



Shaping the future

**SOLUTIONS
BEYOND
TOMORROW**



2023 highlights

- Krones continued its profitable growth in 2023. Revenue increased by 12.2% year on year to €4,720.7 million.
- After the previous year's record (€5,782.8 million), order intake remained at a high level in 2023 at €5,376.6 million. In the fourth quarter, order intake increased by 6.8% year on year on year to €1,263.0 million. The order backlog exceeded the €4 billion mark and, at €4,122.3 million at the end of 2023, was 18.9% higher than in the previous year.
- Despite challenging conditions, Krones significantly improved profitability. EBITDA increased by 22.5% in 2023 to €457.3 million. The EBITDA margin rose from 8.9% in the previous year to 9.7%.
- As expected, free cash flow was below the extremely high prior-year figure. Before acquisitions, however, it remained positive at €13.2 million in 2023 (previous year: €398.2 million). Krones improved ROCE (return on capital employed) to 16.3% in 2023 (previous year: 14.1%).
- Due to the good business performance, Krones intends to pay a dividend of €2.20 per share for 2023 (previous year: €1.75).
- The Executive Board is confident for the 2024 financial year and forecasts revenue growth of 9% to 13% with an improved EBITDA margin of 9.8% to 10.3% and ROCE of 17% to 19%. The forecast figures include the effects of the acquisition of Netstal Maschinen AG, which is still to be finalised.

		2023	2022	Change
Revenue	€ million	4,720.7	4,209.3	+ 12.2 %
Order intake	€ million	5,376.6	5,782.8	- 7.0 %
Order backlog at 31 December	€ million	4,122.3	3,466.4	+ 18.9 %
EBITDA	€ million	457.3	373.3	+ 22.5 %
EBITDA margin	%	9.7	8.9	+ 0.8 PP*
EBIT	€ million	291.0	230.4	+ 26.3 %
EBT	€ million	310.5	242.1	+ 28.3 %
EBT margin	%	6.6	5.8	+ 0.8 PP*
Consolidated net income	€ million	224.6	187.1	+ 20.0 %
Earnings per share	€	7.11	5.92	+ 20.0 %
Dividend per share	€	2.20**	1.75	+ 25.7 %
Capital expenditure for PP&E and intangible assets	€ million	162.7	118.2	+ €44.5 million
Free cash flow	€ million	-101.3	371.0	- €472.3 million
Free cash flow excluding acquisitions	€ million	13.2	398.2	- €385.0 million
Net cash at 31 December***	€ million	444.7	669.5	- €224.8 million
Working capital to revenue****	%	17.8	19.0	- 1.2 PP*
ROCE	%	16.3	14.1	+ 2.2 PP*
Employees at 31 December				
Worldwide		18,513	17,164	+ 1,349
Germany		10,654	10,130	+ 524
Outside Germany		7,859	7,034	+ 825

*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



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Shaping the future

Krones has mapped out its journey into the future since 2022 with “**Solutions beyond tomorrow**”. This slogan outlines Krones’ strategic vision for the years ahead.

In order to realise its ambitious visions, the Krones team has a long, major road ahead. The first steps have already been taken in 2023. This is demonstrated by the examples on pages 24 to 30.



On the way, the company benefits both from its motivated and highly qualified employees (pages 31 to 33) and from the stable growth of the beverage markets (pages 8 to 11).





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Shaping the future

“Krones embraces its responsibility to society”

Interview with Christoph Klenk, CEO

“Solutions beyond tomorrow” embodies the ambitious vision of producing “sustainable and affordable beverages, food and essentials for everyone and everywhere”. Why is the company aiming so high?

Christoph Klenk: “Because we are conscious that, as a company, we bear responsibility for our customers and employees and for people around the world. More beverages and more food are needed to feed the world’s growing population. Especially against the backdrop of climate change, it is immensely important for these to be produced in a resource-efficient way. This is where Krones is called upon to contribute to a world worth living in, with future-ready, sustainable technologies. Our ambitious target picture gives all Krones employees guidance on this challenging journey.”



How did the workforce respond to the new target picture?

Klenk: “Of course there was a little scepticism at the beginning as to whether such big goals are achievable. But the team spirit in Krones’ DNA soon prevailed. Our employees around the world see themselves as part of a larger community working together toward an ambitious goal. Their motivation and enthusiasm to help shape a better future is tremendous. I am proud of how our people bring “Solutions beyond tomorrow” to life every day.”

2023 was the first full financial year under your new target picture. Is Krones already a step closer to realising its vision?

Klenk: “We have set out on a long, ambitious journey and have now taken the first steps. Krones already has successes to show that are based on the new target picture. In 2023, we published our Carbon Transition Plan, in which we clearly describe how Krones will achieve its climate targets. Various innovative lines and technologies are also available for our customers to use for resource-efficient, climate-friendly production. We present some examples on pages 24 to 30. But as I said, we are only at the beginning of a long and challenging journey. I am confident that we will successfully complete that journey as the Krones team and make our vision reality.”





The world's population needs more packaged food and beverages

The world's population is growing by about 60 million people a year, the middle class is expanding in emerging and developing countries, and more and more people are moving from rural areas to cities.

These megatrends mean that the global demand for packaged foods and beverages is constantly increasing and that more needs to be produced. At the same time, the industry attaches ever greater importance to sustainable manufacturing processes. Sustainability is now a megatrend in its own right.



Stable demand for the global beverage industry: Many long-term megatrends support Krones' growth



“With ‘Solutions beyond tomorrow’, all employees from all areas of the company have a specific vision in mind that we aim to realise together as a team. Krones will make its contribution to feeding the world’s growing population.”

Uta Anders, CFO

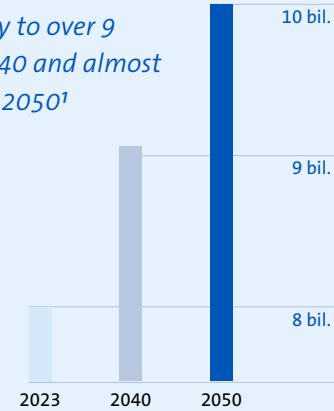
Sources:

¹ United Nations (World Population Prospects 2022)

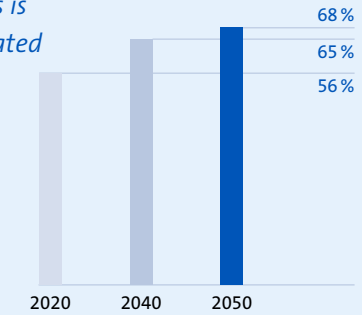
² United Nations (World Urbanization Prospects)

³ World Data Lab (August 2023)

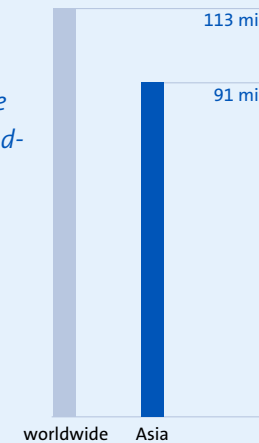
The world population is growing from 8 billion people today to over 9 billion in 2040 and almost 10 billion in 2050¹



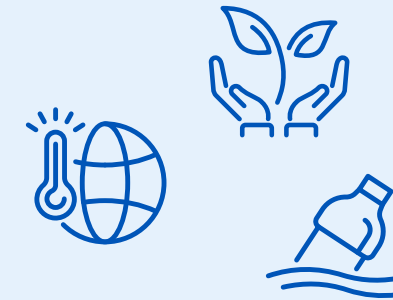
The proportion of people living in urban areas will increase from 55% today to 65% in 2040 and almost 70% in 2050. This is mainly concentrated in cities in the Global South²



Growing middle class
More than 110 million people will rise into the middle class in 2024, including 91 million in Asia³



Consistent focus on sustainability among our customers





Increasing demand for innovative filling and packaging technology from Krones

Driven by the megatrends, global consumption of bottled beverages continues to grow. Consumption is expected to rise by an average of 2.7%* per year from 2023 to 2027. Krones benefits from this trend as the world's number one manufacturer of beverage filling and packaging lines.

The global population's increasing consumption of beverages, which is hardly affected by economic fluctuations, ensures long-term stable growth in demand for our products and services.

* Source: Global Data (27 November 2023)



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Market growth

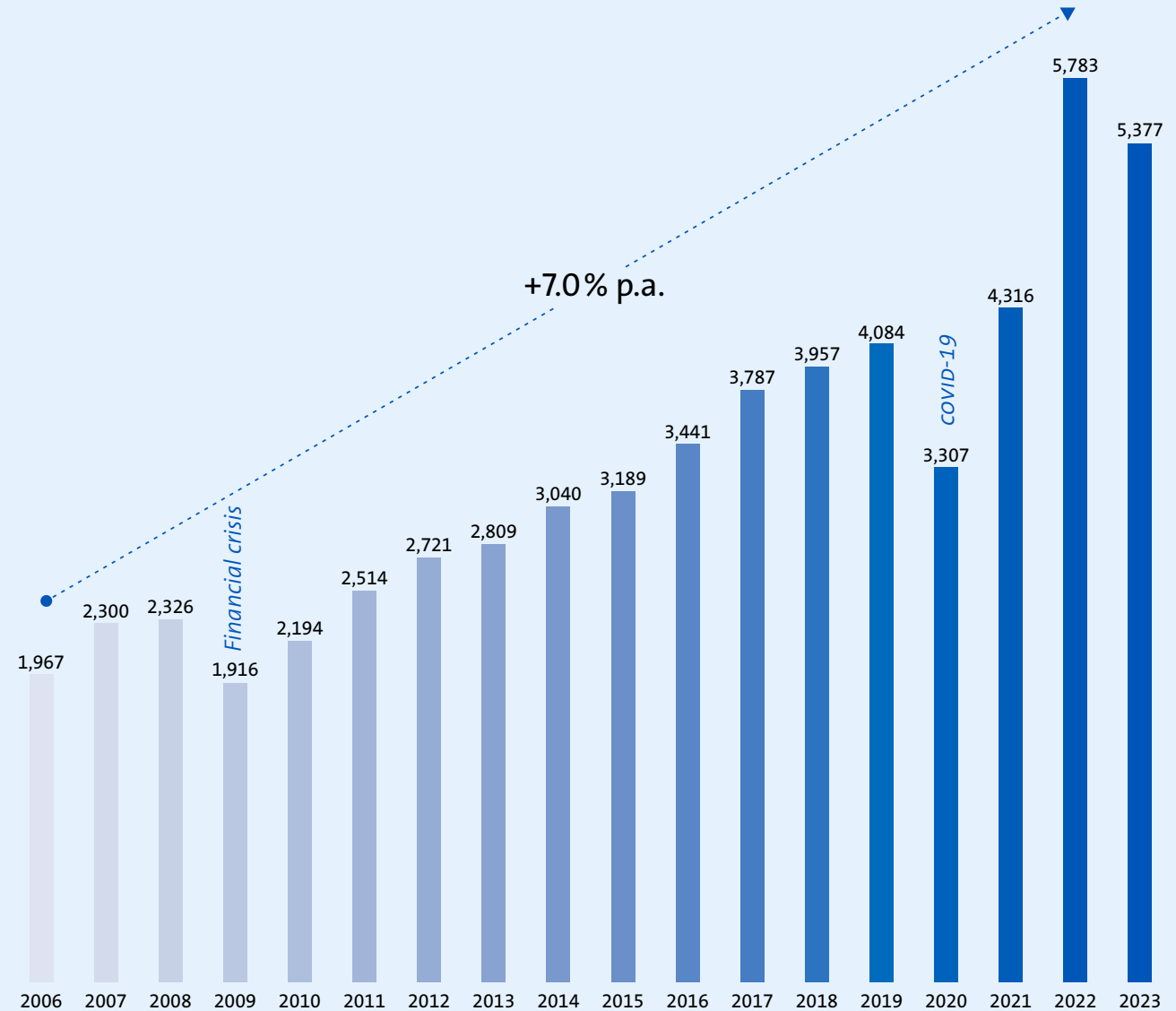
Krones benefits from stable market growth. Our order intake increased by an average of 7% per year from 2006 to 2022. The only dips in order volume were in 2009 (the financial crisis) and 2020 (COVID-19). Order intake in 2023 was also lower than the previous year, but that was due to the extremely strong increase (+34%) in 2022 as a result of the catch-up effect following COVID-19.



“Krones has been growing at an above-average rate for many years. As well as our ability to innovate, this is also because of customer satisfaction. Customers value us for reliably completing international projects in top quality and by the promised deadlines.”

Thomas Ricker, cso

Krones Group order intake 2006 – 2023 (€ million)





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Opportunities and responsibility

Krones contributes to a future worth living

The opportunities for Krones in this growing and essential market are huge – but so is the social responsibility that goes with them. We are fully aware of this responsibility and address three global challenges in “Solutions beyond tomorrow”:

- Combating climate change
- Feeding the world
- Ensuring responsible use of packaging materials



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Opportunities and
responsibility

Krones has innovative products and technologies that help feed the world. We combat climate change by reducing carbon emissions not only in the manufacture of our machines and lines, but also in their operation in customers' plants. With our alternative and circular packaging solutions, we combat the problem of plastic waste.



"The challenges of the future are immense. As the Krones team, we help solve important problems every day – for our customers and for humanity."

*Ralf Goldbrunner,
COO*

*Right:
High-quality recycling solution for
plastic packaging: Krones Metapure*





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Opportunities and responsibility

Krones helps people to save resources

More and more consumers take care to look after the environment in their daily lives. When purchasing packaged beverages, for instance, people want to be sure that plastic bottles are sustainable and their beverage is produced with the smallest possible carbon footprint.

The beverage industry needs innovative filling and packaging equipment to meet consumers' requirements. As a pioneer in sustainability and sustainable technologies, Krones can deliver.



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Opportunities and
responsibility



“Krones was already developing sustainable products when sustainability was not nearly the issue it is today. Our customers benefit from this. With Krones machines and lines, they can save energy, water and other resources, cut out unnecessary plastic packaging and achieve their climate targets – and all of these things help them score with customers.”

*Ralf Goldbrunner,
COO*

*Right:
LitePac Top plastic-free, fully recyclable
secondary packaging*





Our vision: the basis for our strategic focus

We have clearly formulated Krones' vision in our target picture: Sustainable and affordable beverages, food and essentials for everyone and everywhere.

To this end, we develop solutions beyond expectations for our customers, humanity and our planet.

Krones needs this big and ambitious vision to ensure that it will continue to evolve. It provides the basis for our strategic focus.



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Strategic focus

In order to achieve our ambitious goals, we place a clear strategic focus – in all three segments – on the core areas of **sustainability, service quality and digitalisation.**



“We employ our creative power to preserve nature and safeguard society. Focusing on the core area of sustainability, on digitalisation as an enabler and on our high service quality helps us achieve this.”

Thomas Ricker, cso

Right:
Krones provides complete solutions





Krones provides customers with sustainable solutions

Our customers increasingly require resource- and carbon-efficient machines, systems, lines and entire factories.

Krones introduced the enviro sustainability program back in 2008 and has been developing it dynamically ever since. This means the company has been highly successful with sustainable products and services for over ten years, and we aim to further extend our leading position with innovations that go beyond what people can imagine today.



Sustainability is also extremely important within our own operations. We published details on the implementation of our climate strategy for the first time in mid-2023, in our Public Carbon Transition Plan. In it, we describe our goals, measures, progress and implementation plans. We will update the Carbon Transition Plan on an annual basis.



“Krones’ entire R&D strategy is geared towards the sustainability needs of our customers. The new target picture makes for even greater clarity and agility in our innovation processes. Our goal is to deliver the most sustainable solutions in the beverage industry.”

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

*Right:
Customers’ wishes and ideas recorded at
drinktec 2022*





Better performance with digital services

Service and digitalisation go hand in hand at Krones. We develop industry-specific digital services based on the experience of our 3,000-strong service team and countless interactions with customers.

Working together with our customers, we make the adjustments needed to optimise line performance and thus reduce total cost of ownership (TCO).

Among other things, our smart digital solutions enable customers to save material, valuable resources and waste. They also shorten downtimes and changeover times while reducing the workload for operating personnel.



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Service and
digitalisation

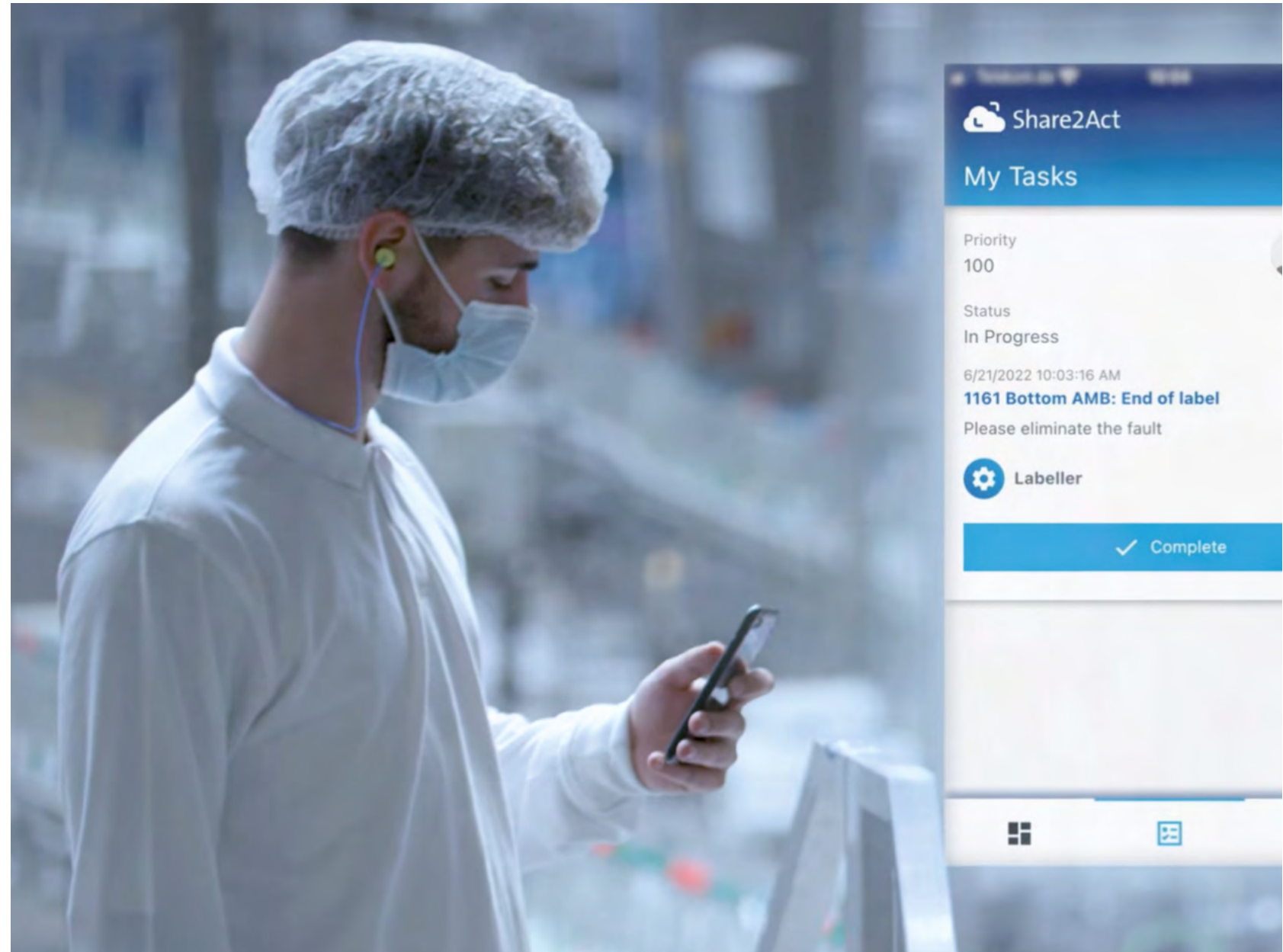
So that we can be quickly on the spot at any customer around the world, we have service companies and lifecycle service centres on every continent. The closer we are to our customers, the faster we can solve their problems.



“Digitalisation is a key enabler for making the industry sustainable. It makes for smarter and more efficient problem solving. In combination with our expertise in conventional mechanical engineering, in production processes and lifecycle service, we will go on to develop many more solutions that exceed expectations.”

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

Right: Shopfloor Guidance alert





Strategic focus in the segments

Strategic focus in the segments

“Solutions beyond tomorrow” determines the strategic direction of our segments.

Filling and Packaging Technology

In our core segment, we focus on integrated packaging solutions, resource efficiency and making circularity work.

Process Technology

We position ourselves here as an innovation driver for our customers’ products in the food and beverage industry.

Intralogistics

Our focus in this segment is on fully automated and flexible solutions.



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Strategic focus in
the segments



“Thanks to a strong capital base, Krones is able to make the investments in our segments required for ›Solutions beyond tomorrow‹ out of its own resources. This investment in a sustainable and liveable future will pay off in the long term, not only for our customers, but also for Krones.”

Uta Anders, CFO

In order to achieve our ambitious goals, we place a clear strategic focus – in all three segments – on the core areas of sustainability, service quality and digitalisation.

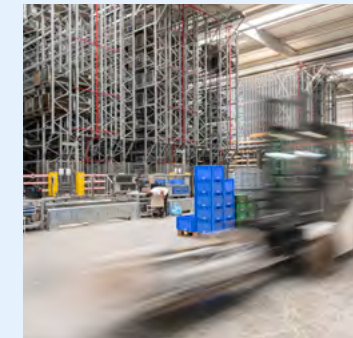
Integrated
packaging
solutions



Process Technology as
driver of food and
beverage innovation



Fully automated,
flexible intra-
logistics



Sustainability

Filling and
Packaging
Technology

Process Technology

Intralogistics

Digitalisation

Superior services



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Examples from
the segments:
Filling and Packa-
ging Technology

Filling and Packaging Technology

Responsible use of packaging materials:
ShoulderFlex

Krones won the German Packaging Award 2023 in the Sustainability category with the ultra-lightweight ShoulderFlex bottle. This weighs just 5.9 grams and saves up to 50% of the plastic of a standard 0.5-litre PET water bottle. It represents an important contribution by Krones to reducing the carbon footprint of bottled water producers and promotes the responsible use of packaging materials.





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Examples from
the segments:
Filling and Pack-
aging Technology

Responsible use of packaging materials: LitePac Top Strap

Plastic can be completely eliminated from secondary packaging. The 100% recyclable, plastic-free LitePac Top Strap packaging solution is the latest Kronos innovation in the LitePac Top secondary packaging system, which is based on a recyclable paper carrying handle. LitePac Top Strap adds a strap of tear-resistant kraft paper for extra carrying stability.





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Examples from
the segments:
Filling and Pack-
aging Technology

Conserving water: Innovative water recycling

Water is a scarce and valuable resource on our planet. With its innovative products, Krones aims to minimise water consumption in beverage production and filling.

An example is an innovative water recycling system with which Krones saves large volumes of rinsing water on can lines. Up to 90% of all rinsing water can be reused in this way and the fresh water consumption of a canning line is reduced by up to 50%.





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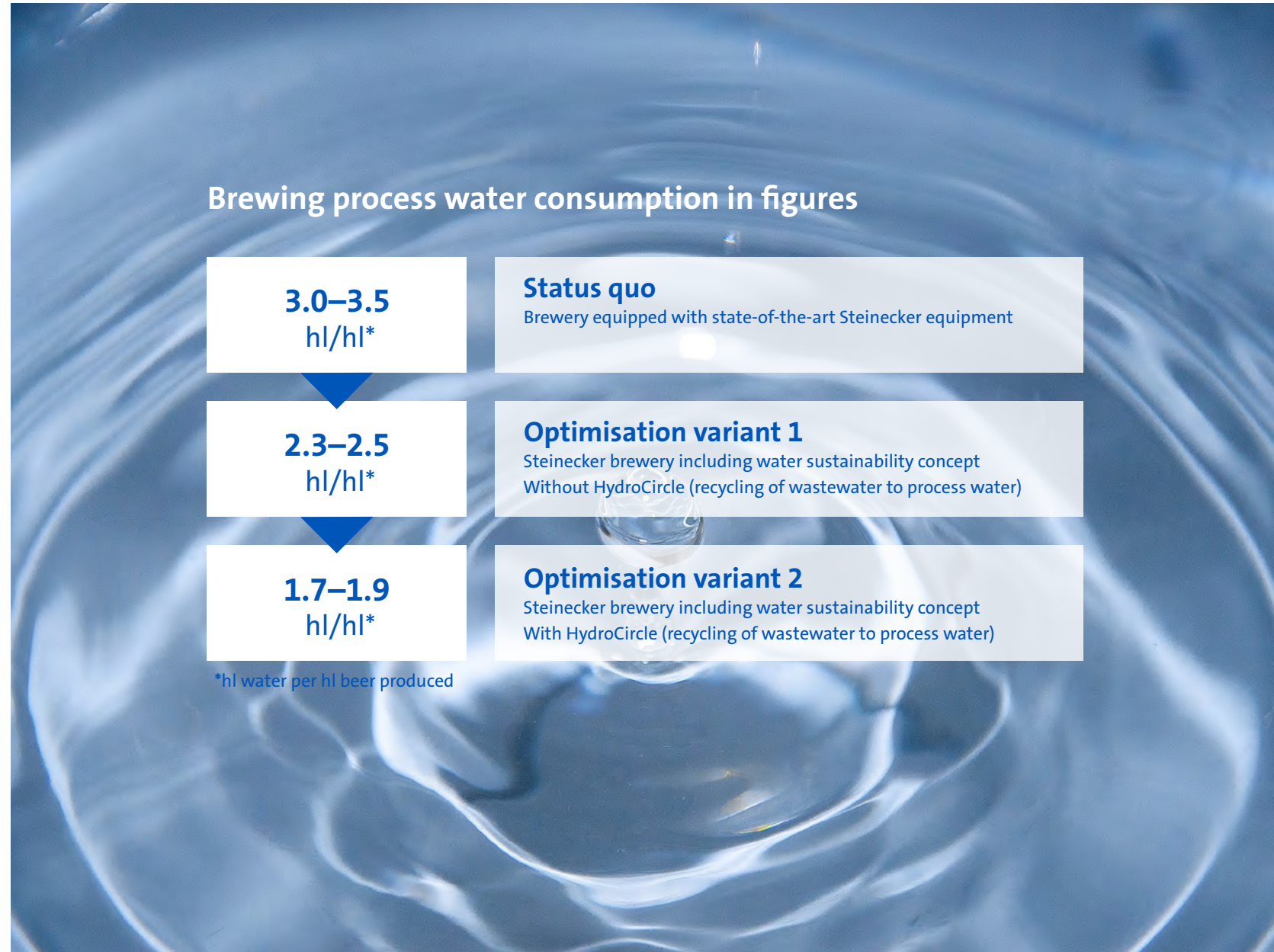
Examples from
the segments:
Process
Technology

Process Technology

Conserving water: Krones HydroCircle

Valuable water can also be saved in the brewing process. Today, about 3.0 to 3.5 litres of water are consumed for every litre of beer brewed.

The Steinecker Water Sustainability Concept features modules that can already reduce this by 0.7 to 1.0 litres. By recycling wastewater into process water with the Krones HydroCircle system, water consumption is even reduced to 1.7 to 1.9 litres per litre of beer brewed. That represents a saving of almost 50%, or around 1.5 litres of water per litre of beer brewed.





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Examples from
the segments:
Process
Technology

Combating climate change: Alternative proteins

There are many reasons for eating foods made from plant-based proteins, ranging from combating climate change and avoiding animal products to maintaining a health-conscious diet. So many reasons, in fact, that plant-based drinks and meat substitutes have developed from a niche product into a rapidly growing market within a short space of time.

In the processing of plant-based dairy alternatives, we benefit from decades of experience in process and brewing technology, as well as in the treatment and filling of animal dairy products.





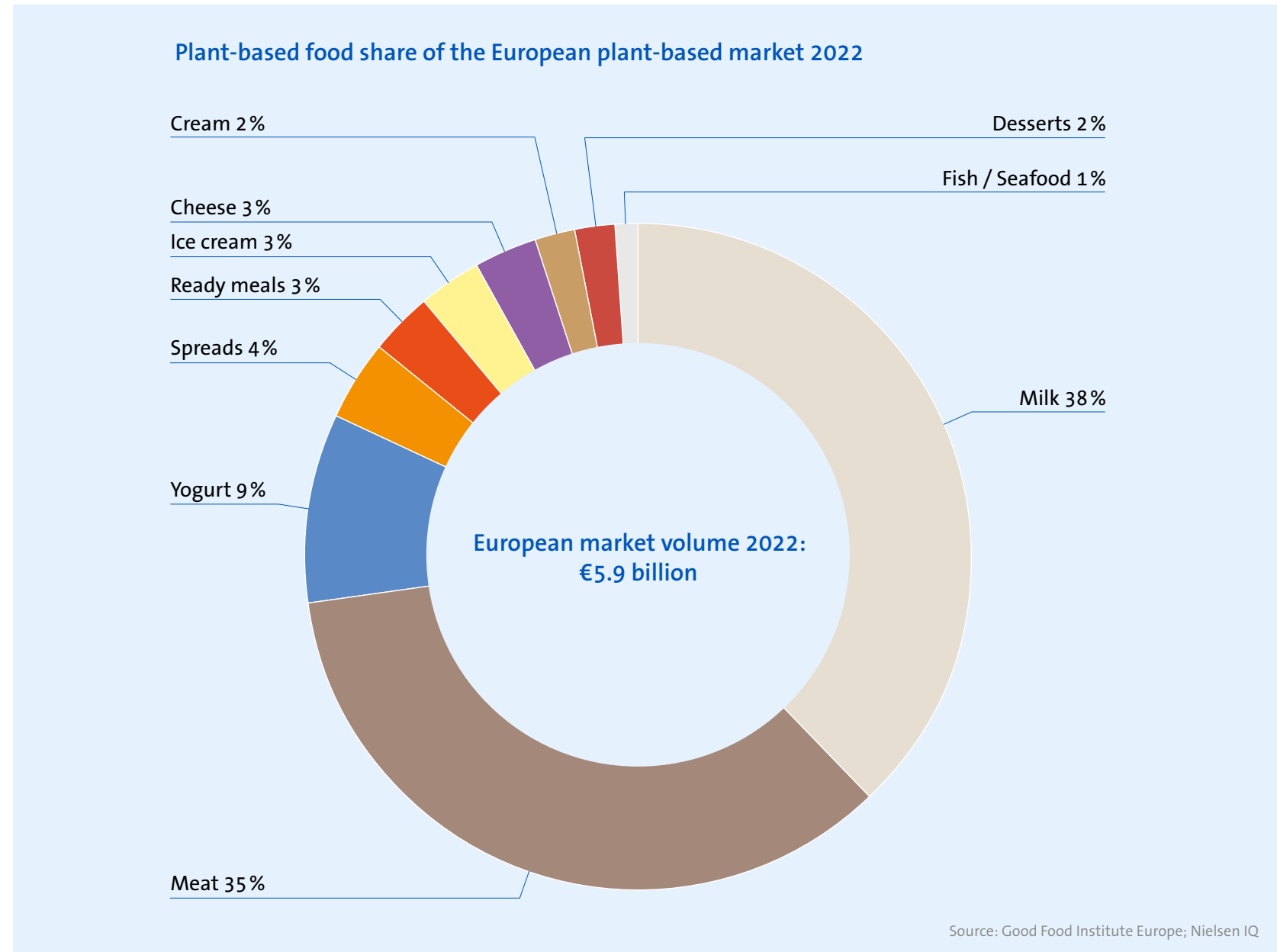
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Examples from
the segments:
Process
Technology

One relatively new technology is the production of meat alternatives using methods such as precision fermentation. Here, too, Krones can apply its experience in brewing processes to the production of vegan meat alternatives.

“Plant-based and cultured meats and other alternative protein sources allow people to enjoy favourite foods such as meat and dairy products without contributing to the problems associated with conventional livestock farming.”

Source: Good Food Institute Europe





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Examples from
the segments:
Intralogistics

Intralogistics

Protecting people: cold-store logistics

In addition to energy and cost savings, a core focus of “Solutions beyond tomorrow” in the Intralogistics segment is improving occupational safety and workplace conditions for customers’ employees.

Our intralogistics subsidiary System Logistics achieved this outstandingly for the Tosano Group, which operates 19 supermarkets in northern Italy. System Logistics optimised the frozen products warehouse with a fully automated storage and picking system. This significantly improved the working conditions for warehouse employees. Robots now carry out all work in the cold store, which at 28 degrees Celsius below zero is a hostile environment for humans.





Workforce bringing “Solutions for tomorrow” to life

The group’s employees are crucial to the successful realisation of our target picture. With their actions and commitment, they shape the future of Krones. In a rapidly changing world, the flexibility and creativity of our international workforce is one of our most important assets. Our success at managing the latest challenges underscores the great resilience of our company.

As a diverse organisation operating worldwide, we are open to change. We promote global collaboration and set ambitious goals to drive our performance and development. To accomplish these, all employees constantly ask themselves “how can I contribute – how can I improve in order to achieve our challenging goals?” The entire international team of around 18,500 employees will pull together to realise our great shared goal: shaping a sustainable, liveable future for us all with “Solutions beyond tomorrow”.





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Employees



“Our goals are ambitious – just like our international Krones team. So I am sure that our motivated and flexible workforce will breathe life into our target picture for the long term. Krones’ target picture is not a status quo, but a long and challenging journey into the future. The first steps show great promise.”

Christoph Klenk, CEO







Letter from the **Executive Board**



“Krones has completed a very successful 2023 financial year. The entire workforce is living our target picture of “Solutions beyond tomorrow” and contributing to Krones’ profitable and stable growth.”



Christoph Klenk
CEO

Dear shareholders and friends of Krones,

Despite all the economic and political uncertainties, 2023 was yet another highly successful financial year for Krones. The entire Krones team has performed exceptionally well. In a very positive year, our new target picture, “Solutions beyond tomorrow”, played a significant role from the start by providing our workforce with additional guidance and motivation. The first full financial year of “Solutions beyond tomorrow” has already brought numerous examples of successful projects that are based on it. We present a number of these in more detail in our cover story (pages 6 to 33).

Krones also benefited from the stable growth of the beverage and liquid food market during the reporting year. Customers in the international food

and beverage industry continue to be very keen to invest. This demonstrates that our customer industries and with them Krones are less affected by cyclical fluctuations. Leveraging our strong global footprint and our innovative and future-oriented product and service portfolio, Krones maintained and expanded its leading market position.

Very positive figures in the 2023 financial year – significant growth in revenue and earnings

Order intake once again reached a very good level at €5.38 billion – as expected, below the previous year’s extremely high figure of €5.78 billion. The continuing very high level of incoming orders led to a further 19% increase in the order backlog to reach an all-time high of €4.12 billion at the end of 2023.

Revenue also developed very positively. Thanks to intelligent production management and the great flexibility and creativity of the workforce, we increased revenue in 2023 despite the short supply of electrical components by 12.2% to €4.72 billion. The company thus met its full-year 2023 growth target, which was raised in July 2023 to between 11% and 13% (previously 8% to 11%).

Krones also further enhanced profitability during the reporting period, despite rising costs. The company benefited from the strategic measures taken in recent years to reduce costs and increase efficiency. We will continue the disciplined implementation of these measures and add new ones. The rigorous implementation of our pricing strategy also had a positive impact on profitability in 2023. Krones improved profitability, as measured by the EBITDA margin, to 9.7% in the reporting period (previous year: 8.9%). Our third financial target indicator, return on capital employed (ROCE), went up from 14.1% to 16.3%.



Shareholders benefit from the company's success – increase in the dividend from €1.75 to €2.20

Our shareholders are also to benefit from the good results. Krones will therefore significantly increase the dividend. Shareholders are to receive a dividend of €2.20 per share for the 2023 financial year, up 26% from €1.75 per share in the previous year.

Continued importance of sustainability for Krones and customers

The opportunities for Krones in the growing and essential food and beverage market are huge, but they come with significant social responsibility. We address this responsibility by contributing to sustainable production with future-ready, innovative technologies.

Sustainability and resource-efficient production will remain the most important innovation and growth drivers for our industry in the years ahead. Our customers' ambitious sustainability goals can be achieved with our energy and media-efficient products and services. The sustainable, TÜV-certified enviro product range which we have developed dynamically over the years accounted for a significant proportion of our order intake in the 2023 financial year.

Sustainability is also crucial within our own operations. Krones improved many sustainability performance indicators during the reporting year. Further details can be found in the non-financial statement on pages 85 to 145. We published details on the implementation of our climate strategy for the first time in mid-2023, in our public Carbon Transition Plan. In it, we describe our goals, measures, progress and implementation plans in detail.



Weak global economy and further risks in 2024

Despite the good business results and prospects, we must continue to be vigilant. The global environment remains unstable. This is demonstrated by the latest geopolitical conflicts, which could have a negative impact on the global economy at any time. The experts at the International Monetary Fund (IMF) forecast global economic growth of 3.1% this year. This is once again well below the average growth of 3.8% for the global economy (2000–2019). At the same time, global supply chains and procurement markets continue to be highly vulnerable to disruption. A challenge in 2024 will continue to be the timely procurement of sufficient materials and supplier parts to maintain good production capacity utilisation.

The Executive Board expects further improvements in revenue and profitability in the current year

Despite the ongoing uncertainties, Krones is optimistic for the 2024 financial year and beyond. We started this current year with the biggest order backlog in our company's history. Demand for our products and services remains at a high level. Additionally, assuming no new disruptive factors, we anticipate that the situation on relevant procurement markets will develop better overall. Based on the expected positive market trend and Krones' strong position, the Executive Board expects consolidated revenue in 2024 to be between 9% and 13% higher than last year.

Krones is aiming for a further improvement in profitability this year compared to 2023. Alongside higher revenue, the ongoing implementation of the cost optimisation measures will also contribute here. What is more, with the aid of inno-



vative solutions and good project execution at customers, Krones has been able to achieve appropriate price adjustments to offset cost increases in recent year. At group level, we forecast an EBITDA margin of 9.8% to 10.3% for 2024. Krones plans to improve our third target, ROCE, to between 17% and 19% in the current year.

Acquisitions remain part of the growth strategy

We have continued to successfully implement our acquisition strategy, both in the reporting period and also already in the current year. With the acquisition of us-based Ampco Pumps in the second quarter of 2023, we expanded our components business in Process Technology to include high-quality pumps and significantly added to our sales potential in the US market. Following the completion of the forthcoming acquisition of the Swiss injection moulding machine manufacturer Netstal, which is planned for the first half of 2024, Krones will be able to offer its customers all important machines, lines and services for the complete PET packaging cycle. Netstal also underpins Krones' strategy of extending the customer focus to the medical/pharmaceutical, cosmetics and food industries. Acquisitions of medium-sized, profitable companies continue to be part of our growth strategy.

2025 financial targets will already be largely achieved in 2024

All in all, Krones is well on track to meet its targets for 2025 set at the end of 2021. We planned to generate revenue of at least €5 billion by 2025. Based on our guidance for 2024, we will already meet this target in the current year. The target for the EBITDA margin in 2025 is between 10% and 13%. With our EBITDA margin

forecast of 9.8% to 10.3% for 2024, we are well on track to already reach the target range for 2025 this year. Consequently, the Executive Board will publish a new medium-term forecast in the course of 2024.

Flexible, creative and motivated – the Krones team makes the difference

Our employees were the key driver behind another strong business performance last year. Their creativity, flexibility and motivation form the foundation for our company's ability to deliver projects on time and with top quality. Customers value Krones for this. The innovativeness of our team consistently gives our company the necessary edge, reinforcing our ambitious goal of delivering "Solutions beyond tomorrow" – solutions that surpass customers' expectations.

On behalf of the entire Executive Board, I would like to take this opportunity to thank all employees for their outstanding commitment in the 2023 financial year. They work every day to realise our shared vision: Sustainable and affordable beverages, food and essentials for everyone and everywhere. I am confident that we, the Krones team, will realise our vision and continue our profitable growth in the long term.



Christoph Klenk
CEO



The Executive Board



Ralf Goldbrunner
Operations

Markus Tischer
International Operations
and Services

Thomas Ricker
CSO

Uta Anders
CFO

Christoph Klenk
CEO



Report of the **Supervisory Board**



*Volker Kronseder
Chairman of the
Supervisory Board*

Ladies and Gentlemen,

Krones once again faced a range of challenges in 2023. One example was the short supply of electrical components for much of the year. The company was also affected by the global economic impacts of the Russia-Ukraine conflict and other geopolitical tensions. Krones mastered all challenges well to complete a very successful 2023 financial year. This was only possible because the entire Krones team worked hard for the company's success.

The Supervisory Board and Executive Board of Krones AG worked together efficiently and in a spirit of trust in 2023. Looking ahead, the Supervisory Board will continue to provide the Executive Board with support and advice, particularly in the implementation of the company's strategic goals. In this way, the Supervisory Board helps ensure that the Krones team will be successful in shaping the future around the company's new target picture, "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 2023 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 Krones 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 personal contact between meetings. In that connection, they jointly discussed matters of corporate strategy, current business performance, the risk situation, risk management and compliance.

Over the course of the 2023 financial year, the Supervisory Board focused on strategic issues such as sustainability and M&A, together with issues relating to corporate governance at Krones.

Changes in membership of the Supervisory Board

The end of the annual general meeting on 23 May 2023 brought changes in the membership of the Supervisory Board of Krones AG. On the shareholder side, Hans-Jürgen Thaus and Norbert Samhammer stepped down. On the employee side, Jürgen Scholz left the Supervisory Board prior to his retirement on 1 June. On behalf of the entire Supervisory Board, I would like to thank all three former members for their many years of exceptional service on the Supervisory Board. They have made a major contribution to Krones' success.



For the two members who stepped down on the shareholder side, the annual general meeting on 23 May 2023 elected Norbert Broger and Stephan Seifert as new members of the Supervisory Board. Olga Redda joined as a new representative of the employee side.

Krones provided the new Supervisory Board members with appropriate support during their induction. Among other things, they were provided with a virtual Supervisory Board handbook. This contains key information on the role of the Supervisory Board as a body and of its tasks and duties, the rules of procedure for the Supervisory Board and Management Board, including transactions requiring approval, and other documents relating to corporate governance at Krones. The Supervisory Board handbook is continually updated and regularly distributed to all Supervisory Board members in digital form.

Undergoing suitable further training and professional development is at the personal discretion of the members of the Supervisory Board. In the reporting year, individual Supervisory Board members underwent further training, with the support of Krones, on topics such as artificial intelligence, new working conditions on the Supervisory Board and sustainability reporting.

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 two extraordinary Supervisory Board meetings were held in 2023. The Executive Board attended some meetings in a guest capacity. As a rule, however, the Supervisory Board met without the Executive Board. All six ordinary Supervisory Board meetings

in the 2023 financial year and the extraordinary Supervisory Board meeting on 13 September 2023 were held in person, although it was possible for individual Supervisory Board members to take part in the meetings by video link or telephone if required. The extraordinary Supervisory Board meeting on 15 December 2023 was held as a video and telephone conference.

In accordance with Recommendation D.7 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	8	8
Josef Weitzer	8	8
Norbert Broger ¹	7	7
Nora Diepold	8	4
Robert Friedmann	8	6
Oliver Grober	8	8
Thomas Hiltl	8	8
Markus Hüttner	8	8
Prof. Dr. jur. Susanne Nonnast	8	8
Dr. phil. Verena Di Pasquale	8	8
Beate Eva Maria Pöpperl	8	8
Stefan Raith	8	8
Olga Redda ¹	7	6
Norbert Samhammer ²	1	1
Petra Schadeberg-Herrmann	8	8
Jürgen Scholz ²	1	1
Stephan Seifert ¹	7	5
Hans-Jürgen Thaus ²	1	1
Matthias Winkler	8	8

¹ Member of the Supervisory Board since 23 May 2023

² Member of the Supervisory Board until 23 May 2023



Supervisory Board meeting reports

The first meeting of the Supervisory Board in the 2023 financial year took place on 22 March. At this meeting, the Supervisory Board primarily dealt with the annual financial statements of Krones AG and the Krones Group for 2022. A representative of Krones' auditors attended for a portion of the meeting as a guest. CFO Uta Anders provided the Supervisory Board with a presentation of how the key financial performance indicators developed in the 2022 financial year. Following that, the representative of Krones' auditor gave the Supervisory Board an explanation of the audit engagement together with the focal points of the review of the annual financial statements and details of the audit. He 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 2022 and approved the 2022 consolidated financial statements and group management report. The Supervisory Board also approved the non-financial statement for 2022.

Under the "Supervisory Board and Executive Board matters" agenda item, the remuneration report of the Executive Board and the Supervisory Board was endorsed for approval at the annual general meeting. The findings of the efficiency review on the work of the Supervisory Board were also presented.

Also at its first meeting of 2023, the Supervisory Board dealt with the agenda for the 2023 annual general meeting and the necessary resolutions. With regard to the Supervisory Board's nomination for the election of new shareholder representatives, the Chairman of the Supervisory Board explained to the Supervisory Board the legal requirements for Norbert Broger to be elected to the Supervisory Board at the 2023 annual general meeting despite the cooling-off period rule under section 100 (2) sentence 1 no. 4 of the German Stock Corporation Act. Satisfying the requirement for this to be permitted under section 100 (2) sentence 1 no. 4 of the German Stock Corporation Act, the Supervisory Board had before it a nomination for election from shareholders holding more than 25% of the

voting rights in Krones AG. With regard to the profit distribution, the Supervisory Board determined that a dividend of €1.75 per share for the 2022 financial year was to be proposed to the annual general meeting. A further topic of the Supervisory Board meeting was the Executive Board's economic report. This provided the Supervisory Board with an explanation of the current business situation and economic conditions. In addition, CEO Christoph Klenk informed the Supervisory Board about potential acquisition targets. The Supervisory Board passed a resolution in this connection on the intended acquisition of Ampco Pumps, USA.

Following the annual general meeting, the Supervisory Board met on 23 May for its second and constitutive meeting of the reporting year. Supervisory Board Chairman Volker Kronseder took leave of Hans-Jürgen Thaus, Norbert Samhammer and Jürgen Scholz, who stepped down at the end of the annual general meeting, and thanked them for their successful work. At the same time, the Chairman of the Supervisory Board welcomed the new Supervisory Board members Norbert Broger, Stephan Seifert and Olga Redda. At the constitutive meeting, the Supervisory Board re-elected Volker Kronseder as Chairman of the Supervisory Board and Josef Weitzer as his deputy. In addition, the Audit and Risk Management Committee and the Standing Committee of the Supervisory Board were established and their membership decided. In the Executive Board's report, the Executive Board informed the Supervisory Board about the key figures for the first quarter of 2023, the current business situation and the status of the planned acquisition of Ampco Pumps.

The third meeting of the Supervisory Board in 2023 took place on 19 July in Fiorano Modenese, the headquarters of Krones' Italian subsidiary System Logistics. At this meeting, among other things, Executive Board provided the Supervisory Board with detailed information on the business situation and on the market and competitive situation. In addition, the Executive Board briefed the Supervisory Board with an update on the M&A strategy and on potential acquisition targets.



The Supervisory Board held an extraordinary meeting on 13 September 2023. The reason for the meeting was the removal of Krones shares from the DAX index family, as announced by STOXX Ltd., a subsidiary of Deutsche Börse AG, on 5 September 2023 following the periodic review of the composition of the indices. The background to the removal of Krones shares from the DAX index family was as follows: In July 2023, Krones published on its website an updated version of the declaration of conformity from January 2023. In it, the company gave the reasons for a partial departure from Recommendation C.10 of the German Corporate Governance Code (the “Code”). Krones had thus complied with the “comply or explain” approach under the Code. However, due to the partial departure from recommendation C.10 of the Code, a basic criterion for inclusion in the DAX index family specified in the rules and regulations of STOXX Ltd. was no longer fulfilled. With the election of Matthias Winkler as the new Chairman of the Audit and Risk Management Committee at the meeting of that committee on 13 September 2023, Krones once again fully complied with Recommendation C.10 of the German Corporate Governance Code. At the extraordinary meeting, the Supervisory Board adopted an updated declaration of compliance, which was promptly published on the company’s website. In it, the company declared that, as from 13 September 2023, it once again fully complied with Recommendation C.10 of the Code and there was no longer any non-compliance. As a result, Krones once again met all the basic criteria for inclusion in the DAX index family as specified in the rules and regulations of STOXX Ltd., thus clearing the way for a quick return to the index family.

The Supervisory Board held its fourth ordinary meeting and fifth meeting overall of 2023 on 24 October. At this meeting, the Supervisory Board updated its rules of procedure. A key topic at the meeting was cyber security. The Supervisory Board was provided with detailed information on the current status and further development of measures to ensure data security in Krones’ IT systems and production facilities, as well as in the company’s products. A further item on the agenda was the Executive Board’s economic report on the current business situation and further outlook. The Executive Board also informed the Supervisory Board about current developments in Krones’ sustainability

strategy. In addition, the Supervisory Board was provided with an overview of current and upcoming legislative changes affecting Krones.

The Supervisory Board met for its sixth meeting in 2023 on 5 December. A focus of this meeting was Krones’ strategic direction. The members of the Executive Board informed the Supervisory Board in detail about the growth strategy, the expansion of the company’s global footprint and the implementation of the sustainability strategy in the individual segments and business units. A further topic at the Supervisory Board meeting comprised the additional opportunities for Krones involving digitalisation and artificial intelligence. The Executive Board also provided the Supervisory Board with new information on acquisitions.

The Supervisory Board held its seventh meeting of 2023 on 6 December. A major item on the agenda was the report of the Audit and Risk Management Committee addressing the topics of risk management, internal auditing, compliance and the internal control systems. Committee chairman Matthias Winkler explained the subject matter of the committee meeting of 27 November 2023 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, Krones’ risk management system adequately reflects the risks. He also reported on the review, carried out together with the Executive Board and with the support of external consultants, of the circumstances that led to the removal of Krones shares from the DAX index family. The Executive Board presented the annual and capital expenditure budget for 2024 for the Supervisory Board. 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 and on an adjustment to the long-term incentive component of Executive Board variable remuneration. A further item on the meeting agenda was the specification and adjustment of the Supervisory Board’s profile of skills and expertise.



The second extraordinary meeting and the eighth Supervisory Board meeting overall of 2023 took place on 15 December. The Supervisory Board met via video link to pass a resolution on the acquisition of Netstal Maschinen AG, Näfels, Switzerland. The Executive Board had provided the Supervisory Board with detailed information about this intended acquisition at earlier meetings during the reporting year. The Supervisory Board gave the Executive Board approval for the purchase of the company.

The work of the Audit and Risk Management Committee

The Audit and Risk Management Committee comprises Volker Kronseder, Josef Weitzer, Norbert Broger, Markus Hüttner, Olga Redda and Matthias Winkler. Matthias Winkler chairs the committee. As tax adviser and partner in a tax consulting firm, he has the necessary expertise in accounting and auditing required by law, as does Norbert Broger (former Chief Finance Officer of Krones AG).

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 six meetings in 2023. Both took place as in-person meetings, although it was possible for individual committee members to take part in meetings by video conference or telephone if required. In accordance with Recommendation D.7 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
Matthias Winkler	6	6
Josef Weitzer	6	6
Norbert Broger ¹	5	5
Markus Hüttner	6	6
Volker Kronseder	6	6
Jürgen Scholz ²	1	1
Olga Redda ¹	5	5
Hans-Jürgen Thaus ²	1	1

¹ Member of the committee since 23 May 2023

² Member of the committee until 23 May 2023

At its first meeting of the year on 16 March 2023, the Audit and Risk Management Committee dealt mainly with the reporting on the annual financial statements and consolidated financial statements of Krones AG as of 31 December 2022, the auditor's report on the audit of the annual financial statements and consolidated financial statements of Krones AG as of 31 December 2022, and the non-financial statement for 2022. The Audit and Risk Management Committee prepared recommendations on these matters for resolutions of the Supervisory Board at its meeting on 22 March 2023. The committee also prepared the Supervisory Board's resolution on the election of the auditor for Krones AG and the Krones Group at the 2023 annual general meeting.

The second and constitutive meeting of the Audit and Risk Management Committee took place on 23 May after the Supervisory Board meeting. The membership of the Audit and Risk Management Committee was decided at the Supervisory Board meeting, which was held following the annual general meeting. Norbert Broger and Olga Redda joined the committee to replace Hans-Jürgen Thaus and Jürgen Scholz, who ceased to be members of the Supervisory Board at the end of the annual general meeting. At the committee's constitutive meeting, the committee members elected Norbert Broger as chairman and Josef Weitzer as deputy chairman of the Audit and Risk Management Committee.



