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Q2.2005

KRONES

		First half 2005	First half 2004	Change
Sales	in € m	820.6	770.4	6.5 %
Earnings after taxes	in € m	36.5	35.5	2.8 %
New orders, cumulative				
including lifecycle service	in € m	837.9	784.9	6.8 %
Orders on hand as of 30th June				
including lifecycle service	in € m	666.3	629.2	5.9 %
Capital expenditures	in € m	29.2	13.5	116.3 %
Employees as of 30th June				
Worldwide		8,955	8,724	2.6 %
Germany		7,332	7,214	1.6 %
Earnings per share *	€	3.47	3.37	2.8 %
EBIT	Mio. €	53.3	59.5	–10.4 %
Cash flow	Mio. €	59.3	56.3	5.3 %

* Diluted and basic

Dear shareholders and friends of KRONES,

The KRONES GROUP achieved continued growth in the first half of 2005 as planned. New orders were up 6.8 % on the same period of the previous year, to € 837.9 m. Sales revenues were also up 6.5 %, to € 820.6 m, and orders on hand at 30th June totalled € 666.3 m, for a 5.9 % increase on the previous year's figure. We expect additional momentum to come in September when drinktec, the world's premiere trade fair for the beverage industry, takes place in Munich. drinktec is held only once every four years.

Group earnings after taxes in the first six months of the year totalled € 36.5 m, outperforming the previous year by 2.8%. Results from ordinary business activities were down 9.8 % to € 53.5 m due to continued heavy price pressures and losses from a large-scale order in process technology. On the other hand, we achieved an 8.0 % return on sales in our core area, systems engineering, with earnings before taxes of € 55.9 m.

By restructuring our process technology segment and integrating the companies formerly operating as STEINECKER GMBH and SYSKRON GMBH into KRONES AG, we are laying the groundwork for more streamlined, more efficient processes and for minimising risk. The plant agreement we reached with our employees did not yield the earnings results we had hoped for in the first months. However, we are confident that this will improve once the launch stage is complete. Although we have not fully achieved all of our goals, the current figures confirm that our strategy is the right one and that we should continue to implement it systematically. As we have done for the past several years, we will make 2005 another successful year for our shareholders. And the name KRONES will continue to stand for success.

Volker Kronseder
Chairman of the Executive Board

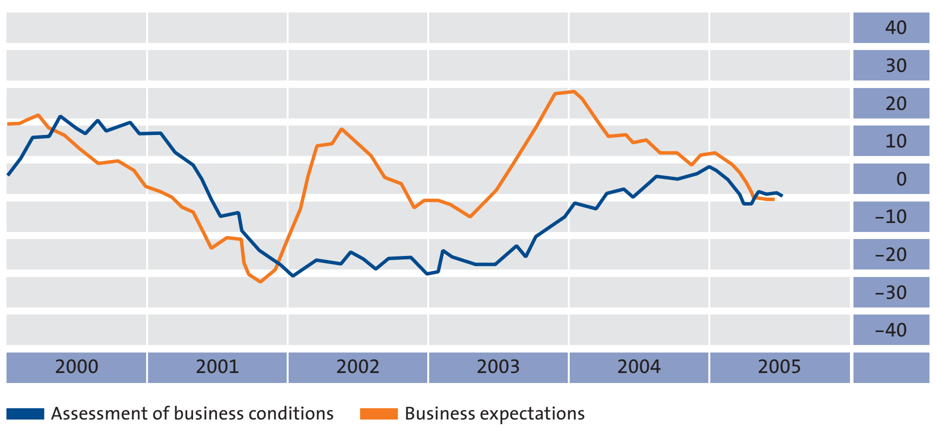
Hans-Jürgen Thaus
Deputy Chairman of the Executive Board

Global economy continues to grow

The global economy is still growing strong. According to forecasts made by leading economic research institutions since the end of the second quarter, the global economy will grow by four percent in 2005, at a pace only slightly slower than 2004. Once again, the US and China will drive this growth. The picture for the euro area countries also remained unchanged, with growth unlikely to exceed 1.3 % due to a continued lack of domestic demand. According to forecasts, German economic growth will remain well below one percent of GDP.

