

Investment in the **future**

Consolidated financial statements

Notes to the consolidated financial statements

4

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated statement of profit and loss	123
Consolidated statement of comprehensive income	124
Consolidated statement of financial position – Assets	125
Consolidated statement of financial position – Equity and liabilities....	126
Consolidated statement of cash flows.....	127
Consolidated statement of changes in equity	128

Consolidated statement of **profit and loss**

		2018		2017	
€ thousand	Notes				
Revenue	20	3,853,980		3,691,355	
Changes in inventories of finished goods and work in progress	5	1,102		-36,429	
Other own work capitalised	21	49,622		48,159	
Other operating income	22	114,492	4,019,196	112,470	3,815,555
Goods and services purchased	23				
Expenses for materials and supplies and for goods purchased		-1,523,504		-1,408,330	
Expenses for services purchased		-508,521	-2,032,025	-451,077	-1,859,407
Personnel expenses	24				
Wages and salaries		-944,876		-881,788	
Social security contributions and expenses for pension plans and for benefits		-192,390	-1,137,266	-179,659	-1,061,447
Depreciation and amortisation of intangible assets and property, plant and equipment	1/2		-102,736		-94,719
Other operating expenses	25		-544,018		-554,515
EBIT			203,151		245,467
Investment income	26	8,747		11,941	
Profit or loss shares attributable to associates that are accounted for using the equity method	4	821		-499	
Income from other securities and loans classified as non-current financial assets	26	2		2	
Interest and similar income	26	6,121		10,149	
Interest and similar expenses	26	-14,592		-8,265	
Financial income/expense	26		1,099		13,328
Earnings before taxes			204,250		258,795
Income tax	8/27		-53,650		-71,668
Consolidated net income			150,600		187,127
Profit share of non-controlling interests			-483		-1,632
Profit share of KRONES Group shareholders			151,083		188,759
Earnings per share (diluted/basic) in €	28		4.78		5.97

Consolidated statement of **comprehensive income**

		2018	2017
€ thousand	Notes		
Consolidated net income		150,600	187,127
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains and losses on pensions and similar obligations	12	4,396	-301
		4,396	-301
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation		-2,279	-38,620
Derivative financial instruments	12	-2,380	4,952
		-4,659	-33,668
Other comprehensive income	9	-263	-33,969
Total comprehensive income	9	150,337	153,158
of which attributable to non-controlling interests		-483	-1,632
of which attributable to KRONES Group shareholders		150,820	154,790

Consolidated statement of financial position – **Assets**

		31 Dec 2018		31 Dec 2017	
€ thousand	Notes				
Intangible assets	1	328,183		263,562	
Property, plant and equipment	2	570,820		501,616	
Non-current financial assets	3	8,770		6,215	
Investments accounted for using the equity method	4	28,661		25,242	
Fixed assets		936,434		796,635	
Deferred tax assets	8	32,450		29,215	
Trade receivables	6	32,578		52,064	
Income tax receivables	8	49		927	
Other assets	6	8,248		3,349	
Non-current assets			1,009,759		882,190
Inventories	5	320,734		611,820	
Trade receivables	6	955,392		1,225,294	
Contract assets	6/20	647,089		0	
Income tax receivables	8	11,733		10,227	
Other assets	6	157,880		128,292	
Cash and cash equivalents	7	218,802		181,995	
Current assets			2,311,630		2,157,628
Total			3,321,389		3,039,818

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

		31 Dec 2018		31 Dec 2017	
€ thousand	Notes				
Share capital	9	40,000		40,000	
Capital reserves	10	141,724		141,724	
Profit reserves	11	331,521		329,854	
Other reserves	12	–89,160		–91,176	
Group retained earnings		1,009,193		912,794	
Group equity of the parent company			1,433,278		1,333,196
Non-controlling interests	13	–72		–3,085	
Equity			1,433,206		1,330,111
Provisions for pensions	14	220,550		220,229	
Deferred tax liabilities	8	23,344		12,915	
Other provisions	15	63,658		47,187	
Provisions for taxes	15	4,434		4,488	
Liabilities to banks	16	3,169		0	
Trade payables	16	1		22	
Other financial obligations	16	41,302		26,975	
Other liabilities	16	2,298		2,194	
Non-current liabilities			358,756		314,010
Other provisions	15	107,230		149,563	
Provisions for taxes	15	9,000		30,853	
Liabilities to banks	16	555		24,620	
Advances received	16	0		508,864	
Contract liabilities	16/20	547,222		0	
Trade payables	16	491,585		376,525	
Tax liabilities	8	5,510		4,194	
Other financial obligations	16	106,670		6,979	
Other liabilities and accruals	16	261,655		294,099	
Current liabilities			1,529,427		1,395,697
Total			3,321,389		3,039,818

Consolidated statement of cash flows

		2018	2017
€ thousand	Notes		
Earnings before taxes		204,250	258,795
Depreciation and amortisation and reversals	1,2	102,736	94,719
Decrease in provisions and accruals	15/16	-85,721	-52,512
Deferred tax item changes recognised in profit or loss	8	-693	-822
Interest and similar expenses and income	26	8,471	-1,884
Gains and losses from the disposal of non-current assets	22/25	27	-1,380
Other non-cash expenses and income		-6,234	8,258
Decrease (previous year: increase) in trade receivables, contract assets and other assets not attributable to investing or financing activities		10,189	-247,513
Increase (previous year: decrease) in inventories	5	-39,102	107,516
Increase (previous year: decrease) in trade payables, contract liabilities and other liabilities not attributable to investing or financing activities		195,914	-102,579
Cash generated from operating activities		389,837	62,598
Interest paid		-923	-732
Income tax paid and refunds received		-73,861	-67,722
Cash flow from operating activities		315,053	-5,856
Cash payments to acquire intangible assets	1	-57,581	-55,296
Proceeds from the disposal of intangible assets	1	43	98
Cash payments to acquire property, plant and equipment	2	-121,547	-78,270
Proceeds from the disposal of property, plant and equipment	2	2,363	6,065
Cash payments to acquire non-current financial assets		-7,159	-25,671
Proceeds from the disposal of non-current financial assets		680	343
Cash payments to acquire shares in affiliated companies		-24,753	-7,423
Interest received		2,819	3,368
Dividends received		10,740	11,941
Cash flow from investing activities		-194,395	-144,845
Cash payments to company owners		-53,708	-49,193
Proceeds from new borrowing		524	24,620
Cash payments to service debt		-24,620	0
Cash payments to pay lease liabilities		-98	-130
Cash flow from financing activities		-77,902	-24,703
Net change in cash and cash equivalents		42,756	-175,404
Changes in cash and cash equivalents arising from exchange rates		-6,417	-11,490
Changes in cash and cash equivalents arising from the consolidated group		468	0
Cash and cash equivalents at the beginning of the period		181,995	368,889
Cash and cash equivalents at the end of the period	7	218,802	181,995

Consolidated statement of changes in equity

€ thousand	Parent company							Non-controlling interests	Group equity
	Share capital	Capital reserves	Profit reserves	Currency differences in equity	Other reserves	Group retained earnings	Equity	Equity	
Notes	9	10	11	11	12			13	
At 1 January 2017	40,000	141,724	365,081	2,756	-95,827	773,865	1,227,599	-2,069	1,225,530
Dividend payment						-49,193	-49,193		-49,193
Consolidated net income 2017						188,759	188,759	-1,632	187,127
Allocation to profit reserves			637			-637	0		0
Currency differences				-38,620			-38,620		-38,620
Changes in the consolidated group							0	616	616
Remeasurement of defined benefit plans					-301		-301		-301
Hedge accounting incl. AfS					4,952		4,952		4,952
At 31 December 2017	40,000	141,724	365,718	-35,864	-91,176	912,794	1,333,196	-3,085	1,330,111
Adjustments arising from IFRS 9 and IFRS 15			11,663				11,663		11,663
At 1 January 2018	40,000	141,724	377,381	-35,864	-91,176	912,794	1,344,859	-3,085	1,341,774
Dividend payment (€1.70 per share)						-53,708	-53,708		-53,708
Consolidated net income 2018						151,083	151,083	-483	150,600
Allocation to profit reserves			776			-776	0		0
Currency differences				-2,279			-2,279		-2,279
Changes in the consolidated group			-8,493			-200	-8,693	3,496	-5,197
Remeasurement of defined benefit plans					4,396		4,396		4,396
Hedge accounting incl. AfS					-2,380		-2,380		-2,380
At 31 December 2018	40,000	141,724	369,664	-38,143	-89,160	1,009,193	1,433,278	-72	1,433,206

5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated segment reporting	130
General disclosures	131
Notes to the consolidated statement of financial position	145
Notes to the consolidated statement of profit and loss	173
Accounting standards applied for the first time	176
Other disclosures	182
Standards and interpretations	184
Shareholdings	187
Members of the Supervisory Board and the Executive Board	191
Proposal for the appropriation of earnings available for distribution ...	192

Consolidated **segment reporting**

€ thousand	Machines and Lines for Product Filling and Decoration		Machines and Lines for Beverage Production/ Process Technology		Total for the segments		Consolidation		Other		KRONES Group	
	2018	2017*	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	3,177,850	3,089,960	676,130	601,395							3,853,980	3,691,355
Depreciation, amortisation, and write-downs	89,949	81,323	12,787	13,396							102,736	94,719
of which write-downs	1,644	0	0	0							1,644	0
Interest income	4,770	5,327	788	255							5,558	5,582
Interest expense	2,456	2,863	1,387	882							3,843	3,745
EBT	223,295	263,293	-19,045	-4,498							204,250	258,795
Other material non-cash income and expenses	87,326	52,696	3,936	-9,264							91,262	43,432
Share of profit or loss of associates accounted for using the equity method	821	-499	0	0							821	-499
Assets	2,787,139	2,507,856	609,032	560,688	3,396,171	3,068,544	-122,844	-71,665	48,062	42,939	3,321,389	3,039,818
Of which investments accounted for using the equity method	28,661	25,242	0	0							28,661	25,242
Liabilities	1,496,089	1,325,564	468,899	378,738	1,964,988	1,704,302	-122,844	-71,665	46,039	77,070	1,888,183	1,709,707
Capital expenditure for intangible assets and property, plant and equipment	151,620	118,037	27,508	15,529							179,128	133,566
EBT margin (EBT to revenue)	7.0%	8.5%	-2.8%	-0.7%							5.3%	7.0%

*Incl. Machines and Lines for the Compact Class

General disclosures

■ Legal basis



The consolidated financial statements of KRONES AG, Neutraubling (Regensburg Local Court (Amtsgericht Regensburg) HRB 2344), (the “KRONES Group”) for the period ended 31 December 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) 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 pages 184 to 186.* The Executive Board authorised the publication of the consolidated financial statements on 20 March 2019.

Non-controlling interests in group 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 IFRSs, 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 for the period ended 31 December 2018 include all material domestic and foreign subsidiaries over which KRONES AG has direct or indirect control.

In the 2018 financial year, KRONES acquired a 100% direct and indirect ownership interest in S.P.S. SOLUTIONS FOR PACKAGING SERVICES S.A., Charleroi, Belgium and S.P.S. SOLUTIONS FOR PACKAGING AND SERVICES S.A.S., Lyon, France, a 91.33% direct and indirect ownership interest in MHT HOLDING AG, Hochheim am Main, Germany, MHT IP GMBH, Hochheim am Main, Germany, MHT MOLD & HOTRUNNER TECHNOLOGY AG, Hochheim am Main, Germany and MHT USA LLC., Peachtree City, USA and a 70% ownership interest in INTEGRATED PLASTICS SYSTEMS AG, Baar, Switzerland. The group also acquired the remaining 49.03% ownership interest in DEKRON GMBH (formerly TILL GMBH), Kelkheim, Germany. KRONES now owns a 100% ownership interest in DEKRON GMBH (formerly TILL GMBH), Kelkheim, Germany. In addition, KRONES acquired a 44% ownership interest in TECHNOLOGISCHES INSTITUT FÜR ANGEWANDTE KÜNSTLICHE INTELLIGENZ GMBH, Weiden, Germany. The company is accounted for using the equity method.

SYSKRON X GMBH, Wackersdorf, Germany, PMR GMBH, Wackersdorf, Germany, KRONES MACHINERY MALAYSIA SDN. BHG., Kuala Lumpur, Malaysia and KRONES PAKISTAN (PRIVATE) LIMITED, Lahore, Pakistan were established during the financial year and included in the consolidated group together with KRONES SPOLKA Z.O.O., Warsaw, Poland and MILKRON GMBH, Laatzen, Germany.

Also established during the financial year were KRONES PROCESSING (SHANGHAI) CO. LTD., Shanghai, China and W.M. SPRINKMAN LLC, Waukesha, USA. In an asset deal in the 2018 financial year, KRONES acquired 100% of the business operations of SHANGHAI XIANTONG EQUIPMENT INSTALLATION, Shanghai, China and 100% of the business operations of W.M. SPRINKMAN CORP., Waukesha, USA.

