

A close-up photograph of industrial machinery, likely a bottling line. The machinery is made of polished stainless steel and features several cylindrical components. A clear liquid is being dispensed from a nozzle into a bright blue plastic bottle. The background is blurred, showing more of the factory environment.

Q1

Interim report for the period
from 1 January to 31 March 2015

 **KRONES**

- 3 Highlights and key figures
- 4 Letter from the Executive Board
- 5 The KRONES share

Consolidated management report

- 6 Economic environment
- 7 Revenue
- 9 New orders and orders on hand
- 10 Earnings
- 12 Cash flow
- 13 Employees
- 14 Assets and capital structure
- 16 Report from the segments
- 18 Risk report
- 19 Report on expected developments

Interim consolidated financial statements for the period ended 31 March 2015

- 21 Separate income statement
- 22 Statement of financial position
- 24 Statement of cash flows
- 25 Statement of changes in equity
- 26 Statement of comprehensive income

Notes to the consolidated financial statements of the KRONES Group

- 26 Segment reporting
- 27 General disclosures
- 37 Shareholdings
- 38 Members of the Supervisory Board
and the Executive Board
- 39 Glossary
- 40 Contact
Financial calendar
Publication credits

Highlights and key figures

2015 is off to a good start – KRONES continues profitable growth trend

- Revenue rose 5.1% to €738.9 million in the first quarter.
- New orders at KRONES were up 6.5% to €787.0 million.
- Profitability improved more sharply than revenue. EBT margin widened from 6.1% to 6.8%.
- KRONES is expecting 4% revenue growth and an EBT margin of 6.8% for 2015.

		1 Jan – 31 Mar 2015	1 Jan – 31 Mar 2014	Change
Revenue	€ million	738.9	703.0	+5.1%
New orders	€ million	787.0	738.8	+6.5%
Orders on hand at 31 March	€ million	1,127.2	1,028.2	+9.6%
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EBITDA	€ million	70.5	63.1	+11.7%
EBIT	€ million	49.2	42.2	+16.6%
EBT	€ million	50.2	43.1	+16.5%
Net income	€ million	35.0	29.9	+17.1%
Earnings per share	€	1.11	0.95	+16.8%
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Capital expenditure for PP&E and intangible assets	€ million	15.8	12.4	+€3.4 m
Free cash flow	€ million	-56.2	-40.2	-€16.0 m
Net cash and cash equivalents	€ million	280.2	199.8	+€80.4 m
ROCE (liabilities side)	%	16.5	15.4	-
ROCE (assets side)	%	14.7	13.3	-
<hr/>				
Employees at 31 March				
Worldwide		12,756	12,353	+403
Germany		9,414	9,100	+314
Outside Germany		3,342	3,253	+89

Dear shareholders and friends of KRONES,

KRONES is right on target after the first three months of 2015. From January to March, revenue and new orders were up 5.1% and 6.5%, respectively, year-on-year. Earnings before taxes again improved more sharply, by 16.5%, to €50.2 million. We are optimistic overall about the year as a whole despite the many political and economic uncertainties. We expect revenue to climb 4% and profitability to increase further. We expect only little support from prices in 2015. Therefore, reducing costs, launching new products and services, and further improving quality remain important topics under our Value programme, so that we can grow profitably.

The global economy is expected continue to grow well in 2015. Experts are forecasting global economic growth of 3.5% this year, after 3.4% last year. Economic growth will be driven by the emerging markets, which, in turn, will be supported by a strong US economy in 2015. Growth in Europe and Japan, on the other hand, will be at a very low level.

In the first quarter, I informed the Supervisory Board that I would not seek to renew my Executive Board contract, which expires at the end of 2015. This decision is in keeping with our company's internal rules. The appointment of my colleague and KRONES' current Chief Financial Officer, Christoph Klenk, as the new Chairman of the Executive Board as of 2016 sends our business partners and employees a clear message that continuity within the company is assured for the long term. As for me, I would like to continue to bear responsibility for the company and remain a part of KRONES' successful and motivated team. For this reason, I will stand for election to the Supervisory Board of KRONES AG in the ordinary annual shareholders' meeting in 2016. I would also like to add that, as majority shareholder, my family remains committed to the company for the long term. The groundwork is laid for KRONES' continued success.



Volker Kronseder
Chairman of the Executive Board

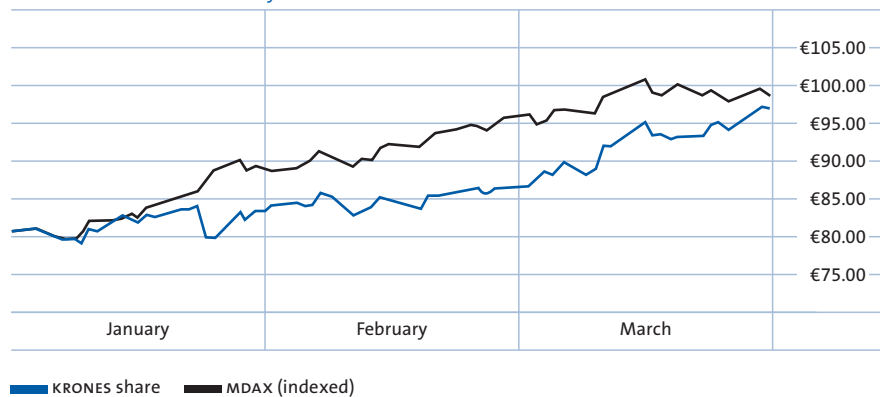
KRONES share gains 20% in the first quarter

Most of the world's stock markets started the year 2015 with considerable gains. The explosive year-end rally was driven by loose monetary policy on the part of many central banks, which has increasingly made equity markets more attractive than fixed-interest investments. The European Central Bank's decision to launch a large-scale bond buying programme, with a monthly volume of €60 billion, also helped boost share prices, primarily in Europe. The upward trend in Europe was also supported by the sharp weakening of the euro against the US dollar and low oil prices. The Ukraine conflict and the Greek debt crisis caused only minor setbacks, if any, and did little to slow the upward momentum.

The EURO STOXX 50 index gained 17.5% in the period from January to March. The DAX closed the first half up 22.0%, making it one of the best performers among all of the world's stock markets. With a gain of 10.1%, Japan's Nikkei index benefited from the country's continued extremely expansive monetary policy. In contrast, the US stock markets had a bumpy start to the year. Shares there were affected by fears that the US Central Bank, the Fed, might soon raise interest rates. In fact, the Dow Jones closed the first quarter down 0.3%.

Germany's MDAX mid-cap index more or less followed the same uptrend as the DAX. The MDAX gained 22.1% in the period from January to March, driven by real estate stocks and the index heavyweight Airbus.

The KRONES share from 1 January to 31 March 2015



KRONES' share price gained 20.0% in the period from January to March 2015. The MDAX picked up slightly more than that.

The KRONES share put in another strong performance in the reporting period. With a gain of 20.0%, it did not advance quite as much as the MDAX. However, the share had far outperformed the index in 2014. The share continued to climb, without any major ups and downs, in the period from January to March. The positive trend was supported by our preliminary revenue and earnings figures for the 2014 financial year as well as our dividend proposal. On 31 March, the share hits its high for the quarter, €98.33, over the course of the trading day before closing the day and the quarter at €96.93, up 20.0% in the first three months of 2015.

World economy to grow more in 2015 than in the previous year

In their World Economic Outlook released in April, economists with the International Monetary Fund (IMF) are forecasting somewhat stronger growth in 2015 over 2014. In particular, low oil prices and loose monetary policy worldwide are bolstering economic activity. On the other hand, continued high debt levels and low levels of capital spending are factors holding the global economy back. In all, the IMF expects the world economy to grow by 3.5% in 2015 after 3.4% in the previous year.

The newly industrialised and developing countries will once again grow more than average in 2015, although growth is expected to slow overall in 2015 and come to just 4.3% according to the IMF's forecast (previous year: 4.6%). Low oil prices are taking their toll on some oil-exporting countries, like Russia and Brazil. Slowing growth in China is also having a negative impact. The IMF is predicting 6.8% GDP growth for China in 2015, which is weaker than in the previous year (2014: 7.4%). The IMF's growth forecast for India is 7.5% (previous year: 7.2%). For the Middle East/Africa region, it is 2.9% (previous year: 2.6%).

The industrialised countries have benefited from low oil and energy prices. Growth here is expected to increase to 2.4%, after 1.8% in the previous year. In the USA, increased consumer spending and continued low interest rates have been powerful drivers for the economy. The IMF expects US GDP to increase by 3.1% in 2015 (previous year: 2.4%). The IMF expects Japan's GDP to grow by only 1.0% despite the country's economic stimulus programmes and extremely loose monetary policy. According to the IMF, euro area GDP will grow by 1.5%. At 1.6%, the economists' forecast for German GDP growth is slightly higher.

Stable demand from abroad benefits German machinery manufacturers

New orders in the German machinery sector were up four percent year-on-year in the less volatile three-month comparison of the period from December 2014 to February 2015. While domestic orders were stagnant, new orders from outside Germany increased by six percent. The more volatile monthly figure was down three percent year-on-year in February 2015. On this basis, domestic business decreased by seven percent while business outside Germany held steady at the year-earlier level.

