler	7	7

Supervisory Board meeting reports

The first meeting of the Supervisory Board in 2022 took place on 23 March. Its main agenda item was the annual financial statements of Krones AG and the Krones Group for 2021. Representatives from Krones' auditors were present for a portion of the meeting. The Executive Board reported to the Supervisory Board on the development of key financial performance indicators during the 2021 financial year. Following that, the representatives of the auditor gave the Supervisory Board an explanation of their audit engagement together with the focal points of their review of the annual financial statements and details of the audit. They remained available for the Supervisory Board's questions and answered them in full. The Supervisory Board's Audit and Risk Management Committee commented on the results of the audit. Finally, the Supervisory Board ratified the annual financial statements and management report of Krones AG for 2021 and approved the 2021 consolidated financial statements and group management report. In addition, at the recommendation of the Audit and Risk Management Committee, the Supervisory Board approved the non-financial report.

Under the agenda item "Supervisory Board and Executive Board matters", the Supervisory Board dealt among other things with a modification to the Long Term Incentive (LTI), a variable component of Executive Board remuneration. At the recommendation of the Standing Committee, the Supervisory Board decided to add a sustainability component to the LTI. This consists of achievement of the targets for reducing Krones' carbon emissions (Scope 1 and 2).

The Supervisory Board also dealt at its first meeting with the agenda for the 2022 Annual General Meeting and adopted the necessary resolutions. Among other things, the Supervisory Board determined that a dividend of €1.40 per share was to be proposed to the Annual General Meeting for the 2021 financial year. In the economic report, the Executive Board reported to the Supervisory Board on the current business situation and the potential impact of the Russia-Ukraine conflict on Krones. The Executive Board also reported on its view of the situation on the international procurement markets.



A further agenda item at the first Supervisory Board meeting was the resolution on the appointment of Uta Anders as Chief Financial Officer (CFO) of Krones AG for the period 1 January 2023 to 31 December 2025.

The Supervisory Board convened for its second meeting of the reporting period on 31 May 2022 after Krones' virtual Annual General Meeting. A key topic was the Executive Board's report on the current business situation. This also included reporting on general cost trends and how they impact Krones. In addition, CEO Christoph Klenk presented Krones' new target picture, "Solutions beyond tomorrow", to the Supervisory Board and explained potential acquisition projects.

An extraordinary meeting of the Supervisory Board was held on 6 July. This was convened to present and discuss further insights into the potential acquisition of the US company R+D Custom Automation. The Executive Board provided the Supervisory Board with detailed information on the technology, market and financial performance of R+D, as well as on the transaction structure. In addition, the opportunities and risks of a potential acquisition were discussed. The Supervisory Board resolved that the Executive Board should continue purchase price negotiations with the aim of an acquisition.

The fourth committee meeting was held on 20 July at our Hungarian production site in Debrecen. On the day before the meeting, the Supervisory Board visited the new plant. At the meeting, the Supervisory Board received detailed reports from the Executive Board on the development of the site and its role in implementing Krones' production strategy.

A further topic of the fourth meeting was the Executive Board's economic report. The members of the Executive Board reported to the Supervisory Board on how business developed for Krones in the first half of 2022 in the areas for which they are each responsible. Material availability and the trend in procurement prices were also discussed. Also at the meeting in Debrecen, the Executive Board presented its current assessment of the risk to Krones and its customers and suppliers of a possible gas shortage.

The fifth meeting of the Supervisory Board was held on 27 October. At the beginning of the meeting, the Chairman of the Supervisory Board announced that the Supervisory Board's next two-yearly efficiency review is in 2023. For this purpose, Krones will once again use a questionnaire adapted to the latest revision of the German Corporate Governance Code. One focus of the meeting was the Executive Board's economic report, in which the individual Executive Board members reported to the Supervisory Board in detail on Krones' business performance in the first three quarters of 2022. This also included the current energy supply situation and excerpts from the company's sustainability reporting. In addition, the Executive Board provided the Supervisory Board with information on Krones' presentation at drinktec and customer feedback on the company's trade show display. At the same meeting, the Supervisory Board adopted a resolution on the new schedule of responsibilities for the Executive Board, which applies from 1 January 2023.

Another item on the agenda on 27 October was the Executive Board's current report on the acquisition strategy. CEO Christoph Klenk provided the Supervisory Board with further details on the potential acquisition of R+D Custom Automation. Following a detailed briefing by the Chairman of the Executive Board, the Supervisory Board approved Krones' investment in R+D Custom Automation as recommended by the Executive Board.

At its sixth meeting on 7 December, the Supervisory Board primarily dealt with medium and long-term issues and Krones' strategic orientation. The beginning of the meeting focused on the geopolitical and macroeconomic environment. CEO Christoph Klenk explained to the Supervisory Board, among other things, how looming global conflicts and the formation of economic blocs could affect international procurement markets and supply chains. Mr. Klenk explained that expanding the global footprint is an element in reducing potential procurement risk. The Executive Board members responsible for the individual segments then informed the Supervisory Board in detail about the major technological and economic trends in Krones' markets and about emerging



customer requirements. Sustainability and digitalisation played an important role in this connection. The Executive Board provided the Supervisory Board with a detailed presentation of each segment's strategic orientation, through which Kronen intends to continue to grow profitably in the future.

On 8 December, the Supervisory Board held its seventh meeting of 2022. A major item on the agenda was the report of the Audit and Risk Management Committee addressing the topics of risk management, internal auditing and compliance. Committee Chairman Hans-Jürgen Thaus explained the subject matter of the committee meeting of 15 November 2022 and the determinations on the risk management system and its effectiveness. He gave the Supervisory Board a detailed presentation on the strategic risks and explained that, in the opinion of the Audit and Risk Management Committee, Kronen's risk management system adequately reflects the risks. On the subject of cybersecurity, the Supervisory Board was informed about how Kronen is organised and what security measures are in place to protect against cyber-attacks.

Also at the Supervisory Board's seventh meeting, the Executive Board presented the annual and investment plans for 2023. The Supervisory Board approved the plans presented by the Executive Board. In addition, the Supervisory Board passed resolutions on the submission of the declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (AktG) and on the addition of a diversity criterion to the long-term incentive component of Executive Board variable remuneration, namely the percentage of women in management positions at Kronen.

The work of the Audit and Risk Management Committee

The Audit and Risk Management Committee comprises Hans-Jürgen Thaus, Josef Weitzer, Markus Hüttner, Volker Kronseder, Jürgen Scholz and Matthias Winkler. Its Chairman is Hans-Jürgen Thaus, whose deputy is Josef Weitzer. Hans-Jürgen Thaus (former Chief Finance Officer of Kronen AG) and Matthias Winkler (tax advisor and partner in an accounting firm) have the necessary expertise in accounting and auditing required by law.

The Audit and Risk Management Committee oversees the company's accounting and financial reporting, the audit of the financial statements and other reporting, and prepares related proposals for Supervisory Board resolutions. The Committee also prepares the Supervisory Board's review of the annual financial statements, the management report and the auditor's report for the separate and consolidated financial statements and makes recommendations. Furthermore, the Audit and Risk Management Committee monitors the quality of the financial statements and the effectiveness of the internal control, risk management and compliance system.

The Audit and Risk Management Committee held two meetings in 2022. Both took place as in-person meetings. In accordance with Recommendation D.8 of the German Corporate Governance Code, we provide the following information on meeting attendance by individual members of the Audit and Risk Management Committee:

Committee member	Number of meetings	Meetings attended
Hans-Jürgen Thaus	2	2
Josef Weitzer	2	2
Markus Hüttner	2	2
Volker Kronseder	2	1
Jürgen Scholz	2	2
Matthias Winkler	2	2



At its 17 March meeting, the Audit and Risk Management Committee dealt mainly with the reporting on the annual financial statements and consolidated financial statements of Kronos AG as of 31 December 2021, the auditor's report on the audit of the annual financial statements and consolidated financial statements of Kronos AG as of 31 December 2021, and the non-financial report 2021. The Audit and Risk Management Committee prepared recommendations on these matters for resolutions of the Supervisory Board at its meeting on 23 March.

The second meeting of the Audit and Risk Management Committee in 2022 took place on 15 November. At that meeting, the heads of Controlling, Internal Audit and Compliance informed the members of the committee in detail about the current risk situation, internal audit and compliance management. Also in the same meeting, the committee addressed the effectiveness of the risk management system. It also dealt intensively with the topic of cybersecurity.

The work of the Standing Committee

The Standing Committee consists of Volker Kronseder, Josef Weitzer, Markus Hüttner and Prof. Dr. jur. Susanne Nonnast. It is chaired by Volker Kronseder, whose deputy is Josef Weitzer. The committee generally deals with all other topics that are outside the remit of the Audit and Risk Management Committee. These include, for example, human resources strategy and Executive Board and Supervisory Board remuneration.

Two meetings were held in 2022, both as an in-person meeting. In accordance with Recommendation D.8 of the German Corporate Governance Code, we provide the following information on meeting attendance by individual committee members:

Committee member	Number of meetings	Meetings attended
Volker Kronseder	2	1
Josef Weitzer	2	2
Markus Hüttner	2	2
Prof. Dr. jur. Susanne Nonnast	2	2

The Standing Committee's first meeting on 17 March was convened to make recommendations to the Supervisory Board in advance of the Supervisory Board meeting on 23 March. This related, firstly, to the recommendation to appoint Uta Anders as Chief Finance Officer of Kronos AG. Secondly, the committee addressed the recommendation to adjust the base salary of Executive Board member Markus Tischer. Finally, the meeting dealt with the amendment of the remuneration system for the Executive Board of Kronos AG and the addition of the ESG target "Reduction in carbon emissions (Scope 1 and 2)" as a target for the long-term incentive (LTI) variable component of Executive Board remuneration.

The Standing Committee's second meeting took place on 15 November. This mainly related to the addition of a diversity component to the long-term incentive (LTI) as a further ESG element. The Standing Committee recommended that the Supervisory Board should adopt a resolution making the percentage of women in management positions at Kronos a component of the LTI.

Supervisory Board concurs with audit results

The annual financial statements of Kronos Aktiengesellschaft prepared by the Executive Board, the consolidated financial statements, the management report for Kronos AG and the group management report for the period ended 31 December 2022 were examined by the auditors elected by the annual general meeting, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, and each issued with an



unqualified audit report. The audited annual financial statements and consolidated financial statements, the management report for Krones AG and the group management report for the period ended 31 December 2022 were duly submitted to all members of the Supervisory Board for review. The audited financial statements and management reports were the subject of the Supervisory Board meeting held to ratify the financial statements on 23 March 2023. Representatives of the auditing firm also attended for part of that meeting and informed the Supervisory Board of their audit results and the focal points of their audit.

The Supervisory Board noted and approved the audit results. No objections were raised following the final review by the Supervisory Board, which covered in particular the matters described in the auditor's audit report including the audit procedures. The Supervisory Board has ratified the annual financial statements for Krones AG and approved the consolidated financial statements as well as the Executive Board's proposal for the appropriation of earnings available for distribution. The 2022 annual financial statements for Krones AG are thus ratified.

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

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

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

In addition to the statutory audit, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft also performed a limited assurance review of the combined non-financial statement of Krones AG and the Krones Group for the period from 1 January to 31 December 2022, which is part of the group management report. On the basis of that review, the auditor did not raise any objections to the non-financial statement and the fulfilment of the statutory requirements in relation to it.

Thanks to the Executive Board and the workforce

Krones performed successfully in a highly demanding environment in 2022. This was only possible because the company has behind it a committed and motivated team. The members of the Supervisory Board would like to thank the Executive Board and all of the company's employees for their contribution to the company's success.

Neutraubling, March 2023
The Supervisory Board

Volker Kronseder
Chairman of the Supervisory Board



The Supervisory Board



Volker Kronseder
Chairman of the Supervisory Board

* University Hospital Regensburg
* Economic Advisory Board, Bayerische Landesbank



Josef Weitzer**
Deputy Chairman of the Supervisory Board
Group Works Council Chairman
Central Works Council Chairman

* Bay. Betriebskrankenkassen



Nora Diepold
Chief Executive Officer
NK Immobilienverwaltungs GmbH Regensburg



Robert Friedmann
Spokesman for the central managing board
of the Würth Group
* ZF Friedrichshafen AG



Oliver Grober**
Deputy Chairman of the Employees' Council,
Rosenheim



Thomas Hiilt**
Chairman of the Employees' Council,
Nittenau



Markus Hüttner**
Deputy Group Employees' Council Chairman
Deputy Composite Employees' Council Chairman
Deputy Employees' Council Chairman,
Neutraubling



Prof. Dr. jur. Susanne Nonnast
Professor at Ostbayerische Technische
Hochschule (OTH) Regensburg



Dr. phil. Verena Di Pasquale**
Deputy Chairperson of DGB Bayern
(the German Trade Union Confederation
in Bavaria)



Stefan Raith**
Head of Business Line, Line Solutions
Krones AG

* re-sult AG, Regensburg



Norbert Samhammer
Managing Director, Samhammer Holding
GmbH

* Samhammer AG (until 1 June 2022)



Beate Eva Maria Pöpperl **
Independent Member of the Employees'
Council



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



Jürgen Scholz**
First authorised representative, IG Metall
administrative office in Regensburg

* Infineon Technologies AG



Hans-Jürgen Thaus
* Maschinenfabrik Reinhausen GmbH



Matthias Winkler
Managing Partner WW+KN Steuerberatungs-
gesellschaft mbH
Managing Partner WW+KN Treuhand GmbH



The Krones share



“Our share price benefited from Krones’ very good business performance in 2022 and clearly outperformed the market with an increase of 9.5%.”

*Olaf Scholz
Head of Investor Relations*

- Stock markets recorded losses worldwide in 2022
- Krones shares were a clear outperformer with a 9.5% price gain
- Shareholders to receive dividend of €1.75 per share for 2022

Russia-Ukraine conflict and sharply rising interest rates led to falling share prices on global stock markets in 2022

The 2022 stock market year was marked by high volatility and sometimes massive price losses. Investors were made cautious by the Russia-Ukraine conflict, high inflation rates, steeply rising interest rates, energy shortages and concerns about recession. Even the strong market recovery in the fourth quarter was not enough to offset the losses over the first nine months of 2022. All major national and international stock exchanges were trading significantly lower at the end of the year than at the beginning.

This was despite a good start to the stock market year in 2022. Germany’s benchmark index, the DAX, thus marked its high for the year at 16,285 points in early January before falling steeply due to the Russia-Ukraine conflict and massively rising interest rates. After recovering towards the end of the first quarter, indices fluctuated heavily through to the end of the third quarter. The DAX traded between 14,700 and just under 12,000 points. It marked its low for the year at 11,863 points in late September 2022. In the fourth quarter of 2022, falling energy prices and declining inflation rates eased the situation on bond markets and caused sentiment to improve on the stock exchanges, as a result of which the DAX climbed to 13,924 points by the end of the year.

The main German index thus ended 2022 with a loss of 12.3%. The EURO STOXX 50 performed similarly. Representing the 50 largest companies in the euro area, the index lost 11.9% in the reporting period. The best-known US stock market barometer, the Dow Jones index, showed a smaller decline of 9.0% due to the positive performance of oil stocks in the index. By contrast, the broader US S&P-500 index lost 19.6%. At 9.5%, the fall on the Japanese stock market was not quite as steep as in Europe. The Nikkei index benefited from the weak yen.



Kronen shares were a clear outperformer with a 9.5% price gain

Kronen shares clearly outperformed the overall market in 2022 with a 9.5% price gain. The SDAX lost 27.3% in the reporting period. Our share price performed significantly better than the SDAX from May onwards and was a clear outperformer in the fourth quarter especially.

After heavy losses in the first quarter due to the generally poor stock market climate, the Kronen share price performed significantly better than the overall market through to the year-end. The main reason for the strong outperformance relative to all major indices was the company's good business performance.

Like all stock market indices, our shares recorded heavy price losses in the first quarter of 2022. This was due to the onset of the Russia-Ukraine conflict on 24 February. That same day, Kronen published positive preliminary annual results for 2021, which had no effect on the share price due to the conflict. Share prices fell sharply in the weeks that followed. Our own share price marked its low for the year at €67.50 on 7 March. Following publication of the positive figures for the first quarter on 6 May 2022, the share price rose steadily, climbing to just under €90 in early June. After that, the share price gave way again with the weak overall market and did not pick back up until the beginning of the third quarter, with support from the good half-year results.

Kronen share price performance compared with the SDAX 2022



In September, Kronen was able to buck the generally weak market trend. The main reason for the strong rally at the end of the third quarter was probably Kronen's detailed presentation of its future strategy, especially on the subject of sustainability, at the company's Capital Market Day held at drinktec on 15 September. Many analysts subsequently commented positively and raised their target prices. After a brief pause in late October, the upgraded revenue guidance for 2022 and publication of strong figures for the third quarter lifted the share price into the triple-digit euro range in the following weeks. Our shares traded at their high for the year of €111.40 on 13 December and fell only slightly to €105.00 at the year-end.

The Kronen share price ended the 2022 stock market year with a gain of 9.5%, clearly outperforming all major share indices. Including the €1.40 per share dividend, the annual performance of the Kronen share price in 2022 was 10.9%. The SDAX, of which Kronen has been a component since 2018, lost 27.3% in the reporting period. Kronen was one of the top ten performers in the 70-share SDAX in 2022.

Key figures for the Kronen share

At 31 December	2022	2021	2020
Earnings per share	€ 5.92	4.47	-2.52
Equity per share	€ 50.58	44.05	37.98
Free cash flow per share	€ 11.74	6.43	7.00
Price/earning (P/E) ratio based on closing price for the year	17.7	21.5	-
Dividend per share	€ 1.75*	1.40	0.06
High	€ 111.40	99.60	75.50
Low	€ 67.50	64.30	41.92
Year's closing price	€ 105.00	95.90	66.05

* As per proposal for the appropriation of earnings available for distribution; share price data source: Xetra

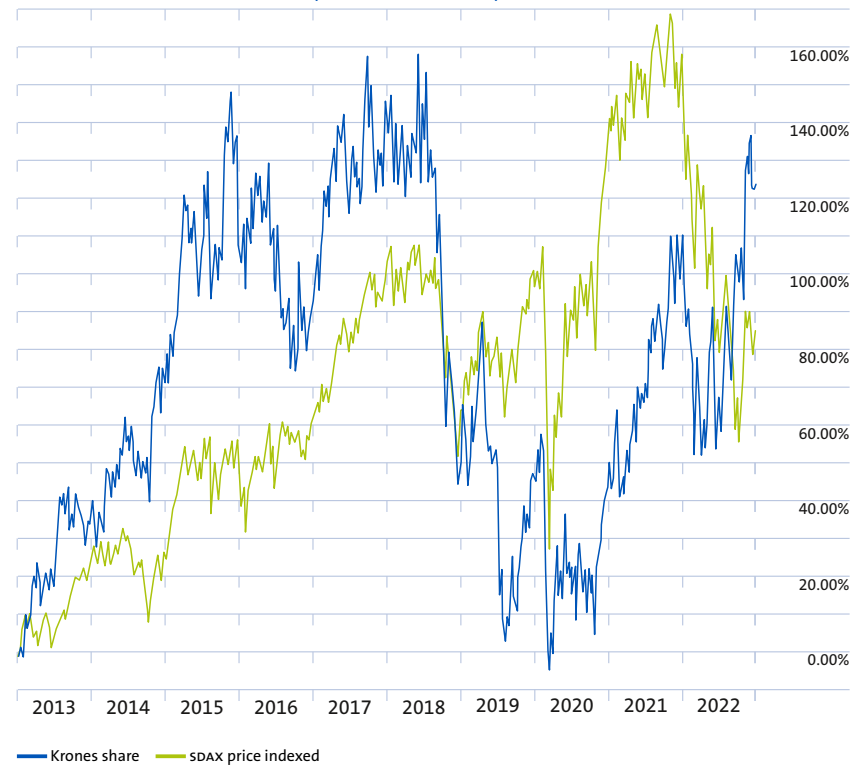


Krones shares provide above-average 10-year performance

The Krones share price has risen by an average of 8.4% a year over the last ten years. Including dividends, the value growth is 10.0% per year.

Over the past ten years, from 2013 to 2022, the Krones share price has climbed by a total of 123%. This corresponds to an average annual price gain of 8.4% over the ten-year period. The SDAX Price Index

Performance of Krones shares compared with the SDAX price index, 2013–2022



– the SDAX excluding dividends – gained an average of 6.6% year on year over the same period. Including dividends, and assuming these are reinvested in Krones shares after payout, the average annual return on our shares since 2013 comes to 10.0%. The comparable SDAX Performance Index rose by an average of 8.6% a year in the last ten years.

Krones the second-largest stock in the SDAX at the end of 2022

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

While many SDAX shares suffered heavy price losses in 2022, Krones shares gained in value. As a result, our shares rose to become the second-largest stock in the SDAX.

Krones shares have been a component of the SDAX since mid-2018. The SDAX is the Deutsche Börse stock exchange index containing the 70 companies that succeed those listed in the MDAX in market capitalisation. Until Deutsche Börse's index reform in September 2021, inclusion in the index was based on stock exchange turnover as well as market capitalisation. Following that reform, the sole quantitative criterion is free float capitalisation (as defined by Deutsche Börse). Due to the strong outperformance of the Krones share price in 2022, the position of our shares in the SDAX improved significantly. At the end of 2022, Krones was the second-largest of the 70 SDAX components in terms of free float capitalisation. A year earlier, Krones ranked 17th.



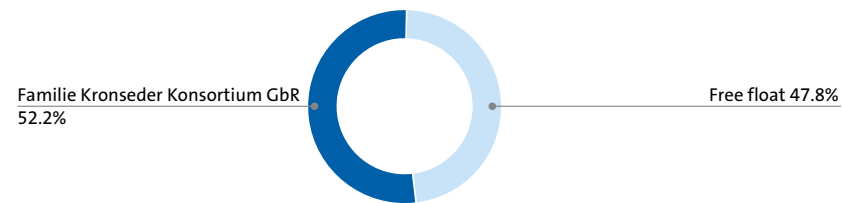
Key data for the KRONES share

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

Shareholder structure

Krones' shareholder structure remained virtually unchanged in the reporting period. At 31 December 2022, Familie Kronseder Konsortium GbR held the majority of Krones AG's shares, with 52.2%. The family intends to remain a stable majority shareholder of Krones AG. The free float came to 47.8% at the end of 2022.

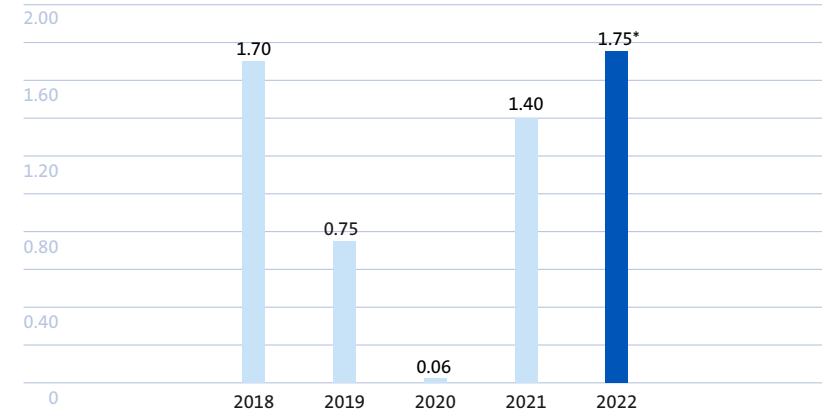
Shareholder structure as of 31 December 2022



Krones to distribute a dividend of €1.75 per share for 2022

Krones significantly improved earnings in 2022 compared with the previous year. Shareholders will also benefit from this improvement. Krones' long-term dividend policy is to pay out 25% to 30% of consolidated net income to shareholders. For the 2022 financial year, Krones plans to increase the dividend to €1.75 per share (previous year: €1.40). This corresponds to 29.6% of consolidated net income.

Dividend per share (€)



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



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CONSOLIDATED MANAGEMENT REPORT

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Krones at a glance

Business model, business areas and organisational structure

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

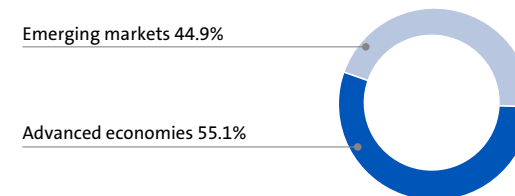
Beginning in 2022, Krones reports on three segments: **Filling and Packaging Technology, Process Technology and Intralogistics**. The new Intralogistics segment came under the Process Technology segment until 2021.

Major markets and competitive position

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

Krones is heavily export-oriented, generating around 90% of consolidated revenue outside Germany. The regional revenue split is well balanced overall. In the reporting period, Krones generated 55.1% of its revenue in industrialised countries and 44.9% in the rapidly growing emerging markets.

Krones group share of consolidated revenue 2022



Apart from a few large companies that are part of a corporate group, Krones competes with a number of companies that offer only individual filling and packaging products. Most of our main competitors are based in the euro area. Chinese manufacturers have primarily competed against Krones for orders on their home market. In the two smaller segments, Process Technology and Intralogistics, Krones competes with major suppliers worldwide and with smaller regional competitors.

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



Filling and Packaging Technology segment

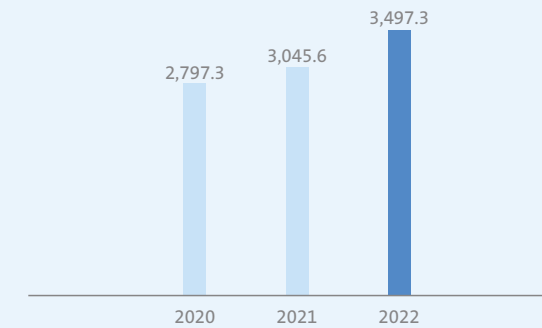


This is by far Krones' largest segment. It offers machines and lines for filling, labelling, packaging and conveying products. Machines and lines for producing PET containers and converting used plastic bottles into food-grade recycled material (PET recycling systems) are also part of this segment. In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

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

See also Segment report, pages 163 and 216.

Revenue (€ million)




	2020	2021	2022
EBITDA (€ million)	171.5	283.2	332.7
EBITDA margin (%)	6.1	9.3	9.5

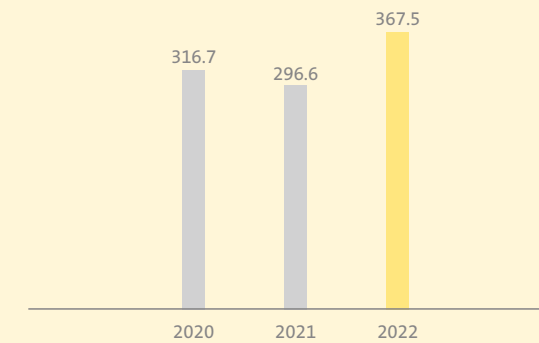


This Krones segment supplies customers with machines and lines for producing and processing beer, soft drinks, fruit juices, milk, dairy drinks and alternative proteins. In addition to water treatment, the Process Technology segment also includes Evoguard brand components and the service business.

- Brewhouse and filtration technology
- Water treatment
- Alternative proteins
- Components (valves, pumps, etc.)

 See also Segment report, pages 165 and 216.

Revenue (€ million)



	2020	2021	2022
EBITDA (€ million)	-31.4	18.6	20.4
EBITDA margin (%)	-9.9	6.3	5.5

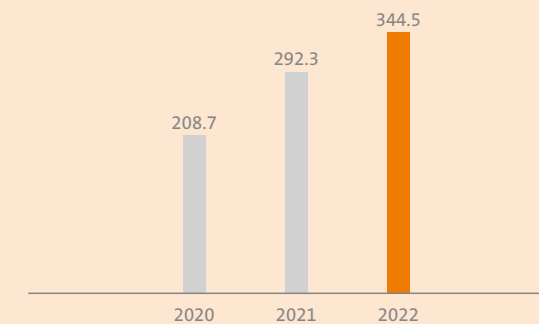


Commencing in 2022, Krones reports on the Intralogistics business as a separate segment. In this segment, under subsidiary System Logistics, Krones provides the planning and design of fully automated warehousing, order-picking and material flow systems with high-speed feeders, conveyors and automated guided vehicle (AGV) systems. Services are an additional part of the segment.

- Warehouse and material flow technology
- System and software solutions
- Conveyors and automated guided vehicles

See also Segment report, pages 167 and 216.

Revenue (€ million)



	2020	2021	2022
EBITDA (€ million)	-6.9	10.8	20.2
EBITDA margin (%)	-3.3	3.7	5.9



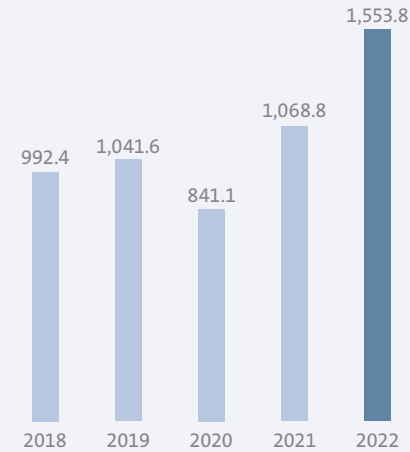
First quarter 2022

Krones made a very good start to the 2022 financial year. Order intake in the first quarter rose by 45.4% to €1,553.8 million – the highest quarterly figure in the company's history. Krones improved revenue between January and March by 12.9% to €987.2 million. Due to flexible production control and good procurement management, Krones was able to improve profitability slightly despite higher material costs. EBITDA went up from €76.5 million in the previous year to €87.0 million. The EBITDA margin was 8.8% (previous year: 8.7%).

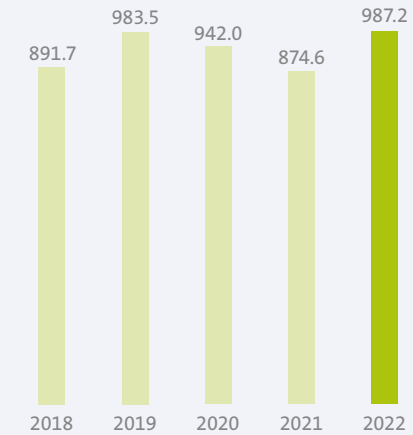
At the end of March, the company announced that Uta Anders was to take over the position of Chief Finance Officer with effect from 1 January 2023. She thus succeeds Norbert Broger, who left the company at his own request on expiry of his Executive Board contract on 31 December 2022. Uta Anders has been head of Controlling, Accounting and Taxes in the Krones Group since the end of 2020.

Stock markets dropped sharply in the first quarter. The markets were impacted by rising interest rates and the Russia-Ukraine conflict. Krones' share price likewise fell during the first quarter after marking its high for the quarter at €99.25 on 5 January. The share price was brought down by the Russia-Ukraine conflict and the resulting negative market sentiment. At the end of March, Krones shares stood at €75.45, down 21.3% on the beginning of the year.

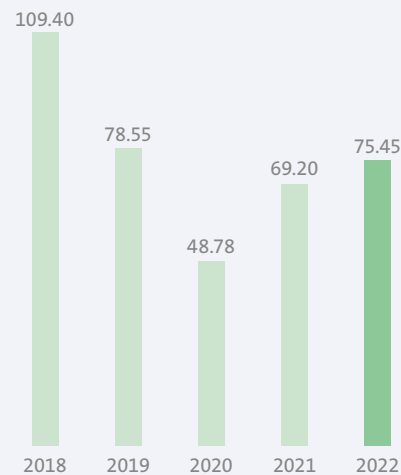
Order intake Q1 (€ million)



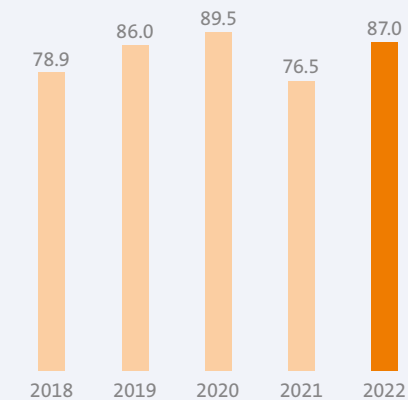
Revenue Q1 (€ million)



Share price 31 March (€)



EBITDA Q1 (€ million)





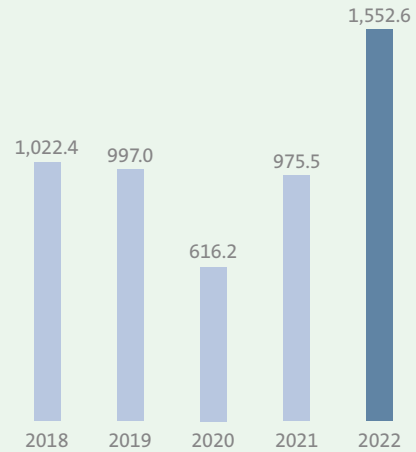
Second quarter 2022

Krones' 42nd Annual General Meeting (AGM) took place in Neutraubling on 31 May. As in the two preceding years, it was held as a virtual meeting. AGM attendance – the proportion of the company's share capital represented at the online meeting – was some 75% (previous year: 80%). All agenda items submitted for voting were adopted by shareholders with a large majority, including the dividend distribution of €1.40 per share.

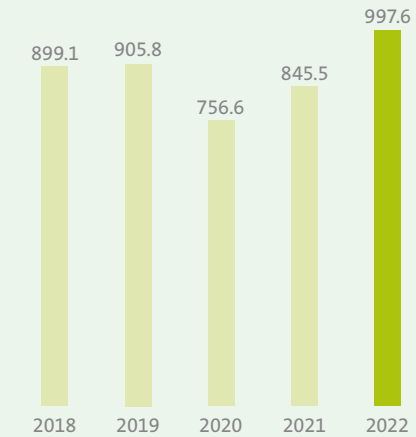
Krones' business continued to perform very well in the second quarter, despite the global challenges. Order intake increased 59.2%, from €975.5 million in the previous year to €1,552.6 million. Revenue growth accelerated from April to June thanks to flexible production management, with revenue rising by 18.0% to €997.6 million. EBITDA improved by 44.0% year on year to €88.1 million.

Prices on the world's stock exchanges continued to fall in the second quarter due to the uncertain general situation because of the Russia-Ukraine conflict. Our share price benefited when many analysts upgraded their price targets for Krones shares in response to the business figures for the first quarter. At the end of June, our share price stood at €72.80. It thus lost only 3.5% in the second quarter (1.7% including dividends), clearly outperforming the SDAX, which fell by 16.6% in the same period.

Order intake Q2 (€ million)



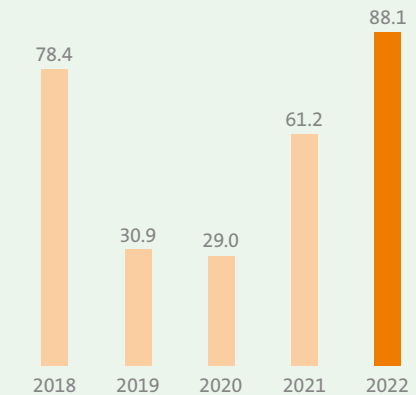
Revenue Q2 (€ million)



Share price 30 June (€)



EBITDA Q2 (€ million)





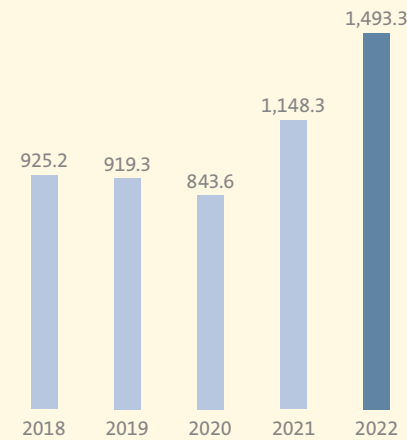
Third quarter 2022

The highlight of Krones' year was unquestionably drinktec, the world's leading trade fair for the beverage and liquid food industry, from 12 to 16 September 2022. The central theme for Krones at drinktec was the new target picture, "Solutions beyond tomorrow" – both in the exhibits and in the many interesting discussions with our customers. In all respects, drinktec 2022 was a complete success for the entire Krones team.

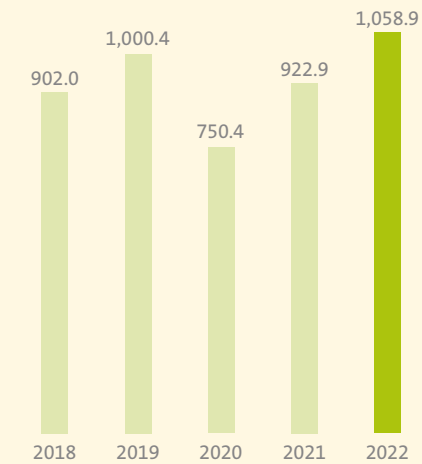
Krones continued its profitable growth under difficult conditions in the third quarter. Order intake from July to September exceeded the high prior-year figure by 30.0%, rising to €1,493.3 million. Revenue went up by 14.7% to €1,058.9 million. At €95.0 million, EBITDA was 26.8% higher in the third quarter than in the prior-year period. Over the first three quarters, Krones generated free cash flow of €132.3 million (previous year: €107.5 million).

Krones shares recorded a gain of 24.5% in the third quarter and were thus a clear outperformer. The SDAX lost 11.4% in the same period. In September especially, Krones was able to buck the weak market trend, with the share price climbing to €90.65 by 30 September. The main reason for the strong rally was probably the company's Capital Market Day held at drinktec, at which Krones notably presented its sustainability strategy in detail. Many analysts subsequently commented positively and raised their target prices.

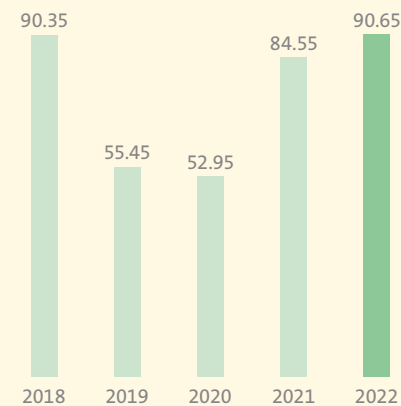
Order intake Q3 (€ million)



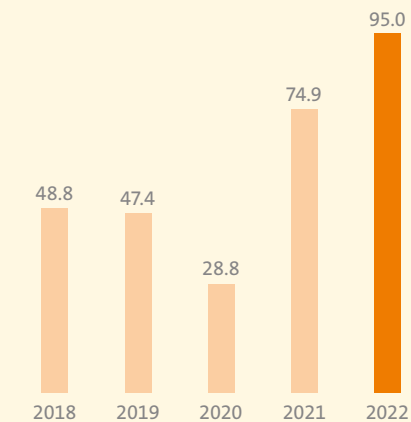
Revenue Q3 (€ million)



Share price 30 September (€)



EBITDA Q3 (€ million)





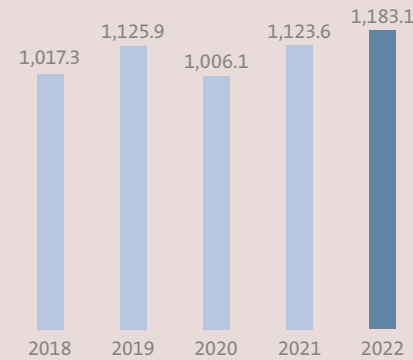
Fourth quarter 2022

Demand continued to increase dynamically in the fourth quarter. Order intake was below the exceptionally high levels of the preceding quarters but exceeded the very good prior-year figure by 5.3% and rose to €1,183.1 million in the quarter. For the full year, order intake thus increased by 34%. Revenue from October to December improved by 17.6% to €1,165.6 million. Profitability remained at a high level with an EBITDA margin of 8.9%. EBITDA increased from €100.0 million to €103.2 million. It should be noted that EBITDA in the fourth quarter of 2021 was positively impacted by one-off income effects of €22 million.

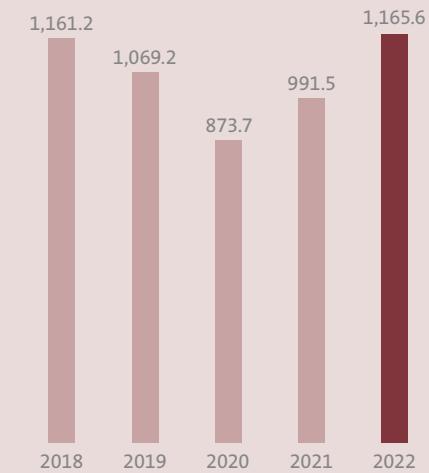
On 9 November, Kronos announced the acquisition of 80.5% of R+D Custom Automation. Based in Wisconsin, USA, R+D supplies machinery and equipment for the production and filling of containers for the pharmaceutical industry. R+D generated revenue of some US \$43 million in 2021 with a workforce of more than 60 employees. The purchase price for the stake in R+D was in the mid double-digit millions of US dollars and was met out of available cash funds.

Kronos shares benefited from the increase in the revenue guidance for 2022 on 19 October and the strong figures for the third quarter published at the beginning of November. Our shares marked their high for the year of €111.40 on 13 December and traded at €105.00 at the year-end.

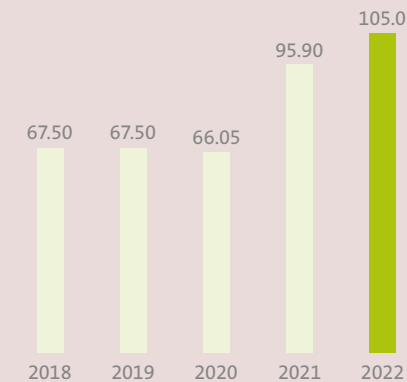
Order intake Q4 (€ million)



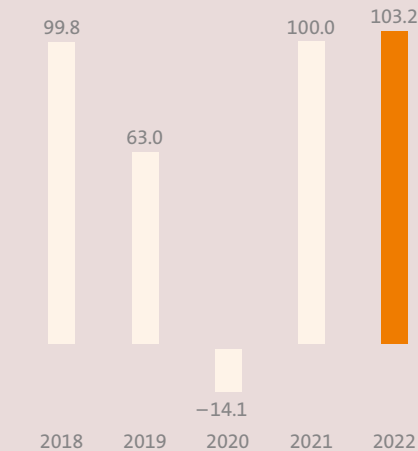
Revenue Q4 (€ million)



Share price 31 December (€)



EBITDA Q4 (€ million)





Systems and lifecycle service – **sustainable, reliable, high-performance production**

Krones delivers turnkey plants to the beverage and liquid food industry. We use our knowhow and our line expertise to reduce customers' investment and operating costs. Just as importantly, we enable our customers to produce reliably and at high quality.

We supply all machines and lines needed for producing, filling and packaging beverages. Furthermore, we provide complete logistics systems, supply and disposal systems and custom IT and digitalisation solutions that manage and optimise all production processes.

Our lifecycle service (LCS) experts additionally support customers with excellent, 24/7 after-sales service and advice. In this way, we ensure that beverage producers are able to maintain top production performance. The Krones LCS teams work together with customers to find solutions for efficient, secure, reliable and cost-effective production. They also provide expert consulting on maintenance and retrofitting – as Partners for Performance.

The digital services provided by Krones that are accessible to customers on the Krones.world portal play an increasingly important role in further improving overall line efficiency. With service level agreement (SLA) performance, we offer customers a perfectly coordinated full-service package for effective analysis of production data – and improve the performance of their production operations.

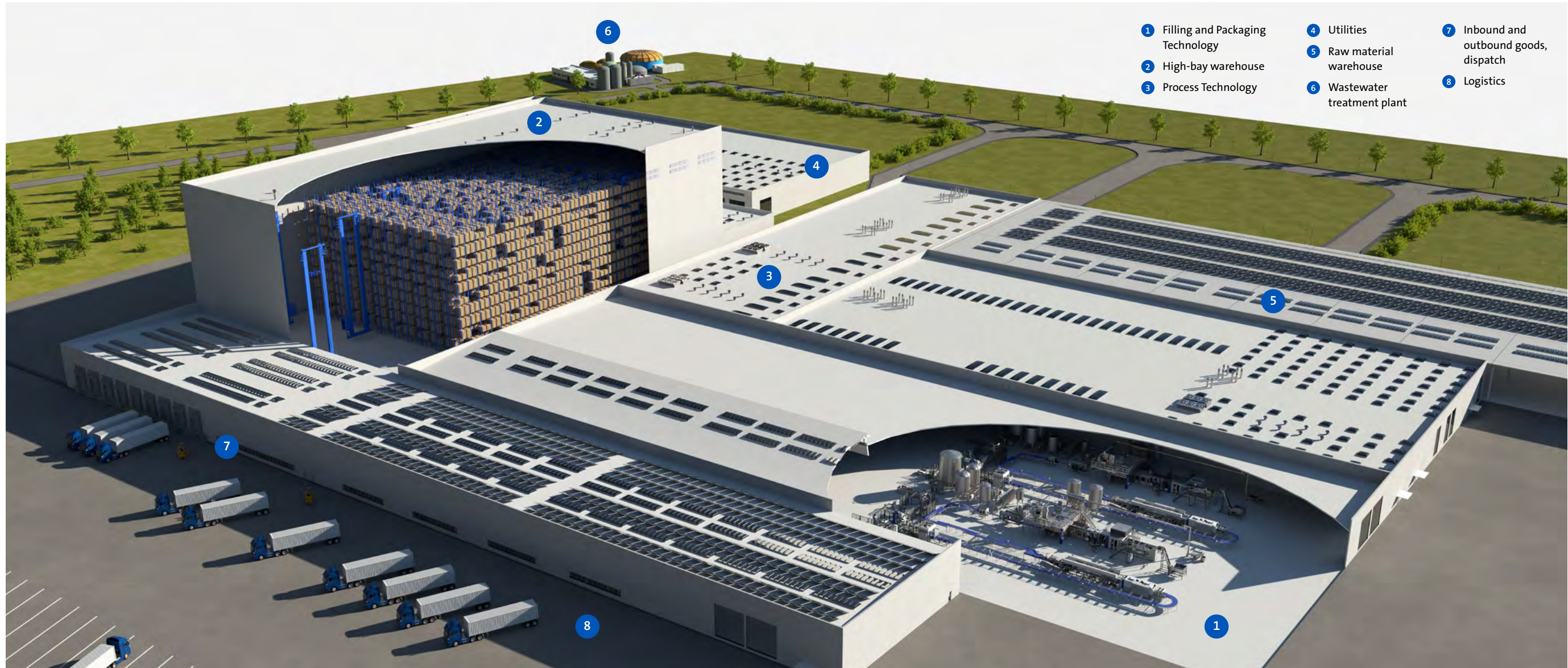
The two illustrations of a complete beverage plant and of a filling and packaging line provide a brief overview of our portfolio.



Partner for
Performance

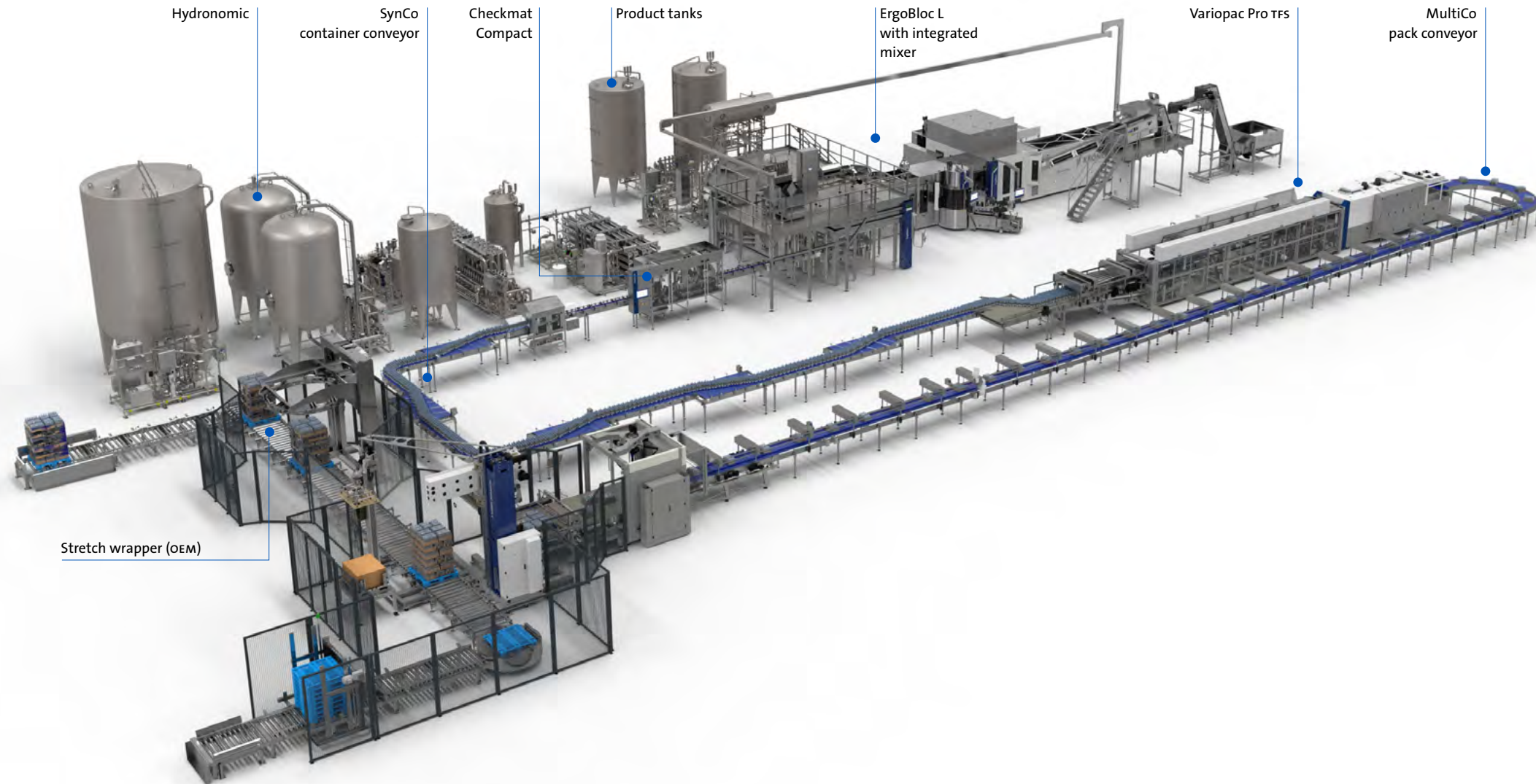


Krones supplies **complete beverage plants**





PET filling and packaging line for carbonated soft drinks





Strategy and management system



"Krones has done a good job so far of mastering the global challenges. With our new target picture, "Solutions beyond tomorrow", we are contributing to a livable, sustainable and successful future."

*Christoph Klenk
CEO*

The 2022 financial year has shown that Krones in its entirety is well positioned to master crises. On top of the Covid pandemic, the global economy was also impacted in the reporting year by the Russia-Ukraine conflict and by bottlenecks in procurement and energy markets. We nevertheless generated high growth in revenue, order intake and earnings in 2022.

Krones benefited from the company's great flexibility, the enormous creativity of the workforce, our innovative strength and our very good reputation among customers. During the pandemic, we built further on that reputation by continuing to deliver what we promised even at this challenging time. As a key advantage here, Krones was upfront with customers about projects taking longer due to the pandemic restrictions and the difficulties in global supply chains. As a result, we were able to complete orders largely on time and in the usual quality, despite the difficult conditions.

Krones serves an attractive market. This is growing stably because demand for packaged beverages and foods is rising. The brief dip during the 2020 pandemic year has already been more than made up for by strong growth in the two years that followed. Megatrends such as global population growth, a growing middle class in emerging markets and increasing urbanisation are driving demand.

Market growth is also driven by the digital transformation and sustainability. As the internationally leading supplier of beverage filling and packaging machinery with a full range of products and services worldwide and the two complementary segments of Process Technology and Intralogistics, Krones is very well positioned to take advantage of the market opportunities.

Costs and growth remain two core focuses

The good business figures do not cause us to be too euphoric by any means. We know that the political and economic uncertainties are still at a high level. These have already led to a cooling of the global economy. It is all the more important for us to further strengthen our resilience and agility for crises in order to safeguard the future of our business. To achieve this, we must continue to improve Krones' cost base and organisational structure. This continuous improvement process demands great discipline from the entire Krones team. At the same time, we will continue to seize the opportunities presented by our growing market. We took a major step forward here in the reporting year with the new Krones target picture, "Solutions beyond tomorrow" (see next page).

Implementation of higher selling prices

Due to our innovative solutions, excellent project work at customers and generally rising costs, Krones succeeded in implementing price increases during the past financial year. Although competition remains intense, we will continue to adhere to our pricing strategy. The higher order backlog gives us the security we need to maintain our pricing discipline in the event of a potential downturn in demand.





Better cost structure makes Krones more resilient

The cost reduction measures launched in past years are taking effect. In 2022, for the first time, the workforce reductions implemented in 2019 and 2020 are reflected in the figures for a full year. We will continue to optimise and accelerate our internal processes and workflows. Digitalising all business processes is a key part of this. We will also continue our ongoing cost reduction programmes in all areas. The aim is to further reduce the proportion of fixed costs, making us more flexible and resilient to future more volatile demand cycles.

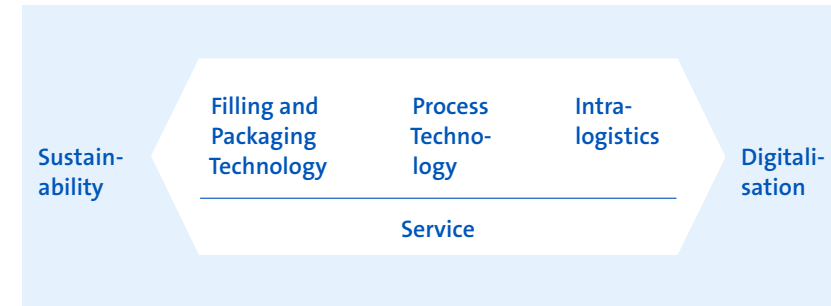
An important element for Krones in achieving more favourable cost structures is expansion of the global value-added network. More international procurement and production gives us greater flexibility to respond to trade restrictions or regional supply chain issues. The company gains significant cost advantages from the establishment of its production facilities and the associated supply chains in Hungary and China. In the coming years, we will continuously increase the proportion of value added that the Krones Group generates internationally.

Exploiting growth opportunities with “Solutions beyond tomorrow”

In addition to resilience and agility, the Krones team also needs a clear goal to keep driving the company forward every day. That is why, in these challenging times, we have developed a new, ambitious target picture for the company: “Solutions beyond tomorrow”. Krones needs big and ambitious targets in order to keep evolving and be successful in the long term. With this new slogan, we aim to show – not only to the outside world but also internally – the direction in which Krones is heading: our company will contribute to a livable, sustainable and successful future.

Strategic focus

With the new target picture and changing customer needs, Krones has a clear strategic focus on sustainability, service quality and digitalisation. These three focuses also determine the strategic alignment of our three business segments.



Customers’ needs have changed in recent times, notably with regard to sustainability and digitalisation. This creates major growth opportunities for Krones – in all three segments.

Growth potential from changing customer needs

Agenda on climate change	»Must have«	Energy and carbon footprint reduction	Significant growth potential
Resource efficiency	Obligation	Water and food waste reduction	
Digital operating and business models	Essential	Increased overall equipment effectiveness (OEE)	
Circular packaging solutions	Delivered	Resource savings	

New normal Opportunities for Krones

**Sustainability: core focus for customers and Krones**

Sustainability is high on customers' agenda. As drinktec 2022 once again clearly showed, sustainability, climate change mitigation and resource conservation have top priority for our customers. With its products, Krones provides customers with the means for climate-friendly, circularity-oriented food and beverage production.

enviro products: important for customers' climate targets

Our customers in the food and beverage industry have adopted ambitious environmental and climate targets. With its TÜV-certified, continuously im-

proved enviro sustainability programme, Krones is ideally positioned as a supplier to help companies achieve their climate targets. Our customers have long benefited from the lower energy and resource consumption of our machines and lines. By 2030, Krones' goal is for its lines and machines to save customers a further 25% in energy and resources compared to 2019. Krones expects the percentage of enviro machines in its order intake to nearly double from 38% in 2022 to around 70% in 2024. The company plans an 80% reduction in its own carbon emissions by 2030 relative to 2019. Krones already achieved almost half of this reduction target by the 2022 financial year. In addition, we committed in the reporting year to developing a net zero emissions target.

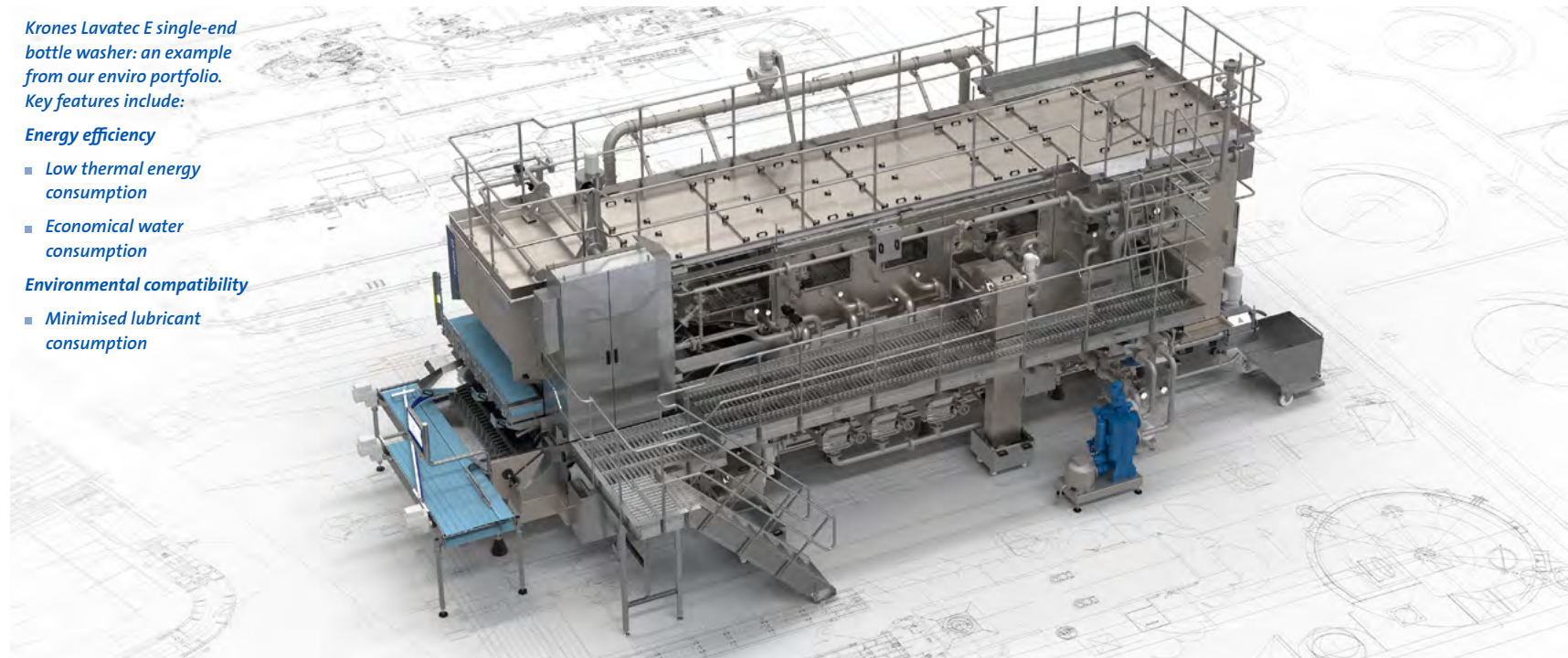
Krones Lavatec E single-end bottle washer: an example from our enviro portfolio. Key features include:

Energy efficiency

- Low thermal energy consumption
- Economical water consumption

Environmental compatibility

- Minimised lubricant consumption



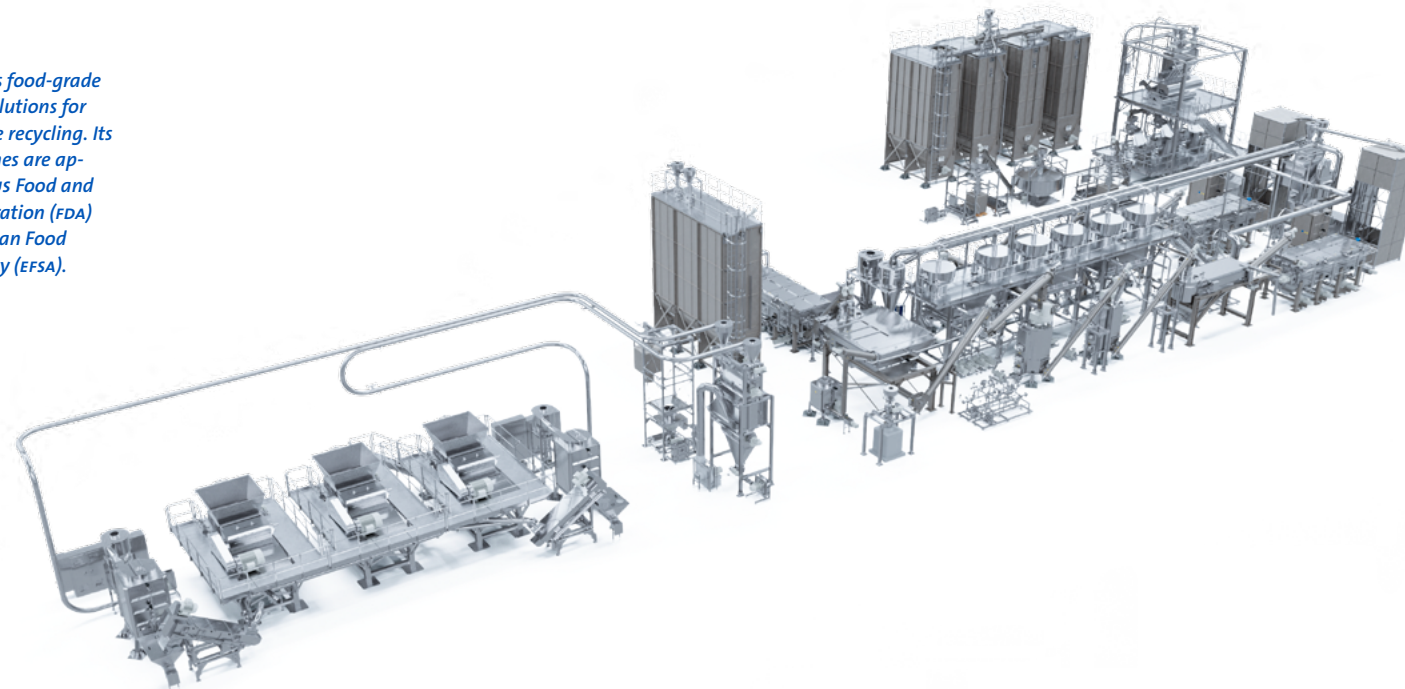


Significantly reducing plastic littering with circularity and recycling

A major problem for future life on our planet is rapidly increasing volumes of plastic waste. Krones wants to make a significant contribution to solving this problem. This ranges from material-saving packaging design to recycling used plastics. For the circular economy to work, returned PET must be recycled to a high standard and then reused as packaging. Over the next few years, many major customers will significantly increase the proportion of recycled PET (rPET) in their bottles – in some cases to over 50%.