Although the business climate in Germany improved somewhat at the end of the second quarter, most of the economy's momentum is still coming from exports. And Germany's machinery and industrial equipment manufacturers, which are heavily oriented toward international business, felt a slight decline in foreign orders for the first time in two years. On the whole, improved business sentiment due to the euro's weakening against the dollar and the upcoming general elections this fall do not yet indicate an economic upswing.

Business conditions and expectations for manufacturing in Germany



Source: ifo Institute for Economic Researchforschung

KRONES maintains course for growth

Continued heavy price pressures and consolidation among some of our competitors curbed profits.

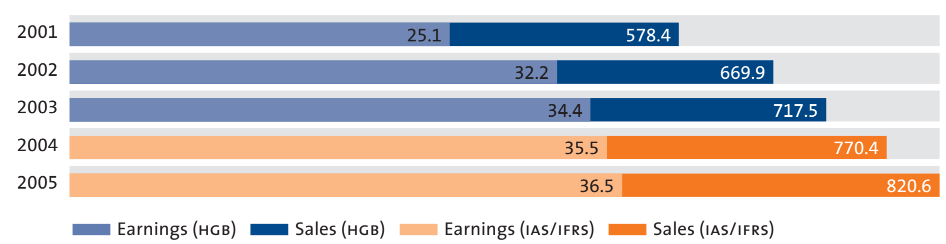
In the first six months of the fiscal year, we achieved the targets we had set in terms of new orders and sales, with new orders up 6.8 % and sales up 6.5 %. However, at 2.8 %, the increase in earnings did not meet our expectations. The reason for this lies in losses from a large-scale order in our process technology segment as well as continued heavy price pressures caused by new consolidation among customers and competitors, which has a negative impact on profit margins.

In order to continue to be successful despite the cooling global economy, higher steel prices, and heavy price pressures, we reached an agreement with KRONES GROUP employees at the start of the year under which our employees agree to work longer, more flexible hours to allow us to produce less expensively. Targeted insourcing measures and increased in-house production volume have not yet yielded the earnings results expected for the first half of 2005.

We expect to achieve greater efficiency through the integration of our subsidiaries STEINECKER and SYSKRON into KRONES AG. This step was made official when the annual shareholders' meeting gave its approval, effective retroactively to 1st January 2005. This move is in response to rising customer demands for integrated solutions, consistent production processes, and centralised project management. Our Freising site will continue to operate, although STEINECKER and SYSKRON employees will become KRONES AG employees.

The companies' integration will create centralised management for sales, project management, and customer service. In future, we will also conduct research and development under a single »roof«. We expect this unified presence to also yield more streamlined business processes, optimised production processes, greater flexibility in our production capacities, and considerable cost savings, all of which will help us further improve our competitiveness.

KRONES GROUP sales and earnings as of 30th June, in € m



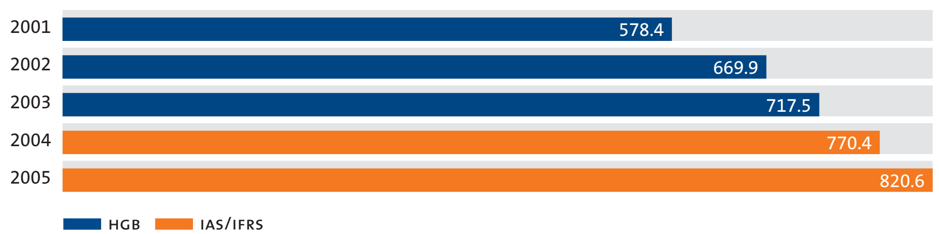
While sales were up sharply by more than € 50 m in the first half of 2005, profits growth was less than proportionate.

Sales up 6.5 percent

Under IAS/IFRS, KRONES GROUP sales in the first half of 2005 were up 6.5% on the same period of the previous year, to € 820.6 m (H1 2004: € 770.4 m). At € 416.1 m, sales revenues for the second quarter exceeded the comparative value for the previous year (€ 387.0 m) by 7.5% and were also considerably higher than the first quarter's € 404.5 m.

At € 820.6 m, sales in the first half outpaced the year-earlier period by 6.5%.