The Audit and Risk Management Committee held its third meeting of the reporting year on 13 September. At the meeting, Norbert Broger stepped down as committee chairman. Matthias Winkler was elected as the new chairman. The election of the new chairman was occasioned by the removal of Krones shares from STOXX Ltd.'s DAX index family. The shareholder representatives on the Supervisory Board had decided as a precautionary measure that Norbert Broger, as a former Chief Finance Officer, should be classified as not being independent of the company and of the Executive Board within the meaning of Recommendation C.7 of the German Corporate Governance Code. Krones consequently partially ceased to comply with Recommendation C.10 of the Code and gave the reasons for this in the updated declaration of conformity published in July 2023. Krones had thus complied with the “comply or explain” approach under the Code. However, due to the partial departure from recommendation C.10 of the Code, a basic criterion for inclusion in the DAX index family specified in the rules and regulations of STOXX Ltd. was no longer fulfilled.

The Audit and Risk Management Committee was provided with further information and reporting on the causes and consequences of the removal of Krones shares from the DAX index family at the meetings held on 28 September, 19 October and 27 November. The committee worked together with the Executive Board and with the support of external consultants on a review of the circumstances that led to the removal from the DAX index family.

At the sixth meeting of the Audit and Risk Management Committee on 27 November, the heads of function informed the committee in detail about internal auditing, corporate governance and compliance, and risk management. A major topic was the effectiveness of Krones' risk management system. The Audit and Risk Management Committee was also provided with comprehensive information by the head of function on the subject of cyber security. Sustainability matters focused on new European legislation for reporting (the CSRD and the ESRs).

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. 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 2023, both as an in-person meeting. In accordance with Recommendation D.7 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	2
Josef Weitzer	2	2
Markus Hüttner	2	2
Prof. Dr. jur. Susanne Nonnast	2	2

At its first meeting of 2023 on 16 March, the Standing Committee prepared the recommendation to the Supervisory Board regarding the election of new members to the Supervisory Board at the 2023 annual general meeting. The Standing Committee resolved to recommend to the Supervisory Board that Norbert Broger and Stephan Seifert should be nominated to the annual general meeting for election to the Supervisory Board as new shareholder representatives.

The Standing Committee's second meeting of the reporting period took place on 27 November. A major topic was the recommendation to the Supervisory Board for a revision of the long-term incentive (LTI) performance-related remuneration component of the Executive Board remuneration system with regard to various sustainability aspects.



Supervisory Board concurs with audit results

The annual financial statements of Kronen Aktiengesellschaft prepared by the Executive Board, the consolidated financial statements, the management report for Kronen AG and the group management report for the period ended 31 December 2023 were examined by the auditors elected by the annual general meeting, EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft (formerly 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 Kronen AG and the group management report for the period ended 31 December 2023 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 21 March 2024. The auditor also attended for part of that meeting and informed the Supervisory Board of the audit results and the focal points of the audit.

The Supervisory Board noted and approved the audit results. No objections were raised following the final review by the Supervisory Board, which covered in particular the matters described in the auditor's audit report including the audit procedures. The Supervisory Board has ratified the annual financial statements of Kronen AG and approved the consolidated financial statements as well as the Executive Board's proposal for the appropriation of earnings available for distribution. The 2023 annual financial statements for Kronen 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 Kronen 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 Kronen 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, EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft (formerly Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft), also performed a limited assurance review of the combined non-financial statement of Kronen AG and the Kronen Group for the period from 1 January to 31 December 2023, 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

Kronen completed 2023 with very good results. This is largely due to the exceptional work of the committed and motivated Kronen 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 successful 2023 financial year.

Neutraubling, March 2024

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
Chairman of Group Works Council
Chairman of the Central Works Council
Chairman of the Works Council Neutraubling

* Bay. Betriebskrankenkassen



Norbert Broger
Diplom-Kaufmann



Nora Diepold
Chief Executive Officer
nk Immobilienverwaltungs GmbH, Regensburg



Robert Friedmann
Chairman of the central managing board
of the Würth Group

* zF Friedrichshafen AG



Oliver Grober**
Chairman of the Works Council, Rosenheim



Thomas Hiltl**
Chairman of the Works Council,
Nittenau



Markus Hüttner**
Deputy Chairman of the Group Works Council
Deputy Chairman of the Central Works Council
Deputy Chairman of the Works Council 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)



Beate Eva Maria Pöpperl**
Works Council representative
(released from all other responsibilities)



Stefan Raith**
Head of Business Line, Line Solutions
* re-sult AG, Regensburg



Olga Redda **
Second authorised representative and
managing director, IG Metall Regensburg

* OSRAM Licht AG

* OSRAM GmbH

* ams OSRAM International GmbH

* Maschinenfabrik Reinhausen GmbH



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



Stephan Seifert
Chairman of the Executive Board
of Körber AG, Hamburg

* Board of trustees of the Körber Foundation



Matthias Winkler
Partner at Baker Tilly Germany



The Krones share



“After significantly outperforming the stock market in 2022, our shares closed the reporting year up 6.5% thanks to the good business results.”

*Olaf Scholz
Head of Investor Relations*

- New records on the stock markets
- Krones share price up 6.5%
- Dividend to increase to €2.20 per share for 2023

Global equity markets rise sharply in 2023

After a decline in 2022, stock markets got off to a very dynamic start in the new year. This was driven by falling energy prices and inflation rates. The positive sentiment lasted until early March. Share prices then took a price collapse, triggered by a number of US bank failures and the collapse of Credit Suisse, the major Swiss bank. Rescue packages quickly put together by major countries and central banks proved effective in calming the markets. Supported by hopes that the cycle of central bank interest rate increases would end earlier than expected, share prices then rose overall until mid-year.

This was followed by a weak third quarter, mainly due to developments in the bond markets. Long-term interest rates rose sharply in both the US and Europe between July and September 2023. Share prices fell further in October on the back of geopolitical tensions (Middle East). The turnaround came at the end of the month, when stock markets began a strong year-end rally. The prospect of several interest rate cuts by the US Federal Reserve in 2024 led to a sharp rise in share prices. On 14 December, the DAX reached 17,000 points for the first time in its history. It closed the year at 16,752 points. The DAX thus rose by 20.3% in 2023. The Euro Stoxx 50, the index of the largest market capitalisations in the euro-zone, rose even more, by 28.2% in 2023.

Other major international stock markets also performed well in 2023. Driven by enthusiasm for artificial intelligence, the US Nasdaq 100 climbed 53.8%. The broad-based S&P 500 rose by 24.2%. The most prominent US share index, the Dow Jones, gained 13.7%. Japan's Nikkei index closed the 2023 stock market year up 28.2%.



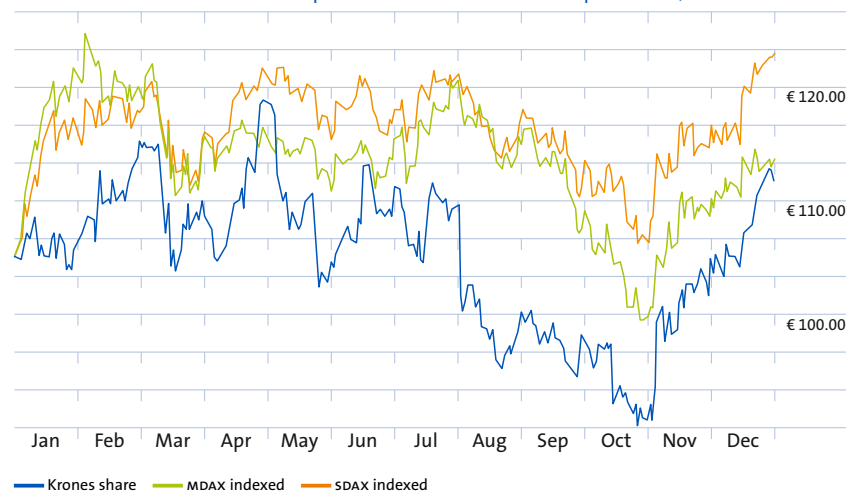
Kronen shares close a volatile stock market year with a 6.5% price gain

Despite significantly outperforming the market in the previous year, Kronen shares gained 6.5% in 2023 (8.1% including the dividend), roughly in line with the MDAX (up 8.0%). The SDAX climbed by 17.1%. After a weak third quarter, our share price once again performed relatively strongly in the fourth quarter.

Following slight gains in the first two quarters of 2023, the Kronen share price fell in the third quarter, along with many important stock market indices. A strong performance at the end of the year resulted in an increase of 6.5% for the year as a whole. The overall positive performance was supported by the company's good business results.

After clearly outperforming the market in 2022, the Kronen share price consolidated in the first quarter of 2023. With a gain of 3.5%, it did not rise quite as strongly during the first quarter as the market as a whole. In the following month, Kronen shares picked up speed again, reaching their high for the year at €120.30 on 28 April. The share price was driven here by expectations of positive business figures for the first quarter of 2023. Following the release of the very good quarterly figures, the share price initially fell. Towards the end of the second quarter, our share price benefited from positive analyst commentary and from increased price targets in response to the positive business performance.

Performance of Kronen shares compared with the MDAX and SDAX price index, 2013 – 2022



A decline in the share price in early July was followed by a sharp rise after Kronen raised its full-year revenue guidance for 2023 on 17 July. Our shares benefited from positive analyst comments. Following the publication of very strong half-year results on 1 August, the share price fell in accordance with the investor maxim of “sell on good news”. In the weeks that followed, the share price fell, with fluctuations, in line with the overall market. Kronen shares reached their low for the reporting year at €89.25 on 26 October.

Publication of the strong figures for the third quarter gave the share price a significant boost from November onwards. It maintained this positive momentum through to the end of the year and closed 2023 at €111.80, up 6.5% over the year. Including the €1.75 per share dividend, the annual performance of the Kronen share price in 2023 was 8.1%. Despite significantly outperforming the market in the previous year (with an increase of 9.5%), Kronen shares thus performed roughly in line with the MDAX (previous year: down 28.5%), which rose by 8.0% in the reporting period. The SDAX rose by 17.1% in the reporting year (previous year: down 27.3%).

Key figures for the Kronen share

At 31 December	2023	2022	2021
Earnings per share	€ 7.11	5.92	4.47
Equity per share	€ 54.3	50.58	44.05
Free cash flow per share	€ -3.21	11.74	6.43
Price-earnings (P/E) ratio based on closing price for the year	15.7	17.7	21.5
Dividend per share	€ 2.20*	1.75	1.40
High	€ 120.30	111.40	99.60
Low	€ 89.25	67.50	64.30
Year's closing price	€ 111.80	105.00	95.90

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

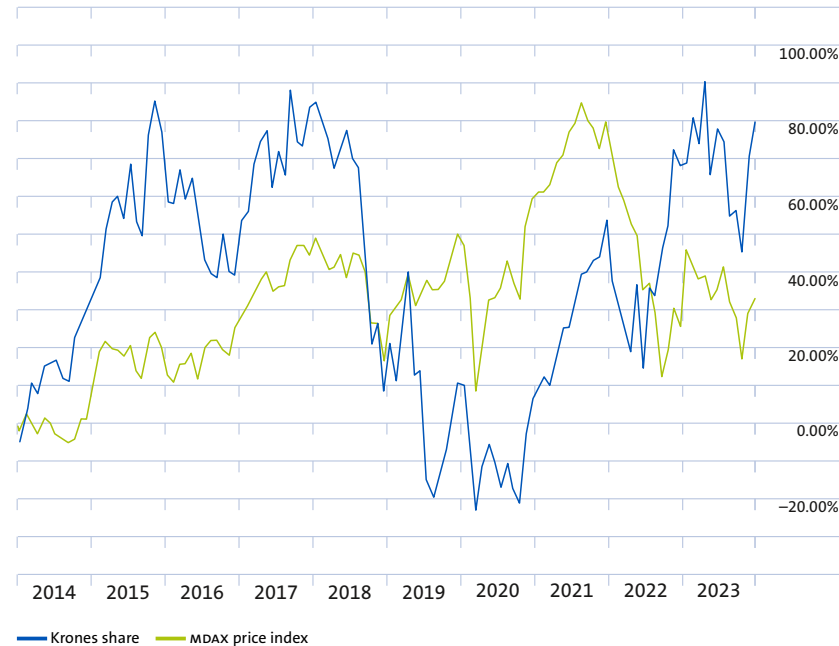


Krones shares significantly outperform MDAX over 10-year period

The Krones share price has risen by an average of 6.0% per year over the last ten years. Including dividends, the average annual performance was 7.7%.

The Krones share price rose by a total of 79% between 2014 and 2023. This corresponds to an average annual price gain of 6.0% over the ten-year period. The MDAX Price Index – the MDAX excluding dividends – gained an average of 2.9% per year over

Performance of Krones shares compared with the MDAX price index, 2014 – 2023



the same period. Krones shares are thus a clear outperformer. This also applies when dividends are included. Including dividends, and assuming that they are reinvested in Krones shares after payout, the average annual return on our shares since 2014 comes to 7.7%. The comparable MDAX Performance Index rose by an average of 5.1% per year over the last ten years.

Eventful index year for Krones shares

Following their promotion from the SDAX to the 50-share MDAX mid-cap index on 19 June 2023, Krones shares briefly left the DAX index family altogether on 18 September 2023. The reason for this was that in the periodic index review in early September, it was determined that Krones shares temporarily no longer fulfilled one of the basic criteria for index membership. Krones took immediate action and by mid-September had once again fulfilled all basic criteria for a return to the DAX index family.

Krones shares had an eventful year in terms of index family membership. At the end of the reporting period, the shares were listed in the MDAX, one stock exchange league higher than in the previous year (SDAX).

At the beginning of October, as the result of an unscheduled index adjustment, Krones was admitted to the SDAX with effect from 9 October 2023. In December, on the basis of the “fast entry” rule, the company was promoted back to the MDAX with effect from 18 December due to its high free float capitalisation.

Key data for the Krones share

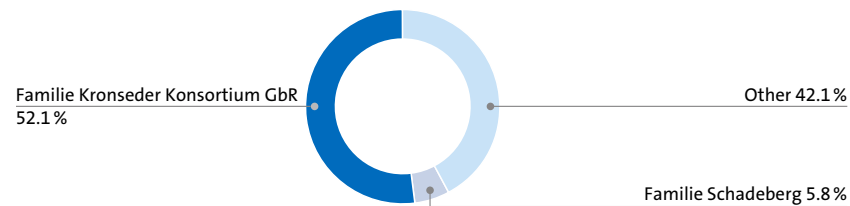
Number of shares	31,593,072
German securities identification number	633500
ISIN	DE 0006335003
XETRA ticker symbol	KRN



Shareholder structure

Krones' shareholder structure remained largely unchanged in the reporting period. At 31 December 2023, Familie Kronseder Konsortium GbR held the majority of Krones AG's shares, with 52.1%. The Kronseder family intends to remain a stable majority shareholder of Krones AG. 5.8% of the shares were held by the Schadeberg family as of the reporting date.

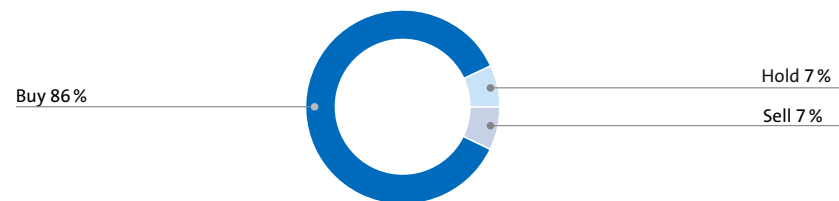
Shareholder structure as of 31 December 2023



Analyst recommendations for the Krones share

At the end of December 2023, 14 recommendations for Krones shares were available from analysts at various institutes. These included twelve buy recommendations. One analyst rated the Krones share as a hold, while one recommended selling.

Analyst recommendations (as of 31 December 2023)

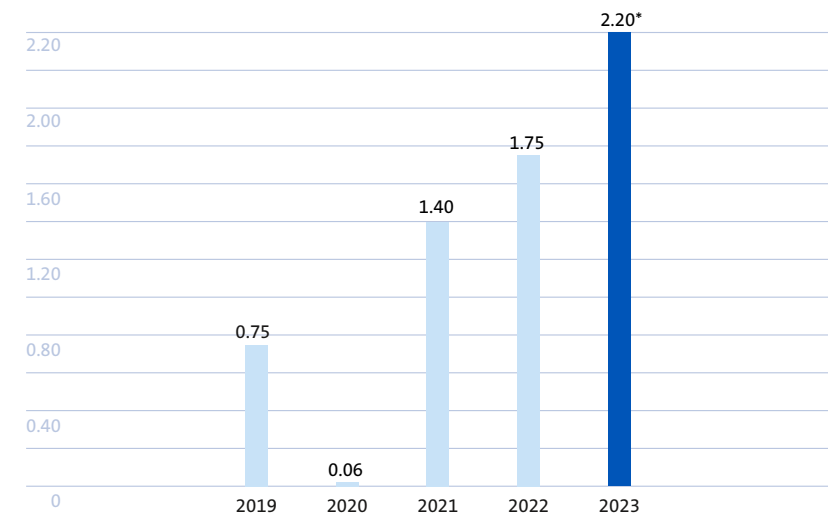


Basis: 14 Recommendations

Krones to distribute a dividend of €2.20 per share for 2023

The company once again significantly improved earnings in 2023 compared to the previous year. Shareholders are also to benefit from the positive business results. Krones' long-term dividend policy is to pay out 25% to 30% of consolidated net income to shareholders. For the 2023 financial year, Krones plans to increase the dividend to €2.20 per share (previous year: €1.75). This corresponds to 31.0% of consolidated net income.

Dividend per share (€)



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



2

CONSOLIDATED MANAGEMENT REPORT

Fundamental information about the group

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Krones at a glance

Business model, business areas and organisational structure

Krones (KRONES AG and its subsidiaries) offers machinery and systems for filling and packaging and for beverage production. Process technology and 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. Krones maintains service centres and offices around the world.

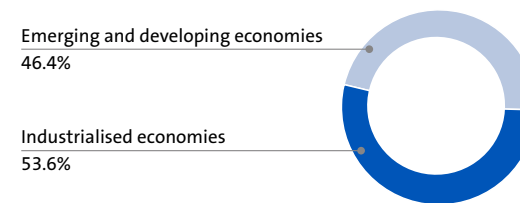
Beginning in 2022, Krones reports on three segments: **Filling and Packaging Technology**, **Process Technology** and **Intralogistics**. The Intralogistics segment came under the Process Technology segment until 2021.

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 53.6% of its revenue in industrialised countries and 46.4% in the rapidly growing emerging and developing markets.

Krones Group revenue by region 2023



Apart from a few large companies that are part of a corporate group, such as KHS (Salzgitter) and Sidel (Tetra Laval Group), Krones competes with a number of companies that do not offer the entire filling and packaging technology product range. 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 worldwide with major suppliers such as Gea and Kion 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

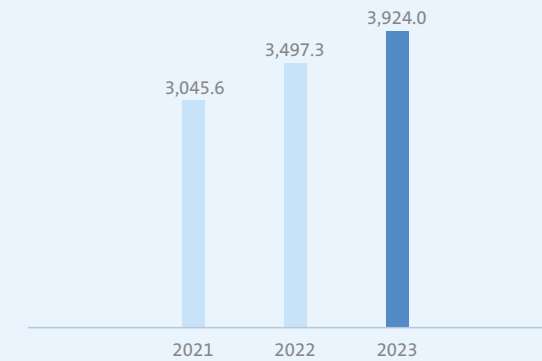


This is by far Krones' largest segment. It offers machines and lines for filling, labelling, packaging and conveying products. Machines and lines for producing PET containers and converting used plastic bottles into food-grade recycled material (PET recycling systems) are also part of this segment. A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

- 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 171 and 225.

Revenue (€ million)



	2021	2022	2023
EBITDA (€ million)	283.2	332.7	402.3
EBITDA margin (%)	9.3	9.5	10.3



Process Technology segment

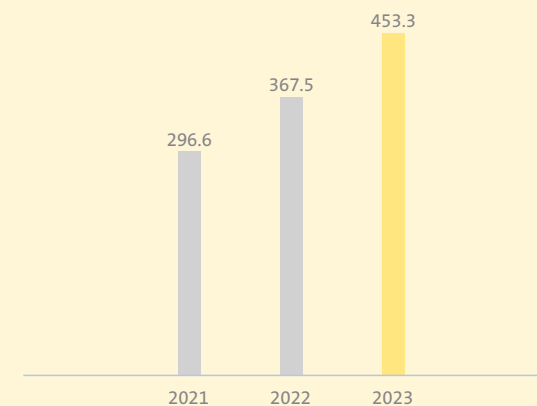


This Krones segment supplies customers with machines and lines for producing and processing beer, soft drinks, fruit juices, milk, dairy drinks and alternative proteins. In addition to water treatment, the Process Technology segment also includes Evoguard brand and Ampco Pumps brand components and the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

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

📄 See also Segment report, pages 173 and 225.

Revenue (€ million)



	2021	2022	2023
EBITDA (€ million)	18.6	20.4	34.7
EBITDA margin (%)	6.3	5.5	7.7

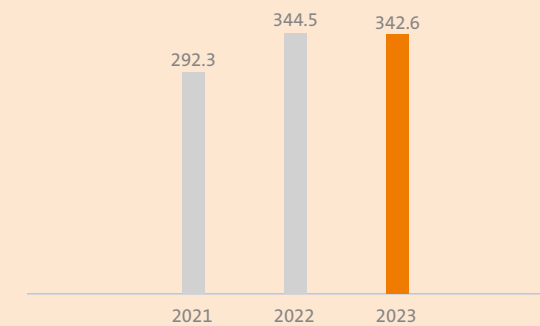


Commencing in 2022, Krones reports on the Intralogistics business as a separate segment. In this segment, through subsidiary System Logistics, Krones provides the planning and design of fully automated warehousing, order-picking and material flow systems with high-speed feeders, conveyors and automated 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 175 and 225.

Revenue (€ million)



	2021	2022	2023
EBITDA (€ million)	10.8	20.2	20.3
EBITDA margin (%)	3.7	5.9	5.9



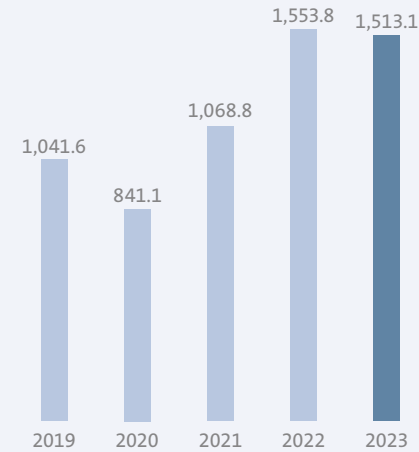
First quarter 2023

Customer demand remained exceptionally strong in the first quarter of 2023. From January to March, we received orders worth €1,513.1 million. Revenue climbed by 21.4% to €1,198.8 million compared to the prior-year period, which was severely affected by supply chain problems. Material availability was also tight in the first quarter of 2023. This presented Krones with major challenges. Nevertheless, profitability improved significantly. At €114.9 million, EBITDA exceeded the figure for the first quarter of 2022 by 32.1%.

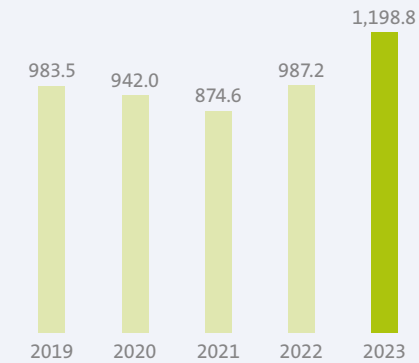
Krones published its Annual Report for 2022 on 22 March 2023. For the first time, the non-financial statement was integrated into the group management report. By combining its financial and non-financial reporting, Krones underscores the great importance it attaches to sustainability in all business decisions.

From the beginning of the year until mid-March, the stock markets showed an upward trend. Several US bank failures and the collapse of Credit Suisse, the major Swiss bank, then triggered a slide in share prices. Rescue packages quickly put together by major countries and central banks reassured the markets, which made significant gains in the first quarter overall. Following strong performance in the fourth quarter of 2022, the Krones share price did not rise quite as strongly as the market as a whole. At the end of March, our shares stood at €108.70, 3.5% higher than at the beginning of the year.

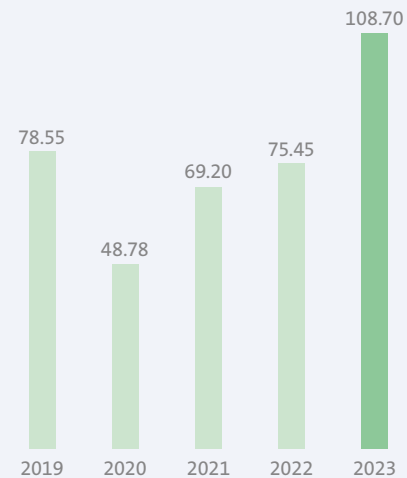
Order intake Q1 (€ million)



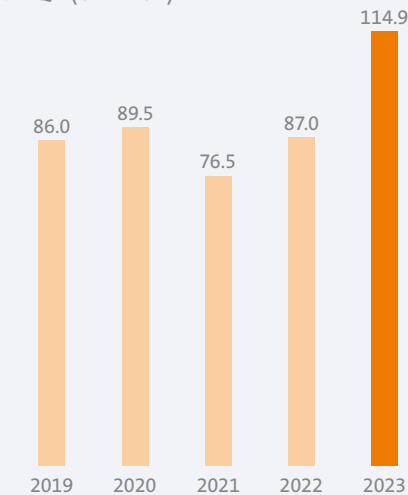
Revenue Q1 (€ million)



Share price 31 March (€)



EBITDA Q1 (€ million)



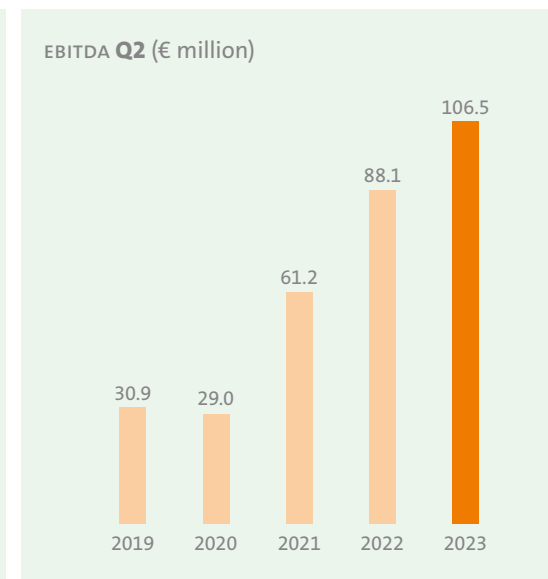
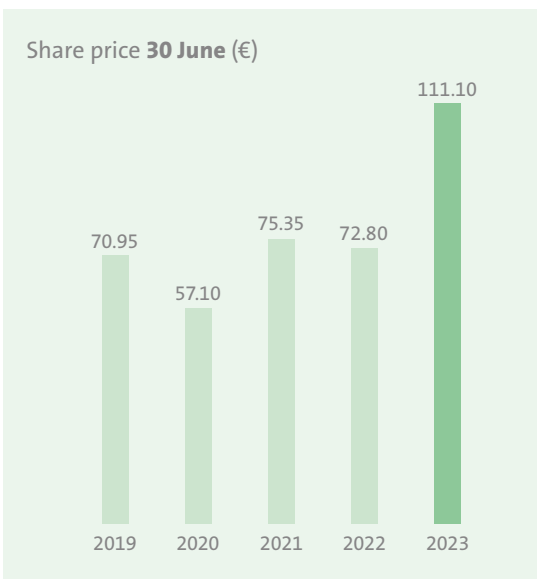


Second quarter 2023

Krones held its 43rd Annual General Meeting (AGM) on 23 May. The AGM was once again held on site in Neutraubling for the first time following three virtual AGMs due to the pandemic. All agenda items submitted for voting were approved by a large majority of shareholders. A dividend of €1.75 per share was paid to shareholders for the 2022 financial year, marking an increase of 25% over the previous year.

Krones' positive business performance continued from April to June. Order intake normalised at a high level and, at €1,272.8 million, was within the guidance range of €1.2 billion to €1.3 billion in each quarter. Despite the tight procurement situation for electrical components, revenue and profitability were higher than a year earlier. Revenue went up by 12.5% to €1,122.1 million. EBITDA increased at a higher rate, by 20.9%, to €106.5 million. With the acquisition of US-based Ampco Pumps Inc. in April, we expanded our components business in Process Technology to include high-quality pumps and significantly added to our sales potential in the US market.

Share prices on the international stock markets moved slightly upwards through the second quarter, with some sharp fluctuations. With a gain of 2.2% (including dividend: +3.8%), Krones shares outperformed both the MDAX (down 0.2%) and the SDAX (up +1.9%) between April and June. Our shares benefited from the good business figures and positive analyst comments and higher price targets.





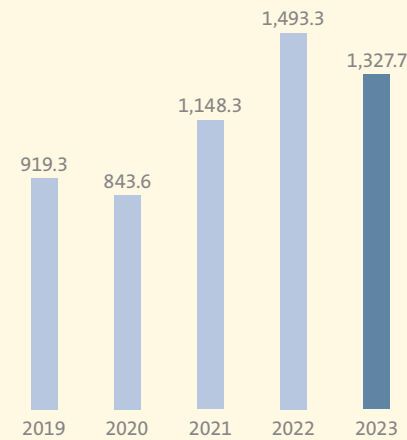
Third quarter 2023

In the period from July to September, order intake rose compared to the previous year's period to €1,327.7 million. Sustained strong demand for Krones products and services led to an order backlog in the third quarter that exceeded the €4 billion mark for the first time. Despite challenging production conditions, revenue and earnings also continued to rise. Revenue climbed by 10.0% year on year to €1,164.7 million, while EBITDA increased by 16.7% to €110.9 million. On 17 July, Krones raised the full-year guidance for revenue growth in 2023 to between 11% and 13% (previously 8% to 11%).

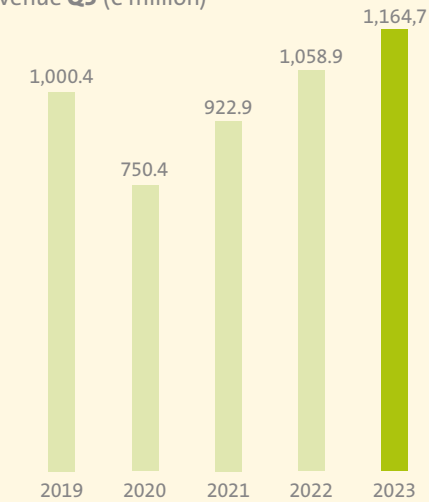
Krones' climate strategy specifies ambitious reductions for greenhouse gas emissions for the entire Group. On 26 July, the company published its Carbon Transition Plan, in which Krones discloses measures, interim results and further plans for achieving its climate targets.

After slight gains in the first two quarters, the Krones share price performed below average between July and September. Despite good business figures, our share price came under heavy pressure. The value of Krones shares was mainly affected by the general weakness of shares in the mechanical engineering sector. Overall, the share price fell by 12.2% in the third quarter.

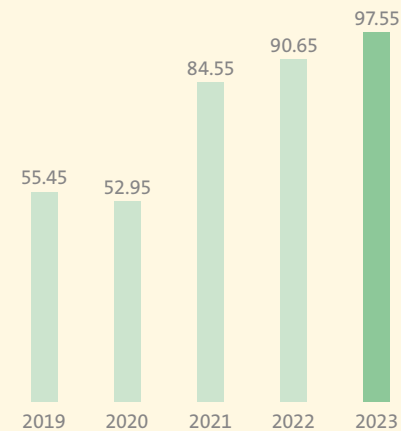
Order intake Q3 (€ million)



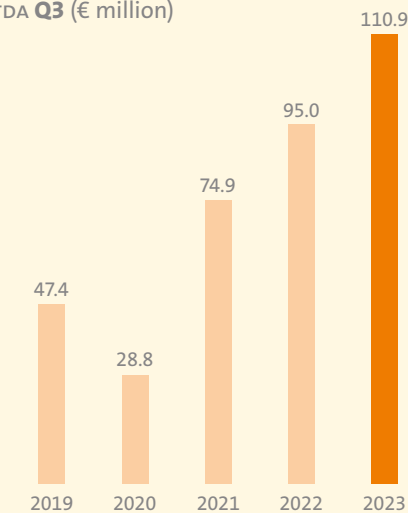
Revenue Q3 (€ million)



Share price 30 September (€)



EBITDA Q3 (€ million)





Fourth quarter 2023

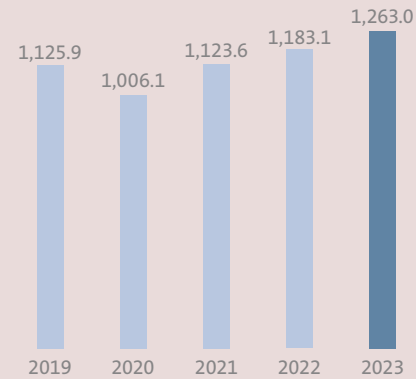
The situation on the procurement markets eased in the fourth quarter. For the most part, however, this will not be reflected in revenue until 2024. Revenue from October to December reached the highest quarterly figure of the reporting year, at €1,235.1 million (+6.0% compared to the previous year). Order intake was also once again at a high level, up 6.8% on the previous year to €1,263.0 million. The period from October to December showed the strongest increase in profitability. EBITDA went up by 21.1% to €125.0 million. Krones improved the EBITDA margin from 8.9% to 10.1%.

After two silver medals in a row, Krones was awarded gold in the October 2023 rating by sustainability rating agency EcoVadis. Krones ranks among the top 5% of the companies rated in its sector.

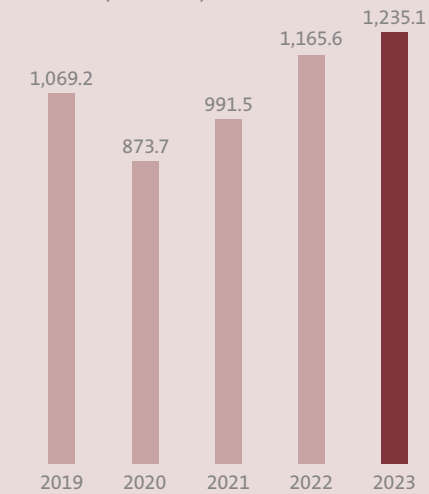
A trade fair highlight in the fourth quarter was BrauBeviale, held in Nuremberg from 28 to 30 November. Krones presented innovative technology from the across the company.

At the beginning of the fourth quarter, Krones shares trended downwards in line with the market as a whole. However, publication of the good figures for the first nine months of 2023 led to a sharp rise in the share price in early November. Krones shares maintained this positive momentum through to the end of the year. Overall, the share price outperformed the market as a whole in the fourth quarter, rising by 14.6% to close the year at €111.80. This was 6.5% higher than at the beginning of the year.

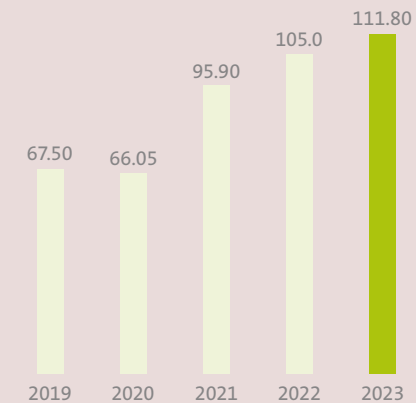
Order intake Q4 (€ million)



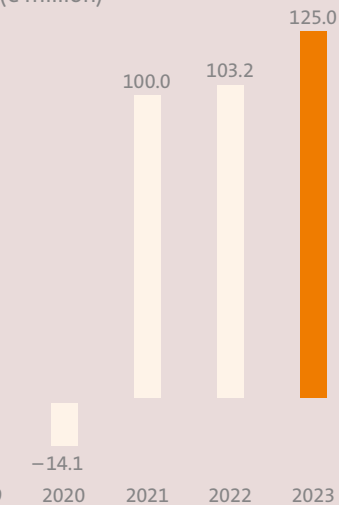
Revenue Q4 (€ million)



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' total cost of ownership (TCO). As a reliable partner, we also ensure that our customers can produce safely and at high quality.

We supply all machines and lines needed for producing, filling and packaging beverages. Furthermore, we provide complete logistics 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 manufacturers' production runs at the highest possible performance level

at all times. The Krones LCS teams work together with customers to find solutions for efficient, secure, cost-effective and sustainable production – in line with our target picture, “Solutions beyond tomorrow”. They also provide expert consulting on maintenance and retrofitting.

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. Krones' modular service packages are optimally tailored to customer lines and requirements. The service team analyses production data and works with the customer to find solutions that lastingly improve production performance.

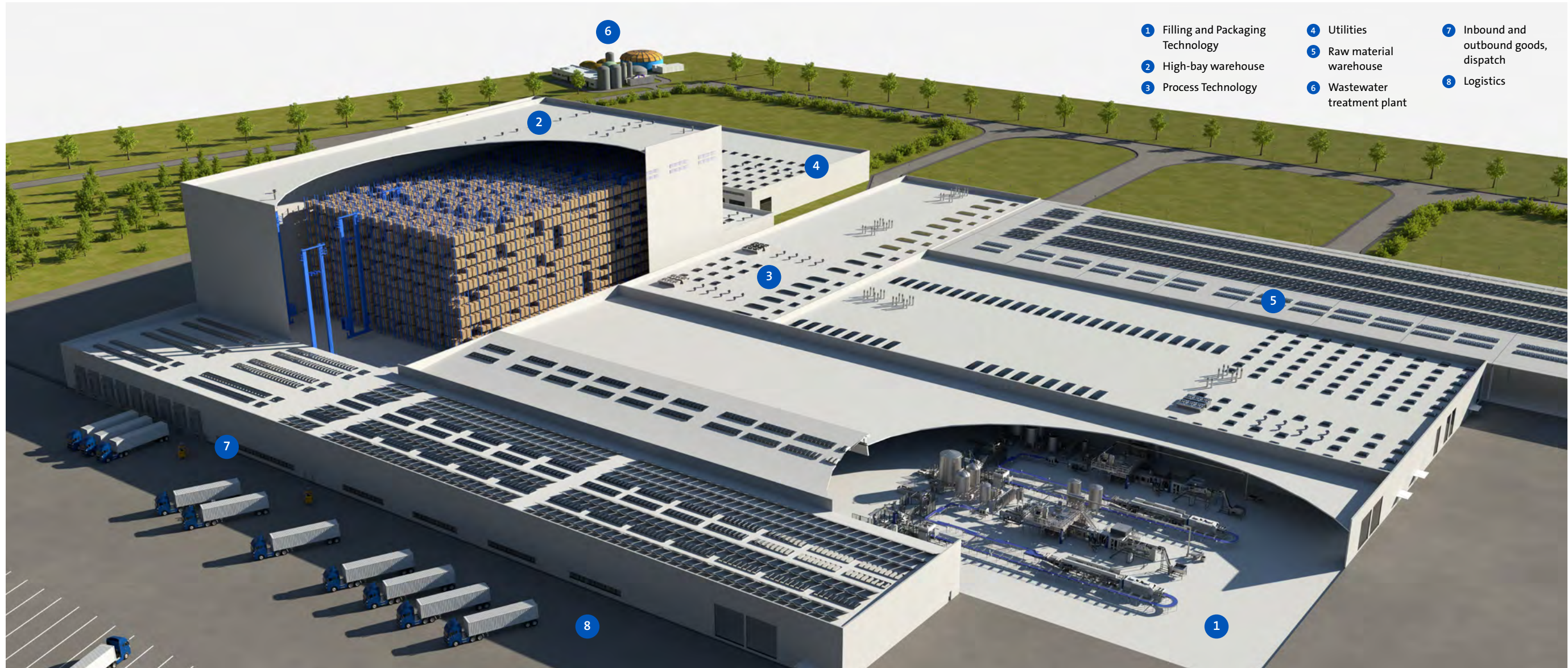
The two illustrations of a complete beverage plant and of a filling and packaging line provide a brief overview of our portfolio.



Partner for
Performance



Krones supplies **complete beverage plants**



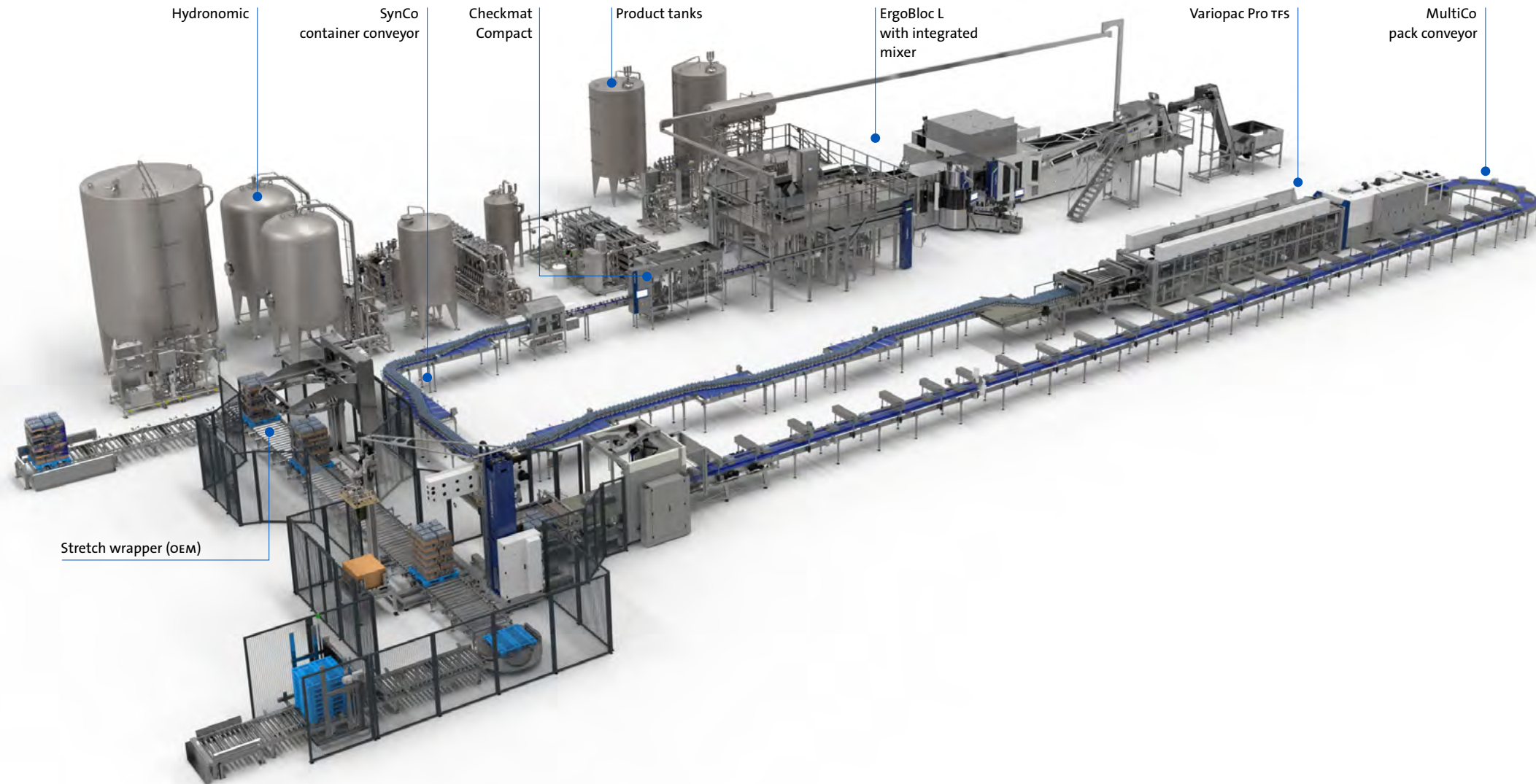
- 1 Filling and Packaging Technology
- 2 High-bay warehouse
- 3 Process Technology

- 4 Utilities
- 5 Raw material warehouse
- 6 Wastewater treatment plant

- 7 Inbound and outbound goods, dispatch
- 8 Logistics



PET filling and packaging line for carbonated soft drinks





Strategy and management system



“Krones is very well positioned in a steadily growing market. With its new target picture, “Solutions beyond tomorrow”, Krones has mapped out its path to a successful and sustainable future.”

*Christoph Klenk
CEO*

In 2022, on the basis of its technology leadership and customer requirements, Krones developed a new, ambitious target picture: “Solutions beyond tomorrow”. Even though we are still at the early stages and have a long way to go, we are already seeing the successes of our activities aligned to the new target picture.

Through all the changes that we aim for as a company, or that arise as a result of high economic volatility, we benefit from the enormous flexibility and motivation of the entire workforce. In the past year, the Krones team once again faced some tough challenges. One of these consisted of processing the extremely high 2022 order intake on time and in our usual high quality, despite the ongoing tight supply of materials in 2023. We achieved this thanks to the great commitment of our employees – as shown by the very good business figures for the 2023 financial year.

Stable demand from attractive markets

We benefit from attractive sales markets in the beverage and liquid food industry. Demand for packaged beverages and foods is growing steadily. This is driven by megatrends such as global population growth, a growing middle class in emerging markets and continuously increasing urbanisation, especially in the

Global South. The two focal areas of sustainability and digitalisation also ensure high levels of demand for the long term. As an internationally leading supplier of beverage filling and packaging technology, Krones is exceptionally well positioned to capitalise on market opportunities with its comprehensive global product and service portfolio.

However, despite our good business results, improved material supply and sustained high demand for our products and services, we remain vigilant about both short and long-term risks. Conflicts such as those in Ukraine and the Middle East have multiplied significantly in recent times. Tensions between the USA and China could also cause substantial shifts in the global order and reverse the globalisation of the world economy in the medium and long term. Climate change, the availability of natural resources and digitalisation are long-term risk factors faced by nearly all companies. However, sustainability and digitalisation also present huge business opportunities for Krones.

More flexibility and resilience through enhanced cost structure

Growth is an important condition for the continued future success of Krones. But it has to be profitable growth. One of our core strategic imperatives is therefore to continually enhance Krones’ cost base and organisational structure. To this end, we are implementing cost-cutting programmes in almost all areas. In parallel, we are accelerating and digitalising our internal processes and workflows.

The expansion of our global value chain also contributes significantly to improving cost structures. By broadening and building more redundancy into Krones’ global procurement and production footprint, we enhance our ability



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Solutions
beyond
tomorrow

to respond flexibly to diverse crisis scenarios, such as protectionist measures, regional supply chain problems or production stoppages. The company has gained significant cost advantages in recent years by establishing production facilities and associated supply chains in Hungary and China. In the coming years, we intend to progressively increase the proportion of value added generated internationally by the Krones Group.

The company's aim is to reduce fixed costs as a percentage of total costs. This will enable us to respond even more flexibly in today's more volatile economic environment and further enhance our resilience in times of crisis.

Maintaining adequate sales prices

Sales prices are a key factor in Krones' profitability. By delivering innovative solutions and reliably completing projects for our international customers, we have successfully adjusted our sales prices to meet increased cost levels over the past two years. Although competition remains intense, we will stick to our pricing strategy and pass on rising material and labour costs. The substantial order backlog allows us to uphold our price discipline even in the face of any downturn in demand.

Innovations as the cornerstone of Krones' long-term success

High-quality, innovative products and services are also fundamental to maintaining high price quality. They must provide significant and measurable added value to customers and help them achieve their goals. Our regular contact with customers and collaboration with them on solution development ensure that we have the best possible understanding of their needs. Aligned with our new target picture, "Solutions beyond tomorrow", Krones' focus in innovation is on sustainability, digitalisation and system solutions. We present our R&D strategy and a selection of our innovations from the reporting period on pages 79 to 84.



Solutions beyond tomorrow – for a sustainable and successful future

The focal points of "Solutions beyond tomorrow" are three key challenges confronting humanity: Combating climate change, feeding the world, and ensuring responsible use of packaging materials. The new target picture we have derived from these provides the basis for the company's strategic orientation. Our strategic focus here is on the core areas of **sustainability**, **service quality** and **digitalisation**. These three areas also determine the strategic orientation of our three segments.

Solutions beyond tomorrow – our strategic focus

Sustainability

Filling and Packaging
technologyProcess
technology

Intralogistics

Digitalisation

Service



Modulfill Bloc FS-C can filler and seamer, one of Krones' many sustainable solutions

Sustainability: priority issue for customers and Krones

Sustainable products will be the main innovation and growth driver in the next decade. We are seeing a strong rise in demand from our customers for machines, systems, lines and entire beverage plants that save valuable resources and reduce carbon emissions. By enabling customers to produce foods and beverages with high levels of resource efficiency and recycling, Krones helps them achieve their sustainability goals.

Our goal: contributing to a climate-friendly industry

Krones has committed to making a significant contribution to combating climate change and conserving resources. We published details on the implementation of our climate strategy for the first time in mid-2023, in our Public Carbon Transition Plan. In this document, which will be updated annually, the

Group sets out its targets, measures, progress and additional implementation plans for achieving its climate goals.

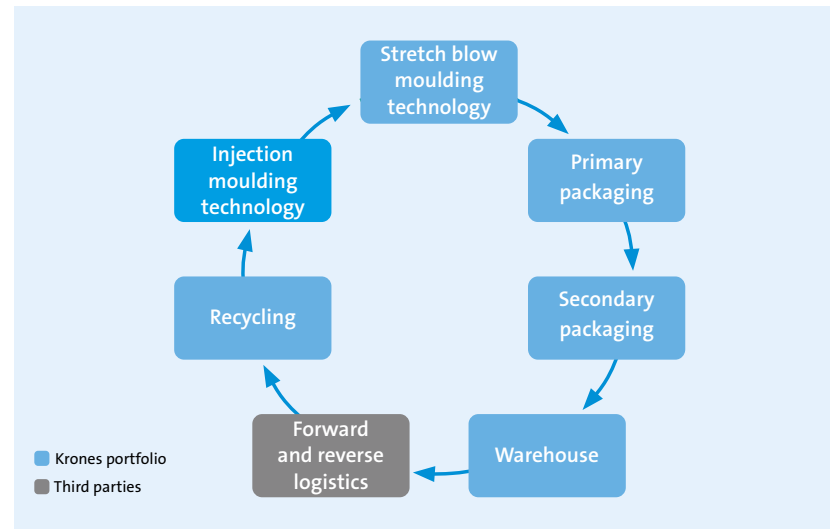
Beyond optimising our own processes, it is imperative for us to devise and implement sustainable solutions for our customers in the food and beverage industry. Through the TÜV-certified, dynamically evolving enviro sustainability program, Krones provides customers with optimum support in achieving their ambitious climate targets. The energy and media-efficient product range verifiably and measurably saves customers valuable resources in the operation of our machines and lines. Our customers have long benefited from the lower energy and resource consumption of enviro products. Additionally, Krones' sustainability consultants support our customers with an integrated, all-factory approach to measurably reduce their ecological footprint, both for new and existing plants.



Krones has set itself the ambitious goal that, by 2030, the machines and lines we manufacture will save our customers an additional 25% in energy and resources in absolute terms compared to 2019. As Krones has significantly increased unit sales of new machines and lines in the last two years and intends to continue this growth in the future, the savings per machine or line have to significantly exceed the 25% target. While achieving this will take a lot of work, the strong demand for enviro products gives us a major incentive.

The company aims for an 80% reduction in its operational greenhouse gas emissions (Scope 1 and Scope 2) and a 25% reduction in value chain emissions (Scope 3) by 2030 relative to 2019. We stand at around a 50% reduction in Scope 1 and Scope 2 at the end of the 2023 financial year and are also seeing positive effects for Scope 3 from supply chain and product-related savings. At the beginning of 2024, we supplemented our climate strategy to include a net-zero emissions target by 2040.

Closing the loop to reduce emissions and plastic



If we are to solve the problem of plastic waste on our planet, we need to move away from single-use plastics and towards a circular economy. Over the next few years, many beverage producers will significantly increase the amount of recycled PET (rPET) in their bottles in order to significantly reduce their reliance on PET, which is a valuable resource. Krones will support its customers here from material-saving packaging design, preform production (injection moulding) and bottle production (stretch blow moulding) through filling, labelling and packaging to the recycling of used plastic bottles and their reuse in the food and beverage industry. In February 2024, we signed the contract to acquire Netstal, a Swiss injection moulding technology company. We expect the transaction to be finally closed in the first half of 2024. Once the transaction is completed, we will have closed the recycling loop in terms of plastic and will have all of the main products needed to turn used PET bottles into new containers for bottling beverages.