With the acquisition of ownership interests in S.P.S. SOLUTIONS FOR PACKAGING SERVICES S.A., Charleroi, Belgium and S.P.S. SOLUTIONS FOR PACKAGING AND SERVICES S.A.S., Lyon, France as of 1 May, KRONES strengthened its sales and distribution structure in Central Europe.

KRONES acquired a 70% ownership interest in INTEGRATED PLASTICS SYSTEMS AG, Baar, Switzerland on 1 May 2018. This acquisition strengthens KRONES' PET capabilities.

With the acquisition of 100% of the business operations of SHANGHAI XIANTONG EQUIPMENT INSTALLATION, Shanghai, China on 1 September 2018, KRONES strengthened its capabilities in process technology.

The acquisition by SPRINKMAN of 100% of the business operations of W.M. SPRINKMAN CORP., Waukesha, USA on 2 October 2018 likewise strengthened KRONES' process technology capabilities.

With the acquisition of MHT HOLDING AG, Hochheim, Germany, on 7 November 2018, KRONES expanded its PET product portfolio to include moulds for the production of preforms for PET bottles, thus closing a gap in the PET value chain.

Initial accounting of the acquired business operations was completed as of the acquisition date.

The amount paid for the remaining ownership interest in DEKRON GMBH (formerly TILL GMBH), Kelkheim, Germany was €3,250 thousand.

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.

€ thousand	S.P.S.	SPRINKMAN	MHT	Other	Total
	Fair value	Fair value	Fair value	Fair value	Fair value
Goodwill	9,298	7,484	20,180	2,820	39,782
Non-current assets	1,257	3,234	10,444	2,029	16,964
Current assets	25,140	3,935	5,307	2,604	36,986
(of which trade receivables)	11,129	3,360	2,729	78	17,296
Cash and cash equivalents	1,748	0	5,277	1,160	8,185
Total assets acquired	37,443	14,654	41,208	8,614	101,918
Liabilities	36,843	12,612	17,607	2,291	69,353
Total liabilities acquired	36,843	12,612	17,607	2,291	69,353
Net assets acquired	600	2,042	23,601	6,322	32,565
Non-controlling interests	0	0	296	0	296
Purchase prices	600	2,042	23,305	6,322	32,270
of which paid in cash	600	1,224	23,305	4,559	29,688
of which purchase price obligations	0	818	0	1,764	2,582

The goodwill recognised for MHT relates to the closing of the gap in the PET value chain. This enables KRONES to serve customers in the beverage industry with a broader portfolio of PET capabilities. This earnings potential, which cannot be allocated to items capable of recognition as assets under IFRSs, is reflected in goodwill.

The goodwill recognised for SPRINKMAN relates to the strengthening of process technology capabilities in North America. This earnings potential, which cannot be allocated to items capable of recognition as assets under IFRSs, is reflected in goodwill.

The goodwill recognised for S.P.S. relates to the strengthening of the sales and distribution structure by the integration of S.P.S. and its workforce in the group. This earnings potential, which cannot be allocated to items capable of recognition as assets under IFRSs, is reflected in goodwill.

The goodwill recognised for the other acquisitions relates to synergies expected from the integration of the companies and their workforces and to the companies' earnings potential, which cannot be allocated to items capable of recognition as assets under IFRSs.

The total amount of goodwill that is expected to be deductible for tax purposes is €7,484 thousand.

The fair value of trade receivables equals the gross amount. None of the trade receivables are impaired and the contractually agreed amounts are expected to be recoverable in their entirety.

After accounting for the effects of purchase price allocations, S.P.S. contributed a net loss of €3,065 thousand and revenue of €11,008 thousand to KRONES as of 31 December 2018. Had initial accounting for S.P.S. been completed as of 1 January, 2018, revenue of €16,512 thousand and a net loss of

€4,598 thousand would have been recognised in the consolidated statement of profit and loss.

After accounting for the effects of purchase price allocations, SPRINKMAN contributed a net loss of €179 thousand and revenue of €4,523 thousand to KRONES as of 31 December 2018. Had initial accounting for SPRINKMAN been completed as of 1 January, 2018, revenue of €18,092 thousand and a net loss of €716 thousand would have been recognised in the consolidated statement of profit and loss.

After accounting for the effects of purchase price allocations, MHT contributed a net loss of €94 thousand and revenue of €3,716 thousand to KRONES as of 31 December 2018. Had initial accounting for MHT been completed as of 1 January, 2018, revenue of €22,296 thousand and a net loss of €1,118 thousand would have been recognised in the consolidated statement of profit and loss.

After accounting for the effects of purchase price allocations, the other acquisitions contributed a net loss of €177 thousand and revenue of €4,990 thousand to KRONES as of 31 December 2018. Had initial accounting for the other acquisitions been completed as of 1 January, 2018, revenue of €6,146 thousand and a net loss of €192 thousand would have been recognised in the consolidated statement of profit and loss.

In determining these amounts, it was assumed that the provisional adjustments to fair value made at the acquisition date would also have applied if the companies had been acquired on 1 January 2018. The amounts for the full 2018 financial year were determined on a straight-line basis.

A number of purchase contracts include contingent consideration that is dependent on the input factors EBIT, EBITDA and cash and cash equivalents. Taking into account the estimated input factors, the fair value of the contingent consideration from these acquisitions is €1,129 thousand as of the reporting date.

One purchase contract (included in the other acquisitions) includes a combined put/call option. The fair value of the put option was measured using the discounted cash flow method. The main input factors are medium-term planning and the discount rate. The estimated undiscounted exercise price at the acquisition date was €1,742 thousand. There was no significant change in the estimated spread as of the reporting date. On this basis, the fair value at the reporting date was €1,450 thousand.

The costs directly attributable to the acquisitions are €1,068 thousand; this was recognised as expense.

■ Consolidation principles

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

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

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

Shares in the equity of a subsidiary that are not attributable to the parent are presented as non-controlling interests.

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 the associate is increased or decreased to recognise cumulative changes in fair value subsequent to the acquisition date. KRONES' share in associates' gains or losses resulting from transactions between KRONES and its associates is eliminated. Inter-company receivables, liabilities, provisions, revenues and expenses between consolidated companies are eliminated in consolidation.

This also applies for inter-company profits or losses from sales made or services provided between group companies provided the inventories from these transactions are still held by the group at the reporting date.

■ Currency translation

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

The financial statements of consolidated companies that are prepared in a foreign currency are translated on the basis of the functional currency approach under IAS 21 using a modified closing rate method. Because the subsidiaries primarily operate independently in the economic environment of their respective countries, the functional currency is normally the local currency for each subsidiary. In the consolidated financial statements, assets and liabilities are therefore translated at the closing rate at the reporting date, while income and expenses from the financial statements of subsidiaries are translated at average annual rates.

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

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

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

Exchange rates of subsidiaries' functional currencies against the euro:

		Closing rate		Average rate	
		31 Dec 2018	31 Dec 2017	2018	2017
us dollar	USD	1.145	1.199	1.182	1.130
British pound	GBP	0.897	0.887	0.885	0.876
Swiss franc	CHF	1.127	1.169	1.155	1.112
Danish krone	DKK	7.468	7.445	7.453	7.439
Canadian dollar	CAD	1.560	1.502	1.530	1.465
Japanese yen	JPY	125.960	134.880	130.454	126.671
Brazilian real	BRL	4.445	3.971	4.305	3.607
Chinese renminbi (yuan)	CNY	7.860	7.833	7.806	7.629
Mexican peso	MXN	22.520	23.607	22.707	21.331
Ukrainian hryvnia	UAH	31.735	33.750	32.136	30.041
South African rand	ZAR	16.470	14.750	15.617	15.040
Kenyan shilling	KES	116.642	123.705	119.671	116.799
Nigerian naira	NGN	416.290	430.940	425.572	378.595
Russian rouble	RUB	80.026	69.325	74.008	65.892
Thai baht	THB	37.048	39.041	38.182	38.295
Indonesian rupiah	IDR	16,468.500	16,263.600	16,801.557	15,116.839
Angolan kwanza	AOA	352.423	198.718	296.577	187.423
Turkish lira	TRY	6.056	4.534	5.700	4.118
Kazakhstan tenge	KZT	440.150	398.940	407.128	368.845
Australian dollar	AUD	1.623	1.533	1.580	1.473
New Zealand dollar	NZD	1.706	1.683	1.707	1.590
Swedish krona	SEK	10.251	9.830	10.257	9.637
Vietnamese dong	VND	26,564.000	27,222.000	27,201.202	25,650.854
Philippine peso	PHP	60.125	59.712	62.253	56.947
Bangladeshi taka	BDT	95.753	99.260	99.179	91.735
Singapore dollar	SGD	1.560	1.601	1.593	1.559
Myanmar kyat	MMK	1,769.390	1,623.040	1,701.225	1,537.981
United Arab Emirates dirham	AED	4.207	4.403	4.341	4.149
Hungarian forint	HUF	321.060	309.960	318.819	309.253
Malaysian ringgit	MYR	4.733	4.851	4.764	4.853
Pakistani rupee	PKR	160.104	132.698	143.257	119.029
Polish zloty	PLN	4.298	4.175	4.261	4.258
Norwegian krone	NOK	9.940	9.832	9.600	9.329

■ Accounting policies

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

Various judgements have been made in preparation of the consolidated financial statements, notably relating to the need for estimates and forecasts in the measurement of non-current assets, inventories, receivables, pension provisions and other provisions.

■ 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. They are recognised at cost and amortised systematically on a straight-line basis over their estimated useful lives. Amortisation of intangible assets is normally applied over a useful life of between three and five years and is presented in "Depreciation and amortisation of intangible assets and property, plant and equipment".

■ Research and development expenditure

Development expenditure of the KRONES Group is capitalised at cost to the extent that costs can be directly attributed, technical feasibility can be demonstrated and it is probable that the use of the asset will result in future economic benefits. In accordance with IAS 38, research expenditure cannot be capitalised and is therefore immediately recognised as an expense in profit or loss. Borrowing costs are capitalised as cost at a capitalisation rate of 0.35%.

■ Goodwill

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

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

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

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

■ Property, plant and equipment

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

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

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

Useful life	Years
Buildings	14 to 50
Technical equipment and machinery	5 to 18
Furniture and fixtures and office equipment	3 to 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 recognised in profit or loss in subsequent periods in the proportions in which depreciation expense on the assets is recognised.

■ Leases

Leases in which the KRONES Group, as the lessee, bears substantially all the risks and rewards incidental to ownership of the leased asset are accounted for on inception as finance leases in accordance with IAS 17. The leased asset is recognised as a non-current asset at fair value or, if lower, at the present value of the minimum lease payments. The leased asset is depreciated systematically on a straight-line basis over the shorter of the lease term and the useful life of the asset. Payment obligations for future lease instalments are recognised under “other liabilities”.

In the case of operating leases, the leased assets are treated as assets belonging to the lessor as the lessor bears the risks and rewards.

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

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

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

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

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

Loss allowances are measured on the basis of lifetime expected credit losses if the credit risk on a financial asset at the reporting date has increased significantly since initial recognition; otherwise, loss allowances are measured on the basis of 12-month expected credit losses. An entity may assume that the credit risk on a financial asset has not increased significantly if the financial asset is determined to have low credit risk at the reporting date. However, loss allowances must always be measured on the basis of lifetime expected credit losses for trade receivables and for 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 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.

■ **Financial instruments: policies prior to the application of IFRS 9**

KRONES has applied IFRS 9 for the first time as from 1 January 2018. Until 31 December 2017, financial instruments were accounted for in accordance with the requirements of IAS 39.

Financial instruments under IAS 39 used by KRONES consisted of the following: Non-current financial assets; financial instruments held for trading (derivative financial instruments); available-for-sale financial instruments; financial receivables and liabilities.

For the measurement categories, the carrying amounts generally corresponded to the fair values provided by the respective financial institutions as of the reporting date.

Non-current financial assets other than securities were recognised at cost less impairment losses. Non-current securities were classified as “available for sale” and measured at fair value through other comprehensive income. No assets were classified as “held to maturity”. Moreover, the fair value option provided for under IAS 39 was not applied to any items on the consolidated statement of financial position for the KRONES Group.

The fair value of financial assets and liabilities was 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 were primarily hedging and non-hedging derivatives.

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

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

■ Non-current financial assets

Non-current financial assets at KRONES comprise shares in affiliated companies that are not consolidated in accordance with IFRS 10 for reasons of materiality, together with loans to such companies.

Changes in the fair value of equity instruments that are not held for trading are recognised in other comprehensive income. The amounts recognised in other comprehensive income are not reclassified to profit or loss on disposal of the equity instrument.

■ Derivative financial instruments

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 Japanese yen, the British pound, the Norwegian krone, the Australian dollar and the euro.

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

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

The derivative financial instruments are measured on initial recognition and in subsequent measurement at fair value as of the reporting date. The fair values are 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.

■ 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 amount 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, and all adjustments of the taxes payable for previous years.

