KRONES AG
Investor Relations
Böhmerwaldstrasse 5
93073 Neutraubling
Germany

Phone +49(0)94 01-7032 58
Fax +49(0)94 01-703496
E-Mail investor-relations@krones.com
Internet www.krones.com

Q1.2005

		Q1 2005	Q1 2004	Change
Sales	in € m	404.5	383.4	5.5 %
Earnings after taxes	in € m	17.6	16.5	6.7 %
New orders, cumulative				
including lifecycle service	in € m	441.5	405.7	8.8 %
Orders on hand as of 31st March				
including lifecycle service	in € m	686.0	637.2	7.7 %
Capital expenditures	in € m	14.0	10.5	33.3 %
Employees as of 31st March				
Worldwide		8,929	8,655	3.2 %
Germany		7,349	7,230	1.6 %
Earnings per share *	€	1.67	1.57	6.7 %
EBIT	in € m	29.1	27.1	7.4 %
Cash flow	in € m	29.0	26.0	11.5 %

* Diluted and basic

Dear shareholders and friends of KRONES,

Business at KRONES picked up once again in spring 2005 as we continued to improve and expand our expertise in providing turnkey beverage production, filling, and packaging systems that intelligently combine mechanical, electrical, and microbiological engineering and information technology.

Considerable growth in new orders, sales, and profits in the first quarter gives us confidence that 2005 will be another successful year. Our new working time model and the increase in productivity it will provide offer encouraging prospects for further growth. The planned merger of two subsidiaries, SYSKRON and STEINECKER, into KRONES AG will further streamline our processes.

drinktec, the world's largest trade fair for the beverage industry, which takes place every four years in Munich, will also have an impact on order bookings. KRONES will present its latest technological developments in its own hall at *drinktec* and inject the industry with new momentum and new incentives to buy.

Volker Kronseder
Chairman of the Executive Board

Hans-Jürgen Thaus
Deputy Chairman of the Executive Board

Subdued economic growth

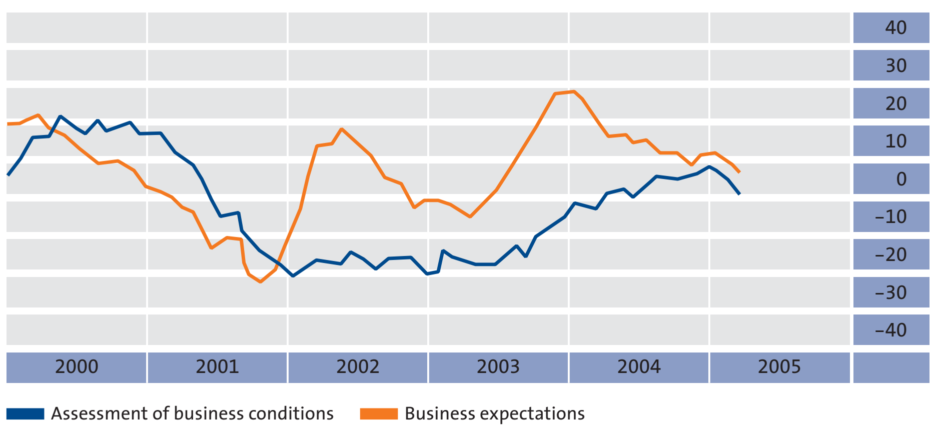
Global economic growth slowed slightly in the first quarter of 2005. The reduced economic activity will curb international trade somewhat in 2005. While the United States and China will remain the strongest forces driving the global economy, growth in the euro area – Germany in particular – will lose a lot of ground compared with other world economies. In its outlook for the global economy, the International Monetary Fund set its growth forecast for the euro area at 1.6 % for this year and lowered its prognosis for Germany to 0.8 %. The reasons for the downgrade include declining exports, lower manufacturing output, and continued weak domestic demand.

Continuity in the machinery sector

While overall economic growth slowed, Germany's machinery and industrial equipment manufacturers maintained solid growth despite heavy competitive pressures and sharply rising raw materials prices. They were able to boost productivity by optimising capacity utilisation and lower personnel costs by introducing flexible and longer working hours.

The German business community has lowered its expectations for the coming months. Only the machinery sector expects to see continued growth.

Business conditions and expectations for manufacturing in Germany



KRONES is strengthening its competitive position

KRONES is aiming for continued sales growth and more than proportionate earnings growth for 2005.

A positive trend for the year is emerging for KRONES despite a slight cooling of the global economy, sustained price pressures, and continued high steel prices. On the whole, we are aiming for continued sales growth and more than proportionate earnings growth for 2005.

Two measures – the new working hours model and the planned merger of our subsidiaries STEINECKER and SYSKRON into KRONES AG – will support our efforts as they help strengthen our competitive position. The measures will streamline our production processes, increase flexibility, and allow us to benefit from a new cost structure.

With the pact for the future that entered into force on 1st January, in which KRONES promises to secure employment and the future of its German sites until the year 2010 in exchange for employees' working longer, more flexible hours, we are working with our employees to establish the key conditions that will allow us to continue to effectively meet the challenges of global competition from our German plants and offices in the future.