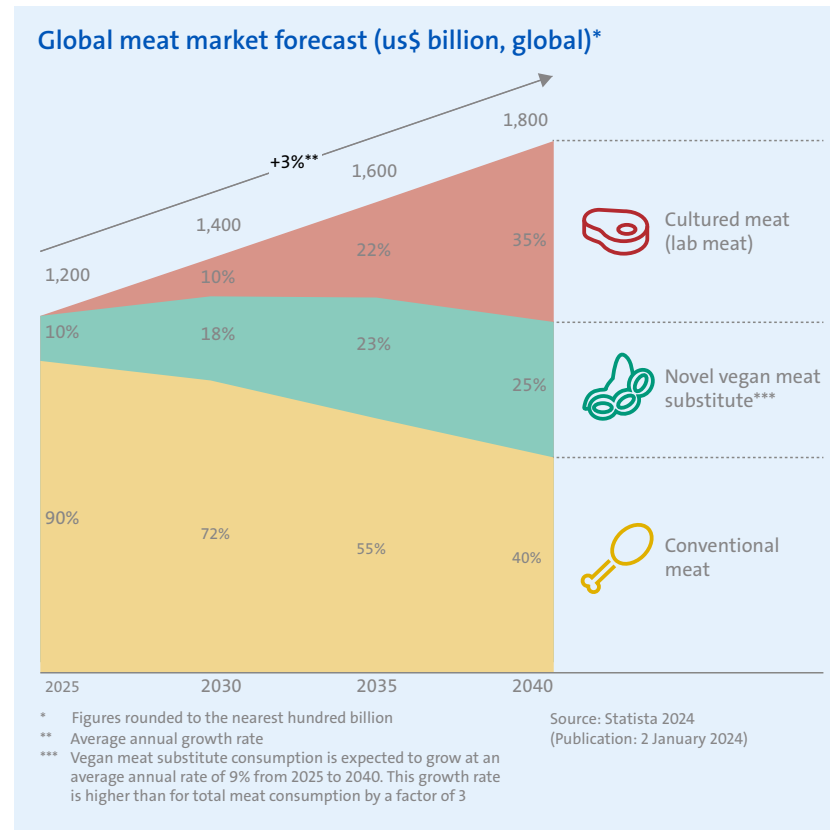
Krones recycling technology can also be used to recycle other high-quality packaging plastics (HDPE, LDPE, PP and PS). With bottle-to-bottle recycling, we contribute significantly to preventing the loss of plastic as a valuable resource and to curtailing plastic waste. To further harness the potential of our recycling technology, our plan is to carve out this business area as a standalone entity in 2024. We have already successfully completed a carve-out of this kind with our brewery activities.

Tackling climate change and sustainably feeding the world with alternative proteins

One of the three major global challenges that Krones is addressing together with its customers is feeding the world in a way that is sustainable and climate-friendly. The mass consumption of animal protein in industrialised countries especially generates enormous greenhouse gas emissions. A solution to this problem lies in the production of high-quality vegetable proteins as an alternative to animal protein.



Krones plans to play a major role in this market, which will continue growing in the medium to long term – analysts expect growth of 15% a year up to 2030. The market for plant-based dairy alternatives (based on soy, oats, nuts, etc.) is already established. Leveraging its extensive expertise in dairy production, Krones supports producers here with a complete range of process technology. In the production of solid plant-based proteins, the company draws on decades of experience in fermentation. Krones is thus well positioned in the important growth market for alternative proteins.



Digitalisation helps save resources and provides the basis for new business models

Beverage plants are undergoing a profound digital transformation. To stay competitive, beverage producers have to optimise their systems for efficiency. Digitalisation is a decisive factor here. Krones recognised this trend very early on and has already been supplying digital-ready machines and lines for some years. When it comes to the digitalisation of beverage plants, we benefit from our line and factory expertise – our knowledge of how numerous individual machines and lines seamlessly integrate into a unified whole.

Within the Krones Group, approximately 1,500 people are dedicated to digitalisation initiatives. At Krones.digital, a unit established in 2022, around 500 software and IT engineers work exclusively on the development of digital products and services. By 2025, we plan to expand the digitalisation unit to nearly 700 specialists.

Digital products and services must create added value for customers, either through enhanced product safety, more reliable production or reduced operating costs. The company has combined all digital services in a single browser-based online portal, Krones.world. This gives plant operators access to all digital services. Krones’ goal is to provide digital support throughout the entire life cycle of a machine or line. The company thus intends to evolve more and more from a machine and line manufacturer to a service provider – from “Built by Krones” to “Managed by Krones”. Krones provides plant operators with agreed services that measurably improve plant efficiency. In return, the company is paid a set fee.



Digitalisation is also changing numerous products and processes from within. Krones improves and accelerates such developments with digital tools, including artificial intelligence (AI). Among other things, our team has developed an AI-based solution that significantly streamlines the quotation preparation process for our sales force, translating into significant time savings for both customers and Krones.

Global reach and localised service excellence with some 3,000 service staff worldwide

Looking after the delivery of digital and other services is the job of our approximately 3,000 local service staff in over 70 countries around the world. This enables us to respond quickly and directly to customer needs – a key factor in long-term customer satisfaction. Customers benefit from highly trained service employees with considerable system and line expertise.

Our strategically well-located LCS centres around the globe enable the swift supply of spare parts to plant operators worldwide. A long-term growth driver for the attractive LCS business is our growing installed base. We also intend to further increase the proportion of Krones-supplied managed lines.

Growth through further internationalisation

In order to meet the growing demand for service, Krones will continue to invest in the expansion of the sales and service organisation and further increase the size of the service team. The focus here is on international markets, where growth rates will remain above average. Krones will continue to invest heavily in sites in such markets and recruit local talent. In particular, the Asia-Pacific region and Africa are expected to see the strongest growth over the long term. In the reporting period, the company once again increased the size of its workforce in the regions shown in the table by 792 to 6,457 employees.

Development of employee numbers 2019–2023

Year	South America	North America	Africa	Asia-Pacific	Eastern Europe	China	Total
2019	782	745	671	1,009	933	792	4,932
2020	778	1,011	639	974	922	742	5,066
2021	803	1,046	633	959	1,006	732	5,179
2022	871	1,206	671	1,023	1,092	802	5,665
2023	943	1,430	681	1,143	1,345	915	6,457



Strategic focus in the segments

Filling and Packaging Technology:

Continued very strong demand for PET; cans and aseptics support growth

Beverage packaging made of PET continues to be highly popular, both with our customers and with consumers. Demand for PET lines remains stable at a high level. The reasons speak for themselves. PET bottles are light and easy to handle, but also sturdy and hard-wearing. This packaging material also has a relatively small carbon footprint and is comparatively inexpensive to produce, which positively affects the selling price of the end products. Our PET lines thus enable the production of sustainable and affordable beverages – in line with our target picture. We aim to consolidate and extend our leading position in PET lines with even better performance and lower resource consumption.

If PET is to remain the most popular packaging material for beverages in the long term, the majority of PET bottles in the future must be made of recycled PET. Krones is well positioned here to support customers with its recycling lines. In addition, we already have numerous lines in operation at customers that can readily process rPET, which has slightly different properties from virgin PET.





The market for aseptic filling in PET containers also presents good growth opportunities for the core segment. Demand is likely to remain strong in the USA especially, where the standard up to now has been the hotfill process – aseptic filling under heat with high energy consumption. US beverage producers are increasingly transitioning from this process to technologically advanced and sustainable aseptic lines. These significantly reduce the carbon footprint and plastic usage.



Krones picked up on the trend towards metal cans several years ago and is now the global market leader in the canning of beer and soft drinks. Aluminium beverage cans are the most recycled form of beverage packaging in the world and are almost infinitely recyclable without any loss of quality. This means they make a key contribution to resource conservation. Krones aims to strengthen its position in canning lines with flexible, hygienic, space-saving and resource-efficient solutions.



Process Technology:

Energy-efficient solutions and alternative proteins are markets of the future

The transformation of the Process Technology segment begun in previous years is well underway. Technologies for the production of plant proteins and energy-efficient solutions for beverage production continue to gain in importance. Demand for both technologies will grow at above-average rates in the medium to long term, driven by their potential to reduce global carbon emissions. We also plan to expand the LCS and components business in this segment. Both of these areas will help drive revenue and earnings growth in Process Technology. The acquisition of US pump manufacturer Ampco Pumps in the second quarter of 2023 completed our pump portfolio, strengthening our components business and expanding our sales potential in the US market.



Intralogistics:

Market with potential

In addition to the dynamic growth of the logistics market, the Intralogistics segment is also benefiting from the sustainability megatrend. Customers still frequently underestimate the potential in intralogistics. Solutions from our subsidiary System Logistics can yield up to 40% energy savings and up to 20% lower operating costs. Our automated solutions also free up logistics staff and reduce the number of operators required – a major gain in terms of added value for customers in times of labour shortages.

In the medium term, Krones intends to further internationalise its intralogistics business and extend it to customer groups outside the beverage and liquid-food market. Increased revenue shares from automated picking systems and autonomous mobile robots, coupled with an expanded service business, will further enhance the segment's profitability.



Financial position ensures resilience and enables future investment

As a result of the good business performance, Krones continued to maintain its capital and financial resources at a very high level in the reporting period. At the end of 2023, Krones had a very solid equity ratio of 38.3% and a net cash position of €445 million. In addition, the company has around €850 million in undrawn credit lines. This strong financial and capital structure gives the company and its employees the stability and security they need in today's unpredictable political and economic landscape. Its comfortable capital base also enables Krones to make strategic investments in growth and the future from internal resources.

The executive board will continue to invest some 5% of revenue in research and development. In addition, the company plans to commit between 2.5% and 3.5% of revenue in the coming years to capital expenditure on capital assets. This expenditure will mainly go on optimizing processes, production structures and IT systems. Internal sustainability projects (Scopes 1 and 2) will continue to account for a notable proportion of capital expenditure.

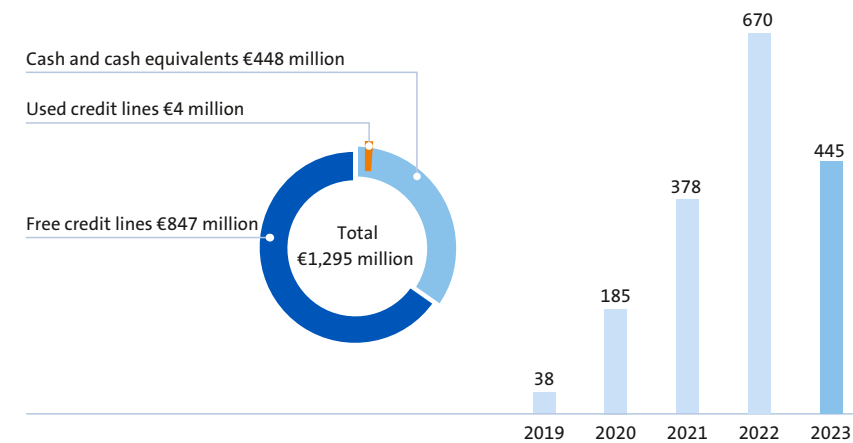
Acquisitions are and will remain part of Krones' growth strategy. When identifying potential acquisitions, we focus on medium-sized, profitable companies that complement the existing portfolio technologically and regionally or provide access to markets beyond the beverage and liquid food industry. Examples include the filling and packaging of food, pharmaceuticals and cosmetics. We have continued to implement our acquisition strategy in the reporting period and also in the current year. With the acquisition of US-based Ampco Pumps in the second quarter of 2023, we expanded our components business in Process Technology

to include high-quality pumps and significantly improved our access to the US market. Following the final closing of the acquisition of Netstal, the Swiss injection moulding technology company, which is planned for the first half of 2024, Krones will be able to offer its customers all important machines, lines and services for the complete PET packaging cycle. Netstal also underpins Krones' strategy of extending the customer focus to the medical/pharmaceutical, cosmetics and food industries.

Krones remains committed to sharing its success with shareholders through dividends. The company's dividend strategy is to distribute an amount of 25% to 30% of consolidated net income to shareholders, although in recent years it has aimed for the upper end of this range.

Liquidity reserves 31 Dec 2023

Net cash (€ million) at 31 Dec





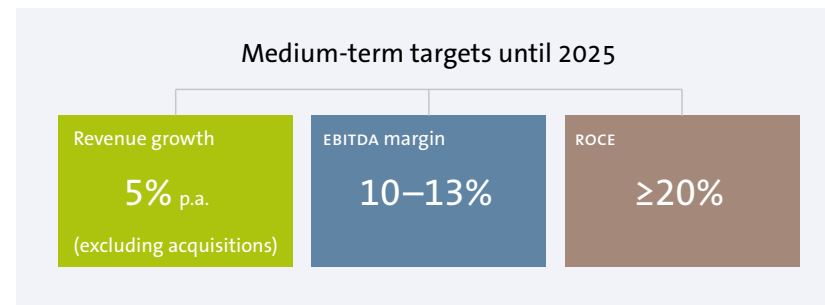
Improving free cash flow and ROCE, optimising working capital

Key financial performance indicators for Krones alongside revenue and earnings are free cash flow and return on capital employed (ROCE). To achieve our ROCE target of at least 20% by 2025 (2023: 16.3%), we will both increase EBIT and, in the medium term, further optimise the allocation of resources in working capital. The company has taken various steps to reduce working capital for this purpose. Reducing working capital has a positive effect on ROCE.

Working capital is also an important determinant of free cash flow. Less working capital tied up in the operating business leaves the company more financial resources for other purposes. After the exceptionally high free cash flow in 2022, free cash flow decreased significantly as expected in the reporting period, mainly due to the strong increase in working capital. Free cash flow is expected to return to normal in 2024 and increase in the medium term.

Krones is very well on track to achieve its medium-term targets by 2025 – in some cases earlier

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



Revenue is targeted to grow organically – without acquisitions – by an average of 5% year on year until 2025. Including acquisitions, the company aims for revenue of at least €5 billion in 2025 (2023: €4.72 billion). Due to the strong increase in revenue in 2022 and 2023 and the large order backlog, Krones expects that it will already achieve this target in the 2024 reporting year.

The company's commitment to profitable growth is central to its sustainable long-term success. Generating sufficient earnings is essential in order to make the necessary investments in the future and navigate potential crises. In the medium term, the company targets an EBITDA margin of 10–13% (2023: 9.7%). The Executive Board is confident that the measures introduced will enable it to achieve this goal, despite the steeply rising material and labour costs.

Krones aims to increase return on capital employed (ROCE) to at least 20% by 2025 (2023: 16.3%).

Overall, Krones currently sees significantly more opportunities than risks for the achievement of its medium-term goals by 2025.



The Krones team makes the difference: Krones' most important success factor

The entire Krones team has done an outstanding job over the past few years. Over recent years marked by various challenges, including the coronavirus pandemic, the Ukraine conflict and material shortages, our people have demonstrated their adaptability and flexibility in rapidly changing conditions. Even in difficult times, they consistently delivered our customers' projects on time, earning trust and confidence. The focus for the current year is on processing orders rapidly and in the usual quality. We are confident that we will meet this challenge to our customers' satisfaction.

Exceptional team spirit, coupled with the unique expertise, creativity, and unwavering dedication of our employees, underpins Krones' resilience and success. Ensuring a motivated and qualified workforce remains a priority. Krones will continue to invest in employee training and development, and will strengthen its workforce, particularly in IT, software and service, and also in emerging and developing 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 will continue to generate **profitable growth** in all three segments in the medium term.

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 revenue.

Development of the key performance indicators in the last five years

	2019	2020	2021	2022	2023
Year-on-year revenue growth	2.7 %	-16.1 %	9.4 %	15.8 %	12.2 %
EBITDA margin	5.7 %	4.0 %	8.6 %	8.9 %	9.7 %
ROCE (from 2022)	2.2 %	-2.2 %	10.0 %	14.1 %	16.3 %
Working capital to revenue (up to and including 2021)	26.9 %	28.3 %	24.8 %	19.0 %	17.8 %

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**.



Non-financial performance indicators



In addition to financial performance indicators, non-financial targets are also firmly embedded in Krones' corporate strategy. These are set out in detail in the non-financial statement (pages 85 to 145). Sustainability is an area of major importance and is also the focus of the Krones target picture.

Key non-financial performance indicators comprise **greenhouse gas emissions** (Scope 1, Scope 2 and Scope 3), **water consumption, hazardous waste, workplace accidents** and the **share of women in management**.

As part of the Krones Group's sustainability targets, which the Executive Board officially adopted in the 2020 financial year, the company has set ambitious emission reduction targets along the entire value chain.

- We aim for an 80% reduction in our own carbon footprint (Scope 1 and Scope 2) by 2030, relative to the 2019 baseline.
- For Scope 3 emissions – which are much higher and are mainly generated by the operation of our machines and lines at customer sites – we are targeting a reduction of 25% over the same period, again with 2019 as the baseline.

Additional **sustainability goals** are as follows:

- The Krones Group is committed to a 10% reduction in hazardous waste and water consumption by 2030, with 2020 as the baseline.
- We will reduce both work-related accidents and the resulting lost days per million hours worked by 30% across the Krones Group by 2030, compared to the 2020 baseline.



Research and development (R&D)

- Krones invests 4.1% of revenue in R&D
- Sustainability remains a key innovation driver
- Focus on “line of the future”
- Internationalisation and partnerships strengthen R&D

Innovations secure our company’s future. Future oriented products and services are essential to the implementation of Krones’ new target picture, “Solutions beyond tomorrow”. The driving force here is Research & Development (R&D). R&D has always been a major strategic priority at Krones and remains the foundation for the company’s sustainable business success.

In 2023, Krones invested 4.1% of revenue in R&D

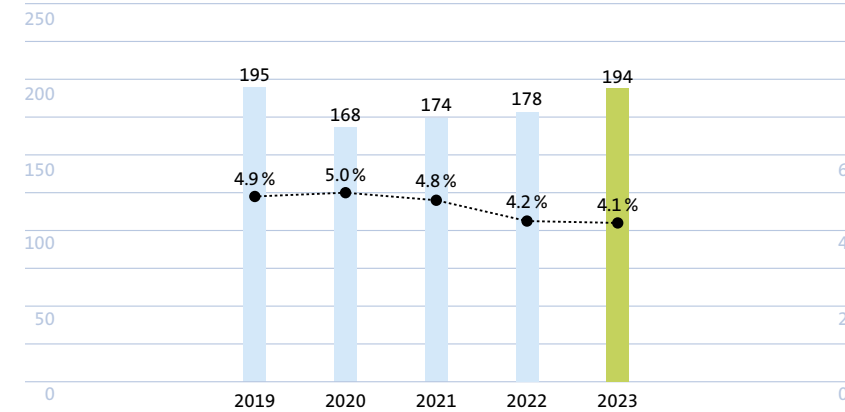
Krones consistently invests large sums in research and development. Large numbers of patents underscore the success of this investment.

Highly qualified Krones employees drive the development and improvement of machines, systems and services worldwide. To maintain the rapid pace of innovation, the company invests large sums in R&D. In 2023, the company spent €194 million on research and development – that corresponds to 4.1% of consolidated revenue (previous year: €178 million and 4.2%). €21.7 million of this was capitalised as development costs (previous year: €23.6 million).

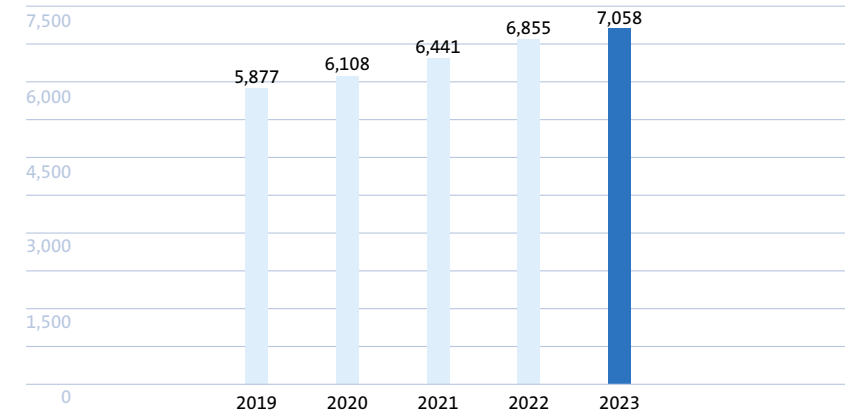
Innovative R&D feeds a strong patent portfolio and safeguards Krones’ technological lead

The innovative strength of the Krones R&D team is reflected in the substantial number of registered patents and utility models. This has increased continuously in recent years and stood at 7,058 at the end of 2023 (previous year: 6,855). By pursuing an active patenting strategy, Krones ensures that all important new developments and improvements have strong legal protection and safeguards its technological lead.

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



Registered patents and utility models – Krones Group

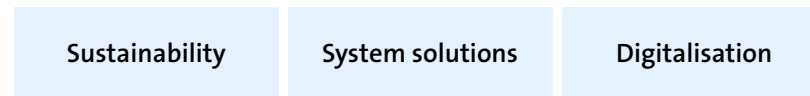




The Krones R&D strategy

All R&D activities focus on customer benefit. New products and services must create added value for customers. From intensive exchange with our customers, we know their needs and visions. We aim to develop solutions for them that exceed their expectations. Krones' R&D strategy is closely aligned with our target picture based on the slogan "Solutions beyond tomorrow", which serves as inspiration for our R&D team and guides project prioritisation.

Krones focuses in its R&D strategy on **three focal areas**:



The primary innovation driver is sustainability. Conserving resources and reducing emissions are top priorities for our customers. Short changeover times, fewer operating personnel and improvements in line efficiency also play an important role. We place an equally strong focus in our R&D activities on digitalisation. This is the basis for new business models. Digital data can be used to offer improved services.

Krones follows a top-down approach to new developments and improvements. This means that in all development projects, we initially focus on the entire beverage plant, from beverage production, filling and packaging to intralogistics. We then split out the targeted improvements across the individual line components. It is also important that all new developments and improvements are capable of being retrofitted, so that they can be used in existing machines and lines and deliver added value for customers.

R&D strategy programmes

The R&D strategy and value drivers define Krones' R&D programmes. These have the clear goal of translating our visions embodied in "Solutions beyond tomorrow" as fast as possible into market-ready solutions for our customers. At drinktec 2025, we aim to present the highly innovative Krones "line of the future". In line with our target vision, the development focus of the filling and packaging line of the future is on sustainability, digitalisation and efficiency.

Clearly structured R&D organisation accelerates and improves the innovation process

Across all segments and businesses, the entire development portfolio is managed through a clearly defined and focused innovation process. Employees from various organisational units are actively involved in development projects. Development progress is regularly analysed and evaluated by a joint committee, which includes the Executive Board and executives from various technical units.

Reflecting the importance of sustainability for customers and Krones, the company has established a Sustainability unit within R&D. This addresses all product and company-specific sustainability questions.

In 2021, we brought together and aligned our digitalisation and automation activities in a new unit, Krones.digital. A total of about 500 employees at various locations and from different Krones companies collaborate here in a highly coordinated fashion, working closely together with the R&D team that develops the machines and lines.



Additional impetus from internationalisation and in-house innovation units in Germany and abroad

Krones is increasingly internationalising its R&D activities. We made further progress on this strategy in the reporting period with the launch of Krones Digital Solutions India (KDST) in Bengaluru, India. This new Group subsidiary plays an important role in our digitalisation drive. As well as managing internal IT, around 120 employees there develop digital solutions for customers under the Krones.digital unit. Krones has also established a second IT subsidiary in the Czech Republic, in addition to expanding the Czech subsidiary Konplan (engineering services) in Prague. The R&D hub in Parma, Italy, has also undergone capacity expansion. This unit works with the city's university, among other things to analyse the life cycle (including the carbon footprint) of diverse types of packaging.

Our Innovation Lab, which is located near our headquarters at TechBase Regensburg, undertakes new projects at a very early stage of the innovation process. Its interdisciplinary teams conduct preliminary studies on technical and economic feasibility. The Innovation Lab's focus is on sustainability and digitalisation. In 2023, the Krones Innovation Lab was ranked one of the best digital innovation units in manufacturing industry. This was the outcome of a leading study on the topic carried out in the German-speaking countries by consultancy Infront in partnership with Capital magazine.

Teamwork with partners enhances R&D quality

As well as deploying in-house expertise for innovation, Krones collaborates nationally and internationally with universities and research institutions and also with the R&D departments of numerous other companies and with customers. Krones is also involved in several research networks and promotes basic research in a range of different projects.

The major environmental and social problems of our time do not stop at industry or regional borders. Solving them also requires teamwork with partners from outside the company in cross-sectoral international collaboration. To this end, Krones is an active member of a large number of associations and initiatives.

In the reporting year, Krones joined the econsense sustainability network. This initiative provides a platform for some 50 international companies to share practical knowledge on sustainability issues and learn from each other. Alongside econsense, Krones also cooperates in various other associations and initiatives to promote sustainability. Among others, the company is a member of the European Circular Economy Stakeholder Platform and the Business Ambition for 1.5 °C campaign.





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

In the following, we present a selection of Kronen innovations from the 2023 reporting period.

LitePac Top Strap: sturdy, plastic-free and 100% recyclable

The latest innovation in the LitePac Top range is LitePac Top Strap, a fully recyclable and plastic-free secondary packaging solution. A strap made of tear-resistant kraft paper is wrapped around the pack and ensures that even large PET bottles (up to 2.0 litres) are held in formation. This provides additional

transport security and at the same time offers a functional surface, for example for barcodes or individual advertising messages. In addition to the paper strap, the PET bottles in the packs are held together by carton clips with an integral handle below the bottle neck, as is usual with LitePac Pro packaging.

The strap and the carton clips are made from 100% renewable and recyclable material. LitePac Top Strap thus meets all requirements of the circular economy. The packaging solution also enables customers to save material and reduce energy consumption. A further benefit is that the machine technology can be easily integrated into existing lines. The innovation is implemented on the Variopac Pro packer platform.

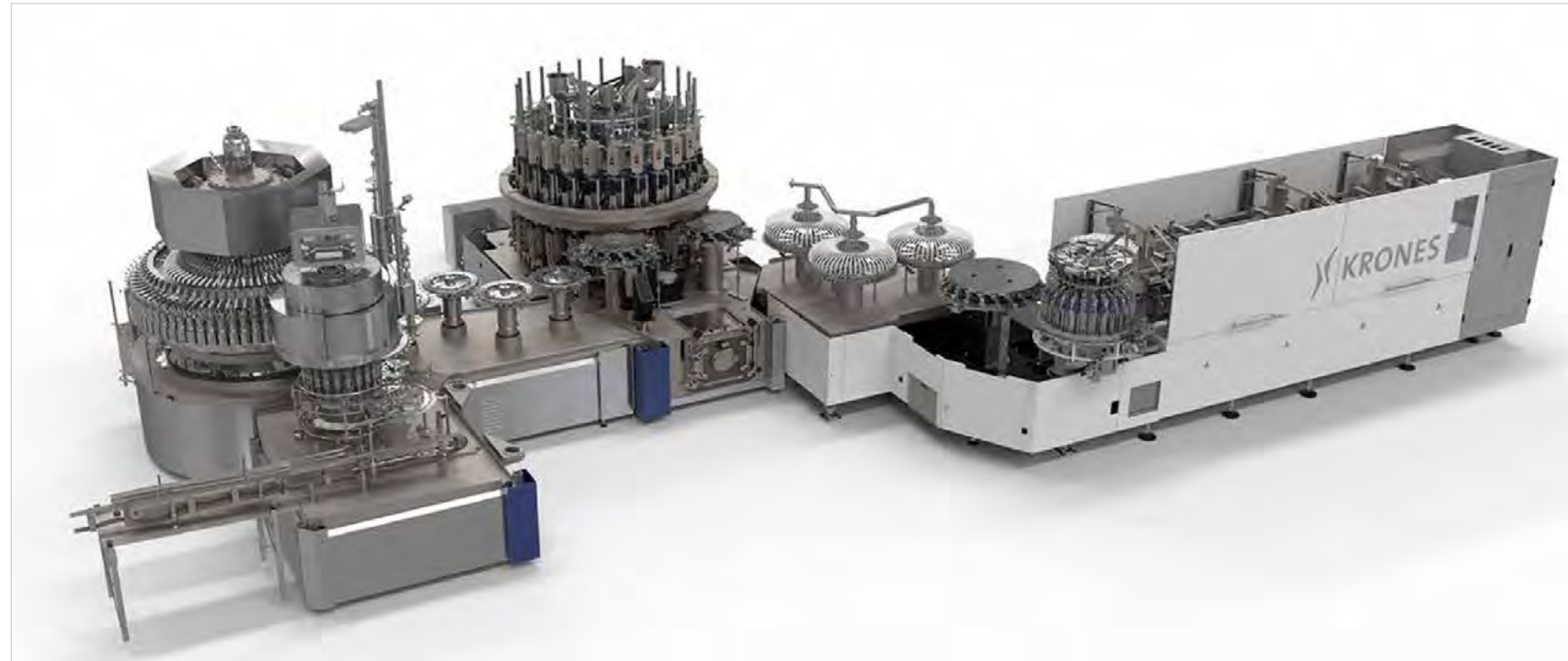




Linatronic: high-precision bottle inspection with deep learning

Empty-bottle inspection machines for PET and glass bottles are already highly accurate. Nevertheless, they frequently falsely reject a bottle that is undamaged and uncontaminated. To make the Linatronic inspector even better at its task, Krones makes use of artificial intelligence, or more precisely, deep learning. In contrast to machine learning, the system improves its accuracy by learning autonomously. For this purpose, Krones deploys a new camera system and the DART inspection software. That the latest generation of Linatronic is ultra-precise in sorting, is demonstrated by the extremely low false rejection rate of just 0.3%.

A new feature of this system is the four-camera view. Two modules with two cameras each generate a total of eight views per bottle in each pass. This means that separate modules are no longer required to inspect the lateral neck finish and thread. That cuts costs. It also results in a significant increase in accuracy. Even fewer bottles are falsely rejected and almost all defective bottles are removed that would otherwise break during filling and cause machinery stoppages. In total, the new camera and software technology leads to a further 50% drop in false rejects compared to the previous product – a significant reduction in waste and costs, as well as an added boost to system performance.



Contiform Asept Speed: top-level aseptic container production

Contiform Asept, first presented in 2013, enables PET bottles to be produced aseptically, meaning under completely sterile conditions. Krones developed the second generation of this system in the reporting period. It combines the flexible, compact and resource-saving technology of the latest Contiform range with the advanced hygiene features of the first-generation Contiform Asept.

The basic concept of the aseptic stretch blow moulder remains unchanged: Rather than sterilising the finished bottles after blow-moulding, the preforms

(PET blanks) are already sterilised with gaseous hydrogen peroxide (H_2O_2). That saves time, energy and sterilisation medium. All components of the blow-moulding station are likewise dry-sterilised with gaseous H_2O_2 .

The second-generation Contiform Asept is equipped with a revamped airlock so as to make sure the bottles are discharged without any loss of sterility. Depending on the variant, Contiform Asept can be made up of four to 30 blow-moulding stations. The Speed version has a maximum output of 72,500 containers per hour.



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. The non-financial reporting of the Krones Group is done with reference to the Global Reporting Initiative's Sustainability Reporting Standards (GRI Standards). 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), Sections 315b et seq. HGB and Article 8 of the EU Taxonomy Regulation 2020/852 for the financial year 2023.

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Performance 2023

- We reduced our Scope 1 and Scope 2 carbon emissions by 9% year on year. With that, we have achieved a 51% reduction in greenhouse gas emissions compared with the base year 2019.
- In our upstream supply chain, greenhouse gas emissions are (following a change in the method of calculation) at the same level as in the previous year and up 24% from the base year.
- We were able to reduce the greenhouse gas emissions from the use phase of our products by 10% year on year, for a 7% reduction compared with the base year, and are therefore on target for 2030.
- While hazardous waste generation across the group has increased, water consumption is down 6%. Both values are still above the level needed to reach our target.
- Participation in continuing education opportunities across the Krones Group is increasing steadily.
- Workplace accidents were down slightly year on year, while lost days were up in 2023 from the previous year. Nevertheless, we are on target for both figures.
- The Krones Group employed more women, both in management-level positions and in general, in 2023 than in 2022.

Indicator	Unit	2023	2022	Change
Greenhouse gas emissions, Scope 1	t co ₂ e	15,866	17,583	-10%
Greenhouse gas emissions, Scope 2	t co ₂ e	8,432	9,152	-8%
Greenhouse gas emissions, Scope 1 & 2	t co₂e	24,298	26,735	-9%
Greenhouse gas emissions, Scope 3 upstream (supply chain)	t co ₂ e	1,102,362	1,112,024	-1%
Purchased goods and services	t co ₂ e	991,679	970,227	+2%
Capital goods	t co ₂ e	284	159	+79%
Fuel and energy-related activities	t co ₂ e	6,245	7,214	-13%
Transport and distribution	t co ₂ e	67,073	99,192	-32%
Waste	t co ₂ e	931	886	+5%
Business travel	t co ₂ e	36,150	34,346	+5%
Greenhouse gas emissions, Scope 3 downstream (products)	t co ₂ e	5,672,475	6,287,635	-10%
Use of products sold	t co ₂ e	5,672,475	6,287,635	-10%
Greenhouse gas emissions, Scope 3 total	t co ₂ e	6,774,837	7,399,659	-8%
Greenhouse gas emissions, total	t co₂e	6,799,135	7,426,394	-8%
Water consumption	m ³	189,878	202,366	-6%
Hazardous waste	t	1,963	1,660	+18%
Expenditure for charitable contributions and sponsoring	€	974,614	1,113,745	-12%
Participation in continuing education opportunities	Absolute	62,700	60,300	+4%
Workplace accidents per 1 million hours worked	Rate	7.22	7.31	-1%
Lost days following workplace accidents per 1 million hours worked	Rate	161.85	150.55	+8%
Percentage of women (employees covered by and exempt from collective agreements)	%	17.4	16.7	+4%
Percentage of women in management roles in general	%	11.9	10.6	+12%

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 (GRI 3-1, 3-2, 3-3)

Sustainable business strategy

The sustainability goals of the Krones Group are integrated into our corporate strategy. Our 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 digital innovation 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.

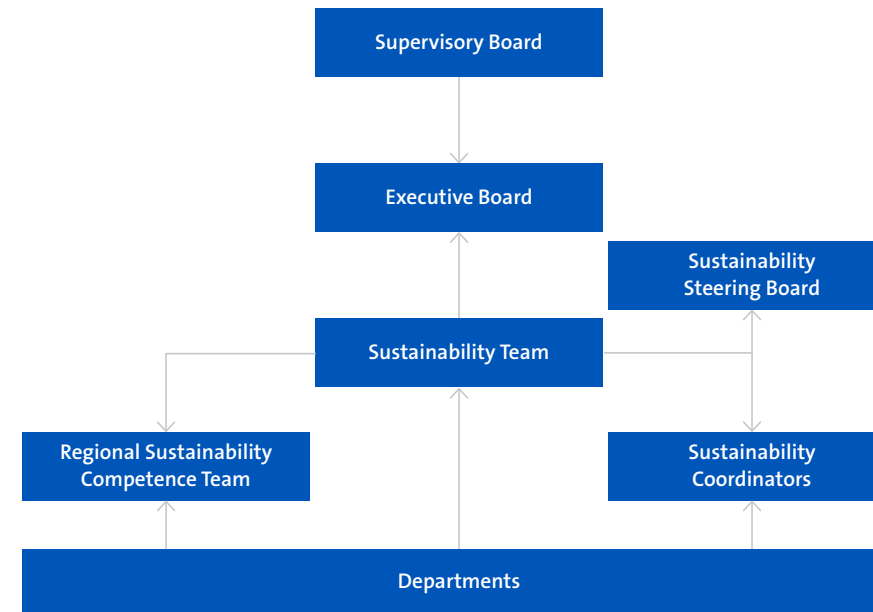
We work continuously to improve the efficiency, longevity and eco-friendliness of our products and services while also increasing the sustainability of our own operations and value creation processes. We firmly believe that a consistent approach to sustainability will help us leverage **new opportunities 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. In 2023, an additional Regional Sustainability Competence Team was established, consisting of regional sustainability

experts, with the goal of strengthening international cooperation on sustainability. For employees on site, sustainability coordinators are the direct contact person for all sustainability matters.

The central 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

The Executive Board holds 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 2023, ESG targets account for 15% of the target amount of the **long-term incentives** (LTIs), and further ESG targets will be added successively. In addition to the Scope 1 and Scope 2 greenhouse gas emissions, the percentage of women in management (Krones AG and Krones Group) are likewise included in the LTI calculation as of the financial year 2023. 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 2023, 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 (GRI 3-1, 3-2, 3-3)

The materiality matrix for the Krones Group underwent a review in 2023. The topics that had been identified as material in 2022 were once again examined by the Sustainability Steering Board for their impact on our business. The review showed that the results of the 2022 materiality analysis remain valid. Krones

will conduct another materiality analysis in 2024 in order to fulfil future requirements for companies to conduct a materiality analysis under the Corporate Sustainability Reporting Directive (CSRD).

Dimensions and areas		Suppliers	Operations	Customers	Consumers
Environmental	Carbon emissions	●	●	●	
	Use of resources		●		●
	Water consumption			●	
Social	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 reviewed as

needed based on new materiality analyses, legal and regulatory requirements and stakeholder interests.



Environmental

–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.

Social



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%

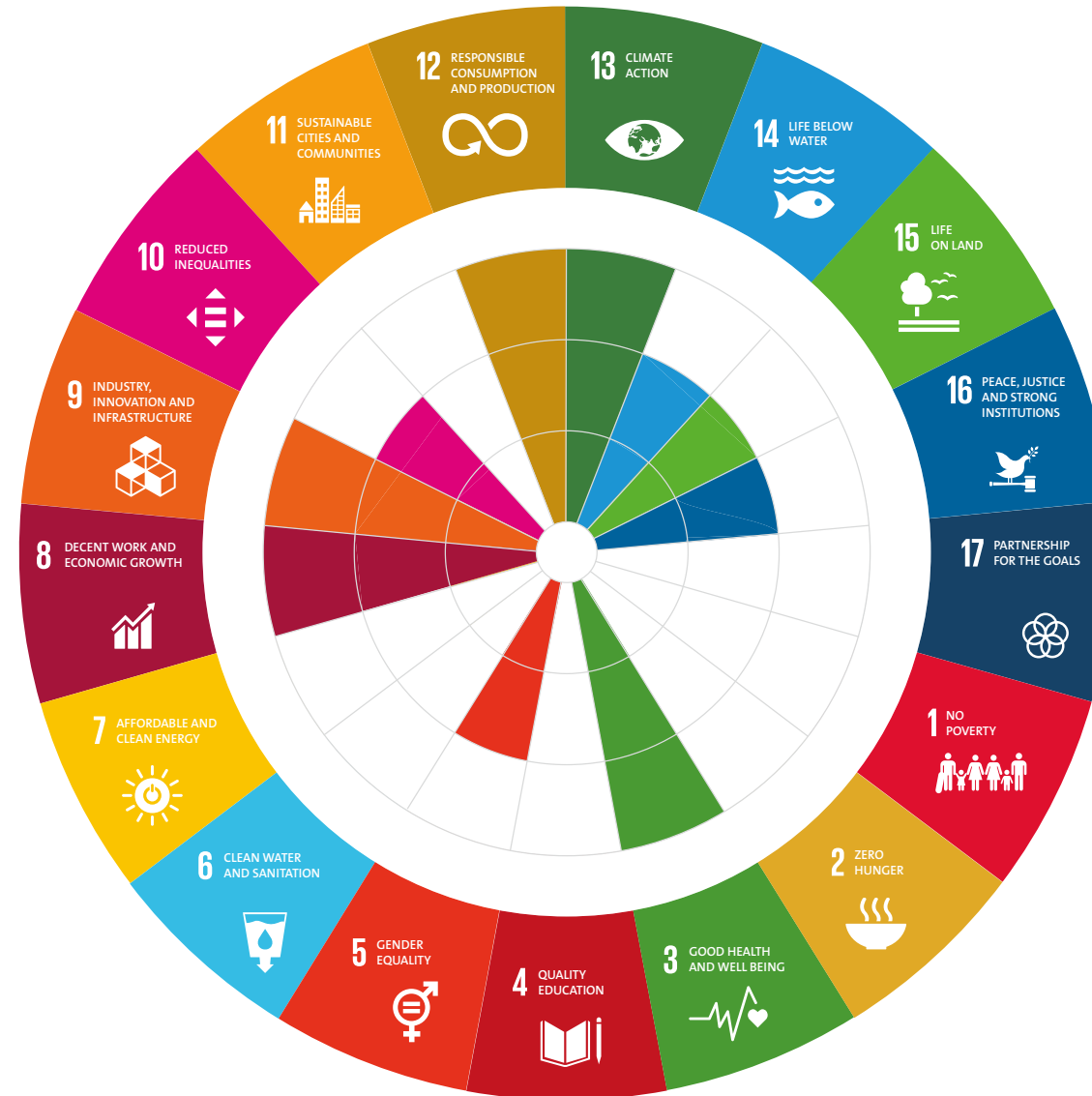
Ensure the confidentiality of personal data and establish a state-of-the-art IT security architecture along our value chain.



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. Under our corporate vision, “Solutions beyond tomorrow”, we have analysed which SDGs our strategic targets **impact**.





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 other companies within this association towards the common goal of driving sustainability forward. As of April 2023, we are also a member of econsense, the sustainability network of German business, in

which we can share insights and knowledge across industries on reporting, climate and supply chain issues and on sustainable finance. 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. In 2023, Carbon Disclosure Project (CDP) has given us an A- rating in the category Climate Change (Water Security: B), and our EcoVadis Scorecard was awarded a gold medal.

Standards

Memberships

Rankings

Commitments





CO₂ emissions at our customers (GRI 302-5, 305-3, 305-5)



in our supply chain



at Krones



at our customers



at the end consumer

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 and the recycling of plastics. 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 and indirect 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 corporate 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 sustainability consulting 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 Krones Group's **2030 Climate Strategy** has been officially adopted by the company's Executive Board. A group of experts 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 the individual departments. 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, with quarterly communications with the Executive Board on the topic of Scope 3 downstream emissions.

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:

Reduce our absolute Scope 3 greenhouse gas emissions by 25% by 2030, from a 2019 baseline.

The Science Based Targets initiative (SBTi) has validated the near-term climate goals we have submitted 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 Intergovernmental Panel on Climate Change (IPCC), our Scope 3 reduction 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: A-).



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5. Policies and actions

Sustainability programme for products – enviro (GRI 302-5, 305-5)

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 (GRI 302-5)

Sustainable, climate-friendly products start in the design and development stages. Strategic portfolio planning and the continued development of new and existing Krones products and solutions is handled by Research and Development and the respective product areas. 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 plays an active role in the product development process, purposefully integrating **ecological design aspects** from the EcoDesign framework. To ensure that new developments are guided by the principles of environmental sustainability, ongoing development projects are evaluated on the basis of a checklist and managed by way of milestones that incorporate enviro requirements into the decision-making process.

Investing in low-carbon technologies (GRI 302-5)

Within our product development processes, we invest considerable sums and human resources in low-emission technologies. One example of a positive contribution to mitigating climate change and promoting a circular economy is the Phoenix BMC biomass conversion system developed by our subsidiary Steinecker because it recovers brewery residuals, which can ultimately be used to generate power. Meanwhile, Contiloo AI is an example of a digital solution: the intelligent control system monitors the processes on the stretch blow moulder and adjusts parameters as needed, fully automatically and without interrupting production. When it is fully implemented, the system will be capable of preventing incorrect settings in the machine's operation, thus reducing material rejects and saving energy.

Under Article 8 of the EU Taxonomy Regulation, our enviro product portfolio makes a verifiable substantial contribution to climate change mitigation and is therefore reported as taxonomy-aligned. We run R&D projects as part of the ongoing development of the enviro portfolio. Each such project is assessed, in a standardised procedure, to determine whether it contributes to energy efficiency and thus to our enviro product portfolio. Because the enviro products themselves are taxonomy aligned, the R&D projects can also be reported as taxonomy aligned.



Lifecycle assessments

Besides calculating the environmental performance of packaging by way of recognised tools, Krones also conducts **lifecycle assessments** (LCAs) on its machines. For this, we work with a third-party service provider (University of Parma) that develops the methodology for calculating the lifecycle assessments for us. The current focus is on the greenhouse gas emissions – the carbon footprint – of Krones machines. No other impact categories are assessed at this time. Savings in greenhouse gas emissions over the entire lifecycle are calculated on the basis of ISO 14067:2018 (Product Carbon Footprint). In 2023, two machine types serving as examples were used to calculate the LCAs. The results of the lifecycle assessments show that, because of their high energy and media efficiency, the machines in the enviro product portfolio demonstrate substantial greenhouse gas emissions savings during the machines' use phase compared to the standard portfolio or to predecessor models.

Sustainability consulting (GRI 302-5)

Sustainability consulting 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 **emissions reduction strategies**, process optimisations for improved energy and media use, utilities audits, production schedule optimisation, material analyses and classification for packaging, integration of an energy management system and 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). In conversations with customers, we also discuss possibilities for collaboration on climate change mitigation and environmental protection.

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. 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.

“Product end-of-life” manual

The principal objective of Krones Lifecycle Service is to extend the service life of our machines and lines at our customers' plants as far 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 downstream greenhouse gas emissions, we offer our customers suitable solutions for that, 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: from resale to disassembly and recycling right through to proper disposal. Krones Lifecycle Service and ecomac, our subsidiary specialising in **used machinery**, offer various end-of-life options. The aim of the manual is to enable proper decommissioning, deinstallation and disposal of the machine in order to conserve resources, **prevent waste** and ultimately reduce emissions.



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. We are also a member of econsense, where we are involved in the “climate and energy” cluster.

https://www.krones.com/media/downloads/Krones_Carbon-TransitionPlan_en.pdf



Public Carbon Transition Plan

A climate transition plan was published in the financial year 2023 which shows how Krones will adapt on the path towards a low-carbon circular economy. 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 corporate website. In addition, we communicate our main climate-related metrics 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. We use social media, the Krones magazine and press releases to keep our external stakeholders apprised of our climate strategy.

6. Key performance indicators

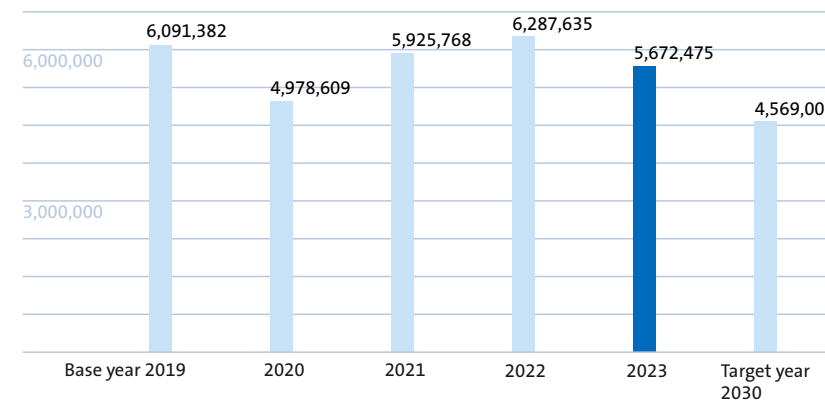
All greenhouse gas emissions figures published in this statement have been measured in accordance with the provisions of the **Greenhouse Gas Protocol**.



<https://ghgprotocol.org/corporate-value-chain-scope-3-standard>

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)

(GRI 305-3, GRI 305-5)



The greenhouse gas emissions reported here are based on new machinery sales at Krones AG and Steinecker GmbH. For the Krones Group, that is a coverage of over 92%. To calculate the emissions from our machines and lines, we assumed an average useful life of 15 years.



CO₂ emissions in our operations (GRI 305-1, 305-2, 305-5)

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, we do also consume energy for **power, heat and transport** at our production sites, which can only be sustainable if the energy comes from renewable sources. In the 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 2023, we commissioned an analysis of 25 production sites based on the relevant science-based **climate scenarios**. The scenario analysis is based on data-driven climate projections of the Intergovernmental Panel on Climate Change (IPCC), using the four IPCC scenarios RCP 2.6, RCP 4.5, RCP 6.0 und RCP 8.5 (worst-case scenario). In the analysis, sites with especially high climate-related risk were given a “red flag” designation. In talks with the site experts, the identified risks were subjected to plausibility checks and validated. 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**. Once per quarter, the progress of ongoing measures is analysed and further steps are defined. Reporting to the Executive Board is done quarterly.

4. Strategy and targets

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

Reduce our 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-degrees 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: A-). The Scope 1 and Scope 2 target is a performance metric used to determine Executive Board remuneration.

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5. Policies and actions

Environmental policy and work instruction

An internal work instruction defines the environmental standards, topics of focus, and respective goals, processes and responsibilities within the Krones Group. A group-wide environmental policy is currently being developed. The policy document will establish the strategic alignment of our environmental and climate management and define a clear framework for everyone involved within the Krones Group. The environmental policy and corresponding work instruction serve as internal rules and are based on the Krones Code of Conduct as its underlying policy document.



ESG assessment within the capital expenditure approval process (GRI 305-5)

To drive investment in energy-efficiency and climate-protection measures in our operations, a process is in place in which applicants must evaluate capital expenditure requests against ESG criteria within the budgeting and expenditure process. After a review by the central Sustainability Team, relevant ESG-related capital expenditures are given a **green flag** for the subsequent investment application 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 some investments are currently focused on buildings and infrastructure within the Krones Group, the ESG review 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 (GRI 305-5)

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 coordination and tracking of measures across the Krones 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 (GRI 305-5)

In order to further reduce energy consumption, 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. Examples include replacing even more of the hall lighting with efficient LED technology that is equipped with motion and daylight sensors and heat recovery at the air

compressor, with the captured energy being fed into the heating system. In addition, at Krones Inc (USA) for example, when propane-powered material handling vehicles reach the end of their useful lives, they will be replaced with electric ones. Planning and implementation of the measures will be monitored by way of an group-wide action plan.

Own generation of renewable energy (GRI 305-5)

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. At our most energy-intensive sites, **photovoltaic projects** are in the works or have already been completed. In addition, a geothermal project (heat pump system) was launched at our Krones Hungary plant (Debrecen) in 2023.

Green energy procurement (GRI 305-5)

We buy 100% **green power** with guarantee-of-origin certificates for the Krones 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 transitioning to buying only green power.

Going electric with our vehicle fleet (GRI 305-5)

Electric-vehicle charging stations have been installed and brought online at Krones AG headquarters in Neutraubling and at the Rosenheim and Raubling sites. The introduction of an **electric-vehicle charging infrastructure** for additional sites in Germany is still in the planning stage. Numerous projects aimed at transitioning to electric vehicles are underway at international sites as well.



Carbon offsetting

In the Krones Group's [2030 Climate Strategy](#), carbon offset certificates for climate mitigation projects occupy 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 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 through 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 greenhouse gas emissions data for our non-financial reporting: A climate 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 to 24 production sites worldwide. 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. At present, Krones AG and the German subsidiaries KIC Krones, Steinecker GmbH, Evoguard GmbH and MHT Mold & Hotrunner Technology AG are [ISO 14001](#) certified, as are the international subsidiaries Krones Machinery (Taicang) Co., Ltd. in China, System Logistics SpA in Italy, Krones do Brasil Ltda, Krones Inc. in the USA and Krones Hungary.

Public Carbon Transition Plan

The carbon transition plan described in the section on CO₂ emissions at our customers, above, also includes climate change mitigation activities relating to our own operations.

Stakeholder communications

As described previously in this statement, we use various communication channels to regularly communicate the progress of measures and metrics relating to our climate strategy.

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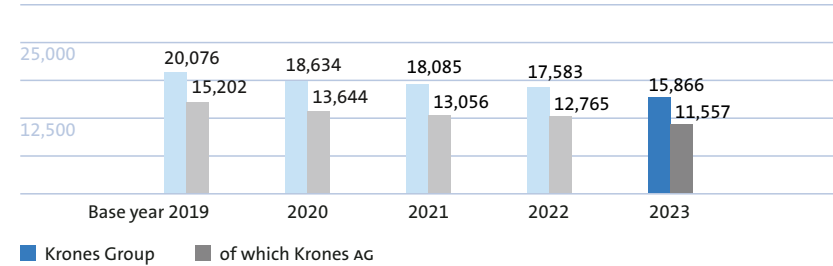
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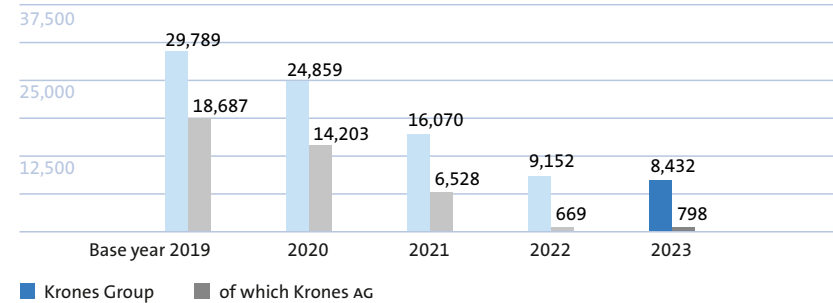
6. Key performance indicators

Data reporting for calculating our key performance indicators is done quarterly. 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)
(GRI 305-1, GRI 305-5)

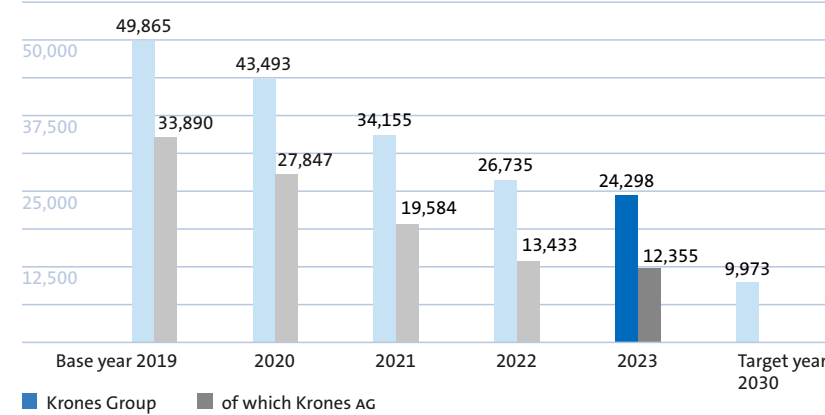


Krones Group – Greenhouse gas emissions, Scope 2 market based (metric tonnes CO₂e)
(GRI 305-2, GRI 305-5)



Greenhouse gas emissions are measured in accordance with the provisions of the Greenhouse Gas Protocol.