For the year 2015 as a whole, the German Engineering Federation (VDMA) is predicting that new orders will increase and output will rise 2% (previous year: 1.1%). Demand in the food and packaging machinery subsector, which is relevant to KRONES, is likely to grow more than the sector as a whole.

World economic growth is expected to be slightly stronger in 2015 than in 2014. The IMF is forecasting 3.5% growth after 3.4% in the previous year

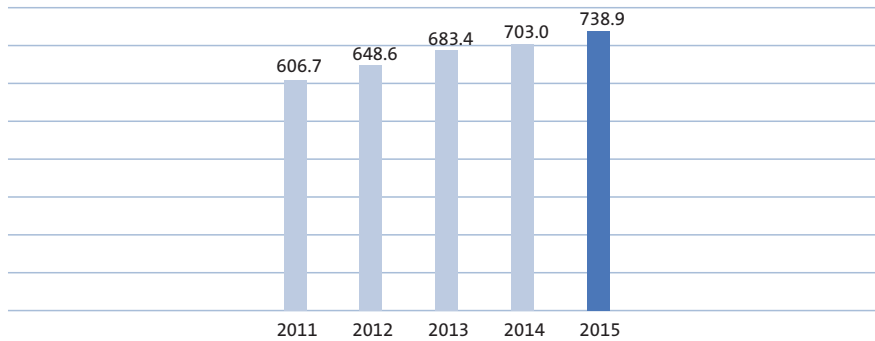
As demand from abroad remains strong, the VDMA expects new orders and output to increase slightly in 2015 as a whole.

KRONES' revenue grows 5.1% in the first quarter of 2015

As a supplier of filling and packaging machinery for the beverage and food industries, KRONES operates in markets with stable growth overall. The company's broad range of products and services and its leading position worldwide also benefited business in the first quarter of 2015. In the period from January to March 2015, revenue was up 5.1% year-on-year from €703.0 million to €738.9 million. That gives KRONES a solid basis for achieving our growth target of 4% for the year as a whole.

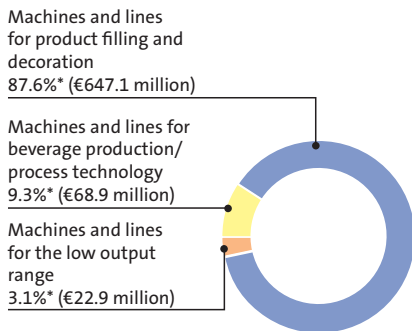
KRONES has got the financial year 2015 off to a good start and continued its growth trend in the first quarter.

Revenue from 1 January to 31 March (€ million)



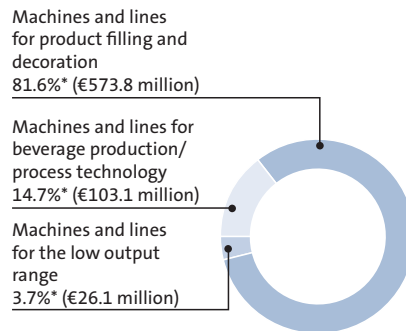
KRONES' revenue in the Middle East/Africa and North and Central America sales regions grew more than overall revenue in the reporting period. Both new machinery and services business contributed to consolidated growth in the first quarter. The highest growth rate (+12.8%) was achieved in KRONES' core segment, machines and lines for product filling and decoration.

Segment revenue from 1 Jan to 31 Mar 2015



* Share of consolidated revenue of €738.9 million

Segment revenue from 1 Jan to 31 Mar 2014



* Share of consolidated revenue of €703.0 million

Revenue by region

KRONES posted revenue growth in Germany in the first quarter of 2015. Revenue was up 8.6% year-on-year to €97.2 million. As a result, business on our home market accounted for a larger share of consolidated revenue, 13.2% (previous year: 12.7%).

Business in Europe (excluding Germany) was somewhat slower in the period from January to March 2015. The decline can be attributed to sharp drops in revenue in the Russia/CIS sales region (–50.9%), which has been battered by the Ukraine crisis, and in Eastern Europe (–32.9%). Revenue in the rest of Europe was not quite enough to offset these losses. In Western Europe, revenue improved 13.5% to €132.1 million. In Central Europe (Austria, Switzerland, and the Netherlands), revenue increased 48.2% to €41.5 million. Overall, revenue in Europe (excluding Germany) was down 4.7% year-on-year in the reporting period, to €223.5 million. The share of consolidated revenue decreased to 30.2% (previous year: 33.3%).

Compared with the weak first quarter of the previous year, revenue in the Middle East/Africa sales region was up 117.0% to €103.3 million in the reporting period. The region remains an important growth market for KRONES. The same is true of China. Revenue there increased 74.0% year-on-year in the period from January to March 2015 to €64.9 million. The high rate of growth here can be attributed to the low baseline from the previous year. Revenue in the rest of the Asia-Pacific region was down 29.1% in the first quarter from the very high year-earlier figure, to €80.0 million.

Revenue in the North and Central America sales region in the first three months of 2015 grew to €107.2 million, more than double the year-earlier figure. Although the high rate of growth here can be attributed to the low baseline from the previous year, we expect business in the region to remain upbeat for the year as a whole. In the South America/Mexico sales region, revenue was down 51.5% to €62.8 million.

The share of revenue KRONES generated in the emerging markets came to 48.9% in the first quarter of 2015 (previous year: 59.4%). This share is likely to increase considerably over the course of the year.

KRONES Group revenue by region

Share of consolidated revenue	31 March 2015		31 March 2014		Change
	€ million	%	€ million	%	
Germany	97.2	13.2	89.5	12.7	+8.6
Central Europe (excluding Germany)	41.5	5.6	28.0	4.0	+48.2
Western Europe	132.1	17.8	116.4	16.6	+13.5
Eastern Europe	21.2	2.9	31.6	4.5	–32.9
Russia, Central Asia (CIS)	28.7	3.9	58.4	8.3	–50.9
Middle East/Africa	103.3	14.0	47.6	6.8	+117.0
Asia-Pacific	80.0	10.8	112.9	16.1	–29.1
China	64.9	8.8	37.3	5.3	+74.0
South America/Mexico	62.8	8.5	129.5	18.4	–51.5
North and Central America	107.2	14.5	51.8	7.4	+106.9
Total	738.9	100.0	703.0	100.0	+5.1

Quarterly revenue figures for the various regions are generally not very telling because ordering activity and revenue can fluctuate considerably from quarter to quarter.

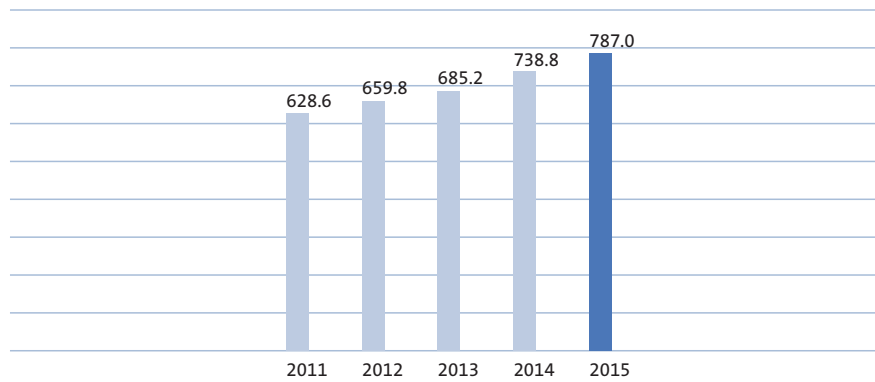
New orders continue to increase

Demand for KRONES products and services remained high in the first quarter of 2015. At €787.0 million, new orders exceeded the already-high year-earlier figure of €738.8 million by 6.5%. Thus, year-on-year new orders growth in the period from January to March 2015 was even stronger than revenue growth. Demand was brisk across much of KRONES' range of products and services.

New orders were up 6.5% year-on-year in the first quarter of 2015.

The biggest increase in new orders came in the Central Europe, Asia-Pacific, and Africa sales regions. Business in the Russia/CIS sales region was slower, as expected, due to the Ukraine crisis. New orders development was stable in North America and China.