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 IFRSs and for consolidation adjustments recognised in profit or loss.

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.

■ 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 equity (in other comprehensive income). 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. In addition, net interest is recognised. 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.

■ Partial retirement benefit obligations

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

Provisions with a residual term of more than one year are recognised at the settlement amount discounted to the reporting date.

■ Revenue

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

KRONES provides machinery and systems for bottling and packaging and for beverage production. KRONES recognises revenue for highly custom-specific projects over time rather than at a point in time, as the resulting assets have no alternative use as a rule and KRONES has a legal right to payment for performance already completed. Progress is measured using an input method. The stage of completion corresponds to 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 the significant risks and rewards of ownership). Revenue for services that come under LCS, such as maintenance services, is recognised over time as the customer simultaneously receives and consumes the benefits provided by the group's performance as the group performs.

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

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. Contract assets relate to our unconditional 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.

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.

■ Construction contracts and revenue under IAS 11 and IAS 18

KRONES applies the modified retrospective method for the transition to IFRS 15. Accordingly, the prior-year figures for 2017 have not been restated. In accordance with IAS 11, construction contracts were accounted for using the percentage-of-completion method. Under this method, revenue for the line and machinery portion was recognised in accordance with the percentage of physical completion of the lines and machines at the reporting date.

The percentage of completion for the assembly and installation portion and for software projects corresponded to the ratio of contract costs incurred up to the reporting date to the total estimated costs of the assembly and installation portion or software project. Construction contracts in progress at the reporting date were presented in trade receivables.

With the exception of contracts measured according to IAS 11, revenue was recognised, in accordance with the criteria in IAS 18, when the significant risks and rewards of ownership were transferred provided that a price was agreed or could be determined and a flow of economic benefits from the sale of goods was probable.

■ Segment reporting

KRONES reports on two operating segments, which are the strategic business units. The Machines and Lines for the Compact Class segment, which was reported on separately until 2017, was made part of KRONES' core segment Machines and Lines for Product Filling and Decoration with effect from 1 January 2018. The two segments are organised by product divisions and services and managed separately due to the different technologies they cover. The Executive Board, as the chief operating decision maker, manages the company as a whole on the basis of monthly reports from the segments. Segment 1 comprises machines and lines for product filling and decoration. Segment 2 comprises machines and lines for beverage production and process technology. The accounting policies used are the same as those de-

scribed under “General disclosures” above. Segment performance is measured on the basis of internal reporting to the Executive Board, primarily segment revenue and segment EBT.

The table below shows revenue generated through business with third parties in Germany, the USA and the rest of the world.

€ thousand	2018	2017
Germany	2,290,387	2,140,900
USA	411,049	513,715
Rest of the world	1,152,544	1,036,740
	3,853,980	3,691,355

The table below shows non-current assets excluding non-current financial assets, investments accounted for using the equity method and deferred tax assets in Germany, the USA and the rest of the world.

€ thousand	2018	2017
Germany	687,477	648,048
USA	63,141	42,209
Rest of the world	189,260	131,261
	939,878	821,518

The Machines and Lines for the Compact Class segment, which was reported on separately until 2017, was made part of KRONES’ core segment Machines and Lines for Product Filling and Decoration with effect from 1 January 2018.

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 2016					
Cost	166,734	57,919	337,794	0	562,447
Accumulated amortisation	106,955	0	217,171	0	324,126
Net carrying amount	59,779	57,919	120,623	0	238,321
Changes in 2017					
Cost					
Consolidated additions	3,392	6,852			10,244
Additions	15,491		39,801	5	55,296
Disposals	2,399				2,399
Transfers	59				59
Exchange differences	-1,488	-2,035			-3,523
Amortisation					
Additions	19,176		17,907		37,083
Disposals	2,301				2,301
Transfers	-71				-71
Exchange differences	-275				-275
Net carrying amount at 31 Dec 2017	58,305	62,736	142,517	5	263,562
31 Dec 2017					
Cost	181,789	62,736	377,595	5	622,125
Accumulated amortisation	123,484	0	235,078	0	358,563
Net carrying amount	58,305	62,736	142,517	5	263,562

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 2018					
Cost					
Consolidated additions	5,253	39,782	0	0	45,035
Additions	24,214	0	38,506	158	62,878
Disposals	5,485	0	0	0	5,485
Transfers	53	0	0	-1	52
Exchange differences	282	742	0	0	1,024
Amortisation					
Additions	21,408	0	21,083	0	42,491
Disposals	5,450	0	0	0	5,450
Transfers	88	0	0	0	88
Exchange differences	1,755	0	0	0	1,755
Net carrying amount at 31 Dec 2018	64,821	103,260	159,940	162	328,183
31 Dec 2018					
Cost	208,411	103,260	416,100	162	727,933
Accumulated amortisation	143,590	0	256,160	0	399,750
Net carrying amount	64,821	103,260	159,940	162	328,183

The additions to industrial property rights and licenses mainly relate to licenses for IT software.

All goodwill underwent a regular impairment test in accordance with IAS 36, as in the previous year. As in the previous year, no impairment losses were recognised on the goodwill. Impairment testing is performed at the level of the smallest cash-generating unit (CGU) or group of cash-gener-

ating units on the basis of value in use. The cash flow projections underlying impairment tests are based on the approved revenue 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
SPRINKMAN	2018	7,411	5	2.0%	10.4%
MHT	2018	20,180	5	1.0%	13.4%
S.P.S	2018	9,298	6	1.0%	10.5%
JAVLYN	2018	4,498	5	1.5%	10.4%
	2017	4,298	4	1.5%	10.4%
TRANS-MARKET	2018	11,443	5	2.9%	9.8%
	2017	10,933	3	2.9%	9.8%
SYSTEM LOGISTICS	2018	30,906	3	1.0%	9.4%
	2017	30,906	3	1.0%	9.4%
HST	2018	4,258	3	1.0%	9.2%
	2017	4,258	3	1.0%	9.4%
TRIACOS	2018	4,631	3	1.0%	8.8%
	2017	4,631	3	1.0%	9.2%
Other ¹⁾	2018	10,635	2 to 5	1.0% – 3.0%	7.9% – 13.0%
	2017	7,710	2 to 5	1.0% – 3.0%	8.0% – 10.8%

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

The pre-tax discount rates are based on risk-free interest rates, which are determined on the basis of long-term government bond yields. This discount rates are 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. KRONES AG is of the opinion that no reasonably foreseeable change to any of the material basic assumptions used to determine the value in use of cash-generating units to which goodwill has been allocated could result in the carrying amount being higher than its recoverable amount.

The capitalised development expenditure relates to new machinery projects of KRONES AG. Development expenditure capitalised in the reporting period amounts to €38,506 thousand (previous year: €39,801 thousand).

This figure includes borrowing costs in a non-material amount (previous year: €28 thousand). Including capitalised development expenditure, a total of €179,033 thousand was spent on research and development in 2018 (previous year: €172,476 thousand). The amortisation figure for the reporting period included €1,644 thousand (prior year: €0 thousand) for an impairment on intangible assets relating to the Machines and Lines for Product Filling and Decoration segment.

In the reporting period, business combinations resulted in €45,035 thousand in additions to net carrying amounts for intangible assets (previous year: €10,244 thousand), of which €39,782 thousand is goodwill (previous year: €6,852 thousand).

2 Property, plant and equipment

In 2018, as in the previous year, the depreciation figure for property, plant and equipment did not include any impairments in accordance with IAS 36. Additions to land and buildings and to construction in progress primarily related to the establishment of the production location in Hungary, expansion at the Neutraubling and Raubling locations in Germany and investment in the USA and Italy. The €45,085 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 2018, the carrying amounts for property, plant and equipment included government grants of €2,658 thousand (previous year: €28 thousand). Government grants in the amount of €10 thousand (previous year: €12 thousand) were reversed to profit or loss in 2018. As in the previous year, the depreciation figure in 2018 does not include any impairment reversals.

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

Property, plant and equipment includes leased assets in the amount of to €68 thousand (previous year: €150 thousand), beneficial ownership of which is attributed to the group company concerned on the basis of the lease terms (finance leases).

The carrying amounts of the capitalised leased assets are as follows:

€ thousand	31 Dec 2018	31 Dec 2017
Other equipment, furniture and fixtures, and office equipment	68	150
Total	68	150

In the reporting period, business combinations resulted in €9,498 thousand in additions to net carrying amounts for property, plant and equipment (previous year: €496 thousand).

Property, plant and equipment 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 2016						
Cost	493,828	327,790	228,231	3,414	59	1,053,322
Accumulated depreciation	196,005	214,616	161,401	0	0	572,022
Net carrying amount	297,823	113,174	66,830	3,414	59	481,300
Changes in 2017						
Cost						
Consolidated additions	188		309			496
Additions	11,353	10,878	28,281	35,556	1,327	87,395
Disposals	854	5,123	15,786	3,439	27	25,228
Transfers	328	592	1,492	-2,464	-7	-59
Exchange differences	-4,885	-4,761	-3,493	-32		-13,172
Amortisation						
Additions	13,368	20,179	24,089			57,636
Disposals	374	5,041	15,129			20,543
Reversals						0
Transfers	23	-169	217			71
Exchange differences	-2,186	-3,303	-2,559			-8,047
Net carrying amount at 31 Dec 2017	293,122	103,094	71,012	33,036	1,351	501,616
31 Dec 2017						
Cost	499,957	329,377	239,033	33,036	1,351	1,102,754
Accumulated depreciation	206,835	226,282	168,020	0	0	601,138
Net carrying amount	293,122	103,094	71,012	33,036	1,351	501,616

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 2018						
Cost						
Consolidated additions	6,674	1,648	1,049	127		9,498
Additions	16,765	11,258	33,827	48,129	12,574	122,552
Disposals	2,432	6,441	15,698	0	167	24,738
Transfers	26,450	1,945	2,489	-29,840	-1,096	-52
Exchange differences	1,180	692	-619	19	-2	1,271
Amortisation						
Additions	13,882	19,975	26,388	0	0	60,245
Disposals	1,191	6,081	15,076	0	0	22,348
Transfers	22	-120	10	0	0	-88
Exchange differences	707	745	67	0	0	1,518
Net carrying amount at 31 Dec 2018	328,339	97,677	80,672	51,472	12,660	570,820
31 Dec 2018						
Cost	548,595	339,635	263,139	51,472	12,660	1,215,501
Accumulated depreciation	220,256	241,958	182,467	0	0	644,681
Net carrying amount	328,339	97,677	80,672	51,472	12,660	570,820

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

The table below provides details on the group's material associates:

Name	Place of business	Ownership interest
		%
Associates		
INTEGRATED PACKAGING SYSTEMS FZCO Dubai	Dubai, U.A.E.	40
TECHNOLOGISCHES INSTITUT FÜR ANGEWANDTE KÜNSTLICHE INTELLIGENZ GMBH	Weiden	44

These companies are accounted for using the equity method in the consolidated financial statements.

Summarised financial information on the group's material associate INTEGRATED PACKAGING SYSTEMS FZCO, Dubai is presented below. The summarised financial information corresponds to the amounts reported in the financial statements for the associate, which were prepared in accordance with IFRSs (adjusted as necessary for the purpose of equity accounting in the consolidated financial statements). There are put and call options with the same exercise price and maturity date. The options are consequently measured at a carrying amount of nil.

€ thousand	31 Dec 2018	31 Dec 2017
Non-current assets	52,347	53,095
Current assets	26,670	24,327
Non-current liabilities	3,940	3,259
Current liabilities	12,248	11,464
Equity	62,829	62,699
Group's share of equity	25,132	25,080
Other adjustments	0	162
Carrying amount of Integrated Packaging Systems fzco Dubai, accounted for using the equity method	25,132	25,242

€ thousand	2018	2017
Revenue	22,838	24,519
Profit or loss for the period	2,235	-1,247
Other comprehensive income	0	0
Total comprehensive income	2,235	-1,247
Share of profit or loss	894	-499

The carrying amount of TECHNOLOGISCHES INSTITUT FÜR ANGEWANDTE KÜNSTLICHE INTELLIGENZ, which is accounted for using the equity method, was €3,529 thousand and the group's share of profit or loss was -€73 thousand.

5 Inventories

The inventories of the KRONES Group are composed as follows:

€ thousand	31 Dec 2018	31 Dec 2017
Raw materials, consumables and supplies	208,019	177,422
Work in progress	46,559	210,278
Finished goods	35,946	104,280
Goods purchased for sale	25,606	114,956
Other	4,604	4,884
Total	320,734	611,820

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

Write-downs of €7,267 thousand on inventories were recognised as expense in 2018 (previous year: €30,826 thousand) and are substantially based on customary net realisable values and obsolescence allowances. The amount of reversals of write-downs recognised in profit or loss due to improved market conditions was not material. The carrying amount of the inventories recognised at fair value less selling expenses totalled €0 thousand in the reporting period (previous year: €73,603 thousand).