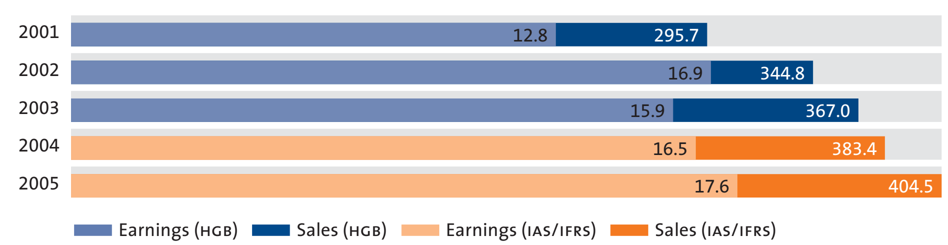
The merger of STEINECKER and SYSKRON into KRONES AG – which will take effect retroactively as of 1st January 2005 if the annual shareholders' meeting gives its approval – will allow us to present a unified presence, create synergies in our sales organisation, simplify business processes, improve coordination of research and development, streamline production processes, increase flexibility in terms of capacity utilisation, and, ultimately, achieve considerable cost savings.

IFRS accounting

The balance sheet has been prepared under IFRS for the first time. The comparative values for the first quarter of 2004 have been adjusted accordingly.

KRONES is applying the new reporting rules under the International Financial Reporting Standards (IFRS) for the first time this quarter. IFRS reporting replaces the German standard HGB [Handelsgesetzbuch – German Commercial Code], which we have used for the consolidated financial statements until now. As this quarterly report is prepared under IFRS for the first time, comparative values from the previous year have also been adjusted to reflect IFRS standards.

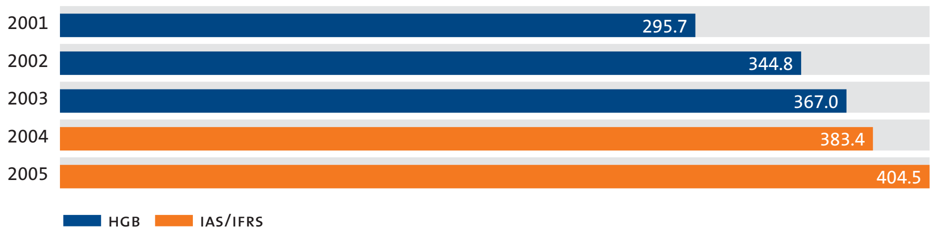
KRONES GROUP sales and earnings as of 31st March, in € m



Sales up 5.5 percent

KRONES GROUP sales in the first quarter of 2005 were up 5.5% on the same period of the previous year, to € 404.5 m (Q1 2004: € 383.4 m).

KRONES GROUP sales as of 31st March, in € m

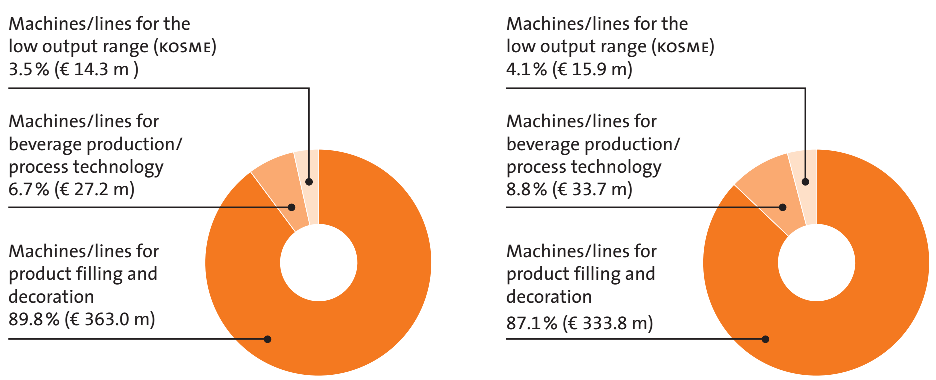


With customary reliability, our core area »Machines and lines for product filling and decoration« generated earnings in line with our targets.

»Machines and lines for product filling and decoration« – our strongest segment, accounting for just under 90% of total sales – increased first-quarter sales by 8.7% over the same period of the previous year, to € 363.0 m (Q1 2004: € 333.8 m).

The »Machines and lines for beverage production/process technology« segment accounted for sales of € 27.2 m (Q1 2004: € 33.7 m). »Machines and lines for the low output range (KOSME)« generated sales of € 14.3 m (Q1 2004: € 15.9 m).

KRONES GROUP sales, by segment



Sales as of 31st March 2005: € 404.5 m

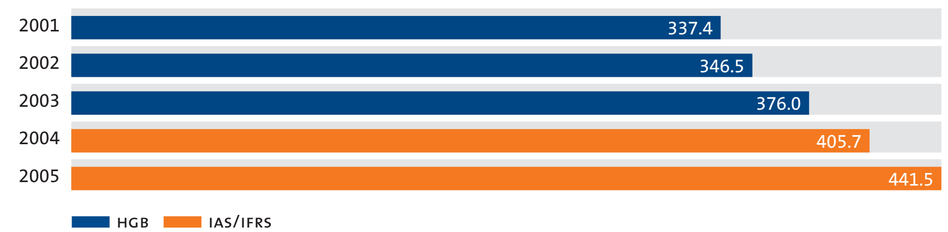
Sales as of 31st March 2004: € 383.4 m

New orders up 8.8 percent

In the months of January, February, and March, new orders were up 8.8% on the year-earlier period, to € 441.5 m (€ 405.7 m). This increase gives us confidence that we will achieve increased sales within our internal growth corridor of 5–10% in 2005.