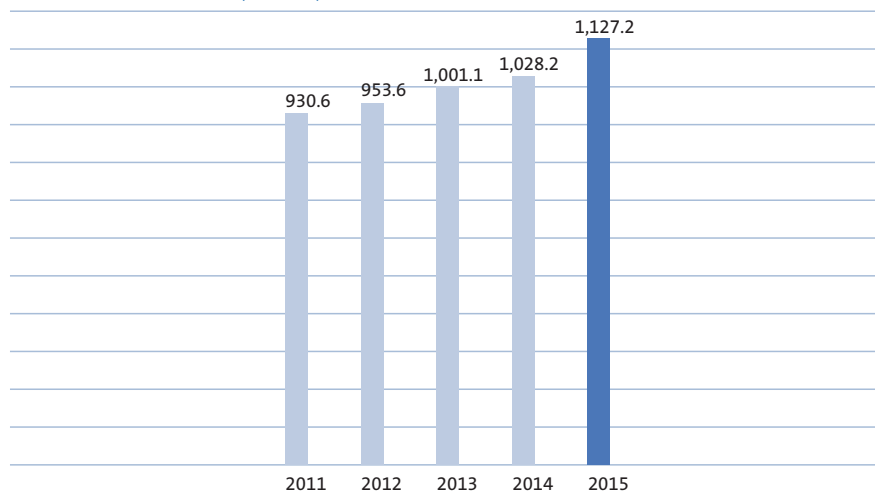
New orders from 1 January to 31 March (€ million)



KRONES' order books are chock full

Given the high level of new orders, KRONES' orders backlog grew further in the first quarter of 2015. At €1,127.2 million, orders on hand at 31 March 2015 were up 4.5% over the end of 2014. That enables the company to balance capacity utilisation in the months ahead and provides a solid basis for further growth.

Orders on hand at 31 March (€ million)

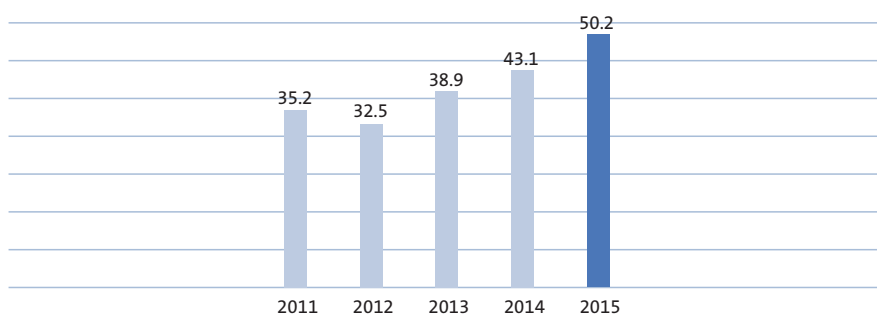


KRONES' margin up considerably

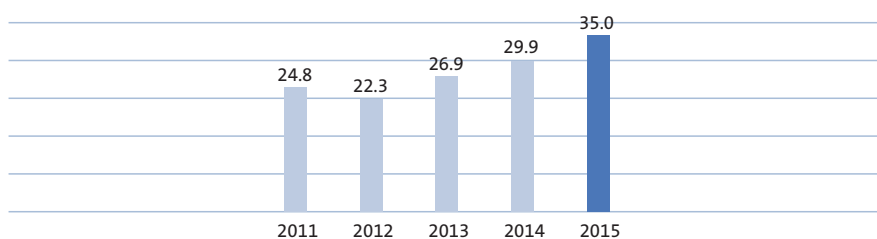
KRONES further increased its profitability in the first quarter of 2015, generating a very good margin for the period. Key here were the measures taken under the Value strategy programme, with which we are progressively increasing efficiency throughout the company. In addition, the company benefited from the high level of capacity utilisation in the reporting period. As expected, prices yielded no positive effects. The exchange rate environment had only a slight impact on earnings. Earnings before taxes (EBT) increased 16.5% to €50.2 million. The EBT margin, the ratio of earnings before taxes to revenue, advanced from 6.1% to 6.8%. Our margin target for 2015 as a whole is 6.8%.

The Value strategy programme is working. The EBT margin improved to 6.8% in the first quarter of 2015.

Earnings before taxes (EBT) from 1 January to 31 March (€ million)

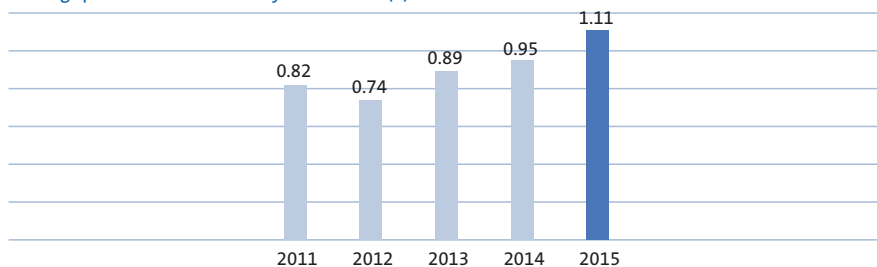


Net income from 1 January to 31 March (€ million)



KRONES' tax rate was slightly lower year-on-year in the reporting period. For this reason, consolidated net income (that is, earnings after taxes), in the first quarter of 2015 increased even more sharply than EBT, 17.1% from €29.9 million in the previous year to €35.0 million. That corresponds to earnings per share of €1.11 (previous year: €0.95).

Earnings per share from 1 January to 31 March (€)



KRONES Group earnings structure

€ million	2015	2014	Change
	1 Jan–31 Mar	1 Jan–31 Mar	
Revenue	738.9	703.0	+5.1
Changes in inventories of finished goods and work in progress	53.1	–13.6	–
Total operating performance	792.0	689.4	+14.9
Goods and services purchased	–385.3	–330.9	+16.4
Personnel expenses	–232.2	–220.0	+5.5
Other operating income/expenses and own work capitalised	–104.0	–75.4	+37.9
EBITDA	70.5	63.1	+11.7
Depreciation and amortisation on fixed assets	–21.3	–20.9	+1.9
EBIT	49.2	42.2	+16.6
Financial income/expense	1.0	0.9	–
EBT	50.2	43.1	+16.5
Income tax	–15.2	–13.2	+15.2
Consolidated net income	35.0	29.9	+17.1

KRONES' total operating performance, which takes into account changes in inventories of finished goods and work in progress as well as revenue, increased 14.9% year-on-year in the first quarter of 2015 to €792.0 million. That is considerably more than the increase in revenue (+5.1%). This development can be attributed to the €53.1 million increase in inventories of finished goods and work in progress in the period from January to March 2015 (previous year: –€13.6 million).

Expenses for goods and services purchased increased 16.4% to €385.3 million, slightly more than proportionately to total operating revenue, on higher services purchased. The ratio of goods and services purchased to total operating performance increased slightly in the first quarter of 2015, from 48.0% in the year-earlier period to a satisfactory 48.7%.

Personnel expenses grew considerably less than proportionately to total operating revenue in the reporting period. Personnel expenses were up 5.5% from €220.0 million in the previous year to €232.2 million. As a result, the ratio of personnel expenses to total operating performance dropped from 31.9% in the previous year to 29.3% in the first quarter of 2015. Further improvements in efficiency achieved under our Value programme were key here.

Efficiency improvements resulted in a 2.6% year-on-year decrease in the ratio of personnel expenses to total operating performance in the first quarter of 2015.

The net of other operating income and expenses and own work capitalised increased to –€104.0 million (previous year: –€75.4 million). The ratio of this figure to total operating performance was 13.1% (previous year: 10.9%). As a result of KRONES' high level of capital expenditure in previous years, depreciation and amortisation of fixed assets increased from €20.9 million in the year-earlier period to €21.3 million in the first quarter of 2015.

Earnings before interest and taxes (EBIT) amount to €49.2 million for the first quarter of 2015 (+16.6%). Earnings before taxes (EBT) climbed 16.5% to €50.2 million. Consolidated net income rose 17.1% to €35.0 million in the first quarter of 2015.

KRONES Group cash flow

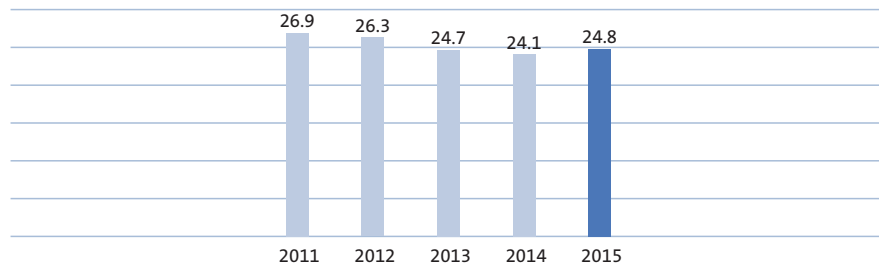
€ million	2015	2014	Change
	1 Jan–31 Mar	1 Jan–31 Mar	
Earnings before taxes	50.2	43.1	+7.1
Non-cash expenses and income	+76.7	+76.1	+0.6
Changes in working capital	-151.7	-135.9	-15.8
Other (primarily income taxes)	-12.0	-10.9	-1.1
Cash flow from operating activities	-36.8	-27.6	-9.2
Capital expenditure for intangible assets and property, plant and equipment	-15.8	-12.4	-3.4
Other	-3.6	-0.2	-3.4
Free cash flow	-56.2	-40.2	-16.0
Cash flow from financing activities	0.0	0.0	±0.0
Change in cash and cash equivalents arising from exchange rates	0.0	+0.1	-0.1
Net change in cash and cash equivalents	-56.2	-40.1	-16.1
Cash and cash equivalents at the end of the period	280.2	199.8	+80.4

KRONES' cash flow from operating activities was -€36.8 million in the first quarter of 2015 (previous year: -€27.6 million). The slight decrease can be attributed to a bigger increase in working capital, which grew by €151.7 million in the first three months of the year (previous year: €135.9 million). While receivables, inventories, and other assets increased considerably, by €191.6 million (previous year: €114.0 million), as a result of higher business volume, higher liabilities helped take the pressure off working capital.