Krones Group – Greenhouse gas emissions, Scope 1 and Scope 2 (metric tonnes CO₂e)
(GRI 305-2, GRI 305-5)





in our supply chain



at Krones



at our customers



at the end consumer

CO₂ emissions in our supply chain (GRI 308-1, 308-2, 305-3, 305-5)

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 (GRI 308-2)

To assess our risk with respect to greenhouse gas emissions in our upstream supply chain, we use two recognised databases for emission factors to calculate and identify hotspots. With the help of a database-supported tool, we leverage information that is already available within our company – specifically, **monetary and activity-based procurement data** from the respective ERP systems, including country and product group – to identify greenhouse gas emissions hotspots. Additionally, we use primary emissions data from our suppliers where it is made available. 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.

3. Governance and resources

Strategic responsibility for sourcing lies with the head of Corporate Procurement, who reports directly to the Krones Group COO. 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 every six weeks 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:

Reduce our 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. They 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 to help reduce upstream greenhouse gas emissions:

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



5. Policies and actions

Climate change mitigation in our Supplier Code of Conduct

The Supplier Code, which applies group-wide, is the policy document for environmental protection and climate change mitigation in the supply chain.

Analogous to the Supplier Code of Conduct, this contains corresponding requirements for suppliers in the section “environmental and climate protection”. 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. The Supplier Handbook also defines additional ESG requirements for suppliers.

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Review of environmental offences (GRI 308-2)

To ensure our due diligence in the supply chain, Corporate Governance continuously performs **due diligence checks** on existing and new suppliers. By way of an online tool, existing and new suppliers to the Kronos 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 (GRI 308-1)

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 through a standardised questionnaire in the “Environmental management” section. Suppliers are generally only approved after they have been completely vetted and deemed qualified.

Collaboration with suppliers

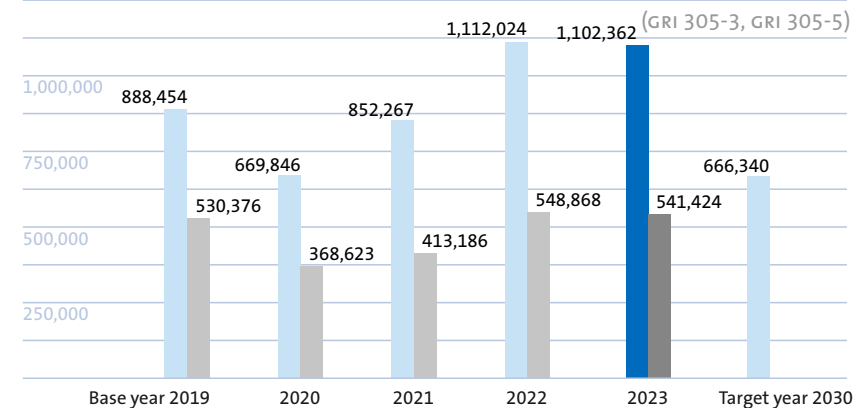
In an effort to present **one face to the supplier**, the Procurement team member responsible for each supplier serves as the primary point of contact. In 2023, alongside individual talks with suppliers, we hosted a supplier day focussing on sustainability topics in China. Additionally, those suppliers that our risk assessment has identified as highest-risk for high greenhouse gas emissions are assessed by third-party experts using a questionnaire-based tool.

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.

6. Key performance indicators

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



Calculation of the emissions is based on product-specific country factors from generally accepted databases. In 2023, changes were made to the method of calculation and the base year. Prior year figures were adjusted accordingly.



in our supply chain



at Krones



at our customers



at the end consumer

Resource use by end consumers (circular economy) (GRI 306-2)

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 (GRI 306-2)

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 when 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 force driving 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 plastics 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 **PET initiative** was launched to promote interdisciplinary collaboration. In it, decision-makers from various PET-related product areas meet for discussion in three-week intervals. The head of Plastics Technology coordinates the initiative and reports regularly to the Executive Board member responsible for International Operations and Services.

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.

5. Policies and actions

MetaPure: Recycling solutions

With MetaPure, Krones offers proprietary technologies for recycling plastic packaging materials, making it possible not only to keep PET bottles in a closed loop but also to recycle polyolefin (PO) plastic for high-quality secondary uses. The portfolio includes material-specific modules for washing and decontamination. Depending on the specific needs and application, they can produce different material qualities all the way up to food-grade PET according to the standards of the FDA, EFSA and other certificates.



Beyond that, Kronos plans and implements complete **recycling plants** for customers. For technological components like front-end and utilities, which are not part of Kronos' own portfolio, we rely on long-standing partnerships with suppliers.

LitePac Top: Plastic-free secondary packaging

Today, packs of cans or PET bottles are often held together with shrink wrap or plastic rings. 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. We offer alternative secondary packaging containing no single-use plastics whatsoever for all common multipack formats.

Support for recyclable packaging design

Kronos 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, to develop material-saving and recyclable packaging. As part of our "enviro Design" programme, we evaluate **packaging innovations** from our own development against environmental performance criteria, which includes not only reducing greenhouse gas emissions but also preserving ecosystems and biodiversity. Already, all new PET filling lines are capable of processing bottles made of up to 100% recycled material.

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. Kronos also offers its customers comprehensive consultancy services on the topic of lightweighting, which uses simulation to identify the best possible bottle shape and filling temperature.

Switching from linear production to a circular economy

We also help clients 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 the company Alpla on the use of refillable PET containers for sensitive beverages. As of this writing, returnable PET containers are considered a niche topic worldwide. A series of tests in our development plant revealed that, with the appropriate combination of parameters, temperatures around 60 °C are sufficient to reliably remove dried protein, fat, and starch contamination from the 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. The Kronos Group is able to deliver technology solutions for all of the tethered cap variants on the market.



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 altogether.

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. 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. In addition to the comprehensive information from the PET initiative that is available on the Krones website, we regularly publish 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 us to make the progress of our circular-economy efforts measurable.





Resource use in our operations (GRI 303-1, 303-2, 303-4, 303-5, 306-1, 306-2, 306-3, 306-4, 306-5)

1. Impact and materiality (GRI 306-1, GRI 303-1)

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 key environmental sustainability topics. The largest share of the waste arising from our production activities is reused or recycled. 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 an especially 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 here 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 the unique physical geography and environmental laws applying to each site worldwide, the respective local offices and subsidiaries take the initiative on implementing water-conservation and waste-reduction efforts within their **production processes**. 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:

Reduce our hazardous waste generation and drinking water consumption by 10% by 2030, from a 2020 baseline.

5. Policies and actions

Environmental policy and work instruction (GRI 303-2)

As already described, a group-wide work instruction establishes fundamental environmental standards. A corresponding policy document is currently in development.



in our supply chain



at Krones



at our customers



at the end consumer





Training and awareness campaigns (GRI 303-1)

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.

Audits and certifications (GRI 303-2)

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, Krones AG and the German subsidiaries KIC Krones, Steinecker GmbH, Evoguard GmbH and MHT Mold & Hotrunner Technology AG are ISO 14001 certified, as are the production sites in China, Italy, Brazil, the USA and Hungary.

Data collection and consolidation across the group (GRI 306-2)

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 documentation procedures as required by law. Analogous to the internal review of Scope 1 and Scope 2 greenhouse gas emissions, we use dual verification in validating the water consumption and waste generation metrics.



Water (GRI 303-1)

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. Other sites employ ultrasonic baths. Cooling systems, whether for buildings or technical processes, generally operate in a closed loop.

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, 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 (GRI 303-4)

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 public 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 (GRI 306-2)

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

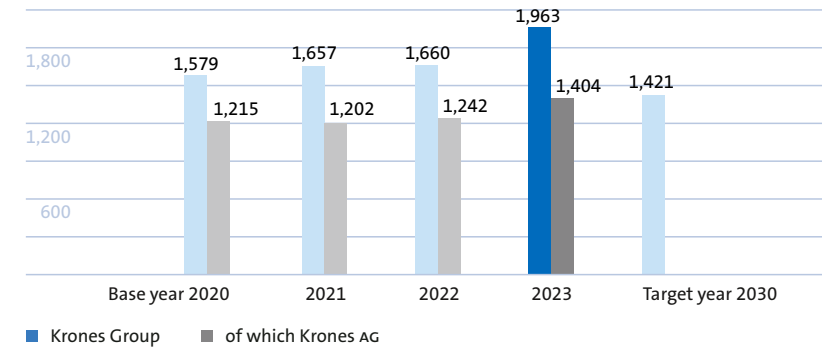
In the production process, we use circular packaging wherever possible. When removing old office equipment, we strive to ensure its **reuse** in a new context: For instance, PC monitors are lent, at no cost, to employees for their home use. Retired telephones are systematically collected and returned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

Infrastructure for separating waste

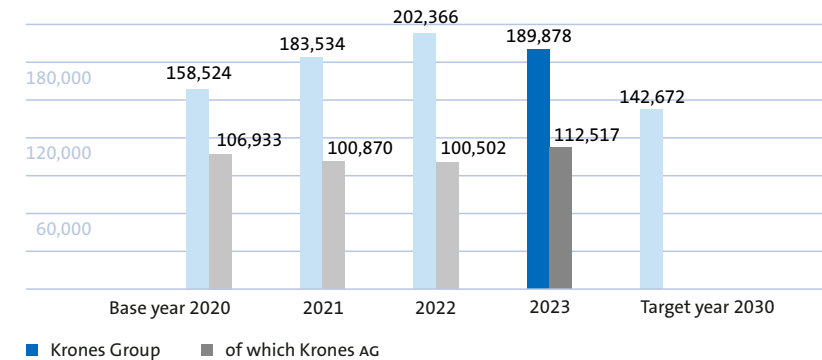
Under our waste policy, labelled bins are set out into which employees are required to properly separate waste fractions. In addition, Krones AG has on-site collection stations that break down assemblies so that their components and materials can best be **separated for disposal** or recycling. We are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

6. Key performance indicators

Krones Group – Hazardous waste (metric tonnes) (GRI 306-3, GRI 306-4, GRI 306-5)



Krones Group – Water consumption in m³ (GRI 303-5)



The figures presented here relate to the operation of machinery and equipment as well as buildings at Krones Group 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 at our customers (GRI 303-1)

1. Impact and materiality (GRI 303-1)

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 (GRI 303-1)

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

The central Sustainability Team runs a project group on the topic of water and our products, consisting 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.

4. Strategy and targets

Besides existing internal water-reduction targets, we currently do not communicate an external water target for our products. However, we plan to introduce a product-level water target as part of our review of our sustainability goals in 2024.

5. Policies and actions

Water within the enviro sustainability programme (GRI 303-1)

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

Resource-saving 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.





HydroCircle integrated concept for wastewater recycling

Krones and a collaboration partner developed the HydroCircle concept on the basis of the Hydronomic 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 (GRI 303-1)

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. For example, they advise our customers on such topics as optimal filling temperature. The goal of warm filling 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. 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 current Lavatec D4 uses considerably less water and 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. That translates to substantial savings on cleaning water.

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 (GRI 403-1, 403-2, 403-5, 403-7, 403-8)

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 (GRI 403-2)

We are currently reviewing the susceptibility of our business activities to human rights violations, in three ways: First, we are conducting a compliance risk analysis in which we ask targeted questions about human rights and labour practices. Second, in addition to these compliance risk analyses, we also have a third-party service provider perform a risk analysis on labour standards and human rights in our own operations. And third, focusing on occupational safety, we carry 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 measures. 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 (GRI 403-1)

Through its daily activities, Human Resources ensures that labour standards and processes are followed and establishes measures to monitor compliance. 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. At Krones AG, occupational safety management is a dedicated department led by Human Resources and covers both the in-house medical service and occupational health management. At our sites abroad, it is often rooted in a central health, safety and environment role. In addition, the topic of labour and human rights is anchored in our global sites through the sustainability coordinators and through the international human resources network. The Human Rights Officer and head of Corporate Safety and Security report to the Executive Board on an ad hoc basis but at least once per year (Human Rights Officer) or per quarter (head of Corporate Safety and Security).

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.



in our supply chain



at Krones



at our customers



at the end consumer



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% by 2030 (compared with the base year 2020).

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 behaviour. 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 may result in **disciplinary action** depending on the type and severity of the offense.

Human rights statement and group-wide guidelines (GRI 403-2)

Besides the overarching Code of Conduct, our human rights statement communicates our human rights strategy and the underlying principles and processes for maintaining human rights due diligence within the group. Krones' human rights statement emphasises the company's commitment to respecting the human rights of all stakeholders along the entire value chain. An internal guideline on human rights and labour standards, which was established in 2020 and has been communicated within the group, firmly anchors those principles in our day-to-day operations and work flows. It defines a **basic set** of rules that apply in every one of the Krones Group's establishments unless other, more

stringent legal or regulatory provisions exist. 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 Gernepe, 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 representation of their interests 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. Our internal rules and requirements provide that 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.

https://www.krones.com/media/downloads/Krones_CoCo_en.pdf



https://www.krones.com/media/downloads/human_rights_statement_en.pdf





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 either with 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 through a global guideline and the policy on human rights and labour standards. 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%. In addition, 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.

Protective measures and equipment (GRI 403-2, 403-7)

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

Training and guidelines (GRI 403-2, 403-5)

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 a 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 training 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 (GRI 403-2)

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



Corporate Sustainability Team or the Human Rights Officer 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 acts as the point of contact for employees in the event of work-related complaints.

Audits, certifications and internal reviews (GRI 403-1, 403-8)

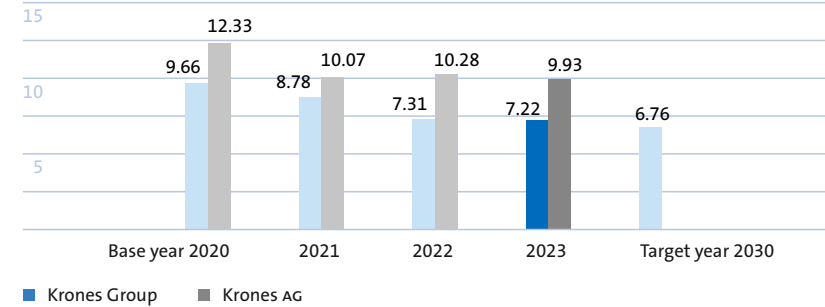
As part of the regular audits conducted across the group, the Internal Audit team reviews the administration and processes relating to wage and salary payment for errors or discrepancies. In order to put our occupational safety management on the same footing across the group, we are working to get all production sites certified under **ISO 45001**. The entirety of Krones AG was certified in 2023. In addition, another 8 Krones Group sites are already ISO 45001 certified.

Procedure in the event of internal violations (GRI 403-2)

In critical human-rights or labour-standards cases, such as violations of the values laid out in the Krones Code of Conduct, the Human Rights Officer will issue a formal statement. That enables us to better document and track critical findings. If there are irregularities within our own workforce, Compliance, Sustainability and Human Resources will work together closely to resolve them.

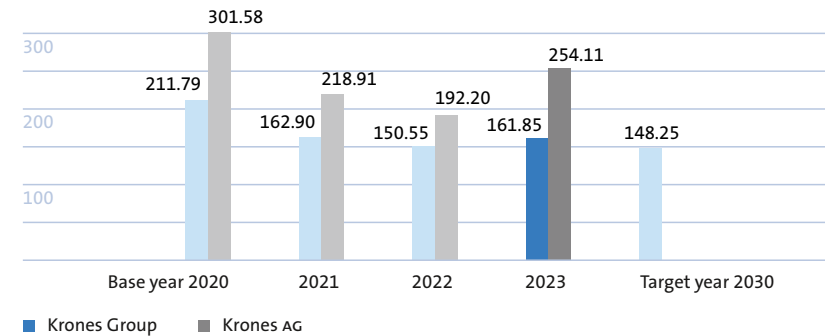
6. Key performance indicators

Krones Group – Workplace accidents per 1 million hours worked



This metric includes workplace accidents that result in one day of lost work. It 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



This metric 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. Lost days from 1 January 2023 to 31 December 2023 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 (GRI 414-1, 414-2)

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 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) became law. Both the impact and financial materiality of this topic were rated as medium in the materiality analysis.

2. Risks and opportunities (GRI 414-1, 414-2)

To gain greater transparency with respect to sustainability risks in our global supply chain, we conducted a database-supported risk analysis focused on labour and human rights. In it, with the help of an external service provider, the Krones Group's supplier base was evaluated for abstract risk on the basis of purchasing volume, country of origin or production, and the products and services delivered. In a subsequent step, suppliers that were found to have a high abstract risk underwent a concrete risk analysis using a questionnaire. The results help us to identify potential **risk hotspots** for human rights abuses in our upstream supply chain. The new risk assessment serves as the basis for further steps such as audits or development reviews with suppliers.

3. Governance and resources

Corporate Procurement, which reports directly to the COO, 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.

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





https://www.krones.com/media/downloads/krones-supplier-code_en.pdf



5. Policies and actions

Respect for human rights in our Supplier Code of Conduct

In the group-wide Supplier Code of Conduct, 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 in the following subcategories: “prohibition of forced labour”, “prohibition of child labour”, “non-discrimination and humane working conditions”, “regulated working conditions”, “freedom of assembly and association”, “health and safety”, and “environment”. Besides the obligations, the Supplier Code of Conduct also addresses possible sanctions, penalties for breach of contract, auditing rights and reporting channels in the event of infringements. In order to begin a business relationship with Krones, all suppliers must actively commit to the Supplier Code of Conduct. For those suppliers with whom the company already has a business relationship, the Supplier Code of Conduct is being rolled out in stages.

Human rights training for Procurement

A dedicated training course on human rights at Krones is available specifically for employees who are in regular **contact with third parties**. One focus group for this training is Procurement. 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.

Due diligence audits on human rights violations (GRI 414-1)

In order to identify any human rights violations in the upstream supply chain, the Compliance team conducts regular due diligence checks. The tool used pulls data from publicly available sources of all kinds. Due diligence findings on labour or human rights violations, legal proceedings or sanctions trigger the

involvement of the Supply Chain Governance Board, which advises on further steps on a **case-by-case** basis and, in severe cases, may directly block a supplier. Information on the further steps is communicated to the respective Procurement team members or the regional Compliance Officer.

Disclosure form with human rights and compliance questions (GRI 414-1)

When new suppliers are onboarded, they are vetted on the basis of **standardised** questionnaires for the respective product group, which they receive from Procurement. The master questionnaire, from which the specific versions for the different supplier groups are developed, contains targeted questions about human rights and compliance. Procurement tracks the individual questionnaires, while Supplier Quality Management evaluates the responses with regard to quality and the Sustainability Team is responsible for evaluating the responses and documentation for human rights and compliance.

Social audits of high-risk suppliers (GRI 414-2)

For several years now, we have also been using social audits to evaluate suppliers for human rights due diligence. These audits are conducted in a digital format by the Sustainability Team. Suppliers are selected for audit on the basis of the 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. Critical findings trigger identification of measures and a conversation in which the respective suppliers are also offered suggestions for resolving the issue. Depending on the type and severity of the finding, subsequent processes may involve supplier development, communicating with the supplier or – as a last resort – the immediate blocking of the supplier. In addition to these social audits, we also add questions about human rights due diligence to our traditional product, process and system audits on suppliers.



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 Corporate Sustainability Team or the local employee representative directly, the main point of contact is the **reporting 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 Corporate Sustainability Team of the Krones Group reviews and follows up on reported issues.

Remedial action in critical cases

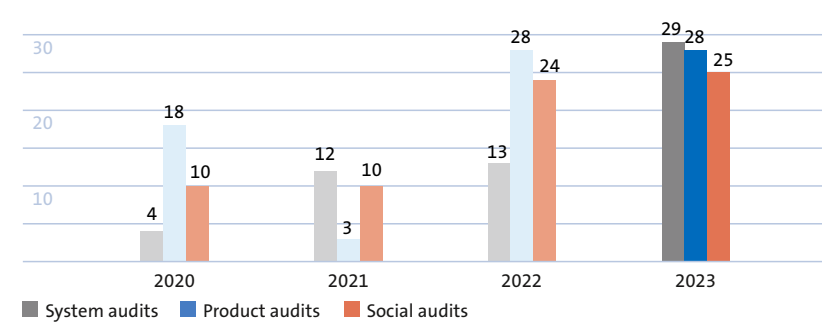
In all instances of non-compliance – whether failure to formally acknowledge the Supplier Code of Conduct, critical due-diligence findings or negative results of a social audit – the Supply Chain Governance Board serves as the decision-making body. Depending on the type, severity and frequency of the offense, subsequent processes may involve supplier development, communicating with the supplier or – as a last resort – the immediate blocking of the supplier. If there is a clear human rights violation, Procurement can block 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 the industry organisation 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 (GRI 401-1, 402-1, 404-2, 404-3, 403-3, 403-4, 403-6)

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**, 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 day-to-day 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 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 CFO is done by the head of Human Resources for the Krones Group in regular weekly meetings 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 (GRI 402-1)

The Krones Group maintains regular, open communication with our workforce. Employees can access relevant information through various channels such as company newsletters, postings on a physical or digital bulletin board, 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.



in our supply chain



at Krones



at our customers



at the end consumer

**Employee performance and professional development reviews** (GRI 404-3)

Regular performance and professional development reviews are conducted with employees on an annual basis. These reviews are an opportunity for dialogue between permanent employees of Krones AG and their direct supervisor, a space to discuss goals and expectations and for structured feedback. Ten principles that are defined internally as part of Krones' corporate vision form the basis for these conversations.

Training and continuing education (GRI 404-2)

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 a 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. In addition, Krones aims to make more easily accessible, modern learning options available and has already done large-scale roll-outs with various providers. 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. Additionally, Krones offers retraining options for employees to transition from industrial mechanics to industrial electricians. 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 (GRI 404-2)

Good leadership and collaboration are essential to our ability to achieve our ambitious corporate goals and vision. For that reason, all new management-level employees must complete a dedicated **training programme**, which was revised

in 2023 and tailored to the core elements of Krones' corporate vision. We add to that a variety of new courses for experienced managers on diverse topics relating to leadership, including a programme on healthy and sustainable leadership. Managers can also choose from a variety of learning formats such as personal coaching or team development activities.

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 that have become firmly established at Krones.

Team-building and company sports (GRI 403-6)

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. Many of our sales and service companies and plants host larger events for employees, including the Regensburger Landkreislauf running race and **Open Day** at our Neutraubling site. Many Krones Group employees participate in company sports, thus enjoying a combination of team-building and athletic activity.

Occupational health management (GRI 403-3, 403-4, 403-6)

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, stress prevention, and healthy, balanced nutrition. These are complemented by workplace inspections and adaptations aimed at enhancing and implementing ergonomics as well as an in-house physical therapy service. Communication campaigns and partnerships with external healthcare providers round out the



offerings. Cancer prevention is another important part of our occupational health management, with a different focus each year.

A programme on **collaborating to create a healthy work environment** is aimed at maintaining and improving employee health and fostering their ability to perform at their best. In it, employees have opportunities to take an active role in creating a healthy work environment at Krones. 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 BKK). Health management activities are currently still focused on Krones AG sites.

In-house medical service and company health insurance fund (GRI 403-3, 403-6)

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 and participating in workplace inspections. Besides providing acute **care** and work-related health check-ups, the in-house medical service also organises health fairs and campaigns and administers 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. It offers Krones employees support in the immediate vicinity of the workplace and also offers a multitude of additional services.

Counselling service (GRI 403-3, 403-6)

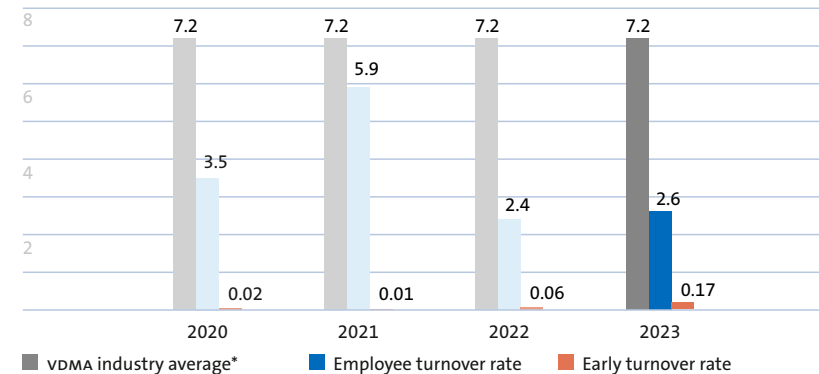
The company counselling service of Krones AG helps with problems in employees' life and work situations. A fundamental principle of the company counselling service is to not only help at-risk individuals or those in crisis but rather to support all of the company's employees. Counselling provides **first-level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

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Krones AG – Employee turnover and early turnover
(%, employees covered by and exempt from collective agreements) (GRI 401-1)

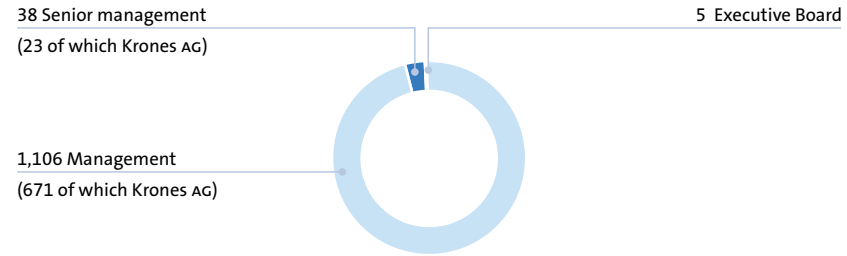


*The German Engineering Federation (VDMA) measures average employee turnover among companies in the machinery sector. The figures above are based on the 2020 measurement.

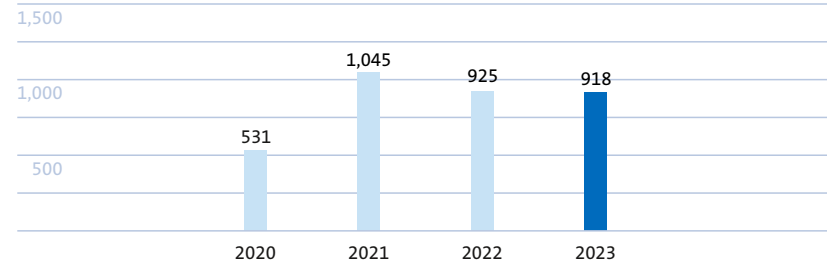
“Early turnover” is the percentage of new employees who, during the calendar year, left the company within the first six months of the start of their employment contract, as a share of the average total workforce during the calendar year.



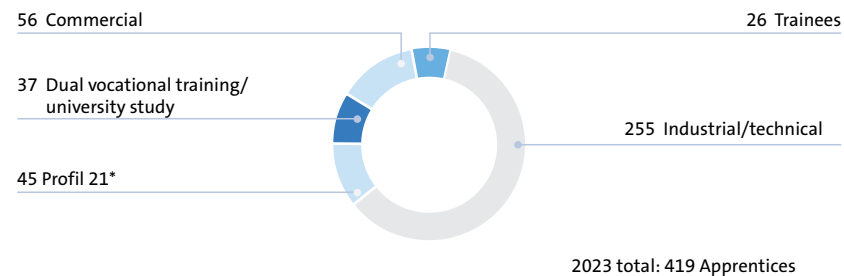
Krones Group – Management structure in 2023



Krones AG – Temporary workers



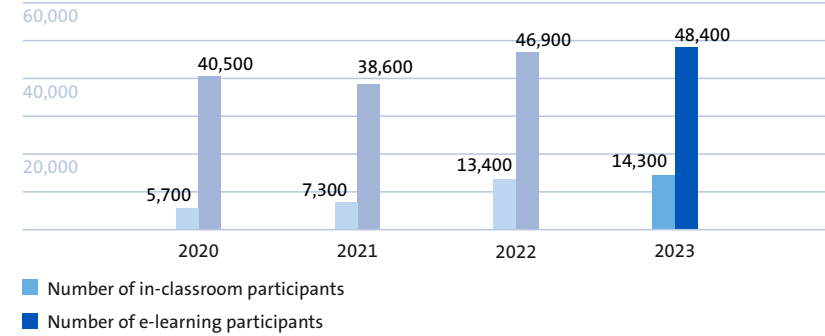
Krones AG – Vocational training participants by field in 2023



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

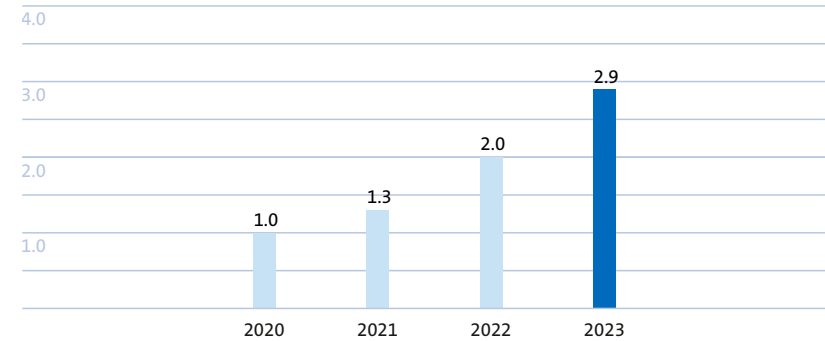
Krones Group – participation in continuing education opportunities (rounded)

(GRI 404-1)



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 (GRI 401-3, 404-2, 405-2, 406-1)

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 various 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. Especially in production and management, our aim is to increase gender and international diversity. 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 CFO 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** serves as a strategic advisory body for diversity and inclusion matters. Reporting to the Executive Board is done by the head of Human Resources for the Krones Group in regular bi-weekly meetings 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 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: Non-discrimination

Preventing and addressing discrimination (GRI 406-1)

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 and refresher 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 Krones Integrity reporting system or by contacting the Human Rights Officer directly. The Sustainability Team processes any reported issues.

Fair and transparent processes for recruiting and professional development (GRI 404-2)

Application and selection processes within the Krones Group are based exclusively on candidates’ qualifications, **regardless** of gender, background, religion or other non-technical attributes or characteristics. Applicants to Krones AG can indicate their gender identity as “male”, “female” or “other”. Job advertisements and recruitment 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 needs 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 (GRI 404-2)

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 young talent with a particular interest in entering the challenging field of global service. We also offer training at our international sites such as Wuhan (China), Nairobi (Kenya) and Debrecen (Hungary).

Continuing education for employees (GRI 404-2)

Our continuing education offerings are available to all Krones Group employees. The programmes enable employees to engage in **lifelong learning** and open up new career prospects within the group. The aim of the programmes is to continuously upgrade the skills and qualifications of all employees and thus enable our staff to continuously grow and develop.

Family friendly programs (GRI 401-3)

Flexible working hours, parental leave 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. 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

“**Tandem leadership**” is a programme that enables women to take on challenging leadership roles while working part time. Alongside the development centre, mentoring and specific training courses, 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) rounds out our offerings for women’s professional development at Krones. In addition, the women@krones network organises regular events and keynote speakers. It also seeks to uncover and connect women’s potential.

Pay equality (GRI 405-2)

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 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-neutral 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 a view into our own working environment. In 2023, we hosted this year’s network meeting, with a focus on discussing the programmes that promote women in various companies. In addition to our active engagement in the networks, we are also represented on the herCAREER career and discussion platform, to make women aware of Krones as an attractive employer and to advocate for women and equal treatment.



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 Global Assignment.

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.

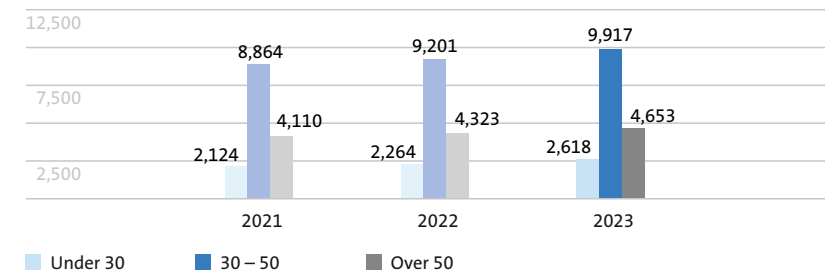
Intercultural training

Krones **Global Assignment** offers country and region-specific e-learning and live training courses 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 towards addressing the increasingly international nature and composition of teams within the company.

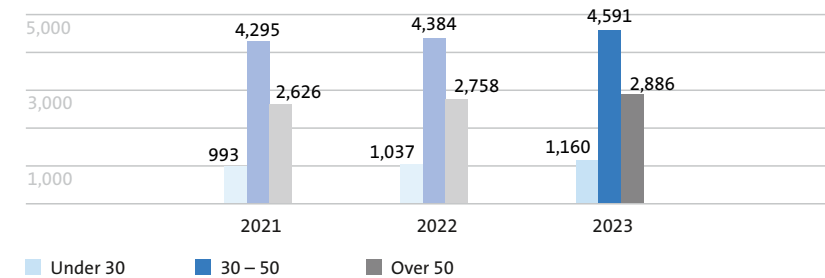
6. Key performance indicators

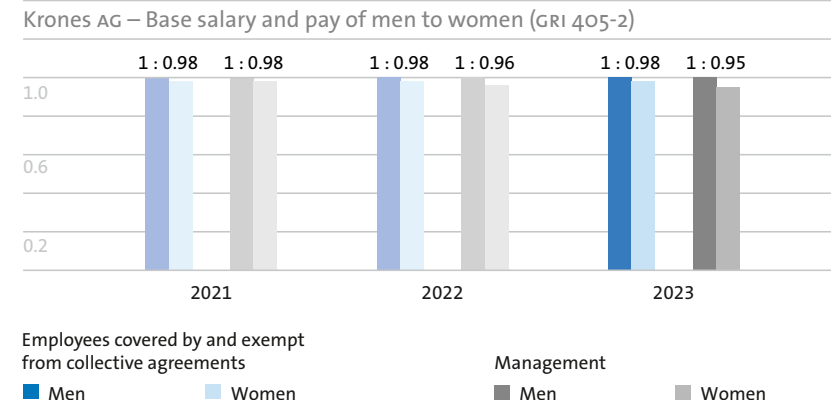
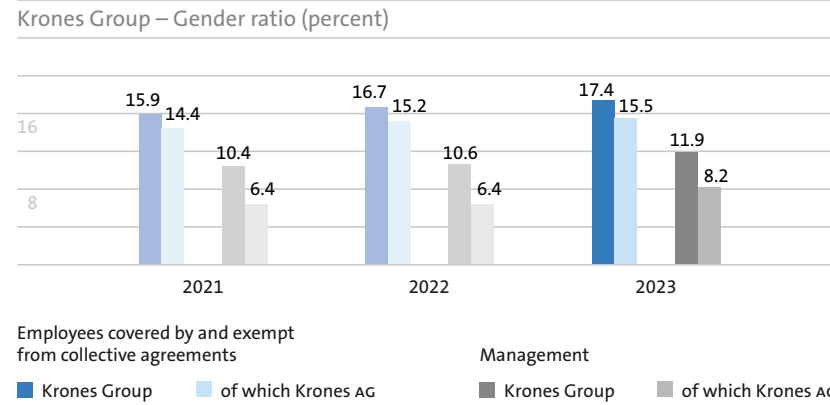
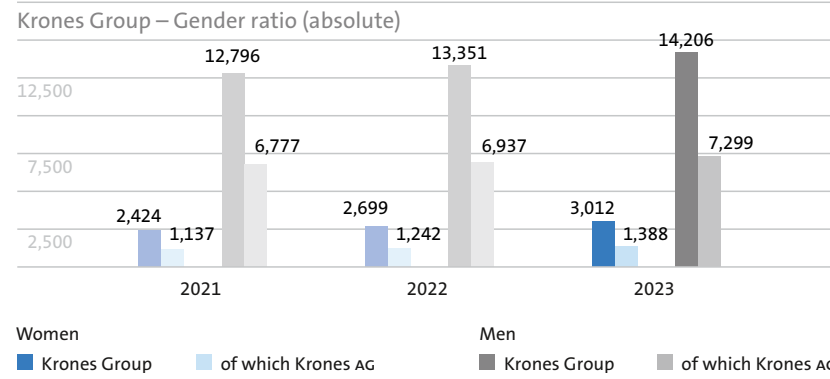
Krones Group – Age structure

Page 207



Krones AG – Age structure







Ethical business conduct in our operations and towards customers (GRI 205-1, 205-2, 205-3, 206-1)

1. Impact and materiality

Ethical and moral integrity underlie everything we do within the Krones Group – and that extends all the way through our sales and service companies, international subsidiaries and the companies controlled through our subsidiaries as well. Across the group, our management of ethical business conduct falls under the heading of **compliance** – an overarching concept that means we play by the rules. Except that the rules we follow within the company go above and beyond the statutory requirements. They also include the group's own internal guidelines and regulations and embody the moral values and standards that match Krones' own ethical principles and are laid out 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 (GRI 205-1)

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, the managing directors of Krones subsidiaries and their subsidiaries are required to conduct their own compliance risk analyses through annual **self-assessments**. The results of this risk analysis are aggregated at the level of the regions and visualised on a risk overview developed specifically for each 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 Governance 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. The 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.



in our supply chain



at Krones



at our customers



at the end consumer



5. Policies and actions

Code of Conduct

The Kronos Code of Conduct serves as the basis of the compliance management system. It was revised in 2023 to align with the corporate vision, “Solutions beyond tomorrow”. 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 establishes a reliable compliance culture and encourages 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. The Code uses concrete scenarios to illustrate how individuals can implement the principles of conduct within the group. Complementing the Code of Conduct, the Kronos Supplier Code of Conduct covers the company’s central compliance rules for service providers and suppliers.

Compliance guidelines (GRI 205-2)

Supplementary compliance guidelines, which also apply across the group, flesh out 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 Kronos Group is not actively involved in politics or lobbying outside its association work, there is no company policy on this topic. The policies are reviewed at least once per year to ensure they are up-to-date and revised as needed.

Compliance training programme (GRI 205-2)

We provide mandatory training programmes for all employees 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 Kronos’ 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. Two further training series are dedicated to the topics of **anti-corruption** and fair and proper competition. These programmes are designed especially for employees in Sales and Procurement and are likewise e-learning courses. 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. They give the group a tool for process-integrated monitoring of business partners in countries where the risk of non-compliance is high, 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 Krones Integrity (GRI 205-3, GRI 206-1)

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: first, contact the Compliance Officer, the Head of Corporate Governance or the associated team directly; second, e-mail a centralised helpdesk; or third, submit a report through the Krones Integrity online 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 Krones or its business partners. To ensure the highest levels of access 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. All compliance-related matters and tips that are brought to the help desk or Krones Integrity are documented for further processing and evaluation.

In 2023, 39 compliance investigations were conducted within the Krones Group. None of them found evidence of corruption or anti-trust violations. During the reporting period, no disciplinary actions were taken against the Krones Group due to anti-trust, money laundering or anti-corruption violations.

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 **gifts and gratuity policy** uses a traffic-light system to clearly identify which benefits in the form of gifts and invitations are acceptable, questionable or prohibited. Due to the risks involved, the reporting of travel expenses is subject to an internal control process for benefits, which triggers an automated notification to Corporate Governance if the receipts submitted exceed a certain limit.

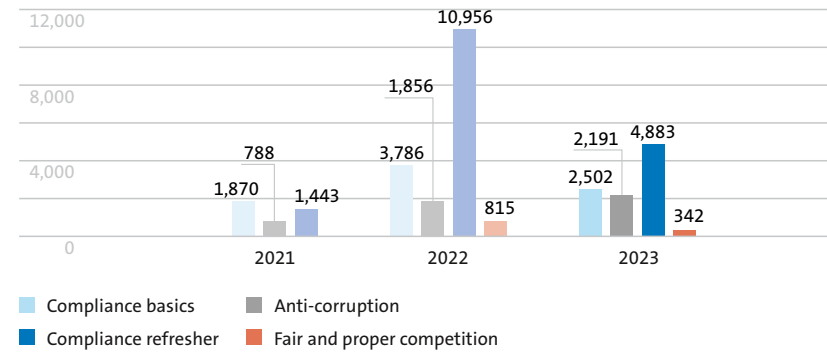
Charitable giving and sponsorship strategy

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) (GRI 205-2)

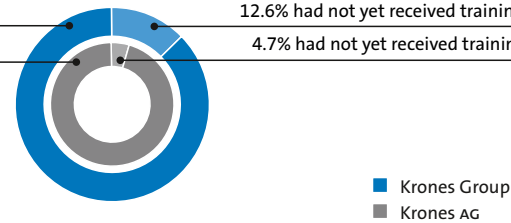


The compliance basics course is mandatory for all new employees and every new manager within the Krones Group. It must be completed within the first three months of employment and may be taken as an e-learning course, instruction from a manager, or an in-classroom course. The anti-corruption training 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 as a reminder of the basic content every two to three years. All employees participating in trade fairs are required to complete the e-learning on fair and proper competition on a regular basis prior to trade fairs.

Krones Group – Participation in compliance basics course 2023

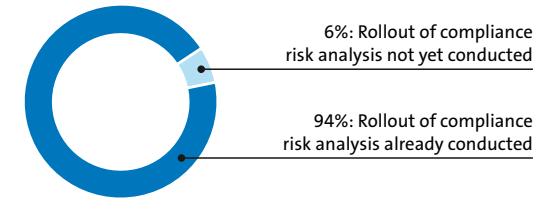
87.4% had received training
12.6% had not yet received training
95.3% had received training
4.7% had not yet received training

Percentage of employees within the Krones Group and Krones AG who have received compliance training at least once as of the end of 2023



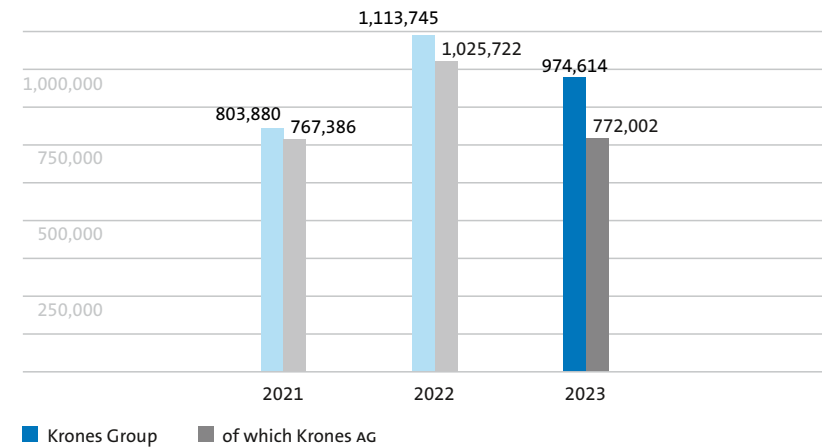
Krones Group – Compliance risk analyses in 2023

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



In all, 12 tips were received through Krones Integrity, while 32 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 2023 we reached that goal with a total value of 0.02%.



in our supply chain



at Krones



at our customers



at the end consumer

Digital responsibility in our operations and our products (GRI 418-1)

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 Cybersecurity Coordinator. The latter are performed by TÜV SÜD and are 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 cybersecurity 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 modern 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.



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. The group-wide **cybersecurity policy** establishes the framework for information security within the Krones Group, defining the basic principles and assigning accountability. It builds on ISO 27001 and serves as the foundation for the company's efforts to protect all information, 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 a set of 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. With the 24/7 monitoring the soc provides, 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 and 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 Steinecker GmbH in Germany, the two companies in Franklin, Wisconsin (USA), and Bangalore, India, the Krones offices in Bangkok, Thailand, and the Centers in Brazil and Dubai are also certified locations.

Training, awareness and reporting channels

Employee awareness is a key element of our cybersecurity strategy. The cybersecurity policy prescribes annual training for all employees with respect to data protection and cybersecurity topics. Beginning this year, all employees must complete an annual training in the form of a mandatory e-learning. 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 (GRI 418-1)

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 **pro-active 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. No substantiated complaints about violations of customers' privacy or loss of customer data were found.

Cybersecurity in our contacts with third parties

The topic of cybersecurity is addressed in the Supplier Code of the Krones Group and in a dedicated cybersecurity document for suppliers. 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 developing quantitative key performance indicators for digital responsibility as part of a sustainability strategy review that is currently underway.



EU Taxonomy

Objective and overview of requirements

With the EU Taxonomy Regulation [Regulation (EU) 2020/852] and the associated delegated acts, 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 taxonomy-aligned and therefore sustainable economic activities under the EU Taxonomy. Following adoption of Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 on the four additional environmental objectives, analysis of the activities now relates to all six environmental objectives of the climate and environmental delegated acts:

- (1) Climate change mitigation;
- (2) Climate change adaptation;
- (3) Sustainable use and protection of water and marine resources;
- (4) Transition to a circular economy;
- (5) Pollution prevention and control;
- (6) Protection and restoration of biodiversity and ecosystems.

For the financial year 2023, both **taxonomy eligibility** and **taxonomy-alignment** of the Krones Group's economic activities will be reported.* 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 the environmental objectives climate change mitigation and transition to a circular economy could be classified as taxonomy-eligible. Due to possible

* As disclosures on taxonomy alignment for environmental objectives 3-6 are not yet required for the financial year 2023, this information is being published voluntarily and a year early.

changes in the application of the EU Taxonomy, it must be noted that it may not be possible to collect the data continuously.

Organisation

The analysis of taxonomy-eligibility was expanded to include the new activities relating to the four additional environmental objectives. Then, in collaboration with the relevant experts, the taxonomy-eligible activities were analysed for fulfilment of the “substantial contribution” to the environmental objectives 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 for the environmental objective of climate change mitigation

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** compared to the company's own standard product portfolio or to predecessor technologies, 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. As of 2023, the Krones Group conducts **lifecycle assessments** (LCAs) for enviro machines. Conducting an LCA using ISO 14067:2018 and having the results verified by an independent third



party is a criterion for reporting taxonomy-alignment under activity 3.6. The Krones Group works with a third-party service provider that verifies the methodology used in calculating the lifecycle assessments. As a manufacturer of specialty machinery, the Krones Group cannot compare its technologies with other technologies available on the market. Because the Krones Group holds a market-leading position with the product portfolio for filling and packaging technology, the non-enviro portfolio and the respective predecessor models are taken as the point of reference for the “best performing alternative technology available on the market”. The results of the LCAs show that, because of their high energy and media efficiency, the machines in the enviro product portfolio demonstrate **substantial lifecycle greenhouse gas emissions savings** compared to the standard portfolio and therefore contribute substantially to climate change mitigation. Having conducted the LCAs in the financial year 2023 enables the Krones Group to meet the “substantial contribution” criteria under activity 3.6 and therefore to report 2023 revenue, capex and opex for the enviro product portfolio as taxonomy-aligned.*

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. 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.

** The enviro product portfolio is reported retroactively as taxonomy-aligned for 2022 on the basis of the lifecycle assessment.*

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 instead represent **individual measures** 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.

Relevant activities for the environmental objective of transition to a circular economy

Sales of used machinery – ecomac GmbH

The company ecomac Gebrauchtmaschinen GmbH is a subsidiary of Krones AG that sells used machines for the food and beverage industry on the second-hand market, either with or without an overhaul. The activities of ecomac GmbH therefore fall within the definition of EU Taxonomy activity “5.4 Sale of second-hand goods” of the environmental objective of transition to a circular economy since this activity encompasses the “sale of second-hand goods that have been used for their intended purpose before by a customer, possibly after repair, refurbishment or remanufacturing”. The company offers a take-back programme for the **refurbishment** of 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. Besides refurbishing machines, ecomac GmbH also buys used machines and resells them directly on the second-hand market, without refurbishing them. A deeper analysis shows that ecomac’s activities meet the criteria for substantial contribution and therefore can be reported as taxonomy-aligned.



Sale of spare parts – System Logistics Group

The subsidiary System Logistics Group sells spare parts for material handling equipment, which falls within the definition of EU Taxonomy activity “5.2 Sale of spare parts” of the environmental objective of transition to a **circular economy** and can therefore be identified as taxonomy-eligible. The criteria for substantial contribution cannot be fully met for 2023 reporting because information on packaging materials is not yet available. The processes for procuring information are to be revised for future reporting.

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 as well as a product-specific analysis within the scope of Activity 3.6., in which those sites were deemed relevant that were linked to taxonomy-eligible activities. The results of the **production site and product analysis** show that none of the Krones Group’s taxonomy-eligible 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. An analysis of the requirements of minimum social safeguards shows that the Krones Group meets them.

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”.

Calculation and development of the KPIs

Calculating KPIs

The definition of the key performance indicator “revenue” 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. 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 following Notes to the consolidated financial statements: “Intangible assets”, “Research and development expenditure” and “Property, plant and equipment and right-of-use assets”. 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). Data collection with respect to the EU Taxonomy is done on the basis of revenue, capex and opex from the financial accounting and, if necessary, of a corresponding designation of EU Taxonomy-relevant activities. Calculation of

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capex and opex is based in part on an allocation of revenue from taxonomy-eligible and taxonomy-aligned activities. 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.

KPI development

Taxonomy-eligible revenue increased from 7.3% in 2022 to 15.5%. The improvement is the result of increased enviro portfolio revenue (Activity 3.6) and the addition of further environmental objectives. Taxonomy-aligned revenue amounts to 15.2% and includes the enviro portfolio as well as the sale of second-hand machines.

Taxonomy-eligible capex increased from 12.4% in 2022 to 22.6%. That is primarily the result of the purchase of property for the Recycling Solutions expansion and increased capital expenditure related to the enviro portfolio. Taxonomy-aligned capex comes to 22.6% and includes primarily investment in a sustainable vehicle fleet, renewable energy and our enviro portfolio.

Taxonomy-eligible opex decreased from 3.7% in 2022 to 3.0%. This figure consists of expenditure for energy efficiency measures and for research and development. Taxonomy-aligned opex comes to 2.1 percent and includes the above expenditures.

Economic activities	Revenue 2023	Revenue 2022	Capex 2023	Capex 2022	Opex 2023	Opex 2022
	%	%	%	%	%	%
Taxonomy-eligible activities	15.5	7.3	22.6	12.4	3.0	3.7
Taxonomy-aligned activities	15.2	7.3*	22.6	12.4*	2.1	2.0
Taxonomy-non-eligible activities	84.5	92.7	77.4	87.6	97.0	96.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

* The enviro product portfolio can be reported retroactively as taxonomy-aligned for 2022 on the basis of the lifecycle assessment.