6 Receivables and other assets

€ thousand	31 Dec 2018	31 Dec 2017
Trade receivables	987,970	1,277,358
Contract assets	647,089	0
Other assets	166,128	131,641

With regard to trade receivables and contract assets, please refer to the explanatory notes concerning the introduction of the new standards. The Group measures expected credit losses using the simplified approach under IFRS 9; accordingly, all trade receivables and contract assets are accounted for with lifetime expected credit losses.

The allowance account for trade receivables and contract assets changed as follows:

€ thousand	Trade receivables and contract assets
At 31 Dec 2017	27,444
Change due to first-time application of IFRS 9 as of 1 Jan 2018	13,652
Change due to currency effects	-198
Additions	104
Reversals	-5,430
At 31 Dec 2018	35,572

Other assets mainly comprise advance payments made (€19,959 thousand; previous year: €12,923 thousand), current tax assets (€69,076 thousand; previous year: €51,199 thousand) and prepaid expenses (€9,519 thousand; previous year: €9,730 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 €860 thousand at the reporting date (previous year: €1,973 thousand).

7 Cash and cash equivalents



Apart from cash on hand totalling €150 thousand (previous year: €197 thousand), the cash and cash equivalents of €218,802 thousand (previous year: €181,995 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 127.*

8 Income tax

Income tax receivables and liabilities consist exclusively of income tax in accordance with IAS 12.

The income tax breaks down as follows:

€ thousand	2018	2017
Deferred tax expense/income (-)	693	822
Current tax	52,957	70,846
Total	53,650	71,668

Deferred taxes are measured on the basis of the tax rates that, on the basis of 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 a corporate income tax rate of 15.0% plus a solidarity surcharge of 5.5% and a local trade tax multiplier (Gewerbesteuerhebesatz) for KRONES AG averaging 328%. The total income tax rate for the companies in Germany is consequently 27.3%. Tax rates abroad range between 9% and 35%. Deferred taxes were measured using the income tax rate of 27.3%.

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

€ thousand	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Intangible assets	54	7	45,476	39,395
Property, plant and equipment	144	95	10,374	10,591
Non-current financial assets	14,486	10,109	39	37
Other non-current assets	1,319	587	67	467
Inventories	12,708	6,904	1,657	120,436
Other current assets	2,798	3,326	27,303	22,315
Tax loss carryforwards	11,116	8,850	0	0
Provisions, non-current	9,964	9,758	10,292	7,256
Other non-current liabilities	2,057	1,158	366	22
Provisions, current	19,134	7,545	92	14,377
Other current liabilities	1,540	148,302	167	138
Deferred tax items recognised in other comprehensive income	31,191	34,378	2,304	96
Consolidation	363	144	-369	-267
Subtotal	106,874	231,163	97,768	214,863
Offsetting (-)	-74,424	-201,948	-74,424	-201,948
Total	32,450	29,215	23,344	12,915

The deferred tax assets and liabilities recognised in other comprehensive income amounted to €28,887 thousand at the reporting date (previous year: €34,282 thousand). This figure includes €32,821 thousand (previous year: €34,378 thousand) for actuarial gains and losses recognised in other comprehensive income in accordance with IAS 19 and -€4,316 thousand for deferred taxes recognised in other comprehensive income on the first-time application of IFRS 9 and IFRS 15. An amount of €380 thousand (previous year: -€96 thousand) related to hedging activities.

Deferred tax items were not recognised on tax loss carryforwards of €14,056 thousand (previous year: €14,172 thousand) and on deductible temporary differences totalling €46 thousand (previous year: €38 thousand).

The temporary differences between the carrying amounts of equity interests in subsidiaries and the tax base of those interests (outside basis differences) came to €21,013 thousand at reporting date (previous year: €18,567 thousand) and are excepted from recognition of deferred tax liabilities.

The tax expense of €53,650 thousand reported in 2018 is €2,110 thousand higher than the expected tax expense that would theoretically result from application of the domestic tax rate of 27.3% at the group level. The difference can be attributed to the following:

€ thousand	2018	2017
Earnings before taxes	204,250	258,795
Tax rate for the parent company KRONES AG	27.30%	27.30%
Expected (theoretical) tax expense	55,760	70,651
Adjustment due to difference between local tax rate and tax rate of KRONES AG	-1,428	1,618
Reductions in tax due to tax-exempt income	-14,724	-10,825
Current tax losses for which no deferred taxes recognised	28	0
Increases in tax expense due to non-deductible expenses	23,134	12,652
Tax effect of as-yet unrealised deferred taxes on loss carryforwards	-1,070	-10,569
Tax income (-) / tax expense (+) for previous years	-1,491	9,172
Tax effect of as-yet unrealised deductible temporary differences	-4,672	-61
Other	-1,887	-970
Taxes on income	53,650	71,668

The difference between reductions in taxes and increases in taxes for 2018 results in a net decrease in taxes. This is primarily attributable to tax-exempt income.

9 Equity

KRONES AG's share capital amounted to €40,000,000.00 at 31 December 2018, 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 2018, as in the previous year, the company held no treasury shares.

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

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

The authorisation became effective upon resolution by the annual general meeting on 13 June 2018 and applies until midnight on 12 June 2023. The authorisation resolved by the annual general meeting on 25 June 2014 (agenda item 7) expired when this new authorisation took effect.

The amount of treasury shares purchased under this authorisation, together with other treasury shares that the company has already acquired or still holds or shares that are attributable to the company under Sections 71d and 71e of the German Stock Corporation Act, may at no time exceed 10% of the company's share capital. 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 submit sales offers.

If the share buyback is done through a stock exchange, the price per share paid by the company (excluding incidental costs) may not exceed or fall short of by more than 10% the price of a KRONES share as determined by the opening auction on the trading day in the Xetra trading system (or any comparable successor system).

Buyback through a public tender offer or a public request to the shareholders to submit sales offers:

If the share buyback is done through a public purchase offer, the company may set a fixed price per share or a price range (excluding incidental costs) within which the company is willing to purchase shares. The company may specify in the public purchase offer a time period for accepting or submitting offers as well as the option to and the terms under which the company might adjust the price range during that period in the event of significant changes in the market price. If a price range is specified, the purchase price must be determined using the sales prices specified in the shareholders' acceptance or submission declarations and the buyback volume set by the Executive Board after the end of the offering period.

In the case of a public tender offer, the purchase price offered or the price range specified may not exceed or fall short of by more than 10% the volume-weighted average price of a KRONES share in Xetra trading (or any comparable successor system) on the last three (3) trading days prior to the offer's official announcement. If the company adjusts the price range, the adjustment must be based on the last three (3) trading days before the public announcement of the adjustment.

In the case of a request to the shareholders to submit sales offers, the purchase price per share determined on the basis of the offers submitted (excluding incidental costs) may not exceed or fall short of by more than 10%

the volume-weighted average price of a KRONES share in Xetra trading (or any comparable successor system) on the last three (3) trading days prior to the request's official announcement. If the company adjusts the price range, the adjustment must be based on the last three (3) trading days before the public announcement of the adjustment.

A limit may be placed on the volume of the tender offer or of the request to the shareholders to submit sales offers. If the volume of shares tendered by shareholders exceeds the total volume of the company's tender offer or request for sales offers, consideration or acceptance must be granted on a pro-rata basis, proportionate to the total amount of the tender offer or request for sales offers and the total volume of shares offered by shareholders. However, provision may be made for preferential acceptance of small lots of up to 100 tendered shares per shareholder. The tender offer or call for sales offers can stipulate additional conditions.

The Executive Board is authorised to use treasury shares that are purchased under the above authorisation for any lawful purpose, including any of the following:

They can 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. 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. If the shares are cancelled by the simplified process without any reduction of the share capital, the Executive Board is authorized to adjust the number of shares in the articles of association.

They can be offered and transferred to third parties in return for contributions in kind, in particular in connection with business combinations or the acquisition of companies, operations, parts of companies, or interests in companies. The aforementioned shares may also be used to end or settle valuation proceedings under company law (gesellschaftsrechtliche Spruchverfahren) relating to affiliated companies.

They can be sold to third parties in exchange for cash payment at a price not substantially below the stock exchange price of the company's shares at the time of the sale within the meaning of Sections 71 (1) number 8 sentence 5 and 186 (3) sentence 4 of the German Stock Corporation Act (AktG).

They can be used to service duties or rights to acquire shares in the company under or in connection with convertible bonds or bonds with warrants issued by the company and its group companies or profit-sharing rights with conversion rights or warrants.

The authorisations above relating to the use of treasury shares can be exercised once or multiple times, individually or in combination, on the whole volume or on partial volumes of the acquired treasury shares. The authorisations under d) above 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 must be excluded insofar as these shares are used as described under b) through d) above in accordance with the above authorisation or to the extent necessary in order to avoid fractional amounts if the treasury shares are to be sold by way of an offer addressed to all shareholders.

The shares used in accordance with the authorisations under d) through d) above may not – either at the time of the resolution or at the time that the

authorisation is executed – exceed 10% of the current share capital at the time that the authorisation takes effect or – if lower – at the time it is exercised. Any shares that are issued or sold, under direct or analogous application of Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG), during the term of this authorisation must be counted towards this limit. If, during the term of this authorisation to use treasury shares, other authorisations are used to issue or sell shares of the company or which entail either the entitlement or the obligation to subscription rights and subscription rights are excluded, these shares must also be counted toward the 10% limit described above. Likewise, any shares that are issued to service convertible bonds or bonds with warrants issued by the company and its group companies or profit-sharing rights with conversion rights or warrants must also be counted if the bonds are issued during the term of this authorisation in accordance with Section 186 (3) sentence 4 of the German Stock Corporation Act (AktG).

By resolution of the annual general meeting on 15 June 2016, the Executive Board is authorised to increase the company's share capital, with the approval of the Supervisory Board, by up to €10 million (authorised capital) through the issuance on one or more occasions of new ordinary bearer shares against cash contributions up to and including 15 June 2021. Shareholders must be granted subscription rights to these shares. The Executive Board is authorised to exclude the subscription rights of shareholders, with the approval of the Supervisory Board, for any fractional amounts that may arise. Moreover, the Executive Board is authorised to determine the further details of the capital increase and its implementation, both 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 –€263 thousand in the reporting period (previous year: –€33,969 thousand) and consist of changes in currency differences and hedge accounting 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 –€483 thousand (previous year: –€1,632 thousand). The sum of changes in equity that are recognised in other comprehensive income and those that are recognised in profit or loss was €150,337 thousand (previous year: €153,158 thousand).

A dividend of €1.70 per share was approved for the 2017 financial year and paid out by KRONES AG in 2018 (previous year: €1.55 per share). The total dividend payout came to €53,708 thousand (previous year: €48,969 thousand).

Disclosures about capital management

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

10 Capital reserves

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

11 Profit reserves

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

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

Currency differences recognised under profit reserves contain the currency translations of financial statements of foreign subsidiaries that are recognised in other comprehensive income.

The effect of the transition to IFRS 15 amounts to €21,589 thousand after taxes (€29,631 thousand before taxes) and was recognised in profit reserves. In addition, an amount of –€9,926 thousand after taxes (–€13,652 thousand before taxes) was recognised in profit reserves on the first-time application of IFRS 9.

12 Other reserves

Changes in the reserve for post-employment benefits, the reserve for cash flow hedges and the reserve for puttable instruments presented under “other reserves” were as follows:

€ thousand	Reserve for post-employment benefits	Reserve for cash flow hedges	Puttable instruments	Total
At 31 Dec 2016	-91,204	-3,818	-804	-95,827
Measurement change	-498	7,784	0	7,083
Tax on items taken directly to or transferred from equity	154	-2,833		-2,679
Currency difference	43	0		248
At 31 Dec 2017	-91,505	1,133	-804	-91,176
Measurement change	5,948	-3,070	0	2,878
Tax on items taken directly to or transferred from equity	-1,552	698		-854
Currency difference	0	-8		-8
At 31 Dec 2018	-87,109	-1,247	-804	-89,160

The measurement changes for cash flow hedges include additions of -€1,142 thousand and amounts reclassified to profit or loss totalling €1,133 thousand after taxes.

13 Non-controlling interests

In the 2017 financial year, non-controlling interests totalled -€72 thousand (previous year: -€3,085 thousand).



A detailed overview of the composition of and changes to the individual equity components for the KRONES Group in 2018 and the previous year is presented in the statement of changes in equity on page 128.

14 Provisions for pensions

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

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

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

In defined benefit plans, the company undertakes an obligation to render the benefits promised to active and former employees, where a distinction is made between systems financed by provisions and systems financed through pension funds. The amount of the pension obligations (the defined benefit obligation) was computed in accordance with actuarial methods. Apart from the assumptions regarding life expectancy based on the 2005 Heubeck actuarial tables, the following average values for the group were also taken into account in the actuarial calculations:

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

guard for workers' benefits was put into place at the time the new scheme was established on 31 December 1982.

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.