KRONES GROUP orders received as of 31st March, in € m

Demand for KRONES products was strong in Europe, Asia, and South America.

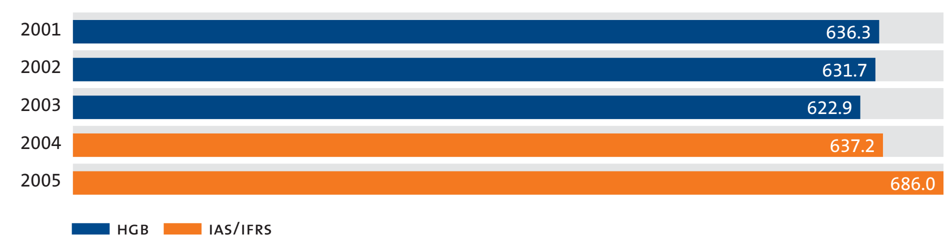


Orders on hand up 7.7 percent

Orders on hand for the KRONES GROUP amounted to € 686.0 m as of the reporting date of 31st March 2005, 7.7% above the year-earlier figure (31st March 2004: € 637.2 m). That corresponds to a capacity utilisation of around five and a half months.

KRONES GROUP orders on hand as of 31st March, in € m

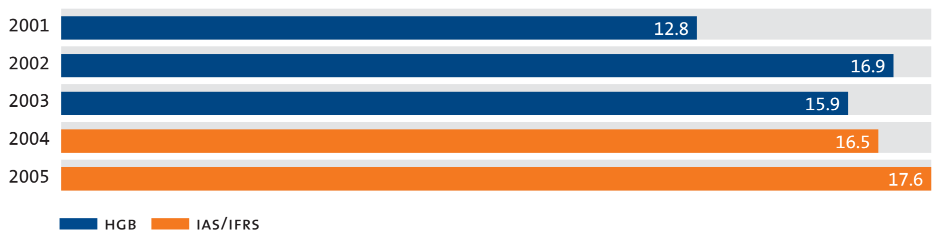
Orders backlog at KRONES ensures capacity utilisation into late summer.



Profits up 6.7 percent

Earnings after taxes amounted to € 17.6 m for the first three months of the year, up 6.7 % from the first quarter of the previous year (€ 16.5 m). At € 29.3 m, earnings before taxes (EBT) were right on our target for return on sales of at least 7.0 %

KRONES GROUP earnings after taxes as of 31st March, in € m



Assets, financial position, and results of operations

The KRONES GROUP's total assets amounted to € 1,154.5 m (31st December 2004: € 1,154.7 m), with current assets (including prepaid expenses and accrued income) amounting to € 792.5 m (31st December 2004: € 796.8 m).

In terms of the source of funds, we maintained a favourable ratio of debt to equity. The equity ratio rose to 48.6 % (31st December 2004: 47.3 %), which indicates a very sound financial structure. At € 294.1 m, provisions remained almost even with the previous year's level (31st December 2004: € 295.7 m). Other current liabilities within the group declined 11.2 % to € 251.8 m (31st December 2004: € 283.6 m), which corresponds to 21.8 % of total shareholders' equity and liabilities. Liabilities to banks amount to € 19.3 m.

KRONES GROUP balance sheet structure, in € m

	31st March	31st December
	2005	2004
Assets		
Property plant and equipment, intangible assets, and financial assets	338.2	335.9
Other non-current assets	23.8	22.0
Inventories	332.4	322.8
Receivables, other current assets, prepaid expenses and accrued income	457.6	398.9
Cash and cash equivalents	2.5	75.1
Shareholders' equity and liabilities		
Shareholders' equity	561.2	545.9
Provisions	294.1	295.7
Other non-current liabilities	28.1	28.3
Financial liabilities	19.3	1.2
Other current liabilities, deferred income	251.8	283.6
Balance sheet total	**1,154.5**	**1,154.7**

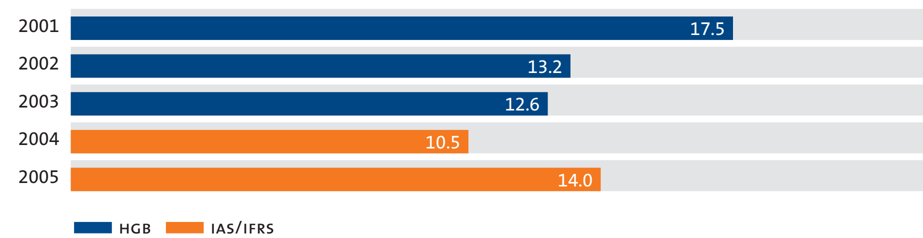
Capital expenditures

Based on our »strategic planning«, we will spend a total of around € 127 m on additional measures aimed at streamlining processes and increasing productivity in 2005 and 2006. Capital expenditures for the first three months of fiscal 2005 include € 5.9 m in capitalised development costs (1st January – 31st March 2004: € 2.8 m).