With its various MetaPure lines, Krones has key technologies for producing new PET bottles from used PET bottles in what is known as bottle-to-bottle recycling. MetaPure can also be used to recycle other packaging plastics (HDPE, LDPE, PP and PS). This prevents the loss of plastic as a valuable resource and significantly reduces the amount of plastic waste.

Krones provides food-grade PET recycling solutions for bottle-to-bottle recycling. Its PET recycling lines are approved by the US Food and Drug Administration (FDA) and the European Food Safety Authority (EFSA).



Sustainably feeding the world with alternative proteins

Today's livestock production has an enormous carbon footprint. Providing people with high-quality plant protein as an alternative to animal protein is therefore an indispensable and valuable contribution to combating climate change. Analysts expect this market to grow by 15% per year up to 2030.

Going forward, Krones intends to play a major role in this up-and-coming market. Krones leverages its existing dairy expertise for the production of alternative plant-based dairy products (based on soy, oats, nuts, etc.) and already supports producers with the complete process technology. In the production of solid alternative proteins (meat substitutes), the company benefits from decades of experience in controlling biological conversion processes, such as fermentation. Many vegetable proteins are produced by adding enzymes and yeasts and then fermenting.



2 | 66

Digitalisation

Digitalisation: the basis for new business models

The digitalisation of beverage plants is important for plant operators because it enables them to achieve further significant reductions in operating costs. Krones was an industry pioneer in digitalisation as in other areas, and benefits here from its line expertise – the interoperation of many individual machines and lines.

The company has combined all of its digital services on a single platform, Krones.world. This gives plant operators access to all digital services in one place. Krones has already been supply digital-ready machines and lines for some years. By using our digital services, customers improve the efficiency of their lines and cut costs. Krones' goal is to support the entire plant life cycle with digital full-service centres, and to evolve from a machine and line manufacturer to a manager of beverage plants – from “Built by Krones” to “Managed by Krones”. It will implement this by way of service level agreements (SLAs). Under an SLA, Krones undertakes to provide a plant operator in the future with specified services in return for a service fee.

To combine its strengths in the dynamic field of digitalisation, Krones brought together all related activities Group-wide during the reporting period in Krones.digital. There, 450 software and IT engineers work exclusively on the development of digital products and services. A further approximately 1,000 IT specialists also work on digitalisation issues.

Krones.digital: driving the digital transformation200
digitalisation experts120
operational ecosystem experts100
line operation experts30
smart factory experts

- 450 digital experts lead our digital transformation
- One organisation to ensure the best system architecture
- One architecture, seamless from automation to digital cloud services
- ~ 1,000 additional IT specialists ensure efficient execution



Close to the customer with a worldwide service network

Our approximately 3,000 local service staff around the world play a key role in the practical delivery of digital services. At our service companies in over 70 countries, they provide customers with support, remotely or in person. Plant operators therefore benefit not only from our digital knowhow, but also from our line expertise.

In addition, our worldwide LCS centres ensure fast delivery of spare parts. The basis for long-term growth in LCS business is the installed base, which is growing every year. There is additional potential in the share of managed lines supplied by Krones. Krones will continue to expand this going forward.

Further internationalisation supports growth

An additional growth driver for Krones is the further internationalisation of its service business. In addition to expanding its international production sites and supply chains, Krones will also invest in expanding its sales and service structures. Some 3,000 service technicians were in deployment worldwide in the reporting period. We aim to further increase this number by 2025.

The focus continues to be on emerging markets, where growth rates will remain above average. In particular, the Asia-Pacific region and Africa are expected to see the strongest growth over the long term. Within the emerging markets, Krones will continue to invest heavily in sites and employees from these regions. This enables us to respond quickly and directly to customer needs – a key factor in long-term customer satisfaction. In the reporting period, the company increased the size of its emerging markets workforce by 326 to 4,459.

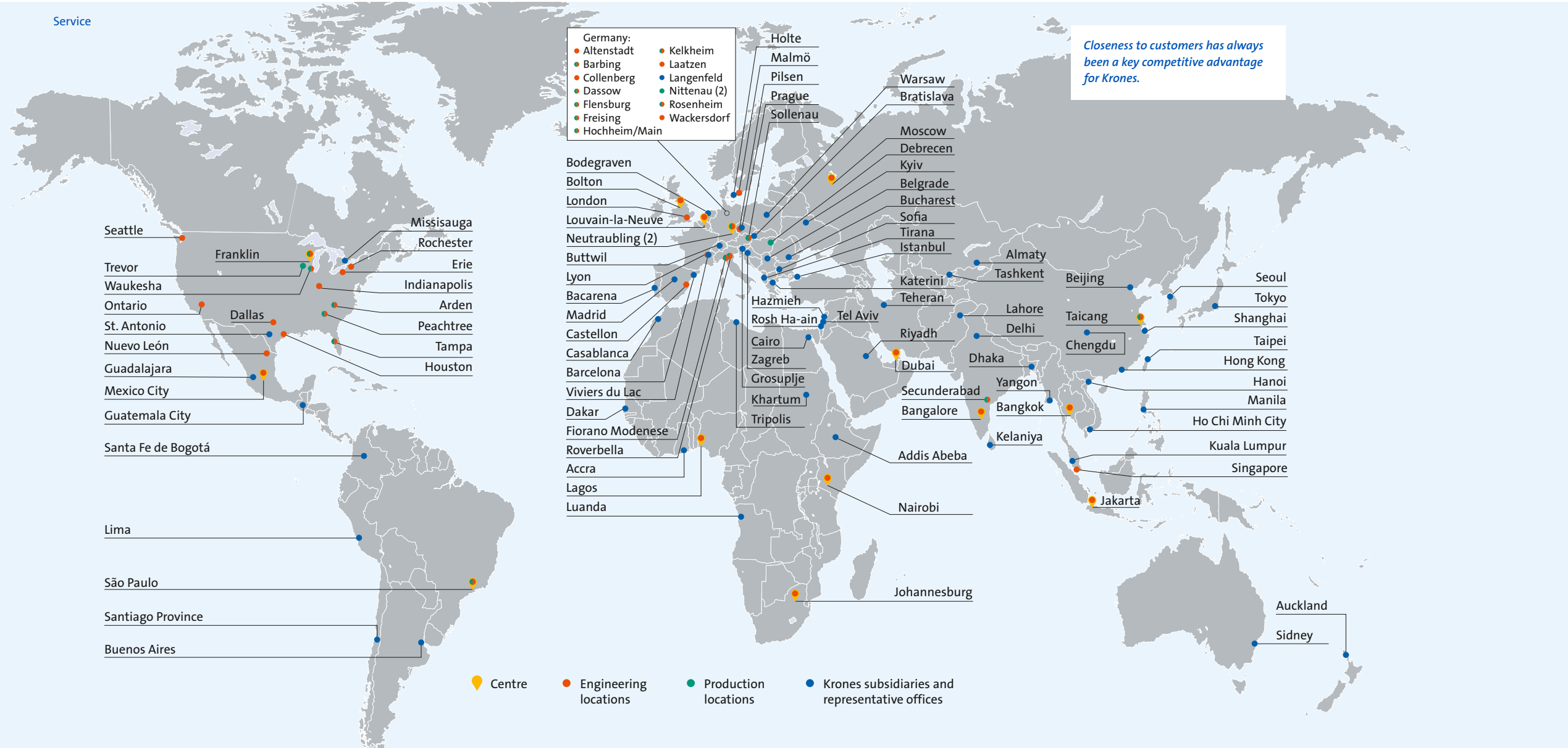
Development of employees in the emerging markets 2018–2022

Year	South America	Africa	Asia-Pacific	Eastern Europe	China	Total
2018	637	452	830	507	716	3,142
2019	782	671	1,009	933	792	4,187
2020	778	639	974	922	742	4,055
2021	803	633	959	1,006	732	4,133
2022	871	671	1,023	1,092	802	4,459



KRONES Global Footprint

Service





Strategic focus in the segments

Filling and Packaging Technology:

PET, cans and aseptics accelerating growth

The use of recycled PET is becoming increasingly important to customers. Kronos provides them here with all-round support.

Demand for PET lines has again increased significantly. For one thing, this form of packaging has the smallest carbon footprint. For another, the material can be used to produce a wide variety of different packaging

shapes and designs. An important factor in the continued success of PET will be that, in a well-functioning circular economy, a large proportion of packaging in the future will be made from recycled PET (rPET). Kronos is well positioned here with its recycling lines and can provide customers with optimum support in the handling of rPET.

The US hotfill market – aseptic filling under heat with high energy consumption – offers a further growth opportunity for the core segment. Kronos intends to increasingly replace this process with its technologically advanced aseptic lines. These reduce both the carbon footprint and the quantity of plastic used. In the long term, the company aims to replace hotfill lines with Kronos aseptic lines that can handle preforms and bottles with rPET content.

The continued development of Kronos' can filling lines in recent years is paying off. Kronos is now once again the global market leader for filling beer and soft drinks in cans, and will be further consolidating this position with innovative line design and a new generation of fillers.

Process Technology:

Profiting from new markets and energy-efficient solutions

The transformation of the Process Technology segment is progressing well. Going forward, in addition to the brewing and soft drinks business, we will also provide technologies for the production of plant-based proteins and energy-

efficient beverage production solutions such as our Brewnomic. Both of these areas will see above-average demand growth as they help to reduce global carbon emissions. The expansion of the LCS and components business is expected to add to the segment's growth and profitability.

Intralogistics:

Market growing dynamically

Our newest segment is also benefiting from the sustainability megatrend. More and more, customers are demanding automation solutions as well as products that reduce labour and hence increase employee safety. Kronos will also expand business in this segment with customer groups outside of the beverage industry, such as food distributors. An increased revenue share with automated picking systems and autonomous mobile robots is also expected to improve the segment's profitability. As well as from the already dynamic market growth, Intralogistics will also benefit in the future from the expansion of services. The business, which has so far had a relatively strong focus on Europe, is to be further internationalised, particularly in Asia.

Innovations in all three segments lay the basis for long-term success

Attractive and innovative products and services are one of the key factors in maintaining high price quality. We will continue to deliver clear and measurable value to our customers. This is why all innovations focus on customer benefit. Customer feedback on the innovations we showcased at drinktec confirms our R&D strategy. Kronos' focus in innovation is on sustainability, digitalisation and system solutions. We present our R&D strategy and a selection of innovations from the reporting period on pages 73 to 80.





Strong finances and ambitious targets

Optimising working capital and increasing free cash flow and ROCE

Working capital is to be further optimised in order to increase free cash flow and ROCE.

As well as on profitable growth, Krones places a strong focus on free cash flow and return on capital employed (ROCE). A key factor influencing the development of both of these performance indicators is working capital. Less working capital tied up in the operating business means more liquidity for other purposes and so increases free cash flow. This is set to increase in the medium term.

Working capital also affects ROCE, our third financial key performance indicator, as it is part of capital employed. As working capital goes down, ROCE goes up – on the same EBIT. To achieve our ROCE target of at least 20% by 2025 (2022: 14.1%), we aim in the medium term both to further optimise EBIT and reduce the resources tied up in working capital.

Optimising working capital therefore remains a core task for our company. The company has taken steps to reduce working capital across all key parameters.

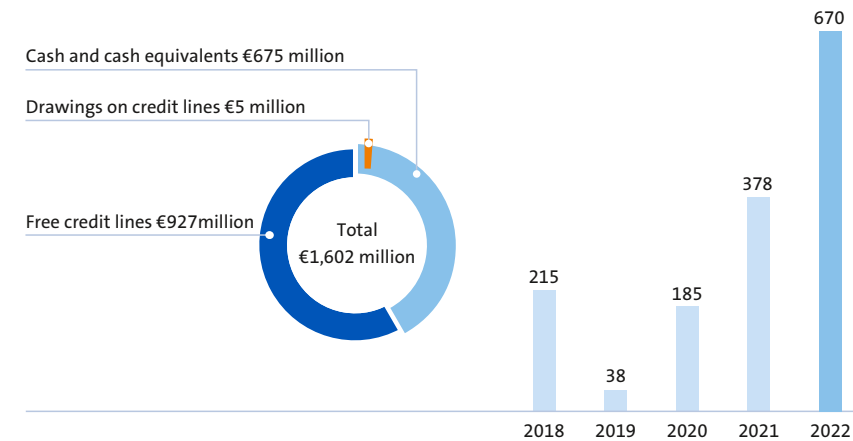
Healthy financial and capital structure provides stability and enables investment in the future

Krones has further strengthened its finances thanks to the very good business performance and the exceptionally high free cash flow in the reporting period of around €371 million, which resulted from the very large order intake during the financial year and the associated advance payments. At the end of 2022, Krones had a very solid equity ratio of 38.3% and a net cash position of €670 million. In

addition, Krones has around €1 billion in undrawn credit lines. A very solid financial and capital structure is important in these volatile times. It gives the company and its workforce the necessary security and sufficient scope for investment in growth and the future.

Liquidity reserves 31 Dec 2022

Net cash (€ million) at 31 Dec



Krones will continue to invest some 5% of revenue in research and development. In the years ahead, we will commit between 2.5% and 3.5% of revenue to capital expenditure on property, plant and equipment. This expenditure will mainly go on optimizing processes, production structures and IT systems. Internal sustainability projects (Scopes 1 and 2) will account for a significant proportion of capital expenditure in the current year.

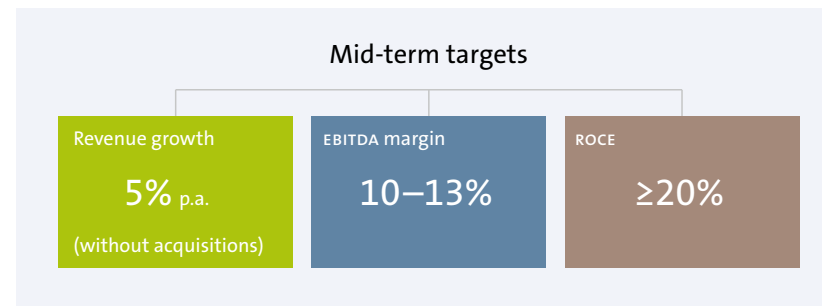


Acquisitions are also part of Krones' growth strategy. After selling prices have returned to more normal levels, acquisitions of profitable, medium-sized companies will remain an option for Krones in the coming years, in order to take advantage of opportunities in various markets. Acquisitions are aimed at strengthening the existing portfolio technologically and regionally, or at expanding target markets outside the beverage industry, such as the filling and packaging of food, pharmaceuticals and cosmetics. We began implementation of our acquisition strategy in the reporting period with the purchase of R+D Custom Automation in the United States. This enables us to expand our capabilities in the growing pharmaceutical market.

Krones will continue to share the company's success with shareholders in the form of dividends. The company's dividend strategy is to pay out 25% to 30% of consolidated net income to shareholders. In the past, it has tended towards the upper end of this range.

Krones is well on track to achieve its medium-term targets by 2025

At the end of 2021, the company adopted new ambitious targets for the period up to 2025.



Revenue is targeted to grow organically, meaning without acquisitions, by an average of 5% year on year until 2025 (2022: €4.2 billion). Including acquisitions, the company aims for revenue of at least €5 billion in 2025. Given the strong revenue growth in the reporting period and the large order backlog, Krones is confident of achieving this target.

Krones plans to continue growing profitably in future years. Only by generating sufficient earnings will we be able to capitalise on market opportunities and navigate potential crises. To this end, despite the steeply rising material and labour costs, the company targets an EBITDA margin of 10–13% in the medium term (2022: 8.9%).

Krones aims to significantly increase return on capital employed (ROCE), as the capital efficiency target, to at least 20% by 2025 (2022: 14.1%).

Despite all the challenges, Krones currently sees more opportunities than risks for the achievement of its medium-term goals.

Krones' greatest asset is its employees

The entire Krones team has done an outstanding job over the past few years. A variety of crises have further strengthened team cohesion and team spirit. Unique knowhow and the ability to stay level-headed but also agile and creative even in turbulent times are what make Krones resilient and successful.

All over the world, our customers appreciate the reliability of the Krones team. Despite all uncertainties and challenges, projects are completed on schedule. Our motivated and qualified employees secure the company's future. For this reason, Krones will continue to make above-average investment in employee training and development in the coming years, and will strengthen its workforce, especially in the areas of IT and software, but also in the emerging markets.



Krones' management system

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

- Revenue growth
- EBITDA margin (earnings before interest, taxes, depreciation and amortisation as a percentage of revenue)
- ROCE – return on capital employed – the ratio of EBIT to average net capital employed in the past four quarters. Net capital employed is defined as non-current assets (excluding goodwill and financial assets) plus working capital.

In order to strengthen our market position and utilise economies of scale, we aim in the medium term to achieve profitable **revenue growth** in all three segments.

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

Since the 2022 financial year, our third performance indicator has been **ROCE** (return on capital employed), calculated at Group level. This is the ratio of EBIT (earnings before interest and taxes) to average net capital employed in the past four quarters. ROCE is a very important profitability indicator for the capital markets. Return on capital employed shows investors how efficiently the company makes use of capital. Until the 2021 financial year, our third key performance indicator was working capital as a percentage of sales.

Development of the key performance indicators in the last five years

	2018	2019	2020	2021	2022
Year-on-year revenue growth	4.4%	2.7%	-16.1%	9.4%	15.8%
EBITDA margin	7.9%	5.7%	4.0%	8.6%	8.9%
Working capital to revenue (up to and including 2021)	27.3%	26.9%	28.3%	24.8%	19.0%
ROCE (from 2022)	11.5%	2.2%	-2.2%	10.0%	14.1%

Other financial key performance figures

In addition to the above, a further important performance indicator for Krones is **free cash flow** (cash flow from operating activities less cash flow from investing activities). We take further guidance from the development of **EBT** (earnings before taxes), the **EBT margin** (EBT as a percentage of revenue) and the **working capital to revenue ratio**.



Research and development (R&D)

- Krones invests 4.2% of revenue in R&D
- Customers' strong focus on sustainability is a key innovation driver
- Krones R&D strategy confirmed by positive customer response at drinktec

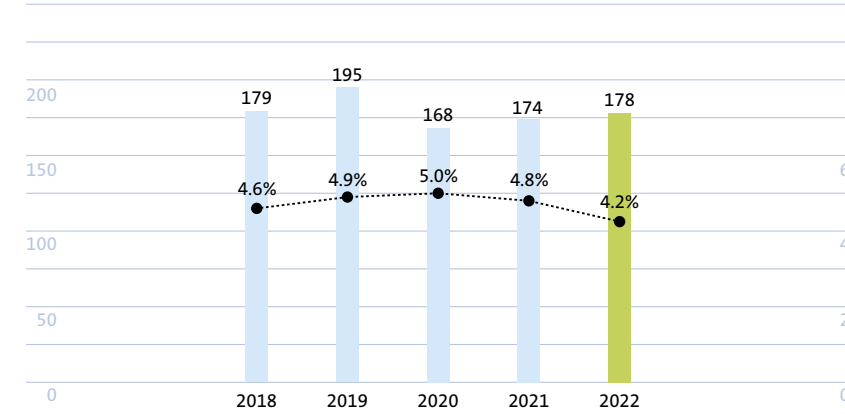
Innovative products and services are essential to Krones in realising its new target picture of "Solutions beyond tomorrow" and securing the company's long-term success. Research and development (R&D) is therefore a key strategic priority.

Krones invested 4.2% of revenue in R&D in 2022

Krones consistently invests around 5% of consolidated revenue in research and development, even in economically difficult times such as the 2020 coronavirus crisis.

The level of R&D spending reflects the importance of research and development in our company. Krones has always spent a major share of revenue on maintaining a rapid pace of innovation. In the 2022 reporting year, €178 million (previous year: €174 million) or 4.2% (previous year: 4.8%) of consolidated revenue went on R&D. €23.6 million (previous year: €28.2 million) of this was capitalised as development costs.

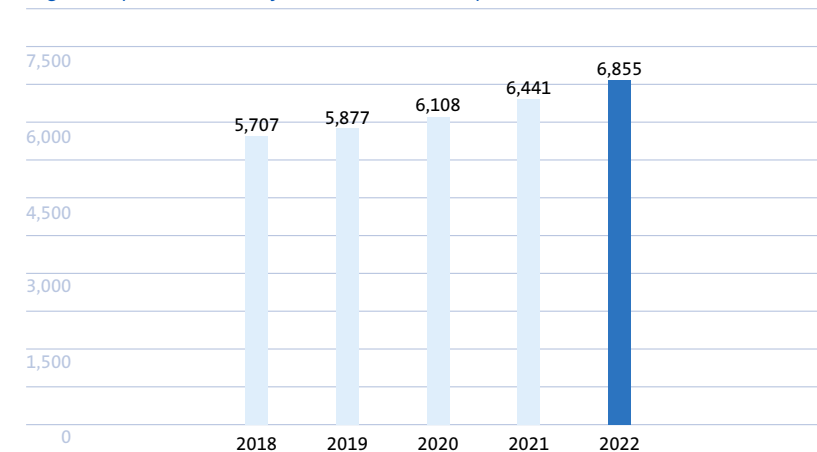
R&D expense (€ million) and R&D ratio (%)



Strong patent portfolio secures technological lead

As part of its patent strategy, Krones ensures that all important new developments and improvements have strong legal protection. As a result, the innovative strength of the Krones R&D team is reflected in the large number of registered patents and utility models. This has increased continuously in recent years and stood at 6,855 at the end of 2022 (previous year: 6,441).

Registered patents and utility models – Krones Group





The Krones R&D strategy

The Krones R&D strategy is derived from the new corporate strategy and is closely aligned with the target picture, “Solutions beyond tomorrow”. All R&D activities focus on customer benefit. New products and services are geared to creating added value for customers. Innovations from Krones are designed to drive the food and beverage industry forward in terms of sustainability and cost-effectiveness, and to help customers achieve their goals.

Sustainability is the biggest innovation driver. Reducing consumption and plant operating emissions is of huge importance to our customers. It is also important that resource-efficient new developments and improvements are capable of being retrofitted, so that customers can use them in existing machines and lines. We place an equally strong focus in our R&D activities on digitalisation and the development of new business models. Krones generally follows a top-down approach to new developments and improvements. This means that in development projects, we look not just at the individual machine, but at the entire beverage plant, meaning beverage production, filling, packaging and intralogistics.

Our R&D strategy at Krones has **three focal areas**:

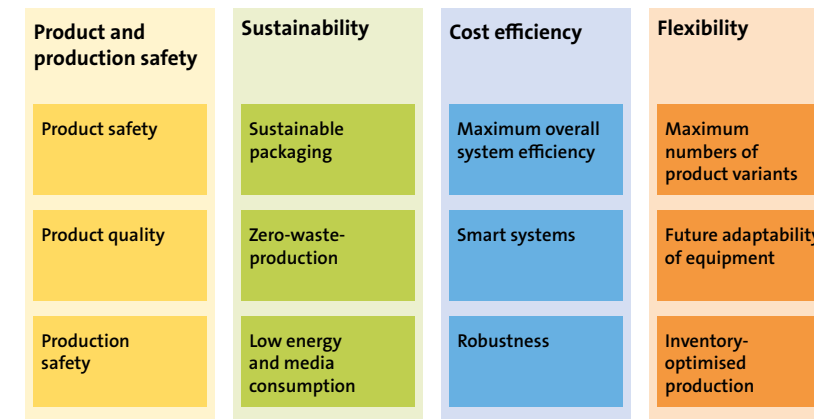
Sustainability

System solutions

Digitalisation

The four value drivers in the Krones R&D strategy

The Krones strategy is centred on customer satisfaction. From many discussions and decades of industry experience, we understand what customers value and know their strategic vision. We regard our customers as partners and in some cases involve them in development projects. Based on customer needs and requirements, we have identified the four value drivers in our R&D strategy.



Organisational changes in R&D accelerate the innovation process

The entire development portfolio for all product areas is managed in a clearly defined innovation process. Employees from various disciplines are actively involved in development projects. This ensures that all key aspects of the product development process and product lifecycle are aligned to customer needs.



Krones made organisational changes in R&D during the reporting period to increase the pace of innovation. The most important of these changes is that there is now a separate Sustainability separate unit within R&D. This reflects the importance of sustainability, both for customers and for Krones. The new Sustainability unit addresses all product and company-specific sustainability questions. It is supported in this by the Sustainability Steering Board composed of representatives from central units along the value chain.

Krones has formed an innovation team in order to be even faster at turning visions into solutions. This followed on from numerous discussions with customers at the drinktec trade fair on how Krones filling and packaging lines could look in the future. The innovation team is tasked with helping the company to present substantial parts of the “Krones line of the future” ready for the next drinktec in 2025. In line with our target picture, the development focus here is on sustainability, digitalisation and efficiency. The innovation team is supported by a joint technical committee established by the Executive Board and executives from various technical units. This technical committee regularly tracks and evaluates development progress.

Krones strengthens R&D activities by internationalisation and cooperation with external partners

Krones is increasingly internationalising its R&D activities. We made further progress on this strategy in the reporting period. Among other things, an R&D hub has been established together with the local university in Parma (Italy). The team there conducts life cycle assessments (such as on the carbon footprint) for various types of packaging.

To further strengthen digitalisation activities, Krones has expanded the capacities of its Czech subsidiary Konplan (an engineering service provider). In India, Krones is investing in setting up a location of its own for software development.

Krones already merged and harmonised the R&D processes for automation and digitalisation under the name Krones.digital in 2021. We took this further during the reporting year. Krones.digital is a matrix organization that brings together employees who work at different locations and in different Krones companies. All cooperate closely with the R&D team who develop machinery and equipment.

As well as making use of in-house expertise for innovation, Krones collaborates with universities and research institutions and also with the R&D departments of several other companies and with customers and other partners. We also engage in joint development projects with international companies from the packaging industry. One example of this is the cooperation with US company O-I Glass, the world’s largest producer of glass containers. Together with O-I, we work on innovative and sustainable packaging solutions. In the important and highly demanding Japanese market, Krones cooperates with Toyo Seikan, Japan’s leading packaging manufacturer. The aim of this cooperation is to provide Japanese beverage producers with customised aseptic filling and packaging solutions. It is already bearing fruit. In our first joint order, we supplied an aseptic line to the largest Japanese contract filler.

R&D strategy programmes

Krones’ R&D programmes are derived from our strategy and value drivers. We are aligning these programmes to the new group strategy in order to quickly translate the vision of the filling and packaging lines of the future (PET, glass, cans and aseptics) into solutions for our customers.



Innovative new and improved solutions: the products of successful R&D

In the following, we present a selection of Krones innovations and drinktec highlights from the reporting period.

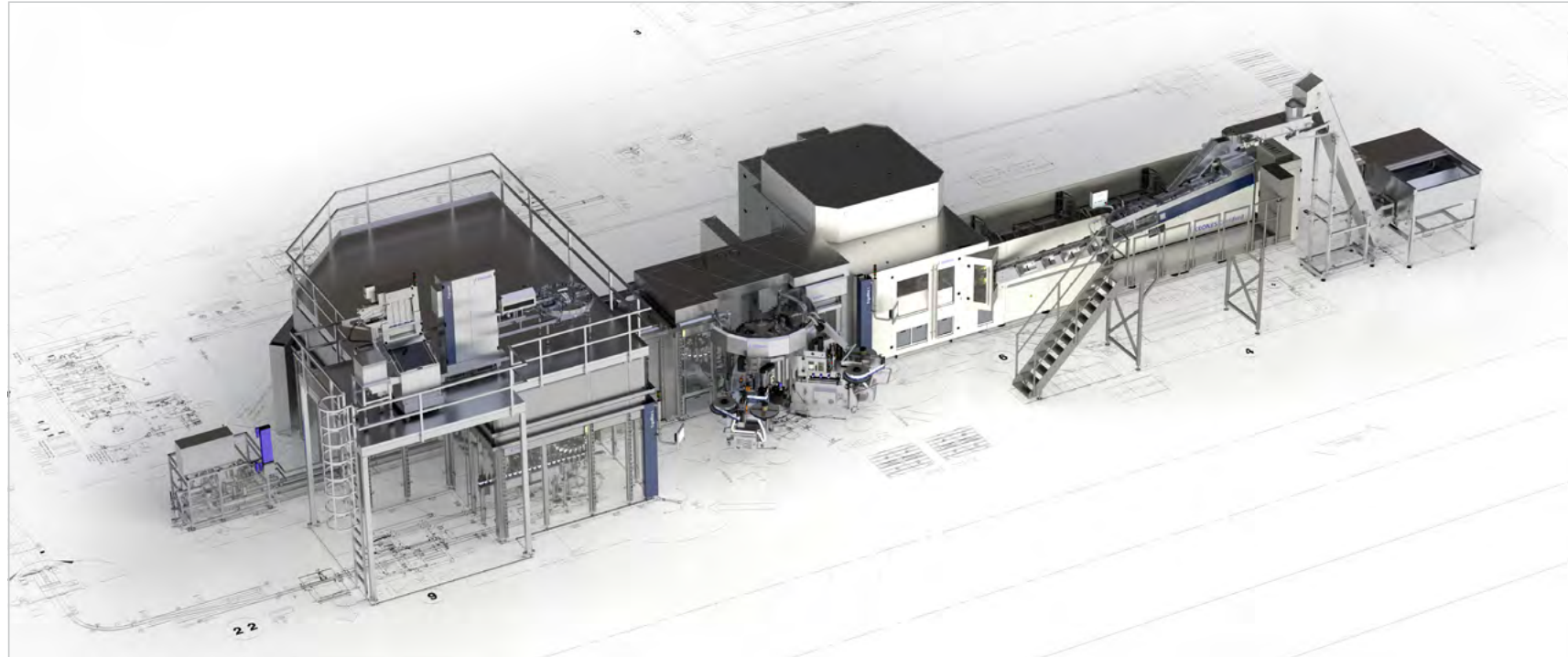
Contiform: more flexible and efficient than ever in the fourth generation

In the fourth-generation Contiform stretch blow moulder, Krones has once again made significant improvements on the predecessor version in many areas. Innovative heating systems and technologies save up to 11% of heating energy. Smaller spacing between heater boxes shrinks the footprint by 15%. There are

also large savings in compressed air consumption. A smart three-stage compressed air recycling system cuts blow moulder air input by up to 20%.

A newly developed technology also significantly reduces machine downtime by ejecting defective preforms without the machine going into emergency stop. The fourth-generation Contiform also integrates the innovative Contiloop AI process controller. The Contiloop AI artificial intelligence-based controller continuously tracks the key controller and process parameters in the stretch blow-moulding process. That guarantees top container quality, even under changing conditions. It also reduces manual effort and the scope for user error.





ErgoBloc L: top performance, small footprint

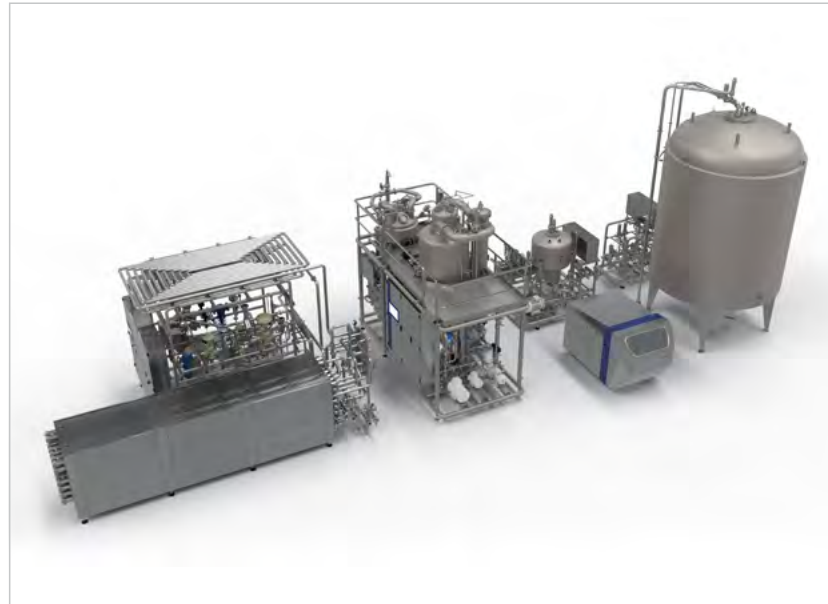
Krones has set a new milestone in block technology with the world's first wet section PET block with an output of 100,000 0.5-litre water bottles per hour. The production sequence on the 100,000/h block is based on the conventional ErgoBloc L. However, the individual components – stretch blow moulder, labeller and filler – have been further optimised for the high-performance version. For example, the new block already incorporates parts of the fourth-generation Contiform (see page 76). The Ergomodul labeller also includes a number of additional and optimised components, functions and assemblies.

At the heart of the high-performance block are the two modular filling and capping units. Filling and capping of 100,000 bottles is thus split between two units each, but these are part of a single, unitary block.

Modulfill Dual, the filler, needs around 60 fewer filling valves than a single-filler solution with the same output. This makes ErgoBloc L even more compact – with nearly 20% higher output.

Plant-based beverages: combined expertise

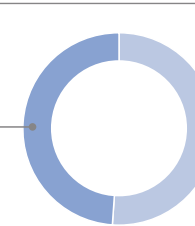
In the production of plant-based drinks, Krones benefits from extensive expertise in beverage production, handling, filling and milk processing. Subsidiary Milkron contributes its project and engineering knowhow from the dairy industry. Our standalone brewery unit Steinecker provides its expertise in processing a wide variety of grains and in controlling biological conversion processes. Applying its knowledge from beer production, Steinecker additionally places the focus on the sustainability of the entire process. Krones also benefits in the production of plant-based drinks from decades of experience in thermal product treatment and aseptic filling.



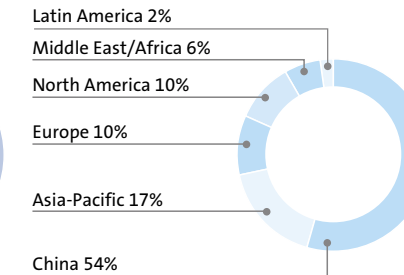
Global consumption of plant-based drinks (2020)

Soy drinks
51%

Plant-based drinks
from other
commodity groups
49%



The largest markets for plant-based drinks (2020)



Source: Global Data

The company boasts three different process technologies for plant-based dairy products – from a fast-to-market variant to a high-end solution for sustainable production. Krones' versatile technology enables plant-based drinks to be produced from cereals (such as oats, rice and spelt), nuts (such as almonds and coconuts) and legumes (such as soya, peas and lupins).

VarioAsept M: gentle heat treatment

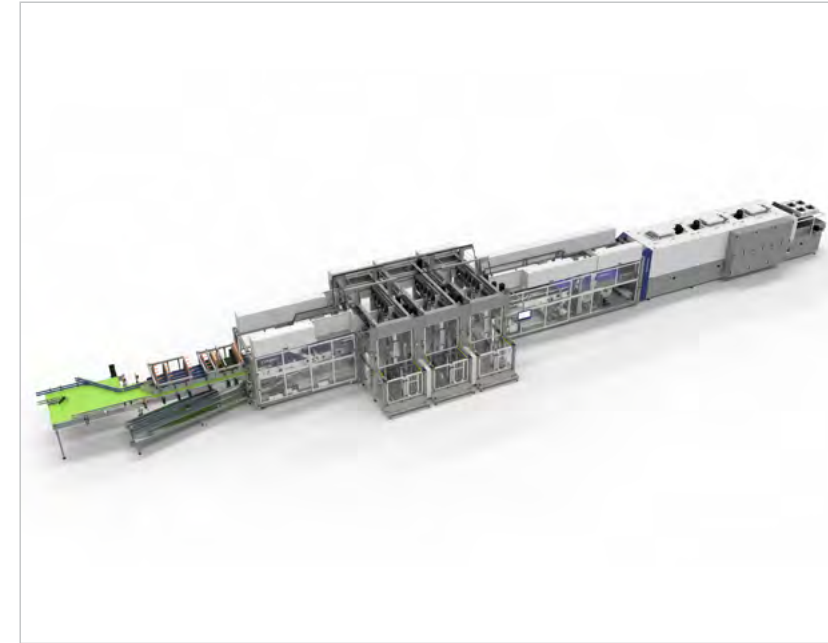
Hydrolysis is a key element in the production of plant-based beverages. The addition of enzymes controls sweetness, mouthfeel and yield. As with milk processing, heat treatment also plays an important role, requiring extremely gentle handling and maximum hygiene. Krones' VarioAsept M UHT (ultra-high temperature) system meets precisely these requirements. It heats the product quickly and briefly to 135 to 150 °C and is perfectly matched to Krones' aseptic fillers for further processing.



Modulfill Bloc fs-c with compact cleanroom: added value for customers

The Modulfill Bloc fs-c with compact cleanroom adds to Krones' capabilities in filling hygienically demanding products. Already well established in the marketplace, the system does outstanding service at many customers' beverage plants. This filler-seamer block combines conventional and aseptic filling technology. The sensitive product zone – the cleanroom – is kept to a minimum. Equipped with Krones' first self-developed can seamer, Modulseam, the block has an output of 96,000 cans per hour.

Adding further value for customers, many products filled on the block no longer need subsequent pasteurisation. That saves energy. The system is also quick and economic to clean. Thanks to its compact design, the block's footprint is around one-third smaller than a separately installed filler and seamer.



Variopac Pro for LitePac Top Protect: a sustainable packaging solution

With LitePac Top, Krones offers a plastic-free, sustainable secondary packaging alternative for non-returnable PET bottles and cans. The packaging solution is made of recyclable paperboard. This makes energy-intensive shrink-wrapping to make packs a thing of the past. As a result, it saves around 80% of carbon emissions in secondary packaging. Krones now offers this sustainable concept in several variants. In the LitePac Top Protect version for cans, the cans are additionally protected from dust and dirt by a paperboard clip.

LitePac Top Protect is applied using the Krones Variopac Pro machine platform. For this purpose, the packer is supplemented with a retrofittable module with exchangeable grippers for different paperboard clips. Depending on the set-up, the machine can process up to 108,000 cans an hour.



Mobile production robotics: automating material flows

Our subsidiary System Logistics has developed a mobile platform with a lifting arm and interchangeable attachments. This smart intralogistics solution enables Krones to further advance line automation. The mobile robot does the heavy lifting and accelerates the flow of material within a filling and packaging line. Its attachments can be changed automatically according to the application at hand. This makes the robot highly versatile in use. It also improves the system carbon footprint. In optimised continuous operation, the mobile robot has a smaller carbon footprint than a forklift.



Non-financial Statement



The Non-financial Statement for the Krones Group serves as the primary means of transparently reporting the sustainability performance of Krones AG and the Krones Group. Consolidation of our group companies is done in parallel to our financial reporting. This statement contains the qualitative and quantitative non-financial information on sustainability topics that are material to the company. Unlike those within the consolidated management report, the forward-looking statements in the context of our sustainability goals are focused not only on a single year but on a far longer timeframe. We have used the Global Reporting Initiative (GRI) standards as the basis for developing the actions and figures published here. This is a combined non-financial statement for Krones AG and the Krones Group pursuant to Sections 289b et seq. of the German Commercial Code (HGB) and Sections 315b et seq. HGB for the financial year 2022.





Performance 2022

- Despite a 34% increase in order intake, our product-related greenhouse gas emissions rose only 6% over the previous year. That is thanks to enhanced energy efficiency and a lower emission factor from electricity generation.
- We reduced our corporate carbon footprint by 22% year on year. With that, we have achieved a 46% reduction overall compared with the base year 2019 and are thus more than halfway to our target of reducing Scope 1 and Scope 2 greenhouse gas emissions by 80% by 2030.
- Greenhouse gas emissions in the upstream supply chain were down slightly year on year but still very high compared with the base year 2019.
- While hazardous waste generation across the group was flat, water consumption was up 10%.
- Our focus on continuing education for our workforce is evident in the participation figure, which was nearly one-third higher than in the previous year.
- Workplace accidents and lost days were both down year on year.
- The Krones Group employed more women, both in management-level positions and in general, in 2022 than in 2021.

Indicator	Unit	2022	2021	Change
Greenhouse gas emissions, Scope 1	t co ₂ e	17,583	18,085	-3%
Greenhouse gas emissions, Scope 2	t co ₂ e	9,152	16,070	-43%
Greenhouse gas emissions, Scope 3 downstream (products)	t co ₂ e	6,287,635	5,695,768	+6%
Greenhouse gas emissions, Scope 3 upstream (supply chain)	t co ₂ e	605,290	611,776	-1%
Water consumption	m ³	202,366	183,534	+10%
Hazardous waste	t	1,660	1,657	0%
Expenditure for charitable donations and sponsoring	€	1,113,745	803,880	+39%
Participation in continuing education opportunities	Absolute	60,318	45,900	+31%
Workplace accidents per 1 million hours worked	Rate	7.31	8.78	-17%
Lost days due to workplace accidents per 1 million hours worked	Rate	150.55	162.90	-8%
Share of women (employees covered by and exempt from collective agreements)	%	16.7	15.9	+5%
Share of women in management in general	%	10.6	10.4	+2%

The indicators presented here relate to the Krones Group but only make up part of all sustainability-related figures we track for Krones AG and the Krones Group. The percentages marked in green show a positive change with respect to sustainability, while those marked in red show a negative change.



Sustainability management

Sustainable business strategy

The sustainability goals of the Krones Group are integrated into our corporate strategy. Our new corporate vision, “**Solutions beyond tomorrow**”, shows how sustainability drives our company. The Krones Group wants to do its part to build a sustainable world, and we view digitalisation as a means to enable sustainability in both our own value chain and our customers’ business.

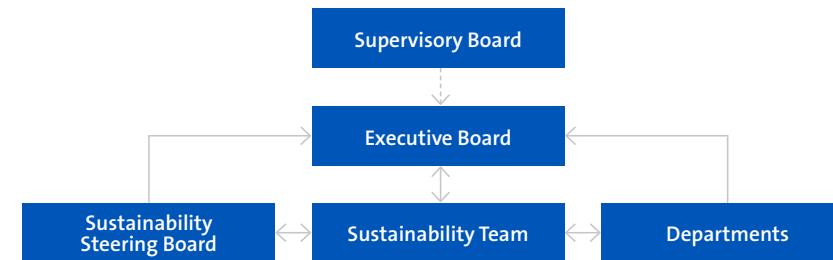
Efficient and environmentally friendly technologies for safe, high-quality beverages: That is the mission that the Krones Group has set itself in terms of product sustainability. Consumers are making sustainability part of their buying choices more than ever before, and so our customers rely on us to provide sustainable solutions for their production operations.

We work continuously to improve the efficiency, longevity and eco-friendliness of our products and services while also increasing the sustainability of our own operations and value creation processes. We firmly believe that a consistent approach to sustainability will help us leverage **new opportunities for growth**.

Sustainability governance

Sustainability management within the Krones Group is steered and coordinated by a central Sustainability Team, which serves as the main body for sustainability strategy, controlling and reporting **along the entire value chain**. At the heart of the team’s work is its cooperation with the departments and experts responsible for material sustainability topics.

The Sustainability Team is part of Corporate Research and Development and thus reports to the Executive Board member responsible for International Operations and Services. Parallel to that, the Sustainability Team and Sustainability Steering Board report directly to the CEO.





Strategy: The Sustainability Team's core responsibilities with respect to strategy include conducting materiality and risk analyses, reporting on sustainability to the Executive Board and coordinating the Sustainability Steering Board. In the latter, representatives from the management of central units consult on our strategic alignment with respect to sustainability and formulate suggestions and recommendations for the Executive Board.

Controlling: The Sustainability Team also serves as the controlling and monitoring body for environmental, social and corporate governance (ESG) matters. Besides consolidating sustainability-related performance metrics across the group and monitoring progress toward our targets, that also entails conducting regular reviews with the departments. Surveys, ratings and rankings on sustainability are processed centrally and results shared with the departments.

Reporting: When it comes to sustainability communications, the Sustainability Team works together with Corporate Communications to prepare content for the various channels – for both internal and external stakeholders. The Non-financial Statement, which is approved by the Executive Board, describes the material sustainability aspects. Additional information is available on the sustainability pages of the corporate website.

Sustainability executive reviews

Since the end of 2022, the Executive Board has held coordination meetings on sustainability topics at six-week intervals so as to bring the management of our sustainability objectives into the top tier of company leadership. In these meetings, the **key sustainability performance indicators** are tracked and strategic decisions made regarding the company's sustainable development.

Executive Board remuneration linked to sustainability

Sustainability aspects are included in the policies that govern Executive Board remuneration. As of the financial year 2022, Scope 1 and Scope 2 greenhouse gas emissions are part of the calculation of **long-term incentives (LTI)**. For 2022, the Supervisory Board has set a greenhouse gas emissions target as a performance criterion with a weighting of 10%. For it, targets and thresholds are set before the start of each tranche, which then serve as the basis for calculating target achievement at the end of the three-year performance period. Total target attainment can range from 0% to 250%.

For the long-term incentive, environmental, social and governance (ESG) targets will be gradually added beginning with the 2022 financial year. The ESG targets account for 15% of the target amount for the 2023 tranche. In addition to the existing greenhouse gas emissions target (Scope 1 +2), the Supervisory Board has set a further ESG target for 2023: the percentage of women in management (Krones AG and Krones Group). Greenhouse gas emissions are weighted at 70%, the percentage of women in management in the Krones Group is weighted at 20% and the percentage of women in management within Krones AG is weighted at 10%.

Non-financial risk analysis

Under the concept of double materiality, not only are the material sustainability topics to be assessed for financial and non-financial impacts. So, too, are the risks to the company in this regard. Risks are reported and assessed quarterly within the group-wide risk management processes carried out by Finance. The **"outside-in"** risks to the company that are identified in this process are then assessed by the Sustainability Team for potential negative impacts that the company can have on sustainability topics (**inside-out**). For the financial year 2022, the analysis revealed no risks with a high likelihood of an event and severe negative impact with respect to the company's own business activities, business relationships, products or services.





Materiality analysis

The materiality matrix for the Krones Group was revised in 2022. Consistent with the concept of **double materiality**, a longlist of sustainability-related topics along the entire value chain was identified and assessed against both the potential impacts of the company's activities on the outside world (impact materiality) and the internal impact the issues can have on the Krones Group's financial performance and its ability to create economic value for investors and share-

holders (financial materiality). For the impact-materiality assessment, we have surveyed customers, financial market participants, suppliers and our own employees for their views. Together, the Sustainability Steering Board and the Executive Board assessed the financial materiality of the individual topics. The resulting matrix was adopted by the Executive Board and is comprehensively updated every three years, although any changes are reviewed annually.

Dimensions and areas		Suppliers	Operations	Customers	Consumers
Environment	Carbon emissions	●	●	●	
	Use of resources		●		●
	Water consumption			●	
Society	Labour and human rights	●	●		
	Employee well-being		●		
	Diversity		●		
Governance	Digital responsibility			●	
	Business conduct		●	●	

The three different circle sizes reflect the relative materiality of the topics.



Sustainability goals through to 2030

The Krones Group's sustainability goals were officially adopted by the Executive Board in 2020. Unless noted otherwise, the goals use 2020 as the base year and **2030 as the target year** and apply across the group. The goals are to be reviewed

as needed based on new materiality analyses, legal and regulatory requirements and stakeholder interests. The sustainability goals are currently undergoing review as part of the new materiality analysis.



Environment

-80%

Reduce greenhouse gas emissions in our operations (base year: 2019)

-25%

Reduce greenhouse gas emissions in our upstream and downstream value chain, with a focus on purchased goods and the use of our products (base year: 2019)

-10%

Reduce hazardous waste generation and water consumption in our operations

Society



Take action to promote diversity in our workforce



Motivate our employees by offering an attractive working environment with opportunities for personal development

-30%

Reduce the number of work-related accidents and resulting lost days

Governance

0

Pursue a zero-tolerance policy with respect to compliance and human rights violations along our entire value chain



Evaluate critical suppliers against sustainability criteria and use raw materials more efficiently

100%

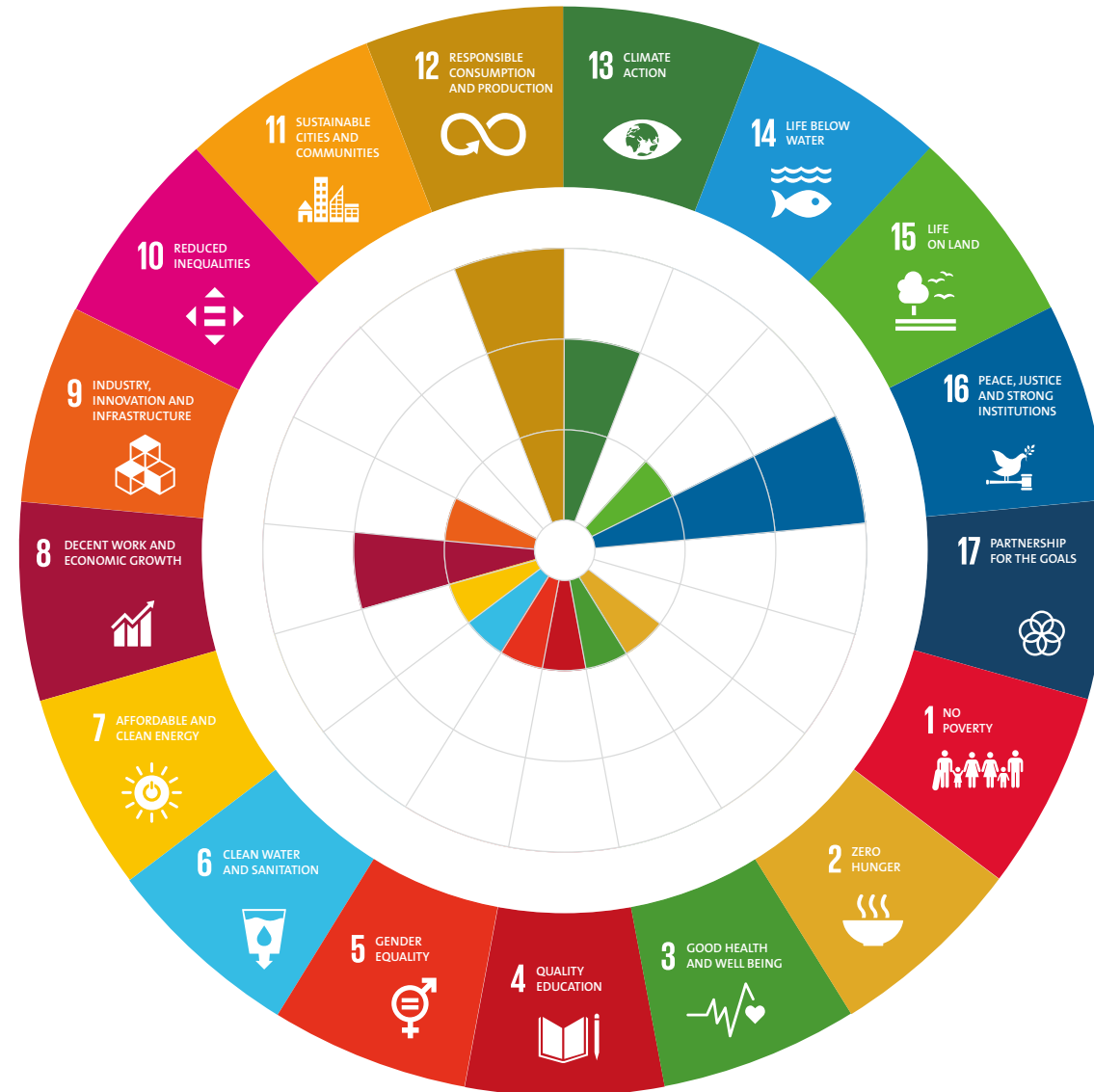
Ensure the confidentiality of personal data and establish a state-of-the-art IT security architecture along our value chain



Contribution to the UN Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) are considered the most important set of global targets for sustainable development. The 17 goals were published in September 2015 as part of the UN's Agenda 2030. They articulate the key challenges and resolutions of a global sustainability policy and thus serve as a guide for the **sustainable development** of society, culture and the economy.

Because it is part of global value chains, the Krones Group also influences economic, environmental and social developments – sometimes directly and materially and sometimes only indirectly and to a small extent. As part of our revision of the materiality matrix, we have therefore analysed the SDGs to which we currently **contribute** and to what extent – based on the goals, policies, actions and metrics described in this statement.





Sustainability network

We believe that we are stronger when we work together. The Krones Group has been a member of the UN Global Compact since 2012. We collaborate with other companies within our industry under a variety of sustainability-focused project groups of the German Engineering Federation (VDMA) and are an official partner to the VDMA's Blue Competence sustainability initiative. We have signed the Association of the Beverage Machinery Industry (ABMI) Sustainability Charta and work hand in hand with our competitors within this organisation towards the common goal of driving sustainability forward.

Our 2030 Climate Strategy has been officially validated by the **Science Based Targets** initiative (SBTi). We have committed to developing a net-zero emissions target and are part of the **Business Ambition for 1.5°C** campaign. We participate in recognised ratings and audits in order to ensure transparency towards customers, investors and analysts. Carbon Disclosure Project (CDP) has given us a B rating in the categories Climate Change and Water Security, and our EcoVadis Scorecard was awarded a silver medal.

Standards



Memberships



Rankings



Commitments





Greenhouse gas emissions from our products

1. Impact and materiality

As a technology supplier, the Krones Group **enables** climate-change mitigation. Our machines and lines require a certain amount of electrical power and heat, primarily for the production, filling and packaging of beverages and liquid foods. Most of the greenhouse gas emissions for which we are directly or indirectly responsible are not generated at our own production sites but rather at our customers' – as a result of their use of Krones machines and lines. Because of this large impact on our customers' direct greenhouse gas emissions, our internal and external stakeholders have rated this topic as highly material – in terms of both their impact on our business and our impact on the world around us (financial materiality and impact materiality).

2. Risks and opportunities

The Krones Group views climate aspects relating to our Scope 3 downstream greenhouse gas emissions not primarily as a risk but rather as an opportunity. Under our new vision, "Solutions beyond tomorrow", we seek to address three global challenges – climate change, plastic pollution and food insecurity – and contribute to solving them. Our enviro products and energy consulting at the factory level are aimed at helping to **fight climate change**. By growing these business activities, we can have a positive impact on our customers' climate protection efforts – and generate revenue at the same time.

3. Governance and resources

The Executive Board of the Krones Group has officially adopted a **2030 Climate Strategy**. While an interdisciplinary project group discusses general topics and focuses especially on Scope 1 and Scope 2 greenhouse gas emissions, another

group made up of product specialists from the different portfolio divisions of Krones AG meets regularly to coordinate measures to reduce product-related Scope 3 greenhouse gas emissions. They act as decentralised points of contact and support for the enviro sustainability programme for energy efficient and environment-friendly machines and lines and translate the centrally coordinated sustainability requirements into shop-floor reality. Beyond Krones AG, the Product Sustainability team is in regular dialogue with the product specialists of our subsidiaries in order to promote climate and environment-related improvements to our products. Reporting of Scope 3 emissions from our products is done centrally through the Sustainability Team.

4. Strategy and targets

As part of our 2030 Climate Strategy, we set and published the following target for upstream and downstream Scope 3 greenhouse gas emissions in 2020:

The Krones Group commits to reducing its absolute Scope 3 greenhouse gas emissions by 25% by 2030, from a 2019 baseline.

The Science Based Targets initiative (SBTi) has validated this target following its official review process and officially confirmed that it is consistent with the United Nations goal of limiting global warming to **1.5 degrees Celsius**. Where the SBTi assessment is based on the established reference scenarios of the IPCC (Intergovernmental Panel on Climate Change), our Scope 3 targets are likewise based on that scenario. The Krones Group is part of the Business Ambition for 1.5°C campaign and reports annually to the CDP (Score: B).





5. Policies and actions

Sustainability programme for products – enviro

For many years now, our enviro sustainability programme for machines and lines has been a key component of our product sustainability. It was developed in collaboration with TÜV SÜD and focuses on the energy and media consumption as well as the eco-friendliness of Krones machines, lines and solutions. The associated processes are established within the enviro management system. Underlying it all is the enviro manual, which defines the principles of the management system, presents the assessment criteria and thus acts as a company-wide guide for **climate-friendly product design** and optimisation.

Before a Krones machine can carry the enviro label, its energy and media efficiency and environment-friendly operation must be proven in a prescribed, well-documented testing procedure. To ensure the procedure's objectivity, a mandatory benchmark has been defined for each enviro-relevant aspect of a product, such as compressed air consumption or eco-friendliness. The benchmark criteria are to ensure that the enviro products conform at least to the Energy and Media Efficiency Environmental Sustainability (EME) standard defined by TÜV SÜD. The enviro management system and the associated testing procedure are regularly certified by TÜV SÜD, an independent verification organisation.

Climate-friendly product development

Sustainable, climate-friendly products start in the design and development stages. Strategic portfolio planning and the continued development of new and existing Krones products is handled by Research and Development. Environmental compatibility, with a special focus on greenhouse gas emissions, is one of the key value drivers under which development projects are initiated and prioritised. The enviro sustainability programme takes an active role, integrating targeted **ecological design aspects** in the product development process. To ensure that new developments are guided by the principles of environmental

sustainability, ongoing development projects are managed by way of milestones that incorporate enviro requirements into the decision-making process.

Investing in low-carbon technologies

Within our product development processes, we invest considerable sums and human resources in low-carbon technologies. One example is the Phoenix BMC biomass conversion system developed by our subsidiary Steinecker: This system extracts valuable compounds from a brewery's organic residuals in the form of proteins and fertilisers while enabling the remaining biomass to be used for generating power – both of which can contribute to mitigating climate change because they entail purposeful upcycling of waste in a circular economy. In what is now the fourth generation of our Contiform stretch blow moulder, we have reduced the amount of compressed air consumed in inflating PET bottles by 20%. Additionally, automation and process optimisation now prevent incorrect settings in the machine's operation, thus saving a great deal of energy – also in comparison to competitors' products. We invested several million euros in the development of this new technology, which is dubbed Contiloop AI.