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

%	Average for the group	
	2018	2017
Discount rate	2.0	1.8
Projected increases in wages and salaries	0.0	0.0
Projected increases in state pensions	2.0	2.0

The rates recommended for measuring pension liabilities at the end of the business year as published by Heubeck AG, Mercer Deutschland GmbH, TowersWatson, and AON Hewitt are used to determine the relevant discount rates.

These values, which in turn are determined on the basis of market yields on senior fixed-coupon corporate bonds, are used to obtain an interest rate that reflects the anticipated benefit payments.

The average residual term of post-employment benefit obligations is 19 years (previous year: 19 years).

The projected increases in wages and salaries comprise expected future pay increases, which are estimated each year on the basis 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 2018	31 Dec 2017	31 Dec 2016
Present value of benefit commitments financed by provisions	199,099	199,129	198,381
Present value of benefit commitments financed through pension funds	49,534	50,722	52,221
Present value of benefit commitments (gross)	248,633	249,851	250,602
Fair value of plan assets	-28,083	-29,622	-31,454
Carrying amount at 31 December (net defined benefit obligation)	220,550	220,229	219,148

The pension provisions, which amounted to €212,086 thousand at the reporting date (previous year: €216,411 thousand), are primarily attributable to KRONES AG. The actuarial gains or losses resulting from changes in financial assumptions totalled €9,140 thousand (previous year: €0 thousand). Experience adjustments total –€17 thousand (previous year: –€185 thousand); adjustments due to changes in demographic assumptions, mainly relating to an adjustment to the new Heubeck 2018G actuarial tables, total –€3,111 thousand (previous year: €0 thousand).

The costs arising from pension obligations amounted to €5,272 thousand (previous year: €4,721 thousand) and break down as follows:

€ thousand	31 Dec 2018	31 Dec 2017	31 Dec 2016
Current service cost	727	618	1,060
Interest expense	4,562	4,492	5,188
Expected return on plan assets	–508	–545	–703
Past service cost and plan curtailments	491	156	162
Costs arising from pension obligations	5,272	4,721	5,707

The present value of defined benefit obligations, which amounted to €248,633 thousand (previous year: €249,851 thousand), the fair value of the plan assets, which amounted to €28,083 thousand (previous year: €29,622 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 2017	250,602	–31,454	219,148
Current service cost	618	0	618
Interest expense (+)/interest income (–)	4,492	–545	3,947
Actuarial gains/losses	188	66	254
Employer contributions	0	–522	–522
Benefits paid	–5,816	2,835	–2,981
Recognised past service cost	156		156
Exchange differences	–389	–2	–391
At 31 December 2017	249,851	–29,622	220,229

€ thousand	Present value of benefit commitments	Fair value of plan assets	Total
At 31 December 2017	249,851	–29,622	220,229
Consolidated additions	3,742	0	3,742
Current service cost	727	0	727
Interest expense (+)/interest income (–)	4,562	–508	4,054
Actuarial gains/losses	–6,448	500	–5,948
Employer contributions	0	–1,222	–1,222
Benefits paid	–4,765	2,752	–2,013
Recognised past service cost	491		491
Exchange differences	473	17	490
At 31 December 2018	248,633	–28,083	220,550

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

The fair value of plan assets was €28.1 million as of 31 December 2018 (previous year: €29.6 million). Of that, €23.6 million are pension liability insurance policies (previous year: €23.7 million). The rest of the plan assets are attributable to KRONES Unterstützungs-Fonds e.V., headquartered in Neutraubling. The fund assets are invested in a special-purpose fund that is administered and actively managed by Allianz GI. The eligible instruments are specified in the investment guidelines.

A defensive investment strategy is used. At 31 December 2018, the AGI fund consisted of 34.7% government bonds, 7.2% Pfandbriefe (covered bonds governed by the German Pfandbrief Act), and 22.1% investment-grade corporate bonds. The amount held as cash in hand came to 0.7%. The remainder was primarily equity funds. Interest rate risk is actively managed using interest rate futures. The duration of the investment volume is 2.31 years. Management of currency risk: No direct currency investments are made. The overall rating of the fund assets is A+. KRONES AG's plan assets are secured as follows: 84% through the pension liability insurance policies from Allianz and 16% through KRONES Unterstützungs-Fonds e.V.

The expected contributions to plan assets in 2019 are €1,002 thousand. The expected pension benefit payments to be paid out of plan assets in 2019 amount to €2,650 thousand.

In 2018, a total of €55,404 thousand (previous year: €52,261 thousand) was spent on the employer contribution to defined contribution plans (contributions to pension insurance).

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

	Change in assumption	Effect on the obligation	
		Assumption increases	Assumption decreases
Discount rate	0.50%	8.4% decrease	8.8% increase
Change in state pensions	0.50%	6.7% decrease	7.1% increase
Life expectancy	1 year	4.3% increase	4.3% 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 defined benefit obligation to actuarial assumptions as was used to calculate the provisions for pensions in the statement of financial position.

15 Provisions for taxes and other provisions

€ thousand	1 Jan 2018	Consolidated additions	Utilisation	Reversal	Additions	Exchange differences	31 Dec 2018	Due within 1 year
Tax liabilities	35,341	187	25,438	2,097	5,863	-422	13,434	9,000
Personnel obligations	38,915	167	3,199	493	13,144	-81	48,453	1,364
Provision for anticipated losses	41,089	475	33,356	464	24,579	-675	31,648	26,419
Provision for warranties	68,961	556	10,195	9,581	6,498	-591	55,648	54,788
Other remaining provisions	47,785	5,670	19,503	19,707	20,181	713	35,139	24,659
Total	232,091	7,055	91,691	32,342	70,265	-1,056	184,322	116,230

The tax liabilities mainly consist of provisions for income taxes for which no tax assessment notice has yet been issued. The provisions for personnel obligations are primarily for non-current obligations relating to partial retirement. The personnel obligations include €309 thousand for the effects of the time value of money (previous year: €385 thousand). The provisions for anticipated losses and provisions for warranties relate to project business and represent the expected costs from customer orders. The estimates for liabilities relating to projects business are based on customary empirical values. The other remaining provisions primarily include provisions for damages and legal fees. The estimates for liabilities relating to projects business are based on customary empirical values. The non-current provisions have been discounted using rates between 0.9% and 2.0%.

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 2018
Liabilities to banks	555	3,169	0	3,724
Contract liabilities	547,222	0	0	547,222
Trade payables	491,585	1	0	491,586
Other financial liabilities	106,670	41,302	0	147,972
Other liabilities	261,655	2,298	0	263,953
Total	1,407,687	46,770	0	1,454,457

€ 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 2017
Liabilities to banks	24,620	0	0	24,620
Advances received	508,864	0	0	508,864
Trade payables	376,525	22	0	376,547
Other financial liabilities	6,979	26,975	0	33,954
Other liabilities	294,099	2,194	0	296,293
Total	1,211,087	29,191	0	1,240,278

Reconciliation of movements in liabilities to cash flow from financing activities

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

€ thousand	31 Dec 2017	Cash changes	Non-cash change due to acquisitions	31 Dec 2018
Liabilities to banks – non-current	0	0	3,169	3,169
Liabilities to banks – current	24,620	–24,065	0	555
Total	24,620	–24,065	3,169	3,724

The other financial obligations are obligations on bills, puttable instruments, and earn-out obligations. Under IAS 39, the obligations on bills represent possible liabilities from bills sold and are also recognised as trade receivables amounting to €106,670 thousand (previous year: €6,979 thousand). The other liabilities consist of other remaining liabilities (€256,432 thousand; previous year: €287,374 thousand) and deferred income (€7,521 thousand; previous year: €8,919 thousand).

The other remaining 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 2018
Tax liabilities	32,999	0	0	32,999
Social security liabilities	27,653	1,354	0	29,007
Payroll liabilities	9,887	0	0	9,887
Accruals	158,605	0	0	158,605
Other	24,990	944	0	25,934
Total	254,134	2,298	0	256,432

Accruals, which amounted to €158,605 thousand (previous year: €194,236 thousand), have greater certainty with respect to their amount and timing than is the case with provisions. The primary items they include are outstanding supplier invoices, obligations relating to flexible working hours, accrued vacation, and performance bonuses.

€ thousand	Residual term of up to 1 year	Residual term of 1 to 5 years	Residual term of over 5 years	Total at 31 Dec 2017
Tax liabilities	39,834	0	0	39,834
Social security liabilities	7,457	0	0	7,457
Payroll liabilities	27,465	1,041	0	28,506
Accruals	194,236	0	0	194,236
Other	16,188	1,153	0	17,341
Total	285,180	2,194	0	287,374

The liabilities from finance leases are recognised under other liabilities without consideration of future interest expense. The residual terms of the individual leases are between 2 and 4 years. Some of the leases contain options for extension or purchase.

The present values of minimum lease payments for finance leases recognised under the other remaining liabilities are as follows, broken down by residual term:

€ thousand	31 Dec 2018	31 Dec 2017
Future minimum lease payments		
Up to 1 year	123	100
1 to 5 years	184	6
	307	106
Interest portion of future minimum lease payments		
Up to 1 year	5	4
1 to 5 years	7	0
	12	4
Present value of future minimum lease payments		
Up to 1 year	118	96
1 to 5 years	177	6
	295	102

17 Contingent liabilities

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

18 Other financial liabilities

The other financial liabilities consist primarily of operating leases and long-term rental agreements for land and buildings, vehicles, computers, and telecommunication equipment.

Payments amounting to €26,041 thousand (previous year: €24,634 thousand) were made under these rental and lease agreements in 2018.

In the case of operating leases, the leased assets are treated as assets belonging to the lessor since the lessor bears the risks and rewards.

€ thousand	31 Dec 2018	31 Dec 2017
Future minimum lease payments		
Up to 1 year	23,897	21,249
1 to 5 years	34,496	28,398
More than 5 years	267	22
	58,660	49,669
Future maintenance		
Up to 1 year	13,316	7,446
1 to 5 years	9,424	3,035
More than 5 years	0	0
	22,740	10,481

19 Other disclosures relating to financial instruments

The derivative financial instruments of the KRONES Group substantially cover the currency risks relating to the US dollar, the Canadian dollar, the Norwegian krone, the Australian dollar, the British pound, the Japanese yen and the euro.

The nominal and fair values of the derivative financial instruments are as follows at the reporting date:

€ thousand	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	Nominal value	Nominal value	Fair value	Fair value
Financial assets				
Currency hedging				
Forward exchange contracts	55,041	99,924	859	1,973
of which hedge accounting	28,875	88,451	450	1,607
Financial liabilities				
Currency hedging				
Forward exchange contracts	73,431	63,361	1,981	513
of which hedge accounting	61,338	10,353	1,781	26

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.

The risk of default relating to derivative financial instruments is limited to the balance of the positive fair values in the event of a contracting party's default. The cash flow hedges presented are judged to be effective. The net loss from derivatives was €386 thousand in the reporting period (previous year: net loss of €1,219 thousand).

The German master agreements and ISDA agreements do not meet the criteria to require offsetting in the consolidated statement of financial position. That is because the company currently does not have a legally enforceable

right to offset the recognised amounts. The right to offset these amounts is only enforceable if future events occur such as insolvency of a party to the contract. Hedging transactions entered into directly by subsidiaries of the KRONES Group also cannot be offset.

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

€ thousand	31 Dec 2018	31 Dec 2017
Financial assets		
Gross amounts of recognised financial assets	1,887,606	1,493,386
Amounts that are netted in accordance with IAS 32.42	0	0
Net amounts of recognised financial assets	1,887,606	1,493,386
Amounts subject to master netting agreement		
Derivatives	-1,981	-513
Net amount of financial assets	1,885,625	1,492,873
Financial liabilities		
Gross amounts of recognised financial liabilities	715,458	513,798
Amounts that are netted in accordance with IAS 32.42	0	0
Net amounts of recognised financial liabilities	715,458	513,798
Amounts subject to master netting agreement	0	0
Derivatives	-860	-513
Net amount of financial liabilities	714,598	513,285

The effect of first-time application of IFRS 9 on the consolidated financial statements is presented on page 176.