This year and in the years that follow, KRONES will once again step up investment in measures aimed at streamlining processes and increasing productivity.

The latest visible sign of a revival in capital expenditures is the filling and process engineering pilot plant that was opened on 23rd March. The plant's labs are used for the research and development of filling valves and for treating and filling beverages and other liquid products under live production conditions.

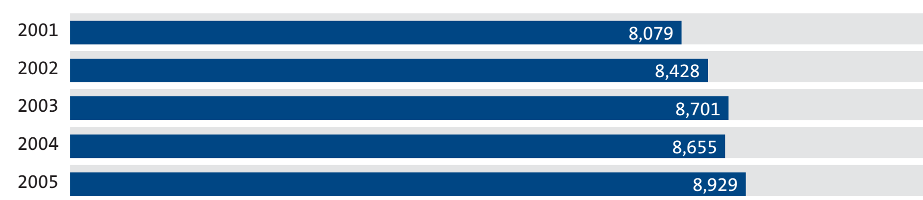
KRONES GROUP capital expenditures as of 31st March, in € m



Employees

As of 31st March 2005, KRONES employed 8,929 people worldwide (31st March 2004: 8,655 employees). The number of employees was up by 32 compared with 31st December 2004 (8,897).

KRONES GROUP employees as of 31st March



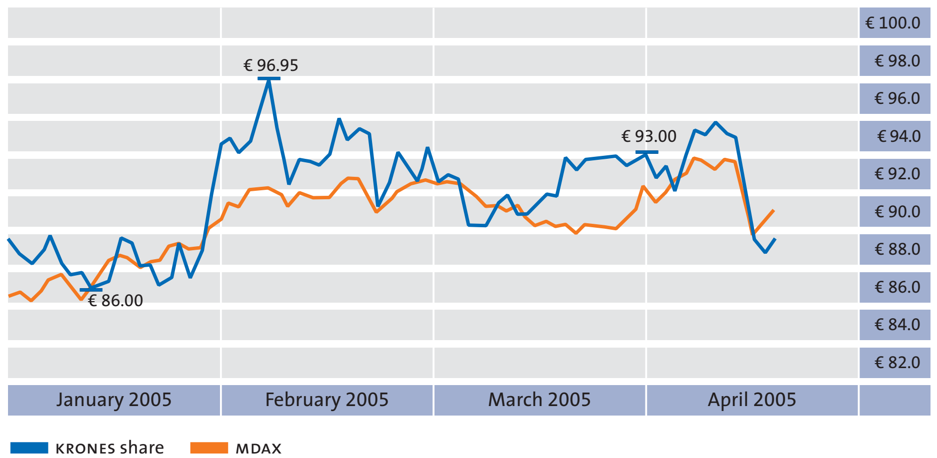
Shares hit all-time high

The steady rise of KRONES' share price that began last year continued through the first quarter of 2005. Having started the year at € 86.00, the share reached an all-time high of € 96.95 during trading on 8th February. At € 1.02 b, market capitalisation was at its highest in the company's history.

At the close of trading on 31st March, the KRONES share was at € 93.00, 8.1% above its opening price on 3rd January.

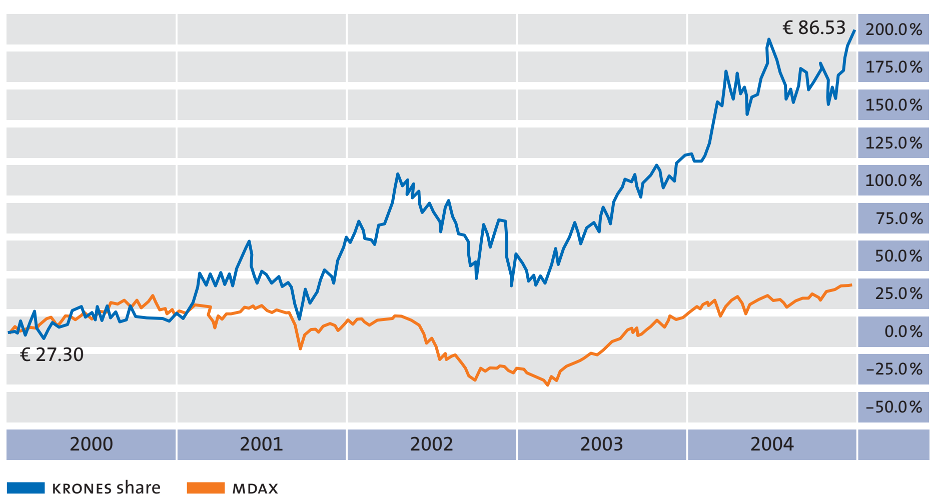
The KRONES share gained more than 8% in the first quarter and reached an all-time high of € 96.95 during trading.

The KRONES share



Interest in the KRONES share remains high. Six road shows and more than 30 one-on-one talks took place during the reporting period. Regular dialog with institutional and private investors is the very foundation of our open information policy.