The ratio of average working capital for the past four quarters to revenue increased year-on-year from 24.1% to 24.8% in the first quarter. The ratio of working capital to revenue at the end of the reporting period was 25.9% (previous year: 25.0%).

Higher working capital meant that free cash flow was lower year-on-year in the reporting period.

KRONES Group working capital to revenue (% average at 31 March)

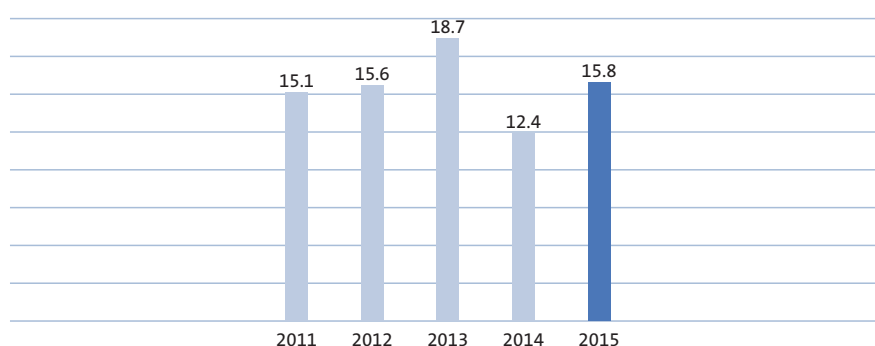


Average working capital for the past four quarters to revenue came to 24.8% in the first quarter.

KRONES invested €15.8 million in intangible assets and property, plant and equipment in the reporting period (previous year: €12.4 million). In addition, €4.9 million went toward company acquisitions. KRONES' free cash flow (net cash generated from operating activities) decreased by €16.0 million to –€56.2 million. The negative free cash flow figure at the start of the year is due to seasonal factors and is not unusual in our business.

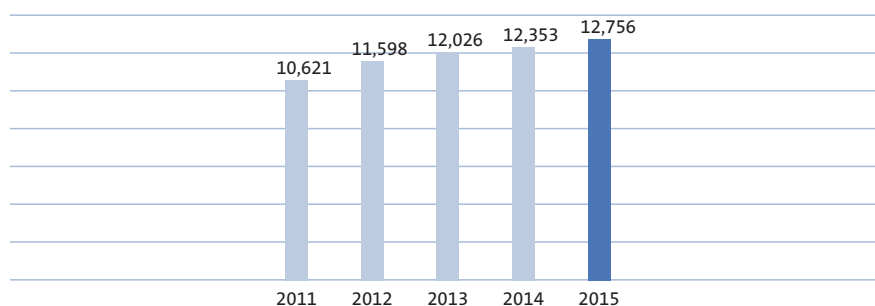
As in the previous year, there was no cash flow from financing activities in the first quarter. At 31 March 2015, KRONES had cash and cash equivalents totalling €280.2 million (previous year: €199.8 million).

Capital expenditure for PP&E and intangible assets from 1 January to 31 March (€ million)



Employees

Workforce at 31 March



KRONES employs 12,756 worldwide

At the end of the reporting period, the company employed 12,756 people worldwide (previous year: 12,353). The workforce in Germany grew considerably in the past twelve months, to 9,414 (previous year: 9,100) as a result of several acquisitions and the establishment of EVOGUARD and SYSKRON. The number of KRONES employees abroad increased from 3,253 to 3,342. However, it should be noted that the number of employees at KOSME Italy decreased by around 100 in mid-2014 due to capacity reductions. Expanding our international workforce remains one of our strategic goals.

As part of our internationalisation strategy, the expansion of our workforce is primarily taking place outside Germany.

KRONES Group asset and capital structure

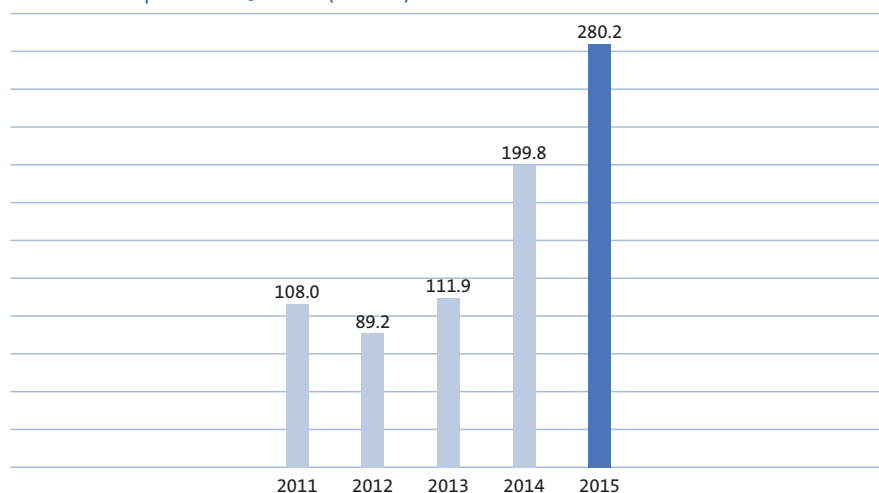
€ million	31 Mar 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
Non-current assets	669	672	642	625
of which fixed assets	628	624	605	587
Current assets	1,906	1,755	1,596	1,445
of which cash and equivalents	280	336	240	133
Equity	1,037	989	954	798
Total debt	1,538	1,439	1,284	1,272
Non-current liabilities	270	275	213	193
Current liabilities	1,268	1,164	1,071	1,079
Total	2,575	2,427	2,238	2,070

Due to the higher business volume, KRONES' total assets at 31 March 2015 were up 6.1% from the end of 2014 to €2.58 billion.

Non-current assets were down slightly in the first quarter, totalling €669.3 million at 31 March 2015 (31 December 2014: €672.0 million). Property, plant and equipment, intangible assets, and non-current financial assets (referred to collectively as "fixed assets" in this report) were up slightly to €627.7 million (31 December 2014: €624.2 million). Of this, €478.6 million were property, plant and equipment (31 December 2014: €479.2 million). The intangible assets, which are primarily development costs that must be capitalised, were up slightly to €148.3 million at the end of the first quarter (31 December 2014: €143.3 million).

Current assets (inventories, trade receivables) were up as a result of the sharp increase in total operating performance in the first quarter of 2015.

Cash and cash equivalents at 31 March (€ million)



At the end of the reporting period, current assets totalled €1.91 billion, which is 8.6% more than at 31 December 2014. The increase was driven by the higher business volume. KRONES increased inventories by 5.4% in the period from January to March 2015 to €684.9 million. Trade receivables rose from €691.7 million to €827.5 million while cash and cash equivalents decreased from €336.4 million to €280.2 million in the reporting period.

Current liabilities rose from €1.16 billion at the end of 2014 to €1.27 billion at 31 March 2015. Higher advances received, other liabilities, and accruals were responsible for this increase. KRONES had no current bank debt at the end of the first quarter of 2015.

KRONES' non-current liabilities, consisting largely of provisions for pensions and other personnel provisions, decreased to €270.4 million at 31 March 2015 (31 December 2014: €274.9 million). The company also had no non-current bank debt at the end of the quarter.

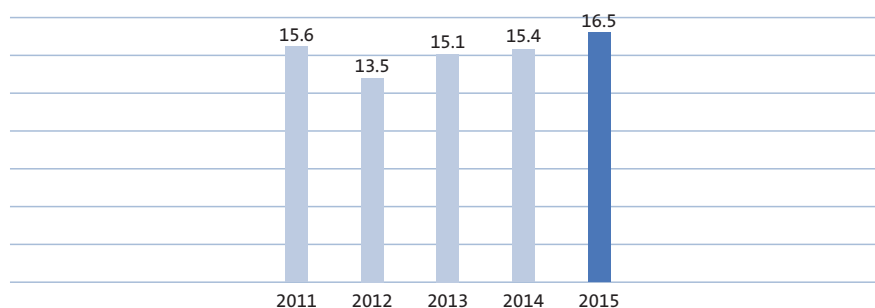
Due to the positive quarterly earnings figure, equity was up from €988.5 million at the end of 2014 to €1,036.6 million. As a result, our equity ratio was a very sound 40.3% at 31 March 2015 (31 December 2014: 40.7%). With net cash and cash equivalents (cash and cash equivalents less bank debt) of €280.2 million at the end of the reporting period, KRONES still has an extremely robust financial and capital structure.

The high equity ratio and comfortable liquidity cushion give KRONES a high level of financial flexibility.