The assessment of our capital expenditure projects as part of our reporting under Article 8 of the EU Taxonomy Regulation enables us to validate and publicly communicate our **climate-relevant research and development spending** in accordance with a third-party-standardised process.

Carbon footprints and lifecycle assessments

We are currently reviewing options for systematically running lifecycle assessments (LCA) and carbon footprint (CF) analyses for our own products. Each of the machines and lines we sell is unique. The tools currently available for LCA and CF analysis have only limited scope for assessing such individualised products. At present, our application of lifecycle assessments is focused on our customers' products: the containers into which beverages and liquid foods are ultimately filled. We use recognised tools to calculate the **environmental performance of packaging** in various sizes, shapes and weights – mostly with respect to different



packaging types like returnable PET, non-returnable PET, glass, cans and secondary packaging. In that way, we make it possible for our customers to choose the most sustainable packaging solution for their individual business situation and market. Moreover, if our customers request it, we calculate the emissions that our machines generate while in operation and help to reduce emissions by supplying enviro-certified machines or by providing an optimised connection to heating systems.

Energy and media consulting at the factory level

Energy consulting at the factory level is an essential part of our efforts to reduce greenhouse gas emissions at our customers' plants. Whether it's for an existing factory or for planning a new one, the consulting team helps our customers reach their sustainability targets for Scope 1 and Scope 2 – which in turn lowers our own Scope 3 downstream greenhouse gas emissions. Our range of consulting services covers the development of **decarbonisation strategies**, process optimisations for improved energy use, utilities audits, production schedule optimisation, material analyses and classification for packaging, integration of an energy management system and even consulting on funding options.

Cooperation and collaboration with customers

When it comes to climate change mitigation, we interact with our customers through a variety of channels: We report on our carbon footprint directly to our downstream business partners each year through various individual surveys, standardised tools and established **rating and ranking systems** (such as CDP and EcoVadis). We also directly discuss the possibilities for collaborating on climate and environmental protection with any and all interested customers. In these talks, which are typically initiated by our customers, we can develop various approaches to suit the individual situation: There are always options for optimisation when it comes to lifecycle service, energy supply and utilities. Our Sales team offers webinars on specific topics relating to sustainability, with a frequent focus on reducing greenhouse gas emissions.

Internal training and awareness campaigns

Our **global Sales team** is a major factor for bringing sustainable products and services to our customers. For that reason, team members receive training on the latest sustainable approaches – especially in the run-up to major trade fairs and events. For drinktec, the premier trade fair for beverage technology worldwide, the Sustainability Team, product specialists and our Sales organisation prepared detailed training courses on product-specific sustainability topics, with a focus on climate change mitigation. The training documentation and videos were aimed at all employees but specifically at those in Sales and those manning the Krones booth at drinktec. Additionally, we use expert training courses to ensure that our own specialists from our Product Sustainability and Factory Planning teams have the most up-to-date information about energy and emissions. In December, for example, we held a three-day training course on technical energy management through an external service provider.

“Product end-of-life” manual

The principal objective of Krones Lifecycle Service is to make the service life of our machines and lines at our customers' plants as long as possible – for instance through retrofits, maintenance and other services. Despite our best efforts, though, every product's useful life will ultimately come to an end at some point. Since the end-of-life processing of our products also makes up part of our performance when it comes to greenhouse gas emissions, we try to support our customers here, too.

We have compiled information about the different paths that our machines and lines can take at the end of service in a product end-of-life manual: The most basic idea is simply the **disassembly of the products** and the reuse of their materials. In addition, customers are given detailed machine manuals that provide specific instructions for disassembly and disposal of machines at the end of their service lives. When the equipment is properly dismantled, valuable materials such as stainless steel, electrical wiring and brass can be recovered completely and recycled for further use.



Together with our subsidiary ecomac, we offer a company-specific programme for **refurbishing used machines** with original spare parts. After a machine is taken offline, deinstalled and refurbished, it can either be returned to the customer or sold to a new customer. In addition, we recently entered into a formal partnership with a recycling company that can provide official documentation of the **recycling of materials** salvaged from products scrapped by ecomac.

The aim of the manual is to enable proper decommissioning, deinstallation and disposal of the machine so as to conserve resources, prevent waste and ultimately reduce emissions.



Public low-carbon transition plan



Stakeholder communications

Public policy

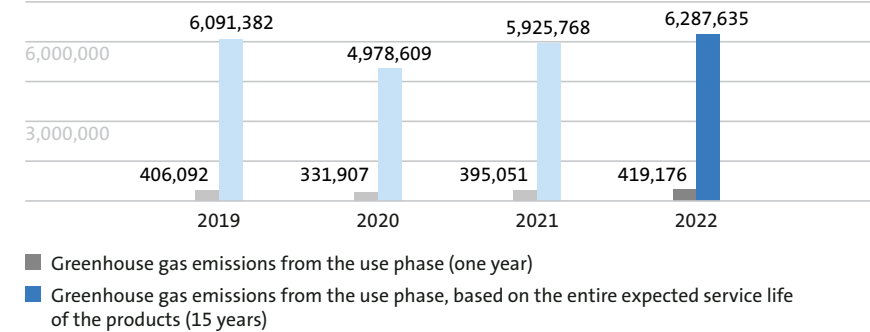
The Krones Group does not directly influence political processes but does act as a supporter and as a source of feedback and input for the political work of the German Engineering Federation (VDMA). As part of our involvement in the Sustainability and Energy working group, we take a stance on draft legislation and political debates.

6. Key performance indicators

All greenhouse gas emissions figures published in this statement have been measured in accordance with the provisions of the **Greenhouse Gas Protocol**.



Krones Group – Greenhouse gas emissions, Scope 3,
from the use phase of our machines and lines (metric tonnes CO₂e)
(Scope 3 category 11 per GHG Protocol)



The Scope 3 greenhouse gas emissions reported here are based on new machinery sales at Krones AG and Steinecker GmbH. That is a coverage of over 85%. To calculate the emissions from our machines and lines, we assumed an average useful life of 15 years.



Greenhouse gas emissions in our operations

1. Impact and materiality

The Krones Group releases greenhouse gas emissions along its entire value chain. The majority of these emissions are indirect – that is, upstream and downstream of our own production. Nevertheless, because we are an industrial manufacturing company, we do also consume a significant amount of energy for **power, heat and transport** at our production sites, which can only be sustainable if the energy comes from renewable sources. In the 2022 materiality analysis, the impact materiality of greenhouse gas emissions in our operations was rated as medium by stakeholders, and the financial materiality was rated as high.



in our supply chain



at Krones



at our customers



at the end consumer

2. Risks and opportunities

In 2022, we commissioned an analysis of our twelve largest production sites based on the relevant science-based **climate scenarios**. Some of our locations are exposed to climate-related risks in one of the following three risk categories: heat, flooding and wildfires. The scenario analysis is based on data-driven climate projections of the IPCC (Intergovernmental Panel on Climate Change), using the RCP 8.5 (worst-case scenario) as the physical reference model. The results of the analysis, like the climate and environmental risks reported by our various departments and sites, flow into the existing enterprise risk management system.

3. Governance and resources

Overarching coordination of the climate strategy adopted by the Executive Board is handled by an **interdisciplinary project group** made up of representatives from the central Sustainability Team and Production. In monthly meetings, the progress of ongoing measures is analysed and further steps are defined.

Reporting to the Executive Board is done on an ad hoc basis, but no less than once per quarter, either by way of the Sustainability Steering Board or in direct meetings with one or more members of the Climate Strategy project group.

4. Strategy and targets

The group's climate strategy defines the following targets for reducing **Scope 1 and Scope 2** greenhouse gas emissions:

The Krones Group commits to reducing its absolute Scope 1 and Scope 2 greenhouse gas emissions by 80% by 2030, from a 2019 baseline.

This climate target has been validated by the Science Based Targets initiative (SBTi) and certified as being consistent with the 1.5-degree target. As stated above, the Krones Group is part of the Business Ambition for 1.5°C campaign and reports annually to the CDP (Score: B). The Scope 1 and Scope 2 target is a performance metric used to determine Executive Board remuneration.



5. Policies and actions

Environmental and climate policy

A formal group-wide environmental and climate policy firmly establishes our priorities with respect to environmental and climate protection in our operations both strategically and organisationally across the Krones Group. The policy document makes the strategic alignment of our environmental and climate management transparent for all external stakeholders and defines a clear framework for everyone involved within the Krones Group. An internal set of standard operating procedures (SOPs) based on the new environmental



and climate policy defines the environmental standards, topics of focus, and respective goals, processes and responsibilities within the Kronos Group. The environmental and climate policy and corresponding SOPs serve as internal rules and are based on the Kronos Code of Conduct as its underlying policy document.

ESG assessment within the capital expenditure approval process

To drive investment in energy-efficiency and climate-protection measures in our operations, we established a new process in 2022 that enables applicants and controllers to flag capital expenditure requests as ESG-related. After a review by the central Sustainability Team, ESG-related capital expenditure requests are given a “green flag” for the subsequent approval and budgeting process. The goal is to promote the consideration of more than purely economic return-on-investment calculations in the overall assessment of climate-relevant investments. Since most investments are currently focused on buildings and infrastructure within the Kronos Group, the new ESG review in the first stage makes it easy to identify investments that may have a positive impact on reducing Scope 1 and Scope 2 greenhouse gas emissions.

Coordinated action planning

The measures aimed at reducing direct (Scope 1) and indirect (Scope 2) energy-related greenhouse gas emissions can be divided into three main action areas: energy efficiency, own generation and energy procurement. To facilitate the climate strategy project group's coordination and tracking of measures across the Kronos Group, we have developed an action plan that includes a **timeline and milestones** to reduce greenhouse gas emissions. The plan shows the measures, the expected impact in terms of emissions reductions and the associated monetary costs and thus serves the Executive Board as a basis for decision-making.

Energy efficiency measures

In order to better monitor energy consumption in our production, we are implementing various measures in our plants worldwide which can be attributed directly as energy-efficiency optimisations at the machine and business-unit levels. That includes, for instance, installing heating coils in the existing combined heat and power (CHP) plants or replacing ceiling lights with energy-saving LED panels that are equipped to automatically dim and switch off lights in areas that are not currently in use. Likewise, adding heat exchangers has made it possible to recover waste heat from existing production equipment and thus further increase the overall efficiency of the systems. Fitting machines and utilities with **smart meters** and recording the relevant energy streams in real time also contributes to increased energy efficiency.

Own generation of renewable energy

Sustainable energy supply and the expansion of our own renewable power and heat generation capacities – combined with intelligent energy management – are at the heart of our efforts to reduce energy-related greenhouse gas emissions. We have made generating our own electricity from renewable sources a priority in our company climate strategy and are currently running a number of projects in this context. **Photovoltaic systems** are in use at our subsidiaries Gernep (Germany) and System Logistics (Italy), supplying those sites with green power that is generated on site. A photovoltaic system on one of the parking garages at Kronos' headquarters in Neutraubling is currently in trial operations.

Green energy procurement

Since the financial year 2022, we have been buying 100% **green power** with guarantee-of-origin certificates for the Kronos AG production sites in Germany. This is a significant lever for reducing our Scope 2 greenhouse gas emissions. At our major international sites, too, we are planning to transition to buying only green power.



Going electric with our vehicle fleet

At Krones AG headquarters in Neutraubling, 95 electric-vehicle charging stations were installed and brought online in 2022. The introduction of an electric-vehicle charging infrastructure for additional sites in Germany is in the planning (Nittenau and Flensburg) and implementation stages (Rosenheim and Raubling). In Neutraubling, the existing **charging infrastructure** is being further expanded in early 2023. Projects aimed at transitioning to electric vehicles are underway at other production sites as well.

Carbon offsetting

The Krones Group's 2030 Climate Strategy includes carbon offset certificates for climate mitigation projects as the lowest priority, below energy efficiency, own generation and buying green power. Offsetting does not currently play a role in figuring our emissions performance and will not do so in the near future.

Training and awareness campaigns

One means of reducing energy and heat consumption is to provide regular employee training on the topic. As an example, Krones AG employees complete a mandatory basic training session each year in which they must respond to specific questions about **conserving energy**. In 2022, a special memo went out to staff on conserving energy in light of the Ukraine-Russia conflict. As part of the existing audit and certification processes under ISO 50001 and ISO 14001, we additionally conduct regular employee training on energy and environment topics at our ISO-certified sites. Another way we raise awareness among our workforce is regular internal reporting on the progress of our climate strategy through the various internal communication platforms.

Audits, certifications and internal reviews

Internal reviews are conducted as part of the process of collecting Scope 1 and Scope 2 emissions data for our non-financial reporting: An energy expert from the Sustainability Team reviews the metrics and documentation provided by the energy experts at the respective production sites and runs plausibility checks on them, noting any errors or ambiguities. For the future, we plan to sharpen the focus of our internal review process on sustainability topics, specifically climate and environment aspects.

The Krones Group's climate strategy applies for all production sites worldwide, for a total of 24 entities. Data collection and implementation of measures are the local responsibility of the international sites involved, while data validation and coordination of measures are carried out centrally. Energy management at the German production sites of Krones AG is **ISO 50001** certified. Our production site in Taicang, China, our Italian subsidiary System Logistics and the German KIC Krones branch office are certified under **ISO 14001**.

Public low-carbon transition plan

We are currently developing a plan for transitioning to a carbon-neutral circular economy and intend to publish it in 2023. The basis will be our internal action plans and the existing confirmation of our climate strategy's 1.5-degree compatibility through SBTi.



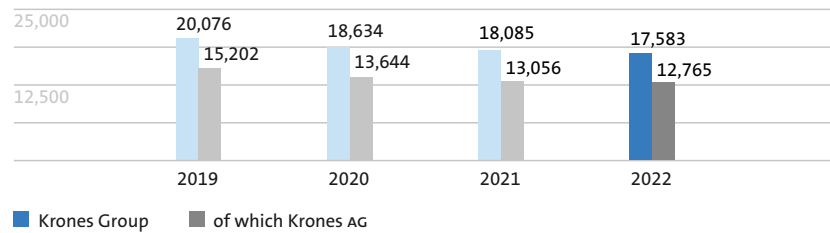
Stakeholder communications

The main medium through which we communicate our climate strategy and emissions performance is the Non-financial Statement, which is published annually as part of the Krones Group Annual Report and is publicly available on our website. In addition, we communicate our climate-related key performance indicators on our corporate website under the heading “Sustainability”. We use internal communication channels to regularly inform our workforce about the progress of measures and metrics. Externally, we use social media, the Krones magazine and press releases to keep our external stakeholders apprised of our climate strategy.

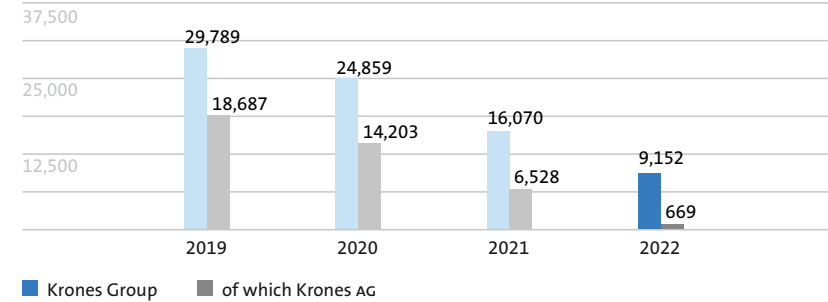
6. Key performance indicators

At present, data reporting for calculating our key performance indicators is done annually, although we would like to soon transition to quarterly data collection. As defined in our 2030 Climate Strategy, the metrics include the data for the Krones Group’s 24 production sites and are based on the principles of “materiality” and “impact”.

Krones Group – Greenhouse gas emissions, Scope 1 (metric tonnes CO₂e)

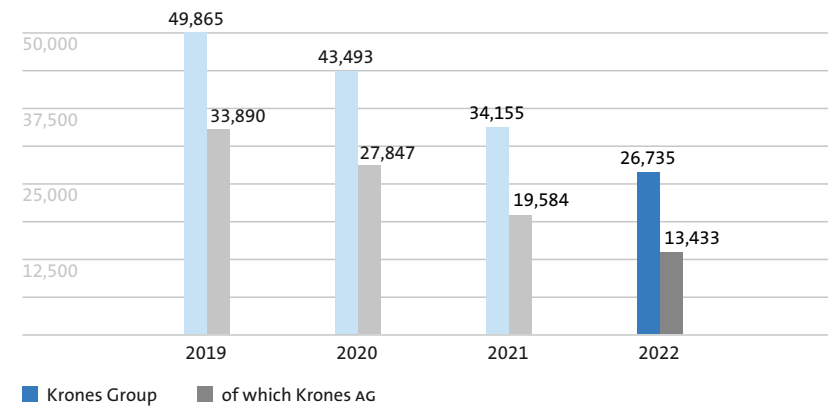


Krones Group – Greenhouse gas emissions, Scope 2 (metric tonnes CO₂e)



The greenhouse gas emissions are measured using the market-based method. Wherever market-based emissions factors were not available for certain locations, we have used the generally recognised location-based emission factors.

Krones Group – Greenhouse gas emissions, Scope 1 and Scope 2 (metric tonnes CO₂e)





Greenhouse gas emissions in our supply chain

1. Impact and materiality

The products of the Krones Group consist primarily of four materials: stainless steel, steel, aluminium and plastic. The extraction, manufacture and processing of these **materials** is energy-intensive. Parts and services that we purchase from our suppliers also generate greenhouse gas emissions in our upstream supply chain. Because these emissions make up a relevant share of our total emissions, the topic of climate change mitigation in the upstream supply chain was given a medium rating under both aspects of the materiality analysis.

2. Risks and opportunities

We worked with a third-party provider to assess our risk with respect to greenhouse gas emissions in our upstream supply chain. Using their data-base-supported tools, we leverage information that is already available within our company – specifically, **monetary procurement data** with country, industry and the product group we obtain from the respective Tier 1 suppliers – to identify greenhouse gas emissions hotspots. This risk analysis also shows us whether and to what extent these direct suppliers' upstream supply chains are likely to release large amounts of greenhouse gas emissions. It likewise serves as a tool for monitoring our Scope 3 upstream metrics until we begin collecting primary emissions data from our suppliers (something that is currently in the planning stage).

3. Governance and resources

Strategic responsibility for sourcing lies with the head of Corporate Procurement, who reports directly to the Krones Group CFO. Because the Sustainability Team is where our expertise for decarbonisation lies, Procurement and Sustain-

ability work together closely to address the topic of greenhouse gas emissions in the upstream value chain. Additionally, the **Supply Chain Governance Board** – which consists of decision-makers from Corporate Governance, Procurement, Supplier Quality Management and Sustainability – convenes once per quarter to discuss compliance and sustainability issues in the supply chain.

4. Strategy and targets

Analogously to the target for reducing greenhouse gas emissions from our products, we also want to reduce greenhouse gas emissions in our supply chain:

The Krones Group commits to reducing its absolute Scope 3 greenhouse gas emissions by 25% by 2030, from a 2019 baseline.

As mentioned above, our climate targets apply to the entire group, are consistent with the 1.5-degrees pathway according to Science Based Targets initiative (SBTi) criteria and are based on recognised climate scenarios.

As another qualitative target for a more sustainable supply chain, the Krones Group has set the following goal, which we hope will have a positive impact on reducing upstream greenhouse gas emissions:

Increase the material efficiency and sustainability of the raw materials used in the manufacture of our products.



in our supply chain



at Krones



at our customers



at the end consumer



5. Policies and actions

Climate protection in our Supplier Code

The Supplier Code, which applies group-wide, is the policy document for environmental and climate protection in the supply chain. If there is documented non-compliance with these rules, we work with the supplier to determine **corrective action**, which may go as far as termination of the business relationship. Analogous to the Code of Conduct, the Supplier Code contains specific requirements with respect to environmental and climate protection in the sections “Sustainability” and “Quality, health, safety and environment”.

Review of environmental offences



To ensure our due diligence in the supply chain, Corporate Governance continuously performs **due diligence audits** on existing and new suppliers. By way of an online tool, existing and new suppliers to the Krones Group can be checked for non-compliance with environmental and climate-protection rules. The resulting findings are first examined by experts from Corporate Governance and then – after an assessment by the Supply Chain Governance Board – forwarded to the appropriate office within Procurement and Supplier Quality Management.

Supplier surveys with questions on climate matters

Our Supplier Quality Management team systematically uses questionnaires as a tool for vetting suppliers and raising awareness. During the registration process, potential suppliers are first asked to provide general information about their company. Then, **suppliers are vetted** on the basis of specific criteria depending on the product group. Topics relating to environmental sustainability are also made part of this process for certain supplier groups through a standardised questionnaire. Suppliers are generally only approved after they have been completely vetted and deemed qualified.

Collaboration with suppliers

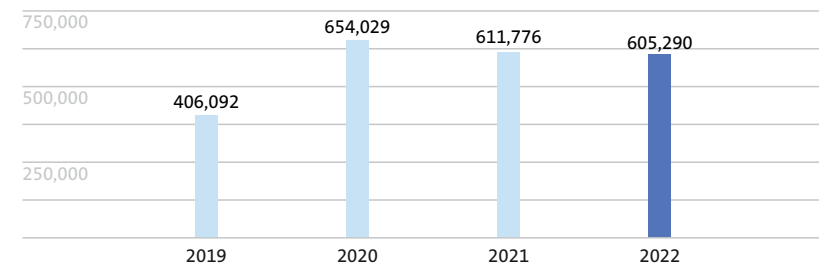
In an effort to present **one face to the supplier**, the Procurement team member responsible for each supplier serves as the primary point of contact. Until now, we have conducted individual talks with suppliers on energy and climate topics. A systematic approach to sustainability-related communication with those suppliers that our risk assessment has identified as highest-risk for high greenhouse gas emissions is currently in development.

Environmental topics in product and system audits

Once a business relationship is established, suppliers are evaluated on a regular basis. For example, selected suppliers’ environmental management is reviewed through risk-based product and system audits. The focus is on possible weaknesses, risks and improvement potential of the audited environmental management systems.

6. Key performance indicators

Krones Group – Greenhouse gas emissions, Scope 3, from the upstream supply chain (metric tonnes CO₂e), (Scope 3 categories 1-6 per GHG Protocol)



The Scope 3 greenhouse gas emissions reported here are based on purchasing volumes of Krones AG and other sites and subsidiaries within the Krones Group. The calculation of the emissions is based on specific country factors from a generally accepted database.



Resource use by end consumers (circular economy)

1. Impact and materiality

Our products make up a significant part of the supply chain for packaged beverages and liquid foods – whether they are sold in glass bottles, plastic containers or cans. As part of this supply chain, the Krones Group also bears responsibility for what happens to the containers produced or filled on our equipment after their use by end consumers. The Krones Group uses various products, business activities, research projects and partnerships to contribute to a **circular economy for valuable resources** like PET, glass, tin and aluminium. Here, too, as on the topic of climate change, we enable our customers. Given this context, the financial materiality of resource use by end consumers was rated as high in our materiality analysis whereas stakeholders viewed Krones' impact as low.

2. Risks and opportunities

The circular economy presents both risks and opportunities for the Krones Group. The risk relates to the fact that we have generated a large share of our revenue in recent years from the sale of production lines for non-returnable PET containers. If plastic packaging is banned in certain regions of the world because of the negative effects it has on ecosystems if not disposed of properly, that would have a noticeable impact on our business. On the other hand, we would like to seize the opportunity to serve as an active driving force for the transition to a circular economy: One of our areas of focus when it comes to sustainable products is **circular economy solutions**, which is dedicated especially to our products for PET and PO recycling, our eco-friendly packaging concepts and the ecological design of our machines and lines.

3. Governance and resources

The product areas working on circular economy solutions generally work independently of each other but do collaborate on both a regular and an ad hoc basis. The interdisciplinary collaboration among those involved is done in two-week intervals as part of the **PET Initiative** and ultimately benefits the PET business unit. Members include representatives of Recycling Solutions, Research and Development, Lifecycle Service, Marketing, Sales, Sustainability and the subsidiaries IPS and MHT. The head of Plastics Technology coordinates the initiative and reports regularly to the Executive Board member responsible for International Operations and Services. Within Research and Development, the Sustainability Team also drives an innovation program on **sustainable packaging**, about which it reports once monthly to the two leading bodies within R&D.

4. Strategy and targets

We have adopted the following target for our efforts around circular economy in our 2030 sustainability goals:

Contribute to a sustainable packaging economy: Our lines can handle all types of sustainable packaging. Virgin materials – including those from bio-based sources – as well as up to 100% recycled material can be processed without loss of efficiency.

In addition to these general, qualitative goals, the departments involved have also set their own goals against which they measure their contribution towards target attainment.



in our supply chain



at Krones



at our customers



at the end consumer



5. Policies and actions

MetaPure: Recycling solutions

Krones has been closing the lifecycle loop for PET bottles since 2009, with MetaPure technology. The portfolio includes dedicated modules for washing and decontamination. At its core, the recycling of PET containers to flakes or pellets is done in two modules: The washing module, MetaPure W-PET, provides pre-treatment, a caustic wash and a hot post-wash while the decontamination module, MetaPure S, takes care of decontamination and solid state post-condensation (SSP) for increasing the intrinsic viscosity. Additionally, we offer direct further processing of the **recycled material** to preforms, films or pellets – to different material qualities all the way up to food-grade PET according to the standards of the FDA, EFSA and other certificates.

Besides PET, our systems can also recycle polyolefin (PO) plastic. Unlike PET, PO is lighter than water and therefore requires a different process. Because the containers can also absorb the smell of the products they once held, their recycling requires technology that is designed to handle precisely these issues. Krones offers recycling systems for converting PO containers to flakes. These systems also include a washing module, the MetaPurew-PO, for intensive pre-cleaning and hot post-washing. Through our cooperation with partners, we also offer end-to-end solutions that include technology for **further processing** the PO flakes.

Alongside the washing and decontamination modules, Krones also provides solutions for complete recycling plants. In this regard, we benefit from our own in-house recycling expertise as well as factory planning and project management – because we can then assume overall responsibility for the projects with very few interfaces. For front-end and utilities components, which are not part of Krones' own portfolio, we rely on long-standing partnerships with suppliers.

rPET compatibility of PET systems

In order to dispel reservations sometimes expressed in the industry against using rPET, we conducted a series of tests analysing, among other things, the working properties, quality, and food safety of various virgin and recycled materials that are common on the market. Already, all new PET filling lines are capable of processing bottles made of up to **100%** high-grade recycled material without compromising on quality, efficiency or effectiveness in production.

LitePac Top: Plastic-free secondary packaging

Today, packs of cans or PET bottles are often held together with shrink wrap or plastic rings. The latter have been banned in some maritime regions because they pose a threat to wildlife when disposed of improperly. With LitePac Top, we offer an **environment-friendly alternative** to both of these packaging types. It consists of a cardboard clip for cans and a cardboard clip plus strap for PET bottles. LitePac Top requires less energy and material to manufacture than shrink film and can be made of recycled materials. To cover the widest possible range of applications, we added more variants to the LitePac Top series. We are now able to offer alternative secondary-packaging solutions containing no single-use plastics whatsoever for all common multipack formats.

Support for recyclable packaging design

Krones uses its technological expertise to support clients in designing forms of packaging that are optimally suited for recycling. Besides the technologies for manufacturing and processing recycled material, we also offer a range of supplementary services. For example, we employ a team of specialists to address every issue relating to both design from recycling and design for recycling. The material and design experts in our PET Packaging Development and Consulting department engineer material-saving, recyclable packaging – both on a contract basis for customers and for our own research purposes. As part of our “enviro



Design” programme, we evaluate **packaging innovations** from our own development against criteria that have been determined in collaboration with TÜV SÜD. The aim is to minimize the various environmental impacts of food and beverage containers, not only reducing greenhouse gas emissions but also preserving ecosystems and biodiversity.

Lifecycle assessments for product packaging

We would like to give our customers easier access to the multitude of options for achieving sustainable production that promotes a circular economy. We offer our customers science-based advice about which packaging variant is the most sustainable for their applications. The toolset we use includes a software-based solution that allows us to compare the environmental impacts and establish meaningful **environmental performance reports** for individual packaging solutions.

Switching from linear production to a circular economy

Clients get the support they need in order to also achieve optimum results on existing lines when handling recycled or renewable materials. In order to increase the potential for **returnable PET containers**, we ran a research project in collaboration with Alpa on the use of refillable PET containers for sensitive beverages. As of this writing, returnable PET containers are considered a niche topic worldwide. In particular, producers of sensitive beverages like juices and milk shy away from this container type due to hygiene concerns. That is why we launched a series of tests in our development plant, analysing the interaction of different bottle designs and cleaning processes. Among the findings: If the right parameters are selected – in particular, for caustic concentration, temperature, additives and mechanical impact – it is possible for temperatures around 60 °C to be sufficient to reliably remove even dried-on protein, fat and starch residues from containers.

Tethered Caps

Under the **EU Single Use Plastics Directive**, tethered caps (i.e., closures permanently attached to the bottle) will be required by law in the European Union from July 2024 onwards. Krones analysed developments on a number of markets and entered into partnerships with various cap manufacturers. As a result, the Krones Group is able to deliver technology solutions for all of the tethered cap variants on the market. The first customers have already switched over their Krones lines.

Resource-friendly labelling

For optimised recycling outcomes, Krones has packaging solutions in its portfolio that make it easy to remove labels from empty containers. Our long-term goal is to recycle labels right along with the containers or to eliminate the need for a separate label for container dress. We offer various solutions for implementing bottle decoration and labelling while also achieving material savings. For example, the Contiroll can handle **extra-thin labels** with a thickness of less than 30 micrometres without difficulty and the Sleevematic manages sleeves as thin as 35 micrometres – in some cases perhaps even thinner.



Container decoration with direct printing technology

Customers who would like to dispense with additional materials entirely can decorate their containers using direct printing technology from our subsidiary Dekron. The advantages of direct printing are many: With it, you can not only implement completely new design possibilities but also personalize the decoration of individual containers within a batch. Moreover, the printing inks can be completely removed from containers in the recycling process, leaving **no residues**.

Beyond PET packaging

Beyond conventional PET solutions, Krones is proactively pursuing development projects connected with disruptive technologies that take beverages to the consumer in innovative ways (e.g., packaging-free solutions, **paper bottle**). Krones' Innovation Lab is especially engaged with this field.

Member of the European Circular Economy Stakeholder Platform

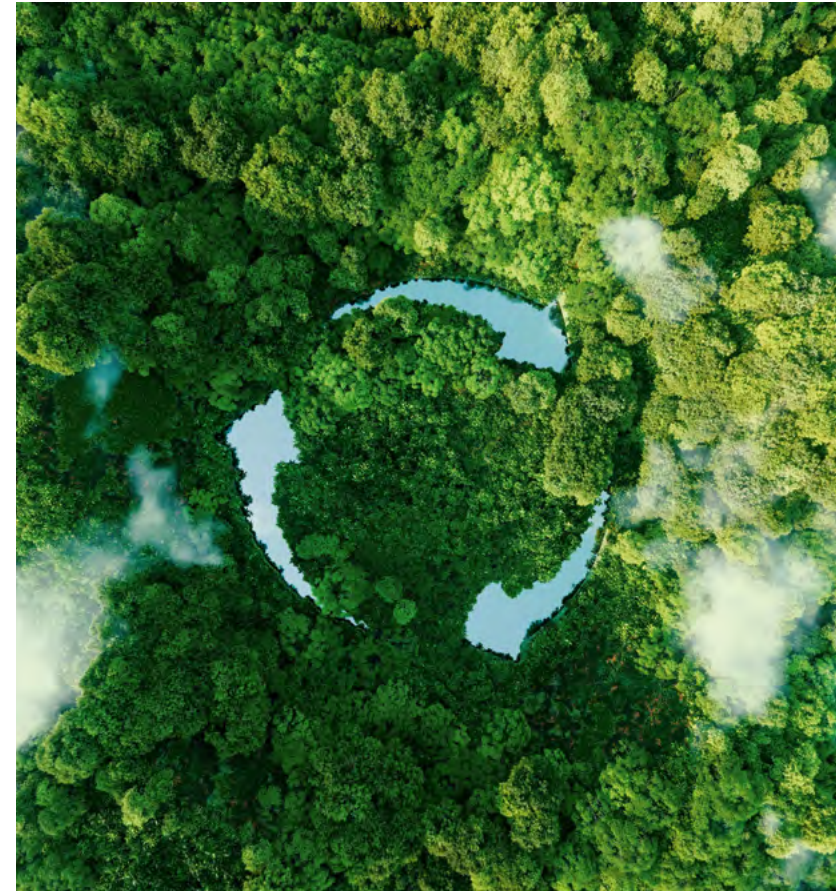
The Krones Group has been a member of the European Circular Economy Stakeholder Platform since 2020. This joint initiative of the European Commission and the European Economic and Social Committee (EESC) brings together companies and initiatives that seek to promote a circular economy in Europe. In joining the platform, Krones has entered into a voluntary commitment to several qualitative targets.

Communications and awareness campaigns

The pros and cons of plastic packaging are a **fiercely debated** topic to which Krones contributes its voice. A large-scale awareness campaign on the production, use and recycling of plastics in 2019 was the starting point for intensive communications work. Since then, we have regularly published articles on plastics and the circular economy in the Krones magazine and on social media.

6. Key performance indicators

As part of a sustainability strategy review that is currently ongoing, we are working to define and develop meaningful metrics that can help up to make the progress of circular-economy efforts measurable.





Resource use in our operations

1. Impact and materiality

The production and manufacture of machines and lines consumes water and generates waste. Besides the impact of our operational activities on energy and emissions, we also view water consumption and **waste generation** as additional key environmental sustainability topics. The largest share of the waste arising from our production activities is reused, recycled or scrapped conventionally. With respect to our ecological footprint, waste types that are considered “hazardous” under Annex III of the Basel Convention are critical. Therefore, and due to the fact that this topic is rated as medium in the materiality analysis, we have made it a strategic focus.

At the same time, we are also striving to conserve water in our manufacturing processes. Our focus here is on protecting the **drinking water** supply, which has become a particularly precious resource in times of climate change. Although the topic of water consumption in our operations was given a low priority rating in both aspects of the materiality analysis, we have opted to report on it nonetheless. Because using our products involves water, we want to likewise mark water in our own production as a strategic resource-conservation topic.

2. Risks and opportunities

Environmental risks with respect to water and waste are reported and handled by the heads of the respective production sites. They flow into the group-wide enterprise risk management system and are assessed based on the maximum loss associated with a risk, the relative financial impact and the likelihood of an event. The Sustainability Team then runs an inside-out assessment to determine the effects of the reported risks on the environment.

3. Governance and resources

Coordination of water and waste management across the group is done by the environmental management organisation of Krones AG. The head of Environmental Management reports directly to the CEO of the Krones Group. Because the requirements will be different due to unique physical geography and environmental laws applying to each site worldwide, the initiative for implementing water-conservation and waste-reduction efforts within **production processes** is taken by the respective local offices and subsidiaries. The effectiveness of actions is measured as part of the Krones AG Environmental Management team’s annual process of checking and consolidating data.

4. Strategy and targets

As part of our 2030 sustainability goals, we set and published the following environmental targets in 2020:

The Krones Group commits to reducing its hazardous waste generation and drinking water consumption by 10% by 2030, from a 2020 baseline.

5. Policies and actions

Environmental and climate policy

Training and awareness campaigns

Training on environmental protection in our operations is an important part of our efforts to reduce the ecological impact of our production. Krones AG employees complete a mandatory basic training session each year that involves questions on how to conserve natural resources like water. The processes





prescribed under ISO 14001 also require regular employee training on environmental topics, including water and waste, at our certified sites. Regular reports on our progress towards attaining our sustainability goals are published through internal communication channels.

Audits and certifications

The water and waste targets of the Krones Group apply to the global production sites, a total of 24 entities. Data collection and implementation of measures are the local responsibility of the international sites involved, while **data validation** and coordination of measures are carried out centrally. As described in the section on greenhouse gas emissions in our operations, our production site in Taicang, China, our Italian subsidiary System Logistics and the German KIC Krones branch office are certified under ISO 14001.

Data collection and consolidation across the group

The water consumption data is collected from meter readings and utility bills. **Mapping** of waste flows is done by way of examining the quantities disposed of per type of waste and, in the case of hazardous waste, the electronic documentation procedures as required by law. Analogous to the internal review of Scope 1 and Scope 2 emissions, we use dual verification in validating the water consumption and waste generation metrics.



Water

Reusing process water

The more water we are able to recycle within our own production and manufacturing processes, the smaller our negative impact on **local ecosystems** will be. Process water is reused multiple times over in the Neutraubling (Krones AG) and Freising (Steinecker GmbH) plants, where cascaded rinsing is used for electroplating processes. Several other sites employ ultrasonic baths. Cooling systems, whether for buildings or technical processes, generally operate in a closed loop.

At our Freising plant (Steinecker GmbH), buffer tanks for process water – for instance, for pressure-testing containers – make it possible to reuse water again and again. In our two largest production plants, Neutraubling and Nittenau (both Krones AG), water used in vibratory finishing processes for deburring is cleaned in centrifuges and recycled.

Measures to reduce water consumption

Wherever we use water and cannot recycle it, we want to keep the volumes as low as possible. At our Neutraubling and Nittenau sites, water is treated in evaporators and ultrafiltration systems in order to make possible a longer service life or reuse. Where water-soluble coolants are used – primarily in our Flensburg plant – we are converting to minimum quantity lubrication (MQL) and measures aimed at increasing the lubricants' service life through **monitoring**, separation of leakage oil, and constant ventilation. In that way, we reduce the amount of water used in production, both for preparing new cooling lubricants and for cleaning machines in preparation for refilling. The distribution network for mains water is being made progressively smaller so as to reduce the number of regular flushings required to maintain safe drinking-water quality.

Wastewater discharge

Wastewater arising from production is discharged in accordance with the regulations applicable at all of our production plants. Where the local infrastructure allows, the water is fed into municipal water treatment facilities. Stormwater is primarily directed into the natural subsoil so as to help **replenish groundwater** and offset the negative effects of soil sealing.

Monitoring water quality

Regular testing of wastewater quality from various relevant systems – for instance weekly checks in our electroplating shop – enable us to **track** water quality. The measurements are taken both on-site and off-site, either under contract by laboratories or unannounced by the appropriate authorities.



Waste

Waste handbook

A handbook containing information and instructions on the proper disposal and removal of waste in internal production processes, is in force at the Krones AG sites. Implementation is the respective departments' responsibility. Workplace safety specialists perform spot checks during **workplace inspections**.

Measures for internal waste reduction

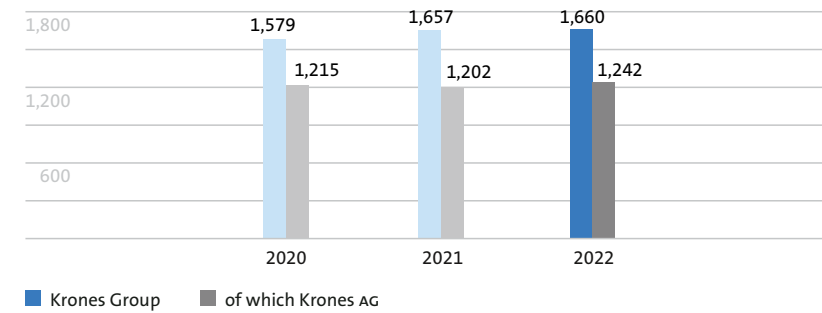
In the production process, we use circular packaging wherever possible. When removing old office equipment, we strive to ensure its **reuse** in a new context: For instance, PC monitors are lent, at no cost, to employees for their home use. Retired telephones are systematically collected and returned to the manufacturer.

Infrastructure for separating waste

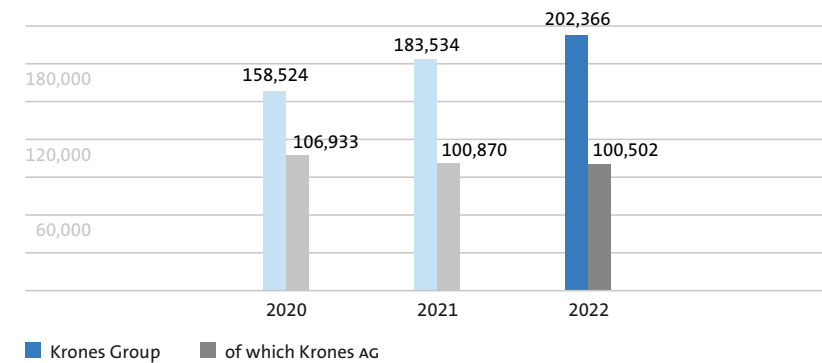
Under our waste policy, labelled bins are set out in the production areas, into which employees are required to properly separate waste fractions. In addition, Krones AG has on-site collection stations that break down assemblies so that their components and materials can best be **separated for disposal or recycling**. We are currently piloting a new policy for waste separation in our offices at headquarters in Neutraubling.

6. Key performance indicators

Krones Group – Hazardous waste (metric tonnes)



Krones Group – Water consumption (m³)



The figures presented here relate to the operation of machinery and equipment as well as buildings at Krones AG sites. In collecting this data, we have included all consumption by our own buildings. Leased buildings are only partially included since some are leased at a flat rate and these buildings are generally shared with other users.



Water consumption from our products

1. Impact and materiality

All Krones Group customers use water, whether as a raw material, a consumable or a component in their products. As for climate change mitigation, we act as an enabler of **water-saving** production, filling and packaging processes in the beverage industry, which has considerable influence on the topic of water sustainability. Nearly all Krones Group products have an impact on our customers' water use and consumption. Because of our technical expertise and many years of experience, we know where the greatest gains can be made in reducing water consumption on our process technology equipment, on our filling and packaging machines, and in entire beverage plants. Our goal is to harness this knowledge and use our machines, lines, technologies and services to make a noticeable impact. For these reasons, the topic of water consumption in our customers' operations is among the highest priorities within our materiality analysis – right alongside downstream emissions. The financial materiality is rated as high, the impact materiality as medium.

2. Risks and opportunities

As illustrated above, we consider the impact of Krones products on our customers' water consumption not as a risk but rather as an opportunity for our business. Growing **water scarcity** in many regions of the world has meant that the food and beverage industry views water increasingly as a valuable commodity – in both ecological and economic terms. The higher the monetary cost of water, the more our customers are prepared to invest in water-saving products and water-treatment technologies. Therefore, we believe that our offerings, as enablers of building water-friendly beverage and recycling plants, represent an opportunity for future business development.

3. Governance and resources

Given the diversity of products within the Krones Group, there is no across-the-board governance for water topics at the product level. Since late 2022, we have been running a project group on the topic of water and our products from within the central Sustainability Team. The group consists of representatives from a variety of product areas. Its purpose is to promote deeper dialogue among **water experts** and to pool their knowledge. Within this project group, the Sustainability Team reports to the heads of the respective product groups and the Executive Board by way of the Mid-term Planning Committee.

4. Strategy and targets

Besides existing, internal water-reduction targets, we currently do not communicate a water target for our products. However, we plan to introduce a product-level water target as part of our review of our sustainability goals, a process that began in 2022.

5. Policies and actions

Water within the enviro sustainability programme

Besides energy efficiency, **reducing media consumption** – and thus also conserving water – is the second topic of focus of the enviro sustainability programme for our machines and lines. Water consumption on the products assessed under enviro criteria is evaluated and prioritised in this order: reduce, treat, reuse. Machines must likewise meet the enviro criteria for water in order to carry the enviro label.





Hydronic water treatment system

Hydronic water treatment technology is a key component of our product solutions for water, with which our customers can treat raw water – the most basic element of their product – to meet their specific needs and requirements. They can be scaled to process between five and 120 cubic metres of water per hour. By using the right combination of filter media, we are able to extend filtration cycles and minimise the frequency of backflushing needed, thus also reducing the **amount of wastewater** generated and extending the life of the filter media. The technology largely does without any cleaning chemicals since the stainless-steel design can be sanitised entirely with hot water.

HydroCircle integrated concept for wastewater recycling

Krones and a collaboration partner developed the HydroCircle concept on the basis of the Hydronic water treatment system. HydroCircle makes it possible to turn wastewater from all process steps in a beverage or recycling plant into new process water. By considering the entire process chain and establishing a closed loop, we can reduce water consumption on a customer's line by as much as **80%**.

Water consulting at the factory level

The Energy and Sustainability Consulting team not only develops concepts for optimised use and recycling of energy. Water management is also a key component of the consulting portfolio. Our experts develop concepts for beverage and recycling plants that enable efficient use of fresh water by recycling wastewater. Their work ranges from analysing current water consumption to measuring wastewater volumes and quality right through to identifying potential for saving water – or generating power – from water treatment. The goal is to save on fresh water and reduce consumption of primary energy so as to ultimately reduce operating costs at our customers' factories.

Lavatec bottle washer

The bottle washer plays an important role in the ecological design of a beverage plant where returnables are involved. Depending on the product, used beverage containers are often heavily soiled. In the case of milk, this soiling includes fats and proteins that are difficult to dissolve. In order to minimise consumption of water and cleaners, the technology and processes used in a bottle washer will be individually tailored to the application at hand. For a customer in the dairy industry, we were able to demonstrate that the Lavatec D4 uses **30%** less water and **15%** less caustic compared to its predecessor model.

Flexible filling for water-saving changeovers

For beverage producers filling multiple different beverages on their Krones lines, changeovers to a different product have until now required complex and water-intensive cleaning procedures. With the new **flexible filling** technologies, it is now possible to minimise both production downtimes and the amount of water used for cleaning. In this way, customers can now save up to 80% on cleaning water compared to previous systems.

6. Key performance indicators

As part of the sustainability strategy reviews that are currently underway, we are working to define and flesh out meaningful indicators that will enable us to make our progress towards reducing our customers' water consumption more transparent.



Labour and human rights in our operations

1. Impact and materiality

The Krones Group operates globally. Generally speaking, there are legal standards for labour, pay and workplace safety in the countries where the company operates. Because we are an industrial enterprise with a significant share of **physical labour** involved at our production sites, ensuring safe working conditions is essential. Many of our employees in manufacturing and assembly perform physically strenuous work that entails hazards. In the materiality analysis, the topic of labour and human rights in our operations was rated medium in terms of both impact and financial materiality.

2. Risks and opportunities

We are currently reviewing the susceptibility of our business activities to human rights violations, in two ways: First, we are conducting a compliance risk analysis in which we ask targeted questions about human rights and labour practices. Second, with a focus on occupational safety, we are carrying out workplace inspections and hazard assessments. Our sites and technical departments, which operate autonomously for the most part, derive their occupational-safety risk assessments and action items directly from these actions. We have intentionally not defined centralised, group-wide processes for **hazard assessment**, to allow our sites to respond flexibly to local conditions. The results of the labour, human rights and occupational safety analyses, like those of the decentralised hazard assessments, are used in condensed form in Enterprise Risk Management's group-wide risk assessment.

3. Governance and resources

Through its daily activities Human Resources ensures that labour standards and processes are followed and establishes measures to monitor compliance. As of the end of 2022, the head of the corporate Sustainability Team acts as the **Human Rights Officer** officially appointed by the Executive Board and serves in an advisory and monitoring capacity. From an organisational perspective, occupational safety management at Krones AG is part of Human Resources. At our sites abroad, is often rooted in a central health, safety and environment role. The Human Rights Officer and head of Corporate Safety and Security report to the Executive Board on an ad hoc basis, at least once per quarter.

4. Strategy and targets

As part of our 2030 sustainability goals, we have defined an overarching goal for respect for human rights:

Pursue a zero-tolerance policy for human rights violations and raise awareness across the board through effective human rights management – consisting of policies, risk analyses, measures, remedial action and reporting.

Specifically for occupational safety, we have set two targets against which we measure our performance in terms of occupational safety management across the group:

Reduce both the number of work-related accidents and the number of lost days following workplace accidents per one million hours worked within the Krones Group by 30% (compared with the base year 2020).



in our supply chain



at Krones



at our customers



at the end consumer



5. Policies and actions

Code of Conduct

Respect for human rights makes up a central chapter of the Code of Conduct of the Krones Group, which describes and prescribes standards of conduct. The Code of Conduct includes fictional examples to clarify what a human rights violation might look like. It also obligates all group employees to respect human rights and report any violations. The Code of Conduct is a binding document across the group, and non-compliance of any kind or severity can result in **disciplinary action**.

Human rights policy statement and group-wide guidelines

Besides the overarching Code of Conduct, we are currently developing an external human rights policy statement, which communicates the company's principles and commitment to respecting the human rights of all stakeholders along the entire value chain. The internal human rights and labour standards policy, which was established in 2020 and has been communicated within the group, firmly anchors those principles in our day-to-day operating processes and work flows. It defines a **basic set** of rules that apply in every one of the Krones Group's establishments unless other legal or regulatory provisions go beyond them. Both documents have been adopted by the Executive Board of Krones AG and approved by the Works Council of Krones AG but also apply across the group. Both have been communicated internally. We also publish an annual statement on the UK Modern Slavery Act on our website.

Representation and participation

All employees within Krones AG are represented by local site-specific works councils that, together, make up the Central Works Council. Beyond that, the **Group Works Council** covers Krones AG plus the subsidiaries Evoguard and Steinecker. All of the companies named above have recognised the framework collective agreement of the Bavarian metals and electrical industry. The works councils of the subsidiaries Gerneq, HST, Dekron, MHT and Milkron are formally independent but maintain communication with the Group Works Council. Beyond Germany's borders, employees of the international sites formally and legally establish their employee representation individually. Within the global Krones network, representatives of the Group Works Council maintain contact with the managing directors, plant managers and local unions of the major international manufacturing sites. In individual cases, employees from sites and subsidiaries also turn to the Group Works Council, which then works to resolve conflicts and questions.

Recruiting

No persons younger than age 15 work within the Krones Group. Those individuals working within the group who are under age 18 are doing so as part of their technical, commercial or other vocational training. These young people are not exposed to production processes that involve high hazard potential. The costs associated with recruiting employees of all types across the Krones Group are borne by the company.



Fair pay

Across the group, workers are paid, at a minimum, the local minimum wage. Market benchmarking is done on a regular basis to ensure that our pay rates are attractive and in line with market standards. For Krones AG employees who are covered by collective bargaining, the **framework collective agreement** for the metalworking union IG Metall applies. Information about processes for wage or salary determination, pay-grade assignment and payment within Krones AG can be found through the company intranet or requested from Human Resources. Overtime hours worked by those paid under union-negotiated terms are offset with either additional time off, which is tracked in a working time account, or through monetary compensation. Work performed on Sundays and public holidays is subject to special overtime-pay rules. For employees who are exempt from collective agreements and have no working time account, there are also options for requesting special time off.

Performance bonus scheme

At our subsidiaries, employee bonuses that are based on the company's performance are regulated decentrally by the subsidiaries themselves. Within Krones AG, all employees receive performance bonuses specific to their employee group. These bonuses are linked to the attainment of company goals. In addition, special performance or achievements among exempt employees are incentivised with **spot bonuses**.

Working hours and work location

The basic principles of how working times are structured apply uniformly across the group: Every employee receives a certain number of paid vacation days each year based on the legal and, if applicable, collective-bargaining provisions of the respective country. Employees are not to work more than ten hours per day at the most, and there must be at least one rest day after seven consecu-

tive work days. Beyond these fundamental group-wide rules, working times and locations are arranged specifically to the location. In the locations belonging to Krones AG, the guideline for **mobile (remote) working** is currently 50%.

Protective measures and equipment

The company provides protective gear to those employees within the Krones Group who work in areas where safety is a particular concern. That includes equipping them with tools to protect against noise as well as instruction on documented procedures for handling chemicals and hazardous substances. For specific employee groups, a **health check-up** is required in advance of certain activities that entail risk potential. We use regular workplace inspections and internal safety-specialist reviews to ensure compliance with established standards for protective measures and equipment.

Training and guidelines

Aspects relating to human rights and labour topics are covered by various internal training programmes and e-learning courses within the Krones Group. "Compliance basics" is an e-learning course that covers questions about fair working conditions and is mandatory for all employees across the group. "Human rights at Krones" is an awareness training programme that deals exclusively with topics of human rights due diligence and must be completed by employees who are in regular contact with third parties. Employees receive regular trainings on occupational safety risks and on safe behaviour in the workplace. Within Krones AG, annual **basic instruction** also includes detailed information and guidelines on aspects of occupational safety. At the other locations within the Krones Group, such trainings are held on an as-needed basis and for specific risk groups. Besides our own employees, Krones also trains temporary workers in occupational safety aspects. Service providers and contractors, too, receive appropriate safety instructions.



Channels for reporting and feedback

Krones Integrity is an online portal through which employees, business partners, and third parties can submit tips about human rights or occupational safety violations – either anonymously or with contact information. It can be accessed from the corporate website. There is a separate reporting category within the system for such violations. Employees can also contact the Krones Group Compliance team by email or phone and know that their inquiries will be handled with discretion and brought to resolution. The existing reporting channels are communicated internally and are **accessible (barrier-free)**. Moreover, the Group Works Council and the employee representatives elected or appointed within each of our sites also act as the points of contact for employees in the event of work-related complaints.

External audits, certifications and internal reviews

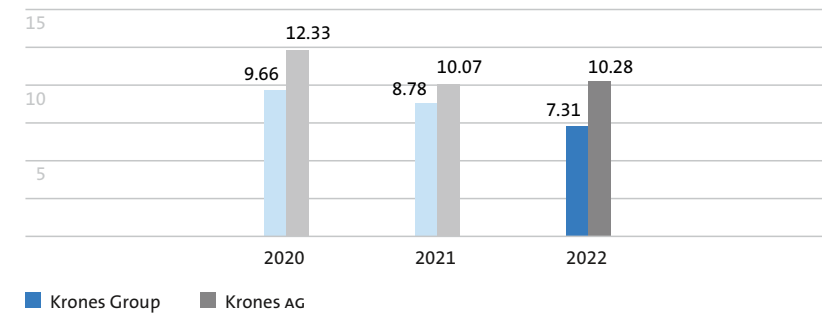
As part of the regular audits conducted across the group, the Internal Audit team reviews the administration and processes relating to wage and salary payment for errors or discrepancies. An additional, external audit of our internal processes relating to human rights and labour due diligence is conducted as part of external social audits, which are initiated by customers. In order to put our occupational safety management on the same footing across the group, we are working to get all production locations certified under **ISO 45001**. Our production site in Taicang, China, our Italian subsidiary System Logistics and the German branch office Evoguard are already certified under ISO 45001.

Procedure in the event of internal violations

In critical human-rights or labour-standards cases, the respective investigating body will make a formal statement. In this way, critical findings can be better documented and tracked. Various roles and bodies within the Krones Group coordinate the handling of critical cases depending on the type of situation. If there are irregularities within our own workforce, Compliance, Sustainability and Human Resources will work together closely to resolve them.

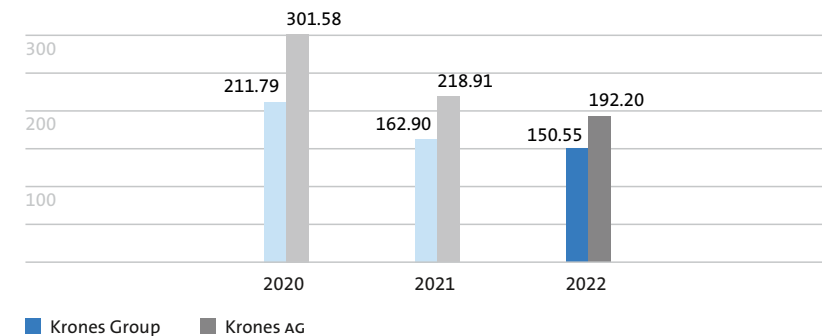
6. Key performance indicators

Krones Group – Workplace accidents per 1 million hours worked



This figure is based on employees covered by and exempt from collective agreements, apprentices, trainees, interns, and working students at Krones AG and does not include temporary workers or contractors. It only includes the number of workplace accidents (excluding commuting accidents) in the current calendar year.

Krones Group – Lost days following workplace accidents per 1 million hours worked



Lost days from 1 January 2021 to 31 December 2021 are calculated from the first day lost as a result of the accident and are attributed to the accident. Lost days include every full calendar day (including holidays and weekends if these are included in the certification of the person's incapacity for work). Lost days resulting during the calendar year due to earlier workplace accidents are also included in the calculation.



Labour and human rights in our supply chain

1. Impact and materiality

As the markets have become increasingly globalised, the Krones Group has steadily grown its global footprint through regional sourcing of materials, components and services. Besides the strategic benefits like cost efficiency, closeness to customers and increased use of the expertise of our employees worldwide, this has also resulted in sustainability-related impacts. The relocation of supply chains to the regions brings with it new risks of labour and human rights violations – particularly in countries with less regulation. That is why the Krones Group significantly expanded its internal processes for **human rights due diligence** even before the German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz, LKSG) became law. Both the impact and financial materiality of this topic were rated as medium in the materiality analysis.

2. Risks and opportunities

To gain greater transparency with respect to sustainability risks in our global supply chain, we conducted a database-supported risk assessment with a focus on human rights and greenhouse gas emissions. The most recent human rights assessment was done in 2021. With the help of an external service provider, the Krones Group's supplier base was evaluated on the basis of purchasing volume, country of origin or production, and the products and services delivered. The results help us to identify potential **risk hotspots** with respect to human rights abuses in our upstream supply chain – not only for Tier 1 suppliers but also deeper down the supply chain. The new risk assessment serves as the basis for further steps such as targeted surveys, audits or development reviews with suppliers.

3. Governance and resources

Corporate Procurement, which reports directly to the CFO, is the hub for all aspects of procurement management. The Supply Chain Governance Board, consisting of representatives from Procurement, Supplier Quality Management, Corporate Governance and the Sustainability Team, coordinates human rights management in the supply chain. As part of our preparations for the **German Supply Chain Due Diligence Act (LKSG)**, a project group was formed in parallel to the Board and met weekly to examine existing human rights due diligence processes and measures for their maturity and to spearhead any necessary improvements.

4. Strategy and actions

The human rights due diligence goal stated in the section on “Labour and human rights in our operations” also applies along our entire value chain:

Pursue a zero-tolerance policy for human rights violations and raise awareness across the board through effective human rights management – consisting of policies, risk analyses, measures, remedial action and reporting.

Additionally, in the interest of establishing a sustainable supply chain we have set the following goal:

Evaluate 100 percent of suppliers who account for purchasing volumes of 1,000,000 euros or more against sustainability criteria by 2030.



in our supply chain



at Krones



at our customers



at the end consumer



5. Policies and actions

Respect for human rights in our Supplier Code

In the group-wide Supplier Code, the section entitled “Respect for human rights” defines the **requirements** on our suppliers. The expectations with respect to human rights due diligence are communicated transparently into the following subcategories: prohibition of forced labour, prohibition of child labour, humane working conditions and no discrimination, regulated working conditions, and freedom of assembly and association. Besides the obligations, the Supplier Code also addresses possible sanctions, penalties for breach of contract, auditing rights and reporting channels in the event of infringements. By accepting the general terms and conditions, suppliers also commit to the Supplier Code. This process is currently undergoing review, to transition from a passive commitment to the Code to an active commitment.

Human rights training for Procurement

In 2022, a dedicated training course on human rights at Krones was launched specifically for employees who are in regular **contact with third parties**. The aim is to build internal knowledge about what human rights due diligence means in the context of doing business. In several modules, labour and human rights topics are discussed, fictional case studies assessed and potential solutions presented. One focus group for this training – as relates to internal risk assessments and the entry into force of the German Supply Chain Due Diligence Act – is Procurement. As a first step, the training has been implemented within Krones AG. The group-wide rollout is planned for 2023.

Due diligence audits on human rights violations

In order to identify any human rights violations in the upstream supply chain, the Compliance team conducts regular due diligence checks which include findings on any labour or human rights violations, legal proceedings or sanctions. The tool used pulls data from publicly available sources of all kinds. Due diligence findings trigger the involvement of the Supply Chain Governance Board, which advises on further steps on a **case-by-case basis** and, in serious cases, may directly bar a supplier. Information on further steps is communicated to the respective Procurement team members or the regional Compliance Officer.