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 2018			Measurement under IFRS 9				Measurement hierarchy		
€ thousand	Carrying amount at 31 Dec 2018	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 IAS 17	Level 1	Level 2	Level 3
Assets									
Non-current financial assets	8,770	3,805	3,805						
Trade receivables	987,970	987,970	987,970						
Contract assets	647,089	647,089	647,089						
Other assets	166,128	29,940	29,080	410	450			860	
of which derivatives	860	860		410	450			860	
Cash and cash equivalents	218,802	218,802	218,802						
Liabilities									
Liabilities to banks	3,724	3,724	3,724						
Trade payables	491,586	491,586	491,586						
Other financial liabilities	147,972	147,972	106,889	41,083					41,083
Other liabilities and provisions	263,953	72,176	69,899	199	1,781	295		1,982	
of which derivatives	1,982	1,982		199	1,781			1,982	

31 Dec 2017		Measurement under IAS 39							Measurement hierarchy		
€ thousand	Carrying amount at 31 Dec 2017	Of which subject to IFRS 7	Loans and receivables	Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities at fair value through other comprehensive income	Available-for-sale financial assets	Financial liabilities at amortised cost	Measurement under IAS 17	Level 1	Level 2	Level 3
Assets											
Non-current financial assets*	6,215	6,215	2,656			3,559			990		
Trade receivables	1,277,358	1,277,358	1,277,358								
Other assets	131,641	27,818	25,846	366	1,607					1,973	
of which derivatives	1,973	1,973		366	1,607					1,973	
Cash and cash equivalents	181,995	181,995	181,995								
Liabilities											
Liabilities to banks	24,620	24,620					24,620				
Trade payables	376,547	376,547					376,547				
Other financial liabilities	33,954	33,953		26,974			6,979				26,974
Other liabilities and provisions	296,293	78,575		487	26		77,960	102		513	
of which derivatives	513	513		487	26					513	

* Investments measured at cost in accordance with IAS 39.46 (c)

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

€ thousand	2018	2017
Net carrying amount at 1 January	26,974	19,758
Additions resulting from acquisitions	2,582	3,883
Changes	11,527	3,333
(of which currency effects)	234	529
Net carrying amount at 31 December	41,083	26,974

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 the market and company data available at the reporting date.

The acquisitions include contingent consideration that is dependent on the input factors EBITDA and cash and cash equivalents. Taking into account the estimated input factors, the fair value of the contingent consideration from these acquisitions is €5,420 thousand as of the reporting date.

The acquisitions include put options that are granted to non-controlling interests for their shares in group companies. The anticipated-acquisition method has been applied, meaning that the options are accounted for as if they had already been exercised and each is recognised as a liability at fair value instead of recognising non-controlling interests. The liabilities are recognised through profit or loss.

The fair value of the put option for TRANS-MARKET was measured using Monte Carlo simulation. The main input factors are medium-term planning and the discount rate. The fair value was €987 thousand at the reporting date. The fair value of the put 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 price is between €27,325 thousand and €47,688 thousand at the reporting date. On this basis, the fair value at the reporting date was €33,226 thousand. The fair value of the put option for IPS PLASTICS was measured using the discounted cash flow method. The main input factors are medium-term planning and the discount rate. The estimated undiscounted exercise price at the acquisition date was €1,742 thousand. There was no significant change in the estimated spread as of the reporting date. On this basis, the fair value at the reporting date was €1,450 thousand.

There were no transfers between levels of the hierarchy.

The age structure of trade receivables and other receivables is as follows at 31 December 2018:

	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 2018 Trade receivables and contract assets	1,635,059	1,460,726	116,017	21,212	24,337	12,767
31 Dec 2017 Trade receivables	1,277,358	998,659	171,991	42,825	34,363	29,520

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 at 31 December, 2018:

Rating-based	Gross carrying amount in € thousand	Average loss rate	Loss allowance in € thousand
Key accounts	471,345	0.45%	1,984
Major customers	821,086	0.99%	7,330
Total	1,292,431		9,314

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

	Category					Total
	A	B	C	D	E	
Average loss rate (%)	0.23%	0.18%	1.70%	5.33%	39.62%	
Gross carrying amount in € thousand	279,308	49,426	9,342	9,998	8,225	356,299
Loss allowance in € thousand	608	81	147	495	3,026	4,357

The cumulative loss allowances in relation to customers for whom the KRONES Group has concluded that their creditworthiness is impaired amounted to €21,901 thousand.

The following overview of maturities shows how the undiscounted cash flows relating to liabilities as of 31 December 2018 influence the company's liquidity situation.

€ thousand	Carrying amount 31 Dec 2018	Cash flow 2019		Cash flow 2020–2023		Cash flow beyond 2023	
		Interest	Repayment	Interest	Repayment	Interest	Repayment
Derivative financial instruments	1,982	0	1,980	0	2	0	0
Liabilities to banks	3,724	0	555	680	3,169	0	0
Liabilities from leases	295	6	118	15	177	0	0
Discounted trade bills	106,670	0	106,670	0	0	0	0
Other financial liabilities	41,302	0		44	41,302	0	0
	153,973	6	109,323	739	44,650	0	0

€ thousand	Carrying amount 31 Dec 2017	Cash flow 2018		Cash flow 2019–2022		Cash flow beyond 2022	
		Interest	Repayment	Interest	Repayment	Interest	Repayment
Derivative financial instruments	513	0	340	0	173	0	0
Liabilities to banks	24,620	0	24,620	0	0	0	0
Liabilities from leases	102	4	92	0	6	0	0
Discounted trade bills	6,979	0	6,979	0	0	0	0
Other financial liabilities	27,811	0		42	27,811	0	0
	60,025	4	32,031	42	27,990	0	0

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

31 Dec 2018 € thousand	Currency USD	Currency NOK	Currency CAD	Currency CNY	Currency GBP
Cash and cash equivalents	395	0	132	56	0
Trade receivables	907	0	5,238	0	0
Other financial receivables	0	635	34	0	0
Derivatives at positive market values	194	284	269	0	45
Loans	0	0	0	0	0
Total assets	1,496	919	5,673	56	45
Liabilities					
Trade payables	-2,114	0	0	-1,082	-39
Liabilities to banks	0	0	0	0	0
Liabilities from leases	0	0	0	0	0
Other liabilities	-856	-14,217	-2,543	0	-4,007
Derivatives at negative market values	-1,100	-11	-7	-589	0
Financial liabilities at amortised cost	0	0	0	0	0
Total liabilities	-4,070	-14,228	-2,550	-1,671	-4,046
Balance of assets and liabilities	-2,574	-13,309	3,123	-1,615	-4,001
Net exposure at 31 Dec 2018	-2,574	-13,309	3,123	-1,615	-4,001

A 10% change in the closing rate at the reporting date would have the following effects on consolidated net income:

€ thousand	Currency USD	Currency NOK	Currency CAD	Currency CNY	Currency GBP
Consolidated statement of profit and loss	-116	1,254	-87	68	567
Consolidated equity	3,022	1,254	553	214	671

31 Dec 2017 € thousand	Currency USD	Currency NOK	Currency CAD	Currency GBP	Currency CNY
Cash and cash equivalents	2,104	0	145	0	0
Trade receivables	1,483	0	5,810	0	0
Other financial receivables	894	635	34	20	0
Derivatives at positive market values	740	524	31	39	101
Loans	0	0	0	0	0
Total assets	5,221	1,159	6,020	59	101
Liabilities					
Trade payables	-26,149	-11	0	-16	-55
Liabilities to banks	0	0	0	0	0
Liabilities from leases	0	0	0	0	0
Other liabilities	-5,038	-2,697	-2,163	-5,569	0
Derivatives at negative market values	-5	-13	-18	-4	-258
Financial liabilities at amortised cost	0	0	0	0	0
Total liabilities	-31,192	-2,721	-2,181	-5,589	-313
Balance of assets and liabilities	-25,971	-1,562	3,389	-5,530	-212
Net exposure at 31 Dec 2017	-25,971	-1,562	3,389	-5,530	-212

A 10% change in the closing rate at the reporting date would have the following effects on consolidated net income:

€ thousand	Currency USD	Currency NOK	Currency CAD	Currency GBP	Currency CNY
Consolidated statement of profit and loss	1,624	137	-162	277	922
Consolidated equity	4,808	786	268	27	174

Notes to the consolidated statement of profit and loss

20 Revenue

The KRONES Group's revenue of €3,853,980 thousand (previous year: €3,691,355 thousand) is recognised revenue from contracts with customers. Revenue from contracts with customers breaks down by segment and geographical region as follows.

€ thousand	Machines and Lines for Product Filling and Decoration	Machines and Lines for Beverage Production/ Process Technology
Germany	273,431	88,913
Central Europe (excluding Germany)	205,006	19,587
Western Europe	543,892	177,751
Middle East/Africa	424,271	76,371
Eastern Europe	164,971	22,458
Russia, Central Asia (CIS)	62,014	17,842
Asia-Pacific	402,170	43,556
China	277,993	12,778
North and Central America	420,611	112,452
South America	403,491	104,422
Total	3,177,850	676,130

The group's contract assets and contract liabilities changed as follows in the financial year:

€ thousand	31 Dec 2018	1 Jan 2018
Contract assets	647,089	370,228
Contract liabilities	547,222	392,986

The amount of revenue recognised in 2018 that was included in the contract liability balance at the beginning of the reporting period was €392,986 thousand.

The increase in contract assets and contract liabilities mainly relates to a larger volume of contracts in progress and higher prepayments from customers as a result of growth in the orders backlog.

The amount of the transaction price allocated to performance obligations unsatisfied (or partially unsatisfied) as of the end of the reporting period was €25,072 thousand. KRONES will recognise most of this as revenue in the next 36 months. No disclosures under IFRS 15.120 are made for performance obligations with an original expected duration of one year or less.

21 Other own work capitalised

Other own work capitalised consists primarily of capitalised development expenditure and capitalised cost of self-constructed property, plant and equipment.

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

22 Other operating income

Apart from prior-period income from the reversal of provisions and accruals (€13,727 thousand; previous year: €11,293 thousand), gains from disposals of non-current assets (€479 thousand; previous year: €1,558 thousand) and the reversal of loss allowances (€7,910 thousand; previous year: €3,272 thousand), the other operating income, which amounts to €114,492 thousand (previous year: €112,470 thousand), consists substantially of currency

translation gains of €36,548 thousand (previous year: €58,016 thousand). This compares with additions to loss allowances of €3,148 thousand (previous year: €8,934 thousand) and currency translation losses of €45,201 thousand (previous year: €51,117 thousand) under other operating expenses.

23 Goods and services purchased

The expenditure for goods and services purchased comprises expenses for materials and supplies and for goods purchased amounting to €1,523,504 thousand (previous year: €1,408,330 thousand) and expenses for services purchased amounting to €508,521 thousand (previous year: €451,077 thousand).

24 Personnel expenses

Within the KRONES Group, 15,330 people (previous year: 14,426) including trainees (546; previous year: 541) were employed on average over the year. The workforce of the KRONES Group is composed as follows (average for the year):

	2018	2017
White-collar employees exempt from collective agreements	2,766	2,551
Employees covered by collective agreements	12,564	11,875
Total	15,330	14,426

25 Other operating expenses

Apart from the €453 thousand in prior-period losses from disposals of non-current assets (previous year: €178 thousand), the other operating expenses include additions to loss allowances on receivables (€3,148 thousand; previous year: €8,934 thousand), other taxes (€5,664 thousand; previous year: €5,898 thousand), freight costs (€124,272 thousand; previous year:

€106,331 thousand), travel costs (€110,677 thousand; previous year: €107,037), currency translation losses (€45,201; previous year: €51,117 thousand), rent and cleaning costs (€40,873 thousand; previous year: €30,222 thousand), and maintenance costs (€36,191 thousand; previous year: €31,314 thousand).

26 Financial income/expense

The financial income of €1,099 thousand (previous year: €13,328 thousand) breaks down as follows:

€ thousand	2018	2017
Income from other securities and loans classified as non-current financial assets	2	2
Interest and similar income	6,121	10,149
Interest and similar expenses	-14,592	-8,265
Interest income/expense	-8,469	1,884
Investment income	8,747	11,941
Profit or loss shares attributable to associates that are accounted for using the equity method	821	-499
Net financial income/expense	1,099	13,328

Besides interest and similar income of €6,121 thousand (previous year: €10,149 thousand) and interest and similar expenses of €14,592 thousand (previous year: €8,265 thousand), financial income/expense also included investment income of €8,747 thousand (previous year: €11,941 thousand) relating to non-consolidated companies. The interest and similar income includes reversals of earn-out obligations totalling €563 thousand (previous year: €4,567 thousand). The interest and similar expenses include a €10,749 thousand (previous year: €4,520 thousand) increase in the obligation relating to put options. *The share of profit or loss of associates accounted for using the equity method came to €821 thousand in 2018 (see page 151).*



27 Income tax



Income tax amounted to –€53,650 thousand in 2018 (previous year: –€71,668 thousand). *Further information is presented under Note 8, “Income tax” (pages 153 to 154).*

28 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:

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

	2018	2017
Consolidated net income less profit or loss shares of non-controlling interests (€ thousand)	151,083	188,759
Weighted average number of ordinary shares in circulation (shares)	31,593,072	31,593,072
Earnings per share (€)	4.78	5.97

Accounting standards applied for the first time

First-time application of the new financial reporting standards IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” results in changes to the group’s accounting policies as described in the following. Other financial reporting standards and interpretations to be applied for the first time have no effect on the annual financial statements.

IFRS 9 Financial Instruments

IFRS 9 “Financial Instruments” replaces the previous requirements under IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new rules for the classification and measurement of financial assets and new rules on impairments of financial instruments.

KRONES has applied IFRS 9 for the first time as from 1 January 2018. In accordance with the transitional provisions under IFRS 9, KRONES has elected not to restate prior-year figures.

IFRS 9 introduces a new classification and measurement approach for financial assets that reflects the business model under which they are held and their cash flow characteristics.