ROCE climbs to 16.5%

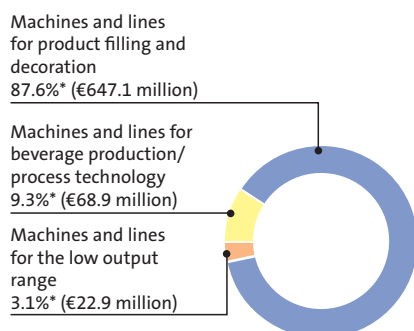
KRONES improved its return on capital employed (ROCE), that is the ratio of EBIT to average net tied-up capital, to 16.5% in the reporting period (previous year: 15.4%) thanks in large part to higher earnings. That puts us on track to achieve our target of 17% for the year 2015 as a whole (previous year: 16.4%).

KRONES Group ROCE from 1 January to 31 March (%)



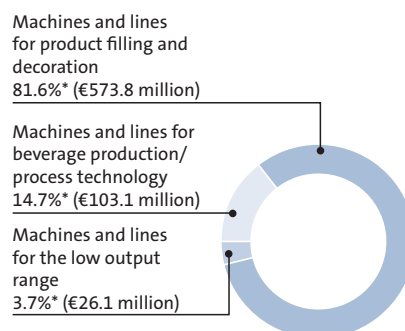
ROCE is up considerably year-on-year in the first quarter. That puts us on track to achieve our ROCE target of 17% for the year as a whole.

Segment revenue from 1 Jan to 31 Mar 2015



* Share of consolidated revenue of €738.9 million

Segment revenue from 1 Jan to 31 Mar 2014



* Share of consolidated revenue of €703.0 million

Segment revenue

The core segment, machines and lines for product filling and decoration, posted strong growth in the first quarter of 2015. Segment revenue improved 12.8% from €573.8 million in the year-earlier period to €647.1 million. That reflects the strong demand for KRONES products and services. However, it should also be borne in mind that the segment's revenue was relatively low in the prior-year period. Therefore, the strong growth rate cannot be extrapolated to the year 2015 as a whole. We expect segment revenue to increase by 4% in 2015. The segment contributed 87.6% of consolidated revenue in the first quarter of 2015 (previous year: 81.6%).

Due to longer production lead times for systems in the machines and lines for beverage production/process technology segment, revenue here is subject to sharp fluctuations based on invoice timing. For this reason, segment revenue was down 33.2% in the first quarter of 2015 compared with the year-earlier period, from €103.1 million to €68.9 million. For the year as a whole, KRONES still expects process technology revenue to grow by 7%. The segment's share of consolidated revenue decreased to 9.3% (previous year: 14.7%) in the first three months of 2015.

In 2014, KRONES streamlined KOSME Italy's portfolio and discontinued the subsidiary's packing and palletising operations. As a result, revenue in the machines and lines for the low output range segment decreased 12.3% year-on-year in the first quarter of 2015, from €26.1 million to €22.9 million. As a result, the segment's share of consolidated revenue shrank to 3.1% (previous year: 3.7%).

While revenue in our core segment was up sharply in the first quarter of 2015, revenue in both of our smaller segments was down year-on-year.

Segment earnings

Earnings improved in the company's largest segment, machines and lines for product filling and decoration, in the first quarter of 2015, thanks in large part to actions taken under the Value strategy programme. Earnings before taxes (EBT) rose 16.2% year-on-year, from €41.4 million to €48.1 million. With that, the EBT margin, the ratio of segment earnings before taxes to segment revenue, advanced from 7.2% to 7.4%. After this successful start to the financial year, the segment is in a good position to keep moving closer to its medium-term margin target of 8% in 2015 as forecast.

Earnings in all three segments were within our forecasts in the first quarter.

Despite the considerable decline in revenue, the machines and lines for beverage production/process technology segment posted a profit in the first three months of 2015. However, at €1.1 million, earnings before taxes (EBT) were down from the year-earlier figure of €1.8 million. The EBT margin decreased only slightly, from 1.7% to 1.6%. We expect the segment's earnings to be positive for the year 2015 as a whole.

Earnings in the machines and lines for the low output range segment improved in the reporting period. Earnings before taxes (EBT) rose from –€0.1 million in the previous year to +€1.0 million. The restructuring of KOSME Italy had a positive effect on earnings. The segment generated an EBT margin of 4.4% in the first quarter of 2015. We expect the margin to be similar for the year as a whole.

Product filling and decoration		2015	2014
		1 Jan–31 Mar	1 Jan–31 Mar
EBT	€ million	48.1	41.4
EBT margin	%	7.4	7.2

Beverage production/process technology		2015	2014
		1 Jan–31 Mar	1 Jan–31 Mar
EBT	€ million	1.1	1.8
EBT margin	%	1.6	1.7

Low output range		2015	2014
		1 Jan–31 Mar	1 Jan–31 Mar
EBT	€ million	1.0	–0.1
EBT margin	%	4.4	–0.4

KRONES' risk management system

We continuously monitor all significant business processes to identify risks early and to actively manage and limit them. Within our corporate strategy, we also identify, analyse, and unlock opportunities. However, unlike risks, business opportunities are not documented within our risk management system.

Our risk management system consists of the following modules: risk analysis, risk monitoring, and risk planning and management.

Risk analysis

In order to identify risks early, we continuously monitor all business activities. Material project-related risks are reduced or avoided before an order is accepted. For orders that exceed a specified volume, we conduct a multi-dimensional risk analysis. Apart from profitability, we also individually record and evaluate financing risks, technological risks, and scheduling and other contractual risks before accepting an order.

We conduct a comprehensive risk inventory once each year for KRONES AG and all significant group companies. The results of the risk inventory and mitigating actions are used in our annual planning.

Risk monitoring

We use a variety of interlinked controlling processes to monitor risks within the KRONES Group. Regular comprehensive reports from the individual business units keep the Executive Board and other decision-makers apprised of all possible risks and deviations from company planning and of the status of mitigating actions in a timely manner.

Risk planning and control

We use the following tools to plan our business activities and control risk within our internal control system:

- Annual planning
- Medium-term planning
- Strategic planning
- Rolling forecasts
- Monthly and quarterly reports
- Capital expenditure planning
- Production planning
- Capacity planning
- Project controlling
- Accounts receivable management
- Exchange rate hedges
- Insurance policies

Threats

Viewed from today's perspective, KRONES is not exposed to any risks that threaten the company's continued existence. A detailed discussion of the risks faced by the company and a detailed description of our risk management can be found in the consolidated management report on pages 106 through 117 of our 2014 Annual Report. In the period from 1 January to 31 March 2015, there were no material changes with respect to the statements made in the annual report regarding the company's key risks.

KRONES is optimistic about 2015

Despite the many political and economic uncertainties, KRONES remains optimistic about the business outlook for 2015. The markets in which KRONES operates offer good prospects for growth. We expect business to pick up in the established markets, particularly in North America. Revenue in Europe should also develop well overall. If the political situation with respect to the Russia-Ukraine conflict does not escalate further, we expect the downtrend in this region to be balanced out at the group level this year.

All three segments to grow profitably

KRONES expects little support from prices in 2015. Therefore, reducing costs, launching new products and services, and further improving quality remain important topics under our Value programme for all three segments, so that we can grow profitably.

In our core segment, which covers bottling and packaging equipment, KRONES will offer more local products and do more purchasing locally in 2015. At the same time, we are expanding our international service structures and LCS Centres. KRONES intends to capitalise on its strong market position, particularly in the emerging markets. KRONES is forecasting revenue growth of around 4% for its core segment in 2015, after the segment outperformed the company as a whole in terms of growth last year. Profitability is also expected to improve further towards our EBT margin target of 8%.

In the process technology segment, we will increase local value creation and further expand local structures in the regions this year. Internal logistics are an important part of KRONES' strategy. We intend to expand our activities in this area under SYSKRON Holding in 2015. With revenue growth of around 7%, we expect earnings in the process technology segment to move into positive territory in 2015. We will implement additional structural measures in process technology this year in order to reach our medium-term margin target of 4%.

In the machines and lines for the low output range segment, the restructuring of our Roverbella, Italy, site should begin to take hold in 2015. The segment is expected to generate a profit margin (EBT margin) of 4% to 5% on stable revenue and lower costs.

Good start to the year affirms our outlook for 2015

Based on the current macroeconomic prospects and developments on the markets relevant to KRONES, we expect consolidated revenue to grow by 4% in 2015. The company's profitability is set to improve yet again this year. KRONES expects the EBT margin to rise to 6.8% in 2015. That puts us very close to our medium-term target of 7%, which we had set when launching the Value programme. We want to increase our third strategy target, ROCE, to 17% this year.

KRONES is on track to achieve its growth and earnings targets for 2015.