The KRONES share from 2000 to 2004



KRONES is taking successful strategies to market

KRONES' »single-source vendor« strategy is being increasingly well received on the market. We now provide the lines and technical expertise needed for beverage production, treatment, filling, packaging, and storage. As a result, we can now assume responsibility for our customers' entire production processes from start to finish, whether they are breweries, fruit juice makers, soft drink bottlers, or, increasingly, dairies. Our expertise and holistic approach to production systems is in high demand, particularly when it comes to product treatment and aseptic filling technology in combination with our plastics engineering and information technology.

With its lines and technical expertise, KRONES is increasingly assuming responsibility for customers' entire production processes.

Outlook

KRONES is strategically well positioned for the future. We are looking ahead with confidence and staying the course we set with the plans and growth targets established as part of our strategic planning. We are remaining true to the factors that have made us successful thus far – systematic market responsiveness, technological leadership, process mastery, and productivity.

We expect to achieve organic sales growth within our internal growth corridor of 5–10% compared with 2004. From today's perspective, we are expecting to increase earnings more than proportionately to sales growth.

The pact for the future that we made with KRONES employees was another step in the right direction as it will bring flexibility and improve our cost structure. Thus, we are poised to make 2005 another successful year and to continue to serve as a model of success.

KRONES GROUP consolidated interim financial statements

KRONES GROUP consolidated balance sheet as of 31st March 2005 IAS/IFRS

Assets	31 Mar 05	31 Dec 04
	in € m	in € m
Intangible assets	47.0	43.7
Property, plant, and equipment	267.3	267.3
Non-current financial assets	23.9	24.9
Other non-current assets	23.8	22.0
Non-current assets	**362.0**	357.9
Inventories	332.4	322.8
Trade receivables	398.3	329.7
Receivables from affiliated companies	12.0	6.2
Other current assets	42.6	56.7
Cash and cash equivalents	2.5	75.1
Current assets	**787.8**	790.5
Prepaid expenses and accrued income	**4.7**	6.3
Total assets	**1,154.5**	1,154.7

Liabilities and shareholders' equity	31 Mar 05	31 Dec 04
	€ m	€ m
Shareholders' equity	**561.2**	545.9
Provisions for pensions	60.7	59.8
Other non-current liabilities	28.1	28.3
Non-current liabilities	**88.8**	88.1
Provisions	110.5	121.9
Liabilities to banks	19.3	1.2
Trade payables	87.2	114.6
Liabilities to affiliated companies	1.3	1.6
Provisions for contingencies	122.9	114.0
Other liabilities	161.7	166.1
Current liabilities	**502.9**	519.4
Deferred income	**1.6**	1.3
Total liabilities and shareholders' equity	**1,154.5**	1,154.7

KRONES GROUP consolidated income statement
as of 31st March 2005 IAS/IFRS

	2005	2004	Change
	1 Jan – 31 Mar	1 Jan – 31 Mar	
	€ m	€ m	%
Sales revenues	**404.5**	383.4	5.5 %
Changes in inventories of finished goods and work in progress	9.2	3.6	
Total operating revenue	**413.7**	387.0	6.9 %
Raw materials and consumables used	–201.0	–184.4	9.0 %
Gross profit	**212.7**	202.6	5.0 %
Personnel expenses	–128.8	–123.4	4.4 %
Other operating income/expenses and capitalised research and development expense	–43.4	–42.6	1.9 %
Depreciation and amortisation of non-current assets	–11.4	–9.5	20.0 %
Financial income/expense	0.2	0.4	–50.0 %
Results from ordinary business activities	**29.3**	27.5	6.5 %
Taxes on income	–11.7	–11.0	6.4 %
Earnings after taxes	**17.6**	16.5	6.7 %

Reconciliation of net income	31 Mar 04	31 Dec 04
	€ m	€ m
Net Income under German Commercial Code (HGB)	**16.3**	61.8
Capitalised research and development expense	2.0	15.0
Finance leases	0.1	0.3
Valuation of non-current assets	0.1	0.2
Valuation of other assets	–0.5	–7.1
Deferred tax items	–0.4	–5.2
Valuation of provisions for pensions	–0.3	–1.2
Consolidation procedures	–1.0	–1.1
Valuation of other provisions	0.0	–0.1
Miscellaneous	0.2	–0.3
Net income under IAS/IFRS	**16.5**	62.3

KRONES GROUP consolidated cash flow statement
as of 31st March 2005 IAS/IFRS

	2005	2004
	3 months	3 months
	in € m	in € m
Net income or loss for the period	17.6	16.5
Depreciation and amortization of non-current assets	11.4	9.5
Increase/decrease in provisions	–1.6	2.2
Other non-cash expenses and income	–0.1	–0.1
Net gain from the disposal of non-current assets	0.0	–0.3
Increase in inventories, trade receivables, and other assets not attributable to investing or financing activities	–70.1	–21.9
Decrease in trade payables and other liabilities not attributable to investing or financing activities	–32.0	–7.3
Cash flow from operating activities	**–74.8**	–1.4
Proceeds from the disposal of non-current assets	1.0	0.9
Cash payments to acquire property, plant, and equipment	–7.0	–5.9
Cash payments to acquire intangible assets	–7.0	–4.6
Cash payments to acquire consolidated companies and other business entities	–2.5	–1.5
Cash flow from investing activities	**–15.5**	–11.1
Increase of bonds and loans	18.1	0.1
Cash flow from financing activities	**18.1**	0.1
Changes to cash and cash equivalents	–72.2	–12.4
Changes to cash and cash equivalents due to exchange rates, consolidation, and valuation	–0.4	2.1
Cash and cash equivalents at beginning of the period (1st January)	**75.1**	56.0
Cash and cash equivalents at end of the period (31st March)	**2.5**	45.7