IFRS 9 provides for three major categories of financial assets: at amortised cost, at fair value through profit or loss (FVTPL) and at fair value through other comprehensive income (FVOCI). The standard eliminates the previous categories under IAS 39: held to maturity, loans and receivables and available-for-sale.

For equity instruments that are not held for trading, KRONES has elected to uniformly recognise changes in fair value through other comprehensive income. Under IAS 39, such financial instruments were classified as “available for sale” and measured at amortised cost.

IFRS 9 largely retains the existing requirements under IAS 39 for the classification of financial liabilities.

Under IAS 39, however, all changes in the fair value of liabilities designated as at fair value through profit or loss are recognised through profit or loss, whereas under IFRS 9 they are normally presented as follows:

- Changes in fair value attributable to changes in credit risk on the liability are presented in other comprehensive income.
- The remaining changes in fair value are presented in profit or loss.

The other financial liabilities at KRONES comprise liabilities at fair value through profit or loss. KRONES has retained this classification under IFRS 9.

IFRS 9 replaces the incurred loss model under IAS 39 with a forward-looking expected credit loss model. 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.

The additional loss allowances determined for trade receivables and contract assets in accordance with IFRS 15 amounted to €13,652 thousand and were recognised in profit reserves.

Changes in loss allowances are shown on page 152.



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 for 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 other receivables, including 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.

Overall, application of the new impairment model results in earlier recognition of expected losses on trade receivables and other receivables, including contract assets, and thus in an increase in impairments.

Cash and cash equivalents are deposited with banks or financial institutions. Based on the external ratings of banks and financial institutions, KRONES assumes that its cash and cash equivalents have low default risk.

On first-time application of IFRS 9, KRONES has made the election to continue applying the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9.

The table below shows a reconciliation, as of 1 January 2018, of the carrying amounts of financial instruments prior to the transition to IFRS 15, broken down by classes and categories in accordance with IFRS 9, to the previous categories in accordance with IAS 39.

31 Dec 2017			Measurement under IAS 39					Measurement under IAS 17
€ million	Carrying amount at 31 Dec 2017	Of which subject to IFRS 7	Loans and receivables	Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities at fair value through other comprehensive income	Available-for-sale financial assets	Financial liabilities at amortised cost	
Assets								
Non-current financial assets*	6.2	6.2	2.7			3.6		
Trade receivables	1,277.4	1,277.4	1,277.4					
Other assets	131.6	27.8	25.8	0.4	1.6			
of which derivatives	2.0	2.0	0.0	0.4	1.6			
Cash and cash equivalents	182.0	182.0	182.0					
Liabilities								
Liabilities to banks	24.6	24.6					24.6	
Trade payables	376.5	376.5					376.5	
Other financial liabilities	34.0	34.0		27.0			7.0	
Other liabilities and provisions	296.3	78.6		0.5			78.0	0.1
of which derivatives	0.5	0.5		0.5				

* Investments measured at cost in accordance with IAS 39.46 (c)

31 Dec 2018			Measurement under IAS 39					Measurement under IAS 17
€ million	Carrying amount at 1 Jan 2018	Of which subject to IFRS 7	Loans and receivables	Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities at fair value through other comprehensive income	Available-for-sale financial assets	Financial liabilities at amortised cost	
Assets								
Non-current financial assets	6.2	2.7	2.7					
Trade receivables	1,265.8	1,265.8	1,265.8					
Other assets	131.6	27.8	25.8	0.4	1.6			
of which derivatives	2.0	2.0	0.0	0.4	1.6			
Cash and cash equivalents	182.0	182.0	182.0					
Liabilities								
Liabilities to banks	24.6	24.6					24.6	
Trade payables	376.5	376.5					376.5	
Other financial liabilities	34.0	34.0		27.0			7.0	
Other liabilities and provisions	296.3	78.6		0.5			78.0	0.1
of which derivatives	0.5	0.5		0.5				

IFRS 15 Revenues from Contracts with Customers

The new revenue recognition standard, IFRS 15 “Revenue from Contracts with Customers”, combines the previous revenue recognition rules into a uniform model for revenue recognition. It replaces revenue recognition provisions under IAS 11 and IAS 18 and was applied for the first time as from 1 January 2018.

The principles set out in IFRS 15 result in the following five steps:

- 1 Identification of the contract
- 2 Identification of the performance obligations
- 3 Determination of the transaction price
- 4 Allocation of the transaction price to the performance obligations
- 5 Satisfaction of the performance obligations

KRONES applies the modified retrospective method, according to which the cumulative effects of first-time application are recognised as an adjustment to the opening balance of profit reserves; prior-year figures are not restated in the statement of financial position. In addition, IFRS 15 has only been applied retrospectively to contracts for which the performance obligations were not fully satisfied as of 1 January. *A detailed description of the application of IFRS 15 is provided on pages 181 and 182 of the 2017 Annual Report.*



KRONES provides machinery and systems for bottling and packaging and for beverage production. KRONES continues to recognise 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 for performance already completed. Commencing with the 2018 financial year, progress is measured using an input method. First-time application of the new accounting standard led to a change in the recognition of revenue for certain contracts, depending on progress towards completion.

As a result of IFRS 15, contract assets and contract liabilities are presented in the statement of financial position for the first time.

The tables below provide an overview of the effects of IFRS 15 on the consolidated financial statements as of 31 December 2018. The main driver of the changes is the different measurement of progress.

IFRS 15: Effects on the consolidated statement of financial position

€ million	31 Dec 2018	Effects of IFRS 15	31 Dec 2018 without application of IFRS 15
Assets			
Non-current assets	977.2	0.0	977.2
Inventories	320.7	453.3	774.0
Trade receivables and contract assets*	1,635.1	-384.4	1,250.7
Remaining current assets	388.4	0.0	388.4
Total	3,321.4	68.9	3,390.3

* Comprising non-current trade receivables

IFRS 15: Effects on the consolidated statement of financial position

€ million	31 Dec 2018	Effects of IFRS 15	31 Dec 2018 without application of IFRS 15
Liabilities			
Equity	1,433.3	-35.9	1,397.4
Deferred tax liabilities	23.3	-13.3	10.0
Remaining non-current liabilities	335.5	0.0	335.5
Other current provisions	107.2	-6.5	100.7
Contract liabilities	547.2	-547.2	0.0
Advances received	0.0	671.8	671.8
Other liabilities and provisions	261.7	0.0	261.7
Remaining current liabilities	613.2	0.0	613.2
Total	3,321.4	68.9	3,390.3

IFRS 15: Effects on the consolidated statement of profit and loss

€ million	1 Jan – 31 Dec 2018	Effects of IFRS 15	1 Jan – 31 Dec 2018 without application of IFRS 15
Revenue	3,854.0	-120.8	3,733.2
Changes in inventories (FG/WIP)	1.1	104.6	105.7
Total operating performance	3,855.1	-16.2	3,838.9
Goods and services purchased	-2,032.0	-0.8	-2,032.8
Personnel expenses	-1,137.2	-2.4	-1,139.6
Net balance of other operating income/expenses, amortisation/depreciation and own work capitalised	-482.7	-0.5	-483.2
EBIT	203.2	-19.9	183.3
Income tax	-53.7	5.6	-48.1
Consolidated net income	150.6	-14.3	136.3

Other disclosures

■ Group audit fees

The fee for audit services provided by KPMG AG Wirtschaftsprüfungsgesellschaft related primarily to the audit of the consolidated financial statements and the annual financial statements of KRONES AG as well as annual audits of various subsidiaries.

Other assurance services relate primarily to the audit of the group's non-financial report, a certificate of value, and other audits required by law or by contract and contractually agreed assurance services.

The tax advisory services comprise support services for the preparation of income tax returns for employees working abroad.

€ thousand	2018
Audit services	723
Other assurance services	70
Tax advisory services	56
Other services	0

Events after the reporting period

There were no material events after the reporting period.

■ Related party disclosures

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

Familie Kronseder Konsortium GbR. Purchases and sales between the related companies are transacted at prices customary on the market ("at arm's length"). Sales to subsidiaries that are not consolidated amounted to €27,738 thousand in 2018 (previous year: €33,398 thousand). Commissions received amounted to €8,885 thousand in 2018 (previous year: €7,482 thousand). Trade and other payment transactions resulted in assets of €10,008 thousand (previous year: assets of €14,788 thousand). Repayment is normally within twelve months. Contingent liabilities of €2,697 thousand (previous year: €2,579 thousand) result from guarantees. Trade and other payment transactions with associates totalled €22,532 thousand in 2018 (previous year: €26,586 thousand). This resulted in liabilities of €1,616 thousand (previous year: €2,157 thousand).

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

Total Executive Board remuneration for the financial year amounted to €6,479 thousand (previous year: €6,405 thousand). Pension provisions of €2,087 thousand (previous year: €2,489 thousand) were recognised for active members of the Executive Board. In addition, €1,172 thousand (previous year: €1,024 thousand) was paid into contribution-based plans in 2018.

- Payments to former members of the Executive Board and their surviving dependants amounted to €1,688 thousand (previous year: €1,504 thousand). Pension provisions were recognised in the amount of €8,761 thousand (previous year: €7,723 thousand).

- **Supervisory Board remuneration**

The total remuneration paid to members of the Supervisory Board for the 2018 financial year amounted to €712 thousand (previous year: €631 thousand).

- **Corporate governance**

Shareholders can view the declaration of the Executive Board and the Supervisory Board from 19 February 2018 pursuant to Section 161 of the German Stock Corporation Act [AktG] concerning the Corporate Governance Code as amended on 7 February 2017 at KRONES AG's website. The exceptions are also listed there.

- **Risk report**



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

Standards and interpretations

The accounting policies used in these consolidated financial statements are the standards and interpretations whose application is mandatory as of 31 December 2018. The following new or amended standards and interpretations applied for the 2018 financial year.

Standard or interpretation		Endorsement	Application mandatory for annual periods beginning
IAS 40	Amendments to: Transfers of Investment Property	completed	1 Jan 2018
IFRS 2	Amendments to: Clarifications of Classification and Measurement of Share Based Payment Transactions	completed	1 Jan 2018
IFRS 4	Amendments to: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	completed	1 Jan 2018
IFRS 9	Financial Instruments	completed	1 Jan 2018
IFRS 15	Revenues from Contracts with Customers	completed	1 Jan 2018
IFRS 15	Amendments to: Clarifications and transitional relief	completed	1 Jan 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	completed	1 Jan 2018
	Annual Improvements to IFRS – 2014–2016 Cycle	completed	1 Jan 2017/ 1 Jan 2018

Numerous new or amended standards entered into force in the reporting period. First-time application of the new standards IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” resulted in changes to the group’s accounting policies. *The effects of first-time application of these two standards are described on pages 176 to 181.* The remaining new or amended standards and interpretations listed above have no material relevance for KRONES AG.



The following standards and interpretations have been issued by the IASB but their application is not mandatory until after 31 December 2018.

Standard or interpretation		Endorsement	Application mandatory for annual periods beginning
Conceptual Framework	Amendments to: Conceptual Framework for Financial Reporting and Amendments to References to the Conceptual Framework in IFRS Standards	open	1 Jan 2020
IAS 19	Amendments to: Plan Amendment, Curtailment or Settlement	open	1 Jan 2019
IAS 28	Amendments to: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	completed	1 Jan 2019
IFRS 3	Amendments to: Definition of a Business	open	1 Jan 2020
IFRS 9	Amendments to: Prepayment Features with Negative Compensation	completed	1 Jan 2019
IFRS 10	Amendments to: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	open	to be determined
IFRS 14	Regulatory Deferral Accounts	open	1 Jan 2016
IFRIC 23	Uncertainty over Income Tax Treatments	completed	1 Jan 2019
IFRS 16	Leases	completed	1 Jan 2019
IFRS 17	Insurance Contracts	open	1 Jan 2021
	Annual Improvements to IFRS – 2015–2017 Cycle	open	1 Jan 2019

With the exception of IFRS 16, these standards and interpretations are not expected to have a material impact on the consolidated financial statements of KRONES AG in the reporting period to which they are applied for the first time.

IFRS 16 Leases

In January 2016, the IASB published the financial reporting standard IFRS 16 “Leases”, which became EU law on 9 November 2017. IFRS 16 replaces the existing rules on leases, including IAS 17 “Leases”, IFRIC 4 “Determining Whether an Arrangement Contains a Lease”, SIC 15 “Operating Leases” and SIC 27 “Evaluating the Substance of Transactions in the Legal Form of a Lease”.

The standard is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity applies IFRS 15 before or at the date of initial application of IFRS 16. KRONES has not applied the standard early.

Under IFRS 16, all leases and related contractual rights and obligations are generally to be presented in the statement of financial position of the lessee. A lessee recognises a lease liability at the present value of the lease payments. The right to use the leased asset is normally measured at an amount equal to the lease liability plus initial direct costs. There are exceptions for short-term leases, leases of low-value assets and leases of intangible assets. With regard to the elections provided for in the standard, KRONES makes use of the practical expedients for low-value assets, short-term leases and leases of intangible assets.