EU Taxonomy – Capex/1

Financial year 2023	2023		Substantial contribution criteria							DNSH criteria ("Do No Significant Harm")						Proportion of taxonomy- aligned (A.1) or taxonomy- eligible (A.2) capex, 2022 (18)	Category enabling activity (19)	Category transitional activity (20)	
Economic activities (1)	Code (2)	CapEx (3)	Proportion of capex, 2023 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)				Minimum safeguards (17)
		€ million	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	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)

Manufacture of other low carbon technologies	CCM 3.6	49.1	21.2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	11.7%	E	
Installation and maintenance of charging stations for electric vehicles	CCM 7.4	0.3	0.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.4%	E	
Installation, maintenance and repair of renewable energy technologies on site	CCM 7.6	3.1	1.3%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.3%	E	
Capex of environmentally sustainable activities (taxonomy-aligned) (A.1)		52.5	22.6%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	12.4%		
Of which enabling		52.5	22.6%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	12.4%	E	
Of which transitional		0	0%	0%						Y	Y	Y	Y	Y	Y	Y	0%		T



EU Taxonomy – Capex/2

Financial year 2023	2023			Substantial contribution criteria						DNSH criteria ("Do No Significant Harm")						Proportion of taxonomy- aligned (A.1.) or taxonomy- eligible (A.2.) capex, 2022 (18)	Category enabling activity (19)	Category transitional activity (20)	
Economic activities (1)	Code (2)	Capex (3)	Proportion of capex, 2023 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)				Minimum safeguards (17)
		€ million	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T

A.2. Taxonomy-eligible but non environmentally sustainable activities (not taxonomy-aligned activities)

				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
High-efficiency co-generation of heat/cool and power from fossil gaseous fuels	CCM 4.30	0.03	0.01%	N/EL	N/EL	N/EL	N/EL	EL	N/EL										n.a.
Capex of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		0.03	0.01%	0%	0%	0%	0%	100%	0%										0%
A. Capex of taxonomy-eligible activities (A.1+A.2)		52.5	22.6%	0%	0%	0%	0%	100%	0%										12.4%

B. Taxonomy-non-eligible activities

Capex of taxonomy-non-eligible activities	179.4	77.4%
Total	231.9	100%



EU Taxonomy – Opex/1

Financial year 2023	2023		Substantial contribution criteria							DNSH criteria ("Do No Significant Harm")						Minimum safeguards (17)	Proportion of taxonomy-aligned (A.1) or taxonomy-eligible (A.2) opex, 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
	Code (2)	Opex (3)	Proportion of opex, 2023 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)				
Economic activities (1)		€ million	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	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)

Manufacture of other low carbon technologies	CCM 3.6	2.5	1.8%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	1.7%	E	
Installation, maintenance and repair of energy efficient equipment	CCM 7.3	0.4	0.3%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.3%	E	
Opex of environmentally sustainable activities (taxonomy-aligned) (A.1)		2.8	2.1%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	2.0%		
Of which enabling		2.8	2.1%	100%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	2.0%	E	
Of which transitional		0	0%	0%						Y	Y	Y	Y	Y	Y	Y	0%		T



EU Taxonomy – Opex/2

Financial year 2023	2023			Substantial contribution criteria						DNSH criteria ("Do No Significant Harm")						Proportion of taxonomy- aligned (A.1.) or taxonomy- eligible (A.2.) opex, 2022 (18)	Category enabling activity (19)	Category transitional activity (20)	
Economic activities (1)	Code (2)	Opex (3)	Proportion of opex, 2023 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)				Minimum safeguards (17)
		€ million	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T

A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)

				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
8.1 Data processing, hosting and related activities	CCM 8.1	1.1	0.9%	N/EL	N/EL	N/EL	N/EL	EL	N/EL										1.4%
4.30 High-efficiency cogeneration of heat/cool and power from fossil gaseous fuels	CCM 4.30	0	0%	N/EL	N/EL	N/EL	N/EL	EL	N/EL										0.3%
Opex of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		1.1	0.9%	100%	0%	0%	0%	0%	0%										1.7%
A. Opex of taxonomy-eligible activities (A.1+A.2)		4.0	3.0%	100%	0%	0%	0%	0%	0%										3.7%

B. Taxonomy-non-eligible activities

Opex of taxonomy-non-eligible activities	127.8	97.0%
Total	131.8	100%



Extent of eligibility and alignment per environmental objective

Proportion of revenue/Total revenue		
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	15.0%	15.0%
CCA	0	0
WTR	0	0
CE	0.2%	0.5%
PPC	0	0
BIO	0	0

Proportion of capex/Total capex		
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	22.6%	22.6%
CCA	0	0
WTR	0	0
CE	0	0
PPC	0	0
BIO	0	0

Proportion of opex/Total opex		
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	2.1%	3.0%
CCA	0	0
WTR	0	0
CE	0	0
PPC	0	0
BIO	0	0

- CCM (climate change mitigation)
- CCA (climate change adaptation)
- WTR (water and marine resources)
- CE (circular economy)
- PPC (pollution prevention and control)



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 capex KPI).

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 capex 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 capex 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 capex 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 capex 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 capex KPI	€m 0.03 / 0.01 %		€m 0.03 / 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 capex 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 capex KPI	0/0		0 / 0		0/0	
8.	Total amount and proportion of taxonomy eligible but not taxonomy-aligned economic activities in the denominator of the capex KPI	€m 0.03 / 0.01 %		€m 0.03 / 100 %		0/0	



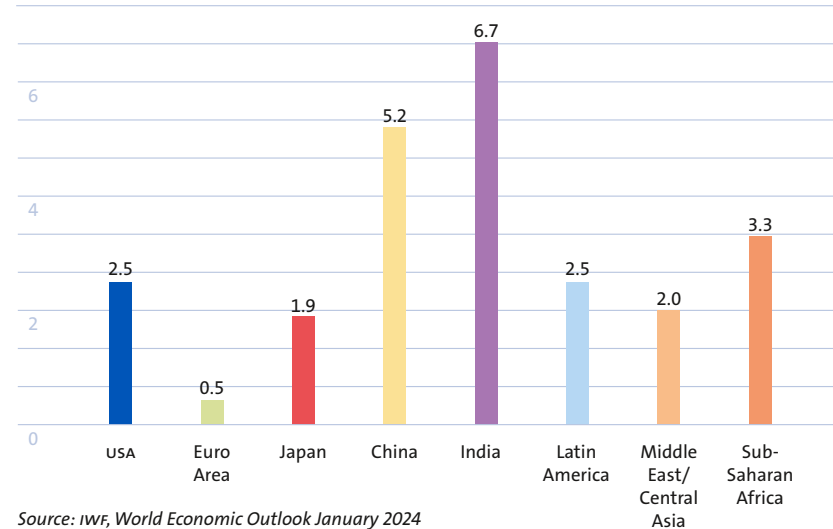
Economic environment

- The global economy grew 3.1% in 2023
- German mechanical engineering production 1% down on previous year
- Stable growth in global demand for packaged beverages

Global economy grew 3.1% in 2023

The pace of world economic growth slowed in 2023. According to figures from the International Monetary Fund (IMF), global economic output rose by 3.1% in 2023 (2022: +3.5%). This slightly exceeded the 2.9% growth forecast issued by the IMF in January 2023. The main reason for this according to the IMF was the surprisingly robust growth in key economies. The economy in the USA and those of several large emerging and developing countries thus performed better than expected in the second half of 2023. This growth was driven by government spending and falling inflation rates, which supported private consumption.

GDP growth rate 2023 by region (%)



Source: IWF, World Economic Outlook January 2024

According to the IMF, the economy in emerging and developing economies grew by a total of 4.1% in 2023 (2022: +4.1%). The growth rate of China's gross domestic product (GDP) increased compared with the very weak previous year to 5.2% (2022: +3.0%). This is still down on previous growth rates, however, and is mainly due to the problems in the Chinese property sector. The Indian economy continued to grow dynamically in the reporting year. GDP there went up by 6.7% in 2023 (2022: +7.2%). According to the IMF, the Middle East and Central Asia region suffered from oil production cuts and regional conflicts in 2023. GDP growth in the region consequently fell significantly to 2.0% (2022: +5.5%). The economic upturn also lost momentum during the reporting year in Latin America and the Sub-Saharan Africa region. GDP increased in 2023 by 2.5% in Latin America (2022: +4.2%), and by 3.3% in Sub-Saharan Africa (2022: +4.0%).

Among the industrialised nations, the US economy performed better in 2023 and the eurozone economy performed worse than forecast by the IMF at the beginning of the year. In total, GDP in mature industrialised economies rose by 1.6% (2022: +2.6%). GDP in the USA improved by 2.5% (2022: +1.9%). The world's largest economy benefited from relatively robust private consumption. In the euro area, the economy made only slow progress due to rising interest rates and weak demand from key international trading partners. Overall, GDP in the euro area increased by just 0.5% in 2023 (2022: +3.4%). In Japan, the economy picked up significantly in the reporting year with GDP growth of 1.9% (2022: +1.0%).

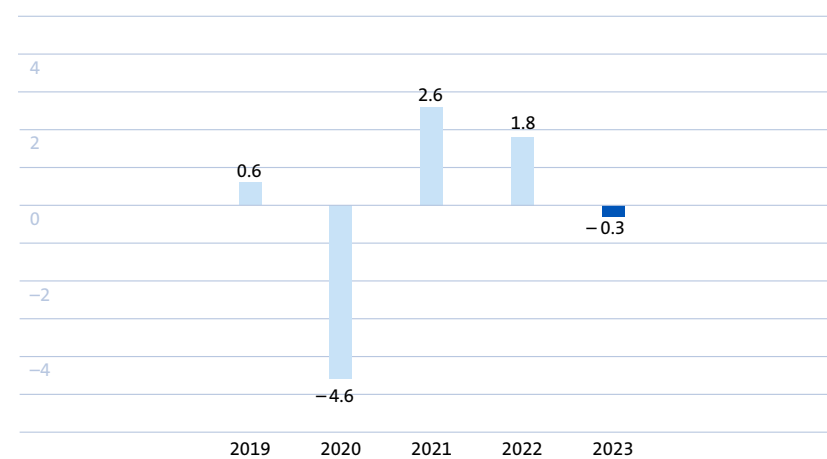


The German economy slipped into recession in 2023

The German economy performed significantly worse in the reporting year than the euro area as a whole. According to preliminary figures from the Federal Statistical Office, Germany's gross domestic product (GDP) fell by 0.3% in 2023 relative to 2022. This means that, after GDP growth of 1.8% in the previous year, the German economy slipped into recession in 2023.

The main reasons for this were the decline in consumer and government spending. Private consumption suffered from the loss of purchasing power as a result of higher energy and food prices. The discontinuation of COVID assistance noticeably reduced government spending. Construction investment was also down in 2023. Only machinery and equipment investment and the external balance of goods and services (the difference between exports and imports) made a positive contribution to GDP growth in 2023.

Growth in the gross domestic product (GDP) in Germany (%)

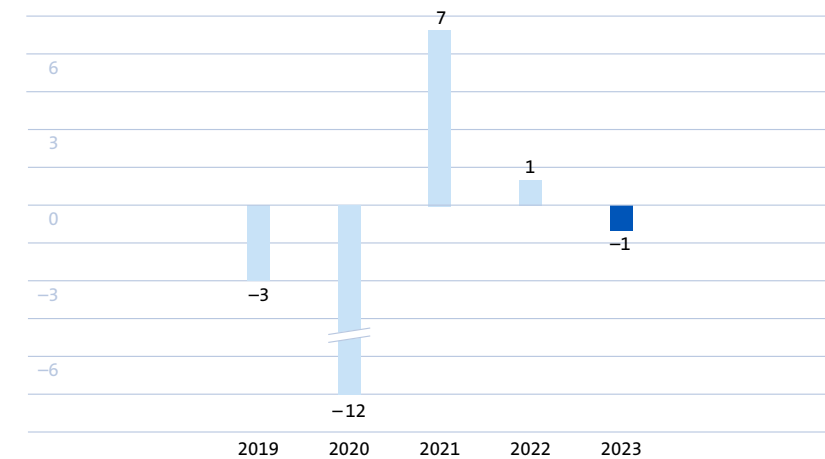


Source: Germany's Federal Statistical Office, press release from 15 January 2024

Production of German machinery and industrial equipment manufacturers slightly down in 2023

Large order backlogs at Germany's machinery and industrial equipment manufacturers at the beginning of 2023 meant that the sector's production output continued to rise in the first half of the year. In the third and fourth quarters, however, production fell short of the previous year. For the full year 2023, the Mechanical Engineering Industry Association (VDMA) reported a 1% fall in output. This means that the sector shrank less than predicted. Due to problems in global supply chains, impacts of the Russia-Ukraine conflict and the overall economy suffering from rising interest rates, the VDMA originally expected production to fall by 2% in 2023.

Mechanical engineering production: real year-on-year change (%)



Sources: Statistisches Bundesamt, VDMA. "Lage und Ausblick im Maschinen- und Anlagenbau", VDMA December 2023.



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:



The increasing global population, urbanisation, growth of the middle class and sustainability are megatrends that support the growth of Krones' markets.

Global population continues to grow

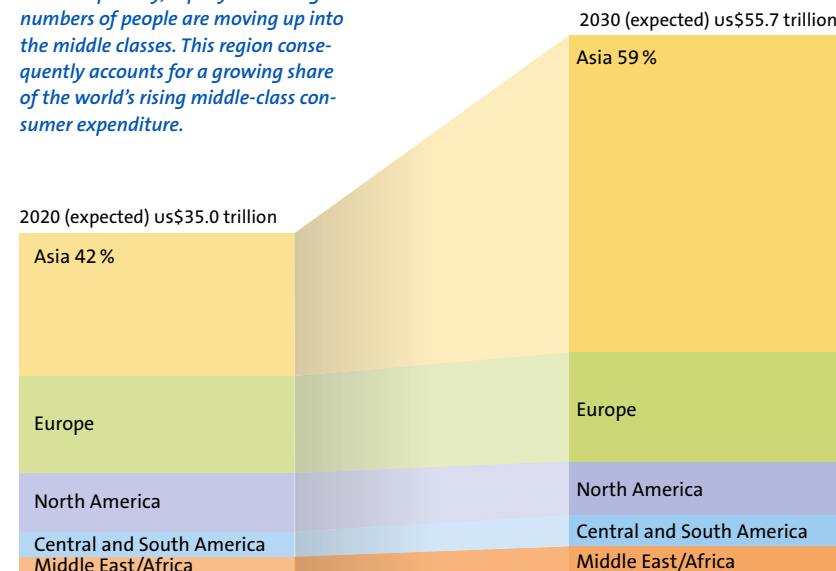
The main, overarching megatrend is global population growth. According to United Nations (UN) data, the world population passed the eight billion mark on 15 November 2022. The UN estimates that the planet's human population will grow more slowly in the future than in recent decades, with annual growth of less than 1% or 60 million people. Nevertheless, the global population is already expected to reach around 8.5 billion in 2030, some 400 million more than at the end of 2023. 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%. According to the OECD, total consumer spending by the global middle classes is likely to increase 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.



Source: OECD Development Centre, Working Paper No. 285, January 2010



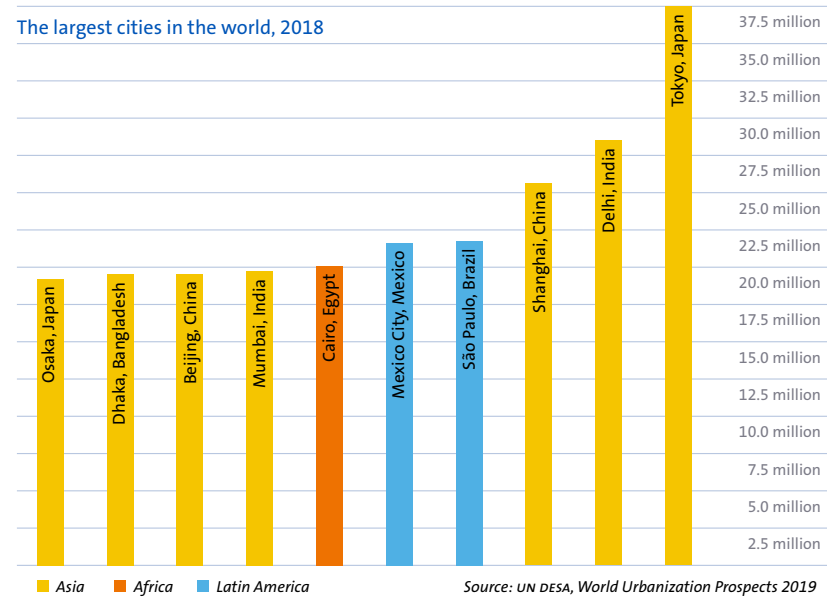
Urbanisation boosts sales of packaged beverages and foods

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

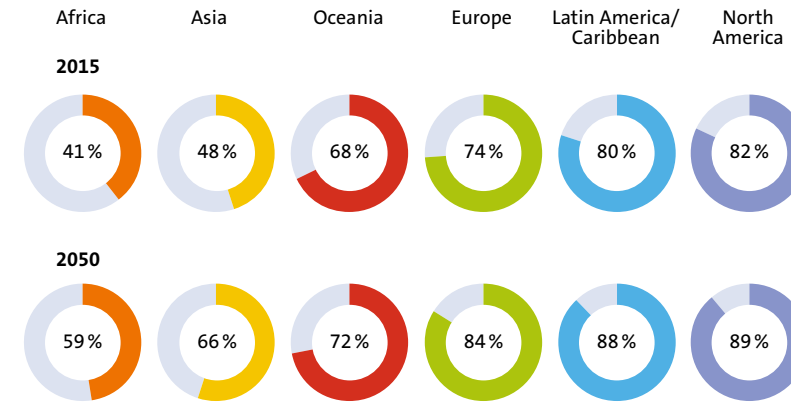
Increasing urbanisation – the migration of people from rural areas to cities – likewise promotes demand for packaged food and beverages. That is because city dwellers consume more packaged products on average than people who live in the countryside.

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.



Stable growth in global demand for packaged beverages

Krones generates a large proportion of its consolidated revenue with customers in the international beverage industry. Their willingness to invest is strongly influenced by consumer demand for packaged beverages. This means that global beverage consumption is also a key factor for Krones.

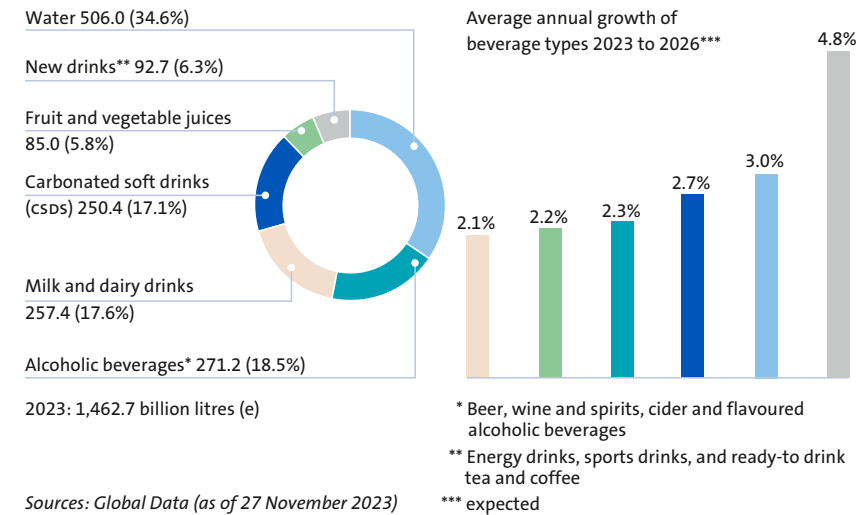
Worldwide consumption of packaged beverages is steadily increasing. Demand is driven by the megatrends of population growth, the growing middle class and urbanisation. Consumption patterns are hardly affected by economic cycles. After all, eating and drinking are basic human needs. The only time consumption showed a year-on-year decrease in recent years was in 2020. Due to the coronavirus pandemic, bars and restaurants around the world were hit by lockdowns, which had a major impact on out-of-home beverage consumption. After the brief setback in 2020, the market regained its stable growth path from 2021. According to preliminary figures from Global Data, global consumption of packaged beverages, at a total of 1,463 billion litres in 2023, was 4.0% higher than a year earlier (2022: 1,406 billion litres). By way of comparison, in 2019, the year before the coronavirus crisis, global beverage consumption was 1,366 billion litres.

In the coming years, above-average demand growth is expected for bottled water, "new drinks" (sport and energy drinks) and ready-to-drink coffee and tea.

Driven by the megatrends, consumption of packaged beverages is expected to continue growing steadily. According to Global Data figures, it will grow at average annual rates of 2.8% from 2023 to 2026.

The largest segment of the global beverage market, **bottled water** (share of the global beverage market in 2023: 34.6%) is likely to see above-average consumption growth. The average annual growth forecast for the period 2023 to 2026 is 3.0%. Key growth drivers are rising demand for clean bottled drinking water in emerging and developing countries and the trend to healthy nutrition in industrialised countries.

Worldwide consumption of packaged beverages (billion litres), 2023



In the second-largest segment of the packaged beverages market, **alcoholic beverages** (2023 share: 18.5%), growth expectations are below the forecast for the market as a whole. According to figures from Global Data, the consumption of packaged alcoholic beverages is expected to grow at an average annual rate of 2.3% from 2023 to 2026. The main reason for the below-average growth is the fact that demand for alcoholic beverages is close to saturation in industrialised countries.

Among **milk and dairy drinks** (2023 share: 17.6%), alternative milks such as oat, soy and almond milk show the strongest growth. So far, however, these remain niche products within the milk market. The share of "traditional" milk, whose consumption is growing at a below-average rate compared to the global beverage market, is many times larger. In the entire milk and dairy drinks segment, demand is expected to grow on average by 2.1% a year from 2023 to 2026.



The consumption of **carbonated soft drinks** (CSDs) (2023 share: 17.1%) is likely to increase at a slightly slower rate in the coming years than global beverage consumption. In industrialised countries, consumers are increasingly turning away from sugary soft drinks. According to figures from Global Data, the average annual growth rate in demand for CSDs is expected to be 2.7% over the period 2023 to 2026.

In the two smaller segments of the beverage market, **new drinks** (share of global beverage consumption in 2023: 6.3%) and **fruit and vegetable juices** (5.8%), new drinks (sports and energy drinks plus ready-to-drink coffee and tea) stand out with strong growth in demand. New drinks are expected to see average growth rates of 4.8% a year between 2023 and 2026. In contrast, the consumption of packaged fruit and vegetable juices is expected to increase by only 2.2% annually over the same period.

Megatrends driving demand for packaged beverages in emerging markets

The megatrends of population growth, the burgeoning middle class and urbanisation mainly play out in emerging and developing countries. As a result, demand for packaged beverages will grow significantly faster in the coming years in the emerging and developing markets than in the industrialised nations.

Demand growth for packaged beverages is strongest in the Asia/Pacific region. According to figures from Global Data, consumption there is expected to rise by an annual average of 4.4% between 2023 and 2026. As Asia/Pacific is the largest regional market for packaged beverages, this adds up to huge quantities in absolute terms (see chart on p. 152 and 153). China is another very large market where consumption is also growing strongly. Demand in China is expected to increase by an average of 3.8% per year from 2023 to 2026. For the Africa/Middle East region, the market researchers forecast above-average annual growth

of 3.1% for the same period. Demand for packaged beverages is expected to grow more slowly than the global average between 2023 and 2026 in the Eastern World region, with an average annual growth rate of 2.5%) and in South America (annual average growth rate of 1.9%).

In the developed industrialised countries, beverage consumption is slower across the board than the global average. The average growth rate from 2023 to 2026 is projected to be 1.7% for Western Europe and 1.3% for North and Central America. In the relatively small Central Europe sales region, demand for packaged beverages is expected to fall during this period by an average of 0.2% per year. While beverage consumption in the mature industrialised countries is growing at a below-average rate overall, there is growth in the variety of beverages and in demand for sustainable, resource-efficient filling and packaging equipment. This means that Krones also has attractive growth opportunities in developed economic regions.

Worldwide consumption of packaged beverages by region*

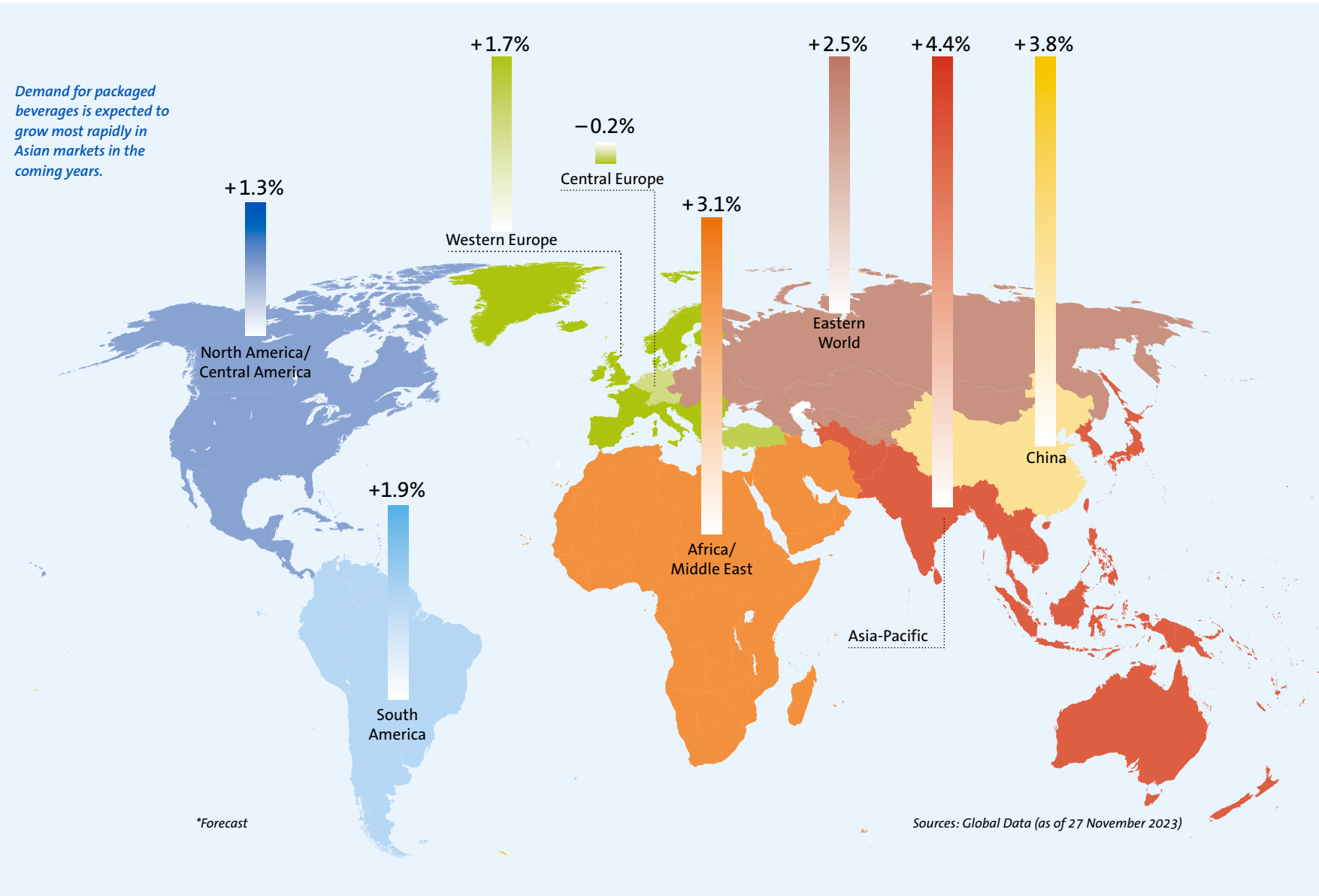
	2023 (e)		2026 (e)		Average annual growth (%) 2023–2026
	Billion litres	%**	Billion litres	%**	
Asia-Pacific	305.9	20.9	347.8	21.9	4.4
China	273.9	18.7	306.3	19.3	3.8
North America/Central America	229.0	15.7	237.9	15.0	1.3
South America	196.3	13.4	207.8	13.1	1.9
Western Europe	159.7	10.9	168.1	10.6	1.7
Africa/Middle East	139.7	9.6	153.0	9.6	3.1
Eastern World	105.6	7.2	113.7	7.2	2.5
Central Europe	52.3	3.6	52.0	3.3	-0.2
Worldwide	1,462.4	100.0	1,586.5	100.0	2.8

*Rounding differences possible **Share of global consumption | (e) = expected
Sources: Global Data (as of 27 November 2023)



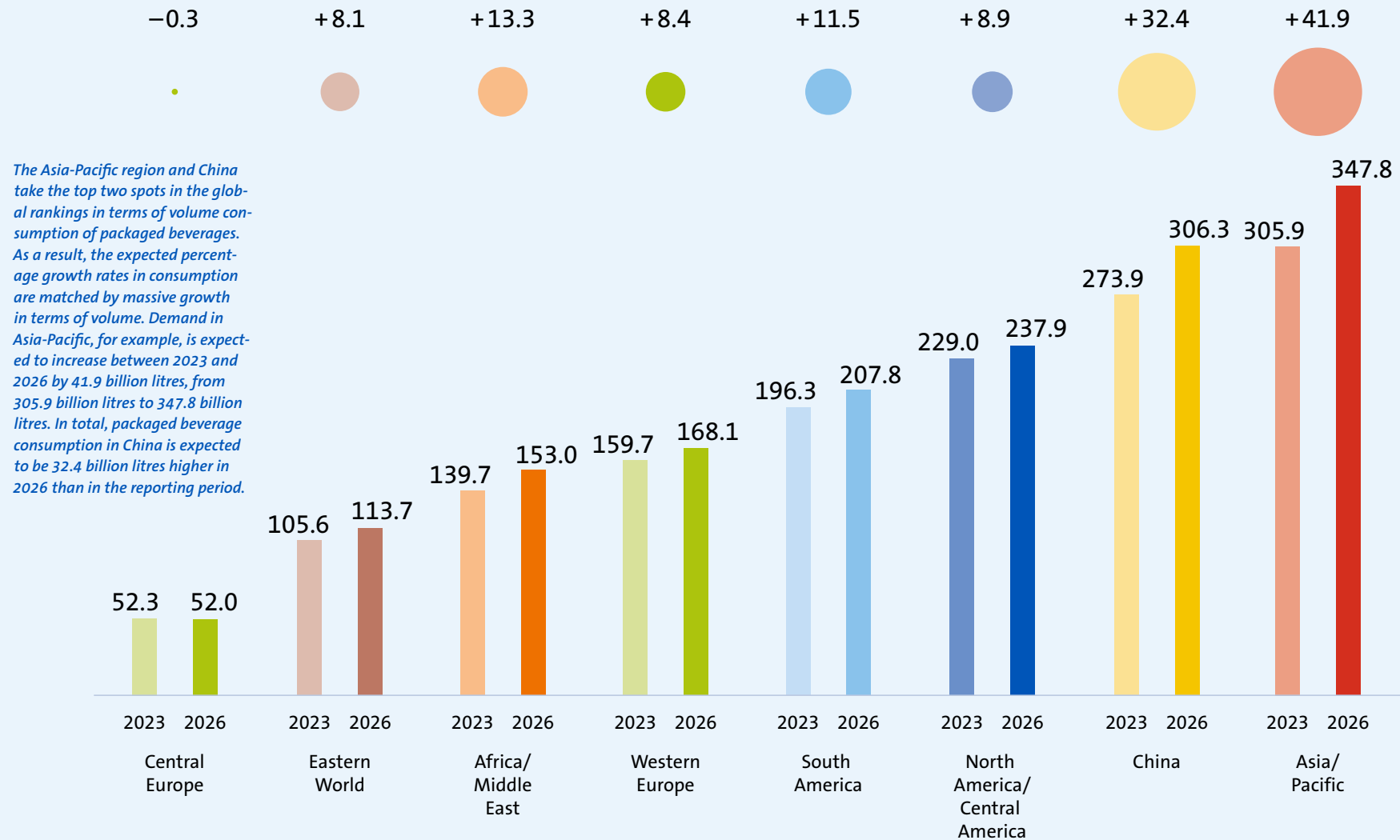


Global consumption of packaged beverages by region: annual growth 2023–2026*





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



*Forecast

● = Growth between 2023 and 2026 (billion litres)

Sources: Global Data (as of 27 November 2023)

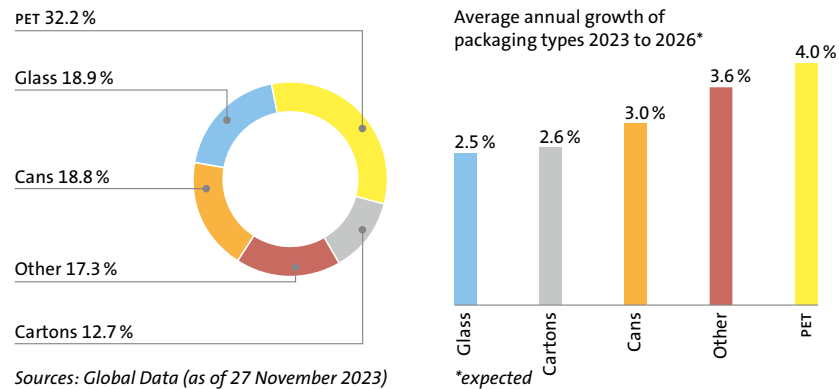


Strong growth trend in PET beverage containers continues

Global demand from the beverage industry for PET containers is expected to grow at a faster rate than for any other major type of beverage packaging over the next few years.

Another important indicator for Kronen 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 1,988 billion containers were filled worldwide in 2023. That was 4.2% more than in the previous year (1,908 billion). By 2026, the number of units filled is expected to rise by a further 200 million to 2,189 billion. This corresponds to an annual average growth rate of 3.3%.

Global beverage market by packaging material in 2023 (based on units filled)



The vast majority of beverage containers filled worldwide are made from polyethylene terephthalate (PET) plastic. According to Global Data figures, 641 billion or 32.2% of all bottled-beverage containers were made of PET in 2023. For bottled water, the most widely consumed beverage in the world, the proportion of PET bottles was as high as 80%. The use of PET bottles is also expected to increase significantly in the coming years due to the projected above-average

growth in water consumption. Annual growth averaging 4.0% is forecast for the years 2023 to 2026.

The second most commonly used material for beverage packaging in 2023 was **glass** (market share: 18.9%). Glass bottles are mainly used for beer, spirits, carbonated soft drinks (CSDs) and wine. As the demand for alcoholic beverages is expected to grow relatively slowly in the coming years, the use of glass beverage packaging will increase at a below-average low rate. According to Global Data figures, the projected average annual growth rate for glass beverage packaging between 2023 and 2026 is 2.5%.

At 18.8%, the share of metal beverage containers, i.e. **cans**, was almost at the same level as glass in 2023. Cans are mainly used for beer, carbonated soft drinks (CSDs) and new drinks (sport and energy drinks together with ready-to-drink coffee and tea). The number of cans used for beverage packaging is expected to increase by an average of 3.0% per year from 2023 to 2026.

Paper-based cartons accounted for 12.7% of global beverage packaging last year. They are mostly used to package milk, dairy drinks, fruit juices and vegetable juices. These are beverages whose consumption is expected to grow at a below-average rate. For this reason, volume growth in beverage cartons is expected to average just 2.6% in the period through to 2026.

Pouches made of plastic and aluminium foil accounted for a significant share of the **other packaging** category in 2023. They are mainly filled with milk, water and fruit juices. In total, other packaging accounted for a 17.3% share last year. Global Data forecasts an average annual growth rate of 3.6% from 2023 to 2026.

As one of the leading providers of machines and lines for the production, filling and packaging of PET containers, Kronen 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. Kronen does not provide solutions for carton packaging.



Krones in figures

- Krones continued its profitable growth in 2023. Revenue increased by 12.2% year on year to €4,720.7 million.
- Profitability improved significantly with an EBITDA margin of 9.7% (previous year: 8.9%).
- As per the proposal for appropriation of earnings available for distribution, shareholders will receive a dividend of €2.20 for the 2023 financial year (previous year: €1.75).

	Guidance for 2023*	Revised guidance for 2023**	2023 actual
Revenue growth	8 – 11%	11 – 13%	12.2%
EBITDA margin	9 – 10%	9 – 10%	9.7%
ROCE***	15 – 17%	15 – 17%	16.3%

* From the report on expected developments in the 2022 management report, March 2023

** As per ad-hoc disclosure of 17 July 2023

Krones increased revenue in 2023 by 12.2% to €4.72 billion

Krones met the upgraded full-year growth target of 11% to 13% published in July 2023.

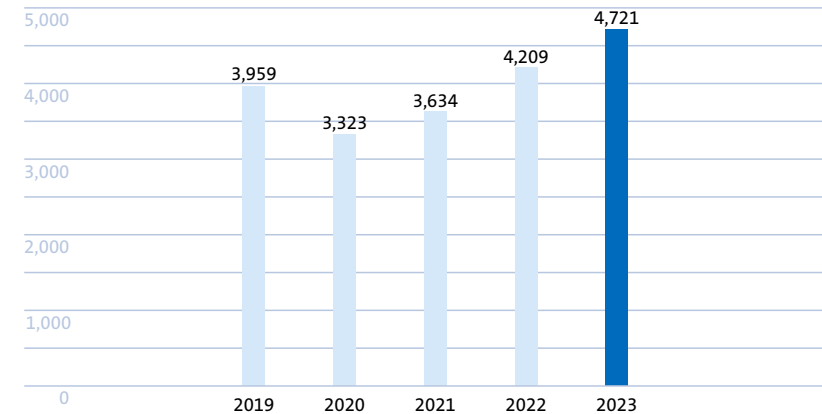
Krones continued its profitable growth path in 2023 under challenging conditions. The tight situation in the procurement markets, especially for electrical components, meant that it was not possible to make optimum use of production capacity for much of the reporting period. Supplies of electrical components improved in the fourth quarter of 2023. This will only have an effect on output after a delay.

Thanks to the high flexibility and creativity of the employees, production output still developed well in 2023 despite the overall short supply of parts. Revenue went up by 12.2% year on year, from €4,209.3 million to €4,720.7 million. The company thus met its full-year 2023 growth target, which was raised in July 2023 to between 11% and 13% (previously 8% to 11%). Revenue growth was

mainly driven by volume effects, but also by price increases for our products. Exchange rates, acquisitions and divestments did not materially affect revenue in 2023.

Revenue from both new machinery and services in 2023 exceeded the previous year's figures, with the new machinery business growing disproportionately strongly. This reflects the very high demand for individual machines and complete filling and packaging lines from Krones in recent quarters.

Krones Group revenue (€ million)





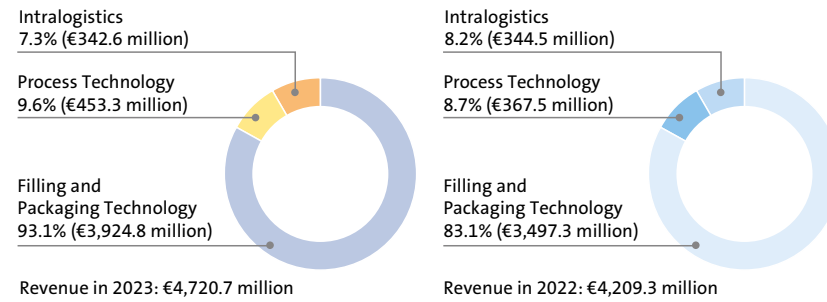
Revenue by segment

The Process Technology segment showed the strongest growth in 2023 with an increase of 23.4%.

The segment's share of consolidated revenue, at 83.1%, remained stable at the previous year's level (83.1%).

In the core segment, Filling and Packaging Technology, revenue increased in 2023 by 12.2% year on year, from €3,497.3 million to €3,924.8 million.

Share of Krones consolidated revenue



Revenue in the Process Technology segment increased by a disproportionately large 23.4%, from €367.5 million in the previous year to €453.3 million. The share of consolidated revenue accounted for by the segment consequently went up from 8.7% to 9.6%.

In Intralogistics, Krones' third segment, revenue was slightly down in the reporting period, falling from €344.5 million in the previous year to €342.6 million. This corresponds to a 7.3% share of consolidated revenue (previous year: 8.2%).

Further information can be found under "Report from the segments" beginning on page 171 and under "Segment reporting" in the notes to the consolidated financial statements on page 225.

Revenue by region

Revenue in Germany did not grow quite as strongly as in the Group as a whole in 2023. At €452.4 million, it was 6.7% higher than the €424.0 million recorded in the previous year. The share of consolidated revenue thus decreased to 9.6% (previous year: 10.1%).

Krones generated some 90% of consolidated revenue internationally in 2023. The company recorded strong growth on non-European markets.

Following very strong revenue growth in the previous year (+28%), business in the large Western Europe sales region was calmer in 2023. Revenue went down by 6.9% to €617.1 million (previous year: €662.5 million). In the Central Europe region (Austria, Switzerland and the Netherlands), the revenue of €265.1 million in the reporting period was 14.5% below the high level of the previous year (€310.0 million). Eastern Europe saw the upward trend continue in 2023 following the strong revenue increase in the previous year (+32%). Revenue there increased by 5.9% to €196.5 million (previous year: €185.6 million). In all, Krones' revenue in

Share of consolidated revenue	2023		2022		Change
	€ million	%*	€ million	%*	
Germany	452.4	9.6	424.0	10.1	+6.7
Central Europe (excluding Germany)	265.1	5.6	310.0	7.4	-14.5
Western Europe	617.1	13.1	662.5	15.7	-6.9
Eastern Europe	196.5	4.2	185.6	4.4	+5.9
Central Asia (cis)	43.1	0.9	50.2	1.2	-14.2
Middle East/Africa	445.9	9.4	486.1	11.5	-8.3
Asia-Pacific	682.0	14.4	467.4	11.1	+45.9
China	349.8	7.4	344.9	8.2	+1.4
North and Central America	1,193.7	25.3	920.1	21.9	+29.7
South America/Mexico	475.2	10.1	358.5	8.5	+32.6
Total	4,720.7	100.0	4,209.3	100.0	+12.2

* Share of total revenue

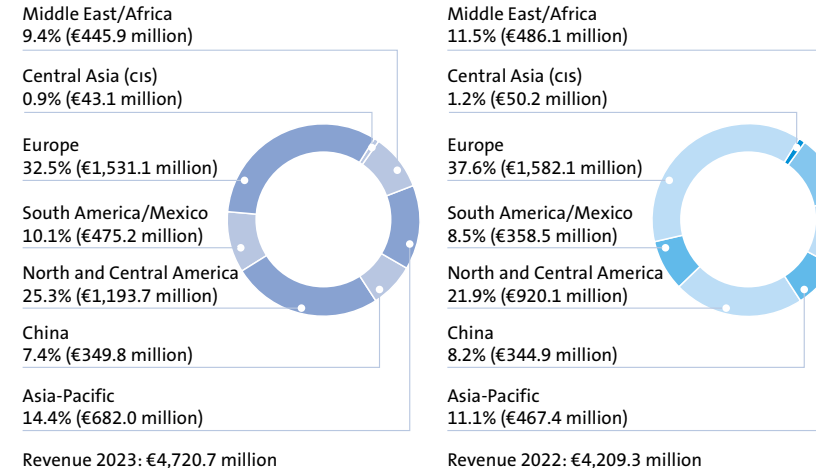
In the Asia/Pacific, South America/Mexico and North and Central America regions, revenue rose sharply in 2023.

Europe (excluding Germany) decreased 6.9% year on year to €1,078.7 million in 2023 (previous year: €1,158.1 million). The share of consolidated revenue in the reporting period thus declined to 22.9% (previous year: 27.5%).

The Central Asia/CIS region now has only a marginal influence on the Krones Group's revenue. Revenue went down by 14.2% in the reporting period, from €50.2 million in 2022 to €43.1 million. The share of Group revenue was consequently just 0.9% (previous year: 1.2%).

In the remaining non-European markets, Krones' revenue increased by a substantial 22.1% in 2023 to €3,146.6 million (previous year: €2,577.0 million). Our business in the Asia/Pacific region grew very dynamically. There, revenue climbed by 45.9%, from €467.4 million in the previous year to €682.0 million. The markets in the region continued to recover from the effects of the coronavirus pandemic, with strong investment. Krones is also able to benefit from the catch-up effects thanks to its strong market presence. The company continued its strong growth in North and Central America in 2023. Compared to the already very high level of the previous year (€920.1 million), revenue increased by 29.7% to €1,193.7 million. Krones is benefiting from continuing high levels of investment, especially in aseptic filling and packaging lines, in what is now our largest sales region. Our business in South America/Mexico also grew disproportionately strongly in the reporting period. Revenue there climbed by 32.6%, from €358.5 million to €475.2 million.

Share of consolidated revenue



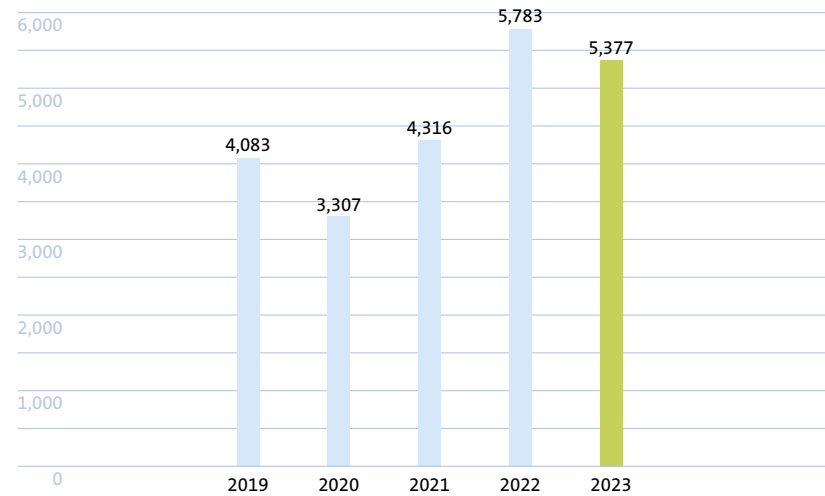
In China, revenue increased slightly compared to the previous year (€ 344.9 million), rising by 1.4% to €349.8 million in 2023. The Middle East/Africa region was hit in 2023 by macroeconomic problems and social unrest and in parts of the region by currency issues. Krones' business nevertheless remained relatively stable. Relative to the good level of the previous year (€486.1 million), revenue fell by 8.3% to €445.9 million.

Krones' internationally balanced customer and revenue mix is one of its strategic strengths. In 2023, the company generated 46.4% (previous year: 44.9%) of Group revenue in emerging and developing markets. The share of revenue generated in mature industrialised countries was 53.6% (previous year: 55.1%).



Order intake

Krones Group order intake (€ million)



Order intake remains at very high level

Demand for the company's products and services remained very high in 2023. At €5,376.6 million, the contract value of orders was only 7.0% below the extremely high record figure from the previous year.

Following extremely strong ordering activity from our customers in the previous year, which was partly influenced by catch-up effects, order intake continued to develop very well in 2023. Despite the subdued overall economic outlook, our international customers in the food and beverage industry continue to show strong willingness to invest and

high levels of market activity. This underscores the low cyclical sensitivity of Krones' customer sectors. At €1,263.0 million, fourth-quarter order intake in 2023 was within the planned range of €1.2 billion to €1.3 billion per quarter and 6.8% higher than in the final quarter of the previous year. In total, Krones received orders worth €5,376.6 million in 2023 (previous year: €5,782.8 million). Order intake remained at a high level in all three segments in 2023. Exchange rates, acquisitions and divestments did not have a material impact on order intake in the reporting period.

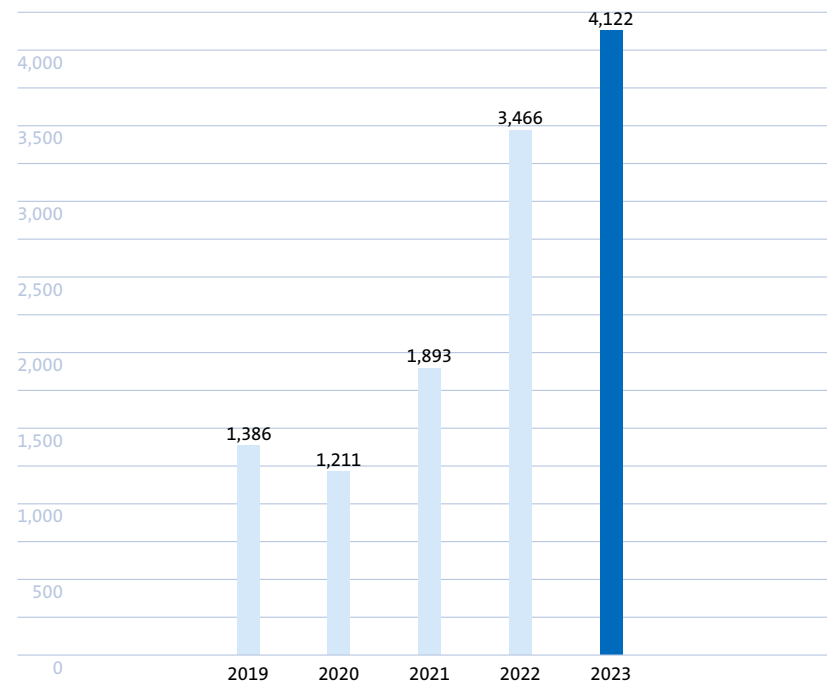
Krones benefited in the reporting period from its broad and innovative range of products and services and from its internationally balanced customer base. Our customers value us as a reliable partner for delivering projects around the globe. This is another reason why our price increases did not influence customer ordering behaviour in 2023.

In North America, Asia/Pacific and Western Europe, order intake outperformed the Group in 2023. Order intake in Central Europe (including Germany) and China was similar to that for the company as a whole. In the Eastern Europe, Middle East/Africa and South America regions, order intake developed below the level of the Krones Group in the reporting period.



Order backlog

Krones Group order backlog (€ million) at 31 December



Krones order backlog increased to €4.12 billion in 2023

Due to the high customer demand, the book-to-bill ratio was 1.14 in 2023. Despite the strong revenue growth, the order backlog thus increased further in the reporting year, surpassing the €4 billion mark in the third quarter.

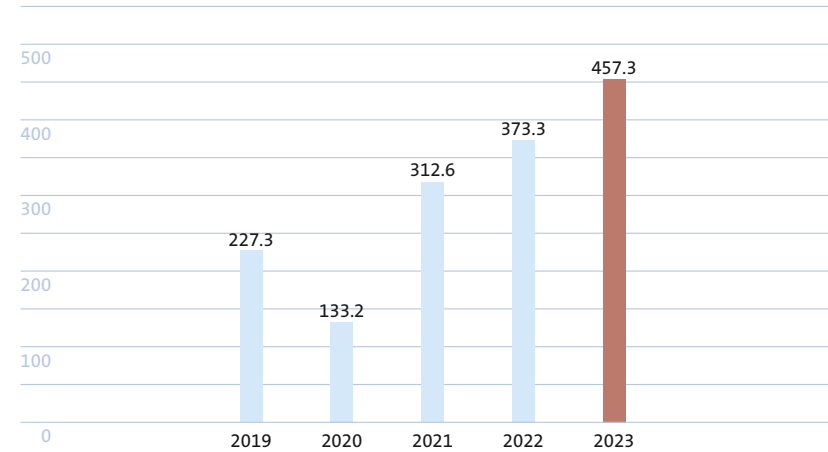
Krones had orders on hand totalling €4,122.3 million at the end of December 2023. The order backlog was therefore €655.9 million or 18.9% higher than the previous year's figure of €3,466.4 million. It should be noted here that the order backlog already increased by 83% in 2022.

The very high order backlog enhances Krones' planning certainty and ensures production capacity utilisation in the lines and project business through to mid-2025.

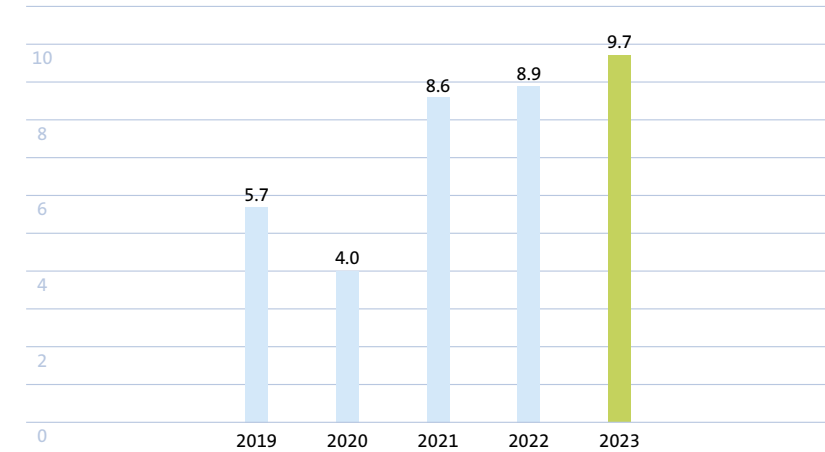


Krones Group earnings

Krones Group EBITDA (€ million)



Krones Group EBITDA margin (%)



Krones significantly improves profitability

Krones operated highly profitably in 2023. The EBITDA margin improved from 8.9% in the previous year to 9.7%.

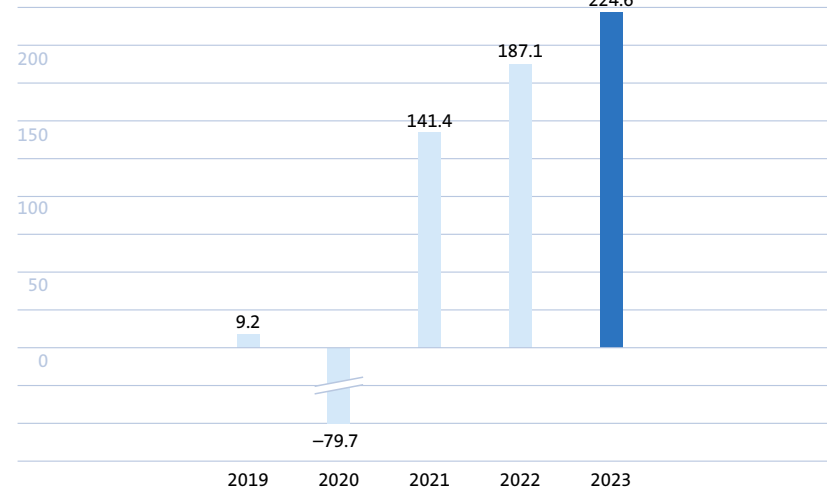
Krones managed well overall with the difficult business environment in 2023 and generated profitable growth. This is attributable to the consistent implementation of the strategic measures and the company's high flexibility. Profitability improved significantly despite increased procurement prices and a change in the product mix. We were able to offset increased costs with price increases for our products.