Consolidated statement of changes in equity of the KRONES GROUP
as of 31st March 2005 IAS/IFRS

	Parent company								Minority interests			Group
	Subscribed capital	Capital reserves	Retained earnings	Currency differences in equity	Other reserves	Group profit carried forward	Current group profit	Equity	Shares in capital	Shares in earnings	Equity	equity
	in € m	in € m	in € m	in € m	in € m	in € m	in € m	in € m	in € m	in € m	in € m	in € m
As of 1st January 2004	**26.9**	**103.7**	**289.8**	**0.0**	**4.1**	**70.6**	**0.0**	**495.1**	**0.4**	**1.7**	**2.1**	**497.2**
Net income (Q1 2004)	–	–	–	–	–	–	15.8	**15.8**	–	0.7	**0.7**	**16.5**
Currency differences	–	–	–	0.4	–	–	–	**0.4**	–	–	**0.0**	**0.4**
Changes in the consolidated group	–	–	–0.3	–	–	–	–	**–0.3**	–0.5	–	**–0.5**	**–0.8**
Hedge accounting	–	–	–	–	–1.0	–	–	**–1.0**	–	–	**0.0**	**–1.0**
As of 31st March 2004	**26.9**	**103.7**	**289.5**	**0.4**	**3.1**	**70.6**	**15.8**	**510.0**	**–0.1**	**2.4**	**2.3**	**512.3**
Dividend payments	–	–	–	–	–	–11.9	–	**–11.9**	–	–	**0,0**	**–11,9**
Net income (9 months of 2004)	–	–	–	–	–	–	46.1	**46.1**	–	–0.3	**–0.3**	**45.8**
Allocations to retained earnings	–	–	39.0	–	–	–39.0	–	**0.0**	–	–	**0.0**	**0.0**
Currency differences	–	–	–	–2.9	–	–	–	**–2.9**	–	–	**0.0**	**–2.9**
Changes in the consolidated group	–	–	–	–	–	–	–	**0.0**	–0.1	0.1	**0.0**	**0.0**
Hedge accounting	–	–	–	–	2.6	–	–	**2.6**	0.0	–	**0.0**	**2.6**
As of 31st December 2004	**26.9**	**103.7**	**328.5**	**–2.5**	**5.7**	**19.7**	**61.9**	**543.9**	**–0.2**	**2.2**	**2.0**	**545.9**
Carried forward to the new account	–	–	–	–	–	61.9	–61.9	**0.0**	–	–	**0.0**	**0.0**
Net income (Q1 2005)	–	–	–	–	–	–	17.5	**17.5**	–	0.1	**0.1**	**17.6**
Currency differences	–	–	–	1.8	–	–	0.1	**1.9**	–	–	**0.0**	**1.9**
Changes in the consolidated group	–	–	–1.5	–	–	–	–	**–1.5**	–0.5	–0.5	**–1.0**	**–2.5**
Hedge accounting	–	–	–	–	–1.7	–	–	–1.7	0.0	–	**0.0**	**–1.7**
As of 31st March 2005	**26.9**	**103.7**	**327.0**	**–0.7**	**4.0**	**81.6**	**17.6**	**560.1**	**–0.7**	**1.8**	**1.1**	**561.2**

Reconciliation of shareholders' equity	1 Jan 2004	31 Mar 2004	31 Dec 2004
	€ m	€ m	€ m
Equity under German Commercial Code (HGB)	**435.1**	**453.9**	**482.6**
Valuation of non-current assets	21.1	21.2	21.3
Deferred tax items	14.0	13.6	8.8
Capitalised research and development expense	13.9	15.9	28.9
Valuation of other assets	13.2	12.8	6.1
Market valuation of derivative financial instruments	4.1	3.1	5.7
Valuation of other provisions	3.3	3.3	3.2
Finance leases	1.9	2.0	2.2
Consolidation procedures	–0.4	–2.1	–2.3
Valuation of provisions for pensions	–10.0	–10.3	–11.2
Miscellaneous	1.0	–1.1	0.6
Equity under IAS/IFRS	**497.2**	**512.3**	**545.9**

KRONES GROUP segment reporting
January – March 2005 IAS/IFRS

	Machines/lines for beverage production/ process technology		Machines/lines for product filling and decoration		Machines/lines for the low output range (KOSME)		KRONES GROUP	
	2005 3 months in € m	2004 3 months in € m	2005 3 months in € m	2004 3 months in € m	2005 3 months in € m	2004 3 months in € m	2005 3 months in € m	2004 3 months in € m
Sales revenues	27.2	33.7	363.0	333.8	14.3	15.9	404.5	383.4
Net income	0.2	0.2	16.9	15.6	0.5	0.7	17.6	16.5
Employees as of 31st March*	626	581	7,669	7,574	399	311	8,694	8,466
Return on sales	0.7 %	0.6 %	4.7 %	4.7 %	3.5 %	4.4 %	4.4 %	4.3 %