Lessor accounting is similar to the previous standard, meaning that lessors continue to classify leases as finance or operating leases.

The group has almost completed its assessment of the potential impact on its consolidated financial statements.

This analysis as part of the group-wide first-time application project has identified the following categories of leases for which the transition to IFRS 16 as of 1 January 2019 results in leases previously accounted for as operating leases being recognised as leases under the new standard: Land and buildings, vehicles and other leased assets. First-time application results in the recognition of right-of-use assets in the amount of €80 million to €100 million and corresponding lease liabilities in the consolidated statement of financial position as of 1 January 2019.

The types of expenses associated with these leases will also change, as the recognition of right-of-use assets under IFRS 16 will result in the linear expenses for operating leases previously recognised under IAS 17 being replaced by an amortisation expense for right-of-use assets and interest expense for lease liabilities.

KRONES will apply IFRS 16 for the first time as of 1 January 2019 using the modified retrospective approach. The cumulative effect of applying IFRS 16 is therefore recognised as an adjustment to the opening balance of profit reserves as of 1 January 2019. On the basis of current knowledge, the change in profit reserves will not be material. Comparative information for the 2018 financial year will not be restated in the 2019 financial year.

When transitioning to IFRS 16, the group may elect whether to:

- Apply the definition of a lease in IFRS 16 to all of its contracts; or
- Apply a practical expedient under which it does not assess whether a contract is or contains a lease if the contract has already been analysed and classified under IAS 17.

On transition, the group will make use of the practical expedient of retaining the definition of a lease. This means that the group will apply IFRS 16 to all contracts entered into before and ongoing beyond 1 January 2019 that were identified as leases under IAS 17 and IFRIC 4.

KRONES has also decided to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Shareholdings

Name and location of the company	Share in capital held by KRONES AG (%*)
neusped NEUTRAUBLINGER SPEDITIONS-GMBH, Neutraubling, Germany	100.00
KIC KRONES INTERNATIONALE COOPERATIONS-GESELLSCHAFT MBH, Neutraubling, Germany	100.00
ecomac GEBRAUCHTMASCHINEN GMBH, Neutraubling, Germany	100.00
EVOGUARD GMBH, Nittenau, Germany	100.00
MAINTEC SERVICE GMBH, Collenberg/Main, Germany	100.00
SYSKRON HOLDING GMBH, Wackersdorf, Germany	100.00
SYSKRON GMBH, Wackersdorf, Germany	100.00
SYSKRON X GMBH, Wackersdorf, Germany	100.00
PMR GMBH, Wackersdorf, Germany	100.00
TECHNOLOGISCHES INSTITUT FÜR ANGEWANDTE KÜNSTLICHE INTELLIGENZ GMBH, Weiden i.d.Opf., Germany	44.00
TRIACOS CONSULTING & ENGINEERING GMBH, Altenstadt a.d. Waldnaab, Germany	100.00
HST MASCHINENBAU GMBH, Dassow , Germany	100.00
DEKRON GMBH (vormals TILL GMBH), Kelkheim , Germany	100.00
GERNEP GMBH ETIKETTIERTECHNIK, Barbing, Germany	100.00
MILKRON GMBH, Laatzen, Germany	100.00
KRONES BETEILIGUNGSGESELLSCHAFT MBH, Neutraubling, Germany	100.00
MHT HOLDING AG, Hochheim am Main, Germany	91.33
MHT MOLD & HOTRUNNER TECHNOLOGY AG, Hochheim am Main, Germany	91.33
MHT IP GMBH, Hochheim am Main, Germany	91.33
S.A. KRONES N.V., Louvain-la-Neuve, Belgium	100.00
S.P.S.–SOLUTIONS FOR PACKAGING SERVICES S.A., Charleroi, Belgium	100.00
MAINTEC SERVICE EOOD, Sofia, Bulgaria	100.00
KRONES NORDIC APS, Holte, Denmark	100.00
KRONES S.A.R.L., Viviers-du-Lac, France	100.00
S.P.S.– SOLUTIONS FOR PACKAGING SERVICES S.A.S., Lyon, France	100.00
KRONES UK LTD., Bolton, U.K.	100.00

Name and location of the company	Share in capital held by KRONES AG (%*)
SYSTEM LTD., London, U.K.	60.00
KRONES S.R.L., Roverbella (MN), Italy	100.00
KOSME S.R.L., Roverbella (MN), Italy	100.00
SYSTEM LOGISTICS, Fiorano (MD), Italy	60.00
KRONES KAZAKHSTAN TOO, Almaty, Kazakhstan	100.00
KRONES NEDERLAND B.V., Bodegraven, Netherlands	100.00
KOSME GESELLSCHAFT MBH, Sollenau, Austria	100.00
KRONES SPÓLKA Z.O.O., Warsaw, Poland	100.00
KRONES PORTUGAL EQUIPAMENTOS INDUSTRIAIS LDA., Barcarena, Portugal	100.00
KRONES O.O.O., Moscow, Russia	100.00
KRONES ROMANIA PROD. S.R.L., Bucharest, Romania	100.00
SYSTEM NORTHERN EUROPE AB, Malmö, Sweden	60.00
INTEGRATED PLASTICS SYSTEMS AG, Baar, Switzerland	70.00
KRONES AG, Buttwil, Switzerland	100.00
KRONES IBERICA, S.A.U., Barcelona, Spain	100.00
SYSTEM LOGISTICS SPAIN SL, Castellon, Spain	100.00
KRONES S.R.O., Prague, Czech Republic	100.00
KONPLAN IMMOBILIENGESELLSCHAFT S.R.O., Pilsen, Czech Republic	100.00
KONPLAN S.R.O., Pilsen, Czech Republic	100.00
KRONES MAKINA SANAYI VE TIKARET LTD. SIRKETI, Istanbul, Turkey	100.00
KRONES UKRAINE LLC, Kiev, Ukraine	100.00
KRONES HUNGARY KFT, Debrecen, Hungary	100.00
KRONES 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
KRONES BANGLADESH LIMITED, Dhaka, Bangladesh	100.00
KRONES DO BRAZIL LTDA., São Paulo, Brazil	100.00
KRONES S. A., São Paulo, Brazil	100.00

Name and location of the company	Share in capital held by KRONES AG (%*)
KRONES CHILE SPA., Santiago de Chile, Chile	100.00
KRONES SALES (BEIJING) CO. LTD., Beijing, China	100.00
KRONES MACHINERY (TAICANG) CO. LTD., Taicang, China	100.00
KRONES TRADING (TAICANG) CO. LTD., Taicang, China	100.00
KRONES ASIA LTD., Hongkong, China	100.00
KRONES PROCESSING (SHANGHAI) CO., LTD., Shanghai, China	100.00
KRONES INDIA PVT. LTD., Bangalore, India	100.00
PT. KRONES MACHINERY INDONESIA, Jakarta, Indonesia	100.00
KRONES JAPAN CO. LTD., Tokyo, Japan	100.00
KRONES CAMBODIA CO. LTD., Phnom Phen, Cambodia	100.00
KRONES MACHINERY CO. LTD., Mississauga, Ontario, Canada	100.00
KRONES LCS CENTER EAST AFRICA LTD., Nairobi, Kenya	100.00
KRONES ANDINA LTDA., Bogotá, Columbia	100.00
KRONES KOREA LTD., Seoul, Korea	100.00
KRONES MACHINERY MALAYSIA SDN. BHD., Kuala Lumpur, Malaysia	100.00
KRONES MEX S. A. DE C. V., Mexico D. F., Mexico	100.00
SYSTEMLOG DE MEXICO S.A. DE C.V., Nuevo Leon, Mexico	60.00
KRONES MYANMAR LTD., Sanchaung Township, Myanmar	100.00
KRONES NEW ZEALAND LIMITED, Auckland, New Zealand	100.00
KRONES LCS CENTER WEST AFRICA LTD., Lagos, Nigeria	100.00
KRONES PAKISTAN (PRIVATE) LIMITED, Lahore, Pakistan	100.00
KRONES FILIPINAS INC., Taguig City, Philippines	100.00
KRONES SINGAPORE PTE. LTD., Singapore, Singapore (former ASIA FOOD AND BEVERAGE CONSULTING GROUP PTE LTD.)	100.00
KRONES-IZUMI PROCESSING PTE. LTD., Singapore, Singapore	73.00
KRONES SOUTHERN AFRICA (PROP.) LTD., Johannesburg, South Africa	100.00
KRONES (THAILAND) CO. LTD., Bangkok, Thailand	100.00
SYSTEM LOGISTICS ASIA CO. LTD., Bangkok, Thailand	60.00

Name and location of the company	Share in capital held by KRONES AG (%*)
KRONES INC., Franklin, Wisconsin, USA	100.00
SYSTEM LOGISTICS CORPORATION, Arden, Delaware, USA	60.00
TRANS-MARKET LLC, Tampa, Florida, USA	80.00
PROCESS AND DATA AUTOMATION, LLC, Erie, Pennsylvania, USA	100.00
JAVLYN PROCESS SYSTEMS LLC, Rochester, New York, USA	100.00
SPRINKMAN, LLC, Waukesha, Wisconsin, USA	100.00
MHT USA LLC, PEACHTREE, Georgia, USA	91.33
MAQUINARIAS KRONES DE VENEZUELA S. A., Caracas, Venezuela	100.00
INTEGRATED PACKAGING SYSTEMS (IPS) FZCO, Dubai, United Arab Emirates	40.00
KRONES VIETNAM CO. LTD., Ho Chi Minh City, Vietnam	100.00

*Direct and indirect shareholdings

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

Use of exemptions

The following fully consolidated German group companies made use of the exemption in Section 264 (3) HGB in the 2018 financial year.

Name and location of the company

KRONES BETEILIGUNGSGESELLSCHAFT MBH, 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
MILKRON GMBH, Laatzen, Germany
NEUSPED NEUTRAUBLINGER SPEDITIONS-GMBH, Neutraubling, Germany

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

Members of the **Supervisory Board** and the **Executive Board**

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

Supervisory Board

Volker Kronseder

Chairman of the Supervisory Board
* UNIVERSITÄTSKLINIKUM
REGENSBURG
* ECONOMIC ADVISORY BOARD
BAYERISCHE LANDESBANK

Werner Schrödler**

Chairman of the Group Works Council
Chairman of the Central Works Council
Deputy Chairman of the Supervisory Board
* Verwaltungsrat der BAYERISCHEN
BETRIEBSKRANKENKASSEN

Robert Friedmann

Spokesman for the central
managing board of the
WÜRTH GROUP
* ZF FRIEDRICHSHAFEN AG
Since 13 June 2018

Klaus Gerlach**

Head of Central International
Operations and Services

Oliver Grober**

Chairman of the Employees'
Council, Rosenheim
Since 13 June 2018

Thomas Hiltl**

Chairman of the Employees'
Council, Nittenau
Since 13 June 2018

Norman Kronseder

Farmer and forester
* BAYERISCHE FUTTERSAAUBAU
GMBH

Professor Dr. jur. Susanne Nonnast

Professor at Ostbayerische
Technische Hochschule (OTH)
Regensburg

Dr. Verena Di Pasquale**

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

Beate Eva Maria Pöpperl**

Independent Member of the
Employees' Council

Norbert Samhammer

Chief executive of
SAMHAMMER AG
Since 13 June 2018

Petra Schadeberg-Herrmann

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

Jürgen Scholz**

First authorised representative
IG Metall administrative office
in Regensburg
* INFINEON TECHNOLOGIES AG

Hans-Jürgen Thaus

* HAWE HYDRAULIK SE
* MASCHINENFABRIK REINHAUSEN
GMBH
* KURTZ HOLDING GMBH &
BETEILIGUNGS KG

Josef Weitzer**

Deputy Group Employees'
Council Chairman
Deputy Composite Employees'
Council Chairman
Employees' Council Chairman,
Neutraubling
* SPARKASSE REGENSBURG

Matthias Winkler

Managing partner at
ww+ KN Steuerberatungs-
gesellschaft mbH
Since 13 June 2018

Executive Board

Christoph Klenk

CEO
Human Resources, Intralogistics,
Digitalisation, Communication,
Quality, Information Management

Michael Andersen

CFO
Finance, Controlling,
Process Technology,
Strategic Purchasing

Thomas Ricker

Sales and Marketing

Markus Tischer

International Operations
and Services

Ralf Goldbrunner

Bottling and Packaging
Equipment

* 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 of € 351,071,419.13
at 31 December 2018.

We propose to the annual general meeting on 5 June 2019 that this amount be used
as follows:

Proposal for the appropriation of earnings available for distribution	€
Dividend of €1.70 per share (for 31,593,072 shares)	53,708,222
Amount brought forward to new account	297,363,196

Neutraubling, 12. March 2019

KRONES AG

The Executive Board



Christoph Klenk
CEO



Michael Andersen
CFO



Thomas Ricker



Markus Tischer



Ralf Goldbrunner