All key earnings figures increased significantly in 2023. Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose by 22.5% year on year, from €373.3 million to €457.3 million. The EBITDA margin improved from 8.9% in the previous year to 9.7%. Krones thus achieved its EBITDA margin forecast of 9% to 10% for the full year 2023.

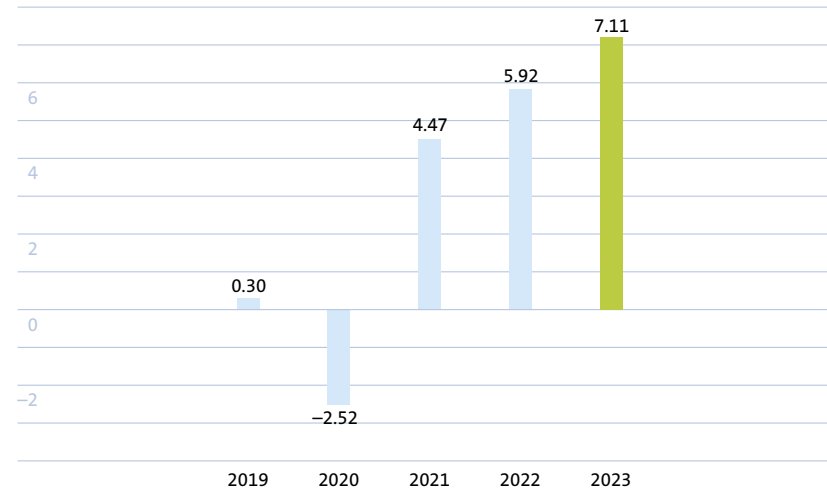
Due to the higher financial income, earnings before taxes (EBT) grew more strongly than EBITDA. EBT climbed by 28.3%, from €242.1 million in the previous year to €310.5 million. This corresponds to an EBT margin of 6.6% (previous



Krones consolidated net income (€ million)



Krones Group earnings per share (€)

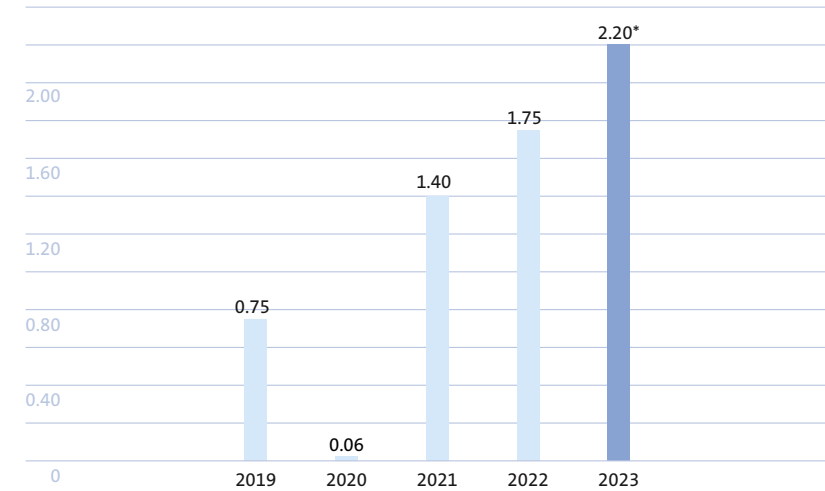


year: 5.8%). Due to the higher tax rate, consolidated net income for 2023 did not increase quite as strongly as EBT. At €224.6 million, consolidated net income was 20.0% higher than the €187.1 million recorded in the previous year. This equates to earnings per share of €7.11 in 2023 (previous year: €5.92). Earnings in 2023 were not materially affected in the reporting period by exchange rates, acquisitions or divestments.

Krones increases dividend to €2.20 per share

At the Annual General Meeting on 4 June 2024, in line with the long-term dividend policy, the Executive Board and Supervisory Board will be proposing the distribution of a dividend of €2.20 per share for the 2023 financial year. Krones will thus increase its dividend by €0.45 or 25.7% compared with the previous year (€1.75), 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	2023	2022	Change
Revenue	4,720.7	4,209.3	+12.2%
Changes in inventories of finished goods and work in progress	+1.1	+48.4	-97.8%
Total operating performance	4,721.7	4,257.7	+10.9%
Other own work capitalised	+44.8	+43.4	+3.2%
Other operating income	+186.8	+165.0	+13.2%
Goods and services purchased	-2,381.9	-2,113.8	+12.7%
Personnel expenses	-1,391.1	-1,269.7	+9.6%
Other operating expenses	-723.0	-709.3	+1.9%
EBITDA	457.3	373.3	+22.5%
Depreciation and amortisation on fixed assets	-166.3	-142.9	+16.4%
EBIT	291.0	230.4	+26.3%
Financial income/expense	+19.5	+11.7	+66.7%
EBT	310.5	242.1	+28.3%
Income tax	-85.9	-55.0	+56.2%
Consolidated net income	224.6	187.1	+20.0%



For further information, please see the full statement of profit and loss on p. 218.

Krones significantly increased revenue and total operating performance in the 2023 financial year, despite the continued tight situation on procurement markets, especially for electrical components. Thanks to the great flexibility and creativity of our employees, the company increased revenue by 12.2% to €4,720.7 million compared to the previous year, which was still slightly affected by the Covid pandemic. Higher sales prices also contributed to the growth in revenue. Total operating performance increased by a slightly smaller rate than revenue, rising by 10.9% to €4,721.7 million. This is due to lower additions to finished goods and work in progress. These grew by €1.1 million in the reporting period, compared to €48.4 million in the prior-year period.

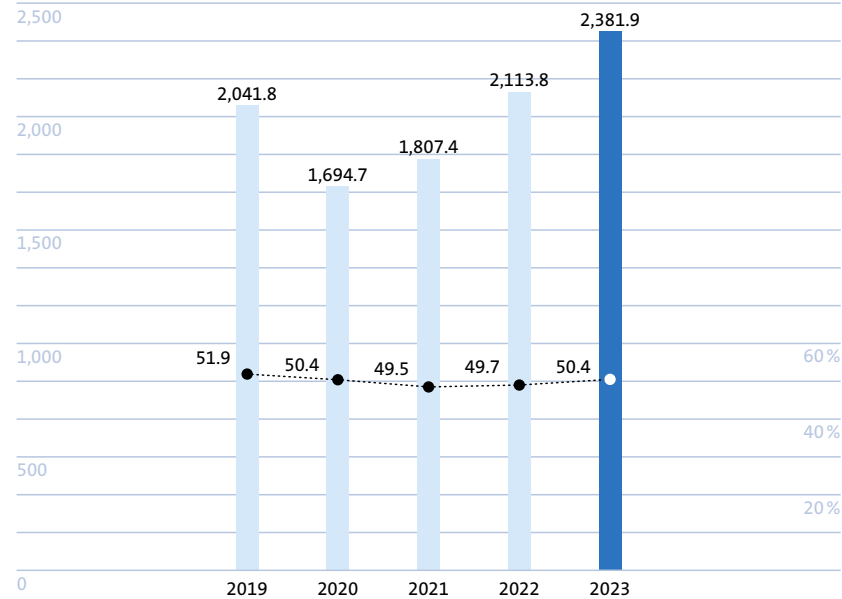
Krones also significantly improved profitability in the reporting period. The main contributing factors here were the consistent implementation of the cost-cutting and efficiency improvement measures initiated in past years, good procurement and production management, and Krones' high degree of flexibility.

Krones improved the EBITDA margin from 8.9% to 9.7% in the reporting period. This was contributed to by a lower personnel expense ratio and a disproportionately small increase in other operating expenses.

Krones' statement of profit and loss was not materially affected by exchange rates, acquisition or divestments in 2023.



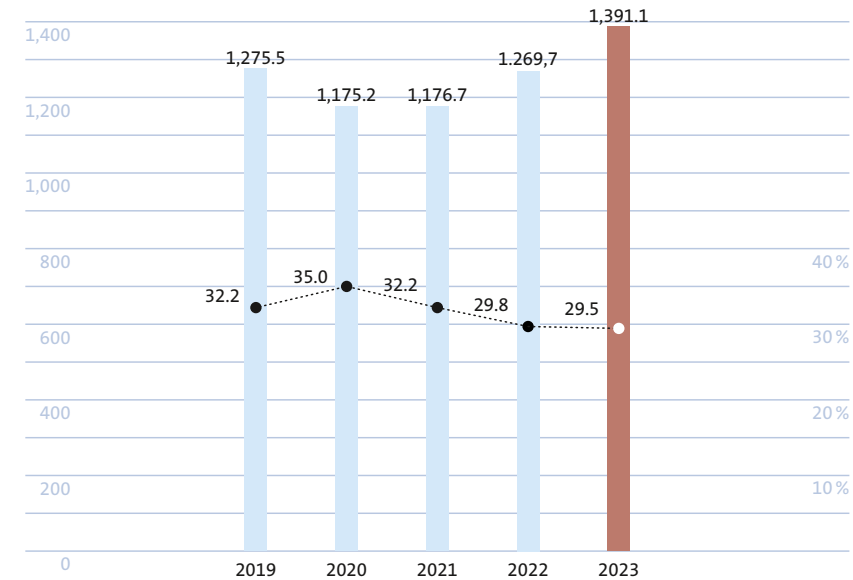
Krones Group goods and services purchased (€ million) and material expense ratio (%)



Cost of goods and services purchased increased by 12.7% to €2,381.9 million in the reporting period, more than the rise in total operating performance. This was mainly due to the increased share of revenue accounted for by the new machinery business, which is significantly more material-intensive than the service business. Krones was able to offset higher material procurement prices in the reporting period through intelligent production and procurement management and through price increases. The material expense ratio – the ratio of goods and services purchased to total operating performance – climbed to 50.4% in 2023 (previous year: 49.7%).

Personnel expenses rose less strongly than total operating performance, increasing by 9.6% to €1,391.1 million in the reporting period. As a result, the personnel expense ratio – the ratio of personnel expenses to total operating

Krones Group personnel expenses (€ million) and personnel expense ratio (%)

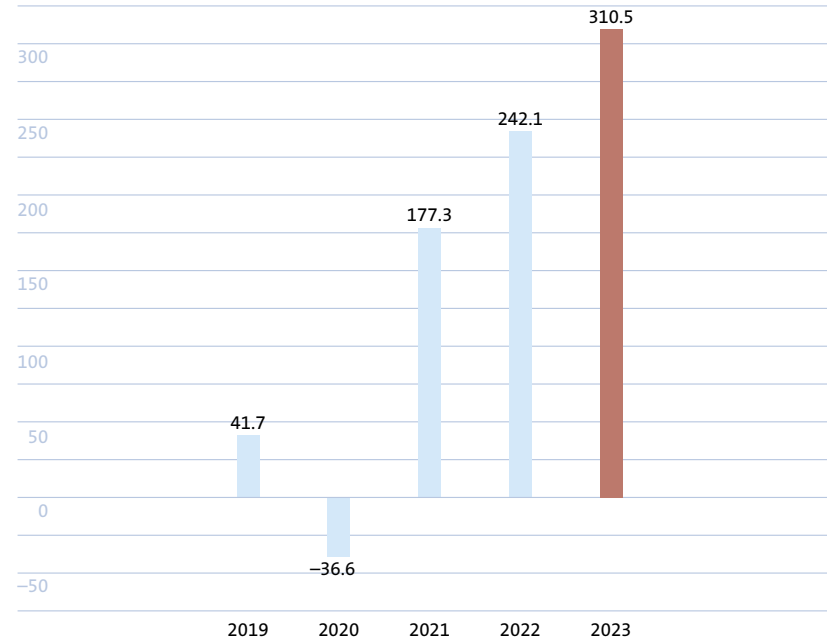


performance – showed a further slight decrease from 29.8% in the previous year to 29.5%. The improvement in the personnel expense ratio was mainly due to the company's high levels of efficiency and flexibility.

At €723.0 million, other operating expenses were only €13.7 million or 1.9% higher in the reporting period than in the previous year. Other operating income went up by 13.2% to €186.8 million. Both other operating expenses and other operating income were influenced by currency effects, although these almost cancelled each other out. Own work capitalised was virtually stable at €44.8 million (previous year: €43.4 million). The net balance of other operating income and expenses and own work capitalised changed from –€500.9 million in the prior-year period to –€491.4 million in the reporting period. As a percentage of total operating performance, this represents a reduction from 11.8% to 10.4%.

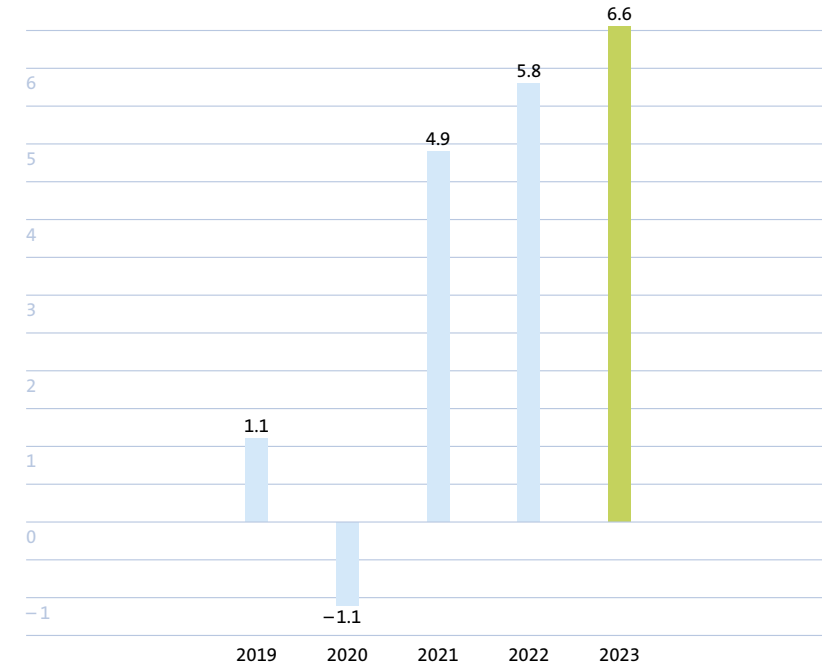


Krones Group EBT (€ million)



Krones' EBITDA (earnings before interest, taxes, depreciation and amortisation) consequently amounted to €457.3 million in the 2023 financial year, marking a year-on-year increase of 22.5%. The EBITDA margin improved from 8.9% to 9.7%. After deducting depreciation and amortisation of fixed assets of €166.3 million (previous year: €142.9 million), earnings before interest and taxes (EBIT) increased by 26.3% to €291.0 million in the reporting period. Depreciation and amortisation of fixed assets includes the effect of measurement adjustments on intangible assets that is almost offset by gains from adjustments of contingent purchase price payments. These gains are reflected in financial income, which increased significantly to €19.5 million (previous year: €11.7 million). The

Krones Group EBT margin (%)



investment income of €3.7 million included in financial income was up slightly on the previous year (€3.1 million).

The measurement adjustments had virtually no overall effect on earnings before taxes (EBT) or on EBITDA. EBT increased in the 2023 financial year by 28.3% to €310.5 million. The EBT margin increased from 5.8% in the previous year to 6.6%. As the company's tax rate of 27.7% for the reporting period was higher than in the previous year (22.7%), consolidated net income improved somewhat less strongly than EBT, increasing by 20.0% to €224.6 million (previous year: €187.1 million).



Statement of cash flows

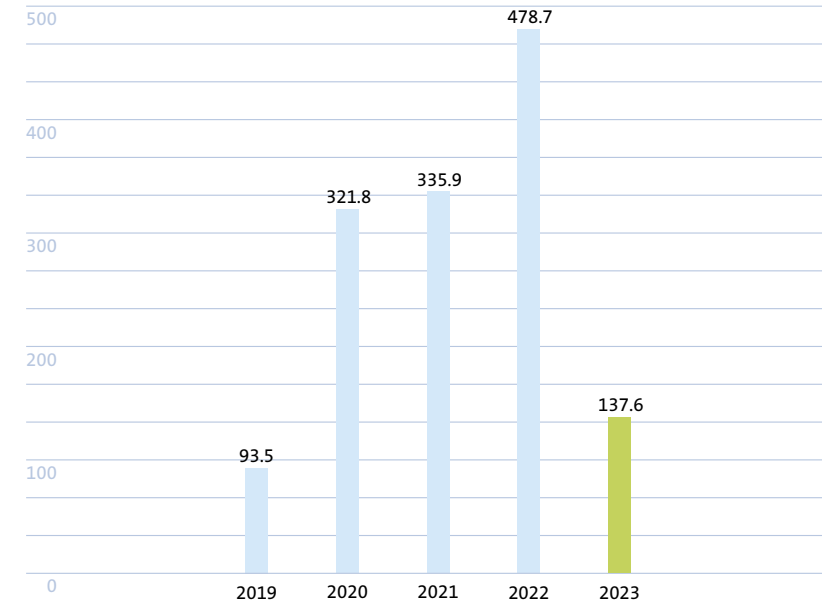
€ million	2023	2022
Earnings before taxes	310.5	242.1
Non-cash changes	+129.9	+189.8
Changes in working capital	-172.3	+136.0
Changes in other assets and liabilities	-130.5	-89.2
Cash flow from operating activities	137.6	478.7
Capital expenditure for intangible assets and property, plant and equipment	-162.7	-118.2
Other	+38.3	+37.7
Free cash flow excluding M&A	13.2	398.2
M&A activities	-114.5	-27.2
Free cash flow (reported)	-101.3	371.0
Cash flow from financing activities	-94.1	-79.8
Other	-30.7	-0.1
Net change in cash and cash equivalents	-226.1	291.1
Cash and cash equivalents at the end of the period	448.4	674.5

For further information, please see the full statement of cash flows on page 222.

As expected, the sharp increase in working capital due to the high volume of business led to a decline in cash flow from operating activities and free cash flow in the 2023 financial year.

As expected, Krones' cash flow from operating activities fell from the high figure of €478.7 million in the previous year to €137.6 million in the reporting period. The main reason for the decline of €341.1 million was the expected increase in working capital by €172.3 million. In the previous year, a €136.0 million decrease in working capital had a positive

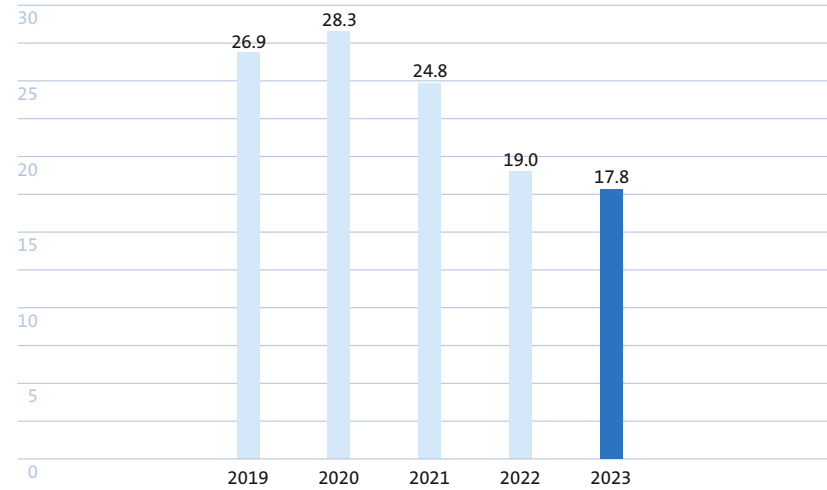
Krones Group cash flow from operating activities (€ million)



impact on cash flow from operating activities. Other assets and liabilities had a €130.5 million negative impact on cash flow from operating activities (previous year: €89.2 million). This mainly relates to tax payments. In addition to the €68.4 million increase in earnings before taxes, non-cash changes – mainly depreciation and amortization and changes in provisions – also made a positive contribution to cash flow from operating activities. At €129.9 million, however, this was smaller in the reporting period than the €189.8 million recorded in the previous year.



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

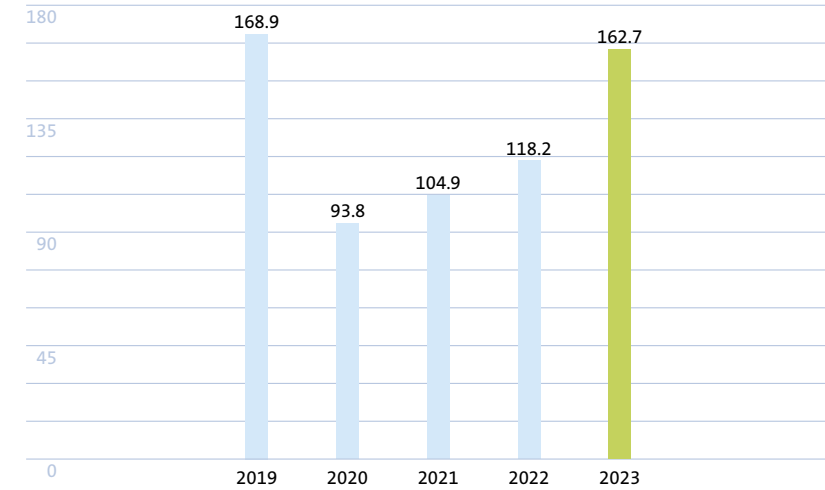


Working capital as a percentage of revenue improved from 19.0% to 17.8%

Despite the sharp increase in working capital in the reporting period, Krones once again significantly improved average working capital over the past four quarters as a percentage of revenue. This fell from 19.0% in the previous year to 17.8%.

Krones built up working capital by €172.3 million in the reporting period. The increased business volume resulted in a rise in contract assets, trade receivables and inventories, which was not matched by the higher contract liabilities (mainly advance payments from customers) and trade payables. Krones nevertheless improved average working capital over the past four quarters as a percentage of revenue to 17.8% (previous year: 19.0%). The working capital to revenue ratio was 16.3% as of the reporting date (previous year: 14.1%).

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

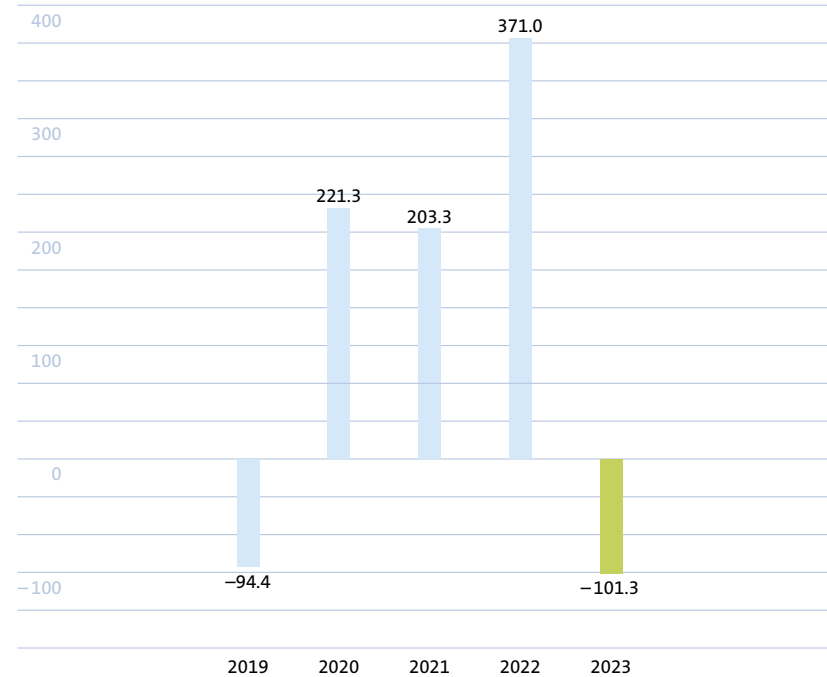


The supplier finance programme used by Krones is accounted for under trade payables as it does not significantly alter the contractual terms of the payables. Correspondingly, the cash outflow is included in cash flow from operating activities.

Free cash flow as expected below the very high level of the previous year

As planned, Krones increased capital expenditure on property, plant and equipment and intangible assets to €162.7 million in the reporting period (previous year: €118.2 million). Relative to revenue, the capital expenditure ratio was 3.4% in 2023 (previous year: 2.8%) and thus in line with planning. The ratio of capital expenditure to depreciation and amortisation increased from 0.83 in the previous year to 0.98.

Krones Group free cash flow (€ million)

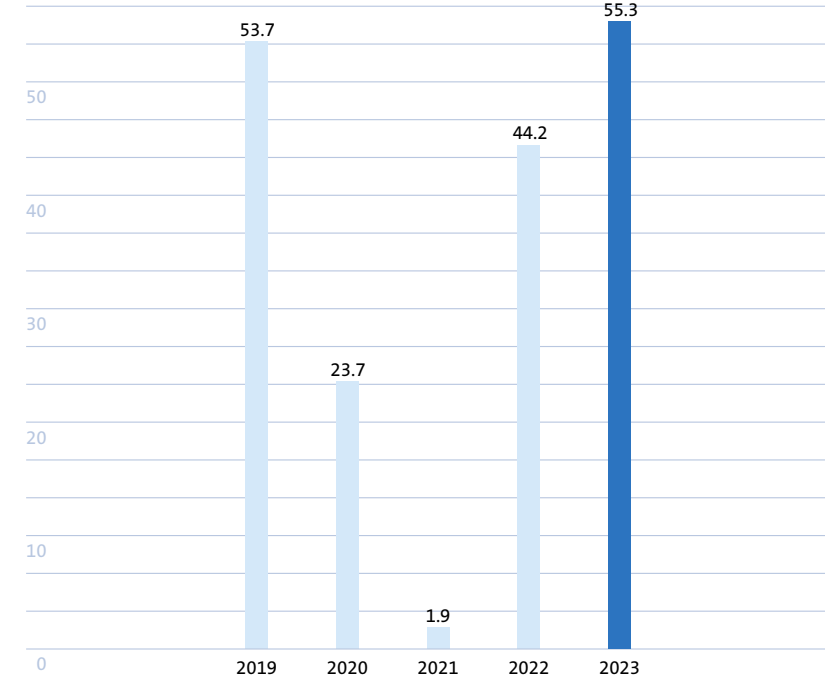


As planned, the company increased capital expenditure in the 2023 financial year to €162.7 million (previous year: €118.2 million). The ratio of capital expenditure to depreciation and amortisation was 0.98 (previous year: 0.83).

Including M&A, free cash flow went down by €472.3 million to –€101.3 million (previous year: +€371.0 million). The main reason for the expected significant decline in free cash flow in the reporting period was the sharp increase in working capital due to the high business volume.

Due to the acquisition of Ampco Pumps, the company incurred an additional €114.5 million cash outflow from M&A activities in the period from January to December (previous year: €27.2 million). Adjusted for M&A activities, free cash flow (the net cash inflow generated from operating activities) was positive at €13.2 million (previous year: €398.2 million). Including

Krones Group dividend payout (€ million)




The cash outflow from financing activities, at €94.1 million, increased in the 2023 financial year relative to the previous year (€79.8 million). In the reporting period, this item included the cash outflow from the dividend payout of €55.3 million (previous year: €44.2 million), the repayment of lease liabilities in the amount of €37.6 million (previous year: €35.5 million) and the repayment of bank debt in the amount of €1.2 million (previous year: €0.1 million). Changes in exchange rates and in the consolidated group decreased liquidity by €30.7 million, after a €0.1 million decrease in the previous year. In total, Krones had cash and cash equivalents totalling €448.4 million at 31 December 2023 (previous year: €674.5 million). Net cash (cash less bank debt) stood at €444.6 million (previous year: €669.5 million).



Assets and capital structure

€ million at 31 December	2023	2022	2021
Non-current assets	1,327	1,164	1,133
of which fixed assets	1,241	1,064	1,001
Current assets	3,150	3,007	2,362
of which cash and equivalents	448	675	383
Equity	1,715	1,598	1,392
Total debt	2,762	2,573	2,103
Non-current liabilities	410	375	434
Current liabilities	2,352	2,198	1,669
Total	4,477	4,171	3,495

 For further information, please see the full statement of financial position on page 220 and 221.

Krones' total assets increased by 7.3% in the reporting period, a smaller increase than the rise in total operating performance (10.9%).

Krones' total assets increased by 7.3% in the reporting period and thus by less than the 10.9% rise in total operating performance. Total assets came to €4,477.1 million as of 31 December 2023 (31 December 2022: €4,171.2 million). The increase was mainly due to the planned increase in working capital and higher fixed assets.

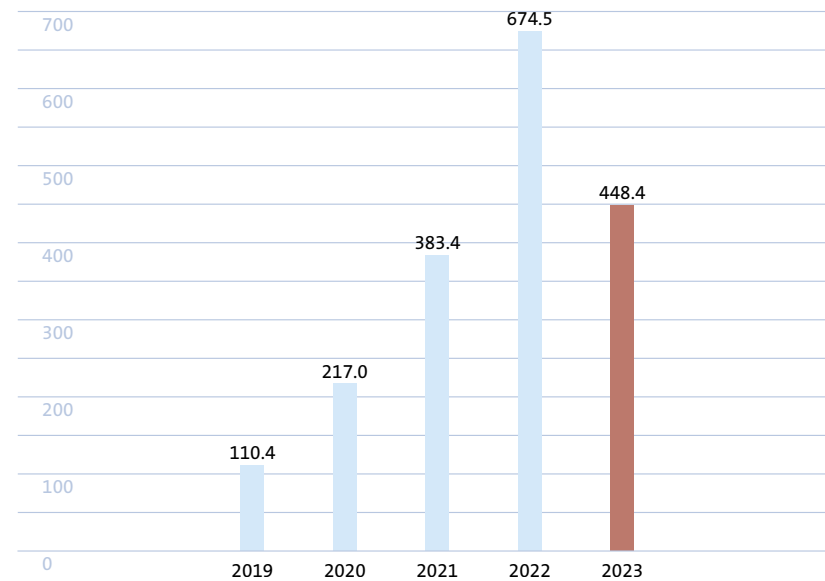
There were no material exchange rate or divestment effects in the reporting period on any assets side or equity and liabilities side items of the statement of financial position. The acquisition of Ampco Pumps mainly affected non-current assets and cash and cash equivalents.

Non-current assets rose in the financial year to €1,327.4 million (31 December 2022: €1,164.2 million), as fixed assets increased to €1,241.0 million (31 December 2022: €1,064.0 million). The increase in fixed assets related to intangible assets. These climbed from €349.3 million at the end of 2022 to €460.7 million. This was mainly due to the acquisition and initial consolidation of the US company Ampco Pumps as of 1 June 2023. At €762.6 million, property, plant and equipment and right-of-use assets were at a similar level at 31 December to the 2022 year-end (€693.7 million).

Krones' current assets rose in 2023 due to the further growth in business volume. Current assets came to €3,149.7 million as of the reporting date, which is 4.7% or €142.7 million higher than the figure as of 31 December 2022. The main contributing factor was the significant increase in contract assets by €328.8 million to €1,056.3 million. Inventories also increased due to the strong revenue growth, with an inventory build-up of €51.9 million to €641.4 million in the 2023 financial year due to the continued tight situation on the procurement markets, particularly in the first half of 2023. In contrast, Krones was able to reduce trade receivables from €820.2 million in the previous year to €778.7 million. There was a significant decrease in cash and cash equivalents during the reporting period. These decreased from €674.5 million to €448.4 million, mainly due to the negative free cash flow and the payment of the purchase price for Ampco Pumps.



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



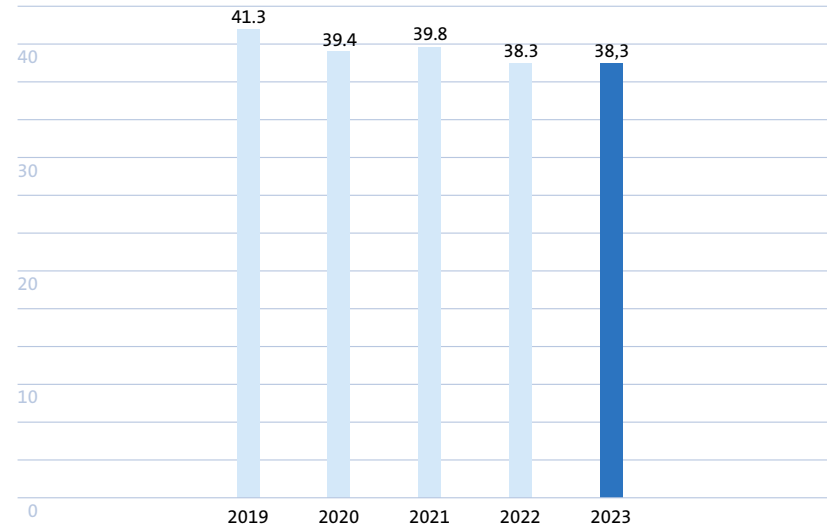
On the equity and liabilities side of the statement of financial position, Krones increased current liabilities between January and December 2023. These went up by 7.0% or €153.8 million to €2,352.0 million. This was mostly due to a €139.5 million increase in contract liabilities to €1,041.0 million. That increase mainly reflected the higher prepayments from customers. Due to the increased business volume, trade payables rose to €723.2 million (31 December 2022: €684.2

million). This includes supplier finance liabilities of €141.4 million (previous year: €123.1 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 and therefore continue to be presented as liabilities in the statement of financial position. Other liabilities and provisions decreased in the reporting period by €40.9 million to €351.0 million. The company had current bank debt of €1.2 million at the reporting date (previous year: €0.0 million).

Non-current liabilities also increased as of 31 December 2023. These were up €35.4 million to €410.2 million. This was partly due to an increase in other financial liabilities and lease liabilities by €20.5 million to €129.5 million. These mainly went up due to contingent purchase price adjustments from the acquisition of Ampco Pumps. Provisions for pensions also rose, increasing due to changes in actuarial assumptions from €166.6 million to €178.4 million. At the end of the 2023 financial year, the company had non-current bank debt totalling €2.5 million (31 December 2022: €5.0 million).



Krones Group equity ratio (%)

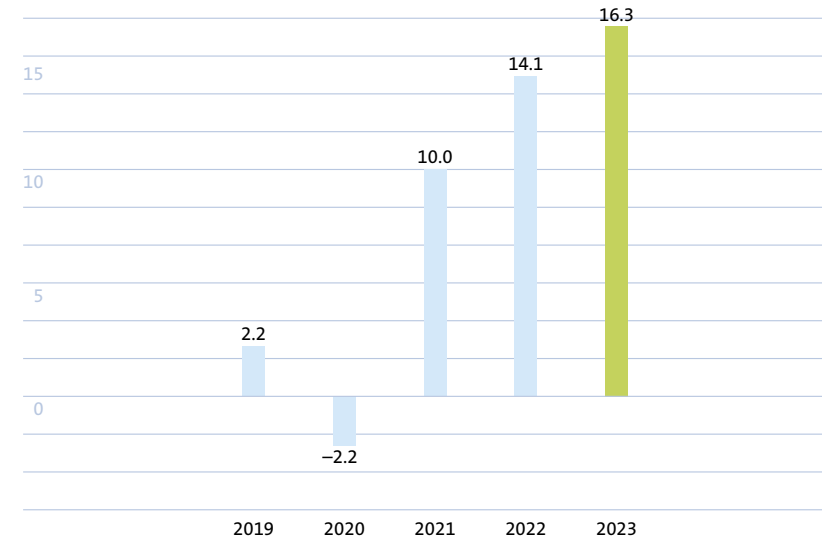


Significant increases in equity and ROCE – continued high level of net cash

The solid 38.3% equity ratio and €444.6 million in net cash provide a stable foundation for investment in the future and sustained profitable growth at Krones.

Mainly due to the positive consolidated net income, equity increased relative to the 2022 reporting date by €116.8 million or 7.3% to €1,714.9 million. The equity ratio was stable at 38.3% as of December 31, 2023 (December 31, 2022: 38.3%). With net cash (cash and cash equivalents less bank debt) of €444.6 million at

Krones Group ROCE (%)



the end of the reporting period (31 December 2022: €669.5 million), Krones continues to have a very stable and solid financial and capital structure. In addition, Krones had available around €0.9 billion in unused lines of credit as of 31 December 2023.

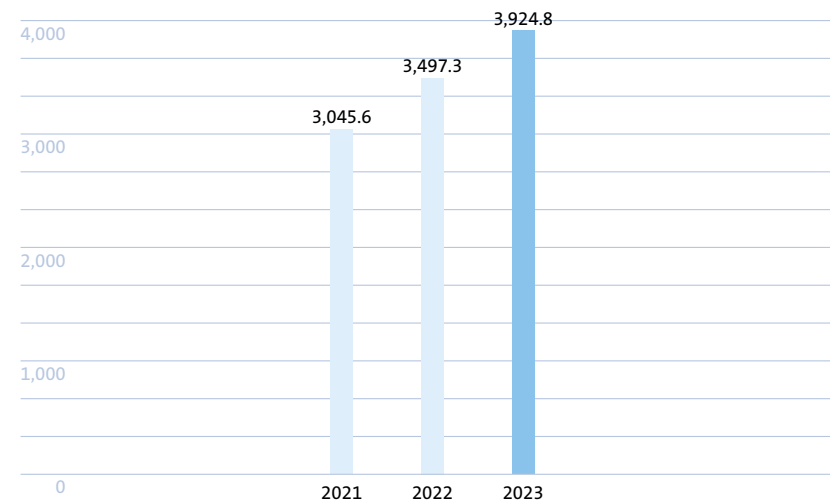
Krones significantly improved return on capital employed (ROCE) – the ratio of EBIT to average net capital employed over the last four quarters – from 14.1% to 16.3% in the reporting period, mainly as a result of the higher EBIT.



Report from the segments

Filling and Packaging Technology segment

Segment revenue (€ million)

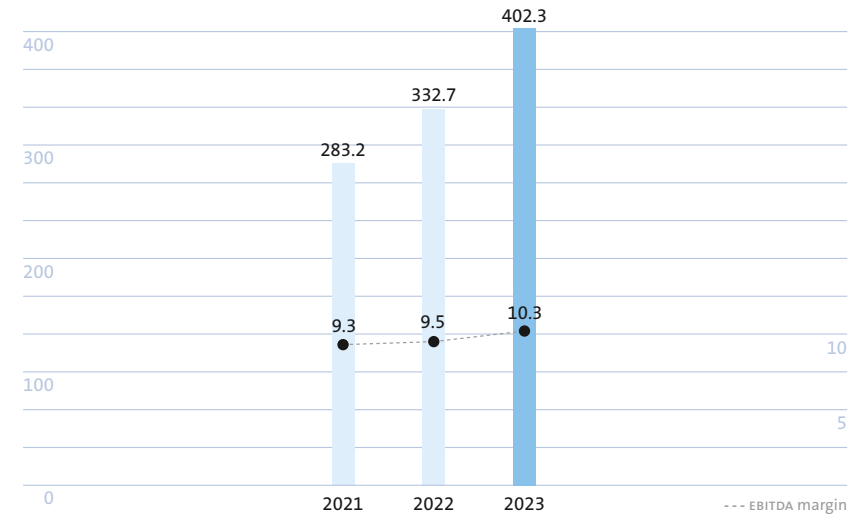


Segment revenue

Revenue in the core segment increased by 12.2% to €3,924.8 million in 2023, under challenging production conditions. The growth target was 10% to 12%.

Through successful production and procurement management and the creativity of the employees, the core Filling and Packaging Technology segment grew strongly in 2023 despite the short supply of electrical components. Revenue rose by 12.2% year on year, from €3,497.3 million to €3,924.8 million. Krones thus achieved the upper end of the segment's already increased growth target range of 10% to 12% for the full year 2023. The new machinery business showed disproportionately large revenue growth. Revenue growth in the reporting year was supported by price increases for our products. Krones generated 83.1% of consolidated revenue in the core segment in 2023 (previous year: 83.1%).

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



Segment earnings

The profitability of the Filling and Packaging Technology segment benefited in 2023 from the high flexibility of Krones and its employees. In addition, we were able to offset increases in the costs of materials with price increases for our products. Although the new machinery business accounted for an increased share of revenue, profitability nevertheless improved as forecast. Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose in 2023 by 20.9% year on year, from €332.7 million to €402.3 million. As a result, the EBITDA margin increased to 10.3% (previous year: 9.5%). The EBITDA margin target for the full year 2023 was 9% to 11%.

In the core segment, the EBITDA margin improved from 9.5% in the previous year to 10.3% in 2023.



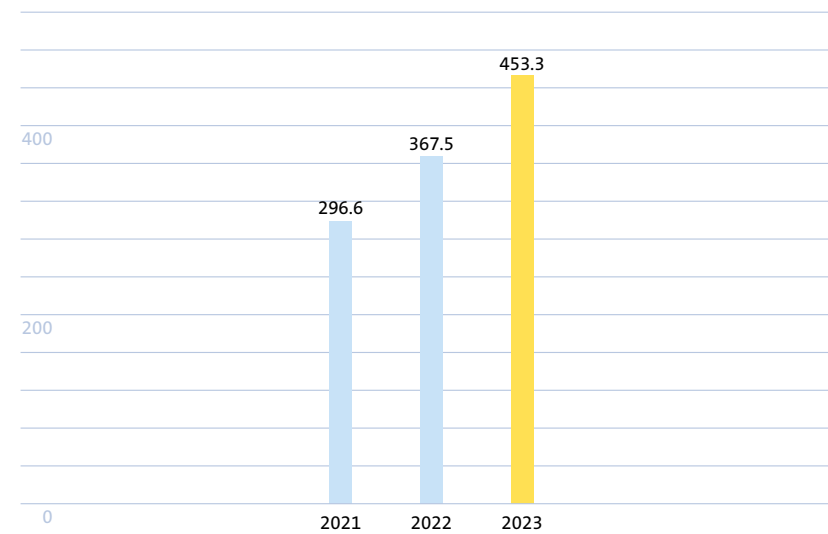
Filling and Packaging Technology segment





Process Technology segment

Segment revenue (€ million)

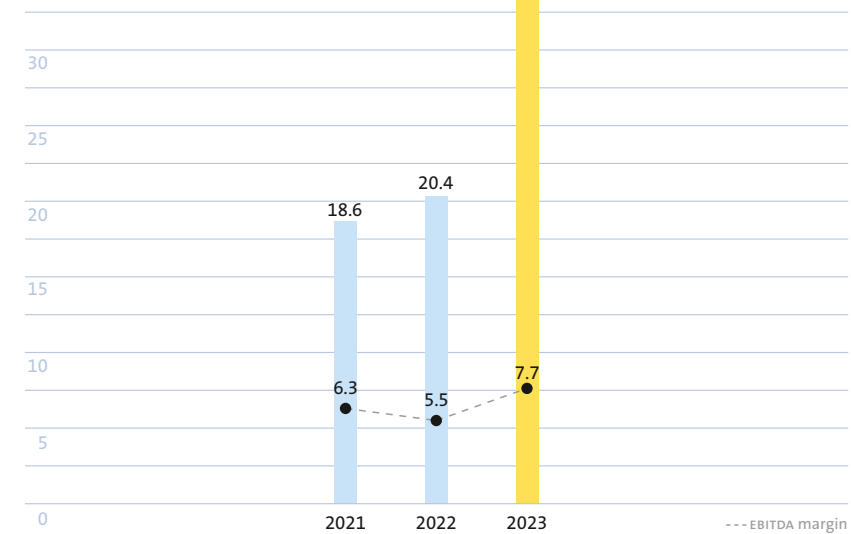


Segment revenue

The Process Technology segment grew strongly in 2023. At €453.3 million, revenue was 23.4% higher than in the previous year.

As expected, the Process Technology segment grew disproportionately strongly in 2023. Revenue went up by 23.4% year on year, from €367.5 million to €453.3 million. The segment thus reached the upper end of the upgraded growth forecast of 20% to 25%. The revenue growth is mainly an outcome of the focus on smaller projects, stronger sales of individual machines and increased demand for components such as valves and pumps. The acquisition of Ampco Pumps as of 1 June 2023 contributed only marginally to revenue in the Process Technology segment. This segment's share of consolidated revenue increased from 8.7% in the previous year to 9.6% in 2023.

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



Segment earnings

Due to a strong fourth quarter, the profitability of the Process Technology segment developed better than planned in 2023 overall. EBITDA (earnings before interest, taxes, depreciation and amortisation)

climbed 70.0% in the reporting period, from €20.4 million to €34.7 million.

The EBITDA margin rose from 5.5% in the previous year to 7.7%, which is above the full-year margin target of 6% to 7%. It benefited in the reporting period from the high level of production capacity utilisation. The spin-off of the brewery business into a separate company in 2022 while adapting the processes to the project business have also had a sustained positive impact on profitability. The acquisition of Ampco Pumps, which Kronen included in the consolidated financial statements for the first time as of 1 June 2023, did not materially affect segment earnings in 2023.

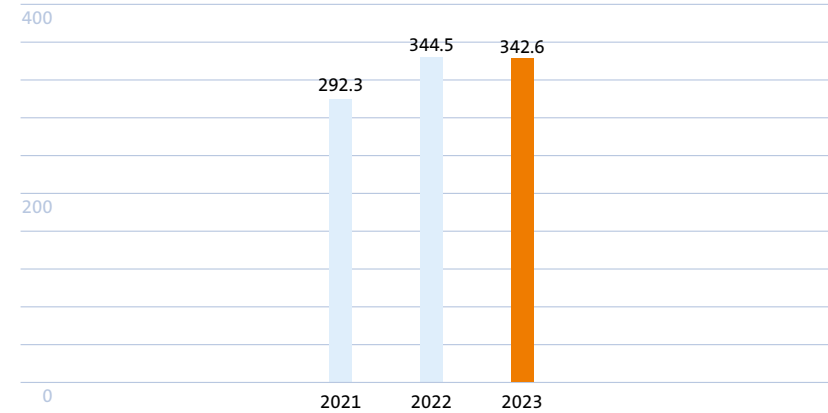
Profitability in the Process Technology segment developed very well in 2023. The EBITDA margin rose to 7.7% (previous year: 5.5%).





Intralogistics segment

Segment revenue (€ million)

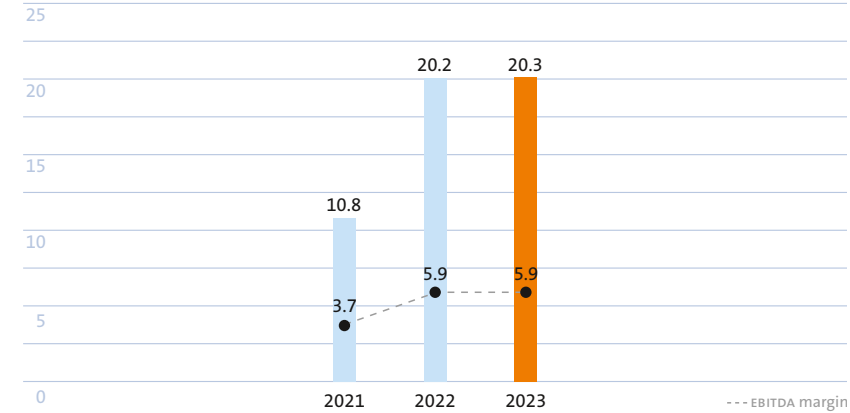


Segment revenue

Revenue in the Intralogistics segment remained stable in 2023. The forecast was for growth of 10% to 15%.

Business momentum in the Intralogistics segment slowed over the course of the reporting period. In total, the segment did not achieve the growth target of 10% to 15% forecast for the full year 2023. The revenue of €342.6 million from January to December 2023 was slightly down on the previous year's figure of €344.5 million. In a highly competitive market environment, the segment focused on projects with smaller order sizes but above-average margins, particularly in the fourth quarter. Krones Intralogistics has good growth prospects for the medium to long term. The segment benefits from growing demand for innovative automation solutions. The segment's share of consolidated revenue decreased to 7.3% in 2023 (previous year: 8.2%).

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



Segment earnings

In line with the stable revenue, earnings before interest, taxes, depreciation and amortisation (EBITDA) also changed only slightly year on year in 2023, from €20.2 million to €20.3 million. This results in an EBITDA margin of 5.9% (previous year: 5.9%). The full year forecast for 2023 was 6% to 7%. In the fourth quarter of the reporting period, despite lower revenue than a year earlier, the segment generated a higher EBITDA margin than in the preceding quarters and the prior-year quarter.

The EBITDA margin in the Intralogistics segment remained stable at 5.9% in 2023.





Overall assessment of **economic position**

The pace of world economic growth slowed in 2023. Global economic output nevertheless grew slightly more strongly than the International Monetary Fund (IMF) predicted at the start of the year, with an increase of 3.1% (2022: 3.5%).

Demand for packaged beverages is steadily rising worldwide. As a result, Krones' markets are less affected by cyclical fluctuations and continued to develop well in 2023. This benefited the company as a leading full-service supplier to the international filling and packaging industry. In the reporting period, Krones continued its profitable growth path, improved profitability and met the Group financial targets for the full year 2023.

Revenue went up by 12.2% year on year, from €4,209.3 million to €4,720.7 million. Krones thus achieved the upgraded growth target of 11% to 13% published in July 2023 (previously: 8% to 11%).

Following the extremely strong ordering activity in 2022, Krones' customers continued to show strong willingness to invest during the reporting period. The company generated an order intake of €5,376.6 million (previous year: €5,782.8 million). Due to the strong demand, Krones' order backlog increased in 2023 despite the revenue growth. Krones had orders on hand totalling €4,122.3 million at the end of the reporting period. The order backlog was thus 18.9% up on the previous year (€3,466.4 million).

Thanks to the high flexibility of the workforce, Krones managed well in 2023 with the challenging conditions and improved profitability in the reporting period. Earnings before interest, taxes, depreciation and amortisation (EBITDA) went up by 22.5%, from €373.3 million in the previous year to €457.3 million. The EBITDA margin improved to 9.7% (previous year: 8.9%). Krones thus achieved its EBITDA margin target for 2023 of 9% to 10%. In total, the company generated

consolidated net income of €224.6 million in the reporting period, up 20.0% on 2022 (€187.1 million).

Before acquisitions, Krones' free cash flow amounted to a positive €13.2 million in the reporting period (previous year: €398.2 million). Including acquisitions, Krones generated free cash flow of –€101.3 million in 2023 (previous year: +€371.0 million). The ratio of average working capital for the past four quarters to revenue improved to 17.8% (previous year: 19.0%). Due to the higher earnings before interest and taxes (EBIT), Krones significantly improved return on capital employed (ROCE) – the third financial target alongside revenue growth and the EBITDA margin – to 16.3% in 2023 (previous year: 14.1%). It therefore met the ROCE target for 2023 of 15% to 17%.

The company's net cash (cash and cash equivalents less bank debt) amounted to €444.6 million at the end of 2023 (previous year: €669.5 million). The equity ratio was 38.3% (previous year: 38.3%). Overall, Krones continues to possess a very robust financial and capital structure.

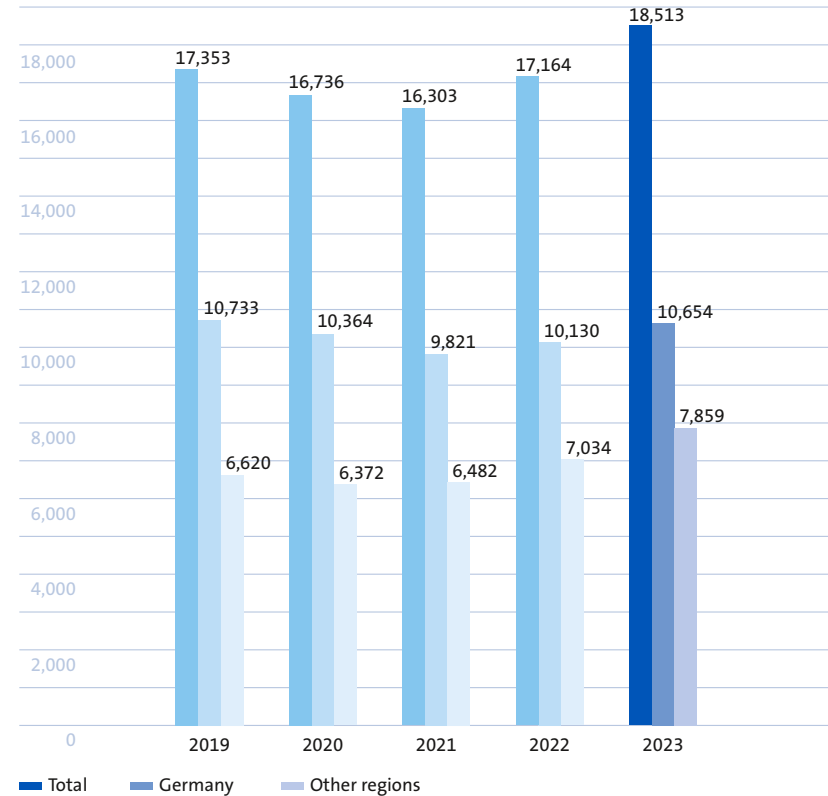
Krones started the 2024 financial year with an extremely large order backlog and is optimistic for the year as a whole. However, there are a number of uncertainties. These include geopolitical risks in Europe, the Middle East and other parts of the world.