Disclosure form with human rights and compliance questions

When a new supplier is onboarded, Supplier Quality Management sends out a **standardised** questionnaire for the respective product group for supplier vetting. The basic questionnaire, from which the specific versions for the different supplier groups are developed, contains targeted questions about human rights and compliance. Supplier Quality Management tracks the individual questionnaires while Corporate Governance and the Sustainability Team take care of evaluating the responses as well as the human rights and compliance documentation.

Social audits of high-risk suppliers

Besides traditional product, process and system audits, we have also been evaluating suppliers for human rights due diligence for several years now through so-called “social audits”. These audits are conducted in a digital format by Corporate Governance and our Internal Audit team. Suppliers are selected for audit on the basis of a human rights risk analysis. The questions asked in the audit cover topics ranging from the wording of employment contracts to



the recording of working hours right through to elementary occupational safety processes and matters of employee representation. Any findings trigger a conversation in which the respective suppliers are also offered suggestions for resolving the issue. In the financial year 2022, we increased the number of social audits from previously ten per year to 24.

Channels for reporting human rights violations

All employees along the Krones Group's entire value chain have various means to be heard if there is a violation of human rights or fair working conditions.



Besides contacting the Compliance team or the local employee representative directly, the main point of contact is the **whistleblowing system Krones Integrity**. It is publicly accessible through the Krones website and complaints or tips about the company can be submitted anonymously. As described above, there is a dedicated reporting category for human rights with a description of the topics that fall into the category. Thus, labour and human rights concerns can be clearly marked as such right from the start. The Compliance team of the Krones Group reviews and follows up on reported issues.

Remedial action in critical cases

In all instances of non-compliance – whether failure to formally acknowledge the Supplier Code, critical due-diligence findings or negative results of a social audit – the Supply Chain Governance Board serves as the decision-making body. Depending on the severity, frequency and type of the violation, subsequent processes may involve supplier development, communicating with the supplier or – as a last resort – immediately barring the supplier. If there is a clear human rights violation, Procurement can trigger the barring of the supplier directly as a precaution, and must then involve the Supply Chain Governance Board.

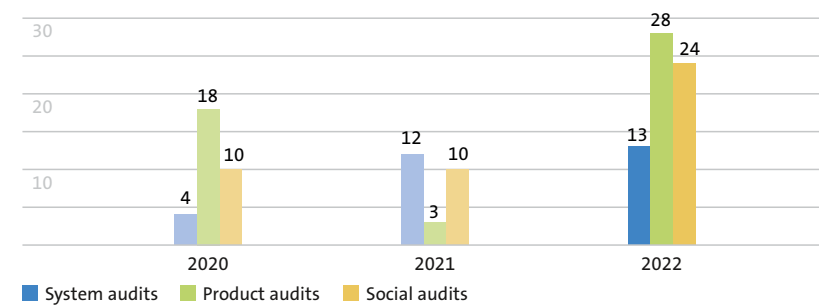
Industry initiatives and partnerships

Another part of our approach is to collaborate with other companies. In a working group of the German Engineering Federation (VDMA), Krones shares views and experiences with other companies on the topic of human rights and works to develop solutions. In this way, we are able to address certain challenges collectively and have a greater impact on upstream supply chains. We actively promote cooperation within our industry organisation, the Association of the Beverage Machinery Industry (ABMI), by joining forces to launch an **industry initiative** for sustainable supply chains.



6. Key performance indicators

Krones AG – Number of system, product and social audits on suppliers





Employee well-being in our operations

1. Impact and materiality

Krones Group employees plan, manufacture, install, sell and service technically complex machines and lines featuring sophisticated technology. For this, we need highly skilled workers with deep specialist knowledge. The Krones Group must therefore ensure an **appealing work environment** so as to gain and retain their loyalty for the long term. The working conditions that we offer influence our employees' well-being, which in turn has a powerful impact on their motivation and performance in their daily work. In the materiality analysis, the financial materiality of this topic was rated as high while stakeholders rated its impact materiality as medium.

2. Risks and opportunities

Human Resources investigates, records and manages the risks and opportunities relating to the satisfaction and well-being of our employees. Within our **enterprise risk management**, the head of Human Resources for the Krones Group is specified as the risk owner for HR topics.

3. Governance and resources

The head of Human Resources for the Krones Group charts the course for the overarching human resources policy across the group. The international sites and subsidiaries enjoy a certain degree of strategic and organisational freedom to design their HR management in keeping with local needs and conditions. Quarterly global HR network meetings address questions that span across regions and discuss the future direction of the **group-wide human resources strategy**. Reporting to the Executive Board is done on an ad hoc basis by the head of Human Resources for the Krones Group in regular meetings in two-week intervals and at Executive Board meetings as needed.

4. Strategy and targets

For the topic of employee well-being and satisfaction, we have formulated the following sustainability goals for 2030:

Motivate our employees to do their best work by offering an attractive working environment that we continually improve, with a focus on working hours and work location as well as on promoting personal development alongside good health and well-being. We enable people at Krones to use their potential and further develop their capabilities – with a view to both current and future responsibilities. Our aim is to promote independent, solution-oriented action that contributes to the company's success and to employees' personal development.

5. Policies and actions

Communication and transparency

The Krones Group maintains regular, open communication with our workforce. Employees can access relevant information through various channels such as the employee newsletter, bulletin board postings, intranet and internal social networks. At regular intervals, the Executive Board provides transparent communications about current developments and the state of the company, often in short videos that are streamed and available on the intranet. Employee-specific topics are addressed in talks with the respective managers or supervisors.





Training and continuing education

Because of the high expectations the company has of its employees, needs-oriented staff development and training programmes are a high priority across an employee's entire career. The **training portal**, which the majority of employees group-wide can access, serves as the main point of contact for all continuing education programmes. The portal contains career-related training courses in four categories: subject-matter expertise, service training, soft skills and methods, and language acquisition. An established approval process is in place for employees to request and book these courses. It is also possible for employees to pursue broader continuing-education opportunities, for which they can apply for company support in the form of financial assistance or educational leave through a separate approval process. For Krones AG, a company agreement on qualification and continuing education serves as the basis for all measures and also involves the Works Council in the design of continuing education activities.

Professional development for management employees

Good leadership is essential to successful human resources policy. For that reason, all new management-level employees must complete a dedicated **training programme**. We offer a variety of courses for management-level employees on all aspects of leadership, with selected courses being offered through the central budget. Moreover, managers can choose from a variety of learning formats such as personal coaching or team development measures.

New work

As a technology company with a claim to innovation leadership, we are also examining closely the various concepts that fall under the heading of **"new work"**. Mobile working, shared-desk models and open office design are just three examples of measures we are taking in this area. Current measures focus on the use of digital technologies for collaboration. One such example is a training series on hybrid management for employees in management roles.

Team-building and company sports

A positive workplace culture is important for employee well-being. That's why we host regular team-building events, depending on the composition, needs and individual interests of the respective team. These events are coordinated by managers and supervisors. In many of our offices and plants, there is a big annual event for all employees, the biggest of these being the **company party (Betriebsfest)** for Krones AG's main site in Neutraubling. Many Krones Group employees participate in company sports, thus enjoying a combination of team-building and athletic activity.

Occupational health management

Beyond classic occupational safety management, Krones also takes care of employees' physical and emotional well-being. Thorough analyses of incapacity to work and questionnaire-based needs assessments are used to develop and implement targeted health interventions. Preventive measures for promoting good health are currently focused on awareness of ergonomics, resilience, preventing stress, and healthy, balanced nutrition. These are complemented by workplace inspections and adaptations aimed at enhancing and implementing ergonomics (in both production and office areas) as well as an in-house physical therapy service. Communication campaigns (for example, on colon cancer prevention) and partnerships with external healthcare providers (such as physical therapy practices) round out the offerings. Examples of current projects are the assessment of stress-related hazards and a programme on **collaborating to create a healthy work environment**. The Occupational Health Management team coordinates interdisciplinary collaboration between Human Resources, the in-house medical service, Counselling, Occupational Safety, Works Council, and the company health insurance fund (Krones ВКК). Health management activities are currently still focused on Krones AG sites.





In-house medical service and company health insurance fund

The in-house medical service provides care to Krones AG employees, serving as the first point of contact for general medical questions as well as acute emergency situations. Besides providing acute **care**, the in-house medical service also organises health fairs and campaigns and gives travel-medicine advice and preventive vaccines. Krones' company health insurance fund (Krones BKK) is available to the employees of Krones AG and the German sites and subsidiaries.

Counselling

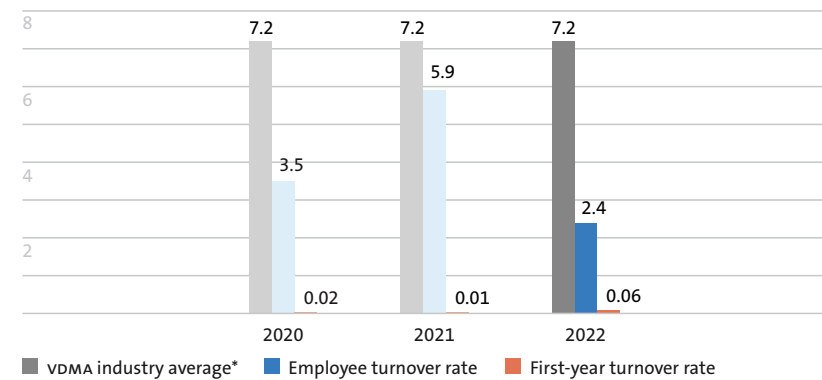
The company counselling service of Krones AG helps with problems in employees' life and work situations. A fundamental principle of the company counselling service is to not only help at-risk individuals or those in crisis but rather to support all of the company's employees. Counselling provides **first-level support** and puts employees in contact with clinics, therapists, external counselling centres, self-help groups and other support services.

6. Key performance indicators

The number of employees is reported elsewhere in this Annual Report.

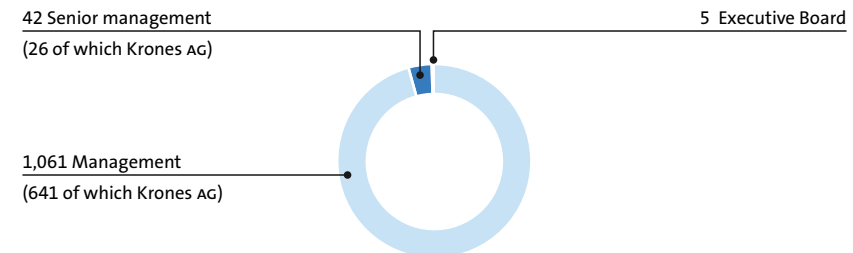


Krones AG – Employee turnover and first-year turnover
(%, employees covered by and exempt from collective agreements)



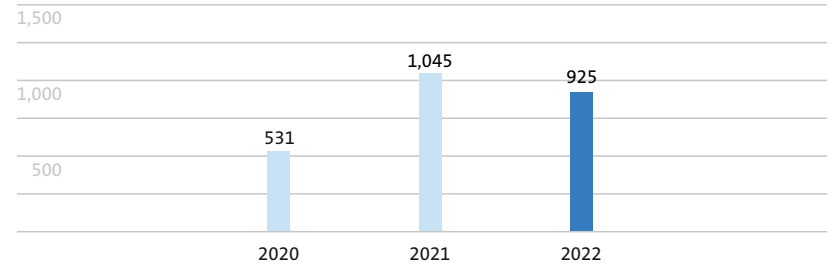
*The German Engineering Federation (VDMA) measures average employee turnover among companies in the machinery sector on a three-year cycle. The figures above are based on the 2020 measurement.

Krones Group – Management structure in 2022

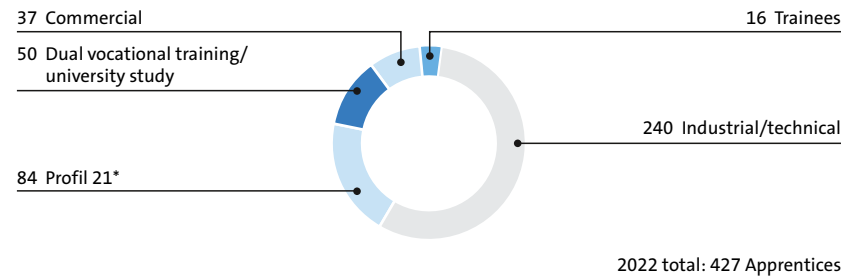




Krones AG – Temporary workers

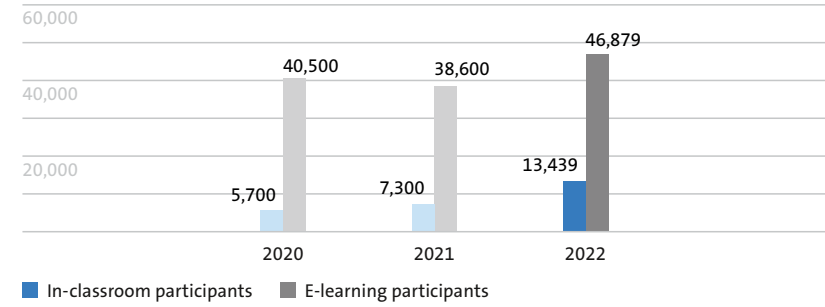


Krones AG – Vocational training participants by field in 2022



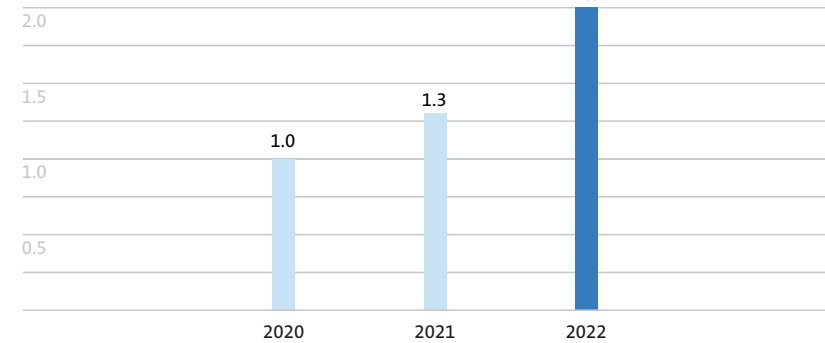
* Profil 21 includes both professional and technical training, which gives graduates two separate qualifications at both the journeyman and master craftsman levels.

Krones Group – Participation in continuing education opportunities (rounded)



The population of participants in continuing education opportunities reported here was redefined in 2022. Unlike in the previous years, only fully completed training courses are counted for 2022.

Krones AG – Expenditure for training and continuing education (€ million)





Diversity in our operations

1. Impact and materiality

As a technology company that does business globally, we have a workforce that reflects the world's diversity: The Krones Group employs people of all ages and gender identities, many nationalities, religions, political persuasions and other individual characteristics. Diversity is not an end in itself. Rather, it makes our company more efficient, more creative and more flexible. At present, we are finding it challenging to establish **diverse teams** everywhere in the company. There are too few women and people of different cultures in production and in management. In the materiality analysis, diversity received a low impact materiality rating and a high financial materiality rating.

2. Risks and opportunities

Human Resources identifies, records and manages risks and opportunities in the area of diversity. Within our enterprise risk management, the head of Human Resources for the Krones Group is specified as the risk owner for HR topics. Any reported diversity-related risks are included in the group-wide risk analysis performed by Enterprise Risk Management. At present, there are no risks related to diversity.

3. Governance and resources

Within its responsibility for overarching HR topics, the Executive Board of the Krones Group delegates diversity management to the head of Human Resources for the Krones Group, who sets the strategy for increasing diversity. A **Diversity Board** has served as a strategic advisory body for diversity and inclusion matters since the end of 2021. Reporting to the Executive Board is done by the head of Human Resources for the Krones Group in regular meetings every two weeks and at Executive Board meetings as needed.

4. Strategy and targets

As part of our 2030 sustainability goals, we have defined the following overarching goal for diversity:

Promote diversity within our workforce. With targeted programmes, worldwide talent pools, international thematic communities, and measures aimed at establishing balanced age structures, we seek to connect employees of diverse age groups, gender identities, nationalities, and career fields and thus inject more flexibility, creativity, and efficiency into our processes.

Within the Krones Group's new corporate vision, that means, among other things: "We value diversity and inclusion. We show appreciation and encourage and inspire all people, without prejudice." Krones signed the **Diversity Charter** in 2010, thus expressing the company's unequivocal commitment to promoting diversity within the group.

As a quantitative goal specifically for promoting women, the Executive Board announced a binding quota for Krones AG in 2021:

We will increase the share of women in the first two levels of management immediately below the Executive Board within Krones AG to 15% by the end of 2024.



in our supply chain



at Krones



at our customers



at the end consumer



5. Policies and actions



Basic premise: Anti-discrimination

Preventing and addressing discrimination

The principles for preventing discrimination as well as physical or emotional harassment within the group are laid out transparently for all employees in a dedicated section of the Code of Conduct entitled “Collaborating with one another”. In addition, the policy on human rights and labour standards, the compliance basic training, and the “Human rights at Krones” training all make it clear what counts as discrimination within the company, how it is to be handled and what **consequences** such behaviour can have. Every employee can report a violation through the Compliance helpdesk or through the Krones Integrity reporting system. The Compliance team processes any reported issues.

Fair and transparent processes for recruiting and professional development

Application and selection processes within the Krones Group are based exclusively on candidates’ qualifications, **regardless** of gender, background, religion or other attributes or characteristics. Applicants to Krones AG can indicate their gender identity as “male”, “female” or “other”. Job advertisements and communications to applicants are worded using gender-neutral language. Both the training portal and all promotion processes are open to all employees. Management employees are urged to give all employees the opportunity to participate in training courses based on current need and personal development goals.

Supporting employees with disabilities

In addition to legally mandated protections that are in place for disabled and severely disabled persons in many countries, Krones AG has four representatives for people with severe disabilities, who advocate for these employees. At other locations, too, there are point persons serving in either a voluntary or mandated capacity depending on the local laws. The goal is to integrate colleagues with disability into working life in accordance with their individual abilities.



Focus on age

Training young skilled workers

The vocational training options available at Krones AG include business as well as industrial and technical fields plus a dual course of vocational training and university study, trainee programmes, and Profil 21. The latter is designed for individuals who are just getting started in their careers and who are especially interested in entering the challenging field of global service. We also offer training at our sites outside Germany, in Wuhan (China), Nairobi (Kenya) and Debrecen (Hungary).

Continuing education for long-time employees

Our continuing education offerings also address the interests of older employees, focusing on the ideal of **lifelong learning**. Some of our continuing education programme participants have been working for Krones for decades and are pursuing additional qualification in order to unlock entirely new, promising career prospects within the group.

Family friendly programs

Flexible working hours and increased use of mobile working as well as – sometimes temporary – part-time employment enable employees to care for children or other family members alongside their careers. At Krones AG, a dedicated company agreement on mobile working specifies the options for supporting **work-life balance** through flexible working hours. At the Neutraubling site, Krones AG provides daycare for employees’ children from 4 months of age in a centre that was initiated by and is financially supported by the company. Similar initiatives also exist at other locations worldwide. As of 2022, employees can find specific information about care options for children and family members via an online platform.



Partial retirement for older employees

Analogous to demographic change in general, the average age of our workforce, particularly at our European locations, is moving gradually upwards. Krones AG takes that fact into account by offering options designed specifically for older employees. Partial retirement has been an especially popular tool that we will continue to rely on in the future.



Focus on gender

Development and mentoring programmes for women

At Krones AG, we are currently piloting a professional development programme on **tandem leadership**, whose objective is to better enable women to take on leadership roles, even when working part time, with the support of a mentoring programme. Beginning in 2022, a network of women in management at Krones AG formed with the explicit goal of increasing the visibility of and promoting women with management potential. For managers and prospective managers, we use not only our own internal professional development options but also the external Women in Leadership programme of the Employers' Associations of the Metalworking and Electrical Industries in Bavaria (Bayerische Unternehmensverband Metall und Elektro e.V. – bayme).

Pay equality

Krones AG conducts regular **equal-pay analyses** to monitor and prevent pay discrimination. To prevent abuses and ensure equal pay, the Krones job grading system separates the person from the role in defining the pay associated with a position, independent of gender. As an equal opportunity employer, our US office bases all hiring and advancement decisions exclusively on qualifications and performance criteria.

Communications about equality matters

We publish regular contributions on our social media channels and in our employee newsletter and the new online customer magazine that counter gender stereotypes, for example, with portraits of female employees following a variety of training and career paths. A guide to gender-inclusive language encourages employees to be open-minded and self-critical as they reflect on their own language habits.

Networking for the advancement of women

Besides supporting the Diversity Charter, Krones AG is also a member of the “Frauen führen” **women's leadership network**, through which we maintain active dialog with partner companies. Through it, we not only gain important insights into how we can specifically promote women in the company but also gladly share insights into our own working environment. Because the perspectives of women within the company are especially relevant here, female managers from Krones serve as presenters, sharing their experiences and views with the network.



Focus on culture

Postings abroad

International assignments make knowledge sharing possible. They are part of the professional development programme for specialist technical and management employees and they promote **cultural diversity** within the Krones Group. All process steps, from the initial consultation of all stakeholders to advertising the position abroad, calculating the relocation package, drafting legally valid contracts and providing organisational support right through to the employee's return to their home company, are coordinated centrally through Expatriate Management.



Global exchange programme

The internal international exchange programme **Across Borders** is a special type of assignment abroad. It gives employees worldwide the opportunity to spend five to six months working in a host company within the Krones Group. The goal of the programme is to develop technical expertise at an international level, grow intercultural skills and build an international network within the group.

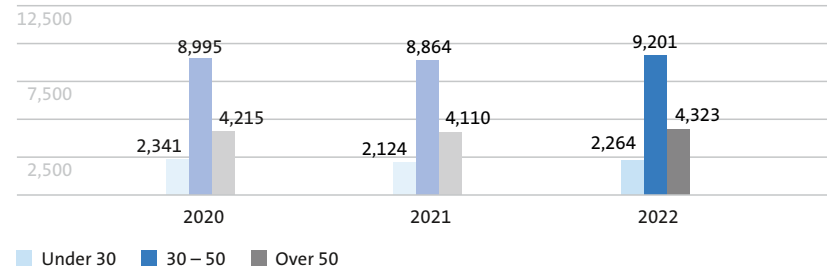
Intercultural training

Krones **Expatriate Management** offers country and region-specific e-learning and live training courses – virtually and in person – on a variety of target cultures. These courses can be booked directly through the training portal or adapted to specific departmental needs. For employees assuming management roles abroad, we offer coaching through the Intercultural Leadership Program (ILP). A course on managing international teams is geared toward addressing the increasingly international nature and composition of teams within the company.

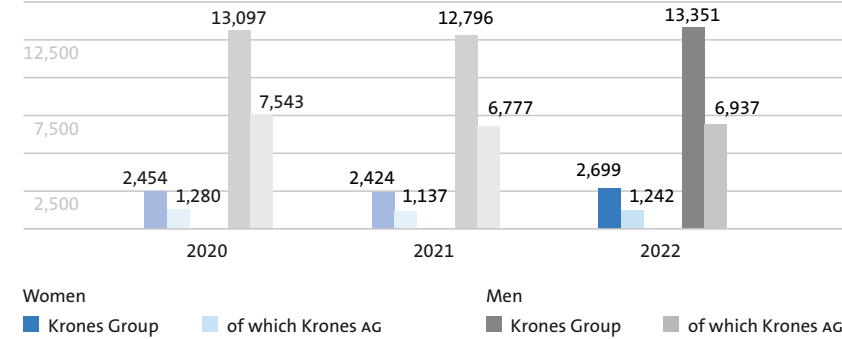
5. Key performance indicators



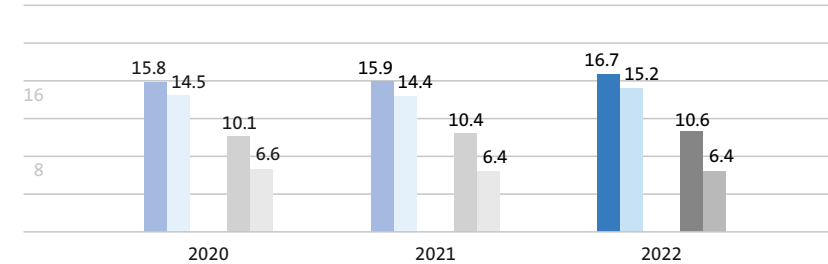
Krones Group – Age structure



Krones Group – Gender ratio (absolute)



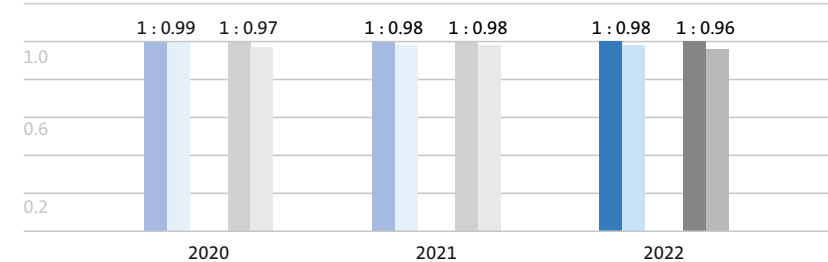
Krones Group – Gender ratio (percent)



Employees covered by and exempt from collective agreements



Krones AG – Average unadjusted gender pay gap



Employees covered by and exempt from collective agreements





Ethical business conduct in our operations and towards customers

1. Impact and materiality

Ethical and moral integrity in our business conduct is the very basis of all that we do at Krones – and thus also for all of our offices, international subsidiaries and companies controlled through subsidiaries. Across the group, our management of ethical business conduct falls under the heading of **compliance**. At Krones, compliance is an overarching concept denoting conduct that is consistent with the rules, where the rules to be observed within the company far exceed statutory requirements. That is because they also include the group's internal guidelines and regulations and embody the moral values and standards that correspond to Krones' ethical principles. They are manifest in Krones' Code of Conduct. In the materiality analysis, business conduct with respect to our customers was rated with high financial materiality and low impact materiality. Compliance at Krones was rated medium in both regards. Because the two topics, business conduct and compliance, are closely interconnected and because the processes involved with both are similar, we have combined our reporting on them here.

2. Risks and opportunities

Our compliance risk analysis covers the following risk areas: Governance; active and passive corruption; cartels; health, safety, security and environment; money laundering and fraud. The group's compliance risk analyses are conducted and evaluated within a software environment. In addition, as of the end of 2022, the managing directors of Krones subsidiaries and their subsidiaries must conduct their own compliance risk analyses through annual **self-assessments**. The results of this risk analysis are aggregated at the level of the business units and the regions and visualised on a risk overview developed specifically for each business unit and region. The results are also bundled into our group-wide risk analysis.

3. Governance and resources

Strategic and operational responsibility for **compliance management** rests with the head of Corporate Governance at Krones AG, who holds an administrative position of the same name at the group level and reports directly to the CFO of Krones AG if disciplinary action is necessary but to the Executive Board as a whole for all other matters. In addition, the different regions in which the Krones Group sites are located and all subsidiaries with more than 300 employees have their own Compliance Officers. These officers know the group's central compliance and governance requirements as well as the laws and regulations of their respective regions. For employees on site, they are the direct contact person for all compliance matters. A Governance Committee consisting of members of all Executive Board areas also serves the head of Corporate Governance in an advisory capacity, supporting prevention efforts.

4. Strategy and targets

As part of our 2030 sustainability goals, we set and published the following overarching compliance target:

Pursue a zero-tolerance policy for compliance violations and raise awareness across the board through effective compliance management – consisting of guidelines, risk analyses, measures, remedial action, training and reporting.

In general, Krones' compliance management system aims to create a culture of integrity throughout the entire group and thus minimise compliance risks as much as possible.





5. Policies and actions

Code of Conduct and Supplier Code

The Krones Code of Conduct serves as the basis of the compliance management system. It was developed with the clear goal of ensuring compliance with laws, standards, policies and guidelines company-wide and thus creating a working environment characterised by integrity, respect and fair and responsible conduct. At the same time, the Code of Conduct serves to establish a reliable compliance culture and encourage employees to report irregularities. It **applies and is binding** for all bodies and every employee within the company. In the interest of all employees, violations are systematically investigated and disciplinary action taken. With concrete scenarios, the Code illustrates the contribution every individual can make towards implementing the principles of conduct within the group. Like the Code of Conduct, the Krones Supplier Code covers the company's central compliance rules for service providers and suppliers.

Compliance guidelines

Supplementary compliance guidelines, which also apply across the group, make concrete the **fundamental, normative principles** of the Code of Conduct for specific applications. Group-wide policies are currently in place for the following compliance topics: combating money laundering; handling gifts; charitable donations and sponsoring; working with sales-related business partners; fair and proper competition; what to do in situations with corruption risk; handling information; standards and documents; authorisation to represent and sign; and whistleblowing. Because the Krones Group is not actively involved in politics or lobbying outside its association work, there is no company policy on this topic.

Compliance training programme

We provide mandatory training programmes as part of our efforts to establish a culture of compliance throughout the entire company. For employees with a PC workstation, this training consists of comprehensive basic e-learning on the reasons, scope, and specific content of Krones' compliance culture. Employees must also complete a refresher e-learning course every two years. For employees without a PC workstation, instruction is the responsibility of the respective managers, who are supplied with appropriate instruction materials. A second training series is dedicated to the topic of **anti-corruption** and is designed especially for employees in Sales and Procurement. This training is also an e-learning course. Participation in and completion of all training courses are the responsibility of the respective managers and are documented accordingly.

Due diligence audits

In order to meet a number of national and international regulatory requirements, due diligence audits are conducted on customers, agents, suppliers and third-party payers. That gives the group a tool for process-integrated monitoring of business partners in high-risk countries for compliance incidents, provided that the necessary data is publicly accessible. Any findings trigger an in-depth due diligence audit by Corporate Governance, in which additional sources of information are tapped in order to plausibility check and assess the finding.



Spot checks

Besides regular standard audits, the head of Corporate Governance initiates spot checks – particularly of processes with increased compliance risk such as the reporting of travel expenses – to verify the effectiveness of our compliance culture. If a suspected or actual compliance incident is detected, **actions** such as case management and disciplinary action are initiated. Knowledge gained through this process is used to develop and implement new actions as necessary and reasonable.

Help desk and Kronos Integrity

Group employees seeking information about compliance-related matters or wishing to report possible violations can speak with their immediate superior or use any of three additional channels: contact the Compliance Officer, the Head of Corporate Governance or the associated team directly; call or e-mail the help desk; submit a report through the Kronos Integrity reporting system.

The digital reporting system, which can be accessed through the corporate website, can be used by group employees and third parties alike who identify gaps in compliance with laws or rules relating to Kronos. To ensure the highest levels of access protection and data protection, content encryption and a secure connection, the system is operated by an independent third-party provider. Whistleblowers can decide whether to submit tips anonymously or with contact information as long as the local laws where the whistleblower is based allow. The growing number of submissions received through Kronos Integrity suggests **broad acceptance** of the system among employees. As reports have increased, so too has the number of special investigations. All compliance-related matters and tips that are brought to the help desk or Kronos Integrity are documented for further processing and evaluation.

Internal reporting

Clear lines of reporting apply to compliance aspects. The Governance Officers in the regions report to the head of Corporate Governance, who in turn reports to the Supervisory Board's Audit and Risk Committee once a year. The head of Corporate Governance also regularly reports to the Executive Board and the Governance Committee in the latter's quarterly meetings, presenting developments in the past quarter and further plans. The committee offers opinions in an advisory capacity.

Approval process for sensitive transactions

The group-wide **anti-kickback policy** uses a traffic-light system to clearly identify which gifts are acceptable, questionable or prohibited. Due to the risks involved, the reporting of travel expenses is subject to another internal review, which triggers an automated notification to Corporate Governance if the receipts submitted exceed a certain limit.

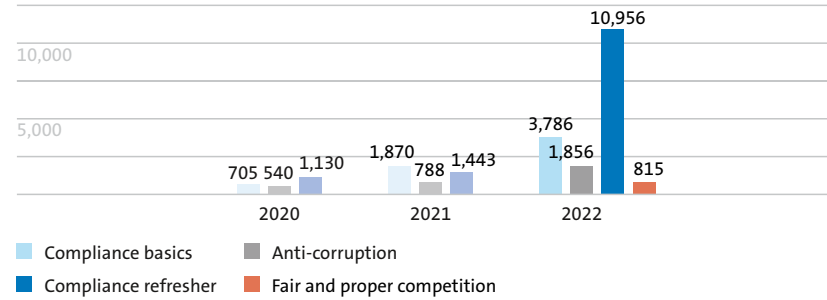
Charitable giving and sponsorship strategy

The cities and counties in and near which our plants and sales offices are located are the lifeblood of our business. That is why we support clubs, organizations, events, and initiatives that pursue charitable purposes local to one of our sites in Germany. Our sites and subsidiaries outside Germany also have the freedom to actively support their local communities. Our charitable giving and sponsorship strategy is laid out in our group-wide charitable giving and sponsorship policy. Its aim is to ensure that contributed funds achieve the greatest possible benefit to the respective beneficiaries and that the projects supported are aligned with the company's values and interests.



6. Key performance indicators

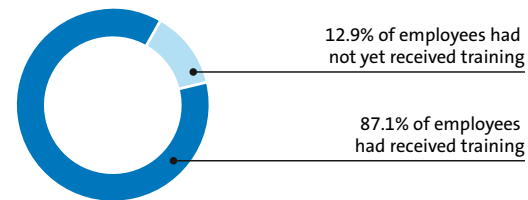
Krones Group – Compliance training (in-person and e-learning)



The compliance basics course is mandatory for all new employees and every new manager within the Krones Group. It must be completed within the first three months of beginning employment and may be taken as an e-learning course, instruction from a manager, or an in-classroom course. The anti-corruption training is relevant for employees who have regular third-party contact with customers, suppliers and government offices. The refresher training was implemented throughout Krones AG in 2019 and will be successively rolled out worldwide. It serves to refresh the basic content every two to three years. In addition, in 2022, an e-learning course on fair and proper competition was created, which will in future be required of employees who will participate in trade fairs.

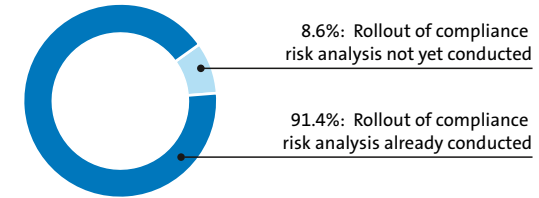
Krones Group – Compliance training in 2022

Percentage of employees within the Krones Group who have received compliance training at least once as of the end of 2022



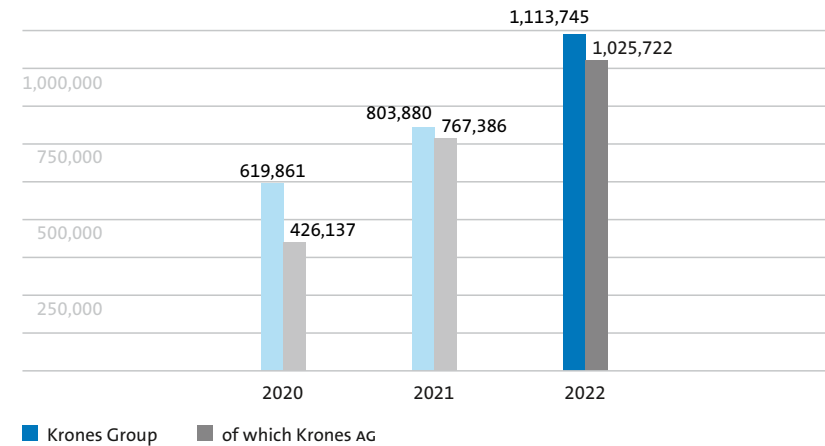
Krones Group – Compliance risk analyses in 2022

Percentage of group covered by compliance risk analyses, based on the number of employees in the Krones Group



In all, one tip was received through Krones Integrity, while 30 tips were received through other channels. Every tip is followed up and plausibility tested and then, if applicable, put to a deeper investigation with possible disciplinary action taken.

Krones Group – Expenditure for charitable donations and sponsoring (€)



Our goal is to give between 0.01% and 0.02% of our prior-year consolidated revenue back to stakeholders each year in the form of charitable donations and sponsoring. In 2022 we reached that goal with a total value of 0.031%.



Digital responsibility in our operations and our products

1. Impact and materiality

Protecting personal data as well as information and information-processing systems is a key concern for Krones. We strive to maintain seamless information security that is in keeping with the latest state of the art across our entire organisation – for internal data and systems and for the products and services we deliver to our customers. That is essential to the uninterrupted operation of our own IT and the trust of our business partners. In the materiality analysis, digital responsibility for our products and services was rated high for financial materiality and low for social impact materiality. Because the information security of our products relies on high **cybersecurity** standards within our own operations, we have opted to report on this topic voluntarily here.

2. Risks and opportunities

A continuous process for systematically improving information security within the group is an integral part of the **information security management system (ISMS)**. It includes regular penetration and vulnerability testing as well as risk analyses that are updated regularly and annual internal and external audits of the Information Security Officer. The latter is performed by TÜV SÜD and is necessary in order to maintain ISO 27001 certification. The analyses and audits cover actual incidents as well as potential risk events. Besides the periodic audits, a group-wide whistleblowing system serves as an important means to identify and counteract potential security risks on an ongoing basis.

3. Governance and resources

Strategic and operational responsibility for cybersecurity rests with a management support unit within the office of the CEO, which safeguards digital responsibility across the Krones Group and along the entire value chain. In regions where additional **Data Protection Officers** are required by law, that role has been established in the respective subsidiaries. These officers know the group's core data protection requirements as well as the laws and regulations of their respective regions. In addition, all departments within Krones AG that regularly handle personal data and all subsidiaries have their own data protection coordinators. A network of local information security coordinators in the individual regions and companies coordinates all information security matters. To enable effective exchange among them, we have launched a cybersecurity conference that convenes at least once per quarter.

4. Strategy and targets

As part of our 2030 sustainability goals, we set and published the following overarching product-related cybersecurity target:

Establish a state-of-the-art IT security architecture for all Krones products that conforms to current and future regulations, represents the current state of the art, and meets customers' requirements.



in our supply chain



at Krones



at our customers



at the end consumer



The IT security of our products is closely linked to our operational goals with respect to information security and data protection:

Ensure the confidentiality, availability, and integrity of our employees' and business partners' data by installing centralised management systems for information security and data protection that are aligned with international standards and assigned local responsibility.

5. Policies and actions

Guidelines for data protection and information security

The EU's General Data Protection Regulation (GDPR) serves as the main regulatory basis for our data protection efforts. The provisions of the GDPR are reflected in the Krones Group's corporate data protection policy and complemented by additional local rules and regulations for the individual countries. Data sharing within the Krones Group is governed by a contract system that applies across the group. We also have established a group-wide **information security policy**. It builds on ISO 27001 and serves as the foundation for the company's efforts to protect all information above and beyond the requirements of the law, especially our own business secrets and sensitive information from and about our business partners. Both policies are subject to regular review and updated as needed. For information with possible security implications, retention requirements are laid out in the "Secure operation of IT systems" policy, which applies across the group.

Cybersecurity principles for products

In order to increase information security relating to products in a targeted, systematic manner, the centralised, interdisciplinary Product Security Incident Response Team (PSIRT) has formulated eight cybersecurity principles, which are applied to new Krones products and services. In addition, the PSIRT publishes the latest **security advisories** on a dedicated landing page within the corporate website. These advisories provide information about possible security gaps that affect products, solutions or services from Krones and offer guidance for remedying them. Customers can also request that the security advisories be sent to them directly by email.

Internal IT security providers

A **security operation centre (soc)** was established in 2021 and serves as both an internal and external IT security service provider, detecting and analysing anomalies and ensuring timely action on verified threats. In this way, risks arising from data leaks or identity theft can be detected and eliminated at an early stage. As part of our technical security audits, penetration testing is carried out continuously on selected internal systems that are accessible from outside. An action plan is being developed to address the identified vulnerabilities. The measures are being coordinated and implemented with the relevant units.



External certification under ISO 27001

Krones' information security management system (ISMS) is ISO 27001 certified for all IT services that are provided **centrally** for the group. The certification and associated audits are being expanded in stages. Besides the entire Krones AG organisation and the two companies in Franklin, Wisconsin (USA), and Bangalore, India, the Krones offices in Bangkok, Thailand, and Steinecker GmbH are also certified locations. Next in line for ISMS certification are the Centres in Brazil and Dubai.

Training, awareness and reporting channels

Employee awareness is a key element of our cybersecurity strategy. The information security policy prescribes annual training for all employees with respect to data protection and information security topics. Additional training is given to **specific** target groups. Moreover, an emergency card that is published internally serves as an additional tool to help employees identify and report security incidents. Regular contributions and awareness campaigns are disseminated through the company's internal communication channels. Any violations can be reported anonymously by way of the Krones Integrity whistleblower portal or to a central e-mail address. Guidelines for disclosing weaknesses are published on the Krones Group website.

Procedure for handling critical incidents

As part of our ISO 27001-certified information security management system, we have defined processes for handling findings and breaches. Security incidents and weaknesses are investigated, processed and resolved by the Product Security Incident Response Team (PSIRT) or the Information Security Incident Response Team (ISIRT). The security operation centre (SOC) is responsible for **proactive anomaly detection**. In addition, our internal experts work with external providers of digital forensic and incident-response services to respond quickly to complex security incidents.

Cybersecurity in our contacts with third parties

The topic of cybersecurity is addressed in the Supplier Code of the Krones Group. In the supplier selection process and upon inception of a contract, **minimum requirements** for cybersecurity are implemented, with the help of security checklists and decision trees. Procedures for classifying and labelling data; identity and access management; approval processes for critical access rights; and non-disclosure agreements all serve to protect the company's own data from unauthorised access and illegal disclosure.

6. Key performance indicators

We are not currently tracking any external quantitative indicators on digital responsibility.





EU Taxonomy

Objective and overview of requirements

With the EU Taxonomy Regulation [Regulation (EU) 2020/852] and the associated delegated act, the European Union seeks to promote the transition to a sustainable economy. In order to fulfil these new transparency requirements, the Krones Group has established processes that make it possible to determine what proportion of **revenue**, **capex** and **opex** (capital expenditure and operating expenditure) come from sustainable economic activities. The analysis of the activities relates to the environmental objectives of (1) climate change mitigation and (2) climate change adaptation under Delegated Regulation (EU) 2021/2139. The delegated act on the other four environmental objectives has not yet been published and is therefore not part of this year's reporting. Building on the identification of **taxonomy eligibility** in 2021, **taxonomy-alignment** of the Krones Group's economic activities will be reported from 2022 onward.

Taxonomy-eligible activities are those that fit an EU Taxonomy activity description. In order to be reported as taxonomy-aligned, the activities must additionally comply with the technical screening criteria and minimum social safeguards. Only activities under environmental objective 1 (climate change mitigation) could be classified as taxonomy-eligible, no activities under environmental objective 2 (climate change adaptation). Due to possible changes in the application of the EU Taxonomy, it must be noted that it may not be possible to collect the data continuously.

Organisation

Due to the publication of further activities from the energy sector and possible changes in the interpretation of the EU Taxonomy, the analysis of the taxonomy eligibility of the Krones Group's activities was updated this year. Then, in collaboration with the relevant departments, "the taxonomy-eligible activities were

analysed for fulfillment of the "substantial contribution" and "Do No Significant Harm (DNSH)" criteria." In addition, the existing Human Resources, Compliance and Human Rights management processes within the Krones Group were reviewed for meeting the minimum social safeguards.

Relevant activities

Enviro product portfolio

Part of the Krones Group's product portfolio falls within the definition of EU Taxonomy Activity 3.6 "Manufacture of other low carbon technologies", as economic activities that contribute substantially to the objective of climate change mitigation. Because of their **high energy and media efficiency**, the technologies within the sustainable "enviro" product line enable the Krones Group's customers to reduce their greenhouse gas emissions and are therefore taxonomy-eligible. The enviro sustainability programme for machines and lines within the Krones Group was developed in collaboration with TÜV SÜD. The Krones Group assesses its technologies against a benchmark defined by TÜV SÜD to identify the most energy and media-efficient products in its portfolio, which represent the best available technology. The machines within the **enviro portfolio** contribute substantially to climate change mitigation because they demonstrate greenhouse gas emission savings compared to the rest of the Krones Group's product portfolio. Internal calculations show that the majority of greenhouse gas emissions are released during the use phase of the machines and lines and, therefore, this phase holds the greatest potential for savings. **The EU Taxonomy explicitly requires as a criterion for taxonomy-alignment that a life cycle assessment (LCA) be performed, which in turn places very high new demands with regard to independent verification over the entire life cycle of the Krones Group's products. Therefore, the current enviro product portfolio cannot be recognised**





as taxonomy-aligned for the financial year 2022. However, this does not mean that the machines are unable to meet the requirements on their own merits. The Krones Group is taking the necessary steps to be able to show the taxonomy-alignment of its enviro product portfolio for the year 2023.

The solutions explored in the **R&D projects** for the enviro product portfolio (Activity 3.6) contribute fundamentally to the reduction or avoidance of greenhouse gas emissions. The R&D projects can thus be included under a capex plan under the EU Taxonomy (category b) to expand the company's taxonomy-aligned economic activities. The capex plan has been approved by the Executive Board and has been disclosed. The total capital expenditure expected during the reporting period and during the one-year term of the capex plan amounts to €26.9 million. Therefore, the Krones Group is able to report the expenditures associated with its R&D projects relating to energy efficiency (within the context of Activity 3.6) as taxonomy-aligned.

Non-core activities

Moreover, the Krones Group was able to determine the relevance of the non-core activities listed in the Annex. These activities generate no revenue and represent either third-party products or **individual measures** (category c) taken by the Krones Group to enable a reduction in greenhouse gas emissions. As such, the activities are classified as taxonomy-eligible for the environmental objective of **climate change mitigation**. By way of analysis by the respective departments, the Krones Group can report its energy efficiency measures, photovoltaic systems and electric-vehicle charging stations as taxonomy-aligned.



Do No Significant Harm (DNSH)

An assessment was also done as to whether attainment of any of the other environmental objectives would be significantly harmed by the respective economic activities. To this end, the Krones Group conducted **production site analyses** in which those sites were deemed relevant that were linked to taxonomy-eligible activities. The results of the production site analysis show that none of the Krones Group's business activities cause significant harm to attainment of the other environmental objectives.



Minimum social safeguards

To meet the minimum social safeguards, the Krones Group aligns all of its economic activities with internationally recognised agreements and objectives. The Krones Group commits to consistently uphold human rights and labour standards along its entire value chain. Human rights, labour practices and social standards serve as the normative foundation of the company's daily work and are therefore to be fully respected and upheld in all processes and projects worldwide.

Further disclosures on compliance with minimum social safeguards and **due diligence** mechanisms implemented on the topics of "Respect for human rights", "Anti-corruption and bribery matters", "Taxation" and "Free competition" are contained in the respective sections on "Diversity in our operations", "Labour and human rights in our operations", "Labour and human rights in our supply chain" and "Ethical business conduct".



Calculating KPIs



The definition of the key performance indicator “turnover” used in the EU Taxonomy corresponds to the revenue reported in Krones’ consolidated financial statements. The associated information can be found in the consolidated statement of profit and loss in this Annual Report. The revenue generated with enviro products is reported as taxonomy-eligible. Capex includes additions to property, plant and equipment, intangible assets, and right-of-use assets. Information on the Krones Group’s overall capital expenditure can be found in the consolidated statement of financial position in this Annual Report. Direct costs associated with research and development, building modernisation measures and maintenance, which cannot be capitalised, are included in the opex KPI.



The disclosures on revenue, capital expenditure and operating expenses have been prepared in compliance with the delegated regulation on disclosure obligations and in accordance with the International Financial Reporting Standards (IFRS). The economic activities of the Krones Group have always been clearly classified under only one EU Taxonomy activity in order to avoid double counting of revenue, capex and opex. The KPIs presented here must be viewed with the fact in mind that the EU Taxonomy does not yet fully apply to the Krones Group because material economic activities of the Krones Group are not in the current catalogue of EU Taxonomy activities.

Economic activities	Revenue 2022	Revenue 2021	Capex 2022	Capex 2021	Opex 2022	Opex 2021
	%	%	%	%	%	%
Taxonomy-eligible activities	7.3	2.4	12.4	1.5	3.7	7.2
Taxonomy-aligned activities	0 ¹⁾	n. a.	7.3	n. a.	2.0	n. a.
Taxonomy-non-eligible activities	92.7	97.6	87.6	98.5	96.3	92.8
Total	100	100	100	100	100	100

¹⁾ Due to the stringent external verification requirements the EU Taxonomy places on Activity 3.6, this disclosure must be marked 0 under the Taxonomy Regulation. That is because of the scope for interpretation as relates to fulfilment of the requirements.



Annex to the Non-financial Statement – EU Taxonomy

Economic activities (1)	Code(s) (2)	Absolute revenue (3)	Proportion of revenue (4)	Substantial contribution criteria							DNSH criteria ("Do No Significant Harm")					Minimum safeguards (17)	Taxonomy-aligned proportion of revenue, 2022 (18)	Taxonomy-aligned proportion of revenue 2021 (19)	Category (enabling activities) (20)	Category (transitional activities) (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)					
		€ million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. Taxonomy-eligible activities																				
A.1. Environmentally sustainable activities (taxonomy-aligned)																				
Revenue of environmentally sustainable activities (taxonomy-aligned) (A.1)		0 ¹⁾	0 ¹⁾	–	–	–	–	–	–	–	–	–	–	–	–	–	0	n/a		
A.2. Taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned activities)																				
Activity 3.6		308.8	7.3																	
Revenue of taxonomy-eligible but not environmentally sustainable activities (non-taxonomy-aligned activities) (A.2)		308.8	7.3																	
Total (A.1 + A.2)		308.8	7.3														0			
B. Non-taxonomy-eligible activities																				
Revenue non-taxonomy-eligible activities (B)		3,900.5	92.7																	
Total (A + B)		4,209.3	100																	



¹⁾ Due to the stringent external verification requirements the EU Taxonomy places on Activity 3.6, this disclosure must be marked 0 under the Taxonomy Regulation. That is because of the scope for interpretation as relates to fulfilment of the requirements. For further information, see the section entitled EU Taxonomy in the Non-financial Statement.



Nuclear and fossil gas-related activities

Row	Nuclear energy-related activities	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
Row	Fossil gas-related activities	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	YES
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO



Taxonomy-eligible, but not taxonomy-aligned activities

(These figures relate only to opex).

Row	Economic activities	Proportion (in monetary amounts and in percent)					
		(CCM + CCA)		Climate change mitigation		Climate change adaptation	
		Amount	%	Amount	%	Amount	%
1.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the opex KPI	0/0		–		–	
2.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the opex KPI	0/0		–		–	
3.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the opex KPI	0/0		–		–	
4.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the opex KPI	0/0		–		–	
5.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the opex KPI	€0.4 million / 0.3%		€0.4 million / 100%		0/0	
6.	Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the opex KPI	0 / 0		–		–	
7.	Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the opex KPI	€1.7 million / 1.2%		€1.7 million / 100%		0/0	
8.	Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the opex KPI	€2.1 million / 1.5%		€2.1 million / 100%		0/0	



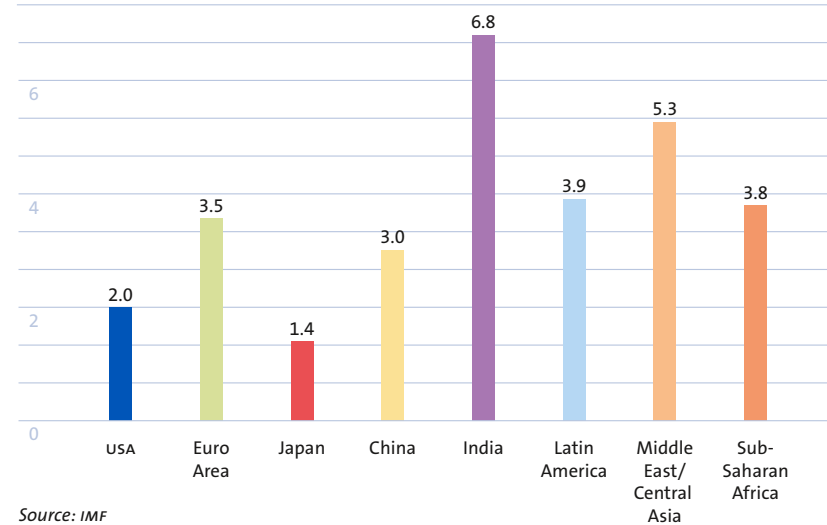
Economic environment

- Global economy grew 3.4% in 2022
- Slight increase in German mechanical engineering output
- Global demand for packaged beverages continues to rise

Pace of world economic growth slowed significantly in 2022

The global economy performed much worse than expected in the past year. In January 2022, the International Monetary Fund (IMF) forecast global economic growth of 4.4% for the full year. The final figure was only 3.4%. This means that the pace of growth has slowed significantly compared to 2021 (+6.2%), when the global economy was recovering from the Covid slump. The Russia-Ukraine conflict was one of the main reasons. This led to rising energy, commodity and food prices, thus accelerating inflation. Central banks responded to high inflation rates with sharp interest rate hikes, which had a negative impact on the

GDP growth rate 2022 by region (%)



economy. The US dollar, on the other hand, benefited from the rising interest rates. This had a negative impact on many emerging and developing countries in 2022 because they have debt denominated in US dollars.

A major impediment to global economic growth in the reporting period was the situation in China. The Chinese government's zero-Covid strategy and problems in the real estate sector weighed heavily on the economy. China's gross domestic product (GDP) ultimately increased by 3.0% year on year in 2022 (2021: +8.4%). The weak growth in China is also mainly responsible for the sluggish overall growth in emerging and developing economies. According to the IMF, these grew by just 3.9% in 2022 (2021: +6.7%). GDP growth in India was significantly above the average at 6.8% in the reporting period (2021: +8.7%). In the Middle East/Central Asia region, the economy benefited from the rising oil price and grew by 5.3% (2021: +4.5%). Following a strong upward movement in 2021 (+7.0%), economic growth in Latin America was in line with the emerging markets in 2022, at 3.9%. The Sub Sahara/Africa region recorded growth of 3.8% in 2022 (previous year: 4.7%).

GDP in industrialised countries improved in 2022 by a total of 2.7% (2021: +5.4%). Economic output in the USA increased by 2.0% (2021: 5.9%). The world's largest economy struggled with rising interest rates and lower consumer purchasing power. Despite the many pressures, the euro area managed GDP growth of 3.5% in 2022 (2021: 5.3%). In Japan, the economy failed to benefit significantly from the low interest rates and weak yen. GDP there rose in 2022 by an under-average 1.4% (2021: 2.1%).

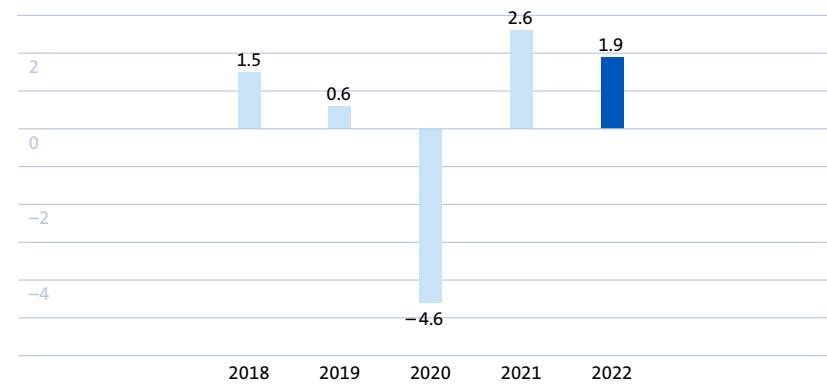


German economy grew by 1.9% in 2022

According to preliminary figures from Germany's Federal Statistical Office, German GDP increased by 1.9% year on year in 2022. This represents a marked growth slowdown relative to the previous year (GDP: +2.6%). The main reasons were the sharp rise in energy and food prices combined with material and supply shortages.

Machinery and equipment investment, government spending and strong private consumption were the main growth drivers in 2022. Private consumption benefited from catch-up effects after the lifting of Covid-related restrictions in spring 2022.

GDP growth Germany (%)



Source: Germany's Federal Statistical Office

Slight increase in production at German machinery and industrial equipment manufacturers in 2022

The German Mechanical Engineering Industry Association (VDMA) was optimistic going into 2022. According to the VDMA's forecast, machinery and industrial equipment output was set to rise by 7% year on year. Due to the economic fallout from the war in Ukraine and ongoing supply chain issues, the association has had to revise its 2022 forecast downward twice in a short period of time. At the end of May 2022, the VDMA expected only slight output growth of 1% for the full year. According to preliminary figures from the VDMA, machinery and industrial equipment output finally increased by 1% in 2022 relative to 2021.



Megatrends drive growth in Krones' markets

Krones operates in markets with stable growth. Key growth drivers include several megatrends that will lead to increased demand for our products and services in the medium and long term:



Global population continues to grow

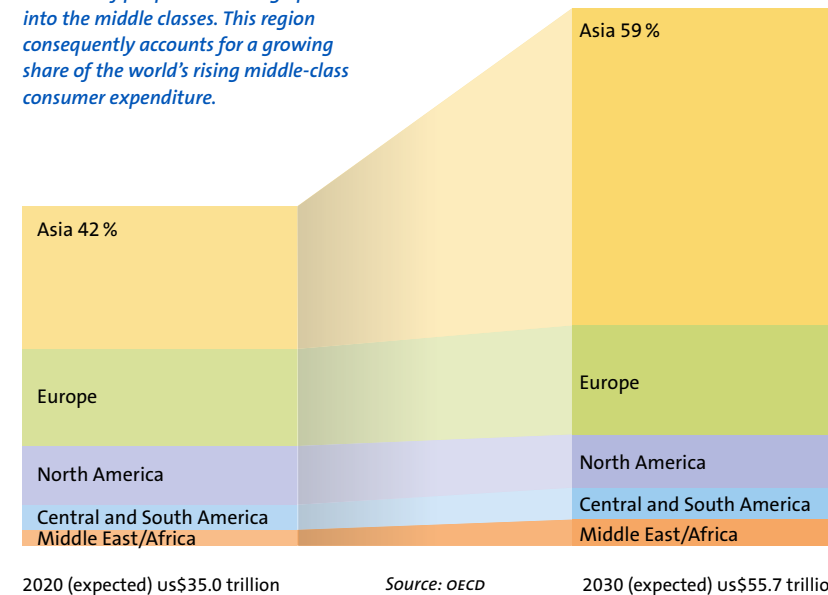
The main, overarching megatrend is global population growth. According to United Nations (UN) data, the world population passed the eight billion mark on 15 November 2022. The UN estimates that the number of people on the planet will grow more slowly in the future than in the preceding decades. Nevertheless, the global population is already expected to reach around 8.5 billion in 2030, 500 million more than at the end of 2022. All those people need to eat and drink. At the same time, the number of people consuming packaged beverages is expected to increase at a higher rate. This is supported by two other megatrends, which are the growing middle class and increasing urbanisation.

Middle classes growing and increasing consumer spending

In an unbroken long-term trend, more and more people in emerging and developing economies are escaping poverty and rising into the middle class. According to OECD forecasts, this means that the middle classes worldwide will grow from 3.2 billion people to 4.9 billion between 2020 and 2030. As incomes rise, so too does consumer spending – and that includes spending for packaged beverages and foods. Asia accounts for a large share of the growth of the middle class and the corresponding increase in buying power worldwide. The OECD puts the Asian share of total middle-class consumer spending worldwide at 42% in 2020. By 2030, that figure is expected to rise to 59%. Total consumer spending by the global middle class, according to the OECD, is likely to increase in that time from us\$35 trillion to us\$55.7 trillion.