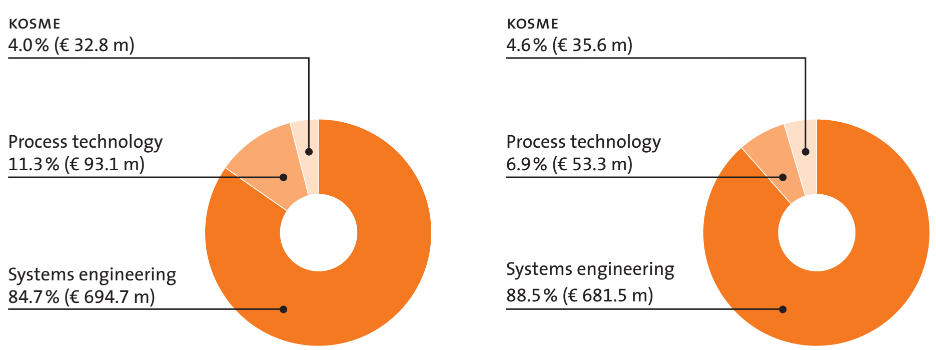
KRONES GROUP sales as of 30th June, in € m



»Systems engineering« – our strongest segment, accounting for around 85% of total sales – increased first-half sales by 1.9% over the same period of the previous year, to € 694.7 m. Return on sales before taxes was 8.0%.

Our »process technology« segment generated sales of € 93.1 m. With the partial completion of a large-scale order, this makes for a 74.7% increase over the first half of 2004 (€ 53.3 m). However, the return on sales before taxes fell to –3.2% due to losses from the same order. Our »KOSME« segment generated sales of € 32.8 m, underperforming the previous year (€ 35.6 m) by 7.9%, with a 1.8% return on sales before taxes.

KRONES GROUP sales, by segment



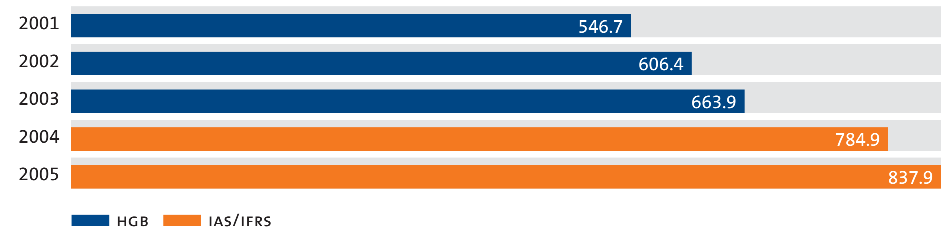
Sales as of 30th June 2005: € 820.6 m

Sales as of 30th June 2004: € 770.4 m

New orders up 6.8 percent

New orders in the first half totalled € 837.9 m, outpacing the first six months of the previous year (€ 784.9 m) by 6.8%.

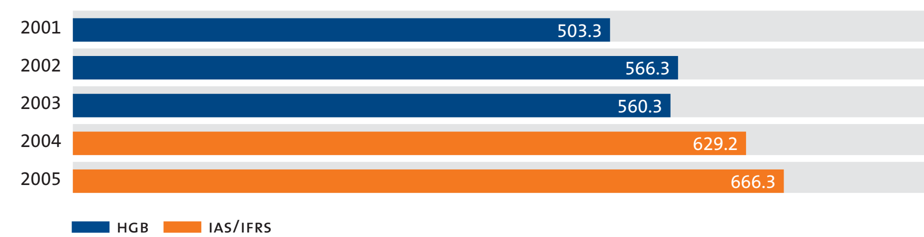
KRONES GROUP orders received as of 30th June, in € m



Orders on hand up 5.9 percent

Orders on hand for the KRONES GROUP amounted to € 666.3 m, as of the reporting date of 30th June 2005, 5.9% above the 30th June 2004 figure (€ 629.2 m). This corresponds to a capacity utilisation of around five and a half months.

KRONES GROUP orders on hand as of 30th June, in € m

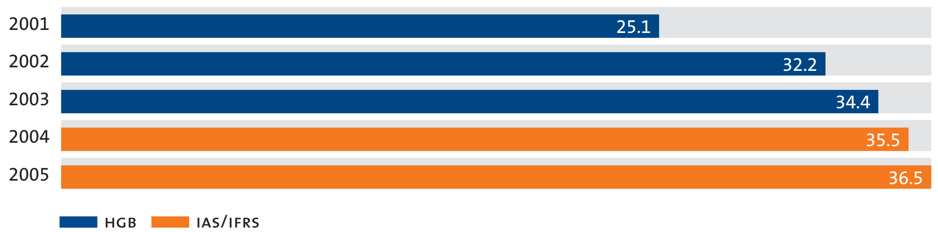


KRONES GROUP maintains strong orders backlog.