Based on the prevailing macroeconomic outlook and the current expected development of the markets relevant to Krones, the company forecasts consolidated revenue growth of 9% to 13% in 2024, with an improved EBITDA margin of 9.8% to 10.3% and higher ROCE of 17% to 19%. The forecast figures include the effects of the acquisition of Netstal Maschinen AG, which is still to be finalised.



Krones Employees

Employees by region



Number of employees up 7.9% worldwide to 18,513

As a result of the continuing very positive business performance, Krones increased the workforce in the reporting year by 1,349 employees or 7.9% to 18,513. Once again, the number of employees grew at a lower rate than revenue (up 12.2%). This growth in the workforce is mainly due to the ongoing positive development of our international markets. The number of people employed outside Germany thus rose by 11.7%, or 825 employees to 7,859. It should be noted that 126 employees were added in North America as a result of the acquisition of US-based Ampco Pumps. In Germany, employee numbers grew by less than the total, with an increase of 524 or 5.2% to 10,654. The international share of the workforce went up in the reporting period to 42.5% (previous year: 41.0%).

In the 2023 financial year, Krones increased the number of employees by 1,349 to 18,513. This mainly reflects the recovery of our international markets. The proportion of the workforce employed internationally rose to 42.5% (previous year: 41.0%).

Above-average workforce growth in emerging and developing markets

Much of the increase in the international workforce was in emerging and developing economies and in service. The number of employees in these regions grew in the reporting year by 568 of 12.7% to 5,027. The largest increase (by 253) was in the Eastern Europe region. There, Krones added to the workforce at the Czech IT subsidiary Konplan and at the Hungarian production site in Debrecen. At the end of the reporting period, 27.2% of the Krones team was employed in these regions (previous year: 26.0%).



Employees in the emerging and developing markets 2019–2023

Year	South America	Africa	Asia-Pacific	Eastern Europe	China	Total
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
2023	943	681	1,143	1,345	915	5,027

Krones significantly expanded the emerging and developing markets workforce in 2023 by 568 or 12.7% to 5,027 employees. That represents 27.2% (previous year: 26.0%) of the total workforce.

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

the proportion of the workforce in emerging and developing markets, mainly in the service business. Hiring more employees for our international locations brings us closer to our customers and enables us to provide faster service.

The Krones workforce is the most important factor in the long-term success of our company. Krones consequently continues to invest heavily in training and employee development in order to ensure a highly qualified and motivated team for the long term.



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 2024 financial year. Opportunities are potential positive deviations from our earnings forecast for the 2024 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 segments.

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

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

Krones presents risks on page 184 in a three-column table. 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 product 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 assessment 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 not only serves 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.

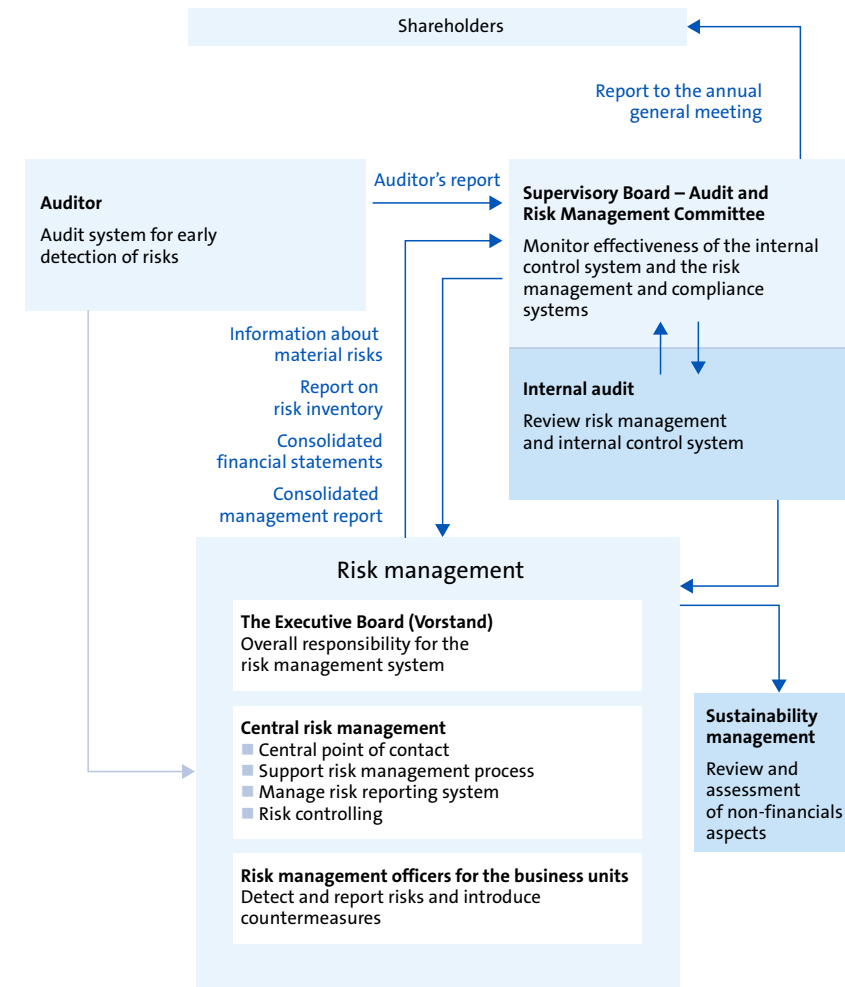
In addition, in accordance with the Financial Market Integrity Strengthening Act (FISG), the Audit Com-

mittee 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.

Non-financial impacts of identified risks on the environmental, social and governance (ESG) dimensions are analysed and documented in cooperation with Group sustainability management.

Risk management organisation at Krones





Key features of the internal control system and the risk management system related 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 departments 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 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 not effective.



Overview and description of material risks

Risk categories	Maximum loss	Likelihood of an event	Financial impact
General business environment and industry-specific risks			
■ General economic risks	high	low	high
■ 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	medium	medium	medium
Operational risks			
■ Price risk	medium	medium	low
■ Procurement risks	high	medium	medium
■ Cost risk	high	low	medium
■ Personnel risk	low	low	low
Legal risks	high	medium	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 on page 180.

General business environment and industry-specific risks

General economic risks

Demand for packaged beverages is robust to economic cycles. As a provider of products and services for the food and beverage industries, Krones is therefore less dependent on economic cycles than other machinery manufacturers. However, the company cannot escape the influence of the general economic situation entirely.

The forecasts for global economic growth in 2024 are relatively subdued. According to the International Monetary Fund, growth momentum is not expected to accelerate compared to the previous year. There are a number of macroeconomic uncertainties that could cause the global economy to perform worse than forecast in 2024. This results in macroeconomic risks for Krones.

One macroeconomic risk is that inflation will not fall as expected. Rising inflation rates could be triggered by geopolitical tensions in the Middle East, which would lead to a sharp hike in oil prices, which could potentially also affect other procurement prices. If inflation rates are higher, there is a risk that the central banks, and above all the U.S. Federal Reserve, will not cut interest rates as forecast for 2024. This could have a negative influence on U.S. and therefore also world economic growth. That would negatively impact demand for our products and services and hence Krones' earnings.

As well as in the Middle East, geopolitical tensions could also escalate in other regions. This also constitutes a risk factor for the global economy. A military attack by China on Taiwan, for example, would have unforeseeable global economic consequences. Growth would presumably be far lower than expected. This would have a negative impact on Krones' business. The ongoing Russia-Ukraine conflict also continues to be a macroeconomic risk factor. This conflict could spread further and have a greater negative impact on the global economy in 2024 than expected. That would also negatively affect Krones' revenue and earnings.



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. Depending on the outcome of the US presidential elections, this risk could increase (for example due to an intensification of the “America first” policy). If global economic growth were to be weaker than expected due to trade conflicts, that would negatively impact Krones’ earnings.

Another macroeconomic risk is the development of the Chinese economy. This continues to suffer from the problems on the property market. There is a risk that these problems will worsen and affect large parts of the economy. This could lead, for example, 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 on the global financial markets and lead to a world 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 low and the financial impact as high.

Industry-specific risks

Krones is exposed to industry-specific risks primarily through the development of the global beverage packaging market and the actions of competitors. Demand for packaged beverages shows stable long-term growth and is robust to economic cycles. The willingness of international beverage companies to invest could nevertheless be temporarily hit by exogenous factors such as increased borrowing costs or regional market regulation. This would also adversely affect demand for Krones’ products and services.

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 and offering customers products that generate added value for them. Krones’ strong focus on service through global centres and branches also sets the company apart from competitors.

There is a fundamental risk of plastic as a primary and secondary packaging material being perceived negatively by the public. Plastic and PET packaging has thus been a subject of increasing 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. We are countering this risk by further extending our technological lead and offering alternative packaging solutions.

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 accordance 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, where applicable 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 2023 Trade receivables and contract assets	1,853,833	1,706,333	88,924	19,880	14,891	23,805
31 Dec 2022 Trade receivables and contract assets	1,574,790	1,438,483	88,496	24,522	21,701	1,588

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 movements 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. These funds primarily serve to finance working capital and capital expenditures. 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 2023 influence the company's liquidity situation.

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

€ thousand	Carrying amount 31 Dec 2023	Cash flow for 2024		Cash flow for 2025–2028		Cash flow for beyond 2028	
		Interest	Repay- ment	Interest	Repay- ment	Interest	Repay- ment
Derivative financial instruments	4,998	0	4,870	0	128	0	0
Liabilities to banks	3,765	29	1,244	24	2,521	0	0
Trade payables	723,164	0	723,164	0	0	0	0
Liabilities from leases	135,975	2,185	35,792	6,225	74,701	1,975	25,482
Other financial liabilities	146,027	0	115,282	0	30,745	0	0
Total	1,013,929	2,214	880,352	6,249	108,095	1,975	25,482

€ thousand	Carrying amount 31 Dec 2022	Cash flow for 2023		Cash flow for 2024–2027		Cash flow for beyond 2027	
		Interest	Repay- ment	Interest	Repay- ment	Interest	Repay- ment
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	20,717



3. Interest rate risk

Krones is exposed to risk arising from possible fluctuations in market interest rates. As of the 2023 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 2023 € thousand	Currency USD	Currency CAD	Currency CNY	Currency GBP
Consolidated statement of profit and loss	17,606	-86	3,067	1,159
Consolidated equity	22,421	567	3,543	955

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

Impact of currency risk: We rate the maximum loss as medium, 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 2023 provides a good basis for Krones to maintain uniform production capacity utilisation in 2024. 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 loss as medium, the likelihood of an event as medium and the financial impact as low.

2. Procurement risks

Compared to the previous year, the procurement market and global supply chain situation eased in 2023. Prices nevertheless continued to rise in some cases, and Krones experienced temporary shortages of materials in production due to supply bottlenecks, especially for electronic components. We expect that the situation on the procurement markets, including for electronic components, will continue to improve in 2024. However, procuring enough materials and supplier parts on time remains a major challenge in 2024.



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 the main commodity price risks.

We have factored both an easing of the procurement market and further price increases for selected product groups into our earnings forecast for 2024. 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.

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

3. Cost risk

Our earnings forecast is based on the assumption that we will achieve cost reductions in 2024 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 are taken without delay.

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

4. Personnel risk

Beside 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 address this risk in a variety of ways. Ongoing cooperation with colleges and universities ensures us early access to qualified employees. We regularly employ students pursuing their bachelor's and master's degrees. Krones itself trains young people in various occupations and has a consistently high post-training hire rate. We also counter personnel risk by taking on temporary employees. In addition, we continuously improve the qualification level of our workforce with extensive further training and professional development measures. We also use professional HR consultants.

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

Legal risks

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

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



Environmental and safety risks

As a manufacturing company, Krones is exposed to risks relating to the environment and safety that could lead to possible harm to individuals, 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.

As a general trend, 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 mainly arise for Krones if the global economy performs better in 2024 than has been predicted, for example, by the experts at the International Monetary Fund in January 2024 (3.1% growth). Krones is very well positioned internationally due to our broad 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 and developing economies were to grow faster than expected. For the euro area and the US, the experts at the International Monetary Fund project only below-average economic growth in 2024. Europe and the US are large and important markets for Krones. If the growth momentum is stronger than expected in these regions, Krones would benefit. In addition, an end to the Russia-Ukraine conflict or to other geopolitical tensions, such as in the Middle East, could have positive effects on the global economy and hence also on Krones' business.



Industry-specific opportunities

Beverage and food producers are paying increasing attention to sustainability. They are focusing on saving energy and other resources and keeping their carbon footprint as small as possible. There is a chance of this trend intensifying. Customers may also be more willing to accept higher prices for filling and packaging technology that helps them achieve their sustainability goals. 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. Krones has developed enviro dynamically onwards, from individual machines to complete lines and packaging solutions. This has given the company a competitive edge in sustainability, thus opening up additional revenue and earnings opportunities for Krones in this regard.

Digitalisation also presents considerable added business 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, including with new business models.

Opportunities arising from acquisitions

Krones continued to implement its acquisition strategy in 2023 and purchased a 90% stake in Ampco Pumps, USA. Ampco Pumps is a major supplier of hygienic pumps to the US food and beverage market. With this acquisition, Krones has expanded the components business in the Process Technology segment. Acquisitions remain in our strategic focus. 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 enables Krones to seize opportunities for external growth. Krones' earnings planning for 2024 already includes the effects of the acquisition of Netstal Maschinen AG, which is still to be finalised. Potential future acquisitions are not included in the earnings planning. External growth could open up opportunities for Krones.

Operational opportunities

1. Selling prices

Krones was able to compensate for higher procurement costs in 2023 with price increases for its products. Due to in some cases long delivery times, this effect will continue to be felt in 2024. Price increases remain a strategic focus for Krones. The very large order backlog at the start of 2024 helps the company in implementing its pricing strategy and applying a selective order acceptance policy. Our revenue and earnings guidance for 2024 includes only slight or product-dependent price increases. There is a chance that selling prices will develop better than forecast in 2024 and that this will have a positive impact on Krones' earnings.

2. Procurement prices

As part of the strategic expansion of its global footprint, Krones procures more and more materials locally at the company's locations worldwide and in best-cost countries. In addition, we increasingly buy standardised parts and complete assemblies from suppliers. Both approaches lead to more favourable procurement prices. The opportunity exists that, overall, Krones might save more in terms of material costs than forecast. 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 earnings improvement targeted for 2024. 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 two years 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 already discontinued new business in Russia in 2022. Revenue in Russia and Ukraine accounted for less than 1% of consolidated revenue in 2023. Overall, the remaining business in the two countries has a very minor impact on the revenue and earnings forecasts for 2024.

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

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 2023. This increases planning certainty and has a positive overall effect on the risk situation.

Compared with the previous year, our assessment of the risks has essentially changed as follows: There has been an increase in the financial impact of macroeconomic risks and in the likelihood of an event with regard to price risk and legal risks. We have seen a decrease in the financial impact of procurement risks, in the maximum loss from currency risk and in the likelihood of an event with regard to macroeconomic and cost risks.

The main risks are concentrated in the general business environment and in industry-specific and operational 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.



Report on **expected developments**

- Global economy to grow 3.1% in 2024
- Krones forecasts further revenue growth in the current year
- Profitability once again to increase in 2024

Global economy expected to grow 3.1% in 2024

The Russia-Ukraine conflict, the Middle East conflict and high interest rates will slow global economic growth in 2024. According to the IMF, the euro area economy will remain weak with growth of 0.9%, while the emerging and developing markets are expected to grow by 4.1%.

In January 2024, the International Monetary Fund (IMF) projected global economic growth of 3.1% for 2024. This is once again below the recent long-term average of 3.8% (2000-2019). The Russia-Ukraine conflict and the Middle East conflict remain negative factors for the current year. Economic activity is also being tempered by persistently high interest rates aimed at curbing inflation. On the positive side, the

experts note the resilience of major economies – and especially the US – to the recent crises and the fact that inflation has fallen faster than expected.

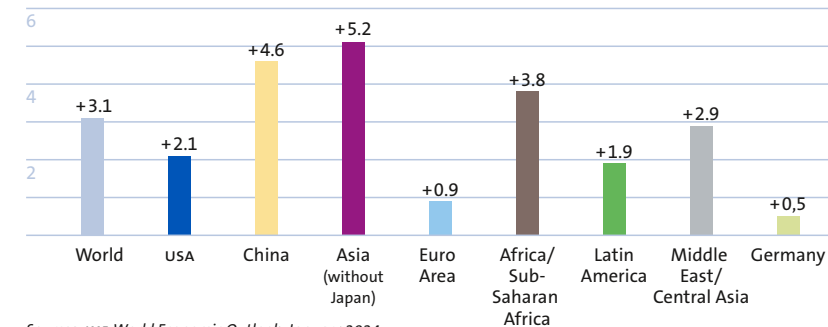
The IMF economists see downside risks to the growth forecast among other things in a further weakening of the Chinese economy and the increasing emergence of geo-economic blocs inhibiting free trade. A further risk factor identified by the experts is core inflation, which is proving to be highly persistent. Larger swings in commodity prices (for food, oil, gas, fertilisers, etc.) due to geopolitical conflicts and climate change could also reduce the expected growth.

For industrialised economies, the IMF once again anticipates GDP growth to be below average in 2024, at 1.5%. As Europe is no longer suffering as severely from the Russia-Ukraine conflict as in the last couple of years, the IMF forecasts that

the euro area will see growth rise to 0.9%. Germany continues to lag behind with projected growth of just 0.5%. The IMF expects the US economy to grow by 2.1% in 2024. In Japan, growth is likely to slow somewhat after a good year in 2023. The IMF's forecast is for growth of 0.9% in the current year.

In emerging and developing markets, the IMF predicts economic growth of 4.1% in 2024, as in the previous year. For China, the IMF expects GDP growth to fall sharply, from 5.2% in the previous year to 4.6% in the current year. India, which is now the world's fifth-largest economy after Germany, will once again record the highest growth rate among the emerging and developing markets in 2024, at 6.5%. While Latin America will also have below-average growth (of 1.9%) in the current year, the Middle East/Central Asia region is set to grow by 2.9%.

Percentage GDP growth in 2024 (forecast)

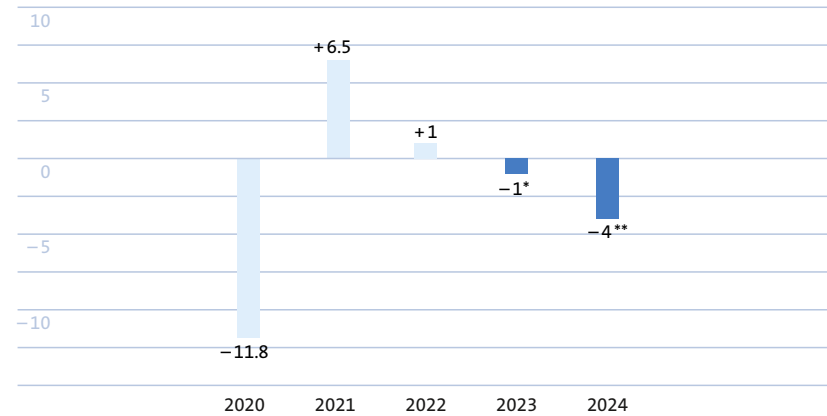


Sources: IMF, World Economic Outlook, January 2024



Weak economy weighing down machinery sector

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



* Estimate **Forecast

Source: Germany's Federal Statistical Office, vDMA, December 2023

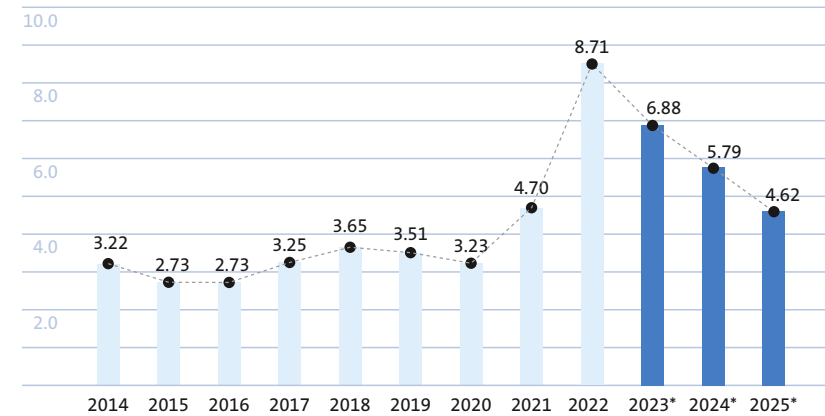
The German Mechanical Engineering Industry Association (vDMA) expects that the ongoing slump in the global economy will continue to impact the entire industry this year. After a slight 1% fall in 2023, the vDMA expects output to decline by 4% in 2024. The main reason for the forecast decline, besides the general weakening of the economy, is the significantly smaller order backlog in the entire sector compared to the previous year. This is expected to provide less of a bolster for production in the current year. It should be noted in general here that the various subsectors of the industry are developing at very different rates.

The vDMA expects that the food processing machinery and packaging machinery subsector relevant to Krones will show growth of 4% to 5% in 2024*.

* Source: vDMA Food Processing and Packaging Machinery Association, February 2024

Krones' customers benefiting from rising beverage consumption

Global inflation rate 2014 to 2022 and forecast to 2025, in %



* Forecast

Source: Statista 2024 (as of February 2024)

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 ongoing low unemployment and with inflation on the way down again, we expect overall consumer and customer demand to be stable in 2024. Private consumption has also proved to be a pillar of economic growth in many countries during the recent difficult years. According to Global Data figures, the global consumption of packaged beverages, which is important for our customers, is expected to grow at an average annual rate of 2.8% from 2023 to 2026.



Good overall prospects for positive business performance in 2024

Krones is optimistic overall going into the 2024 financial year. The reasons for this are a large order backlog and sustained good demand for Krones' products and services – despite only slow economic growth.

However, there are still risks for the global economy and thus also for Krones' business performance. 2024 will be characterised by economic and geopolitical uncertainties. For example, it is difficult to predict how the Russia-Ukraine conflict and the Middle East conflict will develop and what impact they 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 develop positively.

Overall, we fundamentally expect that the global market for filling and packaging equipment will develop well and that selling prices follow a positive trend in 2024. Competition in our markets and cost pressure 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 increasing world population and the growing middle class in emerging and developing markets. The focus on sustainability and digitalisation is likewise making for stable demand growth for innovative beverage filling and packaging machinery.

Because they share comparable sales and procurement markets, the economic, sectoral and company-specific outlooks essentially apply to all three segments of the Krones Group.

All three segments to increase revenue and profitability in 2024

In order to counteract the rise in material and labour costs throughout the Group, Krones will continue to adhere strictly to its pricing strategy in all three segments in the current year and will maintain sales prices in line with the market. We will also continue to press ahead with the steps taken by the company to optimise costs and increase efficiency.

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. We focus on medium-sized, profitable companies that complement the existing portfolio technologically and regionally or provide access to markets beyond the beverage and liquid food industry.

The goal in 2024 is to increase profitability in all segments, supported by higher revenue.

Filling and Packaging Technology segment

	Guidance for 2024	2023 actual	Revised guidance for 2023**	Guidance for 2023*
Revenue growth	9–13%	12.2%	10–12%	7–9%
EBITDA margin	10.3%–10.8%	10.3%	9–11%	9–11%

* From the report on expected developments in the 2022 management report

** From the report on expected developments in the interim report for the period 1 January to 30 June 2023

In the core segment, **Filling and Packaging Technology**, Krones will continue to streamline and optimise internal structures and processes in the current year. For example, the PET recycling activities will be managed as a standalone unit from mid-2024 in order to even better exploit the growth opportunities in the plastic recycling market. In addition, the focus in the core segment is on expanding our global footprint. The company will expand production in Hungary and China together with the related supply chains and strengthen the global service network by recruiting additional local talent. This ensures that Krones is close to its customers and can even better leverage the opportunities of digitalisation in production and service.

Our customers' ambitious goals of sustainable low-carbon production will also support the growth of the core segment in the current financial year. Krones is very well positioned with its resource-efficient enviro products and its sustainable and circular PET solutions. In addition, the company will make use of its line expertise to consolidate and expand its market position in efficient, reliable, high-performance filling and packaging lines for PET, glass, cans and aseptics.

For the core segment in 2024, Krones expects 9% to 13% revenue growth with an EBITDA margin of 10.3% to 10.8%.

The forecast figures include the effects of the acquisition of Netstal Maschinen AG, which is still to be finalised.

Process Technology segment

	Guidance for 2024	2023 actual	Revised guidance for 2023**	Guidance for 2023*
Revenue growth	15–20%	23.4%	20–25%	15–20%
EBITDA margin	8–9%	7.7%	6–7%	6–7%

* From the report on expected developments in the 2022 management report

** From the report on expected developments in the interim report for the period 1 January to 30 June 2023

In the Process Technology segment, as elsewhere, Krones is benefiting substantially from the trend among our customers towards sustainable and economical production. The company is well positioned here with our energy-efficient solutions for beverage production and handling and our technologies for the production of alternative proteins. Expansion of the after-sales and components business together with the successful integration of Ampco Pumps, USA, which was acquired in 2023, is also expected to make an additional contribution to growth and earnings.

In 2024, the Process Technology segment is expected to increase revenue by between 15% and 20% year on year and improve the EBITDA margin to between 8% and 9%.

Krones will continue to optimise the cost structures in Process Technology in the current year. This involves streamlining and digitalising processes and structures while making the global units more flexible and interconnected.

Krones forecasts revenue growth of 15% to 20% for the Process Technology segment in 2024, with an EBITDA margin of around 8% to 9%.



Intralogistics segment

	Guidance for 2024	2023 actual	Revised guidance for 2023**	Guidance for 2023*
Revenue growth	5–10%	–0.6%	10–15%	10–15%
EBITDA margin	6–7%	5.9%	6–7%	6–7%

* From the report on expected developments in the 2022 management report

** From the report on expected developments in the interim report for the period 1 January to 30 June 2023

The **Intralogistics** segment benefits from customers saving costs and energy with automation solutions from Intralogistics subsidiary System Logistics, while significantly improving workplace safety and employee workloads.

To generate further growth in a highly competitive environment, the segment will increasingly exploit the opportunities offered by the dynamically growing North American market. On the products side, the expansion of automated picking systems and autonomous mobile robots is also expected to further improve profitability in Intralogistics.

Krones forecasts revenue growth of 5% to 10% for Intralogistics in 2024. The EBITDA margin is expected to be between 6% and 7%.

Krones forecasts that the Group will further increase all three financial targets in 2024

Krones expects to further improve revenue, EBITDA margin and ROCE in 2024.

Krones made a strong start to the 2024 financial year with a comfortable order backlog. At the same time, various uncertainties mean that the business environment remains challenging for Krones. These include geopolitical risks in Europe, the Middle East and other parts of the world. Material shortages and problems in global supply chains that could result from military action along important trade routes 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 9% to 13% in 2024.

On the basis of increasing revenue, an ongoing disciplined price strategy and continued implementation of the cost optimisation measures, Krones aims to improve profitability again this year compared to 2023, despite rising material and labour costs. At group level for 2024, the company forecasts an EBITDA margin of 9.8% to 10.3%.

For the third performance target, return on capital employed (ROCE), Krones expects an increase this year to between 17% and 19%.

The forecast figures include the effects of the acquisition of Netstal Maschinen AG, which is still to be finalised.

Krones Group

	Guidance for 2024	2023 actual	Revised guidance for 2023**	Guidance for 2023*
Revenue growth	9–13%	12.2%	11–13%	8–11%
EBITDA margin	9.8% to 10.3%	9.7%	9–10%	9–10%
ROCE	17–19%	16.3%	15–17%	15–17%

* From the report on expected developments in the 2022 management report

** As per ad-hoc disclosure of 17 July 2023



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 2023 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 2023. 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 a 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 close of business on the twenty-second 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 2023 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 of the German Commercial Code (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 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, Germany (indirect), Nora Diepold (née Kronseder), Germany (indirect), Gunther Kronseder, Germany (indirect), VMAX Familienstiftung, Neutraubling, Germany (direct and indirect), Harald Kronseder, Switzerland (direct and indirect), Harald Kronseder Holding GmbH, Neutraubling, Germany (indirect), Beteiligungsgesellschaft Kronseder mbH, Neutraubling, Germany (direct and indirect), Dr. Volker Kronseder, Germany (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	52.1%

Changes to the shareholdings listed above that are not required to be reported to the company may have occurred since the last notification to the company by the party concerned. 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 Section 179 (2) sentence 1 AktG, resolutions of the annual general meeting amending the articles of association also require, in addition to a simple majority of votes, a majority of the share capital represented in the vote, unless a larger majority is prescribed by law. The Supervisory Board is authorised to make amendments that affect only the wording of the articles of association (Section 179 (1) sentence 2 AktG in conjunction with Section 13 of the articles of association). In addition, the Supervisory Board is authorised by resolution of the annual general meeting of 17 June 2021 to amend the articles of association in accordance with any utilisation of Authorised Capital 2021 (as defined below) 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 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 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 23 May 2023, the Executive Board is authorised, with the approval of the Supervisory Board, up to and including 22 May 2028, 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 23 May 2023, the Executive Board is authorised to use any treasury shares bought in accordance with Section 71 (1) No. 8 of the Stock Corporation Act for any permissible purpose, and in particular as follows:

- 1) The shares may be sold through a stock exchange or, with the approval of the Supervisory Board, by way of a public offer addressed to all shareholders in keeping with their investment share. In the latter case, subscription rights are excluded for fractional amounts.
- 2) The shares may, with the approval of the Supervisory Board, be offered and transferred to third parties in return for contributions in kind. The aforementioned shares may be used to end or settle valuation proceedings under company law (gesellschaftsrechtliche Spruchverfahren) relating to affiliated companies. In this case, shareholders' respective subscription rights will be excluded.

- 3) The shares may, with Supervisory Board approval, be sold to third parties against cash payment if the price at which the shares in the company are sold is not significantly lower than the stock exchange price of a company share at the time of sale (within the meaning of Section 186 (3) sentence 4 AktG). In this case, shareholders' respective subscription rights will be excluded.
- 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. In this case, shareholders' respective subscription rights will be excluded.
- 5) The shares may be offered to all shareholders, who can then assign (in whole or in part) their claim to cash payout of the dividend arising from the annual general meeting's resolution on the appropriation of earnings available for distribution in exchange for treasury shares (share dividend).
- 6) 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.
- 7) The Executive Board can also cancel the shares by a simplified process without reducing the share capital so that the proportion of the other shares in relation to the share capital is increased through the cancellation.

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 authorisations can 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.



The shareholders' subscription rights on these treasury shares are excluded insofar as the shares are used as described under items 1) through to 4) above in accordance with the above authorisations. The Executive Board is authorised to exclude shareholders' subscription rights, with the approval of the Supervisory Board, if the treasury shares are used for the purpose laid out under item 5) above.

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 Kronos Aktiengesellschaft on 23 May 2023 published in the Federal Gazette on 13 April 2023.

Kronos 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.

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:

“After careful examination and to the best of its knowledge, the Executive Board confirms that in the 2023 financial year

- no legal transactions were carried out between Krones AG and Familie Kronseder Konsortium GbR, and
- no further legal transactions other than the legal transactions listed in Annex 2 were carried out between Krones AG and shareholders of Familie Kronseder Konsortium GbR or their affiliates.

Krones AG did not carry out any 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.

Krones AG received appropriate consideration within the meaning of section 312 AktG for every transaction made between Krones AG and the shareholders of Familie Kronseder Konsortium GbR and their affiliates in the reporting period. This assessment is based on the circumstances known to us at the time of the reportable events.”



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



Neutraubling, 12 March 2024
Krones AG

The Executive Board

Christoph Klenk
CEO

Uta Anders
CFO

Thomas Ricker
CSO

Markus Tischer

Ralf Goldbrunner



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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:

Since issuing the declaration of compliance of January 2023 – updated in July 2023 and September 2023 – Krones Aktiengesellschaft has 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 28 April 2022 (entered into force on 27 June 2022), in accordance with the German Corporate Governance Code published on the Internet (hereinafter the Code), with the following exceptions, and will continue to comply with the recommendations in the future with the following exceptions:

- Recommendation C.10 was not fully complied with from 23 May 2023 to 13 September 2023. This specifies that 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.

At the constitutive meeting of the Audit and Risk Management Committee on 23 May 2023, Norbert Broger was elected as committee chairman. As Norbert Broger was CFO of Krones Aktiengesellschaft until 31 December 2022, the Supervisory Board did not consider him to be independent of the company within the meaning of the German Corporate Governance Code. The members of the Supervisory Board and of the Audit and Risk Management Committee considered that Norbert Broger was outstandingly well suited for the



position in view of his vast expertise and experience in plant and mechanical engineering. On 13 September 2023, the Supervisory Board Audit and Risk Management Committee elected Mr. Matthias Winkler as its new Chairman after the previous Chairman of the Audit and Risk Management Committee, Mr. Norbert Broger, stepped down from the chairmanship by mutual agreement with immediate effect. In the opinion of the Supervisory Board, Mr. Winkler is independent of the company, the Executive Board and the controlling shareholder within the meaning of the German Corporate Governance Code. As a result, there has no longer been any departure from Recommendation C.10 since 13 September 2023, nor will there be in the future.

Accordingly, a deviation from Recommendation C.10 was declared for the aforementioned period. The temporarily declared deviation ceased to apply on 13 September 2023. This recommendation will be complied with in the future.

- 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 Kronen 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 Kronen 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. Instead, suitable account should be given to the structure of the variable remuneration. 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 2024

For the Executive Board:

Christoph Klenk
Chairman of the Executive Board

For the Supervisory 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 Kronos has specified the following objectives for its composition:

The Supervisory Board of Kronos AG shall be composed in such a way as to ensure that the Supervisory Board is able to professionally monitor and advise the Executive Board. A mutually complementary collaboration between members with different personal and professional backgrounds and diversity in terms of internationally, age and gender is considered beneficial to this end.

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

The candidates nominated for election to the Supervisory Board shall possess the knowledge, skills and professional experience required to properly perform the duties of a member of the Supervisory Board of an international corporation and to preserve Kronos AG's public reputation. In particular, the members of the Supervisory Board shall possess the necessary knowledge, skills and professional experience (professional suitability) in the following areas:

- Corporate control (includes key areas such as organisation, risk management and strategy)
- Accounting
- Auditing
- Human resources (includes key areas such as personnel management and personnel development)
- Legal and compliance
- Financing
- Sustainability
- Digitalisation
- International experience
- Sectoral expertise

On the basis of Section 100 (5) AktG, the members of the Supervisory Board as a whole shall be familiar with the sector in which Kronos AG pursues its activities. At least one Supervisory Board member must possess expertise in the field of accounting and at least one other Supervisory Board member must possess expertise in the field of auditing.

The expertise in the field of accounting shall include specialist knowledge and experience in the application of accounting principles and internal control and risk management systems and the expertise in the field of auditing shall include specialist knowledge and experience in auditing. Accounting and auditing also include sustainability reporting and its auditing. The chairperson of the Audit and Risk Management Committee shall be an expert in at least one of the two fields.

**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 three female employee representatives, Dr. Verena Di Pasquale, Beate Eva Maria Pöpperl and Olga Redda.

c) Independence of members

The independence of the members of the Supervisory Board is to be ensured in order to prevent conflicts of interest. Potential candidates shall not serve as advisors or board members to major competitors of Krones AG and shall not hold management positions at companies that are customers, suppliers or Krones AG group companies. The Supervisory Board shall contain no more than two former members of the Executive Board. In the person of Volker Kronseder and Norbert Broger, only two former members of the Executive Board of Krones AG are members of the Supervisory 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, this was the case for Volker Kronseder, Nora Diepold, Robert Friedmann, Prof. Dr. Susanne Nonnast, Petra Schadeberg-Herrmann, Stephan Seifert and Matthias Winkler, and thus for seven of the eight shareholder representatives on the Supervisory Board. Norbert Broger was Chief Finance Officer of Krones AG until December 31, 2022. It was therefore decided as a precautionary measure that he should be classified as not being independent within the meaning of Recommendation C.7 of the Code.

Petra Schadeberg-Herrmann has been a member of the Supervisory Board of Krones AG for more than twelve years. She is nevertheless considered by the shareholder side of the Supervisory Board of Krones AG to be independent of the company and the Executive Board. Pursuant to Recommendation C.8 of the Code, the reasons for this are as follows:

Petra Schadeberg-Herrmann is not financially dependent on her service as a member of the Supervisory Board of Krones AG. Furthermore, there are no indications of any lack of critical distance. Petra Schadeberg-Herrmann knows Krones' business very well and contributes her extensive experience in a critical and constructive manner as a member of the Supervisory Board. In addition, Ms. Schadeberg-Herrmann's family has a substantial shareholding in Krones AG. This indicates that Petra Schadeberg-Herrmann has sufficient incentive to always exercise her office as a member of the Supervisory Board critically and impartially.



In accordance with Recommendation C.9 of the Code, if the company has a controlling shareholder, and the Supervisory Board comprises more than six members, at least two shareholder representatives are to be independent from the controlling shareholder. The controlling shareholder of Kronos AG, as the majority shareholder of the company, is Familie Kronseder Konsortium GbR (shareholding as of 31 December 2023: 52.1%). In the reporting period, apart from Volker Kronseder and Nora Diepold, the other six shareholder representatives on the Supervisory Board were independent of the controlling shareholder.

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. Kronos 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.

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.

The qualification matrix adopted by the Supervisory Board provides information on which Supervisory Board members have the professional qualifications in each area of the profile of skills and expertise. Professional suitability is assessed in relation to the areas specified by the Supervisory Board: corporate control, accounting, auditing, human resources, legal and compliance, financing, sustainability, digitalisation, international experience and sectoral expertise. The qualification matrix also shows the duration of membership of the Supervisory Board. For each member on the shareholder side, it states whether the member is independent of the company and of its Executive Board and independent of the controlling shareholder (Familie Kronseder Konsortium GbR). The members for whom this is the case notably include the Chairman of the Audit and Risk Management Committee, Matthias Winkler. All 16 members of the Supervisory Board of Kronos AG meet the permissible number of Supervisory Board memberships in accordance with the recommendations of the German Corporate Governance Code.

Further information on the members of the Supervisory Board can be found on pages 46 to 47 and 279. This includes information on their professions and membership of other statutory supervisory boards and comparable supervisory bodies of commercial enterprises.

With the two qualification matrices below, presented separately for the shareholder and employee sides, we comply with Recommendation C.1 of the German Corporate Governance Code.





Status of implementation of the profile of skills and expertise: shareholder representatives

	Volker Kronseider	Nora Diepold	Robert Friedmann	Susanne Nonnast	Stephan Seifert	Petra Schadeberg- Herrmann	Norbert Broger	Matthias Winkler
Term of membership								
Member since	15 June 2016	17 May 2021	13 June 2018	15 June 2016	23 May 2023	15 June 2011	23 May 2023	13 June 2018
Personal suitability								
Independence ¹⁾	–	–	x	x	x	x	–	x
No overboarding ^{2),3)}	x	x	x	x	x	x	x	x
Professional suitability								
Corporate control ⁴⁾	x	x	x	x	x	x	x	x
Accounting	x	x	x	–	x	x	x	x
Auditing	–	–	x	–	x	x	x	x
Human resources ⁵⁾	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
Sectoral expertise	x	x	x	x	x	x	x	x
International experience	x	–	x	x	x	x	x	x

¹⁾ As defined by Recommendation C.6 of the German Corporate Governance Code (the Code); ²⁾ In accordance with Recommendations C.4 and C.5 of the Code; ³⁾ No overboarding: compliance with the permissible number of supervisory board mandates as defined by the Code; ⁴⁾ Covers key areas such as organisation, risk management and strategy; ⁵⁾ 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	Olga Redda
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	23 May 2023
Personal suitability								
No overboarding ^{1),2)}	x	x	x	x	x	x	x	x
Professional suitability								
Corporate control ³⁾	x	x	x	x	x	x	x	x
Accounting	x	x	x	–	x	–	x	x
Auditing	–	–	–	–	–	–	–	–
Human resources ⁴⁾	x	x	x	x	x	x	x	x
Legal/compliance	x	x	x	x	x	x	x	x
Financing	x	–	–	–	–	–	–	–
Sustainability	x	–	–	x	x	x	x	x
Digitalisation	x	x	x	x	x	x	x	x
Sectoral expertise	x	x	x	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 210 and 211, "Status of implementation of the profile of skills and expertise").



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 rules-based conduct, where the rules to be observed within the company far exceed statutory requirements. They also include internal policies 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. Krones further adapted the compliance management system in 2023 by preparing a new draft Supplier Code and Code of Conduct. The two updated codes were published on the company website at the beginning of 2024.

In order to strengthen compliance, Krones introduced a compliance whistleblower portal as early as 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 thus also meets the requirements of the German Whistleblower Protection Act, which entered into force on 2 July 2023. This aims to provide better protection for whistleblowers.



Krones revised its Code of Conduct in 2023. This is now based on our target picture with the slogan "Solutions beyond tomorrow". The Code of Conduct aims to ensure compliance with laws, standards and policies throughout the company. This fosters a working environment characterised by integrity, respect and fair and responsible conduct. At the same time, the Code of Conduct instils a strong culture of compliance, reinforces our values and encourages employee reporting of irregularities. The Code of Conduct is applicable and binding for all employees and every corporate body in the company. Through the Supplier Code, Krones would also like its business partners to commit to these principles and to share its values. The requirements laid down in the Code of Conduct should not only be formally observed by all employees and



bodies of the Krones Group, but should also be internalised in their true sense and purpose, and practised in everyday working life. Violations of the Code of Conduct will be followed up and dealt with accordingly in the interests of all employees. In this way, it provides the foundation for an open and law-abiding corporate and compliance culture.



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. A plan for a net-zero emissions target by 2040 was developed in 2023 and approved by the Executive Board of Krones AG in early 2024, and is currently being validated by the SBTi.

Krones' target picture, "Solutions beyond tomorrow", guides the company's employees in contributing to a liveable, sustainable and successful future. Reducing carbon emissions plays an important role in combating climate change. On 26 July 2023, the company published a comprehensive Carbon Transition Plan, in which Krones discloses measures, interim results and further plans for achieving its climate targets.

To communicate its commitment to ethical business issues to the outside world, Krones has been a member of the United Nation (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. We expect our business partners to comply with applicable laws and internationally recognised environmental, social and governance (ESG) standards, such as the OECD Guidelines, the UN Guiding Principles on Business and Human Rights and the UN Global Compact Ten Principles. For this purpose, Krones has developed a Supplier



Code, which was revised in 2023. It covers the subjects of acting in accordance with the law and ethical principles, handling knowledge and information, social responsibility, and commitment and monitoring. 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.

The German Act on Corporate Due Diligence Obligations in Supply Chains (the “Supply Chain Act”) entered into force on 1 January 2023. This governs, among other things, companies’ responsibility for the respect of human rights and the avoidance of environmental risks in their global supply chains. Krones embraces its responsibility. Irrespective of the new Act, respecting human rights has always been central to our Code of Conduct.

The Supply Chain Act requires companies to periodically publish a report on their compliance with its due diligence requirements. This report is generated from answers to a structured questionnaire. Topics covered by the questionnaire include embedding the human rights policy in the company, risk analysis, prevention, identification of violations and remedial action. The report must be submitted to BAFA (the German Federal Office for Economic Affairs and Export Control) no later than four months after the end of each financial year. The Krones Executive Board has prepared the report for the 2023 financial year and duly submitted it to BAFA.



Information on corporate governance practices is also contained in Krones’ Non-financial Statement (see page 85 to 145), 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.
- 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 Kronen AG consisted of five members in the 2023 financial year. These are each responsible for their respective Executive Board portfolios (see pages 37 and 279). 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 46, 47 and 279 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 Norbert Broger, Markus Hüttner, Olga Redda and Matthias Winkler. Matthias Winkler chairs the committee.

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:

Matthias Winkler (Chairman of the Audit and Risk Management Committee), as tax adviser and partner in a tax consulting firm, and committee member Norbert Broger (former CFO of Kronen AG) 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 current questionnaires were sent to the members of the Supervisory Board at the end of 2022. The questionnaires were evaluated and the periodic self-assessment was carried out at the beginning of 2023. This was also the a topic of the Supervisory Board meeting on 22 March 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. At Krones AG as of 31 December 2023, the percentage of women in each of the two levels of management below the Executive Board stood at 11.0%.

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 Krones with women candidates possessing comparable qualifications. One major reason for this is the extremely engineering-oriented context of Krones' 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 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 <https://www.krones.com/en/company/investor-relations/annual-general-meeting.php>, under "2021". The 2023 remuneration report and the auditor's report in accordance with Section 162 AktG are made publicly available at the same address, under "2024".





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CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated statement of profit and loss

		2023	2022
€ thousand	Notes		
Revenue	19	4,720,676	4,209,339
Increase in inventories of finished goods and work in progress	5	1,056	48,383
Other own work capitalised	20	44,803	43,372
Other operating income	21	186,819	165,039
Goods and services purchased	22	-2,381,937	-2,113,845
Expenses for materials and supplies and for goods purchased		-1,866,716	-1,610,862
Expenses for services purchased		-515,221	-502,983
Personnel expenses	23	-1,391,066	-1,269,663
Wages and salaries		-1,158,770	-1,055,566
Social security contributions and expenses for pension plans and for benefits	14	-232,296	-214,097
Depreciation and amortisation of intangible assets and property, plant and equipment	1/2	-166,324	-142,901
Other operating expenses	24	-723,041	-709,318
EBITDA		457,310	373,307
EBIT		290,986	230,406
Investment income	25	3,723	3,052
Profit or loss shares attributable to associates that are accounted for using the equity method	4	0	7
Income from other securities and loans classified as non-current financial assets	25	0	0
Interest and similar income	25	32,258	11,955
Interest and similar expenses	25	-16,471	-3,355
Financial income/expense	25	19,510	11,659
Earnings before taxes		310,496	242,065
Income tax	8/26	-85,946	-54,984
Consolidated net income		224,550	187,081
Profit share of non-controlling interests		39	56
Profit share of KRONES Group shareholders		224,511	187,025
Earnings per share (diluted/basic) in €	27	7.11	5.92

Consolidated statement of **comprehensive income**

		2023	2022
€ thousand	Notes		
Consolidated net income		224,550	187,081
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plans	12	-8,663	60,257
		-8,663	60,257
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation		-50,870	8,119
Cash flow hedges	12	7,054	3,610
		-43,816	11,729
Other comprehensive expenses and income after income taxes	9	-52,479	71,986
Total comprehensive income	9	172,071	259,067
of which attributable to non-controlling interests		39	56
of which attributable to Krones Group shareholders		172,032	259,011

Consolidated statement of financial position – **Assets**

		31 Dec 2023		31 Dec 2022	
€ thousand	Notes				
Intangible assets	1	460,690		349,349	
Property, plant and equipment and right-of-use assets	2	762,577		693,663	
Non-current financial assets	3	17,686		18,605	
Investments accounted for using the equity method	4	0		2,364	
Fixed assets		1,240,953		1,063,981	
Deferred tax assets	8	60,544		59,857	
Trade receivables	6	18,806		26,992	
Tax receivables		1,040		1,991	
Other assets	6	6,055		11,368	
Non-current assets		1,327,398		1,164,189	
Inventories	5	641,374		589,445	
Trade receivables	6	778,708		820,243	
Contract assets	6/19	1,056,319		727,555	
Tax receivables		4,901		5,217	
Other assets	6	220,045		190,015	
Cash and cash equivalents	7	448,364		674,502	
Current assets		3,149,711		3,006,977	
Total		4,477,109		4,171,166	

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

		31 Dec 2023		31 Dec 2022	
€ thousand	Notes				
Subscribed capital	9	40,000		40,000	
Capital reserves	10	141,724		141,724	
Profit reserves	11	365,783		365,479	
Other reserves	12	-144,280		-91,801	
Consolidated retained earnings		1,312,158		1,143,172	
Consolidated equity of the parent company			1,715,385		1,598,574
Non-controlling interests	13	-462		-501	
Equity			1,714,923		1,598,073
Provisions for pensions	14	178,444		166,584	
Deferred tax liabilities	8	13,539		4,992	
Other provisions	15	81,472		80,305	
Tax liabilities		2,984		4,803	
Liabilities to banks	16	2,521		5,000	
Trade payables	16	0		0	
Other financial liabilities and lease liabilities	16	129,450		108,937	
Other liabilities	16	1,819		4,224	
Non-current liabilities			410,229		374,845
Other provisions	15	148,069		161,945	
Liabilities to banks	16	1,244		0	
Contract liabilities	16/19	1,040,990		901,447	
Trade payables	16	723,164		684,189	
Tax liabilities		19,594		20,062	
Other financial liabilities and lease liabilities	16	67,909		38,676	
Other liabilities and provisions	16	350,987		391,929	
Current liabilities			2,351,957		2,198,248
Total			4,477,109		4,171,166



Consolidated statement of cash flows

		2023	2022
€ thousand	Notes		
Earnings before taxes		310,496	242,065
Depreciation and amortisation	1/2	166,324	142,901
Decrease (previous year: increase) in provisions and accruals	15/16	-32,456	45,691
Interest and similar expenses and income	25	-15,787	-8,600
Gains and losses from the disposal of non-current assets	21/24	-9,302	-1,233
Other non-cash expenses and income		21,118	11,035
Increase in trade receivables, contract assets and other assets not attributable to investing or financing activities		-365,641	-163,515
Increase in inventories	5	-55,864	-163,402
Increase in trade payables, contract liabilities and other liabilities not attributable to investing or financing activities		204,802	437,458
Cash generated from operating activities		223,690	542,400
Interest paid		-9,314	-1,991
Income tax paid and refunds received		-76,754	-61,710
Cash flow from operating activities		137,622	478,699
Cash payments to acquire intangible assets	1	-45,389	-45,989
Proceeds from the disposal of intangible assets	1	66	238
Cash payments to acquire property, plant and equipment	2	-117,275	-72,168
Proceeds from the disposal of property, plant and equipment	2	14,194	3,994
Cash payments to acquire non-current financial assets and time deposits		0	-375
Proceeds from the disposal of non-current financial assets and time deposits		2,692	29,235
Acquisition of a subsidiary, less acquired cash and cash equivalents		-114,524	-27,234
Deferred purchase price payment for business acquisitions from previous periods		-332	-7,112
Proceeds from the disposal of investments accounted for using the equity method		2,000	0
Interest received		15,935	8,607
Dividends received		3,723	3,052
Cash flow from investing activities		-238,910	-107,752
Cash payments to owners		-55,288	-44,230
Proceeds from new borrowing		0	0
Cash payments to service debt		-1,235	-98
Cash payments to acquire non-controlling interests		0	0
Cash payments for the repayment of lease liabilities		-37,573	-35,458
Cash flow from financing activities		-94,096	-79,786
Net change in cash and cash equivalents		-195,384	291,161
Changes in cash and cash equivalents arising from changes in exchange rates		-30,754	-328
Changes in cash and cash equivalents arising from changes in the consolidated group		0	298
Cash and cash equivalents at the beginning of the period		674,502	383,371
Cash and cash equivalents at the end of the period	7	448,364	674,502

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 2022	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
Dividend payment						-55,288	-55,288		-55,288
Consolidated net income 2023						224,511	224,511	39	224,550
Allocation to profit reserves			310			-310	0		0
Changes in the consolidated group			-6			73	67	0	67
Other comprehensive expenses and income				-50,870	-1,609		-52,479		-52,479
At 31 December 2023	40,000	141,724	365,783	-93,685	-50,595	1,312,158	1,715,385	-462	1,714,923



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated **segment reporting**

€ thousand	Filling and Packaging Technology		Process Technology		Intralogistics		Krones Group	
	2023	2022	2023	2022	2023	2022	2023	2022
Revenue	3,924,740	3,497,316	453,341	367,499	342,595	344,524	4,720,676	4,209,339
Depreciation and amortisation	149,291	128,937	10,957	8,147	6,076	5,817	166,324	142,901
of which impairments	18,559	3,771	0	0	0	0	18,559	3,771
Interest income	31,369	10,883	385	327	503	131	32,257	11,341
Interest expense	9,439	2,595	5,879	265	698	495	16,016	3,355
EBT	282,941	217,196	16,562	12,234	10,993	12,635	310,496	242,065
Share of profit or loss of associates accounted for using the equity method	0	7	0	0	0	0	0	7
EBIT	253,019	203,800	23,735	12,203	14,232	14,403	290,986	230,406
EBT margin (EBT to revenue)	7.2%	6.2%	3.7%	3.3%	3.2%	3.7%	6.6%	5.8%
EBITDA	402,310	332,737	34,692	20,350	20,308	20,220	457,310	373,307
EBITDA margin (EBITDA to revenue)	10.3%	9.5%	7.7%	5.5%	5.9%	5.9%	9.7%	8.9%



General disclosures

■ Legal basis

Krones offers machinery and systems for filling and packaging technology 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 2023 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 273. 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 12 March 2024.