	Forecast for 2015	Actual value Q1 2015
Revenue growth	+4%	+ 5.1%
EBT margin	6.8%	6.8%
ROCE	17%	16.5%



€ million	2015 1 January– 31 March	2014 1 January– 31 March	Change %
Revenue	738.9	703.0	+5.1
Changes in inventories of finished goods and work in progress	53.1	–13.6	
Total operating performance	792.0	689.4	+14.9
Goods and services purchased	–385.3	–330.9	+16.4
Personnel expenses	–232.2	–220.0	+5.5
Other operating income/expenses and own work capitalised	–104.0	–75.4	+37.9
Depreciation and amortisation on fixed assets	–21.3	–20.9	+1.9
EBIT	49.2	42.2	+16.6
Financial income/expense	1.0	0.9	
Earnings before taxes	50.2	43.1	+16.5
Income tax	–15.2	–13.2	+15.2
Consolidated net income	35.0	29.9	+17.1
Profit share of non-controlling interests	–0.2	0.0	
Profit share of KRONES Group shareholders	35.2	29.9	
Earnings per share (diluted/basic) in €	1.11	0.95	

Statement of financial position

Assets € million	31 March 2015		31 December 2014	
Intangible assets	148.3		143.3	
Property, plant and equipment	478.6		479.2	
Non-current financial assets	0.8		1.7	
Fixed assets	627.7		624.2	
Deferred tax assets	26.7		22.3	
Trade receivables	9.1		20.0	
Income tax receivables	3.5		3.4	
Other assets	2.3		2.1	
Non-current assets		669.3		672.0
Inventories	684.9		650.0	
Trade receivables	827.5		691.7	
Current income tax receivables	4.1		3.8	
Other assets	109.3		73.6	
Cash and cash equivalents	280.2		336.4	
Current assets		1,906.0		1,755.5
Total		2,575.3		2,427.5

Equity and liabilities € million	31 March 2015		31 December 2013	
Equity		1,036.6		988.5
Provisions for pensions	211.2		211.3	
Deferred tax liabilities	0.8		2.5	
Other provisions	49.3		49.8	
Liabilities to banks	0.0		0.0	
Other financial liabilities	8.2		9.7	
Other liabilities	0.9		1.6	
Non-current liabilities		270.4		274.9
Other provisions	162.7		162.8	
Provisions for taxes	23.2		14.7	
Liabilities to banks	0.0		0.0	
Advances received	590.4		493.7	
Trade payables	159.4		214.9	
Current tax liabilities	1.2		6.5	
Other financial liabilities	7.2		12.0	
Other liabilities and accruals	324.2		259.5	
Current liabilities		1,268.3		1,164.1
Total		2,575.3		2,427.5

Statement of cash flows

€ million	2015 1 January – 31 March	2014 1 January – 31 March
Earnings before taxes	50.2	43.1
Depreciation and amortisation (reversals)	21.3	20.9
Increase in provisions	50.4	58.1
Deferred tax item changes recognised in profit or loss	6.3	-1.9
Interest expenses and interest income	-0.5	-0.9
Proceeds and losses from the disposal of fixed assets	-0.1	0.0
Other non-cash expenses and income	0.7	-0.1
Increase in inventories, trade receivables, and other assets not attributable to investing or financing activities	-191.6	-114.0
Increase (previous year: decrease) in trade payables and other liabilities not attributable to investing or financing activities	39.9	-21.9
Cash generated from operating activities	-24.8	-16.7
Interest paid	-0.1	-0.1
Income tax paid and refunds received	-11.9	-10.8
Cash flow from operating activities	-36.8	-27.6
Cash payments to acquire intangible assets	-8.1	-7.5
Proceeds from the disposal of intangible assets	0.0	0.0
Cash payments to acquire property, plant and equipment	-7.7	-4.9
Proceeds from the disposal of property, plant and equipment	0.4	0.1
Cash payments to acquire non-current financial assets	0.0	-0.5
Proceeds from the disposal of non-current financial assets	0.0	0.0
Cash payments to acquire shares in affiliated companies	-4.9	0.0
Interest received	0.4	0.2
Dividends received	0.5	0.0
Cash flow from investing activities	-19.4	-12.6
Cash flow from financing activities	0.0	0.0
Net change in cash and cash equivalents	-56.2	-40.2
Change in cash and cash equivalents arising from exchange rates	0.0	0.1
Cash and cash equivalents at the beginning of the period	336.4	239.9
Cash and cash equivalents at the end of the period	280.2	199.8

€ million	Parent company							Non-controlling interests	Group equity
	Share capital	Capital reserves	Profit reserves	Currency differences in equity	Other reserves	Group retained earnings	Equity	Equity	
At 31 December 2013	40.0	141.7	364.2	-11.5	-39.3	459.1	954.2	0.0	954.2
Consolidated net income 3 months 2014						29.9	29.9	0.0	29.9
Currency differences				-5.9			-5.9		-5.9
Actuarial gains and losses on pensions					-0.5		-0.5		-0.5
Hedge accounting					0.2		0.2		0.2
At 31 March 2014	40.0	141.7	364.2	-17.4	-39.6	489.0	977.9	0.0	977.9
Dividend payment (€2.00 per share)						-63.2	-63.2		-63.2
Consolidated net income 9 months 2014						106.0	106.0	-0.2	105.8
Allocation to profit reserves			0.0			0.0	0.0		0.0
Changes in the consolidated group							0.0	1.0	1.0
Currency differences				16.9			16.9		16.9
Actuarial gains and losses on pensions					-45.4		-45.4		-45.4
Hedge accounting					-4.5		-4.5		-4.5
At 31 December 2014	40.0	141.7	364.2	-0.5	-89.5	531.8	987.7	0.8	988.5
Consolidated net income 3 months 2015						35.2	35.2	-0.2	35.0
Currency differences				13.2			13.2		13.2
Actuarial gains and losses on pensions					0.5		0.5		0.5
Hedge accounting					-0.6		-0.6		-0.6
At 31 March 2015	40.0	141.7	364.2	12.7	-89.6	567.0	1,036.0	0.6	1,036.6

Statement of comprehensive income

€ million	2015 1 January – 31 March	2014 1 January – 31 March
Consolidated net income	35.0	29.9
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains and losses on pensions and similar obligations	0.5	–0.5
	0.5	–0.5
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation	13.2	–5.9
Derivative financial instruments	–0.6	0.2
	12.6	–5.7
Other comprehensive income	13.1	–6.2
Total comprehensive income	48.1	23.7
of which attributable to non-controlling interests	–0.2	0.0
of which attributable to KRONES Group shareholders	48.3	23.7

Notes to the consolidated financial statements

Segment reporting

€ million	Machines and lines for product filling and decoration		Machines and lines for beverage production/ process technology		Machines and lines for the low output range		KRONES Group	
	2015 1 Jan –31 March	2014 1 Jan –31 March	2015 1 Jan –31 March	2014 1 Jan –31 March	2015 1 Jan –31 March	2014 1 Jan –31 March	2015 1 Jan –31 March	2014 1 Jan –31 March
Revenue	647.1	573.8	68.9	103.1	22.9	26.1	738.9	703.0
EBT	48.1	41.4	1.1	1.8	1.0	–0.1	50.2	43.1
EBT margin	7.4%	7.2%	1.6%	1.7%	4.4%	–0.4%	6.8%	6.1%
Employees at 31 March*	11,164	10,753	882	775	396	502	12,442	12,030

* Consolidated group

■ Legal basis

The consolidated financial statements of KRONES AG (“KRONES Group”) for the period ended 31 March 2015 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB), London, applicable at the end of the reporting period, including the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) as adopted by the European Union. No early application was made of IFRSs that had not yet entered into force or their interpretations.

Non-controlling interests in group equity are presented on the statement of financial position as a special item within equity. Profit or loss shares attributable to non-controlling interests, if applicable, are recognised on the separate income statement and the statement of comprehensive income as part of consolidated net income. If applicable, the shares of consolidated net income attributed to the owners of the parent company and to non-controlling interests are presented separately.

Non-controlling interests have been added to the statement of changes in equity. The following explanatory notes comprise disclosures and remarks that, under IFRSs, must be included as notes to the consolidated financial statements in addition to the statement of financial position, the separate income statement and statement of comprehensive income, the statement of changes in equity, and the statement of cash flows.

The “nature of expense” method has been used for the separate income statement. The group’s reporting currency is the euro.

■ Consolidated group

Besides KRONES AG, the consolidated financial statements for the period ended 31 March 2015 include all material domestic and foreign subsidiaries over which KRONES AG has direct or indirect control.

In 2015, KRONES acquired TRIACOS Consulting & Engineering GmbH of Altenstadt an der Waldnaab, Germany, and SCHAEFER Förderanlagen- und Maschinenbau GmbH of Unterföhring, Germany.

First-time consolidation of TRIACOS Consulting & Engineering GmbH, Altenstadt an der Waldnaab, Germany, was effected as of the time of acquisition.

■ 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 end of the reporting period of the consolidated financial statements.

Capital consolidation is performed in accordance with IFRS 3 (“Business combinations”), under which all business combinations must be accounted for using the “acquisition method” of accounting, whereby the acquired assets and liabilities are to be recognised at fair value.

Goodwill that arose before 1 January 2004 is still recognised in reserves.

Shares in the equity of subsidiaries that are not held by the parent company are reported as “non-controlling interests”.