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

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





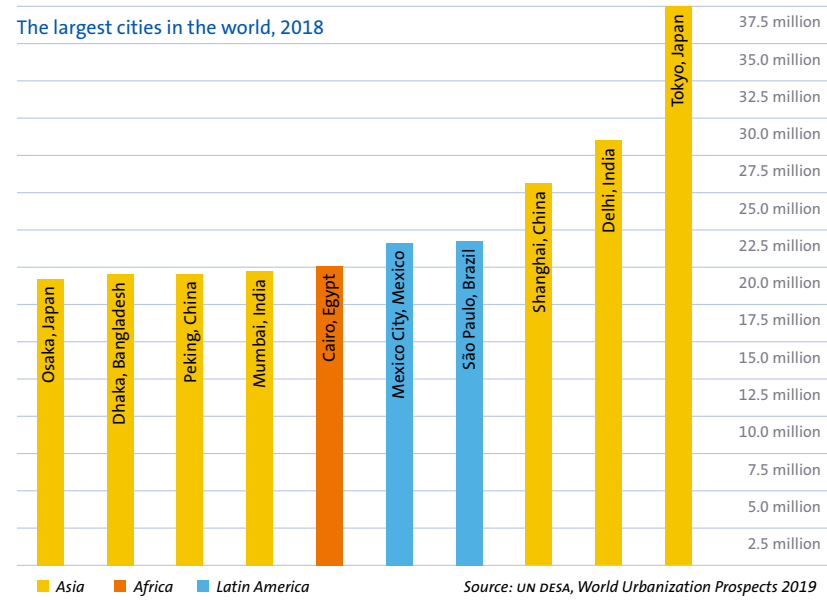
Urbanisation boosts sales of packaged beverages and foods

The trend towards urbanisation – the migration of people rural areas to cities – is strongest in Asia and Africa.

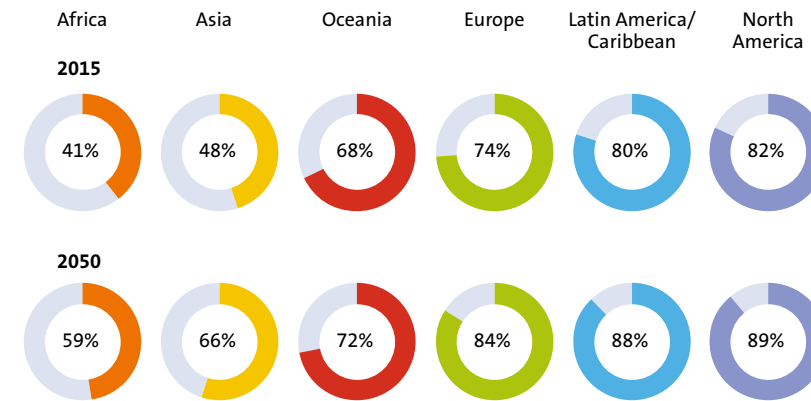
Increasing urbanisation – the migration of people from rural areas to cities – likewise promotes demand for packaged food and beverages. That is because city dwellers consume more packaged products on average than people who live in the countryside.

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

The largest cities in the world, 2018



Urban population in 2015 and 2050 (% of total)



Source: United Nations (World Urbanization Prospects, The 2018 Revision)

Sustainability in business is a new megatrend

Sustainability is a megatrend that is also a major focus for Krones’ customers. Many international beverage and food companies place increased emphasis on conserving resources in production and shrinking their carbon footprint. This drives demand for resource-efficient filling and packaging machines. With the enviro sustainability program, Krones has focused on the eco-efficiency of its products and services for many years. We have been developing enviro dynamically since 2008 and have a long track record of providing our customers with innovative and sustainable filling and packaging technologies. This means we benefit as a pioneer from the sustainability trend.

Krones has long taken care to ensure that machines and lines are resource-efficient. Sustainability is now established as a new megatrend.



Global consumption of packaged beverages steadily increasing

Global demand for packaged beverages has been on a stable upward trend for many years. Only 2020 saw a year-on-year decline in consumption due to the coronavirus pandemic, when bars and restaurants around the world were hit hard by lockdowns to contain infection. According to preliminary figures from Global Data, global consumption of packaged beverages, at a total of 1,410 billion litres in 2022, was 4.1% higher than a year earlier (2021: 1,354 billion litres). This means global beverage consumption also significantly exceeded the level from before the coronavirus crisis (2019: 1,366 billion litres).

The strongest percentage increase in consumption during 2022 (5.5%) related to new drinks, which include sports and energy drinks together with ready-to-drink coffee and tea. Demand for milk and dairy drinks also rose strongly, increasing by 5.1%. Consumption of alcoholic beverages grew approximately in line with the overall market, with an increase of 4.0%. Carbonated drinks and packaged water both saw consumption grow by 3.8% in 2022. At 3.0%, consumption of fruit and vegetable juices rose at a significantly lower rate than the overall market.

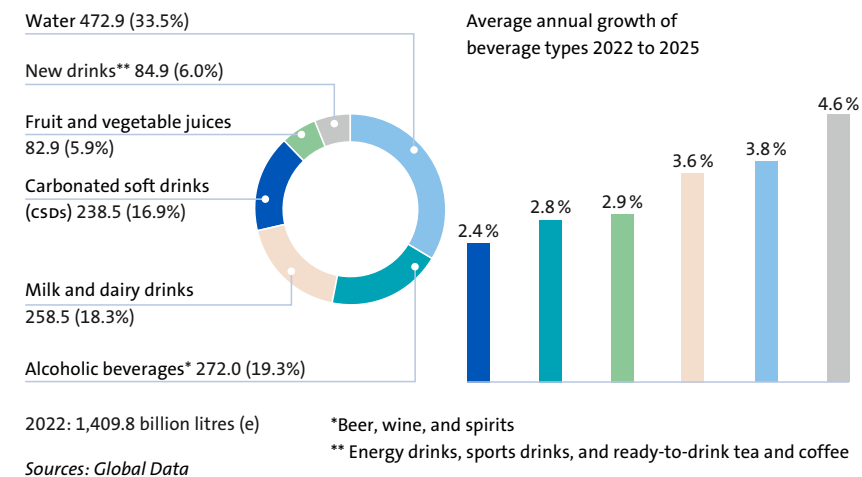
Following a dip in 2020 due to Covid, global demand for packaged beverages has picked up again. By 2022, global consumption was already above pre-crisis levels. The stable market growth is expected to continue in the years ahead. A major factor in this is likely to be growing demand for bottled water.

demand for clean bottled drinking water in emerging and developing countries. Water is also benefiting from the ongoing trend in industrialised countries towards healthy eating.

Consumption of packaged beverages is also expected to continue growing in the coming years. According to Global Data figures, demand will grow at average annual rates of 3.3% from 2022 to 2025.

Consumption of **bottled water** is expected to grow at an above-average rate of 3.8%. A key growth driver in this largest segment of the global beverage market (market share in 2022: 33.5%) is rising

Global consumption of packaged beverages in 2022 in billion litres



The second-largest segment of the packaged beverages market comprises **alcoholic beverages** (market share in 2022: 19.3%). Their market share is likely to decline slightly in coming years, however, because demand in industrialised countries is already saturated. In total, according to figures from Global Data, the consumption of packaged alcoholic beverages is expected to grow at an average annual rate of 2.8% from 2022 to 2025.

Growth has picked up in the **milk and dairy drinks** segment (global market share in 2022: 18.3%). This is mainly due to a strong rise in demand for alternative milks such as oat, soy and almond milk. So far, however, these remain niche products within the milk market. The segment is dominated by 'conventional' milk, which accounts for a share of over 70%. Consumption in the entire milk and dairy drinks segment is expected to grow on average by 3.6% a year from 2022 to 2025.



Consumption of **carbonated soft drinks (CSDs)** (2022 share: 16.9%) is projected to grow at a lower rate than the overall market in the years ahead. This is mainly because consumers in industrialised countries are increasingly giving up sugary drinks. According to Global Data figures, demand for CSDs is expected to grow at an average annual rate of 2.4% from 2022 to 2025.

The two smaller segments of the beverage market, **new drinks** (share of global beverage consumption in 2022: 6.0%) and **fruit and vegetable juices** (5.9%) are expected to grow at significantly different rates in the next few years. For new drinks, which include sports drinks, energy drinks and ready-to-drink coffee and tea, the rate of increase from 2022 to 2025 is expected to average 4.6% a year. Demand for fruit and vegetable juices is projected to rise by an average of just 2.9% per year during the same period.

Rapidly growing demand for packaged beverages in emerging markets

Three megatrends – population growth, a burgeoning middle class and urbanisation – mainly play out in emerging and developing countries. As a result, demand for packaged beverages is likely to grow significantly faster in the coming years in the emerging markets than in the mature industrialised nations. The latter countries, however, are seeing increasing variety in terms of beverages and packaging, which presents attractive growth opportunities to Kronen in those countries.

The region with the strongest demand growth for packaged beverages is Asia/Pacific. According to Global Data, consumption there is expected to rise by an annual average of 5.3% between 2022 and 2025. It should be noted that this starts from a high base, as Asia/Pacific is already the largest regional market for packaged beverages, with a share of around one-fifth. Another large and rapidly

growing market is China. Demand there is expected to increase by an average of 4.1% per year from 2022 to 2025. For the Africa/Middle East region, the average annual growth forecast for the same period is 3.4%. Demand in Russia/CIS/Eastern Europe is expected to increase in proportion with the overall market (with growth of 3.3%). With an average annual growth rate of 2.0%, consumption in South America is likely to show only below-average growth from 2022 to 2025.

The same applies to the markets in the mature industrialised countries. The average growth rate from 2022 to 2025 is projected to be 2.2% for North and Central America and 2.0% for Western Europe. In the relatively small Central Europe sales region, demand is expected to grow during this period by an average of 1.4 % per year.

Worldwide consumption of packaged beverages by region*

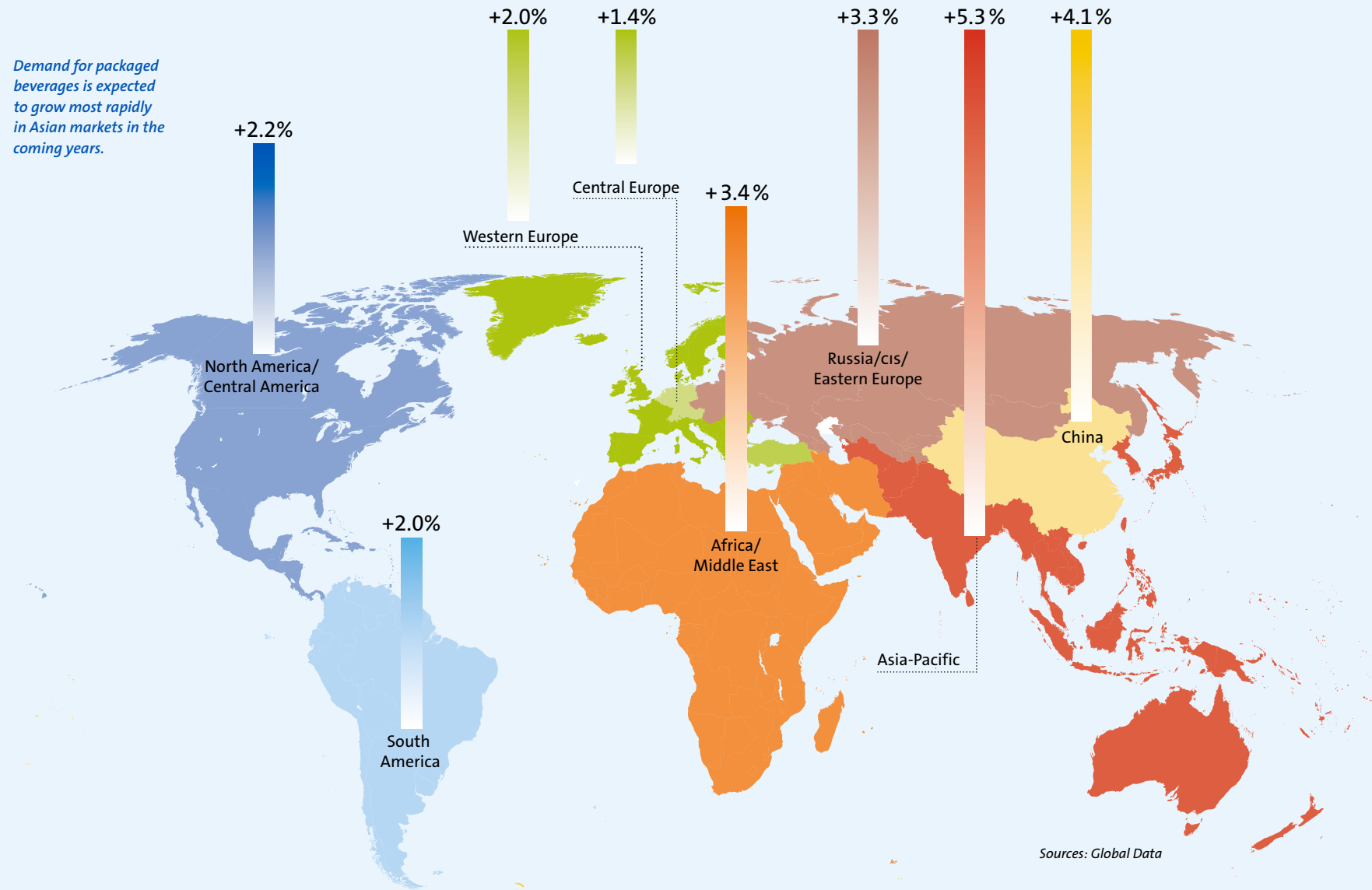
	2022 (e)		2025 (e)		Average annual growth (%) 2022–2025
	Billion litres	%**	Billion litres	%**	
Asia-Pacific	288.0	20.4	336.6	21.6	5.3
China	269.2	19.1	303.3	19.5	4.1
North America/Central America	229.9	16.3	245.6	15.8	2.2
South America	184.3	13.1	195.5	12.6	2.0
Western Europe	151.4	10.7	160.5	10.3	2.0
Africa/Middle East	130.3	9.2	144.3	9.3	3.4
Russia/CIS/Eastern Europe	103.4	7.3	114.0	7.3	3.3
Central Europe	53.0	3.8	55.3	3.6	1.4
Worldwide	1,409.5	100.0	1,555.1	100.0	3.3

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

Sources: Global Data

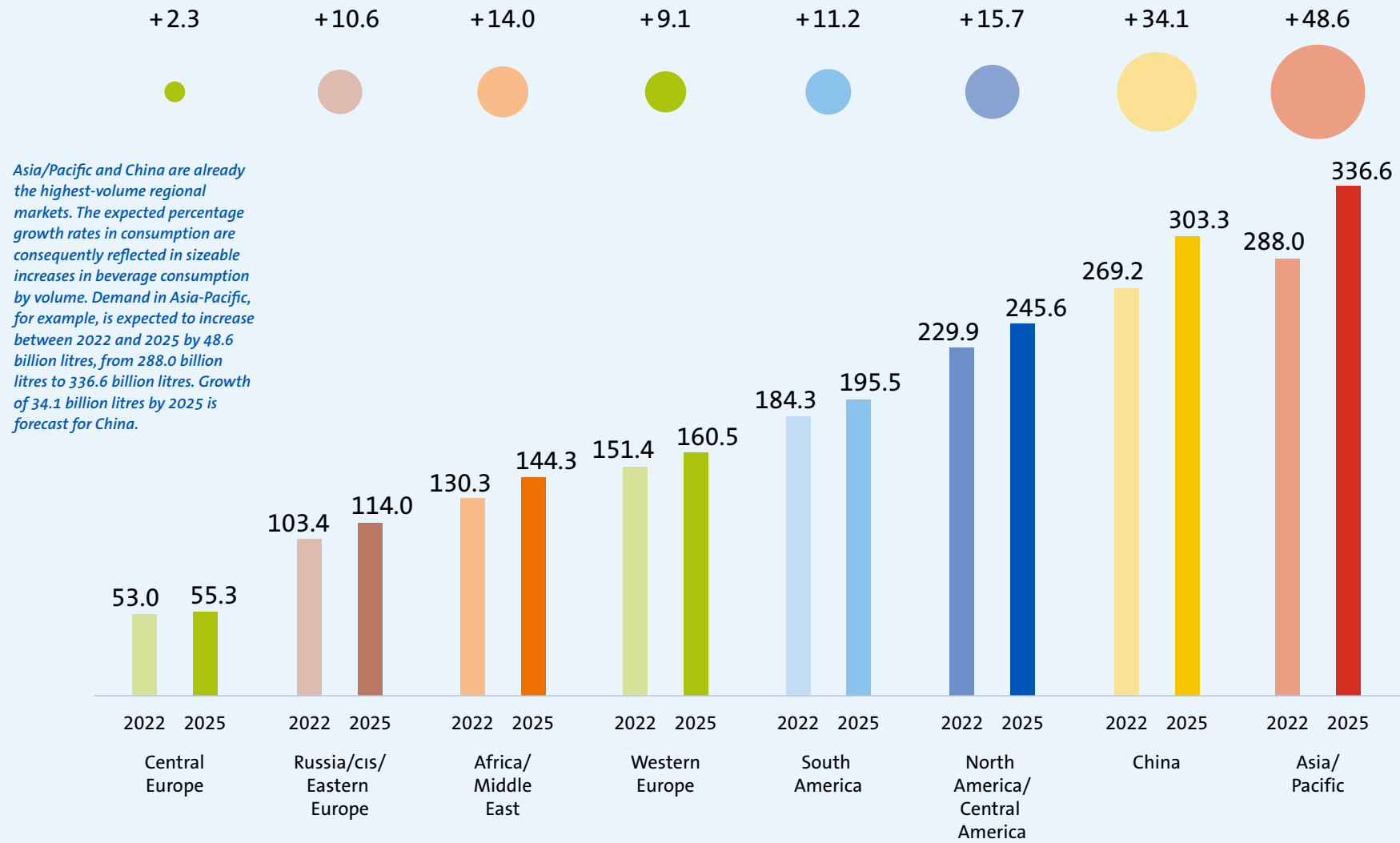


Global consumption of packaged beverages by region: annual growth 2022–2025





Global consumption of packaged beverages by region: **billion litres***



*Forecast

● = Growth between 2022 and 2025 (billion litres)

Sources: Global Data

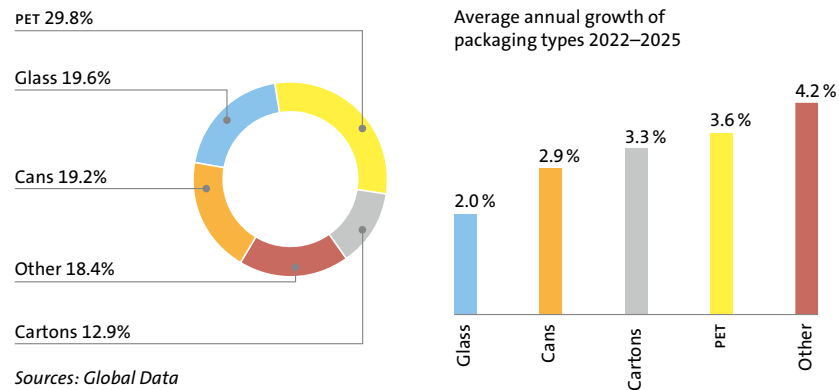


Strong growth trend in PET beverage containers continues

Around 30% of the total 1,894 billion containers filled with beverages in 2022 were made of polyethylene terephthalate (PET). Demand for PET bottles is expected to increase particularly rapidly in the coming years.

Another important figure for Krones alongside beverage consumption by volume is the number of units filled. Most beverage packaging is made of plastic, glass, metal (cans) or cartons. According to preliminary figures from Global Data, some 1,894 billion containers were filled worldwide in 2022. That was 3.9% more than in the previous year (1,823 billion). By 2025, the number of units filled is expected to rise to 2,083 billion. This corresponds to an annual average growth rate of 3.2%.

Global beverage market by packaging material in 2022 (based on units filled)



Bottles made of the **polyethylene terephthalate (PET) plastic** account for the largest share of beverage containers packaged worldwide. According to Global Data figures, 565 billion or 29.8% of the world's bottled beverage containers were made of PET in 2022. The main reason for the leading position of PET is its widespread use for bottled water, which is by far the most widely consumed beverage. In 2022, about three out of four water bottles were made of PET. The

use of PET bottles is expected to continue growing disproportionately strongly in the next few years. Annual growth averaging 3.6% is forecast for the years 2022 to 2025 according to figures from Global Data.

The second most commonly used material for beverage packaging is **glass** (market share in 2022: 19.6%). Glass bottles account for a large proportion of bottled beer, wine and spirits. Demand for alcoholic beverages is expected to grow at a lower rate than overall beverage consumption in the coming years. As a result, the expected average annual growth rate for glass beverage packaging through to 2025 is just 2.0%.

A further important beverage packaging material comprises metal, which is used for **cans**. In 2022, cans accounted for 19.2% of packaged beverage containers worldwide. Cans are mainly used for beer, carbonated soft drinks and new drinks. The number of cans used for beverage packaging is expected to increase by an average of 2.9% per year from 2022 to 2025.

Cartons accounted for 12.9% of beverage containers in 2022. They are mostly used to package milk, dairy drinks, fruit juices and vegetable juices. By 2025, the number of cartons used for beverage packaging is expected to rise by an average of 3.3% per year.

Bags made of plastic and aluminium foil accounted for a significant share of the **other packaging** category in 2022. These are mainly filled with milk, water and fruit juices.

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



Krones in figures

- Krones grew strongly in 2022. Revenue went up by 15.8% year on year to €4,209.3 million. Due to very high customer demand, order intake improved by 34.0% to €5,782.8 million.
- The EBITDA margin improved from 8.1% in the previous year (excluding one-off effects) to 8.9%.
- Krones plans to pay a dividend of €1.75 per share for the successful financial year (previous year: €1.40).

	Guidance for 2022*	Revised guidance for 2022**	2022 actual
Revenue growth	5–8%	10–12%	15.8%
EBITDA margin	8–9%	8–9%	8.9%
ROCE***	10–12%	10–12%	14.1%

* From the report on expected developments in the 2021 management report, March 2022

** As per ad-hoc disclosure of 19 October 2022

Krones' revenue grows strongly by 15.8% to €4,209.3 million

For the first time in the company's history, Krones generated revenue of over €4 billion in 2022. Revenue grew by 15.8% to €4.21 billion. Krones thus exceeded its already upgraded growth target for 2022 of 10% to 12%.

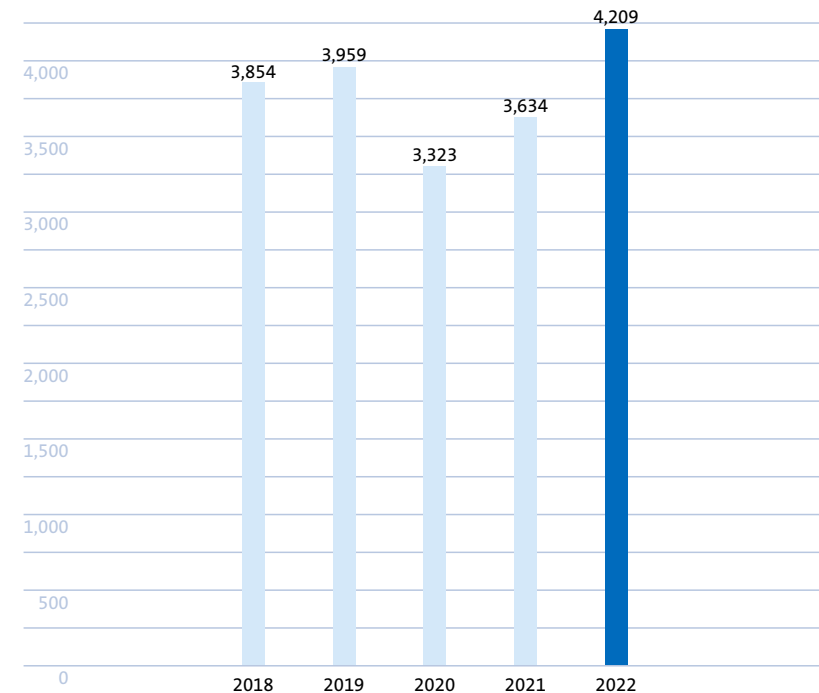
Krones significantly increased revenue in 2022 despite difficult conditions. Thanks to its great flexibility, the company managed well with the resource shortages and international supply chain problems and maintained good production capacity utilisation overall. Revenue grew by 15.8% year on year in 2022, from €3,634.5 million to €4,209.3 million.

Krones thus exceeded the upgraded growth target of 10% to 12% published in October 2022 (original target 5% to 8%). The company generated much of the revenue growth from increased sales of new machinery. Due to long lead times

in some cases, price increases for our products and services made only a small contribution to growth in 2022. Krones' revenue in the reporting period was not materially affected by exchange rates, acquisitions or divestments.

Due to the sharp rise in customer demand both for filling and packaging lines and for individual machines, Krones' new machinery business grew disproportionately strongly in 2022. However, service revenue also significantly exceeded the prior-year figure. The easing of Covid-related travel restrictions had a positive impact on after-sales business.

Krones Group revenue (€ million)



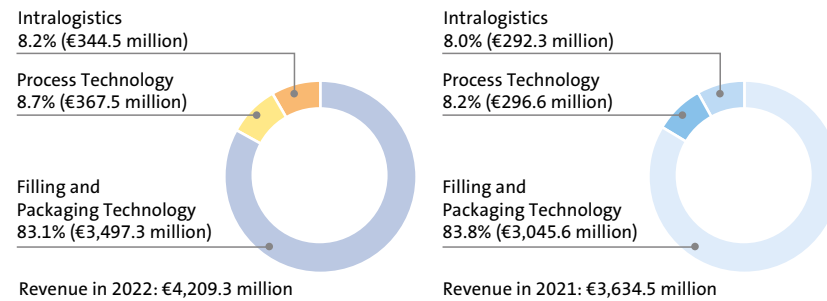


Revenue by segment

All three of Krones' segments grew strongly in 2022.

Revenue in the core segment, Filling and Packaging Technology, increased in 2022 by 14.8% year on year, from €3,045.6 million to €3,497.3 million. The segment's share of consolidated revenue decreased to 83.1% (previous year: 83.8%).

Share of consolidated revenue



In the Process Technology segment, revenue increased by a disproportionately large 23.9%, from €296.6 million in the previous year to €367.5 million. The share of consolidated revenue accounted for by the segment went up from 8.2% to 8.7%.

From the beginning of 2022, Krones reports on Intralogistics as a third segment. Revenue there rose by 17.9%, from €292.3 million in the previous year to €344.5 million in the reporting period. This corresponds to an 8.2% share of consolidated revenue (previous year: 8.0%).



Further information can be found under "Report from the segments" beginning on page 163 and under "Segment reporting" in the notes to the consolidated financial statements on page 216.

Revenue by region

In Germany, Krones' revenue in 2022 went up at a slightly lower rate than total Group revenue, increasing by 12.9% from €375.5 million to €424.0 million. Revenue in Germany accounted for 10.1% of consolidated revenue (previous year: 10.3%).

Krones generated some 90% of consolidated revenue internationally in 2022. The company recorded strong growth in Europe and in North and Central America.

Krones generated very high rates of revenue growth in 2022 in Europe (excluding Germany). In 2021, business there had still been partly affected by Covid. In the major Western Europe sales region, revenue rose by 27.9% from €517.9 million in the previous year to €662.5 million in the reporting period. The rate of increase was similarly high in Central Europe (Austria, Switzerland and the Netherlands), where revenue increased by 27.6%, from €243.0 million to €310.0 million. In the smaller Eastern Europe sales region, Krones improved revenue by 31.7% to €185.6 million (previous year: €140.9 million).

Share of consolidated revenue	2022		2021		Change
	€ million	%*	€ million	%*	
Germany	424.0	10.1	375.5	10.3	+12.9
Central Europe (excluding Germany)	310.0	7.4	243.0	6.7	+27.6
Western Europe	662.5	15.7	517.9	14.2	+27.9
Eastern Europe	185.6	4.4	140.9	3.9	+31.7
Russia, Central Asia (cis)	50.2	1.2	97.3	2.7	-48.4
Middle East/Africa	486.1	11.5	421.9	11.6	+15.2
Asia-Pacific	467.4	11.1	408.4	11.2	+14.4
China	344.9	8.2	307.8	8.5	+12.1
North and Central America	920.1	21.9	764.2	21.1	+20.4
South America/Mexico	358.5	8.5	357.5	9.8%	+0.3
Total	4,209.3	100.0	3,634.5	100.00	+15.8

* Share of total revenue

Krones continues to have a very balanced revenue split. In 2022, the company generated 44.9% (previous year: 47.7%) of consolidated revenue in emerging markets. The share of revenue generated in mature industrialised countries was 55.1% (previous year: 52.3%).

In all, Krones' revenue in Europe (excluding Germany) increased by a disproportionately large 28.4% to €1,158.1 million (previous year: €901.8 million).

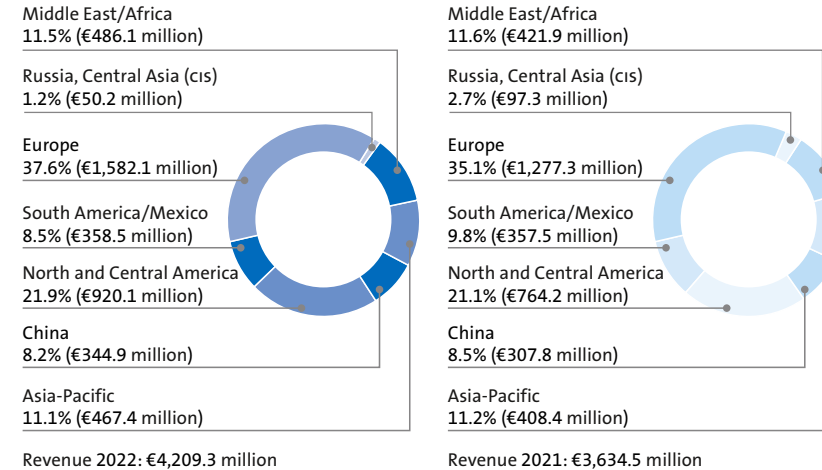
The share of consolidated revenue consequently increased to 27.5% (previous year: 24.8%).

As expected, revenue in the Russia/CIS region decreased significantly by 48.4% to €50.2 million in the reporting period (previous year: €97.3 million). That corresponds to a share of consolidated revenue of just 1.2% (previous year: 2.7%).

Business developed well for Krones in 2022 in the markets outside Europe. The company continued its strong growth in North and Central America in 2022. Revenue there went up by 20.4%, from €764.2 million to €920.1 million. At €358.5 million, revenue in the South America/Mexico region remained stable at the previous year's level (€357.5 million). Revenue in the Middle East/Africa region climbed by 15.2% to €486.1 million (previous year: €421.9 million). Krones increased revenue in the Asia/Pacific sales region by a similarly strong 14.4% to €467.4 million. In China, despite pandemic-related lockdowns, revenue improved by 12.1% in 2022 to €344.9 million (previous year: €307.8 million).

Overall, revenue outside Europe grew in the reporting period by 14.0% to €2,577.0 million (previous year: €2,259.8 million). Its share of consolidated revenue consequently decreased slightly to 61.2% (previous year: 62.2%).

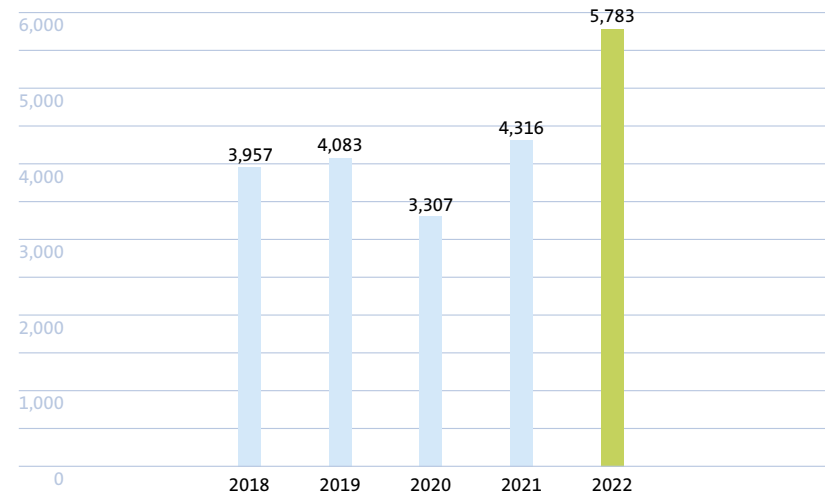
Share of consolidated revenue





Order intake

Krones Group order intake (€ million)



Order intake increased by 34.0% to €5,782.8 million

As a full-service supplier, Krones benefited from the good market conditions in 2022 and secured numerous new orders. The contract value of orders increased by around one-third year on year to €5.78 billion.

Customer demand for our products and services was very strong in 2022. Order intake went up in the reporting period by 34.0% year on year, from €4,316.2 million to €5,782.8 million. In the first three quarters of 2022, the contract value of orders reached an extremely high level of around €1.5 billion in each quarter. As expected, new orders slowed slightly in

the fourth quarter (order intake: €1,183.1 million). However, the final quarter showed no signs of a prolonged downturn in the international beverage industry's brisk market activity and willingness to invest. There were still numerous investment projects on the market at the end of 2022.

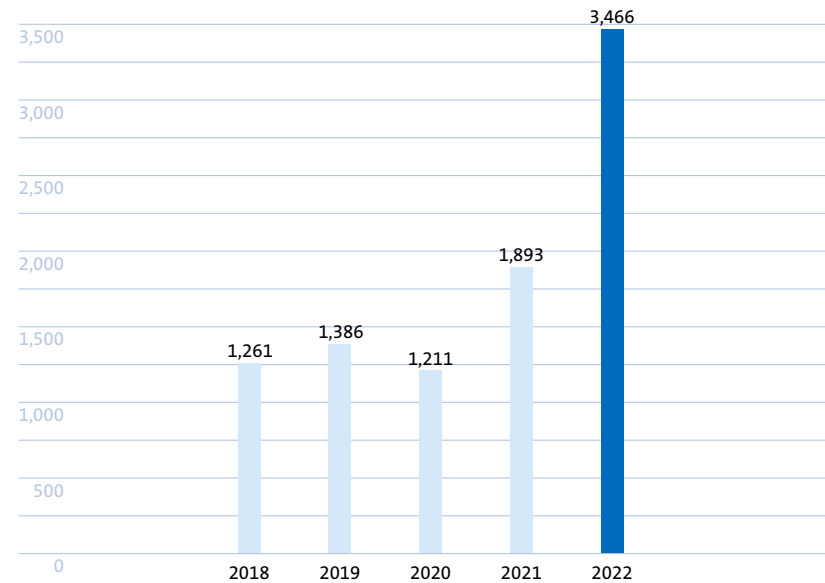
With the new record order intake, Krones exceeded its target for 2022. As a full-service supplier with a global footprint, the company benefited from the good market conditions. Another important factor in the significant increase in orders was our very good standing with customers. Our customers highly appreciate the fact that, even in difficult times, we remain a reliable partner for the implementation of capital expenditure projects worldwide and largely meet our promised delivery dates. Krones' price increases did not influence customers' willingness to invest in 2022. Exchange rates, acquisitions and divestments did not have a material impact on the contract value of orders in the reporting period.

Order intake significantly exceeded the previous year's level in each of Krones' three segments. On a regional basis, 2022 saw the contract value of orders grow faster than Group order intake in North America/Central America, Asia/Pacific, Eastern Europe, South America and the Middle East/Africa region. Western Europe, Central Europe and China – regions that experienced very strong order growth in the previous year – recorded a further significant increase in order intake in 2022. However, the rate of increase in those regions remained below the total Group figure.



Order backlog

Krones Group order backlog at 31 December (€ million)



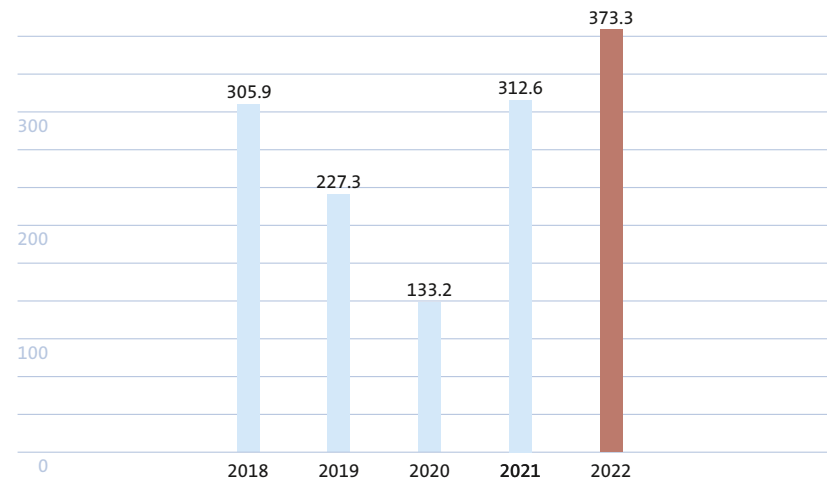
Krones had an order backlog totalling €3,466.4 million at the end of 2022

As a result of the very strong customer demand, Krones' order backlog increased substantially despite the revenue growth in 2022. At €3,466.4 million at the end of December 2022, the order backlog was up €1,573.4 million or 83.1% on the previous year-end (€1,893.0 million). The comfortable order backlog enhances the company's overall planning certainty. With the orders already booked, production capacity utilisation can be kept at stable levels in the coming quarters. The tight situation on international procurement markets continues, especially for electronic components. It must therefore be kept in mind that material availability continues to be a limiting production factor for Krones. This means that our customers have to expect long delivery times well into the 2024 financial year.



Krones Group earnings

Krones Group EBITDA (in € million)



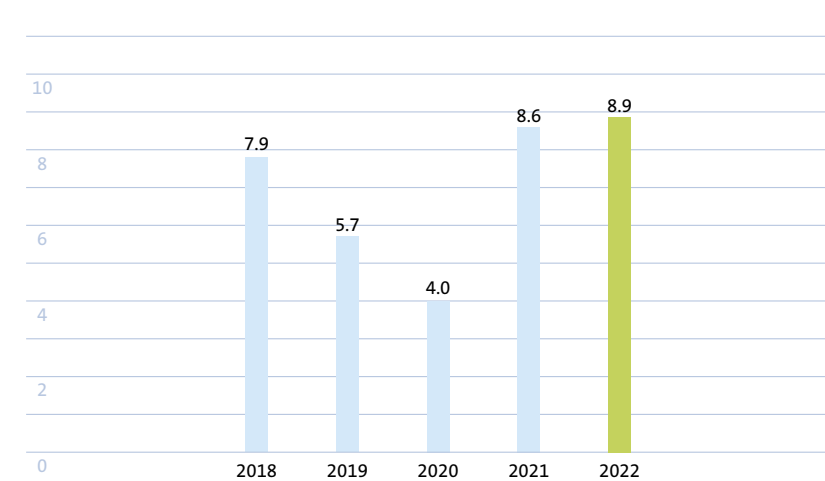
Krones improves profitability under challenging conditions

Krones generated profitable growth in 2022. The EBITDA margin increased from 8.1% in the previous year (excluding one-off effects on earnings) to 8.9%.

Krones faced a number of challenges in 2022. For example, the tight situation on the procurement markets prevented us from producing at full capacity. That affected earnings. The company was also confronted with rising material and freight costs.

However, due to the wide-ranging efficiency measures and the company's great flexibility, Krones improved profitability in the reporting period as forecast. This was also partly due to our price increases, which enabled us to largely offset the higher costs.

Krones Group EBITDA margin (%)

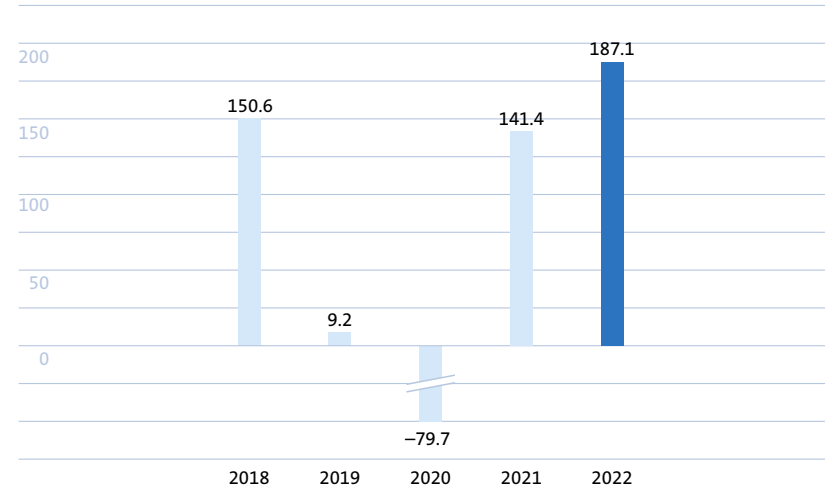


Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose in 2022 by 19.4% year on year, from €312.6 million to €373.3 million. The EBITDA margin improved to 8.9% (previous year: 8.6%). It should be noted that EBITDA in the previous year was positively impacted by one-off effects totalling €17 million. Excluding those one-off effects, the EBITDA margin in 2021 was 8.1%. As forecast, Krones reached the upper end of the EBITDA margin target of 8% to 9% for 2022.

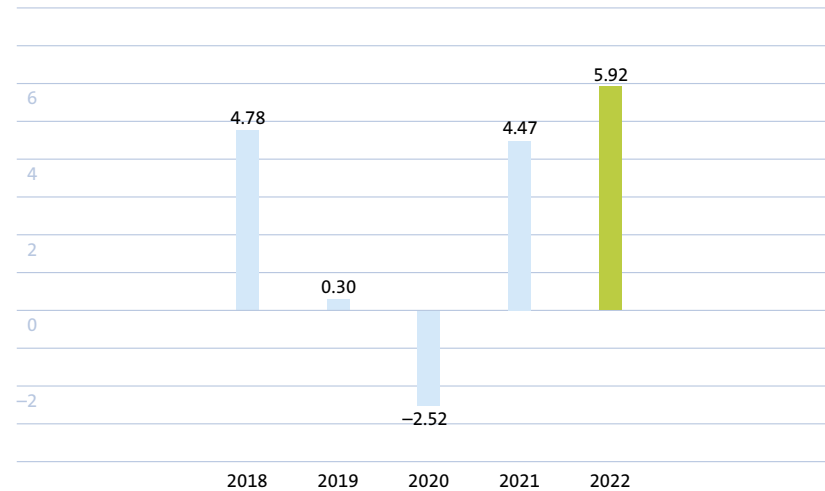
Due to the higher financial income/expense and stable depreciation and amortisation, earnings before taxes (EBT) grew significantly more strongly in 2022 than EBITDA. EBT climbed by 36.5%, from €177.3 million in the previous year to €242.1 million. Krones improved the EBT margin to 5.8% (previous year: 4.9%). Excluding one-off effects on earnings, the EBT margin in 2021 was 4.4%.



Krones Group net income (€ million)



Krones Group earnings per share (€)

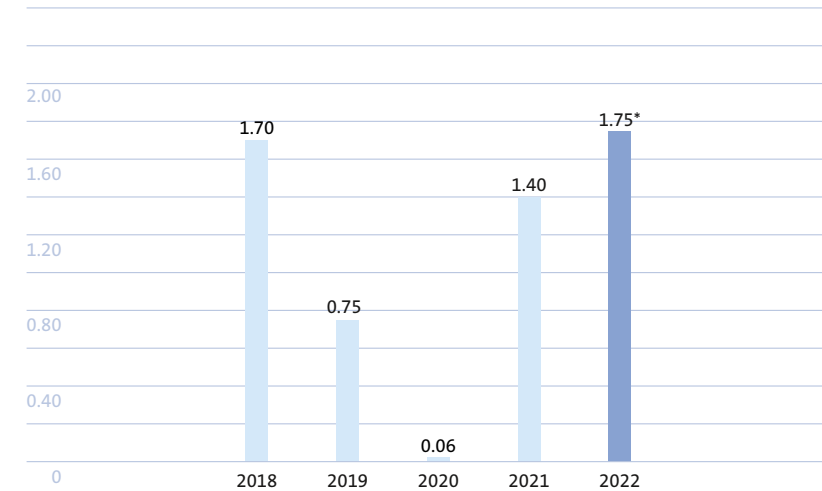


Krones' consolidated net income increased by 32.3% in 2022, from €141.4 million in the previous year to €187.1 million. This corresponds to earnings per share of €5.92 (previous year: €4.47). Krones' earnings figures were not materially affected by exchange rates, acquisitions or divestments in 2022.

Krones increases dividend to €1.75 per share

At the Annual General Meeting on 23 May 2023, in line with the long-term dividend policy, the Executive Board and Supervisory Board will be proposing the distribution of a dividend of €1.75 per share for the 2022 financial year. Krones will thus increase its dividend by €0.35 or 25.0% compared with the previous year (€1.40), allowing the company's owners to share commensurately in its success.

Krones Group dividend per share (€)



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



Krones Group earnings structure

€ million	2022	2021	Change
Revenue	4,209.3	3,634.5	+15.8%
Changes in inventories of finished goods and work in progress	+48.4	+19.6	+146.9%
Total operating performance	4,257.7	3,654.0	+16.5%
Other own work capitalised	+43.4	+53.6	-19.0%
Other operating income	+165.0	+161.8	+2.0%
Goods and services purchased	-2,113.8	-1,807.4	+17.0%
Personnel expenses	-1,269.7	-1,176.7	+7.9%
Other operating expenses	-709.3	-572.6	+23.9%
EBITDA	373.3	312.6	+19.4%
Depreciation and amortisation on fixed assets	-142.9	-141.7	+0.8%
EBIT	230.4	170.9	+34.8%
Financial income/expense	+11.7	+6.4	+82.8%
EBT	242.1	177.3	+36.5%
Income tax	-55.0	-35.9	+53.3%
Consolidated net income	187.1	141.4	+32.3%



For further information, please see the full statement of profit and loss on p. 209.

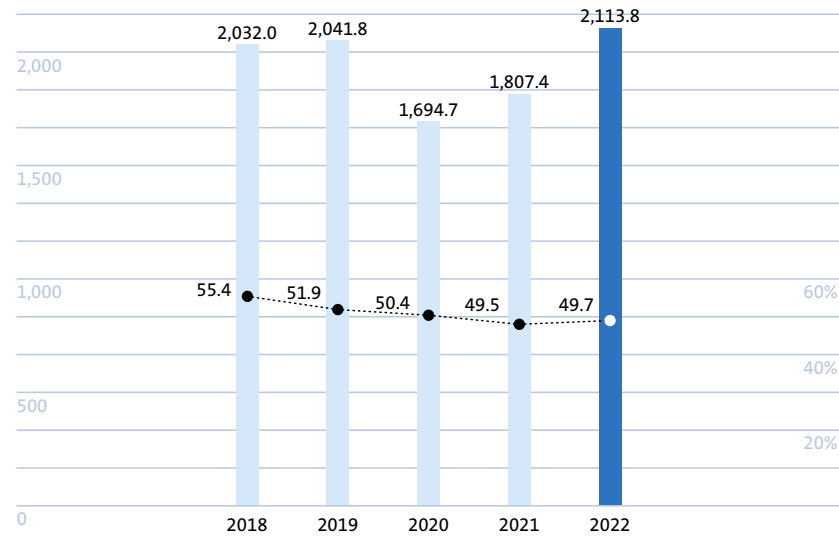
Krones mastered the challenges well in 2022 and made the most of the growth opportunities that arose. The company thus significantly increased revenue and total operating performance in the reporting period. At €4,209.3 million, revenue was 15.8% higher than in the prior-year period, which was still impacted by Covid. Total operating performance increased by a slightly higher rate of 16.5% to €4,257.7 million because of an increase in finished goods and work in progress. These grew by €48.4 million in the reporting period, compared with €19.6 million in the previous year.

Krones also significantly improved profitability in 2022. This was primarily due to consistent implementation of the cost-cutting measures launched in 2020, good procurement and production management and Krones' great flexibility. The company thus kept the material expense ratio stable despite resource constraints, and significantly reduced the personnel expense ratio.

Krones' revenue and key earnings figures were not materially affected by exchange rates, acquisition or divestments in 2022.

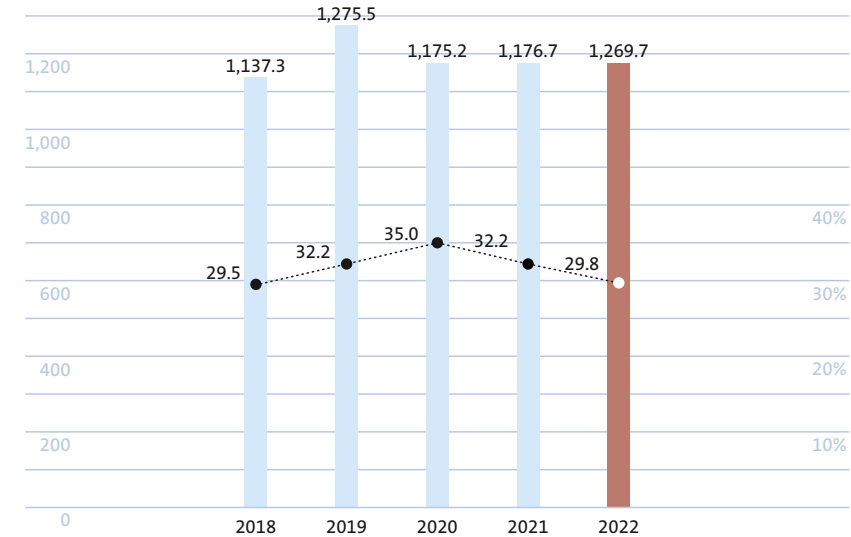
Krones again improved profitability in the reporting period. This was mainly due to a significantly lower personnel expense ratio.

Goods and services purchased (€ million) and material expense ratio (%)



Cost of goods and services purchased increased by 17.0% to €2,113.8 million in the reporting period, slightly more than the rise in total operating performance. Over the reporting year, Krones was largely able to compensate for price increases and bottlenecks in material procurement, especially for steel and electrical components, by means of sophisticated production and procurement management. Our price increases were also reflected in the near-constant material expense ratio: The ratio of goods and services purchased to total operating performance was 49.7% in the reporting period, only slightly higher than the previous year's good level of 49.5%.

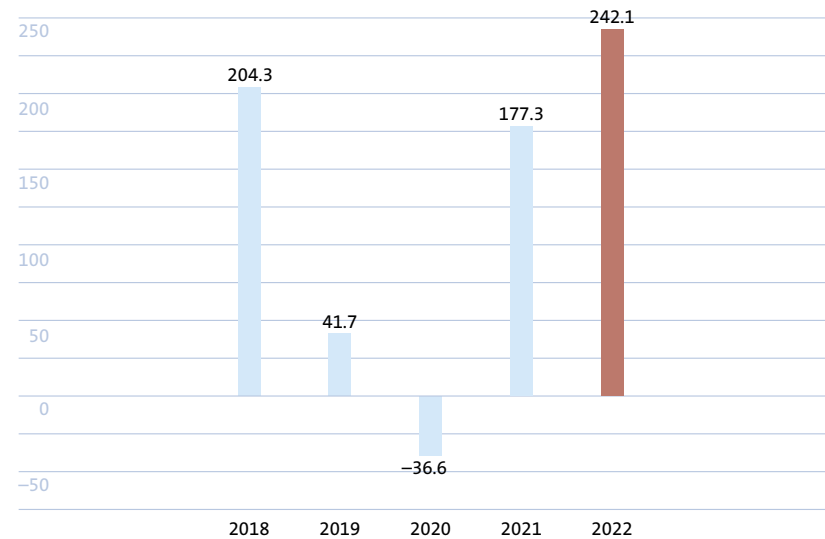
Personnel expenses (€ million) and personnel expense ratio (%)



Personnel expenses rose by significantly less in the reporting period than total operating performance, with an increase of just 7.9% to €1,269.7 million. As a result, the personnel expense ratio – the ratio of personnel expenses to total operating performance – went down from 32.2% to 29.8%. This significant improvement in the personnel expense ratio was mainly due to the workforce adjustment measures implemented and completed in the 2021 financial year. These are reflected in full-year figures for the first time in 2022.



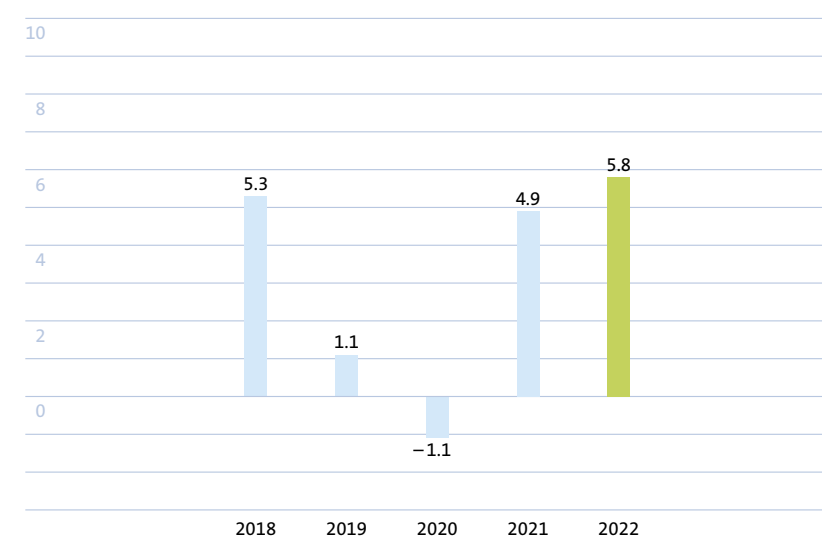
Krones Group EBT (€ million)



At €709.3 million, other operating expenses were 23.9% higher in the reporting period than the previous year's figure of €572.6 million. The increase was mostly due to higher freight and travel expenses because of the greater volume of business. Other operating expenses also include costs incurred for drinktec, the world's leading trade fair for the beverage and liquid food industry, which is held every four years. Other operating income increased slightly, from €161.8 million to €165.0 million. Own work capitalised, on the other hand, fell from €53.6 million in the previous year to €43.4 million. The net balance of other operating income and expenses and own work capitalised changed from -€357.3 million in the prior-year period to -€500.9 million. As a percentage of total operating performance, this represented an increase from 9.8% to 11.8%.

Krones' EBITDA (earnings before interest, taxes, depreciation and amortisation) consequently comes to €373.3 million for the reporting period – a year-on-year increase of 19.4% on the previous year's figure of €312.6 million. The EBITDA margin increased from 8.6% in the previous year to 8.9%. Excluding one-off

Krones Group EBT margin (%)



effects on earnings, the EBITDA margin in the previous year was 8.1%. Because depreciation and amortisation of fixed assets increased only slightly, to €142.9 million (previous year: €141.7 million), earnings before interest and taxes (EBIT) climbed significantly more strongly in the reporting period than EBITDA, increasing by 34.8% to €230.4 million.

Krones' financial income/expense was positive at €11.7 million in 2022 (previous year: €6.4 million). Alongside slightly higher investment income of €3.1 million (previous year: €2.0 million), this was due to the €4.2 million improvement in interest income/expense to €8.6 million. Earnings before taxes (EBT) consequently went up by 36.5% from €177.3 million to €242.1 million. The EBT margin rose from 4.9% in the previous year (adjusted: 4.4%) to 5.8%. As the company's tax rate of 22.7% was higher than the previous year's low level (20.2%), consolidated net income improved somewhat less strongly than EBT, increasing by 32.3% to €187.1 million (previous year: €141.4 million).



Statement of cash flows

€ million	2022	2021
Earnings before taxes	242.1	177.3
Non-cash changes	+189.8	+153.7
Changes in working capital	+136.0	+124.5
Changes in other assets and liabilities	-89.2	-119.6
Cash flow from operating activities	478.7	335.9
Capital expenditure for intangible assets and property, plant and equipment	-118.2	-104.9
M&A activities	-27.2	±0.0
Other	+37.7	-27.7
Free cash flow	371.0	203.3
Cash flow from financing activities	-79.8	-60.9
Other	-0.1	+24.0
Net change in cash and cash equivalents	291.1	166.4
Cash and cash equivalents at the end of the period	674.5	383.4

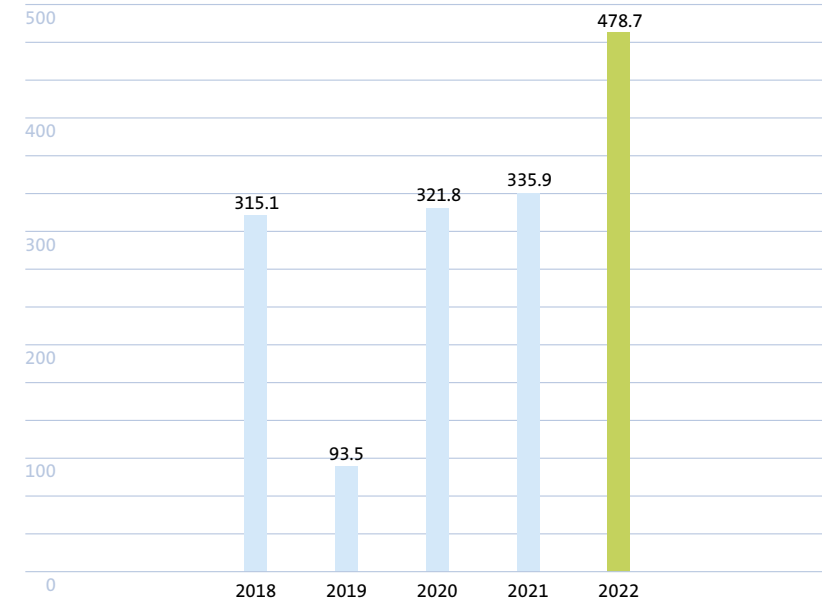


For further information, please see the full statement of cash flows on page 213.

Krones improved cash flow from operating activities in the 2022 financial year by €142.8 million to €478.7 million. The exceptionally high figure was partly due to the marked reduction in working capital.

Krones increased cash flow from operating activities in the reporting period by a substantial €142.8 million year on year to €478,7 million. In addition to €64.8 million higher earnings before taxes, changes in other assets and liabilities also contributed significantly to the better cash flow from operating activities. At -€89.2 million, these were smaller than the previous year's large figure of

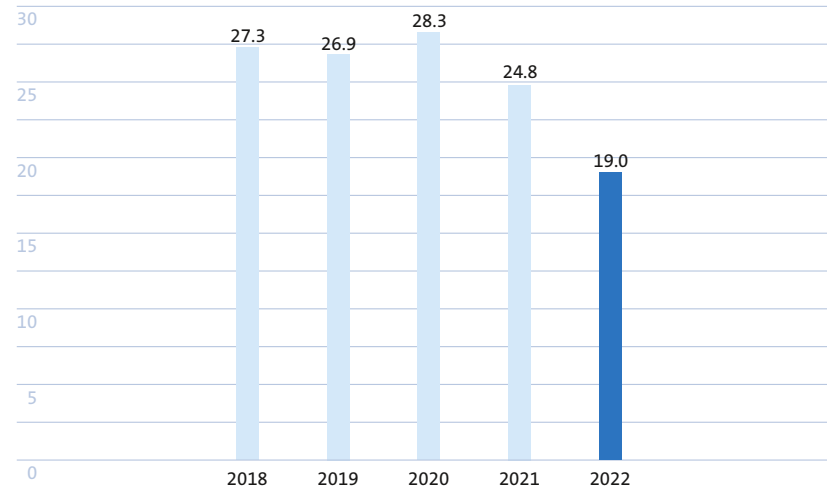
Krones Group cash flow from operating activities (€ million)



-€119.6 million, which was still heavily impacted by payments for the workforce programme. Non-cash changes increased cash flow from operating activities by €189.8 million in the reporting period, an even larger amount than in the previous year (€153.7 million). As in the previous year, Krones was able to reduce working capital in 2022. This was partly due to the advance payments from customers resulting from the high order intake. In total, the company reduced working capital by €136.0 million in 2022 (previous year: €124.5 million).



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



Working capital as a percentage of revenue improved from 24.8% to 19.0%

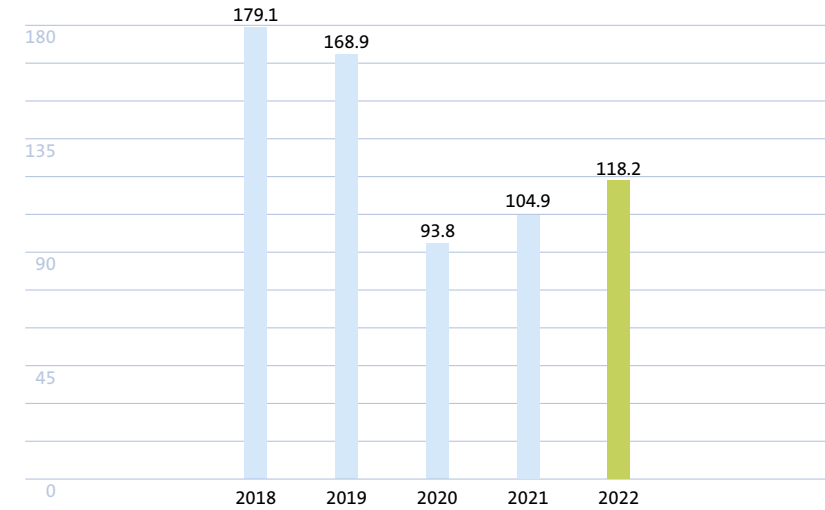
Krones considerably improved the ratio of average working capital to revenue in the reporting period. The ratio decreased from 24.8% to 19.0%.