Profits up 2.8 percent

Earnings after taxes amounted to € 36.5 m for the first six months of the year, up 2.8 % from the first half of the previous year (€ 35.5 m) under IAS/IFRS.

KRONES GROUP earnings after taxes as of 30th June, in € m



Losses from a large-scale order in the process technology segment and increasing price pressures precluded a more-than-proportionate improvement in earnings. Thus, the result from ordinary business activities was down 9.8 % against the previous year (€ 59.3 m), to € 53.5 m.

Assets, financial position, and results of operations

At the reporting date, the KRONES GROUP's total assets amounted to € 1,177.9 m (31st December 2004: € 1,154.7 m), with current assets (including prepaid expenses) amounting to € 792.3 m (31st December 2004: € 796.8 m).

KRONES GROUP balance sheet structure, in € m

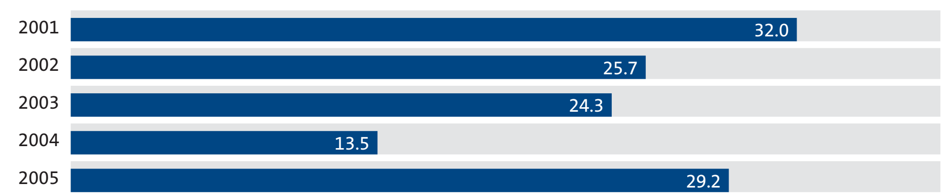
	30th June	31st December
Assets		
Property plant and equipment, intangible assets, and financial assets	341.7	335.9
Other non-current assets	43.9	22.0
Inventories	354.3	322.8
Receivables, other current assets, prepaid expenses and accrued income	433.7	398.9
Cash and cash equivalents	4.3	75.1
Shareholders' equity and liabilities		
Shareholders' equity	560.6	545.9
Provisions	318.9	295.7
Other non-current liabilities	33.4	28.3
Financial liabilities	7.6	1.2
Other current liabilities, deferred income	257.4	283.6
Balance sheet total	1,177.9	1.154.7

In terms of the source of funds, we maintained a favourable ratio of debt to equity. The equity ratio rose to 47.6 % (31st December 2004: 47.3 %), which indicates a very sound financial structure. At € 318.9 m, provisions were up 7.8 % from the previous year's level (31st December 2004: € 295.7 m). Other current liabilities within the group declined 9.2 % to € 257.4 m (31st December 2004: € 283.6 m), which corresponds to 21.9 % of total shareholders' equity and liabilities. Liabilities to banks amount to € 7.6 m.

Capital expenditures

Of the capital expenditures for 2005 and 2006 that have been approved as part of our pact for the future, which total around € 127 m, we have already spent € 29.2 m on measures aimed at streamlining processes and increasing productivity in the first half of 2005. In the same period of 2004, we spent € 13.5 m on such measures.

KRONES GROUP capital expenditures as of 30th June, in € m



KRONES GROUP employees as of 30th June

Employees

As of 30th June 2005, the KRONES GROUP employed 8,955 people worldwide (31st December 2004: 8,897). The increase in employees in the first half of the year resulted from the expansion of the new »process technology« segment and the launch of spare parts production in China.