Companies over which KRONES has the ability to exercise significant influence, that is, to participate in operating and financial policy decisions (generally by indirectly or directly holding between 20% and 50% of the voting shares), are accounted for using the equity method and initially recognised at cost. Any excess of KRONES’ share of the net fair value of the associate’s identifiable assets and liabilities over the cost of the investment is adjusted on a fair-value basis and the remaining amount is recognised as goodwill. Goodwill relating to the 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 the associate’s profit or loss post-acquisition is recognised in consolidated profit or loss. The carrying amount of the associate is increased or decreased to recognise the cumulative changes in value after the date of acquisition. KRONES’ share in the associate’s 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 the consolidation accounting.

This also applies for inter-company profits from deliveries effected or services rendered between group companies provided the amounts from these transactions are still held by the group at the end of the reporting period.

■ Currency translation

The functional currency for KRONES AG is the euro.

The financial statements of the consolidated companies that are denominated in a foreign currency are translated on the basis of the functional currency concept 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 always the relevant local currency for each subsidiary. In the consolidated

financial statements, assets and liabilities are therefore translated at the closing rate as at the end of the reporting period, 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 separate income statement and statement of comprehensive income 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 end of the reporting period. Non-monetary items in foreign currencies are stated at historical cost.

Exchange rate differences compared with the previous year arising from capital consolidation are recognised outside profit or loss (in other comprehensive income), in other profit reserves.

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		Average rate	
		31 Mar 2015	31 Dec 2014	2015	2014
us dollar	USD	1.074	1.216	1.129	1.329
British Pound	GBP	0.726	0.779	0.744	0.806
Swiss franc	CHF	1.045	1.202	1.076	1.215
Danish krone	DKK	7.470	7.445	7.449	7.455
Canadian dollar	CAD	1.369	1.407	1.397	1.467
Japanese yen	JPY	128.760	145.030	134.458	140.406
Brazilian real	BRL	3.468	3.230	3.221	3.120
Chinese renminbi (yuan)	CNY	6.596	7.437	6.934	8.168
Mexican peso	MXN	16.463	17.864	16.862	17.664
Ukrainian hryvnia	UAH	25.184	19.226	23.493	15.835
South African rand	ZAR	13.123	14.043	13.260	14.401
Kenyan shilling	KES	99.231	110.302	103.264	116.810
Nigerian naira	NGN	213.760	222.430	219.259	219.178
Russian ruble	RUB	62.473	72.700	70.880	50.927
Thai baht	THB	34.932	39.967	36.850	43.166
Indonesian rupiah	IDR	14,041.600	15,053.300	14,441.793	15,736.344
Angolan kwanza	AOA	115.979	125.027	118.415	130.472
Turkish lira	TRY	2.809	2.829	2.774	2.905
Kazakhstan tenge	KZT	199.550	222.260	208.572	238.164

■ 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. The accounting policies used in these interim financial statements are the same as those used for the financial statements prepared for the period ended 31 December 2014.

Some discretion has been used in preparing the consolidated financial statements, particularly in terms of measurement of non-current assets, inventories, receivables, pension provisions, and provisions, whose preparation requires some critical estimates and forecasts.

■ Intangible assets

Acquired and internally generated intangible assets, excluding goodwill, are capitalised 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 lives. The amortisation of intangible assets is carried out over a useful life of between three and five years and is recognised under “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 allocated clearly and the technical feasibility and a future economic benefit as a result of their use are probable. According to IAS 38, research expenditure cannot be capitalised and is, therefore, recognised as an expense directly in profit or loss. Borrowing costs are capitalised as cost at a capitalisation rate of 0.46%.

■ Goodwill

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

Testing for impairment on goodwill is done 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 represent the lowest level at which the goodwill is monitored for internal management purposes.

For impairment testing, goodwill acquired in a business combination is allocated to the cash-generating unit or group of cash-generating units that are 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 to which the

cash-generating unit or group of cash-generating units are allocated. The recoverable amount is either the fair value less costs of disposal or the value in use, whichever is higher, of the cash-generating unit or group of cash-generating units. If one of these amounts exceeds the carrying amount, it is not always necessary to determine both values. These values are based on discounted cash flow measurements. Even if the recoverable amount of the cash-generating unit or group of cash-generating units to which the 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 scheduled depreciation on a straight-line basis over their estimated useful lives. The cost of internally generated plant and equipment includes all costs that are directly attributable to the production process and an appropriate portion of overheads.

A revaluation of property, plant and equipment pursuant to IAS 16 was not carried out.

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

Useful life	In years
Buildings	14 – 50
Technical equipment and machinery	5 – 18
Furniture and fixtures and office equipment	3 – 15

In figuring the useful lives, the different components of an asset with significantly different costs were taken into account.

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 asset and recognised in profit and loss in the subsequent periods in the proportions in which depreciation expense on those 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 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 the “lease term” and its “useful life”. 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 since the lessor bears the risks and rewards.

■ Financial instruments

Financial instruments under IAS 39 used by KRONES consist 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 correspond to the fair values.

The non-current financial assets are not traded on the market and are therefore recognised at amortised cost.

The fair values and carrying amounts are based on customary market rates and observable ongoing market transactions (Level 2 under IFRS 13.72).

For Level 3 inputs under IFRS 13.72, the fair values are the same as the carrying amounts. Measurement is based on estimates from forecasts of future development.

Transactions against cash settlement are accounted for using the settlement date.

Derivative financial instruments are accounted for using the trade date.

Net gains and losses include impairments and measurement changes for derivative financial instruments and are explained in the notes to the relevant measurement categories.

Pursuant to IAS 39, the classes under IFRS 7 also include cash proceeds and liabilities from finance leases in addition to the categories listed above.

Disclosures about risk reporting as specified under IFRS 7 are included in the risk report within the consolidated management report.

■ Non-current financial assets

Non-current financial assets other than securities are recognised at cost, less impairment losses. Non-current securities are classified as “available for sale” and recognised at fair value in other comprehensive income. No assets are classified as “held to maturity”.

Moreover, the “fair value option” provided for under IAS 39 is not applied to any items on the consolidated statement of financial position for the KRONES Group.

■ Derivative financial instruments

The derivative financial instruments used within the KRONES Group are used to hedge against currency risks from operating activities.

The primary category of currency risk at KRONES is transaction risk arising from exchange rates and cash flows in foreign currencies. These currencies are, primarily, the US dollar, Canadian dollar, Japanese yen, British pound, and euro.

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

The strategy objective is to minimise currency risk by using hedging instruments that are viewed as highly effective, thus hedging the exchange rate and achieving planning security.

The derivative financial instruments are measured at fair value at the end of the reporting period. The fair values are determined using Level 2 inputs under IFRS 13.72. Gains and losses from the measurement are recognised as profit or loss on the separate 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 as a “fair value hedge” in profit or loss or a “cash flow hedge” as part of equity. 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 and subsequently reclassified to profit and loss when the hedged item affects profit or loss. These derivative financial instruments are measured on the basis of the relevant commercial bank’s forward rates.

They are derecognised only when substantially all risks and rewards of ownership are transferred.

■ 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 recognised at amortised cost. Receivables with maturities of over one year that bear no or lower interest are discounted. Impairments are recognised to take account for all identifiable risks. The indicators used for this are the ageing of the receivables and the customer's economic position.

■ Inventories

Inventories are carried at the lower of cost and net realisable value. Cost includes those costs that are directly related to the units of production and an appropriate portion of fixed and variable production overheads. The portion of overheads is determined on the basis of normal capacity of the production facilities.

Selling costs and general administrative costs are not included in the costs of inventories. For inventory risks arising from increased storage periods or reduced usability, write-downs are taken on the inventories.

For the sake of convenience in measuring materials and supplies, the FiFo and weighted average cost formulas are applied.

■ Construction contracts for specific customers

Construction contracts for specific customers are recognised by reference to the stage of completion pursuant to IAS 11 ("percentage of completion method"). Under this method, contract revenue for the line and machinery portion is recognised in accordance with the percentage of physical completion of the lines and machines at the end of the reporting period. The percentage of completion for the assembly and installation portion corresponds to the ratio of contract costs incurred up to the end of the reporting period to the total costs calculated for the assembly and installation portion. Construction contracts that are ongoing at the end of the reporting period are recognised under trade receivables.

■ Deferred tax items

Deferred tax assets and liabilities are recognised using the "liability method", which is based on the statement of financial position and involves recognising deferred tax items for all temporary differences between the tax base of an asset or liability and its carrying amount on the statement of financial position under IFRSs and for consolidation procedures recognised in profit or loss.

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 end of the reporting period as well as expected future increases in state 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 have a direct impact on the consolidated statement of financial position, resulting in an increase in provisions for pensions and similar obligations and a reduction in equity (in other comprehensive income, OCI). The separate income statement for the group is free of effects from actuarial gains and losses since these are now to be recognised in other comprehensive income. In addition, recognition of net interest was introduced. Net interest on the net defined benefit liability is determined by multiplying the net defined benefit liability by the discount rate used to measure the defined benefit obligation at the start of the annual period. Because the net defined benefit liability is reduced by any plan assets, the same discount rate is used to calculate the returns on the plan assets.

■ Partial retirement benefit obligations

According to the definition of post-employment benefits under IAS 19, the “top-up payments” promised under partial retirement agreements fall under “other long-term employee benefits”. Thus, top-up payments are 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 employee 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 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 end of the reporting period.