Krones once again significantly reduced average working capital over the past four quarters as a percentage of revenue to 19.0% in the reporting period (previous year: 24.8%). This decrease reflects the strong revenue growth and rising advance payments from customers

due to the larger order intake. While receivables as a percentage of revenue remained stable compared with the previous year, the fact that inventories grew by more than revenue prevented an even better improvement in the ratio.

Working capital at the reporting date as a percentage of revenue also showed a significant reduction, at 14.1% (previous year: 20.1%). The supplier finance programme used by Krones is accounted for under trade payables as it does not significantly alter the contractual terms of the payables. Correspondingly, the cash outflow is presented in cash flow from operating activities.

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



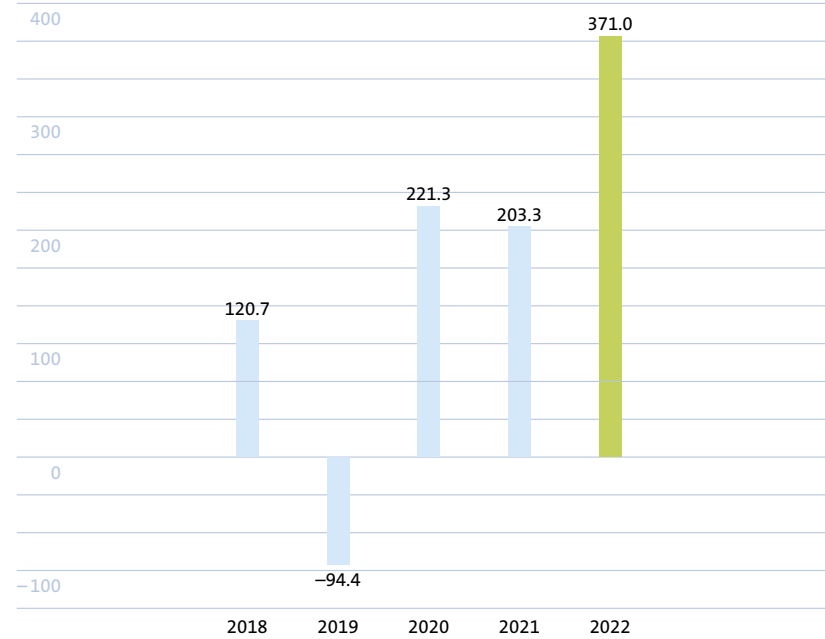
Krones generated an exceptionally large free cash flow of €371.0 million

Krones invested €118.2 million in property, plant and equipment and intangible assets in the reporting period, a planned increase relative to the relatively low figure of €104.9 million in the previous year. Relative to revenue, the capital expenditure ratio was stable in 2022 at 2.8% (previous year: 2.9%) and thus in line with expectations. The ratio of capital expenditure to depreciation and amortisation increased from 0.74 in the previous year to 0.83. M&A activities had a negative cash flow effect of €27.2 million in the reporting period. In 2021, there were no M&A transactions that impacted cash flow.

As planned, the company increased capital expenditure in the 2022 financial year to €118.2 million (previous year: €104.9 million). The ratio of capital expenditure to depreciation and amortisation was 0.83 (previous year: 0.74).



Krones Group free cash flow (€ million)

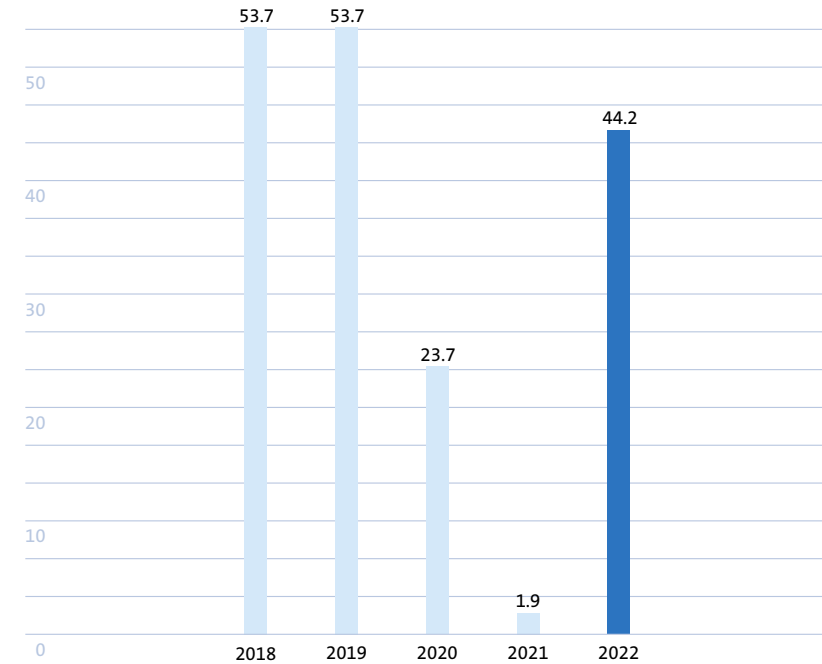


Krones generated an exceptionally large free cash flow of €371.0 million in 2022 (previous year: €203.3 million).

Despite higher capital expenditure, the company increased free cash flow (net cash generated from operating activities) by €167.7 million to the exceptionally high level of €371.0 million (previous year: €203.3 million).

The cash outflow from financing activities was €79.8 million in the reporting period (previous year: €60.9 million). In the reporting period, this item includes the outflow of funds for the dividend payout of €44.2 million (previous

Krones Group dividend payout (€ million)




year: €1.9 million) as well as €35.5 million for the repayment of lease liabilities (previous year: €32.0 million). Changes in exchange rates and in the consolidated group decreased liquidity by €0.1 million, after a €24.0 million increase in the previous year. In total, Krones had cash and cash equivalents of €674.5 million at 31 December 2022 (previous year: €383.4 million). Net cash (cash and cash equivalents less bank debt) went up from €378.3 million in the previous year to €669.5 million.



Assets and capital structure

€ million at 31 December	2022	2021	2020
Non-current assets	1,164	1,133	1,093
of which fixed assets	1,064	1,001	990
Current assets	3,007	2,362	1,957
of which cash and equivalents	675	383	217
Equity	1,598	1,392	1,200
Total debt	2,573	2,103	1,850
Non-current liabilities	375	434	476
Current liabilities	2,198	1,669	1,374
Total	4,171	3,495	3,050

 For further information, please see the full statement of financial position on page 211 and 212.

Due to the substantial rise in business volume, Krones' total assets rose by 19.4% in the reporting period.

Krones' total assets increased by 19.4% in the reporting period and thus by more than the 16.5% rise in total operating performance. Total assets came to €4,171.2 million as of 31 December 2022 (31 December 2021: €3,494.8 million). The increase was mainly due to the rise in current assets and liabilities and to the higher equity.

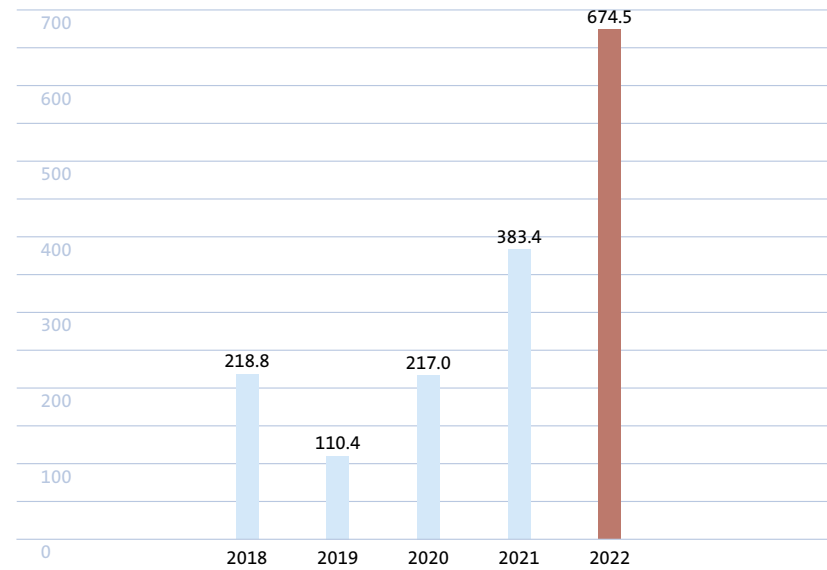
There were no material exchange rate, acquisition or divestment effects in the reporting period on any assets side or equity and liabilities side items of the statement of financial position.

Non-current assets rose between January and December 2022 by 2.8% to €1,164.2 million (31 December 2021: €1,132.8 million). Fixed assets stood at €1,064.0 million as of the reporting date (31 December 2021: €1,001.4 million). The increase in fixed assets mainly related to intangible assets. These went up from €303.2 million at the end of 2021 to €349.3 million. Property, plant and equipment and right-of-use assets increased to €693.7 million (31 December 2021: €667.0 million). Non-current financial assets, on the other hand, were down €10.2 million to €18.6 million.

Krones' current assets rose strongly in 2022 due to the growth in business volume. Current assets came to €3,007.0 million as of the reporting date, which is 27.3% or €645.0 million higher than the figure as of 31 December 2021. This was mainly due to the increase in cash and cash equivalents. Due to the large free cash flow, these increased by €291.1 million, or 75.9%, to €674.5 million in the reporting period. Contract assets, inventories and trade receivables also increased substantially due to the strong revenue growth. Between January and December, contract assets went up by €133.6 million to €727.6 million and trade receivables by €76.9 million to €820.2 million. With supply chains set to remain stretched going forward, there was a significant build-up of inventories in the 2022 financial year by €155.8 million to €589.4 million.



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



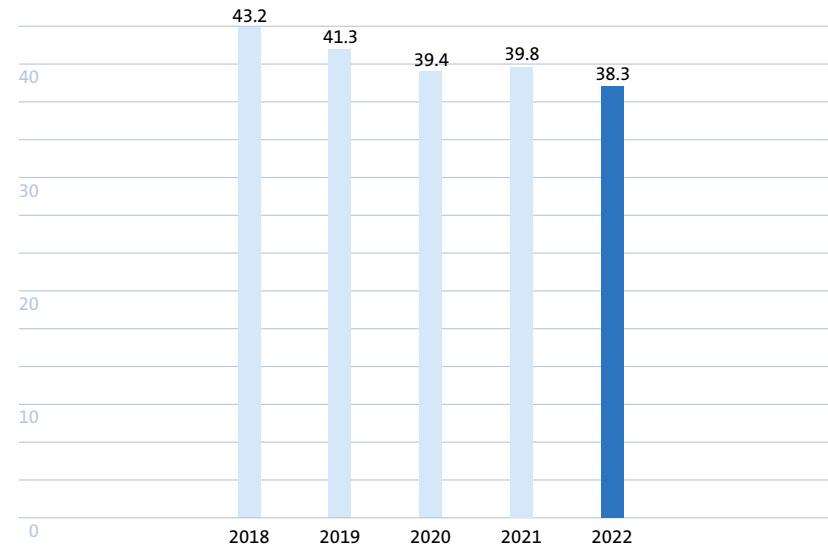
On the equity and liabilities side of the statement of financial position, Krones increased current liabilities between January and December 2022. These went up by 31.7% or €529.4 million to €2,198.2 million. This was mostly due to a €301.2 million increase in contract liabilities to €901.4 million. That increase mainly reflected the higher prepayments from customers. Due to the increased business volume, trade payables went up by €169.1 million to €684.2 million

(31 December 2021: €515.1 million). This includes supplier finance liabilities of € 123.1 million (previous year: €81.1 million). These outstanding liabilities are settled with suppliers by a bank before they are due. The original liabilities to the suppliers are unaffected in substance because the acknowledgement of the liability is unaltered. Higher other liabilities and provisions of €391.9 million (31 December 2021: €319.9 million) also contributed to the increase in current liabilities in the reporting period. As in the previous year, the company had no short-term bank debt as of the reporting date.

Non-current liabilities were down as of 31 December 2022. These fell by €59.6 million to €374.8 million. This was mainly due to a decrease in provisions for pensions by €84.6 million to €166.6 million. The main reason for this decrease, most of which is accounted for through other comprehensive income, was the higher discount factor in the reporting period. As the end of 2022, the company had non-current bank debt totalling €5.0 million (31 December 2021: €5.1 million).



Krones Group equity ratio (%)

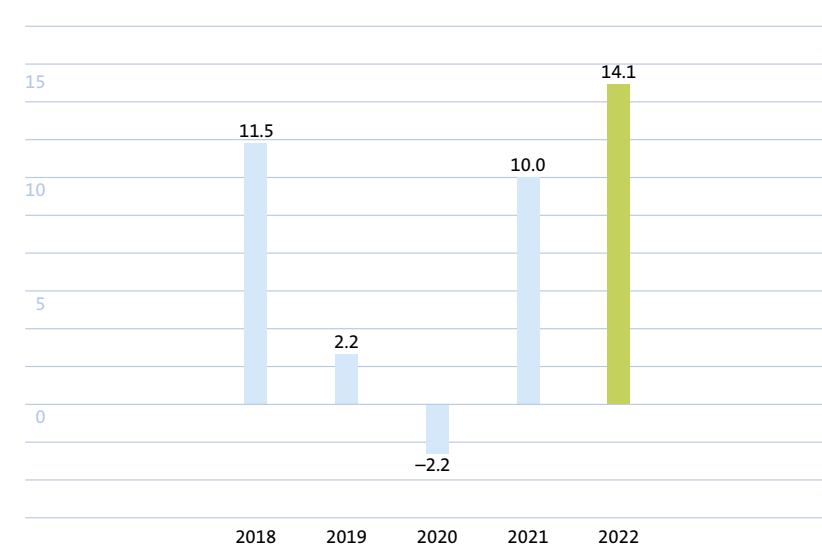


Significant increases in equity, net cash and ROCE

The solid 38.8% equity ratio and €670 million in net cash provide a strong basis for further profitable growth at Krones.

Mainly due to the positive consolidated net income and the reduction in pension provisions, which is accounted for through other comprehensive income, equity increased relative to the 2021 reporting date by €206.5 million to €1,598.1 million. The equity ratio decreased to 38.3% as of 31 December 2022 (31 December 2021: 39.8%) due to the significant increase in total assets. With net cash (cash and cash equivalents less bank debt) of €669.5 million at the end of the reporting period (31 December 2021: €378.3 million), Krones continues to have a very stable and solid financial and capital structure. In addition, Krones had available around €1 billion in unused lines of credit as of 31 December 2022.

Krones Group ROCE (%)



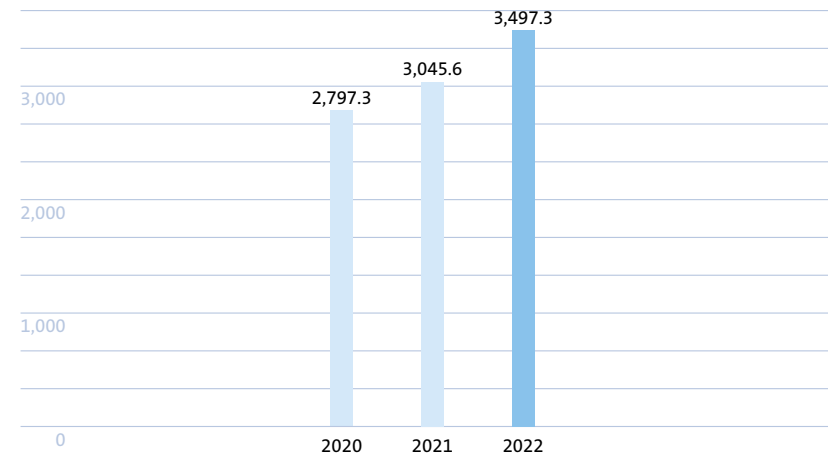
Krones improved return on capital employed (ROCE) – the ratio of EBIT to average net capital employed over the last four quarters – from 10.0% to 14.1% in the reporting period, mainly as a result of the higher EBIT. However, part of the improvement in ROCE was also attributable to the decrease in average working capital while average non-current assets remained stable.



Report from the segments

Filling and Packaging Technology segment

Segment revenue (€ million)

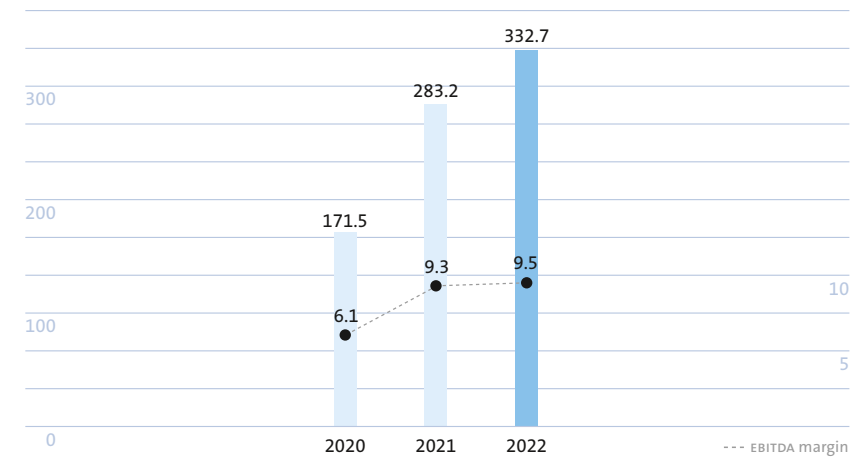


Segment revenue

The core segment's share of consolidated revenue in the reporting period was 83.1% (previous year: 83.8%).

The core segment, Filling and Packaging Technology, grew more strongly than expected in 2022. Revenue went up by 14.8% year on year, from €3,045.6 million to €3,497.3 million. This exceeded the growth forecast of 8% to 10%. The main driver of the strong increase in revenue was the new machinery business, which grew at a disproportionately high rate. This reflects the strong demand in the preceding quarters. In addition, successful management of production and procurement enabled Krones to maintain good overall production capacity utilisation despite the material shortages. Due to long lead times in some cases, the price increases made only a small contribution to growth. Service revenue grew less strongly in 2022 than new machinery revenue, but was also significantly higher than in the previous year.

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



Segment earnings

Core segment profitability benefited in 2022 from the efficiency measures and the high degree of flexibility. As a result, earnings before interest, tax, depreciation and amortisation (EBITDA) in the Filling and Packaging Technology segment increased significantly, despite rising material prices and the challenge of managing with the resource shortages. Segment EBITDA increased by 17.5%, from €283.2 million in the previous year to €332.7 million. It should be noted that EBITDA in 2021 was positively impacted by a total of €17 million in one-off effects on earnings. The EBITDA margin improved to 9.5% in the reporting period (previous year: 9.3%, or 8.7% adjusted for one-off effects on earnings). Krones thus achieved the EBITDA margin of 9% to 10% forecast for the core segment in 2022.

The core segment generated an EBITDA margin of 9.5% in 2022. Adjusted for one-off effects on earnings, the previous year's figure was 8.7%.



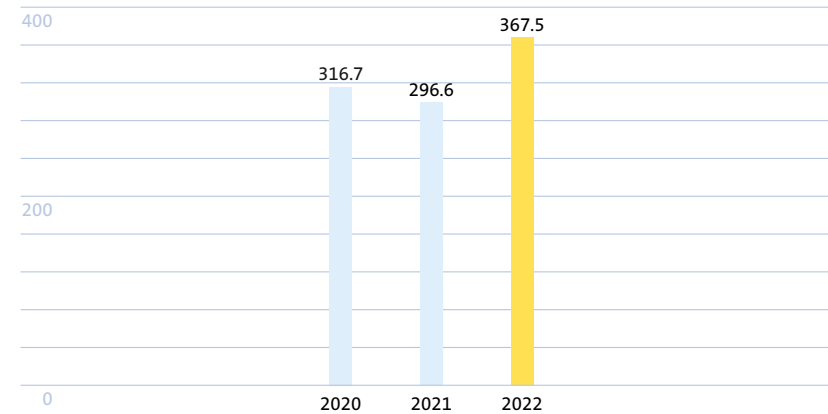
Filling and Packaging Technology segment





Process Technology segment

Segment revenue (€ million)

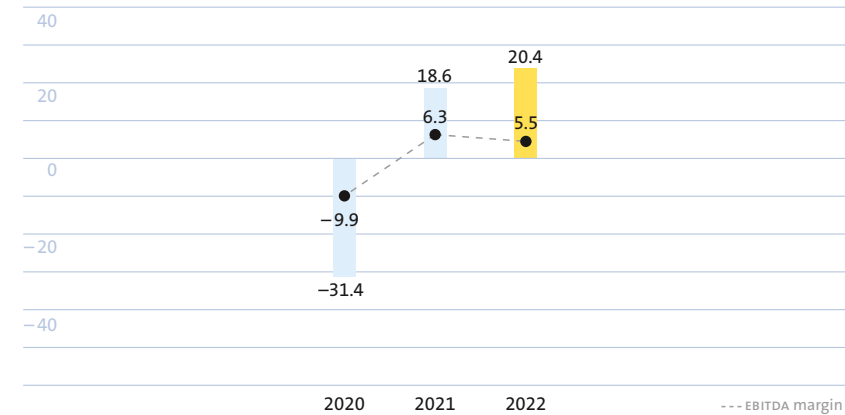


Segment revenue

Revenue in Process Technology increased by 23.9% in 2022, at the upper end of the 20% to 25% guidance range.

In the first three quarters of 2022, business in Process Technology grew at a slightly lower rate than the group total. As forecast, the segment then generated high revenue in the fourth quarter. Fluctuations during the course of the year are not unusual in project-based business. In total, segment revenue increased in 2022 by 23.9% year on year, from €296.6 million to €367.5 million. This is at the upper end of the growth forecast of 20% to 25%. Revenue increased across large parts of the Process Technology product portfolio. The reporting period saw revenue grow both with international breweries and with customers in the non-alcoholic sector. Process Technology's share of consolidated revenue increased in 2022 from 8.2% in the previous year to 8.7%.

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



Segment earnings

The profitability of the Process Technology segment benefited in 2022 from the strategic measures implemented by Krones in 2021. In those measures, we spun off the brewery business into a separate company and streamlined the processes for project-based business. That contributed substantially to the sustained improvement in earnings. Earnings before interest, taxes, depreciation and amortisation (EBITDA) went up from €18.6 million in the previous year to €20.4 million in 2022. This corresponds to an EBITDA margin of 5.5% (previous year: 6.3%). As a result, profitability remained virtually stable in the reporting period and the EBITDA margin was within the 5% to 7% guidance range.

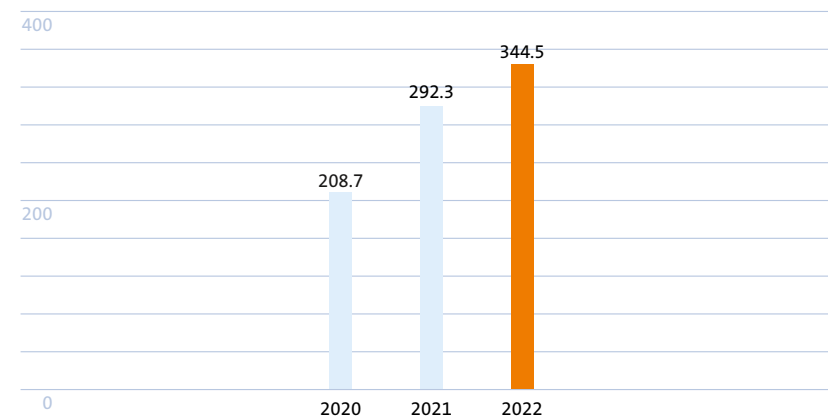
Krones was able to keep profitability in Process Technology virtually stable in 2022 with an EBITDA margin of 5.5%.





Intralogistics segment

Segment revenue (€ million)



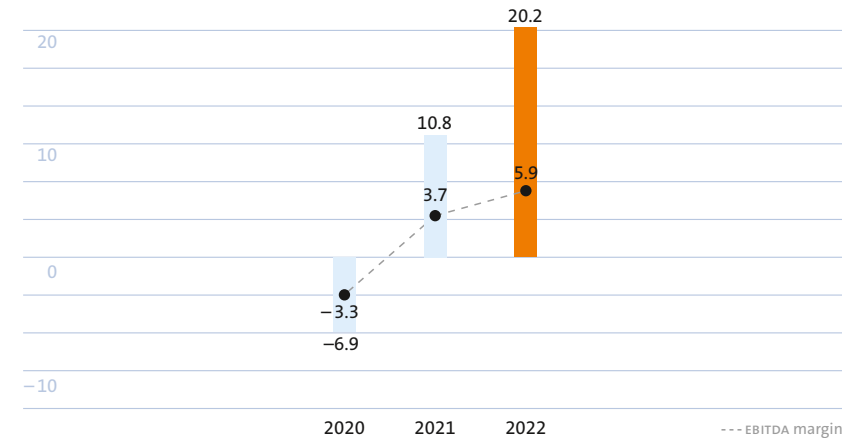
Segment revenue

Revenue in the Intralogistics segment climbed by 17.9% to €344.5 million in 2022, exceeding the growth forecast of 13% to 16%.

Revenue growth was also better than expected in the Intralogistics segment in 2022. From July to December, growth accelerated as forecast. In total, revenue increased by 17.9%, from €292.3 million in the previous year to €344.5 million. The growth forecast for 2022 was 13% to 16%. Krones benefited in the Intralogistics segment from growing demand for innovative automation solutions. The segment contributed 8.2% of consolidated revenue (previous year: 8.0%).

Revenue growth was also better than expected in the Intralogistics segment in 2022. From July to December, growth accelerated as forecast. In total, revenue increased by 17.9%, from €292.3 million

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



Segment earnings

Profitability in the Intralogistics segment improved significantly in the reporting period. Earnings before interest, taxes, depreciation and amortisation (EBITDA) went up by 87.0% year on year, from €10.8 million to €20.2 million. The EBITDA margin consequently rose from 3.7% in the previous year to 5.9%. The forecast for 2022 was 4% to 6%. The good margin growth partly reflects the stable production capacity utilisation in Intralogistics.

At 5.9% in 2022, the EBITDA margin in the Intralogistics segment reached the upper end of the 4% to 6% guidance range.





Overall assessment of **economic position**

The world economy was influenced in 2022 by the consequences of the Russia-Ukraine conflict. Rising energy prices and sharply rising interest rates due to high inflation meant that the global economy did not grow as strongly as expected.

Krones' markets developed well. This benefited the company as a leading full-service supplier to the international filling and packaging industry. Revenue, order intake and earnings increased significantly in 2022 compared with the previous year and Krones met or even exceeded all financial targets.

Revenue grew by 15.8% year on year in 2022, from €3,634.5 million to €4,209.3 million. Krones thus exceeded the upgraded growth target of 10% to 12% published in October 2022 (original target 5% to 8%).

Order intake likewise reflects the very high customer demand for Krones' products and services in the reporting period, rising by 34.0% year on year from €4,316.2 million to €5,782.8 million. The order backlog also grew strongly. At €3,466.4 million, this was 83.1% higher at the end of 2022 than a year earlier (€1,893.0 million).

Krones' profitability also improved in 2022. Wide-ranging efficiency measures and the company's flexibility contributed significantly here. Earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by 19.4% to €373.3 million (previous year: €312.6 million). The EBITDA margin rose to 8.9% (previous year: 8.6%). Excluding one-off effects, the EBITDA margin in 2021 was 8.1%. As forecast, Krones reached the upper end of the EBITDA margin target of 8% to 9% for 2022. On the bottom line, the company generated consolidated net income of €187.1 million in the reporting period, up 32.3% year on year (previous year: €141.4 million).

Krones generated an exceptionally large free cash flow of €371.0 million in 2022 (previous year: €203.3 million). This was significantly influenced by the high order intake and the resulting advance payments from customers. The working capital to revenue ratio improved to 19.0% (previous year: 24.8%). Lower average working capital combined with the higher earnings before interest and taxes (EBIT) had a positive impact on our third target figure, return on capital employed (ROCE). Krones significantly improved ROCE in 2022 to 14.1% (previous year: 10.0%), thus exceeding the target of 10% to 12%.

Due to the exceptionally large free cash flow, the company's net cash (cash and cash equivalents less bank debt) amounted to €669.5 million at the end of 2022, significantly higher than the previous year's figure (€378.3 million). The equity ratio was 38.3% (previous year: 39.8%). Overall, Krones continues to possess a very robust financial and capital structure.

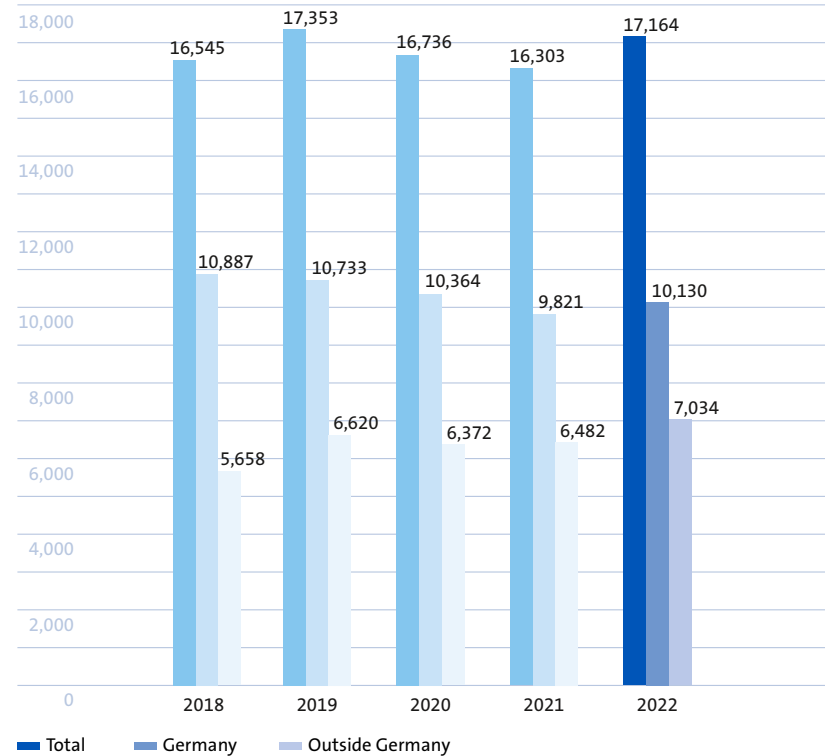
Krones started the 2023 financial year with an extremely large order backlog. At the same time, various uncertainties mean that the business environment remains challenging for Krones. These include geopolitical risks in Europe and other parts of the world, and also high inflation and interest rates in many countries. Material shortages and problems in global supply chains remain a source of uncertainty.

Based on the prevailing macroeconomic outlook and the current expected development of the markets relevant to Krones, the company expects consolidated revenue growth of 8% to 11% in 2023, with an improved EBITDA margin of 9% to 10% and higher ROCE of 15% to 17%.



Krones Employees

Employees by region



Krones employs 17,164 people worldwide – 5.3% more than last year

After workforce adjustments in the last few years, Krones' headcount increased in 2022 for the first time since 2019. The total number of employees grew by 861 or 5.3% to 17,164 – a smaller percentage increase than revenue. This growth is mainly due to the recovery of our international markets. The workforce employed outside Germany thus rose by 8.5%, from 552 to 7,034. In Germany, employee numbers grew by less than the total, with an increase of 309 or 3.1% to 10,130. The international share of the workforce rose in the reporting period to 41.0% (previous year: 39.8%).

After workforce adjustments in the last few years, the number of employees at Krones increased in financial year 2022, rising by 861 to 17,164. This mainly reflects the recovery of our international markets. The international workforce increased to 41.0% of the total (previous year: 39.8%).

Above-average workforce growth in emerging markets

Most of the increase in the international workforce was in emerging economies and in service. The number of employees in emerging markets grew in the reporting year by 326 to 4,459. This meant that 26.0% of the Krones team was employed in emerging economies at the end of the reporting period (previous year: 25.4%).



Employees in the emerging markets 2018–2022

Year	South America	Africa	Asia-Pacific	Eastern Europe	China	Total
2018	637	452	830	507	716	3,142
2019	782	671	1,009	933	792	4,187
2020	778	639	974	922	742	4,055
2021	803	633	959	1,006	732	4,133
2022	871	671	1,023	1,092	802	4,459

Krones significantly expanded the emerging markets workforce in 2022 by 326 or 7.9% to 4,459 employees. That represents 26.0% (previous year: 25.4%) of the total workforce.

The company plans to continue its above-average growth in emerging markets, where Krones has for years generated about 50% of consolidated revenue. Expansion of business activities in emerging markets is part of the company's strategy to achieve its medium-term growth targets. Krones will therefore further increase the proportion of the workforce

in emerging markets in the medium to long term. Attracting more employees for our international locations means that we are closer to customers and can serve them faster – a key competitive advantage.

To ensure a highly qualified and motivated team for the long term, Krones continues to invest heavily in training and employee development. Employees are the heart and face of the company and the basis for Krones' long-term success.



Risk and opportunity report

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

Krones' risk management system

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

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

Krones has additionally integrated sustainability matters into its risk management system. As part of our sustainability management, we review and assess the impact of existing non-financial environmental, social and governance (ESG) risks on Krones' business and sustainability goals.

In essence, risks are defined as potential negative deviations from our earnings forecast for the 2023 financial year. Opportunities are potential positive deviations from our earnings forecast for the 2023 financial year. Because they have comparable selling and procurement markets, the same risks and opportunities essentially also apply to all three of the Krones Group's operating segments.

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

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

Krones presents risks in a three-column table on page 176. This contains the following information: The maximum loss associated with a risk, the likelihood of an event and the financial impact – the latter being the product of the first two factors. Each factor is categorised as either low, medium or high.



The categories are defined as follows:

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

*Based on EBIT



Multi-stage risk management system

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

Risk analysis

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

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

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

Risk monitoring

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

Risk planning and control

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

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



Risk management organisation

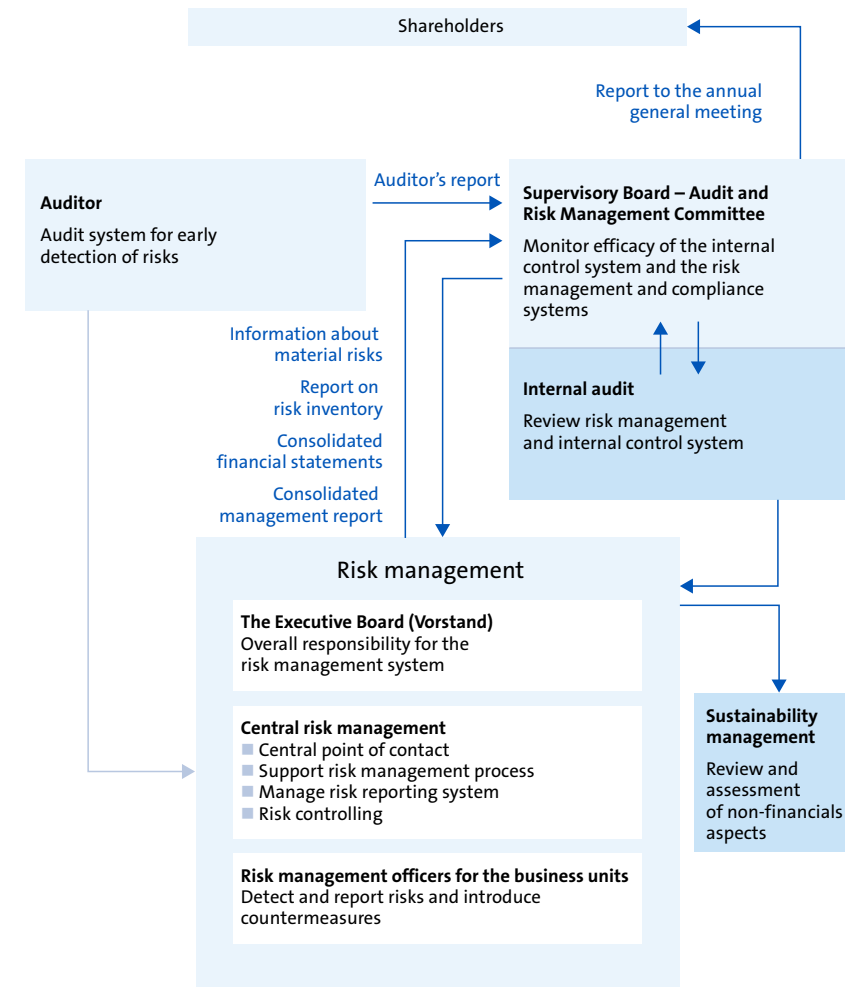
Krones' risk management system is continuously monitored and reviewed. This is governed by clear areas of responsibility and accountability.

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

In addition, in accordance with the Financial Market Integrity Strengthening Act (FISG), the Audit Committee has the right to obtain information directly from the managers in charge of control and monitoring tasks.

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

Risk management organisation at Krones





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

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

Krones has an internal control and risk management system for accounting and financial reporting processes to ensure that all business transactions are always correctly recorded, processed, recognised and included in financial reporting. Krones' internal control and risk management system comprises all principles, methods and measures to ensure that the company's accounting and financial reporting are effective, efficient and proper and in compliance with all relevant regulations and standards.

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

- The duties of the units that are materially involved in accounting and financial reporting processes are explicitly segregated and responsibilities clearly assigned.
- Regular reviews and audits are conducted within the various units, primarily by Controlling.
- Commercial off-the-shelf software is used for accounting and financial reporting as far as possible.

- Special security precautions protect the software and IT systems used for accounting and financial reporting against unauthorised access.
- Sufficient binding policies (e.g. for payments and travel expenses) are in place and updated on an ongoing basis.
- All of the departments involved in the accounting and financial reporting process work constantly to assure the quality of their work.
- Regular spot checks are used to continuously verify the completeness and accuracy of our accounting data.
- The software used in accounting performs programmed plausibility checks.
- We use dual verification for all accounting-related processes.

Appropriateness of the internal control and risk management system

The Audit and Risk Management Committee of Krones' Supervisory Board is involved in the accounting and financial reporting process. This Committee monitors the appropriateness and effectiveness of the risk management and internal control systems, as well as Internal Audit, which regularly reviews the risk management and internal control system. The Executive Board, which has overall responsibility for risk management, has no information or knowledge to suggest that the risk management and internal control system is not appropriate or effective.



Overview and description of material risks

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

Krones classifies the maximum loss, the likelihood of an event and the potential financial impact of material risks into the three risk categories low, medium and



high. Definitions are provided below on page 172.

General business environment and industry-specific risks

General economic risks

As a provider of products and services for the food and beverage industries, Krones is less dependent on economic cycles than other machinery manufacturers. However, the company cannot escape the influence of the general economic situation entirely.

There are a number of macroeconomic uncertainties that could cause the global economy to perform worse than forecast in 2023. Notable macroeconomic risks for Krones include the possibility that the more restrictive interest rate policy of central banks could slow the economy in Europe and the USA more than expected. This would negatively impact demand for our products and services and hence Krones' earnings.

There is additionally a risk of a renewed worsening of the Covid-19 pandemic in certain regions. This would negatively impact the whole economy and also our customers' willingness to invest, and hence also Krones' revenue and earnings.

Risk factors for the global economy also include geopolitical tensions. First and foremost among these is the Russia-Ukraine conflict. It is not currently possible to predict how this will continue. There is a risk that the impact of the conflict on the global economy in 2023 will be greater than experts expect, causing the global economy to perform less well than projected. This would also have negative consequences for Krones' business.



The threat of international trade conflicts and the formation of trade blocs also create general economic uncertainty. There is a risk, for example, of the tensions intensifying between China and the USA, both of which are major economic regions. If global economic growth were to be considerably weaker than expected due to trade conflicts, that would negatively impact Krones' revenue and earnings.

Another macroeconomic risk is the development of the Chinese economy. The tight property market there was already a major drag on the economy in 2022. There is a risk that the problems in the property market will continue or that they will even get worse. This could lead to significant payment and credit defaults and place a heavy burden on the credit and financial sector in China. In the worst-case scenario, this could have a ripple effect throughout the financial markets and lead to a global financial crisis. This would have a significant impact on overall economic development and therefore also have a negative impact on Krones' earnings situation.

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

Industry-specific risks

Krones is exposed to industry-specific risks primarily through the development of the global packaging market and the actions of competitors. The competitive environment could intensify if competitors of Krones attempt to win orders by offering lower prices. We address the resulting risk of loss of market share by further extending our technology leadership. Krones' strong focus on service also sets the company apart from competitors.

There is a fundamental risk of plastic as a packaging material being perceived negatively by the public. Plastic and PET packaging has thus been a subject of in-

creasing debate in recent years, primarily in Europe. Krones generates a large proportion of revenue with products and services connected with this type of packaging.

It cannot be ruled out that the PET debate will intensify and spread to other regions. This could reduce our customers' willingness to invest in plastics technology and thus have a negative impact on Krones' revenue and earnings. Other areas of our business could also come into the focus of social debate. In some regions, for example, there has been criticism of groundwater use by beverage companies. This criticism could additionally have an impact on our customers' investment confidence and hence to a loss of business for Krones.

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

Financial risks

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

1. Default risk

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

1.1 Trade receivables

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



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

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

€ thousand	Carrying amount	of which not overdue at the reporting date	of which overdue by the following number of days at the reporting date			
			up to 90 days	between 90 and 180 days	between 180 and 360 days	more than 360 days
31 Dec 2022 Trade receivables and contract assets	1,574,790	1,438,483	88,496	24,522	21,701	1,588
31 Dec 2021 Trade receivables and contract assets	1,380,271	1,239,730	99,696	23,400	14,298	3,147

1.2 Derivative financial instruments

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

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

1.3 Other financial assets

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

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

2. Liquidity risk

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

Krones generates most funding through operating activities. This funding primarily serves to finance working capital and capital expenditure. Krones manages its liquidity by reserving sufficient cash and maintaining credit lines with banks in addition to the regular inflow of payments from operating activities. The company's liquidity management for operations consists of a cash management system that is based on rolling monthly liquidity planning with a planning horizon of one year. This enables Krones to be proactive about any possible liquidity bottlenecks. Apart from cash on hand, Krones' cash and cash equivalents consist primarily of demand deposits.

The following overview of maturities shows how the undiscounted cash flows relating to liabilities as of 31 December 2022 influence the company's liquidity situation.

€ thousand	Carrying amount at 31 Dec 2022	Cash flow for 2023		Cash flow for 2024–2027		Cash flow for 2027 or later	
		Interest	Repayment	Interest	Repayment	Interest	Repayment
Derivative financial instruments	9,926	0	9,320	0	606	0	0
Liabilities to banks	5,000	30	0	52	5,000	0	0
Trade payables	684,189	0	684,189	0	0	0	0
Liabilities from leases	105,929	401	23,846	2,198	61,912	1,107	20,171
Other financial liabilities	155,122	0	126,348	0	28,774	0	0
Total	960,166	431	843,703	2,250	96,292	1,107	20,171

€ thousand	Carrying amount at 31 Dec 2021	Cash flow for 2022		Cash flow for 2023–2026		Cash flow for 2026 or later	
		Interest	Repayment	Interest	Repayment	Interest	Repayment
Derivative financial instruments	7,397	0	7,397	0	0	0	0
Liabilities to banks	5,098	42	0	82	5,098	0	0
Trade payables	515,141	0	515,141	0	0	0	0
Liabilities from leases	97,424	262	29,626	1,736	51,242	1,202	16,556
Other financial liabilities	96,090	0	83,181	0	12,909	0	0
Total	721,150	304	635,345	1,818	69,249	1,202	16,556

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

3. Interest rate risk

Krones is exposed to risk arising from possible fluctuations in market interest rates. As of the 2022 reporting date, Krones made comparatively minor use of bank borrowings relative to its business volume.

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

4. Currency risk

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

Currency sensitivity analysis

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

31 Dec 2022 € thousand	Currency USD	Currency CAD	Currency CNY	Currency GBP
Consolidated statement of profit and loss	15,134	–9	118	629
Consolidated equity	21,011	1,480	4,386	10

31 Dec 2021 € thousand	Currency USD	Currency CAD	Currency CNY	Currency GBP
Consolidated statement of profit and loss	4,955	304	–309	244
Consolidated equity	10,941	787	2,067	206

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



Operational risks

1. Price risk

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

Krones must generally bear any additional costs that arise. In order to minimise this risk, Krones has introduced a project status report. Any enquiry or order equal to or greater than a specific amount is assessed on the basis of financial, technical/technological, tax, legal and regional risks.

The very high order backlog as of 31 December 2022 provides a good basis for Krones to utilise its production capacities evenly in 2023. The comfortable order cushion strengthens Krones' ability to continue implementing its pricing strategy and thus has a positive effect on price risk.

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

2. Procurement risks

Global supply chains and procurement markets remained tight in 2022. This led to rising prices and temporary material bottlenecks in production at Krones. These mainly involved electronic components. We expect the overall situation in the procurement markets to ease slightly in 2023 and the availability of electronic components to improve from the third quarter. However, procuring enough materials and supplier parts on time remains a major challenge in 2023.

Krones is generally exposed to market price risk relating to its procurement of parts and raw materials for operations. Geopolitical and macroeconomic developments are the primary factors influencing raw material prices. There is a risk that raw material prices will develop to our disadvantage. The company mitigates this risk through targeted procurement management and supply contracts that reduce material commodity price risks. We have factored further price increases into our earnings forecast for 2023. If material procurement costs rise by more than expected, then earnings could be lower than forecast.

We also face risks relating to products, deadlines and quality with regard to suppliers. A specially designed process for supplier selection, monitoring and management helps minimise these risks. Should there nevertheless be temporary supply problems, there would be a risk of production stoppages, which could have a negative impact on Krones' revenue and earnings.

There is also a risk of supply stoppages if suppliers experience gas or energy shortages. To reduce such risks, Krones constantly monitors and analyses the general supply situation.

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

3. Cost risk

Our earnings forecast is based on the assumption that we will achieve cost reductions in 2023 as a result of structural measures such as the expansion of our global footprint in production and procurement. We seek to optimise cost structures along the entire value chain. Krones is exposed to the risk



that these cost savings will be smaller than expected. We mitigate this risk by continually monitoring the projects underway across the company.

In addition, potential risks to projects in progress due to internal or external factors are tracked during project execution and countermeasures taken without delay.

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

4. Personnel risk

As well as in its established businesses, Krones intends to grow more rapidly in particular on the services and digital side. For that purpose, we need highly qualified employees in Germany and abroad. There is a risk that the company will not find enough suitable employees. We will ensure early access to qualified employees through ongoing cooperation with colleges and universities. We regularly employ students pursuing their bachelor's and master's degrees. We also use professional HR consultants. In addition, we continuously improve the qualification level of our workforce with extensive further training and professional development measures.

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

Legal risks

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

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

Environmental and safety risks

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

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

IT risks

All of Krones' material business processes are based on functioning IT systems. The risks here are failure or malfunction of or unauthorised access to critical systems. Such events could result in production stoppages and the loss or misuse of important confidential data.

In general, more and more companies are becoming targets of computer crime, and there are serious cybersecurity risks. Computer crime is frequently based on professional international structures, which makes averting and combating it a major challenge. Krones uses internationally recognised IT security measures to protect against risks relating to cyber-crime and other IT risks. We have redundant IT systems in place for critical business processes.

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



Overview and description of material opportunities

Material opportunities

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

General economic opportunities

General economic opportunities for Krones arise in particular if the global economy performs better in 2023 than has been predicted, for example, by the experts at the International Monetary Fund. We have a strong global footprint and may also benefit if the economy in individual world regions performs better than anticipated. In particular, Krones has considerably strengthened its market position in recent years in the emerging markets in the Asia-Pacific region and in Africa and the Middle East. Additional opportunities would therefore arise for us if the emerging market economies were to grow faster than expected. For the euro area and the US in particular, the experts at the International Monetary Fund project only modest economic growth in 2023. Europe and the US are large and important markets for Krones. If the growth momentum is stronger than expected in these regions, Krones would consequently benefit. In addition, a swift end to the Russia-Ukraine conflict could have positive effects on the global economy and hence also on Krones' business.

Industry-specific opportunities

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

Digitalisation also presents considerable additional sales and revenue opportunities for Krones. Customers expect Krones' smart machines and lines to reduce their operating and labour costs. Krones already has many market-ready products and services in the "digital beverage plant" portfolio and intends to further extend its position in the growth field of digitalisation.

Opportunities arising from acquisitions

Krones strengthened its position in the field of pharmaceutical packaging during the reporting period by acquiring a majority stake in the US company R+D Custom Automation. Acquisitions continue to be a strategic focus for Krones. We are primarily interested in mid-sized companies that strengthen our existing portfolio technologically and regionally, or that expand the range of products and services. A solid financial position and capital structure enable Krones to seize opportunities for external growth. Acquisitions are not included in our earnings forecasts for 2023. External growth could open up opportunities for Krones.



Operational opportunities

1. Selling prices

After a price increase in the 2021 financial year, Krones further increased the prices of all machinery in Filling and Packaging Technology and Process Technology in 2022. Due to the sometimes long delivery lead times, these price increases will have a growing positive impact on earnings in 2023 as time goes on. Price increases remain a strategic focus for Krones. Overall, there is a possibility that higher selling prices will have a faster and stronger impact on Krones' earnings in 2023 than forecast.

2. Procurement prices

Increasingly, the company buys standardised parts and complete assemblies from suppliers. In addition, Krones procures more and more materials locally at the company's locations worldwide and in best-cost countries. The opportunity exists that, overall, we might save more in this way than forecast and thus offset the expected price increases to a greater extent than expected. Additional opportunities will also arise if raw material and other material prices develop more favourably than forecast.

3. Costs

Krones has optimised its cost structure by adopting a range of strategic measures. We have factored in further cost savings in the targeted earnings improvement in 2023. Opportunities arise for Krones if cost savings are larger than planned.

Risks from the Russia-Ukraine conflict

The Russia-Ukraine conflict continues to be a major uncertainty factor. Even one year after it began, it is still unclear how the conflict will develop and how long it will go on for. In addition to macroeconomic risks, Krones may also be exposed to other risks as a result of the Russia-Ukraine conflict.

Krones considers the direct sales risks in connection with the conflict to be low. Before the outbreak of the conflict, Krones generated only 1% to 1.5% of its business volume in Russia and Ukraine. Krones discontinued new business in Russia in 2022, as a result of which the proportion of consolidated revenue fell in the reporting period. Overall, the remaining business in the two countries has a very minor impact on the revenue and earnings forecasts for 2023.

Settlement and payment default risk has been reassessed for outstanding orders with customers in the two countries. This risk was calculated on the assumption of a general risk of default by a number of customers due to the imposed economic sanctions. The resulting risk is calculated at an amount in the low single-digit millions of euros.

Supply chains in the conflict-affected areas could be interrupted or suppliers from the affected areas could fail. As Krones procures virtually no materials or products from suppliers in those regions, the direct impact on procurement risk is considered to be very low.

Krones AG is the shareholder of Krones Ukraine LLC, Kyiv, and Krones o.o.o., Moscow. Krones does not see any material risk in the assessment of the recoverability of the assets in these companies, which account for approximately 0.5% of total consolidated assets.



Summary of risks and opportunities

Viewed from today's perspective, Krones is not exposed to any risks that threaten the company's continued existence.

The company had a very high order backlog as of 31 December 2022. This increases planning certainty and has a positive overall effect on the risk situation. Compared with the previous year, our assessment of the risks and opportunities has essentially changed as follows: The financial impact of general economic and price risks has decreased and that of currency risk has increased.

The main risks remain in the general business environment and in industry-specific risks, financial risks and procurement risks.

In addition, there is risk arising from the Russia-Ukraine conflict. Krones has assessed the conflict's potential impact on the Group. Based on this assessment, Krones has not identified any uncertainties that would cast doubt on the ability of the Krones Group to continue as a going concern.



Events after the reporting period

There were no material events after the reporting period.



Report on **expected developments**

- Moderate growth in global economy forecast for 2023
- Kronos expects further revenue growth in the current year
- Profitability to further increase in 2023

Global economy expected to grow 2.9% in 2023

The ongoing Russia-Ukraine conflict and high inflation will continue to burden global economic growth in 2023. According to the IMF, the euro area economy will remain weak (with growth of 0.7%), while China is expected to grow strongly (by 5.2%) in 2023.

In January 2023, the International Monetary Fund (IMF) forecast global economic growth of 2.9% for 2023. This means that the recovery will continue to lose momentum compared with 2022 (growth of 3.4%). The Russia-Ukraine conflict and interest rate hikes to combat high inflation remain negative factors for the current year. However, the experts' forecast has improved slightly compared to October 2022

(growth of 2.7%). Their slightly more upbeat view now is based on stable private consumption in industrialised countries and a slight easing of supply and material shortages. China's growth prospects have also improved following the lifting of the country's strict Covid policy at the end of 2022.

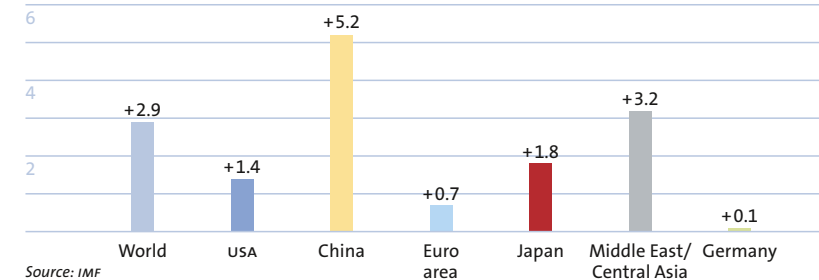
The IMF economists see downside risks to the growth forecast among other things in an escalation of the Russia-Ukraine conflict and persistently high inflation. This would force central banks to raise interest rates, triggering financial market upheavals and negative repercussions for the global economy. In addition, as far as China is concerned, the continuation of the Covid pandemic and problems in the financial sector could slow down the expected growth trend and cause the Chinese economy to lose power as a growth engine.

For the **industrialised countries**, the IMF expects GDP growth to fall sharply, from 2.7% last year to 1.2% in 2023. With Europe hit hard by the Russia-Ukraine conflict, the IMF forecasts growth of just 0.7% for the euro area. Germany will lag

behind with growth of just 0.1%. The IMF expects the US economy to grow by 1.4% in 2023. Thanks to continued low interest rates and a weak yen, Japan is likely to be one of the fastest-growing industrialised economies in 2023. The IMF's forecast is for growth of 1.8%.

According to IMF estimates, growth in the **emerging and developing countries** will improve slightly to 4.0% in 2023 (2022: 3.9%). The main drivers are India and China. For the Chinese economy, the IMF forecasts above-average GDP growth of 5.2% in 2023, following a very weak previous year (2022: 3.0% growth). The key factor behind the upturn in growth is the significant easing of Covid policies and the resulting avoidance of large-scale lockdowns and production stoppages.

Percentage GDP growth in 2023 (forecast)

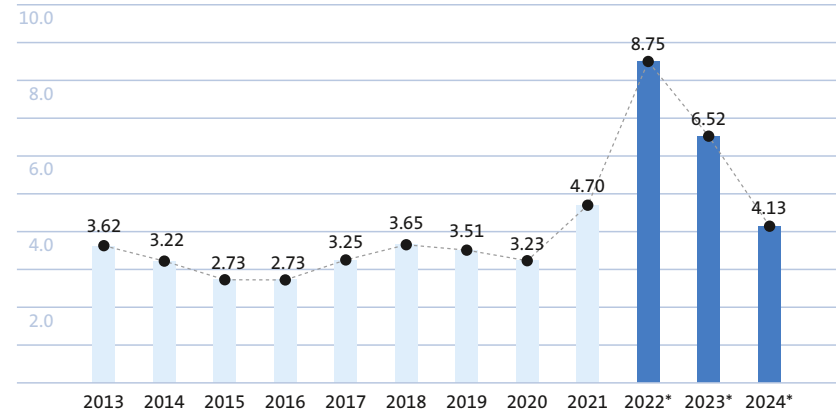


As in the previous year, India is expected to record the strongest growth among the emerging markets, with an increase of 6.1%. The IMF expects less dynamic growth in the Middle East/Central Asia region. There, the experts expect GDP to grow by only 3.2% (2022: 5.3%), with growth slowing significantly due to the lower oil price, especially in Saudi Arabia. In Latin America, the economy is expected to grow by just 1.8% in 2023.



Krones' customers benefiting from stable consumption

Global inflation rate 2013 to 2021 and forecast to 2024, in %



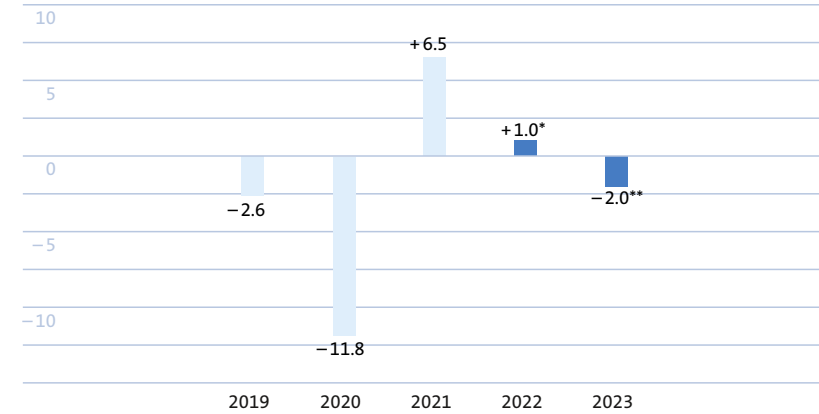
* Forecast

Source: Statista 2023

Consumer spending is a key determinant of Krones customers' propensity to invest, and thus of demand for beverage filling and packaging machinery. Low unemployment and moderate inflation rates have a positive effect on consumer purchasing power. They thus support demand for packaged food and beverages and indirectly influence demand for our company's products and services. With low unemployment continuing and inflation back down compared to 2022, we expect overall consumer and customer demand to be stable in 2023, especially given that consumer spending has been a growth driver in many countries, even in the difficult year of 2022. According to Global Data figures, global consumption of packaged beverages, which is important to our customers, is expected to grow by 3.8% in 2023.

Positive outlook for the machinery sector

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



* Estimate **Forecast

Source: Germany's Federal Statistical Office, vDMA

The German Mechanical Engineering Industry Association (VDMA) expects that high inflation, the Russia-Ukraine conflict, material shortages and supply chain problems will continue to impact the industry.

The German Mechanical Engineering Industry Association (VDMA) expects rising sales of food processing and packaging machinery in 2023.

However, the machinery sector coped well with these challenges in 2022, with output growth estimated at 1%. The VDMA is therefore cautiously optimistic for 2023 and expects the value of machinery and equipment produced this year to fall by only 2% compared with last year – a moderate shortfall compared with past crises. It should be noted here that the various subsectors of the industry are developing at very different rates. For the food processing and packaging machinery subsector relevant to Krones, the VDMA expects growth in 2023.



Good overall prospects for positive business performance in 2023

Krones is optimistic overall going into the 2023 financial year. The reason for this is sustained high demand for Krones' products and services – despite only slow economic growth.

There are still risks for the global economy and thus also for Krones' business performance. 2023 will be characterised by relatively high inflation and interest rates and by economic and political uncertainties. For example, it is difficult to predict how the Russia-Ukraine conflict will develop and what impact it will have on the global economy. If these risks do not have a greater impact on the economy than is currently expected, there should be no negative effect on Krones' order intake from customers, and investment confidence in the beverage industry will remain at a good level. However, Krones' order intake in 2023 will be below the very high level of last year, which was partly influenced by catch-up effects.

Overall, we therefore expect the global market for filling and packaging equipment, along with selling prices, to develop positively in 2023. Demand on the markets overall will nevertheless return to normal compared with the extremely good year in 2022. Competition in our markets and cost pressures will again remain strong this year.

The medium and long-term outlook remains positive. Consumer demand for packaged beverages and liquid foods is growing steadily, driven by a number of megatrends such as the growing world population. The focus on sustainability and digitalisation is likewise driving demand for innovative beverage filling and packaging machinery.

Because they share comparable sales and procurement markets, the economic, sectoral and company-specific outlook essentially applies to all three segments of the Krones Group.