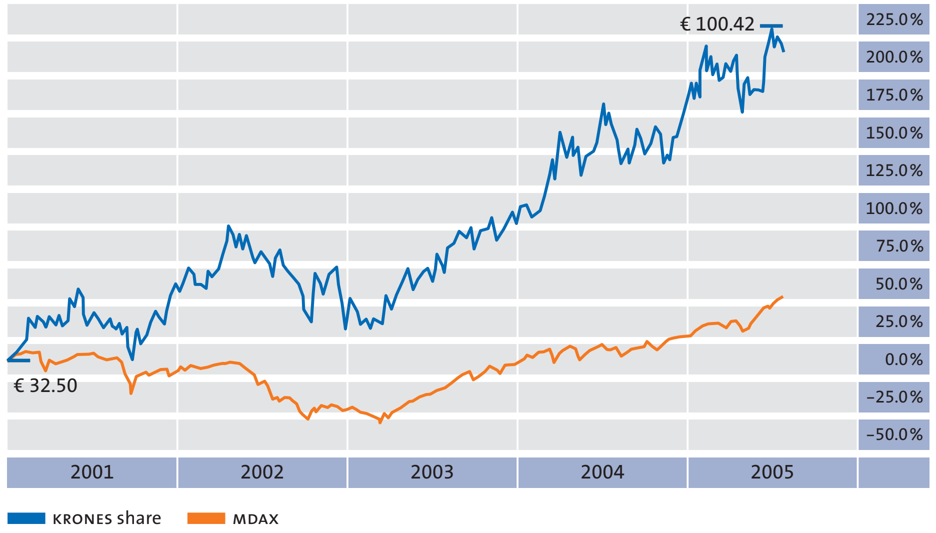
KRONES share passes the € 100 mark

The first half of 2005 has been surprisingly favourable for the KRONES share. The major stock market indexes have made considerable gains. The German stock market was among those giving investors substantial gains, with the MDAX rising 17.6 %. The KRONES share, which trades on the MDAX, closed at € 100.00 on 30th June after having climbed as high as € 103.99 during trading. This represents an increase of around 21 % from the € 85.99 with which the share started the year.

The KRONES share passes the € 100 mark for the first time.

KRONES share

The KRONES share from 2000 to 2005



Outlook

Our first-half figures have reinforced our desire to grow. As part of our strategic planning, we are anticipating a five to ten percent increase in sales for the year. We are aiming to further increase profits. At the moment, it is impossible to predict how the market will react if our competitors push their way in, sometimes with extreme price cuts. However, given current trends, we believe we are well positioned.

We are looking to the second half of the year with reserved optimism as we see ourselves facing even more intense competition. Nevertheless, we believe that we will be able to maintain the positive trend in our operating results as set by our interim results. Several things suggest that this will be the case, including the roughly six percent increase in orders on hand as well as the more efficient processes that will result from the integration of our former subsidiaries. The plant agreement made at the start of this year and the anticipated improvements in our cost structures will also lend strength to this development.

And finally, drinktec, the world's largest trade fair for the beverage industry, takes place this fall in Munich and the entire industry is expecting it to bring new momentum and good sales.

KRONES GROUP consolidated interim financial statements

KRONES GROUP consolidated balance sheet
as of 30th June 2005 IAS/IFRS

Assets	30 June 05	31 Dec 04
	in € m	in € m
Intangible assets	47.8	43.7
Property, plant, and equipment	269.7	267.3
Non-current financial assets	24.2	24.9
Other non-current assets	43.9	22.0
Non-current assets	**385.6**	357.9
Inventories	354.3	322.8
Trade receivables	380.0	329.7
Receivables from affiliated companies	19.8	6.2
Other current assets	29.1	56.7
Cash and cash equivalents	4.3	75.1
Current assets	**787.5**	790.5
Prepaid expenses and accrued income	**4.8**	6.3
Total assets	**1,177.9**	1,154.7

Liabilities and shareholders' equity	30 June 05	31 Dec 04
	€ m	€ m
Shareholders' equity	**560.6**	545.9
Provisions for pensions	61.0	59.8
Other non-current liabilities	33.4	28.3
Non-current liabilities	**94.4**	88.1
Provisions	116.1	121.9
Liabilities to banks	7.6	1.2
Trade payables	76.9	114.6
Liabilities to affiliated companies	3.1	1.6
Provisions for contingencies	141.8	114.0
Other liabilities	175.9	166.1
Current liabilities	**521.4**	519.4
Deferred income	**1.5**	1.3
Total liabilities and shareholders' equity	**1,177.9**	1,154.7