* Consolidated group

Notes to the financial statements of KRONES GROUP

Legal basis

The consolidated financial statements of KRONES AG (»KRONES GROUP«) for the reporting period ended 31st March 2005 have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, applicable on the reporting date, including the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), in accordance with IFRS 1 »First-time Adoption of International Financial Reporting Standards«. The Executive Board prepared the consolidated financial statements of KRONES AG as of 31st March 2005 on 19th April 2005.

KOSME GES.M.B.H., Sollenau, Austria, has made use of the option under § 245 of the Austrian Commercial Code to be exempted from the obligation to prepare consolidated financial statements in accordance with Austrian generally accepted accounting principles.

The following explanatory notes comprise disclosures and remarks that, pursuant to IFRS, must be included as notes to the consolidated financial statements in addition to the balance sheet, income statement, statement of changes in equity, and cash flow statement.

The »nature of expense« method has been used for the income statement. The group's reporting currency is the euro, and all amounts are in millions of euros.

Consolidated group

Besides KRONES AG, the consolidated financial statements as of 31st March 2005 include all material domestic and foreign subsidiaries in which KRONES AG holds more than 50 % of the voting rights.

The consolidated group contains five domestic and 18 foreign subsidiaries.

KRONES AG acquired the remaining 25 % of the shares in KOSME GES.M.B.H., Sollenau, Austria, in fiscal 2005 and now holds 100 % of the shares of this company.

The first-time consolidation of the new shares was effected at the time of acquisition.

Besides these companies, which are included in the consolidated financial statements, 24 direct and indirect subsidiaries with either no business activity or only a small business volume are not included in the consolidated financial statements. Their influence on the group's assets, financial position, and results of operations is of minor importance.

A complete presentation of investment holdings is filed with the Commercial Register of the Regensburg Local Court (HRB 2344).

Consolidation principles

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

For companies that were acquired after 1st January 2004, capital consolidation is performed in accordance with IFRS 3 (»business combinations«), under which all business combinations must be accounted for according to the »purchase method« of accounting, whereby the acquired assets and liabilities are to be recognised at fair value.

Any amount by which the cost of acquisition exceeds the interest in the fair values of assets, liabilities, and contingent liabilities is recognised as goodwill and subjected to regular impairment tests. Negative goodwill is immediately recognised in profit and loss. Goodwill arising before 1st January 2004 remains offset against reserves.

Shares in the equity of subsidiaries that are not held by the parent company are reported as »minority interests«.

Inter-company receivables, liabilities, provisions, revenues, and expenses between consolidated companies are eliminated in the consolidation process.

Interim results from inter-company transactions are not eliminated because they are of minor importance for the portrayal of the group's assets, financial position, and results of operations.

Currency translation

The financial statements of the consolidated companies that are denominated in a foreign currency are translated on the basis of the functional currency concept [IAS 21] using a modified closing rate method. Because the subsidiaries operate independently in financial, economic, and organisational terms, the functional currency is always the relevant local currency for each subsidiary. Thus, in the consolidated financial statements, assets and liabilities are translated at the closing rate as on the reporting date, while income and expenses from the financial statements of subsidiaries are translated at average annual rates.

Any currency translation differences resulting from these different rates in the balance sheet and income statement are recorded without effect on income. Exchange differences resulting from the translation of equity using historical exchange rates are also offset against retained earnings.

In the individual financial statements of KRONES AG and its subsidiaries, receivables and liabilities in foreign currencies are valued at the closing rate and recognised as income or expense. Non-monetary items in foreign currencies are stated at historical cost.

Exchange rate differences compared with the previous year that are the result of capital consolidation are offset against other retained earnings without impact on income.

The exchange rates of those currencies that have a material impact on the group's financial statements have moved against the euro as follows:

		Closing rate = € 1		Average rate = € 1	
		31st March	31st December		
		2005	2004	2005	2004
US dollar	USD	1.29	1.36	1.31	1.24
British pound	GBP	0.69	0.71	0.69	0.68
Swiss franc	CHF	1.55	1.54	1.55	1.54
Danish krone	DKK	7.45	7.44	7.44	7.44
Canadian dollar	CAD	1.57	1.66	1.61	1.62
Japanese yen	JPY	138.89	139.72	136.99	134.44
Brazilian real	BRL	3.45	3.62	3.49	3.64
Mexican peso	MXN	14.48	15.23	14.64	14.03

Accounting and valuation methods

The individual financial statements of KRONES AG and its domestic and foreign subsidiaries have been prepared using uniform accounting and valuation methods in accordance with IAS 27.

Some discretion has been used in preparing the consolidated financial statements, particularly in terms of inventories and provisions, because their preparation requires some critical estimates and forecasts.