All segments to grow with increasing profitability in 2023

This year, in addition to the price increases, Krones will continue to implement the measures already initiated to optimise cost structures and enhance efficiency in all three segments. That is essential in order to counter rising material and labour costs throughout the group.

In addition, we aim to exploit growth opportunities in our market throughout the group with innovations and future-ready products and services. Our focus here is on the areas of sustainability, digitalisation and system solutions. Acquisitions are an option in all segments to complement our technological and regional strengths and enhance our customer focus.

This year, too, Krones will keep sales prices in line with the market and adhere strictly to the established pricing strategy. The goal is to increase profitability in all segments, supported by higher revenue.

Filling and Packaging Technology segment

	Guidance for 2023	2022 actual	Revised guidance for 2022**	Guidance for 2022*
Revenue growth	7–9%	14.8%	8–10%	5–7%
EBITDA margin	9–11%	9.5%	9–10%	9–10%

* From the report on expected developments in the 2021 management report

** From the report on expected developments in the quarterly statement for the period 1 January to 30 September 2022

In the core segment, **Filling and Packaging Technology**, Krones will continue to streamline internal structures and processes while at the same time expanding its global footprint. On the one hand, it will expand production in Hungary and China together with the related supply chains. On the other, we will strengthen our global service network by selective recruitment from the relevant regions. Our service business will also benefit this year from the increasing use of digital solutions.

The strong trend among our customers towards sustainable production with lower carbon emissions will also support growth. Krones is ideally positioned here with its resource-saving enviro products and sustainable PET solutions, including PET recycling. In addition, Krones will make use of its line expertise to consolidate and expand its market position with regard to efficient, reliable, high-performance filling and packaging lines for all three container types, including in aseptics.

For the core segment in 2023, Krones expects 7% to 9% revenue growth. The EBITDA margin is expected to be around 9% to 11%.

Process Technology segment

	Guidance for 2023	2022 actual	Revised guidance for 2022**	Guidance for 2022*
Revenue growth	15–20%	23.9%	20–25%	10–15%
EBITDA margin	6–7%	5.5%	5–7%	5–7%

* From the report on expected developments in the 2021 management report

** From the report on expected developments in the quarterly statement for the period 1 January to 30 September 2022

In addition to the brewery and soft drinks sectors, the **Process Technology** segment is focusing on further developing new markets, such as energy-efficient solutions for beverage production and technologies for the production of alternative proteins. Expansion of the after-sales and components business is expected to make an additional contribution to growth and earnings.

In 2023, the Process Technology segment is expected to increase revenue by between 15% and 20% year on year and earn an EBITDA margin of 6% to 7%.

In this segment as elsewhere, Krones is benefiting substantially from the trend among our customers towards sustainable and economical production. Krones is well positioned here with its energy-efficient solutions for beverage production and handling.

We will further optimise cost structures in Process Technology by further streamlining and digitalising processes and structures, and by better interconnecting our global units.

Overall, Krones forecasts revenue growth of 15% to 20% for the Process Technology segment in 2023, with an EBITDA margin of around 6% to 7%.



Intralogistics segment

	Guidance for 2023	2022 actual	Revised guidance for 2022**	Guidance for 2022*
Revenue growth	10–15%	17.9%	13–16%	8–13%
EBITDA margin	6–7%	5.9%	4–6%	4–6%

* From the report on expected developments in the 2021 management report

** From the report on expected developments in the quarterly statement for the period 1 January to 30 September 2022

Intralogistics is also benefiting from the sustainability megatrend. More and more, customers demand automation solutions and products that reduce labour and thus increase employee safety. Regionally, Intralogistics mainly plans to expand its presence in the dynamically growing Asian market. A shift in the product mix towards automated picking systems and autonomous mobile robots is also expected to improve the segment's profitability.

For 2023, Krones plans to achieve above-average growth in Intralogistics, with a further improvement in profitability. Revenue is expected to grow by 10% to 15%, with an EBITDA margin of 6% to 7%.

Krones aims to further increase revenue, the EBITDA margin and ROCE for the group in 2023

Krones aims to further increase the three financial key performance indicators revenue, EBITDA margin and ROCE in 2023.

Krones started the 2023 financial year with an extremely large order backlog. At the same time, various uncertainties mean that the business environment remains challenging for Krones. These include geopolitical

risks in Europe and other parts of the world, and also high inflation and interest rates in many countries. Material shortages and problems in global supply chains remain a source of uncertainty. However, we expect that the situation on the procurement markets relevant to Krones may ease slightly in the second half of 2023.

Based on the prevailing macroeconomic outlook and the current expected development of the markets relevant to Krones, the company expects consolidated revenue growth of 8% to 11% in 2023.

With increasing revenue and continued implementation of the cost optimisation measures, Krones aims to improve profitability again this year compared to 2022. Thanks to the company's innovative solutions and good project work with customers, Krones succeeded in implementing price increases in 2022. The higher prices will enable the company to offset future cost increases. For 2023, the company is forecasting an EBITDA margin of 9% to 10% at group level.

For the third performance target, return on capital employed (ROCE), Krones expects an increase this year to between 15% and 17%.

Krones Group

	Guidance for 2023	2022 actual	Revised guidance for 2022**	Guidance for 2022*
Revenue growth	8–11%	15.8%	10–12%	5–8%
EBITDA margin	9–10%	8.9%	8–9%	8–9%
ROCE	15–17%	14.1%	10–12%	10–12%

* From the report on expected developments in the 2021 management report

** As per ad-hoc disclosure of 19 October 2022



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

Pursuant to Section 4 (1) of the articles of association, the subscribed capital (share capital) of Kronen Aktiengesellschaft as of 31 December 2022 amounted to €40,000,000.00 and was divided into 31,593,072 ordinary bearer shares each representing a notional €1.27 of share capital. With the exception of treasury shares, from which the Company has no rights, all shares carry the same rights and obligations. Kronen held no treasury shares as of 31 December 2022. Shareholders' rights and obligations arising from shares follow from statutory provisions of the Stock Corporation Act (AktG), primarily Sections 12, 53a et seq., 118 et seq., 133 et seq. and 186 AktG.

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

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

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

To the knowledge of the Executive Board, the following agreement exists, or existed in the 2022 financial year, that may be considered a restriction within the meaning of Section 289a sentence 1 no. 2 and Section 315a sentence 1 no. 2 HGB: Mr. Harald Kronseder, Mr. Gunther Kronseder, Harald Kronseder Holding GmbH, Neutraubling, Beteiligungsgesellschaft Kronseder mbH, Neutraubling, VMAX Familienstiftung, Neutraubling, Ms. Nora Diepold (née Kronseder) and Mr. Leopold Kronseder are parties to a pool agreement. The members of the pool agreement have established a civil-law partnership ("Familie Kronseder Konsortium"), the purpose of which is to ensure, by means of uniform decision-making by the shareholders and uniform exercise of voting rights in general meetings of Kronen Aktiengesellschaft and by restricting the ability for the shares in Kronen Aktiengesellschaft bound in the pool agreement to be sold at will, (a) the influence of the shareholders (and in particular the influence of the Kronseder family) and their legal successors, (b) the continuation of Kronen Aktiengesellschaft in a scope comparable to the overall business situation at the time of signing the pool agreement (comparable revenue, comparable order volume, comparable operating assets, comparable size of workforce) and (c) that the company retains the character of a family-owned company.

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

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



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

	Total share of voting rights
Familie Kronseder Konsortium	52.2%

Changes to the shareholdings listed above that are not required to be reported to the company may have occurred since the specified date (31 December 2022). Because the company's shares are bearer shares, the company is generally only aware of changes in shareholdings if the changes are subject to reporting requirements.

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

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

Such amendments are to be adopted by resolution of the annual general meeting (Section 119 (1) No. 6 and Section 179 (1) AktG). Unless mandatory provisions of law stipulate otherwise, resolutions of the annual general meeting are made with a simple majority of votes cast or, in cases in which the law prescribes a majority of shares in addition to a majority of votes, with a simple majority of the share capital represented in the vote. Accordingly, in derogation from Sec-

tion 179 (2) sentence 1 AktG, resolutions of the annual general meeting amending the articles of association also require, in addition to a simple majority of votes, a majority of the share capital represented in the vote, unless a larger majority is prescribed by law. The Supervisory Board is authorised to make amendments that affect only the wording of the articles of association (Section 179 (1) sentence 2 AktG in conjunction with Section 13 of the articles of association). In addition, the Supervisory Board is authorised by resolution of the annual general meeting of 17 May 2021 to amend the articles of association in accordance with any utilisation of Authorised Capital 2021 and upon expiry of the term of the authorisation for the utilisation of Authorised Capital 2021.

By resolution of the annual general meeting of 17 May 2021, the Executive Board is authorised to increase the company's share capital, with the approval of the Supervisory Board, by up to €10 million (Authorised Capital 2021) through the issuance on one or more occasions of new ordinary bearer shares against cash contributions up to and including 16 May 2026. Shareholders must normally be granted subscription rights to these shares. The Executive Board is authorised to exclude shareholders' subscription rights, with the approval of the Supervisory Board, for any fractional amounts that may arise. Moreover, the Executive Board is authorised to determine the further details of the capital increase and its implementation, in both cases with the approval of the Supervisory Board.

The Executive Board is authorised to repurchase treasury shares and to sell repurchased shares in the cases stipulated on by law in Section 71 AktG. By resolution of the annual general meeting of 13 June 2018, the Executive Board is authorised, with the approval of the Supervisory Board, up to and including 12 June 2023, subject to compliance with the principle of equal treatment (Section 53a AktG), to buy treasury shares totalling up to 10% of the company's share capital at the time that the resolution was adopted or, if smaller, at the time that the authorisation is exercised. The amount of shares purchased



under this authorisation, together with other treasury shares that the company has already acquired or still holds or shares that are attributable to the company under Sections 71d and 71e AktG, may at no time exceed 10% of the company's share capital at the time. The authorisation may be exercised once or multiple times, either in whole or in part, in pursuit of one or multiple purposes, by the company, by group companies or by a third party acting on the company's behalf or on behalf of group companies. The authorisation may not be used for the purpose of trading in the company's shares.

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

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

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

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

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

Shareholders' statutory subscription rights to such shares are excluded to the extent that the shares are used in exercise of the authorisations set out above under 2) to 4) inclusive or, in the case of sales of treasury shares to all shareholders, to the extent necessary to avoid fractional amounts.

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

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

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



Dependency report

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

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

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



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



Neutraubling, 15 March 2023
Krones AG

The Executive Board

Christoph Klenk
CEO

Uta Anders
CFO

Thomas Ricker
CSO

Markus Tischer

Ralf Goldbrunner



3

CORPORATE GOVERNANCE STATEMENT

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Krones is committed to sustainability and responsibility

Corporate governance relates to corporate management and control on the basis, in fact and in law, of responsibility and sustainability. Krones takes the principles and rules of corporate governance into account in all business activities. In the Corporate Governance Statement, the Krones Executive Board and Supervisory Board report on the company's corporate governance in accordance with Sections 289f and 315d of the German Commercial Code (HGB) and Principle 23 of the German Corporate Governance Code in the version dated 28 April 2022.

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

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

1. The last Declaration of Compliance was made in January 2022. Krones Aktiengesellschaft has since complied with the recommendations of the Government Commission on the German Corporate Governance Code established by the German federal government regarding the management and supervision of German listed companies as amended on 16 December 2019, in accordance with the German Corporate Governance Code published on the Internet (hereinafter the Code), with the following exceptions:
 - Recommendation D.5 is not complied with. This calls for the formation of a Nomination Committee, composed exclusively of shareholder representatives, which names suitable candidates to the Supervisory Board for the latter's proposals to the general meeting.
 - Recommendation G.10 is not complied with. This calls for Executive Board members' variable remuneration, taking their respective tax burden into consideration, to be predominantly invested in company shares or to be granted predominantly as share-based remuneration. Granted long-term variable remuneration components are to be accessible to Executive Board members only after a period of four years.
 - Recommendation G.17, under which appropriate account is to be taken of the larger time commitment of the chairs of Supervisory Board committees, is not complied with.



2. On 28 April 2022, the Government Commission on the German Corporate Governance Code presented a new version of the German Corporate Governance Code, which entered into force on 27 June 2022 on publication by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette. The Executive Board and Supervisory Board of Kronos Aktiengesellschaft declare that Kronos Aktiengesellschaft complies with the recommendations and will continue to do so in the future, with the following exceptions:

Recommendation D.4 is not complied with. This calls for the formation of a Nomination Committee, composed exclusively of shareholder representatives, which names suitable candidates to the Supervisory Board for the latter's proposals to the general meeting.

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

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

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

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

The Supervisory Board is of the opinion that, given the size of the committees, the current additional remuneration paid to members of Supervisory Board committees is also appropriate for the committee chairs. This does not apply, however, to the Chairman of the Audit and Risk Management Committee.

Neutraubling, January 2023

For the Executive Board:

For the Supervisory Board:

Christoph Klenk
Chairman of the Executive Board

Volker Kronseder
Chairman of the Supervisory Board



Objectives of the Supervisory Board

Pursuant to Recommendation C.1 of the German Corporate Governance Code (the Code), the Supervisory Board must specify concrete objectives relating to its composition and develop a profile of skills and expertise for the Supervisory Board as a whole. While doing so, the Supervisory Board must take the principle of diversity into account. The profile of skills and expertise for the Supervisory Board is also required to include expertise regarding sustainability issues relevant to the enterprise.

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

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

The Supervisory Board of Krones AG shall be composed in such a way that its members possess the knowledge, skills and professional experience required to properly complete the tasks of a member of the Supervisory Board of an international corporation and to preserve Krones AG's public reputation. Sustainability has a high priority at Krones and forms an important part of our corporate strategy. The Supervisory Board therefore needs to have suitable knowledge of the sustainability issues that are material to Krones.

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

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

b) Diversity

The Supervisory Board of Krones AG takes diversity into account in the selection of its members. Under Germany's Act on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors, which entered into force on 1 May 2015, at least 30 percent of Supervisory Board seats at Krones must be held by women and men, respectively. Employee and shareholder representatives on the Supervisory Board of Krones AG have decided that each group will meet the gender quota separately. In accordance with the law and the articles of association, the Supervisory Board of Krones AG comprises eight shareholder representatives and eight employee representatives. Thus, the Supervisory Board should have at least two female employee representatives and at least two female shareholder representatives. There are three female shareholder representatives on the Supervisory Board: Nora Diepold, Petra Schadeberg-Herrmann and Prof. Dr. Susanne Nonnast. The Supervisory Board has two female employee representatives, Dr. Verena Di Pasquale and Beate Eva Maria Pöpperl.

c) Independence of members

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

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



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

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

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

In accordance with Recommendation C.10 of the Code, the Chair of the Supervisory Board, the Chair of the Audit Committee and the Chair of the committee that addresses Executive Board remuneration are to be independent of the company and of the Executive Board. The Chair of the Audit Committee is also required to be independent of the controlling shareholder. Krones Aktiengesellschaft fully complies with Recommendation C.10 of the Code.

d) Age limit

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

Supervisory Board member Hans-Jürgen Thaus has already reached the age of 70. His term of office did not end at the end of general meeting following his 70th birthday. Reasons: From his many years as Chief Finance Officer and Deputy Chairman of the Executive Board of Krones AG, Mr. Thaus has outstanding knowledge of the market and the company. With his expertise and experience, he makes a valuable contribution to the efficient supervision of the Executive Board and to Krones' success. There are also no personal grounds relating to Mr. Thaus, such as availability, that speak against making a departure from the age limit. The Supervisory Board had no objections to this departure from the rules of procedure.



Status of implementation of the Supervisory Board's objectives

According to Recommendation C.1 of the German Corporate Governance Code, the status of implementation of the Supervisory Board's objectives is to be disclosed in the form of a qualification matrix. We comply with this recommendation as follows:

Status of implementation of the profile of skills and expertise: shareholder representatives

	Volker Kronseder	Nora Diepold	Robert Friedmann	Susanne Nonnast	Norbert Samhammer	Petra Schadeberg- Herrmann	Hans-Jürgen Thaus	Matthias Winkler
Term of membership								
Member since	15 June 2016	17 May 2021	13 June 2018	15 June 2016	13 June 2018	15 June 2011	25 June 2014	13 June 2018
Diversity								
Year of birth	1953	1988	1966	1969	1959	1967	1949	1975
Gender	Male	Female	Male	Female	Male	Female	Male	Male
Nationality	German	German	German	German	German	German	German and Austrian	German
Personal suitability								
Independence ¹	–	–	x	x	x	x	x	x
No overboarding ^{1,2}	x	x	x	x	x	x	x	x
Professional								
Corporate control ³	x	x	x	x	x	x	x	x
Accounting	x	x	x	–	x	x	x	x
Human resources ⁴	x	–	x	x	x	x	x	x
Legal/compliance	x	x	x	x	x	x	x	x
Financing	x	x	x	–	x	x	x	x
Sustainability	x	x	x	x	x	x	x	x
Digitalisation	x	–	x	x	x	–	x	x
International experience								
	x	–	x	x	x	x	x	x

¹⁾ As defined by the German Corporate Governance Code (the Code); ²⁾ No overboarding: compliance with the permissible number of supervisory board mandates as defined by the Code; ³⁾ Covers key areas such as organisation, risk management and strategy; ⁴⁾ Covers key areas such as human resources management and development
x: fulfilled; –: not fulfilled



Status of implementation of the profile of skills and expertise: employee representatives

	Josef Weitzer	Oliver Grober	Thomas Hiltl	Markus Hüttner	Verena Di Pasquale	Beate Eva Maria Pöpperl	Stefan Raith	Jürgen Scholz
Term of membership								
Member since	1 January 2007	13 June 2018	13 June 2018	1 July 2020	25 June 2014	20 June 2017	1 January 2022	20 June 2007
Diversity								
Year of birth	1970	1969	1965	1972	1965	1969	1972	1961
Gender	Male	Male	Male	Male	Female	Female	Male	Male
Nationality	German	German	German	German	German and Italian	German	German	German
Personal suitability								
No overboarding ^{1,2}	x	x	x	x	x	x	x	x
Fachliche Eignung								
Corporate control ³	x	x	x	x	x	x	x	x
Accounting	x	x	x	–	x	–	x	x
Human resources ⁴	x	x	x	x	x	x	x	x
Legal/compliance	x	x	x	x	x	x	x	x
Financing	x	–	–	–	–	–	–	x
Sustainability	x	–	–	x	x	x	x	x
Digitalisation	x	–	–	x	x	–	x	x
International experience	–	–	–	–	–	–	x	–

¹⁾ As defined by the German Corporate Governance Code (the Code); ²⁾ No overboarding: compliance with the permissible number of supervisory board mandates as defined by the Code; ³⁾ Covers key areas such as organisation, risk management and strategy; ⁴⁾ Covers key areas such as human resources management and development
x: fulfilled; –: not fulfilled



Information on the length of service of Supervisory Board members

The Supervisory Board has not set a cap on the duration of Supervisory Board membership. We believe that such a cap does not make sense because the expertise of experienced Supervisory Board members should remain available to the company. The Supervisory Board of Krones will continue to examine the suitability of Supervisory Board members on an individual basis, regardless of how long members have already been on the board. The terms of membership of the current shareholder representatives and employee representatives on the Supervisory Board is shown in the qualification matrices (see pages 201 and 202, “Status of implementation of the Supervisory Board’s objectives”).



Information on corporate governance practices

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

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

Krones continues to revise and expand its Compliance Management System on an ongoing basis. As part of the compliance risk analysis in 2022, for example, the company introduced mandatory self-disclosure for the managing directors

of all of its national and international entities. This is a written questionnaire in which managers provide their responses on important compliance topics such as corruption and the internal control and risk management system.

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



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



Sustainability is integral to Krones’ corporate strategy and corporate governance practices. It is also in the strategic focus of our new target vision, “Solutions beyond tomorrow”. We review all activities for sustainability and for whether they meet the sustainability goals defined by Krones, including not only our social and economic responsibilities but also the environmental impact of the manufacture and use of our products. Krones maintains eco-friendly production operations and not only complies with statutory regulations but makes every effort to remain as far as possible below prescribed limits.



In order to obtain objective confirmation both for itself and for stakeholders, Krones had the climate strategy that it adopted in 2020 reviewed by the independent Science Based Targets initiative (SBTi). The findings confirm that the Group is on the right track from a science-based perspective. According to SBTi, Krones' climate targets contribute to limiting greenhouse effect-driven global warming to 1.5 degrees Celsius. They were thus rated as ambitious and effective – and officially declared to be science-based targets. In addition, Krones made a commitment to the Science Based Targets Initiative (SBTi) in October 2022 to declare, and have validated by SBTi, a net-zero emissions target to be achieved by no later than 2050.

To communicate its commitment to ethical business issues to the outside world, Krones has been a member of the United Nations (UN) Global Compact ever since 2012. The UN Global Compact lays down globally applicable principles relating to human rights, labour, the environment and anti-corruption and requires companies to comply with them. The text of the UN Global Compact and related information are available at www.unglobalcompact.org.



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

When choosing our suppliers, we look at their performance with respect to sustainable, socially responsible business practices. For this purpose, Krones has developed a Supplier Code, which was revised in 2020. It now covers the subjects of acting in accordance with the law and ethical principles, handling knowledge and information, social responsibility, and commitment and monitoring. The previous topics of safety and health, the environment, working conditions and compliance are included under the revised headings. In addition,

selected suppliers are subject to regular quality and social audits to verify that they meet the standards required by Krones. This applies not only to the suppliers themselves, but also increasingly with regard to their supply chain.

The Supplier Code is available at www.krones.com/en/company/responsibility/compliance.php.



Information on corporate governance practices is also contained in Krones' Non-financial Statement see page 81 to 137), which can be also accessed at <https://www.krones.com/en/company/responsibility/downloads.php>.



Diversity policy and succession planning for the Executive Board

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

- The Supervisory Board has set a standard age limit for members of the Executive Board. The standard age limit is 62 years. The Supervisory Board also gives due consideration to ensuring a balanced age structure.
- At least two members of the Executive Board are required to have a technical/engineering background. At least two members are required to have international management experience. The Executive Board as a whole is required to represent the best possible composition for the Krones Group, its core business and all stakeholders.



- On the basis of the all-male composition of the Executive Board in the 2022 financial year, the percentage of women on the Executive Board in the reporting period was 0%. With effect from January 1, 2023, the Supervisory Board appointed Uta Anders to succeed Norbert Broger as CFO of Krones AG. The company thus complies with the requirements of Section 76 (subsection 3a) of the German Stock Corporation Act. Under the company's diversity policy, women with comparable qualifications are given priority consideration for any openings on the Executive Board.
- The Supervisory Board has set the contract term for first-time appointees to Executive Board positions at three years.

Duties and activities of the Executive Board and the Supervisory Board



The Executive Board of Krones AG consisted of five members in the 2022 financial year. Members of the Executive Board are each responsible for their respective Executive Board portfolio (see pages 37 and 268). The Executive Board manages the company and its affairs. The members of the Executive Board hold regular Executive Board meetings. At these meetings, the Executive Board discusses current and strategic topics and makes decisions. For strategically important decisions, the Executive Board involves the Supervisory Board in the decision-making process in a timely manner. The work of the Executive Board, in matters such as the majority required for resolutions and transactions that require Supervisory Board approval, is governed by rules of procedure for the Executive Board that are issued by the Supervisory Board.

The Supervisory Board oversees the Executive Board. In accordance with the articles of association, the Supervisory Board has 16 members. The Executive Board and the Supervisory Board communicate on a regular basis. The Executive Board informs the Supervisory Board in a timely manner about business development, the company's financial situation, risk management, business

forecasts and strategy. In addition to regular oral reports, the members of the Supervisory Board receive written reports on the company's earnings and financial situation from the Executive Board each month.

The Chairman of the Supervisory Board coordinates the work of the Supervisory Board (see pages 44, 45 and 268 for a listing of the members). The Chairman or Deputy Chairman presides over Supervisory Board meetings.



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

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

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

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

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

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



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

In accordance with Recommendation D.3 of the German Corporate Governance Code, we provide the following information:

Hans-Jürgen Thaus (Chairman of the Audit and Risk Management Committee), as former CFO of Kronos AG, and Matthias Winkler (tax advisor and partner in an accounting firm) have the required necessary expertise in accounting and auditing.

Composition, duties and activities of the Standing Committee

The Standing Committee consists of Chairman of the Supervisory Board Volker Kronseder, his deputy Josef Weitzer, Markus Hüttner and Prof. Dr. Susanne Nonnast. Volker Kronseder chairs the committee. The Standing Committee meets regularly and deals with all topics that do not fall within the scope of the Audit and Risk Management Committee.

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

Self-assessment of the work of the Supervisory Board

The Supervisory Board provides the following information pursuant to Recommendation D.12 of the German Corporate Governance Code: The Supervisory Board regularly assesses the effectiveness of the work of the Supervisory Board as a whole and of its committees. Among the criteria applied are the topics of organisation, information, and communication within the Supervisory Board and the committees. Questionnaires are also used as part of the self-assessment. The last self-assessment was carried out in 2021 without external support. The current questionnaires were sent to the members of the Supervisory Board during the 2022 financial year in preparation for the next scheduled self-assessment in 2023.

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

Percentage of women in management positions

Under Section 76 (4) of the German Stock Corporation Act, the Executive Board is required to determine targets for the participation of women in the two levels of management below the Executive Board. It must also set a deadline for compliance with the targets. As of 31 December 2022, the percentage of women in each of the two levels of management below the Executive Board stood at 11%.

The Executive Board aims to increase this figure significantly in the medium term. Despite intensive efforts, it has so far been possible to fill only a small number of vacant management positions at Kronos with women candidates possessing comparable qualifications. One major reason for this is the extremely engineering-oriented context of Kronos' business activities. We will



further step up our efforts and give women priority consideration when filling any openings for management positions. The Executive Board of Krones AG has set the target for the percentage of women in the two levels of management below the Executive Board at 15%. This target is to be attained by 31 December 2024.

Percentage of women on the Executive Board

Since January 1, 2023, the Executive Board of Krones AG has consisted of one woman and four men. The percentage of women on the Executive Board is thus 20%. The lengths of current contracts mean that no changes can be expected on the Executive Board in the medium term. In accordance with Section 111 (5) in conjunction with Section 76 (3a) of the German Stock Corporation Act, the Supervisory Board has not set a new target for the percentage of women on the Executive Board and is thus follows the statutory requirements.

Disclosures pursuant to Section 289f (2) 1a of the German Commercial Code

The applicable remuneration system for members of the Executive Board in accordance with section 87a (1) and (2) sentence 1 AktG, which was approved by the Annual General Meeting of 17 May 2021, and the resolution on remuneration for the members of the Supervisory Board adopted by the Annual General Meeting of 17 May 2021 in accordance with Section 113 (3) AktG are publicly available at www.krones.com/en/company/investor-relations/annual-general-meeting.php, under 2021. The 2022 remuneration report and the auditor's report in accordance with Section 162 AktG are made publicly available at the same address, under 2023.





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CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated statement of profit and loss

		2022	2021
€ thousand	Notes		
Revenue	19	4,209,339	3,634,456
Changes in inventories of finished goods and work in progress	5	48,383	19,562
Other own work capitalised	20	43,372	53,565
Other operating income	21	165,039	161,762
Goods and services purchased	22	-2,113,845	-1,807,417
Expenses for materials and supplies and for goods purchased		-1,610,862	-1,373,216
Expenses for services purchased		-502,983	-434,201
Personnel expenses	23	-1,269,663	-1,176,686
Wages and salaries		-1,055,566	-983,497
Social security contributions and expenses for pension plans and for benefits	14	-214,097	-193,189
Depreciation and amortisation of intangible assets and property, plant and equipment	1/2	-142,901	-141,738
Other operating expenses	24	-709,318	-572,606
EBITDA		373,307	312,636
EBIT		230,406	170,898
Investment income	25	3,052	2,032
Profit or loss shares attributable to associates that are accounted for using the equity method	4	7	-36
Income from other securities and loans classified as non-current financial assets	25	0	0
Interest and similar income	25	11,955	9,891
Interest and similar expenses	25	-3,355	-5,525
Financial income/expense	25	11,659	6,362
Earnings before taxes		242,065	177,260
Income tax	8/26	-54,984	-35,874
Consolidated net income		187,081	141,386
Profit share of non-controlling interests		56	20
Profit share of KRONES Group shareholders		187,025	141,366
Earnings per share (diluted/basic) in €	27	5.92	4.47

Consolidated statement of **comprehensive income**

		2022	2021
€ thousand	Notes		
Consolidated net income		187,081	141,386
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plans	12	60,257	21,328
		60,257	21,328
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation		8,119	36,049
Cash flow hedges	12	3,610	-7,873
		11,729	28,176
Other comprehensive expenses and income after income taxes	9	71,986	49,504
Total comprehensive income	9	259,067	190,890
of which attributable to non-controlling interests		56	20
of which attributable to Krones Group shareholders		259,011	190,870

Consolidated statement of financial position – **Assets**

		31 Dec 2022		31 Dec 2021	
€ thousand	Notes				
Intangible assets	1	349,349		303,160	
Property, plant and equipment and right-of-use assets	2	693,663		667,009	
Non-current financial assets	3	18,605		28,846	
Investments accounted for using the equity method	4	2,364		2,357	
Fixed assets		1,063,981		1,001,372	
Deferred tax assets	8	59,857		75,177	
Trade receivables	6	26,992		42,976	
Tax receivables		1,991		1,603	
Other assets	6	11,368		11,676	
Non-current assets			1,164,189		1,132,804
Inventories	5	589,445		433,604	
Trade receivables	6	820,243		743,326	
Contract assets	6/19	727,555		593,969	
Tax receivables		5,217		11,977	
Other assets	6	190,015		195,785	
Cash and cash equivalents	7	674,502		383,371	
Current assets			3,006,977		2,362,032
Total			4,171,166		3,494,836



Consolidated statement of financial position – Equity and liabilities

		31 Dec 2022	31 Dec 2021
€ thousand	Notes		
Subscribed capital	9	40,000	40,000
Capital reserves	10	141,724	141,724
Profit reserves	11	365,479	373,390
Other reserves	12	–91,801	–163,787
Consolidated retained earnings		1,143,172	1,000,813
Consolidated equity of the parent company		1,598,574	1,392,140
Non-controlling interests	13	–501	–557
Equity		1,598,073	1,391,583
Provisions for pensions	14	166,584	251,156
Deferred tax liabilities	8	4,992	5,293
Other provisions	15	80,305	78,819
Tax liabilities		4,803	4,496
Liabilities to banks	16	5,000	5,098
Trade payables	16	0	0
Other financial obligations and lease liabilities	16	108,937	79,700
Other liabilities	16	4,224	9,849
Non-current liabilities		374,845	434,411
Other provisions	15	161,945	164,523
Liabilities to banks	16	0	0
Contract liabilities	16/19	901,447	600,236
Trade payables	16	684,189	515,141
Tax liabilities		20,062	26,007
Other financial obligations and lease liabilities	16	38,676	42,987
Other liabilities and accruals	16	391,929	319,948
Current liabilities		2,198,248	1,668,842
Total		4,171,166	3,494,836



Consolidated statement of cash flows

		2022	2021
€ thousand	Notes		
Earnings before taxes		242,065	177,260
Depreciation and amortisation and reversals	1/2	142,901	141,738
Increase in provisions and accruals	15/16	45,691	3,533
Interest and similar expenses and income	25	-8,600	-4,366
Gains and losses from the disposal of non-current assets	21/24	-1,233	-23
Other non-cash expenses and income		11,035	12,818
Increase (previous year: decrease) in trade receivables, contract assets and other assets not attributable to investing or financing activities		-163,515	-122,453
Increase (previous year: decrease) in inventories	5	-163,402	-72,348
Increase (previous year: decrease) in trade payables, contract liabilities and other liabilities not attributable to investing or financing activities		437,458	256,805
Cash generated from operating activities		542,400	392,964
Interest paid		-1,991	-2,805
Income tax paid and refunds received		-61,710	-54,301
Cash flow from operating activities		478,699	335,858
Cash payments to acquire intangible assets	1	-45,989	-43,652
Proceeds from the disposal of intangible assets	1	238	230
Cash payments to acquire property, plant and equipment	2	-72,168	-61,238
Proceeds from the disposal of property, plant and equipment	2	3,994	2,457
Cash payments to acquire non-current financial assets and time deposits		-375	-30,420
Proceeds from the disposal of non-current financial assets and time deposits		29,235	1,735
Acquisition of a subsidiary, less acquired cash and cash equivalents		-27,234	0
Deferred purchase price payment for business acquisitions from previous periods		-7,112	-11,150
Interest received		8,607	7,402
Dividends received		3,052	2,032
Cash flow from investing activities		-107,752	-132,604
Cash payments to owners		-44,230	-1,896
Proceeds from new borrowing		0	0
Cash payments to service debt		-98	-26,966
Cash payments to acquire non-controlling interests		0	0
Cash payments for the repayment of lease liabilities		-35,458	-32,029
Cash flow from financing activities		-79,786	-60,891
Net change in cash and cash equivalents		291,161	142,363
Changes in cash and cash equivalents arising from changes in exchange rates		-328	8,050
Changes in cash and cash equivalents arising from changes in the consolidated group		298	15,970
Cash and cash equivalents at the beginning of the period		383,371	216,988
Cash and cash equivalents at the end of the period	7	674,502	383,371

Consolidated statement of **changes in equity**

€ thousand	Parent company						Equity	Non-controlling interests Equity	Consolidated equity
	Share capital	Capital reserves	Profit reserves	Other reserves		Group retained earnings			
				Currency differences in equity	Other remaining reserves				
Notes	9	10	11	11	12		13		
At 1 January 2021	40,000	141,724	370,654	-86,983	-126,335	861,465	1,200,525	-577	1,199,948
Dividend payment						-1,896	-1,896		-1,896
Consolidated net income 2021						141,366	141,366	20	141,386
Allocation to profit reserves			122			-122	0		0
Changes in the consolidated group			2,614		27	0	2,641	0	2,641
Other comprehensive expenses and income				36,049	13,455		49,504		49,504
At 31 December 2021	40,000	141,724	373,390	-50,934	-112,853	1,000,813	1,392,140	-557	1,391,583
Dividend payment						-44,230	-44,230		-44,230
Consolidated net income 2022						187,025	187,025	56	187,081
Allocation to profit reserves			436			-436	0		0
Changes in the consolidated group			-8,347				-8,347	0	-8,347
Other comprehensive expenses and income				8,119	63,867		71,986		71,986
At 31 December 2022	40,000	141,724	365,479	-42,815	-48,986	1,143,172	1,598,574	-501	1,598,073



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Consolidated **segment reporting**

€ thousand	Filling and Packaging Technology		Process Technology		Intralogistics		Krones Group	
	2022	2021	2022	2021	2022	2021	2022	2021
Revenue	3,497,316	3,045,598	367,499	296,584	344,524	292,274	4,209,339	3,634,456
Depreciation, amortisation and impairments	128,937	128,169	8,147	7,946	5,817	5,623	142,901	141,738
of which impairments	3,771	4,152	0	0	0	0	3,771	4,152
Interest income	10,883	9,174	327	217	131	21	11,341	9,412
Interest expense	2,595	4,820	265	237	495	468	3,355	5,525
EBT	217,196	162,447	12,234	11,672	12,635	3,142	242,065	177,261
Share of profit or loss of associates accounted for using the equity method	7	-36	0	0	0	0	7	-36
EBIT	203,800	155,052	12,203	10,635	14,403	5,211	230,406	170,898
EBT margin (EBT to revenue)	6.2%	5.3%	3.3%	3.9%	3.7%	1.1%	5.8%	4.9%
EBITDA	332,737	283,221	20,350	18,581	20,220	10,834	373,307	312,636
EBITDA margin (EBITDA to revenue)	9.5%	9.3%	5.5%	6.3%	5.9%	3.7%	8.9%	8.6%



General disclosures

■ Legal basis

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

The consolidated financial statements of Krones AG, Neutraubling (the “Krones Group”) for the period ended 31 December 2022 have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, applicable at the reporting date, including the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), as adopted by the European Union.

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



A list of such standards and interpretations and of standards applied for the first time is provided on page 262. The commercial law stipulations under Section 315e (1) of the German Commercial Code (HGB) have been complied with in addition.

The Executive Board authorised the publication of the consolidated financial statements on 15 March 2023.

Non-controlling interests in consolidated equity are presented on the statement of financial position as a separate item within equity. On the statement of profit and loss, the share of profit or loss attributable to

non-controlling interests is presented as a component of consolidated net income. The shares of consolidated net income attributable to the owners of the parent and to non-controlling interests are presented separately.

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

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

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

The group currency is the euro.

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

■ Consolidated group

Besides Krones AG, the consolidated financial statements of Krones AG for the period ended 31 December 2022 include all domestic and foreign subsidiaries over which Krones AG has direct or indirect control on account of a majority of voting rights.

Systorelog Israel Ltd., Tel Aviv, Israel and Krones Digital Solutions India Private Limited, Bangalore, India were established during the financial year and added to the scope of consolidation together with Unicorn Industries Pvt. Ltd., Secunderabad, India.



With the acquisition of 80.5% of the business operations of R+D Custom Automation LLC, Wisconsin, USA on 8 November 2022, Kronos strengthened its capabilities in the Filling and Packaging Technology segment.

Initial accounting of the acquired business operations was completed as of the acquisition date.

The table below presents the consideration transferred for the acquisitions and the fair values of the assets identified and liabilities assumed at the acquisition date. Further information on the earn-outs and put/call options is presented under Note 18, “Other disclosures relating to financial instruments” (page 253).



R+D Custom Automation LLC	Fair value € thousand
Goodwill	26,409
Non-current assets	22,253
Current assets	14,676
(of which trade receivables)	9,709
Cash and cash equivalents	866
Total assets acquired	64,204
Liabilities	11,348
Total liabilities acquired	11,348
Net assets acquired	52,856
Non-controlling interests	0
Purchase prices	52,856
of which paid in cash	28,100
of which earn-out	14,912
of which put/call option	9,844

The goodwill recognised for R+D Custom Automation LLC relates to the strengthening of the activities in the life science and pharmaceutical market, which is an attractive market with above-average growth, and the integration of the employees into the group. This earnings potential, which cannot be allocated to individual items capable of recognition as assets under IFRS, is reflected in goodwill.

The total amount of goodwill that is expected to be deductible for tax purposes is €26,409 thousand.

The fair value of the trade receivables equals the gross amount. None of the trade receivables are impaired and the contractually agreed amounts are expected to be recoverable in their entirety.

After accounting for the effects of purchase price allocations, R+D Custom Automation LLC contributed a net loss of €249 thousand and revenue of €1,447 thousand to Kronos as of 31 December 2022. Had initial accounting for R+D Custom Automation LLC been completed as of January 1, 2022, revenue of €28,261 thousand and a net profit of €6,756 thousand would have been recognised in the consolidated statement of profit and loss.

In determining these amounts, it was assumed that the adjustments to fair value made at the acquisition date would also have applied if the companies had been acquired on 1 January 2022. The amounts for the full 2022 financial year were determined on a straight-line basis.

The costs directly attributable to the acquisition amount to €718 thousand and were recognised as expense.



■ Consolidation principles

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

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

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

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

Shares in the equity of a subsidiary that are not attributable to the parent are presented as non-controlling interests. If an acquisition includes put options granted to non-controlling interests for their interests in group companies and Krones has identical call options, the options are accounted for as if they had already been exercised and each is recognised as a liability at fair value instead of recognising non-controlling interests (anticipated acquisition method).

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

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

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

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

■ Currency translation

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

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

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

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

Exchange rates of subsidiaries' functional currencies against the euro:

		Closing rate		Average rate	
		31 Dec 2022	31 Dec 2021	2022	2021
us dollar	USD	1.068	1.132	1.053	1.182
British pound	GBP	0.887	0.840	0.853	0.860
Swiss franc	CHF	0.985	1.033	1.005	1.081
Danish krone	DKK	7.437	7.437	7.440	7.437
Canadian dollar	CAD	1.444	1.442	1.370	1.483
Japanese yen	JPY	140.680	130.320	138.026	129.859
Brazilian real	BRL	5.644	6.307	5.442	6.377
Chinese renminbi (yuan)	CNY	7.436	7.217	7.068	7.629
Mexican peso	MXN	20.886	23.141	21.201	23.989
Ukrainian hryvnia	UAH	39.236	30.884	34.303	32.240
South African rand	ZAR	18.077	18.054	17.206	17.483
Kenyan shilling	KES	131.690	128.085	124.126	129.660
Nigerian naira	NGN	476.690	465.250	446.722	484.037
Russian rouble	RUB	76.867	84.976	73.705	87.127
Thai baht	THB	36.883	37.542	36.857	37.839
Indonesian rupiah	IDR	16,620.100	16,133.700	15,630.288	16,902.746
Angolan kwanza	AOA	544.858	639.750	487.065	746.120
Turkish lira	TRY	19.983	15.142	17.406	10.503
Kazakhstan tenge	KZT	494.100	492.420	486.341	504.524
Australian dollar	AUD	1.570	1.561	1.517	1.575
New Zealand dollar	NZD	1.682	1.657	1.658	1.672
Swedish krona	SEK	11.078	10.256	10.629	10.146
Vietnamese dong	VND	25,233.000	25,872.000	24,637.215	27,118.700
Philippine peso	PHP	59.384	57.684	57.337	58.302
Bangladeshi taka	BDT	110.125	97.034	98.239	100.603
Singapore dollar	SGD	1.431	1.528	1.451	1.589
Myanmar kyat	MMK	2,241.990	2,012.680	2,030.660	1,910.092
United Arab Emirates dirham	AED	3.921	4.158	3.869	4.343
Hungarian forint	HUF	400.380	369.850	391.154	358.549
Malaysian ringgit	MYR	4.703	4.716	4.628	4.901
Pakistani rupee	PKR	242.028	199.796	214.975	192.819
Polish zloty	PLN	4.686	4.594	4.688	4.567
Norwegian krone	NOK	10.505	9.989	10.097	10.165
Indian rupee	INR	88.157	84.168	82.686	87.373
Guatemalan quetzal	GTQ	8.378	8.736	8.162	9.149
Cambodian riel	KHR	4,395.400	4,609.500	4,305.384	4,812.416
Bulgarian lev	BGN	1.956	1.956	1.956	1.956
Moroccan dirham	MAD	11.157	10.516	10.684	10.630
Saudi riyal	SAR	4.016	4.250	3.955	4.435



■ Estimates and judgements

In preparing the consolidated financial statements, management makes judgements, estimates and assumptions that affect the reported amounts of assets and liabilities as of the reporting date, the disclosure of contingent liabilities and the reported amounts of expenses and income. The uncertainty inherent in such assumptions and estimates can, however, lead to events that result in material adjustments to the carrying amounts of affected assets and liabilities in future periods. Kronos does not currently expect that the consequences of climate change will have any significant impact on its business model.

Major assumptions made about the future, and other sources of estimation uncertainty at the end of the reporting period that have a risk of resulting in material adjustments to the carrying amounts of assets and liabilities within the next financial year, are explained in the following. Due to the currently unpredictable consequences of the Russia-Ukraine conflict and the Covid pandemic, which is receding but continues to have a negative impact, the estimates and judgements relating to intangible assets and liabilities in particular are subject to increased uncertainty.

The uncertainties in the assessment of the impact of the still ongoing global Covid-19 pandemic on current business performance – in particular with regard to new virus mutations and renewed lockdowns – remain unchanged in the reporting period. Various geopolitical and economic upheavals have arisen since the outbreak of the Russia-Ukraine conflict in February 2022. Available information on expected economic developments and country-specific government measures was taken in account in adopting the estimates and judgements.

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

Intangible assets are tested for impairment if there are indications that they may be impaired or if annual impairment testing is required (this is the case for intangible assets with an indefinite useful life, intangible assets in the development phase and goodwill).

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

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

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



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

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

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

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



Provisions for warranties are accounted for on the basis of expected costs from customer orders. The estimates for the warranty obligations are based on experience in recent financial years and generally relate to a warranty term of between one and two years from the acceptance date. It is therefore expected that the majority of provisions for warranties will be settled within the next two years. Further details are provided on page 247.

Restructuring provisions are determined on the basis of estimates and are therefore subject to uncertainty.

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

■ Intangible assets

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

■ Research and development expenditure

Development costs in the Krones Group are capitalised at cost if all recognition criteria in IAS 38.57 are met. In accordance with IAS 38, research expenditure cannot be capitalised and is therefore immediately recognised as an expense in profit or loss. Borrowing costs are capitalised as cost at a capitalisation rate of 0.60% (previous year: 0.03%).

■ Goodwill

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



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

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

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

■ Property, plant and equipment

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

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

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

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

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

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

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



Leases

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

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

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

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

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

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

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

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

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

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



■ Financial instruments

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

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

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

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

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

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

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

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

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

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

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

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



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

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

■ Derivative financial instruments and hedge accounting

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

The main categories of currency risk at Krones comprise transaction risk arising from exchange rates and cash flows in foreign currencies. The main such currencies are the US dollar, the Canadian dollar, the pound sterling and the Chinese renminbi yuan.

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

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

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

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

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

■ Receivables and other assets

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

The group makes use of the possibility as a rule of selling export receivables that are covered by credit insurance and/or documentary letters of credit. Receivables sold as of the reporting date are derecognised in full if substantially all risks and rewards have been transferred to the buyer. In the case of receivables covered by credit insurance, the risk relating to the exporter's



deductible is generally retained. The group assumes in such cases that substantially all the risks and rewards of the receivables transfer to the purchaser of the receivables if the deductible does not exceed 10% of the value of each individual receivable. The fair value of the expected recourse obligation under the retained deductibles was recognised as an expense.

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

■ Inventories

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

The allocation of overheads is based on normal capacity.

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

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

■ Income tax

The tax expense comprises current and deferred taxes. Current taxes and deferred taxes are recognised in profit or loss except to the extent that they

relate to a business combination or to an item recognised directly in equity or in other comprehensive income.

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

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

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

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



■ Provisions for pensions

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

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

■ Partial retirement benefit obligations

According to the definition of post-employment benefits in IAS 19, top-up payments under partial retirement agreements come under other long-term employee benefits. Such top-up payments are therefore not recog-

nised in full as liabilities at their net present value. Instead, they are accrued on a prorated basis across the relevant years of active service of the employees taking partial retirement.

■ Other provisions

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

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

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



■ Revenue

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

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

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

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

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

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

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

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

Revenue is presented net of reductions.



■ Statement of cash flows

Beginning in 2022, proceeds and payments from time deposits are presented in cash flow from investing activities. The previous year's figures have been restated in accordance with IAS 8.42. Cash flow from operating activities increased as a result by €30,125 thousand. Cash flow from investing activities decreased accordingly. There was consequently no impact on free cash flow.

■ Segment reporting

Krones reports on three 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 Filling and Packaging Technology, Segment 2 Process Technology and Segment 3 Intralogistics. The accounting policies used are the same as those described under "General disclosures" above.

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

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

€ thousand	2022	2021
Germany	423,996	375,525
North America	920,111	764,224
Rest of the world	2,865,232	2,494,707
	4,209,339	3,634,456

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

€ thousand	2022	2021
Germany	690,551	684,530
North America	88,321	33,117
Rest of the world	304,491	308,777
	1,083,363	1,026,424

Notes to the **consolidated statement of financial position****1 Intangible assets**

The carrying amount of intangible assets changed as follows:

€ thousand	Industrial property rights and similar rights and assets as well as licenses	Goodwill	Capitalised development expenditure	Advance payments made	Total
31 December 2020					
Cost	242,062	135,718	472,106	12	849,898
Accumulated depreciation	181,319	33,956	334,026	0	549,301
Net carrying amount	60,743	101,762	138,080	12	300,597
Changes in 2021					
Cost					
Consolidated additions	0	0	0	0	0
Additions	17,246	0	28,185	22	45,453
Disposals	3,014	0	717	0	3,731
Transfers	67	0	-55	-12	0
Exchange differences	1,027	5,114	0	0	6,141
Amortisation					
Additions	17,908	0	28,993	0	46,901
Disposals	2,784	0	717	0	3,501
Transfers	53	0	-53	0	0
Exchange differences	416	1,484	0	0	1,900
Net carrying amount at 31 December 2021	60,476	105,392	137,270	22	303,160
31 December 2021					
Cost	257,388	140,832	499,519	22	897,761
Accumulated depreciation	196,912	35,440	362,249	0	594,601
Net carrying amount	60,476	105,392	137,270	22	303,160

Table continued on next page

€ thousand	Industrial property rights and similar rights and assets as well as licenses	Goodwill	Capitalised development expenditure	Advance payments made	Total
Changes in 2022					
Cost					
Consolidated additions	18,827	26,409	0	0	45,236
Additions	21,315	0	23,565	72	44,952
Disposals	6,490	0	0	0	6,490
Transfers	16	0	0	-16	0
Exchange differences	838	3,786	0	0	4,624
Depreciation					
Additions	13,432	0	33,458	0	46,890
Disposals	6,252	0	0	0	6,252
Transfers	0	0	0	0	0
Exchange differences	345	1,150	0	0	1,495
Net carrying amount at 31 December 2022	87,457	134,437	127,377	78	349,349
31 December 2022					
Cost	291,894	171,027	523,084	78	986,083
Accumulated depreciation	204,437	36,590	395,707	0	636,734
Net carrying amount	87,457	134,437	127,377	78	349,349

Adjusted for rounding

The additions to industrial property rights, similar rights/assets and licenses mainly relate to licenses for IT software. Customer bases amounting to €22,762 thousand (previous year: €5,009 thousand) are included in the carrying amount as of the reporting date.

All goodwill underwent a regular impairment test in accordance with IAS 36, as in the previous year. Impairment testing is performed on the

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



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

CGU		Carrying amount of goodwill € thousand	Forecast period in years	Annual revenue growth at end of forecast period	Discount rate before taxes
IPS	2022	36,112 ²⁾	3	1.0%	7.4%
	2021	34,055 ²⁾	3	1.0%	6.0%
R+D Custom	2022	26,409	6	3.0%	17.4%
MHT	2022	20,180	3	1.0%	9.9%
	2021	20,180	3	1.0%	7.9%
Javlyn	2022	4,826 ²⁾	3	1.5%	17.1%
	2021	4,551 ²⁾	3	1.5%	13.3%
System Logistics	2022	30,906	3	1.0%	9.8%
	2021	30,906	3	1.0%	7.9%
HST	2022	4,258	3	1.0%	9.9%
	2021	4,258	3	1.0%	8.3%
Other ¹⁾	2022	11,756 ²⁾	3	1.0% – 2.0%	7.8% – 17.1%
	2021	10,254 ²⁾	3	1.0% – 2.0%	7.6% – 14.0%

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

²⁾ Change due to currency translation

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

As in the previous year, impairment testing did not result in the recognition of goodwill impairments.

Based on the assumed 1.0% annual revenue growth for the MHT CGU at the end of the forecast period – as shown in the table – the recoverable amount of €4,165 thousand is greater than the carrying amount. If the pre-tax discount rate were to increase to 11.20%, the recoverable amount would equal the carrying amount. In all other respects, Krones AG is of the opinion that no reasonably foreseeable change to any of the material basic assumptions used to determine the value in use of cash-generating units to which goodwill has been allocated could result in the carrying amount being higher than its recoverable amount.

The capitalised development expenditure relates to new machinery projects at Krones AG. Development expenditure capitalised in the reporting period amounts to €23,565 thousand (previous year: €28,185 thousand).



As in the previous year, this includes borrowing costs in a non-material amount. Including capitalised development expenditure, a total of €178,287 thousand was spent on research and development in 2022 (previous year: €174,320 thousand). Impairment losses on capitalised development expenditure were recognised in amortisation in the reporting year in the amount of €3,771 thousand (previous year: €4,152 thousand). As in the previous year, the charges were incurred in the Filling and Packaging Technology segment only and related to technologies that will not be further pursued.

In the reporting period, business combinations resulted in €18,827 thousand in additions to net carrying amounts for intangible assets (previous year: €- thousand) and €26,409 thousand in additions to goodwill (previous year: €- thousand).

2 Property, plant and equipment and right-of-use assets

In 2022, as in the previous year, it was not necessary to recognise any impairments of property, plant and equipment in accordance with IAS 36. Additions to land and buildings and to construction in progress primarily related to expansion at the Neutraubling site in Germany (extension of production buildings). The €72,413 thousand in capital expenditure on technical equipment and machinery and on other equipment, furniture and fixtures and office equipment primarily relates to capacity expansion and modernisation at existing production locations.

In 2022, the carrying amounts for property, plant and equipment included government grants of €14,381 thousand (previous year: €17,112 thousand). Government grants in the amount of €796 thousand (previous year: €803 thousand) were reversed to profit or loss in 2022. As in the previous year, the depreciation figure in 2022 does not include any impairment reversals.

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

In the reporting period, business combinations resulted in €3,476 thousand in additions to net carrying amounts for property, plant and equipment (previous year: €- thousand).



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

€ thousand	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures and office equipment	Construction in progress	Advance payments made	Total
31 December 2020						
Cost	721,412	375,722	307,195	12,084	4,313	1,420,726
Accumulated depreciation	278,576	268,409	217,599	0	0	764,584
Net carrying amount	442,836	107,313	89,596	12,084	4,313	656,142
Changes in 2021						
Cost						
Consolidated additions	0	0	288	0	0	288
Additions	29,338	17,030	30,567	14,589	4,367	95,891
Disposals	7,362	14,568	27,457	25	0	49,412
Transfers	545	6,792	3,855	-8,693	-2,499	0
Exchange differences	10,819	6,023	3,534	248	22	20,646
Depreciation						
Additions	35,709	21,316	37,812	0	0	94,837
Disposals	6,360	14,169	26,449	0	0	46,978
Transfers	-1	5	-4	0	0	0
Exchange differences	2,763	3,467	2,457	0	0	8,687
Net carrying amount at 31 Dec 2021	444,065	111,971	86,567	18,203	6,203	667,009
31 December 2021						
Cost	754,752	390,999	317,982	18,203	6,203	1,488,139
Accumulated depreciation	310,687	279,028	231,415	0	0	821,130
Net carrying amount	444,065	111,971	86,567	18,203	6,203	667,009

Table continued on next page



€ thousand	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures and office equipment	Construction in progress	Advance payments made	Total
Changes in 2022						
Cost						
Consolidated additions	2,843	26	1,050	0	0	3,919
Additions	23,642	19,740	52,673	16,401	7,627	120,083
Disposals	15,419	8,691	40,357	1,651	0	66,118
Transfers	6,426	8,854	3,918	-12,158	-7,040	0
Exchange differences	1,440	2,131	977	-10	-24	4,514
Depreciation						
Additions	36,411	20,022	37,928	1,650	0	96,011
Disposals	13,470	8,679	39,558	1,650	0	63,357
Transfers	0	-21	21	0	0	0
Exchange differences	982	1,392	716	0	0	3,090
Net carrying amount at 31 Dec 2022	439,074	121,317	105,721	20,785	6,766	693,663
31 December 2022						
Cost	773,684	413,059	336,243	20,785	6,766	1,550,537
Accumulated depreciation	334,610	291,742	230,522	0	0	856,874
Net carrying amount	439,074	121,317	105,721	20,785	6,766	693,663

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

€ thousand	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures and office equipment	Total
31 Dec 2022				
Net carrying amount	87,113	5,015	23,825	115,953
Additions	24,005	1,965	17,993	43,963
Depreciation	18,949	1,309	11,829	32,087

€ thousand	Land and buildings	Technical equipment and machinery	Other equipment, furniture and fixtures and office equipment	Total
31 Dec 2021				
Net carrying amount	79,115	4,416	17,547	101,078
Additions	24,415	363	9,458	34,236
Depreciation	18,234	1,161	12,940	32,335



Information on the corresponding lease liabilities is provided on page 247.

Interest expenses include €1,629 thousand (previous year: €1,756 thousand) in interest expense on leases. Other operating expenses include €3,563 thousand (previous year: €2,653 thousand) in expenses from short-term leases, €661 thousand (previous year: €314 thousand) in expenses from leases of low-value assets and €1,536 thousand (previous year: €553 thousand) in expenses for variable lease payments. Total cash outflows for recognised leases amount to €36,304 thousand (previous year: €34,428 thousand).

3 Non-current financial assets

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

4 Investments accounted for using the equity method

As in the previous year, one associated company was accounted for using the equity method as of the reporting date.

The table below shows the associate accounted for using the equity method:

Name	Place of business	Ownership interest (%)	
		31 Dec 2022	31 Dec 2021
Associate			
Technologisches Institut für angewandte künstliche Intelligenz GmbH	Weiden	31.15	31.15

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

€ thousand	2022	2021
Profit or loss for the period	23	-117
Other comprehensive income	0	0
Total comprehensive income	23	-117
Share of profit or loss	7	-36
Carrying amount at 31 Dec	2,364	2,357

The ownership interest in Technologisches Institut für angewandte künstliche Intelligenz GmbH was reduced in 2021 from 44% to 31.15% in a partial sale.



The gain of €598 thousand recognised in this connection in 2021 comprises the €1,585 thousand sale proceeds less the €987 thousand derecognised carrying amount and is presented in the income statement within financial income/expense as interest and similar income.

5 Inventories

The inventories of the Kronen Group are composed as follows:

€ thousand	31 Dec 2022	31 Dec 2021
Raw materials, consumables and supplies	394,977	281,425
Work in progress	92,990	69,747
Finished goods	62,414	47,689
Goods purchased for sale	33,280	27,084
Other	5,784	7,658
Total	589,445	433,604

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

Write-downs of €1,613 thousand on inventories were recognised as expense in 2022 (previous year: €2,190 thousand) and are substantially based on customary net realisable values and obsolescence allowances.

6 Receivables and other assets

€ thousand	31 Dec 2022	31 Dec 2021
Trade receivables	847,235	786,302
Contract assets	727,555	593,969
Other assets	201,383	207,461

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

Non-recourse factoring reduced trade receivables by €75,842 thousand as of the reporting date (previous year: €62,651 thousand). Factored export receivables in the amount of €5,086 thousand (previous year: €6,043 thousand) continue to be recognised in full as substantially all the risks and rewards are retained. The purchase price received is presented in other liabilities.

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

€ thousand	2022	2021
At 1 Jan	56,510	47,590
Change due to currency effects	-642	706
Additions	10,312	12,142
Reversals	-10,134	-3,928
At 31 Dec	56,046	56,510

The loss allowances include €9,259 thousand (previous year: €9,494 thousand) in impairments of contract assets.

Other assets mainly comprise advance payments made (€52,724 thousand; previous year: €40,850 thousand), current tax assets (€64,172 thousand; previous year: €52,802 thousand), prepaid expenses (€14,175 thousand; previous year: €13,806 thousand) and other financial assets (€39,325 thousand; previous year: €74,230 thousand).



The derivative financial instruments measured at fair value that were entered into for future payment receipts and meet the conditions for hedge accounting or that were entered into as stand-alone hedge transactions totalled €4,294 thousand at the reporting date (previous year: €2,129 thousand).

7 Cash and cash equivalents

Apart from cash on hand totalling €160 thousand (previous year: €280 thousand), the cash and cash equivalents of €674,502 thousand (previous year: €383,371 thousand) consist primarily of demand deposits.



Changes in cash and cash equivalents in accordance with IAS 7 Statement of Cash Flows are presented in the statement of cash flows on page 213.

8 Income tax

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

The income tax breaks down as follows:

€ thousand	31 Dec 2022	31 Dec 2021
Deferred tax expense/income (-)	- 8,439	-22,054
Current tax	63,423	57,929
Total	54,984	35,875

Deferred taxes are measured on the basis of the tax rates that, based on the current legal situation, apply or are expected to apply in the various countries at the time of realisation. In Germany, the tax rates that apply are, as in the previous year, a corporate income tax rate of 15.0% plus a solidarity surcharge of 5.5% and a local trade tax multiplier (Gewerbesteuerhebesatz)

for Kronos AG averaging 336%. The total income tax rate for the companies in Germany is consequently 27.6%. As in the previous year, tax rates abroad range between 9% and 34%.