KRONES GROUP consolidated income statement as of 30th June 2005 IAS/IFRS

	2005	2004	Change
	1 Jan – 30 June	1 Jan – 30 June	
	€ m	€ m	%
Sales revenues	**820.6**	770.4	6.5 %
Changes in inventories of finished goods and work in progress	–2.4	–2.6	
Total operating revenue	**818.2**	767.8	6.6 %
Raw materials and consumables used	–393.9	–364.7	8.0 %
Gross profit	**424.3**	403.1	5.3 %
Personnel expenses	–263.7	–244.6	7.8 %
Other operating income/expenses and capitalised research and development expense	–84.5	–78.2	8.1 %
Depreciation and amortisation of non-current assets	–22.8	–20.8	9.6 %
Financial income/expense	0.2	–0.2	
Results from ordinary business activities	**53.5**	59.3	–9.8 %
Taxes on income	–17.0	–23.8	–28.6 %
Earnings after taxes	**36.5**	35.5	2.8 %

	2005	2004	Change
	2nd Quarter	2nd Quarter	
	€ m	€ m	%
Sales revenues	**416.1**	387.0	7.5 %
Changes in inventories of finished goods and work in progress	–11.6	–6.2	
Total operating revenue	**404.5**	380.8	6.2 %
Raw materials and consumables used	–192.9	–180.3	7.0 %
Gross profit	**211.6**	200.5	5.5 %
Personnel expenses	–134.9	–121.2	11.3 %
Other operating income/expenses and capitalised research and development expense	–41.1	–35.6	15.4 %
Depreciation and amortisation of non-current assets	–11.4	–11.3	0.9 %
Financial income/expense	0.0	–0.6	
Results from ordinary business activities	**24.2**	31.8	–23.9 %
Taxes on income	–5.3	–12.8	–58.6 %
Earnings after taxes	**18.9**	19.0	–0.5 %

KRONES GROUP consolidated cash flow statement as of 30th June 2005 IAS/IFRS

	2005	2004
	6 months	6 months
	in € m	in € m
Net income or loss for the period	36.5	35.5
Depreciation and amortization of non-current assets	22.8	20.8
Increase in provisions	23.2	13.1
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	–88.2	–80.1
Decrease in trade payables and other liabilities not attributable to investing or financing activities	–21.1	–9.5
Cash flow from operating activities	**–26.9**	–20.6
Proceeds from the disposal of non-current assets	0.4	1.2
Cash payments to acquire property, plant, and equipment	–18.7	–10.8
Cash payments to acquire intangible assets	–10.5	–7.4
Cash payments to acquire consolidated companies and other business entities	–3.7	–1.5
Cash flow from investing activities	**–32.5**	–18.5
Cash payments to shareholders/minority shareholders	–13.7	–11.9
Increase of bonds and loans	6.4	–1.7
Cash flow from financing activities	**–7.3**	–13.6
Changes to cash and cash equivalents	–66.7	–52.7
Changes to cash and cash equivalents due to exchange rates, consolidation, and valuation	–4.1	1.4
Cash and cash equivalents at beginning of the period (1st January)	**75.1**	56.0
Cash and cash equivalents at end of the period (30th June)	**4.3**	4.7

Consolidated statement of changes in equity of the KRONES GROUP
as of 30th June 2005 IAS/IFRS

	Parent company								Minority interests			Konzern-
	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**
Dividend payments	—	—	—	—	—	–11.9	—	**–11.9**	—	—	**0.0**	**–11.9**
Net income (first half 2004)	—	—	—	—	—	—	35.2	**35.2**	—	0.3	**0.3**	**35.5**
Allocations to retained earnings	—	—	14.0	—	—	–14.0	—	**0.0**	—	—	**0.0**	**0.0**
Currency differences	—	—	—	0.4	—	—	—	**0.4**	—	—	**0.0**	**0.4**
Changes in the consolidated group	—	—	—	—	—	—	—	**0.0**	—	—	**0.0**	**0.0**
Hedge accounting	—	—	—	—	–1,2	—	—	**–1.2**	—	—	**0.0**	**–1.2**
As of 30th June 2004	**26.9**	**103.7**	**303.8**	**0.4**	**2.9**	**44.7**	**35.2**	**517.6**	**0.4**	**2.0**	**2.4**	**520.0**
Net income (second half 2004)	—	—	—	—	—	—	26.7	**26.7**	—	0.1	**0.1**	**26.8**
Allocations to retained earnings	—	—	25.0	—	—	–25.0	—	**0.0**	—	—	**0.0**	**0.0**
Currency differences	—	—	—	–2.9	—	—	—	**–2.9**	—	—	**0.0**	**–2.9**
Changes in the consolidated group	—	—	–0.3	—	—	—	—	**–0.3**	–0.6	0.1	**–0.5**	**–0.8**
Hedge Accounting	—	—	—	—	2,8	—	—	**2.8**	—	—	**0.0**	**2.8**
As of 31st Dezember 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**
Dividend payments	—	—	—	—	—	–13.7	—	**–13.7**	—	—	**0.0**	**–13.7**
Net income (first half 2005)	—	—	—	—	—	—	36.7	**36.7**	—	–0.2	**–0.2**	**36.5**
Allocations to retained earnings	—	—	15.5	—	—	–15.5	—	**0.0**	—	—	**0.0**	**0.0**
Currency differences	—	—	—	5.7	—	—	—	**5.7**	—	—	**0.0**	**5.7**
Changes in the consolidated group	—	—	–3.5	—	—	—	—	**–3.5**	0.2	–0.4	**–0.2**	**–3.7**
Hedge accounting	—	—	—	—	–10.1	—	—	**–10.1**	—	—	**0.0**	**–10.1**
As of 30th June 2005	**26.9**	**103.7**	**340.5**	**3.2**	**–4.4**	**52.4**	**36.7**	**559.0**	**0.0**	**1.6**	**1.6**	**560.6**