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 2023 include all domestic and foreign subsidiaries over which Krones AG has direct or indirect control on account of a majority of voting rights.

Ampco Pumps Company LLC, Glendale, Wisconsin, USA, Ampco Real Estate LLC, Glendale, Wisconsin, USA and Ampco Pumps GmbH, Herxheim, Germany (together “Ampco Pumps”) were acquired in the financial year. The acquisition of 90% of the shares in Ampco Pumps on 1 June 2023 is an im-

portant step towards expanding Krones Process Technology's components business. Ampco has more than 70 years of experience in the pump market and is a major supplier of hygienic pumps to the US food and beverage market. With pumps from Ampco Pumps and valve technology from Krones subsidiary Evoguard, Krones now has a broad portfolio covering all key components for the process technology market. The two companies' businesses also complement each other ideally in regional terms.

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 259).



Ampco Pumps	Fair value € thousand
Goodwill	70,525
Non-current assets	63,225
Current assets	19,419
(of which trade receivables)	5,630
Cash and cash equivalents	0
Total assets acquired	153,169
Liabilities	3,354
Total liabilities acquired	3,354
Net assets acquired	149,815
Non-controlling interests	0
Purchase prices	149,815
of which paid in cash	114,524
of which earn-out	22,026
of which put/call option	13,266

The goodwill recognised for Ampco Pumps relates to the strengthening of its activities in the components business and the integration of its 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 €70,525 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 collectible in their entirety.

The revenue generated since acquisition date amounted to €30,622 thousand and net income amounted to €1,250 thousand. Had the above acquisition already been made as of 1 January 2023, Krones would have reported revenue of €4,742,927 thousand. The net income would amount to €225,393 thousand. This includes effects from purchase price allocations for 2023. Notable negative factors were, firstly, the remeasurement of inventories at fair value and their subsequent utilisation and, secondly, amortisation of the intangible assets.

The costs directly attributable to the acquisition amount to €923 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 already 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 annual 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 2023	31 Dec 2022	2023	2022
us dollar	USD	1.108	1.068	1.082	1.053
British pound	GBP	0.869	0.887	0.870	0.853
Swiss franc	CHF	0.927	0.985	0.972	1.005
Danish krone	DKK	7.453	7.437	7.451	7.440
Canadian dollar	CAD	1.468	1.444	1.460	1.370
Japanese yen	JPY	156.810	140.680	151.997	138.026
Brazilian real	BRL	5.375	5.644	5.403	5.442
Chinese renminbi (yuan)	CNY	7.837	7.436	7.618	7.068
Mexican peso	MXN	18.771	20.886	19.195	21.201
Ukrainian hryvnia	UAH	42.115	39.236	39.817	34.303
South African rand	ZAR	20.456	18.077	19.954	17.206
Kenyan shilling	KES	173.900	131.690	150.472	124.126
Nigerian naira	NGN	993.100	476.690	690.131	446.722
Russian rouble	RUB	100.500	76.867	92.481	73.705
Thai baht	THB	38.000	36.883	37.647	36.857
Indonesian rupiah	IDR	17,123.000	16,620.100	16,481.850	15,630.288
Angolan kwanza	AOA	937.300	544.858	750.402	487.065
Turkish lira	TRY	32.744	19.983	25.780	17.406
Kazakhstan tenge	KZT	506.130	494.100	493.938	486.341
Australian dollar	AUD	1.629	1.570	1.629	1.517
New Zealand dollar	NZD	1.753	1.682	1.762	1.658
Swedish krona	SEK	11.084	11.078	11.476	10.629
Vietnamese dong	VND	26,883.000	25,233.000	25,784.302	24,637.215
Philippine peso	PHP	61.360	59.384	60.171	57.337
Bangladeshi taka	BDT	121.560	110.125	116.951	98.239
Singapore dollar	SGD	1.461	1.431	1.453	1.451
Myanmar kyat	MMK	2,326.100	2,241.990	2,271.535	2,030.660
United Arab Emirates dirham	AED	4.068	3.921	3.973	3.869
Hungarian forint	HUF	382.500	400.380	381.977	391.154
Malaysian ringgit	MYR	5.083	4.703	4.931	4.628
Pakistani rupee	PKR	308.148	242.028	302.283	214.975
Polish zloty	PLN	4.342	4.686	4.544	4.688
Norwegian krone	NOK	11.245	10.505	11.421	10.097
Indian rupee	INR	92.142	88.157	89.323	82.686
Guatemalan quetzal	GTQ	8.665	8.378	8.473	8.162
Cambodian riel	KHR	4,525.000	4,395.400	4,445.670	4,305.384
Bulgarian lev	BGN	1.956	1.956	1.956	1.956
South Korean won	KRW	1,430.187	1,338.190	1,411.916	1,357.992
Moroccan dirham	MAD	10.964	11.157	10.956	10.684
Saudi riyal	SAR	4.154	4.016	4.058	3.955
Romanian leu	RON	4.975	4.948	4.947	4.931



■ 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. Krones 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 an increasingly complex and uncertain macroeconomic and geopolitical environment, particularly as a result of the conflict in Ukraine and the conflict in Israel/Gaza/Middle East, with continuing inflation, increased interest rates, volatile currency and share prices and growing concerns about a slowdown in economic growth compared to previous years, estimates and judgements are subject to increased uncertainty. 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. If no observable market values are available, the fair values of assets acquired in a

business combination are determined using recognised valuation methods such as the relief-from-royalty method or the multi-period excess earnings method.

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.

Krones 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 257.

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 (customer bases between seven and 15 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.

■ 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 financial assets 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 sub-



stantially 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 pro-rated basis across the relevant years of active service of the employees taking partial retirement.

■ Other provisions

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

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

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

Proceeds and payments from time deposits are presented in cash flow from investing activities.

■ 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	2023	2022
Germany	452,402	423,996
North America	1,193,722	920,111
Rest of the world	3,074,552	2,865,232
	4,720,676	4,209,339

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

€ thousand	2023	2022
Germany	723,864	690,551
North America	199,001	88,321
Rest of the world	297,133	304,491
	1,219,998	1,083,363

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 Dec 2021					
Cost	257,388	140,832	499,519	22	897,761
Accumulated amortisation	196,912	35,440	362,249	0	594,601
Net carrying amount	60,476	105,392	137,270	22	303,160
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
Amortisation					
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 Dec 2022	87,457	134,437	127,377	78	349,349
31 Dec 2022					
Cost	291,894	171,027	523,084	78	986,083
Accumulated amortisation	204,437	36,590	395,707	0	636,734
Net carrying amount	87,457	134,437	127,377	78	349,349

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 2023					
Cost					
Consolidated additions	50,389	70,525	0	0	120,914
Additions	40,743	0	21,738	113	62,594
Disposals	4,277	0	12,511	0	16,788
Transfers	1	0	0	-1	0
Exchange differences	-3,122	-6,019	0	0	-9,141
Amortisation					
Additions	18,849	17,022	28,737	0	64,608
Disposals	4,211	0	12,511	0	16,722
Transfers	0	0	0	0	0
Exchange differences	-516	-1,132	0	0	-1,648
Net carrying amount at 31 Dec 2023	157,069	183,053	120,378	190	460,690
31 Dec 2023					
Cost	375,628	235,533	532,311	190	1,143,662
Accumulated amortisation	218,559	52,480	411,933	0	682,972
Net carrying amount	157,069	183,053	120,378	190	460,690

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 €52,851 thousand (previous year: €22,762 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	2023	34,810 ²⁾	3	1.0%	11.5%
	2022	36,112 ²⁾	3	1.0%	7.4%
R+D Custom	2023	8,831	3	3.0%	13.9%
	2022	26,409	6	3.0%	17.4%
MHT	2023	20,180	3	1.0%	11.3%
	2022	20,180	3	1.0%	9.9%
Javlyn	2023	4,651 ²⁾	3	1.5%	17.9%
	2022	4,826 ²⁾	3	1.5%	17.1%
Pump and valve technology	2023	67,793 ²⁾	3	2.0%	11.3%
System Logistics	2023	30,906	3	1.0%	11.4%
	2022	30,906	3	1.0%	9.8%
HST	2023	4,258	3	1.0%	11.5%
	2022	4,258	3	1.0%	9.9%
Other ¹⁾	2023	11,524 ²⁾	3	1.0% – 2.0%	10.0% – 17.9%
	2022	11,756 ²⁾	3	1.0% – 2.0%	7.8% – 17.1%

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.

The impairment test resulted in the recognition of goodwill impairments in the amount of €17,022 thousand (previous year: €0 thousand). These mainly relate to reduced earnings prospects and are included in amortisation of intangible assets.

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 is €2,043 thousand higher than the carrying amount. If the pre-tax discount rate were to increase to 12.0%, the recoverable amount would equal the carrying amount. Based on the assumed 1.0% annual revenue growth for IPS at the end of the forecast period – as shown in the table – the recoverable amount of €703 thousand is greater than the carrying amount. If the pre-tax discount rate were to increase to 11.70%, the recoverable amount would equal the carrying amount. In all other respects, Kronos 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 Kronos AG. Development expenditure capitalised in the reporting period amounts to €21,738 thousand (previous year: €23,565 thousand).

As in the previous year, this includes borrowing costs in a non-material amount. Including capitalised development expenditure, a total of €194,035 thousand was spent on research and development in 2023 (previous year: €178,287 thousand). Impairment losses on capitalised development expenditure were recognised in amortisation in the reporting year in the amount of €1,537 thousand (previous year: €3,771 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 €50,389 thousand in additions to net carrying amounts for intangible assets (previous year: €18,827 thousand) and €70,525 thousand in additions to goodwill (previous year: €26,409 thousand).

2 Property, plant and equipment and right-of-use assets

In 2023, 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 Flensburg site in Germany (extension of office and production buildings). The €80,096 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 2023, the carrying amounts for property, plant and equipment included government grants of €13,973 thousand (previous year: €14,381 thousand). Government grants in the amount of €804 thousand (previous year: €796 thousand) were reversed to profit or loss in 2023. As in the previous year, the depreciation figure in 2023 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 €12,836 thousand in additions to net carrying amounts for property, plant and equipment (previous year: €3,476 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 Dec 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
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						
Consolidated additions	0	0	0	0	0	0
Additions	36,411	20,022	37,928	1,650	0	96,011
Disposals	13,470	8,679	39,558	1,650	0	63,357
Reversals	0	0	0	0	0	0
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

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 2023						
Cost						
Consolidated additions	6,958	0	5,878	0	0	12,836
Additions	60,184	21,524	58,572	15,148	13,878	169,306
Disposals	11,454	9,294	36,166	755	123	57,792
Transfers	5,736	2,765	2,927	-8,066	-3,362	0
Exchange differences	-6,596	-2,560	-4,326	-645	-15	-14,142
Depreciation						
Consolidated additions	0	0	0	0	0	0
Additions	38,997	19,933	42,392	105	0	101,427
Disposals	8,272	9,128	35,500	0	0	52,900
Reversals	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
Exchange differences	-2,283	-2,056	-2,894	0	0	-7,233
Net carrying amount at 31 Dec 2023	465,460	125,003	128,608	26,362	17,144	762,577
31 Dec 2023						
Cost	828,512	425,494	363,128	26,467	17,144	1,660,745
Accumulated depreciation	363,052	300,491	234,520	105	0	898,168
Net carrying amount	465,460	125,003	128,608	26,362	17,144	762,577

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 2023				
Net carrying amount	97,455	3,668	29,895	131,018
Additions	32,167	51	19,435	51,653
Depreciation	21,592	1,373	13,228	36,193

€ 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



Information on the corresponding lease liabilities is provided on page 257.

Interest expenses include €2,126 thousand (previous year: €1,629 thousand) in interest expense on leases. Other operating expenses include €4,903 thousand (previous year: €3,563 thousand) in expenses from short-term leases, €569 thousand (previous year: €661 thousand) in expenses from leases of low-value assets and €1,688 thousand (previous year: €1,536 thousand) in expenses for variable lease payments. Total cash outflows for recognised leases amount to €38,194 thousand (previous year: €36,304 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

No associated company was accounted for using the equity method as of the reporting date (previous year: one company).

The table below shows the associated company accounted for using the equity method:

Name	Place of business	Ownership interest (%)	
		31 Dec 2023	31 Dec 2022
Associated company			
Technologisches Institut für angewandte künstliche Intelligenz GmbH	Weiden	0	31.15

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

€ thousand	2023	2022
Profit or loss for the period	0	23
Other comprehensive income	0	0
Total comprehensive income	0	23
Share of profit or loss	0	7
Carrying amount at 31 Dec	0	2,364

The shareholding in Technologisches Institut für angewandte künstliche Intelligenz GmbH was sold in 2023. It was therefore reduced from 31.5% to 0%.



The loss of €364 thousand recognised in this connection in the reporting period comprises the €2,000 thousand sale proceeds less the €2,364 thousand derecognised carrying amount and is presented in the statement of profit and loss within financial income/expense as interest and similar expenses.

5 Inventories

The inventories of the Kronos Group are composed as follows:

€ thousand	31 Dec 2023	31 Dec 2022
Raw materials, consumables and supplies	436,576	394,977
Work in progress	98,564	92,990
Finished goods	66,646	62,414
Goods purchased for sale	32,456	33,280
Other	7,132	5,784
Total	641,374	589,445

Inventories are carried at cost or net realisable value.

Write-downs of €3,168 thousand on inventories were recognised as expense in 2023 (previous year: €1,613 thousand) and are substantially based on customary net realisable values and obsolescence allowances.

6 Receivables and other assets

€ thousand	31 Dec 2023	31 Dec 2022
Trade receivables	797,514	847,235
Contract assets	1,056,319	727,555
Other assets	226,100	201,383

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 €83,558 thousand as of the reporting date (previous year: €75,842 thousand). Factored export receivables in the amount of €4,146 thousand (previous year: €5,086 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	2023	2022
At 1 Jan	56,046	56,510
Change due to currency effects	-661	-642
Additions	14,643	10,312
Reversals	-251	-10,134
At 31 Dec	69,776	56,046

The loss allowances include €10,909 thousand (previous year: €9,259 thousand) in impairments of contract assets.

Other assets mainly comprise advance payments made (€43,237 thousand; previous year: €52,724 thousand), current tax assets (€76,996 thousand; previous year: €64,172 thousand), prepaid expenses (€27,823 thousand; previous year: €14,175 thousand) and other financial assets (€54,001 thousand; previous year: €39,325 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 €11,543 thousand at the reporting date (previous year: €4,294 thousand).

7 Cash and cash equivalents

Apart from cash on hand totalling €291 thousand (previous year: €160 thousand), the cash and cash equivalents of €448,364 thousand (previous year: €674,502 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 222.

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 2023	31 Dec 2022
Deferred tax expense/income (-)	7,107	-8,439
Current tax	78,839	63,423
Total	85,946	54,984

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 2023 break down by items on the statement of financial position as follows:

€ thousand	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
Intangible assets	3,122	4,187	40,554	41,486
Property, plant and equipment and other non-current assets	1,601	3,671	16,863	11,642
Current assets	16,565	17,100	32,884	30,586
Tax loss carryforwards	46,890	46,900	0	0
Non-current liabilities	23,574	20,161	1,323	0
Current liabilities	27,398	28,963	345	687
Deferred tax items recognised in other comprehensive income	22,681	19,953	3,198	1,669
Subtotal	141,831	140,935	94,826	86,070
Offsetting (-)	-81,287	-81,078	-81,628	-81,078
Total	60,544	59,857	13,539	4,992

The deferred tax assets and liabilities recognised in other comprehensive income amounted, respectively, to €22,681 thousand (previous year: €19,953 thousand) and €3,198 thousand (previous year: €1,669 thousand). The deferred tax assets include €22,399 thousand (previous year: €19,132 thousand) for actuarial losses recognised in other comprehensive income in accordance with IAS 19 and €282 thousand (previous year: €821 thousand) in hedging losses. The deferred tax liabilities comprise €942 thousand (previous year: €1,087 thousand) for actuarial gains recognised in other comprehensive income in accordance with IAS 19 and €2,256 thousand (previous year: €582 thousand) in hedging gains.



Deferred taxes on tax loss carryforwards in the amount of €86,142 thousand (previous year: €84,394 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 €1,163 thousand (previous year: €4,722 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 €608,050 thousand (previous year: €526,571 thousand).

The tax expense of €85,946 thousand reported in 2023 is €249 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	2023	2022
Earnings before taxes	310,496	242,065
Tax rate for the parent company Krones AG	27.60%	27.60%
(Theoretical) tax income (-)/tax expense (+)	85,697	66,810
Adjustment due to difference between local tax rate and tax rate of Krones AG	-8,354	-4,058
Reductions in tax due to tax-exempt income	-4,539	-2,899
Current tax losses for which no deferred taxes recognised	2,084	584
Increases in tax expense due to non-deductible expenses	12,893	13,759
Tax effect of impairment of deferred taxes from loss carryforwards (+)/tax effect of as-yet unrealised deferred taxes on loss carryforwards (-)	-529	-16,359
Tax income (-)/tax expense (+) for previous years	384	-2,239
Tax effect of as-yet unrealised deductible temporary differences	-1,699	-566
Other	9	-48
Taxes on income	85,946	54,984

The Krones Group falls within the scope of the OECD model rules on global minimum taxation. The legislation enacting the rules on global minimum taxation entered into force in Germany on 1 January 2024. The Krones Group makes use of the exception for the recognition of deferred taxes in connection with those rules, which was the subject of the amendments to IAS 12 published in May 2023.

By law, the Krones Group must pay a top-up tax for each country in the amount of any difference between the so called “GloBE effective tax rate” and the 15% minimum tax rate.



Although the global minimum taxation applies to financial years beginning after 31 December 2023, the Krones Group has already assessed the potential effects of the global minimum taxation for the financial year ended 31 December 2023. Even in countries where the average effective tax rate based on the data in the country-by-country report is below 15%, the Krones Group may not have to pay any top-up tax in relation to those countries. The global minimum taxation rules include special adjustments for determination of the GloBE effective tax rate, which may therefore differ from the calculated effective tax rates. Temporary or permanent safe harbour rules may also apply.

Overall, it is currently be assumed that the additional tax burden for the Krones Group resulting from the global minimum taxation would only affect the Group's tax rate by around 0.1 of a percentage point. There is therefore no material impact.

The Krones Group is prepared for the application of the legal requirements and has developed processes to comply with them.

9 Equity

Krones AG's share capital amounted to €40,000,000.00 at 31 December 2023, 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 2023, 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 23 May 2023 and applies until midnight on 22 May 2028.

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 –€52,479 thousand in the reporting period (previous year: €71,986 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 €39 thousand (previous year: €56 thousand). The sum of changes in equity that are recognised in other comprehensive income and those that are recognised in profit or loss was €172,071 thousand (previous year: €259,067 thousand).

A dividend of €1.75 per share was approved for the 2022 financial year and paid out by Kronen AG in 2023 (previous year: €1.40 per share). The total dividend payout came to €55,288 thousand (previous year: €44,230 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 2023:

€ thousand	Reserve for post-employment benefits	Reserve for cash flow hedges	Reserve for exchange differences	Other	Total
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
Changes in the consolidated group	0	0	0	0	0
Measurement change	-12,075	9,266	-50,870	0	-53,677
Tax on items taken directly to or transferred from equity	3,412	-2,213	0	0	1,199
At 31 Dec 2023	-56,227	6,436	-93,685	-804	-144,280

The measurement changes for cash flow hedges include additions of -€6,435 thousand (previous year: -€618 thousand) and amounts reclassified to profit or loss totalling -€7,054 thousand (previous year: -€4,228 thousand) after taxes.



13 Non-controlling interests

Non-controlling interests totalled –€462 thousand in 2023 (previous year: –€501 thousand).

A detailed overview of the composition of and changes to the individual equity components for the Kronos Group in 2023 and the previous year is presented in the statement of changes in equity on page 223.



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 Kronos 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	
	2023	2022
Discount rate	3.4	3.9
Projected increases in wages and salaries	0.0	0.0
Projected increases in state pensions	2.2	2.4

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	2023
Within the next 12 months	7,566
Between 2 and 5 years	33,258
Between 5 and 10 years	47,219

The average weighted residual term of post-employment benefit obligations is 15 years (previous year: 15 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 2023	31 Dec 2022	31 Dec 2021
Present value of benefit commitments financed by provisions	168,705	156,944	232,164
Present value of benefit commitments financed through pension funds	37,733	37,683	49,082
Present value of benefit commitments (gross)	206,438	194,627	281,246
Fair value of plan assets	-27,994	-28,043	-30,090
Carrying amount at 31 December (net defined benefit obligation)	178,444	166,584	251,156

The pension provisions, which amounted to €167,461 thousand at the reporting date (previous year: €156,339 thousand), are primarily attributable to Kronen AG. The actuarial gains or losses resulting from changes in financial assumptions totalled -€12,915 thousand (previous year: €81,387 thousand). Experience adjustments total -€1,498 thousand (previous year: €279 thousand); adjustments due to changes in demographic assumptions total €0 thousand (previous year: €0 thousand).



The costs arising from pension obligations amounted to €7,082 thousand (previous year: €5,079 thousand) and break down as follows:

€ thousand	31 Dec 2023	31 Dec 2022	31 Dec 2021
Current service cost	829	1,708	1,207
Interest expense	7,313	3,773	2,667
Expected return on plan assets	-1,028	-363	-261
Past service cost and plan curtailments	-32	-39	-28
Costs arising from pension obligations	7,082	5,079	3,585

The present value of defined benefit obligations, which amounted to €206,438 thousand (previous year: €194,627 thousand), the fair value of the plan assets, which amounted to €27,994 thousand (previous year: €28,043 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 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

€ thousand	Present value of benefit commitments	Fair value of plan assets	Total
At 1 January 2023	194,627	-28,043	166,584
Consolidated additions	0	0	0
Current service cost	829	0	829
Interest expense (+)/interest income (-)	7,313	-1,028	6,285
Actuarial gains (+)/losses (-)	11,759	316	12,090
Employer contributions	0	-1,164	-1,164
Benefits paid	-8,719	1,993	-6,786
Recognised past service cost	577	0	577
Exchange differences	52	-8	29
At 31 December 2023	206,438	-27,994	178,444

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

The fair value of plan assets was €28 million as of 31 December 2023 (previous year: €28 million). Of that, €28.0 million consist of pension liability insurance policies (previous year: €28.0 million). The remaining plan assets are mainly attributable to Krones Unterstützungsfonds 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 2023, the AGI fund consisted of 54.2% government bonds, 24.9% Pfandbriefe (covered bonds governed by the German Pfandbrief Act), and 14.8% investment-grade corporate 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-. Kronos AG's plan assets are 100% covered by pension liability insurance policies from Allianz.

The expected contributions to plan assets in 2023 are €681 thousand.

The expected pension benefit payments to be paid out of plan assets in 2024 amount to €1,513 thousand.

In 2023, a total of €57,348 thousand (previous year: €55,700 thousand) was spent on the employer contribution to defined contribution plans (contributions to pension insurance).

15 Other provisions

€ thousand	1 Jan 2023	Consolidated additions	Utilisation	Reversal	Unwinding of discount/ change in discount rate	Additions	Exchange differences	31 Dec 2023	Due within 1 year
Personnel obligations	74,797	0	16,267	2,715	1,721	8,430	-586	65,380	8,176
Provisions for anticipated losses	38,511	0	28,104	3,980	0	37,967	-363	44,031	43,663
Provisions for warranties	70,775	0	9,514	5,019	37	11,230	-587	66,922	54,525
Other remaining provisions	58,167	0	15,839	12,754	88	24,909	-1,363	53,208	41,705
Total	242,250	0	69,678	24,468	1,846	82,536	-2,899	229,541	148,069

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%	6.0% increase	5.5% decrease
Life expectancy	1 year	3.4% increase	3.0% 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.



The provisions for personnel obligations are primarily for non-current obligations relating to partial retirement. The personnel obligations include €1,721 thousand for the effects of the time value of money (previous year: –€3,423 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 3.4%.

16 Liabilities

€ thousand	Residual term of up to 1 year	Residual term of 1 to 5 years	Residual term of over 5 years	Total at 31 Dec 2023
Liabilities to banks	1,244	2,521	0	3,765
Contract liabilities	1,040,990	0	0	1,040,990
Trade payables	723,164	0	0	723,164
Other financial obligations	32,117	29,267	0	61,384
Liabilities from leases	35,792	74,701	25,482	135,975
Other liabilities*	350,987	1,819	0	352,806
Total	2,184,294	108,308	25,482	2,318,084

* The other liabilities include €89,641 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 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.

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 2023, trade payables include supplier finance liabilities in the amount of €141,360 thousand (previous year: €123,068 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 3.60% (previous year: 0.60%) 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 2022	Other changes	Cash changes	Non-cash change due to acquisitions	31 Dec 2023
Liabilities to banks	5,000		-1,235		3,765
Liabilities from leases	105,929	67,531	-37,573	88	135,975
Total	110,929	67,531	-38,808	88	139,740

€ 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

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 €4,146 thousand (previous year: €5,086 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 2023
Tax liabilities	41,272	628	0	41,900
Social security liabilities	11,033	0	0	11,033
Payroll liabilities	28,292	943	0	29,235
Accruals	227,757	0	0	227,757
Other	42,633	248	0	42,881
Total	350,987	1,819	0	352,806

The 'other' item includes €2,135 thousand (previous year: €7,477 thousand) in liabilities for severance payments.

Accruals, which amounted to €227,757 thousand (previous year: €253,603 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 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

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 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
	Nominal value	Nominal value	Fair value	Fair value
Financial assets				
Currency hedging				
Forward exchange contracts	479,996	104,767	11,543	4,294
of which hedge accounting	389,045	62,843	10,451	2,846
Financial liabilities				
Currency hedging				
Forward exchange contracts	279,637	554,377	4,998	9,926
of which hedge accounting	104,835	346,211	1,096	4,763

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 €3,390 thousand in the reporting period (previous year: net gain of €14,334 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 2023	31 Dec 2022
Financial assets		
Gross amounts of recognised financial assets	2,359,240	2,292,553
Amounts that are netted in accordance with IAS 32.42	0	0
Net amounts of recognised financial assets	2,359,240	2,292,553
Amounts subject to master netting agreement		
Derivatives	-1,948	-1,330
Net amount of financial assets	2,357,292	2,291,223
Financial liabilities		
Gross amounts of recognised financial liabilities	1,013,929	960,166
Amounts that are netted in accordance with IAS 32.42	0	0
Net amounts of recognised financial liabilities	1,013,929	960,166
Amounts subject to master netting agreement		
Derivatives	-1,948	-1,330
Net amount of financial liabilities	1,011,981	958,836

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 2023		Measurement under IFRS 9				Measurement hierarchy			
€ thousand	Carrying amount at 31 Dec 2023	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	17,686	3,042	3,042						
Trade receivables	797,514	797,514	797,514						
Contract assets	1,056,319	1,056,319	1,056,319						
Other assets	226,100	54,001	42,458	1,092	10,451			11,453	
of which derivatives	11,543	11,543		1,092	10,451			11,453	
Cash and cash equivalents	448,364	448,364	448,364						
Liabilities									
Liabilities to banks	3,765	3,765	3,765						
Trade payables	723,164	723,164	723,164						
Other financial liabilities and lease liabilities	197,359	197,359	4,147	57,237		135,975			57,237
Other liabilities and provisions	352,806	89,641	84,643	3,902	1,096			4,998	
of which derivatives	4,998	4,998		3,902	1,096			4,998	



31 Dec 2022									
€ thousand	Carrying amount at 31 Dec 2022	Of which subject to IFRS 7	Measurement under IFRS 9			Measurement under IFRS 16	Measurement hierarchy		
			At amortised cost (AC)	At fair value through profit or loss (FVTPL)	At fair value through other comprehensive income (FVOCI)		Level 1	Level 2	Level 3
Assets									
Non-current financial assets	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	



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

€ thousand	2023	2022
Net carrying amount at 1 January	35,674	18,980
Additions resulting from acquisitions	35,292	24,756
Changes	-13,729	-8,062
(of which currency effects)	-1,792	10
(of which payouts)	-332	-7,112
Net carrying amount at 31 December	57,237	35,674

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 €10,828 thousand.

The fair value of several contingent purchase price payments totalling €4,364 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 €13,541 thousand. The main input factors are the expected revenue and the discount rate. The fair value of a further contingent purchase price payment of €0 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 €27,083 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 €36,110 thousand at the reporting date. On this basis, the fair value at the reporting date was €3,012 thousand.

The fair value of several contingent purchase price payments totalling €25,819 thousand for Ampco Pumps was measured using the discounted cash flow method; the estimated range of the undiscounted payments to be made is between €0 thousand and €37,014 thousand. The main input factors are medium-term planning and the discount rate. The fair value of the put/call option for Ampco Pumps 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 €12,638 thousand and €21,666 thousand at the reporting date. On this basis, the fair value at the reporting date was €13,214 thousand.

There were no transfers between levels of the hierarchy.



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 2023	Gross carrying amount in € thousand	Average loss rate	Loss allowance in € thousand
Key accounts	527,244	0.26%	1,225
Major customers	887,220	1.58%	9,584
Total	1,414,464		10,809

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

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

	Category					
31 Dec 2023	A	B	C	D	E	Total
Average loss rate (%)	0.78%	0.68%	5.95%	11.17%	19.41%	
Gross carrying amount in € thousand	390,982	65,757	15,334	14,112	22,962	509,147
Loss allowance in € thousand	3,066	445	913	1,576	4,458	10,458

	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



In addition, there are specific valuation allowances in the amount of €48,432 thousand (previous year: €38,063 thousand) for uncollectible receivables.

The following overview of maturities shows how the undiscounted cash flows relating to liabilities as of 31 December 2023 influence the company's liquidity situation.

€ thousand	Carrying amount at 31 Dec 2023	Cashflow 2024		Cashflow 2025–2028		Cashflow beyond 2028	
		Interest	Repayment	Interest	Repayment	Interest	Repayment
Derivative financial instruments	4,998	0	4,870	0	128	0	0
Liabilities to banks	3,765	29	1,244	24	2,521	0	0
Trade payables	723,164	0	723,164	0	0	0	0
Liabilities from leases	135,975	2,185	35,792	6,225	74,701	1,975	25,482
Other financial liabilities	146,027	0	115,282	0	30,745	0	0
	1,013,929	2,214	880,352	6,249	108,095	1,975	25,482

€ 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



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 2023 € thousand	Currency USD	Currency CAD	Currency CNY	Currency GBP
Consolidated statement of profit and loss	17,606	-86	3,067	1,159
Consolidated equity	22,421	567	3,543	955

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

Notes to the **consolidated statement of profit and loss****19 Revenue**

The Krones Group's revenue of €4,720,676 thousand (previous year: €4,209,339 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	2023			2022		
	Filling and Packaging Technology	Process Technology	Intralogistics	Filling and Packaging Technology	Process Technology	Intralogistics
Germany	364,098	74,675	13,628	318,353	75,040	30,573
Central Europe (excluding Germany)	247,714	14,427	2,922	296,291	9,604	4,096
Western Europe	429,166	86,417	101,561	474,480	58,339	129,810
Middle East/Africa	398,948	46,779	152	436,271	49,562	249
Eastern Europe	167,700	9,357	19,395	150,290	10,734	24,562
Central Asia (CIS)	41,109	1,908	32	45,572	4,041	549
Asia-Pacific	577,048	67,815	37,084	394,406	53,374	19,592
China	334,754	15,049	28	332,397	11,556	970
North and Central America	957,856	107,189	128,677	755,546	65,939	98,626
South America/Mexico	406,348	29,725	39,116	293,710	29,310	35,497
Total	3,924,740	453,341	342,595	3,497,316	367,499	344,524

The group's contract assets and contract liabilities changed as follows in the financial year:

€ thousand	31 Dec 2023	31 Dec 2022
Contract assets	1,056,319	727,555
Contract liabilities	1,040,990	901,447

The amount of revenue recognised in 2023 that was included in the contract liability balance at the beginning of the reporting period was €901,447 thousand (previous year: €600,236 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 €33,325 thousand (previous year: €36,756 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 €186,819 thousand (previous year: €165,039 thousand) includes prior-period income from reversal of provisions and accruals (€4,735 thousand; previous year: €10,288 thousand), gains from disposals of non-current assets (€9,461 thousand; previous year: €1,716 thousand) and from the reversal of loss allowances on receivables and contract assets (€251 thousand; previous year: €10,134 thousand) and – as the main item – currency translation gains of €137,058 thousand (previous

year: €108,585 thousand). This compares with additions to loss allowances of €14,643 thousand (previous year: €10,312 thousand) and currency translation losses of €135,764 thousand (previous year: €130,841 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 €1,866,716 thousand (previous year: €1,610,862 thousand) and expenses for services purchased amounting to €515,221 thousand (previous year: €502,983 thousand).

23 Personnel expenses

Within the Kronen Group, 17,435 people (previous year: 16,222) including trainees (544; previous year: 480) were employed on average over the year. The workforce of the Kronen Group is composed as follows (average for the year):

	2023	2022
White-collar employees exempt from collective agreements	2,765	2,699
Employees covered by collective agreements	14,126	13,523
Total	17,435	16,222

Expenses for the employer share of social insurance contributions in the amount of €0 thousand were reimbursed in 2023 by the German Federal Employment Agency (previous year: €1,035 thousand). The reimbursement amounts were offset against personnel expenses.



24 Other operating expenses

The other operating expenses include €159 thousand in prior-period losses from disposals of non-current assets (previous year: €483 thousand), additions to loss allowances on receivables and contract assets (€14,643 thousand; previous year: €10,312 thousand), other taxes (€7,489 thousand; previous year: €8,302 thousand) and – as the main items – freight costs (€141,457 thousand; previous year: €156,203 thousand), travel costs (€132,509 thousand; previous year: €114,811 thousand), currency translation losses (€135,764 thousand; previous year: €130,841 thousand), rent and cleaning costs (€12,426 thousand; previous year: €6,962 thousand), and maintenance costs (€48,477 thousand; previous year: €43,643 thousand).

25 Financial income/expense

The financial income of €19,510 thousand (previous year: €11,659 thousand) breaks down as follows:

€ thousand	2023	2022
Income from other securities and long-term loans	0	0
Interest and similar income	32,258	11,956
Interest and similar expenses	-16,471	-3,356
Interest income/expense	15,787	8,600
Investment income	3,723	3,052
Profit or loss shares attributable to associates that are accounted for using the equity method	0	7
Net financial income/expense	19,510	11,659

Financial income/expense includes interest and similar income of €32,258 thousand (previous year: €11,956 thousand) and interest and similar expenses of €16,471 thousand (previous year: €3,356 thousand). Also included

in the financial year is income from investments in non-consolidated entities in the amount of €3,723 thousand (previous year: €3,052 thousand). The interest and similar income includes €16,879 thousand (previous year: €960 thousand) for reductions in put options and earn-out obligations. Interest and similar expenses include €2,126 thousand (previous year: €1,629 thousand) for interest on lease liabilities and €5,201 thousand (previous year: €- thousand) for an increase in earn-out obligations and obligation relating to put options. Further information on investments accounted for using the equity method is provided in Note 4 (page 247).

26 Income tax

Income tax amounted to –€85,946 thousand in 2023 (previous year: –€54,984 thousand). Further information is presented under Note 8, “Income tax” (pages 249 to 250).



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:

	2023	2022
Consolidated net income less profit or loss shares of non-controlling interests (€ thousand)	224,511	187,025
Weighted average number of ordinary shares in circulation (shares)	31,593,072	31,593,072
Earnings per share (€)	7.11	5.92

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



Other disclosures

Audit and consulting fees

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

€ thousand	2023	2022
Audit services	1,637	1,588
Other assurance services	183	136
Tax advisory services	15	11
Other advisory services	1	16
Total	1,836	1,751

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

Acquisition of shares in companies

On 6 February 2024, Krones AG, Neutraubling, Germany, signed the contract for the acquisition of 100% of the shares in Netstal Maschinen AG (Netstal), based in Näfels, Switzerland. The Swiss company is a leading supplier of injection moulding technology for the beverage market (PET preforms and closures) as well as for medical applications and thin-wall packaging.

Netstal generated revenue of more than €200 million with more than 500 employees in the 2023 financial year. Krones will account for Netstal within the Filling and Packaging Technology segment. The acquisition is subject among other things to regulatory approval. Krones expects the final closing of the transaction in the first half of 2024.

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 €7,444 thousand in 2023 (previous year: €8,738 thousand). The amount of the outstanding amounting balance is €1,501 thousand (previous year: €4,966 thousand). Services received from members of key management personnel amount to €202 thousand in 2023 (previous year: €238 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 €150 thousand in 2023 (previous year: €171 thousand). Services received from shareholders of the



ultimate controlling party of Krones AG and companies affiliated with them amounted to €1,270 thousand in 2023 (previous year: €1,121 thousand). As in the previous year, there are no outstanding balances in this regard.

Sales to subsidiaries that are not consolidated amounted to €11,409 thousand in 2023 (previous year: €14,142 thousand). Commissions received from such subsidiaries amounted to €5,295 thousand in 2023 (previous year: €4,956 thousand). Trade and other payment transactions resulted in assets of €1,335 thousand (previous year: assets of €3,702 thousand). Repayment is normally within twelve months. Loss allowances were recognised on receivables in the amount of €3,192 thousand in the financial year (previous year: €– thousand). As of 31 December 2023, loss allowances are recognised on receivables of €509 thousand (previous year: €1,865 thousand). Income from investments in non-consolidated entities is included in the amount of €3,723 thousand (previous year: €3,052 thousand).

As in the previous year, there are no contingent liabilities relating to guarantees. Trade and other payment transactions with associates totalled €– thousand in 2023 (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 2023 financial year amounted to €7,204 thousand (previous year: €8,228 thousand).

Total remuneration granted to former members of the Executive Board and their surviving dependants amounted to €2,236 thousand (previous year: €1,708 thousand). IFRS pension provisions have been recognised in the amount of €4,583 thousand (previous year: €4,198 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 €7,543 thousand for the 2023 financial year (previous year: €8,205 thousand).

This includes short-term benefits in the amount of €4,945 thousand (previous year: €5,365 thousand), other long-term benefits in the amount of €1,330 thousand (previous year: €1,548 thousand). The benefits mainly comprise fixed remuneration, fringe benefits and variable remuneration components. In addition, €1,268 thousand (previous year: €1,292 thousand) was paid into the contribution-based post-employment benefits plan in 2023. Former Executive Board member Norbert Broger was granted non-competition compensation in the amount of €144 thousand. Provisions of €4,718 thousand (previous year: €5,226 thousand) are recognised for the remuneration entitlements of members of the Executive Board. There is a provision of €512 thousand for former members of the Executive Board for the LTI tranches attributable to Mr. Broger's active period of service. The corresponding pro-rata-temporis payment is made, in application of the regular process, at the end of the respective LTI term (the last tranche affected being LTI 2022-2024 for payment in 2025).



IFRS pension provisions of €417 thousand (previous year: €367 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 €3,548 thousand (previous year: €3,233 thousand).

■ Supervisory Board remuneration

The total remuneration paid to members of the Supervisory Board for the 2023 financial year amounted to €915 thousand (previous year: €869 thousand).

■ Corporate governance

Shareholders can view the declaration of the Executive Board and the Supervisory Board from January 2024 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 180 to 192.



Standards and interpretations

The accounting policies used in these consolidated financial statements are the standards and interpretations whose application is mandatory as of 31 December 2023. The following new or amended standards and interpretations applied for the 2023 financial year.

Standard or interpretation		EU Endorsement	Application mandatory for annual periods beginning
IAS 8	Amendments: Definition of Accounting Estimates	completed	1 Jan 2023
IFRS 17	Insurance Contracts	completed	1 Jan 2023
IAS 1	Amendments: Disclosure of Accounting Policies	completed	1 Jan 2023
IAS 12	Amendments: International Tax Reform – Pillar 2 Model Rules	completed	1 Jan 2023
IAS 12	Amendments: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	completed	1 Jan 2023

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 2023.

Standard or interpretation		EU Endorsement	Application mandatory for annual periods beginning
IAS 1	Amendments: Classification of Liabilities as Current or Non-Current	completed	1 Jan 2024
IAS 21	Amendments: Lack of Exchangeability	open	1 Jan 2025
IAS 7	Amendments: Supplier Finance Arrangements	open	1 Jan 2024
IFRS 7	Amendments: Supplier Finance Arrangements	open	1 Jan 2024
IFRS 16	Amendments: Lease Liability in a Sale and Leaseback	completed	1 Jan 2024

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 (%)
Ampco Pumps GmbH, Herxheim, Germany	90.00
Dekron GmbH, Kelkheim, Germany	100.00
Ecomac Gebrauchtmaschinen GmbH, Neutraubling, Germany	100.00
Evoguard GmbH, Nittenau, Germany	100.00
Gernep GmbH Etikettiertechnik, Barbing, Germany	100.00
HST Maschinenbau GmbH, Dassow, Germany	100.00
kic Krones Internationale Cooperations-Gesellschaft mbH, Neutraubling, Germany	100.00
Krones Holding GmbH, Neutraubling (formerly Syskron Holding GmbH, Wackersdorf), Germany	100.00
Krones Service Europe GmbH, Neutraubling, Germany	100.00
MHT Mold & Hotrunner Technology AG, Hochheim am Main, Germany	100.00
Milkron GmbH, Laatzen, Germany	100.00
Steinecker GmbH, Freising, Germany	100.00
Syskron GmbH, Wackersdorf, Germany	100.00
System Logistics GmbH, Wackersdorf, Germany	100.00
Kosme FBA SA , Charleroi, Belgium	100.00
s.A. Krones N.V., Louvain-la-Neuve, Belgium	100.00
Krones Service Europe Food, 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
System Logistics S.P.A., Fiorano Modenese (MO), 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 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 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 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
Ampco Pumps Company LLC, Glendale, Wisconsin, USA	90.00
Ampco Pumps Real Estate LLC, Glendale, Wisconsin, USA	90.00
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, United Arab Emirates	100.00
Krones Meatech FZCO, Dubai, United Arab Emirates	100.00
Krones Middle East Africa FZCO, Dubai, United Arab Emirates	100.00
Krones Vietnam Co. Ltd., Ho-Chi-Minh-City, Vietnam	100.00

*Direct and indirect shareholdings Krones AG, Neutraubling, 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 2023 financial year.

Name and location of the company

Krones Holding GmbH, Neutraubling, Germany

Dekron GmbH, Kelkheim, Germany

Ecomac Gebrauchtmaschinen 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

MHT Mold & Hotrunner Technology AG, Hochheim am Main, Germany

Milkron GmbH, Laatzen, Germany

Syskron GmbH, Wackersdorf, Germany

System Logistics GmbH, Wackersdorf, Germany

Steinecker GmbH, Freising, 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 Kronseider

Chairman of the Supervisory Board
* University Hospital Regensburg
* Economic Advisory Board,
Bayerische Landesbank

Josef Weitzer**

Deputy Chairman of the
Supervisory Board
Chairman of Group Works Council
Chairman of the Central Works
Council
Chairman of the Works Council
Neutraubling
* Bay. Betriebskrankenkassen

Norbert Broger

Diplom-Kaufmann
since 23 May 2023

Nora Diepold

Chief Executive Officer of
nk Immobilienverwaltungs GmbH,
Regensburg

Robert Friedmann

Chairman of the central
managing board of the
Würth Group
* zF Friedrichshafen AG

Oliver Grober**

Chairman of the Works Council,
Rosenheim

Thomas Hiltl**

Chairman of the Works Council,
Nittenau

Markus Hüttner**

Deputy Chairman of the Group
Works Council
Deputy Chairman of the Central
Works Council
Deputy Chairman of the Works
Council 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**

Works Council representative
(released from all other
responsibilities)

Stefan Raith**

Head of Business Line, Line Solutions
*re-sult AG

Olga Redda**

Second authorised representative
and managing director, IG Metall
Regensburg
* OSRAM Licht AG
* OSRAM GmbH
* ams OSRAM International GmbH
* Maschinenfabrik Reinhausen GmbH
since 23 May 2023

Norbert Samhammer

Chief executive of
Samhammer Holding GmbH
until 23 May 2023

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
until 23 May 2023

Stephan Seifert

Chairman of the Executive Board
of Körber AG, Hamburg
* Board of trustees of the Körber
Foundation
since 23 May 2023

Hans-Jürgen Thaus

* Maschinenfabrik Reinhausen GmbH
until 23 May 2023

Matthias Winkler

Partner at Baker Tilly Germany

Executive Board

Christoph Klenk

CEO

Uta Anders

CFO

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 2023 of €325,504,121.19.

We propose to the annual general meeting on 4 June 2024 that this amount be used as follows:

Proposal for the appropriation of earnings available for distribution	€325,504,121.19
Dividend of €2.20 per share (for 31,593,072 shares)	€69,504,758.40
Amount brought forward to new account	€255,999,362.79

Neutraubling, 12 March 2024

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, 12 March 2024

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 KRONES Aktiengesellschaft

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

Opinions

We have audited the consolidated financial statements of KRONES Aktiengesellschaft, Neutraubling, and its subsidiaries (the group), which comprise the consolidated statement of profit and loss and the consolidated statement of comprehensive income for the fiscal year from 1 January 2023 to 31 December 2023, the consolidated statement of financial position as of 31 December 2023, the consolidated statement of cash flows for the fiscal year from 1 January 2023 to 31 December 2023, the consolidated statement of changes in equity for the fiscal year from 1 January 2023 to 31 December 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of KRONES Aktiengesellschaft for the fiscal year from 1 January 2023 to 31 December 2023. 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 content of the following sections of the group management report, which contains information not typical of management reports.

- 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.

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 2023 and of its financial performance for the fiscal year from 1 January 2023 to 31 December 2023, 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 content of the group declaration on corporate governance referred to above and content of 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 2023 to 31 December 2023. 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 key 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 discounted cash flow 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 group non-financial

report 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 the

- Section "Highlights 2023"
- 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-2023-12-31.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 2023 to 31 December 2023 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 attached 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). 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 23 May 2023. We were engaged by the Supervisory Board on 26 July 2023. We have been the group auditor of KRONES 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, 12 March 2024

EY GmbH & Co. KG

Wirtschaftsprüfungsgesellschaft

Schubert
Wirtschaftsprüfer
[German Public Auditor]

Schütz
Wirtschaftsprüfer
[German Public Auditor]



The assurance engagement performed by EY relates exclusively to the German version of the non-financial statement 2023 of Krones AG. The following text is a translation of the original German independent assurance report.

Independent auditor's report on a limited assurance engagement

To Krones 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 and the group management report of Krones AG, Neutraubling, (hereinafter the "Company"), which is combined with the non-financial statement of the Group, for the period from 1 January 2023 to 31 December 2023 (hereinafter the "non-financial Reporting").

Not subject to our assurance engagement are references to GRI disclosures and other references to disclosures made outside the non-financial Reporting.

Responsibilities of the executive directors

The executive directors of the Company are responsible for the preparation of the non-financial Reporting 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 Reporting.

These responsibilities of the Company's executive directors include the selection and application of appropriate methods for the preparation of the non-financial Reporting 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 Reporting that is free from material misstatement, whether due to fraud (manipulation of the non-financial Reporting) 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 Reporting. 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 management 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 Reporting 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 Reporting 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 Reporting. Not subject to our assurance engagement are references to GRI disclosures and other references to disclosures made outside the non-financial Reporting.

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 regarding the selection of topics for the non-financial Reporting, the impact and risk assessment and the policies of the Company and the Group for the topics identified as material,
- Inquiries of the executive directors and relevant employees involved in the preparation of the non-financial Reporting about the preparation process, about the internal controls related to this process as well as disclosures in the non-financial Reporting,
- Inspection of the relevant documentation of the systems and processes for collecting, aggregating and validating relevant data in the reporting period,
- Identification and assessment of risks of material misstatement in the non-financial Reporting,
- Analytical procedures on selected disclosures in the non-financial Reporting,
- Inquiries, inspection of sample documents and obtaining evidence relating to the collection and reporting of selected disclosures in the non-financial Reporting,
- 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-aligned as well as the corresponding disclosures in the non-financial Reporting,
- Evaluation of the presentation of disclosures in the non-financial Reporting.

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 Reporting of the Company for the period from 1 January 2023 to 31 December 2023 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 Reporting.

We do not express an assurance conclusion on references to GRI disclosures and on other references to disclosures made outside the non-financial Reporting.

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 enclosed “General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]” as issued by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] on 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.

Munich, 12 March 2024

EY GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft

Meindl
Wirtschaftsprüferin
[German Public Auditor]

Johne
Wirtschaftsprüferin
[German Public Auditor]





Financial glossary

Cash flow	All inflows and outflows of cash and cash equivalents during a period.	Consolidated net income	Earnings after taxes generated in a group.
Corporate governance	A framework for responsible corporate management and supervision that is oriented towards sustainability.	Net cash	Cash and highly liquid securities under current assets less liabilities to banks.
Depreciation and amortisation	Non-cash expenses that represent the cost of current and non-current assets being used over time.	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.
EBIT	Earnings before interest and taxes.	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).
EBITDA	Earnings before interest, taxes, depreciation and amortisation.	Total debt	Combined term for the provisions, liabilities and deferred income stated on the liabilities side of the balance sheet.
EBITDA margin	Ratio of earnings before interest, taxes, depreciation and amortisation to revenue.	Working capital	Working capital is calculated as follows: (inventories + trade receivables + contract assets) – (trade payables + contract liabilities).
EBT	Earnings before taxes.	Working capital to revenue	The ratio of working capital to revenue indicates how much capital is needed to finance revenue generation.
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.	Recycling	Process by which a product or material is reclaimed for further use. This can take the form of reuse (as with returnable bottles) or material recycling (as with recycling PET).
Energy drink	A beverage that acts as a stimulant. The main ingredients are taurine and caffeine.	rPET	Recycled PET. Although rPET is chemically identical to virgin PET, there are differences in processing.
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.	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.
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.	Soft drinks	Non-alcoholic, still or carbonated soft drinks
		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 2019–2023

		2023	2022	2021	2020	2019
Revenue						
Revenue	€ million	4,721	4,209	3,635	3,323	3,959
Germany	€ million	452	424	376	329	468
Outside Germany	€ million	4,268	3,785	3,259	2,994	3,491
Export share	%	90	90	90	90	88
Earnings						
Earnings before interest, taxes, depreciation and amortization (EBITDA)	€ million	457	373	313	133	227
Earnings before taxes (EBT)	€ million	311	242	177	–37	42
Consolidated net income	€ million	225	187	141	–80	9
Earnings per share	€	7.11	5,92	4,47	–2,52	0,30
Assets and capital structure						
Non-current assets	€ million	1,327	1,164	1,133	1,093	1,154
of which fixed assets	€ million	1,241	1,064	1,001	990	1,070
Current assets	€ million	3,150	3,007	2,362	1,957	2,165
of which cash and equivalents	€ million	448	675	383	217	110
Equity	€ million	1,715	1,598	1,392	1,200	1,370
Total debt	€ million	2,762	2,573	2,103	1,850	1,949
Non-current liabilities	€ million	410	375	434	476	452
Current liabilities	€ million	2,352	2,198	1,669	1,374	1,497
Total assets	€ million	4,477	4,171	3,495	3,050	3,319
Cash flow/capital expenditure						
Free cash flow	€ million	– 101	371	203	221	–94
Capital expenditure for PP&E and intangible assets	€ million	163	118	105	94	169
Depreciation, amortisation and impairments	€ million	166	143	142	174	183
Net cash position (cash and cash equivalents less debt)	€ million	445	670	378	185	38
Profitability ratios						
EBITDA margin	%	9.7	8.9	8.6	4.0	5.7
EBT margin	%	6.6	5.8	4.9	–1.1	1.1
Working capital to revenue*	%	17.8	19.0	24.8	28.3	26.9
ROCE	%	16.3	14.1	10.0	–2.2	2.2
Employees (at 31 December)						
Germany		18,513	17,164	16,303	16,736	17,353
Outside Germany		10,654	10,130	9,821	10,364	10,733
		7,859	7,034	6,482	6,372	6,620
Dividend						
Dividend per share	€	2.20**	1.75	1.40	0.06	0.75

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



Public information

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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

3 May 2024	Quarterly statement for the period ended 31 March 2024
4 June 2024	Annual general meeting 2024
31 July 2024	Interim report for the period ended 30 June 2024
5 November 2024	Quarterly statement for the period ended 30 September 2024



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