Intangible assets

Purchased and internally generated intangible assets, excluding goodwill, are recognised pursuant to IAS 38 if it is sufficiently probable that the use of the asset will result in a future economic benefit and the cost of the asset can be reliably determined. They are stated at cost and amortised systematically on a straight-line basis over their estimated useful life. The amortisation of intangible assets is carried out over a useful life of between three and five years.

Research and development expense

Development costs of the KRONES GROUP are capitalised at cost to the extent that costs can be allocated reliably and the technical feasibility and a future economic benefit as a result of their use are probable. According to IAS 38, research costs cannot be recognised as intangible assets and are, therefore, recognised as an expense in the income statement when they are incurred.

Goodwill

Goodwill resulting from capital consolidation is capitalised and amortised on an unscheduled basis if the existence of an impairment loss is determined.

Property, plant, and equipment

Property, plant and equipment are accounted for at cost less scheduled depreciation on a straight-line basis over their estimated useful life. The cost of internally generated plant and equipment comprises all costs that are directly attributable to the production process and an appropriate portion of overheads. Borrowing costs are not recognised as acquisition or production costs. A revaluation of property, plant, and equipment pursuant to IAS 16 is not carried out.

Low-value non-current assets are written off in full in the year of acquisition and shown as a disposal the following year.

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

	In years
Buildings	20 – 50
Technical equipment and machines	5 – 15
Fixtures, fittings, tools, and equipment	3 – 13

Leases

Leases in which the KRONES GROUP, as the lessee, bears substantially all the risks and rewards incident to ownership of the leased asset are treated as finance leases pursuant to IAS 17 upon inception of the lease. 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 using the straight-line method over the shorter of its »estimated useful life« or the »lease term«. Obligations for future lease instalments are recognised as »other liabilities«.

Financial assets

Financial assets are accounted for at cost, less unscheduled write-downs.

Derivative financial instruments

The derivative financial instruments used within the KRONES GROUP are used to hedge against currency risks from operating activities. The financial instruments are measured at fair value as of the balance sheet date. Gains and losses from the measurement are recognised as income or expense in the income statement unless the conditions 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 recognised either in income (»fair value hedge«) or in equity (»cash flow hedge«). In the case of cash flow hedges, to mitigate currency risks from existing underlying transactions, changes in fair value are initially recognised directly in equity without impact on income and subsequently recognised in the income statement when the hedged item is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost or net realisable value.Cost of production includes costs directly related to production and an appropriate portion of fixed and variable production overheads. The portion of overheads is largely determined on the basis of normal operating capacity. Selling costs, general administrative costs, and borrowing costs are not recognised. For inventory risks arising from increased storage periods or reduced usability, valuation adjustments are made on the inventories.

Receivables and other assets

Receivables and other assets, with the exception of derivative financial instruments, are assets that are not held for trading. They are reported at amortised cost. Receivables with maturities of over one year that bear no or lower-than-market interest are discounted. Allowances are recognised to take account for all identifiable risks.

Construction contracts for specific customers

Construction contracts for specific customers that are in progress are recognised according to the degree of completion pursuant to IAS 11 (»percentage-of-completion method«). Under this method, contract revenue is recognised in accordance with the percentage of completion as of the balance sheet date. The percentage of completion corresponds to the ratio of contract costs incurred up to the balance sheet date to the total costs calculated for the contract. The construction contracts are reported under trade receivables.

Deferred taxes

Deferred tax assets and liabilities are recognised using the balance-sheet oriented »liability method«. This involves creating deferred tax items for all temporary differences between the tax and IFRS balance sheet carrying amounts and for consolidation procedures affecting income.

The deferred tax items are computed on the basis of the national income tax rates that apply in the individual countries at the time of realisation. Changes in the tax rates are taken into account if there is sufficient certainty that they will occur. Where permissible under law, deferred tax assets and liabilities have been offset.

Provisions for pensions

Provisions for pensions are calculated using the »projected unit credit method« pursuant to IAS 19. Under this method, known vested benefits at the reporting date as well as expected future increases in pensions and salaries are taken into account with due consideration to relevant factors that will affect the benefit amount, which are estimated on a prudent basis. The provision is calculated on the basis of actuarial valuations that take into account biometric factors.

Actuarial gains and losses are only recognised as income or expenses if they exceed 10 % of the obligations. These are recognised over the expected average remaining working lives of the employees.

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 a reliable estimate of the amount of the obligation can be made. Measurement of these provisions is computed at fully attributable costs or on the basis of the most probable expenditures needed to settle the obligation.

Provisions with a residual term of more than one year are recognised at the present value of the probable expenditures needed to settle the obligation at the reporting date.

Financial liabilities

Pursuant to IAS 39, financial liabilities are measured at cost on first-time recognition. Cost is equivalent to the fair value of the consideration given. Transaction costs are included in this initial measurement of financial liabilities. After the initial recognition, all financial liabilities and derivative financial instruments that represent liabilities are measured at amortised cost. Advance payments received from customers are recognised as liabilities.

Sales revenues

With the exception of those contracts that are measured according to IAS 11, sales revenues are recognised, in accordance with the criteria laid out under IAS 18, when the significant risks and rewards of ownership are transferred, when a price is agreed or can be determined, and payment can be expected.

Sales revenues are reported less reductions and cash discounts.