Reconciliation of shareholders' equity	1 Jan 2004	30 June 2004	31 Dec 2004
	€ m	€ m	€ m
Equity under German Commercial Code (HGB)	**435.1**	**461.1**	**482.6**
Valuation of non-current assets	21.1	21.2	21.3
Deferred tax items	14.0	12.9	8.8
Capitalised research and development expense	13.9	19.3	28.9
Valuation of other assets	13.2	11.0	6.1
Market valuation of derivative financial instruments	4.1	2.9	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	–12.5	–11.2
Miscellaneous	1.0	0.9	0.6
Equity under IAS/IFRS	**497.2**	**520.0**	**545.9**

Reconciliation of net income	30 June 2004	31 Dec 2004
	€ m	€ m
Net Income under German Commercial Code (HGB)	**35.0**	61.8
Capitalised research and development expense	5.4	15.0
Finance leases	0.1	0.3
Valuation of non-current assets	0.1	0.2
Valuation of other assets	–2.3	–7.1
Deferred tax items	–0.5	–5.2
Valuation of provisions for pensions	–2.5	–1.2
Consolidation procedures	–0.3	–1.1
Valuation of other provisions	0.0	–0.1
Miscellaneous	0.5	–0.3
Net income under IAS/IFRS	**35.5**	62.3

KRONES GROUP segment reporting
January – June 2005 IAS/IFRS

	Process technology for beverage production/ process technology		Systems engineering for product filling and decoration		KOSME for the low output range		KRONES GROUP	
	2005 6 months in € m	2004 6 months in € m	2005 6 months in € m	2004 6 months in € m	2005 6 months in € m	2004 6 months in € m	2005 6 months in € m	2004 6 months in € m
Sales revenues	93.1	53.3	694.7	681.5	32.8	35.6	820.6	770.4
Net income	–3.0	–0.9	55.9	57.1	0.6	3.1	53.5	59.3
Jahresüberschuss	–3.9	–1.3	40.1	35.2	0.3	1.6	36.5	35.5
Employees as of 30th June*	618	587	7,672	7,553	407	390	8,697	8,530
Return on sales	–3.2%	–1.7%	8.0%	8.4%	1.8%	8.7%	6.5%	7.7%

* 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 30th June 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 30th June 2005 on 27th July 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 30th 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. Moreover, KOSME S.R.L.., Roverbella of Italy has also acquired a 35 % stake in COSTEC S.R.L., Roverbella of Italy and another 13 % stake in KEBER S.R.L. Roverbella of Italy.

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	
		30 June 2005	31 Dec 2004	2005	2004
US dollar	USD	1.20	1.36	1.28	1.24
British pound	GBP	0.67	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	1.48	1.66	1.59	1.62
Japanese yen	JPY	133.50	139.72	136.24	134.44
Brazilian real	BRL	2.83	3.62	3.29	3.64
Mexican peso	MXN	12.92	15.23	14.20	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.

Financial Diary

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April 2006	Balance Sheet Press Conference

For exact details, please visit our website.

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