■ Financial liabilities

For initial recognition, in accordance with IAS 39, financial liabilities are measured at the cost that is equal to the fair value of the consideration received. Transaction costs are included in this initial measurement of financial liabilities. After initial recognition, all financial liabilities are measured at amortised cost.

■ Revenue

With the exception of those contracts that are measured according to IAS 11, revenue is 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 economic benefit from the sale of goods is sufficiently probable.

Revenue is reported less reductions.

■ Segment reporting

KRONES reports on three operating segments, which are the strategic business units. They are organised by product divisions and services and managed separately due to the different technologies they cover. The Executive Board, as the chief operating decision maker, manages the company as a whole on the basis of monthly reports from the segments.

Segment 1 comprises machines and lines for product filling and decoration. Segment 2 comprises machines and lines for beverage production and process technology. Segment 3 comprises machines and lines for the low output range.

The accounting policies used are the same as those described under “General disclosures” above.

Segment performance is measured on the basis of internal reports made to the Executive Board, in particular, segment revenues and segment EBT.

Intrasegment transfers are conducted under the same conditions as transfers among third parties. Intersegment revenues are negligible.

■ Events after the end of the reporting period

In April 2015, the company acquired a 100% stake in the Gernep Group of Barbing, Germany. With the acquisition, KRONES is strengthening its activities relating to labelling machinery for the low and medium output ranges. The transaction is still subject to approval by anti-trust authorities.

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 Gebrauchtmachines GmbH, Neutraubling, Germany	100.00
EVOGUARD GmbH, Nittenau, Germany	100.00
MAINTEC Service GmbH, Collenberg/Main, Germany	100.00
KLUG GmbH Integrierte Systeme, Teunz, Germany	26.00
SYSKRON Holding GmbH, Wackersdorf, Germany	100.00
SYSKRON GmbH, Wackersdorf, Germany	100.00
TRIACOS Consulting & Engineering GmbH, Altenstadt an der Waldnaab, Germany	100.00
HST Maschinenbau GmbH, Dassow, Germany	100.00
SCHAEFER Förderanlagen- und Maschinenbau GmbH, Unterföhring, Germany	100.00
TILL GmbH, Hofheim, Germany	50.97
S.A. KRONES N.V., Louvain-la-Neuve, Belgium	100.00
MAINTEC Service eood, Sofia, Bulgaria	100.00
KRONES Nordic ApS, Holte, Denmark	100.00
KRONES S.A.R.L., Lyon, France	100.00
KRONES UK Ltd., Bolton, UK	100.00
KRONES S.R.L., Garda (VR), Italy	100.00
KOSME S.R.L., Roverbella, Italy	100.00
KRONES Kazakhstan TOO, Almaty, Kazakhstan	100.00
KRONES Nederland B.v., Bodegraven, Netherlands	100.00
KOSME Gesellschaft mbH, Sollenau, Austria	100.00
KRONES Spółka z.o.o., Warsaw, Poland	100.00
KRONES Portugal Equipamentos Industriais Lda., Barcarena, Portugal	100.00
KRONES o.o.o., Moscow, Russian Federation	100.00
KRONES Romania Prod. s.r.l., Bucharest, Romania	100.00
KRONES AG, Buttwil, Switzerland	100.00
KRONES Iberica, s.a., Barcelona, Spain	100.00
KRONES S.R.O., Prague, 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 Angola – Representacoes, Comercio e Industria, Lda., Luanda, Angola	100.00
KRONES Surlatina s.a., Buenos Aires, Argentina	100.00
KRONES do Brazil Ltda., São Paulo, Brazil	100.00
KRONES S.A., São Paulo, Brazil	100.00
KRONES Machinery (Taicang) Co. Ltd., Taicang, China	100.00
KRONES Trading (Taicang) Co. Ltd., Taicang, China	100.00
KRONES Asia Ltd., Hong Kong, 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 Machinery Co. Ltd., Mississauga, Ontario, Canada	100.00
KRONES LCS Center East Africa Limited, Nairobi, Kenya	100.00
KRONES Andina Ltda., Bogotá, Colombia	100.00
KRONES Korea Ltd., Seoul, Korea	100.00
KRONES Mex S. A. DE C. V., Mexico D. F., Mexico	100.00
KRONES LCS Center West Africa Limited, Lagos, Nigeria	100.00
KRONES Southern Africa (Prop.) Ltd., Johannesburg, South Africa	100.00
KRONES (Thailand) Co. Ltd., Bangkok, Thailand	100.00
KRONES, Inc., Franklin, Wisconsin, USA	100.00
Maquinarias KRONES de Venezuela s.a., Caracas, Venezuela	100.00

* Direct and indirect shareholdings

Members of the Supervisory Board and the Executive Board

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

Supervisory Board

Ernst Baumann

Chairman of the Supervisory Board
* ZF FRIEDRICHSHAFEN AG

Werner Schrödl**

Chairman of the Group Works Council
Chairman of the Central Works Council
Deputy Chairman of the Supervisory Board
* ADVISORY BOARD OF BAYERISCHE BETRIEBSKRANKENKASSEN

Klaus Gerlach**

Head of Central International Operations and Services

Norman Kronseder

Farmer and forester
* BAYERISCHE FUTTERSAAATBAU GMBH

Philipp Graf

von und zu Lerchenfeld
Member of the German Bundestag, Dipl.-Ing. agr., auditor and tax consultant

Dr. Alexander Nerz

Attorney

Dr. Verena Di Pasquale**

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

Johann Robold**

Member of the Works Council

Petra Schadeberg-Herrmann

Managing partner at KROMBACHER FINANCE GMBH, SCHAWEI GMBH, DIVERSUM HOLDING GMBH & CO. KG
* CHOCOLADEFABRIKEN LINDT & SPRÜNGLI AG
* COMMERZBANK AG

Jürgen Scholz**

1st authorised representative and treasurer of the IG METALL administrative office in Regensburg
* INFINEON TECHNOLOGIES AG

Hans-Jürgen Thaus

Former deputy chairman of KRONES AG
* MASCHINENFABRIK RHEINHAUSEN GMBH
* KURTZ HOLDING GMBH & BETEILIGUNGS KG
* SCHULER AG

Josef Weitzer**

Deputy Chairman of the Group Works Council
Deputy Chairman of the Central Works Council
Chairman of the Works Council in Neutraubling
* SPARKASSE REGENSBURG

Executive Board

Volker Kronseder

Chairman
Human Resources, Communications and Quality

Christoph Klenk

Finance, Controlling and Information Management

Rainulf Diepold

Sales and Marketing

Thomas Ricker

Bottling and Packaging Equipment

Markus Tischer

International Operations and Services

Ralf Goldbrunner

Plants and Components

* 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.

Glossary

Cash flow	All inflows and outflows of cash and cash equivalents during a period.
DAX	Deutscher Aktienindex (DAX). Index containing the 30 biggest German companies (based on market capitalisation and trading volume).
EBIT	Earnings before interest and taxes.
EBITDA	Earnings before interest, taxes, depreciation and amortisation.
EBT	Earnings before taxes.
EBT margin	Measure of profitability. Ratio of earnings before taxes to sales. (Return on sales).
Equity	Funds made available to the company by the owners by way of contribution and/or investment plus retained earnings.
Fixed assets	Subset of non-current assets. In the context of this report, fixed assets include property, plant and equipment, intangible assets, and non-current financial assets.
Free cash flow	Measure of financial performance calculated as the cash flow from operating activities minus cash flow from investing activities. It is the cash available to pay dividends, reduce debt, or to be retained.
Free float	Portion of the total number of shares outstanding that is available to the public for trading (i.e. not held by big investors).
IFRSs	International Financial Reporting Standards. Accounting standards issued by the International Accounting Standards Board (IASB) that are harmonised and applied internationally.
Market capitalisation	The value of a company based on the market price of issued and outstanding ordinary shares. Calculated by multiplying the share price by the number of shares.
MDAX	Index that contains the 50 biggest German and non-German companies (based on market capitalisation and trading volume) in the traditional sectors after those included in the DAX.
Net cash and equivalents	Cash and highly liquid securities under current assets less liabilities to banks.
Return on equity before taxes	Ratio of earnings before taxes to average equity.
ROCE (assets side)	Ratio of EBIT to the average sum of fixed assets and working capital.
ROCE (liabilities side)	Ratio of EBIT to average capital employed (total assets less interest-free liabilities and interest-free other provisions).
Statement of cash flows	Statement of inflows and outflows of cash that shows the sources and uses of funds within the financial year.
Total debt	Combined term for the provisions, liabilities, and deferred income stated on the liabilities side of the balance sheet.
Total operating performance	Referred to as “total operating revenue” in previous reports, this figure is the sum of “revenue” and “changes in inventories of finished goods and work in progress”.
Working capital	Calculated as follows: (trade receivables + inventories + prepayments) – (trade payables + advances received)
XETRA trading system	Deutsche Börse AG’s electronic stock market trading system.



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Financial calendar

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23 July 2015 Interim report for the period ended 30 June 2015
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 **KRONES**