The deferred tax assets and liabilities at 31 December 2022 break down by items on the statement of financial position as follows:

€ thousand	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Intangible assets	4,187	4,370	41,486	43,482
Property, plant and equipment and other non-current assets	3,671	3,191	11,642	10,891
Current assets	17,100	21,440	30,586	33,978
Tax loss carryforwards	46,900	33,818	0	0
Non-current liabilities	20,161	22,328	0	340
Current liabilities	28,963	31,290	687	563
Deferred tax items recognised in other comprehensive income	19,953	43,331	1,669	630
Subtotal	140,935	159,768	86,070	89,884
Offsetting (-)	-81,078	-84,591	-81,078	-84,591
Total	59,857	75,177	4,992	5,293

The deferred tax assets and liabilities recognised in other comprehensive income amounted, respectively, to €19,953 thousand (previous year: €43,331 thousand) and €1,669 thousand (previous year: €630 thousand). The deferred tax assets include €19,132 thousand (previous year: €41,646 thousand) for actuarial losses recognised in other comprehensive income in accordance with IAS 19 and €821 thousand (previous year: €1,685 thousand) in hedging losses. The deferred tax liabilities comprise €1,087 thousand (previous year: €630 thousand) for actuarial gains recognised in other comprehensive income in accordance with IAS 19 and €582 thousand in hedging gains.



Deferred taxes on tax loss carryforwards in the amount of €84,394 thousand (previous year: €137,492 thousand) were not recognised because it is not sufficiently certain that the tax assets will be realised in the foreseeable future. These loss carryforwards can essentially be carried forward indefinitely.

Entities that made losses in the reporting year or the previous year and whose deferred tax assets are not covered by deferred tax liabilities have recognised deferred tax assets in the amount of €4,722 thousand (previous year: €29,547 thousand). There is convincing evidence that these tax assets will be realised on the basis of management assumptions and judgements about the development of the business deriving from past experience and taking into account one-off effects in the financial year under review.

The temporary differences relating to equity interests in subsidiaries (outside basis differences) for which no deferred tax liabilities were recognised at the reporting date totalled €526,571 thousand (previous year: €469,407 thousand).

The tax expense of €54,984 thousand reported in the 2022 financial year is €11,826 thousand less than the expected tax expense that would theoretically result from application of the domestic tax rate of 27.6% at the group level. The difference can be attributed to the following:

€ thousand	2022	2021
Earnings before taxes	242,065	177,760
Tax rate for the parent company Krones AG	27.60%	27.60%
(Theoretical) tax income (-)/tax expense (+)	66,810	48,924
Adjustment due to difference between local tax rate and tax rate of Krones AG	-4,058	-4,927
Reductions in tax due to tax-exempt income	-2,899	-2,489
Current tax losses for which no deferred taxes recognised	584	32
Increases in tax expense due to non-deductible expenses	13,759	10,305
Tax effect of impairment of deferred taxes from loss carryforwards (+) / tax effect of as-yet unrealised deferred taxes on loss carryforwards (-)	-16,359	-14,161
Tax income (-) / tax expense (+) for previous years	-2,239	-1,991
Tax effect of as-yet unrealised deductible temporary differences	-566	253
Other	-48	-71
Taxes on income	54,984	35,875

9 Equity

Krones AG's share capital amounted to €40,000,000.00 at 31 December 2022, as in the previous year. It is divided into 31,593,072 ordinary bearer shares, each with a theoretical par value of €1.27 per share. 31,593,072 shares were in circulation at the reporting date (previous year: 31,593,072). At 31 December 2022, as in the previous year, the company held no treasury shares.

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



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

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

By resolution of the annual general meeting on 17 May 2021, the Executive Board is authorised to increase the company's share capital, with the approval of the Supervisory Board, by up to €10 million (authorised capital) through the issuance on one or more occasions of new ordinary bearer shares against cash contributions up to and including 15 June 2026. Shareholders must be granted subscription rights to these shares. The Executive Board is authorised to exclude the subscription rights of shareholders, with the approval of the Supervisory Board, for any fractional amounts that may arise. Moreover, the Executive Board is authorised to determine the further details of the capital increase and its implementation, in both cases with the approval of the Supervisory Board. The Supervisory Board is authorised to amend the articles of association in accordance with any utilisation of the authorised capital and upon expiration of the term of the authorisation.

The changes in equity that are recognised in other comprehensive income (excluding dividends) totalled €71,986 thousand in the reporting period (previous year: €49,504 thousand) and consist of changes in exchange differences and cash flow hedges as well as the recognition of actuarial gains and losses on pensions under other reserves. In addition, the allocation of profit or loss to non-controlling interests resulted in a change in equity of €56 thousand (previous year: €20 thousand). The sum of changes in equity that are recognised in other comprehensive income and those that are recognised in profit or loss was €259,067 thousand (previous year: €190,890 thousand).

A dividend of €1.40 per share was approved for the 2021 financial year and paid out by Kronen AG in 2022 (previous year: €0.06 per share). The total dividend payout came to €44,230 thousand (previous year: €1,896 thousand).

Disclosures about capital management

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

10 Capital reserves

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

11 Profit reserves

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

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



12 Other reserves

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

Other reserves changed as follows in financial year 2022:

€ thousand	Reserve for post-employment benefits	Reserve for cash flow hedges	Reserve for exchange differences	Other	Total
At 31 Dec 2020	-129,176	3,645	-86,983	-804	-213,318
Changes in the consolidated group	27	0	0	0	27
Measurement change	29,419	-10,391	36,049	0	55,077
Tax on items taken directly to or transferred from equity	-8,091	2,518	0	0	-5,573
At 31 Dec 2021	-107,821	-4,228	-50,934	-804	-163,787
Changes in the consolidated group	0	0	0	0	0
Measurement change	83,228	5,056	8,119	0	96,403
Tax on items taken directly to or transferred from equity	-22,971	-1,446	0	0	-24,417
At 31 Dec 2022	-47,564	-618	-42,815	-804	-91,801

The measurement changes for cash flow hedges include additions of -€618 thousand (previous year: -€ 4,288 thousand) and amounts reclassified to profit or loss totalling -€4,228 thousand (previous year: -€ 3,645 thousand) after taxes.

13 Non-controlling interests

Non-controlling interests totalled -€501 thousand in 2022 (previous year: -€557 thousand).

A detailed overview of the composition of and changes to the individual equity components for the Kronos Group in 2022 and the previous year is presented in the statement of changes in equity on page 214.



14 Provisions for pensions

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

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

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

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



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

The basis for calculating provisions for pensions in Germany is the company's pension scheme from 31 December 1982, which is closed to new entrants. The scheme entitles all covered employees to post-employment, permanent disability and widow(er)'s pensions. The age limits are 63 for men and 60 for women. The post-employment pension amounts to 1% (0.5% beginning 1 January 1983) of the eligible earned income for each eligible year of employment, not to exceed 25%.

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

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

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

%	Average for the group	
	2022	2021
Discount rate	3.9	1.3
Projected increases in wages and salaries	0.0	0.0
Projected increases in state pensions	2.4	2.0

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

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

€ thousand	2022
Within the next 12 months	7,243
Between 2 and 5 years	31,365
Between 5 and 10 years	46,043

The average weighted residual term of post-employment benefit obligations is 15 years (previous year: 19 years).

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

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

€ thousand	31 Dec 2022	31 Dec 2021	31 Dec 2020
Present value of benefit commitments financed by provisions	156,944	232,164	252,965
Present value of benefit commitments financed through pension funds	37,683	49,082	54,406
Present value of benefit commitments (gross)	194,627	281,246	307,371
Fair value of plan assets	-28,043	-30,090	-25,958
Carrying amount at 31 December (net defined benefit obligation)	166,584	251,156	281,412

The pension provisions, which amounted to €156,339 thousand at the reporting date (previous year: €237,844 thousand), are primarily attributable to Kronos AG. The actuarial gains or losses resulting from changes in financial assumptions totalled €81,387 thousand (previous year: €26,172 thousand). Experience adjustments total €279 thousand (previous year: -€466 thousand); adjustments due to changes in demographic assumptions total €0 thousand (previous year: €0 thousand).

The costs arising from pension obligations amounted to €5,079 thousand (previous year: €3,585 thousand) and break down as follows:

€ thousand	31 Dec 2022	31 Dec 2021	31 Dec 2020
Current service cost	1,708	1,207	692
Interest expense	3,773	2,667	3,521
Expected return on plan assets	-363	-261	-435
Past service cost and plan curtailments	-39	-28	0
Costs arising from pension obligations	5,079	3,585	3,778

The present value of defined benefit obligations, which amounted to €194,627 thousand (previous year: €281,246 thousand), the fair value of the plan assets, which amounted to €28,043 thousand (previous year: €30,090 thousand), and the net amount of the two items reconcile as follows:

€ thousand	Present value of benefit commitments	Fair value of plan assets	Total
At 1 January 2021	307,371	-25,958	281,412
Consolidated additions	1,936	-1,614	322
Current service cost	1,207	0	1,207
Interest expense (+)/interest income (-)	2,667	-261	2,406
Actuarial gains (+)/losses (-)	-25,469	-3,950	-29,419
Employer contributions	0	-884	-884
Benefits paid	-6,831	2,650	-4,181
Recognised past service cost	223	0	223
Exchange differences	142	-73	69
At 31 December 2021	281,246	-30,090	251,156

€ thousand	Present value of benefit commitments	Fair value of plan assets	Total
At 1 January 2022	281,246	-30,090	251,156
Consolidated additions	0	0	0
Current service cost	1,708	0	1,708
Interest expense (+)/interest income (-)	3,773	-363	3,410
Actuarial gains (+)/losses (-)	-84,294	1,066	-83,228
Employer contributions	0	-1,544	-1,544
Benefits paid	-7,573	2,990	-4,583
Recognised past service cost	-399	0	-399
Exchange differences	166	-102	64
At 31 December 2022	194,627	-28,043	166,584

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

The fair value of plan assets was €28.0 million as of 31 December 2022 (previous year: €30.1 million). Of that, €28.0 million consist of pension liability insurance policies (previous year: €27.8 million). The remaining plan assets are mainly attributable to Kronen Unterstutzungs-Fonds e.V., headquartered in Neutraubling. The fund assets are invested in a special-purpose fund that is administered and actively managed by Allianz GI (AGI). The eligible instruments are specified in the investment guidelines.

A defensive investment strategy is used. At 31 December 2022, the AGI fund consisted of 46.9% government bonds, 12.9% Pfandbriefe (covered bonds governed by the German Pfandbrief Act), and 20.4% investment-grade cor-

porate bonds. The amount held as cash in hand came to 3.0%. The remainder was primarily equity funds. Interest rate risk is actively managed using interest rate futures. The duration of the investment volume is 1.72 years. Management of currency risk: No direct currency investments are made. The overall rating of the fund assets is AA-. Kronen AG's plan assets are secured as follows: 100% through the pension liability insurance policies from Allianz.

The expected contributions to plan assets in 2023 are €743 thousand.

The expected pension benefit payments to be paid out of plan assets in 2023 amount to €2,606 thousand.

In 2022, a total of €55,700 thousand (previous year: €53,433 thousand) was spent on the employer contribution to defined contribution plans (contributions to pension insurance).

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

	Change in assumption	Effect on the obligation	
		Assumption increases	Assumption decreases
Discount rate	0.50%	6.8% decrease	7.7% increase
Change in state pensions	0.50%	5.7% increase	5.3% decrease
Life expectancy	1 year	3.3% increase	2.9% decrease

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



15 Other provisions

€ thousand	1 Jan 2022	Consolidated additions	Utilisation	Reversal	Unwinding of discount/ change in discount rate	Additions	Exchange differences	31 Dec 2022	Due within 1 year
Personnel obligations	65,112	-17	8,239	776	-3,423	22,282	-142	74,797	17,550
Provisions for anticipated losses	33,286	0	25,361	4,108	0	34,424	270	38,511	38,242
Provisions for warranties	70,180	201	14,862	6,522	-26	21,960	-156	70,775	58,643
Other remaining provisions	74,764	330	27,775	13,429	26	23,605	646	58,167	47,510
Total	243,342	514	76,237	24,835	-3,423	102,271	618	242,250	161,945

The provisions for personnel obligations are primarily for non-current obligations relating to partial retirement. The personnel obligations include -€3,423 thousand for the effects of the time value of money (previous year: €544 thousand).

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

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

The other remaining provisions primarily include provisions for damages and legal fees. The non-current provisions have been discounted using rates between 0.4% and 3.9%.

16 Liabilities

€ thousand	Residual term of up to 1 year	Residual term of 1 to 5 years	Residual term of over 5 years	Total at 31 Dec 2022
Liabilities to banks	0	5,000	0	5,000
Contract liabilities	901,447	0	0	901,447
Trade payables	684,189	0	0	684,189
Other financial obligations	14,830	26,854	0	41,684
Liabilities from leases	23,846	61,912	20,171	105,929
Other liabilities*	391,929	4,224	0	396,153
Total	2,016,241	97,990	20,171	2,134,402

* The other liabilities include €123,364 thousand in financial liabilities.



€ thousand	Residual term of up to 1 year	Residual term of 1 to 5 years	Residual term of over 5 years	Total at 31 Dec 2021
Liabilities to banks	0	5,098	0	5,098
Contract liabilities	600,236	0	0	600,236
Trade payables	515,141	0	0	515,141
Other financial obligations	13,361	11,902	0	25,263
Liabilities from leases	29,626	51,242	16,556	97,424
Other liabilities*	319,948	9,849	0	329,797
Total	1,478,312	78,091	16,556	1,572,959

* The other liabilities include €84,266 thousand in financial liabilities.

Krones makes use of a supplier finance programme. The group does not derecognise the original trade payables as it is not legally discharged from the liability and the liability is not materially modified. From the group's perspective, the arrangement does not materially change the payment terms. The group does not incur any additional interest or costs for the trade payables. The amounts therefore continue to be presented in trade payables as they correspond to trade payables in nature and purpose. As of 31 December 2022, trade payables include supplier finance liabilities in the amount of €123,068 thousand (previous year: €81,147 thousand).

These outstanding trade payables are settled with suppliers by a bank before they are due. Within the programme, the original supplier liabilities are unaffected in substance because the acknowledgement of the liability is unaltered and are presented as trade payables.

Liabilities to banks (drawings on carried current credit lines, unsecured) carried interest at an average rate of 0.60% (previous year: 0.03%) in the financial year.

Reconciliation of movements in liabilities to cash flow from financing activities

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

€ thousand	31 Dec 2021	Other changes	Cash changes	Non-cash change due to acquisitions	31 Dec 2022
Liabilities to banks	5,098		-98		5,000
Liabilities from leases	97,424	41,398	-35,458	2,565	105,929
Total	102,522	41,397	-35,556	2,566	110,929

€ thousand	31 Dec 2020	Other changes	Cash changes	Non-cash change due to acquisitions	31 Dec 2021
Liabilities to banks	32,064		-26,966		5,098
Liabilities from leases	95,217	34,236	-32,029		97,424
Total	127,281	34,236	-58,995		102,522

The other changes mainly comprise additions from new leases.

The other financial liabilities are receivables not derecognised under IFRS 9, put/call options and earn-out obligations. Receivables not derecognised under IFRS 9 are also included in the amount of €5,086 thousand (previous year: €6,043 thousand) in trade receivables.



The other liabilities break down as follows:

€ thousand	Residual term of up to 1 year	Residual term of 1 to 5 years	Residual term of over 5 years	Total at 31 Dec 2022
Tax liabilities	45,783	176	0	45,959
Social security liabilities	12,432	0	0	12,432
Payroll liabilities	29,193	1,075	0	30,268
Accruals	253,603	0	0	253,603
Other	50,918	2,973	0	53,891
Total	391,929	4,224	0	396,153

The 'other' item includes €7,477 thousand (previous year: €21,883 thousand) in liabilities for severance payments.

Accruals, which amounted to €253,603 thousand (previous year: €201,794 thousand), have significantly less uncertainty with respect to their amount and timing than is the case with provisions. The primary items they include are outstanding supplier invoices, obligations relating to flexible working hours, accrued vacation, and performance bonuses.

€ thousand	Residual term of up to 1 year	Residual term of 1 to 5 years	Residual term of over 5 years	Total at 31 Dec 2021
Tax liabilities	36,867	145	0	37,012
Social security liabilities	8,487	0	0	8,487
Payroll liabilities	23,040	1,393	0	24,433
Accruals	201,794	0	0	201,794
Other	49,760	8,311	0	58,071
Total	319,948	9,849	0	329,797

17 Contingent liabilities

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

18 Other disclosures relating to financial instruments

The derivative financial instruments of the Krones Group substantially cover the currency risks relating to the US dollar, the Canadian dollar, the Chinese renminbi yuan and the pound sterling. The nominal and fair values of the derivative financial instruments are as follows at the reporting date:

€ thousand	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
	Nominal value	Nominal value	Fair value	Fair value
Financial assets				
Currency hedging				
Forward exchange contracts	104,767	86,100	4,294	2,129
of which hedge accounting	62,843	15,021	2,846	170
Financial liabilities				
Currency hedging				
Forward exchange contracts	554,377	364,502	9,926	7,397
of which hedge accounting	346,211	266,667	4,763	6,654

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



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

The net loss from derivatives was €14,334 thousand in the reporting period (previous year: net profit of €5,958 thousand). The German master agreements and ISDA agreements do not meet the criteria to require offsetting in the consolidated statement of financial position. That is because the company currently does not have a legally enforceable right to offset the recognised amounts. The right to offset these amounts is only enforceable if future events occur such as insolvency of a party to the contract. Hedging transactions entered into directly by subsidiaries of the Kronos Group also cannot be offset.

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

€ thousand	31 Dec 2022	31 Dec 2021
Financial assets		
Gross amounts of recognised financial assets	2,292,553	1,840,405
Amounts that are netted in accordance with IAS 32.42	0	0
Net amounts of recognised financial assets	2,292,553	1,840,405
Amounts subject to master netting agreement		
Derivatives	-1,330	-483
Net amount of financial assets	2,291,223	1,839,922
Financial liabilities		
Gross amounts of recognised financial liabilities	960,166	727,192
Amounts that are netted in accordance with IAS 32.42	0	0
Net amounts of recognised financial liabilities	960,166	727,192
Amounts subject to master netting agreement	0	0
Derivatives	-1,330	-483
Net amount of financial liabilities	958,836	726,709

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



31 Dec 2022		Measurement under IFRS 9				Measurement hierarchy			
€ thousand	Carrying amount at 31 Dec 2022	Of which subject to IFRS 7	At amortised cost (AC)	At fair value through profit or loss (FVTPL)	At fair value through other comprehensive income (FVOCI)	Measurement under IFRS 16	Level 1	Level 2	Level 3
Assets									
Non-current financial assets	18,605	3,936	3,936						
Trade receivables	847,235	847,235	847,235						
Contract assets	727,555	727,555	727,555						
Other assets	201,383	39,325	35,031	1,467	2,827			4,294	
of which derivatives	4,294	4,294		1,467	2,827			4,294	
Cash and cash equivalents	674,502	674,502	674,502						
Liabilities									
Liabilities to banks	5,000	5,000	5,000						
Trade payables	684,189	684,189	684,189						
Other financial liabilities and lease liabilities	147,613	147,613	6,010	35,674		105,929			35,674
Other liabilities and provisions	396,153	123,364	113,438	5,163	4,763			9,926	
of which derivatives	9,926	9,926		5,163	4,763			9,926	



31 Dec 2021		Measurement under IFRS 9				Measurement hierarchy			
€ thousand	Carrying amount at 31 Dec 2021	Of which subject to IFRS 7	At amortised cost (AC)	At fair value through profit or loss (FVTPL)	At fair value through other comprehensive income (FVOCI)	Measurement under IFRS 16	Level 1	Level 2	Level 3
Assets									
Non-current financial assets	28,846	2,533	2,533						
Trade receivables	786,302	786,302	786,302						
Contract assets	593,969	593,969	593,969						
Other assets	207,461	74,230	72,101	1,959	170			2,129	
of which derivatives	2,129	2,129		1,959	170			2,129	
Cash and cash equivalents	383,371	383,371	383,371						
Liabilities									
Liabilities to banks	5,098	5,098	5,098						
Trade payables	515,141	515,141	515,141						
Other financial liabilities and lease liabilities	122,687	122,687	6,284	18,980		97,424			18,980
Other liabilities and provisions	329,797	84,266	76,868	804	6,593			7,397	
of which derivatives	7,397	7,397		804	6,593			7,397	



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

€ thousand	2022	2021
Net carrying amount at 1 January	18,980	29,488
Additions resulting from acquisitions	24,756	0
Changes	-8,062	-10,508
(of which currency effects)	10	80
(of which payouts)	-7,112	-10,150
Net carrying amount at 31 December	35,674	18,980

There were no other changes. The financial liabilities, which are based on individual measurement parameters and recognised at fair value, comprise contingent consideration and combined put/call options relating to acquisitions. These items are recognised under other financial liabilities and have been measured on the basis of recognised accounting models, taking into account contractual agreements as well as market and company data available at the reporting date.

The fair value of the put/call option for System Logistics was measured using the discounted cash flow method. The main input factors are medium-term planning and the discount rate. The estimated range of the undiscounted

exercise prices is between €11,000 thousand and €13,000 thousand at the reporting date. On this basis, the fair value at the reporting date was €10,586 thousand.

The fair value of several contingent purchase price payments totalling €13,039 thousand for R+D Custom Automation was measured using a probability-weighted expected value method; the estimated range of the undiscounted payments to be made is between €0 thousand and €14,050 thousand. The main input factors are the expected revenue and the discount rate. The fair value of a further contingent purchase price payment of €1,873 thousand for R+D Custom Automation was measured using a Monte Carlo simulation. The estimated range of the undiscounted payment to be made is between €0 thousand and €28,100 thousand at the reporting date. The main input factors are the expected earnings and the discount rate. The fair value of the put/call option for R+D Custom Automation was measured using the discounted cash flow method. The main input factors are medium-term planning and the discount rate. The estimated range of the undiscounted exercise prices is between €0 thousand and €37,467 thousand at the reporting date. On this basis, the fair value at the reporting date was €9,844 thousand.

There were no transfers between levels of the hierarchy.

The age structure of trade receivables and other receivables is as follows at 31 December 2022:

€ thousand		Carrying amount	Of which not overdue at the reporting date	Of which overdue by the following number of days at the reporting date			
				Up to 90 days	Between 90 and 180 days	Between 180 and 360 days	More than 360 days
31 Dec 2022	Trade receivables and contract assets	1,574,790	1,438,483	88,496	24,522	21,701	1,588
31 Dec 2021	Trade receivables and contract assets	1,380,271	1,239,730	99,696	23,400	14,298	3,147



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

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

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

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

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

Rating-based at 31 Dec 2022	Gross carrying amount in € thousand	Average loss rate	Loss allowance in € thousand
Key accounts	448,397	0.17%	696
Major customers	813,233	1.48%	10,316
Total	1,261,630		11,012

Rating-based at 31 Dec 2021	Gross carrying amount in € thousand	Average loss rate	Loss allowance in € thousand
Key accounts	391,044	0.19%	664
Major customers	596,295	1.43%	7,405
Total	987,338		8,069

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

	Category					
31 Dec 2022	A	B	C	D	E	Total
Average loss rate (%)	0.79%	0.69%	5.26%	10.82%	13.15%	
Gross carrying amount in € thousand	288,491	41,586	5,751	11,840	21,538	369,206
Loss allowance in € thousand	2,266	287	303	1,281	2,833	6,970

	Category					
31 Dec 2021	A	B	C	D	E	Total
Average loss rate (%)	0.84%	0.74%	6.99%	12.17%	17.73%	
Gross carrying amount in € thousand	360,362	44,243	10,204	6,761	27,873	449,443
Loss allowance in € thousand	3,036	325	713	823	4,940	9,837

In addition, there are specific valuation allowances in the amount of €38,063 thousand (previous year: €38,601 thousand) for uncollectible receivables.



The following overview of maturities shows how the undiscounted cash flows relating to liabilities as of 31 December 2022 influence the company's liquidity situation.

€ thousand	Carrying amount at 31 Dec 2022	Cashflow 2023		Cashflow 2024–2027		Cashflow beyond 2027	
		Interest	Repayment	Interest	Repayment	Interest	Repayment
Derivative financial instruments	9,926	0	9,320	0	606	0	0
Liabilities to banks	5,000	30	0	52	5,000	0	0
Trade payables	684,189	0	684,189	0	0	0	0
Liabilities from leases	105,929	401	23,846	2,198	61,912	1,107	20,171
Other financial liabilities	155,122	0	126,348	0	28,774	0	0
	960,166	431	843,703	2,250	96,292	1,107	20,171

€ thousand	Carrying amount at 31 Dec 2021	Cashflow 2022		Cashflow 2023–2026		Cashflow beyond 2026	
		Interest	Repayment	Interest	Repayment	Interest	Repayment
Derivative financial instruments	7,397	0	7,397	0	0	0	0
Liabilities to banks	5,098	42	0	82	5,098	0	0
Trade payables	515,141	0	515,141	0	0	0	0
Liabilities from leases	97,424	262	29,626	1,736	51,242	1,202	16,556
Other financial liabilities	96,090	0	83,181	0	12,909	0	0
	721,150	304	635,345	1,818	69,249	1,202	16,556



Currency sensitivity analysis

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

31 Dec 2022 € thousand	Currency USD	Currency CAD	Currency CNY	Currency GBP
Consolidated statement of profit and loss	15,134	-9	118	629
Consolidated equity	21,011	1,480	4,386	10

31 Dec 2021 € thousand	Currency USD	Currency CAD	Currency CNY	Currency GBP
Consolidated statement of profit and loss	4,955	304	-309	244
Consolidated equity	10,941	787	2,067	206



Notes to the consolidated statement of profit and loss

19 Revenue

The Krones Group's revenue of €4,209,339 thousand (previous year: €3,634,456 thousand) is recognised revenue from contracts with customers. Revenue from contracts with customers breaks down by segment and invoice recipients in geographical regions as follows.

€ thousand	2022			2021		
	Filling and Packaging Technology	Process Technology	Intralogistics	Filling and Packaging Technology	Process Technology	Intralogistics
Germany	318,353	75,040	30,573	288,295	38,277	48,953
Central Europe (excluding Germany)	296,291	9,604	4,096	228,033	11,329	3,675
Western Europe	474,480	58,339	129,810	376,337	33,689	107,869
Middle East/Africa	436,271	49,562	249	383,807	37,500	574
Eastern Europe	150,290	10,734	24,562	120,510	5,143	15,247
Russia, Central Asia (c1s)	45,572	4,041	549	81,545	15,642	115
Asia-Pacific	394,406	53,374	19,592	337,690	49,952	20,746
China	332,397	11,556	970	318,093	53,901	3,546
North and Central America	755,546	65,939	98,626	618,020	57,906	88,298
South America/Mexico	293,710	29,310	35,497	293,267	11,245	3,251
Total	3,497,316	367,499	344,524	3,045,598	296,584	292,274

The group's contract assets and contract liabilities changed as follows in the financial year:

€ thousand	31 Dec 2022	31 Dec 2021
Contract assets	727,555	593,969
Contract liabilities	901,447	600,236

The amount of revenue recognised in 2022 that was included in the contract liability balance at the beginning of the reporting period was €600,236 thousand (previous year: €405,094 thousand).

The increase in contract assets is mainly due to a larger volume of work in progress. The increase in contract liabilities is mainly due to higher prepayments from customers.



The amount of the transaction price allocated to performance obligations unsatisfied (or partially unsatisfied) at the end of the reporting period was €36,756 thousand (previous year: €35,469 thousand). Kronen will recognise most of this as revenue in the next 36 months. No disclosures under IFRS 15.120 are made for performance obligations with an original expected duration of one year or less.

Most revenue in the Filling and Packaging Technology segment and almost all revenue in the Process Technology and Intralogistics segments is recognised over time.

20 Other own work capitalised

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

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

21 Other operating income

The other operating income in the amount of €165,039 thousand (previous year: €161,762 thousand) includes prior-period income from reversal of provisions and accruals (€10,288 thousand; previous year: €37,421 thousand), gains from disposals of non-current assets (€1,716 thousand; previous year: €480 thousand) and from the reversal of loss allowances on receivables and contract assets (€10,134 thousand; previous year: €3,928 thousand) and – as the main item – currency translation gains of €108,585 thousand (previous

year: €68,971 thousand). This compares with additions to loss allowances of €10,312 thousand (previous year: €12,142 thousand) and currency translation losses of €130,841 thousand (previous year: €75,279 thousand) under other operating expenses.

22 Goods and services purchased

The expenditure for goods and services purchased comprises expenses for materials and supplies and for goods purchased amounting to €1,610,862 thousand (previous year: €1,373,216 thousand) and expenses for services purchased amounting to €502,983 thousand (previous year: €434,201 thousand).

23 Personnel expenses

Within the Kronen Group, 16,222 people (previous year: 15,778) including trainees (480; previous year: 511) were employed on average over the year. The workforce of the Kronen Group is composed as follows (average for the year):

	2022	2021
White-collar employees exempt from collective agreements	2,699	2,673
Employees covered by collective agreements	13,523	13,105
Total	16,222	15,778

Expenses for the employer share of social insurance contributions in the amount of €1,035 thousand were reimbursed in 2022 by the German Federal Employment Agency (previous year: €89 thousand). The reimbursement amounts were offset against personnel expenses.



24 Other operating expenses

The other operating expenses include €483 thousand in prior-period losses from disposals of non-current assets (previous year: €457 thousand), additions to loss allowances on receivables and contract assets (€10,312 thousand; previous year: €12,142 thousand), other taxes (€8,302 thousand; previous year: €6,895 thousand) and – as the main items – freight costs (€156,203 thousand; previous year: €129,994 thousand), travel costs (€114,811 thousand; previous year: €90,567 thousand), currency translation losses (€130,841 thousand; previous year: €75,279 thousand), rent and cleaning costs (€6,962 thousand; previous year: €5,492 thousand), and maintenance costs (€43,643 thousand; previous year: €35,249 thousand).

25 Financial income/expense

The financial income of €11,659 thousand (previous year: €6,362 thousand) breaks down as follows:

€ thousand	2022	2021
Income from other securities and long-term loans	0	0
Interest and similar income	11,956	9,891
Interest and similar expenses	-3,356	-5,525
Interest income/expense	8,600	4,366
Investment income	3,052	2,033
Profit or loss shares attributable to associates that are accounted for using the equity method	7	-36
Net financial income/expense	11,659	6,362

Financial income/expense includes interest and similar income of €11,956 thousand (previous year: €9,891 thousand) and interest and similar expenses of €3,356 thousand (previous year: €5,525 thousand). Also included

in the financial year is income from investments in non-consolidated entities in the amount of €3,052 thousand (previous year: €2,033 thousand). The interest and similar income includes €960 thousand (previous year: €– thousand) for reductions in put options and earn-out obligations. Interest and similar expenses include €1,629 thousand (previous year: €1,756 thousand) for interest on lease liabilities and €– thousand (previous year: €1,040 thousand) for the increase in earn-out obligations. Further information on investments accounted for using the equity method is provided in Note 4.

26 Income tax

Income tax amounted to –€54,984 thousand in 2022 (previous year: –€35,874 thousand). Further information is presented under Note 8, “Income tax” (pages 240 to 241).



27 Earnings per share

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

	2022	2021
Consolidated net income less profit or loss shares of non-controlling interests (€ thousand)	187,025	141,366
Weighted average number of ordinary shares in circulation (shares)	31,593,072	31,593,072
Earnings per share (€)	5.92	4.47

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



Other disclosures

Audit and consulting fees

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

€ thousand	2022
Audit services	863
Other assurance services	128
Other advisory services	15

Disclosures in accordance with the EU Audit Regulation

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

Events after the reporting period

There were no material events for Krones after the end of the reporting period on 31 December 2022.

Related party disclosures

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

The ultimate controlling party of Krones AG is Familie Kronseder Konsortium GbR. Transactions with the related parties and with the ultimate controlling party are conducted at arm's length.

Sales and revenues with members of key management personnel and companies affiliated with them amounted to €8,738 thousand in 2022 (previous year: €8,478 thousand). The amount of the outstanding balance is €4,966 thousand (previous year: €3,800 thousand). Services received from members of key management personnel amount to €238 thousand in 2022 (previous year: €495 thousand). As in the previous year, there are no outstanding balances in this regard.

Revenues with shareholders of the ultimate controlling party of Krones AG and companies affiliated with them amounted to €171 thousand in 2022 (previous year: €151 thousand). Services received from shareholders of the ultimate controlling party of Krones AG and companies affiliated with them amounted to €1,121 thousand in 2022 (previous year: €1,064 thousand). As in the previous year, there are no outstanding balances in this regard.

Sales to subsidiaries that are not consolidated amounted to €14,142 thousand in 2022 (previous year: €9,354 thousand). Commissions received from such subsidiaries amounted to €4,956 thousand in 2022 (previous year: €4,205 thousand). Trade and other payment transactions resulted in assets of €3,702 thousand (previous year: assets of €1,411 thousand). Repayment is normally within twelve months. Loss allowances were recognised on receivables in the amount of €- thousand in the financial year (previous year: €1,360 thousand). As of 31 December 2022, loss allowances are recognised on receivables of €1,865 thousand (previous year: €2,290 thousand). Income



from investments in non-consolidated entities is included in the amount of €3.052 thousand (previous year: €2,033 thousand).

As in the previous year, there are no contingent liabilities relating to guarantees. Trade and other payment transactions with associates totalled €– thousand in 2022 (previous year: €– thousand). As in the previous year, this did not result in any outstanding balance.

- **Disclosures pursuant to Section 314 (1) No. 6 HGB relating to members of the Executive Board and former members of the Executive Board**

Executive Board remuneration granted and owed for the 2022 financial year amounted to €8,228 thousand (previous year: €6,439 thousand).

Benefits granted to former members of the Executive Board and their surviving dependants amounted to €1,708 thousand (previous year: €1,703 thousand). IFRS pension provisions have been recognised in the amount of €4,198 thousand (previous year: €11,016 thousand).

- **Remuneration recognised as expense within the meaning of IAS 24 for members of the Executive Board**

Executive Board remuneration recognised as expense, including expenses for the long-term incentive provision, amounted to €8,205 thousand for the 2022 financial year (previous year: €7,177 thousand).

This includes short-term benefits in the amount of €5,365 thousand (previous year: €4,424 thousand), other long-term benefits in the amount of €1,548 thousand (previous year: €1,556 thousand). The benefits mainly comprise fixed remuneration, fringe benefits and variable remuneration components. In addition, €1,292 thousand (previous year: €1,196 thousand)

was paid into the contribution-based post-employment benefits plan in 2022. Provisions of €5,226 thousand (previous year: €4,277 thousand) are recognised for the remuneration entitlements of members of the Executive Board.

IFRS pension provisions of €367 thousand (previous year: €2,266 thousand) were recognised for active members of the Executive Board. At the end of the financial year, following changes in the actuarial discount rate, the corresponding defined benefit obligation (DBO) amounted in total to €3,233 thousand (previous year: €4,879 thousand).

- **Supervisory Board remuneration**

The total remuneration paid to members of the Supervisory Board for the 2022 financial year amounted to €869 thousand (previous year: €839 thousand).

- **Corporate governance**

Shareholders can view the declaration of the Executive Board and the Supervisory Board from January 2023 pursuant to Section 161 of the German Stock Corporation Act [AktG] concerning the Corporate Governance Code as amended on 28 April 2022 at Kronos AG's website. The exceptions are also listed there.

- **Risk report**

The risk report is part of the management report and is on pages 172 to 184.





Standards and interpretations

The accounting policies used in these consolidated financial statements correspond to the standards and interpretations whose application is mandatory as of 31 December 2022. The following new or amended standards and interpretations applied for the 2022 financial year.

Standard or interpretation	EU Endorsement	Application mandatory for annual periods beginning
IAS 16 Amendments: Proceeds before Intended Use	completed	1 Jan 2022
IFRS 3 Amendments: Reference to the Conceptual Framework	completed	1 Jan 2022
IAS 37 Amendments: Onerous Contracts – Cost of Fulfilling a Contract	completed	1 Jan 2022
Annual Improvements to IFRS – 2018–2020 Cycle	completed	1 Jan 2022
IFRS 16 Amendments: Covid-19-Related Rent Concessions (exempting lessees from determining whether Covid-19-related rent concessions are lease modifications)	completed	1 Apr 2021

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

The following standards and interpretations have been issued by the IASB but their application is not mandatory until after 31 December 2022.

Standard or interpretation	EU Endorsement	Application mandatory for annual periods beginning
IAS 1 Amendments: Classification of Liabilities as Current or Non-Current	open	1 Jan 2024
IAS 8 Amendments: Definition of Accounting Estimates	completed	1 Jan 2023
IFRS 16 Lease Liability in a Sale and Leaseback	open	1 Jan 2024
IFRS 17 Insurance Contracts	completed	1 Jan 2023
IAS 1 Amendments: Disclosure of Accounting Policies	completed	1 Jan 2023
IAS 12 Amendments: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	completed	1 Jan 2023

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



Shareholdings

Name and location of the company	Share in Capital held by Krones AG (%)
Dekron GmbH, Kelkheim, Germany	100.00
Ecomac Gebrauchtmachines 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 Holding GmbH, Neutraubling, Germany (former Syskron Holding GmbH, Wackersdorf, Germany)	100.00
Krones Service Europe GmbH, Neutraubling, Germany	100.00
Mabe GmbH, Munich, Germany	100.00
MHT Holding AG, Hochheim am Main, Germany	100.00
MHT Mold & Hotrunner Technology AG, Hochheim am Main, Germany	100.00
Milkron GmbH, Laatzen, Germany	100.00
PMR GmbH, Wackersdorf, Germany	100.00
Steinecker GmbH, Freising, Germany	100.00
Syskron GmbH, Wackersdorf, Germany	100.00
System Logistics GmbH, Wackersdorf, Germany	100.00
Technologisches Institut für angewandte künstliche Intelligenz GmbH, Weiden i.d.Opf., Germany	31.15
Triacos Consulting & Engineering GmbH, Altenstadt an der Waldnaab, Germany	100.00
Kosme FBA SA, Charleroi, Belgium	100.00
s.A. Krones N.V., Louvain-la-Neuve, Belgium	100.00
Krones Service Europe Eood, Sofia, Bulgaria	100.00
Krones Nordic APS, Holte, Denmark	100.00
Kosme FBA SAS, Lyon, France	100.00
Krones S.A.R.L., Viviers-du-Lac, France	100.00

*Direct and indirect shareholdings



Name and location of the company	Share in Capital held by Krones Ag (%)
Krones UK LTD., Bolton, UK	100.00
System LTD., London, UK	80.00
Kosme S.R.L., Roverbella (MN), Italy	100.00
Krones Italia S.R.L., Garda (VR), Italy	100.00
Krones S.R.L., Garda (VR), Italy	100.00
System Logistics S.P.A., Fiorano Modenese (MD), Italy	80.00
Krones Kazakhstan TOO, Almaty, Kazakhstan	100.00
Krones Nederland B.V., Bodegraven, Netherlands	100.00
Kosme Gesellschaft mbH, Sollenau, Austria	100.00
Krones Spółka z.o.o., Warsaw, Poland	100.00
Krones Portugal Equipamentos Industriais LDA., Barcarena, Portugal	100.00
Krones Romania Prod. S.R.L., Bucharest, Romania	100.00
Krones Service Europe SRL, Bucharest, Romania	100.00
Krones o.o.o., Moscow, Russia	100.00
System Northern Europe AB, Malmö, Sweden	80.00
Integrated Plastics Systems AG, Baar, Switzerland	100.00
Krones AG, Buttwil, Switzerland	100.00
Krones Iberica, S.A.U., Barcelona, Spain	100.00
System Logistics Spain SL, Castellon, Spain	80.00
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, Kyiv, Ukraine	100.00
Krones Hungary KFT., Debrecen, Hungary	100.00
Krones Service Europe KFT., Budapest, Hungary	100.00
Krones Angola – Representacoes, Comercio E Industria, LDA., Luanda, Angola	100.00
Krones Surlatina S.A., Buenos Aires, Argentina	100.00
Krones Pacific PTY Limited, Sydney, Australia	100.00

*Direct and indirect shareholdings



Name and location of the company	Share in Capital held by Krones Ag (%)
Krones Bangladesh Limited, Dhaka, Bangladesh	100.00
Krones Do Brazil LTDA., São Paulo, Brazil	100.00
Krones S.A., São Paulo, Brazil	100.00
Krones Chile SPA., Santiago de Chile, Chile	100.00
Krones Asia LTD., Hong Kong, China	100.00
Krones Machinery (Taicang) Co. Ltd., Taicang, China	100.00
Krones Processing (Shanghai) Co. Ltd., Shanghai, China	100.00
Krones Sales (Beijing) Co. Ltd., Beijing, China	100.00
Automata S.A., Guatemala-City, Guatemala	100.00
Krones Digital Solutions India Private Limited, Bangalore, India	100.00
Krones India Pvt. Ltd., Bangalore, India	100.00
System Logistics India Private Limited, Mumbai, India	80.00
Unicorn Industries Pvt. Ltd., Secunderabad, India	100.00
PT. Krones Machinery Indonesia, Jakarta, Indonesia	100.00
Systorelog Israel Ltd., Tel Aviv, Israel	80.00
IPS Japan Co. Ltd., Tokyo, Japan	100.00
Krones Japan Co. Ltd., Tokyo, Japan	100.00
Krones (Cambodia) Co. Ltd., Phnom Penh, Cambodia	100.00
Krones Machinery Co. Ltd., Mississauga, Ontario, Canada	100.00
Krones LCS Center East Africa Limited, Nairobi, Kenya	100.00
Krones Andina S.A.S., Bogotá, Colombia	100.00
Krones Korea Ltd., Seoul, Korea	100.00
Krones Machinery Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia	100.00
Krones North West Africa (SARL), Casablanca, Morocco	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	80.00
Krones Myanmar Ltd., Sanchaung Township, Myanmar	100.00
Krones New Zealand Limited, Auckland, New Zealand	100.00
Krones LCS Center West Africa Limited, Lagos, Nigeria	100.00

*Direct and indirect shareholdings



Name and location of the company	Share in Capital held by Krones AG (%)
Krones Pakistan (Private) Limited, Lahore, Pakistan	100.00
Krones Filipinas Inc., Taguig City, Philippines	100.00
Krones-Izumi Processing Pte Ltd., Singapore, Singapore	73.00
Krones Singapore Ltd., Singapore, Singapore	100.00
Krones Middle East Maintenance LLC, Riyadh, Saudi Arabia	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	80.00
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
R+D Custom Automation LLC, Trevor, Wisconsin, USA	80.50
System Logistics Corporation, Arden, North Carolina, USA	80.00
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, Arab Emirates	100.00
Krones Meatech FZCO, Dubai, Arab Emirates	100.00
Krones Middle East Africa FZCO, Dubai, Arab Emirates	100.00
Krones Vietnam Co. Ltd., Ho-Chi-Minh-City, Vietnam	100.00

*Direct and indirect shareholdings Krones AG, Neutraubling, the parent company, is registered in Commercial Register B of Regensburg Local Court under HRB 2344.



Use of exemptions

The following fully consolidated German group companies made use of the exemption in Section 264 (3) HGB in the 2022 financial year.

Name and location of the company

Krones Holding GmbH, Neutraubling, Germany (former Syskron Holding GmbH, Wackersdorf, Germany)

Dekron GmbH, Kelkheim, Germany

Ecomac Gebrauchtmachines GmbH, Neutraubling, Germany

Evoguard GmbH, Nittenau, Germany

Gernep GmbH Etikettiertechnik, Barbing, Germany

HST Maschinenbau GmbH, Dassow, Germany

kic Krones Internationale Cooperations-Gesellschaft mbH, Neutraubling, Germany

Krones Service Europe GmbH, Neutraubling, Germany

Milkron GmbH, Laatzen, Germany

PMR GmbH, Wackersdorf, Germany

Syskron GmbH, Wackersdorf, Germany

System Logistics GmbH, Wackersdorf, Germany

Steinecker GmbH, Freising, Germany

Triacos Consulting & Engineering GmbH, Altenstadt an der Waldnaab, Germany



Members of the **Supervisory Board** and the **Executive Board**

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

Supervisory Board

Volker Kronseder

Chairman of the Supervisory Board
* Universitätsklinikum
Regensburg
* Wirtschaftsbeirat
Bayerische Landesbank

Josef Weitzer**

Deputy Chairman of the
Supervisory Board, Chairman of
Group Central Works Council
Chairman of the Works Council
Neutraubling
* Bay. Betriebskrankenkassen

Nora Diepold

Chief Executive Officer
nk Immobilienverwaltungs GmbH,
Regensburg

Robert Friedmann

Spokesman for the central
managing board of the
Würth Group
* ZF Friedrichshafen AG

Oliver Grober**

Deputy Chairman of the Employees'
Council, Rosenheim

Thomas Hiltl**

Chairman of the Employees'
Council, Nittenau

Markus Hüttner**

Deputy Group Employees'
Council Chairman
Deputy Composite Employees'
Council Chairman
Deputy Employees' Council
Chairman, Neutraubling

Professor Dr. jur. Susanne Nonnast

Professor at Ostbayerische
Technische Hochschule (OTH)
Regensburg

Dr. Verena Di Pasquale**

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

Beate Eva Maria Pöpperl**

Independent Member of the
Employees' Council

Stefan Raith**

Head of Business Line, Line Solutions
*re-sult AG

Norbert Samhammer

Chief executive of
Samhammer Holding GmbH
*Samhammer AG (until 01 June 2022)

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
Managing partner at
ww+kn Treuhand GmbH

Executive Board

Christoph Klenk

CEO

Norbert Broger

CFO
(until 31 December 2022)

Uta Anders

CFO
(since 1 January 2023)

Thomas Ricker

CSO

Markus Tischer

International Operations
and Services

Ralf Goldbrunner

Operations

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



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

Krones AG had earnings available for distribution as of 31 December 2022 of €255,821,803.86.

We propose to the annual general meeting on 23 May 2023 that this amount be used as follows:

Proposal for the appropriation of earnings available for distribution	€255,821,803.86
Dividend of €1.75 per share (for 31,593,072 shares)	€55,287,876.00
Amount brought forward to new account	€200,533,927.86

Neutraubling, 15 March 2023
Krones AG

The Executive Board

Christoph Klenk
CEO

Uta Anders
CFO

Thomas Ricker
CSO

Markus Tischer

Ralf Goldbrunner



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Responsibility statement

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

Neutraubling, 15 March 2023

Krones AG

The Executive Board

Christoph Klenk
CEO

Uta Anders
CFO

Thomas Ricker
CSO

Markus Tischer

Ralf Goldbrunner



Translation of the German independent auditor's report concerning the audit of the consolidated financial statements and group management report prepared in German

Independent auditor's report

To Kronen Aktiengesellschaft

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

Opinions

We have audited the consolidated financial statements of Kronen Aktiengesellschaft, Neutraubling, and its subsidiaries (the group), which comprise the consolidated statement of profit and loss and the consolidated statement of comprehensive income for the fiscal year from 1 January 2022 to 31 December 2022, the consolidated statement of financial position as of 31 December 2022, the consolidated statement of cash flows for the fiscal year from 1 January 2022 to 31 December 2022, the consolidated statement of changes in equity for the fiscal year from 1 January 2022 to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Kronen Aktiengesellschaft for the fiscal year from 1 January 2022 to 31 December 2022. In accordance with the German legal requirements, we have not audited the content of the group non-financial statement, which was combined with the non-financial statement of the company, and was included in the group management report in a separately marked section, and the group declaration on corporate governance, which is published on the website cited in the group management report and is a component of the management report. We have not audited the following information not typical of management reports, which is part of other information:

- Section "Fundamental information about the group," subsection "Research and development," extract from presentations of several innovation under the title "Innovative new developments and enhancements – the result of successful R&D activities."
- Section "Risks and opportunities report," subsection "Appropriateness of the internal control and risk management system," Statement by the Executive Board on the appropriateness and effectiveness of the entire internal control and risk management system based on Recommendation A.5 of the German Corporate Governance Code.

Disclosures extraneous to management reports are such disclosures that are not required pursuant to Secs. 315, 315a HGB ["Handelsgesetzbuch": German Commercial Code] or Secs. 315b to 315d HGB or German Accounting Standard (GAS) 20.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the group as at 31 December 2022 and of its financial performance for the fiscal year from 1 January 2022 to 31 December 2022, and



- the accompanying group management report as a whole provides an appropriate view of the group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. We do not express an opinion on the content of the group non-financial statement referred to above, the group declaration on corporate governance referred to above and the information not typical of management reports referred to above.

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

Basis for the opinions

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

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January to 31 December 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

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

1. Revenue recognition for customer-specific construction contracts

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

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



Auditor's response

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

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

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

Reference to related disclosures

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

2. Impairment testing of goodwill

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

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

Against the background of the underlying complexity of impairment tests as well as the judgment exercised during valuation and the associated high risk for accounting misstatement, impairment testing of goodwill, which is a significant item of the statement of financial position in the consolidated financial statements, was a key audit matter.

Auditor's response

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

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



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

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

Reference to related disclosures

For more information on the impairment tests performed and underlying assumptions, please refer to the disclosures in chapter “General disclosures,” section “Estimates and judgments,” section “Goodwill” as well as chapter “Notes to the consolidated statement of financial position,” note 1 “Intangible assets,” of the notes to the consolidated financial statements.

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board. The executive directors and the Supervisory Board are responsible for the declaration pursuant to Sec. 161 AktG [“Aktengesetz”: German Stock Corporation Act] on the German Corporate Governance Code, which is part of the group declaration on corporate governance. In all other respects, the executive directors are responsible for the other information.

Other information comprises the group declaration on corporate governance mentioned above, the information not typical of management reports in the group management report referred to above, the non-financial state-

ment included in a separately marked section in the group management report and also other components designated for the annual report, of which we received a version prior to issuing this auditor's report, particularly

- Section “Highlights 2022”
- Chapter 1 “To our shareholders”
- Chapter 3 “Declaration on corporate governance”
- Chapter 6 “Other information”

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

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

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

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



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

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

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

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the prepara-

tion of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

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

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

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

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



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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.



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

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

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

Other legal and regulatory requirements

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

Opinion

We have performed assurance work in accordance with Sec. 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the file Krones_AG_KA+KLB_ESEF-2022-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the file identified above and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinions on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from 1 January 2022 to 31 December 2022 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.



Basis for the opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the file identified above in accordance with Sec. 317 (3a) HGB and the IDW Assurance Standard: Assurance on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Sec. 317 (3a) HGB (IDW AsS 410) (06.2022) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the “Group auditor’s responsibilities for the assurance work on the ESEF documents” section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

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

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

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

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

Group auditor’s responsibilities for the assurance work on the ESEF documents

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

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this file.
- Evaluate whether the ESEF documents enable an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Arts. 4 and 6 of Commission Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.



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

- We were elected as group auditor by the Annual General Meeting on 31 May 2022. We were engaged by the Supervisory Board on 7 June 2022. We have been the group auditor of Kronos Aktiengesellschaft without interruption since fiscal year 2019.
- We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).
- Other matter – use of the auditor's report
- Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Unternehmensregister [German Company Register] – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German Public Auditor responsible for the engagement

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

Nuremberg, 15 March 2023

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Schubert
Wirtschaftsprüfer
[German Public Auditor]

Schütz
Wirtschaftsprüfer
[German Public Auditor]



The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German version of the non-financial statement 2022 of Kronos AG. The following text is a translation of the original German independent assurance report.

Independent auditor's report on a limited assurance engagement

To Kronos AG, Neutraubling

We have performed a limited assurance engagement on the non-financial statement included in the "Non-financial Statement" section of the management report of Kronos AG, Neutraubling, (hereinafter the "Company"), which is combined with the non-financial statement of the Group for the period from 01 January 2022 to 31 December 2022 (hereinafter the "non-financial statement").

Not subject to our assurance engagement are other references to disclosures made outside the non-financial statement. Likewise, not subject to our assurance engagement are the external sources of documentation or expert opinions mentioned in the non-financial statement.

Responsibilities of the executive directors

The executive directors of the Company are responsible for the preparation of the non-financial statement in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB ["Handelsgesetzbuch": German Commercial Code] and Art. 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder as well as in accordance with their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as set out in section "EU taxonomy" of the non-financial statement.

These responsibilities of the Company's executive directors include the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures that

are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a non-financial statement that is free from material misstatement, whether due to fraud (manipulation of the non-financial statement) or error.

The EU Taxonomy Regulation and the Delegated Acts adopted thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "EU taxonomy" of the non-financial statement. They are responsible for the defensibility of this interpretation. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

Independence and quality assurance of the auditor's firm

We have complied with the German professional requirements on independence as well as other professional conduct requirements.

Our audit firm applies the national legal requirements and professional pronouncements – in particular the BS WP/vBP ["Berufssatzung für Wirtschaftsprüfer/vereidigte Buchprüfer": Professional Charter for German Public Accountants/German Sworn Auditors] in the exercise of their Profession and the IDW Standard on Quality Management issued by the Institute of Public Auditors in Germany (IDW): Requirements for Quality Management in the Audit Firm (IDW QS 1) and accordingly maintains a comprehensive quality manage-



ment system that includes documented policies and procedures with regard to compliance with professional ethical requirements, professional standards as well as relevant statutory and other legal requirements.

Responsibilities of the auditor

Our responsibility is to express a conclusion with limited assurance on the non-financial statement based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information” issued by the IAASB. This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company’s non-financial statement is not prepared, in all material respects, in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors disclosed in section “EU taxonomy” of the non-financial statement. Not subject to our assurance engagement are other references to disclosures made outside the non-financial statement, as well as the external sources of documentation or expert opinions mentioned in the non-financial statement.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly, a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the auditor.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the sustainability organization and stakeholder engagement,

- Inquiries of the executive directors and relevant employees involved in the preparation of the non-financial statement about the preparation process, about the internal control related to this process, and about disclosures in the non-financial statement,
- Inquiries of the employees regarding the selection of topics for the non-financial statement, the risk assessment and the policies of the Company and the Group for the topics identified as material,
- Inquiries of employees of the Company and the Group responsible for data capture and consolidation, about the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the disclosures in the non-financial statement,
- Identification of likely risks of material misstatement in the non-financial statement,
- Analytical procedures on selected disclosures in the non-financial statement at the level of the Company and the Group,
- Inquiries and inspection of documents relating to the collection and reporting of selected qualitative disclosures and data,
- Reconciliation of selected disclosures with the corresponding data in the annual financial statements and management report,
- Evaluation of the process to identify the economic activities taxonomy-eligible and taxonomy-compliant as well as the corresponding disclosures in the non-financial statement,
- Evaluation of the presentation of the non-financial statement.

In determining the disclosures in accordance with Art. 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.



Assurance conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the non-financial statement of the Company for the period from 01 January 2022 to 31 December 2022 is not prepared, in all material respects, in accordance with Sec. 315c in conjunction with Secs. 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors as disclosed in section “EU taxonomy” of the non-financial statement.

We do not express an assurance conclusion on the other references to disclosures made outside the non-financial statement or the external sources of documentation or expert opinions mentioned in the non-financial statement.

Restriction of use

We draw attention to the fact that the assurance engagement was conducted for the Company’s purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. As a result, it may not be suitable for another purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company alone. We do not accept any responsibility to third parties. Our assurance conclusion is not modified in this respect.

General Engagement Terms and Liability

The “General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]” dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We accept no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we will not update the report to reflect events or circumstances arising after it was issued, unless required to do so by law. It is the sole responsibility of anyone taking note of the summarized result of our work contained in this report to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Eschborn, 15 March 2023

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Meyer
Wirtschaftsprüferin
[German Public Auditor]

Hauschildt
Wirtschaftsprüferin
[German Public Auditor]





Financial glossary

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



Technical glossary

Alternative proteins	Plant proteins that are increasingly being consumed as an alternative to animal protein (meat and dairy products). Plant (alternative) proteins are more climate-friendly than animal protein.	Intralogistics	The internal flow of materials and goods within a company, including warehouse, order picking and conveyance systems.
Artificial intelligence (AI)	Artificial intelligence (AI) is a branch of computer science that deals with the automation of intelligent behaviour and machine learning. It involves programming machines to emulate human decision-making structures.	Line expertise	Filling and packaging lines are made up of many individual machines and systems. Krones has the expertise to ensure perfect interoperation between components. This is referred to as line expertise.
Aseptic beverage filling	Germ-free filling of beverages at ambient temperature.	LitePac Top	Under the name LitePac Top, Krones supplies a plastic-free and sustainable alternative for secondary packaging (see below) for PET bottles and cans. The packaging solution is made of recyclable paperboard.
Bottle-to-bottle recycling	Process to produce new PET bottles from used PET bottles. Used PET bottles are reduced to clean PET flakes, which are processed into preforms (see right) and then into new PET bottles.	PET	Polyethylene terephthalate, a thermoplastic material from the polyester family used, among other things, for producing beverage bottles.
Circularity	The circular economy aims to maximize the use of products and materials by repairing, reusing and recycling them.	Preform	PET blank from which PET bottles are produced (blown).
Digitalisation	Digitalisation in general is the conversion of analogue information into digital data. This can be processed and exchanged faster and more easily than analogue information. Many new technologies, such as cloud computing, artificial intelligence and the Internet of Things (IoT), are based on digital data.	rPET	Recycled PET. Although rPET is chemically identical to virgin PET, there are differences in processing.
Energy drink	A beverage that acts as a stimulant. The main ingredients are taurine and caffeine.	Secondary packaging	Secondary packaging is packaging around already packaged products. It serves as a storage and transport aid and does not come into direct contact with the product.
enviro	Krones' sustainability programme enviro was launched in 2008 and certified by TÜV SÜD in 2009. This independent certification enables Krones to award the enviro seal for efficient use of energy and media and the environmental performance of its machines and lines. The program is continuously expanded and all new product developments are based on the enviro criteria.	Soft drinks	Non-alcoholic, still or carbonated soft drinks
Fermentation	In biotechnology, fermentation is a process that produces chemical changes in organic substances with the aid of bacteria, fungal cultures or cell cultures or by the addition of enzymes.	Stretch blow molding	Process for the production of hollow plastic containers such as PET bottles.
		Sustainability	Sustainability or sustainable development is generally defined as meeting the needs of the present without compromising the ability of future generations to meet their own needs.



Key figures for the Krones group 2018–2022

		2022	2021	2020	2019	2018
Revenue						
Revenue	€ million	4,209	3,635	3,323	3,959	3,854
Germany	€ million	424	376	329	468	362
Outside Germany	€ million	3,785	3,259	2,994	3,491	3,492
Export share	%	90	90	90	88	91
Earnings						
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million	373	313	133	227	306
Earnings before taxes (EBT)	€ million	242	177	–37	42	204
Consolidated net income	€ million	187	141	–80	9	151
Earnings per share	€	5.92	4.47	–2.52	0.30	4.78
Assets and capital structure						
Non-current assets	€ million	1,164	1,133	1,093	1,154	1,010
of which fixed assets	€ million	1,064	1,001	990	1,070	936
Current assets	€ million	3,007	2,362	1,957	2,165	2,312
of which cash and equivalents	€ million	675	383	217	110	219
Equity	€ million	1,598	1,392	1,200	1,370	1,433
Total debt	€ million	2,573	2,103	1,850	1,949	1,888
Non-current liabilities	€ million	375	434	476	452	359
Current liabilities	€ million	2,198	1,669	1,374	1,497	1,529
Total assets	€ million	4,171	3,495	3,050	3,319	3,321
Cash flow/capital expenditure						
Free cash flow	€ million	371	203	221	–94	121
Capital expenditure for PP&E and intangible assets	€ million	118	105	94	169	179
Depreciation, amortisation and impairments	€ million	143	142	174	183	103
Net cash position (cash and cash equivalents less debt)	€ million	670	378	185	38	215
Profitability ratios						
EBITDA margin	%	8.9	8.6	4.0	5.7	7.9
EBT margin	%	5.8	4.9	–1.1	1.1	5.3
Working capital to revenue*	%	19.0	24.8	28.3	26.9	27.3
ROCE	%	14.1	10.0	–2.2	2.2	11.5
Employees (at 31 December)						
Germany		10,130	9,821	10,364	10,733	10,887
Outside Germany		7,034	6,482	6,372	6,620	5,658
Dividend						
Dividend per share	€	1.75**	1.40	0.06	0.75	1.70

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



Public information

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This English language report is a translation of the original German Krones Konzern Geschäftsbericht 2022. In case of discrepancies the German text shall prevail.

You can also find the original German version of this Annual Report in the Investor Relations section at [krones.com](https://www.krones.com).



Financial calendar

5 May 2023	Quarterly statement for the period ended 31 March 2023
23 May 2023	Annual general meeting
1 August 2023	Interim report for the period ended 30 June 2023
3 November 2023	Quarterly statement for the period ended 30 September 2023



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